VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

NOVEMBER 19, 2012

AGENDA

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

TIME: 9:00 a.m.

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

ITEM:

I.	**INTRODUCTION OF MEETING**	Master Page No.
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III.	**APPROVAL OF MINUTES**	
	A. Disability Meeting of November 5, 2012.	4 - 10
IV.	**CONSENT AGENDA**	

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

A. Regular and Deferred Retirements and Survivors Continuances for the Month of October 2012.	11

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D. Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, and Investments & Cash Equivalents for the Month Ended August 31, 2012. 24 - 26

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END OF CONSENT AGENDA

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3. Risk Modeling Profile Update, September 2012. 156 - 157

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B. VCERA Issues Regarding Implementation of Provisions in CalPEPRA. 223 - 235

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VIII. PUBLIC COMMENT

IX. BOARD MEMBER COMMENT

X. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

NOVEMBER 5, 2012

MINUTES

DIRECTORS PRESENT:	William W. Wilson, Chair, Public Member Tracy Towner, Vice Chair, Safety Employee Member Steven Hintz, Treasurer-Tax Collector 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 Albert G. Harris, Public Member Joseph Henderson, Public Member
STAFF PRESENT:	Donald C. Kendig, Retirement Administrator Henry Solis, Chief Financial Officer Lori Nemiroff, Assistant County Counsel Chantell Garcia, Retirement Specialist Glenda Jackson, Program Assistant Angie Tolentino, Retirement Specialist
PLACE:	Ventura County Employees' Retirement Association Second Floor Boardroom 1190 South Victoria Avenue Ventura, CA 93003
TIME:	9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Disability Meeting of November 5, 2012, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston to approve the agenda as presented.

Motion passed unanimously. Mr. Foy, Mr. Harris, and Mr. Henderson absent. Judge Hintz absent for this item.

III. APPROVAL OF MINUTES

A. Board Investment Retreat of October 4, 2012.

MOTION: Mr. Towner moved, seconded by Mr. Goulet, to approve the minutes of October 4, 2012 as presented.

Motion passed. Mr. Hansen abstaining. Mr. Foy, Mr. Harris, and Mr. Henderson absent. Judge Hintz absent for this item.

B. Business Meeting of October 15, 2012.

MOTION: Mr. Towner moved, seconded by Mr. T. Johnston, to approve the minutes of October 15, 2012 as presented.

Motion passed. Mr. Goulet abstaining. Mr. Foy, Mr. Harris, and Mr. Henderson absent. Judge Hintz absent for this item.

IV. PENDING DISABILITY APPLICATION STATUS REPORT

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

Motion passed unanimously. Mr. Foy, Mr. Harris, and Mr. Henderson absent. Judge Hintz absent for this item.

V. APPLICATIONS FOR DISABILITY RETIREMENT

Judge Hintz entered the meeting at 9:02 a.m.

A. Application for Non-Service Connected Disability Retirement; Dennis C. Crandall, Case No. 12-025.

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

2. Hearing Notice.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

A. Application for Non-Service Connected Disability Retirement; Dennis C. Crandall, Case No. 12-025. (continued)

Paul C. Hilbun was present representing the County of Ventura, Risk Management. The applicant, Dennis C. Crandall, was present.

Both parties declined an offer to make a statement.

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnson, to adopt the Hearing Officer's recommendation approving the application for service connected disability in the case of Dennis C. Crandall.

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

Parties agreed to waive preparation of Findings of Fact and Conclusions of Law.

B. Application for Service Connected Disability Retirement; Lee 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 was present representing the County of Ventura Risk Management. The applicant, Lee Bowman, was present.

Following statements by both parties, and discussion, the following motion was made.

MOTION: Mr. Goulet moved, seconded by Mr. Towner, to adopt the Hearing Officer's recommendation denying the application for service connected disability in the case of Lee M. Bowman.

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

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

C. Application for Service Connected Disability Retirement; Rosa C. Sanchez, Case No. 09-012.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Kenneth A. Perea, dated August 2, 2012.

2. Respondent's reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated August 14, 2012.

3. Hearing Notice.

Stephen D. Roberson was present representing the County of Ventura Risk Management. The applicant, Rosa C. Sanchez, was present.

Following statements by both parties, and discussion, the following motion was made.

<u>MOTION:</u> Judge Hintz moved, seconded by Mr. T. Johnston, to adopt the Hearing Officer's recommendation denying the application for service connected disability in the case of Rosa C. Sanchez.

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

D. Application for Service Connected Disability Retirement; Mark B. Lopez, Case No. 09-036.

1. Letter from Lori A. Nemiroff, Assistant County Counsel on behalf of Board of Retirement referring the matter back to Hearing Officer Shelley Kaufman, with instructions, pursuant to Government Code section 31534, subdivision (c)., dated February 24, 2012.

2. Amended Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Shelley Kaufman, dated September 10, 2012.

3. Respondent's Objections to Amended Recommendation of Hearing Officer, Submitted by Marshall W. Graves, Attorney at Law, dated September 18, 2012.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

D. Application for Service Connected Disability Retirement; Mark B. Lopez, Case No. 09-036. (Continued)

4. Applicant's Response to Respondent's Opposition to Amended Recommendation of Hearing Officer, Submitted by Steven R. Pingel, Attorney at Law.

5. Hearing Notice.

Marshall W. Graves was present representing the County of Ventura, Risk Management. Steven R. Pingel, Attorney at Law, representing the applicant, was present. The applicant, Mark B. Lopez, was not present.

Following statements by both parties, and discussion, the following motion was made.

MOTION: Mr. Towner moved, seconded by Mr. T. Johnston, to adopt the Hearing Officer's recommendation approving the application for service connected disability in the case of Mark B. Lopez.

Motion passed. Mr. Goulet and Mr. Wilson voting no. Mr. Foy, Mr. Harris, and Mr. Henderson absent.

Angie Tolentino, Retirement Specialist, left the meeting at 9:40 a.m.

Henry Solis, Chief Financial Officer, entered the meeting at 9:45 a.m.

VI. NEW BUSINESS

A. Due Diligence Schedule for 2012-2015.

MOTION: Mr. T. Johnston moved, seconded by Mr. Hansen, to receive and file the Due Diligence Schedule for 2012-2015 as presented.

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

The Board directed staff to return with due diligence travel requests before each trip providing more specific travel dates and an opportunity for Trustees to volunteer or confirm their attendance.

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

B. Election Policy Review, Board Member Terms, and Proposed Election Schedule.

Staff announced two modifications to the proposed policies: The addition of, "for the remainder of the term" to the last sentence of paragraph 3, and the change of paragraph 18 to read, "In the event of a vacancy in the second, third, seventh, eighth, or alternate seventh member position on the Board, the Board shall cause an election to fill the vacancy to be held at the earliest possible date in a manner consistent with the provisions of this policy and Government Code section 31523. If there is a vacancy with respect to the alternate retired member (alternate eighth), the Board shall, by majority vote, appoint a replacement alternate member in the same manner as prescribed in Government Code section 31523."

Mr. Goulet proposed the following correction to Paragraph 21, of the proposed policies, changing the word "ate" to "at."

<u>MOTION</u>: Mr. Goulet moved, seconded by Judge Hintz, to tentatively adopt the Appointment and Election of Trustees Policy contained in Attachment 1, as modified, subject to a 30 day comment period for the adjustment of trustee terms, prior to final adoption.

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

<u>MOTION:</u> Judge Hintz moved, seconded by Mr. Goulet, to approve the proposed election schedule under Attachment 3, as modified for the addition of, "and ends December 31, 2015" to the last date entry of APR. 6.

The Board directed staff to notify the unions, recognized retiree organization, and County regarding the proposed change to trustee terms contained in the tentatively adopted Appointment and Election of Trustees Policy. The Board further directed staff to notify the County regarding the appointed positions expiring December 31, 2012.

VI. NEW BUSINESS (continued)

C. CALAPRS Election of Members to the Board of Directors.

MOTION: T. Johnston moved, seconded by Judge Hintz, to receive and file the CALAPRS Election of Members to the Board of Directors item.

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

VII. PUBLIC COMMENT

None.

VIII. BOARD MEMBER COMMENT

None.

IX. ADJOURNMENT

The Board adjourned the meeting at 10:12 a.m.

Respectfully submitted,

Donald C. Kendig

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

OCTOBER 2012

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
REGULAR RETIREMENTS:								
Amelia	Amelia	G	70.00	10/8/2006	4.65		Health Care Agency	08/15/12
Kevin P.	Best	S	50.50	06/14/1987	25.25		Sheriff Department	09/11/12
Ann F.	Bryson	G	57.25	08/16/1999	10.85		Information Services Department (from Deferred)	09/12/12
Jean P.	Edison	G	60.50	03/11/1984	28.43	B=0.1151	Assessor	09/15/12
Richard R.	Hauge	G	63.00	10/24/1982	27.05	D=2.00	Resource Management Agency	08/27/12
Patsey E.	Hulsey	G	66.50	06/25/1989	21.67		Human Services Agency	09/01/12
Michelle A.	James	G	50.00	08/16/1981	19.26		Health Care Agency	08/30/12
Edwin L.	Jones Jr.	G	62.75	04/10/1983	29.46		Sheriff Department	09/29/12
Scott C.	Jones	G	53.25	10/20/1985	27.03	B=0.1151	Area Agency on Aging	09/26/12
Laurie J.	Kurilla	G	62.00	12/05/2004	7.78	C=10.2026	Information Services Department	09/16/12
Janice M.	Lamborn	G	59.25	07/23/2001	10.66		Human Services Agency	09/12/12
Barbara S.	Laurin	G	62.50	08/19/1990	21.11	B=0.0844	Airports	09/29/12
Michael C.	McFadden	G	58.50	11/27/2000	30.55	B=0.0820 D= 10.4155	Resource Management Agency	09/15/12
Jeffrey	Norcott	S	60.25	09/21/1986	16.61	B=.1713	Fire Protection District	08/04/12
Cynthia	Ordway	G	54.25	06/02/1996	13.33		Child Support Services	09/01/12
Alan G.	Pasternak	G	65.75	09/03/2001	3.70	C=6.045	Health Care Agency	08/21/12
Kathleen A.	Peterson	G	63.00	06/25/2001	9.49		CEO (from Deferred)	09/25/12
Susan	Pratz	G	62.00	01/02/1994	17.82	B=0.2066	Auditor-Controller	09/29/12
Mathew M.	Raio	G	63.50	07/22/2001	13.57	D=5.00	Health Care Agency	09/13/12
Susan M.	Ralph	G	60.25	02/23/1991	24.69	A=4.4769 B=1.49089	VRSD	09/07/12
Rose H.	Saucedo	G	50.00	07/22/1990	20.13		Health Care Agency	09/29/12
Francisco A.	Seneris	G	66.00	03/28/1993	19.58		Sheriff Department	09/14/12
Robert J.	Steiner	G	64.25	01/11/1998	7.69		Superior Courts (from Deferred)	06/27/12
Helen	Sweet	G	66.00	06/21/92	20.34	B=0.0968	Sheriff Department	09/28/12
Robert J.	Turner Jr.	G	68.50	06/05/2000	14.29	D=2.	Health Care Agency	09/28/12
Louise	Webster	G	62.25	10/04/1987	15.26	B=0.0959	Auditor-Controller	09/15/12
Cecelia C.	Williams	G	66.00	10/06/1977	36.59	A=1.81301	Health Care Agency	09/01/12
DEFERRED RETIREMENTS:								
SURVIVORS' CONTINUANCES:								
Cynthia A.	Bunch							
Scott C.	Duffner							
Cindy S.	Murphree							
Saleh M.	Nakhleh							
Clare	Turner							

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

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
Acct / Sub:	1002		00								
021440	ZC	10/3/2012	121440R CITIBANK, N.A.	04-13	04-13	016233	VO	ROLLOVER	9/7/2012	0.00	7,584.64
021440	ZC	10/3/2012	121440R CITIBANK, N.A.	04-13	04-13	016302	AD	Cancel	9/28/2012	0.00	-7,584.64
										Check Total	(
021441	ZC	10/3/2012	F2205B1 MARK H. OPPENHEIM &	04-13	04-13	016260	VO	DEATH BENEFIT	9/14/2012	0.00	4,341.85
021441	ZC	10/3/2012	F2205B1 MARK H. OPPENHEIM &	04-13	04-13	016303	AD	Reverse 016260	9/28/2012	0.00	-4,341.85
										Check Total	(
021442	ZC	10/3/2012	F2739B1 MARK H. OPPENHEIM &	04-13	04-13	016261	VO	DEATH BENEFIT	9/14/2012	0.00	43.04
021442	ZC	10/3/2012	F2739B1 MARK H. OPPENHEIM &	04-13	04-13	016304	AD	RVS 016261	9/28/2012	0.00	-43.04
										Check Total	(
021443	CK	10/3/2012	CA SDU CALIFORNIA STATE	04-13		016305	VO	CRT ORDERED PMT	10/2/2012	0.00	1,034.22
021444	CK	10/3/2012	CHILD5 STATE DISBURSEMENT UNIT (SE	04-13		016306	VO	CRT ORDERED PMT	10/2/2012	0.00	511.00
021445	CK	10/3/2012	CHILD6 OREGON CHILD SUPPORT	04-13		016307	VO	CRT ORDERED PMT	10/2/2012	0.00	250.00
021446	CK	10/3/2012	CHILD9 SHERIDA SEGALL	04-13		016308	VO		10/2/2012	0.00	260.00
021447	CK	10/3/2012	CHILD11 GILDA WHITE	04-13		016309	VO	CRT ORDERED PMT	10/2/2012	0.00	643.00
021448	CK	10/3/2012	CHILD12 KENNETH W. BAILEY	04-13		016310	VO	CRT ORDERED PMT	10/2/2012	0.00	125.00
021449	CK	10/3/2012	CHILD21 OREGON DEPT OF JUSTICE	04-13		016311	VO	CRT ORDERED PMT	10/2/2012	0.00	171.74
021450	CK	10/3/2012	SPOUSE2 KELLY SEARCY	04-13		016312	VO	CRT ORDERED PMT	10/2/2012	0.00	1,874.00
021451	CK	10/3/2012	SPOUSE3 ANGELINA ORTIZ	04-13		016313	VO	CRT ORDERED PMT	10/2/2012	0.00	250.00

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021452	CK	10/3/2012	SPOUSE4 CATHY C. PEET	04-13		016314	VO	CRT ORDERED PMT	10/2/2012	0.00	550.00
021453	CK	10/3/2012	SPOUSE5 SUZANNA CARR	04-13		016315	VO	CRT ORDERED PMT	10/2/2012	0.00	829.00
021454	CK	10/3/2012	FTBCA3 FRANCHISE TAX BOARD	04-13		016316	VO	GARNISHMENT	10/2/2012	0.00	77.11
021455	CK	10/3/2012	IRS6 INTERNAL REVENUE SERVICE	04-13		016317	VO	GARNISHMENT	10/2/2012	0.00	321.00
021456	CK	10/3/2012	CALPERS CALPERS LONG-TERM	04-13		016318	VO	INSURANCE	10/2/2012	0.00	19,390.87
021457	CK	10/3/2012	CVMP COUNTY OF VENTURA	04-13		016319	VO	INSURANCE	10/2/2012	0.00	553,558.67
021458	CK	10/3/2012	SEIU SEIU LOCAL 721	04-13		016320	VO	DUES	10/2/2012	0.00	332.50
021459	CK	10/3/2012	VCDSA VENTURA COUNTY DEPUTY	04-13		016321	VO	INSURANCE	10/2/2012	0.00	230,621.82
021460	CK	10/3/2012	VCPFF VENTURA COUNTY PROFESSIO	04-13		016322	VO	INSURANCE	10/2/2012	0.00	73,631.89
021461	CK	10/3/2012	VCREA RETIRED EMPLOYEES' ASSOCIA	04-13		016323	VO	DUES	10/2/2012	0.00	4,242.00
021462	CK	10/3/2012	VRSD VENTURA REGIONAL	04-13		016324	VO	INSURANCE	10/2/2012	0.00	7,181.82
021463	CK	10/3/2012	VSP VSP	04-13		016325	VO	INSURANCE	10/2/2012	0.00	4,040.80
021464	CK	10/5/2012	120526R US BANCORP INVESTMENTS	04-13		016326	VO	ROLLOVER	10/5/2012	0.00	11,956.41
021465	CK	10/5/2012	120526 DIANE M. ARNOLD	04-13		016327	VO	REFUND	10/5/2012	0.00	1,073.09

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021466	CK	10/5/2012	121380 DANIEL J. AYD	04-13		016328	VO	REFUND	10/5/2012	0.00	7,583.02
021467	CK	10/5/2012	121908 JOSE J. MARTINEZ	04-13		016329	VO	REFUND	10/5/2012	0.00	924.69
021468	CK	10/5/2012	105853 JOHN CAMARENA	04-13		016330	VO	REFUND	10/5/2012	0.00	6,623.86
021469	CK	10/5/2012	F0640B4 GREGORY P. QUAM	04-13		016331	VO	DEATH BENEFIT	10/5/2012	0.00	918.94
021470	CK	10/5/2012	122151 KELLIE M. RAMIREZ	04-13	04-13	016332	VO	REFUND	10/5/2012	0.00	496.16
021470	VC	10/5/2012	122151 KELLIE M. RAMIREZ	04-13	04-13	016332	VO	REFUND	10/5/2012	0.00	-496.16
										Check Total	(
021471	CK	10/5/2012	121010 DEBRA SANDBROOK	04-13	04-13	016333	VO	REFUND	10/5/2012	0.00	3,891.68
021471	VC	10/5/2012	121010 DEBRA SANDBROOK	04-13	04-13	016333	VO	REFUND	10/5/2012	0.00	-3,891.68
										Check Total	(
021472	CK	10/5/2012	118772 MAYRA POMPA	04-13	04-13	016334	VO	REFUND	10/5/2012	0.00	1,187.98
021472	VC	10/5/2012	118772 MAYRA POMPA	04-13	04-13	016334	VO	REFUND	10/5/2012	0.00	-1,187.98
										Check Total	(
021473	CK	10/5/2012	118343 JOSEPH K. PORTARO	04-13	04-13	016335	VO	REFUND	10/5/2012	0.00	25,030.16
021473	VC	10/5/2012	118343 JOSEPH K. PORTARO	04-13	04-13	016335	VO	REFUND	10/5/2012	0.00	-25,030.16
										Check Total	(
021474	CK	10/5/2012	120582 ARTHUR ALVARA	04-13	04-13	016336	VO	REFUND	10/5/2012	0.00	7,200.18
021474	VC	10/5/2012	120582 ARTHUR ALVARA	04-13	04-13	016336	VO	REFUND	10/5/2012	0.00	-7,200.18
										Check Total	(
021475	CK	10/5/2012	108507 CLAUDIA CASTELLANOS-REYES	04-13	04-13	016337	VO	REFUND	10/5/2012	0.00	928.98
021475	VC	10/5/2012	108507 CLAUDIA CASTELLANOS-REYES	04-13	04-13	016337	VO	REFUND	10/5/2012	0.00	-928.98
										Check Total	(
021476	CK	10/5/2012	119055 MONICA BARILONE	04-13	04-13	016338	VO	REFUND	10/5/2012	0.00	8,776.10

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021476	VC	10/5/2012	119055 MONICA BARILONE	04-13	04-13	016338	VO	REFUND	10/5/2012	0.00	-8,776.10
										Check Total	(
021477	CK	10/5/2012	120804 BRIGYNDA ANANIAS	04-13	04-13	016339	VO	REFUND	10/5/2012	0.00	7,658.74
021477	VC	10/5/2012	120804 BRIGYNDA ANANIAS	04-13	04-13	016339	VO	REFUND	10/5/2012	0.00	-7,658.74
										Check Total	(
021478	CK	10/5/2012	120942 KELLY BUCKLIN	04-13	04-13	016340	VO	REFUND	10/5/2012	0.00	4,520.98
021478	VC	10/5/2012	120942 KELLY BUCKLIN	04-13	04-13	016340	VO	REFUND	10/5/2012	0.00	-4,520.98
										Check Total	(
021479	CK	10/5/2012	106585 ALAN PASTERNAK	04-13	04-13	016342	VO	REFUND T2 COL	10/5/2012	0.00	1,617.48
021479	VC	10/5/2012	106585 ALAN PASTERNAK	04-13	04-13	016342	VO	REFUND T2 COL	10/5/2012	0.00	-1,617.48
										Check Total	(
021480	CK	10/5/2012	102121 LORRAINE M. WALTER	04-13	04-13	016343	VO	REFUND T2 COL	10/5/2012	0.00	15,185.82
021480	VC	10/5/2012	102121 LORRAINE M. WALTER	04-13	04-13	016343	VO	REFUND T2 COL	10/5/2012	0.00	-15,185.82
										Check Total	(
021481	CK	10/5/2012	107281 EARL S. MURRAY	04-13	04-13	016344	VO	REFUND T2 COL	10/5/2012	0.00	15,397.99
021481	VC	10/5/2012	107281 EARL S. MURRAY	04-13	04-13	016344	VO	REFUND T2 COL	10/5/2012	0.00	-15,397.99
										Check Total	(
021482	CK	10/5/2012	F0640B3 MICHAEL DAVID QUAM	04-13	04-13	016345	VO	DEATH BENEFIT	10/5/2012	0.00	850.02
021482	VC	10/5/2012	F0640B3 MICHAEL DAVID QUAM	04-13	04-13	016345	VO	DEATH BENEFIT	10/5/2012	0.00	-850.02
										Check Total	(
021483	CK	10/5/2012	F0640B2 LISA QUAM	04-13	04-13	016346	VO	DEATH BENEFIT	10/5/2012	0.00	918.94
021483	VC	10/5/2012	F0640B2 LISA QUAM	04-13	04-13	016346	VO	DEATH BENEFIT	10/5/2012	0.00	-918.94
										Check Total	(
021484	CK	10/5/2012	F0400B1 RAY A. CARTER	04-13	04-13	016347	VO	DEATH BENEFIT	10/5/2012	0.00	3,940.92
021484	VC	10/5/2012	F0400B1 RAY A. CARTER	04-13	04-13	016347	VO	DEATH BENEFIT	10/5/2012	0.00	-3,940.92
										Check Total	(
021485	CK	10/5/2012	F1389S1 NATALIA C. MOORE	04-13	04-13	016348	VO	DEATH BENEFIT	10/5/2012	0.00	3,673.41

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021485	VC	10/5/2012	F1389S1 NATALIA C. MOORE	04-13	04-13	016348	VO	DEATH BENEFIT	10/5/2012	0.00	-3,673.41
										Check Total	(
021486	CK	10/5/2012	F0640B1 LORY S. QUAM	04-13	04-13	016349	VO	DEATH BENEFIT	10/5/2012	0.00	850.02
021486	VC	10/5/2012	F0640B1 LORY S. QUAM	04-13	04-13	016349	VO	DEATH BENEFIT	10/5/2012	0.00	-850.02
										Check Total	(
021487	CK	10/5/2012	F2791B1 SHERRY L. COBB	04-13	04-13	016350	VO	DEATH BENEFIT	10/5/2012	0.00	151.12
021487	VC	10/5/2012	F2791B1 SHERRY L. COBB	04-13	04-13	016350	VO	DEATH BENEFIT	10/5/2012	0.00	-151.12
										Check Total	(
021488	Missing										
021489	CK	10/5/2012	122151 KELLIE M. RAMIREZ	04-13		016332	VO	REFUND	10/5/2012	0.00	496.16
021490	CK	10/5/2012	AT&T AT & T MOBILITY	04-13		016351	VO	ADMIN EXPENSE	10/5/2012	0.00	456.90
021491	CK	10/5/2012	TWC TIME WARNER CABLE	04-13		016352	VO	ADMIN EXPENSE	10/5/2012	0.00	414.04
021492	CK	10/5/2012	121010 DEBRA SANDBROOK	04-13		016333	VO	REFUND	10/5/2012	0.00	3,891.68
021493	CK	10/5/2012	118772 MAYRA POMPA	04-13		016334	VO	REFUND	10/5/2012	0.00	1,187.98
021494	CK	10/5/2012	118343 JOSEPH K. PORTARO	04-13		016335	VO	REFUND	10/5/2012	0.00	25,030.16
021495	CK	10/5/2012	120582 ARTHUR ALVARA	04-13		016336	VO	REFUND	10/5/2012	0.00	7,200.18
021496	CK	10/5/2012	108507 CLAUDIA CASTELLANOS-REYES	04-13		016337	VO	REFUND	10/5/2012	0.00	928.98
021497	CK	10/5/2012	119055 MONICA BARILONE	04-13		016338	VO	REFUND	10/5/2012	0.00	8,776.10
021498	CK	10/5/2012	120804 BRIGYNDA ANANIAS	04-13		016339	VO	REFUND	10/5/2012	0.00	7,658.74

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021499	CK	10/5/2012	120942 KELLY BUCKLIN	04-13		016340	VO	REFUND	10/5/2012	0.00	4,520.98
021500	CK	10/5/2012	106585 ALAN PASTERNAK	04-13		016342	VO	REFUND T2 COL	10/5/2012	0.00	1,617.48
021501	CK	10/5/2012	102121 LORRAINE M. WALTER	04-13		016343	VO	REFUND T2 COL	10/5/2012	0.00	15,185.82
021502	CK	10/5/2012	107281 EARL S. MURRAY	04-13		016344	VO	REFUND T2 COL	10/5/2012	0.00	15,397.99
021503	CK	10/5/2012	F0640B3 MICHAEL DAVID QUAM	04-13		016345	VO	DEATH BENEFIT	10/5/2012	0.00	850.02
021504	CK	10/5/2012	F0640B2 LISA QUAM	04-13		016346	VO	DEATH BENEFIT	10/5/2012	0.00	918.94
021505	CK	10/5/2012	F0400B1 RAY A. CARTER	04-13		016347	VO	DEATH BENEFIT	10/5/2012	0.00	3,940.92
021506	CK	10/5/2012	F1389S1 NATALIA C. MOORE	04-13		016348	VO	DEATH BENEFIT	10/5/2012	0.00	3,673.41
021507	CK	10/5/2012	F0640B1 LORY S. QUAM	04-13		016349	VO	DEATH BENEFIT	10/5/2012	0.00	850.02
021508	CK	10/5/2012	F2791B1 SHERRY L. COBB	04-13		016350	VO	DEATH BENEFIT	10/5/2012	0.00	151.12
021509	CK	10/11/2012	990002 ARTHUR E. GOULET	04-13		016353	VO	TRAVEL REIMB	10/11/2012	0.00	153.78
021510	CK	10/11/2012	102661 LORI NEMIROFF	04-13		016354	VO	TRAVEL REIMB	10/11/2012	0.00	290.83
021511	CK	10/11/2012	990003BM JOSEPH HENDERSON	04-13		016355	VO	BRD MEM FEES	10/11/2012	0.00	100.00
021512	CK	10/11/2012	HARRIS HARRIS WATER CONDITIONING I	04-13		016356	VO	ADMIN EXPENSE	10/11/2012	0.00	174.00

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021513	CK	10/11/2012	SAFEGUARD SAFEGUARD BUSINESS SYSTEM	04-13		016357	VO	ADMIN EXPENSE	10/11/2012	0.00	178.72
021514	CK	10/11/2012	BOFA BANK OF AMERICA	04-13		016358	VO	ADMIN EXPENSE	10/11/2012	0.00	1,664.75
021515	CK	10/11/2012	CORPORATE STAPLES ADVANTAGE	04-13		016359	VO	ADMIN EXPENSE	10/11/2012	0.00	746.63
021516	CK	10/11/2012	COMPUWAVE COMPUWAVE	04-13		016360	VO	ADMIN EXPENSE	10/11/2012	0.00	5,333.11
021517	CK	10/11/2012	BARNEY ABU COURT REPORTING INC	04-13		016361	VO	ADMIN EXPENSE	10/11/2012	0.00	315.00
021518	CK	10/11/2012	ADP ADP INC	04-13		016362	VO	ADMIN EXPENSE	10/11/2012	0.00	17,748.93
021519	CK	10/11/2012	COUNTY COUNTY COUNSEL	04-13		016363	VO	ADMIN EXPENSE	10/11/2012	0.00	14,208.50
021520	CK	10/11/2012	CINTAS CINTAS DOCUMENT MANAGEME	04-13		016364	VO	ADMIN EXPENSE	10/11/2012	0.00	286.25
021521	CK	10/11/2012	BROWN BROWN ARMSTRONG	04-13		016365	VO	ADMIN EXPENSE	10/11/2012	0.00	1,727.07
021522	CK	10/11/2012	YORK ACCESS INFORMATION MANAGE	04-13		016366	VO	ADMIN EXPENSE	10/11/2012	0.00	828.59
021523	CK	10/11/2012	COURIER CENTRAL COURIER, LLC	04-13		016367	VO	ADMIN EXPENSE	10/11/2012	0.00	556.70
021524	CK	10/11/2012	SEGAL THE SEGAL COMPANY	04-13		016368	VO	ADMIN EXPENSE	10/11/2012	0.00	29,000.00
021525	CK	10/11/2012	VOLT VOLT	04-13		016369	VO	ADMIN EXPENSE	10/11/2012	0.00	6,709.31
021526	CK	10/11/2012	GFOA GOVERNMENT FINANCE	04-13		016370	VO	ADMIN EXPENSE	10/11/2012	0.00	570.00

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021527	CK	10/12/2012	121440R1 CITI PERSONAL WEALTH MGMT	04-13		016372	VO	ROLLOVER	10/12/2012	0.00	7,584.64
021528	CK	10/12/2012	F6603 CHEYANNE WILFONG	04-13		016373	VO	PENSION PAYMENT	10/12/2012	0.00	1,747.56
021529	CK	10/12/2012	F2048 WILLIAM H. WALKER	04-13		016374	VO	PENSION PAYMENT	10/12/2012	0.00	5,059.28
021530	CK	10/12/2012	F5306 CLAIRE ROBISON	04-13		016375	VO	PENSION PAYMENT	10/12/2012	0.00	1,572.82
021531	CK	10/12/2012	F6014B1 NORMAN KERR	04-13		016376	VO	DEATH BENEFIT	10/12/2012	0.00	215.83
021532	CK	10/12/2012	F7775 DIANA BRISTER	04-13		016377	VO	PENSION PAYMENT	10/12/2012	0.00	2,353.27
021533	CK	10/12/2012	F1032 ARNOLD T. JOHNSON	04-13		016378	VO	PENSION PAYMENT	10/12/2012	0.00	3,637.07
021534	CK	10/12/2012	F2809B1 VENTURA CENTER FOR	04-13		016379	VO	DEATH BENEFIT	10/12/2012	0.00	5,024.75
021535	CK	10/12/2012	106585 ALAN PASTERNAK	04-13		016380	VO	REFUND T2 COLA	10/12/2012	0.00	1,637.46
021536	CK	10/12/2012	116834 CHRISTINE R. BELANGER	04-13		016381	VO	REFUND	10/12/2012	0.00	2,662.20
021537	CK	10/12/2012	121050 SOPHIA DRANSART	04-13		016382	VO	REFUND	10/12/2012	0.00	3,996.87
021538	CK	10/12/2012	117095 JOHNATHAN D. BERNAUER-BANI	04-13	04-13	016383	VO	REFUND	10/12/2012	0.00	14,084.47
021538	VC	10/12/2012	117095 JOHNATHAN D. BERNAUER-BANI	04-13	04-13	016383	VO	REFUND	10/12/2012	0.00	-14,084.47
										Check Total	(
021539	CK	10/12/2012	118978 ROBERT B. SNOW	04-13	04-13	016384	VO	REFUND	10/12/2012	0.00	25,827.16
021539	VC	10/12/2012	118978 ROBERT B. SNOW	04-13	04-13	016384	VO	REFUND	10/12/2012	0.00	-25,827.16
										Check Total	(

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021540	CK	10/12/2012	116834R PINAL COUNTY FED CREDIT UNI	04-13	04-13	016385	VO	ROLLOVER	10/12/2012	0.00	2,754.66
021540	VC	10/12/2012	116834R PINAL COUNTY FED CREDIT UNI	04-13	04-13	016385	VO	ROLLOVER	10/12/2012	0.00	-2,754.66
										Check Total	(
021541	CK	10/12/2012	F2132 THOMAS E. WILSON	04-13	04-13	016386	VO	PENSION PAYMENT	10/12/2012	0.00	1,486.01
021541	VC	10/12/2012	F2132 THOMAS E. WILSON	04-13	04-13	016386	VO	PENSION PAYMENT	10/12/2012	0.00	-1,486.01
										Check Total	(
021542	Missing										
021543	CK	10/12/2012	117095 JOHNATHAN D. BERNAUER-BANI	04-13		016383	VO	REFUND	10/12/2012	0.00	14,084.47
021544	CK	10/12/2012	118978 ROBERT B. SNOW	04-13		016384	VO	REFUND	10/12/2012	0.00	25,827.16
021545	CK	10/12/2012	116834R PINAL COUNTY FED CREDIT UNI	04-13		016385	VO	ROLLOVER	10/12/2012	0.00	2,754.66
021546	CK	10/12/2012	F2132 THOMAS E. WILSON	04-13		016386	VO	PENSION PAYMENT	10/12/2012	0.00	1,486.01
021547	CK	10/18/2012	F0640B5 UBS FINANCIAL SERVICES	04-13		016400	VO	ROLLOVER	10/18/2012	0.00	1,148.68
021548	CK	10/18/2012	107801 ROSA E. LOEZA GARCIA	04-13		016401	VO	REFUND	10/18/2012	0.00	5,714.21
021549	CK	10/18/2012	108543 KATELYN M. MONDAY	04-13		016402	VO	REFUND	10/18/2012	0.00	25,119.81
021550	CK	10/18/2012	122190 JOSE A. GARCIA	04-13		016403	VO	REFUND	10/18/2012	0.00	363.28
021551	CK	10/19/2012	F5151 JUDITH AMARO	04-13		016387	VO	PENSION PAYMENT	10/17/2012	0.00	747.23
021552	CK	10/19/2012	990004BM WILL HOAG	04-13		016388	VO	BRD MEM FEES	10/17/2012	0.00	300.00
021553	CK	10/19/2012	990003BM JOSEPH HENDERSON	04-13		016389	VO	BRD MEM FEES	10/17/2012	0.00	100.00

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021554	CK	10/19/2012	990005BM WILLIAM W WILSON	04-13		016391	VO	BRD MEM FEES	10/17/2012	0.00	200.00
021555	CK	10/19/2012	AT&T AT & T MOBILITY	04-13		016392	VO	ADMIN EXP	10/17/2012	0.00	462.32
021556	CK	10/19/2012	VITECH VITECH SYSTEMS GROUP INC	04-13		016393	VO	IT PROJECT	10/17/2012	0.00	89,100.00
021557	CK	10/19/2012	LINEA LINEA SOLUTIONS	04-13		016394	VO	ADMIN EXP	10/17/2012	0.00	87,831.10
021558	CK	10/19/2012	BARNEY ABU COURT REPORTING INC	04-13		016395	VO	ADMIN EXP	10/17/2012	0.00	315.00
021559	CK	10/19/2012	SPRUCE SPRUCEGROVE INVESTMENT M	04-13		016396	VO	INV MGMT FEES	10/17/2012	0.00	49,577.96
021560	CK	10/19/2012	MEGAPATH MEGAPATH INC.	04-13		016397	VO	ADMIN EXP	10/17/2012	0.00	192.41
021561	CK	10/19/2012	CDW GOVERN CDW GOVERNMENT	04-13		016398	VO	ADMIN EXP	10/17/2012	0.00	315.96
021562	CK	10/19/2012	SBS SBS GROUP	04-13		016399	VO	ADMIN EXP	10/17/2012	0.00	481.25
021563	CK	10/26/2012	990001BM ALBERT G HARRIS	04-13		016404	VO	BRD MEM FEES	10/25/2012	0.00	300.00
021564	CK	10/26/2012	F4854 LYDIA CORNEJO	04-13		016405	VO	PENSION PAYMENT	10/25/2012	0.00	611.11
021565	CK	10/26/2012	F7908 KATHERINE KREAGER	04-13		016406	VO	PENSION PAYMENT	10/25/2012	0.00	30.49
021566	CK	10/26/2012	YORK ACCESS INFORMATION MANAGE	04-13		016407	VO	ADMIN EXP	10/25/2012	0.00	333.42
021567	CK	10/26/2012	CDW GOVERN CDW GOVERNMENT	04-13		016408	VO	ADMIN EXP	10/25/2012	0.00	4,174.40

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021568	CK	10/26/2012	CMP CMP & ASSOCIATES, INC	04-13		016409	VO	ADMIN EXP	10/25/2012	0.00	24,295.00
021569	CK	10/26/2012	KAUFMAN SHELLEY KAUFMAN	04-13		016410	VO	ADMIN EXP	10/25/2012	0.00	7,612.50
021570	CK	10/26/2012	WKLAW WOLTERS KLUWER LAW & BUSI	04-13		016411	VO	ADMIN EXP	10/25/2012	0.00	324.89
021571	CK	10/26/2012	VOLT VOLT	04-13		016412	VO	ADMIN EXP	10/25/2012	0.00	3,525.55

Check Count: 152

Acct Sub Total: **1,495,5**

Check Type	Count	Amount Paid
Regular	127	1,641,965.84
Hand	0	0.00
Void	22	-146,428.98
Stub	0	0.00
Zero	3	0.00
Mask	0	0.00
Total:	**152**	**1,495,536.86**

Company Disc Total **0.00** **Company Total** **1,495,5**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 10/31/2012

Mandate	$ Actual	% of Actual	$ Target	% Target	Permissible Min	Permissible Max	Outside Permissible	Calculated Adjustments	Proposed Adjustments	Closing Balance	Proposed Allocation	After Rebalancing
BlackRock Extended Equity Index Fund	**30,027,702**	0.87%	34,559,292	1.00%	0.5%	2.0%	OK	4,531,590		30,027,702	0.87%	OK
Western U.S. Index Plus	**118,478,481**	3.43%	103,677,875	3.00%	2.0%	4.0%	OK	(14,800,606)		118,478,481	3.43%	OK
BlackRock Equity Market Fund	**1,102,031,316**	31.89%	1,105,897,329	32.00%	28.0%	36.0%	OK	3,866,013		1,102,031,316	31.89%	OK
Total U.S. Equities	1,250,537,499	36.19%	1,244,134,495	36.00%	30.0%	40.0%	**OK**	(6,403,004)	-	1,250,537,499	36.19%	**OK**
BlackRock ACWI ex-U.S. Index	**322,666,173**	9.34%	345,592,915	10.00%	8.0%	12.0%	OK	22,926,742		322,666,173	9.34%	OK
Sprucegrove	**149,444,106**	4.32%	138,237,166	4.00%	3.0%	6.0%	OK	(11,206,940)		149,444,106	4.32%	OK
Hexavest	**65,041,870**	1.88%	69,118,583	2.00%	1.0%	3.0%	OK	4,076,713		65,041,870	1.88%	OK
Walter Scott	**79,325,662**	2.30%	103,677,875	3.00%	1.5%	4.0%	OK	24,352,213		79,325,662	2.30%	OK
Total Non-U.S. Equities	616,477,811	17.84%	656,626,539	19.00%	15.0%	21.0%	**OK**	40,148,727	-	616,477,811	17.84%	**OK**
GMO Global	**166,984,104**	4.83%	172,796,458	5.00%	3.0%	7.0%	OK	5,812,354		166,984,104	4.83%	OK
Acadian	**-**	0.00%	-	0.00%	0.0%	0.0%	OK	-		-	0.00%	
BlackRock MSCI ACWI Equity Index	**124,779,924**	3.61%	172,796,458	5.00%	3.0%	7.0%	OK	48,016,534		124,779,924	3.61%	OK
Total Global Equities	291,764,028	8.44%	345,592,915	10.00%	7.0%	13.0%	**OK**	53,828,887	-	291,764,028	8.44%	**OK**
Total Equities	2,158,779,338	62.47%	2,246,353,949	65.00%	58.0%	70.0%	**OK**	87,574,610	-	2,158,779,338	62.47%	**OK**
Western	**277,957,832**	8.04%	276,474,332	8.00%	6.0%	10.0%	OK	(1,483,500)		277,957,832	8.04%	OK
BlackRock U.S. Debt Fund	**133,597,215**	3.87%	138,237,166	4.00%	3.0%	6.0%	OK	4,639,951		133,597,215	3.87%	OK
Reams	**243,766,708**	7.05%	241,915,041	7.00%	6.0%	9.0%	OK	(1,851,667)		243,766,708	7.05%	OK
Loomis Sayles	**121,032,060**	3.50%	103,677,875	3.00%	2.0%	4.0%	OK	(17,354,185)		121,032,060	3.50%	OK
Total Domestic Fixed Income	776,353,815	22.46%	760,304,413	22.00%	17.0%	29.0%	**OK**	(16,049,402)	-	776,353,815	22.46%	**OK**
PIMCO Global	**100,627,733**	2.91%	103,677,875	3.00%	2.0%	4.0%	OK	3,050,142		100,627,733	2.91%	OK
Loomis Sayles Global	**67,821,361**	1.96%	69,118,583	2.00%	1.0%	4.0%	OK	1,297,222		67,821,361	1.96%	OK
Total Global Fixed Income	168,449,094	4.87%	172,796,458	5.00%	3.0%	8.0%	**OK**	4,347,364	-	168,449,094	4.87%	**OK**
Total Fixed Income	944,802,909	27.34%	933,100,871	27.00%	20.0%	37.0%	**OK**	(11,702,038)	-	944,802,909	27.34%	**OK**
Prudential Real Estate	**81,539,631**	2.36%	103,677,875	3.00%	2.0%	4.0%	OK	22,138,243		81,539,631	2.36%	OK
UBS Real Estate	**175,724,746**	5.08%	129,597,343	3.75%	3.0%	5.0%	HIGH	(46,127,403)		175,724,746	5.08%	HIGH
Guggenheim	**21,805,515**	0.63%	34,559,292	1.00%	0.5%	2.0%	OK	12,753,777		21,805,515	0.63%	OK
RREEF	**10,311,403**	0.30%	8,639,823	0.25%	0.1%	1.0%	OK	(1,671,580)		10,311,403	0.30%	OK
Real Estate	289,381,295	8.37%	276,474,332	8.00%	5.0%	10.0%	**OK**	(12,906,963)	-	289,381,295	8.37%	**OK**
Adams Street Partners	**25,138,454**	0.73%	-	0.00%	0.0%	4.0%	OK	(25,138,454)		25,138,454	0.73%	OK
Pantheon Ventures	**11,850,000**	0.34%	-	0.00%	0.0%	4.0%	OK	(11,850,000)		11,850,000	0.34%	OK
Private Equity	36,988,454	1.07%	-	0.00%	0.0%	5.0%	**OK**	(36,988,454)	-	36,988,454	1.07%	**OK**
Alternatives	-	0.00%	-	0.00%	0.0%	5.0%	**OK**	-	-	-	0.00%	**OK**
Clifton	**25,977,155**	0.75%	-	0.00%	0.0%	3.0%	OK	(25,977,155)		25,977,155	0.75%	OK
Other Assets	25,977,155	0.75%	-	0.00%	0.0%	5.0%	**OK**	(25,977,155)	-	25,977,155	0.75%	**OK**
Total Investment Portfolio	**3,455,929,152**	**100.00%**	**3,455,929,152**	**100.00%**				**(0)**	**-**	**3,455,929,152**	**100.00%**	

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Ventura County Retirement Assn

Statement of Plan Net Assets
August 31, 2012

ASSETS

CASH & CASH EQUIVALENTS	**$136,094,070**
RECEIVABLES	
ACCRUED INTEREST AND DIVIDENDS	4,868,042
SECURITY SALES	106,536,537
MISCELLANEOUS	446
TOTAL RECEIVABLES	**111,405,025**
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	94,575,668
DOMESTIC EQUITY INDEX FUNDS	1,122,878,070
INTERNATIONAL EQUITY SECURITIES	284,434,039
INTERNATIONAL EQUITY INDEX FUNDS	274,487,690
GLOBAL EQUITY	285,972,382
FIXED INCOME - CORE PLUS	773,463,587
FIXED INCOME - DOMESTIC BOND INDEX	133,132,968
REAL ESTATE	283,237,349
PRIVATE EQUITY	28,868,665
CASH OVERLAY - CLIFTON	24
TOTAL INVESTMENTS	**3,281,050,441**
PENSION SOFTWARE DEVELOPMENT COSTS	**686,886**
TOTAL ASSETS	**3,529,236,422**

LIABILITIES

SECURITY PURCHASES	106,007,024
ACCOUNTS PAYABLE	903,522
PREPAID CONTRIBUTIONS	126,778,109
TOTAL LIABILITIES	**233,688,656**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$3,295,547,766**

Ventura County Retirement Assn

Statement of Changes in Plan Net Assets
August 31, 2012

ADDITIONS	
CONTRIBUTIONS:	
EMPLOYER	$19,022,488
EMPLOYEE	5,838,806
TOTAL CONTRIBUTIONS	**24,861,295**
INVESTMENT INCOME:	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	89,110,520
INTEREST INCOME	3,866,520
DIVIDEND INCOME	3,139,734
REAL ESTATE OPERATING INCOME, NET	60
SECURITIES LENDING INCOME	40,047
TOTAL INVESTMENT INCOME	**96,156,881**
LESS INVESTMENT EXPENSES:	
SECURITIES LENDING BORROWER REBATES	6,880
SECURITIES LENDING MANAGEMENT FEES	9,950
TOTAL INVESTMENT EXPENSES	**16,830**
NET INVESTMENT INCOME	**96,140,052**
TOTAL ADDITIONS	**121,001,347**
DEDUCTIONS	
BENEFIT PAYMENTS	33,357,682
MEMBER REFUNDS	402,227
ADMINISTRATIVE EXPENSES	1,310,878
TOTAL DEDUCTIONS	**35,070,787**
NET INCREASE	**85,930,559**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
BEGINNING OF YEAR	**3,209,617,207**
ENDING BALANCE	**$3,295,547,766**

Ventura County Retirement Assn

Investments & Cash Equivalents

August 31, 2012

	SECURITIES FAIR VALUE	CASH
EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$94,575,668	$14,043,525
TOTAL DOMESTIC EQUITY	**94,575,668**	**14,043,525**
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,093,192,552	1
BLACKROCK - EXTENDED EQUITY	29,685,518	1
TOTAL EQUITY INDEX FUNDS	**1,122,878,070**	**2**
INTERNATIONAL EQUITY		
BLACKROCK - ACWIXUS	274,487,690	0
SPRUCEGROVE	143,974,201	0
HEXAVEST	63,475,504	0
WALTER SCOTT	76,984,333	0
TOTAL INTERNATIONAL EQUITY	**558,921,729**	**0**
GLOBAL EQUITY		
GRANTHAM MAYO & VAN OTTERLOO (GMO)	164,238,798	0
ACADIAN GLOBAL EQUITY	11,113	0
BLACKROCK GLOBAL INDEX	121,722,471	0
TOTAL GLOBAL EQUITY	**285,972,382**	**0**
PRIVATE EQUITY		
ADAMS STREET	22,707,677	0
PANTHEON	6,160,988	0
TOTAL PRIVATE EQUITY	**28,868,665**	**0**
FIXED INCOME		
BLACKROCK - US DEBT INDEX	133,132,968	0
LOOMIS SAYLES & COMPANY (CORE PLUS)	113,103,075	7,284,908
REAMS(CORE PLUS)	320,555,488	10,587,790
WESTERN ASSET MGMT (CORE PLUS)	273,137,582	11,749,510
LOOMIS SAYLES & COMPANY (GLOBAL)	66,667,442	0
TOTAL FIXED INCOME	**906,596,555**	**29,622,209**
REAL ESTATE		
GUGGENHEIM REAL ESTATE	21,805,515	0
PRUDENTIAL REAL ESTATE	80,024,319	0
RREEF	9,581,915	0
UBS REALTY	171,825,600	0
TOTAL REAL ESTATE	**283,237,349**	**0**
ALTERNATIVE STRATEGIES		
CASH OVERLAY - CLIFTON GROUP	**24**	**90,562,885**
IN HOUSE CASH		**1,865,449**
TOTAL INVESTMENTS AND CASH EQUIVALENTS	**$3,281,050,441**	**$136,094,070**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
October 2012 - 33.33% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	2012/2013 Budget	Oct-12	Year to Date Expended	Available Balance	Percent Expended
Salaries & Employee Benefits:					
Regular Salaries	$ 1,623,400.00	$ 158,604.04	$ 436,807.35	$ 1,186,592.65	26.91%
Extra-Help	25,000.00	8,426.51	14,823.57	10,176.43	59.29%
Overtime	7,600.00	149.47	831.45	6,768.55	10.94%
Supplemental Payments	49,300.00	4,689.48	12,859.19	36,440.81	26.08%
Vacation Redemption	71,700.00	3,213.59	6,653.61	65,046.39	9.28%
Retirement Contributions	363,600.00	33,288.07	88,987.42	274,612.58	24.47%
OASDI Contributions	82,600.00	9,557.48	27,127.57	55,472.43	32.84%
FICA-Medicare	25,400.00	2,356.27	6,465.38	18,934.62	25.45%
Management Retiree Health Benefit	15,600.00	1,297.86	5,191.44	10,408.56	33.28%
Group Insurance	159,800.00	15,288.00	41,496.00	118,304.00	25.97%
Life Insurance/Mgmt	900.00	98.61	271.53	628.47	30.17%
Unemployment Insurance	2,500.00	237.82	643.99	1,856.01	25.76%
Management Disability Insurance	4,100.00	382.88	1,057.12	3,042.88	25.78%
Worker' Compensation Insurance	10,200.00	1,020.77	2,811.54	7,388.46	27.56%
401K Plan Contribution	41,500.00	2,917.90	8,073.77	33,426.23	19.45%
Total Salaries & Employee Benefits	$ 2,483,200.00	$ 241,528.75	$ 654,100.93	$ 1,829,099.07	26.34%
Services & Supplies:					
Telephone Services - ISF	$ 21,400.00	$ 3,136.25	$ 11,034.62	$ 10,365.38	51.56%
General Insurance - ISF	9,600.00	0.00	0.00	9,600.00	0.00%
Office Equipment Maintenance	16,000.00	252.20	1,958.29	14,041.71	12.24%
Membership and Dues	9,700.00	570.00	4,570.00	5,130.00	47.11%
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	324.89	374.89	2,125.11	15.00%
Office Supplies	18,000.00	746.63	3,318.73	14,681.27	18.44%
Postage & Express	55,000.00	6,476.12	13,241.55	41,758.45	24.08%
Printing Charges - ISF	12,000.00	240.00	240.00	11,760.00	2.00%
Copy Machine Services - ISF	5,900.00	(485.16)	(485.16)	6,385.16	-8.22%
Board Member Fees	11,500.00	1,000.00	2,600.00	8,900.00	22.61%
Professional Services	828,400.00	73,529.43	256,530.49	571,869.51	30.97%
Storage Charges	3,200.00	1,162.01	1,162.01	2,037.99	36.31%
Minor Equipment	18,500.00	0.00	13,319.90	5,180.10	72.00%
Office Lease Payments	178,600.00	0.00	40,270.83	138,329.17	22.55%
Private Vehicle Mileage	8,000.00	970.21	4,292.07	3,707.93	53.65%
Conference, Seminar and Travel	60,000.00	490.40	6,151.36	53,848.64	10.25%
Furniture	7,000.00	0.00	647.00	6,353.00	9.24%
Facilities Charges	0.00	0.00	0.00	0.00	#DIV/0!
Total Services & Supplies	$ 1,242,700.00	$ 88,412.98	$ 361,256.20	$ 881,443.80	29.07%
Total Administrative Budget	$ 3,725,900.00	$ 329,941.73	$ 1,015,357.13	$ 2,710,542.87	27.25%
Information Technology:					
Computer Hardware	$ 20,000.00	$ 9,252.31	11,287.21	$ 8,712.79	56.44%
Computer Software	8,800.00	0.00	2,964.84	5,835.16	33.69%
Data Processing and Maintenance	416,400.00	28,122.12	107,850.29	308,549.71	25.90%
Special Project - New Pension System	2,089,200.00	184,774.15	1,045,742.73	1,043,457.27	50.05%
Total Information Technology	$ 2,534,400.00	$ 222,148.58	$ 1,167,845.07	$ 1,366,554.93	46.08%
Contingency	$ 577,600.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,837,900.00	$ 552,090.31	$ 2,183,202.20	$ 4,654,697.80	31.93%

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Ventura County Employees' Retirement Association

Third Quarter 2012

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www.hewittennisknupp.com

CONTENTS

Market Environment

Third Quarter 2012

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Market Highlights

Returns of the Major Capital Markets						
					Periods Ending 09/30/2012	
	Third Quarter	Year-to-Date	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	6.8%	13.0%	21.1%	7.6%	-1.7%	9.0%
MSCI All Country World	6.8%	12.9%	21.0%	7.2%	-2.1%	8.6%
Dow Jones U.S. Total Stock Market	6.2%	16.2%	30.2%	13.4%	1.5%	8.7%
Russell 3000	6.2%	16.1%	30.2%	13.3%	1.3%	8.5%
S&P 500	6.4%	16.4%	30.2%	13.2%	1.1%	8.0%
Russell 2000	5.3%	14.2%	31.9%	13.0%	2.2%	10.2%
MSCI All Country World ex-U.S. IMI	7.5%	10.7%	14.4%	3.5%	-3.8%	10.2%
MSCI All Country World ex-U.S.	7.4%	10.4%	14.5%	3.2%	-4.1%	9.8%
MSCI EAFE	6.9%	10.1%	13.8%	2.1%	-5.2%	8.2%
MSCI EAFE (100% Hedged)	3.9%	6.3%	10.4%	-1.5%	-8.5%	2.6%
MSCI EAFE (Local Currency)	4.7%	9.1%	13.5%	1.3%	-6.2%	4.9%
MSCI Emerging Markets	7.7%	12.0%	16.9%	5.6%	-1.3%	17.0%
Fixed Income						
Barclays Global Aggregate	3.3%	4.8%	5.0%	5.0%	6.2%	6.4%
Barclays Aggregate Bond	1.6%	4.0%	5.2%	6.2%	6.5%	5.3%
Barclays Long Gov't	0.3%	4.5%	6.4%	11.9%	10.9%	7.7%
Barclays Long Credit	5.2%	11.3%	14.9%	12.7%	10.6%	8.6%
Barclays Long Gov't/Credit	3.1%	8.3%	11.1%	12.5%	10.9%	8.1%
Barclays High Yield	4.5%	12.1%	19.4%	12.9%	9.3%	11.0%
SSB Non-U.S. WGBI	4.0%	4.0%	3.5%	4.0%	6.6%	7.3%
JP Morgan EMBI Global (Emerging Markets)	6.8%	14.7%	20.6%	12.3%	10.3%	12.5%
Commodities						
Dow Jones-UBS Commodity	9.7%	5.6%	6.0%	5.3%	-3.0%	5.2%
Goldman Sachs Commodity	11.5%	3.5%	12.7%	6.5%	-5.4%	3.4%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	2.9%	4.7%	5.5%	3.9%	1.4%	6.8%
HFRI Fund of Funds[2]	2.3%	3.3%	2.8%	1.5%	-1.6%	3.6%
Real Estate						
NAREIT U.S. Equity REITS	0.2%	15.1%	32.6%	20.4%	2.1%	11.4%
NCREIF ODCE	2.5%	7.5%	10.4%	11.1%	-2.0%	5.7%
Private Equity						
Thomson Reuters VentureXpert[3]	5.1%	5.1%	9.1%	17.4%	6.1%	11.0%
Infrastructure						
Macquarie Global Infrastructure - North America[4]	2.0%	5.5%	17.2%	15.3%	4.4%	n/a

MSCI Indices and NCREIF ODCE show net retuns. MSCI EAFE (100% Hedged) shows price return; all other indices show total returns.

[1] Periods are annualized.

[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.

[3] Benchmark is as of 03/31/2012.

[4] Benchmark began in January 2004.

- U.S. economic growth and job growth picked up during the third quarter.
- European economic data improved after a weak second quarter.
- QE3 was announced in mid-September. The U.S. Federal Reserve's plan is to purchase $40 billion of mortgage backed securities per month on an open-ended basis.
- The European Central Bank (ECB) decided to keep Eurozone interest rates at low levels. In September, ECB president Mario Draghi announced a plan for direct intervention in Eurozone bond markets in an attempt to contain the ongoing debt crisis.
- Non-U.S. equities outperformed U.S. equities during the third quarter. The strongest performing segment was the Emerging Markets area.
- The 10-year U.S. Treasury yield was broadly flat during the third quarter; however, on an intra-quarter basis, the yield was volatile. The yield reached a low of 1.39% and a high of 1.88% during the quarter.
- In aggregate, commodities produced positive returns during the quarter. The main drivers were a resurgence in risk appetite and the ongoing U.S. drought, which elevated grain prices.

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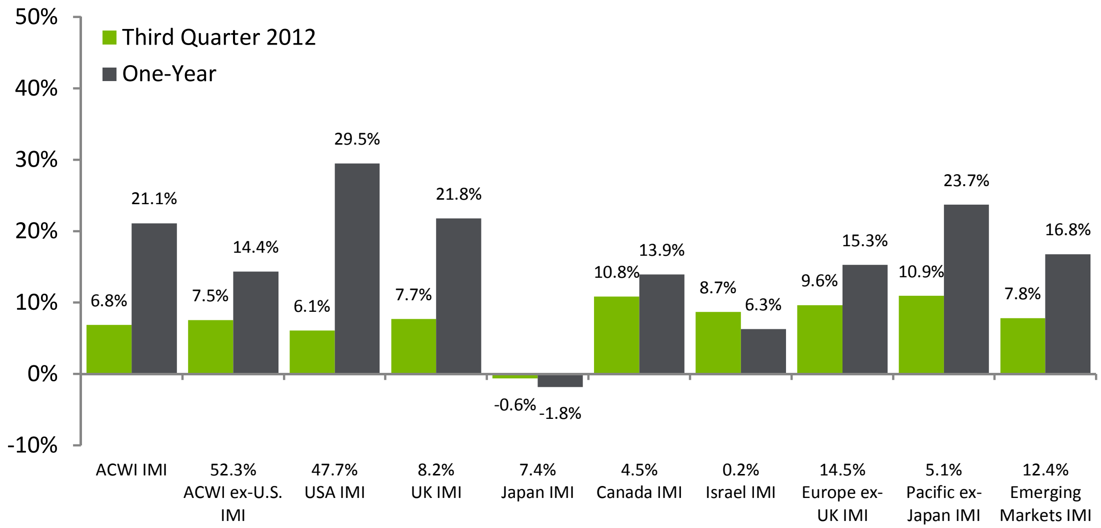
Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS
AS OF 09/30/2012



Source: MSCI

- Positive economic data coupled with QE3 and a calming of the Eurozone debt crisis spurred a resurgence in risk appetite during the third quarter.
- Most equity markets around the world posted positive returns during the quarter. The best performing market was Pacific ex-Japan, and the worst performing market was Japan.

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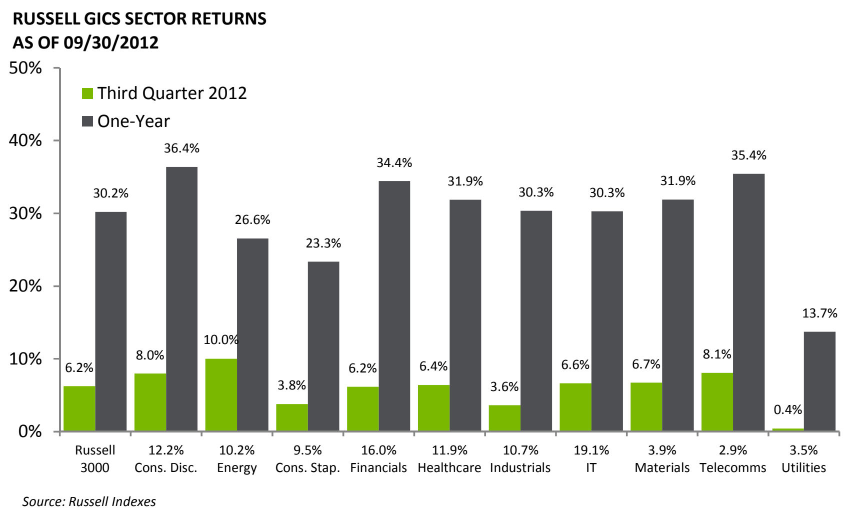
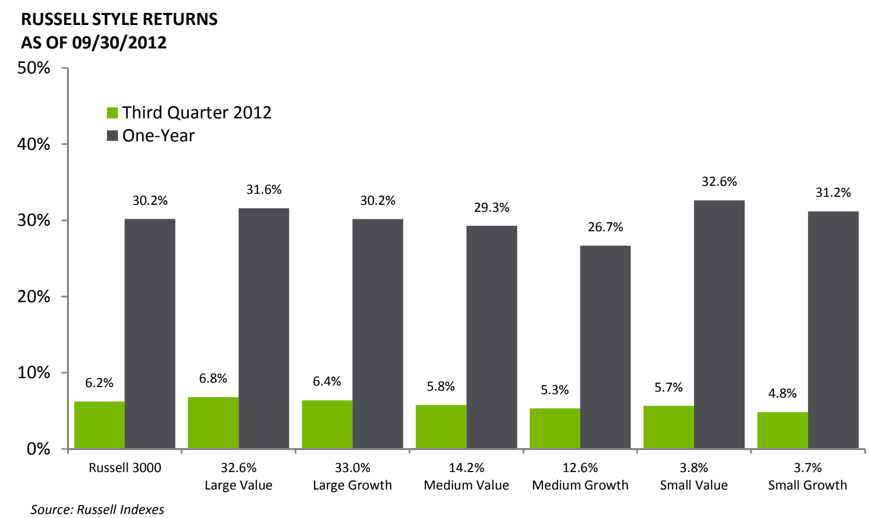
U.S. Equity Markets

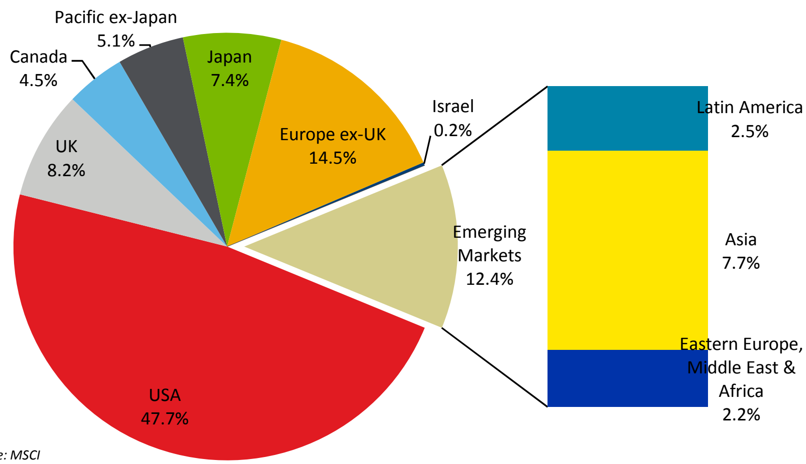




- Generally positive U.S. economic data and the launch of QE3 led to positive momentum in the domestic equity market during the quarter.
- The Russell 3000 rose 6.2% during the quarter and returned 30.2% during the one-year period.
- The Consumer Discretionary, Energy, and Telecommunications sectors were the best performing sectors during the third quarter, posting returns of 8.0%, 10.0%, and 8.1%, respectively. The Industrials and Utilities sectors were the worst performing areas, producing returns of 3.6% and 0.4%, respectively, during the third quarter.
- Large cap outperformed small cap and mid cap during the third quarter. Value modestly outperformed growth across all segments of the market during the quarter.

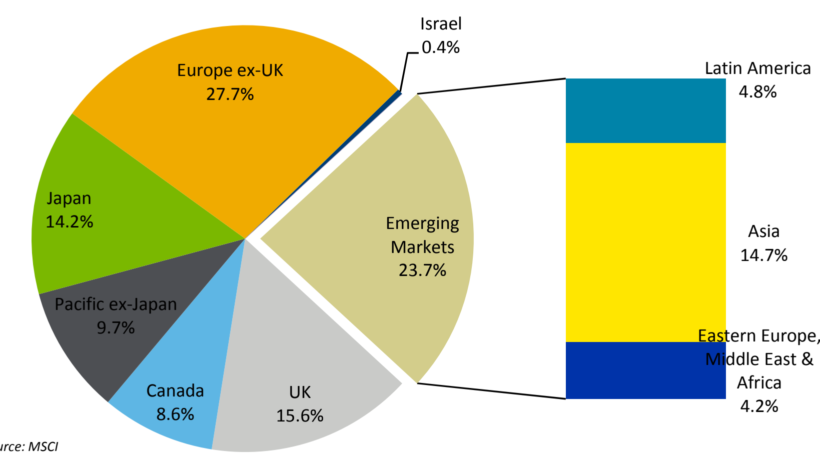
Global Equity Markets

MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 09/30/2012



Source: MSCI

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 09/30/2012



Source: MSCI

- The two exhibits on this slide illustrate the percent each country/region represents of the global equity market as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index.

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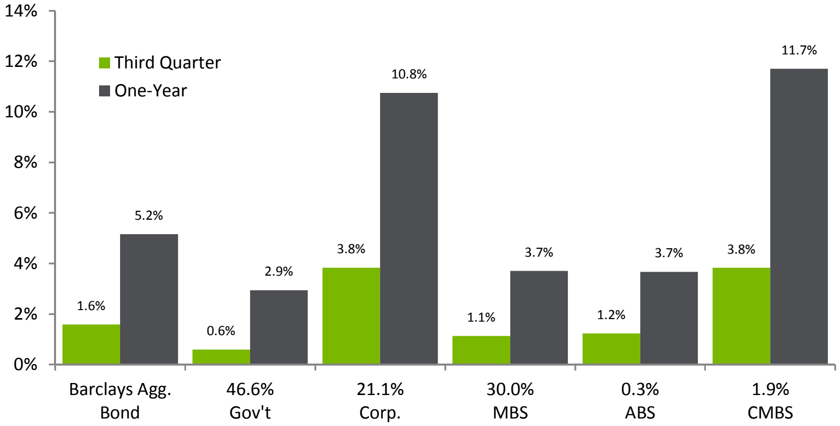
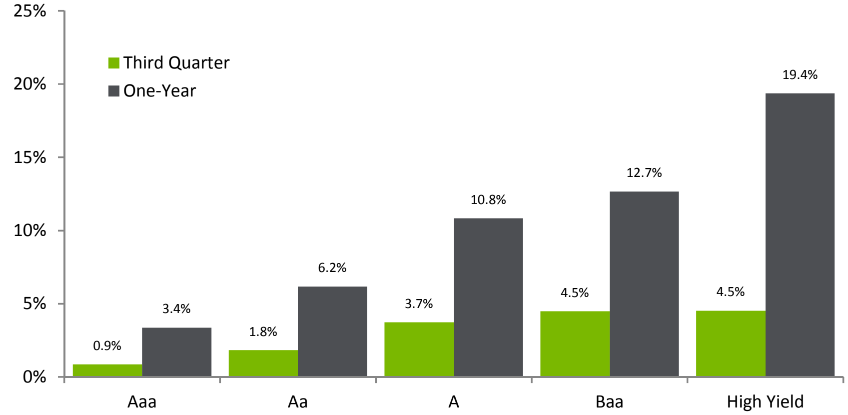
U.S. Fixed Income Markets

BARCLAYS AGGREGATE RETURNS BY SECTOR
AS OF 09/30/2012



Source: Barclays Live

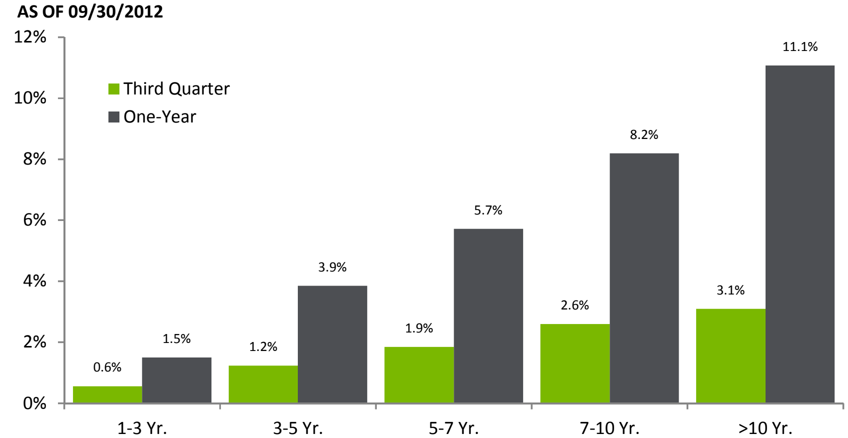
BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS
AS OF 09/30/2012



Source: Barclays Live

- The Barclays Aggregate returned 1.6% in the third quarter.
- Corporate bonds and commercial mortgage-backed securities were the strongest performing sectors, each returning 3.8% over the course of the third quarter.
- In the investment grade area, lower quality bonds outperformed higher quality bonds. This held true for the quarter and the preceding one-year period.
- High yield bonds outperformed investment grade bonds. High yield benefited from massive inflows of capital as investors searched for yield.
- Long duration bonds outperformed intermediate and short duration bonds.

BARCLAYS AGGREGATE RETURNS BY MATURITY
AS OF 09/30/2012



Source: Barclays Live

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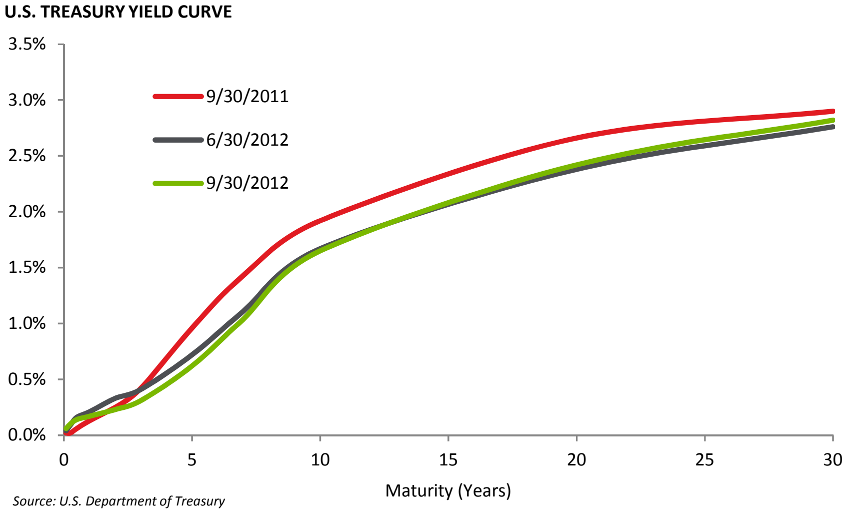
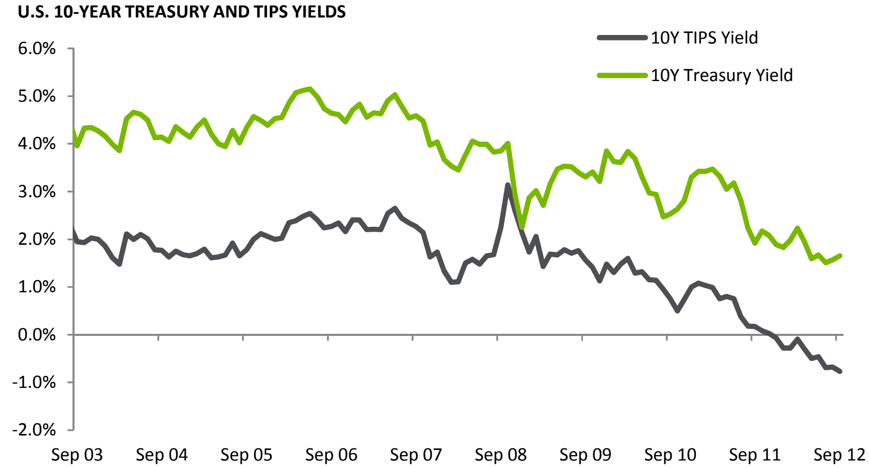
U.S. Fixed Income Markets



Source: U.S. Department of Treasury



Source: U.S. Department of Treasury

- The Treasury yield curve steepened slightly during the quarter. The intermediate (1 to 10 years) segment of the yield curve fell, while the long end of the yield curve rose slightly.
- While the 10-year U.S. Treasury yield ended the quarter near its starting point, the yield was volatile on an intra-quarter basis. The yield reached a low of 1.39% and a high of 1.88% during the quarter.
- 10-year TIPS yields continued their push further into negative territory. The 10-year real yield fell to -0.77% as of quarter-end.

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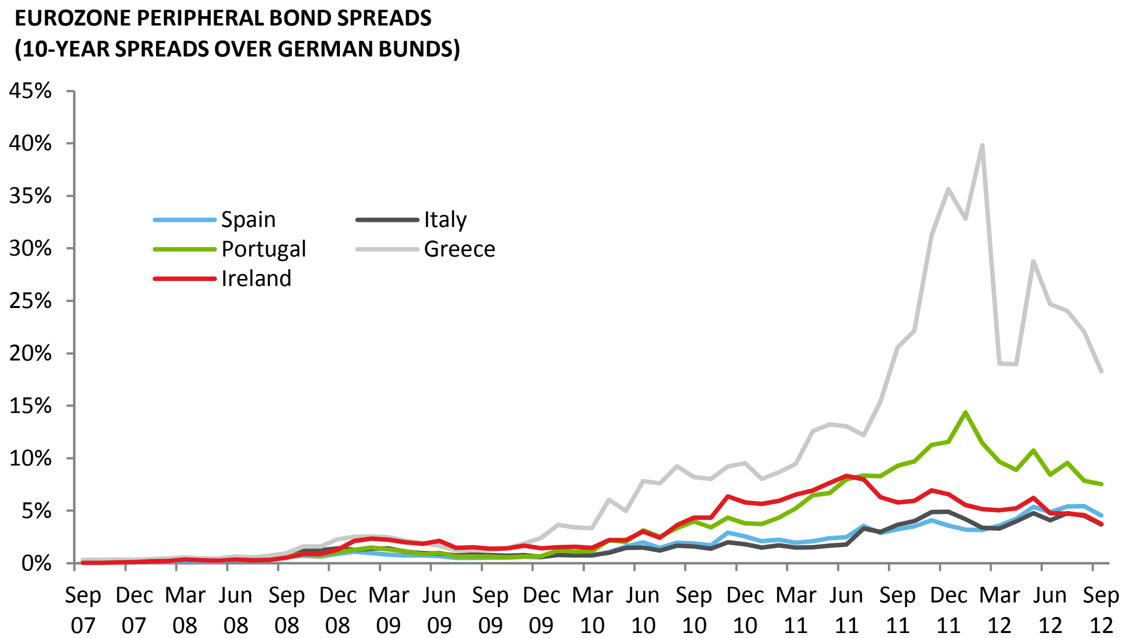
European Fixed Income Markets



Source: DataStream

- Spain was one of the key focal points of the Eurozone debt crisis during the quarter as speculation was rife that it would ask for a European bailout. This led to the spread between 10-year yields on Spanish debt and German Bunds reaching a record high of approximately 640 bps on July 24, 2012. With reassurances from the Spanish government, announcements from the ECB, and the recently announced Draghi Plan, Spanish-German yield spreads have fallen, albeit with significant volatility. The yield spread ended the quarter at 456 bps.

- 10-year yield spreads over German Bunds decreased for the rest of the Eurozone periphery as well.

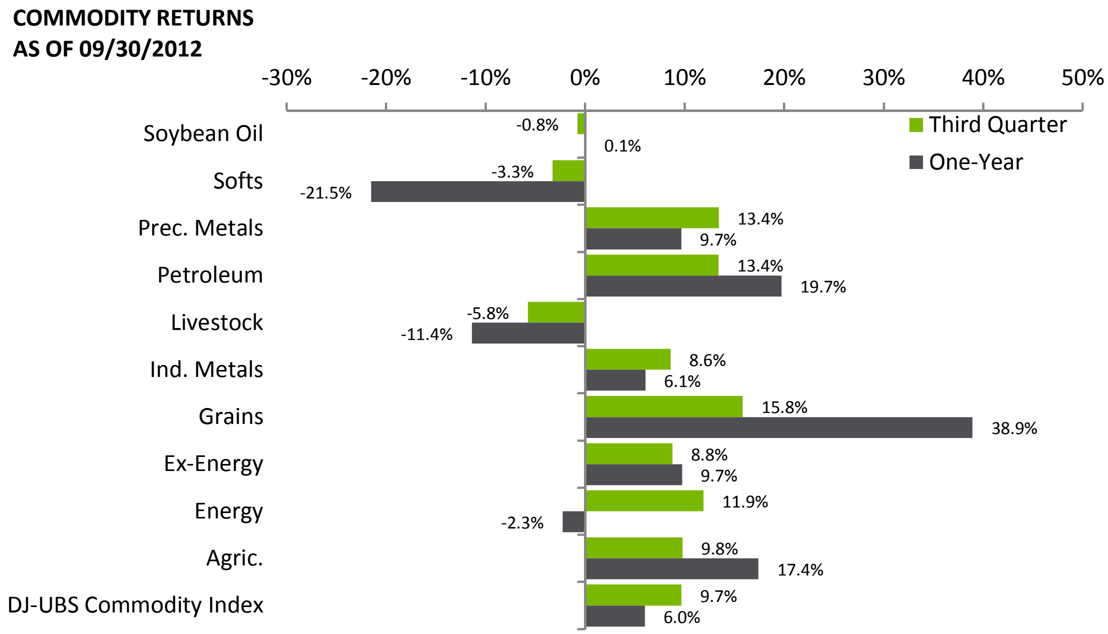
Credit Spreads

Spread (bps)	9/30/2012	6/30/2012	9/30/2011	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	49	77	90	-28	-41
Long Gov't	4	5	5	-1	-1
Long Credit	191	228	246	-37	-55
Long Gov't/Credit	114	130	132	-16	-18
MBS	24	76	80	-52	-56
CMBS	155	235	351	-80	-196
ABS	44	59	77	-15	-33
Corporate	156	199	238	-43	-82
High Yield	551	615	807	-64	-256
Global Emerging Markets	332	408	495	-76	-163

Source: Barclays Live

- Credit spreads fell during the quarter; this was driven by modest falls in U.S. Treasury yields and more significant reductions in headline credit yields.
- Unsurprisingly, the sectors that saw the largest reductions in spreads were the sectors that are generally favored when risk appetites increase (high yield and emerging market debt) and the sectors most affected by QE3 (Mortgage-backed related).
- Credit spreads across every segment as of September 30, 2012 were lower relative to a year ago.

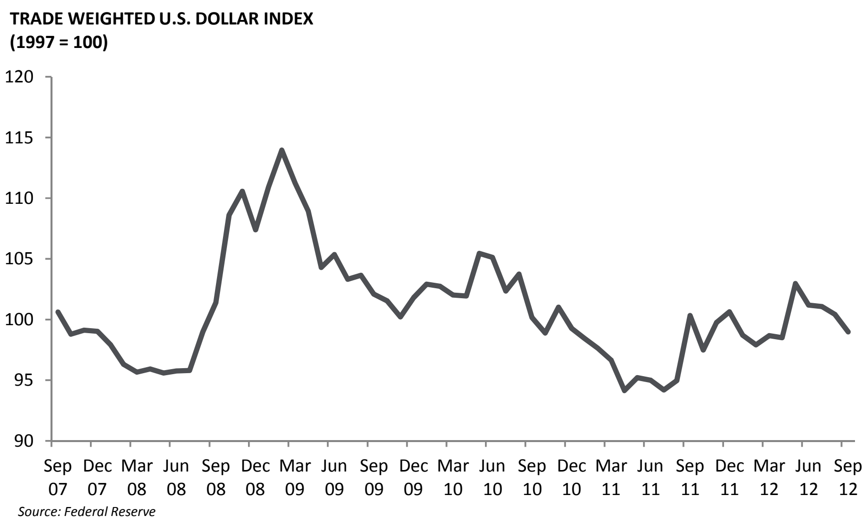
Commodities

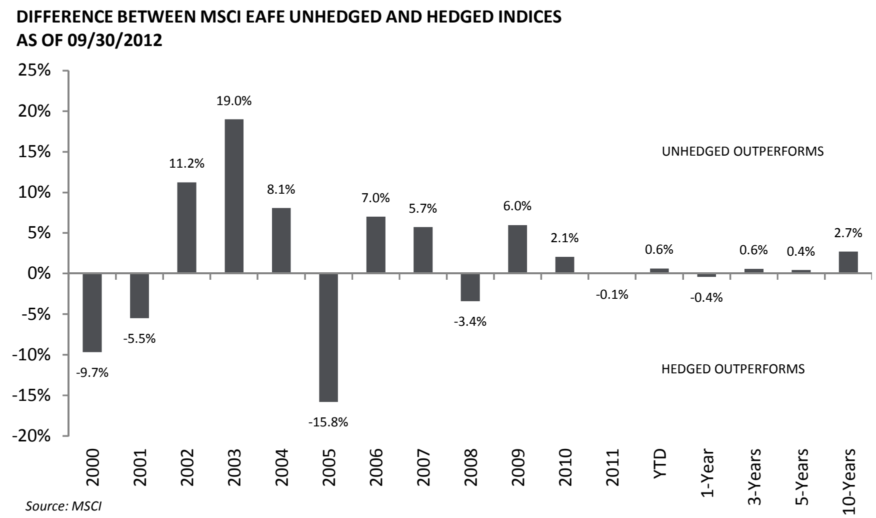


Source: Dow Jones-UBS

- Driven by very strong gains in grains and petroleum, the Dow Jones-UBS Commodity Index increased by 9.7% during the third quarter.
- The strongest performing segment of the market was grains. This was caused by higher than normal temperatures and below average rainfall in the U.S. East and Midwest that boosted grain prices.
- Softs and Livestock were the worst performing sectors of the market during the third quarter.

Currency

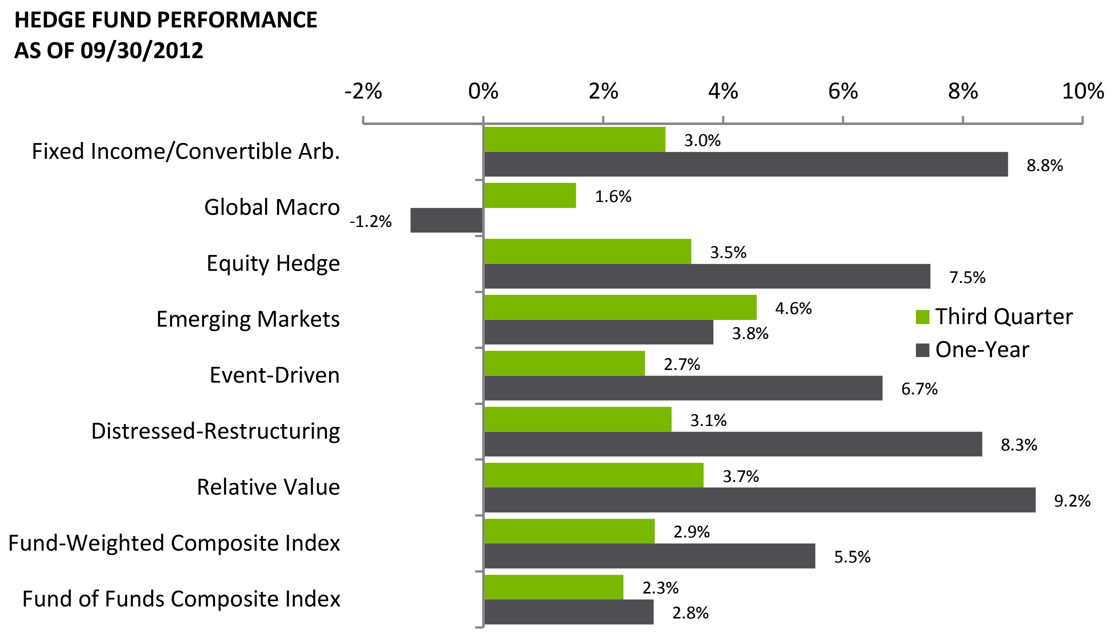




- As measured through the broad trade weighted U.S. dollar index, the U.S. dollar marginally depreciated during the quarter and the one year period.

- The MSCI EAFE Unhedged Index slightly outperformed the MSCI EAFE 100% Hedged Index during the year-to-date period reflecting the depreciation of the U.S. dollar. The unhedged index outperformed the hedged index during the last 3, 5, and 10 year periods.

Hedge Fund Markets Overview



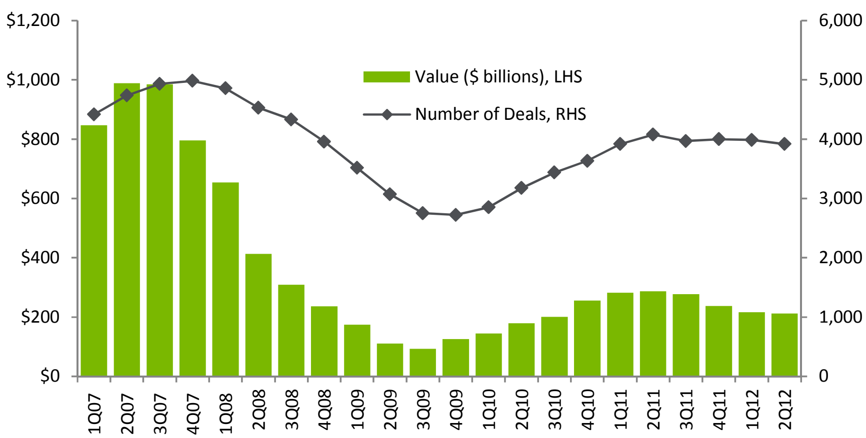
Source: HFR

- All major hedge fund strategy types posted positive returns in the third quarter. The HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of 2.9% and 2.3%, respectively.

- Relative Value and Emerging Markets strategies were the strongest performers during the quarter.

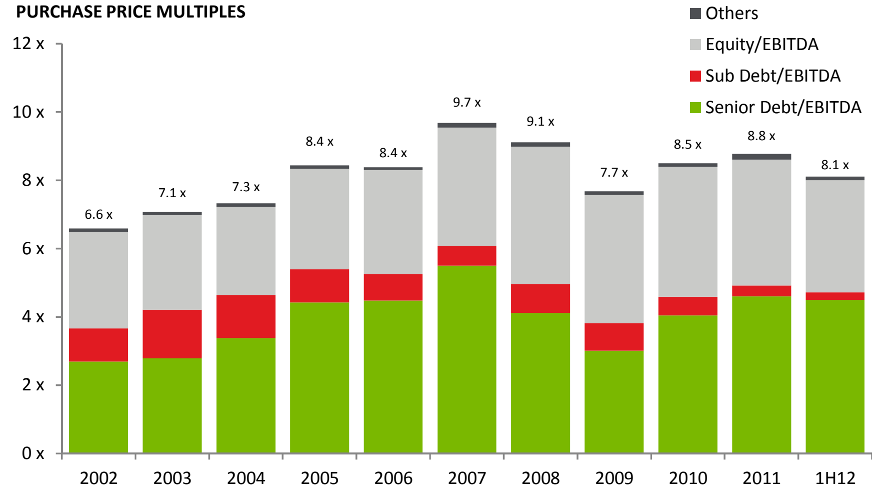
Private Equity Market Overview – Q2 2012

LTM GLOBAL SPONSOR M&A DEAL VOLUME AND VALUE
(TRAILING 12 MONTH DATA)



Source: ThomsonOne

PURCHASE PRICE MULTIPLES

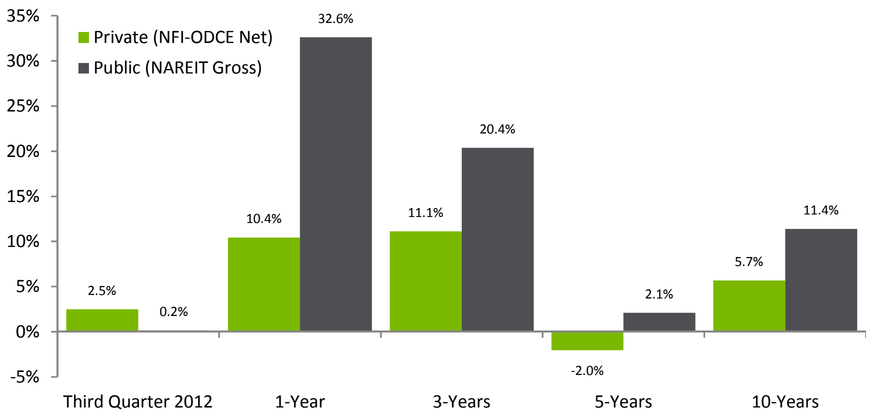


Source: S&P

- **Fundraising:** Continues to improve: LTM levels ($301B) healthy but not at excessive levels. Remains well below pre-crisis levels ($591B). Overhang significant ($750B) but decreasing.
- **Buyout:** Deal volume vacillating quarter to quarter but trending slightly downward. Small and middle market deals comprise bulk of activity although some activity being seen in the large market. Purchase price multiples are decreasing and are just below the 10 year average; European activity remains slow due to economic uncertainty.
- **Venture capital:** LTM investment levels ($27.9B) declined for 2 consecutive quarters. 2Q activity increased but still below 2011 quarterly average($7.3B); median pre-money valuations increased across all deal stages; number of exits down ~16% to 2011 quarterly average, number of IPOs stalled after poor Facebook debut but IPO pipeline building.
- **Mezzanine:** U.S. mezzanine lenders continue to target smaller transactions as they are getting squeezed out of larger transactions in favor of high yield. They are also receiving increased competition from Unitranche structures. Europe continues to favor mezzanine lenders as CLOs have limited cash to re-invest and European banks are dealing with capital constraints.
- **Distressed Debt:** Default rates increased slightly for two consecutive quarters but remain at historically low levels; investment levels remain low due to heavy refinance activity and low default rates; attractive opportunities exist looking forward to 2013-2014 due to fragile economy and reduced leveraged loan capacity.
- **Secondaries:** $10 billion raised in 1H 2012, expect record-breaking year; 1H 2012 $12.3 billion in transactions roughly flat with the record 2011 level; pricing discounts decreased to 11% for Buyout and 26% for Venture.
- **Infrastructure:** Fundraising down slightly from 2011; YTD activity lowest level since 2007.

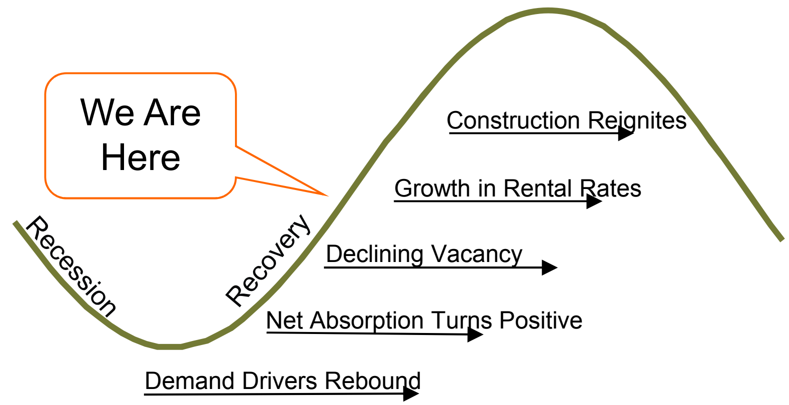
U.S. Commercial Real Estate Markets

PRIVATE VS. PUBLIC REAL ESTATE RETURNS
AS OF 09/30/2012



Sources: NCREIF, NAREIT

CURRENT POSITION IN
REAL ESTATE RECOVERY CYCLE



Measured improvements are expected to continue:

- Demand has stabilized and new supply remains low; however, more consistent employment growth is needed to keep positive momentum going.
- Sector fundamentals are expected to continue to more widely firm; helping to support current pricing levels.
- Underwriting to remain favorable (for now), though downward pressure to continue on net operating income as leases expire and re-sign at today's substantially lower rates.
- Apartment sector development is on the horizon; all other property type development to remain minimal near term.
- Liquidity should continue to improve, albeit still segmented and below "normal period" levels.

Performance should remain attractive:

- Core real estate returns are expected to return closer to long run average levels (7-9%).
- Non-Core real estate opportunities remain attractive due to lagged recovery in pricing, improving fundamentals, and lenders' increased willingness to deal with distressed assets.

Bumps in the road likely still exist:

- Economic/political bumps may cause some short-term headwinds along the recovery path as investor confidence remains shaky.
- Refinancing overhang still requires resolutions.
- Silver lining: turmoil and uncertainty are catalysts in private markets for investment opportunities, particularly for investors in the higher risk non-Core space.

Hewitt ennisknupp
An Aon Company

Total Fund

Highlights

Return Summary

	Qtr	YTD	1 Yr	3 Yrs	5 Yrs
Dow Jones US Total Stock Index	6.2 %	16.2 %	30.2 %	13.4 %	1.5 %
MSCI All Country World ex-U.S. Index	7.4 %	10.4 %	14.5 %	3.2 %	-4.1 %
MSCI EAFE Index	6.9 %	10.1 %	13.8 %	2.1 %	-5.2 %
MSCI Emerging Markets Index	7.7 %	12.0 %	16.9 %	5.6 %	-1.3 %
MSCI All Country World Index	6.8 %	12.9 %	21.0 %	7.2 %	-2.1 %
Barclays Aggregate Bond Index	1.6 %	4.0 %	5.2 %	6.2 %	6.5 %

3Q 2012 Market Commentary

Monetary stimulus from central banks across the globe drove equity markets higher during the third quarter as financial markets rebounded following a volatile second quarter. News of loose monetary policies in the U.S and abroad boosted returns in September as the rally, which began in June, continued during the third quarter.

According to the Bureau of Labor Statistics (BLS), the unemployment rate fell from 8.2% to 7.8%, and U.S. employers created 438,000 jobs in the third quarter. During the 1 year period through July, home prices increased 1.6%, as measured by the S&P/Case Shiller Index, signaling that the real estate market may have found a floor during the second quarter amidst an environment with sub-4% 30 year mortgage rates and population growth exceeding the rate of new home construction. The Federal Open Market Committee (FOMC) again decided to keep the target range for the federal funds rate at 0-0.25%. The Committee also confirmed that weak economic conditions will likely warrant a low federal funds rate at least through mid-2015. In mid-September, the FOMC announced a third round of quantitative easing, dubbed QE3. Under the new program, the Fed will purchase agency mortgage backed securities at a pace of $40 billion per month in an attempt to put downward pressure on longer-term interest rates, support mortgage markets and help to make broader financial conditions more accommodative. Together, QE3 and Operation Twist, the program to purchase long-term Treasuries while simultaneously selling shorter dated securities, will increase the Federal Reserve's holdings of longer dated securities by approximately $85 billion per month through the end of the year. Additionally, the Fed has committed to continue QE3 until economic conditions improve.

Unsurprisingly, global equity markets surged in anticipation of and following the announcement of QE3 by the Fed, in conjunction with similar announcements in Europe. In the week prior to the Fed's announcement of QE3, Mario Draghi, the President of the European Central Bank, announced a new bond buying program that would purchase unlimited amounts of government bonds from troubled euro states that face high borrowing costs. While equity markets reached multi-year highs during the quarter, fundamentals weakened as earnings guidance continued to be negative for U.S. corporations, as a result of anemic global economic conditions. The U.S. equity market, as measured by the Dow Jones U.S. Total Stock Market Index, gained 6.2% during the third quarter. From a capitalization standpoint, large-cap stocks outperformed small-cap stocks, while from a style perspective, value outperformed growth slightly during the quarter. Utilities was the worst performing sector during the quarter, rising 0.4%, while the Energy sector was the best performing sector, gaining 10.0% during the quarter. As a result of the stabilizing effort by the ECB, the non-U.S. equity market, as measured by the MSCI All Country World ex-U.S. Investable Market Index, rose 7.5% during the quarter. Emerging markets gained 7.7%, according to the MSCI Emerging Market Index, as commodity-rich developing countries benefited from increased demand for oil and other commodities during the quarter.The U.S. bond market, as measured by the Barclays Aggregate Bond Index, returned 1.6% during the third quarter. Long duration bonds outperformed intermediate and short duration bonds, while high yield bonds gained 4.5%, as investors sought yield in a low interest rate environment.

Highlights

Commentary on Investment Performance

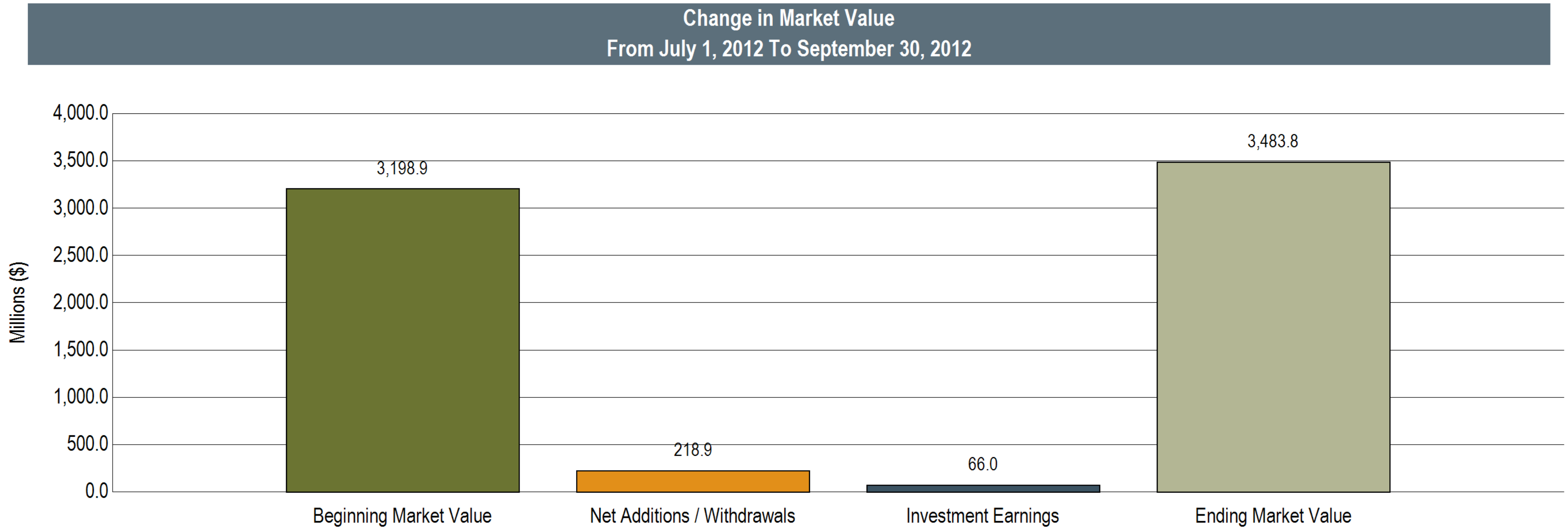
The Total Fund returned 5.1% during the third quarter, outperforming the return of the Policy Portfolio by 15 basis points. The Fund's U.S. Fixed Income component added value over their benchmark. Partially offsetting results were the below-benchmark returns from the, Non-U.S. Equity, Global Equity and Real Estate components.

For the one-year ending September 30, 2012, the Total Fund advanced 19.2%, outpacing the return of the Policy Portfolio by 107 basis points. Overperformance was mainly attributed to above-benchmark returns from the U.S. Fixed Income, U.S. Equity and Non-U.S. Equity components.

The Total Fund's longer-term relative performance remains mixed. While the Total Fund has slightly underperformed the return of its benchmark during the trailing five-year period, it has outperformed the benchmark during the three-year and one-year period. The Fund's annualized since inception return rose to 7.9% to match it up with the Policy Portfolio.

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

Plan Summary



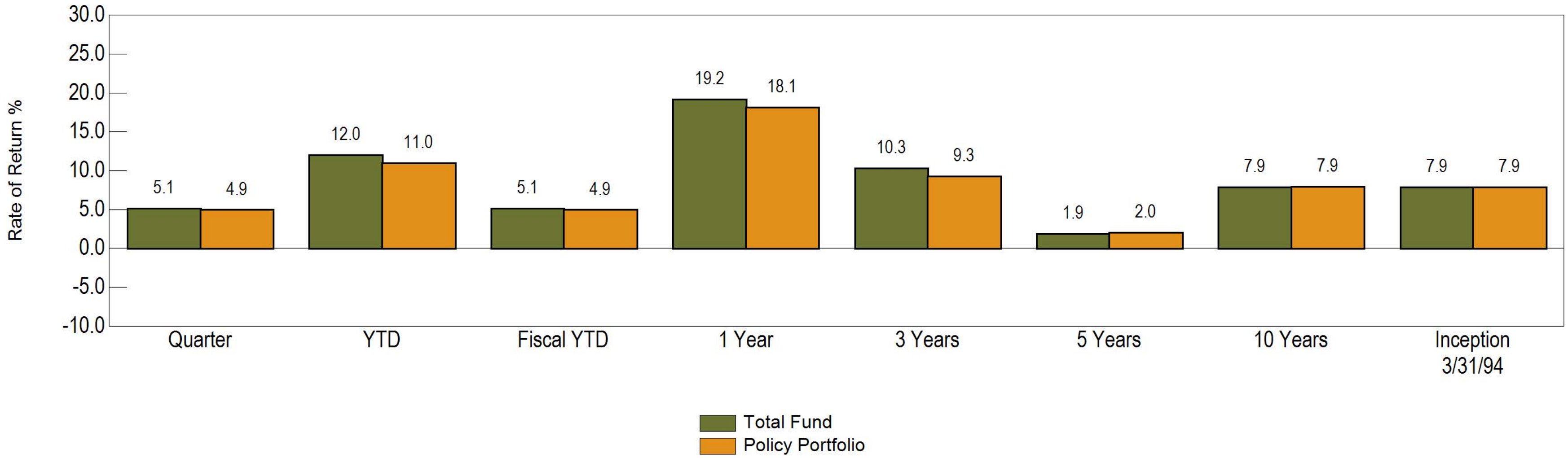
Summary of Cash Flows

Sources of Portfolio Growth	Third Quarter	Year-To-Date	One Year
Beginning Market Value	$3,198,890,219	$3,069,762,197	$2,927,905,337
Net Additions/Withdrawals	$218,859,750	$144,602,542	$104,073,321
Investment Earnings	$66,012,424	$269,397,655	$451,783,735
Ending Market Value	$3,483,762,393	$3,483,762,393	$3,483,762,393

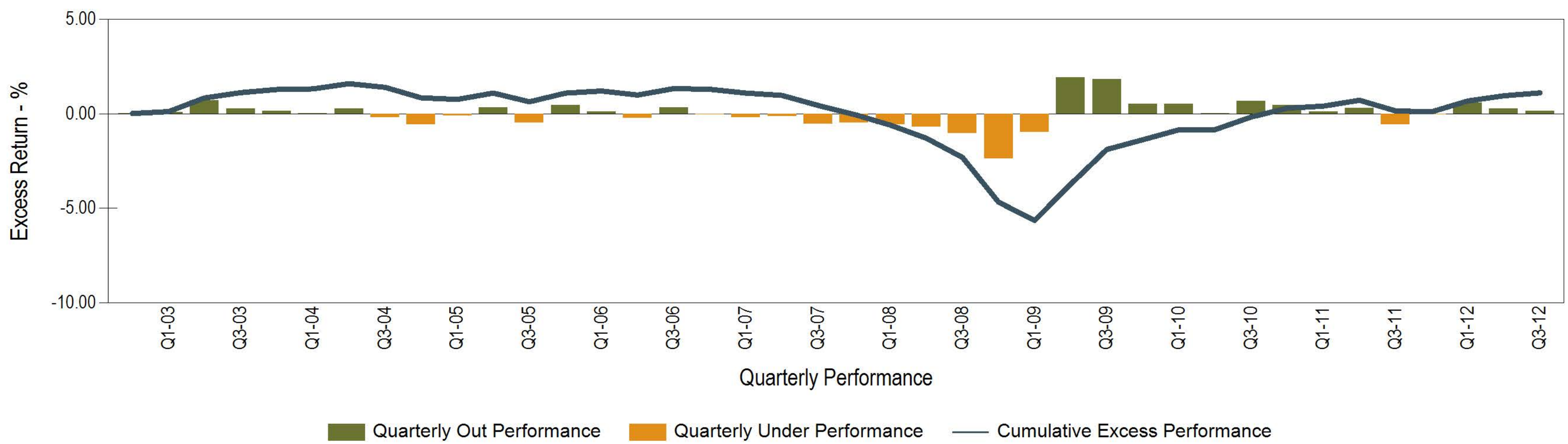
Plan Performance

Benchmark: Policy Portfolio

Return Summary



Quarterly and Cumulative Excess Performance



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

	Year-to-Date	3rd Quarter	Fiscal Year-to-Date	1 Year Ending 9/30/2012	3 Years Ending 9/30/2012	5 Years Ending 9/30/2012	10 Years Ending 9/30/2012	Since Inception	Inception Date
BlackRock Extended Equity	15.1	5.5	5.5	30.6	14.5	2.9	--	10.8	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	14.7	5.3	5.3	30.0	14.2	2.9	--	10.8	
Western U.S. Index Plus	20.6	7.9	7.9	34.2	18.4	-2.8	--	-3.0	5/31/07
S&P 500 Index	16.4	6.4	6.4	30.2	13.2	1.1	--	1.0	
BlackRock Equity Market Fund	16.2	6.2	6.2	30.4	13.5	--	--	3.3	5/31/08
Dow Jones U.S. Total Stock Market Index	16.2	6.2	6.2	30.2	13.4	--	--	3.2	
Total U.S. Equity	16.6	6.4	6.4	30.8	14.0	0.8	8.1	7.9	12/31/93
Performance Benchmark**	16.2	6.2	6.2	30.2	13.4	1.5	8.6	8.3	
BlackRock All Country World ex-U.S.	10.9	7.5	7.5	14.6	3.6	-3.6	--	-1.1	3/31/07
MSCI All Country World ex-U.S. IM Index	10.7	7.5	7.5	14.4	3.5	-3.8	--	-1.2	
Sprucegrove	10.8	6.0	6.0	15.5	6.0	-2.2	9.8	7.8	3/31/02
MSCI EAFE Index	10.1	6.9	6.9	13.8	2.1	-5.2	8.2	5.3	
MSCI All Country World ex-U.S. Index	10.4	7.4	7.4	14.5	3.2	-4.1	9.8	6.8	
Hexavest	11.5	7.2	7.2	15.9	--	--	--	0.7	12/31/10
MSCI EAFE Index	10.1	6.9	6.9	13.8	--	--	--	-1.9	
Walter Scott	15.2	6.3	6.3	16.7	--	--	--	2.5	12/31/10
MSCI All Country World ex-U.S. Index	10.4	7.4	7.4	14.5	--	--	--	-2.7	
Total International	12.0	7.0	7.0	15.9	4.2	-3.6	9.4	6.4	3/31/94
Performance Benchmark	10.4	7.4	7.4	14.5	3.2	-4.1	9.8	5.0	
GMO Global Fund	11.7	5.8	5.8	18.8	8.3	-0.2	--	5.7	4/30/05
MSCI All Country World Index	12.9	6.8	6.8	21.0	7.2	-2.1	--	4.8	
BlackRock MSCI ACWI Equity Index	--	6.9	6.9	--	--	--	--	--	4/30/12
MSCI All Country World Index	--	6.8	6.8	--	--	--	--	--	
Total Global Equity	11.2	6.2	6.2	18.6	7.5	-2.7	--	3.8	4/30/05
MSCI All Country World Index	12.9	6.8	6.8	21.0	7.2	-2.1	--	4.8	
Loomis Sayles Global Fixed Income*****	--	3.7	3.7	--	--	--	--	--	6/30/12
Barclays Capital Global Aggregate Bond Index	--	3.3	3.3	--	--	--	--	--	
Total Global Fixed Income	--	3.7	3.7	--	--	--	--	--	6/30/12
Barclays Capital Global Aggregate Bond Index	--	3.3	3.3	--	--	--	--	--	

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

	Year-to-Date	3rd Quarter	Fiscal Year-to-Date	1 Year Ending 9/30/2012	3 Years Ending 9/30/2012	5 Years Ending 9/30/2012	10 Years Ending 9/30/2012	Since Inception	Inception Date
Western	**8.6**	**3.5**	**3.5**	**10.1**	**9.8**	**7.4**	**6.6**	**7.0**	**12/31/96**
Barclays Capital Aggregate Bond Index	4.0	1.6	1.6	5.2	6.2	6.5	5.3	6.3	
BlackRock U.S. Debt Fund	**4.1**	**1.6**	**1.6**	**5.2**	**6.3**	**6.6**	**5.4**	**6.2**	**11/30/95**
Barclays Capital Aggregate Bond Index	4.0	1.6	1.6	5.2	6.2	6.5	5.3	6.2	
Reams	**8.6**	**3.0**	**3.0**	**12.0**	**9.5**	**9.8**	**7.9**	**7.2**	**9/30/01**
Barclays Capital Aggregate Bond Index	4.0	1.6	1.6	5.2	6.2	6.5	5.3	5.6	
Loomis Sayles	**13.0**	**5.8**	**5.8**	**16.0**	**11.5**	**8.5**	--	**8.0**	**7/31/05**
Performance Benchmark***	6.3	2.4	2.4	9.2	8.0	7.3	--	6.6	
Total Fixed Income	**8.5**	**3.3**	**3.3**	**10.8**	**9.5**	**8.7**	**7.0**	**6.9**	**2/28/94**
Barclays Capital Aggregate Bond Index	4.0	1.6	1.6	5.2	6.2	6.5	5.3	6.3	
Total Prudential Real Estate	**7.0**	**1.6**	**1.6**	**10.3**	**13.0**	**-3.2**	--	**2.4**	**6/30/94**
Policy Benchmark	8.0	2.7	2.7	10.9	11.9	1.9	--	7.8	
UBS Real Estate	**7.2**	**2.3**	**2.3**	**9.4**	**10.5**	**-0.1**	--	**6.7**	**3/31/03**
NCREIF Open End Fund Index	8.0	2.7	2.7	10.9	11.9	1.9	--	7.9	
Guggenheim	**9.5**	**2.1**	**2.1**	**16.9**	**13.6**	**-6.0**	--	**-1.8**	**6/30/06**
NCREIF Open-End Fund Property Index*****	8.2	0.0	0.0	15.5	13.5	3.1	--	5.5	
RREEF	**20.7**	**7.6**	**7.6**	**22.0**	**20.2**	**-16.1**	--	**-16.1**	**10/31/07**
NCREIF Open End Fund Index	8.0	2.7	2.7	10.9	11.9	1.9	--	1.9	
Total Real Estate****	**7.4**	**2.1**	**2.1**	**10.1**	**11.1**	**-3.7**	**5.2**	**7.5**	**3/31/94**
Policy Benchmark	8.0	2.7	2.7	10.9	11.9	1.9	8.1	9.1	
Total Private Equity*******	**7.2**	**-1.5**	**-1.5**	--	--	--	--	--	
Adams Street Partners	7.8	**-1.8**	**-1.8**	--	--	--	--	--	
Pantheon	5.2	**0.9**	**0.9**	--	--	--	--	--	
Total Fund	**12.0**	**5.1**	**5.1**	**19.2**	**10.3**	**1.9**	**7.9**	**7.9**	**3/31/94********
Policy Portfolio	11.0	4.9	4.9	18.1	9.3	2.0	7.9	7.9	
Total Fund (ex-Private Equity)	**11.5**	**4.9**	**4.9**	--	--	--	--	--	
Total Fund (ex-Clifton)	**11.8**	**5.0**	**5.0**	**18.7**	**10.1**	**1.8**	**7.8**	**7.9**	

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 9/30/2012
($ in Thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Cash	Total	Percent of Total	Policy
BlackRock Extended Equity Index	$30,428						$30,428	0.9%	
Western Index Plus	$120,362						$120,362	3.5%	
BlackRock Equity Market Fund	$1,121,545						$1,121,545	32.2%	
Total U.S. Equity	$1,272,334						$1,272,334	36.5%	36.0%
BlackRock ACWI ex-U.S. Index		$321,508					$321,508	9.2%	
Sprucegrove		$149,189					$149,189	4.3%	
Hexavest		$65,178					$65,178	1.9%	
Walter Scott		$79,200					$79,200	2.3%	
Total Non-U.S. Equity		$615,075					$615,075	17.7%	19.0%
GMO Global Equity	$77,355	$91,174	$0				$168,529	4.8%	
BlackRock MSCI ACWI Equity Index	$62,804	$62,804	$0				$125,608	3.6%	
Total Global Equity	$140,158	$153,978	$0				$294,136	8.4%	10.0%
Western			$276,910				$276,910	7.9%	
BlackRock U.S. Debt Fund			$133,337				$133,337	3.8%	
Reams			$242,021				$242,021	6.9%	
Loomis Sayles Global**			$67,808				$67,808	1.9%	
Loomis Sayles**			$119,089				$119,089	3.4%	
PIMCO Global			$101,000				$101,000	2.9%	
Total Fixed Income			$940,166				$940,166	27.0%	27.0%
Prudential Real Estate				$81,438			$81,438	2.3%	
UBS Real Estate				$175,725			$175,725	5.0%	
Guggenheim				$22,252			$22,252	0.6%	
RREEF				$10,311			$10,311	0.3%	
Total Real Estate				$289,726			$289,726	8.3%	8.0%
Adams Street Partners					$24,467		$24,467	0.7%	
Pantheon Ventures					$5,929		$5,929	0.2%	
Total Private Equity					$30,396		$30,396	0.9%	0.0%
Clifton Group						$41,928	$41,928	1.2%	
Total Cash						$41,928	$41,928	1.2%	0.0%
Total Assets	$1,412,493	$769,052	$940,166	$289,726	$30,396	$41,928	$3,483,762	100.0%	100.0%
Percent of Total	40.5%	22.1%	27.0%	8.3%	0.9%	1.2%	100.0%		

* Asset allocation reflects net exposure

Calendar Year Performance

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Calander Year Performance

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

Note: Returns are net of fees.

Calendar Year Performance

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

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

Note: Returns are net of fees.

Manager "Watch" List

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

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

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

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

"Watch" status:

- RREEF is currently on watch for performance reasons.

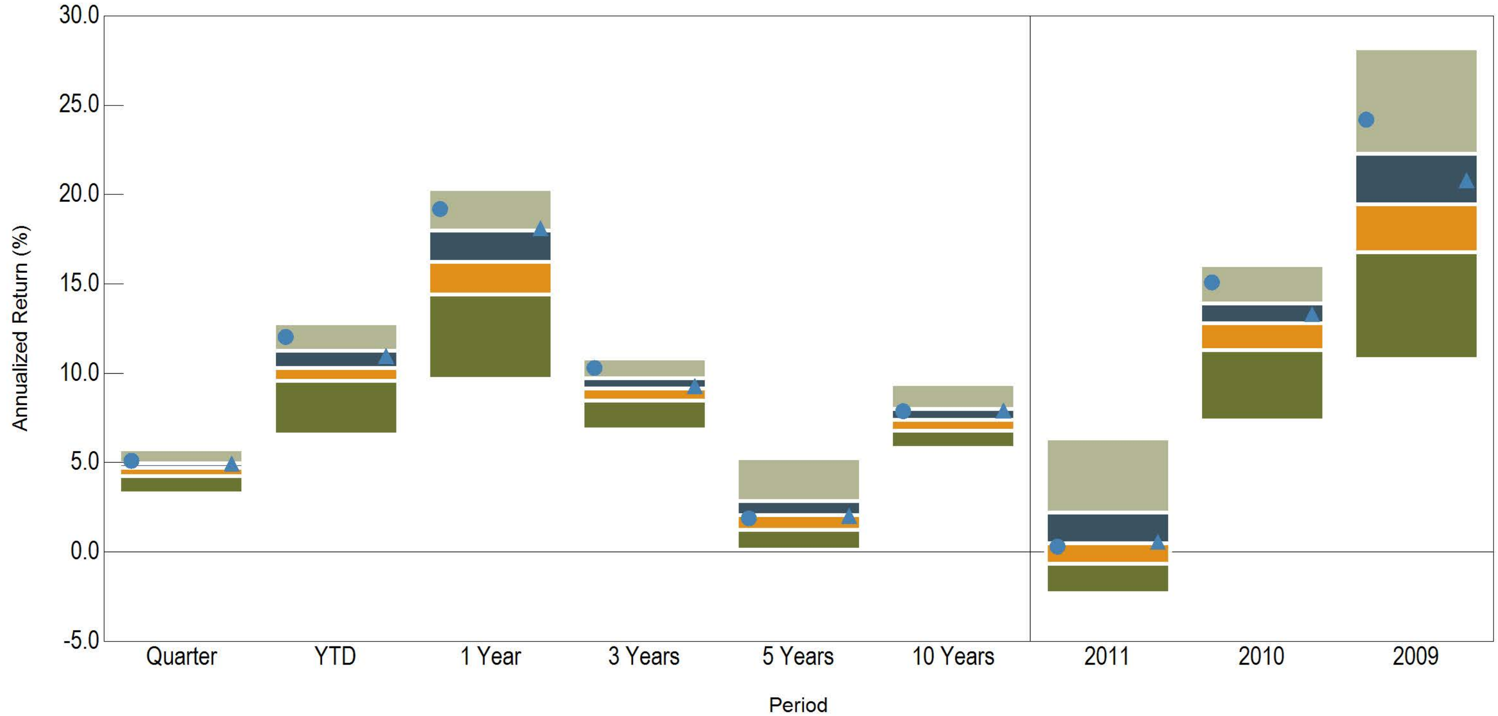
Manager	Date Added	Reason	Follow-up Date
RREEF	February 2009	Performance	July 2012

Universe Comparison

Benchmark: Policy Portfolio

Universe: Public Funds Net

Ending September 30, 2012



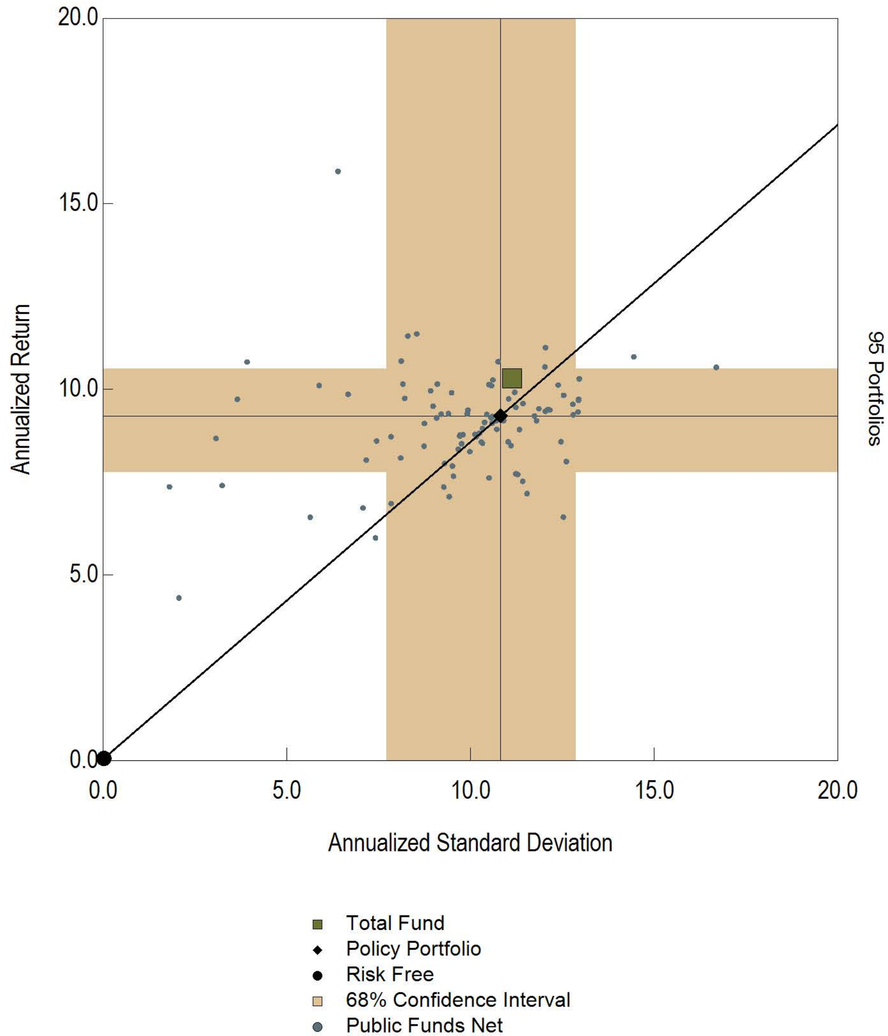
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	5.7		12.8		20.3		10.8		5.2		9.4		6.3		16.1		28.2	
25th Percentile	5.0		11.3		18.0		9.7		2.9		8.0		2.2		13.9		22.3	
Median	4.7		10.3		16.3		9.2		2.1		7.4		0.5		12.8		19.5	
75th Percentile	4.3		9.6		14.4		8.5		1.2		6.8		-0.6		11.3		16.8	
95th Percentile	3.3		6.6		9.7		6.9		0.1		5.8		-2.3		7.4		10.8	
# of Portfolios	107		107		107		95		92		81		111		113		110	
● Total Fund	5.1	(18)	12.0	(11)	19.2	(17)	10.3	(11)	1.9	(54)	7.9	(31)	0.3	(55)	15.1	(10)	24.2	(13)
▲ Policy Portfolio	4.9	(28)	11.0	(35)	18.1	(24)	9.3	(46)	2.0	(51)	7.9	(31)	0.6	(49)	13.3	(43)	20.8	(38)

Risk Profile

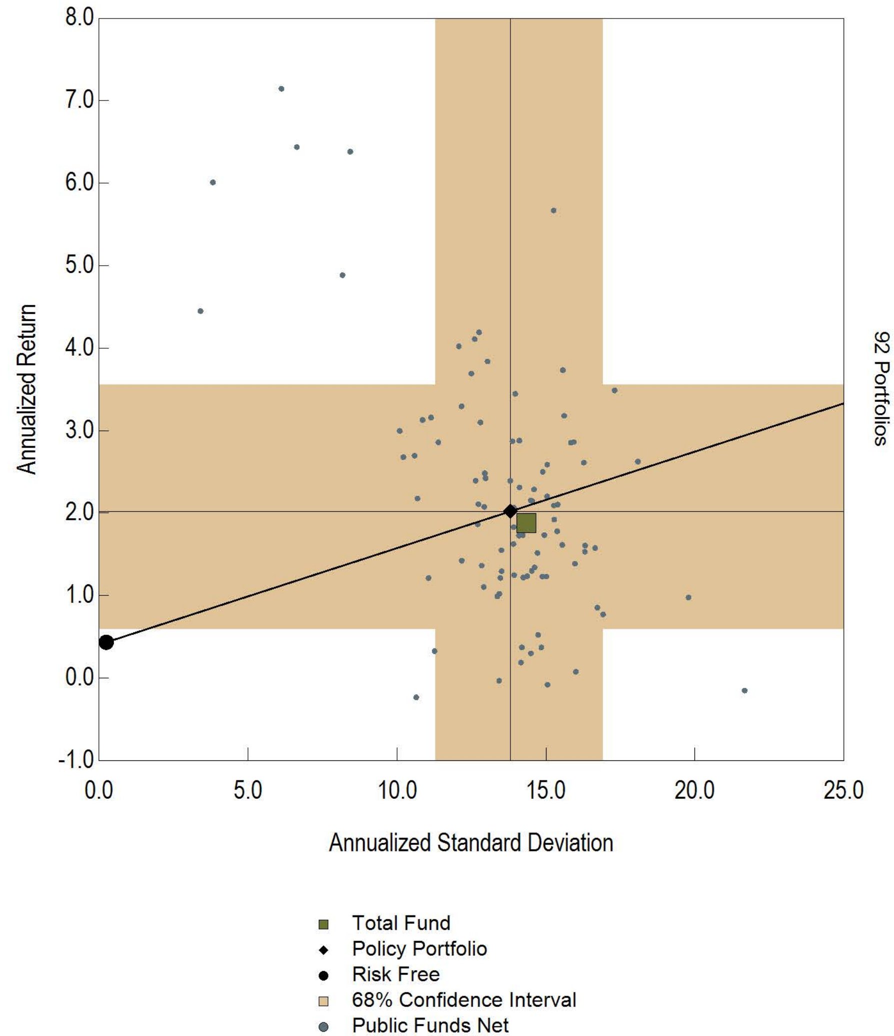
Benchmark: Policy Portfolio

Universe: Public Funds Net

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

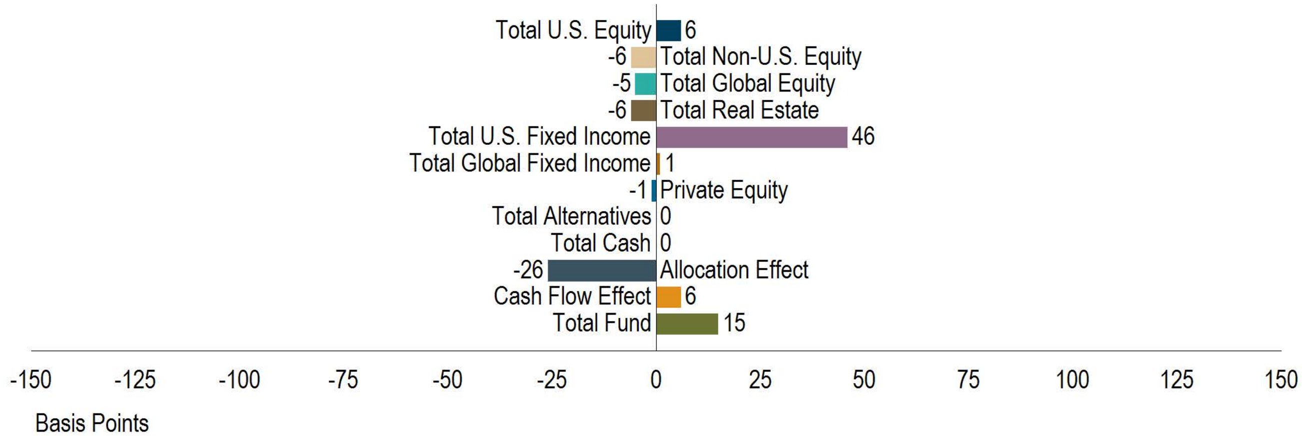


Annualized Return vs. Annualized Standard Deviation 5 Years Ending September 30, 2012

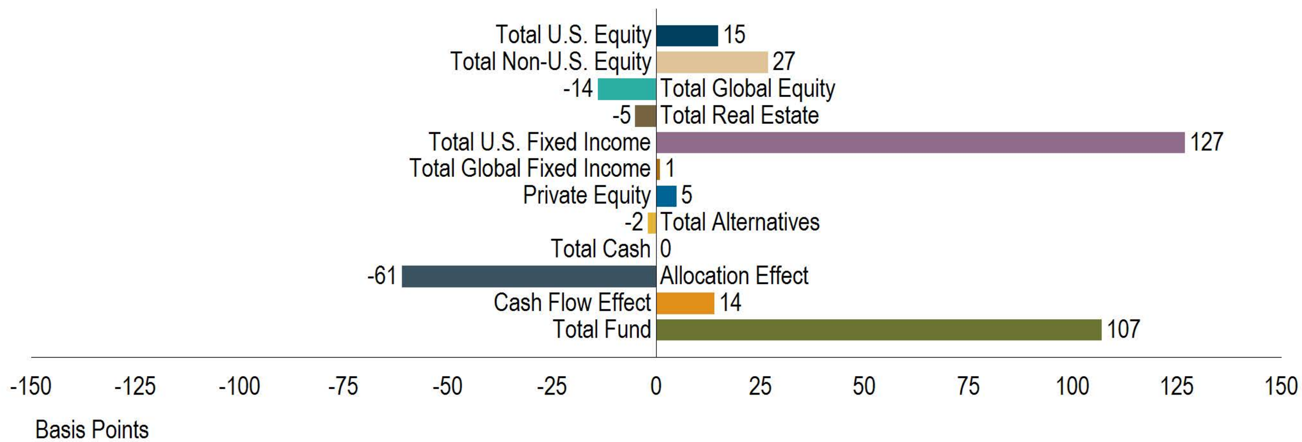


Attribution

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/12



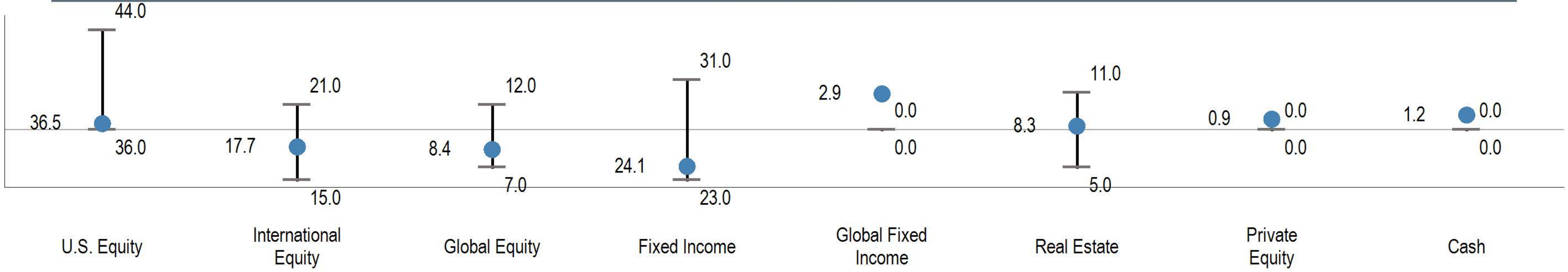
TOTAL FUND ATTRIBUTION ANALYSIS
9 MONTHS ENDING 9/30/12



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

Asset Allocation

Actual vs. Target

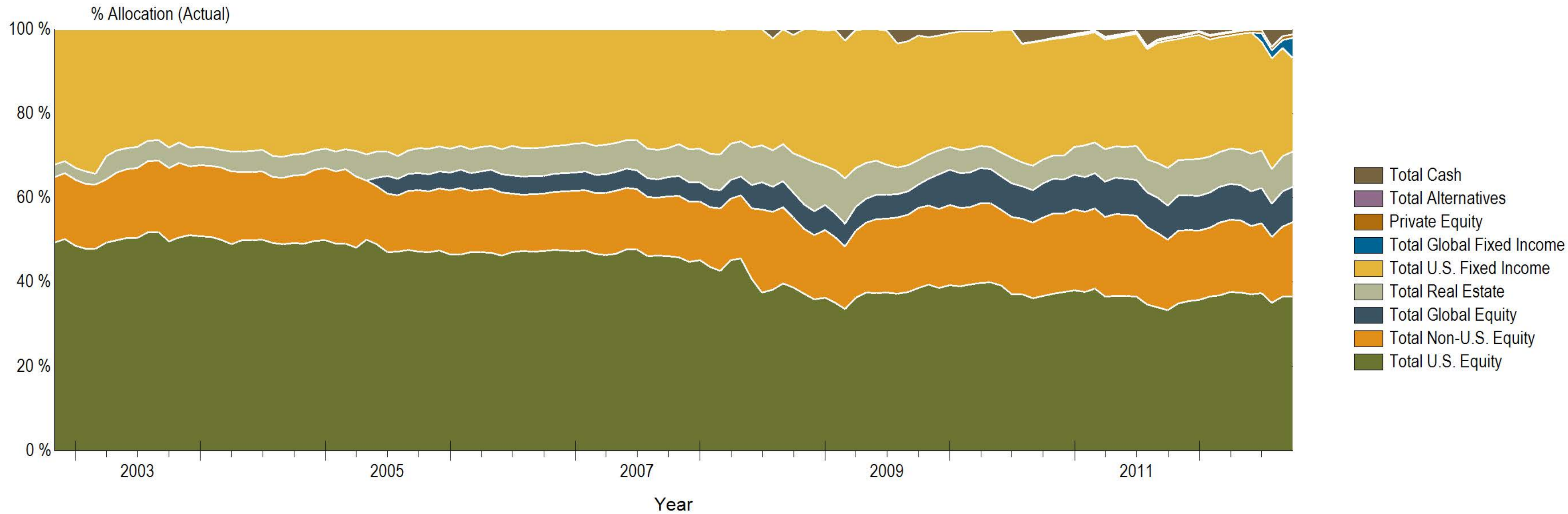


Policy (%)

U.S. Equity	International Equity	Global Equity	Fixed Income	Global Fixed Income	Real Estate	Private Equity	Cash
36.0	19.0	10.0	27.0	0.0	8.0	0.0	0.0

Target Range Current

Asset Allocation History
10 Years Ending September 30, 2012

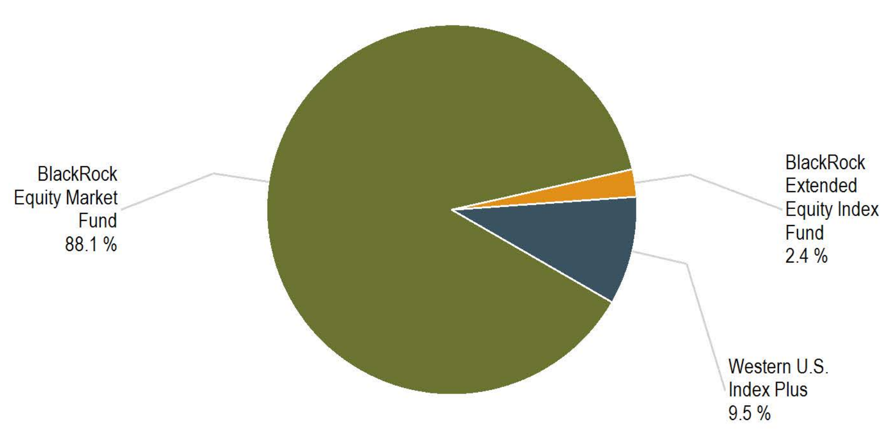


Total U.S. Equity

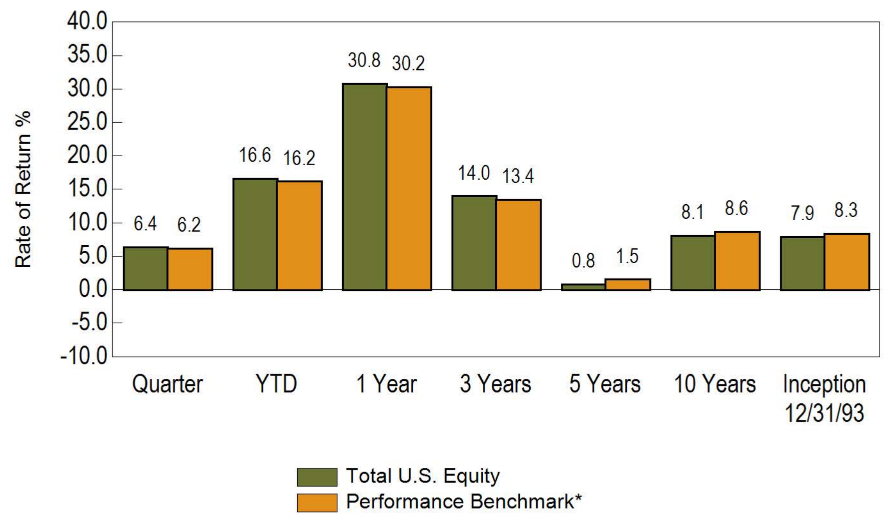
Overview

Benchmark: Performance Benchmark*

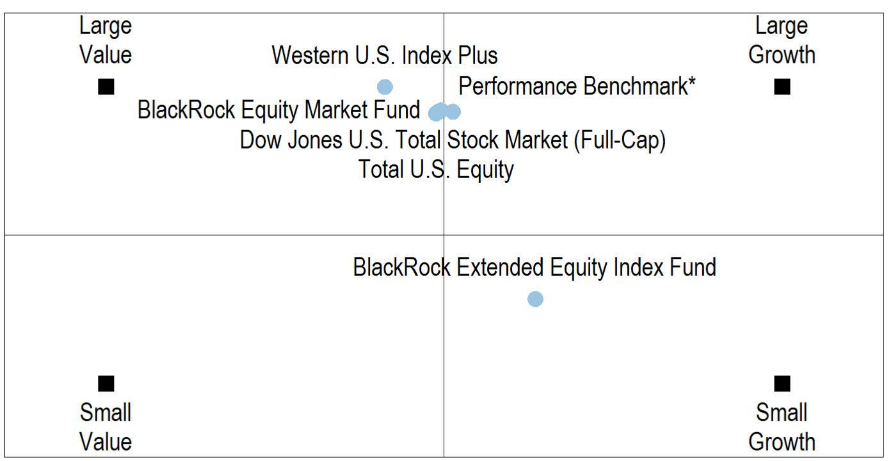
Current Allocation



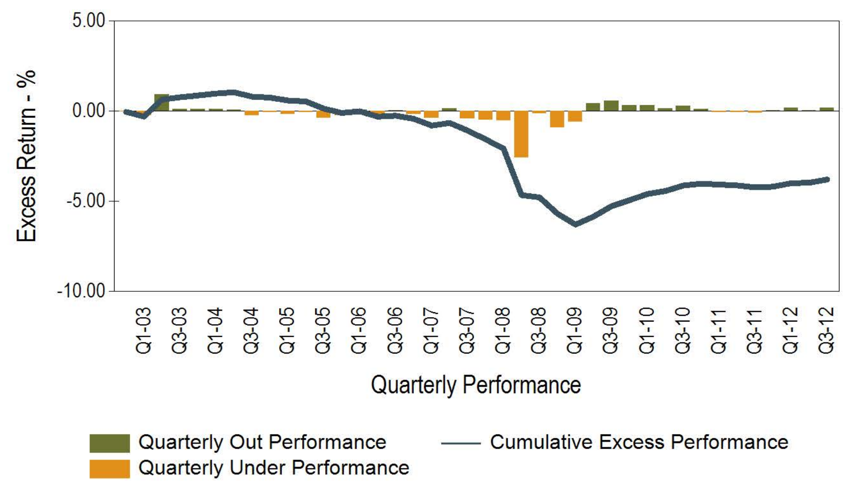
Return Summary



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



Quarterly and Cumulative Excess Performance

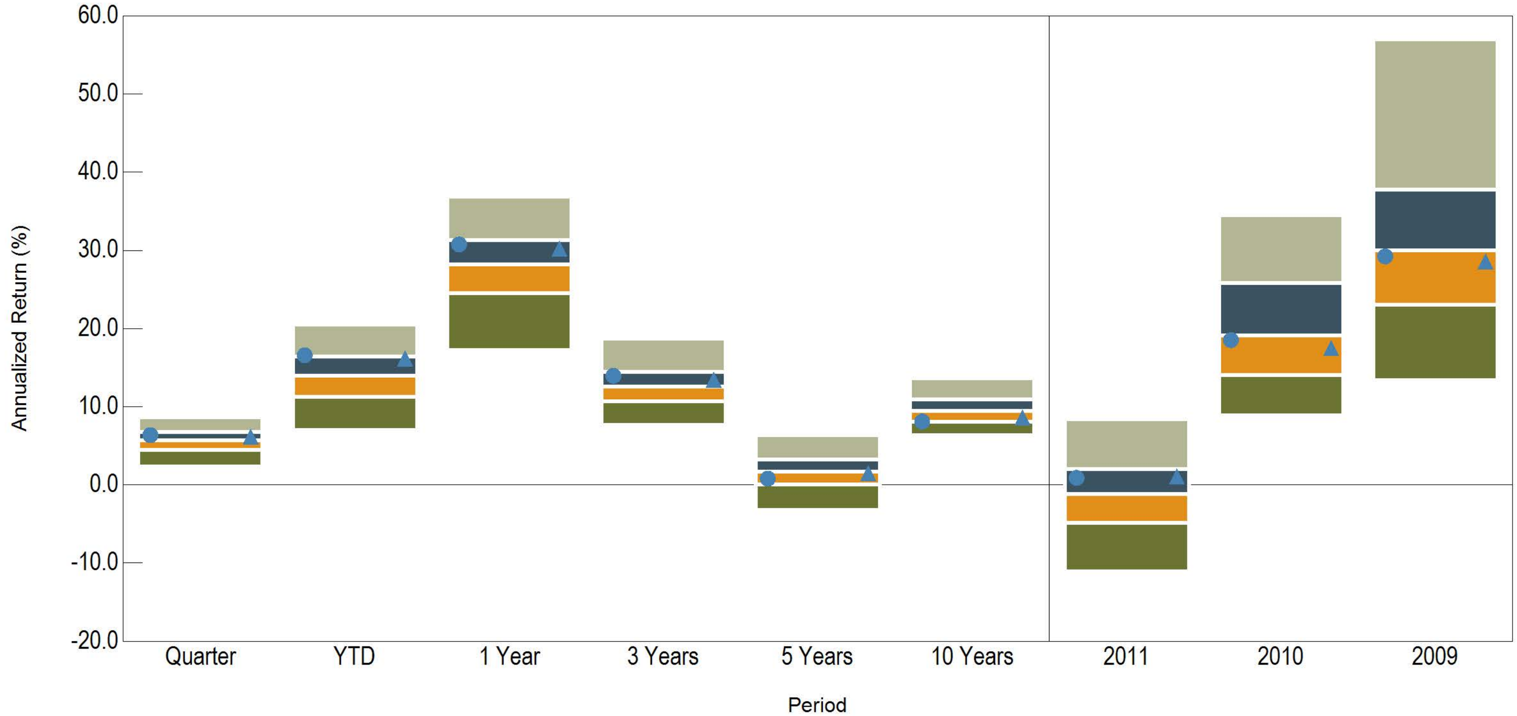


Universe Comparison

Benchmark: Performance Benchmark*

Universe: eA All US Equity Net

Ending September 30, 2012



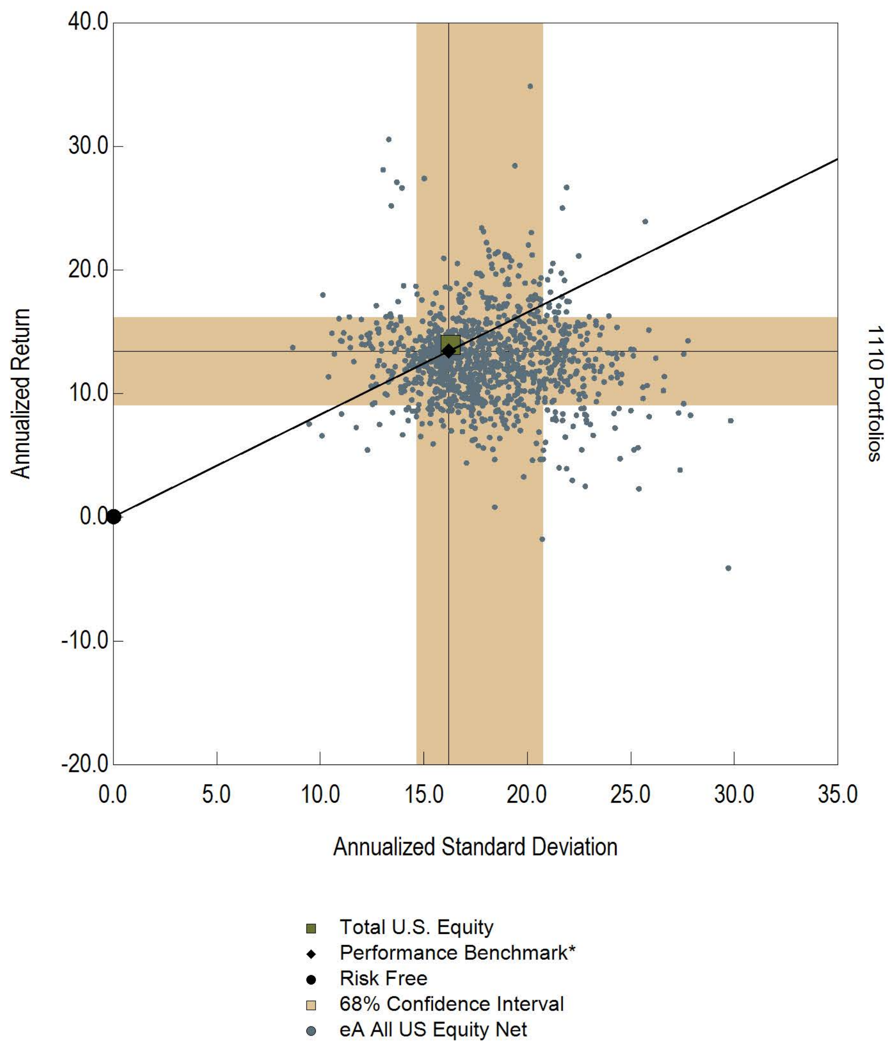
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	8.6		20.5		36.9		18.7		6.3		13.6		8.4		34.5		56.9	
25th Percentile	6.8		16.5		31.4		14.5		3.3		11.0		2.1		25.9		37.8	
Median	5.8		14.0		28.3		12.6		1.8		9.5		-1.1		19.1		30.0	
75th Percentile	4.5		11.3		24.5		10.7		0.1		8.1		-4.8		14.1		23.1	
95th Percentile	2.4		7.0		17.3		7.7		-3.1		6.4		-11.0		8.9		13.4	
# of Portfolios	1,222		1,187		1,174		1,110		971		655		1,081		1,035		1,153	
● **Total U.S. Equity**	6.4	(36)	16.6	(25)	30.8	(31)	14.0	(32)	0.8	(66)	8.1	(75)	0.9	(35)	18.5	(53)	29.2	(53)
▲ **Performance Benchmark***	6.2	(40)	16.2	(29)	30.2	(35)	13.4	(38)	1.5	(55)	8.6	(67)	1.1	(33)	17.5	(58)	28.6	(55)

Risk Profile

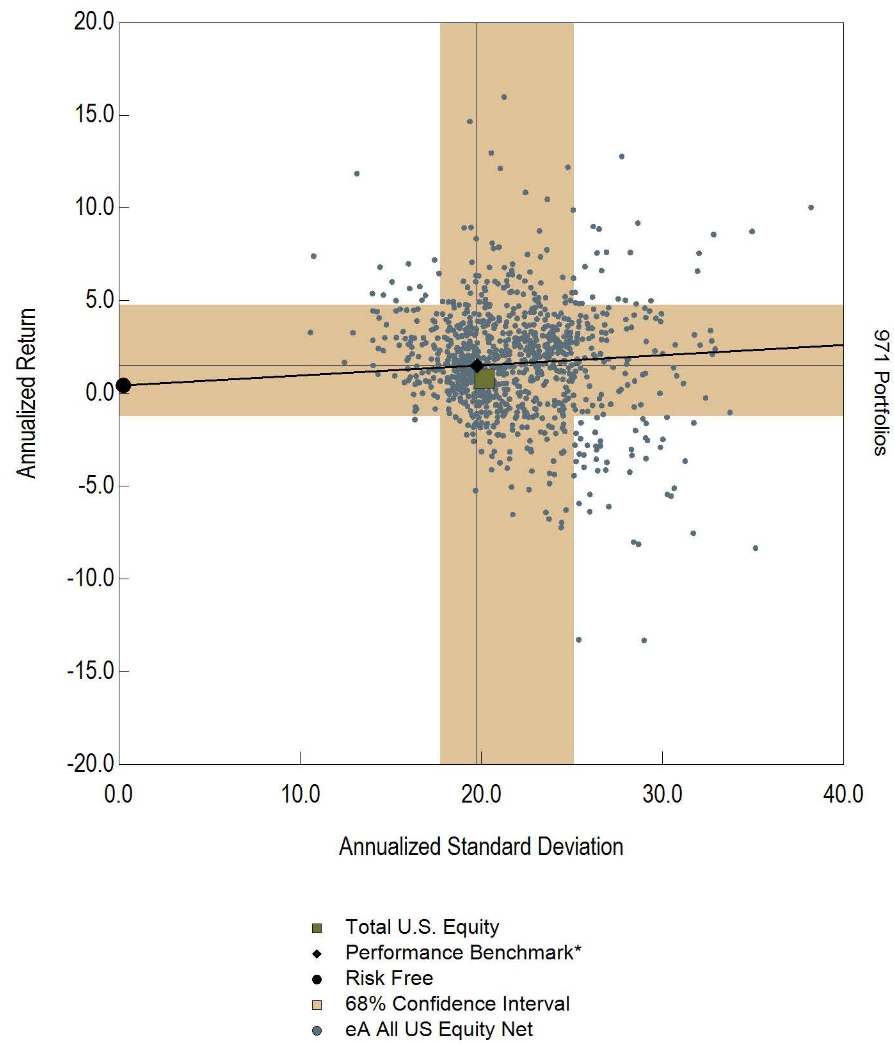
Benchmark: Performance Benchmark*

Universe: eA All US Equity Net

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

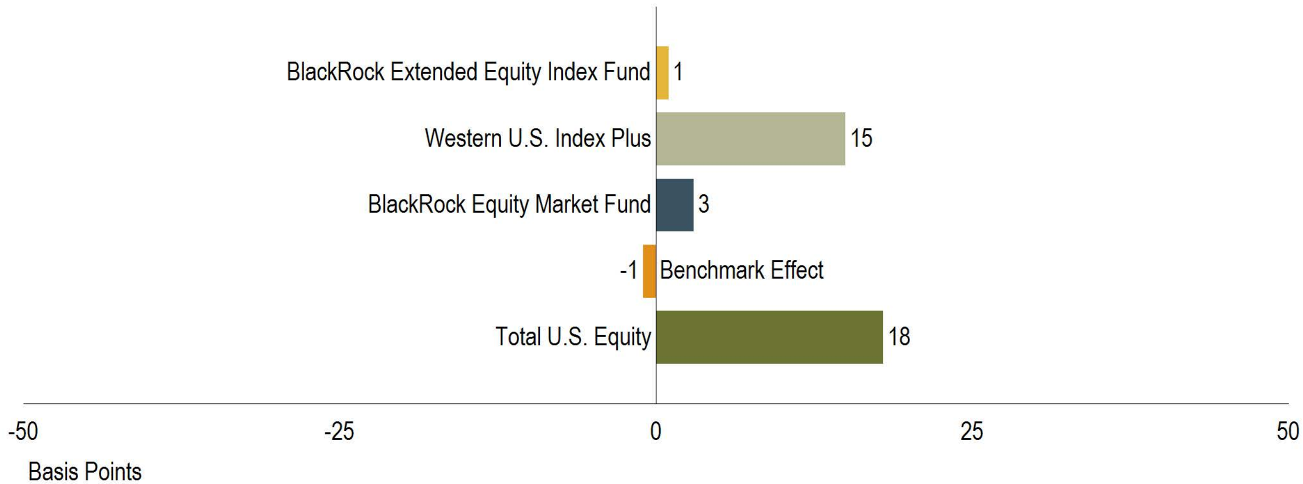


Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012

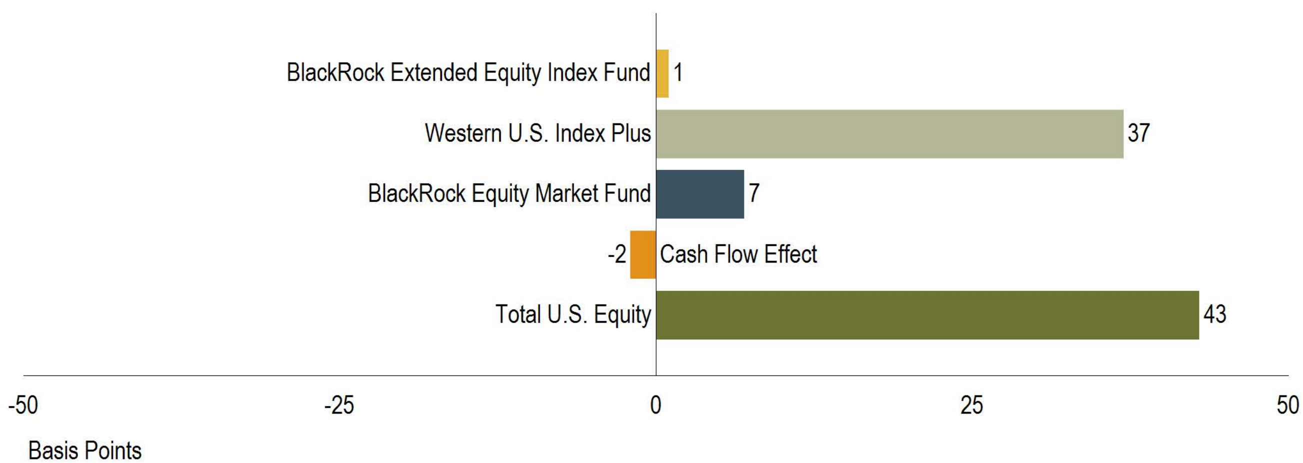


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/12



MANAGER ATTRIBUTION ANALYSIS
9 MONTHS ENDING 9/30/12



Manager Performance

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

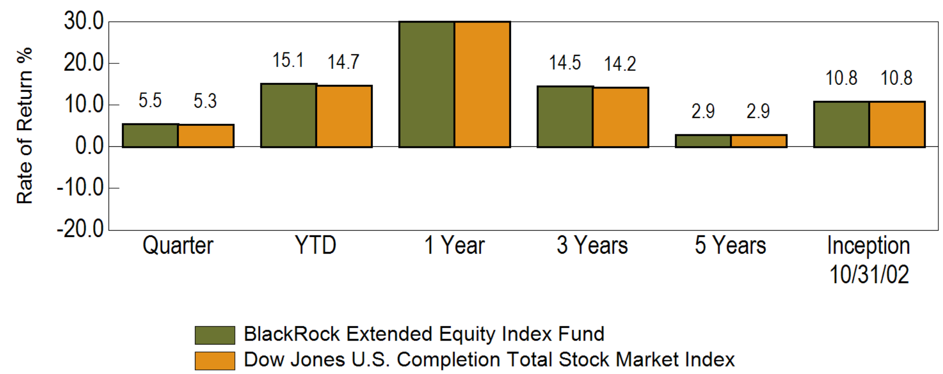
The BlackRock Extended Market Index Fund provides investment in the U.S. equity market excluding those stocks represented in the S&P 500 Index. The Fund is passively managed using a "fund optimization" technique. The Fund typically invests all, or substantially all, assets in the 1,300 largest stocks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

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

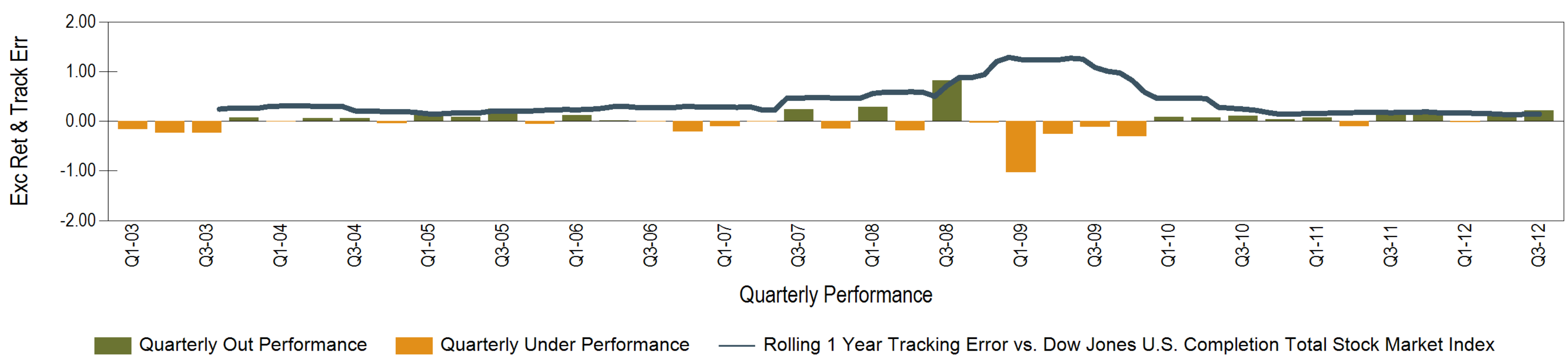
Account Information

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

Return Summary



Tracking Error

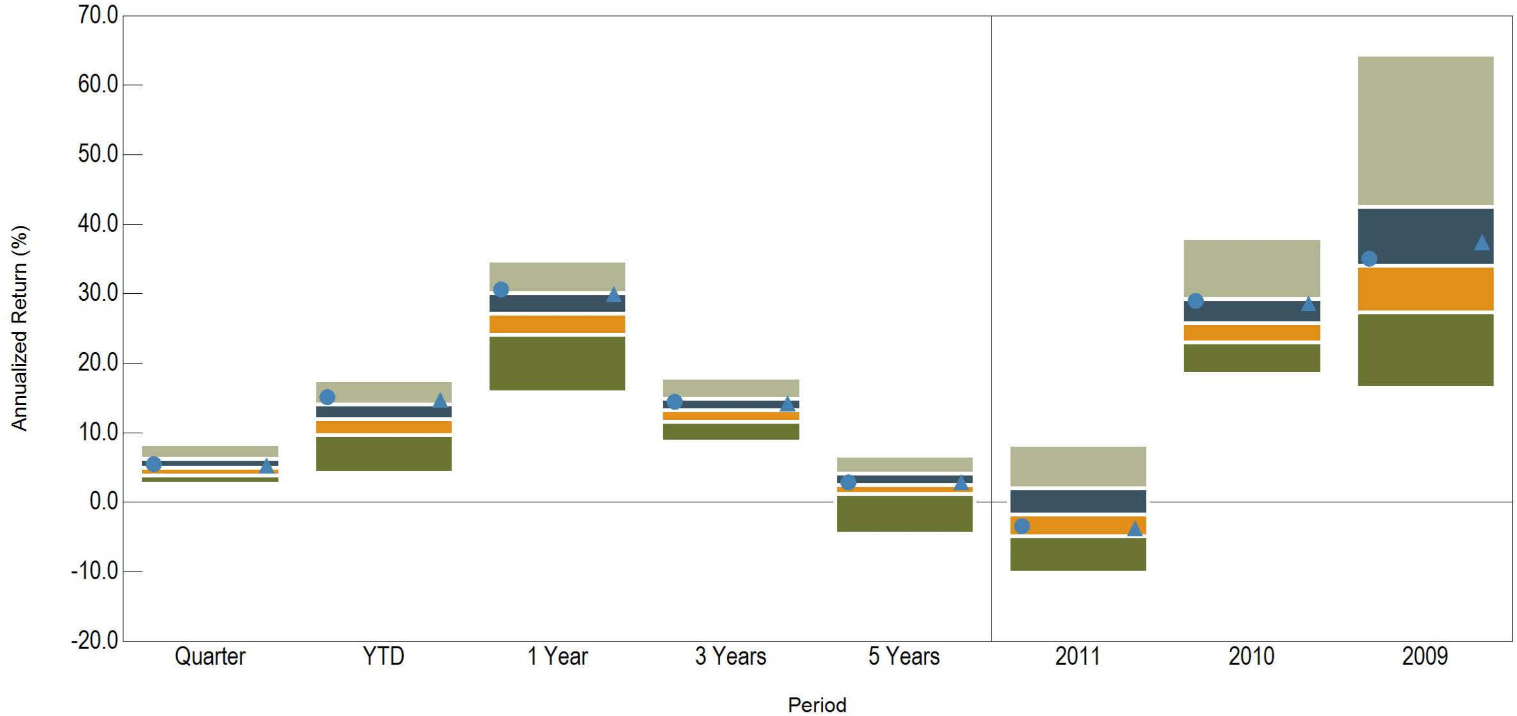


Universe Comparison

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

Universe: eA US Small-Mid Cap Equity Net

Ending September 30, 2012



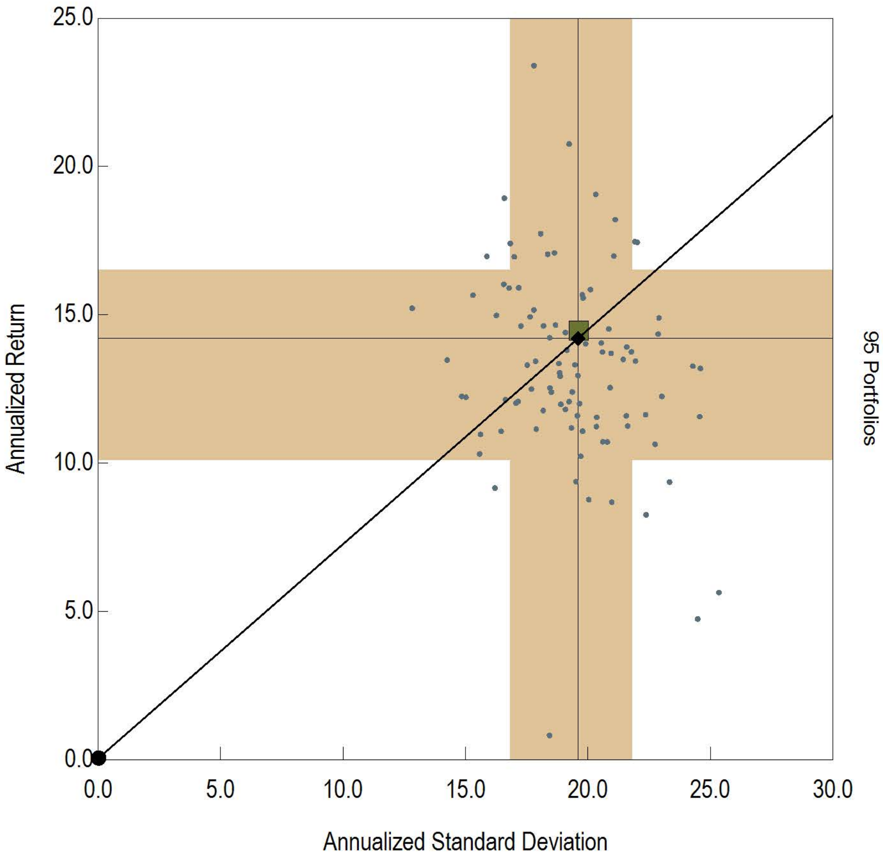
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	8.4		17.5		34.7		17.9		6.6		8.3		38.0		64.3	
25th Percentile	6.3		14.1		30.1		15.0		4.2		2.1		29.3		42.5	
Median	5.0		12.0		27.1		13.3		2.5		-1.7		25.8		34.1	
75th Percentile	3.9		9.7		24.2		11.6		1.2		-4.9		23.0		27.4	
95th Percentile	2.7		4.3		15.9		8.7		-4.5		-10.1		18.5		16.5	
# of Portfolios	107		105		103		95		87		93		89		97	
● **BlackRock Extended Equity Index Fund**	5.5	(42)	15.1	(15)	30.6	(21)	14.5	(32)	2.9	(45)	-3.4	(66)	29.0	(28)	35.0	(46)
▲ **Dow Jones U.S. Completion Total Stock Mark**	5.3	(45)	14.7	(18)	30.0	(27)	14.2	(36)	2.9	(45)	-3.8	(67)	28.6	(34)	37.4	(38)

Risk Profile

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

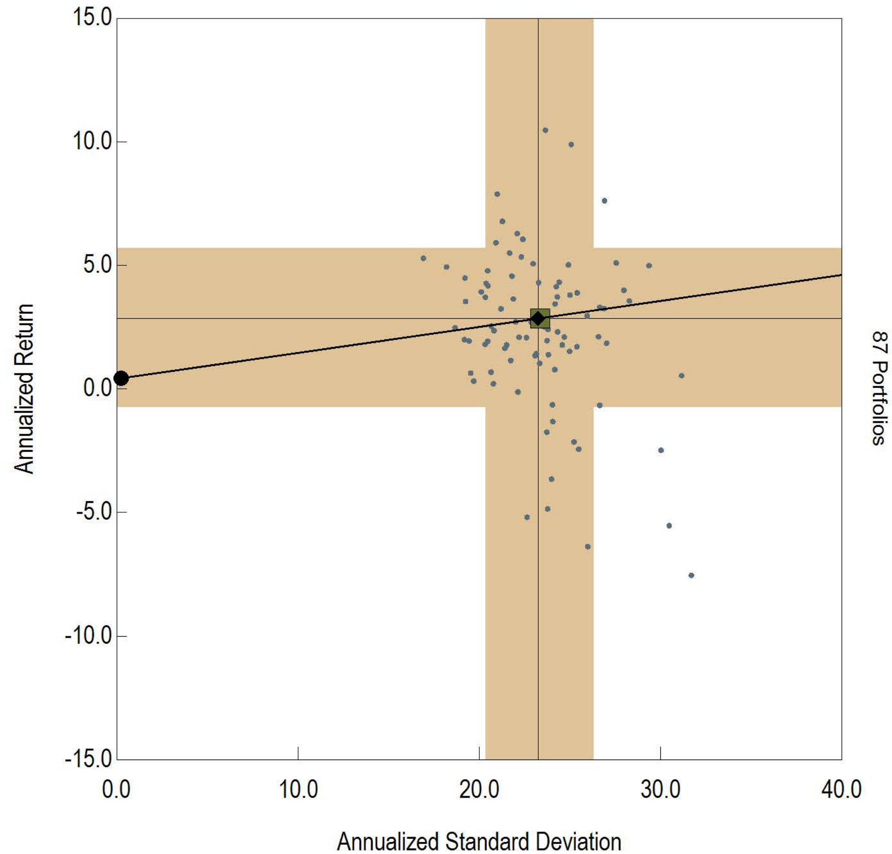
Universe: eA US Small-Mid Cap Equity Net

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



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

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



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

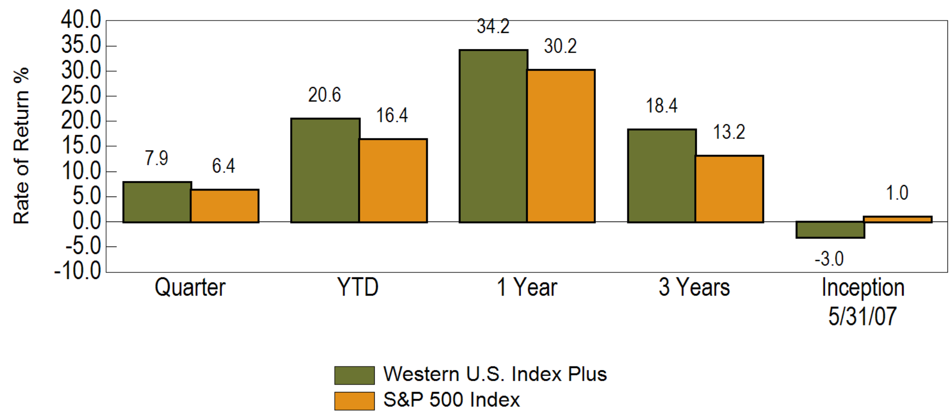
Manager Performance

Benchmark: S&P 500 Index

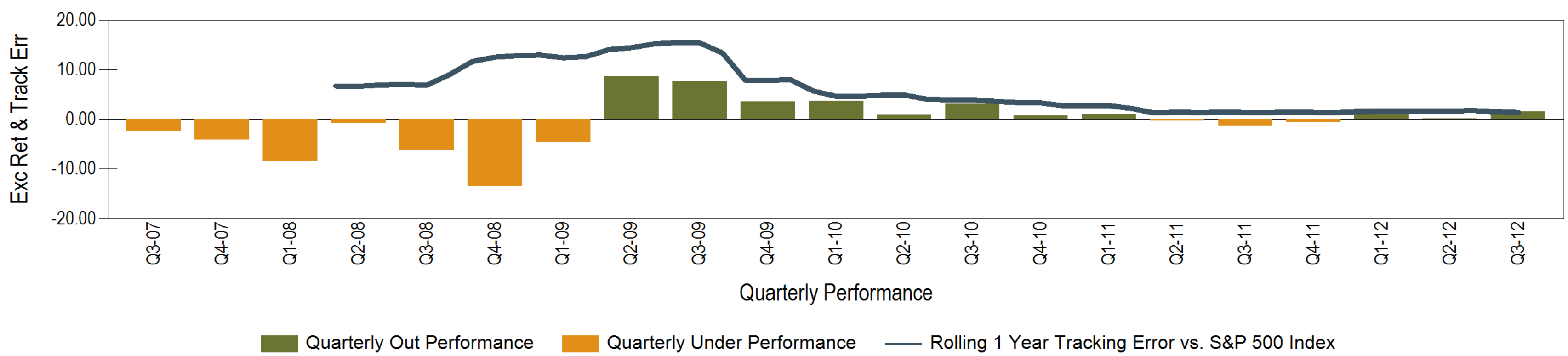
Western employs a value-oriented investment approach that has proven successful in adding excess returns across various market cycles. This versatility comes from the manager's multiple sources of value-added and focus on finding long-term fundamental value. Western seeks to achieve balance between multiple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

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

Return Summary



Tracking Error

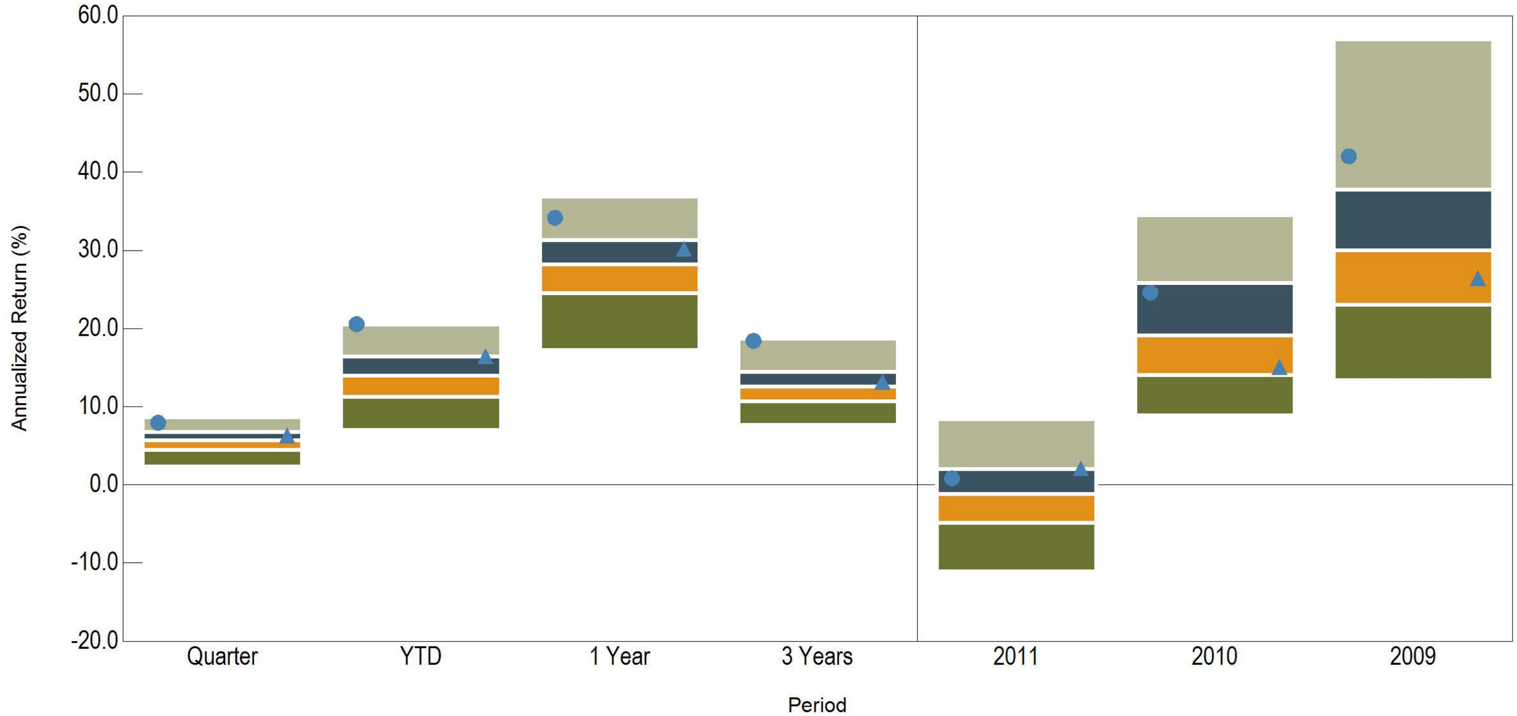


Universe Comparison

Benchmark: S&P 500 Index

Universe: eA All US Equity Net

Ending September 30, 2012



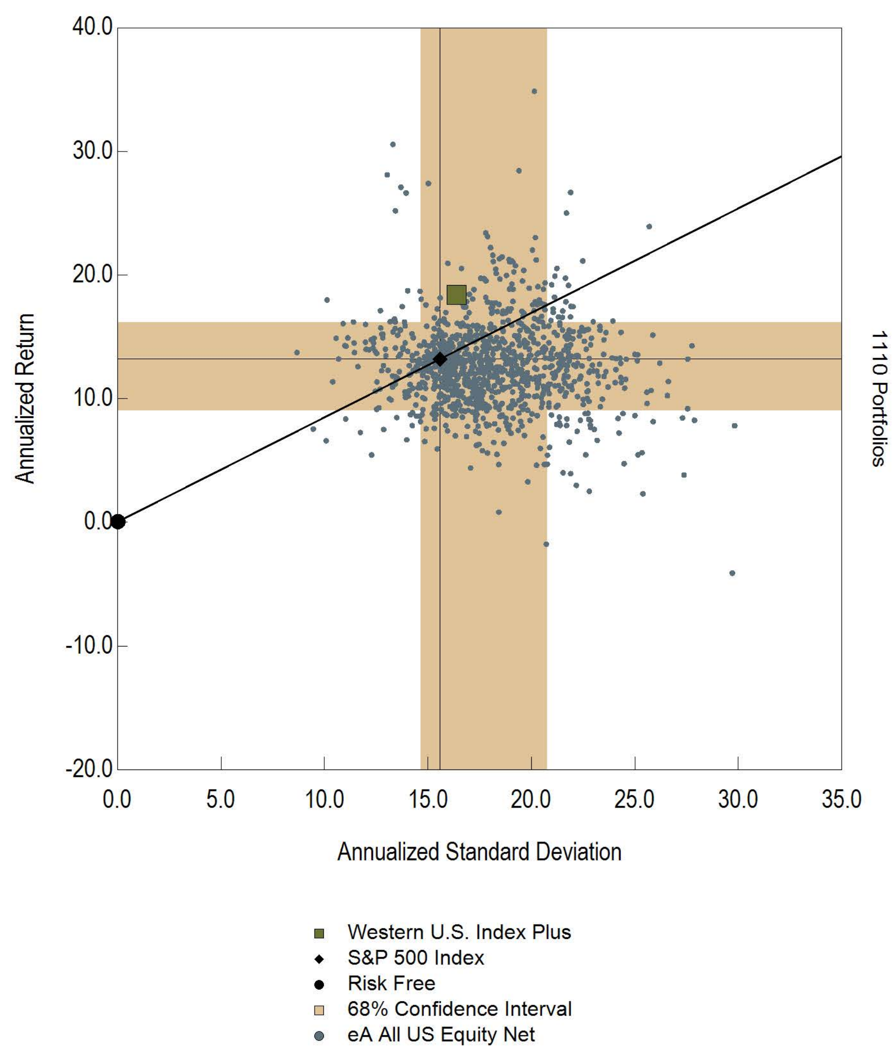
Return (Rank)	Quarter		YTD		1 Year		3 Years		2011		2010		2009	
5th Percentile	8.6		20.5		36.9		18.7		8.4		34.5		56.9	
25th Percentile	6.8		16.5		31.4		14.5		2.1		25.9		37.8	
Median	5.8		14.0		28.3		12.6		-1.1		19.1		30.0	
75th Percentile	4.5		11.3		24.5		10.7		-4.8		14.1		23.1	
95th Percentile	2.4		7.0		17.3		7.7		-11.0		8.9		13.4	
# of Portfolios	1,222		1,187		1,174		1,110		1,081		1,035		1,153	
● **Western U.S. Index Plus**	7.9	(11)	20.6	(5)	34.2	(12)	18.4	(6)	0.8	(36)	24.6	(30)	42.0	(17)
▲ **S&P 500 Index**	6.4	(36)	16.4	(26)	30.2	(35)	13.2	(41)	2.1	(25)	15.1	(69)	26.5	(64)

Risk Profile

Benchmark: S&P 500 Index

Universe: eA All US Equity Net

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



Manager Performance

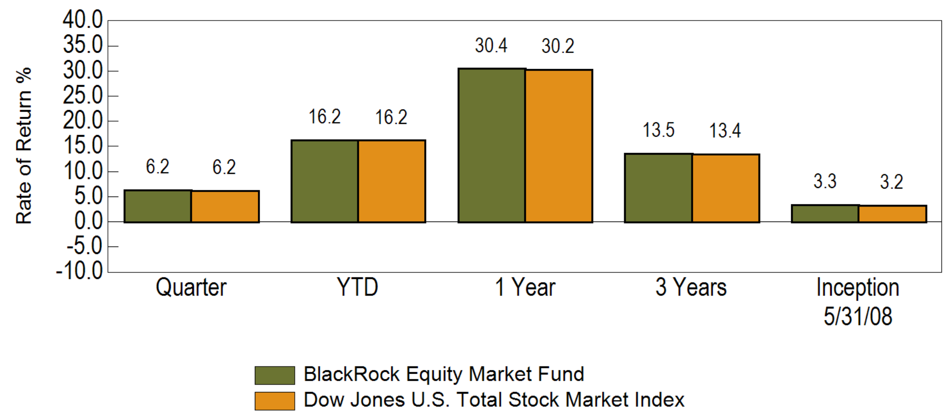
Benchmark: Dow Jones U.S. Total Stock Market Index

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

Account Information

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

Return Summary



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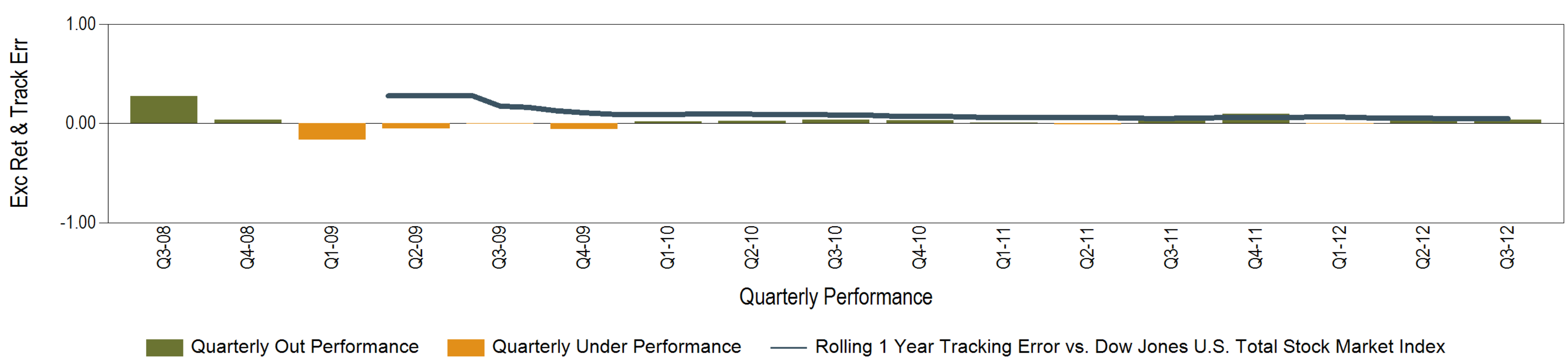
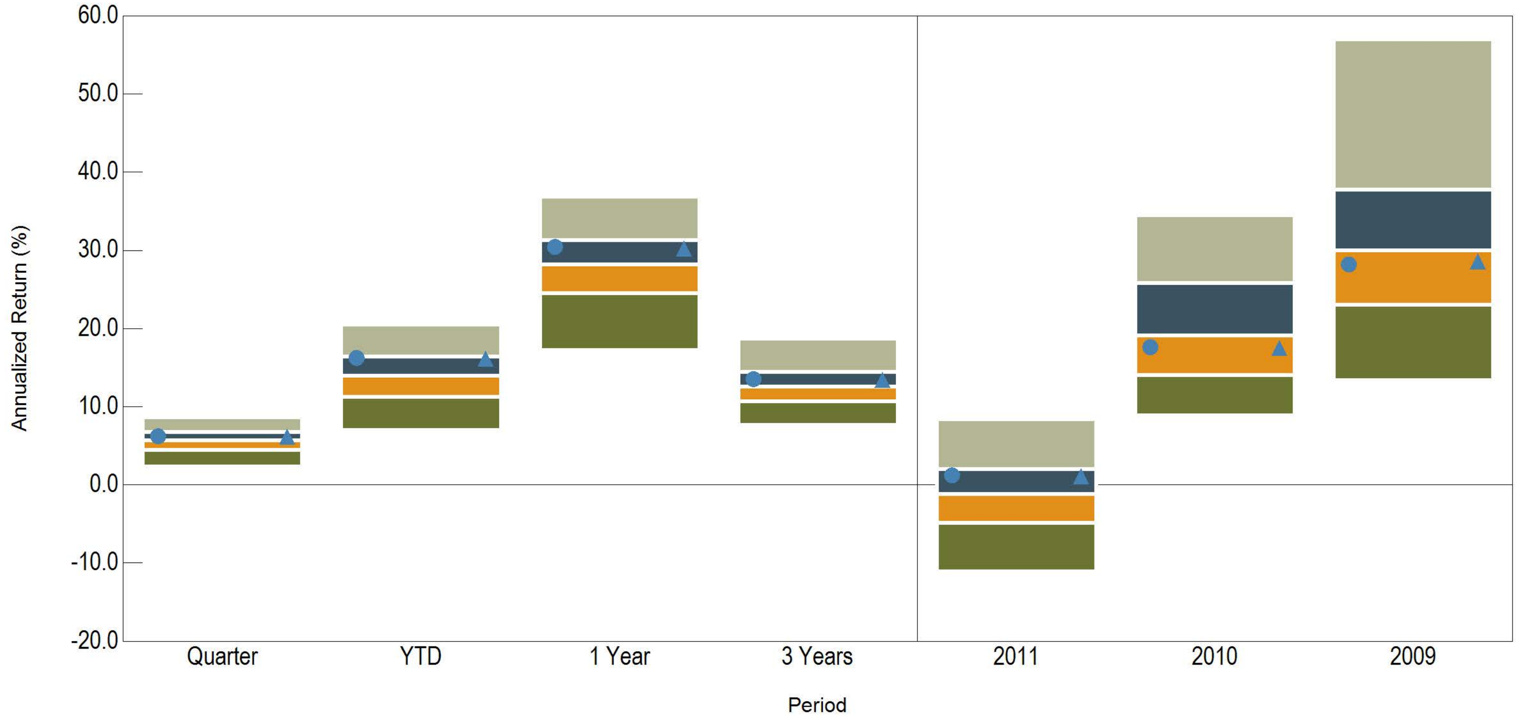


Universe Comparison

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

Universe: eA All US Equity Net

Ending September 30, 2012



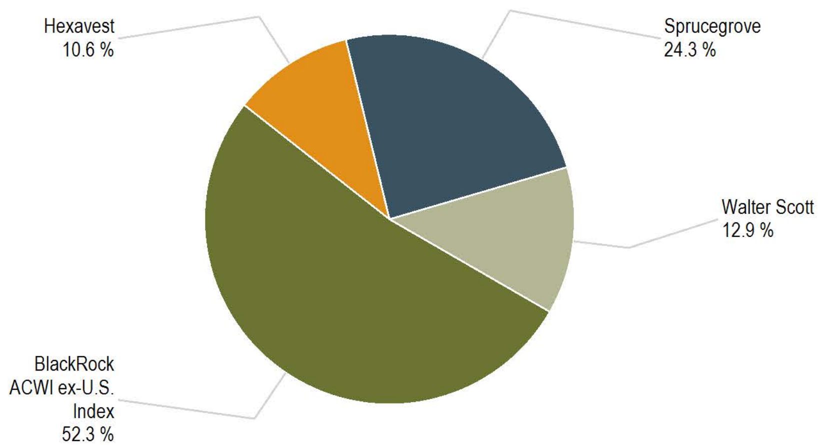
	Quarter		YTD		1 Year		3 Years		2011		2010		2009	
	Return (Rank)													
5th Percentile	8.6		20.5		36.9		18.7		8.4		34.5		56.9	
25th Percentile	6.8		16.5		31.4		14.5		2.1		25.9		37.8	
Median	5.8		14.0		28.3		12.6		-1.1		19.1		30.0	
75th Percentile	4.5		11.3		24.5		10.7		-4.8		14.1		23.1	
95th Percentile	2.4		7.0		17.3		7.7		-11.0		8.9		13.4	
# of Portfolios	1,222		1,187		1,174		1,110		1,081		1,035		1,153	
● **BlackRock Equity Market Fund**	6.2	(39)	16.2	(28)	30.4	(33)	13.5	(36)	1.2	(32)	17.6	(57)	28.2	(57)
▲ **Dow Jones U.S. Total Stock Market Index**	6.2	(40)	16.2	(29)	30.2	(35)	13.4	(38)	1.1	(33)	17.5	(58)	28.6	(55)

Total Non-U.S. Equity

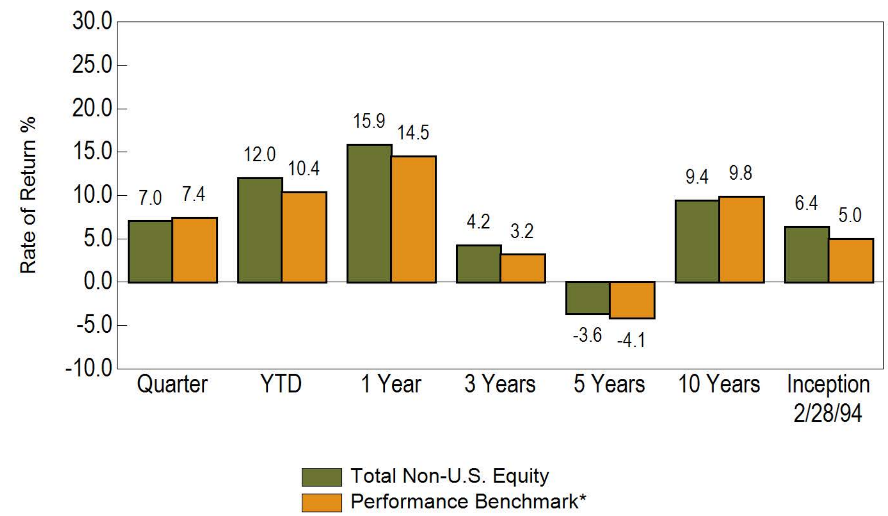
Overview

Benchmark: Performance Benchmark*

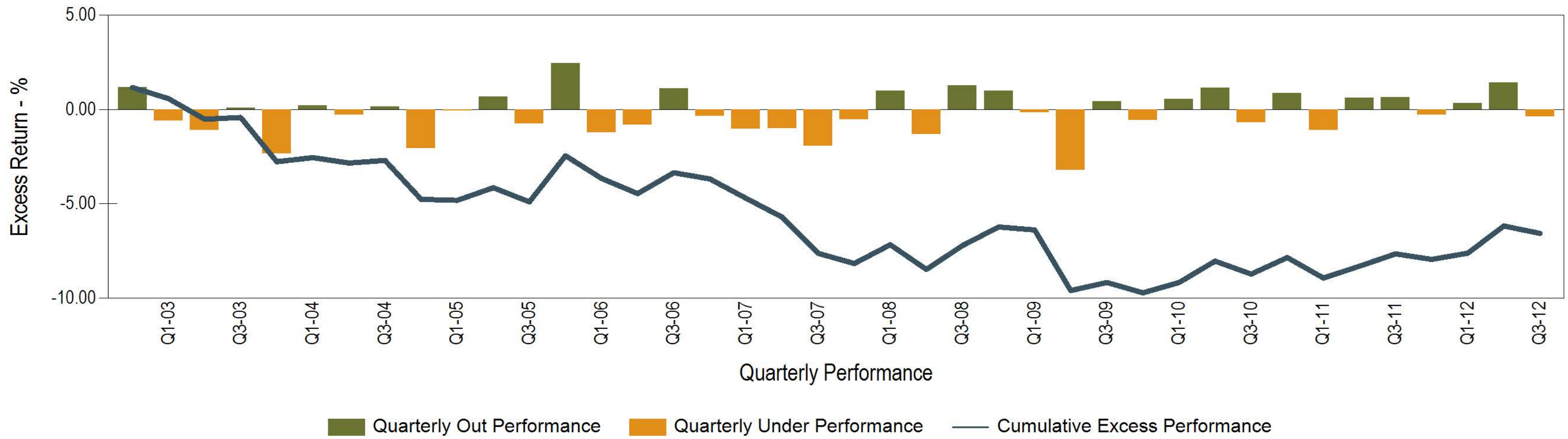
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

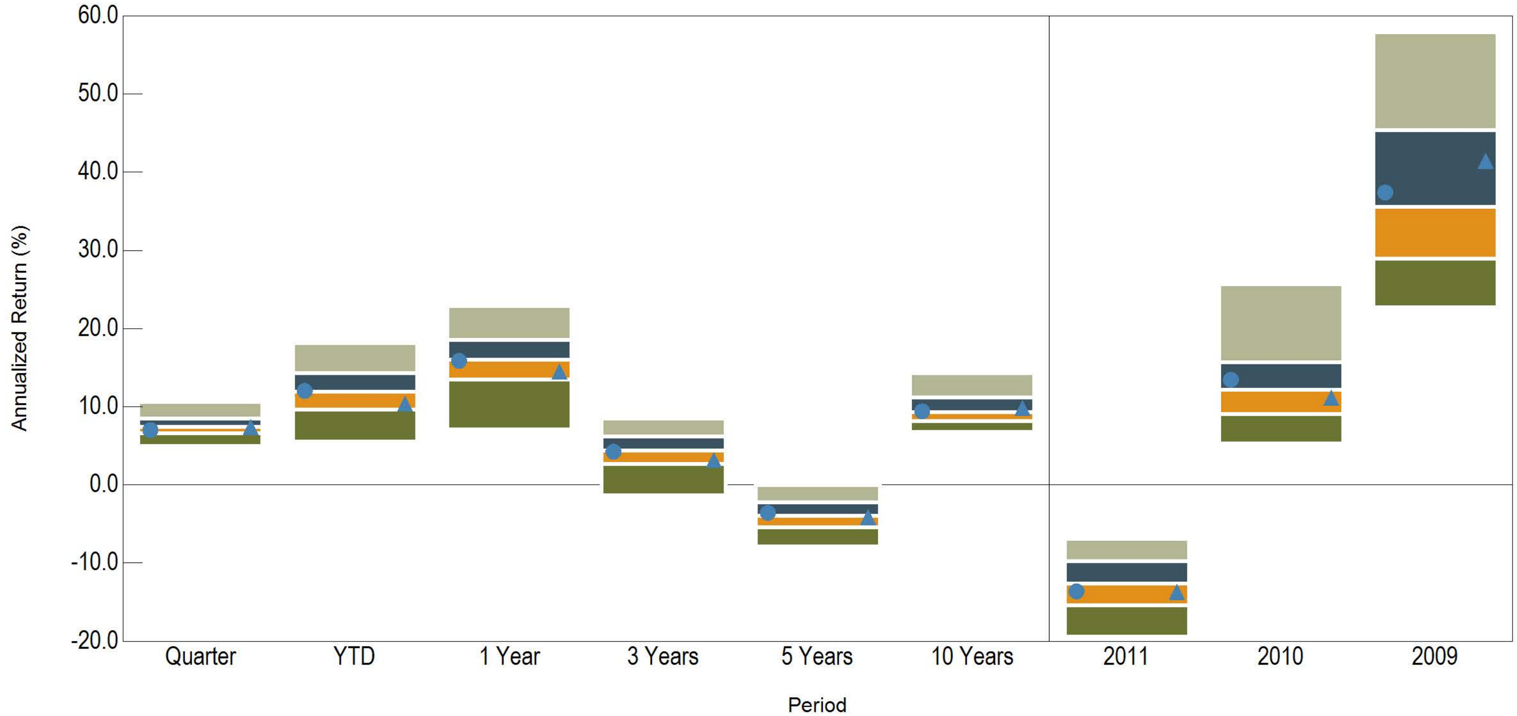


Universe Comparison

Benchmark: Performance Benchmark*

Universe: eA All EAFE Equity Net

Ending September 30, 2012

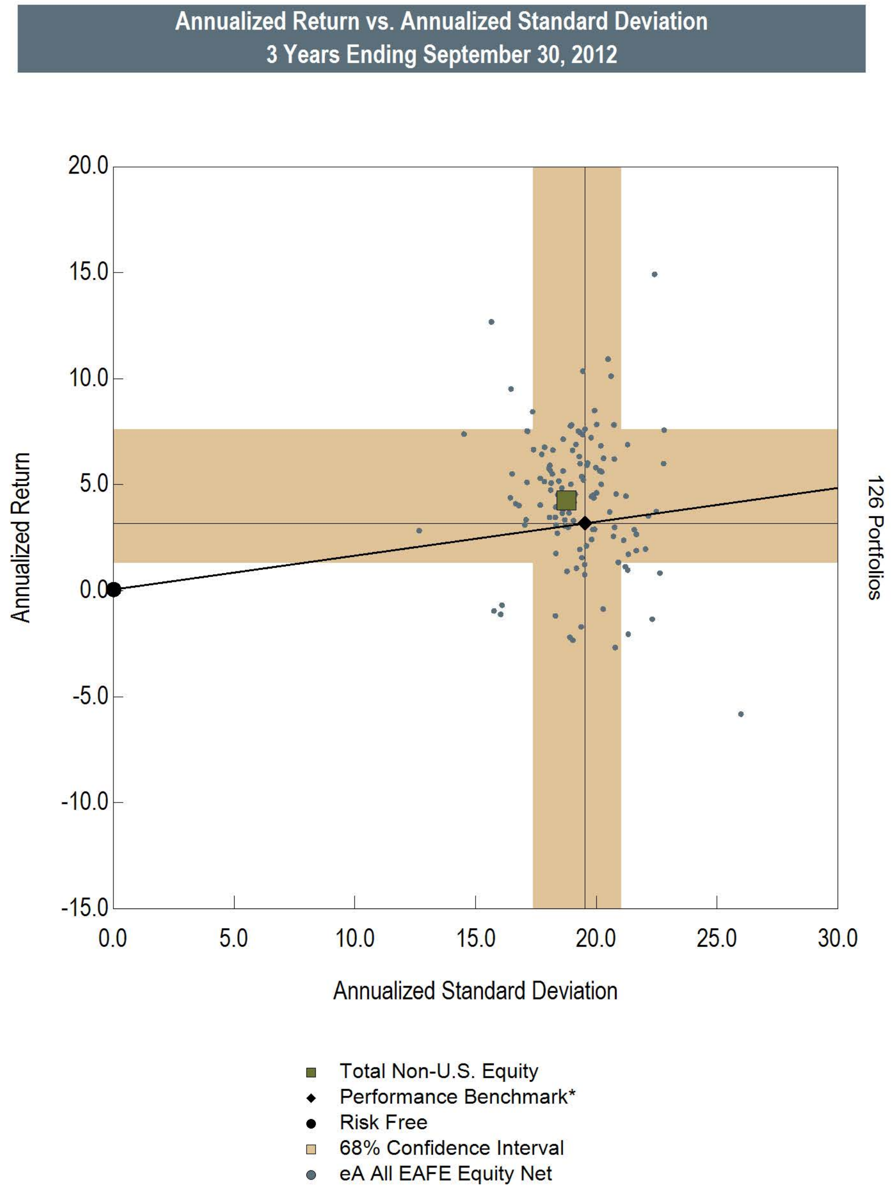


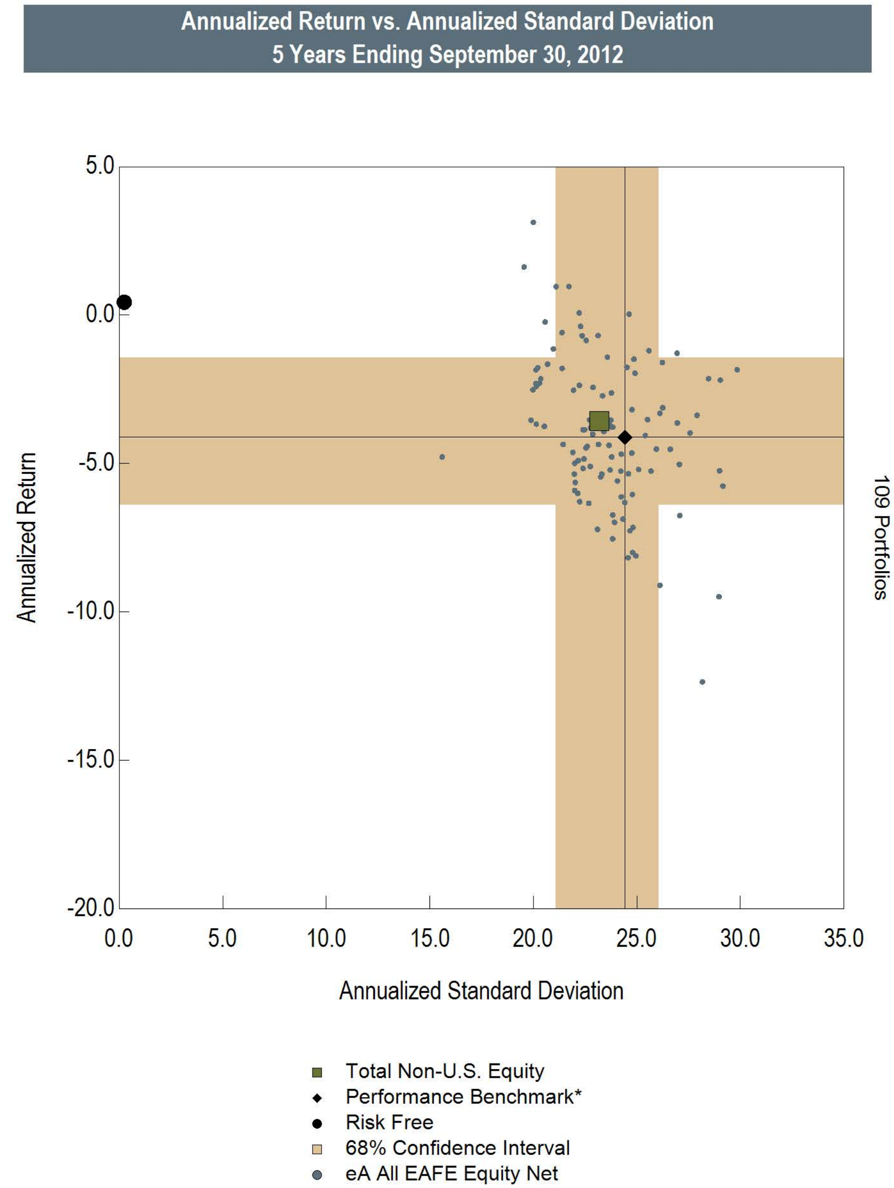
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	10.6		18.1		22.8		8.5		-0.1		14.2		-6.9		25.6		57.9	
25th Percentile	8.6		14.3		18.5		6.2		-2.2		11.3		-9.7		15.7		45.4	
Median	7.5		12.0		16.1		4.5		-3.9		9.3		-12.6		12.2		35.6	
75th Percentile	6.7		9.7		13.5		2.7		-5.3		8.2		-15.4		9.1		29.0	
95th Percentile	5.0		5.6		7.2		-1.3		-7.8		6.8		-19.4		5.3		22.8	
# of Portfolios	135		134		131		126		109		77		129		143		173	
● Total Non-U.S. Equity	7.0	(66)	12.0	(50)	15.9	(54)	4.2	(54)	-3.6	(42)	9.4	(46)	-13.6	(59)	13.5	(38)	37.4	(45)
▲ Performance Benchmark*	7.4	(54)	10.4	(69)	14.5	(65)	3.2	(68)	-4.1	(53)	9.8	(36)	-13.7	(60)	11.2	(54)	41.4	(35)

Risk Profile

Benchmark: Performance Benchmark*

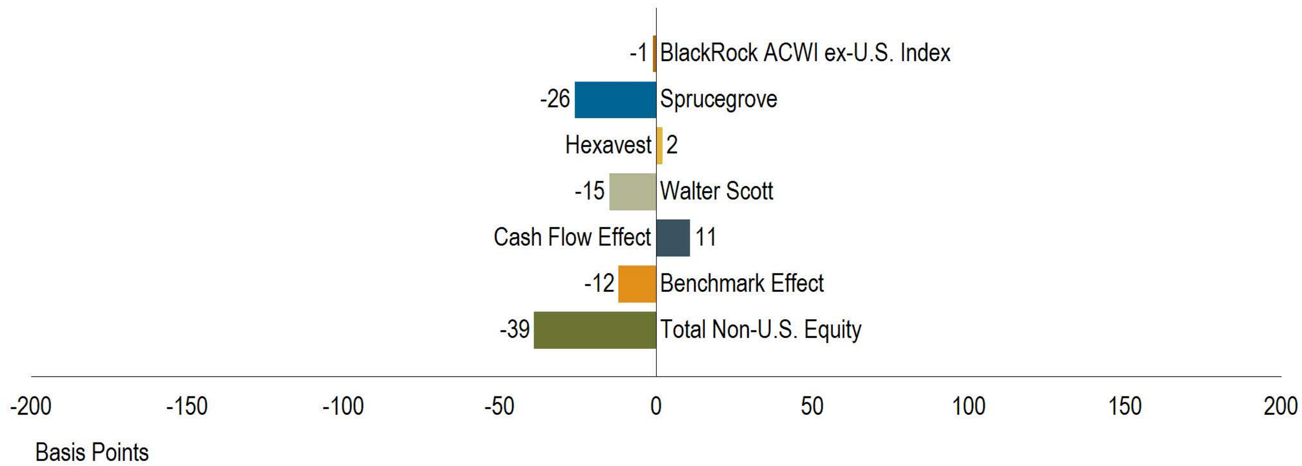
Universe: eA All EAFE Equity Net



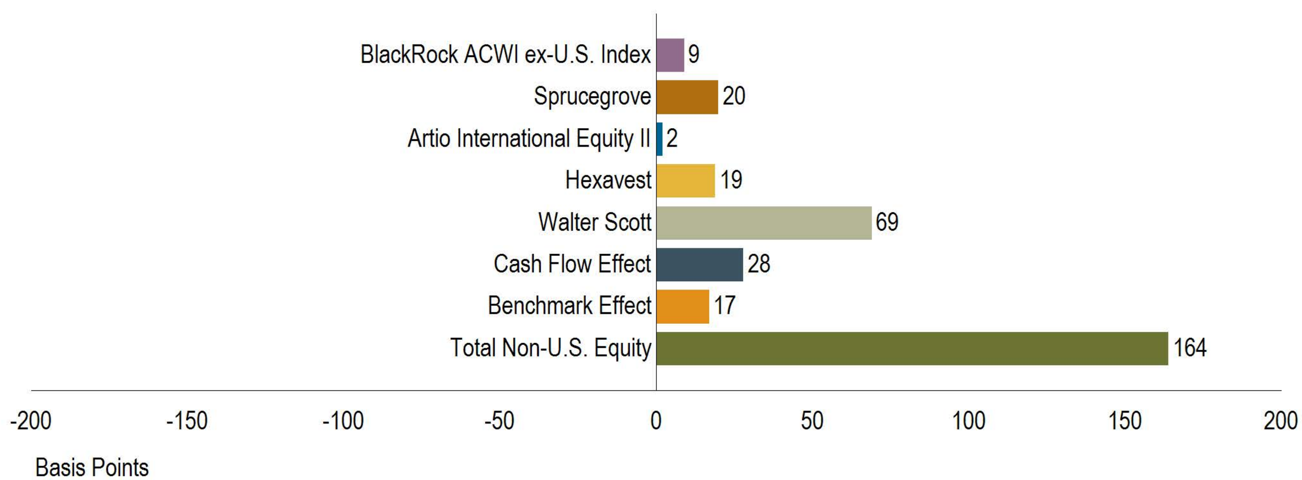


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/12



MANAGER ATTRIBUTION ANALYSIS
9 MONTHS ENDING 9/30/12



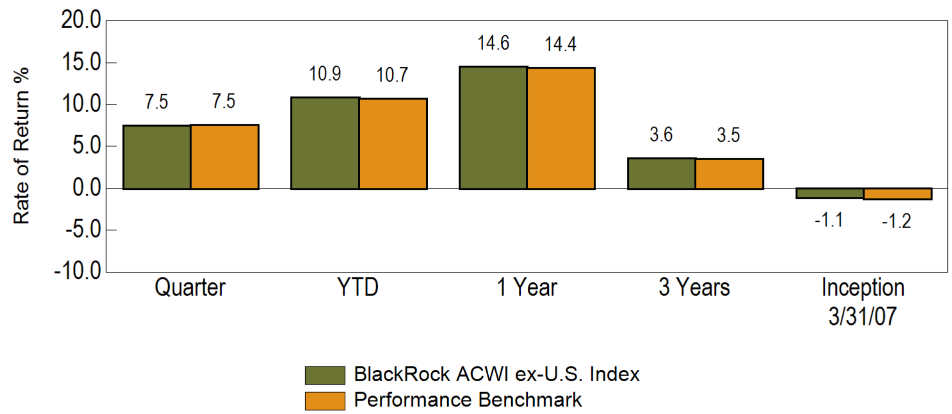
Manager Performance

Benchmark: Performance Benchmark

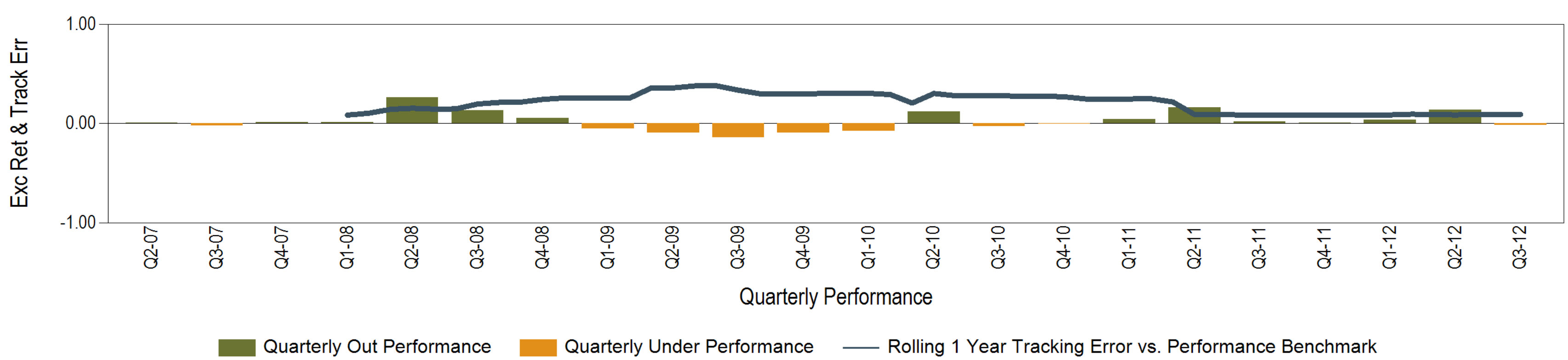
The BlackRock ACWI ex-U.S. Index Fund is designed to track the performance and risk characteristics of the MSCI All Country World ex-U.S. IM Index.

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

Return Summary



Tracking Error

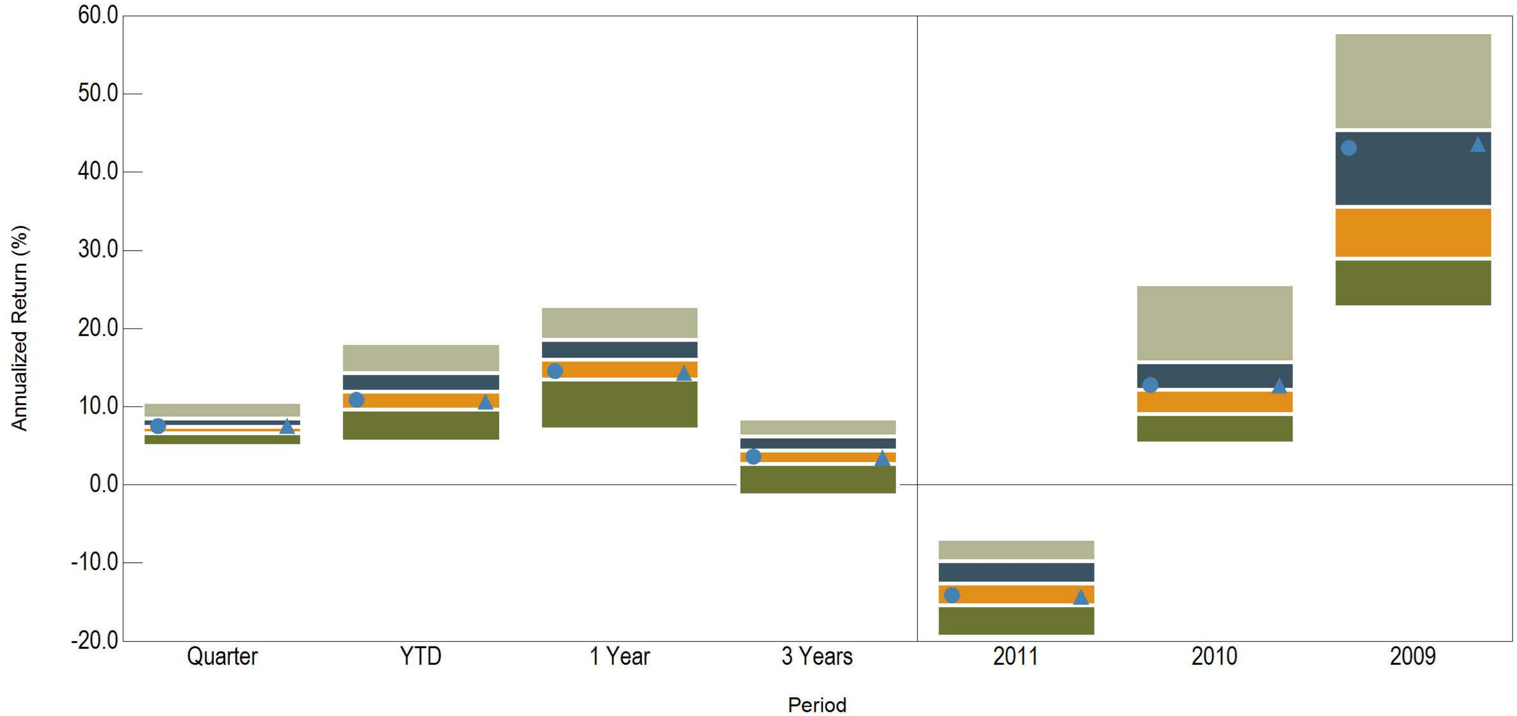


Universe Comparison

Benchmark: Performance Benchmark

Universe: eA All EAFE Equity Net

Ending September 30, 2012



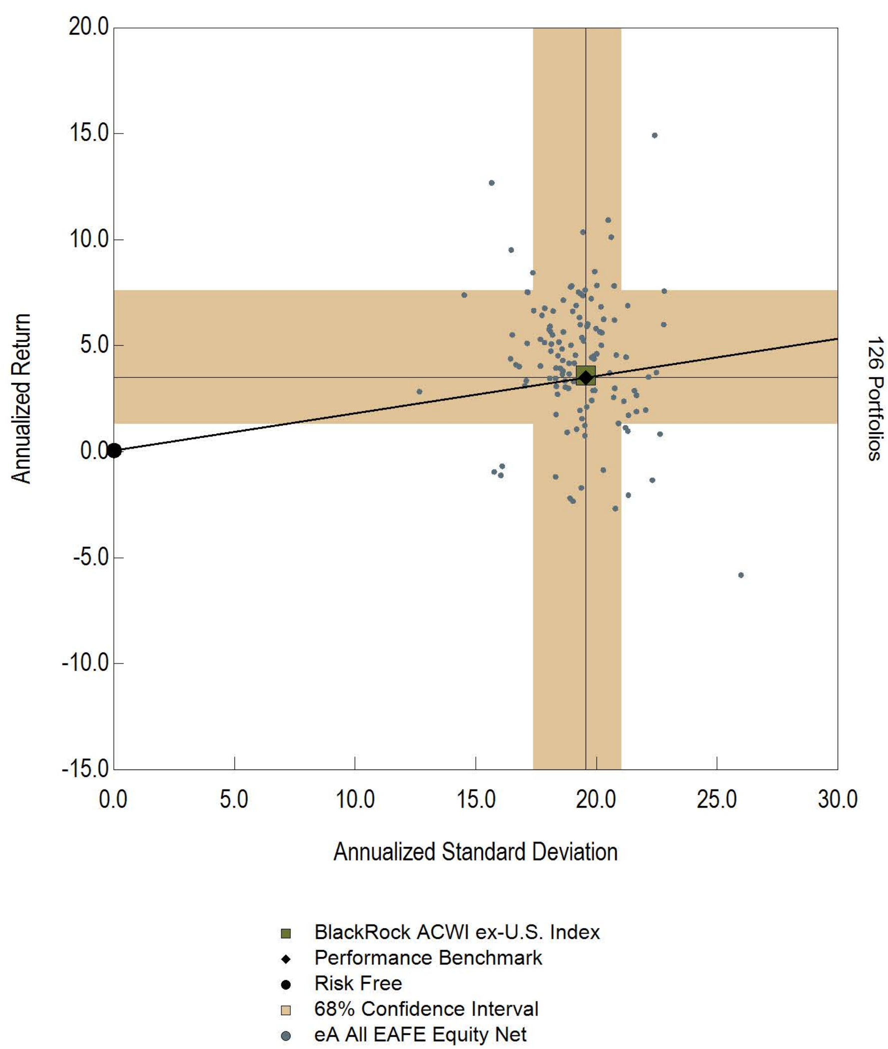
Return (Rank)	Quarter		YTD		1 Year		3 Years		2011		2010		2009	
5th Percentile	10.6		18.1		22.8		8.5		-6.9		25.6		57.9	
25th Percentile	8.6		14.3		18.5		6.2		-9.7		15.7		45.4	
Median	7.5		12.0		16.1		4.5		-12.6		12.2		35.6	
75th Percentile	6.7		9.7		13.5		2.7		-15.4		9.1		29.0	
95th Percentile	5.0		5.6		7.2		-1.3		-19.4		5.3		22.8	
# of Portfolios	135		134		131		126		129		143		173	
● **BlackRock ACWI ex-U.S. Index**	7.5	(48)	10.9	(65)	14.6	(65)	3.6	(63)	-14.1	(65)	12.8	(45)	43.1	(31)
▲ **Performance Benchmark**	7.5	(48)	10.7	(67)	14.4	(65)	3.5	(64)	-14.3	(66)	12.7	(45)	43.6	(29)

Risk Profile

Benchmark: Performance Benchmark

Universe: eA All EAFE Equity Net

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



Manager Performance

Benchmark: MSCI EAFE Index

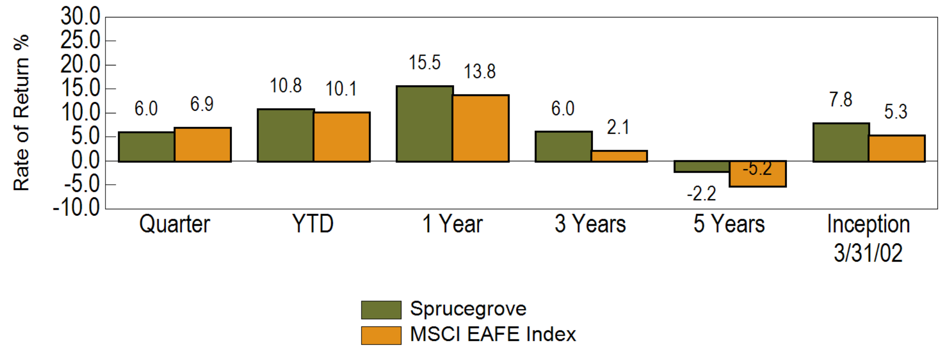
Sprucegrove is a value manager, following a bottom-up approach, and seeking to invest in quality companies selling at attractive valuations. As a value manager, Sprucegrove believes that the international markets are inefficient and by maintaining a long term perspective, they can capitalize on mispricings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

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

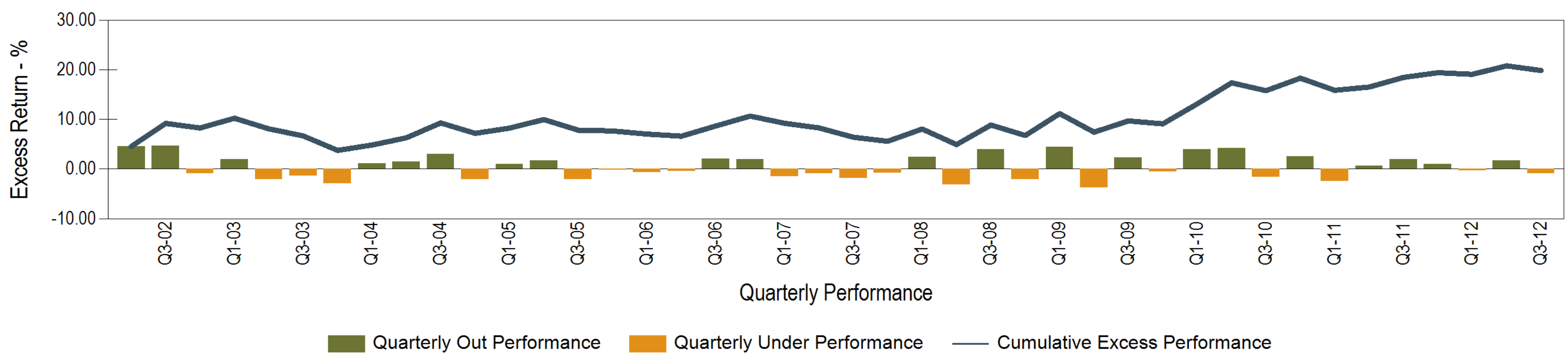
Account Information

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

Return Summary



Quarterly and Cumulative Excess Performance

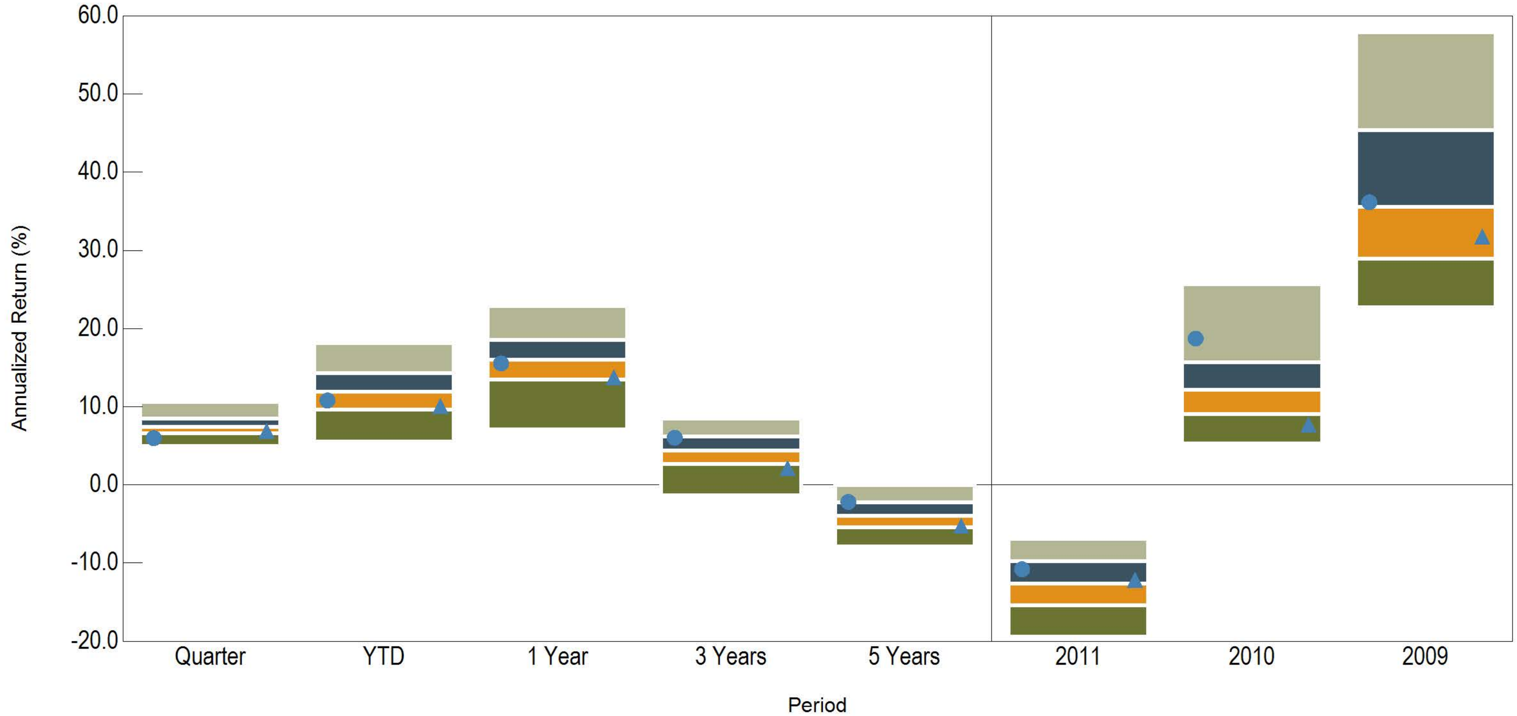


Universe Comparison

Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

Ending September 30, 2012



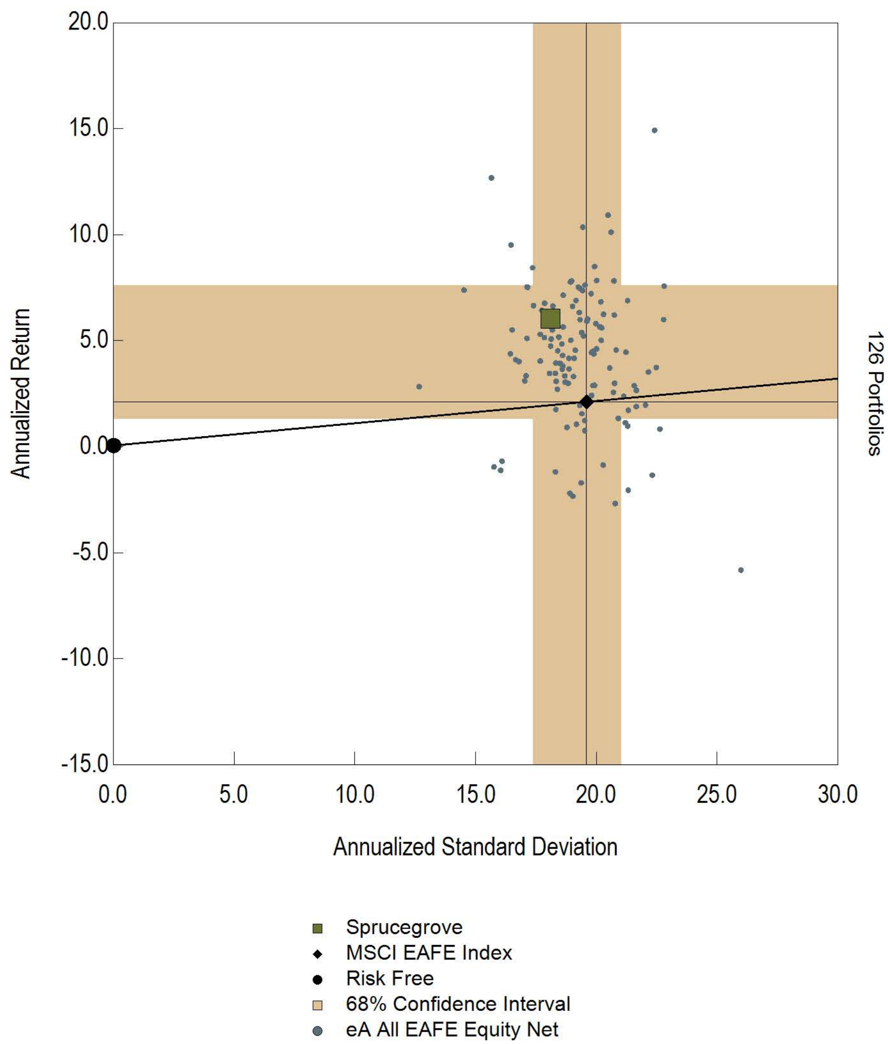
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	10.6		18.1		22.8		8.5		-0.1		-6.9		25.6		57.9	
25th Percentile	8.6		14.3		18.5		6.2		-2.2		-9.7		15.7		45.4	
Median	7.5		12.0		16.1		4.5		-3.9		-12.6		12.2		35.6	
75th Percentile	6.7		9.7		13.5		2.7		-5.3		-15.4		9.1		29.0	
95th Percentile	5.0		5.6		7.2		-1.3		-7.8		-19.4		5.3		22.8	
# of Portfolios	135		134		131		126		109		129		143		173	
● Sprucegrove	6.0	(89)	10.8	(66)	15.5	(58)	6.0	(27)	-2.2	(25)	-10.8	(31)	18.7	(15)	36.1	(48)
▲ MSCI EAFE Index	6.9	(67)	10.1	(72)	13.8	(72)	2.1	(80)	-5.2	(73)	-12.1	(45)	7.8	(83)	31.8	(65)

Risk Profile

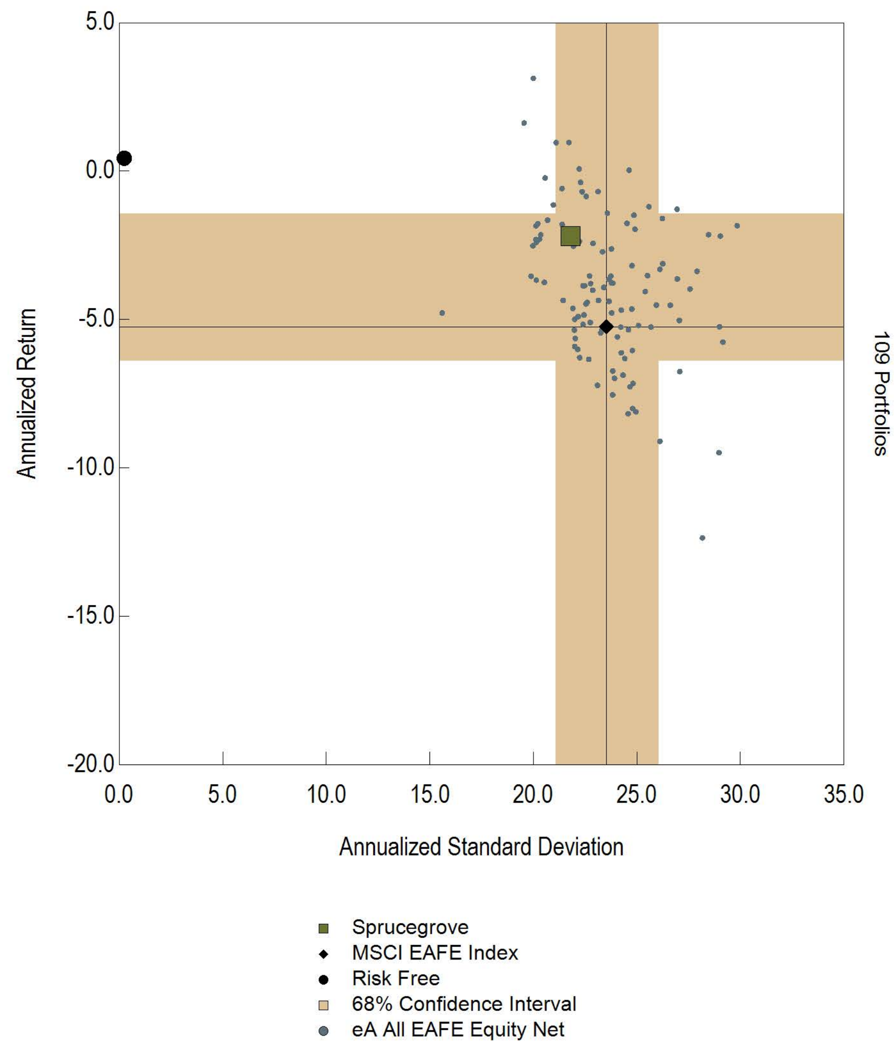
Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

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



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



Manager Performance

Benchmark: MSCI EAFE Index

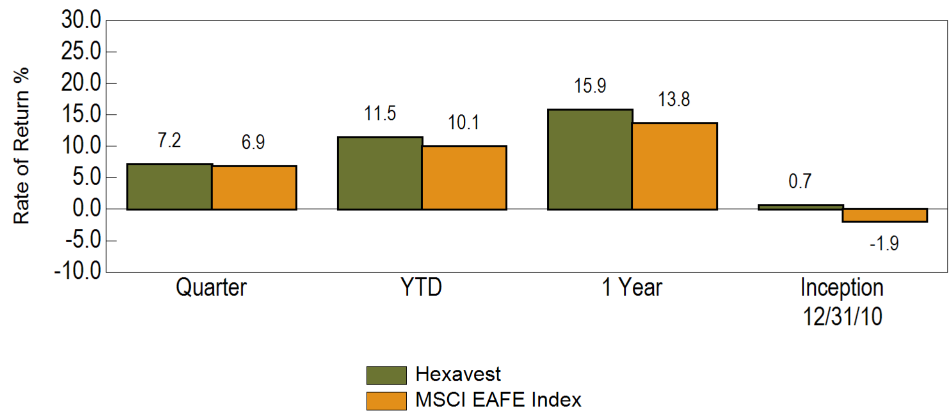
The manager's investment process was established in the early 1990s and at the time was almost entirely macro-focused. The model was enhanced in 1999 to include a bottom-up component, expected to contribute 20% to the overall decision making, so that portfolio managers can fine tune the active positions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

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

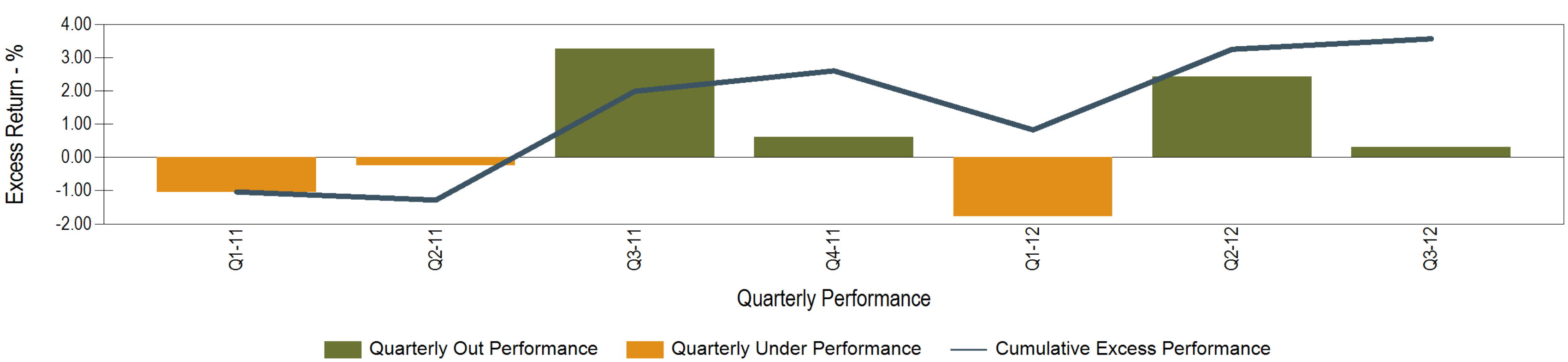
Account Information

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

Return Summary



Quarterly and Cumulative Excess Performance

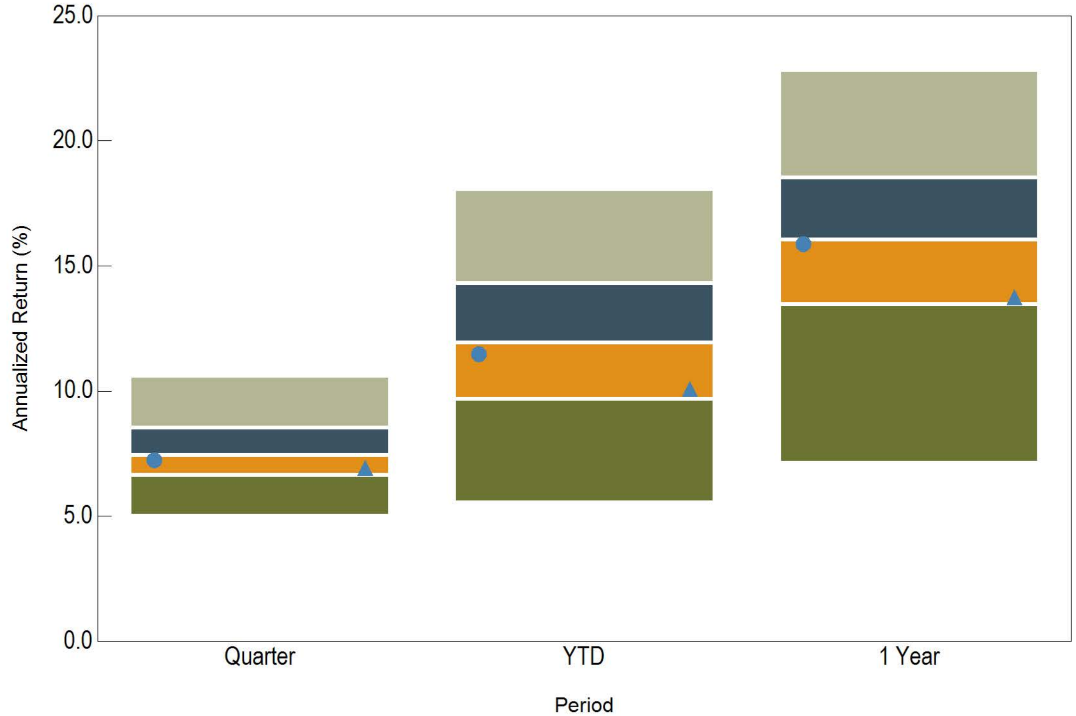


Universe Comparison

Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

Ending September 30, 2012



	Return (Rank)					
5th Percentile	10.6		18.1		22.8	
25th Percentile	8.6		14.3		18.5	
Median	7.5		12.0		16.1	
75th Percentile	6.7		9.7		13.5	
95th Percentile	5.0		5.6		7.2	
# of Portfolios	135		134		131	
● Hexavest	7.2	(61)	11.5	(54)	15.9	(53)
▲ MSCI EAFE Index	6.9	(67)	10.1	(72)	13.8	(72)

Manager Performance

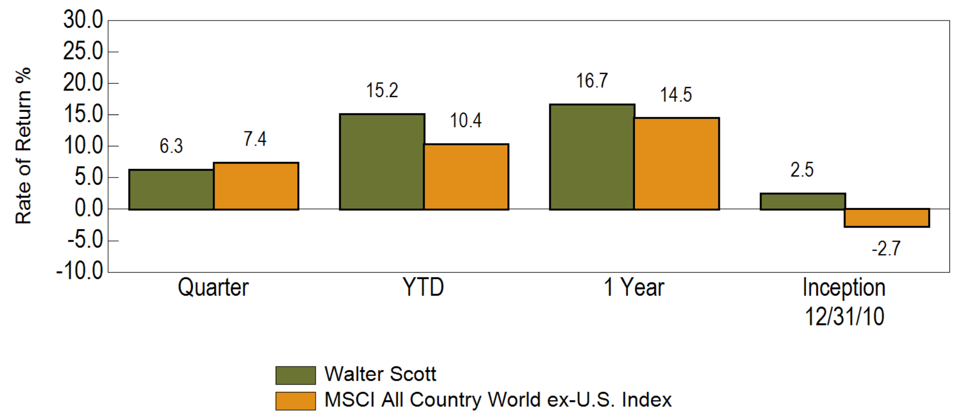
Benchmark: MSCI All Country World ex-U.S. Index

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

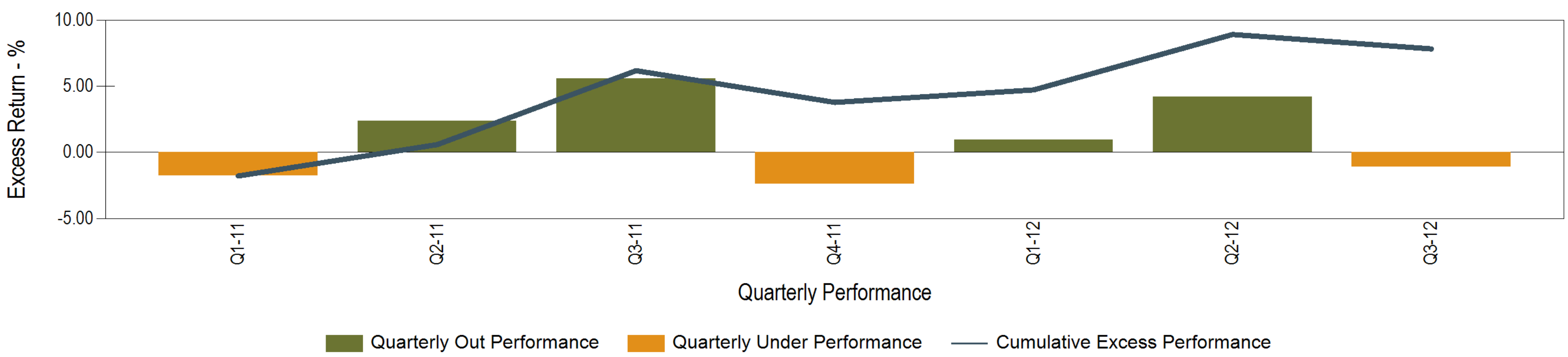
Account Information

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

Return Summary



Quarterly and Cumulative Excess Performance

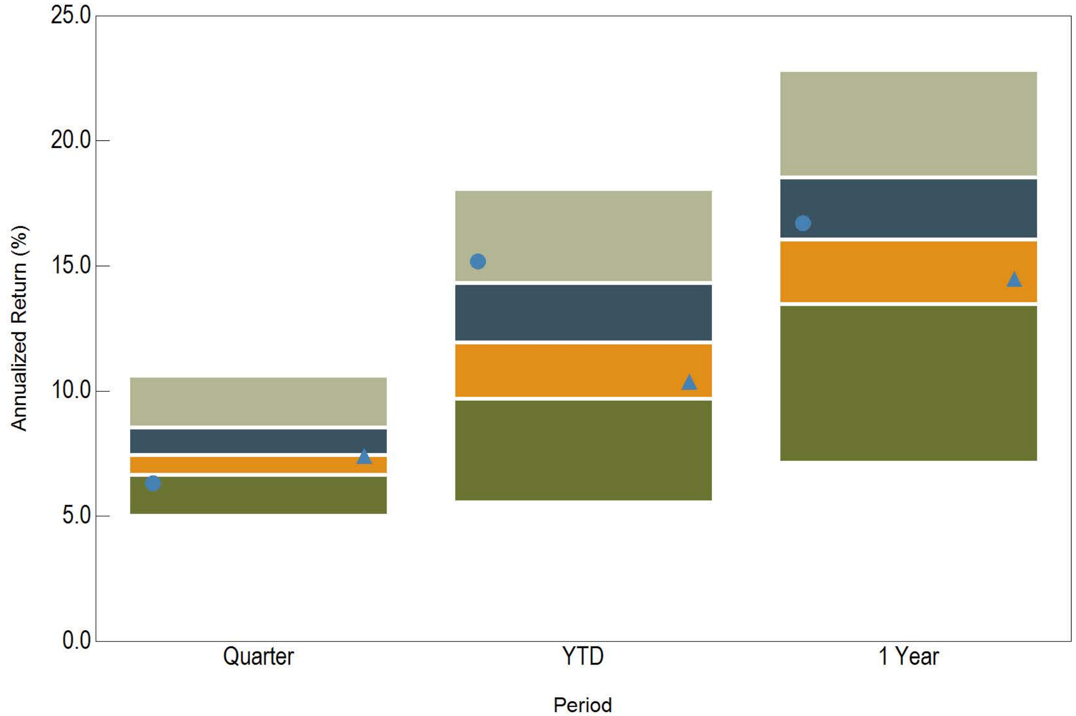


Universe Comparison

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

Universe: eA All EAFE Equity Net

Ending September 30, 2012



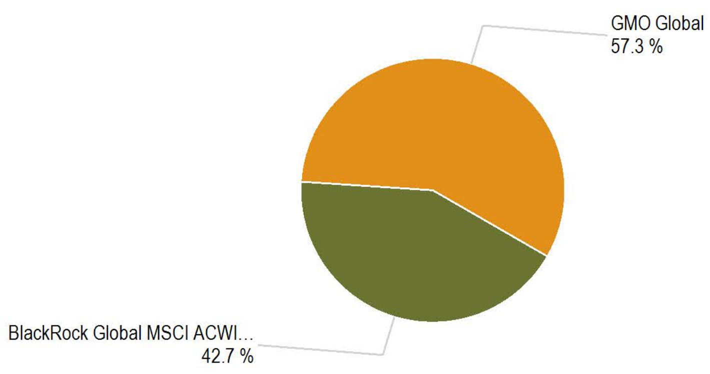
	Return (Rank)					
5th Percentile	10.6		18.1		22.8	
25th Percentile	8.6		14.3		18.5	
Median	7.5		12.0		16.1	
75th Percentile	6.7		9.7		13.5	
95th Percentile	5.0		5.6		7.2	
# of Portfolios	135		134		131	
● Walter Scott	6.3	(82)	15.2	(18)	16.7	(45)
▲ MSCI All Country World ex-U.S. Index	7.4	(54)	10.4	(69)	14.5	(65)

Total Global Equity

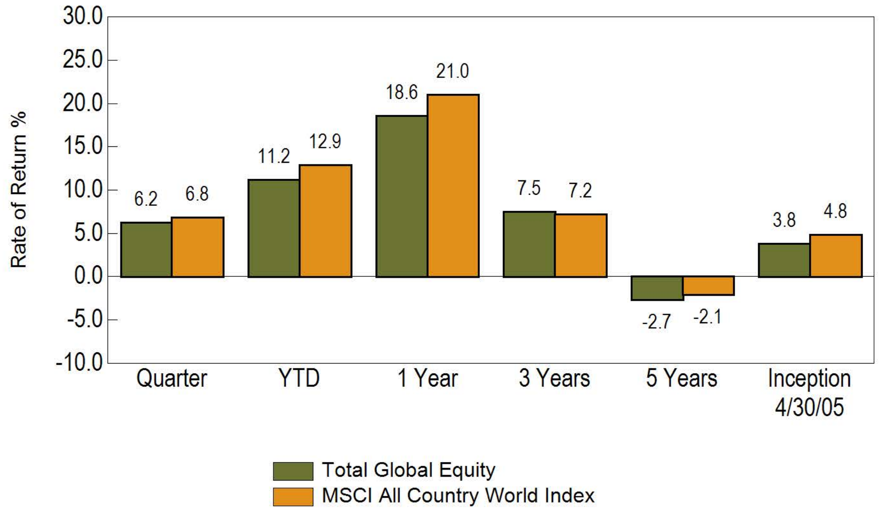
Overview

Benchmark: MSCI All Country World Index

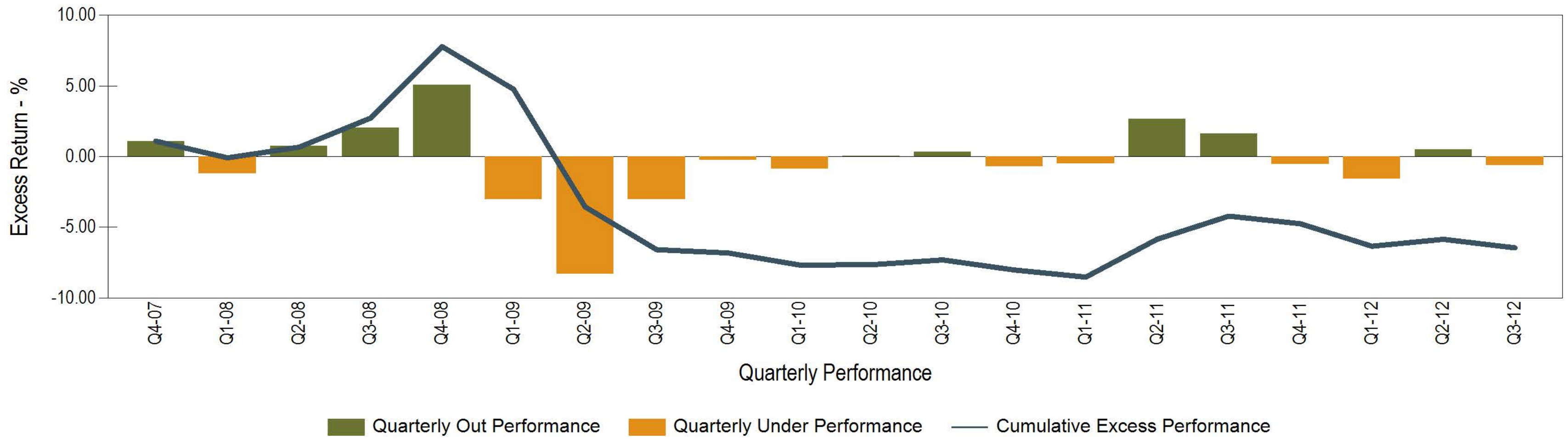
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

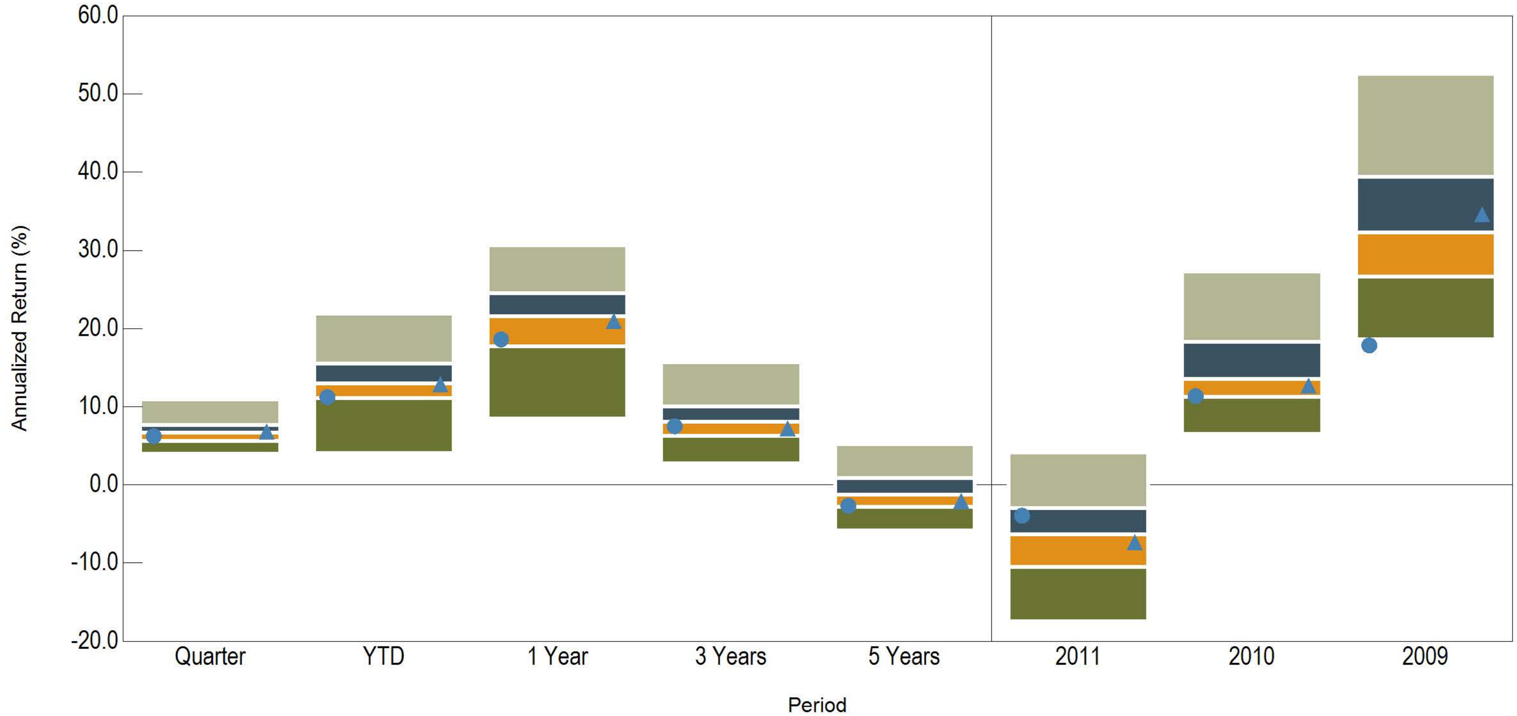


Universe Comparison

Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Ending September 30, 2012



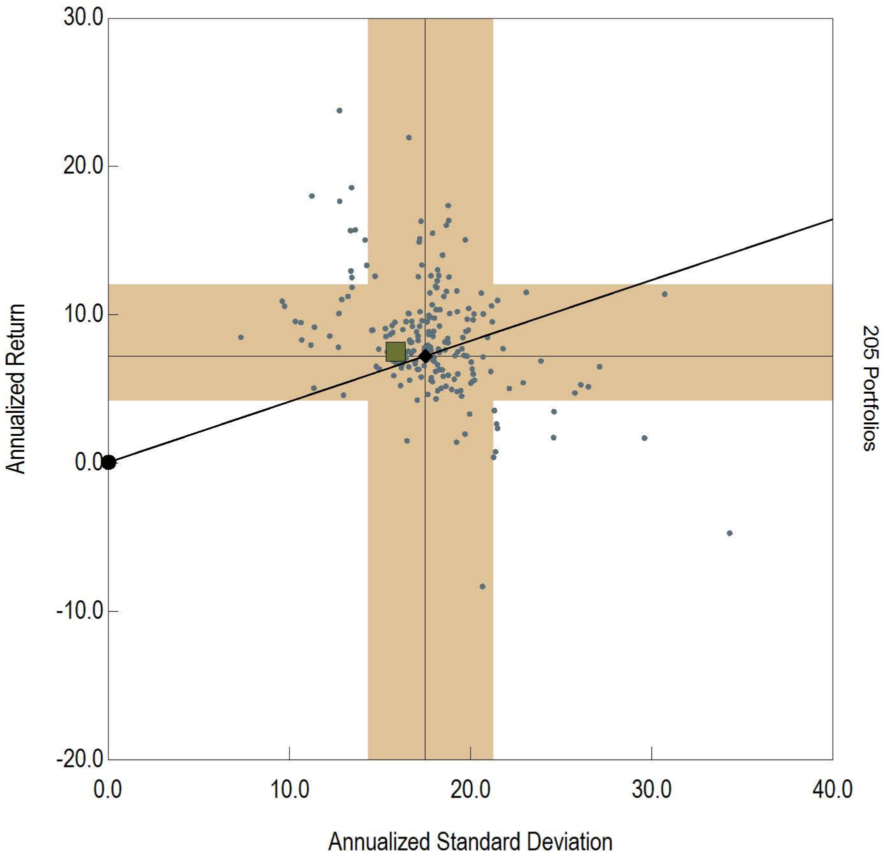
	Return (Rank)															
	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	10.9		21.9		30.6		15.6		5.1		4.1		27.2		52.6	
25th Percentile	7.7		15.5		24.6		10.1		0.9		-2.9		18.3		39.5	
Median	6.7		13.1		21.6		8.1		-1.2		-6.3		13.6		32.4	
75th Percentile	5.7		11.2		17.8		6.3		-2.8		-10.4		11.3		26.7	
95th Percentile	4.0		4.1		8.6		2.8		-5.8		-17.4		6.6		18.7	
# of Portfolios	240		237		233		205		169		186		140		103	
● **Total Global Equity**	6.2	(63)	11.2	(75)	18.6	(72)	7.5	(59)	-2.7	(75)	-3.9	(35)	11.4	(75)	17.8	(96)
▲ **MSCI All Country World Index**	6.8	(46)	12.9	(54)	21.0	(57)	7.2	(63)	-2.1	(66)	-7.3	(56)	12.7	(56)	34.6	(46)

Risk Profile

Benchmark: MSCI All Country World Index

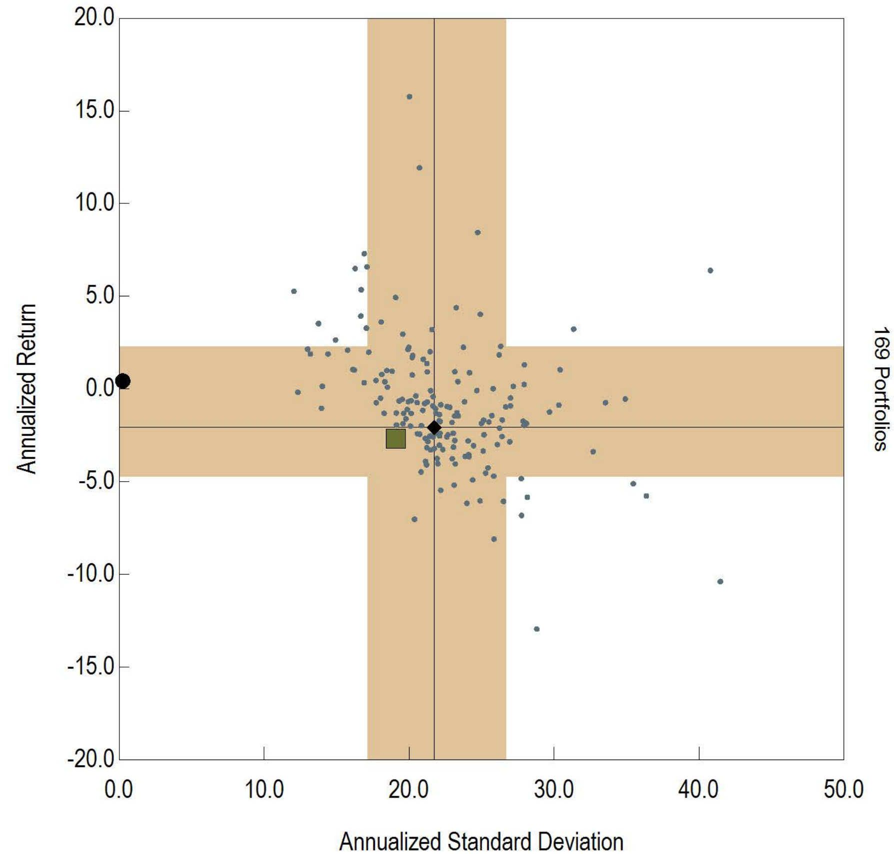
Universe: eA All Global Equity Net

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



- Total Global Equity
- MSCI All Country World Index
- Risk Free
- 68% Confidence Interval
- eA All Global Equity Net

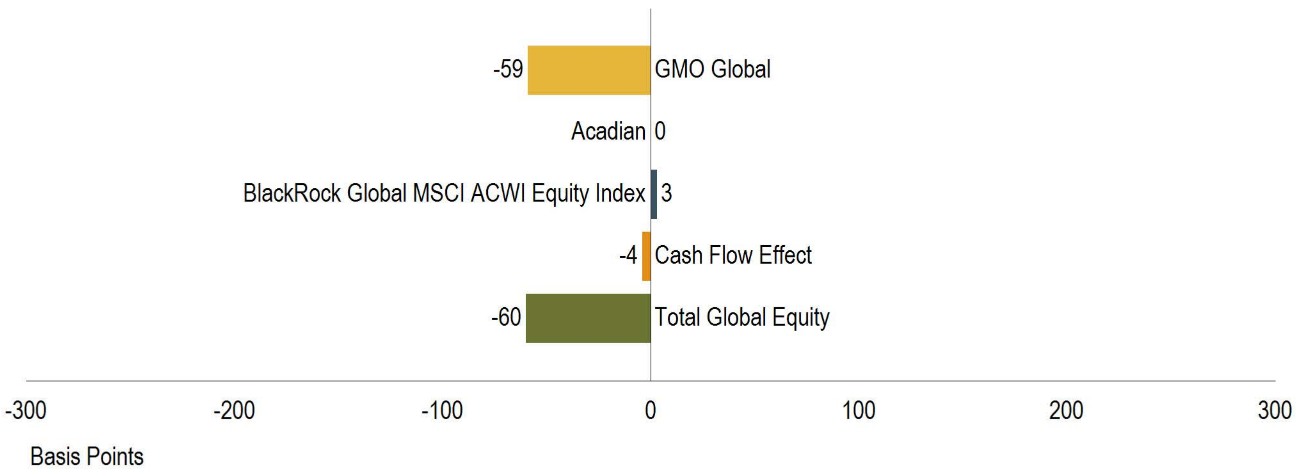
Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012



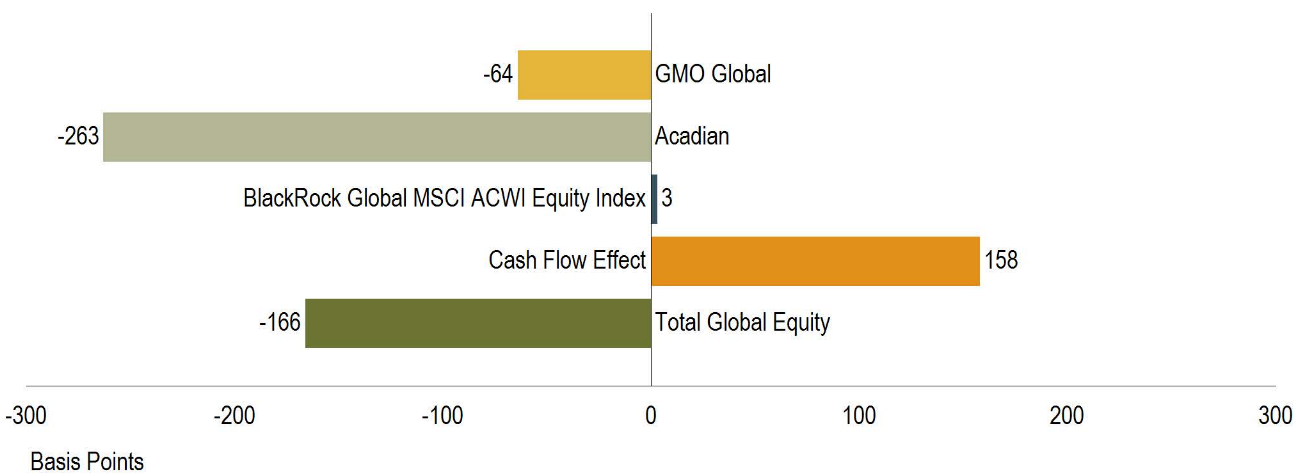
- Total Global Equity
- MSCI All Country World Index
- Risk Free
- 68% Confidence Interval
- eA All Global Equity Net

Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/12



MANAGER ATTRIBUTION ANALYSIS
9 MONTHS ENDING 9/30/12



Manager Performance

Benchmark: MSCI All Country World Index

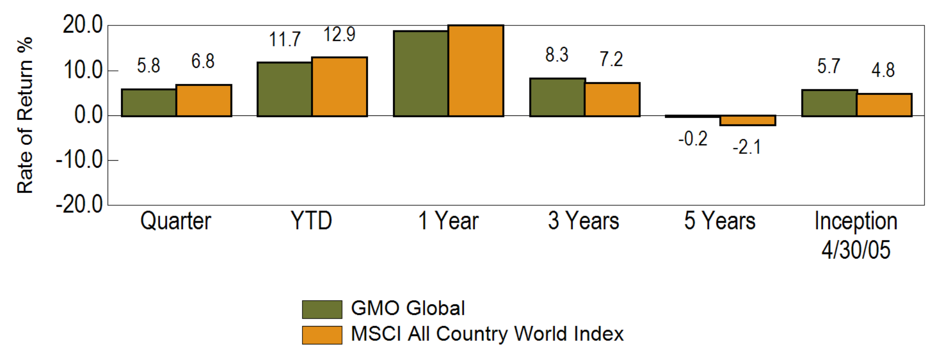
GMO uses a quantitative investment process to allocate between several of their mutual funds. They aim to add value both from opportunistic allocation between various segments of the market and from stock selection within the individual funds.

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

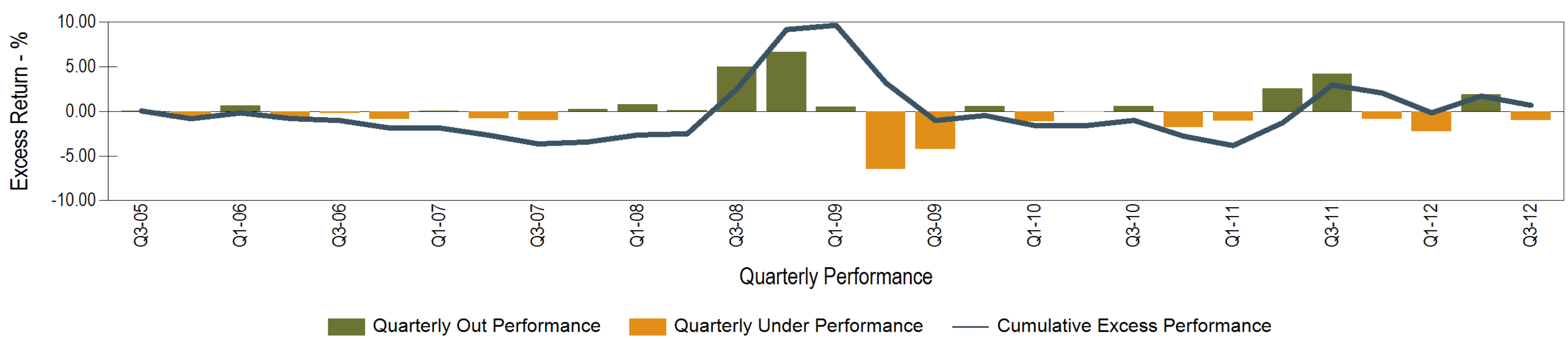
Account Information

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

Return Summary



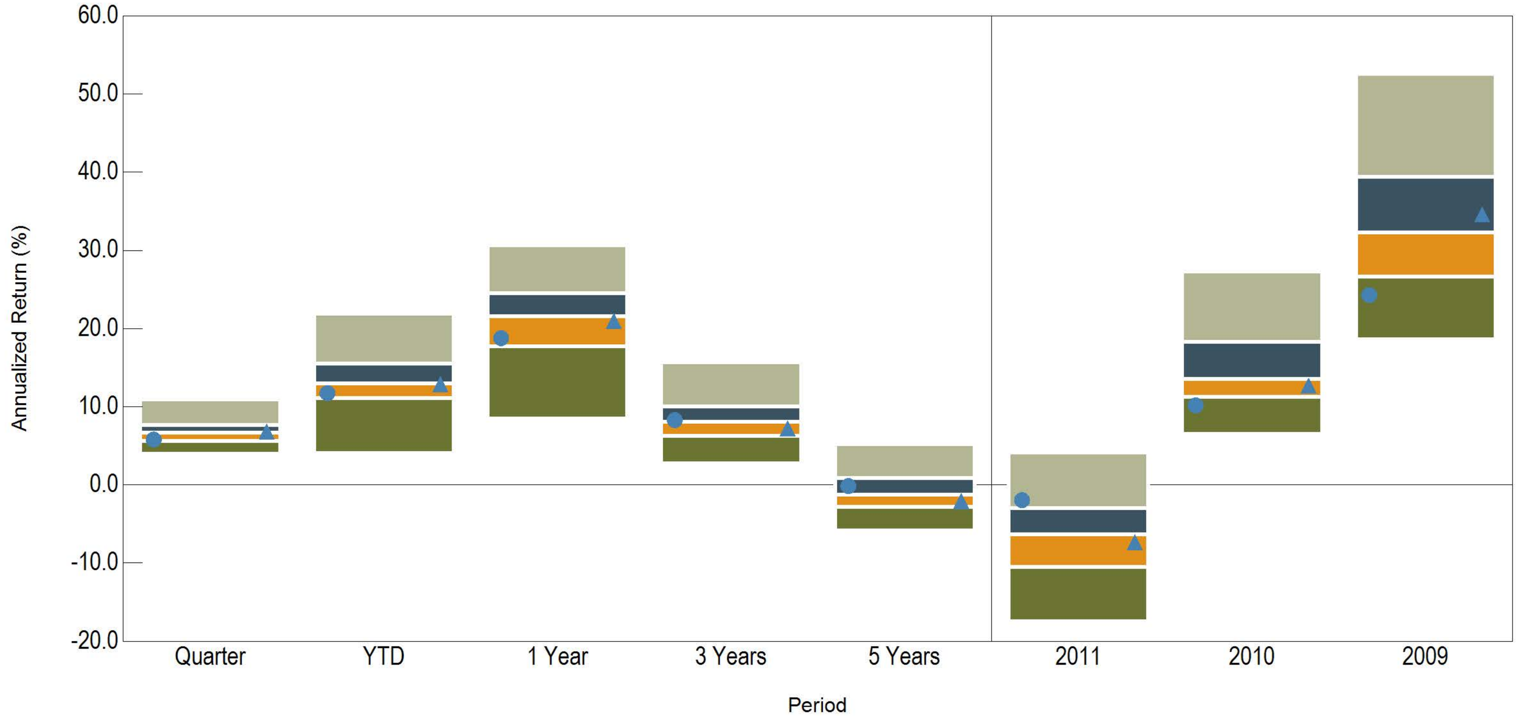
Quarterly and Cumulative Excess Performance



Universe Comparison

Benchmark: MSCI All Country World Index | Universe: eA All Global Equity Net

Ending September 30, 2012



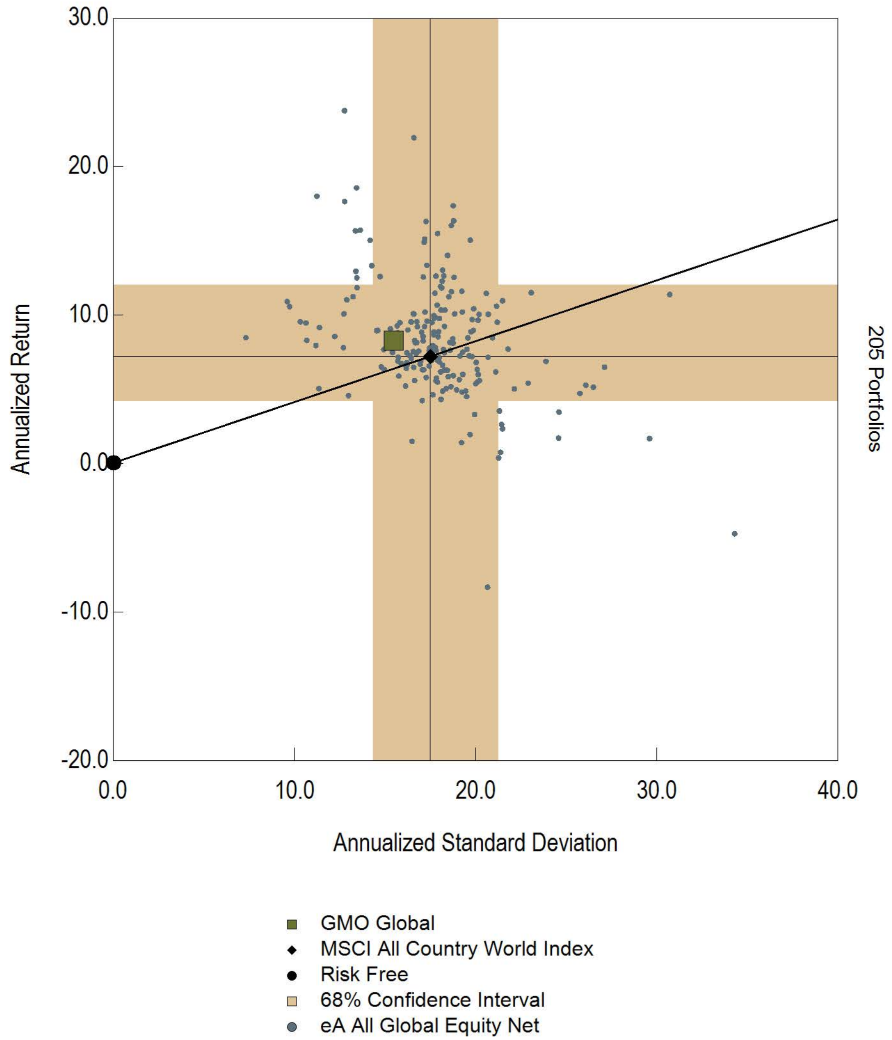
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	10.9		21.9		30.6		15.6		5.1		4.1		27.2		52.6	
25th Percentile	7.7		15.5		24.6		10.1		0.9		-2.9		18.3		39.5	
Median	6.7		13.1		21.6		8.1		-1.2		-6.3		13.6		32.4	
75th Percentile	5.7		11.2		17.8		6.3		-2.8		-10.4		11.3		26.7	
95th Percentile	4.0		4.1		8.6		2.8		-5.8		-17.4		6.6		18.7	
# of Portfolios	240		237		233		205		169		186		140		103	
● GMO Global	5.8	(74)	11.7	(70)	18.8	(71)	8.3	(48)	-0.2	(34)	-2.0	(20)	10.2	(88)	24.3	(86)
▲ MSCI All Country World Index	6.8	(46)	12.9	(54)	21.0	(57)	7.2	(63)	-2.1	(66)	-7.3	(56)	12.7	(56)	34.6	(46)

Risk Profile

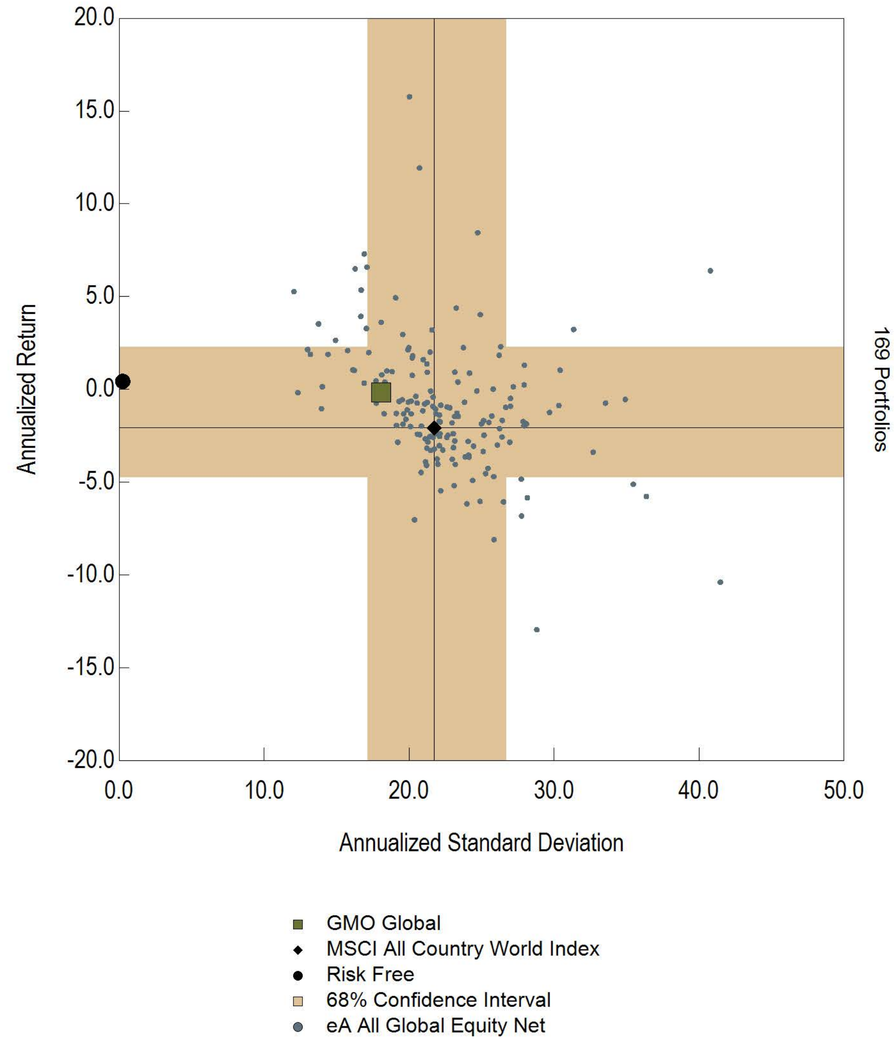
Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

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



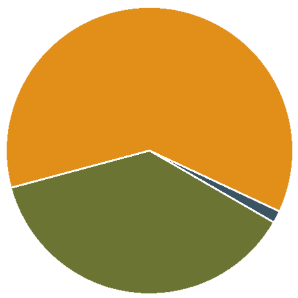
Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012



Manager Analysis

Benchmark: MSCI All Country World Index

Current Allocation



	Actual $	Actual %
US Equity	$63,190,827	37.5%
Non-US Equity	$103,029,819	61.1%
US Fixed Inc.	$2,308,168	1.4%
Non-US Fixed Inc.	$0	0.0%
Alternative	$0	0.0%
Real Estate	$0	0.0%
Cash	$0	0.0%
Other	$0	0.0%
Total	$168,528,815	

Characteristics

	Portfolio	MSCI ACWI Gross
Number of Holdings	1,628	2,440
Weighted Avg. Market Cap. ($B)	89.84	77.34
Median Market Cap. ($B)	4.60	7.02
Price To Earnings	14.33	16.59
Price To Book	2.92	3.14
Price To Sales	1.90	1.92
Return on Equity (%)	29.71	17.53
Yield (%)	3.38	2.75
Beta	0.87	1.00
R-Squared	0.97	1.00

Top Holdings

	Weight %
JOHNSON & JOHNSON	2.15%
TOTAL	2.11%
ORACLE	2.11%
PFIZER	1.96%
GOOGLE 'A'	1.93%
COCA COLA	1.87%
MICROSOFT	1.85%
PHILIP MORRIS INTL.	1.80%
SANOFI	1.74%
CISCO SYSTEMS	1.68%
Total	**19.19%**

Best Performers

	Portfolio Weight %	Index Weight %	Return %
AIRPORTS OF THAILAND FB	0.02%		125.00%
PUBLIC POWER	0.02%		97.33%
BANGKOK DUSIT MED.SVS.FB	0.04%		94.46%
TRINITY MIRROR	0.00%		91.74%
ARAB COTTON GINNING	0.01%		81.35%
KINROSS GD.WTS.17/09/14	0.00%		81.31%
GAFISA SA ADR 1:2	0.00%		72.05%
DEXIA	0.00%		71.56%
GAFISA ON	0.00%		68.72%
HEMARAJ LAND AND DEV.FB	0.01%		64.16%

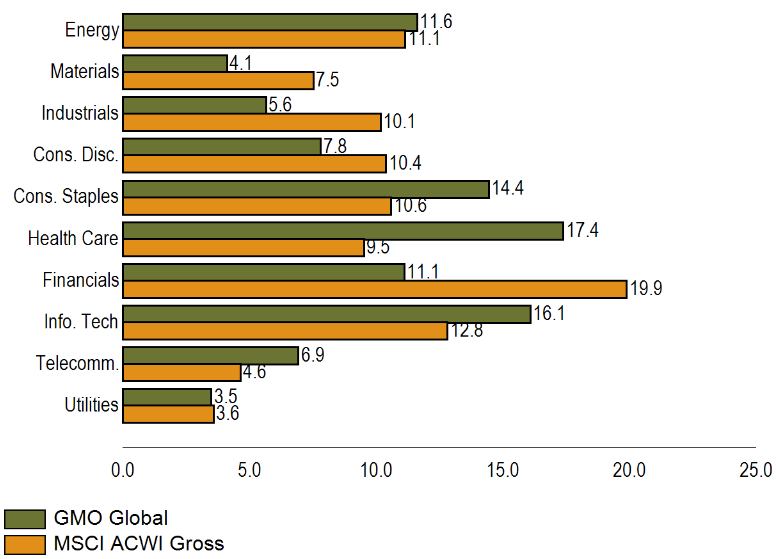
Worst Performers

	Portfolio Weight %	Index Weight %	Return %
BAKRIE TELECOM	0.00%		-63.20%
FONDIARIA-SAI	0.00%		-54.97%
ADTRAN	0.00%		-42.51%
AHRESTY	0.00%		-41.21%
NIPPON CHEMI-CON	0.00%		-40.81%
TRAN PAULIST PN	0.00%		-40.52%
AFRICA	0.00%		-39.69%
TOYO CONSTRUCTION	0.00%		-38.19%
HOKKAIDO ELEC.POWER	0.00%	0.01%	-36.81%
FERROTEC	0.00%		-36.71%

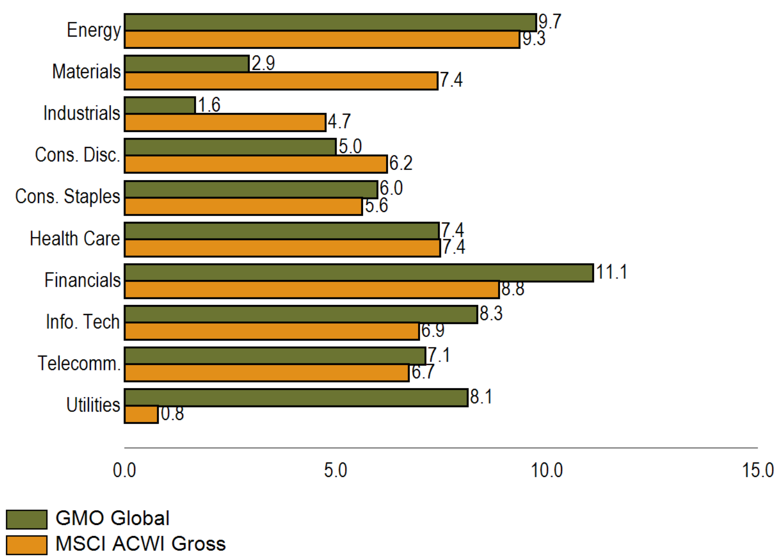
Sector Attribution

Benchmark: MSCI All Country World Index

Sector Allocation (%) vs MSCI ACWI Gross



Sector Returns (%) vs MSCI ACWI Gross



GMO Global Fund Performance Attribution vs. MSCI ACWI Gross

	Total Effects		Selection Effect		Allocation Effect		Interaction Effects
Energy	-0.01%		-0.03%		0.03%		0.00%
Materials	-0.17%		-0.12%		-0.15%		0.10%
Industrials	-0.03%		-0.08%		0.04%		0.01%
Cons. Disc.	-0.04%		-0.01%		-0.07%		0.03%
Cons. Staples	-0.50%		-0.15%		-0.20%		-0.15%
Health Care	0.06%		0.02%		0.00%		0.03%
Financials	0.02%		0.26%		-0.12%		-0.12%
Info. Tech	0.27%		0.21%		0.02%		0.04%
Telecomm.	0.00%		-0.05%		0.04%		0.01%
Utilities	0.25%		0.04%		0.15%		0.07%
Cash	0.00%		--		0.00%		--
Portfolio	**-0.15%**	=	**0.09%**	+	**-0.27%**	+	**0.03%**

Country Allocation

Benchmark: MSCI All Country World Index

Versus MSCI ACWI Gross - Quarter Ending September 30, 2012	Manager Allocation (USD)	Index Allocation (USD)	Manager Return (USD)	Index Return (USD)
Americas				
Brazil*	2.6%	1.6%	5.3%	4.8%
Canada	1.0%	4.3%	8.3%	10.7%
Chile*	0.1%	0.2%	3.6%	1.2%
Colombia*	0.0%	0.2%	--	2.9%
Mexico*	0.5%	0.6%	1.1%	6.7%
Peru*	0.0%	0.1%	--	2.9%
United States	39.3%	47.5%	6.4%	6.4%
Total-Americas	**43.4%**	**54.5%**	**6.0%**	**6.6%**
Europe				
Austria	0.2%	0.1%	12.5%	6.7%
Belgium	0.7%	0.4%	10.3%	10.1%
Czech Republic*	0.2%	0.0%	10.4%	11.2%
Denmark	0.3%	0.4%	9.4%	11.3%
Finland	0.1%	0.3%	21.4%	10.6%
France	4.8%	3.3%	11.7%	7.3%
Germany	2.7%	2.9%	13.2%	14.4%
Greece	0.1%	0.0%	3.3%	0.3%
Hungary*	0.0%	0.0%	6.9%	9.6%
Ireland	0.2%	0.1%	16.7%	-1.5%
Italy	2.0%	0.8%	7.4%	7.6%
Luxembourg	0.0%	0.0%	8.3%	7.0%
Netherlands	2.2%	0.8%	4.6%	9.0%
Norway	0.1%	0.3%	21.8%	13.6%
Poland*	0.2%	0.2%	26.5%	13.6%
Portugal	0.1%	0.1%	14.0%	13.1%
Russia*	2.0%	0.7%	10.1%	8.3%
Spain	2.2%	1.0%	9.8%	11.6%
Sweden	0.3%	1.1%	13.8%	10.6%
Switzerland	3.4%	3.0%	7.8%	7.8%
United Kingdom	10.3%	8.3%	9.4%	7.1%
Total-Europe	**32.1%**	**23.8%**	**10.5%**	**8.8%**

Versus MSCI ACWI Gross - Quarter Ending September 30, 2012	Manager Allocation (USD)	Index Allocation (USD)	Manager Return (USD)	Index Return (USD)
AsiaPacific				
Australia	1.8%	3.1%	9.1%	10.5%
China*	2.0%	2.2%	3.3%	4.6%
Hong Kong	0.6%	1.1%	9.7%	12.4%
India*	0.8%	0.8%	13.0%	15.5%
Indonesia*	0.8%	0.3%	11.3%	7.5%
Japan	12.7%	7.8%	1.0%	-0.9%
Korea*	1.5%	1.9%	10.3%	9.8%
Malaysia*	0.0%	0.4%	4.4%	5.5%
New Zealand	0.2%	0.0%	12.5%	15.9%
Philippines*	0.4%	0.1%	6.1%	4.4%
Singapore	0.7%	0.7%	7.8%	10.6%
Sri Lanka*	0.0%	0.0%	16.8%	7.0%
Taiwan*	0.9%	1.4%	10.9%	11.8%
Thailand*	0.7%	0.3%	20.3%	11.3%
Total-AsiaPacific	**23.0%**	**20.2%**	**4.8%**	**5.6%**
Other				
Egypt*	0.3%	0.0%	20.2%	24.1%
Israel	0.1%	0.2%	19.8%	6.0%
Morocco*	0.0%	0.0%	-6.1%	-3.3%
Nigeria	0.0%	0.0%	34.5%	7.0%
South Africa*	0.5%	1.0%	5.0%	6.4%
Turkey*	0.7%	0.2%	7.9%	8.2%
Total-Other	**1.5%**	**1.5%**	**9.7%**	**7.0%**

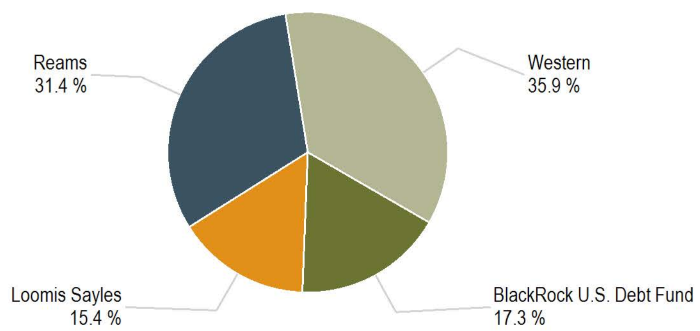
* Asterisk denotes Emerging Markets countries

Total U.S. Fixed Income

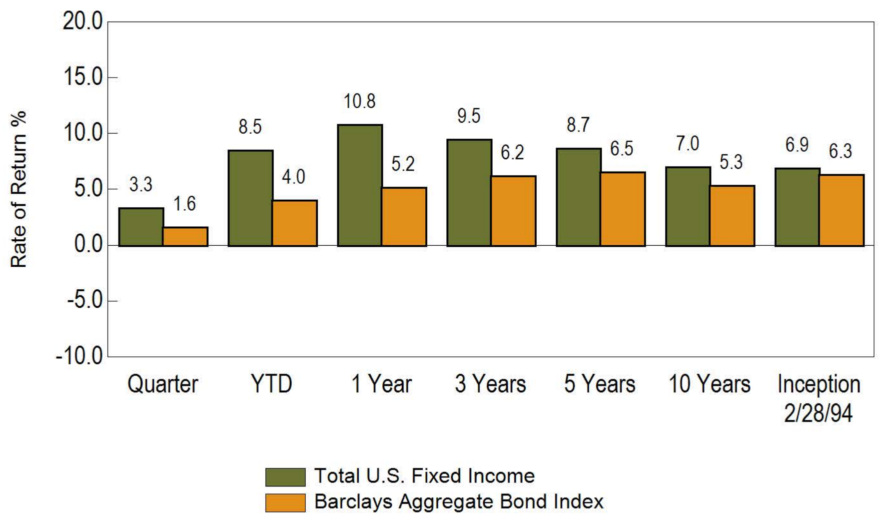
Overview

Benchmark: Barclays Aggregate Bond Index

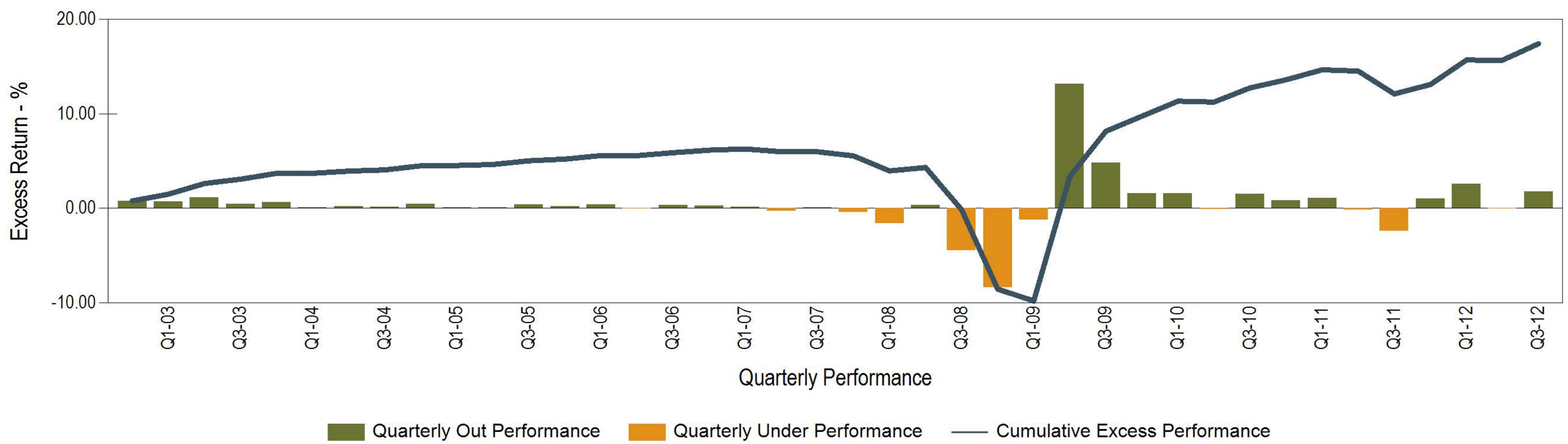
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

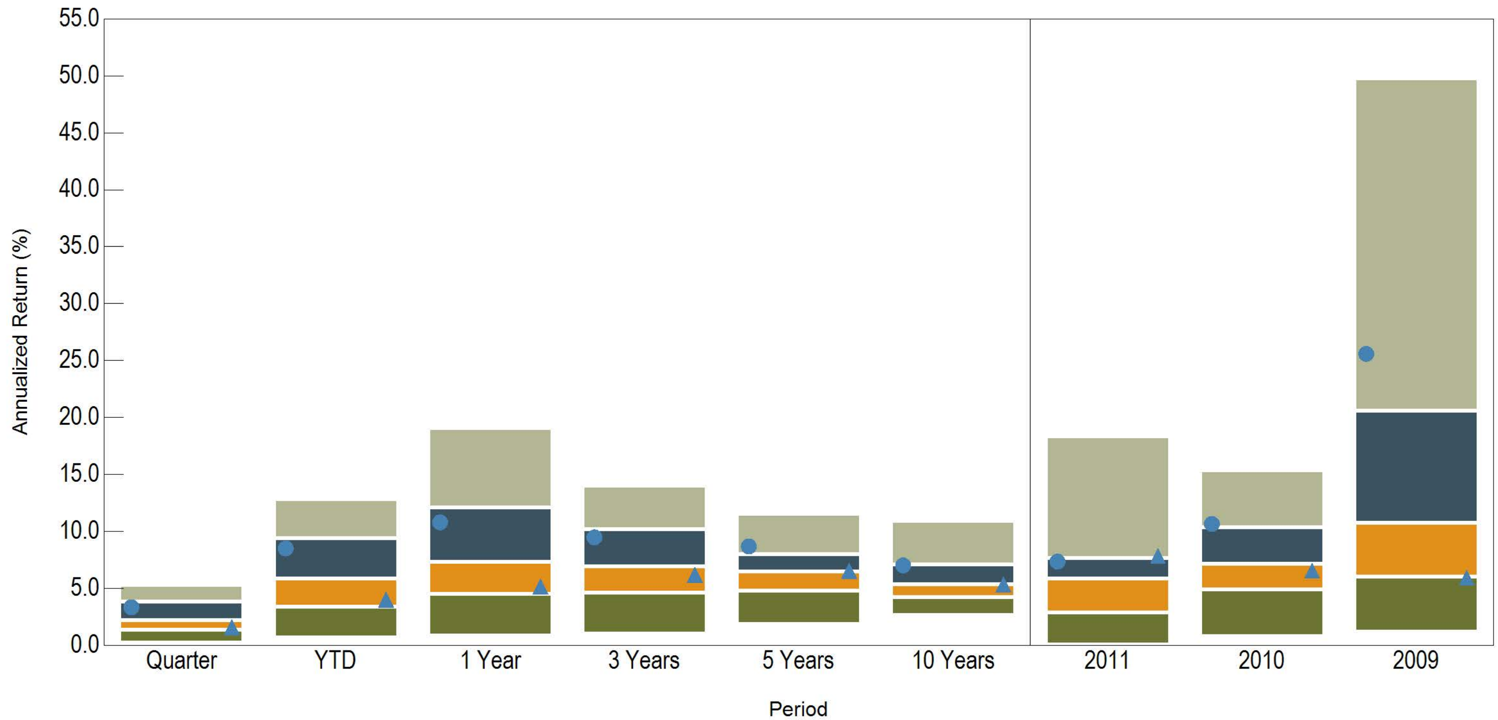


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending September 30, 2012



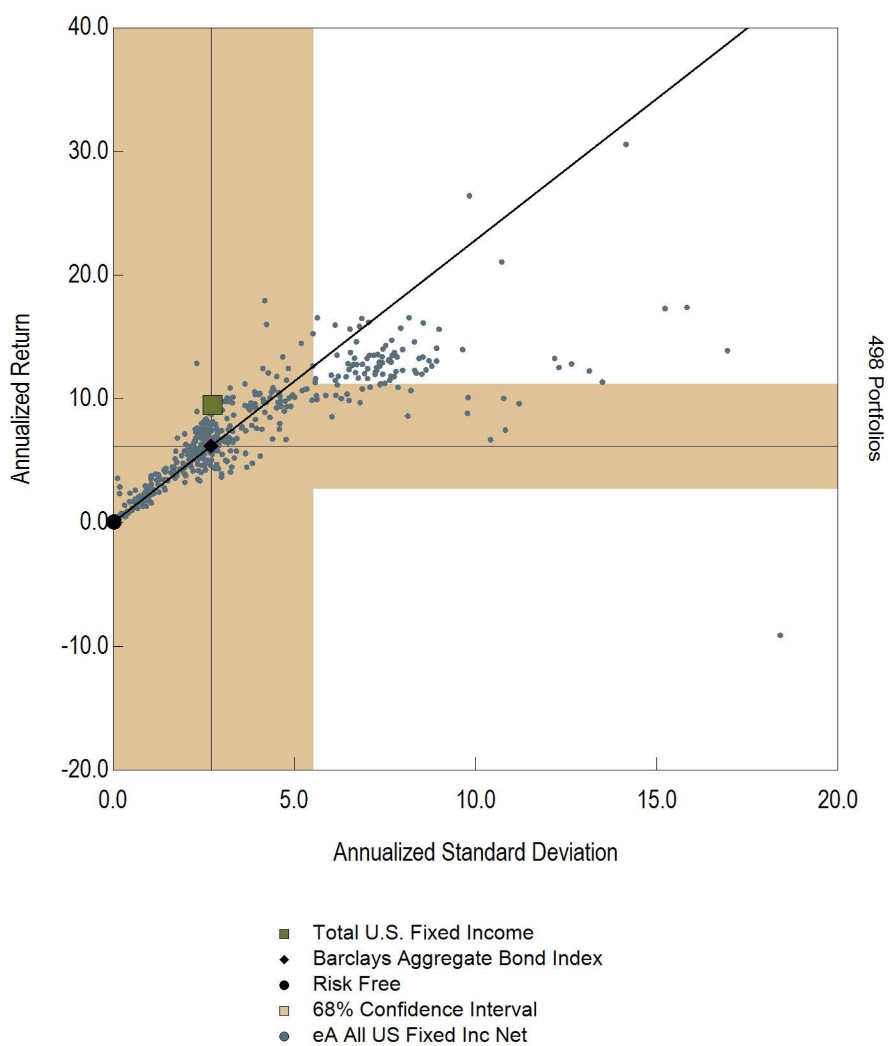
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	5.3		12.8		19.1		14.0		11.5		10.9		18.3		15.3		49.8	
25th Percentile	3.8		9.4		12.1		10.2		8.0		7.2		7.7		10.4		20.6	
Median	2.2		5.9		7.4		7.0		6.5		5.4		5.9		7.2		10.8	
75th Percentile	1.4		3.4		4.5		4.7		4.8		4.3		2.9		4.9		6.1	
95th Percentile	0.3		0.7		0.9		1.1		1.9		2.7		0.1		0.8		1.2	
# of Portfolios	555		548		542		498		418		318		483		425		427	
● **Total U.S. Fixed Income**	3.3	(32)	8.5	(32)	10.8	(31)	9.5	(32)	8.7	(18)	7.0	(27)	7.3	(30)	10.6	(25)	25.6	(22)
▲ **Barclays Aggregate Bond Index**	1.6	(70)	4.0	(70)	5.2	(70)	6.2	(61)	6.5	(50)	5.3	(52)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

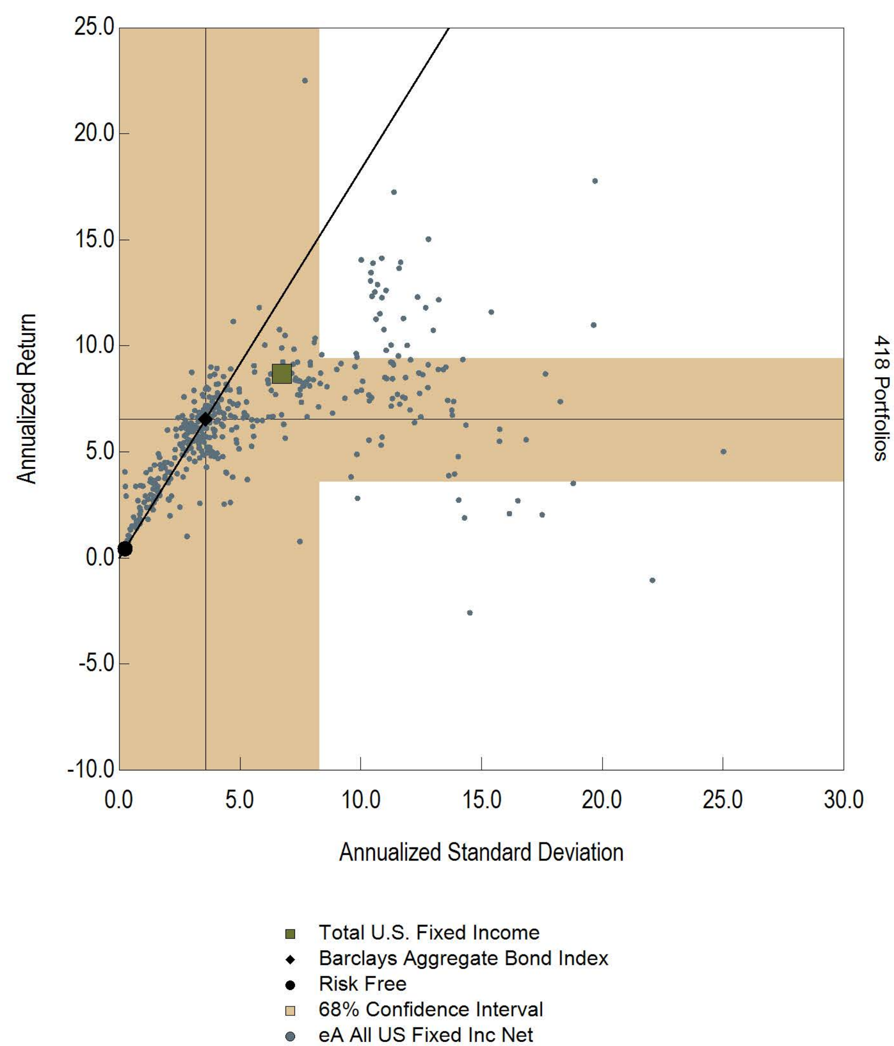
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

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

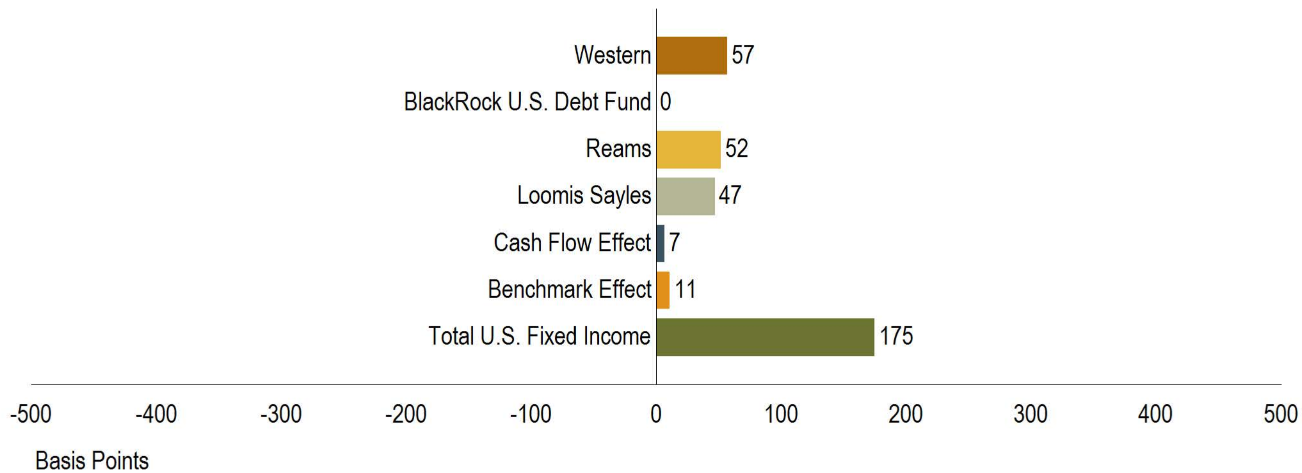


Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012

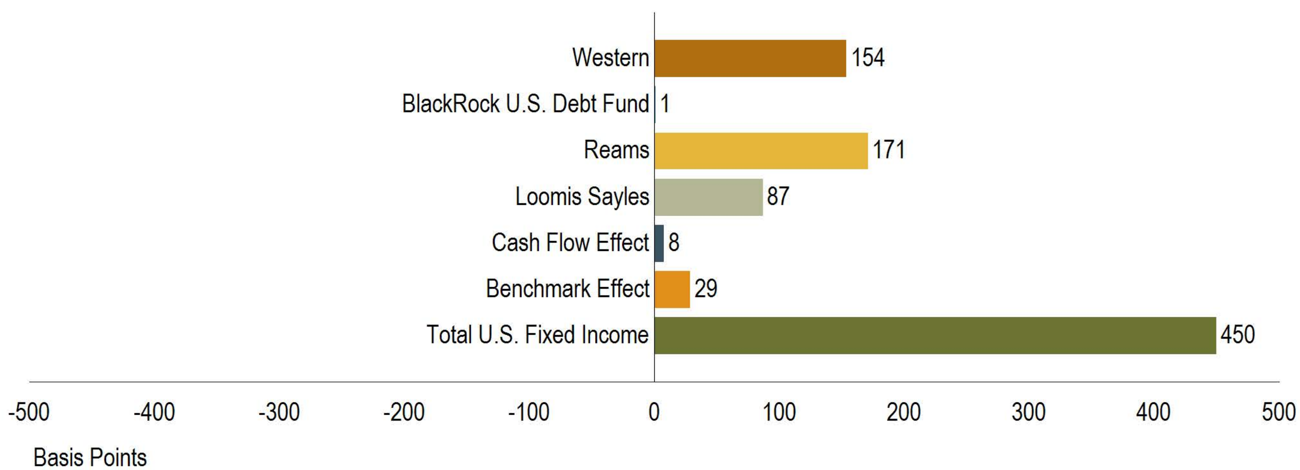


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/12



MANAGER ATTRIBUTION ANALYSIS
9 MONTHS ENDING 9/30/12



Manager Performance

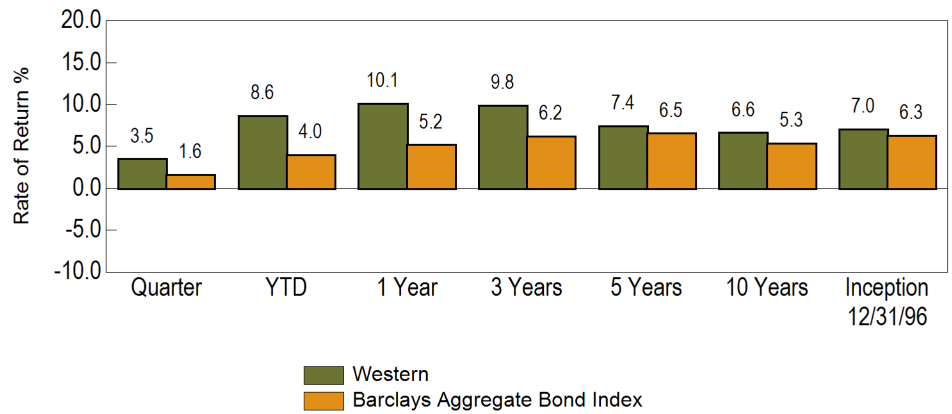
Benchmark: Barclays Aggregate Bond Index

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

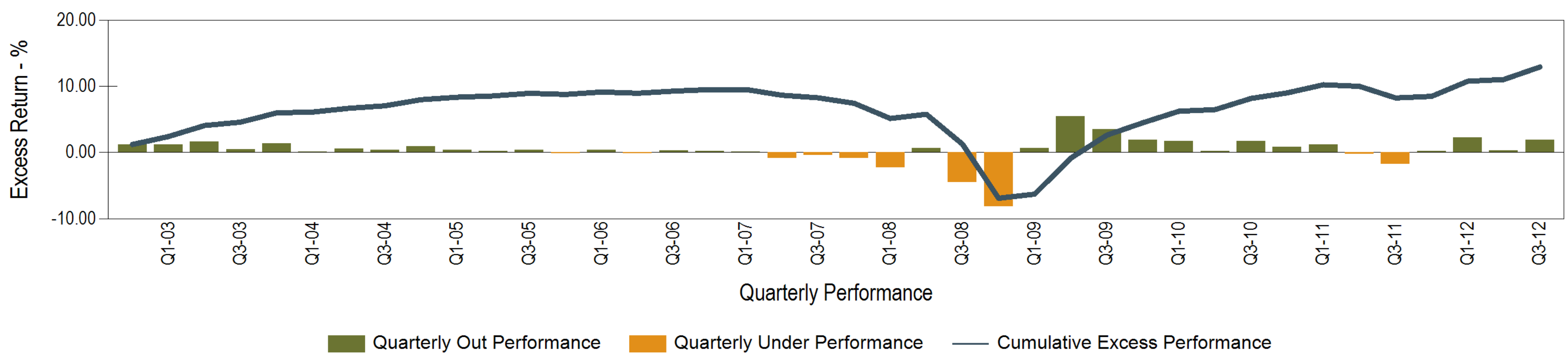
Account Information

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

Return Summary



Quarterly and Cumulative Excess Performance

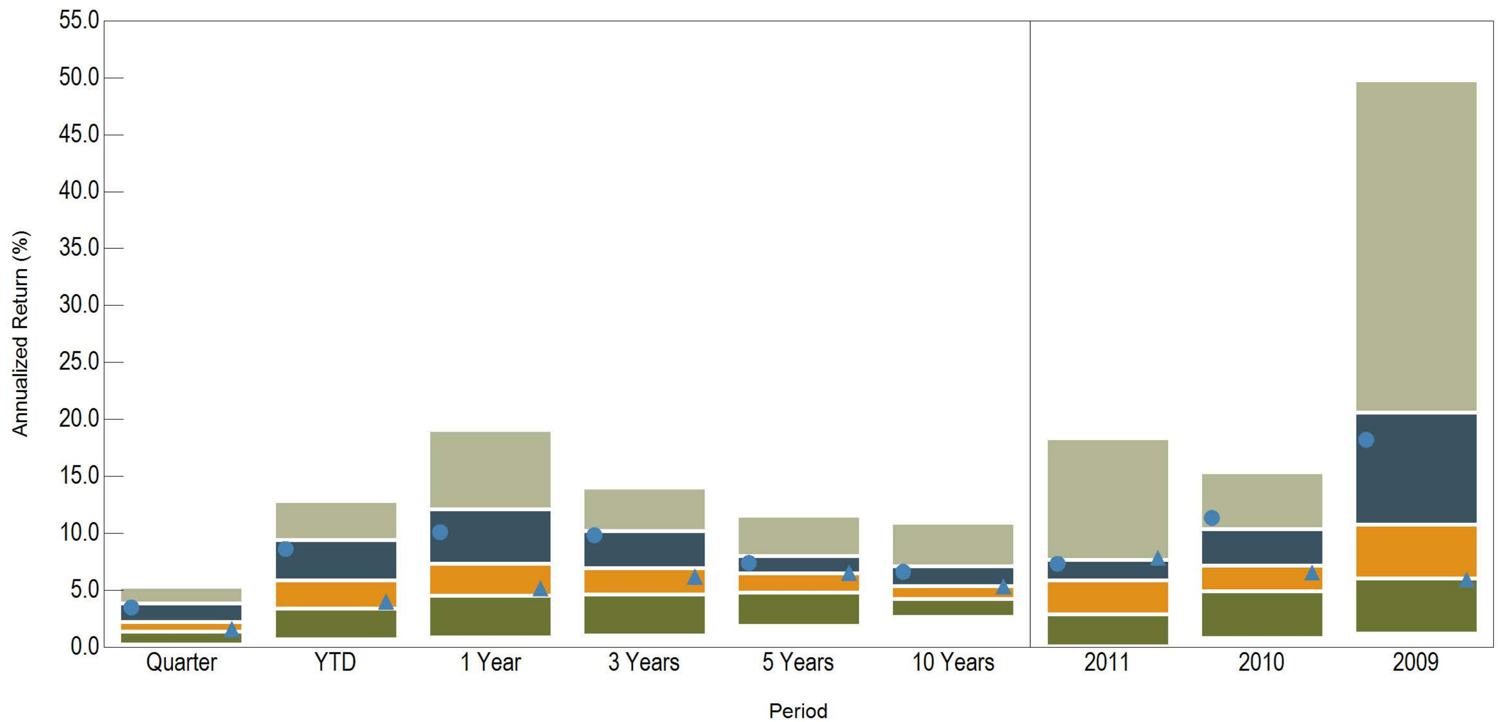


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending September 30, 2012



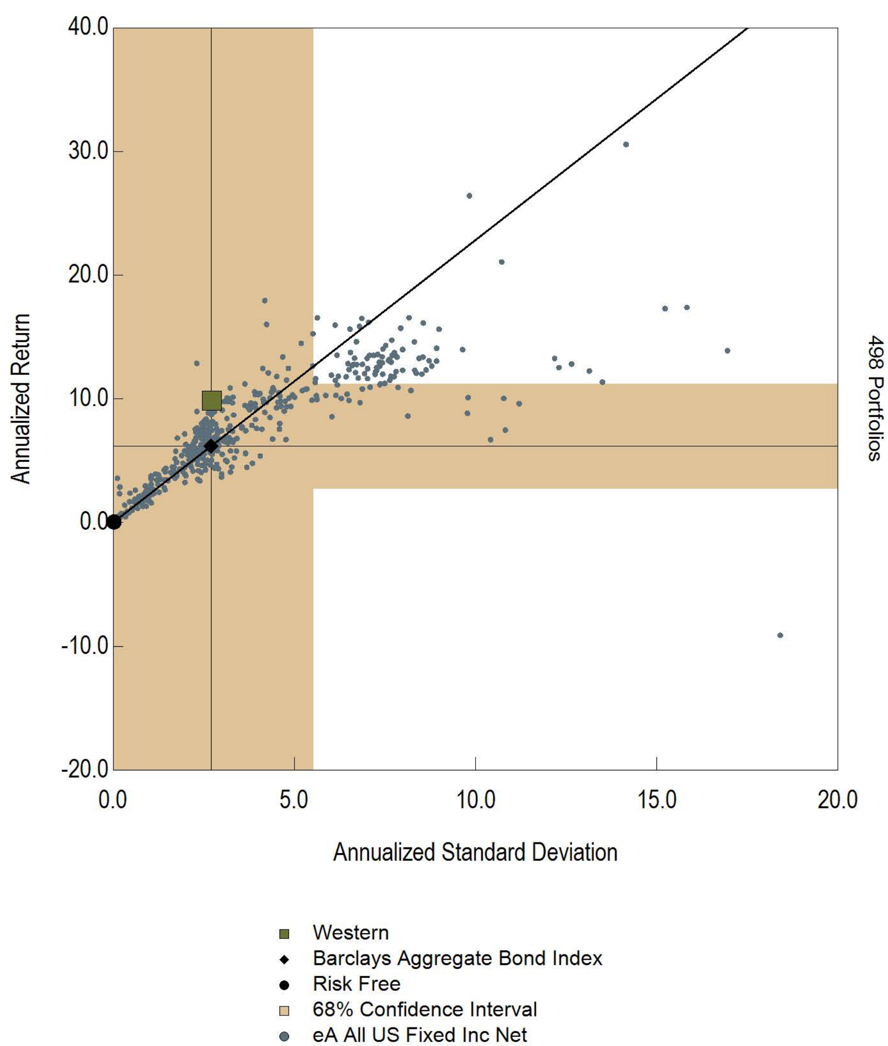
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	5.3		12.8		19.1		14.0		11.5		10.9		18.3		15.3		49.8	
25th Percentile	3.8		9.4		12.1		10.2		8.0		7.2		7.7		10.4		20.6	
Median	2.2		5.9		7.4		7.0		6.5		5.4		5.9		7.2		10.8	
75th Percentile	1.4		3.4		4.5		4.7		4.8		4.3		2.9		4.9		6.1	
95th Percentile	0.3		0.7		0.9		1.1		1.9		2.7		0.1		0.8		1.2	
# of Portfolios	555		548		542		498		418		318		483		425		427	
● **Western**	3.5	(31)	8.6	(31)	10.1	(35)	9.8	(29)	7.4	(33)	6.6	(33)	7.3	(31)	11.3	(20)	18.2	(31)
▲ **Barclays Aggregate Bond Index**	1.6	(70)	4.0	(70)	5.2	(70)	6.2	(61)	6.5	(50)	5.3	(52)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

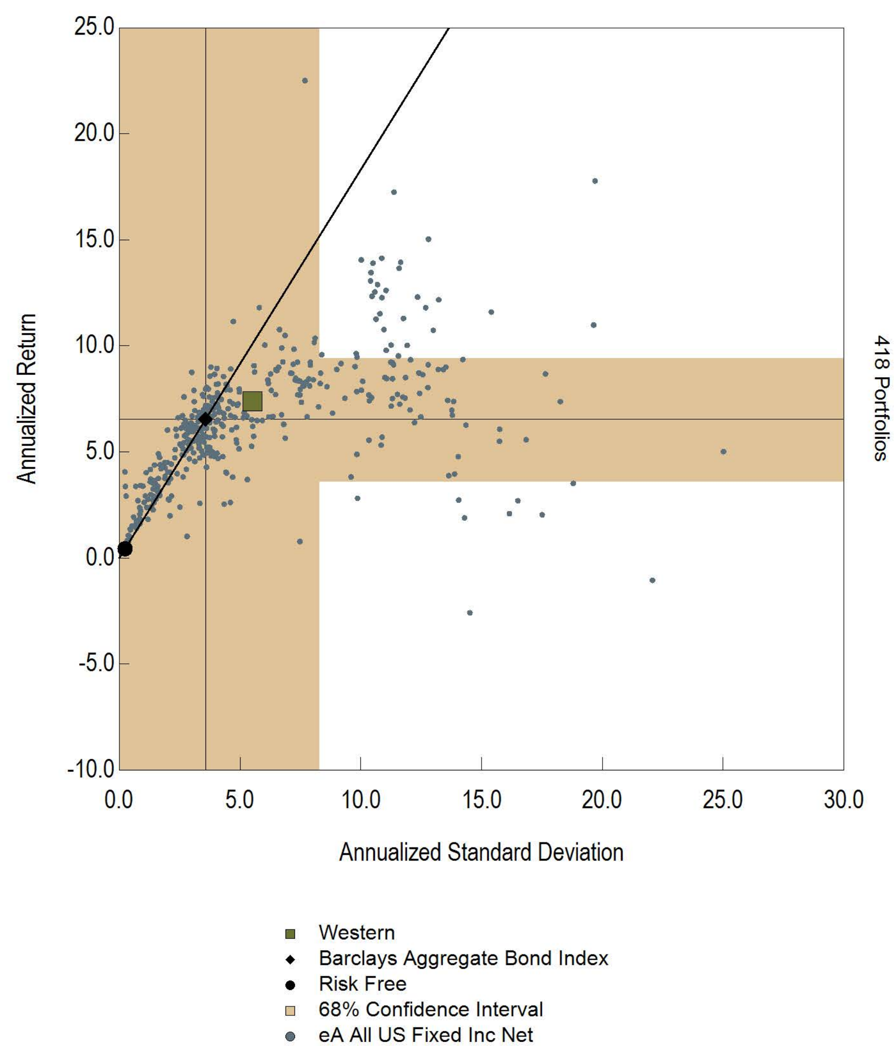
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

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



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



Manager Performance

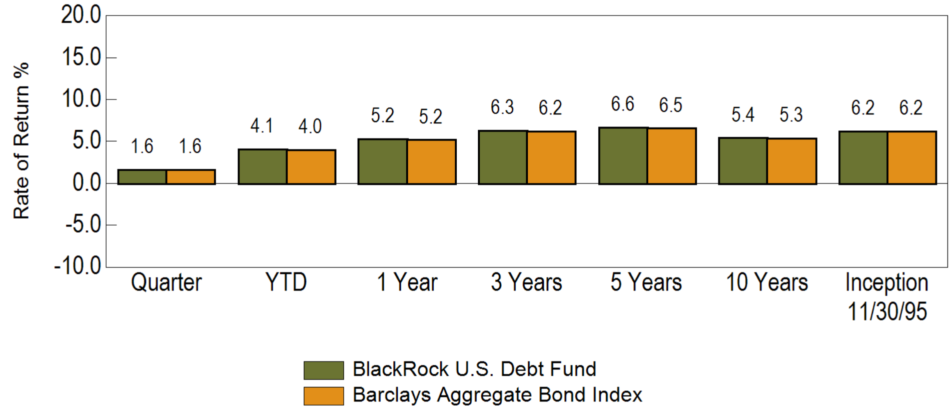
Benchmark: Barclays Aggregate Bond Index

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

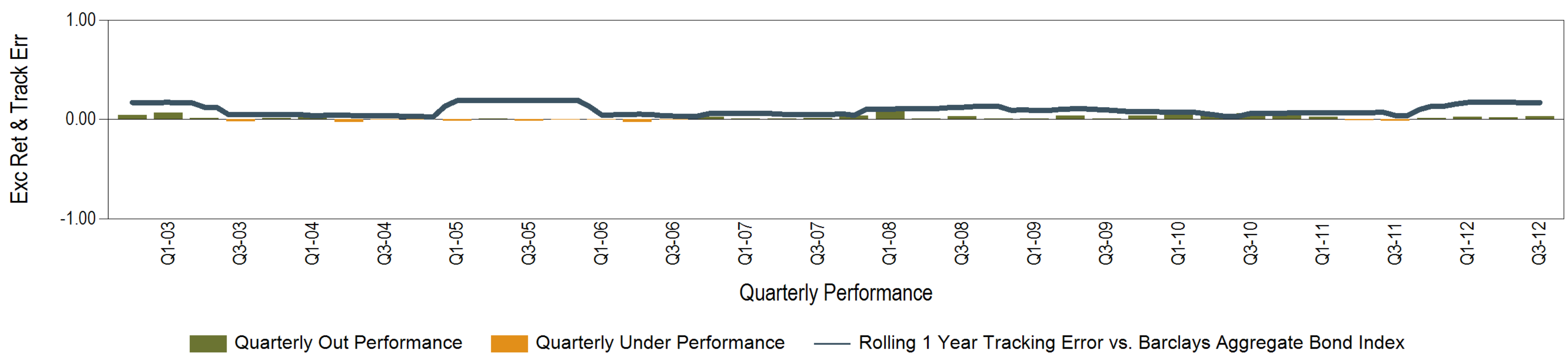
Account Information

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

Return Summary



Tracking Error

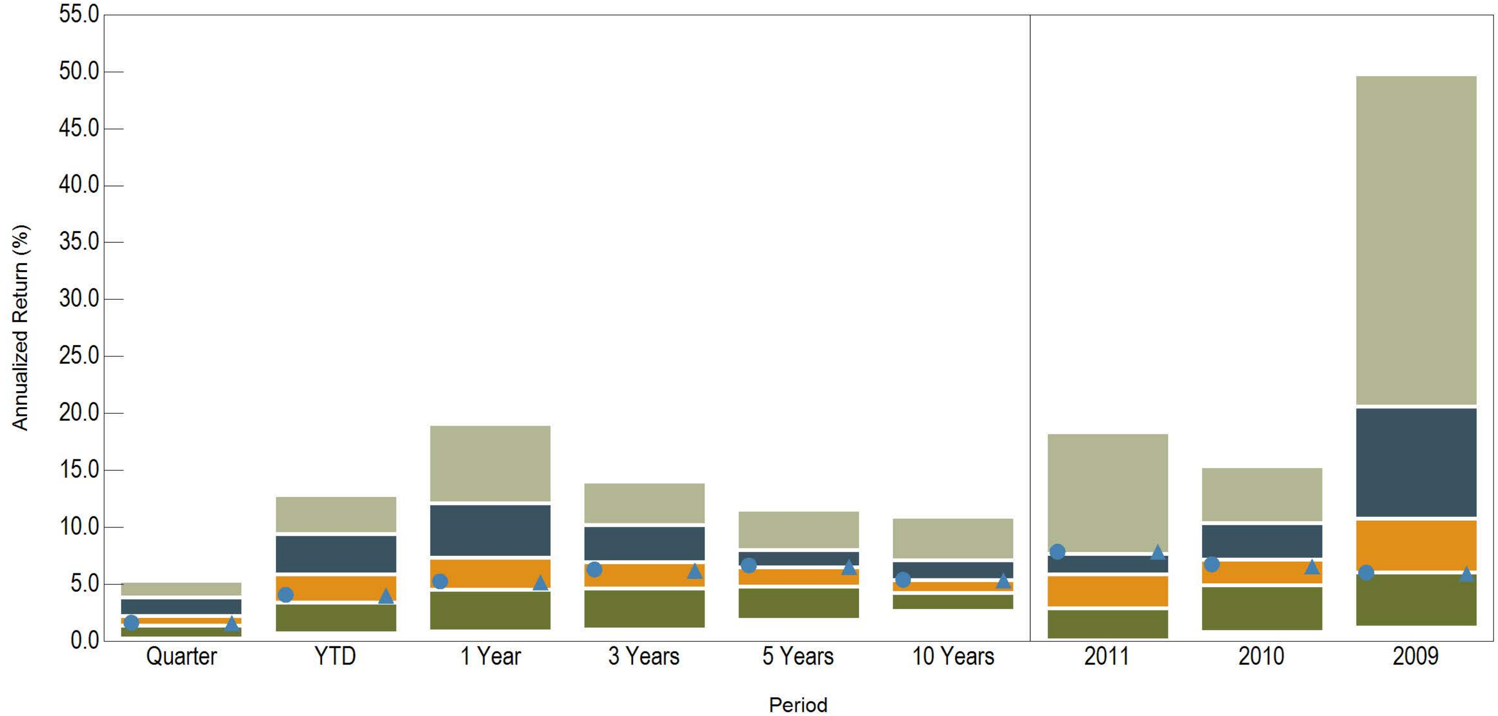


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending September 30, 2012



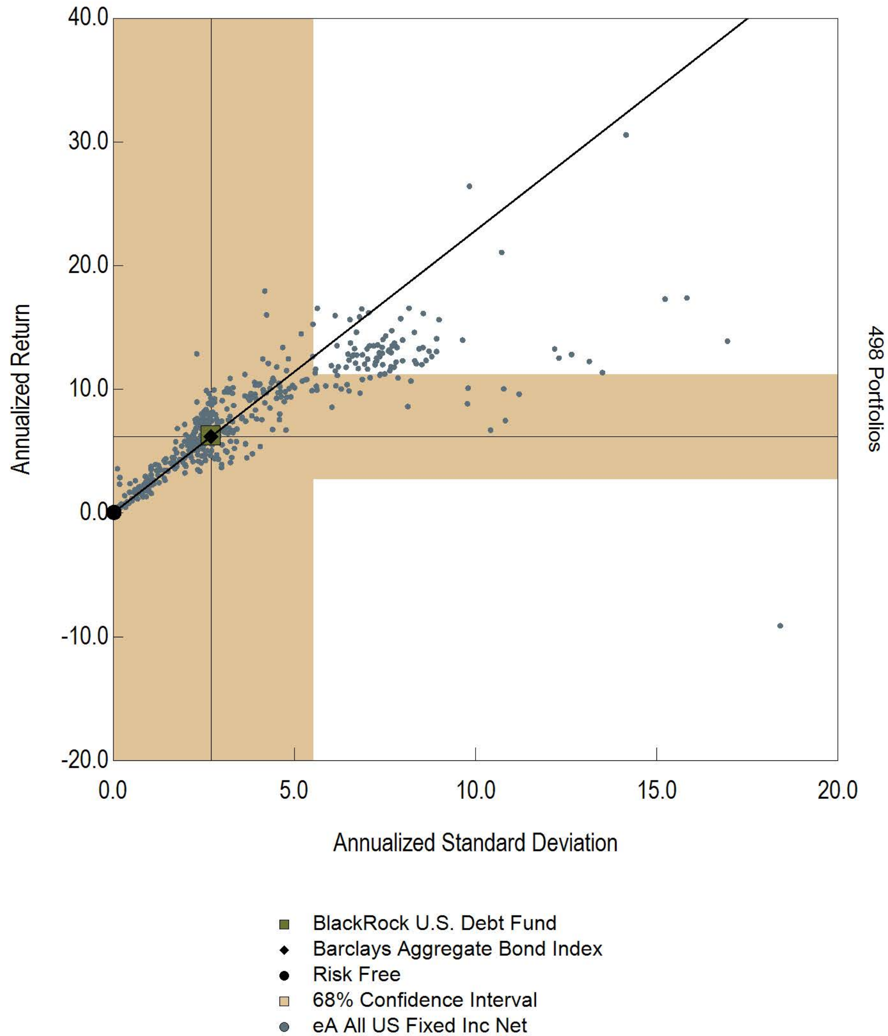
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	5.3		12.8		19.1		14.0		11.5		10.9		18.3		15.3		49.8	
25th Percentile	3.8		9.4		12.1		10.2		8.0		7.2		7.7		10.4		20.6	
Median	2.2		5.9		7.4		7.0		6.5		5.4		5.9		7.2		10.8	
75th Percentile	1.4		3.4		4.5		4.7		4.8		4.3		2.9		4.9		6.1	
95th Percentile	0.3		0.7		0.9		1.1		1.9		2.7		0.1		0.8		1.2	
# of Portfolios	555		548		542		498		418		318		483		425		427	
● **BlackRock U.S. Debt Fund**	1.6	(69)	4.1	(69)	5.2	(69)	6.3	(60)	6.6	(47)	5.4	(50)	7.9	(23)	6.7	(56)	6.0	(76)
▲ **Barclays Aggregate Bond Index**	1.6	(70)	4.0	(70)	5.2	(70)	6.2	(61)	6.5	(50)	5.3	(52)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

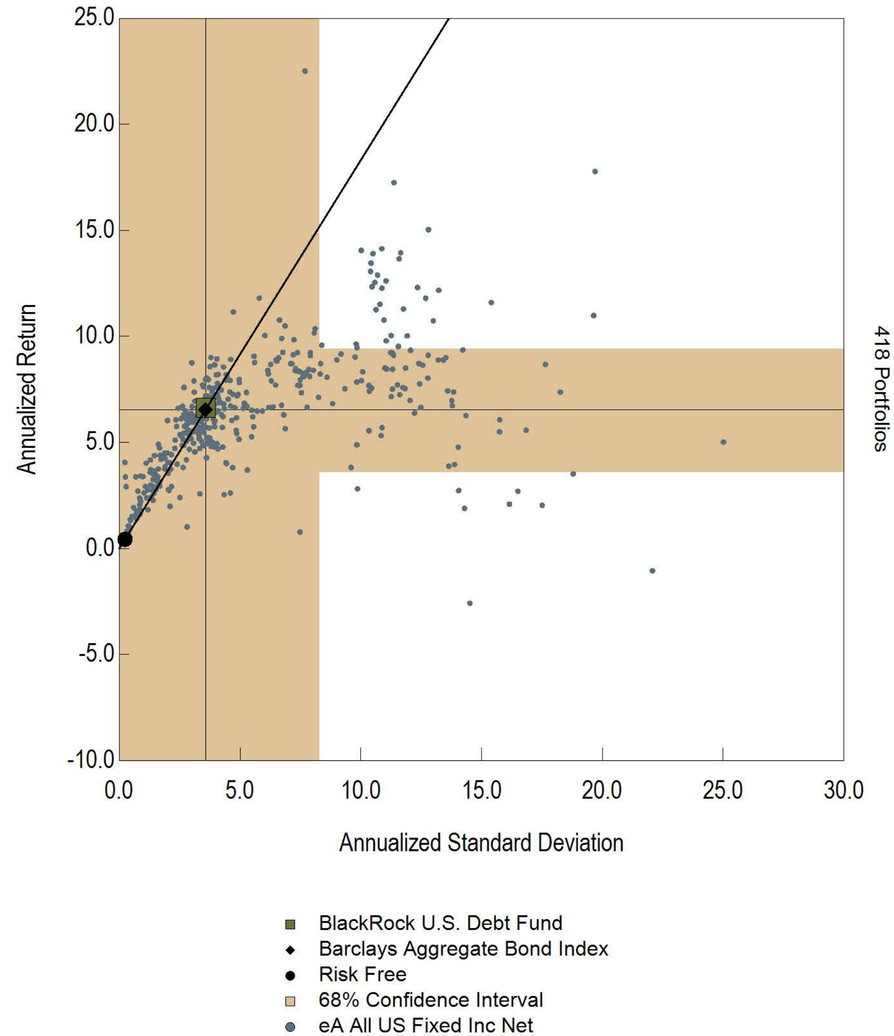
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

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



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



Manager Performance

Benchmark: Barclays Aggregate Bond Index

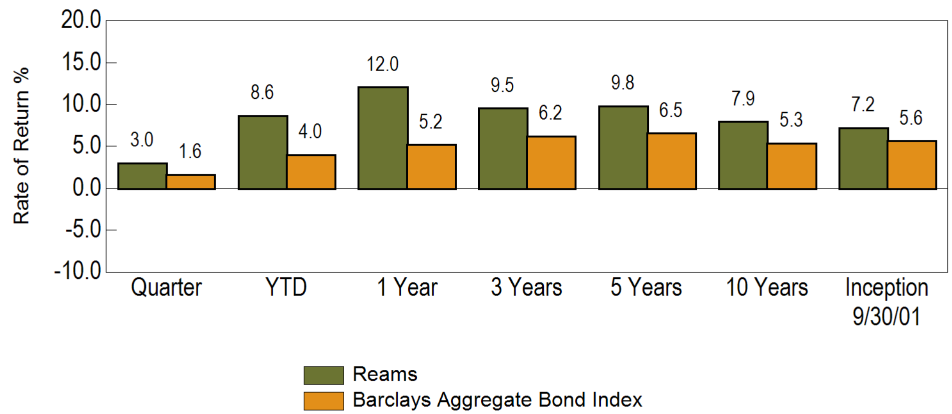
Reams' investment process revolves around the manager's ability to combine top-down macroeconomic portfolio positioning with bottom-up bond selection. The top-down interest rate positioning is somewhat contrarian in that the manager uses real interest rates to gauge when the market is expensive and when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

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

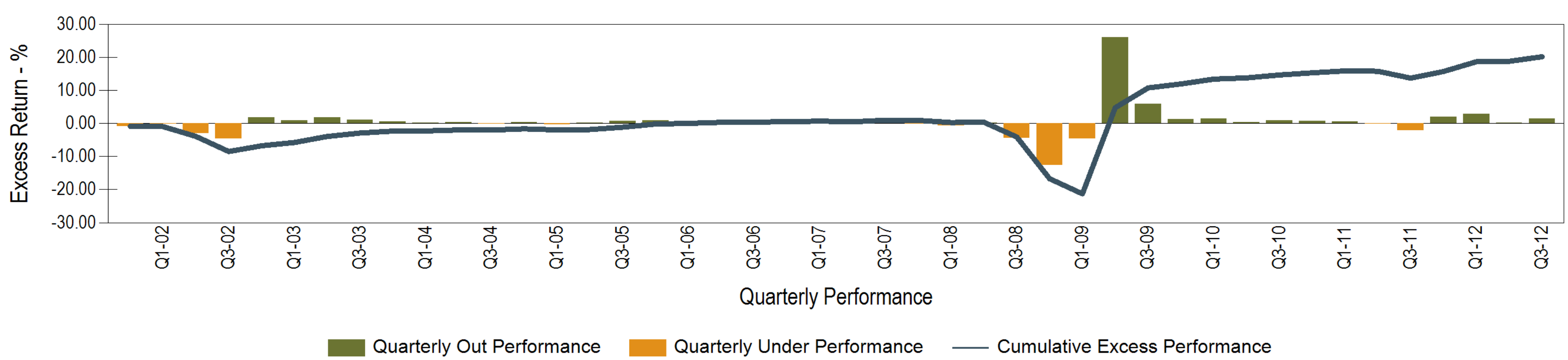
Account Information

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

Return Summary



Quarterly and Cumulative Excess Performance

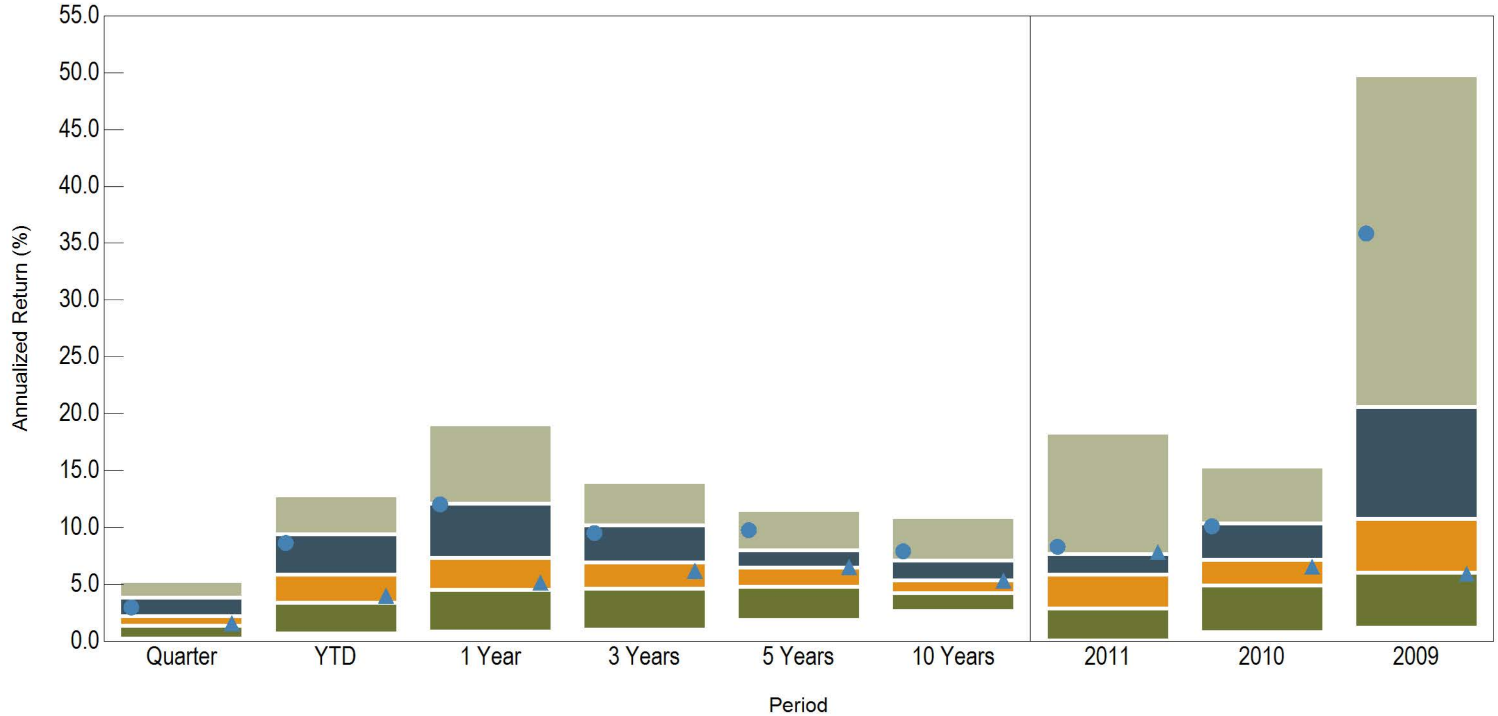


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending September 30, 2012



Return (Rank)

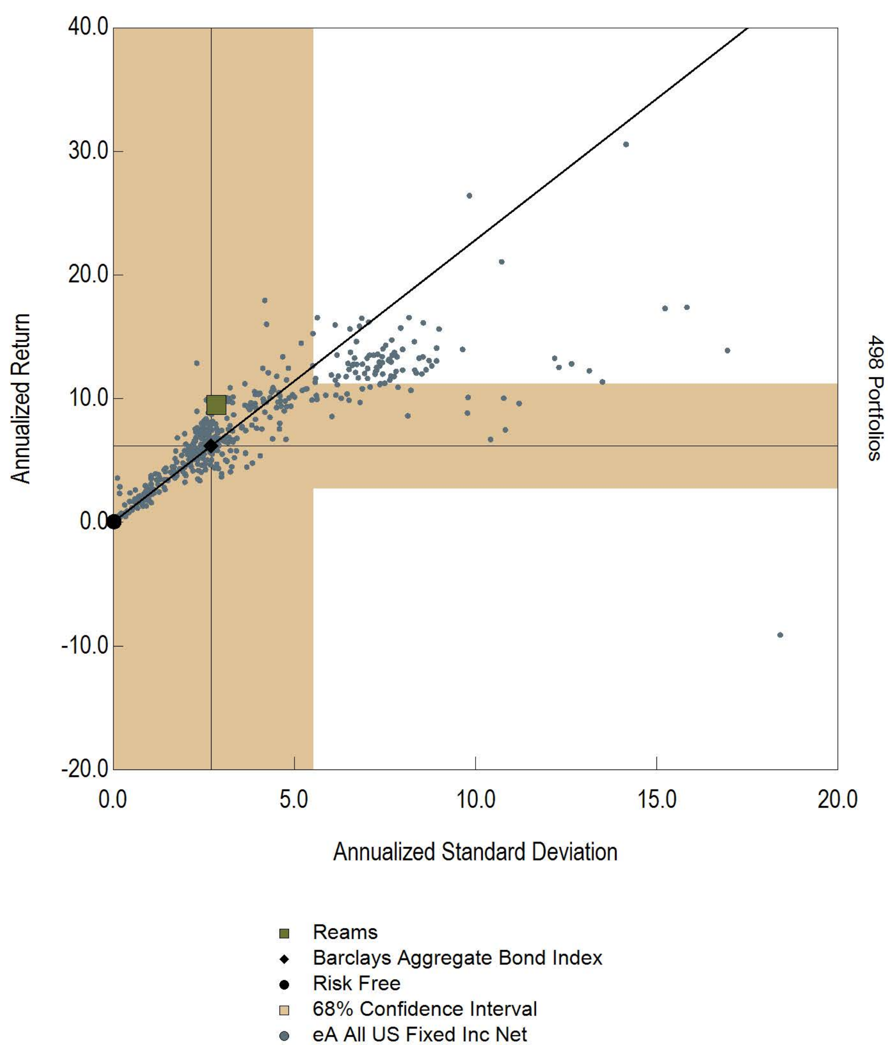
	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	5.3		12.8		19.1		14.0		11.5		10.9		18.3		15.3		49.8	
25th Percentile	3.8		9.4		12.1		10.2		8.0		7.2		7.7		10.4		20.6	
Median	2.2		5.9		7.4		7.0		6.5		5.4		5.9		7.2		10.8	
75th Percentile	1.4		3.4		4.5		4.7		4.8		4.3		2.9		4.9		6.1	
95th Percentile	0.3		0.7		0.9		1.1		1.9		2.7		0.1		0.8		1.2	
# of Portfolios	555		548		542		498		418		318		483		425		427	
● **Reams**	3.0	(37)	8.6	(31)	12.0	(26)	9.5	(32)	9.8	(9)	7.9	(22)	8.3	(19)	10.1	(27)	35.9	(13)
▲ **Barclays Aggregate Bond Index**	1.6	(70)	4.0	(70)	5.2	(70)	6.2	(61)	6.5	(50)	5.3	(52)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

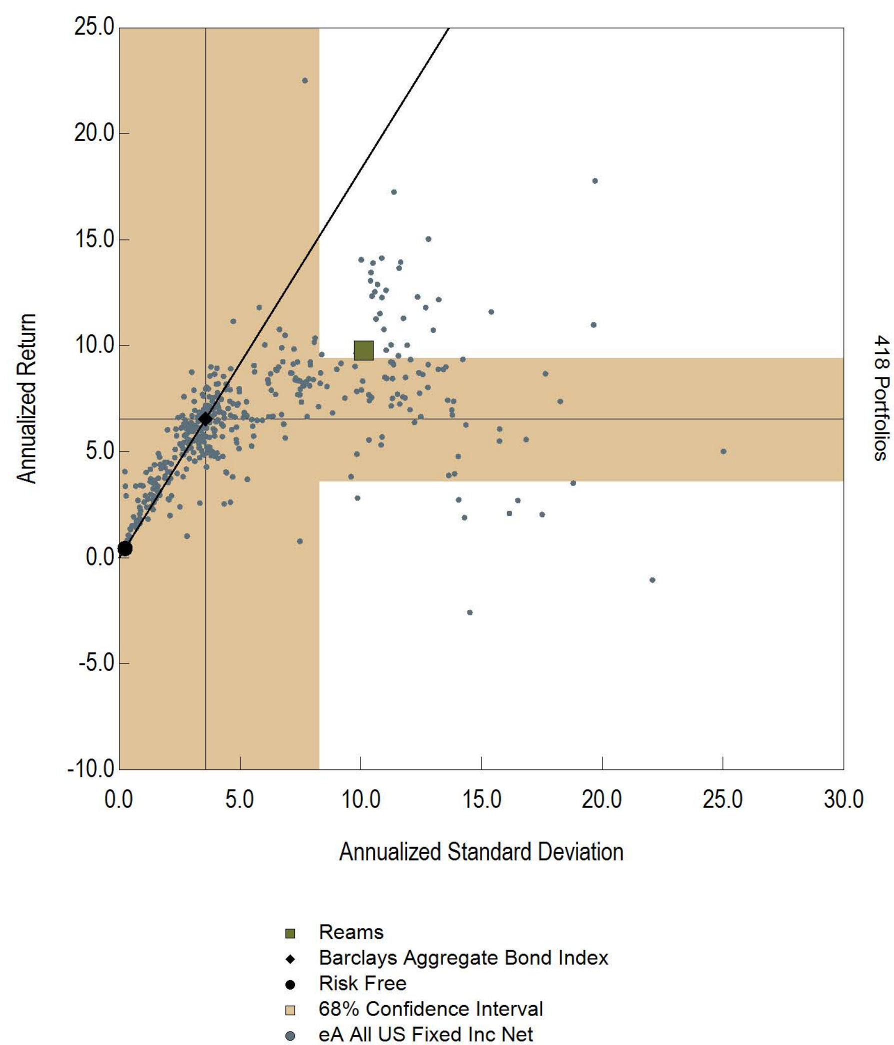
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

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



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



Manager Performance

Benchmark: Performance Benchmark

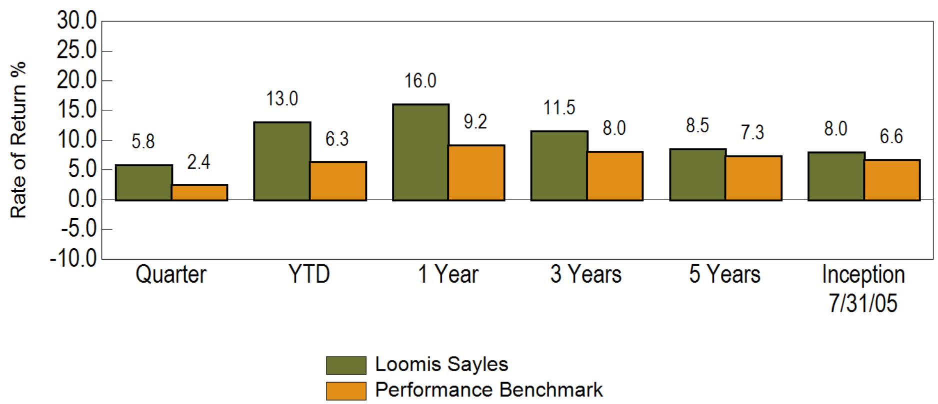
Loomis Sayles' fixed income philosophy is rooted in identifying undervalued securities through in-house credit research. Its philosophy emphasizes identifying issuers whose credit ratings appear likely to be upgraded or downgraded. The fixed income analysts use forward-looking analyses of cash flow,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

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

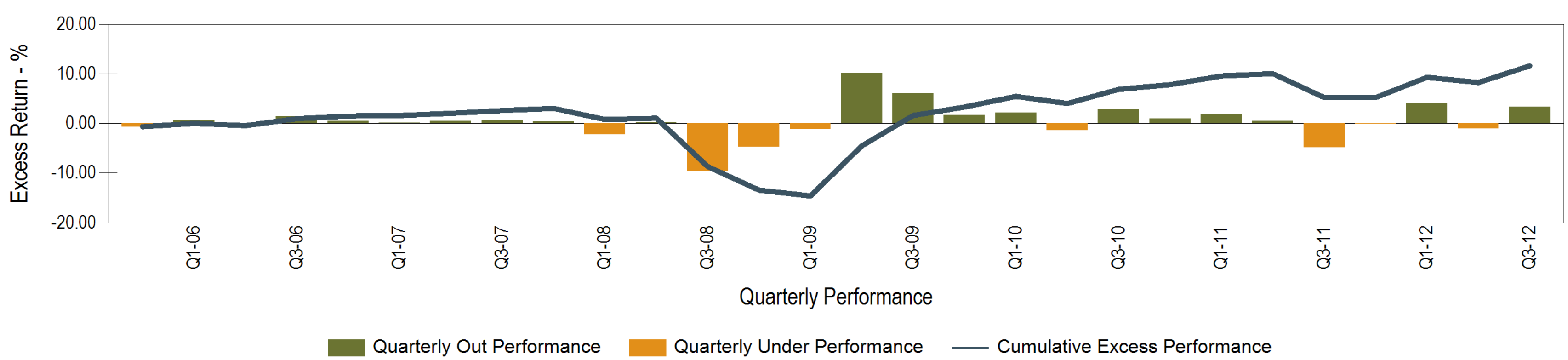
Account Information

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

Return Summary



Quarterly and Cumulative Excess Performance

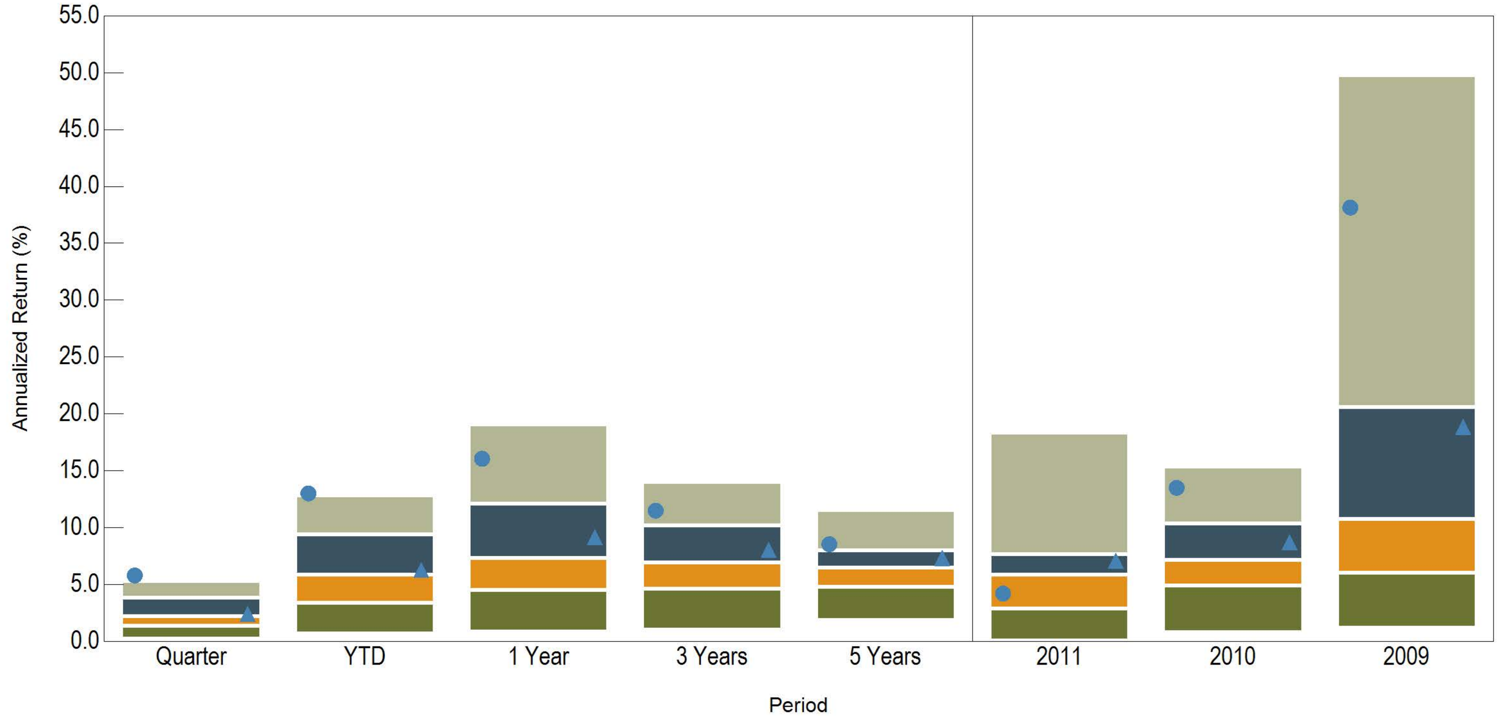


Universe Comparison

Benchmark: Performance Benchmark

Universe: eA All US Fixed Inc Net

Ending September 30, 2012



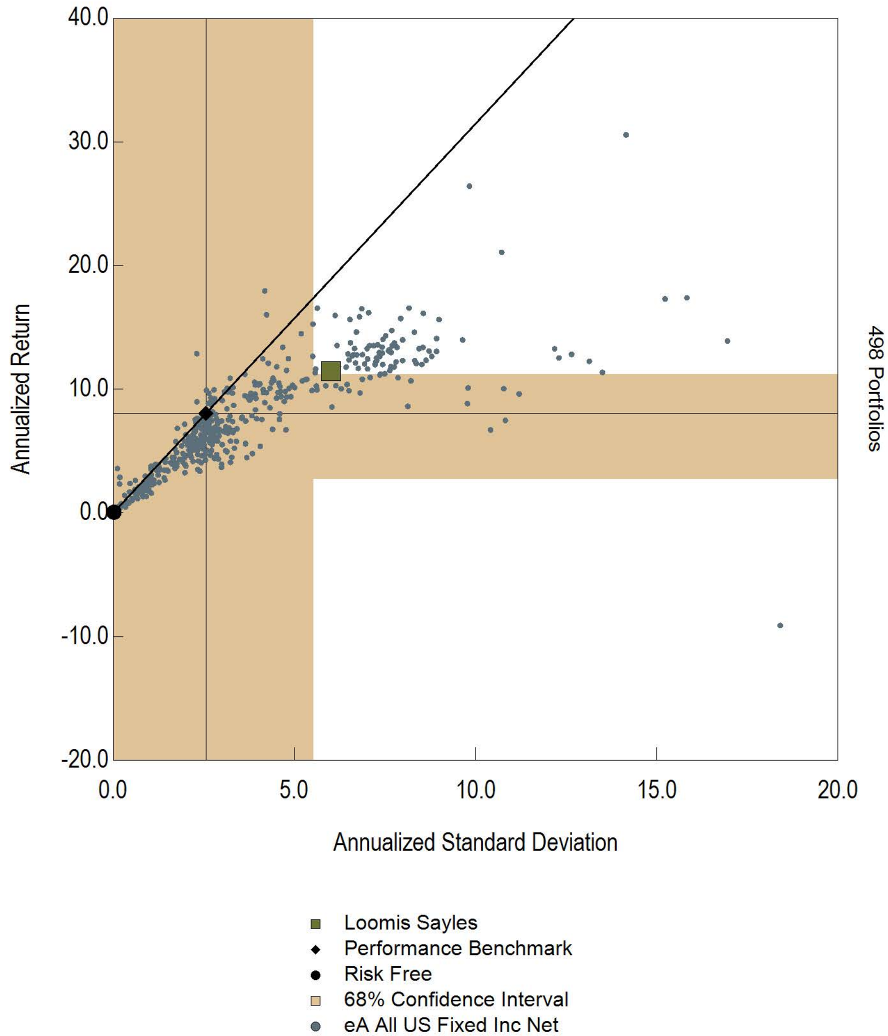
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	5.3		12.8		19.1		14.0		11.5		18.3		15.3		49.8	
25th Percentile	3.8		9.4		12.1		10.2		8.0		7.7		10.4		20.6	
Median	2.2		5.9		7.4		7.0		6.5		5.9		7.2		10.8	
75th Percentile	1.4		3.4		4.5		4.7		4.8		2.9		4.9		6.1	
95th Percentile	0.3		0.7		0.9		1.1		1.9		0.1		0.8		1.2	
# of Portfolios	555		548		542		498		418		483		425		427	
● **Loomis Sayles**	5.8	(3)	13.0	(5)	16.0	(14)	11.5	(19)	8.5	(19)	4.2	(67)	13.5	(12)	38.1	(12)
▲ **Performance Benchmark**	2.4	(46)	6.3	(46)	9.2	(40)	8.0	(40)	7.3	(35)	7.1	(35)	8.7	(34)	18.8	(29)

Risk Profile

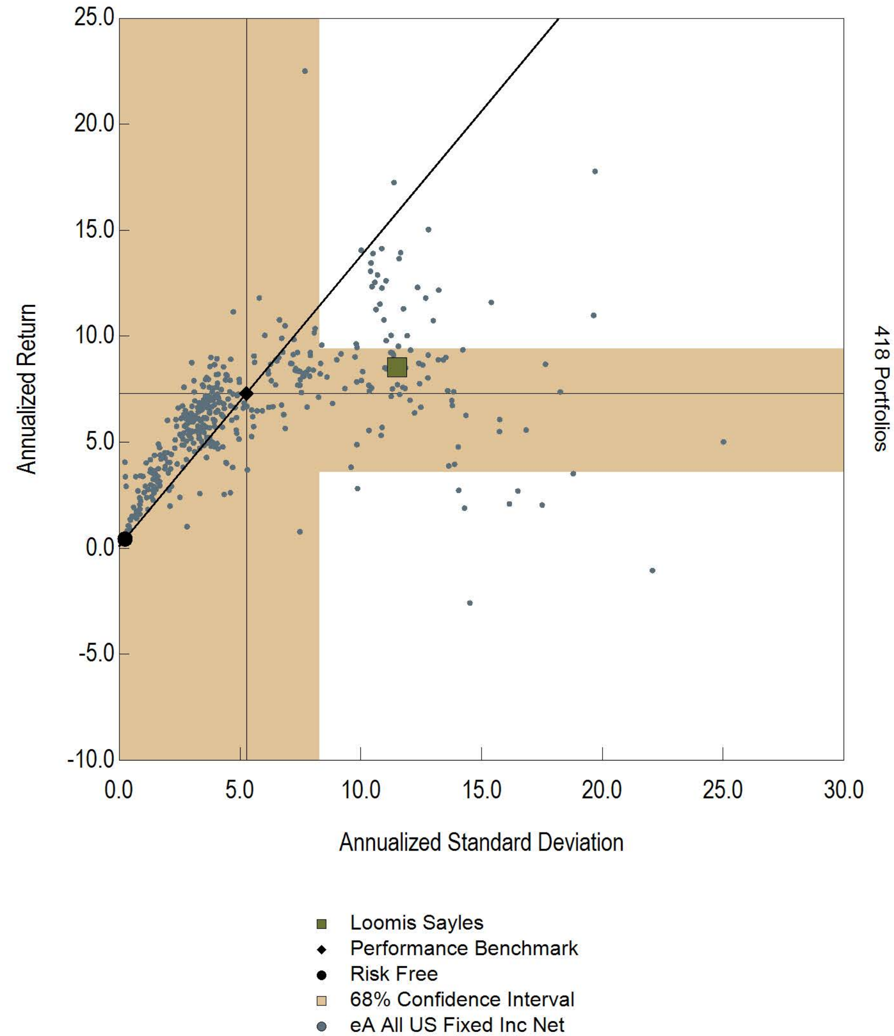
Benchmark: Performance Benchmark

Universe: eA All US Fixed Inc Net

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



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

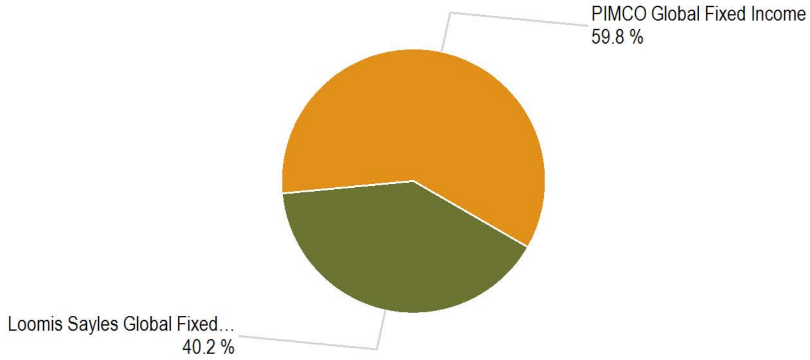


Total Global Fixed Income

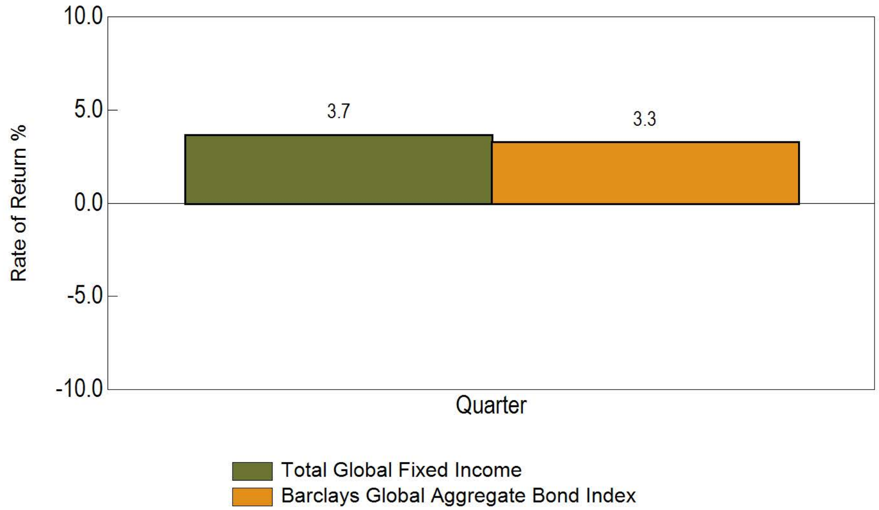
Overview

Benchmark: Barclays Global Aggregate Bond Index

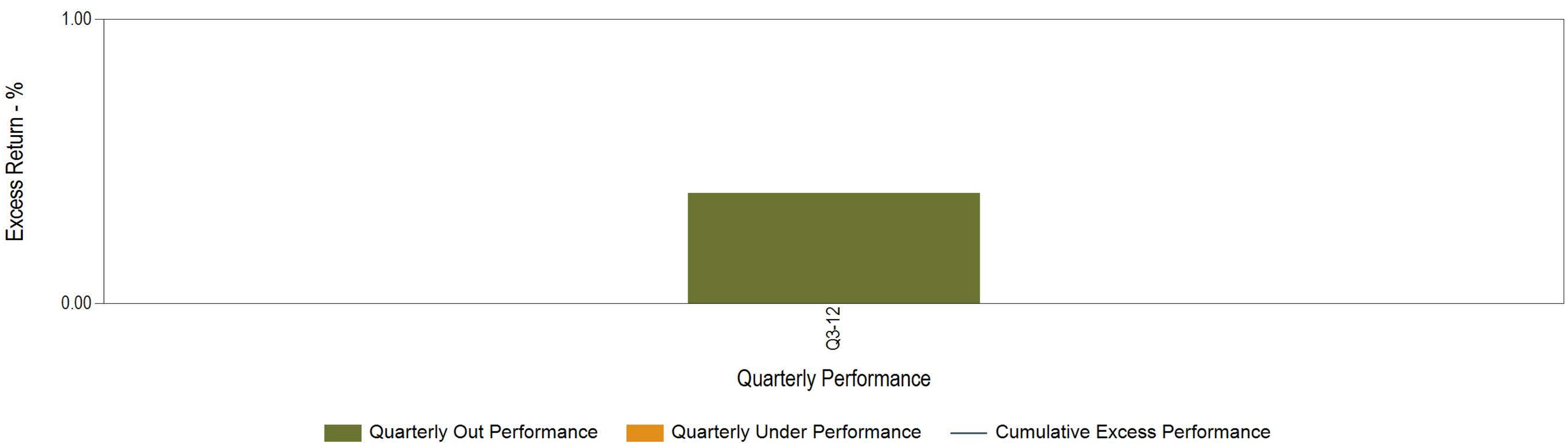
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

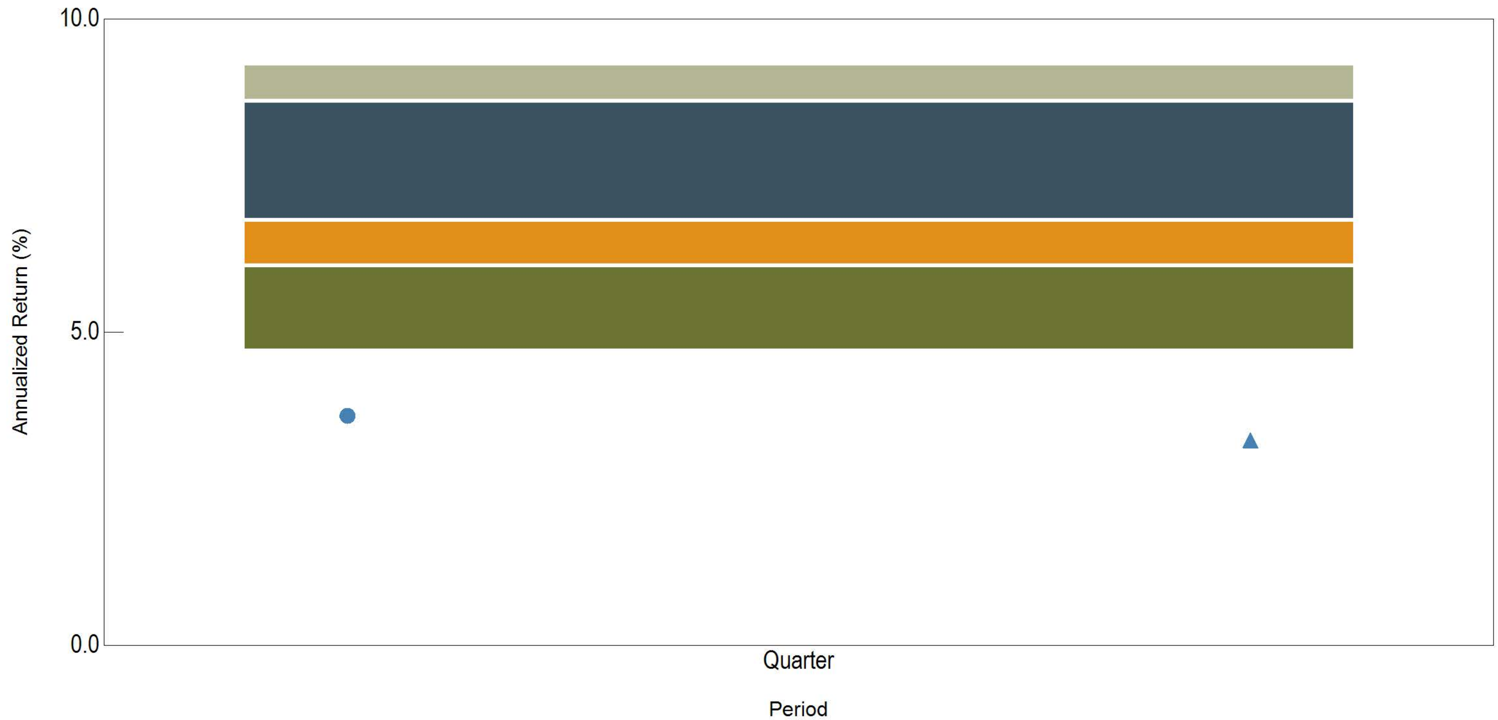


Universe Comparison

Benchmark: Barclays Global Aggregate Bond Index

Universe:

Ending September 30, 2012



	Return (Rank)	
5th Percentile	9.3	
25th Percentile	8.7	
Median	6.8	
75th Percentile	6.1	
95th Percentile	4.7	
# of Portfolios	24	
● Total Global Fixed Income	3.7	(99)
▲ Barclays Global Aggregate Bond Index	3.3	(99)

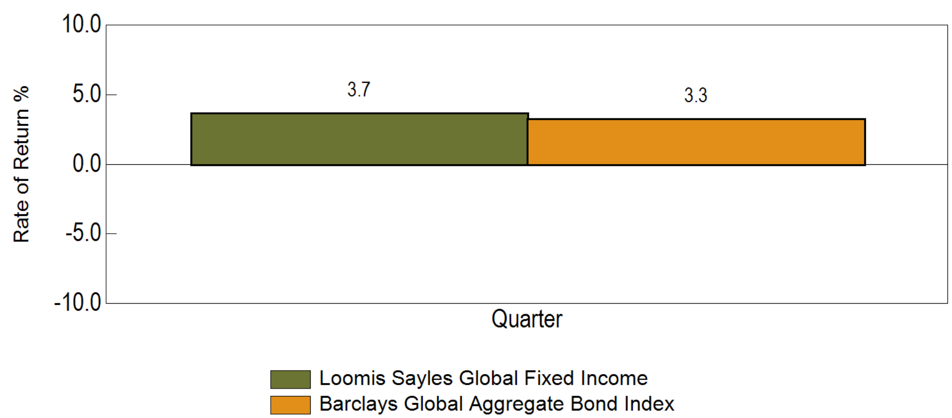
Manager Performance

Benchmark: Barclays Global Aggregate Bond Index

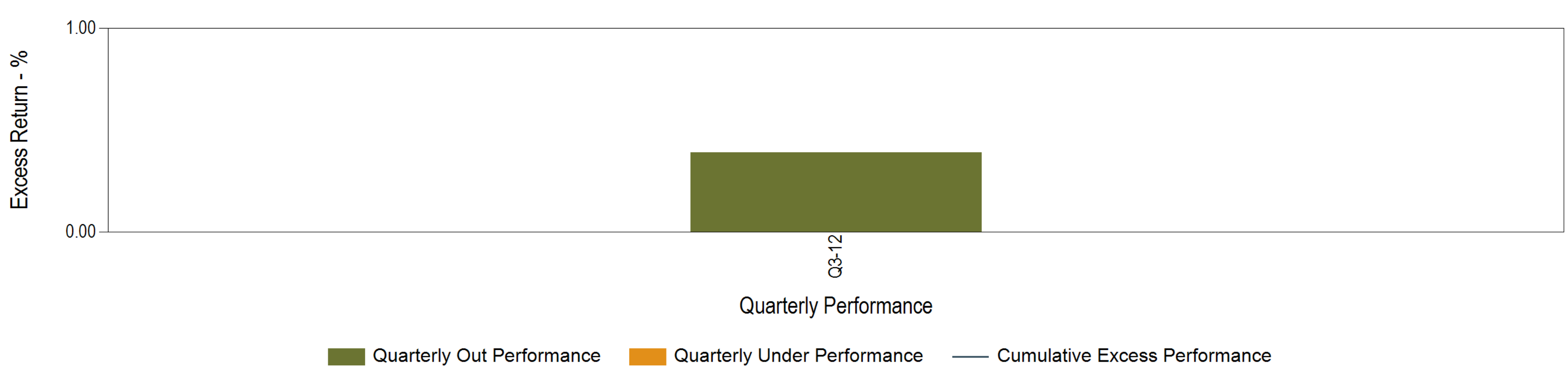
Account Information

Account Name	**Loomis Sayles Global Fixed Income**
Account Structure	**Separate Account**
Investment Style	**Passive**
Inception Date	**4/01/12**
Account Type	
Benchmark	**Barclays Global Aggregate Bond Index**
Universe	

Return Summary



Quarterly and Cumulative Excess Performance

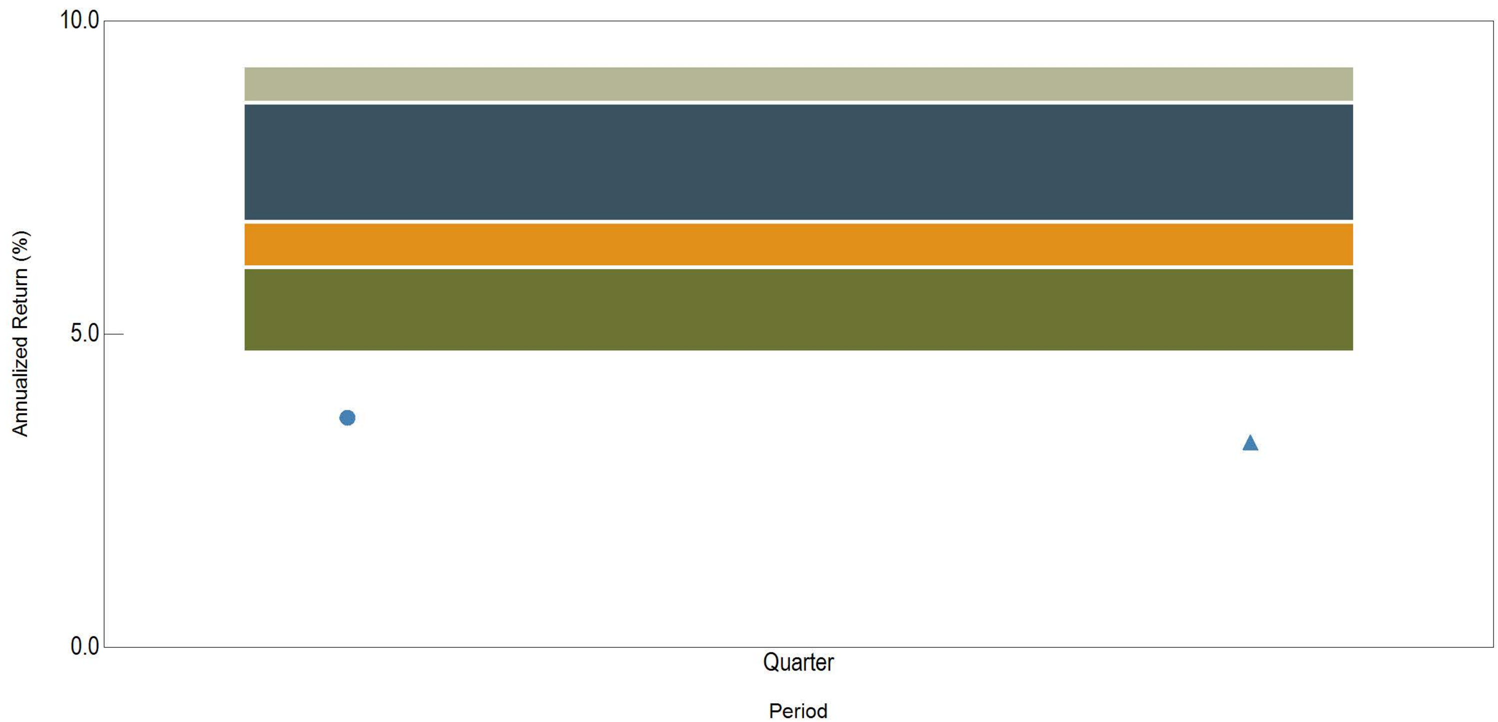


Universe Comparison

Benchmark: Barclays Global Aggregate Bond Index

Universe:

Ending September 30, 2012



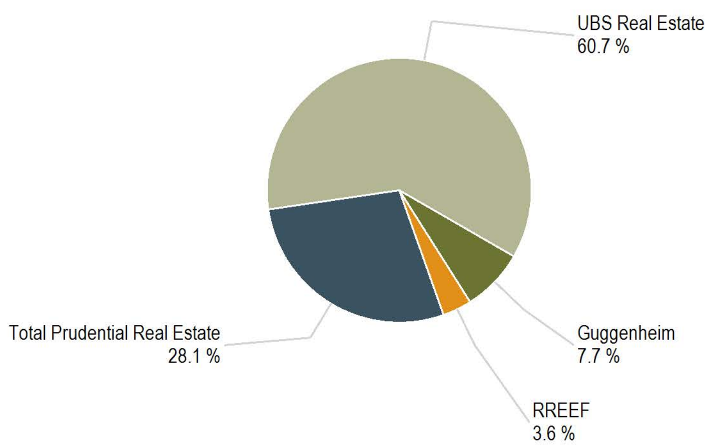
	Return (Rank)	
5th Percentile	9.3	
25th Percentile	8.7	
Median	6.8	
75th Percentile	6.1	
95th Percentile	4.7	
# of Portfolios	24	
● Loomis Sayles Global Fixed Income	3.7	(99)
▲ Barclays Global Aggregate Bond Index	3.3	(99)

Total Real Estate

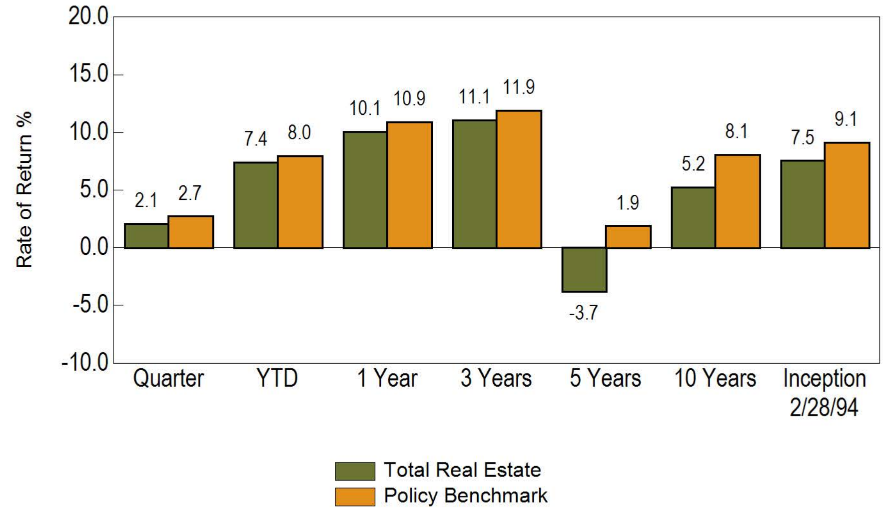
Overview

Benchmark: Policy Benchmark

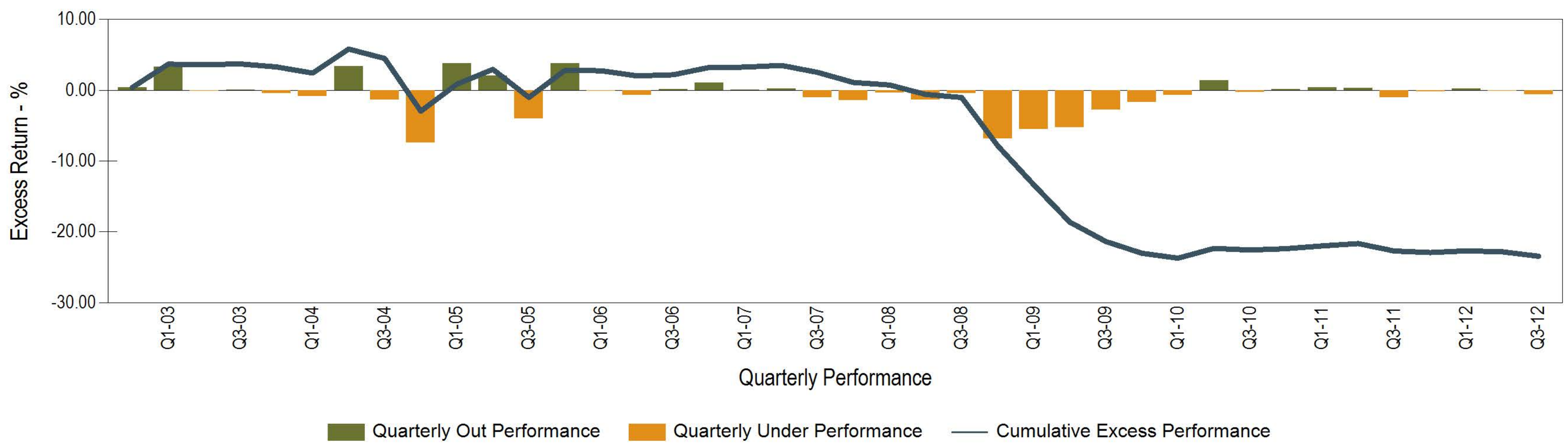
Current Allocation



Return Summary



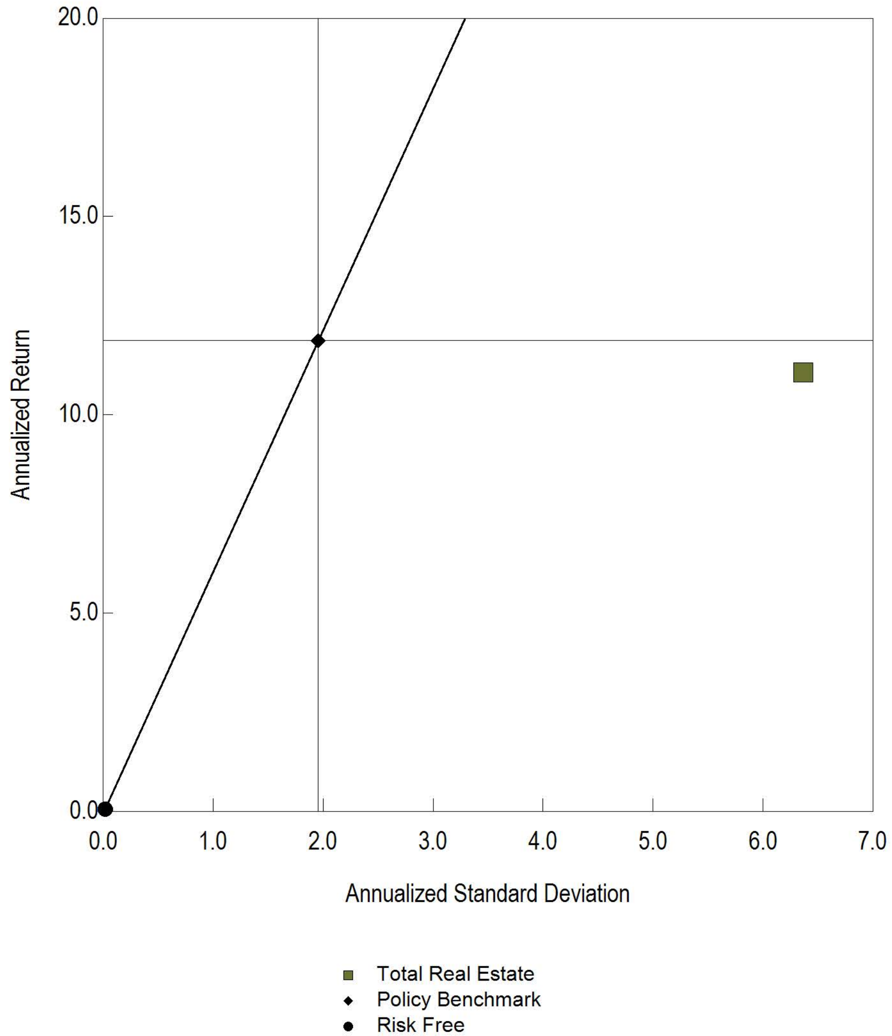
Quarterly and Cumulative Excess Performance



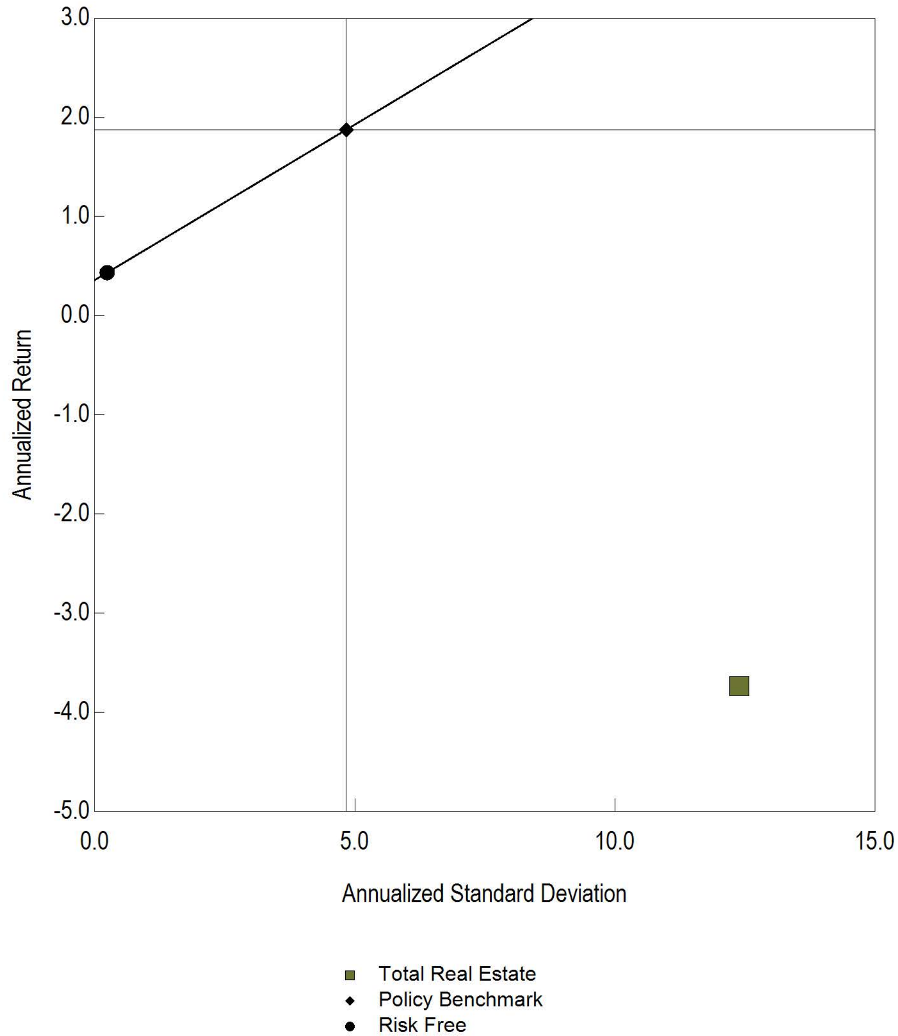
Risk Profile

Benchmark: Policy Benchmark

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

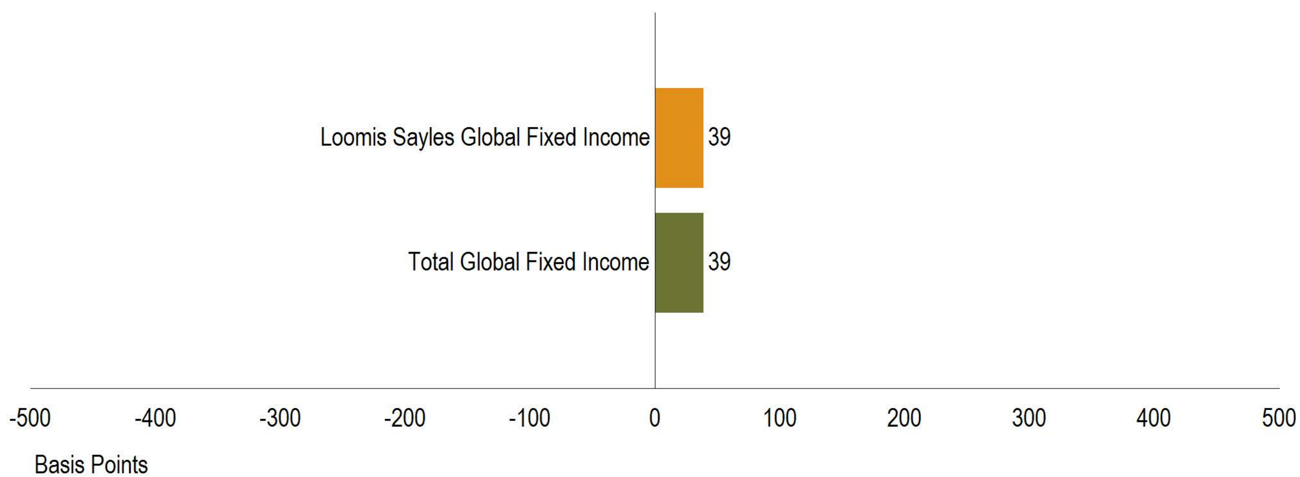


Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012



Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 9/30/12



Manager Performance

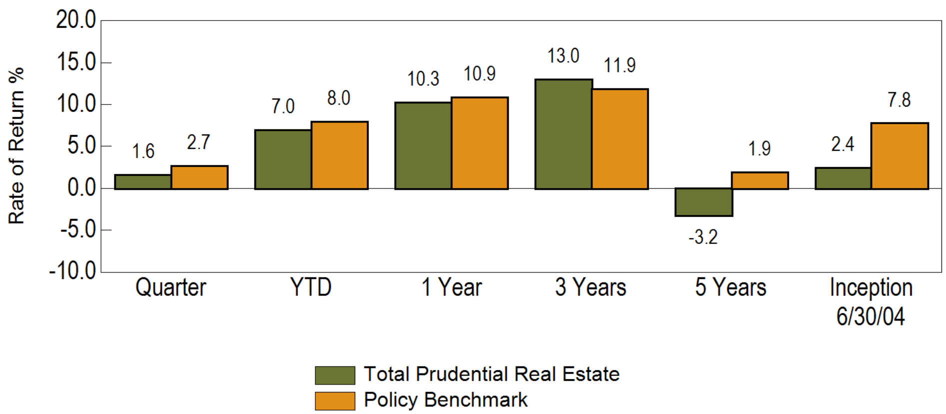
Benchmark: Policy Benchmark

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

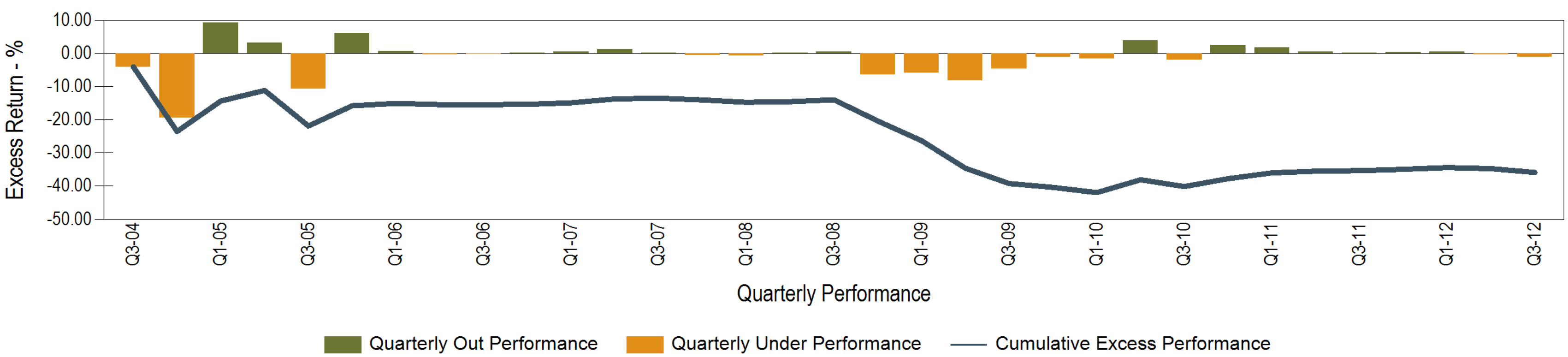
Account Information

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

Return Summary



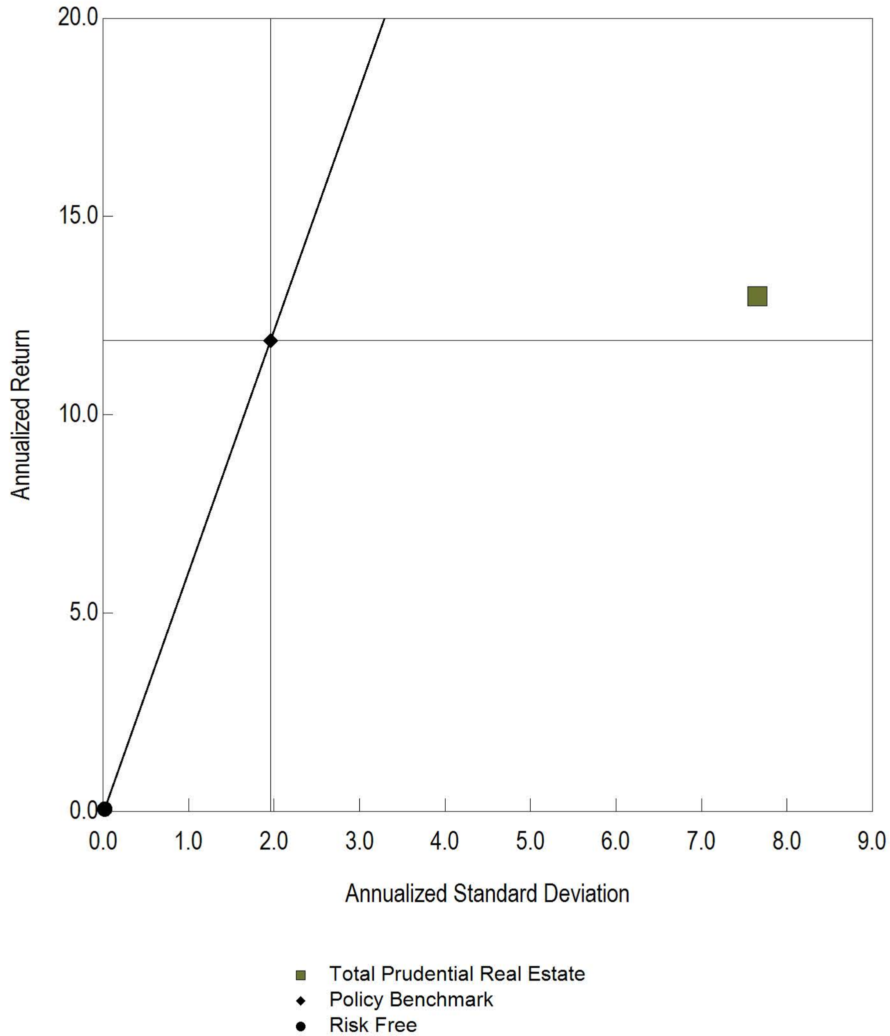
Quarterly and Cumulative Excess Performance



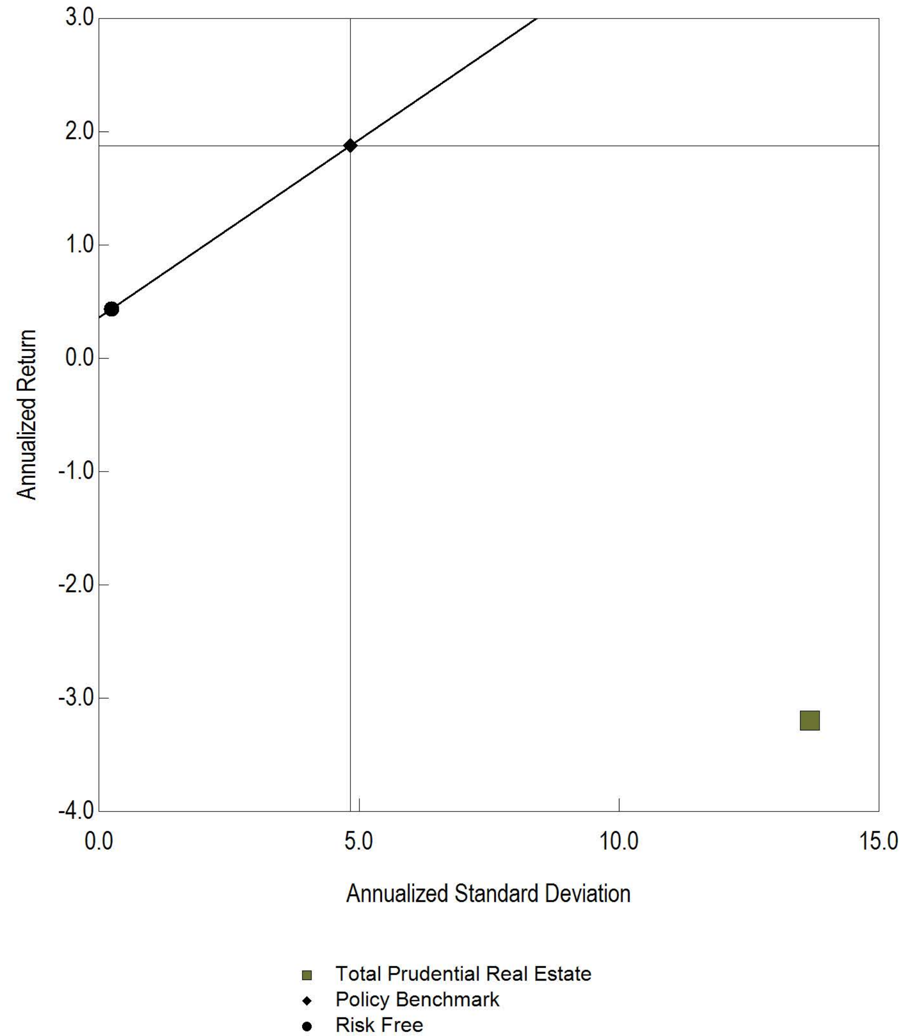
Risk Profile

Benchmark: Policy Benchmark

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

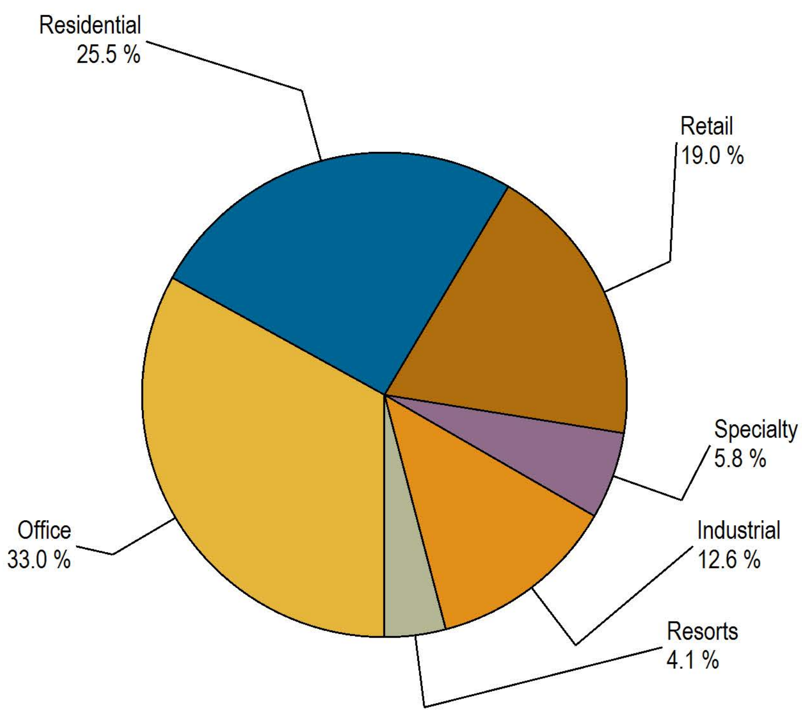


**Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012**

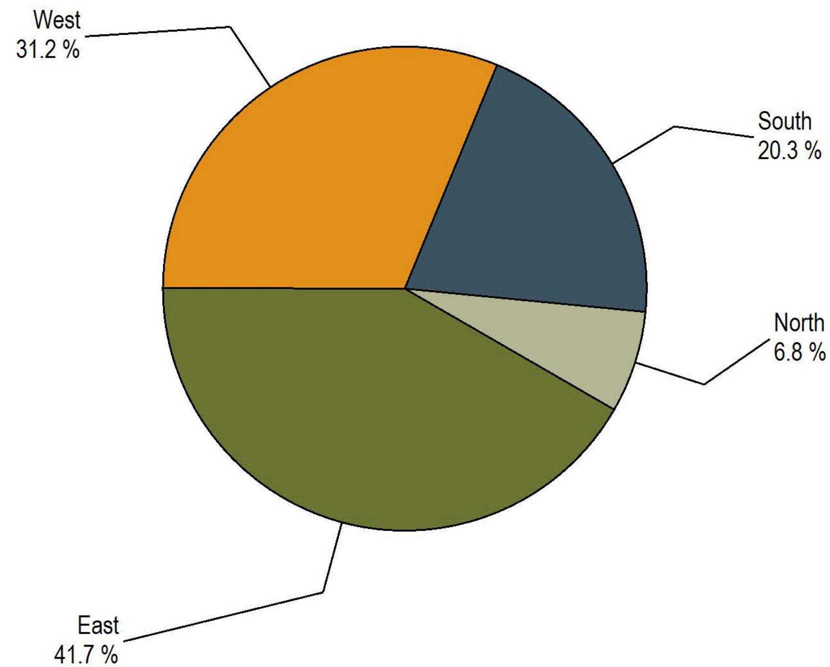


Manager Analysis

Property Type Allocation



Geographic Diversification



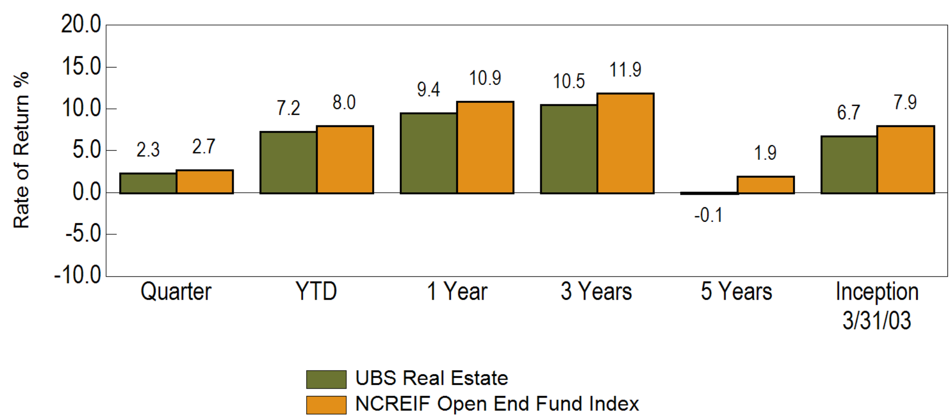
Manager Performance

Benchmark: NCREIF Open End Fund Index

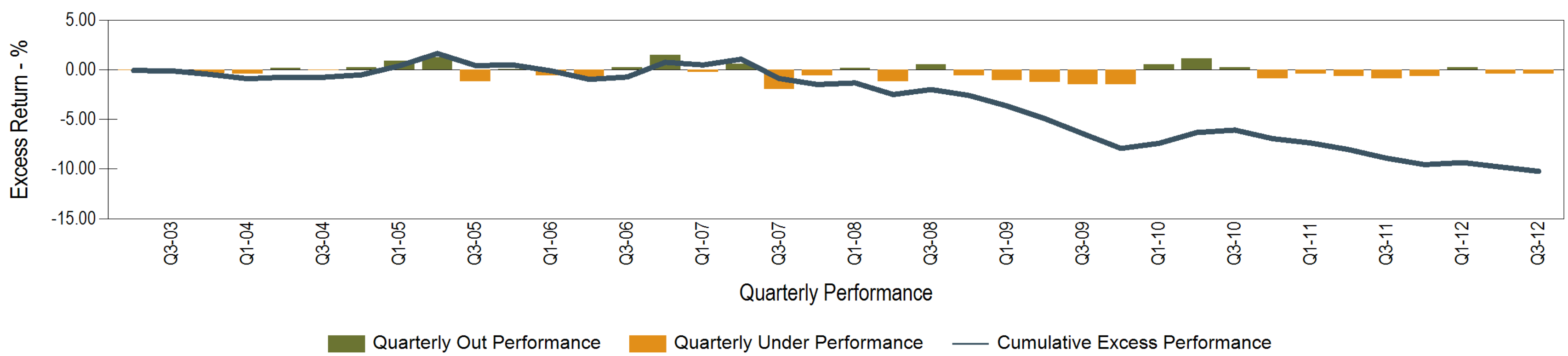
Account Information

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

Return Summary



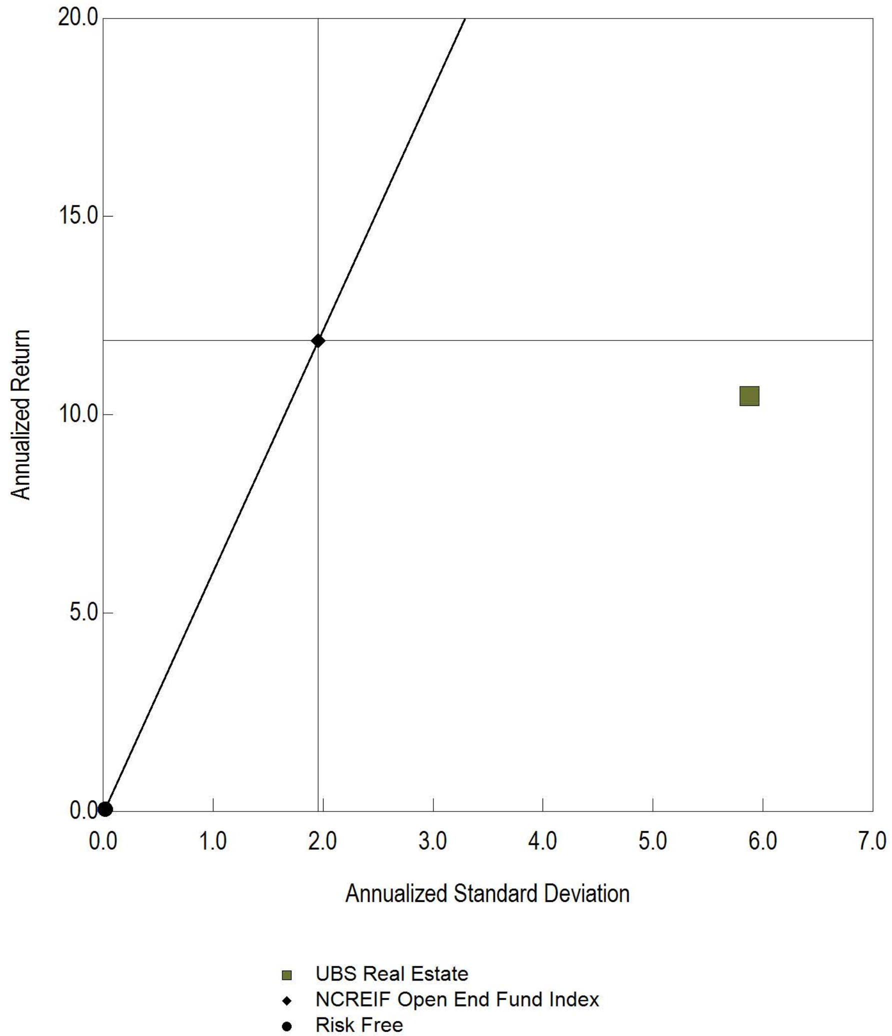
Quarterly and Cumulative Excess Performance



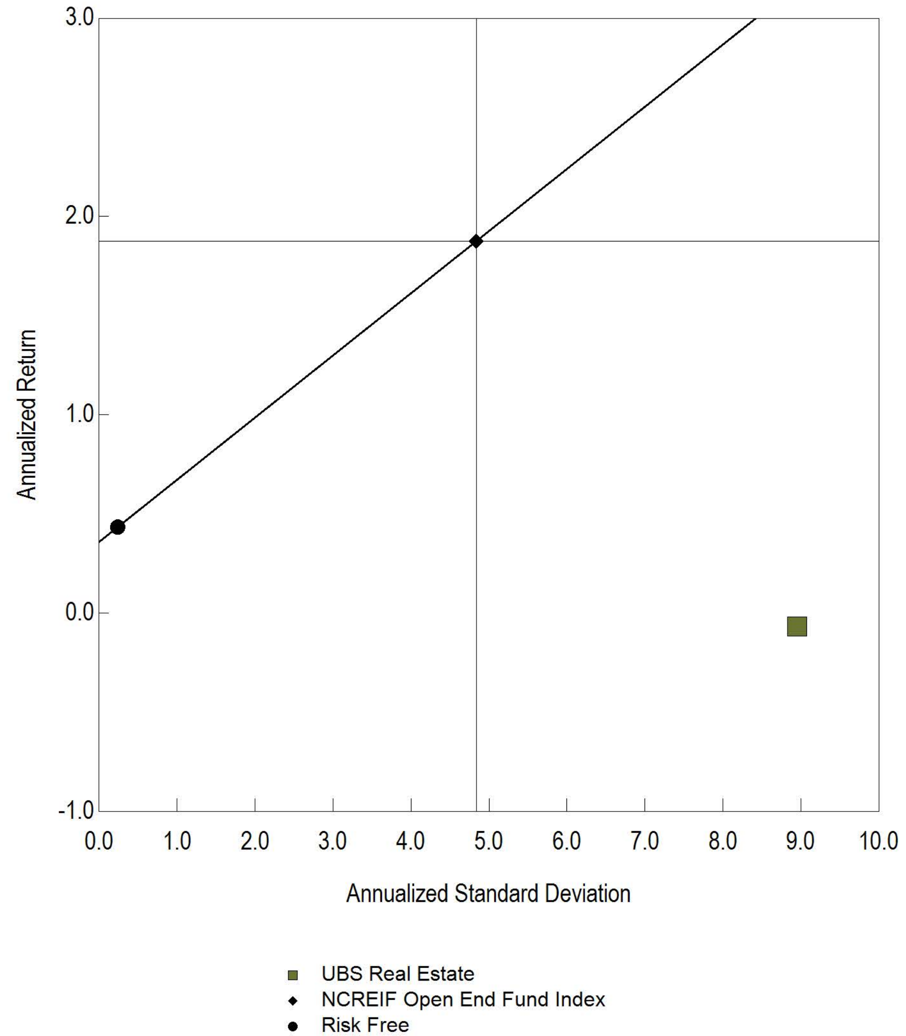
Risk Profile

Benchmark: NCREIF Open End Fund Index

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

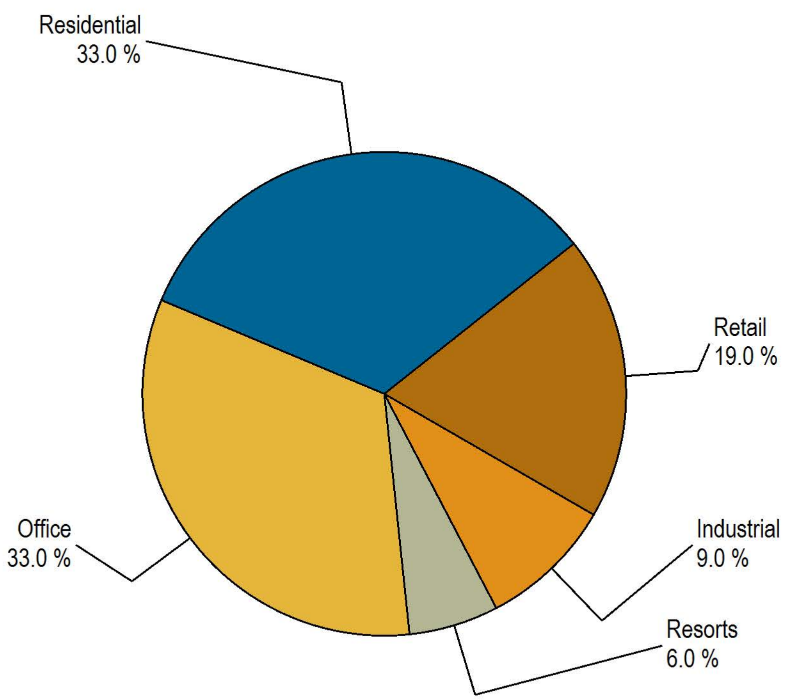


Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012

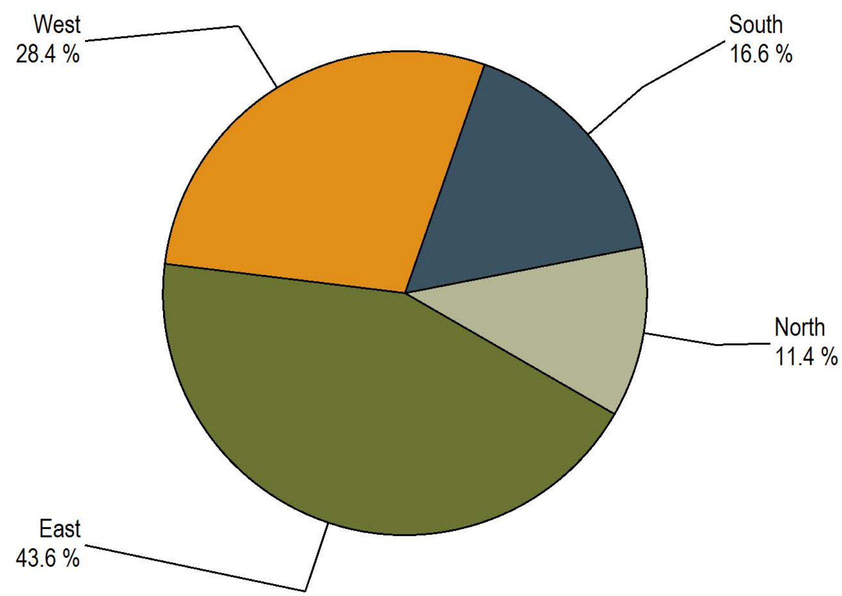


Manager Analysis

Property Type Allocation



Geographic Diversification



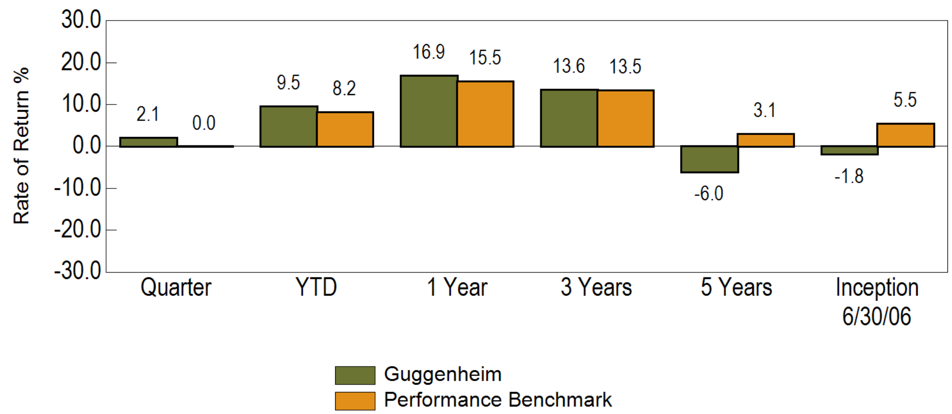
Manager Performance

Benchmark: Performance Benchmark

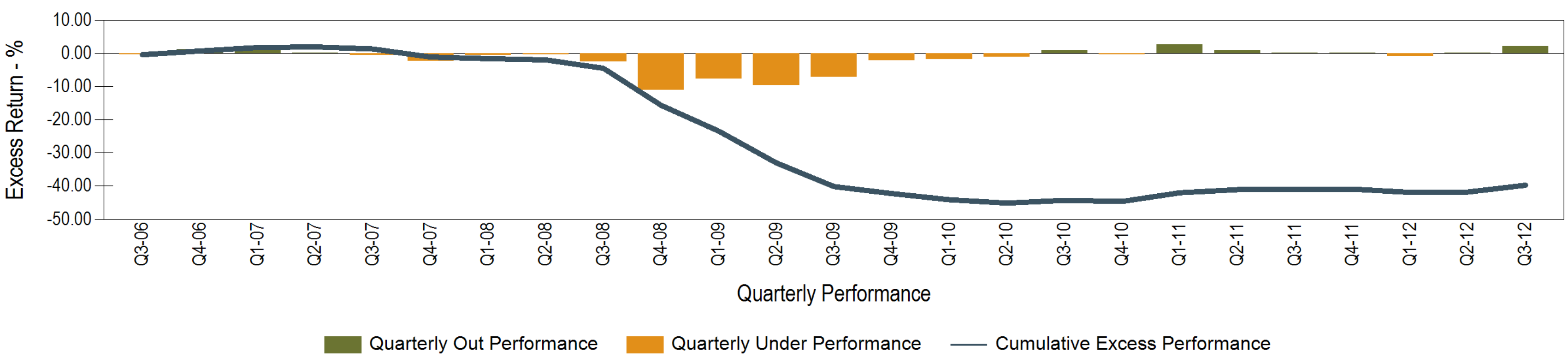
Account Information

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

Return Summary



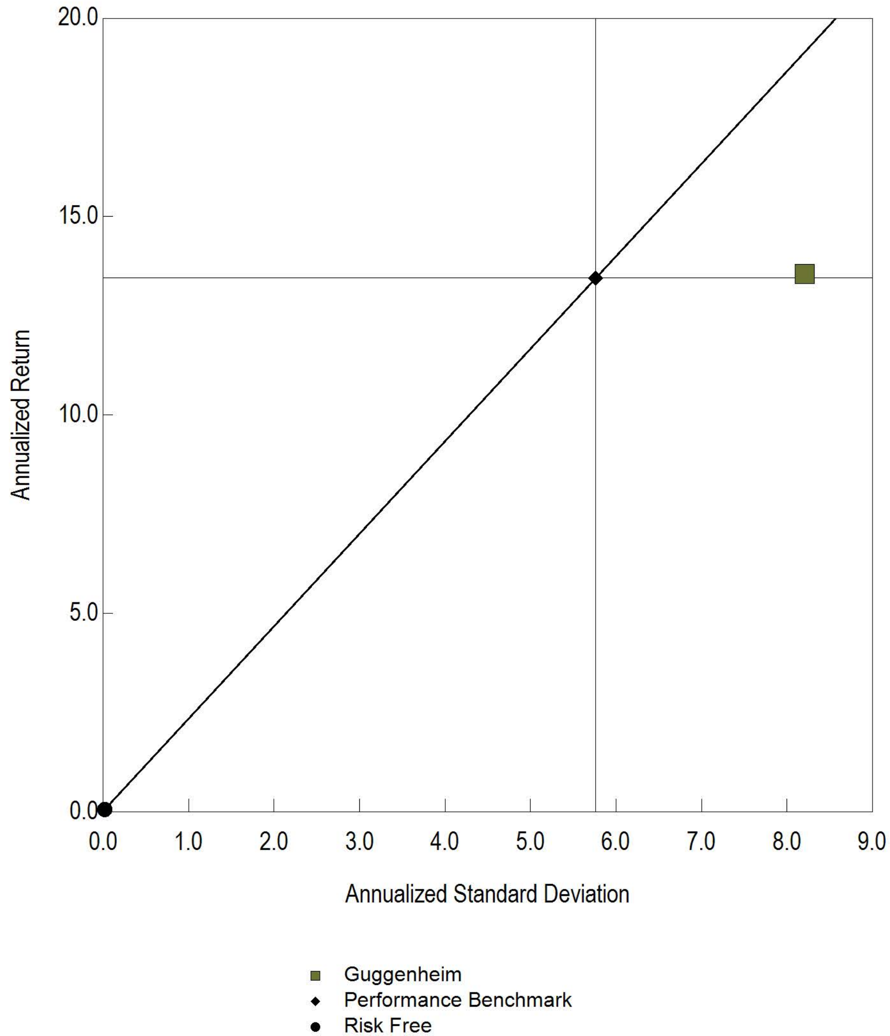
Quarterly and Cumulative Excess Performance



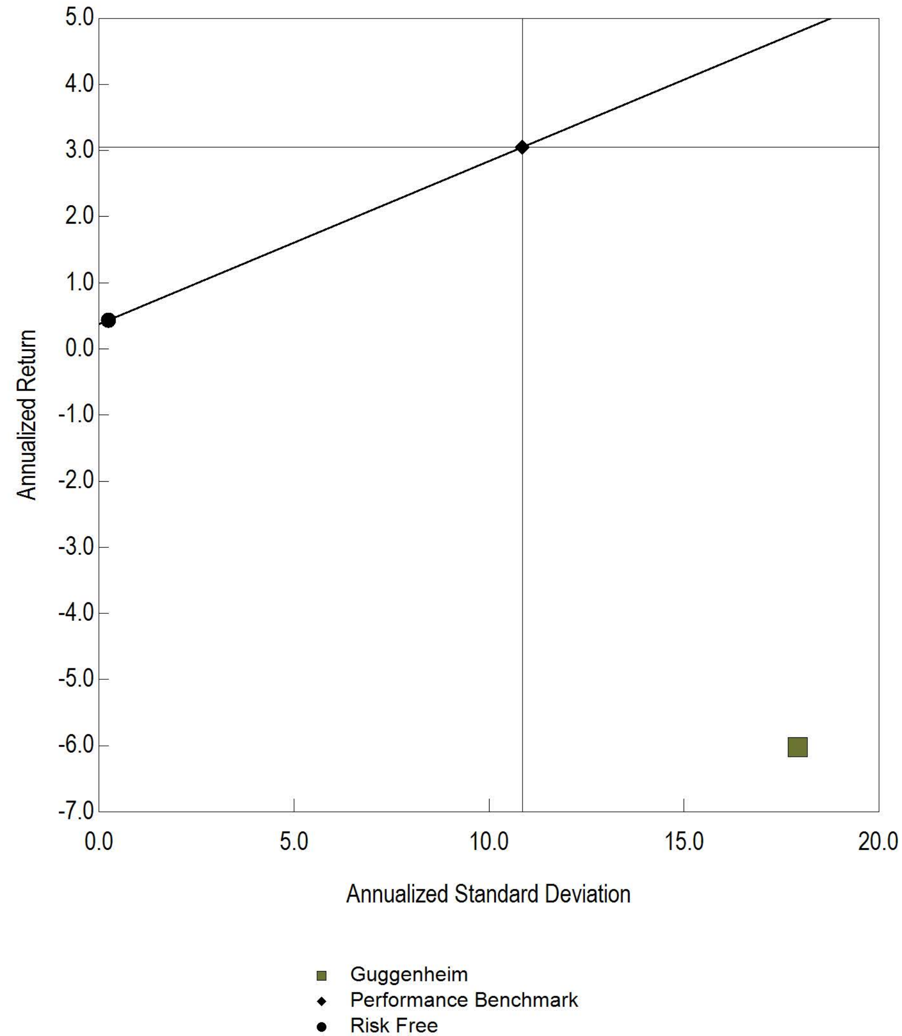
Risk Profile

Benchmark: Performance Benchmark

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

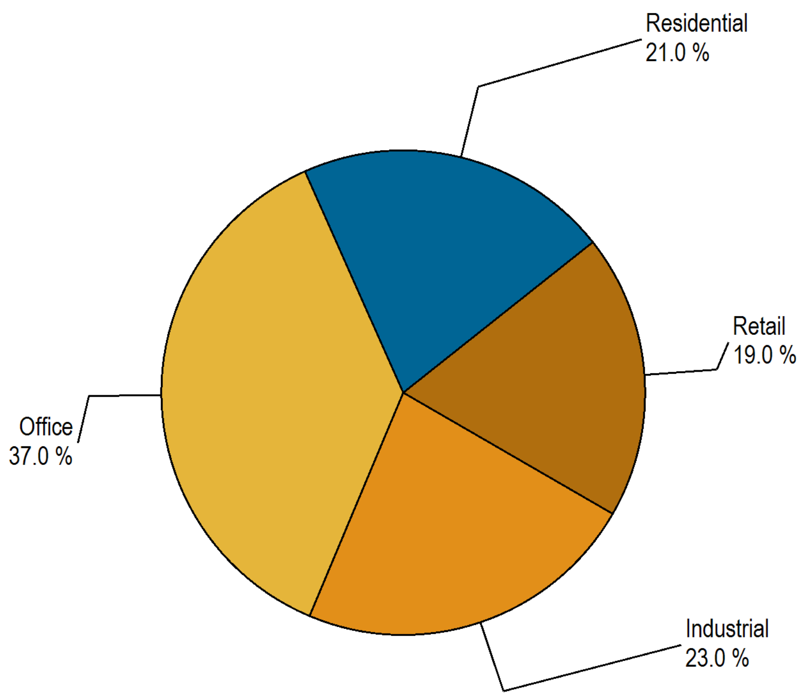


Annualized Return vs. Annualized Standard Deviation
5 Years Ending September 30, 2012

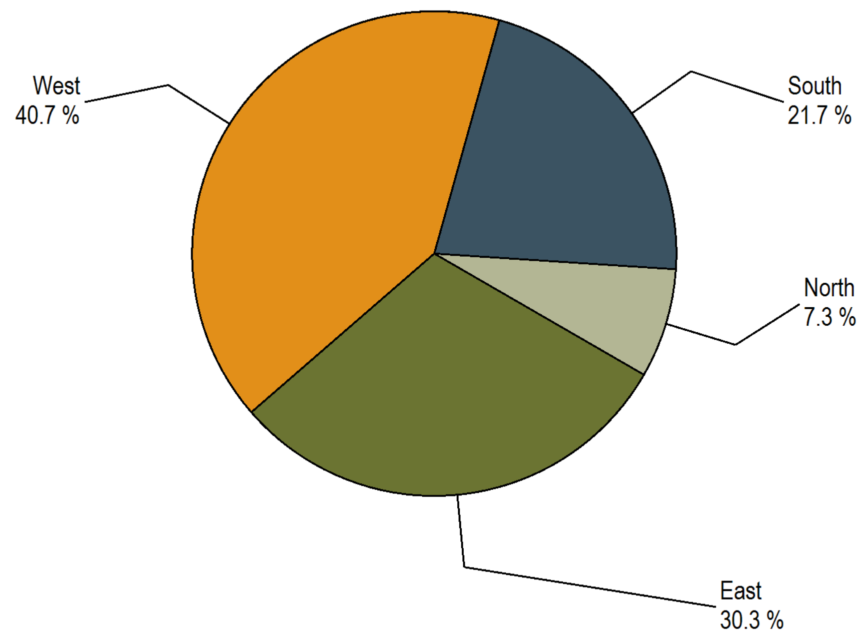


Manager Analysis

Property Type Allocation



Geographic Diversification



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

Manager Performance

Benchmark: NCREIF Open End Fund Index

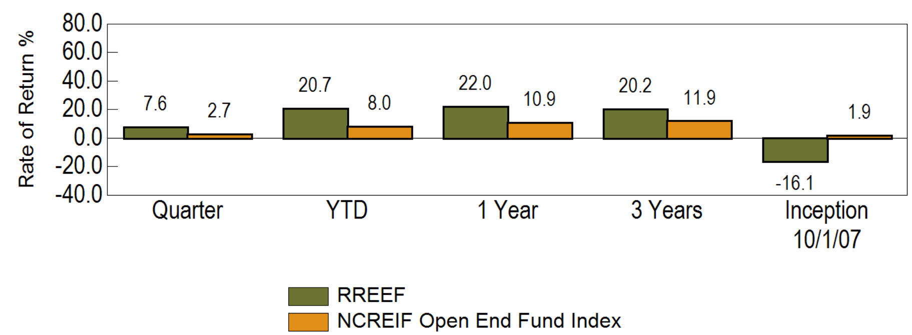
RREEF employs 600+ real estate investment professionals in 115 offices located in every major metropolitan market nationwide. RREEF America III (RA III) is a $600 million open-end private REIT that pursues value-added investment opportunities in the U.S. The RREEF research process, dubbed the Market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

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

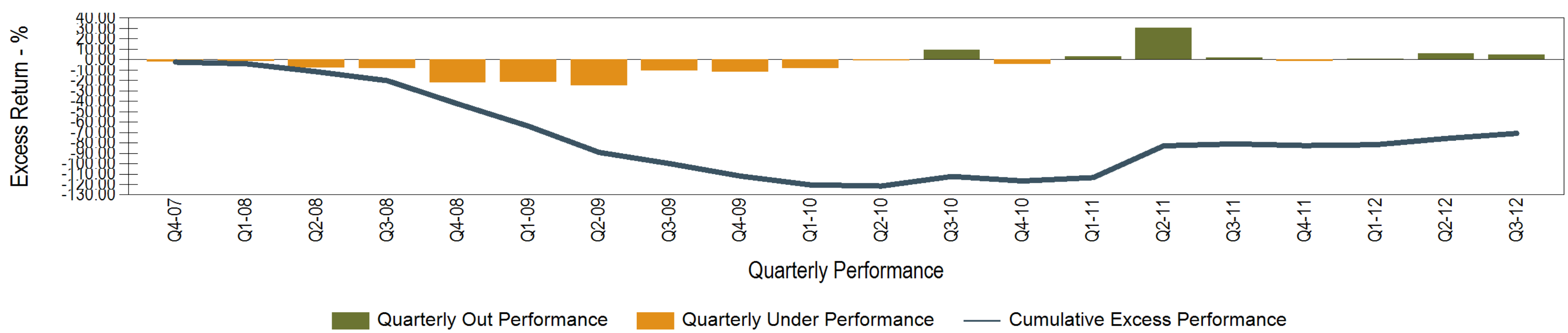
Account Information

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

Return Summary



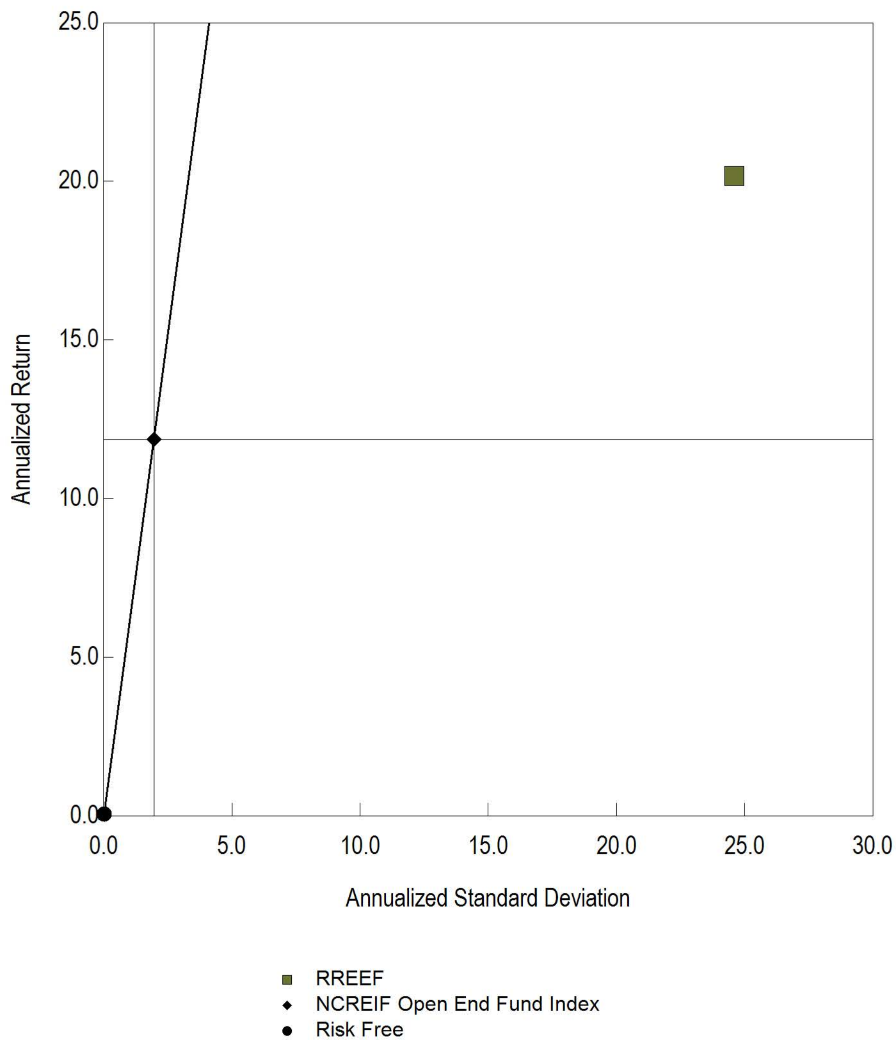
Quarterly and Cumulative Excess Performance



Risk Profile

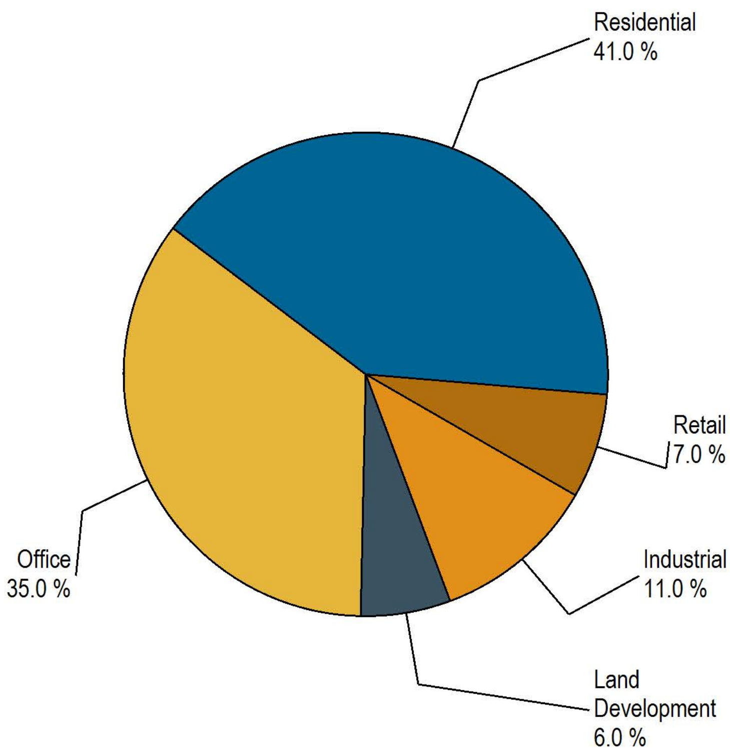
Benchmark: NCREIF Open End Fund Index

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

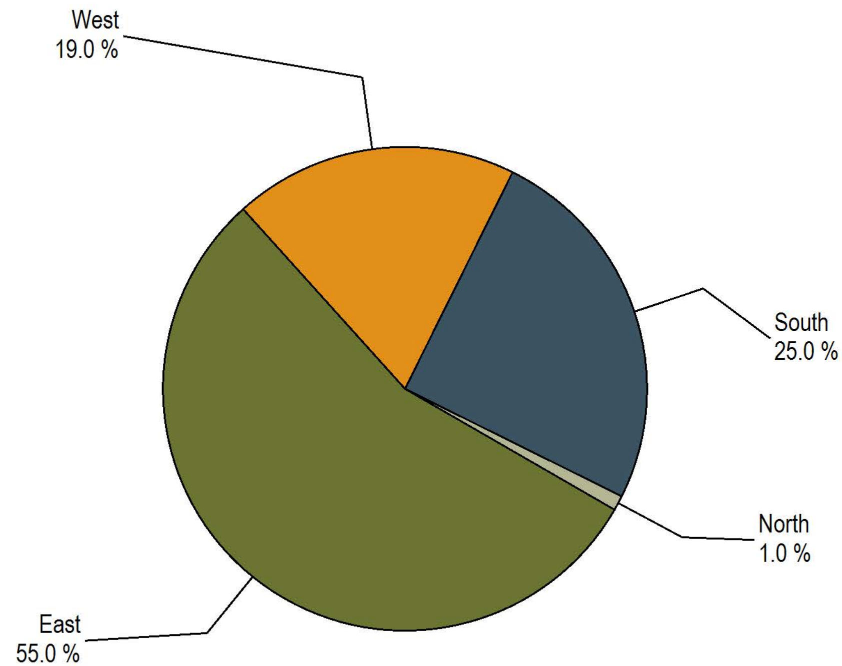


Manager Analysis

Property Type Allocation



Geographic Diversification



Private Equity

Overview

Adams Street Partnership

	As of 06/30/2012
Inception Date	May 2010
Capital Committed	$85.0 million
Capital Called	$22.36 million
Distributions	$0.0 million
Carrying Values	$21.21 million
Fee %	1.00%
Fee	$850,000
Net IRR Since Inception*	22.0%

Pantheon Ventures

	As of 06/30/2012
Inception Date	January 2010
Capital Committed	$15.0 million
Capital Called	$4.65 million
Distributions	$0.90 million
Carrying Values	$4.88 million
Fee %	1.00%
Fee	$150,000
Net IRR Since Inception**	N/A

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

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

Appendix

Fee Schedule

Account	Fee Schedule	Market Value As of 9/30/2012	% of Portfolio	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total U.S. Equity	**No Fee**	**$1,272,334,358**	**36.8%**	**--**	**--**
BlackRock Extended Equity Index Fund	0.08% of First $50.0 Mil, 0.06% of Next $50.0 Mil, 0.04% Thereafter	$30,427,679	0.9%	$24,342	0.08%
Western U.S. Index Plus	0.15% of Assets	$120,361,597	3.5%	$180,542	0.15%
BlackRock Equity Market Fund	0.03% of First $250.0 Mil, 0.02% Thereafter	$1,121,545,081	32.5%	$249,309	0.02%
Total Non-U.S. Equity	**No Fee**	**$615,074,604**	**17.8%**	**--**	**--**
BlackRock ACWI ex-U.S. Index	0.12% of First $100.0 Mil, 0.10% Thereafter	$321,507,822	9.3%	$341,508	0.11%
Sprucegrove	0.90% of First $5.0 Mil, 0.65% of Next $10.0 Mil, 0.55% of Next $25.0 Mil, 0.50% of Next $35.0 Mil, 0.25% of Next $225.0 Mil, 0.20% Thereafter	$149,189,079	4.3%	$607,973	0.41%
Hexavest	0.60% of First $10.0 Mil, 0.50% of Next $30.0 Mil, 0.40% of Next $40.0 Mil	$65,177,902	1.9%	$310,712	0.48%
Walter Scott	1.00% of First $50.0 Mil, 0.85% of Next $25.0 Mil, 0.60% Thereafter	$79,199,802	2.3%	$737,699	0.93%
Total Global Equity	**No Fee**	**$294,136,347**	**8.5%**	**--**	**--**
GMO Global	0.65% of Assets	$168,528,646	4.9%	$1,095,436	0.65%
BlackRock Global MSCI ACWI Equity Index	No Fee	$125,607,701	3.6%	--	--
Total Real Estate	**No Fee**	**$289,726,490**	**8.4%**	**--**	**--**
Total Prudential Real Estate	0.81% of Assets	$81,437,992	2.4%	$659,648	0.81%
UBS Real Estate	0.96% of Assets	$175,724,746	5.1%	$1,686,958	0.96%
Guggenheim	0.60% of Assets	$22,252,349	0.6%	$133,514	0.60%
RREEF	0.30% of Assets	$10,311,403	0.3%	$30,934	0.30%

Fee Schedule

Account	Fee Schedule	Market Value As of 9/30/2012	% of Portfolio	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total U.S. Fixed Income	**No Fee**	**$771,357,534**	**22.3%**	**--**	**--**
Western	0.30% of First $100.0 Mil, 0.15% Thereafter	$276,910,225	8.0%	$565,365	0.20%
BlackRock U.S. Debt Fund	0.06% of First $100.0 Mil, 0.04% of Next $400.0 Mil, 0.02% Thereafter	$133,337,366	3.9%	$73,335	0.06%
Reams	0.20% of First $200.0 Mil, 0.15% Thereafter	$242,021,195	7.0%	$463,032	0.19%
Loomis Sayles	0.50% of First $20.0 Mil, 0.40% of Next $30.0 Mil, 0.30% Thereafter	$119,088,748	3.4%	$427,266	0.36%
Total Global Fixed Income	**No Fee**	**$168,808,139**	**4.9%**	**--**	**--**
Loomis Sayles Global Fixed Income	No Fee	$67,808,139	2.0%	--	--
PIMCO Global Fixed Income	No Fee	$101,000,000	2.9%	--	--
Total Cash	**No Fee**	**$41,927,026**	**1.2%**	**--**	**--**
Clifton Group	0.15% of First $25.0 Mil, 0.10% of Next $75.0 Mil, 0.40% Thereafter	$41,927,026	1.2%	$54,427	0.13%
Investment Management Fee		**$3,453,364,498**	**100.0%**	**$7,642,000**	**0.22%**

Note: Western's fees for both U.S. and Fixed Income products are calculated together. The first $100 million of the combined assts is billed at 30bps, all assets thereafter are billed at 15 bps. Additionally, the Estimated Annual Fee does not include the Private Equity asset class fees of $1 million as detailed on page 114.

Market Returns

	Third Quarter	Annualized Periods Ending 9/30/12				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
Dow Jones US Total Stock Index	6.2	30.2	13.4	1.5	8.7	5.0
S&P 500 Index	6.4	30.2	13.2	1.1	8.0	4.7
Russell 3000 Index	6.2	30.2	13.3	1.3	8.5	5.0
Russell 1000 Value Index	6.5	30.9	11.8	-0.9	8.2	5.5
Russell 1000 Growth Index	6.1	29.2	14.7	3.2	8.4	3.8
Russell MidCap Value Index	5.8	29.3	13.9	1.7	11.0	8.0
Russell MidCap Growth Index	5.3	26.7	14.7	2.5	11.1	5.8
Russell 2000 Value Index	5.7	32.6	11.7	1.3	9.7	7.1
Russell 2000 Growth Index	4.8	31.2	14.2	3.0	10.5	3.4
Domestic Bond Indices:						
Barclays Capital Aggregate Index	1.6	5.2	6.2	6.5	5.3	6.2
Barclays Capital Govt/Credit Index	1.7	5.7	6.5	6.6	5.4	6.2
Barclays Capital Long Govt/Credit Index	3.1	11.1	12.5	10.9	8.1	8.4
Barclays Capital 1-3 Year Govt/Credit Index	0.5	1.4	2.0	3.3	3.2	4.4
Barclays Capital U.S. MBS Index	1.1	3.7	5.0	6.4	5.2	6.0
Barclays Capital High Yield Index	4.5	19.4	12.9	9.3	11.0	7.0
Barclays Capital Universal Index	2.0	6.4	6.7	6.6	5.7	6.3
Real Estate Indices:						
NCREIF Property Index	2.3	11.0	10.9	2.3	8.4	9.3
NCREIF ODCE Index	2.5	10.5	11.1	-2.0	5.7	7.2
Dow Jones Real Estate Securities Index	-0.4	32.0	20.4	1.4	11.4	8.6
FTSE NAREIT US Real Estate Index	1.0	33.8	20.7	2.3	11.5	8.8
Foreign/Global Stock Indices:						
MSCI All Country World Index	6.8	21.0	7.2	-2.1	8.6	4.1
MSCI All Country World IMI	6.8	21.1	7.6	-1.7	9.0	4.4
MSCI All Country World ex-U.S. Index	7.4	14.5	3.2	-4.1	9.8	4.3
MSCI All Country World ex-U.S. IMI	7.5	14.4	3.5	-3.8	10.2	4.5
MSCI All Country World ex-U.S. Small Cap Index	8.5	13.4	5.9	-2.2	13.2	6.4
MSCI EAFE Index	6.9	13.8	2.1	-5.2	8.2	3.4
MSCI EAFE IMI	7.0	13.6	2.4	-4.9	8.6	3.7
MSCI EAFE Index (in local currency)	4.7	13.5	1.3	-6.2	4.9	1.7
MSCI Emerging Markets IMI	7.8	16.8	5.8	-1.1	17.0	5.9
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	4.0	3.5	4.0	6.6	7.3	6.0
Citigroup Hedged World Gov't Bond Index	1.8	4.9	3.6	4.6	4.3	5.4
Cash Equivalents:						
Treasury Bills (30-Day)	0.0	0.0	0.1	0.4	1.4	2.3
Hewitt EnnisKnupp STIF Index	0.1	0.2	0.3	1.0	2.1	3.0
Inflation Index:						
Consumer Price Index	0.8	2.0	2.3	2.1	2.5	2.4

Benchmark and Universe Descriptions

Total Fund

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

Public Fund Universe - An equal-weighted index that is designed to represent the average return earned by U.S. public pension funds. The index is calculated based on a universe of 107 funds compiled by BNY Mellon Performance & Risk Analytics, LLC as of 09/30/2012.

Total U.S. Equity

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

Universe. A universe of 1,222 domestic stock portfolios compiled by eVestment as of 09/30/2012.

BlackRock Extended Equity Index Fund

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

Universe. A universe 107 small-mid cap stock portfolios compiled by eVestment as of 09/30/2012.

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 1,222 domestic stock portfolios compiled by eVestment as of 09/30/2102.

BlackRock Equity Market Fund

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

Universe. A universe of 1,222 domestic stock portfolios compiled by eVestment as of 09/30/2012.

Total Non-U.S. Equity

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

Universe. A universe of 135 international stock portfolios compiled by eVestment as of 09/30/2012.

BlackRock ACWI ex U.S.

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

Universe. A universe of 135 international stock portfolios compiled by eVestment as of 09/30/2012.

Sprucegrove

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

Universe. A universe of 135 international stock portfolios compiled by eVestment as of 09/30/2012.

Hexavest

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

Universe. A universe of 135 international stock portfolios compiled by eVestment as of 09/30/2012.

Walter Scott

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

Universe. A universe of 135 international stock portfolios compiled by eVestment as of 09/30/2012.

Total Global Equity

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

Universe. A universe of 240 global stock portfolios compiled by eVestment as of 09/30/2102.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 240 global stock portfolios compiled by eVestment as of 09/30/2012.

Total Fixed Income

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 555 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

Western Asset Management

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 555 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

BlackRock U.S. Debt Index Fund

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 555 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

Reams

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 555 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

Loomis Sayles

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

Universe. A universe of 555 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

Total Global Fixed Income

Benchmark. The Barclays Global Aggregate Bond Index.

Universe. A universe of 24 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

Loomis Sayles Global Fixed Income

Benchmark. The Barclays Global Aggregate Bond Index.

Universe. A universe of 24 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

Total Real Estate

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

Prudential Real Estate

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

UBS RESA

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

Guggenheim

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

RREEF

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

Total Alternatives

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

Benchmark Descriptions

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

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

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

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

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

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

Description of Terms

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

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

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

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

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

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

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

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

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

Ventura County Employees' Retirement Association

Monthly Manager Performance Report
October 2012

Hewitt ennisknupp
An Aon Company

Hewitt ennisknupp
An Aon Company

MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

October 2012

Market Highlights

- October lived up to its reputation as a tough month for stocks. Political uncertainty, business indecision in the face of the fiscal cliff, and disappointing results combined to hit the equity markets. For the month, the S&P 500 Index declined 1.9 percent, while the Dow Jones U.S. Total Stock Market Index also dropped 1.8 percent.
- Within the U.S. equity market, small cap stocks underperformed 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 0.8 percent, the MSCI ACWI ex-US returning 0.4 percent, while the MSCI Emerging Markets Index decreased 0.6 percent.
- With the announcement of QE3, Treasury yields rose from 1.63 percent to 1.69 percent by month-end. Even as Treasuries sold off, high-yield bonds continued to rally, with the effective yield of the Bank of America Merrill Lynch High Yield Corporate Master II Index falling below 6.5 percent. The Barclays Capital Aggregate Bond Index returned 0.2 percent during the month.

Preliminary Manager Highlights

- The Total Fund's preliminary October return of -0.6 percent, matched the Policy Portfolio return. The Fund's international and global equity asset classes hurt results versus their respective benchmarks, domestic fixed income aided results by over 30 basis points, while domestic equity and global fixed income also performed well versus their performance benchmarks.
- During the month, the Fund's U.S. equity portfolio returned -1.7 percent, outperforming its benchmark's return of -1.8 percent. BlackRock Extended Equity matched its benchmark while Western and BlackRock Equity Market Fund lagged their benchmarks slightly.
- The international equity component returned 0.2 percent, underperforming the 0.4 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 October, as they underperformed by 1.1 percent. Their underweight position in Hong Kong and Germany detracted from results. Walter Scott returned 0.1 percent versus 0.4 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 -0.8 percent, slightly underperforming the benchmark return of -0.7 percent. GMO's return of -0.9 percent was below the benchmark return of -0.7 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 fourth full month of performance.
- In October, the Fund's U.S. fixed income component returned 0.5 percent, outperforming the Barclays Aggregate Bond Index return of 0.2 percent. Reams outperformed, returning 0.7 percent versus 0.2 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 0.4 percent outperformed the index return of 0.2 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 20 basis points, returning 0.1 percent. The Total Fund's aggregate high yield exposure is currently 9.8%.
- **Key:** Positive Mixed/Cautionary Alert Informational

Performance Summary

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 10/31/2012

	October	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 10/31/2012	3 Years Ending 10/31/2012	5 Years Ending 10/31/2012	10 Years Ending 10/31/2012	Since Inception	Inception Date
BlackRock Extended Equity	**-1.3**	**13.6**	**4.1**	**13.0**	**16.1**	**2.0**	**10.6**	**10.6**	**10/31/02**
Dow Jones U.S. Completion Total Stock Market Index	-1.3	13.2	3.9	12.5	15.8	2.0	10.6	10.6	
Western U.S. Index Plus	**-1.7**	**18.5**	**6.1**	**18.8**	**17.5**	**-3.3**	**--**	**-3.3**	**5/31/07**
S&P 500 Index	-1.8	14.3	4.4	15.2	13.2	0.4	--	0.7	
BlackRock Equity Market Fund	**-1.7**	**14.2**	**4.4**	**14.9**	**13.9**	**--**	**--**	**2.8**	**5/31/08**
Dow Jones U.S. Total Stock Market Index	-1.8	14.1	4.3	14.7	13.8	--	--	2.8	
Total U.S. Equity	**-1.7**	**14.6**	**4.5**	**15.2**	**14.2**	**0.1**	**7.1**	**7.8**	**12/31/93**
Performance Benchmark**	-1.8	14.1	4.3	14.7	13.8	0.8	7.6	8.2	
BlackRock All Country World ex-U.S.	**0.4**	**11.3**	**7.9**	**4.2**	**4.2**	**-4.6**	**--**	**-1.0**	**3/31/07**
MSCI All Country World ex-U.S. IM Index	0.3	11.1	7.9	4.1	4.0	-4.7	--	-1.2	
Sprucegrove	**0.1**	**10.9**	**6.1**	**6.2**	**7.1**	**-2.7**	**9.4**	**7.8**	**3/31/02**
MSCI EAFE Index	0.8	11.0	7.8	4.6	2.8	-5.8	7.7	5.4	
MSCI All Country World ex-U.S. Index	0.4	10.8	7.8	4.0	3.7	-5.1	9.3	6.8	
Hexavest	**-0.3**	**11.2**	**7.0**	**6.2**	**--**	**--**	**--**	**0.5**	**12/31/10**
MSCI EAFE Index	0.8	11.0	7.8	4.6	--	--	--	-1.4	
Walter Scott	**0.1**	**15.3**	**6.4**	**9.4**	**--**	**--**	**--**	**2.5**	**12/31/10**
MSCI All Country World ex-U.S. Index	0.4	10.8	7.8	4.0	--	--	--	-2.4	
Total International	**0.2**	**12.3**	**7.2**	**5.8**	**4.9**	**-4.4**	**8.7**	**6.4**	**3/31/94**
MSCI All Country World ex-U.S. Index	0.4	10.8	7.8	4.0	3.7	-5.1	9.3	5.0	
GMO Global Fund	**-0.9**	**10.7**	**4.8**	**9.0**	**8.2**	**-1.1**	**--**	**5.5**	**4/30/05**
MSCI All Country World Index	-0.7	12.1	6.1	8.5	7.5	-3.0	--	4.7	
BlackRock MSCI ACWI Equity Index	**-0.7**	**--**	**6.2**	**--**	**--**	**--**	**--**	**--**	**6/30/05**
MSCI All Country World Index	-0.7	--	6.1	--	--	--	--	--	
Total Global Equity	**-0.8**	**10.3**	**5.4**	**8.5**	**7.8**	**-3.6**	**--**	**3.6**	**4/30/05**
MSCI All Country World Index	-0.7	12.1	6.1	8.5	7.5	-3.0	--	4.7	

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Performance Summary (continued)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 10/31/2012

	October	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 10/31/2012	3 Years Ending 10/31/2012	5 Years Ending 10/31/2012	10 Years Ending 10/31/2012	Since Inception	Inception Date
Loomis Sayles Global Fixed Income*****	**0.1**	--	**3.7**	--	--	--	--	**3.7**	6/30/12
Barclays Capital Global Aggregate Bond Index	-0.1	--	3.1	--	--	--	--	3.1	
PIMCO Global Fixed Income	**-0.5**	--	--	--	--	--	--	**-0.5**	9/30/12
Barclays Capital Global Aggregate Bond Index	-0.1	--	--	--	--	--	--	--	
Total Global Fixed Income	**-0.3**	--	**3.4**	--	--	--	--	**3.7**	6/30/12
Barclays Capital Global Aggregate Bond Index	-0.1	--	3.1	--	--	--	--	3.1	
Western	**0.4**	**9.0**	**3.9**	**9.8**	**9.4**	**7.3**	**6.7**	**7.0**	12/31/96
Barclays Capital Aggregate Bond Index	0.2	4.2	1.8	5.3	6.1	6.4	5.4	6.3	
BlackRock U.S. Debt Fund	**0.2**	**4.3**	**1.8**	**5.3**	**6.2**	**6.5**	**5.5**	**6.2**	11/30/95
Barclays Capital Aggregate Bond Index	0.2	4.2	1.8	5.3	6.1	6.4	5.4	6.2	
Reams	**0.7**	**9.4**	**3.7**	**10.8**	**9.4**	**9.7**	**8.0**	**7.2**	9/30/01
Barclays Capital Aggregate Bond Index	0.2	4.2	1.8	5.3	6.1	6.4	5.4	5.6	
Loomis Sayles*****	**1.6**	**14.8**	**7.5**	**13.4**	**11.6**	**8.5**	--	**8.1**	7/31/05
Performance Benchmark***	0.4	6.7	2.8	7.7	7.9	7.2	--	6.6	
Total U.S. Fixed Income	**0.5**	**9.0**	**3.8**	**9.8**	**9.2**	**8.5**	**7.1**	**6.9**	2/28/94
Barclays Capital Aggregate Bond Index	0.2	4.2	1.8	5.3	6.1	6.4	5.4	6.3	
Total Real Estate**	--	**7.4**	**2.1**	**10.1**	**11.1**	**-3.7**	**5.2**	**7.5**	3/31/94
NCREIF Open-End Fund Property Index*****	--	8.0	2.7	9.9	12.1	1.7	8.0	9.1	
Total Fund	**-0.6**	**11.4**	**4.5**	**10.9**	**10.5**	**1.4**	**7.4**	**7.8**	3/31/94
Policy Portfolio	-0.6	10.3	4.3	9.4	9.5	1.5	7.4	7.8	3/31/94
Total Fund (ex-Private Equity)	**-0.5**	**10.9**	**4.4**	--	--	--	--	--	3/31/94
Total Fund (ex-Clifton)	**-0.5**	**11.2**	**4.4**	**10.6**	**10.3**	**1.3**	**7.3**	**7.8**	3/31/94

*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.

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Asset Allocations

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 10/31/2012
($ in Thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Cash	Total	Percent of Total	Policy
BlackRock Extended Equity Index	$30,028						$30,028	0.9%	
Western Index Plus	$118,355						$118,355	3.4%	
BlackRock Equity Market Fund	$1,102,031						$1,102,031	31.9%	
Total U.S. Equity	**$1,250,415**						**$1,250,415**	**36.2%**	**36.0%**
BlackRock ACWI ex-U.S. Index		$322,666					$322,666	9.3%	
Sprucegrove		$149,444					$149,444	4.3%	
Hexavest		$65,042					$65,042	1.9%	
Walter Scott		$79,326					$79,326	2.3%	
Total Non-U.S. Equity		**$616,478**					**$616,478**	**17.9%**	**19.0%**
GMO Global Equity	$76,646	$90,338	$0				$166,984	4.8%	
BlackRock MSCI ACWI Equity Index	$62,390	$62,390	$0				$124,780	3.6%	
Total Global Equity	**$139,036**	**$152,728**	**$0**				**$291,764**	**8.5%**	**10.0%**
Western			$277,982				$277,982	8.1%	
BlackRock U.S. Debt Fund			$133,597				$133,597	3.9%	
Reams			$243,767				$243,767	7.1%	
Loomis Sayles Global			$67,821				$67,821	2.0%	
Loomis Sayles			$121,032				$121,032	3.5%	
PIMCO Global			$100,522				$100,522	2.9%	
Total Fixed Income			**$944,721**				**$944,721**	**27.4%**	**27.0%**
Prudential Real Estate				$81,438			$81,438	2.4%	
UBS Real Estate				$175,725			$175,725	5.1%	
Guggenheim				$22,252			$22,252	0.6%	
RREEF				$10,311			$10,311	0.3%	
Total Real Estate				**$289,726**			**$289,726**	**8.4%**	**8.0%**
Adams Street Partners					$25,512		$25,512	0.7%	
Pantheon Ventures					$6,483		$6,483	0.2%	
Total Private Equity					**$31,995**		**$31,995**	**0.9%**	**0.0%**
Clifton Group						$25,977	$25,977	0.8%	
Total Cash						**$25,977**	**$25,977**	**0.8%**	**0.0%**
Total Assets	**$1,389,450**	**$769,206**	**$944,721**	**$289,726**	**$31,995**	**$25,977**	**$3,451,076**	**100.0%**	**100.0%**
Percent of Total	**40.3%**	**22.3%**	**27.4%**	**8.4%**	**0.9%**	**0.8%**	**100.0%**		

* Asset allocation reflects net exposure

* Private Equity reflects Market Values as of 6/30/2012 plus Capital Calls from 7/1/2012-9/30/2012

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Manager Watchlist and Updates

Manager "Watch" List

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

Manager Updates

- On June 20, 2012, Deutsche Bank ("DB") announced that is had ended its exclusive negotiations with Guggenheim Partners over a potential sale of RREEF Alternatives, including RREEF Real Estate.

  DB is in the process of creating a new business division, called Asset & Wealth Management. This new division integrates the firm's 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. At this juncture, DB does not intend to sell either RREEF Alternatives or RREEF Real Estate.

  RREEF had no additional information to share at the time and we will continue to monitor the situation closely and report on significant events as they arise.

- On June 18th, 2012, we were informed by Hexavest that it had entered into a definitive agreement for Eaton Vance Corp. (EV) to acquire a 49% stake of Hexavest. Following this transaction, it is expected that the current employee shareholders of Hexavest will continue to have control of the firm and its operations for at least the next five years. At the end of this five-year period, EV will have the option to increase its ownership to 75%. It is anticipated that the deal will close on or around August 31, 2012.

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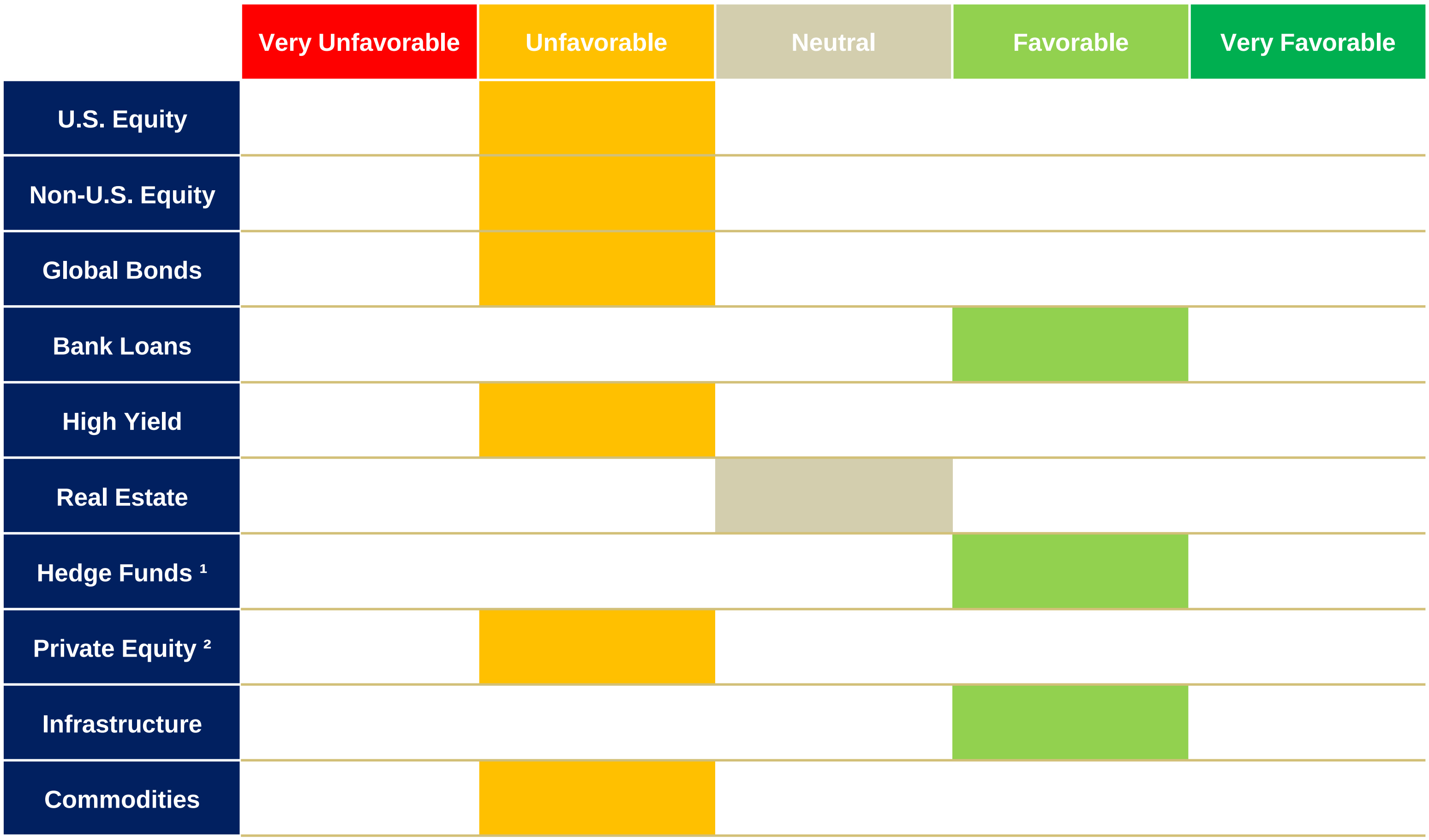
Absolute Medium Term Views



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.

Expected Return/Risk Tool (U.S.)

Asset Allocation

	Expected Nominal Return[1]	Expected Risk (Volatility)	Current Policy	Proposal 1	Proposal 2
Equity					
Large Cap U.S. Equity	**7.5%**	**21.0%**	31.00%	29.00%	27.00%
Small Cap U.S. Equity	**7.7%**	**27.0%**	3.00%	3.00%	3.00%
Global Equity (Developed & Emerging)	**8.5%**	**21.0%**	10.00%	10.00%	10.00%
International (Non-U.S.) Equity (Developed)	**8.7%**	**22.5%**	16.00%	15.00%	14.00%
Emerging Markets Equity	**9.8%**	**31.5%**	0.00%	0.00%	0.00%
Fixed Income					
Cash (Gov't)	**1.3%**	**1.0%**	0.00%	0.00%	0.00%
Cash (LIBOR)	**1.8%**	**1.0%**	0.00%	0.00%	0.00%
TIPS	**2.0%**	**4.5%**	0.00%	0.00%	0.00%
Core U.S. Fixed Income (Market Duration)	**2.1%**	**3.0%**	16.25%	16.25%	15.60%
Long Duration Bonds – Gov't / Credit	**3.1%**	**9.0%**	0.00%	0.00%	0.00%
Long Duration Bonds – Credit	**3.6%**	**11.5%**	0.00%	0.00%	0.00%
Long Duration Bonds – Gov't	**2.5%**	**9.0%**	0.00%	0.00%	0.00%
High Yield Bonds	**4.6%**	**14.0%**	3.75%	3.75%	3.60%
Non-US Developed Bond (0% Hedged)	**3.0%**	**10.0%**	0.00%	0.00%	0.00%
Non-US Developed Bond (50% Hedged)	**2.5%**	**5.5%**	5.00%	5.00%	4.80%
Non-US Developed Bond (100% Hedged)	**1.7%**	**2.5%**	0.00%	0.00%	0.00%
Emerging Market Bonds	**4.2%**	**14.0%**	0.00%	0.00%	0.00%
Short Duration Bonds - Gov't	**1.4%**	**1.0%**	0.00%	0.00%	0.00%
Short Duration Bonds - Credit	**2.0%**	**1.5%**	0.00%	0.00%	0.00%
Intermediate Duration Bonds - Gov't	**1.5%**	**2.0%**	0.00%	0.00%	0.00%
Intermediate Duration Bonds - Credit	**2.4%**	**3.0%**	0.00%	0.00%	0.00%
Alternative Investments					
Hedge Funds Universe (Median Manager)	**5.4%**	**8.0%**	1.00%	3.00%	7.00%
Real Estate (Broad Market)	**7.2%**	**16.5%**	0.00%	0.00%	0.00%
Core Private Real Estate	**6.3%**	**14.0%**	8.00%	8.00%	7.00%
Commodities	**4.2%**	**21.5%**	0.00%	0.00%	0.00%
Private Equity	**9.7%**	**28.5%**	5.00%	5.00%	5.00%
Infrastructure	**8.7%**	**18.5%**	1.00%	2.00%	3.00%
Bank Loans	**4.5%**	**7.0%**	0.00%	0.00%	0.00%
U.S. REITs	**6.0%**	**22.5%**	0.00%	0.00%	0.00%
Total Portfolio			**100.00%**	**100.00%**	**100.00%**
U.S. Inflation (CPI)	**2.2%**				

Expected Return/Risk Results

	Current Policy	Proposal 1	Proposal 2
Expected Nominal Return[4]	**7.22%**	**7.20%**	**7.19%**
Expected Real Return	4.92%	4.89%	4.88%
Expected Risk (Volatility)	**14.1%**	**13.6%**	**13.1%**
Sharpe Ratio	**0.421**	**0.434**	**0.448**

Instructions / Guidelines

Based on Capital Market Assumptions (10-Year Forecasts; USD)
for 2012 Q3

This tool is primarily used for ALM and asset allocation modeling

To use the Aon Hewitt Expected Return/Risk Tool:
Input the current long-term policy targets for each asset class
(up to three asset allocation scenarios can be modeled)

The tool calculates the expected total fund return and expected total fund volatility for the three asset allocation scenarios. Additional statistics and exhibits can be found in the Exhibits Tab

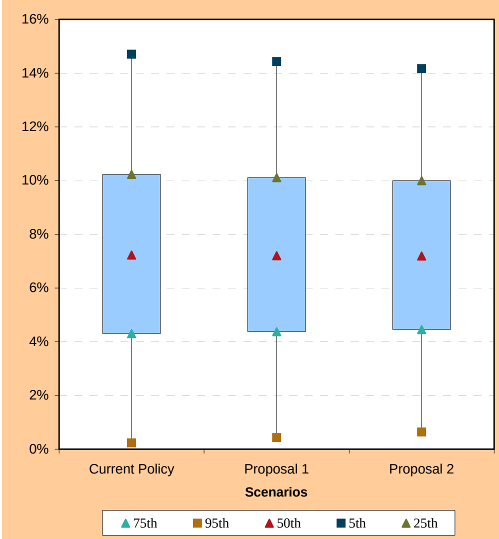
Note: You can edit cells highlighted in white color

Range of Returns

Time Horizon 10 Years

	95th	75th	50th	25th	5th
Current Policy	0.2%	4.3%	7.2%	10.2%	14.7%
Proposal 1	0.4%	4.4%	7.2%	10.1%	14.4%
Proposal 2	0.6%	4.5%	7.2%	10.0%	14.2%

Graphical Results for 10 Years



Horizon Analysis

			Current Policy	Proposal 1	Proposal 2
Time Horizon (yrs)	10				
Return Percentile[2]	50%	**Expected Return for Percentile**	7.22%	7.20%	7.19%
Desired Return[3]	8.00%	**Expected Percentile for Return**	43.0%	42.6%	42.2%

[1] All Expected Returns are geometric (compounded); Nominal Return = (1 + Real Return) x (1 + Inflation) -1

[2] 1 = highest, 99 = lowest. For example, if the Return Percentile is entered as 75% and the Expected Return for Percentile is shown as 5.61%, then one may say that they are 75% confident that the plan will generate a return of at least 5.61% during a given ten-year period.

[3] For example, if the Desired Return is entered as 9.00%, and the Expected Percentile for Return is shown as 44%, then the probability of achieving a return of 9% or greater is 44%.

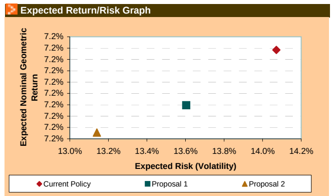
[4] Expected Nominal Returns include the impact of rebalancing/diversification effect. The rebalancing/diversification effect is the difference between the calculated total portfolio geometric return (which takes into account the benefits of rebalancing/diversification) and the weighted average of the asset class geometric return (which does not).
Rebalancing / Diversification Effect for Current Policy = 0.66%
Rebalancing / Diversification Effect for Proposal 1 = 0.68%
Rebalancing / Diversification Effect for Proposal 2 = 0.69%

Expected Return/Risk Tool (U.S.)

Expected Return/Risk Results

	Current Policy	Proposal 1	Proposal 2
Expected Nominal Return	**7.22%**	**7.20%**	**7.19%**
Expected Real Return	4.92%	4.89%	4.88%
Expected Risk (Volatility)	**14.1%**	**13.6%**	**13.1%**
Sharpe Ratio	**0.421**	**0.434**	**0.448**

Expected Return/Risk Graph



Range of Returns for Current Policy

Year(s)	95th	75th	50th	25th	5th
1	-13.4%	-1.8%	7.2%	17.0%	32.7%
3	-5.2%	1.9%	7.2%	12.8%	21.3%
5	-2.5%	3.1%	7.2%	11.5%	17.9%
10	0.2%	4.3%	7.2%	10.2%	14.7%

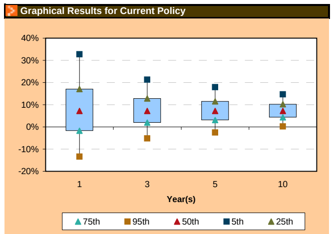
Range of Returns for Proposal 1

Year(s)	95th	75th	50th	25th	5th
1	-12.8%	-1.5%	7.2%	16.7%	31.8%
3	-4.8%	2.1%	7.2%	12.6%	20.8%
5	-2.2%	3.2%	7.2%	11.3%	17.6%
10	0.4%	4.4%	7.2%	10.1%	14.4%

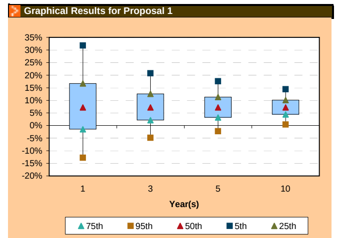
Range of Returns for Proposal 2

Year(s)	95th	75th	50th	25th	5th
1	-12.2%	-1.2%	7.2%	16.3%	30.8%
3	-4.5%	2.2%	7.2%	12.4%	20.3%
5	-2.0%	3.3%	7.2%	11.2%	17.2%
10	0.6%	4.5%	7.2%	10.0%	14.2%

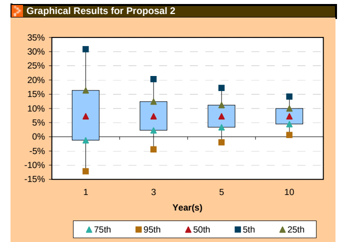
Graphical Results for Current Policy



Graphical Results for Proposal 1



Graphical Results for Proposal 2



Range of Returns for 1 Year

Scenarios	95th	75th	50th	25th	5th
Current Policy	-13.4%	-1.8%	7.2%	17.0%	32.7%
Proposal 1	-12.8%	-1.5%	7.2%	16.7%	31.8%
Proposal 2	-12.2%	-1.2%	7.2%	16.3%	30.8%

Range of Returns for 3 Years

Scenarios	95th	75th	50th	25th	5th
Current Policy	-5.2%	1.9%	7.2%	12.8%	21.3%
Proposal 1	-4.8%	2.1%	7.2%	12.6%	20.8%
Proposal 2	-4.5%	2.2%	7.2%	12.4%	20.3%

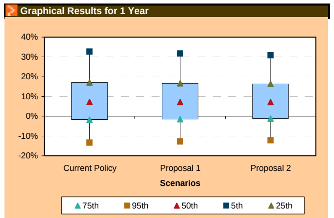
Range of Returns for 5 Years

Scenarios	95th	75th	50th	25th	5th
Current Policy	-2.5%	3.1%	7.2%	11.5%	17.9%
Proposal 1	-2.2%	3.2%	7.2%	11.3%	17.6%
Proposal 2	-2.0%	3.3%	7.2%	11.2%	17.2%

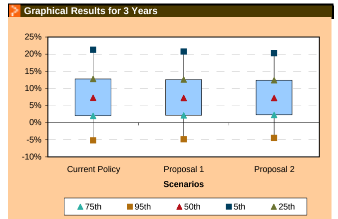
Range of Returns for 10 Years

Scenarios	95th	75th	50th	25th	5th
Current Policy	0.2%	4.3%	7.2%	10.2%	14.7%
Proposal 1	0.4%	4.4%	7.2%	10.1%	14.4%
Proposal 2	0.6%	4.5%	7.2%	10.0%	14.2%

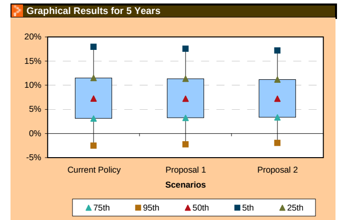
Graphical Results for 1 Year



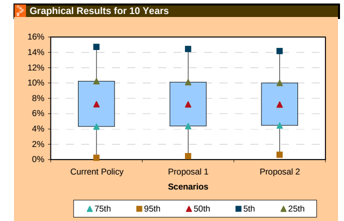
Graphical Results for 3 Years



Graphical Results for 5 Years



Graphical Results for 10 Years



Tactical Rebalancing Policy (implementing Medium Term Views)

Rebalancing Policy

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

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

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

- Notwithstanding the first item, the retirement staff shall, at the beginning of each month, determine the amount of cash necessary to meet that month's expenditure requirements. A withdrawal of the entire amount of cash needed will be made from the one manager whose portfolio value exceeds their targeted allocation by the greatest amount or based on HEK's MTVs, the manager with the least favorable outlook.

- The retirement staff shall monitor its cash position on a regular basis. If it is projected at any time that there will not be a sufficient amount of cash available to meet expenditure requirements, staff is authorized to take action consistent with the intent of this policy to raise additional cash.

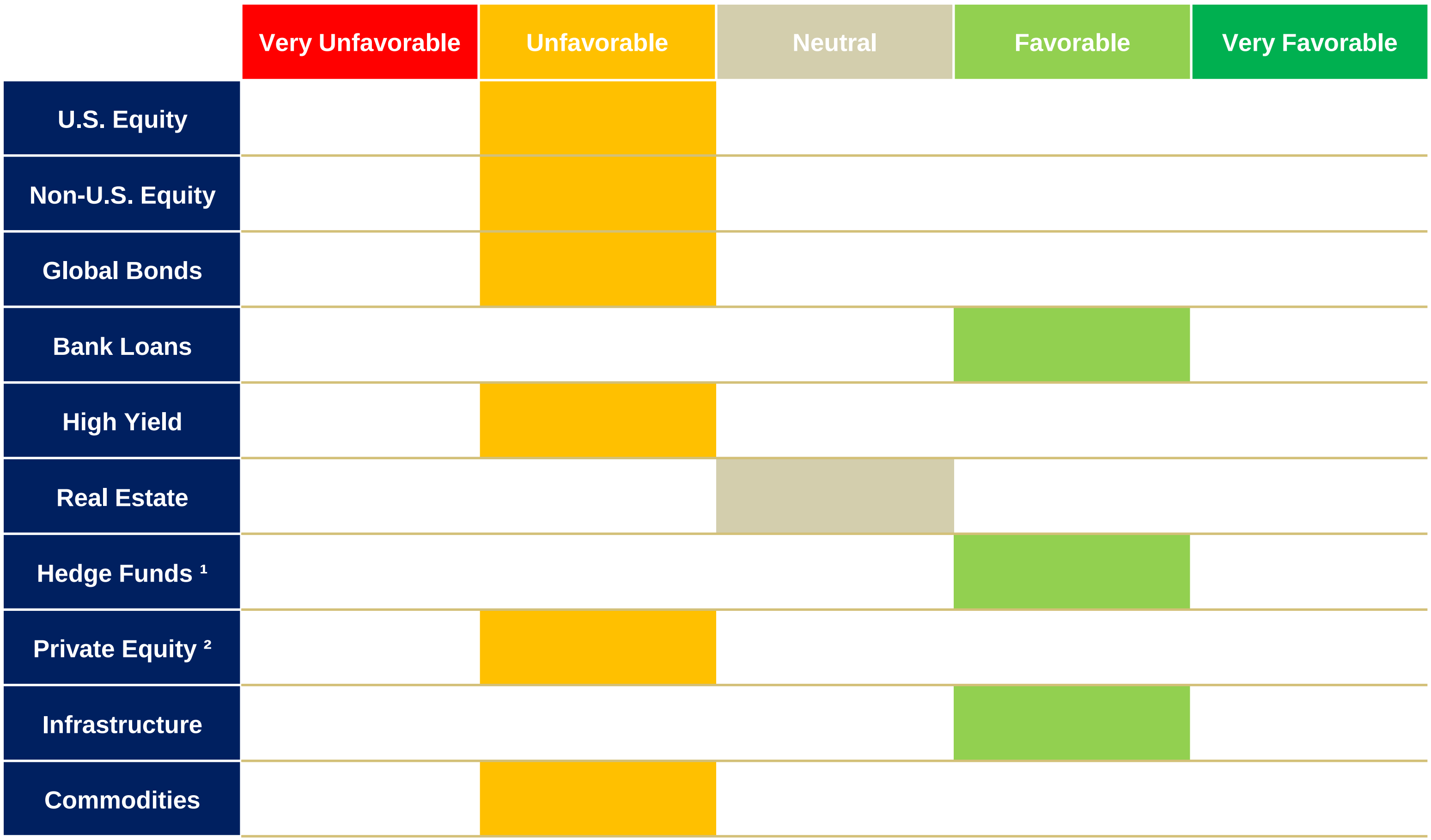
- Every attempt will be made by staff to cause the least amount of disruption to the Fund's investment management team when withdrawing assets or making contributions.

- This policy shall not be applied to the Fund's real estate or private equity allocations.

Ventura County MTV Monitor

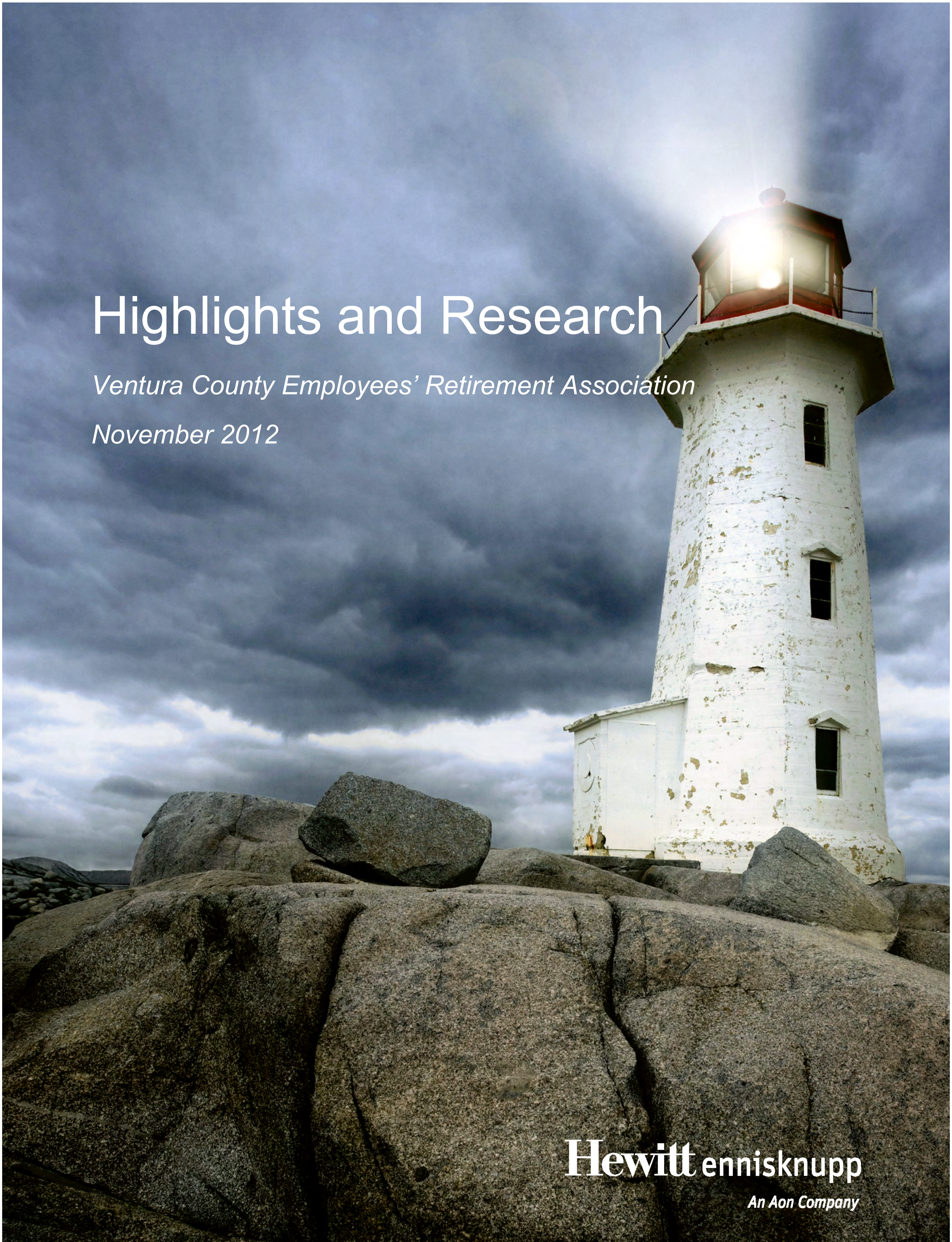
		Min Range			Target			Max Range	Current Weight	Rebalance Target	Action
	Tier 1 - Major Asset Classes										
	Equities	58.0%	60.3%	62.7%	65.0%	66.7%	68.3%	70.0%	62.7%		
	Bonds	20.0%	22.3%	24.7%	27.0%	30.3%	33.7%	37.0%	27.0%		
	Tier 2 - Minor Asset Classes										
	US Equity	30.0%	32.0%	34.0%	36.0%	37.3%	38.7%	40.0%	36.5%		
	Non-US Equity	15.0%	16.3%	17.7%	19.0%	19.7%	20.3%	21.0%	17.7%		
	Global Equity	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	8.4%		
	US Bonds	18.0%	19.3%	20.7%	22.0%	23.3%	24.7%	26.0%	22.2%		
	Global Bonds	3.0%	3.7%	4.3%	5.0%	6.0%	7.0%	8.0%	4.9%		
	Real Estate	5.0%	6.0%	7.0%	8.0%	8.7%	9.3%	10.0%	8.1%		
	Private Equity	0.0%	0.0%	0.0%	0.0%	1.7%	3.3%	5.0%	1.0%		
	Alternatives / Other Assets	0.0%	0.0%	0.0%	0.0%	1.7%	3.3%	5.0%	1.2%		
	Tier 3 - Managers										
US Equity	BlackRock Extended Equity Index Fund	0.5%	0.7%	0.8%	1.0%	1.3%	1.7%	2.0%	0.9%		
	Western U.S. Index Plus	2.0%	2.3%	2.7%	3.0%	3.3%	3.7%	4.0%	3.5%		
	BlackRock Equity Market Fund	28.0%	29.3%	30.7%	32.0%	33.3%	34.7%	36.0%	32.2%		
ACWI ex US	BlackRock ACWI ex-U.S. Index	8.0%	8.7%	9.3%	10.0%	10.7%	11.3%	12.0%	9.2%		
	Sprucegrove	3.0%	3.3%	3.7%	4.0%	4.7%	5.3%	6.0%	4.3%		
	Hexavest	1.0%	1.3%	1.7%	2.0%	2.3%	2.7%	3.0%	1.9%		
	Walter Scott	1.5%	2.0%	2.5%	3.0%	3.3%	3.7%	4.0%	2.3%		
ACWI	GMO Global	3.0%	3.7%	4.3%	5.0%	5.7%	6.3%	7.0%	4.8%		
	Acadian	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
	BlackRock MSCI ACWI Equity Index	3.0%	3.7%	4.3%	5.0%	5.7%	6.3%	7.0%	3.6%		
US Bonds	Western	6.0%	6.7%	7.3%	8.0%	8.7%	9.3%	10.0%	8.0%		
	BlackRock U.S. Debt Fund	3.0%	3.3%	3.7%	4.0%	4.7%	5.3%	6.0%	3.8%		
	Reams	6.0%	6.3%	6.7%	7.0%	7.7%	8.3%	9.0%	7.0%		
	Loomis Sayles	2.0%	2.3%	2.7%	3.0%	3.3%	3.7%	4.0%	3.4%		
Global Bonds	PIMCO Global	2.0%	2.3%	2.7%	3.0%	3.3%	3.7%	4.0%	2.9%		
	Loomis Sayles Global	1.0%	1.3%	1.7%	2.0%	2.7%	3.3%	4.0%	1.9%		
Real Estate	Prudential Real Estate	2.0%	2.3%	2.7%	3.0%	3.3%	3.7%	4.0%	2.3%		
	UBS Real Estate	3.0%	3.3%	3.5%	3.8%	4.2%	4.6%	5.0%	4.9%		
	Guggenheim	0.5%	0.7%	0.8%	1.0%	1.3%	1.7%	2.0%	0.6%		
	RREEF	0.1%	0.2%	0.2%	0.3%	0.5%	0.8%	1.0%	0.3%		
Private Equity	Adams Street Partners	0.0%	0.0%	0.0%	0.0%	1.3%	2.7%	4.0%	0.7%		
	Pantheon Ventures	0.0%	0.0%	0.0%	0.0%	1.3%	2.7%	4.0%	0.3%		
Other/Alts	Clifton	0.0%	0.0%	0.0%	0.0%	1.0%	2.0%	3.0%	1.2%		

November - Medium Term Views



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.



Highlights and Research

Ventura County Employees' Retirement Association

November 2012

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Memo

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

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

Date: November 19, 2012

Re: **Proxy Vote Memo**

Background

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

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

HEK has confirmed receipt of all reports from managers and in the case of some managers an attestation that there were no proxies to be voted. We have confirmed that all of VCERA's managers are in compliance with the proxy guidelines. This item will be added to the annual report sent to the Board as of June 30 each year and will be a recurring item. This concludes the annual ongoing review that all expected proxies have been received.

We look forward to discussing this with the Board at the November 19 meeting.

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Memo

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

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

Date: November 19, 2012

Re: **Loomis PM Change**

Background
In late October, Loomis Sayles announced that a member of the Full Discretion team, Kathleen Gaffney resigned from the firm. Ms. Gaffney had been with Loomis Sayles for her whole career - 27 years. She elected to pursue another opportunity at Eaton Vance. She joined Eaton Vance as a Vice President and Co-Director of Investment Grade Fixed Income. She is charged with building a multi-sector product for her new firm.

The Full Discretion strategies (Multi-Sector, High Yield, and Core Plus) at Loomis Sayles are team-managed by Dan Fuss, Matt Eagan, and Elaine Stokes. Mr. Eagan and Ms. Stokes have been managing portfolios for the last 12 years. Although the loss of Ms. Gaffney is not insignificant, we take comfort in the fact that the remaining three portfolio managers have worked together for a long period and that portfolio management has been a team based approach at Loomis Sayles.

Mr. Eagan noted in a call that it had been decided this summer that he and Ms. Stokes would be co-heads of the Loomis Sayles Full Discretion strategies. Kathleen Gaffney was aware of this decision, and it was the firm's intent to make that announcement in early 2013. However Ms. Gaffney's departure expedited the timing of the announcement. Coincidentally, in speaking with Ms. Gaffney, she mentioned that she initiated the conversation with Eaton Vance during the summer.

We would also note that Loomis Sayles recently announced that Jae Park, who had been CIO of the fixed income division of the firm for the past ten years, will be CIO of the entire firm going forward. We believe this reflects the change in the firm's assets under management from being primarily equity based to predominantly fixed income.

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Loomis Sayles indicated that there are no immediate plans to replace Ms. Gaffney's role on the portfolio management team. However, we would expect over time that another portfolio manager will be named to the Full Discretion team to provide for prudent succession planning purposes.

This departure comes as a surprise, since Ms. Gaffney had been with Loomis her entire career and both the firm and Full Discretion team have historically not experienced a great deal of turnover at the senior levels. We remain comfortable with Looms Sayles Full Discretion strategies, given the team approach to portfolio management. However, we will be monitoring this situation to see if this resignation marks a change within the firm's fixed income platform.

We look forward to discussing this with the Board at the November 19 meeting.

Memo

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

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

Date: November 19, 2012

Re: **Real Estate Hurricane Update**

Background

As the Board is aware, Hurricane Sandy caused heavy rains, high winds and unprecedented flooding, particularly along the Northeast coast of the United States. At this time, we are relieved that no injuries have been reported and no material damage has been identified by any of VCERA's real estate managers.

The Plan's real estate managers took what they deemed to be appropriate precautions at all properties in the expected path of the hurricane. Emergency plans were implemented to protect the property and tenants, and third-party professionals were on standby to assess the damage in the aftermath of the storm.

All of the real estate manager teams continue to assess the impact of this powerful storm, especially as it relates to the most heavily impacted areas in New Jersey and New York City. We continue to monitor the situation and as more information becomes available, we will be sure to keep the Board apprised of any hurricane-related damage that is identified at properties held in your portfolio.

We look forward to discussing this with the Board at the November 19 meeting.

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Memo

To:	**Staff and Board**
	Ventura County Employees' Retirement Association
From:	Russ Charvonia, ChFC, CFP®, Esq.
	Kevin Vandolder, CFA
	Kevin Chen
Date:	November 19, 2012
Re:	**Proposed Transition from GMO Separate Account to GMO Fund of Mutual Funds**

Background

GMO currently manages approximately $167 million on behalf of VCERA in a Global Equity mandate with a goal of beating the MSCI All Country World Index over the long-term. Within the account, GMO manages several sub-strategies, each of which is an SEC-registered mutual fund. Periodically, GMO has sought approval from VCERA to add new funds to the account. Because VCERA wants to allow GMO to have all the tools it needs to achieve its investment goal, VCERA has always provided such approval.

In late October, GMO contacted VCERA to discuss the Board's desire to gain transparency in management fees/expenses associated with the account. As part of that discussion, the conversation incorporated transitioning the account from the existing separately managed account to GMO's fund of mutual funds. The existing account and the fund of mutual funds pursue the exact same goal: beating the MSCI ACWI benchmark over the long-term.

The attached spreadsheet illustrates the current and pro-forma sub-strategies VCERA would hold by moving forward with the transition. As shown, the primary differences in making the transition would be "exchanging" exposure in GMO's International Intrinsic Value Fund and International Growth Fund into the International Core Equity Fund. However, although the fund vehicles would be reallocated, the underlying security exposure would not materially change since GMO's International Core Equity Fund is currently comprised of ~70% international value stocks and ~30% international growth stocks. Therefore, the transition would not result in material changes in the portfolio's exposures.

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The transition would encompass the following:

- The average annual management fees/expenses paid by VCERA on its account have averaged 60-65 bps over the past few years. The net aggregate expense ratio for the mutual fund is 56 bps. So, VCERA could benefit from annual cost savings.
- VCERA would pay a one-time fee of ~1 bps to make the transition.
- Post transition, VCERA's account would consist exclusively of SEC-registered mutual funds (as is the case today). As such, there will be no changes to the account with respect to financial reporting, liquidity, leverage, etc.
- VCERA would no longer need to provide approval to GMO as it develops and seeks approval to add new funds to the account.
- Finally, since the GMO fund of mutual funds carries a flat management fee of 56 bps, VCERA would benefit from gaining transparency into the fees/expenses being paid to manage the account. With that said, as a registered mutual fund, that fees/expenses are deducted automatically from the daily Net Asset Value and cannot be paid directly by VCERA. However, VCERA will gain transparency into the payment of the fees/expenses.

HEK has reviewed the transition from the separate account into the fund of mutual funds and does not foresee any issues. We are seeking approval to complete and execute the attached Letter of Direction, which would authorize GMO to make the transition on November 30, 2012. Our recommendation is to have the Retirement Administrator execute the direction letter.

VENTURA COUNTY EMPLOYEE RETIREMENT ASSOCIATION
PRO-FORMA TRANSITION FROM GMO ASSET ALLOCATION INTO GLOBAL EQUITY ALLOCATION FUND

	Current Portfolio		Pro-Forma Portfolio		Allocation
	Value	Percent	Value	Percent	Difference
Equities					
U.S. Core Equity	$8,196,135	4.9%	$6,355,551	3.8%	1.1%
U.S. Flexible Equities (Quality)	59,714,700	35.7%	62,719,252	37.5%	-1.8%
International Intrinsic Value	40,646,140	24.3%	18,063,145	10.8%	13.5%
International Growth Equity	13,214,177	7.9%	0	0.0%	7.9%
International Core Equity	0	0.0%	35,959,038	21.5%	-21.5%
Currency Hedged International Equity	17,730,415	10.6%	16,390,631	9.8%	0.8%
Emerging Markets	24,086,602	14.4%	24,753,198	14.8%	-0.4%
Flexible Equities	3,679,897	2.2%	3,010,524	1.8%	0.4%
Gross Exposure	$167,268,066	100.0%	$167,251,339	100.0%	0.0%
Less: Estimated Transaction Fees	16,727		0		
Net Exposure	$167,251,339		$167,251,339		

Note: Figures shown in table are estimates as of October 31, 2009. Actual market values and percentages will vary and depend on the transition date.

ESTIMATED TRANSITION FEES

	Amount
Estimated Transition Fees (1)	16,727
Total Estimated Fees	$16,727

(1) 1 bps Purchase Premium.

Monthly Summary of Medium Term Views – U.S.

November 2012

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Medium Term Views Background

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

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Absolute Medium Term Views

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
U.S. Equity					
Non-U.S. Equity					
Global Bonds					
Bank Loans					
High Yield					
Real Estate					
Hedge Funds [1]					
Private Equity [2]					
Infrastructure					
Commodities					
ACTIONS TO CONSIDER WITHIN STRATEGIC FRAMEWORK	SELL	CONSIDER SELLING / DELAY PURCHASES	HOLD	CONSIDER BUYING / DELAY SALES	BUY

1. Global Macro strategy is favored. More detail is on slide 10.
2. Attractive opportunities in certain sectors where value is created through venues other than leverage and the IPO market. More detail is on slide 10.

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Relative Equity Medium Term Views

U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S. Equity			November 2012, 1 month ago, 1 year ago			**Non-U.S. Developed**
Large Cap	November 2012, 1 month ago, 1 year ago					**Small Cap**
Value			November 2012, 1 month ago,	1 year ago		**Growth**

Non-U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
Developed	1 year ago		November 2012, 1 month ago			**Emerging**
Large Cap	November 2012, 1 month ago, 1 year ago					**Small Cap**

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

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Relative Fixed Income Medium Term Views

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S.		**November 2012,** 1 month ago	1 year ago			**Non-U.S.**
Intermediate duration		**November 2012,** 1 month ago, 1 year ago				**Long duration**
Government				**November 2012,** 1 month ago	1 year ago	**Credit**
U.S. Investment Grade	**November 2012,** 1 month ago	1 year ago				**High Yield**
U.S. Bonds		**November 2012,** 1 month ago, 1 year ago				**Emerging Market Debt**
U.S. TIPS		**November 2012,** 1 month ago, 1 year ago				**U.S. Treasuries**

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

Relative Currency Medium Term Views

	Hedge	Consider Hedge Benefits	Unhedged	
Strong USD	**November 2012,** 1 month ago,	1 year ago		Weak USD

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

Equity Market Views

Asset Class	Medium Term View	Rationale
Equity Market	Further gains unlikely to be sustained	Nervousness over the fiscal cliff has continued the pattern of losing momentum noticeable through October. Market still supported near-term by expectations of continued moderate economic growth. However, earnings are slowing and valuation upside limited, limited market prospects. Event risk from the fiscal cliff and Europe will keep investors relatively cautious.
U.S. Large vs. Small Cap	Prefer U.S. Large Cap	The continued though uneven outperformance of large cap has reduced its valuation edge over small cap though it has not eliminated it. With that in mind, the uncertainties over the US domestic economic environment and risk aversion suggests that small cap is likely to continue to underperform.
Non-U.S. Large vs. Small Cap	Prefer Non-U.S. Large Cap	There is less relative valuation support than the U.S., but we continue to see investors favoring the global diversification and greater earnings predictability of large cap.
U.S. Equities vs. EAFE	Use U.S. outperformance to raise EAFE allocations	US outperformance has certainly been slowed, though only in common currency terms does there look to be any outperformance in EAFE. Valuation gap will help EAFE eventually (US forward PEs look very high relative to EAFE), but better macroeconomic conditions in the US suggest that this will not correct immediately. Currency hedging will allow U.S. outperformance to be rebalanced towards raising EAFE allocations.
U.S. Growth vs. Value Stocks	Neutral stance between growth versus value	Our earlier comments that this was a close call has given way to a move to a neutral stance. The growth/value distinction has turned much more fuzzy because of the problems of financials. We see technology now as less likely to outperform financials even though we remain cautious of the latter's prospects.
Developed vs. Emerging Markets	Neutral stance between developed and emerging markets	Emerging markets have lagged developed markets (particularly the U.S.) for some time, reflecting investor caution on China and the economic conditions in a number of other emerging economies. Valuations have, however, now largely priced this in and emerging markets should keep pace.

Bond Market Views

Asset Class	Medium Term View	Rationale
Global Government Bonds	Negative view	Recent flight to safety has helped drive another mini flight to safety, bolstering support for core global government bonds. Markets now appear to be expecting too much quantitative easing support, relative to what is deliverable by central banks. Negative after inflation yields are the key abnormality to current conditions which are difficult to sustain given the macroeconomic backdrop.
Global Corporate Bonds	Prefer to government bonds	Returns remain vulnerable to either rising spreads (economic conditions worsen again) or rising government bond yields (improvement in economic conditions or less demand for these bonds given ultra-low yields). Duration must be managed carefully at current yield levels.
Intermediate vs. Long Duration	Extend duration only to match liabilities	Yield curve flattening pressures should ease as Operation Twist draws to a close. The Fed moving beyond MBS back to Treasury bonds may alleviate some but not all the steepening. Use of intermediate credit needs to bear in mind less attractive spread credit spread levels, however. Extend only for liability matching purposes.
U.S. vs. Non-U.S. Aggregate Bonds	Prefer the US	Greater vulnerability in core European government component of aggregate bonds than US, sits less well against the recent trend towards a faster reduction in European yields. Prefer corporate bonds to government bonds.
U.S. High Yield vs. U.S. Investment Grade Corporate Bonds	Prefer investment grade	Spread contraction has come too far too fast, laying the ground for some reversal. High yield optimism is liable to be tested in a still very mixed economic improvement. We prefer investment grade.
U.S. Bonds vs. Emerging Market Debt	Prefer U.S. bonds and local currency to dollar-denominated debt	Dollar-denominated emerging market debt is vulnerable to rising US yields (given significant duration in this asset class). Spreads have very limited room to fall from current levels. Local currency emerging market debt more attractive than dollar-denominated debt.
Treasury Inflation Protected Securities	TIPS look reasonable value	Recent market worries and support for safety has lowered break-even inflation rates once again to allow some switching opportunities from fixed interest to TIPS. Longer-term upward bias to inflation risks from current policy environment also strengthen the switching case. Standalone TIPS investment remain too expensive.

Other Market Views / Investment Strategy

Asset Class	Medium Term View	Rationale
U.S. Commercial Real Estate	Good investment opportunity for the longer term investor	While Core returns are moderating, expected performance remains attractive versus other asset classes for both equity and debt vehicles. For Non Core real estate, the bifurcation of the real estate recovery to date continues to drive attractive tactical opportunities in Value-Added and Opportunistic real estate due to the on-going recovery in underlying sector fundamentals and attractive risk premiums versus Core. Manager selection remains key.
Hedge Funds	Favored investment strategy	Weak upside prospects for equities alongside still fluid and volatile market conditions should allow hedge funds to add value. Selection of funds and strategies all important. Global macro strategy is favored with CTAs and a multi-strategy approach also worth considering.
Private Equity	Selective opportunities	Attractive opportunities in certain sectors where value is created through avenues other than leverage and the IPO market (small and midcap focus within buyouts). Opportunities exist in venture capital, growth equity, control oriented distressed debt, mezzanine, secondaries, and bank loans.
Commodities	Unattractive	Commodities have underperformed other risky assets of late, reflecting worries over global demand. Our expectation of returns from this asset class are low.
Global Infrastructure	More attractive opportunities appearing	Pressures on the public sector and corporate deleveraging are bringing more and better valued opportunities to the marketplace.
U.S. Dollar	Consider hedging exposures, particularly the Euro	Nervousness over the Eurozone crisis has started to come back and broad risk aversion has also helped the US dollar regain some ground. We see the Euro and subsequently, the Yen, as vulnerable to further weakness.

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Primary Uses of Medium Term Views

- Determining the timing of moving to new strategic allocations
  - Buying/selling at the right price improves long-term returns, badly timed decisions destroy returns

- Rebalancing decisions
  - When and to what extent to reallocate assets

- Adjusting hedges
  - Pension liability – synthetic or cash market positions
  - Other hedges – equity, inflation, etc.

- Managing an opportunistic allocation mandate
  - Portfolio segment managed to a one- to three-year horizon

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Investment Strategy Update Webcast

Timely Insights for Your Success

Dear Russ,

Please join Hewitt EnnisKnupp on Wednesday, November 14, 2012, from 10:00 a.m. to 11:30 a.m. Central Time, as we present an Investment Strategy Update Webcast for clients – the latest installment of our monthly series.

Hewitt EnnisKnupp senior management and senior representatives of the firm's Investment Solutions, Global Asset Allocation, Global Investment Management, and other teams will provide commentary on our view on the markets, research and development initiatives, and current opportunities in the marketplace.

While the focus of the monthly updates will vary based on our research agenda and market events, all clients are welcome to join all sessions; we will discuss topics of general interest in each one.

Agenda:

New Hewitt EnnisKnupp Thought Leadership: Conviction in Equity Investing
Are you concerned about the equity market reliance of your portfolio? Is the cost of risk reduction a deterrent to reducing volatility? Are you searching for new sources of diversified returns? If you said yes to any of these questions, join us for a discussion of how to capture the "Equity Insurance Risk Premium" and improve returns without increasing equity sensitivity.

Market Update and Outlook, Plus: Is Diversification Dead?
If the outlook for the global economy and markets appears uncertain to you as we approach 2013, be assured that you are in good company. We will present a market outlook from a medium-term perspective that analyzes the key market-moving factors and which asset classes are likely to perform better against this economic uncertainty. And we'll discuss how and why risky asset markets are moving in the same direction, and what risks that could bring to your portfolio.

New Hewitt EnnisKnupp Thought Leadership: Conviction in Equity Investing
What percentage of active equity managers do you think truly exhibit skill? We'll answer that question with groundbreaking new research, talk about proven strategies for finding success with active management, and challenge the industry to change its thinking about equity investing.

If you would like to submit questions prior to the event, please email us at hek.marketing@aonhewitt.com.

This is a great opportunity to learn the latest news from industry experts. Register today to receive dial-in information.

Date
Wednesday, November 14, 2012

Time
10:00 a.m. - 11:30 a.m. Central Time

Register ›

Upcoming Hewitt EnnisKnupp Investment Strategy Updates
December 19, 2012

Questions
For questions and inquiries, please contact hek.marketing@aonhewitt.com.

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Register ›

We look forward to speaking with you.

Hewitt EnnisKnupp

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Conviction in Equity Investing

November 2012

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Conviction in Equity Investing

Key Points

- Active management plays a critical, positive role in the efficiency of capital markets
- In the first study of its kind to use data on institutionally-focused products, we find that, while a large percentage of active equity managers earn enough alpha on average to cover their costs, less than 2% have demonstrated evidence of skill net of fees
  - The demonstrated skill level in active equity has steadily declined since the 1990s
- Recent research suggests that the equivalent skill figure for hedge funds is over 30%
- Only the best of the best active strategies —not just standard "buy list" managers— representing the highest conviction of the *investor* are likely to be successful in adding value
- Statistical analysis of track records is a valuable tool for assessing our odds of success given a large dataset; it is not a replacement for expert analysis of skill
- Strategies that are highest-conviction on the part of the *manager*—higher active risk, less benchmark-sensitive portfolios—offer demonstrably better odds of success
- Most institutional investors take a disproportionately small amount of risk with active management compared with the resources spent on the effort and reasonable expectations for value added
- Given these facts, we believe that Investors should consider
  - An all-passive Efficiency approach to public equity that is likely to outperform the average investor, or
  - A high-conviction, mostly active Opportunity approach that maximizes the probability of success with active management
- We believe the Efficiency model is optimal for most investors
- At a minimum, investors should avoid "closet indexing" and employ a combination of low cost passive management and high conviction active strategies
- We call on investment managers, consultants and asset owners to step up their game to fix the dysfunctional traditional equity active management model

The State of Active Equity Management

Active management plays a critical, positive role in global capital markets. It acts as the primary driver of market efficiency by exploiting, and in the process mostly eliminating, security mispricing in order to earn profits. A seminal 1980 research paper demonstrated the impossibility of fully efficient markets as long as obtaining and using information about markets costs money. Those who spend money to identify mispriced securities through research and analysis expect to get paid in the form of excess returns. If there were no excess returns available in the market, investors wouldn't have incentives to find mispriced securities, those mispricings would go unexploited, and markets would be grossly inefficient. There is an "equilibrium level of disequilibrium" that both ensures that active management exists and always will exist, and makes it very difficult to do successfully.[1]

Active management benefits society at large by promoting market efficiency, and benefits investment managers by generating fees. But does it benefit *you*? Or are index fund investors enjoying low-cost returns of markets made mostly efficient with your active management dollars?

As we will show, the evidence suggests that active management with *some* skill (ability, on average, to obtain and use information to exploit mispricing) is relatively common. However, in the great majority of cases, the benefits of skill accrue only to the manager and not to the client, since their skill generates only enough excess return to cover fees and trading costs. Active portfolio management is nearly unique in the world of commerce, in the inability of the consumer to identify true value before—and often after—buying the product.

At the same time, over the decades, the proportion of funds demonstrating enough skill to add value for their investors (that is, above fees and costs) has been on steady decline. This has been driven by increased competition, and improved models and technology—and, as we will argue later, a dissipation of *conviction* in the active management industry. **We define conviction here as the willingness to take risk and express beliefs through a bold course of action, in pursuit of long term achievement of goals.**

It is widely accepted today that the average traditional active manager underperforms the benchmark—since active managers and index funds together *are* the market, together they must earn the return *of* the market, and active management involves higher fees and trading costs that drag down average return.[2] Therefore, success with active management is dependent on proactively identifying the best managers through careful research. New analytical techniques allow us to measure the odds of active management by showing the size of the pool of skilled active managers.

Taking Active Management's Measure

In an important analytical development for the industry, recent work by three academic researchers, Barras, Scaillet and Wermers (BSW), presents a method of separating skill from luck in a broad database of historical investment manager performance.[3] The method essentially measures statistical significance of risk-adjusted excess return, correcting for the flaws in traditional versions of such tests applied to large

[1] See Grossman and Stiglitz [1980].
[2] See, for example, Standard & Poor's [2012] for data on average active manager performance.
[3] See Barras, Scaillet and Wermers [2010].

samples of managers that tend to cause luck to be misidentified as skill.[4] The authors examine U.S. equity mutual fund performance from 1975 to 2006, using a database of over 2,000 funds that is free of survivorship bias and adjusting for investment style, and separate funds into three categories as described in Figure 1.[5,6]

Figure 1
Classifications of Manager Skill[7]

Unskilled	Underperform on average after fees and trading costs	Net alpha < 0
No Evidence of Net Alpha[8]	Earn enough excess return on average to cover fees and costs, but no more	Net alpha ≈ 0
Skilled	Outperform on average net of fees and costs	Net alpha > 0

Additionally, we conducted a similar analysis on the widely-used eVestment Alliance database of institutionally-oriented separate accounts, commingled funds and mutual funds over the period 2000-2011. Our analysis was based on 3,494 investment products.[9] To reflect the global nature of the modern approach to management of the public equity asset class, we included both U.S. and non-U.S. equity strategies. The starting date of 2000 was chosen to coincide with the inclusion of closed and merged products in the database, to address survivorship bias; we also applied correction for back-filling or

[4] Specifically, the method corrects for the known percentage of errors in the statistical technique called hypothesis testing. Hypothesis testing, in this application, allows us to determine whether or not a manager's alpha is higher or lower than zero not due to random chance, within a certain "significance" level, say 5%. At a 5% significance level, we have a 5% chance of incorrectly concluding that alpha is truly better than zero when it is not. When we do many such tests (as we do here), we know we will be wrong in 5% of them. This method effectively reclassifies the erroneous results as findings of No Evidence of Net Alpha.

[5] "Survivorship bias" refers to the tendency for many databases of fund performance to include only funds that have survived to the present time, and exclude those that have closed down or been merged with other funds. Since funds that are closed or merged are often those with weaker performance, including only the survivors tends to bias average performance upward. A database that is free of survivorship bias is one that includes "dead" (closed or merged) funds as well as survivors.

[6] Adjustment for investment style is done by measuring value added by excess return relative to a set of market, size, value and momentum factors.

[7] Alpha is defined in Figure 1 specifically as excess return relative to a style- and risk-adjusted benchmark. The term "alpha" is used elsewhere in this paper as referring to excess return relative to an appropriate benchmark.

[8] We use a slightly different terminology than does BSW. They use the term "zero alpha" for the group of products to which we refer to as "No Evidence of Net Alpha".

[9] Product count includes multiple vehicles per product (separate account, commingled fund, mutual fund). The vehicle with the longest history was used.

"instant history" bias. [10,11] Fees were assumed to be those of the lowest-cost investment vehicle for each product.[12] We provide more description of our methodology in the Appendix section.

Our study is the first of which we are aware that uses institutionally-oriented products rather than strictly mutual fund data, and therefore represents an advancement in understanding of the track record of the active equity investment management industry.

The Motivation

Why should a practical-minded investor concern herself with statistical significance of the track record of a manager that has generated alpha? Over the years, many have come to believe that this is a nearly unachievable goal, requiring stellar performance results, a track record of many years, or both. It is indeed challenging though far from unattainable. In our study, a manager would need to generate an information ratio of about 0.65 over the full period of 2003-2011[13] (or a 3.2% annual alpha at the average active risk level of 5.0%) to meet the threshold of significant outperformance.[14]

In the natural world, mathematics can help us make correct decisions in individual applications, such as designing a bridge to be durable and safe. The world of human behavior, with its complexity and messiness, defies mathematics. Statistical analysis is not a sufficient tool for identifying an individual skilled manager, because of noise, limited data, and the simple inadequacy of quantitative measures in explaining human capability. If statistics were enough, identifying skill would be easy, and only truly skilled managers would survive.

However, given a large dataset and a long period of time, science can help us estimate the magnitude of the task before us. Knowing the difficulty of identifying skilled managers helps us approach the challenge in a way that has the best odds of success. Inescapably, there is an element of belief needed when relying on human skill, and taking risks based on those beliefs is a demonstration of conviction on the part of the investor. Science, here, is a link between belief and practice.

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[10] The database is survivorship-bias free only after 2000 (the database itself was launched in mid-2000 but data is available as far back as the 1980s).

[11] Backfilling or "instant history" bias refers to the upward bias in database results when investment managers adding new products are allowed to back-fill historical returns prior to the product's inclusion. Because products that are submitted by managers for inclusion in a database are usually ones that have generated strong return histories, back-filling, while useful for completeness of data, tends to increase the average performance level.

[12] We assumed a $50 million mandate size. Median fee over the full HEK sample was 68 basis points for U.S. equity products and 73 basis points for non-U.S. equity products.

[13] After excluding the first 36 months to correct for back-filling or instant history bias

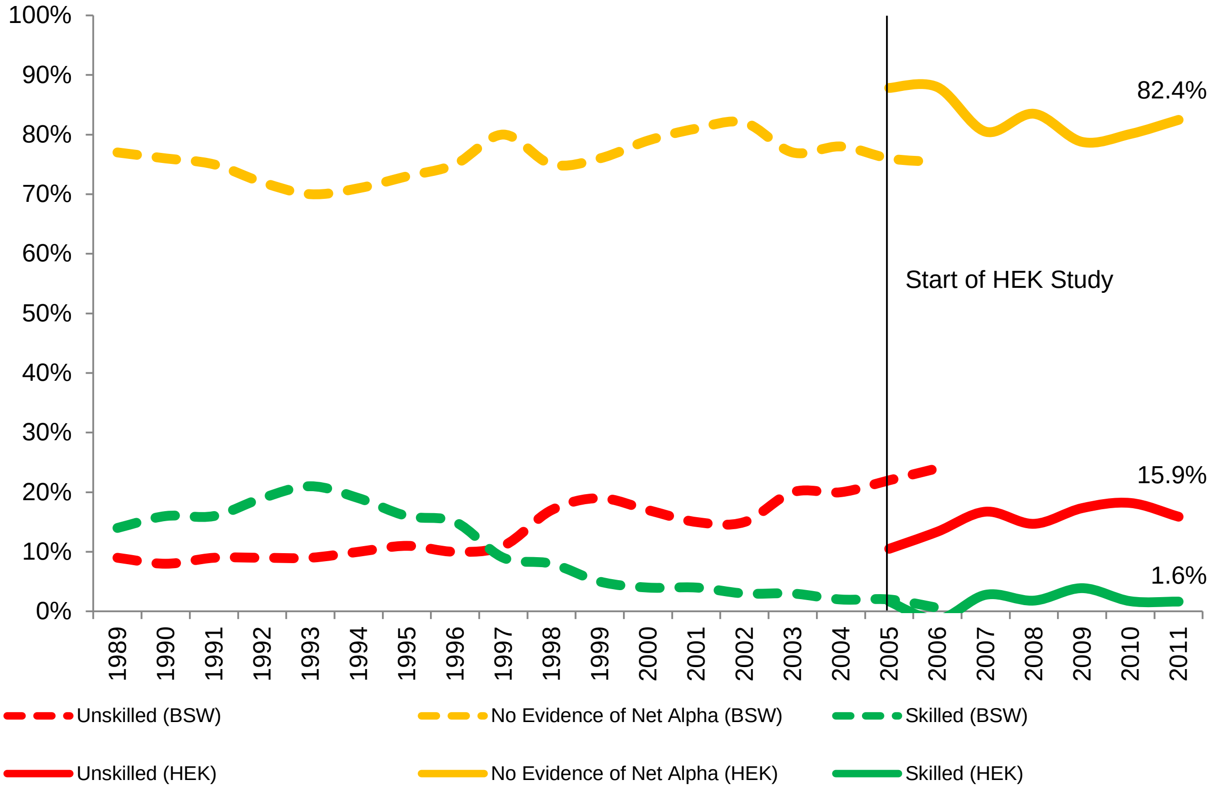
[14] Significant at a traditional 5% level, before any correction for misidentification of luck as skill. But at the 5% significance level, such corrections only make a small difference.

The Results

Consistent with many past studies, the average product in our analysis underperformed its risk- and style-adjusted benchmark, in this case by 0.4% per year. 58% of products generated negative alpha. But some outperformed—some by a material amount. What percentage of equity investment managers would you expect to demonstrate skill?

The striking results of the HEK and BSW studies are shown in a combined format in Figure 2. The three lines represent the percentage of investment products whose histories, cumulative since the beginning of the respective studies, place them in the unskilled, No Evidence of Net Alpha and skilled categories.

Figure 2
Manager Skill Over Increasing Cumulative Periods, 1975-2011



The majority (70-90%) of investment products belongs to the No Evidence of Net Alpha camp (represented by the red lines); strategies run by managers with enough skill, on average, to earn back their fees and costs, but not to provide statistically meaningful excess return to investors. As we will discuss later, the use of active management involves costs other than fees and trading, such as oversight—so retaining these managers is worse than just a break-even proposition.

Truly skilled managers (green lines), who earn significant alpha net of fees and costs, have been steadily declining in proportion, from about 20% in the early 1990s to a very small number today. (At the same time, the representation of unskilled managers [yellow lines] has been steadily rising.) The most recent observation (2006) from the BSW study indicates evidence of skill in only 0.6% of U.S. equity mutual funds. Our most recent observation (2011) finds evidence of skill in 1.6% of institutionally-oriented U.S. and non-U.S. equity investment products.[15,16]

Put another way, more than 98 out of 100 institutionally-oriented equity investment products of all styles spanning the global equity opportunity set have failed to add true value, significantly different from zero, above fees and costs for investors over the past several decades. That proportion, furthermore, has been steadily rising as the active management industry continues to grow in size, and advances in information technology and analytical techniques make data cheaper and more useful.

Our study considers primarily U.S.-based investment managers of the equities of firms domiciled around the world. These same techniques are beginning to be applied globally to investment management firms located in a variety of regions, with similar results in the UK (3.7% of equity mutual funds in that country exhibited evidence of skill), Germany (7.5%) and China (7.9%).[17]

With odds like this, only the best of the best are likely to outperform consistently. Managers that score well on all the standard evaluation criteria, but simply aren't the highest conviction choices, aren't likely to pay off for their investors.

Skill in Alternative Investments

In a recent paper, we argue that certain types of alternative investments, including hedge funds, enjoy a tailwind in performance relative to traditional stock and bond managers. Another recent study applies the BSW methodology to the Lipper TASS database of hedge fund performance over the period 1994-2009, correcting for survivorship, backfill and other biases.[18] In this analysis, the proportion of skilled hedge funds is 31%, with skill fairly stable, not declining, over time. The broader, higher-conviction approach of

[15] Before the correction for misidentification of luck as skill that is the defining feature of the method we use in this study, the percentage of products with statistically significant positive alpha was 18.0%, at a significance level of 40%. Approximately 50% of products had alphas insignificantly different from zero. We know that, given the significance level, 40% of products classified as Unskilled and Skilled were done so in error (luck misidentified as skill), and truly belong in the No Evidence of Net Alpha group. Therefore, the true No Evidence of Net Alpha group must be 40% larger than 50%, or approximately 83% of product. 20% of *these* (half of the 40% error), or about 16% of total products, were misclassified as Skilled. Therefore, the Skilled group is 18% minus about 16%, or about 2%. Under this method, using a more traditional significance level of, say, 5% has minimal impact on results.

[16] We repeated the analysis using the benchmarks specified for each product in the database, rather than the market, size, value and momentum style factors. The proportion of products in the Skilled category under this analysis, which counts some elements of manager style as "alpha", is 11.5%.

[17] See Cuthbertson, Nitzsche and O'Sullivan [2011]; Otamende, Doncel, Grau and Sainz [2008]; Tang, Liu and Yang [2011]

[18] See Chen, Cliff and Zhao [2011].

hedge funds, as well as their ability to attract strong talent from traditional active management, lead to stronger odds of success.

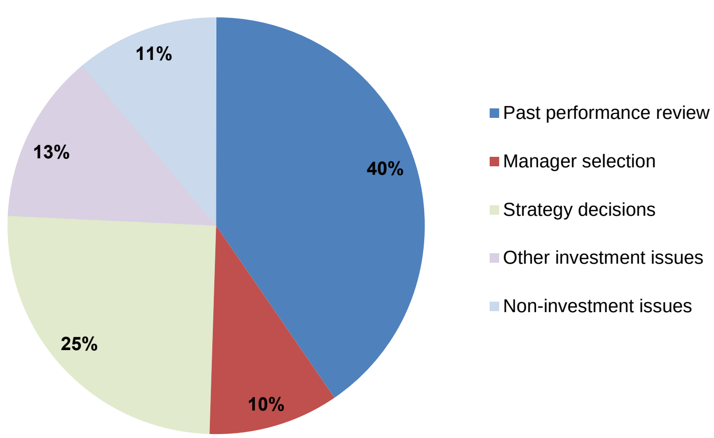
Risk, Time and Cost

The true risk of active management is not short-term underperformance, which happens even with skilled managers, but value destruction over time through wasted fees and costs. Active management can be thought of as a long-term game where winners (successful in identifying skilled active managers in advance) gain excess returns, and losers (who discover that they are unskilled in manager selection) leave the contest poorer by the amount of their fees and costs.

These costs are significant, consisting not just of management fees and trading expenses but also the slippage associated with suboptimal investor behavior, such as hiring and firing managers based on short term performance results. Importantly, they also include “soft costs” of using active management, such as Committee time devoted to active manager issues.

A Vanguard study collected survey data on investment committee dynamics, including how meeting time is spent.[19] The data is summarized in Figure 3. In addition to the 10% of time reported as spent on manager selection, 40% of committee time was spent on past performance review. Issues relating to active management, especially reasons for underperformance, dominate quarterly discussions of investment results. Employing active management takes significant resources.

Figure 3
Investment Committee Time Spent on Various Activities



Source: Vanguard Investment Counseling & Research

[19] See Stockton [2009].

These costs have a semi-fixed element associated even with relatively small allocations to active management. Hiring one more manager doesn't increase oversight resources spent on the margin by as much as retaining the first one does.

This effect suggests that there is an efficiency argument for using *more* active risk if any is to be used at all.[20]

A Solution: Conviction on the Part of the Manager

For decades, studies have searched for a link between active management style or strategy and outperformance (e.g., small cap active)—and for the most part come up short.[21] Where such a link consistently *has* been found is with high conviction, as expressed through material active risk and more concentrated portfolios. The link between conviction and success—or benchmark-like portfolios and mediocre performance—is intuitive. Managers may have stock-picking skill but tend to hold large amount of alpha-reducing deadweight positions to reduce benchmark risk in addition to their best ideas. They need sufficient active risk to overcome the drag of their fees, which don't decrease proportionally with risk. And some unskilled managers may know they are unskilled and hug the benchmark to hide that fact and continue to collect fees. Notable findings from this emerging area of research are summarized below.

[20] Active risk is a measure of a portfolio's deviation from a benchmark, or the aggressiveness of an active strategy. It is defined mathematically here as the annualized volatility of excess monthly or quarterly excess return relative to the benchmark, and is synonymous with "tracking error".
[21] See, for example, Ennis and Sebastian [2002].

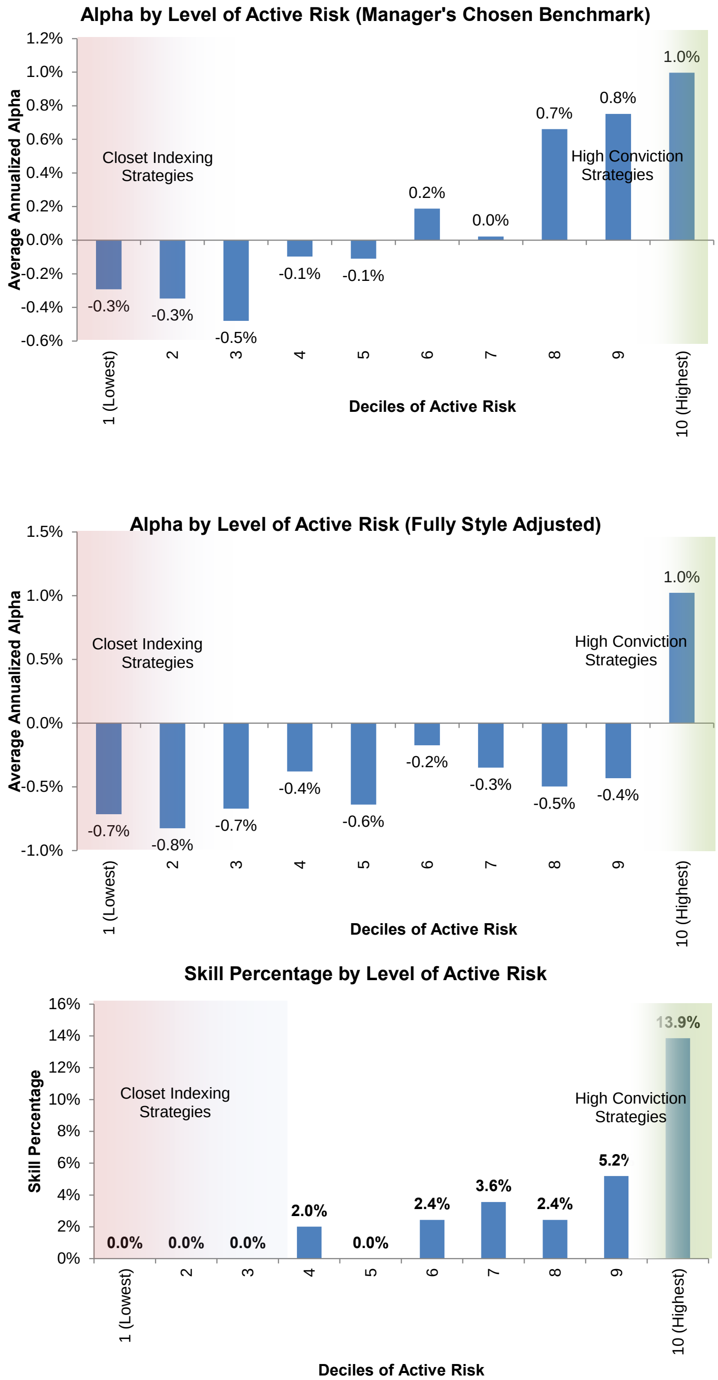
Figure 4
Review of Literature on Performance of High-Conviction Strategies[22]

Study	Finding
Amihud and Goyenko [2012]	Funds with lower R^2 (greater deviation from the market) outperform
Baks, Busse and Green [2006]	Managers willing to take big bets outperform
Brands, Brown and Gallagher [2005]	More concentrated funds outperform
Cremers, Ferreira, Matos and Starks [2011]	The most active funds outperform; closet indexers underperform
Da, Gao and Jagannathan [2010]	High active share and aggressive growth managers outperform
Duan, Hu and McLean [2009]	Managers exhibit stock picking ability only in high-volatility stocks
Huij and Derwall [2011]	Fund managers willing to take big bets, and with broader investment strategies, outperform
Ivkovic, Sialm and Weisbenner [2008]	Households with more concentrated stock holdings earn better returns
Jiang, Verbeek and Wang [2011]	Managers' highest-conviction stock holdings outperform
Kacperczyk, Sialm and Zheng [2004]	More concentrated funds outperform
Petajisto [2010]	The most active stock pickers outperform; closet indexers underperform
Wang and Zheng [2012]	Hedge funds with strategies more distinctive from peers outperform
Wermers [2000]	Funds that trade more actively outperform

Figure 5 illustrates the relationship between active risk, alpha and skill in our study, dividing products into deciles (ten equal groups) sorted by active risk. There is a clear positive relationship between active risk relative to a manager's preferred benchmark and alpha. Closet indexing strategies with low active risk generate negative alpha, while high conviction strategies with high active risk outperform. After fully adjusting for style, *only* the highest risk group earned positive alpha—a healthy 1 percentage point after fees. And when conducting our skill analysis within each group, we find no evidence of skill among the closet indexers, but nearly 14% in the highest risk group. High conviction active strategies are truly a separate category, whether found in the traditional equity space or among alternative investments.

[22] See the References section at the end of this paper for more identifying details on the studies listed here.

Figure 5
Active Risk, Alpha and Skill



None of this is meant to suggest that an active strategy is better simply because it takes on more risk—risk seems to be a necessary, but not sufficient, condition for adding value. Higher active risk removes constraints and allows managers who truly have skill to add value. It also can be a signal for other positive characteristics, most importantly conviction in one's own abilities. Those who can truly add value will want to profit from their skill. Those who cannot will not stray too far. **The challenge for the investor is to be willing to reward managers with high conviction, but volatile, strategies with their business. Doing so improves your odds of success.**

Next, we examine the risk-taking practices of the investors themselves.

A Risk Puzzle

It has been argued that the relationship between conviction and outperformance (or conversely, over-diversification and underperformance) has developed only since the mid-1990s, and accounts for a large part of the decline in observed skill since that time.[23] Closet-indexing active equity strategies began to replace traditional stock picking around that time as precise benchmarking and style boxes came in vogue with consultants and clients, who punished managers who strayed too far.[24] The shift of talent from traditional equity management to hedge funds has likely accelerated this effect. The creator of the "active share" measure of deviation from benchmarks argues that closet indexing has gained even more popularity since the beginning of the financial crisis.[25]

A similar effect exists in diversified portfolios of active managers held by clients. Institutional investors behave in a way consistent with expecting value added from their active managers; for example, they spend significant resources (money and soft costs) selecting and monitoring managers. But it is well known that active management typically contributes only a small percentage of total fund risk and return, with asset allocation accounting for 90% or more of long-term results.[26] This is true of institutional investors with whom we work, who routinely exhibit total risk allocations from active management of 5%, 3% or even less.

As a result, the implied alpha (expected aggregate active manager excess return consistent with portfolio structure including risk allocations) of a typical investor is in the neighborhood of five to ten basis points.[27]

[23] See Senechal [2010].
[24] Closet indexing refers to active portfolios that are so close to the benchmark as to provide index-like returns with active fees and costs.
[25] See Petajisto [2010].
[26] Long-term results are defined here as volatility of total returns, but the assertion also holds true for level of long-term returns. See Brinson, Singer and Beebower [1991] and Ibbotson and Kaplan [2000] for discussion.
[27] We use the implied expectations calculation methodology described in Sharpe [2002] for an investor with a 75% allocation to the broad global equity market, a 25% allocation to the broad, market duration investment grade bond market, a 3% aggregate active risk level in active equity, a 50% active allocation within fixed income with aggregate risk of those active managers of 1%, and a 70% active allocation within equity. Roughly, implied alpha is equal to marginal contribution to risk from active equity divided by the marginal contribution to risk from the equity market, divided by the expected return on the equity market.

In general, investors' portfolios are positioned to earn much less alpha than they likely expect, even if successful with active management.

When an investor with reasonable expectations for long-term equity market returns—7-8%--structures the portfolio, as most institutional investors do, to take the vast majority of total risk from asset allocation, the implication is that little is expected from active management. Only an all-active portfolio of high-conviction concentrated strategies comes close to being consistent with the typical investor's alpha expectations, likely 0.5% per year or more.

This phenomenon—that investors take so little risk, and that risk taking is so similar across organizations, despite the fact that they must have differing views about active management—has been described as the "active risk puzzle".[28] Low risk contributions from active management are driven by several factors, including the use of low-risk strategies, closet indexing by over-diversifying across portfolios, and the use of passive management. We argue that passive management has two motivating factors.

- *Reduce volatility of active return;* that is, the short-term variance of results of active managers the client believes to be skilled and expected to add value in the longer term. This is entirely reasonable, but given the small contribution to the bottom line from even skilled active management, the additional dilution reduces the chance of significant total fund success with active management.

- *Hedge the active management bet*; that is, limit exposure to active management in the event that the managers are in fact unskilled. This signals a lack of conviction in the chosen strategies, which is unlikely to be associated with long-term success with active management, especially if it is associated with value-destroying behaviors such as frequently hiring and firing managers. In an often-cited study, two academic researchers found that plan sponsors' manager termination decisions led to no better outcomes than if they had stayed with the fired managers.[29]

To which camp do you belong with your passive investments? Can those investors who lack conviction in active management succeed with it in the long term?

A Solution, Continued: Conviction on the Part of the Investor

Impactful, lasting success with active management requires a high conviction strategy. This means taking a meaningful portion of total fund risk with highly active strategies that represent the very best ideas of the professionals conducting manager selection.

[28] See discussion in, for example, Litterman [2004].
[29] See Goyal and Wahal [2008]

Clients who do not want the cost, complexity and volatility of such a strategy, or who do not have the necessary conviction in active management, or whose short time horizon or very large size does not make them a good candidate for a highly active aggregate equity portfolio, would be well-served by a traditional global public equity portfolio that is all-, or nearly all-, passive.

We recommend that investors consider one of two directions:

> **An *Efficiency* equity portfolio that is 100% indexed to a broad global equity benchmark.** This minimum-cost and complexity portfolio reaps the benefits of market efficiency driven by the industry's active management efforts, and can be expected to earn a return equal to or better than that of the average investor over long periods of time.
>
> **An *Opportunity* portfolio that maximizes the odds of success from active management in a high-conviction approach that is 80% or more actively managed,** focusing on more concentrated active portfolios and avoiding low active risk and closet indexing deadweight at all costs. This higher cost, higher complexity approach gives investors a realistic chance of achieving the active management excess return goals they expected to achieve all along, and mines the existing portfolio for a new and significant risk factor with a low correlation with the markets.
>
> If you are an experienced user of active management who seeks to maximize returns in your public equity portfolio, and yet the Opportunity approach doesn't sound appealing to you, consider what this reveals of your true beliefs about active management in this area.

We believe that the Efficiency model is optimal for most investors. Efficiency investors demonstrate conviction through a bold course of action of differing from peers who subscribe to the current model of active equity management. Those who choose to reduce or eliminate active risk in public equity free up resources for a shift in risk taking to hedge funds, private equity and non-core real estate investments, where investors have a tailwind relative to traditional active management.

Those who choose Opportunity in public equity might effectively combine those strategies with their alternative investments in a broad High Conviction asset category that includes higher active risk traditional equities, hedge funds and hedge fund-like strategies (including long/short), private equity and more. Recall that the equity managers who were willing to take the most risk relative to the benchmark stood out from the crowd, demonstrating positive alpha and skill percentages that could reasonably compete with those of hedge funds.

High conviction strategies require a long-term focus and patience with short-term volatility. Investors who allocate to more volatile concentrated managers should choose to treat these public investments *as if they were illiquid* like private investments, and pledge to resist making portfolio changes mid-stream.

For investors unwilling to go to such extremes, at a minimum consider a strategy that combines indexing with high-conviction active strategies and avoids the expensive diversification of low active risk strategies and multitudes of actively managed portfolios.

Whatever the chosen course of action, investors should place a very high hurdle in front of prospective active managers. Accept only the highest-conviction choices (the very highest-rated managers), and choose indexing wherever there is any doubt about the quality of the available products in a given category.

A Call to Action

The existing traditional equity active management model is broken. Enormous sums of money chase a tiny proportion of skilled managers. Institutional investors spend significant time and resources on a portion of their programs that, for most, contributes little to the bottom line even when successful. What should be done? Many investors will choose, over time, to move to an Efficiency-type model of passive management. The traditional active management industry will also likely transform over time toward the more unconstrained approach of hedge funds and other alternative investment strategies.

But the active management industry, with the size and incentives to act as the enforcer of capital market efficiency, isn't going anywhere. We call on all of the major players to step up their game.

Investment managers must focus on higher-conviction strategies that allow their skill to flow through to client returns, and reject low active risk strategies whose alpha is eaten up by fees and trading costs.

Consultants must also act with greater conviction, putting forward only their strongest recommendations, avoiding "safe" managers and being willing to recommend indexing instead in areas where credible products are lacking, or closed to new investors.

Asset owners must look within themselves to discover whether they are true believers. Those who are (the Opportunity investors) must demand conviction from managers and consultants, but also defeat their own value-destroying tendencies to chase returns and fire underperformers.

We may be at an inflection point in portfolio management—one that presents an opportunity for our industry to find success in its most difficult endeavor.

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Appendix

We conduct a similar analysis of separating skill from luck in a broad database of historical actively-managed equity investment manager performance using the framework described in BSW research study[30].

We start with monthly gross-of-fees returns obtained from widely-used eVestment Alliance database of institutionally-oriented separate accounts, commingled funds and mutual funds that exist at any time between 2000 and 2011 (inclusive). To reflect the global nature of the modern approach to management of the public equity asset class, we included both U.S. and non-U.S. equity strategies. While the original dataset included over 6,000 investment products[31], we further select only funds having at least 36 monthly return observations (the monthly returns need not be contiguous). Further, we calculate net-of-fees returns using fees that were assumed to be those of the lowest-cost investment vehicle for each product[32]. To correct for back-filling bias, we used information from eVestment database that reports both the inception date of each fund as well as the date the fund was added to their database. Using this information, we drop the first 36 monthly returns of every fund[33]. Our final dataset has 3,494 funds[34].

As per BSW framework, the key inputs required are the *t-statistics* and *p-values* of individual fund estimated alphas. For each fund, we estimate the alphas (and subsequently *t-statistics* and *p-values*) using the four-factor regression model (proposed by Carhart) employed by BSW[35].

Among the 3,494 funds (and using the performance of each fund over the period 2003 to 2011), we estimate that the majority – 82.5% - are No Evidence of Net Alpha funds – funds that earn enough excess return to cover fees and costs and no more (Net alpha ≈ 0). Further, 15.9% of the funds are unskilled (Net alpha < 0); while 1.6% are skilled (Net alpha > 0).We also examine the evolution of manager skill over time using the framework described by BSW. At the end of each year from 2005 to 2011, we estimate the proportions of unskilled, No Evidence of Net Alpha, and skilled funds using the entire return history for each fund up to that point in time. As we move forward in time, we add new funds once they exhibit a 36-month record. To illustrate, our initial estimates, at the end of 2005, cover the first three years of our sample, 2003 to 2005 (2,145 funds), while our final estimates, at the end of 2011, are based on the entire 9 years, 2003 till 2011 (3,494 funds).

[30] See Barras, Scaillet and Wermers [2010]; Specifically, we used the fixed-value procedure as described in the Internet Appendix section of their article [with $\lambda^* = 0.6$ and $\Upsilon^* = 0.4$].
[31] Product count includes multiple vehicles per product (separate account, commingled fund, mutual fund). The vehicle with the longest history was used.
[32] We assumed a $50 million mandate size. Median fee over the full HEK sample was 68 basis points for U.S. equity products and 73 basis points for non-U.S. equity products.
[33] The median incubation period – from a fund's inception to its entry into eVestment – was 49 months for U.S. equity products and 35 months for non-U.S. equity products. We used 36 months for simplicity and consistency.
[34] 3,138 U.S. equity products and 356 non-U.S. equity products.
[35] U.S. equity factor returns were obtained from Kenneth French's website. Non-U.S. equity factor returns were provided by Jason Hsu (see References section).

HEK Study Decision Tree

<table>
<tr><th>Step</th><th colspan="3">Data[36]</th></tr>
<tr><td>Identify Dataset</td><td colspan="3">3,494 products
(100%)
Average alpha = -0.4%
Average active risk = 5.0%</td></tr>
<tr><td>Test for Significance</td><td>Significant negative alpha
(32%)
Average alpha = -3.0%
Average active risk = 4.4%</td><td>Non-significant alpha
(50%)
Average alpha = 0.0%
Average active risk = 5.1%</td><td>Significant positive alpha
(18%)
Average alpha = 3.4%
Average active risk = 5.6%</td></tr>
<tr><td>Correct for Misidentification of Luck as Skill</td><td>Unskilled
(16%) 16% →</td><td>No Evidence of Net Alpha
(82%)</td><td>← 16% Skilled
(2%)</td></tr>
</table>

[36] Alpha and active risk statistics shown are annualized

Hewitt ennisknupp
An Aon Company

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About Hewitt EnnisKnupp

Hewitt EnnisKnupp, Inc., an Aon company, provides investment consulting services to over 500 clients in the U.S. and abroad with total client assets of over $2 trillion. Our more than 200 investment consulting professionals – a result of the merger of Hewitt Investment Group, Ennis, Knupp & Associates, and Aon Investment Consulting – advise endowment, foundation, not-for-profit, corporate and public pension plan clients ranging in size from $3 million to over $740 billion. For more information, please visit www.aonhewitt.com

The Obama Win: Implications for Markets

November 13, 2012

The Result

In the end the polls were correct in their prediction of how the popular vote would go. With only Florida left to declare, Obama's lead over Romney stands at approximately 2% of the vote.

A comparison with the 2008 election highlights the erosion of the relative standing of the President. His share of the popular vote and his lead over the opposition challenger fell by 3% and 5%, respectively when compared with 2008. However, the mathematics of the Electoral College system delivered a convincing win, with most swing states coming Obama's way. The balance of power in Congress and Senate stayed unchanged, with the Republicans retaining control of the house and the Democrat hold over the Senate somewhat strengthened.

Market reactions so far

The removal of uncertainty on who will be President and Obama's convincing win (in Electoral College terms at any rate) should have been mildly helpful for equities from a short-term trading point of view, but apparently this is being offset by concern about things going wrong in the upcoming fiscal cliff negotiations.

The favorable reaction in the U.S. bond market (and mild associated weakness in the U.S. dollar) appears to stem from the somewhat questionable assumption that the Obama win strengthens Chairman Bernanke's hand at the Federal Reserve and that he is:

- more likely to do more quantitative easing than otherwise and
- more likely to stay on as Chairman of the Fed when his current term runs out in early 2014, which biases monetary policy towards an 'easier for longer' stance.

The truth of the matter is otherwise – the Bernanke Fed will be more guided by its view of how the economy is evolving when it comes to quantitative easing. Bernanke himself has for some time indicated that he will probably stand down regardless of who is President.

The trading reaction in the bond market will very soon give way to a consideration of whether the fundamentals in the bond market have changed as a result of the election. The only correct answer is that they have not.

Beyond election trading – markets will look to the fiscal cliff negotiations

Once the trading reactions of markets to the election result have passed, the baton of market attention will quickly pass on to the very difficult political governance environment in the U.S. and the approaching 'fiscal cliff' deadline. This is when some 4% of GDP equivalent of tax increases and spending cuts take effect at the start of 2013, most notably a reversal of the payroll tax cut which has been helpful in keeping the economic recovery on the road. The risk of a recessionary lapse from even a part of this fiscal tightening occurring is not disputed.

Four years ago, Obama had stronger popular support. Additionally, the Democrats had control of the House of Representatives and the Senate. Today, his popular support is smaller, and the Republicans control the House convincingly. With the financial crisis exposing a large hole in the public finances which is still largely unrepaired, and seemingly irreconcilable differences between the parties on where the burden of the inevitable fiscal cuts should fall, we cannot underestimate the difficulties ahead.

Until the last few weeks, there was overwhelming consensus that Congress would not commit economic suicide by allowing a large fiscal tightening to occur in a still enfeebled U.S. economy that is struggling to gain traction. There have been a few wobbles of late in the degree of certainty with which this outcome was viewed, but it has remained the core view in the markets. A creeping nervousness about the fiscal cliff has been assuaged at the margin by Federal Reserve largesse.

Our view on the negotiations regarding the fiscal cliff has been along the lines that though they could go to the wire, and the year-end deadline could slip marginally, they would still succeed in averting any significant tightening. This view remains unchanged.

Two possible market tests to the consensus view

That said, we see two possible market tests to the consensus view coming. The first and most immediate test arises from the consensus view not being met, the non-trivial risk of a full or partial collision with the cliff. This will have a detrimental economic impact. We should note that even with the key tax rises and spending cuts averted, cuts at the local and municipal level mean that the economic impact of government is already going to be negative in 2013. In a scenario where some or all of the fiscal cliff is not negotiated away, market damage is most likely to be felt in equities and risky assets. In a weak global growth environment with slowing corporate earnings, a setback to the U.S. economy is not going to go down well in equity markets. Though seemingly supportive of U.S. Treasury and global government bonds, given their already low yield levels, the impact on bonds is likely to be felt mainly in credit, through some reversal of the large declines in credit spreads seen this year. This would be true of both investment grade and sub-investment grade bonds, but particularly in the latter.

The other and later test could come *after* the consensus scenario on the fiscal cliff negotiations materializes. Here, inaction and policy paralysis through 2013 could lead to a growing view that fiscal consolidation is politically impossible in the U.S. given the frozen political process under both old and new Obama administrations. In turn, this could affect the appetite for U.S. Treasury bonds, especially given the risks that exist at current ultra-low yield levels.

There are several route maps for this adverse scenario developing, but all essentially amount to a worse demand-supply balance for U.S. Treasury bonds that lead to higher yields over time, perhaps most likely in longer duration bonds where the impact of Operation Twist will fade going into 2013. The Federal Reserve could, of course, attempt to counterbalance this with more buying, but its success in soothing such concerns once they have bubbled up, is not guaranteed. In this test to markets, any difficulties with bonds could spill over into some sympathetic weakness in equities alongside U.S. dollar weakness.

Of the two possible tests, market preoccupations at this time will inevitably focus on the bigger near-term problem, that of the potential collision with the fiscal cliff. We should note, however, the implication from the second scenario outlined above. Assuming that the near-term risk of colliding with the cliff is averted, as is likely, there remain risks to markets that go well beyond the year end.

No real change to pre-election market environment

The high level message we take away from the Obama re-election is that there is no material change to the broader market environment from this result.

The mix of policy in the U.S. – loose fiscal policy alongside ultra loose monetary policy has brought about reasonable economic outcomes to be sure. One way or the other, however, the market is beginning to come to terms with the fact that the policy stance has to tighten over time, even with Mr. Bernanke staying 'easy' for now.

There remain some market challenges ahead.

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November 19, 2012

Mr. Donald Kendig
Retirement Administrator
Ventura County Employees' Retirement Association
1190 S. Victoria Ave., Suite 200
Ventura, CA 93003-6572

Dear Donald:

As we have done in the past, we revisit our fee agreement with VCERA annually at this time. We propose to modestly increase our current fee level by $7,000 for the coming year to modestly reflect inflation and additional activity that we expect in the alternative areas such as private equity. Note that this is less than a 3% increase.

Our service agreement remains an all-inclusive fee arrangement. Our services continue to include quarterly performance reports, monthly flash reports, ongoing discussions and monitoring of the investment managers, asset liability studies, attendance at eight Board meetings, coordination of an annual investment policy retreat, delivery of Hewitt EnnisKnupp's research publications, invitations to client conferences and training and availability for phone and personal consultations of general nature.

In addition to the above, under our all-inclusive arrangement we remain available to work with you on any other matter within our expertise and involving the investment program. This arrangement includes, but is not limited to, investment policy and structure matters and manager searches.

We value the relationship with you and the members of the Board and we are pleased to have built a valuable partnership with VCERA over the years. We look forward to continuing our long-term relationship with you and discussing implementation plans for key policy initiatives in 2013 such as the greater use of opportunistic platforms, the evaluation of your custodian and the implementation of additional alternative investments to potentially increase the odds of higher absolute and relative returns.

We have included an updated service agreement. If it meets your approval, please execute and return it to us where we will have it countersigned and return a copy to you. Of course, please let us know if you have any questions or comments.

Sincerely,

Russ Charvonia, ChFC, CLU, CFP®, RPA, Esq.
Principal

Kevin Vandolder, CFA
Principal

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
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(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

November 19, 2012

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

SUBJECT: ASSIGNMENT OF ADVISORY SERVICES FROM CLIFTON TO PARAMETRIC

Dear Board Members:

Recommendation

Staff recommends that you:

1. Receive and file The Clifton Group Investment Management Company notification of its acquisition by Parametric Portfolio Associates LLC, and
2. Authorize the Retirement Administrator to execute the assignment of advisory services.

Discussion

Parametric Portfolio Associates LLC (Parametric) has agreed to acquire the business of The Clifton Group Investment Management Company (Clifton) in a transaction that is anticipated to close on or about December 31, 2012. The execution of an assignment of advisory services is a standard practice when one advisor is acquired by another.

Of most importance to retirement staff is Clifton and Parametric's intention of continuing in its current location in the Minneapolis area and no anticipated changes in Clifton personnel.

Hewitt EnnisKnupp has reviewed this transaction, does not presently have any significant concerns, will provide an update on the transaction separately, and is available to answer any questions or concerns you may have.

I would also be delighted to answer any questions you may have.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

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Attachment

CLIFTON
GROUP

THE CLIFTON GROUP
3600 MINNESOTA DRIVE
SUITE 325
MINNEAPOLIS, MN 55435

November 12, 2012

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

Dear Mr. Solis:

We are pleased to inform you that Parametric Portfolio Associates LLC (Parametric) has agreed to acquire the business of The Clifton Group Investment Management Company (Clifton) in a transaction that is anticipated to close on or about December 31, 2012.

Clifton is currently owned 80% by non-employee shareholders and 20% by Clifton's three principals: Chief Investment Officer Jack Hansen, Senior Portfolio Manager Tom Lee and Managing Principal Kip Chaffee. Each Clifton principal will receive equity in the combined firm and will continue in his current role pursuant to a long-term employment agreement entered into at closing. It is expected that an additional group of Clifton employees will also become equity holders in the combined firm. Clifton will operate as a division of Parametric, with Kip Chaffee reporting to Brian Langstraat, Parametric's Chief Executive Officer, and Jack Hansen retaining responsibility for leading Clifton's investment function. Clifton will continue in its current location in the Minneapolis area and no changes in Clifton personnel are expected as a result of the transaction.

Parametric is a Seattle-based investment management firm focused on the delivery of rules-based, risk-controlled strategies, including engineered alpha-seeking portfolios, options strategies and customized equity and centralized portfolio management implementation services. As of September 30, 2012, Parametric managed $53.1 billion of client assets. Parametric is a majority-owned subsidiary of Eaton Vance Corp., one of the oldest investment management organizations in the U.S., with a history dating back to 1924. As of September 30, 2012, Eaton Vance and its controlled affiliates had assets under management of $198.2 billion.

Clifton and Parametric share a focus on partnering with clients to help them achieve their return objectives and manage risk. Clifton's strengths in overlay management and custom risk-management solutions complement Parametric's existing capabilities. Our vision for the future of the combined firm is to offer an industry-leading platform of portfolio implementation, risk management, tax management and engineered investment strategies to sophisticated investors around the globe. Today's markets require, more than ever, that investors work their portfolios harder and smarter to optimize exposures, balance risk and control costs. As part of Parametric, we believe our ability to help you meet these goals will be significantly enhanced.

The transaction will result in an assignment of your advisory agreement with Clifton, which requires your consent. To continue receiving services after the closing, please furnish this consent by executing this letter in the space provided below and returning it to us in the enclosed envelope at your earliest convenience. By your signature below, you also assign to Parametric, and consent to an assignment by Clifton to Parametric of, all powers, rights, and responsibilities under any and all trading authority documentation, including your Full Trading Authorization and FCM Futures Disclosure and Authorization with Goldman, Sachs & Co, which means that Parametric will be your Advisor under that agreement.

All consents must be received by no later than December 21, 2012. We hope you share our enthusiasm over this exciting partnership for Clifton's future growth and capability. **Please feel free to contact Jack, Tom or Kip with any questions or concerns you may have regarding the transaction.**

Very truly yours,

THE CLIFTON GROUP INVESTMENT MANAGEMENT COMPANY

By:____________________
Name: Orison "Kip" Chaffee
Title: Managing Principal

By:____________________
Name: Jack L. Hansen
Title: Chief Investment Officer

By:____________________
Name: Thomas B. Lee
Title: Senior Portfolio Manager

Acknowledged and Consented this day of ________________, 2012 by the authorized signatory below:

Ventura County Employees' Retirement Association

By: ________________________

Name:

Title:

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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November 19, 2012

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

SUBJECT: ANALYSIS OF VCERA BENEFIT FORMULAS COMPARED TO THOSE CONTAINED IN ASSEMBLY BILL (AB) 340

Dear Board Members:

Recommendation

Staff recommends that you:

1. Receive and file Segal's analysis of Ventura County Employees' Retirement Association (VCERA) benefit formulas compared to those contained in AB 340, and
2. Adopt Segal's findings found in the Executive Summary.

Discussion

Segal has conducted an official analysis for your Board's adoption confirming that VCERA's open tiers do not meet the exemptions described under Section 75522.02(d) of AB 340 requiring VCERA to adopt new plans for new employees hired on or after January 1, 2013.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

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Attachment

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

November 7, 2012

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

**Re: Ventura County Employees' Retirement Association
Analysis of VCERA Benefit Formulas Compared to those Contained in Assembly Bill (AB) 340**

Dear Donald:

As requested, we have conducted an analysis of VCERA's benefit formulas versus those contained in AB 340 (CalPEPRA). In particular, this analysis is being performed in order to determine whether or not the benefit formulas in VCERA's open tiers meet the exemptions described under Section 7522.02(d) of AB 340, and so may be continued for new members on or after January 1, 2013. Please note that this discussion does not address the effect, if any, of CalPEPRA on future benefits for pre-2013 members.

Here is the applicable language from that section:

> *"If a public employer, before January 1, 2013, offers a defined benefit plan that provides a defined benefit formula with a lower benefit factor at normal retirement age and results in a lower normal cost than the defined benefit formula required by this article, that employer may continue to offer that defined benefit formula instead of the defined benefit formula required by this article, and shall not be subject to the requirements of Section 7522.10 for pensionable compensation subject to that formula."*

This analysis is based on the information available to us at this time. In particular, we have relied upon the final version of AB 340 that became available on September 12, 2012 and a summary of AB 340 that was prepared by the California State Association of Counties (CSAC). These results may need to be adjusted once CalPEPRA has been more fully analyzed and clarified.

Since CalPEPRA is not specific on the methodologies to apply in doing this analysis, we recommend that you have the Association's legal counsel review and confirm that the methodologies applied are consistent with the requirements of CalPEPRA.

Executive Summary

Our analysis indicates that none of VCERA's benefit formulas for either General or Safety members pass the tests in Section 7522.02(d). Employers using those formulas will be subject to the CalPEPRA formulas for new members on or after January 1, 2013 unless they implement a formula before January 1, 2013 that passes those tests.

For VCERA's General employers, the CalPEPRA General formula would be the 2.5% @ 67 formula. For VCERA's Safety employers, the default CalPEPRA Safety formula would be Safety "Option Plan Two" which is the 2.7% @ 57 formula. Note that the CalPEPRA formulas are subject to the lower compensation limit and the definition of pensionable compensation in CalPEPRA.

Comparison of Age Factors Under Benefit Formulas

Exhibit I contains a comparison of the benefit factors from the benefit formulas currently in VCERA's open tiers versus those in CalPEPRA.

Section 7522.02(d) sets forth a two-part test under which an employer may continue to offer an existing plan for members with membership dates on or after January 1, 2013. An employer may continue to offer an existing plan only if such plan provides a benefit formula with (1) a lower benefit factor at normal retirement age, **and**; (2) results in a lower normal cost, than the CalPEPRA formulas.

The first part of the test described above in Section 7522.02(d) of CalPEPRA involves checking to see if the benefit factor at "normal retirement age" (NRA) under the VCERA formulas (for open tiers) is lower than that contained in the applicable CalPEPRA formulas. CalPEPRA does not define NRA for retirement systems covered under the 1937 Act provisions of the Government Code. However, it is worth noting that our results generally do not depend upon which age is defined as NRA because the formulas do not pass the other Normal Cost comparison test (see additional discussion below).

For VCERA's General Tier 1 members, the benefit factors in the 2.00% @ 58.5 formula under Section 31676.11 are higher than those under the CalPEPRA 2.5% @ 67 General member formula at all ages. Therefore, the 2.00% @ 58.5 formula does not pass the NRA benefit factor test described in CalPEPRA.

For VCERA's General Tier 2 members, the benefit factors in the 2.00% @ 61 formula under Section 31676.1 are higher than those under the CalPEPRA 2.5% @ 67 General member formula. The only exception is that the benefit factor of 2.43% at ages 65 and later is lower than that of the benefit factor of 2.5% at ages 67 and later under the CalPEPRA formula. Therefore, the 2.00% @ 61 formula would only appear to pass the NRA benefit factor test described in CalPEPRA if the NRA for purposes of this test was defined at age 67 or later. Note that, as discussed below, the 2.00% @ 61 formula fails the Normal cost comparison test.

For VCERA's Safety members, the benefit factors in the 2.0% @ 50 formula under Section 31664 are higher than those under each of the three alternative CalPEPRA Safety member formulas. The only exception is that the benefit factor of 2.62% at ages 57 and later is lower than that of the benefit factor of 2.7% at ages 57 and later under the "Safety Option Plan Two" formula in CalPEPRA. Therefore, the 2.0% @ 50 formula would only appear to pass the NRA benefit factor test described in CalPEPRA if the NRA for purposes of this test was defined at age 57 or later. Note that, as discussed below, the 2.0% @ 50 formula fails the Normal Cost comparison test.

As for which of the new CalPEPRA Safety formulas will apply, our analysis also indicates that the CalPEPRA Safety "Option Plan Two" formula (2.7% @ 57) would apply for VCERA's new Safety members on or after January 1, 2013. That is because this is the CalPEPRA Safety benefit formula that provides a lower benefit factor[1] at age 55, and is the closest to the VCERA benefit formula for Safety members (see Section 7522.25(e) of CalPEPRA).

Comparison of Normal Cost Under Benefit Formulas

Next, we applied the second part of the test described earlier in Section 7522.02(d) of CalPEPRA. This involves comparing the Normal Cost[2] of the VCERA benefit formulas to those in CalPEPRA. Note that we are performing this test only for VCERA's 2.00% @ 61 General Tier 2 benefit formula and VCERA's 2.0% @ 50 Safety formula, in case the NRA (for purposes of the earlier NRA test) could be defined at ages 67 and 57, respectively, or later. We did not perform this test for VCERA's 2.00% @ 61 General Tier 1 formula because that benefit formula clearly fails the NRA test as discussed above.

We have applied the test for each of VCERA's General employers. We based the determination of the Normal Cost for each of VCERA's General employers on the June 30, 2011 demographic data for General Tier 2 employees covered under Section 31676.1 at each employer. Similarly, for Safety, we based the determination of the Normal Cost on the June 30, 2011 demographic data for all Safety employees.

A key difference in CalPEPRA provisions (see Section 7522.10) is that the maximum compensation amount that can be included in the determination of pension benefits under the CalPEPRA formulas is $113,700 for 2013 (indexed annually) for members enrolled in Social Security (VCERA's General members) and 120% of this amount, or $136,440, for members not enrolled in Social Security (VCERA's Safety members). For 2013, this is equal to the Social Security Taxable Wage Base. However, for new members entering into VCERA's current formulas, the maximum compensation amount continues to be based on Internal

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1 *This Section uses the term "lower benefit" which we are interpreting to mean "lower benefit factor".*

2 *Normal Cost is defined in Section 7522.04(g) as "the portion of the present value of projected benefits under the defined benefit that is attributable to the current year of service, as determined by the public retirement system's actuary according to the most recently completed valuation."*

Revenue Code Section 401(a)(17). That limit is generally $255,000 for 2013 and is also indexed annually. For purposes of determining the Normal Cost under the current VCERA formulas we have ignored the lower CalPEPRA compensation limit, as permitted by Section 7522.02(d) that was quoted at the beginning of this letter.

Another difference is that, under Section 7522.32, the CalPEPRA formulas require the use of a three-year period for determining final average compensation whereas the VCERA Safety formula uses a one-year period. The VCERA General Tier 2 formula under Section 31676.1 already uses a three-year period. It is our understanding that there is no exemption for the three-year period requirement and therefore it would also have to be used in the current VCERA formulas for new members on or after January 1, 2013. Therefore, we have used the three-year period for valuing Normal Costs for both the current VCERA formulas and the CalPEPRA formulas.

CalPEPRA is generally silent on Cost-of-Living Adjustments and on death and disability benefits. For our analysis, we have assumed that those provisions would continue to mirror those found in VCERA's open tiers (with the exception of changes required in CalPEPRA such as the three-year final average compensation period). Note that Section 7522.66 of CalPEPRA describes improvements made to industrial disability benefits for Safety members. We understand that clarifications are being sought by SACRS on whether this plan change applies to 1937 CERL retirement systems. For purposes of the Normal Cost comparison, we have excluded this change for valuing both the current VCERA and the CalPEPRA Safety formulas.[3]

For the purpose of this comparison, we have also assumed that the elements that currently comprise compensation amounts would not be affected by the requirements regarding compensation earnable under Section 31461 as amended by AB 340 and AB 197. In addition, we have made a simplifying assumption that, with the exception of in-service redemptions, pensionable compensation required for use for new members on or after January 1, 2013 in both the VCERA and CalPEPRA formulas and compensation earnable required for VCERA's current open tiers would be identical. However, we understand that there will be other elements of pay that are included in compensation earnable that would be excluded from pensionable compensation.[4]

Note that it is currently unclear whether member and/or employer contributions under CalPEPRA will be collected only on pensionable compensation up to the CalPEPRA maximum (described above) or on compensation up to the higher 401(a)(17) limit (which is consistent with current practice). However, recent conversations with VCERA staff and with other systems point towards collecting both employer and member contributions on pensionable compensation up to the CalPEPRA maximum (if that formula were to be implemented). For this study, the Normal Cost comparison that we have performed expresses results as dollar

[3] *Including this change would increase the normal costs for both the current VCERA and the CalPEPRA Safety formulas by approximately the same amount and our conclusions would remain the same.*

[4] *This would reduce the compensation amounts used in the determination of both Normal Costs, but the conclusions would remain the same.*

amounts (which eliminates the need for the percent of payroll comparison issue just described). The comparison is also based on total Normal Costs (employer and member).

The estimated total Normal Cost of the VCERA 2.00% @ 61 General benefit formula and the 2.5% @ 67 CalPEPRA formula for General members for each of VCERA's employers is shown in Exhibit II. The determination of each of the total Normal Costs is based on the June 30, 2011 demographic data for all General Tier 2 employees at each employer. These results show that for all of VCERA's General employers, VCERA's 2.00% @ 61 General Tier 2 benefit formula fails the Normal Cost tests described above in Section 7522.02(d) of CalPEPRA. Therefore, it is our understanding that this benefit formula cannot continue to be used for General members with membership dates on or after January 1, 2013.

The estimated total Normal Cost of the VCERA 2.0% @ 50 Safety benefit formula and the 2.7% @ 57 CalPEPRA formula for Safety members are shown in Exhibit III for VCERA's only Safety employer (County). The determination of the total Normal Cost is based on the June 30, 2011 demographic data for all Safety employees. These results show that for VCERA's Safety employer (i.e., the County), VCERA's 2.0% @ 50 Safety benefit formula fails the Normal Cost test described above in Section 7522.02(d) of CalPEPRA. Therefore, it is our understanding that this benefit formula cannot continue to be used for Safety members with membership dates on or after January 1, 2013.

The Normal Costs shown in Exhibits II and III should be used only for purposes of this comparison test described in CalPEPRA. They should not be relied upon or used to determine the actual Normal Cost contribution rates for either of these benefit formulas as those calculations will be done in a manner consistent with current VCERA practice reflecting the "pooling" of all employers with the same benefit formula.

Unless otherwise noted, the above cost estimates and projections were made using generally accepted actuarial practices and are based on the June 30, 2011 actuarial valuation results, including the participant data and actuarial assumptions on which that valuation was based. Note that we have applied the VCERA's 2.00% @ 61 retirement rate assumptions when valuing the CalPEPRA 2.5% @ 67 formula for General members (see Exhibit IV), with the exception that no retirements are assumed until age 52 at the earliest since this is the minimum retirement age under the CalPEPRA 2.5% @ 67 formula. For Safety members, the retirement rates used are also shown in Exhibit IV and are based on a similar methodology. No in-service redemptions are assumed for valuing all of the benefit formulas.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

If you have any questions regarding the above information, please give us a call.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

John Monroe, ASA, MAAA, EA
Vice President & Associate Actuary

MYM/gxk
Enclosure

EXHIBIT I

Benefit Factors At Each Whole Age

Age	VCERA General Tier 1 31676.11 2.00%@58.5	VCERA General Tier 2 31676.1 2.00%@61	CalPEPRA General 7522.20(a) 2.5%@67	VCERA Safety[5] 31664 2.0%@50	CalPEPRA Safety Basic Plan 7522.25(b) 2.0%@57	CalPEPRA Safety Plan One 7522.25(c) 2.5%@57	CalPEPRA Safety Plan Two 7522.25(d) 2.7%@57
50	.0124	.0118	N/A	.0200	.0143	.0200	.0200
51	.0131	.0124	N/A	.0210	.0151	.0207	.0210
52	.0139	.0130	.0100	.0222	.0159	.0214	.0220
53	.0148	.0136	.0110	.0234	.0167	.0221	.0230
54	.0157	.0143	.0120	.0247	.0175	.0229	.0240
55	.0167	.0149	.0130	.0262	.0184	.0236	.0250
56	.0174	.0156	.0140	.0262	.0192	.0243	.0260
57	.0184	.0164	.0150	.0262	.0200	.0250	.0270
58	.0195	.0173	.0160	.0262	.0200	.0250	.0270
59	.0206	.0182	.0170	.0262	.0200	.0250	.0270
60	.0218	.0192	.0180	.0262	.0200	.0250	.0270
61	.0227	.0199	.0190	.0262	.0200	.0250	.0270
62	.0235	.0209	.0200	.0262	.0200	.0250	.0270
63	.0244	.0220	.0210	.0262	.0200	.0250	.0270
64	.0253	.0231	.0220	.0262	.0200	.0250	.0270
65	.0261	.0243	.0230	.0262	.0200	.0250	.0270
66	.0261	.0243	.0240	.0262	.0200	.0250	.0270
67	.0261	.0243	.0250	.0262	.0200	.0250	.0270

[5] *There are also age factors under 50 for this formula.*

EXHIBIT II

Normal Cost Comparison for General Members[6]

VCERA Employer	VCERA General Tier 2 2.00% @ 61 Estimated Total Normal Cost ($ in 000s)	CalPEPRA General 2.5% @ 67 Estimated Total Normal Cost ($ in 000s)	Is VCERA Formula Normal Cost Lower?
County	$22,923	$19,532	No
County – Tier 2 COLA	$37,112	$35,160	No
Courts	$3,613	$3,274	No
Air Pollution Control Department	$201	$181	No
Air Pollution Control Department – Tier 2 COLA	$385	$364	No
Regional Sanitation District	$645	$572	No

[6] *Results are as of the beginning of the year and are based on June 30, 2011 demographic data for all General Tier 2 employees at each employer.*

EXHIBIT III

Normal Cost Comparison for Safety Members[7]

VCERA Employer	VCERA Safety 2.0% @ 50 Estimated Total Normal Cost ($ in 000s)	CalPEPRA Safety 2.7% @ 57 Estimated Total Normal Cost ($ in 000s)	Is VCERA Formula Normal Cost Lower?
County	$41,452	$38,338	No

[7] *Results are as of the beginning of the year and are based on June 30, 2011 demographic data for all Safety employees. A three-year period for determining final average compensation was used in valuing the Normal Cost for both formulas.*

EXHIBIT IV

Retirement Rates

RATE (%)				
Age	VCERA General Tier 2	CalPEPRA General Formula	VCERA Safety[8]	CalPEPRA Safety Formula
50	4.00%	0.00%	2.00%	2.00%
51	4.00	0.00	2.00	2.00
52	5.00	5.00	5.00	5.00
53	5.00	5.00	8.00	8.00
54	7.00	7.00	18.00	18.00
55	8.00	8.00	20.00	20.00
56	8.00	8.00	20.00	20.00
57	9.00	9.00	18.00	18.00
58	10.00	10.00	18.00	18.00
59	12.00	12.00	30.00	30.00
60	14.00	14.00	30.00	30.00
61	20.00	20.00	30.00	30.00
62	25.00	25.00	50.00	50.00
63	20.00	20.00	50.00	50.00
64	30.00	30.00	50.00	50.00
65	40.00	40.00	100.00	100.00
66	35.00	35.00	100.00	100.00
67	35.00	35.00	100.00	100.00
68	35.00	35.00	100.00	100.00
69	20.00	20.00	100.00	100.00
70	20.00	20.00	100.00	100.00
71	20.00	20.00	100.00	100.00
72	20.00	20.00	100.00	100.00
73	20.00	20.00	100.00	100.00
74	50.00	50.00	100.00	100.00
75	100.00	100.00	100.00	100.00

[8] *There are also retirement rates of 1.00% from ages 40 through 49 for this formula.*

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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http://www.ventura.org/vcera

November 19, 2012

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

SUBJECT: ISSUES REGARDING IMPLEMENTATION OF CALPEPRA

Dear Board Members:

Objective

To provide direction to Segal in order for Segal to implement the provisions of CalPEPRA.

Recommendation

Staff recommends that you:

1. Receive and file Segal's memo titled Ventura County Employees' Retirement Association (VCERA) Issues Regarding Implementation of Provisions in the California Public Employees' Pension Reform Act (CalPEPRA), and
2. Adopt staff's recommended direction.

Discussion

With any comprehensive legislative change comes a myriad of issues to be dealt with. Sponsors and VCERA will now be tracking legacy employees hired prior to January 1, 2013 and "new" employees hired on or after January 1, 2013, and further determining whether or not employees hired on or after January 1, 2013 are to be considered new employees or legacy employees. Employees hired on or after January 1, 2013, with reciprocal status, will not be considered new employees.

Why do all this? For one reason, there will be new benefit formulas for new employees; for another, new employees will pay half of the normal cost; and for another, new employees will have several forms of compensation excluded from pensionable compensation, such as in service redemptions of vacation, as an example.

As many of the Board members have attended SACRS and other workshops, and have reviewed the CalPEPRA write-ups from numerous sources, staff will forego a full orientation on the nuances of CalPEPRA, unless directed. As an indication of what a Board workshop might look like, meetings between VCERA staff and plan sponsor staff have taken two to three hours each, in order to provide an overview of the provisions. Further, sponsor staff, retirement system staff, board counsels, attorneys, and actuaries across the state have been spending countless hours sorting through the legal provisions and developing as unified a response as possible.

The attached memo from Segal requests direction from VCERA on how to proceed under the new provisions of CalPEPRA in creating the CalPEPRA Plan Study that will be needed prior to December 31, 2012, in addition to our existing actuarial reports. Segal provides recommendations supporting everyone's goal of as unified an implementation across the retirement systems as possible.

I ask that you adopt staff's recommended direction to Segal below and authorize the Retirement Administrator and Board Counsel, upon mutual agreement, to provide any further direction that might be needed for any subsequent items that surface as the deadline draws near, or for any changes to the initial direction that might be needed due to late breaking changes in popular interpretation of CalPEPRA. The actions below will account for a majority, if not all, of the direction required for the study.

Responses to Segal's Issues Memo Dated November 1, 2012.

For VCERA Members with membership dates on or after January 1, 2013:

1. *Confirm that member and employer contributions will only be collected up to the new, lower CalPEPRA maximum contribution limits.*

Yes. We will only collect employee and employer contributions for new members up to the CalPEPRA contribution limits consistent with the earnings limits for employees that participate in Social Security and employees that do not.

2. *Provide information on how the new pensionable compensation definition affects compensation information reported to us both for determining individual member salaries in the annual actuarial valuation and for setting cash out assumptions for use in those valuations.*

Please set a cash out (in-service redemption) assumption of zero given the legal provision eliminating retirement compensation for unused leave cash outs for new members.

Please use the compensation earnable reported to you currently for use in the valuation. It would be extremely difficult to adjust this data for the elimination of any components of pay and we understand that the potential elimination of various components of pay will not have a significant impact on the study results.

3. *Confirm that we should exclude the industrial disability plan change for Safety members until such time as it has been determined whether this plan change affects 1937 CERL retirement systems.*

Yes. Our understanding is that the industrial disability provision was not intended and does not apply to CERL retirement systems.

4. *Confirm that the three-year period for final average compensation affects any benefits determined using service or disability retirement formulas, but not the pre-retirement death lump sum benefit.*

Yes. Use three-year periods for service or disability retirements; and the pre-retirement lump sum benefit is not period-of-service based, but rather a refund of contributions.

5. *Confirm that the Unfunded Actuarial Accrued Liability (UAAL) will continue to be spread over compensation including members with membership dates on or after January 1, 2013. Also, confirm that UAAL rates from June 30, 2011 and 2012 valuations will be collected only up to the maximum compensation limit under CalPEPRA, even though this will result in a small actuarial loss during the period from January 1, 2013 through June 30, 2014.*

Yes. Spread the UAAL over compensation for new members, which is consistent with our current practice.

Yes. Presently, we understand that UAAL rates as part of employer contribution rates will be collected only up to the maximum compensation limit under CalPEPRA, which will result in a small actuarial loss. We will discuss the issue further with our sponsors to see if their systems can accommodate normal cost contributions up to maximum compensation limits and UAAL contributions based on total pensionable compensation, which could mitigate the loss. However, the product of the magnitude of earnings above the compensation limit and the UAAL rate in the first year implementation is not considered significant (compensation above limit * UAAL Rate = not significant). We will also monitor this to see if, after the earnings base is reset in the subsequent actuarial, the small actuarial loss will not continue to occur.

6. *Confirm use of single (non-entry age based) 50% of normal cost member rate for each cost group (similar to the practice followed for setting contribution rates for current employees who have entered VCERA since 1975) and that any contribution rate adjustments to those new rates to reflect contributions for "similarly situated" employees be applied outside the valuation process.*

Yes. Please prepare a single 50% of normal cost rate and any adjustments to those new rates will take place outside the actuarial valuation process.

7. *Confirm that benefits under the CalPEPRA formulas are not subject to a limit of 100% of final average compensation.*

Yes. This will not be tested for many years.

8. *Confirm that the current Cost-of-Living Adjustments (COLAs), death and disability benefits will continue under the CalPEPRA formulas.*

Yes. Please create rates for COLA and non-COLA plans for the study.

9. *Confirm that the current thirty-year member contribution cessation will not continue under the CalPEPRA formulas.*

Yes. This will not be tested for many years.

For VCERA Members with membership dates prior to January 1, 2013:

10. *Confirm that we should exclude the industrial disability plan change for Safety members until such time as it has been determined whether this plan change affects 1937 CERL retirement systems.*

Yes. Our understanding is that the industrial disability provision was not intended and does not apply to CERL retirement systems.

11. *Provide information on how the new compensation earnable definition affects compensation information reported to us both for determining individual member salaries in the annual actuarial valuation and for setting in-service redemption assumptions for use in those valuations.*

No changes are anticipated in the compensation information reported for determining individual member salaries and for setting in-service redemption (cash out) assumptions. Please use the compensation earnable reported to you currently for use in the valuation. Please keep the existing in-service redemption (cash out) assumptions. Please be aware that some CERL retirement systems believe that in-service redemptions are no longer allowable for all employees and our direction could change.

12. *Provide information on whether, how and when the change to member sharing of 50% of the normal cost will be reflected in the actuarial valuation.*

At present, we have not received any indication that our sponsors will need 50% Normal Cost rates. Fifty percent sharing of normal cost for current employees is subject to collective bargaining and could be needed in subsequent actuarial valuations.

13. Provide any other information that may affect the annual actuarial valuations.

An issue we might provide direction on in the future is the treatment of Social Security integration and whether or not any changes to 50% Normal Cost reporting will be required. Presently, we do not believe that the CalPEPRA plans integrate with Social Security; however, opinion appears to vary among the CERL retirement systems.

Lastly, we authorize our Retirement Administrator and Board Counsel, upon mutual agreement, to provide any further direction that might be needed for any subsequent issues that surface, or for any changes to the above direction.

Staff believes the above direction will provide our actuaries at Segal with what they need.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

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

Attachment

SEGAL

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

November 1, 2012

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

Re: Ventura County Employees' Retirement Association
Issues Regarding Implementation of Provisions in CalPEPRA

Dear Donald:

This letter details various issues on which we will need direction in order for us to implement the provisions found in the California Public Employees' Pension Reform Act of 2013 (CalPEPRA)[1]. In particular, some of the issues will affect the determination of new employer and member rates for VCERA members with membership dates on or after January 1, 2013 ("new members") as part of a new tier study to be completed during the remainder of this year. Other issues affect the determination of contribution rates in future VCERA actuarial valuations for members with membership dates before January 1, 2013 ("current members").

We will require direction on the issues described in this letter from VCERA's Board of Retirement, staff and/or legal counsel. Note that we anticipate sharing a letter similar to this one with each of our twelve 1937 CERL System clients. Based on our preliminary analysis, it is our understanding that participating VCERA employers will have to implement the CalPEPRA General and Safety formulas for new members with membership dates on or after January 1, 2013.

A condensed summary of the issues is shown on the next page. More details on each issue then follow.

1 These provisions are found in Assembly Bill 340, with a correction detailed in Assembly Bill 197.

CONDENSED SUMMARY OF ISSUES

Issues for VCERA Members with Membership Dates on or after January 1, 2013

1. Confirm that member and employer contributions will only be collected up to the new, lower CalPEPRA maximum compensation limit.

2. Provide information on how the new pensionable compensation definition affects compensation information reported to us both for determining individual member salaries in the annual actuarial valuation and for setting in-service redemption assumptions for use in those valuations.

3. Confirm that we should exclude the industrial disability plan change for Safety members until such time as it has been determined whether this plan change affects 1937 CERL retirement systems.

4. Confirm that the three-year period for final average compensation affects any benefits determined using service or disability retirement formulas, but not the pre-retirement death lump sum benefit.

5. Confirm that the Unfunded Actuarial Accrued Liability (UAAL) will continue to be spread over compensation including members with membership dates on or after January 1, 2013. Also, confirm that UAAL rates from June 30, 2011 and 2012 valuations will be collected only up to the maximum compensation limit under CalPEPRA, even though this will result in a small actuarial loss during the period from January 1, 2013 through June 30, 2014.

6. Confirm use of single (non-entry age based) 50% of normal cost member rate for each cost group (similar to the practice followed for setting contribution rates for current employees who have entered VCERA since 1975) and that any contribution rate adjustments to those new rates to reflect contributions for “similarly situated” employees be applied outside the valuation process.

7. Confirm that benefits under the CalPEPRA formulas are not subject to a limit of 100% of final average compensation.

8. Confirm that the current Cost-of-Living Adjustments (COLAs), death and disability benefits will continue under the CalPEPRA formulas.

9. Confirm that the current thirty-year member contribution cessation will not continue under the CalPEPRA formulas.

Issues for VCERA Members with Membership Dates before January 1, 2013

10. Confirm that we should exclude the industrial disability plan change for Safety members until such time as it has been determined whether this plan change affects 1937 CERL retirement systems.

11. Provide information on how the new compensation earnable definition affects compensation information reported to us both for determining individual member salaries in the annual actuarial valuation and for setting in-service redemption assumptions for use in those valuations.

12. Provide information on whether, how and when the change to member sharing of 50 percent of the normal cost will be reflected in the actuarial valuation.

13. Provide any other information that may affect the annual actuarial valuations.

DETAILED INFORMATION ON EACH ISSUE

Issues for VCERA Members with Membership Dates on or after January 1, 2013

These are issues on which we will need direction in order for us to complete a new tier study that will contain the employer and member contribution rates for members with membership dates on or after January 1, 2013.

1. Section 7522.10 of CalPEPRA defines a maximum compensation amount that can be included in the determination of pension benefits under the CalPEPRA formulas. That limit is $110,100[2] for 2012 (indexed annually) for members enrolled in Social Security. For 2012, this is equal to the Social Security Taxable Wage Base. However, for members hired on or after July 1, 1996 that are covered under VCERA's current formulas, the maximum compensation amount continues to be based on Internal Revenue Code (IRC) Section 401(a)(17). That limit is $250,000 for 2012 and is also indexed annually.

   It is currently unclear whether member and/or employer contribution rates for members with membership dates on or after January 1, 2013 should be expressed as a percent of the pensionable compensation only up to the lower CalPEPRA maximum or on compensation up to the higher IRC Section 401(a)(17) limit (consistent with current practice).

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[2] For members that are not enrolled in Social Security the maximum compensation amount is 120% of this amount or $132,120.

We recommend that employer and member contributions for members with membership dates on or after January 1, 2013 be collected on pensionable compensation up to the lower CalPEPRA maximum. This would be generally consistent with practice for members with membership dates before January 1, 2013 where contributions are collected on compensation earnable up to the maximum limit that applies in that case. This would also avoid member contributions being collected on pay above the compensation limit for higher paid members even though no benefits are derived from those pay amounts in excess of the limit.

2. Section 7522.34 of CalPEPRA defines pensionable compensation for members with membership dates on or after January 1, 2013. We will need clarification as to how this might affect the compensation amounts reported to us both for determining individual member salaries in the annual actuarial valuation and for setting in-service redemption assumptions for use in those valuations.

   Since we anticipate using data on recent new members to determine contribution rates for members with membership dates on or after January 1, 2013, the response we receive will determine whether or not we need to adjust the compensation data already provided to us for recent new members (or obtain new data). It may also confirm that the in-service redemption assumptions will no longer be needed (or can be adjusted downwards) for members with membership dates on or after January 1, 2013.

3. Section 7522.66 of CalPEPRA describes improvements made to industrial disability benefits for Safety members. We understand that clarifications are being sought by SACRS on whether this plan change applies to 1937 CERL retirement systems. Unless directed otherwise, we would recommend excluding this change from our new tier study that determines the contribution rates for members with membership dates on or after January 1, 2013.

   If we are directed by VCERA to include the new disability provision in our cost study, then we note that this plan change includes a "sunset" provision such that it will remain in effect only until January 1, 2018 (unless a later enacted statute extends that date). As we would reflect the sunset provision in our cost study, we would need confirmation that this means that this plan change is only applicable for Safety members who become disabled and retire on a duty disability with an effective date prior to January 1, 2018. This would be instead of another possible interpretation of this section, which would be to assume that this provision applies permanently to all Safety members hired before January 1, 2018 regardless of the timing of their potential future disablement.

4. Section 7522.32 of CalPEPRA defines a three-year period to be used for purposes of determining "retirement benefits" for members with membership dates on or after January 1, 2013. For purposes of our new tier study, we need confirmation that the three-year period applies to any benefits that are determined based on the service or disability retirement formulas.

We also need confirmation that this three-year period does not affect the determination of the pre-retirement death benefit that is equal to a refund of member contributions plus one month's compensation for each year of service up to a maximum of six months' compensation (Section 31781 of the Government Code).

5. Consistent with practices already in place, we recommend that VCERA's Unfunded Actuarial Accrued Liability (UAAL) contribution rate continue to be spread over the compensation for all members including members with membership dates on or after January 1, 2013. This is done in order to continue the current practice that the UAAL contribution rate is calculated based on an open group payroll, including the expected payroll for those employers hired after the date of the most recent actuarial valuation that is currently in progress (June 30, 2012).

   For the new tier study, we recommend setting the employer's UAAL contribution rates for members with membership dates on or after January 1, 2013 to be the same as those that are determined in the June 30, 2011 and 2012 actuarial valuations. However, note that this will create a small actuarial loss due to slightly less UAAL contributions being collected during January 1, 2013 through June 30, 2014 based on the assumption that the UAAL rates are applied only to pensionable compensation up to the limit described in CalPEPRA (see item 1. above).

   Note that the loss will occur only on amounts of pay above the CalPEPRA maximum for new members that are hired during that time period. This is because the UAAL rates that are determined in the June 30, 2011 and 2012 valuations were originally anticipated to be collected on all compensation up to the higher IRC Section 401(a)(17) limit.

   Another potential solution would be for the UAAL rates for members with membership dates on or after January 1, 2013 to be collected on all compensation up to the IRC Section 401(a)(17) limit. This would prevent the actuarial loss, however, we understand that there may be administrative difficulties in implementing this method.

   We are not certain that it would be feasible or necessary to recalculate the UAAL rates in the June 30, 2011 valuation or calculate the rates in the June 30, 2012 valuation to attempt to account for the CalPEPRA lower maximum for the new members with membership dates on or after January 1, 2013. This is because there are no members in that valuation that are subject to the lower CalPEPRA maximum. Therefore, this method would appear to yield no change in the UAAL contribution rate that would be determined in that valuation.

6. Section 7522.30 of CalPEPRA requires new members to contribute at least 50% of the normal cost rate or, if greater, the current contribution rate for similarly situated employees.

For the 50% of normal cost calculation, we recommend performing this calculation in our new tier study for each of VCERA's cost groups. In addition, we believe it would be reasonable to develop a single member rate for each cost group (instead of entry age based rates), this is similar to the practice followed for setting contribution rates for current employees who have entered VCERA since 1975. This would mean that our new tier study will contain one 50% of normal cost member rate for each of VCERA's cost groups. Note that this will result in new members that enter at older ages being subsidized by new members that enter at lower ages, as least as compared to the practice of using entry-age rates.

As far as the requirement involving similarly situated employees is concerned, there will need to be a determination made by VCERA as to what this means and how it should be applied. One possible interpretation could require new members to pay the same contribution rate that is being paid by current members (even though the current members are covered under a higher benefit tier). However, we believe that a more reasonable interpretation would be for similarly situated employees to be interpreted as requiring that such employees are covered under the same benefit formula.

We recommend that any adjustments to member rates to account for the similarly situated employee provision to be handled outside the valuation process at the payroll system level.

7. The benefit formulas described in Sections 7522.20 and 7522.25 of CalPEPRA do not appear to limit benefit amounts to the 100% of three-year final average compensation used in the benefit determination. In other words, new members will potentially be eligible to receive a benefit that is more than their final average compensation if they work a significant number of years. Please confirm that this is correct.

8. CalPEPRA is generally silent on some plan provisions including Cost-of-Living adjustments and death and disability benefits. Please confirm that for members with membership dates on or after January 1, 2013, those provisions will continue to mirror those found in VCERA's open tiers (with the exception of changes required by CalPEPRA, such as definition of pensionable compensation).

9. CalPEPRA is also silent on the thirty-year member cessation on member contributions for Safety members. For VCERA, this provision is specifically defined in the benefit formula sections of the 37 Act (i.e., 31664). Therefore, we believe that it would be excluded from the CalPEPRA formulas. Please confirm. Note that this may be affected by the interpretation of similary situated employees described above in item 6.

Issues for VCERA Members with Membership Dates before January 1, 2013

The first two issues below will need to be resolved in order for us to complete the actuarial valuation that is currently in progress (June 30, 2012).

10. As mentioned earlier (item 3.), Section 7522.66 of CalPEPRA describes various improvements to industrial disability benefits for Safety members (both current and new). Unless directed otherwise, we would recommend <u>excluding</u> this change from the June 30, 2012 actuarial valuation since it was enacted after the valuation date and there are numerous issues to be resolved regarding its applicability to the 1937 CERL Retirement Systems. We anticipate that the issues surrounding this plan change will be resolved before work on the next actuarial valuation (June 30, 2013) is completed during the fourth quarter of 2013. After those issues are resolved, then we will know whether the plan change needs to be included in the next valuation.

11. Section 31461 as amended by CalPEPRA (and as further amended by Assembly Bill 197) defines Compensation Earnable for members with membership dates before January 1, 2013. Unless directed otherwise, we also recommend <u>excluding</u> this change from the June 30, 2012 actuarial valuation since it was enacted after the valuation date.We will need clarification as to how this might affect the compensation amounts reported to us both for determining individual salaries in the annual actuarial valuation and for setting in-service redemption assumptions for use in those valuations. We will need this information prior to initiating work on the June 30, 2013 actuarial valuation.

12. Section 31631.5 as amended by CalPEPRA sets a “standard” to share normal cost for members with membership dates before January 1, 2013. By January 1, 2018 these members may be required to pay at least 50 percent of the normal cost subject to various limits on how much higher the member contribution rate can be above current rates defined in statutes.

    As this change is eventually negotiated (or imposed on January 1, 2018) we will need to have further discussions on how and when the change will be reflected in the actuarial valuation. For example, it may be necessary for us to show both the current statutory rates in the valuation along with new normal cost rates that provide 50/50 sharing of the normal costs (similar to item 6. above). Then the appropriate rate can be implemented by VCERA and the employers.

13. If there are other changes from CalPEPRA that are anticipated to materially impact the valuation of liabilities for members with membership dates before January 1, 2013 then we need to be made aware of them. This would exclude changes concerning felonies, public officials or employment after retirement.

We look forwarding to discussing this information with you.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

John Monroe, ASA, MAAA, EA
Vice President & Associate Actuary

/bqb

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

November 19, 2012

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

SUBJECT: BOARD MEETING DATES AND 2013 CALENDAR

Dear Board Members:

Objective

For your Board to 1) select regular Board meeting dates to be incorporated into the bylaws, and 2) to set the Board calendar for 2013 along with scheduling of investment manager presentations.

Recommendation

Staff recommends that you:

1. Adopt Alternative 3; the Fourth Monday of the month for all Board business, and
2. Set the 2013 Calendar to match.

Staff recommends this option because it is the most efficient for Staff and provides the investment consultant with the extra time needed to provide final investment figures for the preceding month. However, determining meeting frequency and selecting meeting dates is entirely the Board's prerogative and you may leave the meeting days as is or approve any other alternative your Board deems appropriate.

Discussion

Before you for consideration are four calendar options and four matching calendars (attached) that take into consideration any observed holidays. Generally one meeting is focused on disabilities and a second meeting is focused on investments, with operational items appearing on both, as needed. No matter which dates are chosen, the bylaws will need to be brought back to your Board to codify the change and incorporate other updates.

Current: 1st and 3rd Monday of the Month for Disabilities & Investments Respectively

The easiest option to consider is the status quo, or current schedule of disability and investment focused meetings. If chosen, it is important to note that the following three meeting dates have been moved for holidays: January 28 is one week later for Martin

Luther King Day; February 25 is one week later for Presidents Day; and September 9 is one week later for Labor Day.

Alternative 1: 2nd and 4th Monday of the Month for Disabilities & Investments Respectively

This first alternative arose from discussion at the October 4 Investment Retreat where Russ Charvonia, of Hewitt EnnisKnupp, reported that monthly investment figures often have estimated numbers due to the current timing of the business meetings. This option would push back investment information one week, but would provide for actual investment information instead of estimates. If chosen, the following are important notes regarding holidays and other events: May 13 is the day before SACRS in Napa; May 20 is moved up one week for Memorial Day; November 11 is Veterans Day (but not and observed County holiday) and is also the day before SACRS in Indian Wells; November 25 is the Monday of Thanksgiving week; and December 23 is the Monday of Christmas week.

Alternative 2: 1st and 3rd Monday of the Month for Investments & Disabilities Respectively

This alternative arose from a review of the bylaws and conforms to them. The holiday adjustments are the same as noted for the status quo. Investment information would generally be pushed back two weeks compared to the current schedule. Two weeks might not seem like a large difference but the Board needs to weigh whether or not it is too much time passing for the monthly status reports to still hold as much value.

Alternative 3: 4th Monday of the Month for all Board Business

Staff recommends this option because it is the most efficient for Staff and provides the investment consultant with the extra time needed to provide final investment figures for the preceding month. Meetings would last up to three-quarters of the day. Investments would be heard in the morning, disabilities would have a time certain of 10:00 am, lunch would be provided at noon, and administrative business would follow. Given that there would be additional materials, Staff would have agendas posted the Monday before the meeting, providing seven days for review. In addition to moving May 20 up a week for Memorial Day, November and December meetings could be moved up.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

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

Attachment

Current Meeting Schedule (status quo):
1st and 3rd Monday of the Month for Disabilities Investments Respectively

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Meeting	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
1/7/2013	1/2/2013	12/28/2012	Disability		Establish Personnel Committee (PC) for the review of the Retirement Administrator.
1/28/2013	1/22/2013	1/18/2013	Business	None	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report Actuarial Report 2nd Hearing: Review & Approve Actuarial Audit RFP: Review & Approve Annual Financial Report: Review & Approve
2/4/2013	1/29/2013	1/25/2013	Disability		RFP for Investment Consultant
2/25/2013	2/19/2013	2/15/2013	Business	Prudential – PRISA UBS Real Estate	Update on Real Estate Market Q4 Performance Report Investment Manager Fee Discussion COLA Letter
3/4/2013	2/26/2013	2/22/2013	Disability		12 Month Review of the Retirement Administrator
3/18/2013	3/12/2013	3/8/2013	Business	Adams Street Pantheon	Private Equity Market Update Capital Market Assumptions for A/L Study SACRS Spring Conference Items
4/1/2013	3/26/2013	3/22/2013	Disability		
April	April	April	PC		Personnel Committee discusses the proposed evaluation criteria, relative weightings, and the evaluation form for the September Review.
4/15/2013	4/9/2013	4/5/2013	Business	None	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report SACRS Spring Conference Items
5/6/2013	4/30/2013	4/26/2013	Disability		
5/20/2013	5/14/2013	5/10/2013	Business	Sprucegrove SSgA Securities Lending & Custodial Services	Annual Governance Report First Reading of the Budget Custodial RFP Consideration Escheatment Policy Q1 Performance Report
6/3/2013	5/28/2013	5/24/2013	Disability		Hearing Officer Contracts
6/17/2013	6/11/2013	6/7/2013	Business	GMO The Clifton Group	Approval of Retreat Agenda Review of HEK Conference Content Second Reading of the Budget Travel Policy Review CMP & Associates Contract
7/1/2013	6/25/2013	6/21/2013	Disability		Administrator distributes evaluation package Fiduciary Liability Insurance Report
7/15/2013	7/9/2013	7/5/2013	Business	Walter Scott Hexavest	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report Investment Policy Statement update Business Plan Review
Aug	Aug	Aug	PC		Personnel Committee reviews the results of the evaluation forms.
9/9/2013	9/3/2013	8/30/2013	Disability		Closed Session: Annual Review of Retirement Administrator
9/16/2013	9/10/2013	9/6/2013	Business	Loomis PIMCo SSgA	Q2 Performance Report Update on Fixed Income Market Annual Proxy Voting Certification Report SACRS Fall Conference Items

Current Meeting Schedule (status quo):
1st and 3rd Monday of the Month for Disabilities Investments Respectively

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Meeting	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
9/26/2013	9/20/2013	9/16/2013	Investment	Board Investment Policy Retreat	TBD TBD TBD TBD
10/7/2013	10/1/2013	9/27/2013	Disability		
10/21/2013	10/15/2013	10/11/2013	Business	Blackrock Reams Western	Guideline Review by Manager Risk Modeling Profile Update SACRS Fall Conference Items Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report
11/4/2013	10/29/2013	10/25/2013	Disability		
11/18/2013	11/12/2013	11/8/2013	Business	None	Review Due Diligence Calendar Set Board Meeting Dates & Investment Manager Presentations Q3 Performance Report: Receive & File
12/2/2013	11/26/2013	11/22/2013	Disability		Appoint Chair and Vice Chair for 2013
12/16/2013	12/10/2013	12/6/2013	Business	RREEF	Q3 Performance Report: Review & Approve Approval of Fee Schedule for Hewitt EnnisKnupp Actuarial Report: Receive & File SACRS peer comparison report

Legend
Business Meetings
Disability Meetings (generally)
Personnel Committee Meetings
Board Retreat

Alternative Meeting Schedule 1 (investments):
2nd and 4th Monday of the Month for Disabilities Investments Respectively

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Meeting	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
1/14/2013	1/8/2013	1/4/2013	Disability		Establish Personnel Committee (PC) for the review of the Retirement Administrator.
1/28/2013	1/22/2013	1/18/2013	Business	None	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report Actuarial Report 2nd Hearing: Review & Approve Actuarial Audit RFP: Review & Approve Annual Financial Report: Review & Approve
2/11/2013	2/5/2013	2/1/2013	Disability		RFP for Investment Consultant
2/25/2013	2/19/2013	2/15/2013	Business	Prudential – PRISA UBS Real Estate	Update on Real Estate Market Q4 Performance Report COLA Letter
3/11/2013	3/5/2013	3/1/2013	Disability		12 Month Review of the Retirement Administrator
3/25/2013	3/19/2013	3/15/2013	Business	Adams Street Pantheon	Private Equity Market Update Capital Market Assumptions for A/L Study SACRS Spring Conference Items
4/8/2013	4/2/2013	3/29/2013	Disability		
April	April	April	PC		Personnel Committee discusses the proposed evaluation criteria, relative weightings, and the evaluation form for the September Review.
4/22/2013	4/16/2013	4/12/2013	Business	None	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report SACRS Spring Conference Items
5/13/2013	5/7/2013	5/3/2013	Disability		
5/20/2013	5/14/2013	5/10/2013	Business	Sprucegrove SSgA Securities Lending & Custodial Services	Annual Governance Report First Reading of the Budget Custodial RFP Consideration Escheatment Policy Q1 Performance Report
6/10/2013	6/4/2013	5/31/2013	Disability		Hearing Officer Contracts
6/24/2013	6/18/2013	6/14/2013	Business	GMO The Clifton Group	Approval of Retreat Agenda Review of HEK Conference Content Second Reading of the Budget Travel Policy Review CMP & Associates Contract
7/8/2013	7/2/2013	6/28/2013	Disability		Administrator distributes evaluation package Fiduciary Liability Insurance Report
7/22/2013	7/16/2013	7/12/2013	Business	Walter Scott Hexavest	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report Investment Policy Statement update Business Plan Review
Aug	Aug	Aug	PC		Personnel Committee reviews the results of the evaluation forms.
9/9/2013	9/3/2013	8/30/2013	Disability		Closed Session: Annual Review of Retirement Administrator
9/23/2013	9/17/2013	9/13/2013	Business	Loomis PIMCo SSgA	Q2 Performance Report Update on Fixed Income Market Annual Proxy Voting Certification Report SACRS Fall Conference Items

Alternative Meeting Schedule 1 (investments):
2nd and 4th Monday of the Month for Disabilities Investments Respectively

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Meeting	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
9/26/2013	9/20/2013	9/16/2013	Investment	Board Investment Policy Retreat	TBD TBD TBD TBD
10/14/2013	10/8/2013	10/4/2013	Disability		
10/28/2013	10/22/2013	10/18/2013	Business	Blackrock Reams Western	Guideline Review by Manager Risk Modeling Profile Update SACRS Fall Conference Items Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report
11/11/2013	11/5/2013	11/1/2013	Disability		
11/25/2013	11/19/2013	11/15/2013	Business	None	Review Due Diligence Calendar Set Board Meeting Dates & Investment Manager Presentations Q3 Performance Report: Receive & File
12/9/2013	12/3/2013	11/29/2013	Disability		Appoint Chair and Vice Chair for 2013
12/23/2016	12/17/2016	12/13/2016	Business	RREEF	Q3 Performance Report: Review & Approve Approval of Fee Schedule for Hewitt EnnisKnupp Actuarial Report: Receive & File SACRS peer comparison report

Legend
Business Meetings
Disability Meetings (generally)
Personnel Committee Meetings
Board Retreat

 Ver. 11/13/2012

Alternative Meeting Schedule 2 (bylaws):
1st and 3rd Monday of the Month for Investments Disabilities Respectively

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Meeting	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
1/7/2013	1/1/2013	12/28/2012	Business	None	Establish Personnel Committee (PC) for the review of the Retirement Administrator.
					Annual Financial Report: Review & Approve
1/28/2012	1/22/2012	1/18/2012	Disability		Actuarial Report 2nd Hearing: Review & Approve
					Actuarial Audit RFP: Review & Approve
2/4/2013	1/29/2013	1/25/2013	Business	Prudential – PRISA UBS Real Estate	Update on Real Estate Market
					Quarterly PAS (VCERIS) Report
					Quarterly Administrator Report
					Quarterly Benefit Estimate Status Report
					RFP for Investment Consultant
2/25/2013	2/19/2013	2/15/2013	Disability		COLA Letter
3/4/2013	2/26/2013	2/22/2013	Business	Adams Street Pantheon	Private Equity Market Update
					Q4 Performance Report
					Capital Market Assumptions for A/L Study
					SACRS Spring Conference Items
3/18/2013	3/12/2013	3/8/2013	Disability		12 Month Review of the Retirement Administrator
4/1/2013	3/26/2013	3/22/2013	Business	None	SACRS Spring Conference Items
April	April	April	PC		Personnel Committee discusses the proposed evaluation criteria, relative weightings, and the evaluation form for the September Review.
4/15/2013	4/9/2013	4/5/2013	Disability		
5/6/2013	4/30/2013	4/26/2013	Business	Sprucegrove SSgA Securities Lending & Custodial Services	Annual Governance Report
					Quarterly PAS (VCERIS) Report
					Quarterly Administrator Report
					Quarterly Benefit Estimate Status Report
					First Reading of the Budget
					Custodial RFP Consideration
5/20/2013	5/14/2013	5/10/2013	Disability		
6/3/2013	5/28/2013	5/24/2013	Business	GMO The Clifton Group	Approval of Retreat Agenda
					Review of HEK Conference Content
					Q1 Performance Report
					Second Reading of the Budget
					Travel Policy Review
					CMP & Associates Contract
6/17/2013	6/11/2013	6/7/2013	Disability		Hearing Officer Contracts
7/1/2013	6/25/2013	6/21/2013	Business	Walter Scott Hexavest	Investment Policy Statement update
					Escheatment Policy
					Administrator distributes evaluation package
					Fiduciary Liability Insurance Report
					Business Plan Review
7/15/2013	7/9/2013	7/5/2013	Disability		
Aug	Aug	Aug	PC		Personnel Committee reviews the results of the evaluation forms.
9/9/2013	9/3/2013	8/30/2013	Business	Loomis PIMCo SSgA	Q2 Performance Report
					Update on Fixed Income Market
					Annual Proxy Voting Certification Report
					Quarterly PAS (VCERIS) Report
					Quarterly Administrator Report
					Quarterly Benefit Estimate Status Report
					SACRS Fall Conference Items

Alternative Meeting Schedule 2 (bylaws):
1st and 3rd Monday of the Month for Investments Disabilities Respectively

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Meeting	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
9/16/2013	9/10/2013	9/6/2013	Disability		Closed Session: Annual Review of Retirement Administrator
9/26/2013	9/20/2013	9/16/2013	Investment	Board Investment Policy Retreat	TBD TBD TBD TBD
10/7/2013	10/1/2013	9/27/2013	Business	Blackrock Reams Western	Guideline Review by Manager Risk Modeling Profile Update SACRS Fall Conference Items
10/21/2013	10/15/2013	10/11/2013	Disability		
11/4/2013	10/29/2013	10/25/2013	Business	None	Review Due Diligence Calendar Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report Set Board Meeting Dates & Investment Manager Presentations
11/18/2013	11/12/2013	11/8/2013	Disability		
12/2/2013	11/26/2013	11/22/2013	Business	RREEF	Q3 Performance Report: Review & Approve Approval of Fee Schedule for Hewitt EnnisKnupp Actuarial Report: Receive & File SACRS peer comparison report
12/16/2013	12/10/2013	12/6/2013	Disability		Appoint Chair and Vice Chair for 2013

Legend
Business Meetings
Disability Meetings (generally)
Personnel Committee Meetings
Board Retreat

Alternative Meeting Schedule 3 (staff):
4th Monday of the Month for all Board Business

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
1/28/2013	1/18/2013	1/14/2013	None	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report Establish Personnel Committee (PC) for the review of the Retirement Administrator. Actuarial Report 2nd Hearing: Review & Approve Actuarial Audit RFP: Review & Approve Annual Financial Report: Review & Approve
2/25/2013	2/15/2013	2/11/2013	Prudential – PRISA UBS Real Estate	Update on Real Estate Market Q4 Performance Report RFP for Investment Consultant COLA Letter
3/25/2013	3/15/2013	3/11/2013	Adams Street Pantheon	Private Equity Market Update Capital Market Assumptions for A/L Study 12 Month Review of the Retirement Administrator SACRS Spring Conference Items
April	April	April		Personnel Committee discusses the proposed evaluation criteria, relative weightings, and the evaluation form for the September Review.
4/22/2013	4/12/2013	4/8/2013	None	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report SACRS Spring Conference Items
5/20/2013	5/10/2013	5/6/2013	Sprucegrove SSgA Securities Lending & Custodial Services	Annual Governance Report First Reading of the Budget Custodial RFP Consideration Escheatment Policy Q1 Performance Report
6/24/2013	6/14/2013	6/10/2013	GMO The Clifton Group	Approval of Retreat Agenda Review of HEK Conference Content Second Reading of the Budget Travel Policy Review Fiduciary Liability Insurance Report Hearing Officer Contracts CMP & Associates Contract
7/22/2013	7/12/2013	7/8/2013	Walter Scott Hexavest	Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report Investment Policy Statement update Administrator distributes evaluation package Business Plan Review
Aug	Aug	Aug		Personnel Committee reviews the results of the evaluation forms.
9/23/2013	9/13/2013	9/9/2013	Loomis PIMCo SSgA	Q2 Performance Report Update on Fixed Income Market Annual Proxy Voting Certification Report Closed Session: Annual Review of Retirement Administrator SACRS Fall Conference Items

Alternative Meeting Schedule 3 (staff):
4th Monday of the Month for all Board Business

Meeting Date	Agenda Deadline (Hard)	Agenda Deadline (Soft)	Scheduled Presentations	Investment, Operational, Actuarial Performance Updates, Board Policy, & Other Significant Items
9/26/2013	9/16/2013	9/12/2013	Board Investment Policy Retreat	TBD TBD TBD TBD
10/28/2013	10/18/2013	10/14/2013	Blackrock Reams Western	Guideline Review by Manager Risk Modeling Profile Update SACRS Fall Conference Items Quarterly PAS (VCERIS) Report Quarterly Administrator Report Quarterly Benefit Estimate Status Report
11/25/2013	11/15/2013	11/11/2013	None	Review Due Diligence Calendar Set Board Meeting Dates & Investment Manager Presentations Q3 Performance Report: Receive & File
12/23/2016	12/13/2016	12/9/2016	RREEF	Q3 Performance Report: Review & Approve Approval of Fee Schedule for Hewitt EnnisKnupp Actuarial Report: Receive & File SACRS peer comparison report Appoint Chair and Vice Chair for 2013

Legend
Board Meetings
Personnel Committee Meetings
Board Retreat

 Ver. 11/13/2012

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

November 19, 2012

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

SUBJECT: GOVERNANCE POLICY REVIEW AND BOARD POLICY DISCUSSION

Dear Board Members:

Objective

To update the Board on staff's progress consolidating and updating Board policies.

Recommendation

Staff recommends that you receive and file this report.

Discussion

Staff has located 21 policies, 4 charters, 1 set of bylaws, and 1 investment policy manual. Staff has posted policies updated since May 2012 to the Ventura County Employees' Retirement Association (VCERA) website under a new page entitled "Board Governance" and has listed all other known policy documents for eventual posting (see attached).

Staff was making good progress toward bringing to your Board a number of ministerial charter and policy updates during this meeting until the California Public Employees' Pension Reform Act implementation activities took center stage. These updates will likely occur the first quarter of 2013. Hard copies of previous policies, in varying reproducible qualities, are available upon request.

More extensive policy reviews will be brought to your Board, after the initial ministerial update, either three at a time, or as each item is brought to your attention (i.e., a member election spawned the update of the election policy).

Staff will post the Investment Policy Manual (containing manager guidelines) as soon as the Board conducts its final review. Staff will also ensure timely updates to the policy as individual managers or their guidelines change.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

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

Attachment

VCERA
- Home
- Board Members
- Staff
- Pension Calculator
- Location
- Contact Us

1190 South Victoria Avenue
Suite 200
Ventura, CA 93003

(805) 339-4250

Donald C. Kendig, CPA
Retirement Administrator

(805) 339-4262
email

BOARD GOVERNANCE

Once reviewed by the Board, links to the the Ventura County Employees' Retirement Association Board of Retirement bylaws, charters, and policies will be placed here. Entries with revision dates contain links to posted policies. (This is a work in progress.)

Board Bylaws and Regulations

Bylaws and Regulations

Charters

Board of Retirement
Chair
Vice Chair
Retirement Administrator

Policies

Actuarial Funding (Revised 2012-05-21)
Alternate Board Member
Annual Administrative Budget
Appointment and Election of Trustees
Assigned Portable Electronic Devices (Revised 2012-06-18)
Board Policy Development Process
Business Planning (Revised 2012-06-18)
Check and Wire Signing Authority
Confidential Legal Opinions
Conflict of Interest
Credit Card
Death Benefit
Education and Travel (Revised 2012-07-02)
Interest Crediting
Monitoring and Reporting
Placement Agent (Revised 2010-12-20)
Retention of Legal Services
Retirement Administrator Performance Evaluation (Revised 2012-09-12)
Service Provider Selection
Tax Deferred Transfers (Rollovers)
Trustee Communications

Investment Policy Manual

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

Investment Policy Manual

Information
- Meeting Schedule
- Agendas & Minutes
- Forms
- Publications
- Brochures
- Newsletters
- Board Governance
- Investment Reports
- Retiree Pay Dates
- RFPs

Quick Links
- Adobe Acrobat Reader

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 19, 2012

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

RE: HOLIDAY HOURS – DAY AFTER THANKSGIVING, CHRISTMAS EVE AND NEW YEAR'S EVE

Dear Board Members:

The day after Thanksgiving, Christmas Eve, and New Year's Eve could likely be the three slowest days of the year for VCERA in relation to member inquiries. Historically, the day after Thanksgiving is void of any member inquiries, and given the timing of both Christmas Eve and New Year's Eve, staff predicts the same for those two days.

Staff proposes closing the offices to the public on November 23, December 24, and December 31, and if approved, VCERA employees would choose to either work those days, or take annual leave to be with their families. Other alternatives include being open to the public half days those three days, or being closed to the public on one or two of the proposed three days. If the recommendation or an alternative is approved, staff would post Holiday Hours on the Internet and office doors, and email employees.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

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Attachment

VCERA

Ventura County Employees' Retirement Association

will be

CLOSED

Thursday and Friday

November 22 & 23, 2012 for

Thanksgiving

Monday and Tuesday

December 24 & 25, 2012 for

Christmas Eve and Christmas Day, and

Monday and Tuesday

December 31, 2012 & January 1, 2013 for

New Year’s Eve and New Year’s Day