

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

OCTOBER 15, 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. | <u>INTRODUCTION OF MEETING</u> | Master Page No. |
| II. | <u>APPROVAL OF AGENDA</u> | 1 - 3 |
| III. | <u>APPROVAL OF MINUTES</u> | |
| | A. Disability Meeting of October 1, 2012. | 4 - 11 |
| IV. | <u>CONSENT AGENDA</u> | |
| <p>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.</p> | | |
| | A. Regular and Deferred Retirements and Survivors Continuances for the Month of September 2012. | 12 |

IV. CONSENT AGENDA (continued)

- | | |
|---|---------|
| B. Report of Checks Disbursed in September 2012. | 13 - 20 |
| C. Asset Allocation as of September 2012. | 21 |
| D. Statement of Reserves as of June 30, 2012. | 22 |
| E. Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, and Investments & Cash Equivalents for the Month Ended July 31, 2012. | 23 - 25 |
| F. Budget Summary – Year to Date as of August 2012, Fiscal-Year 2012-13. | 26 |
| G. Budget Summary – Year to Date as of September 2012, Fiscal-Year 2012-13. | 27 |

END OF CONSENT AGENDA

V. INVESTMENT INFORMATION

- | | |
|---|-----------|
| A. BlackRock Investment Presentation, Anthony Freitas, CFA and Stephanie Hill. (30 minutes) | 28 - 78 |
| B. BlackRock Securities Lending Update, Anthony Freitas, CFA and Stephanie Hill. (5 minutes) | 79 - 83 |
| C. Reams Asset Management Investment Presentation, Mark M. Egan, CFA. (30 minutes) | 84 - 103 |
| D. Western Asset Management Company Investment Presentation, Joseph C. Carieri and Julien A. Scholnick, CFA. (30 minutes) | 104 - 151 |
| E. Hewitt Ennisknupp, Russ Charvonja, ChFC, CFP, Esq. and Kevin Chen. | |
| 1. Monthly Manager Performance Report, September 2012. | 152 - 157 |

V. INVESTMENT INFORMATION (continued)

E. Hewitt Ennisknupp (continued)

2. Highlights and Research, October 2012. 158 - 288

- a. Loomis Bank Loans (Action Requested)
- b. PIMCO Global Fixed Income
- c. Securities Lending Report
- d. RREEF Ownership
- e. Guggenheim Update
- f. QE3 Paper
- g. Guideline Review by Manager

VI. NEW BUSINESS

A. Quarterly PAS (VCERIS) Report. 289 - 328

B. Pension Data Disclosure. 329 - 339

C. Quarterly Retirement Administrator Report. 340 - 343

**D. Conference Report: Opal Investment Trends Summit
on September 12-14, 2012 – Trustee Judge Hintz. 344 - 348**

E. SACRS Fall 2012 Conference Legislative Items. 349 - 361

VII. PUBLIC COMMENT

IX. BOARD MEMBER COMMENT

X. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

OCTOBER 1, 2012

MINUTES

**DIRECTORS
PRESENT:**

William W. Wilson, Chair, Public Member
Tracy Towner, Vice Chair, Safety Employee Member
Steven Hintz, Treasurer-Tax Collector
Albert G. Harris, Public Member
Robert Hansen, General Employee Member
Tom Johnston, General Employee Member
Arthur E. Goulet, Retiree Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member

**DIRECTORS
ABSENT:**

Peter C. Foy, Public Member
Joseph Henderson, Public Member

**STAFF
PRESENT:**

Donald C. Kendig, Retirement Administrator
Lori Nemiroff, Assistant County Counsel
Angie Tolentino, Retirement Specialist
Chantell Garcia, Program Assistant

PLACE:

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

TIME:

9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Disability Meeting of October 1, 2012, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Mr. Harris moved, seconded by Mr. T. Johnston to approve the agenda.

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

III. APPROVAL OF MINUTES

A. Disability Meeting of September 10, 2012.

MOTION: Judge Hintz moved, seconded by Mr. Harris to approve the minutes of September 10, 2012.

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

B. Business Meeting of September 17, 2012.

MOTION: Mr. Goulet moved, seconded by Mr. C. Johnston to approve the minutes of September 17, 2012.

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

IV. PENDING DISABILITY APPLICATION STATUS REPORT

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

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service Connected Disability Retirement; Alfred Bustillos, Case No. 10-004.

1. Application for Service Connected Disability Retirement and Supporting Documentation.
2. Hearing Notice.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- A. Application for Service Connected Disability Retirement; Alfred Bustillos, Case No. 10-004. (continued)

Paul Hilbun was present representing the County of Ventura, Risk Management. Laurence D. Grossman, Attorney at Law, was present representing the applicant, Alfred Bustillos, who was also present.

Both parties declined an offer to make a statement.

MOTION: Mr. Towner moved, seconded by Mr. Harris, to grant the applicant, Alfred Bustillos, a service connected disability retirement.

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

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

- B. Application for Non-Service Connected Disability Retirement; Kathryn L. Martinez, Case No. 12-005.

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

2. Hearing Notice.

Paul Hilbun was present representing the County of Ventura, Risk Management. The applicant, Kathryn L. Martinez, was present representing herself.

Both parties accepted into the record pages 247 through 280 of the Application for Non-Service Connected Disability Retirement.

Both parties declined an offer to make a statement.

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

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

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

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

**C. Application for Service Connected Disability Retirement; Lee M. Bowman,
Case No. 10-020.**

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Irene P. Ayala, dated June 11, 2012.
2. Respondent's Reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated June 12, 2012.
3. Hearing Notice.

Stephen D. Roberson, Attorney at Law, was present representing the County of Ventura, Risk Management. The applicant, Lee M. Bowman, was present representing himself.

Mr. Bowman stated that he did not receive a copy of the Hearing Officer's recommendation regarding his case and that he was not sure if he was represented by legal counsel.

Mr. Roberson stated that Mr. Bowman had been represented by legal counsel and they received a copy of the Hearing Officer's recommendation and they did not file an objection to the Hearing Officer's recommendation. Currently that is the status of the case.

MOTION: Mr. Goulet moved, seconded by Mr. Towner, to continue this case to the next disability meeting and to have staff provide the applicant, Lee M. Bowman, with a copy of the Hearing Office's recommendation.

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

The Board further asked Mr. Bowman to confirm with staff whether or not he is or will be represented by legal counsel.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

D. Application for Service Connected Disability Retirement; David A. Dickens, Case No. 11-022.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Louis M. Zigman, dated August 28, 2012.
2. Respondent's Reply to Recommendation of Hearing Officer, Submitted by B. Derek Straatsma, Attorney at Law, dated September 7, 2012.
3. Hearing Notice.

Paul Hilbun and B. Derek Straatsma, Attorney at Law, were present representing the County of Ventura, Risk Management. The applicant, David A. Dickens, was present representing himself.

Both parties declined an offer to make a statement.

MOTION: Mr. Towner moved, seconded by Mr. Harris, to grant the applicant, David A. Dickens, a non-service connected disability retirement.

Motion passed unanimously. Mr. Foy and Mr. Henderson absent. Mr. Hansen absent for this item.

E. Application for Service Connected Disability Retirement; Thomas Guerrero, Case No. 10-034.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Michael Prihar, dated July 15, 2012.
2. Respondent's Reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated July 18, 2012.
3. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Anthony R. Strauss, Attorney at Law, dated August 3, 2012.
4. Hearing Notice.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- E. Application for Service Connected Disability Retirement; Thomas Guerrero, Case No. 10-034. (continued)

Mr. Hansen entered the meeting.

Stephen D. Roberson, Attorney at Law, was present representing the County of Ventura, Risk Management. Anthony R. Strauss, Attorney at Law, was present representing the applicant, Thomas Guerrero, who was also present.

Following a discussion, the following motion was made.

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to deny the applicant, Thomas Guerrero, a service connected disability.

Motion passed. Mr. T. Johnston voting no. Mr. Foy and Mr. Henderson absent.

- F. Application for Non-Service Connected Disability Retirement; Evelia M. Ortega, Case No. 11-001.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Deborah Z. Wissley, dated August 20, 2012.
2. Hearing Notice.

John I. Gilman was present representing the County of Ventura, Risk Management. Anthony R. Strauss, Attorney at Law, was present representing the applicant, Evelia M. Ortega, who was not present.

Both parties declined an offer to make a statement.

MOTION: Mr. Harris moved, seconded by Mr. Hansen, to grant the applicant, Evelia M. Ortega, a non-service connected disability retirement.

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

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

G. Application for Non-Service and Service Connected Disability Retirement; Jennifer M. Storm-Duffner, Case No. 09-017.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Debora Z. Wissley, dated August 21, 2012.
2. Respondent's Reply to Recommendation of Hearing Officer, Submitted by B. Derek Straatsma, Attorney at Law, dated August 31, 2012.
3. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Scott C. Duffner, Applicant's Spouse, dated September 4, 2012.
4. Hearing Notice.

Paul Hilbun and B. Derek Straastma, Attorney at Law, were present representing the County of Ventura, Risk Management. Scott Duffner, spouse of the late applicant, Jennifer M. Storm-Duffner was present.

Following a discussion, the following motion was made.

MOTION: Mr. Towner moved, seconded by Mr. T. Johnston, to deny the applicant, Jennifer M. Storm-Duffner, both a non-service connected and service connected disability retirement, which results in the death benefit being effective on the date of death.

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

VI. NEW BUSINESS

A. Public Employees' Pension Reform Act of 2013.

NO ACTION TAKEN.

B. PAS Project Space Needs and Proposal.

MOTION: Mr. T. Johnston moved, seconded by Mr. Harris, to approve the execution of the Fourth Amendment of Lease between M.F. Daily Corporation and VCERA, and the budget amendment taking \$19,000 from contingency for rent, equipment, and furniture.

Motion passed. Mr. Goulet voting no. Mr. Foy and Mr. Henderson absent.

Mr. Hansen left the meeting at 10:30 a.m.

VII. PUBLIC COMMENT

Mr. Kendig reported that Chantell Garcia, VCERA's Program Assistant, has recently completed her first year of service with VCERA, and that she will be moving to Operations to be a Benefits Specialist, and Glenda Jackson will be starting on October 15, 2012 as her replacement.

VIII. BOARD MEMBER COMMENT

NONE.

IX. ADJOURNMENT

There being no further items of business before the Board, Chairman Wilson adjourned the meeting at 10:43 a.m.

Respectfully submitted,



DONALD C. KENDIG, CPA, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

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

SEPTEMBER 2012

| FIRST NAME | LAST NAME | G/S | AGE | DATE OF MEMBERSHIP | TOTAL SERVICE | OTHER SERVICE | DEPARTMENT | EFFECTIVE DATE |
|-----------------------------|------------|-----|-------|-----------------------|------------------|----------------------|--|-------------------|
| REGULAR RETIREMENTS: | | | | | | | | |
| Evelyn L. | Aguilar | G | 61.25 | 8/21/1988 | 23.21 | | Human Services Agency | 08/21/12 |
| Mary K. | Anthony | G | 64.25 | 11/06/1994 | 15.86 | | Health Care Agency | 08/18/12 |
| Amelia O. | Antonio | G | 70.00 | 10/08/2006 | 4.65 | | Health Care Agency (from Deferred) | 08/15/12 |
| Janice A. | Batchelder | G | 66.50 | 10/14/2001 | 8.49 | | Library Services (from Deferred) | 07/28/12 |
| Lynne A. | Brady | G | 66.50 | 03/12/1995 | 17.45 | | Health Care Agency | 08/23/12 |
| Kim V. | Dang | G | 60.25 | 04/05/1987 | 2.66 | C=15.72 | Information Services Department (from Deferred) | 09/01/12 |
| Kari L. | Fortson | G | 52.25 | 12/15/2010 | 1.53 | C=17.739 | Health Care Agency (from Deferred) | 08/04/12 |
| Jane E. | Gilbert | G | 62.00 | 03/15/1992 | 23.81 | | Human Services Agency | 09/01/12 |
| Wesley J. | Lester | G | 52.00 | 07/26/2001 | 11.01 | | General Services | 08/04/12 |
| Cheryl L. | Lyle | G | 66.50 | 04/02/1979 | 33.32 | | Child Support Services | 07/28/12 |
| Sharon L. | Menick | G | 65.00 | 02/17/1980 | 32.44 | | CEO | 08/03/12 |
| Earl S. | Murray | G | 66.75 | 07/23/2002 | 10.00 | | Public Works | |
| Linda M. | Pennock | G | 66.50 | 08/05/2002 | 11.17 | D=1.1354 | Public Works | 08/18/12 |
| Robert P. | Quesada | S | 55.00 | 06/15/1980 | 32.41 | D=0.2435 | Sheriff Department | 08/15/12 |
| Alfredo J. | Rabago | G | 74.75 | 03/29/1981 | 30.84 | | Auditor-Controller (from Deferred) | 08/14/12 |
| Richard B. | Reese | G | 70.00 | 09/03/2002 | 9.08 | | Human Services Agency (from Deferred) | 08/10/12 |
| Charys | Saylor | G | 63.25 | 01/10/1988 | 24.33 | | Human Services Agency | 08/18/12 |
| Julie M. | Schaab | G | 52.75 | 12/30/1984 | 21.66 | | Health Care Agency | 08/04/12 |
| Leslie | Thompson | G | 65.00 | 10/25/1981 | 27.55 | A=2.5423 B=0.1151 | Health Care Agency | |
| Melva D. | Tyler | G | 53.50 | 08/02/1999 | 11.68 | | Health Care Agency | 08/11/12 |
| Lorraine M. | Walter | G | 50.25 | 01/21/1990 | 20.94 | B=0.8918 | Resource Management Agency (from Deferred) | 08/18/12 |
| Susan R. | West | G | 60.00 | 07/28/1996 | 24.93 | A=8.8662 | Probation Agency | 09/01/12 |

DEFERRED RETIREMENTS:

SURVIVORS' CONTINUANCES:

Michael D. Barnes
Liliane Levine
Natalia C. Moore
Mary Louise Reynolds

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

Date: Friday, September 28, 2012
 Time: 05:04PM
 User: CSTEVEN

Ventura County Retirement Assn
Check Register - Standard
 Period: 03-13 As of: 9/28/2012

Page: 1 of 8
 Report: 03630.rpt
 Company: VCERA

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| Company: VCERA | | | | | | | | | | |
| Acct / Sub: | 1002 | | 00 | | | | | | | |
| 021340 | CK | 9/4/2012 | CA SDJ CALIFORNIA STATE | 03-13 | 016201 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 1,034.22 |
| 021341 | CK | 9/4/2012 | CHILD5 STATE DISBURSEMENT UNIT | 03-13 | 016202 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 511.00 |
| 021342 | CK | 9/4/2012 | CHILD6 OREGON CHILD SUPPORT | 03-13 | 016203 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 250.00 |
| 021343 | CK | 9/4/2012 | CHILD9 SHERIDA SEGALL | 03-13 | 016204 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 260.00 |
| 021344 | CK | 9/4/2012 | CHILD11 GILDA WHITE | 03-13 | 016205 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 643.00 |
| 021345 | CK | 9/4/2012 | CHILD12 KENNETH W. BAILEY | 03-13 | 016206 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 125.00 |
| 021346 | CK | 9/4/2012 | CHILD21 OREGON DEPT OF JUSTICE | 03-13 | 016207 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 171.74 |
| 021347 | CK | 9/4/2012 | SPOUSE2 KELLY SEARCY | 03-13 | 016208 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 1,874.00 |
| 021348 | CK | 9/4/2012 | SPOUSE3 ANGELINA ORTIZ | 03-13 | 016209 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 250.00 |
| 021349 | CK | 9/4/2012 | SPOUSE4 CATHY C. PEET | 03-13 | 016210 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 550.00 |
| 021350 | CK | 9/4/2012 | SPOUSE5 SUZANNA CARR | 03-13 | 016211 | VO | CRT ORDERED PMT | 9/4/2012 | 0.00 | 829.00 |
| 021351 | CK | 9/4/2012 | FTBCA3 FRANCHISE TAX BOARD | 03-13 | 016212 | VO | GARNISHMENT | 9/4/2012 | 0.00 | 77.11 |
| 021352 | CK | 9/4/2012 | IRS6 INTERNAL REVENUE SERVIC | 03-13 | 016213 | VO | GARNISHMENT | 9/4/2012 | 0.00 | 321.00 |
| 021353 | CK | 9/4/2012 | CALPERS CALPERS LONG-TERM | 03-13 | 016214 | VO | INSURANCE | 9/4/2012 | 0.00 | 19,185.04 |

Date: Friday, September 28, 2012
 Time: 05:04PM
 User: CSTEVENs

Ventura County Retirement Assn
Check Register - Standard
 Period: 03-13 As of: 9/28/2012

Page: 2 of 8
 Report: 03630.rpt
 Company: VCERA

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| 021354 | CK | 9/4/2012 | CVMP COUNTY OF VENTURA | 03-13 | 016215 | VO | INSURANCE | 9/4/2012 | 0.00 | 554,282.36 |
| 021355 | CK | 9/4/2012 | SEIU SEIU LOCAL 721 | 03-13 | 016216 | VO | DUES | 9/4/2012 | 0.00 | 334.50 |
| 021356 | CK | 9/4/2012 | VCDSA VENTURA COUNTY DEPUTY | 03-13 | 016217 | VO | INSURANCE | 9/4/2012 | 0.00 | 231,418.66 |
| 021357 | CK | 9/4/2012 | VCPFF VENTURA COUNTY PROFES | 03-13 | 016218 | VO | INSURANCE | 9/4/2012 | 0.00 | 74,384.79 |
| 021358 | CK | 9/4/2012 | VCREA RETIRED EMPLOYEES' ASSC | 03-13 | 016219 | VO | DUES | 9/4/2012 | 0.00 | 4,237.50 |
| 021359 | CK | 9/4/2012 | VRSD VENTURA REGIONAL | 03-13 | 016220 | VO | INSURANCE | 9/4/2012 | 0.00 | 7,181.82 |
| 021360 | CK | 9/4/2012 | VSP VSP | 03-13 | 016221 | VO | INSURANCE | 9/4/2012 | 0.00 | 4,040.80 |
| 021361 | CK | 9/7/2012 | 121870 ISAAC D. LOPEZ | 03-13 | 016222 | VO | REFUND | 9/7/2012 | 0.00 | 2,317.17 |
| 021362 | CK | 9/7/2012 | 120113 LEAH K. OLIVER | 03-13 | 016223 | VO | REFUND | 9/7/2012 | 0.00 | 6,102.99 |
| 021363 | CK | 9/7/2012 | 105670 IRENE V. ORNELAS | 03-13 | 016224 | VO | REFUND | 9/7/2012 | 0.00 | 25,239.92 |
| 021364 | CK | 9/7/2012 | 114880 JULIE M. QUINTANILLA | 03-13 | 016225 | VO | REFUND | 9/7/2012 | 0.00 | 5,109.11 |
| 021365 | CK | 9/7/2012 | 108010 ALBERT B. PASCUA | 03-13 | 016226 | VO | REFUND | 9/7/2012 | 0.00 | 765.47 |
| 021366 | CK | 9/7/2012 | 120015 WENDY Y. BOWERS | 03-13 | 016227 | VO | REFUND | 9/7/2012 | 0.00 | 11,327.47 |
| 021367 | CK | 9/7/2012 | 117620 CANDIS A. CARPER | 03-13 | 016228 | VO | REFUND | 9/7/2012 | 0.00 | 21,952.28 |

Date: Friday, September 28, 2012
 Time: 05:04PM
 User: CSTEVEN

Ventura County Retirement Assn
Check Register - Standard
 Period: 03-13 As of: 9/28/2012

Page: 3 of 8
 Report: 03630.rpt
 Company: VCERA

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| 021368 | CK | 9/7/2012 | 117337 FERNANDO CONTRERAS | 03-13 | 016229 | VO | REFUND | 9/7/2012 | 0.00 | 559.62 |
| 021369 | CK | 9/7/2012 | 105935 JESSICA O. FLORES | 03-13 | 016230 | VO | REFUND | 9/7/2012 | 0.00 | 17,550.76 |
| 021370 | CK | 9/7/2012 | 107936 JENNIFER LOUISE FRANK | 03-13 | 016231 | VO | REFUND | 9/7/2012 | 0.00 | 21,526.05 |
| 021371 | CK | 9/7/2012 | HILL-3841 LINDA S. HILL-NAFFZIGER | 03-13 | 016232 | VO | REFUND | 9/7/2012 | 0.00 | 217.40 |
| 021372 | CK | 9/7/2012 | 121440R CITIBANK, N.A. | 03-13 | 03-13 016233 | VO | ROLLOVER | 9/7/2012 | 0.00 | 7,584.64 |
| 021372 | VC | 9/28/2012 | 121440R CITIBANK, N.A. | 03-13 | 03-13 016233 | VO | ROLLOVER | 9/7/2012 | 0.00 | -7,584.64 |
| Check Total | | | | | | | | | | 0.00 |
| 021373 | CK | 9/7/2012 | 105670R PTC LPL FINANCIAL | 03-13 | 016234 | VO | ROLLOVER | 9/7/2012 | 0.00 | 38,647.43 |
| 021374 | CK | 9/7/2012 | 120113R MERRILL LYNCH CUSTODIAN | 03-13 | 016235 | VO | ROLLOVER | 9/7/2012 | 0.00 | 7,737.19 |
| 021375 | CK | 9/7/2012 | 104457B1 SHARON HEMMINGER | 03-13 | 016236 | VO | DEATH BENEFIT | 9/7/2012 | 0.00 | 22,750.49 |
| 021376 | CK | 9/7/2012 | 104457BR WELLS FARGO BANK | 03-13 | 016237 | VO | ROLLOVER | 9/7/2012 | 0.00 | 17,143.81 |
| 021377 | CK | 9/7/2012 | F1633S1 G.L. SAFFLE, POA | 03-13 | 016238 | VO | DEATH BENEFIT | 9/7/2012 | 0.00 | 2,539.69 |
| 021378 | CK | 9/7/2012 | 100063B2 DAVID A. BARI | 03-13 | 016239 | VO | DEATH BENEFIT | 9/7/2012 | 0.00 | 4,088.70 |
| 021379 | CK | 9/7/2012 | 100063B3 STEVEN A. BARI | 03-13 | 016240 | VO | DEATH BENEFIT | 9/7/2012 | 0.00 | 4,088.70 |
| 021380 | CK | 9/9/2012 | 990002 ARTHUR E. GOULET | 03-13 | 016241 | VO | TRAVEL REIMB | 9/9/2012 | 0.00 | 277.93 |
| 021381 | CK | 9/9/2012 | 104238 TRACY TOWNER | 03-13 | 016242 | VO | TRAVEL REIMB | 9/9/2012 | 0.00 | 387.60 |

Date: Friday, September 28, 2012
 Time: 05:04PM
 User: CSTEVENSON

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 Period: 03-13 As of: 9/28/2012

Page: 4 of 8
 Report: 03630.rpt
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|-----------|------------|------------|------------------------------------|--------------------------|---------|----------|-----------------|--------------|----------------|-------------|
| 021382 | CK | 9/9/2012 | 101602 HENRY SOLIS | 03-13 | 016243 | VO | ADMIN EXP | 9/9/2012 | 0.00 | 65.79 |
| 021383 | CK | 9/9/2012 | MEGAPATH MEGAPATH INC. | 03-13 | 016244 | VO | ADMIN EXP | 9/9/2012 | 0.00 | 192.41 |
| 021384 | CK | 9/9/2012 | VOLT VOLT | 03-13 | 016245 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 2,275.78 |
| 021385 | CK | 9/9/2012 | WISSLEY DEBORAH Z. WISSLEY | 03-13 | 016246 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 20,072.50 |
| 021386 | CK | 9/9/2012 | INCENTIVE INCENTIVE SERVICES | 03-13 | 016247 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 43.60 |
| 021387 | CK | 9/9/2012 | BARNEY ABU COURT REPORTING INC | 03-13 | 016248 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 630.00 |
| 021388 | CK | 9/9/2012 | CORPORATE STAPLES ADVANTAGE | 03-13 | 016249 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 84.31 |
| 021389 | CK | 9/9/2012 | TWC TIME WARNER CABLE | 03-13 | 016250 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 496.54 |
| 021390 | CK | 9/9/2012 | LINEA LINEA SOLUTIONS | 03-13 | 016251 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 30,121.20 |
| 021391 | CK | 9/9/2012 | COUNTY COUNTY COUNSEL | 03-13 | 016252 | VO | LEGAL FEES | 9/9/2012 | 0.00 | 18,869.25 |
| 021392 | CK | 9/9/2012 | BOFA BANK OF AMERICA | 03-13 | 016253 | VO | ADMIN EXPENSE | 9/9/2012 | 0.00 | 895.27 |
| 021393 | CK | 9/14/2012 | TRI TRI COUNTY OFFICE FURNIT | 03-13 | 016254 | VO | ADMIN EXPENSE | 9/14/2012 | 0.00 | 800.00 |
| 021394 | CK | 9/14/2012 | MANATT MANATT, PHELPS, PHILLIPS | 03-13 | 016255 | VO | LEGAL FEES | 9/14/2012 | 0.00 | 58.95 |
| 021395 | CK | 9/14/2012 | F2846 MILTON D. MCCOY | 03-13 | 016256 | VO | PENSION PAYMENT | 9/14/2012 | 0.00 | 1,673.65 |

Date: Friday, September 28, 2012
 Time: 05:04PM
 User: CSTEVEN

Ventura County Retirement Assn
Check Register - Standard
 Period: 03-13 As of: 9/28/2012

Page: 5 of 8
 Report: 03630.rpt
 Company: VCERA

| 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 |
|--------------------|------------|------------|---------------------------------|--------------------------|--------------|----------|-----------------|--------------|----------------|-------------|
| 021396 | CK | 9/14/2012 | 121414 CEASAR A ISGITT | 03-13 | 016257 | VO | REFUND | 9/14/2012 | 0.00 | 5,312.54 |
| 021397 | CK | 9/14/2012 | 117092 VICTORIA L. EISMAN | 03-13 | 016258 | VO | REFUND | 9/14/2012 | 0.00 | 13,087.37 |
| 021398 | CK | 9/14/2012 | F1183B2 JAMES E. BLEVINS | 03-13 | 016259 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | 679.49 |
| 021399 | CK | 9/14/2012 | F2205B1 MARK H. OPPENHEIM & | 03-13 | 03-13 016260 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | 4,341.85 |
| 021399 | VC | 9/28/2012 | F2205B1 MARK H. OPPENHEIM & | 03-13 | 03-13 016260 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | -4,341.85 |
| Check Total | | | | | | | | | | 0.00 |
| 021400 | CK | 9/14/2012 | F2739B1 MARK H. OPPENHEIM & | 03-13 | 03-13 016261 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | 43.04 |
| 021400 | VC | 9/28/2012 | F2739B1 MARK H. OPPENHEIM & | 03-13 | 03-13 016261 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | -43.04 |
| Check Total | | | | | | | | | | 0.00 |
| 021401 | CK | 9/14/2012 | F5658S1 LILANE LEVINE | 03-13 | 016262 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | 3,097.68 |
| 021402 | CK | 9/14/2012 | F8115 FELIX T. CARMONA | 03-13 | 016263 | VO | PENSION PAYMENT | 9/14/2012 | 0.00 | 1,092.80 |
| 021403 | CK | 9/14/2012 | F2205B1 MARK H. OPPENHEIM & | 03-13 | 016264 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | 4,341.85 |
| 021404 | CK | 9/14/2012 | F2739B1 MARK H. OPPENHEIM & | 03-13 | 016266 | VO | DEATH BENEFIT | 9/14/2012 | 0.00 | 43.04 |
| 021405 | CK | 9/21/2012 | F759 MARY M. GANDY | 03-13 | 016267 | VO | PENSION PAYMENT | 9/21/2012 | 0.00 | 1,296.13 |
| 021406 | CK | 9/21/2012 | F597 ELIZABETH DODWELL | 03-13 | 016268 | VO | PENSION PAYMENT | 9/21/2012 | 0.00 | 1,017.69 |
| 021407 | CK | 9/21/2012 | 121874R FIDELITY INVESTMENTS | 03-13 | 016269 | VO | ROLLOVER | 9/21/2012 | 0.00 | 1,271.15 |
| 021408 | CK | 9/21/2012 | 118800 JABEZ C. MARTINEZ | 03-13 | 016270 | VO | REFUND | 9/21/2012 | 0.00 | 28,069.85 |

Date: Friday, September 28, 2012
Time: 05:04PM
User: CSTEVEN

Ventura County Retirement Assn
Check Register - Standard
Period: 03-13 As of: 9/28/2012

Page: 6 of 8
Report: 03630.rpt
Company: VCERA

| 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 |
|-----------|------------|------------|-----------------------------------|--------------------------|---------|----------|----------------|--------------|----------------|-------------|
| 021409 | CK | 9/21/2012 | XXXX48493 LAWRENCE G. VAUGHAN | 03-13 | 016271 | VO | REFUND | 9/21/2012 | 0.00 | 66.64 |
| 021410 | CK | 9/21/2012 | 121553 ANTHONY S. PERRONE | 03-13 | 016272 | VO | REFUND | 9/21/2012 | 0.00 | 596.52 |
| 021411 | CK | 9/21/2012 | 101756 EVELYN L. GAETA | 03-13 | 016273 | VO | REFUND T2 COL | 9/21/2012 | 0.00 | 9,430.93 |
| 021412 | CK | 9/21/2012 | 106742 MELVA D. TYLER | 03-13 | 016274 | VO | REFUND T2 COL | 9/21/2012 | 0.00 | 7,253.08 |
| 021413 | CK | 9/21/2012 | 100063B1 ALEXANDER BARI | 03-13 | 016275 | VO | DEATH BENEFIT | 9/21/2012 | 0.00 | 8,177.40 |
| 021414 | CK | 9/21/2012 | F5497S1 MICHAEL D. BARNES | 03-13 | 016276 | VO | DEATH BENEFIT | 9/21/2012 | 0.00 | 4,001.34 |
| 021415 | CK | 9/21/2012 | 100748 CHRIS JOHNSTON | 03-13 | 016277 | VO | TRAVEL REIMB | 9/21/2012 | 0.00 | 958.13 |
| 021416 | CK | 9/21/2012 | 100917 STEVEN HINTZ | 03-13 | 016278 | VO | MILEAGE REIMB | 9/21/2012 | 0.00 | 71.04 |
| 021417 | CK | 9/21/2012 | 990005BM WILLIAM W WILSON | 03-13 | 016279 | VO | BRD MEM FEES | 9/21/2012 | 0.00 | 200.00 |
| 021418 | CK | 9/21/2012 | 990004BM WILL HOAG | 03-13 | 016280 | VO | BRD MEM FEES | 9/21/2012 | 0.00 | 200.00 |
| 021419 | CK | 9/21/2012 | 990001BM ALBERT G HARRIS | 03-13 | 016281 | VO | BRD MEM FEES | 9/21/2012 | 0.00 | 200.00 |
| 021420 | CK | 9/21/2012 | 990002BM ARTHUR E GOULET | 03-13 | 016282 | VO | BRD MEM FEES | 9/21/2012 | 0.00 | 237.74 |
| 021421 | CK | 9/21/2012 | SBS SBS GROUP | 03-13 | 016283 | VO | ADMIN EXPENSE | 9/21/2012 | 0.00 | 999.00 |
| 021422 | CK | 9/21/2012 | BARNEY ABU COURT REPORTING INC | 03-13 | 016284 | VO | ADMIN EXPENSE | 9/21/2012 | 0.00 | 915.00 |

Date: Friday, September 28, 2012
 Time: 05:04PM
 User: CSTEVENs

Ventura County Retirement Assn
Check Register - Standard
 Period: 03-13 As of: 9/28/2012

Page: 7 of 8
 Report: 03630.rpt
 Company: VCERA

| 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 |
|-----------|------------|------------|-------------------------------------|--------------------------|---------|----------|-----------------|--------------|----------------|-------------|
| 021423 | CK | 9/21/2012 | BROWN BROWN ARMSTRONG | 03-13 | 016285 | VO | ADMIN EXPENSE | 9/21/2012 | 0.00 | 5,279.42 |
| 021424 | CK | 9/21/2012 | SMARTBEAR SMARTBEAR SOFTWARE, IN | 03-13 | 016286 | VO | ADMIN EXPENSE | 9/21/2012 | 0.00 | 2,745.00 |
| 021425 | CK | 9/21/2012 | ADP ADP INC | 03-13 | 016287 | VO | ADMIN EXPENSE | 9/21/2012 | 0.00 | 2,373.00 |
| 021426 | CK | 9/21/2012 | ENNIS HEWITT ENNIS KNUPP, INC | 03-13 | 016288 | VO | INVESTMENT FEES | 9/21/2012 | 0.00 | 59,750.00 |
| 021427 | CK | 9/21/2012 | SPRUCE SPRUCEGROVE INVESTMEN | 03-13 | 016289 | VO | INVESTMENT FEES | 9/21/2012 | 0.00 | 49,136.75 |
| 021428 | CK | 9/21/2012 | CORPORATE STAPLES ADVANTAGE | 03-13 | 016290 | VO | ADMIN EXPENSE | 9/21/2012 | 0.00 | 245.96 |
| 021429 | CK | 9/21/2012 | LINEA LINEA SOLUTIONS | 03-13 | 016291 | VO | IT SERVICES | 9/21/2012 | 0.00 | 33,124.80 |
| 021430 | CK | 9/21/2012 | ZIGMAN LOUIS M. ZIGMAN, ESQ | 03-13 | 016292 | VO | ADMIN EXPENSE | 9/21/2012 | 0.00 | 1,268.50 |
| 021431 | CK | 9/28/2012 | F3556 HELEN KETCHPAW | 03-13 | 016293 | VO | PENSION PAYMENT | 9/28/2012 | 0.00 | 537.98 |
| 021432 | CK | 9/28/2012 | F5720 GERALD ROSE | 03-13 | 016294 | VO | PENSION PAYMENT | 9/28/2012 | 0.00 | 660.34 |
| 021433 | CK | 9/28/2012 | F2776 GEORGE SERROS | 03-13 | 016295 | VO | PENSION PAYMENT | 9/28/2012 | 0.00 | 2,509.39 |
| 021434 | CK | 9/28/2012 | F6015 JAMES MCKAY | 03-13 | 016296 | VO | PENSION PAYMENT | 9/28/2012 | 0.00 | 1,334.34 |
| 021435 | CK | 9/28/2012 | MF M.F. DAILY CORPORATION | 03-13 | 016297 | VO | ADMIN EXPENSE | 9/28/2012 | 0.00 | 13,423.61 |
| 021436 | CK | 9/28/2012 | LINEA LINEA SOLUTIONS | 03-13 | 016298 | VO | ADMIN EXP | 9/28/2012 | 0.00 | 2,700.00 |

Date: Friday, September 28, 2012
 Time: 05:04PM
 User: CSTEVENs

Ventura County Retirement Assn
Check Register - Standard
 Period: 03-13 As of: 9/28/2012

Page: 8 of 8
 Report: 03630.rpt
 Company: VCERA

| 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 |
|-----------|------------|------------|------------------------------|--------------------------|------------|-------------|-------------------|-----------------|-------------------|----------------|
| 021437 | CK | 9/28/2012 | CMP CMP & ASSOCIATES, INC | 03-13 | 016299 | VO | ADMIN EXPENSE | 9/28/2012 | 0.00 | 24,450.00 |
| 021438 | CK | 9/28/2012 | 122180 DONALD C KENDIG | 03-13 | 016300 | VO | ADMIN EXPENSE | 9/28/2012 | 0.00 | 179.25 |
| 021439 | CK | 9/28/2012 | 121881 CHANTELL GARCIA | 03-13 | 016301 | VO | ADMIN EXPENSE | 9/28/2012 | 0.00 | 18.44 |

Check Count: 103

Acct Sub Total: 1,480,923.76

| Check Type | Count | Amount Paid |
|---------------|------------|---------------------|
| Regular | 100 | 1,492,893.29 |
| Hand | 0 | 0.00 |
| Void | 3 | -11,969.53 |
| Stub | 0 | 0.00 |
| Zero | 0 | 0.00 |
| Mask | 0 | 0.00 |
| Total: | 103 | 1,480,923.76 |

| | | | |
|---------------------------|-------------|----------------------|---------------------|
| Company Disc Total | 0.00 | Company Total | 1,480,923.76 |
|---------------------------|-------------|----------------------|---------------------|

VENTURA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 9/30/2012

| 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 | 30,427,680 | 0.9% | 34,819,705 | 1.0% | 0.5% | 2.0% | OK | 4,392,025 | | 30,427,680 | 0.9% | OK |
| Western U.S. Index Plus | 120,499,146 | 3.5% | 104,459,116 | 3.0% | 2.0% | 4.0% | OK | (16,040,030) | | 120,499,146 | 3.5% | OK |
| BlackRock Equity Market Fund | 1,121,545,082 | 32.2% | 1,114,230,567 | 32.0% | 28.0% | 36.0% | OK | (7,314,515) | | 1,121,545,082 | 32.2% | OK |
| Total U.S. Equities | 1,272,471,908 | 36.5% | 1,253,509,388 | 36.0% | 30.0% | 40.0% | OK | (18,962,520) | - | 1,272,471,908 | 36.5% | OK |
| BlackRock ACWI ex-U.S. Index | 321,507,822 | 9.2% | 348,197,052 | 10.0% | 8.0% | 12.0% | OK | 26,689,230 | | 321,507,822 | 9.2% | OK |
| Sprucegrove | 149,189,079 | 4.3% | 139,278,821 | 4.0% | 3.0% | 6.0% | OK | (9,910,258) | | 149,189,079 | 4.3% | OK |
| Hexavest | 65,177,902 | 1.9% | 69,639,410 | 2.0% | 1.0% | 3.0% | OK | 4,461,508 | | 65,177,902 | 1.9% | OK |
| Walter Scott | 79,199,802 | 2.3% | 104,459,116 | 3.0% | 1.5% | 4.0% | OK | 25,259,314 | | 79,199,802 | 2.3% | OK |
| Total Non-U.S. Equities | 615,074,605 | 17.7% | 661,574,399 | 19.0% | 15.0% | 21.0% | OK | 46,499,794 | - | 615,074,605 | 17.7% | OK |
| GMO Global | 168,528,646 | 4.8% | 174,098,526 | 5.0% | 3.0% | 7.0% | OK | 5,569,880 | | 168,528,646 | 4.8% | OK |
| Acadian | 11,648 | 0.0% | - | 0.0% | 0.0% | 0.0% | HIGH | (11,648) | | 11,648 | 0.0% | OK |
| BlackRock MSCI ACWI Equity Index | 125,607,701 | 3.6% | 174,098,526 | 5.0% | 3.0% | 7.0% | OK | 48,490,825 | | 125,607,701 | 3.6% | OK |
| Total Global Equities | 294,147,995 | 8.4% | 348,197,052 | 10.0% | 7.0% | 13.0% | OK | 54,049,057 | - | 294,147,995 | 8.4% | OK |
| Total Equities | 2,181,694,508 | 62.7% | 2,263,280,839 | 65.0% | 58.0% | 70.0% | OK | 81,586,331 | - | 2,181,694,508 | 62.7% | OK |
| Western | 277,116,016 | 8.0% | 278,557,642 | 8.0% | 6.0% | 10.0% | OK | 1,441,626 | | 277,116,016 | 8.0% | OK |
| BlackRock U.S. Debt Fund | 133,337,366 | 3.8% | 139,278,821 | 4.0% | 3.0% | 6.0% | OK | 5,941,454 | | 133,337,366 | 3.8% | OK |
| Reams | 242,439,774 | 7.0% | 243,737,937 | 7.0% | 6.0% | 9.0% | OK | 1,298,163 | | 242,439,774 | 7.0% | OK |
| Loomis Sayles | 119,062,383 | 3.4% | 104,459,116 | 3.0% | 2.0% | 4.0% | OK | (14,603,267) | | 119,062,383 | 3.4% | OK |
| PIMCO Global | 101,072,534 | 2.9% | 104,459,116 | 3.0% | 2.0% | 4.0% | OK | 3,386,582 | | 101,072,534 | 2.9% | OK |
| Loomis Sayles Global | 67,808,140 | 1.9% | 69,639,410 | 2.0% | 1.0% | 4.0% | OK | 1,831,270 | | 67,808,140 | 1.9% | OK |
| Total Fixed Income | 940,836,213 | 27.0% | 940,132,041 | 27.0% | 20.0% | 37.0% | OK | (704,172) | - | 940,836,213 | 27.0% | OK |
| Prudential Real Estate | 80,092,298 | 2.3% | 104,459,116 | 3.0% | 2.0% | 4.0% | OK | 24,366,818 | | 80,092,298 | 2.3% | OK |
| UBS Real Estate | 171,825,600 | 4.9% | 130,573,895 | 3.8% | 3.0% | 5.0% | OK | (41,251,705) | | 171,825,600 | 4.9% | OK |
| Guggenheim | 21,101,544 | 0.6% | 34,819,705 | 1.0% | 0.5% | 2.0% | OK | 13,718,161 | | 21,101,544 | 0.6% | OK |
| RREEF | 9,581,915 | 0.3% | 8,704,926 | 0.3% | 0.1% | 1.0% | OK | (876,988) | | 9,581,915 | 0.3% | OK |
| Real Estate | 282,601,357 | 8.1% | 278,557,642 | 8.0% | 5.0% | 10.0% | OK | (4,043,715) | - | 282,601,357 | 8.1% | OK |
| Adams Street Partners | 23,211,418 | 0.7% | - | 0.0% | 0.0% | 4.0% | OK | (23,211,418) | | 23,211,418 | 0.7% | OK |
| Pantheon Ventures | 11,700,000 | 0.3% | - | 0.0% | 0.0% | 4.0% | OK | (11,700,000) | | 11,700,000 | 0.3% | OK |
| Private Equity | 34,911,418 | 1.0% | - | 0.0% | 0.0% | 5.0% | OK | (34,911,418) | - | 34,911,418 | 1.0% | OK |
| Alternatives | - | 0.0% | - | 0.0% | 0.0% | 5.0% | OK | - | - | - | 0.0% | OK |
| Clifton | 41,927,026 | 1.2% | - | 0.0% | 0.0% | 3.0% | OK | (41,927,026) | | 41,927,026 | 1.2% | OK |
| Other Assets | 41,927,026 | 1.2% | - | 0.0% | 0.0% | 5.0% | OK | (41,927,026) | - | 41,927,026 | 1.2% | OK |
| Total Investment Portfolio | 3,481,970,522 | 100.0% | 3,481,970,522 | 100.0% | | | | 0 | - | 3,481,970,522 | 100.0% | |

Date Accessed 10/10/2012 10:12

Ventura County Employee's Retirement Association
Statement of Reserves
June 30, 2012

VALUATION RESERVES:

| | | | |
|--------------------------------------|----|---------------|-------------------------|
| MEMBER CONTRIBUTIONS | \$ | 569,892,474 | |
| EMPLOYER ADVANCE | | 1,488,500,881 | |
| (EMPLOYER LIABILITY DIFFERENTIAL) | | (721,502,956) | |
| RETIREE | | 1,919,116,136 | |
| VESTED FIXED SUPPLEMENTAL (\$108.44) | | 128,571,067 | |
| SUPPLEMENTAL DEATH BENEFIT | | 12,782,317 | |
| UNDISTRIBUTED EARNINGS | | <u>-</u> | |
| TOTAL VALUATION | | | \$ 3,397,359,919 |

NON- VALUATION RESERVES:

| | | | |
|---|----|------------|-------------------------|
| STAR COLA | \$ | - | |
| SUPPLEMENTAL MEDICAL (\$27.50) | | 13,789,250 | |
| CONTINGENCY | | <u>-</u> | |
| TOTAL NON-VALUATION | | | \$ 13,789,250 |
| TOTAL RESERVES (ACTUARIAL VALUATION) | | | \$ 3,411,149,169 |
| MARKET STABILIZATION | | | <u>(201,531,962)</u> |
| TOTAL RESERVES (MARKET VALUE) | | | \$ 3,209,617,207 |

Ventura County Retirement Assn

Statement of Plan Net Assets July 31, 2012

ASSETS

| | |
|------------------------------------|----------------------|
| CASH & CASH EQUIVALENTS | \$188,579,683 |
|------------------------------------|----------------------|

RECEIVABLES

| | |
|--------------------------------|-------------------|
| ACCRUED INTEREST AND DIVIDENDS | 4,905,501 |
| SECURITY SALES | 82,399,837 |
| MISCELLANEOUS | 446 |
| TOTAL RECEIVABLES | 87,305,784 |

INVESTMENTS AT FAIR VALUE

| | |
|------------------------------------|----------------------|
| DOMESTIC EQUITY SECURITIES | 93,243,856 |
| DOMESTIC EQUITY INDEX FUNDS | 1,214,602,100 |
| INTERNATIONAL EQUITY SECURITIES | 269,834,556 |
| INTERNATIONAL EQUITY INDEX FUNDS | 268,615,292 |
| GLOBAL EQUITY | 150,928,866 |
| FIXED INCOME - CORE PLUS | 777,676,326 |
| FIXED INCOME - DOMESTIC BOND INDEX | 133,024,165 |
| REAL ESTATE | 283,238,358 |
| PRIVATE EQUITY | 27,936,665 |
| TOTAL INVESTMENTS | 3,219,100,183 |

| | |
|---|----------------|
| PENSION SOFTWARE DEVELOPMENT COSTS | 686,886 |
|---|----------------|

| | |
|---------------------|----------------------|
| TOTAL ASSETS | 3,495,672,535 |
|---------------------|----------------------|

LIABILITIES

| | |
|--------------------------|--------------------|
| SECURITY PURCHASES | 112,638,891 |
| ACCOUNTS PAYABLE | 2,230,120 |
| PREPAID CONTRIBUTIONS | 138,309,547 |
| TOTAL LIABILITIES | 253,178,558 |

| | |
|--|------------------------|
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | \$3,242,493,977 |
|--|------------------------|

Ventura County Retirement Assn

Statement of Changes in Plan Net Assets July 31, 2012

ADDITIONS

CONTRIBUTIONS:

| | |
|----------------------------|-------------------|
| EMPLOYER | \$8,264,030 |
| EMPLOYEE | <u>2,577,874</u> |
| TOTAL CONTRIBUTIONS | 10,841,904 |

INVESTMENT INCOME:

| | |
|---|-------------------|
| NET APPRECIATION IN FAIR VALUE OF INVESTMENTS | 33,542,114 |
| INTEREST INCOME | 2,331,930 |
| DIVIDEND INCOME | 3,132,140 |
| REAL ESTATE OPERATING INCOME, NET | <u>32</u> |
| TOTAL INVESTMENT INCOME | 39,006,216 |

LESS INVESTMENT EXPENSES:

| | |
|------------------------------|-------------------|
| NET INVESTMENT INCOME | 39,006,216 |
| TOTAL ADDITIONS | 49,848,120 |

DEDUCTIONS

| | |
|-------------------------|-------------------|
| BENEFIT PAYMENTS | 16,738,521 |
| MEMBER REFUNDS | 10,000 |
| ADMINISTRATIVE EXPENSES | <u>222,828</u> |
| TOTAL DEDUCTIONS | 16,971,350 |
| NET INCREASE | 32,876,770 |

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

| | |
|--------------------------|-------------------------------|
| BEGINNING OF YEAR | <u>3,209,617,207</u> |
| ENDING BALANCE | <u>\$3,242,493,977</u> |

Ventura County Retirement Assn
Investments & Cash Equivalents
July 31, 2012

| | SECURITIES FAIR VALUE | CASH |
|---|----------------------------------|----------------------|
| EQUITY | | |
| DOMESTIC EQUITY | | |
| WESTERN ASSET INDEX PLUS | \$93,243,856 | \$18,054,299 |
| TOTAL DOMESTIC EQUITY | 93,243,856 | 18,054,299 |
| DOMESTIC INDEX FUNDS | | |
| BLACKROCK - US EQUITY MARKET | 1,066,828,063 | 1 |
| BLACKROCK - EXTENDED EQUITY | 28,663,922 | 1 |
| TOTAL EQUITY INDEX FUNDS | 1,095,491,985 | 2 |
| INTERNATIONAL EQUITY | | |
| BLACKROCK - ACWIXUS | 268,615,292 | 0 |
| SPRUCEGROVE | 141,856,433 | 0 |
| HEXAVEST | 52,095,533 | 0 |
| WALTER SCOTT | 75,882,590 | 0 |
| TOTAL INTERNATIONAL EQUITY | 538,449,848 | 0 |
| GLOBAL EQUITY | | |
| GRANTHAM MAYO & VAN OTTERLOO (GMO) | 150,918,405 | 0 |
| ACADIAN GLOBAL EQUITY | 10,461 | 0 |
| BLACKROCK GLOBAL INDEX | 119,110,115 | 0 |
| TOTAL GLOBAL EQUITY | 270,038,981 | 0 |
| PRIVATE EQUITY | | |
| ADAMS STREET | 21,925,677 | 0 |
| PANTHEON | 6,010,988 | 0 |
| TOTAL PRIVATE EQUITY | 27,936,665 | 0 |
| FIXED INCOME | | |
| BLACKROCK - US DEBT INDEX | 133,024,165 | 0 |
| LOOMIS SAYLES & COMPANY (CORE PLUS) | 112,940,388 | 6,404,343 |
| REAMS(CORE PLUS) | 353,985,906 | 10,144,834 |
| WESTERN ASSET MGMT (CORE PLUS) | 244,652,939 | 6,906,550 |
| LOOMIS SAYLES & COMPANY (GLOBAL) | 66,097,093 | 0 |
| TOTAL FIXED INCOME | 910,700,491 | 23,455,727 |
| REAL ESTATE | | |
| GUGGENHEIM REAL ESTATE | 21,805,515 | 0 |
| PRUDENTIAL REAL ESTATE | 80,025,328 | 0 |
| RREEF | 9,581,915 | 0 |
| UBS REALTY | 171,825,600 | 0 |
| TOTAL REAL ESTATE | 283,238,358 | 0 |
| ALTERNATIVE STRATEGIES | | |
| CASH OVERLAY - CLIFTON GROUP | 0 | 144,039,218 |
| IN HOUSE CASH | | 3,030,438 |
| TOTAL INVESTMENTS AND CASH EQUIVALENTS | \$3,219,100,183 | \$188,579,683 |

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
August 2012 - 16.67% of Fiscal Year Expended

| <u>EXPENDITURE DESCRIPTIONS</u> | <u>2012/2013 Budget</u> | <u>Aug-12</u> | <u>Year to Date Expended</u> | <u>Available Balance</u> | <u>Percent Expended</u> |
|---|-----------------------------|------------------------|----------------------------------|------------------------------|-----------------------------|
| <u>Salaries & Employee Benefits:</u> | | | | | |
| Regular Salaries | \$ 1,623,400.00 | \$ 100,314.25 | \$ 176,241.09 | \$ 1,447,158.91 | 10.86% |
| Extra-Help | 25,000.00 | 4,121.28 | 4,121.28 | 20,878.72 | 16.49% |
| Overtime | 7,600.00 | 65.40 | 457.77 | 7,142.23 | 6.02% |
| Supplemental Payments | 49,300.00 | 2,940.52 | 5,171.53 | 44,128.47 | 10.49% |
| Vacation Redemption | 71,700.00 | 0.00 | 3,440.02 | 68,259.98 | 4.80% |
| Retirement Contributions | 363,600.00 | 19,830.57 | 35,484.12 | 328,115.88 | 9.76% |
| OASDI Contributions | 82,600.00 | 6,247.29 | 11,211.60 | 71,388.40 | 13.57% |
| FICA-Medicare | 25,400.00 | 1,461.09 | 2,622.06 | 22,777.94 | 10.32% |
| Management Retiree Health Benefit | 15,600.00 | 1,297.86 | 2,595.72 | 13,004.28 | 16.64% |
| Group Insurance | 159,800.00 | 9,282.00 | 16,380.00 | 143,420.00 | 10.25% |
| Life Insurance/Mgmt | 900.00 | 62.28 | 108.91 | 791.09 | 12.10% |
| Unemployment Insurance | 2,500.00 | 150.59 | 252.89 | 2,247.11 | 10.12% |
| Management Disability Insurance | 4,100.00 | 243.14 | 427.05 | 3,672.95 | 10.42% |
| Worker' Compensation Insurance | 10,200.00 | 633.73 | 1,146.90 | 9,053.10 | 11.24% |
| 401K Plan Contribution | 41,500.00 | 1,869.39 | 3,283.82 | 38,216.18 | 7.91% |
| Total Salaries & Employee Benefits | \$ 2,483,200.00 | \$ 148,519.39 | \$ 262,944.76 | \$ 2,220,255.24 | 10.59% |
| <u>Services & Supplies:</u> | | | | | |
| Telephone Services - ISF | \$ 21,400.00 | \$ 3,355.51 | \$ 3,355.51 | \$ 18,044.49 | 15.68% |
| General Insurance - ISF | 9,600.00 | 0.00 | 0.00 | 9,600.00 | 0.00% |
| Office Equipment Maintenance | 16,000.00 | 68.28 | 68.28 | 15,931.72 | 0.43% |
| Membership and Dues | 9,700.00 | 0.00 | 4,000.00 | 5,700.00 | 41.24% |
| Education Allowance | 6,000.00 | 0.00 | 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 | 0.00 | 29.62 | 5,470.38 | 0.54% |
| Books & Publications | 2,500.00 | 0.00 | 50.00 | 2,450.00 | 2.00% |
| Office Supplies | 18,000.00 | 1,848.79 | 2,001.84 | 15,998.16 | 11.12% |
| Postage & Express | 55,000.00 | 6,632.71 | 6,632.71 | 48,367.29 | 12.06% |
| 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 | 100.00 | 800.00 | 10,700.00 | 6.96% |
| Professional Services | 828,400.00 | 53,230.30 | 132,030.30 | 696,369.70 | 15.94% |
| Storage Charges | 3,200.00 | 0.00 | 0.00 | 3,200.00 | 0.00% |
| Minor Equipment | 18,500.00 | 3,995.97 | 13,319.90 | 5,180.10 | 72.00% |
| Office Lease Payments | 164,600.00 | 26,847.22 | 26,847.22 | 137,752.78 | 16.31% |
| Private Vehicle Mileage | 8,000.00 | 2,195.05 | 2,607.79 | 5,392.21 | 32.60% |
| Conference, Seminar and Travel | 60,000.00 | 4,126.60 | 4,146.10 | 55,853.90 | 6.91% |
| Furniture | 2,000.00 | 0.00 | 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 | \$ 102,400.43 | \$ 198,536.27 | \$ 1,025,163.73 | 16.22% |
| Total Administrative Budget | \$ 3,706,900.00 | \$ 250,919.82 | \$ 461,481.03 | \$ 3,245,418.97 | 12.45% |
| <u>Information Technology:</u> | | | | | |
| Computer Hardware | \$ 20,000.00 | \$ 1,422.35 | 1,422.35 | \$ 18,577.65 | 7.11% |
| Computer Software | 8,800.00 | 219.84 | 219.84 | 8,580.16 | 2.50% |
| Data Processing and Maintenance | 416,400.00 | 41,776.29 | 42,169.17 | 374,230.83 | 10.13% |
| Special Project - New Pension System | 2,089,200.00 | 793,455.70 | 800,162.58 | 1,289,037.42 | 38.30% |
| Total Information Technology | \$ 2,534,400.00 | \$ 836,874.18 | \$ 843,973.94 | \$ 1,690,426.06 | 33.30% |
| Contingency | \$ 596,600.00 | \$ - | \$ - | \$ - | 0.00% |
| Total Current Year | \$ 6,837,900.00 | \$ 1,087,794.00 | \$ 1,305,454.97 | \$ 5,532,445.03 | 19.09% |

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
September 2012 - 25.00% of Fiscal Year Expended

| <u>EXPENDITURE DESCRIPTIONS</u> | <u>2012/2013 Budget</u> | <u>Sep-12</u> | <u>Year to Date Expended</u> | <u>Available Balance</u> | <u>Percent Expended</u> |
|---|-----------------------------|----------------------|----------------------------------|------------------------------|-----------------------------|
| <u>Salaries & Employee Benefits:</u> | | | | | |
| Regular Salaries | \$ 1,623,400.00 | \$ 101,962.22 | \$ 278,203.31 | \$ 1,345,196.69 | 17.14% |
| Extra-Help | 25,000.00 | 2,275.78 | 6,397.06 | 18,602.94 | 25.59% |
| Overtime | 7,600.00 | 224.21 | 681.98 | 6,918.02 | 8.97% |
| Supplemental Payments | 49,300.00 | 2,998.18 | 8,169.71 | 41,130.29 | 16.57% |
| Vacation Redemption | 71,700.00 | 0.00 | 3,440.02 | 68,259.98 | 4.80% |
| Retirement Contributions | 363,600.00 | 20,215.23 | 55,699.35 | 307,900.65 | 15.32% |
| OASDI Contributions | 82,600.00 | 6,358.49 | 17,570.09 | 65,029.91 | 21.27% |
| FICA-Medicare | 25,400.00 | 1,487.05 | 4,109.11 | 21,290.89 | 16.18% |
| Management Retiree Health Benefit | 15,600.00 | 1,297.86 | 3,893.58 | 11,706.42 | 24.96% |
| Group Insurance | 159,800.00 | 9,828.00 | 26,208.00 | 133,592.00 | 16.40% |
| Life Insurance/Mgmt | 900.00 | 64.01 | 172.92 | 727.08 | 19.21% |
| Unemployment Insurance | 2,500.00 | 153.28 | 406.17 | 2,093.83 | 16.25% |
| Management Disability Insurance | 4,100.00 | 247.19 | 674.24 | 3,425.76 | 16.44% |
| Worker' Compensation Insurance | 10,200.00 | 643.87 | 1,790.77 | 8,409.23 | 17.56% |
| 401K Plan Contribution | 41,500.00 | 1,872.05 | 5,155.87 | 36,344.13 | 12.42% |
| Total Salaries & Employee Benefits | \$ 2,483,200.00 | \$ 149,627.42 | \$ 412,572.18 | \$ 2,070,627.82 | 16.61% |
| <u>Services & Supplies:</u> | | | | | |
| Telephone Services - ISF | \$ 21,400.00 | \$ 4,542.86 | \$ 7,898.37 | \$ 13,501.63 | 36.91% |
| General Insurance - ISF | 9,600.00 | 0.00 | 0.00 | 9,600.00 | 0.00% |
| Office Equipment Maintenance | 16,000.00 | 1,637.81 | 1,706.09 | 14,293.91 | 10.66% |
| Membership and Dues | 9,700.00 | 0.00 | 4,000.00 | 5,700.00 | 41.24% |
| Education Allowance | 6,000.00 | 0.00 | 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 | 0.00 | 29.62 | 5,470.38 | 0.54% |
| Books & Publications | 2,500.00 | 0.00 | 50.00 | 2,450.00 | 2.00% |
| Office Supplies | 18,000.00 | 570.26 | 2,572.10 | 15,427.90 | 14.29% |
| Postage & Express | 55,000.00 | 132.72 | 6,765.43 | 48,234.57 | 12.30% |
| 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 | 800.00 | 1,600.00 | 9,900.00 | 13.91% |
| Professional Services | 828,400.00 | 50,970.76 | 183,001.06 | 645,398.94 | 22.09% |
| Storage Charges | 3,200.00 | 0.00 | 0.00 | 3,200.00 | 0.00% |
| Minor Equipment | 18,500.00 | 0.00 | 13,319.90 | 5,180.10 | 72.00% |
| Office Lease Payments | 164,600.00 | 13,423.61 | 40,270.83 | 124,329.17 | 24.47% |
| Private Vehicle Mileage | 8,000.00 | 694.57 | 3,321.86 | 4,678.14 | 41.52% |
| Conference, Seminar and Travel | 60,000.00 | 1,534.36 | 5,660.96 | 54,339.04 | 9.43% |
| Furniture | 2,000.00 | 0.00 | 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 | \$ 74,306.95 | \$ 272,843.22 | \$ 950,856.78 | 22.30% |
| Total Administrative Budget | \$ 3,706,900.00 | \$ 223,934.37 | \$ 685,415.40 | \$ 3,021,484.60 | 18.49% |
| <u>Information Technology:</u> | | | | | |
| Computer Hardware | \$ 20,000.00 | \$ 612.55 | 2,034.90 | \$ 17,965.10 | 10.17% |
| Computer Software | 8,800.00 | 2,745.00 | 2,964.84 | 5,835.16 | 33.69% |
| Data Processing and Maintenance | 416,400.00 | 37,559.00 | 79,728.17 | 336,671.83 | 19.15% |
| Special Project - New Pension System | 2,089,200.00 | 60,806.00 | 860,968.58 | 1,228,231.42 | 41.21% |
| Total Information Technology | \$ 2,534,400.00 | \$ 101,722.55 | \$ 945,696.49 | \$ 1,588,703.51 | 37.31% |
| Contingency | \$ 596,600.00 | \$ - | \$ - | \$ - | 0.00% |
| Total Current Year | \$ 6,837,900.00 | \$ 325,656.92 | \$ 1,631,111.89 | \$ 5,206,788.11 | 23.85% |

Ventura County Employees' Retirement Association

October 15, 2012

Anthony Freitas, CFA, Managing Director
Stephanie Hill, Director

Table of Contents

- I. Organizational Update
- II. Relationship Summary
- III. Account Review- Equity
- IV. Account Review- Fixed Income
- V. Market Outlook
- VI. Compliance Certification

Appendix

I. Organizational Update

BlackRock: Built for these times

Many institutional investors are asking: “How do I achieve the outcomes I need?”

BlackRock's capabilities are built around our clients' greatest needs:

Client focus

- We partner with clients and their advisers to build portfolios that reflect their objectives, risk tolerance and time horizons

Broader capabilities for better outcomes

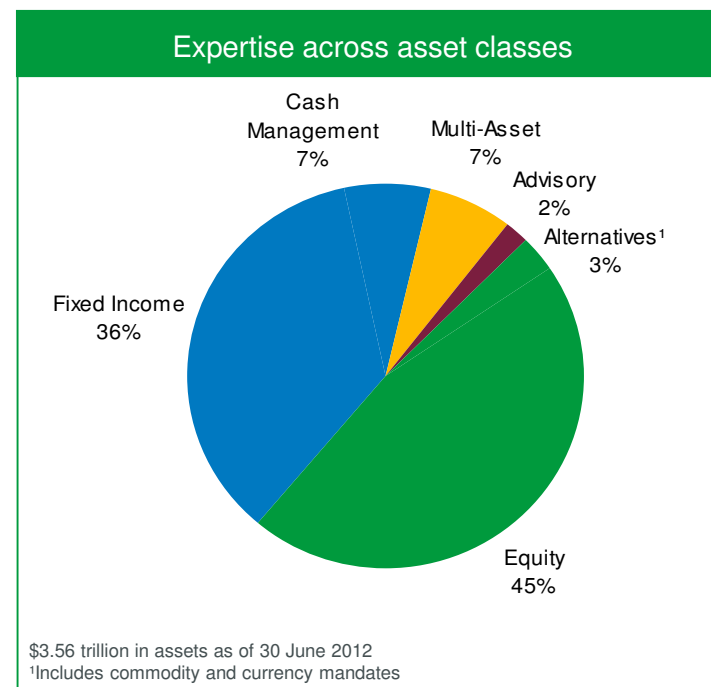
- We provide an industry-leading breadth of investment solutions across active management, quantitative, and index strategies, including our iShares® ETFs
- A dedicated group—BMACS—creates customized, multi-asset solutions to address specialized needs

Global insights to uncover opportunities

- Some 100 investment teams in 27 countries share their best thinking to gain the insights that can change outcomes

Culture of risk management

- BlackRock's risk management team works with portfolio managers while remaining truly independent, so their recommendations are unbiased and portfolio managers can make more informed decisions



BlackRock corporate governance

BlackRock is a public company

- Established in 1988 and public since 1999 (NYSE: BLK)

Independent ownership structure

- Board composed of 17 Directors: 12 independents, 2 BlackRock, 1 Bank of America, and 2 PNC
- No majority shareholder: 21.7% the PNC Financial Services Group, Inc.; 78.3% institutional investors, employees, and the public¹

Board Members

| | |
|-----------------------|---------------------------|
| Abdlatif Al-Hamad* | David Komansky* |
| Mathis Cabiallavetta* | Sir Deryck Maughan* |
| Dennis Dammerman* | Thomas Montag |
| Bill Demchak | Thomas O'Brien* |
| Jessica Einhorn * | James Rohr |
| Laurence Fink | Ivan Seidenberg* |
| Murry Gerber* | Marco Antonio Slim Domit* |
| James Grosfeld* | John Varley* |
| Robert Kapito | |

*Independent

Global Executive Committee (GEC)

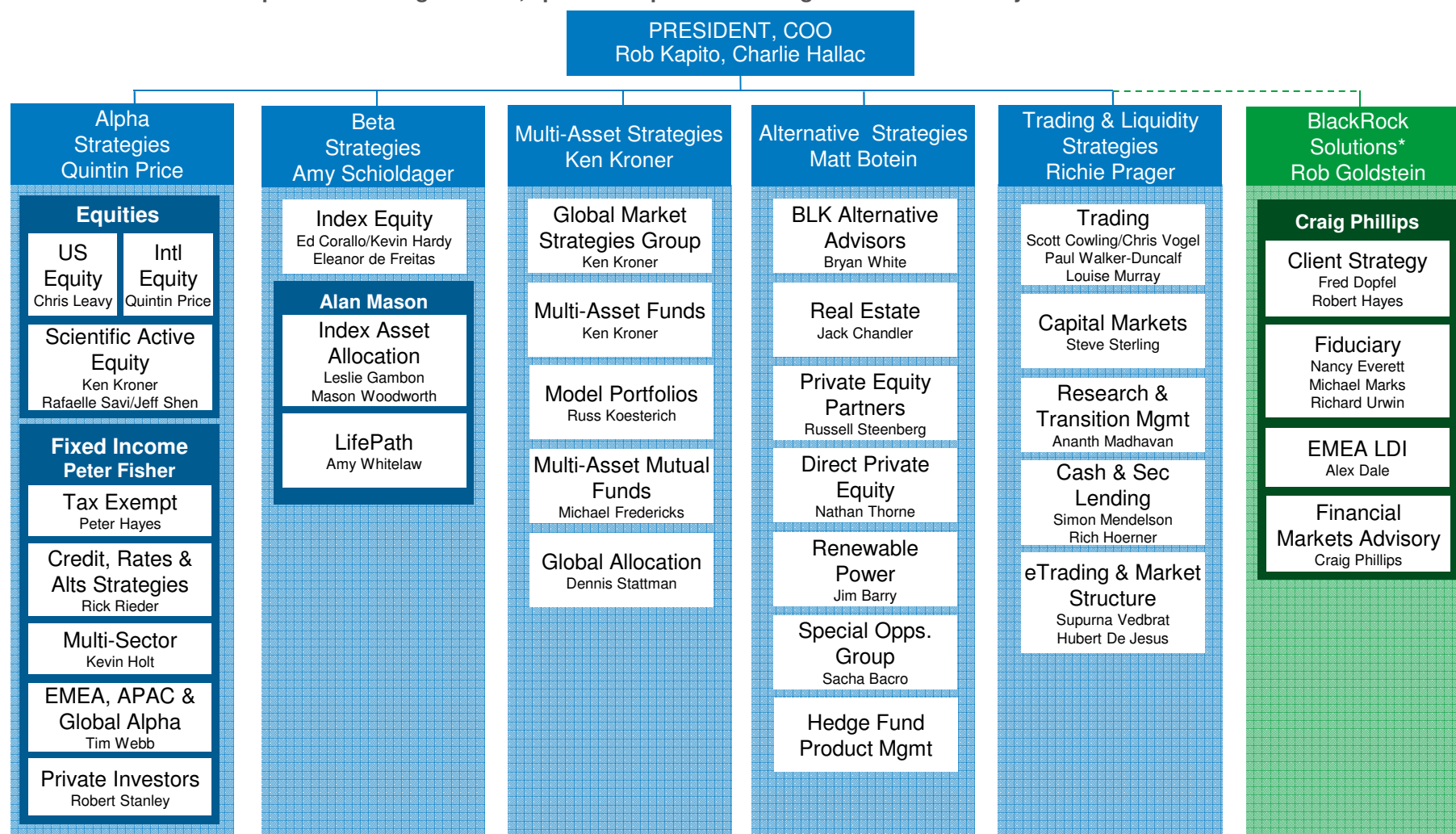
| | |
|--------------------|--|
| Laurence Fink | <i>Chairman & Chief Executive Officer</i> |
| Robert Kapito | <i>President</i> |
| Philipp Hildebrand | <i>Vice Chairman</i> |
| Barbara Novick | <i>Vice Chairman</i> |
| Kendrick Wilson | <i>Vice Chairman</i> |
| James Charrington | <i>Head of Europe, Middle East, and Africa</i> |
| Robert Fairbairn | <i>Head of Retail & iShares</i> |
| Peter Fisher | <i>Head of Fixed Income</i> |
| Rob Goldstein | <i>Head of Institutional & BRS</i> |
| Ben Golub | <i>Head of RQA</i> |
| Charles Hallac | <i>Chief Operating Officer</i> |
| Ken Kroner | <i>Head of Multi-Asset Strategies</i> |
| Richard Kushel | <i>Deputy COO & Head of Strategic Product Mgmt</i> |
| Matt Mallow | <i>Chief Legal Counsel</i> |
| Mark McCombe | <i>Head of Asia Pacific</i> |
| Patrick Olson | <i>GEC Secretary & Head of Strategy & Planning</i> |
| Ann Marie Petach | <i>Chief Financial Officer</i> |
| Quintin Price | <i>Head of Alpha Strategies</i> |
| Linda Robinson | <i>Head of Marketing and Communications'</i> |
| Amy Schioldager | <i>Head of Beta Strategies</i> |
| Jeff Smith | <i>Head of Human Resources</i> |
| Derek Stein | <i>Head of Business Operations</i> |

¹ Denotes approximate economic ownership interest as of March 31, 2012, adjusted for the transactions related to the May 2012 secondary offering. The approximate breakdown for voting common stock is as follows: PNC Bancorp and its affiliates owns 21% and institutional investors, employees and the public own 79%.

Investment Functions

Specialized investment groups centered on five core portfolio building blocks

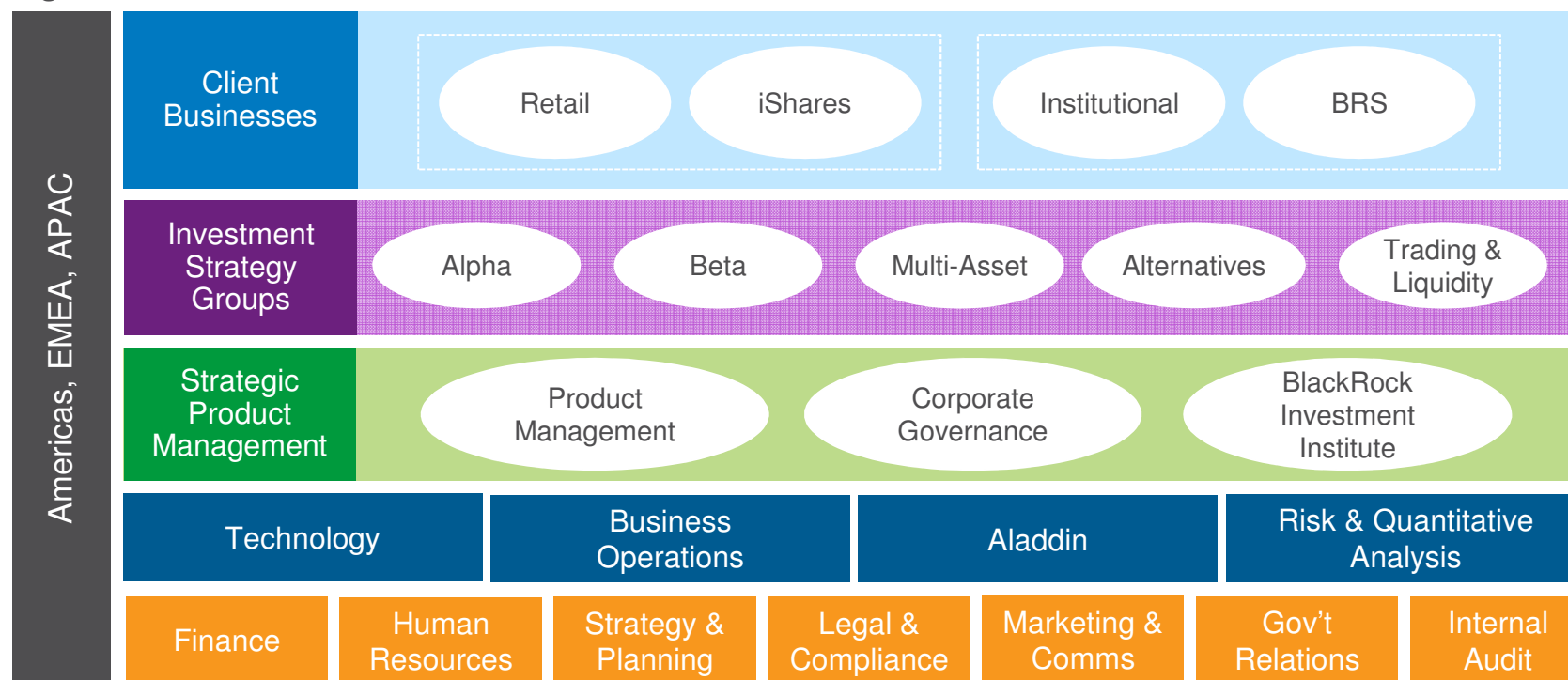
BlackRock Solutions provides strategic advice, specialized portfolio management and risk analytics



BlackRock organization

BLACKROCK®

Regions



II. Relationship Summary

For use with institutional and professional investors only — proprietary and confidential

Executive summary

Ventura County Employees' Retirement Association

As of 30 September 2012

| Fund | | | AUM |
|-----------------------------|--|--|-----------------|
| US Equity Market Fund | | | \$1,121,545,048 |
| Extended Equity Market Fund | | | \$30,427,679 |
| ACWI ex-US IMI Index Fund | | | \$321,507,666 |
| US Debt Index Fund | | | \$133,337,362 |
| ACWI Equity Index Fund | | | \$125,607,701 |
| Total assets | | | \$1,732,425,456 |

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

III. Account Review: Equity

For use with institutional and professional investors only — proprietary and confidential

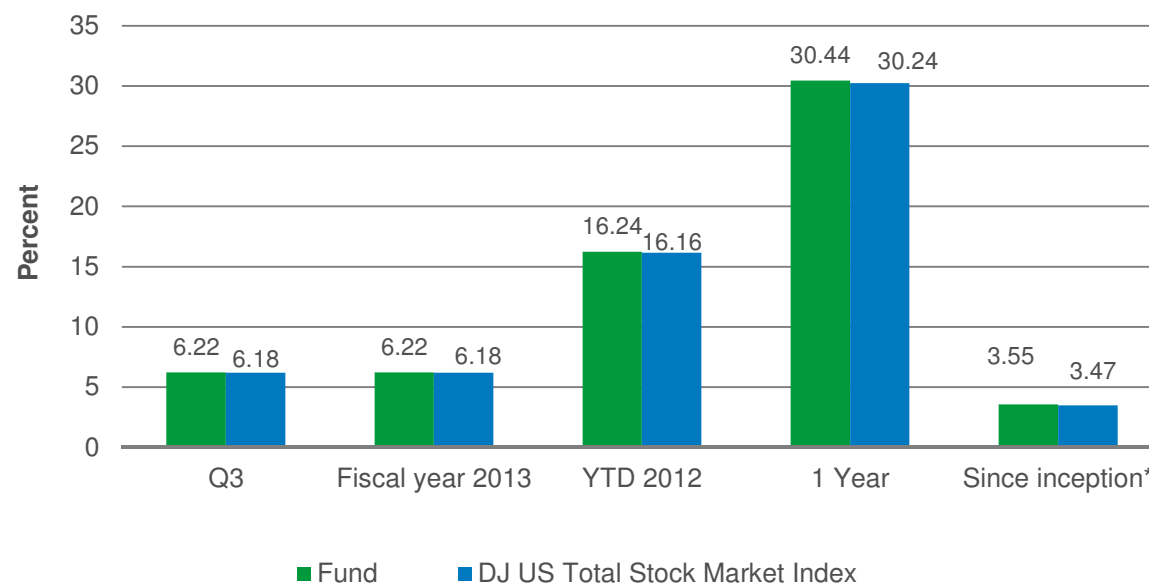
US Equity Market Fund

Ventura County Employees' Retirement Association

As of 30 September 2012

| | |
|---------------|-----------------|
| Account value | \$1,121,545,048 |
|---------------|-----------------|

Returns since client inception



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

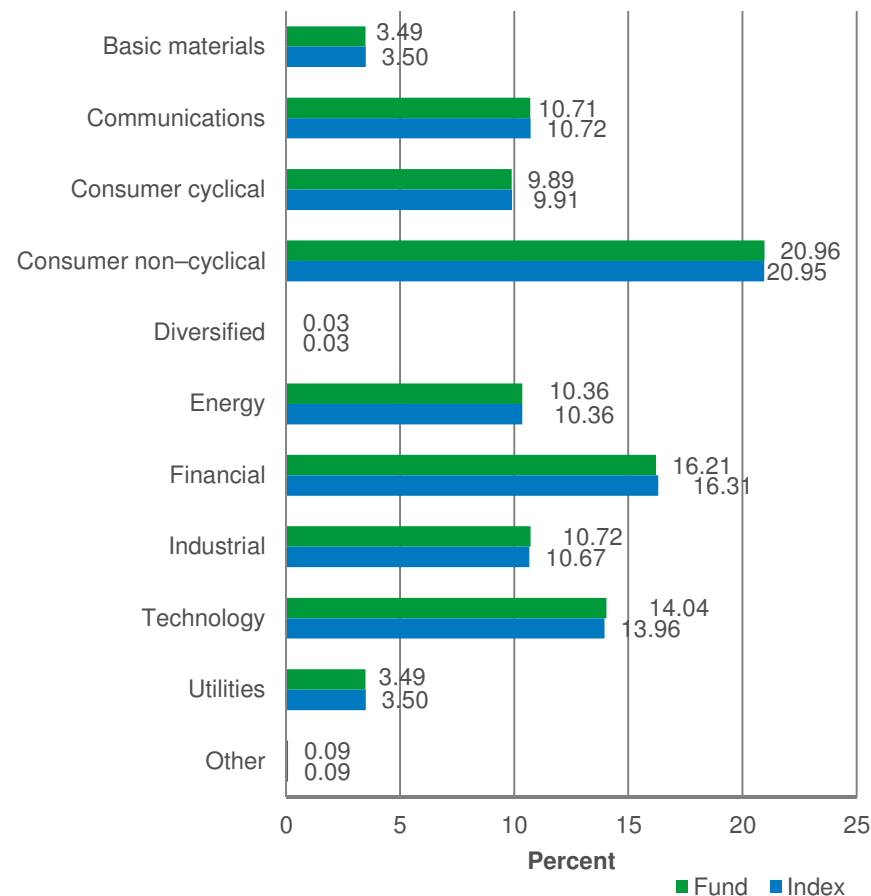
US Equity Market Fund Characteristics

As of 30 September 2012

| Characteristics | |
|--------------------|---------------------------------------|
| Strategy | Dow Jones US Total Stock Market Index |
| Beta vs. S&P 500® | 1.01 |
| Yield | 2.06% |
| Total fund assets | \$7.31B |
| Number of holdings | 2,377 |

| Top 10 holdings | | |
|-----------------------------|--------|---------|
| | Fund % | Index % |
| APPLE INC | 3.97 | 3.97 |
| EXXON MOBIL CORP | 2.67 | 2.68 |
| GENERAL ELECTRIC CO | 1.52 | 1.52 |
| CHEVRON CORP | 1.44 | 1.45 |
| MICROSOFT CORP | 1.42 | 1.42 |
| INTL BUSINESS MACHINES CORP | 1.41 | 1.41 |
| AT&T INC | 1.37 | 1.38 |
| GOOGLE INC-CL A | 1.27 | 1.27 |
| PROCTER & GAMBLE CO/THE | 1.20 | 1.21 |
| JOHNSON & JOHNSON | 1.20 | 1.20 |

Sector diversification

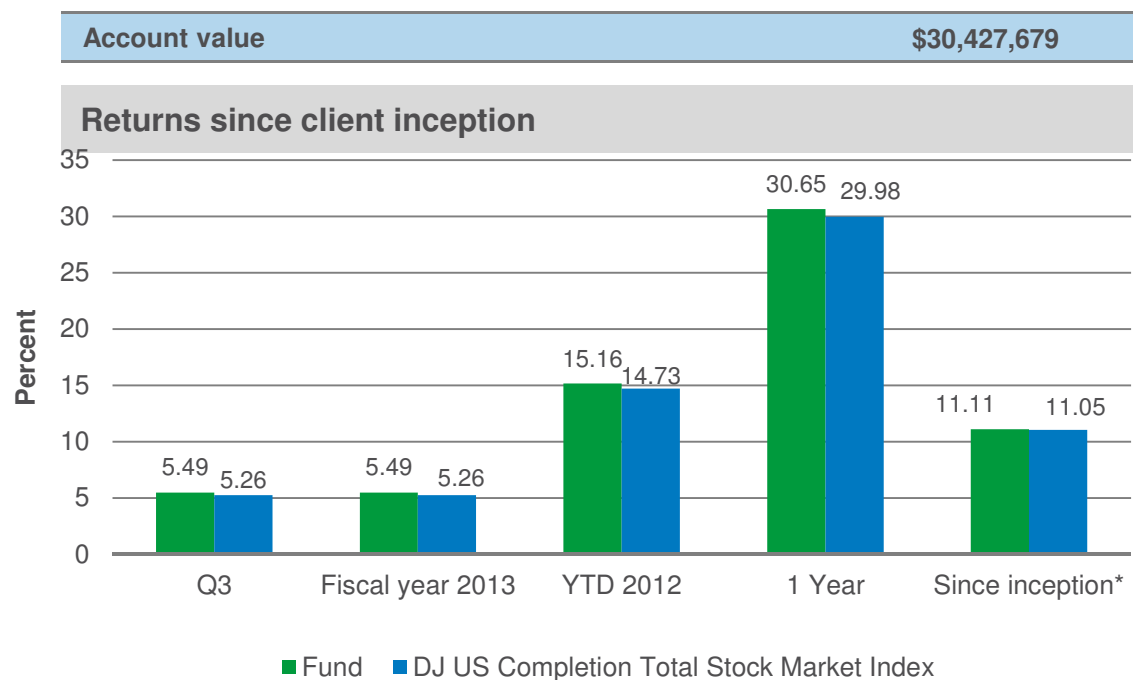


This information is unaudited and intended for analytical purposes only
Source: BlackRock, Bloomberg, Wilshire

Extended Equity Market Fund

Ventura County Employees' Retirement Association

As of 30 September 2012



ExEqAR-MVP-121015*

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

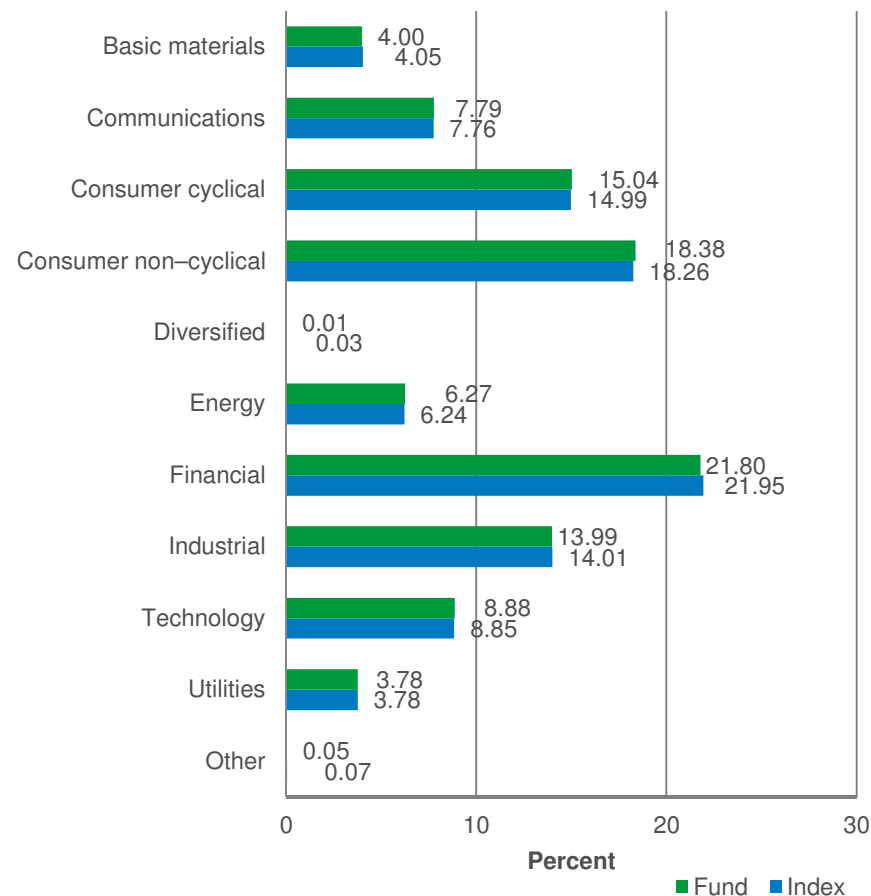
Extended Equity Market Fund Characteristics

As of 30 September 2012

| Characteristics | |
|--------------------|-----------------------|
| Strategy | Extended Market Index |
| Beta | 1.10 |
| Yield | 1.41% |
| Total fund assets | \$36.84B |
| Number of holdings | 2,332 |

| Top 10 holdings | | |
|-------------------------------|--------|---------|
| | Fund % | Index % |
| GENERAL MOTORS CO | 0.57 | 0.60 |
| LAS VEGAS SANDS CORP | 0.57 | 0.57 |
| ANNALY CAPITAL MANAGEMENT INC | 0.57 | 0.57 |
| TRANSOCEAN INC ORD USD0.01 | 0.55 | 0.00 |
| LIBERTY GLOBAL INC-A | 0.54 | 0.53 |
| VERTEX PHARMACEUTICALS INC | 0.42 | 0.42 |
| AMERICAN CAPITAL AGENCY CORP | 0.41 | 0.41 |
| DOLLAR GENERAL CORP | 0.40 | 0.40 |
| REGENERON PHARMACEUTICALS | 0.39 | 0.40 |
| LIBERTY MEDIA CORP - LIBER-A | 0.39 | 0.40 |

Sector diversification



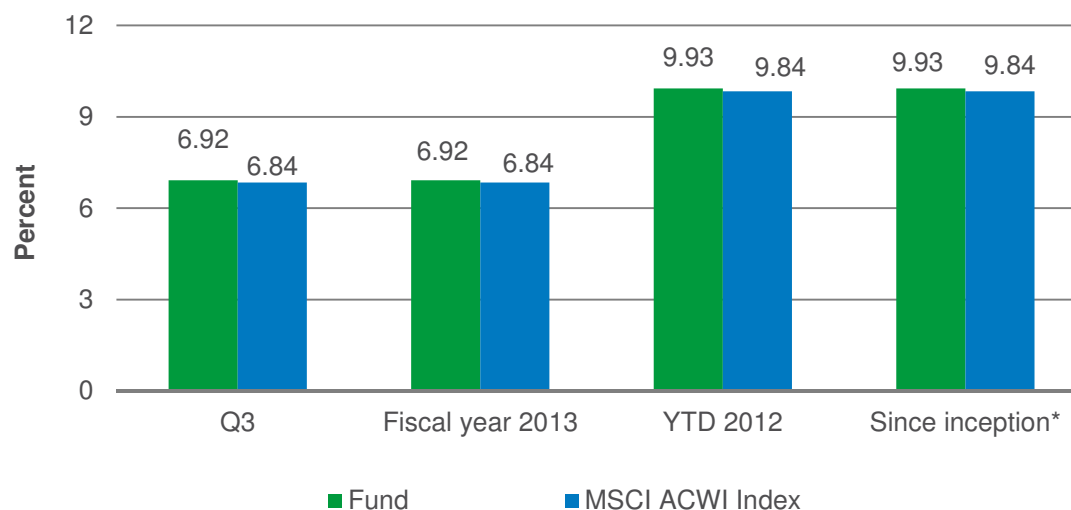
This information is unaudited and intended for analytical purposes only
Source: BlackRock, Bloomberg, Wilshire

ACWI Index Fund Ventura County Employees' Retirement Association

As of 30 September 2012

| | |
|---------------|---------------|
| Account value | \$125,607,701 |
|---------------|---------------|

Returns since client inception



FI-MVP-121015*

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

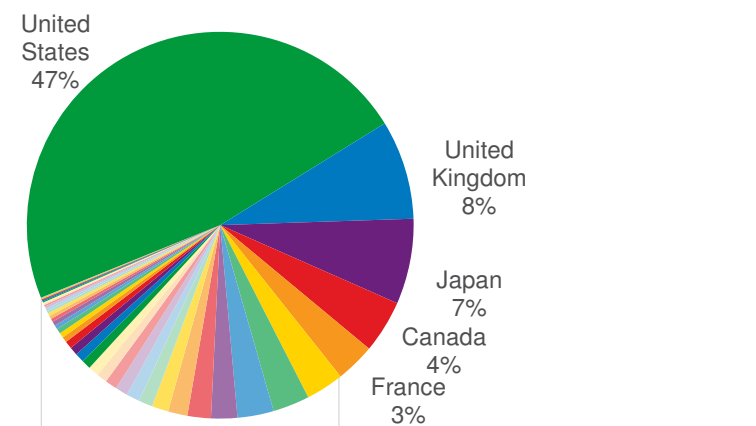
ACWI Index Fund Characteristics

As of 30 September 2012

| Characteristics | |
|--------------------------|-------------------------------|
| Strategy | MSCI ACWI Index SM |
| Total fund value | \$0.54B |
| Predicted tracking error | 0.20-0.30% |

| Top 10 holdings | | |
|---------------------------------------|---------------|------------|
| | Country | Weight (%) |
| Apple Inc. | United States | 2.30 |
| Exxon Mobil Corp. | United States | 1.55 |
| General Electric Co. | United States | 0.88 |
| Chevron Corp. | United States | 0.84 |
| Microsoft Corp. | United States | 0.82 |
| International Business Machines Corp. | United States | 0.82 |
| AT&T Inc. | United States | 0.80 |
| Google Inc. Cl A | United States | 0.73 |
| Nestle S.A. | Switzerland | 0.72 |
| Procter & Gamble Co. | United States | 0.70 |

Country allocation



| | | | | | |
|--------------|-------|-------------|-------|----------------|-------|
| Australia | 3.17% | Mexico | 0.63% | Peru | 0.09% |
| Switzerland | 3.05% | Malaysia | 0.46% | Portugal | 0.06% |
| Germany | 3.04% | Denmark | 0.43% | Egypt | 0.05% |
| China | 2.18% | Belgium | 0.41% | New Zealand | 0.05% |
| Korea | 1.97% | Norway | 0.35% | Czech Republic | 0.04% |
| Brazil | 1.61% | Indonesia | 0.35% | Hungary | 0.04% |
| Taiwan | 1.40% | Thailand | 0.28% | Greece | 0.02% |
| Sweden | 1.16% | Finland | 0.27% | Morocco | 0.01% |
| Hong Kong | 1.12% | Chile | 0.23% | | |
| Spain | 1.03% | Turkey | 0.22% | | |
| South Africa | 0.99% | Israel | 0.21% | | |
| Netherlands | 0.89% | Poland | 0.19% | | |
| India | 0.89% | Colombia | 0.15% | | |
| Italy | 0.79% | Philippines | 0.12% | | |
| Russia | 0.77% | Austria | 0.09% | | |
| Singapore | 0.68% | Ireland | 0.09% | | |

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

ACWI ex-US IMI Index Fund

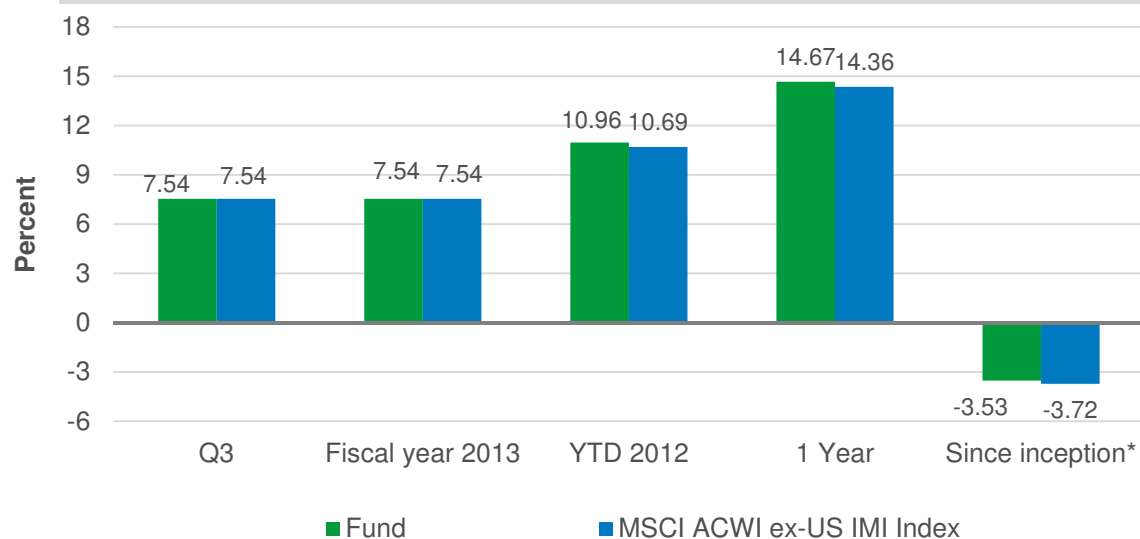
Ventura County Employees' Retirement Association

As of 30 September 2012

Account value

\$321,507,666

Returns since client inception



ACWI-MVP-121015*

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

BlackRock MSCI ACWI ex-US IMI IndexSM Fund A

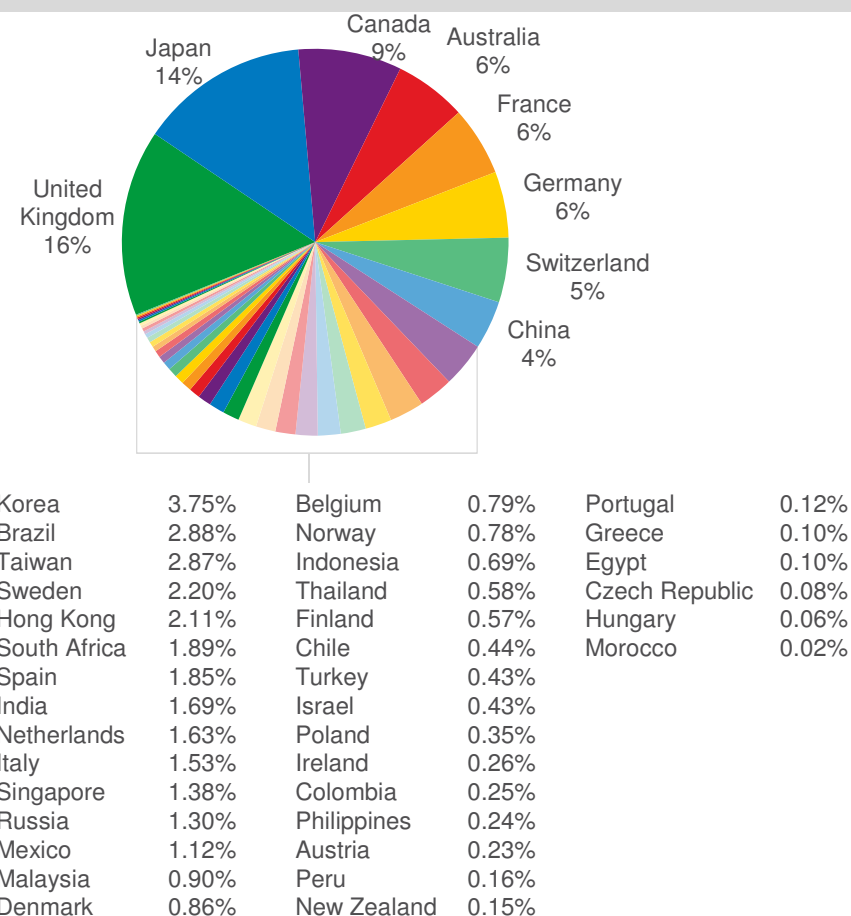
Characteristics

As of 30 September 2012

| Characteristics | |
|--------------------------|-----------------------|
| Strategy | MSCI ACWI ex-US IMISM |
| Total fund value | \$5.84B |
| Number of issues in fund | 6,213 |
| Predicted tracking error | 0.20-0.50% |

| Top 10 holdings | | |
|------------------------------|----------------|------------|
| | Country | Weight (%) |
| Nestle S.A. | Switzerland | 1.20 |
| HSBC Holdings PLC | United Kingdom | 0.97 |
| Novartis AG | Switzerland | 0.81 |
| Vodafone Group PLC | United Kingdom | 0.81 |
| Samsung Electronics Co. Ltd. | Korea | 0.78 |
| BP PLC | United Kingdom | 0.78 |
| Roche Holding AG | Switzerland | 0.76 |
| Royal Dutch Shell PLC (CL A) | United Kingdom | 0.74 |
| GlaxoSmithKline PLC | United Kingdom | 0.67 |
| BHP Billiton Ltd. | Australia | 0.64 |

Country allocation



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

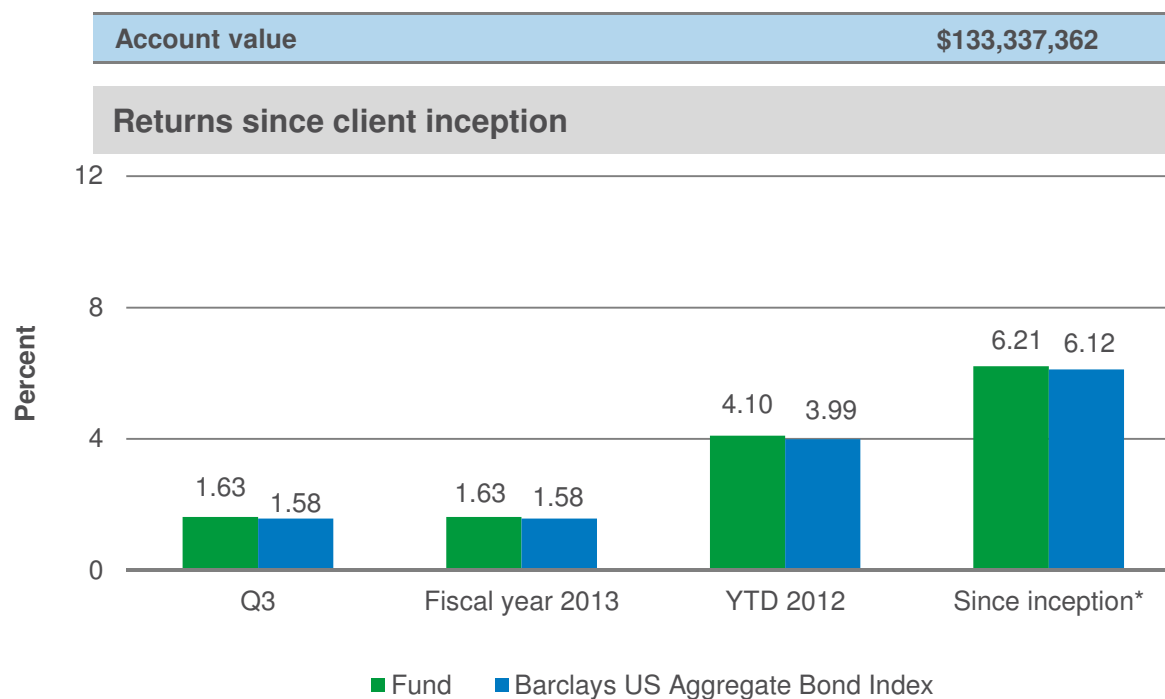
IV. Account Review: Fixed Income

For use with institutional and professional investors only — proprietary and confidential

US Debt Index Fund

Ventura County Employees' Retirement Association

As of 30 September 2012



ACWI-EqAR-MVP-121015*

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

Portfolio profile

As of 30 September 2012

US-Debt-Idx-A-Pro

| US Debt Index Fund | | |
|--------------------------------------|--------------------|-------------------------------|
| | US Debt Index Fund | Barclays Aggregate Bond Index |
| Market value (\$B) | 6.30 | 16,815.24 |
| # Issues | 6,277 | 7,998 |
| Characteristics | | |
| Coupon (%) | 3.80 | 3.71 |
| Nominal yield (%) | 1.19 | 1.20 |
| Current yield (%) | 3.46 | 3.35 |
| Yield to maturity (YTM) (%) | 1.20 | 1.21 |
| Weighted avg life (yrs) | 6.19 | 6.20 |
| Effective duration (yrs) | 4.24 | 4.25 |
| Spread duration | 3.00 | 3.01 |
| Option adjusted spread (bps) | 41 | 42 |
| Convexity | 0.33 | 0.32 |
| Moody rating | Aa1 | Aa1 |
| S&P rating | AA | AA |
| Quality breakdown (mkt val %) | | |
| AAA or above | 75.15 | 74.94 |
| AA | 3.45 | 3.42 |
| A | 11.05 | 11.16 |
| BBB | 10.34 | 10.44 |
| Below BBB | 0.01 | 0.00 |
| NR | 0.00 | 0.03 |

| | US Debt Index Fund | Barclays Aggregate Bond Index |
|--|--------------------|-------------------------------|
| Sector breakdown (mkt val %) | | |
| Treasury | 36.16 | 36.09 |
| Agencies | 4.63 | 5.06 |
| Financials | 6.74 | 6.83 |
| Industrials | 11.83 | 11.89 |
| Utilities | 2.32 | 2.37 |
| Non-US credit | 4.43 | 4.52 |
| Other | 0.00 | 0.01 |
| Taxable munis | 0.96 | 1.02 |
| ABS | 0.30 | 0.32 |
| Mortgages | 29.24 | 29.15 |
| Hybrid ARM | 0.87 | 0.87 |
| CMBS | 1.90 | 1.89 |
| Cash | 0.62 | 0.00 |
| Weighted avg life breakdown (mkt val %) | | |
| 0-1 | 2.15 | 0.83 |
| 1-2 | 21.79 | 23.23 |
| 2-3 | 28.36 | 27.20 |
| 3-5 | 16.17 | 17.51 |
| 5-7 | 10.59 | 8.92 |
| 7-10 | 8.17 | 9.52 |
| 10-20 | 3.16 | 3.31 |
| 20-30 | 9.28 | 9.12 |
| 30+ | 0.33 | 0.36 |

Data are 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
Source: BlackRock

V. Market Outlook

For use with institutional and professional investors only — proprietary and confidential

Tactically bearish – strategically bullish

Short term headwinds:

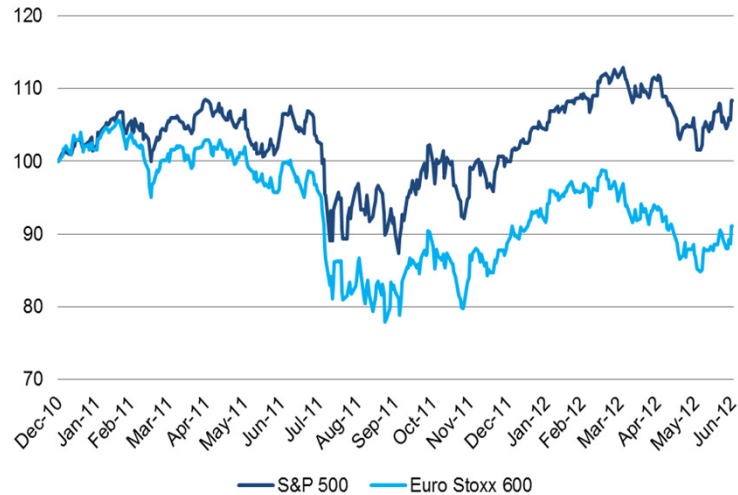
- Macro: slowing growth
- The growing importance of policy & risks associated:
 - US election, fiscal cliff, & debt ceiling
 - European sovereign crisis: resolution obstacle is policy consensus.
 - Emerging Markets: continued monetary easing required?

Longer term tailwinds:

- US: cheap energy, bottomed housing market & well capitalised banks
- European politicians understand the solutions & threat of banking collapse and immediate euro break-up averted
- Growth recovery in Emerging Markets as change in policy stance gains transaction

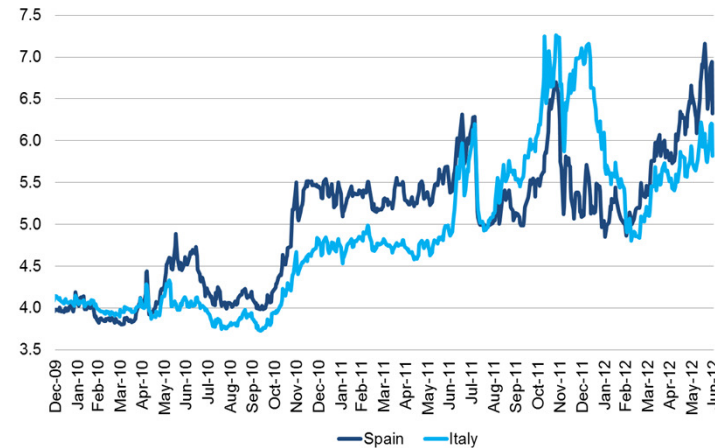
Market background

Good end to Q2 for equities after a tough quarter



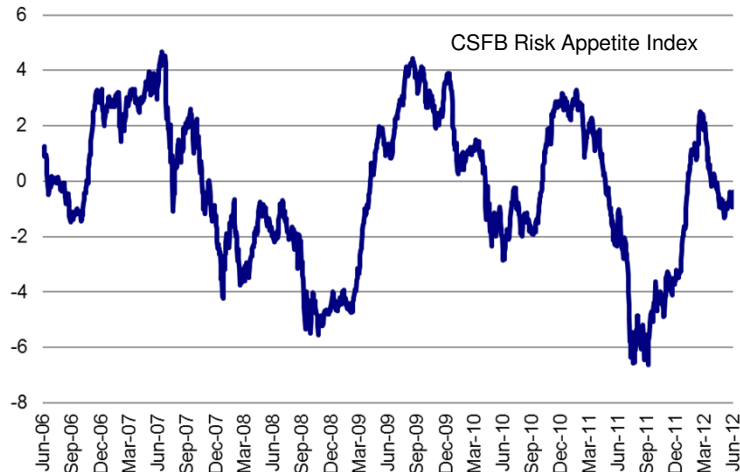
Source: Bloomberg – 09/07/2012.

Spain the main focus of the credit markets – 10 year bond yields breach 7%



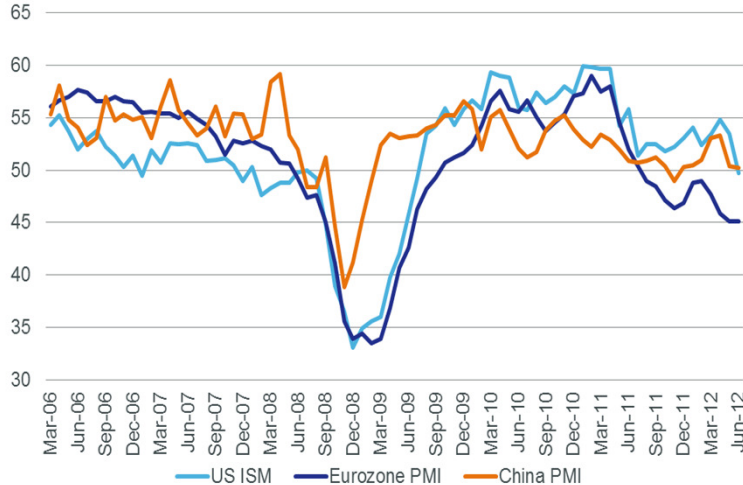
Source: Bloomberg – 09/07/2012.

Risk appetite falls sharply as concern over Eurozone increases



Source: credit Suisse, 09/07/2012.

Eurozone problems spread to US & China in Q2

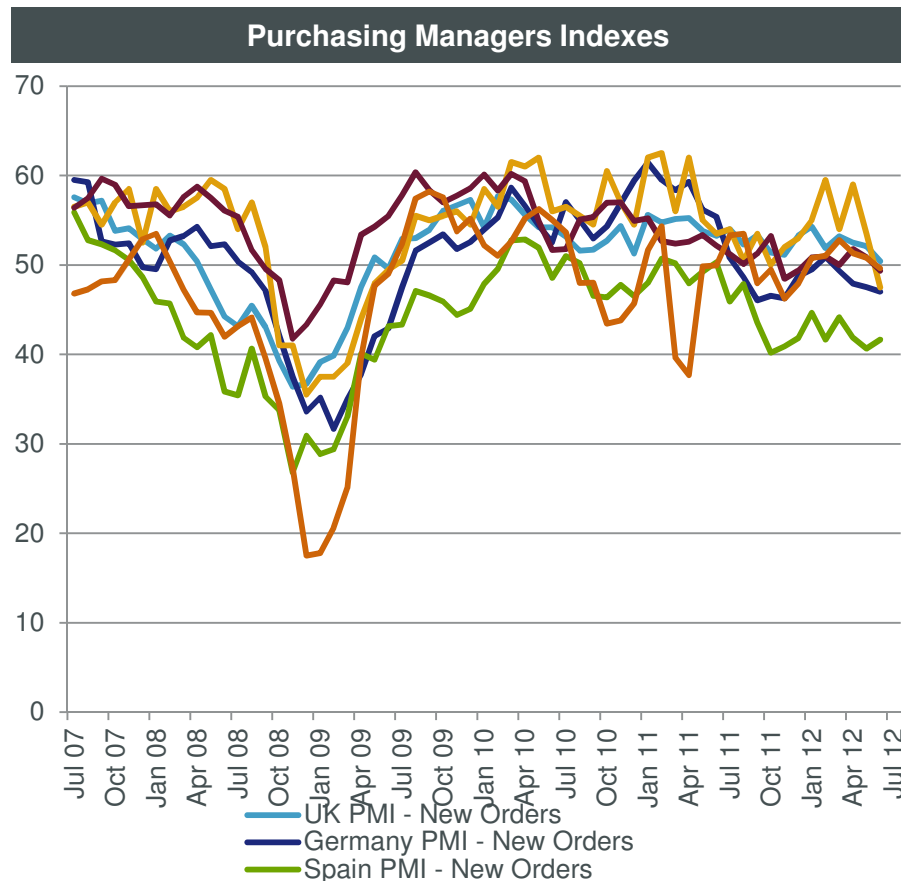


Source: Bloomberg – 05/07/2012

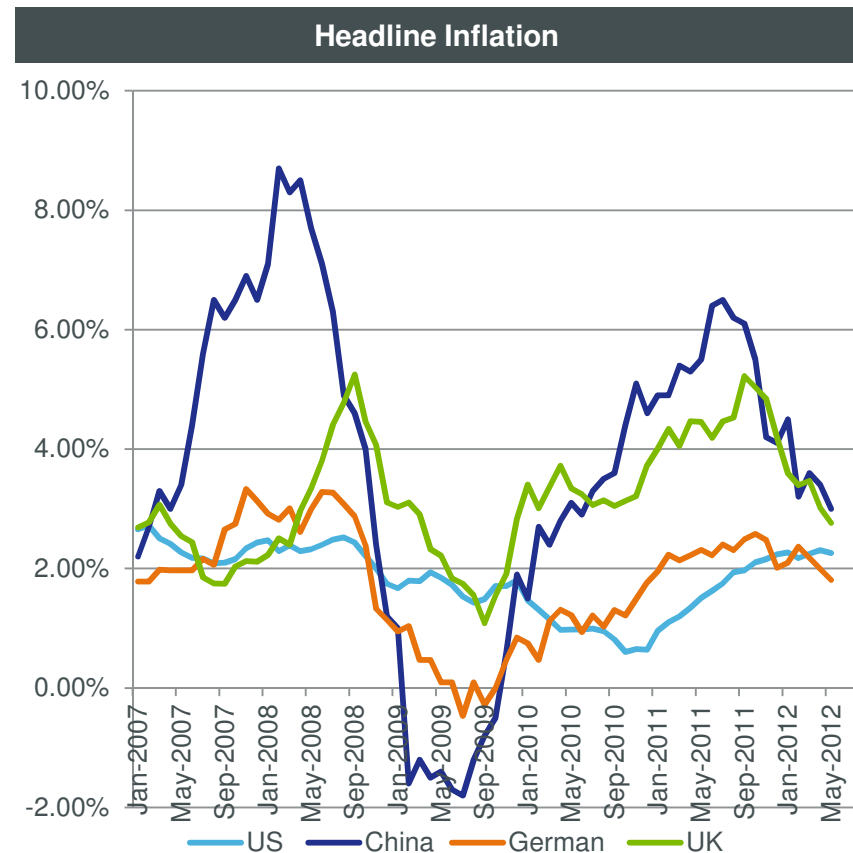
Where are we now? Growth and inflation

Global growth has held up but is increasingly slowing, most obvious divergence reflects the Euro area recessions.

Inflation expectations have edged lower



Source: Bloomberg, DataStream, BlackRock July 2012



VI. Compliance Certification

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September 27, 2012

COMPLIANCE CERTIFICATION

BlackRock performs compliance checks daily on the Ventura County Employees Retirement Association account ("Client") and, if necessary, BlackRock rebalances or otherwise takes such action for the account to ensure compliance with the relevant investment policies and guidelines applicable to the account that has been previously communicated to us and are currently in effect for the account ("Guidelines"). Therefore, and on that basis, as of August 31, 2012, the Client's account has been in compliance, in all material respects with its Guidelines.

BLACKROCK

A handwritten signature in black ink, appearing to read "Matthew Riley".

Matthew Riley
Director

646297

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Page 2

September 27, 2012

400 Howard Street

San Francisco, CA 94105

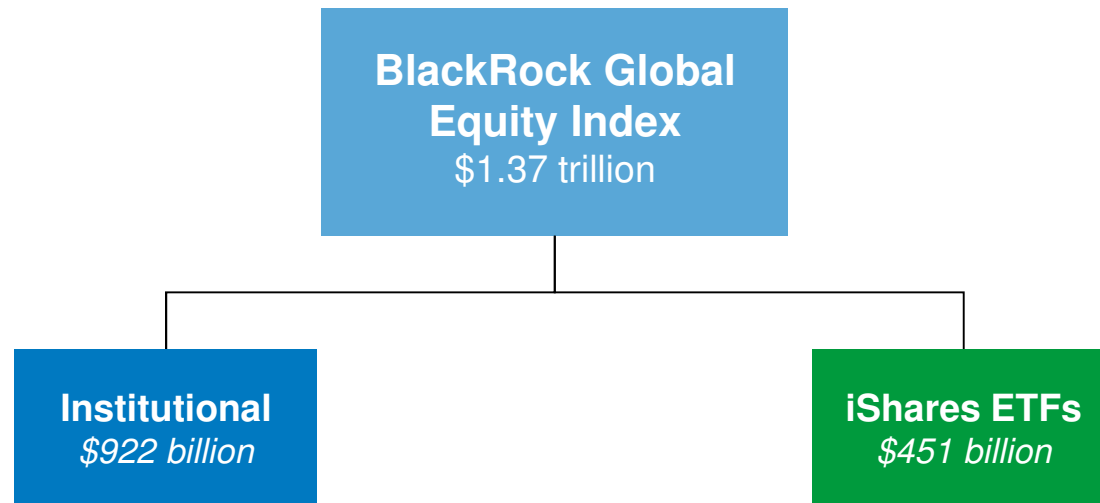
www.blackrock.com

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Appendix

Equity Index investing at BlackRock



AUM in USD as of 30 June 2012

BlackRock's Core investment philosophy

Total performance management

We believe that superior investment outcomes are best achieved through a disciplined, objective process to managing return, risk and cost

Return

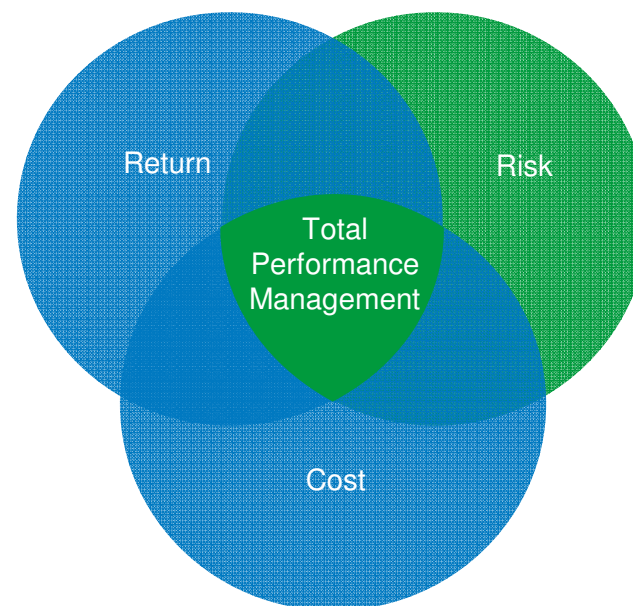
- ▶ Performance as planned with value added portfolio management
- ▶ Flexible strategies and solutions

Risk

- ▶ Proprietary portfolio & risk management systems controls investment and operational risk

Cost

- ▶ Trading costs integrated into portfolio construction using proprietary transaction cost models
- ▶ Transaction costs minimized through use of internal crossing network
- ▶ For all external trading including FX, focus on best execution



The investment management cycle

Specialized expertise and resources

Detailed knowledge of benchmark

- Predict forthcoming index changes
- Audit daily updates from index providers
- Develop trade strategies to thoughtfully incorporate index events

Performance oversight and review

- Daily review by portfolio managers
- Monthly Investment Review Committee
- Strategy innovation

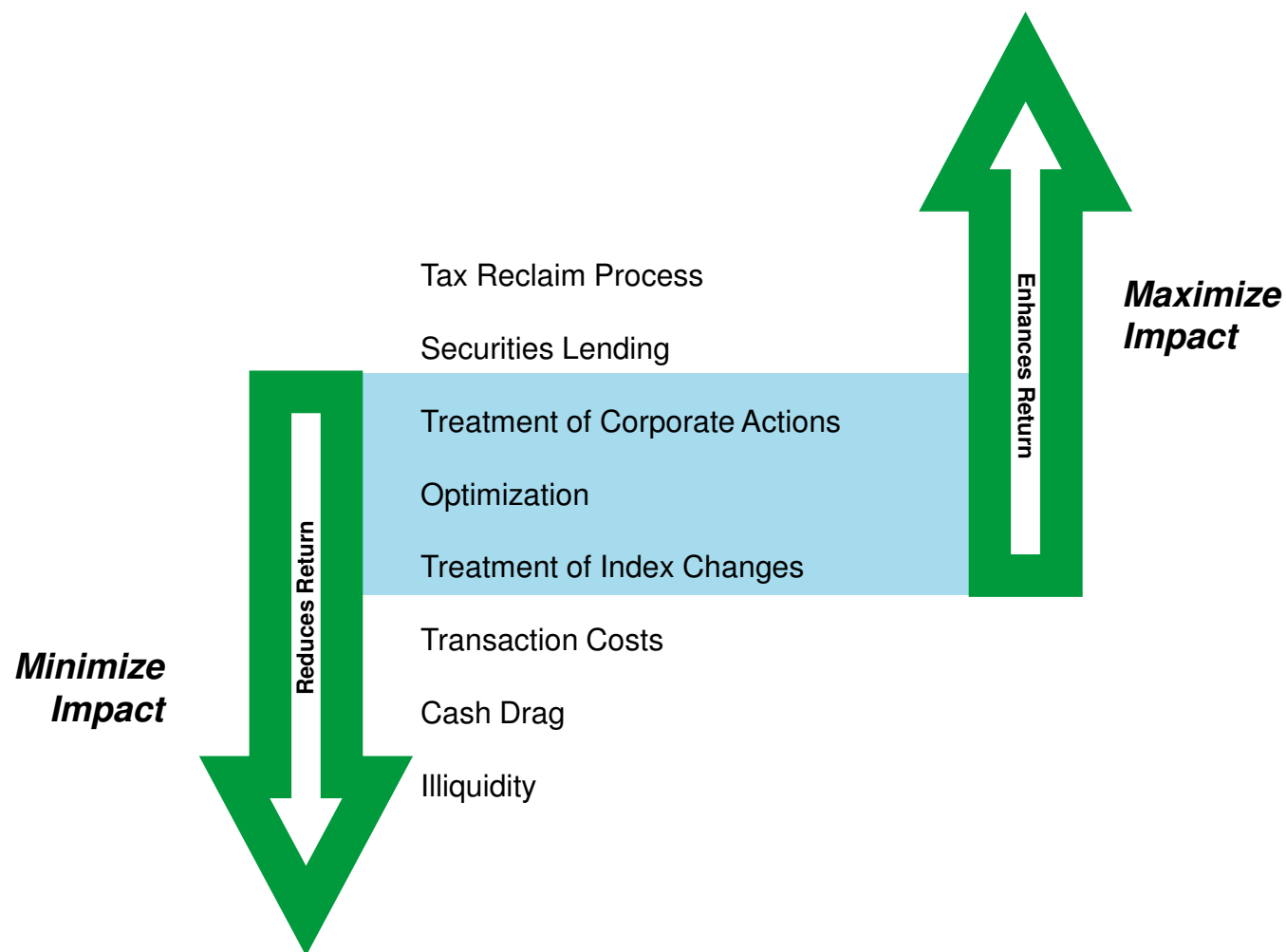
Portfolio construction

- Teams of portfolio managers specialized by region
- Supported by leading technology platform and risk models
- Rapid dividend reinvestment and full equitization

Efficient trading

- Best execution sought on all trades
- Largest internal marketplace for crossing
- Economies of scale
- Trading research team

Major sources of tracking error Global & Domestic index funds



BlackRock's scale and internal crossing network delivers significantly lower transaction costs

BlackRock maintains the world's largest internal crossing network

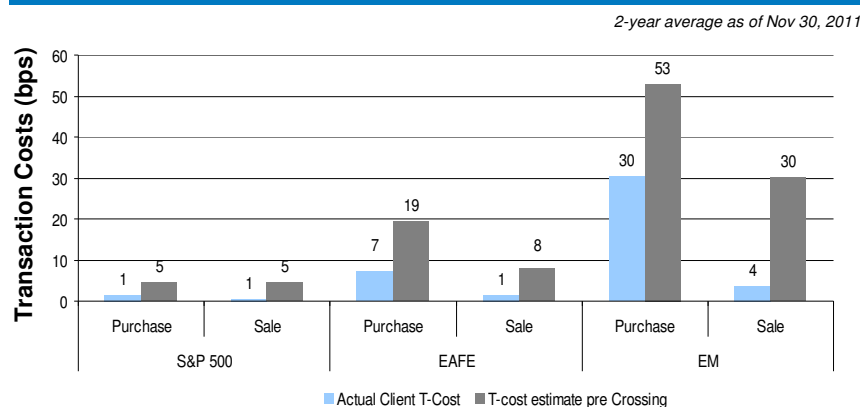
- Provides clients with unparalleled access to lowest-cost trades – a particularly significant value in less-liquid markets
 - On average, BlackRock will cross ~50% of CTF transactions
- For many clients, crossing savings can amount to a year or more of management fees

BlackRock provides clients unparalleled access to liquidity (over \$7 Trillion annually)*

- External indications of interest from over 60 brokers and over 40,000 indications of interest captured electronically on a daily basis
- Direct market access for greater control and cost savings for clients

The annual averages reflected below reflect the high balance of trades executed through our internal crossing network

BlackRock transaction costs vs. industry estimates¹



BlackRock Flagship Funds Average Crossing Rates²

As of Dec 31, 2011

| | S&P 500 | EAFE | Emerging Markets |
|-----------------------|---------|------|------------------|
| 2011 | 38% | 45% | 48% |
| 5-year Average | 44% | 48% | 58% |

*Estimated liquidity pool includes internal BlackRock flow as well as access to daily indications of interest

¹Source: BlackRock. BlackRock Flagship Index Funds shown

²Source: BlackRock. Crossing statistics based on BlackRock 'A' commingled trust funds and includes security and unit level crossings and cash exchanges.

BlackRock's risk control

A multi-dimensional approach

Portfolio management process

- Dedicated Index Research Team
- Order limits for each Portfolio Manager
- Peer Review for every trade
- Separation of duties between PM and Trading
- Value at Risk calculation on all trade strategies
- Limits/Stop-Loss in place for all trade strategies
- Full cash equitization
- PM specialize in a specific region
- Daily performance monitoring

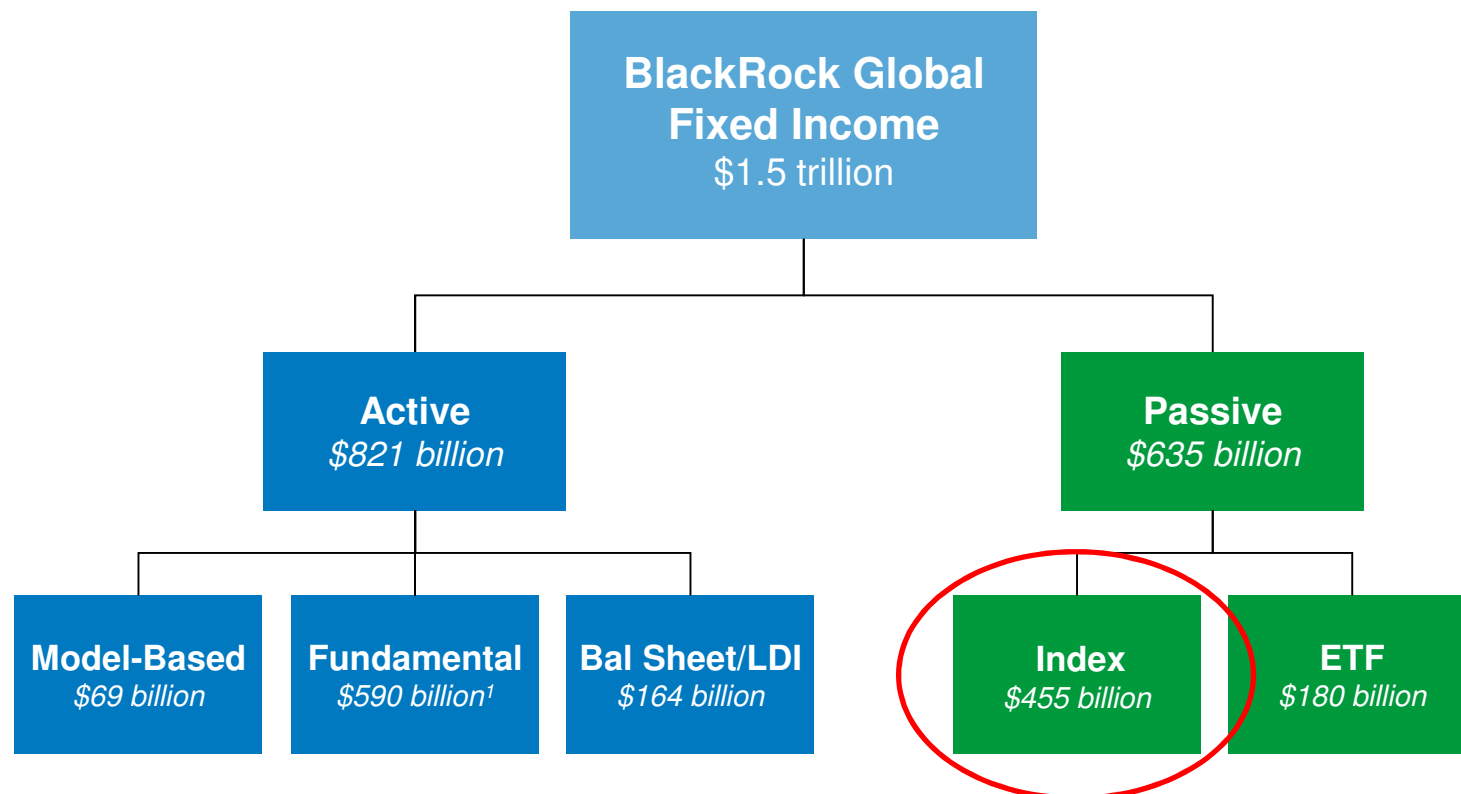
Down stream process

- Restrictions are IT based with no manual intervention required
- Integrated Portfolio Management and Trading platforms
- Straight through processing from order to execution
- Monthly performance review (Investment Review Committee)

Firm-wide risk control

- Firm-wide compliance programs
- Code of conduct
- Code of ethics
- Personal securities trading rules
- Extensive business continuity planning
- Daily firm-wide performance monitoring

Fixed Income investing at BlackRock



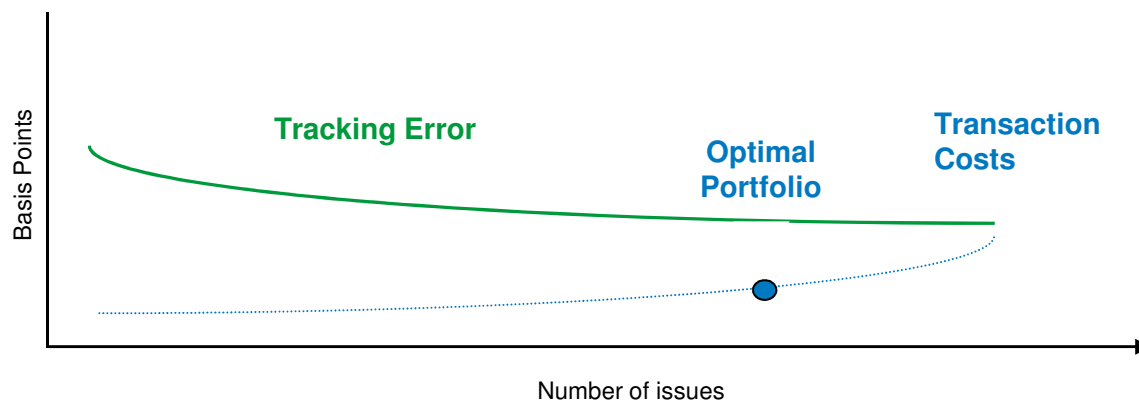
AUM in USD as of 30 June 2012

1. Portfolios moving to Financial Management Advisory (FMA) accounted for \$32.4 billion of the change in Fundamental Active AUM during the quarter.

Fixed Income indexing: different market, different strategy

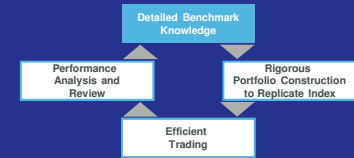
Quantitative process balances tracking error & transaction costs

- ▶ Unlike equities, Fixed Income is not traded on exchanges
- ▶ Prohibitive costs, uncertain liquidity, and issue scarcity often makes perfect replication infeasible
- ▶ Index process optimizes marginal contribution to tracking error with T-Costs

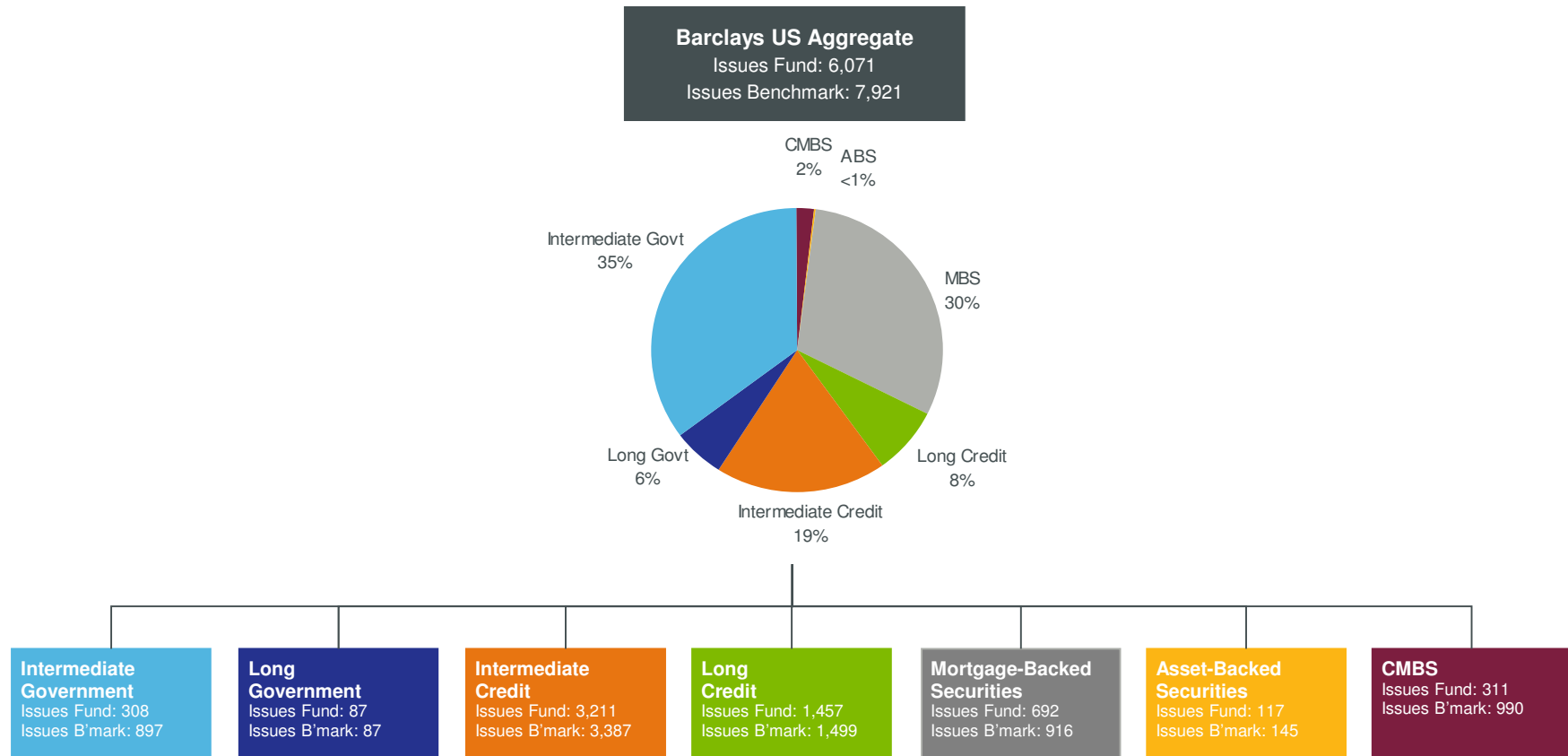


For illustrative purpose only.
Source: BlackRock

Modular Fund Design

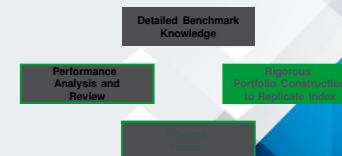


BlackRock's modular fund design leverages our scale and facilitates crossing opportunities for clients



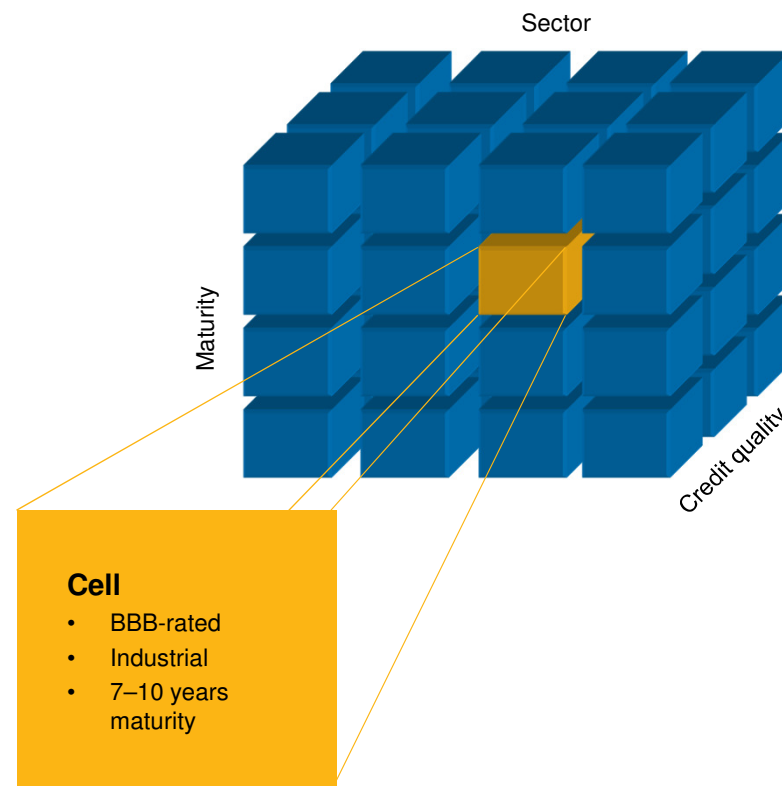
Source: BlackRock; data as of 30 June 2012

Portfolio construction



Stratified sampling methodology: Dividing the various indexes into subsets (cells) based upon relative parameters

| Government Bonds | Mortgage-Backed Securities | Credit and Asset-Backed Securities |
|-------------------|---|------------------------------------|
| Sector/Issue type | Issuer (GNMA, FNMA, FHLMC) | Sector/issue type |
| Maturity | Mortgage type (30 year, 15 year, balloon) | Maturity/average life |
| Call Features | Coupon | Credit rating |
| | Age (year of issuance) | Call/payment structure |



Portfolios are constructed by sampling bonds from each index cell

Benefits of BlackRock's approach to index management

Our approach delivers consistently superior performance

Better returns

- Global insight into index changes, corporate actions and index flows
- Value-added trading strategies
- Transaction costs incorporated into portfolio construction
- Global securities lending relationships

Less risk

- Leading risk models and technology reduce tracking error
- Integrated trading and portfolio management platforms provide speed and consistency
- Straight through processing — no manual intervention, avoiding unintentional risk

Lower cost

- All trades, including FX, seek best execution
- Diverse client base affords significant crossing opportunities
- Scale and leverage in negotiating rates on market trades
- Dedicated transition services for index portfolios

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 | 30.44 | 30.24 | 0.20 |
| 3 Yrs Annualized | 13.52 | 13.44 | 0.08 |
| Fiscal Year 2013 | | | |
| Jul | 1.04% | 1.02% | 0.02% |
| Aug | 2.47 | 2.47 | 0.00 |
| Sep | 2.59 | 2.58 | 0.01 |
| 1st Qtr. | 6.22% | 6.18% | 0.04% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 2nd Qtr. | | | |
| Jan | | | |
| Feb | | | |
| Mar | | | |
| 3rd Qtr. | | | |
| Apr | | | |
| May | | | |
| Jun | | | |
| 4th Qtr. | | | |
| Fiscal YTD | 6.22% | 6.18% | 0.04% |
| Cumulative Since Inception | 16.32% | 15.93% | 0.39% |
| Annualized Since Inception | 3.55% | 3.47% | 0.08% |
| Annualized Risk | 20.58% | 20.59% | 0.14% |

The Fund is managed by BTC. The information disclosed herein is for informational purposes only and may not be compliant with the requirements of Department of Labor Rule 404a-5. Plan sponsors and/or administrators seeking the requisite information to comply with Rule 404a-5 should contact their Account Manager.

As of 1/1/89, fund returns are based on NYSE closing prices. Prior returns were based on composite closing prices.

Prior to September 30, 2001, the benchmark return for the Dow Jones U.S. Total Stock Market Index was the US Equity Market Index.

Between September 30, 2001 and June 18, 2004 the benchmark was the Wilshire 5000.

The Fund is a privately offered collective investment fund maintained by BlackRock Institutional Trust Company, N.A. (BTC) and is available only to certain qualified employee benefit plans and governmental plans and not offered to the general public; a prospectus is not required and prices are not available in local publications. To obtain pricing information, please contact your local service representative.

The Fund's performance is not necessarily an indication of how well the Fund will perform in the future.

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¹ Account Inception 06/02/08

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

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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 | 30.44 | 30.24 | 0.20 |
| 3 Yrs Annualized | 13.52 | 13.44 | 0.08 |
| 5 Yrs Annualized | 1.59 | 1.50 | 0.09 |
| 10 Yrs Annualized | 8.82 | 8.73 | 0.09 |
| 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 | 2.59 | 2.58 | 0.01 |
| 3rd Qtr. | 6.22% | 6.18% | 0.04% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 4th Qtr. | | | |
| YTD 2012 | 16.24% | 16.16% | 0.08% |
| Cumulative Since Inception ² | 2448.30% | 2405.42% | 42.88% |
| Annualized Since Inception | 10.77% | 10.71% | 0.06% |

General Notes:

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Between September 30, 2001 and June 18, 2004 the benchmark was the Wilshire 5000.

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¹ Performance figures are annualized as of period end.

² Fund Inception 01/31/81

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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 | 30.65 | 29.98 | 0.67 |
| 3 Yrs Annualized | 14.49 | 14.21 | 0.28 |
| 5 Yrs Annualized | 2.88 | 2.85 | 0.03 |
| 10 Yrs Annualized | 11.11 | 11.05 | 0.06 |
| Fiscal Year 2013 | | | |
| Jul | -0.63% | -0.69% | 0.06% |
| Aug | 3.56 | 3.45 | 0.11 |
| Sep | 2.50 | 2.45 | 0.05 |
| 1st Qtr. | 5.49% | 5.26% | 0.23% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 2nd Qtr. | | | |
| Jan | | | |
| Feb | | | |
| Mar | | | |
| 3rd Qtr. | | | |
| Apr | | | |
| May | | | |
| Jun | | | |
| 4th Qtr. | | | |
| Fiscal YTD | 5.49% | 5.26% | 0.23% |
| Cumulative Since Inception | 186.81% | 185.31% | 1.50% |
| Annualized Since Inception | 11.11% | 11.05% | 0.06% |
| Annualized Risk | 18.63% | 18.54% | 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.

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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 | 30.65 | 29.98 | 0.67 |
| 3 Yrs Annualized | 14.49 | 14.21 | 0.28 |
| 5 Yrs Annualized | 2.88 | 2.85 | 0.03 |
| 10 Yrs Annualized | 11.11 | 11.05 | 0.06 |
| 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 | 2.50 | 2.45 | 0.05 |
| 3rd Qtr. | 5.49% | 5.26% | 0.23% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 4th Qtr. | | | |
| YTD 2012 | 15.16% | 14.73% | 0.43% |
| Cumulative Since Inception³ | 2445.44% | 2273.98% | 171.46% |
| Annualized Since Inception | 10.76% | 10.52% | 0.24% |
| Annualized Risk | 18.28% | 18.23% | 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

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ACWI Equity Index Fund

Ventura County Employees' Retirement Association

| | Fund | MSCI ACWI Net Dividend Return Index | Tracking Difference |
|-----------------------------------|--------------|---|------------------------|
| 2012¹ | 2.82% | 2.82% | 0.00% |
| Fiscal Year 2013 | | | |
| Jul | 1.40% | 1.37% | 0.03% |
| Aug | 2.18 | 2.17 | 0.01 |
| Sep | 3.19 | 3.15 | 0.04 |
| 1st Qtr. | 6.92% | 6.84% | 0.08% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 2nd Qtr. | | | |
| Jan | | | |
| Feb | | | |
| Mar | | | |
| 3rd Qtr. | | | |
| Apr | | | |
| May | | | |
| Jun | | | |
| 4th Qtr. | | | |
| Fiscal YTD | 6.92% | 6.84% | 0.08% |
| Cumulative Since Inception | 9.93% | 9.84% | 0.09% |
| Annualized Risk | 2.72% | 2.72% | 0.06% |

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¹ Account Inception 06/27/12

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

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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 | 7.13 | 6.63 | 0.50 |
| 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 | 3.19 | 3.15 | 0.04 |
| 3rd Qtr. | 6.92% | 6.84% | 0.08% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 4th Qtr. | | | |
| YTD 2012 | 13.33% | 12.88% | 0.45% |
| Cumulative Since Inception | 13.79% | 12.50% | 1.29% |
| Annualized Since Inception | 5.43% | 4.94% | 0.49% |
| Annualized Risk | 18.34% | 18.42% | 0.18% |

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¹ Fund Inception 04/22/10

² Performance figures are annualized as of period end.

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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 | 14.67 | 14.36 | 0.31 |
| 3 Yrs Annualized | 3.71 | 3.49 | 0.22 |
| Fiscal Year 2013 | | | |
| Jul | 1.30% | 1.31% | -0.01% |
| Aug | 2.19 | 2.17 | 0.02 |
| Sep | 3.89 | 3.89 | 0.00 |
| 1st Qtr. | 7.54% | 7.54% | 0.00% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 2nd Qtr. | | | |
| Jan | | | |
| Feb | | | |
| Mar | | | |
| 3rd Qtr. | | | |
| Apr | | | |
| May | | | |
| Jun | | | |
| 4th Qtr. | | | |
| Fiscal YTD | 7.54% | 7.54% | 0.00% |
| Cumulative Since Inception | -14.43% | -15.15% | 0.72% |
| Annualized Since Inception | -3.53% | -3.72% | 0.19% |
| Annualized Risk | 25.25% | 25.33% | 0.23% |

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¹ Account Inception 05/30/08

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

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ACWI ex-US IMI Index Fund

| | Fund | MSCI ACWI ex-U.S. IMI Index | Tracking Difference |
|-----------------------------------|----------------|-----------------------------------|------------------------|
| 2008¹ | -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 Yr² | 14.67 | 14.36 | 0.31 |
| 3 Yrs Annualized | 3.71 | 3.49 | 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 | 2.19 | 2.17 | 0.02 |
| Sep | 3.89 | 3.89 | 0.00 |
| 3rd Qtr. | 7.54% | 7.54% | 0.00% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 4th Qtr. | | | |
| YTD 2012 | 10.96% | 10.69% | 0.27% |
| Cumulative Since Inception | -2.91% | -4.01% | 1.10% |
| Annualized Since Inception | -0.65% | -0.90% | 0.25% |
| Annualized Risk | 25.06% | 25.13% | 0.24% |

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¹ Fund Inception 03/20/08

² Performance figures are annualized as of period end.

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646297

US Debt Index Fund

Ventura County Employees' Retirement Association

| | 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 | 5.29 | 5.16 | 0.13 |
| 3 Yrs Annualized | 6.31 | 6.19 | 0.12 |
| 5 Yrs Annualized | 6.66 | 6.53 | 0.13 |
| 7 Yrs Annualized | 6.03 | 5.92 | 0.11 |
| 10 Yrs Annualized | 5.43 | 5.32 | 0.11 |
| Fiscal Year 2013 | | | |
| Jul | 1.39% | 1.38% | 0.01% |
| Aug | 0.08 | 0.07 | 0.01 |
| Sep | 0.15 | 0.14 | 0.01 |
| 1st Qtr. | 1.63% | 1.58% | 0.05% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 2nd Qtr. | | | |
| Jan | | | |
| Feb | | | |
| Mar | | | |
| 3rd Qtr. | | | |
| Apr | | | |
| May | | | |
| Jun | | | |
| 4th Qtr. | | | |
| Fiscal YTD | 1.63% | 1.58% | 0.05% |
| Cumulative Since Inception | 174.44% | 170.40% | 4.04% |
| Annualized Since Inception | 6.21% | 6.12% | 0.09% |
| Annualized Risk | 3.56% | 3.55% | 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.

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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 | 5.29 | 5.16 | 0.13 |
| 3 Yrs Annualized | 6.31 | 6.19 | 0.12 |
| 5 Yrs Annualized | 6.66 | 6.53 | 0.13 |
| 7 Yrs Annualized | 6.03 | 5.92 | 0.11 |
| 10 Yrs Annualized | 5.43 | 5.32 | 0.11 |
| 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 | 0.15 | 0.14 | 0.01 |
| 3rd Qtr. | 1.63% | 1.58% | 0.05% |
| Oct | | | |
| Nov | | | |
| Dec | | | |
| 4th Qtr. | | | |
| YTD 2012 | 4.10% | 3.99% | 0.11% |
| Cumulative Since Inception | 528.87% | 522.01% | 6.86% |
| Annualized Since Inception | 7.25% | 7.21% | 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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Securities Lending Update

Summ-121015-sc*

BlackRock: Cash Collateral Agreements

As a result of heightened volatility and lack of liquidity in the short-term capital markets, BlackRock took several proactive steps to help safeguard our clients' investments. On the investment side, we moved to a more conservative posture in our cash collateral portfolios very early on in the credit/liquidity dislocation. In the summer of 2007, our strategy was to reduce risk in the cash collateral portfolios by reducing exposures to sectors most impacted by the dislocation, shortening the maturity profile and maintaining increased levels of liquidity. Cash flows into the collateral portfolios and from maturities and pay downs were generally being invested in a laddered fashion in high quality securities, with maturities three months and shorter. Additionally, BlackRock took industry distinguishing steps to help safeguard our clients' investments by extending forms of capital protection for some of our cash collateral portfolios. BlackRock took these steps despite no requirement to do so and with none of the costs passed on to clients.

In 2009, with the establishment of significant liquidity reserves, BlackRock began to invest a portion of the portfolio in US Treasury and agency notes up to a year. In an effort to formally make the cash collateral guidelines more conservative, revisions to the cash collateral guidelines were implemented in June 2010. To further control credit exposure and extension risk, BlackRock changed the 5 year average life limitation to a 3 year expected maturity while also making sure that at least 75% of the portfolio will have a legal final maturity of 18 months or less. Additionally, BlackRock established minimum liquidity percentages for the cash collateral funds. Minimums are set at 10% in overnight maturities and 25% in maturities 35 days or less. Any US Treasuries or Agency Discount Notes would also be deemed liquid. It should be noted that these liquidity guidelines represent minimums and BlackRock has a history of managing our securities lending cash collateral funds with a high degree of liquidity. Even during the height of the credit crisis in 2008, we generally maintained over 20% in overnight liquidity and over 40% in maturities two months or less.

BlackRock's securities lending program has produced positive lending income for every fund and client since the inception of our lending program in 1981.

BlackRock: Performance Report

BlackRock Securities Lending

Performance Report

Report Date : 01/01/2011 to 12/31/2011

| Account Name | Average Net Assets | Average Assets On-Loan | Average Percent On-Loan | Client Income | Net Spread (ann bps) | Fund Yield (ann bps) |
|---|----------------------|------------------------|-------------------------|----------------|----------------------|----------------------|
| Ventura County Employees' Retirement Association | 1,409,292,915 | 172,167,555 | 12.2% | 689,242 | 40.0 | 4.9 |
| US Debt Index Fund | 107,299,426 | 30,778,352 | 28.7% | 57,629 | 18.7 | 5.4 |
| Extended Equity Market Fund | 32,045,747 | 7,060,459 | 22.0% | 40,689 | 57.6 | 12.7 |
| MSCI ACWI ex-US IMI Index Fund | 287,929,690 | 19,797,401 | 6.9% | 168,404 | 85.1 | 5.8 |
| U.S. Equity Market Fund | 982,018,052 | 114,531,344 | 11.7% | 422,520 | 36.9 | 4.3 |

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |
| | | | | | | |

Report Date : 01/01/2012 to 08/31/2012

| Account Name | Average Net Assets | Average Assets On-Loan | Average Percent On-Loan | Client Income | Net Spread (ann bps) | Fund Yield (ann bps) |
|---|----------------------|------------------------|-------------------------|----------------|----------------------|----------------------|
| Ventura County Employees' Retirement Association | 1,524,535,025 | 161,953,221 | 10.6% | 583,780 | 53.9 | 5.7 |
| US Debt Index Fund | 130,277,048 | 41,041,535 | 31.5% | 57,055 | 20.8 | 6.6 |
| Extended Equity Market Fund | 31,165,766 | 7,149,628 | 22.9% | 39,444 | 82.5 | 18.9 |
| MSCI ACWI ex-US IMI Index Fund | 272,248,621 | 13,746,690 | 5.0% | 136,434 | 148.5 | 7.5 |
| BLK MSCI ACWI Equity Index Fd | 31,157,377 | 1,913,011 | 6.1% | 8,312 | 65.0 | 4.0 |
| U.S. Equity Market Fund | 1,054,974,598 | 98,102,356 | 9.3% | 342,534 | 52.2 | 4.9 |

This report is being provided to you for informational purposes only and does not constitute legal, tax or accounting advice. The information contained herein is believed to be reliable but BlackRock Institutional Trust Company, N.A. ("BlackRock") does not warrant its accuracy or completeness.

All figures presented here are estimates and subject to change or revisions. Past performance does not guarantee future results. The legal disclaimers for blackrock.com are <http://www.blackrock.com/help/legal.jhtml>.

Data presented is your average daily pro-rata share holdings of investment funds, including the various lending components that may be held within a Superfund. Investments in Superfunds (funds that hold units of other funds) are represented both as a total of the investment vehicle, as well as the attribution associated with each underlying component lending funds. Only funds that lend securities are displayed within the report.

Securities lending income reported is based on calendar-month dates, and will differ slightly from actual securities lending income earned, which is based on accounting calculations and posting dates (which typically lag calendar month-end by 1-2 days). Please read important legal information regarding MSCI indexes. http://www.blackrock.com/help/msci_disclaimer.jhtml

Cash Equivalent Fund II

Fund Overview

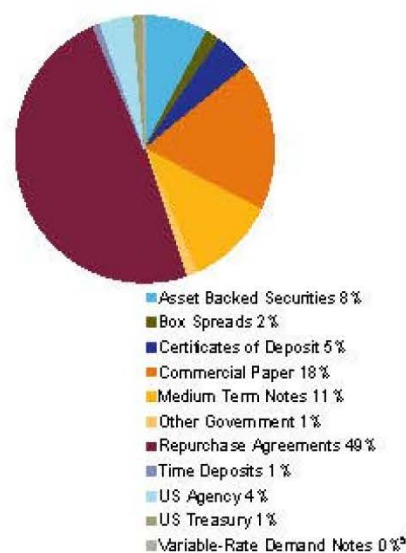
This fund invests the cash collateral received in connection with loans of securities from certain BlackRock collective investment funds. The objective of this fund is to seek as high a level of current income as is consistent with liquidity and stability of principal.

| | |
|---|---------------------|
| Fund size | \$37,933,240,000 |
| Overnight Liquidity¹ | 17% of total assets |
| Securities with maturities < 2 months² | 50% of total assets |
| Weighted Average Maturity⁴ | 56 days |

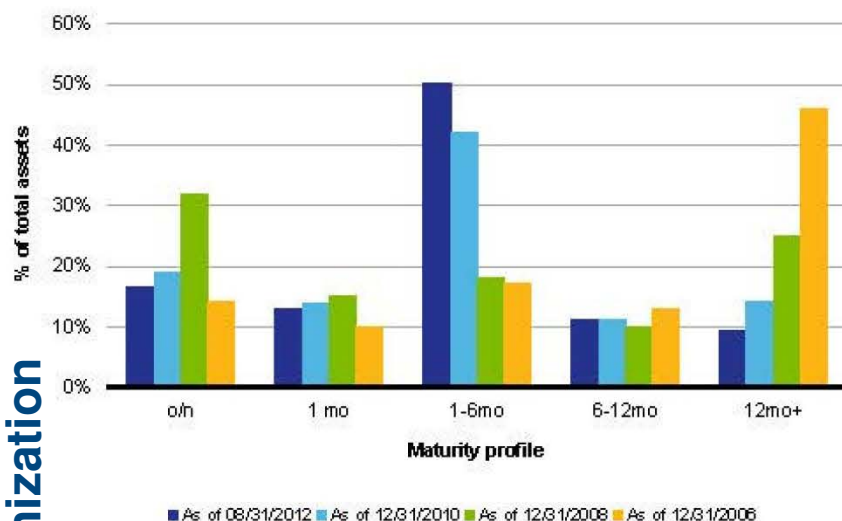
All data as of 31 August 2012

Source: BlackRock

Investment allocation



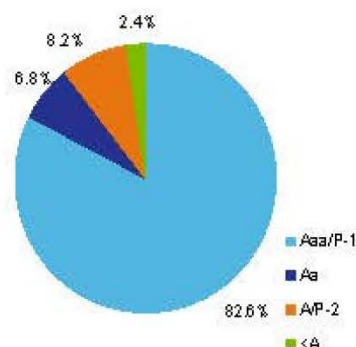
Portfolio Maturity Profile



Source: BlackRock
As of 31 August 2012

As of 31 August 2012
Source: BlackRock

Moody's Credit Ratings of Portfolio Holdings³



As of 31 August 2012
Source: BlackRock

¹ Overnight Liquidity represents the percentage of fund invested in securities and other assets that mature the following day.

² Repurchase agreements and P-1 issuers who do not have a long-term Moody's rating are included in the "Aaa or P-1" rating. Some ratings may be implied if the instrument is not explicitly rated. BlackRock's credit team assesses unrated instruments to determine if they are of equivalent credit quality.

³ Includes overnight liquidity.

⁴ Weighted Average Maturity (WAM) is a portfolio's dollar weighted average maturity or exposure to interest rate risk (similar to duration) typically measured in days. For example, in calculating WAM, floating rate assets are measured to their next reset date and fixed rate assets are measured to their final maturity.

⁵ Allocations may be greater than 0% but round down to zero.

For more information

For additional information, please contact your client relationship officer directly or visit us online at www.blackrock.com

Fund Manager

BlackRock Institutional Trust Company, N.A. ("BTC"), a national banking association acting as a limited purpose trust company, is the fund's manager and trustee. BTC is a wholly-owned subsidiary of BlackRock, Inc. For more information about BlackRock, please go to www.blackrock.com.

Fund

The fund is a bank collective investment fund and is maintained and managed by BTC. Collective investment funds known as "group trusts" are available only to certain qualified employee benefit plans and governmental plans and not offered or available to the general public. Accordingly, prospectuses are not required and prices are not available in local publications. The fund is a short term investment fund (STIF) which, in accordance with regulations and the collective fund plan documents, values assets at amortized cost for unitholder transactions. Among the requirements of a STIF is that the manager intends to hold the assets to maturity under normal circumstances. Accordingly, the fund continues to transact at a unit value of \$1.00. To obtain estimated shadow market value information, please contact your local service representative.

Disclaimers

The fund is NOT FDIC insured, is NOT an obligation or deposit of, or guarantee by, BTC or its affiliates and involves investment risk, including possible loss of principal.

This information is being provided to you for informational purposes only and does not constitute legal, tax or accounting advice. The information contained herein is believed to be reliable but BTC does not warrant its accuracy or completeness. Information as to ratings is provided from data provided by the relevant nationally recognized statistical ratings organizations and BTC does not warrant the completeness or accuracy of such information. The statements herein are qualified by disclosure documents including without limitation the audited financial statements for the Fund and "Information About BlackRock Institutional Trust Company, N.A. — 16 Things You Should Know." This publication is not intended as an offer or solicitation for the purchase or sale of any of the financial investments referred to herein. You should not rely upon this publication in evaluating the merits of investing in the fund. No part of this publication may be reproduced in any manner without BTC's prior consent.

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To extent that information is either shared internally on a "needs to know basis" or externally with external agents, then such recipients of such information will be notified by you of the confidential nature of the information, and shall be bound by the same duties and obligations with respect to the information as you are as the recipient. The aforementioned permitted use of the information clearly prohibits any use of such information for investment or trading decisions. If a request is made to make such information public under applicable laws, then you shall use reasonable efforts to give prior notice of any such request so as to permit BTC to seek to obtain a protective order prohibiting or restricting the public disclosure of such information.

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Presented to

Ventura County Employees' Retirement Association

October 15, 2012

Presented by:

Mark M. Egan, CFA
Managing Director



REAMS ASSET MANAGEMENT
A Division of Scout Investments

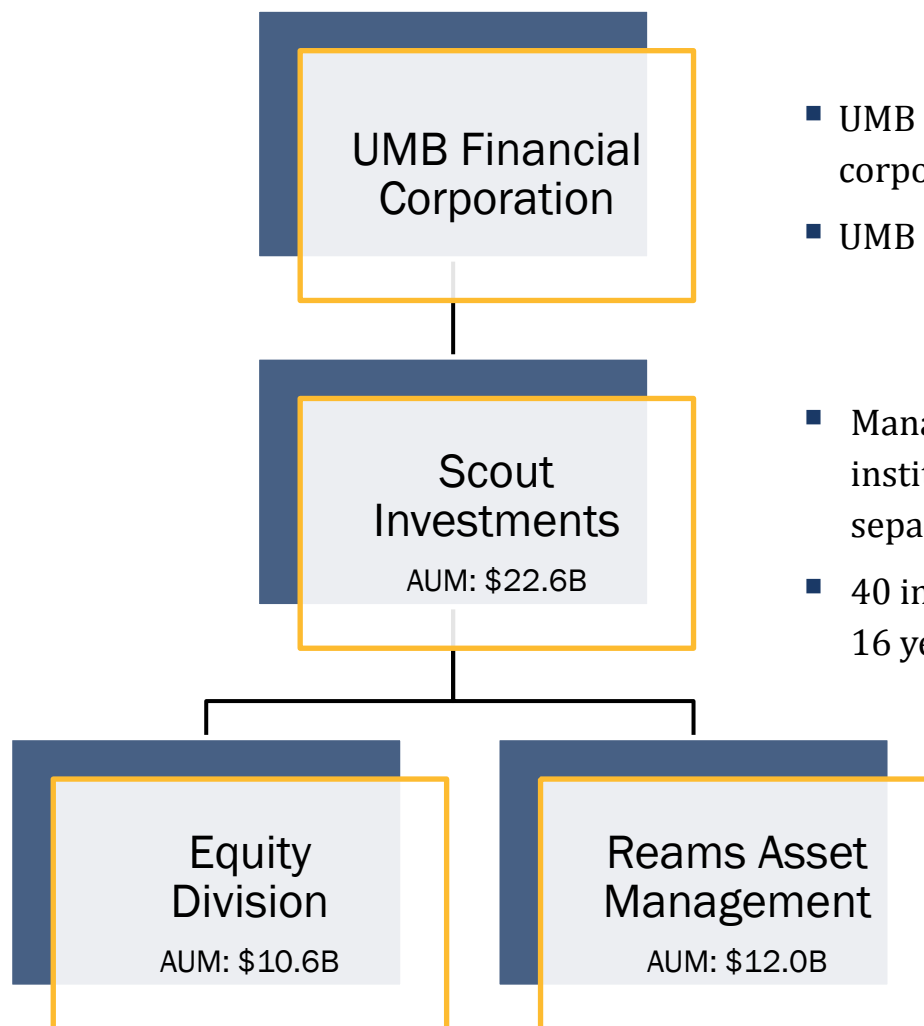
227 Washington Street, PO Box 727 Columbus, IN 47202 812.372.6606 www.reamsasset.com

Agenda

Section

- 1 Organizational Updates
- 2 Client Relationship Overview
- 3 Performance Review
- 4 Fixed Income Market Review
- 5 Portfolio Summary and Characteristics
- 6 Appendix

Reams Asset Management



- UMB Financial has been a publicly traded corporation for more than 30 years
- UMB Financial's roots trace back to 1913
- Manages fixed income and equity strategies for institutional clients and individual investors through separate accounts and mutual fund vehicles
- 40 investment professionals with an average of more than 16 years experience
- Reams has been a trusted investment management partner since 1981
- Exclusive focus on U.S. fixed income portfolios for institutional clients
- Long-term client relationships a result of good performance and attentive client service

Reams Leadership Team

Investment Committee

Mark M. Egan, CFA (26)

*Chief Investment Officer
Managing Director*

Thomas M. Fink, CFA (26)

Managing Director

Robert A. Crider, CFA (35)

Managing Director

Operations and Administration

David B. McKinney, JD, CPA (32)

President, Reams Division

Daniel P. Spurgeon (15)

V.P. Operations

Greg VanDuesen (16)

Chief Information Officer

Nancy Morey (30)

*Director of Portfolio Systems
and Accounting*

Structured Products

Stephen T. Vincent, CFA (21)

*Portfolio Manager
Structured Products Team Leader*

Credit

Todd C. Thompson, CFA (18)

*Portfolio Manager
Credit Research Team Leader*

Client Services

Deanne B. Olson, CFA (15)

*V.P. Client Services
Client Services Team Leader*



Reams Representative Client List

Corporate

American Honda Motor Company
APL Limited
Cummins Inc.
Emerson Electric Company
Omaha Public Power District
Reliance Standard Life Insurance Company
Seaboard Corporation
Southern California Rock Products
VF Corporation

Endowment/Foundation/University

Indiana State University
Trustees of Indiana University
Iowa Board of Regents
University of Kentucky
Purdue University
University of Wisconsin System

Hospital

CarolinaEast Medical Center
University of Colorado Hospital
Regional Health
Rehabilitation Institute of Chicago
Rockford Health System
SSM Health Care

Sub-Advisory

Christian Brothers Investment Services
Prudential Retirement Insurance and Annuity Company

Non-Profit

Archdiocese of Miami
Bd. of Pensions/Presbyterian Church, USA
Diocese of St. Petersburg Pension Plan
Sisters of the Holy Cross
Veterans of Foreign Wars of the U.S.

Public

City of Detroit Employees' Retirement System
Employees' Retirement System of Baltimore County
Indiana Public Employees' Retirement Fund
Indiana State Teachers' Retirement Fund
Indiana State Police Pension Trust
Los Angeles Fire & Police Pension System
City of Milwaukee Employees' Retirement System
Montana Board of Investments
City of Oakland Police & Fire Retirement System
San Francisco Bay Area Rapid Transit District
Santa Barbara County Employees' Retirement System
Seattle City Employees' Retirement System
Sonoma County Employees' Retirement Association
City of Spokane Firefighter's Pension Board
Ventura County Employees' Retirement Association

Taft-Hartley

Carpenters Pension Fund of Illinois
ILWU-Pacific Maritime Association
Inter-Local Pension Fund, GCC/IBT
Louisiana Carpenters Regional Council Pension Plan
Teamsters Local Union No. 716 Pension Fund



Reams Fixed Income Products

Core Plus

Core

Global Aggregate

Intermediate

Long Duration

Low Duration

Unconstrained

VEHICLES

Separate Accounts

Institutional Mutual Funds:

- Scout Core Plus Bond Fund (SCPZX)
 - Scout Core Bond Fund (SCCIX)
 - Scout Low Duration Bond Fund (SCLDX)
 - Scout Unconstrained Bond Fund (SUBFX)
-

Investment Objective and Guidelines

Objective

- To exceed the Barclays Aggregate Bond Index, net of fees, over a typical market cycle (generally three to five years).

Guidelines

- Portfolio duration shall be within +/- 25% of the Barclays U.S. Aggregate Bond Index.
- No single investment grade issuer, with the exception of U.S. government and agency issues, shall exceed 5% of the portfolio at the time of purchase.
- No single high yield or emerging market issuer shall exceed 1% of the portfolio at the time of purchase.
- Must maintain a minimum average portfolio quality rating of A.
- May invest up to 15% of the portfolio in high yield securities.
- May invest up to 20% of the portfolio in securities issued by non-U.S. entities.

Source: VCERA Investment Guidelines (Rev. 12/04)

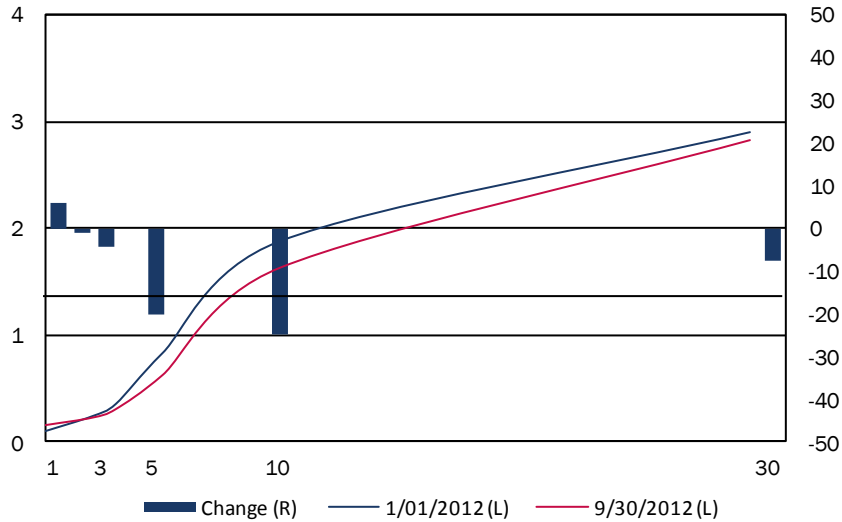
Relationship Summary

Ventura County Employees' Retirement Association

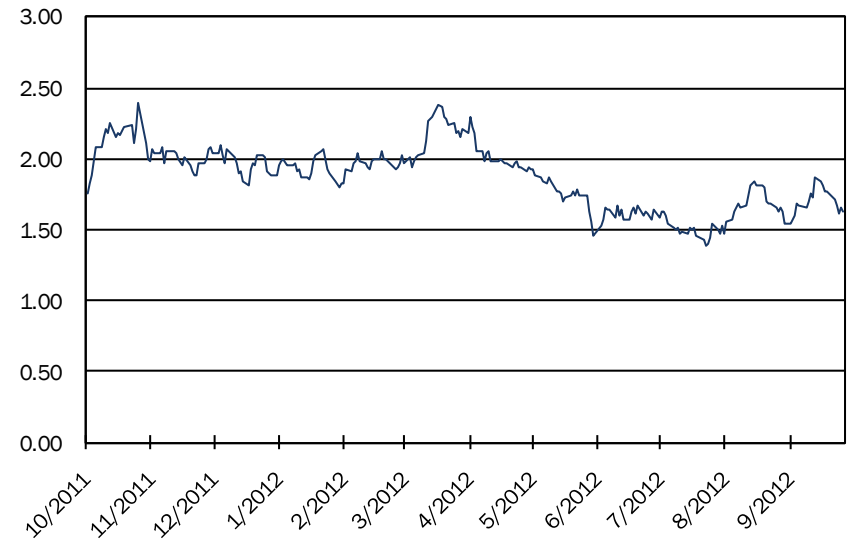
| | |
|--|-------------------------------|
| Relationship Inception | October 1, 2001 |
| Investment Style | Core Plus Fixed Income |
| Performance Benchmark | Barclays U.S. Aggregate Index |
| Financial Data as of September 30, 2012: | |
| Initial Investment | \$225.7 million |
| Contributions | \$88.4 million |
| (Withdrawals) | (\$281.1 million) |
| Portfolio Gains | \$209.0 million |
| Portfolio Value | \$242.0 million |

Reams Fixed Income Review

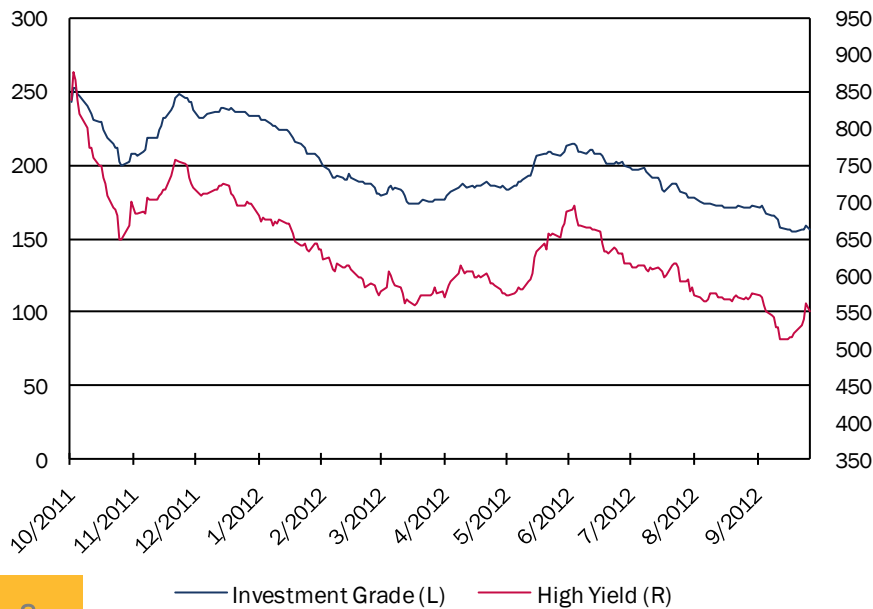
2012 YTD U.S. Treasury Yield Curve, Percent



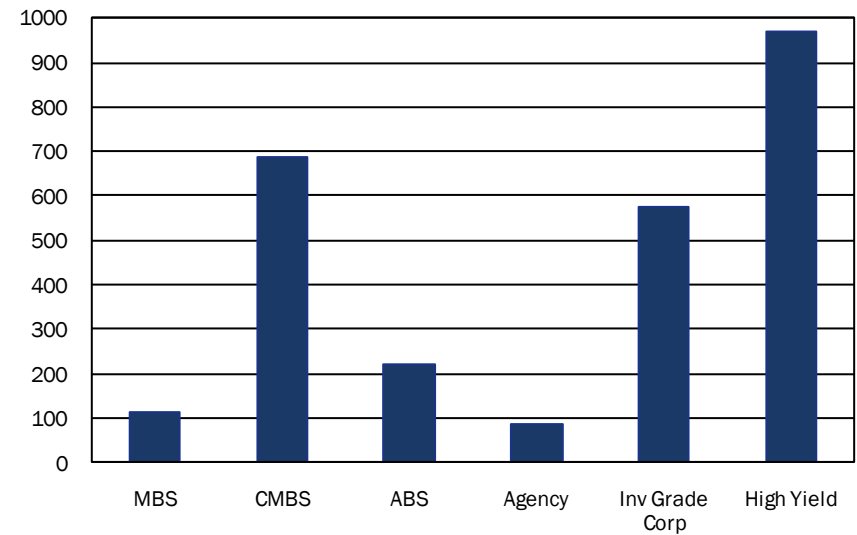
10-Year Treasury Yields (Trailing 12 Months), Percent



Corporate OAS (Trailing 12 Months), Basis Points



2012 YTD Sector Excess Returns, Basis Points



Performance Review

For Periods Ending September 30, 2012

| | Percent Gain or Loss | | | | | | |
|--|----------------------|-----------------|-------------------|---------------------------|-----------------------------|----------------------------|----------------------------------|
| | Quarter Ending | Year To Date | Last 12 Months | Two Years (annualized) | Three Years (annualized) | Five Years (annualized) | Since Inception* (annualized) |
| Ventura County Employees' | | | | | | | |
| Retirement Association Portfolio (Gross) | 3.04 | 8.78 | 12.26 | 8.35 | 9.74 | 9.86 | 7.39 |
| Retirement Association Portfolio (Net) | 2.99 | 8.64 | 12.07 | 8.16 | 9.55 | 9.66 | 7.20 |
| Barclays U.S. Aggregate Index | 1.59 | 3.99 | 5.16 | 5.21 | 6.18 | 6.53 | 5.62 |

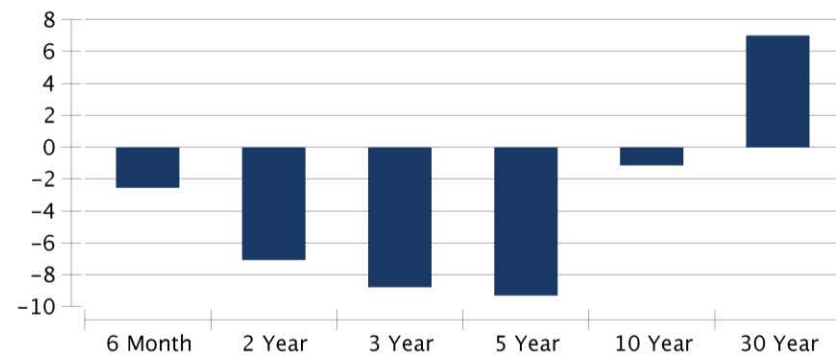
Excess Return Detail

Ventura County Employees' Retirement Association: 7/1/2012 - 9/30/2012

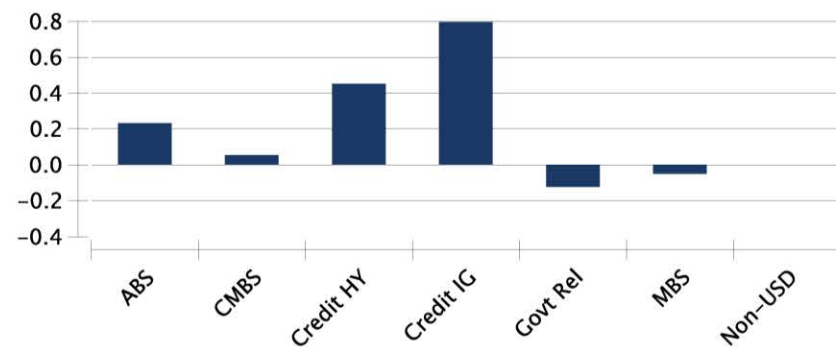
| | Portfolio |
|--------------------|-----------|
| Total Return | 3.04 |
| Index Return | 1.59 |
| Excess Return | 1.45 |
| Duration | 0.07 |
| Curve | 0.02 |
| Total Macro | 0.08 |
| Sector Selection | 0.93 |
| Security Selection | 0.43 |
| Total Selection | 1.36 |

| Sector | Sector Impact | Security Impact | Total Impact |
|-----------|---------------|-----------------|--------------|
| ABS | 0.09 | 0.14 | 0.23 |
| CMBS | 0.13 | -0.07 | 0.05 |
| Credit HY | 0.26 | 0.20 | 0.45 |
| Credit IG | 0.63 | 0.17 | 0.79 |
| Govt Rel | -0.11 | -0.01 | -0.12 |
| MBS | -0.06 | 0.01 | -0.05 |
| Non-USD | 0.00 | 0.00 | 0.00 |
| | 0.93 | 0.43 | 1.36 |

U.S. Treasury Curve Yield Change, Basis Points



Total Sector and Security Impact, Percent



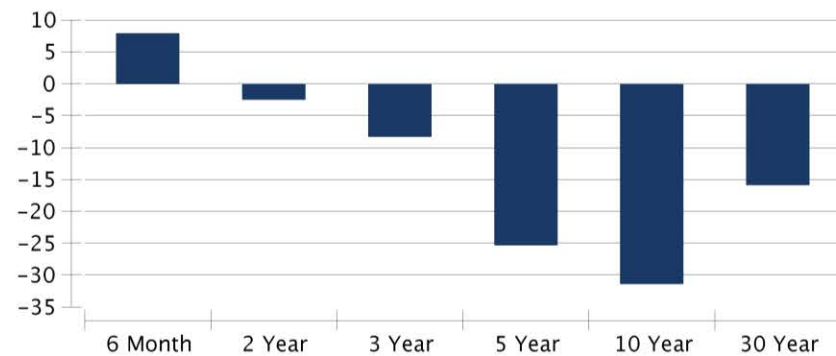
Excess Return Detail

Ventura County Employees' Retirement Association: 1/1/2012 - 9/30/2012

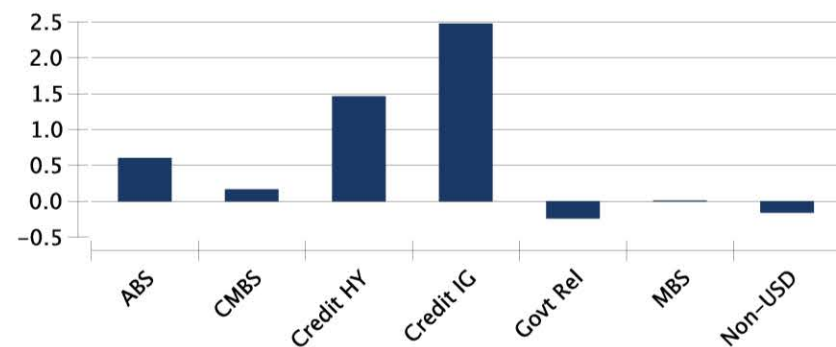
| | Portfolio |
|--------------------|-----------|
| Total Return | 8.79 |
| Index Return | 4.00 |
| Excess Return | 4.79 |
| Duration | 0.19 |
| Curve | 0.26 |
| Total Macro | 0.46 |
| Sector Selection | 1.82 |
| Security Selection | 2.50 |
| Total Selection | 4.33 |

| Sector | Sector Impact | Security Impact | Total Impact |
|-----------|---------------|-----------------|--------------|
| ABS | 0.23 | 0.37 | 0.60 |
| CMBS | 0.23 | -0.07 | 0.17 |
| Credit HY | 0.70 | 0.76 | 1.46 |
| Credit IG | 1.08 | 1.40 | 2.48 |
| Govt Rel | -0.17 | -0.06 | -0.24 |
| MBS | -0.10 | 0.11 | 0.01 |
| Non-USD | -0.16 | 0.00 | -0.16 |
| | 1.82 | 2.50 | 4.33 |

U.S. Treasury Curve Yield Change, Basis Points

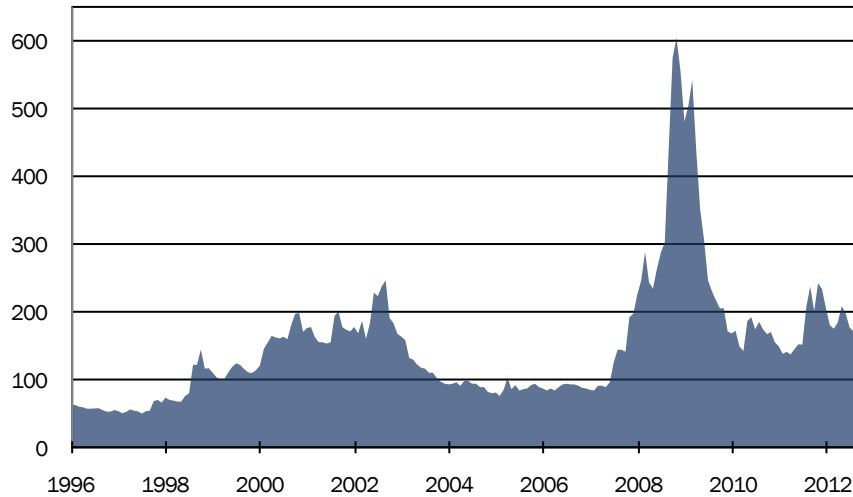


Total Sector and Security Impact, Percent

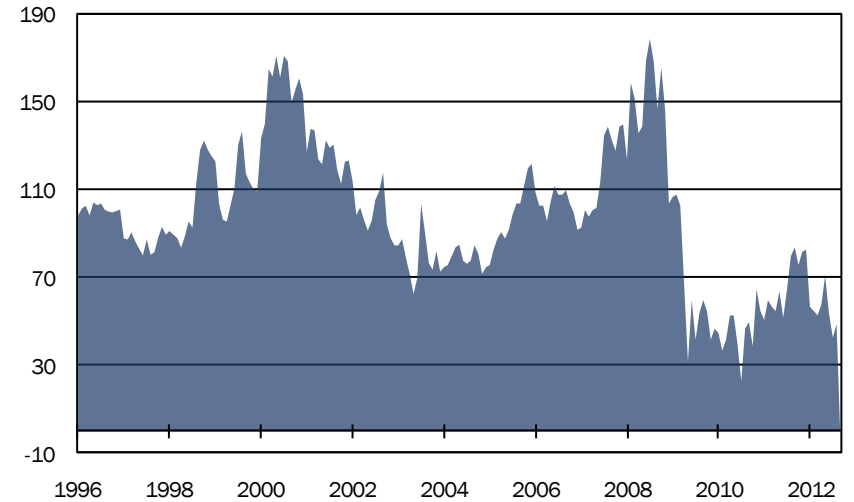


Sector Spreads

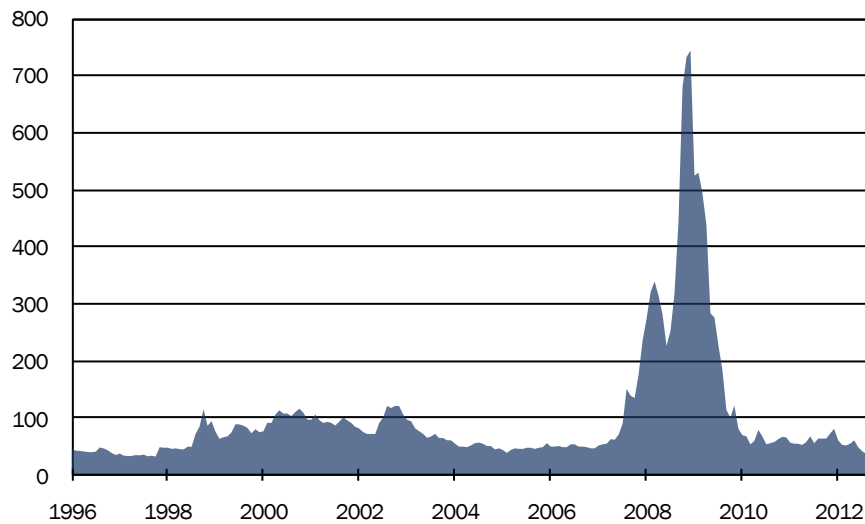
U.S. Corporate, Basis Points



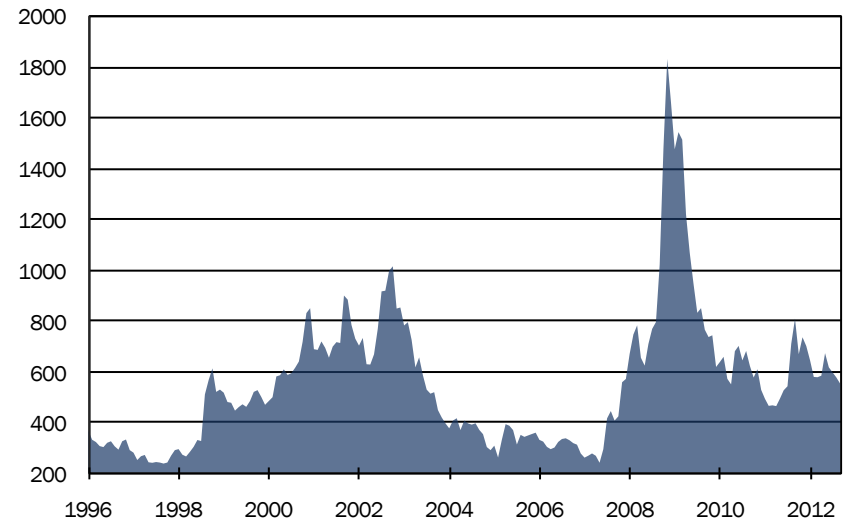
Agency Mortgage-Backed, Basis Points



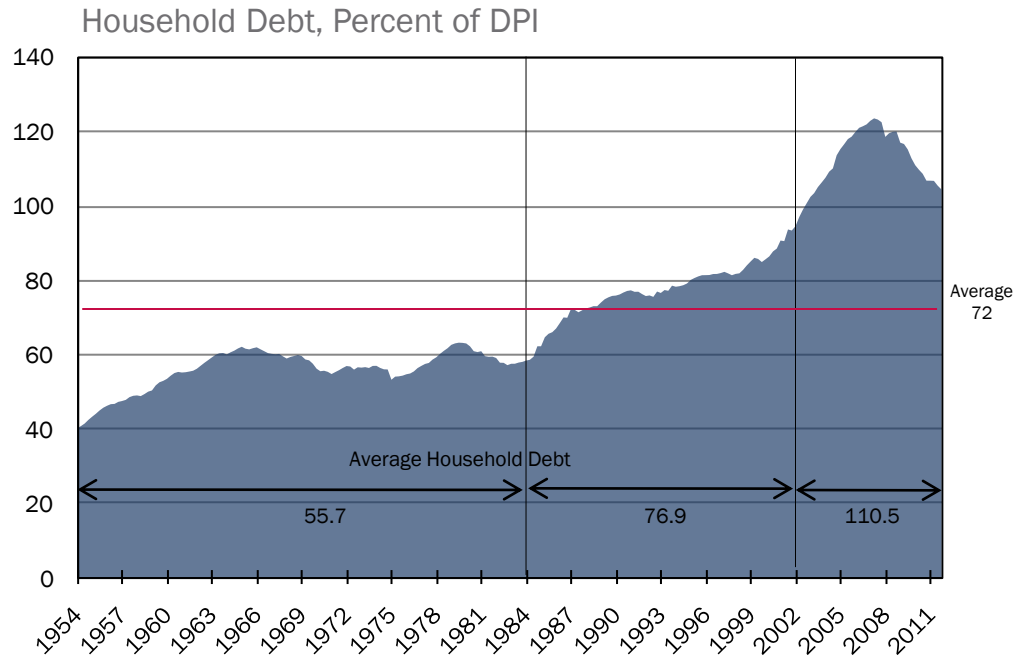
Asset-Backed, Basis Points



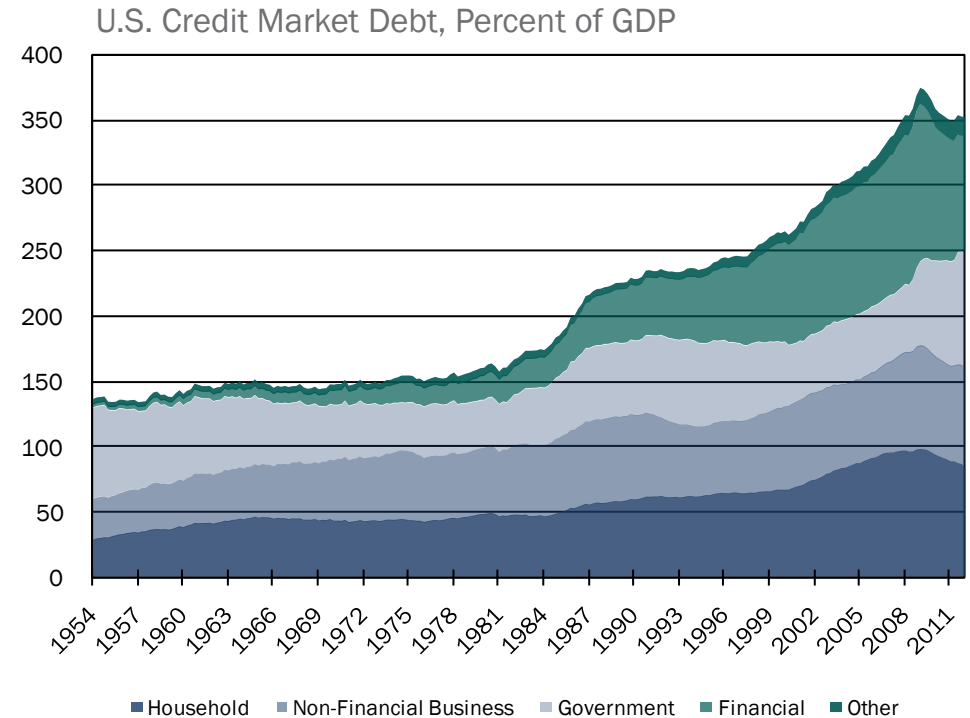
High Yield, Basis Points



Reams Economic Review



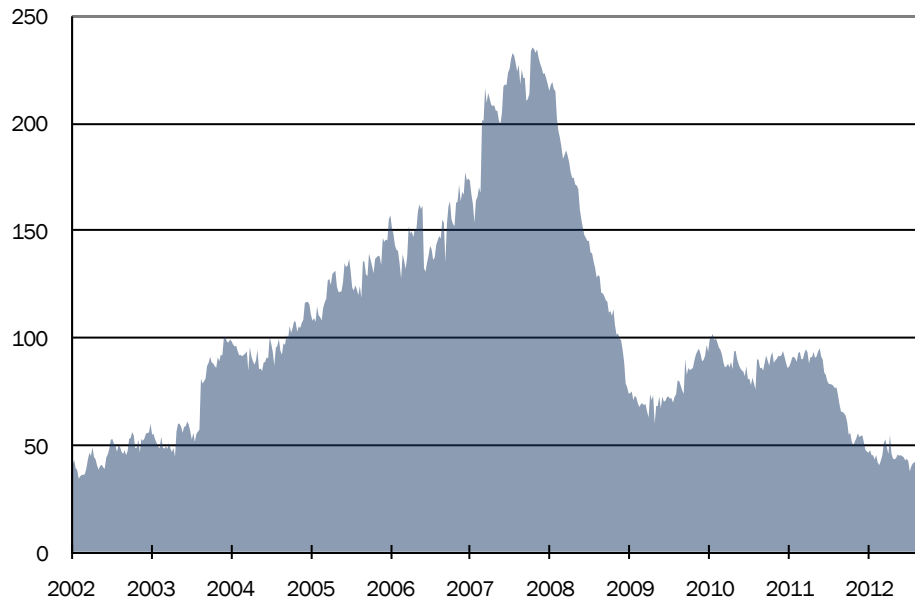
- Household debt ratios are declining but remain very high.



- Total U.S. debt, driven by the financial sector, remains extremely high by historical standards.

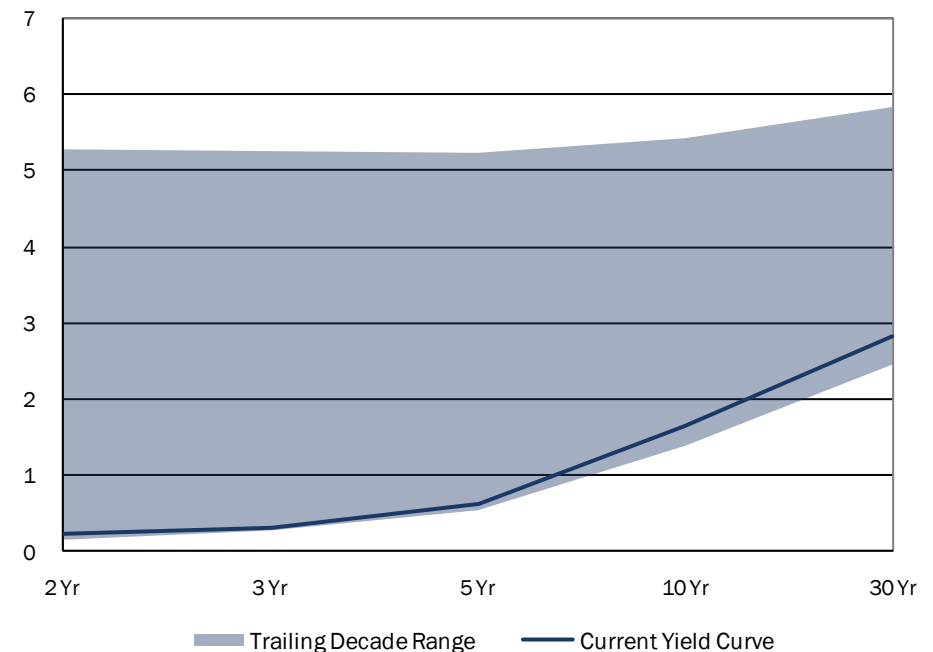
Reams Economic Review

Dealer Corporate Positions > 1 Year, \$ Billions



- Dealers of corporate debt have dramatically reduced committed capital as compliance with the Dodd-Frank Act is forthcoming. This retrenchment comes in the wake of the sharp reduction in system capacity witnessed post-Lehman. The result is a market with wider and more volatile bid/ask spreads.

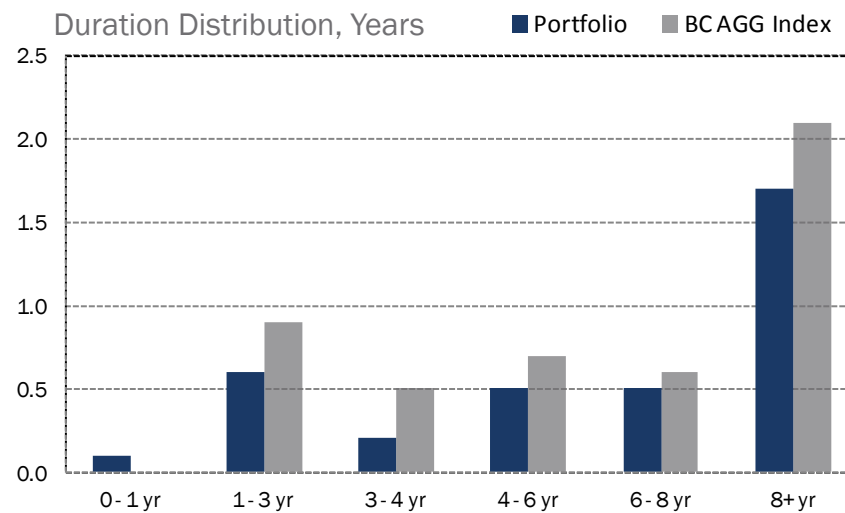
Historical Yield Curve, Percent



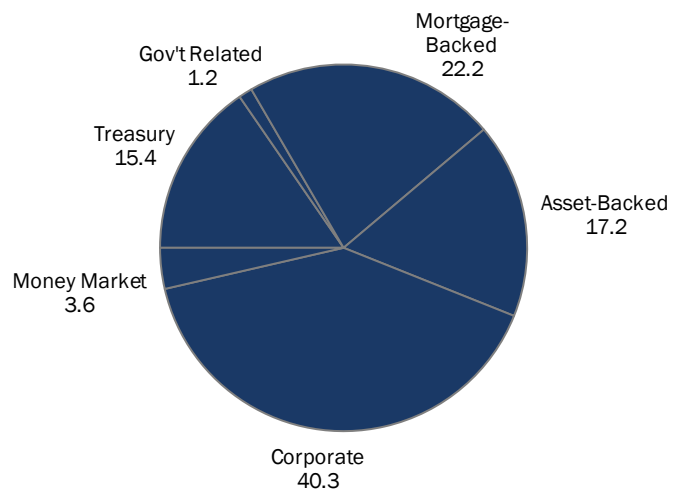
- As economic growth continues to disappoint, the Fed has extended “Operation Twist” and began a fresh round of quantitative easing (QE).
- This most recent round of QE could spark inflation if risk is effectively removed from the system. Conversely, if market participants become convinced that QE will not foster economic recovery, interest rates could return to recent historic lows.

Portfolio Summary

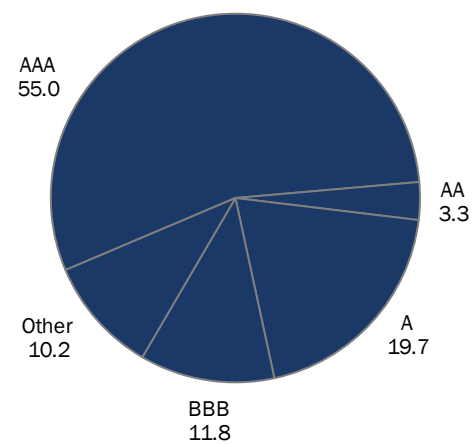
| | Portfolio | BC AGG Index |
|------------------------------------|-----------|--------------|
| Average Portfolio Duration (Years) | 3.6 | 4.8 |
| Yield to Maturity (%) | 2.0 | 1.6 |
| Average Maturity (Years) | 5.8 | 6.7 |



Sector Structure (%)



Quality Structure (%)



Portfolio Characteristics

Ventura County Employees' Retirement Association: 9/30/2012

| | Portfolio | Aggregate Index |
|----------------------------------|-------------|-----------------|
| Total Market Value (\$) | 242,021,195 | 16,815 billion |
| Avg. Portfolio Duration (Years) | 3.6 | 4.8 |
| Avg. Portfolio Convexity | 0.52 | -0.10 |
| Avg. Yield to Maturity/Worst (%) | 2.0 | 1.6 |
| Avg. Maturity (Years) | 5.8 | 6.7 |
| Avg. Quality | AA3 | AA1 |

| Quality Structure (% of Portfolio) | Portfolio | Aggregate Index |
|------------------------------------|-----------|-----------------|
| AAA | 55.0 | 73.6 |
| AA | 3.3 | 4.8 |
| A | 19.7 | 11.2 |
| BBB | 11.8 | 10.4 |
| Other | 10.2 | 0.0 |
| Total | 100.0 | 100.0 |

| Sector Structure (% of Portfolio) | Portfolio | Aggregate Index |
|-----------------------------------|-----------|-----------------|
| Treasury | 15.4 | 36.1 |
| Govt Related | 1.2 | 10.5 |
| Mortgage-Backed | 22.2 | 31.9 |
| Asset-Backed | 17.2 | 0.3 |
| Corporate | 40.3 | 21.1 |
| Non-US Dollar | 0.0 | 0.0 |
| Money Market | 3.6 | 0.0 |
| Total | 100.0 | 100.0 |

| Duration Distribution (Years) | Portfolio | Aggregate Index |
|-------------------------------|-----------|-----------------|
| 0 - 1 yr. | 0.1 | 0.0 |
| 1 - 3 | 0.6 | 0.9 |
| 3 - 4 | 0.2 | 0.5 |
| 4 - 6 | 0.5 | 0.7 |
| 6 - 8 | 0.5 | 0.6 |
| 8 + | 1.7 | 2.1 |
| Total | 3.6 | 4.8 |

| Maturity Distribution (%) | Portfolio | Aggregate Index |
|---------------------------|-----------|-----------------|
| 0 - 1 yr. | 19.0 | 0.0 |
| 1 - 3 | 29.5 | 28.1 |
| 3 - 5 | 18.0 | 37.1 |
| 5 - 7 | 9.1 | 12.6 |
| 7 - 10 | 15.5 | 9.4 |
| 10 - 20 | 2.4 | 3.3 |
| 20+ | 6.6 | 9.4 |
| Total | 100.0 | 100.0 |

Reams Key Investment Professionals



Mark M. Egan, CFA, chief investment officer, a managing director, and portfolio manager at Reams Asset Management, is the lead portfolio manager of the Scout Core Bond Fund, Scout Core Plus Bond Fund and the Scout Unconstrained Bond Fund. Mark has over 25 years of experience managing fixed income portfolios. Prior to joining Reams in 1990, Mark was a Portfolio Manager at National Investment Services of America. Mr. Egan earned his master's in business administration from the University of Wisconsin – Madison and his bachelor's degree from Marquette University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Thomas M. Fink, CFA, a managing director and portfolio manager at Reams Asset Management, is co-portfolio manager of the Scout Core Bond Fund, Scout Core Plus Bond Fund and the Scout Unconstrained Bond Fund. Tom has over 25 years of experience managing fixed income portfolios. Prior to joining Reams in 2000, Tom was a partner with Brandes Fixed Income Partners/Hilltop Capital, and held senior portfolio management roles with Zurich Financial Services in Bermuda and First Wisconsin Asset Management Company. Mr. Fink earned his master's in business administration from the University of Wisconsin – Madison and his bachelor's degree from Marquette University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Robert A. Crider, CFA, is a managing director at Reams Asset Management. Bob was a founding partner of Reams and has over 34 years of experience managing fixed income portfolios. Prior to joining Reams in 1981, he worked for Cummins Engine Co., Inc. and the State Teachers Retirement System of Ohio. Mr. Crider earned his master's and bachelor's degrees from Ohio State University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Reams Key Investment Professionals (Cont'd.)



Todd C. Thompson, CFA, is a portfolio manager and leads the fixed income credit research team at Reams Asset Management. He is a co-portfolio manager of the Scout Core Bond Fund, Scout Core Plus Bond Fund and the Scout Unconstrained Bond Fund. Todd has over 18 years of experience as a fixed income portfolio manager and analyst. Prior to joining Reams in 2001, Todd worked for Conseco Capital Management Company and The Ohio Public Employees' Retirement System. Mr. Thompson earned his master's in business administration from Clemson University and his bachelor's degree from Bob Jones University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Stephen T. Vincent, CFA, is a portfolio manager and leads the fixed income structured products research team at Reams Asset Management. He is a co-portfolio manager of the Scout Core Bond Fund, Scout Core Plus Bond Fund and the Scout Unconstrained Bond Fund. Steve has over 20 years of experience as a fixed income portfolio manager and analyst. Prior to joining Reams in 1994, Steve worked for the Federal Deposit Insurance Corp. and First Security Corporation. Mr. Vincent earned his master's in business administration from Indiana University and his bachelor's degree from Brigham Young University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Deanne B. Olson, CFA, is vice president of Client Services at Reams Asset Management. In this role, she is responsible for ensuring that Reams' clients receive personalized attention and outstanding client service. Deanne has over 29 years of combined experience in relationship management, administration and community development. Prior to joining Reams in 1997, Deanne was Director of Health Promotion Services at Columbus Regional Hospital. Ms. Olson earned her master's in business administration from Indiana University and her bachelor's degree from Seattle Pacific University. She holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

Important Disclosure

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NOT FDIC INSURED/ NO BANK GUARANTEE/ MAY LOSE VALUE





Ventura County Employees' Retirement Association

October 15, 2012

Joseph C. Carieri

Julien A. Scholnick, CFA



Table of Contents

- I. Organizational Update
- II. Market Review
- III. Portfolio Review
- IV. Appendix

Organizational Update

Why Western Asset?

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

We believe in Value
We employ a team-based approach with global breadth and local depth
We provide investment solutions

We Believe in Value

Investment Philosophy

Long-term, fundamental value discipline

- Bottom-up
- Top-down

Diversified strategies

- Depth of resources
- Global

Integrated analytics and risk management

- Relative value analysis
- Transparency and communication

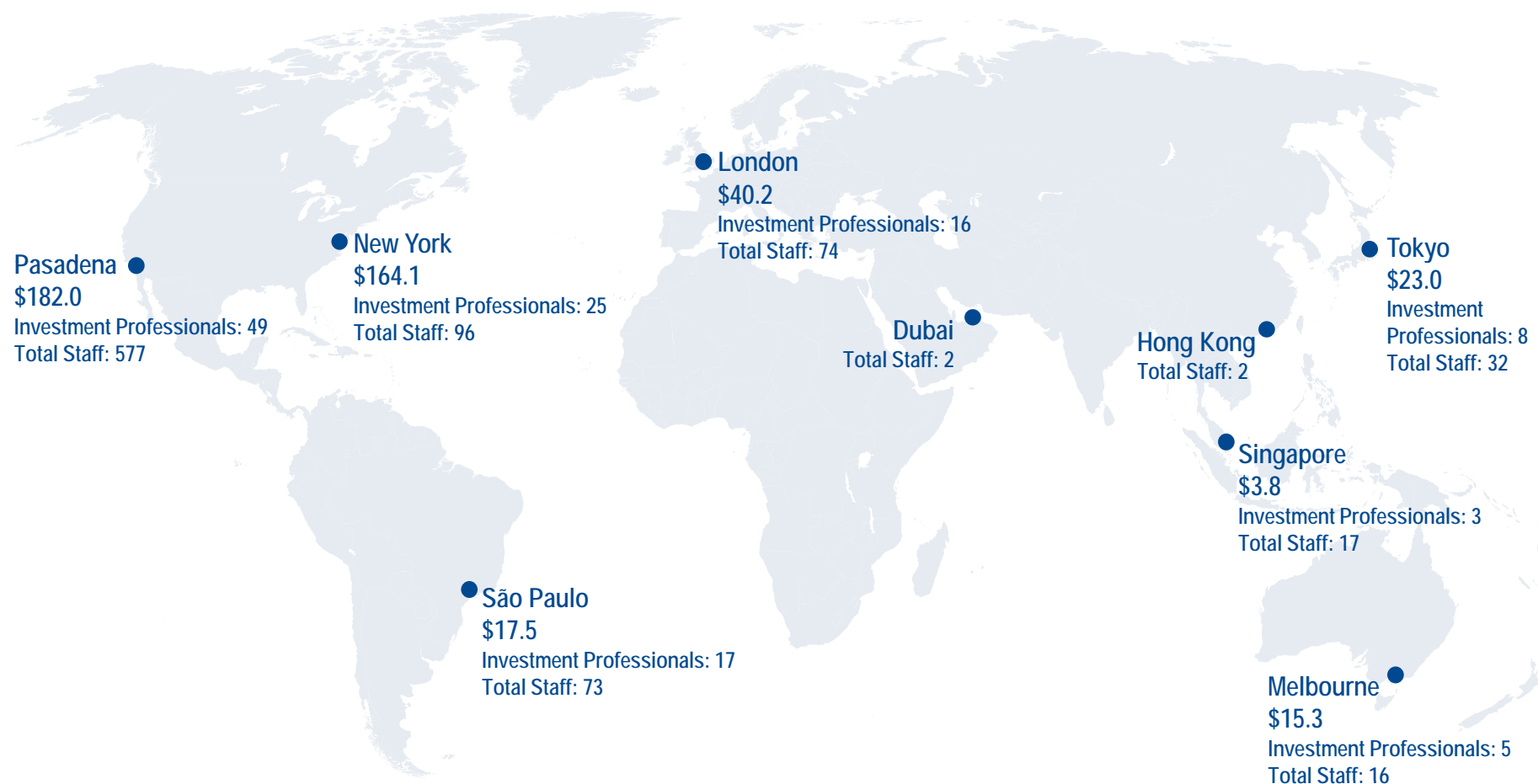
Global Breadth and Local Depth

June 30, 2012

Total AUM: \$445.9 billion

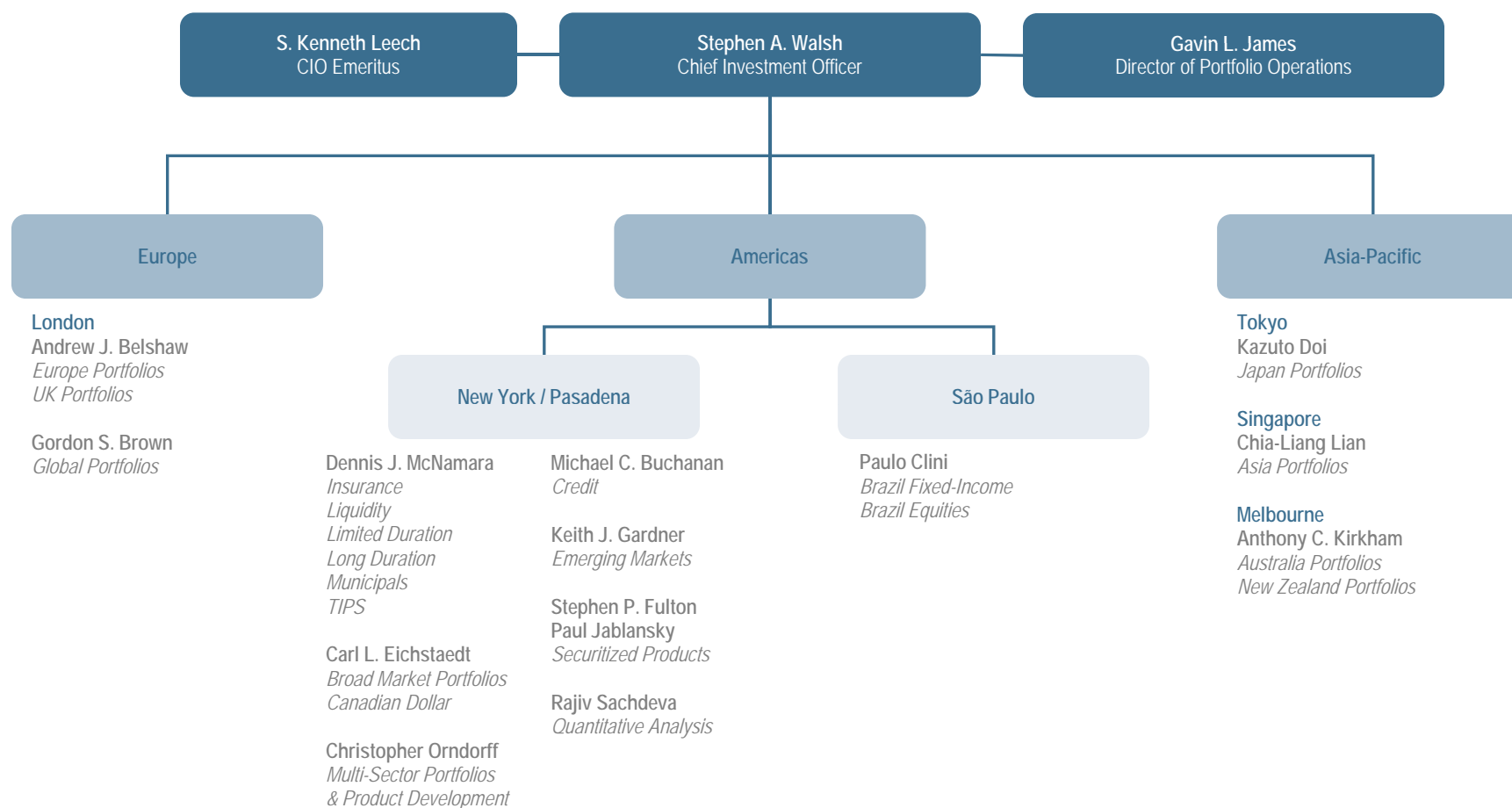
8 Countries

Total Staff: 889



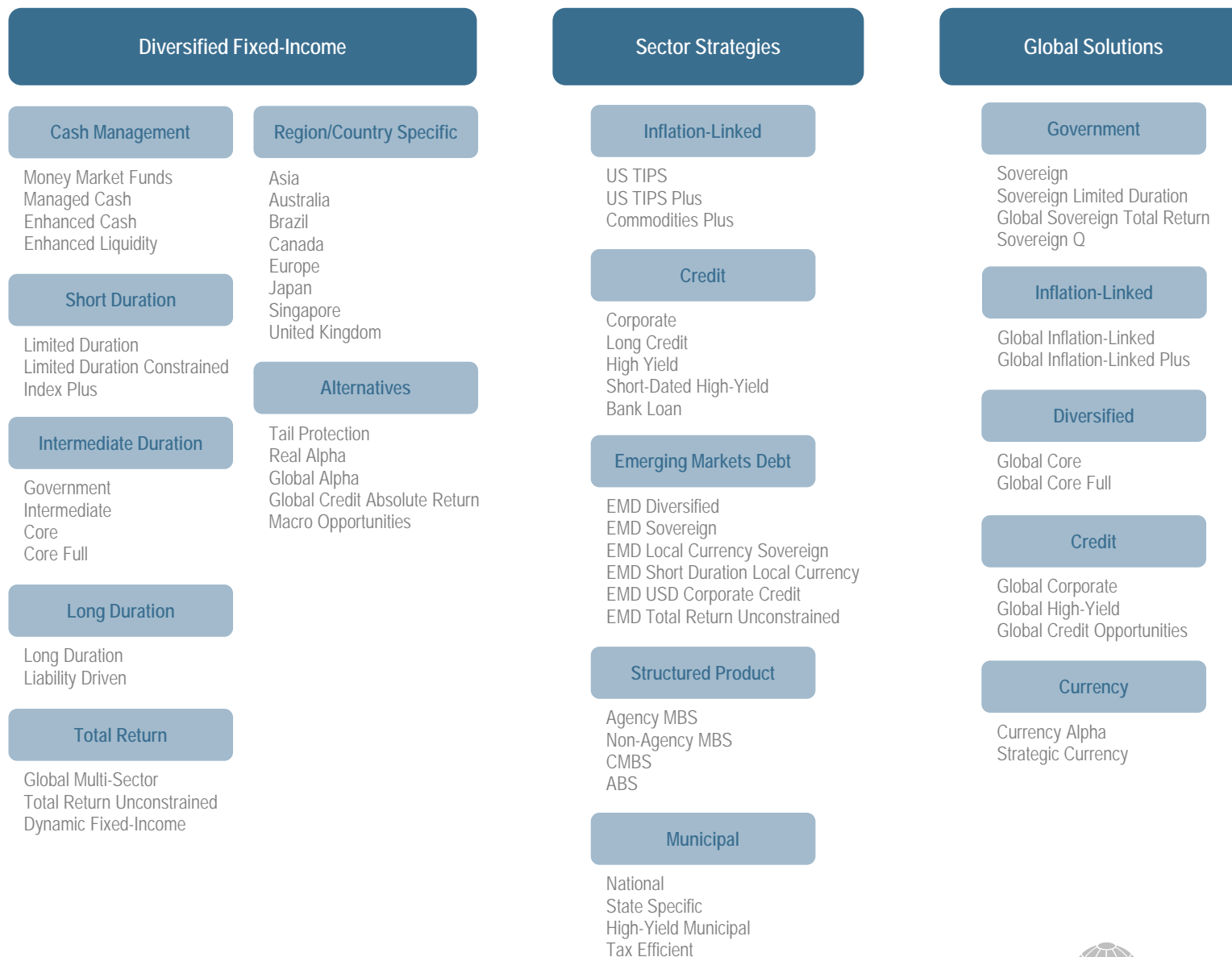
Assets under management in USD (billions)

Team-Based Investment Management*



As of 31 Aug 12 *Illustrates CIO direct-reporting only and does not represent the entire investment management team.

Investment Solutions



Committed to Excellence in Client Service

Representative Client List

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

As of 31 Aug 12. Please see the Representative Client List Disclosure in the Appendix for more information.

All have authorized the use of their names by Western Asset for marketing purposes. Such authorization does not imply approval, recommendation or otherwise of Western Asset or the advisory services provided.

Market Review

Third Quarter 2012 Review

Market sentiment was driven by

- Reduced concerns over a EU break-up given central bank policy actions
- QE3 provides tailwind for risk assets
- Continued muted US economic growth expectations
- Politics/regulations

Key investment themes

- Risk assets outperformed
- US Treasury curve steepened
- USD weaker versus most developed and developing countries

Performance vs. the index¹

- Positives
 - IG added value primarily in finance
 - HY positive excess returns, led by lower quality
 - EM positive excess returns, led by lower quality
 - Non-agency MBS positive excess returns, both carry and price
 - Agency specified pool selection added value
- Negatives
 - Short EUR / USD
 - Yield curve steepened

The above reflects the opinions of Western Asset as of 30 Sep 12
¹Barclays U.S. Aggregate Index

Excess Returns by Sector

2007 – 2012

| | 2007 | 2008 | 2009 | 2010 | 2011 | YTD 2012* |
|----------------------------|------|-------|------|------|------|-----------|
| US Agency | -52 | -110 | 238 | 72 | 19 | 86 |
| US MBS | -177 | -232 | 495 | 225 | -106 | 115 |
| US ABS | -634 | -2223 | 2496 | 169 | 52 | 226 |
| US CMBS | -435 | -3274 | 2960 | 1501 | 47 | 713 |
| US Investment-Grade Credit | -464 | -1786 | 1990 | 192 | -322 | 567 |
| US High-Yield Credit | -777 | -3832 | 5955 | 974 | -240 | 1025 |
| Emerging Markets | -457 | -2842 | 3797 | 508 | -537 | 1117 |

Source: Barclays

Sectors represented by Barclays U.S. indices.

All figures shown in basis points.

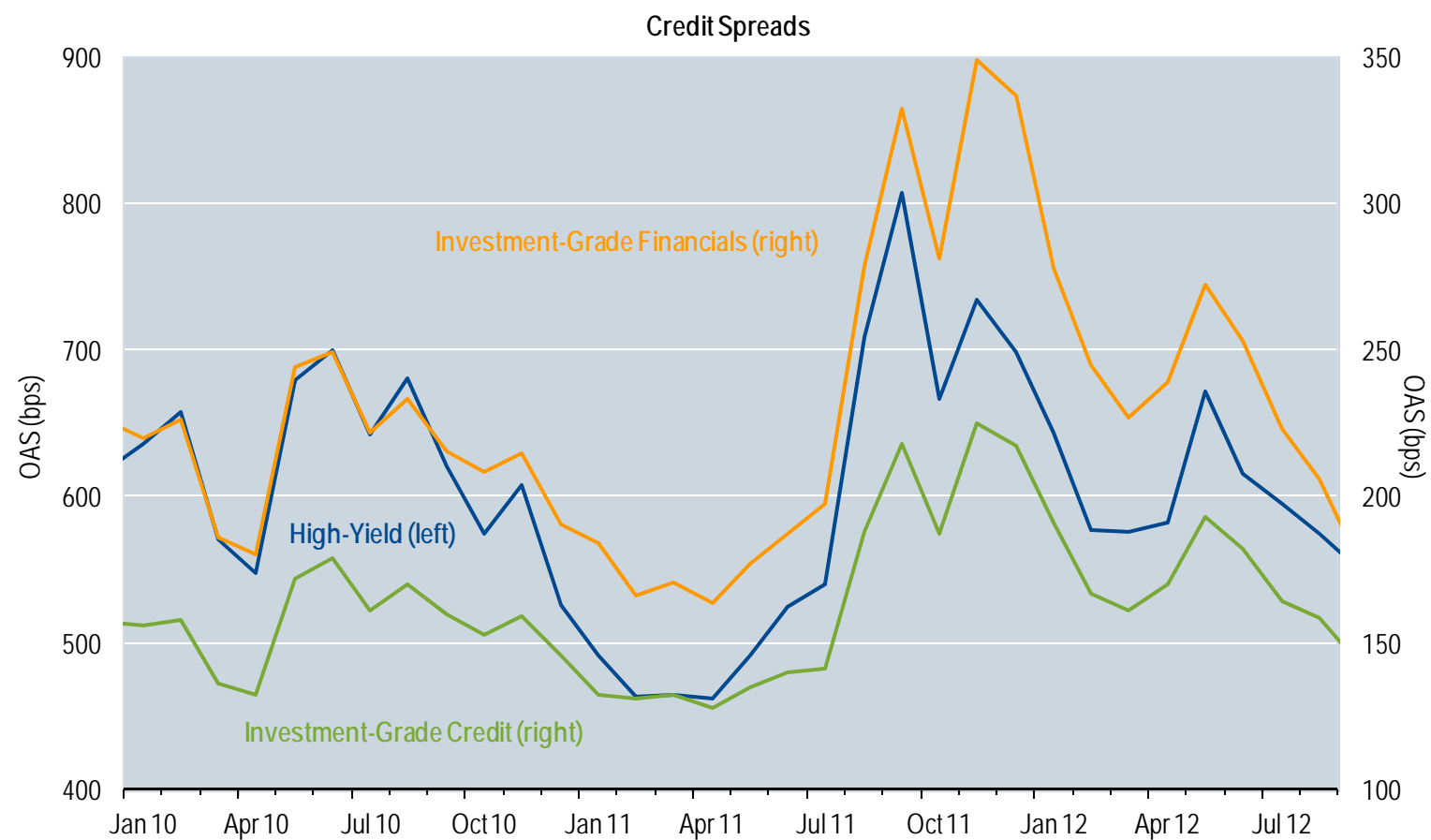
**As of 30 Sep 12*

US Treasury Yields Traded In a Range



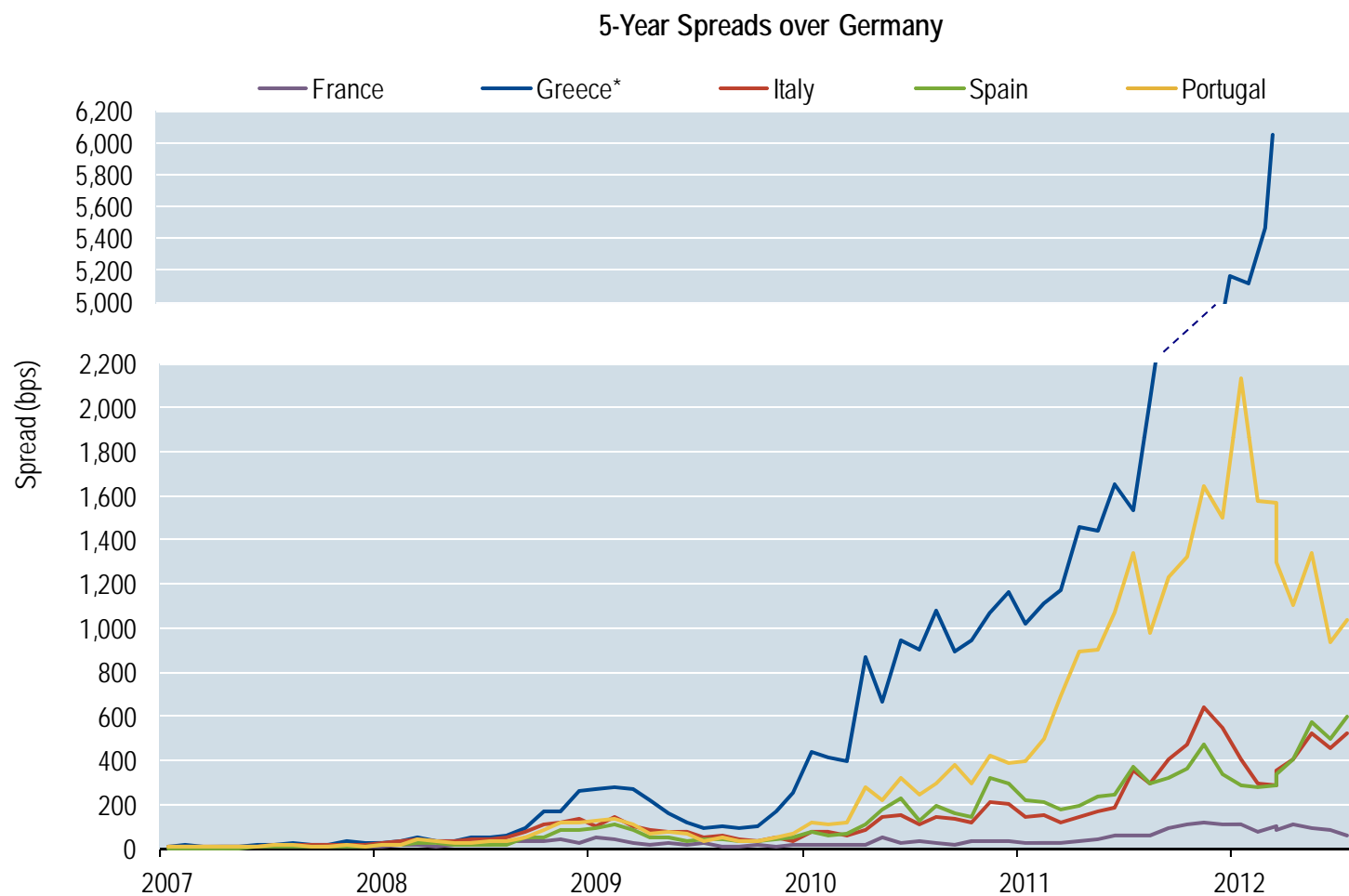
Source: Bloomberg. As of 30 Sep 12

Credit Spreads



Source: Barclays. As of 30 Sep 12

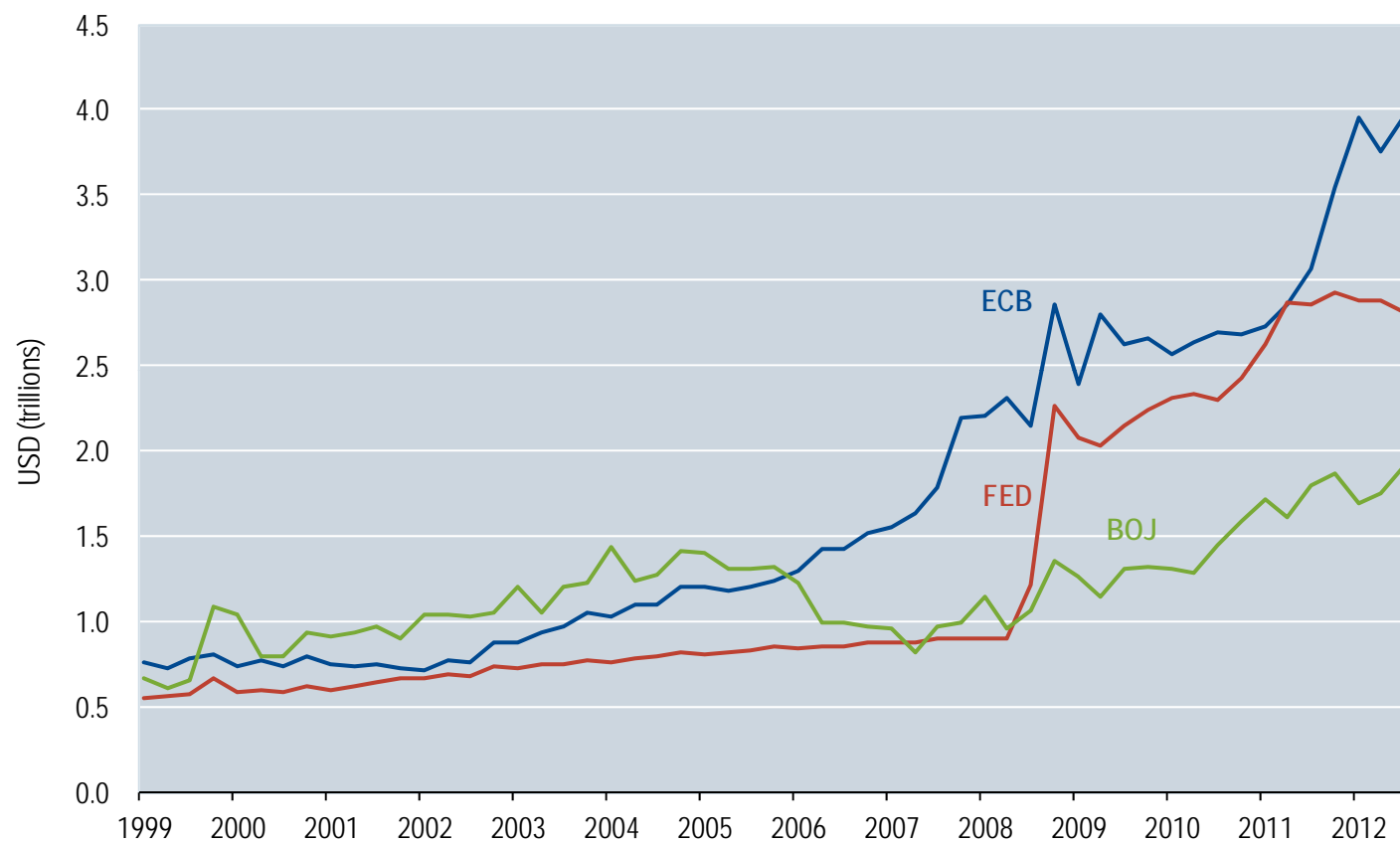
Peripheral European Spreads



Source: Bloomberg. As of 31 Aug 12
 * Last data point at 12 Mar 12 due to restructuring

Note: 1 basis point (bps) = 0.01%

Central Bank Balance Sheets Expanded



Source: Bloomberg. As of 30 Sep 12

Current Agency Pass-Through Strategy

Specified pools

- Take advantage of prepayment volatility

FNMA 30-year 4.5% conditional prepayment rate (CPR)* dispersion:

| | March 2012 | March 2011 | March 2010 |
|-------------|------------|------------|------------|
| Fastest 20% | 50.0 | 15.5 | 12.8 |
| Average | 29.4 | 6.6 | 4.8 |
| Slowest 20% | 3.2 | 0.3 | 0.4 |
| Range | 46.8 | 15.2 | 12.5 |

Source: Morgan Stanley. As of 31 Mar 12

Examples of “good” characteristics:

- High loan-to-value (LTV) 2010 production of Home Affordable Refinance Program (HARP) loans
- GNMA pools with high % FHA and low % VA Loans
- Low % of third-party originated loans
- Low LTV pre-HARP cutoff
- GNMA pools originated in summer 2010
- Investor-only pools

** 1 CPR difference adds approximately 10 basis points performance to MBS index*

Global Investment Themes Second Half 2012

Outlook

- Global recovery ongoing
- Below-trend growth in the US, 2% GDP
- A mild recession in Europe, avoidance of a systemic banking crisis
- Soft landing in China, 7% – 8% GDP
- Secular headwinds remain in developed countries
 - Fiscal constraint
 - Deleveraging
- Inflation outlook largely benign, longer-term concerns
- Globally, central bank policy to remain extraordinarily accommodative

Primary risks

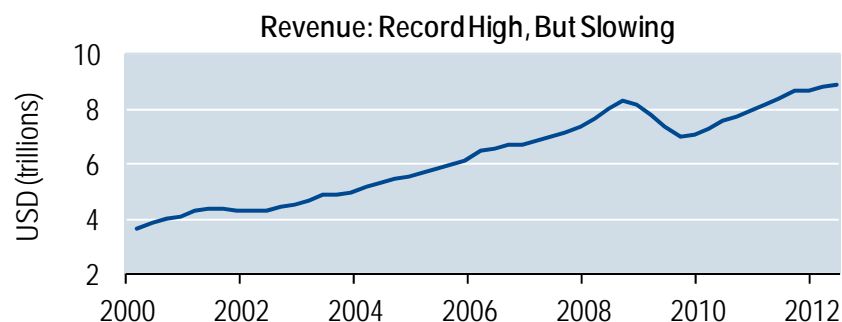
- Ongoing European crisis
- China slowdown and potential impact
- Global political changes and policy uncertainty
- Financial regulation / policy implementation

Strategy considerations

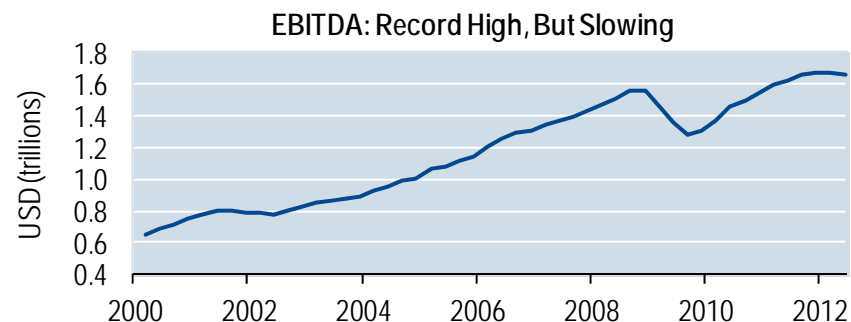
- Select investment-grade financials and high-yield credit (US bias over Europe)
- Emerging markets, focus on USD corporates and local markets
- Non-agency RMBS loss-adjusted yields favorable
- Overweight agency mortgages
- Tactical duration management
- Euro weakness against dollar bloc
- Long duration US Treasury securities as a risk diversifier

The above reflects the opinions of Western Asset as of 09 Aug 12

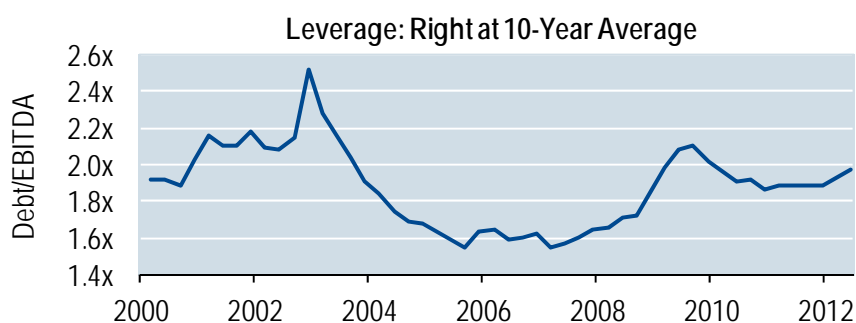
High-Grade Credit Fundamentals Are Peaking



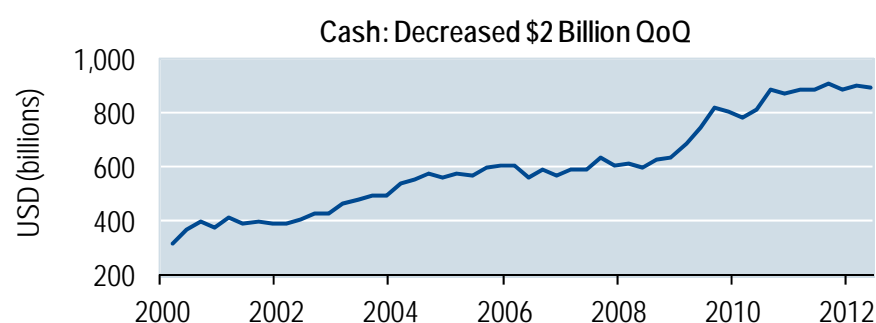
Source: JPMorgan. As of 30 Jun 12 (last 12 months)



Source: JPMorgan. As of 30 Jun 12 (last 12 months)



Source: JPMorgan. As of 30 Jun 12 (last 12 months)

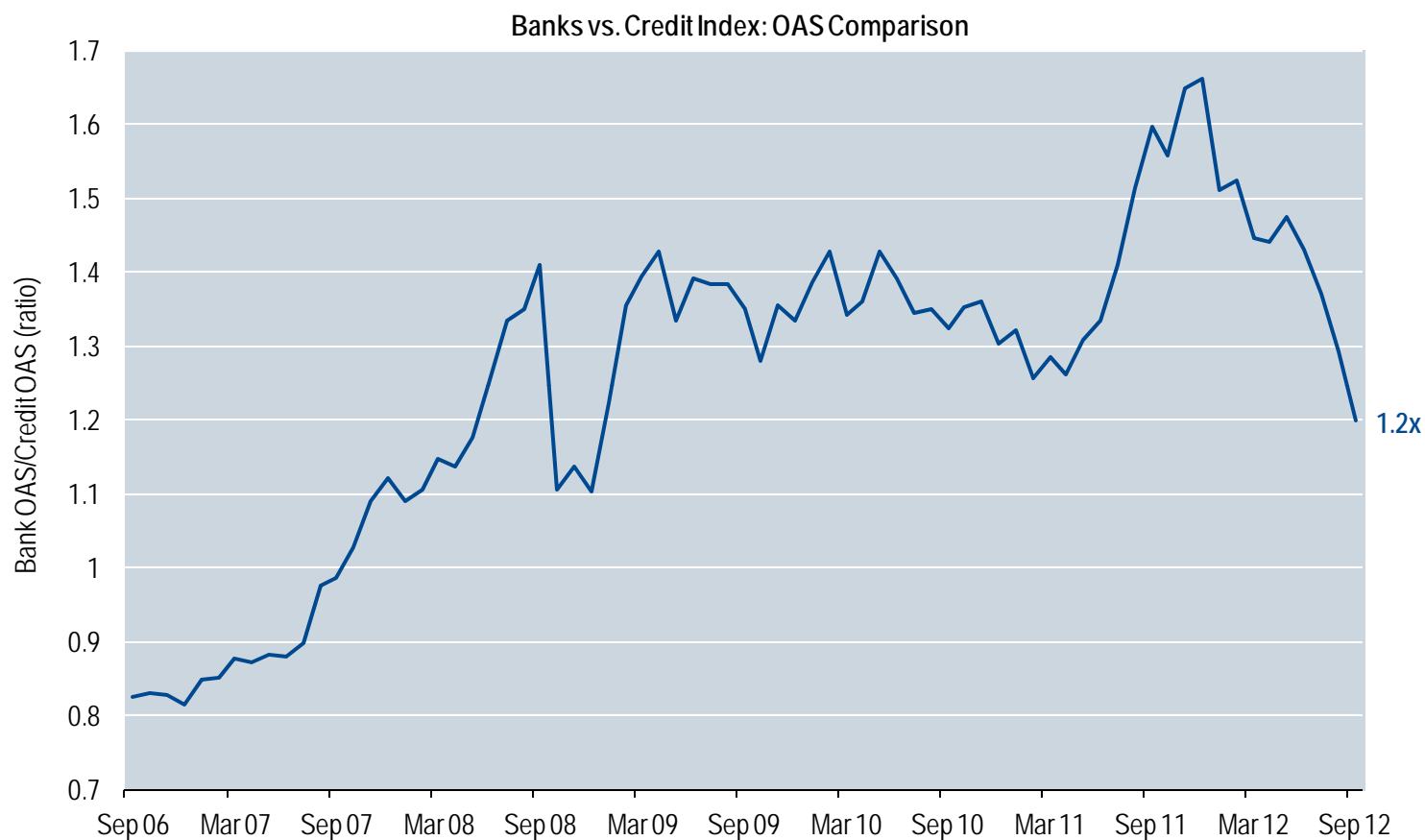


Source: JPMorgan. As of 30 Jun 12 (last 12 months)

| Credit Fundamentals | Trend | Credit Impact | Comment |
|---------------------|------------|---------------|---|
| Revenue | Neutral | Positive | Decreased <1% quarter-over-quarter, increased 5.7% year-over-year |
| Capex | Increasing | Neutral | Capacity utilization at 79.3% from 67% at depth of crisis |
| Interest Expense | Decreasing | Positive | Decreased 1% quarter-over-quarter, increased 1% year-over-year |
| Debt | Increasing | Negative | Increased 2% quarter-over-quarter, 7% year-over-year |

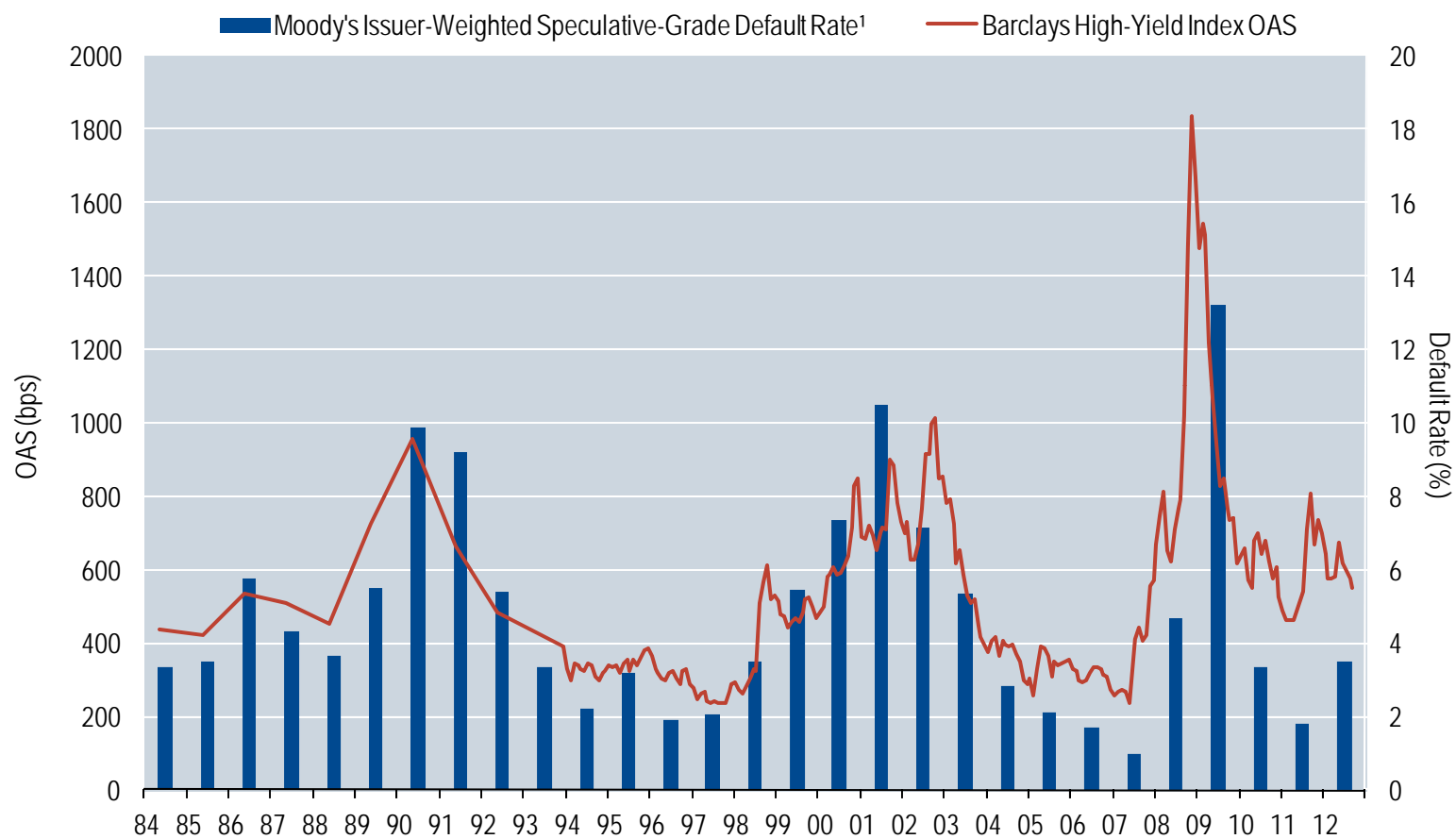
Fundamentals

Financials Have the Most Room to Normalize



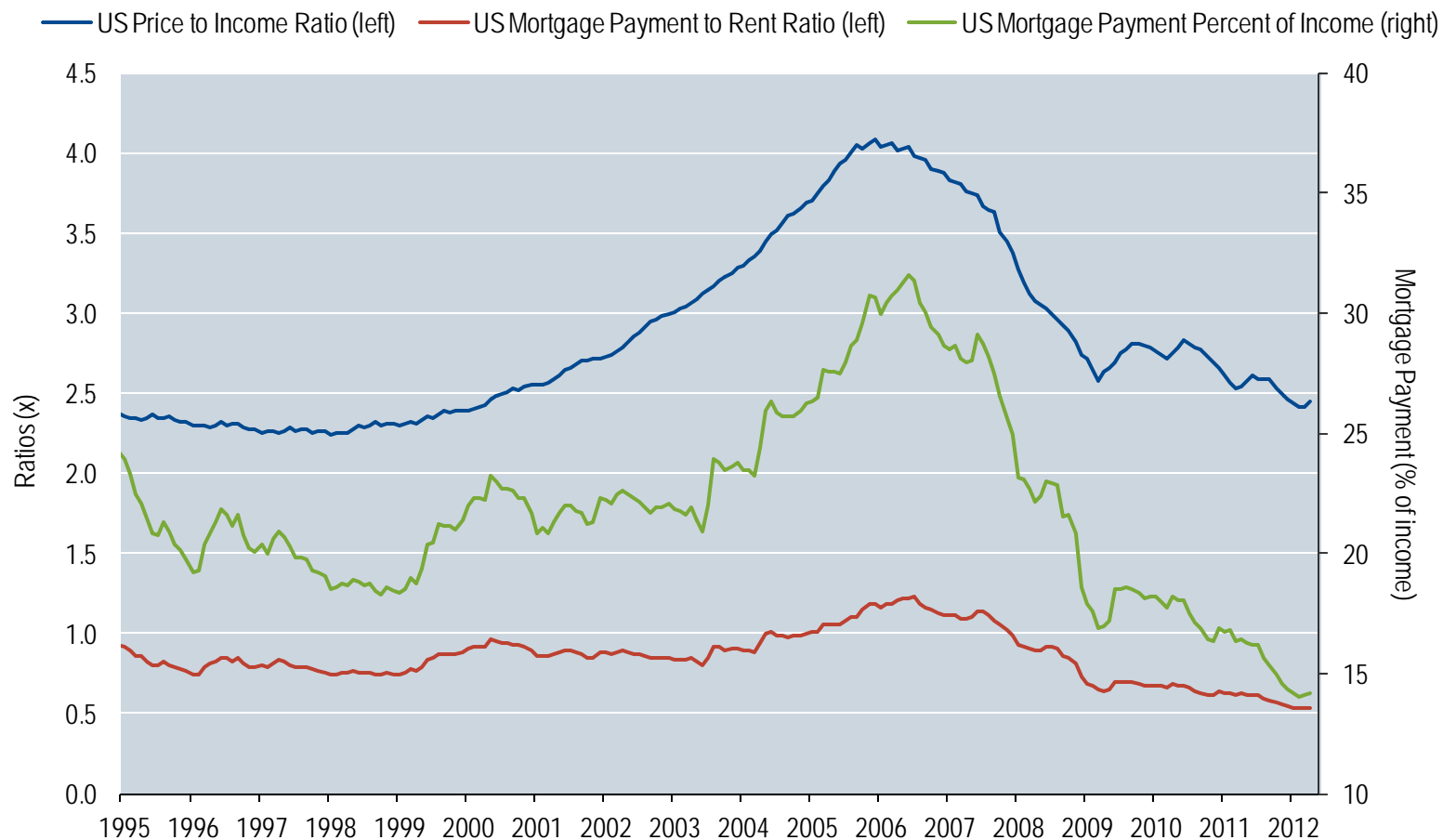
Source: Barclays. As of 30 Sep 12

Spread and Default Rate Correlation



Source: Moody's, Barclays, Western Asset. As of 30 Sep 12
¹Moody's Issuer-Weighted Speculative-Grade Default Rate as of 31 Aug 12

Housing Affordability



Source: S&P/Case-Shiller, Bureau of Labor Statistics, Moody's Economy, National Association of Realtors, Freddie Mac, HUD, Citibank. As of 30 Apr 12

Price to income lowest in 10 years but still higher than 1990s

Mortgage affordability highest in 40+ years

Own vs. rent relationship most attractive in 15+ years

Europe

Meaningful progress made

- Philosophy change at ECB
- Fiscal compact
- European Banking Union
- IMF/creative solutions

Necessary conditions for a successful union

- Labor mobility
- Synchronized economic cycles
- Central fiscal policy
- Capital mobility

Ultimate outcome unknowable

- Reconstitution/break-up eurozone

The above reflects the opinions of Western Asset as of 24 Jul 12

Europe

Does Europe have the will?

- Central finance ministry
- European Banking Union
- Loss of sovereignty
- Democratic legitimacy
- Treaty change

Euro breakup? The benefits could be considerable....

- Independent monetary policy
- Exchange rate flexibility
- Fiscal relaxation
- Economic growth

...But so could the costs

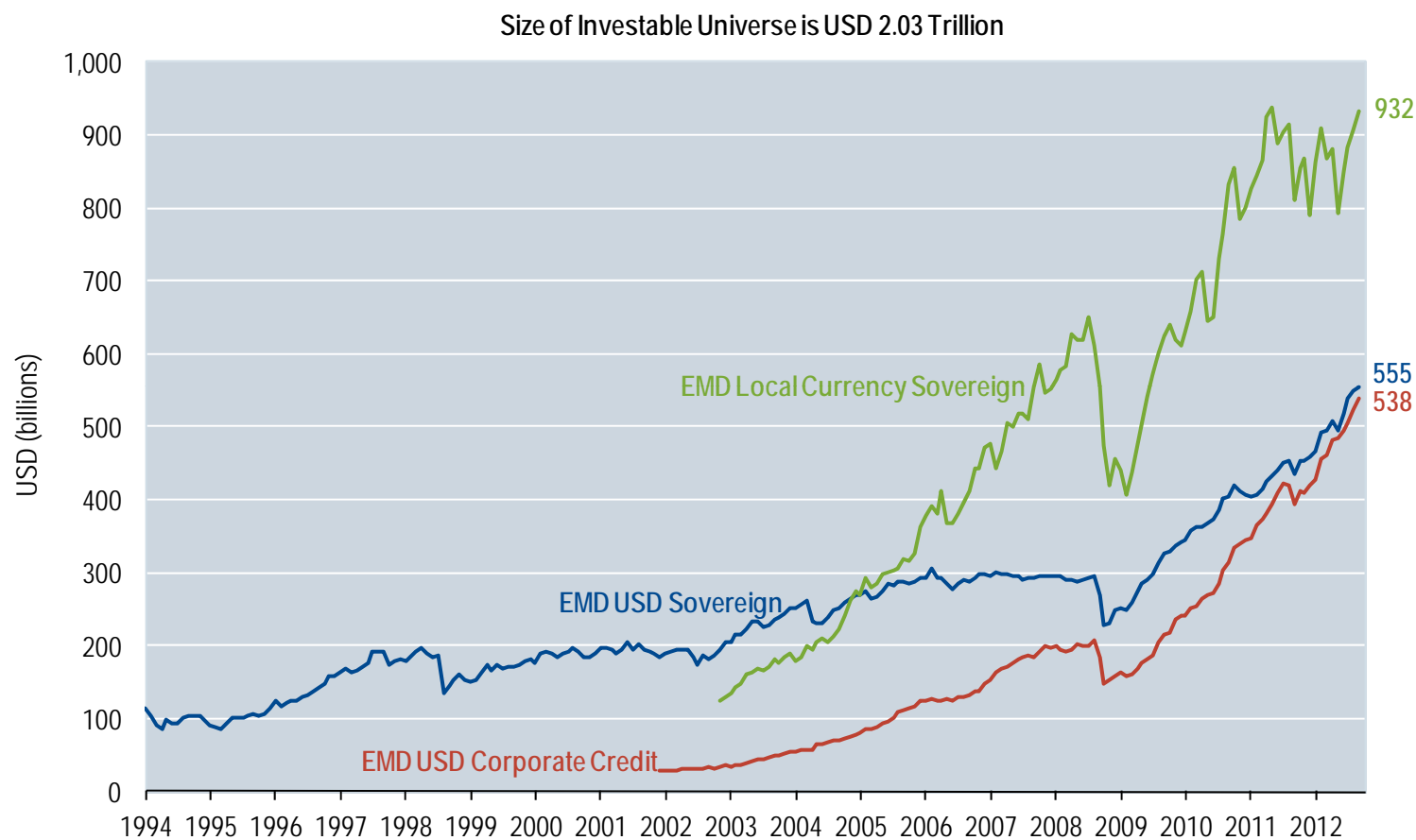
- Banking crisis
- Capital market strike
- Legality of contracts
- Corporate insolvency

Clarity of direction needed

- Solving the issue of competitiveness is the only way to a permanent resolution of the crisis

The above reflects the opinions of Western Asset as of 24 Jul 12

EM: Three Distinct Sectors = Three Distinct Ways to Express Sovereign Views

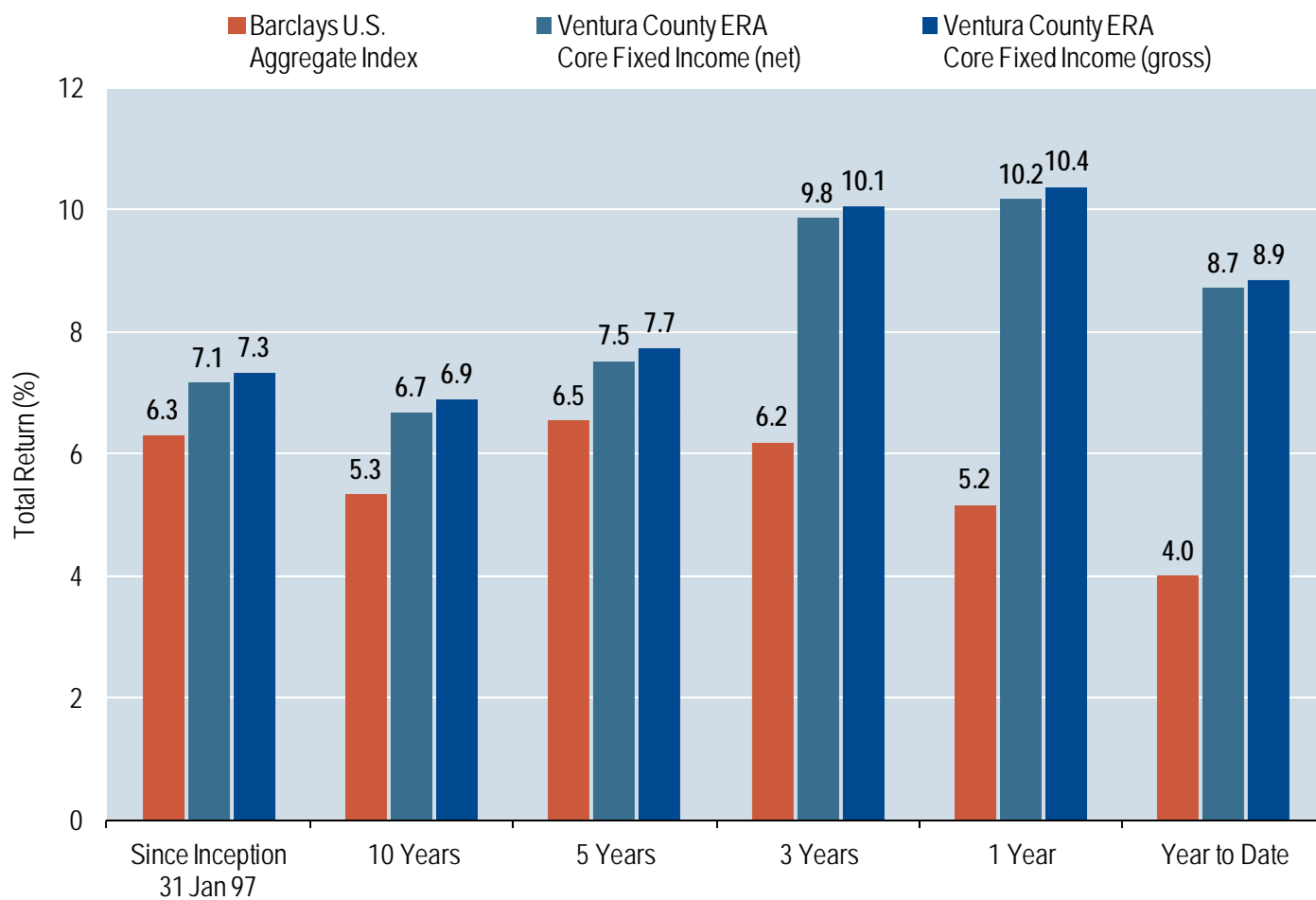


Source: Sectors represented by JPMorgan indices. As of 30 Sep 12
EMD USD Sovereign represented by JPM EMBI Global Index
EMD USD Corporate Credit represented by JPM CEMBI Broad Index
EMD Local Currency Sovereign represented by JPM GBI-EM Global Diversified Index

Portfolio Review

Core Full Portfolio

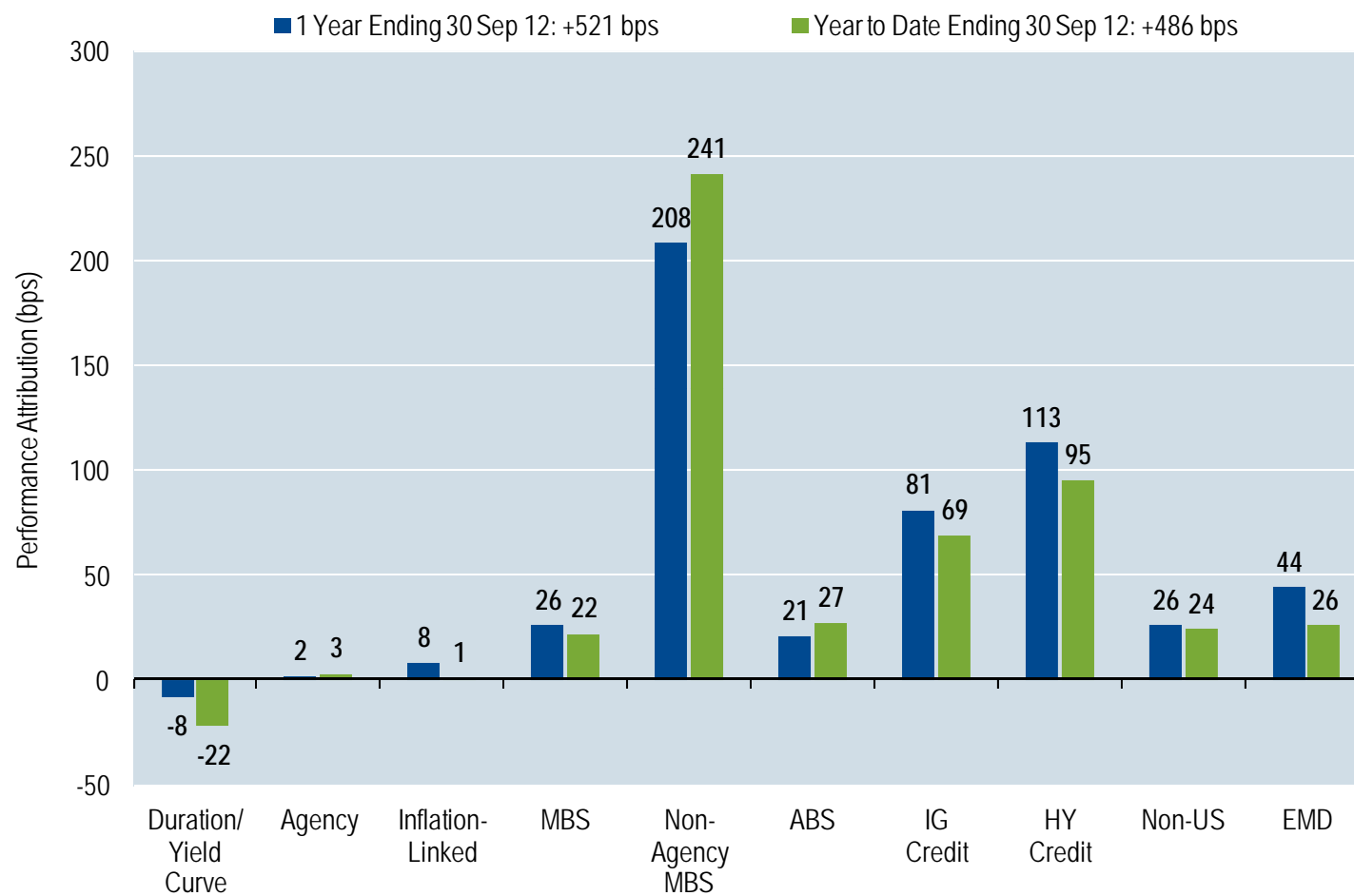
Investment Results



As of 30 Sep 12. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.

Attribution Analysis

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

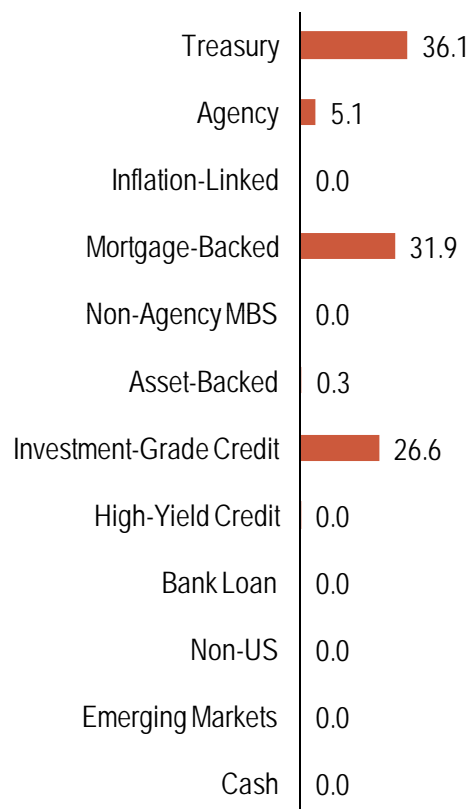


Western Asset believes that attribution is not a hard science, but rather a means of evaluating strategies to determine their relative impact on overall portfolio performance. The intent of the manager, therefore, is critical in the evaluation of different strategies, and the return attribution for any sector or strategy could be over or understated due to its inclusion in another component. Data may not sum to total due to rounding.

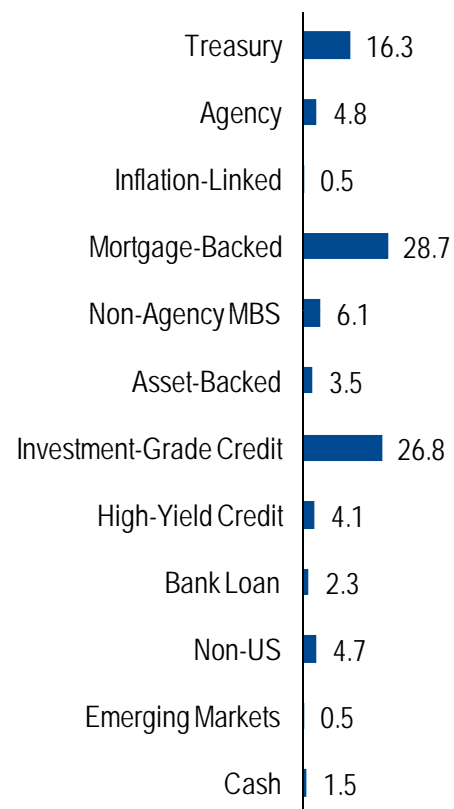
Sector Exposure

September 30, 2012

Barclays U.S. Aggregate Index(%)
Yield: 1.61



Ventura County ERA Core Fixed Income (%)
Yield: 2.94



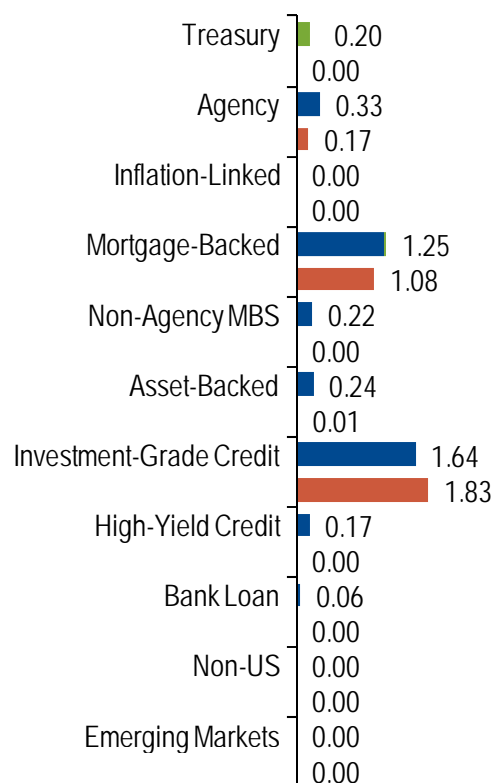
Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity. Data may not sum to 100% due to rounding.

Sector Exposure

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

September 30, 2012

Spread Duration Contribution (yrs)

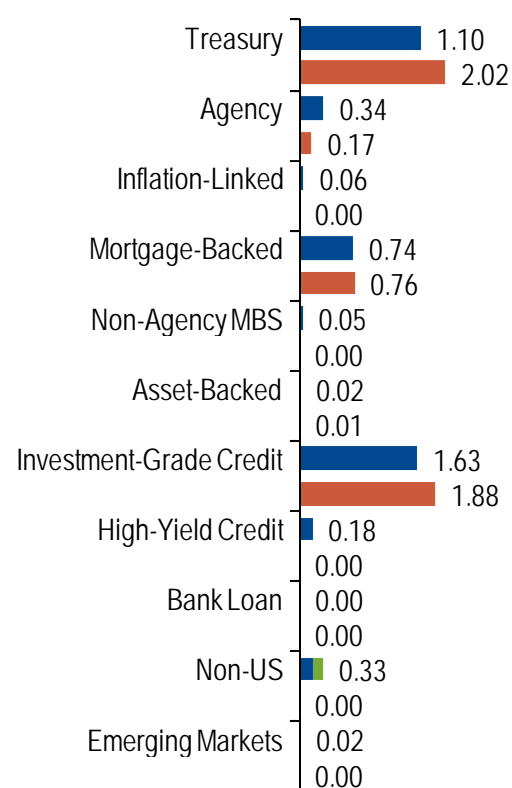


■ Cash Bonds ■ Derivatives Exposure ■ Benchmark

Total Spread Duration

Portfolio: 4.10
Benchmark: 3.09

Duration Contribution (yrs)



■ Cash Bonds ■ Derivatives Exposure ■ Benchmark

Total Duration

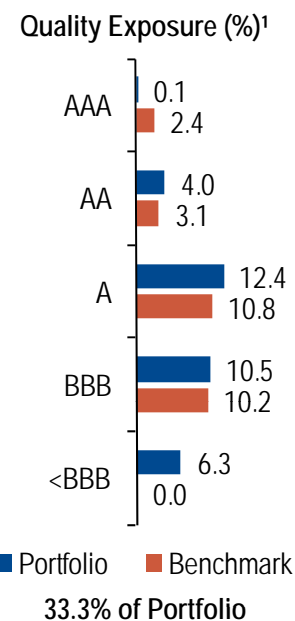
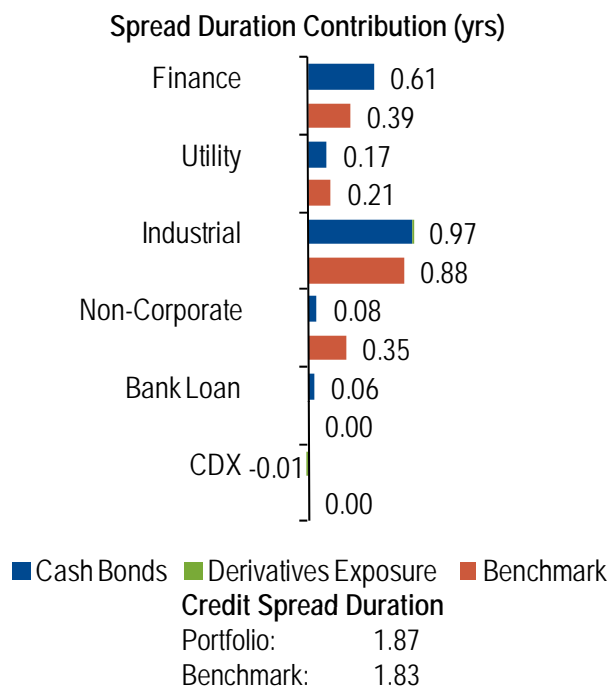
Portfolio: 4.48
Benchmark: 4.84

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

Credit Sector Exposure

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

September 30, 2012



Barclays U.S. Credit Index Excess Returns

| | 2011 | 2012* |
|---------------|--------|--------|
| Finance | -6.28% | 10.32% |
| Utility | -1.60% | 4.02% |
| Industrial | -2.33% | 3.81% |
| Non-Corporate | -1.49% | 4.27% |

*As of 30 Sep 12

| | 2011 | 2012* |
|------|--------|--------|
| AAA | -0.97% | 1.79% |
| AA | -2.91% | 3.67% |
| A | -3.71% | 6.32% |
| BBB | -3.52% | 6.59% |
| <BBB | -2.40% | 10.25% |

*As of 30 Sep 12

| Top 5 Corporates | |
|-------------------------|--------------|
| General Electric Co | 1.11% |
| Goldman Sachs Group Inc | 1.11% |
| Bank of America | 1.09% |
| Citigroup Inc | 1.06% |
| Wells Fargo | 0.86% |
| Total | 5.23% |

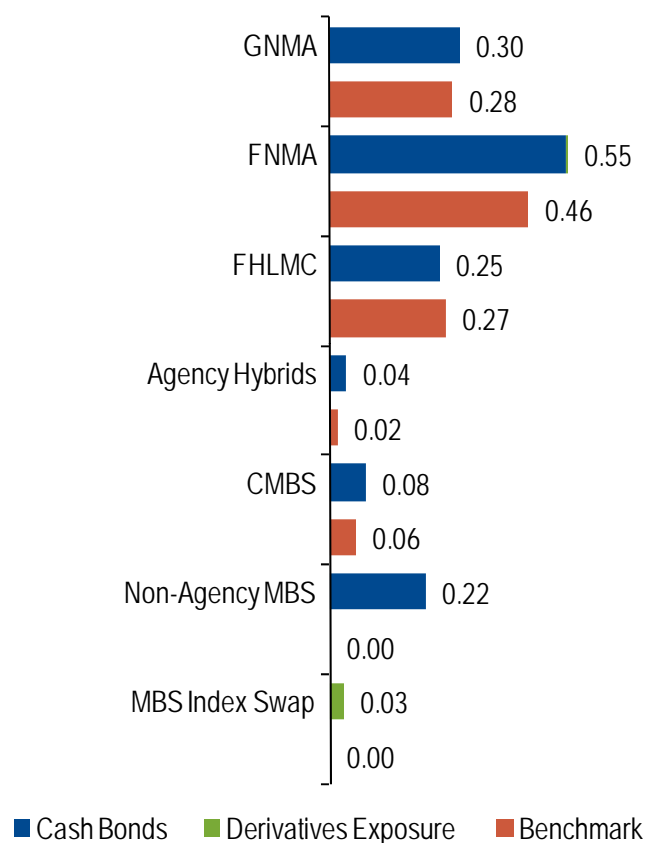
Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.
¹All weightings are a percentage of total market value.

Mortgage-Backed Sector Exposure

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

September 30, 2012

Spread Duration Contribution (yrs)



MBS Spread Duration

Portfolio: 1.46

Benchmark: 1.08

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

Non-Agency Mortgage-Backed Exposure

Ventura County ERA Core Fixed Income

September 30, 2012

| Classification | % Portfolio |
|----------------|--------------|
| Prime | 1.71% |
| Alt-A | 1.12% |
| Subprime | 0.72% |
| Option ARM | 2.52% |
| Total | 6.07% |

| Vintage | % Portfolio |
|--------------|--------------|
| <=2003 | 0.90% |
| 2004 | 0.69% |
| 2005 | 2.19% |
| 2006 | 1.74% |
| 2007 | 0.54% |
| Total | 6.07% |

| Capital Structure | % Portfolio |
|-------------------|--------------|
| Super Senior | 1.85% |
| Senior | 4.18% |
| Senior Support | 0.02% |
| Subordinated | 0.03% |
| Other - Swap | 0.00% |
| Total | 6.07% |

| Current Ratings | % Portfolio |
|-----------------|--------------|
| AAA | 2.67% |
| AA | 0.52% |
| A | 0.33% |
| BBB | 0.56% |
| <BBB | 1.98% |
| Total | 6.07% |

| Weighted Average Yield ¹ (%) | Weighted Average Life (yrs) |
|---|-----------------------------|
| 6.69 | 6.55 |

Yield and average life as of 30 Jun 12

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. Data may not sum to total due to rounding.

Includes home equity asset-backed securities and notional value of ABX where held.

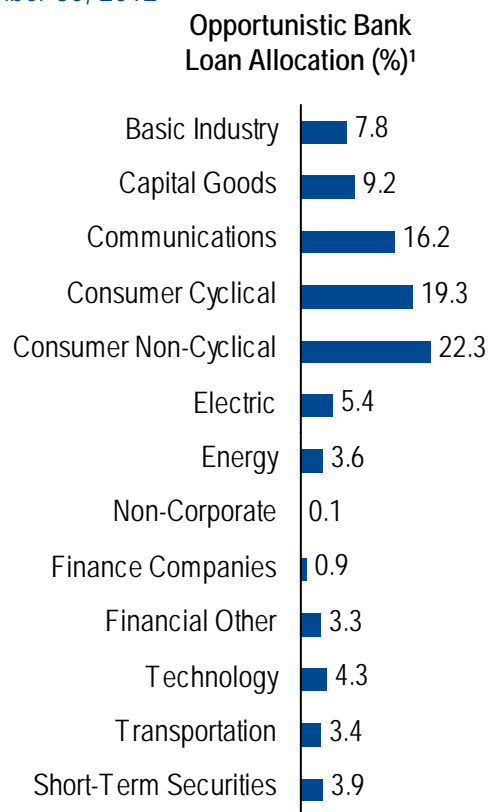
Source: Western Asset / Intex

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Opportunistic Non-Benchmark Sector Allocation

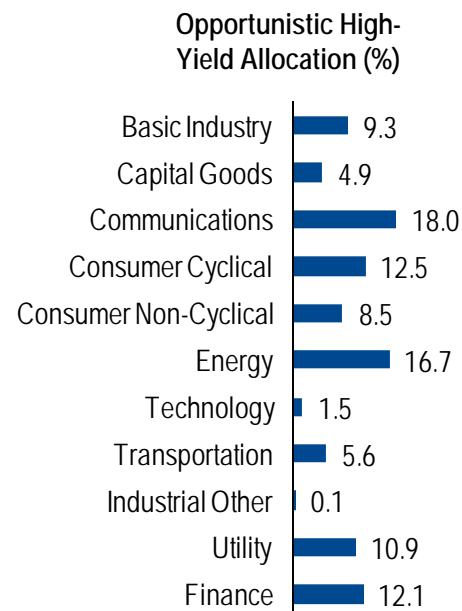
High-Yield

Preliminary September 30, 2012



Bank Loan Allocation

- Capital preservation
- Diversified approach
- Research-driven
- BB and B Focus



High-Yield Process

- Diversified approach
- Research-driven
- Large, liquid deals

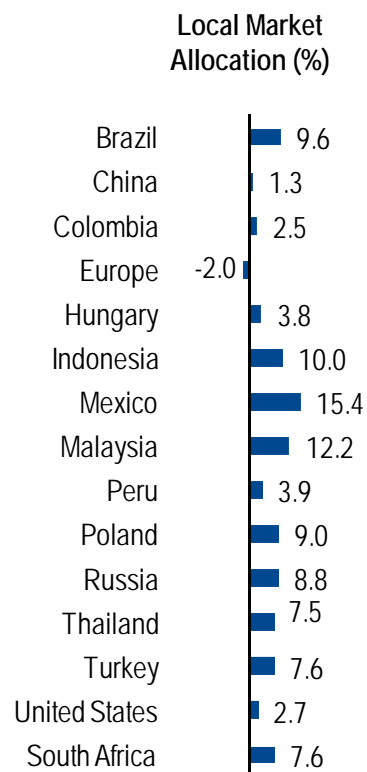
¹Preliminary

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. Data may not sum to total due to rounding.

Opportunistic Non-Benchmark Sector Allocation

Emerging Markets and Non-US

September 30, 2012



Non-US Allocation

- Positive Exposure to Australian and German rates
- Long Canadian Dollar
- Short Euro, Australian Dollar, and Japanese Yen

Local Market Process

- Opportunistic allocation
- Separate rate and currency decisions
- Primarily sovereign credits

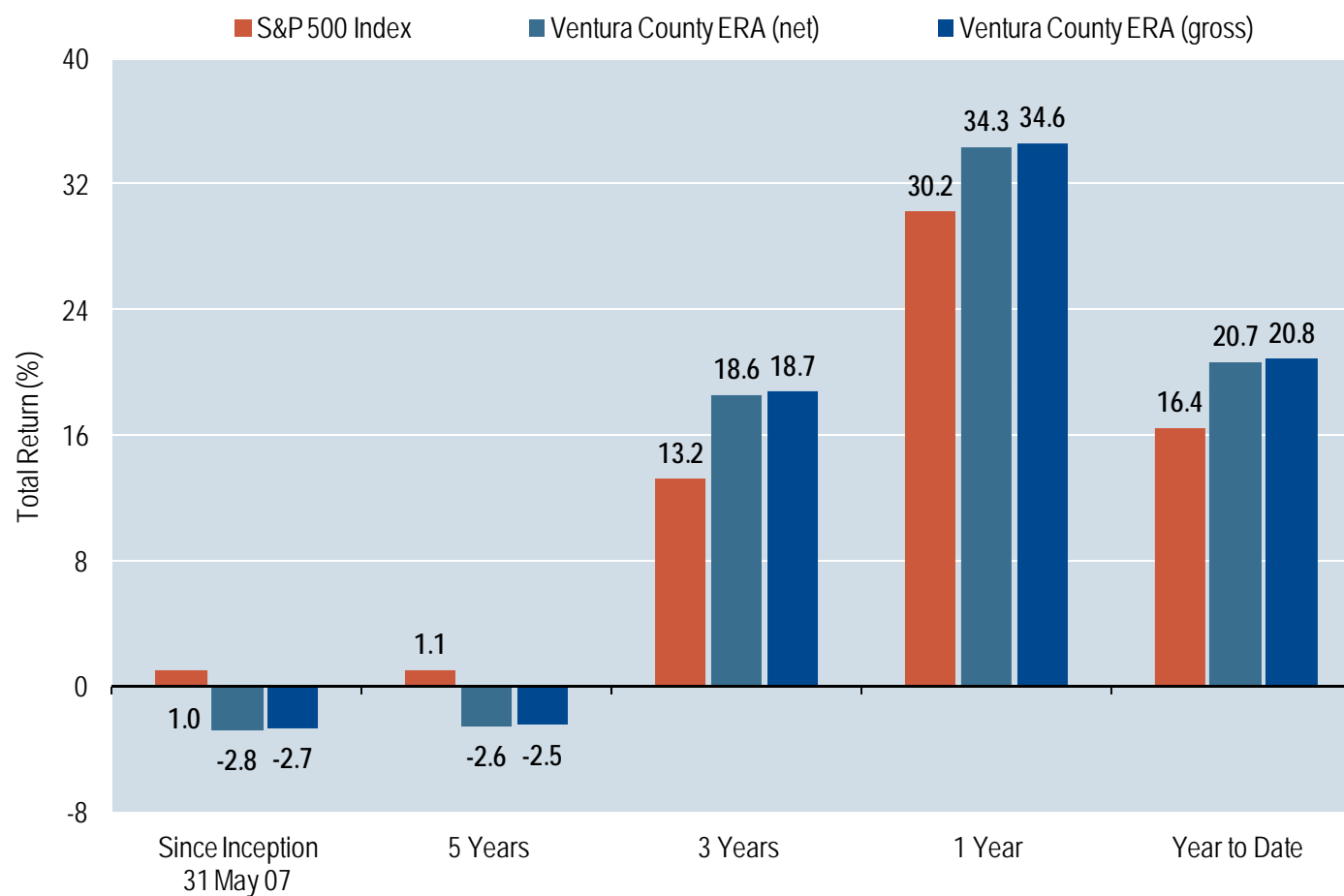
Non-US Process

- Opportunistic allocation
- Primarily sovereign credits

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. Data may not sum to total due to rounding.

Index Plus Portfolio

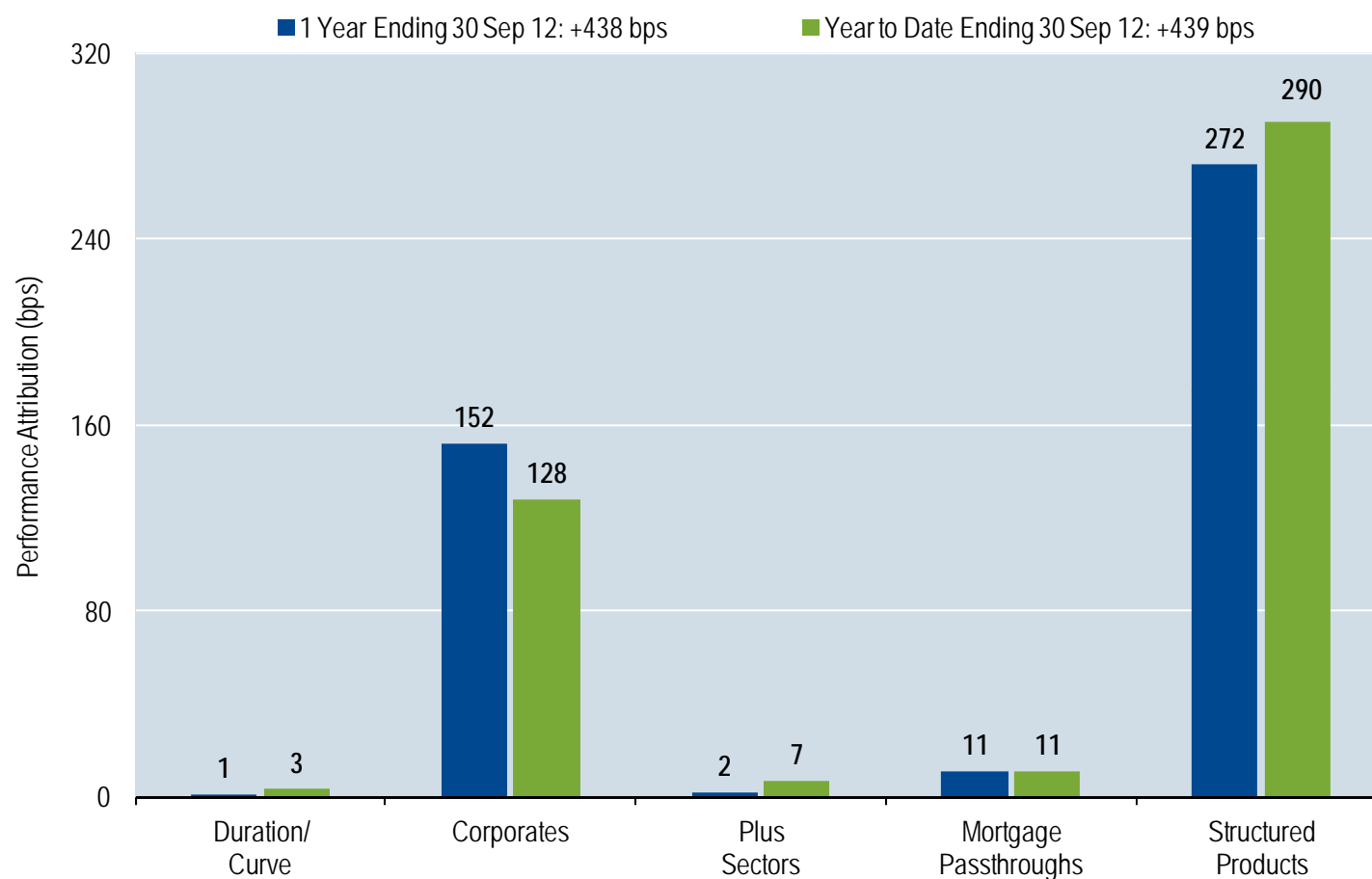
Investment Results



As of 30 Sep 12. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.

Attribution Analysis

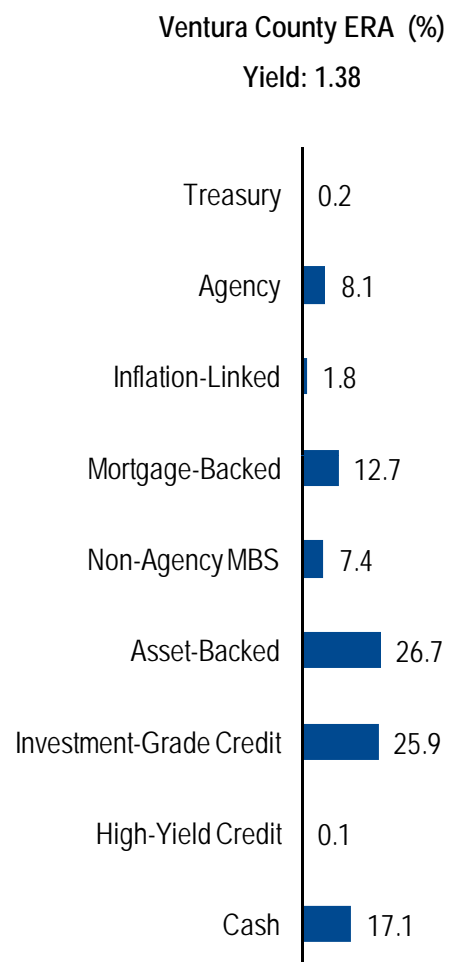
Ventura County ERA Index Plus Portfolio vs. S&P 500 Index



Western Asset believes that attribution is not a hard science, but rather a means of evaluating strategies to determine their relative impact on overall portfolio performance. The intent of the manager, therefore, is critical in the evaluation of different strategies, and the return attribution for any sector or strategy could be over or understated due to its inclusion in another component. Data may not sum to total due to rounding.

Sector Allocation

September 30, 2012

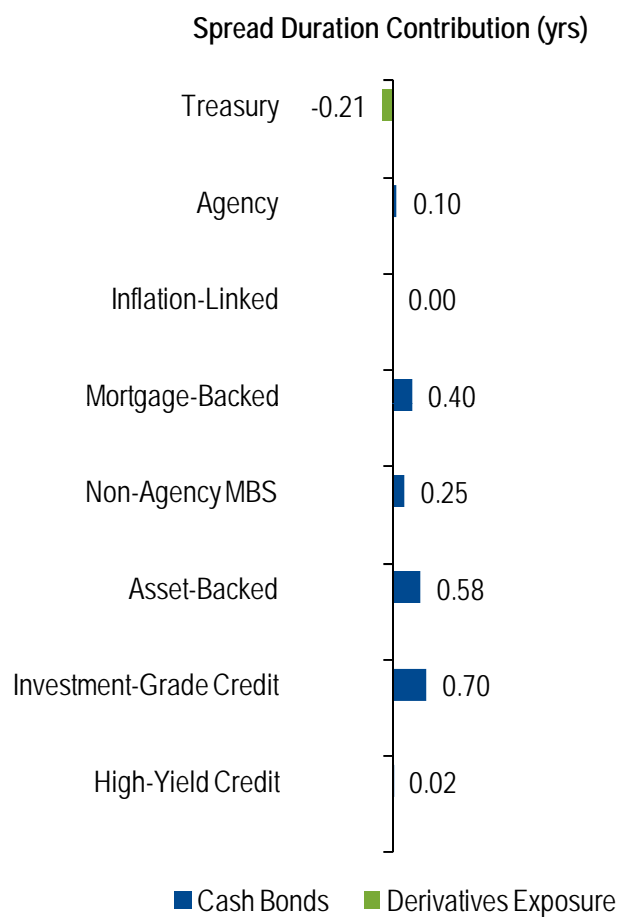


Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity. Data may not sum to 100% due to rounding.

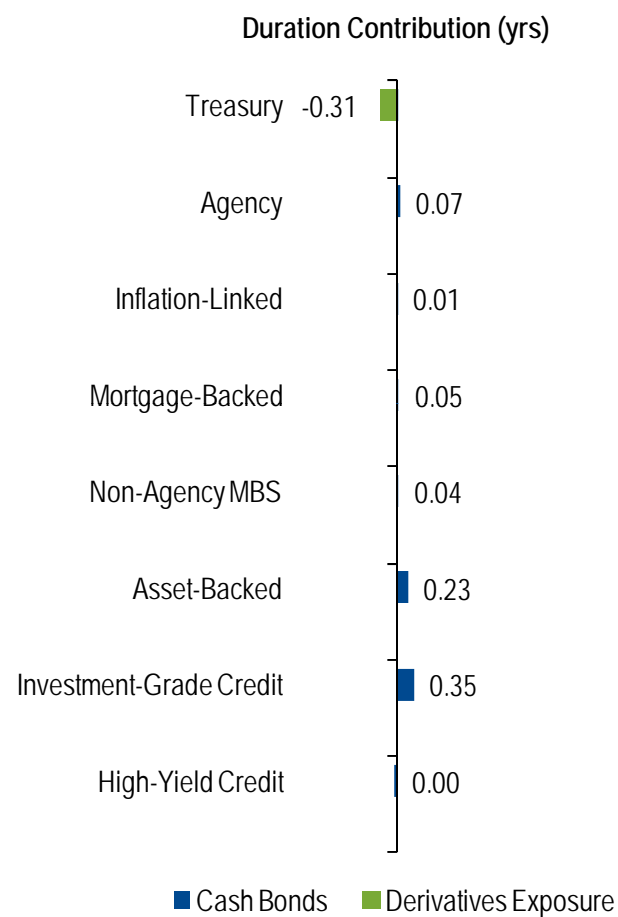
Sector Exposure

Ventura County ERA

September 30, 2012



Total Spread Duration
Portfolio: 1.84



Total Duration
Portfolio: 0.44

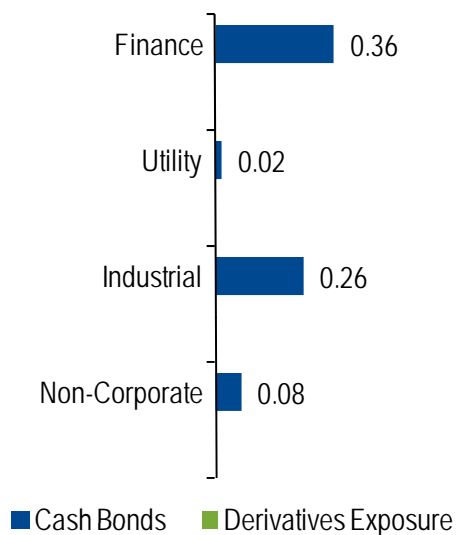
Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.

Credit Sector Exposure

Ventura County ERA

September 30, 2012

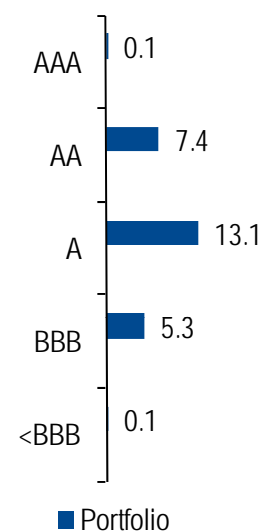
Spread Duration Contribution (yrs)



Credit Spread Duration

Portfolio: 0.71

Quality Exposure (%)¹



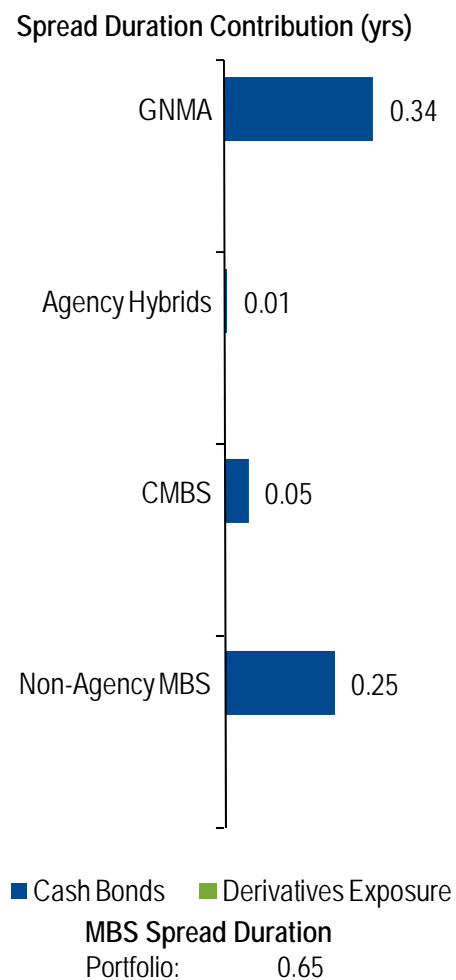
26.0% of Portfolio

*Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.
¹All weightings are a percentage of total market value.*

Mortgage-Backed Sector Exposure

Ventura County ERA

September 30, 2012



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

Non-Agency Mortgage-Backed Exposure

Ventura County ERA

September 30, 2012

| Classification | % Portfolio |
|----------------|--------------|
| Prime | 1.29% |
| Alt-A | 1.27% |
| Subprime | 1.65% |
| Option ARM | 3.21% |
| Total | 7.41% |

| Vintage | % Portfolio |
|--------------|--------------|
| <=2003 | 1.38% |
| 2004 | 1.50% |
| 2005 | 2.65% |
| 2006 | 1.19% |
| 2007 | 0.70% |
| Total | 7.41% |

| Capital Structure | % Portfolio |
|-------------------|--------------|
| Super Senior | 3.41% |
| Senior | 3.60% |
| Senior Support | 0.00% |
| Subordinated | 0.40% |
| Other - Swap | 0.00% |
| Total | 7.41% |

| Current Ratings | % Portfolio |
|-----------------|--------------|
| AAA | 2.20% |
| AA | 0.82% |
| A | 0.00% |
| BBB | 0.98% |
| <BBB | 3.40% |
| Total | 7.41% |

| Weighted Average Yield ¹ (%) | Weighted Average Life (yrs) |
|---|-----------------------------|
| 7.82 | 4.60 |

Yield and average life as of 30 Jun 12

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. Data may not sum to total due to rounding.

Includes home equity asset-backed securities and notional value of ABX where held.

Source: Western Asset / Intex

Disclaimer: Any prices, sources or valuations provided are provided for information purposes only and solely for your use. Such information results from Western Asset's internal policies and, accordingly, may reflect information received from outside parties, publicly disseminated or internally developed models, our experience in executing transactions in the market, or other factors. Information based on different assumptions, sources or other factors may yield different results. Any specific prices or valuations do not necessarily represent the actual terms of new or existing transactions and are not an assurance that a particular security may be bought or sold in the market at such levels. Any information provided is provided as an accommodation to you in good faith based on Western Asset's policies. Western Asset is not a pricing service or agent and any such information may not be relied upon for such purposes. Western Asset is not responsible for errors, omissions or inaccuracies in your data if you use or otherwise rely upon this information.

Appendix

Biographies

JOSEPH C. CARIERI

29 Years Experience

- Western Asset Management Company – Client Service Executive, 1996–
- Los Angeles County Employees Retirement Association – Senior Investment Officer, 1993–1995
- Fidelity Management and Research Company – Senior Trader, 1992–1993
- First Capital Holdings Corporation – Portfolio Manager, 1987–1992
- Drexel Burnham Lambert – Credit Analyst, 1983 – 1987
- *Anderson Graduate School of Management, UCLA, M.B.A.*
- *Saint Francis College, New York, B.S.*

JULIEN A. SCHOLNICK

15 Years Experience

- Western Asset Management Company – Portfolio Manager, 2003–
- Salomon Smith Barney – Associate, Private Client Group, 2000–2001
- Digital Coast Partners – Senior Analyst, 1999–2000
- Arthur Andersen, LLP – Senior Analyst, 1997–1999
- Cornell University, M.B.A.
- *University of California, Los Angeles, B.A., graduated magna cum laude*

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

Representative Client List Disclosure

The clients listed in the Corporate company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of \$59(M) or greater.

The clients listed in the Public company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of \$111(M) or greater.

The clients listed in the Multi-Employer / Union company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of \$19(M) or greater.

The clients listed in the Eleemosynary company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of \$9(M) or greater.

The clients listed in the Insurance company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of \$133(M) or greater.

The clients listed in the Healthcare company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of \$55(M) or greater.

The clients listed in the Sub-Advisory company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of \$109(M) or greater.

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

Risk Disclosure

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Ventura County Employees' Retirement Association

Monthly Manager Performance Report September 2012

MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

September 2012

Market Highlights

- We had another strong month to end the quarter, with markets generally finishing in the black, though well off their mid-September highs. The dominant factor in all markets was central bank action, with concerted efforts within all regions; including the European Central Bank, the Federal Reserve, the Bank of Japan, and the Chinese central bank. For the month, the S&P 500 Index showed a gain of 2.6 percent, while the Dow Jones U.S. Total Stock Market Index also gained 2.6 percent.
- Within the U.S. equity market, small cap stocks outperformed their large cap counterparts, while growth stocks underperformed value stocks across the large, mid, and small cap asset classes.
- Foreign markets finally outpaced the U.S. markets, with the MSCI EAFE Index gaining 3.0 percent, the MSCI ACWI ex-US returning 3.7 percent, and the MSCI Emerging Markets Index increasing 6.0 percent.
- Despite the Fed's QE3 announcement, the 10-year Treasury yield ended the third quarter at 1.63 percent, within a basis point of where it had begun. The Barclays Capital Aggregate Bond Index returned 0.1 percent during the month.

Preliminary Manager Highlights

- The Total Fund's preliminary September return of 2.1 percent, beat the Policy Portfolio return of 2.0 percent. The Fund's international and global equity asset classes hurt results versus their respective benchmarks, domestic fixed income aided results by over 80 basis points, while domestic equity matched its performance benchmark returns.
- During the month, the Fund's U.S. equity portfolio returned 2.6 percent, matching its benchmark's return of 2.6 percent. BlackRock matched their respective indices, while Western outperformed its benchmark by 50 basis points.
- The international equity component returned 3.6 percent, underperforming the 3.7 percent return of its benchmark. Sprucegrove's underperformance was attributable to stock selection in Financials and country exposure to Germany. Hexavest's overweight cash position hurt results for the month of September, as they underperformed by 40 basis points. Their underweight position in Hong Kong and Germany detracted from results. Walter Scott returned 2.8 percent versus 3.7 percent for the benchmark. Much of this underperformance was attributable to the overweight position to Japan 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 2.8 percent, slightly underperforming the benchmark return of 3.2 percent. GMO's return of 2.6 percent was below the benchmark return of 3.2 percent during the month, as many sub-strategies across all asset classes slightly trailed their respective benchmarks for the month. The BlackRock MSCI ACWI Equity account's tracked its benchmark in its second full month of performance.
- In September, the Fund's U.S. fixed income component returned 0.9 percent, outperforming the Barclays Aggregate Bond Index return of 0.1 percent. Reams outperformed, returning 0.5 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. Western's return of 1.0 percent outperformed the index return of 0.1 percent. BlackRock's fixed income index fund tracked its benchmark. The Loomis Sayles Global Fixed Income account was funded during the month of July and outperformed the benchmark by 50 basis points, returning 1.7 percent. The Total Fund's aggregate high yield exposure is currently 9.4%.

Key: ● Positive ● Mixed/Cautious ● Alert ● Informational

Performance Summary

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 9/30/2012

| | September | 3Q 2012 | Calendar Year-to-Date | Fiscal 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 | 2.5 | 5.5 | 15.1 | 5.5 | 30.6 | 14.5 | 2.9 | -- | 10.8 | 10/31/02 |
| Dow Jones U.S. Completion Total Stock Market Index | 2.4 | 5.3 | 14.7 | 5.3 | 30.0 | 14.2 | 2.9 | -- | 10.8 | |
| Western U.S. Index Plus | 3.1 | 7.9 | 20.6 | 7.9 | 34.2 | 18.4 | -2.8 | -- | -3.0 | 5/31/07 |
| S&P 500 Index | 2.6 | 6.4 | 16.4 | 6.4 | 30.2 | 13.2 | 1.1 | -- | 1.0 | |
| BlackRock Equity Market Fund | 2.6 | 6.2 | 16.2 | 6.2 | 30.4 | 13.5 | -- | -- | 3.3 | 5/31/08 |
| Dow Jones U.S. Total Stock Market Index | 2.6 | 6.2 | 16.2 | 6.2 | 30.2 | 13.4 | -- | -- | 3.2 | |
| Total U.S. Equity | 2.6 | 6.4 | 16.6 | 6.4 | 30.8 | 14.0 | 0.8 | 8.1 | 7.9 | 12/31/93 |
| Performance Benchmark** | 2.6 | 6.2 | 16.2 | 6.2 | 30.2 | 13.4 | 1.5 | 8.6 | 8.3 | |
| BlackRock All Country World ex-U.S. | 3.9 | 7.5 | 10.9 | 7.5 | 14.6 | 3.6 | -3.6 | -- | -1.1 | 3/31/07 |
| MSCI All Country World ex-U.S. IM Index | 3.9 | 7.5 | 10.7 | 7.5 | 14.4 | 3.5 | -3.8 | -- | -1.2 | |
| Sprucegrove | 3.6 | 6.0 | 10.8 | 6.0 | 15.5 | 6.0 | -2.2 | 9.8 | 7.8 | 3/31/02 |
| MSCI EAFE Index | 3.0 | 6.9 | 10.1 | 6.9 | 13.8 | 2.1 | -5.2 | 8.2 | 5.3 | |
| MSCI All Country World ex-U.S. Index | 3.7 | 7.4 | 10.4 | 7.4 | 14.5 | 3.2 | -4.1 | 9.8 | 6.8 | |
| Hexavest | 2.6 | 7.2 | 11.5 | 7.2 | 15.9 | -- | -- | -- | 0.7 | 12/31/10 |
| MSCI EAFE Index | 3.0 | 6.9 | 10.1 | 6.9 | 13.8 | -- | -- | -- | -1.9 | |
| Walter Scott | 2.8 | 6.3 | 15.2 | 6.3 | 16.7 | -- | -- | -- | 2.5 | 12/31/10 |
| MSCI All Country World ex-U.S. Index | 3.7 | 7.4 | 10.4 | 7.4 | 14.5 | -- | -- | -- | -2.7 | |
| Total International | 3.6 | 7.0 | 12.0 | 7.0 | 15.9 | 4.2 | -3.6 | 9.4 | 6.4 | 3/31/94 |
| MSCI All Country World ex-U.S. Index | 3.7 | 7.4 | 10.4 | 7.4 | 14.5 | 3.2 | -4.1 | 9.8 | 5.0 | |
| GMO Global Fund | 2.6 | 5.8 | 11.7 | 5.8 | 18.8 | 8.3 | -0.2 | -- | 5.7 | 4/30/05 |
| MSCI All Country World Index | 3.2 | 6.8 | 12.9 | 6.8 | 21.0 | 7.2 | -2.1 | -- | 4.8 | |
| BlackRock MSCI ACWI Equity Index | 3.2 | 6.9 | -- | 6.9 | -- | -- | -- | -- | -- | 6/30/05 |
| MSCI All Country World Index | 3.2 | 6.8 | -- | 6.8 | -- | -- | -- | -- | -- | |
| Total Global Equity | 2.8 | 6.2 | 11.2 | 6.2 | 18.6 | 7.5 | -2.7 | -- | 3.8 | 4/30/05 |
| MSCI All Country World Index | 3.2 | 6.8 | 12.9 | 6.8 | 21.0 | 7.2 | -2.1 | -- | 4.8 | |

Performance Summary (continued)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)

Period Ending 9/30/2012

| | September | 3Q 2012 | Calendar Year-to-Date | Fiscal 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***** | 1.7 | 3.7 | -- | 3.7 | -- | -- | -- | -- | -- | 6/30/12 |
| Barclays Capital Global Aggregate Bond Index | 1.2 | 3.3 | -- | 3.3 | -- | -- | -- | -- | -- | |
| PIMCO Global Fixed Income | -- | -- | -- | -- | -- | -- | -- | -- | -- | 9/30/12 |
| Barclays Capital Global Aggregate Bond Index | -- | -- | -- | -- | -- | -- | -- | -- | -- | |
| Total Global Fixed Income | 1.7 | 3.7 | -- | 3.7 | -- | -- | -- | -- | -- | 6/30/12 |
| Barclays Capital Global Aggregate Bond Index | 1.2 | 3.3 | -- | 3.3 | -- | -- | -- | -- | -- | |
| Western | 1.0 | 3.5 | 8.6 | 3.5 | 10.1 | 9.8 | 7.4 | 6.6 | 7.0 | 12/31/96 |
| Barclays Capital Aggregate Bond Index | 0.1 | 1.6 | 4.0 | 1.6 | 5.2 | 6.2 | 6.5 | 5.3 | 6.3 | |
| BlackRock U.S. Debt Fund | 0.1 | 1.6 | 4.1 | 1.6 | 5.2 | 6.3 | 6.6 | 5.4 | 6.2 | 11/30/95 |
| Barclays Capital Aggregate Bond Index | 0.1 | 1.6 | 4.0 | 1.6 | 5.2 | 6.2 | 6.5 | 5.3 | 6.2 | |
| Reams | 0.5 | 3.0 | 8.6 | 3.0 | 12.0 | 9.5 | 9.8 | 7.9 | 7.2 | 9/30/01 |
| Barclays Capital Aggregate Bond Index | 0.1 | 1.6 | 4.0 | 1.6 | 5.2 | 6.2 | 6.5 | 5.3 | 5.6 | |
| Loomis Sayles***** | 2.2 | 5.8 | 13.0 | 5.8 | 16.0 | 11.5 | 8.5 | -- | 8.0 | 7/31/05 |
| Performance Benchmark*** | 0.5 | 2.4 | 6.3 | 2.4 | 9.2 | 8.0 | 7.3 | -- | 6.6 | |
| Total U.S. Fixed Income | 0.9 | 3.3 | 8.5 | 3.3 | 10.8 | 9.5 | 8.7 | 7.0 | 6.9 | 2/28/94 |
| Barclays Capital Aggregate Bond Index | 0.1 | 1.6 | 4.0 | 1.6 | 5.2 | 6.2 | 6.5 | 5.3 | 6.3 | |
| Total Real Estate**** | -- | -- | 5.2 | 0.0 | 7.8 | 10.3 | -4.1 | 5.0 | 7.4 | 3/31/94 |
| NCREIF Open-End Fund Property Index***** | -- | -- | 5.3 | 0.0 | 8.2 | 11.0 | 1.4 | 7.8 | 9.0 | |
| Total Fund | 2.1 | 5.1 | 12.0 | 5.1 | 19.2 | 10.3 | 1.9 | 7.9 | 7.9 | 3/31/94***** |
| Policy Portfolio | 2.0 | 4.7 | 10.7 | 4.7 | 17.9 | 9.2 | 2.0 | 7.9 | 7.8 | |
| Total Fund (ex-Private Equity) | 2.1 | 4.9 | 11.5 | 4.9 | -- | -- | -- | -- | -- | |
| Total Fund (ex-Clifton) | 2.1 | 5.0 | 11.8 | 5.0 | 18.7 | 10.1 | 1.8 | 7.8 | 7.9 | |

*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.

*****Return data is preliminary as final data is not yet available.

Manager Watchlist and Updates

Manager “Watch” List

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

Manager Updates

- Loomis Sayles- announced that Saurabh Lele has joined Macro Strategies as a commodities analyst. Saurabh spent the past four years as a senior research associate in the energy and natural resources department at FBR Capital Markets. Prior to FBR, Saurabh spent three years as a software developer in India. Saurabh earned a BA in mechanical engineering from the University of Mumbai, India and his MBA from Texas A&M University.
- GMO- Sam Wilderman, currently co-head of GMO's Quantitative Equity division, is joining as co-head of the GMO Asset Allocation team. The team now comprises more than 20 individuals who oversee multi-asset strategies that account for \$39 billion in client assets. David Cowan will join as co-head of the GMO Quantitative Equity team. David is a partner of the firm and has been a member of the team since 2006. He has been lead Portfolio Manager for GMO's Total Equities Strategy. Effective immediately, Ben Inker and Sam Wilderman are the Senior Members and Co-Directors of the Asset Allocation Division of Grantham, Mayo, Van Otterloo & Co. LLC (“GMO”), and Thomas Hancock and David Cowan are the Senior Members and Co-Directors of the Quantitative Equity Division of GMO

Absolute Medium Term Views – September 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.

A photograph of a white, cylindrical lighthouse with a red lantern room, situated on a rocky coastline. The lighthouse is illuminated from within, casting a warm glow. The sky is filled with dark, heavy clouds, and the foreground consists of large, dark rocks.

Highlights and Research

Ventura County Employees' Retirement Association

October 2012

Hewitt ennisknupp
An Aon Company

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Table of Contents

| | |
|---|----------|
| Loomis Bank Loans (Action Requested) | 1 |
| PIMCO Global Fixed Income | 2 |
| Securities Lending Report | 3 |
| RREEF Ownership | 4 |
| Guggenheim Update | 5 |
| QE3 Paper | 6 |
| Guideline Review by Manager | 7 |

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Loomis Bank Loans (Action Requested)

Memo

To: Staff and Board
Ventura County Employees' Retirement Association

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

Date: October 15, 2012

Re: Loomis Sayles Full Discretion Securitized Fund

Background

VCERA is currently invested in the Loomis Sayles Medium Grade Full Discretion Fund. Our research team has advised clients who have accounts with a “full discretion” mandate to consider including the manager’s Full Discretion Institutional Securitized Fund (FDISF). The Loomis Sayles Full Discretion Institutional Securitized Fund was created to provide “full discretion” separate accounts with a more effective and efficient means of investing across the universe of non-agency securitized assets. The FDISF offers clients greater flexibility to add value in the securitized asset class through a diversified portfolio that offers better liquidity. The portfolio managers can more efficiently allocate exposure to securitized assets on an incremental basis through the pooled vehicle. In addition, the pooled vehicle can take advantage of odd lots, providing additional yield.

Clients who agree to invest in the commingled fund would transfer their existing securitized bonds into the FDISF on an in-kind basis and will receive shares in the FDISF equal to the fair market value of the transferred securities. The Loomis Sayles Full Discretion Institutional Securitized Fund was launched in December of 2011 and has grown to \$162 million in assets across 19 clients. One of our initial concerns was that early adopters could face concentration risk if there were relatively few clients willing to enter the fund. At this juncture, we are more comfortable with the size of the fund and believe that the liquidity of the fund is a benefit to clients, now that both the asset size and number of clients has grown.

The Loomis Sayles Full Discretion product team (Multi-sector Full Discretion, High Yield Conservative, High Yield Full Discretion) already invests a portion of their assets in securitized bonds, which include asset-backed securities (ABS), commercial mortgage-backed securities (CMBS) and non-agency residential mortgage-backed securities (RMBS). The Full Discretion team works closely with the Loomis Sayles Securitized Asset sector team to identify opportunities in these markets.

Recommendation

We recommend VCERA authorize Loomis to invest in the Loomis Sayles Full Discretion Institutional Securitized Fund. If approved, VCERA's existing securitized bonds in the Loomis portfolio will be transferred to the Fund on an in-kind basis, and VCERA will receive shares in the Fund equal to the fair market value of transferred securities. The current investment guidelines do not restrict the use of securitized assets, but Loomis is comfortable inserting an allowable range of 0-20% for the FDISF in the investment guidelines, which is also our recommendation.

We look forward to discussing this with you at the October 15th Board meeting.

Flash Report

Global Investment Management



Loomis Sayles

September 2012

Loomis Sayles Securitized Fund for Full Discretion and High Yield Separate Accounts

Recommendation

Clients who have separate accounts with a Full Discretion Multi-Sector or High Yield mandate at Loomis Sayles should consider using the manager's Full Discretion Institutional Securitized Fund (FDISF). The FDISF offers clients greater flexibility to add value in the securitized asset class through a diversified portfolio that offers better liquidity. The portfolio managers can more efficiently allocate exposure to securitized assets on an incremental basis through the pooled vehicle. In addition, the pooled vehicle can take advantage of odd lots for additional yield. However, it is important for clients to review the appropriateness of underlying investments permitted in the FDISF, to insure that potential securities are within client guidelines and risk tolerances.

The FDISF is a 40' Act fund for the exclusive use of Full Discretion Multi-Sector and High Yield separate account clients. Clients currently restricted by ERISA rules from buying below investment grade securitized assets would be able to participate in that portion of the market by investing in the FDISF.

The FDISF is only open to clients of Loomis Sayles' Full Discretion strategies. Clients who agree to invest in the commingled fund would transfer their existing securitized bonds into the FDISF on an in-kind basis and will receive shares in the FDISF equal to the fair market value of the transferred securities.

Background

The FDISF was launched in December of 2011 and has grown to \$162 million in assets across 19 clients. One of our initial concerns was that early adopters could face concentration risk if there were relatively few clients willing to enter the fund. At this juncture, we are more comfortable with the size of the fund and believe that the liquidity of the fund is a benefit to clients, now that both the asset size and number of clients has grown.

Another of our initial concerns was the flexibility of the proposed guidelines for the FDISF. Loomis Sayles ultimately did change a number of guidelines that initially gave us pause by excluding IOs, POs, Inverse IOs, Mortgage TBAs, CDOs/CLOs and non-dollar assets. The FDISF remains eligible to purchase CMOs, with some limitation. This is important to note for clients who may have narrow guidelines or restrictions on derivative usage in their plan guidelines.

The FDISF's guidelines mandate a minimum average quality of B- at purchase, with a quality range between AAA to D. There are no constraints on duration, or exposure to the ABS, CMBS, Non-Agency MBS, and Agency MBS sectors. Only US Dollar denominated securities are eligible for inclusion. There is a maximum issuer exposure of 5% at purchase for 50% of the FDISF.

Loomis Sayles has expanded its securitized asset team over the last few years. The growth of the team has added expertise to the manager's ability to manage securitized assets by broadening and deepening its coverage of the sector. As a result, we believe that the securitized team would like to make a larger impact on the investment process within the firm. However, it has been hampered by the existing client guidelines and illiquidity

of certain segments of the securitized asset sector. As a result, the firm is looking to the commingled fund as a solution to the challenge.

Disclaimer

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PIMCO Global Fixed Income

Memo

To: Staff and Board
Ventura County Employees' Retirement Association

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

Date: October 15, 2012

Re: PIMCO's Global Fixed Income Account Update

Background

The following is a summary of the PIMCO Global Fixed Income account that was funded as of September 25, 2012. The PIMCO account was funded with \$95 million from Reams and \$6 million from Loomis, with an aggregate funding amount of \$101 million.

Given the amount of time staff would need to devote to attending to the account, we considered recommending the use of the commingled fund product instead. However, based on our discussions with PIMCO and VCERA Staff, this path wasn't attractive due to the higher management fees that would be assessed. Following are the key reasons for utilizing the segregated account vs. commingled:

- **Cost savings** – the fee for the segregated account is 35 bps versus 55 bps for the commingled version. When adding the custodial fees of 10-15 bps to the segregated account cost, the all-in it is 45-50 bps vs. 55 bps, resulting in at least a savings of at least 5 bps. However, this savings will grow as the account value increases. The fee schedule for the segregated account offers breakpoints (35 bps on the first \$100 million, 30 bps on the next \$100 million and 25 bps thereafter), so as the account grows, the fees will be assessed at a lower level, providing even greater fee savings. The fees for the commingled version are a fixed 55 bps, with no breakpoints).
- **Benchmark** – another reason the segregated route was chosen was that VCERA had a desire to utilize the Barclays Global Aggregate Unhedged benchmark. The commingled version is based off the JP Morgan Global index which is oriented more toward global developed market sovereigns.
- **Real time transparency** – the segregated account allows VCERA to request real-time, line-item level detail on their account on any day. The commingled version is a '40 Act Fund and is subject to SEC rules limiting the disclosure of holdings to month-end.
- **Customization** – guidelines can be customized for segregated accounts but not for commingled version

We look forward to discussing this with you at the October 15th Board meeting.

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Securities Lending Report

Memo

To: Staff and Board

Ventura County Employees' Retirement Association

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

Date: October 15, 2012

Re: Securities Lending Credit Support Agreements

Background

Briefly, there were two agreements birthed during the liquidity crisis that began in 2007 and climaxed in 2008 as a result of Barclay's/BlackRock's desire to provide added security for their clients. One was \$300 million on the \$40 billion Cash Equivalent Fund short-term investment trust (STIF) and it covered any loss incurred on the sale of holdings in the fund. BlackRock recently utilized that agreement and sold holdings it liked least and collected that \$300 million on customers' behalf. Another, not yet utilized, is \$1.5 billion on the \$40 billion fund covering missed interest payments or defaults. There have been no missed payments or defaults to date.

The support agreement has been extended to December 1, 2013 and has an asset value trigger of 99.51 cents on the dollar. If the fund's asset value exceeds 99.51 for more than 120 days, Barclay's can call the agreement. BlackRock is managing the asset values to keep the agreement effective as long as possible.

It is essentially insurance for an illiquid market environment that has changed dramatically since the depths of the liquidity crisis in 2007-08. While BlackRock feels they are unlikely to ever need it, they are managing to keep the "policy" in place as long as possible. Since the learning opportunity in 2008, BlackRock has adjusted its holdings substantially, along with shortening its weighted average maturities to below new regulatory requirements of 60 days (usually 50 days or less). Their lending program has earned the Fund about 6 bps and on \$1.5 billion, it is about \$700,000 per annum.

Recommendation

While no action is required on BlackRock Cash Equivalent Funds, we propose monitoring of the securities lending programs utilized by VCERA's managers and custodian on an annual basis. We will have our managers provide detail about their securities lending programs annually when they

respond to the “4 Questions,” and we will evaluate State Street’s program every May in their annual report of Direct Securities Lending and Custodial Services.

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

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RREEF Ownership

Flash Report

Global Investment Management



RREEF Real Estate

October 5, 2012

RREEF Real Estate Restructuring

No Immediate Action

Background/Key Considerations

- As reported in the September 12, 2012 AonHewitt Flash Report, Deutsche Bank (“DB”) is in the process of creating a new business division that combines the asset and wealth management businesses. Michele Faissola has been named Head of the new combined unit and Pierre Cherki has been promoted to Head of all RREEF Alternatives including RREEF Real Estate.
- In an effort to streamline the formerly separated business units (asset and wealth management), there was a 15% downsizing of asset management employees. Similarly, 15% of RREEF Real Estate employees have been effected leaving approximately 500 global RREEF Real Estate employees. The majority of staff reductions occurred in the Americas team with some notable departures such as Kurt Roeloffs, formerly Global CIO, Real Estate, and Brian McAuliffe, head of Americas Real Estate Transactions.
- There has been a notable addition to the RREEF Real Estate Americas Leadership Committee with the elevation of Kevin Howley, RREEF II Portfolio Manager, to the committee. He will also continue his RREEF II portfolio management duties.
- The Americas Transactions Group, which includes acquisitions and dispositions, experienced an 18% staff reduction and is now comprised of 13 professionals. As mentioned earlier, the notable departure was Brian McAuliffe who will be replaced by Tim Ellsworth, Managing Director and the former head of Portfolio Management. Tim is returning to acquisitions where he spent the bulk of his RREEF tenure.
- The Americas Portfolio Management Group experienced a 14% staff reduction to 48 professionals. Marc Feliciano has been named Head of the Americas CIO/Portfolio Management teams. He worked closely with former Global CIO, Kurt Roeloffs, and was responsible for development of risk and performance tools to assist in RREEF’s portfolio management functions.
- The Americas Asset Management team experienced the highest reduction as the unit was reduced by 21% to approximately 60 professionals. Al Diaz will continue as Head of Asset Management of the Americas.

Conclusion

RREEF Americas’ assets under management saw an approximate 42% decline from its \$31 billion peak due to a combination of market losses and terminations/redemptions. RREEF believed it was necessary to scale down its professional staff to more appropriately fit the current \$18 billion assets under management. Given

the significant decline in assets under management, it is understandable that RREEF restructured and we still view the decision to combine the asset and wealth management groups as a sign of DB's renewed commitment to the asset management platform, including RREEF. Certain retention policies for key professionals are still in place despite the recent staff reduction. It remains to be seen what impact these changes will have on RREEF's institutional real estate products, but we will be conducting additional diligence in the months ahead to see if changes in ratings are warranted. We will continue to closely monitor the situation and report on material events as they arise. Please feel free to contact any member of the Global Real Estate team with questions.

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Flash Report

Global Investment Management



Deutsche Bank Concludes RREEF Sale Negotiations September 12, 2012

No Immediate Action

Background/Key Considerations

- On June 20, 2012, Deutsche Bank (“DB”) announced that it had ended its exclusive negotiations with Guggenheim Partners over a potential sale of RREEF Alternatives, including RREEF Real Estate and RREEF Infrastructure.
- DB is in the process of creating a new business division, called Asset & Wealth Management. This new division integrates the existing asset management and wealth management businesses. It will be led by Michele Faissola, who has been with DB since 1995 and was formerly the Head of Global Rates and Commodities.
- We conducted a conference call with Michele Faissola on September 6, 2012 regarding the RREEF platform. At this juncture, DB does not intend to sell either RREEF Alternatives or RREEF Real Estate.
- We have also submitted a number of questions to both RREEF and DB. We anticipate that their responses will be satisfactory.

Conclusion

Although the constant changes to DB’s strategy as it relates to RREEF is disconcerting, it is important to note that DB named a new Management Board and Executive Committee that seems to have a different vision of its asset management groups than prior leadership. This is evident with the announced integration of the asset and wealth management groups. It remains to be seen if they will be successful, but DB has put in place certain retention policies for key members of the platform. We are comforted with the fact that there have been no significant changes to RREEF’s senior team as well. We will continue to closely monitor the situation and report on material events as they arise.

Please feel free to contact any member of the Global Real Estate or Global Private Equity teams with questions.

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Guggenheim Update

Memo

To: Staff and Board
Ventura County Employees' Retirement Association

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

Date: October 15, 2012

Re: Guggenheim Update & Recommendation

Background

On August 29, Guggenheim Partners announced that Guggenheim Real Estate will become a wholly owned subsidiary of Guggenheim Partners. As part of this transaction, Guggenheim Real Estate's management team will invest \$10 million in the PLUS strategy. They also announced a couple portfolio management changes.

Joe Mahoney is joining Mike Miles as Co-Portfolio Manager for the PLUS strategy. Joe and Mike have worked together for the past 17 years, first in the Fidelity Real Estate Group and then launching Guggenheim Real Estate. Joe Mahoney is Managing Director leading the direct property investment team. Concurrent with this change, Will Stevens will be leaving Guggenheim Real Estate to pursue other opportunities.

Our researchers have been closely monitoring the Guggenheim Real Estate LLC's PLUS Strategy Fund. We generally view the above announcement as a positive one; however our researchers have since downgraded the strategy to a **sell** rating based on lack of strategic direction, high fees, and performance issues.

The allocator model used by this Fund removes an element of discretion and control from the portfolio. Investors looking for Core Beta exposure within real estate would be better served investing in a fully discretionary, direct Core investment product. Over time, GRE PLUS has failed to meet both its stated performance objective as well as its liquidity access. Given the cyclical nature of real estate the Fund had been rated a **hold** awaiting a rebound in the valuations of the underlying assets of the Fund. With much of that rebound now largely realized and liquidity now available, we advise investors to exit this Fund over the next several quarters and redeploy their capital in a more accretive manner within the real estate investment universe.

The Guggenheim RE PLUS Strategy Fund is currently about 0.6% of the total Fund (\$21 million). Liquidating this investment would leave the overall real estate allocation just below the 8% target allocation at about 7.7%. Both of the Plan's remaining real estate portfolios (PRISA and UBS) are open to new investments and are rated **buy** by HEK. We recommend about half of the proceeds from Guggenheim be placed with PRISA and the remainder used for additional rebalancing.

We have attached our researcher's report and look forward to discussing with the Board.

Guggenheim Real Estate LLC

PLUS Strategy

Review Date

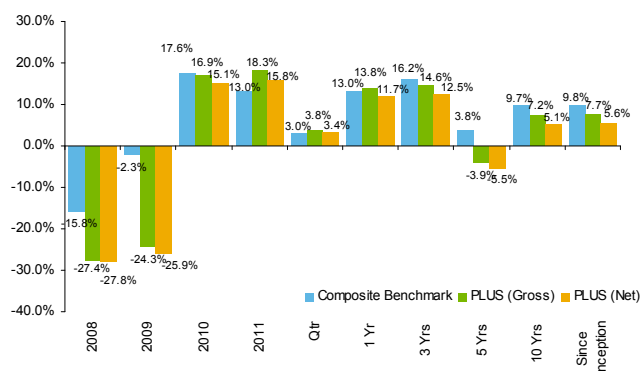
August 2012

Current Rating
Sell
Previous Rating
Hold
Overall Rating

Guggenheim Real Estate LLC's PLUS Strategy Fund ("PLUS" or "Fund") aims to provide investors with a diversified portfolio of actively managed real estate through investing in both the public and private real estate markets in an open end fund vehicle. The Fund's objective is to significantly outperform its stated Composite Benchmark, which is made up of 70% NCREIF Property Index ("NPI") and 30% FTSE NAREIT Equity REIT Index ("NAREIT"). Over time PLUS has failed to meet both its stated performance objective as well as its liquidity access. Given the cyclical nature of real estate, the Fund had been previously rated a hold awaiting a rebound in the valuations of the underlying assets of the Fund. With that rebound now largely realized and liquidity available, we advise investors to exit this Fund over the next several quarters and redeploy their capital in a more accretive manner within the real estate investment universe.

Component Ratings

| | Rating | Previous Rating |
|----------------|-------------|------------------|
| Overall | Sell | <i>No Change</i> |
| Business | 2 | <i>No Change</i> |
| Staff | 2 | <i>No Change</i> |
| Process | 2 | <i>No Change</i> |
| Risk | 1 | <i>No Change</i> |
| ODD | Pass | <i>No Change</i> |
| Performance | 1 | <i>No Change</i> |
| T&C | 1 | <i>No Change</i> |

Relative Performance (periods ending June 2012)


Fund performance (USD) is shown both net and gross of fees relative to Composite Benchmark; since inception represents the period since 12/31/2001, the inception of the Fund; Source: Manager

Firm Summary

| | | | |
|-----------------------------|-----------------|--------------------------|--------------------------|
| Head Office Location | Chicago, IL | Parent Name | Guggenheim Partners, LLC |
| Firm AUM | \$125.0 billion | Investment Staff | 1,000+ (estimate) |
| Real Estate AUM | \$1.3 billion | Real Estate Staff | 24 |

Portfolio Strategy Characteristics

| | | | |
|------------------------------------|---|------------------------------|-------------------------------------|
| Team Location | Boston, MA | Portfolio Manager | Mike Miles and Joseph Mahoney |
| Strategy Inception | 2002 | Team Size / Dedicated | 23 / 22 |
| Fund Size (GAV) | \$1.1 billion | Number of Holdings | 56 direct properties |
| Liquidity / Structure | Open-End | Opportunity Set | U.S. public and private Real Estate |
| Risk Level of Strategy | Above Average | Valuation Frequency | Quarterly, debt & equity |
| Max Non-Core Property Types | N/A | Max Value-Add Assets | N/A (expect 15-20%) |
| Benchmark | Composite Benchmark (70% NPI, 30% NAREIT) | | |
| Performance Objective | Exceed benchmark by 200-400 bps over a market cycle | | |
| Client Restrictions | \$5 million minimum investment | | |

Investment Manager Evaluation

| Ratings Sheet | | |
|----------------------------------|--------|--|
| Factor | Rating | Comments |
| Business | 2 | Guggenheim Real Estate LLC is an established but smaller investment manager. Ownership changed in August 2012; the Firm is now 100% owned by its parent company, Guggenheim Partners, LLC. Previously, ownership was split between current employees and the parent company. This is potentially positive as it shows the parent company's renewed commitment to the Firm. Employees are still largely aligned through a mandatory contribution to the PLUS Strategy Fund from the sale of their equity stake to the parent company. At \$1.1 billion, the PLUS Strategy Fund represents 84.6% of Guggenheim's \$1.3 billion in total real estate AUM. |
| Investment Staff | 2 | The portfolio management team is highly experienced and has significant tenure with the Firm. Most of the Firm's 24 employees are dedicated to the Fund. The PLUS team has experienced minimal turnover in the last five years; the only senior individual (Will Stevens) left in August 2012, coinciding with the announcement of the change in organizational structure. Joseph Mahoney was subsequently elevated to the role of Co-Portfolio Manager. |
| Investment Process | 2 | The investment process is detailed and tailored toward finding appropriate, complementary investment opportunities within the Strategy's stated risk and return profile. Internal and external research, coupled with bottom up selection, is the driving force. However, the ability to add alpha through allocation to third party private equity real estate funds has not proven sustainable. Guggenheim's process within the direct property portfolio is not significantly different from other open-ended funds yet access to deal flow is significantly lower given the firm's size and target transaction size. |
| Risk Management | 1 | Risk management, while well-documented, is less stringent than some other open-ended funds and didn't prove to insulate the Fund during the recent downturn. In addition, these metrics are guidelines rather than restrictions, and can be changed at the discretion of the manager. The lack of direct control within the separate accounts and pooled vehicles has proven to restrict the manager's ability to proactively manage risks within the portfolio. In addition, setting explicit allocation targets to various "Economic Geographies", while helping to enhance diversification, didn't protect the Fund during the recent downturn. Lastly, and unlike its peers the Fund does not have an Advisory Committee made up of current investors, and thus few investors are fully aware or alerted to changes in the Fund as they occur. |
| Operational Due Diligence | Pass | All investments as well as the debt on underlying properties are marked to market quarterly. For the direct property investments, the Fund utilizes a consultant to review all externally reported valuations. The Fund's valuation process is slightly different than its peers, but accomplishes the goal of reporting a good-faith fair market value for the underlying investments. |

| | | |
|-------------------------------|-------------|---|
| Performance Analysis | 1 | The Fund has underperformed its target return range (200-400 bps over the Composite Benchmark) over all trailing time periods. Much of this underperformance is a result of the period from 2007 to 2010, driven, at least in part, by higher leverage and overweight exposure to office properties. The Fund's allocation to both public and private markets has not proved to provide investors with a higher return with lower risk. |
| Terms & Conditions | 1 | The Fund's fees are high relative to other open-ended funds. Other terms and conditions are reasonable and in line with peers. |
| Overall Rating | Sell | The allocator model used by this Fund removes an element of discretion and control from the portfolio. Investors looking for Core Beta exposure within real estate are better off investing in a fully discretionary, direct Core investment product. Those seeking alpha would do well to invest with firms who have built a platform dedicated to such investments. Over time, PLUS has failed to meet both its stated performance objective as well as its liquidity access. Given the cyclical nature of real estate the Fund had been rated a hold awaiting a rebound in the valuations of the underlying assets of the Fund. With much of that rebound now largely realized and liquidity available, we advise investors to exit this Fund over the next several quarters and redeploy their capital in a more accretive manner within the real estate investment universe. |

Manager Profile

Overview

Guggenheim Real Estate LLC's PLUS Strategy Fund is one of three parallel open-end, commingled diversified funds with an investment objective to provide investors with a diversified portfolio of actively managed real estate properties via investment in direct properties, commingled funds, and public REITs. The Fund is self described as a Core Plus strategy with the three parallel funds (PLUS, PLUS II, and PLUS Trust) set up to allow a variety of institutions with different tax and other considerations to invest in the same properties and funds to the greatest extent possible. The three parallel funds are designed to follow identical investment philosophy and risk control guidelines. PLUS's performance objective significantly outperform its stated Composite Benchmark, which is made up of 70% NPI and 30% NAREIT. Performance was challenged during the market downturn and the expected additional diversification across investment styles and strategies did not provide meaningful protection from negative market events. Because of the Fund's propensity for higher risk investments, HEK characterizes the Fund as having an above average risk profile for a self labeled Core Plus real estate fund.

Business

- Guggenheim Real Estate LLC ("Guggenheim" or the "Firm") is a wholly owned subsidiary of Guggenheim Partners, LLC, a privately owned financial services firm. As of June 30, 2012, Guggenheim Partners, LLC had over \$125.0 billion in assets under management. Guggenheim expects to be allowed to continue to operate more or less independently by its parent.
- Until August 2012, Guggenheim Partners, LLC indirectly owned 60% of Guggenheim Real Estate LLC. The remaining 40% was owned by Guggenheim Real Estate Partners L.P., the owners of which include 18 of the 23 employees of Guggenheim Real Estate LLC. No single individual holds a majority stake in the Firm, but the senior team owned approximately 75% of this 40% stake.
- When the parent company bought out Guggenheim Real Estate LLC from current employees, the after-tax residual \$10 million that resulted from this sale was invested in PLUS (including Mr. Steven's shares). Employees are still somewhat aligned through this contribution. However, this \$10 million was immediately 100% vested, with a 3-year lockup, but no penalty for early departure. Thus, the capital will be available to employees in three years regardless of whether or not they remain with Guggenheim.
- Guggenheim Real Estate LLC has over \$1.3 billion in AUM and is made up of 3 fund offerings (PLUS Strategy funds, U.S. Property Fund, and a closed ended international fund of funds offering). At \$1.1 billion the PLUS Strategy funds represents 84.6% of the Firm's outstanding business.
- The team established a U.S. Core fund (GRE U.S. Property Fund L.P.) in December 2011. This vehicle is a parallel feeder fund into the private REIT that ultimately holds the Firm's direct property portfolio. Thus, this new fund will share ownership of the direct property portfolio (and subsequent direct property investments) with PLUS. New investors in GRE U.S. Property Fund L.P. will co-invest equally alongside investors in PLUS. This mitigates the need for an allocation policy, but does not solve the potential conflict on exit strategies and desired holding periods between the two funds. The Core fund may pose an additional conflict if it grows larger than PLUS.

Investment Staff

| Key Staff | Position | Date Joined | Years of Experience |
|--------------------|--|-------------|---------------------|
| Mike Miles | Senior Managing Director and Founder; Co-Portfolio Manager | 2001 | 40 |
| Joseph Mahoney | Managing Director; Co-Portfolio Manager | 2001 | 20 |
| Karen Calby | Managing Director | 2001 | 13 |
| Michael Della Fera | Managing Director; CFO | 2001 | 31 |

- Mike Miles and Joseph Mahoney are the two Co-Portfolio Managers. The senior team is both highly experienced and tenured; most of the senior team members have been with the firm since it was founded by Mike Miles in 2001. The senior team has prior experience in multiple aspects of real estate investing, including portfolio strategy, acquisitions, development, lending, research, and asset management. Joseph Mahoney was elevated to the role of Co-Portfolio Manager in August 2012 following the departure of Will Stevens (the Fund's previous long-time Co-Portfolio Manager) as a result of the Firm's organizational change.
- With the exception of the Mr. Steven's recent departure, turnover in the last few years has been mostly related to mid-level individuals responsible for the direct property portfolio. The team believes they are well staffed to manage the current investment management needs, but the recent turnover of in-house management staff is worth consideration. No additional departures are anticipated at this time.
- The Portfolio Management team is supported by a host of professionals spanning transactions (acquisitions/dispositions), asset management, client service, and financial reporting. In all, the Guggenheim platform includes 24 professionals.

Investment Process

Philosophy

The PLUS portfolio management team believes diversification and active management across a variety of risk profiles and investment types can efficiently combine to create a portfolio of investments that overall present a Core Plus risk return profile. To that end, the Strategy invests in both public and private investments with target portfolio weights of 30% and 70%, respectively. PLUS will invest in public REITs, CMBS (primarily below investment grade), direct properties, mezzanine financing, as well as third party commingled funds, secondary purchases, separate accounts, and joint ventures. Direct property investments, between 30% and 50% of which are expected to be Value-Added, are managed internally and make up more than 50% of the portfolio. While the management team believes the Fund is able to efficiently manipulate portfolio holdings by assessing allocations to all of these investment strategies on a quarterly basis, the execution of this strategy has proven otherwise, introducing higher risk than expected as well as less control than desired.

Process

PLUS incorporates a process that combines top down research with bottom up investment selection. This top down assessment includes assessing ideal allocations among private equity, private debt, CMBS, and REIT securities, as well as geographic regions and property types. These allocations are reviewed and adjusted quarterly. The acquisition process for the direct property portfolio is very similar to many other open-ended funds, though sourcing is slightly different. Local operating partners (and potential partners) bring opportunities to the PLUS management team, which they believe will outperform the NCREIF Property Index. Each opportunity is assessed by a member of the PLUS team for viability and fit within the

existing portfolio. After an initial internal discussion, the opportunity may also be reviewed by another member of the PLUS team. After full underwriting is complete, the opportunity is brought before the Investment Committee for approval. Unanimous approval is required for all investment decisions in direct properties and funds.

A similar process is used to identify and assess third party groups to manage both public and private assets for the funds. REITs and mezzanine financings are managed primarily by external investment managers. The in-house REIT portfolios are relatively small and used to make specific sector bets within the REIT market. The in-house REIT team uses a proprietary model to assess both sectors and individual securities it believes will outperform the broader market.

Current Private Market Portfolio Strategy

The team expects additional focus on the direct property investments, while reducing fund investments over time as the new U.S. Property Fund grows. Direct investments will focus on acquiring retail and industrial properties, with a secondary focus on apartments. This is as much a function of the manager's view on the current market environment as the allocations within the existing direct property portfolio, which is already heavily overweight to office properties.

Risk Management

Risk management has been well documented, but leaves the Fund with a significant amount of flexibility. The lack of direct control within the separate accounts and pooled vehicles further reduces the manager's ability to proactively manage risks within the portfolio. Furthermore, these metrics are guidelines and can be changed at the discretion of the manager.

- Public and Private investments are expected to make up approximately 30% and 70% of the overall Fund, respectively. Public market investments are currently expected to be less than 45% of the Fund
- Within the direct properties portfolio, Core investments will make up between 50% and 70% of net assets; non-Core investments will make up the remainder (30% - 50%) of this subset.
- The Fund's long term target range on leverage is 45.0% (52.5% maximum). This is a reasonable level for an open-ended Core Plus offering
- Property type exposure within the Fund should not (but may) exceed 150% of what the manager deems to be the current allocation to a given property type across the commercial real estate universe. For example, if apartments are deemed (using an undisclosed methodology and universe) to make up 24% of the value of the commercial real estate universe, the manager will not *likely* acquire additional apartment assets if the overall Strategy's allocation were to exceed 36%
- Guggenheim also has risk controls in place to monitor exposure by "Economic Geography". This categorizes MSAs by primary economic drivers, adding another diversification metric across the portfolio
- Other investment guidelines for the Fund include:
 - A 10% target (15% maximum) allocation to development properties
 - No investments in blind pools or development companies
 - No direct investments in raw land or international real estate properties
 - Ability to invest up to 5% in "off-benchmark" investments, which has historically

included farmland, CMBS, mezzanine financing, etc.

Advisory Committee/Governance

Unlike many peers, the Fund does not have an Advisory Committee made up of current investors. Additionally, when the Firm launched the new parallel “Core” fund (the US. Property Fund) in December 2011 existing PLUS investors were not broadly made aware of this plan, which is concerning given that the new structure will now share ownership of the direct properties with the PLUS fund. This new fund also has the potential to grow larger than PLUS and could present a conflict of interests.

Operational Due Diligence

- The Fund's valuation process is slightly different than its peers, but does attempt to accomplish the same industry goal of reporting an accurate, good-faith fair market value for the underlying investments by marking to market all investments quarterly.
- Direct properties are initially recorded at cost. In the second quarter of ownership, valuations are adjusted quarterly based on opinions from the underlying, unaffiliated investment managers. Guggenheim and a third party valuation consultant review the quarterly valuations to ensure they are reasonable. These quarterly fair value assessments may be either valuations or appraisals – the methodology and frequency with which investments are subject to a full external appraisal seems to vary based on the third party operator managing the investment.
- Public securities investments are also valued quarterly, based on the last reported sales price of the last day of the period
- Third party open-ended commingled fund investments are valued quarterly, as reported by the third party investment managers
- Mezzanine debt investments are held at fair value, which is adjusted quarterly, as determined based on the estimated proceeds from a hypothetical liquidation on the valuation date
- The Fund also marks underlying property level debt to market each quarter, using a present value methodology
- Guggenheim is an SEC registered investment advisor

Terms & Conditions

Fees

The Funds' management fee is charged against investor commitments and is tiered according to the following schedule:

| | |
|--------------------|-------|
| Up to \$20 million | 0.60% |
| Above \$20 million | 0.50% |

Incentive Fee

The Fund also charges an incentive fee, calculated quarterly as 20% of the Strategy's previous four quarters gross performance over the benchmark.

Other Fees

Investors are also subject to management fees, as well as performance and incentive fees, charged by the third party managers of the underlying assets in the Fund. This has ranged from (0.22%) to 0.58% per quarter historically, since inception.

Since Inception for a commitment of \$10 million, total fees have translated to an average annual gross to net spread of 2.08%. This is far higher than the fee charged by funds with a similar risk profile and is higher than the management fees charged by most Value Added and Opportunistic funds. This fee schedule appears to be very expensive for the risk return profile of the Strategy, particularly given the significant amount of REIT exposure.

Liquidity

There is a six quarter lock-up for new investor capital. The Strategy does not currently have either entry or exit queues.

Fund Structure

The three parallel funds within the Guggenheim PLUS Strategy (PLUS, PLUS II, and PLUS Trust) were set up to allow a variety of institutions with different tax and other considerations to invest in the same properties and funds to the greatest extent possible. These parallel funds are designed to follow identical investment philosophy and risk control guidelines. As reported by the manager, "Guggenheim PLUS is set up for taxable investors, while Guggenheim PLUS II is also set up for taxable investors, endowments and foundations, but invests in direct properties through a private REIT in order to minimize UBTI and state tax filing requirements for its investors. Guggenheim Real Estate PLUS Trust is an 81-100 group trust whose eligible investors are government pension plans and qualified retirement plans."

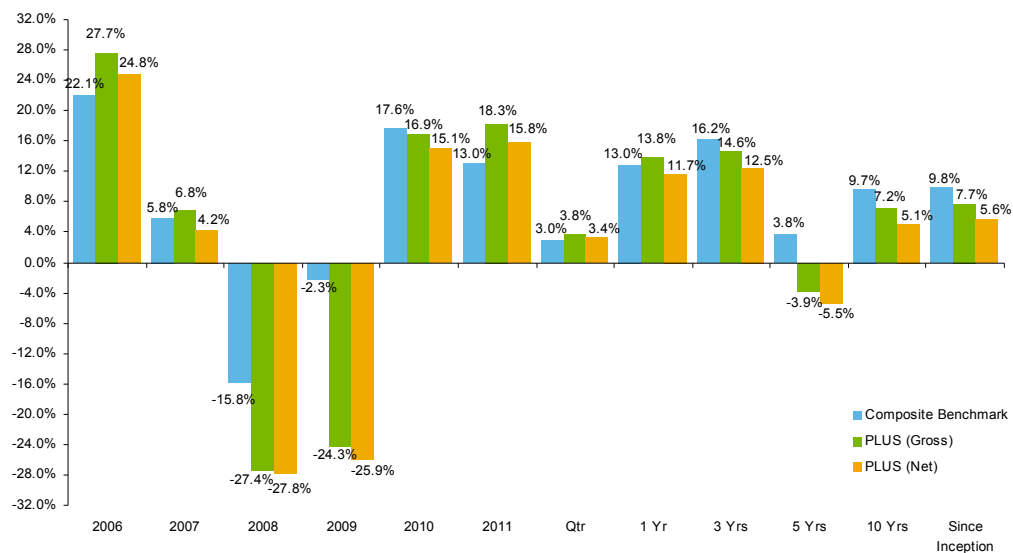
Performance

PLUS's gross of fee returns have underperformed the Composite Benchmark over nearly all trailing time periods, with outperformance only achieved in the last year as leverage has become accretive and market conditions improved. The Fund has now recovered most of what it is likely to recover from its trough, driven largely by the sector rebound following the Global Financial Crisis. Poor performance between 2007 and 2010 was driven by a variety of factors, but leverage and overweight exposure to office properties were both significant drivers. The team has learned a few hard lessons from this time period and has made some changes with respect to property type allocations and leverage usage as a direct result. The Strategy has a stated performance target (gross of fees) of 200-400 bps over the Composite Benchmark, which has not been achieved over any trailing periods shown in the performance chart on the next page. Because the incentive fee is linked to any outperformance over the Composite Benchmark, the management team's interests are not completely aligned with the stated target return of the Strategy.

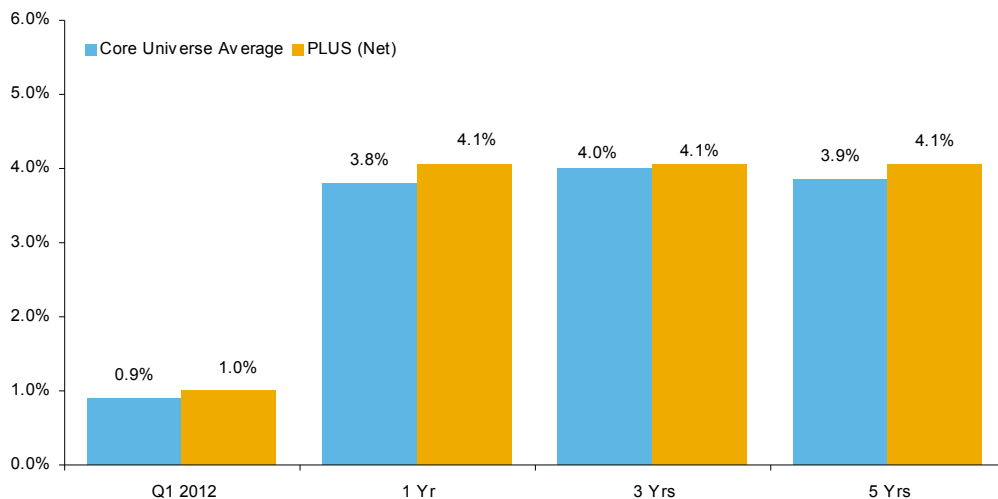
The Strategy does not pay periodic dividends. Some investors do have a standing 1% redemption request each quarter to simulate quarterly dividends.

Performance and Risk Metrics

Historic Performance
(Inception: December 2001)

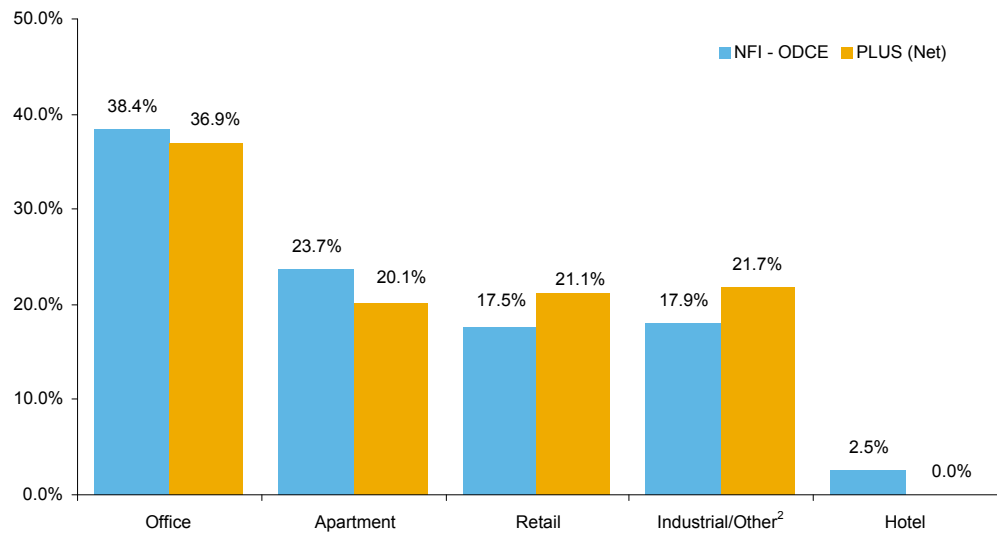


Dividend Yield
Quarter Ending
6/30/2012¹



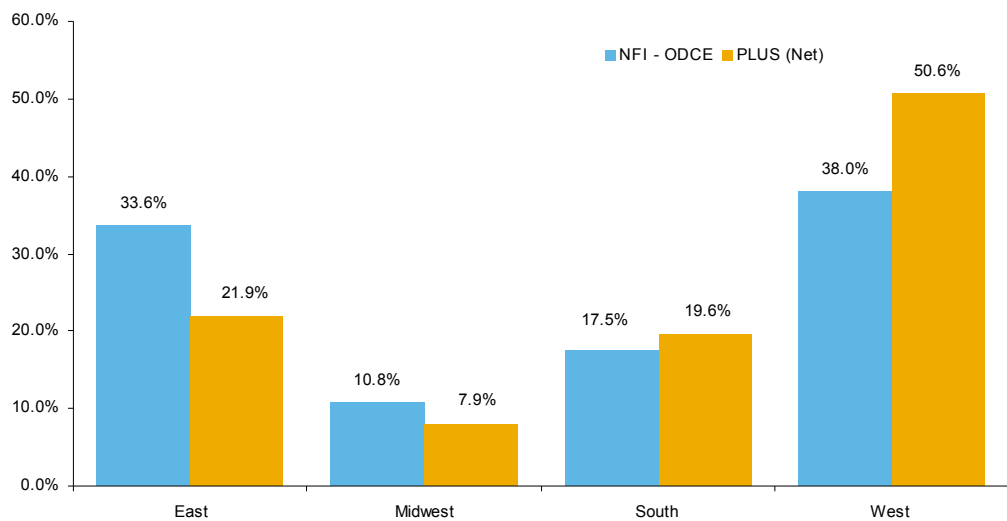
¹The Strategy does not pay periodic dividends; however, some investors do have a standing 1% redemption request each quarter to simulate quarterly dividends

Property Type
Diversification
Quarter Ending
6/30/2012



²Property type breakouts shown as reported by the manager. Other property types include self-storage, hotel, healthcare and specialty investments

Geographic
Diversification
Quarter Ending
6/30/2012



Notes

Fund performance (USD) is net of fees and sourced from the manager. Since inception period represents inception of the Fund in 2002.

Ratings Explanation

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

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

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

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

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

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

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

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

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

Disclaimer

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United Kingdom

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QE3 Paper

QE3 from the Federal Reserve: What is its impact?

September 18 2012

Here is a round-up of the rationale and impact of the latest round of quantitative easing from the US Federal Reserve (Fed).

QE3 compared to QE1 and QE2

The Fed's plan is to purchase \$40bn of mortgage backed securities (MBS) per month. Though the Fed bought MBS in the QE1 program too, QE3 differs from both QE1 and QE2 in three important respects:

- There is no target purchase amount in aggregate - the buying is open ended in nature, and it was this element that provided a positive surprise to the markets.
- There is a change of emphasis from the Fed - previous objectives have been more varied in tone, emphasizing a stabilizing of the economy and the credit/banking system, as well as alleviating the (downward) risks to price stability. QE3, for the first time, links stimulus to an employment objective (which has traditionally been part of its dual mandate alongside maintenance of price stability).
- The size of the stimulus, as announced, is smaller on a 'per month' basis than the QE1 and QE2 programs which amounted to a monthly purchase rate of \$100bn and \$75bn, respectively.

Rationale for QE3

The rationale for QE3 is less straightforward than QE1 and QE2. Broad economic conditions have been reasonable rather than weak, and on the face of it do not call for additional stimulus. The US continues to outperform most developed economies. Though economic growth did slow in the 2nd quarter, with no evidence yet of much of a pick up in the 3rd, the growth rate of economic activity (in the 1.5%-2% range) does not suggest a risk of falling into recession. Nor is there any imminent danger of inflation falling sharply. Core US inflation did dip below 2%, but recent months' data has suggested that this is reversing as energy prices rise. Finally, credit channels appear to have at least partially healed, with money and credit growth being perfectly respectable.

Against this, worries over the economic outlook may have swung the argument in favor of further easing. The Fed may have been worried by tentative signs that the move into recession in the Eurozone and weak economic conditions in Asia/emerging economies are impacting US exports. It may also have taken a pessimistic view of the likelihood of stabilization of the Eurozone crisis. The risks to the US of still weaker economic growth in Europe and a renewed worsening of the Eurozone crisis are significant, in contrast to the smaller risks to inflation, given the large amount of spare capacity in the economy. QE3

may have been seen as 'insurance' against the risk of such setbacks. If these did not materialize, any additional boost to growth would help bring unemployment rates down from their stubbornly high levels of above 8%.

Will QE3 snowball into a bigger program?

The innovation this time as noted above is to give more open-ended assurance to the markets. The Fed's guidance on short-term rates is already seen as providing a valuable signal on its monetary policy intentions (which it moved from 2014 to 2015), but this goes a step further by making stimulus apparently conditional on a decline in the unemployment rate to a more normal level. Could this mean that the ultimate monetary accommodation under QE3 ends up being as big as or even bigger than QE1 or QE2? Some have already argued that though the size of QE3 at less than \$500bn seems small, if the employment objective is to be achieved, the ultimate size of the stimulus could be much larger. Under this scenario, the Fed continues with purchases for a prolonged period (well over a year) or even increases the purchase rate, in order to achieve its employment objective.

A key question to ask here is whether more monetary stimulus will allow the US economy to do much better. Our view is that a considerable part of the weakness in economic growth since the recovery began in 2009 and continued sub par growth rates has to do with 'structural' factors related to the private sector's wish to deleverage alongside the need for the public sector to begin deleveraging too. Monetary stimulus can be helpful at the margin, but it is clear that the sizable stimulus already delivered since 2009 has not been successful in getting the US economy to grow strongly enough to bring significant reductions in unemployment. It is not assured whether even a stepped up QE3 will achieve this.

Impact on Markets

US Treasuries

There is no direct net buying of US Treasuries announced under QE3 yet, though Operation Twist will continue to provide support to long dated Treasuries until the end of the year. The anticipation and market reaction to QE3 has so far been to drive US Treasury yields up with longer-dated bond yields having risen 40bps approximately from end of August levels. All of this has come from the inflation rather than the real element of the yield. 20 year break-even inflation has moved up significantly since early September to 2.55% at the time of writing, whereas equivalent 'real' yields are unchanged. It is true that the quicker market reaction in fixed interest markets compared to TIPS may be a factor here in the perception of higher inflation expectations. Even so, this initial market reaction strongly suggests that the market is far from confident about the impact of QE3 on economic growth (which would be expected to drive real yields up if it succeeds) while believing that the Fed's stance has become more tolerant of higher inflation. The same concern is apparent from the near 4% depreciation of the US dollar on a trade weighted basis in the month to date.

Our view remains that given the ultra-low levels reached by US Treasuries and other core government bond yields earlier this year, the balance of probabilities is strongly suggestive of rising yields in the medium-term. That said, the Eurozone crisis and the weakness of the global economy may prevent an early adjustment.

Credit

The impact is large on the MBS market, since the Fed's purchases in excess of the reinvestment of drawdowns means that the purchase rate is not far off 2/3 of expected monthly gross issuance in the agency market. Naturally, there are spill-over effects on the non-agency market too. It is no surprise then that MBS spreads versus Treasuries are now challenging the lows of 2010.

Fed actions have also provided short-term help to credit markets at large, with high yield and investment grade benefiting, as well as some spill-over to emerging market debt. We should be careful, however, in regarding this as much more than a short-term benefit. If US Treasury yields rise further in response to inflation concerns or because of lower safe haven flows on a stabilization of the Eurozone crisis, any benefit from falling credit spreads can easily be overwhelmed by rising US Treasury yields. This is particularly true of longer duration investment grade bonds and emerging market dollar debt. The combination of spreads now challenging 2010 (pre European crisis) lows and underlying government yields also at multi-decade lows means that extrapolating recent gains into 2013 and beyond could be misleading.

Equities

Equity markets have welcomed the additional liquidity from the Fed. Though the re-launch of quantitative easing was fully anticipated and reflected in strong market gains in the weeks leading up to the Fed announcement, the rally achieved a further lease of life from the open-ended nature of the easing.

Our view remains unchanged, however. We have argued that though US equities have done reasonably well, equities on a global basis will struggle to break out of a wide trading range that they have been in for some time. We do not see any strong reason to change this view. The problems in the Eurozone and the global economy, alongside the likelihood of a pronounced slowdown in corporate profits as profit margins come under pressure hold our enthusiasm back. Allowing for this profits slowdown and the summer gains in markets, equity valuations are now fair rather than good. QE3 or not, the ingredients for a sustained upward move in global equity markets are still not with us.

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Any opinions or assumptions in this document have been derived by us through a blend of economic theory, historical analysis and/or other sources. Any opinion or assumption may contain elements of subjective judgement and are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance by us of any future performance. Views are derived from our research process and it should be noted in particular that we can not research legal, regulatory, administrative or accounting procedures and accordingly make no warranty and accept no responsibility for consequences arising from relying on this document in this regard.

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

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Guideline Review by Manager

Memo

To: Staff and Board
Ventura County Employees' Retirement Association

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

Date: October 15, 2012

Re: Guideline Review by Manager

Background

In conjunction with the overall total fund investment policy guideline review, we also evaluate the guidelines by individual manager.

Given the discussion at the October 4 Board Retreat around the improvements in rebalancing strategy, HEK will update the Total Fund Policy and present it at the December Board Meeting. The agreed upon rebalancing strategy entails using the HEK Medium Term Views as part of the new process.

The new Investment Policy Statement will be re-visited at the upcoming December Board Meeting. Depending on the Risk Modeling discussion at the November Board meeting, we may also include new allocations/guidelines including real return strategies.

We look forward to discussing this with you at the October 15th Board meeting.

APPENDIX A

Asset Allocation Policy

Approved by the Board in April 1998 (Revised through October 2012)

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

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

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**BlackRock
Investment Guidelines****Equity Index Fund**

The Equity Index Fund shall be invested and reinvested in a portfolio of Equity Securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of that segment of the United States market for publicly traded equity securities represented by the larger capitalized companies. The criterion for selection of investments shall be the S&P 500® Index. When deemed appropriate by the Manager, the Manager may invest a portion of the Equity Index Fund in futures contracts for the purpose of acting as a temporary substitute for investment in equity securities. The Equity Index Fund will not engage in speculative futures transactions.

Extended Equity Market Fund

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

U.S. Debt Index Fund

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

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

The BlackRock MSCI ACWI ex-U.S. IMI Index Fund shall be invested and reinvested in a portfolio of International Equity Securities whose total rates of return will approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. The Manager shall determine from time to time which countries shall be represented in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund and may subdivide the BlackRock MSCI ACWI ex-U.S. IMI Index Fund into one or more separate divisions each of which represents a national equity market ("National

Divisions"), or may subdivide these Collective Funds into one or more separate divisions representing two or more national equity markets ("Multinational Divisions"). A participating account may be invested in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund, in any one or more of the National Divisions or in any one or more of the Multinational Divisions in whatever proportion among National Divisions or Multinational Divisions as is deemed appropriate by the fiduciary responsible for the funding policy of a participating account. The primary criterion for selection of investments in each National Division shall be the MSCI ACWI ex-U.S. IMI IndexSM for the country represented. The primary criterion for selection of investments in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund shall be the relative market weight of units of the National Divisions.

When deemed appropriate, the Manager may invest a portion of the BlackRock MSCI ACWI ex-U.S. IMI Index Fund in futures contracts approved by the Commodity Futures Trading Commission for the purpose of acting as a substitute for investment in securities for liquidity purposes or in shares of exchange-traded funds that are open-end investment companies registered under the Investment Company Act ("ETFs") including ETFs that are advised or sub-advised by the Manager or an affiliate of the Manager. In addition, each fund may hold other collective funds that seek to provide returns consistent with such fund's goal of approximating the return of the MSCI ACWI ex-U.S. IMI IndexSM. The BlackRock MSCI ACWI ex-U.S. IMI Index Fund will not engage in speculative futures transactions.

U.S. Equity Market Fund

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

BlackRock MSCI ACWI Equity Index Fund

The BlackRock MSCI ACWI Equity Index Fund shall be invested and reinvested primarily in a portfolio of U.S. Equity Securities and International Equity Securities with the objective of approximating as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for publicly traded equity securities. The benchmark for the BlackRock MSCI ACWI Equity Index Fund shall be the MSCI ACWI Net Dividend Return IndexSM. The Manager shall determine from time to time which countries shall be represented in these funds and may subdivide these funds into one or more separate divisions, each of which represents a distinct equity market. The primary criterion for selection of investments in each

country shall be the relative market capitalization weight of the constituent markets in the MSCI ACWI Net Dividend Return IndexSM. In addition to, or in lieu of investing in Equity Securities and International Equity Securities, the Manager may invest assets in American Depositary Receipts, Global Depositary Receipts, registered investment companies and other country funds managed by investment advisors not affiliated with the Manager, and other structured transactions utilizing foreign stocks, bonds, currencies and money market instruments, futures, exchange traded and over-the-counter options, forward contracts and swaps. Any purchases and sales of ETFs for the ACWI IMI Index Fund will be made only through secondary market transactions.

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

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

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

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

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

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

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

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

STIF Funds used to manage cash collateral associated with securities loans ("Cash Equivalent Funds") invest such cash collateral in short term debt instruments.

Additional information relating to the investment philosophy, risk management and guidelines criteria for the STIF Funds, as well as specific guidelines for each STIF Fund can be found in "Short-Term Investment Funds Overview and Guidelines", a current copy of which may be accessed via www.blackrock.com/institutional/documents.

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

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**Sprucegrove
Investment Objectives and Policies**

I. General

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

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

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

II. Investment Objectives

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

To outperform the EAFE Index over a full market cycle.

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

There can be no assurance that these objectives will be achieved.

1. Investment Policies**Asset Mix**

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

Investments may be selected from the following asset categories:

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

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

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

2. Diversification**Equities**

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

a. Region

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

Europe

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

Pacific Basin

Australia
Hong Kong
Japan
Malaysia
New Zealand
Singapore
Thailand

b. Country

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

EAFE Countries

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

Non-EAFE Countries

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

c. Sector

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

Sectors

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

d. *Company Holdings*

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

e. *Other*

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

Short-Term

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

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

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

3. Philosophy

Equities

The mission of our company is to provide investment management advice predominantly in the specialized area of global equities.

Our goal is to discover above-average businesses through the research process and to purchase these companies at below average prices – or more simply put, we are looking to discover quality companies with excellent businesses selling at attractive prices.

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

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

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

4. Conflict of Interest

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

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

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

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

Sprucegrove provides investment advisory and management services to various managed accounts and collective funds, some of which may invest in the same or similar types of securities as those in which the Fund will invest. Thus, the

obligations of Sprucegrove are not exclusive. Investment decisions on behalf of the Fund are made independently from decisions for other accounts and funds managed by Sprucegrove and Sprucegrove is permitted to make an investment decision on behalf of the Fund which differs from decisions made for, or advice given to, such other accounts and funds even though their investment objectives may be the same or similar to those of the Fund. The Trustee does not review, and has no responsibility for the investment management decisions on behalf of the Fund, or for compliance of the Fund with its investment objectives.

5. Delegation of Voting Rights

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

6. Securities Lending

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

7. Review of Policy Statement

This policy statement will be reviewed no less than annually.

**Hexavest EAFE Equity Fund
Investment Policies****Investment Objectives of the Fund**

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

Asset Classes Eligible for Investment

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

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

Performance Objectives

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

Benchmark

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

Constraints

All guidelines and constraints are based on market value.

Asset Allocation by Class

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

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

Regional, Country and Sector Asset Allocation (equity exposure)

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

Maximum deviation by region: Region weight of MSCI EAFE® +/- 15%

Maximum deviation by country: Country weight of MSCI EAFE® +/- 15%

Maximum deviation by MSCI Sector (Level 1): Sector weight of MSCI EAFE® +/- 10%

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

Cash, Cash Equivalents & Currencies

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

Other

Notwithstanding any other provisions of this policy or the Trust Agreement, the Fund shall earn a return only from the investment of capital, not the provision of services or goods, and it will structure its investments so that it does not exercise day-to-day management or general operating control of the business underlying a particular investment. In its capacity as an investor, however, the Fund will oversee each investment and may, in appropriate cases, or to the extent necessary to preserve its investment, exercise any rights it may possess to influence, intervene in, or control temporarily the day-to-day management of the business underlying an investment.

MANAGER GUIDELINES

The Fund has the right to amend its investment objectives without the approval of Unitholders, after giving Unitholders at least 30 days' prior written notice of such amendment.

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**Walter Scott & Partners Limited Group Trust - International Fund
Investment Guidelines**

Investment Objectives

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

Guidelines

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

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

Borrowing

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

Cash Positions

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

Securities Lending

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

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Grantham, Mayo, Van Otterloo & Co. LLC (GMO) Ventura County Employee Retirement Association

Investment Objectives and Approach

The Global All Country Equity Allocation Strategy that GMO manages for VCERA seeks to outperform its benchmark by 2.5%-3.5%, net of fees, over a complete market cycle with lower volatility than its benchmark. The Strategy uses both top-down and bottom-up valuation methodologies to value countries, sectors, and individual securities in order to allocate assets to undervalued countries, currencies, and securities around the world.

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

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

Prohibited Investments

The following page shows the current allocation limits for VCERA's asset allocation portfolio. Each of the underlying funds is managed according to the terms in the attached prospectus.

Fund Characteristics

The attached spread sheet shows the characteristics of the Global Equity Allocation Fund which is representative of VCERA's portfolio. As VCERA's portfolio is separately managed, allocations and characteristics will vary slightly from the Fund.

MANAGER GUIDELINES

Reporting Requirements

On a monthly basis GMO provides Hewitt EnnisKnupp with a portfolio and firm update. GMO also provides a monthly and quarterly performance and transaction statement to HEK and VCERA.

Schedule A

Name: Ventura County Employees' Retirement Association

Benchmark: 100% MSCI World Index

| Fund | Min | Norm | Max |
|--|-----|------|-----|
| U.S. Equities | | | |
| <input checked="" type="checkbox"/> U. S. Core | | | |
| <input checked="" type="checkbox"/> Growth | | | |
| <input checked="" type="checkbox"/> Intrinsic Value | | | |
| <input checked="" type="checkbox"/> Quality Equity | | | |
| <input checked="" type="checkbox"/> Small Cap Value | | | |
| <input checked="" type="checkbox"/> Small Cap Growth | | | |
| <input checked="" type="checkbox"/> Real Estate | | | |
| TOTAL U.S. Equities | 17 | 42 | 67 |
| Int'l Developed Equities | | | |
| <input checked="" type="checkbox"/> International Intrinsic Value | | | |
| <input checked="" type="checkbox"/> International Growth | | | |
| <input checked="" type="checkbox"/> International Core Equity | | | |
| <input checked="" type="checkbox"/> Flexible Equities | | | 15 |
| <input checked="" type="checkbox"/> International Small Companies | | | |
| <input checked="" type="checkbox"/> Currency Hedged Intl Equity | | | |
| <input checked="" type="checkbox"/> Emerging Markets | | | |
| <input checked="" type="checkbox"/> Emerging Markets Opportunities | | | |
| TOTAL Int'l Equities | 33 | 58 | 83 |
| Other Permissible Investments | | | |
| <input checked="" type="checkbox"/> Alpha Only | | | 10 |

X Allowable fund
 * Emerging Equity benchmark norm is 11.6%.

Mandate Form

Account Name: Ventura County Employees' Retirement Association

*Pursuant to the Investment Management Agreement between the Client and the Investment Manager dated 4/18/05 the Investment Manager is authorized to allocate and re-allocate the assets of the Account (as defined in the Agreement) among the products set

**The Client agrees and acknowledges that the limitations set forth above will apply immediately following investments into and out of any of the products listed above and that the Investment Manager is not obligated to re-allocate the Account if it ceases

**Loomis, Sayles & Company ("Manager")
Medium Grade Full Discretion
Statement Of Objectives, Guidelines And Procedures**

Objectives

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

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

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

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

Guidelines

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

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

| | |
|--|---|
| | Commingled funds investing in fixed income securities |
|--|---|

Restrictions

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

Security Type Qualifications

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

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

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

Credit Quality

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

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

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

Non-U.S. Exposure

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

Additional Sector and Position Limits

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

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

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

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

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

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

¹ Any nationally recognized rating agency is acceptable.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

Compliance Monitoring

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

Performance Measurement

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

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

Reporting Requirements

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

The manager will keep Ventura County Employees' Retirement Association apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify the Board of Retirement of Ventura County Employees' Retirement Association within one business day of any change in the lead personnel assigned to manage the account.

LOOMIS SAYLES GLOBAL FIXED INCOME TRUST
INVESTMENT OBJECTIVES AND GUIDELINES

Investment Objective and Policies

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

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

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

SECURITIES AND INVESTMENT PRACTICES

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

Eligible Investments. The Fund may invest in public or private debt obligations issued or guaranteed by U.S. or non-U.S. issuers, including but not limited to corporations, governments (including their agencies, instrumentalities and sponsored entities), supranational entities, partnerships and trusts. Such obligations may be issued at fixed, variable, adjustable or zero coupon rates or convertible into equity securities, and may include preferred, hybrid, mortgage or asset-backed securities issued by any of the above-named issuers, senior loans, common stocks, foreign currency exchange contracts, including non-delivery forward FX contracts and cross hedges, interests specified under "Eligible Commingled Funds," derivatives specified under "Eligible Derivatives," and cash equivalents specified under "Eligible Cash Equivalents — Cash Management."

Before investing in asset-backed securities or mortgage pools, the Fund will use reasonable efforts to ensure that such funds are not considered "plan assets" under ERISA. As an alternative to the direct investment in securities, the Fund may invest in exchange traded funds, mutual funds and other types of pooled or bundled investment vehicles, including those sponsored or advised by an affiliate of the Trustee ("Related Funds"). Investments in such vehicles (other than Related Funds) may involve a layering of fees and other costs, and may be subject to limitations on redemptions. Investments in Related Funds will not result in additional fees being paid to the Trustee, Loomis Sayles, or their affiliates. These vehicles, including one or more Related Funds, may have more favorable indemnification protections for the Trustee, including Loomis Sayles or an affiliate, than those relating to the Fund. The Fund's investment in such vehicles that are registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"), is limited under the provisions of that Act.

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

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

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

NonRated Securities. If a security is not rated by S&P, Moody's or Fitch, the equivalent rating determined by the Trustee's Research Department will be used.

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

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

Currency Transactions. The Fund may engage in currency transactions for hedging or non-hedging purposes, including for direct investment in currencies as an asset class. The Fund may engage in currency hedging to protect against a decline in the value of currencies in which it invests. The Fund may engage in

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

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

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

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

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

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

Derivatives Cover and Leverage. The Fund shall maintain liquid assets to cover its derivatives obligations according to the following guidelines (1) derivatives

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

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

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

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

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

Modification of Investment Objective, Policies and Restrictions

The Trustee may make material modifications to the Fund's investment objective and policies only upon notice to Participating Trusts. The Trustee may make nonmaterial modifications to the Fund's investment objective and

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGER GUIDELINES

policies without notice to the Participating Trusts. The Trustee may not reduce the rights of a Participating Trust or Class without consent of such Participating Trust or Class.

Temporary Defensive Position

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGER GUIDELINES

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**Reams Asset Management Company ("Manager")
Core Plus Fixed Income
Statement Of Objectives, Guidelines And Procedures**

Objectives

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

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

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

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

Guidelines

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGER GUIDELINES

Restrictions

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

Duration

Duration may be managed to a maximum 25% underweighting/overweighting relative to the Barclays Capital Aggregate Bond Index.

Security Type Qualifications

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

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

Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality

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

Bonds rated investment grade by either Moody's, Fitch, or Standard & Poor's must comprise at least 85% of the total portfolio.

The portfolio's below-investment grade holdings are limited to a maximum of 1% in any single issuer at the time of purchase. A maximum of 1.5% of the portfolio's weight may be allocated to a below-investment grade issue.

Non-U.S. Exposure

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

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

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

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

Additional Sector and Position Limits

To the extent that the portfolio holds an allocation to non-investment grade emerging market bonds, that exposure shall also count against the total portfolio's 15% high yield maximum and 20% non-U.S. maximum combined allocation.

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

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

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

Bonds not receiving an investment-grade rating from either Moody's, Fitch, or Standard & Poor's¹

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

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

Performance Measurement

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

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

¹ Any nationally recognized rating agency is acceptable.

MANAGER GUIDELINES

Reporting Requirements

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

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

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

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

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

The manager will keep Ventura County Employees' Retirement Association apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify the Board of Retirement of Ventura County Employees' Retirement Association within one business day of any change in the lead personnel assigned to manage the account.

**Western Asset Management Company ("Manager")
Core Fixed Income
Statement Of Objectives, Guidelines And Procedures**

Objectives

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

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

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

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

Guidelines

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

| | |
|------------|---|
| Bank loans | income securities 4(2) CP (commercial paper) |
|------------|---|

Restrictions

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

Duration

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

Security Type Qualifications

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

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

Credit Quality

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

Bonds rated investment grade by either Moody's, Fitch, or Standard & Poor's³ must comprise at least 70% of the total portfolio.

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

Non-U.S. Exposure

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

³ Any nationally recognized rating agency is acceptable.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

Additional Sector and Position Limits

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

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

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

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

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

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

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

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

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

Reporting Requirements

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

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

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

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

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

The manager will keep Ventura County Employees' Retirement Association apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify the Board of Retirement of Ventura County Employees' Retirement Association within one business day of any change in the lead personnel assigned to manage the account.

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

Objectives

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

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

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

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

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

Guidelines

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

MANAGER GUIDELINES

1. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. government-sponsored corporations and agencies;
2. Obligations of U.S. and non-U.S. corporations such as mortgage bonds, convertible and non-convertible notes and debentures, preferred stocks, commercial paper, certificates of deposit and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations;
3. Mortgage-backed and asset-backed securities (including CDOs, CBOs & CLOs);
4. Obligations, including the securities of emerging market issuers, denominated in U.S. dollars or foreign currencies of international agencies, supranational entities and foreign governments (or their subdivisions or agencies), as well as foreign currency exchange-related securities, warrants, and forward contracts;
5. Obligations issued or guaranteed by U.S. local, city and state governments and agencies;
6. Swaps, forwards, options on swaps, options on forwards;
7. Securities defined under Rule 144A and Commercial Paper defined under Section 4(2) of the Securities Act of 1933;
8. Swaps, futures and options on commodity indices; and
9. Bank Loans

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

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

Duration Exposure

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

Credit Quality

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

1. Rated Securities: At least 90% of the portfolio will be of "investment grade", i.e. rated as high as or higher than the following standards or their equivalent by one or more nationally recognized statistical rating organizations (NRSRO):

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

Diversification

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

1. Maturity: Securities covering the full range of available maturities are acceptable.
2. Sector: The portfolio will at all times be diversified among the major market sectors, subject to the following limitations:
 - a. Up to 10% of the portfolio may be invested in non-dollar denominated securities; up to 5% of the portfolio may be invested in un-hedged non-dollar denominated securities;
 - b. Up to 5% of the portfolio may be invested in U.S. securities rated below investment grade;
 - c. Up to 10% of the portfolio may be invested in non-U.S. securities (dollar and non-dollar denominated) rated investment grade; and
 - d. Up to 10% of the portfolio may be invested in CDOs, CBOs & CLOs
3. Issuer: Holdings are subject to the following limitations:
 - a. Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies are eligible without limit
 - b. Obligations of other national governments are limited to 10% per issuer
 - c. Private mortgage-backed and asset-backed securities are limited to 10% per issuer, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer
 - d. Obligations of investment grade corporations are limited to 3% per issuer

- e. Obligations of other issuers are subject to a 2% per issuer limit excluding investments in commingled vehicles
- 4. Credit: No more than 10% of the portfolio will be invested in issuers rated below Baa3 or BBB- / A2 or P2
- 5. Derivatives:
 - a. No more than 20% of the portfolio will be invested in original futures margin and option premiums, exclusive of any in-the-money portion of the premiums. Short (sold) options positions will generally be hedged with cash, cash equivalents, current portfolio security holdings, or other options or futures positions
 - b. Use of leverage is not permitted in the portfolio

Marketability

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

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

Performance Measurement

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

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

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

Performance Objectives

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

Reporting Requirements

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

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

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

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

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

The manager will keep Ventura County Employees' Retirement Association apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify the Board of Retirement of Ventura County Employees' Retirement Association within one business day of any change in the lead personnel assigned to manage the account.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGER GUIDELINES

PIMCO GLOBAL BOND (UNHEDGED) INVESTMENT GUIDELINES

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Manager Account # 7384

The investment objectives of the Fund are as stated below.

Performance objective

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

Risk objective

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

Investment Guidelines

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

Risk Limits

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

Transaction Types

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

PIMCO has authority to take actions in connection with exchanges, reorganizations, conversions or other corporate events that could result in the receipt of securities (including, but not limited to, common stock) that may or

may not be referenced elsewhere in the investment guidelines. PIMCO may, in the best interest of the portfolio, hold these for a reasonable amount of time.

Credit Quality Minimums

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

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

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

Leverage

In order to avoid leverage, PIMCO must set aside cash or cash equivalents that it reasonably believes to be sufficient to cover net long exposures resulting from swap, bond futures and forward positions held in the Account. Cash equivalents are defined as investment grade securities (minimum S&P/Moody's rating of A3/P3, or equivalent) with a duration of 1 year or less. Cash equivalent securities will not be counted against asset type limits as set forth below. The account will avoid transactions that add economic leverage to the portfolio by inappropriately magnifying risk exposures outside of the portfolio's expected ranges.

Asset Types and Investment Vehicles

- Government and Agency Securities
- Supranational Securities
- Municipal Bonds
- Corporate Securities
- Event-linked Bonds
- Money Market Instruments
- Bank Loans
- Yankee and Euro Bonds
- Mortgage-Backed Securities (including collateralized mortgage obligation ("CMOs") and Real Estate Mortgage Investment Conduits ("REMICs"))
- Mortgage Derivatives
- Asset-Backed Securities
- Preferred Stock
- Contingent Securities

- Emerging Market Securities
- Private Placements
- Structured Notes
- Futures and Forwards
- Foreign Exchange
- Options, Caps and Floors
- Swaps and Swaptions
- Credit Default Swaps (Long and Short)
- PIMCO Pooled Funds (with prior written agreement from the client)

Prohibited Investments

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

PIMCO Funds Private Account Portfolio Series

Portfolio

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

Concentration Limits

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

Concentration Limits to Issuers:

- Issuers rated A- or higher 5%
Excludes sovereign debt of governments rated A- or higher, debt guaranteed by those governments, and US agency securities, which have no limit, and supranational issuers, which have a 25% limitation. Specific mortgage pools and trusts are considered

separate issuers, and each tranche within a CMO is considered a separate issue.

- Issuers rated BBB+ to BBB- 3% (5% for sovereigns)
- Issuers rated BB+ and lower 2%

Concentration Limits to Sectors or Security Types:

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

Compliance Monitoring

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

Reporting Requirements and Transaction Types

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

MANAGER GUIDELINES

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

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

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

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

Prudential Financial, Inc.
Prudential Property Investment Separate Account (PRISA)
Investment Guidelines

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

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

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

Legal Structure

PRISA is a separate account product offered through a group insurance annuity contract issued by The Prudential Insurance Company of America. **Vehicle Life:** Open-end fund

General Description

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

MANAGER GUIDELINES

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

Regional Focus: Investments are made in various US markets.

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

Reporting

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

Investment Objective and Performance

The objective of the fund is to annually achieve a total return, which exceeds the NCREIF Fund Index – Open-End Diversified Core Equity (NFI-ODCE). PRISA has exceeded its benchmark NFI-ODCE over the past ten years.

UBS Realty Investors LLC
Real Estate Separate Account (RESA)
Investment Guidelines

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

1. Joint ventures, partnerships or limited liability companies, which own real estate and involve a third party, including in connection with developmental projects, will not exceed 50% of total gross assets.
2. Mortgage loans, including construction loans, will not exceed 30% of total gross assets; a construction loan may only be made in connection with the prospective acquisition of a property on a wholly-owned or partnership, joint venture or limited liability company basis or in connection with a conventional or participating mortgage. Construction loans will not exceed 10% of total gross assets.
3. Publicly-traded REITs, other real estate securities, and collateralized mortgage obligations will not exceed 5% of total gross assets.
4. No one NCREIF property type will exceed 50% of total gross assets.
5. Total investment in any one NCREIF geographic region will not exceed 50% of total gross assets.
6. Total investment in any local market (CBSA)¹ will not exceed 20% of total gross assets.
7. No single new investment shall exceed 10% of total gross assets (applies separately to each non-contiguous investment in a portfolio transaction).
8. Mortgage debt will generally not exceed 20% of total gross assets.
9. Short-term borrowing or a line of credit generally will not exceed 15% of total gross assets.
10. All investments shall be located in the United States.

¹ Core-Based Statistical Area formerly Metropolitan Statistical Area

MANAGER GUIDELINES

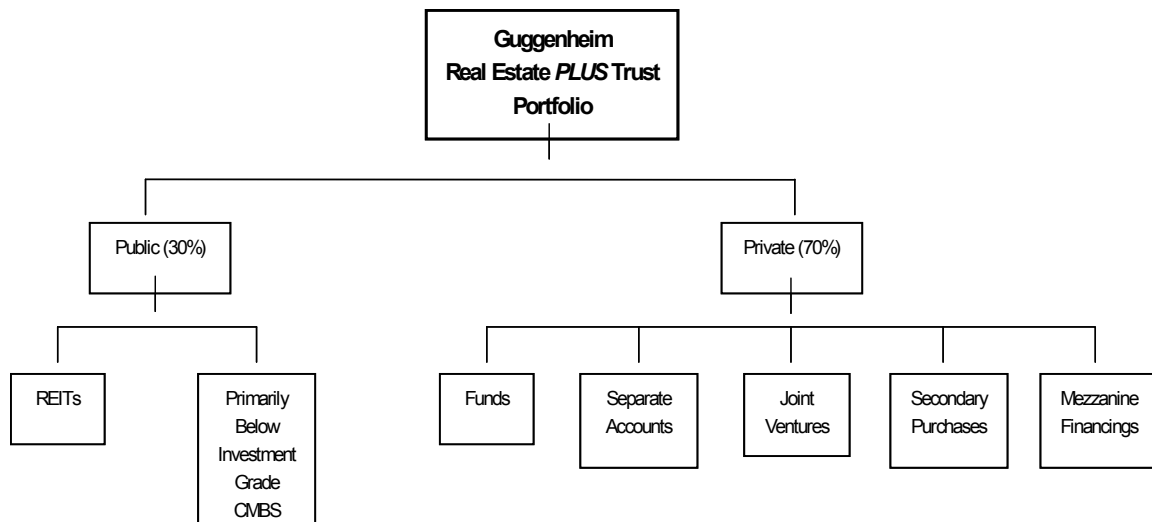
11. Equity interests (including through joint ventures, partnerships and limited liability companies) in office, apartment, retail, industrial and hotel properties will constitute at least seventy percent (70%) of Gross Asset Value
12. Cash and cash equivalents will be invested primarily in short-term fixed-income securities such as US government obligations, high quality commercial paper, repurchase agreements, and certificates of deposit, the average maturity of which will be generally 25-65 days and the maximum maturity of which will be generally limited to 185 days.

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

**Guggenheim Partners Real Estate
Real Estate PLUS
Investment Guidelines**

Fund Investments

Guggenheim Real Estate develops investment strategies in the form of modeled portfolios consisting primarily of office, retail, multi-family, and industrial properties. The strategies are implemented by investing with carefully selected funds, real estate investment managers and seasoned local investors located throughout the United States.



Just as critical as the investments the Fund does make are those that it does not make. The Fund does not make significant investments in:

- Blind pools (as opposed to funds which will continue to invest but which have substantial investments at the time of the Fund's direct or indirect investment)
- Direct investments in international real estate
- Direct investments in raw land
- Investment in development companies (as opposed to specific real estate projects)

MANAGER GUIDELINES

The Fund will have multi-tiered diversification guidelines intended to limit exposure by property type and economic location, and set ceilings on the aggregate leverage, the amount of development, and the amount of public market investment by the Fund. Absent special circumstances, the Trustee shall seek to avoid making new investments if they would result in the Fund's having in excess of 150% of what the Trustee determines to be market weights along these dimensions. For example, if the Trustee believes that apartment properties currently represent approximately 22% of the value of the real estate investment universe, the Trustee will seek to avoid new investments in apartments if they would increase the Fund's allocation to apartments above 33%.

RREEF America REIT III, Inc. Investment Plan

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

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

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

Investment Objectives

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

In addition the Fund seeks to provide:

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

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

$$\frac{\text{Income (Loss)} + \text{Appreciation (Depreciation)}}{\text{Beginning Net Asset Value} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}}$$

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

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

Overall leveraged targeted returns for the Fund during 2008 are as follows:

Income Return: 2.00% - 4.00%

Appreciation Return: 6.00% - 8.00%

Total Expected Return: 8.00% - 12.00%

Dividend Yield: 1.00% - 2.50%

Fund Life

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

Use of Leverage

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

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

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

| | | | | | | |
|-----------------|------|------|------|------|------|------------|
| Year | 2008 | 2009 | 2010 | 2011 | 2012 | and beyond |
| % Debt Expiring | 7% | 27% | 26% | 4% | 36% | |

Types of Property to be Acquired

Properties to be considered for acquisition by the Fund during 2008 are described below. The majority of investments will be in the four major property sectors: apartments, industrial, retail and office. Mixed-use properties, which include two or more of these uses, will be considered. Although each use should stand on its own market merits, RREEF Research has generally found that there are positive synergies between uses in many instances. Properties to be acquired must be well located and of good institutional quality when repositioned and/or stabilized.

Property Type

Target Properties

Apartments
housing

Garden, mid-rise, high rise communities, and student

Industrial

Warehouse/distribution buildings

Business parks

Office-warehouse or flex buildings

R&D properties

Retail

Neighborhood, community, power and lifestyle
shopping centers and regional malls

Office
office

Low, mid, and high-rise office buildings and medical

Mixed Use

Combinations of two or more of the above property types in a single, mixed use property

Two niche property sectors should be considered as well, as follows:

- Medical Office Buildings
- Student Housing

Control

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

Individual Investment Sizes

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

Property Holding Periods

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

Sustainability

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

Geographic Focus

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

All the metropolitan areas targeted for investment are large and economically diverse and have a history of attracting institutional investment. Economic and real estate market conditions vary widely from city to city, between the different property types within each metropolitan area and individual submarkets. These

differences are carefully reflected in the initial financial underwriting of each investment, in its price, and in the management plan and operating decisions for each property.

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

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

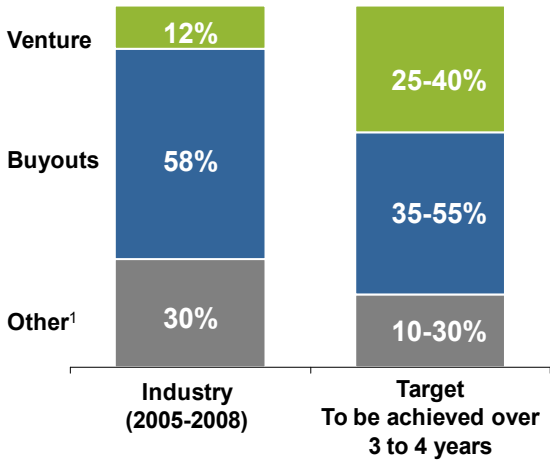
Investments in specific submarkets of other larger metropolitan areas are considered if economic and market conditions in the submarket are sound and the specific investment opportunities are appropriate to RAIII's investment strategy. Based on gross value, 86 percent of existing RAIII investments are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

The Adams Street Partnership Fund Program - U.S. Fund
Portfolio Guidelines

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

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

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



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

Pantheon Global Secondary Fund IV (PGSF)
Portfolio Guidelines

Objective

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

Portfolio Diversification

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

Global Portfolios

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

The charts that follow show the asset diversification of PGSF I and PGSF II (by capital committed at the investment level). Both funds are fully committed.

PGSF I

PGSF I is a 2000 vintage with a fund size of \$418 million. Pantheon's global sourcing and closing capabilities are reflected in the geographic diversity of the sellers, as well as the geographic focus of the funds purchased. PGSF I committed approximately 37% of its capital to the purchase of non-U.S. investments.

Geography

| | |
|---------------|-----|
| Asia | 3% |
| Europe | 33% |
| USA | 63% |
| Rest of World | 1% |



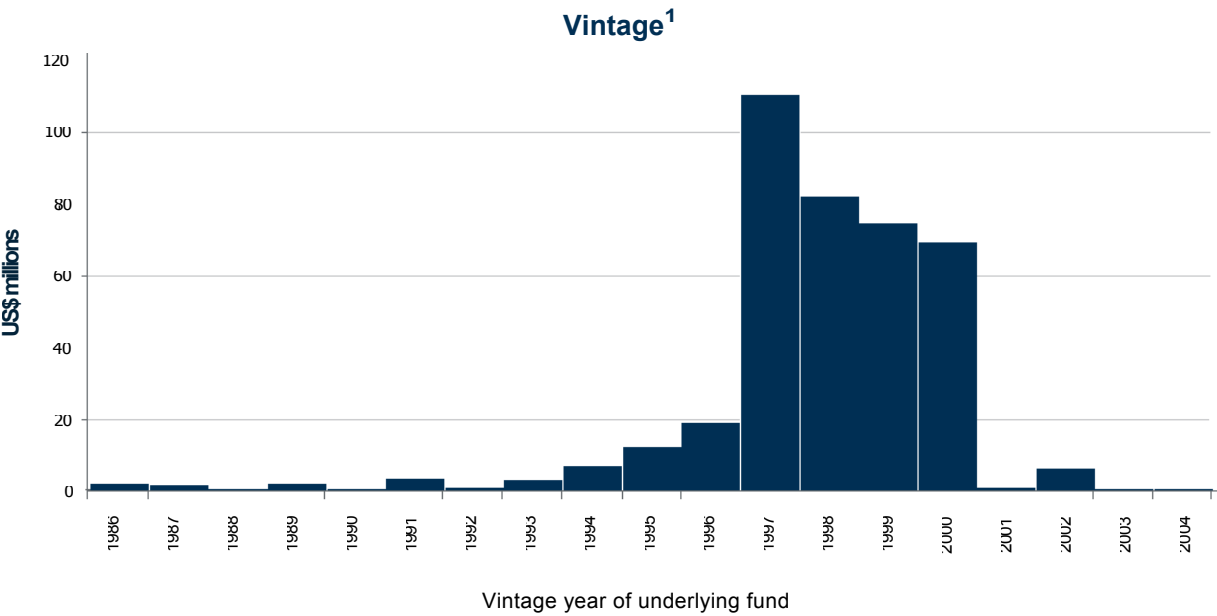
The portfolio is diversified by investment stage with a weighting towards buyouts (72%) that broadly reflects the composition of the global fund population at that time.

Stage

| | |
|-----------------|-----|
| Buyout | 72% |
| Real Estate | <1% |
| Mezzanine | 2% |
| Distressed Debt | 1% |
| Venture | 24% |
| Other | 1% |



PGSF I was committed between 2000 and 2004. 16 fund vintages are represented in the portfolio and 62% of the assets are in funds with a vintage year of 1998 or earlier.



VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGER GUIDELINES

Clifton PIOS® INVESTMENT GUIDELINES
PIOS® SUMMARY DESCRIPTION AND DEFINED TERMS
Updated June 2012

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

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

| <u>PIOS®</u> | <u>PROGRAM</u> | <u>CHECK BOX IF UTILIZED</u> | <u>PROGRAM ELEMENT SUMMARY DESCRIPTION</u> |
|---------------------|-----------------------|---|---|
| <u>Invest</u> | <u>Unallocated</u> | [X] | Clifton monitors a fund's overall positions daily and synthetically invests unallocated cash using financial futures contracts. Cash will be invested synthetically as directed by Client. |
| <u>Cash</u> | | | |
| <u>Invest</u> | <u>Manager</u> | [X] | Clifton monitors manager cash positions daily and synthetically invests uninvested portions using financial futures contracts. Client will communicate to Clifton which manager's cash positions are to be included in the overlay. Cash will be invested synthetically as directly by Client. |
| <u>Cash</u> | | | |
| <u>Manage</u> | <u>Transitions</u> | [X] | Client will be responsible for contacting Clifton as transition events arise. Each transition issue will be reviewed individually with the objectives of maintaining a seamless transition to target market exposure (no market timing) and minimizing transition costs. Transition events include, but are not limited to, an impending transition of: a) a Custodian, b) manager, c) asset allocations between or among manager portfolios, d) changes in asset allocation targets, e) "bridging" cash positions in |

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

alternative asset classes, or f) this program to another manager or termination of program.

Maintain Target
Allocation

[X]

A fund's actual allocation is calculated and compared to targets. If actual allocations differ from targets by more than the client's predetermined tolerance level, the fund is synthetically rebalanced on an overlay basis using futures. Target allocations and variance bands as provided by Client are set forth in **Addendum A.**

Alpha Transport

[]

It is possible to separate alpha and beta and capture them independent of one another. In doing so a fund may be able to more efficiently manage specified objectives by targeting a combination of alpha and beta that represents a desired risk/return profile. Alpha can be taken from an asset class where a manager has outperformed the benchmark and "transported" back to the base asset class through the use of futures and/or swaps. The Index and exposure to be maintained as well as the "embedded" beta of the manager portfolio(s) provided by Client are set forth in **Addendum A.**

Duration
Modification

[]

The fund's duration may be modified, subject to the duration constraints of the fund, by using exchange traded futures and/or OTC contracts on fixed income securities to lengthen or shorten effective duration. Established targets and related ranges as provided by Client are set forth in **Addendum A.**

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

EACH PROGRAM ELEMENT IS DESCRIBED IN FURTHER DETAIL BELOW

OBJECTIVES

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

PORTFOLIO MONITORING

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

Subject to the foregoing, where electronic interfacing is reasonably available for the purposes set forth herein, Clifton will be responsible for establishing a communication link and electronic interface methodology enabling the transfer of Information from the Custodian. From time to time such communication link may be unavailable due to system outages or other technical issues outside of Clifton's reasonable control, which include, but are not limited to internet problems, or hardware or software issues.

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

In the event that the aggregate fund value changes by more than 1% in a day, Clifton will seek to identify the origin of change (e.g. markets) and contact Client

if the reason is not clearly identifiable. If an individual manager portfolio's value changes by more than 3%, a similar process will be followed.

INDEX REPLICATION

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

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

DOMESTIC EQUITY

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

INTERNATIONAL EQUITY

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

DOMESTIC FIXED INCOME

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

MANAGER ASSET CLASS ASSIGNMENTS

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

PIOS® PROGRAM ELEMENT DESCRIPTIONS

INVEST UNALLOCATED CASH

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

Unallocated fund cash is generally defined as:

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

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

INVEST MANAGER CASH

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

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

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

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

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

Invest Manager Cash information is provided in Addendum A.

MANAGE TRANSITIONS

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

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

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

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

SPECIAL CONSIDERATIONS AND RISKS

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

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

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

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

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

EXECUTION GUIDELINES

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

A daily tracking report will be generated by Clifton using fund data downloaded from the custodian bank, subject to the limitations regarding availability of daily data as set forth in the Portfolio Monitoring section above. The tracking report will generally be completed near the opening of the U.S. market enabling necessary transactions to be completed at the open of the domestic markets. If trades required by the PIOS® policy are not executed due to uncontrollable events (e.g. trading halts) Clifton will contact Client to discuss alternatives. Clifton will

implement order execution for all Guidelines based transactions in a manner to seek to avoid having the net synthetic index exposure greater than the underlying total fund cash amount for which exposure, maintenance or rebalancing is sought. In certain instances, such as fixed income and international equity synthetic index exposure, the notional amount of futures contracts utilized may be more or less than the specific exposure sought, but the net synthetic index exposure would remain less than the underlying total fund cash amount, which is unleveraged from a market exposure standpoint.

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

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

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

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

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

| |
|------------------------------------|
| REPORTING AND COMMUNICATION |
|------------------------------------|

Clifton will provide the following to Client:

1. A tracking report summarizing actual fund allocations, manager holdings (to the extent available), actual PLOS® positions and key program parameters. This report is available daily (in normal circumstances) via Clifton's web site (www.thecliftongroup.com).
2. A program summary report describing the performance of the program relative to the predetermined benchmarks (produced monthly).
3. An accounting report containing transaction details, position values, etc. (produced quarterly).
4. All Clifton employees, including portfolio managers, are accessible to answer questions or clarify activity.
5. In the event market conditions warrant a change to these Guidelines, Clifton will initiate contact with the Client's contact person to discuss any recommended changes.
6. In person performance reviews with a portfolio manager are anticipated to be conducted annually, or more often if requested by Client. Client may request that other personnel from Clifton or its consultants are present for such performance reviews.

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

Addendum A

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

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

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

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

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

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

INVEST UNALLOCATED CASH AND MANAGER CASH COMPONENT

Unallocated cash and manager cash will be synthetically invested as follows: Clifton will overlay cash balances on an ongoing basis to seek to reduce the overall fund's deviation from the targets. Initially, cash will be securitized in a

manner which seeks to reduce the fund's deviation from the adjusted target allocations as defined above. On an ongoing basis, as cash levels change, futures contracts will be added or removed with an objective of reducing imbalances relative to the adjusted target allocation.

MAINTAIN TARGET ALLOCATION COMPONENT

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

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

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

Rebalancing will occur only upon written direction of Client.

Addendum B

OVERLAID ASSETS FOR WHICH VALUES ARE NOT RECEIVED FROM THE CUSTODIAN

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

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

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

[*insert daily, weekly, monthly, whatever is applicable]

[**Unaudited value downloaded, Receive email, Unaudited NAV, Receive value from client, whatever is applicable]

Approved and Confirmed Changes to the Guidelines

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

October 15, 2012

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

SUBJECT: PENSION ADMINISTRATION SYSTEM (PAS) PROJECT UPDATE

Dear Board Members:

Attached is the quarterly status report for the VCERA PAS Project's Ventura County Employees' Retirement Information System "VCERIS". Staff recommends your Board approve the following actions for the project:

- Approve the change orders proposed in the quarterly report
- Receive and file this report and attachments

Background and Discussion:

At the February 27, 2012, Board Meeting, the Board executed two contracts, one with Vitech Systems Inc. (Vitech) to purchase the V3 pension software, for implementation services, and subsequently a hosted services agreement; and a contract with Linea Solutions, Inc. (Linea) to provide project management and other consulting services. Staff presented a five year budget for the project at that time, which included third party costs, three limited term employees, and additional software and hardware costs.

Over the last six months, the project team has spent considerable time finalizing the costs for the project, considering such major items as data conversion resources, as well as more minor costs for broadband connectivity to the hosting site, additional software, and project workspace. The project team also negotiated a significant extension to the project timeline with Vitech and Linea, spreading the work effort of the project over 40 months, rather than 33 months as originally anticipated.

The net result of the changes is that the total project will be approximately \$180,000 less than the original budget.

It was also determined by VCERA, during the initial project plan discussions, that two additional staff resources will be necessary to successfully complete the second rollout of the project. These resources will be in addition to the two full-time Retirement Benefit Specialists already dedicated to the project. While VCERA Operations will be impacted by the loss of another two staffing resources, VCERA will not be asking for additional fixed term positions, but is in the process of identifying services and/or processes that may be automated to best mitigate the temporary loss of staffing resources to service to our members. For instance, VCERA could temporarily discontinue live retirement workshops and add on-line video workshop links to its website so that members may access this information more conveniently, which will alleviate staffing efforts utilized for enrollments, notifications, confirmations, and presentations for each workshop. This would also satisfy VCERA member requests to have more convenient access to this information, instead of having to take a full day off from their respective jobs to attend this workshop. Staff welcomes Board input if it has any reservations towards automating the live retirement workshops.

1. Updated Five Year Budget

In the table in the following pages, the amended project budget is presented, comparing the original budgeted costs to the current projected costs. Each variance is explained in the rightmost column of the table.

**Pension Administration System
Amended Five Year Project Budget: 10/15/2012**

| Component | Fiscal Year | | | | | Amended | Adopted | Difference | Explanation |
|---|-------------|-------------|-------------|-------------|-----------|--------------------|-------------|------------|---|
| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | | | | |
| Vitech Systems: | | | | | | | | | |
| License Fee | \$- | \$575,000 | \$150,000 | \$150,000 | \$150,000 | \$1,025,000 | \$1,025,000 | - | |
| Implementation | 308,800 | 770,400 | 1,337,800 | 883,000 | | 3,300,000 | \$3,300,000 | - | |
| Infrastructure Hosting | 25,000 | - | - | 117,000 | 234,000 | 376,000 | \$376,000 | - | |
| Software Escrow agreement | - | - | 1,000 | 1,000 | 1,000 | 3,000 | \$3,000 | - | |
| Travel | 10,000 | 30,000 | 30,000 | 12,500 | - | 82,500 | \$82,500 | - | |
| Additional Data Conversion (if necessary) | - | - | 100,000 | 100,000 | - | 200,000 | \$200,000 | - | |
| Vitech Solutions Total | \$543,800 | \$1,375,400 | \$1,518,800 | \$1,163,500 | \$385,000 | \$4,986,500 | \$4,986,500 | - | |
| | | | | | | | | - | |
| Linea Solutions: | | | | | | | | | |
| Project Oversight | \$96,387 | \$247,164 | \$255,164 | \$105,325 | \$- | \$704,040 | \$704,040 | - | |
| Design Consulting | 80,000 | 185,000 | 180,000 | 39,000 | - | 484,000 | \$484,000 | - | |
| Testing | - | 50,700 | 295,100 | 66,750 | - | 412,550 | \$412,550 | - | |
| Interfaces | 27,560 | 82,680 | 55,120 | - | - | 165,360 | \$165,360 | - | |
| Cut-Over Support | - | - | 66,600 | 74,100 | - | 140,700 | \$140,700 | - | |
| Training | - | - | 9,120 | 2,340 | - | 11,460 | \$11,460 | - | |
| Data Conversion | 15,600 | 30,000 | 20,000 | - | - | 65,600 | \$15,600 | \$50,000 | MBS has recommended Linea assist with data conversion |
| Travel Expenses | 17,564 | 45,244 | 68,888 | 23,001 | - | 154,697 | \$154,697 | - | |
| Linea Total | \$237,111 | \$640,788 | \$949,992 | \$310,516 | \$- | \$2,138,407 | \$2,088,407 | \$50,000 | See above |

Pension Administration System
Amended Five Year Project Budget: 10/15/2012

| Component | Fiscal Year | | | | | Amended | Adopted | Difference | Explanation |
|-------------------------------------|-------------|---------|---------|---------|---------|----------------|-----------|------------|--|
| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | | | | |
| VCERA Resources: | | | | | | | | | |
| I.T. Position | \$- | \$- | \$- | \$- | \$- | \$- | \$215,000 | (215,000) | MBS' proposal included data lead; VCERA resource not required. |
| Retirement Specialist | - | 61,000 | 64,100 | - | - | 125,100 | \$183,100 | (58,000) | Position filled later than anticipated |
| Retirement Specialist | - | 76,300 | 80,100 | - | - | 156,400 | \$183,100 | (26,700) | Position filled later than anticipated |
| Total Staffing | - | 137,300 | 144,200 | - | - | 281,500 | \$581,200 | (299,700) | See above |
| Other Costs: | | | | | | | | | |
| Third party project software | \$- | 44,900 | 7,000 | 7,000 | 7,000 | 65,900 | \$22,000 | 43,900 | Assima training tool to produce web-based, reusable training videos. |
| Legacy consultant (data conversion) | - | 54,000 | 97,500 | 5,000 | - | 156,500 | \$214,600 | (58,100) | Includes Ventura County ITS, Ms. Brenda Cummings, Novanis, and CMP and Associates. |
| 3rd Party Data Conversion | - | 143,904 | 143,904 | 143,904 | - | 431,712 | \$465,400 | (33,688) | MBS costs lower than budgeted. |
| Network / Misc Hardware | - | 10,000 | 10,000 | 10,000 | - | 30,000 | \$30,000 | - | |

**Pension Administration System
Amended Five Year Project Budget: 10/15/2012**

| Component | Fiscal Year | | | | | Amended | Adopted | Difference | Explanation |
|------------------------------|------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--|
| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | | | | |
| Additional Project Workspace | \$- | 13,500 | 18,000 | 18,000 | \$- | 49,500 | \$- | 49,500 | Space required to accommodate additional project resources, multiple and concurrent work sessions. |
| Broadband to Host Facility | - | 18,900 | 32,400 | 32,400 | 32,400 | 116,100 | \$48,000 | 68,100 | Point-to-Point connection to connect to Vitech host facility costs higher than budgeted. Alternative solutions will be explored. |
| Total Other Costs | - | 285,204 | 308,804 | 216,304 | 39,400 | 849,462 | 780,000 | 69,712 | See above |
| Total Costs | \$780,911 | \$2,438,692 | \$2,921,796 | \$1,690,320 | \$424,400 | \$8,256,119 | \$8,436,107 | \$(179,988) | See above |

1. Updated Five Year Budget (continued)

As the table above shows, the major changes to the budget between the original and amended budget have been due to the finalizing of the data conversion plan, the decision to not hire an I.T. limited term employee, the addition of project workspace, and the additional cost for broadband connectivity. These changes are all explained in the attached PAS Quarterly Report. Please note that the budget presented in the table above includes all anticipated changes and budget adjustments. The project financial information included in the attached quarterly report includes only *approved* change orders.

In summary, the amended budget is approximately \$180,000 lower than the original budget.

2. Project Status

The project is currently one week behind schedule due to the decision to hold a comprehensive four day data conversion work session, which had not been previously accounted for in the project plan. This work session was conducted in order to develop an assessment of the data conversion resources, per the Board's direction to staff on September 10, 2012. The project team has adjusted the plan to recover the lost week by November 12, 2012, and there will not be any net impact to the overall project plan.

The project team reports that all design sessions are proceeding as planned. Both VCERA staff assigned to the project and Vitech staff have independently reported that the work on the project is proceeding well. MBS, the data conversion vendor, indicated that the week-long work session was highly productive, and that they received excellent participation from all participants (please see MBS' report--Attachment D to the quarterly report). They noted two risks in the data conversion that must be addressed: lack of data available for conversion and a lack of consistent data extraction programs for RDBS. The former risk was previously known; Vitech and MBS will need to collectively determine a solution for the lack of data. In terms of the latter risk, staff has approached Ventura County IT Services to assist with updating and executing the data extraction programs, and this was included as a proposed change order.

We would be pleased to respond to any questions you may have on this letter at the October 15, 2012, Board meeting.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator



BRIAN COLKER
Linea Solutions, Inc.

Attachments



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

Board of Retirement Ventura County Employees' Retirement Information System (VCERIS) Report

Reporting period: July 1, 2012 – September 30, 2012

Current Project Plan

(Please see Attachment A)

| Rollout 1: Active Member | Rollout 2: Retiree | Rollout 3: Member Web |
|--|--|---|
| Actual % Complete: 14.93% | Actual % Complete: N/A | Actual % Complete: N/A |
| Planned % Complete: 16.42% | Planned % Complete: N/A | Planned % Complete: N/A |
| Variance: 1.49% (one week behind schedule)* | Variance: N/A | Variance: N/A |
| Rollout Timeline, Initial: July 2012 – December 2013 | Rollout Timeline, Initial: October 2013 – April 2015 | Rollout Timeline, Initial: January 2015 – June 2015 |
| Rollout Timeline, Revised: N/A | Rollout Timeline, Revised: N/A | Rollout Timeline, Revised: N/A |

*The project team spent one week kicking off data conversion activities with MBS. Although this caused us to fall behind in design activities by a week, it was necessary to produce a Data Assessment for the Board. We anticipate making up the lost week by the scheduled start of the first segment validation testing, which starts November 12, 2012.

Accomplishments for the Period 7/1/2012 – 9/30/2012

- Contracted with MBS to assist with data conversion
- Completed baseline VCERA V3 system demonstration
- Completed the initial design sessions for Sprints 1-4
- Purchased Assima training tool to build custom training content for V3 and other VCERA applications
- Secured additional project workspace to facilitate work sessions, project meetings, etc.
- Created 100+ test scenarios for segment A validation testing
- Gave the Auditor / Controller and VRSD an initial layout of the employer interface file, along with an initial set of business rules and specifications
- Implemented a test tracking tool to organize all test scripts and testing
- Wrote an initial test plan
- Completed first set of data mapping sessions with MBS, VCERA, and Vitech and finalized the resources needed for the conversion



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

Budget

Summary

| Cost Item | Budget | Change Orders | Amended Budget ¹ | Expended to Date | Remaining |
|--|--------------------|---------------|--------------------------------|--------------------|--------------------|
| Vitech (software, implementation, hosting) | \$4,986,500 | \$ - | \$4,986,500 | \$1,106,700 | \$3,879,800 |
| Linea (project oversight) | 2,088,407 | - | 2,088,407 | 338,533 | 1,749,874 |
| External Costs | 100,000 | - | 100,000 | 8,469 | 91,531 |
| Third party data conversion | 680,000 | - | 440,962 | - | 440,962 |
| Limited Term Positions | 581,200 | - | 281,500 | - | - |
| Total | \$8,436,107 | \$ - | \$7,897,369² | \$1,453,703 | \$6,443,666 |
| Staff Costs (unbudgeted to project) | | | | \$68,913 | |
| Grand Total | | | | \$1,522,615 | |
| Project Contingency | \$843,611 | | | \$ - | \$843,611 |

¹Amended Budget reflects only *approved* change orders

²Current Amended Budget reflects reduction in approved data conversion services, the elimination of the 3rd limited term position in IT, which the MBS contract made unnecessary, and lower anticipated costs for the other two limited term positions

Detail

| Milestone Description | Scheduled Invoice Date | Budget | Holdback (15%) | Net Scheduled Payment | Amount Paid |
|---|------------------------|------------|----------------|-----------------------|-------------|
| Project Initiation / Initial License Payment (Development License) | March-12 | \$ 200,000 | \$ - | \$ 200,000 | \$ 200,000 |
| QA Hardware and Software Installed and Configured | May-12 | 128,000 | (19,200) | 108,800 | 108,800 |
| Detailed Implementation Plan Approved | June-12 | 96,000 | (14,400) | 81,600 | - |
| V3 Baseline Application Configuration & Demonstration Complete | August-12 | 224,000 | (33,600) | 190,400 | 190,400 |
| Rollout 1: VCERA Confirms Segment A Functionality Delivered and Validated | November-12 | 224,000 | (33,600) | 190,400 | - |
| Rollout 1: VCERA Confirms Segment B Functionality Delivered and Validated | January-13 | 160,000 | (24,000) | 136,000 | - |
| Rollout 1: VCERA Confirms Segment C Functionality Delivered and Validated | April-13 | 160,000 | (24,000) | 136,000 | - |
| Rollout 1: VCERA Confirms Segment D Functionality Delivered and Validated | May-13 | 160,000 | (24,000) | 136,000 | - |
| Rollout 1: VCERA Begins UAT | July-13 | 160,000 | (24,000) | 136,000 | - |
| Rollout 2: VCERA Confirms Segment A Functionality Delivered and Validated | September-13 | 160,000 | (24,000) | 136,000 | - |



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

| Milestone Description | Scheduled Invoice Date | Budget | Holdback (15%) | Net Scheduled Payment | Amount Paid |
|---|------------------------|--------------------|----------------|-----------------------|------------------|
| Rollout 1: VCERA Accepts System for Production | October-13 | \$ 576,000 | | \$ 576,000 | \$ - |
| Release Holdback | October-13 | | 45,800 | 45,800 | - |
| Rollout 2: VCERA Confirms Segment B Functionality Delivered and Validated | November-13 | 128,000 | | 128,000 | - |
| Rollout 2: VCERA Confirms Segment C Functionality Delivered and Validated | January-14 | 128,000 | | 128,000 | - |
| Rollout 2: VCERA Confirms Segment D Functionality Delivered and Validated | March-14 | 128,000 | | 128,000 | - |
| Rollout 2: VCERA Begins UAT | May-14 | 160,000 | | 160,000 | - |
| Rollout 3: VCERA Validates Functionality | July-14 | 64,000 | | 64,000 | - |
| Rollout 2: VCERA Accepts System for Production | September-14 | 320,000 | | 320,000 | - |
| Rollout 3: VCERA Begins UAT | September-14 | 64,000 | | 64,000 | - |
| Rollout 3: VCERA Accepts System for Production | December-14 | 160,000 | | 160,000 | - |
| Release Holdback | December-14 | | 175,000 | 175,000 | - |
| Warranty Complete: One Year After System Live Date | TBD | 100,000 | - | 100,000 | - |
| Change orders | | | | | - |
| Vitech Implementation Services Subtotal: | | \$3,500,000 | \$ - | \$3,500,000 | \$499,200 |

| Vitech Other Costs | | Budget | | Paid this Qtr | Cumul. |
|-------------------------------------|-----------|---------------------|--|---------------|---------------------|
| Vitech V3 License Fee | August-12 | \$ 575,000 | | \$ 575,000 | \$ 575,000 |
| Vitech V3 Upgrade Fee - | Various | 450,000 | | | |
| Infrastructure Hosting | Various | 376,000 | | | 25,000 |
| Travel | On-going | 82,500 | | | 7,500 |
| Software Escrow Agreement | FY 13/14 | 3,000 | | | |
| Change orders | | | | | |
| Vitech Other Costs Subtotal: | | \$ 1,486,500 | | | \$ 607,500 |
| Vitech Services Total: | | \$ 4,986,500 | | | \$ 1,106,700 |

| Linea - Project Oversight and Integrating Services Description: | | Budget | | Paid this Qtr | Cumul. |
|---|----------|------------|--|---------------|------------|
| Project Oversight | On-going | \$ 704,040 | | \$ 90,948 | \$ 208,835 |
| Design Consulting | On-going | 484,000 | | 12,343 | 28,253 |
| Testing | On-going | 412,550 | | 46,019 | 47,888 |
| Interfaces | On-going | 165,360 | | 5,781 | 15,401 |
| Cut-Over Support | On-going | 140,700 | | | |
| Training | On-going | 11,460 | | | |
| Data Conversion | On-going | 15,600 | | 9,726 | 12,455 |



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

| Milestone Description | Scheduled Invoice Date | Budget | Holdback (15%) | Net Scheduled Payment | Amount Paid |
|---|------------------------|---------------------|----------------|-----------------------|---------------------|
| Travel Expenses | On-going | 154,697 | | 13,272 | 25,702 |
| Project Oversight and Integrating Services Total: | | \$ 2,088,407 | | \$ 178,088 | \$ 338,533 |
| | | | | | |
| External Costs: | | Budget | | Paid this Qtr | Cumul. |
| Software | Varies | \$ 22,000 | | \$ 2,745 | \$ 2,745 |
| Hardware | Varies | 30,000 | | | 5,148 |
| Broadband to Host Facility | On-going | 48,000 | | 576 | 576 |
| Data Conversion (Legacy (\$9250 + Third Party \$431,712)) | | 440,962 | | | |
| 3rd Party Hardware / Software Total: | | \$ 540,962 | | | \$ 8,469 |
| | | | | | |
| Total Expended (excluding fixed term budget) | | | | | \$ 1,453,703 |
| Total Project Budget (excluding fixed term budget) | | \$7,615,869 | | | |
| Total Project Budget (including fixed term budget) | | \$7,897,369 | | | |

| | | | |
|-------------------------|--------------------|------------------------|---------------------|
| Original Project Budget | \$8,436,107 | Variance from Original | \$ (538,738) |
|-------------------------|--------------------|------------------------|---------------------|

| | |
|---|--------------------|
| Proposed Change Orders (see next page) | \$358,570 |
| Proposed Amended Budget | \$8,256,119 |
| Updated Variance From Original | \$(179,998) |

| Internal VCERA Costs: | This Qtr | Cumulative |
|---|-----------|--------------------|
| Staff Costs (unbudgeted to project) | \$ 43,747 | \$ 68,913 |
| Grand Total Expended (excluding fixed term budget) | | \$1,522,615 |



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

Change Orders This Period

| Name | Description | Cost Impact | Budget Year |
|---|--|-----------------------------------|--|
| Vitech CO 3223 – Revised Implementation Plan | Vitech submitted a change order (Attachment B) to adjust the implementation schedule to extend the overall project by 6.5 months. Although this will significantly increase Vitech's implementation hours, they agreed to do this change order free of additional charge. However, in exchange for the six month extension, Vitech has proposed to accelerate the payment schedule to receive an additional \$163,200 in FY2012-2013, an additional \$147,388 in FY2013-2014, and \$310,589 less in FY2014-2015. The project team analyzed the revised milestone payment plan and determined that Vitech is still receiving milestone payments proportional to their delivery of the system (the average monthly variation is .89% for the 40 months of the project). | None (net over course of project) | FY'12-'13: \$163,200 FY'13-'14: \$147,388 FY'14-'15: (\$310,589) |
| Linea Change Order #1 | Linea submitted a change order (Attachment C) to adjust the implementation schedule to extend the overall project by 6.5 months. Although this will significantly increase Linea's implementation hours, they agreed to do this change order free of additional charge. | None | N/A |
| Additional project workspace | The project team has determined that there is considerable advantage to in-person meetings. Linea and Vitech worked diligently to utilize the workspace provided to them, but over time the lack of space has negatively impacted the project and the productivity of the team. As MBS and potentially Ventura ITS join the project, it became critical to ensure adequate work and meeting space. | \$49,500 | FY'12-'13: \$13,500 FY'13-'14: \$18,000 FY'14-'15: \$18,000 |
| Increased cost of Broadband to Host Facility | The secure point-to-point connection from VCERA to Vitech's hosting facility is considerably more expensive than anticipated. The reason for the difference is that Vitech requires more bandwidth than was estimated in the budget. <i>The project team will explore</i> | \$68,100 | FY'12-'13: \$0 FY'13-'14: \$3,300 FY'14-'15: \$32,400 FY'15-'16: \$32,400 |



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

| Name | Description | Cost Impact | Budget Year |
|---------------------------------------|--|-------------|---|
| | <i>alternatives to lower this cost in FY2013-2014.</i> However, the budget will be increased according to the current monthly cost. | | |
| Additional Project Software | The project team originally budgeted for project management software (Sharepoint) and test management software (Smart Bear). However, in discussing the training effort with other retirement software, Staff determined that the Assima training tool would have significant long-term benefit to VCERA for both the PAS project and for other training efforts. The tool allows VCERA to create custom on-line training materials, including skills testing, to allow current and future staff to be trained via the web. The \$43,900 in additional cost will have significant return on investment in terms of reduction of future training costs, increased skills on V3, and the ability to document processes and procedures. Given the current issue with the lack of operational documentation of RDBS, staff believes that Assima will ensure this major risk will be avoided in the future. | \$43,900 | FY'12-'13: \$22,900 FY'13-'14: \$7,000 FY'14-'15: \$7,000 FY'15-'16: \$7,000 |
| Additional Data Conversion Assistance | On September 10, the project team requested \$214,000 for CMP and Associates to assist with the conversion. The Board requested that staff first assess the needs of the conversion based on the initial data conversion JAD sessions. MBS has made the following recommendations based on their analysis (see Attachment D): <ul style="list-style-type: none">Engage Ms. Brenda Cummings for 2-4 hrs per week and for the future JAD sessions (\$35,000 over two years)Engage Linea for 2-4 hrs per week to answer questions and attend JADs (\$50,000 over two years)Engage CMP and Associates for 2 hours per JAD Session (\$12,000)Engage Ventura County ITS to provide a Model 204 programmer to refine and run the conversion extracts (\$50,000 over two years) | \$147,000 | FY'12-'13: \$75,000 FY'13-'14: \$50,000 FY'14-'15: \$22,000 |



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

| Name | Description | Cost Impact | Budget Year |
|--------------------------------|---|-------------|---------------------|
| | The total cost of these services is \$147,000 based on current rates. | | |
| Document Conversion Assistance | Novanis, the company that implemented the current document management system, will be needed to assist with the extraction and conversion of documents from Liberty to the V3 imaging module (Attachment E). At minimum, the document conversion tool proposed will be needed, at a cost of \$24,500. However, Novanis' services may be needed as well. | \$50,250 | FY'13-'14: \$50,250 |
| Total | | \$358,750 | |

Change Orders (All To Date)

| Name | Description | Cost Impact | Budget Year |
|-------|-------------|-------------|-------------|
| | | | |
| Total | | | |



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

10/15/2012

| # | ISSUES / RISKS – Explanation of Issues | MITIGATION - Explanation of Action Needed | UPDATE – Current Status of Issue |
|---|---|---|---|
| 1 | Although the project plan was carefully reviewed by VCERA to ensure resources were applied to all tasks, operational events could impact resources on the project. All I.T. projects also carry risks of delays due to issues with software, data, etc. | Vitech, Linea and VCERA need to create contingencies for resource shortages and project delays. | The current project plan has been extended from 33 months to 40 months to account for the VCERA staff resource constraints. |
| 2 | The success of the VCERIS project depends on the appropriate technical skills that are dedicated for the duration of the project. Limited resources are available for data conversion. | VCERA is identifying the available resources available for data conversion. | MBS was contracted to act as data lead and provide the bulk of the programming required. MBS has identified the need for additional involvement by Ms. Brenda Cummings, Mr. Gerald Clark, and Ventura County ITS. |
| 3 | | | |

Accomplishments Planned for Next Period (10/1/2012 – 12/31/2012)

- Validation testing for Segment A (first V3 functionality will be delivered and tested)
- Initial load of VCERA test loaded into V3
- VCERA will be trained on the Assima training tool (to create custom training content)
- Segment B (sprints 1-4) design completed

ATTACHMENT A

| ID | Task Name | 2012 | | | | | | | 2013 | | | | | | | | | | | | 2014 | | | | | | | | | | | | 2015 | | | | | | | | | | |
|----|--|------|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|--|--|--|--|--|
| | | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | | | | | |
| 1 | Rollout 1 – RDBS Replacement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Segment A – Entity Management & Contributions | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Data Conversion Mapping Specifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Segment B – SCP, Participant Accounts, DRO | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | Data Conversion Mapping Specifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | Segment C – Reports, Funds Management, Statements, Yr End, Actuarial | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13 | Segment D – Documents, Reports, Workflows, Admin | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 16 | Segment E – VCHRP Import | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 17 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 18 | Data Conversion Mapping Specifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20 | Data Conversion Runs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 21 | User Acceptance Testing (UAT) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22 | Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 23 | Cutover to Production | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 24 | Parallel Testing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 25 | Rollout 2 – RIS Replacement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 26 | Segment A – Pension – Estimates, Application & Processing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 27 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 28 | Data Conversion Mapping Specifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 29 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 | Segment B – Disbursements & Payroll Deductions, COLA, 1099, Adjustments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 32 | Data Conversion Mapping Specifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 33 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 34 | Segment C – Pension - Disability and Death | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 35 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 36 | Data Conversion Mapping Specifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 37 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 38 | Segment D – Imaging, Workflows, Funds Management, Documents, Reporting, Admin, General | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 39 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 40 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 41 | Data Conversion Runs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 42 | User Acceptance Testing (UAT) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 43 | Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 44 | Cutover to Production | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 45 | Parallel Testing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 46 | Rollout 3 – Member Portal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 47 | Detailed Design Sprints | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 48 | Test Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 49 | User Acceptance Testing (UAT) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50 | Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 51 | Cutover to Production | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



VCERIS Project Change Order
Revised Project Implementation Plan v3.0
CO 3223



401 Park Avenue South
New York, NY 10016

Original Delivery Date: October 9, 2012

1.0 Overview of Requested Change

Per Section 8.2 of the Vitech-VCERA License, Professional Services, Maintenance and Support Agreement, during the project's Launch Phase, Vitech and VCERA prepared a Detailed Implementation Plan based on the preliminary Implementation Plan submitted in the Vitech proposal. The new Detailed Implementation Plan extends the Rollout 2 Go Live out approximately 5 months from early October 2014 to late February 2015 and the Rollout 3 Go Live out approximately 6.5 months from late November 2014 to early June 2015. The Rollout 1 Go Live is still targeted for October 2013.

Although Vitech did not anticipate the revised Implementation Plan to be extended out over 6 months, in the spirit of "good partnership", Vitech is pleased to extend the Rollout 2 and Rollout 3 Go Lives at no additional cost to VCERA, per our related assumptions and terms. This change order reflects the \$0 cost increase and outlines a new proposed payment milestone schedule for this project extension.

2.0 Solution Details

The primary "cause" for the project being extended over 6 months is to reduce the overlap of project activities during Rollout 1 User Acceptance Testing (UAT) and the start of Rollout 2 Detailed Design Sprint sessions from May 2013 to October 2013. VCERA has indicated that it can only commit to two full-time business user resources until October 2013 when, at that time, they will be able to commit another two business user resources for a total of four resources. As a result, the start of Rollout 2 Detailed Design Sprint sessions was moved to start in late September / early October 2013.

In addition to the reason above, some overlap in the defined Rollout 2 Detailed Design sprints was reduced. Together, these changes resulted in the overall project plan being extended over 6 months. See Appendix A for the revised high-level project plan.

As mentioned above, no additional Vitech services cost will be incurred by VCERA due to the changes in the Implementation Plan. However, due to the project payment milestones in Rollout 2 and Rollout 3 getting pushed back primarily into 2015, Vitech has proposed a revised payment milestone schedule that allows Vitech to maintain anticipated cash-flows per year. See Appendix B for the revised payment milestone schedule.

In addition, per Section 8.3 VCERA-Caused Delays of the contract, this project extension will be considered an "aggregate delay" of 30 days. As such, any additional VCERA-Caused delay in the project would result in potential costs to VCERA. See below for clause from Section 8.3 VCERA-Caused Delays of the contract.

In the event VCERA's adjustment to an Implementation Plan causes **VENDOR** scheduling conflicts or personnel unavailability, VCERA and **VENDOR** shall prepare a revised mutually agreeable Implementation Plan which may delay the

commencement and completion dates of the Project and shall take into consideration the readjusted time frames and implementation tasks. Such readjustment, rescheduling or modification of the Project shall be at no additional cost to VCERA if the aggregate delays are less than or equal to thirty (30) days and no single delay is more than ten (10) days.

3.0 Assumptions

1. VCERA will provide an adequate number of Data Conversion resources that are knowledgeable on the Legacy (RDBS, RIS) systems to participate in data mapping and other data conversion activities so that the updated Implementation Plan will not be negatively impacted. Should the Implementation Plan be further extended as a result of VCERA data conversion-related activities, or for any VCERA-related reasons, VCERA will potentially be subjected to future additional costs.
2. The VCERA-Vitech Hosting Agreement is not impacted by this change order.

4.0 Costs

There will be \$0 additional cost to VCERA for extending the Implementation Plan 6.5 months to June 2015. A proposed revised payment milestone schedule is contained in Appendix B.

5.0 Terms & Conditions

1. Vitech cannot predict all the future regulatory changes VCERA may have to comply with. Vitech can work with VCERA to address any regulatory changes when they are explicitly requested by VCERA. Such work would be outside the scope of this proposal.
2. Unless they are overridden by the terms and conditions from this document, terms from the original Vitech-VCERA License, Professional Services, Maintenance and Support Agreement apply.

Client Initial _____



6.0 Acceptance

VITECH SYSTEMS GROUP, INC.

Signed by:_____ Date:_____

Name and Title:

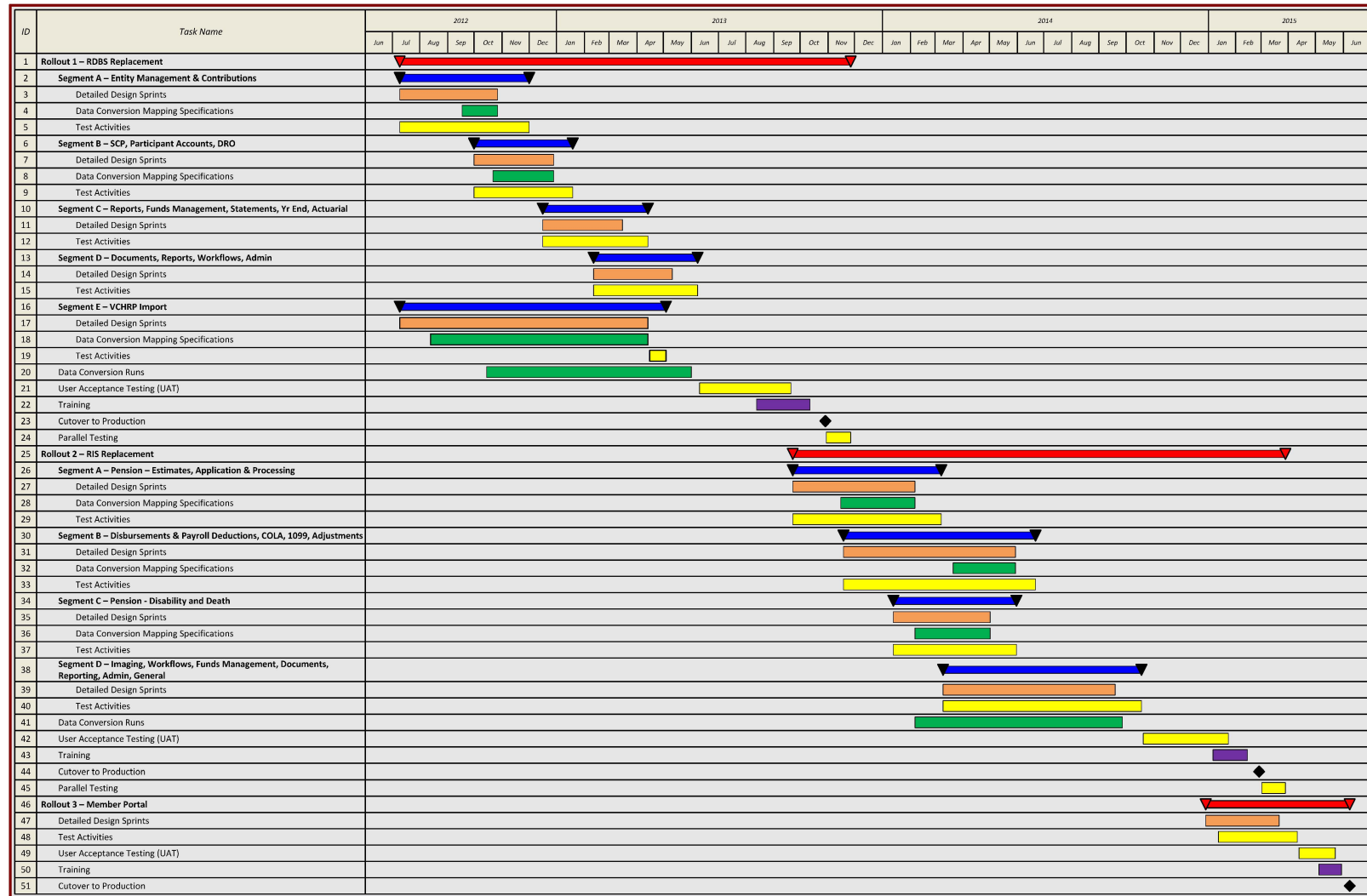
Ventura County Employees' Retirement Association (VCERA)

Signed by:_____ Date:_____

Name and Title:



Appendix A – High-Level Implementation Plan





CO 3223 – Revised Project Implementation Plan v3.0

Appendix B – Proposed Revised Payment Milestone Schedule

VCERA Service Payment Schedule

Total Services: 3,500,000

| Invoice # | License Fee | Est Invoice Date | % | Gross Payment** | 15% Withhold | Net Payment | Withhold Release | Total Payment | Milestone Description*** | Months into | Cum % Months | Cum Services paid |
|-----------|-------------|------------------|---------|-----------------|--------------|-------------|------------------|---------------|--|-------------|--------------|-------------------|
| 1 | \$ 575,000 | Mar-12 | | 200,000 | | 200,000 | | 200,000 | Project Initiation / Initial License payment (development license) | - | 0.0% | 5.7% |
| 2 | | May-12 | 4.00% | 128,000 | (19,200) | 108,800 | | 108,800 | QA Hardware and Software Installed and Configured | 3 | 6.4% | 8.8% |
| 3 | | Jun-12 | 3.00% | 96,000 | (14,400) | 81,600 | | 81,600 | Detailed Implementation Plan Approved | 4 | 9.6% | 11.2% |
| 4 | | Aug-12 | 7.00% | 224,000 | (33,600) | 190,400 | | 190,400 | V3 Baseline Application Configuration & Demonstration Complete | 6 | 14.7% | 16.6% |
| 5 | | Nov-12 | 7.00% | 224,000 | (33,600) | 190,400 | | 190,400 | Rollout 1: VCERA confirms Segment A functionality delivered and validated | 9 | 22.7% | 22.0% |
| 6 | | Jan-13 | 7.00% | 224,000 | (33,600) | 190,400 | | 190,400 | Rollout 1: VCERA validates Segment B functionality delivered and validated | 11 | 26.5% | 27.5% |
| 7 | | Apr-13 | 7.00% | 224,000 | (33,600) | 190,400 | | 190,400 | Rollout 1: VCERA confirms Segment C functionality delivered and validated | 13 | 33.9% | 32.9% |
| 8 | | May-13 | 7.00% | 224,000 | (33,600) | 190,400 | | 190,400 | Rollout 1: VCERA confirms Segment D functionality delivered for Validation | 15 | 36.7% | 38.4% |
| 9 | | Jul-13 | 9.00% | 288,000 | (43,200) | 244,800 | | 244,800 | Rollout 1: VCERA begins UAT | 16 | 41.5% | 45.3% |
| 10 | | Oct-13 | 18.00% | 576,000 | | 576,000 | 100,800 | 676,800 | Rollout 1: VCERA accepts system for production | 19 | 49.1% | 64.7% |
| 11 | | Feb-14 | 5.00% | 160,000 | (24,000) | 136,000 | | 136,000 | Rollout 2: VCERA confirms Segment A functionality delivered for Validation | 24 | 59.4% | 59.7% |
| 12 | | May-14 | 4.00% | 128,000 | | 128,000 | | 128,000 | Rollout 2: VCERA confirms Segment C functionality delivered and validated | 27 | 67.0% | 72.2% |
| 13 | | Jun-14 | 4.50% | 144,000 | | 144,000 | | 144,000 | Rollout 2: VCERA confirms Segment B functionality delivered and validated | 28 | 69.3% | 76.3% |
| 14 | | Oct-14 | 4.00% | 128,000 | | 128,000 | | 128,000 | Rollout 2: VCERA confirms Segment D functionality delivered and validated | 32 | 79.7% | 80.0% |
| 15 | | Nov-14 | 5.00% | 160,000 | | 160,000 | | 160,000 | Rollout 2: VCERA begins UAT | 33 | 82.0% | 84.6% |
| 16 | | Feb-15 | 4.00% | 128,000 | | 128,000 | | 128,000 | Rollout 2: VCERA accepts system for production | 36 | 89.6% | 88.2% |
| 17 | | Apr-15 | 1.25% | 40,000 | | 40,000 | | 40,000 | Rollout 3: VCERA validates functionality | 38 | 94.8% | 89.4% |
| 18 | | Apr-15 | 1.25% | 40,000 | | 40,000 | | 40,000 | Rollout 3: VCERA begins UAT | 38 | 94.8% | 90.5% |
| 19 | | Jun-15 | 2.00% | 64,000 | | 64,000 | 168,000 | 232,000 | Rollout 3: VCERA accepts system for production | 40 | 100.0% | 97.1% |
| 20 | | Sep-15 | | 100,000 | - | 100,000 | | 100,000 | Warranty Complete: one year after System Live Date | | | 100.0% |
| | \$575,000 | | 100.00% | 3,500,000 | (268,800) | 3,231,200 | 268,800 | 3,500,000 | | | | |

**Each progress payment is based on the payment % of the full value less the \$200k and \$100k due at the beginning and end of the project.

*** Rollout 1 includes contribution processing and RDBS Replacement;

Rollout 2 includes benefit processing, payments; and

Rollout 3 will provide Member Self-Service

| | | | |
|---------------------|-----------------------|-------------|--------|
| Organization | VCERA | | |
| Project | VCERIS | | |
| Subject | Contract Amendment #1 | | |
| Written by | Brian Colker | | |
| Date | 10/1/2012 | | |
| Doc # | VC-CHG-01 | | |
| Vers. | 1 | Page | 1 of 2 |



2701 OCEAN PARK BLVD.
SUITE 251
SANTA MONICA, CA
90405

Contract Amendment #1

During the first three months of the VCERIS project, VCERA, Linea, and Vitech spent significant time reviewing the implementation plan. During this process, VCERA staff and management determined that VCERA did not have sufficient resources to meet the original 33 month schedule. The revised detailed implementation plan's overall duration is now approximately 40 months. The initial RFP planned for three to six staff full time equivalents (FTE's) for the project, depending on the phase. Vitech, Linea, and VCERA performed a detailed examination of every project task item, and VCERA management considered available staff, including staff's skills and experience, and concluded that only three full-time equivalents were available for the first eighteen months of the project, increasing to five staff members for the remainder of the project. The primary reason for the delay is due to the time required to train the recently hired staff to become proficient in retirement operations.

As part of Linea's original contract for this project, Linea agreed to extend the project timeline, if required, from 33 to 36 months at no additional charge. For the current change order, Linea has agreed to extend its services from 36 to 40 months also at no additional charge. Specifically, Linea is estimating that this change will translate into an additional 365 hours of project management and 210 hours of testing and interface-related work, for which Linea will not charge. Linea has agreed to do this in good faith due to Linea's significant history with VCERA, and because of Linea's commitment to the success of the project.

| Project Budget | Amount |
|--|---------------|
| Original project budget (March 2012 – November 2014) | \$2,088,047 |
| Extension of Linea Solutions' services from November 2014 – June 2015 (575 hours of additional work added) | \$0 |
| Total Amended Statement of Work Cost | \$2,088,047 |

Assumptions:

1. Any additional extension of the project timeline may result in additional costs
2. Any addition of out of scope activities may result in additional costs

| | | | |
|---------------------|-----------------------|-------------|--------|
| Organization | VCERA | | |
| Project | VCERIS | | |
| Subject | Contract Amendment #1 | | |
| Written by | Brian Colker | | |
| Date | 10/1/2012 | | |
| Doc # | VC-CHG-01 | | |
| Vers. | 1 | Page | 2 of 2 |



2701 OCEAN PARK BLVD.
SUITE 251
SANTA MONICA, CA
90405

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

LINEA SOLUTIONS, INC.

VCERA

By: _____
Brian Colker, CFO

By: _____

Date: _____

Date: _____



**Ventura County Employees' Retirement Association (VCERA)
Pension Application System (PAS) Data Conversion
Status Report
October 9, 2012**

JAD I – World and Contributions

We have completed a very successful World and Contributions Data Conversion JAD I. The first three days of the JAD occurred on-site on 9/25/12 – 9/27/12, during which we covered all of the World target tables and all except for two of the Contributions tables. The remaining two Contributions tables were completed in subsequent remote JAD's, which occurred on 10/3/12 and 10/8/12.

JAD I took five days to complete instead of the anticipated three days. This was due to complicated transformations being required for deducing some data, such as member status and determining periods of employment for members, both of which lacked direct supporting data in RDBS. Regardless, given that we were able to complete these data maps successfully and that more of the difficult data table conversions are front loaded in the schedule, this is not a major concern going forward.

We had outstanding Subject Matter Expert (SME) support during the first JAD. As questions were raised throughout the JAD, someone in the room nearly always had the answer. We had four scheduled ½ hour meeting times with Vio Lawson. During the first two days, we asked her questions no one else could answer with certainty. She offered some information; in many cases, she either confirmed what the group had determined, or needed to perform additional research to provide follow-up information the following day. Brenda Cummings was extremely helpful during the JAD, as she offered the specific business scenarios that had occurred causing the data to appear as it does. Beyond Brenda, the entire attending user community provided excellent guidance throughout the JAD. Jerry Clark's previous analysis of much of the RDBS data also proved very helpful throughout the JAD.

As a result of what happened in JAD I, MBS recommends the following:

1. Brenda Cummings continue to be available for all JAD's, and for data conversion questions 2-4 hours / week
2. Jerry Clark continue to be available for all JAD's and for data conversion questions 2-4 hours / week
3. Vio Lawson continue to be available for 2 hours per JAD
4. User community attendance continue if possible

We are not able to gauge with any certainty resource involvement required as we review RIS and ADP data (JAD's III through VI) since we have not looked at any of this data yet; however, we would expect similar resource requirements.

Scope / Estimates

The following chart shows the original anticipated data conversion scope for JAD I tables.

| ROLLOUT | JAD | SEGMENT | AREA | Complex Data Conversions | Moderate Data Conversions | Simple Data Conversions | No Data Conversion |
|-----------|-------|--|---------------------------------|---|--|-------------------------|--|
| Rollout 1 | JAD I | Segment A -- Entity Management & Contributions | World - Member | Member, Member Address | Member Contact Info, Member Contacts, Member Comments, Member SSN Change, Member Name Change, Member Audit History | None | None |
| | | | World - Employer | None | None | None | Employer, Employer Address, Employer Contact Info, Employer Contacts, Employer Name Change, Employer DBA, Billing Location, Billing Location Address, Billing Location Contact Info, Billing Location Status, Billing Location Contacts incl. Address and contact info |
| | | | World - Associate / Beneficiary | Dependent (aka Associates), Dependent Address | Dependent Phone, Beneficiary | None | Contacts Dependents, Dependent / Beneficiary Audit History, |
| | | | World - Other Interested Party | None | None | None | OI Organization, OI Organization Address, OI Person, OI Person Address, OI Organization Contact Info, OI Person Contact Info |
| | | | Contributions | Work History, Work History to Part Acct Link | Employment History, Leave History / Reciprocity, Work History Report | None | Participation, Rate, Agreement, Contract, Job Category, Job Class, Factor Pay Items |
| | | | TOTAL TABLES | 7 Tables | 11 Tables | 0 Tables | 34 Tables |

The following chart shows the actual data conversion scope for JAD I tables.

| ROLLOUT | JAD | SEGMENT | AREA | Complex Data Conversions | Moderate Data Conversions | Simple Data Conversions | No Data Conversion |
|-----------|-------|--|---------------------------------|---|---------------------------------|---|---|
| Rollout 1 | JAD I | Segment A -- Entity Management & Contributions | World - Member | Member, Member Misc Info, All Address | None | Member Name Change, Member SSN Change, All Contact Info | Member Contacts, All Comments, Contacts Dependent |
| | | | World - Employer | None | None | None | None |
| | | | World - Associate / Beneficiary | None | Associate, Beneficiary | None | None |
| | | | World - Other Interested Party | None | None | OI Organization | None |
| | | | Contributions | Employment, Employment Detail, Work Report Header, Work History | Job Category, Factor Earn Codes | Job Class | Age of Entry, Rate |
| | | | TOTAL TABLES | 7 Tables | 4 Tables | 5 Tables | 5 Tables |

JAD I data conversion appears to be equally complex as originally scoped. Although there are fewer ‘Moderate’ tables and more ‘Simple’ actual tables, the ‘Complex’ tables have very significant transformations associated with them.

Note: Some tables identified as ‘No Conversion’ were not considered in the JAD per Vitech’s identified data targets and therefore are excluded from the Actual Data Conversion Table List. These tables do not impact scope.

Data Conversion Risks

After JAD I, MBS recognizes two major data conversion risks:

1. There is limited data available for conversion. This will require more complex transformation to deduce some data values.
2. There is no consistent data extraction process from the mainframe applications.

The first risk poses no specific risk to project progress at this time.

The second risk is substantial and needs to be addressed. MBS has not been able to gain confidence that extracted data to date is complete and consistent. Some extracts may end at different times and dates than other extracts. This may lead to disconnected data (e.g. a Contribution record exists for a Member not in the Master Header table) which will result in MBS Quality Assurance (QA) or Vitech scorecard errors. These errors will distract the team from pursuing true data issues which will result in time and effort lost. Similarly, as data is cleaned up on existing applications, an on-demand process will be needed to move this data to the data conversion environment for eventual loading to V3. A last concern is that if there is no consistent data extraction process, there will be no guarantee that all data has been successfully migrated at go-live, resulting in possible production errors.

MBS proposes that VCERA prepare a data extraction process that can be run on-demand and is guaranteed to be consistent, such that all data files contain data across identical date / time ranges, or that any discrepancies between date / time ranges for data is well known. Vio Lawson may be needed to aid other VCERA IT staff in the setup of these extraction processes. MBS is available to meet with VCERA to discuss specific file needs, such as requiring a complete set of “CONTRIB” files, and possibly dropping the extraction of “CTB-A” files. MBS recommends that a VCERA IT resource ‘own’ this process, such that it can be executed with a high degree of success as needed throughout the data conversion project and especially at go-live.

Next Steps

MBS has begun developing the data conversion scripts for World and Contributions, per the data map created in JAD I. MBS will work with Linea Consulting and Vitech to determine a detailed schedule for the completed scripts.

JAD II, Participant Accounts and Service Credit Purchase, is scheduled for December 10-14, 2012. Due to the extended time required JAD I, additional time has been planned for JAD II.

JAD I was a great success and we look forward to continuing our progress. We greatly appreciate the dedication shown by VCERA staff, Linea Consulting, Vitech and all participants.

Ventura County Employee Retirement Association

LibertyNET EDMS Conversion Statement of Work

Prepared by

NovanisTM

Sam Stickler

VP of Business Solutions

Effective Date: 6/20/2012

Table of Contents

| | |
|--|----|
| 1.0 Purpose..... | 1 |
| 2.0 Objectives..... | 1 |
| 3.0 Scope | 1 |
| 3.1 Phase 1 – Planning and Requirements Analysis | 1 |
| 3.2 Phase 2 - Pilot Conversion | 4 |
| 3.3 Phase 3 – Full Conversion..... | 4 |
| 3.4 Out of Scope | 4 |
| 4.0 Assumptions..... | 5 |
| 5.0 Time line and Cost | 6 |
| 5.1 Reference Price | 6 |
| 6.0 Critical Success Factors..... | 10 |
| 7.0 Signatures..... | 10 |

1.0 Purpose

This Project Definition (“SOW”) defines the scope, time line and costs for the conversion of LibertyNET images and metadata out of the current production LibertyNET system.

2.0 Objectives

The goals and objectives defined within the SOW have been expressed in the EDMS Conversion Requirements document and include the following:

- The purpose of this project is to export the documents and commensurate metadata out of the existing LibertyNET EDMS software for import into the Vitech Pension Administration System (herein referred to as “Vitech”).
- The output deliverable will be the unencrypted documents in their native file formats, sequestered into folders on a Windows Server file system along with a CSV file containing the Indexing field information relevant to each document and batch. This sequestration will be determined by the criteria used to aggregate the batches and by the export strategy to be determined by VCERA.
- The achievement of these objectives should be done within a project plan and time line that allows for the initial completion date to be September 2012.

3.0 Scope

This section of the SOW identifies the phases and associated tasks and activities that comprise the scope of the LibertyNET Conversion project to be performed. This section also identifies those items that would be considered out of scope.

3.1 Phase 1 – Planning and Requirements Analysis

The following items represent key functional requirements that are defined in this Phase and represent the methodology that will be used. Once defined, a project plan is created that identifies the tasks and activities required to complete each phase of the project.

3.1.1 Conversion Metrics Requirements

The following are the tasks and activities necessary for defining the appropriate metrics for planning the conversion.

- Determine the application file’s size and image file count to assist with the storage requirement.

- Determine if there are any attachments or annotations related to the production documents. To facilitate an efficient export, the types of OLE objects and their respective application classes need to be defined and tested on a representative sample.
- Evaluate the number of Form Types and their respective field data.
- Determine what Liberty objects will be affected by the export.
- Determine current foldering strategy and how it impacts the export strategy.
- Perform data preparation for any Liberty Folders not represented in MSSQL. Folders not in SQL need to be converted in place or the records copied to a Table created expressly for the conversion process. Folder Validation is important to determine the accuracy and completeness of the conversion process.
- Folder validation for all MSSQL folders to verify that contents of the table(s) equivocates to the contents of the file system.

3.1.3 Export File Requirements

The following are the tasks and activities necessary for determining the Export File requirements.

- Determine strategy for batching the Export / Conversion process.
- Acquire sample record information that will be representative for each of the export strategies to facilitate testing and auditing.
- Determine a Quality Control procedure to apply to the Pilot Conversion and Production Conversion.
- Determine a Pilot Conversion procedure that will faithfully reproduce a scale version of the production conversion.

3.1.4 Processing Requirements

The following are the tasks and activities necessary for determining the Export File requirements:

- Design and create the Conversion Log that will be used to track batches, counts, and errors.
- Propose a schedule for the production conversion allowing time for error checking and troubleshooting problems (Liberty's log indicates export error information.)

- Create a free standing LibertyNET implementation that will connect to a copy of all the production data.
- If necessary, and based on pilot metrics, set up additional LibertyNET client machines to assist in parallel processing additional batches.

3.1.5 Conversion Environment Requirements

In order to provide a solution that minimally affects the production system, it is necessary to define the requirements for a discreet server / client infrastructure.

The server would provide the storage required for the exported image files, database and metadata export destinations, as well a target for audit and reporting.

3.1.5.1 Hardware Software Requirements

The following includes the recommended hardware and software configuration for performing the entire conversion:

- DL380 G7 or equivalent dual six core Xeon E55xx / E57xx processors
 - 24 GB Ram
 - Quad port network adapter
 - 2 - 146 GB 10k SAS drives for the OS
 - 6- 1 TB SAS 15K drives for the storage array
 - Windows Server 2008 R2 x64
 - MS SQL std 2008

3.1.5.2 Conversion Environment Facility Requirements

The tasks and activities performed as part of the scope of this SOW are conducted 80% off site/remotely and 20% or less onsite. Therefore VCERA will need to provide VPN connection and assign a server (equal to the configuration in section 3.1.5.1) capable of running the conversion.

3.1.5.3 Backup/Restore – DR Requirements

It is recommended that a disk-to-disk or tape full backup is performed at least weekly with daily differential for the duration of the project.

3.1.6 Migration to Production Requirements

The technical and procedural requirements are defined for moving the converted images from test / development to production.

3.1.7 MS Project Plan Creation

Once all requirements are defined, a Microsoft Project Plan is created outlining all phases and their respective scheduled tasks, activities, and milestones.

3.2 Phase 2 - Pilot Conversion

The following are tasks and activities required for completing the Pilot Conversion for Phase 2.

3.2.1 Set up Conversion Environment

The following are tasks and activities required to establish a healthy conversion environment:

- Design and create the Conversion Log that will be used to track batches, counts and errors.
- Create export destinations on export server for metadata csv files and for image files.
- Create database queries to determine a Batch Profile representing the documents and counts that will be part of each batch. This information will be part of the Conversion Log.
- Create Rule Templates to process the association between the indexing and the image files for the various export strategies.
- Test exports for each of the export strategies for image and metadata accuracy and validate each with VCERA.

3.3 Phase 3 – Full Conversion

Utilizing the methodology defined in the Pilot Conversion, the images are processed according to the schedule and procedures that include the following:

- A query of the database to get information about the batch.
- Run the conversion script for each defined batch.
- Periodic quality control inspections to make sure that the indexes are correct for the images and the document counts are correct for each batch.
- Reconciliation of the Conversion Log against any reported anomalies.

3.4 Out of Scope

The following are considered out of scope for this project:

- OCR (optical character recognition) is considered out of scope for this project, but could be provided contingent on licensing and change order considerations.
- LibertyNET system repair (folders, indexes, objects, etc.) unless required to facilitate the export and a change order is agreed upon.
- On-site conversion services greater than 15% of the total allotted time.

- Any extended programming required to provide the images and metadata into the required format that may be a format other than xml, csv, or comma/pipe delimited.

4.0 Assumptions

Novanis has made the following assumptions for this SOW:

- There exists a current database and application image file backup that represents all of the production data.
- VCERA purchases the Liberty Conversion tool.
- Hyland OnBase does not increase the price of the Liberty Conversion tool or discontinue its use.
- Our Developer has the valid output formats required for the file and metadata import into Vitech; this would be in the form of a sample import that would represent the requisite field, type and path information. Also any documentation for the Vitech import that would help clarify the import requirement and assist in a successful conversion output. Ideally this would be provided before a final cost estimate is committed and prior to the pilot conversion, for an accurate assessment of the output.
- This SOW provides for offsite/remote conversion services.
- Sufficient resource exists in the Server hosting the Application copy and the client workstation(s) used for processing. Examples are given below in the Hardware table.
- The export is processed from a central repository or valid current copy of the current Application.
- That there is no post processing of the output data, such as PDF conversion or metadata file modification.
- The current application is running without issue, on industry standard, patched current, recent manufacture (manufactured within the last 3 years), modern hardware, that is well connected and available.
- All of the Liberty folders are viable and free from corruption.
- VCERA will decide a cut-off day and provide Novanis a complete data set up for that date of conversion. VCERA further assures that the dataset includes full data base and image files that are error free as specified above. No day forward conversion is required for this project.

5.0 Time line and Cost

VCERA has requested that the completion date be sometime in September 2012. Based on resource allocation constraints the soonest Novanis would be able to start the project is July 2012. Once the requirements are defined, Novanis assigns an estimate of total man hours required to complete each phase of the project and evaluates from the completion date of September 2012 when the start date should be scheduled. A time line is then created using Microsoft Project that defines all major phases, their required tasks, milestones, and completion dates.

Although we can't provide the final price without requirements fully defined, we realize that VCERA needs more concrete pricing to assess the proposal. To that end, we have provided the 'reference price' in the following section based on a set of conditions and assumptions. If all the hypothetical conditions and assumptions turn out to be true, then the reference price is the final price. Otherwise, the price will be adjusted according to the same principles and method used to derive reference price.

5.1 Reference Price

Due to the time between the submittal of this SOW and the projected start date of the actual conversion, Novanis will hold the services pricing for a period of 365 days (1 year) from the date of this submittal. Should the this hold period expire, Novanis will not exceed a 20% increase in the cost of the services as long as the scope remains the same.

The reference price is made on the basis that the following conditions are met:

- All of assumptions stated in Section 4 above stay true.
- Adequate infrastructure and hardware to support conversion is provided by VCERA. The suggestion of adequate hardware is described in Section 5.1.4.
- The required Liberty Upgrade and conversion tool as specified in section 5.1.5 is purchased by VCERA through Novanis.
- The metrics related to data conversion are not to exceed the numbers specified in the Table 1.

| Conversion Metrics | No Greater Than |
|---|-----------------|
| Application File Sizes | Total 60 GB |
| Image File Count | ~190,000 |
| # of Attachments relating to Production Documents | TBD |
| # of Annotations relating to Production Documents | TBD |
| # of Form Types | TBD |

Table 1 – Assumed Conversion Metrics

5.1.1 Reference Project Price

Novanis uses an established conversion configurator and pricing method to derive data conversion solution prices.

Based on the conditions described in the beginning of Section 5.1, the breakdown and total cost of performing the LibertyNET conversion can be found in Table 2.

| Task Area | Duration (work day) | From Date | To Date | # of Staff | Average Hourly Rate | Total Hours | Total Cost |
|-------------------------|---------------------|-----------|---------|------------|---------------------|-------------|------------|
| Requirements | 5 | | | 1 | 190 | 16 | 3,040 |
| Pilot Conversion | 5 | | | 1 | 190 | 24 | 4,560 |
| Full Conversion | 10 | | | 1 | 170 | 40 | 6,800 |
| Testing/sign off | 8 | | | 1 | 190 | 24 | 4,560 |
| Cut Over Support | 5 | | | 1 | 190 | 16 | 3,040 |
| Project Management | 40 | | | 1 | 225 | 10 | 2,250 |
| | | | | | | 0 | |
| Sub Totals | | | | | | 130 | 24,250 |
| Plus Travel Allowance | | | | | | | 2,000 |
| Liberty Conversion Tool | | | | | | | 24,000 |
| Grand Total | | | | | | | 50,250 |

Table 2 – Total Project Cost including Liberty Conversion Tool

5.1.2 Hardware Recommendation

It has been estimated that VCERA has 190,000 documents. To complete the conversion within the necessary timeframe, adequate computing resources is required in addition to solid network infrastructure. Our Novanis engineer has put together a list of hardware including 1 server with 5 TB storage, 1 workstation and 1 tape backup unit which is essential to run conversion, The assumption is that VCERA can provide the same or like equipment to Novanis to run the conversion. The detailed configuration and price of equipment is listed below.

| QTY | MANUFACTURER | MODEL | DESCRIPTION | UNIT COST | TOTAL |
|-----|--|--------|--|-----------|---------|
| 1 | HEWLETT PACKARD - PROLIANT SERVERS 639829-005 | Server | DL380 G7 2.6 Core, 2P X5649 - Smart Array | \$4,480 | \$4,480 |
| 6 | HEWLETT PACKARD - SERVER OPTIONS 500662-S21 | Memory | HP 8GB 2RX4PC3- 10600R | \$299 | \$1,794 |

| QTY | MANUFACTURER | MODEL | DESCRIPTION | UNIT COST | TOTAL |
|-----|--|-----------------------|--|-----------|-------------|
| 2 | HEWLETT PACKARD - SERVER OPTIONS 507125--S21 | Hard Drive | 146GB SAS 6G 10K SFF 2.5IN HOT PLUG HDD | \$233 | \$466 |
| 6 | HEWLETT PACKARD - SERVER OPTIONS 605835-B21 | Hard Drive | 1TB 6G SAS 7200 RPM 2.5IN MIDLINE HDD | \$560 | \$3,360 |
| 1 | HEWLETT PACKARD - SERVER OPTIONS 435508-B21 | Server Adapter | NC364T PCIE 4PT GIGABIT SERVER ADAPTER | \$529 | \$529 |
| 1 | HEWLETT PACKARD - SERVICES UE894E | Warranty | 3YR UPG WARR ONSITE 24X7 4HR FOR PROLIANT DL380 | \$628 | \$628 |
| 4 | HEWLETT PACKARD-SERVER OPTIONS AF566A | Power Cord | 1.83M 10A C13-UL POWER CORD | \$10 | \$40 |
| 1 | HEWLETT PACKARD-SERVER OPTIONS 496012-B21 | Cable | MINI SAS TO MINI SAS 8IN CABLE ASSY | \$14 | \$14 |
| | Server Sub Total | | | | \$11,311.00 |
| | | | | | |
| 1 | HEWLETT PACKARD - DAT 3C EH958A#ABA | Tape Library | LTO5 ULTRIUM 3000 SAS EXTERNAL TAPE DRIVE | \$3,259 | \$3,259 |
| 1 | HEWLETT PACKARD - DAT 3C 462828-B21 | Tape Library | P212/ZM SMART ARRAY CONTROLLER | \$199 | \$199 |
| 1 | HEWLETT PACKARD - DAT 3C AE470A | Tape Library | 2M EXT MINI SAS TO MINI SAS FOR STORAGWORKS ULTRIUM DRIVE | \$60 | \$60 |
| 4 | HEWLETT PACKARD - MEDIA 7A C7974A | Tape Cartridge | 1PK LTO4 ULTRIUM 1.6TB RW DATA TAPE CARTRIDGE | \$115 | \$ 460 |
| 1 | HEWLETT PACKARD - MEDIA 7A C7978A | Cleaning Cartridge | 1PK LTO ULTRIUM UNIVERSAL CLEANING CARTRIDGE | \$97 | \$97 |
| 1 | HEWLETT PACKARD - DAT 3C 221692-B21 | Cables | 2M LC-LC CABLE KIT | \$75 | \$75 |
| | Peripheral Sub Total | | | | \$4,150.00 |
| | | | | | |
| 1 | HP-DESKTOP SB ELITE XZ793UT#ABA | Tower | SMART BUY 8200E SFF I5-2500 3.3G 4GB 1TB DVDRW W7P 64BIT | \$1,245 | \$1,245 |
| 1 | HEWLETT PACKARD - WORKSTATION OPTNS GN502AA | Video Card | NVIDIA QUADRO NVS 290 256MB PCIE EDMS-59-DVI FOR WORKSTATIONS | \$115 | \$115 |

| QTY | MANUFACTURER | MODEL | DESCRIPTION | UNIT COST | TOTAL |
|---------|---|---------|--|-----------|------------|
| 2 | HEWLETT PACKARD - WORKSTATION OPTNS GH739AA | Memory | 1GB 800MHZ DDR2 ECC MEMORY | \$99 | \$198 |
| 1 | HEWLETT PACKARD - MONITORS NP446AA#ABA | Monitor | 19IN WS LCD 1440X900 1000:1 LE1901WM DVI-D BLK | \$279 | \$279 |
| Desktop | | | | | \$1,837.00 |

Table 3 – Hardware Pricing

5.1.3 Liberty Software Requirement

To perform the conversion VCERA must upgrade to Liberty 11.0 on any machines that will be assigned to run the conversion. VCERA also must purchase the Hyland-Liberty Conversion tool. At present VCERA is current with their Liberty Annual Maintenance and has been provided the 11.0 Liberty activation code. VCERA must also purchase the Liberty Conversion tool from Novanis at a price of \$24,000.

5.1.4 Import into VITECH

Any tasks associated with the import of the Liberty images will be limited to presenting the images and metadata in Vitech's required file format so long as that format is either xml, csv, comma delimited, or pipe delimited.

6.0 Critical Success Factors

The critical success factors for the LibertyNET Conversion Project include the following:

- A well defined conversion plan based upon conversion metric actuals garnered during the requirements phase.
- Being able to process from a local LibertyNET implementation will greatly increase the speed and general success for this Conversion. This includes local access to the images being converted.
- Compliance to any necessary licenses Hyland OnBase requires.

7.0 Signatures

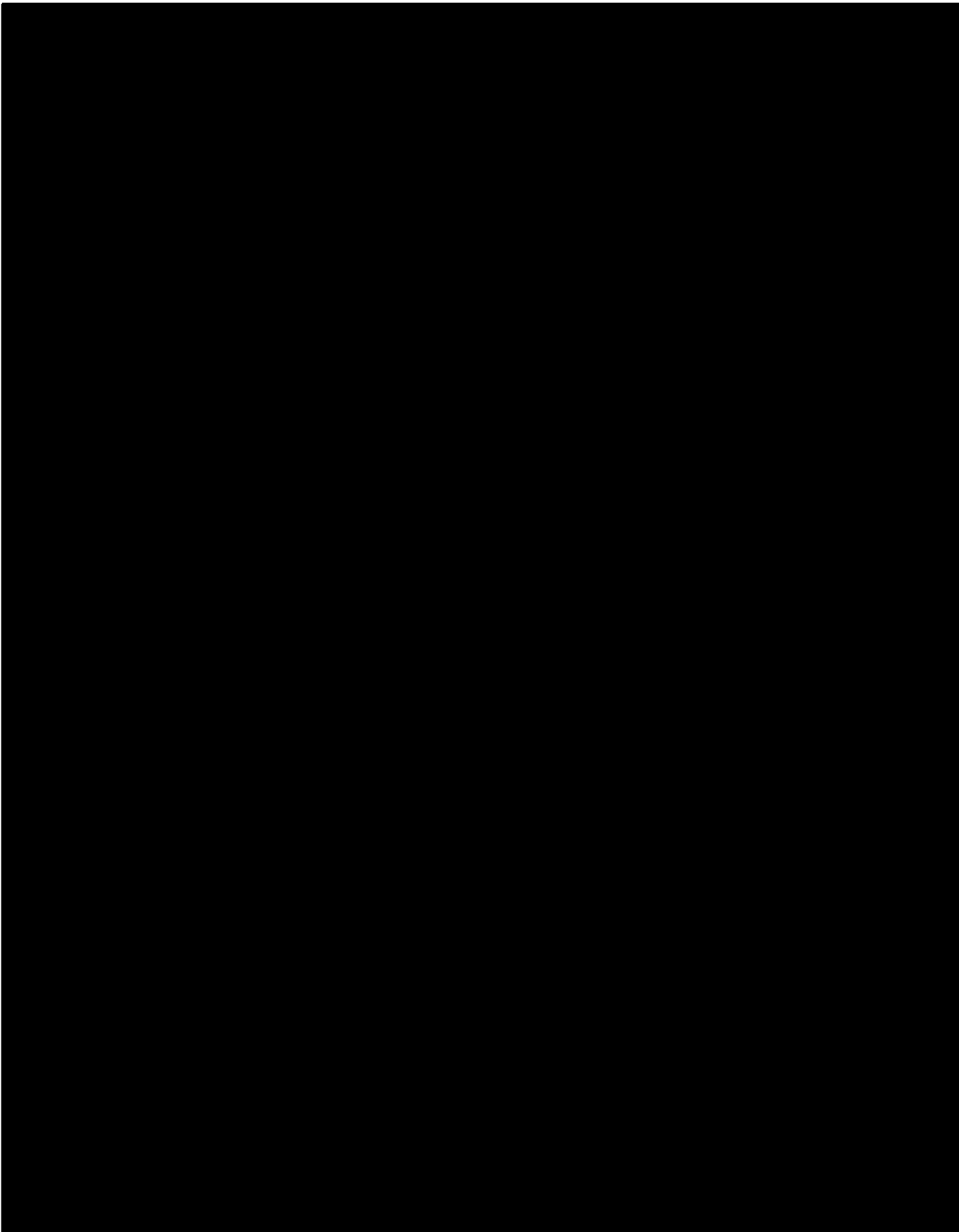
VCERA accepts the scope deliverables, referenced pricing and assumptions and conditions defined in this SOW as part of their EDMS Conversion Project.

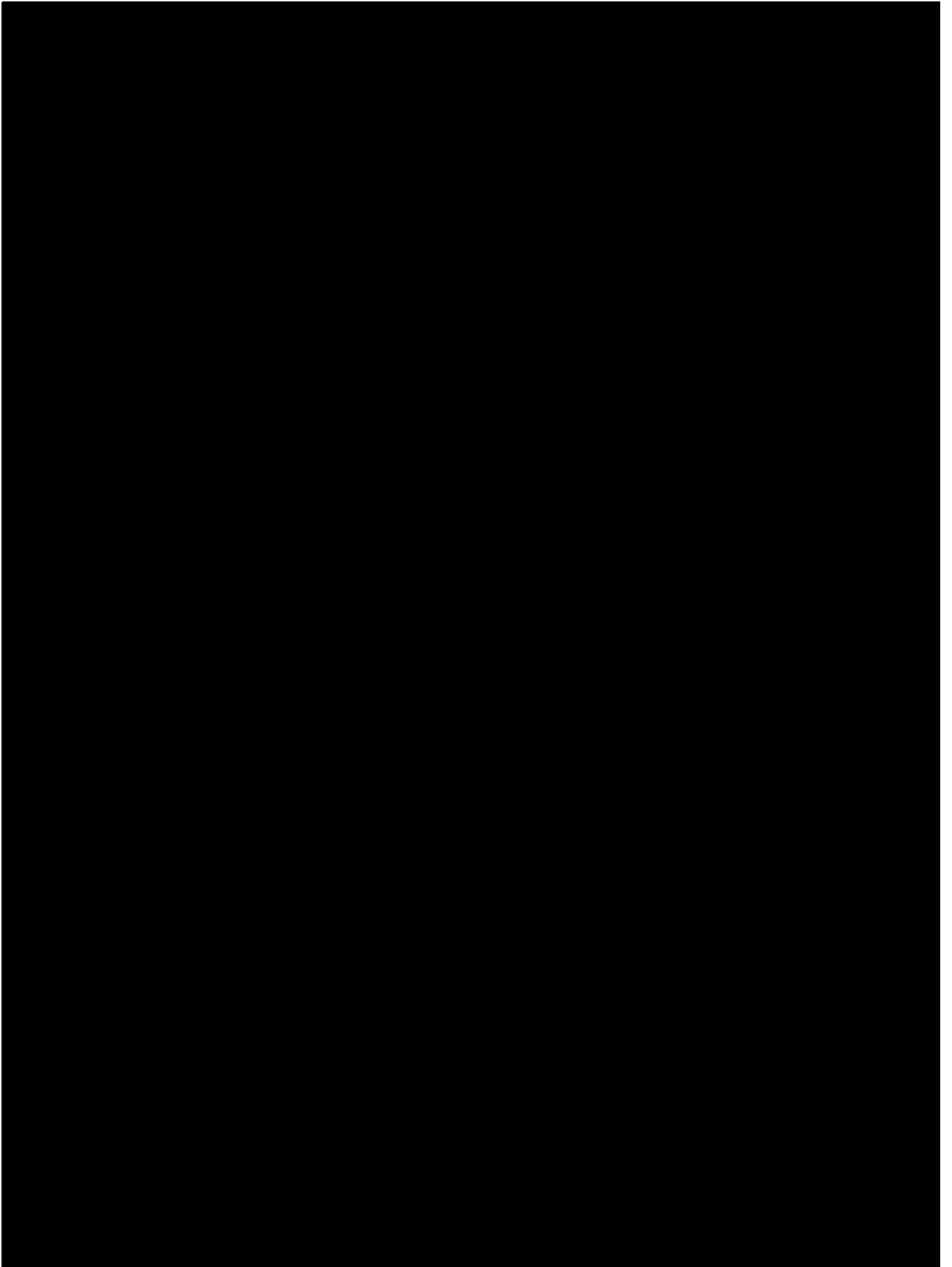
| APPROVALS | | |
|-------------------------------|--------------|-----------|
| VCERA Project Manager | | |
| | Printed Name | Signature |
| | Date: | |
| | | |
| Novanis Project Manager | Sam Stickler | |
| | Printed Name | Signature |
| | Date: | |

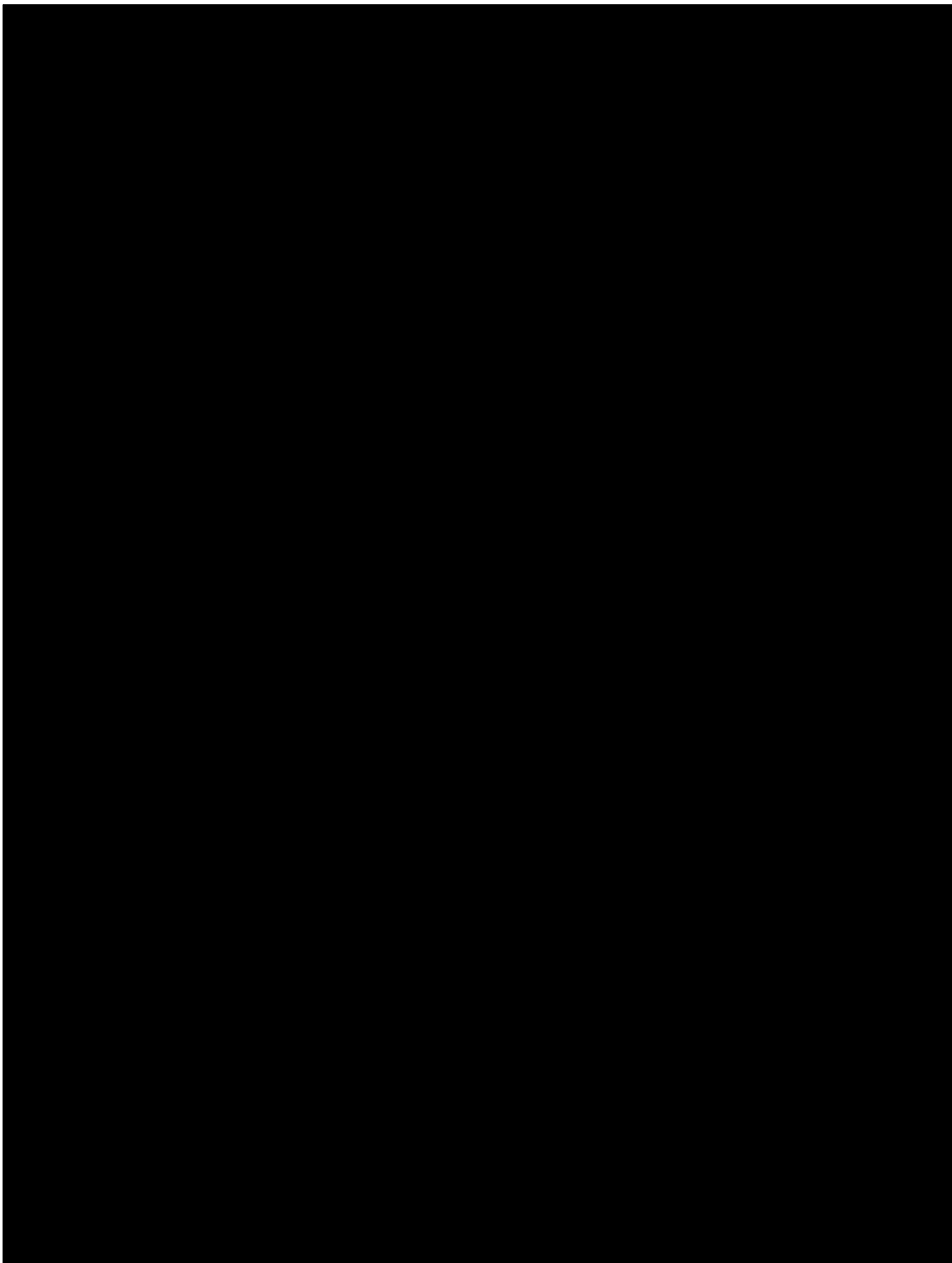
**MEMORANDUM
COUNTY OF VENTURA
COUNTY COUNSEL'S OFFICE**

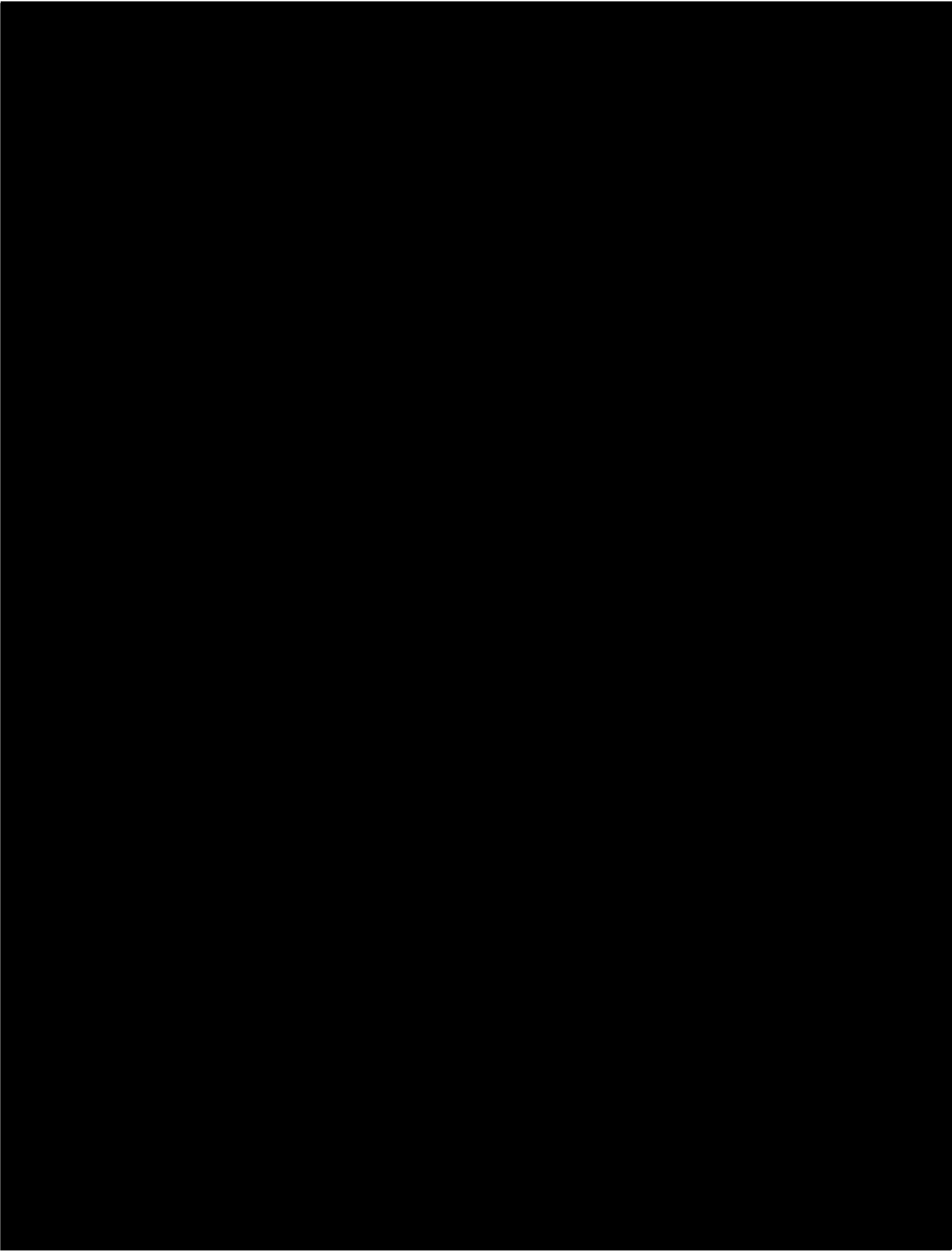
CONFIDENTIAL – ATTORNEY/CLIENT PRIVILEGE

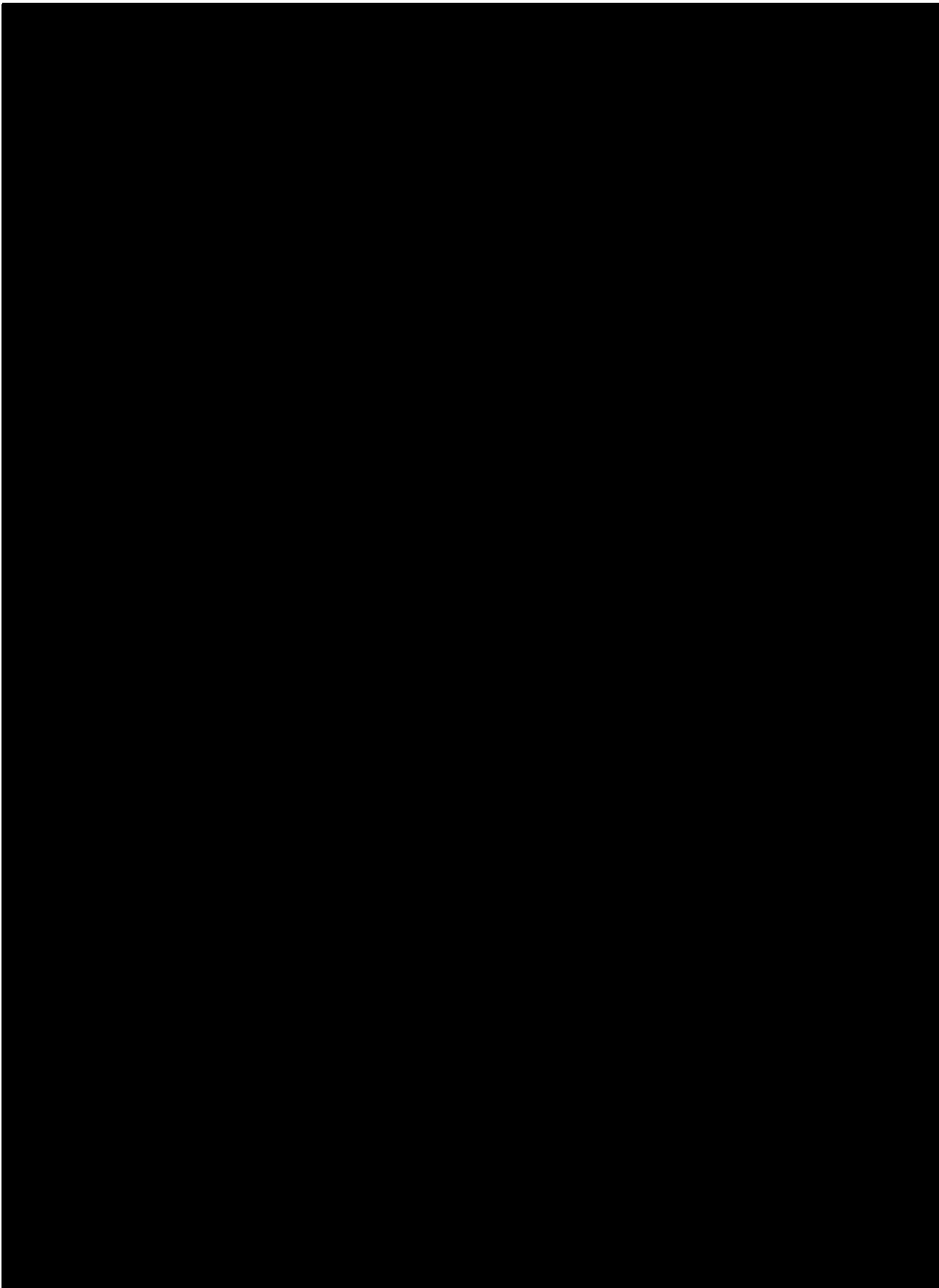


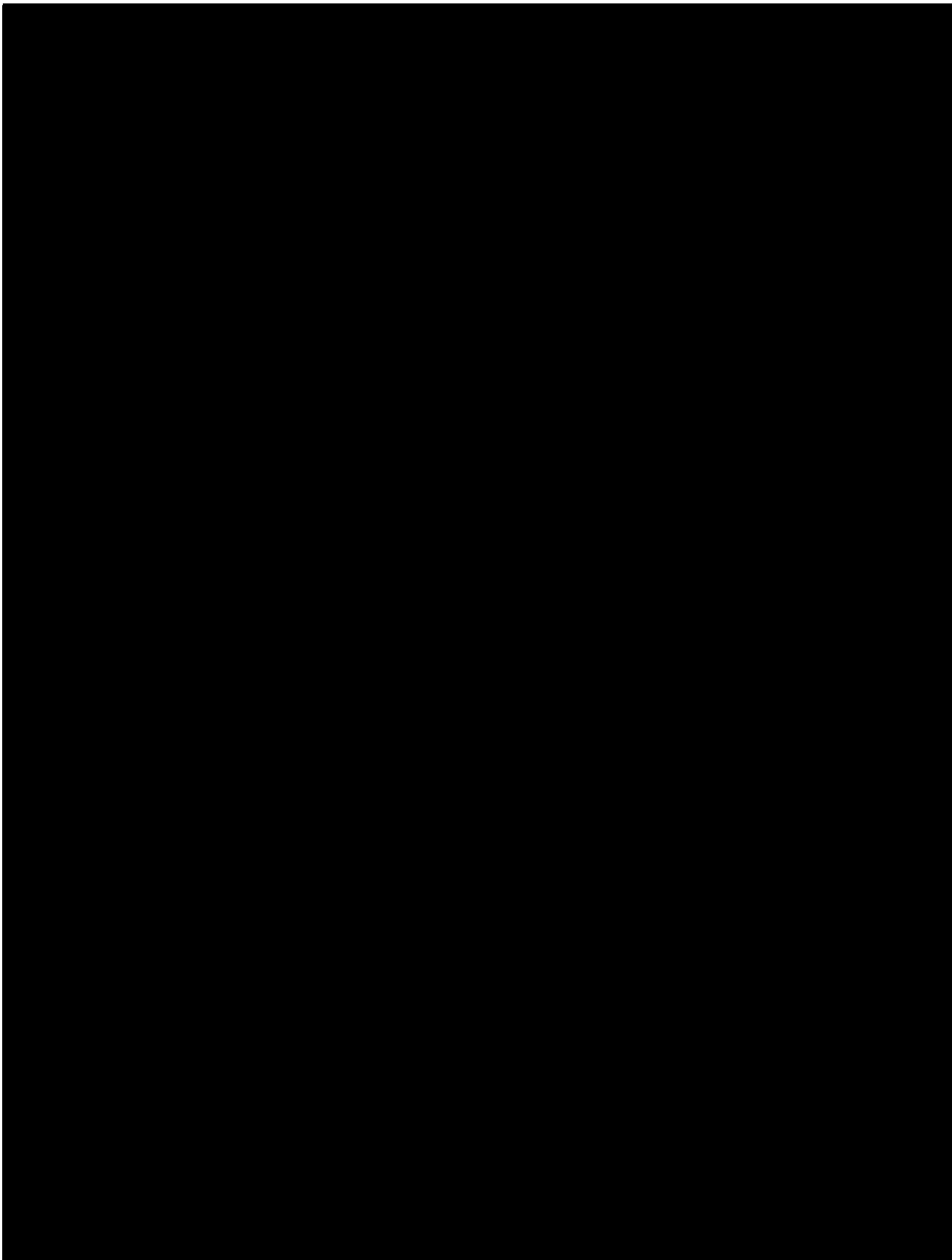


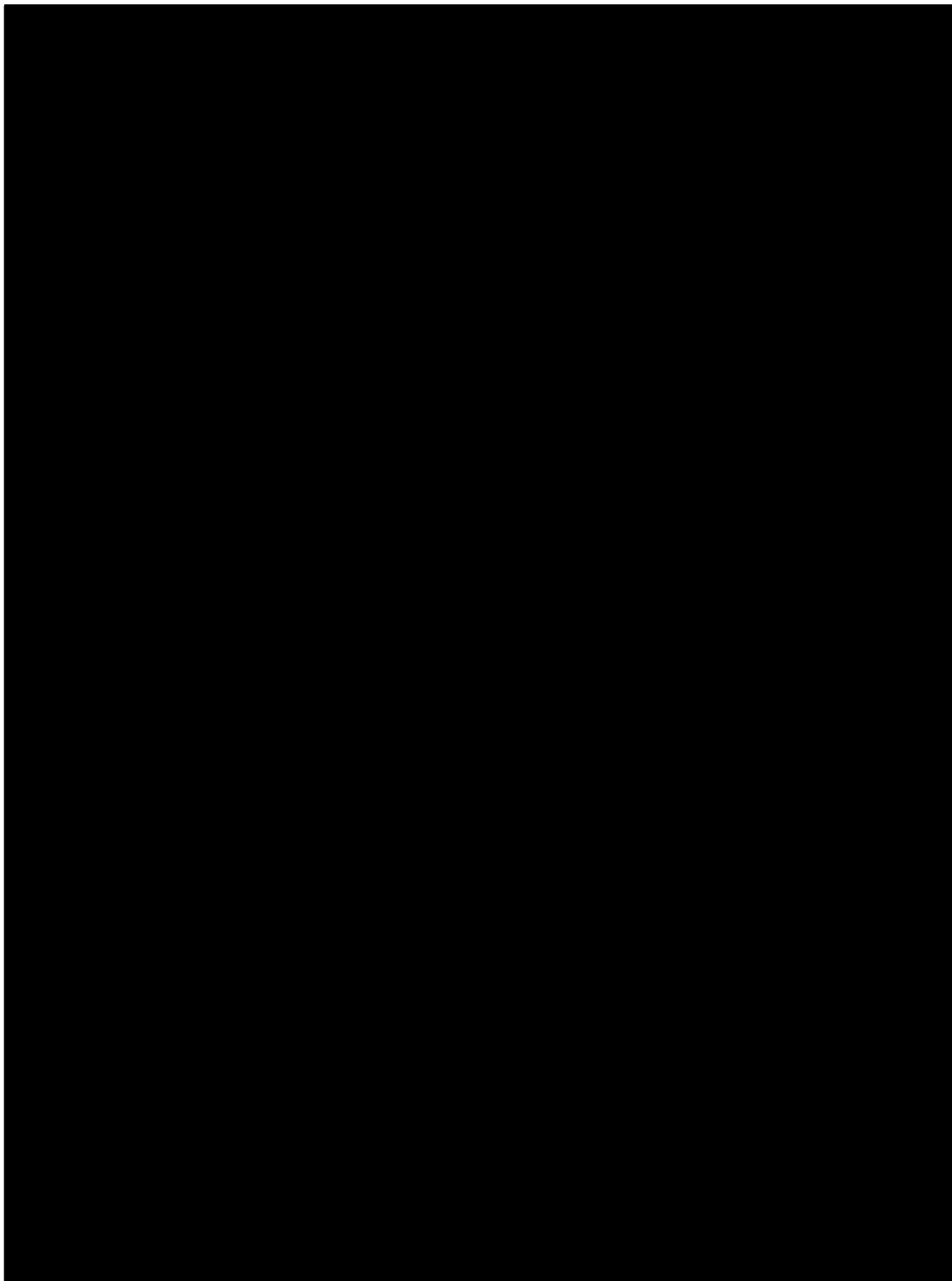


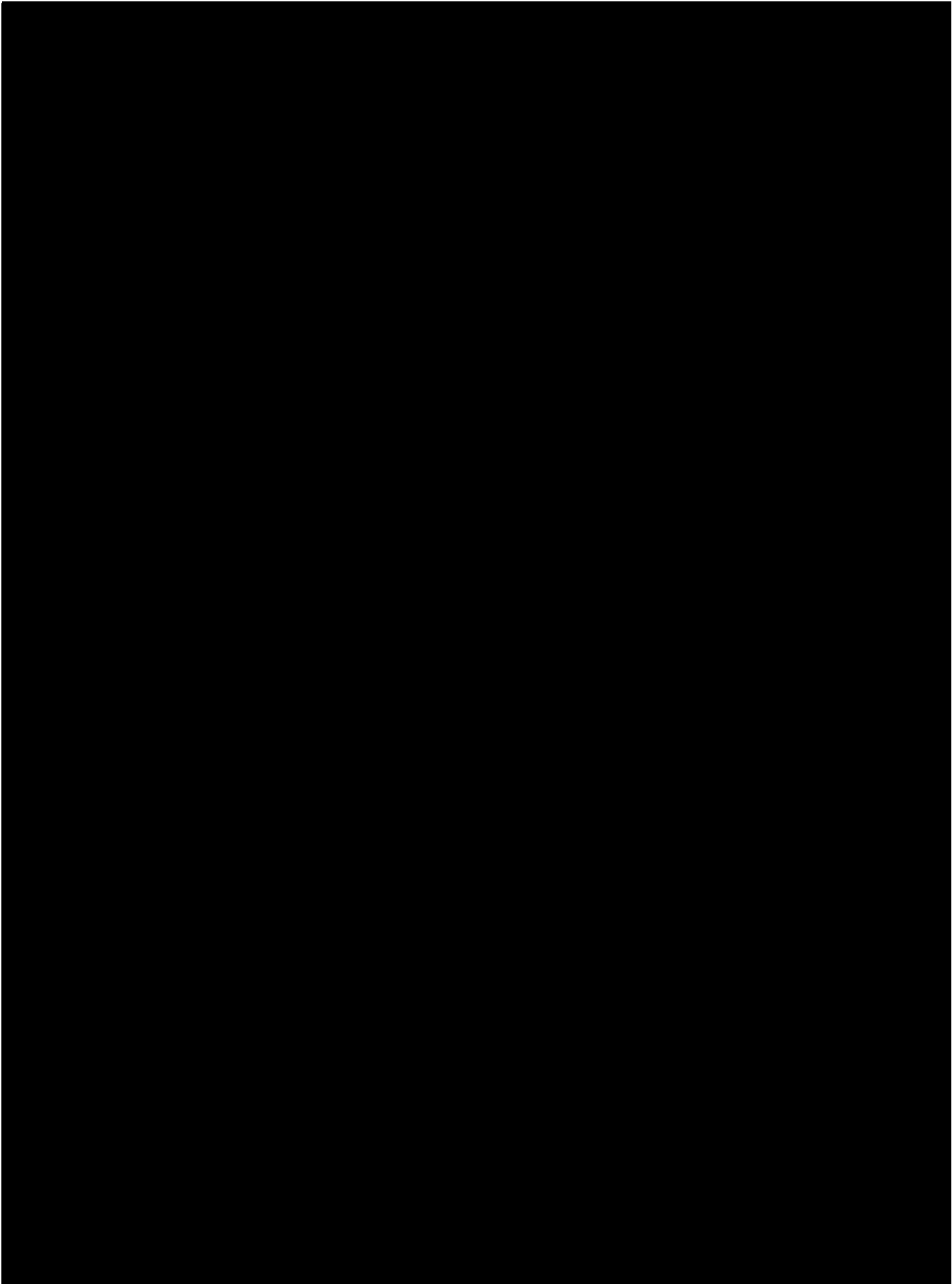


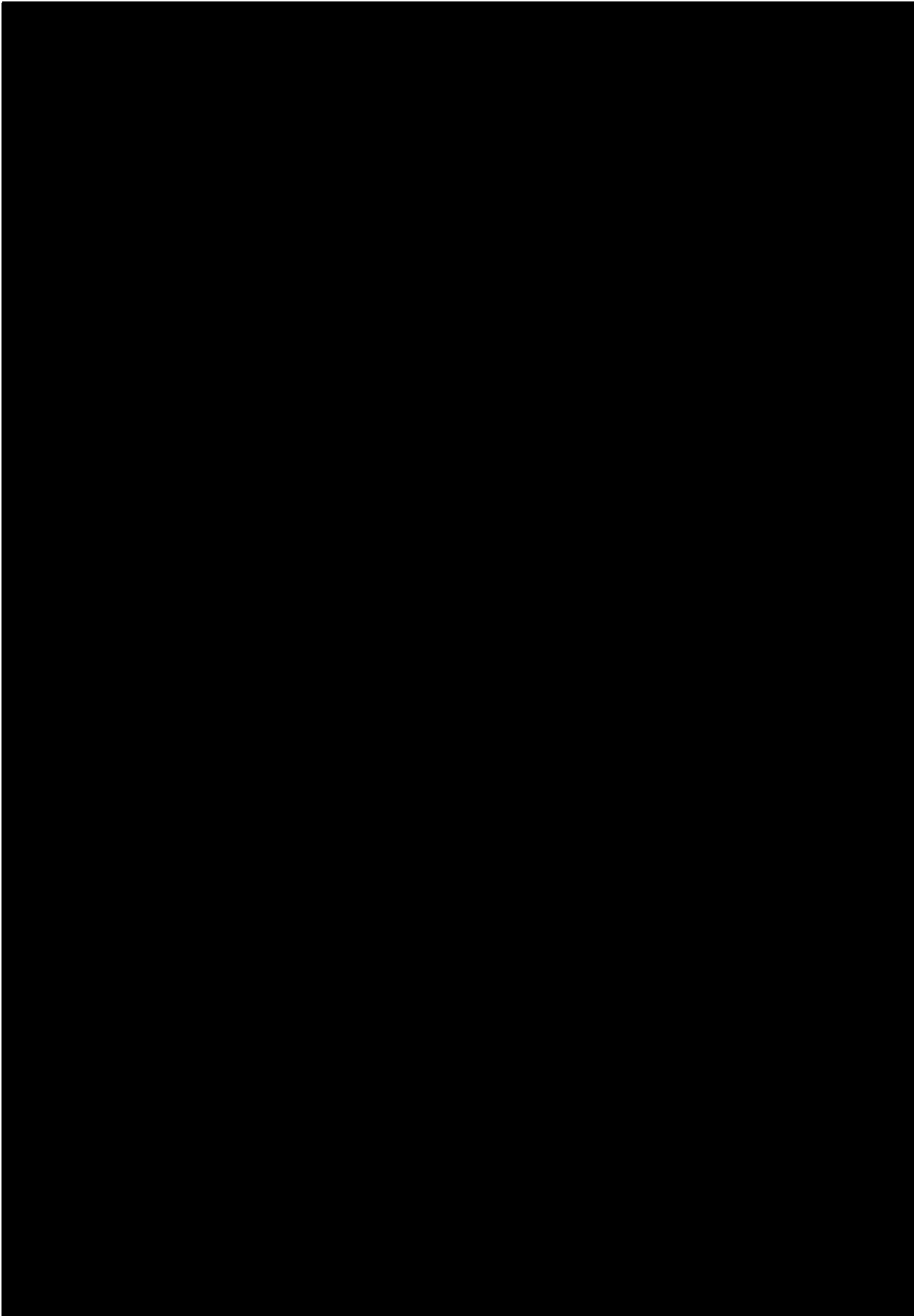












VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Ventura, CA 93003-6572
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<http://www.ventura.org/vcera>

October 15, 2012

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

SUBJECT: QUARTERLY RETIREMENT ADMINISTRATOR REPORT

Dear Board Members:

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

Report items include 1.) travel, training, and other expenses since the last report, 2.) key meetings, 3.) press/media communications, 4.) any items the Administrator has been asked to report back to the Board on, 5.) the Pension Administration System (PAS) project, and 6.) other items of interest.

1.) Travel, Training, and Other Expenses Since the Last Report

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

- August 6 & 8, 2012: County of Ventura Office of Training & Development, Ventura, CA at a cost of \$247.00 for registration. The two half-day training sessions covered Acrobat 9 Pro and 1.) began with the basics of navigation, finding text, organizing documents, setting preferences (including compression/file size optimization settings), 2.) proceeded to the various ways to create PDF documents, 3) followed by modifying and optimizing existing PDF documents, 4.) including how to add bookmarks, links, headers and footers (all very important for agenda packets), and 5.) concluding with available accessibility features, for viewer ease, and document security should that ever be needed.

2. Key Meetings

This section outlines any key meetings I have had.

- July 16, 2012: Met with Margaret Foley from Walter Scott, along with Russ Charvonja from HEK, for additional firm background, mandate history, team history, key contacts, and due diligence options.
- July 20, 2012: Met with Victoria Chandler and Vanessa Hernandez from the Ventura County Medical Resource Foundation to discuss logistics surrounding the Foundation's ability to conduct a charitable giving campaign.
- July 24, 2012: Met with Michael Villegas and Nancy Mendoza of the Ventura County Air Pollution Control District for introductions, an orientation, questions and answers, and a tour of the District office. Of most benefit was the report of the combining of Tier I and Tier II basic UAAL rates for one blended rate, my providing a rough forecast of future contribution rates and what affects them, and adding the District to the agenda subscription list.
- July 25, 2012: Met with Supervisor Long for introductions and priority gathering.
- July 26, 2012: Met with members of Western Asset Management for formal introductions, firm background, mandate history, team history, and due diligence options.
- July 27, 2012: Met with James Miller and Michelle Wells from RREEF, along with Russ Charvonja from HEK, for a review of RREEF and RREEF's America REIT III Fund as well as the current organizational status for Deutsche Bank (DB). RREEF is reducing debt positions tactically and restructuring debt to maximize asset liquidation flexibility for optimal pricing. Russ emphasized investor's concerns over RREEF's cash management and encouraged sensible liquidations as soon as practical. DB has a new executive in charge of DB's asset management arm and RREEF is enlivened by his new enthusiasm and attention.
- July 27, 2012: Met with Scott Hazen, Jim Korczak, and Kathy Wanner from Adams Street Partners, along with Russ Charvonja from HEK, for an additional firm background, team member introductions, mandate history, due diligence options, and fee reporting clarification. Regarding fees, Adams Street pointed out that fees are clearly identified with each quarterly report summarizing the capital calls and other activities. Fees are not separately invoiced as an industry practice and the quarterly reporting method provides superior transparency and timeliness, given that VCERA knows what the fees were within a day or two after the quarter ends, as opposed to waiting for an invoice several days later. Aside from the superiority to this method, a key structural component is in play. The pool of LP's, the fund, is paying the underlying manager fees, not the LP's individually, not VCERA. The pooled vehicle is what gets charged. Lastly, clear fee history is provided in the fund's annual reports. The lack of fee disclosure in VCERA's July report was due to the learning curve of VCERA staff and not the mechanism by which VCERA incurs the fees. Performance information lags one quarter, so June 30 performance is not finalized until August/September.
- July 31, 2012: Interviewed Data Conversion RFQ respondents, with the assistance of members from Vitech and Linea, for the Data Conversion aspects of the PAS project, and met with Kirby Bosley and Brent Crane from Aon Hewitt

to obtain an understanding of how Retirees obtain health care. Health care reform could affect our retirees, as could labor management collaborative decisions, and it is good practice to be aware of what could affect the health and well-being of our membership.

- August 21, 2012: Met with Ed Swartz and Rebecca Morris of ORG Portfolio Management and received an informative real estate update.
- August 23, 2012: Met with Mika Buffington Malone and Brad Regier of Meketa Investment Group, Inc. and received an update on Santa Barbara's evolution from non-discretionary to discretionary investment consulting. I also inquired how the Custodial search went for Santa Barbara.
- August 27, 2012: Met with Clayton Johnston of Waddell & Reed and I shared our manager line-up and asset allocation.
- August 31, 2012: Met with Sarah Bernstein of Pension Consulting Alliance (PCA) to receive a firm update.
- September 18, 2012: Russ Charvonja and I met with L.B. Thompson of WP Global Partners to discuss WP's Private Debt Strategy.
- September 19, 2012: Met with Clark Holland of Ream's to receive an orientation on the services Reams provides VCERA and met with Jeff Lumbard of Pantheon for a performance update.
- September 24, 2012: Interviewed Program Assistant candidates.
- September 27, 2012: Met with John Muir of State Street Global Advisors to discuss VCERA's direct securities lending program.
- September 28, 2012: Met with Anthony Freitas and Jason Straus, along with Russ Charvonja and Kevin Vandolder from HEK to discuss BlackRock's securities lending credit support agreements (indemnification) with Barclay's.

3. Press/Media Communications

A pattern is emerging whereby I am called by a few investment reporters for an investment update after our Board meetings. Given the routine nature of their calls, I will not separately identify them in future quarterly reports, instead focusing on media inquiries of a unique or politically sensitive nature.

- Nothing politically sensitive this quarter.

4. Reports Back to the Board

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

| Estimates | May | Jun | Jul | Aug |
|----------------------------|-----|-----|-----|-----|
| New Requests | 52 | 37 | 27 | 41 |
| Completed Requests | 49 | 72 | 58 | 145 |
| Open Requests at Month End | 150 | 140 | 128 | 63 |
| Requests Open 60+ days | 59 | 78 | 75 | 11 |

- *Segal Actuarial Services Agreement Amendment*: Consummated on July 31, 2012 for an effective date of August 1, 2012.
- *IRS Tax Determination*: Contacted Gregg Rademacher of LACERA for an update and legal reference. Currently reaching out to Don Wellington, Partner, of Steptoe & Johnson LLP.
- *PIMCO Funding*: A \$101M transfer to PIMCO was completed in September 2012 with the sell instructions of \$95M to Reams and \$6M to Loomis.

5. The Pension Administration System (PAS) project

- Proposed MBS and CMP as contractors for the Data conversion piece of the project. MBS was approved and CMP was approved for 50 hours.
- Programming changes for Assembly Bill (AB) 340 and 197 are likely to take all of Ms. Lawson's available hours, above the 1,550 already contracted for.
- Brenda Cummings has been brought in part time as extra help to provide subject matter expertise for the initial data conversion meetings.

Since staff provides separate detailed quarterly reporting for the PAS project, this will be the last entry in the Quarterly Administrator's report. Should frequency of reporting for the PAS project change, bulleted reporting like the above will be resumed.

6. Other Items of Interest

- Assembly Bills 340 and 197 were approved for implementation on January 1, 2013. I will be working with the County Executive Office and Auditor Controller, among other collaborators in order to implement the necessary changes to our RDBS system and their Payroll system. Segal will be producing a new Tier study for adoption at the December 17, 2012 Board meeting. I anticipate a significant amount of labor and expense will be expended to implement all of the changes required of the new legislation.
- Chantell Garcia, Christina Stevens, Debbie Downey, Henry Solis, and I attended Adobe Acrobat training to help with agenda construction, document management, and report production (such as CAFRs and Newsletters).
- The Board meetings became paperless in October.
- I propose taking four days of vacation from October 23 to 26 to attend a field trip with my daughter and five days of vacation for the holidays from December 24, 2012 to January 1, 2013, returning January 2, 2013 also including two holidays.

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

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

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

REPORT BY STEVEN HINTZ ON CONFERENCE ATTENDANCE

I attended the Opal Investment Trends Summit at the Santa Barbara Biltmore on September 12-14.

The Santa Barbara Biltmore has been upgraded to even greater luxury under its new owners, The Four Seasons. Spanish/Mediterranean rooms and bungalows abound for \$500 per night and up. The excellent restaurants are grotesquely overpriced. It saddened me to see that the lounge area, in which a spectacular tea was formerly served, has been redecorated and turned into a bar. The afternoon tea has been moved to a different location which is considerably more modern and less cozy. There is a very nice croquet field, although the end wickets were improperly spaced. You have to watch for details like proper wicket spacing if you are going to engage in a serious croquet match. Ample free parking can be found on the street to prevent your car from suffering vehicular embarrassment at the hands of the ritzy cars parked in the valet area.

I missed the Wednesday morning golf tournament, which must have been very well attended because practically nobody was at the opening remarks at noon. Fortunately Tracy Towner was there so we could exchange snarky comments about other people. The exhibitor area was small and not fully staffed until Thursday. I did score a Payday candy bar from a law firm's table. The conference room was set up for 160 people. I counted about 130 at the best-attended session, and that number included many of the 60 presenters.

The first session included a **very negative summary of the Euro situation** by Sierra Investment Management, which included a **forecast of deepening recession by the American economy** as a result. After a brief and shallow review by the Payday lawyer of recent corporate misconduct cases, a panel discussed investment themes and challenges. The panel cited **demographic issues putting a brake on any recovery**, the **near-certainty of inflation** within a measurable time frame, and the **negative effects of a disconnect between jobs (availability and pay) and personal debt**. The panel predicted **several years of near-zero short-term rates, 2% for corporate bonds, 4-5% for equities, and 7-10% for alternative investments**.

I would have thrown myself out the window by the end of it, but we were on the first floor so what would have been the point?

At this point Towner had to leave to attend to some investigation so I was on my own. The main afternoon seminar was about hedge funds and the kind of place they should have. After the first couple of guys spouted bromides like “History means nothing” and “15% is the future return for hedge funds” the rep from Lighthouse (Jack Swan) took over and made a dynamic presentation that basically drove the other panelists into oblivion. I wouldn’t mind hearing more from him in a presentation. **He said never to get into a hedge fund with less than \$5B in assets; accept the lack of liquidity as the price of higher probability of excess returns; make sure the fund has not lost the original focus that made it successful in the first place; and don’t be afraid of the “fund of funds” approach.** In fact, Swan’s exact words were to “revel in fund of funds.” I don’t hear the word “revel” too much at investment programs . . . or anywhere, actually, in these sober straight-laced times. At the end Swan got into a long and apparently unscripted argument with the CEO of the Oklahoma Firefighters Fund, who made me feel skinny (I just LOVE people from the Midwest because they understand what a perfect body really is). Mr. Oklahoma argued that all a hedge fund is, is a highly specialized narrowly-focused fund with a hot manager, excessively high fees, and no liquidity, in which the investor knowingly assumes all the risk of earning zippo. It was an interesting debate, which of course went nowhere, because Mr. Oklahoma’s point was that under the circumstances hedge funds should charge lower fees, and Swan would NEVER concede that sort of blasphemy.

The last presentation of the day was a very shallow and poorly-attended panel that was nominally about asset allocation strategies. The panelists actually talked about managing risk, not return. They didn’t talk at all about just how we should do that, I think because that would have required actual charts, examples and analysis. The bar was already packed when I left, even before the free drinks at the hosted reception.

Thursday morning was a breakfast meeting for investors and plan sponsors, an informal round table chaired by Mr. Oklahoma. It was agreed that we all have the same problems, issues, and challenges. Outside of California, several funds are holding onto an 8% assumption rate. Breakfast was

terrible, worse than the worst motel free breakfast ever. Besides, I was beginning to feel bad. In fact, I got worse all day. You could ask Tom Johnston what actually was said on Thursday because I'm pretty sure there were periods where my mind wandered.

Corry Capital Partners made a great presentation about investing in **life insurance settlements, which he touted as unleveraged, semi-liquid investments in buying out life insurance policies from insureds**. He promised 10%+ per year with the slight risk that the geriatric insureds will outlive the actuarial longevity table. I thought it was interesting. I mean, if we are seriously thinking of placing money with a market timer who admits being wrong 60% of the time, why not invest in insurance settlements? Although the concept was interesting, I thought it was a little morbid. And one risk that nobody mentioned is the ensuing investigation every time one of our insureds dies unexpectedly early in his dotage. **How would you like to know that your wife took out an insurance policy on you and sold it to the Teamsters pension fund?**

The next presenter addressed real estate and (no surprises here) delivered a very upbeat assessment of the market segment. Terracap Management works out of Florida and specializes in small distressed residential and commercial property. They buy it, clean it up cosmetically, rent it for awhile, and dump it. Sounded attractive, but I don't know if the Florida real estate market is something we are really interested in. More to the point for us, Terracap thinks that **the real estate market has bottomed out** and is on the upswing, albeit on a modest upward slope.

Skipping ahead to later in the morning, just to maintain a little subject-matter continuity, another real estate panel echoed Terracap's assessment, predicting a seven-year real estate upswing. This panel pushed **senior housing (demographics, stability, liquidity) and middle-income single-family residences**. I must have missed the part about how a multi-billion dollar pension fund would manage a bunch of individual rentals, but I guess we would just have to find a really good property manager.

The mid-morning panel, ostensibly about new investment styles and strategies, spent its time poo-pooing index funds (nothing more than trend-

following with negative alpha, they said) and raving about ETFs, ETF fund of funds, and options. I didn't get much out of this session.

The last morning panel was about venture capital. It was pretty darned interesting, although I still get the willies thinking about the concept. The panel stressed **the importance of doing extensive due diligence, making sure that the manager has a significant personal stake in the investment, and requiring a detailed exit strategy after a defined period of time.** The last presenter, though, wandered off into extolling the virtues of environmentally-conscious investment, which from my viewpoint as basically an anti-environmental troglodyte did not engage my close attention.

After lunch, the details of which I have forgotten, we heard an interesting panel on real assets as part of an alternative investment strategy. I expected it to be about commodities, based on the agenda, but the presenters had a different agenda. They pitched **commodity delivery systems** like pipelines because they have **no competition, no correlation with any other asset classes, a tendency to be organized as master limited partnerships that minimize catastrophic risk and create some liquidity, and historically generate somewhat higher returns** than equities. I was interested. I was really interested in the presentation about **private water systems**, which sounded great to me. Fortunately I have no personal investment money or I would have run right out to invest in a private water system. I think VCERA ought to examine the subject.

I skipped the session about global emerging markets, because who actually cares about Guyana anyway, and I needed to close my eyes for awhile.

The last session of the day was about manager selection. It was excellent. The panel **downplayed the value of the site visit** unless it is structured by the fund (not the manager) and the right people are sent to do the gut work. My notes are a little hard to read. The panel spoke of **7 specific warning signs** that a manager may be over the hill, or shouldn't be engaged: **Eroding alpha; increasing tracking error (departure from the benchmark); Style drift; Investment Strategy fallen out of favor with the larger community; Organizational Changes; Headline Risk; and Fraud Potential** because of inadequate internal

controls. The panel advised a **close examination of business sustainability and succession planning; how effectively they do the paperwork, cash reports, and reconciliations; and who-does-what governance.** This presentation was by Corry Capital Advisors and I could listen to it again. In fact, I recommend it.

By this time I was completely toasted. I skipped the hosted dinner at the Tydes restaurant, and ultimately skipped the Friday sessions about regulatory environment and ongoing fiduciary education.

It was a good conference. I got some good ideas. The food was terrible. The agenda titles for about a quarter of the presentations were unrelated to the actual content of the presentations. Some of the presenters were outstanding (Corry Capital and Jack Swan of Lighthouse, notably), and we should follow up on some of the topics. Thank you for allowing me to attend. Next time I am staying at the hotel, no matter what Art Goulet says.

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>

October 15, 2012

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

Re: **STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS)
FALL 2012 CONFERENCE LEGISLATIVE ITEMS**

Dear Board Members:

Submitted for your consideration are three legislative proposals for the Friday business meeting of the upcoming SACRS conference. The three items are recommended by the SACRS Legislative Committee for SACRS sponsorship and will be voted on by VCERA's appointed voting delegate, Will Hoag, or Art Goulet, alternate voting delegate, in Mr. Hoag's absence. They are:

- LACERA #1 - Telephone Transactions
- LACERA #2 - Disclosure of Real Estate Investments
- SJCERA #1 - Alternative Investments and Public Disclosure Rules

Staff recommends receiving and filing the attached legislative proposals and providing any pertinent voting instructions to the appointed voting delegates.

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

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

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

Attachments

SACRS LEGISLATIVE PROPOSAL

Title of Issue: Telephone Transactions

Association: Los Angeles County Employees Retirement Association

Contact Person: Robert S. Van Der Volgen, Jr.

Phone No.: 626-564-2340

Fax No.: 626-564-2336

1. **Description of problem:** Effective January 1, 2013, a county retirement system may adopt, at their election, regulations allowing for the use and acceptance of a member's digital signature with the same force and effect as a manual signature, provided it is submitted using electronic technology that the board determines sufficient to ensure its integrity, security and authenticity.

While many members are computer literate, there are many who currently do not have access to or choose not to perform transactions over the web. Additionally, some members need assistance navigating through difficult transactions and are seeking help by telephone.

Allowing members to perform transactions over the telephone with the same force and effect as a manual signature not only results in greater service delivery to system members, but also increases efficiency and reduces costs to the systems' administration. Procedures adequate to protect the systems and members, including method(s) to validate and authenticate the member's identity and the permanent retention of the recorded communication, would be approved by each respective board.

2. **Recommended solution:** Amend existing Government Code Section 31527 of the County Employees Retirement Law (CERL) to allow county retirement systems to adopt, at their election, regulations allowing for the secure processing of member requests by telephone with the same force and effect as a manual signature.
3. **Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?** If enacted, the proposed legislation would be applicable to all '37 Act systems.
4. **Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or creating a problem with any of the other 19 SACRS retirement associations?** No.
5. **Who will support or oppose this proposed change in law?** Unknown.

6. **Who will be available from your association to testify before the legislature?** Robert S. Van Der Volgen, Jr., Chief Counsel, LACERA.

Existing Government Code Section 31527 is amended to read:

31527. In its regulations, the board may include the following provisions:

(a) From what warrants deductions of members' contributions shall be made.

(b) For a period of time longer than one year during which a member may redeposit in the retirement fund an amount equal to all of the accumulated normal contributions that he or she has withdrawn, plus regular interest thereon from the date of return to service.

(c) For a period of time longer than one year during which a member brought within the field of membership may pay into the retirement fund the amount equal to the contributions he or she would have made plus interest, if he or she had been a member from the date of its organization, or from the date of his or her entrance into service, whichever is later.

(d) For a withdrawal charge against a member who withdraws his or her accumulated contributions. The withdrawal charge shall not exceed the interest credited to the member subsequent to the effective date of the regulation.

(e) For the exemption or exclusion from membership as a peace officer member or as a safety member or from membership altogether, in the discretion of the board, of persons whose tenure is temporary, seasonal, intermittent, or for part time only, or persons whose compensation is fixed at a rate by the day or hour.

(f) For the periodic physical examination, at county expense, of safety members.

(g) The amount of additional deductions from the salaries or wages of members pursuant to Article 15.5 (commencing with Section 31841) or Article 16 (commencing with Section 31861). Such a provision may be adopted in anticipation of, and prior to Article 15.5 (commencing with Section 31841) or Article 16 (commencing with Section 31861) becoming operative in the particular county.

(h) The day upon which each person becomes a member of the association if it is to be other than the first day of the calendar month after his or her entrance into service. However, that day shall be no later than 12 weeks after his or her entrance into service, or the day upon which the member terminates service credited by the association, and that the day shall be no earlier than 12 weeks prior to the member's termination from employment.

(i) Notwithstanding any other law, for the use and acceptance of a document requiring a signature that is submitted by a member using an electronic signature, if the document and electronic signature are submitted using technology the board deems sufficient to ensure its integrity, security, and authenticity. A document submitted pursuant to the regulation shall be given the same force as a signed, valid original document.

(j) Notwithstanding any other law, for member authorization of transactions affecting the member's account via recorded telephone communications, provided procedures adequate to protect the system and members, including method(s) to validate and

authenticate the member's identity and the permanent retention of the recorded communication, are approved by the board.

SACRS LEGISLATIVE PROPOSAL

Title of Issue: Disclosure of Real Estate Investments

Association: Los Angeles County Employees Retirement Association

Contact Person: Robert S. Van Der Volgen, Jr.

Phone No.: 626-564-2340

Fax No.: 626-564-2336

1. **Description of problem:** The California Public Records Act (CPRA) provides for inspection and/or disclosure of governmental records to the public upon request, unless exempted by law.

In balancing the public's right to access public records with the recognized individual right of privacy and the need for public agencies to be able to competently perform their duties, the Legislature has established certain categories of records which may be exempt from public disclosure under Government Code Sections 6254 and 6275 et seq.

In addition, the CPRA allows an agency with the discretion to claim an exemption from public disclosure for records, which do not qualify for a specific exemption, if "the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record."

Existing Government Code Section 6254.26 provides that "alternative investments" in which public investment funds invest are exempt from disclosure, unless the information has already been publicly released by the keeper of the information. As defined under this section, "alternative investment" includes investments in a private equity fund, venture fund, hedge fund, or absolute return fund. However, this definition does not include real estate investments.

LACERA's Investment staff believes that real estate investments should be added to the list of alternative investments exempt from public disclosure. Many real estate investments share the same elements of market sensitivity as private equity transactions. Indeed, disclosure of certain material terms of these investments could put the investment at a competitive disadvantage and hinder or reduce return on investment. By including real estate in the present alternative investment exemption, the public would be given access to information necessary to monitor fund performance with reduced risk of impeding return.

2. **Recommended solution:** Amend Government Code Section 6254.26 to include non-publicly traded real estate investments.

In addition, a minor technical change to Section 6254.26(a)(4) is proposed to provide consistency within the statute.

3. **Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?** If enacted, the proposed legislation would be applicable to all California pension systems, including all '37 Act systems.
4. **Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or creating a problem with any of the other 19 SACRS retirement associations?** No.
5. **Who will support or oppose this proposed change in law?** Public agencies with investments in real estate are likely to support this. We may also expect support from real estate investment interests and opposition from public access groups such as the Newspaper Publishers.
6. **Who will be available from your association to testify before the legislature?** Robert S. Van Der Volgen, Jr., Chief Counsel, LACERA.

Proposal for Amending California Public Records Act to Include Real Estate Investments as Exemption

Existing Government Code Section 6254.26 is amended to read:

6254.26. (a) Notwithstanding any provision of this chapter or other law, the following records regarding alternative investments in which public investment funds invest shall not be subject to disclosure pursuant to this chapter, unless the information has already been publicly released by the keeper of the information:

(1) Due diligence materials that are proprietary to the public investment fund or the alternative investment vehicle.

(2) Quarterly and annual financial statements of alternative investment vehicles.

(3) Meeting materials of alternative investment vehicles.

(4) Records containing information regarding the portfolio positions in which alternative investment ~~funds-vehicles~~ invest.

(5) Capital call and distribution notices.

(6) Alternative investment agreements and all related documents.

(b) Notwithstanding subdivision (a), the following information contained in records described in subdivision (a) regarding alternative investments in which public investment funds invest shall be subject to disclosure pursuant to this chapter and shall not be considered a trade secret exempt from disclosure:

(1) The name, address, and vintage year of each alternative investment vehicle.

(2) The dollar amount of the commitment made to each alternative investment vehicle by the public investment fund since inception.

(3) The dollar amount of cash contributions made by the public investment fund to each alternative investment vehicle since inception.

(4) The dollar amount, on a fiscal yearend basis, of cash distributions received by the public investment fund from each alternative investment vehicle.

(5) The dollar amount, on a fiscal yearend basis, of cash distributions received by the public investment fund plus remaining value of partnership assets attributable to the public investment fund's investment in each alternative investment vehicle.

(6) The net internal rate of return of each alternative investment vehicle since inception.

(7) The investment multiple of each alternative investment vehicle since inception.

(8) The dollar amount of the total management fees and costs paid on an annual fiscal yearend basis, by the public investment fund to each alternative investment vehicle.

YEAR 2013 SACRS LEGISLATIVE PLATFORM WORKSHEET

Title of Issue: SJCERA #1 - Alternative Investments and Public Disclosure

Association: San Joaquin County Employees' Retirement Association

Contact Person: Annette St. Urbain, CEO

Phone #: (209) 468-2163

Fax #: (209) 468-0480

1. Description of issues.

The Ralph M. Brown Act (California Government Code sections 54950-54963) generally requires that deliberations and actions of public local agencies be conducted in an open forum. The Brown Act also specifies exemptions allowing certain matters to be discussed and acted upon by a local agency in closed session.

The California Public Records Act, or CPRA, (Government Code sections 6250-6276.48) generally requires that records of public agencies be available for inspection and copying by the public. The CPRA also specifies exemptions allowing certain types of records or information to be withheld from disclosure under the CPRA.

Issue 1:

Subdivision (a) of Section 54957.5 of the Brown Act states the general rule that, despite any protections offered under the CPRA, agendas of public meetings and any other writings distributed to a majority of the members of a legislative body of a local agency in connection with an open session become subject to disclosure under CPRA. This subdivision then provides that this section of the Brown Act does not apply to any writing exempt from public disclosure under specified sections of the CPRA. The list of exceptions does not include 6254.26 of the CPRA, which exempts from disclosure specified records regarding alternative investments in which a public investment fund has invested.

SJCERA proposes that the failure to include in Section 54957.5 (a) of the Brown Act a reference to Section 6254.26 of the CPRA is likely to have been an oversight, rather than a deliberate policy choice by the Legislature.

The effect of the inconsistency in current law is that while certain information regarding a board of retirement's alternative investments is exempt from disclosure under the CPRA, if the information is provided to a majority of board members in connection with periodic reporting or due diligence reviews as part of an open session, that same information becomes subject to disclosure under the Brown Act.

Issue 2:

Section 54956.81 of the Brown Act allows a local agency that invests pension funds to hold a closed session to consider the **purchase or sale** of particular, specific pension fund investments. With regard to alternative investments, it is common for boards of retirement, as limited partner investors, to consider and act on amendments to limited partnership agreements quite some time after the board's initial decision to "purchase" or invest in the alternative investment vehicle was made in closed session. Subdivision (a) of Section 6254.26 of the CPRA specifies the alternative investments records that are not subject to disclosure, including alternative investment agreements and all related documents.

A board of retirement should have the authority to hold a closed session to consider information regarding its alternative investments that is exempt from public disclosure under the CPRA.

2. Recommended solution.

Issue 1:

Add a reference to CPRA section 6254.26 to the list of code sections specified in Section 54957.5(a) of the Brown Act to correct this oversight and ensure that information regarding a board of retirement's alternative investments that is exempt from disclosure under the CPRA would also be exempt from disclosure under the Brown Act.

Issue 2:

Amend Section 54956.81 of the Brown Act to authorize a local agency to hold a closed session to consider actions regarding alternative investments that relate to documents or information that is exempt from disclosure as specified in CPRA Section 6254.26 (a).

3. Specific statutory language that you would like changed or added.

Please see attached.

4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?

The Brown Act and the CPRA apply to all SACRS member systems.

5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations?

No.

6. Who will support or oppose this proposed change in the law?

All public agencies subject to these provisions that have alternative investments would likely support the proposed changes.

Issue 1:

If failure to include a reference to CPRA Section 6254.26 was, or is perceived as, a deliberate policy choice rather than an oversight, there could be opposition to this proposed change, most likely from the newspaper publishers.

Issue 2:

Allowing public local agencies to hold a closed session to consider information regarding alternative investments that is exempt from disclosure under the CPRA would correct an inconsistency in current law. To the extent this is perceived as an infringement on the public's access to the conduct of the people's business in an open forum, there could be opposition to this proposed change, most likely from the newspaper publishers.

7. Who will be available from your association to testify before the Legislature?

Annette St. Urbain, CEO

Amend Government Code Section 54957.5 (a) to read:

54957.5. (a) Notwithstanding Section 6255 or any other provisions of law, agendas of public meetings and any other writings, when distributed to all, or a majority of all, of the members of a legislative body of a local agency by any person in connection with a matter subject to discussion or consideration at an open meeting of the body, are public records subject to disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), and shall be made available upon request without delay. However, this section shall not include any writing exempt from public disclosure under Section 6253.5, 6254, 6254.3, 6254.7, 6254.15, 6254.16, ~~or~~ 6254.22, **or 6254.26**.

Amend Government Code Section 54956.81 to read:

54956.81. Notwithstanding any other provision of this chapter, a legislative body of a local agency that invests pension funds may hold a closed session to consider the purchase or sale of particular, specific pension fund investments **or the information specified in subdivision (a) of Section 6254.26**. All investment transaction decisions made during the closed session shall be made by rollcall vote entered into the minutes of the closed session as provided in subdivision (a) of Section 54957.2.

CPRA Section 6254.26 - Current Statute (Included for Reference Only)

6254.26. (a) Notwithstanding any provision of this chapter or other law, the following records regarding alternative investments in which public investment funds invest shall not be subject to disclosure pursuant to this chapter, unless the information has already been publicly released by the keeper of the information:

- (1) Due diligence materials that are proprietary to the public investment fund or the alternative investment vehicle.
- (2) Quarterly and annual financial statements of alternative investment vehicles.
- (3) Meeting materials of alternative investment vehicles.
- (4) Records containing information regarding the portfolio positions in which alternative investment funds invest.

- (5) Capital call and distribution notices.

- (6) Alternative investment agreements and all related documents.

(b) Notwithstanding subdivision (a), the following information contained in records described in subdivision (a) regarding alternative investments in which public investment funds invest shall be subject to disclosure pursuant to this chapter and shall not be considered a trade secret exempt from disclosure:

- (1) The name, address, and vintage year of each alternative investment vehicle.
- (2) The dollar amount of the commitment made to each alternative investment vehicle by the public investment fund since inception.
- (3) The dollar amount of cash contributions made by the public investment fund to each alternative investment vehicle since inception.
- (4) The dollar amount, on a fiscal yearend basis, of cash distributions received by the public investment fund from each alternative investment vehicle.
- (5) The dollar amount, on a fiscal yearend basis, of cash distributions received by the public investment fund plus remaining value of partnership assets attributable to the public investment fund's investment in each alternative investment vehicle.

- (6) The net internal rate of return of each alternative investment vehicle since inception.
 - (7) The investment multiple of each alternative investment vehicle since inception.
 - (8) The dollar amount of the total management fees and costs paid on an annual fiscal yearend basis, by the public investment fund to each alternative investment vehicle.
 - (9) The dollar amount of cash profit received by public investment funds from each alternative investment vehicle on a fiscal year-end basis.
- (c) For purposes of this section, the following definitions shall apply:
- (1) "Alternative investment" means an investment in a private equity fund, venture fund, hedge fund, or absolute return fund.
 - (2) "Alternative investment vehicle" means the limited partnership, limited liability company, or similar legal structure through which the public investment fund invests in portfolio companies.
 - (3) "Portfolio positions" means individual portfolio investments made by the alternative investment vehicles.
 - (4) "Public investment fund" means any public pension or retirement system, and any public endowment or foundation.

(9) The dollar amount of cash profit received by public investment funds from each alternative investment vehicle on a fiscal year-end basis.

(c) For purposes of this section, the following definitions shall apply:

(1) "Alternative investment" means an investment in a private equity fund, venture fund, hedge fund, ~~or~~ absolute return fund, or non-publicly traded direct or indirect real estate investments.

(2) "Alternative investment vehicle" means the limited partnership, limited liability company, or similar legal structure through which the public investment fund invests in portfolio companies or non-publicly traded real estate.

(3) "Portfolio positions" means individual portfolio investments made by the alternative investment vehicles.

(4) "Public investment fund" means any public pension or retirement system, and any public endowment or foundation.