

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### BUSINESS MEETING

April 21, 2014

#### AGENDA

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

**TIME:** 9:00 a.m.

**ITEM:**

- |   | Master Page No. |
|---|-----------------|
| I. <b><u>CALL TO ORDER</u></b>  |                 |
| II. <b><u>APPROVAL OF AGENDA</u></b>  | 1 – 3           |
| III. <b><u>APPROVAL OF MINUTES</u></b>  |                 |
| A. Disability Meeting of April 7, 2014.   | 4 – 12          |
| IV. <b><u>CONSENT AGENDA</u></b>  |                 |
| A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of March 2014. | 13 – 14         |
| B. Receive and File Report of Checks Disbursed in March 2014.                                       | 15 – 24         |
| C. Receive and File Budget Summary for FY 2013-14 Month Ending March 2014.                          | 25              |
| V. <b><u>STANDING ITEM</u></b>  |                 |
| A. Receive an Oral Update on Pensionable Compensation and PEPRA.                                    |                 |

**VI. ANNUAL INVESTMENT PRESENTATIONS**

- A. Receive Annual Investment Presentation, Sprucegrove Investment Management, Peter Ellement, Co-President and Senior Portfolio Manager, and Mark Shevitz- Fairhaven Partners (30 Minutes). 26 – 54

**VII. INVESTMENT INFORMATION**

- A. NEPC – Don Stracke, Senior Consultant, Lynda Dennen, Senior Consultant.
1. Receive and File Performance Report Month Ending March 31, 2014. 55 – 63
2. Receive and File PIMCO Watch List Report. 64 – 65
3. Receive and File Manager Guideline Violation Letter from PIMCO. 66
4. Asset Liability Study. 67 – 105  
**RECOMMENDED ACTION: Approve.**

**VIII. NEW BUSINESS**

- A. Application for Reinstatement to Active Membership Pursuant to GC 31680.4 & 31680.5- Carlotta Barnes  
**RECOMMENDED ACTION: Approve.**
1. Letter from Staff. 106
2. Letter from Carlotta Barnes. 107
3. Offer of Employment. 108
4. Medical Clearance. 109
- B. Authorization to Attend National Association of Pension Plan Attorneys (NAPPA) Conference, June 25-27, 2014, Nashville, Tennessee.  
**RECOMMENDED ACTION: Approve.**
1. Letter from Staff. 110
2. NAPPA 2014 Legal Education Conference Announcement. 111 – 112

**VIII. NEW BUSINESS (continued)**

- C. VCERIS Monthly Report – March 2014. 113  
**RECOMMENDED ACTION: Receive and File.**

**IX. INFORMATIONAL**

- A. Adams Street IPO Announcement. 114 – 115  
B. CalPERS Study on Economic Impacts in California. 116 – 129  
C. Reason Foundation Pension Reform Actuarial Analysis. 130 – 136  
D. SACRS Memo on Sustaining Public DB Plans. 137 – 140  
E. Loomis Sayles Announcement of President and CFO. 141  
F. SACRS Dinner Invitation from Eaton Vance and Hexavest. 142

**X. PUBLIC COMMENT**

**XI. STAFF COMMENT**

**XII. BOARD MEMBER COMMENT**

**XIII. ADJOURNMENT**

**VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**BOARD OF RETIREMENT**

**DISABILITY MEETING**

**April 7, 2014**

**MINUTES**

**DIRECTORS** Tracy Towner, Chair, Safety Employee Member  
**PRESENT:** William W. Wilson, Vice Chair, Public Member  
Steven Hintz, Treasurer-Tax Collector  
Mike Sedell, Public Member  
Tom Johnston, General Employee Member  
Deanna McCormick, General Employee Member  
Arthur E. Goulet, Retiree Member  
Will Hoag, Alternate Retiree Member  
Chris Johnston, Alternate Safety Employee Member

**DIRECTORS** Peter C. Foy, Public Member  
**ABSENT:** Joseph Henderson, Public Member

**STAFF** Tim Thonis, Interim Retirement Administrator  
**PRESENT:** Lori Nemiroff, Assistant County Counsel  
Chris Ayala, Office Assistant  
Stephanie Caiazza, Office Assistant  
Donna Edwards, Retirement Benefits Specialist  
Chantell Garcia, Retirement Benefits Specialist

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

**TIME:** 9:00 a.m.

**ITEM:**

**I. CALL TO ORDER**

Chairman Towner called the Disability Meeting of April 7, 2014, to order at 9:02 a.m.

**II. APPROVAL OF AGENDA**

MOTION: Approve the Agenda.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Sedell, Towner, Wilson

No: -

Absent: Foy, Henderson

**III. APPROVAL OF MINUTES**

A. Business Meeting of March 17, 2014.

Mr. Goulet requested that the Minutes be corrected on Master Page 2 to reflect whether Mr. Foy was present for the Approval of the Agenda.

MOTION: Approve the Minutes with correction.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Sedell, Towner, Wilson

No: -

Absent: Foy, Henderson

**IV. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT**

MOTION: Receive and file the Report.

Moved by Goulet, seconded by McCormick.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Sedell, Towner, Wilson

No: -

Absent: Foy, Henderson

**V. APPLICATIONS FOR DISABILITY RETIREMENT**

A. Consider Application for Non-Service Connected Disability Retirement; Ruth D. Tabarez; Case No. 13-041.

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

2. Hearing Notice served on March 12, 2014.

Paul Hilbun was present representing the County of Ventura Risk Management. Applicant's spouse, Steve Tabarez, was present on behalf of the applicant.

After a statement by Mr. Tabarez, the following Motion was made:

MOTION: Grant the applicant, Ruth Tabarez, a non-service connected disability retirement, posthumously.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried

Yes: Goulet, Hintz, C. Johnston, T. Johnston, McCormick, Sedell, Wilson

No: -

Absent: Foy, Henderson

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

B. Consider Application for Service Connected and Non-Service Connected Disability Retirement; Kathie Schleiderer; Case No. 13-002.

1. Hearing Officer's Proposed Findings of Fact, Conclusions of Law, and Recommendation, submitted by Hearing Officer Kenneth A. Perea, dated February 18, 2014.

2. Hearing Notice served on March 19, 2014.

Paul Hilbun and Derek Straatsma, Attorney at Law, were present representing the County of Ventura Risk Management. The applicant, Kathie Schleiderer, was present.

Both parties declined to make statements.

The following Motion was made:

MOTION: Adopt the Hearing Officer's recommendation and deny the applicant, Kathie Schleiderer, a service connected disability retirement.

Moved by Wilson, seconded by Hintz.

Vote: Motion carried

Yes: Goulet, Hintz, C. Johnston, T. Johnston, McCormick, Sedell, Wilson

No: -

Absent: Foy, Henderson

- C. Consider Application for Service Connected Disability Retirement; Patsy Hulsey; Case No. 12-039.
1. Summary of Evidence, Findings of Fact, Conclusion, and Recommendation, submitted by Hearing Officer Louis M. Zigman, dated February 25, 2014.
  2. Respondent's Reply to the Hearing Officer's Recommended Decision, submitted by B. Derek Straatsma, Attorney at Law, dated March 4, 2014.
  3. Applicant's Objections to the Hearing Officer's Recommended Decision, submitted by Patsy Hulsey, dated March 12, 2014.
  4. Hearing Notice served on March 19, 2014.

Paul Hilbun and Derek Straatsma, Attorney at Law, were present representing the County of Ventura Risk Management. The applicant, Patsy Hulsey, was not present.

Risk Management declined to make a statement.

The following Motion was made:

MOTION: Adopt the Hearing Officer's recommendation and deny the applicant, Patsy Hulsey, a service connected disability retirement.

Moved by Goulet, seconded by Hintz.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson

No: -

Absent: Foy, Henderson

- D. Consider Application for Non-Service Connected Disability Retirement; Tommy W. Henry; Case No. 12-016.
1. Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations, submitted by Hearing Officer John L. Rosenthal, dated February 19, 2014.
  2. Applicant's Objections to the Hearing Officer's Recommended Decision, submitted by Timothy Ehritt, Attorney at Law, dated March 3, 2014.

3. Legal Memorandum in Support of the Hearing Officer's Recommended Decision, submitted by Stephen D. Roberson, Attorney at Law, dated March 5, 2014.
4. Hearing Notice served on March 17, 2014.

Paul Hilbun and Stephen D. Roberson, Attorney at Law, were present representing the County of Ventura Risk Management. Timothy Ehritt, Attorney at Law, was present representing the applicant.

After statements by both parties and discussion by the Board, the following Motion was made:

MOTION: Adopt the Hearing Officer's recommendation and deny the applicant, Tommy W. Henry, a non-service disability retirement.

Moved by Wilson, seconded by Hintz.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, Towner, Sedell, Wilson

No: -

Absent: Foy, Henderson

Abstain: McCormick

- E. Consider Application for Service Connected Disability Retirement; Christina A. Valle; Case No. 11-015.
  1. Hearing Officer's Proposed Findings of Fact, Conclusions of Law, and Recommendation, submitted by Hearing Officer Kenneth A. Perea, dated January 30, 2014.
  2. Applicant's Objections to Hearing Officer's Recommended Decision, submitted by Edward L. Faunce, Attorney at Law, dated February 14, 2014.
  3. Legal Memorandum in Support of the Hearing Officer's Recommended Decision, submitted by Stephen D. Roberson, Attorney at Law, dated February 24, 2014.
  4. Applicant's Response to County of Ventura's Legal Memorandum, submitted by Edward L. Faunce, Attorney at Law, dated March 11, 2014.
  5. Hearing Notice served on March 18, 2014.



After statements by both parties and discussion by the Board, the following Motion was made:

MOTION: Adopt the Hearing Officer's recommendation and deny the applicant, Christina A. Valle, a service connected disability retirement.

Moved by Sedell, seconded by Hintz.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Sedell, Towner, Wilson

No: -

Absent: Foy, Henderson

- F. Consider Application for Service Connected Disability Retirement; David J. Nadon; Case No. 11-008.
1. Findings of Fact and Conclusions of Law, submitted by Stephen D. Roberson, Attorney at Law, dated February 27, 2014.
  2. Objections to the Proposed Findings of Fact and Conclusions of Law, submitted by Anthony R. Strauss, dated March 7, 2014.
  3. Response to the Objections to the Proposed Findings of Fact and Conclusions of Law, submitted by Stephen D. Roberson, Attorney at Law, dated March 19, 2014.
  4. Hearing Notice served on March 14, 2014.

Paul Hilbun and Stephen D. Roberson, Attorney at Law, and were present representing the County of Ventura Risk Management. Anthony Strauss, Attorney at Law, was present representing the applicant.

After statements by both parties and discussion by the Board, the following Motion was made:

MOTION: Adopt the Findings of Fact and Conclusions of Law submitted by County of Ventura Risk Management.

Moved by Goulet, seconded by Sedell.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson

No: -

Absent: Foy, Henderson

**VI. OLD BUSINESS**

- A. Development of VCERA Investment Return Assumption - GASB 67 & 68.

Paul Angelo was present on behalf of The Segal Company to discuss developing an investment return assumption for use in accounting and financial reporting under GASB Statements 67 and 68.

Staff provided background information and recommended approval of Interim Option B.

After discussion by Paul Angelo, the Board, and Staff, the following Motion was made:

MOTION: Approve recommended Interim Option B.

Moved by Goulet, seconded by Sedell.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson

No: -

Absent: Foy, Henderson

**VII. NEW BUSINESS**

- A. Appointment of Voting Delegate and Alternate Voting Delegate.

Staff recommended the appointment of a voting delegate and alternate voting delegate to participate at the May 2014 SACRS business meeting.

After discussion by the Board, the following Motion was made:

MOTION: Appoint Deanna McCormick as voting delegate and Will Hoag as alternate voting delegate for the May 2014 SACRS conference.

Moved by Goulet, seconded by T. Johnston.

Vote: Motion carried

Yes: Goulet, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson

No: -

Absent: Foy, Henderson

**VIII. INFORMATIONAL**

- A. Invitation to Attend International Foundation of Employee Benefit Plans- Public Employee Policy Forum, September 15-16, 2014- Washington D.C.

- B. Invitation to Attend Adams Street Partners Client Conference, June 5, 2014- Chicago, IL.

**IX. PUBLIC COMMENT**

None.

**X. STAFF COMMENT**

The Interim Retirement Administrator reported that the two hearing officers selected by the Board have now entered into contracts with VCERA. He further informed the Board that there are several other candidates whose applications are available for review.

Staff commented that the May 19, 2014 Board Meeting will likely be a long meeting.

**XI. BOARD MEMBER COMMENT**

Mr. Towner requested that members of the Board consider submitting written questions ahead of time so as to expedite discussion at the Business Meeting on May 19, 2014.

Ms. Nemiroff informed the Board of the City of San Jose v. Superior Court, a recent case in which the court ruled that electronic communications sent on personal devices to personal accounts are not subject to the California Public Records Act.

Mr. Hoag provided an update on the ongoing Retirement Administrator recruitment, stating that the Request for Proposal was sent to seventeen executive search firms, with no positive response to date. Mr. Hoag mentioned that there are currently five other counties recruiting for the position of Retirement Administrator.

XII. ADJOURNMENT

The meeting was adjourned at 10:37 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Tim Thonis", is written over a horizontal line.

TIM THONIS, Interim Retirement Administrator

Approved,

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TRACY TOWNER, Chairman

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

**MARCH 2014**

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
<b>REGULAR RETIREMENTS:</b>							
Amelia M.	Baggett	G	6/24/1990	23.70	A=1.0301	Human Services Agency	01/24/14
Carolyn G.	Briggs	G	8/6/2000	13.60		Health Care Agency	03/01/14
Michael J.	Cabot	G	10/16/1988	2.50	C=23.477	General Services Agency (Deferred)	02/08/14
Roberta E.	Christian	G	3/5/2001	13.00		Health Care Agency	03/02/14
Danita L.	Crombach	G	1/11/1998	22.10	D=6.0242	Sheriff's Department	02/14/14
Julie A.	Doss	G	5/7/2006	6.10	C=2.4	Superior Courts (Deferred)	02/01/14
John T.	Duffner	S	2/17/1980	32.70	B=0.5274	Sheriff's Department	02/05/14
John E.	Dumont	G	6/5/1983	31.90	A=2.81187 B=0.68660 D=0.23	Probation Agency	02/28/14
Michael A.	Erickson	S	03/29/06	5.20		Sheriff's Department	09/18/11
Linda M.	Escoto	G	07/30/01	10.80		Health Care Agency	03/01/14
Edward E.	Evans	G	02/09/86	13.70	C=14.469	General Services Agency (Deferred)	01/18/14
Glenn E.	Griffin	G	03/28/93	0.10	C=20.71936	Air Pollution Control District (Deferred)	02/03/14
Christine S.	Heckerman	G	11/22/99	14.20		District Attorney	02/01/14
Glenda J.	Jackson	G	5/20/2008	14.10		Retirement Department (31680.4 & 31680.5)	02/25/14
Joseph E.	Juarez	G	1/17/1982	31.30	D=1.6217	Public Works Agency	02/14/14
Robert B.	Knudson	S	8/16/1981	6.60		Sheriff's Department (Deferred)	02/19/14
Debra A.	Littlewood	S	7/21/2004	13.50		Fire Protection (Non-Member Spouse)	01/21/14
Margaret A.	Lopez	G	10/3/1977	35.70		Public Works Agency	02/01/14
Bruce A.	Macedo	S	09/07/1980	33.50		Sheriff's Department	03/01/14
Cindy E.	Marshall	G	11/01/1998	15.20	B=0.1150	Human Services Agency	02/08/14
Remedios J.	Mayo	G	03/04/2002	11.90		Superior Courts	02/01/14
Cheryl M.	Means	G	01/17/2006	6.20		Courts	07/20/13
Danny M.	Miller	S	11/27/1989	31.60	A=1.4867 D=5.891	District Attorney	02/01/14
Linda M.	Minder	G	10/16/1978	33.90		Human Services Agency	02/28/14
Donald L.	Occhiline	G	03/28/1993	20.90		Airports	03/01/14
Dennis	O'Connell	G	01/03/1982	25.20	B=0.09210	Health Care Agency	01/25/14
Randy M.	Pentis	S	08/29/1982	31.50		Sheriff's Department	03/01/14
Theresa M.	Raitt	G	03/21/1999	14.00	B=0.0307	Health Care Agency	02/07/14
Debra J.	Ryan	G	11/23/2003	3.30	C=3.84	Retirement Department (Deferred)	02/15/14
Diana	Spellman	G	06/20/1993	14.10		Human Services Agency (Deferred)	02/12/14
Nancy M.	Stebbins	G	12/09/2002	10.60		Child Support Services	01/02/14
David W.	Stoll	G	12/01/1985	28.30		CEO	03/01/14
Sylvia M.	Sweet	G	07/01/1971	42.60		Sheriff's Department	02/28/14
James C.	Wall	G	09/20/1999	14.40		Assessor	02/28/14
Andrew R.	Walters	G	02/16/1992	22.10	B=0.1151	Human Services Agency	02/22/14

**DEFERRED RETIREMENTS:**

Javier P.	Ambriz	G	01/27/2008	6.08		Public Works Agency	02/21/2014
Judith E.	Barragan	G	04/16/1989	24.49		Health Care Agency	03/06/2014
Maria A.	Belcher	G	01/11/2009	9.15	D=4.03830	Health Care Agency	02/21/2014
Cara L.	Davis	G	11/13/2000	13.03		Treasurer - Tax Collector	02/28/2014
Donald	McMahon	G	04/23/2006	11.86	D=3.11070	Health Care Agency	03/07/2014
Francisco S.	Pedroza	S	10/30/2005	8.32		Probation Agency	02/27/2014
Michelle C.	Santiago	G	06/18/2006	5.36		Health Care Agency	01/31/2014
Debra	Weber	G	05/28/2002	8.06		Health Care Agency	02/14/2014

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

**MARCH 2014**

<b>FIRST NAME</b>	<b>LAST NAME</b>	<b>G/S</b>	<b>DATE OF MEMBERSHIP</b>	<b>TOTAL SERVICE</b>	<b>OTHER SERVICE</b>	<b>DEPARTMENT</b>	<b>EFFECTIVE DATE</b>
Julia M.	White	G	12/03/2006	7.20		Human Services Agency	02/21/2014

**SURVIVORS' CONTINUANCES:**

Eva B. Bowen  
Eda L. Cortez  
Marcia D. Edwards  
Elizabeth J. Enoch  
Karen Fussell  
Arthur Leseberg  
Clarissa A. Sanchez  
William C. Temple

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

Date: Tuesday, April 01, 2014  
 Time: 03:03PM  
 User: 108359

**Ventura County Retirement Assn**  
**Check Register - Standard**  
 Period: 09-14 As of: 4/1/2014

Page: 1 of 10  
 Report: 03630.rpt  
 Company: VCERA

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period To Post Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
<b>Company: VCERA</b>										
Acct / Sub:	1002		00							
022481	VC	3/19/2014	F4275S BONNIE ISAACS	09-14 09-14	017270	VO	DEATH BENEFIT	6/20/2013	0.00	-3,731.38
<b>Check Total</b>										<b>-3,731.38</b>
022482	-	023463	Missing							
023464	CK	3/3/2014	F8617 SUSAN BURKHART	09-14	018276	VO	PENSION PAYMENT	3/3/2014	0.00	2,195.99
023465	CK	3/6/2014	101015 KIRSTEN CROUCHER	09-14	018277	VO	REFUND T2 COL	3/6/2014	0.00	8,208.20
023466	CK	3/6/2014	102044 ALICE F. LEWIS	09-14	018278	VO	REFUND T2 COL	3/6/2014	0.00	7,085.96
023467	CK	3/6/2014	103441 DANA E. RAMIREZ	09-14	018279	VO	REFUND T2 COL	3/6/2014	0.00	10,216.49
023468	CK	3/6/2014	105819 AMELIA L. SANCHEZ	09-14	018280	VO	REFUND T2 COL	3/6/2014	0.00	10,434.27
023469	CK	3/6/2014	107505 JUANITA V. BARAJAS	09-14	018281	VO	REFUND	3/6/2014	0.00	7,227.43
023470	CK	3/6/2014	107505R PRIMERICA SHAREHOLDER SEF	09-14	018282	VO	ROLLOVER	3/6/2014	0.00	12,186.63
023471	CK	3/6/2014	116866R EDWARD JONES	09-14	018283	VO	ROLLOVER	3/6/2014	0.00	2,269.41
023472	CK	3/6/2014	118792 KUN UK LEE	09-14	018284	VO	REFUND	3/6/2014	0.00	26,733.71
023473	CK	3/6/2014	122008 EMMANUEL GONZALEZ-HINOJO:	09-14	018285	VO	REFUND	3/6/2014	0.00	3,465.40
023474	CK	3/6/2014	123413 SCOTT M. LOORZ	09-14	018286	VO	REFUND	3/6/2014	0.00	1,560.34

Date: Tuesday, April 01, 2014  
 Time: 03:03PM  
 User: 108359

**Ventura County Retirement Assn**  
**Check Register - Standard**  
 Period: 09-14 As of: 4/1/2014

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 Report: 03630.rpt  
 Company: VCERA

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period		Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
				To Post	Closed						
023475	CK	3/6/2014	F0942B1 LYNN NITA BENSON	09-14		018287	VO	DEATH BENEFIT	3/6/2014	0.00	2,126.83
023476	CK	3/6/2014	F3136B1 MATT LEVITZ	09-14		018288	VO	DEATH BENEFIT	3/6/2014	0.00	1,317.63
023477	CK	3/6/2014	F3136B2 AARON LEVITZ	09-14		018289	VO	DEATH BENEFIT	3/6/2014	0.00	1,317.63
023478	CK	3/6/2014	F3136B3 JOEL LEVITZ	09-14		018290	VO	DEATH BENEFIT	3/6/2014	0.00	1,317.62
023479	CK	3/6/2014	F3789B1 DONTRELL D. PEACE	09-14		018291	VO	DEATH BENEFIT	3/6/2014	0.00	4,681.78
023480	CK	3/6/2014	F4212S WILLIFORD A. STOVALL JR.	09-14		018292	VO	DEATH BENEFIT	3/6/2014	0.00	4,346.38
023481	CK	3/6/2014	F5515B1 ELIZABETH RUBENUK	09-14		018293	VO	DEATH BENEFIT	3/6/2014	0.00	4,139.42
023482	CK	3/6/2014	F6034S TIAA-CREF	09-14		018294	VO	ROLLOVER	3/6/2014	0.00	4,274.02
023483	CK	3/6/2014	F7426 DANA D. BELTRAN	09-14		018295	VO	PENSION PAYMENT	3/6/2014	0.00	358.09
023484	CK	3/6/2014	104238 TRACY TOWNER	09-14		018296	VO	TRAVEL REIMB	3/6/2014	0.00	240.00
023485	CK	3/6/2014	ADP ADP INC	09-14		018297	VO	ADMIN EXP	3/6/2014	0.00	2,629.99
023486	CK	3/6/2014	BARNEY ABU COURT REPORTING INC	09-14		018298	VO	ADMIN EXP	3/6/2014	0.00	1,638.70
023487	CK	3/6/2014	CLIFTON THE CLIFTON GROUP / PARAME	09-14		018299	VO	INVESTMENT FEES	3/6/2014	0.00	46,139.00
023488	CK	3/6/2014	COMPUWAVE COMPUWAVE	09-14		018300	VO	IT	3/6/2014	0.00	628.88



Date: Tuesday, April 01, 2014  
 Time: 03:03PM  
 User: 108359

**Ventura County Retirement Assn**  
**Check Register - Standard**  
 Period: 09-14 As of: 4/1/2014

Page: 3 of 10  
 Report: 03630.rpt  
 Company: VCERA

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period		Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
				To Post	Closed						
023489	CK	3/6/2014	CORPORATE STAPLES ADVANTAGE	09-14		018301	VO	ADMIN EXP	3/6/2014	0.00	1,842.17
023490	CK	3/6/2014	COUNTY COUNTY COUNSEL	09-14		018302	VO	LEGAL FEES	3/6/2014	0.00	27,100.45
023491	CK	3/6/2014	HANSONBRID HANSON BRIDGETT LLP	09-14		018303	VO	LEGAL FEES	3/6/2014	0.00	597.60
023492	CK	3/6/2014	INCENTIVE INCENTIVE SERVICES	09-14		018304	VO	ADMIN EXP	3/6/2014	0.00	80.63
023493	CK	3/6/2014	PENSION THE PENSION BRIDGE, INC.	09-14		018305	VO	ADMIN EXP	3/6/2014	0.00	358.00
023494	CK	3/6/2014	ROSENTHAL JOHN L. ROSENTHAL	09-14		018306	VO	ADMIN EXP	3/6/2014	0.00	13,606.25
023495	CK	3/6/2014	SEGAL SEGAL CONSULTING	09-14		018307	VO	ACTUARY FEES	3/6/2014	0.00	15,555.00
023496	CK	3/6/2014	WEB SHERWEB	09-14		018308	VO	IT	3/6/2014	0.00	419.70
023497	CK	3/6/2014	SPRUCE SPRUCEGROVE INVESTMENT M	09-14		018309	VO	INVESTMENT FEES	3/6/2014	0.00	56,582.26
023498	CK	3/6/2014	VOLT VOLT	09-14		018310	VO	ADMIN EXP	3/6/2014	0.00	1,969.61
023499	CK	3/10/2014	F7346 DAVID M. VAN DAVIS	09-14		018311	VO	PENSION PAYMENT	3/10/2014	0.00	3,650.22
023500	CK	3/11/2014	F1715 MARIA VAN DAVIS	09-14		018312	VO	PENSION PAYMENT	3/11/2014	0.00	1,208.32
023501	CK	3/13/2014	101990B2R FIDELITY	09-14		018313	VO	ROLLOVER	3/13/2014	0.00	27,622.45

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				To Post	Closed						
023502	CK	3/13/2014	101990B2 MARISSA SERRANO	09-14		018314	VO	DEATH BENEFIT	3/13/2014	0.00	7,562.18
023503	CK	3/13/2014	104719 NANCY A. OLSON	09-14		018315	VO	REFUND	3/13/2014	0.00	4,418.55
023504	CK	3/13/2014	104719R CAPITAL BANK AND TRUST COM	09-14		018316	VO	ROLLOVER	3/13/2014	0.00	12,201.39
023505	CK	3/13/2014	105322 CHRISTINE HECKERMAN	09-14		018317	VO	REFUND T2 COL	3/13/2014	0.00	11,620.45
023506	CK	3/13/2014	106498 HEATHER T. SOUZA	09-14		018318	VO	REFUND	3/13/2014	0.00	38,518.64
023507	CK	3/13/2014	112114R EDWARD JONES	09-14		018319	VO	ROLLOVER	3/13/2014	0.00	10,496.27
023508	CK	3/13/2014	112114 FRITZIE S. ST. JOHN	09-14		018320	VO	REFUND	3/13/2014	0.00	5,713.51
023509	CK	3/13/2014	117089 ANDRES E. RODRIGUEZ	09-14		018321	VO	REFUND	3/13/2014	0.00	30,514.38
023510	CK	3/13/2014	120112 ROBERT P. RANGEL	09-14		018322	VO	REFUND	3/13/2014	0.00	1,106.62
023511	CK	3/13/2014	121523 LYDIA N. GONZALES	09-14		018323	VO	REFUND	3/13/2014	0.00	3,518.05
023512	CK	3/13/2014	121566 KATIE E. LEWIS	09-14		018324	VO	REFUND	3/13/2014	0.00	5,681.76
023513	CK	3/13/2014	F0256B2 BARBARA J. BLAIR	09-14		018325	VO	DEATH BENEFIT	3/13/2014	0.00	2,648.04
023514	CK	3/13/2014	F2693 GILBERT J. SOTO	09-14		018326	VO	PENSION PAYMENT	3/13/2014	0.00	2,494.47
023515	CK	3/13/2014	F2951 ROBERT E MUMFORD	09-14		018327	VO	PENSION PAYMENT	3/13/2014	0.00	800.00

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				To Post	Closed						
023516	CK	3/13/2014	F4475S EDA L. CORTEZ	09-14		018328	VO	DEATH BENEFIT	3/13/2014	0.00	3,491.48
023517	CK	3/13/2014	F4995B1 TERESA KNOTWELL	09-14		018329	VO	DEATH BENEFIT	3/13/2014	0.00	3,040.11
023518	CK	3/13/2014	F5195 ARLENE SOTO	09-14		018330	VO	PENSION PAYMENT	3/13/2014	0.00	2,249.75
023519	CK	3/13/2014	BOFA BANK OF AMERICA	09-14		018331	VO	ADMIN EXP	3/13/2014	0.00	1,348.44
023520	CK	3/13/2014	HARRIS HARRIS WATER CONDITIONING	09-14		018332	VO	ADMIN EXP	3/13/2014	0.00	94.50
023521	CK	3/13/2014	MANATT MANATT, PHELPS, PHILLIPS	09-14		018333	VO	LEGAL FEES	3/13/2014	0.00	330.60
023522	CK	3/13/2014	OCONNOR O'CONNOR ELECTRIC, INC.	09-14		018334	VO	IT	3/13/2014	0.00	325.00
023523	CK	3/13/2014	STATE STATE STREET BANK AND TRUS	09-14		018335	VO	INVESTMENT FEES	3/13/2014	0.00	8,079.17
023524	CK	3/13/2014	VOLT VOLT	09-14		018336	VO	ADMIN EXP	3/13/2014	0.00	686.88
023525	ZC	3/20/2014	F4275S BONNIE ISAACS	09-14	09-14	017270	VO	DEATH BENEFIT	6/20/2013	0.00	3,731.38
023525	ZC	3/20/2014	F4275S BONNIE ISAACS	09-14	09-14	018337	AD	VOID	3/19/2014	0.00	-3,731.38
<b>Check Total</b>										<b>0.00</b>	<b>0.00</b>
023526	CK	3/20/2014	115617 JACQUELINE K. MCLAUGHLIN	09-14		018338	VO	REFUND	3/20/2014	0.00	21,143.74
023527	CK	3/20/2014	120490 FRANK C. MIELE	09-14		018339	VO	REFUND	3/20/2014	0.00	10,097.50
023528	CK	3/20/2014	120490R EDWARD JONES	09-14		018340	VO	ROLLOVER	3/20/2014	0.00	5,475.01

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				To Post	Closed						
023529	CK	3/20/2014	121168 JASON A. BARRESI	09-14		018341	VO	REFUND	3/20/2014	0.00	866.16
023530	CK	3/20/2014	121168R FIDELITY MANAGEMENT TRUST	09-14		018342	VO	ROLLOVER	3/20/2014	0.00	10,383.76
023531	CK	3/20/2014	122795 ALICE F. REDING	09-14		018343	VO	REFUND	3/20/2014	0.00	1,501.16
023532	CK	3/20/2014	F0666S ELIZABETH J. ENOCH	09-14		018344	VO	DEATH BENEFIT	3/20/2014	0.00	3,754.44
023533	CK	3/20/2014	F1184S ARTHUR LESEBERG	09-14		018345	VO	DEATH BENEFIT	3/20/2014	0.00	3,736.24
023534	CK	3/20/2014	F3021 JOAN D. ETESVOLD	09-14		018346	VO	PENSION PAYMENT	3/20/2014	0.00	2,242.16
023535	CK	3/20/2014	F4995B3 DEBRA ANNE KNOTWELL	09-14		018347	VO	DEATH BENEFIT	3/20/2014	0.00	1,520.04
023536	CK	3/20/2014	ACCESS ACCESS INFORMATION MANAGE	09-14		018348	VO	ADMIN EXP	3/20/2014	0.00	385.01
023537	CK	3/20/2014	ADP ADP INC	09-14		018349	VO	ADMIN EXP	3/20/2014	0.00	8,334.78
023538	CK	3/20/2014	AT&T AT & T MOBILITY- ROC	09-14		018350	VO	IT	3/20/2014	0.00	306.90
023539	CK	3/20/2014	BARNEY ABU COURT REPORTING INC	09-14		018351	VO	ADMIN EXP	3/20/2014	0.00	945.00
023540	CK	3/20/2014	BROWN BROWN ARMSTRONG	09-14		018352	VO	ADMIN EXP	3/20/2014	0.00	4,657.50
023541	CK	3/20/2014	CMP CMP & ASSOCIATES, INC	09-14		018353	VO	IT/PAS	3/20/2014	0.00	16,852.50

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				To Post	Closed						
023542	CK	3/20/2014	CORPORATE STAPLES ADVANTAGE	09-14		018354	VO	ADMIN EXP	3/20/2014	0.00	535.41
023543	CK	3/20/2014	LINEA LINEA SOLUTIONS	09-14		018355	VO	IT/PAS	3/20/2014	0.00	68,597.40
023544	CK	3/20/2014	TOWERS TOWERS WATSON PENNSYLVAN	09-14		018356	VO	ADMIN EXP	3/20/2014	0.00	20,000.00
023545	CK	3/20/2014	TWC TIME WARNER CABLE	09-14		018357	VO	IT/PAS	3/20/2014	0.00	478.23
023546	CK	3/20/2014	VITECH VITECH SYSTEMS GROUP INC	09-14		018358	VO	PAS	3/20/2014	0.00	2,500.00
023547	CK	3/20/2014	VOLT VOLT	09-14		018359	VO	ADMIN/PAS	3/20/2014	0.00	1,973.16
023548	CK	3/24/2014	SACRS SACRS	09-14		018360	VO	ADMIN EXP	3/24/2014	0.00	1,200.00
023549	CK	3/27/2014	CALPERS CALPERS LONG-TERM	09-14		018361	VO	INSURANCE	3/27/2014	0.00	18,582.42
023550	CK	3/27/2014	CA SDU CALIFORNIA STATE	09-14		018362	VO	CRT ORDERED PMT	3/27/2014	0.00	1,175.58
023551	CK	3/27/2014	CHILD21 OREGON DEPT OF JUSTICE	09-14		018363	VO	CRT ORDERED PMT	3/27/2014	0.00	171.74
023552	CK	3/27/2014	CHILD5 STATE DISBURSEMENT UNIT (SI	09-14		018364	VO	CRT ORDERED PMT	3/27/2014	0.00	511.00
023553	CK	3/27/2014	CHILD9 SHERIDA SEGALL	09-14		018365	VO	CRT ORDERED PMT	3/27/2014	0.00	260.00
023554	CK	3/27/2014	COUNTY2 COUNTY OF VENTURA	09-14		018366	VO	PENSION PAYMENT	3/27/2014	0.00	50,759.30
023555	CK	3/27/2014	CVMP COUNTY OF VENTURA	09-14		018367	VO	INSURANCE	3/27/2014	0.00	510,803.07

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023556	CK	3/27/2014	FTBCA3 FRANCHISE TAX BOARD	09-14	018368	VO	GARNISHMENT	3/27/2014	0.00	137.26
023557	CK	3/27/2014	IRS6 INTERNAL REVENUE SERVICE	09-14	018369	VO	GARNISHMENT	3/27/2014	0.00	321.00
023558	CK	3/27/2014	IRS7 INTERNAL REVENUE SERVICE	09-14	018370	VO	GARNISHMENT	3/27/2014	0.00	500.00
023559	CK	3/27/2014	SEIU SEIU LOCAL 721	09-14	018371	VO	DUES	3/27/2014	0.00	298.50
023560	CK	3/27/2014	SPOUSE2 KELLY SEARCY	09-14	018372	VO	CRT ORDERED PMT	3/27/2014	0.00	1,874.00
023561	CK	3/27/2014	SPOUSE3 ANGELINA ORTIZ	09-14	018373	VO	CRT ORDERED PMT	3/27/2014	0.00	250.00
023562	CK	3/27/2014	SPOUSE4 CATHY C. PEET	09-14	018374	VO	CRT ORDERED PMT	3/27/2014	0.00	550.00
023563	CK	3/27/2014	SPOUSE5 SUZANNA CARR	09-14	018375	VO	CRT ORDERED PMT	3/27/2014	0.00	829.00
023564	CK	3/27/2014	SPOUSE6 BARBARA JO GREENE	09-14	018376	VO	CRT ORDERED PMT	3/27/2014	0.00	675.00
023565	CK	3/27/2014	VCDSA VENTURA COUNTY DEPUTY	09-14	018377	VO	INSURANCE	3/27/2014	0.00	255,211.42
023566	CK	3/27/2014	VCPFF VENTURA COUNTY PROFESSIOI	09-14	018378	VO	INSURANCE	3/27/2014	0.00	69,465.57
023567	CK	3/27/2014	VCREA RETIRED EMPLOYEES' ASSOCIATION	09-14	018379	VO	DUES	3/27/2014	0.00	4,242.00
023568	CK	3/27/2014	VRSD VENTURA REGIONAL	09-14	018380	VO	INSURANCE	3/27/2014	0.00	6,147.34

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				To Post	Closed						
023569	CK	3/27/2014	VSP VISION SERVICE PLAN - (CA)	09-14		018381	VO	INSURANCE	3/27/2014	0.00	8,372.58
023570	CK	3/27/2014	107877 DAVID RODRIGUEZ	09-14		018382	VO	REIMBURSEMENT	3/27/2014	0.00	2,000.00
023571	CK	3/27/2014	BARNEY ABU COURT REPORTING INC	09-14		018383	VO	ADMIN EXP	3/27/2014	0.00	315.00
023572	CK	3/27/2014	CINTAS CINTAS DOCUMENT MANAGEME	09-14		018384	VO	ADMIN EXP	3/27/2014	0.00	130.40
023573	CK	3/27/2014	COMPUWAVE COMPUWAVE	09-14		018385	VO	IT	3/27/2014	0.00	648.00
023574	CK	3/27/2014	CORPORATE STAPLES ADVANTAGE	09-14		018386	VO	ADMIN EXP	3/27/2014	0.00	590.36
023575	CK	3/27/2014	HANSONBRID HANSON BRIDGETT LLP	09-14		018387	VO	LEGAL FEES	3/27/2014	0.00	535.95
023576	CK	3/27/2014	MBS MANAGED BUSINESS SOLUTION	09-14		018388	VO	PAS	3/27/2014	0.00	13,501.25
023577	CK	3/27/2014	MF M.F. DAILY CORPORATION	09-14		018389	VO	ADMIN EXP	3/27/2014	0.00	15,008.26
023578	CK	3/27/2014	VOLT VOLT	09-14		018390	VO	ADMIN/PAS	3/27/2014	0.00	3,866.60

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Check Count:		116								<b>Acct Sub Total:</b>	<b>1,625,760.02</b>

Check Type	Count	Amount Paid
Regular	114	1,629,491.40
Hand	0	0.00
Electronic Payment	0	0.00
Void	1	-3,731.38
Stub	0	0.00
Zero	1	0.00
Mask	0	0.00
<b>Total:</b>	<b>116</b>	<b>1,625,760.02</b>

<b>Company Disc Total</b>	<b>0.00</b>	<b>Company Total</b>	<b>1,625,760.02</b>
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**VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**BUDGET SUMMARY FISCAL YEAR 2013-2014**  
**March 2014 - 75.0% of Fiscal Year Expended**

EXPENDITURE DESCRIPTIONS	Adopted 2013/2014 Budget	Adjusted 2013/2014 Budget	Mar-14	Year to Date Expended	Available Balance	Percent Expended
<b>Salaries &amp; Benefits:</b>						
Salaries	\$ 1,725,600.00	\$ 1,725,600.00	\$ 101,811.25	\$ 1,111,197.43	\$ 614,402.57	64.39%
Extra-Help	25,000.00	25,000.00	7,095.67	53,861.29	(28,861.29)	215.45%
Overtime	1,500.00	1,500.00	0.00	15,392.13	(13,892.13)	1026.14%
Supplemental Payments	53,700.00	53,700.00	3,050.96	33,851.91	19,848.09	63.04%
Vacation Redemption	87,500.00	87,500.00	3,984.14	107,682.11	(20,182.11)	123.07%
Retirement Contributions	424,800.00	424,800.00	24,361.36	262,276.76	162,523.24	61.74%
OASDI Contributions	107,800.00	107,800.00	6,548.75	70,017.91	37,782.09	64.95%
FICA-Medicare	27,000.00	27,000.00	1,531.55	17,946.14	9,053.86	66.47%
Retiree Health Benefit	16,200.00	16,200.00	1,395.20	12,294.96	3,905.04	75.89%
Group Health Insurance	170,800.00	170,800.00	11,311.00	113,198.08	57,601.92	66.28%
Life Insurance/Mgmt	1,000.00	1,000.00	70.93	712.73	287.27	71.27%
Unemployment Insurance	2,200.00	2,200.00	122.09	1,341.75	858.25	60.99%
Management Disability Insurance	4,200.00	4,200.00	250.71	2,660.94	1,539.06	63.36%
Worker' Compensation Insurance	10,900.00	10,900.00	724.13	8,209.31	2,690.69	75.31%
401K Plan Contribution	33,800.00	33,800.00	1,745.16	17,692.24	16,107.76	52.34%
Transfers In	60,800.00	60,800.00	7,079.07	46,937.19	13,862.81	77.20%
Transfers Out	(60,800.00)	(60,800.00)	(7,079.07)	(46,937.19)	(13,862.81)	77.20%
<b>Total Salaries &amp; Benefits</b>	<b>\$ 2,692,000.00</b>	<b>\$ 2,692,000.00</b>	<b>\$ 164,002.90</b>	<b>\$ 1,828,335.69</b>	<b>\$ 863,664.31</b>	<b>67.92%</b>
<b>Services &amp; Supplies:</b>						
Telecommunication Services - ISF	\$ 46,600.00	\$ 46,600.00	\$ 2,899.93	\$ 29,892.71	\$ 16,707.29	64.15%
General Insurance - ISF	12,300.00	12,300.00	0.00	6,131.00	6,169.00	49.85%
Office Equipment Maintenance	1,000.00	1,000.00	325.52	639.16	360.84	63.92%
Membership and Dues	9,300.00	9,300.00	0.00	7,820.00	1,480.00	84.09%
Education Allowance	6,000.00	6,000.00	2,000.00	4,000.00	2,000.00	66.67%
Cost Allocation Charges	57,300.00	57,300.00	0.00	28,619.00	28,681.00	49.95%
Printing Services - Not ISF	6,000.00	6,000.00	0.00	458.05	5,541.95	7.63%
Books & Publications	2,000.00	2,000.00	0.00	957.18	1,042.82	47.86%
Office Supplies	20,000.00	20,000.00	2,967.94	11,994.09	8,005.91	59.97%
Postage & Express	55,000.00	55,000.00	3,339.04	33,826.66	21,173.34	61.50%
Printing Charges - ISF	12,500.00	12,500.00	0.00	2,952.60	9,547.40	23.62%
Copy Machine Services - ISF	7,100.00	7,100.00	1,109.73	2,730.75	4,369.25	38.46%
Board Member Fees	11,000.00	11,000.00	2,800.00	8,700.00	2,300.00	79.09%
Professional Services	957,400.00	957,400.00	97,567.35	649,420.79	307,979.21	67.83%
Storage Charges	4,000.00	4,000.00	385.01	3,691.78	308.22	92.29%
Equipment	15,000.00	15,000.00	0.00	468.69	14,531.31	3.12%
Office Lease Payments	186,400.00	186,400.00	15,008.26	132,527.64	53,872.36	71.10%
Private Vehicle Mileage	8,300.00	8,300.00	0.00	6,498.80	1,801.20	78.30%
Conference, Seminar and Travel	65,000.00	65,000.00	2,004.00	46,457.89	18,542.11	71.47%
Furniture	11,200.00	11,200.00	0.00	9,408.99	1,791.01	84.01%
Facilities Charges	65,200.00	65,200.00	429.00	44,172.46	21,027.54	67.75%
Transfers In	11,300.00	11,300.00	1,276.47	8,463.53	2,836.47	74.90%
Transfers Out	(11,300.00)	(11,300.00)	(1,276.47)	(8,463.53)	(2,836.47)	74.90%
<b>Total Services &amp; Supplies</b>	<b>\$ 1,558,600.00</b>	<b>\$ 1,558,600.00</b>	<b>\$ 130,835.78</b>	<b>\$ 1,031,368.24</b>	<b>\$ 527,231.76</b>	<b>66.17%</b>
<b>Total Sal, Ben, Serv &amp; Supp</b>	<b>\$ 4,250,600.00</b>	<b>\$ 4,250,600.00</b>	<b>\$ 294,838.68</b>	<b>\$ 2,859,703.93</b>	<b>\$ 1,390,896.07</b>	<b>67.28%</b>
<b>Technology:</b>						
Computer Hardware	\$ 22,200.00	\$ 15,200.00	\$ 628.88	7,268.70	\$ 7,931.30	47.82%
Computer Software	46,200.00	36,700.00	1,067.70	23,967.48	12,732.52	65.31%
Systems & Application Support	419,900.00	451,400.00	23,919.03	264,608.54	186,791.46	58.62%
Pension Administration System	2,494,400.00	2,692,100.00	84,679.23	1,885,426.02	806,673.98	70.04%
<b>Total Technology</b>	<b>\$ 2,982,700.00</b>	<b>\$ 3,195,400.00</b>	<b>\$ 110,294.84</b>	<b>\$ 2,181,270.74</b>	<b>\$ 1,014,129.26</b>	<b>68.26%</b>
Contingency	\$ 695,900.00	\$ 483,200.00	\$ -	\$ -	\$ 483,200.00	0.00%
<b>Total Current Year</b>	<b>\$ 7,929,200.00</b>	<b>\$ 7,929,200.00</b>	<b>\$ 405,133.52</b>	<b>\$ 5,040,974.67</b>	<b>\$ 2,888,225.33</b>	<b>63.57%</b>



# **Ventura County Employees' Retirement Association**

## **April 21, 2014**

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**Peter Ellement**

**Mark Shevitz**

## **Sprucegrove Investment Returns**

Investment performance returns exclude any investment management fees paid by the investor. Investment advisory fees will reduce stated returns. Performance returns are calculated on a time weighted, total return basis which includes dividend net of withholding taxes and interest income, realized and unrealized gains or losses, transaction costs and other expenses, if any. For example, a 90 basis point investment advisory fee applied to an investment with an annual gross return of 10% will provide a compounded gross return of 10.0% after 1 year and a 61.1% return after 5 years while the compounded net return after investment advisory fees would result in a return of 9.04% after 1 year and a 54.16% after 5 years.

Impact fees are charged to a unitholder to reimburse a Fund for investment expenses incurred related to significant unitholder cash flows. A maximum impact fee of 50 basis points may be applied to a unitholder's deposit or withdrawal of funds. A further description of investment management fees are detailed in Form ADV Part 2. Pursuant to the Securities and Exchange Commission's no action letter in [Investment Company Institute \(1988\)](#), financial consultants to whom Sprucegrove Investment Management Ltd. supplies before-fee performance data may utilize the data only in one-on-one presentations.

## **MSCI EAFE, World & EM Indices**

The Morgan Stanley Capital International (MSCI) EAFE and World Indices are presented as benchmarks for investment performance. The Indices are the arithmetical average, weighted by market value of the performance of companies representing the stock markets of Canada, the U.S., Europe, Australasia, and the Far East. Returns shown assume reinvestment of dividends. The MSCI EAFE Index includes a selection of stocks from 22 developed markets and is designed to measure the equity performance of developed markets, excluding Canada and the United States. MSCI World Index includes the 22 countries that make up the EAFE Index along with Canada and the U.S. The MSCI Emerging Markets (EM) Index includes a selection of stocks from 21 emerging markets and is designed to measure the equity performance of emerging markets. Throughout this report MSCI data is provided as a comparative reference only and may not be used in any way without the express permission of MSCI.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. ([www.msci.com](http://www.msci.com))

## **Specific Recommendations**

Examples of specific holdings are intended to demonstrate our investment process and should not be construed as representative of investment performance. It should not be assumed that investments made in the future will be profitable or will equal any results presented. A list of all securities purchased and sold within the past year (together with dates and prices) is available upon request.

## **Possibility of Loss**

Investors should be aware that market conditions affect performance and that investment programs carry with them the possibility of loss. It should not be assumed that investments made in the future will be profitable or will equal any results shown in this document.

# Performance Notes continued

## GIPS Compliance Notes

Sprucegrove Investment Management Ltd. (Sprucegrove) claims compliance with the Global Investment Performance Standards (GIPS®). Sprucegrove has been independently verified for the periods May 1, 1985 to December 31, 2012. The composites have been examined for the periods May 1, 1985 to December 31, 2012.

## Definition of the Firm

Sprucegrove is registered in most provinces in Canada as Investment Fund Manager and Portfolio Manager and with the SEC as an Investment Advisor. It manages fully discretionary accounts for fee paying clients. All portfolios with a market value greater than \$15 million are included in a composite.

## Composite and Benchmark Definition

Composites and their corresponding benchmarks are determined by equity mandate (EAFE, Global or U.S.) and by the country in which the respective account is domiciled (Canada or the United States). The following is a list of the composites and their benchmarks:

Composite	Inception Date of Composite	Benchmark
EAFE - Canadian Clients Composite	May 1985	MSCI EAFE Net Index - CAD
Global - Canadian Clients Composite	July 1992	MSCI World Net Index - CAD
U.S. Equities - Canadian Clients Composite	November 2001	S&P 500 Net Index - CAD
EAFE - U.S. Clients Composite	October 1985	MSCI EAFE Net Index – USD
Global - U.S. Clients Composite	October 2010	MSCI World Net Index – USD

## Fee Schedules

The following are the standard fee schedules based on the market value of assets managed.

Pooled Fund Accounts			Separate Fund Accounts		
	Assets Managed	Rate		Assets Managed	Rate
First	5,000,000.00	0.90%	First	25,000,000.00	0.70%
Next	10,000,000.00	0.65%	Next	25,000,000.00	0.60%
Next	25,000,000.00	0.55%	Next	25,000,000.00	0.50%
Next	35,000,000.00	0.50%	Next	225,000,000.00	0.25%
Next	225,000,000.00	0.25%	Balance		0.20%
Balance		0.20%			

## Composite Dispersion

Composite dispersion is calculated as the difference in percentage in performance between the highest and lowest performing portfolios in the composite.

## Policies

Sprucegrove's policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

## Withholding Taxes

Composite and benchmark returns are stated net of withholding taxes on dividends.

## Past Performance

Prior to Sprucegrove commencing operations in 1993, the Sprucegrove team managed two EAFE portfolios at Confederation Life Insurance, from their inception in 1985, until the portfolios were acquired by Sprucegrove in 1994. Accordingly the performance of these portfolios are linked to their continuation at Sprucegrove as follows: The EAFE Canadian Clients composite includes the performance of the Confederation Life International Pooled Fund from 1985 to 1994; The EAFE U.S. Clients composite includes the performance of the Confederation Life American International Pooled Fund from 1985 to 1994. Prior to December 31, 2011, the name of each composite included the term "Pooled and Separate Accounts Combined." This term was removed from the composite names as of December 31, 2011.

## Further Information

To obtain a presentation that complies with GIPS requirements, and/or a list of composite description, please contact your client service representative.

## Firm Update

- Assets under management as of March 31, 2014 were \$24.7 billion.
- Firm-wide we have 118 clients. One client was gained and three were lost in the first three months of 2014
- The International and Global segregated mandates are closed to new investors. The U.S. Global Pooled Fund and U.S. Equity mandates remain open.
- On January 1, 2014, Alanna Marshall Lizzola was appointed Director of Research and Tasleem Jamal was appointed to the Business Management Committee and Head of the Marketing & Servicing team.
- In two years, Sprucegrove will assume responsibility for marketing and client servicing in the U.S. Fair Haven Partners will continue to provide its excellent services through the 2014-15 transition period.
- Three new employees joined Sprucegrove in the first quarter of 2014; one research assistant, Hugh Nowers, one portfolio administrator, Doriana Bardhi, and one marketing and client services associate, Stefan Bencini, bringing our total number of employees to 34.

## Investment Results<sup>1</sup>

- For the **first quarter of 2014**, the Sprucegrove U.S. International Pooled Fund, in which the Ventura County Employees' Retirement Association participates, had an investment return of +2.1% vs. MSCI EAFE +0.7%.
- For the **one year period ending March 31, 2014**, the Fund's investment return was +15.0% vs. MSCI EAFE +17.6%.
- Since your **inception** on March 31, 2002, through March 31, 2014, the Fund's cumulative annualized return was +9.4% vs. MSCI EAFE +7.1%.

## Investment Strategy

- **As a bottom-up value investor, stock selection drives sector and country weightings.**
- The largest sector exposures are Industrials and Financials.
- The largest country exposures are the U.K., Japan and Switzerland.
- During the first quarter, we added one new holding to the Fund, Yara (Norway/Materials) and there were no eliminations.

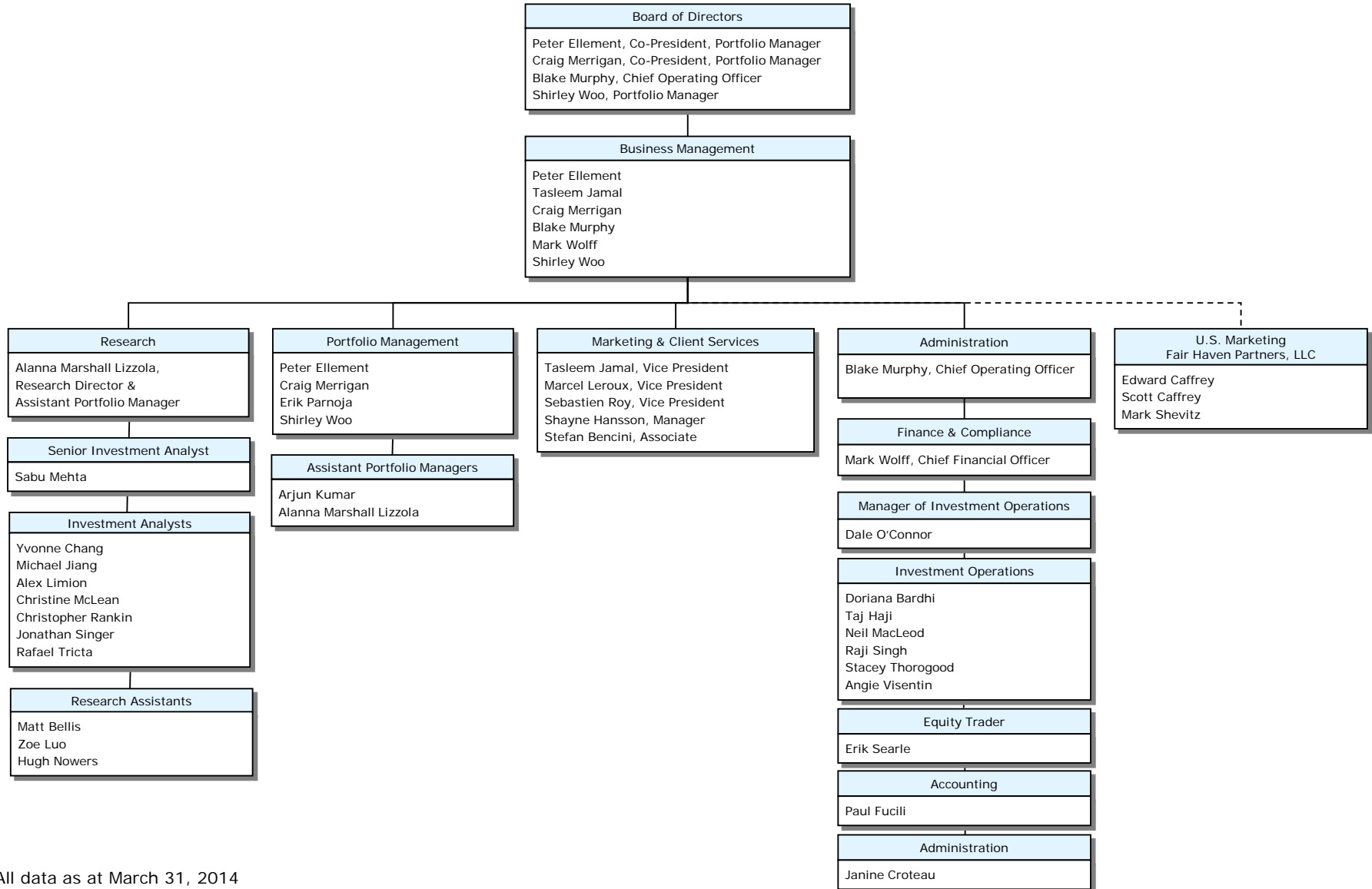
<sup>1</sup> Returns are gross of fees in U.S. dollars.

# Assets Under Management, as at March 31, 2014

	USD\$	Number of Portfolios	Number of Clients <sup>1</sup>
<b>Pooled Funds</b>			
For Canadian Clients:			
▪ International	\$5,902.9 million	1	30
▪ Global	\$2,975.6 million	2	32
▪ U.S.	\$505.9 million	1	0
For U.S. Clients:			
▪ International	\$2,489.8 million	2	37
▪ Global	\$92.3 million	1	1
<b>Separate Accounts</b>			
For Canadian Clients:			
▪ International	\$424.5 million	2	2
▪ Global	\$2,032.4 million	5	3
▪ U.S.	\$1,477.5 million	1	0
For U.S. Clients:			
▪ International	\$8,291.5 million	18	12
▪ Global	\$503.2 million	4	1
<b>TOTAL</b>	<b>\$24,695.6 million</b>	<b>37</b>	<b>118</b>

<sup>1</sup> Clients with multiple mandates, accounted for in another category.

# Organization



All data as at March 31, 2014

# Investment Professionals

<b>Name</b>	<b>Title</b>	<b>Education</b>	<b>Years Investment Experience</b>	<b>Years with Sprucegrove/ Confed</b>
Craig Merrigan	Co-President, Portfolio Manager	B.B.A., M.B.A., CFA	26	30
Shirley Woo	Portfolio Manager	B.A., CFA	26	30
Sabu Mehta	Senior Investment Analyst	B.Comm.	26	22
Peter Ellement	Co-President, Portfolio Manager	B.Comm., M.A., CFA	21	21
Erik Parnoja	Portfolio Manager	B.A., M.B.A., CFA	18	18
Alanna Marshall Lizzola	Assistant Portfolio Manager & Research Director	B.A., M.I.M., CFA	18	18
Alex Limion	Investment Analyst	B.A., M.B.A., CFA	12	12
Arjun Kumar	Assistant Portfolio Manager	B.A., M.B.A., CFA	11	11
Chris Rankin	Investment Analyst	B.A., CFA	9	10
Christine McLean	Investment Analyst	B.S.B.A.	10	10
Michael Jiang	Investment Analyst	B.Sc., M.M.I.B., M.B.A.	7	7
Jonathan Singer	Investment Analyst	B.A., CFA	6	6
Yvonne Chang	Investment Analyst	B.A., M.B.A.	1	1
Rafael Tricta	Investment Analyst	B.Comm., M.B.A.	1	1

All data as at March 31, 2014



## **Ownership of Value**

- Quality Companies at Attractive Valuations

## **Emphasis on Stock Selection**

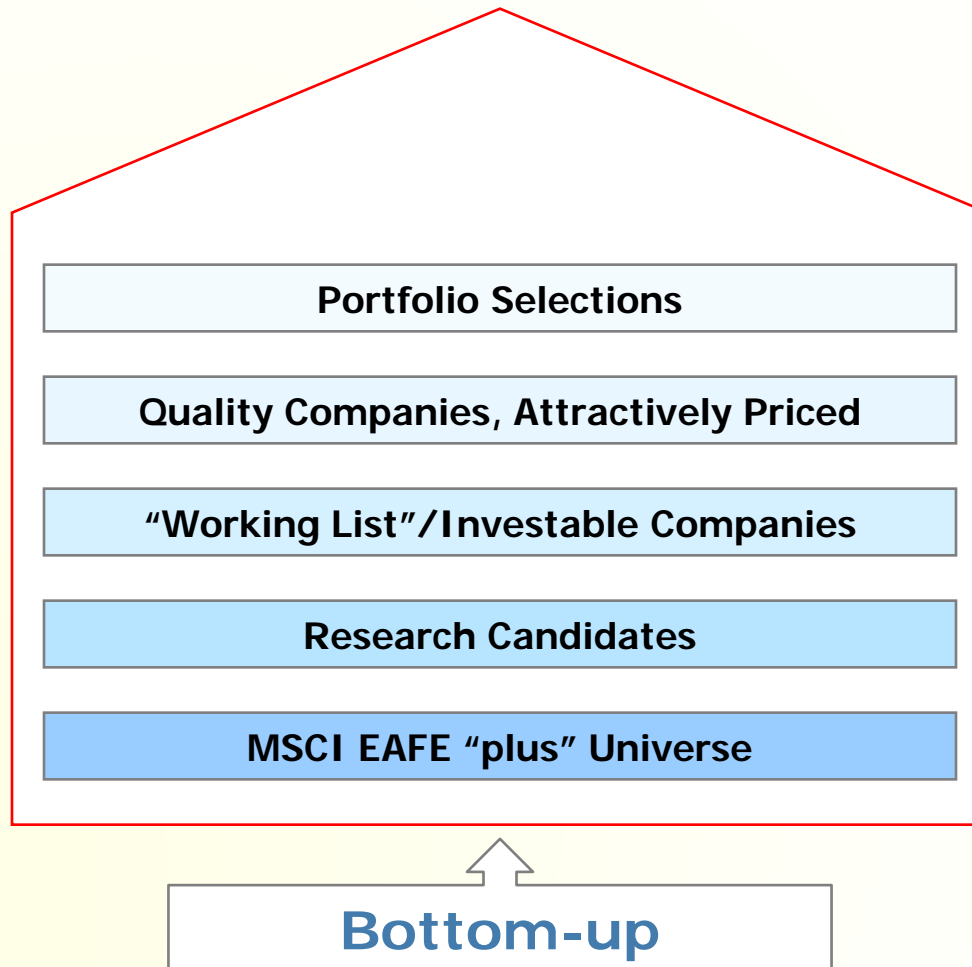
- Bottom-up Process

## **Long-Term Investors**

- Low Portfolio Turnover

## **Internal Research**

- “Working List” of Quality Companies



## **Characteristics of “Working List” Companies**

- Record of High and Consistent Profitability
- Market Leadership/Competitive Advantage
- Financial Strength
- Opportunity to Grow the Business
- Capable Management

# Portfolio Characteristics, as at March 31, 2014

## Sprucegrove U.S. International Pooled Fund

		Ventura County Employees' Retirement Association <sup>1</sup>	MSCI EAFE	Difference
<b>Quality</b>				
Projected ROE	(%)	15.3	11.0	+39%
Financial Leverage <sup>2</sup>	(X)	2.0	2.7	-26%
<b>Valuation</b>				
Normalized P/E	(X)	13.3	15.0	-11%
Price/Book	(X)	2.0	1.7	+18%
Dividend Yield	(%)	3.1	3.1	0%

<sup>1</sup> Participation in the Sprucegrove U.S. International Pooled Fund.

<sup>2</sup> Financial Leverage weighted average excludes companies in the Financials sector.

# Historical Portfolio Characteristics

## Sprucegrove U.S. International Pooled Fund



		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Q1 2014
<b>SPRUCEGROVE U.S. INTERNATIONAL POOLED FUND</b>																				
Projected ROE	(%)	13.1	13.0	13.8	13.9	13.6	14.6	14.6	14.5	14.5	14.8	16.4	17.5	17.0	15.8	15.4	15.2	15.0	15.1	15.3
Financial Leverage <sup>1</sup>	(x)	2.2	2.1	2.1	2.0	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.1	2.0
Normalized P/E	(x)	15.2	17.6	16.7	19.9	17.7	15.0	12.8	14.4	15.8	17.3	17.3	14.4	9.8	12.8	13.5	11.4	12.5	13.7	13.3
P/B	(x)	2.0	2.3	2.3	2.9	2.4	2.2	1.9	2.1	2.3	2.5	2.8	2.5	1.7	2.0	2.1	1.7	1.9	2.1	2.0
Dividend Yield	(%)	2.9	2.6	2.7	2.4	2.8	3.0	3.6	3.2	2.9	2.6	2.6	3.2	4.2	2.7	2.6	3.3	3.1	3.0	3.1
<b>MSCI EAFE</b>																				
Projected ROE	(%)	9.5	9.5	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0	12.0	11.0	11.0	11.0	11.0	11.0	11.0
Financial Leverage <sup>1</sup>	(x)	3.1	3.1	3.2	3.2	3.2	3.1	3.1	3.2	3.2	3.1	3.0	2.8	2.8	2.8	2.8	2.7	2.8	2.7	2.7
Normalized P/E	(x)	23.5	24.1	26.0	31.7	28.0	21.5	16.1	19.9	20.9	23.6	22.3	20.0	10.1	14.6	14.0	11.5	13.0	15.6	15.0
P/B	(x)	2.2	2.3	2.6	3.2	2.8	2.2	1.6	2.0	2.1	2.4	2.5	2.2	1.2	1.6	1.5	1.3	1.4	1.7	1.7
Dividend Yield	(%)	2.0	2.1	1.8	1.5	1.7	2.2	2.8	2.4	2.5	2.3	2.4	2.7	5.0	2.9	2.9	3.9	3.4	2.9	3.1

All data as at December 31 unless stated otherwise.

<sup>1</sup> Financial Leverage weighted average excludes companies in the Financials sector

# Annual Performance Results, ending December 31, 2014

## Sprucegrove U.S. International Pooled Fund



Year	Ventura County Employees' Retirement Association <sup>1,2</sup>		MSCI EAFE <sup>2</sup> (%)	Difference <sup>5</sup> (%)
	Gross (%)	Net (%)		
(partial year) 2002 <sup>4</sup>	<b>-7.7</b>	<b>-8.0</b>	<b>-16.4</b>	<b>+8.4</b>
2003	34.5	33.9	38.6	-4.7
2004	25.2	24.7	20.3	+4.4
2005	14.7	14.2	13.5	+0.7
2006	30.4	29.8	26.3	+3.5
2007	6.2	5.8	11.2	-5.4
<b>2008</b>	<b>-42.2</b>	<b>-42.4</b>	<b>-43.4</b>	<b>+1.0</b>
2009	36.9	36.2	31.8	+4.4
2010	19.4	18.8	7.8	+11.0
<b>2011</b>	<b>-10.3</b>	<b>-10.7</b>	<b>-12.1</b>	<b>+1.4</b>
2012	17.7	17.2	17.3	-0.1
2013	17.5	17.1	22.8	-5.7
YTD 2014 <sup>3</sup>	2.1	2.0	0.7	+1.3
Since inception <sup>3,4</sup>	9.4	9.0	7.1	+1.9

Market Value as of March 31, 2014: **\$189,498,091.04**

<sup>1</sup> Participation in the Sprucegrove U.S. International Pooled Fund.

<sup>2</sup> Bold blue numbers indicate down markets (negative Index return). Returns shorter than a 1-year period are arithmetic returns and have not been annualized. Returns greater than a 1-year period have been annualized. Returns are gross of fees in U.S. dollars.

<sup>3</sup> Period ending March 31, 2014

<sup>4</sup> Ventura County Employees' Retirement Association Inception date: March 31, 2002

<sup>5</sup> Difference between Fund net return and MSCI EAFE net return

It should not be assumed that investments made in the future will be profitable or will equal any results shown here. Investment performance will be reduced by investment management fees. Refer to Performance Footnotes on page 2 for additional details.

# Annualized Performance Results, ending March 31, 2014

## Sprucegrove U.S. International Pooled Fund



	Fiscal YTD <sup>3</sup> (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)	Since Inception <sup>2</sup> (%)
<b>VCERA Gross Return<sup>1</sup></b>	<b>17.9</b>	<b>15.0</b>	<b>13.0</b>	<b>7.8</b>	<b>18.0</b>	<b>3.1</b>	<b>8.5</b>	<b>9.4</b>
<b>VCERA Net Return<sup>1</sup></b>	<b>17.5</b>	<b>14.6</b>	<b>12.5</b>	<b>7.4</b>	<b>17.5</b>	<b>2.6</b>	<b>8.0</b>	<b>9.0</b>
MSCI EAFE	18.7	17.6	14.4	7.2	16.0	1.3	6.5	7.1

<sup>1</sup> Participation in the Sprucegrove U.S. International Pooled Fund.

<sup>2</sup> Ventura County Employees' Retirement Association Inception date: March 31, 2002.

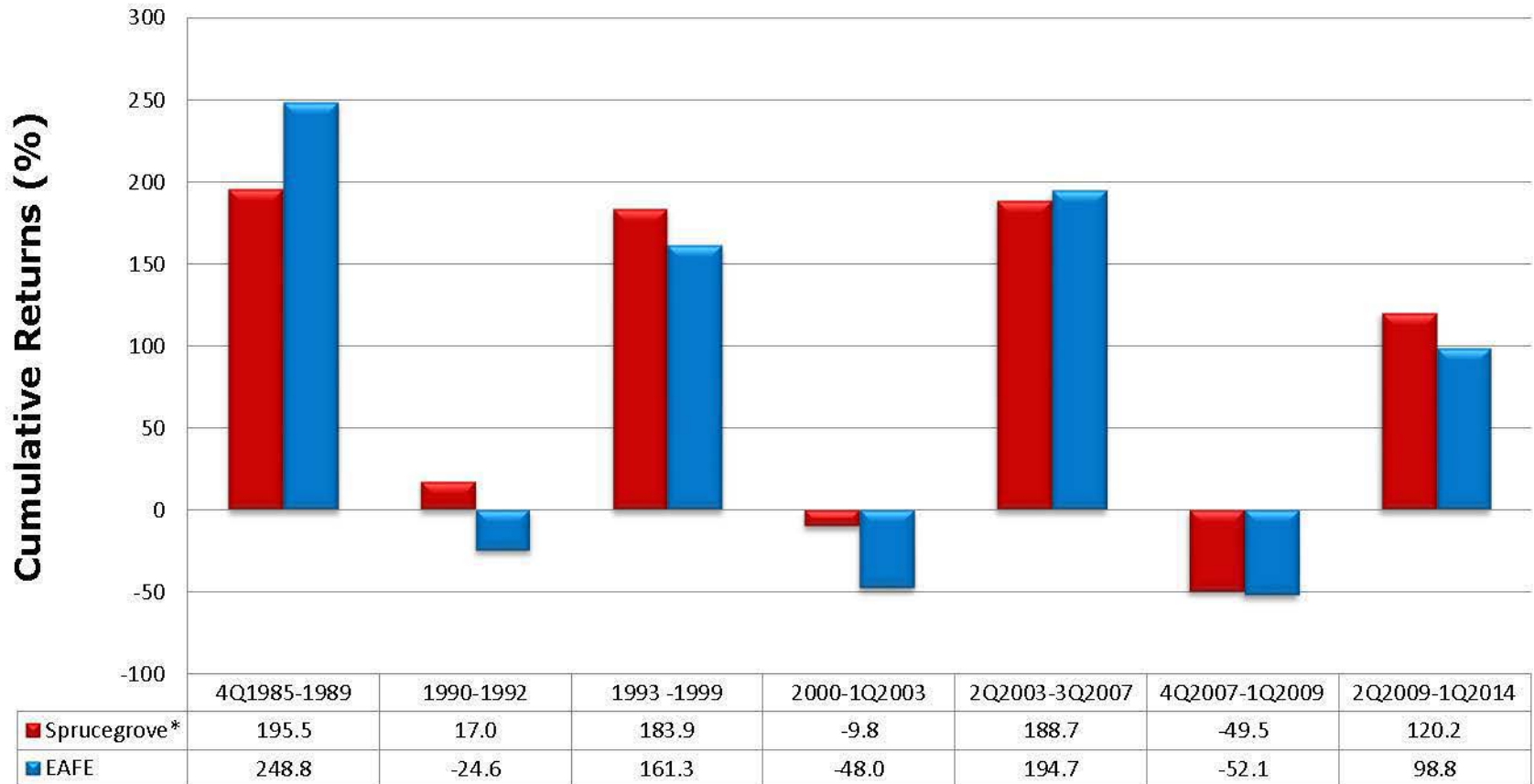
<sup>3</sup> Ventura County Employees' Retirement Association fiscal year-end is June 30<sup>th</sup>. Fiscal YTD performance is from June 30, 2013 through March 31, 2014.

Returns shorter than a 1-year period are arithmetic returns and have not been annualized. Returns greater than a 1-year period have been annualized. Returns are in U.S. dollars.

It should not be assumed that investments made in the future will be profitable or will equal any results shown here. Investment performance will be reduced by investment management fees. Refer to Performance Footnotes on page 2 for additional details.

# Up and Down Market Cycle Performance Sprucegrove EAFE – U.S. Clients Composite

## Sprucegrove EAFE - U.S. Client Composite\* vs. MSCI EAFE Index



Creation date for the Sprucegrove – EAFE U.S. Clients Composite: October 1, 1985

A down market is defined as any group of returns that start and end with negative performing quarters, does not have more than 4 consecutive (1 year) positive quarters and the total combined cumulative return is less than -20%.



# Sector Weightings/Returns – Q1 2014

## Sprucegrove U.S. International Pooled Fund

Sector	Performance Q1 2014 <sup>1,2</sup> (%)		Weighting, as at March 31, 2014 <sup>1</sup> (%)	
	Ventura County Employees' Retirement Association <sup>3,4</sup>	MSCI EAFE	Ventura County Employees' Retirement Association <sup>4</sup>	MSCI EAFE
<b>Energy</b>	<b>4.5</b>	<b>1.7</b>	<b>12.2</b>	<b>6.9</b>
<b>Materials</b>	<b>7.0</b>	<b>0.6</b>	<b>12.9</b>	<b>8.1</b>
<b>Industrials</b>	<b>3.3</b>	<b>0.4</b>	<b>18.8</b>	<b>12.9</b>
<b>Consumer Discretionary</b>	<b>-5.1</b>	<b>-2.0</b>	<b>12.1</b>	<b>11.8</b>
Consumer Staples	-2.6	0.6	4.8	11.0
Health Care	6.3	5.7	7.2	10.4
<b>Financials</b>	<b>3.9</b>	<b>-0.4</b>	<b>13.9</b>	<b>25.6</b>
Information Technology	-0.6	-0.4	10.6	4.5
Telecomm. Services	-8.2	-2.1	2.4	5.0
Utilities	4.6	7.1	3.0	3.8

<sup>1</sup> Bold blue numbers indicate primary contributors to relative performance vs. the Index.

<sup>2</sup> Period ending March 31, 2014.

<sup>3</sup> Returns are gross of fees in U.S. dollars.

<sup>4</sup> Participation in the Sprucegrove U.S. International Pooled Fund.

# Impact Stocks – Q1 2014

## Sprucegrove U.S. International Pooled Fund

Top 5 Contributors	Country	Sector	Average Weighting (%) <sup>*</sup>	Estimated Contribution (bps)
Novartis	Switzerland	Health Care	4.0	38
CRH	Ireland	Materials	2.8	34
Banco Santander	Spain	Financials	2.6	28
Anglo American	United Kingdom	Materials	1.1	21
Ryanair	Ireland	Industrials	0.9	21

### Bottom 5 Contributors

Honda Motor	Japan	Consumer Discretionary	1.7	-26
China Mobile	China	Telecommunication Services	1.7	-22
Tesco	United Kingdom	Consumer Staples	1.8	-21
Misumi	Japan	Industrials	1.5	-18
adidas	Germany	Consumer Discretionary	1.0	-16

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

# Transaction Summary – Q1 2014

## Sprucegrove U.S. International Pooled Fund

Eliminations/Reductions		
	Normalized P/E (x)	Projected ROE (%)
<b>Materials</b>		
Givaudan	30.9	12.0
Sika	23.5	17.0
<b>Industrials</b>		
Cobham	19.1	16.0
Kingspan	18.8	15.0
Misumi	20.6	13.0
Ryanair	20.5	16.0
SMC	26.8	9.0
<b>Consumer Discretionary</b>		
Denso	18.5	9.0
<b>Health Care</b>		
Novartis	16.7	16.0
Straumann	24.2	19.0
<b>Information Technology</b>		
Halma	24.6	21.0
Keyence	30.2	11.0
Omron	23.1	10.0
<b>Average</b>	<b>22.9</b>	<b>14.2</b>
<b>MSCI EAFE</b>	<b>15.0</b>	<b>11.0</b>

New Holdings/Additions		
	Normalized P/E (x)	Projected ROE (%)
<b>Energy</b>		
Fugro	9.0	18.0
SBM Offshore	8.5	18.0
TGS	13.0	20.0
<b>Materials</b>		
Anglo American	6.5	15.0
BHP Billiton	8.4	25.0
Hindalco	5.9	10.0
POSCO	5.3	12.0
<b>Yara</b>	<b>8.9</b>	<b>14.0</b>
<b>Industrials</b>		
Jardine Matheson	5.8	18.0
<b>Consumer Discretionary</b>		
Nokian Tyres	14.9	18.0
<b>Consumer Staples</b>		
Tesco	10.9	14.0
Tiger Brands	13.2	25.0
<b>Financials</b>		
Banco Bradesco	9.4	17.0
Hongkong Land	4.4	12.0
HSBC	7.0	14.0
State Bank of India	5.4	15.0
United Overseas Bank	9.6	13.0
<b>Information Technology</b>		
Canon	12.0	10.0
<b>Telecommunication Services</b>		
China Mobile	7.1	21.0
<b>Average</b>	<b>8.7</b>	<b>16.3</b>
<b>MSCI EAFE</b>	<b>15.0</b>	<b>11.0</b>

Note: Valuation characteristics are at the time of the transaction.

It should not be assumed that investments made in the future will be profitable or will equal any results shown here. The information presented as an example of investment technique and should not be construed as representative of investment performance. A list of all securities purchased and sold within the past year together with dates and prices is available upon request. Refer to Performance Footnotes on page 2 for additional details.

# Value in Emerging Market Companies, as at March 31, 2014

## Sprucegrove U.S. International Pooled Fund



Company	Country	Market Cap. (US\$ Bn)	Price/Book (x)	Financial Leverage (x)	Projected ROE (%)	Normalized P/E (x)	Dividend Yield (%)
Banco Bradesco	Brazil	29	1.9	13.0	17.0	11.2	3.2
Petrobras	Brazil	92	0.5	2.0	14.0	3.6	4.9
China Mobile	China	185	1.4	1.5	21.0	6.7	4.7
Gedeon Richter	Hungary	3	1.3	1.3	11.0	12.1	1.7
GAIL	India	8	1.6	2.1	20.0	8.1	2.6
Hindalco	India	5	0.8	3.4	10.0	7.5	1.0
Infosys	India	31	4.3	1.2	24.0	17.7	0.9
State Bank of India	India	24	1.0	16.8	15.0	6.4	2.2
POSCO	Korea	24	0.6	2.0	12.0	5.0	3.2
Samsung Electronics	Korea	186	1.3	1.5	16.0	8.0	0.6
MISC	Malaysia	9	1.2	1.6	10.0	12.5	0.4
Impala Platinum	South Africa	7	1.4	1.6	17.0	8.2	0.8
Sasol	South Africa	36	2.3	1.6	20.0	11.3	3.2
Tiger Brands	South Africa	5	3.4	2.0	25.0	13.5	3.2
<b>Fund Emerging Market Average</b>		<b>46</b>	<b>1.7</b>	<b>1.8*</b>	<b>17.3</b>	<b>8.9</b>	<b>2.6</b>
<b>Total Fund Average</b>		<b>42</b>	<b>2.0</b>	<b>2.0*</b>	<b>15.3</b>	<b>13.3</b>	<b>3.1</b>
<b>MSCI EM Index</b>		<b>4</b>	<b>1.5</b>	<b>2.7*</b>	<b>12.0</b>	<b>12.7</b>	<b>2.7</b>
<b>MSCI EAFE Index</b>		<b>13</b>	<b>1.7</b>	<b>2.7*</b>	<b>11.0</b>	<b>15.0</b>	<b>3.1</b>

\* Excludes Financials

It should not be assumed that investments made in the future will be profitable or will equal any results shown here. Investment performance will be reduced by investment management fees. Refer to Performance Footnotes on page 2 for additional details.

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# New Holding – Q1 2014

## YARA INTERNATIONAL – Norway

### LEADERSHIP POSITION

- World's largest nitrogen fertilizer company
- Global number one in ammonia, nitrates, and NPK (nitrogen-phosphate-potassium) blends

### RECORD OF HIGH AND CONSISTENT PROFITABILITY

- Operating margin has averaged 9% over 10 years
- ROE has averaged 25% over 10 years

### FINANCIAL POSITION

- Net debt to equity of 6%
- Interest coverage of 8%

### GROWTH OPPORTUNITY

- Increase penetration of value-added fertilizers (NPK, nitrates)
- Bolt-on acquisitions

### MANAGEMENT

- Conservative, disciplined, successful expansion into higher margin nitrates and blends

### VALUATION (03/31/14)

Market Cap. \$12.3 B. U.S.

		Yara	MSCI Norway	MSCI EAFE
<b>Quality</b>				
Projected Return on Equity	(%)	14.0	14.0	11.0
Financial Leverage	(X)	1.6	2.7	2.7
<b>Valuation</b>				
Normalized P/E	(X)	9.6	10.8	15.0
Price/Book Value	(X)	1.4	1.5	1.7
Dividend Yield	(%)	4.0	4.6	3.1

It should not be assumed that investments made in the future will be profitable or will equal any results shown here. The information presented as an example of investment technique and should not be construed as representative of investment performance. A list of all securities purchased and sold within the past year together with dates and prices is available upon request. Refer to Performance Footnotes on page 2 for additional details.

## **A Security is Sold When:**

- The Company No Longer Meets Our Quality Criteria
- Price Appreciates Above What We Believe Is Reasonable Value

# Recent Reduction – Q1 2014

## NOVARTIS – Switzerland

### LEADERSHIP POSITION

- Amongst the world's leading producers of prescription and generic pharmaceuticals, ophthalmic products and vaccines

### RECORD OF HIGH AND CONSISTENT PROFITABILITY

- Operating margin has averaged 21% over 10 years
- ROE has averaged 15% over 10 years

### FINANCIAL POSITION

- Net Debt to Equity of 12%

### GROWTH OPPORTUNITY

- New product development from internal R & D efforts and external alliances

### MANAGEMENT

- Long-term record of excellence: strategy, innovation and diversification

<b>VALUATION (03/31/14)</b>		<b>Novartis</b>	<b>MSCI Switzerland</b>	<b>MSCI EAFE</b>
<b>Market Cap. \$229.8 B. U.S.</b>				
<b>Quality</b>				
Projected Return on Equity	(%)	16.0	13.0	11.0
Financial Leverage	(X)	1.7	2.4	2.7
<b>Valuation</b>				
Normalized P/E	(X)	17.2	20.3	15.0
Price/Book Value	(X)	2.7	2.6	1.7
Dividend Yield	(%)	3.3	2.8	3.1

It should not be assumed that investments made in the future will be profitable or will equal any results shown here. The information presented as an example of investment technique and should not be construed as representative of investment performance. A list of all securities purchased and sold within the past year together with dates and prices is available upon request. Refer to Performance Footnotes on page 2 for additional details.

# Top 10 Holdings, as at March 31, 2014

## Sprucegrove U.S. International Pooled Fund

Stock	Country	Sector	% of Fund	Normalized P/E (x)	P/B (x)	Projected ROE (%)	Financial Leverage <sup>1</sup> (x)
Novartis	Switzerland	Health Care	3.9	17.2	2.7	16.0	1.7
CRH	Ireland	Materials	2.8	11.8	1.5	13.0	2.1
HSBC	U.K.	Financials	2.8	7.2	1.0	14.0	15.0
Banco Santander	Spain	Financials	2.6	7.7	1.1	14.0	15.8
Royal Dutch Shell	U.K.	Energy	2.6	7.5	1.4	18.0	2.0
Total	France	Energy	2.5	8.3	1.5	18.0	2.4
BMW	Germany	Consumer Discretionary	2.4	13.0	1.7	13.0	3.2
Nestlé	Switzerland	Consumer Staples	2.1	18.9	3.4	18.0	1.9
Travis Perkins	U.K.	Industrials	2.1	12.0	1.8	15.0	1.8
United Overseas Bank	Singapore	Financials	1.9	9.9	1.3	13.0	10.2
			<b>25.7</b>				
<b>Weighted Average</b>				<b>11.5</b>	<b>1.8</b>	<b>15.2</b>	<b>2.1</b>
<b>MSCI EAFE</b>				<b>15.0</b>	<b>1.7</b>	<b>11.0</b>	<b>2.7</b>

<sup>1</sup> Financial Leverage weighted average excludes companies in the Financials sector.



# Historical Country Weightings

## Sprucegrove U.S. International Pooled Fund

	Weightings (%)						
	Ventura County Employees' Retirement Association <sup>1</sup>						MSCI EAFE
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	03/31/14	03/31/14
Australia	2.3	2.5	2.7	2.8	2.5	2.6	7.9
Hong Kong	4.2	5.0	5.4	5.4	5.7	5.9	2.8
Japan	20.2	20.8	20.8	19.5	16.7	15.5	19.7
Singapore	4.9	5.2	5.6	6.4	6.0	6.2	1.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>Pacific</b>	<b>31.6</b>	<b>33.4</b>	<b>34.5</b>	<b>34.1</b>	<b>30.9</b>	<b>30.1</b>	<b>31.9</b>
Finland	1.4	0.9	0.0	0.0	0.3	0.3	0.9
France	3.7	3.0	3.4	3.6	3.6	3.7	10.4
Germany	3.8	4.2	3.7	4.3	3.4	3.3	9.5
Holland	2.7	3.5	4.1	4.1	4.9	5.1	2.7
Ireland	4.9	4.3	4.5	4.4	4.0	4.1	0.3
Italy	2.7	2.6	1.0	1.0	1.1	1.1	2.6
Spain	1.2	1.7	1.6	2.0	2.5	2.6	3.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	1.9
<b>Euro Zone</b>	<b>20.4</b>	<b>20.3</b>	<b>18.2</b>	<b>19.2</b>	<b>19.7</b>	<b>20.2</b>	<b>31.7</b>
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Norway	0.0	0.0	0.0	0.4	0.8	1.4	0.8
Sweden	0.0	0.0	0.0	0.0	0.0	0.0	3.3
Switzerland	12.7	11.0	12.0	11.7	11.3	11.0	9.3
U.K.	17.7	18.7	17.6	18.1	18.9	18.6	21.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.5
<b>Non-Euro Zone</b>	<b>30.4</b>	<b>29.7</b>	<b>29.7</b>	<b>30.2</b>	<b>31.0</b>	<b>31.0</b>	<b>36.4</b>
<b>Europe</b>	<b>50.8</b>	<b>50.0</b>	<b>47.9</b>	<b>49.4</b>	<b>50.8</b>	<b>51.2</b>	<b>68.2</b>
Brazil	1.7	1.5	1.2	0.9	1.5	1.6	0.0
China	0.4	1.1	1.6	1.7	1.8	1.6	0.0
Hungary	0.7	0.6	0.4	0.4	0.5	0.4	0.0
India	2.1	1.3	1.4	1.7	2.9	3.3	0.0
Korea	3.9	3.8	3.5	3.5	3.3	3.1	0.0
Malaysia	0.6	0.6	0.4	0.2	0.3	0.4	0.0
Mexico	0.2	0.0	0.0	0.0	0.0	0.0	0.0
South Africa	1.8	2.4	2.8	2.5	2.3	2.7	0.0
<b>Emerging Markets</b>	<b>11.4</b>	<b>11.3</b>	<b>11.2</b>	<b>11.0</b>	<b>12.5</b>	<b>13.1</b>	<b>0.0</b>
<b>Canada</b>	<b>2.3</b>	<b>2.4</b>	<b>2.8</b>	<b>3.0</b>	<b>3.5</b>	<b>3.4</b>	<b>0.0</b>
<b>Cash</b>	<b>3.9</b>	<b>2.8</b>	<b>3.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.2</b>	<b>0.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Participation in the Sprucegrove U.S. International Pooled Fund.

- Sprucegrove's approach remains **bottom-up**, with a focus on **quality** and **value**.
- The Fund is **different** than the benchmark with respect to its exposures and weightings of **securities**, **sectors** and **countries**.
- Sprucegrove remains **consistent** in terms of our **people**, **philosophy** and **process**.



# Annual Performance Results, ending December 31 Sprucegrove EAFE U.S. Clients Composite

Year <sup>1</sup>	Composite Gross Return \$US (%)	EAFE \$US Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	# of Portfolios	Internal Dispersion (%)	Composite Assets <sup>2</sup> (\$M)	Firm Assets (\$M)
2004	24.9	20.3	12.4	15.4	19	2.0	7,603	14,711
2005	14.4	13.5	9.9	11.4	20	2.9	8,500	17,141
2006	30.4	26.3	8.9	9.3	20	3.9	10,808	22,650
2007	5.0	11.2	9.3	9.4	22	5.0	9,573	21,222
2008	-42.2	-43.4	18.2	19.2	20	2.2	4,906	11,861
2009	36.6	31.8	21.8	23.6	17	4.4	6,561	15,555
2010	19.6	7.8	24.6	26.2	18	2.8	8,512	19,364
2011	-10.3	-12.1	20.5	22.4	18	2.2	7,341	17,788
2012	18.1	17.3	17.8	19.4	18	1.2	8,977	21,421
2013	17.8	22.8	14.2	16.3	20	3.7	10,667	24,583

Composite creation date: October 1, 1985

<sup>1</sup> For the years ending December 31

# Policy Guidelines

## Sprucegrove U.S. International Pooled Fund

Methodology:	Value approach using a bottom-up, stock selection process with an emphasis on owning quality companies at attractive valuations.
Mandate:	International equities
Benchmark:	MSCI EAFE Index (U.S. Dollars)

### RESTRICTIONS / LIMITS

Asset Mix:	Cash & Short Term	0% - 10%
	Equities	90% - 100%
Region:	Minimum three countries from EAFE Europe region and three countries from EAFE Asia/Pacific region.	
Country:	The Fund will be subject to the following minimum - maximum country weightings:	
	Japan	5% - 50%
	United Kingdom	10% - 50%
	Canada	0% - 10%
	United States	excluded
	Other EAFE countries	0% - 15%
	Total non-EAFE countries, excluding Canada	0% - 15%
	Total non-EAFE countries	0% - 20%
Sector:	Minimum 7 of 10 MSCI sectors Maximum individual sector 30%	
Company Holdings:	Minimum 40 companies Maximum company weighting 5% Maximum ownership, lesser of outstanding shares 5%; free float 10%	
Other:	In unusual circumstances, the Fund may exceed the above guidelines for short periods of time.	

***For more information please contact:***

<b>Mark Shevitz, Fair Haven Partners, L.L.C.</b>	<b>fairhavenpartners@cresta.sbcoxmail.com</b>	<b>805.687.7970</b>
<b>Ed Caffrey, Fair Haven Partners, L.L.C.</b>	<b>ecaffrey@aol.com</b>	<b>203.622.4820</b>
<b>Scott Caffrey, Fair Haven Partners, L.L.C.</b>	<b>scott.caffrey@fhp.comcastbiz.net</b>	<b>203.542.0802</b>



NEPC, LLC

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## Ventura County Employees' Retirement Association

**Performance Report Month  
Ending March 31, 2014**

Don Stracke, CFA, CAIA, Senior Consultant  
Allan Martin, Partner,  
Anthony Ferrara, Senior Analyst

255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | [www.nepc.com](http://www.nepc.com)

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Ventura County Employees' Retirement Association

**Total Fund Performance Detail (Net)**

**Performance Summary**

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Fund</b>	<b>4,117,465,997</b>	<b>100.0</b>	<b>0.5</b>	<b>1.9</b>	<b>1.9</b>	<b>13.6</b>	<b>13.9</b>	<b>9.8</b>	<b>16.5</b>	<b>6.8</b>	<b>8.4</b>	<b>Apr-94</b>
Policy Index			<u>0.3</u>	<u>1.7</u>	<u>1.7</u>	<u>13.3</u>	<u>13.3</u>	<u>9.2</u>	<u>14.9</u>	<u>6.9</u>	<u>8.3</u>	<i>Apr-94</i>
Over/Under			0.2	0.2	0.2	0.3	0.6	0.6	1.6	-0.1	0.1	
<b>Total Fund ex Clifton</b>	<b>4,100,330,203</b>	<b>99.6</b>	<b>0.5</b>	<b>2.0</b>	<b>2.0</b>	<b>13.5</b>	<b>13.6</b>	<b>9.8</b>	<b>16.2</b>	<b>6.7</b>	<b>8.3</b>	<b>Apr-94</b>
<b>Total Fund ex Private Equity</b>	<b>4,041,816,381</b>	<b>98.2</b>	<b>0.5</b>	<b>1.9</b>	<b>1.9</b>	<b>12.3</b>	<b>12.2</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>13.9</b>	<b>Jan-12</b>
Policy Index			<u>0.3</u>	<u>1.7</u>	<u>1.7</u>	<u>13.3</u>	<u>13.3</u>	<u>9.2</u>	<u>14.9</u>	<u>6.9</u>	<u>14.1</u>	<i>Jan-12</i>
Over/Under			0.2	0.2	0.2	-1.0	-1.1				-0.2	
<b>Total US Equity</b>	<b>1,295,202,436</b>	<b>31.5</b>	<b>0.5</b>	<b>2.0</b>	<b>2.0</b>	<b>20.1</b>	<b>23.1</b>	<b>14.9</b>	<b>22.7</b>	<b>7.4</b>	<b>9.0</b>	<b>Dec-93</b>
Total U.S. Equity Benchmark			<u>0.5</u>	<u>2.0</u>	<u>2.0</u>	<u>19.3</u>	<u>22.6</u>	<u>14.6</u>	<u>22.0</u>	<u>8.0</u>	<u>9.4</u>	<i>Dec-93</i>
Over/Under			0.0	0.0	0.0	0.8	0.5	0.3	0.7	-0.6	-0.4	
BlackRock Extended Equity Index	44,447,002	1.1	-0.7	2.7	2.7	22.7	25.5	14.5	25.8	10.1	13.0	Oct-02
Dow Jones U.S. Completion Total Stock Market			<u>-0.7</u>	<u>2.8</u>	<u>2.8</u>	<u>22.7</u>	<u>25.5</u>	<u>14.3</u>	<u>25.7</u>	<u>10.0</u>	<u>13.0</u>	<i>Oct-02</i>
Over/Under			0.0	-0.1	-0.1	0.0	0.0	0.2	0.1	0.1	0.0	
Western U.S. Index Plus	124,000,120	3.0	0.8	2.0	2.0	19.1	22.3	15.6	28.4	--	2.3	May-07
S&P 500			<u>0.8</u>	<u>1.8</u>	<u>1.8</u>	<u>18.4</u>	<u>21.9</u>	<u>14.7</u>	<u>21.2</u>	<u>7.4</u>	<u>5.3</u>	<i>May-07</i>
Over/Under			0.0	0.2	0.2	0.7	0.4	0.9	7.2		-3.0	
BlackRock Equity Market Fund	1,126,755,313	27.4	0.5	2.0	2.0	19.3	22.6	14.6	22.0	--	6.9	Dec-07
Dow Jones U.S. Total Stock Market			<u>0.5</u>	<u>2.0</u>	<u>2.0</u>	<u>19.2</u>	<u>22.6</u>	<u>14.6</u>	<u>22.0</u>	<u>8.0</u>	<u>6.9</u>	<i>Dec-07</i>
Over/Under			0.0	0.0	0.0	0.1	0.0	0.0	0.0		0.0	

Policy Index: Uses an estimated CPI+4% index due to CPI monthly lag

Policy Index: Currently, 30% Total U.S. Equity Benchmark, 19% Barclays Aggregate, 14% MSCI ACWI ex U.S., 10% MSCI ACWI, 5% Barclays Global Aggregate, 5% DJ U.S. Total Stock Market Index + 3%, 10% CPI+4% Index, and 7% NCREIF ODCE Real Estate Index

Total U.S. Equity Benchmark: The Benchmark is a dynamic hybrid using the respective managers' market value weights within the U.S. Equity component toward their benchmark. Prior to May 2013, the Dow Jones U.S. Total Stock Market Index. Prior to May 2007, the Russell 3000 Index

CPI+4% is estimated for latest month.



Ventura County Employees' Retirement Association

Total Fund Performance Detail (Net)

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Non-US Equity</b>	<b>638,973,593</b>	<b>15.5</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>15.4</b>	<b>12.2</b>	<b>5.2</b>	<b>15.8</b>	<b>7.0</b>	<b>7.0</b>	<b>Mar-94</b>
<i>Total Non-US Equity Benchmark</i>			<u>0.3</u>	<u>0.5</u>	<u>0.5</u>	<u>15.9</u>	<u>12.3</u>	<u>4.1</u>	<u>15.5</u>	<u>7.1</u>	<u>5.7</u>	<i>Mar-94</i>
Over/Under			0.1	0.0	0.0	-0.5	-0.1	1.1	0.3	-0.1	1.3	
BlackRock ACWI ex-U.S. Index	278,092,937	6.8	0.3	0.9	0.9	16.6	13.0	4.5	16.2	--	2.2	Mar-07
<i>MSCI ACWI ex USA</i>			<u>0.3</u>	<u>0.5</u>	<u>0.5</u>	<u>15.9</u>	<u>12.3</u>	<u>4.1</u>	<u>15.5</u>	<u>7.1</u>	<u>1.7</u>	<i>Mar-07</i>
Over/Under			0.0	0.4	0.4	0.7	0.7	0.4	0.7		0.5	
Sprucegrove	189,498,091	4.6	1.6	2.0	2.0	17.5	14.6	7.4	17.4	8.0	9.0	Mar-02
<i>MSCI EAFE</i>			<u>-0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>18.7</u>	<u>17.6</u>	<u>7.2</u>	<u>16.0</u>	<u>6.5</u>	<u>7.1</u>	<i>Mar-02</i>
Over/Under			2.2	1.3	1.3	-1.2	-3.0	0.2	1.4	1.5	1.9	
<i>MSCI ACWI ex USA</i>			<u>0.3</u>	<u>0.5</u>	<u>0.5</u>	<u>15.9</u>	<u>12.3</u>	<u>4.1</u>	<u>15.5</u>	<u>7.1</u>	<u>7.8</u>	<i>Mar-02</i>
Hexavest	80,003,969	1.9	-1.0	-0.7	-0.7	14.0	12.5	6.2	--	--	6.5	Dec-10
<i>MSCI EAFE</i>			<u>-0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>18.7</u>	<u>17.6</u>	<u>7.2</u>	<u>16.0</u>	<u>6.5</u>	<u>7.7</u>	<i>Dec-10</i>
Over/Under			-0.4	-1.4	-1.4	-4.7	-5.1	-1.0			-1.2	
Walter Scott	91,378,596	2.2	-0.5	-2.7	-2.7	7.6	3.9	5.4	--	--	5.5	Dec-10
<i>MSCI ACWI ex USA</i>			<u>0.3</u>	<u>0.5</u>	<u>0.5</u>	<u>15.9</u>	<u>12.3</u>	<u>4.1</u>	<u>15.5</u>	<u>7.1</u>	<u>4.9</u>	<i>Dec-10</i>
Over/Under			-0.8	-3.2	-3.2	-8.3	-8.4	1.3			0.6	
<b>Total Global Equity</b>	<b>429,153,673</b>	<b>10.4</b>	<b>0.8</b>	<b>1.6</b>	<b>1.6</b>	<b>17.0</b>	<b>16.8</b>	<b>9.4</b>	<b>15.7</b>	<b>--</b>	<b>6.0</b>	<b>May-05</b>
<i>MSCI ACWI</i>			<u>0.4</u>	<u>1.1</u>	<u>1.1</u>	<u>17.1</u>	<u>16.6</u>	<u>8.6</u>	<u>17.8</u>	<u>7.0</u>	<u>6.9</u>	<i>May-05</i>
Over/Under			0.4	0.5	0.5	-0.1	0.2	0.8	-2.1		-0.9	
GMO Global Equity	213,996,782	5.2	1.2	2.0	2.0	16.9	16.8	10.4	16.2	--	7.6	Apr-05
<i>MSCI ACWI</i>			<u>0.4</u>	<u>1.1</u>	<u>1.1</u>	<u>17.1</u>	<u>16.6</u>	<u>8.6</u>	<u>17.8</u>	<u>7.0</u>	<u>6.9</u>	<i>Apr-05</i>
Over/Under			0.8	0.9	0.9	-0.2	0.2	1.8	-1.6		0.7	
BlackRock MSCI ACWI Equity Index	215,156,890	5.2	0.5	1.2	1.2	17.2	17.0	--	--	--	--	May-12
<i>MSCI ACWI</i>			<u>0.4</u>	<u>1.1</u>	<u>1.1</u>	<u>17.1</u>	<u>16.6</u>	<u>8.6</u>	<u>17.8</u>	<u>7.0</u>	<u>21.6</u>	<i>May-12</i>
Over/Under			0.1	0.1	0.1	0.1	0.4					

Total Non-U.S. Equity Benchmark: MSCI ACWI ex US Free, prior to May 2002, the MSCI EAFE

Ventura County Employees' Retirement Association

**Total Fund Performance Detail (Net)**

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total US Fixed Income</b>	<b>708,924,237</b>	<b>17.2</b>	<b>0.1</b>	<b>1.6</b>	<b>1.6</b>	<b>3.5</b>	<b>1.3</b>	<b>5.6</b>	<b>10.9</b>	<b>6.0</b>	<b>6.5</b>	<b>Feb-94</b>
<i>Barclays Aggregate</i>			<u>-0.2</u>	<u>1.8</u>	<u>1.8</u>	<u>2.3</u>	<u>-0.1</u>	<u>3.7</u>	<u>4.8</u>	<u>4.5</u>	<u>5.8</u>	<i>Feb-94</i>
Over/Under			0.3	-0.2	-0.2	1.2	1.4	1.9	6.1	1.5	0.7	
Western	254,535,703	6.2	0.2	2.8	2.8	3.6	1.0	5.6	9.5	5.4	6.6	Dec-96
<i>Barclays Aggregate</i>			<u>-0.2</u>	<u>1.8</u>	<u>1.8</u>	<u>2.3</u>	<u>-0.1</u>	<u>3.7</u>	<u>4.8</u>	<u>4.5</u>	<u>5.7</u>	<i>Dec-96</i>
Over/Under			0.4	1.0	1.0	1.3	1.1	1.9	4.7	0.9	0.9	
BlackRock U.S. Debt Fund	133,585,123	3.2	-0.2	1.9	1.9	2.2	-0.1	3.8	4.9	4.5	5.7	Nov-95
<i>Barclays Aggregate</i>			<u>-0.2</u>	<u>1.8</u>	<u>1.8</u>	<u>2.3</u>	<u>-0.1</u>	<u>3.7</u>	<u>4.8</u>	<u>4.5</u>	<u>5.7</u>	<i>Nov-95</i>
Over/Under			0.0	0.1	0.1	-0.1	0.0	0.1	0.1	0.0	0.0	
Reams	251,277,712	6.1	0.1	-0.2	-0.2	2.2	2.1	6.5	13.1	6.7	6.6	Sep-01
<i>Reams Custom Index</i>			<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>	<u>3.7</u>	<u>4.8</u>	<u>4.4</u>	<u>4.9</u>	<i>Sep-01</i>
Over/Under			0.1	-0.3	-0.3	2.0	1.8	2.8	8.3	2.3	1.7	
<i>Barclays Aggregate</i>			<u>-0.2</u>	<u>1.8</u>	<u>1.8</u>	<u>2.3</u>	<u>-0.1</u>	<u>3.7</u>	<u>4.8</u>	<u>4.5</u>	<u>4.9</u>	<i>Sep-01</i>
Loomis Sayles Multi Strategy	69,525,699	1.7	0.5	3.8	3.8	7.0	2.6	7.4	14.8	--	7.5	Jul-05
<i>Loomis Custom Index</i>			<u>0.0</u>	<u>2.2</u>	<u>2.2</u>	<u>4.2</u>	<u>2.2</u>	<u>5.3</u>	<u>8.6</u>	--	<u>5.9</u>	<i>Jul-05</i>
Over/Under			0.5	1.6	1.6	2.8	0.4	2.1	6.2		1.6	
<i>Barclays Aggregate</i>			<u>-0.2</u>	<u>1.8</u>	<u>1.8</u>	<u>2.3</u>	<u>-0.1</u>	<u>3.7</u>	<u>4.8</u>	<u>4.5</u>	<u>4.8</u>	<i>Jul-05</i>
<b>Total Global Fixed Income</b>	<b>260,965,843</b>	<b>6.3</b>	<b>0.0</b>	<b>2.2</b>	<b>2.2</b>	<b>5.1</b>	<b>1.2</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1.9</b>	<b>Jun-12</b>
<i>Barclays Global Aggregate</i>			<u>-0.1</u>	<u>2.4</u>	<u>2.4</u>	<u>4.8</u>	<u>1.9</u>	<u>2.8</u>	<u>5.1</u>	<u>4.5</u>	<u>1.4</u>	<i>Jun-12</i>
Over/Under			0.1	-0.2	-0.2	0.3	-0.7				0.5	
Loomis Sayles Global Fixed Income	93,795,419	2.3	0.1	2.4	2.4	4.6	1.0	--	--	--	2.2	Jun-12
<i>Barclays Global Aggregate</i>			<u>-0.1</u>	<u>2.4</u>	<u>2.4</u>	<u>4.8</u>	<u>1.9</u>	<u>2.8</u>	<u>5.1</u>	<u>4.5</u>	<u>1.4</u>	<i>Jun-12</i>
Over/Under			0.2	0.0	0.0	-0.2	-0.9				0.8	
PIMCO Global Fixed Income	126,063,071	3.1	0.0	2.5	2.5	5.2	1.1	--	--	--	-0.8	Sep-12
<i>Barclays Global Aggregate</i>			<u>-0.1</u>	<u>2.4</u>	<u>2.4</u>	<u>4.8</u>	<u>1.9</u>	<u>2.8</u>	<u>5.1</u>	<u>4.5</u>	<u>-0.5</u>	<i>Sep-12</i>
Over/Under			0.1	0.1	0.1	0.4	-0.8				-0.3	
Loomis Strategic Alpha	41,107,353	1.0	0.2	0.5	0.5	2.3	--	--	--	--	2.0	Jul-13
<i>Barclays Global Aggregate</i>			<u>-0.1</u>	<u>2.4</u>	<u>2.4</u>	<u>4.8</u>	<u>1.9</u>	<u>2.8</u>	<u>5.1</u>	<u>4.5</u>	<u>3.5</u>	<i>Jul-13</i>
Over/Under			0.3	-1.9	-1.9	-2.5					-1.5	

Reams Custom Index: Merrill Lynch 3 Month Libor Constant Maturity Index, prior to February 2013 the Barclays Aggregate

Loomis Custom Index: 65% Barclays Aggregate, 30% Citigroup High Yield Market Index and 5% JPM Non-US Hedged Bond Index

Ventura County Employees' Retirement Association

**Total Fund Performance Detail (Net)**

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Real Estate</b>	<b>293,442,407</b>	<b>7.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.3</b>	<b>8.4</b>	<b>9.9</b>	<b>5.3</b>	<b>4.9</b>	<b>7.5</b>	<b>Mar-94</b>
<i>Total Real Estate Benchmark</i>			<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>6.9</u>	<u>11.0</u>	<u>12.1</u>	<u>6.8</u>	<u>6.9</u>	<u>8.5</u>	<i>Mar-94</i>
Over/Under			0.0	0.0	0.0	-1.6	-2.6	-2.2	-1.5	-2.0	-1.0	
Prudential Real Estate	95,185,595	2.3	0.0	0.0	0.0	7.0	10.4	11.5	5.8	--	4.3	Jun-04
UBS Real Estate	189,646,544	4.6	0.0	0.0	0.0	4.6	7.8	9.0	5.9	6.7	6.9	Mar-03
RREEF	8,610,268	0.2	0.0	0.0	0.0	7.3	12.6	26.9	3.8	--	-10.5	Sep-07
<b>Total Liquid Alternatives</b>	<b>398,018,399</b>	<b>9.7</b>	<b>1.2</b>	<b>5.3</b>	<b>5.3</b>	<b>13.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>16.8</b>	<b>Apr-13</b>
<i>CPI + 4% (Unadjusted)</i>			<u>0.7</u>	<u>2.1</u>	<u>2.1</u>	<u>3.9</u>	<u>5.3</u>	<u>5.9</u>	<u>6.1</u>	<u>6.4</u>	<u>5.0</u>	<i>Apr-13</i>
Over/Under			0.5	3.2	3.2	9.5	--	--	--	--	11.8	
Tortoise Energy Infrastructure	133,697,586	3.2	3.1	8.5	8.5	18.6	--	--	--	--	22.0	Apr-13
<i>Wells Fargo MLP Index</i>			<u>1.7</u>	<u>2.8</u>	<u>2.8</u>	<u>8.0</u>	<u>10.7</u>	<u>14.2</u>	--	--	<u>9.3</u>	<i>Apr-13</i>
Over/Under			1.4	5.7	5.7	10.6	--	--	--	--	12.7	
Bridgewater All Weather Fund	264,320,813	6.4	0.3	3.7	3.7	--	--	--	--	--	7.2	Aug-13
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>0.8</u>	<u>2.8</u>	<u>2.8</u>	<u>21.9</u>	<u>26.2</u>	--	--	--	<u>18.4</u>	<i>Aug-13</i>
Over/Under			-0.5	0.9	0.9	--	--	--	--	--	-11.2	
<b>Overlay</b>	<b>17,135,793</b>	<b>0.4</b>										
Clifton	17,135,793	0.4										

Total Real Estate Benchmark: NCREIF ODCE; prior to January 2006, the NCREIF Property Index

Real Estate managers and NCREIF ODCE are valued on a quarterly basis. Performance is not applicable in mid-quarter months, therefore 0% return is shown.

Total Liquid Alternatives index, the CPI+4% is not available as the Consumer Price Index has not yet been released as of the date of report production

Performance for Clifton Overlay is not meaningful on an individual account basis

# Ventura County Employees' Retirement Association

## Total Fund Performance Detail (Net)

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Private Equity</b>	<b>75,649,615</b>	<b>1.8</b>	<b>5.0</b>	<b>4.9</b>	<b>4.9</b>	<b>15.7</b>	<b>17.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>Jul-10</b>
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>0.8</u>	<u>2.8</u>	<u>2.8</u>	<u>21.9</u>	<u>26.2</u>	--	--	--	--	<i>Jul-10</i>
Over/Under			4.2	2.1	2.1	-6.2	-8.8					
Adams Street Partners	49,805,589	1.2	5.9	5.9	5.9	18.1	19.8	--	--	--	--	Jul-10
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>0.8</u>	<u>2.8</u>	<u>2.8</u>	<u>21.9</u>	<u>26.2</u>	--	--	--	--	<i>Jul-10</i>
Over/Under			5.1	3.1	3.1	-3.8	-6.4					
Panteon Ventures	9,935,077	0.2	5.8	5.8	5.8	10.0	11.8	--	--	--	--	Aug-10
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>0.8</u>	<u>2.8</u>	<u>2.8</u>	<u>21.9</u>	<u>26.2</u>	--	--	--	--	<i>Aug-10</i>
Over/Under			5.0	3.0	3.0	-11.9	-14.4					
Harbourvest	15,908,949	0.4	1.9	1.6	1.6	10.7	--	--	--	--	--	May-13
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>0.8</u>	<u>2.8</u>	<u>2.8</u>	<u>21.9</u>	<u>26.2</u>	--	--	--	<u>20.6</u>	<i>May-13</i>
Over/Under			1.1	-1.2	-1.2	-11.2						

Please Note:

Private Equity performance is shown on a time-weighted return basis. Values are cash adjusted with current month cash flows.

Ventura County Employees' Retirement Association

**Total Fund**

**Cash Flow Summary**

Month Ending March 31, 2014

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Fees	Net Investment Change	Ending Market Value
Adams Street Partners	\$45,096,334	\$0	\$2,000,500	\$2,000,500	\$0	\$2,708,755	\$49,805,589
BlackRock ACWI ex-U.S. Index	\$277,321,881	\$0	\$0	\$0	-\$24,841	\$771,056	\$278,092,937
BlackRock Equity Market Fund	\$1,138,161,881	-\$17,600,000	\$0	-\$17,600,000	-\$20,863	\$6,193,433	\$1,126,755,313
BlackRock Extended Equity Index	\$44,755,986	\$0	\$0	\$0	-\$2,963	-\$308,984	\$44,447,002
BlackRock MSCI ACWI Equity Index	\$214,107,712	\$0	\$0	\$0	-\$8,839	\$1,049,178	\$215,156,890
BlackRock U.S. Debt Fund	\$133,841,537	\$0	\$0	\$0	-\$7,786	-\$256,414	\$133,585,123
Bridgewater All Weather Fund	\$263,602,694	\$0	\$0	\$0	-\$88,400	\$718,119	\$264,320,813
Clifton	\$16,265,832	-\$3,114,962	\$3,828,352	\$713,390	-\$2,142	\$156,571	\$17,135,793
GMO Global Equity	\$211,529,314	\$0	\$0	\$0	-\$98,082	\$2,467,468	\$213,996,782
Harbourvest	\$16,593,453	-\$996,434	\$0	-\$996,434	\$0	\$311,929	\$15,908,949
Hexavest	\$80,776,429	\$0	\$0	\$0	-\$30,835	-\$772,460	\$80,003,969
Loomis Sayles Global Fixed Income	\$93,708,330	\$0	\$0	\$0	-\$23,449	\$87,090	\$93,795,419
Loomis Sayles Multi Strategy	\$69,161,554	\$0	\$0	\$0	-\$23,215	\$364,145	\$69,525,699
Loomis Strategic Alpha	\$40,994,006	\$0	\$0	\$0	-\$13,702	\$113,347	\$41,107,353
Panteon Ventures	\$9,753,934	-\$375,000	\$0	-\$375,000	\$0	\$556,144	\$9,935,077
PIMCO Global Fixed Income	\$126,067,488	\$0	\$0	\$0	-\$35,682	-\$4,417	\$126,063,071
Prudential Real Estate	\$95,185,595	\$0	\$0	\$0	\$0	\$0	\$95,185,595
Reams	\$250,979,910	\$0	\$0	\$0	-\$37,660	\$297,803	\$251,277,712
RREEF	\$8,610,268	\$0	\$0	\$0	\$0	\$0	\$8,610,268
Sprucegrove	\$186,404,967	\$0	\$0	\$0	-\$59,062	\$3,093,125	\$189,498,091
Tortoise Energy Infrastructure	\$129,601,138	\$0	\$0	\$0	-\$80,051	\$4,096,448	\$133,697,586
UBS Real Estate	\$189,646,544	\$0	\$0	\$0	\$0	\$0	\$189,646,544
Walter Scott	\$91,730,719	\$0	\$0	\$0	-\$67,564	-\$352,123	\$91,378,596
Western	\$254,093,812	\$0	\$0	\$0	-\$44,317	\$441,891	\$254,535,703
Western U.S. Index Plus	\$123,006,796	\$0	\$0	\$0	-\$28,000	\$993,324	\$124,000,120
<b>Total</b>	<b>\$4,110,998,114</b>	<b>-\$22,086,396</b>	<b>\$5,828,852</b>	<b>-\$16,257,544</b>	<b>-\$697,453</b>	<b>\$22,725,427</b>	<b>\$4,117,465,997</b>

## Reporting Methodology

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of Return are annualized when the time period is longer than a year. Performance is presented gross and/or net of fees as indicated on each page.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.

## Information Disclaimer

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may not be available from the source or may be preliminary and subject to change.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plans custodial bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
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**To:** Ventura County Employees' Retirement Association ("VCERA") Board  
**From:** Don Stracke, CFA, CAIA  
**Date:** April 21, 2014  
**Subject:** PIMCO Watch Status Update

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### Summary

As of March 31, 2014, VCERA had approximately \$126 million invested in the PIMCO Global Fixed Income strategy. NEPC has put all PIMCO strategies on WATCH as a result of recent organizational changes, and at the March board meeting the VCERA board officially put the strategy on watch.

While there continues to be significant press coverage regarding PIMCO since they were placed on watch by the VCERA board, there has been no substantive change at the firm. As noted below, departures were modest during the first quarter and did not include anyone working on the Ventura strategy. No change is recommended at this time.

### NEPC Due Diligence Scheduled

The CEO, Doug Hodge, is scheduled to be in our Boston office on April 17<sup>th</sup> for a meeting.

### Investment Professional Turnover

This is a review of personnel activity at PIMCO during the first quarter (information provided by PIMCO). As you can see, turnover was not elevated during this period.

**SVP** 117  
**EVP** 65  
**MD** 29  
211

#### Portfolio Management Professionals Gained

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	<b>SVP</b>	<b>EVP</b>	<b>MD</b>
January	1	-	1
February	-	-	-
March	-	-	-

#### Portfolio Management Professionals Lost

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	<b>SVP</b>	<b>EVP</b>	<b>MD</b>
January	-1	-	-1
February	-	-	-1
March	-1	-	-1





#### Portfolio Management Net Professionals Gained/Lost

	SVP	EVP	MD*
January	-	-	-
February	-	-	-1
March	-1	-	-1
<b>1Q 2014</b>	<b>-1</b>	<b>-</b>	<b>-2</b>

\* 3 additional PMs were promoted to the Managing Director level during 1Q 2014

#### Additional Recent Departure

PIMCO announced that President Obama intends to nominate Ramin Toloui, co-head of EMD at PIMCO, as Assistant Secretary for International Finance at the US Department of the Treasury. If the nomination passes a senate approval process, Ramin will work as an advisor to Treasury Secretary Jack Lew on policies related to international monetary affairs, FX markets, the IMF, among others. Ramin will fully relinquish his PIMCO responsibilities by the end of April. In the meantime, he will work with other senior team members to transition portfolio management responsibilities. As a result of the Ramin's departure, Michael Gomez will become the sole head of emerging markets debt. He will also take over as sole manager on the PIMCO EM Bond Fund. Additionally, Ramin's separate account responsibility will transition to other members of the team. It does not appear that Ramin sought this role at the Treasury. However, it is not surprising that he would be candidate as he spent several years in the Treasury department prior to joining PIMCO. He was brought on at PIMCO to build out their Asia business, which he did successfully. He was also one of the primary professionals behind the creation and patenting of the PIMCO GLADI Index (a proprietary GDP weighted benchmark). His investment responsibilities were much less day-to-day investing/trading and more providing a big picture, macro perspective on EMD portfolios. Ramin was responsible for five separate accounts totaling ~1.2 billion versus 59 accounts (including funds) and ~\$48 billion for Michael Gomez, which demonstrates Ramin's focus on macro research over account management.

This is a certainly a tough loss for PIMCO, especially following all that has transpired over the last several months. Ramin was a respected team-member and a thought leader on the emerging markets debt and global fixed income teams. Despite this we do not feel it warrants a downgrade of the PIMCO EMD strategies (part of the firm-wide WATCH status currently). The emerging markets debt team is supported by a deep staff (19 portfolio managers and 54 analysts) and the lead day-to-day investment strategist, Michael Gomez, remains as head of the group. We recommend maintaining the WATCH status on EMD strategies. Please let us know if there are any questions.

# PIMCO

April 14, 2014

Tim Thonis  
Interim Retirement Administrator  
1190 South Victoria Avenue Suite 200  
Ventura, CA 93003

Dear Mr. Thonis:

As of month end, March 31, 2014, the portfolio we manage on behalf of Ventura County was in compliance with the investment guidelines and policies set forth in the Investment Management Agreement with PIMCO.

**Ventura County VCERA- Global (Account 7384):**

- **Total Emerging Markets Exposure - (incl Funds) - Min -20.00% Max 20.00% Total market value:** Due to market value fluctuation on 3/26/14 exposure exceeded the max 20% limit at 20.04%. Exposure was previously compliant on 3/25/14 at 19.95% and stood at 20.28% at month-end. The account returned to compliance on 4/9/14 at 19.48%.

Please contact me at (949) 720-6107 with any questions.

Sincerely,



Joel Reynolds  
Vice President and Manager of Portfolio Compliance  
Pacific Investment Management Company LLC



NEPC, LLC

YOU DEMAND MORE. So do we.<sup>SM</sup>



## Ventura County Employees' Retirement Association

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### Asset Liability Study

April 21, 2014

Don Stracke, CFA, CAIA, Senior Consultant  
Lynda Dennen, ASA, EA, Senior Consultant  
Tony Ferrara, Senior Analyst

One Main Street, Cambridge, MA 02142 | TEL: 617.374.1300 | FAX: 617.374.1313 | [www.nepc.com](http://www.nepc.com)

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<b>Executive Summary</b>	<b>1</b>
<b>Current Plan Status and Proposed Asset Allocations</b>	<b>2</b>
<b>Risk Budgeting</b>	<b>3</b>
<b>Plan Forecasts</b>	<b>4</b>
<b>Scenario Analysis</b>	<b>5</b>
<b>Conclusions</b>	<b>7</b>
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# Executive Summary

- **This report presents the results of the asset-liability study conducted for the Ventura County Employees' Retirement Association**
- **The goals of the study are to:**
  - Review the current and projected financial status of the retirement system
    - Project pension liabilities and benefit payments
    - Project asset growth and contribution levels
  - Assess the appropriateness of the current asset allocation relative to the expected progress of liabilities and cash flows
    - Analyze the benefits of asset class diversification
  - Utilize multiple models to develop comprehensive understanding of plan dynamics
    - Risk and return of asset allocation
    - Relationship between assets and liabilities
- **Apply multiple perspectives/tools to build robust, objective driven asset allocation solutions**
  - Mean-variance optimization – identifying highest return portfolio at each level of volatility
    - Range of portfolios is the “Efficient Frontier”
  - Risk budgeting – understanding the risk allocation and not simply capital allocation of portfolio
  - Deterministic Forecasting – baseline projections of assets, liabilities, and cashflows
  - Scenario Analysis – stress tests of plan dynamics in various economic environments

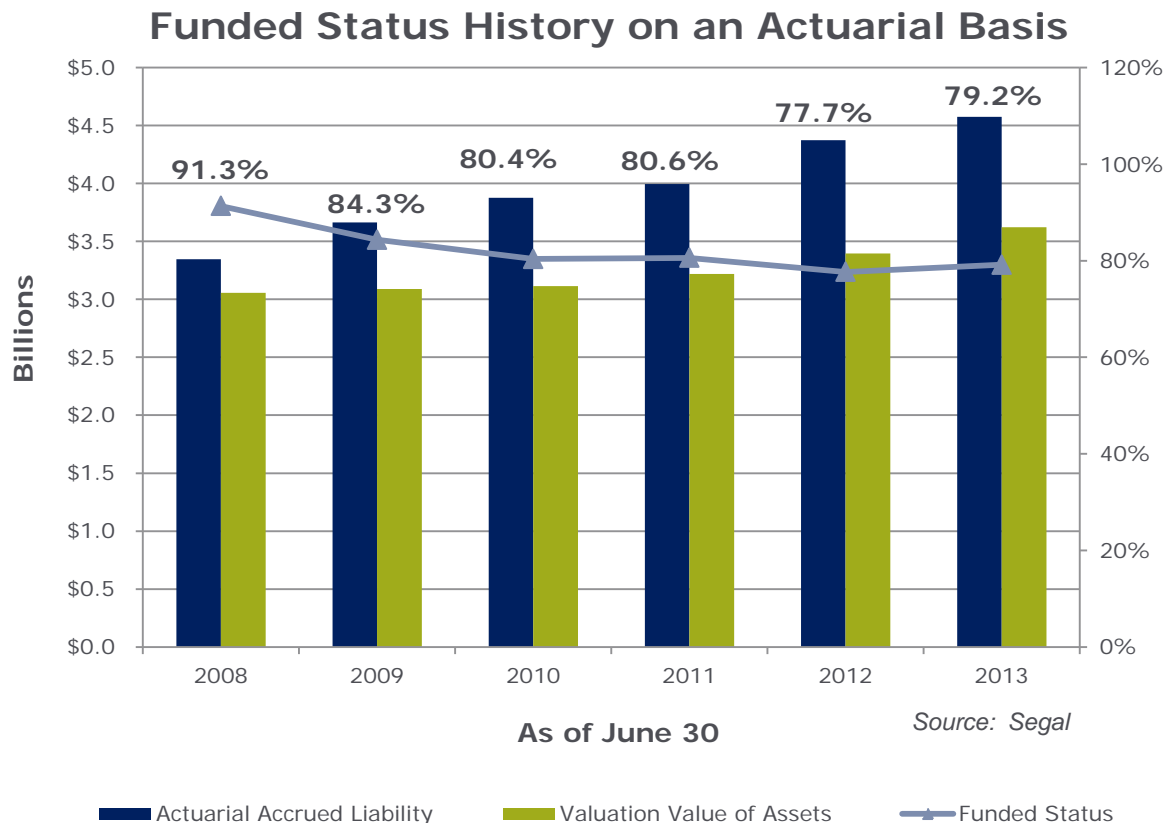
- **As of June 30, 2013, the plan was 79.2% funded**
- **The plan experienced strong asset performance in the second half of 2013**
- **The current expected return target remains appropriate to maintain a path to full funding**
  - Expected return is 7.75%
  - Current asset allocation achieves a 7.6% expected return using NEPC's 30 year assumptions, while the proposed allocations have 7.9% expected returns
- **Market environment remains challenging over medium term (5-7 years)**
  - Current asset allocation target has a 6.3% expected return over 5-7 years
- **The plans remain under pressure as active/retiree demographics have continued to shift towards retiree population**
  - The plan is expected to experience increasing benefit payments over time
  - Investment gains are required to offset net cash outflows
    - Benefit payments consistently higher than total contributions
- **While seeking higher returns, it is critical for the fund to manage volatility**
  - A significant asset drawdown can impair funded status and challenge long-term funding
- **Modest changes to the investment program can increase the current medium term expected return**
  - Lower Equities and reduce traditional Fixed Income
  - Increase Global Asset Allocation
  - Increase Alternatives: Private Equity, Private Debt, Hedge funds, Real Assets, Real Estate

# Summary of Pros and Cons Identified in ALM Study

Focus	Pros	Cons
<b>EROA Targets</b>	Forecasted to be achievable over 30 year horizon	Challenged in medium-term (5-7 year horizon)
<b>Asset Allocation</b>	Well diversified, continued path to better risk balance	Modest changes needed for further efficiency improvement
<b>Asset Allocation Changes</b>	<p>Decrease in Equity exposure lowers downside risk</p> <p>Lowering Core Fixed Income increases return assumptions</p> <div data-bbox="738 715 1673 765" style="border: 1px solid black; padding: 5px; text-align: center;">Both new mixes increase the projected risk-adjusted return</div> <p>Increase in alternatives delivers better risk balance and potentially delivers uncorrelated returns</p>	<p>May underperform in strong Equity markets</p> <p>Lowering Core Fixed Income decreases liquidity</p> <p>Increase in alternatives/HFs add illiquidity, complexity and derivative fund structures</p>
<b>Funded Status Projections</b>	Plans are reasonably well funded, goal is to improve funded status through investment return and contributions	Seeking high returns exposes plan to volatility – significant asset losses would challenge funded status outlook
<b>Cashflows/Liquidity</b>	Fund expected to have adequate liquidity to meet benefit obligations	Net cash outflows expected – investment gains needed to offset outflows Significant liquidity needs to be maintained to pay benefit payments



# Current Plan Status and Proposed Asset Allocations

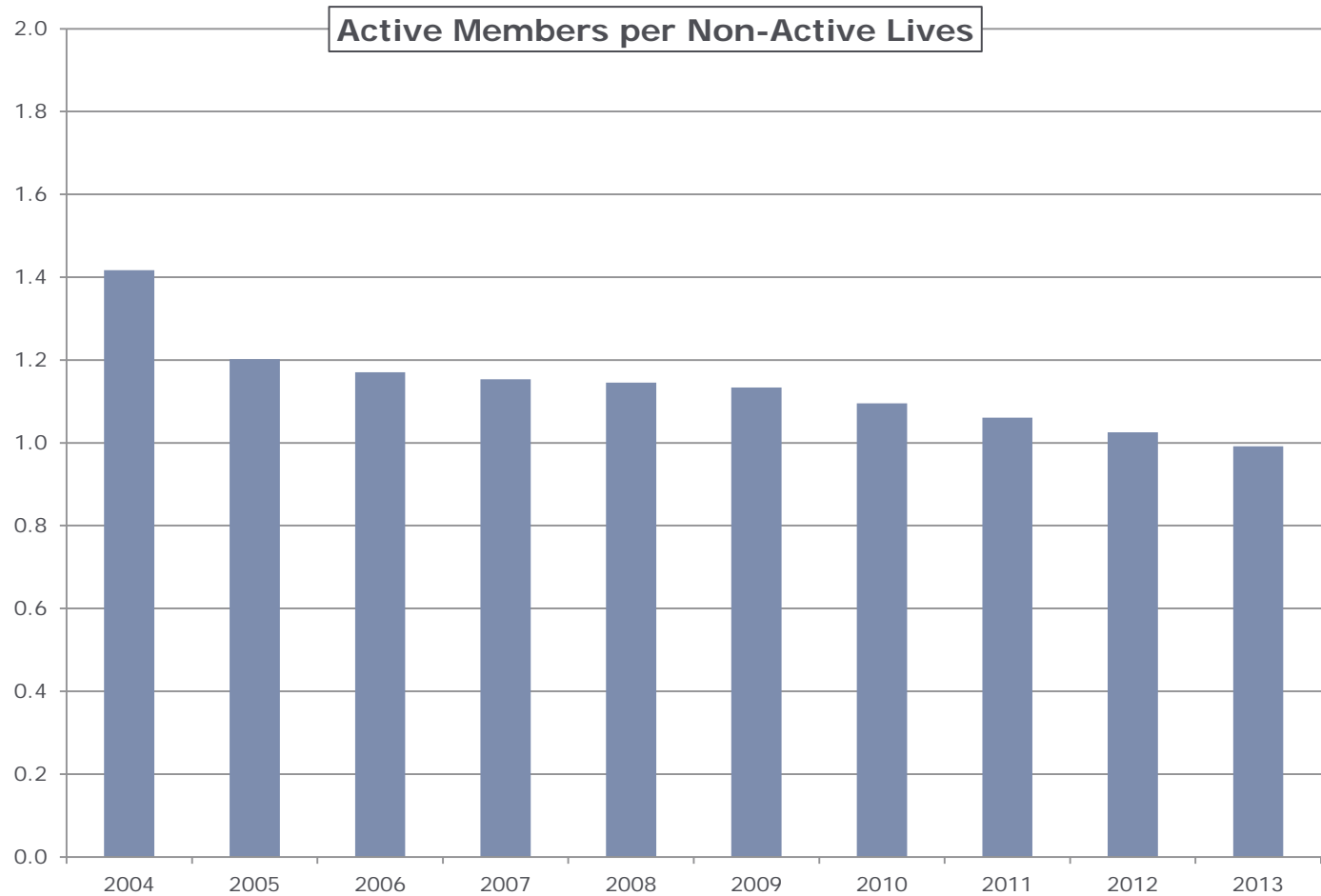


- Over the past 5 years, liabilities have grown an average of 6.5% per year
- Valuation Assets have not kept pace with liability growth, growing an average 3.5% per year, as market turmoil had negatively affected plan assets

As of June 30	2013	2012
<b>Number of Participants</b>		
Active	8,068	8,019
Retirees and Beneficiaries	5,888	5,658
Deferred / Inactive	2,249	2,161
Total	16,205	15,838
1. Total projected payroll (in \$ millions)	\$639	\$634
2. Actuarial Accrued Liability (in \$ millions)	\$4,575	\$4,373
3. Valuation Assets (in \$ millions)	\$3,622	\$3,397
Funded Status (3 divided by 2)	79.2%	77.7%
4. Market Value of Assets (in \$ millions)	\$3,628	\$3,210
Funded Status (4 divided by 2)	79.3%	73.4%

- **As of June 30, 2012, the plan was 77.7% funded on an actuarial basis**
  - Liabilities were discounted at a long term rate of 7.75%
  - Public sector pension plans are not immediately affected by moves in interest rates and have more gradual adjustments to discount rates
  
- **As of June 30, 2013 the plan is reported to be 79.2% funded on an aggregate actuarial basis**
  - Strong asset return in 2012/2013 boosted funded status
  - Liabilities were discounted at the same long term rate of 7.75%

Source: Segal

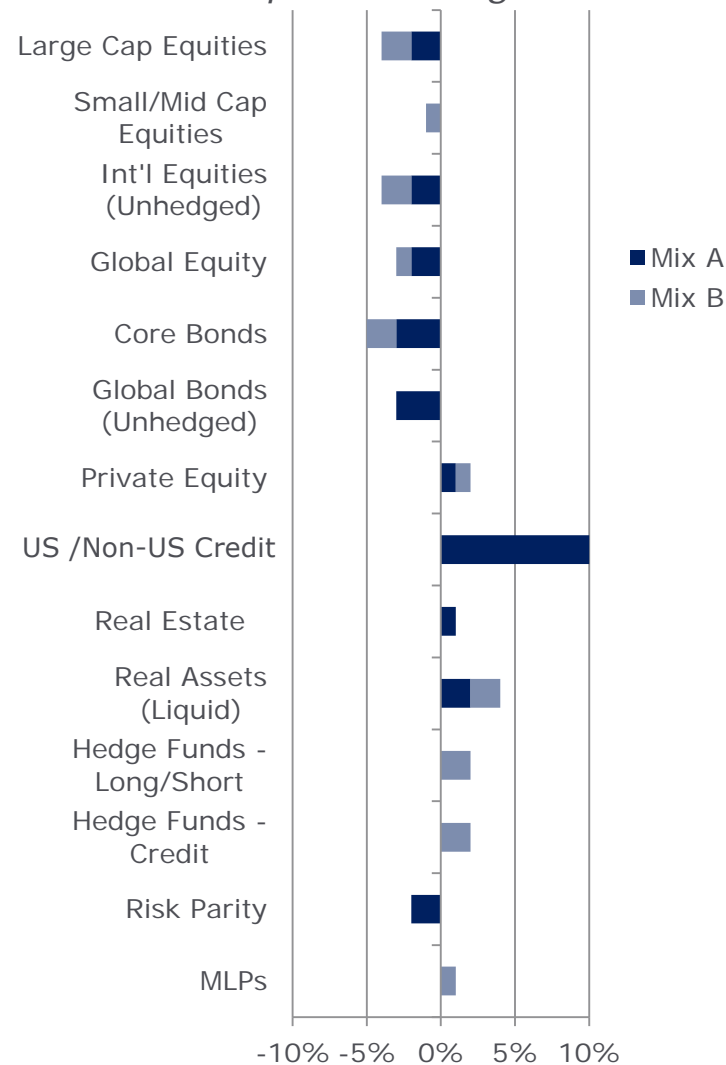


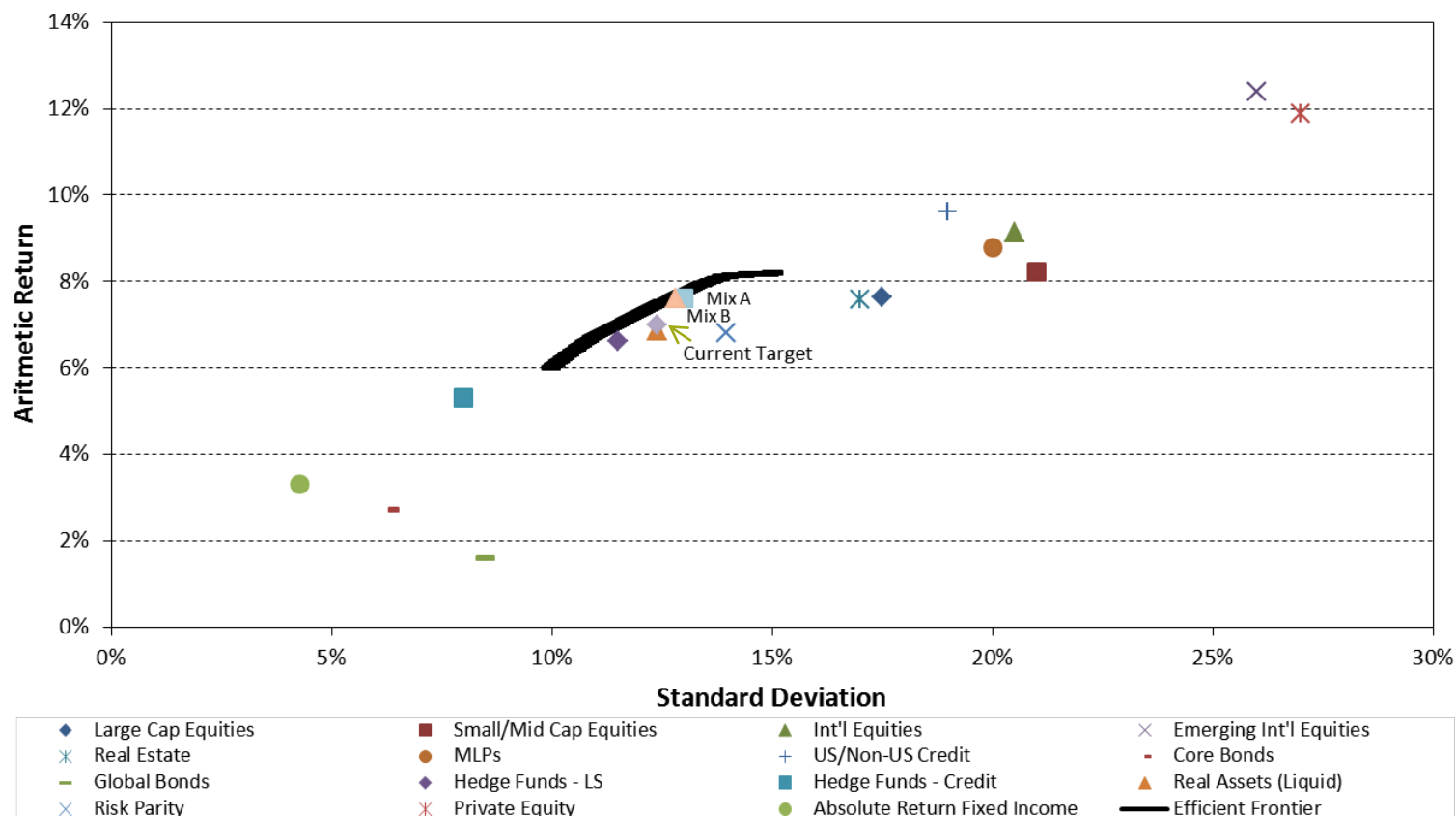
Source: Segal

# Current and Proposed Asset Allocation Targets

	Current Target	Mix A	Mix B
Large Cap Equities	27%	25%	23%
Small/Mid Cap Equities	3%	3%	2%
Int'l Equities (Unhedged)	12%	10%	8%
Emerging Int'l Equities	2%	2%	2%
Global Equity	10%	8%	7%
<b>Total Equity</b>	<b>54%</b>	<b>48%</b>	<b>42%</b>
Core Bonds	12%	9%	7%
Global Bonds (Unhedged)	5%	2%	2%
Absolute Return Fixed Income	7%	7%	7%
<b>Total Fixed Income</b>	<b>24%</b>	<b>18%</b>	<b>16%</b>
Private Equity	5%	6%	7%
US Credit/Non-US Credit	0%	10%	10%
Real Estate	7%	8%	8%
Real Assets (Liquid)	0%	2%	4%
Hedge Fund - L/S	0%	0%	2%
Hedge Funds - Credit	0%	0%	2%
<b>Total Alternatives</b>	<b>12%</b>	<b>26%</b>	<b>33%</b>
Risk Parity	6%	4%	4%
MLPs	4%	4%	5%
<b>Total Liquid Alternatives</b>	<b>10%</b>	<b>8%</b>	<b>9%</b>
<b>Expected Return 5-7 Years</b>	<b>6.3%</b>	<b>6.8%</b>	<b>6.8%</b>
<b>Expected Return 30 Year</b>	<b>7.6%</b>	<b>7.9%</b>	<b>7.9%</b>
<b>Standard Dev of Asset Return</b>	<b>12.4%</b>	<b>13.0%</b>	<b>12.8%</b>
<b>Probability of 5-7 Yr over 7.75%</b>	<b>39.8%</b>	<b>43.3%</b>	<b>43.5%</b>
<b>Sortino Ratio MAR @ 0%</b>	<b>0.71</b>	<b>0.66</b>	<b>0.72</b>
<b>Sharpe Ratio</b>	<b>0.39</b>	<b>0.41</b>	<b>0.42</b>

## Proposed Changes

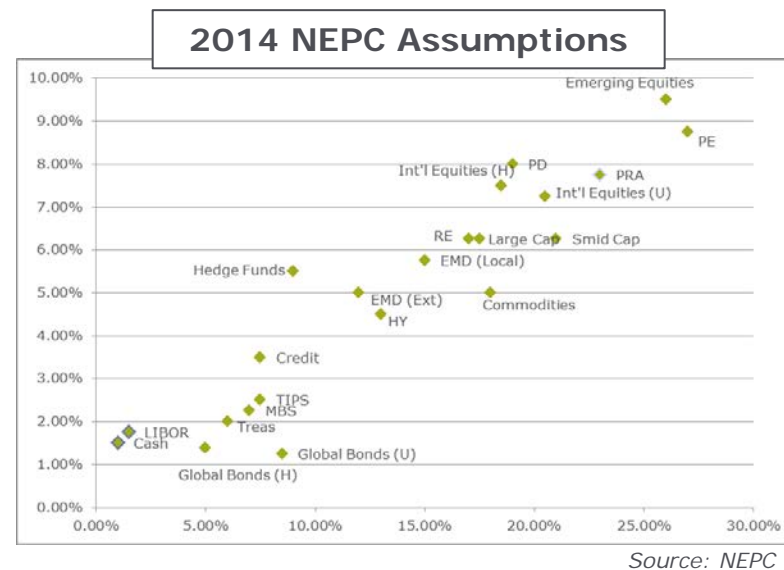
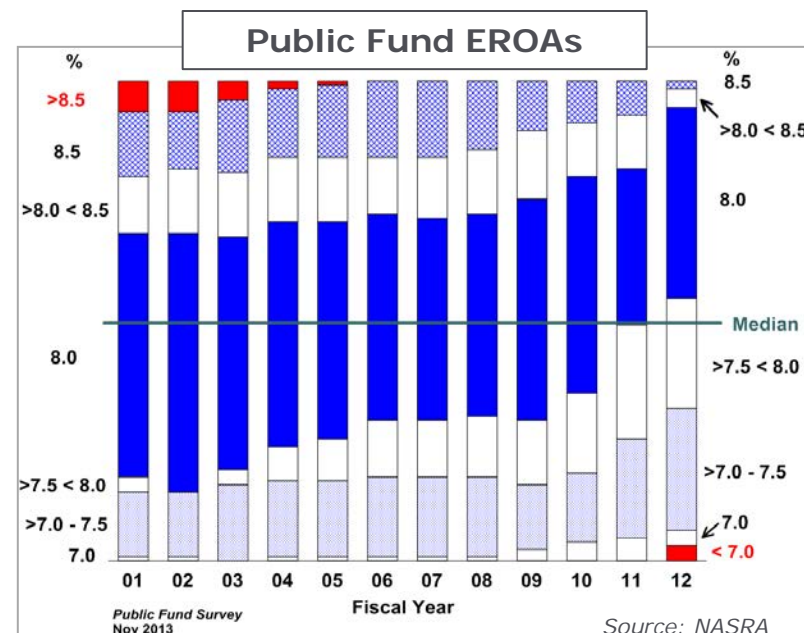




- **Mean-variance optimization, or efficient frontier modeling, provides a useful perspective on the risk and return of various mixes**
  - Note that arithmetic returns are used for modeling purposes and will be slightly higher than geometric returns
- **There are also shortcomings to this modeling approach**
  - Static assumptions of return, risk, and correlation
  - Use of volatility as a measure of risk and assumption of normally distributed returns
  - Constraints on asset classes are also used to achieve more reasonable asset mixes (See Appendix)
- **As a result, we attempt to be near, but not necessarily ON the efficient frontier**
  - Other models complement this approach and provide insight for the appropriate allocation

# Expected Return – Critically Important...and Powerful

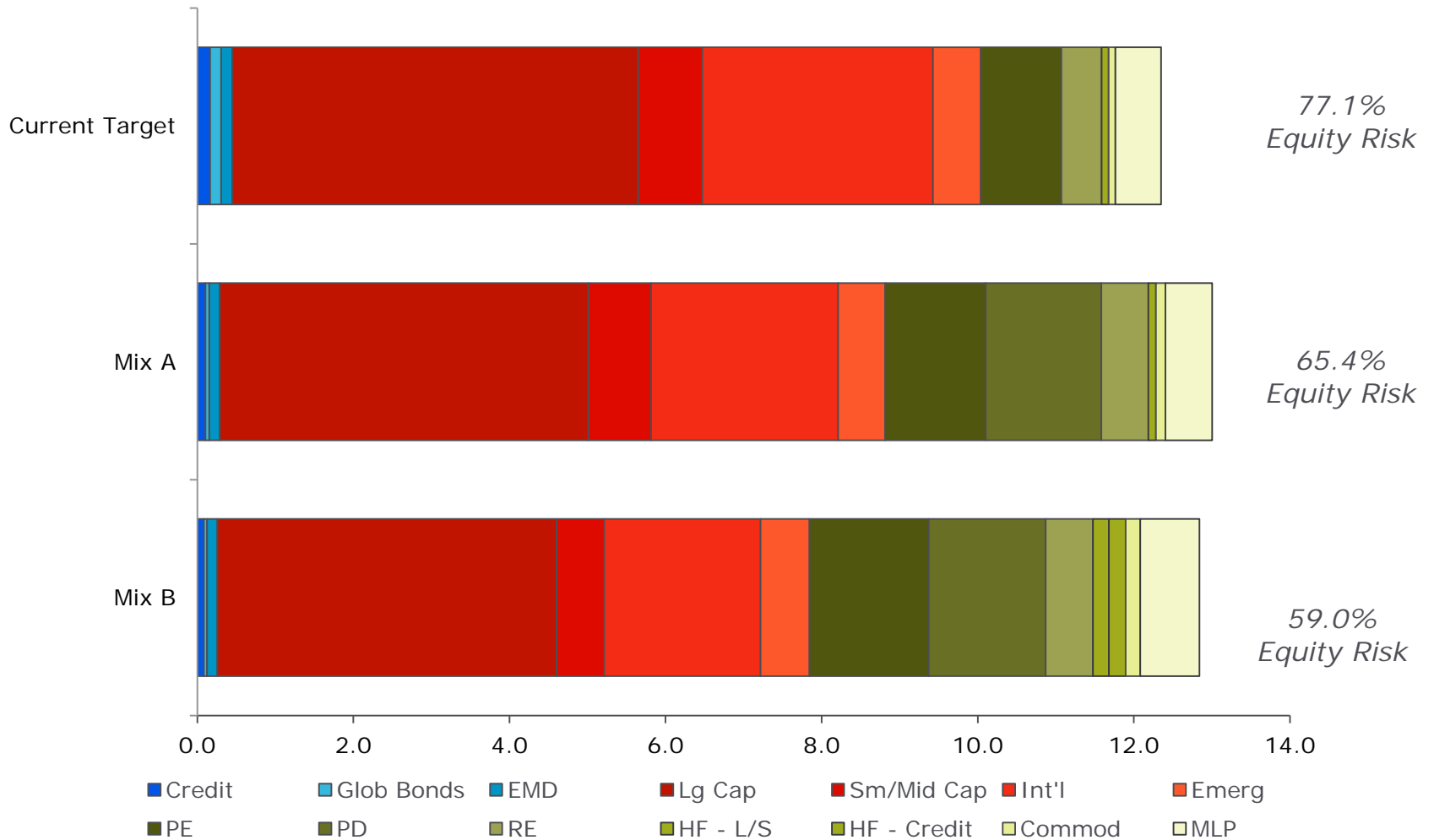
- **Expected return and liability discount rate are closely linked for public pension plans**
  - Corporate plans face more stringent regulations
    - Lower discount rates
    - Shorter amortization for unfunded liabilities
  - Going-concern of government entities has historically provided comfort in public plans taking longer term approach
- **Market environment has led to downward trend in EROAs for public pensions**
- **NEPC recognizes the importance of expected return setting and puts appropriate rigor and review into our assumption setting process**
  - Headline assumptions are 5-7 year projections
    - Reflects a full market cycle
    - Appropriate for annual AA analysis
  - 30-year assumptions are developed for pension plans and other clients focused on the long-term
    - Same methodology but longer time horizon
    - Results in moderately higher returns
- **Expected returns are forward-looking**
  - NOT historical backtesting
- **Forward-looking analysis is based on current market pricing and a building blocks approach**
  - Return = yield + price change (valuation, defaults)
  - Key economic observations (inflation, real growth)
  - Structural themes
- **Assumptions prepared by Asset Allocation Committee and reviewed and approved by Partners Research Committee**
  - Assumptions updated annually
  - Same assumptions used for all clients



# Risk Budgeting



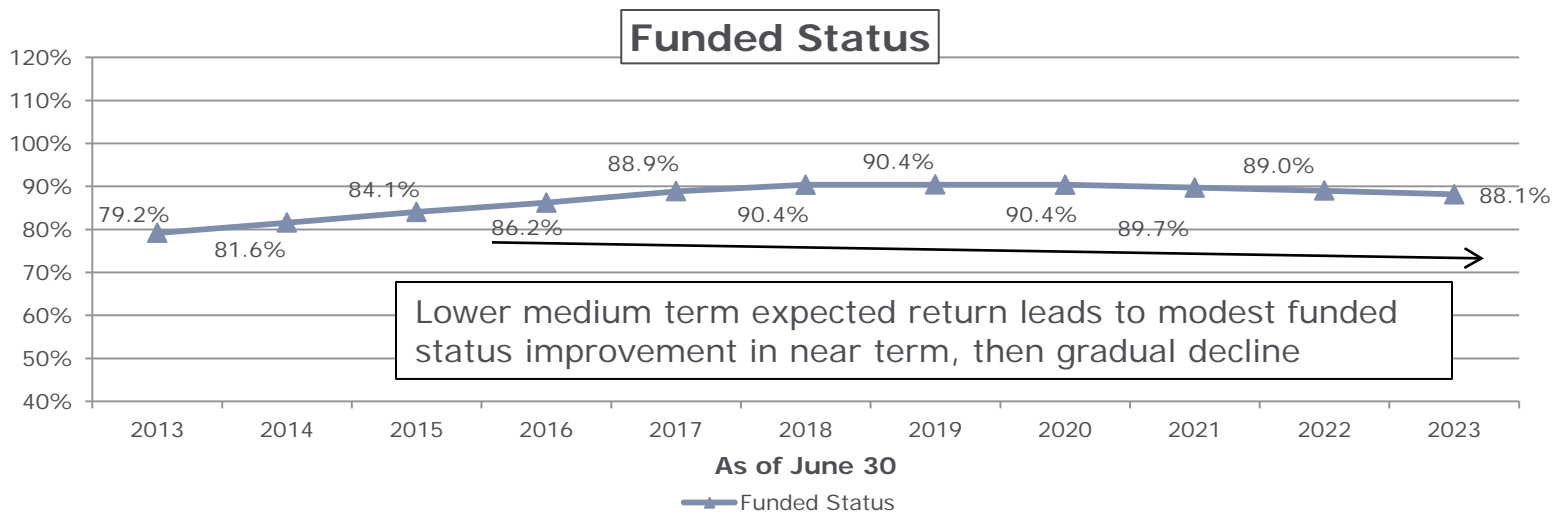
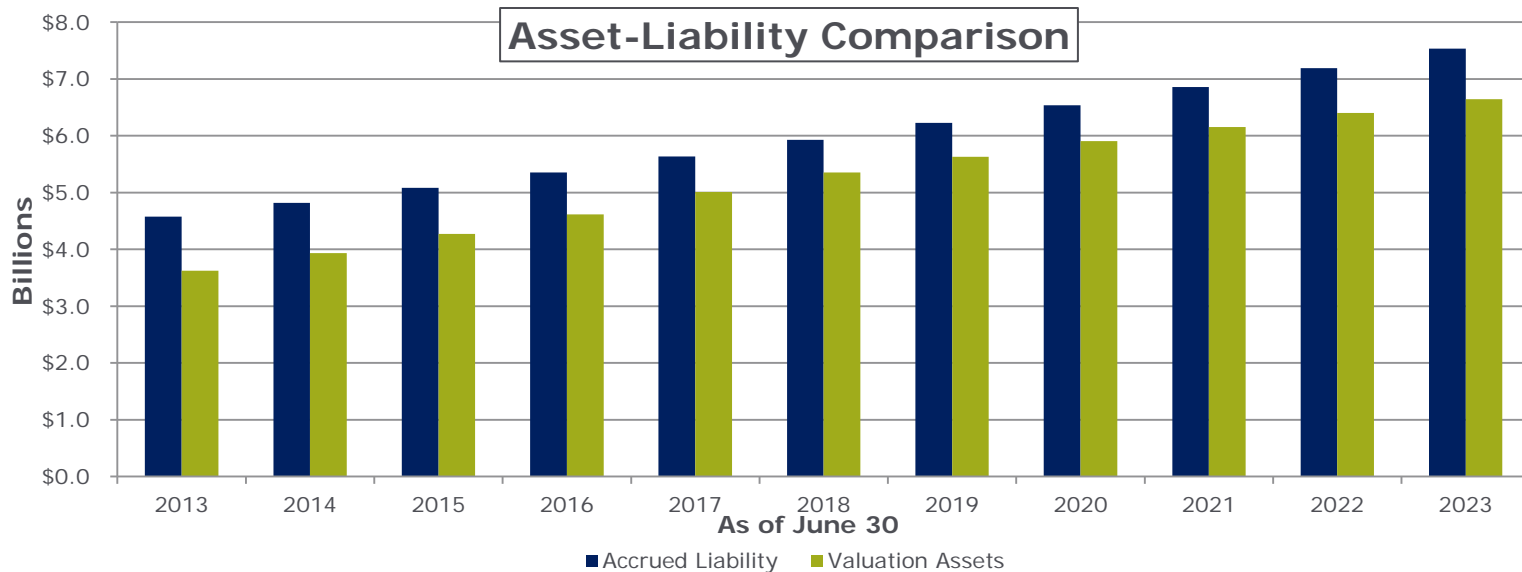
- **Risk budgeting considers the portfolio from a total risk perspective rather than total return**
- **A way to determine the contribution to overall portfolio risk by each asset class in the portfolio, based on**
  - Asset class volatility assumptions
  - Correlations between asset classes
- **Shows the benefit of diversification within a portfolio**
  - Risk exposures in relation to allocation size



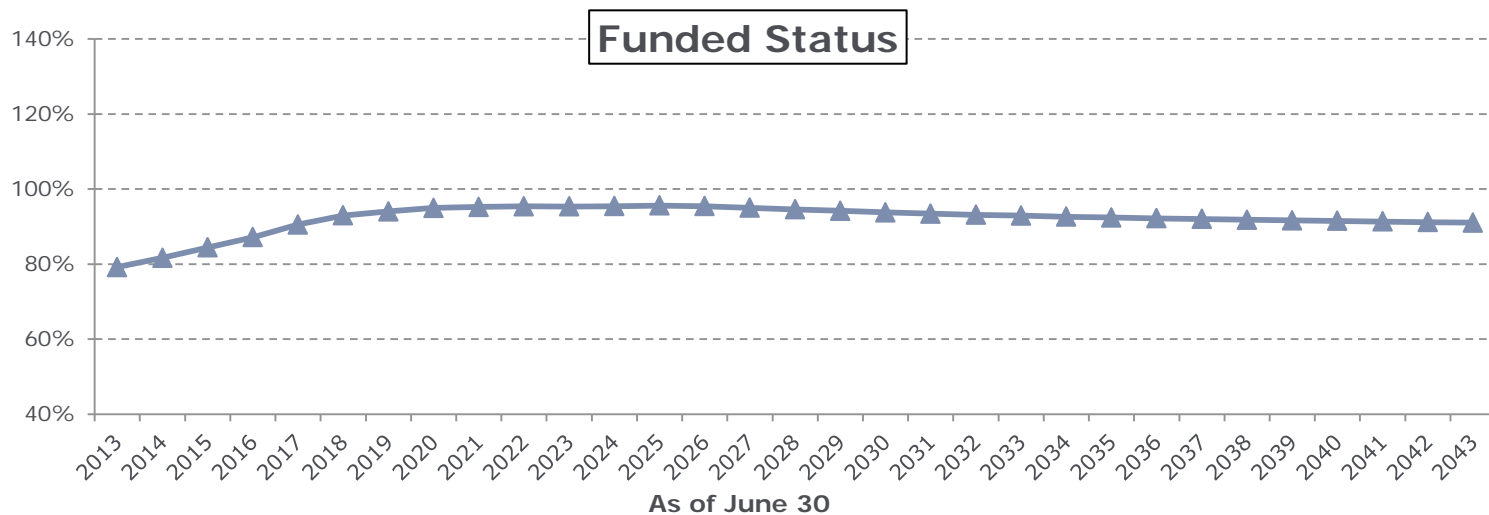
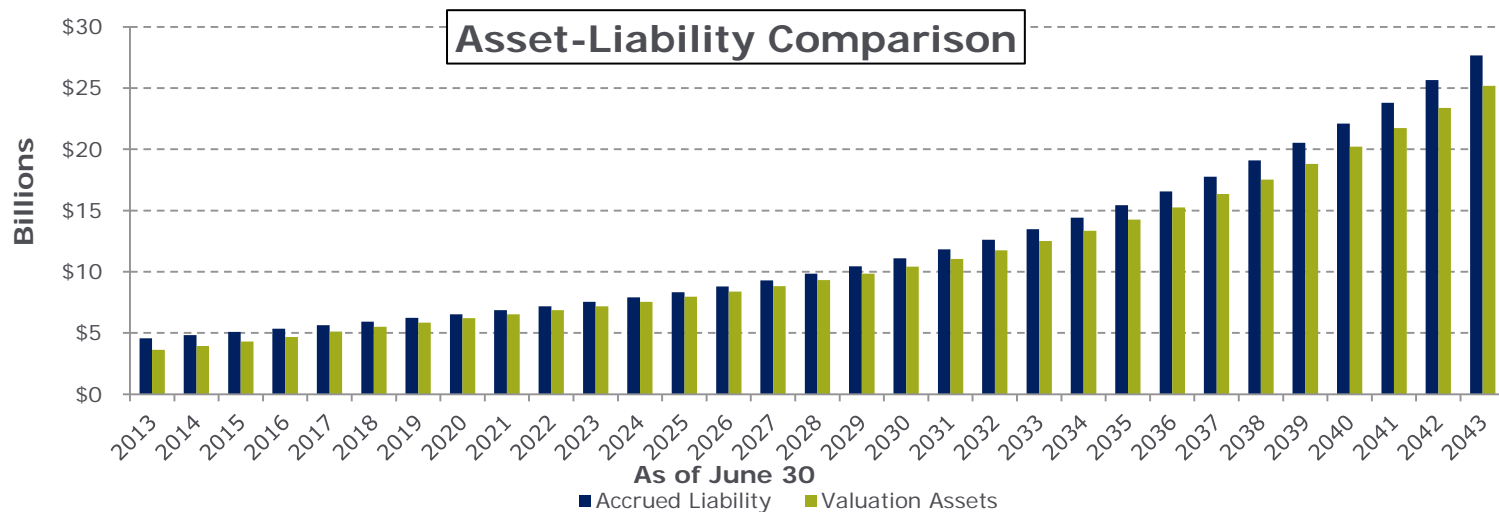
# Plan Forecasts

- **On the following pages we show deterministic projections of the Retirement System**
- **NEPC 2014 Base Case assumptions used for expected return**
  - Actual asset return used through December 31, 2013
  - 5-7 year NEPC assumptions used for 10 year projections
  - 30 year NEPC assumptions used for 30 year projections
- **The basis for liability calculations were the June 30, 2013 actuarial reports from Segal**
  - NEPC projected accrued liability, normal cost, and asset values according to System's benefit provisions and actuarial assumptions and methods
- **Expected contributions**
  - Employer contributions are assumed to be 100% of the statutory contribution
  - Employee contributions are assumed to remain level each year
    - 8.6% of total projected payroll
- **Population and benefit growth**
  - Active population is expected to remain constant (departures are filled with new entrants)
  - Active population accrues new benefits each year
  - Projected benefit payments provided by Segal
- **Other assumptions**
  - Discount rate is assumed to remain at 7.75% in all future years
  - Total payroll is assumed to increase at the annual rate of 4.0%
  - Normal Cost is expected to remain level as a percentage of payroll
  - No assumed benefit changes, and workforce remains at current levels

# 10 Year Projections – Funded Status (using 5-7 Year Expected Returns)

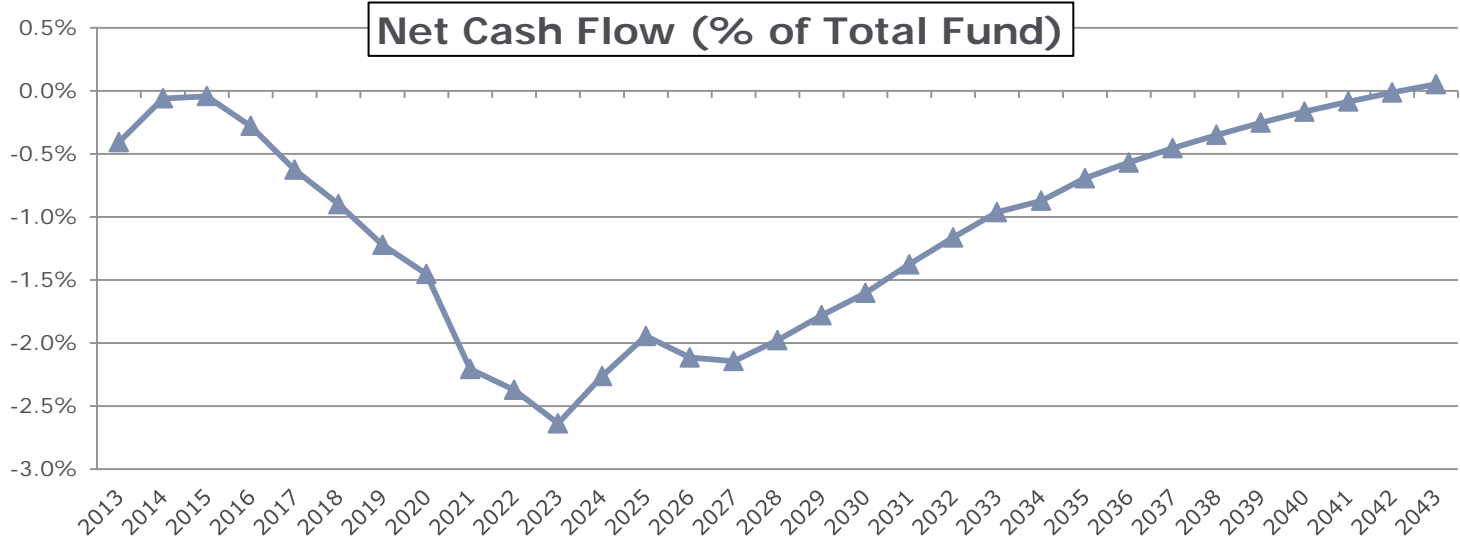
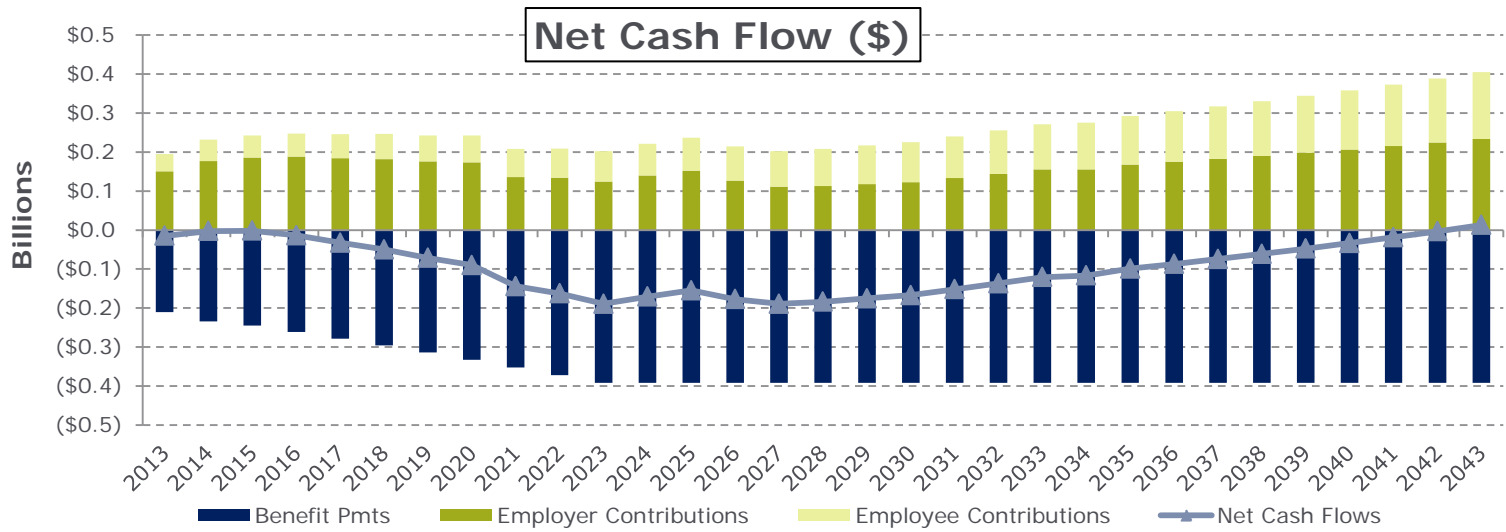


# 30 Year Projections – Funded Status (using 30-year Expected Returns)



Note: Liability and Asset values after 2013 were estimated by NEPC

# 30 Year Projections – Cash Flow

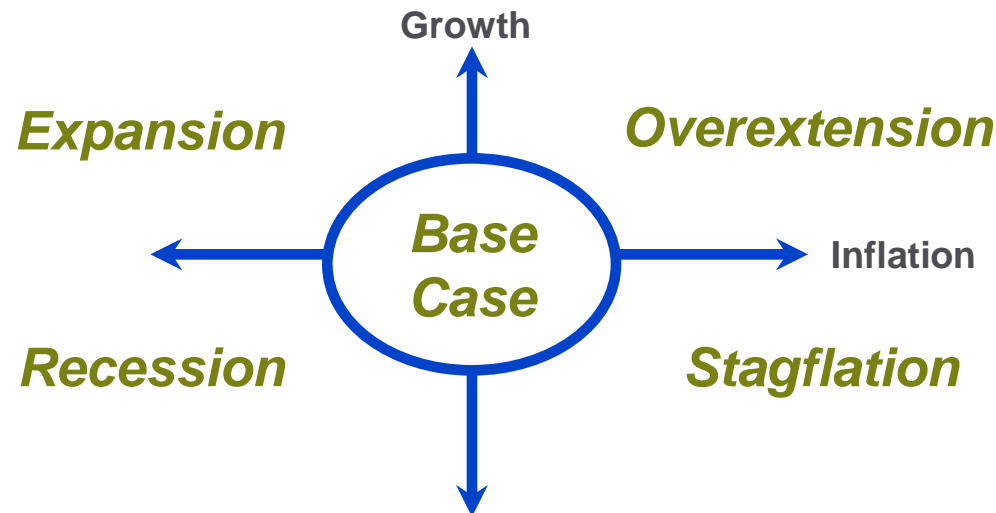


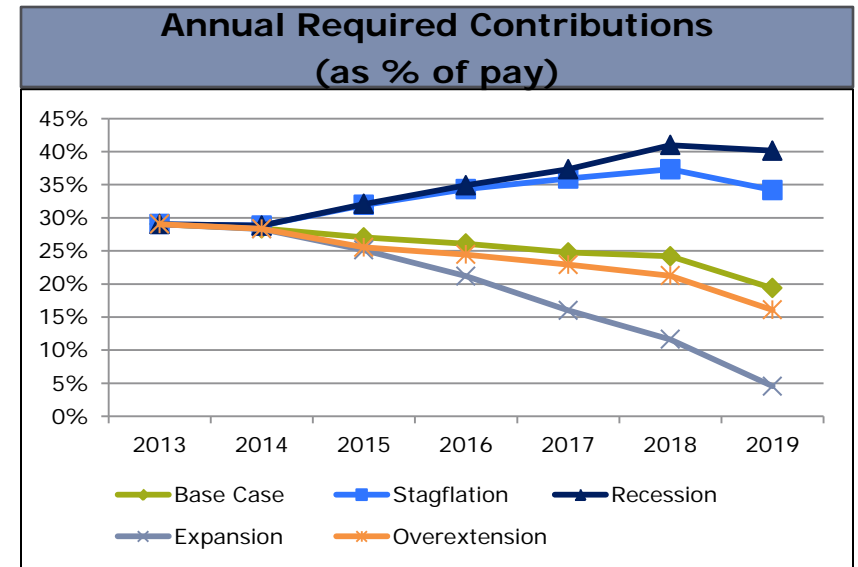
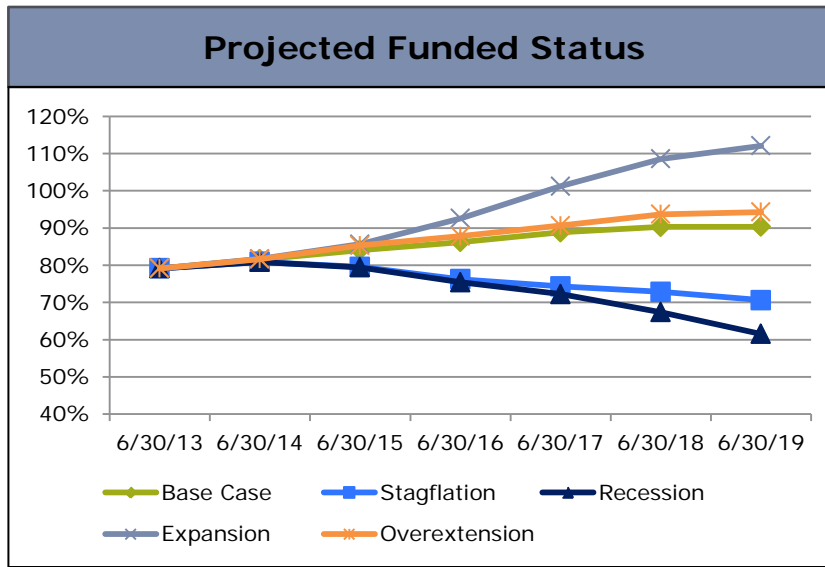
- **In current low return environment, the Fund will be challenged to meet expected return**
  - May face some deterioration in funded status
- **Over the long term, an 7.75% EROA is achievable under proposed allocations and should lead to funded status growth and stability over the long term**
  - Cash outflows mean investment returns must offset additional benefit accruals
    - Growth in benefit payments and growth in liabilities occurs due to benefit accruals and new entrants, constantly extending amortization to full funding
- **Targeting a more conservative expected return would lead to more significant funded status erosion**
  - Asset growth and protection remain priorities
- **Volatility must be managed as a significant asset drawdowns can cripple the ability of assets to keep up with liabilities**



# Scenario Analysis

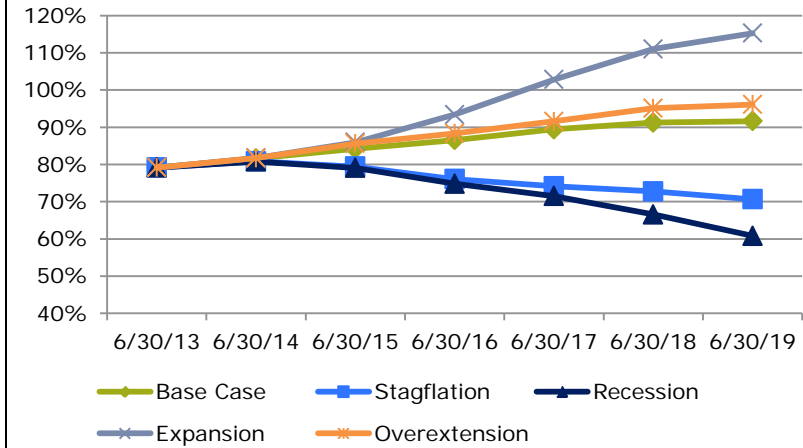
- **NEPC Scenario Analysis allows plan sponsors to understand their risk tolerance for an investment program under multiple economic scenarios**
  - Allows better understanding of risk exposures under contrasting inflation and economic growth regimes
  - Can understand the effect on both assets and liabilities (funded status)
- **Scenarios are based on high and low growth and inflation, as illustrated in the diagram below**



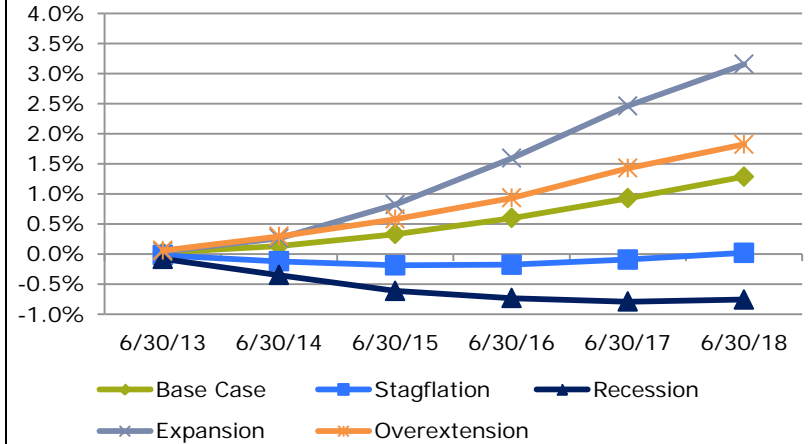


- **Under the Current allocation, funded status has a wide range of outcomes, from 61% to 112% by the end of fiscal 2019, depending on economic regime**
  - Expansion scenario shows improving funded status with strongest market returns
- **Employer required contributions are estimated to decrease under Base Case or strong economies, as funded status climbs**
  - In weaker economic environments, investment returns struggle to keep pace with growing liabilities, funded status declines, and contribution requirements increase
  - Outcomes range from 5% to 40% of payroll by fiscal ending 2019, to be paid in fiscal 2021
    - Contributions are shown in the year calculated, to be paid 2 years later

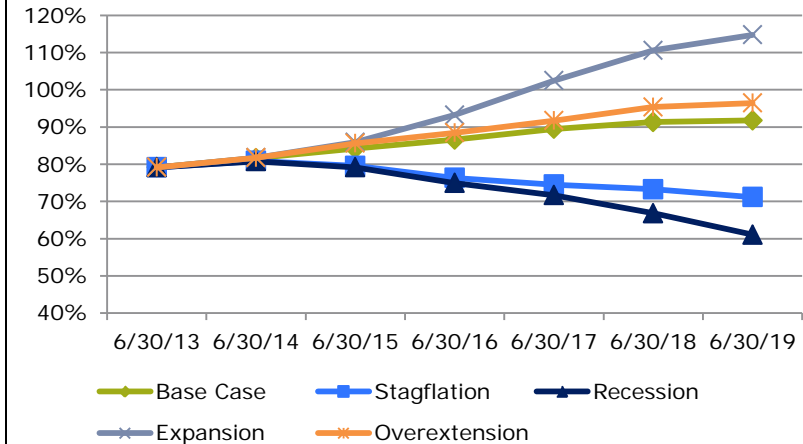
## Mix A



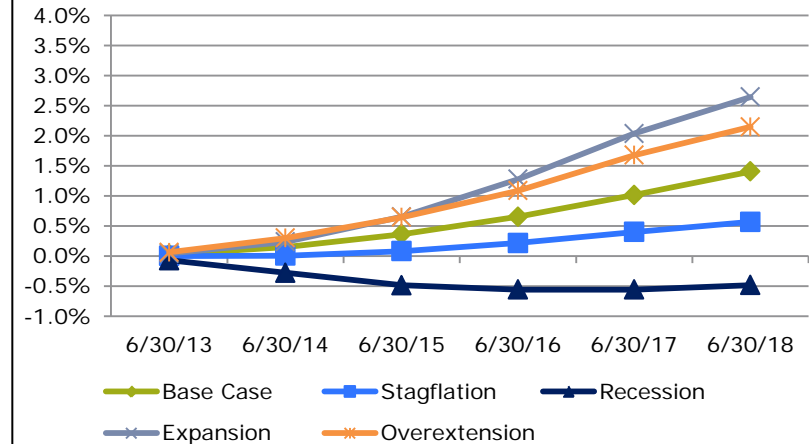
## Mix A: Change from Current Target



## Mix B

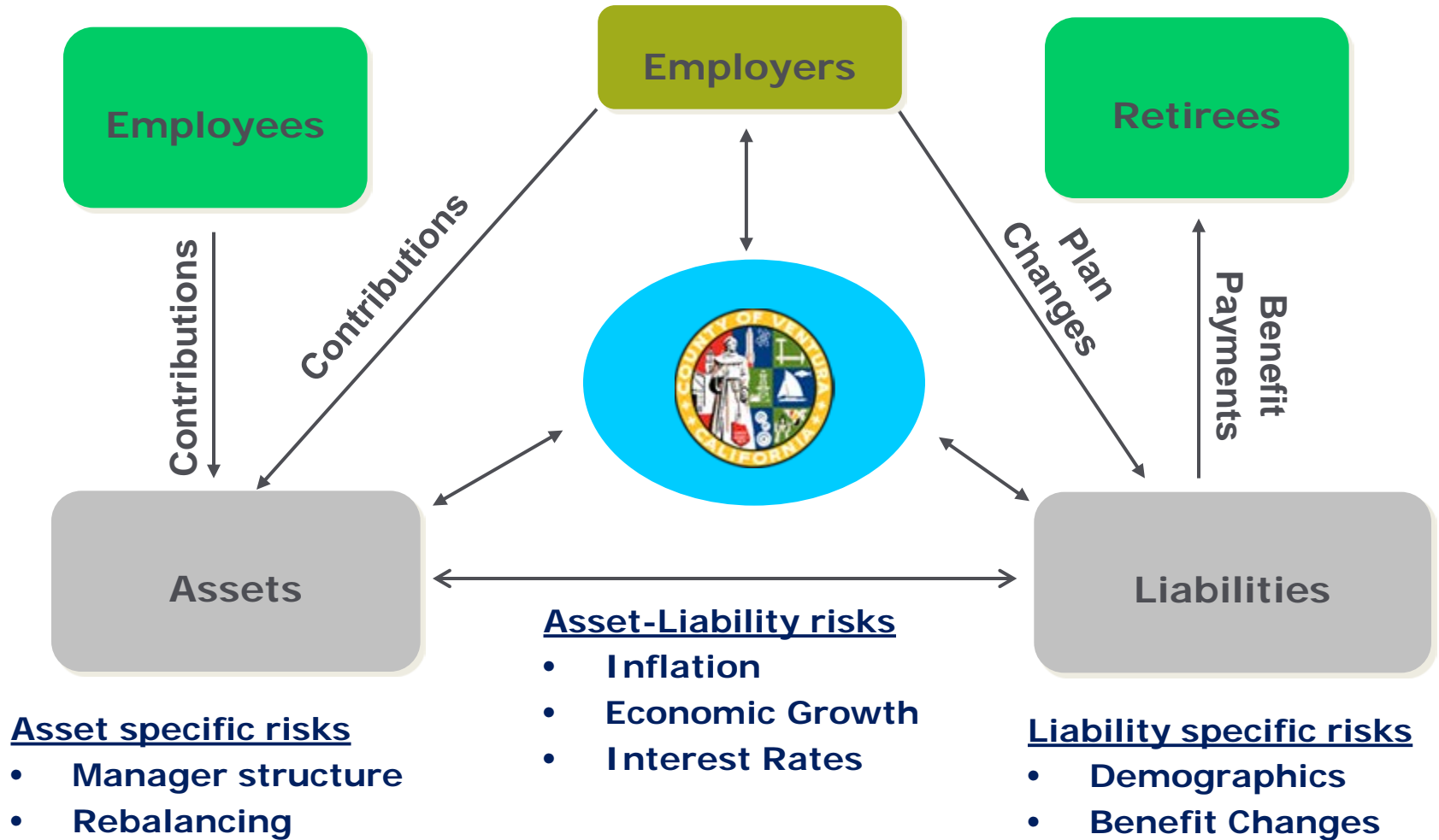


## Mix B: Change from Current Target



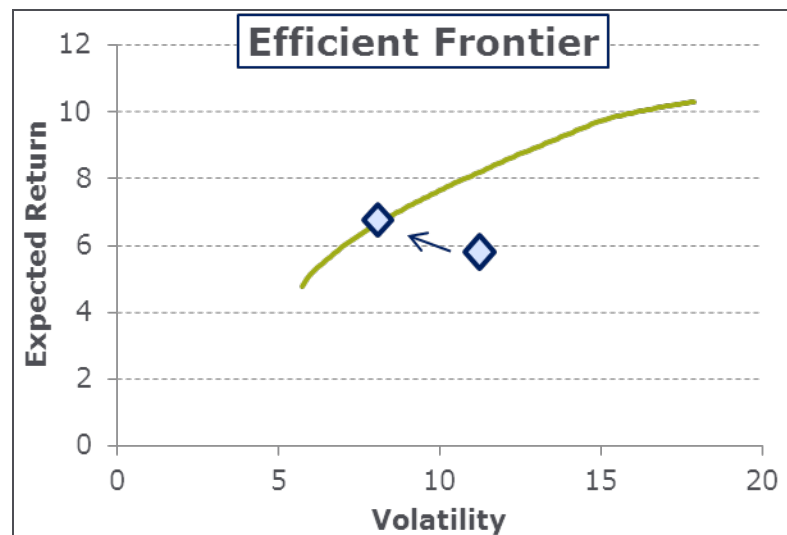
- **Despite the current low return market environment, both proposed allocations under our 30 year assumptions support the long-term expected return target of 7.75%**
  - Expected return for these allocations are 7.9%
- **The plans must continue to pursue a 7.75% asset return to maintain full funding while taking a risk balanced approach to mitigate volatility and exposure to capital losses**
  - Investment gains are required to offset net cash outflows
  - A significant asset drawdown can impair current funded status and challenge the stability of long-term funding
- **There are opportunities for modest enhancements to the System's asset allocation**
  - Lower Equities and Core Bonds
  - Increase exposure to alternatives and illiquid assets
    - Private Equity and Private Debt
    - Real Estate and Real Assets
    - Hedge Funds

# Appendix



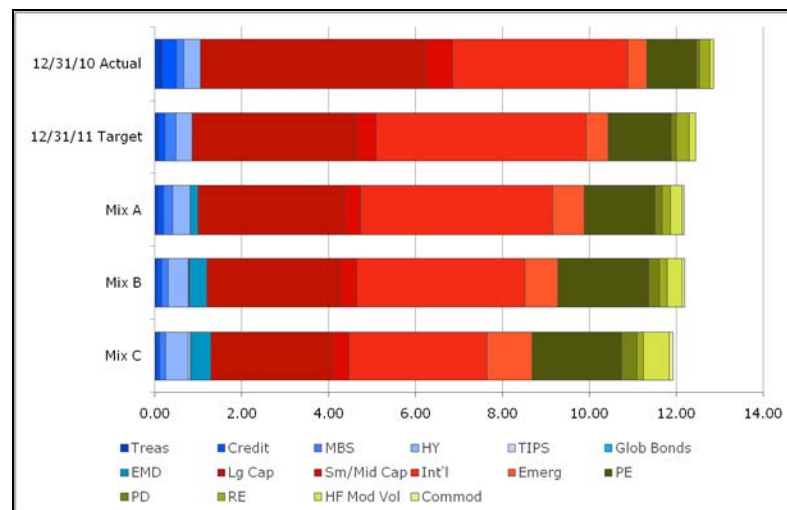
## • Mean-variance optimization

- Efficient frontier represents the series of portfolios with the highest possible expected return for each given level of volatility
- Model inputs are static
  - Expected return, volatility, correlation
  - Constraints
- A useful but limited tool for asset allocation
- Risk-return plots are useful snapshot comparisons of various alternative mixes



## • Risk Budgeting

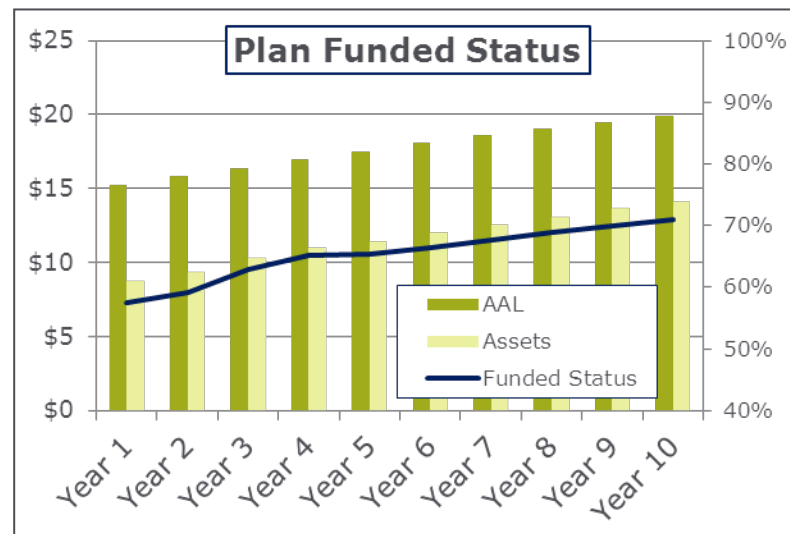
- Considers the portfolio from a total risk perspective rather than total return
- Determines the contribution to risk from each asset class based on:
  - Standard deviation (volatility)
  - Correlations
- Highlights benefits of diversification and risk balance
- Both total risk and distribution of risk across asset classes can be compared across mixes





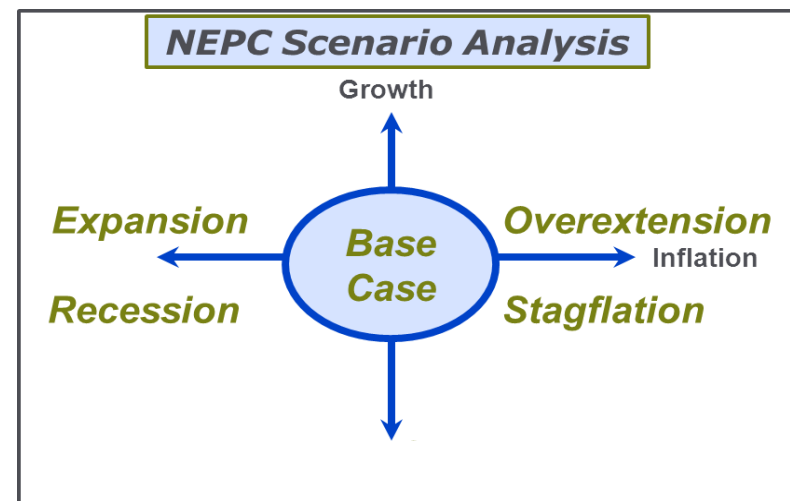
## • Deterministic Forecasting

- Provides baseline projections of assets and liabilities
- Assumes all economic and population assumptions are realized at expectations
  - Expected portfolio returns
  - Expected liability growth
  - Expected contributions
- Useful for planning but does not capture variability of outcomes or risk of not reaching objectives

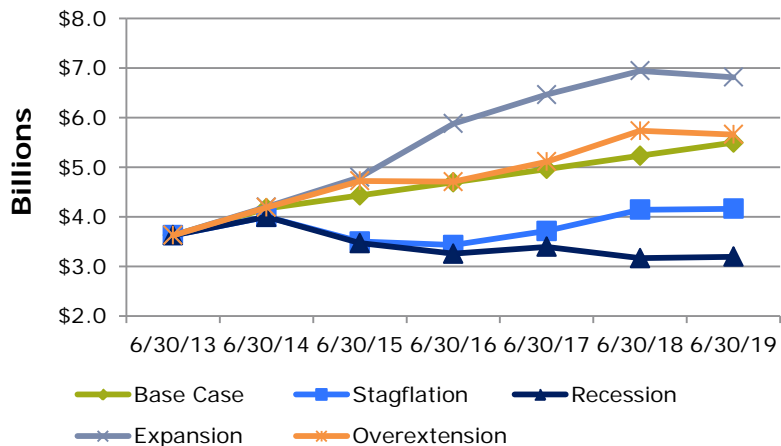


## • Scenario Analysis

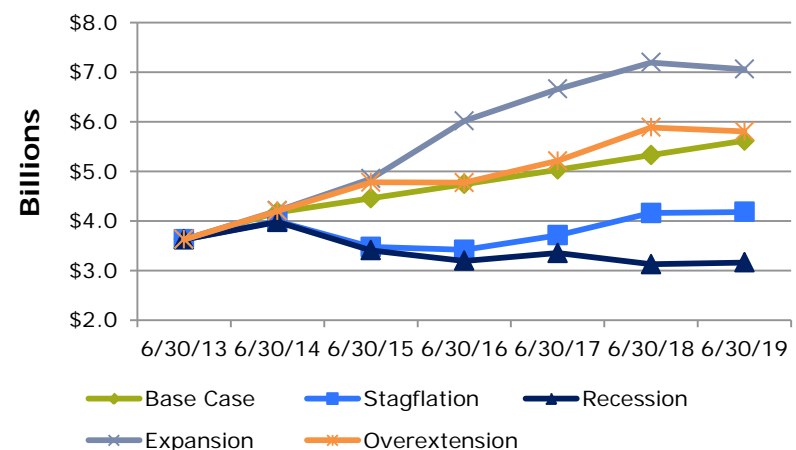
- Tests the viability of alternative asset mixes under multiple economic scenarios
- Allows better understanding of risk exposures under contrasting inflation and economic growth regimes
- Can understand the effect on both assets and liabilities
- Can reveals risk tolerance under various economic environments



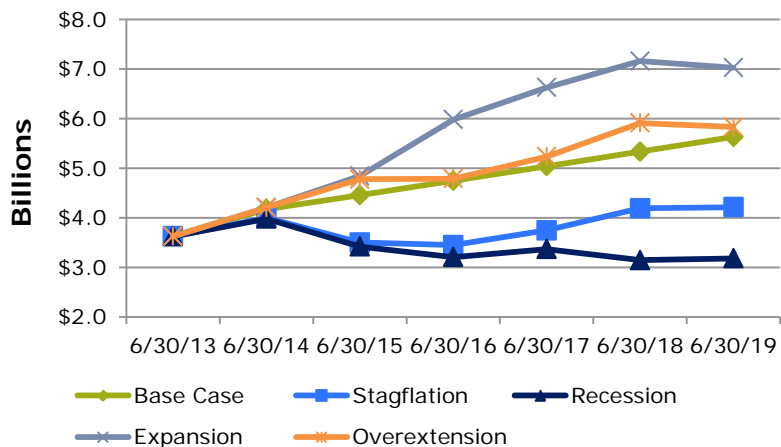
## Current Target



## Mix A



## Mix B



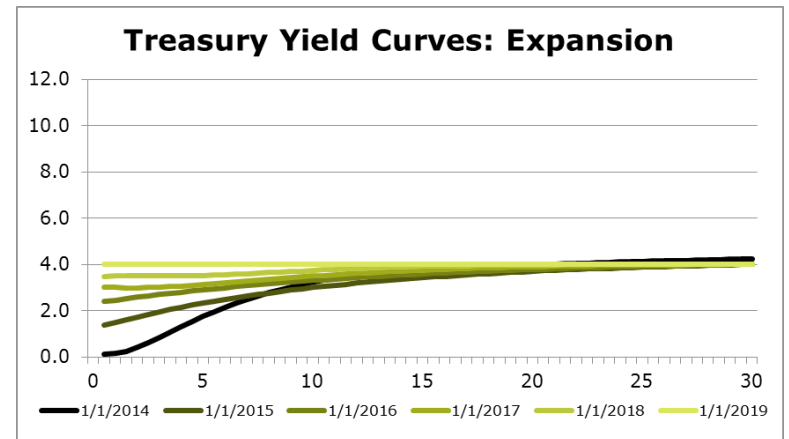
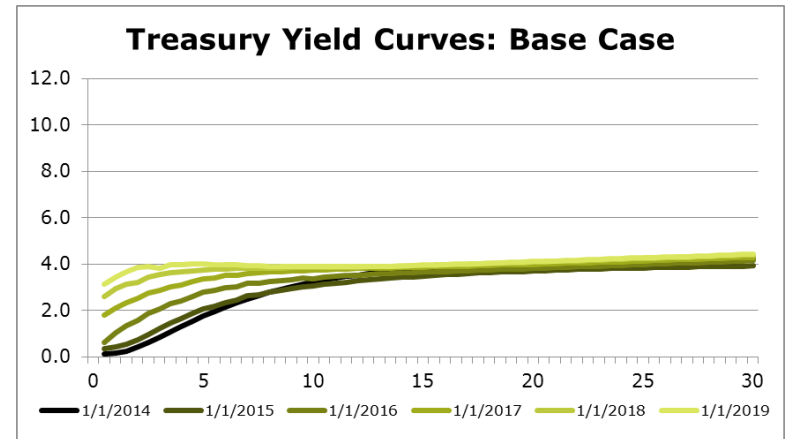
- The proposed allocations may help to protect against losses under weak economies due to greater diversification
- In stronger economies, the proposed allocations' returns are higher than those of the current allocation due to their increased expected returns

- **Base Case**

- No volatility
- Asset returns over 5-year period in line with NEPC 2014 5-7 Year Assumptions

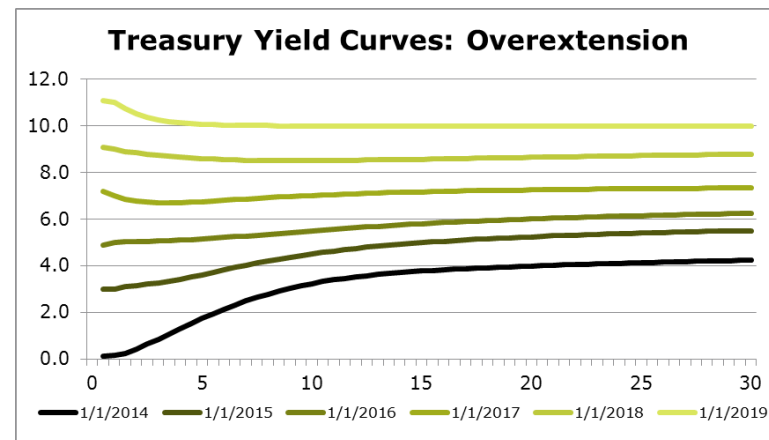
- **Expansion**

- Economy is growing by a strong, but seemingly sustainable level
- Bond yields are stable, inflation is manageable, equities and other high volatility asset classes perform quite well in this environment
- Historical example: 2004-2006
- *Large cap equities time-series: 10%, 17%, 28%, 12%, 10%*



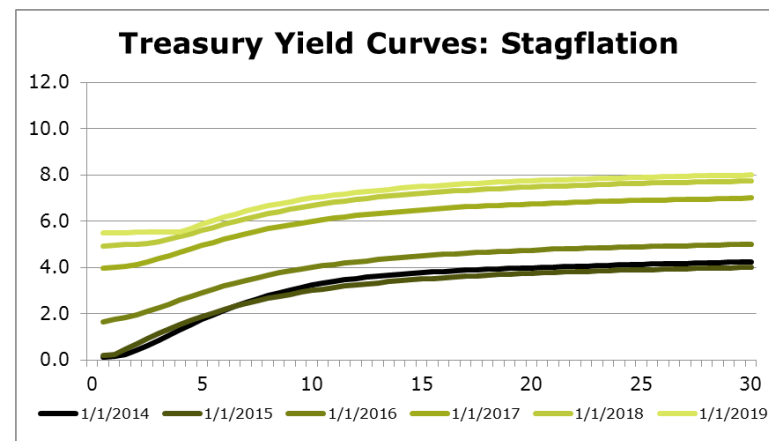
## • Overextension

- Economy is growing at a rapid pace, inflation increases significantly – booming times but at the cost of future growth
- Bond yields move higher as a result of inflation; high yield does well with confidence in the economy
- Equities, real estate, and commodities fuel rapid expansion
- Historical example: Vietnam War era (1967-1971)
- *Large cap equities time-series: 12%, 16%, 0%, 12%, 16%*



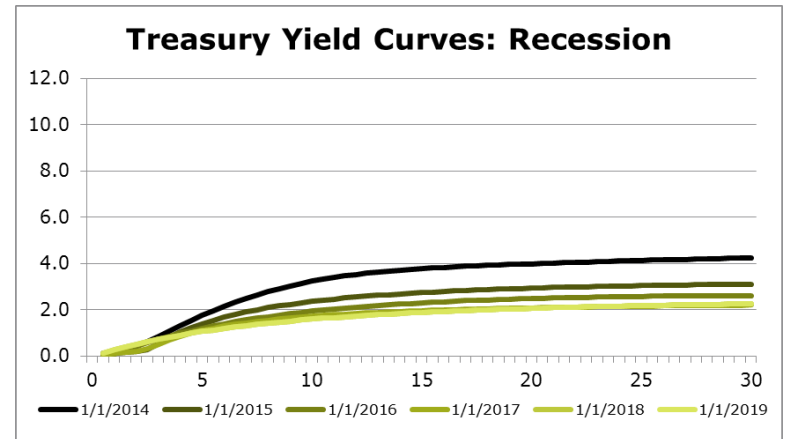
## • Stagflation

- Two problems – (1) the economy is not growing, (2) inflation has skyrocketed
  - Inflation is sticky – once it gets high, it stays high for several years
  - Fed has limited options to kick-start economy because easing only promotes further inflation
- Equities sag; bonds lose real value; real assets such as TIPS perform well on a relative basis because they are linked to inflation
- Historical example: flat stock market and double digit inflation of the mid-1970s
- *Large cap equities time-series: -8%, -15%, 0%, 9%, 12%*



- **Recession**

- Economy stalls – there is a flight to quality as investors lose confidence
  - Equity markets fall
  - Bond yields fall
- Interest-sensitive securities (bonds, especially long duration bonds) will perform well in this environment
- Historical example: early 1990s
- *Large cap equities time-series: -8%, -18%, -8%, 4%, -10%*



5-7 Year Returns			
Asset Class	2013	2014	Change
Cash	0.75%	1.50%	0.75%
Treasuries	1.00%	2.00%	1.00%
IG Corp Credit	3.00%	3.50%	0.50%
MBS	2.50%	2.25%	-0.25%
<i>Core Bonds*</i>	<i>2.04%</i>	<i>2.53%</i>	<i>0.49%</i>
TIPS	1.50%	2.50%	1.00%
High-Yield Bonds	5.00%	4.50%	-0.50%
Bank Loans	5.00%	5.00%	
Global Bonds (Unhedged)	0.75%	1.25%	0.50%
Global Bonds (Hedged)	0.93%	1.38%	0.45%
EMD External	4.00%	5.00%	1.00%
EMD Local Currency	5.00%	5.75%	0.75%
Large Cap Equities	6.75%	6.25%	-0.50%
Small/Mid Cap Equities	7.00%	6.25%	-0.75%
Int'l Equities (Unhedged)	7.75%	7.25%	-0.50%
Int'l Equities (Hedged)	8.00%	7.50%	-0.50%
Emerging Int'l Equities	9.75%	9.50%	-0.25%
Private Equity	9.00%	8.75%	-0.25%
US Credit/Non-US Credit	8.50%	8.00%	-0.50%
Private Real Assets	8.00%	7.75%	-0.25%
Real Estate	6.00%	6.25%	0.25%
Commodities	5.00%	5.00%	
MLP's	n/a	7.00%	
Risk Parity	4.85%	5.85%	1.00%
Hedge Funds	n/a	5.50%	

30 Year Returns			
Asset Class	2013	2014	Change
Cash	3.00%	3.75%	0.75%
Treasuries	3.00%	4.00%	1.00%
Credit	4.25%	5.25%	1.00%
MBS	4.50%	4.25%	-0.25%
<i>Core Bonds*</i>	<i>3.84%</i>	<i>4.46%</i>	<i>0.62%</i>
TIPS	3.25%	4.50%	1.25%
High-Yield Bonds	5.25%	6.00%	0.75%
Bank Loans	5.50%	6.25%	0.75%
Global Bonds (Unhedged)	2.50%	3.00%	0.50%
Global Bonds (Hedged)	2.67%	3.13%	0.46%
EMD External	6.00%	7.00%	1.00%
EMD Local Currency	6.25%	7.25%	1.00%
Large Cap Equities	8.00%	7.75%	-0.25%
Small/Mid Cap Equities	8.25%	8.00%	-0.25%
Int'l Equities (Unhedged)	8.25%	8.25%	
Int'l Equities (Hedged)	8.50%	8.48%	-0.02%
Emerging Int'l Equities	9.50%	9.50%	
Private Equity	10.00%	9.75%	-0.25%
US Credit/Non-US Credit	8.00%	8.25%	0.25%
Private Real Assets	8.00%	7.75%	-0.25%
Real Estate	6.00%	6.50%	0.50%
Commodities	5.50%	6.00%	0.50%
MLP's	n/a	8.00%	
Risk Parity	4.85%	5.85%	1.00%
Hedge Funds	n/a	7.00%	

Return assumptions are geometric.

\* Core Bonds assumption based on market weighted blend of components of Aggregate Index (Treasuries, IG Corp Credit, and MBS).

<b>Volatility</b>			
<b>Asset Class</b>	<b>2013</b>	<b>2014</b>	<b>Change</b>
Cash	1.00%	1.00%	
Treasuries	6.00%	6.00%	
IG Corp Credit	7.50%	7.50%	
MBS	7.00%	7.00%	
<i>Core Bonds*</i>	<i>6.31%</i>	<i>6.32%</i>	<i>0.01%</i>
TIPS	7.50%	7.50%	
High-Yield Bonds	13.00%	13.00%	
Bank Loans	6.50%	8.00%	1.50%
Global Bonds (Unhedged)	9.00%	8.50%	-0.50%
Global Bonds (Hedged)	5.00%	5.00%	
EMD External	12.00%	12.00%	
EMD Local Currency	14.00%	15.00%	1.00%
Large Cap Equities	18.00%	17.50%	-0.50%
Small/Mid Cap Equities	21.00%	21.00%	
Int'l Equities (Unhedged)	21.00%	20.50%	-0.50%
Int'l Equities (Hedged)	19.00%	18.50%	-0.50%
Emerging Int'l Equities	26.00%	26.00%	
Private Equity	27.00%	27.00%	
Private Debt	19.00%	19.00%	
Private Real Assets	24.00%	23.00%	-1.00%
Real Estate (Core)	17.00%	17.00%	
Commodities	18.00%	18.00%	
MLP's	n/a	20.00%	
Risk Parity	11.49%	11.63%	0.14%
Hedge Funds	n/a	9.00%	

**Constraints Used For Modeling:**

- Large Cap Equities 15-25%**
- Small/Mid Cap Equities 3-10%**
- Int'l Equities (Unhedged) 18-28%**
- Emerging Int'l Equities 3-5%**
- Real Estate (Core) – 8% maximum**
- MLPs 0-8%**
- US/Non-US Credit 0-10%**
- Core Bonds 10-19%**
- Global Bonds – 2% minimum**
- Hedge Funds L/S – 5% Maximum**
- Hedge Funds Credit - 5% Maximum**
- Global Equity 3 – 10%**
- Real Assets (Liquid) - 5% Maximum**
- Risk Parity– 5% Maximum**
- Private Equity – 7% Maximum**

Volatility defined as standard deviation of investment returns.

\* Core Bonds assumption based on market weighted blend of components of Aggregate Index (Treasuries, IG Corp Credit, and MBS).

Correlations

Asset Class	Cash	LIBOR	Treasuries	IG Corp Credit	MBS	TIPS	High-Yield Bonds	Global Bonds (Unhedged)	Global Bonds (Hedged)	EMD (External)	EMD (Local Currency)	Large Cap Equities	Small/Mid Cap Equities	Int'l Equities (Unhedged)	Int'l Equities (Hedged)	Emerging Int'l Equities	Private Equity	US Credit/Non-US Credit	Private Real Assets	Real Estate	Commodities	Hedge Funds	Long Treasuries	Long Credit	40 Year LDI Product	20 Year LDI Product	Short Treasuries (1-3 yr)	Short Credit (1-3 yr)	Short HY (1-3 yr)	Global TIPS	Municipal Bonds	Bank Loans	US 10 yr Treasuries	Global 10 yr Sovereigns	Hedge Funds - Long/Short	Hedge Funds - Credit	Hedge Funds - Macro	MLPs					
Cash	1																																										
LIBOR	0.85	1																																									
Treasuries	0.2	0.15	1																																								
IG Corp Credit	0.1	0.1	0.75	1																																							
MBS	0.25	0.2	0.9	0.8	1																																						
TIPS	0	0	0.75	0.6	0.7	1																																					
High-Yield Bonds	-0.05	0	0.3	0.55	0.3	0.2	1																																				
Global Bonds (Unhedged)	0.1	0.05	0.5	0.5	0.45	0.4	0.1	1																																			
Global Bonds (Hedged)	0.1	0.05	0.8	0.65	0.7	0.65	0.2	0.6	1																																		
EMD (External)	0.05	0	0.4	0.65	0.35	0.3	0.65	0.25	0.35	1																																	
EMD (Local Currency)	0.05	0	0.3	0.6	0.25	0.25	0.6	0.3	0.25	0.8	1																																
Large Cap Equities	0.05	0.1	0.05	0.55	0.15	0	0.7	0.1	0.05	0.6	0.65	1																															
Small/Mid Cap Equities	-0.05	0	-0.05	0.35	0.05	-0.1	0.7	0	-0.05	0.55	0.6	0.9	1																														
Int'l Equities (Unhedged)	-0.1	-0.1	0	0.3	0.05	-0.05	0.5	0.4	0.25	0.6	0.65	0.7	0.6	1																													
Int'l Equities (Hedged)	-0.1	-0.1	0	0.3	0.05	-0.05	0.5	0.3	0.4	0.6	0.65	0.75	0.65	0.9	1																												
Emerging Int'l Equities	-0.1	-0.05	-0.1	0.25	-0.1	-0.1	0.55	0.05	0.05	0.75	0.8	0.6	0.65	0.7	0.7	1																											
Private Equity	-0.1	-0.1	-0.05	0.2	0	-0.1	0.6	-0.1	-0.1	0.35	0.4	0.7	0.8	0.6	0.65	0.45	1																										
US Credit/Non-US Credit	0	0.05	-0.25	0.15	-0.15	-0.1	0.65	-0.1	-0.1	0.55	0.6	0.65	0.75	0.6	0.6	0.65	0.65	1																									
Private Real Assets	0.15	0.05	-0.2	0.05	-0.15	0	0.4	-0.05	-0.05	0.4	0.4	0.55	0.6	0.5	0.5	0.5	0.65	0.6	1																								
Real Estate	0.25	0.15	-0.05	0.05	-0.05	0	0.1	0	-0.05	0.1	0.1	0.35	0.25	0.3	0.3	0.15	0.35	0.25	0.4	1																							
Commodities	0.1	0.05	-0.1	0.1	-0.1	0.3	0.2	0.1	0.1	0.35	0.45	0.3	0.3	0.35	0.35	0.4	0.25	0.3	0.45	0.3	1																						
Hedge Funds	0	0	-0.2	0.35	-0.15	0.2	0.6	0.05	-0.3	0.55	0.6	0.6	0.65	0.7	0.65	0.7	0.75	0.8	0.65	0.25	0.5	1																					
Long Treasuries	0.1	0.1	0.9	0.8	0.75	0.65	0.2	0.5	0.85	0.15	0.15	-0.1	-0.2	-0.15	-0.15	-0.2	-0.2	-0.4	-0.25	-0.05	-0.05	-0.25	1																				
Long Credit	0.05	0.05	0.65	0.9	0.65	0.65	0.5	0.5	0.55	0.55	0.6	0.35	0.3	0.25	0.25	0.2	0.15	0.15	0.05	0	0.05	0.25	0.8	1																			
40 Year LDI Product	0	0	0.8	0.55	0.65	0.55	0.25	0.5	0.7	0.2	0.25	0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	0	-0.3	0.9	0.9	1																		
20 Year LDI Product	0	0	0.8	0.55	0.65	0.6	0.25	0.5	0.7	0.2	0.25	0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	0	-0.25	0.9	0.9	1	1																	
Short Treasuries (1-3 yr)	0.3	0.3	0.8	0.7	0.75	0.45	0.2	0.55	0.85	0.2	0.1	0	-0.15	-0.1	-0.1	-0.2	-0.05	-0.15	-0.2	0	-0.1	-0.1	0.6	0.45	0.6	0.6	1																
Short Credit (1-3 yr)	0.1	0.1	0.7	0.85	0.65	0.65	0.55	0.45	0.65	0.5	0.55	0.35	0.25	0.35	0.35	0.3	0.3	0.2	0.1	-0.05	0.2	0.4	0.5	0.7	0.5	0.55	0.6	1															
Short HY (1-3 yr)	0	0	0	0.3	0.3	0.25	0.6	0.15	0.15	0.55	0.6	0.4	0.45	0.4	0.4	0.55	0.4	0.55	0.35	0.05	0.2	0.45	-0.15	0.3	0.05	0.1	-0.05	0.4	1														
Global TIPS	0	0	0.55	0.6	0.5	0.85	0.35	0.55	0.8	0.35	0.3	0	-0.1	0	0	-0.1	-0.1	-0.1	0	0.1	0.45	0.45	0.6	0.7	0.4	0.45	0.4	0.6	0.3	1													
Municipal Bonds	0.05	0.1	0.8	0.65	0.5	0.5	0.4	0.45	0.75	0.35	0.35	0.25	0.2	0.15	0.15	0.1	0	0.05	0	-0.05	-0.05	0.15	0.6	0.6	0.55	0.55	0.3	0.6	0.2	0.55	1												
Bank Loans	0	0.05	-0.35	0.1	-0.2	-0.05	0.65	-0.1	-0.2	0.25	0.25	0.45	0.55	0.5	0.5	0.5	0.55	0.7	0.5	0.2	0.4	0.6	-0.3	0.2	-0.2	-0.2	-0.4	0.3	0.6	-0.05	0.2	1											
US 10 yr Treasuries	0.2	0.15	0.95	0.65	0.9	0.75	0.3	0.55	0.9	0.4	0.3	0.05	-0.05	-0.1	-0.1	-0.2	-0.1	-0.35	-0.2	-0.05	-0.1	-0.2	0.9	0.65	0.8	0.8	0.8	0.7	0	0.55	0.75	-0.35	1										
Global 10 yr Sovereigns	0.1	0.05	0.55	0.5	0.45	0.4	0.2	0.95	0.6	0.3	0.3	0	-0.1	0.3	0.2	-0.05	-0.1	-0.1	-0.1	-0.05	0.1	0.05	0.5	0.5	0.5	0.5	0.55	0.45	0.15	0.55	0.7	-0.1	0.55	1									
Hedge Funds - Long/Short	0	0	-0.3	0.35	-0.1	0.15	0.6	0.15	-0.3	0.6	0.7	0.75	0.8	0.8	0.75	0.8	0.8	0.8	0.65	0.2	0.55	0.8	-0.25	0.25	-0.3	-0.25	-0.3	0.35	0.45	0.45	0.1	0.5	-0.3	0.15	1								
Hedge Funds - Credit	0	0	-0.1	0.4	0	0.25	0.65	0	-0.25	0.55	0.55	0.55	0.55	0.6	0.6	0.6	0.7	0.75	0.6	0.15	0.4	0.8	-0.2	0.3	-0.35	-0.25	-0.3	0.35	0.5	0.45	0.15	0.65	-0.1	0	0.7	1							
Hedge Funds - Macro	0	0	0.15	0.45	0.25	0.45	0.35	0.3	0.15	0.45	0.45	0.25	0.25	0.3	0.25	0.4	0.4	0.4	0.15	0.45	0.6	0.15	0.4	0.05	0.15	0.15	0.5	0.25	0.5	0.25	0.25	0.25	0.15	0.3	0.5	0.5	1						
MLPs	-0.1	-0.05	0	0.25	0.05	0.1	0.6	0	0	0.4	0.45	0.7	0.8	0.5	0.5	0.45	0.6	0.6	0.8	0.35	0.45	0.55	-0.35	0.15	-0.35	-0.3	-0.25	0.4	0.55	0.2	0.25	0.5	-0.35	-0.05	0.5	0.5	0.25	1					



- **NEPC, LLC is an investment consulting firm. We provide asset-liability studies for certain clients but we do not provide actuarial services. Any projections of funded status or contributions contained in this report should not be used for budgeting purposes. We recommend contacting the plan's actuary to obtain budgeting estimates.**
- **The goal of this report is to provide a basis for substantiating asset allocation recommendations.**
- **The projection of liabilities in this report uses standard actuarial projection methods and does not rely on actual participant data. Asset and liability information was received from the plan's actuary, and other projection assumptions are stated in the report.**
- **Assets are projected using a methodology chosen by the client. Gains and losses are estimated through investment returns generated by applying NEPC's asset class assumptions and scenario assumptions for the current year.**
- **This report is based on forward-looking assumptions, which are subject to change.**
- **This report may contain confidential or proprietary information and may not be copied or redistributed.**

## VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200  
Ventura, CA 93003-6572  
(805) 339-4250 • Fax: (805) 339-4269  
<http://www.ventura.org/vcera>

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April 21, 2014

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

**SUBJECT: REINSTATEMENT TO ACTIVE MEMBERSHIP; CARLOTTA BARNES**

Dear Board Members,

Staff recommends that VCERA retired member Ms. Carlotta Barnes be reinstated to active membership pursuant to Government Code Sections 31680.4 & 31680.5. Ms. Barnes has filed, pursuant to section 31680.4 her application for reinstatement, a medical determination that she is not incapacitated for the duties assigned, and a letter indicating her offer of full-time employment.

I would be pleased to answer any questions you may have on this item at the business meeting of April 21, 2014.

Sincerely,



Tim Thonis

April 8, 2014

Ventura County Board of Retirement  
1190 S. Victoria Avenue, Suite 200  
Ventura, CA 93003

To The Board of Retirement:

My name is Carlotta Barnes and I retired from the Ventura County Health Care Agency on October 10, 2008. I am petitioning your Board so that I may be reinstated to active employment, as required by code section 31680.4 of the California Employees Retirement Law of 1937. Enclosed is a notification from my physician indicating that I am not incapacitated from performing the duties of this position, along with the written offer of employment from my prospective employer.

I understand that if my reinstatement is approved by the Board of Retirement my retirement benefit will cease on the day prior to my hire date. I further understand that my hire date will be effective the first day of the pay period following Board approval of my reinstatement.

Thank you for your consideration of my reinstatement.

Sincerely,

A handwritten signature in cursive script that reads "Carlotta Barnes".

Carlotta Barnes

*"Setting the standard in health care excellence"*

**Joan R. Araujo**  
Deputy Director  
VCMC Ambulatory Care Administrator  
Compliance Officer

**Cyndle R. Cole, RN**  
Deputy Director  
VCMC/SPH Hospital Administrator

**Sheila Murphy**  
Public Information Officer

**Dee Pupa**  
Health Care Plan Administrator

**Narcisa Reyes-Egan**  
Interim Chief Financial Officer

**Meloney Roy**  
Behavioral Health Director

**Jon J. Smith, MD**  
Medical Examiner/Coroner

**Terry Theobald**  
Information Technology Director

**Rigoberto Vargas**  
Public Health Director

April 9, 2014

Carlotta Barnes  
3579 Delia St.  
Simi Valley, CA 93063


Dear Carlotta,

We are pleased to offer you employment with the Ventura County Health Care Agency for the position of Manager-Medical Records.

You have been offered a full-time benefitted position with a salary of \$3,542.473600 per bi-weekly pay period. Your start date will be determined once the Ventura County Retirement Board makes a determination regarding you returning to a full-time regular position with Ventura County.

If you have additional questions please feel free to contact me.

Sincerely,

  
Michelle J. Reynolds, MBA, PHR  
HCA Human Resources Manager  
Ventura County Health Care Agency  
805-677-5167



Sierra Vista  
Family Medical Clinic

Associated with VCMC & UCLA School of Medicine

1227 E. Los Angeles Ave.  
Simi Valley, CA 93065  
Phone: (805) 582-4000  
Fax: (805) 520-3246

20A11435

Adebambo O. Ojuri, M.D.  
Jieshi Yan, M.D.  
Nissar Shah, M.D.

Won C. Choe, M.D.  
Rifat Muzaffer, M.D.  
Lyudmyla Gareys, M.D.

Sarah Palm, PA-C  
Elizabeth Eldakar, PA-C  
Amanda Mathews, M.D.

Hand Write Patient Name Carlotta Barnes 115/52 Date 4/8/14

Address \_\_\_\_\_

Rx

Spanish

seen in clinic for physical on 3/27/14.  
patient is not incapacitated for the duties  
assigned to her, based upon my medical  
examination.

Refill: \_\_\_\_\_ Signature  \_\_\_\_\_, M.D.

## VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200  
Ventura, CA 93003-6572  
(805) 339-4250 • Fax: (805) 339-4269  
<http://www.ventura.org/vcera>

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April 21, 2014

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

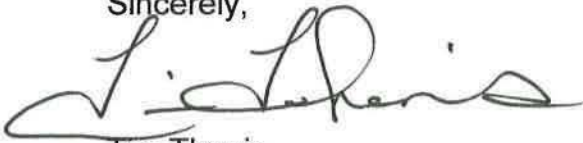
**SUBJECT: AUTHORIZATION FOR ATTENDANCE; NATIONAL  
ASSOCIATION OF PENSION PLAN ATTORNEYS (NAPPA) CONFERENCE,  
JUNE 25 – 27, 2014, NASHVILLE, TENNESSEE**

Dear Board Members:

Staff recommends authorization for Ms. Nemiroff to attend the National Association of Pension Plan Attorneys (NAPPA) conference June 25 – 27 in Nashville, Tennessee. The cost to attend is estimated to be \$2,250 including event registration, hotel, air fare and other travel related expenses.

I would be pleased to respond to any questions you may have on this matter at the April 21, 2014 disability meeting.

Sincerely,



Tim Thonis



National Association of  
**NAPPA**  
Public Pension Attorneys

## 2014 LEGAL EDUCATION CONFERENCE

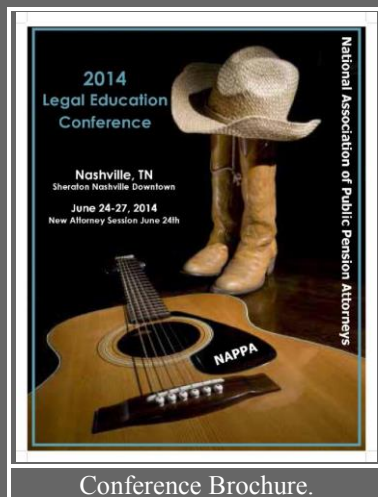


### CONFERENCE REGISTRATION NOW OPEN!

To begin the registration process, go to [www.nappa.org](http://www.nappa.org) and click on the Legal Education Conference icon on the right-hand side of the web page. The password to enter the registration site is trust2014. From there, you can:

- 1) Register for the Conference and
- 2) Book your hotel room

Visa, MasterCard, and checks are accepted. Look in your mail later this week for a printed copy of the brochure. Click on the link below to view the online version.



[Conference Brochure.](#)

### 2014 LEGAL EDUCATION CONFERENCE

SHERATON  
DOWNTOWN NASHVILLE  
623 Union Street  
Nashville, TN 37219  
Phone: (615) 259-2000



June 25 - June 27  
June 24 - New Attorney  
Session and Small & Medium  
Fund Affinity Group  
This program qualifies for  
Continuing Legal Education  
Credits.  
This is a closed meeting for  
NAPPA members only.



*NEW THIS YEAR - Administrators' Roundtable for members who have, or are considering transitioning from pension attorney to pension administrator. (Check brochure for date and time.)*



National Association of Public Pension Attorneys  
2410 Hyde Park Road, Jefferson City, MO 65109  
573-616-1895  
[www.nappa.org](http://www.nappa.org)



## PROJECT STATUS SUMMARY

<b>Actual Percentage Complete:</b> 54.49%
<b>Planned Percentage Complete:</b> 57.05%

Scope	Schedule	Cost	Risks	Quality
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### Schedule

The project schedule is currently 2.56% behind schedule. There are two primary factors causing the schedule impacts:

- VCERA staffing issues –VCERA has assigned the two additional project staff resources as expected, and the Board approved an additional Linea resource to assist with testing. Linea and VCERA management will continue to closely monitor resource levels to determine if additional staff are needed to reduce the risk of schedule impact.
- Third party vendor issues – The legacy imaging provider, Novanis, made significant progress in March, but the work was not completed by 3/31/14 as scheduled. Vitech is continuing to work with Novanis to complete the conversion activities as soon as possible. Additionally, a highly qualified resource from County IT was identified that can complete the Kofax imaging configuration activities instead of using a third party. The plan is to try to fit this work into existing design sessions, but if that cannot be accomplished this will require additional time and will extend the project.

### Risks

There are two project risks that are being closely monitored.

- Plan sponsor payroll transmittal – The plan sponsors are still working on solutions to providing the required payroll transmittal information. Auditor Controller has not committed to providing the completed contributions file by June. Any delay in providing the completed file by June 1<sup>st</sup> will impact the overall project schedule. *The project team will provide an update to the Board on this issue as soon as Auditor Controller commits to a delivery date, but no later than the May 19<sup>th</sup> Business Meeting.*
- VCERA staffing issues –VCERA’s two new project staff, Angie Tolentino and Doug Arnett, transitioned to their full-time roles on the project on March 31 as scheduled. The project team is working to get them fully acclimated to all project activities and systems as quickly as possible. The project team is also actively pursuing alternative resourcing options for project activities such as creating training materials.

## KEY ACCOMPLISHMENTS LAST MONTH

- Completed Segment F (includes Imaging, SCP, Termination, and Benefit Estimates and Service Retirements. (Please note that remaining third party imaging design elements will be completed in future segments.)
- Completed Cycle 8b data conversion extracts (includes data from all legacy systems).
- Wrote 53 test cases and executed 65 tests.

## **FOR IMMEDIATE RELEASE**

### **Adams Street Partners Venture Funds Achieve Three IPOs in Consecutive Days**

Chicago, IL – March 24, 2014 – Adams Street Partners, LLC (“ASP”), a global private equity firm, announced today that three of its portfolio companies launched IPOs in successive days last week. The three companies represent investments made by Adams Street Partners’ direct venture capital and growth equity team.

Adams Street believes this is the first time since 1995 that a venture firm has successfully priced three IPOs on successive days<sup>[1]</sup>. Paylocity (NASDAQ: PCTY) priced its IPO on Tuesday, Q2 (NYSE: QTWO) priced its IPO on Wednesday and Borderfree (NASDAQ: BRDR) priced its IPO on Thursday. Prior to their IPOs, Adams Street owned 29.6% of Paylocity, 36.8% of Q2, and 21.7% of Borderfree.

“Our congratulations go to the management teams and employees of these companies for their tremendous accomplishments and bright futures,” said Jeff Diehl, a partner on ASP’s direct venture capital and growth equity team. “All three IPOs demonstrate our commitment to rapidly growing, late-stage venture and growth equity companies in their pursuit of achieving leadership positions in their markets. We look forward to working alongside the management teams as they progress along their paths ahead as public companies.”

These offerings come after the IPOs of three other ASP portfolio companies in 2013 – RetailMeNot (NASDAQ: SALE), Criteo (NASDAQ: CRTO) and Oncomed (NASDAQ: OMED).

Bon French, CEO of Adams Street commented, "Adams Street has been involved with the venture business since 1972 as a direct venture/growth investor and then as an investor in venture funds. We are honored to be a part of the venture ecosystem, whose entrepreneurs, management teams, and investors continue to have an enormous positive impact on jobs and the economy. I congratulate our venture/growth team and the founders and employees of these three terrific companies."

Adams Street’s direct venture and growth equity team targets the software, internet, healthcare IT/services, medical devices and biopharma sectors. The team focuses on companies that have previously received initial capital and typically invests between \$5 and \$30 million per deal. The team has 75 years of combined executive experience and the demonstrated ability to generate consistent returns across market cycles. With a long-time presence in Silicon Valley, and an office in Chicago, Adams Street maintains a sizable database of prospective growth equity investment opportunities.

### **About Adams Street Partners**

Adams Street Partners is one of the largest managers of private equity investments in the world and has one of the longest histories. Together with its predecessor organizations, Adams Street Partners has been investing in private equity partnerships since 1979, managing venture/growth investments in private equity since 1972 and is credited with establishing the first private equity fund of funds for institutional investors. The firm currently has 120+ employees and \$25 billion of assets under management. Adams Street Partners has offices in Chicago, London, Menlo Park, Singapore, Beijing and Tokyo.

<sup>[1]</sup>Based on the Thomson Reuters' ThomsonONE database as of March 13, 2014 of all disclosed venture capital deals of PE-backed IPOs completed in three consecutive calendar days.

# # #

This press release is for informational purposes only and should not be construed as investment advice or an offer, or solicitation of an offer, to buy or sell securities either generally or in any jurisdiction where the offer or sale is not permitted. This press release contains certain statements that may include "forward-looking statements" within the meaning of the federal securities laws. All statements, other than statements of historical fact, included herein are "forward-looking statements." The forward-looking statements are based on ASP's beliefs, assumptions and expectations of future performance, taking into account all information currently available to ASP, and can change as a result of many possible events or factors, not all of which are known to ASP or are within its control.

**Media Contact:**

Martin Gawne, Manager of Communications

Mobile: (312) 343-4522

mgawne@adamsstreetpartners.com

# CalPERS **Economic Impacts** in California

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March 2014

This study reflects impacts for the Fiscal Year ending June 30, 2012.

CalPERS benefit payments and investments in California are **essential** to the state's economy.

**Benefit impacts:**

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**\$1 → \$10.85**

every taxpayer dollar contributed to CalPERS returns \$10.85 in economic activity

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page 6

**Investment impacts:**

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**\$20.7 billion**

CalPERS investments in California

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page 9

**\$30.4 billion**

economic activity created by CalPERS benefit payments

---

page 6

**1.5 million**

California jobs supported by CalPERS investment portfolio

---

page 10

**\$1 billion**

supports California's recovering real estate sector

---

page 7

**73%**

private equity investments in high minority areas

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## Introduction

The California Public Employees' Retirement System (CalPERS) plays a vital role in California's economy by providing CalPERS benefits to more than 450,000 retirees and investing \$20.7 billion throughout the state (June 30, 2012). This money provides several ancillary benefits as it ripples through the state's economy. CalPERS investment portfolio supports approximately 1.5 million local jobs. In addition, CalPERS benefit payments deliver a return of \$10.85 in economic activity to California for each taxpayer dollar invested in CalPERS.

CalPERS recently conducted analyses that capture the statewide impacts of its benefits and investments on business, tax revenue, jobs supported and other economic benefits. This document summarizes key findings from the analyses.

## Economic structure of California

California is the world's eighth largest economy, generating approximately \$2 trillion in economic activity and almost 20 million jobs.<sup>1</sup>

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### Snapshot of California's Economy (FY 2011-12)

Gross regional product . . . . .	\$1,951,348,567,523
Total personal income . . . . .	\$1,676,565,000,000
Population . . . . .	37,691,910
Employment . . . . .	19,552,319
Total worker compensation . . . . .	\$1,043,185,388,704
Average compensation* . . . . .	\$53,354

\* Total employee compensation divided by employment

---

California suffered greatly during the recession as the unemployment rate peaked at 12.4 percent in 2010. Similar to the rest of the country, California is now experiencing a modest recovery as the housing market, consumer spending and employment continue to improve. The U.S. Bureau of Labor Statistics reported that as of July 2013, California's unemployment rate declined to 8.7 percent.<sup>2</sup> The California Department of Finance and the Kyser Center for Economic Research predict that California will continue to recover at a modest pace.<sup>3</sup> Throughout the recession and current recovery period, CalPERS continues to provide steady and important economic stimulus to California through its benefits and investments.

# \$13 billion

CalPERS benefit payments  
to California residents

---

## Statewide impact of CalPERS benefit payments

CalPERS benefit recipients provide a steady infusion of economic activity in California. Direct benefit payments, economic activity resulting from the multiplier effect, jobs generated by consumption and new taxes all stimulate California's economy. The economic impact of CalPERS benefit payments far exceed the initial taxpayer investment.

In Fiscal Year (FY) 2011-12, CalPERS provided nearly \$13 billion in benefits to 452,750 California residents. These benefits created 113,664 jobs throughout California.

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### CalPERS Retirees in California

Number of retirees . . . . .	452,750
Annual CalPERS retiree payments . . . . .	\$12,729,556,585
Average annual allowance per retiree . . . . .	\$28,116

### Impacts of Benefit Payments in California

CalPERS benefit payments . . . . .	\$12,729,556,585
Additional revenue created . . . . .	\$17,640,342,237
Total economic revenue . . . . .	\$30,369,898,822
Economic multiplier . . . . .	2.39
Sales tax generated . . . . .	\$385,344,721
Property tax generated . . . . .	\$410,536,390
Employment generated . . . . .	113,664

---



# \$30.4 billion

economic activity created by  
CalPERS benefit payments

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## Economic multiplier

CalPERS benefit recipients create a chain of economic activity when they consume goods and services. In FY 2011-12, CalPERS benefits created an additional \$17.6 billion in business revenue. The total economic revenue generated by CalPERS benefits was nearly \$30.4 billion or 1.6 percent of California's Gross Regional Product.

The economic multiplier effect captures increases in total economic activity. The economic multiplier is the ratio of total economic impacts attributable to CalPERS benefits to direct benefit payments. The economic multiplier to California residents was 2.39 in FY 2011-12.<sup>4</sup> This translates to \$2.39 of economic activity in California for every benefit dollar.

## Tax revenue

CalPERS benefit recipients generate sales tax revenue when they consume goods and services. CalPERS benefits also provide a steady stream of property tax revenue, which is vital to California's local communities. In FY 2011-12, CalPERS benefit recipients generated over \$385 million in sales tax revenue and \$411 million in property tax revenue.

# \$1 → \$10.85

every taxpayer dollar  
contributed to CalPERS returns  
\$10.85 in economic activity

---

## CalPERS return on taxpayer contributions

The economic impact of CalPERS benefits far exceed initial taxpayer contributions. Investment income and contributions from public employers and employees fund CalPERS benefit payments. The proportion of funds that come from each source changes over time. As of June 30, 2012, for every dollar in benefits, 64 cents came from investment earnings, 22 cents from employer contributions and 14 cents from employee contributions.<sup>5</sup>

By applying the 22 cents per employer contribution rate to total benefits paid in California in FY 2011-12, staff estimates that approximately \$2.8 billion came from employer contributions. CalPERS benefits, therefore, returned \$10.85 in economic activity for each taxpayer dollar contributed toward the system.

# \$1 billion

supports California's  
recovering real estate sector











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## Revenues by industry

CalPERS benefit recipients generate business revenue in many different industry sectors. In FY 2011-12 the real estate sector received significant support with over \$1 billion in revenues. Another sector related to the housing market, "imputed rental activity for owner-occupied dwellings," received the greatest economic impact in terms of revenues. This sector captures the average rental income homeowners would receive if they rented their dwelling. Additionally, health care services received more than \$1.4 billion in business revenues supporting physician, dentist and health care offices and private hospital sectors. The food services and drinking places sector also received significant support with over \$800 million in business revenues.

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### Top 10 industry sectors\* supported by CalPERS benefit payments, by revenues (FY 2011-12)

Imputed rental activity for owner-occupied dwellings <sup>6</sup>	\$1,709,693,480	
Real estate establishments	\$1,076,066,239	
Wholesale trade businesses	\$908,664,660	
Offices of physicians, dentists and other health practitioners	\$845,894,160	
Food services and drinking places	\$812,562,367	
Monetary and depository credit intermediation activities	\$782,977,898	
Securities, commodities, investments and related activities	\$606,897,190	
Private hospitals	\$605,287,717	
Petroleum refineries	\$532,793,922	
Telecommunications	\$467,526,188	

\* With the exception of the imputed rental activity for owner-occupied dwellings sector, these sectors are defined by the North American Industry Classification System.

---







# 113,664

California jobs created  
by CalPERS benefit  
payments

## Job creation by industry

CalPERS benefits created 113,664 jobs throughout the state and nearly 50,000 jobs in the top ten sectors alone. Food services and drinking places received the greatest support with 12,745 jobs created. The health services industry received significant support with nearly 10,500 jobs created in physician, dentist and health care offices and private hospitals. CalPERS benefits created 6,120 jobs in the real estate establishments sector.

### Top 10 industry sectors supported by CalPERS benefit payments, by number of jobs (FY 2011-12)

Food services and drinking places	12,745	
Offices of physicians, dentists and other health practitioners	6,722	
Real estate establishments	6,120	
Wholesale trade businesses	4,908	
Retail Stores – Food and beverage	3,714	
Retail Stores – General merchandise	3,670	
Private hospitals	3,667	
Securities, commodities, investments and related activities	3,615	
Retail Stores – Motor vehicle and parts	2,281	
Employment services	2,228	

# \$20.7 billion

CalPERS investments  
in California

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## Overview of CalPERS investments in California

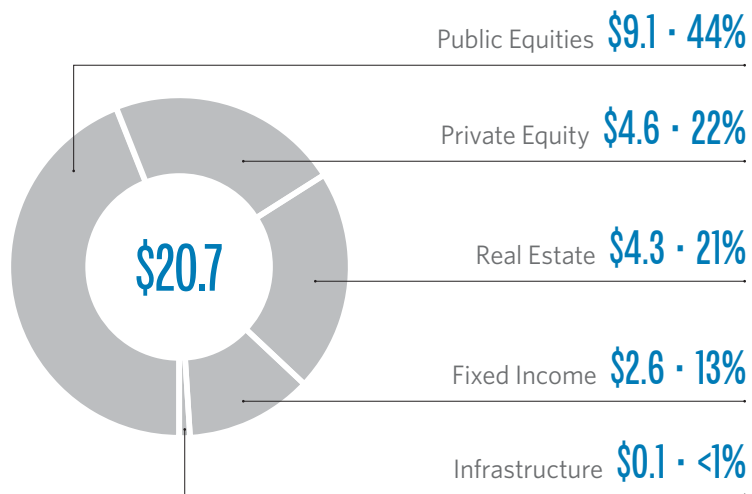
CalPERS invests in California because of the state's vibrant, robust and diverse economy. As of June 30, 2012, CalPERS investment portfolio totaled \$233.4 billion. Investments in California accounted for approximately 8.9 percent, or \$20.7 billion, of CalPERS portfolio and supported approximately 1.5 million jobs.<sup>7</sup>

CalPERS primary investment objective is to achieve an appropriate risk-adjusted return on investment. Investments in California, however, create additional ancillary benefits. These benefits include the support and creation of jobs and socially beneficial impacts.

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### CalPERS investments in California, by asset class<sup>8</sup>

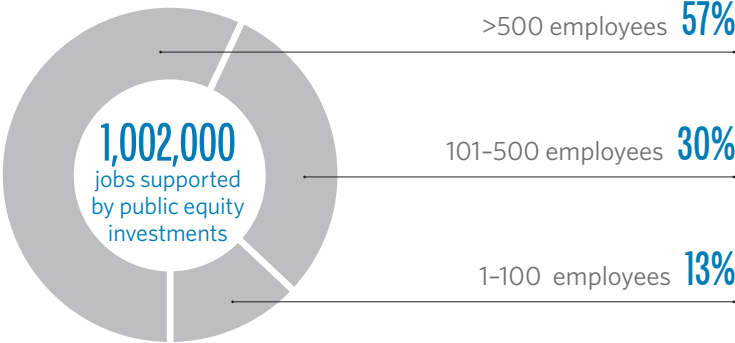
(in billions, as of June 30, 2012)



# Jobs supported by CalPERS investments

CalPERS public market investments include public equities and fixed income. CalPERS invests in 664 California-headquartered public companies, which employ more than one million Californians. Many of these companies, such as Google, Apple and Walt Disney, are iconic to California.

## CalPERS public equity investment, by company size



# 1.5 million

California jobs supported by CalPERS investment portfolio<sup>7</sup>

CalPERS fixed income investments include \$543 million invested directly in 16 California companies. These companies are larger in comparison to companies in other asset classes, with a median size of approximately 11,800 employees. Combined, these companies employ an estimated 178,000 workers and operate 2,500 facilities in California.

CalPERS private market investments include private equity, real estate and infrastructure and can be more directly attributed to job creation and other ancillary benefits than investments in public markets. This is typically the case because CalPERS is a larger investor among a more targeted group of investors. CalPERS invests in 1,836 private companies in California that employ a combined 188,000 workers.

# 102,000

California jobs  
supported by CalPERS  
real estate portfolio

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More than 20 percent of CalPERS total real estate investments are in California. The diverse group of assets in the real estate asset class provide additional benefits to the local economy, including:

- Creation of construction jobs
- Construction-related economic activity
- New retail, industrial and commercial opportunities
- Infusion of real assets into a community

CalPERS real estate investments support 102,000 jobs in California, with the development and construction phase accounting for 17,000 of these jobs. The construction phase of CalPERS real estate projects provides the indirect benefit of supporting other California workers. Construction workers create economic activity and support additional jobs when they consume goods and services where projects are located, as a result of the economic multiplier effect.

Infrastructure investment supports 2,000 jobs statewide and has the potential to indirectly support additional employment by increasing the efficiency of commerce.

73%

CalPERS private equity investments in high minority areas

## CalPERS socially beneficial investments

In addition to providing the ancillary benefit of job creation, CalPERS investments provide social benefits. These benefits include providing capital to areas that have limited access to private equity. Private equity investment in California is highly concentrated, as 95 percent of all private equity investment is within six ZIP codes. Furthermore, CalPERS private equity investments are located in high minority, high unemployment, low-to-moderate income (LMI) and rural areas.

### CalPERS private equity investments, by area type (FY 2011-12)

Area	% of Investments	% of \$
High unemployment . . . . .	14	18
Rural . . . . .	5	4
High minority . . . . .	73	70
Low-to-moderate income . . . . .	27	29
Limited capital access . . . . .	17	30

*Note: Many of the areas overlap, therefore, the columns above should not be expected to total 100 percent.*

CalPERS also invests in infrastructure projects that may benefit communities. These projects may increase the efficiency to transport commerce, provide construction jobs with their own ancillary benefits or provide water to drought-prone areas. CalPERS remains committed to investing in California’s essential infrastructure assets. This commitment includes outreach efforts to private and public sector leaders to encourage open dialogue on infrastructure investments, including transportation, water and energy projects. Infrastructure projects have the potential to increase economic activity and provide many other social benefits.

# Summary

CalPERS benefits and investments in California are essential to the state's economy. The stable and steady economic impacts are even more important during times of economic recovery. CalPERS benefits generate economic activity, which leads to job creation, increased business revenue and tax generation. CalPERS investments provide capital to many businesses headquartered in California and support approximately 1.5 million jobs. In addition, CalPERS investments provide social and other ancillary benefits that are vital to California.

## Endnotes

<sup>1</sup> Kleinhenz, Robert A., Kimberly Ritter-Martinez and Ferdinando Guerra. 2013-14 Economic Forecast and Industry Outlook. The Kyser Center for Economic Research. February 2013. Web. 15 October 2013.

<sup>2</sup> U.S. Bureau of Labor Statistics. "Databases, Tables, & Calculators by Subject." n.d. Web. 30 October 2013.

<sup>3</sup> Meyers, Dennis. "Economic Outlook." CalPERS. 400 Q Street, Sacramento CA. 12 June 2013. Presentation.

<sup>4</sup> IMPLAN, which is an input-output model, calculated the economic multiplier. Input-output models cannot be used for time series analysis because they provide a "snapshot in time" of how the economy is structured. They do not provide information on why the structure changed and what effect any change may have on the aggregate economy.

<sup>5</sup> CalPERS. "The CalPERS Pension Buck." CalPERS, 15 February 2013. Web. 15 October 2013.

<sup>6</sup> IMPLAN. "Special Sector Definitions." n.d. Web. 15 October 2013.

<sup>7</sup> CalPERS. "CalPERS for California 2012." Sacramento, CA. March 2013. Print.

<sup>8</sup> Definitions of the asset classes are listed below:

**Public Equities** — Investments in public companies domestically and internationally, for example through the New York Stock Exchange

**Private Equity** — Investments in private companies that are not publicly traded.

**Real Estate** — Investments in commercial, residential and industrial property

**Fixed Income** — Investments in loans provided to governments, companies and other borrowers.

**Infrastructure** — Investments in real assets including bridges, toll roads, utilities and airports.



For more information about this publication,  
contact Ross Lallian at (916) 795-3000.

For media inquiries, please contact  
(916) 795-3991 or [newsroom@calpers.ca.gov](mailto:newsroom@calpers.ca.gov).



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**California Public Employees'  
Retirement System**  
400 Q Street  
P.O. Box 942701  
Sacramento, CA 94229-2701  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

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## Ventura County Pension Reform Would Save \$460 Million, Reduce Debt \$1.8 billion

By Anthony Randazzo, Director of Economic Research

*Summary: If adopted, the Initiative for Pension Fairness and Sustainability would save Ventura County \$5.4 million in cash flow over the first two years, \$51.6 million in cumulative savings over five years of reform, and \$460 million in total savings over 15 years—all while separately eliminating \$1.8 billion in pension debt. In the long run, moving to a new defined-contribution system would protect taxpayers from unfunded liabilities and investment return risks in public retirement systems.*

**The Problem:** The Ventura County Employees' Retirement Association (VCERA) is poorly positioned to stay properly funded in the coming years, and local taxpayers may be forced to pick up a hefty tab of unfunded liabilities if substantive changes are not made in the near future.

While the County's payroll has increased just 6.2% from 2008 to 2013, annual taxpayer contributions to the pension system have grown 26.7% during the same time (from \$104.4 million to \$142.4 million). Despite this large increase in taxpayer payments, during this time period VCERA fell from having 91.3% of the funding needed to pay future pension benefits to having just 79.2%. And during that time, the defined-benefit pension system's unfunded liability has more than tripled to \$953.4 million.

This funding disparity is a result of a few different dynamics, including the pension fund's asset investment inability to meet the unrealistic assumed 7.75% rate of return. Investment returns have averaged just 5.82% over the last five years, and 6.93% over the past ten years, indicating that missing the investment target has not been only related to the financial crisis and recession.

Additionally, VCERA has not properly anticipated that retirees are living longer and that more funds are needed to pay those

pension benefits over longer retirement spans. Taken together, these are indications of an unsustainable system.

The California Public Employees' Pension Reform Act (PEPRA), which was passed in 2013, attempted to solve problems like these by changing the rules governing local government pension systems statewide. PEPRA does not solve Ventura County's core problems, however. For example, PEPRA has no effect on the County's unfunded liability. Neither does it address shortfalls in investment returns.

The combination of needing to both pay down the unfunded liability and adopt more realistic investment assumptions will require an increase in County taxpayer contributions into the system unless fundamental reforms beyond PEPRA are implemented.

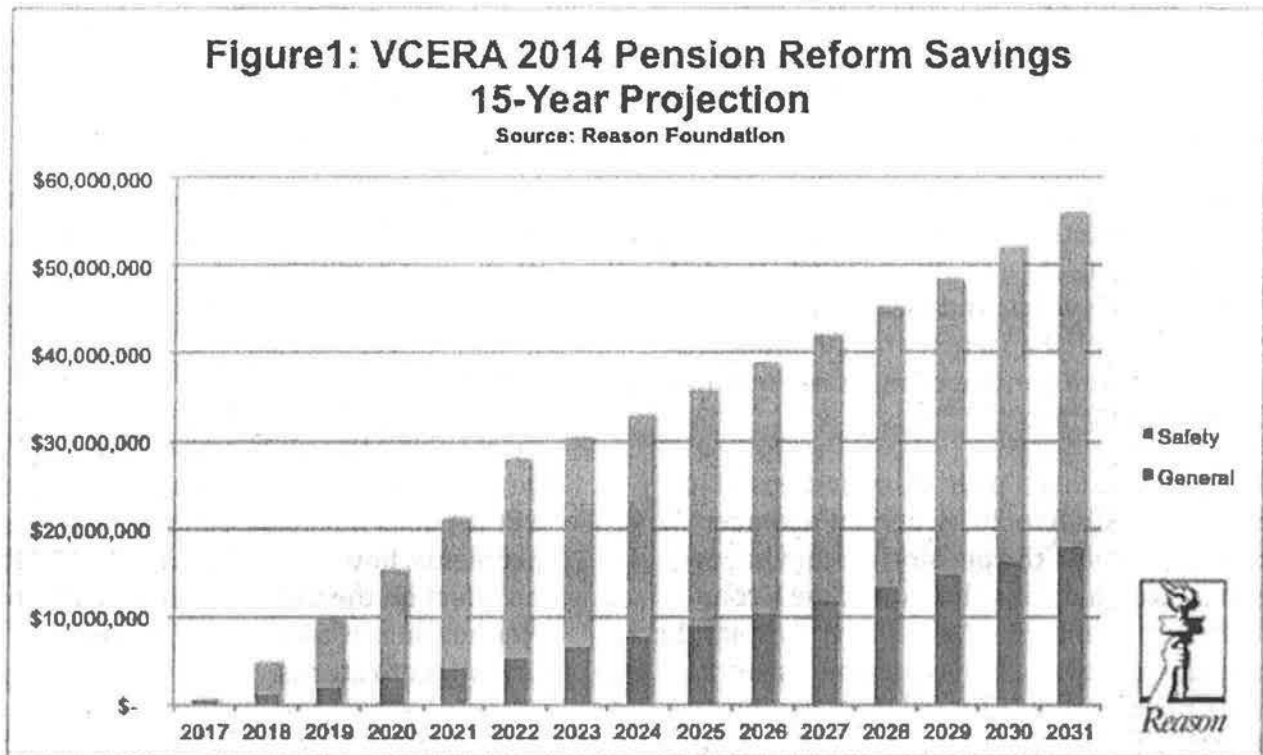
**The Solution:** An initiative by county residents would address the risk of long-term liabilities by putting new hires into a 401(k)-style defined-contribution system and phasing out the defined-benefit system over time. Defined-contribution systems have no investment return assumptions, and eliminate taxpayer investment risk.

The defined-contribution system for all new Ventura County employees will have contribution rates from the County of 11% for

**Reason Foundation  
Pension Reform Actuarial Analysis**

public safety employees not enrolled in social security, and 4% for general employees enrolled in social security. The defined contribution system would create no long-term liabilities for the County. All current employees would continue accruing benefits as normal, subject to PEPRA.

The initiative also includes a provision that holds pensionable pay constant for 5 years for all General Tier 1, General Tier 1-PEPRA, and public safety employees. This would create immediate cash flow savings that would enable to the County to pay for increased normal costs in phasing out the defined-benefit system.



**The Savings:** Should all elements of this initiative be adopted, Ventura County would see cash flow savings of:

- \$508,000 in the first year of implementation, and \$4.9 million in the second year of implementation;
- \$51.6 million in cumulative savings over the first five years;
- \$217.1 million in cumulative savings over ten years;
- \$460.4 million in cumulative savings over fifteen years.<sup>1</sup>

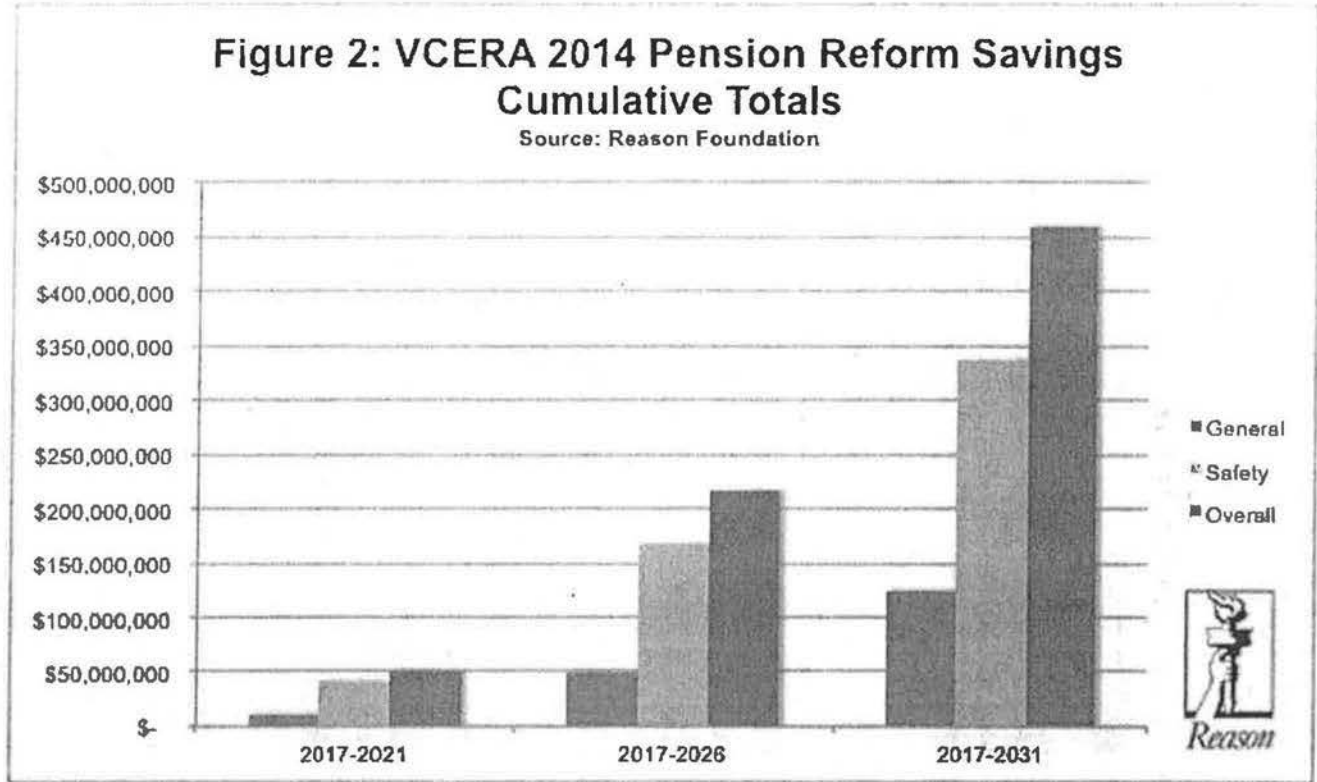
VCERA currently amortizes the unfunded liability over fifteen years, which is why the independent actuarial analysis provides projected savings over that time frame. Importantly, these projected savings would be *in addition* to any savings that might occur as a result of implementing PEPRA.

Figure 1 above shows the annual net savings to Ventura County for both general employees and public safety employees. Figure 2 below shows the cumulative savings over fifteen-years for general and public safety employees.

<sup>1</sup> The County will be voting on the proposed initiative after the start of fiscal year 2015; as a result, the changes would be implemented in fiscal year 2016. Therefore, independent

actuarial analysis assumes that accrued liability would change starting in fiscal year 2016, and reductions to normal cost would start in fiscal year 2017. The fifteen-year cumulative savings period is from fiscal years 2017 to 2031.

Reason Foundation  
Pension Reform Actuarial Analysis



The proposed initiative would also reduce the long-term liabilities of the defined-benefit fund, both by phasing it out over time and as a result of holding pensionable pay constant. By the end of the 15-year amortization period, VCERA’s liabilities would be \$1.771 billion lower than without reform (see Table 1 on the next page). This is separate from the annual cash-flow savings.

As also shown in Table 1, the proposed initiative would lead to \$230 million in reduced unfunded liabilities over the first five years. By fiscal year 2024, the defined-benefit fund would be fully funded.

**The Details:** These savings were determined through an independent actuarial analysis performed for Ventura County Taxpayers Association.<sup>2</sup> The actuary modeled the

<sup>2</sup> The independent actuary was William J. Sheffler, FCA, EA, MSPA, ASA of Sheffler Consulting Actuaries, Inc. The actuary reports that their modeling approach was inherently conservative.

anticipated changes proposed in the reform initiative versus the projected growth in liabilities of the current pension system.

The actuary adopted all of the assumptions used in the most recent valuation for VCERA, except employment growth.<sup>3</sup> Thus, the baseline that the proposed initiative was compared to incorporated changes due to PEPRA. The costs and savings were amortized over 15 years, consistent with current policy. The actuary also assumed that the County would continue to make 100% of its annual contributions.

The official VCERA actuary has been making the unrealistic assumption that the County would not expand the workforce by even one person over the next 15 years.<sup>4</sup> That has not been true over the last 15 years and is not likely to be true in the future.

<sup>3</sup> The actuary used the most recent Segal Co. valuation for VCERA, Fiscal Year Ended June 30, 2013.

<sup>4</sup> This actuarial valuation was completed by Segal Co.

Reason Foundation  
Pension Reform Actuarial Analysis

**Table 1: Changes in VCERA Liabilities Due to Pension Reform**

Source: Reason Foundation

FY	Unfunded Liability			Accrued Liability		
	Current	After Reform	Net Reduced	Current	After Reform	Net Reduced
2015	\$862,000,000	\$862,000,000	\$0	\$5,120,000,000	\$5,120,000,000	\$0
2016	\$767,000,000	\$767,000,000	\$0	\$5,412,000,000	\$5,375,000,000	\$37,000,000
2017	\$741,000,000	\$660,000,000	\$81,000,000	\$5,659,000,000	\$5,579,000,000	\$81,000,000
2018	\$667,000,000	\$540,000,000	\$127,000,000	\$5,963,000,000	\$5,810,000,000	\$153,000,000
2019	\$583,000,000	\$407,000,000	\$176,000,000	\$6,268,000,000	\$6,037,000,000	\$231,000,000
2020	\$488,000,000	\$260,000,000	\$228,000,000	\$6,578,000,000	\$6,254,000,000	\$324,000,000
2021	\$380,000,000	\$150,000,000	\$230,000,000	\$6,893,000,000	\$6,512,000,000	\$381,000,000
2022	\$312,000,000	\$86,000,000	\$226,000,000	\$7,211,000,000	\$6,764,000,000	\$447,000,000
2023	\$242,000,000	\$21,000,000	\$221,000,000	\$7,532,000,000	\$7,006,000,000	\$526,000,000
2024	\$182,000,000	-\$33,000,000	\$215,000,000	\$7,853,000,000	\$7,236,000,000	\$618,000,000
2025	\$97,000,000	-\$111,000,000	\$208,000,000	\$8,174,000,000	\$7,450,000,000	\$724,000,000
2026	-\$11,000,000	-\$210,000,000	\$199,000,000	\$8,494,000,000	\$7,646,000,000	\$848,000,000
2027	-\$83,000,000	-\$271,000,000	\$188,000,000	\$8,809,000,000	\$7,820,000,000	\$989,000,000
2028	-\$129,000,000	-\$305,000,000	\$176,000,000	\$9,119,000,000	\$7,970,000,000	\$1,149,000,000
2029	-\$177,000,000	-\$338,000,000	\$161,000,000	\$9,420,000,000	\$8,088,000,000	\$1,332,000,000
2030	-\$228,000,000	-\$373,000,000	\$145,000,000	\$9,709,000,000	\$8,171,000,000	\$1,538,000,000
2031	-\$281,000,000	-\$406,000,000	\$125,000,000	\$9,982,000,000	\$8,211,000,000	\$1,771,000,000

## Reason Foundation Pension Reform Actuarial Analysis

The independent actuary assumes there will be modest employment growth in County government, which makes the estimate of savings from the proposed initiative more conservative.<sup>5</sup> If the County actuary turns out to be right and Ventura County does not hire more workers over the next 15 years, savings from the initiative will be even greater than those predicted here.

The independent actuary had to assume no additional changes to the existing VCERA defined-benefit pension plan over the next 15 years, but should any future reforms be implemented, they could result in costs or savings not included in this analysis. Additionally, any future underfunded contributions or missed investment return targets would affect the net position of VCERA's financial condition.

Finally, the savings projection assumes that pensionable pay will increase on a normal basis after the five-year holding period. However, if County leaders decide in the future to retroactively add the five-year of pay increases into pensionable pay (known as "catching up" pensionable pay)—that is, if all pay increases over the next five years are rolled back into pensionable pay—that would be costly to County taxpayers as employee contributions could not be increased to cover the sudden increase in liabilities.

**Zero "Transition Costs":** The proposed initiative requires *zero additional costs* for Ventura County taxpayers. The County could make separate policy choices that mean costs increase beyond the status quo, such as setting the defined-contribution rate high, or increasing the debt payments for VCERA. But any costs related to these policy choices

would be *unrelated* to transitioning from defined-benefit to defined-contribution.

There are two components to pension funding: the annual cost to pre-fund pension liabilities (known as "normal cost"), and the cost to pay off unfunded pension debt. There is no legal reason that VCERA would have to change its defined-benefit debt payment plan due to the transition towards a defined-contribution system. It is important to clarify that employee contributions *never* subsidize debt payments. So there are no transition costs related to debt repayment.

More importantly, the actuary's model shows that the County would save \$318,000 from its normal, annual pension cost in the first year, and would spend \$332 million less over 15 years because of the change to a defined-contribution plan (see Table 2, next page).

Holding pensionable pay constant saves the County \$190,000 in the first year of reform and \$128.6 million after 15 years *on top of normal pension cost savings* (see Table 2). These savings could be passed from VCERA to the County. Or it might be necessary to reinvest the money into the defined-benefit fund to offset future losses that the defined-benefit system may still experience due to its unrealistic actuarial assumptions.

Importantly, there may be increased costs in the future for the County due to missing investment targets in the defined-benefit system as it is phased out—the proposed initiative does not change County investment return assumptions for the defined-benefit plan. But any increased costs would be because of faulty assumptions presently in the system, and thus would be incurred even without the transition to defined-contribution system.

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<sup>5</sup> The actuary used headcount changes from 2011-2013 to estimate new hires into the future and then applied the salary change assumptions from the Segal valuation.

Reason Foundation  
Pension Reform Actuarial Analysis

**Table 2: Pension Reform Savings**

Source: Reason Foundation

FY	Reduced Normal Cost	Savings from Pensionable Pay Change	Net Savings
2017	\$318,000	\$190,000	\$508,000
2018	\$2,548,000	\$2,302,000	\$4,850,000
2019	\$5,323,000	\$4,415,000	\$9,738,000
2020	\$8,662,000	\$6,555,000	\$15,217,000
2021	\$13,179,000	\$8,082,000	\$21,261,000
2022	\$18,841,000	\$8,983,000	\$27,824,000
2023	\$20,914,000	\$9,344,000	\$30,258,000
2024	\$23,192,000	\$9,708,000	\$32,900,000
2025	\$25,576,000	\$10,130,000	\$35,706,000
2026	\$28,323,000	\$10,464,000	\$38,787,000
2027	\$31,088,000	\$10,858,000	\$41,946,000
2028	\$33,724,000	\$11,354,000	\$45,078,000
2029	\$36,682,000	\$11,710,000	\$48,392,000
2030	\$39,841,000	\$12,137,000	\$51,978,000
2031	\$43,563,000	\$12,398,000	\$55,961,000
2017-2021	\$30,030,000	\$21,544,000	\$51,574,000
2017-2026	\$146,876,000	\$70,173,000	\$217,049,000
2017-2031	\$331,774,000	\$128,630,000	\$460,404,000

For a more detailed breakdown of the savings numbers see Table 3 at the end of this document.

However, after those on the defined-benefit payroll have completely retired, there would be no further accrued liabilities for VCERA, eliminating all normal annual pension costs. There may still be debt payments required into the defined-benefit system because the actuarial assumptions did not lead the County to completely pre-fund promised benefits. But, again, these debt payments would be required whether or not the County transitioned to a defined-contribution system.

The dynamic effects of the proposed initiative mean that the County would not only reduce liabilities in the long-term, but also save money on a cash flow basis in the short-term, shoring up pension obligations it has for current employees and retirees.

**Conclusion:** The proposed reform to VCERA saves \$460 million over 15 years, eventually eliminates unfunded liabilities by closing the current defined-benefit plan, and puts new hires into a defined-contribution system. Holding pensionable pay constant would pay for the transition from defined-benefit to defined-contribution and provide cash flow savings in the first fiscal year it is adopted for Ventura County, as well as every subsequent year.

*Anthony Randazzo is director of economic research at Reason Foundation, a nonprofit think tank advancing free minds and free markets. He can be reached at [anthony.randazzo@reason.org](mailto:anthony.randazzo@reason.org).*

*Media Contact: Chris Mitchell, director of communications at Reason Foundation: (310) 367-6109*

Reason Foundation  
Pension Reform Actuarial Analysis

**Table 3: Pension Reform Savings Detailed Breakdown**

In thousands (\$000); Source: Reason Foundation									
FY	Reduced Normal Cost			Pensionable Pay Change Savings			Net Savings		
	General	Safety	Overall	General	Safety	Overall	General	Safety	Overall
2017	\$277	\$41	<b>\$318</b>	\$91	\$99	<b>\$190</b>	\$368	\$140	<b>\$508</b>
2018	\$748	\$1,800	<b>\$2,548</b>	\$383	\$1,919	<b>\$2,302</b>	\$1,131	\$3,719	<b>\$4,850</b>
2019	\$868	\$4,455	<b>\$5,323</b>	\$1,167	\$3,248	<b>\$4,415</b>	\$2,035	\$7,703	<b>\$9,738</b>
2020	\$1,152	\$7,510	<b>\$8,662</b>	\$1,936	\$4,619	<b>\$6,555</b>	\$3,088	\$12,129	<b>\$15,217</b>
2021	\$2,173	\$11,006	<b>\$13,179</b>	\$2,051	\$6,031	<b>\$8,082</b>	\$4,224	\$17,037	<b>\$21,261</b>
2022	\$3,236	\$15,605	<b>\$18,841</b>	\$2,118	\$6,865	<b>\$8,983</b>	\$5,354	\$22,470	<b>\$27,824</b>
2023	\$4,242	\$16,672	<b>\$20,914</b>	\$2,238	\$7,106	<b>\$9,344</b>	\$6,480	\$23,778	<b>\$30,258</b>
2024	\$5,333	\$17,859	<b>\$23,192</b>	\$2,354	\$7,354	<b>\$9,708</b>	\$7,687	\$25,213	<b>\$32,900</b>
2025	\$6,462	\$19,114	<b>\$25,576</b>	\$2,519	\$7,611	<b>\$10,130</b>	\$8,981	\$26,725	<b>\$35,706</b>
2026	\$7,883	\$20,440	<b>\$28,323</b>	\$2,587	\$7,877	<b>\$10,464</b>	\$10,470	\$28,317	<b>\$38,787</b>
2027	\$9,243	\$21,845	<b>\$31,088</b>	\$2,708	\$8,150	<b>\$10,858</b>	\$11,951	\$29,995	<b>\$41,946</b>
2028	\$10,389	\$23,335	<b>\$33,724</b>	\$2,927	\$8,427	<b>\$11,354</b>	\$13,316	\$31,762	<b>\$45,078</b>
2029	\$11,773	\$24,909	<b>\$36,682</b>	\$2,998	\$8,712	<b>\$11,710</b>	\$14,771	\$33,621	<b>\$48,392</b>
2030	\$13,198	\$26,643	<b>\$39,841</b>	\$3,124	\$9,013	<b>\$12,137</b>	\$16,322	\$35,656	<b>\$51,978</b>
2031	\$15,028	\$28,535	<b>\$43,563</b>	\$3,071	\$9,327	<b>\$12,398</b>	\$18,099	\$37,862	<b>\$55,961</b>
<b>2017-2021</b>	\$5,218	\$24,812	<b>\$30,030</b>	\$5,628	\$15,916	<b>\$21,544</b>	\$10,846	\$40,728	<b>\$51,574</b>
<b>2017-2026</b>	\$32,374	\$114,502	<b>\$146,876</b>	\$17,444	\$52,729	<b>\$70,173</b>	\$49,818	\$167,231	<b>\$217,049</b>
<b>2017-2031</b>	\$92,005	\$239,769	<b>\$331,774</b>	\$32,272	\$96,358	<b>\$128,630</b>	\$124,277	\$336,127	<b>\$460,404</b>



April 16, 2014

To: SACRS System Trustees and CEO's/Retirement Administrators  
From: Robert Palmer, SACRS Executive Director  
Subject: Sustaining Public DB Plans

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**The Prologue: Some interesting factoids**

- American corporations continue to terminate defined benefit plans for their employees and if they replace, they create a defined contribution plan (401k)
- 73% of Americans have no savings at time of retirement
- 59% have less than \$1,000 in their 401k accounts
- 25% have investment resources of less than \$26,000 at time of retirement
- The average retirement savings account is \$59,000
- Only 10% of retiring employees have over \$100,000 in savings
- A typical 401k account makes less than 2% annually, after fees
- Investment advisors recommend that one should expect to make withdrawals in retirement from his 401k at about 4% per year. Thus, a person with an account of \$59,000 should plan to withdraw \$2,400 (\$200 gross per month) for each year in retirement
- The vast majority of participants in 401k accounts do not understand asset allocation techniques or dollar cost investing

With this background, expecting Americans to be financially secured in retirement is not going to be happening. Social Security alone will not lead to a comfortable life in retirement for most Americans. Collectively, these “factoids” stand as an argument for why defined benefit retirement plans should exist. Currently the only remaining large bastion of DB retirement plans are to be found in the public sector. Defined benefit retirement plans should be encouraged. Instead, we find a constant and daily barrage of negative and misleading “studies” and media releases attacking defined benefit plans.

**SACRS**

We have been historically the honest brokers in the DB debate. We have deliberately avoided taking sides in the benefit arguments. We are fiduciaries who have the responsibility of providing the benefits agreed to by the employer and its employees. We have tried to correct the record repeatedly when one party or another misrepresents the facts, as we know them. Studies, articles or initiatives must not go unchallenged if they misrepresent the facts. We have an obligation to our members, our future members and

our plan sponsors to respond to the challenges that are confronting our business. But the challenge grows larger with each passing day.

### **The Costs of Maintaining our DB Plans**

Historically, 70% of the costs of the defined benefit public plans are generated through investment returns. The remaining 30% comes from employer and employee contributions. Who pays what percentage of the 30% is primarily the result of legal statutes and collective bargaining.

When the investments underperform, that shortfall is calculated and becomes an unfunded liability against the employer. The employer makes payments on this unfunded obligation over a period of time. In 2008, SACRS systems lost between 25% and 32% of their assets as a result of the market downturn. Other institutional investors suffered the same levels of steep losses. Those losses were not the result of poor investment management.

This loss, as an employer's obligation, has given rise to certain outside groups demanding that these plans be terminated. They are just "too expensive", regardless of the benefits they provide to the employee and their positive impact as a funding source for the local economies. The majority of the SACRS systems are recovering from the downturn. One measurement of recovery is the funding ratio. Plans are moving upward toward full funding (i.e. 100%), many have already returned to the 80%+ funding ratio, which is considered to be a well-funded pension plan. With continuing strong market returns, plans should be able to recover their losses and, perhaps, eventually employer contributions on the unfunded liability will be lowered.

### **Proposed action**

With careful and on-going thought, the Board of Directors is considering retaining a public relations firm to assist SACRS in educating the public, media and other interested parties on the positive aspects of our defined benefit pension systems. We are of the belief that such a campaign is not only of great benefit to our plan sponsors and our individual systems but also to the affiliates that provide investment management services as well. We are all in this together.

This PR will seek to show to the public the true and positive aspects of defined benefit plans. It will also collect information from our systems and respond to misinformation.

The SACRS Administrator and the SACRS Executive Director believe that there are four parts that must be addressed if we are to have an effective PR plan:

## **Proactive**

SACRS must become more proactive in presenting the positive aspects of a defined benefit plan. These benefits lead to long careers, the costs are mostly borne by investment returns; the plans are well managed; investment returns make DB plans a better retirement benefit than the 401k alternative and the fees are considerably lower; the price of changing to another retirement benefit approach has been proven to be more costly and with lower benefits than are currently offered; our successes are not getting out to the public.

## **Reactive**

Opponents to DB plans are getting their messages out to the public via social media. With no or poor rebuttal, these claims are being accepted by the general public as the truth. There is a need for a quick response to those elements that are factually incorrect as well as the misinformation that is being released without challenge. With social media, a response needs to be released within hours of the initial release, before the public accepts as fact their assertions.

## **Social Media Tools**

Currently, SACRS does not have the Information Technology tools to respond on the Internet via the various social media outlets. The SACRS' systems will have to be redesigned to handle this new form of public communication. We are talking beyond websites, and looking at blogs, Twitter, Facebook, Instagram and YouTube. According to the Pew Research Center, last year a record 72% of adults who were on line used social media sites. Gone are the days for newspapers and magazines as the primary vehicles for responding. They are just too slow and fewer people gain their information from paper these days.

## **Attracting Attention to the SACRS Media Sites**

What good is creating information or responding to misinformation, if no one reads our material. So we will need to develop creative ways to drive more traffic (search engines) to our postings.

## **Funding**

As one of our actuaries tells me, there is no free lunch. We are recommending that we undertake this project on a two-year trial basis. A guess is that with hiring a quality PR firm, upgrading the SACRS computer systems, and developing a higher visibility in the social media world, will probably cost \$200,000 for a two-year project. There still will be

considerable work for SACRS and the individual systems to gather information and prepare for dissemination.

Clearly, the loss of DB plans in the public sector will significantly impact the recruitment and retention of valuable employees. The plan sponsors have a significant role in responding appropriately to maintain DB plans. To date, they seem to be looking to the pension plans for information and assistance in dealing with misinformation. Whether they should launch their own PR programs or financially support this undertaking is an important topic for further discussion. But it could take years for them to organize and respond. We have an obligation to our members to begin addressing the issues as soon as possible.

We also think that the investment manager firms have “some skin in this game” as well as our ’37 Act pension systems. If public defined benefit plans are terminated, a significant part of the investment managers’ customers will cease to exist.

We will be seeking funding for this SACRS PR Project from all interested stakeholders.

### **Feedback**

The Board of Directors welcomes your feedback and comments as it explores this option.

Thank you for your consideration,

Robert Palmer  
SACRS Executive Director



We wish to inform you that effective immediately, Kevin Charleston has been promoted to President & Chief Financial Officer of Loomis, Sayles & Company. For some time, Kevin has undertaken senior management responsibilities of a scope well beyond that of a CFO. Adding President to his current CFO title is well-earned recognition of the executive leadership role he has and will continue to play at Loomis Sayles.

Kevin's leadership across a variety of business functions dovetails well with Jae Park having been named Chief Investment Officer for both equity and fixed income in 2012 and David Waldman being named Deputy Chief Investment Officer in 2013.

While all reporting structures remain unchanged, these promotions serve to enrich and solidify the executive management team which will support me well into the future. The members of our Board and Management Committee have worked together for over a decade -- we are thrilled to announce Kevin's promotion within this cohesive and collaborative management team.

Sincerely,

Chairman & CEO

**From:** "Rodrigo Soto" <RSoto@EatonVance.Com>  
**To:** "tim.thonis@ventura.org" <tim.thonis@ventura.org>  
**Date:** 4/14/2014 10:23 AM  
**Subject:** Eaton Vance/Hexavest - SACRS dinner invitation

Good morning Tim,

By way of introduction, my name is Rodrigo Soto and I am responsible for the institutional business development out West for Eaton Vance. I work very closely with our colleagues in Hexavest and as such I wanted to reach out and introduce myself so as to be an additional client resource to you.

I also wanted to take this opportunity and extend an invitation to a dinner we are hosting at the next SACRS Conference up in Sacramento. Below are the details for the dinner, we would be thrilled if you and your colleagues (please feel free to share this invitation with staff and Trustees) could join us. Please let me know if there would be interest and I will gladly coordinate:

Date: Tuesday, May 13, 2014  
Time: 7:30 PM  
Location: Chops - 1117 11th Street, Sacramento (Cross Street: L Street)

Thank you,  
Rodrigo

Rodrigo Soto  
Institutional Business Development-West  
Eaton Vance Management  
1918 Eighth Avenue, Suite 3100  
Seattle, WA 98101  
T: 206-381-6111 E: rsoto@eatonvance.com

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