

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

July 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. <u>CALL TO ORDER</u>	
II. <u>APPROVAL OF AGENDA</u>	1 – 4
III. <u>APPROVAL OF MINUTES</u>	
A. Disability Meeting of July 7, 2014.	5 – 9
IV. <u>CONSENT AGENDA</u>	
A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of June 2014.	10 – 11
B. Receive and File Report of Checks Disbursed in June 2014.	12 – 20
C. Receive and File Preliminary Budget Summary for FY 2013-14 Month Ending June 2014.	21
D. Receive and File Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position, Investments & Cash Equivalents, and Schedules of Investment Management Fees for the Period Ending May 31 st 2014.	22 – 27
E. Trustee Educational Report, December 31 st 2013.	28 – 31

V. **STANDING ITEM**

- A. Receive an Oral Update on Pensionable Compensation and PEPRA.

VI. **ANNUAL INVESTMENT PRESENTATIONS**

- A. Receive Annual Investment Presentation, Walter Scott & Partners Limited, Margaret Foley, CFA, Global Portfolio Specialist, Investment Review. (30 Minutes) 32 – 55
- B. Receive Annual Investment Presentation, Hexavest Inc., Nadia Cesaratto, Vice President (30 Minutes). 56 – 105

VII. **INVESTMENT INFORMATION**

- A. NEPC – Don Stracke, Senior Consultant.
1. Receive and File Preliminary Performance Report Month Ending June 30, 2014. 106 – 114
RECOMMENDED ACTION: Receive and File.
2. Asset Allocation Update/Workplan Discussion. 115 – 117
RECOMMENDED ACTION: Receive and File.
3. Review of NEPC Investment Manager Search Process. 118 – 131
RECOMMENDED ACTION: Receive and File.
4. Global Multi-Strategy Fixed Income Presentation. 132 – 147
RECOMMENDED ACTION: Receive and File.
5. Pyramis Global Advisors Educational Presentation, Multi-Sector Fixed Income Overview, Christian Pariseault, CFA and Kristin V. Shofner, SVP, Business Development. 148 – 171
RECOMMENDED ACTION: Receive and File.

VIII. **OLD BUSINESS**

- A. Consideration of Requested Modifications to VCERIS Change Orders. 172 – 214
RECOMMENDED ACTION: Approve.

IX. NEW BUSINESS

- A. Recommendations from Personnel Review Committee – VCERA Staffing. 215 – 216
RECOMMENDED ACTION: Approve.
- B. Recommendation to Approve Ms. McCormick’s Participation at PIMCO Institute, October 16th – 17th and October 20th – 24th. 217 – 222
RECOMMENDED ACTION: Approve.
- C. Recommendation to Approve Payment for Wavier of Recourse, Fiduciary Liability Insurance, FY 2014/2015. 223 – 228
RECOMMENDED ACTION: Approve.
- D. Review of Ventura County Employees’ Retirement Information System (VCERIS) Project Status Report, Month Ending June 2014. 229
RECOMMENDED ACTION: Receive and File.

X. INFORMATIONAL

- A. San Diego County Employees’ Retirement Association’s Request for Leave to File Brief As Amicus Curiae; [Proposed] Order. 230 – 233
- B. San Diego County Employees’ Retirement Association’s Amicus Curiae Brief. 234 – 251
- C. Board of Retirement of the Ventura County Employees’ Retirement Association’s Joinder in Section V of Amicus Curiae Brief Submitted by San Diego County Employees’ Retirement Association. 252 – 253
- D. Letter from T. Bondurant French, Chief Executive Officer, Adams Street Partners. 254 – 255
- E. Wall Street Journal Article – “Big Investors Missed Stock Rally”. 256 – 259
- F. Wall Street Journal Article – “Broad Gains Power Historic Rally”. 260 – 262

- XI. PUBLIC COMMENT**
- XII. STAFF COMMENT**
- XIII. BOARD MEMBER COMMENT**
- XIV. ADJOURNMENT**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

July 7, 2014

MINUTES

DIRECTORS Tracy Towner, Chair, Safety Employee Member
PRESENT: William W. Wilson, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Joseph Henderson, Public Member
Mike Sedell, Public 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: Tom Johnston, General Employee Member

STAFF Tim Thonis, Interim Retirement Administrator
PRESENT: Henry Solis, Chief Financial Officer
Lori Nemiroff, Assistant County Counsel
Stephanie Caiazza, Program 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 July 7, 2014, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve the Agenda.

Moved by Henderson, seconded by McCormick.

Vote: Motion carried

Yes: Goulet, Henderson, Sedell, McCormick, Wilson, C. Johnston, Towner

No: -

Absent: Foy, T. Johnston, Hintz

III. APPROVAL OF MINUTES

A. Business Meeting of June 16, 2014.

MOTION: Approve the Minutes.

Moved by C. Johnston, seconded by Goulet.

Vote: Motion carried

Yes: Goulet, Henderson, Sedell, McCormick, Wilson, C. Johnston, Towner

No: -

Absent: Foy, T. Johnston, Hintz

IV. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Receive and file the Report.

Moved by Goulet, seconded by Wilson.

Vote: Motion carried

Yes: Goulet, Henderson, Sedell, McCormick, Wilson, C. Johnston, Towner

No: -

Absent: Foy, T. Johnston, Hintz

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service Connected and Non-Service Connected Disability Retirement; Brixie, Bonnie J.; Case No. 12-006.

Paul Hilbun and John I. Gilman, Attorney at Law, were present on behalf of the County of Ventura Risk Management. The applicant's representative 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, Bonnie J. Brixie, a service connected disability retirement.

Moved by Wilson, seconded by Henderson.

Vote: Motion carried

Yes: Goulet, Henderson, Sedell, McCormick, Wilson, C. Johnston, Towner

No: -

Absent: Foy, T. Johnston, Hintz

Mr. Hintz entered the meeting at 9:05 a.m.

David G. Schumaker, Applicant's attorney, arrived at the meeting at 9:10 a.m., after the Board voted on this item. He stated that there was no opposition to the Hearing Officer's Recommendation and he waived any appeal.

- B. Application for Service Connected Disability Retirement, Nadon, David J.; Case No. 11-008.

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

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

MOTION: Deny the Petition for Reconsideration.

Moved by Wilson, seconded by Hintz.

Vote: Motion carried

Yes: Goulet, Henderson, Sedell, Hintz, Wilson, C. Johnston, Towner

No: McCormick

Absent: Foy, T. Johnston

VI. NEW BUSINESS

- A. Update on Retirement Administrator Recruitment, Pam Derby, Cooperative Personnel Services HR Consulting.

Pam Derby, Sr. Executive Recruiter, was present on behalf of Cooperative Personnel Services HR Consulting to update the Board on the Retirement Administrator recruitment process and proposed schedule.

After discussion by the Board and Ms. Derby, the following motion was made:

MOTION: Approve the proposed recruitment schedule.

Moved by Henderson, seconded by McCormick.

Vote: Motion carried

Yes: Goulet, Henderson, Sedell, Hintz, McCormick, Wilson, C. Johnston, Towner

No: -

Absent: Foy, T. Johnston, Hintz

After further discussion, Mr. Towner directed the Personnel Review Committee to continue its involvement in the recruitment process by working with Ms. Derby to finalize the recruitment brochure and by participating in screening applicants.

- B. Litigation- Edward J. Lacey, et. al, vs Mark Lunn, Ventura County Clerk-Recorder/Registrar of Voters, et. al – Ventura County Superior Court Case No. 56-2014-00454309-CU-WM-VTA

Ms. Nemiroff provided the Board with background information and options about the pension initiative ballot measure. Options that were presented to the Board included taking no action at present time, engaging outside counsel to file a joinder to the SDCERA amicus brief, or engaging outside counsel to file an independent amicus brief.

After discussion between members of the Board and Ms. Nemiroff, the following motion was made:

MOTION: Engage Manatt, Phelps, & Phillips, LLP. to file a joinder to the amicus brief to be filed by SDCERA, such joinder to be limited to the argument that the initiative is invalid on the basis that it is inconsistent and vague as to how the board is to fulfill its fiduciary duties to manage and administer the system for current members if the ordinance adopting the County Employees Retirement Law of 1937 is repealed.

Moved by Hintz, seconded by McCormick.

Vote: Motion carried

Yes: Goulet, Hintz, C. Johnston, McCormick, Towner

No: Sedell, Henderson, Wilson

Absent: Foy, T. Johnston

VII. INFORMATIONAL

- A. Letter from Yves Chery, SACRS President- Status of SACRS Approach to Sustaining Public DB Plans.
- B. Investment Trends Summit- Opal Financial Group; September 8-10, 2014, Santa Barbara, CA.

VIII. PUBLIC COMMENT

None.

IX. STAFF COMMENT

Mr. Solis requested for any Board Members interested in attending the Investment Trends Summit held by Opal Financial Group to notify staff so that a request can be included on the Board's agenda for the business meeting of July 21, 2014.

Mr. Solis informed the Board that the Annual Fiduciary Liability Insurance would be presented at the next meeting and reminded the Board of the \$9.09 due from each Trustee for the Waiver of Liability.

X. BOARD MEMBER COMMENT

None.

XI. ADJOURNMENT

The meeting was adjourned at 10:04 a.m.

Respectfully submitted,



TIM THONIS, Interim Retirement Administrator

Approved,

TRACY TOWNER, Chairman

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

JUNE 2014

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
Lupe G.	Altamirano	S	08/02/2013	1.60		Fire Protection (Non-Member Spouse)	09/01/13
Bonnie S.	Bouley	G	07/26/1998	15.40	B=0.0820	Health Care Agency	05/30/14
Michele R	Dunham	G	12/29/2003	10.40		Information Services Agency	05/10/14
Joseph	Espino	G	08/28/2002	10.30		General Services Agency	05/31/14
Linda	Gertson	G	11/24/1991	23.00	B=0.6022	Health Care Agency	05/31/14
Elvia	Guizar	G	02/28/1993	21.10		Health Care Agency	05/31/14
Gilbert	Hernandez	G	04/15/1990	24.20		General Services Agency	05/31/14
Celia G.	Hess	G	04/22/1984	30.10	B=0.3030	Sheriff's Department	06/06/14
Donald G.	Hillberg	G	08/29/2004	5.40		Sheriff's Department	07/23/10
Robert D.	Jenkins Sr.	G	09/02/2003	10.70		Human Services Agency	05/17/14
Cory	Kuepper	G	01/09/2000	9.30		Harbor Department	04/21/14
Laurell A.	Mauro	G	04/23/1995	13.00		Health Care Agency (Deferred)	05/13/14
Lindsey E.	McCormack	G	10/02/2002	11.70		Health Care Agency	06/01/14
Cathy A.	Morrison	G	08/12/2007	16.90	A=8.5953 B=0.9550 D=0.6070	Health Care Agency	05/05/14
Dana L.	Palminteri	S	10/26/2012	8.00		Sheriff's Department (Non-Member Spouse, deferred)	06/05/14
Jayne	Phelan	G	05/09/1993	21.00	B=0.1054	Health Care Agency	05/10/14
Mary L.	Quinting	G	02/21/1999	14.80		Health Care Agency	06/03/14
Terry K	Rice	G	09/20/2012	8.20		Child Support Services (Non-Member Spouse, deferred)	10/01/12
Debbie A.	Romuld	G	10/23/2005	7.10	A=0.2486	Health Care Agency	01/24/13
Hortencia	Sanchez	G	11/18/1984	27.20		Health Care Agency	05/31/14
Craig L	Stevens	G	01/25/1987	27.30		Health Care Agency	05/10/14
Douglas R.	Taylor	G	02/18/2001	13.20		Library Services Agency	05/24/14
Sara E.	Valenzuela	S	02/28/1993	20.20		Sheriff's Department	05/07/14
Mary	Walsh	G	08/18/1991	4.30	C=18.116	CEO (Deferred)	04/18/14

DEFERRED RETIREMENTS:

Angelica	Arellano	G	07/15/2002	11.32		Human Services Agency	05/26/2014
Steven	Asenas	G	09/21/2008	5.70		Information Services Departm	05/30/2014
Albert	Castillo	G	01/13/2008	6.34		Fire Protection District	06/08/2014
Deborah	Downey	G	11/17/1996	8.09	C=0.05100	Retirement Admin.	06/13/2014
Isamare	Lopez	G	09/05/2000	13.31		Human Services Agency	06/13/2014

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

JUNE 2014

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
Gregory	Marx	G	1/21/2001	8.90		Fire Protection District	05/29/2014
Cheyenne N.	Ritchie-Seibert	G	10/15/2000	12.61		Sheriff's Department	05/16/2014
Irma N.	Robles	G	8/8/1999	9.30		Human Services Agency	05/29/2014
Elizabeth	Ruiz	G	4/6/2008	5.56		Health Care Agency	05/10/2014
Katherine	Schleiderer	G	7/20/2003	7.73		Health Care Agency	04/23/2014
Guillermo	Suarez	S	6/2/2008	6.05		Airports	05/31/2014
David S.	Swenson	G	2/25/2007	7.05		Health Care Agency	05/10/2014
Praxedes E.	Terraneo	G	12/01/2008	5.54	C=6.88700	VRSD	06/30/2014

SURVIVORS' CONTINUANCES:

Roy H. Allen
 Carol M. Foss
 Harry L. Hoy Jr.
 Darrel A. Jones
 Lola L. Rudd
 Beverly N. Stiles

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

Date: Monday, June 30, 2014
 Time: 10:13AM
 User: 108359

Ventura County Retirement Assn
Check Register - Standard
 Period: 12-14 As of: 6/30/2014

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 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
Company: VCERA										
Acct / Sub:	1002		00							
023824	CK	6/6/2014	101074 LUIS DE LA ROSA	12-14	018639	VO	REFUND T2 COL	6/5/2014	0.00	10,413.91
023825	CK	6/6/2014	102465 DERRICK T. MCELLIOTT	12-14	018640	VO	REFUND	6/5/2014	0.00	63,178.66
023826	CK	6/6/2014	103058 CORAZON SANTOS	12-14	018641	VO	REFUND T2 COL	6/5/2014	0.00	12,309.30
023827	CK	6/6/2014	105785B1 CRYSTAL MCCULLER	12-14	018642	VO	DEATH BENEFIT	6/5/2014	0.00	38,626.40
023828	CK	6/6/2014	107021 PATRICIA A. O'BRIEN	12-14	018643	VO	REFUND T2 COL	6/5/2014	0.00	4,774.37
023829	CK	6/6/2014	108114 JUDITH M. RYAN	12-14	018644	VO	REFUND T2 COL	6/5/2014	0.00	13,554.33
023830	CK	6/6/2014	115944 DINAH G. COTA	12-14	018645	VO	REFUND	6/5/2014	0.00	454.37
023831	CK	6/6/2014	116578 YOLANDA RUELAS	12-14	018646	VO	REFUND	6/5/2014	0.00	21,342.20
023832	CK	6/6/2014	117557 KEVIN R. ROCKWELL	12-14	018647	VO	REFUND	6/5/2014	0.00	24,002.10
023833	CK	6/6/2014	119080 DEMISTRA L. MCCOY	12-14	018648	VO	REFUND	6/5/2014	0.00	105.86
023834	CK	6/6/2014	120029 REYNA S. CHAVEZ	12-14	018649	VO	REFUND	6/5/2014	0.00	5,742.05
023835	CK	6/6/2014	120029R JP MORGAN CHASE	12-14	018650	VO	ROLLOVER	6/5/2014	0.00	16,864.66
023836	CK	6/6/2014	121377 CHARLES SCHWAB + CO	12-14	018651	VO	ROLLOVER	6/5/2014	0.00	45,531.73

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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
023837	CK	6/6/2014	121396 AMBER K. HOSEY	12-14	018652	VO	REFUND	6/5/2014	0.00	21,595.82
023838	CK	6/6/2014	122227 KAYLA L. COUCH	12-14	018653	VO	REFUND	6/5/2014	0.00	4,752.02
023839	CK	6/6/2014	123679 FIDELITY INVESTMENTS FIOOC	12-14	018654	VO	ROLLOVER	6/5/2014	0.00	1,330.48
023840	CK	6/6/2014	F1881 MARY E. STONE	12-14	018655	VO	PENSION PAYMENT	6/5/2014	0.00	634.63
023841	CK	6/6/2014	F2767B1 JANET M. SCHAEFER	12-14	018656	VO	DEATH BENEFIT	6/5/2014	0.00	3,756.63
023842	CK	6/6/2014	F4189B1 CAROLYN L. GARCIA	12-14	018657	VO	DEATH BENEFIT	6/5/2014	0.00	1,252.82
023843	CK	6/6/2014	F4189S HARRY L. HOY JR.	12-14	018658	VO	DEATH BENEFIT	6/5/2014	0.00	2,627.44
023844	CK	6/6/2014	F5044B1 THE COGGINS FAMILY LIVING TF	12-14	018659	VO	DEATH BENEFIT	6/5/2014	0.00	207.70
023845	CK	6/6/2014	XXXXX3795 FERNANDO VALENZUELA	12-14	018660	VO	REFUND	6/5/2014	0.00	3,168.87
023846	CK	6/6/2014	XXXXX3795R WELLS FARGO BANK, N.A.	12-14	018661	VO	ROLLOVER	6/5/2014	0.00	2,937.28
023847	CK	6/6/2014	XXXXX4140 MICHAEL CARONE	12-14	018671	VO	PENSION PAYMENT	6/6/2014	0.00	965.70
023848	CK	6/6/2014	108359 CHRISTINA STEVENS	12-14	018662	VO	TRAVEL REIMB	6/5/2014	0.00	363.38
023849	CK	6/6/2014	ADP ADP INC	12-14	018663	VO	ADMIN EXP	6/5/2014	0.00	2,526.64

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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						
023850	CK	6/6/2014	CORPORATE STAPLES ADVANTAGE	12-14		018664	VO	ADMIN EXP	6/5/2014	0.00	695.07
023851	CK	6/6/2014	GMI GMI CONFERENCES	12-14		018665	VO	ADMIN EXP	6/5/2014	0.00	780.00
023852	CK	6/6/2014	LINEA LINEA SOLUTIONS	12-14		018666	VO	IT/PAS	6/5/2014	0.00	4,467.96
023853	CK	6/6/2014	ROSENTHAL JOHN L. ROSENTHAL	12-14		018667	VO	ADMIN EXP	6/5/2014	0.00	2,406.25
023854	CK	6/6/2014	THONIS TIM THONIS	12-14		018668	VO	ADMIN EXP	6/5/2014	0.00	147.98
023854	CK	6/6/2014	THONIS TIM THONIS	12-14		018669	VO	ADMIN EXP	6/5/2014	0.00	60,991.47
023855	CK	6/6/2014	VOLT VOLT	12-14		018670	VO	ADMIN EXP	6/5/2014		61,139.45 858.60
023856	CK	6/12/2014	104626 DOUGLAS R. TAYLOR	12-14		018672	VO	REFUND T2 COL	6/12/2014	0.00	10,609.41
023857	CK	6/12/2014	F3853B1 THEODORE C. ROSE	12-14		018673	VO	DEATH BENEFIT	6/12/2014	0.00	196.37
023858	CK	6/12/2014	XXXXX8456 EDWARD JONES	12-14		018674	VO	ROLLOVER	6/12/2014	0.00	42,602.57
023859	CK	6/12/2014	100748 CHRIS JOHNSTON	12-14		018675	VO	TRAVEL REIMB	6/12/2014	0.00	857.68
023860	CK	6/12/2014	990004 WILL HOAG	12-14		018676	VO	TRAVEL REIMB	6/12/2014	0.00	440.37
023861	CK	6/12/2014	ADP ADP INC	12-14		018677	VO	ADMIN EXP	6/12/2014	0.00	8,768.22
023862	CK	6/12/2014	BOFA BUSINESS CARD	12-14		018678	VO	ADMIN EXP	6/12/2014	0.00	3,473.87

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				To Post	Closed						
023863	CK	6/12/2014	HARRIS HARRIS WATER CONDITIONING	12-14		018679	VO	ADMIN EXP	6/12/2014	0.00	134.50
023864	CK	6/12/2014	SPRUCE SPRUCEGROVE INVESTMENT M	12-14		018680	VO	INVESTMENT FEES	6/12/2014	0.00	59,730.26
023865	CK	6/12/2014	TOWERS TOWERS WATSON PENNSYLVAN	12-14		018681	VO	ADMIN EXP	6/12/2014	0.00	12,000.00
023866	CK	6/12/2014	VITECH VITECH SYSTEMS GROUP INC	12-14		018682	VO	PAS	6/12/2014	0.00	2,500.00
023867	CK	6/12/2014	VOLT VOLT	12-14		018683	VO	ADMIN EXP	6/12/2014	0.00	3,293.03
023868	CK	6/19/2014	102286 AMELIA M. BAGGETT	12-14		018684	VO	REFUND	6/19/2014	0.00	2,603.83
023869	CK	6/19/2014	119580 JENNIFER L. SMITH	12-14		018685	VO	REFUND	6/19/2014	0.00	16,007.39
023870	CK	6/19/2014	120047 KEVIN J. AZBELL	12-14		018686	VO	REFUND	6/19/2014	0.00	22,193.67
023871	CK	6/19/2014	121037 JUAN MANUEL RIOS MARTINEZ	12-14		018687	VO	REFUND	6/19/2014	0.00	7,465.75
023872	CK	6/19/2014	123346 BRITTANY A. FLOHR	12-14		018688	VO	REFUND	6/19/2014	0.00	2,092.05
023873	CK	6/19/2014	123443 MATILDE RAMOS	12-14		018689	VO	REFUND	6/19/2014	0.00	1,111.86
023874	CK	6/19/2014	123668 MARY ALICE VARELA	12-14		018690	VO	REFUND	6/19/2014	0.00	927.61
023875	CK	6/19/2014	F0346B1 ROSE A. BURTCBY	12-14		018691	VO	DEATH BENEFIT	6/19/2014	0.00	3,623.47
023876	CK	6/19/2014	F0844B1 GRACE G. HAMAMOTO	12-14		018692	VO	DEATH BENEFIT	6/19/2014	0.00	2,767.22

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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						
023877	CK	6/19/2014	F1001B1 TD AMERITRADE	12-14		018693	VO	ROLLOVER	6/19/2014	0.00	2,814.96
023878	CK	6/19/2014	F1001B2 ERIC J. IVERSEN	12-14		018694	VO	DEATH BENEFIT	6/19/2014	0.00	2,251.97
023879	CK	6/19/2014	F1787B1 CELIA SUGDEN	12-14		018695	VO	DEATH BENEFIT	6/19/2014	0.00	1,163.53
023880	CK	6/19/2014	F2501S CAROL M. FOSS	12-14		018696	VO	DEATH BENEFIT	6/19/2014	0.00	3,745.22
023881	CK	6/19/2014	XXXXX0579 OPTIONS HOUSE LLC - APEX CL	12-14	12-14	018697	VO	ROLLOVER	6/19/2014	0.00	58,818.52
023881	VC	6/26/2014	XXXXX0579 OPTIONS HOUSE LLC - APEX CL	12-14	12-14	018697	VO	ROLLOVER	6/19/2014	0.00	-58,818.52
023882	CK	6/19/2014	XXXXX1540 LARRY HERNANDEZ	12-14		018698	VO	REFUND	6/19/2014	0.00	8,213.99
023883	CK	6/19/2014	101602 HENRY SOLIS	12-14		018699	VO	TRAVEL REIMB	6/19/2014	0.00	1,359.55
023883	CK	6/19/2014	101602 HENRY SOLIS	12-14		018700	VO	TRAVE REIMB	6/19/2014	0.00	655.32
023884	CK	6/19/2014	990002 ARTHUR E. GOULET	12-14		018701	VO	MILEAGE REIMB	6/19/2014	0.00	38.08
023885	CK	6/19/2014	990006 MICHAEL SEDELL	12-14		018702	VO	MILEAGE REIMB	6/19/2014	0.00	486.08
023886	CK	6/19/2014	ACCESS ACCESS INFORMATION MANAG	12-14		018703	VO	ADMIN EXP	6/19/2014	0.00	673.23
023887	CK	6/19/2014	AT&T AT & T MOBILITY	12-14		018704	VO	IT	6/19/2014	0.00	306.90
023888	CK	6/19/2014	BARNEY ABU COURT REPORTING INC	12-14		018705	VO	ADMIN EXP	6/19/2014	0.00	630.00
Check Total										0.00	2,014.87

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				To Post	Closed						
023889	CK	6/19/2014	BROWN BROWN ARMSTRONG	12-14		018706	VO	ADMIN EXP	6/19/2014	0.00	3,844.00
023890	CK	6/19/2014	CINTAS CINTAS CORP	12-14		018707	VO	ADMIN EXP	6/19/2014	0.00	130.40
023891	CK	6/19/2014	CMP CMP & ASSOCIATES, INC	12-14		018708	VO	IT/PAS	6/19/2014	0.00	33,311.25
023892	CK	6/19/2014	CORPORATE STAPLES ADVANTAGE	12-14		018709	VO	ADMIN EXP	6/19/2014	0.00	457.67
023893	CK	6/19/2014	LINEA LINEA SOLUTIONS	12-14		018710	VO	IT/PAS	6/19/2014	0.00	67,007.13
023894	CK	6/19/2014	MBS MANAGED BUSINESS SOLUTION	12-14		018711	VO	PAS	6/19/2014	0.00	13,992.50
023895	CK	6/19/2014	MEGAPATH MEGAPATH INC.	12-14		018712	VO	IT	6/19/2014	0.00	1,089.46
023896	CK	6/19/2014	STATE STATE STREET BANK AND TRUS	12-14		018713	VO	INVESTMENT FEES	6/19/2014	0.00	8,080.35
023897	CK	6/19/2014	TWC TIME WARNER CABLE	12-14		018714	VO	IT/PAS	6/19/2014	0.00	481.97
023898	CK	6/19/2014	VITECH VITECH SYSTEMS GROUP INC	12-14		018715	VO	PAS	6/19/2014	0.00	4,450.00
023899	CK	6/19/2014	VOLT VOLT	12-14		018716	VO	ADMIN EXP	6/19/2014	0.00	1,797.89
023900	CK	6/26/2014	XXXXX0579 OPTIONS HOUSE LLC - APEX CL	12-14		018697	VO	ROLLOVER	6/19/2014	0.00	58,818.52
023900	CK	6/26/2014	XXXXX0579 OPTIONS HOUSE LLC - APEX CL	12-14		018718	AD	CANCEL	6/26/2014	0.00	-58,818.52
023900	CK	6/26/2014	XXXXX0579 OPTIONS HOUSE LLC - APEX CL	12-14		018720	VO	ROLLOVER	6/26/2014	0.00	51,710.63
Check Total											51,710.63

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				To Post	Closed						
023901	CK	6/26/2014	XXXXX0579B WILLIAM ROBERT PRATT	12-14		018719	VO	DEATH BENEFIT	6/26/2014	0.00	7,107.89
023902	CK	6/26/2014	CA SDU CALIFORNIA STATE	12-14		018721	VO	CRT ORDERED PMT	6/26/2014	0.00	1,175.58
023903	CK	6/26/2014	CALPERS CALPERS LONG-TERM	12-14		018722	VO	INSURANCE	6/26/2014	0.00	18,566.45
023904	CK	6/26/2014	CHILD21 OREGON DEPT OF JUSTICE	12-14		018723	VO	CRT ORDERED PMT	6/26/2014	0.00	171.74
023905	CK	6/26/2014	CHILD5 STATE DISBURSEMENT UNIT (S	12-14		018724	VO	CRT ORDERED PMT	6/26/2014	0.00	511.00
023906	CK	6/26/2014	CHILD9 SHERIDA SEGALL	12-14		018725	VO	CRT ORDERED PMT	6/26/2014	0.00	260.00
023907	CK	6/26/2014	CVMP COUNTY OF VENTURA	12-14		018726	VO	INSURANCE	6/26/2014	0.00	526,353.76
023908	CK	6/26/2014	FTBCA3 FRANCHISE TAX BOARD	12-14		018727	VO	GARNISHMENT	6/26/2014	0.00	137.26
023909	CK	6/26/2014	IRS6 INTERNAL REVENUE SERVICE	12-14		018728	VO	GARNISHMENT	6/26/2014	0.00	321.00
023910	CK	6/26/2014	IRS7 INTERNAL REVENUE SERVICE	12-14		018729	VO	GARNISHMENT	6/26/2014	0.00	500.00
023911	CK	6/26/2014	SEIU SEIU LOCAL 721	12-14		018730	VO	DUES	6/26/2014	0.00	300.50
023912	CK	6/26/2014	SPOUSE2 KELLY SEARCY	12-14		018731	VO	CRT ORDERD PMT	6/26/2014	0.00	1,874.00
023913	CK	6/26/2014	SPOUSE3 ANGELINA ORTIZ	12-14		018732	VO	CRT ORDERED PMT	6/26/2014	0.00	250.00
023914	CK	6/26/2014	SPOUSE4 CATHY C. PEET	12-14		018733	VO	CRT ORDERED PMT	6/26/2014	0.00	550.00

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				To Post	Closed						
023915	CK	6/26/2014	SPOUSE5 SUZANNA CARR	12-14		018734	VO	CRT ORDERED PMT	6/26/2014	0.00	829.00
023916	CK	6/26/2014	SPOUSE6 BARBARA JO GREENE	12-14		018735	VO	CRT ORDERED PMT	6/26/2014	0.00	675.00
023917	CK	6/26/2014	VCDSA VENTURA COUNTY DEPUTY	12-14		018736	VO	INSURANCE	6/26/2014	0.00	254,579.09
023918	CK	6/26/2014	VCPFF VENTURA COUNTY PROFESSIOI	12-14		018737	VO	INSURANCE	6/26/2014	0.00	73,512.20
023919	CK	6/26/2014	VCREA RETIRED EMPLOYEES' ASSOCIA	12-14		018738	VO	DUES	6/26/2014	0.00	4,227.00
023920	CK	6/26/2014	VRSD VENTURA REGIONAL	12-14		018739	VO	INSURANCE	6/26/2014	0.00	6,147.34
023921	CK	6/26/2014	VSP VISION SERVICE PLAN - (CA)	12-14		018740	VO	INSURANCE	6/26/2014	0.00	8,341.05
023922	CK	6/26/2014	AYALA IRENE P. AYALA	12-14		018741	VO	ADMIN EXP	6/26/2014	0.00	5,276.25
023923	CK	6/26/2014	COUNTY COUNTY COUNSEL	12-14		018742	VO	LEGAL FEES	6/26/2014	0.00	27,646.00
023924	CK	6/26/2014	CROST PAUL E CROST	12-14		018743	VO	ADMIN EXP	6/26/2014	0.00	875.00
023925	CK	6/26/2014	NEPC NEPC, LLC	12-14		018744	VO	INVESTMENT FEES	6/26/2014	0.00	68,750.00
023926	CK	6/26/2014	THONIS TIM THONIS	12-14		018745	VO	ADMIN EXP	6/26/2014	0.00	9,713.84
023927	CK	6/26/2014	VOLT VOLT	12-14		018746	VO	ADMIN EXP	6/26/2014	0.00	719.08

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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
023928	CK	6/30/2014	MF M.F. DAILY CORPORATION	12-14	018747	VO	ADMIN EXP	6/30/2014	0.00	15,200.57

Check Count: 106

Acct Sub Total: 1,820,028.49

Check Type	Count	Amount Paid
Regular	105	1,878,847.01
Hand	0	0.00
Electronic Payment	0	0.00
Void	1	-58,818.52
Stub	0	0.00
Zero	0	0.00
Mask	0	0.00
Total:	106	1,820,028.49

Company Disc Total	0.00	Company Total	1,820,028.49
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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2013-2014
June 2014 (Preliminary) - 100.00% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	Adopted 2013/2014 Budget	Adjusted 2013/2014 Budget	Jun-14	Year to Date Expended	Available Balance	Percent Expended
Salaries & Benefits:						
Salaries	\$ 1,725,600.00	\$ 1,725,600.00	\$ 132,019.61	\$ 1,495,623.89	\$ 229,976.11	86.67%
Extra-Help	25,000.00	25,000.00	77,373.91	150,954.54	(125,954.54)	603.82%
Overtime	1,500.00	1,500.00	131.02	15,559.72	(14,059.72)	1037.31%
Supplemental Payments	53,700.00	53,700.00	3,997.62	45,437.69	8,262.31	84.61%
Vacation Redemption	87,500.00	87,500.00	5,854.19	117,146.90	(29,646.90)	133.88%
Retirement Contributions	424,800.00	424,800.00	31,745.83	353,367.09	71,432.91	83.18%
OASDI Contributions	107,800.00	107,800.00	8,641.97	94,540.81	13,259.19	87.70%
FICA-Medicare	27,000.00	27,000.00	2,021.08	23,681.31	3,318.69	87.71%
Retiree Health Benefit	16,200.00	16,200.00	1,395.20	16,480.56	(280.56)	101.73%
Group Health Insurance	170,800.00	170,800.00	14,295.60	154,568.68	16,231.32	90.50%
Life Insurance/Mgmt	1,000.00	1,000.00	90.29	976.02	23.98	97.60%
Unemployment Insurance	2,200.00	2,200.00	158.52	1,803.31	396.69	81.97%
Management Disability Insurance	4,200.00	4,200.00	329.56	3,607.12	592.88	85.88%
Worker' Compensation Insurance	10,900.00	10,900.00	967.61	10,950.27	(50.27)	100.46%
401K Plan Contribution	33,800.00	33,800.00	2,223.30	24,275.55	9,524.45	71.82%
Transfers In	60,800.00	60,800.00	3,668.04	63,685.74	(2,885.74)	104.75%
Transfers Out	(60,800.00)	(60,800.00)	(3,668.04)	(63,685.74)	2,885.74	104.75%
Total Salaries & Benefits	\$ 2,692,000.00	\$ 2,692,000.00	\$ 281,245.31	\$ 2,508,973.46	\$ 183,026.54	93.20%
Services & Supplies:						
Telecommunication Services - ISF	\$ 46,600.00	\$ 46,600.00	\$ 2,908.86	\$ 38,975.66	\$ 7,624.34	83.64%
General Insurance - ISF	12,300.00	12,300.00	6,131.00	12,262.00	38.00	99.69%
Office Equipment Maintenance	1,000.00	1,000.00	189.81	828.97	171.03	82.90%
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	0.00	4,000.00	2,000.00	66.67%
Cost Allocation Charges	57,300.00	57,300.00	0.00	57,237.00	63.00	99.89%
Printing Services - Not ISF	6,000.00	6,000.00	0.00	709.86	5,290.14	11.83%
Books & Publications	2,000.00	2,000.00	0.00	1,881.34	118.66	94.07%
Office Supplies	20,000.00	20,000.00	1,348.68	15,168.13	4,831.87	75.84%
Postage & Express	55,000.00	55,000.00	3,512.72	44,197.31	10,802.69	80.36%
Printing Charges - ISF	12,500.00	12,500.00	300.00	3,252.60	9,247.40	26.02%
Copy Machine Services - ISF	7,100.00	7,100.00	0.00	2,730.75	4,369.25	38.46%
Board Member Fees	11,000.00	11,000.00	1,200.00	11,900.00	(900.00)	108.18%
Professional Services	957,400.00	957,400.00	62,514.26	899,799.69	57,600.31	93.98%
Storage Charges	4,000.00	4,000.00	673.23	5,095.79	(1,095.79)	127.39%
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	15,200.57	178,321.68	8,078.32	95.67%
Private Vehicle Mileage	8,300.00	8,300.00	992.72	7,990.02	309.98	96.27%
Conference, Seminar and Travel	65,000.00	65,000.00	7,083.48	63,180.80	1,819.20	97.20%
Furniture	11,200.00	11,200.00	0.00	10,189.92	1,010.08	90.98%
Facilities Charges	65,200.00	65,200.00	137.00	46,107.72	19,092.28	70.72%
Transfers In	11,300.00	11,300.00	661.41	11,483.56	(183.56)	101.62%
Transfers Out	(11,300.00)	(11,300.00)	(661.41)	(11,483.56)	183.56	101.62%
Total Services & Supplies	\$ 1,558,600.00	\$ 1,558,600.00	\$ 102,192.33	\$ 1,412,117.93	\$ 146,482.07	90.60%
Total Sal, Ben, Serv & Supp	\$ 4,250,600.00	\$ 4,250,600.00	\$ 383,437.64	\$ 3,921,091.39	\$ 329,508.61	92.25%
Technology:						
Computer Hardware	\$ 22,200.00	\$ 15,200.00	\$ 30.31	8,152.74	\$ 7,047.26	53.64%
Computer Software	46,200.00	36,700.00	0.00	181,618.72	(144,918.72)	494.87%
Systems & Application Support	419,900.00	451,400.00	42,267.00	355,287.75	96,112.25	78.71%
Pension Administration System	2,494,400.00	2,692,100.00	92,252.59	2,291,383.44	400,716.56	85.12%
Total Technology	\$ 2,982,700.00	\$ 3,195,400.00	\$ 134,549.90	\$ 2,836,442.65	\$ 358,957.35	88.77%
Contingency	\$ 695,900.00	\$ 483,200.00	\$ -	\$ -	\$ 483,200.00	0.00%
Total Current Year	\$ 7,929,200.00	\$ 7,929,200.00	\$ 517,987.54	\$ 6,757,534.04	\$ 1,171,665.96	85.22%

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
MAY 31, 2014

ASSETS

CASH & CASH EQUIVALENTS \$53,773,181

RECEIVABLES

ACCRUED INTEREST AND DIVIDENDS	3,520,280
SECURITY SALES	15,249,881
MISCELLANEOUS	21,900
TOTAL RECEIVABLES	18,792,061

INVESTMENTS AT FAIR VALUE

DOMESTIC EQUITY SECURITIES	104,411,462
DOMESTIC EQUITY INDEX FUNDS	1,175,128,930
INTERNATIONAL EQUITY SECURITIES	373,053,850
INTERNATIONAL EQUITY INDEX FUNDS	269,193,383
GLOBAL EQUITY	443,244,124
PRIVATE EQUITY	83,741,318
DOMESTIC FIXED INCOME - CORE PLUS	569,575,876
DOMESTIC FIXED INCOME - U.S. INDEX	136,283,806
GLOBAL FIXED INCOME	260,733,463
REAL ESTATE	298,330,294
ALTERNATIVES	411,796,935
CASH OVERLAY - CLIFTON	(26,478)
TOTAL INVESTMENTS	4,125,466,965

PENSION SOFTWARE DEVELOPMENT COSTS 3,443,718

TOTAL ASSETS **4,201,475,925**

LIABILITIES

SECURITY PURCHASES PAYABLE	10,697,764
ACCOUNTS PAYABLE	137,524
PREPAID CONTRIBUTIONS	719,873
	719,873

TOTAL LIABILITIES **11,555,161**

NET POSITION RESTRICTED FOR PENSIONS **\$4,189,920,764**

**VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE ELEVEN MONTHS ENDED MAY 31, 2014**

ADDITIONS

CONTRIBUTIONS

EMPLOYER	\$151,510,641
EMPLOYEE	41,582,068
TOTAL CONTRIBUTIONS	<u>193,092,709</u>

INVESTMENT INCOME

NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	544,780,696
INTEREST INCOME	12,917,948
DIVIDEND INCOME	20,300,458
REAL ESTATE OPERATING INCOME, NET	10,917,460
SECURITY LENDING INCOME	125,211
TOTAL INVESTMENT INCOME	<u>589,041,773</u>

LESS INVESTMENT EXPENSES

MANAGEMENT & CUSTODIAL FEES	9,724,056
SECURITIES LENDING BORROWER REBATES	(41,207)
SECURITIES LENDING MANAGEMENT FEES	53,092
TOTAL INVESTMENT EXPENSES	<u>9,735,941</u>

NET INVESTMENT INCOME **579,305,832**

TOTAL ADDITIONS **772,398,541**

DEDUCTIONS

BENEFIT PAYMENTS	199,349,292
MEMBER REFUNDS	4,373,154
ADMINISTRATIVE EXPENSES	6,260,798
TOTAL DEDUCTIONS	<u>209,983,244</u>

NET INCREASE/(DECREASE) **562,415,297**

NET POSITION RESTRICTED FOR PENSIONS

BEGINNING OF YEAR 3,627,505,467

ENDING BALANCE \$4,189,920,764

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
MAY 31, 2014

EQUITY

DOMESTIC EQUITY

WESTERN ASSET INDEX PLUS	\$104,411,462	\$20,227,294
TOTAL DOMESTIC EQUITY	104,411,462	20,227,294

DOMESTIC INDEX FUNDS

BLACKROCK - US EQUITY MARKET	1,131,125,708	0
BLACKROCK - EXTENDED EQUITY	44,003,222	1
TOTAL EQUITY INDEX FUNDS	1,175,128,930	1

INTERNATIONAL EQUITY

SPRUCEGROVE	195,253,369	0
HEXAVEST	82,676,228	0
WALTER SCOTT	95,124,253	0
TOTAL INTERNATIONAL EQUITY	373,053,850	0

INTERNATIONAL INDEX FUNDS

BLACKROCK - ACWIXUS	269,193,383	0
TOTAL INTERNATIONAL INDEX FUNDS	269,193,383	0

GLOBAL EQUITY

GRANTHAM MAYO AND VAN OTTERLOO (GMO)	221,174,872	0
BLACKROCK - GLOBAL INDEX	222,069,253	0
TOTAL GLOBAL EQUITY	443,244,124	0

PRIVATE EQUITY

ADAMS STREET	51,615,307	0
PANTHEON	9,665,080	0
HARBOURVEST	22,460,931	0
TOTAL PRIVATE EQUITY	83,741,318	0

FIXED INCOME

DOMESTIC

LOOMIS SAYLES AND COMPANY	67,059,684	2,894,554
REAMS	248,371,469	182
WESTERN ASSET MANAGEMENT	254,144,723	5,306,928
TOTAL DOMESTIC	569,575,876	8,201,664

DOMESTIC INDEX FUNDS

BLACKROCK - US DEBT INDEX	136,283,806	0
TOTAL DOMESTIC INDEX FUNDS	136,283,806	0

GLOBAL

LOOMIS SAYLES AND COMPANY	95,537,210	0
LOOMIS ALPHA	41,560,743	0
PIMCO	123,635,510	2,008,189
TOTAL GLOBAL	260,733,463	2,008,189

**VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2014**

EQUITY MANAGERS

DOMESTIC

BLACKROCK - US EQUITY	\$159,935
BLACKROCK - EXTENDED EQUITY	12,474
WESTERN ASSET INDEX PLUS	166,137
TOTAL	338,546

INTERNATIONAL

BLACKROCK - ACWIXUS	230,938
SPRUCEGROVE	513,037
HEXAVEST	270,564
WALTER SCOTT	604,975
TOTAL	1,619,515

GLOBAL

GRANTHAM MAYO VAN OTTERLOO (GMO)	1,017,002
BLACKROCK - GLOBAL INDEX	56,478
TOTAL	1,073,480

PRIVATE EQUITY

ADAMS STREET	1,014,062
HARBOURVEST	274,279
PANTHEON	112,500
TOTAL	1,400,841

FIXED INCOME MANAGERS

DOMESTIC

BLACKROCK - US DEBT INDEX	69,592
LOOMIS, SAYLES AND COMPANY	208,450
REAMS ASSET MANAGEMENT	337,355
WESTERN ASSET MANAGEMENT	357,025
TOTAL	972,422

GLOBAL

LOOMIS, SAYLES AND COMPANY	187,698
LOOMIS ALPHA	115,424
PIMCO	296,812
TOTAL	599,935

REAL ESTATE

PRUDENTIAL REAL ESTATE ADVISORS	562,552
RREEF	74,525
UBS REALTY	1,389,688
TOTAL	2,026,765

ALTERNATIVES

BRIDGEWATER	694,148
TORTOISE	578,128
TOTAL	1,272,276

CASH OVERLAY - CLIFTON

122,416

**VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2014**

SECURITIES LENDING	
BORROWERS REBATE	(41,207)
MANAGEMENT FEES	53,092
TOTAL	<u>11,885</u>
OTHER	
INVESTMENT CONSULTANT	216,434
INVESTMENT CUSTODIAN	81,426
TOTAL	<u>297,860</u>
TOTAL INVESTMENT MANAGEMENT FEES	<u><u>\$9,735,941</u></u>

**BOARD MEMBER EDUCATION
COMPLIANCE PURSUANT TO
GOVERNMENT CODE SECTION 31522.8**

Reporting Period January 1, 2013 – December 31, 2013

Government Code Section 31522.8, effective January 1, 2013, requires Trustees to receive at least 24 hours of Board member education during the first two years after becoming a trustee, and during each subsequent two year period. VCERA Education and Travel Policy identifies the appropriate topics for Board member education.

PETER FOY	HOURS
TOTAL HOURS REPORTED	No hours reported

ARTHUR GOULET	HOURS
Grantham, Mayo, Van Otterloo (GMO) Investment Presentation January 22, 2013	2.00
California Association of Public Retirement Systems (CALAPRS) Advanced Principles in Governance January 29-31, 2013	14.75
California Association of Public Retirement Systems (CALAPRS) Trustees' Roundtable February 8, 2013	5.00
Manatt, Phelps, Phillips, LLP Public Pension Fiduciary Forum March 22, 2013	7.50
Pension Bridge Pension Bridge Conference April 14-17, 2013	16.00
State Association of County Retirement Systems (SACRS) Spring Conference May 14-17, 2013	9.00
Opal Financial Group Investment Trends Summit September 25-27, 2013	7.35
State Association of County Retirement Systems (SACRS) Fall Conference November 11-15, 2013	12.75
TOTAL HOURS REPORTED	74.35

JOSEPH HENDERSON	HOURS
Pension Bridge Pension Bridge Conference April 15-17, 2013	No hours reported
TOTAL HOURS REPORTED	

STEVEN HINTZ	HOURS
State Association of County Retirement Systems (SACRS) Spring Conference May 12-17, 2013	5.00
TOTAL HOURS REPORTED	5.00

WILL HOAG	HOURS
Manatt, Phelps, Phillips, LLP Public Pension Fund Fiduciary Forum March 22, 2013	8.00
State Association of County Retirement Systems (SACRS) Spring Conference May 14-17, 2013	7.75
State Association of County Retirement Systems (SACRS) Fall Conference November 12-15, 2013	11.08
TOTAL HOURS REPORTED	26.83

CHRIS JOHNSTON	HOURS
Grantham, Mayo, Van Otterloo (GMO) Investment Presentation January 22, 2013	2.00
Manatt, Phelps, Phillips, LLP Public Pension Fund Fiduciary Forum March 22, 2013	8.00
State Association of County Retirement Systems (SACRS) Spring Conference May 14-17, 2013	No hours reported
TOTAL HOURS REPORTED	10.00

TOM JOHNSTON	HOURS
State Association of County Retirement Systems (SACRS) Spring Conference May 13-17, 2013	11.00
UC Berkley/State Association of County Retirement Systems (SACRS) Public Pension Investment July 28-31	24.45
TOTAL HOURS REPORTED	35.45

TRACY TOWNER	HOURS
Grantham, Mayo, Van Otterloo (GMO) Investment Presentation January 22, 2013	2.00
Adams Street Partners Client Conference June 4-6, 2013	7.00
State Association of County Retirement Systems (SACRS) Spring Conference May 14, 2013	11.00
TOTAL HOURS REPORTED	20.00

DEANNA MCCORMICK	HOURS
State Association of County Retirement Systems (SACRS) Spring Conference May 14-17, 2013	28.00
Manatt, Phelps, Phillips, LLC Fiduciary Forum March 22, 2013	7.00
California Association of Public Retirement Systems (CALAPRS) Principles of Pension Management March 26-29, 2013	32.00
UC Berkley/State Association of County Retirement Systems (SACRS) Public Pension Investment Manger Program July 28-31, 2013	24.45
TOTAL HOURS REPORTED	91.45

MICHAEL SEDELL	HOURS
State Association of County Retirement Systems (SACRS) Fall Conference November 12-15, 2013	8.45
Manatt, Phelps, Phillips, LLC Fiduciary Forum March 28, 2013	8.00
TOTAL HOURS REPORTED	16.45

WILLIAM WILSON	HOURS
State Association of County Retirement Systems (SACRS) Spring Conference May 14-17, 2013	9.00
State Association of County Retirement Systems (SACRS) Fall Conference November 12-15, 2013	8.45
TOTAL HOURS REPORTED	17.45



PRIVATE & CONFIDENTIAL

Review presentation for
Ventura County Employees
Retirement Association

21 July 2014

➤ A BNY MELLON COMPANYSM

Authorised and regulated by the Financial Conduct Authority

Agenda

Firm overview

Performance review

Portfolio overview

Investment research

Overview

As of 30 June 2014

Global equity manager

Founded in 1983

Based in Edinburgh, Scotland

\$69.9* billion under management

\$18.6* billion in International equities

~ 100 staff

Investment team

Staff	33 investment professionals in one location
Training	Home grown bias, two year apprenticeship
Structure	All members of global team, structured in three regional groups
Tenure	Senior staff average 18 years with firm, 18 years in industry
Outcome	Breadth and depth of knowledge and expertise

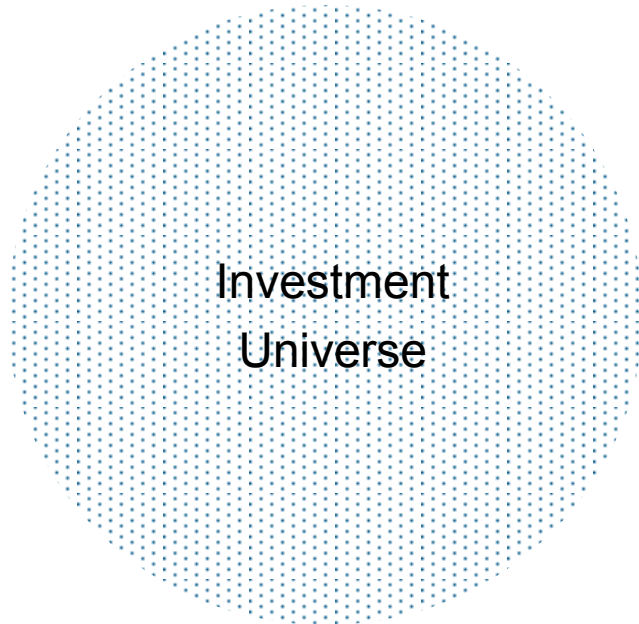
Bound together by the firm's consistent philosophy, process and culture

Investment philosophy

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

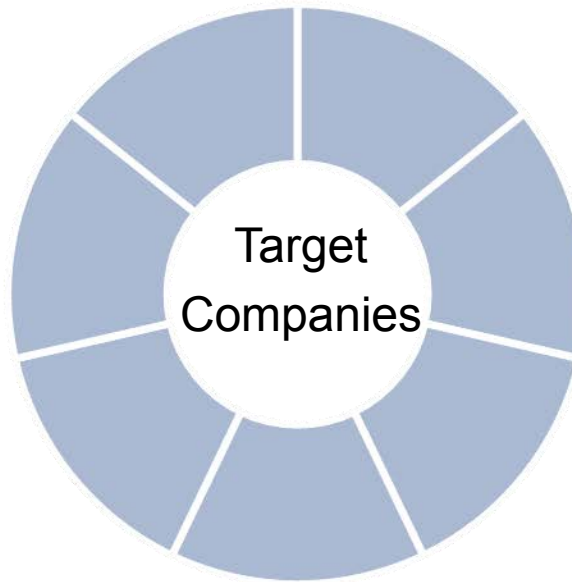
‘Buy and hold’ strategy requires patience

Research process



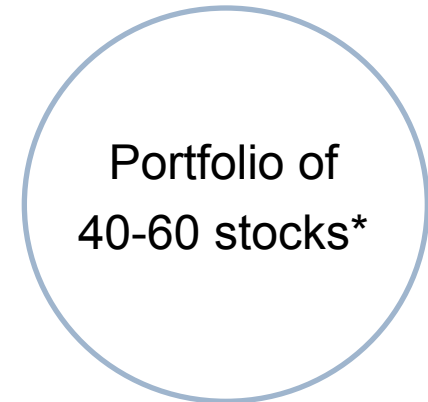
Investment
Universe

Research companies capable of
20% wealth generation per annum



Target
Companies

Intensive financial analysis
Seven areas of investigation

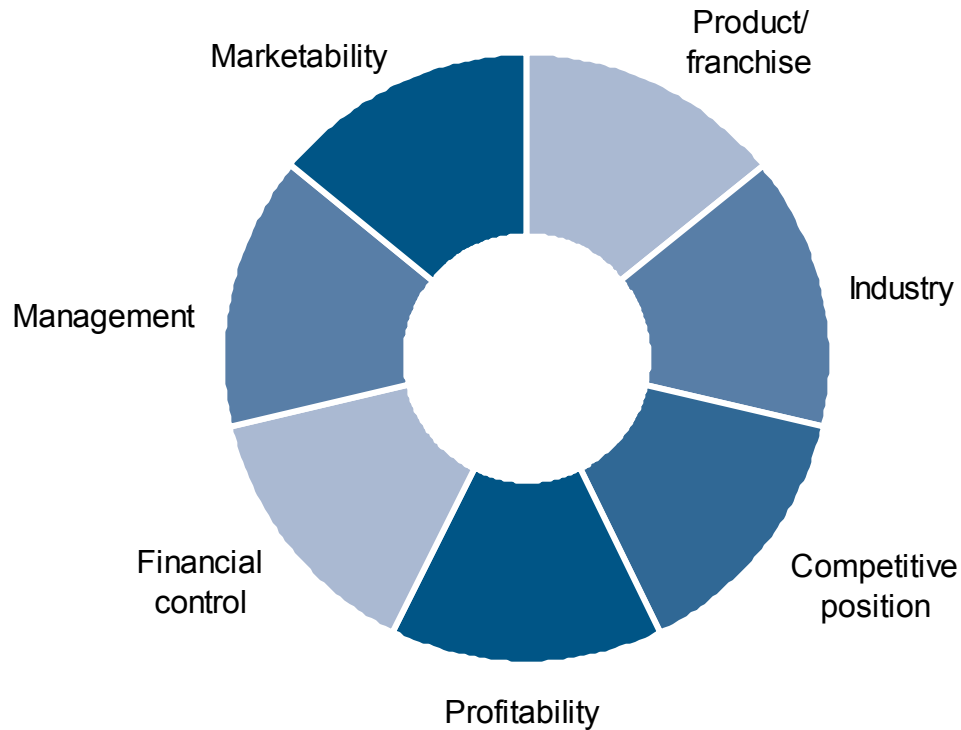


Portfolio of
40-60 stocks*

Unanimous team decision
Valuation

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

Seven areas of investigation



Market position, sustainable margins

Competitive structure, industry dynamics

Control of destiny

Cash flow, cash return on investment

Accounting, balance sheet, working capital

Experience, track record

Free float, trading volume

Portfolio management

Fundamental Breakdown of purchase rationale

Risk control 5% single stock exposure

Performance

Valuation

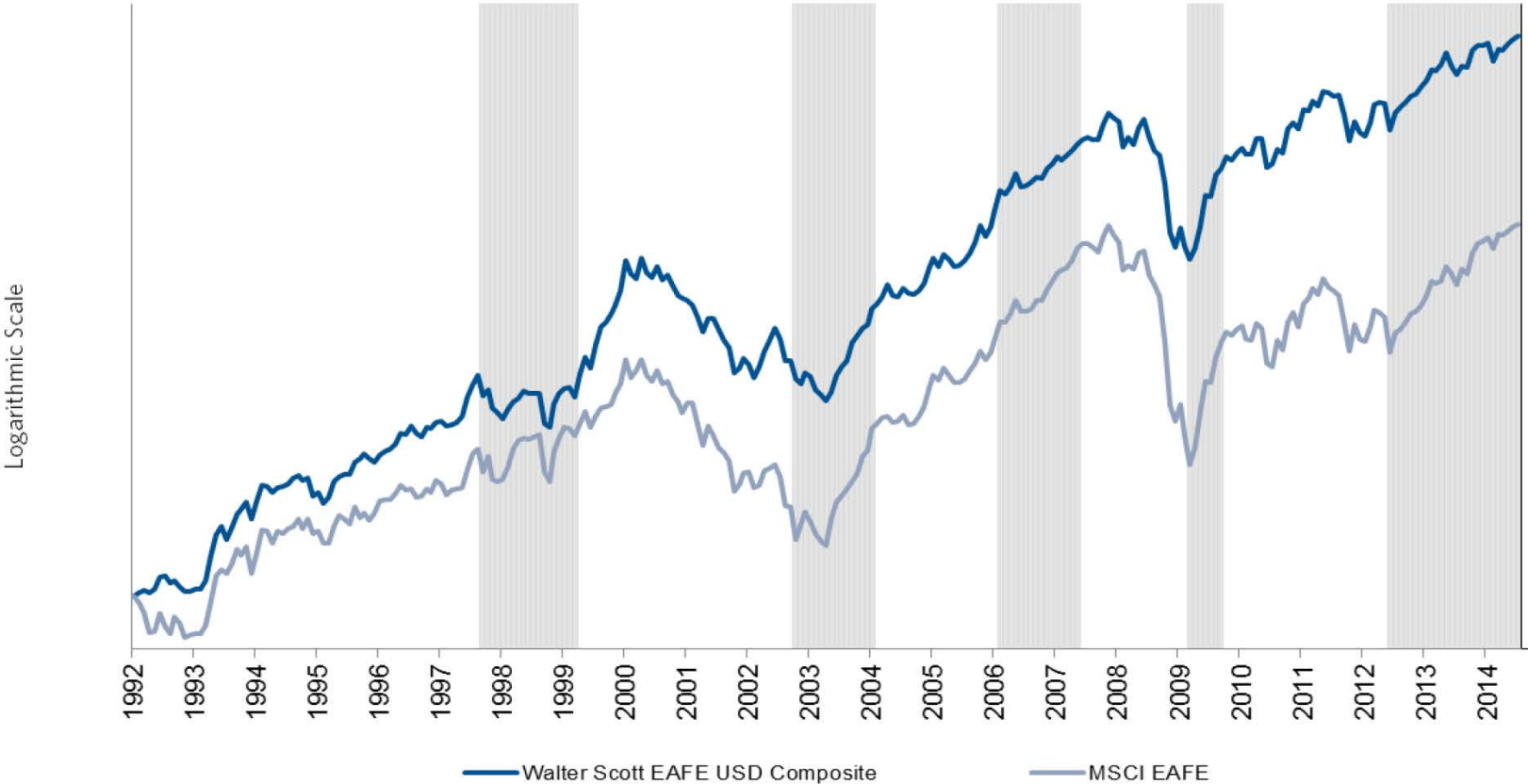
Performance

As of 30 June 2014

	Portfolio %	MSCI EAFE %
Simple return:		
Q2 2014	5.5	4.1
One year	14.2	23.6
2013	12.9	22.8
2012	21.6	17.3
Compound annual growth rate:		
Three years	7.2	8.1
Since inception (15 December 2010)	8.1	8.7

Historic performance

As of 30 June 2014 (estimated)



Walter Scott USD composite performance schedule

As of 30 June 2014 (estimated)

Percentage returns, annualised from two years onwards

Period	Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years	Twenty Years
Walter Scott Global Equities	4.5	19.0	11.9	14.6	10.6	9.1	10.7
MSCI World	4.9	24.0	11.8	15.0	7.2	4.2	7.2
Walter Scott International Equities [#]	5.1	14.4	7.3	11.8	9.2	7.5	8.2
MSCI EAFE	4.1	23.6	8.1	11.8	6.9	4.6	5.5
Walter Scott Europe Equities	5.7	22.4	11.0	17.1	11.4	10.3	11.1
MSCI Europe	3.3	29.3	8.7	13.0	7.5	5.1	8.4
Walter Scott USA Equities	2.5	19.2	13.7	17.5	-	-	-
MSCI USA	5.1	24.2	15.8	18.2	-	-	-
Walter Scott Emerging Markets Equities	6.0	8.7	3.8	11.6	14.8	12.0	-
MSCI Emerging Markets [~]	6.7	14.7	-0.1	9.6	12.3	9.2	-

Walter Scott claims compliance with the Global Investment Performance Standards (GIPS®).

Performance is shown gross of investment management fees; Past performance is not a guide to future performance.

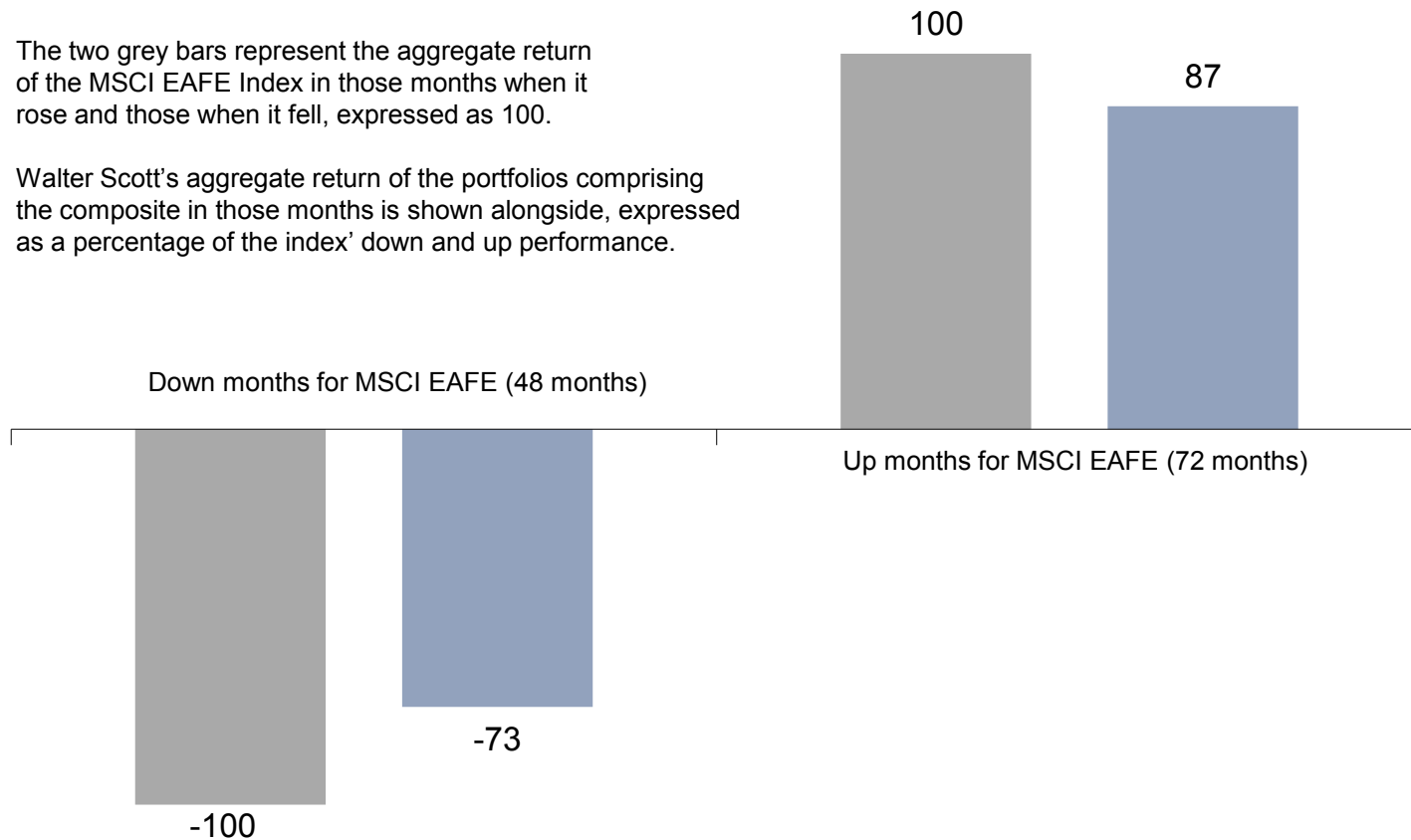
Source: Walter Scott, MSCI. [#]Walter Scott International Equities is also known as the Walter Scott EAFE Equities Composite. [~]MSCI Emerging Markets is shown with gross dividends reinvested. Please refer to the appendix for important information.

International equities capture ratios

Ten years to 30 June 2014 (estimated)

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

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



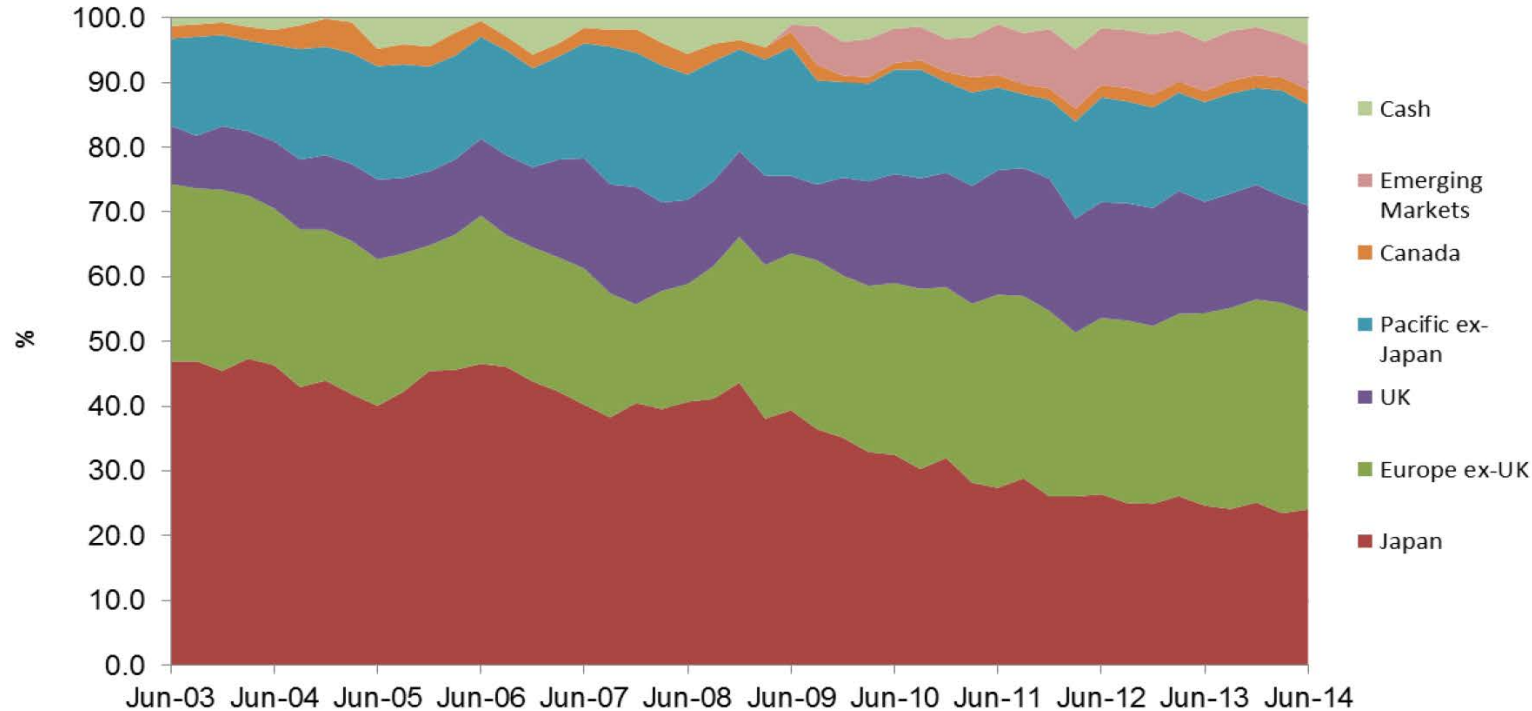
Stock performance

Twelve months to 31 December 2013

Company	Sector	Country	ROE (%)	CROCE (%)	Debt/Equity (%)	Capital Return (%)
Top five:						
Daikin Industries	Industrials	Japan	7	14	97	83
Keyence	Information technology	Japan	9	14	0	55
Denso	Consumer discretionary	Japan	8	17	0	54
Adidas	Consumer discretionary	Germany	10	22	6	44
Hennes & Mauritz	Consumer discretionary	Sweden	39	49	0	34
Bottom five:						
Komatsu	Industrials	Japan	11	17	57	-20
Coca-Cola Amatil	Consumer staples	Australia	22	22	100	-23
Petroleo Brasileiro SA	Energy	Brazil	6	9	67	-24
China Shenhua	Energy	China	19	21	15	-28
Cochlear	Healthcare	Australia	37	56	47	-36

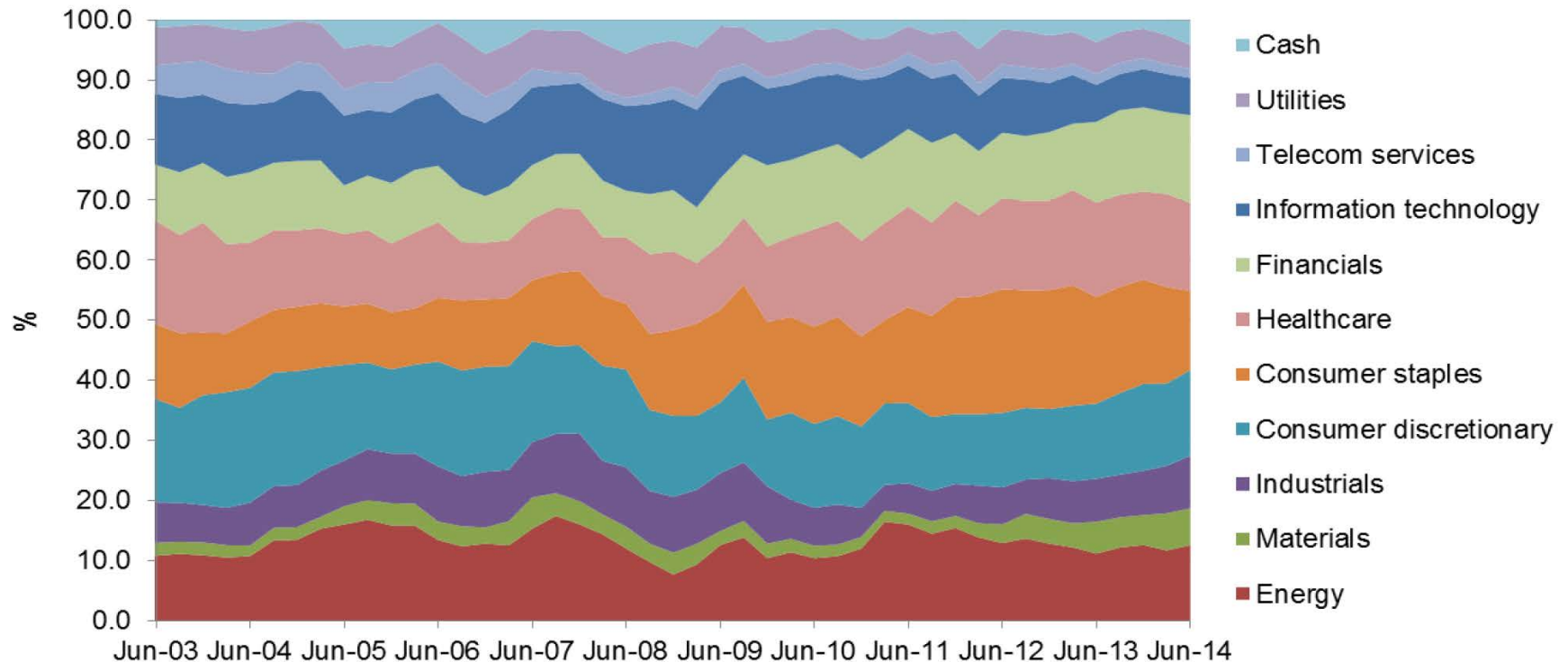
Historical international equity portfolio distribution by region

30 June 2014



Historical international equity portfolio distribution by sector

30 June 2014



Sector distribution

As of 30 June 2014

Sector	Portfolio %	MSCI EAFE %	Difference %
Energy	11.4	7.3	4.1
Healthcare	14.6	10.5	4.1
Consumer discretionary	15.2	11.9	3.3
Information technology	6.1	4.4	1.7
Utilities	4.5	3.9	0.6
Consumer staples	11.4	11.1	0.3
Materials	5.9	8.0	-2.1
Industrials	10.6	12.7	-2.1
Telecommunication services	1.6	4.9	-3.3
Financials	15.0	25.3	-10.3
Liquidity	3.7		3.7

Regional distribution

As of 30 June 2014

Region	Portfolio %	MSCI EAFE %	Difference %
Emerging Markets	6.9	0.0	6.9
Japan	25.0	20.2	4.8
Asia Pacific ex Japan	16.0	12.1	3.9
Canada	2.1	0.0	2.1
Rest of World	0.0	0.5	-0.5
UK	14.2	21.4	-7.2
Europe ex UK	32.1	45.7	-13.6
Liquidity	3.7		3.7

Top ten holdings

As of 30 June 2014

Company	Weight %
Daito Trust Construction	2.5
DBS Group Holdings	2.3
Inpex Corporation	2.3
Danone	2.2
Novo Nordisk	2.2
CNOOC	2.2
Reckitt Benckiser	2.2
Keyence	2.2
Roche	2.1
Chugai Pharmaceutical	2.1

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

Activity

Six months to 30 June 2014

Purchases	Sales
Diageo (Jun)	Coca-Cola Amatil (Jun)
Intertek (Apr)	Colruyt (Jun)
LVMH (Apr)	Mitsubishi Estate (Feb)
	Petroleo Brasileiro SA (Jan)
	Tesco (Apr)

Appendix

1. DEFINITION OF FIRM

Walter Scott & Partners Limited ("Walter Scott") is an investment management firm authorized and regulated in the United Kingdom by the Financial Conduct Authority in the conduct of investment business. Walter Scott is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Walter Scott is responsible for portfolios managed on behalf of pension plans, endowments and similar institutional investors. Total assets under management were US\$68.6 billion as at 31 March 2014.

2. FIRM COMPOSITES

Walter Scott constructs composites of portfolios invested in equities. They include US Dollar composites for EAFE, Global, European and Emerging Markets mandates, Canadian Dollar composites for EAFE and Global mandates, and a number of others.

Composites include all portfolios managed by Walter Scott where the company has full discretionary authority. No non-fee paying portfolios are included in the composites presented in this report. Portfolios where Walter Scott acts in an advisory only role are excluded from composites.

Composite figures in this presentation are extracted from one or more of the composites reports prepared by Walter Scott in compliance with the Global Investment Performance Standards (GIPS). The effective date of compliance of the Firm with GIPS standards is 1 January 1994.

3. CALCULATION METHODOLOGY

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

The composite shown is an aggregation of portfolios representing a similar investment strategy. Composites are size-weighted using beginning of period values to weight portfolio returns. Portfolios are included in a composite beginning with the first full month of performance and until the month immediately prior to termination of an account.

Annualized return represents the level annual rate which, if earned each year in a multiple-year period, would produce the actual cumulative rate of return over the whole period.

4. FEES AND TRADING EXPENSES

Composites are net of trading expenses, administrative fees and non-reclaimable withholding taxes on dividends and interest. Withholding taxes vary depending upon the country of investment but range between 0% and 30%. Benchmark returns are net of withholding taxes on dividends unless otherwise stated. Performance results net of fees are available on request.

5. INTERNAL DISPERSION

The internal dispersion measure presented is the equal-weighted standard deviation of the annual returns of all the portfolios that were included in the composite for the entire period, but is not appropriate for less than five portfolios.

6. COMPOSITE CREATION DATE

The composite creation date is the date on which Walter Scott first grouped portfolios to create the composite.

7. MINIMUM PORTFOLIO VALUE

Walter Scott's current policy is not to apply a minimum size criterion. Prior to 31 March 1994, only portfolios above US\$5 million were included in the Walter Scott EAFE Equities USD composite.

8. STANDARD DEVIATION

The three-year annualised standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented when monthly returns were not available throughout the full 36-month period.

9. EXCHANGE RATES

Exchange rates used in composite return calculations are based on custodian exchange rates at the individual portfolio level. This will introduce additional transient dispersion between the returns of portfolios which make up the composite. Benchmark data uses the WM/Reuters Closing Spot Rates.

10. LEVERAGE, DERIVATIVES AND SHORT POSITIONS

Walter Scott does not generally use derivatives, but American style currency options have been used occasionally for hedging purposes. Walter Scott does not use leverage or short positions.

11. FIRM POLICIES

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Appendix

12. BENCHMARK DEFINITIONS

Walter Scott compares its composites against the published MSCI indices as shown in this presentation. Further information on these indices can be found at www.msci.com.

13. COMPOSITE DESCRIPTIONS

Walter Scott applies the same investment philosophy and process across all portfolios, regardless of size, mandate type or base currency.

Walter Scott uses broad inclusion criteria for its composites. Some composites may contain portfolios that have ethical or other investment restrictions, and portfolios that are subject to different tax regimes. Although these mandate differences can lead to some performance dispersion within composites, Walter Scott believes that its composite methodology accurately reflects the firm's investment record. The returns for each composite are shown alongside the relevant benchmark.

Walter Scott has been independently verified from 1 January 1994. Performance data for the full history of some composites has not been shown. This information is available on request.

A description of each composite included in this report follows. A full list of the firm's composite descriptions is available on request.

Walter Scott Global Equities USD

This composite includes all global equity portfolios with a US dollar base currency that have broadly similar mandates and guidelines.

Walter Scott EAFE Equities USD

This composite includes all global ex USA equity portfolios with a US dollar base currency that have broadly similar mandates and guidelines.

Walter Scott Europe Equities USD

This composite includes all European equity portfolios with a US dollar base currency that have broadly similar mandates and guidelines.

Walter Scott USA Equities USD

This composite includes all USA equity portfolios with a US dollar base currency that have broadly similar mandates and guidelines.

Walter Scott Emerging Markets Equities USD

This composite includes all emerging market equity portfolios with a US dollar base currency that have broadly similar mandates and guidelines.

14. FEE SCHEDULE

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

Investment advisory fees are described in more detail in Part II of Form ADV for Walter Scott. An example of the current US\$ fees charged to a portfolio included in the composite are set forth below.

Segregated Accounts:	%	Commingled Accounts:	%
Initial funding in excess of US\$100m		International ^{1,3} /Global LLC ^{1,3}	
On the first US\$100m	0.75	Flat fee	1.00
Thereafter	0.50		
		International ² /Global ² /EM Group Trust ²	
Funding in excess of US\$250m		On the first US\$50m	1.00
On the first \$250m	0.55	Next US\$25m	0.85
Next US\$250m	0.50	Thereafter	0.60
Next US\$250m	0.45		
Next US\$250m	0.40	Group Trust USA ²	
Thereafter	0.35	On the first US\$100m	0.70
		Thereafter	0.50
		Notes:	
Funding in excess of US\$500m		1. Fund pays custody and other expenses	
On the first US\$500m	0.50	2. Walter Scott pays custody	
Next US\$250m	0.45	3. Segregated fees not applicable in this fund	
Next US\$250m	0.40		
Thereafter	0.35		

Appendix

15. COMPLIANCE STATEMENT

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

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

16. IMPORTANT INFORMATION

16.1 Walter Scott's Investment Approach

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

16.2 Portfolio Holdings and Allocations

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

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

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

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

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

16.3 Definitions

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

16.4 Third Party Sources

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

16.5 Performance Statement

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

16.6 Performance Indices

Comparisons to the indices have limitations because the volatility and material characteristics of the indices represented in this presentation may be materially different from that of the portfolio managed by Walter Scott. Because of these differences, investors should carefully consider these limitations when evaluating the performance in comparison to benchmark data as provided herein. Where referencing MSCI or any other index performance figures: no party involved in or related to compiling, computing or creating the index data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data.

Appendix

Without limiting any of the foregoing, in no event shall an index provider, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the index data is permitted without the provider's express written consent. The indices do not incur expenses, are not available for investment and include reinvestment of dividends.

16.7 Benchmark Definitions

MSCI World

The MSCI World index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of developed markets. As of December 2013, the MSCI World index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

MSCI EAFE (Europe, Australasia, Far East)

The MSCI EAFE index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. As of December 2013 the MSCI EAFE index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI Europe

The MSCI Europe index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of December 2013, the MSCI Europe index consisted of the following 15 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

MSCI USA

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

MSCI Emerging Markets

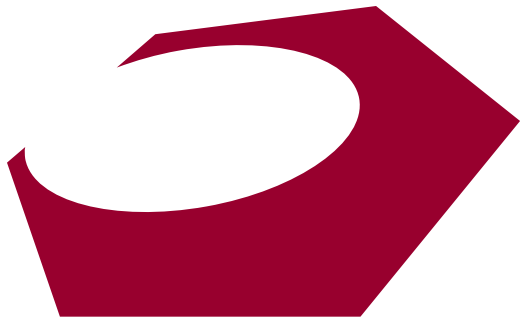
The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

16.8 Private Fund Risks

Investments in private funds are speculative and involve special risks. Investments in private funds may be suitable only for certain investors. The following is not an inclusive list of all risk factors applicable to hedge funds and private funds: Funds often engage in investment practices that may increase the risk of investment loss. An investor could lose all or a substantial portion of his or her investment. Private funds are generally not subject to the same regulatory oversight and/or regulatory requirements as mutual funds. Due to the fund's tax structure, it may take longer to distribute important tax information. Funds may not be required to provide daily valuation information to investors. Performance may be volatile. There can be no assurance that a fund's objectives will be met. Fees and expenses may offset an investor's profits. The investment adviser has total discretion over strategy selection and allocation decisions. A lack of manager and/or strategy diversification may result in higher risk. There is generally no secondary market for an investor's interest in a privately-offered fund. Any potential risk factors discussed in connection with this presentation are not intended to be a complete list of risks associated with an investment in any fund. A more comprehensive description of the private fund's investment philosophy and the potential risk factors are outlined in the offering memorandum of each private fund.



BNY MELLON



Hexavest

**VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

Investment Review
July 21, 2014



- Corporate update
- Performance
- Market outlook
- Investment strategy
- Appendix

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Hexavest

CORPORATE UPDATE



HEXAVEST - OVERVIEW

FIRM

- Montreal-based firm specializing in equity and tactical asset allocation strategies for institutions worldwide
- Founded in 2004
- No turnover in the investment team since 1991
- 43 employees
- \$17.2 billion of assets under management (189 clients)

PHILOSOPHY

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

STRATEGIC PARTNERSHIP

- Eaton Vance Corp. acquired a 49% interest in Hexavest in August 2012
- Eaton Vance acts as Hexavest's distribution partner in all markets except Canada
- Allows Hexavest to focus on investment management
- Provides Eaton Vance with broader set of institutional investment capabilities
- Hexavest's 15 employee-owners continue to control the firm and direct its operations

PERFORMANCE

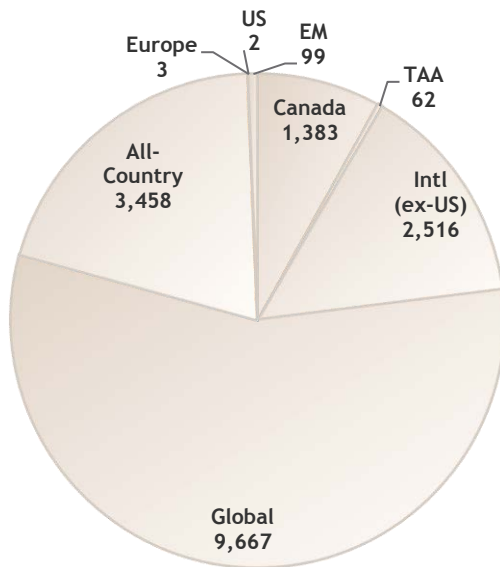
- Strong track record
 - EAFE Equities (23 years)
 - U.S. Equities (23 years)
 - Global Equities (15 years)
 - Canadian Equities (7 years)
- Solid risk metrics: low volatility and downside protection



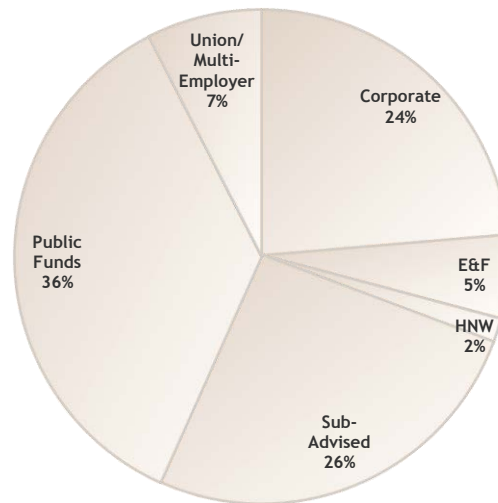
ASSETS UNDER MANAGEMENT

- Assets under management: \$17.2 billion for 189 clients

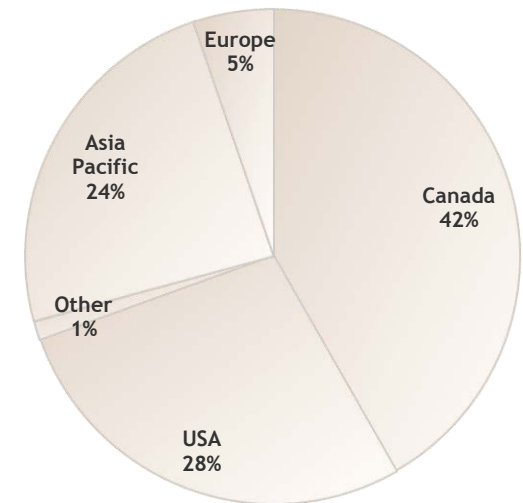
Assets by Mandate (\$M)



Client Type



Client Location





INVESTMENT TEAM AND OTHER INVESTMENT PROFESSIONALS

Strategy Team

Vital Proulx, CFA
President &
Chief Investment Officer
Industry experience: 25 years
Team member since: 1991

Product Specialists

- › **Robert Brunelle, CFA, ASA**
Senior Vice President
Industry experience: 23 years
Team member since: 1998
- › **Nadia Cesaratto, CFA, FRM**
Vice President
Industry experience: 12 years
Team member since: 2009
- Jo-Annie Pinto, CIM®**
Director
Industry experience: 16 years
Team member since: 2012
- › Co-Chairs of the
Investment Committee.

North America

Jean-René Adam, M.Sc., CFA
Co-Chief Investment Officer &
Vice President, North American Markets
Industry experience: 12 years
Team member since: 2006

David Cormier *
Analyst, North American Markets
Industry experience: 19 years
Team member since: 2013

Asia Pacific

Frédéric Imbeault, M.Sc., CFA
Vice President, Asian Markets
Industry experience: 18 years
Team member since: 1999

Etienne Durocher-Dumais, CFA *
Analyst, Asian Markets
Industry experience: 6 years
Team member since: 2012

Multi-Region

Carl Bayard, CFA
Senior Analyst, Stock Selection
Industry experience: 14 years
Team member since: 2011

Julien Tousignant, M.Sc. *
Analyst, Macroeconomy
Industry experience: 1 year
Team member since: 2013

Emerging Markets

Jean-Pierre Couture, M.Sc.
Economist & Strategist
Emerging Markets
Industry experience: 19 years
Team member since: 2010

Jean-Benoit Leblanc, M.Sc., CFA
Portfolio Manager, Emerging Markets
Industry experience: 15 years
Team member since: 2009

Europe

Marc C. Lavoie, CPA, CA, CFA, M.Sc.
Vice President, European Markets
Industry experience: 14 years
Team member since: 2003

Denis Rivest, CFA
COO & Portfolio Manager,
European Markets
Industry experience: 27 years
Team member since: 1996

Christian Crête, CFA *
Analyst, European Markets
Industry experience: 15 years
Team member since: 2012

Quantitative Research

Jean-François Bérubé, Ph.D.
Vice President, Quantitative Analysis &
Information Technology
Industry experience: 7 years
Team member since: 2009

Jean-René Guilbault, M.Sc. *
Quantitative Analyst
Industry experience: 14 years
Team member since: 2013

Marc Veilleux, MBA, Ph.D.
Consultant, Special Projects
Industry experience: 23 years
Team member since: 1991

Trading

Éric St-Onge
Head Trader
Industry experience: 23 years
Team member since: 2011

Rashmikanth Patel
Trader
Industry experience: 12 years
Team member since: 2008

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



Hexavest

PERFORMANCE



PERFORMANCE NET OF FEES

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Performance Report as at June 30, 2014

Benchmark: MSCI EAFE NET

Currency: USD

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

NET RETURNS

	1 month	3 months	6 months	YTD	1 year	Annualized					Since inception
						2 years	3 years	4 years	5 years	10 years	
Portfolio	1.17%	4.47%	3.69%	3.69%	19.10%	16.87%	7.37%	---	---	---	7.41%
Benchmark	0.96%	4.09%	4.78%	4.78%	23.57%	21.07%	8.10%	---	---	---	8.68%
Value added	0.21%	0.38%	-1.09%	-1.09%	-4.47%	-4.20%	-0.73%	---	---	---	-1.27%

NET RETURNS BY CALENDAR YEAR

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Portfolio	20.22%	13.65%	-9.63%	0.59%	---	---	---	---	---	---
Benchmark	22.78%	17.32%	-12.14%	1.25%	---	---	---	---	---	---
Value added	-2.56%	-3.67%	2.51%	-0.66%	---	---	---	---	---	---

EVOLUTION OF ASSETS

Assets as at 2014-05-31	Net inflow	Gross return	Assets as at 2014-06-30
82,676,228.26 USD	---	1,002,037.51 USD	83,678,265.77 USD

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



PERFORMANCE ATTRIBUTION

HEXAVEST EAFE EQUITY FUND - Q3 2013

- Regions and countries (-0.40%)**

- In the 3rd quarter, the MSCI EAFE index gained 7.50% in local currencies. The MSCI Europe and MSCI Pacific indices returned 8.12% and 6.52% respectively. Our region and country selection detracted 0.40% from performance during the period, mainly as a result of our underweight position in Italy and our overweight position in the UK.

- Currencies (-0.27%)**

- Active currency management subtracted 0.27% from performance during the quarter, mainly as a result of our decisions to favor the Hong Kong dollar and the U.S. dollar in the portfolio. On the other hand, our underweight positions in the Australian dollar and in the Japanese yen had a positive impact on performance during the quarter.

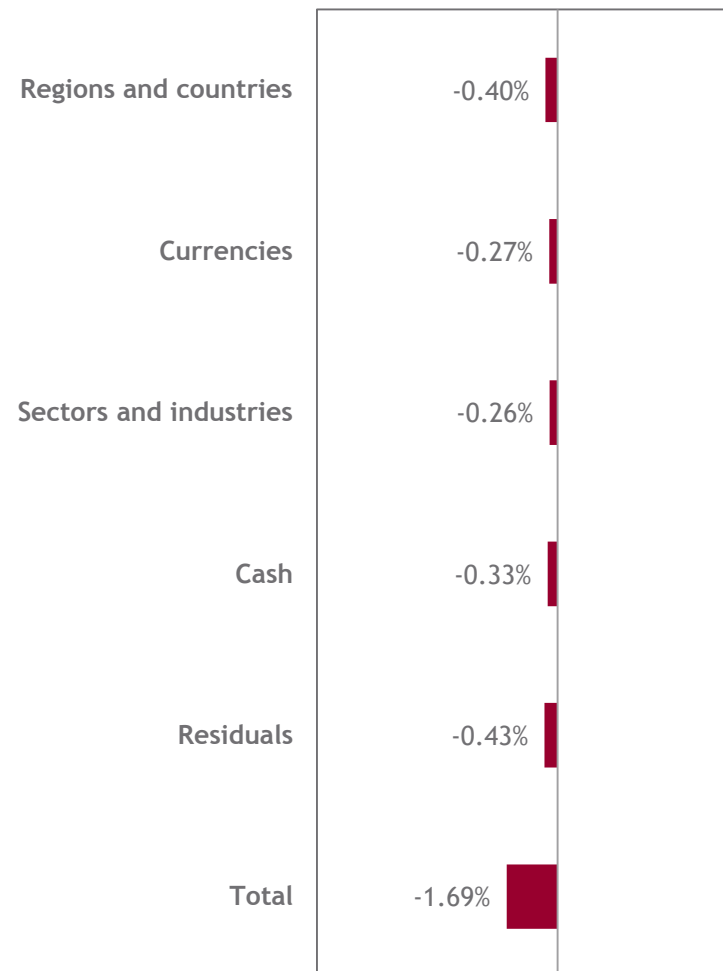
- Sectors and industries (-0.26%)**

- Our sector and industry selection had a negative contribution of 0.26% in the third quarter. Our overweight positions in staples and European pharmas were the main detractors, while our overweight positions in telcos and the metals & mining industry added value during the period.

- Residuals (-0.43%)**

- The impact from residuals was -0.43% during the quarter. As for stock selection, the main positive contributors included our overweight positions in Total (energy), Shire (healthcare) and Fortescue Metals Group (materials). Negative contributors included our overweight positions in KDDI (telcos) and Sanofi (healthcare), as well as our underweighting in Nokia (telcos).

GROSS VALUE ADDED VS.
MSCI EAFE NET INDEX



■ Q3 2013

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PERFORMANCE ATTRIBUTION

HEXAVEST EAFE EQUITY FUND - Q4 2013

- Regions and countries (-0.12%)**

- In the 4th quarter, the MSCI EAFE index gained 6.36% in local currencies. The MSCI Europe and MSCI Pacific indices returned 5.96% and 7.21% respectively. Our region and country selection detracted 0.12% from performance during the period, mainly due to our underweight position in Germany and overweight position in South Korea.

- Currencies (0.25%)**

- Active currency management added 0.25% to performance during the quarter, mainly as a result of our decisions to underweight the yen and the Australian dollar in favor of the U.S. dollar in the portfolio. On the other hand, our underweight position in the euro had a negative impact on performance during the quarter.

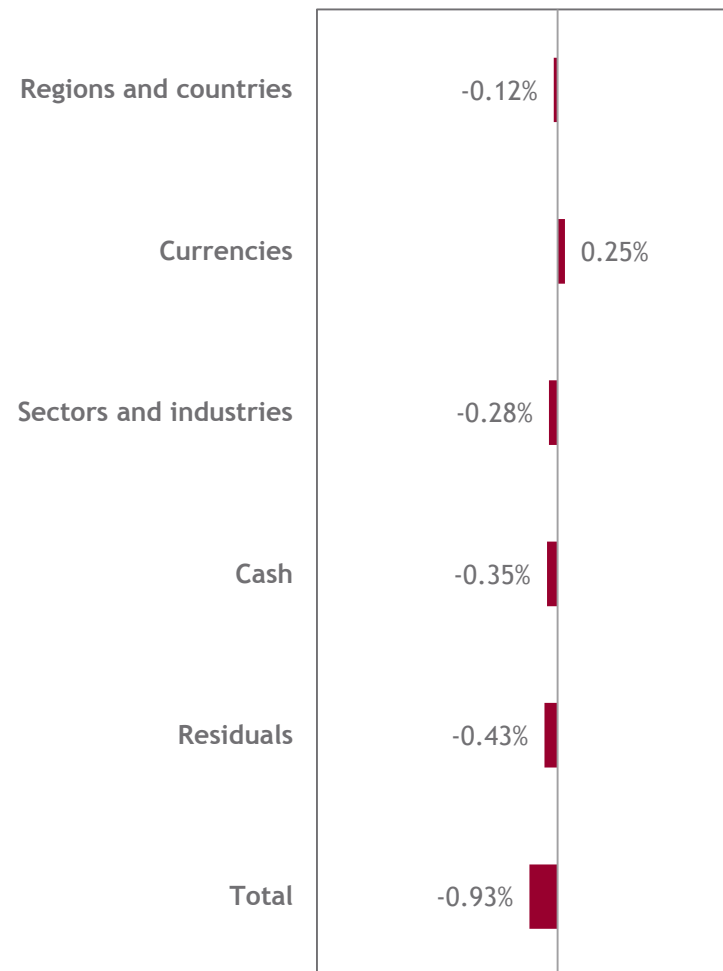
- Sectors and industries (-0.28%)**

- Our sector and industry selection had a negative contribution of 0.28% in the fourth quarter. Our overweight position in staples and our underweight in financials had a negative impact on performance while our overweight position in telcos added value during the period.

- Residuals (-0.43%)**

- The impact from residuals was -0.43% during the quarter. As for stock selection, the main positive contributors included our overweight positions in Rio Tinto (materials), Shire (healthcare) and KDDI (telcos). Negative contributors included our overweight positions in Nissan Motor (cons. disc.), Newcrest and Glencore Xstrata (materials).

GROSS VALUE ADDED VS.
MSCI EAFE NET INDEX



■ Q4 2013



PERFORMANCE ATTRIBUTION

HEXAVEST EAFE EQUITY FUND - Q1 2014

- Regions and countries (-0.33%)**

- In the 1st quarter, the MSCI EAFE index returned -0.28% in local currencies. The MSCI Europe and MSCI Pacific indices returned 1.82% and -4.68% respectively. Our region and country selection had a negative impact on performance during the period, mainly due to our underweight positions in Italy and France.

- Currencies (-0.42%)**

- Active currency management subtracted 0.42% from performance during the quarter, mainly as a result of our decisions to underweight the yen in favor of the U.S. dollar in the portfolio. On the other hand, our underweight position in the euro had a positive impact on quarterly performance.

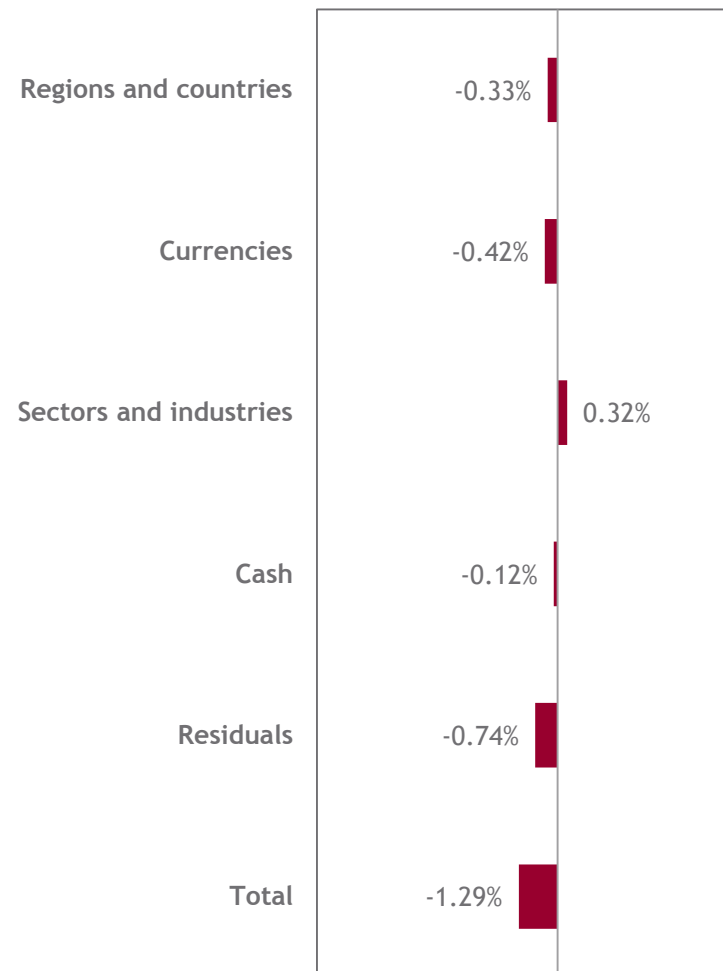
- Sectors and industries (0.32%)**

- Our sector and industry selection had a positive contribution of 0.32% during the quarter. Our overweight positions in staples and European pharmaceuticals and our underweight in financials had a positive impact on performance, while our overweight position in telecoms subtracted value.

- Residuals (-0.74%)**

- The impact from residuals was -0.74% during the quarter. As for stock selection, the main positive contributors included our overweight positions in Teva Pharmaceutical, AstraZeneca (healthcare) and Statoil (energy). The main negative contributors included our underweight position in Intesa Sanpaolo (financials) as well as our overweight positions in Sanofi-Aventis (healthcare) and Sumitomo Mitsui (financials).

GROSS VALUE ADDED VS.
MSCI EAFE NET INDEX



■ Q1 2014



PERFORMANCE ATTRIBUTION

HEXAVEST EAFE EQUITY FUND - Q2 2014

- Regions and countries (0.02%)**

- In the 2nd quarter, the MSCI EAFE index returned 3.41% in local currencies. The MSCI Europe and MSCI Pacific indices returned 3.04% and 4.20% respectively. Our region and country selection had a slightly positive impact on performance during the period. The main positive contributor was our underweight position in France, while our decision to underweight Hong Kong was detrimental.

- Currencies (-0.02%)**

- Our active currency management subtracted 0.02% from performance during the period. This negative contribution is essentially the result of our decision to underweight the Australian dollar against the U.S. dollar. On the other hand, our underweight position in the euro had a positive impact on performance during the quarter.

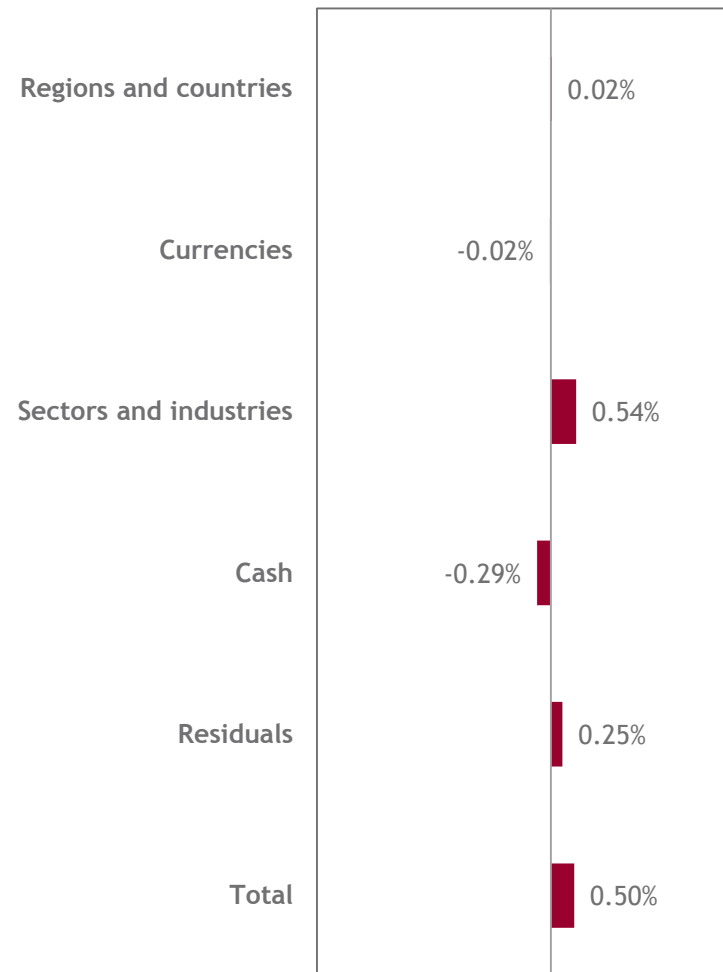
- Sectors and industries (0.54%)**

- Our sector and industry selection had a positive contribution of 0.54% during the quarter. Our underweight position in industrials and our overweight positions in healthcare and consumer staples were the main positive contributors to performance.

- Residuals (0.25%)**

- The impact from residuals was 0.25% during the quarter. As for stock selection, the main positive contributors included our overweight positions in Shire Pharmaceuticals and AstraZeneca (healthcare). The main negative contributors included our overweight position in Roche (healthcare) as well as our underweight position in Schneider Electric (industrials).

GROSS VALUE ADDED VS.
MSCI EAFE NET INDEX



■ Q2 2014



Hexavest

MARKET OUTLOOK



MARKET OUTLOOK SUMMARY

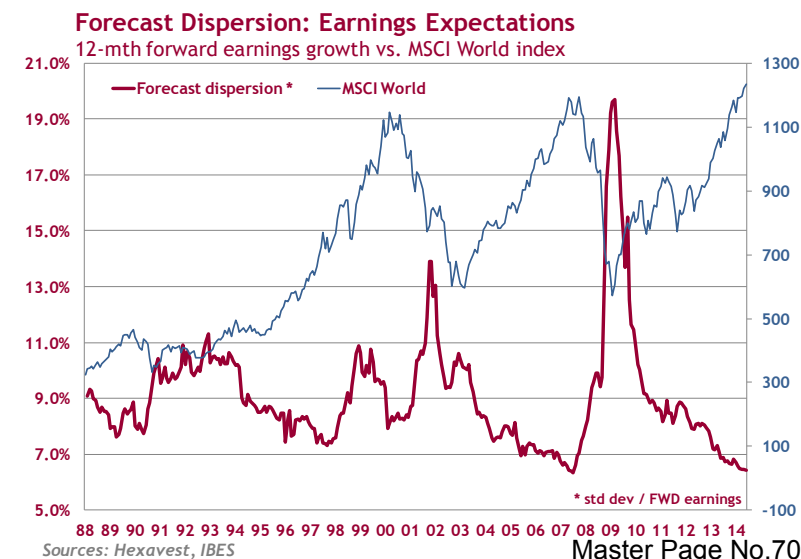
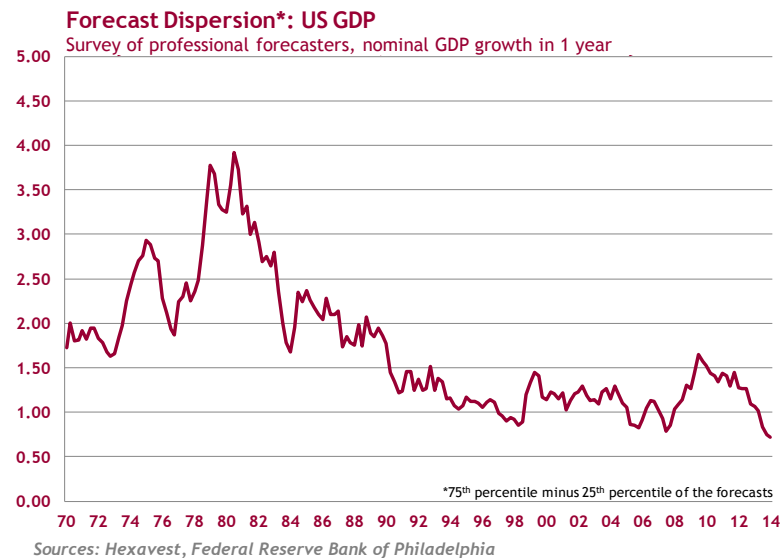
	Macroeconomic environment	Valuation	Sentiment
December 31, 2008	+	++	+++
December 31, 2009	+	Neutral	+
December 31, 2010	-	-	---
December 31, 2011	---	Neutral	++
December 31, 2012	--	-	--
December 31, 2013	Neutral	--	---
March 31, 2014	Neutral	--	---
June 30, 2014	Neutral	--	---

Source: Hexavest as of 6/30/2014. The table presents a summary of Hexavest's subjective assessment of the macroeconomic environment, market valuation, and investor sentiment as it relates to equity markets in general as of the dates indicated (ratings can range from triple negative to triple positive).



TOO MUCH CERTAINTY

- Central banks have been able to restore confidence following the global credit crisis and the European sovereign debt crisis. As a result, the macroeconomic environment improved significantly.
- Generally, we agree with the current consensus view on the global macroeconomic outlook, especially regarding the U.S. recovery. However, the fact that nearly all forecasters share the same view is particularly worrisome: the dispersion around their forecasts for U.S. GDP growth is at an all-time low. This leaves no room for disappointment.
- Such a degree of confidence about the economic outlook has rarely occurred. It has been observed only twice in the last 44 years, notably in 2007.
- Among financial analysts, we observe the same rare phenomenon: a very strong conviction that profits will meet expectations.
- Overestimated predictability had also pushed the equity market to record highs in 2007.

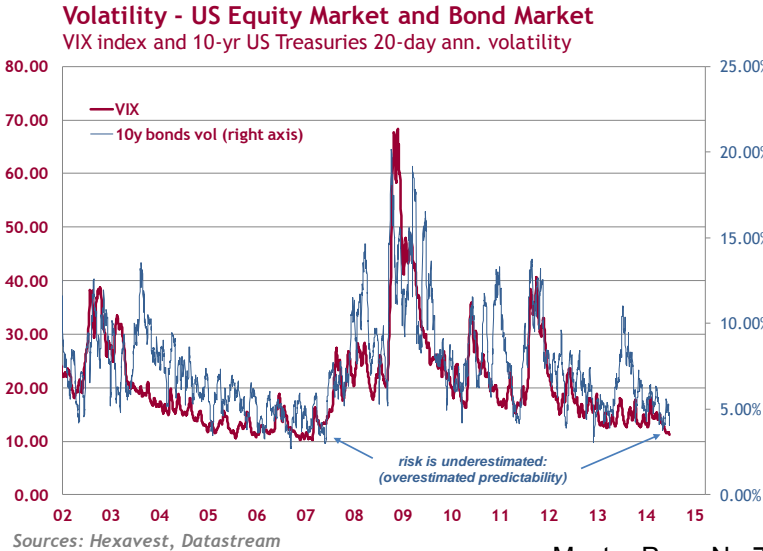
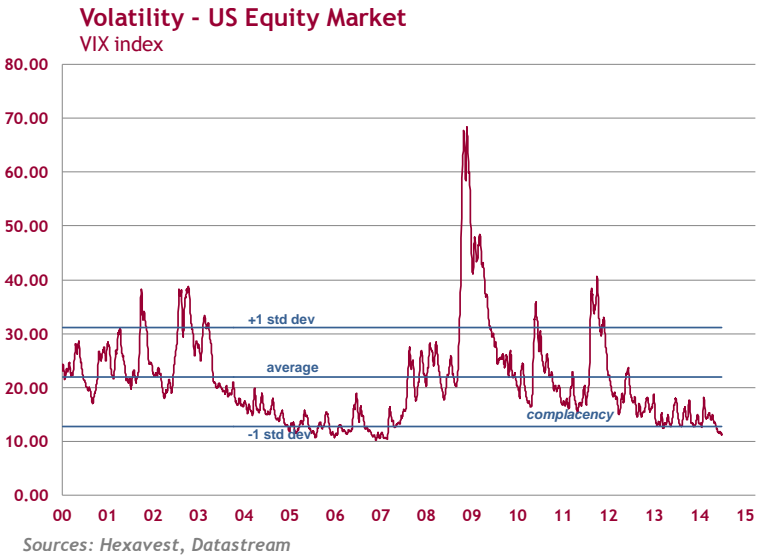




TOO MUCH CALM

- Because of investors' confidence and central banks' commitment to low rates and liquidity injections, global markets are unusually quiet: volatility is minimal in equities, FX, and bonds.
- But as history has shown, periods of very low volatility are naturally followed by periods of high volatility.
- When volatility is low, investors are enthusiastic. As a result, they have a tendency to take more risk, with more conviction, and more leverage. Until something "unexpected" happens. The end of that cycle is often referred to as a "Minsky moment."¹

¹The point where the leveraged investors are forced to sell their assets to meet their liquidity needs, triggering a spiral of self-sustained decline in the price of these assets. Such moments occur because long periods of prosperity and increasing value of investments lead to increasing speculation using borrowed money. The term was named after Hyman Minsky, an American economist.



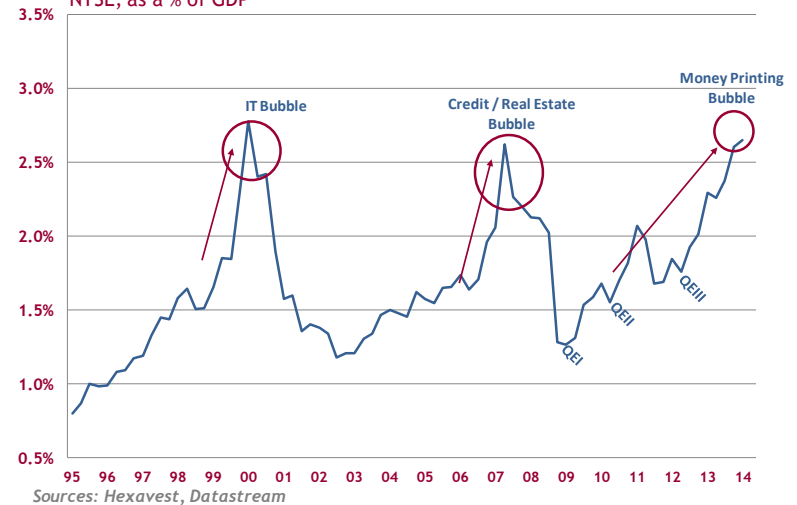


TOO MUCH LEVERAGE

- In an environment where “risk-free” rates are depressed, where credit spreads are at record lows, and where the equity market is expensive, the reward to take risk is clearly insufficient.
- Managers have to meet clients’ return expectations. And when interest rates are depressed, leverage can be the perilous answer.
- According to NYSE data, investors are borrowing money at a brisk pace to buy the stock market.
- Investors are also chasing yield: the corporate high yield bond market has doubled in size over the last four years and leverage loan issuance is hitting record highs.
- In the “real economy”, companies are using cheaply financed debt to buy back shares at a record pace to support EPS growth. Many prefer to pay higher dividends to satisfy investors’ thirst for yield instead of investing in their future growth.

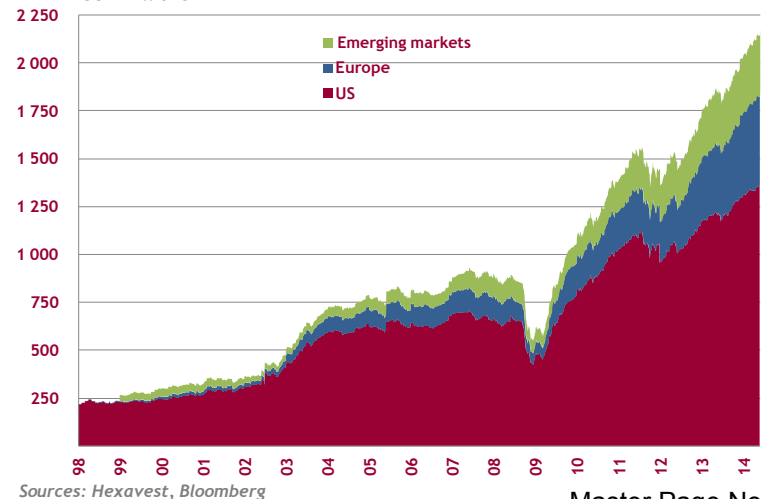
Margin Trading Account

NYSE, as a % of GDP



Corporate High Yield Bonds Market Value

USD Billions

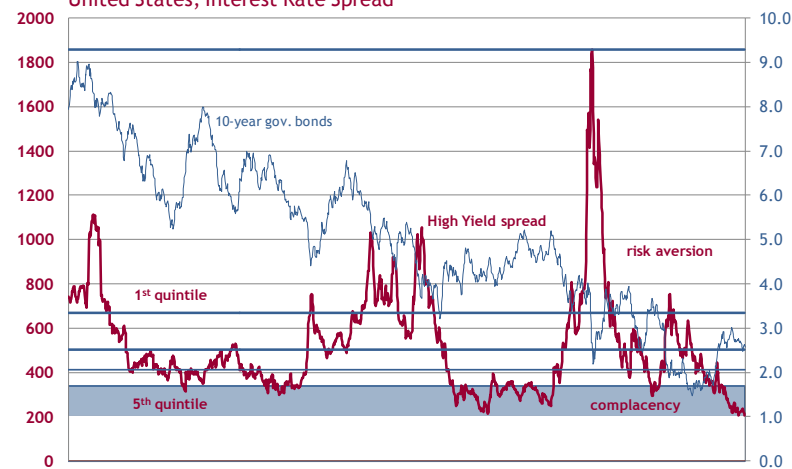




TOO MUCH COMPLACENCY

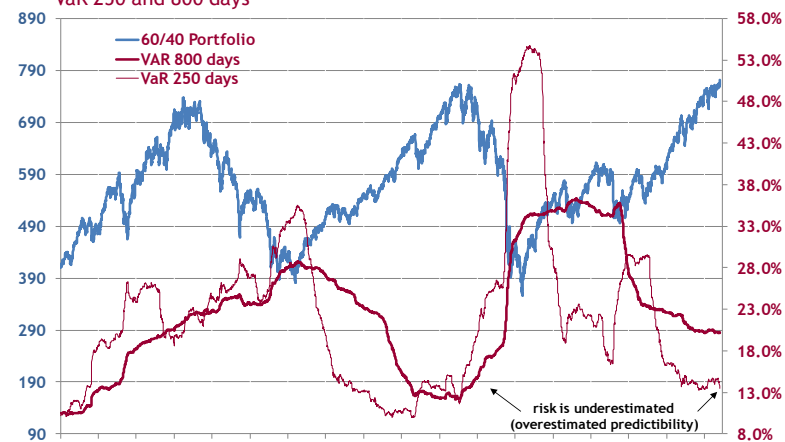
- In search of returns, investors have been pushed further and further up on the risk curve by central banks’ “zero interest rate policies” and falling “risk-free” rates. They are now far in complacency territory.
- The more credible central banks appear, the more risk investors will buy.
- As an example, the interest rate differential between the very risky corporate high yield bonds and the 10-year U.S. government bonds has hit an all-time low of 207 bps in Q2 2014.
- Risk managers should be worried, especially when investors are overestimating the predictability of events. Risk measures were also very reassuring back in 2007.
- Moreover, the Fed has begun to taper its asset purchases; a first step closer to monetary tightening. The BoE just announced that it could raise its bank rate sooner than expected. We doubt the ECB and the BoJ can compensate: we believe investors are becoming less responsive to QE’s.

High Yield Corp. Bonds vs. 10-y US Treasuries
United States, Interest Rate Spread



Sources: Hexavest, Datastream

Value at Risk of a Global 60/40 Portfolio
VaR 250 and 800 days



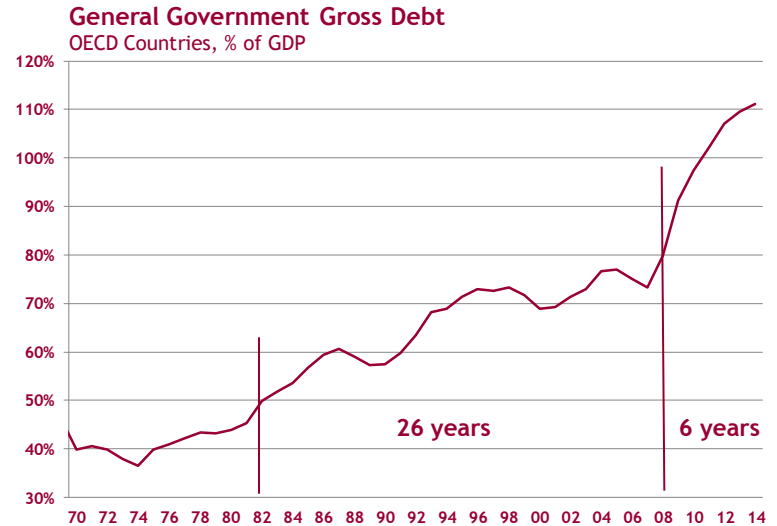
Source: Hexavest



MACROECONOMIC ENVIRONMENT

NO SELF-SUSTAINED ECONOMIC GROWTH YET

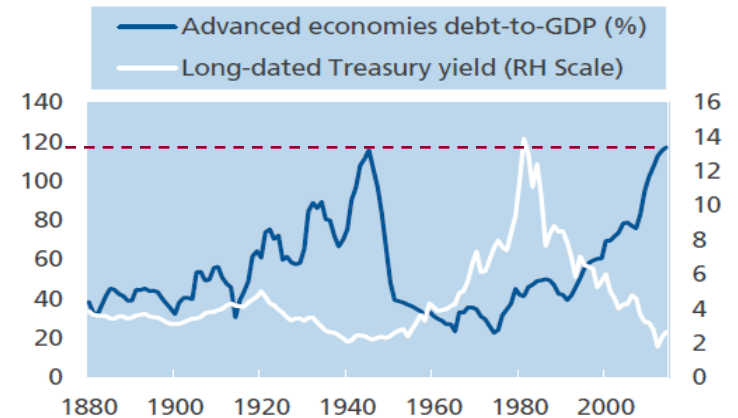
- Five years after the financial crisis, central banks and governments still have to support growth with more debt and frequent and massive market interventions.
- Since 2008, the debt-to-GDP ratio of developed economies went from 80% to 110%; as high as it was after World War II. It took 26 years to increase debt-to-GDP by 30 percentage points between 1982 and 2008. This time, it only took six years.
- We believe investors, governments, consumers and corporations are still highly dependent on very low interest rates and, so far, all the QE's of the last five years have failed to generate self-sustained economic growth.



Sources : Hexavest, Datastream

Highest-ever public debt

GDP-weighted average of Australia, Canada, France, Germany, Italy, Japan, Korea, Spain, UK and US



Source: Lombard Street Research

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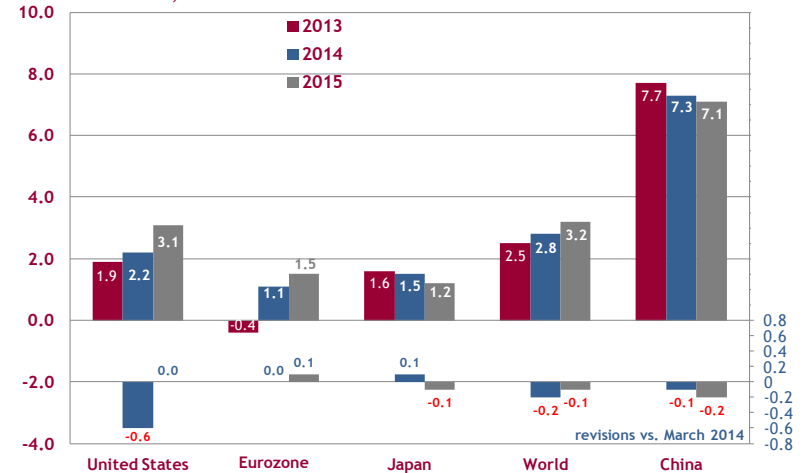
MACROECONOMIC ENVIRONMENT

CONSENSUS 2014: BACK TO BELOW AVERAGE GROWTH

- Global growth consensus expectations for 2014 have been revised downward from 3.0% to 2.8% in Q2. This was mostly due to the negative GDP surprise in the U.S. (-2.9% for Q1). Thus, expectations for U.S. growth have been revised from 2.8% in March to only 2.2% in June, but 2015 stayed unchanged at 3.1%. Consensus forecasts for Chinese growth have also been revised downward to 7.3% for this year and to 7.1% for next year.
- Global expected growth for 2014 is now back below the long-term average. Globally, inflation is not a concern, but we acknowledge that it may grind higher in the U.S. over the coming quarters.

GDP Growth Forecasts

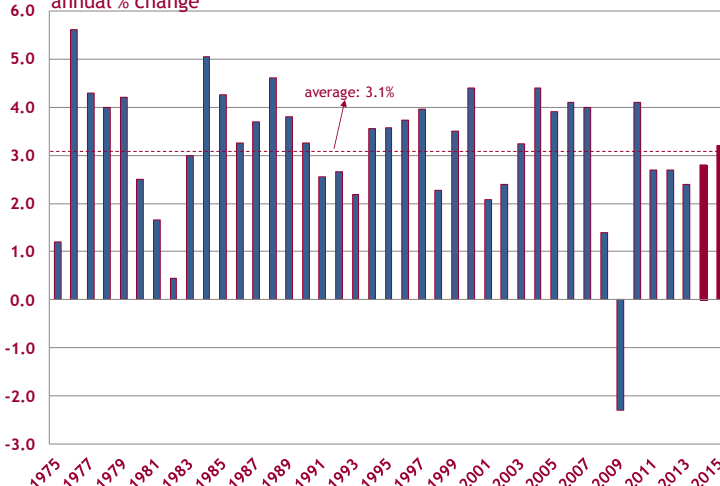
Consensus, June 2014



Sources: Hexavest, Consensus Forecasts

Real GDP Growth - World

annual % change

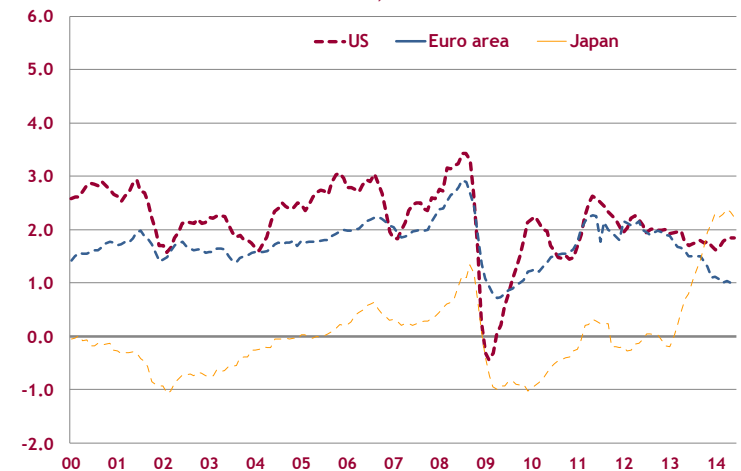


Sources: Hexavest, Datastream, Consensus Economics

2014-15: consensus forecasts, June 2014

Inflation - Consensus

Forecasts for the next 12 months, as of June 2014



Sources: Hexavest, Consensus Forecasts



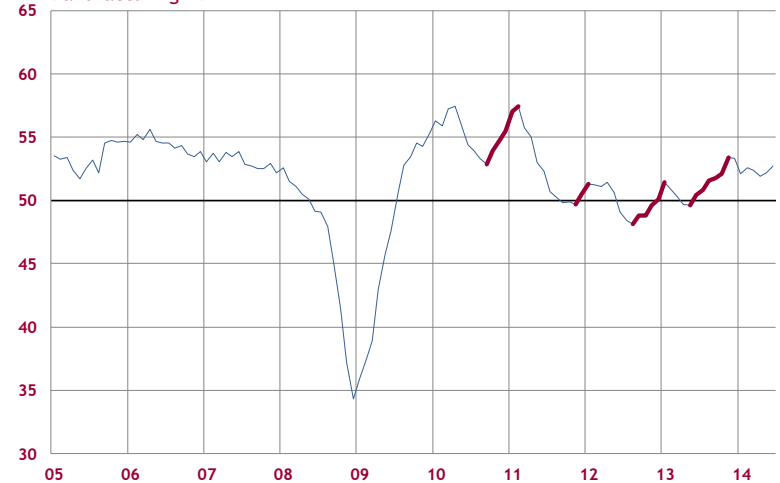
MACROECONOMIC ENVIRONMENT

GLOBAL BUSINESS CLIMATE: SOFTER

- The global business climate has softened somewhat in the first half of 2014, contrasting with the sharp recovery observed last year.
- This moderation is consistent with the global economic news flow. Economic data generally came out below expectations since mid-February both in developed and emerging countries.
- The mood wasn't the same in every region. In the U.S., business confidence stayed upbeat despite mixed data. The business climate in the euro area peaked in January and has stayed softer since then. It remained very strong in the UK and stagnant in China.
- We may be witnessing another “mini-cycle” like the ones experienced over the last three years, but we are not overly concerned by the global macroeconomic environment in the short term.

Global Business Climate

Manufacturing PMI



Sources: JP Morgan, Hexavest

Citigroup Economic Surprise Index

Emerging Markets vs. US, and Eurozone



Sources: Hexavest, Datastream

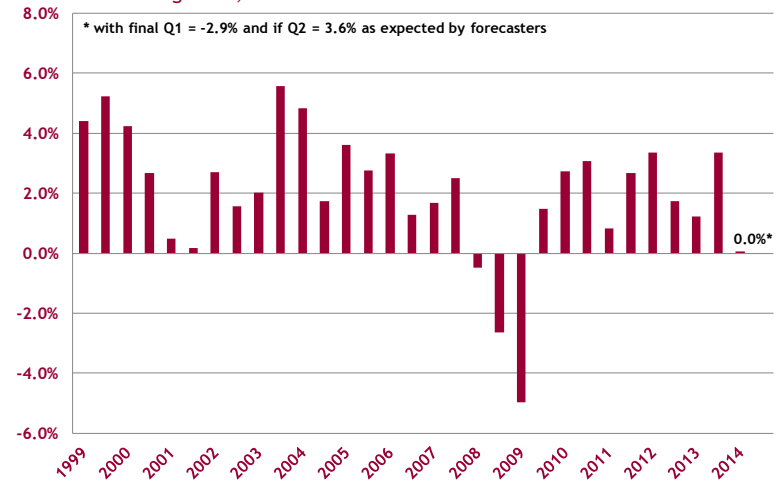


MACROECONOMIC ENVIRONMENT

UNITED STATES: TEMPORARY WEAKNESS IN H1

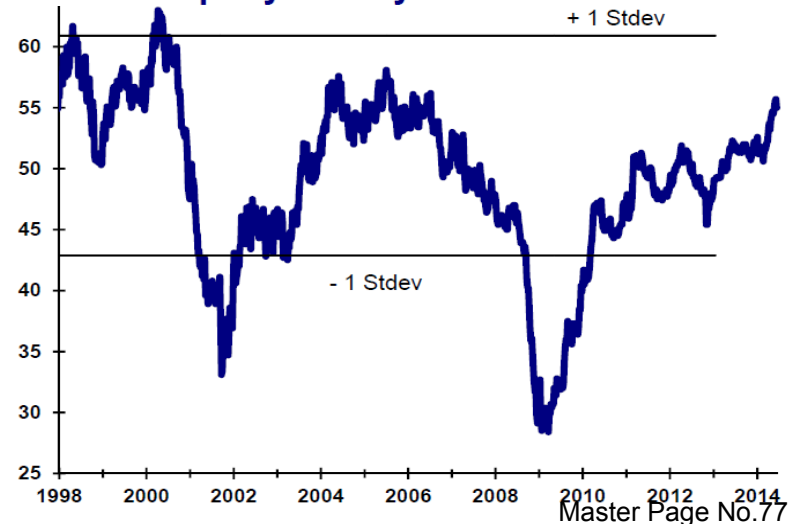
- The harsh winter and the inventory cycle have weighed much more on U.S. GDP than previously estimated in the first quarter, and the subsequent rebound in Q2 was not as strong as expected. As a result, the first half of 2014 will be the weakest in five years.
- However, business confidence and job creation stayed strong, with more than 200,000 jobs per month on average. Only housing is showing signs of fatigue after a strong two-year recovery.
- We believe growth will rebound in the second half of the year; a view shared by the consensus.
- Wages are showing signs of improvement, households' net worth is back to the pre-recession record level, debt payments-to-disposable income is at a multi-decade low, and even credit is improving.

GDP Growth - US
semestrial growth, annualized



Sources: Hexavest, Datastream, Bloomberg

ISI Company Surveys



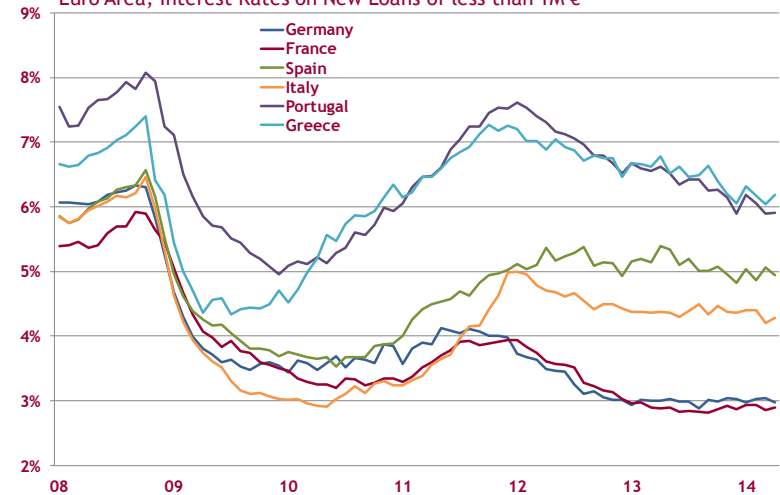


MACROECONOMIC ENVIRONMENT

EUROPE: THE ECB FINALLY DELIVERS

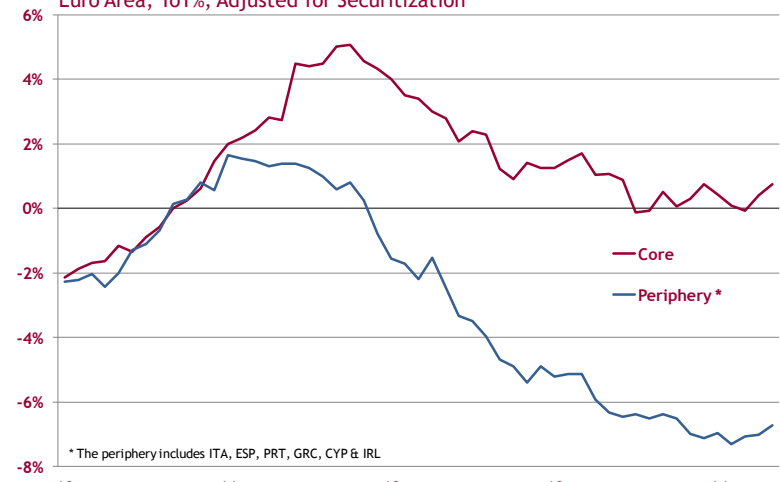
- In June, the European Central Bank announced a long-awaited package of monetary easing measures:
 - 1) A 10 bps reduction of the main refinancing rate to 0.15%.
 - 2) A negative deposit rate (-0.10%).
 - 3) The creation of Targeted Long-Term Refinancing Operations (TLTROs) at a very low fixed rate.
 - 4) Liquidity injections by suspending the sterilization of the Securities Markets Programme (SMP).
- These policies are intended to stimulate bank lending activity and limit disinflationary pressures by easing monetary conditions, especially in the periphery.
- While we have observed an improvement of demand for credit, loan growth remains sluggish, particularly in the periphery.
- Furthermore, the ECB noted that it was doing preparatory work on ABS purchases. We believe that persisting deflationary pressures and modest economic activity will compel the bank to buy private assets later this year.

Cost of Borrowing for Non-Financial SMEs
Euro Area, Interest Rates on New Loans of less than 1M €



Sources: Hexavest, Datastream

Bank Loans to Non-Financial Corporations
Euro Area, YoY%, Adjusted for Securitization



* The periphery includes ITA, ESP, PRT, GRC, CYP & IRL

Sources: JP Morgan, ECB, Hexavest

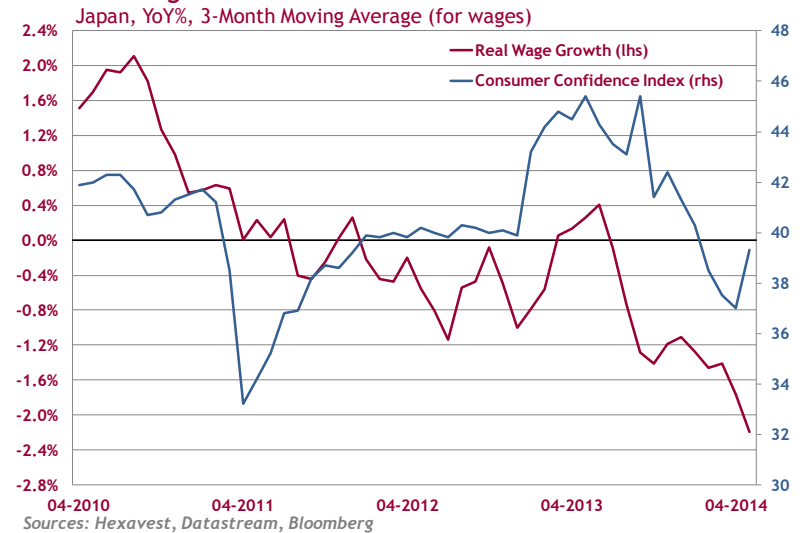


MACROECONOMIC ENVIRONMENT

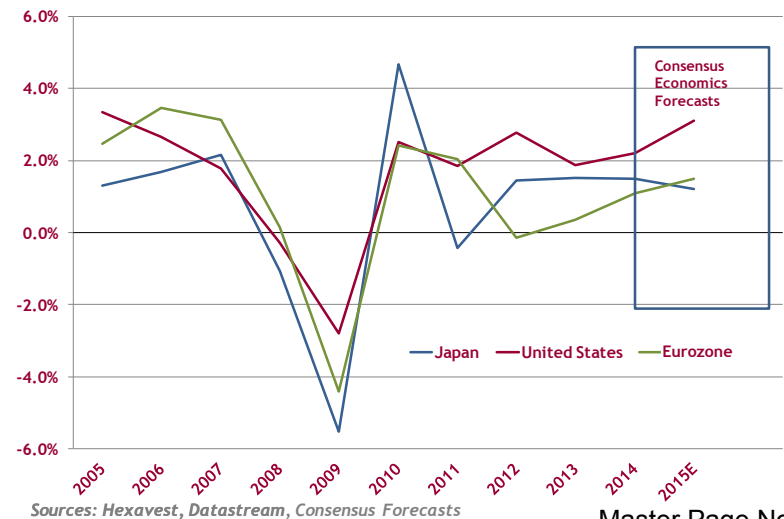
JAPAN: COPING WELL WITH THE HIGHER SALES TAX... FOR NOW

- Japan may have avoided the worst after April's sales tax hike: recent post-tax hike sales were surprisingly resilient, and consumer confidence is recovering.
- But, although labor statistics are improving, income growth is still lagging inflation.
- On the monetary policy front, after the sales tax hike, the Bank of Japan is in wait-and-see mode. It remains confident it will achieve its 2% inflation target by early 2015. We are not as convinced. In our view, the BoJ will have to inject more money later in 2014.
- We also believe the market's high expectations for structural reforms will clash with the difficult reality of implementation. But over the long run, the reforms in progress will surely be a net positive for the Japanese economy.
- Despite very aggressive monetary easing by the BoJ and an Abe government determined to reform the economy, it is important to remind investors that Japan's GDP growth remains modest compared to the U.S. and even Europe.

Real Wage Growth vs. Consumer Confidence



Annual Real GDP Growth Rate



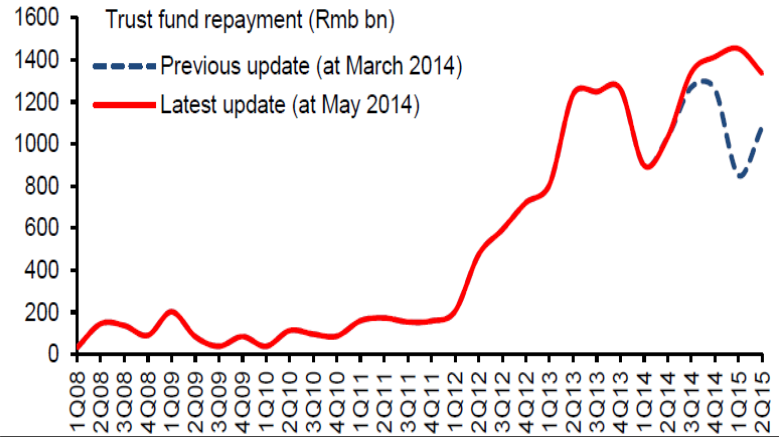


MACROECONOMIC ENVIRONMENT

EMERGING MARKETS: CHINA'S CREDIT BUBBLE REMAINS THE MAIN RISK

- The main risk in EMs remains the massive debt roll-over in China. More than one-third of total debt will have to be refinanced, about 3000 credit trusts will come to maturity, many of which were used to finance unprofitable companies.
- Debt roll-over will be difficult and more expensive as the rising risk of default will push the cost of funds higher. The combination of high debt ratios, rising debt service costs and sluggish domestic demand will become unsustainable for many borrowers; the risk of default will rise even more.
- The property market, which accounts for at least 20% of the economy and a significant part of the debt to be refinanced, is under pressure: inventories are high and rising, construction activity is falling and prices have begun to drop.
- The government and the PBoC are trying to manage the situation with small and targeted measures. We believe such a large economy, with very sketchy economic statistics, will be extremely difficult to fine-tune.

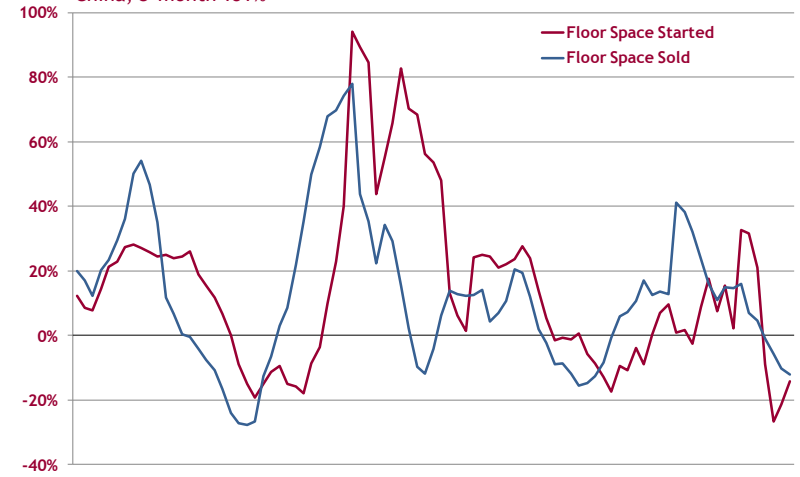
Roll-over and bailout has pushed back the repayment peak



Source: Wind, Credit Suisse estimates

Property Activity

China, 3-month YoY%



Sources: Hexavest, Datastream

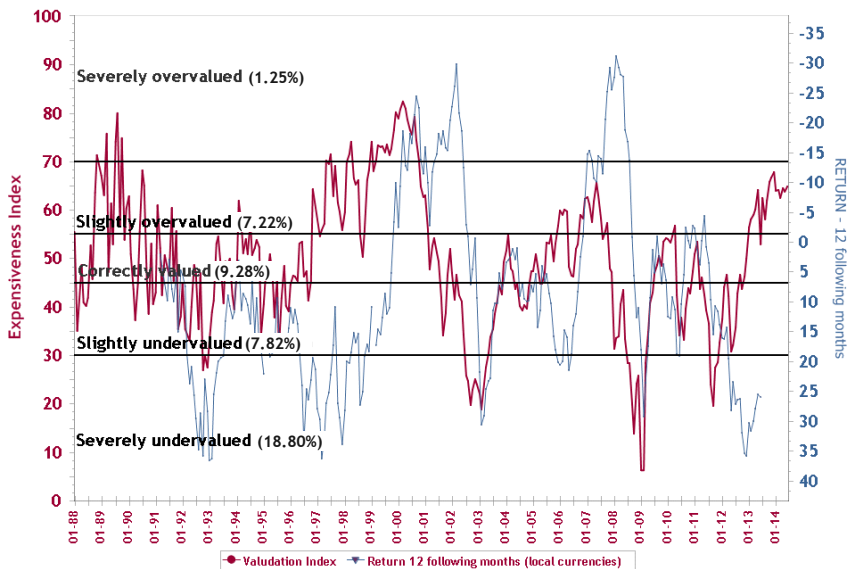


VALUATION

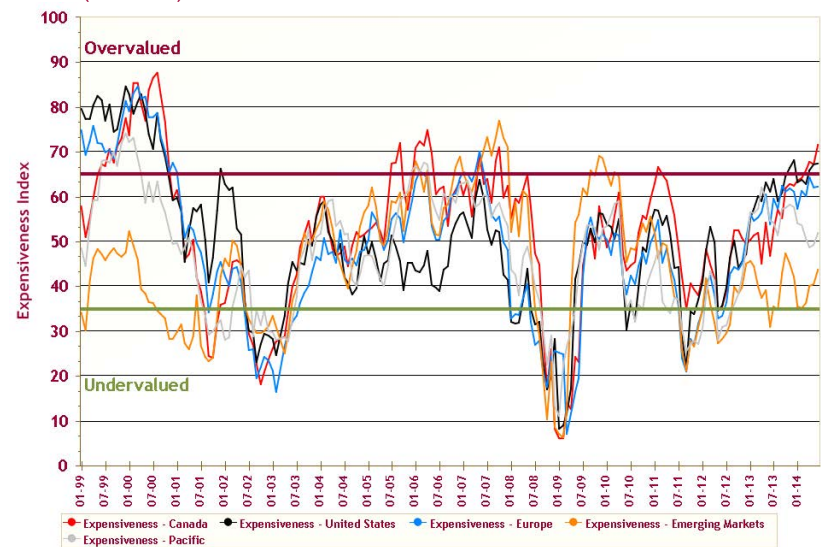
U.S. EXPENSIVE, EMERGING MARKETS MUCH CHEAPER

- According to our internal valuation model - a composite of various valuation metrics - the global stock market was overvalued in Q2 2014. The valuation index stood at one of its highest points since 2007.
- The North American market was clearly overvalued, while emerging markets were fairly valued.
- The valuation gap between the U.S. and emerging markets remains very large by historical standards.

Valuation Index and 12-month Return: MSCI World
(06-30-2014)



Expensiveness Index
(06-30-2014)

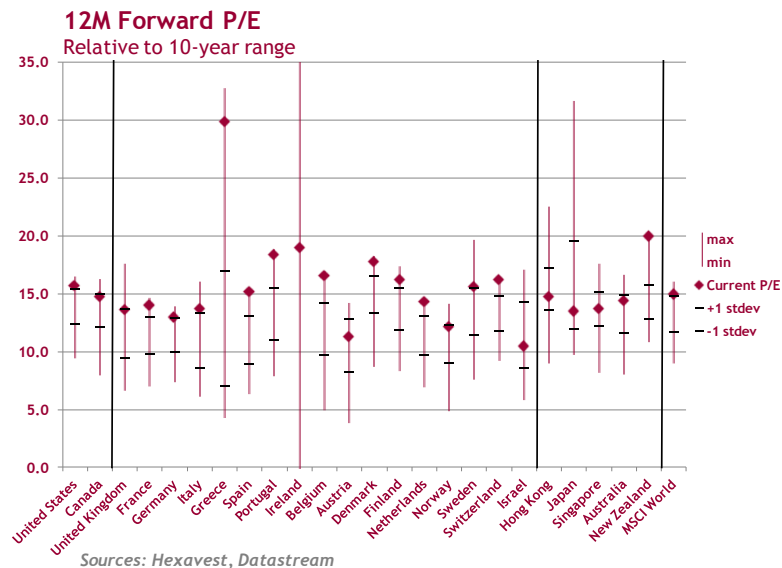




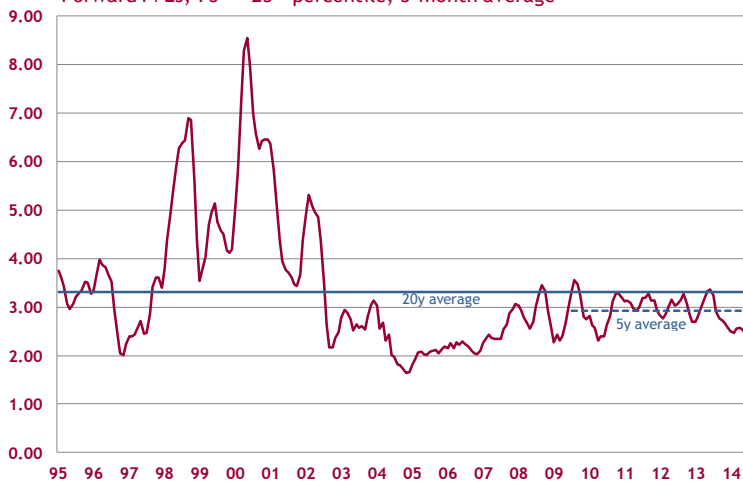
VALUATION

DEVELOPED MARKETS: BROADLY EXPENSIVE

- Developed markets are expensive on every metric and it's broad-based: almost all countries are trading at the top of their 10-year range.
- Moreover, the difference between the most and the least expensive countries is very low. Thus, relative valuation between countries offers few interesting opportunities. It's even worse inside the U.S. market: P/E dispersion between companies is at the lowest level in 30 years.
- However, this isn't the case for the relative valuation of EMs vs. DMs, where there's still an interesting opportunity for the long run, in our view.

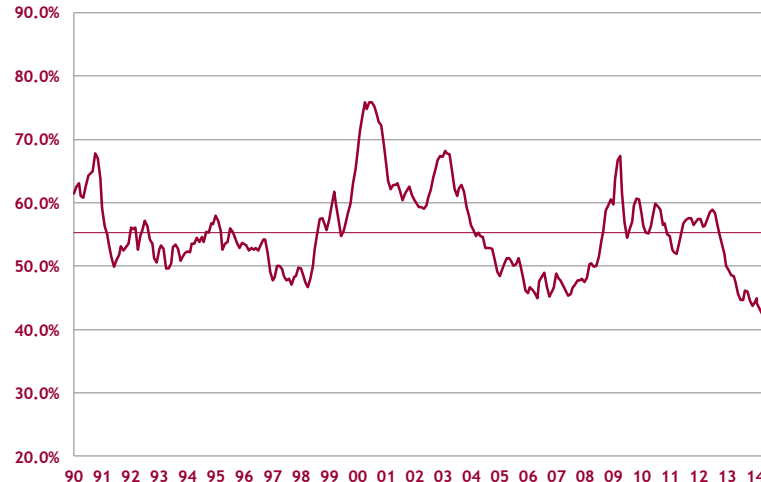


Country Valuation Dispersion, MSCI World
Forward P/Es, 75th - 25th percentile, 3-month average



Sources: Hexavest, Datastream

S&P 500 P/E Multiple Dispersion Between Companies
P/E standard deviation as a % of mean



Sources: Hexavest, data from Goldman Sachs

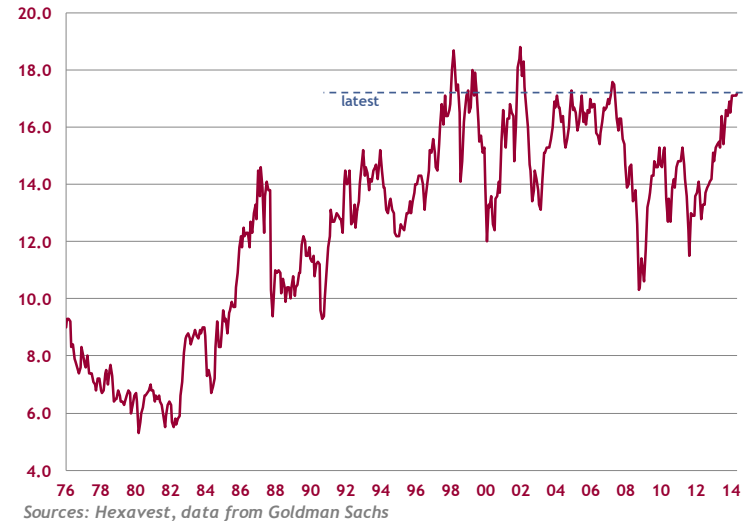


VALUATION

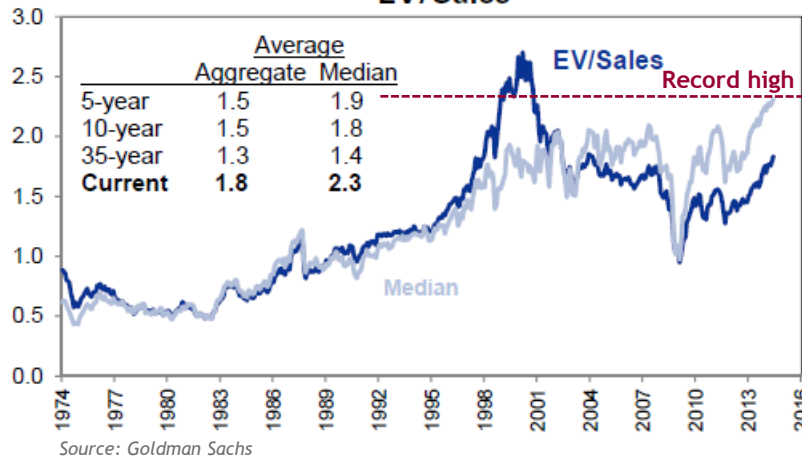
MEDIAN VALUATION NEAR RECORD HIGHS

- When we dig deeper in conventional valuation metrics to reduce the impact of outliers on both sides of the valuation spectrum, we find that the U.S. median P/E ratio is close to its historical highs.
- The S&P 500 median forward P/E has been higher than today's only 3.7% of the time over the last 30 years. This measure is 37% higher than its historical mean and almost as high as in 1999.
- The median enterprise value-to-sales ratio is at a record high in the U.S., while the median EV-to-EBITDA ratio is almost at its peak.

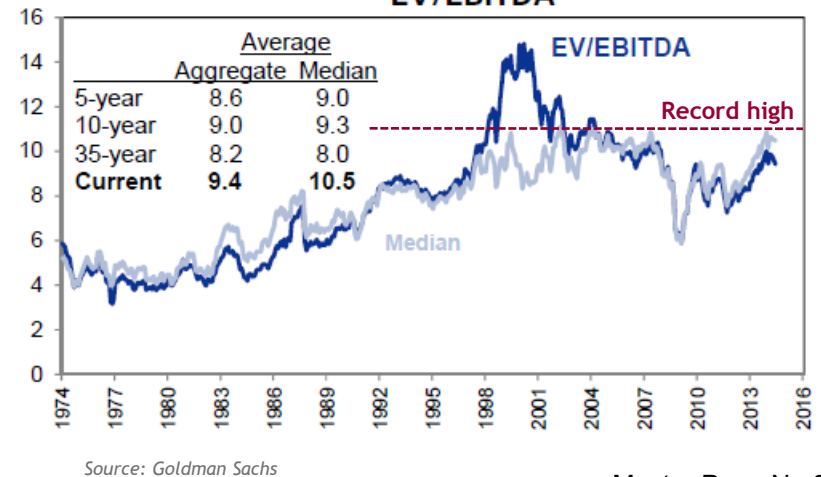
Median Forward P/E - S&P 500



EV/Sales



EV/EBITDA



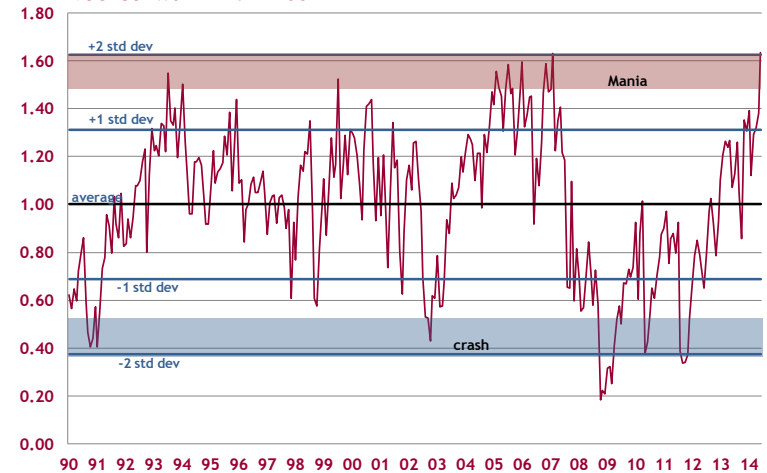


VALUATION WHEN EVERYONE THINKS THE SAME...

- As we already mentioned, volatility is minimal and dispersion around analysts' earnings forecasts is near an all-time low.
- When we look at traditional valuation metrics in relation to current market volatility and earnings "visibility", valuation appears extremely stretched.
- We do not believe analysts have perfect foresight. As Bob Farrell, head of research at Merrill Lynch for many decades, said in his 10 Rules for Investing: "When all the experts and forecasts agree - something else is going to happen."

Fwd PE / Volatility - US Equity Market

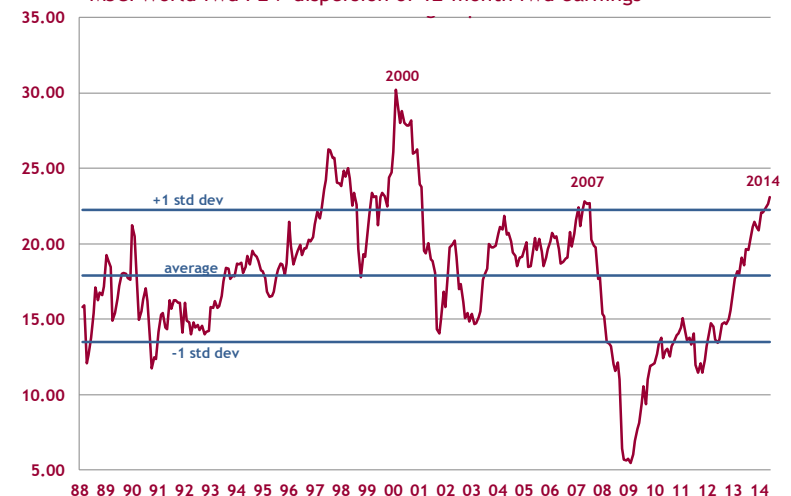
MSCI US fwd PE / VIX index



Sources: Hexavest, Datastream

Fwd PE / Earnings "Visibility" - Global Equity Market

MSCI World fwd PE / dispersion of 12-month fwd earnings



Sources: Hexavest, IBES

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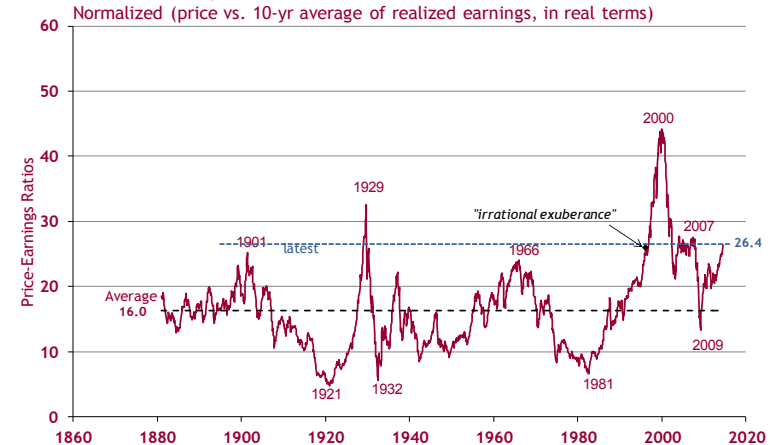


VALUATION

LONG-TERM INDICATORS: ALL FLASHING RED

- Most investors agree that long-term valuation metrics are not useful in predicting short-term performance.
- But what if they all stand at least one standard deviation higher than their historical average at the same time? In that case, subsequent performance has been very disappointing historically, with the tech bubble being the only exception.

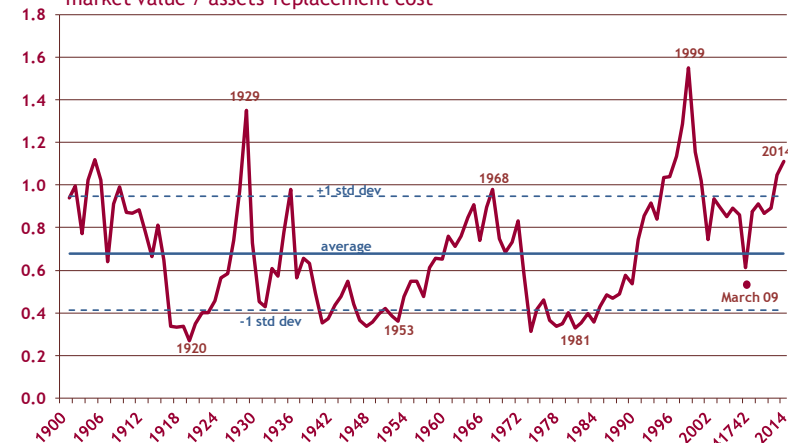
Shiller's P/E, S&P500



Sources: Hexavest, Robert J. Shiller, Datastream

Tobin's Q - US

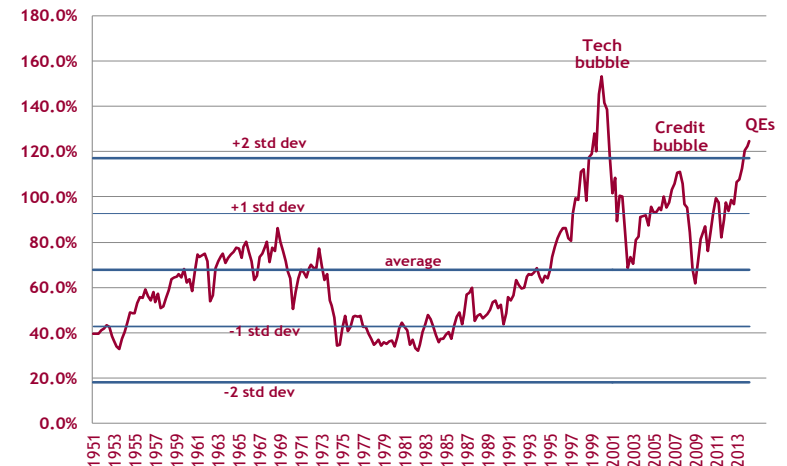
market value / assets' replacement cost



Sources: Hexavest, Smithers & Co., Federal Reserve

Total Equity Market Capitalization - US

as a % of GNP, non-financial corp. business



Sources: Hexavest, Federal Reserve, Datastream



VALUATION

INVEST IN EQUITIES BECAUSE RATES ARE LOW?

- One of the most frequent reasons given by analysts and strategists to invest in equities today despite their lofty valuation is the record low interest rates.
- But one of the greatest entry points in the stock market was 1982; when U.S. interest rates were at record highs and had plenty of room to fall, as did inflation.
- Back then, the equity market’s valuation ratios were much more attractive than they are today.
- Because of central banks’ commitment to very low interest rates, we do not expect rates to rise significantly over the next year. On the other hand, because they have fairly limited downside at these levels, we believe rates will not be a tailwind for equity markets going forward.

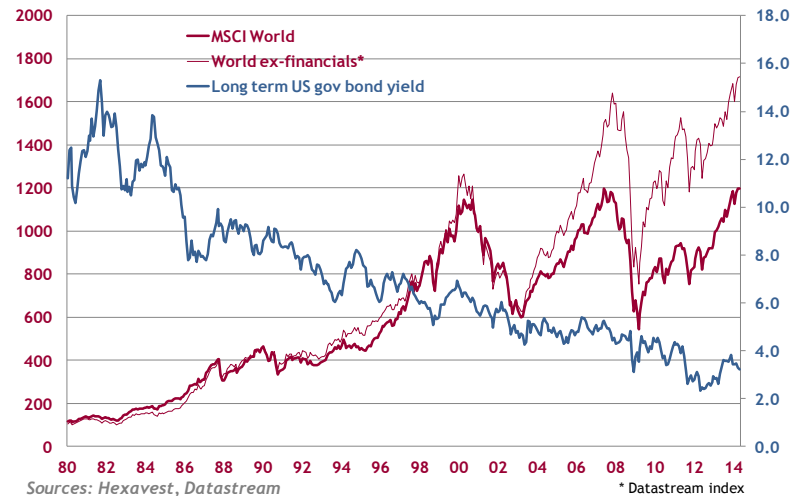
1982 vs. 2014 Valuation Metrics

United States Equity Market

	January 1982	June 2014
Price-to-Book Ratio	1.1	2.7
Price-Earnings Ratio	7.7	18.6
Price-to-Sales Ratio	0.8	1.7
Dividend Yield	5.8	2.0
10Y Gvt. Bond Yield	14.0	2.6
Inflation	8.4	2.1

Sources : Hexavest, Datastream

MSCI World vs. Long Term US gov. Bond Rate 1980 - 2014

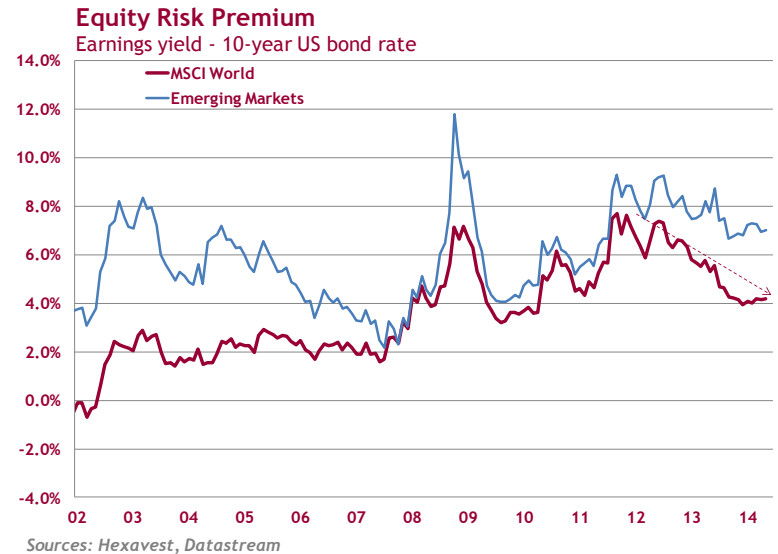




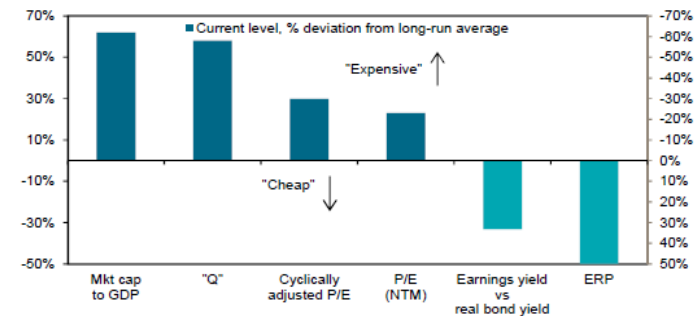
VALUATION

THE EQUITY RISK PREMIUM STILL FAVORS EQUITIES

- As we already mentioned, central banks' commitment to very low interest rates has contributed to increasing the relative appeal of risky financial assets: the risk premium.
- At the end of 2011, we were neutral on valuation. The equity market's earnings yield was high and "risk-free" rates were abnormally low. Now, the earnings yield is falling and interest rates have begun to rise.
- The equity risk premium is now 50% lower than it was three years ago. If volatility begins to rise, as we expect, this premium will not be high enough to compensate for risk.



US equity valuation measures high versus history, except those that compare to bonds



Footnote: Q and market cap to GDP since 1950, P/E and ERP since 1970, CAPE and Earnings yield versus real yield (median) since 1928

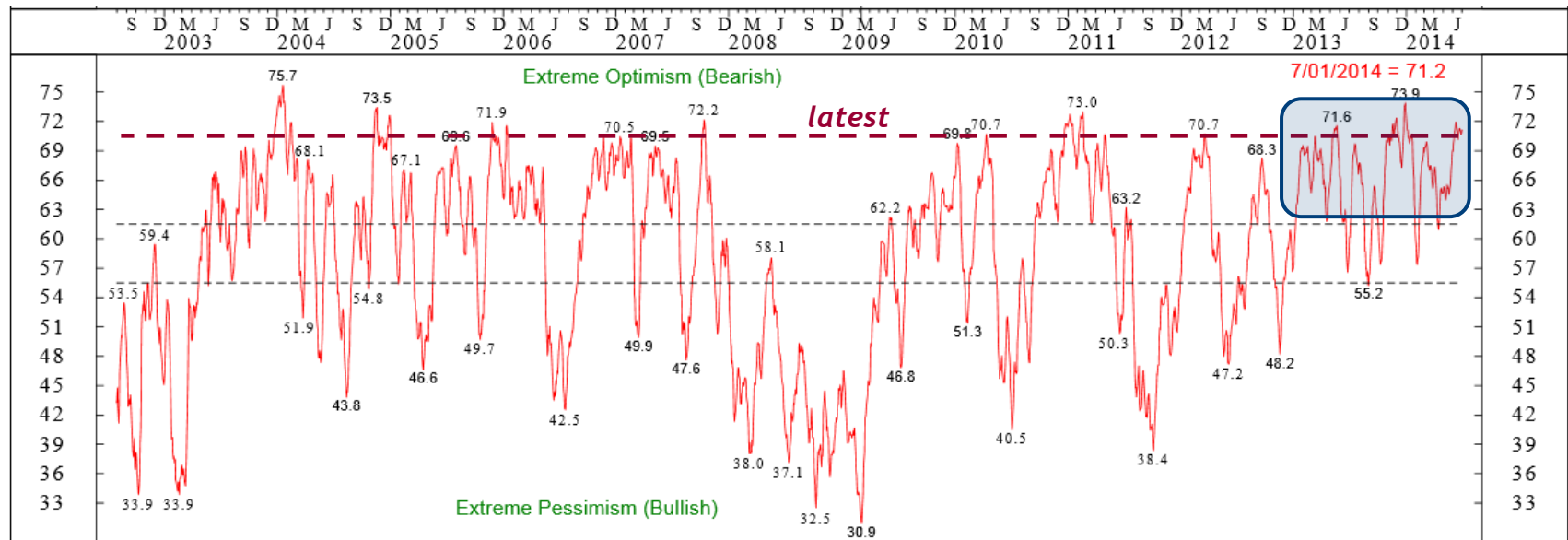
Source: Bloomberg, Goldman Sachs Global Investment Research.



SENTIMENT

EXTREME OPTIMISM STILL PREVAILS

- The Ned Davis Crowd Sentiment Poll, a composite that synthesizes results from different surveys and sentiment indicators, has returned in the upper range of the “extreme optimism” zone in June. It has stayed in the “optimism” zone most of the time for more than a year. Such sustained optimism suggests to us that there are less buyers of risky assets left on the sidelines.



S&P500 Gain/Annum When:
12/01/1995 - 7/01/2014

NDR Crowd Sentiment Poll is:	Gain/Annum	% of Time
* Above 61.5	2.8	41.2
Between 55.5 and 61.5	8.5	20.8
55.5 and Below	9.6	38.0

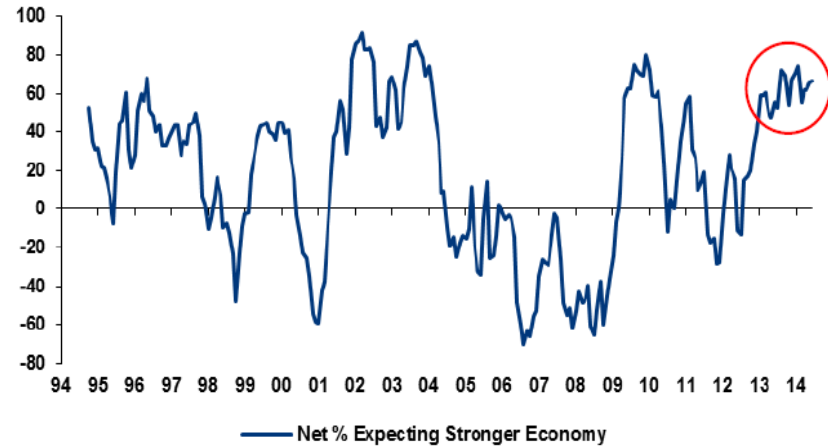


SENTIMENT

SURVEYS: INVESTORS VERY UPBEAT ON GROWTH AND CYCLICALS

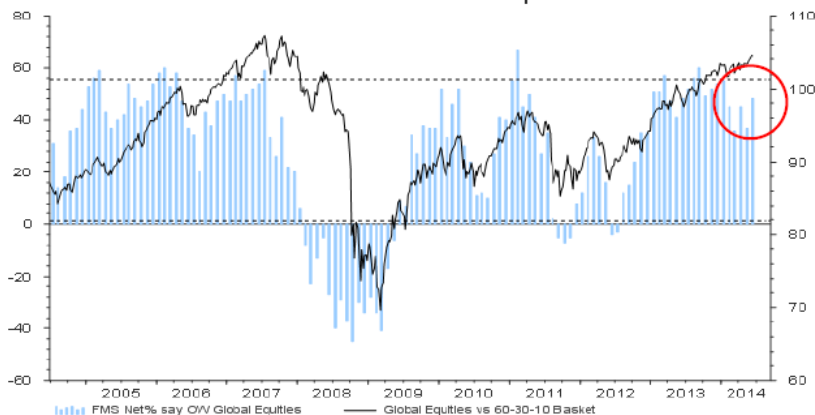
- A vast majority of investors are extremely confident that global growth will rebound during the next 12 months and they are positioned accordingly.
- They have increased their allocation to equities in the second quarter and are clearly tilted toward cyclical sectors. The only exception is their underweight position in materials.

How do you think the global real economy will develop over the next 12 months?



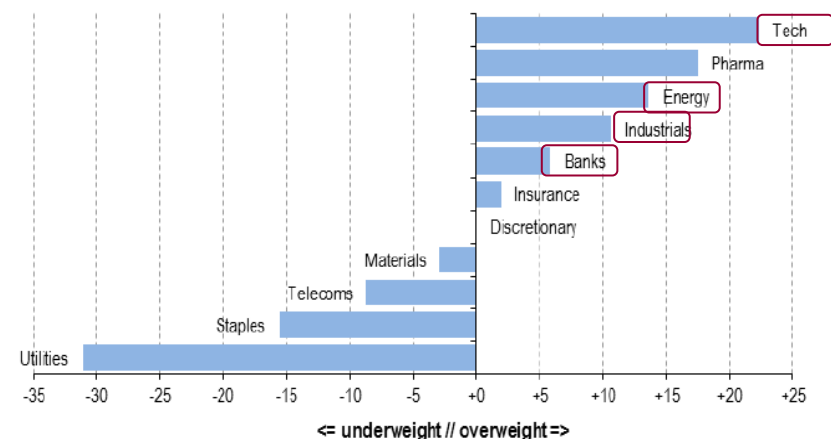
Source: BofA Merrill Lynch Fund Manager Survey

Allocation to global equities



Source: BofA Merrill Lynch Fund Manager Survey

Sector Allocation: Current Global Positioning



Source: BofA Merrill Lynch Fund Manager Survey

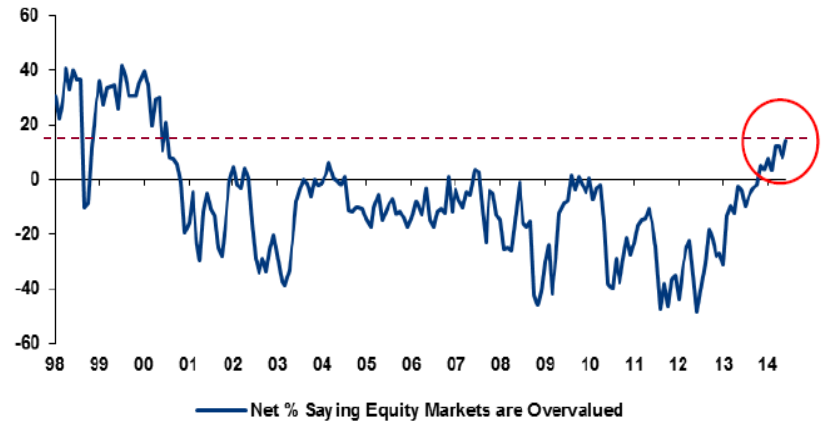


SENTIMENT

MORE INVESTORS ADMIT VALUATION IS STRETCHED, BUT DON'T REALLY CARE

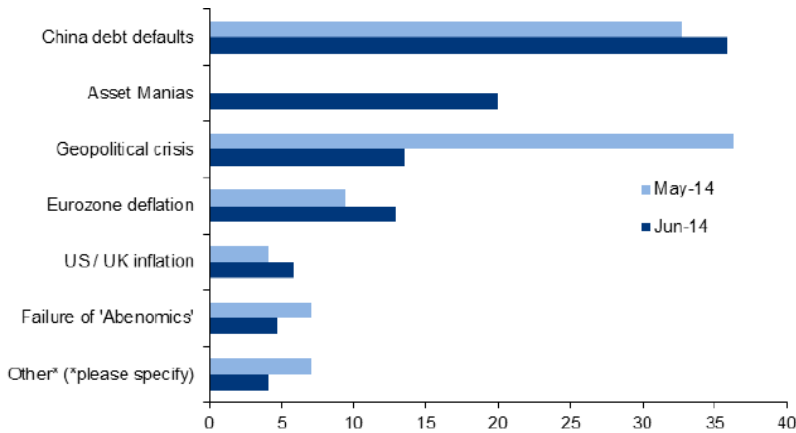
- According to the BofA Merrill Lynch Fund Manager Survey, the net percentage of investors that think equities are overvalued is close to 15%. The last time we observed such a high level was in July 2000. An “asset mania” even comes in second place as the possible biggest tail risk identified by investors.
- The Barclays Macro Survey paints a similar picture. Of the 941 institutional investors surveyed, slightly more than 20% believe the equity market is overvalued. More than 60% believe the market is fairly valued and 50% expect the stock market to outperform other asset classes in the next 3 months.

Are equity markets overvalued?



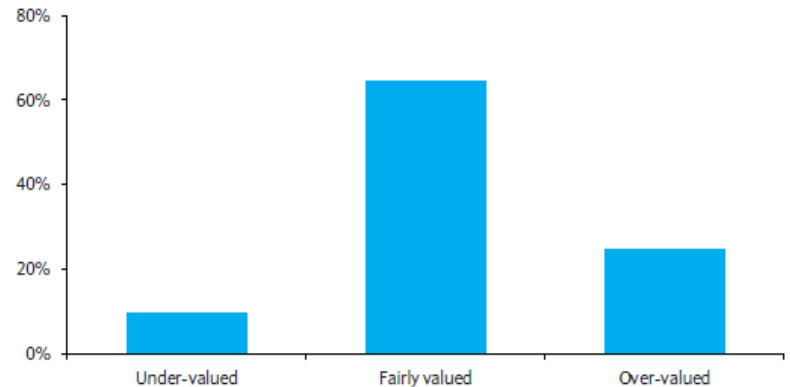
Source: BofA Merrill Lynch Fund Manager Survey

What do you consider the biggest tail risk?



Source: BofA Merrill Lynch Fund Manager Survey

Do you think global equity markets are:



Source: Barclays Macro Survey

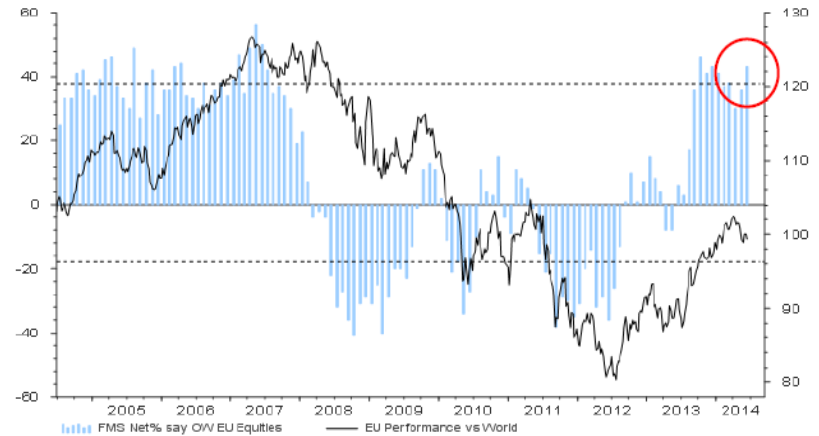


SENTIMENT

REGIONAL ALLOCATION: EUROPE IS STILL THE MOST PREFERRED REGION

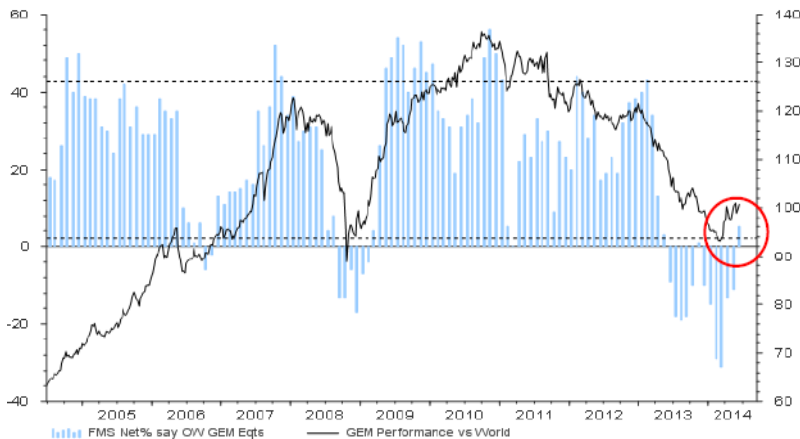
- Europe remained the most preferred region in the second quarter with a net 48% of investors saying they are overweight, followed by Japan at 21%, and the U.S. with only 10%.
- Allocation to emerging-market equities was at a record low in March, but made a timid comeback with a small 5% net overweight in June.

Allocation to eurozone equities



Source: BofA Merrill Lynch Fund Manager Survey

Allocation to emerging markets equities



Source: BofA Merrill Lynch Fund Manager Survey

Allocation to Japanese equities



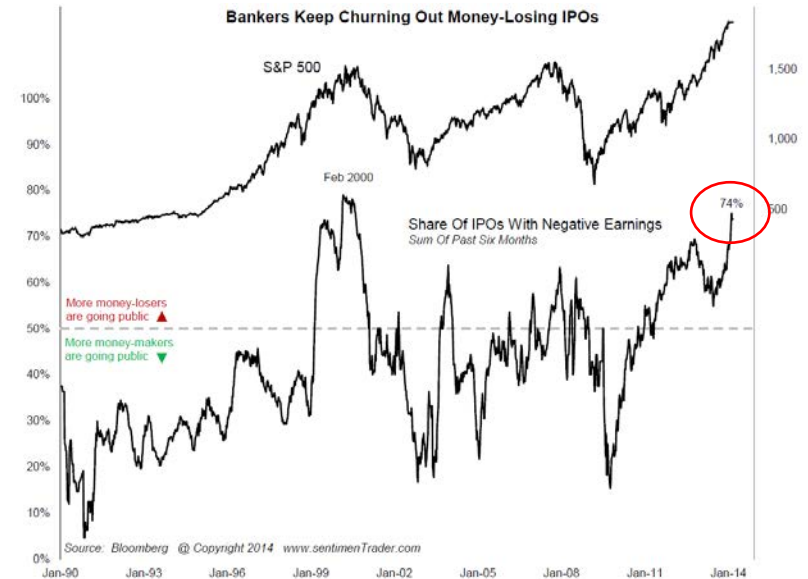
Source: BofA Merrill Lynch Fund Manager Survey



SENTIMENT

MORE SIGNS OF EXUBERANCE

- Many indicators suggest that we are currently in the midst of a market mania.
- The share of IPOs from companies with negative earnings has recently reached 74%; a rate similar to what was observed during the tech bubble.
- The Investors Intelligence Bull-Bear ratio, an indicator of retail investor sentiment, has surpassed the level observed at the market peak of October 2007.





CONCLUSION

	Macroeconomic environment	Valuation	Sentiment
March 31, 2014	Neutral	--	---
June 30, 2014	Neutral	--	---

- Macroeconomic environment: Central banks have been able to restore confidence following the global credit crisis and the European sovereign debt crisis, but the recovery remains overly dependent on ultra-low interest rates and is not yet self-sustaining, in our view. That being said, we have no major concern on the global macroeconomic front in the short term, mainly because we expect growth will rebound in the U.S. in the second half of the year. Elsewhere, growth generally remains sluggish, especially in the eurozone and in emerging markets, while the recent sales tax hike in Japan didn't harm the economy as much as feared. We have a neutral assessment of the macroeconomic environment (N).
- Valuation of financial markets: While global emerging markets are attractive on a relative basis, developed markets are expensive and it's broad-based: almost all countries are trading at the top of their 10-year range. Equities still look cheap relative to bonds, but the equity risk premium is 50% lower than three years ago. Our rating of the valuation vector remains at double negative (--).
- Sentiment of investors: Investor complacency is by far our main source of concern: the dispersion in analysts' forecasts is near record lows and leaves no room for disappointment, volatility in financial markets is minimal and investors' appetite for risk is insatiable. Our rating of the sentiment vector remains at triple negative (---).



Hexavest

INVESTMENT STRATEGY



COUNTRY ALLOCATION

Country	Weight	Benchmark	Deviation 2014-06-30	Deviation 2014-03-31
Others - North America	0.2%	0.0%	0.2%	0.2%
Total - North America	0.2%	0.0%	0.2%	0.2%
Germany	10.1%	9.3%	0.8%	0.6%
Spain	3.6%	3.7%	-0.1%	-0.6%
France	3.7%	10.1%	-6.5%	-6.4%
United Kingdom	23.2%	21.4%	1.8%	3.4%
Sweden	3.1%	3.0%	0.0%	0.2%
Switzerland	11.8%	9.0%	2.8%	2.7%
Others - Europe and Middle East	8.8%	11.0%	-2.2%	-2.9%
Total - Europe and Middle East	64.2%	67.6%	-3.4%	-3.0%
Australia	6.1%	7.7%	-1.7%	-1.4%
Japan	18.5%	20.3%	-1.8%	-1.5%
Others - Asia	1.5%	4.4%	-2.9%	-3.2%
Total - Asia	26.0%	32.4%	-6.4%	-6.0%
Total - Developed Markets	90.4%	100.0%	-9.6%	-8.9%
Cash	9.6%	0.0%	9.6%	8.8%
Total	100.0%	100.0%	0.0%	0.0%

Benchmark: MSCI EAFE



SECTOR ALLOCATION

Sector	Weight	Benchmark	Deviation 2014-06-30	Deviation 2014-03-31
Energy	6.9%	7.3%	-0.4%	-0.4%
Materials	4.2%	8.0%	-3.8%	-3.1%
Industrials	5.8%	12.7%	-6.9%	-6.4%
Consumer Discretionary	8.1%	11.9%	-3.7%	-3.5%
Consumer Staples	14.6%	11.1%	3.5%	3.9%
Health Care	17.4%	10.5%	6.9%	6.8%
Financials	18.3%	25.3%	-7.0%	-7.0%
Information Technology	2.5%	4.4%	-1.9%	-1.9%
Telecommunication Services	7.7%	4.9%	2.8%	2.3%
Utilities	4.8%	3.9%	0.9%	0.5%
Cash	9.6%	0.0%	9.6%	8.8%
Total	100.0%	100.0%	0.0%	0.0%

Benchmark: MSCI EAFE



CURRENCY ALLOCATION

Currency	Weight	Benchmark	Deviation 2014-06-30	Deviation 2014-03-31
US Dollar	12.4%	0.0%	12.4%	8.7%
Others - North America	0.4%	0.0%	0.4%	0.3%
Total - North America	12.8%	0.0%	12.8%	9.0%
Euro	21.2%	31.2%	-10.1%	-9.7%
Swedish Krone	3.1%	3.0%	0.1%	0.3%
Swiss Franc	9.0%	9.0%	0.0%	0.3%
British Pound	21.7%	21.4%	0.3%	0.2%
Others - Europe and Middle East	3.2%	2.9%	0.3%	0.3%
Total - Europe and Middle East	58.2%	67.6%	-9.4%	-8.7%
Japanese Yen	20.3%	20.3%	0.0%	0.0%
Hong Kong Dollar	5.5%	2.8%	2.7%	1.7%
Australian Dollar	1.6%	7.7%	-6.1%	-2.0%
Others - Asia	1.7%	1.6%	0.1%	0.0%
Total - Asia	29.1%	32.4%	-3.3%	-0.3%
Total - Developed Markets	100.0%	100.0%	0.0%	0.0%
Total	100.0%	100.0%	0.0%	0.0%

Benchmark: MSCI EAFE



Hexavest

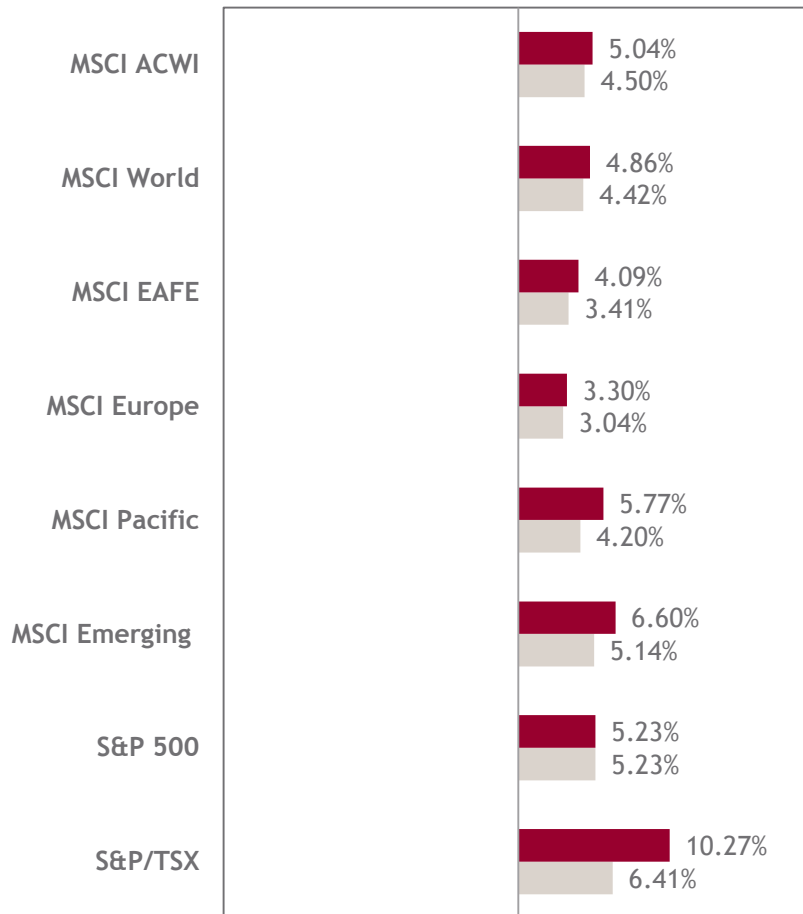
APPENDIX



MARKET OVERVIEW

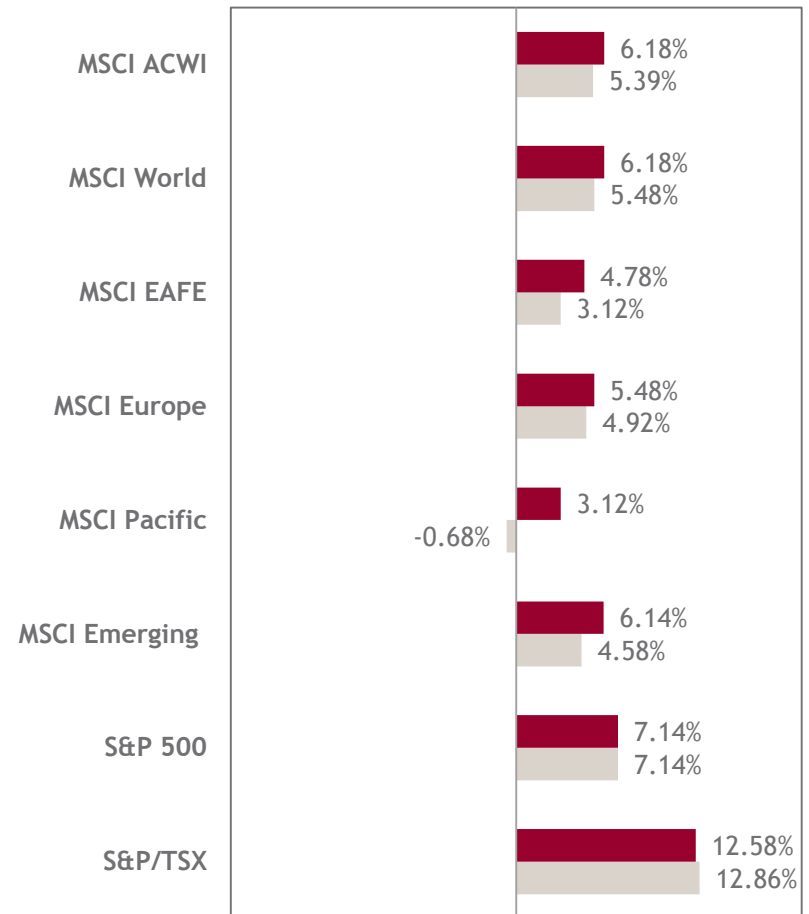
PERFORMANCE OF MAIN INDICES

Q2 2014



■ \$US ■ In local currencies

2014 TO DATE (AS OF JUN. 30)



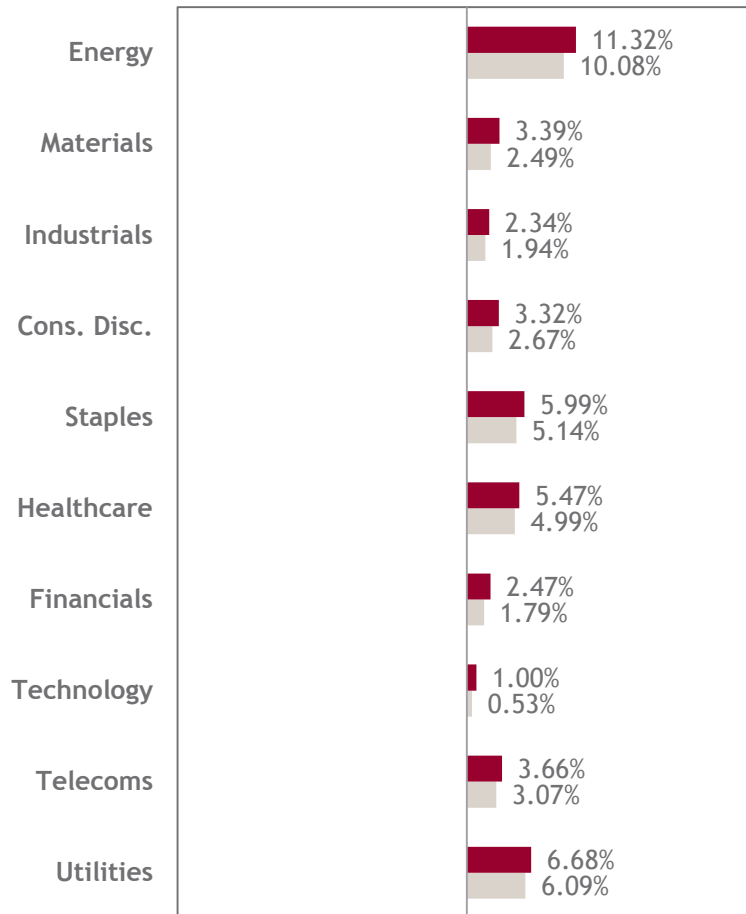
■ \$US ■ In local currencies



MARKET OVERVIEW

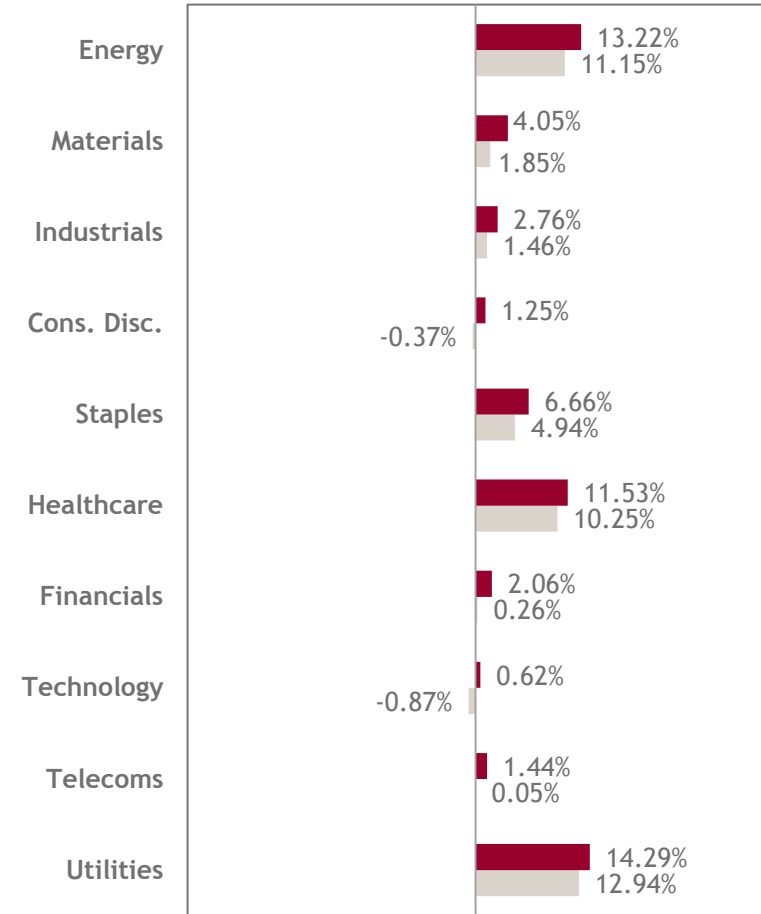
SECTOR PERFORMANCE (MSCI EAFE)

Q2 2014



■ \$US ■ In local currencies

2014 TO DATE
(AS OF JUN. 30)



■ \$US ■ In local currencies



RISK CONTROLS

- **Active risk is monitored and analyzed monthly by our risk committee**
 - The Barra GEM3L model is used to calculate active risk
 - Historically, ex-ante active risk has been in the 3% to 5% range
- **Pre-trade compliance system**
 - All investment policy constraints are programmed in our compliance system
 - Each transaction must be approved by the system before being sent to the broker
- **Monitoring**
 - The CCO receives a daily report and ensures that all investment policies are duly respected
 - Impromptu verifications of investment policy programming performed by the Compliance Department



Executive Management

Vital Proulx - President

Robert Brunelle - Senior Vice President

Denis Rivest - Chief Operating Officer

Michel Lajoie - Chief Compliance Officer and Vice President

Investment Team

Vital Proulx - Chief Investment Officer

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

David Cormier - Analyst, North American Markets

Frédéric Imbeault - Vice President, Asian Markets

Etienne Durocher-Dumais - Analyst, Asian Markets

Marc C. Lavoie - Vice President, European Markets

Denis Rivest - Portfolio Manager, European Markets

Christian Crête - Analyst, European Markets

Jean-Pierre Couture - Economist & Strategist, Emerging Markets

Jean-Benoit Leblanc - Portfolio Manager, Emerging Markets

Carl Bayard - Senior Analyst, Stock Selection

Julien Tousignant - Analyst, Macroeconomy

Robert Brunelle - Co-Chair of the Investment Committee

Nadia Cesaratto - Co-Chair of the Investment Committee

Quantitative Analysis & Information Technology

Jean-François Bérubé - Vice President

Jean-René Guilbault - Quantitative Analyst

Christian Huppé - Data Analyst

Dominique St-Amand - Programmer Analyst

Nelson Cabral - Programmer Analyst

Alexandre Bériault - Programmer Analyst

Marc Veilleux - Consultant, Special Projects

Client Services & Business Development

Robert Brunelle - Senior Vice President

Nadia Cesaratto - Vice President

Vacant - Vice President

Jo-Annie Pinto - Director

Stella Parlati - Advisor

Félix Montminy - Coordinator

Evelyne Collette - Coordinator

Compliance & Legal

Michel Lajoie - Chief Compliance Officer and Vice President

Christina Milonopoulos - Director

Lucie Kouyoumijian - Advisor

Sabrina Lacroix - Analyst

Jeffrey A. Davies - Analyst

Operations & Administration

Denis Rivest - Chief Operating Officer

Charles Gagné - Vice President

Trading

Éric St-Onge - Head Trader

Rashmikant Patel - Trader

Middle Office

Véronique Marchetti - Analyst

James Cahill - Analyst

Sylvain Desrosiers - Analyst

Back Office

Viviane Bourdages - Analyst

Joseph Étienne Jr - Analyst

Laurence Noël - Analyst

Danny Lalonde - Analyst

Accounting & Administration

Lucille Léonard - Director, Accounting

Micheline Cantin - Receptionist

IT Network

Jean-Luc Guay - Network Administrator



GIPS® COMPLIANCE REPORT

EAFE Composite (US dollars)

Year	Composite gross return (%)	Benchmark return (%)	Composite 3-yr standard deviation	Benchmark 3-yr standard deviation	Number of portfolios at end of period	Composite dispersion (%)	Total assets at end of period	Percentage of firm assets
1992	-7.52	-12.17	-	-	5	0.20	5,648,517	53.0
1993	31.97	32.56	-	-	5	0.33	7,615,661	56.2
1994	5.34	7.78	13.10	15.66	9	0.07	9,511,417	47.4
1995	12.26	11.21	10.79	14.58	8	0.01	14,945,245	67.3
1996	12.14	6.05	7.94	11.03	6	0.26	9,526,557	65.4
1997	0.58	1.78	10.58	12.27	7	-	15,178,462	82.5
1998	18.70	20.00	14.17	14.97	6	-	180,040,902	97.9
1999	28.79	26.96	15.67	16.14	< 5	-	208,189,498	97.5
2000	-11.19	-14.17	15.44	15.98	< 5	-	263,896,610	98.1
2001	-17.52	-21.44	14.56	15.39	< 5	-	348,693,889	98.6
2002	-6.11	-15.94	14.76	16.25	< 5	-	416,252,088	98.7
2003	48.11	38.59	16.01	18.06	< 5	-	597,293,712	91.7
2004	21.08	20.25	13.89	15.65	< 5	-	198,599,508	79.5
2005	14.21	13.54	10.94	11.56	< 5	-	290,260,102	60.0
2006	20.35	26.34	9.45	9.47	< 5	-	416,219,563	47.3
2007	8.94	11.17	8.67	9.56	< 5	-	491,241,302	48.0
2008	-31.91	-43.38	15.27	19.51	< 5	-	294,438,053	36.8
2009	31.17	31.78	21.99	23.91	< 5	-	490,905,466	26.5
2010	6.40	7.75	24.30	26.61	6	-	850,455,546	14.8
2011	-8.74	-12.14	22.15	22.75	7	0.41	1,138,383,599	12.2
2012	14.47	17.32	16.51	19.65	8	0.48	1,502,463,624	10.9
2013	21.49	22.78	13.83	16.48	8	1.45	1,733,147,867	10.2

Hexavest Inc. (“Hexavest”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Hexavest has been independently verified for the periods January 1, 1992 through December 31, 2013.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The EAFE Composite has been examined for the period January 1, 1992, through December 31, 2013.



GIPS® COMPLIANCE REPORT

EAFE Composite (cont'd) (US dollars)

Notes:

- Hexavest is an investment management firm established in April 2004. Hexavest manages a variety of equity and tactical asset allocation mandates for primarily institutional clients located in Canada, the US, Europe, and Asia.
- The performance shown is that of a composite of EAFE equity mandates managed by Mr. Vital Proulx and his team at Hexavest (from June 2004 onwards), NATCAN Investment Management (from 1998 to May 2004), Kogeva Investments (from 1997 to 1998) and St. Lawrence Financial Consultants (from 1991 to 1996). Despite changes in the corporate environment, the investment decision-making process has not undergone significant changes since 1991.
- The EAFE Composite (formerly known as the Europac Composite) includes portfolios that invest primarily in equities of companies located in the developed markets of Europe and Asia. Hexavest uses an investment approach that is predominantly 'top-down' to construct diversified portfolios that typically contain more than 200 stocks. Asset allocation between regions, countries, currencies, and sectors can deviate substantially from that of the benchmark. Some portfolios may invest a small portion of their assets in countries and currencies not included in the benchmark.
- The composite uses derivatives but does not use leverage. Currency forward contracts are frequently used in the composite to allow the investment team to manage currency exposure actively. Equity futures may be used in some portfolios to enable changes in the team's macroeconomic strategy to be efficiently and cost-effectively implemented, as well as to manage cash flows. Although Hexavest will rarely use options and other derivatives, such instruments may at times be included in certain portfolios when the investment team believes that such a strategy will add significant value or will reduce risk.
- The benchmark is the MSCI EAFE Net Index. On January 1, 2006, the benchmark was changed from the MSCI EAFE to the MSCI EAFE Net Index. The MSCI EAFE Net Index takes into consideration withholding taxes paid on foreign investments and represents a better comparison for Hexavest's composite, for which the return is net of withholding taxes. The new benchmark returns have been applied retroactively. The annualized compound composite return from May 1991 (inception of composite) to December 2013 equals 8.10%; the annualized compound benchmark return for the same period equals 5.86%.
- Performance results are presented gross of management fees but net of trading expenses. Custody fees and other operating expenses are deducted from the returns of the pooled funds included in the composite, but not from the returns of separately managed accounts.

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

Year-end	Europac Fund % (of composite assets)	Europac Fund operating expenses	EAFE Equity Fund % (of composite assets)	EAFE Equity Fund operating expenses
2009	59%	0.11%	3%	0.20%
2010	40%	0.10%	9%	0.20%
2011	28%	0.08%	21%	0.13%
2012	27%	0.03%	25%	0.10%
2013	24%	0.08%	37%	0.07%

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

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

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

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

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

- Valuations and returns are computed and stated in US dollars. From January 1, 1992 to December 31, 2013, monthly composite returns have been used. Accordingly, annual composite returns were calculated by linking geometrically the monthly returns. All returns are presented on an all-inclusive basis, and, as such, all capital gains, interest income, and dividends, net of withholding taxes, have been taken into account in market valuations and returns.
- When there are five or more portfolios in the composite for a full calendar year, the dispersion of annual returns is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the full year. Given the change in firm structure in 1997 (please refer to note 2), only one account was present for the whole year. Furthermore, all accounts were aggregated in a single commingled fund in October 1998. Therefore, dispersion was not calculated for 1997 and 1998.
- The three-year annualized standard deviation measures the variability of the composite and the benchmark monthly returns over the preceding 36-month period. The standard deviation is not presented for 1992 and 1993 because the composite had less than 36 months of performance history.
- This composite was created on December 31, 2003. As the portfolios were in existence prior to the composite creation date, it is possible to calculate the composite history in accordance with GIPS.
- The minimum portfolio size for the composite is CA\$1,100,000.
- A complete list of firm composites, performance results and additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request at: Hexavest Inc., 1250, René-Lévesque Blvd. West, Suite 4200, Montréal (Québec), H3B 4W8, (514) 390-8484.



CONTACT INFORMATION

Hexavest Inc.

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

Robert Brunelle, CFA, ASA

Senior Vice President
T: (514) 390-1225
rbrunelle@hexavest.com

Nadia Cesaratto, CFA, FRM

Vice President, Client Services
T: (514) 390-5845
ncesaratto@hexavest.com



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Ventura County Employees' Retirement Association

**Preliminary Performance Report
Month Ending June 30, 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

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Ventura County Employees' Retirement Association

Total Fund Performance Detail

Performance Summary

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fund	4,252,171,189	100.0	1.7	4.1	6.3	18.5	18.5	10.9	14.3	7.2	8.5	Apr-94
Policy Index			<u>1.4</u>	<u>3.6</u>	<u>5.6</u>	<u>17.7</u>	<u>17.7</u>	<u>10.3</u>	<u>12.9</u>	<u>7.3</u>	<u>8.4</u>	<u>Apr-94</u>
Over/Under			0.3	0.5	0.7	0.8	0.8	0.6	1.4	-0.1	0.1	
Total Fund ex Clifton	4,237,004,592	99.6	1.7	4.1	6.4	18.4	18.4	10.8	14.0	7.1	8.4	Apr-94
Total Fund ex Private Equity	4,164,339,392	97.9	1.6	4.1	6.3	17.1	17.1	--	--	--	14.3	Jan-12
Policy Index			<u>1.4</u>	<u>3.6</u>	<u>5.6</u>	<u>17.7</u>	<u>17.7</u>	<u>10.3</u>	<u>12.9</u>	<u>7.3</u>	<u>14.4</u>	<u>Jan-12</u>
Over/Under			0.2	0.5	0.7	-0.6	-0.6				-0.1	
Total US Equity	1,327,527,066	31.2	2.5	4.9	7.0	26.0	26.0	16.8	20.0	7.8	9.1	Dec-93
Total U.S. Equity Benchmark			<u>2.5</u>	<u>4.8</u>	<u>6.9</u>	<u>25.0</u>	<u>25.0</u>	<u>16.4</u>	<u>19.4</u>	<u>8.3</u>	<u>9.5</u>	<u>Dec-93</u>
Over/Under			0.0	0.1	0.1	1.0	1.0	0.4	0.6	-0.5	-0.4	
BlackRock Extended Equity Index	45,958,381	1.1	4.4	3.4	6.1	26.8	26.8	16.1	22.0	10.4	13.0	Oct-02
Dow Jones U.S. Completion Total Stock Market			<u>4.4</u>	<u>3.3</u>	<u>6.2</u>	<u>26.7</u>	<u>26.7</u>	<u>15.8</u>	<u>21.8</u>	<u>10.3</u>	<u>13.0</u>	<u>Oct-02</u>
Over/Under			0.0	0.1	-0.1	0.1	0.1	0.3	0.2	0.1	0.0	
Western U.S. Index Plus	131,010,204	3.1	2.0	5.6	7.7	25.7	25.7	17.8	24.2	--	3.0	May-07
S&P 500			<u>2.1</u>	<u>5.2</u>	<u>7.1</u>	<u>24.6</u>	<u>24.6</u>	<u>16.6</u>	<u>18.8</u>	<u>7.8</u>	<u>5.8</u>	<u>May-07</u>
Over/Under			-0.1	0.4	0.6	1.1	1.1	1.2	5.4		-2.8	
BlackRock Equity Market Fund	1,150,558,481	27.1	2.5	4.9	7.0	25.1	25.1	16.5	19.4	--	7.4	Dec-07
Dow Jones U.S. Total Stock Market			<u>2.5</u>	<u>4.8</u>	<u>7.0</u>	<u>25.0</u>	<u>25.0</u>	<u>16.4</u>	<u>19.4</u>	<u>8.4</u>	<u>7.4</u>	<u>Dec-07</u>
Over/Under			0.0	0.1	0.0	0.1	0.1	0.1	0.0		0.0	

June report is Preliminary as of Report Date

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.

Western U.S. Index Plus uses the Manager's stated market value for 5/31/2014 and custodian market value for 6/30/2014



June 30, 2014

Ventura County Employees' Retirement Association

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Non-US Equity	651,145,635	15.3	1.4	4.6	5.1	20.7	20.7	6.4	11.9	7.6	7.2	Mar-94
<i>Total Non-US Equity Benchmark</i>			<u>1.7</u>	<u>5.0</u>	<u>5.6</u>	<u>21.8</u>	<u>21.8</u>	<u>5.7</u>	<u>11.1</u>	<u>7.7</u>	<u>5.9</u>	<i>Mar-94</i>
Over/Under			-0.3	-0.4	-0.5	-1.1	-1.1	0.7	0.8	-0.1	1.3	
BlackRock ACWI ex-U.S. Index	273,963,489	6.4	1.8	5.0	5.9	22.4	22.4	6.1	11.6	--	2.8	Mar-07
<i>MSCI ACWI ex USA</i>			<u>1.7</u>	<u>5.0</u>	<u>5.6</u>	<u>21.8</u>	<u>21.8</u>	<u>5.7</u>	<u>11.1</u>	<u>7.7</u>	<u>2.3</u>	<i>Mar-07</i>
Over/Under			0.1	0.0	0.3	0.6	0.6	0.4	0.5		0.5	
Sprucegrove	197,088,216	4.6	0.9	3.9	6.0	22.1	22.1	7.9	13.8	8.2	9.1	Mar-02
<i>MSCI EAFE</i>			<u>1.0</u>	<u>4.1</u>	<u>4.8</u>	<u>23.6</u>	<u>23.6</u>	<u>8.1</u>	<u>11.8</u>	<u>6.9</u>	<u>7.3</u>	<i>Mar-02</i>
Over/Under			-0.1	-0.2	1.2	-1.5	-1.5	-0.2	2.0	1.3	1.8	
<i>MSCI ACWI ex USA</i>			<u>1.7</u>	<u>5.0</u>	<u>5.6</u>	<u>21.8</u>	<u>21.8</u>	<u>5.7</u>	<u>11.1</u>	<u>7.7</u>	<u>8.0</u>	<i>Mar-02</i>
Hexavest	83,678,266	2.0	1.2	4.5	3.7	19.1	19.1	7.4	--	--	7.3	Dec-10
<i>MSCI EAFE</i>			<u>1.0</u>	<u>4.1</u>	<u>4.8</u>	<u>23.6</u>	<u>23.6</u>	<u>8.1</u>	<u>11.8</u>	<u>6.9</u>	<u>8.4</u>	<i>Dec-10</i>
Over/Under			0.2	0.4	-1.1	-4.5	-4.5	-0.7			-1.1	
Walter Scott	96,415,665	2.3	1.3	5.3	2.5	13.2	13.2	6.2	--	--	6.6	Dec-10
<i>MSCI ACWI ex USA</i>			<u>1.7</u>	<u>5.0</u>	<u>5.6</u>	<u>21.8</u>	<u>21.8</u>	<u>5.7</u>	<u>11.1</u>	<u>7.7</u>	<u>6.0</u>	<i>Dec-10</i>
Over/Under			-0.4	0.3	-3.1	-8.6	-8.6	0.5			0.6	
Total Global Equity	450,641,827	10.6	1.7	5.0	6.7	22.9	22.9	10.2	13.8	--	6.4	May-05
<i>MSCI ACWI</i>			<u>1.9</u>	<u>5.0</u>	<u>6.2</u>	<u>22.9</u>	<u>22.9</u>	<u>10.3</u>	<u>14.3</u>	<u>7.5</u>	<u>7.3</u>	<i>May-05</i>
Over/Under			-0.2	0.0	0.5	0.0	0.0	-0.1	-0.5		-0.9	
GMO Global Equity	224,315,286	5.3	1.4	4.8	7.0	22.6	22.6	11.1	13.9	--	7.9	Apr-05
<i>MSCI ACWI</i>			<u>1.9</u>	<u>5.0</u>	<u>6.2</u>	<u>22.9</u>	<u>22.9</u>	<u>10.3</u>	<u>14.3</u>	<u>7.5</u>	<u>7.3</u>	<i>Apr-05</i>
Over/Under			-0.5	-0.2	0.8	-0.3	-0.3	0.8	-0.4		0.6	
BlackRock MSCI ACWI Equity Index	226,326,541	5.3	1.9	5.2	6.4	23.3	23.3	--	--	--	--	May-12
<i>MSCI ACWI</i>			<u>1.9</u>	<u>5.0</u>	<u>6.2</u>	<u>22.9</u>	<u>22.9</u>	<u>10.3</u>	<u>14.3</u>	<u>7.5</u>	<u>21.6</u>	<i>May-12</i>
Over/Under			0.0	0.2	0.2	0.4	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

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total US Fixed Income	719,084,342	16.9	0.3	1.4	3.0	5.0	5.0	5.3	8.2	6.4	6.5	Feb-94
<i>Barclays Aggregate</i>			<u>0.1</u>	<u>2.0</u>	<u>3.9</u>	<u>4.4</u>	<u>4.4</u>	<u>3.7</u>	<u>4.9</u>	<u>4.9</u>	<u>5.9</u>	<i>Feb-94</i>
Over/Under			0.2	-0.6	-0.9	0.6	0.6	1.6	3.3	1.5	0.6	
Western	261,752,994	6.2	0.3	2.8	5.6	6.5	6.5	5.8	8.5	5.9	6.7	Dec-96
<i>Barclays Aggregate</i>			<u>0.1</u>	<u>2.0</u>	<u>3.9</u>	<u>4.4</u>	<u>4.4</u>	<u>3.7</u>	<u>4.9</u>	<u>4.9</u>	<u>5.8</u>	<i>Dec-96</i>
Over/Under			0.2	0.8	1.7	2.1	2.1	2.1	3.6	1.0	0.9	
BlackRock U.S. Debt Fund	136,435,387	3.2	0.1	2.1	4.1	4.4	4.4	3.8	5.0	5.0	5.7	Nov-95
<i>Barclays Aggregate</i>			<u>0.1</u>	<u>2.0</u>	<u>3.9</u>	<u>4.4</u>	<u>4.4</u>	<u>3.7</u>	<u>4.9</u>	<u>4.9</u>	<u>5.7</u>	<i>Nov-95</i>
Over/Under			0.0	0.1	0.2	0.0	0.0	0.1	0.1	0.1	0.0	
Reams	248,814,419	5.9	0.2	-1.0	-1.2	1.2	1.2	5.3	8.0	6.8	6.4	Sep-01
<i>Reams Custom Index</i>			<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>2.9</u>	<u>4.4</u>	<u>4.7</u>	<u>4.8</u>	<i>Sep-01</i>
Over/Under			0.2	-1.1	-1.3	1.0	1.0	2.4	3.6	2.1	1.6	
<i>Barclays Aggregate</i>			<u>0.1</u>	<u>2.0</u>	<u>3.9</u>	<u>4.4</u>	<u>4.4</u>	<u>3.7</u>	<u>4.9</u>	<u>4.9</u>	<u>5.0</u>	<i>Sep-01</i>
Loomis Sayles Multi Strategy	72,081,542	1.7	0.9	3.6	7.5	10.9	10.9	7.9	11.9	--	7.7	Jul-05
<i>Loomis Custom Index</i>			<u>0.3</u>	<u>2.1</u>	<u>4.3</u>	<u>6.4</u>	<u>6.4</u>	<u>5.4</u>	<u>7.4</u>	--	<u>6.0</u>	<i>Jul-05</i>
Over/Under			0.6	1.5	3.2	4.5	4.5	2.5	4.5		1.7	
<i>Barclays Aggregate</i>			<u>0.1</u>	<u>2.0</u>	<u>3.9</u>	<u>4.4</u>	<u>4.4</u>	<u>3.7</u>	<u>4.9</u>	<u>4.9</u>	<u>4.9</u>	<i>Jul-05</i>
Total Global Fixed Income	267,293,665	6.3	0.8	2.3	4.5	7.5	7.5	--	--	--	2.8	Jun-12
<i>Barclays Global Aggregate</i>			<u>0.7</u>	<u>2.5</u>	<u>4.9</u>	<u>7.4</u>	<u>7.4</u>	<u>2.6</u>	<u>4.6</u>	<u>5.1</u>	<u>2.5</u>	<i>Jun-12</i>
Over/Under			0.1	-0.2	-0.4	0.1	0.1				0.3	
Loomis Sayles Global Fixed Income	96,233,926	2.3	0.7	2.5	5.0	7.3	7.3	--	--	--	3.2	Jun-12
<i>Barclays Global Aggregate</i>			<u>0.7</u>	<u>2.5</u>	<u>4.9</u>	<u>7.4</u>	<u>7.4</u>	<u>2.6</u>	<u>4.6</u>	<u>5.1</u>	<u>2.5</u>	<i>Jun-12</i>
Over/Under			0.0	0.0	0.1	-0.1	-0.1				0.7	
PIMCO Global Fixed Income	129,310,083	3.0	0.9	2.5	5.1	7.8	7.8	--	--	--	0.7	Sep-12
<i>Barclays Global Aggregate</i>			<u>0.7</u>	<u>2.5</u>	<u>4.9</u>	<u>7.4</u>	<u>7.4</u>	<u>2.6</u>	<u>4.6</u>	<u>5.1</u>	<u>1.0</u>	<i>Sep-12</i>
Over/Under			0.2	0.0	0.2	0.4	0.4				-0.3	
Loomis Strategic Alpha	41,749,656	1.0	0.4	1.5	2.0	3.8	3.8	--	--	--	3.5	Jul-13
<i>Barclays Global Aggregate</i>			<u>0.7</u>	<u>2.5</u>	<u>4.9</u>	<u>7.4</u>	<u>7.4</u>	<u>2.6</u>	<u>4.6</u>	<u>5.1</u>	<u>6.1</u>	<i>Jul-13</i>
Over/Under			-0.3	-1.0	-2.9	-3.6	-3.6				-2.6	

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

Reams is preliminary as of report date

Ventura County Employees' Retirement Association

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Real Estate	298,330,294	7.0	0.0	0.0	2.3	7.7	7.7	9.1	8.1	4.5	7.5	Mar-94
<i>Total Real Estate Benchmark</i>			<u>0.0</u>	<u>0.0</u>	<u>2.5</u>	<u>9.5</u>	<u>9.5</u>	<u>11.4</u>	<u>9.4</u>	<u>6.8</u>	<u>8.6</u>	<i>Mar-94</i>
Over/Under			0.0	0.0	-0.2	-1.8	-1.8	-2.3	-1.3	-2.3	-1.1	
Prudential Real Estate	97,522,348	2.3	0.0	0.0	2.3	9.4	9.4	10.7	9.3	4.4	4.4	Jun-04
UBS Real Estate	192,583,732	4.5	0.0	0.0	2.3	6.9	6.9	8.6	7.8	6.6	6.9	Mar-03
RREEF	8,224,214	0.2	0.0	0.0	3.8	11.4	11.4	16.3	12.4	--	-9.6	Sep-07
Total Liquid Alternatives	435,149,967	10.2	3.3	9.3	15.0	23.9	23.9	--	--	--	23.3	Apr-13
<i>CPI + 4% (Unadjusted)</i>			<u>0.7</u>	<u>2.0</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	<u>6.0</u>	<u>6.1</u>	<u>6.4</u>	<u>6.4</u>	<i>Apr-13</i>
Over/Under			2.6	7.3	10.5	17.6	17.6	--	--	--	16.9	
Bridgewater All Weather Fund	279,163,512	6.6	1.3	5.6	9.5	--	--	--	--	--	13.2	Aug-13
<i>CPI + 5% (Unadjusted)</i>			<u>0.8</u>	<u>2.3</u>	<u>5.0</u>	--	--	--	--	--	<u>6.3</u>	<i>Aug-13</i>
Over/Under			0.5	3.3	4.5	--	--	--	--	--	6.9	
Tortoise Energy Infrastructure	155,986,455	3.7	7.1	16.5	26.3	38.1	38.1	--	--	--	35.1	Apr-13
<i>Wells Fargo MLP Index</i>			<u>6.9</u>	<u>14.4</u>	<u>17.7</u>	<u>23.6</u>	<u>23.6</u>	<u>19.5</u>	--	--	<u>21.1</u>	<i>Apr-13</i>
Over/Under			0.2	2.1	8.6	14.5	14.5	--	--	--	14.0	

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 estimated by carrying the last available month forward

CPI+5% is estimated by carrying the last available month forward

Real Estate Valuation is as of 3/31/2014. NAVs will be updated once 6/30/2014 statements become available

Ventura County Employees' Retirement Association

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Overlay	15,166,597	0.4										
Clifton	15,166,597	0.4										
Total Private Equity	87,831,797	2.1	4.6	5.5	10.7	22.1	22.1	--	--	--	--	Jul-10
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>2.8</u>	<u>5.6</u>	<u>8.5</u>	<u>28.7</u>	<u>28.7</u>	--	--	--	--	<i>Jul-10</i>
Over/Under			1.8	-0.1	2.2	-6.6	-6.6					
Adams Street Partners	55,262,193	1.3	5.4	5.4	11.7	24.5	24.5	--	--	--	--	Jul-10
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>2.8</u>	<u>5.6</u>	<u>8.5</u>	<u>28.7</u>	<u>28.7</u>	--	--	--	--	<i>Jul-10</i>
Over/Under			2.6	-0.2	3.2	-4.2	-4.2					
Panteon Ventures	10,317,439	0.2	6.7	6.7	12.9	17.4	17.4	--	--	--	--	Aug-10
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>2.8</u>	<u>5.6</u>	<u>8.5</u>	<u>28.7</u>	<u>28.7</u>	--	--	--	--	<i>Aug-10</i>
Over/Under			3.9	1.1	4.4	-11.3	-11.3					
Harbourvest	22,252,165	0.5	1.8	5.7	7.3	17.0	17.0	--	--	--	--	May-13
<i>DJ U.S. Total Stock Market Index + 3%</i>			<u>2.8</u>	<u>5.6</u>	<u>8.5</u>	<u>28.7</u>	<u>28.7</u>	--	--	--	<u>25.0</u>	<i>May-13</i>
Over/Under			-1.0	0.1	-1.2	-11.7	-11.7					

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

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 June 30, 2014

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Fees	Net Investment Change	Ending Market Value
Adams Street Partners	\$51,615,319	-\$1,361,935	\$2,210,000	\$848,065	\$0	\$2,798,809	\$55,262,193
BlackRock ACWI ex-U.S. Index	\$269,193,383	\$0	\$0	\$0	-\$24,497	\$4,770,105	\$273,963,489
BlackRock Equity Market Fund	\$1,131,125,708	-\$9,000,000	\$0	-\$9,000,000	-\$21,259	\$28,432,774	\$1,150,558,481
BlackRock Extended Equity Index	\$44,003,223	\$0	\$0	\$0	-\$3,064	\$1,955,158	\$45,958,381
BlackRock MSCI ACWI Equity Index	\$222,069,253	\$0	\$0	\$0	-\$9,211	\$4,257,288	\$226,326,541
BlackRock U.S. Debt Fund	\$136,283,807	\$0	\$0	\$0	-\$7,881	\$151,580	\$136,435,387
Bridgewater All Weather Fund	\$275,609,338	\$0	\$0	\$0	-\$91,492	\$3,554,174	\$279,163,512
Clifton	\$15,052,508	-\$1,637,802	\$2,337,071	\$699,269	-\$1,896	-\$585,179	\$15,166,597
GMO Global Equity	\$221,174,872	\$0	\$0	\$0	-\$102,811	\$3,140,414	\$224,315,286
Harbourvest	\$22,326,882	-\$469,865	\$0	-\$469,865	\$0	\$395,148	\$22,252,165
Hexavest	\$82,676,228	\$0	\$0	\$0	-\$32,059	\$1,002,037	\$83,678,266
Loomis Sayles Global Fixed Income	\$95,537,210	\$0	\$0	\$0	-\$24,058	\$696,716	\$96,233,926
Loomis Sayles Multi Strategy	\$71,412,981	\$0	\$0	\$0	-\$23,854	\$668,561	\$72,081,542
Loomis Strategic Alpha	\$41,560,743	\$0	\$0	\$0	-\$13,917	\$188,912	\$41,749,656
Panteon Ventures	\$9,665,079	\$0	\$0	\$0	\$0	\$652,360	\$10,317,439
PIMCO Global Fixed Income	\$128,077,580	\$0	\$514	\$514	-\$36,494	\$1,231,990	\$129,310,083
Prudential Real Estate	\$97,522,348	\$0	\$0	\$0	\$0	\$0	\$97,522,348
Reams	\$248,371,651	\$0	\$0	\$0	-\$37,352	\$442,768	\$248,814,419
RREEF	\$8,224,214	\$0	\$0	\$0	\$0	\$0	\$8,224,214
Sprucegrove	\$195,253,369	\$0	\$0	\$0	-\$60,643	\$1,834,847	\$197,088,216
Tortoise Energy Infrastructure	\$145,620,621	\$0	\$0	\$0	-\$91,660	\$10,365,834	\$155,986,455
UBS Real Estate	\$192,583,732	\$0	\$0	\$0	\$0	\$0	\$192,583,732
Walter Scott	\$95,124,253	\$0	\$0	\$0	-\$70,083	\$1,291,411	\$96,415,665
Western	\$260,910,830	\$0	\$0	\$0	-\$45,219	\$842,165	\$261,752,994
Western U.S. Index Plus	\$128,367,906	\$0	\$0	\$0	-\$28,876	\$2,642,299	\$131,010,204
Total	\$4,189,363,034	-\$12,469,602	\$4,547,585	-\$7,922,017	-\$726,327	\$70,730,173	\$4,252,171,189

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 plan's 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.
- This report is provided as a management aid for the client's internal use only. Performance contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.



To: Ventura County Employees' Retirement Association ("VCERA") Board
From: Don Stracke, CFA, CAIA, Allan Martin, Partner
Date: July 21, 2014
Subject: AA Update/Workplan Discussion

Recommendation

In light of the board's direction last month for us to focus first on completing the Asset/Liability study, NEPC recommends that the board move towards adopting Mix A over the next few months. Alternatively, the board could choose Alt. Mix A with a slightly lower exposure to credit.

	Current Target	Mix A	Alt. Mix A
Large Cap Equities	27%	25%	25%
Small/Mid Cap Equities	3%	3%	3%
Int'l Equities (Unhedged)	12%	10%	10%
Emerging Int'l Equities	2%	2%	2%
Global Equity	10%	8%	8%
Total Equity	54%	48%	48%
Core Bonds	12%	9%	9%
Global Bonds (Unhedged)	5%	2%	2%
Absolute Return Fixed Income	7%	7%	9%
Total Fixed Income	24%	18%	20%
Private Equity	5%	6%	6%
Private Debt	0%	10%	8%
Real Estate (Core)	7%	8%	8%
Real Assets (Liquid)	0%	2%	2%
Total Alternatives	12%	26%	24%
Risk Parity	6%	4%	4%
MLPs	4%	4%	4%
Total Other	10%	8%	8%
Expected Return 5-7 Years			
	6.3%	6.8%	6.7%
Expected Return 30 Year			
	7.6%	7.9%	7.8%
Standard Dev of Asset Return			
	12.4%	13.0%	12.8%
Probability of 5-7 Yr over 7.75%			
	39.8%	43.3%	42.5%
Sortino Ratio MAR @ 0%			
	0.71	0.66	0.66
Sharpe Ratio			
	0.39	0.41	0.41



Summary

Mix A achieves a number of important goals:

- Lowering of overall equity exposure
- Lowering of US and non-US core bond exposure
- Maintenance of absolute return fixed income exposure
- Increase in private equity
- Creation of US/non-US credit allocation
- Move of 2% into liquid real assets

Next Steps

We recommend that the board consider adopting Mix A, Alt. Mix A, or provide direction to NEPC about next steps in either additional mixes or education.



2014 Proposed Board Meeting Agenda Items

Board Meeting	Agenda Item
January 27, 2014	<ul style="list-style-type: none"> ✓ December monthly performance ✓ 2014 NEPC Outlook – high level VCERA plan observations ✓ Investment Policy Statement and manager guideline review ✓ Tactical rebalancing review ✓ Recommendation for benchmark change
February 24, 2014	<ul style="list-style-type: none"> ✓ Quarterly performance report ✓ Update on real estate markets ✓ January monthly performance ✓ Fixed income structure review
March 24, 2014	<ul style="list-style-type: none"> ✓ Private equity market update ✓ Potential approaches to reach PE target ✓ February monthly performance
April 21, 2014	<ul style="list-style-type: none"> ✓ March monthly performance ✓ Non-US equity structure review ✓ Review asset/liability study ✓ Prioritize search activity
May 19, 2014	<ul style="list-style-type: none"> ✓ April monthly performance ✓ Education on fixed income alternatives ✓ Quarterly performance report
June 16, 2014	<ul style="list-style-type: none"> ✓ May monthly performance ✓ Retreat agenda discussion ✓ Asset Allocation Discussion ✓ Educational presentation direct lending
July 21, 2014	<ul style="list-style-type: none"> • June monthly performance • Educational presentation multi-strat FI • Review asset allocation target • Discuss search process
September 22, 2014	<ul style="list-style-type: none"> • Quarterly performance report • August monthly performance • Review additional education needs • Initiate direct lending search
October 20, 2014	<ul style="list-style-type: none"> • September performance report
November 17, 2013	<ul style="list-style-type: none"> • October performance report • Review direct lending managers • Quarterly Investment Report
December 15, 2014	<ul style="list-style-type: none"> • November performance report • Review 2015 agenda



NEPC, LLC

YOU DEMAND MORE. So do we.SM



Ventura County Employees' Retirement Association

NEPC Search Process

July 21, 2014

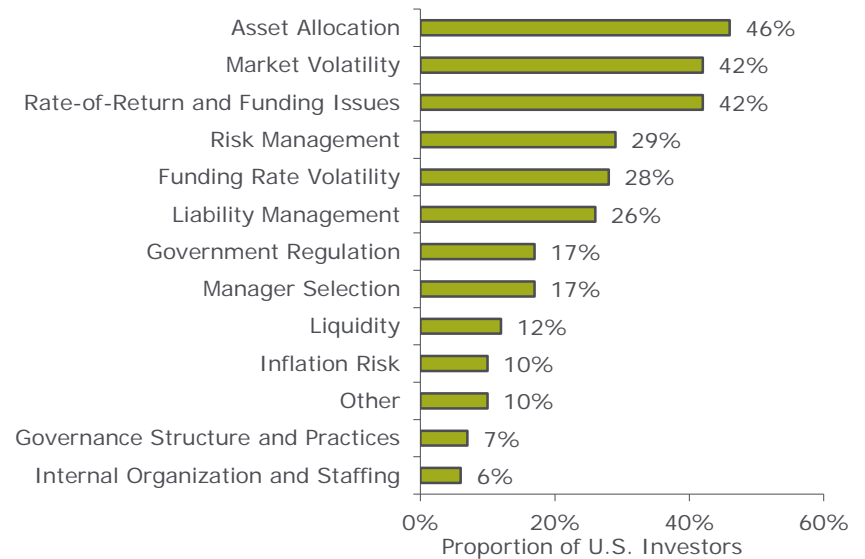
Don Stracke, CFA, CAIA, Senior Consultant

255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

- **We pursue value-add at every step in the process**
 - Strategic asset allocation
 - Dynamic and opportunistic
 - Strategy selection and implementation
- **Our in-depth risk tools create framework for alpha seeking**
- **Team combines broad coverage with continuous innovation**
- **Our process re-aligns focus from the pyramid on the left toward the pyramid on the right**

Most Important Issues Facing Investment Programs



Source: Greenwich Associates 2011 Survey

Typical Time Allocation

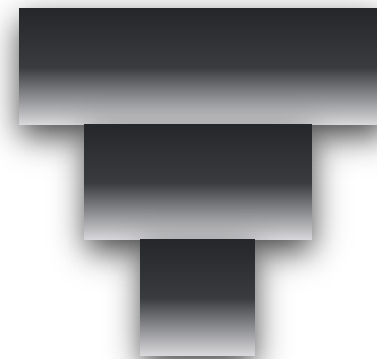


Strategic Asset Allocation

Dynamic Asset Allocation & Portfolio Structuring

Manager Selection and Monitoring

Impact on Program



Tim McCusker, FSA, CFA, CAIA
*Chief Investment Officer**

Eileen Keenan
Research Coordinator

Client Strategy & Asset Allocation

Christopher Levell, ASA, CFA, CAIA, *Partner**

Traditional Research

Timothy Bruce
*Partner**

Alternatives Research

Neil Sheth
*Partner**

Operational Due Diligence

William Bogle
*Partner**

Client Strategy

Alternative Investments

Sean Gill, CFA, CAIA
*Partner**

Defined Contribution

Ross Bremen, CFA
*Partner**

Traditional Research

Stephen Gargano
Senior Consultant

Jeff Markarian
Senior Consultant

Donna Szeto, CFA
Senior Consultant

Rosann Morello
Manager Search Supervisor

Seth Bancroft
Senior Analyst

Angela Dawson
Analyst

Jarrett Yingling
Analyst

Research Associates

Matthew Brady

Christopher Burrell

Larissa Davy

Bobby Jaramillo

Private Markets

Eric Harnish
*Director of Private Markets**

Jeffrey Roberts
Senior Consultant

Charles Tedeschi
Senior Consultant

Chris Hill, CFA, CAIA
Consultant

Melissa Mendenhall
Consultant

Siddique Haq, CAIA
Senior Analyst

Alexandra Adam, CAIA, *Analyst*

Oliver Fadly, *Analyst*

Real Assets

Sean Ruhmann
*Director of Real Assets**

Claire Woolston
Senior Consultant

Andrew Brett, CAIA
Consultant

William Elcock, *Analyst*

Matthew Ritter, CAIA, *Analyst*

Hedge Funds

Alex Kamunya, CAIA
Senior Consultant

Kamal Suppal, CFA
Senior Consultant

Amanda Karlsson, CFA
Consultant

Chris Matteini
Consultant

Dulari Pancholi, CFA, CAIA
Consultant

Nate McNamee
Senior Analyst

Timothy O'Connell
Senior Analyst

Reino Ecklord, CFA, CAIA
Analyst

Operational Due Diligence

Erin Faccione, CFA, CAIA
Consultant

Lauren Walsh
Analyst

* Ownership interest in NEPC (Partner)

+ Principal designation for leadership within the Firm.

++ John Minahan, a long-time employee of NEPC and current faculty member at MIT's Sloan School of Management, is engaged as an independent consultant to NEPC.

Total Searches & Reviews **671**

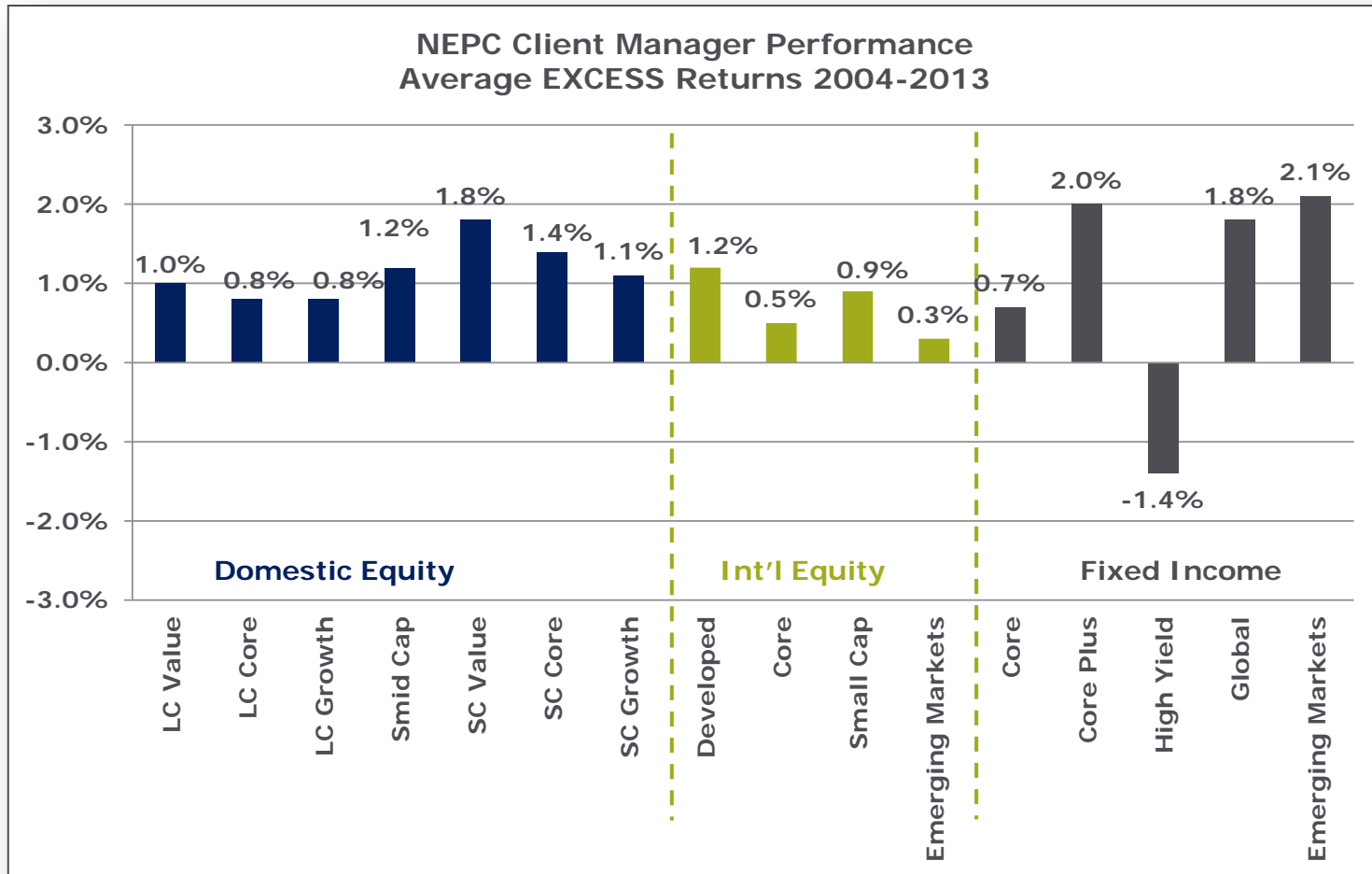
Searches by Asset Class

Large Cap Equity	37
Sm/Mid Cap & Mid Cap Equity	15
Small Cap Equity	32
All Cap Equity (includes MLP's)	8
Fixed Income	33
High Yield Bonds	9
International Equity	29
Global Equity	17
Emerging Equity	37
Emerging Equity Small	19
International Small Cap Equity	10
Global Bonds	6
Emerging Market Debt	28
Multi-Sector Bonds	26
LDI	4
<i>GAA/TAA (includes Risk Parity & LifeCycle)</i>	<i>77</i>
<i>Hedge Funds</i>	<i>39</i>
<i>Private Equity</i>	<i>186</i>
<i>Real Estate</i>	<i>41</i>
<i>Commodities</i>	<i>18</i>

54% of all searches were for non-traditional managers and strategies

Total Search Assets **\$26 billion**

- Excess returns in 15 of 16 asset classes over the last ten years
- Consistent performance



The data represents the average gross return of all current or former managers across all current or former NEPC clients, excluding outliers. Not all managers were placed by NEPC. All plan and sponsor types reported through InvestorForce are included. Does not include passively managed accounts (index funds). Past performance is no guarantee of future results.

FPL Process

We believe that through proprietary quantitative scoring and extensive qualitative research, we can identify the fundamental elements of an investment manager's ability to generate excess returns. Through this process, we isolate high conviction strategies expected to deliver superior long-term investment performance.

Differentiators:

- **Broad coverage**
 - More than 10,000 strategies covered through multiple industry recognized databases
- **Targeted approach**
 - Identify investment strategies with unique competitive advantages through deep understanding of manager's investment thesis
- **Risk-aware portfolio construction**
 - Combining conviction in strategies with quantitative framework for pairing and sizing in program
- **Continuous innovation**
 - Incorporating strategic and opportunistic views into pursuit of new strategies within traditional asset classes

1. Universe Screening

- The construction of the Focused Placement List begins with initial universe screening to identify candidates that meet acceptable criteria for further analysis.

2. Quantitative Scoring

- Strategies are scored using our proprietary Performance Analytics Statistical Software (PASS) on metrics that we believe identify investment processes expected to consistently outperform the benchmark over the long term. All analysis is based on excess manager returns, net of all fees. For Core Fixed Income, strategies are scored 0-100. Scoring is weighted 80% quantitative and 20% qualitative, including the following factors:
 - % of Rolling 3 Year Returns > 0%
 - % of Rolling 3 Year Returns > 0.75%
 - Rolling 3 Year Information Ratio
 - Contrarian Indicator
 - Long Term Alpha Confidence (Statistical Significance)
 - Length of Track Record
 - Qualitative NEPC Opinion – Firm & Team Stability,
 - Quality of Investment Thesis

3. Qualitative Research

- Deep, qualitative research is conducted on a focused set of strategies identified through scoring and supplemented by our research team's knowledge of strategies that appear compelling for further research.
- Our research efforts are focused on developing a deep understanding of each strategy's people, philosophy, & process, synthesizing those aspects into our interpretation of each strategy's investment thesis – the identification of a particular set of market inefficiencies and the conviction in a portfolio management team's ability to exploit those inefficiencies over the long-term, thereby, adding value over the benchmark.
- By focusing on investment thesis, our research remains forward-looking, supporting this investment view with critical knowledge of each organization, investment team, research support, investment process, performance expectations, and fees/available investment vehicles to identify strategies that we believe will provide quality excess returns above the relevant benchmark.

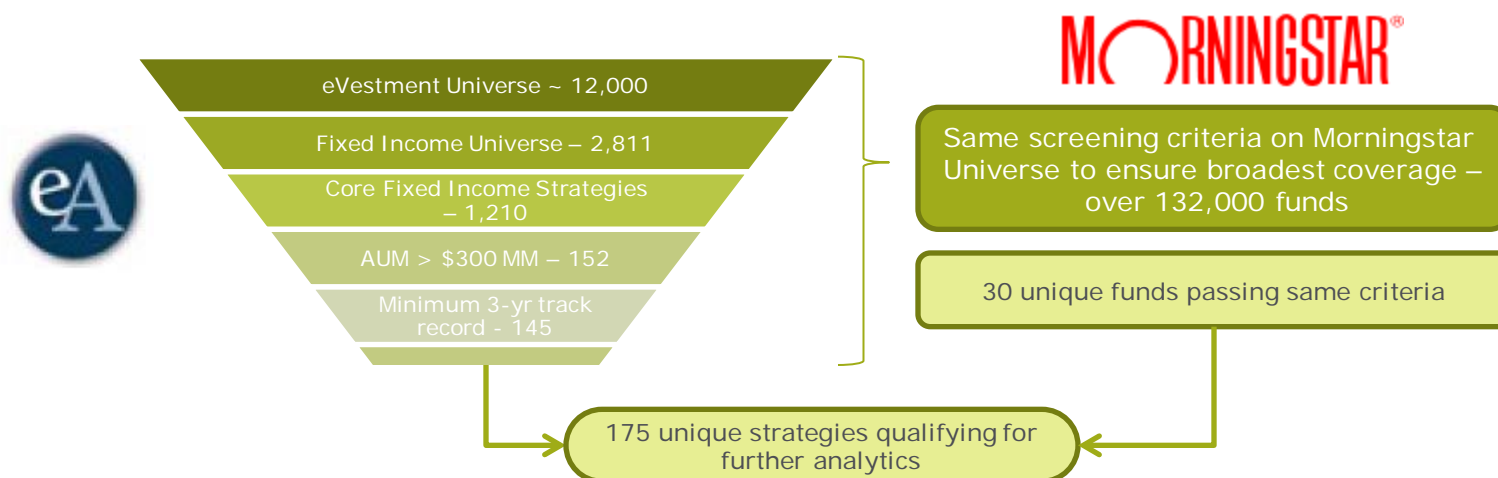
4. Peer Review

- The research process culminates in exhaustive peer review. The Fixed Income Advisory Group provides feedback and insight to the research team prior to vetting preferred strategies in front of senior research and consulting professionals on NEPC's Due Diligence Committee. The research team presents each Focused Placement List candidate to the Due Diligence Committee. The committee challenges both the soundness of the investment thesis (NEPC's articulation of why the strategy is expected to outperform over the long-term) and all relevant factors that might affect the long-term stability of the strategy, including business factors at the firm level. Candidates approved by the Due Diligence Committee are placed on the Focused Placement List and included in searches conducted for that asset class.

- **eVestment Alliance and Morningstar screened to capture comprehensive universe of strategies in each asset class and investment style**
- **Minimum criteria used to focus research**
 - Track record
 - Assets under management
- **Criteria adjusted for each asset class based on competitive landscape**



Example: Core Fixed Income



- **Proprietary PASS tool (Performance Analytics Statistical Software) used to systematize quantitative analysis**
- **This software isolates net-of-fees alpha, removing market/index performance**
 - Attractive strategies will have consistent net-of-fees performance at reasonable levels of active risk (tracking error)
- **Each strategy scored on variety of excess return statistics**
 - Rolling metrics used to minimize end-point sensitivity
 - Statistical significance of alpha
 - Rolling alpha greater than certain hurdles
 - Upside/Downside Capture
 - Information Ratio
 - NEPC Score on quality of investment thesis and firm stability
- **Scoring channels Research focus to strategies demonstrating ability to deliver excess returns over long term**



NEPC Traditional Research - SMALL CAP CORE - NETTING 07/15/10

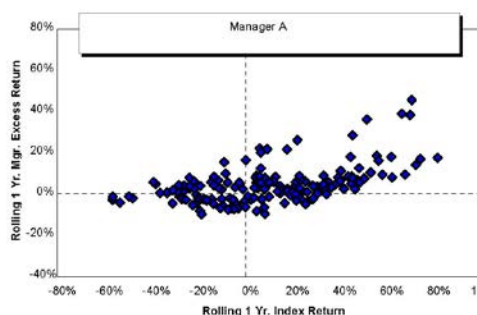
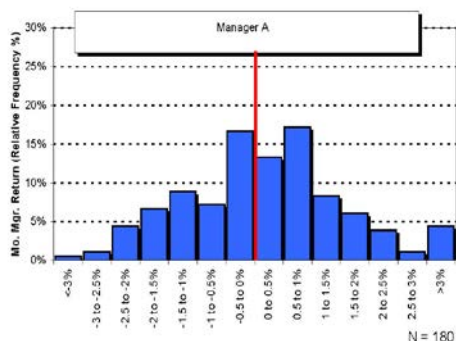
		EVALUATION CRITERIA - DATA								TOTAL SCORE
		CONTRARIAN INDICATOR	ROLLING 3 YR. R.T.R. - % > 0	ROLLING 3 YR. R.T.R. - % > X%	AVG. 3 YR. INFORMATION RATIO	IR + SQRT LENGTH OF RECORD	UPSIDE MKT CAPTURE	DOWNSIDE MKT CAPTURE	FIRM/TEAM STRUCTURE/STABILITY	
		Assigned Weights	5%	5%	10%	15%	20%	5%	10%	30%
Managers										
1	Manager 1	0.04	86%	58%	0.63	1.92	86%	72%	5	86
2	Manager 2	0.18	82%	67%	0.58	2.40	125%	100%	5	85
3	Manager 3	0.03	92%	79%	0.73	1.52	93%	79%	5	85
4	Manager 4	(0.02)	77%	65%	0.57	2.31	98%	81%	5	84
5	Manager 5	0.12	88%	68%	0.87	2.82	91%	72%	3	73
6	Manager 6	(0.03)	81%	24%	0.42	2.16	104%	96%	5	73
7	Manager 7	0.34	###	100%	1.14	1.89	100%	70%	2	70
8	Manager 8	0.05	89%	61%	0.87	2.27	104%	89%	3	70
9	Manager 9	0.20	97%	89%	0.71	2.51	100%	70%	2	70
10	Manager 10	0.33	82%	75%	0.95	3.16	106%	78%	2	70
• • • • •										
172	Manager 172	(0.05)	20%	8%	(0.60)	(1.25)	93%	99%	3	21
173	Manager 173	(0.02)	0%	0%	(0.69)	(1.23)	87%	96%	3	20
174	Manager 174	(0.10)	31%	2%	(0.53)	(1.81)	87%	98%	3	19
175	Manager 175	(0.04)	18%	0%	(0.91)	(2.00)	95%	107%	3	18

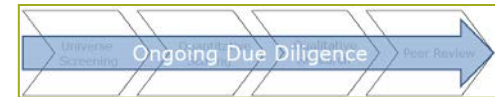


- **Deep, qualitative research to identifying strategy's investment thesis**
 - Strategies scoring well in PASS
 - Strategies identified previously by research team and reasons for poor scoring are well understood
- **An investment thesis is the identification and articulation of a manager's "competitive edge"**
 - A set of beliefs regarding the security pricing mechanism and what it is about that mechanism which affords the opportunity to add value
 - A set of beliefs about the manager's competitive advantage in exploiting these opportunities
 - A thesis about how these beliefs can be exploited to generate alpha
- **A belief in a strategy's investment thesis is forward-looking and leads to a view on the ability to generate future outperformance**
 - Differentiating true investment skill from "noise"
- **Through meetings with lead portfolio manager, investment team and further quantitative analysis, we develop views on each strategy's key characteristics**
 - Organization/People
 - Investment Philosophy
 - Investment Process
 - Performance Expectations



- **Rigorous, intensive review by seasoned investment professionals**
- **Asset Class Advisory Groups serve as sounding board during research process**
 - Potential application of different strategies
 - Provide direction and ideas for new research or new product from managers
- **Final proposed list of preferred strategies presented to Due Diligence Committee (comprised of senior consulting and research professionals)**
- **Comprehensive materials presented along with qualitative review from Research Consultant**
 - Materials cover firm, process, NEPC investment thesis, detailed net-of-fees alpha analytics
 - Due Diligence Committee critiques and approves/eliminates each strategy individually





- **Centralized Due Diligence Committee meets bi-weekly throughout the year to evaluate recent events & potential issues**
 - Investment professional departure
 - Change in firm ownership structure
 - Litigation
 - Changes to original strategy mandate
 - Subtle long-term issues – questions of change in a firm’s approach or commitment to particular business lines
- **Defined due diligence status at firm and strategy level to supplement strategy ratings**
 - Maintained and reviewed regularly by Due Diligence Committee
 - No Action, Watch or Hold
 - Client Review and/or Terminate
- **For all events requiring client action, a 48-hour letter from NEPC’s Research outlining our opinion and suggested action delivered directly to clients**
- **Annual review of all strategies in client portfolios through NEPC Research or Consulting teams**



NEPC, LLC

YOU DEMAND MORE. So do we.SM



Ventura County Employees' Retirement Association

Global Multi-Strategy Fixed Income

July 21, 2014

Don Stracke, CFA, CAIA, Senior Consultant

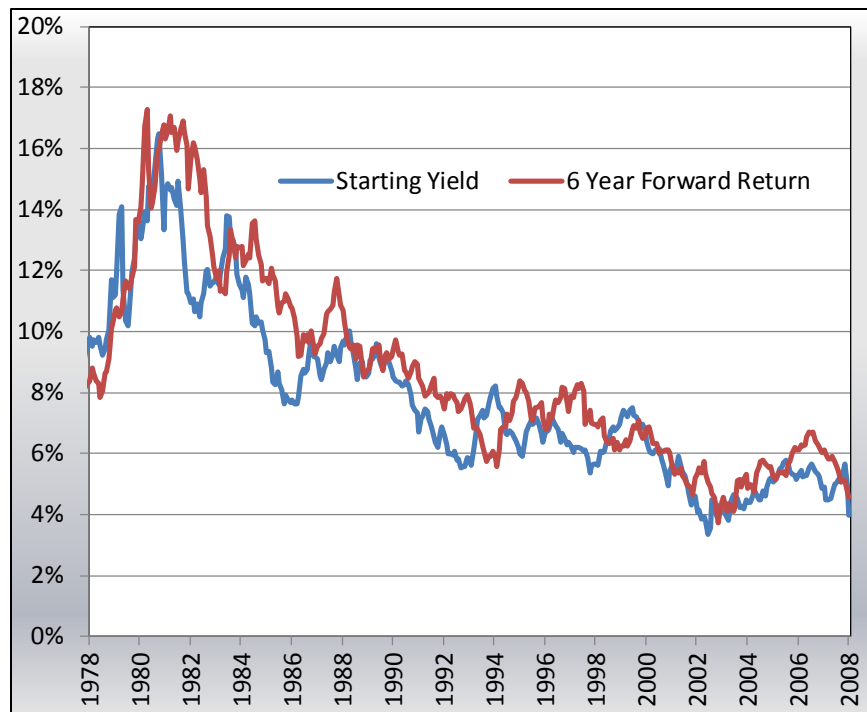
255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

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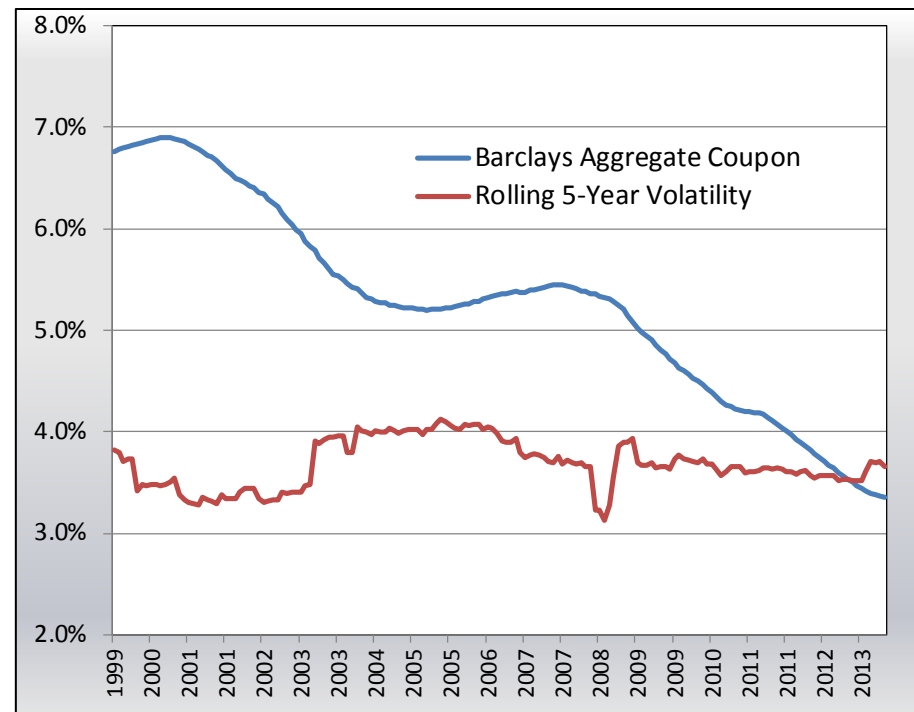
Fixed Income Update

- **Interest rates continue upward trend**
 - 10-year Treasury increased from 1.86% to near 3%
 - Sell-off attributed to Fed rhetoric and moderate improvements in economy
 - 30-year Treasury approached 4% as yield curve steepened
- **Credit outperforms with low quality leading once again**
 - High yield and leveraged loans post strong relative performance
 - Investment grade credit outperformed Treasuries, but was negative on the year
 - Financials outperform Industrials and Utilities by wide margin
- **Record inflows into bank loans**
 - Approximately \$62 billion flowed into bank loan mutual funds in 2013
 - Retail investors and CLO issuance drove demand technicals
 - Investors favor the floating rate structure in the face of rising interest rates
- **Emerging Market Debt**
 - Federal Reserve policy and capital flows drive sell-off in 2013
 - Dispersion in country returns emerge due to balance of payment concerns
 - Local currency bonds suffered most acutely as EM currencies weakened

- **BC Agg returned -2% in 2013**
 - Second lowest annual return and only the third negative return in Index history
 - Duration of Index extended to all-time high of 5.55 years
 - Yields at ~2.5% and spreads are near record tight in non-govt. sectors
- **EMD was the worst performing risk asset in 2013**
 - Federal Reserve “Taper” instigated strong reversal of capital flows
 - Local currency markets offer higher yields but with increased volatility
 - USD denominated spreads remain below long-term average
 - Long-term secular outlook is promising but currency concerns of the “Fragile 5” and investor flows overhang the market
- **Risk/Return benefits of TIPS have begun to normalize**
 - With increases in real yields and continued low inflation-expectations opportunities to add to TIPS during periods of interest rate volatility
 - TIPS provide greater diversification benefit than traditional bond strategies while maintaining a conservative profile and increasing sensitivity to inflation

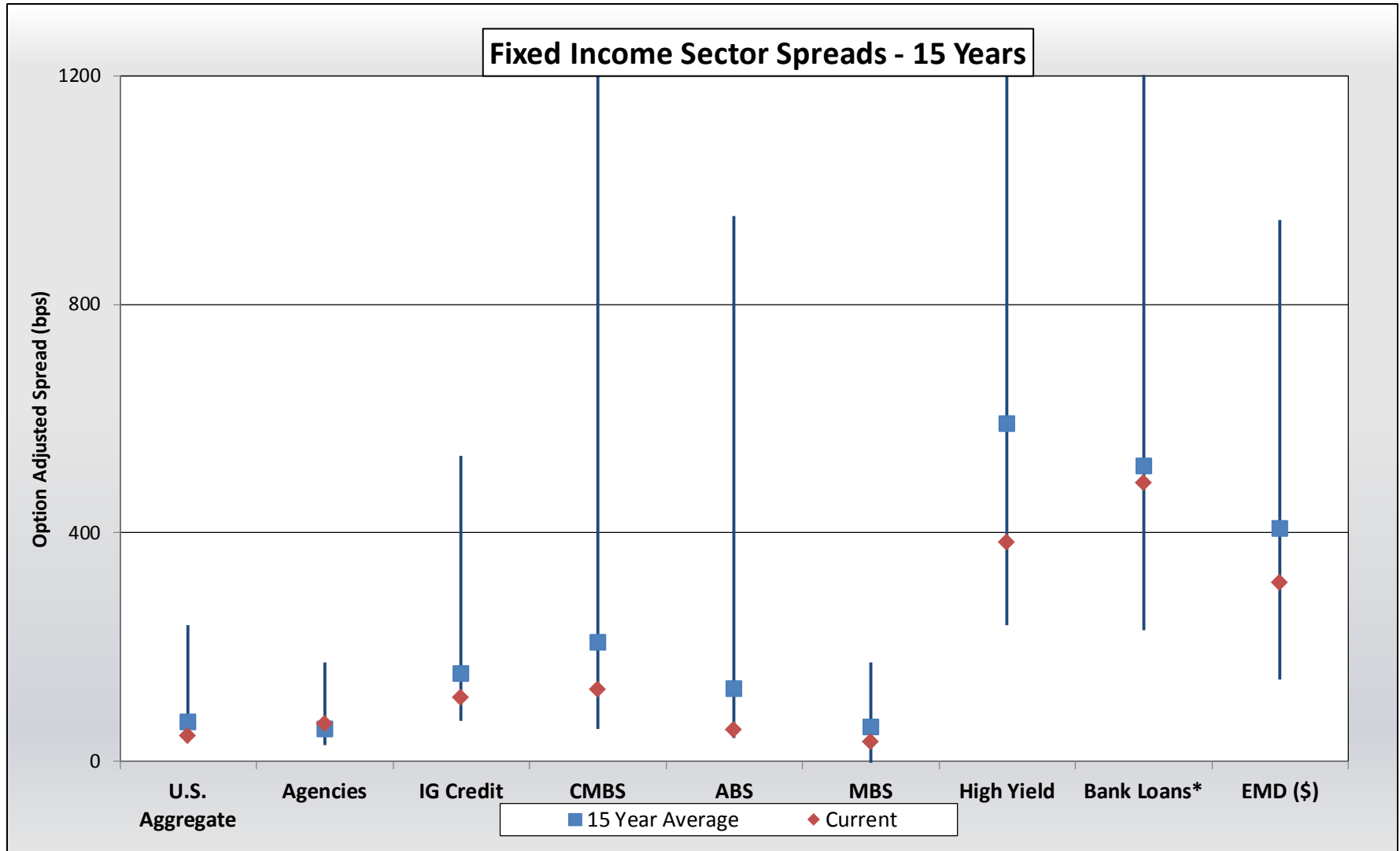


Source: Barclays Live, as of 12/31/2013



Source: Barclays Live, as of 9/30/2013

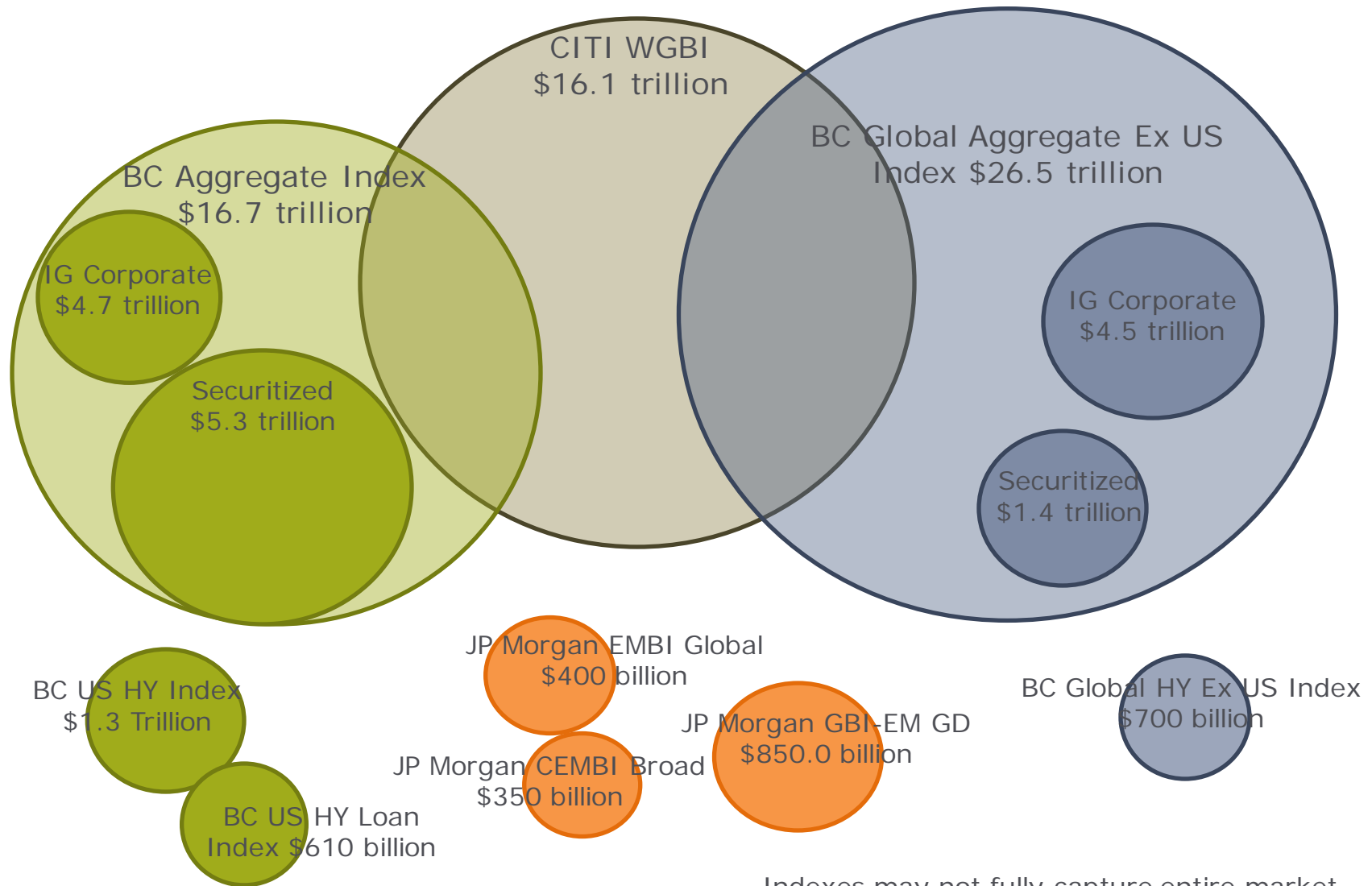
- **Historically, there is a high correlation between the YTM of the Barclays Aggregate Index and the benchmark's 6-year forward return**
 - YTM is 2.49% as of 12/31/2013
- **In 2013, volatility of the Barclays Aggregate index exceeded its average coupon for the first time**
 - Recent rise in interest rates will increase the new issue coupons, but yields remain compressed



*3-year Discount Margin
Source: Barclays Live

The Case For Global Multi-Sector Fixed Income

Investable Bond Markets By Index – Total Capitalization

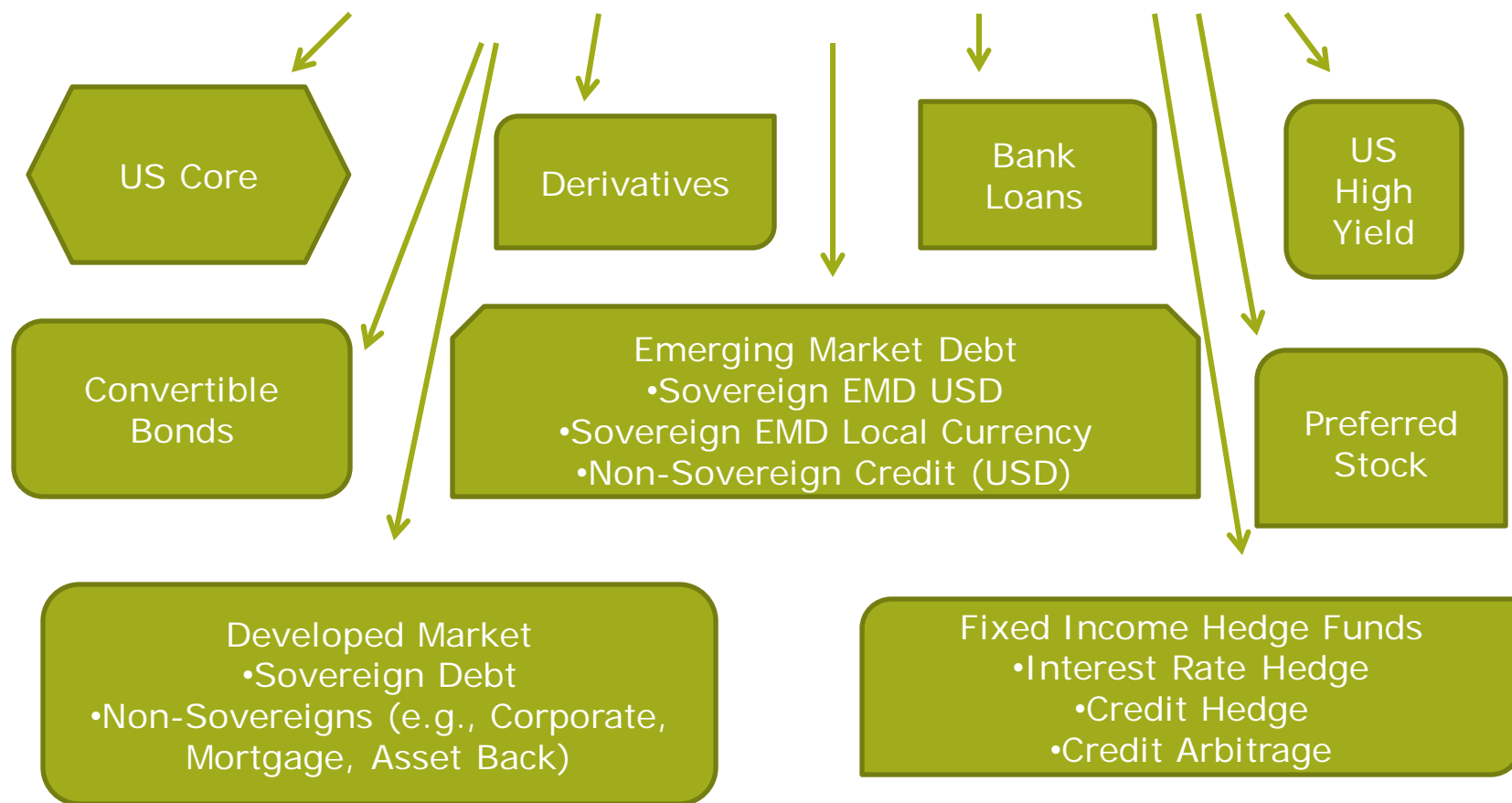


Indexes may not fully capture entire market capitalization

Source: Bank for International Settlements, Barclays, CITI, JP Morgan
As of 12/31/2013

Increased Tactical Opportunity Set

Dynamic Fixed Income Manager(s)
Tactical Weights



Correlations

	BC Agg	BC U.S. Credit	BC Global HY	BC Government	BC High Yield	BC MBS	BC U.S. TIPS	Citi WGBI	CS Lev Loan	JPM EMBI+	JPM GBI - EM
BC Agg	1.00										
BC U.S. Credit	0.96	1.00									
BC Global HY	0.25	0.50	1.00								
BC Government	0.96	0.86	0.00	1.00							
BC High Yield	0.29	0.51	0.92	0.08	1.00						
BC MBS	0.94	0.88	0.17	0.86	0.23	1.00					
BC U.S. TIPS	0.73	0.69	0.31	0.64	0.26	0.59	1.00				
Citi WGBI	0.60	0.54	0.13	0.60	0.10	0.50	0.56	1.00			
CS Lev Loan	-0.03	0.24	0.65	-0.29	0.74	-0.13	0.15	-0.10	1.00		
JPM EMBI+	0.32	0.44	0.78	0.16	0.51	0.29	0.30	0.15	0.22	1.00	
JPM GBI - EM	0.37	0.55	0.75	0.11	0.65	0.22	0.42	0.55	0.39	0.78	1.00

- **Strong diversification benefits by increasing investable universe outside of traditional fixed income investments**

Source: Barclays Capital, eVestment

Adding Value Through Sector Rotation

2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
High Yield 7.44%	EMD - Hard 18.04%	TIPS 13.56%	EMD - Local 15.68%	High Yield 58.21%	Treasury 12.39%	EMD - Local 18.11%	EMD - Local 15.22%	EMD - Hard 11.86%	EMD - Local 22.97%
Bank Loans 6.15%	EMD - Local 16.76%	EMD - Hard 9.2%	High Yield 15.12%	Bank Loans 44.87%	Global Bonds 10.89%	TIPS 11.63%	High Yield 11.85%	EMD - Local 6.27%	EMD - Hard 11.35%
Cash 0.07%	High Yield 15.81%	Treasury 9.02%	EMD - Hard 11.83%	EMD - Hard 25.95%	Securitized 4.64%	Global Bonds 10.95%	EMD - Hard 10.49%	Bank Loans 5.69%	High Yield 11.13%
Municipals - 0.32%	Bank Loans 9.43%	US Credit 8.35%	Bank Loans 9.97%	EMD - Local 21.98%	Municipals 4.23%	Treasury 8.66%	Bank Loans 7.33%	Cash 3.07%	Global Bonds 10.35%
Securitized - 1.31%	US Credit 9.37%	Municipals 7.62%	US Credit 8.47%	US Credit 16.04%	Cash 2.06%	Securitized 6.64%	Global Bonds 6.12%	TIPS 2.84%	TIPS 8.46%
US Credit - 2.01%	TIPS 6.98%	Global Bonds 6.35%	Securitized 6.52%	TIPS 11.41%	TIPS -2.35%	EMD - Hard 6.45%	Securitized 5.16%	High Yield 2.74%	Bank Loans 5.6%
Treasury -2.6%	Municipals 3.55%	Securitized 6.22%	TIPS 6.31%	Securitized 7.78%	US Credit - 3.08%	US Credit 5.11%	Cash 4.85%	Treasury 2.65%	US Credit 5.24%
Global Bonds - 4%	Securitized 3.01%	High Yield 4.98%	Treasury 5.52%	Municipals 7.18%	EMD - Local - 5.22%	Cash 5%	US Credit 4.26%	Securitized 2.53%	Securitized 4.59%
EMD - Hard - 8.31%	Treasury 2.02%	Bank Loans 1.82%	Global Bonds 5.17%	Global Bonds 2.55%	EMD - Hard - 9.7%	Municipals 4.79%	Municipals 3.74%	US Credit 1.96%	Treasury 3.48%
TIPS -8.61%	Global Bonds 1.65%	Cash 0.1%	Municipals 3.13%	Cash 0.21%	High Yield - 26.15%	Bank Loans 1.88%	Treasury 3.48%	Municipals 1.67%	Municipals 2.92%
EMD - Local - 8.98%	Cash 0.11%	EMD - Local - 1.75%	Cash 0.13%	Treasury -2.2%	Bank Loans - 28.75%	High Yield 1.87%	TIPS 0.41%	Global Bonds - 6.88%	Cash 1.33%

- Fixed income sector returns vary widely from period to period, highlighting potential for active multisector managers to add value

- **The following three slides present the major fixed income indexes and three blended portfolios to approximate core plus and two different multi-sector fixed income portfolios**
 - Blended returns calculated on a monthly basis

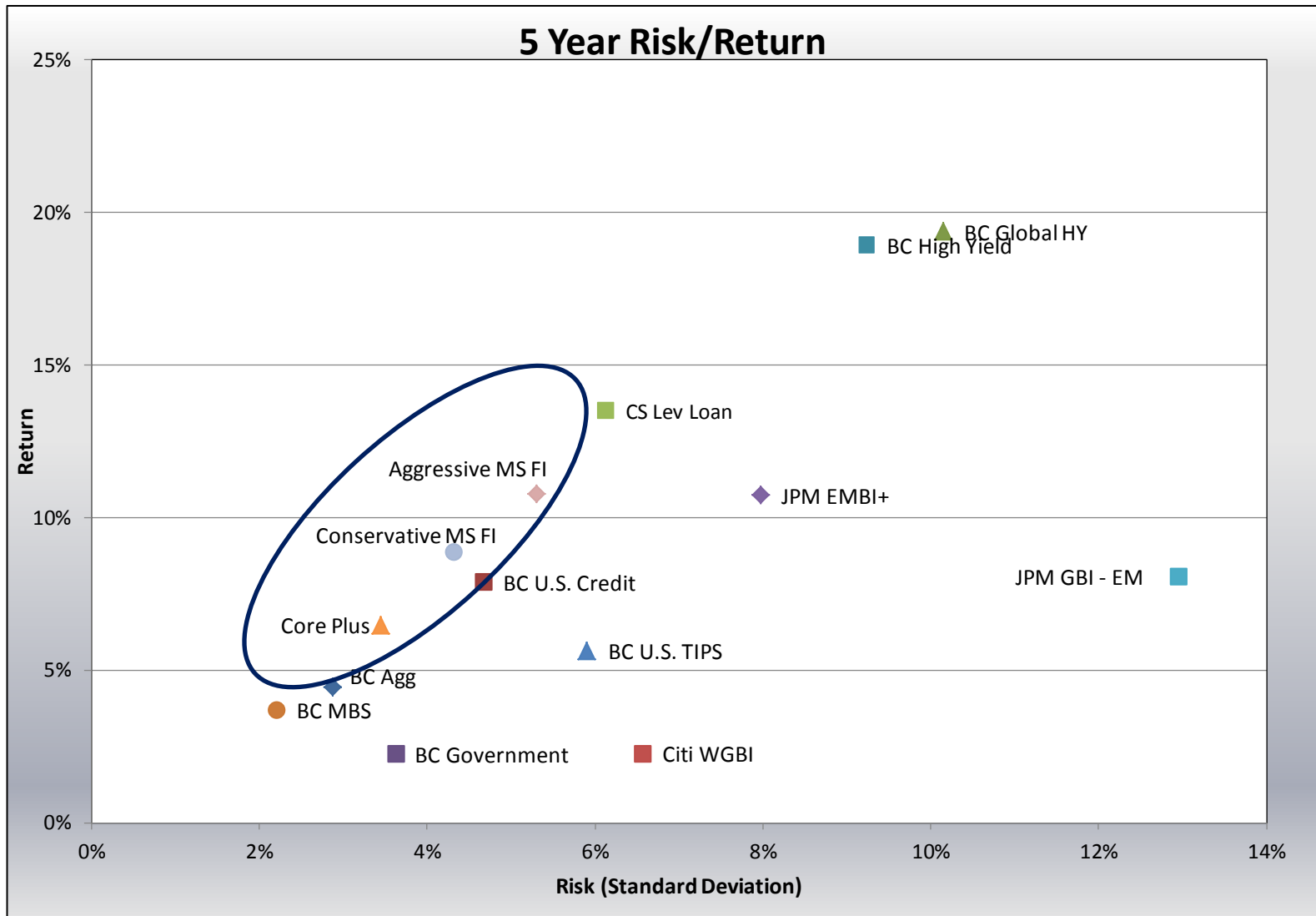
	Core Plus	Conservative MS FI	Aggressive MS FI
BC Government	20%	10%	0%
BC MBS	25%	15%	10%
BC Credit	25%	20%	25%
CITI WGBI	15%	15%	10%
JPM EMBI+	0%	10%	20%
BC HY	15%	20%	25%
CSFB Loans	0%	10%	10%

- **Core Plus: mostly invested in core bond sectors, with 15% in high yield and 15% in global fixed income**
- **Conservative MS FI: Lower core bond allocation, greater diversification**
- **Aggressive MS FI: Very little core bonds, higher amounts of below investment grade**

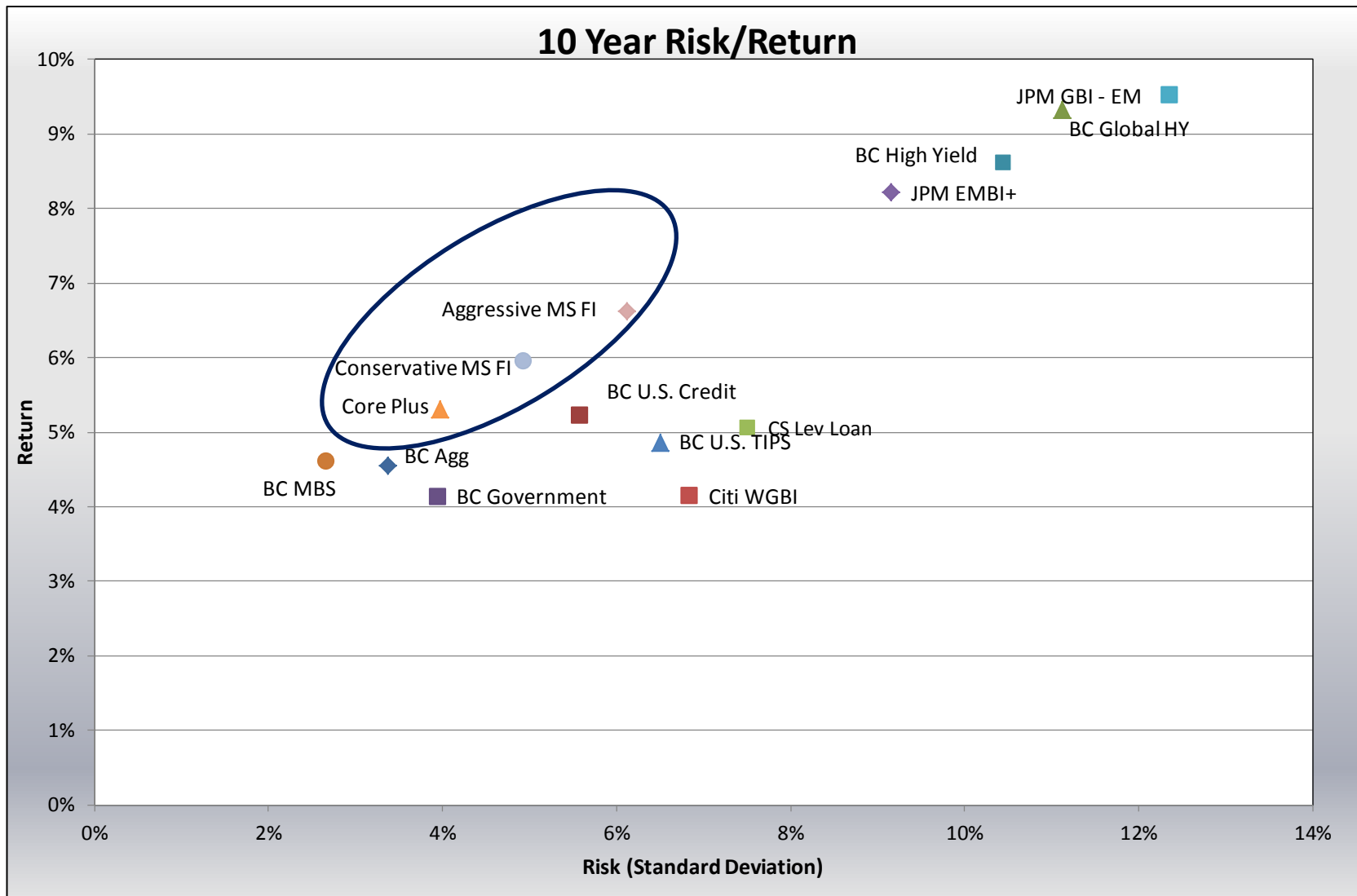


As of 12/31/2013

Source: Barclays Live, eVestment



As of 12/31/2013
 Source: Barclays Live, eVestment



As of 12/31/2013
 Source: Barclays Live, eVestment

- **Historically, diversification amongst the various fixed income sectors and asset classes has provided attractive risk/return opportunities**
 - Over full interest rate and business cycles
- **Over time, higher yielding sectors such as high yield bonds, investment grade credit, and emerging markets debt outperform core fixed income**
 - The underlying premise is to capture the risk premia associated with these sectors
 - But expect higher levels of volatility
- **This analysis does not assume tactical shifts in allocation and passively-weights each sector**
 - The addition of active management increases the attractiveness of multi-sector fixed income
- **Active management in multisector fixed income is expected to be a large contributor to excess return**
 - Active sector allocation, security selection, duration and yield curve positioning
 - Some products have more of an absolute return orientation while others are more beta centric

Pyramis Global Advisors®

Multi-Sector Fixed Income Overview

July 16, 2014

PRESENTATION TO: Ventura County
Employees Retirement Association



Christian Pariseault, CFA
*Senior Vice President and
Director of Bonds, North America*

Kristin v. Shofner
SVP, Business Development

The June 30, 2014 GIPS Composite Performance Data was not available at the time of printing. Please contact Pyramis Global Advisors for the most current quarter-end composite performance data.

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1. Recent Trends in the Fixed Income Market
2. Overview of a Global Multi Sector Approach
3. Benefits of a Tactical Approach Within Your Asset Allocation
4. Appendix
 - A. Important Information
 - B. GIPS Composite Performance Data
 - C. Biographies

See "Important Information" for a discussion of performance data, some of the principal risks related to any of the investment strategies referred to in this presentation and other information related to this presentation.

Key Drivers of Returns

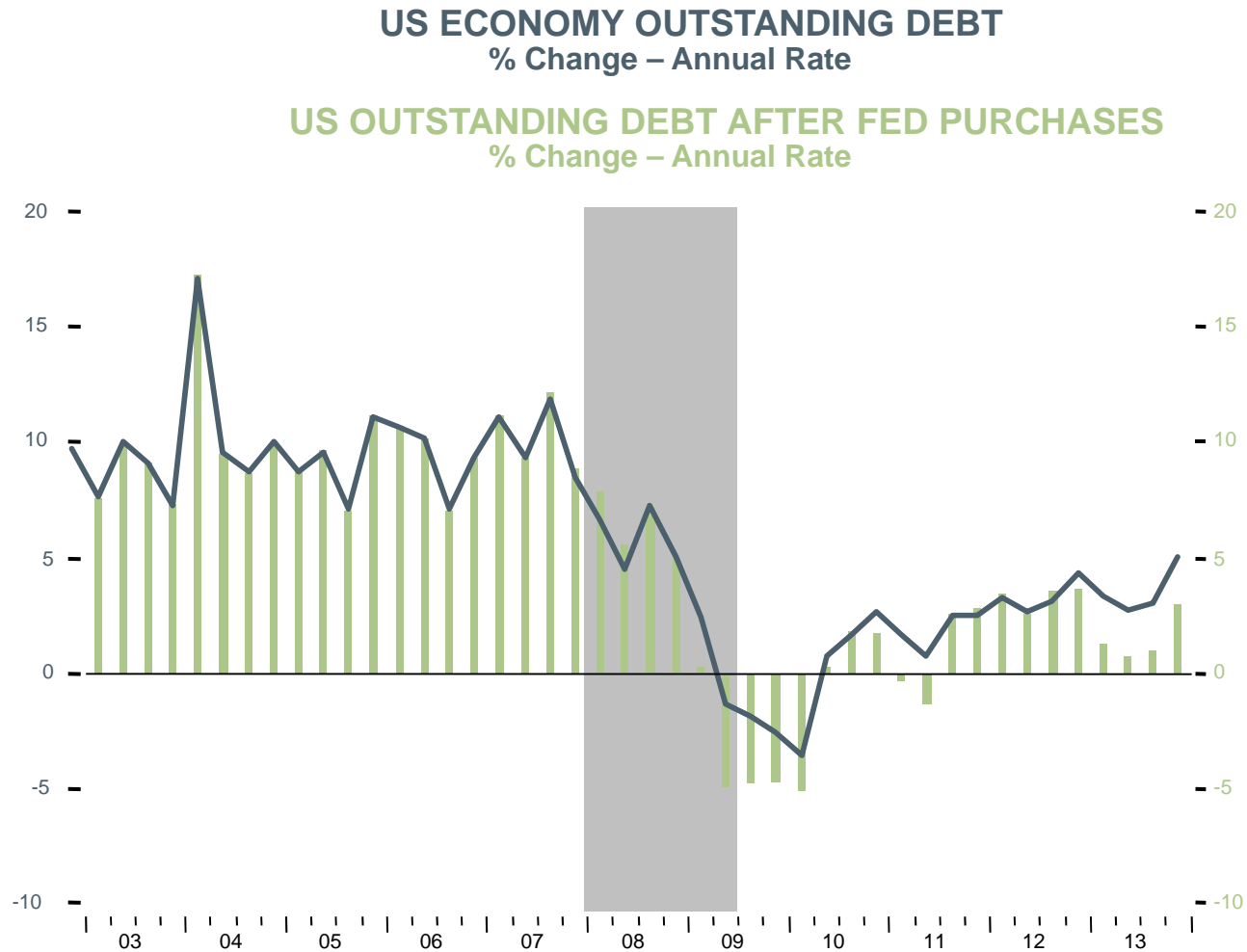
Our Views

1. Supply – Low, particularly after Fed purchases 
2. Demand – Secular themes remain intact 
3. Economic Growth – Remains sluggish 
4. Inflation – Pressures subdued 
5. Defaults – Expected to remain low 
6. Monetary Policy – Remains highly accommodative 
7. Valuation – Interest rates below Fed guidance and low relative to US economic growth 

For illustrative purposes only.
Source: FMR Analysis

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Net Supply Remains Low, Particularly After Fed Purchases



Source: Haver Analytics, 05/27/14

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Secular Demand Drivers Remain Intact, Most Are Insensitive to the Level of Interest Rates

1. Aging demographics + rising income inequality
2. Portfolio diversification & LDI (equities near all time highs)
3. Growing FX reserves
4. Regulatory policy
5. Monetary policy
6. Cross border relative value

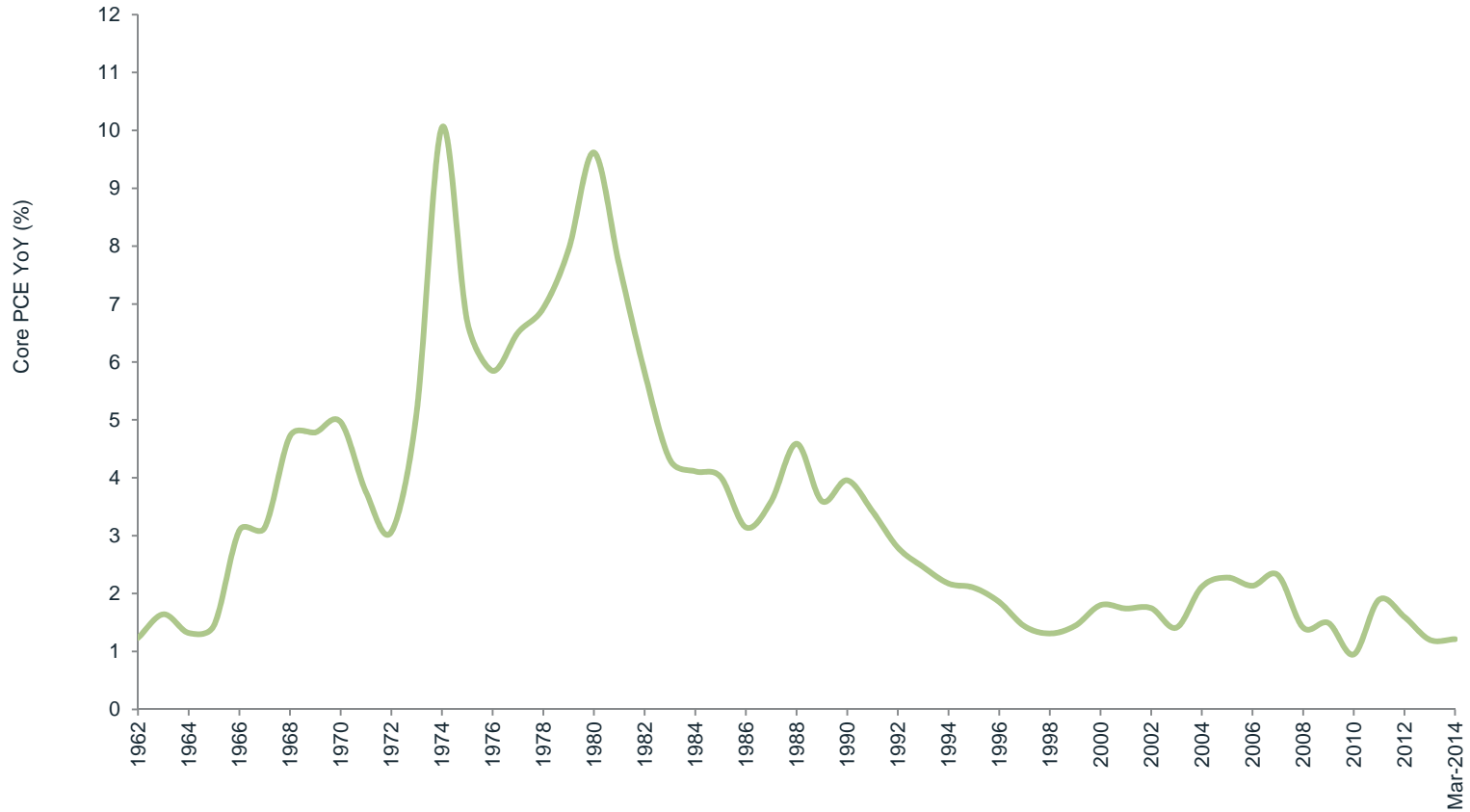
US rates are not low relative to other high-quality liquid markets, especially if Euro and Yen are expected to depreciate against USD



Developed		97 Settings		99 Feedback				
90 Bonds		92 Spreads		93 Curves				
Maturity	10 Year	Data Range		3 Months				
Country	CMI	Yield	Yld Chg	Yield	Low	Range	High	3M Chg
				◆ Avg ● Now				
1) Japan		0.582	-9		.567		.638	-.7
2) Switzerland		0.769	-1		.684		.991	-21.0
3) Germany		1.410	+4		1.304		1.677	-25.0
4) Austria		1.603	-3		1.535		1.965	-34.1
5) Finland		1.648	-4		1.612		1.988	-33.0
6) Netherlands		1.683	-5		1.618		1.961	-21.1
7) Denmark		1.716	+1		1.349		1.731	+5.5
8) France		1.814	-4		1.760		2.269	-44.0
9) Sweden		1.826	-2.4		1.782		2.211	-36.2
10) Hong Kong		1.916	+4		1.890		2.311	-30.6
11) Belgium		1.969	-2		1.905		2.424	-44.0
12) Canada		2.297	-2.1		2.249		2.545	-21.6
13) Singapore		2.317	+2.0		2.214		2.523	-20.3
14) United States		2.527	-2.3		2.489		2.804	-20.4
15) United Kingdom		2.633	-1.8		2.522		2.794	-14.5
16) Norway		2.674	+4		2.605		3.008	-8.4
17) Ireland		2.753	-6.9		2.622		3.158	-42.0
18) Israel		2.953	-3		2.940		3.550	-58.7
19) Spain		2.976	-6.9		2.850		3.549	-56.6
20) Italy		3.146	-9.3		2.908		3.617	-45.0
21) Portugal		3.735	-6.7		3.435		4.851	-115.3
22) Australia		3.779	+3.4		3.653		4.203	-43.8

Source: Bloomberg, as of June 30, 2014.

Inflation Has Remained at Low Levels...

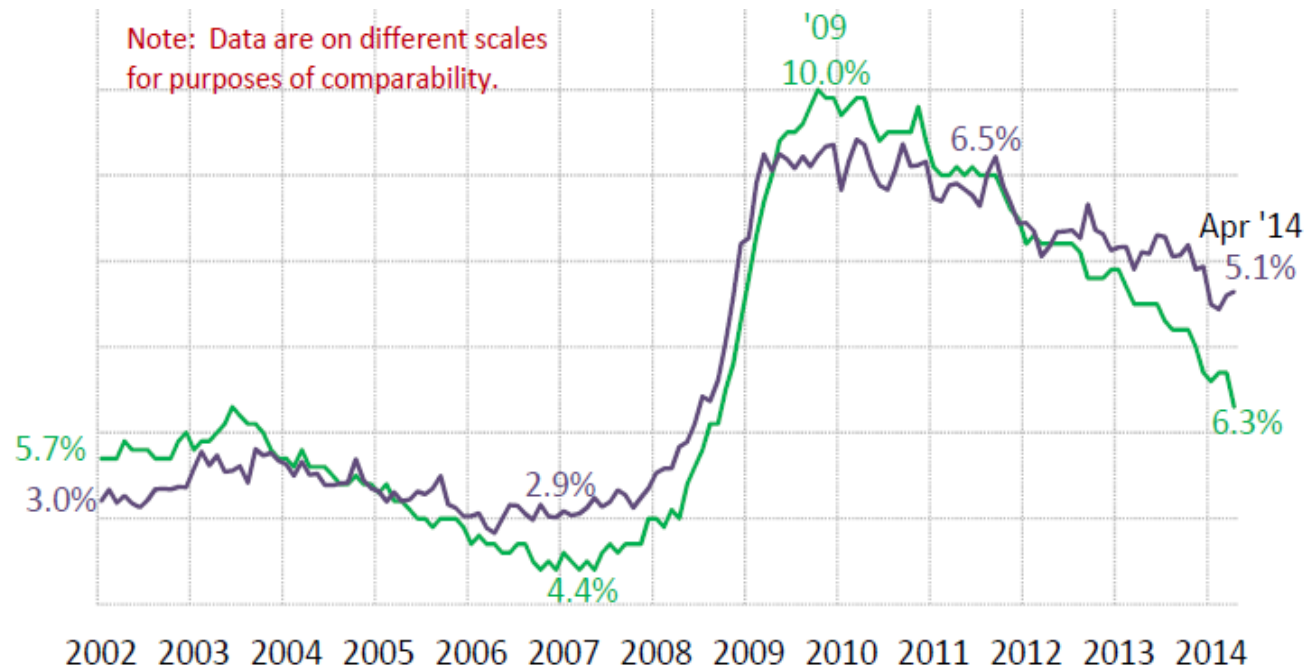


Source: Bureau of Economic Analysis, Bloomberg, as of March 31, 2014.

...and With So Much Slack in the Economy Inflation Should Remain Subdued

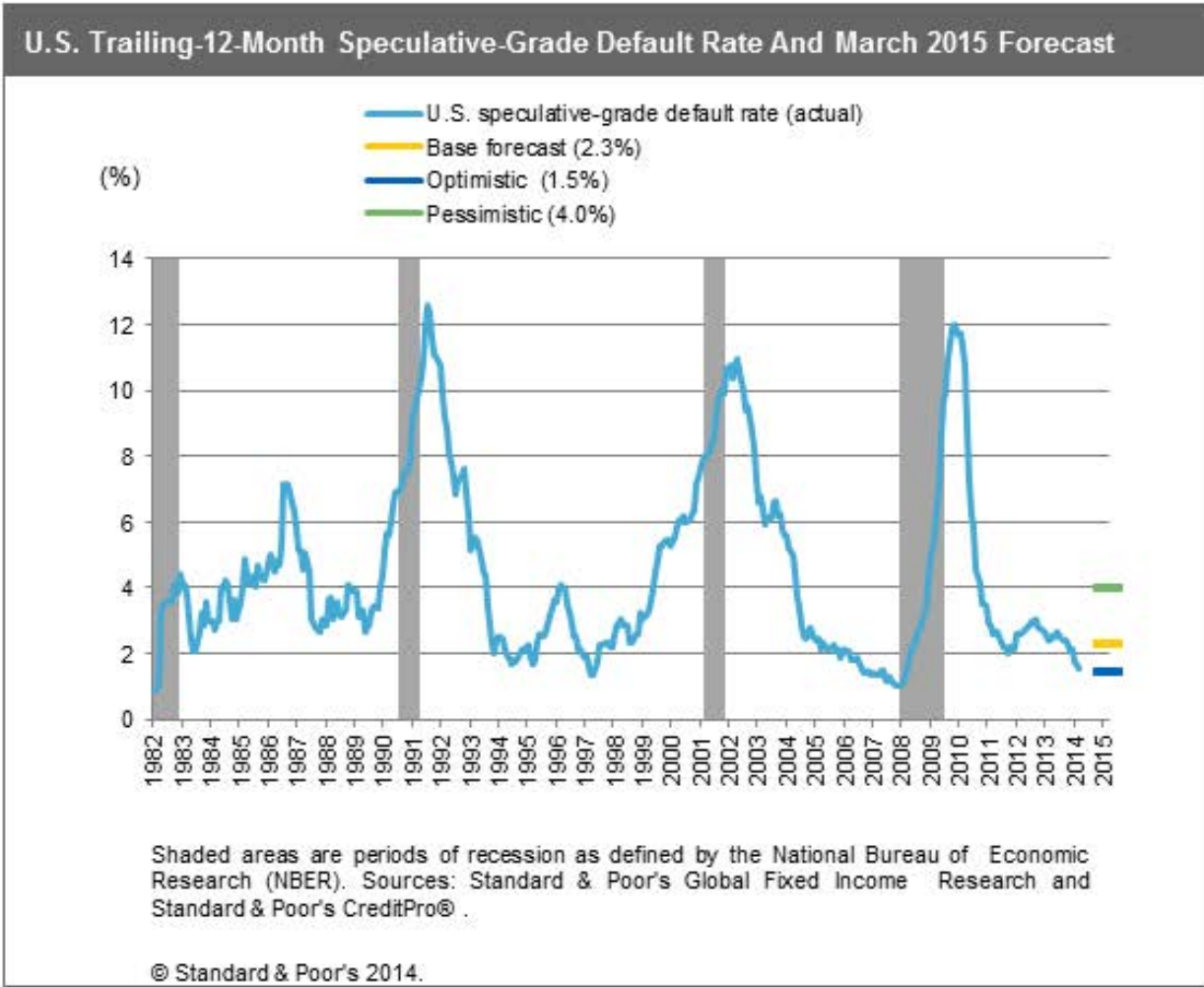
Unemployment Rate
%

**Part Time for
Economic Reasons**
% of Employed

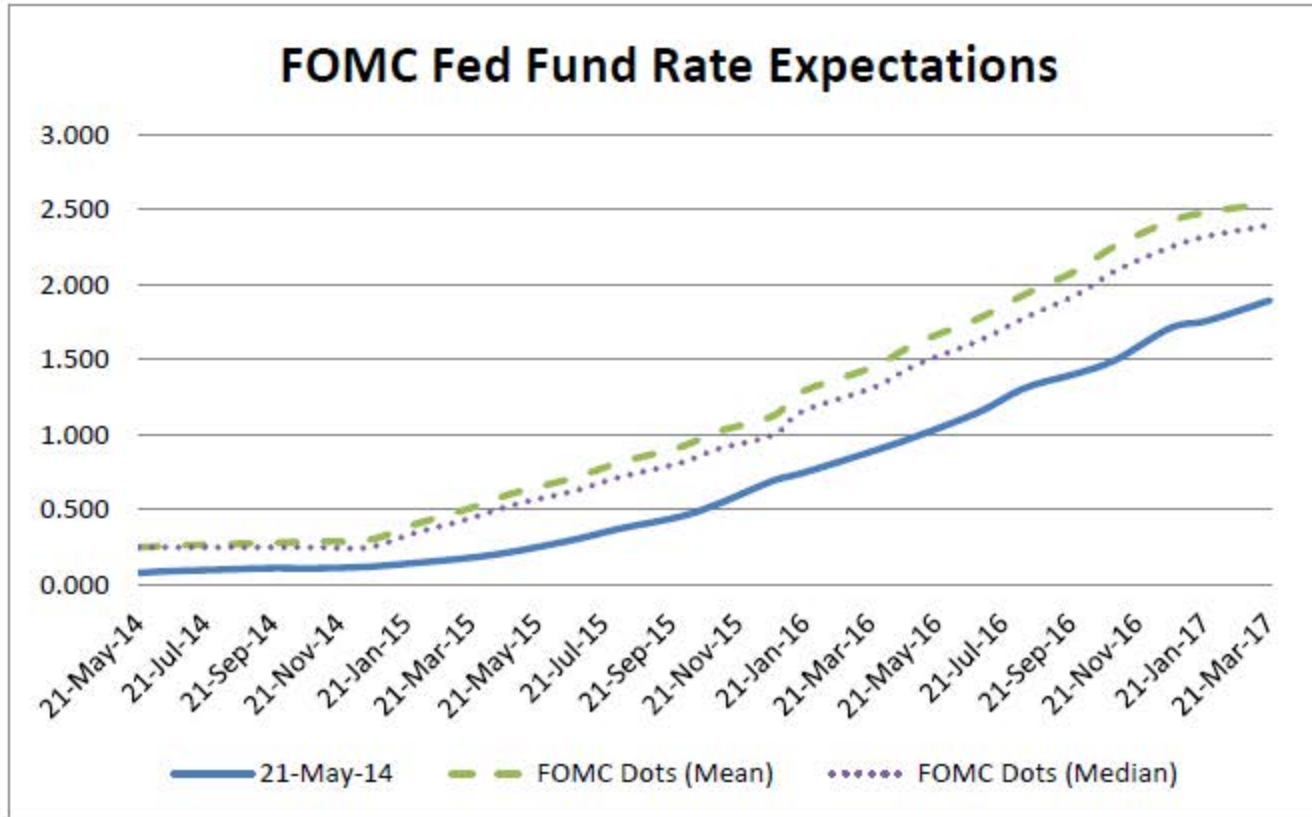


Source: BLS, FMR Calcs

Corporate Balance Sheets Are Strong and the Default Rate Is Expected to Remain Low

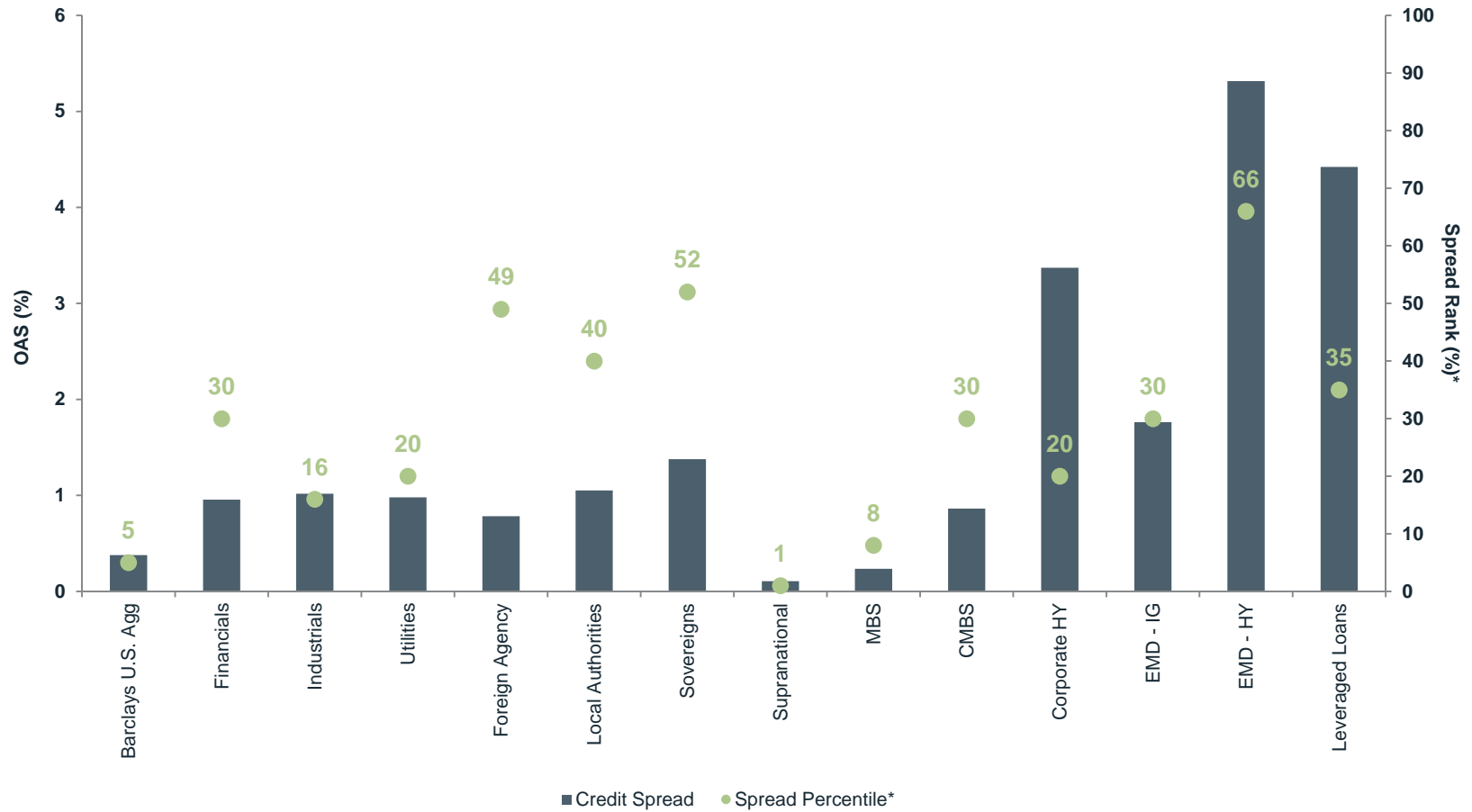


The Fed Is Expected to Remain Highly Accommodative



Source: FMR Analysis. Fed Expectations derived from Fed Funds Futures market data.

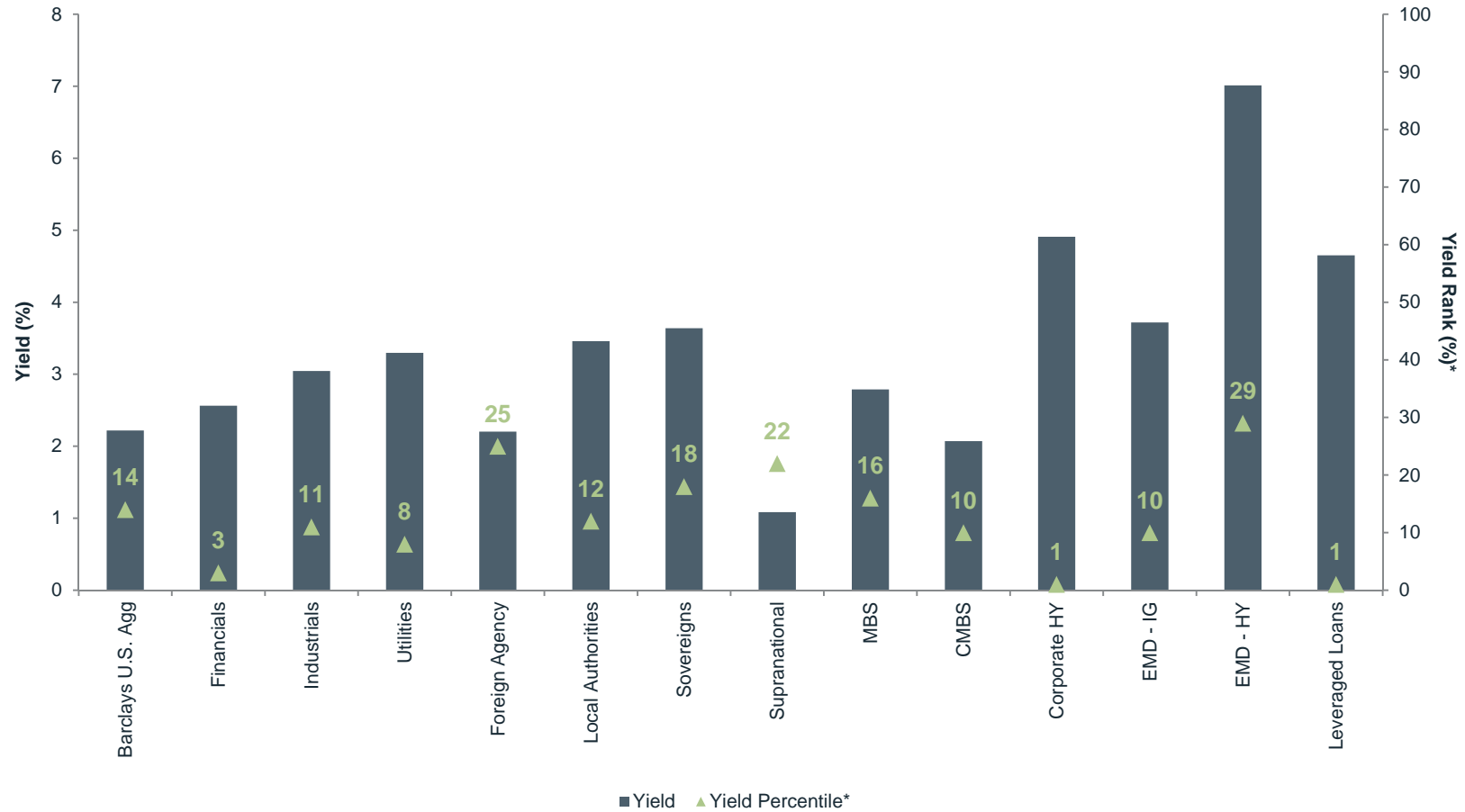
Historical Spreads



*Percentile ranks based on a 10-year period from July 2004–June 2014.
 Source: Barclays and S&P as of 6/30/14.
 Note: Leveraged Loan is based on Spread to Maturity. All others use OAS.



Historical Yields



*Percentile ranks based on a 10-year period from July 2004–June 2014.
 Source: Barclays and S&P as of 6/30/14.
 Note: Leveraged Loan is based on YTM. All others use YTW.



Broad Discretion with Multi-Sector Fixed Income



	Traditional FI	Multi-Sector FI	Absolute Return FI
Objective	Outperform benchmark through cycle	Opportunistic strategies, more focused on yield and total return	Produce uncorrelated positive returns through a cycle
Benchmark Awareness	Little deviation from benchmark	Ample freedom to dial up/down sector exposure vs benchmark	Benchmark agnostic
Neutral Point for Risk	Benchmark	Benchmark	Cash
Duration	Fixed to a benchmark	Zero/negative to positive	Negative to positive
Spread Risk	Long	Long	Long / Short
Source of Return	Fixed beta exposure	Tactical beta-rotation	Alpha strategies, once beta exhausted
Hedging	None	Limited/isolated cases	Systematic
Use of Cash	Residual	Residual	Strategic
Risk Management	Tracking Error	Tracking Error/VAR	VAR, scenario analysis and stress testing

For illustrative purposes only.

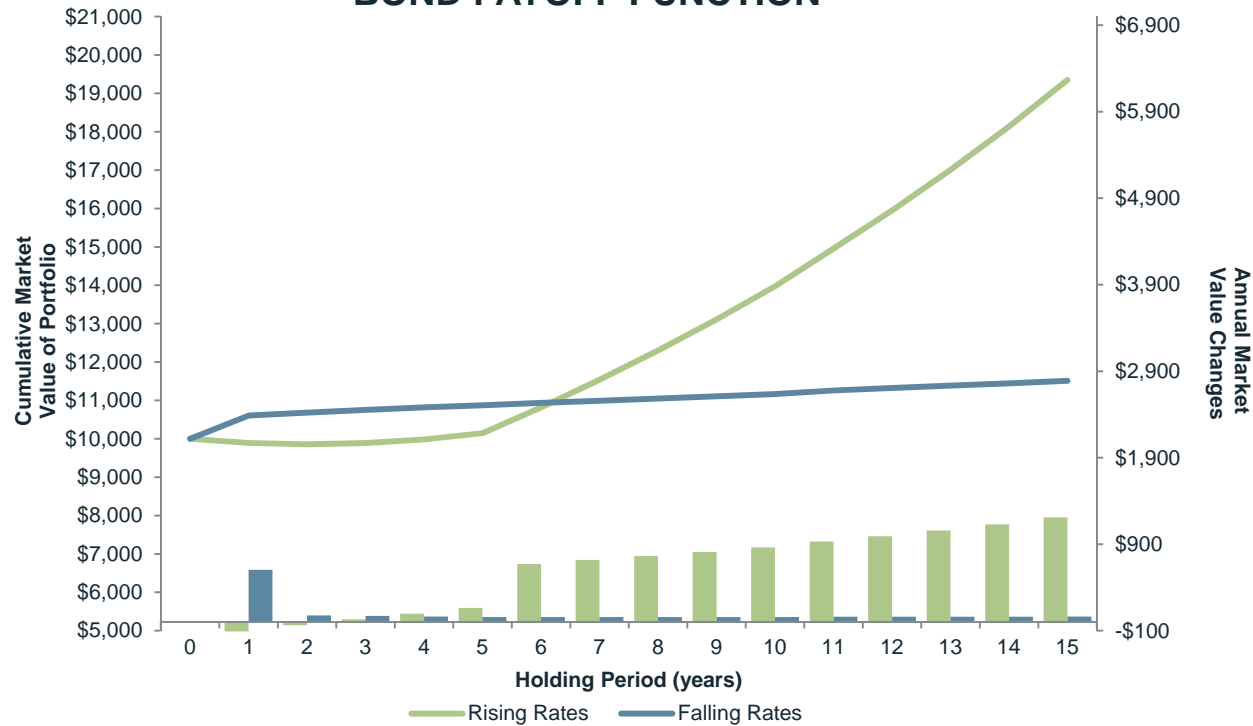
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Bonds Present a Unique Payoff Function

Rising rates present an important reinvestment opportunity

BOND PAYOFF FUNCTION



5-yr Par Yield		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Rising Rates		1.7	2.7	3.7	4.7	5.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Falling Rates		1.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

For illustrative purposes only.

Source: FMR. Assumes starting yield curve as of 1/16/2014 (5-year rates approximately 1.7% and that 5-year rates rise to 6.7% in 100bps annual increment until year 5, or fall to 0.7% in one year.) The illustrative investment is made in 5-year zero-coupon bonds with yield levels initially set by the Treasury curve. In addition, we assume the investment is rolled annually (a 4-year bond is sold and a 5-year bond is purchased). This is an illustration and does not represent the actual performance for any specific fund.

Actual performance will vary.

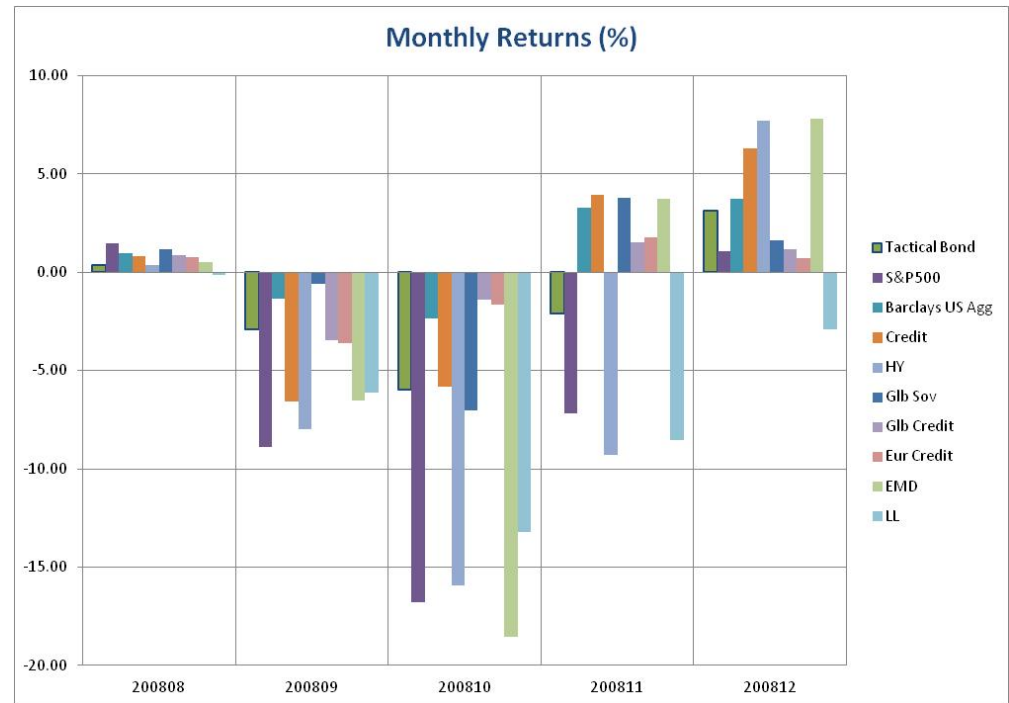


Drawdown Risk Across Sectors Example: 2008

2008 Full Year Return (%)

S&P500	(43.2)
Barclays US Aggregate	5.3
US Credit	(2.4)
High Yield	(27.7)
Global Sovereign	(1.7)
Global Credit	(2.3)
EUR Credit	(2.9)
Leveraged Loans	(32.6)
EMD	(24.6)
Tactical Bond (Gross)	(8.4)

Index performance shown does not reflect the deduction of advisory fees, transaction charges and other expenses, which if charged would reduce performance. All indices are unmanaged. Investing directly in an index is not possible. Past performance is no guarantee of future results.



Source: FMR, Barclays as of December 31, 2013.

*Performance shown is gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. See the GIPS Composite Performance Data for annual performance figures that are net of the maximum investment advisory fee charged any client employing this strategy. Past performance is no guarantee of future results.

Pyramis Tactical Bond

Leveraging a long history of fixed income asset allocation

CHARACTERISTICS	
<ul style="list-style-type: none"> • <i>Multi-sector allocation to a full suite of global fixed income asset classes</i> • <i>Risk-adjusted returns are driven by relative value assessments on a qualitative and quantitative basis</i> • <i>Liquidity is maintained at the appropriate level to capitalize on dynamic opportunities</i> 	<p>Universe: Global investment grade and non-investment grade fixed income sectors and securities</p> <p>Non-Investment Grade Exposure: Up to 70%</p> <p>Active Currency Exposure: Up to 10%</p> <p>Sources of Return: Asset allocation, sector rotation, security selection, yield curve, foreign currency</p> <p>Targeted Duration Range: Flexible</p> <p>Targeted Volatility Over a Market Cycle: 3–6% annualized</p>

Expected ranges are subject to review and change by a multi-disciplinary team including the CIO. Target volatility is presented gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. Although Pyramis believes it has a reasonable basis for any gross target volatility returns of these expectations, there can be no assurance that actual results will be comparable. Actual results will depend on market conditions over a full market cycle and any developments that may affect these investments and will be reduced by the deduction of any fees and expenses associated with the investment.



Opportunities as Leadership Changes

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High	16.5%	28.2%	11.9%	12.3%	11.2%	9.5%	12.4%	58.1%	15.1%	9.0%	18.0%	7.42%
	12.3%	26.9%	10.9%	5.3%	10.0%	8.7%	5.2%	52.5%	12.8%	8.4%	15.6%	5.41%
	11.5%	12.5%	9.3%	2.7%	6.9%	7.0%	5.0%	34.2%	10.4%	7.8%	9.7%	0.64%
	10.5%	9.8%	5.3%	2.7%	6.6%	6.8%	4.8%	16.0%	8.5%	7.0%	9.4%	(0.28%)
	10.3%	7.7%	5.2%	2.4%	4.3%	5.2%	(3.1%)	6.9%	6.5%	5.6%	4.3%	(2.01%)
	6.3%	4.1%	4.3%	2.0%	4.3%	5.1%	(14.8%)	5.9%	5.5%	4.4%	4.2%	(2.02%)
	2.6%	2.8%	3.5%	1.8%	4.3%	2.5%	(26.1%)	3.8%	5.5%	1.6%	2.0%	(2.60%)
Low	(1.9%)	2.4%	1.3%	(4.5%)	3.5%	2.0%	(29.3%)	(2.2%)	2.8%	1.5%	1.3%	(4.12%)

- Global Bonds
- U.S. High-Yield Bonds
- Emerging Markets Debt
- Floating Rate Loans
- Investment-Grade Bonds
- Corporate Bonds
- Government Bonds
- Short-Term Bonds

Source: Barclays Capital. Investment-grade bonds (Barclays Aggregate Bond Index), global bonds (Barclays Global Aggregate Bond Index–Unhedged), emerging markets debt (Barclays Emerging Markets Index), U.S. high-yield bonds (BofA ML U.S. High Yield Master II Constrained Index), floating rate loans (S&P/LSTA Leveraged Loan Index), corporate bonds (Barclays Credit Bond Index), government bonds (Barclays Government Bond Index) and short-term bonds (Barclays 1-3 Gov/Cred Bond Index). Calendar year performance from 2002 to 2012. Index performance shown does not reflect the deduction of advisory fees, transaction charges and other expenses, which if charged would reduce performance. All indices are unmanaged. Investing directly in an index is not possible. Past performance is no guarantee of future results. For illustrative purposes only.



Periodic Table of Cumulative Returns

Cumulative Return Year 1 (2008)	Cumulative Return Year 2 (2009)	Cumulative Return Year 3 (2010)	Cumulative Return Year 4 (2011)	Cumulative Return Year 5 (2012)	Cumulative Return Year 6 (2013)
U.S. Treasury 13.74%	High Yield 16.82%	High Yield 34.42%	High Yield 40.30%	Emerging Markets 62.91%	High Yield 74.13%
Government Bond 12.39%	MBS 14.72%	Emerging Markets 29.13%	PyramisTactical Bond 39.43%	High Yield 62.11%	PyramisTactical Bond 61.91%
MBS 8.34%	Emerging Markets 14.43%	PyramisTactical Bond 27.48%	Emerging Markets 38.13%	Pyramis Tactical Bond 56.80%	Emerging Markets 56.19%
U.S. Agg 5.24%	PyramisTactical Bond 14.34%	Credit Bond 22.00%	Credit Bond 32.19%	Credit Bond 44.57%	Credit Bond 41.66%
1-3 Gov/Cred 4.97%	Credit Bond 12.47%	MBS 20.88%	MBS 28.41%	U.S. Agg 33.49%	Leveraged Loan 38.77%
Global Agg (UH) 4.79%	Global Agg (UH) 12.05%	U.S. Agg 18.77%	U.S. Agg 28.09%	Leveraged Loan 31.80%	U.S. Agg 30.79%
Credit Bond -3.08%	U.S. Agg 11.48%	Leveraged Loan 18.39%	U.S. Treasury 27.51%	MBS 31.74%	MBS 29.88%
PyramisTactical Bond -8.30%	Government Bond 9.92%	Global Agg (UH) 18.26%	Government Bond 26.45%	Global Agg (UH) 30.33%	Global Agg (UH) 26.94%
Emerging Markets -14.75%	U.S. Treasury 9.68%	U.S. Treasury 16.12%	Global Agg (UH) 24.94%	U.S. Treasury 30.06%	U.S. Treasury 26.48%
High Yield -26.11%	1-3 Gov/Cred 8.99%	Government Bond 15.99%	Leveraged Loan 20.18%	Government Bond 29.00%	Government Bond 25.65%
Leveraged Loan -29.10%	Leveraged Loan 7.50%	1-3 Gov/Cred 12.04%	1-3 Gov/Cred 13.83%	1-3 Gov/Cred 15.26%	1-3 Gov/Cred 16.00%

Index performance shown does not reflect the deduction of advisory fees, transaction charges and other expenses, which if charged would reduce performance. All indices are unmanaged. Investing directly in an index is not possible.

Past performance is no guarantee of future results.

Source: Barclays, S&P, BofA Merrill Lynch, FMR. Tactical Bond Composite performance shown is gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. See the GIPS Composite Performance Data for annual performance figures that are net of the maximum investment advisory fee charged any client employing this strategy. Past performance is no guarantee of future results.



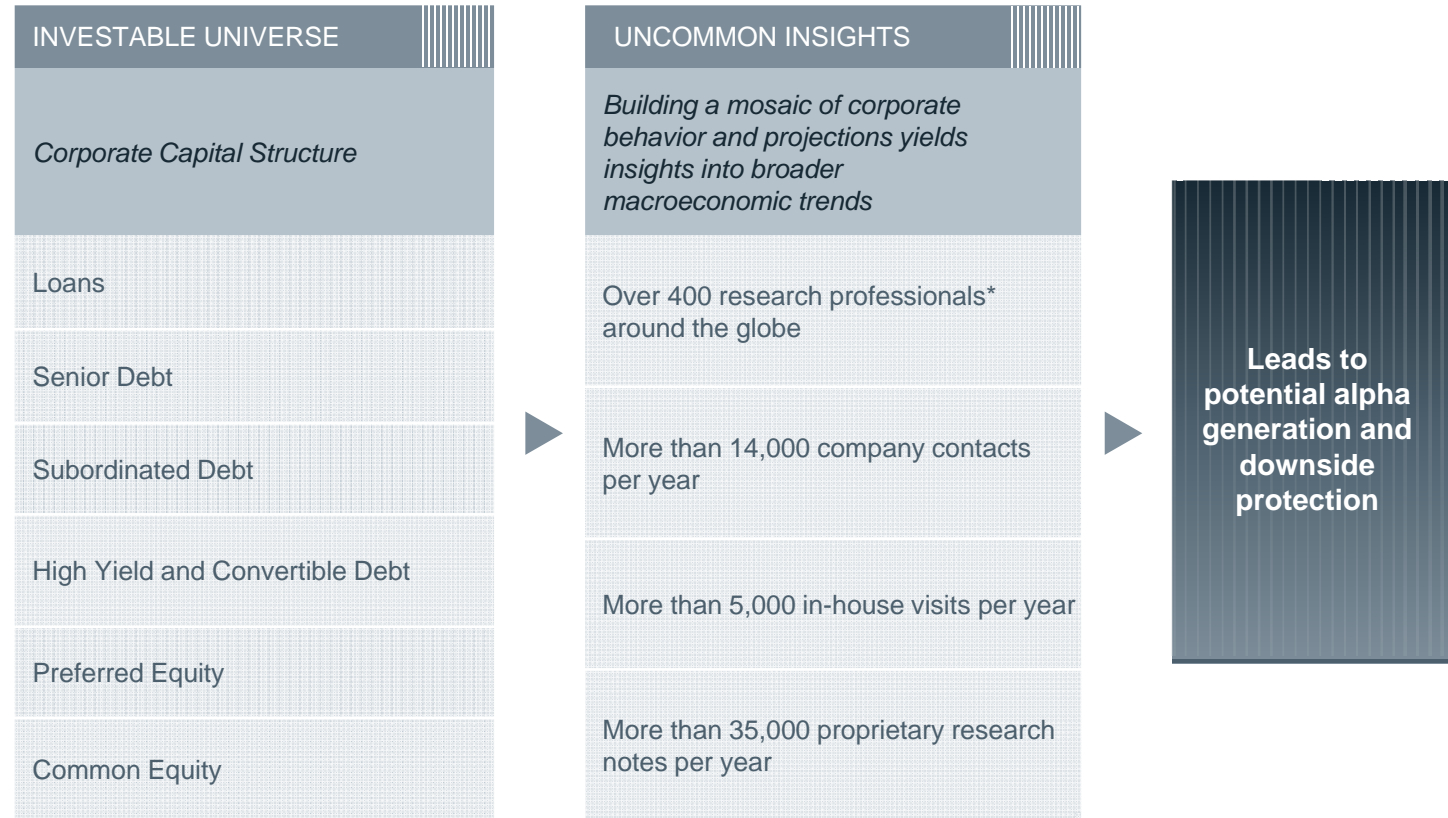
Multiple Layers of Oversight and Risk Management

TECHNOLOGY	QUANTITATIVE RISK MODELS	MULTI-LAYERED RISK MANAGEMENT PROCESS
<p>Risk Analytics Platform for Investment Decision Support (RAPIDS)</p> <ul style="list-style-type: none"> • High performance batch and timely risk calculations <ul style="list-style-type: none"> • 2.4 billion risk calculations each day • 75 million analytics generated nightly • 150,000 securities analyzed • 195 risk factors analyzed • Hypothetical portfolio construction • Custom analytic capability • Multi-currency global support • Real-time portfolio monitoring systems 	<ul style="list-style-type: none"> • Risk analysis conditioned on market volatilities • Proprietary valuation models with easy to configure model parameters • Multi-factored models covering global yield curves, swaps, credit, MBS, Muni, HY, EM and FX • Global Instrument coverage including integrated support for derivatives • Risk measures include tracking error, distribution of simulated excess returns, VaR, expected shortfall • Detailed breakdown of contribution to tracking error by sectors, risk factors, securities, and custom classification schemes 	<p>INVESTMENT REVIEW & OVERSIGHT</p> <ul style="list-style-type: none"> • Portfolio team challenge and review • Cross-team interaction • Systematic risk reviews with CIO and functional experts
<p><i>State-of-the-art, patent pending technology in hands of investment professionals</i></p>	<p><i>Years of risk modeling research fully integrated into investment decision process</i></p>	<p>INDEPENDENT VERIFICATION</p> <ul style="list-style-type: none"> • Dedicated, experience compliance team • Sr. management review of daily reporting • Specialized team to review counterparty risk
		<p>EXECUTIVE OVERSIGHT</p> <ul style="list-style-type: none"> • Division management • Asset management leadership • Board of trustees

For illustrative purposes only.

Research Across the Full Capital Structure

Senior decision-maker access and internal research collaboration leads to more informed decision-making



For illustrative purposes only.

*Resources depicted reflect the combined resources of Pyramis and Fidelity Investments as of March 31, 2014.





Appendix

Important Information

Read this important information carefully before making any investment. Speak with your relationship manager if you have any questions.

Risks

Past performance is no guarantee of future results. An investment may be risky and may not be suitable for an investor's goals, objectives and risk tolerance. Investors should be aware that an investment's value may be volatile and any investment involves the risk that you may lose money. Performance results for individual accounts will differ from performance results for composites and representative accounts due to factors such as portfolio size, account objectives and restrictions, and factors specific to a particular investment structure.

The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. Nearly all accounts are subject to volatility in non-US markets, either through direct exposure or indirect effects on US markets from events abroad, including fluctuations in foreign currency exchange rates and, in the case of less developed markets, currency illiquidity.

The performance of fixed income strategies will change daily based on changes in interest rates and market conditions and in response to other economic, political or financial developments. Debt securities are sensitive to changes in interest rates depending on their maturity, and may involve the risk that their prices may decline if interest rates rise or, conversely, if interest rates decline, their prices may increase. Debt securities carry the risk of default, prepayment risk and inflation risk. Changes specific to an issuer, which may involve its financial condition or economic environment, can affect the credit quality or value of an issuer's securities. Lower-quality debt securities (those of less than investment grade quality, also referred to as high yield debt securities) and certain types of other securities are more volatile and are often considered to be speculative and involve greater risk due to increased sensitivity to adverse issuer, political, regulatory and market developments, especially in periods of general economic difficulty. The value of mortgage securities may change due to shifts in the market's perception of issuers and changes in interest rates, regulatory or tax changes.

Derivatives may be volatile and involve significant risk, such as credit risk, currency risk, leverage risk, counterparty risk and liquidity risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances. Investments in derivatives may have limited liquidity and may be harder to value, especially in declining markets. Derivatives involve leverage because they can provide investment exposure in an amount exceeding the initial investment. Leverage can magnify investment risks and cause losses to be realized more quickly. A small change in the underlying asset, instrument, or index can lead to a significant loss. Assets segregated to cover these transactions may decline in value and are not available to meet redemptions. Government legislation or regulation could affect the use of these transactions and could limit the ability to pursue such investment strategies.

The securities, derivatives and currency markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than the securities, derivatives and currency markets of the United States and other developed markets and disclosure and regulatory standards in many respects are less stringent. There also may be a lower level of monitoring and regulation of markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations may be extremely limited. Government enforcement of existing market regulations is limited, and any enforcement may be arbitrary and the results may be difficult to predict. Emerging market countries are more likely than developed market countries to experience political uncertainty and instability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries. In many cases, governments of emerging market countries continue to exercise significant control over their economies. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments that could affect investments in those countries.

These materials contain statements that are "forward-looking statements," which are based on certain assumptions of future events. Forward-looking statements are based on information available on the date hereof, and Pyramis does not assume any duty to update any forward-looking statement. Actual events may differ from those assumed. There can be no assurance that forward-looking statements, including any projected returns, will materialize or that actual market conditions and/or performance results will not be materially different or worse than those presented.

Important Information, continued

Performance Data

Performance data is generally presented gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. See the GIPS® Composite Performance Data for performance figures that are net of the maximum investment advisory fee charged any client employing this strategy. Some clients may request a performance fee arrangement, which if imposed will also reduce returns when deducted. See Pyramis' Form ADV for more information about advisory fees if Pyramis Global Advisors, LLC is the investment manager to the account. For additional information about advisory fees related to other Pyramis advisory entities, speak with your relationship manager. All results reflect realized and unrealized appreciation and the reinvestment of dividends and investment income, if applicable. Taxes have not been deducted. In conducting its investment advisory activities, Pyramis utilizes certain assets, resources and investment personnel of FMR Co., which does not claim compliance with the Global Investment Performance Standards (GIPS®).

Representative account information is based on an account in the subject strategy's composite that generally reflects that strategy's management and is not based on performance of that account. An individual account's performance will vary due to many factors, including inception dates, portfolio size, account guidelines and type of investment vehicle. Index or benchmark performance shown does not reflect the deduction of advisory fees, transaction charges and other expenses, which if charged would reduce performance. Investing directly in an index is not possible.

Unless otherwise indicated, references made to product assets under management ("AUM") are to the GIPS firm AUM for the strategy which include all discretionary and, if applicable, non-discretionary portfolios.

* * * * *

The business unit of Pyramis Global Advisors (Pyramis) includes the following entities, or divisions of entities: Pyramis Global Advisors Holdings Corp., a Delaware corporation; Pyramis Global Advisors Trust Company, a non-depository trust company (PGATC); Pyramis Global Advisors, LLC, a U.S. registered investment adviser (PGA LLC); Pyramis Global Advisors (Canada) ULC, an Ontario registered investment adviser; FMR Investment Management (UK) Limited, a U.K. registered investment manager (FMRIM-UK); the Pyramis division of Fidelity Management & Research (Hong Kong) Limited, a Hong Kong registered investment adviser (FMRHK); Pyramis Distributors Corporation LLC, a U.S. registered broker-dealer; and Fidelity Investments Canada ULC, an Alberta corporation (FIC). Investment services are provided by PGATC, PGA LLC, Pyramis Global Advisors (Canada) ULC, FMRIM-UK and/or FMRHK.

"Fidelity Investments" and/or "Fidelity" refers collectively to FMR LLC, a US company, and its subsidiaries, including but not limited to Fidelity Management & Research Company (FMR Co.) and Pyramis.

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Not FDIC Insured · No Bank Guarantee · May Lose Value



GIPS Composite Performance Data

Tactical Bond Composite (USD) Versus Barclays U.S. Aggregate Bond Index

As of March 31, 2014

Period	Composite Return (Gross%)	Composite Return (Net%)	Benchmark Return (%)	Value Added (%)*	Number of Portfolios	Total Composite Assets End of Period (\$M)	Composite 3 Year Standard Deviation (%)	Benchmark 3 Year Standard Deviation (%)	Asset Weighted Standard Deviation (%)	Percent of Firm's Assets
2014 YTD	2.89	2.79	1.84	1.05	less than 5	231	3.23	2.84	N/A	less than 1%
2013 Annual	3.20	2.79	(2.02)	5.22	less than 5	249	3.18	2.75	N/A	less than 1%
2012 Annual	12.45	12.07	4.21	8.24	less than 5	145	2.52	2.42	N/A	less than 1%
2011 Annual	9.37	9.02	7.84	1.53	less than 5	91	3.85	2.82	N/A	less than 1%
2010 Annual	11.49	11.19	6.54	4.95	less than 5	192	6.53	4.23	N/A	less than 1%
2009 Annual	24.69	24.39	5.93	18.76	less than 5	218	6.41	4.17	N/A	less than 1%
2008 Annual	(8.30)	(8.53)	5.24	(13.54)	less than 5	204	N/A	N/A	N/A	less than 1%
2007 Annual	3.35	3.09	6.97	(3.62)	less than 5	229	N/A	N/A	N/A	less than 1%
2006 Partial**	5.33	5.09	4.33	1.00	less than 5	222	N/A	N/A	N/A	less than 1%

* Value Added is calculated by taking the gross composite return less the benchmark return.

** The inception of this composite is January 31, 2006; performance is presented for the period February 01, 2006 through December 31, 2006.

Notes

Definition of the "Firm"

For GIPS purposes, the "Firm" includes: (1) all of the portfolios managed by the investment management units of the Pyramis Global Advisors group of companies ("Pyramis"); and (2) portfolios managed by Pyramis' affiliates, Fidelity Management & Research Company and its subsidiaries ("FMR Co.") and/or Fidelity Investments Money Management, Inc. ("FIMM"), that are also substantially similar to institutional mandates advised by Pyramis and managed by the same portfolio management team.

Changes to Definition of the "Firm"

Effective January 1, 2009, the definition of the Firm was revised to exclude Pyramis' management of funds that invest in real estate and exclude other affiliated advisers or divisions no longer held out to the public as a part of Pyramis. Effective January 1, 2011, the definition of the Firm was revised to include substantially similar investment strategies managed by FMR Co. and/or FIMM and the same portfolio management team. Effective January 1, 2013, the definition of the Firm was revised to include subsidiaries of FMR Co.

Basis of Presentation

The Firm claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The Firm has been independently verified for the periods January 1, 1990 through December 31, 2012. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all of the composite requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The Firm's list of composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Returns

Gross composite returns do not reflect the deduction of investment advisory ("IA"), administrative or custodial fees, but do include trading expenses. Net composite returns are calculated by deducting the maximum standard IA fee that could have been charged to any client employing this strategy during the time period shown, exclusive of performance fee or minimum fee arrangements. IA fees paid by a client vary depending upon a variety of factors, including portfolio size and the use of any performance fee or minimum fee arrangement. Actual returns will be reduced by the IA fee and any administrative, custodial, or other fees and expenses incurred. Returns could be higher or lower than those shown. A client's fees are generally calculated based on the average month-end assets at market value during the quarter as calculated by the Firm, and are billed quarterly in arrears. More information regarding fees is available upon request. These investment performance statistics were calculated without a provision for United States income taxes.

Composite Description

The investment objective of this composite is to achieve competitive total returns by exercising broad flexibility to invest in a broad set of fixed income sectors. The strategy will seek to generate returns from the allocation among a full suite of global fixed income investments including high yield corporates, emerging market debt (hard and local currency), leveraged loans, non-agency mortgages, high yield CMBS, convertible bonds, preferred stock and hybrid securities. The strategy seeks to generate returns from asset allocation, sector rotation, security selection, duration management, yield curve positioning and foreign currency exposures. The composite is composed of all fee-paying discretionary accounts that are managed by the Firm in this style.

Composite Creation Date

This composite was created in 2006

Fee Schedule

The maximum scheduled investment advisory fee for this strategy is 40 basis points, which may be subject to certain decreases as assets under management increase. The investment advisory fee applicable to a portfolio depends on a variety of factors, including but not limited to portfolio size, the level of committed assets, service levels, the use of a performance fee or minimum fee arrangement, and other factors.

Effect of Investment Advisory Fee

Returns will be reduced by the investment advisory fee and any other expenses incurred in the management of the portfolio. For example, an account with a compound annual return of 10% would have increased by 61% over five years. Assuming an annual advisory fee of 40 basis points, the net return would have been 58% over five years.

Pool Portfolio

The composite contains a pool portfolio that is presented net of custody and audit fees. Investment security transactions for the pool portfolio are accounted for on trade date-plus-one.

Derivative Exposure

Typically, portfolios may make use of derivative instruments as a substitute for underlying cash or bond positions or to hedge the risk of a portfolio. In particular, derivative instruments are used as an efficient alternative to cash bonds in the implementation of duration, yield curve, security selection, and sector rotation strategies. Derivative instruments are only used when and as client guidelines permit.

Past performance is no guarantee of future results.

630784.7.0



Biographies

Christian Pariseault, CFA

Senior Vice President and Director of Bonds, U.S.

Christian Pariseault is senior vice president and director of bonds, North America in the Fixed Income division at Pyramis Global Advisors, a Fidelity Investments company. In this role, he is responsible for driving the institutional fixed income business in North America and for leading the Institutional Portfolio Management team.

Prior to assuming his current role in April 2013, Chris worked as an institutional portfolio manager in Fidelity Investments' Fixed Income division from 2009 to 2013, and as a senior vice president and investment director at Pyramis Global Advisors from 2006 to 2009. Before joining Fidelity in 2006, he was a fixed income portfolio manager at Deutsche Asset Management from 1999 to 2006, and a senior credit analyst covering tax-backed municipal bonds and colleges and universities from 1994 to 1999. He has been in the investments industry since 1993.

Chris earned his bachelor of science degree in business administration from Saint Michael's College. He is also a Chartered Financial Analyst (CFA) charterholder. Chris has authored a number of Thought Leadership papers, including "Active Multi-Sector Fixed Income Investing in an Uncertain Yield Environment" (2013), "Diversification into International Fixed Income: Tempering the Influence of US Deficits, Cliffs and Ceilings in a Portfolio" (2012), and "Fixed Income Derivatives: A Market that Cannot be Ignored" (2006).

Kristin v. Shofner

Senior Vice President, Business Development

Kristin Shofner is senior vice president, Business Development at Pyramis Global Advisors, a Fidelity Investments company. In this role, she leads the development of relationships with public pension plans.

Prior to joining Pyramis in 2013, Kristin was a director of Institutional Sales and Marketing at Lord Abbett & Co, Inc since June 2003. Her previous positions include serving as a manager of Institutional Sales and Client Services from 2000 to 2003 and as a manager research associate from 1998 to 2000 at Asset Strategy Consulting/InvestorForce, Inc. She has been in the industry since 1998.

Kristin earned her bachelor of arts degree in history and sociology from the University of California at Santa Barbara.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

July 21, 2014

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

SUBJECT: VCERIS CHANGE ORDERS

Dear Board Members:

Recommendations:

- 1) Approve VCERA Change Order #4, as amended, and authorize the Chairman to sign.
- 2) Approve Vitech Change Order #s 3774 & 3852 and authorize the Chairman, or Staff, to sign.

Background and Discussion:

On May 19, 2014, your Board approved four VCERIS Pension Administration Project (Project) change orders. The approved change orders addressed several aspects of the Project including the additional work required by the passage of PEPRA (Public Employees' Pension Reform Act), the creation of several additional Project interface files and certain data conversion resources. Two of the approved change orders, VCERA change orders #4 (PEPRA) and #5 (Interface Files) impacted Vitech Systems Group, Inc. (Vitech).

Upon completing its review of VCERA's change orders, Vitech has requested certain modifications to VCERA's change order #4, along with VCERA's signing of Vitech change order #s 3774 and 3852. Vitech's change orders document the scope of work to be accomplished on VCERA's behalf for the requisite PEPRA changes and the creation of additional interface files. Both Vitech change orders were reviewed by Linea Solutions, prior to your Board's action in May.

In summary, the requested modifications are as follows:

- 1) Change Order #4 – Background Information – 2nd Sentence- replace "Vitech has determined" with "It has been determined" (as detailed in red-line copy).

VCERIS Change Orders
July 21, 2014

- 2) Change Order #4 – Background Information – 2nd Sentence – add a parenthetical reference to Vitech's change order #3774 (as detailed in red-line copy).
- 3) Sign Vitech's change order #s 3774 & 3852.

While the requested modifications to Change Order #4 are not substantive to VCERA, they are considered substantive by Vitech.

Conclusion:

Approval of the proposed Vitech change order modifications permits Project work to continue without undue delay.

I will be pleased to respond to any questions you may have on this matter at the July 21, 2014 business meeting.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. L. Harris", is written over the word "Sincerely,".

Attachments

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>

DATE: May 19th, 2014, Amended July 21, 2014

SUBJECT: Change Order to VCERA - Vitech Systems Group, Inc., VCERA Change Order #4

BACKGROUND

The California Public Employees' Pension Reform Act of 2013 ("PEPRA" or "CalPEPRA") went into effect on January 1, 2013. As a result of its review of PEPRA with VCERA staff, Vitech it has been determined 91 new requirements need to be implemented (Refer to Vitech Change Order #3774) and some existing requirements (including the ones that had already been designed) need to be changed to support Ventura County Employees' Retirement Association ("VCERA")'s V3 solution. These requirements were detailed, and reviewed by VCERA staff, in Vitech's proposed Change Order #3774. After implementing these changes, VCERA will be compliant with PEPRA in the new V3 application.

COST AND EFFORT

The services provided under this Change Order will be delivered on a fixed price basis for the entire scope of the work mentioned above. The table below provides estimated hours and the fixed price.

<u>Cost Component</u>	<u>Hours</u>	<u>Fixed Price</u>
Analysis, Meetings, Development, Testing, Project Management, Build/Deployment	1210	\$248,050

- All work set forth above shall be paid for at the fixed price of \$248,050, which shall include the costs of Analysis, Meetings, Development, Testing, Project Management, Build/Deployment, and change in scheduled completion date. Such payment is incorporated in the payment schedule set forth below.
- The payment schedule also corrects the payment schedule contained in Vitech CO # 3489 (July 2013) which was inconsistent with the express requirements of subject agreement.

VITECH CHANGE ORDER #4

May 19th, 2014

Page 2 of 2

VCERA Service Payment Schedule

Total Services (Old): 3,750,000

Total Services (New): 3,998,050

Change Order for: 248,050

# Invoice	License Fee	Est Mar-12 Invoice Date	Milestone Description*	Gross Payment	Payments Withheld	Withhold Release	Total Payment
1	\$ 575,000		Project Initiation / Initial License payment (development license)	200,000			200,000
2		May-12	QA Hardware and Software Installed and Configured	128,000	19,200		108,800
3		Jun-12	Detailed implementation Plan Approved	96,000	14,400		81,600
4		Aug-12	V3 Baseline Application Configuration & Demonstration Complete	224,000	33,600		190,400
5		Nov-12	Rollout 1: VCERA confirms Segment A functionality delivered and validated	224,000	33,600		190,400
6		Mar-13	Rollout 1: VCERA validates Segment B functionality delivered	224,000	33,600		190,400
7		Jun-13	Rollout 1: VCERA confirms Segment C functionality delivered	224,000	33,600		190,400
8		Jul-13	Change Order 3489 Execution	370,720		168,000	538,720
9		Sep-13	Rollout 1: VCERA confirms Segment D Track 1 functionality delivered	314,640			314,640
10		Dec-13	Rollout 1: VCERA confirms Segment D Track 2 functionality delivered	314,640			314,640
11		Mar-14	Rollout 1: VCERA confirms Segment F functionality delivered	139,200			139,200
12		May-14	Change Order 3774 Execution (33%) - 2013 CalPEPRA Changes	81,857			81,857
13		Sep-14	Rollout 1: VCERA confirms Segment G functionality delivered	139,200			139,200
14		Oct-14	Rollout 1: VCERA begins parallel testing of the transmittal files	139,200			139,200
15		Dec-14	Rollout 1: VCERA confirms Segment H functionality delivered	139,200			139,200
16		Dec-14	Rollout 1: VCERA confirms Segment I track 1 functionality delivered	69,600			69,600
17		Mar-15	Rollout 1: VCERA confirms Segment I track 2 functionality delivered	69,600			69,600
18		May-15	Change Order 3774 Execution (33%) - 2013 CalPEPRA Changes	81,857			81,857
19		May-15	Rollout 1: VCERA begins UAT	40,000			40,000
20		Sep-15	Rollout 1: VCERA accepts system for production	400,000			400,000
21		Sep-15	Change Order 3774 Completion (34%) - 2013 CalPEPRA Changes	84,336			84,336
22		Sep-15	Rollout 2: Start of MSS Implementation	122,000			122,000
23		Dec-15	Rollout 2: VCERA accepts MSS for production	72,000			72,000
24	\$575,000	Mar-16	Warranty Complete: Three (3) months after System Live Date	50,000			50,000
25		Dec-16	Warranty for Cyclical Processes Complete: Twelve (12) months after Sys. Live	50,000			50,000
				3,998,050	168,000	168,000	3,998,050

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

This Change Order is made pursuant to and subject to the terms of the License, Professional Services, Maintenance and Support Agreement Vitech Systems Group, Inc. (“Vitech” or “Vendor”) and VCERA (the “Agreement”) dated February 27, 2012. This Change Order constitutes an addendum to the Agreement and except as expressly amended by this Change Order, all of the terms, conditions and provisions of the Agreement remain unchanged and shall remain in full force and effect for the purposes of this Change Order.

IN WITNESS WHEREOF, the parties hereto have caused this Change Order to be executed by their duly authorized representatives as of the Change Order Effective Date.

TRACY TOWNER
VCERA
Chairman of the Board

CHRISTOPHER LODGE
VITECH SYSTEMS GROUP, INC
Vice President Operations

Change Order Effective Date

: []

VCERIS Implementation Change Order
Implement PEPRA 2013 Legislative Changes
CO 3774



401 Park Avenue South
New York, NY 10016

Delivery Date: May 19, 2014

1.0 Overview of Requested Changes

The California Public Employees' Pension Reform Act of 2013 ("PEPRA" or "CalPEPRA") went into effect on January 1, 2013. As a result of PEPRA, a number of new requirements need to be implemented and some existing requirements (including the ones that had already been designed) need to be changed to support Ventura County Employees' Retirement Association ("VCERA")'s V3 solution. Please see Appendix A for a complete list of VCERA PEPRA requirements for V3.

The PEPRA requirements were identified by VCERA SMEs in October 2013 and were then subsequently reviewed by Vitech Systems Group, Inc. ("VENDOR" or "Vitech"). Vitech's review identified the initial effort estimates and commentary for each of the PEPRA requirements. VCERA then reviewed Vitech's feedback and the final set of meetings between Vitech and VCERA concluded January 13th 2014 to finalize the PEPRA requirements and Vitech's analysis.

This Change Order outlines the additional cost and the schedule extension that results from implementing the legislative changes which are needed to support PEPRA for VCERA's V3 solution (the "Change Order"). The cost of extending the project schedule to accommodate the PEPRA requirements is already included as part of the Change Order fee.

2.0 Solution Details of Change

See Appendix A for the PEPRA 2013 requirements that will be implemented in V3.

The revised implementation schedule extends the final Live Date by one (1) month from November 2015 to December 2015. This schedule change also impacts the milestone payment schedule, see Appendix B for the High Level Implementation Plan and Appendix C for the updated payment schedule.

It is Vitech's goal to deliver the PEPRA functionality in V3 alongside the initially planned design to the extent possible, however it is still estimated that one (1) additional month on the schedule would be required for the design to be completed.

3.0 Fees

The services provided under this proposal will be delivered on a fixed price basis for the scope of the work mentioned above. The table below provides hours and costs.

Cost Component	Hours	Cost
Analysis, Meetings, Development, Testing, Project Management, Build/Deployment	1210	\$248,050

4.0 Acceptance

VITECH SYSTEMS GROUP, INC.

Signed by: _____ Date: _____

Name and Title:

Ventura County Employees Retirement Association (VCERA)

Signed by: _____ Date: _____

Name and Title:

Appendix A – VCERA’s V3 PEPRA Requirements

Below are the set of 91 requirements that VCERA has identified to Vitech as required for the V3 solution to support CalPEPRA legislative changes.

Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - Service and Age	<p>**NEW: Ability to accommodate for PEPRA plan General Member retirement eligibility criteria based on age and eligible service. A PEPRA plan General Member is eligible to retire if he or she has ≥ 5 years of eligible service and will be at least age 52 at retirement.</p> <p>A PEPRA plan General Member is not eligible to retire if he or she has 30 years of eligible service, regardless of age at retirement.</p> <p>A PEPRA plan General Member is not eligible to retire if he or she is age 70, regardless of years of service at retirement. (Per section 31672B)</p>	Low
Retirement Process - Service and Age	<p>**NEW: Ability to accommodate for PEPRA plan Safety Member retirement eligibility criteria based on age and eligible service. A PEPRA plan Safety Member is eligible to retire if he or she has ≥ 5 years of eligible service and will be at least age 50 at retirement.</p> <p>A PEPRA plan Safety Member is not eligible to retire if he or she has 20 years of eligible service, regardless of age at retirement.</p> <p>To be determined: A PEPRA plan Safety Member is not eligible to retire if he or she is age 70, regardless of years of service at retirement. (Section 31672B)</p>	Low
Termination	<p>**NEW: Ability to maintain member information and interest payments for separated PEPRA members who are vested (five or more years eligible service). Separated PEPRA members who are vested are allowed to leave their funds on deposit. Those funds continue to receive interest every six months.</p>	None

Category	Updated Requirements 1/9/14	Effort Estimate
Termination	Ability to maintain member information and interest payments for separated PEPRA members who are not vested (less than five years eligible service). Separated PEPRA members who are vested are allowed to leave their funds on deposit. Those funds continue to receive interest every six months.	High
Termination	Ability to process retirement for all deferred members (both vested and non-vested) based on eligibility by age 70.	None
Retirement Process - Service and Age	VCERA currently has three benefit formulas: one tier for Safety members and two tiers for General members. Consequently, the system must be able to handle multiple benefit / retirement age factors, and these factors must be effective date driven.	Low
Retirement Processing - General Process	<p>**NEW: The system must be able to store multiple retirement benefit formulas and apply the correct formula based on plan. PEPRA plans use different age factors than classic plans.</p> <p>For General Members with Classic plans, the benefit formula for the unmodified option is as follows: $[(\text{Final Average Monthly Compensation} - \\$116.67) / 60] \times \text{Age Factor} \times \text{Service Credit}$</p> <p>For General Members with PEPRA plans, the benefit formula for the unmodified option is as follows: Determine % of FAC and x % factor in gov code section 7522.20A.</p>	Low
Retirement Processing - General Process	<p>**NEW: The system must be able to store multiple retirement benefit formulas and apply the correct formula based on plan. PEPRA plans use different age factors than classic plans.</p> <p>For all Safety Members (PEPRA plans), the benefit formula for the unmodified option is as follows: % of FAC x Service Credit (Section 7522.25D)</p>	Low



Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - Service and Age	<p>The system must be able to differentiate Safety Members from other types of membership. Safety is defined by the following: Safety Members: only one tier currently exists for Safety. Safety Members are eligible employees whose principal duties consist of active law enforcement, active fire suppression, airport control, harbor patrol and certain probation officers are safety members. In cases of doubt as to whether a member is general or safety, the Board of Retirement shall decide. Safety Members are employees that have one of the following job classifications:</p> <p>Job Code</p> <ul style="list-style-type: none"> 43 324 325 330 370 447 465 550 614 645 650 750 751 760 765 770 779 815 875 876 926 988 	High

Category	Updated Requirements 1/9/14	Effort Estimate
	989 991 1048 1057 1377 1511 1555 1595 1600 1656 1679 1698 1733 1734 1757 1778 1780 1783 1875 2027 Note: These job titles are current as of the time of this writing.	
Retirement Process - Service and Age	Ability to differentiate General members from other types of membership. General members are defined as follows: General Members: All members that are not Safety are considered General members. Tier 1 / CERL §31676.11: This applies to all members who joined the system on or before 6/29/1979, with the exception of certain management groups, for whom the plan closing date is 10/16/2001. Tier 2 / CERL §31676.1: This applies to all active members or members that joined the system on 6/30/1979 or later. Superior Courts: Court employees are all classified as General members; there are no Safety members with the Courts. Ventura Regional Sanitation District is also classified only as General members.	None

Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - Service and Age	<p>Ability to add service types. Julie to follow up with AC on providing the rates.</p> <p>The following types of service exist at VCERA:</p> <ul style="list-style-type: none"> · Regular service o Safety o General Tier I o General Tier II o Tier II COLA · Previous membership purchased · Prior public service purchased · Medical leave service purchased · Service excluded from membership purchased · Military service · Reciprocal service credit · DRO-related service credit reduction <p>The system must be able to accommodate at minimum for these different types of service. User must be able to add service types.</p>	High



Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - Service and Age	<p>Ability to accommodate for retirement service credit on the basis of these business rules:</p> <p>The following types of service and redeposit purchases will count toward retirement service credit:</p> <ul style="list-style-type: none"> · Regular service o Safety o General Tier I o General Tier II o Tier II COLA · Previous membership purchased · Prior public service · Purchased medical leave service · Service excluded from membership purchased · DRO-related reduced service credit (will actually reduce retirement service credit) <p>The following types of service will NOT count toward retirement service credit:</p> <ul style="list-style-type: none"> · Intersystem service credit 	None
Retirement Process - Service and Age	<p>Ability to accommodate for eligibility service credit on the basis of these business rules:</p> <p>The following types of service will count toward eligibility service credit:</p> <ul style="list-style-type: none"> · Regular service o Safety o General Tier I o General Tier II o Tier II COLA · Service excluded from membership purchased · Purchased medical leave service · Intersystem service credit · DRO-related reduced service credit include non-member service for retirement eligibility <p>The following types of service will NOT count toward eligibility service credit:</p> <ul style="list-style-type: none"> · Prior public service 	None



Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Processing - General Process	<p>Ability to calculate separate pension and annuity amounts for Tier II COLA.</p> <p>The member’s benefit with Tier II COLA Service has two different pensions and could have two annuity components—“regular” pension and the Tier II COLA annuity and pension. The latter pension has the 2% annual COLA applied to it.</p> <p>Tier II COLA has a pension and annuity portion. The COLA is applied to the entire benefit (pension + annuity.)**</p>	Low
Retirement Process - FAC	<p>**NEW: To determine the Final Average Compensation for both General and Safety PEPRA plan members, the salary is cumulated for the three year FAC measurement period and divided by 36 in order to derive the monthly compensation. The system must be able to perform these calculations.</p>	Low
Retirement Process - FAC	<p>The system must be capable of calculating FAC for eligible members with less than the required years of service. For members who have less than their measuring period’s worth of salary to calculate FAC, the existing salary records must be projected forward to “fill in” the missing periods. There are three potential scenarios:</p> <p>(a) When a member has less than the required measurement period and there is no reciprocity (e.g. age 70, and less than the 3 years’ service) VCERA uses code 31462. To calculate FAC, total the service credit and multiply it by 12 to convert it from years to months of service. Then total up the compensation the member earned in that measurement period and then divide by the total months of service to get the FAC.</p>	None
Retirement Processing - General Process	<p>**NEW: Ability to calculate FAC for DRO Nonmembers with PEPRA plans.</p> <p>The non-member uses the FAC of the PEPRA plan member, if the member is already retired. If the member is still active, then the measurement period is the highest 36 month period. This applies to both. For example, if the non-member is retiring on 1/1/2009, then the FAC would be calculated using the period 1/1/2005 – 12/31/2007. As this was their highest month period.</p>	High
Retirement Process - FAC	<p>**NEW: At a general level, final compensation for a PEPRA member is based on the highest continuous three year period of pay earned, at any point in the member’s career, so long as it is for a consecutive period. This period is referred to as the FAC “measuring period”.</p> <p>The future PAS should be able to automatically select the high three-year measuring period based on the historical earned salary data found in the member’s account.</p>	Med

Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - FAC	<p>The interfacing payroll systems will provide the bi-weekly compensation earned. For the purpose of FAC, compensation earned and earnable when applicable, will be used. The system must be capable of including the comp earnable pay items and excluding the pay items that are not comp earnable.</p> <p>VCERA members may receive additional items that are considered “Premium Pay Items” that will count toward final compensation. Compensation earnable at VCERA is extremely complicated in terms of the number of pay elements and the variability in who receives which incentive.</p> <p>Included in comp earnable:</p> <ol style="list-style-type: none"> 1. Base pay: this includes but is not limited to regular, retro back pay, sick, holiday, comp time taken, and vacation hours, jury duty, bereavement, etc. 	High
Retirement Process - FAC	<ol style="list-style-type: none"> 2. Incentives: this includes special payments for skills or unusual work schedule. It includes premium pay, educational incentives, night shift pay, etc. These may total over 80 hours in a single pay period. 	Low
Retirement Process - FAC	<ol style="list-style-type: none"> 3. Annual Leave/Vacation buydowns: these are annual redemptions of accrued annual leave/vacation hours. They also include EAF (employee assistance fund) donation. The maximum buydown is determined by bargaining unit (BU). These buydowns must be manually adjusted at retirement in order to be sure the member does not receive buydown hours in excess of the maximum allowable. It is always reported as comp earned, and contributions are always taken. These can be taken twice per year, and members can take a maximum of eight within their measuring period for FAC purposes (for General Tier 2), or four for Tier 1 General and Safety. 	High
Retirement Process - FAC	<ol style="list-style-type: none"> 4. Vacation and Sick time paydowns: once the sick and vacation accrual limits are reached, some members are paid for the hours they accrue in excess of their maximum allowable bank. It is equivalent to a forced buydown. Sick time is paid out at 25 cents on the dollar. The accrual limits vary by bargaining unit. These paydowns must be manually adjusted at retirement in order to be sure that the member's FAC does not receive buydown/paydown hours in excess of the maximum allowable. Note that the paydowns, buydowns and donations must be combined to determine the maximum allowable annual leave includable in FAC. Paydowns are always reported as comp earnable, and contributions are always taken. 	None
Retirement Process - FAC	<ol style="list-style-type: none"> 5. Flex credit: these are allowances for insurance. <ol style="list-style-type: none"> i. Cafeteria allowance for medical, dental, vision (pre tax dollars) ii. Different BUs have different amounts 	None

Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - FAC	6. Employee contribution pickups: Currently most General and Safety employees receive a partial or full pickup of employee contributions, based on bargaining unit. This pickup of employee contributions by the employer is considered comp earnable and is therefore included in the FAC calculation. Two exceptional situations are as follows: a. Probation BU has a "reverse" pickup (employee pays a percentage (6.2%), and the employer picks up the rest). b. Fire Fighters have a 0.75% comp earned/earnable discount (Julie to check to see if this is still active)	Med
Retirement Process - FAC	7. Employee contribution pickup (1979 pickups): These are employer pick-ups of employee contributions. They are pre-tax dollars and are not paid out to the member as salary. They are paid on behalf of Tier 1 and Safety members, they do not accrue to the member's account, are not refundable, and generate no interest because they are paid into the retirement reserves. SEE SCREEN 59. These are also included in FAC.	None
Retirement Process - FAC	9. Holiday premium pay: this includes additional pay for a member working holidays (relevant for Safety and Dispatch, and many other employees or BUs).	Low
Retirement Process - FAC	10. Allowances: these include uniform allowance (yearly) and car allowances (monthly), and others.	Low
Retirement Process - FAC	11. FLSA adjustments: firefighters and sheriffs receive extra pay every other pay period for working long shifts. Note that their 112 hour schedule is converted into 80 hour format when reported on the interface.	Low
Retirement Process - FAC	12. Medi pickup: Sheriffs who joined VCERA prior to 1986 receive an additional pay element. This may total over 80 hours' worth of incentives.	None
Retirement Process - FAC	13. 30 year member incentive: Qualifying 30 year members receive an additional pay element once they are no longer required to pay Employee contributions. This additional pay is included in comp earned and earnable.	None
Retirement Process - FAC	14. Scheduled overtime: certain job classes work greater than 80 hour per pay period schedules, and receive the pay for these required additional hours as comp earned/earnable. (Pensionable comp defined in gov code 70522.34C8). These may include: i. FF, CIR, Sheriff, Jail cook, Dispatch, DIR, Central MA records, probation ii. Safety and General	None

Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - FAC	<p>The system must be capable of calculating two FAC numbers using two separate measuring periods for members with Tier II and Safety or Tier 1 (Deputy Sheriff Trainee) split plan membership:</p> <p>Calculate FAC using a three year 6257.136 hour measuring period for Tier II service</p> <p>Calculate FAC using a one year 2085.712 hour measuring period for Safety and Tier 1 service that falls within the three year 6257.136hour Tier II measuring period</p> <p>Member who have split service—service in two plans/tiers—may require a different FAC calculation.</p> <p>For members who have service split between Tier 1 and Safety, their FAC is straightforward: the high one year is used for benefit calculations for both plans. The high one year period may cut across the employment periods for both plans. That is, the measuring period may contain dates in which the member was in either or both plans.</p> <p>The system must be capable of calculating FAC using a one year 2085.712 hour measuring period that crosses membership in Tier I and Safety plans.</p> <p>For members who have service split between Tier 2 and Safety (or Tier 1), both a high one year and a high three year calculation is required. The high one year must fall within the high three year period in order to be valid. Again, the measuring period may contain dates in which the member was in either or both plans. The high three year FAC must be used to calculate the benefit for Tier 2 service, and the high one year must be used to calculate the benefit for the Safety or Tier 1 service.</p>	None
Retirement Process - FAC	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members. Senate bill 13 (passed Oct 4, 2013) clean up regulation on this.</p> <p>Need ability to store annual salary caps for each plan in an editable table, which will need to be updated on an annual basis.</p>	High
Retirement Process - FAC	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>Need ability to query PEPRA plan members that have an annual salary exceeding the annual pension cap. Fields needed in the query to be determined. May need to store or sum salary information on an annual basis.</p>	High

Category	Updated Requirements 1/9/14	Effort Estimate
Benefit Estimate	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating estimates, need ability to validate whether or not the annual compensation exceeds the annual pension cap.</p>	Med
Benefit Estimate	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating estimates, need ability to reduce the compensation used in the benefit calculation if it exceeds the annual pension cap.</p>	Med
Retirement Process - FAC	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating retirement benefits, need ability to validate whether or not the annual compensation exceeds the annual pension cap.</p>	Med
Retirement Process - FAC	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating retirement benefits, need ability to reduce the compensation used in the benefit calculation if it exceeds the annual pension cap.</p>	Med

Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Process - FAC	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>: When reciprocal compensation is being used for any type of benefit calculation, don't need ability to validate whether or not the annual compensation exceeds the annual pension cap.</p>	Med
Retirement Process - FAC	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When reciprocal compensation is being used for any type of benefit calculation, don't need ability to reduce the compensation used in the benefit calculation if it exceeds the annual pension cap.</p>	None
Active Death Processing	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating active death benefits, need ability to validate whether or not the annual compensation exceeds the annual pension cap.</p>	Med
Active Death Processing	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating active death benefits, need ability to reduce the compensation used in the benefit calculation if it exceeds the annual pension cap.</p>	None



Category	Updated Requirements 1/9/14	Effort Estimate
Disability	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating disability benefits, need ability to validate whether or not the annual compensation exceeds the annual pension cap.</p>	Med
Disability	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating disability benefits, need ability to reduce the compensation used in the benefit calculation if it exceeds the annual pension cap.</p>	None
DRO Processing	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating DRO Nonmember benefits, need ability to validate whether or not the annual compensation exceeds the annual pension cap.</p>	Med
DRO Processing	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>When calculating DRO Nonmember benefits, need ability to reduce the compensation used in the benefit calculation if it exceeds the annual pension cap.</p>	None

Category	Updated Requirements 1/9/14	Effort Estimate
VCHRP import and processing / Active Payroll	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>Need ability to calculate anticipated contributions, based on each member's transmitted payroll data, when a cap on annual salary applies.</p>	High
VCHRP import and processing / Active Payroll	<p>**NEW: For PEPRA plan members, there is a cap on the annual salary that can be used to calculate final compensation, excluding judges, For General Members, this is based on Social Security Contribution and Benefit Base. The cap for 2013 is \$113,700 for General Members. For Safety Members, this is based on 120% of the Benefit Base. The cap for 2013 is \$136,440 for Safety Members.</p> <p>Need ability to compare the Anticipated Contribution Amount to the actual contribution amount transmitted when a cap on annual salary applies.</p>	High
Retirement Processing - General Process	<p>Ability to calculate Tier II COLA pension.</p> <p>The Tier II COLA pension is calculated as a proportion of Tier II COLA service and the member's non-tier II COLA service. The Tier 2 COLA annuity is based on the contributions contributed from the date Tier 2 COLA credit began through the time it ended. The benefit calculation for the Tier II COLA credit is identical to the General Tier II benefit. This benefit/tier must be broken out into a separate portion in the member's pension account since it is the only benefit that is eligible for COLA.</p>	Low
COLA Granting	<p>Ability to grant Tier 2 COLA to SEIU members for eligible service.</p> <p>Tier 2 COLA service began on 3/16/2003, for those retired on or after 3/13/2005 and it began 7/7/2002 for those retired prior to 3/13/2005. The system must have the ability to determine Tier 2 COLA eligible service based on these dates.</p>	None
COLA Granting	<p>Ability to grant Tier 2 COLA according to the following formula:</p> <p>$((\text{base benefit} * (\text{tier 2 eligible svc credit} / \text{total service credit})) + \text{previous tier 2 COLA adjustments}) * 0.02$</p>	None

Category	Updated Requirements 1/9/14	Effort Estimate
COLA Granting	<p>Current: Ability to define multiple types of COLA grant adjustments, including, but not limited to:</p> <ul style="list-style-type: none"> · Tier 1 / Safety COLA, known as "COLA" · SEIU Tier 2 COLA, known as "Tier 2 COLA" · STAR COLA <p>The goal of the COLA ("Cost-of-Living Allowance") tracking and granting process is to ensure that eligible VCERA' retirees receive an annual cost-of-living allowance adjustment to their retirement allowance to offset some of the decrease in purchasing power that retired members experience over time due to inflation. The PAS must have the ability to define separate rules for each COLA type.</p>	Low

Category	Updated Requirements 1/9/14	Effort Estimate
COLA Granting	<p>Ability to produce reports for use in reconciliation, validation and verification. Example of the reports below should be available in both summary and detailed versions:</p> <p>COLA (General Tier 1/Safety members) - The report used is the "COLA Total Additional Earnings" report. This report has the following fields, grouped by department code (1111xx, 2222xx): File ID Name AN (Annuity) PN (Pension) CL (COLA adjustment)</p> <p>Tier 2 COLA (Tier 2 SEIU members) - The report used is the "T2 COLA Total Additional Earnings" report. This report has the following fields for department codes 3333xx only: File ID Name AC (T2C Annuity) PC (T2C Pension) C2 (T2 COLA adjustment)</p> <p>STAR COLA (General Tier 1/Safety members) – Run in October instead of April. The report used is the "STAR COLA Total Earnings" report. This report has the following fields, sorted by Retirement Date: File ID Name AN (Annuity) PN (Pension) CL (COLA adjustment) ST (STAR COLA adjustment) Retirement Date</p>	None

Category	Updated Requirements 1/9/14	Effort Estimate
COLA Granting	<p>Have Tim confirm formulas. Ability to Calculate current General Tier 1 and Safety COLA granting and COLA Banking processes using the following formulas:</p> <p>If (Maximum COLA adjustment amount) < (CPI rounded to nearest 0.5%)</p> <ul style="list-style-type: none"> · COLA Banking Amount = ((CPI) – (Maximum COLA adjustment amount)) · COLA Bank balance for each member= ((COLA Bank Balance) + (COLA Banking Amount)) · April COLA adjustment = Maximum COLA Adjustment <p>If (Maximum COLA adjustment amount) > (CPI rounded to nearest 0.5%)</p> <ul style="list-style-type: none"> · COLA Bank balance for member = (COLA Bank Balance) – ((Max COLA Banking Amount)-(CPI)) · April COLA Adjustment = (COLA Adjustment Amount – CPI) + Additional % drawn down from Bank Balance to adjust to Maximum COLA Adjustment Amount, however: <p>If COLA Bank Balance < (Max COLA Adjustment Amount) – (CPI)</p> <ul style="list-style-type: none"> · April COLA adjustment = ((Max COLA Adjustment Amount) – (CPI)) + % available from COLA Bank Balance to be drawn down <p>Else</p> <ul style="list-style-type: none"> · April COLA adjustment = Maximum COLA Adjustment 	None



Category	Updated Requirements 1/9/14	Effort Estimate
COLA Granting	<p>Ability to grant Tier 2 COLA to eligible members receiving Service Connected Disability according to the following rules:</p> <p>The Service Connected Disability (SCD) benefit equals the greater of 50% of the member’s Final Average Compensation or 100% of the member’s accrued Service Retirement Benefit. In those cases where the Service Retirement Benefit is greater, the portion of the benefit subject to the Tier 2 COLA can be determined using the usual process. If the member’s benefit is based on 50% of the Final Average Compensation, the following rules may be used:</p> <p>If the member has 5 or more years of Tier 2 service as of the date of disability, the beginning date after which Tier 2 COLA may be granted is the members 50th birthday or the member’s retirement date, whichever is later, based on Tier 2 COLA service only.</p> <p>If the member has less than 5 years of Tier 2 service as of the date of disability, the beginning date after which Tier 2 COLA may be granted is the members 70th birthday or the member’s retirement date, whichever is later.</p>	None
COLA Granting	<p>Ability to grant Tier 2 COLA by Union Code.</p> <p>The following table is a list of union codes that are applicable to Tier 2 COLA for the periods of time that are described below. Note that for all Union Codes below except for VAA and VPE, the eligible dates start on 3/16/2003 and continue through the present. For VAA and VPE, the date is a closed period (3/16/2003 – 3/8/2008):</p> <p>Union Code</p> <ul style="list-style-type: none"> UPC UPH UPI UPJ UPK UPT UST UWS UPA UPE VAA VPE 	None

Category	Updated Requirements 1/9/14	Effort Estimate
Retirement Processing - General Process	<p>**NEW: After retiring, a member cannot work for the same employer within the same system within 180 days of separation, excluding safety members who are rehired to perform safety duties. As of 09/12/2013, VCERA has not adopted Normal Retirement Ages, but for purposes of this section, Counsel recommends we use age 67 for General members and 57 for Safety members.</p> <p>If needed to identify members who may have violated this provision, the system should be able to store Normal Retirement Ages in a table that can be updated should these ages change in the future.</p>	Med
Retirement Processing - General Process	<p>**NEW: After retiring, a member cannot work for the same employer within the system within 180 days of separation, excluding safety members who are rehired to perform safety duties. As of 09/12/2013, VCERA has not adopted Normal Retirement Ages, but for purposes of this section, Counsel recommends we use age 67 for General members and 57 for Safety members.</p> <p>The system should be able to identify retired members who return to work for the same employer within 180 days of separation and do not exceed Normal Retirement Age.</p>	Med
Retirement Processing - General Process	<p>**NEW: After retiring, a member cannot work for the same employer within the same system within 180 days of separation, excluding safety members who are rehired to perform safety duties. . As of 09/12/2013, VCERA has not adopted Normal Retirement Ages, but for purposes of this section, Counsel recommends we use age 67 for General members and 57 for Safety members.</p> <p>The system should be able to identify retired members who work more than 960 hours in a fiscal year (July through June).</p>	Med
Member Account Adjustment	<p>**NEW: If a VCERA member is convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, the law requires certain pension and related benefits to be forfeited. The Employer is responsible for notifying VCERA if this provision applies.</p> <p>The system must allow a pension benefit to be reduced for a VCERA member convicted of a felony. Only lose benefits at the time of the criminal act going forward. They do get interest during period. The benefit has to be paid via EFT.</p>	Low

Category	Updated Requirements 1/9/14	Effort Estimate
Member Account Adjustment	<p>**NEW: If a VCERA member is convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, the law requires certain pension and related benefits to be forfeited. The Employer is responsible for notifying VCERA if this provision applies.</p> <p>To be determined: The system must allow a pension benefit to be suspended for an alternate payee of a VCERA member convicted of a felony.</p>	Low
Retirement Processing - General Process	<p>**NEW: If a VCERA member is convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, the law requires certain pension and related benefits to be forfeited. The Employer is responsible for notifying VCERA if this provision applies.</p> <p>To be determined: The system should prevent a pension benefit from being initiated for a VCERA member convicted of a felony.</p>	Med
Termination	<p>**NEW: If a VCERA member is convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, the law requires certain pension and related benefits to be forfeited. The Employer is responsible for notifying VCERA if this provision applies.</p> <p>If a pension benefit is suspended for a VCERA member convicted of a felony, the system must allow any undistributed contributions to be refunded to the member and any associated alternate payee. Any interest related to the funds added to the system prior to the act is refundable.</p>	Med
Termination	<p>**NEW: If a VCERA member is convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, the law requires certain pension and related benefits to be forfeited. The Employer is responsible for notifying VCERA if this provision applies.</p> <p>If a VCERA member is convicted of a felony and has not yet retired, his or her only option is to receive a refund. The refund should not interest on contributions before act.</p>	Med

Category	Updated Requirements 1/9/14	Effort Estimate
Termination	<p>**NEW: If a VCERA member is convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, the law requires certain pension and related benefits to be forfeited. The Employer is responsible for notifying VCERA if this provision applies.</p> <p>If a one-time payment is being issued to a VCERA member convicted of a felony, the amount must be paid via electronic deposit.</p>	Low
Termination	<p>**NEW: If a VCERA member is convicted of a felony in carrying out their official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits, the law requires certain pension and related benefits to be forfeited. The Employer is responsible for notifying VCERA if this provision applies.</p> <p>If undistributed contributions or a refund is being issued to a VCERA member convicted of a felony, VCERA must notify the District Attorney Office at least 3 days prior to the deposit being made.</p>	High
Retirement Processing - General Process	<p>**NEW: The board shall establish procedures for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.</p> <p>The system must be able to identify elements of compensation that require review based on a set of rules to be determined by the Board of Retirement.</p>	High
Retirement Processing - General Process	<p>**NEW: The board shall establish procedures for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.</p> <p>The system should be able to produce a letter to a member and employer regarding elements of compensation that require review based on the rules to be determined by the Board of Retirement. - Letter created outside of V3</p>	Med
Retirement Processing - General Process	<p>**NEW: The board shall establish procedures for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.</p> <p>If the Board of Retirement determines that compensation was paid to enhance a member's retirement benefit, the system should be able to produce a letter of determination to the member and employer, indicating the member or employer may obtain judicial review of the board's action by filing a petition for writ of mandate within 30 days of the mailing of the notice. - VCERA manually create the letter</p>	High

Category	Updated Requirements 1/9/14	Effort Estimate
Member Account Adjustment	<p>**NEW: The board shall establish procedures for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.</p> <p>If the Board of Retirement determines that compensation was paid to enhance a member's retirement benefit, the system must allow the member's retirement benefit to be calculated or re-calculated with the enhanced compensation removed. - Yes by adjusting the account</p>	None
Member Account Adjustment	<p>**NEW: The board shall establish procedures for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.</p> <p>If the Board of Retirement determines that compensation was paid to enhance a member's retirement benefit, after the retirement benefit has been recalculated to exclude any ineligible compensation, if the member was overpaid, the system should be able to calculate the overpaid amount and track whether the overpayment has been recouped. The member should have the option to pay the overpayment directly to VCERA or have it deducted from their retirement check.</p>	Med
Member Account Adjustment	<p>**NEW: The board shall establish procedures for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.</p> <p>If the Board of Retirement determines that compensation was paid to enhance a member's retirement benefit and a one-time adjustment has been made to correct retirement benefits already paid, the system should allow for previously issued 1099-R forms to be adjusted, if necessary.</p>	Med
Board Reporting	<p>**NEW: The board may assess a county or district a reasonable amount to cover the cost of audit, adjustment, or correction, if it determines that a county or district knew or should have known that the compensation reported was not compensation earnable, or failed to identify the pay period in which compensation earnable was earned.</p> <p>The system must be able to query by employer, transmittal record type and earn code.</p>	Med
VCHRP import and processing / Active Payroll	<p>Generally, members hired on or after 01/01/2013 are placed in PEPRA retirement plans. However, there are multiple exceptions allowing a member to be placed in a Classic retirement plan instead.</p> <p>Ability to validate if a member appears to be placed in the correct plan through the transmittal process or a report generated after the transmittal is run. Vitech needs rules to create exception checks</p>	Med

Category	Updated Requirements 1/9/14	Effort Estimate
New Member Enrollment	<p>Generally, members hired on or after 01/01/2013 are placed in PEPRA retirement plans. However, there are multiple exceptions allowing a member to be placed in a Classic retirement plan instead.</p> <p>In the New Member Enrollment Workflow, the following step should be added after the Check for Reciprocity Step: Confirm member is in the correct retirement plan</p>	Low
Member Account Adjustment	<p>Generally, members hired on or after 01/01/2013 are placed in PEPRA retirement plans. However, there are multiple exceptions allowing a member to be placed in a Classic retirement plan instead.</p> <p>When a PEPRA member is eligible for a Classic Plan, a notification should be sent to the Plan Sponsor and member.</p>	Low
Reciprocity	<p>Generally, members hired on or after 01/01/2013 are placed in PEPRA retirement plans. However, there are multiple exceptions allowing a member to be placed in a Classic retirement plan instead.</p> <p>When a Verified Full or Verified Limited reciprocity record is saved for a member, if the reciprocal start date is prior to 01/01/2013 and the VCERA membership date is on or after 01/01/2013, the following warning message should generate: Review account- member may be eligible for a change in retirement plan.</p>	Low
Purchase of Service Credit	<p>Generally, members hired on or after 01/01/2013 are placed in PEPRA retirement plans. However, there are multiple exceptions allowing a member to be placed in a Classic retirement plan instead.</p> <p>When a Redeposit service credit purchase is calculated, if the member was placed in a PEPRA plan as of the Membership Date and the Distribution record is for a Classic Plan, the following validation error should populate: This SCP must be processed as a Conversion Redeposit. (Note: need to create a PEPRA to Classic Plan factor table.)</p>	Med
Purchase of Service Credit	<p>If a PEPRA member redeposits a previously refunded membership that has a Start Date prior to 01/01/2013, the member may be eligible to have their PEPRA service and contributions converted to a Classic Plan.</p> <p>The system should be able to convert service and contributions from a PEPRA plan to a Classic Plan after a redeposit has been completed.</p>	None



Category	Updated Requirements 1/9/14	Effort Estimate
Purchase of Service Credit	<p>If a PEPRA member redeposits a previously refunded membership that has a Start Date prior to 01/01/2013, the member may be eligible to have their PEPRA service and contributions converted to a Classic Plan.</p> <p>If the conversion results in an additional amount owed by the member, the system should be able to track whether the amount has been received.</p>	None
Purchase of Service Credit	<p>If a PEPRA member redeposits a previously refunded membership that has a Start Date prior to 01/01/2013, the member may be eligible to have their PEPRA service and contributions converted to a Classic Plan.</p> <p>If the conversion results in a refund due to the member, the system should be able to place this amount in an excess contribution account to be refunded after the member terminates employment.</p>	None
Member Account Adjustment	<p>If a member is placed in the incorrect plan at membership, the Plan Sponsor will generally be responsible for correcting the member's account through the transmittal. However, there may be occasions in which VCERA will need to perform these calculations instead of the Plan Sponsor. For example, if the member is deferred or waits 10 years to notify VCERA of reciprocity, VCERA may need to perform these calculations directly.</p> <p>The system should be able to convert service and contributions from a PEPRA plan to a Classic Plan for non-redeposit scenarios.</p>	None
Member Account Adjustment	<p>If a member is placed in the incorrect plan at membership, the Plan Sponsor will generally be responsible for correcting the member's account through the transmittal. However, there may be occasions in which VCERA will need to perform these calculations instead of the Plan Sponsor. For example, if the member is deferred or waits 10 years to notify VCERA of reciprocity, VCERA may need to perform these calculations directly.</p> <p>If the conversion results in an additional amount owed by the member, the system should be able to track whether the amount has been received.</p>	Med



Category	Updated Requirements 1/9/14	Effort Estimate
Member Account Adjustment	<p>If a member is placed in the incorrect plan at membership, the Plan Sponsor will generally be responsible for correcting the member's account through the transmittal. However, there may be occasions in which VCERA will need to perform these calculations instead of the Plan Sponsor. For example, if the member is deferred or waits 10 years to notify VCERA of reciprocity, VCERA may need to perform these calculations directly.</p> <p>If the conversion results in a refund due to the member, the system should be able to place this amount in an excess contribution account to be refunded after the member terminates employment.</p>	Med
Actuarial Extract	<p>An Active Member file must be produced by the system.</p> <p>The file includes all active members, members on leave of absence, deferred retirements and withdrawals as of June 30. This file must have at least the following information:</p> <ul style="list-style-type: none"> Name Record type Social Security Number Employer code Active retirement plan code General or Safety membership Tier under which member is covered Sex Date of birth Assigned age for member contribution rates Safety service credit General Tier 1 service credit General Tier 2 service credit without COLA General Tier 2 service credit with COLA Additional service credit Public service credit Total service credit Current bi-weekly retirement salary 	None

Category	Updated Requirements 1/9/14	Effort Estimate
	<p>Annual pensionable compensation earned during the year July 1 through June 30</p> <p>Safety Final Average Salary</p> <p>General Tier 1 Final Average Salary</p> <p>General Tier 2 Final Average Salary</p> <p>Full or Part-Time ratio</p> <p>Balance in member's account for regular/normal contributions</p> <p>Balance in member's account for COLA contributions</p> <p>Balance in member's account for Total Contributions</p> <p>Account separation code</p> <p>Reciprocal system flag</p> <p>Separation date</p> <p>Member contribution rate</p> <p>Bargaining unit</p> <p>Original date of membership</p> <p>Non Member spouse flag</p> <p>Member Social Security Number for Non Member spouses</p> <p>Record type</p>	
Actuarial Extract	<p>A Retired Member file must be produced by the system for members that were retired and receiving a benefit as of June 30.</p> <p>This listing will not include non-member benefits, such as for ex-spouses or beneficiaries that were receiving a benefit.</p> <p>This file must have at least the following information:</p> <p>Name</p> <p>Record type</p> <p>Beneficiary SSN</p> <p>Beneficiary Sex</p> <p>Beneficiary date of birth</p> <p>Member's date of retirement</p> <p>Member's class</p> <p>Member's Tier at retirement</p>	None

Category	Updated Requirements 1/9/14	Effort Estimate
	<p>Member's type of retirement</p> <p>Retirement Option</p> <p>Member's date of birth</p> <p>Member's sex</p> <p>Monthly Annuity benefit</p> <p>Monthly Prior Service benefit</p> <p>Monthly Current Service benefit</p> <p>Monthly Total Basic Service benefit</p> <p>Monthly COLA benefit</p> <p>Monthly Supplemental benefit</p> <p>Monthly Additional Supplemental benefit</p> <p>Monthly benefit amount subject to General Tier 2 COLA</p> <p>Member's type of disability</p> <p>Member's years of service credit at retirement</p> <p>Member's years of service credit at retirement subject to General Tier 2 COLA</p> <p>12-month Final Average Compensation</p> <p>12-month Final Average Compensation (including annual leave redemption)</p> <p>36-month Final Average Compensation</p> <p>36-month Final Average Compensation (including annual leave redemption)</p> <p>Record type</p>	

Category	Updated Requirements 1/9/14	Effort Estimate
Actuarial Extract	<p>A Non-Member file must be produced by the system for people that are beneficiaries, surviving spouses, or ex-spouse DROs. These members may or may not be currently receiving a benefit. The file must contain all of the pertinent information on the retired member as well.</p> <p>This file must have at least the following information:</p> <ul style="list-style-type: none"> Name Record type Beneficiary SSN Beneficiary Sex Beneficiary date of birth Member's date of retirement Member's class Member's Tier at retirement Member's type of retirement <p>Retirement Option</p> <ul style="list-style-type: none"> Member's date of birth Member's sex Monthly Annuity benefit Monthly Prior Service benefit Monthly Current Service benefit Monthly Total Basic Service benefit Monthly COLA benefit Monthly Supplemental benefit Monthly Additional Supplemental benefit Monthly benefit amount subject to General Tier 2 COLA Member's type of disability Member's years of service credit at retirement Member's years of service credit at retirement subject to General Tier 2 COLA 12-month Final Average Compensation 	None

Category	Updated Requirements 1/9/14	Effort Estimate
	12-month Final Average Compensation (including annual leave redemption) 36-month Final Average Compensation 36-month Final Average Compensation (including annual leave redemption)	
Actuarial Extract	<p>A Deceased Member file must be produced by the system. This file should contain information for all plan members who died during the year (July 1 through June 30), including Actives, Deferred Retirements and all benefit recipients (retirees, beneficiaries and QDROs) receiving payments in this period. These members should NOT be listed in any of the other files. This file must have at least the following information:</p> <ul style="list-style-type: none"> Name Record type Social Security Number Name Sex Class Tier under which member was covered at death Date of birth Date of death Type of death 	None
Disability	<ul style="list-style-type: none"> · The NSCD benefit for a safety member under 55 and general member under 65 is the greater of (a) or (b) below [31838]: <ul style="list-style-type: none"> o a. The member's service retirement benefit. o b. The sum of an annuity which is the actuarial equivalent of the member's contributions and a disability retirement pension purchased by contributions of the county or district all computed as provided in section 31727 and 31727.2 (see calculation example in functional spec IDs 001.003 and 001.004). 	Low

Category	Updated Requirements 1/9/14	Effort Estimate
Healthcare and Insurance	For health insurance premium purposes, the system must be able to differentiate between Safety and General Tier 1 and General Tier 2 members.	None
New Member Enrollment	Ability of the system to store Standard Entry Age contribution rates for all members who have an entry date on or after August 1, 1974. The current Standard Age that is used as a basis for the contribution rate for all members who joined on or after August 1, 1974 is 36 years for General Members and 27 years for Safety Members. Additionally, the system must allow for modification of these standard age rates in case these would change in the future.	Low

Appendix B – High Level Implementation Plan

		2012					2013					2014					2015														
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Proposed Implementation Plan		Rollout 1 - Replace RDBS and RIS																									Rollout 2 - MSS				
		Segment A	Segment B	Segment C	Seg D - T	Segment D - Track 2	Segment F	Segment G	Segment I-1 & H	Seg I-2 & J	Training, UAT & Cutover		Seg A	UAT																	
Previous Implementation Plan		Rollout 1 - Replace RDBS and RIS																									Rollout 2 - MSS				
		Segment A	Segment B	Segment C	Seg D - T	Segment D - Track 2	Segment F	Segment G & H	Segment I & J	Training, UAT and Cutover		Seg A	UAT																		

Appendix C – Updated Payment Schedule

VCERA Service Payment Schedule

Total Services (Old): 3,750,000

Total Services (New): 3,998,050

Change Order for: 248,050

Invoice #	License Fee	Est Invoice Date	Milestone Description*	Gross Payment	Payments Withheld	Withhold Release	Total Payment
1	\$ 575,000	Mar-12	Project Initiation / Initial License payment (development license)	200,000			200,000
2		May-12	QA Hardware and Software Installed and Configured	128,000	19,200		108,800
3		Jun-12	Detailed Implementation Plan Approved	96,000	14,400		81,600
4		Aug-12	V3 Baseline Application Configuration & Demonstration Complete	224,000	33,600		190,400
5		Nov-12	Rollout 1: VCERA confirms Segment A functionality delivered and validated	224,000	33,600		190,400
6		Mar-13	Rollout 1: VCERA validates Segment B functionality delivered	224,000	33,600		190,400
7		Jun-13	Rollout 1: VCERA confirms Segment C functionality delivered	224,000	33,600		190,400
8		Jul-13	Change Order 3489 Execution	370,720		168,000	538,720
9		Sep-13	Rollout 1: VCERA confirms Segment D Track 1 functionality delivered	314,640			314,640
10		Dec-13	Rollout 1: VCERA confirms Segment D Track 2 functionality delivered	314,640			314,640
11		Mar-14	Rollout 1: VCERA confirms Segment F functionality delivered	139,200			139,200
12		May-14	Change Order 3774 Execution (33%) - 2013 CalPEPRA Changes	81,857			81,857
13		Sep-14	Rollout 1: VCERA confirms Segment G functionality delivered	139,200			139,200
14		Oct-14	Rollout 1: VCERA begins parallel testing of the transmittal files	139,200			139,200
15		Dec-14	Rollout 1: VCERA confirms Segment H functionality delivered	139,200			139,200
16		Dec-14	Rollout 1: VCERA confirms Segment I track 1 functionality delivered	69,600			69,600
17		Mar-15	Rollout 1: VCERA confirms Segment I track 2 functionality delivered	69,600			69,600
18		May-15	Change Order 3774 Execution (33%) - 2013 CalPEPRA Changes	81,857			81,857
19		May-15	Rollout 1: VCERA begins UAT	40,000			40,000
20		Sep-15	Rollout 1: VCERA accepts system for production	400,000			400,000
21		Sep-15	Change Order 3774 Completion (34%) - 2013 CalPEPRA Changes	84,336			84,336
22		Sep-15	Rollout 2: Start of MSS Implementation	122,000			122,000
23		Dec-15	Rollout 2: VCERA accepts MSS for production	72,000			72,000
24		Mar-16	Warranty Complete: Three (3) months after System Live Date	50,000			50,000
25		Dec-16	Warranty for Cyclical Processes Complete: Twelve (12) months after Sys. Live	50,000			50,000
	\$575,000			3,998,050	168,000	168,000	3,998,050

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

CHANGE ORDER NO. 3852

General Information

Ventura County Employees' Retirement Association ("VCERA")	Submitted by: Hammad Zaigham
Project: VCERIS – Ventura County Employees' Retirement Information System ("VCERIS")	Submitter Email Address: hzaigham@vitechinc.com
VCERA Project Manager: Kim Zierath (Linea Solutions)	Submission Date: 5/2/2014
Vitech Project Manager: Hammad Zaigham	Change Order Effective Date: 5/19/2014

Change Request Summary

Priority : High	Project Schedule Change Needed: No
Background:	
<p>The License, Professional Services, Maintenance and Support Agreement between Vitech Systems Group, Inc. ("Vendor" or "Vitech") and VCERA dated February 27, 2012 (the "Agreement") identifies the contractual limit of six (6) interfaces to be developed by Vitech Systems Group Inc. ("Vitech") as part of the VCERIS Implementation.</p> <p>During the course of the project VCERA Subject Matter Experts (the "SMEs") have identified a need to design four (4) additional interfaces in order to support the level of automation that VCERA has come to expect from the System.</p> <p>This Change Order outlines the cost to VCERA for increasing the contractual limit on the Interfaces from six (6) to ten (10).</p>	

Description of Change

Vitech Project Manager met with VCERA Steering Committee team members on April 4, 2014 to discuss and finalize the Interfaces that VCERA would like to include within the scope of this change order (the "Change Order") that would extend the contractual limit on the count of Interfaces from six (6) to ten (10). VCERA selected the following four (4) interfaces to be within the scope of this Change Order:

- ABS Data Import [Inbound]
- ABS Export to Agency [Outbound]
- Medical Premium Deduction [Inbound]
- Imaging Induction import – Batch [Inbound]

The 6 interfaces (in addition to the above mentioned four) that are within the scope of the original contractual limit of the Agreement are;

- Transmittal Interface [Inbound]
- Contribution Rates Import [Inbound]

- Participant Account Adjustment Import [Inbound]
- Actuarial Extract [Outbound]
- Check Print file, ACH – Direct Deposit and EFT Prenote file [Outbound]
- Imaging index validation web service [Inbound and Outbound]

Fees and Expenses

The services provided under this Change Order will be delivered on a fixed price basis for only the four additional interfaces mentioned above. The table below provides hours and costs for these interfaces.

<u>Cost Component</u>	<u>Hours</u>	<u>25% Discount</u>	<u>Hours</u>	<u>Cost</u>
Analysis, Meetings, Development, Testing, Project Management, Build/Deployment	600	(150)	450	\$92,250

This is a fixed price proposal based upon Vitech's current interpretation of the needs presented.

Vitech has provided a 25% partnership discount, assuming VCERA accepts the following payment terms. The proposed payment terms are based on the Charges related to this proposal will be billed 50% along-with Segment G completion milestone (September, 2014) and the remaining 50% along-with Segment H completion milestone (December 2014) – See Appendix A for the Payment Schedule that reflects these updates.

Estimated Delivery Schedule

Interfaces identified in this Change Order are targeted to be delivered to VCERA prior to the start of Rollout 1 UAT alongside the completion of Segment G and H milestones.

Assumptions, Responsibilities and Dependencies

1. The VCERA-Vitech Hosting Agreement with an effective date of February 27, 2014 is not impacted by this Change Order as the monthly hosting fee commences September 1, 2014. This remains unchanged.
2. VCERA shall provide other relevant data and information and perform all other tasks and responsibilities as reasonably requested or required hereunder by Vitech.

Vitech's ability to perform the work is dependent on the assumptions set forth above as well as VCERA's timely completion of its specific responsibilities in connection with such work. VCERA acknowledges that duration and cost to Vitech under this Change Order may be adversely affected if any assumptions are changed or not realized.

Standard Terms

This Change Order is made pursuant to and subject to the terms of the Agreement between Vitech and VCERA effective 2/27/2012. By signing this Change Order Form, VCERA is accepting all of the provisions of this Change Order and authorizing Vitech to perform the associated services for the fixed fee or hourly billing rate plus expenses set forth in "Fees and Expenses" above. This Change Order constitutes an addendum to the Agreement.

1. All payments to be received within 30 days of invoicing. If payment not received on time, interest shall accrue at 1.75% per month until the date paid.

Except as expressly amended by this Change Order, all of the terms, conditions and provisions of the Agreement are hereby ratified and continue unchanged and shall remain in full force and effect for the purposes of this Change Order.

An authorized signature by VCERA indicates its acceptance of this Change Order.

IN WITNESS WHEREOF, the parties hereto have caused this Change Order to be executed by their duly authorized representatives as of the Change Order Effective Date.

Accepted and Agreed to:

Ventura County Employees' Retirement Association

Agreed to:

Vitech Systems Group, Inc.

By:

By:

Authorized signature

Name (type or print):

Date:

Authorized signature

Name:

Date:

Appendix A – Payment Schedule

VCERA Service Payment Schedule

Total Services (Old): 3,998,050

Total Services (New): **4,090,300**

Change Order for: **92,250**

Invoice #	License Fee	Est Invoice Date	Milestone Description*	Gross Payment	Payments Withheld	Withhold Release	Total Payment
1	\$ 575,000	Mar-12	Project Initiation / Initial License payment (development license)	200,000			200,000
2		May-12	QA Hardware and Software Installed and Configured	128,000	19,200		108,800
3		Jun-12	Detailed Implementation Plan Approved	96,000	14,400		81,600
4		Aug-12	V3 Baseline Application Configuration & Demonstration Complete	224,000	33,600		190,400
5		Nov-12	Rollout 1: VCERA confirms Segment A functionality delivered and validated	224,000	33,600		190,400
6		Mar-13	Rollout 1: VCERA validates Segment B functionality delivered	224,000	33,600		190,400
7		Jun-13	Rollout 1: VCERA confirms Segment C functionality delivered	224,000	33,600		190,400
8		Jul-13	Change Order 3489 Execution	370,720		168,000	538,720
9		Sep-13	Rollout 1: VCERA confirms Segment D Track 1 functionality delivered	314,640			314,640
10		Dec-13	Rollout 1: VCERA confirms Segment D Track 2 functionality delivered	314,640			314,640
11		Mar-14	Rollout 1: VCERA confirms Segment F functionality delivered	139,200			139,200
12		May-14	Change Order 3774 Execution (33%) - 2013 CalPEPRA Changes	81,857			81,857
13		Sep-14	Change Order 3852 Execution (50%) - Four (4) Additional Interfaces	46,125			46,125
14		Sep-14	Rollout 1: VCERA confirms Segment G functionality delivered	139,200			139,200
15		Oct-14	Rollout 1: VCERA begins parallel testing of the transmittal files	139,200			139,200
16		Dec-14	Change Order 3852 Completion (50%) - Four (4) Additional Interfaces	46,125			46,125
17		Dec-14	Rollout 1: VCERA confirms Segment H functionality delivered	139,200			139,200
18		Dec-14	Rollout 1: VCERA confirms Segment I track 1 functionality delivered	69,600			69,600
19		Mar-15	Rollout 1: VCERA confirms Segment I track 2 functionality delivered	69,600			69,600
20		May-15	Change Order 3774 Execution (33%) - 2013 CalPEPRA Changes	81,857			81,857
21		May-15	Rollout 1: VCERA begins UAT	40,000			40,000
22		Sep-15	Rollout 1: VCERA accepts system for production	400,000			400,000
23		Sep-15	Change Order 3774 Completion (34%) - 2013 CalPEPRA Changes	84,336			84,336
24		Sep-15	Rollout 2: Start of MSS Implementation	122,000			122,000
25		Dec-15	Rollout 2: VCERA accepts MSS for production	72,000			72,000
26		Mar-16	Warranty Complete: Three (3) months after System Live Date	50,000			50,000
27		Dec-16	Warranty for Cyclical Processes Complete: Twelve (12) months after Sys. Live	50,000			50,000
	\$575,000			4,090,300	168,000	168,000	4,090,300

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

July 21, 2014

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

SUBJECT: VCERA STAFFING, CLASSIFICATION AND SALARY RECOMMENDATIONS

Dear Board Members:

The Personnel Review Committee met with staff and Board Chair Towner over the past month to discuss staffing, classification and salary issues. As a result of our committee's review, we are making the following recommendations to the Board:

- 1) Add one FTE allocation, a Benefits Manager (Payroll title: Staff Services Manager II).

Currently, the existing Benefits Manager supervises the disability application processing functions, member services, deaths and divorces, and assists with implementation of the pension administration system project. The additional Benefit Manager position will enable VCERA to divide these supervisory functions between the two. Also, the new position would ease the burden of cross-training oversight, which currently defaults entirely to the Operations Manager at this time. The salary range for this position is \$5,634-\$7,888 per month exclusive of benefits. The total projected Salary and Benefits for this request would be approximately \$114,100 in Fiscal Year 2014-15 based on top of the salary range and a start date of September 1, 2014. The annualized cost is approximately \$135,800. The position currently exists in the County of Ventura Job Code & Salary Listing by Job Title. Therefore, the Board has the authority to approve and implement it.

- 2) Request that County Human Resources reclassify the Staff Services Manager III allocation and incumbent to Program Management Analyst, \$6,938-\$9,714 monthly, resulting in a 14.6% increase for the position. The incumbent would receive a 5% increase, and would be eligible for a 5% merit increase in six months, with satisfactory performance. The cost for the remainder of the fiscal year 2014-15 would be approximately \$9,300 inclusive of benefits. In the past few years, we have seen the departure of three long-term staff members with considerable knowledge of the CERL, and its implementation at VCERA. The incumbent is now the only permanent staff member approaching that level of expertise, and likely will be for some time. We therefore recommend this action to reflect the responsibility that the position has assumed. The Board has previously directed staff to request that the County create a VCERA-specific classification for this position that more accurately reflects the responsibility of the position, and this request is currently pending. The use of an

existing job classification at this time allows for immediate progress, pending the County's fulfillment of the reclassification request. The incumbent will receive no additional salary increase with the future title change other than those noted above.

- 3) Request that the County of Ventura - Human Resources create a Chief Investment Officer (CIO) position, at the salary equivalent as VCERA's Chief Financial Officer-Retirement (\$9,235-\$12,928 monthly). The cost for this position in Fiscal Year 2014-15, assuming an expedited appointment in November, would be approximately \$140,600, inclusive of benefits, based on the top of the salary range. The annualized cost would be approximately \$212,000. The establishment of this classification will require the County of Ventura Board of Supervisors action to add this classification to the existing County of Ventura Job Code & Salary Listing by Job Title before VCERA can begin recruitment. The committee believes that it is appropriate to have in-house staff coordinate investment activity, and provide a "second opinion" on proposed investment actions by your Board, as recommended by our investment consultant. A CIO position is common even in smaller 37 Act systems with outside consultants. It should be noted that a CIO would be considerably less expensive than giving a consultant full discretion in investment decisions.
- 4) That your Board request by letter that the Chief Executive Office provide a written document assuring the parity of the Retirement Administrator salary range with that of the Assistant County Executive Officer.

Fiscal Impact:

The total projected cost in fiscal year 2014-15 would be approximately \$264,000 based on the anticipated hire date and assuming placement at the top of the salary range. We recommend your Board delay adding appropriations until the positions are actually filled and placement within the salary range is made. Staff will update the Board during the mid-year budget update in February and determine if additional appropriations are required or if they can be absorbed within existing budgeted appropriations.

I would be pleased to answer any questions you may have at July 21, 2014 business board meeting.

Sincerely,



Will Hoag
Chair, Personnel Review Committee

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

July 21, 2014

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

**SUBJECT: AUTHORIZATION FOR MS. McCORMICK'S PARTICIPATION AT THE
PIMCO INSTITUTE 2014; OCTOBER 16 -17 AND OCTOBER 20-24, 2014**

Dear Board Members:

Staff recommends authorization for Ms. McCormick to attend the PIMCO Institute 2014, Two-day and Five-day seminars in Newport Beach on October 16-17, and October 20-24. PIMCO offers these seminars biannually and attendance is limited exclusively to PIMCO clients. The Two-day seminar focuses on the investment fundamentals associated with major asset classes, while the Five-day seminar focuses more on advanced investment concepts, including portfolio simulations. Presently, an agenda for the October PIMCO Institute is unavailable; however, staff has attached a copy of the June 2014 PIMCO Institute agenda for your reference. PIMCO does not anticipate there to be material changes to the June agenda for the October seminars.

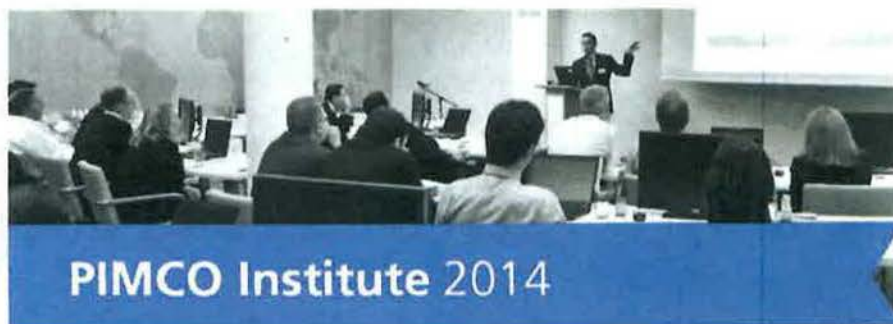
The cost to attend is estimated to be \$2,000 including event registration, hotel and other travel related expenses.

I will be pleased to respond to any questions you may have on this matter at the July 21, 2014 business meeting.

Sincerely,



Attachments



PIMCO Institute 2014

Agenda 5 – 6 June 2014

Thursday, 5 June

7:30 am – 8:00 am	Breakfast
8:00 am – 8:15 am	Welcome and Overview
8:15 am – 9:30 am	Interest Rates, Equity Metrics, and Modern Portfolio Theory Professor Longstaff
9:30 am – 9:45 am	Break
9:45 am – 11:00 am	Volatility, Duration, and Convexity Professor Longstaff
11:00 am – 11:15 am	Break
11:15 am – 12:30 pm	Interest Rate and Yield Curve Strategies Jesse Pricer
12:30 pm – 1:45 pm	Lunch / Trade Floor Tour
1:45 pm – 3:00 pm	Introduction to Securitized Products Bill Cumby
3:00 pm – 3:15 pm	Break
3:15 pm – 4:30 pm	Forward Looking Benchmarks David Fisher
6:00 pm	Dinner The Deck on Laguna Beach

Friday, 6 June

7:45 am – 8:15 am	Breakfast
8:15 am – 9:30 am	Making the Most of Equity Allocations Andrew Pyne
9:30 am – 9:45 am	Break
9:45 am – 11:00 am	An Introduction to Inflation Related Investing Bransby Whitton
11:00 am – 11:15 am	Break
11:15 am – 12:30 pm	Investing Across the Capital Structure Christian Stracke
12:30 pm – 1:30 pm	Lunch / Trade Floor Tour
1:30 pm – 2:45 pm	Structuring a Fixed Income Portfolio Josh Thimons
2:45 pm – 3:00 pm	Break
3:00 pm – 4:15 pm	Framing Asset Allocation Decisions Rob Arnott
4:15 pm	Closing Comments



Agenda 9 – 13 June 2014

Monday, 9 June

7:30 am – 8:00 am	Breakfast
8:00 am – 8:15 am	Welcome and Introductions
8:15 am – 9:30 am	Journey Through Economic Time Matt Clark
9:30 am – 9:45 am	Break
9:45 am – 11:45 am	Introduction to Portfolio Management Simulation Session 1 Sebastien Page and Francis Quimby
11:45 am – 1:15 pm	Lunch/Trade Floor Tour
1:15 pm – 2:30 pm	A New Neutral Fed Mike Cudzil
2:30 pm – 2:45 pm	Break
2:45 pm – 4:00 pm	Global Equity Market Virginie Maisonneuve
4:00 pm – 5:30 pm	Portfolio Management Simulation Session 2 Laura Bentzien
6:00 pm	Dinner The Island Hotel

Tuesday, 10 June

7:30 am – 8:00 am	Breakfast
8:00 am – 9:15 am	The State of Mortgage Finance Jason Mandinach
9:15 am – 9:30 am	Break
9:30 am – 10:45 am	Settling In Mark Kiesel
10:45 am – 12:00 pm	Portfolio Management Simulation Session 3 Francis Quimby
12:00 pm – 1:30 pm	Lunch/Trade Floor Tour
12:45 pm – 1:15 pm	Lunchtime Feature: LDI Rene Martel
1:30 pm – 2:45 pm	Inflation Outlook and Hedging Strategies Nic Johnson
2:45 pm – 3:00 pm	Break
3:00 pm – 4:00 pm	De-Mystifying Derivatives and Obtaining Portfolio Transparency Jesse Pricer
4:00 pm – 5:15 pm	Portfolio Management Simulation Session 4 Matt Richards



Wednesday, 11 June

7:30 am – 8:00 am	Breakfast
8:00 am – 9:00 am	Long/Short Equity Investing Andy Pyne
9:00 am – 9:15 am	Break
9:15 am – 10:30 am	Emerging Markets Chris Getter
10:30 am – 12:00 pm	Portfolio Management Simulation Session 5 Jack Scott
12:00 pm – 1:30 pm	Lunch/Trade Floor Tour
12:45 pm – 1:15 pm	Lunchtime Feature: ETFs Alex von Obelitz
1:30 pm – 2:45 pm	Risk Parity Graham Rennison
2:45 pm – 3:00 pm	Break
3:00 pm – 4:15 pm	Portfolio Management Panel: A View from the Floor Zeljka Bosner, Jason Duko, Chris Kemp, and Jelle Brons
4:15 pm – 5:15 pm	Portfolio Management Simulation Session 6 Laura Bentzien

Thursday, 12 June

7:30 am – 8:00 am	Breakfast
8:15 am – 9:15 am	Alternatives/Hedge Fund Solutions Jennifer Bridwell, Neal Reiner, William Quinones
9:15 am – 9:30 am	Break
9:30 am – 10:30 am	Inside the Beltway Libby Cantrill
10:30 am – 12:00 pm	Portfolio Management Simulation Session 7 Scott Dempsey
12:00 pm – 1:30 pm	Lunch/ Trade Floor Tour
12:45 pm – 1:15 pm	Lunchtime Feature: Defined Contribution Stacy Schaus
1:30 pm – 3:00 pm	Portfolio Management Simulation Session 8
3:00 pm – 3:15 pm	Break
3:15 pm – 4:00 pm	The Changing Landscape of the Investment Management Industry Douglas Hodge
6:00 pm	Dinner and Awards Ceremony SOL Cocina

PIMCO

Your Global Investment Authority



PIMCO Institute 2014

Friday, 13 June

7:30 am – 8:00 am	Breakfast
8:00 am – 9:00 am	PIMCO Outlook Bill Gross
9:00 am – 10:00 am	How We Bring It All Together: The Way We Think Lupin Rahman, Dan Hyman and Andrew Wittkop
10:00 am	Departures

Solis, Henry

From: Blair, David <David.Blair@pimco.com>
Sent: Monday, June 23, 2014 11:28 AM
To: Solis, Henry
Cc: Staley, Todd
Subject: RE: Next PIMCO Institute

Henry,

We are really happy to hear your feedback. It is excellent that you have been able to reap some benefits so quickly from your time with us. It was nice spending time with you while you were in our office and getting to understand how we can help you more. Also, we will set-up a call in the next week or when it is convenient for you regarding our accounting and back-office process.

In regard to the next Institute, those dates are Oct. 16-17 for the 2-day and Oct. 20-24 for the 5-day. The agenda will be essentially the same as that for the sessions you attended. If that works for those interested Board members, please let Todd and me know. We will make sure to help reserve them a spot.

PIMCO Institute 2014
Upcoming seminars

Email not displaying correctly?
[View it in your browser.](#)

PIMCO | Your Global Investment Authority



PIMCO Institute 2014

Two-day Seminar

5-6 June
16-17 October

Five-day Seminar

9-13 June
20-24 October

PIMCO Headquarters

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

July 21, 2014

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

SUBJECT: WAIVER OF RECOURSE; FISCAL YEAR 2014/15 FIDUCIARY LIABILITY INSURANCE

Dear Board Members:

Recommendations:

- 1) Receive and File the attached Statement of Fiduciary Liability Confirmation of Coverage and Binder of Insurance.
- 2) Each VCERA trustee pay a fee of \$9.09 in order to maximize the effectiveness of the fiduciary liability coverage and extend liability coverage to VCERA's individual trustees. (Please make checks payable to "VCERA" in the amount of \$9.09).

Background and Discussion:

VCERA recently renewed its fiduciary liability insurance policy (Policy) for the current fiscal year (FY 2014/15). The Policy renewal was accomplished at an annual premium of \$82,800, an approximate \$4,000 increase over the prior year renewal.

As you are aware, fiduciary liability insurance is designed to protect acting fiduciaries of employee benefit plans against legal and statutory liability. California law permits a public retirement system to purchase insurance for its fiduciaries if the insurance coverage permits recourse by the insurer against the individual trustees whose breach gives rise to a claim. Accordingly, the 2014/15 Policy gives VCERA's insurance carrier, RLI Insurance Company (RLI), recourse against individual trustees. RLI pays any claim and then can recover losses from the individual trustees. VCERA's assets are protected, but not those of the individual trustees. RLI charges a nominal fee (\$100 in total) to waive the right of recourse and extend coverage to VCERA's individual trustees. The \$100 fee is intended to be paid by the individual trustees, or the appointing entity, but may not be paid from VCERA's assets.

VCERA recent premium payment for the Policy included the nominal \$100 fee to waive RLI's recourse rights against individual trustees. Thus, VCERA is required to collect \$9.09 from each of VCERA's individual trustees in order to remain compliant with California law regarding fiduciary liability coverage.

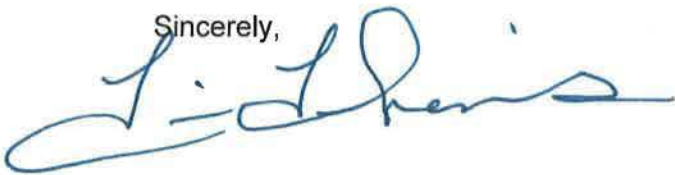
Waiver of Recourse
July 21, 2014

Conclusion:

The payment of the nominal amount of \$9.09 by each of VCERA's individual trustees maximizes the effectiveness of the fiduciary liability coverage and extends coverage to the individual trustee level.

I will be pleased to respond to any questions you may have on this matter at the July 21, 2014 business meeting.

Sincerely,

A handwritten signature in blue ink, appearing to read "L. L. Harris", written over the word "Sincerely,".

Attachments



AmWINS Insurance Brokerage of California, LLC
601 S. Figueroa Street
Suite 4350
Los Angeles, CA 90017

amwins.com

CA License #0C01319

June 25, 2014

Alliant
1301 Dove Street Suite 200
Newport Beach, CA 92660

RE: Ventura County Employees Retirement Association
Fiduciary Liability

FIDUCIARY LIABILITY CONFIRMATION OF COVERAGE

In accordance with your instructions to bind coverage, this Confirmation of Coverage confirms that coverage is bound for your client as follows:

DATE OF ISSUANCE: 6/25/2014

NAMED INSURED: Ventura County Employees Retirement Association

MAILING ADDRESS: 1190 S. Victoria Avenue # 200
Ventura, CA 93003

CARRIER: RLI Insurance Company

POLICY NUMBER: EPG0011763

POLICY PERIOD: From 7/1/2014 to 7/1/2015
12:01 A.M. Standard Time at the Mailing Address shown above

POLICY PREMIUM:	\$82,800.00	Premium
	\$100.00	Fees
	\$82,900.00	Total

COMMISSION: 14.000% of premium excluding fees and taxes

FINANCIAL DETAILS

FEES:

Fee	Amount
California Waiver of Recourse	\$100.00
Total	\$100.00
Total Fees	\$100.00

The attached Binder from the carrier sets out the precise coverage terms and conditions being bound. Please review this information carefully. If after review, you find any errors in this Confirmation of Coverage or the carrier's Binder, please contact us immediately to discuss.

Should you have any questions or need anything further, please feel free to contact me.

Thank you for your business. We truly appreciate it.

Sincerely,

Emma Villalobos

Assistant Vice President | AmWINS Insurance Brokerage of California, LLC
T 213.254.2237 || F 213.254.2238 | emma.villalobos@amwins.com
601 S. Figueroa Street | Suite 4350 | Los Angeles, CA 90017 | amwins.com

License No.: 0C01319

An AmWINS Group Company



RLI Insurance Services
California License # 0C94239

June 25, 2014

Emma Villalobos
AmWINS Insurance Brokerage CA
601 S. Figueroa Street
Suite 4350
Los Angeles, CA 90017

Re: Ventura County Employees' Retirement Association

**EXECUTIVE PRODUCTS GROUP
BINDER OF INSURANCE**

Issuing Company:	RLI Insurance Company, A+ Admitted
Policy Number:	EPG0011763
Policy Period:	July 01, 2014 to July 01, 2015
Discovery Period:	See Endorsement
Coverage:	Governmental Plans Fiduciary Liability Policy
Policy Form:	GEF 100 (04/11) / GEF 101 (04/11)
Limit of Liability:	\$10,000,000 aggregate
Retention:	\$0 Non-Indemnifiable Loss \$25,000 all other Loss
Compliance Fee Sublimit:	\$500,000
Endorsements:	GEF 301 (04/11) - Amend Definition of Loss - Increased HIPAA Sublimit GEF 302 (04/11) - Amend Discovery Period GEF 303 (04/11) - Amend Other Insurance GEF 305 (01/12) - Amend Written Contract Exclusion GEF 306 (01/12) - Defense Cost Allocation Endorsement GEF 307 (01/12) - Amend Bodily Injury Exclusion GEF 310 (01/12) - Amend Defense Coverage MNU-GEF 002 (10/13) - Amend Definition of Administration UW 20334 (10/11) - State of California Notice To Policyholder Investigation and Settlement Endorsement \$250k Sublimit - HITECH, PPACA & IRC 4975
Prior or Pending Date:	July 01, 2001

Premium: \$82,800

Waiver: \$100

Total Premium and Surcharges: \$82,900

Insured Plans: Ventura County Employees' Retirement Association

COVERAGE IS BOUND SUBJECT TO OUR RECEIPT AND ACCEPTANCE OF THE FOLLOWING ADDITIONAL INFORMATION:

In order to complete the underwriting process, we require the additional information requested above. This binder is issued for a temporary period of 30 days from the date of this notice. Such temporary binding of coverage shall be void ab initio ("from the beginning") if we have not received, reviewed, and approved in writing such materials within the aforementioned 30 days.

Further, these terms are strictly conditioned upon there being no material change in the risk between the date of this letter and the inception date of the proposed policy. If we determine such material change has occurred, we may modify the terms, up to and including withdrawal of the terms.

Please review this binder carefully and notify RLI Insurance Services immediately of any inaccuracies or discrepancies.

This binder may only be changed or extended in writing by RLI Insurance Company.

Thank you for the opportunity to consider this account. If you have any questions, please don't hesitate to call.

Best regards,





**Ventura County Employees' Retirement
Information System
Project Status Report
Month Ending: June 2014**



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

07/10/14

PROJECT STATUS SUMMARY

Actual Percentage Complete: 58.28%*
Planned Percentage Complete: 61.96%*

***Note: The updated Sprint Schedule went into effect with the approval of the PEPRA change order. The completion percentages have been adjusted to take into account the updates and changes per the new sprint schedule.*

Scope	Schedule	Cost	Risks	Quality
-------	----------	------	-------	---------

Schedule

The project schedule is currently 3.68% behind schedule. There are two primary factors causing the schedule impacts:

- VCERA staffing issues –The on-going staffing issues in operations are still impacting VCERA management’s availability to participate in project activities, so the rate of progress has still been slower than expected. 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 – Novanis has not been able to successfully extract files containing annotations. The project team is evaluation options to proceed without converted annotations in order to prevent further project delays. The project team is still targeting August as the earliest opportunity to work with County IT on the Kofax configuration. The project team will continue to monitor progress on other scheduled development activities to determine if August will work.

Risks

There are two project risks that are being closely monitored.

- Plan sponsor payroll transmittal –The project team has been working closely with Auditor-Controller’s developer to continue to test and update the file. All identified data format issues have been resolved except one. The file still does not contain all required elements, but the quality of the elements that have been delivered has been very good. The project team cannot yet determine any potential impacts to the project schedule until all required elements have been received and evaluated. The developer is going to be on leave from 7/10-7/27. The project team will provide an analysis of the schedule impact and potential options to the Board as soon as the information is available.
- VCERA staffing issues –VCERA’s two new project team members are making significant progress. The project team is still continuing to actively pursue alternative resourcing options for project activities such as creating training materials. VCERA’s IT resource had previously been identified as the resource to create training materials and act as the SME for System Admin project activities, however this person left VCERA employment in June.

KEY ACCOMPLISHMENTS LAST MONTH

- Kicked off Active Death Processing and COLA Granting sprints.
- Wrote 57 test cases and executed 101 tests.

1 CROWELL & MORING LLP
Steven P. Rice (CSB No. 94321, srice@crowell.com)
2 Daniel M. Glassman (CSB No. 179302, dglassman@crowell.com)
3 3 Park Plaza, 20th Floor
Irvine, CA 92614-8505
4 Telephone: 949.263.8400
Facsimile: 949.263.8414

RECEIVED
VENTURA SUPERIOR COURT

JUL 11 2014

5 Attorneys for Amicus Curiae
San Diego County Employees Retirement Association
6
7

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF VENTURA
10

11 EDWARD J. LACEY; LEIGHTON
ARMSTRONG; SCOTT A. PETERSON;
12 ERIC MIRABELLI; and CITIZENS FOR
RETIREMENT SECURITY, a California
13 political committee,

14 Petitioners/Plaintiffs,

15 v.

16 MARK A. LUNN, Ventura County Clerk-
Recorder/Registrar of Voters; and the
17 VENTURA COUNTY BOARD OF
SUPERVISORS,
18

Respondents/Defendants

19 DAVID P. GRAU, RICHARD C.
THOMSON and JAMES MCDERMOTT,
20

Real Parties in Interest.
21

Case No. 56-2014-00454309-CU-WM-VTA

**SAN DIEGO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION'S
REQUEST FOR LEAVE TO FILE BRIEF
AS AMICUS CURIAE; [PROPOSED]
ORDER**

Date: August 4, 2014

Time: 8:30 a.m.

Judge: Hon. Kent Kellegrew

Dept: 43

BY FAX

22 ///

23 ///

24 ///

25 ///

26 ///

27 ///

28 ///

1 To the Honorable Kent Kellegrew, Judge of the Ventura County Superior Court. This
2 application of San Diego County Employees Retirement Association (“SDCERA”) respectfully
3 shows:

4 1. SDCERA administers the retirement and associated benefits for nearly 39,000
5 members, and manages a nearly \$10 billion retirement fund. SDCERA was formed under the
6 County Employees Retirement Law of 1937 (“CERL”) and has a strong interest in ensuring that
7 any change or repeal of a retirement plan operating under CERL or any change to the mechanism
8 by which a CERL plan can be changed or repealed be undertaken in accordance with California
9 law. SDCERA has a strong interest in ensuring that any such change or repeal reflects careful
10 consideration of the issues associated with the change or repeal, and that clear and adequate
11 directions and mechanisms are put in place to ensure that the rights of all current plan members
12 are properly considered, protected, and preserved.

13 2. SDCERA is familiar with the facts of this case, the questions involved, and the
14 scope of their presentation to date. SDCERA possesses an expertise and perspective as one of
15 California’s largest CERL plan administrators, and the points to be argued in the amicus curiae
16 brief will assist the court in addressing larger issues raised by the pleading. SDCERA believes
17 that there is a necessity for its additional argument.

18 3. The Ventura County Employees’ Retirement Association (“VCERA”) (as to
19 Section V of the amicus brief), the San Joaquin County Employees’ Retirement Association
20 (“SJCERA”), the California Retired County Employees Association, and the Retired Employees
21 of San Diego County join in this amicus brief. Collectively, SDCERA, VCERA, and SJCERA
22 have over 67,000 members and manage retirement funds of approximately \$16 billion.

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WHEREFORE, SDCERA respectfully requests leave to file the accompanying brief as amicus curiae in the above-entitled matter.

Dated: July 11, 2014

CROWELL & MORING LLP

By: 
Steven P. Rice
Daniel M. Glassman
Attorneys for Amicus Curiae
SAN DIEGO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

ORDER

The application of SDCERA for permission to file a brief as amicus curiae having been read and filed, and good cause appearing therefor,

IT IS HEREBY ORDERED that SDCERA be, and hereby is, permitted to file a brief as amicus curiae herein;

Dated: July ____, 2014

Judge of the Ventura County Superior Court

1 **PROOF OF SERVICE**

2 I, Debra A. Jackson, state:

3 My business address is 3 Park Plaza, 20th Floor, Irvine, CA 92614-8505. I am over the
4 age of eighteen years and not a party to this action.

5 On the date set forth below, I served the foregoing document(s) described as:

6 **SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION'S
7 REQUEST FOR LEAVE TO FILE BRIEF AS AMICUS CURIAE;
8 [PROPOSED] ORDER**

9 on the following person(s) in this action:

<p>10 Deborah B. Caplan, Esq. 11 Lance H. Olson, Esq. 12 Matthew R. Cody, Esq. 13 Olson Hagel & Fishburn LLP 14 555 Capital Mall, Suite 1425 15 Sacramento, CA 95814 16 916-442-2952 17 Fax: 916-442-1280</p>	<p><i>Attorneys for Petitioners</i></p>
<p>18 Kenneth H. Lounsbery, Esq. 19 James P. Lough, Esq. 20 Lounsbery Ferguson Altona & Peak LLP 21 960 Canterbury Place, Suite 300 22 Escondido, CA 92025-3870 23 760-743-1201 24 Fax: 760-743-9926</p>	<p><i>Attorneys for Respondents</i></p>

25 **BY OVERNIGHT DELIVERY:** I enclosed the document(s) identified above in a
26 sealed envelope or package addressed to the person(s) listed above, in an envelope
27 or package designated by the overnight delivery carrier with delivery fees paid or
28 provided for. I placed the envelope or package for collection and overnight
delivery at an office or a regularly utilized drop box of the overnight delivery
carrier, or by delivering to a courier or driver authorized by the overnight delivery
carrier to receive documents.

I declare under penalty of perjury under the laws of the United States and the State of
California that the foregoing is true and correct.

Executed on July 11, 2014, at Irvine, California.


Debra A. Jackson

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1 Amici San Diego County Employees Retirement Association (“SDCERA”), and those that
2 have joined in this brief,¹ respectfully submit this amicus curiae brief in support of Petitioners’
3 First Amended Petition for Writ of Mandate.

4 **I. SUMMARY OF BRIEF**

5 The proposed initiative titled “Repeal of County Employee Pension Plan and Creation of
6 Defined Contribution Plan for New Employees” (the “Initiative”) is inconsistent with California
7 law in that it seeks to implement through a county initiative an objective that is not available
8 through that means. Withdrawal from such a plan requires state legislative action, most
9 appropriately in the form of an amendment of the County Employees Retirement Law of 1937
10 (“CERL”).

11 Beyond the fact that the proposed repeal is not permitted by law, any such repeal would
12 raise a host of questions that are best and properly addressed through legislative action and
13 consideration. Those questions, not addressed by the Initiative, leave the Initiative impermissibly
14 vague and incapable of reasonable implementation. Among other things, while the Initiative
15 expressly acknowledges the vested rights of existing employees, and declares that it will “not
16 affect the vested rights of employees who enrolled under the Defined Benefit Plan . . . prior to the
17 application of this Initiative,” it provides no mechanism for protecting those rights going forward,
18 and provides no guidance as to how plan administrators would address such issues when the
19 underlying plan document – CERL itself – is by the terms of the Initiative no longer applicable to
20 the plan.

21 **II. STATEMENT OF INTEREST**

22 In 1939, the San Diego County Board of Supervisors voted to take the establishment of
23 SDCERA to county voters pursuant to the voter approval procedures set forth in CERL. The
24 voters approved the proposal, and SDCERA was established on July 1, 1939. SDCERA
25 administers the retirement and associated benefits for nearly 39,000 active, deferred, and retired

26 ¹ The Ventura County Employees’ Retirement Association (as to Section V), the San
27 Joaquin County Employees’ Retirement Association, the California Retired County Employees
28 Association, and the Retired Employees of San Diego County join in this amicus brief.

1 members, including collecting, depositing, investing and managing the almost \$10 billion
2 retirement fund, under the direction and guidance of its Board of Retirement. SDCERA's
3 members are primarily composed of present or former employees of the County of San Diego
4 (95.51%), but includes as well present and former employees of the San Diego Superior Court
5 and three other government agencies. SDCERA's mission is to prudently manage the fund,
6 efficiently administer benefits, and provide superior service to its membership.

7 The Ventura County Employees' Retirement Association ("VCERA") was established in
8 1947. In 1946, the Ventura County Board of Supervisors voted to adopt Ordinance 401, which
9 accepted the provisions of CERL. On June 4, 1946, a majority of voters approved Ordinance
10 401. VCERA currently has nearly \$4 billion in assets, and a membership of more than 16,000
11 active, inactive, and retired Ventura County employees. VCERA's mission is to provide
12 retirement, death, and disability benefits to its members and their beneficiaries in an accurate and
13 timely manner.

14 The San Joaquin County Employees' Retirement Association ("SJCERA") was created by
15 the San Joaquin County Board of Supervisors by Ordinance dated April 29, 1946, and is governed
16 by CERL. SJCERA exists for the exclusive purpose of providing accurate, timely benefits to its
17 members and their beneficiaries, and is also responsible for maximizing investment returns on
18 member and County contributions. SJCERA has over 12,000 members, consisting of active,
19 deferred, and retired employees of San Joaquin County and nine other public entities. SJCERA
20 has over \$2 billion in assets.

21 Collectively, SDCERA, VCERA, and SJCERA have over 67,000 members and manage
22 retirement funds of approximately \$16 billion.

23 The California Retired County Employees Association ("CRCEA") is the umbrella
24 organization for the twenty county retiree associations in the CERL retirement system. CRCEA's
25 general purpose is to provide a central coordinating group, through which the desires and
26 objectives of the twenty local county associations may be advanced and to promote the health,
27 happiness, and continued productivity of retirees, beneficiaries, and dependents of its local county
28 associations. CRCEA has provided these services since 1982, and represents over 160,000

1 retirees.

2 The Retired Employees of San Diego County (“RESDC”) is a non-profit organization,
3 with a membership consisting of over 6,500 San Diego County retirees, who are also all members
4 of SDCERA. RESDC’s mission is to ensure that its members’ current benefits are protected,
5 advocating for retiree interests, and providing pertinent information, social opportunities, and
6 service for its members.

7 Amici have a strong interest in ensuring that any change or repeal of a CERL plan, or any
8 change to the mechanism by which a CERL plan can be changed or repealed, be undertaken in
9 accordance with California law. Moreover, Amici have a strong interest in ensuring that any such
10 change or repeal reflects careful consideration of the issues associated with the change or repeal,
11 and that clear and adequate directions and mechanisms are put in place to ensure that the rights of
12 all current plan members are properly considered, protected, and preserved. Finally, Amici have
13 a strong interest in ensuring that the legal issues surrounding the Initiative be promptly addressed
14 and resolved. Given the ease with which the initiative process may be invoked, if the Initiative is
15 permitted on the ballot, similar initiatives may well appear in other California counties that
16 provide employees with a defined benefit pension plan under CERL. As a Ventura County
17 Supervisor predicted at a recent meeting, “every 37 Act county will have this on their ballot.”
18 (*The Public Retirement Journal*, May/June 2014, p. 11.)

19 All of these interests and considerations lead Amici to request that Petitioners be promptly
20 granted the relief that they seek.

21 **III. PRE-ELECTION REVIEW IS NECESSARY**

22 SDCERA agrees with Petitioners that pre-election judicial review is necessary and
23 appropriate to determine whether the Initiative would be lawful and whether it should be removed
24 from the November 2014 ballot. “It is clear that a measure may be kept off the ballot if it
25 represents an effort to exercise a power which the electorate does not possess.” *Citizens for*
26 *Responsible Behavior v. Superior Court*, 1 Cal. App. 4th 1013, 1023 (1991); *City and County of*
27 *San Francisco v. Patterson*, 202 Cal. App. 3d 95, 99 (1988); *American Federation of Labor v.*
28 *Eau*, 36 Cal. 3d 687, 696-97 (1984).

1 Here, the Initiative impermissibly conflicts with State law, and is beyond the voters'
2 power to act through the initiative process. The wasted costs, burdens, and attention that would
3 be expended on this Initiative, which could not lawfully be implemented, are, of course,
4 significant, and those costs are compounded by the reasonable likelihood that if this Initiative is
5 permitted to go forward, those costs will be multiplied as similar efforts are pursued around the
6 State. Further, if allowed on the ballot, and approved, the Initiative would become effective as
7 soon as the election results are certified (soon after the election), and its adverse effects would be
8 felt by members with vested rights in the current defined benefit plan immediately, at least until
9 post-election judicial intervention is obtained. Therefore, now is the proper time to adjudicate the
10 propriety of the Initiative.

11 **IV. THE INITIATIVE IS ILLEGAL BECAUSE IT DIRECTLY CONFLICTS WITH**
12 **STATE LAW – VENTURA COUNTY CANNOT UNILATERALLY “OPT OUT”**
13 **OF CERL THROUGH COUNTY INITIATIVE**

14 The Initiative rests on a mistaken legal premise. In seeking the “repeal” of Ventura
15 County’s participation in the State-created defined benefit plan embodied in the provisions of
16 CERL – so that, contrary to the requirements of CERL, new county employees would not
17 participate in CERL but rather in a newly created defined contribution plan – the Initiative seeks
18 to accomplish an objective through a *county* initiative that can only be achieved through state
19 legislative action.

20 Enacted in 1937, CERL establishes a comprehensive framework for providing both
21 retirement compensation and death and disability benefits for county employees. It did so in
22 recognition of a “public obligation” to those employees. Gov. Code § 31451. CERL was
23 structured as an enabling act. Its provisions do not become operative in any given county until
24 either the Board of Supervisors (through super-majority vote), or the voters through referendum
25 accept its provisions. Gov. Code § 31500. By accepting its provisions, a county becomes bound
26 to its terms, except to the extent that the Legislature has made certain provisions of CERL
27 optional.

28 CERL establishes the structure for a county employee retirement trust fund for counties
that elected to participate. As amended over the years, it provides a variety of benefit levels

1 available to participating counties, specifying the contributions required of employees and
2 counties, establishing mechanisms for determining retirement as well as disability benefits,
3 requiring the investment of funds, and recognizing tax exempt status for such funds. *See* Gov.
4 Code § 31450 *et seq.* Significantly, CERL expressly provides that all new county employees will
5 be members of the county plan, subject to its terms and its benefit levels. Gov. Code § 31552.

6 On June 4, 1946, a majority of Ventura County voters approved a proposition accepting
7 CERL. On that date, section 40 of CERL read:

8 There is established in any county of the State a retirement system
9 for its officers and employees, and for the officers and employees
10 of districts therein, *by the acceptance of the provisions of this act*
11 by a majority vote of the electors voting upon such acceptance
12 proposition at any special or general election at which the
13 proposition of accepting the provisions of this act may be submitted
14 or by an ordinance passed by four-fifths vote of its board of
supervisors. The provisions of this act become operative in such
county on either the first day of January, or the first day of July
next, as specified in the ordinance, but not sooner than sixty days
after the passage of the ordinance. (Emphasis added.)²

15 The voters thus accepted the provisions of CERL and made them operative in Ventura
16 County pursuant to procedures dictated in CERL. CERL thus went into effect when it was
17 enacted; it became operative in the county when it was approved at the county level in the manner
18 that the Legislature had prescribed. In agreeing to abide by CERL, county voters agreed that the
19 county would abide by its terms, as well as all amendments that the Legislature would, in the
20 future, enact. The voters did **not** create a plan of their own, subject to their own future will or
21 whim. Rather, they accepted – as the State Legislature had allowed them to do – the application
22 of the state law to their county.

23 This process reflects appropriate and conventional practice. A state law may become
24 operative in different areas at a time different from its enactment, and the condition for it to
25 become operative in a particular jurisdiction may be that the governing body take steps to accept

26 _____
27 ² CERL was codified by the Legislature in 1948 at section 31450 *et seq.* of the California
28 Government Code. Section 40 was slightly reworded and codified at sections 31500 and 31501.

1 its provisions. “There is no question that a statutory enactment may ordinarily provide that it will
2 take effect on the happening of some future event, nor is there any doubt that the decision of a
3 local governing board may be one of such conditions.” *Fireman’s Benevolent Association v. City*
4 *Council of City of Santa Ana*, 168 Cal. App. 2d 765, 768 (1959).

5 While CERL established specific mechanisms, including a super-majority of the vote of
6 Board of Supervisors, before it would go into operation in a given county, the State Legislature
7 did not grant counties the right to terminate their participation in CERL, let alone establish the
8 specific mechanism for doing so, setting forth what procedures must be undertaken or
9 requirements met. No provision of CERL permits an individual county somehow to “opt out” or
10 terminate its participation in CERL based on a county-wide voter initiative or even majority or
11 supra-majority action by a county board of supervisors. In contrast, CERL expressly allows for
12 districts to withdraw from the retirement system, and sets forth the procedures for such a
13 termination: a withdrawal petition signed by a majority of the employees of the district, approval
14 by the governing body, the return of accumulated contributions to the employees or the district,
15 and allocation of responsibility for the district’s share of any unfunded liability.³ Gov. Code §§
16 31564, 31564.2. The proper method to repeal or amend a state law, like CERL, is for the
17 California Legislature to enact a repealing or amending statute (or, conceivably, for the state
18 electorate through a statewide initiative process to enact a repealing or amending law). Indeed,
19 for years, counties (including Ventura) have benefitted from legislative authorization to
20 implement occasional variations from CERL’s requirements, and this has long been the required
21 (and accepted) process for changing county plans.⁴

22 ³ The Legislature also provided such an “opt-out” in the California Public Employees’
23 Retirement System (“CalPERS”), which covers 37 counties in California and is codified at
24 Government Code sections 20000 *et seq.* CalPERS contains express opt-out provisions, and sets
forth how an opt-out is accomplished. *See* Government Code sections 20570 *et seq.*

25 ⁴ For example, legislation was enacted in 1980 to offer a new second tier for employees
26 who began work after July 1, 1980. (Gov. Code § 31485). Legislative authorization was granted
27 in 1985 for a third tier for employees who began work after January 1, 1986. (Gov. Code §
31511 *et seq.*) This is not unique to Ventura – the Legislature has passed other county-specific
28 variations to CERL. *See e.g.* Gov. Code §§ 31484 (San Diego), 31484.5 (San Mateo), 31484.6
(Marin), 31484.7 (Merced), 31484.8 (Alameda), 31485.8 (Los Angeles), 31485.18 (Sacramento),
and 31486 (Santa Barbara).

1 The basic principle at issue here – that having accepted a state law, a county becomes
2 bound by its terms and cannot unilaterally declare its exempt from its terms – has long been
3 understood as a matter of basic law of California. *Board of Law Library Trustees of Orange*
4 *County v. Board of Supervisors Of Orange County*, 99 Cal. 571 (1893), well illustrates the point.
5 In that case, the Orange County Board of Supervisors had passed an ordinance accepting a state
6 act to establish law libraries in Orange County, but later tried to repeal the ordinance. In issuing a
7 writ of mandate finding the repeal illegal, and requiring the Board of Supervisors to provide a
8 library room for the use of a law library, the Supreme Court of California found:

9 It is also plain that the attempted repeal of the ordinance declaring
10 Orange County within the provisions of the act was of no avail.
11 When Orange County once came within the provisions of the act, it
12 was there for all purposes; as fully and completely there, as if it had
13 passed directly under its provisions at the date of the original
14 enactment. We do not perceive how it can evade the force and
15 effect of the statute of the state (which, after the passage of
16 ordinance No. 14, applied to it) in any different manner or to any
17 greater extent than it can escape the force and effect of any other
18 statute of the state. If it can do so in this instance it has the power
19 to disorganize, for it was created under an act involving the same
20 principle.

21 *Id.* at 573. Once Ventura County agreed to come within the provisions of CERL, it was there “for
22 all purposes; as fully and completely there, as if it had passed directly under its provisions at the
23 date of the original enactment.”

24 The California Attorney General has likewise found that CERL is state law, and cannot be
25 changed by a county ordinance:

26 Undoubtedly the Legislature intended to adopt a system of
27 retirement benefits for county employees which would be uniform
28 in the several counties of the State which have or will in the future
29 accept the system. . . . There is no method provided in the Act by
30 which a county can acquiesce in subsequent amendments by the
31 Legislature and *there is no way in which a county can by*
32 *ordinance change the system.* . . . The legislation here . . . is State-
33 wide in scope and subject to amendment [and repeal] in the same
34 manner as any other [state] legislation.

35 10 Ops.Cal.Atty.Gen. (1947) 96, 99 (emphasis added).

1 All this makes perfect sense. State law is the law of the whole state. It can only be
2 repealed or amended at the state level for good reason. The State Legislature can choose to make
3 state law operative on a local level, subject to the mechanisms for acceptance that the State
4 Legislature may prescribe. No county – whether through its governing supervisory body, or
5 through a local initiative – can create for itself any mechanism to exempt or free itself from the
6 strictures of state law, unless and until the State Legislature has allowed it to do so. This is as it
7 should be. Changes to CERL have remained squarely within the State Legislature’s domain. If
8 Respondents seek to have a county withdraw from CERL, they must seek their relief at the state
9 level, either in the form of an amendment that grants them the withdrawal from CERL that they
10 seek, or, at a minimum, that creates a local mechanism for county withdrawal. Indeed, the
11 deliberative processes of the Legislature are well-suited to address the many specific and
12 important issues that the withdrawal from CERL that Respondents advocate would raise.

13 Respondents’ contrary arguments are unclear. They have suggested that Government
14 Code section 7522.02(e) – part of the recently enacted California Public Employees’ Pension
15 Reform Act of 2013 (“PEPRA”) – already empowers local governments to switch from a long-
16 offered defined benefit plan under CERL, to a defined contribution plan, on a go-forward basis.
17 It does not. Nothing in that section permits a County to opt out of a defined benefit plan that has
18 current vested members, or even addresses that issue. Rather, section 7522.02(e) states:

19 If a public employer, before January 1, 2013, offers a retirement
20 benefit plan that consists solely of a defined contribution plan, that
21 employer may continue to offer that plan instead of the defined
22 benefit pension plan required by this article. However, if the
23 employer adopts a new defined benefit pension plan or defined
24 benefit formula on or after January 1, 2013, that plan or formula
25 must conform to the requirements of this article or must be
26 determined and certified by the retirement system’s chief actuary
27 and the system’s board to have no great risk and no greater cost to
28 the employer than the defined benefit formula required by this
article and must be approved by the Legislature. New members of
the employer’s plan may only participate in the defined contribution
plan that was in place before January 1, 2013, or a defined
contribution plan or defined benefit formula that conforms to the
requirements of this article. This subdivision shall not be construed
to prohibit an employer from offering a defined contribution plan

1 on or after January 1, 2013, either with or without a defined benefit
2 plan, whether or not the employer offered a defined contribution
3 plan prior to that date.

4 If this is the provision that Respondents are relying on, they are quite literally turning that section
5 upside down. This provision first addresses the situation where an employer *has been* offering
6 “solely” a *defined contribution plan* prior to January 1, 2013. If it was offering only such a plan,
7 it may continue to do so without also providing a defined benefit plan. However, if the employer
8 adopts a new, or amends a pre-existing, defined benefit plan after January 1, 2013, it must
9 conform to the requirements of this section and be approved by the Legislature. Finally, it says
10 that “this subdivision” [i.e. subdivision (e)] will not *prohibit* an employer from offering a defined
11 contribution plan on or after January 1, 2013 -- whether or not it also offers a defined benefit
12 pension plan.

13 This provision confirming an employer’s right to set up a defined contribution plan does
14 not, in any respect, empower a county, or establish any mechanism for a county, to repeal its
15 participation in the defined benefit plan provided under CERL, or to put a prospective halt to a
16 CERL plan.⁵ Indeed, section 7522.02(d), the preceding provision, prohibits public employers
17 from adopting, on or after January 1, 2013, non-conforming plans even if they are less costly than
18 provided by PEPRAs unless they are “approved by the Legislature.” As the final sentence of
19 section 7522.02(d) states: “New members of the defined benefit plan may *only participate* in the
20 lower cost defined benefit formula that was in place before January 1, 2013 *or* a defined benefit
21 formula that conforms to the requirements of this article or is approved by the Legislature as
22 provided in this subdivision.” Gov. Code § 7522.02(d) (emphasis added.) Here, the Initiative, if

23 _____
24 ⁵ The last sentence in subsection (e) was added by Senate Bill 13 as part of “clean-up”
25 legislation that followed PEPRAs adoption. The Bill Analysis for SB 13 states that it clarifies
26 that the bill does not prohibit an employer that offers a defined benefit plan prior to January 1,
27 2013 from later offering only a defined contribution plan or a defined contribution plan in
28 addition to a defined benefit plan. Because PEPRAs pertain to many retirement systems,
including those that allow an “opt-out” (e.g. PERS), this subsection merely maintains the status
quo – those systems that statutorily permit a switch from a defined benefit plan to a defined
contribution plan may do so. But there is no support that this eradicated the well-established
restriction on counties withdrawing from CERL without Legislative authorization.

1 passed, would prevent “new members” from participating in *any* defined benefit plan, clearly not
2 one of the options set forth in section 7522.02(d) that can be offered without approval by the
3 Legislature.

4 Section 7522.02(e) thus offers no support for Respondents’ position that the specification
5 of what this subdivision does not *prohibit* provides an affirmative grant of authority, through
6 whatever means a county might choose, to end its participation in CERL, and substitute a defined
7 contribution plan on a going forward basis.

8 The lack of an opt out provision for counties in CERL, the relevant legal history, and the
9 legislation creating county-specific variations to CERL, establishes that CERL and now PEPRA
10 do not permit counties to unilaterally opt out, and as a result, the Initiative impermissibly conflicts
11 with State law and should be removed from the November 2014 ballot.

12 **V. THE INITIATIVE IS FATALLY VAGUE AND INCONSISTENT**

13 The power to change a plan, or effectuate a withdrawal of a county from the strictures of
14 CERL, remains vested at the state level, and specifically with the State Legislature. The
15 California public pension system impacts not only plan members, but also the ability of the State
16 and counties to deliver government services by offering appropriate benefits to their employees.
17 As the Attorney General observed, it contemplates a certain degree of equitable uniformity
18 throughout the State among counties that have chosen CERL. It ensures that the State can instill
19 such uniformity to the extent it deems such uniformity to be in the interest of the State as a whole.
20 Moreover, the system is complex, frequently requiring careful planning and consideration of
21 competing interests in implementing changes to a particular plan. A local initiative process,
22 while increasingly popular as a method for changing the law, is not particularly well-suited to
23 address issues such as the repeal of a defined benefit retirement plan created and regulated by
24 state law, CERL.

25 The State Legislature is expected to anticipate and address the issues that are absent from
26 the Initiative, including how current vested members in the defined benefit plan would be treated
27 if the plan were to be repealed. However, once effective (soon after the election results are
28 certified), the Initiative would revoke the establishment of CERL within the county. CERL

1 would no longer legally exist in the county, and the governing board administering the fund,
2 which has ongoing fiduciary responsibilities under the California Constitution (Article 16, section
3 17), would be eliminated. This would be inconsistent with the rights of members vested in CERL
4 to have the defined benefit plan administered by qualified, elected and appointed, trustees and
5 staff who act as fiduciaries to them under the California Constitution. While the Initiative
6 expressly acknowledges the vested rights of existing employees, it provides no clear mechanism
7 for protecting those rights going-forward, and provides no guidance as to how plan administrator
8 trustees are to handle these accounts when the underlying plan document – the CERL statute and
9 now PEPRA – that is supposed to guide them in their judgments, effectively no longer exists.
10 Plan members, including both active and deferred members yet to receive a pension but entitled
11 to and expecting one as well as current retirees dependent upon their pension payments for their
12 support, will be left insecure, and their benefits in jeopardy.

13 As noted above, the Initiative is also inconsistent with PEPRA, the Legislature’s
14 comprehensive recent effort to reform, and make uniform, nearly all public retirement plans in
15 California that are governed by state statute.⁶ PEPRA applies to retirement systems created
16 pursuant to CERL. Gov. Code § 7522.02(a). As a public retirement system created pursuant to
17 CERL, VCERA and its Board of Retirement (as well as the County) appear to have a mandatory
18 obligation under PEPRA to provide, among other things, the defined benefit plan set forth therein
19 to “new members,” as defined in Government Code section 7522.04(f). Gov. Code § 7522.02(b)
20 (“The benefit plan required by this article shall apply to public employees who are new members
21 as defined in Section 7522.04.”).

22 As detailed above, section 7522.02(d) prohibits public employers from adopting, on or
23 after January 1, 2013, non-conforming plans even if they are less costly than provided by PEPRA
24 unless they are “approved by the Legislature.” Here, the Initiative, if passed, would prevent “new
25 members” from participating in *any* defined benefit plan, clearly not one of the options set forth
26 in section 7522.02(d) that can be offered without approval by the Legislature. Given that the

27 ⁶ PEPRA is codified in Government Code sections 7522, *et seq.*

1 provisions of the Initiative were not in place before January 1, 2013, do not conform to the
2 requirements of PEPRA, and have not been approved by the Legislature, it is unclear how
3 VCERA and its Board could comply with both the statutory mandate established by the
4 Legislature in PEPRA and CERL, and the provisions of the Initiative.

5 As another example, Section 1227 of the Initiative purports to preserve the VCERA
6 Board's jurisdiction over the "payment and administration of death and disability benefits to
7 employees covered under this Ordinance for service retirement purposes of Members in the
8 Defined Benefit Plan." But the Ordinance seeks to repeal Ventura County's participation in
9 CERL, including the very authority under which VCERA's Board exists. For another example,
10 we understand that the Ventura plan, like many county plans, has public employee members in
11 addition to county employees. Yet the Initiative does not describe how the plan administrators
12 can fulfill their fiduciary responsibility to those members. Indeed, the notion that the Ventura
13 Board of Supervisors will pick up the ball and make some sort of provision for those members
14 seems particularly ill-conceived. In the absence of CERL, those members are not subject to the
15 jurisdiction or authority of the county board of supervisors.

16 Finally, as yet another example of the questions left open by this Initiative, suffice it to
17 say that it is a basic and foundational principle in the Internal Revenue Code that a public pension
18 plan must follow the terms of its governing plan document and only the terms of its governing
19 plan document; and, if a public pension plan takes any action with employee money not
20 specifically authorized under the terms of the plan document, the fund can lose its tax-qualified
21 status. That was part of the commitment made to each existing member. This principle is stated
22 repeatedly by the IRS in various places including Revenue Procedure 2013-12 and Internal
23 Revenue Code section 401(a). The basic plan document for a county plan *is* CERL, as amended
24 by PEPRA. Yet under this Initiative, any action taken with respect to funds currently in the plan
25 would not be authorized by any plan document, and would arguably be outside the plan – thus
26 jeopardizing tax exempt status.

27 The Initiative should not be allowed on the November 2014 ballot with these fatal flaws,
28 in addition to the others detailed by Petitioners in their submission.

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VI. CONCLUSION

If there is to be a withdrawal of county participation in CERL, it must be pursuant to law duly enacted at the state level, not through a local initiative. The Petition should be granted.

Dated: July 11, 2014

CROWELL & MORING LLP

By: 

Steven P. Rice
Daniel M. Glassman
Attorneys for Amicus Curiae
SAN DIEGO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

1 **PROOF OF SERVICE**

2 I, Debra A. Jackson, state:

3 My business address is 3 Park Plaza, 20th Floor, Irvine, CA 92614-8505. I am over the
4 age of eighteen years and not a party to this action.

5 On the date set forth below, I served the foregoing document(s) described as:

6 **SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION'S**
7 **AMICUS CURIAE BRIEF IN SUPPORT OF PETITIONER'S FIRST**
8 **AMENDED PETITION FOR WRIT OF MANDATE FOR JUDICIAL**
9 **DECLARATION THAT PROPOSED INITIATIVE MEASURE CANNOT**
10 **LAWFULLY BE SUBMITTED TO VOTERS, AND INJUNCTIVE RELIEF**
11 **TO REMOVE MEASURE FROM NOVEMBER 2014 BALLOT**


12 on the following person(s) in this action:

13 Deborah B. Caplan, Esq. 14 Lance H. Olson, Esq. 15 Matthew R. Cody, Esq. 16 Olson Hagel & Fishburn LLP 17 555 Capital Mall, Suite 1425 18 Sacramento, CA 95814 19 916-442-2952 20 Fax: 916-442-1280	<i>Attorneys for Petitioners</i>
21 Kenneth H. Lounsbery, Esq. 22 James P. Lough, Esq. 23 Lounsbery Ferguson Altona & Peak LLP 24 960 Canterbury Place, Suite 300 25 Escondido, CA 92025-3870 26 760-743-1201 27 Fax: 760-743-9926	<i>Attorneys for Respondents</i>

19 **BY OVERNIGHT DELIVERY:** I enclosed the document(s) identified above in a
20 sealed envelope or package addressed to the person(s) listed above, in an envelope
21 or package designated by the overnight delivery carrier with delivery fees paid or
22 provided for. I placed the envelope or package for collection and overnight
23 delivery at an office or a regularly utilized drop box of the overnight delivery
24 carrier, or by delivering to a courier or driver authorized by the overnight delivery
25 carrier to receive documents.

26 I declare under penalty of perjury under the laws of the United States and the State of
27 California that the foregoing is true and correct.

28 Executed on July 11, 2014, at Irvine, California.


Debra A. Jackson

VENTURA SUPERIOR COURT
FILED

JUL 11 2014

MICHAEL D. PLANET
Executive Officer and Clerk
BY: _____, Deputy

1 MANATT, PHELPS & PHILLIPS, LLP
2 ASHLEY K. DUNNING (Bar No. CA 185014)
3 CHRISTIAN E. BAKER (Bar No. CA 247006)
4 One Embarcadero Center, 30th Floor
San Francisco, CA 94111
Telephone: (415) 291-7400
Facsimile: (415) 291-7474

5 Attorneys for Amicus Curiae
6 BOARD OF RETIREMENT OF THE VENTURA COUNTY
7 EMPLOYEES' RETIREMENT ASSOCIATION
8 Exempt from filing fee Gov. Code Section 6103

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 FOR THE COUNTY OF VENTURA

11 EDWARD J. LACEY; LEIGHTON
12 ARMSTRONG; SCOTT A. PETERSON;
13 ERIC MIRABELLI; and CITIZENS FOR
14 RETIREMENT SECURITY, a California
15 political committee,

16 Petitioners/Plaintiffs,

17 vs.

18 MARK A. LUNN, Ventura County Clerk-
19 Recorder/Registrar of Voters; and the
20 VENTURA COUNTY BOARD OF
21 SUPERVISORS,

22 Respondents/Defendants.

23 DAVID P. GRAU, RICHARD C.
24 THOMSON and JAMES MCDERMOTT
25 Real Parties in Interest.

Case No. 56-2014-00454309-CU-WM-VTA

BOARD OF RETIREMENT OF THE
VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION'S JOINDER
IN SECTION V OF AMICUS CURIAE BRIEF
SUBMITTED BY SAN DIEGO COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION

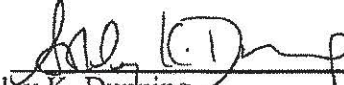
Date: August 4, 2014
Time: 8:30 a.m.
Div: 43

BY FAX

26 Board of Retirement of the Ventura County' Employees Retirement Association
27 ("VCERA") is the governing body for the retirement system that is directly at issue in the above-
28 captioned case. The VCERA Board hereby joins in Section V of the amicus curiae brief
submitted herein by the San Diego County Employees' Retirement Association.

Dated: July 11, 2014

MANATT, PHELPS & PHILLIPS, LLP
Ashley K. Dunning

By: 
Ashley K. Dunning
Attorneys for Amicus Curiae VCERA Board

1 **PROOF OF SERVICE**

2 I, Brea Nivera, declare as follows:

3 I am employed in San Francisco County, San Francisco, California. I am over the
4 age of eighteen years and not a party to this action. My business address is MANATT, PHELPS
& PHILLIPS, LLP, One Embarcadero Center, 30th Floor, San Francisco, California 94111. On
5 July 11, 2014, I served the within:

6 **BOARD OF RETIREMENT OF THE VENTURA COUNTY
7 EMPLOYEES' RETIREMENT ASSOCIATION'S JOINDER
8 IN SECTION V OF AMICUS CURIAE BRIEF SUBMITTED
9 BY SAN DIEGO COUNTY EMPLOYEES' RETIREMENT
10 ASSOCIATION**

11 on the interested parties in this action addressed as follows:

12 Deborah B. Caplan, Esq.
13 Lance H. Olson, Esq.
14 Matthew R. Cody, Esq.
15 Olson Hagel & Fishburn LLP
16 555 Capital Mall, Suite 1425
17 Sacramento, CA 95814
18 916-442-2952
19 Fax: 916-442-1280

Kenneth H. Lounsbery, Esq.
James P. Lough, Esq.
Lounsbery Ferguson Altona & Peak
LLP
960 Canterbury Place, Suite 300
Escondido, CA 92025-3870
760-743-1201
Fax: 760-743-9926

20 Steven P. Rice
21 Daniel M. Glassman
22 CROWELL & MORING LLP
23 3 Park Plaza, 20th Floor
24 Irvine, CA 92614-8505
25 Telephone: 949.263.8400
26 Facsimile: 949.263.8414

27 (BY MAIL) By placing such document(s) in a sealed envelope, with postage
28 thereon fully prepaid for first class mail, for collection and mailing at Manatt,
Phelps & Phillips, LLP, San Francisco, California following ordinary business
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Postal Service, said practice being that in the ordinary course of business,
correspondence is deposited in the United States Postal Service the same day as it
is placed for collection.

I declare under penalty of perjury under the laws of the State of California that the
foregoing is true and correct and that this declaration was executed on July 11, 2014, at San
Francisco, California.



Brea Nivera

T. BONDURANT FRENCH
Chief Executive Officer

312.553.8480
Fax 312.553.4520
bfrench@adamsstreetpartners.com

July 10, 2014

Dear Friends and Colleagues:

I am writing to inform you of a few organizational changes at Adams Street Partners.

First, Hanneke Smits has decided to leave the firm. Her decision is based on a desire to have a career break and focus on a new series of challenges to support a variety of interests she has that are simply not possible to pursue in her current role. Considering the depth and breadth of the investment and portfolio construction teams it seemed to her the firm is at an appropriate juncture for her to start exploring those other interests. Hanneke will remain with the firm at least through the end of 2014 and she is committed to working with our clients, general partners and colleagues to ensure an orderly transition of her duties.

Hanneke joined the firm in 1997 and has been instrumental in building out our international investment capabilities. We are sincerely grateful for her tireless work and many contributions that have helped to make Adams Street Partners the firm it is today. Part of Hanneke's legacy is the development of a deep and talented team of investment professionals; we now have fifty-four investment professionals spread across five offices around the world. Hanneke and I will be working closely during the remainder of the year as she works through this transition period. In particular, we will be working closely with the Primary Investment Committee and the Portfolio Construction Committee, which are the areas where Hanneke spends most of her time. Please join me and everyone else at Adams Street Partners in wishing Hanneke all the best in her future endeavors. I encourage you to reach out to Hanneke to personally wish her well and to discuss her future plans if you so desire.

As you know, I intend to remain full-time in my duties at Adams Street Partners until at least December 31, 2017. This timeline does not change. Not only am I continuing to be actively involved in all parts of our investment process, but I will be working closely with Hanneke, our Executive Committee and our Board of Directors to ensure that Hanneke's duties are transitioned in a seamless manner.

The first step in the transition of Hanneke's duties is that Kelly Meldrum will be promoted to the Head of our Primary Investment Team. Hanneke will be working with Kelly over the next several months to ensure a smooth transition of these responsibilities. Kelly joined Adams Street Partners in 2006 when she opened our Menlo Park office. As a Partner on our Primary Investment Team, Kelly is responsible for managing the relationship with many of our general partners. Kelly is widely respected firmwide for her deep investment insights which have been particularly evident in her participation on the Primary Investment Committee and Portfolio Construction Committee. Prior to joining Adams Street Partners, Kelly was the Director of Private Equity for the William and Flora Hewlett Foundation where she was

responsible for the development and implementation of a high-quality private equity fund investment program. Prior to that she worked as a senior investment analyst with the Hewlett Packard Corporation, where she managed a portfolio of venture capital partnership interests. Prior to Hewlett Packard, Kelly worked in the Venture Capital Group at Morgan Stanley & Company.

I am also pleased to announce that Jeff Diehl, a Partner on our Direct Venture Capital/Growth Equity Team will join our Executive Committee effective immediately. Jeff joined the firm in 2000 and has established a superior investment track record leading a number of venture capital/growth equity and LBO co-investment transactions. These two types of transactions underpin everything we do as our primary and secondary businesses invest in managers who execute these types of transactions. In fact, Jeff has been involved in sourcing and/or diligence on several primary and secondary transactions over the years. Jeff has served on our Strategic Advisory Committee for the last six years where he has distinguished himself consistently as one of our best strategic thinkers. He has also served on numerous taskforces and internal committees, including the Portfolio Construction Committee, that have given him significant exposure and insight into every aspect of our business.

On behalf of everyone at Adams Street Partners, I would like to thank you for your continued support. We have 130 employee-owners in six offices around the world that are dedicated to delivering excellent investment performance and outstanding client service. We will follow up with you directly to discuss these changes further. As always, please do not hesitate to contact me if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads "T. Bondurant French". The signature is written in a cursive, flowing style.

T. Bondurant French

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MARKETS

Big Investors Missed Stock Rally

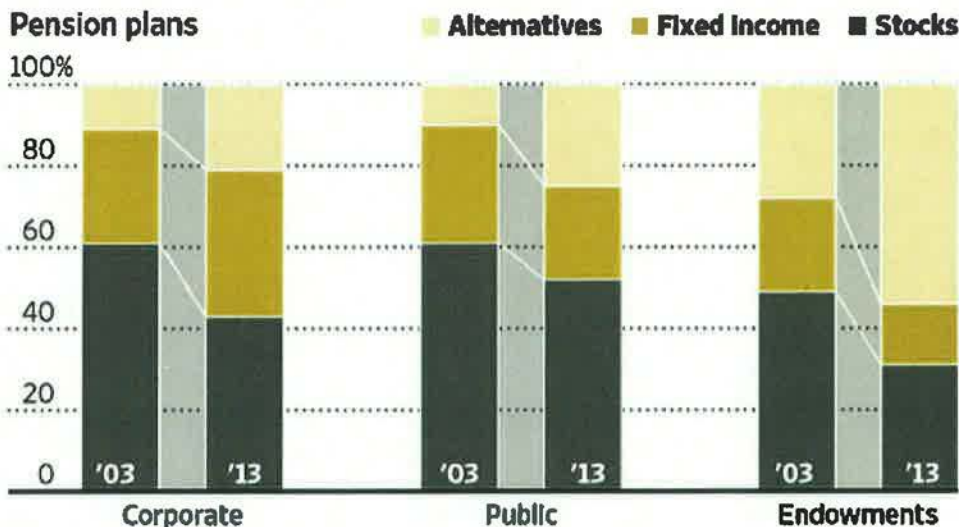
Pension Funds, University Endowments Diversified Into Other Investments With Disappointing Performances

By GREGORY ZUCKERMAN

June 23, 2014 7:51 p.m. ET

Strategy Shift

Pension funds and endowments have boosted alternative investments and trimmed shareholdings, curbing returns amid a broad stock rally.



Source: Pensions & Investments (corporate and public plans), National Association of College & University Business Officers and Foundation Center (endowments) via J.P. Morgan

The Wall Street Journal

Corporate pension funds and university endowments in the U.S. have missed out on much of the rally for stocks since 2009, following a push to diversify into other investments that have had disappointing performances.

The institutions, ranging from large corporations such as General Motors Co. to big universities such as Harvard, have been shifting to hedge funds, private equity and venture capital. But while these alternative investments outpaced stocks during 2008's market meltdown and are seen as potentially less volatile,

they have badly lagged behind the S&P 500 since 2009, a period in which U.S. stock indexes have more than doubled.

Diversifying away from stocks could work out since many of these institutions enjoy long investment horizons and won't need to spend the bulk of their assets until years in the future, if ever. At the same time, many alternative investments have topped stocks over the past decade. Investments in private equity, for example, nearly tripled the gains in stocks, according to Cambridge Associates LLC, which invests in these funds for clients.

Related

[Steady Road Takes Its Toll](#)

[What New Highs Mean for Stocks](#)

Missing out on recent stock gains, though, adds to challenges facing pension funds, some of which don't have enough assets to meet future obligations. For universities dependent on endowment income, reducing stockholdings

represents a lost opportunity in a time of stretched resources.

The recent poor showing has put a spotlight on pension funds and endowments that have turned away from stocks for more than a decade, including the period after the market's plunge, when stocks became inexpensive relative to their earnings.

"Alternative asset classes are expensive, especially if you have to live with the average fund instead of stellar funds," said Prof. William Goetzmann of the Yale School of Management. Hedge funds and private-equity firms generally charge investors much higher fees than mutual funds and other traditional investments, including management fees of as much as 2% of assets and a take of any returns.

WSJ Radio

Gregory Zuckerman and WSJ This Morning's Gordon Deal discuss.

00:00 |
05:00

Harvard University, with the world's largest endowment at \$32.7 billion, had an average annual return of 10.5% over the past three years through June 2013, according to the school, well below returns of 18.45% for the S&P 500, including dividends, over that same period. Yale University, with an endowment of \$20.8 billion, and Stanford University, \$21.9 billion, had returns of 12.8% and 11.5%, respectively,

over that same period, the schools said.

Over the past 10 years, the schools fared better, generating gains of 9.4%, 11% and 10%, respectively, above the 7.3% return of the S&P 500. Spokesmen for the schools declined to comment.

The U.S. companies with the largest defined-benefit pension plans in 2013 posted an average return of 9.9%, according to a survey of 100 large firms by Milliman, which provides actuarial products and services. The S&P 500 returned 32% in 2013, including dividends.

The average college endowment had 16% of its investment portfolio in U.S. stocks as of the end of June 2013, the most recent academic year, according to a poll of 835 schools conducted by Commonfund, an organization that helps invest money for colleges. That is down from 23% in 2008 and 32% a decade ago. The 18% allocation to foreign stocks didn't change in that period. Schools in the poll, which collectively manage nearly \$450 billion, had 53% of their funds in alternative strategies, up from 33% in 2003.

The average allocation of corporate pension funds to stocks was 43% at the end of last year, down from 61% at the end of 2003, according to J.P. Morgan Chase & Co. The average public pension fund had 52% of its portfolio in stocks at the end of 2013, down from 61% at the end of 2003, J.P. Morgan said.

While stockholdings have shrunk, alternative investments made up 25% of the portfolios of public pension funds, up from 10% a decade ago. Corporate funds had 21% of their money in alternative investments, up from 11% at the end of 2003, J.P. Morgan said. Hedge funds and private-equity firms can use a range of strategies, including betting against stocks and buying and selling companies.

The shifts haven't worked out lately. Since the start of 2009, when the market began rallying, the S&P 500 has climbed 137%, including dividends, to record levels. By contrast, the average hedge fund is up 48%, according to research firm HFR Inc., while the average hedge fund that is focused on stocks has risen 57%. Over that same time, private-equity funds have climbed 109% on average, while venture-capital funds rose 81%, according to Cambridge Associates.

Among large U.S. companies with small allocations to stocks in their pensions, shareholdings ranged from 5.2% at NCR Corp. to 14% at Prudential Financial Inc. and TRW Automotive Holdings Corp. to 15% at Ford Motor Co. to 18% at General Motors to 19% at Citigroup Inc., as of the end of fiscal 2013, according to Milliman and data provided by the companies.

A Prudential spokesman said the company establishes "guidelines that match our obligations with assets in the plan." A Citigroup spokesman said its plan is "largely invested in assets other than equities in part because it has been closed to new participants for several years and has adopted an approach that is consistent with plan closure."

A GM spokesman cited language in the company's annual report that the asset mixes of GM's pension fund aim to improve its funded positions while trying to reduce the plan's risks. Spokesmen for NCR, Ford, and TRW declined to comment.

Some pension funds have elected to have big bondholdings instead of shares or alternative investments. CBS Inc., which had 26% of its pension fund in stock as of last year, largely invests in bonds, according to a CBS spokesman.

Some institutions aim to achieve a certain return above inflation and find steady returns from alternative-investment vehicles make it easier to plan future spending. Alternative investments generally do a better job competing with stocks when the risk of the various investments is taken into consideration.

The long-term results of alternative investments are somewhat better. Over the past 10 years, the S&P 500 has climbed 114%, including dividends. That bests the 75% gain of the average hedge fund, according to HFR, and the 68% return of the average stock-focused fund. But private-equity funds topped stocks, rising 304% on average over that period, while venture-capital funds climbed 153%, according to Cambridge Associates.

"It's in the long term that these strategies hit their stride, particularly private equity," said Andrea Auerbach, head of Cambridge's global private investment research.

Placing money with hedge funds once was viewed as risky; today, a mix of stocks, bonds and cash is seen as more dangerous, industry members said, partly because alternative investments held up better during the financial crisis and are seen as more dependable investments.

Some argue that the shift stems at least partly from an effort to ape the strategy of David Swensen, who has long led the endowment of Yale University and was among the first to shift big chunks of its investments to hedge funds and similar vehicles.

A 2012 paper written by Mr. Goetzmann and another professor at the Yale School of Management, Sharon Oster, argues that university endowments often invest in hedge funds simply to catch up with their closest competitors, rather than to achieve top returns, a shift the professors call "herding behavior" and "trend chasing."

Harvard's endowment had an allocation of 33% to global stocks and stock-focused hedge funds, but just 11% to U.S. shares, as of the fiscal year ended last June. Yale had 15.7% in global stocks and Stanford had a target stock allocation of 25%.

Those shifting to alternative investments more recently could be "too late to the game," said Scott Malpass, chief investment officer at the University of Notre Dame, which has had more than 50% of its \$9.2 billion endowment in alternative investments for more than a decade.

Betting on hedge funds and private equity "can be a knee-jerk reaction to the crisis," he said.

Write to Gregory Zuckerman at gregory.zuckerman@wsj.com

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Stock, Bond, Commodity Indexes Rise in Unison for First Time Since 1993; Some See Clouds Forming

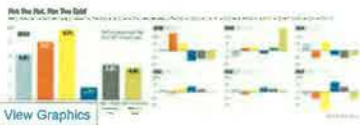
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By CHRIS DIETERICH, NICOLE HONG and TATYANA SHUMSKY CONNECT Updated June 27, 2014 10:38 p.m. ET

From stocks to bonds to commodities, world financial markets have rallied in unison during the first half of 2014, a feat not seen in more than 20 years and a reflection of investors' optimism that central-bank policies will boost growth.

Six closely tracked gauges of world stock, bond and commodity performance are headed for gains in the first six months of the year, the first time they have done so since 1993. The Dow Jones Industrial Average is up 1.7% for the year, putting it on pace for its fourth-straight first-half rise.

Through Friday, gold was up 9.7%, the Dow Jones UBS:UBSN.VX +1.09% Commodity Index 8.1%, the 10-year U.S. Treasury note 6.4%, the MSCI World Index of developed-world shares 4.8% and the MSCI Emerging Markets Index 4.3%.



The rallies reflect market resilience amid uneven U.S. growth and political and economic unrest in the Middle East, Ukraine and elsewhere. Simultaneous rises in the six categories are unusual, because stocks and most commodities tend to rise in good times, while bonds and gold often benefit from economic weakness and market distress. The last time all six rose together through June 30 was 1993.

Related U.S. Stocks End Higher

Many investors point to signs of global economic gains and the commitment of the Federal Reserve, Bank of Japan (3301.TO -1.38%) and European Central Bank to keep interest rates low while economies continue to recover from the late-2000s recession and 2011 euro crisis. Others say the sharp declines in bond prices and gold last year amid a 30% rise in the S&P 500 set up those assets for rebounds.

"We are in a Goldilocks-like age at the moment," said asset manager Jack Flaherty, referring to markets perceived as not too hot and not too cold—just right. Mr. Flaherty is head of U.S. fixed income at GAM, which has over \$120 billion in global assets under management.

At the same time, the price gains and decline in trading volume and drop in volatility have made many investors and analysts nervous.

The CBOE CBOE -0.48% Volatility Index, an options-based measure of expected stock movement, averaged 13.8 in the first half of 2014. That is its lowest first-half-average reading since 2007 and 31% below its long-term average of 20.04. In 2013, the VIX averaged 14.2 over the same period.

Policy makers including Federal Reserve Chairwoman Janet Yellen and Federal Reserve Bank of New York President William Dudley have warned that high prices

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and low volatility suggest investors may be growing too complacent, taking on too much risk for too little reward.

"It's been a weird year so far," said Mike Sorrentino, chief strategist at Global Financial Private Capital, which oversees just under \$4 billion. Mr. Sorrentino, who says he has been holding more cash than usual, is limiting his purchases of stocks that have risen sharply this year: "I'm not willing to stand in the way of something that can blow up."

One key driver of the rallies is the decline this year in the 10-year U.S. Treasury-note yield, which was at 2.531% Friday, down from 3% at the end of 2013. Many investors had thought the yield would rise, with bond prices—which move inversely to yields—expected to move lower amid stronger U.S. growth.

The falling yield has driven many investors into stocks, bonds and commodities around the globe in a search for higher returns.

Beneficiaries range from the best-performing sector in the U.S. stock market, utilities, to the emerging-markets assets that have swung sharply this year amid the calm in developed-world markets.

After a sharp selloff in January, investors have poured money back into emerging-market assets, seeking high yields in countries like Brazil and Indonesia. MSCI Inc.'s emerging-market currency index is up 2.6% on the year. Emerging-market debt is up even more, rising 8.8% in 2014, according to [J.P. Morgan \(JPM +1.06%\)](#) Chase & Co.

Hopes of investor-friendly reforms in developing countries have helped juice returns for investors. For instance, the election in India of Narendra Modi, widely seen as a pro-business reformist, sparked a rally in Indian stocks, sending them up 19% on the year.

Not all emerging-market assets have rallied. The Chinese currency has been a notable loser, falling 2.7% against the dollar this year after the country's central bank intervened in February to drive down the yuan's value.

Some investors worry stocks and bonds in the U.S. and elsewhere may be pricey after long run-ups. Bond yields could rise, sending prices lower, if U.S. growth accelerates or inflation picks up.

"A big risk is an interest-rate shock," said Donald Ellenberger, who helps oversee \$10 billion as head of multisector strategies at [Federated Investors Inc. \(FII -0.59%\)](#)

At the same time, other investors are skeptical of a rate shock, in part because they think more plodding gains by the U.S. economy aren't likely to send rates quickly higher.

This past week, a survey of nearly 1,000 global investors by [Barclays \(BARC.LN +2.54%\)](#) PLC showed that geopolitics have become by far the most important risk in the eyes of investors, supplanting the Fed's pullback from stimulus, a process dubbed "tapering."

"People pounding the table that rates are going to the moon are overstating the issue," said Anthony Parish, vice president of research and portfolio strategy at Sage Advisory Services, which oversees about \$11 billion.

The S&P 500 Utilities Index, typically favored by investors seeking predictable dividend income in down markets and slow economic times, is up 15%.

The outsize gains of so-called defensive sectors and the perception stock prices are stretched relative to corporate earnings are leading some portfolio managers to move more funds to the sidelines.

"It's a little on the frustrating side," said Kim Forrest, vice president and senior analyst at Fort Pitt Capital Group, which oversees \$1.6 billion and seeks shares of companies that look cheap relative to their growth prospects.

Pricing fears aren't limited to stocks. The USAA Flexible Income Fund has increased its cash position over the past three months, going from about 3% cash to about 8% cash, said Arne Espe, vice president of mutual-fund portfolios at USAA Investments, which oversees \$62 billion.

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"We're in the eighth inning of the ballgame," Mr. Espe said. This year's bond rally "could go a little more and probably will, but you're just not getting paid for the risk."

—Ira Iosebashvili, Min Zeng and Mike Cherney contributed to this article.

Write to Chris Dieterich at chris.dieterich@wsj.com, Nicole Hong at nicole.hong@wsj.com and Tatyana Shumsky at tatyana.shumsky@wsj.com

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michael ohara

When ever you sell you have various governments wanting their cut. If they take 20% for long term gains, the market has to retreat 20% for a seller who sold at the top (difficult to do), who then buys at the bottom (also difficult) to be even.

I like 20% cash and will buy selected stock when PE gets below 10, CVX. That way I don't care what the over all market does.

Jun 28, 2014



Peter Warren

@michael ohara,