VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

January 27, 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.	**CALL TO ORDER**	
II.	**APPROVAL OF AGENDA**	1 - 3
III.	**APPROVAL OF MINUTES**	
	A. Disability Meeting of January 6, 2014.	4 - 11
IV.	**CONSENT AGENDA**	
	A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of December 2013.	12 - 13
	B. Receive and File Report of Checks Disbursed in December 2013.	14 - 23
	C. Receive and File Asset Allocation as of December 31, 2013.	24
	D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Investments & Cash Equivalents, and Schedule of Investment Management Fees November 30, 2013.	25 – 30

IV. CONSENT AGENDA (continued)

E. Receive and File Budget Summary for FY 2013-14 Month ending December 2013. — 31

END OF CONSENT AGENDA

V. STANDING ITEM

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

VI. ACTUARIAL INFORMATION

A. Review and Approval of Annual Actuarial Report as of June 30, 2013; The Segal Company; Paul Angelo and John Monroe.

1. June 30, 2013 Actuarial Valuation Report. — 32 - 121
2. Three-year Phase-in of Employer Contribution Rates. — 122 - 127
3. Options for Allocating the Cost Associated with Cessation of Member Contributions After 30 Years of Service for Non-PEPRA Tiers. — 128 - 139

VII. INVESTMENT INFORMATION

A. NEPC – Don Stracke, Senior Consultant.

1. Receive and File 2014 Assumptions & Actions. — 140 – 180
2. Receive and File Investment Summary – Quarter Ending December 31, 2013. — 181 – 186
   A. Performance Summary Spreadsheet. — 187 – 189
   B. Asset Allocation Spreadsheet. — 190
3. Receive and File Work Plan Update. — 191
4. Provide Guidance to NEPC and Staff Regarding Preferred Strategy for Tactical Rebalancing. — 192 – 194
5. Review Investment Policy Manual – Redline Version. — 195 – 284

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

A. NEPC – Don Stracke, Senior Consultant.

6. Adoption of New Liquid Alternatives Benchmark. 285
7. Receive and File Walter Scott & Partners Limited – Ian Clark Retirement Memo. 286
8. Discussion of Executive Management Transition – Pacific Management Company (PIMCO).

VIII. OLD BUSINESS

A. Approval of Appointments to Personnel Committee. 287

IX. NEW BUSINESS

A. Approval of Business Objectives; January – June 2014. 288 - 292

B. Discussion Regarding Board of Retirement Alternate Public Member.

X. INFORMATIONAL

A. Notice of Intention to Circulate Petition – Committee for Pension Fairness. 293 - 303

B. SACRS Board of Director Elections. 304 - 305

C. Pension Bridge Annual Conference; April 22-23, 2014. 306 - 319

D. Walter Scott Travel Lecture Series. 320

E. Walter Scott Change Notice – Ian Clark. 321

XI. PUBLIC COMMENT

XII. STAFF COMMENT

XIII. BOARD MEMBER COMMENT

XIV. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

January 6, 2014

MINUTES

DIRECTORS PRESENT:	Tracy Towner, Chair, Safety Employee Member William W. Wilson, Vice Chair, Public Member Steven Hintz, Treasurer-Tax Collector Joseph Henderson, Public Member Mike Sedell, Public Member Tom Johnston, General Employee Member Deanna McCormick, General Employee Member Arthur E. Goulet, Retiree Member Will Hoag, Alternate Retiree Member Chris Johnston, Alternate Safety Employee Member
DIRECTORS ABSENT:	Peter C. Foy, Public Member
STAFF PRESENT:	Tim Thonis, Interim Retirement Administrator Lori Nemiroff, Assistant County Counsel Glenda Jackson, Clerk of the Board Angie Tolentino, 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 January 6, 2014, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve the Agenda.

Moved by Henderson, seconded by Hintz.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Wilson
No: -
Absent: Foy, Sedell

III. APPROVAL OF MINUTES

A. Business Meeting of December 16, 2013.

MOTION: Approve the Minutes.

Moved by Henderson, seconded by Goulet.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Wilson
No: -
Absent: Foy, Sedell

IV. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Receive and file the Report.

Moved by Goulet, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Wilson
No: -
Absent: Foy, Sedell

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Consider Application for Non-Service Connected Disability Retirement; Gregory D. Danko; Case No. 13-025.

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

2. Hearing Notice served on December 27, 2013.

Paul Hilburn was present representing the County of Ventura Risk

Management. David G. Schumaker, Attorney at Law, was present representing the applicant. The applicant, Gregory D. Danko, was not present.

Both parties declined to make statements.

The following Motion was made:

MOTION: Grant the applicant, Gregory D. Danko, a non-service connected disability retirement.

Moved by Goulet, seconded by Wilson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Wilson
No: -
Absent: Foy, Sedell

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

B. Consider Application for Non-Service Connected Disability Retirement; Glenn R. Bledsoe; Case No. 13-027.

Trustee Sedell arrived at 9:03 a.m.

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

2. Hearing Notice served on December 18, 2013.

Paul Hilburn was present representing the County of Ventura Risk Management. The applicant, Glenn R. Bledsoe, was present.

Both parties declined to make statements.

The following Motion was made:

MOTION: Grant the applicant, Glenn R. Bledsoe, a non-service connected disability retirement.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson

No: -
Absent: Foy

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

C. Consider Application for Service Connected Disability Retirement; Joe A. Martinez III; Case No. 11-028.

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

2. Hearing Notice served on December 18, 2013.

Paul Hilburn was present representing the County of Ventura Risk Management. David G. Schumaker, Attorney at Law, was present representing the applicant. The applicant, Joe A. Martinez III, was present.

Both parties declined to make statements.

The following Motion was made:

MOTION: Grant the applicant, Joe A. Martinez III, a service connected disability retirement.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

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

D. Consider Application for Non-Service Connected Disability Retirement; Armando E. Serrano; Case No. 13-028.

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

2. Hearing Notice served on December 19, 2013.

Paul Hilburn was present representing the County of Ventura Risk

Management. The applicant, Armando E. Serrano, was present.

Both parties declined to make statements.

The following Motion was made:

MOTION: Grant the applicant, Armando E. Serrano, a non-service connected disability retirement.

Moved by Goulet, seconded by Wilson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

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

E. Consider Application for Service Connected Disability Retirement; James Waldron; Case No. 13-012.

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

2. Hearing Notice served on December 24, 2013.

Paul Hilburn was present representing the County of Ventura Risk Management. The applicant, James Waldron, was not present.

After discussion by the Board, the matter was continued to February 3, 2014.

The following Motion was made:

MOTION: Continue this item to February 3, 2014.

Moved by Goulet, seconded by McCormick.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

F. Consider Application for Non-Service and Service Connected Disability Retirement; Traci Salmon; Case No. 13-011.

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

2. Hearing Notice served on December 24, 2013.

Paul Hilburn was present representing the County of Ventura Risk Management. David G. Schumaker, Attorney at Law, was present representing the applicant. The applicant, Traci Salmon, was present.

Both parties declined to make statements.

The following Motion was made:

MOTION: Grant the applicant, Traci Salmon, a service connected disability retirement.

Moved by McCormick, seconded by Sedell.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

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

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

1. Letter to the Board Re Distribution of Record to Board members under Government Code section 31534(b), and Notice of Setting of Hearing on February 3, 2014, for Consideration of Application for Service Connected Disability Retirement, Submitted by Tim Thonis, Interim Retirement Administrator, Dated January 6, 2014.

2. All other evidence received by the Hearing Officer.

After discussion by the Board and Staff; the following Motion was made:

MOTION: Receive and File the Record and Set a Hearing for February 3, 2014.

Moved by Goulet, seconded by McCormick.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

VI. STANDING ITEM

A. Review Monthly PAS (VCERIS) Report for November 2013. **RECOMMENDED ACTION: Receive and File.**

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

MOTION: Receive and file the Report.

Moved by Wilson, seconded by Sedell.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

VII. OLD BUSINESS

A. Staff Update on Hearing Officer Search. **RECOMMENDED ACTION: Receive and File.**

After an update by the Retirement Administrator, the following Motion was made:

MOTION: Receive and file the Report.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

B. IRS Tax Determination Update. **RECOMMENDED ACTION: Receive and File.**

After an update by the Retirement Administrator, and discussion by the Board, the following Motion was made:

MOTION: Receive and file the Report.

Moved by Henderson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

VIII. PUBLIC COMMENT

None.

IX. STAFF COMMENT

None.

X. BOARD MEMBER COMMENT

Chair Towner updated the Board on the search for a new Retirement Administrator and asked that Trustees interested in serving on the Personnel Committee notify him. Trustees Will Hoag, Chris Johnston and Mike Sedell indicated willingness to serve on the Committee.

XI. ADJOURNMENT

The meeting was adjourned at 9:25 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

DECEMBER 2013

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
REGULAR RETIREMENTS:							
Ronald E.	Andersen	G	2/12/2006	9.90	A= 2.2528	Health Care Agency (From Deferred)	11/20/13
Grace J.	Baskin	G	2/18/2001	0.50	C=9.073	Sheriff's Department	12/04/13
Abbe N.	Berns	G	9/11/1991	21.92	C=9.819	Fire Protection District	11/09/13
Susan	Burkhart	S	7/5/2013	9.39		Fire Protection (Non-Member Spouse)	08/01/13
Cynthia S.	Cantle	G	1/8/2001	12.84		Board of Supervisors	11/09/13
Lisa J.	Caughlin	G	9/24/1989	3.93	C=12.2127	Sheriff's Department	09/01/13
Susan P.	Conway	G	9/24/1995	17.67		Human Services Agency	11/09/13
Suzanne W.	Cuevas	G	7/15/2007	6.26		Human Services Agency (31680.4 & 31680.5)	11/22/13
John L.	Harrison	G	2/18/1990	23.88	B=0.1087	Human Services Agency	11/29/13
Tony	Hernandez	G	11/1/1995	18.91	B=0.1140	Auditor Controller	11/22/13
Eleanor C.	Manalo	G	5/14/1989	27.06	A=2.07833 B=1.03333	Health Care Agency	10/12/13
Mary J.	McFarlin	G	04/20/1986	27.60	B=0.1135	Superior Courts	11/25/13
Mary C.	Quinn	G	2/19/2002	11.72		Treasurer-Tax Collector	11/09/13
Rolando B.	Silva	G	5/7/1995	11.27		Sheriff's Department	11/22/13
Lance	Steaman	S	06/12/2000	13.43	C=15.092	District Attorney	11/16/13
Karen	Turse	G	10/14/1990	22.01	A=.3991 B=.8831	Probation Agency (From Deferred)	12/09/13
Cristina P.	Villar	G	09/01/1991	21.95		Human Services Agency	11/01/13
John T.	Wingo	G	10/18/1999	13.92		General Services Agency	11/09/13
DEFERRED RETIREMENTS:							
Mark	Barglowski	G	11/30/2008	5.02		Health Care Agency	12/06/13
Laura L.	Castro	S	10/25/1999	12.35		Probation Agency	12/12/13
Dean	Curtis	G	08/10/2008	5.31		Information Technology Services Dep	11/29/13
Connie A.	DeLaRosa	G	11/20/2005	7.85		Human Services Agency	12/15/13
Kathleen	Farve-Felix	G	01/05/2004	9.46		Health Care Agency	12/14/13
Stephanie	Graves	G	12/04/2005	7.76		Health Care Agency	11/01/13
Christina	Grimes	G	11/05/2006	6.72		Health Care Agency	12/04/13
Elsa	Hernandez	G	07/31/2005	8.22		Superior Courts	12/19/13
Myra	Hernandez	G	02/04/2001	11.74		Sherrif's Department	11/19/13
Maria	Montoya	G	03/22/1998	15.72		Human Services Agency	12/17/13
Christopher	Moore	S	11/05/2006	6.81		Probation Agency	12/05/13
Yvonne	Ollada	G	04/30/2002	13.75	D=5.96180	Health Care Agency	12/09/13
Laura	Riley	G	01/27/2008	5.56		Health Care Agency	10/25/13
Jose	Ruvalcaba	G	01/27/2008	5.70		Health Care Agency	10/26/13
Vinay	Sharma	G	06/09/2013	0.50	C=11.9167	Resource Management Agency	12/09/13
Noah D.	Sharp	G	04/11/2011	2.68	C=11.8540	Ventura Regional Sanitation District	12/19/13
Melissa L.	Wassel	G	06/17/2007	6.45		Human Services Agency	11/27/13
Michael J.	Whitcomb	G	03/16/1980	34.38		Information Technology Systems	12/13/13

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

DECEMBER 2013

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
SURVIVORS' CONTINUANCES:							
Carol A.	Sanders						
Steven R.	Tabarez						
Malcolm B.	Tanner						
James E.	Waltrip Jr.						

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

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
Acct / Sub:	1002		00								
022649	VC	12/23/2013	AT&T AT & T MOBILITY	06-14	06-14	017445	VO	ADMIN EXP	7/25/2013	0.00	-673.80
									Check Total		**-673.80**
022650	-	022954	Missing								
022955	VC	12/5/2013	120756R WELLS FARGO RETIREMENT	06-14	06-14	017760	VO	ROLLOVER	10/17/2013	0.00	-22,076.70
									Check Total		**-22,076.70**
022956	-	023128	Missing								
023129	CK	12/3/2013	118577 PATRICIA V. MARLOWE	06-14		017937	VO	REFUND	12/3/2013	0.00	20,085.89
023130	CK	12/5/2013	120756R WELLS FARGO RETIREMENT	06-14	06-14	017760	VO	ROLLOVER	10/17/2013	0.00	22,076.70
023130	VC	12/5/2013	120756R WELLS FARGO RETIREMENT	06-14	06-14	017760	VO	ROLLOVER	10/17/2013	0.00	-22,076.70
									Check Total		**0.00**
023131	CK	12/5/2013	102282 R TRAVIS JONES	06-14		017938	VO	REFUND T2 COL	12/5/2013	0.00	4,029.86
023132	CK	12/5/2013	104030 PAYMAN BEHESHTI	06-14		017939	VO	REFUND	12/5/2013	0.00	49,646.53
023133	CK	12/5/2013	108714 ARLENE CAMPOS	06-14		017940	VO	REFUND	12/5/2013	0.00	29,905.40
023134	CK	12/5/2013	116850 GRISELDA ROSAS	06-14		017941	VO	REFUND	12/5/2013	0.00	961.22
023135	CK	12/5/2013	116850R PRINCIPAL LIFE INSURANCE	06-14		017942	VO	ROLLOVER	12/5/2013	0.00	2,244.02
023136	CK	12/5/2013	116901 YADIRA V. HERNANDEZ	06-14		017943	VO	REFUND	12/5/2013	0.00	23,590.00
023137	CK	12/5/2013	118454 BRANDON M. PROETT	06-14		017944	VO	REFUND	12/5/2013	0.00	3,500.02
023138	ZC	12/5/2013	120756 DAVID BORUNDA	06-14	06-14	017945	VO	REFUND	12/5/2013	0.00	16,336.76

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023138	ZC	12/5/2013	120756 DAVID BORUNDA	06-14	06-14	017954	AD	VOID	12/5/2013	0.00	-16,336.76
									Check Total		**0.00**
023139	CK	12/5/2013	117598B1 GUSTAVO P. CORTEZ	06-14		017946	VO	DEATH BENEFIT	12/5/2013	0.00	35,251.40
023140	CK	12/5/2013	F1881 MARY E. STONE	06-14		017947	VO	PENSION PAYMENT	12/5/2013	0.00	1,269.26
023141	CK	12/5/2013	F4216 YORIKO TAKEDA	06-14		017948	VO	PENSION PAYMENT	12/5/2013	0.00	553.51
023142	CK	12/5/2013	F8319 VALERI L. CIRINO-PAEZ	06-14		017949	VO	PENSION PAYMENT	12/5/2013	0.00	476.49
023143	CK	12/5/2013	F2725B4 BOONE COUNTY NATIONAL E	06-14		017950	VO	ROLLOVER	12/5/2013	0.00	98.87
023144	CK	12/5/2013	F2963S JUAN M. SANCHEZ	06-14		017951	VO	DEATH BENEFIT	12/5/2013	0.00	3,422.53
023145	CK	12/5/2013	F4794B1 APRIL SHANNON HANEY	06-14		017952	VO	DEATH BENEFIT	12/5/2013	0.00	2,484.77
023146	CK	12/5/2013	F8034B1 GREGORY MARTINEZ	06-14		017953	VO	DEATH BENEFIT	12/5/2013	0.00	62,677.25
023147	ZC	12/5/2013	120756R WELLS FARGO RETIREMENT	06-14	06-14	017760	VO	ROLLOVER	10/17/2013	0.00	22,076.70
023147	ZC	12/5/2013	120756R WELLS FARGO RETIREMENT	06-14	06-14	017968	AD	VOID	12/5/2013	0.00	-22,076.70
									Check Total		**0.00**
023148	CK	12/5/2013	BOFA BANK OF AMERICA	06-14		017955	VO	ADMIN EXP	12/5/2013	0.00	1,018.75
023149	CK	12/5/2013	CORPORATE STAPLES ADVANTAGE	06-14		017956	VO	ADMIN EXP	12/5/2013	0.00	600.70
023150	CK	12/5/2013	COUNTY COUNSEL	06-14		017957	VO	LEGAL FEES	12/5/2013	0.00	28,842.00

Ventura County Retirement Assn

Check Register - Standard

Period: 06-14 As of: 1/2/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023151	CK	12/5/2013	HANSONBRID HANSON BRIDGETT LLP	06-14		017958	VO	LEGAL FEES	12/5/2013	0.00	216.90
023152	CK	12/5/2013	INTERGRATE INTERGRATED FIRE & SAFET	06-14		017959	VO	IT	12/5/2013	0.00	12,354.16
023153	CK	12/5/2013	MBS MANAGED BUSINESS SOLUT	06-14		017960	VO	PAS	12/5/2013	0.00	27,437.16
023154	CK	12/5/2013	SEGAL SEGAL CONSULTING	06-14		017961	VO	ACTUARY FEES	12/5/2013	0.00	9,250.00
023155	CK	12/5/2013	WOLTERS WOLTERS KLUWER LAW & B	06-14		017962	VO	ADMIN EXP	12/5/2013	0.00	487.18
023156	CK	12/5/2013	101602 HENRY SOLIS	06-14		017963	VO	REIMBURSEMENT	12/5/2013	0.00	172.28
023157	CK	12/5/2013	990002BM ARTHUR E GOULET	06-14		017964	VO	BRD MEM FEES	12/5/2013	0.00	200.00
023158	CK	12/5/2013	990003BM JOSEPH HENDERSON	06-14		017965	VO	BRD MEM FEES	12/5/2013	0.00	200.00
023159	CK	12/5/2013	990005BM WILLIAM W WILSON	06-14		017966	VO	BRD MEM FEES	12/5/2013	0.00	200.00
023160	CK	12/5/2013	990006BM MICHAEL SEDELL	06-14		017967	VO	BRD MEM FEES	12/5/2013	0.00	200.00
023161	ZC	12/6/2013	120756R WELLS FARGO RETIREMENT	06-14	06-14	017969	AD	VOID	12/5/2013	0.00	-22,076.70
023161	ZC	12/6/2013	120756R WELLS FARGO RETIREMENT	06-14	06-14	017970	AC	RVS DEBIT	12/6/2013	0.00	22,076.70
									Check Total		**0.00**
023162	CK	12/6/2013	120756 DAVID BORUNDA	06-14		017954	AD	VOID	12/5/2013	0.00	-5,739.94
023162	CK	12/6/2013	120756 DAVID BORUNDA	06-14		017971	AC	RVS DEBIT ADJ	12/6/2013	0.00	5,739.94
023162	CK	12/6/2013	120756 DAVID BORUNDA	06-14		017972	VO	REFUND	12/6/2013	0.00	16,336.76

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
									Check Total		**16,336.76**
023163	CK	12/12/2013	106056 WILHELMINA M. BAUTISTA	06-14		017973	VO	REFUND T2 COL	12/12/2013	0.00	10,782.59
023164	CK	12/12/2013	108333 WILFORD L. SKINNER	06-14		017974	VO	REFUND T2 COL	12/12/2013	0.00	6,708.02
023165	CK	12/12/2013	116026 DANIELLE ROSE SIRIANNI	06-14		017975	VO	REFUND	12/12/2013	0.00	14,416.99
023166	CK	12/12/2013	120329 RUSSELL L. HOLCOMB	06-14		017976	VO	REFUND	12/12/2013	0.00	12,903.31
023167	CK	12/12/2013	121323 KEVIN P. MCCARTHY	06-14	06-14	017977	VO	REFUND	12/12/2013	0.00	8,455.39
023167	VC	12/26/2013	121323 KEVIN P. MCCARTHY	06-14	06-14	017977	VO	REFUND	12/12/2013	0.00	-8,455.39
									Check Total		**0.00**
023168	CK	12/12/2013	121390R J.P. MORGAN CHASE	06-14		017978	VO	ROLLOVER	12/12/2013	0.00	10,237.14
023169	CK	12/12/2013	F0746 BETTY J. FUENTES	06-14		017979	VO	PENSION PAYMENT	12/12/2013	0.00	1,708.60
023170	CK	12/12/2013	F3731S STERLING BANK	06-14		017980	VO	ROLLOVER	12/12/2013	0.00	5,262.56
023171	CK	12/12/2013	F3792S CAROL A. SANDERS	06-14		017981	VO	DEATH BENEFIT	12/12/2013	0.00	3,531.15
023172	CK	12/12/2013	F4689S JAMES E. WALTRIP JR	06-14		017982	VO	DEATH BENEFIT	12/12/2013	0.00	3,979.55
023173	CK	12/12/2013	F5095 PAUL F. ANDERSON	06-14		017983	VO	PENSION PAYMENT	12/12/2013	0.00	10,605.31
023174	CK	12/12/2013	F7739 NANCY L. TURNER	06-14		017984	VO	PENSION PAYMENT	12/12/2013	0.00	1,005.52
023175	CK	12/12/2013	F7946 MARIA AROS	06-14		017985	VO	PENSION PAYMENT	12/12/2013	0.00	1,588.77

Ventura County Retirement Assn

Check Register - Standard

Period: 06-14 As of: 1/2/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023176	CK	12/12/2013	ADP ADP INC	06-14		017986	VO	ADMIN EXP	12/12/2013	0.00	2,603.98
023177	CK	12/12/2013	BARNEY ABU COURT REPORTING INC	06-14		017987	VO	ADMIN EXP	12/12/2013	0.00	683.70
023178	CK	12/12/2013	HARRIS HARRIS WATER CONDITIONI	06-14		017988	VO	ADMIN EXP	12/12/2013	0.00	124.50
023179	CK	12/12/2013	MEGAPATH MEGAPATH INC.	06-14		017989	VO	IT	12/12/2013	0.00	164.93
023180	CK	12/12/2013	PALADINO ANNETTE A. PALADINO	06-14		017990	VO	ADMIN EXP	12/12/2013	0.00	1,875.00
023181	CK	12/12/2013	SPRUCE SPRUCEGROVE INVESTMEN	06-14		017991	VO	INVESTMENT FEES	12/12/2013	0.00	57,625.14
023182	CK	12/12/2013	VOLT VOLT	06-14		017992	VO	ADMIN EXP	12/12/2013	0.00	858.60
023183	CK	12/20/2013	103653 SUSAN CONWAY	06-14		017993	VO	REFUND T2 COL	12/20/2013	0.00	13,888.34
023184	CK	12/20/2013	105143B1 JP MORGAN CHASE BANK	06-14	06-14	017994	VO	ROLLOVER	12/20/2013	0.00	37,878.16
023184	VC	12/24/2013	105143B1 JP MORGAN CHASE BANK	06-14	06-14	017994	VO	ROLLOVER	12/20/2013	0.00	-37,878.16
									Check Total		**0.00**
023185	CK	12/20/2013	105273 JOHN WINGO	06-14		017995	VO	REFUND T2 COL	12/20/2013	0.00	4,860.14
023186	CK	12/20/2013	106945 MARY C. QUINN	06-14		017996	VO	REFUND T2 COL	12/20/2013	0.00	8,765.00
023187	CK	12/20/2013	116473 JOSHUA NEWSTAT	06-14		017997	VO	REFUND	12/20/2013	0.00	1,939.95
023188	CK	12/20/2013	116473R MORGAN STANLEY	06-14		017998	VO	ROLLOVER	12/20/2013	0.00	34,504.48

Ventura County Retirement Assn

Check Register - Standard

Period: 06-14 As of: 1/2/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023189	CK	12/20/2013	121749 SUSANA CARRILLO	06-14		017999	VO	REFUND	12/20/2013	0.00	7,155.50
023190	CK	12/20/2013	122889R WELLS FARGO BANK	06-14		018000	VO	ROLLOVER	12/20/2013	0.00	1,514.75
023191	CK	12/20/2013	123270 RACQUEL S. LANDIN	06-14		018001	VO	REFUND	12/20/2013	0.00	877.18
023192	CK	12/20/2013	F0515B1 ELLEN K. KNOX	06-14		018002	VO	DEATH BENEFIT	12/20/2013	0.00	4,556.66
023193	CK	12/20/2013	F2751B1 RENE VAN MOLL	06-14		018003	VO	DEATH BENEFIT	12/20/2013	0.00	146.79
023194	CK	12/20/2013	F5179 MARTHA L. CASAS	06-14		018004	VO	PENSION PAYMENT	12/20/2013	0.00	352.36
023195	CK	12/20/2013	F7423B1 ROBERT D. WOODY	06-14		018005	VO	DEATH BENEFIT	12/20/2013	0.00	332.70
023196	CK	12/20/2013	100748 CHRIS JOHNSTON	06-14		018006	VO	TRAVEL REIMB	12/20/2013	0.00	1,338.72
023196	CK	12/20/2013	100748 CHRIS JOHNSTON	06-14		018007	VO	TRAVEL REIMB	12/20/2013	0.00	190.97
									Check Total		**1,529.69**
023197	CK	12/20/2013	990002 ARTHUR E. GOULET	06-14		018008	VO	MILEAGE REIMB	12/20/2013	0.00	38.42
023198	CK	12/20/2013	990002BM ARTHUR E GOULET	06-14		018009	VO	BRD MEM FEES	12/20/2013	0.00	200.00
023199	CK	12/20/2013	990003BM JOSEPH HENDERSON	06-14		018010	VO	BRD MEM FEES	12/20/2013	0.00	200.00
023200	CK	12/20/2013	990004BM WILL HOAG	06-14		018011	VO	BRD MEM FEES	12/20/2013	0.00	300.00
023201	CK	12/20/2013	990005BM WILLIAM W WILSON	06-14		018012	VO	BRD MEM FEES	12/20/2013	0.00	200.00

Ventura County Retirement Assn

Check Register - Standard

Period: 06-14 As of: 1/2/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023202	CK	12/20/2013	ADP ADP INC	06-14		018013	VO	ADMIN EXP	12/20/2013	0.00	8,297.62
023203	CK	12/20/2013	AT&T AT & T MOBILITY	06-14		018014	VO	IT	12/20/2013	0.00	216.90
023204	CK	12/20/2013	BARNEY ABU COURT REPORTING INC	06-14		018015	VO	ADMIN EXP	12/20/2013	0.00	610.00
023205	CK	12/20/2013	CORPORATE STAPLES ADVANTAGE	06-14		018016	VO	ADMIN EXP	12/20/2013	0.00	221.94
023206	CK	12/20/2013	GREEN GREENSOURCE INC.	06-14		018017	VO	ADMIN EXP	12/20/2013	0.00	9,000.00
023207	CK	12/20/2013	LINEA LINEA SOLUTIONS	06-14		018018	VO	IT/PAS	12/20/2013	0.00	60,018.75
023208	CK	12/20/2013	MBS MANAGED BUSINESS SOLUT	06-14		018019	VO	PAS	12/20/2013	0.00	12,072.50
023209	CK	12/20/2013	TWC TIME WARNER CABLE	06-14		018020	VO	IT/PAS	12/20/2013	0.00	478.23
023210	CK	12/20/2013	VITECH VITECH SYSTEMS GROUP IN	06-14		018021	VO	IT/PAS	12/20/2013	0.00	2,500.00
023211	CK	12/20/2013	VOLT VOLT	06-14		018022	VO	ADMIN/PAS	12/20/2013	0.00	2,286.84
023212	ZC	12/26/2013	AT&T AT & T MOBILITY	06-14	06-14	017445	VO	ADMIN EXP	7/25/2013	0.00	673.80
023212	ZC	12/26/2013	AT&T AT & T MOBILITY	06-14	06-14	018023	AD	CANCEL	12/23/2013	0.00	-673.80
									Check Total		**0.00**
023213	CK	12/26/2013	121323 KEVIN P. MCCARTHY	06-14		017977	VO	REFUND	12/12/2013	0.00	8,455.39
023214	ZC	12/26/2013	105143B1 JP MORGAN CHASE BANK	06-14	06-14	017994	VO	ROLLOVER	12/20/2013	0.00	37,878.16

Ventura County Retirement Assn

Check Register - Standard

Period: 06-14 As of: 1/2/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023214	ZC	12/26/2013	105143B1 JP MORGAN CHASE BANK	06-14	06-14	018024	AD	CANCEL	12/24/2013	0.00	-37,878.16
									Check Total		**0.00**
023215	CK	12/26/2013	102397 KAREN D. TURSE	06-14		018025	VO	REFUND T2 COL	12/26/2013	0.00	9,358.52
023216	CK	12/26/2013	102946 SUZANNE W. CUEVAS	06-14		018026	VO	REFUND T2 COL	12/26/2013	0.00	8,022.28
023217	CK	12/26/2013	103437 TONY HERNANDEZ	06-14		018027	VO	REFUND T2 COL	12/26/2013	0.00	13,632.12
023218	CK	12/26/2013	103909 ELVIA M. ENRIQUEZ	06-14		018028	VO	REFUND	12/26/2013	0.00	57,263.20
023219	CK	12/26/2013	103909R FIDELITY INVESTMENTS	06-14		018029	VO	ROLLOVER	12/26/2013	0.00	46,159.55
023220	CK	12/26/2013	105372 CHRISTINA K. MINSON	06-14		018030	VO	REFUND T2 COL	12/26/2013	0.00	3,462.70
023221	CK	12/26/2013	116964 LESLIE A. COLVIN	06-14		018031	VO	REFUND	12/26/2013	0.00	8,634.63
023222	CK	12/26/2013	116964R CHARLES SCHWAB	06-14		018032	VO	ROLLOVER	12/26/2013	0.00	22,408.91
023223	CK	12/26/2013	121143 BRANDI N. RIVERA	06-14		018033	VO	REFUND	12/26/2013	0.00	5,943.78
023224	CK	12/26/2013	122570 ILDIKO R. MATE	06-14		018034	VO	REFUND	12/26/2013	0.00	2,251.24
023225	CK	12/26/2013	122678 OLIVER N. CAMALES	06-14		018035	VO	REFUND	12/26/2013	0.00	3,263.94
023226	CK	12/26/2013	122782 ERIC J. LUCE	06-14		018036	VO	REFUND	12/26/2013	0.00	5,133.37
023227	CK	12/26/2013	122826 RAINA J. ANDO	06-14		018037	VO	REFUND	12/26/2013	0.00	2,536.35

Ventura County Retirement Assn

Check Register - Standard

Period: 06-14 As of: 1/2/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023228	CK	12/26/2013	F0942B2 LEAH GAIL HOLLIS	06-14		018038	VO	DEATH BENEFIT	12/26/2013	0.00	1,909.46
023229	CK	12/26/2013	F1462B1 NORTON TRUST DATE SEPTI	06-14		018039	VO	DEATH BENEFIT	12/26/2013	0.00	4,754.21
023230	CK	12/26/2013	F2144B1 VENTURA COUNTY CREDIT U	06-14		018040	VO	ROLLOVER	12/26/2013	0.00	4,816.98
023231	CK	12/26/2013	F2889 MARY LOU GUERRERO	06-14		018041	VO	PENSION PAYMENT	12/26/2013	0.00	834.88
023232	CK	12/26/2013	102661 LORI NEMIROFF	06-14		018042	VO	TRAVEL REIMB	12/26/2013	0.00	204.53
023233	CK	12/26/2013	ACCESS ACCESS INFORMATION MAN	06-14		018043	VO	ADMIN EXP	12/26/2013	0.00	1,349.46
023234	CK	12/26/2013	CALAPRS CALAPRS	06-14		018044	VO	ADMIN/IT EXP	12/26/2013	0.00	2,500.00
023235	CK	12/26/2013	CINTAS CINTAS DOCUMENT MANAGE	06-14		018045	VO	ADMIN EXP	12/26/2013	0.00	245.04
023236	CK	12/26/2013	CORPORATE STAPLES ADVANTAGE	06-14		018046	VO	ADMIN EXP	12/26/2013	0.00	549.07
023237	CK	12/26/2013	COUNTY COUNTY COUNSEL	06-14		018047	VO	LEGAL FEES	12/26/2013	0.00	28,750.00
023238	CK	12/26/2013	CUSTOM CUSTOM PRINTING	06-14		018048	VO	ADMIN EXP	12/26/2013	0.00	241.88
023239	CK	12/26/2013	HANSONBRID HANSON BRIDGETT LLP	06-14		018049	VO	LEGAL FEES	12/26/2013	0.00	1,437.30
023240	CK	12/26/2013	KAUFMAN SHELLEY KAUFMAN	06-14		018050	VO	ADMIN EXP	12/26/2013	0.00	2,625.00

Ventura County Retirement Assn

Check Register - Standard

Period: 06-14 As of: 1/2/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023241	CK	12/26/2013	MANATT MANATT, PHELPS, PHILLIPS	06-14		018051	VO	LEGAL FEES	12/26/2013	0.00	61.20
023242	CK	12/26/2013	NAPPA NAPPA	06-14		018052	VO	ADMIN EXP	12/26/2013	0.00	450.00
023243	CK	12/30/2013	F8617 SUSAN BURKHART	06-14		018053	VO	PENSION PAYMENT	12/30/2013	0.00	7,832.36
023244	CK	12/30/2013	F8618 LISA J. CAUGHLIN	06-14		018054	VO	PENSION PAYMENT	12/30/2013	0.00	1,490.57

Check Count: 121

Acct Sub Total: **895,270.43**

Check Type	Count	Amount Paid
Regular	111	986,431.18
Hand	0	0.00
Electronic Payment	0	0.00
Void	5	-91,160.75
Stub	0	0.00
Zero	5	0.00
Mask	0	0.00
Total:	**121**	**895,270.43**

Company Disc Total **0.00** **Company Total** **895,270.43**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 12/31/2013

Mandate	$ Actual	% of Actual	$ Target	% Target	Permissible Min	Permissible Max	Outside Permissible	Calculated Adjustments	Proposed Adjustments	Closing Balance	Proposed Allocation	After Rebalancing
BlackRock Extended Equity Index Fund	**43,281,890**	1.06%	40,914,810	1.00%	0.5%	2.0%	OK	(2,367,080)		43,281,890	1.06%	OK
Western U.S. Index Plus	**121,431,888**	2.97%	122,744,429	3.00%	2.0%	4.0%	OK	1,312,541		121,431,888	2.98%	OK
BlackRock Equity Market Fund	**1,121,767,099**	27.42%	1,063,785,054	26.00%	22.0%	30.0%	OK	(57,982,045)		1,121,767,099	27.56%	OK
Total U.S. Equities	1,286,480,877	31.44%	1,227,444,293	30.00%	24.5%	36.0%	**OK**	(59,036,584)	-	1,286,480,877	31.61%	**OK**
BlackRock ACWI ex-U.S. Index	**290,890,130**	7.11%	245,488,859	6.00%	4.0%	8.0%	OK	(45,401,271)	(15,200,000)	275,690,130	6.77%	OK
Sprucegrove	**185,640,498**	4.54%	163,659,239	4.00%	3.0%	6.0%	OK	(21,981,259)		185,640,498	4.56%	OK
Hexavest	**80,514,432**	1.97%	81,829,620	2.00%	1.0%	3.0%	OK	1,315,188		80,514,432	1.98%	OK
Walter Scott	**93,660,860**	2.29%	81,829,620	2.00%	1.5%	4.0%	OK	(11,831,240)		93,660,860	2.30%	OK
Total Non-U.S. Equities	650,705,920	15.90%	572,807,337	14.00%	9.5%	21.0%	**OK**	(77,898,583)	(15,200,000)	635,505,920	15.61%	**OK**
GMO (Global)	**209,734,792**	5.13%	204,574,049	5.00%	3.0%	7.0%	OK	(5,160,743)		209,734,792	5.15%	OK
BlackRock MSCI ACWI Equity Index	**212,623,481**	5.20%	204,574,049	5.00%	3.0%	7.0%	OK	(8,049,432)		212,623,481	5.22%	OK
Total Global Equities	422,358,273	10.32%	409,148,098	10.00%	6.0%	14.0%	**OK**	(13,210,175)	-	422,358,273	10.38%	**OK**
Total Equities	2,359,545,070	57.67%	2,209,399,728	54.00%	44.0%	64.0%	**OK**	(150,145,342)	(15,200,000)	2,344,345,070	57.60%	**OK**
Western (Core)	**247,565,929**	6.05%	245,488,859	6.00%	3.0%	9.0%	OK	(2,077,070)	-	247,565,929	6.08%	OK
BlackRock U.S. Debt Fund	**131,068,003**	3.20%	122,744,429	3.00%	3.0%	6.0%	OK	(8,323,574)		131,068,003	3.22%	OK
Reams (Core Plus)	**251,728,906**	6.15%	286,403,668	7.00%	6.0%	9.0%	OK	34,674,762		251,728,906	6.19%	OK
Loomis Sayles (Full Discretion)	**66,934,121**	1.64%	81,829,620	2.00%	1.0%	4.0%	OK	14,895,499		66,934,121	1.64%	OK
Total Domestic Fixed Income	697,296,959	17.04%	736,466,576	18.00%	13.0%	28.0%	**OK**	39,169,617	-	697,296,959	17.13%	**OK**
PIMCO (Global Unhedged)	**122,867,727**	3.00%	122,744,429	3.00%	2.0%	4.0%	OK	(123,298)		122,867,727	3.02%	OK
Loomis Sayles (Strategic Alpha)	**40,842,876**	1.00%	40,914,810	1.00%	0.0%	4.0%	OK	71,934		40,842,876	1.00%	
Loomis Sayles (Global)	**91,531,094**	2.24%	81,829,620	2.00%	1.0%	4.0%	OK	(9,701,474)		91,531,094	2.25%	OK
Total Global Fixed Income	255,241,697	6.24%	245,488,859	6.00%	3.0%	8.0%	**OK**	(9,752,838)	-	255,241,697	6.27%	**OK**
Total Fixed Income	952,538,656	23.28%	981,955,435	24.00%	16.0%	36.0%	**OK**	29,416,779	-	952,538,656	23.40%	**OK**
Prudential Real Estate	**91,883,426**	2.25%	122,744,429	3.00%	2.0%	4.0%	OK	30,861,003		91,883,426	2.26%	OK
UBS Real Estate	**185,881,917**	4.54%	153,430,537	3.75%	3.0%	6.0%	OK	(32,451,380)		185,881,917	4.57%	OK
RREEF	**8,369,326**	0.20%	10,228,702	0.25%	0.0%	1.0%	OK	1,859,376		8,369,326	0.21%	OK
Real Estate	286,134,669	6.99%	286,403,668	7.00%	5.0%	11.0%	**OK**	268,999	-	286,134,669	7.03%	**OK**
Adams Street Partners	**42,445,656**	1.04%	122,744,429	3.00%	1.0%	4.0%	OK	80,298,773		42,445,656	1.04%	OK
Pantheon Ventures	**9,903,934**	0.24%	10,228,702	0.25%	0.0%	2.0%	OK	324,768		9,903,934	0.24%	OK
HarbourVest	**16,646,718**	0.41%	71,600,917	1.75%	0.0%	2.0%	OK	54,954,199	-	16,646,718	0.41%	OK
Private Equity	68,996,308	1.69%	204,574,049	5.00%	1.0%	8.0%	**OK**	135,577,741	-	68,996,308	1.70%	**OK**
Bridgewater (See Note 1)	**254,905,986**	6.23%	286,403,668	7.00%	2.0%	8.0%	OK	31,497,682		254,905,986	6.26%	OK
Tortoise Capital Advisors	**123,023,886**	3.01%	122,744,429	3.00%	1.0%	5.0%	OK	(279,457)		123,023,886	3.02%	OK
Alternatives	377,929,872	9.24%	409,148,098	10.00%	3.0%	13.0%	**OK**	31,218,226	-	377,929,872	9.29%	**OK**
Clifton (Cash Overlay)	**39,988,536**	0.98%	-	0.00%	0.0%	3.0%	OK	(39,988,536)		39,988,536	0.98%	OK
In-House Cash (Treasury)	**6,347,867**	0.16%	-	0.00%	0.0%	3.0%	OK	(6,347,867)	15,200,000	21,547,867	0.53%	OK
Other Assets	46,336,403	1.13%	-	0.00%	0.0%	3.0%	**OK**	(46,336,403)	15,200,000	39,988,536	0.98%	**OK**
Total Investment Portfolio	**4,091,480,978**	**100.00%**	**4,091,480,978**	**100.00%**				**0**	**-**	**4,069,933,111**	**100.00%**	

Note 1 - This amount is estimated based on December 2013 performance as reported by Bridgewater.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
NOVEMBER 30, 2013

ASSETS

CASH & CASH EQUIVALENTS	$60,802,261
RECEIVABLES	
ACCRUED INTEREST AND DIVIDENDS	3,583,318
SECURITY SALES	13,881,359
MISCELLANEOUS	1,900
TOTAL RECEIVABLES	17,466,577
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	95,847,794
DOMESTIC EQUITY INDEX FUNDS	1,175,695,466
INTERNATIONAL EQUITY SECURITIES	356,164,802
INTERNATIONAL EQUITY INDEX FUNDS	287,935,509
GLOBAL EQUITY	416,238,186
PRIVATE EQUITY	57,133,432
DOMESTIC FIXED INCOME - CORE PLUS	558,855,538
DOMESTIC FIXED INCOME - U.S. INDEX	131,853,367
GLOBAL FIXED INCOME	257,323,938
REAL ESTATE	286,383,864
ALTERNATIVES	374,688,550
CASH OVERLAY - CLIFTON	(18,962)
TOTAL INVESTMENTS	3,998,101,482
PENSION SOFTWARE DEVELOPMENT COSTS	3,443,718
TOTAL ASSETS	4,079,814,037

LIABILITIES

SECURITY PURCHASES PAYABLE	16,276,515
ACCOUNTS PAYABLE	153,240
PREPAID CONTRIBUTIONS	92,970,010
TOTAL LIABILITIES	109,399,764
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$3,970,414,273

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2013

ADDITIONS	
CONTRIBUTIONS	
EMPLOYER	$64,403,472
EMPLOYEE	18,461,212
TOTAL CONTRIBUTIONS	**82,864,683**
INVESTMENT INCOME	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	342,544,417
INTEREST INCOME	5,638,183
DIVIDEND INCOME	5,803,655
REAL ESTATE OPERATING INCOME, NET	3,670,505
SECURITY LENDING INCOME	38,476
TOTAL INVESTMENT INCOME	**357,695,236**
LESS INVESTMENT EXPENSES	
MANAGEMENT & CUSTODIAL FEES	3,375,930
SECURITIES LENDING BORROWER REBATES	(20,221)
SECURITIES LENDING MANAGEMENT FEES	24,772
TOTAL INVESTMENT EXPENSES	**3,380,480**
NET INVESTMENT INCOME	**354,314,756**
TOTAL ADDITIONS	**437,179,440**
DEDUCTIONS	
BENEFIT PAYMENTS	89,515,263
MEMBER REFUNDS	1,794,484
ADMINISTRATIVE EXPENSES	2,960,887
TOTAL DEDUCTIONS	**94,270,634**
NET INCREASE/(DECREASE)	**342,908,806**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	**3,627,505,467**
ENDING BALANCE	**$3,970,414,273**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
NOVEMBER 30, 2013

EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$95,847,794	$14,184,402
TOTAL DOMESTIC EQUITY	**95,847,794**	**14,184,402**
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,133,646,419	0
BLACKROCK - EXTENDED EQUITY	42,049,047	1
TOTAL EQUITY INDEX FUNDS	**1,175,695,466**	**1**
INTERNATIONAL EQUITY		
SPRUCEGROVE	183,349,851	0
HEXAVEST	79,483,854	0
WALTER SCOTT	93,331,097	0
TOTAL INTERNATIONAL EQUITY	**356,164,802**	**0**
INTERNATIONAL INDEX FUNDS		
BLACKROCK - ACWIXUS	287,935,509	0
TOTAL INTERNATIONAL INDEX FUNDS	**287,935,509**	**0**
GLOBAL EQUITY		
GRANTHAM MAYO AND VAN OTTERLOO (GMO)	207,161,388	0
BLACKROCK - GLOBAL INDEX	209,076,798	0
TOTAL GLOBAL EQUITY	**416,238,186**	**0**
PRIVATE EQUITY		
ADAMS STREET	37,792,117	0
PANTHEON	8,604,232	0
HARBOURVEST	10,737,083	0
TOTAL PRIVATE EQUITY	**57,133,432**	**0**
FIXED INCOME		
DOMESTIC		
LOOMIS SAYLES AND COMPANY	63,146,656	3,018,286
REAMS	251,393,004	0
WESTERN ASSET MANAGEMENT	244,315,877	6,166,596
TOTAL DOMESTIC	**558,855,538**	**9,184,882**
DOMESTIC INDEX FUNDS		
BLACKROCK - US DEBT INDEX	131,853,367	0
TOTAL DOMESTIC INDEX FUNDS	**131,853,367**	**0**
GLOBAL		
LOOMIS SAYLES AND COMPANY	91,792,360	0
LOOMIS ALPHA	40,578,398	0
PIMCO	124,953,180	579,604
TOTAL GLOBAL	**257,323,938**	**579,604**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
NOVEMBER 30, 2013

REAL ESTATE		
PRUDENTIAL REAL ESTATE	91,858,664	0
RREEF	8,643,282	0
UBS REALTY	185,881,917	0
TOTAL REAL ESTATE	**286,383,864**	**0**
ALTERNATIVES		
BRIDGEWATER	258,962,600	0
TORTOISE (MLP's)	115,725,950	2,805,680
TOTAL ALTERNATIVES	**374,688,550**	**2,805,680**
CASH OVERLAY - CLIFTON GROUP	**(18,962)**	**26,183,853**
IN HOUSE CASH		**7,863,840**
TOTAL INVESTMENTS AND CASH	**$3,998,101,482**	**$60,802,261**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2013

EQUITY MANAGERS	
DOMESTIC	
BLACKROCK - US EQUITY	$57,804
BLACKROCK - EXTENDED EQUITY	3,874
WESTERN ASSET INDEX PLUS	51,932
TOTAL	**113,609**
INTERNATIONAL	
BLACKROCK - ACWIXUS	90,456
SPRUCEGROVE	165,310
HEXAVEST	86,547
WALTER SCOTT	198,021
TOTAL	**540,335**
GLOBAL	
GRANTHAM MAYO VAN OTTERLOO (GMO)	451,367
BLACKROCK - GLOBAL INDEX	14,444
TOTAL	**465,811**
PRIVATE EQUITY	
ADAMS STREET	382,292
HARBOURVEST	113,302
PANTHEON	37,500
TOTAL	**533,094**
FIXED INCOME MANAGERS	
DOMESTIC	
BLACKROCK - US DEBT INDEX	23,066
LOOMIS, SAYLES AND COMPANY	71,175
REAMS ASSET MANAGEMENT	111,311
WESTERN ASSET MANAGEMENT	118,241
TOTAL	**323,793**
GLOBAL	
LOOMIS, SAYLES AND COMPANY	49,566
LOOMIS ALPHA	34,270
PIMCO	88,169
TOTAL	**172,005**
REAL ESTATE	
PRUDENTIAL REAL ESTATE ADVISORS	189,291
RREEF	24,975
UBS REALTY	452,174
TOTAL	**666,440**
ALTERNATIVES	
BRIDGEWATER	170,422
TORTOISE	177,001
TOTAL	**347,423**
CASH OVERLAY - CLIFTON	**42,158**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2013

SECURITIES LENDING	
BORROWERS REBATE	(20,221)
MANAGEMENT FEES	24,772
TOTAL	4,550
OTHER	
INVESTMENT CONSULTANT	122,100
INVESTMENT CUSTODIAN	49,162
TOTAL	171,262
TOTAL INVESTMENT MANAGMENT FEES	$3,380,480

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2013-2014
November 2013 - 41.67% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	Adopted 2013/2014 Budget	Adjusted 2013/2014 Budget	Dec-13	Year to Date Expended	Available Balance	Percent Expended
Salaries & Benefits:						
Salaries	$ 1,725,600.00	$ 1,725,600.00	$ 116,471.46	$ 781,545.93	$ 944,054.07	45.29%
Extra-Help	25,000.00	25,000.00	2,436.28	18,799.72	6,200.28	75.20%
Overtime	1,500.00	1,500.00	0.00	207.66	1,292.34	13.84%
Supplemental Payments	53,700.00	53,700.00	3,702.74	23,602.04	30,097.96	43.95%
Vacation Redemption	87,500.00	87,500.00	8,522.53	61,896.01	25,603.99	70.74%
Retirement Contributions	424,800.00	424,800.00	28,506.05	182,696.13	242,103.87	43.01%
OASDI Contributions	107,800.00	107,800.00	6,227.23	45,744.54	62,055.46	42.43%
FICA-Medicare	27,000.00	27,000.00	1,817.22	12,269.32	14,730.68	45.44%
Retiree Health Benefit	16,200.00	16,200.00	1,351.56	8,109.36	8,090.64	50.06%
Group Health Insurance	170,800.00	170,800.00	12,834.00	77,181.08	93,618.92	45.19%
Life Insurance/Mgmt	1,000.00	1,000.00	76.12	480.91	519.09	48.09%
Unemployment Insurance	2,200.00	2,200.00	139.22	927.68	1,272.32	42.17%
Management Disability Insurance	4,200.00	4,200.00	281.07	1,848.28	2,351.72	44.01%
Worker' Compensation Insurance	10,900.00	10,900.00	796.64	5,366.96	5,533.04	49.24%
401K Plan Contribution	33,800.00	33,800.00	1,805.40	12,374.65	21,425.35	36.61%
Transfers In	60,800.00	60,800.00	3,018.82	29,763.11	31,036.89	48.95%
Transfers Out	(60,800.00)	(60,800.00)	(3,018.82)	(29,763.11)	(31,036.89)	48.95%
Total Salaries & Benefits	$ 2,692,000.00	$ 2,692,000.00	$ 184,967.52	$ 1,233,050.27	$ 1,458,949.73	45.80%
Services & Supplies:						
Telecommunication Services - ISF	$ 46,600.00	$ 46,600.00	$ 3,003.88	$ 16,588.35	$ 30,011.65	35.60%
General Insurance - ISF	12,300.00	12,300.00	6,131.00	6,131.00	6,169.00	49.85%
Office Equipment Maintenance	1,000.00	1,000.00	0.00	165.84	834.16	16.58%
Membership and Dues	9,300.00	9,300.00	2,450.00	6,800.00	2,500.00	73.12%
Education Allowance	6,000.00	6,000.00	0.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	57,300.00	57,300.00	28,619.00	28,619.00	28,681.00	49.95%
Printing Services - Not ISF	6,000.00	6,000.00	241.88	458.05	5,541.95	7.63%
Books & Publications	2,000.00	2,000.00	487.18	957.18	1,042.82	47.86%
Office Supplies	20,000.00	20,000.00	1,919.95	8,670.13	11,329.87	43.35%
Postage & Express	55,000.00	55,000.00	3,662.62	20,248.89	34,751.11	36.82%
Printing Charges - ISF	12,500.00	12,500.00	108.00	108.20	12,391.80	0.87%
Copy Machine Services - ISF	7,100.00	7,100.00	998.97	1,621.02	5,478.98	22.83%
Board Member Fees	11,000.00	11,000.00	1,700.00	5,800.00	5,200.00	52.73%
Professional Services	960,400.00	960,400.00	94,747.24	450,083.74	510,316.26	46.86%
Storage Charges	4,000.00	4,000.00	1,349.46	2,983.62	1,016.38	74.59%
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	0.00	73,955.85	112,444.15	39.68%
Private Vehicle Mileage	8,300.00	8,300.00	867.68	5,456.38	2,843.62	65.74%
Conference, Seminar and Travel	65,000.00	65,000.00	2,025.70	37,917.65	27,082.35	58.33%
Furniture	11,200.00	11,200.00	0.00	9,169.76	2,030.24	81.87%
Facilities Charges	62,200.00	62,200.00	12,354.16	38,842.95	23,357.05	62.45%
Transfers In	11,300.00	11,300.00	544.34	5,366.77	5,933.23	47.49%
Transfers Out	(11,300.00)	(11,300.00)	(544.34)	(5,366.77)	(5,933.23)	47.49%
Total Services & Supplies	$ 1,558,600.00	$ 1,558,600.00	$ 160,666.72	$ 717,046.30	$ 841,553.70	46.01%
Total Sal, Ben, Serv & Supp	$ 4,250,600.00	$ 4,250,600.00	$ 345,634.24	$ 1,950,096.57	$ 2,300,503.43	45.88%
Technology:						
Computer Hardware	$ 22,200.00	$ 15,200.00	$ 270.52	1,863.38	$ 13,336.62	12.26%
Computer Software	46,200.00	36,700.00	0.00	22,879.80	13,820.20	62.34%
Systems & Application Support	419,900.00	451,400.00	8,915.22	144,887.19	306,512.81	32.10%
Pension Administration System	2,494,400.00	2,692,100.00	102,118.82	1,297,526.66	1,394,573.34	48.20%
Total Technology	$ 2,982,700.00	$ 3,195,400.00	$ 111,304.56	$ 1,467,157.03	$ 1,728,242.97	45.91%
Contingency	$ 695,900.00	$ 483,200.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 7,929,200.00	$ 7,929,200.00	$ 456,938.80	$ 3,417,253.60	$ 4,511,946.40	43.10%

Ventura County Employees' Retirement Association

Actuarial Valuation and Review as of June 30, 2013

Segal Consulting

This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

Segal Consulting

100 MONTGOMERY STREET, SUITE 500 SAN FRANCISCO, CA 94104
T 415.263.8200 F 415.376.1167 www.segalco.com

December 9, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2013. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2014-2015 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Plan. The census and financial information on which our calculations were based was provided by the Retirement Association. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

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

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

JWL/hy

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

PURPOSE AND SCOPE

This report has been prepared by Segal Consulting to present a valuation of the Ventura County Employees' Retirement Association as of June 30, 2013. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2013, provided by the Retirement Office;
- The assets of the Plan as of June 30, 2013, provided by the Retirement Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the system’s liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association’s assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the Association’s staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with the prior year’s information.

Please note that the Actuarial Standards Board has adopted Actuarial Standard of Practice (ASOP) No. 4 that provides guidelines for actuaries to follow when measuring pension obligations. For a plan such as that offered by the Retirement Association that may use undistributed excess earnings to provide supplemental benefits, the valuation report must indicate that the impact of any such future use of undistributed excess earnings on the future financial condition of the plan has not been explicitly measured or otherwise reflected in the valuation.

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In 2004, the Board elected to amortize the Association's Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2004 over a declining 15-year period. Any change in the UAAL after June 30, 2004 is amortized over separate 15-year declining amortization periods.

Ref: Pg. 42

Effective with the June 30, 2012 valuation, any change in the UAAL that arises due to assumption changes is amortized over separate 20-year declining amortization periods. Also, any change in the UAAL that arises due to retirement incentives is annualized over separate declining amortization period of up to 5 years.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2014 through June 30, 2015.

SIGNIFICANT ISSUES IN THIS VALUATION

The following key findings were the result of this actuarial valuation:

Ref: Pg. 10

- The market value of assets earned a return of 13.5% for the July 1, 2012 to June 30, 2013 plan year. The valuation value of assets earned a return of 7.0% for the same period due to the deferral of most of the current year investment gains and the recognition of prior investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 7.75%. This actuarial investment loss increased the average employer contribution rate by 0.35% of compensation.

Ref: Pg. 50
Ref: Pg. 41

- The ratio of the valuation value of assets to actuarial accrued liabilities increased from 77.7% to 79.2%. The Association's Unfunded Actuarial Accrued Liability (UAAL) decreased from $976 million as of June 30, 2012 to $953 million as of June 30, 2013. This decrease is primarily due to expected changes in the UAAL, lower than expected individual salary increases offset by lower than expected investment return (on the valuation value of assets) and other experience losses. A complete reconciliation of the Association's UAAL is provided in Section 3, Exhibit H.

Ref: Pg. 20

- The average employer rate increased from 28.27% of payroll to 29.03% of payroll. This increase is primarily due to the investment loss (on the valuation value of assets), lower than expected total payroll growth and other experience losses, offset to some degree by lower than expected individual salary increases. A complete reconciliation of the Association's employer rate is provided in Section 2, Subsection D (see Chart 15).

- The Association approved a three-year phase-in for the change in employer contribution rate due to the changes in economic actuarial assumptions and the actuarial cost method from the June 30, 2012 valuation. This is the second year of the phase-in. The average employer contribution rate after reflecting the phase-in is 28.21% of payroll and is shown in a separate phase-in letter that follows this report. All results shown in this valuation report exclude the effect of the phase-in.

Ref: Pg. 21

- The average member rate increased from 8.53% of payroll to 8.58% of payroll. A complete reconciliation of the member rate is provided in Section 2, Subsection D (see Chart 16).

  Note that based on our discussions with VCERA, we have used the discretion made recently available by AB 1380 to no longer round the PEPRA tier member's contribution rates to the nearest quarter of one percent as previously required by the California Public Employees' Pension Reform Act of 2013 (CalPEPRA). This is consistent with established practice for the Non-PEPRA tier plans and should allow for exactly one-half of the normal cost for the PEPRA tier plans to be paid by the employees and one-half by the employers. In addition, AB 1380 also provides that the "one percent" rule under Section 7522.30(d) does not apply. This section formerly limited the circumstances under which the PEPRA tier member rate would change. AB1380 is effective January 1, 2014 and this report will be adopted after that date with the contribution rates also being effective after that date.

- The results in this report have been prepared using the tiers of benefit provided as of June 30, 2013. In particular, for the first time we have included the results based on demographics of actual members enrolled and reported in the new PEPRA tiers that became available on and after January 1, 2013 under CalPEPRA.

Ref: Pg. 5

- As indicated in Section 2, Subsection B of this report, the net unrecognized investment loss as of June 30, 2013 is $6 million (as compared to an unrecognized loss of $202 million in the June 30, 2012 valuation). This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This means that if the plan earns the assumed rate of investment return of 7.75% per year (net of expenses) on a **market value** basis then the deferred losses will be recognized over the next few years as shown in the footnote to Chart 7.

- The net deferred losses of $6 million represent about 0.2% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $6 million market losses is expected to have a slight impact on the Association's future funded ratio and average employer contribution rate. This potential impact may be illustrated as follows:

  - If the net deferred losses were recognized immediately in the valuation value of assets, the funded ratio would decrease from 79.2% to 79.0%.

  - If the net deferred losses were recognized immediately in the valuation value of assets, the average employer rate would increase from 29.03% to about 29.11% of payroll.

Ref: Pg. 74

- As requested by VCERA staff, Appendix C and Appendix D show the employer and member contribution rates based on a 50/50 sharing of Normal Cost for non-PEPRA Tiers. For purposes of these calculations, we have assumed that the cessation of member contributions after 30 years of service for non-PEPRA members continues per the County Employees Retirement Law (CERL) and that the cost associated with this provision is to be paid for by members with less than 30 years.

- The actuarial valuation report as of June 30, 2013 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

- The Governmental Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redefine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for Plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.

<u>Impact of Future Experience on Contribution Rates</u>

Future contribution requirements may differ from those determined in the valuation because of:

- Differences between actual experience and anticipated experience;

- Changes in actuarial assumptions or methods;

- Changes in statutory provisions; and

- Differences between the contribution rates determined by the valuation and those adopted by the Board.

Summary of Key Valuation Results (all dollar amounts in thousands)

	June 30, 2013		June 30, 2012	
Employer Contribution Rates: [1][2]	Total Rate	Estimated Annual Amount[3]	Total Rate	Estimated Annual Amount[3]
General Tier 1	50.20%	$5,696	37.35%	$5,784
General PEPRA Tier 1	46.11%	506	32.55%	0
General Tier 2	18.68%	39,639	18.42%	39,284
General PEPRA Tier 2	17.03%	539	17.39%	0
General Tier 2C[4]	19.65%	47,316	19.29%	47,506
General PEPRA Tier 2C[4]	17.91%	1,405	17.73%	0
General Combined	19.96%	95,101	19.49%	92,574
Safety	55.68%	90,249	54.57%	86,659
Safety PEPRA	53.56%	92	51.26%	0
Safety Combined	55.68%	90,341	54.57%	86,659
All Categories combined	29.03%	$185,442	28.27%	$179,233
Average Member Contribution Rates: [1][5]	Total Rate	Estimated Annual Amount[3]	Total Rate	Estimated Annual Amount[3]
General Tier 1	9.16%	$1,039	8.97%	$1,389
General PEPRA Tier 1	6.50%	71	5.75%	0
General Tier 2	5.78%	12,267	5.78%	12,327
General PEPRA Tier 2	6.83%	216	7.25%	0
General Tier 2C[4]	8.41%	20,253	8.41%	20,712
General PEPRA Tier 2C[4]	9.46%	742	10.02%	0
Safety	12.44%	20,163	12.35%	19,612
Safety PEPRA	16.14%	28	15.00%	0
All Categories combined	8.58%	$54,779	8.53%	$54,040

(1) *Before reflection of any member rate that may be "picked-up" by the employer. Contributions are assumed to be paid throughout the year.*

(2) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and the actuarial cost method from the June 30, 2012 valuation.*

(3) *Based on projected compensation for each year shown.*

(4) *Throughout this report, this category represents those Tier 2 members who contribute a negotiated 2.63% of compensation for a fixed 2% COLA pursuant to Government Code 31627 that applies to service after March 2003.*

(5) *The non-refundability factors as of June 30, 2013 are 0.94 for General Tier 1 and Tier 2 (non-PEPRA) and 0.98 for Safety Tier 1 (non-PEPRA) are unchanged from June 30, 2012.*

Summary of Key Valuation Results (continued) (all dollar amounts in thousands)

	June 30, 2013	June 30, 2012
Funded Status:		
Actuarial accrued liability(AAL)[1]	$4,575,063	$4,373,227
Valuation value of assets (VVA)[1]	3,621,709	3,397,360
Market value of assets (MVA)	3,627,505	3,209,617
Funded percentage on VVA basis (VVA/AAL)	79.16%	77.69%
Funded percentage on MVA basis (MVA/AAL)	79.29%	73.39%
Unfunded actuarial accrued liability (UAAL) on VVA basis	$953,354	$975,867
Unfunded actuarial accrued liability (UAAL) on MVA basis	947,558	1,163,610
Key Assumptions:		
Interest rate	7.75%	7.75%
Inflation rate	3.25%	3.25%
Across the board salary increase	0.75%	0.75%

(1) *Excludes liabilities and assets held for supplemental medical benefit reserve and statutory contingency reserve.*

Summary of Key Valuation Demographic and Financial Data

	June 30, 2013	June 30, 2012	Percentage Change
Active Members:			
Number of members	8,068	8,019	0.6%
Average age	45.4	45.4	N/A
Average service	11.2	11.1	N/A
Projected total compensation	$638,763,186	$633,847,360	0.8%
Average projected compensation	$79,172	$79,043	0.2%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	4,259	4,056	5.0%
Disability retired	828	828	0.0%
Beneficiaries	801	774	3.5%
Total	5,888	5,658	4.1%
Average age	69.1	68.9	N/A
Average monthly benefit(1)	$2,862	$2,769	3.4%
Vested Terminated Members:			
Number of terminated vested members(2)	2,249	2,161	4.1%
Average age	46.1	45.9	N/A
Total Members:	16,205	15,838	2.3%
Summary of Financial Data **(dollar amounts in thousands):**			
Market value of assets	$3,627,505	$3,209,617	13.0%
Return on market value of assets	13.51%	1.49%	N/A
Actuarial value of assets	$3,633,626	$3,411,149	6.5%
Return on actuarial value of assets	6.97%	5.72%	N/A
Valuation value of assets	$3,621,709	$3,397,360	6.6%
Return on valuation value of assets	7.00%	5.75%	N/A

(1) *Excludes monthly benefits for vested fixed supplemental and supplemental medical benefit amounts.*

(2) *Includes terminated members with member contributions on deposit.*

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1

Member Population: 2004 – 2013

Year Ended June 30	Active Members	Vested Terminated Members[1]	Retired Members and Beneficiaries	Total Non-Actives	Ratio of Non-Actives to Actives
2004	7,626	1,351	4,031	5,382	0.71
2005	7,245	1,713	4,314	6,027	0.83
2006	7,403	1,756	4,570	6,326	0.85
2007	7,653	1,864	4,770	6,634	0.87
2008	7,928	2,007	4,914	6,921	0.87
2009	8,045	2,055	5,041	7,096	0.88
2010	8,003	2,040	5,267	7,307	0.91
2011	8,040	2,097	5,481	7,578	0.94
2012	8,019	2,161	5,658	7,819	0.98
2013	8,068	2,249	5,888	8,137	1.01

[1] *Includes terminated members with member contributions on deposit.*

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 8,068 active members with an average age of 45.4, average service of 11.2 years and average compensation of $79,172. The 8,019 active members in the prior valuation had an average age of 45.4, average service of 11.1 years and average compensation of $79,043.

Among the active members, there were none with unknown age.

Inactive Members

In this year's valuation, there were 2,249 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 2,161 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2013

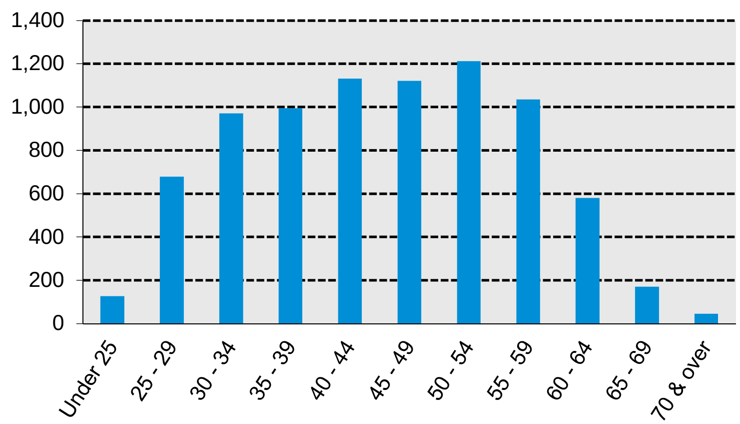
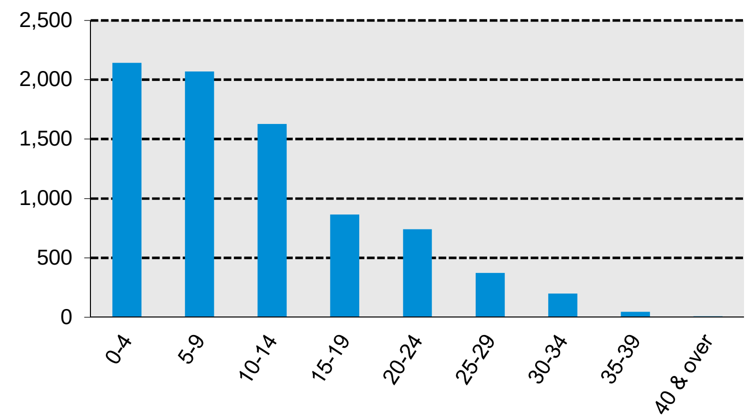


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2013



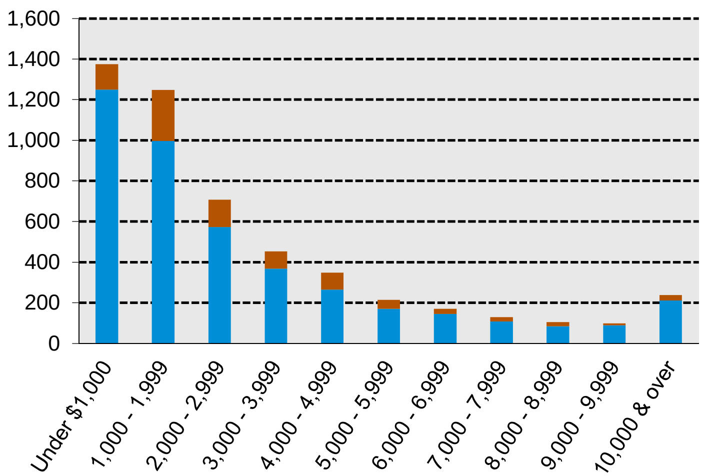
Retired Members and Beneficiaries

As of June 30, 2013, 5,087 retired members and 801 beneficiaries were receiving total monthly benefits of $16,851,966. For comparison, in the previous valuation, there were 4,884 retired members and 774 beneficiaries receiving monthly benefits of $15,665,096. These monthly benefits exclude benefits for vested fixed supplemental and supplemental medical benefit amounts.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4

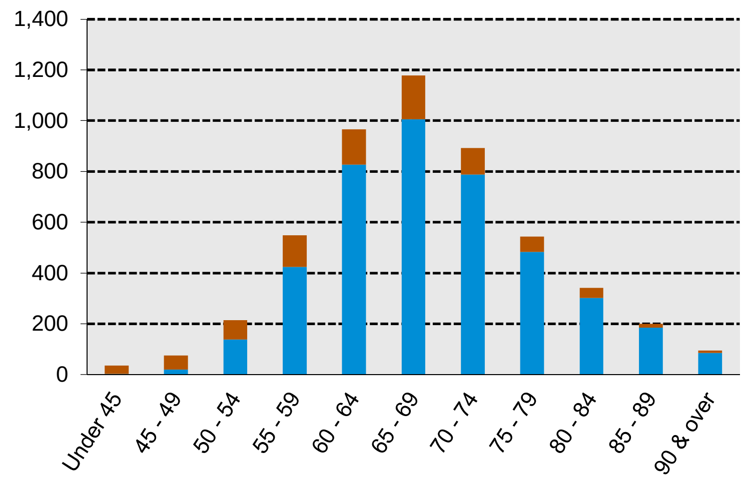
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2013



Disability
Service

CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2013



B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the "non-cash" earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

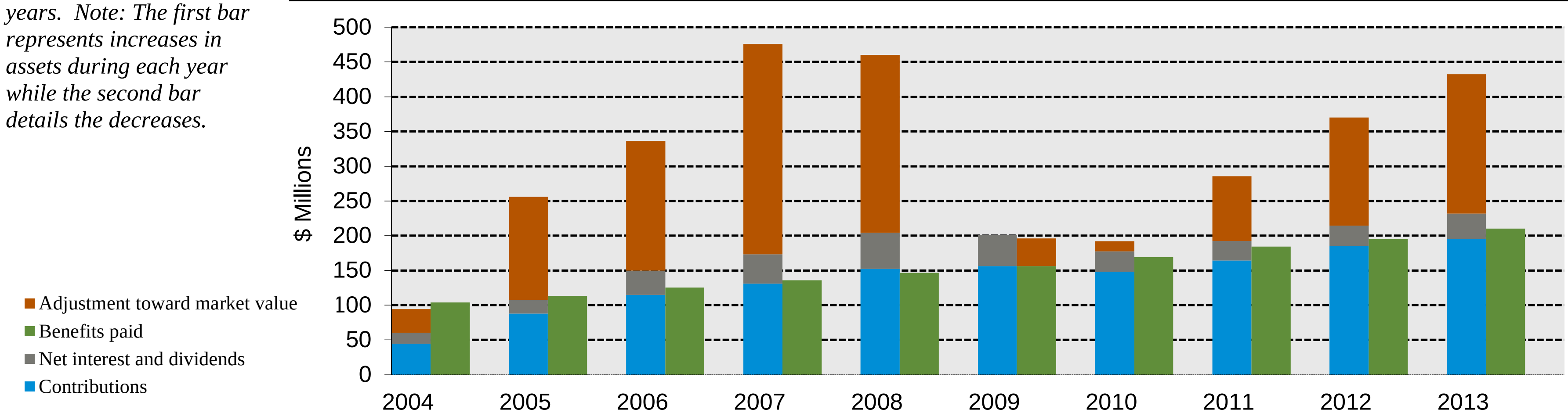
It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2004 – 2013



The chart shows the determination of the actuarial and valuation value of assets as of the valuation date.

CHART 7

Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2013

		Original Amount	Deferral Percentage	Unrecognized Return*
1.	Market Value of Assets			$3,627,505,467
2.	Calculation of unrecognized return	Original Amount	Deferral Percentage	Unrecognized Return*
	(a) Period ended June 30, 2013	$66,644,214	90.00%	$59,979,793
	(b) Period ended December 31, 2012	101,488,670	80.00%	81,190,936
	(c) Period ended June 30, 2012	83,335,657	70.00%	58,334,960
	(d) Period ended December 31, 2011	(283,550,123)	60.00%	(170,130,074)
	(e) Combined deferred loss as of June 30, 2011**	(63,892,227)	55.56%	(35,495,682)
	(f) Total unrecognized return***			(6,120,067)
3.	Actuarial Value of Assets: (1) – (2f)			$3,633,625,534
4.	Actuarial Value as percentage of Market Value			100.2%
5.	Non-valuation reserves:			
	(a) Supplemental medical benefit			$11,916,998
	(b) Statutory contingency			0
	(c) Subtotal			$11,916,998
6.	Valuation Value of Assets: (3) – (5c)			$3,621,708,536

* *Recognition at 10% per six month period over 5 years.*

** *Net deferred loss as of June 30, 2011 was combined and will be recognized over 4.5 years in level semi-annual amounts.*

*** *Deferred return as of June 30, 2013 recognized in each of the next five years:*

(a) Amount Recognized during 2013/2014	*$(20,614,589)*
(b) Amount Recognized during 2014/2015	*(20,614,589)*
(c) Amount Recognized during 2015/2016	*(13,515,453)*
(d) Amount Recognized during 2016/2017	*41,960,143*
(e) Amount Recognized during 2017/2018	*6,664,421*
	$(6,120,067)

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2013

The calculation of the valuation value of assets from June 30, 2012 to June 30, 2013 by category is provided below:

	Allocated Assets for Funding			
	General			
	Tier I	Tier II	Safety	Total
1. Allocated Assets as of Beginning of Plan Year	$624,963,954	$1,306,883,712	$1,465,512,253	$3,397,359,919
2. Member Contributions	443,482	25,278,864	6,304,738	32,027,084
3. Member Buybacks	249,594	1,003,979	337,867	1,591,440
4. Employer Pick-up Contributions Credited to Member Account	220,922	6,010,789	4,613,748	10,845,459
5. Employer Contributions	3,257,479	67,255,287	80,175,075	150,687,841
6. Refunds of Member Contributions and Death Benefits Paid	249,165	4,013,769	456,799	4,719,733
7. Retiree Benefit Payments Excluding Supplemental Medical Payments	72,368,727	49,090,417	81,906,826	203,365,970
8. Subtotal (Items 1 + 2 + 3 + 4 + 5 – 6 – 7)	$556,517,539	$1,353,328,445	$1,474,580,056	$3,384,426,040
9. Weighted Average Fund Balance: Item 1 + ½ of (Items 2, 3, 4, 5) – ½ of (Items 6, 7)	590,740,747	1,330,106,079	1,470,046,155	3,390,892,980
10. Earnings Allocated in Proportion to Item 9	41,337,913	93,076,040	102,868,543	237,282,496
11. Valuation Value of Assets (Items 8 + 10)	$597,855,452	$1,446,404,485	$1,577,448,599	$3,621,708,536

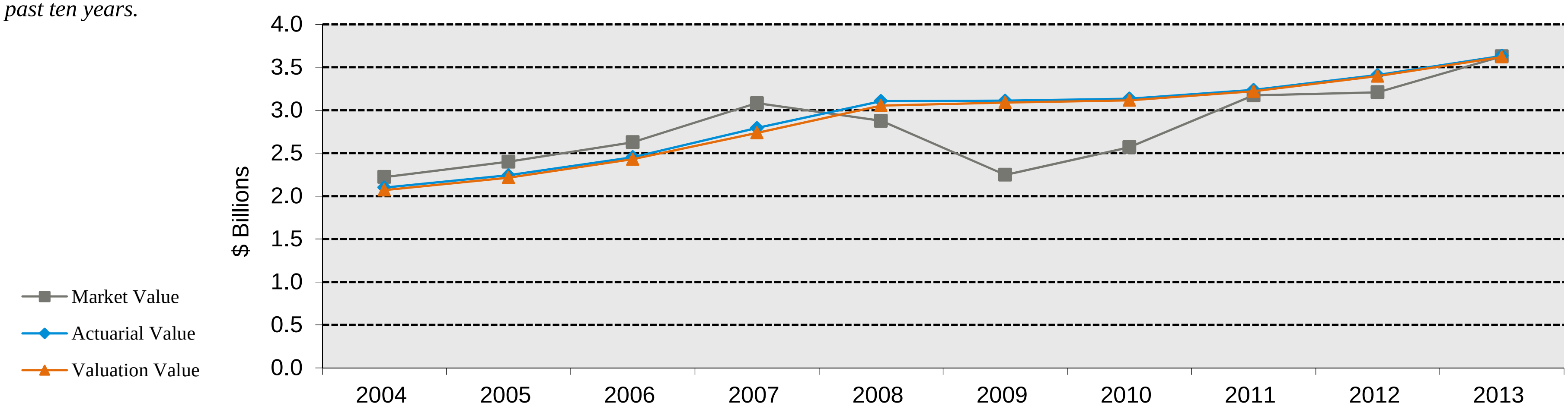
Note: Results may not add due to rounding.

The market value, actuarial value, and valuation value of assets are representations of VCERA's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation value of assets is significant because VCERA's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past ten years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2004 – 2013



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was $15.4 million, a $25.5 million loss from investments, a $36.1 million loss from contribution experience and a $46.2 million gain from all other sources. The net experience variation from individual sources other than investments and contribution experience was 1.0% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 10

Actuarial Experience for Year Ended June 30, 2013

1.	Net loss from investments[1]	$(25,512,000)
2.	Net loss from contribution experience	(36,109,000)
3.	Net gain from other experience[2]	46,186,000
4.	Net experience loss: (1) + (2) + (3)	$(15,435,000)

(1) *Details in Chart 11.*

(2) *See Section 3, Exhibit H. Does not include the effect of plan or assumption changes, if any.*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on VCERA's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 7.75% (based on the June 30, 2012 valuation). The actual rate of return on the valuation value of assets for the 2012/2013 plan year was 7.00%.

Since the actual return for the year was less than the assumed return, the VCERA experienced an actuarial loss during the year ended June 30, 2013 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 11

Investment Experience for Year Ended June 30, 2013 – Market Value, Actuarial Value and Valuation Value of Assets

	Market Value	Actuarial Value	Valuation Value
1. Actual return	$432,694,392	$237,282,497	$237,282,497
2. Average value of assets	3,202,214,141	3,403,746,103	3,390,892,980
3. Actual rate of return: (1) ÷ (2)	13.51%	6.97%	7.00%
4. Assumed rate of return	7.75%	7.75%	7.75%
5. Expected return: (2) x (4)	$248,171,596	$263,790,323	$262,794,206
6. Actuarial gain/(loss): (1) – (5)	$184,522,796	$(26,507,826)	$(25,511,709)

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation, and market basis for the last ten years.

CHART 12

Investment Return – Market Value, Actuarial Value and Valuation Value: 2004 – 2013

	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
Year Ended June 30	Amount	Percent	Amount	Percent	Amount	Percent
2004	$315,448,393	16.28%	$49,628,346	2.39%	$70,837,167	3.49%
2005	203,080,574	9.19	168,122,229	8.05	168,122,229	8.16
2006	238,212,815	9.95	221,191,725	9.88	221,191,725	10.00
2007	458,962,761	17.48	344,644,568	14.06	308,000,514	12.68
2008	(211,806,573)	(6.86)	307,776,354	11.01	310,176,628	11.32
2009	(628,718,568)	(21.86)	5,186,654	0.17	31,242,785	1.02
2010	343,005,717	15.33	43,756,165	1.41	43,756,185	1.42
2011	622,940,028	24.34	121,406,541	3.89	121,406,541	3.91
2012	47,147,363	1.49	184,787,098	5.72	184,909,716	5.75
2013	432,694,392	13.51%	237,282,497	6.97%	237,282,497	7.00%
Total	$1,820,966,902		$1,683,782,177		$1,696,925,987	
Five-Year Average Return		5.82%		3.72%		3.90%
Ten-Year Average Return		6.93%		6.11%		6.21%

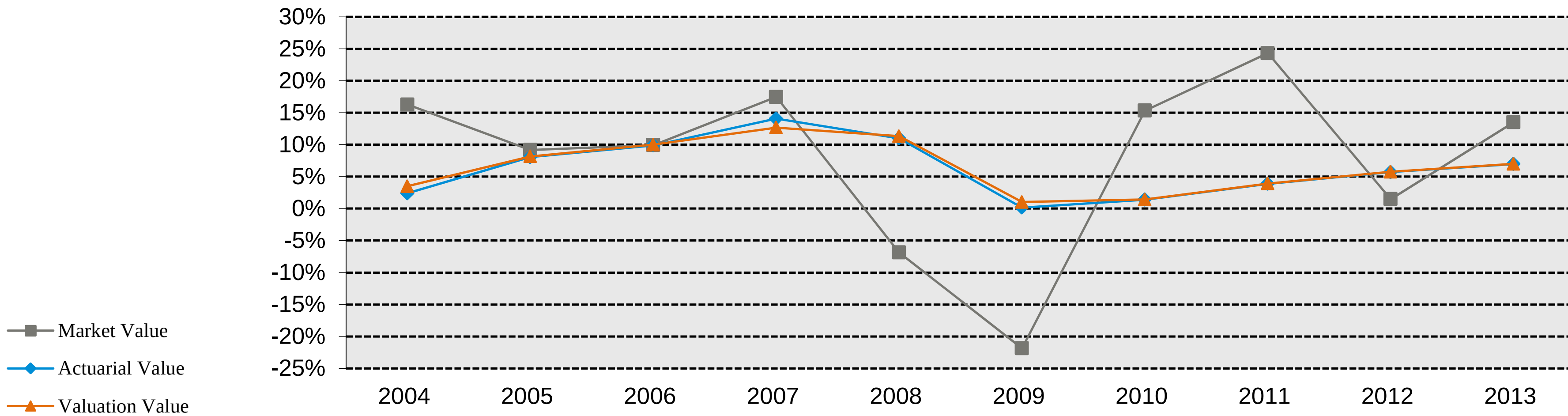
Note: Each year's yield is weighted by the average asset value in that year.

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2004 - 2013.

CHART 13

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2004 - 2013



Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2013 amounted to $46.2 million which is 1.0% of the actuarial accrued liability. This gain was mainly due to individual salary increases less than assumed. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative unfunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the combined annual inflation and "across the board" increases rate of 4.00%. The June 30, 2004 UAAL is being amortized over a 15-year declining period effective June 30, 2004. The change in UAAL that arises due to actuarial gains or losses or due to plan amendments (with the exception of retirement incentives) at each valuation is amortized over its own declining 15-year period. Effective with the June 30, 2012 valuation, any change in UAAL that arises due to changes in actuarial assumptions or methods is amortized over its own declining 20-year period and any change in UAAL due to retirement incentives is amortized over its own declining period of up to 5 years.

VCERA's UAAL is determined separately for each tier depending on the assets and liabilities for that tier.

Effective with the June 30, 2012 valuation, the Basic UAAL rate has been calculated on a combined basis for both General Tier 1 and General Tier 2. The recommended employer contribution rates determined under this combined methodology are provided on Chart 14. For reference purposes only, Appendix E shows the employer contribution rates under the previous non-combined methodology.

Appendix C and Appendix D show the employer and member contribution rates based on a 50/50 sharing of Normal Cost for non-PEPRA Tiers. For purposes of these calculations, we have been directed by VCERA to assume that the cessation of member contributions after 30 years of service for non-PEPRA members continues per the County Employees Retirement Law (CERL) and that the cost associated with this provision is to be paid for by members with less than 30 years.

All employer contribution rates shown in this report are before reflecting the three-year phase-in of the effect of the changes in economic actuarial assumptions and the actuarial cost method from the June 30, 2012 valuation.

Member Contributions
Non-PEPRA Members

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General members and Safety members, respectively. The basic contribution rate is determined so that the accumulation of a member’s basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/120 of Final Average Compensation for General members and 1/100 of Final Average Compensation for Safety members. That age is 55 for General Tier 1 members, 60 for General Tier 2 members and 50 for Safety members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions, General Tier 1 and Safety members pay one-half of the total normal cost necessary to fund their cost-of-living benefits. General Tier 2 members eligible for the fixed 2% cost-of-living benefit contribute a negotiated 2.63% of compensation per year. Member contributions accumulate with interest at the lesser of the assumed investment earning rate or the rate on ten year U.S. Treasury notes. Any difference between the assumed investment earning rate and the actual interest crediting rate will be credited to the County Advance reserve. The Non-PEPRA member contribution rates are provided in Appendix A. Please note that the member rates provided in the report are the full rate before reflecting any employer pickup. Also, in calculating the basic member rate, we follow the Board’s past practice and have not included any in-service pay redemptions that may potentially increase a member's final average compensation and hence retirement benefit.

PEPRA Members

Pursuant to Section 7522.30(a) of the Government Code, members under PEPRA tiers are required to contribute at least 50% of the Normal Cost. In addition, there are certain additional requirements that would have to be met such as requiring the new employees to pay the contribution rate of "similarly situated employees", if it is greater. (reference: Section 7522.30(c)). We further understand that different rules may have to be applied for collectively bargained employees, non-represented, managerial or other supervisory employees. (reference: Section 7522.30(e)). In preparing the Normal Cost rates in this report, we have assumed that exactly 50% of the Normal Cost would be paid by the new members and we have taken into account in this valuation only the requirements of Section 7522.30(c), but not the requirements of Section 7522.30(e). The only exception to this is that we have also shown the PEPRA Tier 2 with COLA contribution rates including the member COLA contribution rate of 2.63% of compensation based on current bargaining agreements.

Also of note is that based on our discussions with VCERA, we have used the discretion made recently available by Section 31620.5(a) of AB 1380 to no longer round the PEPRA member's contribution rates to the nearest one quarter of one percent as was previously required by CalPEPRA. This is consistent with established practice for the Non-PEPRA plans and should allow for exactly one-half of the normal cost for the PEPRA plans to be paid by the employees and one-half by the employers. In addition, Section 31620.5(b) of AB 1380 also provides that the "one percent rule" under Section 7522.30(d) does not apply. This section formerly limited the circumstances under which the PEPRA member rate would change. AB1380 is effective January 1, 2014 and this report will be adopted after that date with the contribution rates also being effective after that date.

The PEPRA member contribution rates are provided in Appendix B.

Tier 2 COLA Procedures

This benefit has been valued consistent with the methodologies described in our October 9, 2006 report entitled "Funding Policies and Procedures for General Tier II COLA Benefit".

CHART 14a

Recommended Employer Contribution Rates (Dollar Amounts in Thousands) – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	8.15%	$925	2.44%	$277	10.59%	$1,202
UAAL[3]	10.20%	1,157	29.41%	3,337	39.61%	4,494
Total Contribution	18.35%	$2,082	31.85%	$3,614	50.20%	$5,696
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL[3]	10.20%	112	29.41%	323	39.61%	435
Total Contribution	14.90%	$164	31.21%	$342	46.11%	$506
General Tier 2 Members w/o COLA						
Normal Cost	8.48%	$17,997	0.00%	$0	8.48%	$17,997
UAAL[3]	10.20%	21,642	0.00%	0	10.20%	21,642
Total Contribution	18.68%	$39,639	0.00%	$0	18.68%	$39,639
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL[3]	10.20%	323	0.00%	0	10.20%	323
Total Contribution	17.03%	$539	0.00%	$0	17.03%	$539
General Tier 2 Members w/COLA						
Normal Cost [4]	8.48%	$20,422	-0.04%	-$97	8.44%	$20,325
UAAL[3][5]	10.20%	24,559	1.01%	2,432	11.21%	26,991
Total Contribution	18.68%	$44,981	0.97%	$2,335	19.65%	$47,316
General PEPRA Tier 2 Members w/COLA						
Normal Cost [4]	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL[3][5]	10.20%	800	1.01%	79	11.21%	879
Total Contribution	17.03%	$1,336	0.88%	$69	17.91%	$1,405
All General Members[6]						
Normal Cost	8.43%	$40,148	0.04%	$189	8.47%	$40,337
UAAL	10.20%	48,593	1.29%	6,171	11.49%	54,764
Total Contribution	18.63%	$88,741	1.33%	$6,360	19.96%	$95,101

CHART 14a (continued)

Recommended Employer Contribution Rates (Dollar Amounts in Thousands) – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	13.96%	$22,627	4.30%	$6,970	18.26%	$29,597
UAAL	42.87%	69,486	-5.45%	-8,834	37.42%	60,652
Total Contribution	56.83%	$92,113	-1.15%	-$1,864	55.68%	$90,249
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.87%	73	-5.45%	-9	37.42%	64
Total Contribution	54.14%	$92	-0.58%	$0	53.56%	$92
All Safety Members[6]						
Normal Cost	13.96%	$22,646	4.30%	$6,979	18.26%	$29,625
UAAL	42.87%	69,559	-5.45%	-8,843	37.42%	60,716
Total Contribution	56.83%	$92,205	-1.15%	-$1,864	55.68%	$90,341
All Categories Combined[6]						
Normal Cost	9.83%	$62,794	1.12%	$7,168	10.95%	$69,962
UAAL	18.50%	118,152	-0.42%	-2,672	18.08%	115,480
Total Contribution	28.33%	$180,946	0.70%	$4,496	29.03%	$185,442

(1) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method from the June 30, 2012 valuation.*

(2) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(3) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*

(4) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(5) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(6) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

CHART 14b

Recommended Employer Contribution Rates (Dollar Amounts in Thousands) – Prior Valuation Under Combined Methodology

	June 30, 2012 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	7.90%	$1,224	2.48%	$384	10.38%	$1,608
UAAL[3]	9.92%	1,536	17.05%	2,640	26.97%	4,176
Total Contribution	17.82%	$2,760	19.53%	$3,024	37.35%	$5,784
General PEPRA Tier 1 Members						
Normal Cost	3.95%	$0	1.63%	$0	5.58%	$0
UAAL[3]	9.92%	0	17.05%	0	26.97%	0
Total Contribution	13.87%	$0	18.68%	$0	32.55%	$0
General Tier 2 Members w/o COLA						
Normal Cost	8.50%	$18,128	0.00%	$0	8.50%	$18,128
UAAL[3]	9.92%	21,156	0.00%	0	9.92%	21,156
Total Contribution	18.42%	$39,284	0.00%	$0	18.42%	$39,284
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	7.47%	$0	0.00%	$0	7.47%	$0
UAAL[3]	9.92%	0	0.00%	0	9.92%	0
Total Contribution	17.39%	$0	0.00%	$0	17.39%	$0
General Tier 2 Members w/COLA						
Normal Cost [4]	8.50%	$20,934	-0.04%	-$99	8.46%	$20,835
UAAL[3][5]	9.92%	24,429	0.91%	2,242	10.83%	26,671
Total Contribution	18.42%	$45,363	0.87%	$2,143	19.29%	$47,506
General PEPRA Tier 2 Members w/COLA						
Normal Cost [4]	7.33%	$0	-0.43%	$0	6.90%	$0
UAAL[3][5]	9.92%	0	0.91%	0	10.83%	0
Total Contribution	17.25%	$0	0.48%	$0	17.73%	$0
All General Members[6]						
Normal Cost	8.48%	$40,286	0.06%	$285	8.54%	$40,571
UAAL	9.92%	47,121	1.03%	4,882	10.95%	52,003
Total Contribution	18.40%	$87,407	1.09%	$5,167	19.49%	$92,574

CHART 14b (continued)

Recommended Employer Contribution Rates (Dollar Amounts in Thousands) – Prior Valuation Under Combined Methodology

	June 30, 2012 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	13.92%	$22,106	4.29%	$6,812	18.21%	$28,918
UAAL	39.72%	63,077	-3.36%	-5,336	36.36%	57,741
Total Contribution	53.64%	$85,183	0.93%	$1,476	54.57%	$86,659
Safety PEPRA Members						
Normal Cost	10.58%	$0	4.32%	$0	14.90%	$0
UAAL	39.72%	0	-3.36%	0	36.36%	0
Total Contribution	50.30%	$0	0.96%	$0	51.26%	$0
All Safety Members[6]						
Normal Cost	13.92%	$22,106	4.29%	$6,812	18.21%	$28,918
UAAL	39.72%	63,077	-3.36%	-5,336	36.36%	57,741
Total Contribution	53.64%	$85,183	0.93%	$1,476	54.57%	$86,659
All Categories Combined[6]						
Normal Cost	9.84%	$62,392	1.12%	$7,097	10.96%	$69,489
UAAL	17.39%	110,198	-0.08%	-454	17.31%	109,744
Total Contribution	27.23%	$172,590	1.04%	$6,643	28.27%	$179,233

(1) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method from the June 30, 2012 valuation.*

(2) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2012 annual payroll (also in thousands) shown below:*

General Tier 1	$15,488
General PEPRA Tier 1	0
General Tier 2	213,275
General PEPRA Tier 2	0
General Tier 2C	246,280
General PEPRA Tier 2C	0
Safety	158,805
Safety PEPRA	0
Total	$633,848

(3) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*

(4) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(5) *Includes 0.51% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(6) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

The chart reconciles the employer contribution from the prior valuation to the amount determined in this valuation.

The employer contribution rates as of June 30, 2013 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Employer Contribution Rate

The chart below details the changes in the recommended average employer contribution rate from the prior valuation to the current year's valuation.

CHART 15

Reconciliation of Recommended Average Employer Contribution Rate from June 30, 2012 to June 30, 2013 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost[1]
Recommended Average Employer Contribution Rate as of June 30, 2012[4]	28.27%	$179,233
Effect of investment loss[2]	0.35%	2,236
Effect of difference in actual versus expected individual salary increases	(0.68)%	(4,344)
Effect of difference in actual versus expected total payroll growth	0.55%	3,513
Effect of difference in actual versus expected contributions due to delay in implementation of contribution rates calculated in June 30, 2012 valuation	0.50%	3,194
Effect of net other changes[3]	0.04%	1,610
Total change	0.76%	$6,209
Recommended Average Employer Contribution Rate as of June 30, 2013[4]	29.03%	$185,442

(1) *Based on projected payroll for each year.*

(2) *The Association's valuation value of assets earned 7.00% which was less than the 7.75% assumed rate of return.*

(3) *Other differences in actual versus expected experience including mortality, disability, withdrawal, retirement and in-service redemption experience. Estimated annual dollar cost also reflects change in payroll from prior valuation.*

(4) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method from the June 30, 2012 valuation.*

The member contribution rates as of June 30, 2013 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Member Contribution Rate

The chart below details the changes in the recommended average member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

CHART 16

Reconciliation of Recommended Average Member Contribution Rate from June 30, 2012 to June 30, 2013

(Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost[1]
Recommended Average Member Contribution Rate in June 30, 2012 Valuation	8.53%	$54,040
Effect of changes in demographic profile of employee group[2]	0.05%	739
Recommended Average Member Contribution Rate in June 30, 2013 Valuation	8.58%	$54,779

(1) *Based on projected payroll for each year.*

(2) *Estimated annual dollar cost also reflects change in payroll from prior valuation.*

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 17 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the valuation value of assets to the actuarial accrued liabilities of the plan as calculated under GASB standards. High ratios indicate a well-funded plan with assets sufficient to cover the Plan's liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 17

Required Versus Actual Contributions

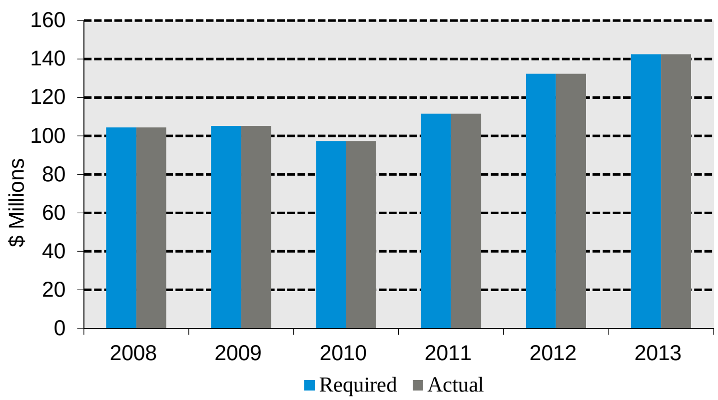
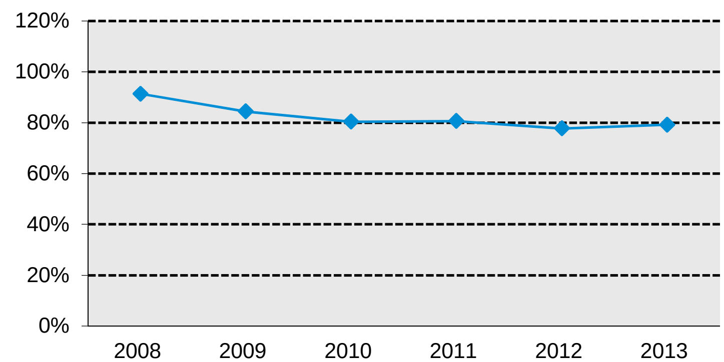


CHART 18

Funded Ratio



F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For VCERA, the current AVR is about 5.7. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 5.7% of one-year's payroll. Since VCERA amortizes actuarial gains and losses over a period of 15 years, there would be a 0.5% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For VCERA, the current LVR is about 7.2. This is about 26% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 19

Volatility Ratios for Years Ended June 30, 2009 – 2013

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2009	3.5	5.8
2010	3.9	5.9
2011	5.0	6.3
2012	5.1	6.9
2013	5.7	7.2

EXHIBIT A

Table of Plan Coverage

i. General Tier 1

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	109	153	-28.8%
Average age	58.7	55.2	N/A
Average service	29.4	26.3	N/A
Projected total compensation[1]	$11,347,554	$15,488,166	-26.7%
Projected average compensation	$104,106	$101,230	2.8%
Account balances	$18,445,454	$23,388,135	-21.1%
Total active vested members	105	134	-21.6%
Vested terminated members[2]	62	63	-1.6%
Retired members:			
Number in pay status	1,539	1,558	-1.2%
Average age	74.2	73.8	N/A
Average monthly benefit[3]	$3,403	$3,238	5.1%
Disabled members:			
Number in pay status	123	127	-3.1%
Average age	72.6	72.0	N/A
Average monthly benefit[3]	$2,244	$2,173	3.3%
Beneficiaries:			
Number in pay status	367	366	0.3%
Average age	79.1	79.0	N/A
Average monthly benefit[3]	$1,451	$1,386	4.7%

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and “across the board” salary increases.*

(2) *Includes terminated members with member contributions on deposit.*

(3) *Excludes vested fixed supplemental and supplemental medical benefit amounts.*

EXHIBIT A (continued)

Table of Plan Coverage

ii. General Tier 2

Category	Year Ended June 30 2013	Year Ended June 30 2012	Change From Prior Year
Active members in valuation:			
Number	6,201	6,376	-2.7%
Average age	46.6	46.2	N/A
Average service	10.7	10.1	N/A
Projected total compensation(1)	$453,050,594	$459,554,673	-1.4%
Projected average compensation	$73,061	$72,076	1.4%
Account balances	$344,670,730	$329,457,543	4.6%
Total active vested members	4,564	4,382	4.2%
Vested terminated members(2)	1,902	1,828	4.0%
Retired members:			
Number in pay status	2,062	1,883	9.5%
Average age	67.3	66.9	N/A
Average monthly benefit(3)	$1,510	$1,425	6.0%
Disabled members:			
Number in pay status	327	323	1.2%
Average age	62.1	61.8	N/A
Average monthly benefit(3)	$1,416	$1,390	1.9%
Beneficiaries:			
Number in pay status	228	211	8.1%
Average age	66.5	66.0	N/A
Average monthly benefit(3)	$799	$751	6.4%

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and “across the board” salary increases.*

(2) *Includes terminated members with member contributions on deposit.*

(3) *Excludes vested fixed supplemental and supplemental medical benefit amounts.*

EXHIBIT A (continued)

Table of Plan Coverage

iii. PEPRA General Tier 1

Category	Year Ended June 30 2013	Year Ended June 30 2012	Change From Prior Year
Active members in valuation:			
Number	18	0	N/A
Average age	26.3	N/A	N/A
Average service	0.2	N/A	N/A
Projected total compensation[1]	$1,099,121	N/A	N/A
Projected average compensation	$61,062	N/A	N/A
Account balances	$4,521	N/A	N/A
Total active vested members	0	0	N/A
Vested terminated members[2]	2	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and "across the board" salary increases.*

(2) *Includes terminated members with member contributions on deposit.*

(3) *Excludes vested fixed supplemental and supplemental medical benefit amounts.*

EXHIBIT A (continued)

Table of Plan Coverage

iv. PEPRA General Tier 2

Category	Year Ended June 30 2013	2012	Change From Prior Year
Active members in valuation:			
Number	235	0	N/A
Average age	35.2	N/A	N/A
Average service	0.2	N/A	N/A
Projected total compensation[1]	$11,009,761	N/A	N/A
Projected average compensation	$46,850	N/A	N/A
Account balances	$207,028	N/A	N/A
Total active vested members	0	0	N/A
Vested terminated members[2]	12	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and "across the board" salary increases.*

(2) *Includes terminated members with member contributions on deposit.*

(3) *Excludes vested fixed supplemental and supplemental medical benefit amounts.*

EXHIBIT A (continued)

Table of Plan Coverage

v. Safety

Category	Year Ended June 30 2013	Year Ended June 30 2012	Change From Prior Year
Active members in valuation:			
Number	1,502	1,490	0.8%
Average age	41.2	41.1	N/A
Average service	13.9	13.9	N/A
Projected total compensation[1]	$162,085,238	$158,804,521	2.1%
Projected average compensation	$107,913	$106,580	1.3%
Account balances	$153,365,442	$150,059,478	2.2%
Total active vested members	1,260	1,221	3.2%
Vested terminated members[2]	271	270	0.4%
Retired members:			
Number in pay status	658	615	7.0%
Average age	65.2	64.8	N/A
Average monthly benefit[3]	$6,981	$6,798	2.7%
Disabled members:			
Number in pay status	378	378	0.0%
Average age	63.1	62.4	N/A
Average monthly benefit[3]	$4,967	$4,824	3.0%
Beneficiaries:			
Number in pay status	206	197	4.6%
Average age	67.3	67.0	N/A
Average monthly benefit[3]	$2,801	$2,751	1.8%

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and "across the board" salary increases.*

(2) *Includes terminated members with member contributions on deposit.*

(3) *Excludes vested fixed supplemental and supplemental medical benefit amounts.*

EXHIBIT A (continued)

Table of Plan Coverage

vi. PEPRA Safety

Category	Year Ended June 30: 2013	2012	Change From Prior Year
Active members in valuation:			
Number	3	0	N/A
Average age	31.8	N/A	N/A
Average service	0.2	N/A	N/A
Projected total compensation[1]	$170,918	N/A	N/A
Projected average compensation	$56,973	N/A	N/A
Account balances	$4,103	N/A	N/A
Total active vested members	0	0	N/A
Vested terminated members[2]	0	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[3]	N/A	N/A	N/A

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and "across the board" salary increases.*

(2) *Includes terminated members with member contributions on deposit.*

(3) *Excludes vested fixed supplemental and supplemental medical benefit amounts.*

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service

i. General Tier 1

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	2	2	- -	- -	- -	- -	- -	- -	- -	- -
	$69,377	$69,378	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	2	2	- -	- -	- -	- -	- -	- -	- -	- -
	73,003	73,004	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	2	- -	- -	1	1	- -	- -	- -	- -	- -
	193,790	- -	- -	$175,454	$212,126	- -	- -	- -	- -	- -
50 - 54	11	- -	1	1	- -	4	1	3	1	- -
	156,800	- -	$171,299	200,770	- -	$209,232	$191,598	$89,990	$54,237	- -
55 - 59	44	- -	1	2	2	2	3	12	21	1
	104,923	- -	217,277	158,497	128,558	150,215	164,450	97,608	84,389	$87,960
60 - 64	37	- -	1	2	3	4	4	9	10	4
	87,298	- -	78,427	164,452	121,515	129,663	61,827	77,352	73,630	64,934
65 - 69	8	- -	1	1	- -	1	- -	2	2	1
	107,145	- -	110,639	98,535	- -	130,614	- -	129,538	104,828	48,640
70 & over	3	- -	- -	- -	- -	- -	- -	- -	2	1
	82,203	- -	- -	- -	- -	- -	- -	- -	100,124	46,360
Total	109	4	4	7	6	11	8	26	36	7
	$104,106	$71,191	$144,410	$160,094	$138,965	$162,421	$116,532	$92,174	$82,573	$63,242

EXHIBIT B (continued)

Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service

ii. General Tier 2

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	52	51	1	- -	- -	- -	- -	- -	- -	- -
	$46,990	$47,215	$35,512	- -	- -	- -	- -	- -	- -	- -
25 - 29	434	324	110	- -	- -	- -	- -	- -	- -	- -
	57,346	58,768	53,159	- -	- -	- -	- -	- -	- -	- -
30 - 34	687	324	289	74	- -	- -	- -	- -	- -	- -
	67,563	67,049	68,446	$66,369	- -	- -	- -	- -	- -	- -
35 - 39	706	212	269	196	29	- -	- -	- -	- -	- -
	68,882	63,270	72,317	70,022	$70,330	- -	- -	- -	- -	- -
40 - 44	831	202	256	231	100	41	1	- -	- -	- -
	75,158	70,255	75,407	80,063	75,429	$70,101	$48,640	- -	- -	- -
45 - 49	876	155	230	226	132	109	24	- -	- -	- -
	76,133	68,602	74,305	75,963	89,900	75,029	73,183	- -	- -	- -
50 - 54	1,005	149	237	213	137	147	86	35	1	- -
	76,749	70,326	74,109	77,761	78,353	78,642	85,215	$80,805	$75,639	- -
55 - 59	887	131	183	170	128	147	81	47	- -	- -
	78,642	72,249	72,066	76,632	79,480	83,257	93,606	86,829	- -	- -
60 - 64	520	72	113	126	65	76	45	23	- -	- -
	75,802	73,254	71,104	76,924	77,346	74,493	85,079	82,537	- -	- -
65 - 69	160	17	38	37	26	28	11	2	1	- -
	76,701	73,566	75,072	79,346	73,601	73,416	92,654	75,102	94,337	- -
70 & over	43	4	15	10	5	3	3	3	- -	- -
	68,530	95,985	60,104	71,395	63,766	76,438	58,217	74,857	- -	- -
Total	6,201	1,641	1,741	1,283	622	551	251	110	2	- -
	$73,061	$65,974	$71,254	$75,784	$79,770	$77,673	$86,606	$83,475	$84,988	- -

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service

iii. PEPRA General Tier 1

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	7	7	- -	- -	- -	- -	- -	- -	- -	- -
	$61,062	$61,062	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	9	9	- -	- -	- -	- -	- -	- -	- -	- -
	61,062	61,062	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	1	1	- -	- -	- -	- -	- -	- -	- -	- -
	61,062	61,062	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	1	1	- -	- -	- -	- -	- -	- -	- -	- -
	61,062	61,062	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
55 - 59	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
60 - 64	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	18	18	- -	- -	- -	- -	- -	- -	- -	- -
	$61,062	$61,062	- -	- -	- -	- -	- -	- -	- -	- -

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service

iv. PEPRA General Tier 2

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	32	32	- -	- -	- -	- -	- -	- -	- -	- -
	$32,713	$32,713	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	64	64	- -	- -	- -	- -	- -	- -	- -	- -
	45,652	45,652	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	47	47	- -	- -	- -	- -	- -	- -	- -	- -
	47,887	47,887	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	30	30	- -	- -	- -	- -	- -	- -	- -	- -
	45,784	45,784	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	19	19	- -	- -	- -	- -	- -	- -	- -	- -
	45,650	45,650	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	16	16	- -	- -	- -	- -	- -	- -	- -	- -
	65,121	65,121	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	7	7	- -	- -	- -	- -	- -	- -	- -	- -
	50,319	50,319	- -	- -	- -	- -	- -	- -	- -	- -
55 - 59	14	14	- -	- -	- -	- -	- -	- -	- -	- -
	55,271	55,271	- -	- -	- -	- -	- -	- -	- -	- -
60 - 64	4	4	- -	- -	- -	- -	- -	- -	- -	- -
	50,736	50,736	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	2	2	- -	- -	- -	- -	- -	- -	- -	- -
	89,382	89,383	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	235	235	- -	- -	- -	- -	- -	- -	- -	- -
	$46,850	$46,850	- -	- -	- -	- -	- -	- -	- -	- -

EXHIBIT B (continued)

Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service

v. Safety

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over
Under 25	35	35	- -	- -	- -	- -	- -	- -	- -	- -
	$79,308	$79,308	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	168	106	62	- -	- -	- -	- -	- -	- -	- -
	81,214	74,736	$92,289	- -	- -	- -	- -	- -	- -	- -
30 - 34	234	50	146	38	- -	- -	- -	- -	- -	- -
	95,110	88,700	96,009	$100,092	- -	- -	- -	- -	- -	- -
35 - 39	256	28	70	127	31	- -	- -	- -	- -	- -
	105,563	93,250	100,644	107,831	$118,499	- -	- -	- -	- -	- -
40 - 44	282	11	21	104	117	29	- -	- -	- -	- -
	111,639	88,016	99,338	108,454	115,614	$124,896	- -	- -	- -	- -
45 - 49	227	4	14	52	57	75	24	1	- -	- -
	115,665	90,485	102,075	104,600	117,266	121,781	$128,811	$116,530	- -	- -
50 - 54	189	4	4	9	18	53	61	40	- -	- -
	130,106	126,062	105,035	107,975	115,240	127,072	132,090	145,682	- -	- -
55 - 59	91	4	4	5	11	16	24	21	6	- -
	128,268	141,226	126,762	97,606	102,700	114,390	131,790	142,129	$167,463	- -
60 - 64	20	- -	3	3	2	5	6	- -	1	- -
	119,254	- -	142,880	117,960	112,587	107,717	126,469	- -	79,983	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	1,502	242	324	338	236	178	115	62	7	- -
	$107,913	$83,236	$97,701	$106,598	$115,736	$122,805	$131,050	$144,008	$154,966	- -

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service

vi. PEPRA Safety

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	2	2	- -	- -	- -	- -	- -	- -	- -	- -
	$41,796	$41,796	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	1	1	- -	- -	- -	- -	- -	- -	- -	- -
	87,327	87,327	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
55 - 59	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
60 - 64	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	3	3	- -	- -	- -	- -	- -	- -	- -	- -
	$56,973	$56,973	- -	- -	- -	- -	- -	- -	- -	- -

EXHIBIT C

Reconciliation of Member Data – June 30, 2012 to June 30, 2013

	Active Members	Vested Terminated Members[1]	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2012	8,019	2,161	4,056	828	774	15,838
New members	565	50	0	0	65	680
Terminations – with vested rights	-213	213	0	0	0	0
Contributions refunds	-112	-58	0	0	0	-170
Retirements	-199	-81	280	0	0	0
New disabilities	-11	-5	-5	21	0	0
Return to work	29	-28	-1	0	0	0
Died with or without beneficiary	-10	-3	-83	-21	-28	-145
Data adjustments	0	0	12	0	-10	2
Number as of June 30, 2013	8,068	2,249	4,259	828	801	16,205

[1] *Includes terminated members with member contributions on deposit.*

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2013		Year Ended June 30, 2012	
Contribution income:				
Employer contributions	$150,687,842		$140,772,726	
Member contributions	44,463,983		44,486,749	
Contribution income		$195,151,825		$185,259,475
Investment income:				
Interest, dividends and other income	$50,691,908		$42,088,643	
Adjustment toward market value [1]	200,561,615		155,520,370	
Less investment and administrative fees	(13,971,026)		(12,821,915)	
Net investment income		$237,282,497		$184,787,098
Total income available for benefits		$432,434,322		$370,046,573
Less benefit payments		$(209,957,957)		$(195,114,694)
Change in reserve for future benefits		$222,476,365		$174,931,879

(1) *Equals the "non-cash" earnings on investments included in the Actuarial Value of Assets.*

EXHIBIT E

Summary Statement of Net Assets

	Year Ended June 30, 2013		Year Ended June 30, 2012	
Cash equivalents		$63,940,819		$118,800,271
Accounts receivable:				
Securities sold	$4,487,879		$29,531,517	
Accrued interest and dividends	3,537,646		5,175,132	
Member and employer contributions	24,075,489		3,754,115	
Other	14,078		21,686	
Total accounts receivable		$32,115,092		$38,482,450
Investments:				
Equities	$2,299,255,552		$1,998,047,913	
Fixed income	884,109,813		840,596,038	
Real estate	283,379,695		283,239,366	
Pension software development cost	3,443,718		686,886	
Investments received on securities lending	50,542,569		94,634,819	
Others	109,469,955		0	
Total investments at market value		$3,630,201,302		$3,217,205,022
Total assets		$3,726,257,213		$3,374,487,743
Liabilities:				
Securities lending	$(50,542,569)		$(94,634,819)	
Security purchases	(45,685,949)		(68,472,851)	
Accounts payable	(2,497,655)		(1,737,362)	
Prepaid contributions	(25,573)		(25,504)	
Total liabilities		$(98,751,746)		$(164,870,536)
Net assets at market value		$3,627,505,467		$3,209,617,207
Net assets at actuarial value		$3,633,625,534		$3,411,149,169
Net assets at valuation value		$3,621,708,536		$3,397,359,919

EXHIBIT F

Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

Actuarial Balance Sheet ($ in 000s)

Assets	June 30, 2013	June 30, 2012
1. Total valuation value of assets	$3,621,709	$3,397,359
2. Present value of future contributions by members	444,668	441,272
3. Present value of future employer contributions for:		
a. Entry age normal cost	524,833	524,608
b. Unfunded actuarial accrued liability	953,354	975,867
4. Total current and future assets	$5,544,564	$5,339,106
Liabilities		
5. Present value of benefits for retirees and beneficiaries	$2,549,515	$2,400,567
6. Present value of benefits for vested terminated members	131,431	125,886
7. Present value of benefits for active members	2,863,618	2,812,653
8. Total liabilities	$5,544,564	$5,339,106

EXHIBIT G
Summary of Allocated Reserves

Reserves

	June 30, 2013	June 30, 2012
Member contributions reserve [1]	$584,474,197	$569,892,474
Employer advance reserve [1]	1,664,856,154	1,488,500,882
Offset: Interest crediting shortfall tracking account [1]	(824,240,436)	(721,502,957)
Retiree reserve [1]	2,051,529,206	1,919,116,136
Supplemental death benefit reserve [1]	13,408,521	12,782,317
Vested fixed supplemental ($108.44) reserve [1]	131,680,894	128,571,067
Undistributed earnings [1]	0	0
Valuation reserves	$3,621,708,536	$3,397,359,919
Supplemental medical ($27.50) reserve [2]	11,916,998	13,789,250
Contingency reserve [2]	0	0
Total reserves (actuarial value)	$3,633,625,534	$3,411,149,169
Market stabilization reserve [2]	(6,120,067)	(201,531,962)
Net market value	$3,627,505,467	$3,209,617,207

(1) *Included in valuation value of assets.*

(2) *Not included in valuation value of assets.*

EXHIBIT H

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2013

1.	Unfunded actuarial accrued liability at beginning of year		$975,867,000
2.	Total Normal Cost payable at middle of year		124,115,000
3.	Expected employer and member contributions		(231,260,000)
4.	Interest (whole year on (1) plus half year on (2) + (3))		69,197,000
5.	Expected unfunded actuarial accrued liability at end of year		$937,919,000
6.	Actuarial (gain)/loss due to all changes:		
	(a) Investment return	$25,512,000	
	(b) Actual contributions less than expected	36,109,000	
	(c) Lower than expected individual salary increases	(49,186,000)	
	(d) Other experience	3,000,000	
	Total changes		$15,435,000
7.	Unfunded actuarial accrued liability at end of year		$953,354,000

Note: Net gain from other experience of $46.2 million (as shown on page 8) is equal to: 6(c) + 6(d).

EXHIBIT I

Table of Amortization Bases

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Payment
General Tier 1	June 30, 2004	Restart of Amortization	$63,394,000	$42,714,000	6	$8,084,000
	June 30, 2005	Actuarial (Gain)/Loss	22,085,000	16,381,000	7	2,703,000
	June 30, 2006	Actuarial (Gain)/Loss	7,048,000	5,637,000	8	828,000
	June 30, 2006	Assumption Change	41,538,000	33,187,000	8	4,873,000
	June 30, 2007	Actuarial (Gain)/Loss	(19,901,000)	(16,876,000)	9	(2,240,000)
	June 30, 2008	Actuarial (Gain)/Loss	(18,128,000)	(16,120,000)	10	(1,958,000)
	June 30, 2009	Actuarial (Gain)/Loss	55,190,000	50,912,000	11	5,717,000
	June 30, 2009	Assumption Change	18,574,000	17,125,000	11	1,923,000
	June 30, 2010	Actuarial (Gain)/Loss	50,018,000	47,485,000	12	4,969,000
	June 30, 2011	Actuarial (Gain)/Loss	36,225,000	35,163,000	13	3,453,000
	June 30, 2012	Actuarial (Gain)/Loss	29,865,000	29,467,000	14	2,731,000
	June 30, 2012	Demographic Assumption Change	38,104,000	38,239,000	19	2,829,000
	June 30, 2012	Economic Assumption Change	19,517,000	19,583,000	19	1,449,000
	June 30, 2013	Actuarial (Gain)/Loss	31,670,000	31,670,000	15	2,784,000
				$334,567,000		$38,145,000
General Tier 2	June 30, 2004	Restart of Amortization	$49,731,000	$33,515,000	6	$6,343,000
	June 30, 2005	Actuarial (Gain)/Loss	7,622,000	5,660,000	7	934,000
	June 30, 2006	Actuarial (Gain)/Loss	(9,108,000)	(7,281,000)	8	(1,069,000)
	June 30, 2006	Assumption Change	19,085,000	15,248,000	8	2,239,000
	June 30, 2006	Plan Provision Change	14,731,000	11,764,000	8	1,727,000
	June 30, 2007	Actuarial (Gain)/Loss	(39,508,000)	(33,509,000)	9	(4,448,000)
	June 30, 2008	Actuarial (Gain)/Loss	(34,794,000)	(30,922,000)	10	(3,757,000)
	June 30, 2009	Actuarial (Gain)/Loss	71,253,000	65,721,000	11	7,380,000
	June 30, 2009	Assumption Change	22,696,000	20,932,000	11	2,350,000
	June 30, 2010	Actuarial (Gain)/Loss	47,615,000	45,209,000	12	4,731,000
	June 30, 2011	Actuarial (Gain)/Loss	(6,949,000)	(6,757,000)	13	(664,000)
	June 30, 2012	Actuarial (Gain)/Loss	(18,106,000)	(17,864,000)	14	(1,656,000)
	June 30, 2012	Demographic Assumption Change	29,420,000	29,523,000	19	2,184,000
	June 30, 2012	Economic Assumption Change	32,874,000	32,995,000	19	2,441,000
	June 30, 2013	Actuarial (Gain)/Loss	(23,823,000)	(23,823,000)	15	(2,095,000)
				$140,411,000		$16,640,000

EXHIBIT I (continued)

Table of Amortization Bases

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Payment
Safety	June 30, 2004	Restart of Amortization	$210,319,000	$141,705,000	6	$26,819,000
	June 30, 2005	Actuarial (Gain)/Loss	19,142,000	14,200,000	7	2,343,000
	June 30, 2006	Actuarial (Gain)/Loss	3,418,000	2,727,000	8	400,000
	June 30, 2006	Assumption Change	42,167,000	33,690,000	8	4,947,000
	June 30, 2007	Actuarial (Gain)/Loss	(37,489,000)	(31,785,000)	9	(4,219,000)
	June 30, 2008	Actuarial (Gain)/Loss	(22,443,000)	(19,938,000)	10	(2,422,000)
	June 30, 2009	Actuarial (Gain)/Loss	78,157,000	72,093,000	11	8,095,000
	June 30, 2009	Assumption Change	49,982,000	46,105,000	11	5,177,000
	June 30, 2010	Actuarial (Gain)/Loss	108,448,000	102,979,000	12	10,776,000
	June 30, 2011	Actuarial (Gain)/Loss	8,879,000	8,621,000	13	847,000
	June 30, 2012	Actuarial (Gain)/Loss	(7,501,000)	(7,395,000)	14	(685,000)
	June 30, 2012	Demographic Assumption Change	55,513,000	55,714,000	19	4,122,000
	June 30, 2012	Economic Assumption Change	51,887,000	52,072,000	19	3,852,000
	June 30, 2013	Actuarial (Gain)/Loss	7,588,000	7,588,000	15	667,000
				$478,376,000		$60,719,000
Total VCERA	June 30, 2004	Restart of Amortization	$323,444,000	$217,934,000	6	$41,246,000
	June 30, 2005	Actuarial (Gain)/Loss	48,849,000	36,241,000	7	5,980,000
	June 30, 2006	Actuarial (Gain)/Loss	1,358,000	1,083,000	8	159,000
	June 30, 2006	Assumption Change	102,790,000	82,125,000	8	12,059,000
	June 30, 2006	Plan Provision Change	14,731,000	11,764,000	8	1,727,000
	June 30, 2007	Actuarial (Gain)/Loss	(96,898,000)	(82,170,000)	9	(10,907,000)
	June 30, 2008	Actuarial (Gain)/Loss	(75,365,000)	(66,980,000)	10	(8,137,000)
	June 30, 2009	Actuarial (Gain)/Loss	204,600,000	188,726,000	11	21,192,000
	June 30, 2009	Assumption Change	91,252,000	84,162,000	11	9,450,000
	June 30, 2010	Actuarial (Gain)/Loss	206,081,000	195,673,000	12	20,476,000
	June 30, 2011	Actuarial (Gain)/Loss	38,155,000	37,027,000	13	3,636,000
	June 30, 2012	Actuarial (Gain)/Loss	4,258,000	4,208,000	14	390,000
	June 30, 2012	Demographic Assumption Change	123,037,000	123,476,000	19	9,135,000
	June 30, 2012	Economic Assumption Change	104,278,000	104,650,000	19	7,742,000
	June 30, 2013	Actuarial (Gain)/Loss	15,435,000	15,435,000	15	1,356,000
				$953,354,000		$115,504,000

EXHIBIT J

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $205,000 for 2013 and $210,000 for 2014. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions. Limits are also affected by the "grandfather" election under Section 415(b)(10).

For Non-PEPRA members, benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the cost allocated to the current year of service.

Actuarial Accrued Liability for Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability for Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded/(Overfunded) Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan.

Amortization of the Unfunded/ (Overfunded) Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

Payroll or Compensation: Compensation Earnable and Pensionable Compensation expected to be paid to active members during the twelve months following the valuation date. Only Compensation Earnable and Pensionable Compensation that would possibly go into the determination of retirement benefits are included.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 801 beneficiaries in pay status)		5,888
2.	Members inactive during year ended June 30, 2013 with vested rights[1]		2,249
3.	Members active during the year ended June 30, 2013		8,068

The actuarial factors as of the valuation date are as follows (amounts in 000s):

1.	Normal cost		$124,741
2.	Present value of future benefits		5,544,564
3.	Present value of future normal costs		969,501
4.	Actuarial accrued liability[2]		4,575,063
	Retired members and beneficiaries	$2,549,515	
	Inactive members with vested rights[1]	131,431	
	Active members	1,894,117	
5.	Valuation value of assets[2] ($3,627,505 at market value as reported by Retirement Association)		3,621,709
6.	Unfunded actuarial accrued liability		$953,354

(1) *Includes terminated members with member contributions on deposit.*

(2) *Excludes liabilities and assets held for supplemental medical benefit reserve and statutory contingency reserve.*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended average employer contribution is as follows (amounts in 000s):	**Dollar Amount**	**% of Payroll**
1. Total normal cost	$124,741	19.53%
2. Expected employee contributions	-54,779	-8.58%
3. Employer normal cost: (1) + (2)	$69,962	10.95%
4. Amortization of unfunded actuarial accrued liability	115,480	18.08%
5. Total recommended average employer contribution: (3) + (4)	$185,442	29.03%
8. Projected compensation	$638,764	

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	$104,429,000	$104,429,000	100.0%
2009	105,278,000	105,278,000	100.0%
2010	97,324,000	97,324,000	100.0%
2011	111,585,000	111,585,000	100.0%
2012	132,386,000	132,386,000	100.0%
2013	142,370,000	142,370,000	100.0%

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2008	$3,055,756,000	$3,345,804,000	$290,048,000	91.33%	$599,173,000	48.41%
06/30/2009	3,090,148,000	3,663,701,000	573,553,000	84.34%	634,777,000	90.36%
06/30/2010	3,115,984,000	3,877,443,000	761,459,000	80.36%	654,829,000	116.28%
06/30/2011	3,220,388,000	3,995,352,000	774,964,000	80.60%	637,037,000	121.65%
06/30/2012	3,397,360,000	4,373,227,000	975,867,000	77.69%	633,848,000	153.96%
06/30/2013	3,621,709,000	4,575,063,000	953,354,000	79.16%	638,764,000	149.25%

(1) *Excludes assets for supplemental medical benefit reserve and statutory contingency reserve.*

(2) *Excludes liabilities held for supplemental medical benefit reserve and statutory contingency reserve.*

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2013
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll (4.00% payroll growth assumed)
Remaining amortization period	15 years for UAAL as of June 30, 2004. Any changes in UAAL after June 30, 2004 are separately amortized over a 15-year closed period effective with that valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.
Asset valuation method	Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the supplemental medical benefit reserve and statutory contingency reserve. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.
Actuarial assumptions:	
Investment rate of return	7.75%[1]
Projected salary increases	4.50% - 12.50%[2] varying by service
Cost of living adjustments	For General Tier 1 and Safety, 3% (actual increases are contingent upon CPI increases with a 3.00% maximum). For General Tier 2, SEIU members receive a fixed 2% cost-of-living adjustment not subject to CPI increases that applies to future service after March 2003.

Plan membership:	
Retired members and beneficiaries receiving benefits	5,888
Terminated members entitled to, but not yet receiving benefits[3]	2,249
Active members	8,068
Total	16,205

(1) *Includes inflation at 3.25%.*
(2) *Includes inflation at 3.25%, "across the board" increases of 0.75%, plus merit and longevity increases. See Exhibit V for these increases.*
(3) *Includes terminated members with member contributions on deposit.*

EXHIBIT V

Actuarial Assumptions and Methods

Actuarial Assumptions

Post – Retirement Mortality Rates:

Healthy:	For all Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year.
Disabled:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set forward five years for males and seven years for females.
	For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year.
	The RP-2000 mortality tables projected with Scale AA to 2010 and adjusted by the applicable set backs and set forwards shown above reasonably reflect the projected mortality experience as of the measurement date. The additional projection to 2025 is a provision for future mortality improvements.
Beneficiaries:	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.
Member Contribution Rates:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year weighted 35% male and 65% female.
	For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year weighted 80% male and 20% female.

Termination Rates Before Retirement:

	Rate (%) Mortality			
	General		Safety	
Age	Male	Female	Male	Female
25	0.03	0.01	0.03	0.01
30	0.04	0.02	0.04	0.02
35	0.06	0.03	0.06	0.03
40	0.09	0.04	0.09	0.04
45	0.10	0.07	0.10	0.07
50	0.13	0.10	0.13	0.10
55	0.19	0.19	0.19	0.19
60	0.40	0.39	0.40	0.39
65	0.79	0.76	0.79	0.76

All pre-retirement deaths are assumed to be non-duty related.

Termination Rates Before Retirement (continued):

	Rate (%) Disability	
Age	General[1]	Safety[2]
25	0.02	0.14
30	0.04	0.26
35	0.08	0.48
40	0.13	0.90
45	0.21	1.16
50	0.40	1.98
55	0.56	3.40
60	0.69	4.60
65	0.90	0.00
70	1.00	0.00

(1) 40% of General disabilities are assumed to be duty disabilities and the other 60% are assumed to be ordinary disabilities.

(2) 90% of Safety disabilities are assumed to be duty disabilities and the other 10% are assumed to be ordinary disabilities.

Termination Rates Before Retirement (continued):

Rate (%)

Withdrawal (Less than Five Years of Service)*

Years of Service	General	Safety
0	15.00	12.00
1	10.00	6.00
2	8.00	5.50
3	7.00	5.00
4	6.00	4.00

Withdrawal (Five or More Years of Service)*

Age	General	Safety
20	6.00	4.00
25	6.00	4.00
30	5.70	3.40
35	4.90	2.40
40	3.90	1.40
45	2.90	0.70
50	2.20	0.20
55	1.70	0.00
60	1.20	0.00
65	1.00	0.00
70	0.00	0.00

* The greater of a refund of member contributions and a deferred annuity is valued when a member withdraws.

No withdrawal is assumed after a member is first assumed to retire.

Retirement Rates:

Age	General Tier 1 and 2	PEPRA General Tier 1 and 2	Safety	PEPRA Safety
40	0.00	0.00	1.00	0.00
41	0.00	0.00	1.00	0.00
42	0.00	0.00	1.00	0.00
43	0.00	0.00	1.00	0.00
44	0.00	0.00	1.00	0.00
45	0.00	0.00	1.00	0.00
46	0.00	0.00	1.00	0.00
47	0.00	0.00	1.00	0.00
48	0.00	0.00	1.00	0.00
49	0.00	0.00	1.00	0.00
50	3.00	0.00	2.00	4.00
51	3.00	0.00	2.00	2.00
52	4.00	2.00	4.00	5.00
53	4.00	2.00	6.00	8.00
54	6.00	3.00	18.00	18.00
55	6.00	5.00	25.00	20.00
56	7.00	5.00	20.00	20.00
57	8.00	6.00	20.00	18.00
58	10.00	7.00	18.00	18.00
59	10.00	8.00	25.00	30.00
60	14.00	10.00	25.00	30.00
61	18.00	12.50	30.00	30.00
62	22.00	20.00	40.00	50.00
63	20.00	20.00	50.00	50.00
64	25.00	20.00	50.00	50.00
65	35.00	25.00	100.00	100.00
66	35.00	30.00	100.00	100.00
67	35.00	30.00	100.00	100.00
68	25.00	30.00	100.00	100.00
69	20.00	30.00	100.00	100.00
70	20.00	50.00	100.00	100.00
71	20.00	50.00	100.00	100.00
72	20.00	50.00	100.00	100.00
73	20.00	50.00	100.00	100.00
74	40.00	50.00	100.00	100.00
75	100.00	100.00	100.00	100.00

Retirement Age and Benefit for Deferred Vested Members:	For deferred vested members, we make the following retirement assumption: General Age: 58 Safety Age: 54 We assume that 50% and 65% of future General and Safety deferred vested members, respectively, will continue to work for a reciprocal employer. For reciprocals, we assume 4.50% compensation increases per annum.
Future Benefit Accruals:	1.0 year of service per year.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Definition of Active Members:	All active members of VCERA as of the valuation date.
Percent Married:	70% of male members and 50% of female members are assumed to be married at pre-retirement death or retirement. There is no explicit assumption for children's benefits.
Age of Spouse:	Female (or male) spouses are 3 years younger (or older) than their spouses.
Net Investment Return:	7.75%, net of investment and administration expenses.
Member Contribution Crediting Rate:	3.25% (Actual increase is based on projected long term ten-year Treasury rate).
Consumer Price Index:	Increase of 3.25% per year; retiree COLA increases due to CPI are subject to a 3.0% maximum change per year for General Tier 1 and Safety. For General Tier 2, SEIU members receive a fixed 2% cost-of-living adjustment, not subject to changes in the CPI, that applies to future service after March 2003.

In-Service Redemptions:

Non-PEPRA Formulas

The following assumptions for in-service redemptions pay as a percentage of final average compensation are used:

General Tier 1	8.00%
General Tier 2	3.50%
Safety	7.50%

For determining the cost of the basic benefit (i.e., non-COLA component), the cost of this pay element is currently recognized in the valuation as an employer only cost and does not affect member contribution rates.

PEPRA Formulas

None

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.25% per year; plus "across the board" salary increases of 0.75% per year; plus the following promotional and merit increases:

Years of Service	General	Safety
Less than 1	5.00%	8.50%
1	3.75	6.25
2	3.00	4.75
3	2.50	4.00
4	2.00	3.00
5	1.50	2.50
6	1.00	2.00
7	1.00	1.50
8	0.75	1.25
9	0.50	1.00
10	0.50	0.75
11	0.50	0.75
12	0.50	0.75
13	0.50	0.75
14	0.50	0.75
15	0.50	0.75
16	0.50	0.50
17	0.50	0.50
18	0.50	0.50
19	0.50	0.50
20 and Over	0.50	0.50

Increase in the Internal Revenue Code Section 401(a)(17) Compensation Limit:	Increase of 3.25% per year from the valuation date.
Increase in Section 7522.10 Compensation Limit:	Increase of 3.25% per year from the valuation date.

<u>Actuarial Methods</u>

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry Age is the age at the member's hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formulas have always been in effect (i.e., "replacement life").

Actuarial Value of Assets: Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a five-year period. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.

Valuation Value of Assets: Actuarial Value of Assets reduced by the value of the supplemental medical benefit reserve and statutory contingency reserve.

Amortization Policy: The UAAL, (i.e., the difference between the Actuarial Accrued Liability and the Valuation Value of Assets), as of June 30, 2011 shall continue to be amortized over separate 15-year period amortization layers based on the valuations during which each separate layer was previously established.

Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 15 years.

Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 20 years.

Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis:

i) with the exception noted in ii., below, the increase in UAAL as a result of any plan amendments will be amortized over a period of 15 years;

ii) the increase in UAAL resulting from a temporary retirement incentive, including the impact of benefits resulting from additional service permitted in Section 31641.04 of the 1937 CERL (Golden Handshake), will be funded over a period of up to 5 years.

The UAAL will be amortized over "closed" amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation.

The UAAL will be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

If an overfunding exists (i.e., the total of all UAAL becomes negative so that there is a surplus), such surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL, will be amortized over 15 years as the first of a new series of amortization layers.

These amortization policy components will apply separately to each of VCERA's UAAL cost groups.

Changes in Actuarial Assumptions and Methods:

New assumptions have been included in this valuation for retirement rates and increases in the Section 7522.10 compensation limit for PEPRA members.

EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of the VCERA included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:	All regular employees of the County of Ventura or contracting district, scheduled to work 64 or more hours biweekly, are eligible to become a member of the Retirement Association subject to classification below:
General Tier 1	All General members with membership dates before June 30, 1979, plus Deputy Sheriff trainees and certain executive management with membership dates before January 1, 2013.
General Tier 2	All General members with membership dates on or after June 30, 1979 and before January 1, 2013, except as noted above for General Tier 1.
Safety	All Safety members with membership dates before January 1, 2013.
PEPRA General Tier 1	Deputy Sheriff trainees and certain executive management with membership dates on or after January 1, 2013.
PEPRA General Tier 2	All General members with membership dates on or after January 1, 2013, except as noted above for PEPRA General Tier 12.
PEPRA Safety	All Safety members with membership dates on or after January 1, 2013.
Final Compensation for Benefit Determination:	
General Tier 1 and Safety	Highest consecutive twelve months of compensation earnable (§31462.1)(FAC1).
General Tier 2	Highest consecutive thirty-six months of compensation earnable (§31462)(FAC3).
PEPRA General Tier 1, PEPRA General Tier 2 and PEPRA Safety	Highest consecutive thirty-six months of pensionable compensation (§7522.32) (FAS3).

Compensation Limit:	
General Tier 1, General Tier 2 and Safety	For members with membership dates on or after July 1, 1996, Compensation Earnable is limited to Internal Revenue Code Section 401(a)(17). The limit for the Plan Year beginning July 1, 2013 is $255,000. The limit is indexed for inflation on an annual basis.
PEPRA General Tier 1, PEPRA General Tier 2 and PEPRA Safety	Pensionable Compensation is limited to $113,700 for 2013 ($136,440, if not enrolled in Social Security). The limit is indexed for inflation on an annual basis.
Service:	Years of service. (Yrs)
Service Retirement Eligibility:	
General	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years, regardless of age (§31672).
Safety	Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years, regardless of age (§31663.25).
PEPRA General	Age 52 with 5 years of service (§7522.20(a)) or age 70 regardless of service (§31672.3).
PEPRA Safety	Age 50 with 5 years of service (§7522.25(d)) or age 70 regardless of service (§31672.3).

Benefit Formula:

	Retirement Age	**Benefit Formula**
General Tier 1 (§31676.11)	50	(1.24%xFAC1 – 1/3x1.24%x$350x12)xYrs
	55	(1.67%xFAC1 – 1/3x1.67%x$350x12)xYrs
	60	(2.18%xFAC1 – 1/3x2.18%x$350x12)xYrs
	62	(2.35%xFAC1 – 1/3x2.35%x$350x12)xYrs
	65 or later	(2.61%xFAC1 – 1/3x2.61%x$350x12)xYrs

	Retirement Age	Benefit Formula
General Tier 2 (§31676.1)	50	(1.18%xFAC3 – 1/3x1.18%x$350x12)xYrs
	55	(1.49%xFAC3 – 1/3x1.49%x$350x12)xYrs
	60	(1.92%xFAC3 – 1/3x1.92%x$350x12)xYrs
	62	(2.09%xFAC3 – 1/3x2.09%x$350x12)xYrs
	65 or later	(2.43%xFAC3 – 1/3x2.43%x$350x12)xYrs

	Retirement Age	Benefit Formula
PEPRA General Tier 1 and PEPRA General Tier 2 (§7522.20(a))	52	(1.00%xFAS3 x Yrs)
	55	(1.30%xFAS3 x Yrs)
	60	(1.80%xFAS3 x Yrs)
	62	(2.00%xFAS3 x Yrs)
	65	(2.30%xFAS3 x Yrs)
	67 or later	(2.50%xFAS3 x Yrs)

	Retirement Age	Benefit Formula
Safety (Non-Integrated) (§31664)	50	(2.00%xFAC1xYrs)
	55	(2.62%xFAC1xYrs)
	60 or later	(2.62%xFAC1xYrs)

	Retirement Age	Benefit Formula
PEPRA Safety (§7522.25(d))	50	(2.00%xFAS3xYrs)
	55	(2.50%xFAS3xYrs)
	57 or later	(2.70%xFAS3xYrs)

Maximum Benefit:

General Tier 1, General Tier 2 and Safety	100% of Highest Average Compensation (§31676.1, §31676.11, §31664)
PEPRA General Tier 1, PEPRA General Tier 2 and PEPRA Safety	None

Ordinary Disability:

General Tier 1, General Tier 2, PEPRA General Tier 1 and PEPRA General Tier 2

Eligibility	Five years of service (§31720).
Benefit Formula	1.5% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65, but total benefit cannot be more than one-third of Final Compensation (§31727).

Safety and PEPRA Safety

Eligibility	Five years of service (§31720).
Benefit Formula	1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 55, but total benefit cannot be more than one-third of Final Compensation (§31727.2).

Line-of-Duty Disability:

All Members

Eligibility	No age or service requirements (§31720).
Benefit Formula	50% of the Final Compensation or 100% of Service Retirement benefit, if larger (§31727.4).

Pre-Retirement Death:

All Members

Less than Five Years of Service	Refund of employee contributions with interest, plus one month’s compensation for each year of service to a maximum of six month’s compensation (§31781).
	50% of Final Compensation or 100% of Service Retirement benefit, if larger, payable to spouse if Line-of-Duty death (§31787).

	An additional lump sum benefit of one-year of compensation is paid if Line-of-Duty death for Safety member (§31787.6).
	OR
Five or More Years of Service	60% of the greater of Service Retirement or Ordinary Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of above.
	An additional lump sum benefit of one-year of compensation is paid if Line-of-Duty death for Safety member (§31787.6).
Death After Retirement:	
All Members	
Service Retirement or Ordinary Disability Retirement	60% of member's unmodified allowance continued to eligible spouse (§31760.1). In addition, there is a $5,000 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31760.2, §31785.1).
Line-of-Duty Disability	100% of member's allowance continued to eligible spouse (§31786). In addition, there is a $5,000 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31786.1).
Withdrawal Benefits:	
Less than Five Years of Service	Refund of accumulated employee contributions with interest (§31628) or entitled to earned benefits commencing at anytime after eligible to retire (§31629.5).
Five or More Years of Service	If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).
Post-retirement	
Cost-of-Living Benefits:	
General Tier 1, Safety, PEPRA General Tier 1 and PEPRA Safety	Future changes based on Consumer Price Index to a maximum of 3% per year, excess "banked" (§31870.1).

General Tier 2 and PEPRA General Tier 2	SEIU members receive a fixed 2% cost-of-living adjustment, not subject to changes in the CPI, that applies to future service after March, 2003. This benefit has been valued consistent with the methodologies described in our October 9, 2006 report entitled "Funding Policies and Procedures for General Tier II COLA Benefit".
Supplemental Benefit:	A supplemental benefit in the amount of $108.44 per month is paid to retirees and their survivors.
Member Contributions:	Please refer to Appendix A for the specific rates.
General Tier 1	
Basic	Provide for an average annuity at age 55 equal to 1/120 of FAC1 (§31621.1).
Cost-of-Living	Provide for one-half of future cost-of-living costs.
General Tier 2	
Basic	Provide for an average annuity at age 60 equal to 1/120 of FAC3 (§31621).
Cost-of-Living	Provide for a fixed 2% cost-of-living increase for SEIU members that applies to service after March 2003 (§31627). The contribution rate is currently a negotiated 2.63% of compensation.
Safety	
Basic	Provide for an average annuity at age 50 equal to 1/100 of FAC1 (§31639.25).
Cost-of-Living	Provide for one-half of future cost-of-living costs.
PEPRA General Tier 1	Provide for 50% of total Normal Cost.
PEPRA General Tier 2	Provide for 50% of total Normal Cost. In addition, for General Tier 2 with COLA members, the current member COLA contribution rate of 2.63% of compensation has been reflected.
PEPRA Safety	Provide for 50% of total Normal Cost.
Other Information:	For Non-PEPRA members hired after November 1974, they will pay a contribution corresponding to a General and Safety member hired at entry age 36 and 27, respectively. Non-PEPRA Safety members with 30 or more years of service are exempt from paying member contributions. The same applies for Non-PEPRA General members hired on or before March 7, 1973.

Plan Changes:	All members with membership dates on or after January 1, 2013 enter the new PEPRA tiers.
Plan Provisions Not Valued:	The Board of Retirement has approved a Supplemental Medical Benefit. This benefit is funded from Undistributed Excess Earnings, paid from a reserve that is not included in the Valuation Value of Assets and is subject at all times to the availability of funds. The Supplemental Medical Benefit is $27.50 per month and is payable to virtually all retirees and beneficiaries.

NOTE: *The summary of major plan provisions is designed to outline principle plan benefits as interpreted for purposes of the actuarial valuation. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary so they can both be sure the proper provisions are valued.*

Appendix A
Member Contribution Rates for Non-PEPRA Members

General Tier 1 Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

	Basic		COLA		Total	
Entry Age	First $350	Over $350	First $350	Over $350	First $350	Over $350
15	3.32%	4.98%	1.18%	1.77%	4.50%	6.75%
16	3.32%	4.98%	1.18%	1.77%	4.50%	6.75%
17	3.38%	5.07%	1.20%	1.80%	4.58%	6.87%
18	3.44%	5.17%	1.23%	1.83%	4.67%	7.00%
19	3.51%	5.26%	1.24%	1.87%	4.75%	7.13%
20	3.57%	5.36%	1.27%	1.90%	4.84%	7.26%
21	3.64%	5.46%	1.29%	1.94%	4.93%	7.40%
22	3.71%	5.56%	1.31%	1.97%	5.02%	7.53%
23	3.77%	5.66%	1.34%	2.01%	5.11%	7.67%
24	3.84%	5.77%	1.37%	2.04%	5.21%	7.81%
25	3.91%	5.87%	1.39%	2.08%	5.30%	7.95%
26	3.99%	5.98%	1.41%	2.12%	5.40%	8.10%
27	4.06%	6.09%	1.44%	2.16%	5.50%	8.25%
28	4.13%	6.20%	1.47%	2.20%	5.60%	8.40%
29	4.21%	6.31%	1.49%	2.24%	5.70%	8.55%
30	4.28%	6.42%	1.52%	2.28%	5.80%	8.70%
31	4.36%	6.54%	1.55%	2.32%	5.91%	8.86%
32	4.44%	6.66%	1.57%	2.36%	6.01%	9.02%
33	4.52%	6.78%	1.60%	2.40%	6.12%	9.18%
34	4.60%	6.90%	1.63%	2.45%	6.23%	9.35%
35	4.68%	7.02%	1.67%	2.50%	6.35%	9.52%
36	4.77%	7.15%	1.69%	2.54%	6.46%	9.69%
37	4.85%	7.28%	1.73%	2.59%	6.58%	9.87%
38	4.94%	7.41%	1.75%	2.63%	6.69%	10.04%
39	5.03%	7.55%	1.79%	2.68%	6.82%	10.23%

General Tier 1 Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

	Basic		COLA		Total	
Entry Age	**First $350**	**Over $350**	**First $350**	**Over $350**	**First $350**	**Over $350**
40	5.13%	7.69%	1.82%	2.73%	6.95%	10.42%
41	5.22%	7.83%	1.85%	2.78%	7.07%	10.61%
42	5.32%	7.98%	1.89%	2.83%	7.21%	10.81%
43	5.42%	8.13%	1.93%	2.89%	7.35%	11.02%
44	5.53%	8.29%	1.96%	2.95%	7.49%	11.24%
45	5.64%	8.46%	2.01%	3.01%	7.65%	11.47%
46	5.75%	8.62%	2.04%	3.06%	7.79%	11.68%
47	5.85%	8.77%	2.07%	3.11%	7.92%	11.88%
48	5.95%	8.93%	2.12%	3.17%	8.07%	12.10%
49	6.04%	9.06%	2.15%	3.22%	8.19%	12.28%
50	6.11%	9.17%	2.18%	3.26%	8.29%	12.43%
51	6.17%	9.25%	2.19%	3.29%	8.36%	12.54%
52	6.21%	9.31%	2.20%	3.31%	8.41%	12.62%
53	6.22%	9.33%	2.21%	3.31%	8.43%	12.64%
54 & Over	6.18%	9.28%	2.20%	3.29%	8.38%	12.57%

Interest:	7.75%
COLA:	3.00%
COLA Loading:	35.49%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year, weighted 35% male and 65% female.
Salary Increase:	See Exhibit V.

Note: All members hired after November 1974, will pay a contribution corresponding to entry age 36. These rates are determined before any pickups by the employer.

General Tier 2 Members' Contribution Rates from the June 30, 2013 Actuarial Valuation (Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

	Basic Only			Basic Only	
Entry Age	**First $350**	**Over $350**	**Entry Age**	**First $350**	**Over $350**
16	2.73%	4.09%	38	4.07%	6.11%
17	2.78%	4.17%	39	4.15%	6.22%
18	2.83%	4.24%	40	4.22%	6.33%
19	2.88%	4.32%	41	4.30%	6.45%
20	2.94%	4.41%	42	4.37%	6.56%
21	2.99%	4.49%	43	4.45%	6.68%
22	3.05%	4.57%	44	4.53%	6.80%
23	3.11%	4.66%	45	4.62%	6.93%
24	3.16%	4.74%	46	4.71%	7.06%
25	3.22%	4.83%	47	4.79%	7.19%
26	3.28%	4.92%	48	4.89%	7.33%
27	3.34%	5.01%	49	4.98%	7.47%
28	3.40%	5.10%	50	5.07%	7.60%
29	3.47%	5.20%	51	5.15%	7.73%
30	3.53%	5.29%	52	5.24%	7.86%
31	3.59%	5.39%	53	5.31%	7.96%
32	3.66%	5.49%	54	5.37%	8.05%
33	3.73%	5.59%	55	5.40%	8.10%
34	3.79%	5.69%	56	5.42%	8.13%
35	3.86%	5.79%	57	5.41%	8.12%
36	3.93%	5.89%	58	5.61%	8.42%
37	4.00%	6.00%	59 & over	5.82%	8.73%

Interest: 7.75%
COLA: SEIU members contribute a negotiated 2.63% for a fixed 2% COLA pursuant to Government Code 31627.
Mortality: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year, weighted 35% male and 65% female.
Salary Increase: See Exhibit V.

Note: All members hired after November 1974, will pay a contribution corresponding to entry age 36. These rates are determined before any pickups by the employer.

Safety Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic	COLA	Total
15	7.69%	4.28%	11.97%
16	7.69%	4.28%	11.97%
17	7.69%	4.28%	11.97%
18	7.69%	4.28%	11.97%
19	7.69%	4.28%	11.97%
20	7.69%	4.28%	11.97%
21	7.69%	4.28%	11.97%
22	7.83%	4.37%	12.20%
23	7.98%	4.45%	12.43%
24	8.13%	4.54%	12.67%
25	8.29%	4.62%	12.91%
26	8.44%	4.71%	13.15%
27	8.61%	4.79%	13.40%
28	8.77%	4.89%	13.66%
29	8.94%	4.98%	13.92%
30	9.11%	5.08%	14.19%
31	9.29%	5.18%	14.47%
32	9.48%	5.28%	14.76%
33	9.67%	5.39%	15.06%
34	9.84%	5.49%	15.33%
35	10.02%	5.59%	15.61%
36	10.21%	5.69%	15.90%
37	10.41%	5.80%	16.21%
38	10.62%	5.91%	16.53%
39	10.84%	6.04%	16.88%
40	11.05%	6.16%	17.21%
41	11.26%	6.27%	17.53%
42	11.45%	6.39%	17.84%

Safety Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic	COLA	Total
43	11.62%	6.48%	18.10%
44	11.76%	6.56%	18.32%
45	11.88%	6.62%	18.50%
46	11.93%	6.65%	18.58%
47	11.94%	6.65%	18.59%
48	11.84%	6.60%	18.44%
49 & Over	11.59%	6.46%	18.05%

Interest: 7.75%
COLA: 3.00%
COLA Loading: 55.72%
Mortality: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year, weighted 80% male and 20% female.
Salary Increase: See Exhibit V.

Note: All members hired after November 1974, will pay a contribution corresponding to entry age 27. These rates are determined before any pickups by the employers.

Appendix B

Member Contribution Rates for PEPRA Members

	Basic	COLA	Total
General Tier 1	4.70%	1.80%	6.50%
General Tier 2 without COLA	6.83%	0.00%	6.83%
General Tier 2 with COLA	6.83%	2.63%[1]	9.46%
Safety	11.27%	4.87%	16.14%

The PEPRA member contribution rate is 50% of the Normal Cost.

[1] *General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.*

Note: It is our understanding that in the determination of pension benefits under the PEPRA tier formulas, the compensation that can be taken into account for 2013 is equal to the Social Security Taxable Wage Base or $113,700. (For an employer that is not enrolled in Social Security, the maximum amount is $136,440 or 120% of the Social Security Taxable Wage Base) (reference Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2013 (reference Section 7522.10(d)).

Appendix C

Employer Contribution Rates (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	7.46%	$847	2.42%	$274	9.88%	$1,121
UAAL[3]	10.20%	1,157	29.41%	3,337	39.61%	4,494
Total Contribution	17.66%	$2,004	31.83%	$3,611	49.49%	$5,615
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL[3]	10.20%	112	29.41%	323	39.61%	435
Total Contribution	14.90%	$164	31.21%	$342	46.11%	$506
General Tier 2 Members w/o COLA						
Normal Cost	7.16%	$15,196	0.00%	$0	7.16%	$15,196
UAAL[3]	10.20%	21,642	0.00%	0	10.20%	21,642
Total Contribution	17.36%	$36,838	0.00%	$0	17.36%	$36,838
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL[3]	10.20%	323	0.00%	0	10.20%	323
Total Contribution	17.03%	$539	0.00%	$0	17.03%	$539
General Tier 2 Members w/COLA						
Normal Cost[4]	7.16%	$17,243	-0.04%	-$96	7.12%	$17,147
UAAL[3][5]	10.20%	24,559	1.01%	2,432	11.21%	26,991
Total Contribution	17.36%	$41,802	0.97%	$2,336	18.33%	$44,138
General PEPRA Tier 2 Members w/COLA						
Normal Cost[4]	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL[3][5]	10.20%	800	1.01%	79	11.21%	879
Total Contribution	17.03%	$1,336	0.88%	$69	17.91%	$1,405
All General Members[6]						
Normal Cost	7.15%	$34,090	0.04%	$187	7.19%	$34,277
UAAL	10.20%	48,593	1.29%	6,171	11.49%	54,764
Total Contribution	17.35%	$82,683	1.33%	$6,358	18.68%	$89,041

Appendix C (continued)

Employer Contribution Rates (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	11.00%	$17,829	4.37%	$7,083	15.37%	$24,912
UAAL	42.87%	69,486	-5.45%	-8,834	37.42%	60,652
Total Contribution	53.87%	$87,315	-1.08%	-$1,751	52.79%	$85,564
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.87%	73	-5.45%	-9	37.42%	64
Total Contribution	54.14%	$92	-0.58%	$0	53.56%	$92
All Safety Members[6]						
Normal Cost	11.00%	$17,848	4.37%	$7,092	15.37%	$24,940
UAAL	42.87%	69,559	-5.45%	-8,843	37.42%	60,716
Total Contribution	53.87%	$87,407	-1.08%	-$1,751	52.79%	$85,656
All Categories Combined[6]						
Normal Cost	8.13%	$51,938	1.14%	$7,279	9.27%	$59,217
UAAL	18.50%	118,152	-0.42%	-2,672	18.08%	115,480
Total Contribution	26.63%	$170,090	0.72%	$4,607	27.35%	$174,697

(1) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method from the June 30, 2012 valuation.*

(2) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(3) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*

(4) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(5) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(6) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

Appendix D

Member Contribution Rates Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers

	Basic		COLA		Total	
	First $350	Over $350	First $350	Over $350	First $350	Over $350
General Tier 1[(1)]	5.25%	7.87%	1.70%	2.56%	6.95%	10.43%
General Tier 2 without COLA	4.87%	7.30%	0.00%	0.00%	4.87%	7.30%
General Tier 2 COLA	4.87%	7.30%	2.63%[(2)]	2.63%[(2)]	7.50%	9.93%
Safety[(3)]	11.83%	11.83%	4.70%	4.70%	16.53%	16.53%

(1) The total member rate over $350 has been adjusted by 0.42% (and by 0.28% for the first $350) so that member contributions total 50% of the total dollar Normal Cost after accounting for the cessation of member contributions after 30 years of service.

(2) General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

(3) The total member rate has been adjusted by 1.16% so that member contributions total 50% of the total dollar Normal Cost after accounting for the cessation of member contributions after 30 years of service.

Appendix E

Employer Contribution Rates (Dollar Amounts in Thousands) For Reference Purposes Only – Current Valuation Under Non-Combined Methodology

	June 30, 2013 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	8.15%	$925	2.44%	$277	10.59%	$1,202
UAAL[3]	277.05%	31,440	29.41%	3,337	306.46%	34,777
Total Contribution	285.20%	$32,365	31.85%	$3,614	317.05%	$35,979
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL[3]	277.05%	3,045	29.41%	323	306.46%	3,368
Total Contribution	281.75%	$3,097	31.21%	$342	312.96%	$3,439
General Tier 2 Members w/o COLA						
Normal Cost	8.48%	$17,997	0.00%	$0	8.48%	$17,997
UAAL[3]	3.04%	6,452	0.00%	0	3.04%	6,452
Total Contribution	11.52%	$24,449	0.00%	$0	11.52%	$24,449
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL[3]	3.04%	96	0.00%	0	3.04%	96
Total Contribution	9.87%	$312	0.00%	$0	9.87%	$312
General Tier 2 Members w/COLA						
Normal Cost [4]	8.48%	$20,422	-0.04%	-$97	8.44%	$20,325
UAAL[3][5]	3.04%	7,321	1.01%	2,432	4.05%	9,753
Total Contribution	11.52%	$27,743	0.97%	$2,335	12.49%	$30,078
General PEPRA Tier 2 Members w/COLA						
Normal Cost [4]	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL[3][5]	3.04%	239	1.01%	79	4.05%	318
Total Contribution	9.87%	$775	0.88%	$69	10.75%	$844
All General Members						
Normal Cost	8.43%	$40,148	0.04%	$189	8.47%	$40,337
UAAL	10.20%	48,593	1.29%	6,171	11.49%	54,764
Total Contribution	18.63%	$88,741	1.33%	$6,360	19.96%	$95,101

Appendix E (continued)

Employer Contribution Rates (Dollar Amounts in Thousands) For Reference Purposes Only – Current Valuation Under <u>Non-Combined</u> Methodology

	June 30, 2013 Actuarial Valuation[(1)]					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[(2)]	Rate	Estimated Annual Amount[(2)]	Rate	Estimated Annual Amount[(2)]
Normal Cost	13.96%	$22,627	4.30%	$6,970	18.26%	$29,597
UAAL	42.87%	69,486	-5.45%	-8,834	37.42%	60,652
Total Contribution	56.83%	$92,113	-1.15%	-$1,864	55.68%	$90,249
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.87%	73	-5.45%	-9	37.42%	64
Total Contribution	54.14%	$92	-0.58%	$0	53.56%	$92
All Safety Members						
Normal Cost	13.96%	$22,646	4.30%	$6,979	18.26%	$29,625
UAAL	42.87%	69,559	-5.45%	-8,843	37.42%	60,716
Total Contribution	56.83%	$92,205	-1.15%	-$1,864	55.68%	$90,341
All Categories Combined						
Normal Cost	9.83%	$62,794	1.12%	$7,168	10.95%	$69,962
UAAL	18.50%	118,152	-0.42%	-2,672	18.08%	115,480
Total Contribution	28.33%	$180,946	0.70%	$4,496	29.03%	$185,442

(1) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method from the June 30, 2012 valuation.*

(2) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(3) *Basic UAAL rates have <u>not</u> been calculated on a combined basis for all General Tiers.*

(4) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(5) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

Appendix E (continued)

Employer Contribution Rates (Dollar Amounts in Thousands) For Reference Purposes Only – Prior Valuation Under Non-Combined Methodology

	June 30, 2012 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	7.90%	$1,224	2.48%	$384	10.38%	$1,608
UAAL[3]	202.47%	31,359	17.05%	2,640	219.52%	33,999
Total Contribution	210.37%	$32,583	19.53%	$3,024	229.90%	$35,607
General PEPRA Tier 1 Members						
Normal Cost	3.95%	$0	1.63%	$0	5.58%	$0
UAAL[3]	202.47%	0	17.05%	0	219.52%	0
Total Contribution	206.42%	$0	18.68%	$0	225.10%	$0
General Tier 2 Members w/o COLA						
Normal Cost	8.50%	$18,128	0.00%	$0	8.50%	$18,128
UAAL[3]	3.43%	7,315	0.00%	0	3.43%	7,315
Total Contribution	11.93%	$25,443	0.00%	$0	11.93%	$25,443
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	7.47%	$0	0.00%	$0	7.47%	$0
UAAL[3]	3.43%	0	0.00%	0	3.43%	0
Total Contribution	10.90%	$0	0.00%	$0	10.90%	$0
General Tier 2 Members w/COLA						
Normal Cost [4]	8.50%	$20,934	-0.04%	-$99	8.46%	$20,835
UAAL[3][5]	3.43%	8,447	0.91%	2,242	4.34%	10,689
Total Contribution	11.93%	$29,381	0.87%	$2,143	12.80%	$31,524
General PEPRA Tier 2 Members w/COLA						
Normal Cost [4]	7.33%	$0	-0.43%	$0	6.90%	$0
UAAL[3][5]	3.43%	0	0.91%	0	4.34%	0
Total Contribution	10.76%	$0	0.48%	$0	11.24%	$0
All General Members						
Normal Cost	8.48%	$40,286	0.06%	$285	8.54%	$40,571
UAAL	9.92%	47,121	1.03%	4,882	10.95%	52,003
Total Contribution	18.40%	$87,407	1.09%	$5,167	19.49%	$92,574

Appendix E (continued)

Employer Contribution Rates (Dollar Amounts in Thousands) For Reference Purposes Only – Prior Valuation Under Non-Combined Methodology

	June 30, 2012 Actuarial Valuation[(1)]					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[(2)]	Rate	Estimated Annual Amount[(2)]	Rate	Estimated Annual Amount[(2)]
Normal Cost	13.92%	$22,106	4.29%	$6,812	18.21%	$28,918
UAAL	39.72%	63,077	-3.36%	-5,336	36.36%	57,741
Total Contribution	53.64%	$85,183	0.93%	$1,476	54.57%	$86,659
Safety PEPRA Members						
Normal Cost	10.58%	$0	4.32%	$0	14.90%	$0
UAAL	39.72%	0	-3.36%	0	36.36%	0
Total Contribution	50.30%	$0	0.96%	$0	51.26%	$0
All Safety Members						
Normal Cost	13.92%	$22,106	4.29%	$6,812	18.21%	$28,918
UAAL	39.72%	63,077	-3.36%	-5,336	36.36%	57,741
Total Contribution	53.64%	$85,183	0.93%	$1,476	54.57%	$86,659
All Categories Combined						
Normal Cost	9.84%	$62,392	1.12%	$7,097	10.96%	$69,489
UAAL	17.39%	110,198	-0.08%	-455	17.31%	109,744
Total Contribution	27.23%	$172,590	1.04%	$6,643	28.27%	$179,233

(1) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method from the June 30, 2012 valuation.*

(2) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2012 annual payroll (also in thousands) shown below:*

General Tier 1	$15,488
General PEPRA Tier 1	0
General Tier 2	213,275
General PEPRA Tier 2	0
General Tier 2C	246,280
General PEPRA Tier 2C	0
Safety	158,805
Safety PEPRA	0
Total	$633,848

(3) *Basic UAAL rates have not been calculated on a combined basis for all General Tiers.*

(4) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(5) *Includes 0.51% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

5249794v1/05325.002

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

December 9, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Employees' Retirement Association
Three-Year Phase-in of Employer Contribution Rates

Dear Members of the Board:

The Board elected to phase-in (over a three-year period) the impact of the new economic actuarial assumptions and the new individual Entry Age Normal actuarial cost method on the employer contribution rates as calculated in the June 30, 2012 Actuarial Valuation. This letter provides the second year "phased-in" employer contribution rates for the 2014/2015 fiscal year by cost group in the enclosed Exhibit A and the "phased-in" employer contribution rates based on a 50/50 sharing of Normal Cost for non-PEPRA Tiers in the enclosed Exhibit B.

Phase-in of Employer Contribution Rates for 2014/2015

The following table shows the full impact, by cost group, of the previously adopted economic actuarial assumptions and actuarial cost method on the employer contribution rate for the 2013/2014 fiscal year based on the June 30, 2012 Actuarial Valuation. The impact is measured as a percentage of compensation. These percentages are the portion of the increase in the total employer contribution rates from the 2012 valuation that will be phased-in over three years to Unfunded Actuarial Accrued Liability (UAAL) employer contribution rate components.

Cost Group:	Impact of New Economic Actuarial Assumptions and New Actuarial Cost Method:
General Tier 1 members	6.29% of compensation
General Tier 2 members without COLA	1.86% of compensation
General Tier 2 members with COLA	2.14% of compensation
All General members	2.15% of compensation
All Safety members	3.41% of compensation
All categories combined	2.45% of compensation

Exhibit A shows the "phased-in" employer contribution rates for the 2014/2015 fiscal year. The total rates for each cost group in this Exhibit (as compared with the June 30, 2013 actuarial valuation) reflect only two-third of the increase due to the new economic actuarial assumptions and the new actuarial cost method in the June 30, 2012 Actuarial Valuation.

Exhibit B shows the same "phased-in" employer contribution rates for the 2014/2015 fiscal year but based on a 50/50 sharing of Normal Cost methodology for non-PEPRA Tiers. For purposes of these calculations, we have been directed by VCERA to assume that the cessation of member contributions after 30 years of service for non-PEPRA members is in effect and that the member cost associated with this provision is to be paid for by members with less than 30 years.

All of these rates may be adopted in conjunction with the June 30, 2013 Actuarial Valuation for the fiscal year that extends from July 1, 2014 through June 30, 2015.

Note that different changes are reflected in the detailed components of the employer contribution rates depending on the effect of the new economic actuarial assumptions and the new actuarial cost method on that specific rate component.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Respectfully submitted,

John Monroe

Paul Angelo, FSA, MAAA, FCA, EA	John Monroe, ASA, MAAA, EA
Senior Vice President and Actuary	Vice President and Associate Actuary

AW/kek

Exhibit A

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount(1)	Rate	Estimated Annual Amount(1)	Rate	Estimated Annual Amount(1)
Normal Cost	8.15%	$925	2.44%	$277	10.59%	$1,202
UAAL(2)	9.63%	1,093	27.88%	3,164	37.51%	4,257
Total Contribution	17.78%	$2,018	30.32%	$3,441	48.10%	$5,459
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL(2)	9.63%	106	27.88%	306	37.51%	412
Total Contribution	14.33%	$158	29.68%	$325	44.01%	$483
General Tier 2 Members w/o COLA						
Normal Cost	8.48%	$17,997	0.00%	$0	8.48%	$17,997
UAAL(2)	9.58%	20,332	0.00%	0	9.58%	20,332
Total Contribution	18.06%	$38,329	0.00%	$0	18.06%	$38,329
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL(2)	9.58%	303	0.00%	0	9.58%	303
Total Contribution	16.41%	$519	0.00%	$0	16.41%	$519
General Tier 2 Members w/COLA						
Normal Cost(3)	8.48%	$20,422	-0.04%	-$97	8.44%	$20,325
UAAL(2)(4)	9.58%	23,071	0.92%	2,215	10.50%	25,286
Total Contribution	18.06%	$43,493	0.88%	$2,118	18.94%	$45,611
General PEPRA Tier 2 Members w/COLA						
Normal Cost(3)	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL(2)(4)	9.58%	752	0.92%	72	10.50%	824
Total Contribution	16.41%	$1,288	0.79%	$62	17.20%	$1,350
All General Members(5)						
Normal Cost	8.43%	$40,148	0.04%	$189	8.47%	$40,337
UAAL	9.58%	45,657	1.21%	5,757	10.79%	51,414
Total Contribution	18.01%	$85,805	1.25%	$5,946	19.26%	$91,751

Exhibit A (continued)

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost	13.96%	$22,627	4.30%	$6,970	18.26%	$29,597
UAAL	42.20%	68,400	-5.92%	-9,596	36.28%	58,804
Total Contribution	56.16%	$91,027	-1.62%	-$2,626	54.54%	$88,401
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.20%	72	-5.92%	-10	36.28%	62
Total Contribution	53.47%	$91	-1.05%	-$1	52.42%	$90
All Safety Members[5]						
Normal Cost	13.96%	$22,646	4.30%	$6,979	18.26%	$29,625
UAAL	42.20%	68,472	-5.92%	-9,606	36.28%	58,866
Total Contribution	56.16%	$91,118	-1.62%	-$2,627	54.54%	$88,491
All Categories Combined[5]						
Normal Cost	9.83%	$62,794	1.12%	$7,168	10.95%	$69,962
UAAL	17.87%	114,129	-0.61%	-3,849	17.26%	110,280
Total Contribution	27.70%	$176,923	0.51%	$3,319	28.21%	$180,242

(1) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(2) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*

(3) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(4) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(5) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

Exhibit B

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount(1)	Rate	Estimated Annual Amount(1)	Rate	Estimated Annual Amount(1)
Normal Cost	7.46%	$847	2.42%	$274	9.88%	$1,121
UAAL(2)	9.63%	1,093	27.88%	3,164	37.51%	4,257
Total Contribution	17.09%	$1,940	30.30%	$3,438	47.39%	$5,378
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL(2)	9.63%	106	27.88%	306	37.51%	412
Total Contribution	14.33%	$158	29.68%	$325	44.01%	$483
General Tier 2 Members w/o COLA						
Normal Cost	7.16%	$15,196	0.00%	$0	7.16%	$15,196
UAAL(2)	9.58%	20,332	0.00%	0	9.58%	20,332
Total Contribution	16.74%	$35,528	0.00%	$0	16.74%	$35,528
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL(2)	9.58%	303	0.00%	0	9.58%	303
Total Contribution	16.41%	$519	0.00%	$0	16.41%	$519
General Tier 2 Members w/COLA						
Normal Cost(3)	7.16%	$17,243	-0.04%	-$96	7.12%	$17,147
UAAL(2)(4)	9.58%	23,071	0.92%	2,215	10.50%	25,286
Total Contribution	16.74%	$40,314	0.88%	$2,119	17.62%	$42,433
General PEPRA Tier 2 Members w/COLA						
Normal Cost(3)	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL(2)(4)	9.58%	752	0.92%	72	10.50%	824
Total Contribution	16.41%	$1,288	0.79%	$62	17.20%	$1,350
All General Members(5)						
Normal Cost	7.15%	$34,090	0.04%	$187	7.19%	$34,277
UAAL	9.58%	45,657	1.21%	5,757	10.79%	51,414
Total Contribution	16.73%	$79,747	1.25%	$5,944	17.98%	$85,691

5282283v1/05325.002

Exhibit B (continued)

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Current Valuation Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost	11.00%	$17,829	4.37%	$7,083	15.37%	$24,912
UAAL	42.20%	68,400	-5.92%	-9,596	36.28%	58,804
Total Contribution	53.20%	$86,229	-1.55%	-$2,513	51.65%	$83,716
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.20%	72	-5.92%	-10	36.28%	62
Total Contribution	53.47%	$91	-1.05%	-$1	52.42%	$90
All Safety Members[5]						
Normal Cost	11.00%	$17,848	4.37%	$7,092	15.37%	$24,940
UAAL	42.20%	68,472	-5.92%	-9,606	36.28%	58,866
Total Contribution	53.20%	$86,320	-1.55%	-$2,514	51.65%	$83,806
All Categories Combined[5]						
Normal Cost	8.13%	$51,938	1.14%	$7,279	9.27%	$59,217
UAAL	17.87%	114,129	-0.61%	-3,849	17.26%	110,280
Total Contribution	26.00%	$166,067	0.53%	$3,430	26.53%	$169,497

(1) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(2) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*

(3) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(4) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(5) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

December 9, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

**Re: Ventura County Employees' Retirement Association
Options for Allocating the Cost Associated with the Cessation of Member Contributions After 30 Years of Service for Non-PEPRA Tiers**

Dear Members of the Board:

As requested by VCERA staff, we have calculated the employer and member contribution rates based on a 50/50 sharing of Normal Cost for non-PEPRA Tiers under three options that differ in how the cost associated with the cessation of member contributions after 30 years of service for non-PEPRA members is allocated between the employers and the members. The information that follows describes each of the three options and the attached exhibits show the employer and member contribution rates under all three options with the three-year phase-in reflected in the employer rates.

Note that the employer and member contribution rates under Option 1 below were also provided in Appendix C and D in the June 30, 2013 valuation report, where the employer rates are without the three-year phase-in. Exhibit B of the June 30, 2013 phase-in letter contains the employer contribution rates under that same option with the three-year phase-in.

Options for Allocating the Cost Associated with the Cessation of Member Contributions After 30 Years of Service

Under each of the options discussed here, the Normal Cost is first determined without regard to the cessation of member contributions after 30 years of service. For the 50/50 sharing of Normal Costs for non-PEPRA Tiers, the Normal Cost rates are then determined assuming that both the members and the employers will continue to make contributions after 30 years of service and those rates are split equally between the employers and members. However, due to the fact that some non-PEPRA members (mainly Safety) with more than 30 years of service are not required to contribute, the actual Normal Cost as a dollar amount collected from members would be less than 50% of the total Normal Cost (as a dollar amount). In order to be sure that the total Normal Cost is contributed, this shortfall in contributions due to the cessation of member contributions after 30 years of service needs to be made up, and the associated cost could be allocated between the employers and the members under any of the following three options.

Option 1: The cost goes to members with less than 30 years of service.
Under this option, the member contribution rate has been adjusted upward to account for all of the cost associated with the cessation of member contributions after 30 years of service. The contributions collected from members will total 50% of the Normal Cost (as a dollar amount) and be equal to the dollar amount collected from the employers. The employer and member contributions rates under this Option 1 are shown in the attached Exhibits A and B (after the three year phase-in). Under this option the member rates are higher than the employer Normal Cost rates (because they are not collected from members with over 30 years of service) but the total dollars paid by members and employers is the same.

As mentioned earlier, these rates are also shown in shown in Appendix C and D in the June 30, 2013 valuation report, where the employer rates are without the three year phase-in. Exhibit B of the June 30, 2013 phase-in letter contains the employer contribution rates with the three-year phase-in.

Option 2: The cost goes to the employers.
Under this option, the employer Normal Cost contribution rate has been adjusted upward to account for all of the cost associated with the cessation of member contributions after 30 years of service. The contributions collected from members will total less than 50% of the Normal Cost (as a dollar amount) and the amount collected from the employers will equal the remainder of the Normal Cost (as a dollar amount). Those employer contributions will then be greater than 50% of the Normal Cost, both in dollars and as a rate. The employer and member contribution rates under this Option 2 are shown in the attached Exhibits C and D with the three-year phase-in.

Option 3: Allocate the cost 50/50 to both employers and members.
Under this option, both the employer and member Normal Cost contribution rates have been adjusted upward to each account for the cost associated with the cessation of member contributions after 30 years of service. Under this option, the Normal Cost rates are exactly the same for both the employers and the members. However, the contributions collected from members will still total less than 50% of the Normal Cost (as a dollar amount) and the amount collected from the employers will equal the remainder of the Normal Cost (as a dollar amount). This means the employers will pay more than 50% of the Normal Cost in dollars because the employer rate is applied to all payroll while the same member rate is not applied to payroll for members with over 30 years of service. The employer and member contribution rates under this Option 3 are shown in the attached Exhibits E and F with the three-year phase-in.

The rates shown may be adopted in conjunction with the June 30, 2013 Actuarial Valuation for the fiscal year that extends from July 1, 2014 through June 30, 2015.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Respectfully submitted,

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

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

AW/hy

Exhibit A

Option 1 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Paid by the Members

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost	7.46%	$847	2.42%	$274	9.88%	$1,121
UAAL[2]	9.63%	1,093	27.88%	3,164	37.51%	4,257
Total Contribution	17.09%	$1,940	30.30%	$3,438	47.39%	$5,378
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL[2]	9.63%	106	27.88%	306	37.51%	412
Total Contribution	14.33%	$158	29.68%	$325	44.01%	$483
General Tier 2 Members w/o COLA						
Normal Cost	7.16%	$15,196	0.00%	$0	7.16%	$15,196
UAAL[2]	9.58%	20,332	0.00%	0	9.58%	20,332
Total Contribution	16.74%	$35,528	0.00%	$0	16.74%	$35,528
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL[2]	9.58%	303	0.00%	0	9.58%	303
Total Contribution	16.41%	$519	0.00%	$0	16.41%	$519
General Tier 2 Members w/COLA						
Normal Cost[3]	7.16%	$17,243	-0.04%	-$96	7.12%	$17,147
UAAL[2][4]	9.58%	23,071	0.92%	2,215	10.50%	25,286
Total Contribution	16.74%	$40,314	0.88%	$2,119	17.62%	$42,433
General PEPRA Tier 2 Members w/COLA						
Normal Cost[3]	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL[2][4]	9.58%	752	0.92%	72	10.50%	824
Total Contribution	16.41%	$1,288	0.79%	$62	17.20%	$1,350
All General Members[5]						
Normal Cost	7.15%	$34,090	0.04%	$187	7.19%	$34,277
UAAL	9.58%	45,657	1.21%	5,757	10.79%	51,414
Total Contribution	16.73%	$79,747	1.25%	$5,944	17.98%	$85,691

Exhibit A (continued)

Option 1 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Paid by the Members

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost	11.00%	$17,829	4.37%	$7,083	15.37%	$24,912
UAAL	42.20%	68,400	-5.92%	-9,596	36.28%	58,804
Total Contribution	53.20%	$86,229	-1.55%	-$2,513	51.65%	$83,716
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.20%	72	-5.92%	-10	36.28%	62
Total Contribution	53.47%	$91	-1.05%	-$1	52.42%	$90
All Safety Members[5]						
Normal Cost	11.00%	$17,848	4.37%	$7,092	15.37%	$24,940
UAAL	42.20%	68,472	-5.92%	-9,606	36.28%	58,866
Total Contribution	53.20%	$86,320	-1.55%	-$2,514	51.65%	$83,806
All Categories Combined[5]						
Normal Cost	8.13%	$51,938	1.14%	$7,279	9.27%	$59,217
UAAL	17.87%	114,129	-0.61%	-3,849	17.26%	110,280
Total Contribution	26.00%	$166,067	0.53%	$3,430	26.53%	$169,497

(1) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(2) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*

(3) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(4) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(5) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

Exhibit B

Option 1 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Paid by the Members

Member Contribution Rates Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers

	Basic		COLA		Total	
	First $350	**Over $350**	**First $350**	**Over $350**	**First $350**	**Over $350**
General Tier 1[1]	5.25%	7.87%	1.70%	2.56%	6.95%	10.43%
General Tier 2 without COLA	4.87%	7.30%	0.00%	0.00%	4.87%	7.30%
General Tier 2 COLA	4.87%	7.30%	2.63%[2]	2.63%[2]	7.50%	9.93%
Safety[3]	11.83%	11.83%	4.70%	4.70%	16.53%	16.53%

[1] The total member rate over $350 has been adjusted by 0.42% (and by 0.28% for the first $350) so that member contributions total 50% of the total dollar Normal Cost after accounting for the cessation of member contributions after 30 years of service.

[2] General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

[3] The total member rate has been adjusted by 1.16% so that member contributions total 50% of the total dollar Normal Cost after accounting for the cessation of member contributions after 30 years of service.

Exhibit C

Option 2 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Paid by the Employers

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost[2]	7.75%	$879	2.52%	$286	10.27%	$1,165
UAAL[3]	9.63%	1,093	27.88%	3,164	37.51%	4,257
Total Contribution	17.38%	$1,972	30.40%	$3,450	47.78%	$5,422
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL[3]	9.63%	106	27.88%	306	37.51%	412
Total Contribution	14.33%	$158	29.68%	$325	44.01%	$483
General Tier 2 Members w/o COLA						
Normal Cost	7.16%	$15,196	0.00%	$0	7.16%	$15,196
UAAL[3]	9.58%	20,332	0.00%	0	9.58%	20,332
Total Contribution	16.74%	$35,528	0.00%	$0	16.74%	$35,528
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL[3]	9.58%	303	0.00%	0	9.58%	303
Total Contribution	16.41%	$519	0.00%	$0	16.41%	$519
General Tier 2 Members w/COLA						
Normal Cost[4]	7.16%	$17,243	-0.04%	-$96	7.12%	$17,147
UAAL[3][5]	9.58%	23,071	0.92%	2,215	10.50%	25,286
Total Contribution	16.74%	$40,314	0.88%	$2,119	17.62%	$42,433
General PEPRA Tier 2 Members w/COLA						
Normal Cost[4]	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL[3][5]	9.58%	752	0.92%	72	10.50%	824
Total Contribution	16.41%	$1,288	0.79%	$62	17.20%	$1,350
All General Members[6]						
Normal Cost	7.16%	$34,122	0.04%	$199	7.20%	$34,321
UAAL	9.58%	45,657	1.21%	5,757	10.79%	51,414
Total Contribution	16.74%	$79,779	1.25%	$5,956	17.99%	$85,735

Exhibit C (continued)

Option 2 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Paid by the Employers

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost[7]	11.77%	$19,077	4.68%	$7,586	16.45%	$26,663
UAAL	42.20%	68,400	-5.92%	-9,596	36.28%	58,804
Total Contribution	53.97%	$87,477	-1.24%	-$2,010	52.73%	$85,467
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.20%	72	-5.92%	-10	36.28%	62
Total Contribution	53.47%	$91	-1.05%	-$1	52.42%	$90
All Safety Members[6]						
Normal Cost	11.77%	$19,096	4.68%	$7,595	16.45%	$26,691
UAAL	42.20%	68,472	-5.92%	-9,606	36.28%	58,866
Total Contribution	53.97%	$87,568	-1.24%	-$2,011	52.73%	$85,557
All Categories Combined[6]						
Normal Cost	8.33%	$53,218	1.22%	$7,794	9.55%	$61,012
UAAL	17.87%	114,129	-0.61%	-3,849	17.26%	110,280
Total Contribution	26.20%	$167,347	0.61%	$3,945	26.81%	$171,292

(1) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(2) *The total employer rate has been adjusted by 0.39% to account for the cost associated with the cessation of member contributions after 30 years of service.*
(3) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*
(4) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*
(5) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*
(6) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*
(7) *The total employer rate has been adjusted by 1.08% to account for the cost associated with the cessation of member contributions after 30 years of service.*

Exhibit D

Option 2 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Paid by the Employers

Member Contribution Rates Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers

	Basic		COLA		Total	
	First $350	**Over $350**	**First $350**	**Over $350**	**First $350**	**Over $350**
General Tier 1	5.04%	7.56%	1.63%	2.45%	6.67%	10.01%
General Tier 2 without COLA	4.87%	7.30%	0.00%	0.00%	4.87%	7.30%
General Tier 2 COLA	4.87%	7.30%	2.63%(1)	2.63%(1)	7.50%	9.93%
Safety	11.00%	11.00%	4.37%	4.37%	15.37%	15.37%

(1) General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

Exhibit E

Option 3 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Split Between the Employers and Members

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost[2]	7.61%	$863	2.48%	$281	10.08%	$1,144
UAAL[3]	9.63%	1,093	27.88%	3,164	37.51%	4,257
Total Contribution	17.24%	$1,956	30.36%	$3,445	47.59%	$5,401
General PEPRA Tier 1 Members						
Normal Cost	4.70%	$52	1.80%	$19	6.50%	$71
UAAL[3]	9.63%	106	27.88%	306	37.51%	412
Total Contribution	14.33%	$158	29.68%	$325	44.01%	$483
General Tier 2 Members w/o COLA						
Normal Cost	7.16%	$15,196	0.00%	$0	7.16%	$15,196
UAAL[3]	9.58%	20,332	0.00%	0	9.58%	20,332
Total Contribution	16.74%	$35,528	0.00%	$0	16.74%	$35,528
General PEPRA Tier 2 Members w/o COLA						
Normal Cost	6.83%	$216	0.00%	$0	6.83%	$216
UAAL[3]	9.58%	303	0.00%	0	9.58%	303
Total Contribution	16.41%	$519	0.00%	$0	16.41%	$519
General Tier 2 Members w/COLA						
Normal Cost[4]	7.16%	$17,243	-0.04%	-$96	7.12%	$17,147
UAAL[3][5]	9.58%	23,071	0.92%	2,215	10.50%	25,286
Total Contribution	16.74%	$40,314	0.88%	$2,119	17.62%	$42,433
General PEPRA Tier 2 Members w/COLA						
Normal Cost[4]	6.83%	$536	-0.13%	-$10	6.70%	$526
UAAL[3][5]	9.58%	752	0.92%	72	10.50%	824
Total Contribution	16.41%	$1,288	0.79%	$62	17.20%	$1,350
All General Members[6]						
Normal Cost	7.16%	$34,106	0.04%	$194	7.20%	$34,300
UAAL	9.58%	45,657	1.21%	5,757	10.79%	51,414
Total Contribution	16.74%	$79,763	1.25%	$5,951	17.99%	$85,714

Exhibit E (continued)

Option 3 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Split Between the Employers and Members

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers – Under Combined Methodology

	June 30, 2013 Actuarial Valuation					
	BASIC		COLA		TOTAL	
Safety Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost[7]	11.50%	$18,640	4.43%	$7,180	15.93%	$25,820
UAAL	42.20%	68,400	-5.92%	-9,596	36.28%	58,804
Total Contribution	53.70%	$87,040	-1.49%	-$2,416	52.21%	$84,624
Safety PEPRA Members						
Normal Cost	11.27%	$19	4.87%	$9	16.14%	$28
UAAL	42.20%	72	-5.92%	-10	36.28%	62
Total Contribution	53.47%	$91	-1.05%	-$1	52.42%	$90
All Safety Members[6]						
Normal Cost	11.50%	$18,659	4.43%	$7,189	15.93%	$25,848
UAAL	42.20%	68,472	-5.92%	-9,606	36.28%	58,866
Total Contribution	53.70%	$87,131	-1.49%	-$2,417	52.21%	$84,714
All Categories Combined[6]						
Normal Cost	8.26%	$52,765	1.16%	$7,383	9.42%	$60,148
UAAL	17.87%	114,129	-0.61%	-3,849	17.26%	110,280
Total Contribution	26.13%	$166,894	0.55%	$3,534	26.68%	$170,428

(1) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2013 annual payroll (also in thousands) shown below:*

General Tier 1	$11,348
General PEPRA Tier 1	1,099
General Tier 2	212,229
General PEPRA Tier 2	3,163
General Tier 2C	240,822
General PEPRA Tier 2C	7,847
Safety	162,085
Safety PEPRA	171
Total	$638,764

(2) *The total employer rate has been adjusted by 0.20% to account for a portion of the cost associated with the cessation of member contributions after 30 years of service.*

(3) *Basic UAAL rates have been calculated on a combined basis for all General Tiers.*

(4) *Reflects General Tier 2 member COLA contribution rate of 2.63% based on current bargaining agreements.*

(5) *Includes 0.53% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(6) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

(7) *The total employer rate has been adjusted by 0.56% to account for a portion of the cost associated with the cessation of member contributions after 30 years of service.*

Exhibit F

Option 3 – Cost Associated with Cessation of Member Contributions after 30 Years of Service is Split Between the Employers and Members

Member Contribution Rates Based on 50/50 Sharing of Normal Cost for Non-PEPRA Tiers

	Basic		COLA		Total	
	First $350	**Over $350**	**First $350**	**Over $350**	**First $350**	**Over $350**
General Tier 1[(1)]	5.14%	7.71%	1.67%	2.51%	6.81%	10.22%
General Tier 2 without COLA	4.87%	7.30%	0.00%	0.00%	4.87%	7.30%
General Tier 2 COLA	4.87%	7.30%	2.63%[(2)]	2.63%[(2)]	7.50%	9.93%
Safety[(3)]	11.50%	11.50%	4.43%	4.43%	15.93%	15.93%

(1) The total member rate over $350 has been adjusted by 0.21% (and by 0.14% for the first $350) to account for a portion of the cost associated with the cessation of member contributions after 30 years of service.

(2) General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

(3) The total member rate has been adjusted by 0.56% to account for a portion of the cost associated with the cessation of member contributions after 30 years of service.

NEPC, LLC

YOU DEMAND MORE. *So do we.*[SM]

Ventura County Employees' Retirement Association

2014 Assumptions & Actions

January 27, 2014

Don Stracke, CFA, CAIA, Senior Consultant
Tony Ferrara, Senior Analyst

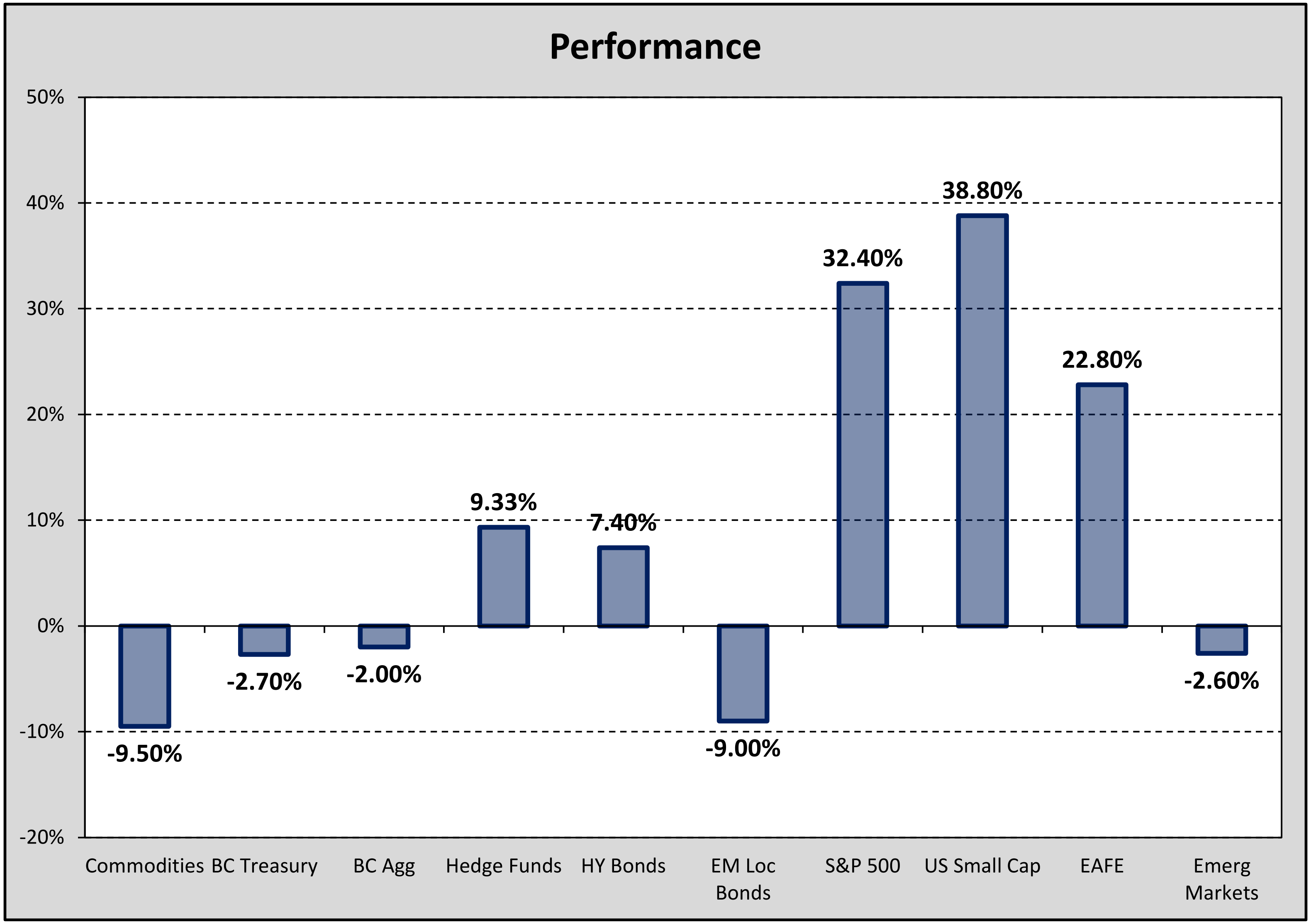
One Main Street, Cambridge, MA 02142 | TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com
CAMBRIDGE | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

Looking Back

Looking Back at 2013

- **Performance was driven by the extremely strong performance of equities – This benefited VCERA**
- **Total Fund absolute performance likely exceeded targets**
- **Longer-term results – 5-year and 10-year numbers should look better on a peer-relative, benchmark-relative, and risk-adjusted basis**
- **Diversification has not helped in 2013, but a risk-balanced approach to investing still makes sense**

Asset Class Performance in 2013



Source: Bloomberg, NEPC as of 12/31

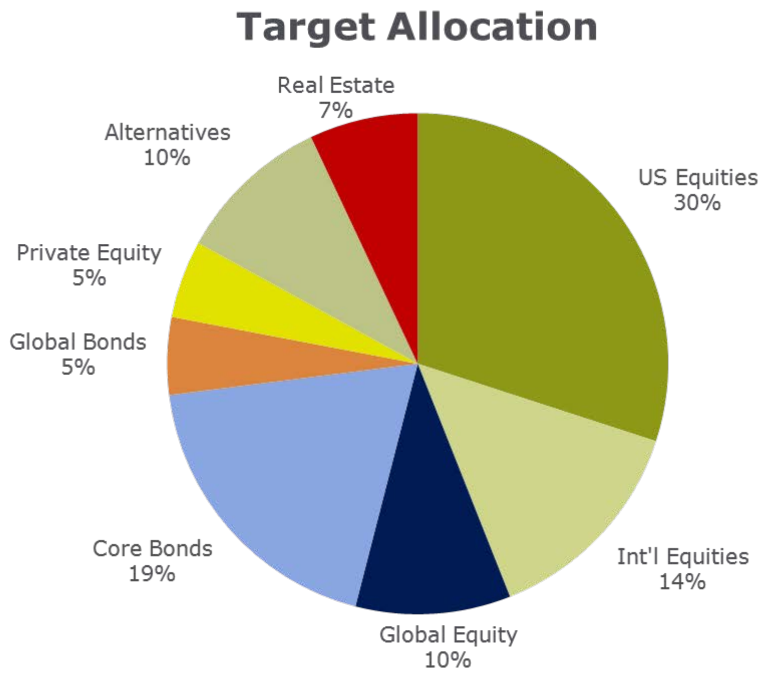
Looking Forward

Themes for 2014 Asset Class Assumptions

- **5-7 year return expectations diverge relative to prior year**
  - Broad expected return outlook remains subdued
  - Strong performance of developed equity markets leads to reduction in expectations
    - Despite underperformance, EM equities reduced modestly to reflect lower growth
  - Higher yields relative to prior year boost bond market forecasts
  - Increase in expectations for credit markets is more muted due to further spread compression
  - Alternative asset classes generally lower in line with liquid risky asset adjustments

- **30-year returns have similar themes to 5-7 year forecasts**
  - Yield increases flow through to longer-term returns in fixed income
  - US equity markets reduced modestly

- **Volatility expectations reduced incrementally in certain asset classes**



	5-7 Year		30 Year	
	2013	2014	2013	2014
Expected Return	6.4%	6.2%	7.4%	7.5%
Expected Volatility	12.1%	12.0%	12.1%	12.0%
Sharpe Ratio	0.46	0.39	0.37	0.32
Sortino Ratio	0.64	0.63	0.77	0.80

2014 5-to-7 Year Return Forecasts

Geometric Expected Return			
Asset Class	**2013**	**2014**	**2014-2013**
Cash	0.75%	1.50%	0.75%
Treasuries	1.00%	2.00%	1.00%
IG Corp Credit	3.00%	3.50%	0.50%
MBS	2.50%	2.25%	-0.25%
*Core Bonds**	*2.04%*	*2.53%*	*0.42%*
TIPS	1.50%	2.50%	1.00%
High-Yield Bonds	5.00%	4.50%	-0.50%
Bank Loans	5.00%	5.00%	
Global Bonds (Unhedged)	0.75%	1.25%	0.50%
Global Bonds (Hedged)	0.93%	1.38%	0.45%
EMD External	4.00%	5.00%	1.00%
EMD Local Currency	5.00%	5.75%	0.75%
Large Cap Equities	6.75%	6.25%	-0.50%
Small/Mid Cap Equities	7.00%	6.25%	-0.75%
Int'l Equities (Unhedged)	7.75%	7.25%	-0.50%
Int'l Equities (Hedged)	8.00%	7.50%	-0.50%
Emerging Int'l Equities	9.75%	9.50%	-0.25%
Private Equity	9.00%	8.75%	-0.25%
Private Debt	8.50%	8.00%	-0.50%
Private Real Assets	8.00%	7.75%	-0.25%
Real Estate (Core)	6.00%	6.25%	0.25%
Commodities	5.00%	5.00%	
Hedge Funds	n/a	5.50%	

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

2014 30-Year Return Forecasts

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

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

High Level VCERA Observations

- **In the midst of an Asset/Liability Study but likely:**
  - Recommend a decrease in US equities
  - Recommend a decrease in Global Bonds
  - Recommend a decrease in Core US Bonds
  - Greater diversification of the liquid alternatives exposure
  - Potential increase to Private Equity exposure
  - Potential creation of a GAA exposure
  - Potential creation of an opportunistic credit exposure

2014 Public Fund Actions

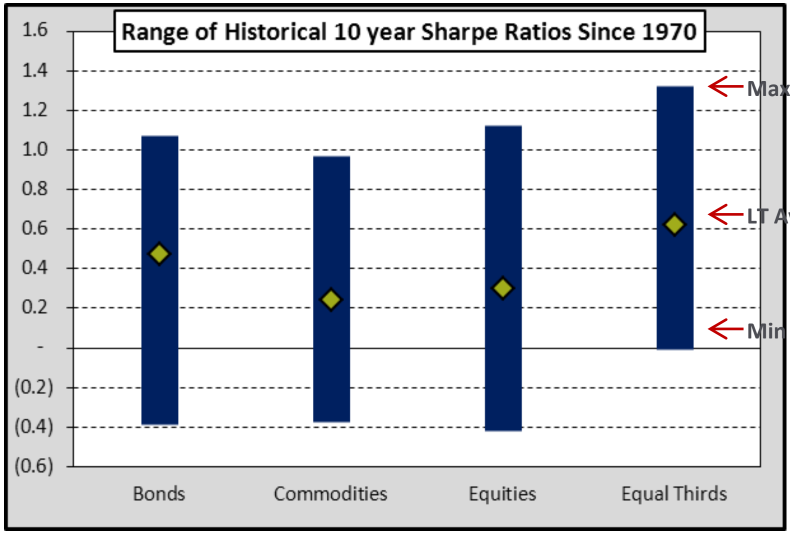
Background

- **Economic conditions are diverging globally**
  - Developed vs. EM
  - Within regions as well
- **Forward-looking expectations are diverging relative to last year**
  - Continued rally in developed equities compresses outlook
  - Increase in yields for most bond asset classes improves return forecasts
  - EM equity and debt expectations remain elevated
  - 30 year returns are generally higher for fixed income and unchanged or modestly lower for equities
- **US monetary policy is diverging from other developed markets**
  - Taper of Quantitative Easing will have global implications
- **Markets have generally shrugged off macro concerns**
  - Volatility remains quite low
  - Risks and uncertainty remain throughout the global economy
- **As in prior years, we use November 30 market data for all assumption setting**

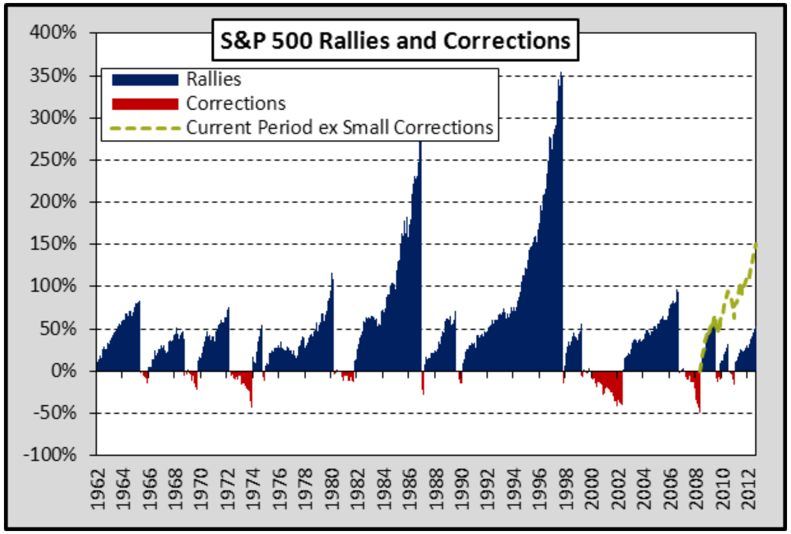
- **Diversification still matters, especially after a period when not rewarded**
  - The discipline of long-term strategy allows for participation in rising markets, while maintaining a defensive position when markets correct
- **Divergence in economic conditions broadens range of outcomes by country**
  - Differences reflect each country's policy response since Financial Crisis
  - Market risks continue to simmer beneath strong equity returns
- **Developed world growth outlook has improved despite fiscal drag**
  - Impact of fiscal tightening is likely to subside and be less of a hindrance going forward
  - Inaction on fiscal concerns may lead to difficult long-term consequences
  - Lack of proactive fiscal response is in stark contrast to audacious moves of central banks
- **US Fed taper will occur throughout 2014 with global implications**
  - Growth and inflation outcomes will dictate any change to path (timing and scale) of tapering
  - Methodical approach to taper means policy should remain accommodative
  - Ability to support risky assets could wane over time
- **Upward pressure on interest rates may have subsided**
  - Markets have absorbed increase in rates, though elevated future volatility is likely
  - Further increase in interest rates must harmonize with stronger economic growth
  - Higher rates and slowing growth could perpetuate currency crisis for some EM countries

- **Remain disciplined and rebalance after strong equity performance**
  - Resist the temptation to chase returns – focus on VCERA's' goals and objectives of achieving assumed rate of return and protecting on the downside
  - Take gains in US equities, allocating to underperforming asset classes
  - A balanced allocation through the taper allows assessment of opportunities afterward
    - Much more difficult to time a move away from risky assets
- **Continue to assess the role of core US and non-US fixed income**
  - Is plan liquidity sufficient to keep reducing this exposure
  - While we are more constructive on these asset classes due to the uptick in rates, the forecasted return is still well below your assumed rate of return
  - Rebalance to target with high yield and bank loans
  - Consider allocations to un-constrained bond funds
  - Employ private market debt strategies to boost return outlook
- **Maintain long-term commitment to emerging markets**
  - In the short-term, emerging world faces distinctive conditions in each country
  - Long-term secular outlook of stronger growth and continued development remains in place
  - Use active management to navigate potential macroeconomic and currency issues
- **Continue allocation to alternatives to lower risk**
  - Alpha generation opportunities often higher in alternatives

- **Historically strong performance for one asset class does not signal the ruin of diversification**
  - In fact, periods following these runs are often when diversification is most rewarded
- **Discipline of diversification requires a long-term focus to withstand concentrated results**
  - Both good (US Equities in 2013)…
  - And bad (2008)
- **Over the long term, diversified portfolios will likely produce better risk-adjusted returns than concentrated ones**
- **Concentrated portfolios will correct after long bull runs**



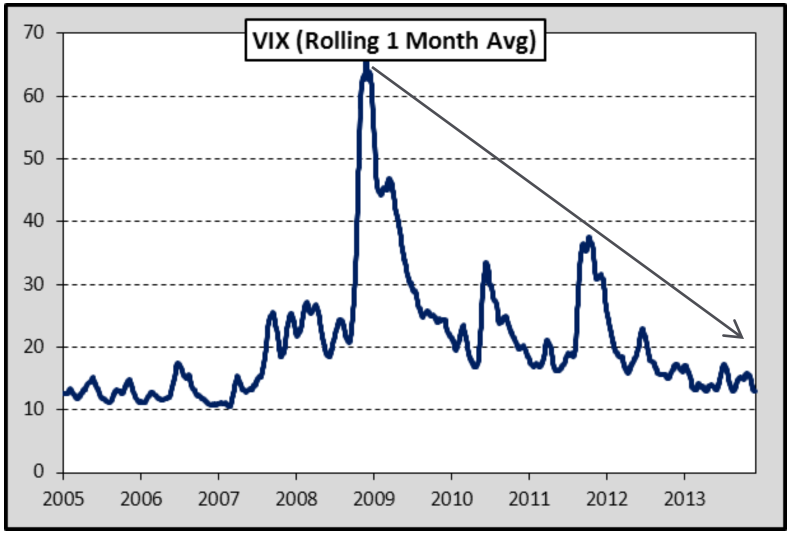
Source: Bloomberg, NEPC



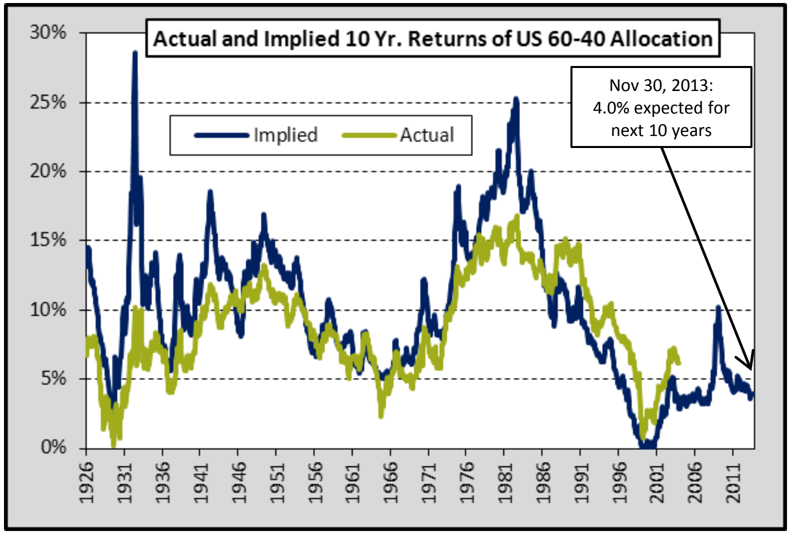
Source: Morningstar as of 10/31

Discipline and discretion are required despite markets moving higher

- **Market conditions remain calm**
  - Equity volatility remains near secular lows while prices continue to move higher
  - Credit spreads continue to tighten
  - Markets have been much more resilient to macro news recently
- **Strong returns and tranquil markets can lead to a false sense of comfort**
  - Rebalancing remains critical
  - A willingness to forgo some upside can lead to better outcomes over a full market cycle after markets correct
- **Return expectations are even more compressed following strong rally**
  - Low yields limit potential return
  - Diversification, active management, and risk management can be used to navigate challenging environment rather than simply stretching for returns through increased risk



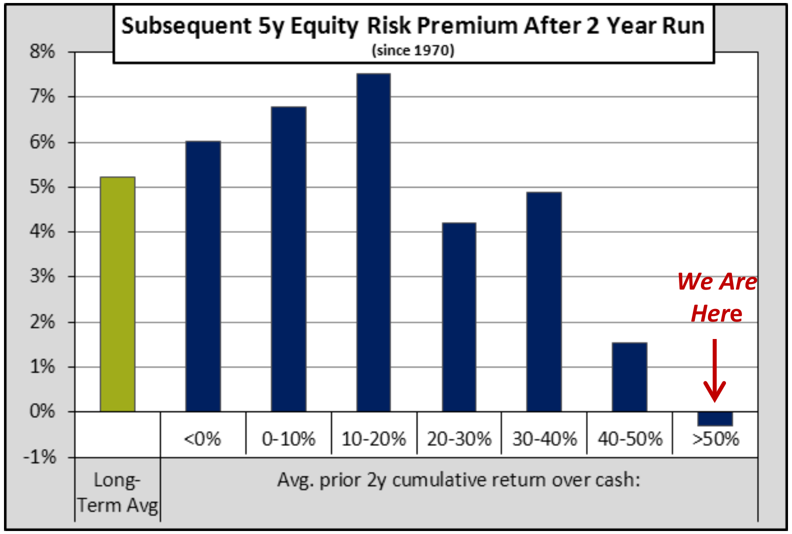
Source: Bloomberg as of 11/30



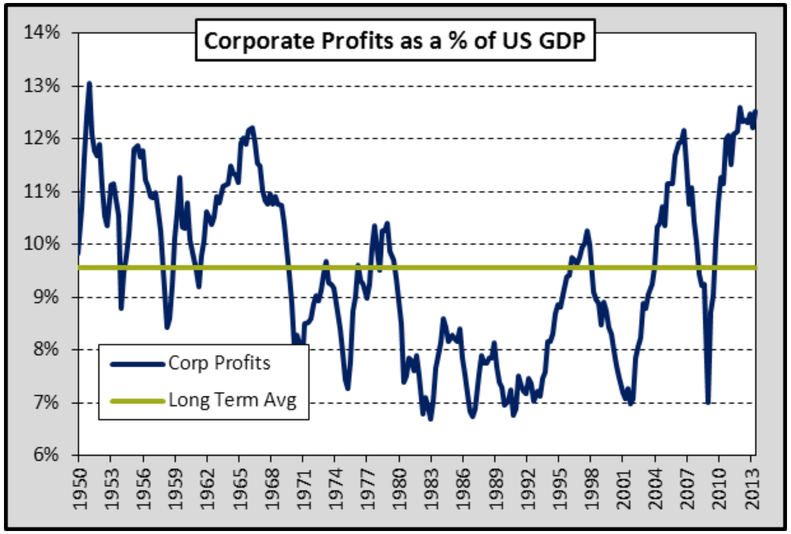
Source: Shiller Data, Bloomberg, NEPC

How much further can US equities run?

- **S&P 500 has gained more than 50% cumulatively over the last two years (as of Nov. 30th)**
  - Historically, this has led to subdued performance looking forward
- **With accommodative monetary policy, US stock market could continue to grind higher**
  - Further upside (likely driven by more valuation expansion) seems unsustainable given how far markets have run
- **Strength of corporate profits has supported equity rally**
  - Corporate profits have historically shown mean reversion
    - Supported in the short-term by low financing costs for corporations

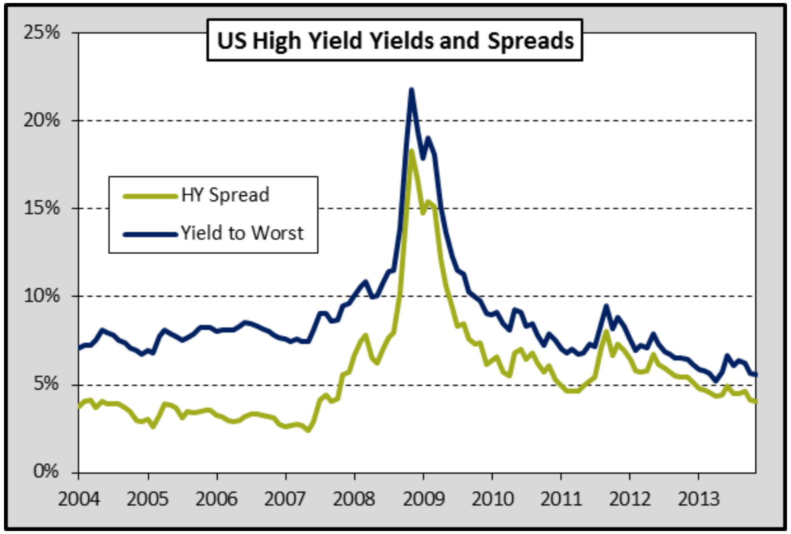


(Eq. Risk Premium is over cash) Source: Bloomberg, NEPC

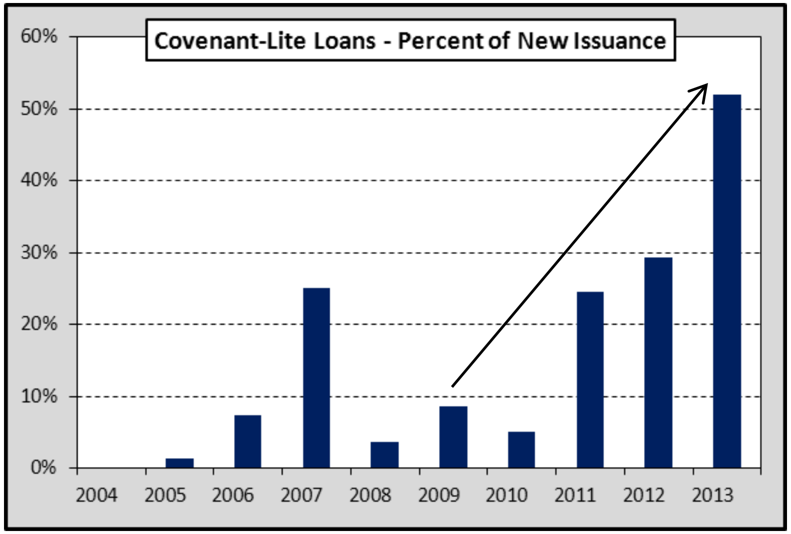


Source: Bloomberg as of 6/30

- **US credit market conditions are concerning**
- **Global monetary policy and low interest rate environment force investors to search for yield**
- **Demand for higher return has led to significant flows into credit markets**
  - Yields and spreads have compressed across credit markets
  - High yield and investment grade total yields are near all-time lows
- **New issuance reflects the demand for yield**
  - Relaxed credit standards in loan market suggest early warning signs of less discipline in lending and credit analysis

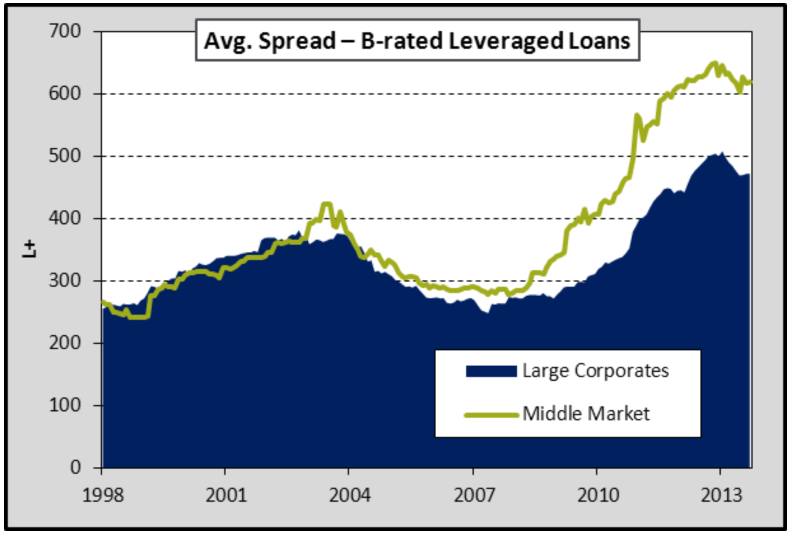


Source: Barclays Live as of 11/30

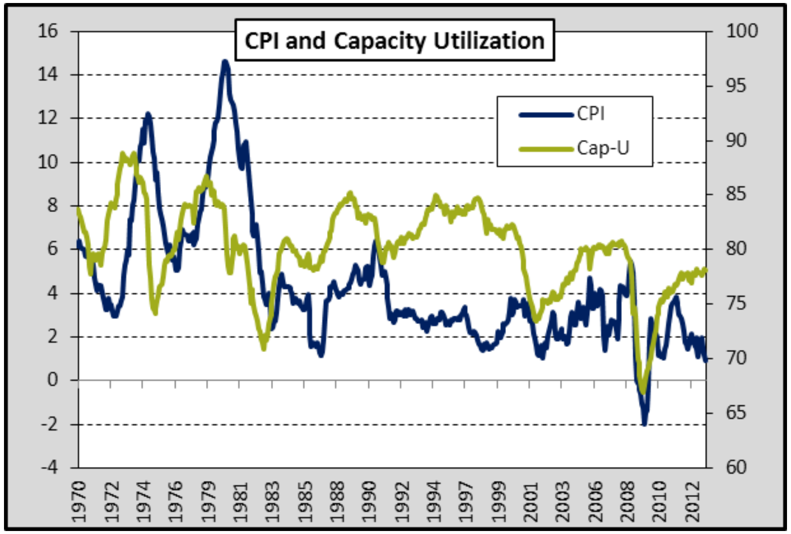


Source: Standard and Poors

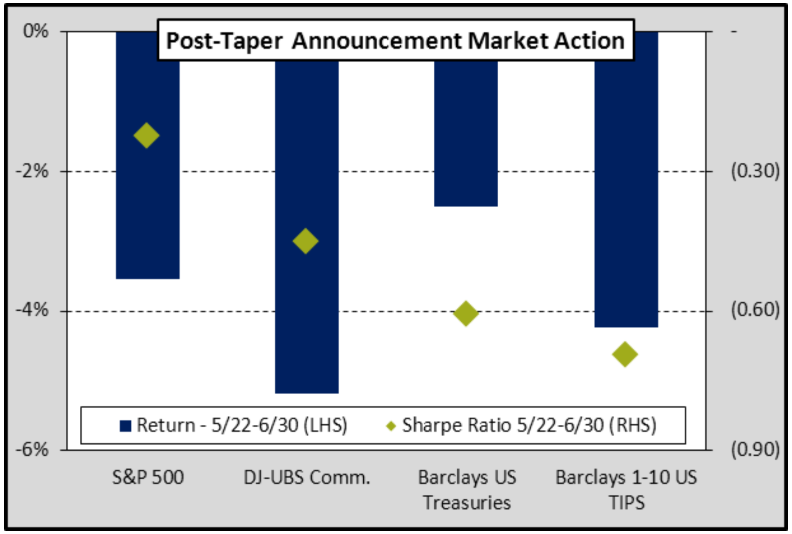
- **Opportunities exist in private markets**
- **Private investments can offer an illiquidity premium and higher return expectations than subdued outlook of liquid markets**
  - Driven by the same forces as public markets and subject to the same building of excesses and loose standards over a cycle
  - Strategy and pacing remain critically important
- **As banks continue to move towards tighter regulatory framework of Basel III, lending opportunities remain attractive**
  - Spreads are less compelling than a year ago
  - European direct lending and real estate appear most interesting now
- **Private exposure to inflation sensitive assets may be a better way to get real assets exposure in near term**
  - Though with spike in real yields, Inflation-Linked bond pricing has improved



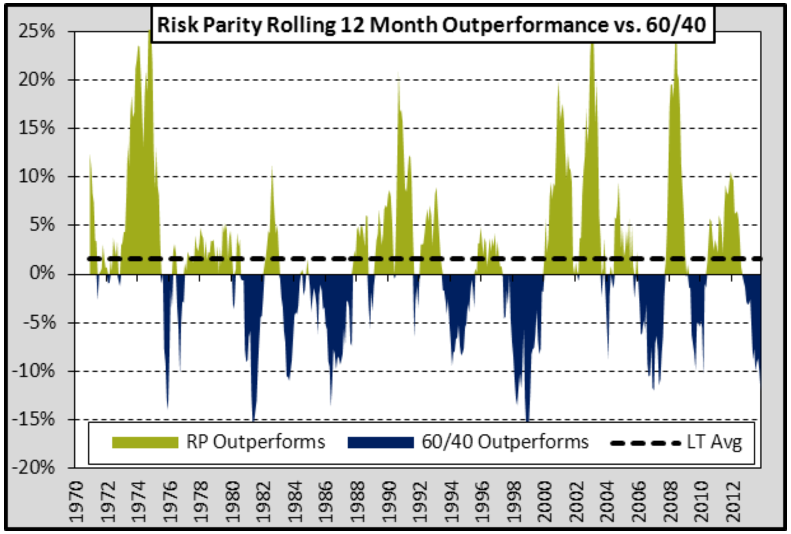
Source: S&P Capital IQ LCD and S&P/LSTA Leveraged Loan Index as of 9/30



Source: St. Louis Fed



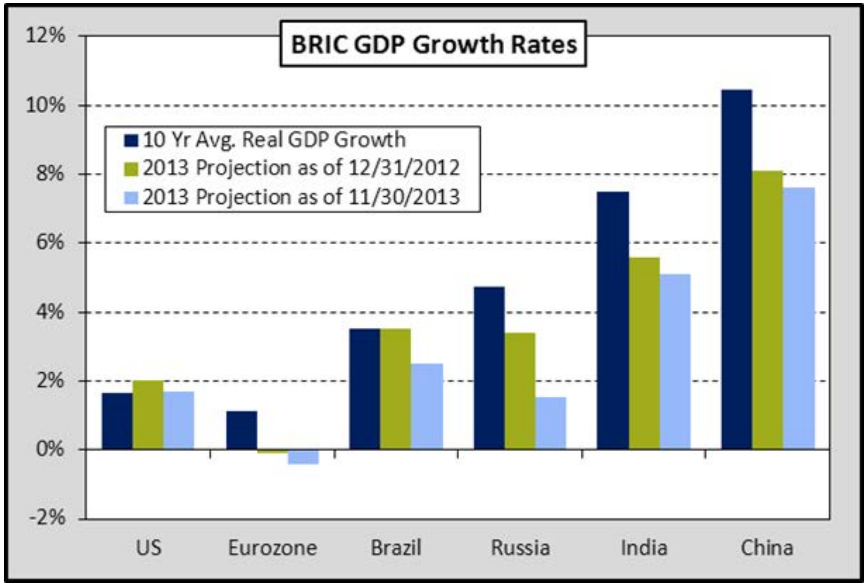
Source: Bloomberg, NEPC



Source: Bloomberg, NEPC

- **Risk Parity – Remain Balanced**
- **Risk Parity performance disappointed in 2013 (but within expectations)**
  - Hurt in second quarter of 2013 due to taper effect as all markets sold off
  - Lagged robust returns of portfolios concentrated in developed equity risk (60/40)
- **Risk Parity remains an appropriate starting point for asset allocation**
  - Risk balance provides broad diversification, minimizing drawdowns from any single exposure
- **It is still about balance - not just bonds**
  - Concerns about rising rates should be tempered in the short-term
- **Risk Parity has never been a panacea**
  - An approach to efficiently take market risk – not an absolute return strategy
  - Compressed return expectations across asset classes flow through to Risk Parity
  - Like all asset allocation approaches, it will likely perform better or worse in certain regimes

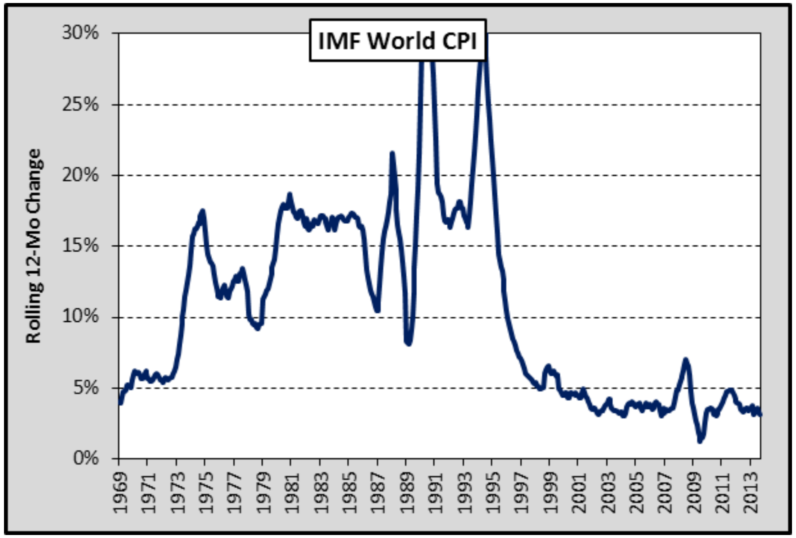
- **Maintain long-term commitment to emerging markets**
  - Emerging markets remain a critical strategic exposure
  - In the short-term, emerging world faces distinctive conditions in each country
  - Long-term secular outlook of stronger growth and continued development remains in place
  - Use active management to navigate potential macroeconomic and currency issues
- **Recent weakness offers an opportunity to build positions for those investors with below-market exposure to EM**
  - Valuation and yield levels offer some compensation for current uncertainty
  - Active implementation can facilitate management around volatility at country and security level
- **EM output has moderated after decade-long boom**
  - Still positive and expected to exceed developed world growth
  - Emerging world likely to continue to grow in global economic importance



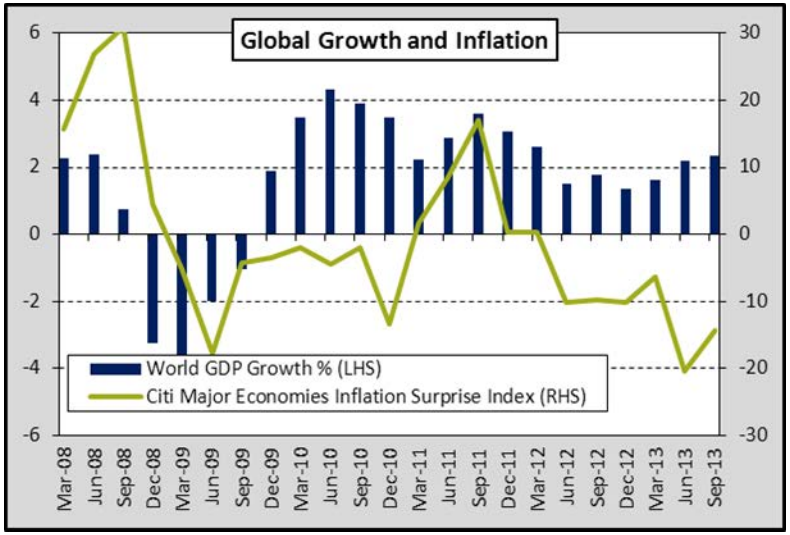
Source: Bloomberg as of 11/30

The prospect of rising inflation cannot be overlooked

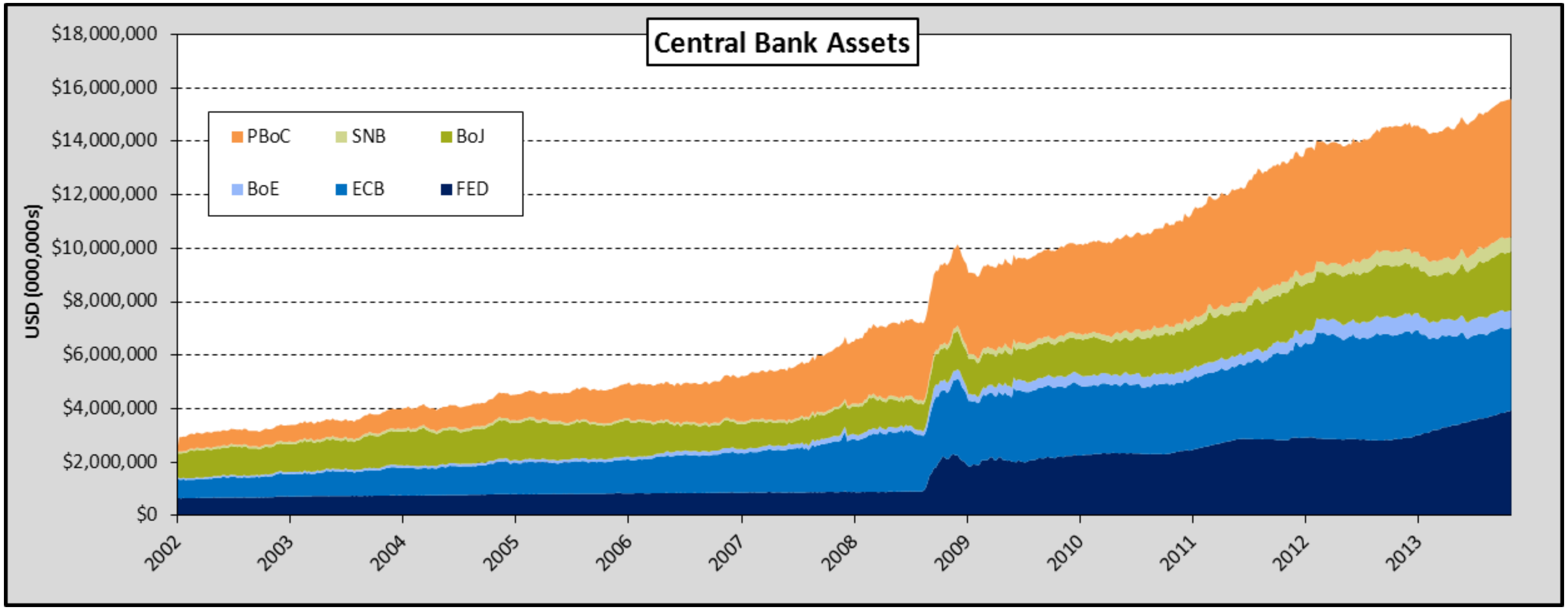
- **We are projecting 3% inflation over the next 5-7 years and given increasing long-term inflation pressures we project inflation to average 3.25% over a longer time horizon**
  - Given the wide-ranging potential inflation paths (US 1970s or Japan 1990s), we continue to use an elevated estimate of inflation volatility
- **Institutional investment pools will experience asset inflation globally, encompassing both developed and emerging countries.**
  - Can be different from inflation experienced on local/home country liabilities or spending needs



Source: Bloomberg as of 9/30



Source: Bloomberg as of 9/30



Source: Bloomberg as of 11/30

Long-term inflation pressures continue to build as central banks stimulate

- **Major central bank balance sheets have grown by a 5.3x factor since February 2002 (when PBoC data begins)**
  - While not an apples to apples comparison, US Consumer prices have increased by 1.3x factor over this same time
- **Much of the increases come from the end of 2007 to the present, with very muted inflation**
  - Cumulative CPI increases are 1.1x in this period

Summary

- **VCERA exceeded objectives and / or improved funded status**
- **Results were driven primarily by relative exposure to US equities**
- **While it is possible that US equities will continue to dominate other asset classes, this is not a high conviction scenario**
  – Nor is it prudent to position a portfolio for continued US equity outperformance
- **Broad diversification and a disciplined approach to investing still makes the most sense**
  – Capture a varied set of risk premia – ***including US equities***
  – Hedge against extreme economic environments
  – Exploit opportunities for excess return
- **Going into 2014 we want to position VCERA to continue to meet their long term *investment objectives* at appropriate risk levels while taking advantage of opportunities presented by markets**

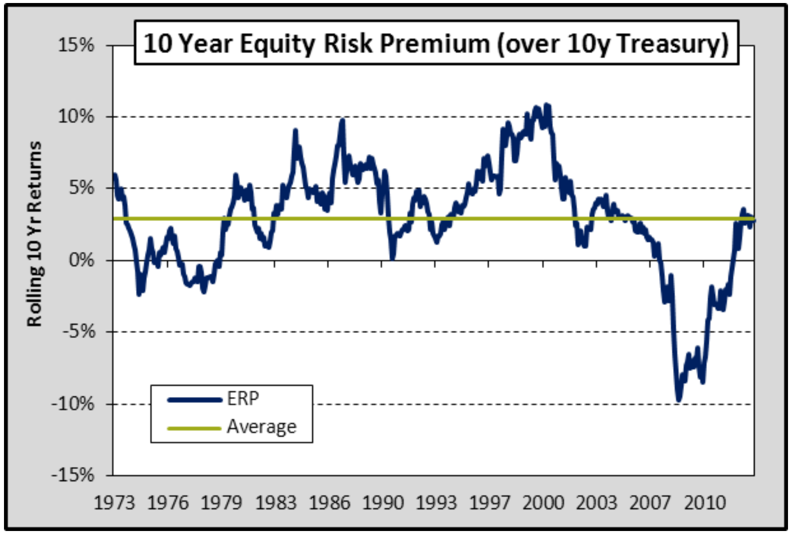
2014 Asset Class Assumptions

- **Relies on a combination of historical data and forward looking analysis**
  - Expected returns based on current market pricing and forward looking estimates
  - Volatility based on history, while recognizing current uncertainty
  - Correlations based on a mix of history and current trend
- **Historical data is used to frame current market environment as well as to compare to similar historical periods**
  - Historical index returns, volatility, correlations, valuations, and yields
- **Forward-looking analysis is based on current market pricing and a building blocks approach**
  - Return equals yield + changes in price (valuation, defaults, etc.)
  - Use of key economic observations (inflation, real growth, dividends, etc.)
  - Structural themes (supply and demand imbalances, capital flows, etc.)
- **Assumptions prepared by Asset Allocation Committee**
  - Asset Allocation team plus members of various consulting practice groups meet throughout Q4 to develop themes and assumptions
  - Public markets, hedge funds and private markets teams provide market insights
- **Assumptions and Actions reviewed and approved by Partners Research Committee**

- **We continue to refine our process and make enhancements where appropriate**
  - Changes are evolutionary rather than revolutionary
- **Added Master Limited Partnerships**
  - Recognizing distinct role as tax-advantaged solution for private investors
- **Refined "growth" building block in equity forecast model to better reflect corporate earnings growth**
  - Historical input was economic/GDP growth as a proxy for earnings growth
  - New input based on earnings growth and then adjusts for profit margin changes
  - Can now distinguish valuation changes and margin adjustments in building blocks
- **Further refined term premium adjustment in fixed income model**
  - Better reflect uncertainty in rate expectations in later years of forecasts
- **Refined Hedge Fund assumptions to one broad hedge fund assumption instead of historical "Low Vol" / "Mod Vol" modeling**
  - Based on modeling of underlying strategy types
    - Equity, Credit, Macro

- **Sources of Return**
  - Valuation
  - Earnings growth
    - Adjusted for changes in margin
  - Dividend yield
  - Inflation

Return Source	Starting Value	Expected Forecast Values	Return Contribution
Real Earnings Growth	2.5%	2.5%	--
Profit Margin Adjustment		-1.0%	1.5%
Dividend Yield	2.0%	2.0%	2.0%
Inflation	3.0%	3.0%	3.0%
Valuation & Other*	16.3	16	-0.25%
		Total Expected Return	6.25%

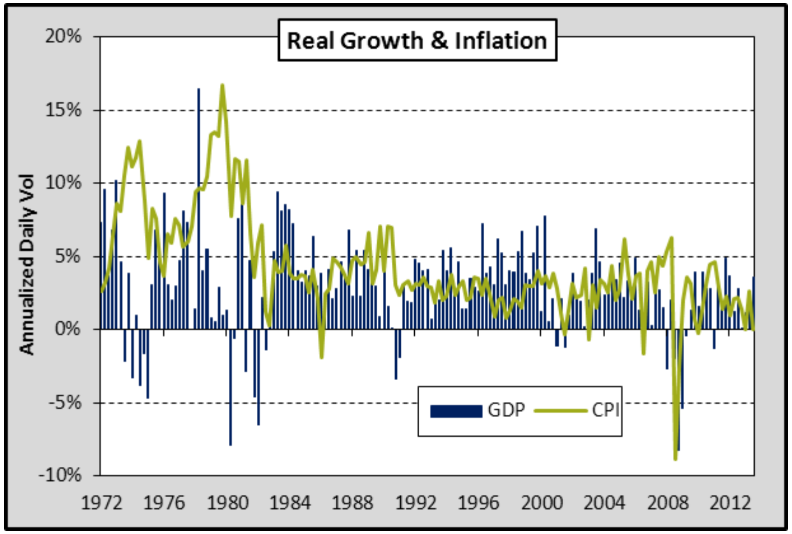


- **Equity Risk Premium over 10 year Treasury is volatile**
  - Long-term average of 2.9%
  - Stock and bond forecasts imply an Equity Risk Premium of 4.25%
  - While high relative to the long-term average, almost 40% of observations exceed this level over the last 50 years
- **Downward adjustment reflects higher but still low interest rates supportive of an elevated equity risk premium**

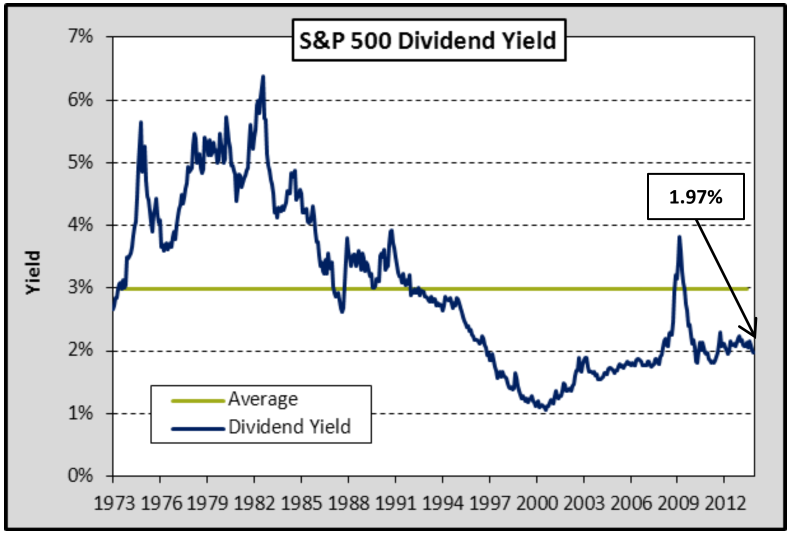
Source: Ibbotson as of 11/30

** - Valuation & Other incorporates adjustment for P-E ratios as well as other factors such as rounding, geometric compounding, etc.*

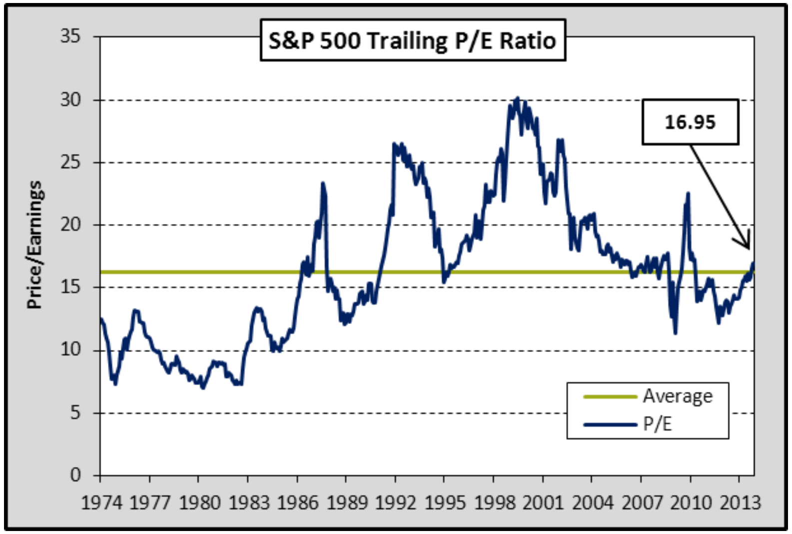
US Large Cap Equity Building Blocks



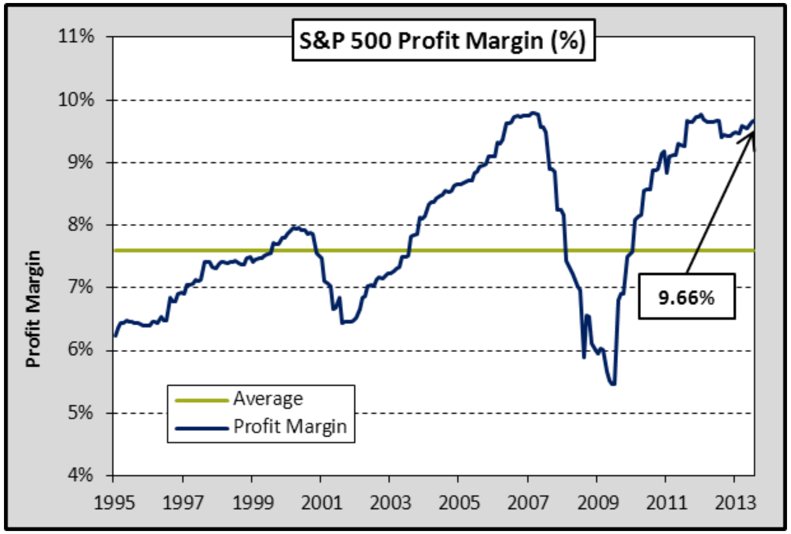
Source: Bloomberg as of 11/30



Source: Bloomberg as of 11/30



Source: Bloomberg as of 11/30

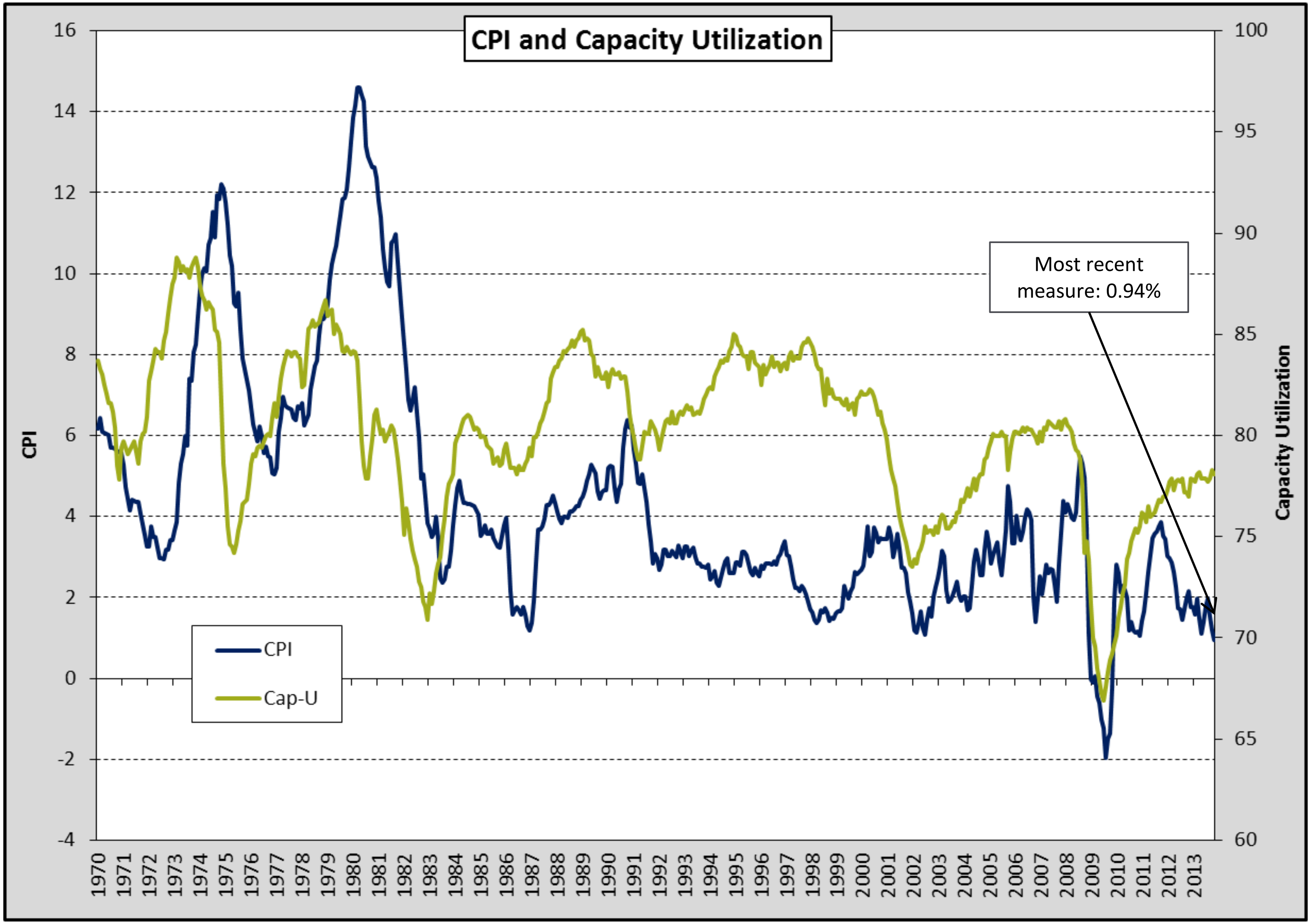


Source: Bloomberg as of 11/30

- **Inflation is an important component of our asset allocation assumptions**
  - An essential building block for projecting returns in stocks, bonds, and commodities
- **There are several measures of inflation used to inform our view (all of which have issues)**
  - Consumer Price Index
  - Producer Price Index
  - TIPS break-even inflation
- **We are projecting 3% inflation over the next 5-7 years**
  - This assumption represents the geometric mean of a time series
  - Inflation could take several different paths over 5-7 years to arrive at a 3% mean
  - Given the wide-ranging potential inflation paths (US 1970s or Japan 1990s), we continue to use an elevated estimate of inflation volatility
- **While muted credit growth leaves inflation expectations unchanged in the near term, pressures for higher long-term inflation continue to build**
  - Monetary stimulation continued in 2013
  - Taper in US throughout 2014 but still remain stimulative globally
- **Given increasing long-term inflation pressures, a modestly higher inflation assumption (3.25%) is utilized for determining 30 year return expectations**

- **For asset class assumptions, we use a broader but less measurable concept of inflation**
  - Thought of as the inflation that flows through to ending corporate earnings for equities, required market yields on fixed income, or spot price returns on commodities
- **NEPC thinks of inflation on a global basis**
  - Considered from an investment perspective
    - That which passes through to the end investor across global investments
- **The inflation measure represents an average of inflation experience across all assets and all countries, including a meaningful weight to emerging markets**
- **Institutional investment pools will experience asset inflation globally, encompassing both developed and emerging countries.**
  - Can be different from inflation experienced on local/home country liabilities or spending needs

Inflation Has Stayed Low



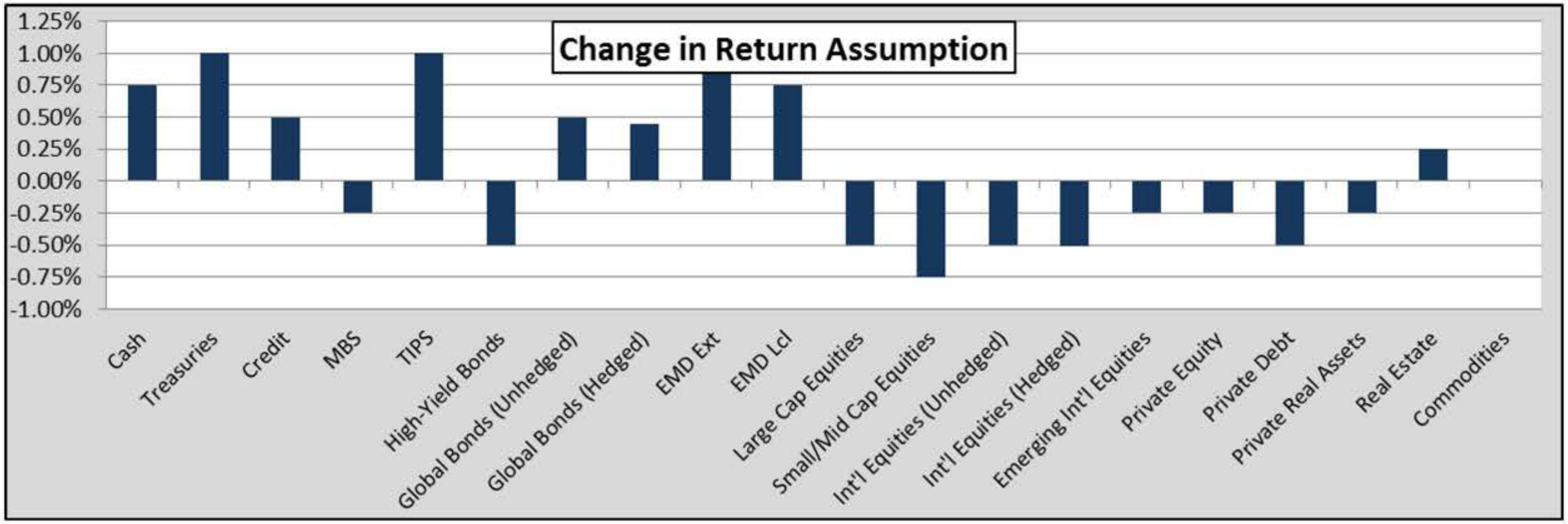
Source: St. Louis Fed as of 11/30

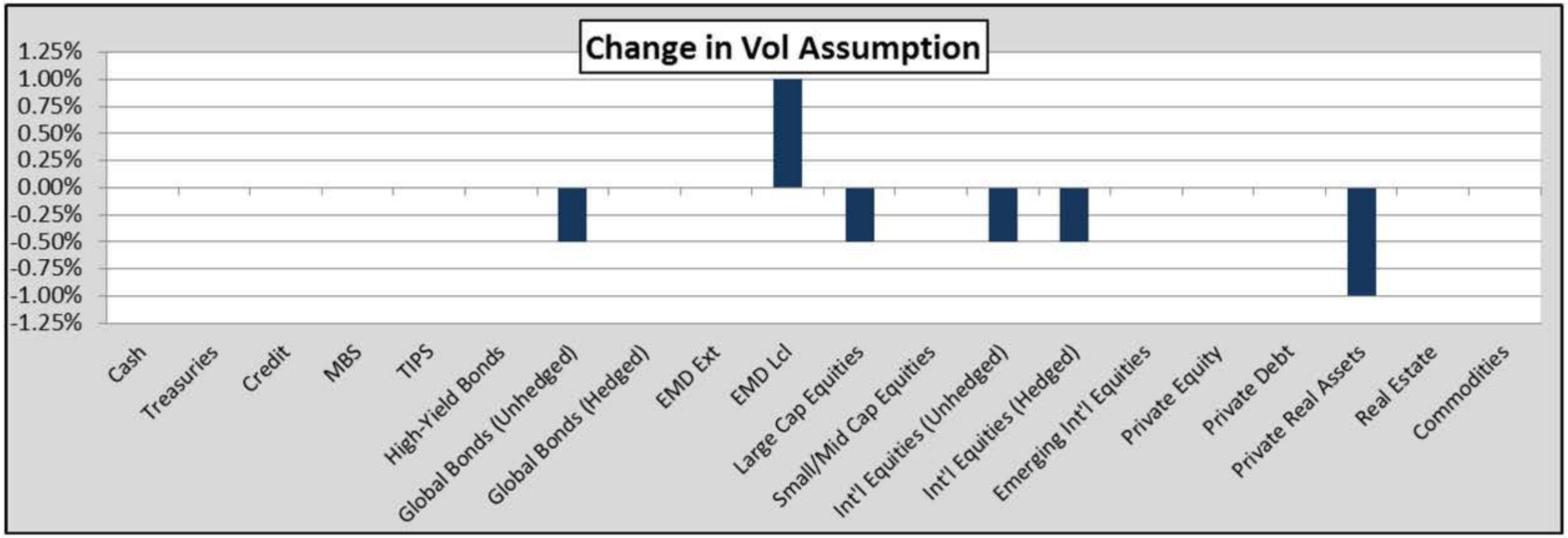
2014 Volatility Forecasts

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

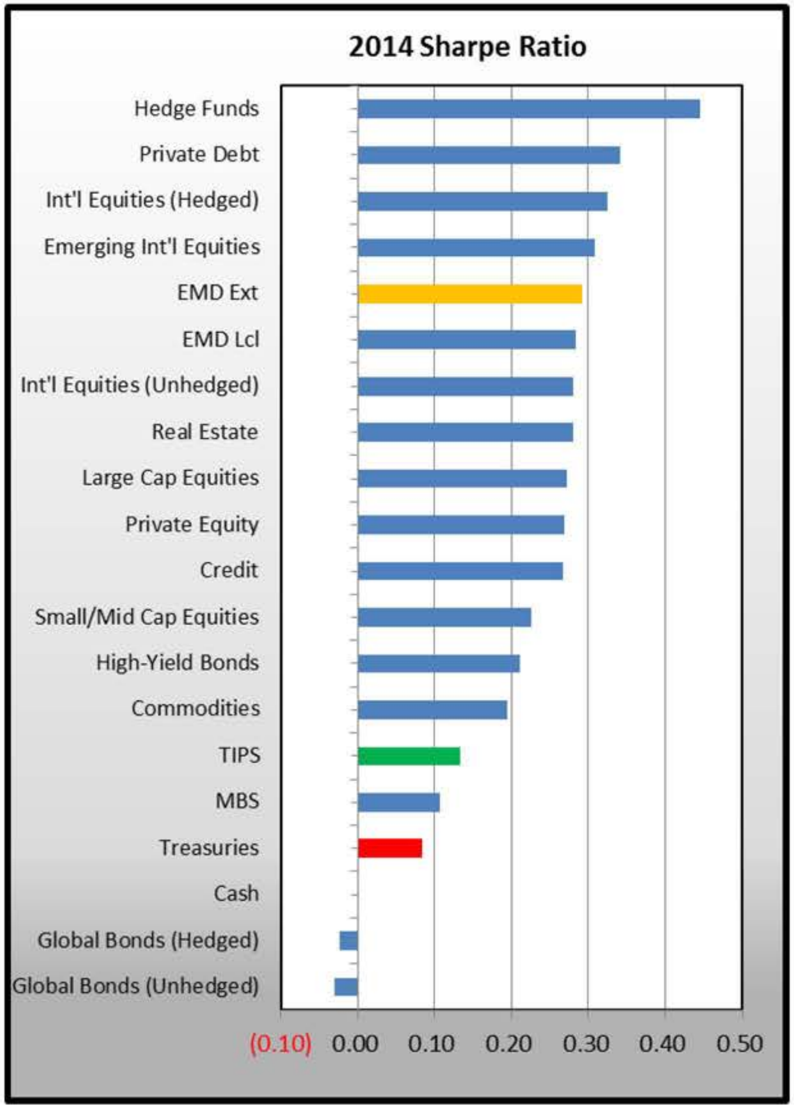
Volatility defined as standard deviation of investment returns.
* Core Bonds assumption based on market weighted blend of components of Aggregate Index (Treasuries, IG Corp Credit, and MBS).

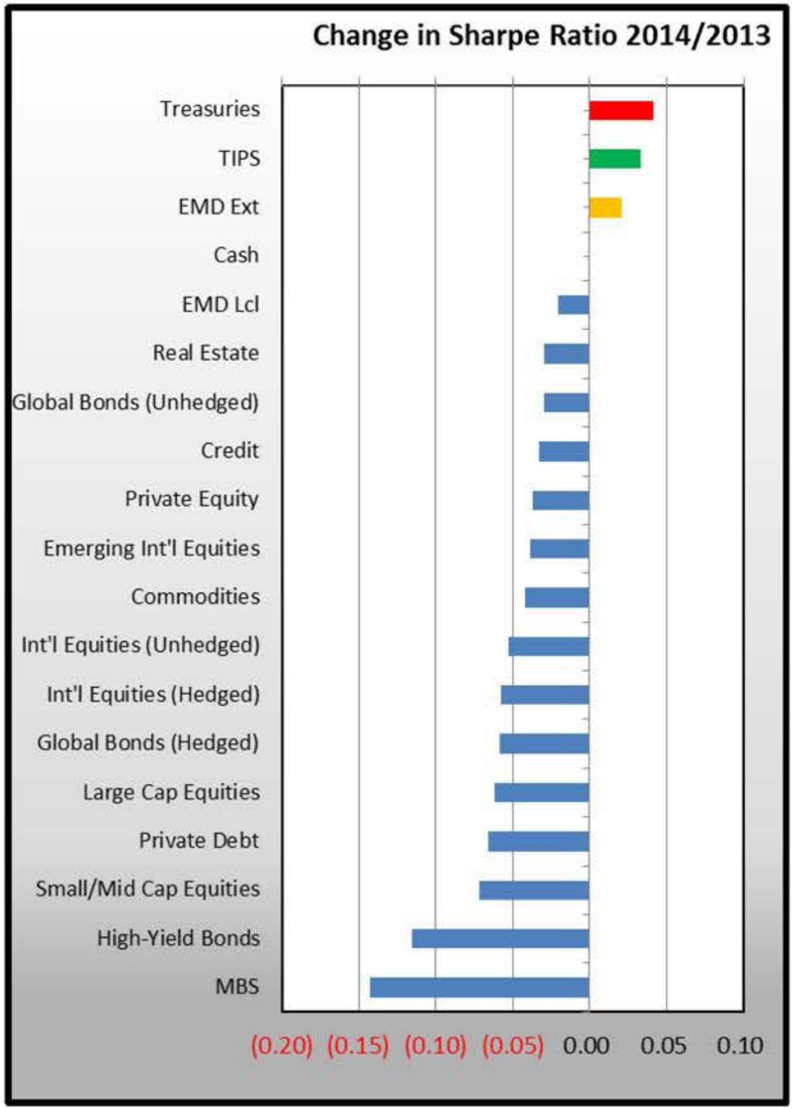
Summary of Changes to 2014 Return and Volatility Expectations





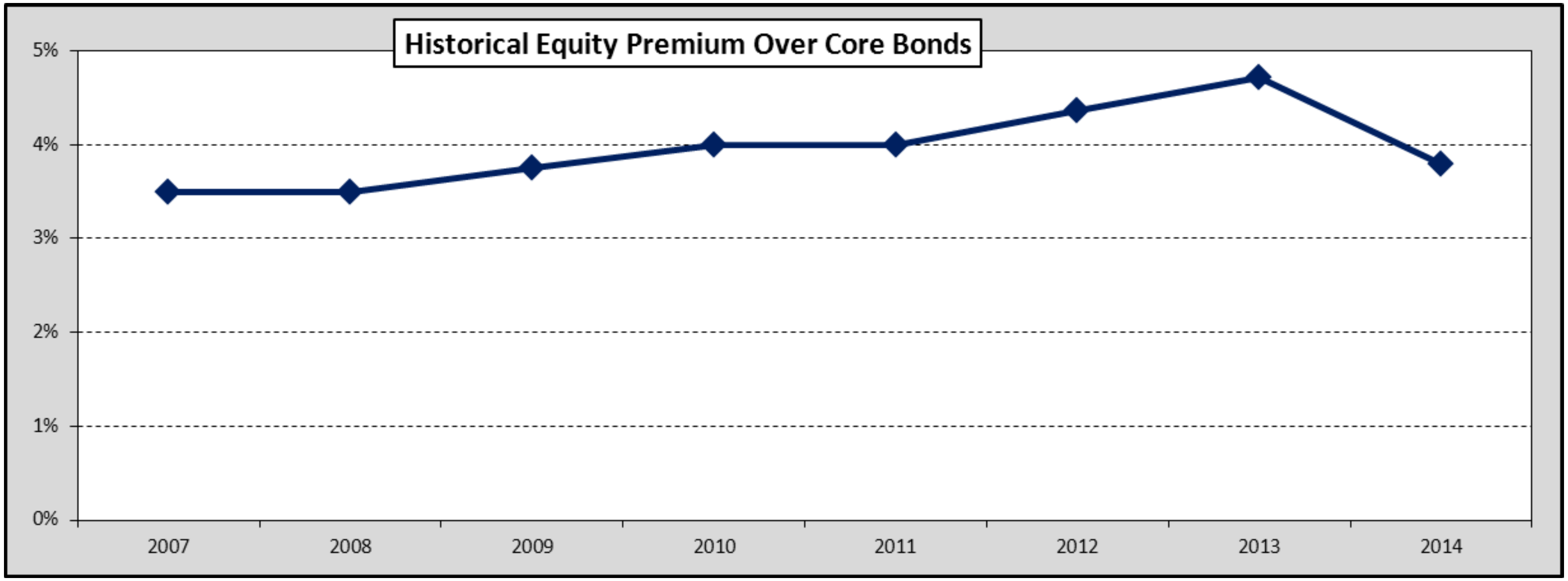
Relative Asset Class Attractiveness



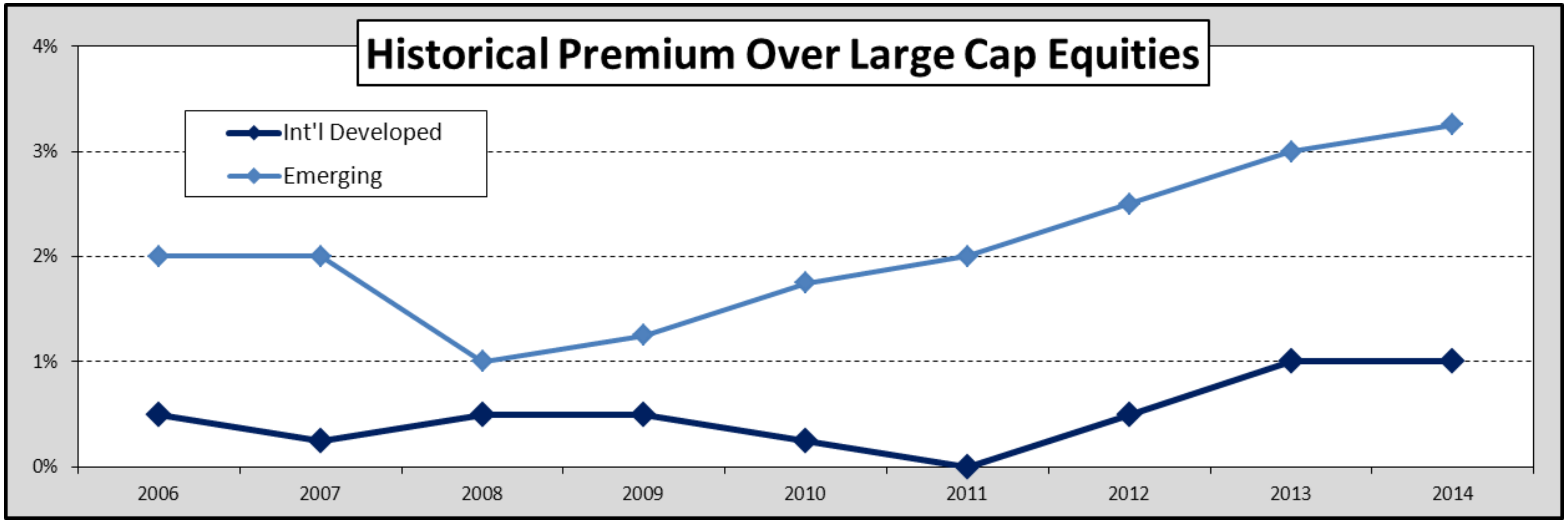


Sharpe Ratio defined as the excess return over cash, divided by the standard deviation.

Asset Class	Historical Long Term Geometric Average[1]	5-to-7 Year NEPC Assumptions 2007	2008	2009	2010	2011	2012	2013	2014
Cash	3.5%	4.00%	4.00%	3.00%	2.00%	2.00%	1.25%	0.75%	1.50%
Core Bonds[2]	8.0%	5.00%	5.00%	5.50%	3.75%	3.00%	2.88%	2.03%	2.53%
Large Cap	10.1%	8.50%	8.50%	9.25%	7.75%	7.00%	7.25%	6.75%	6.25%
International[3]	9.3%	8.75%	9.00%	9.75%	8.00%	7.00%	7.75%	7.75%	7.25%
US Equity Premium Over Core Bonds		3.50%	3.50%	3.75%	4.00%	4.00%	4.37%	4.72%	3.72%



1. Reflects average since inception (1926 except as noted below) of the respective index through 11/30/2012
2. LB/BC Aggregate reflects average compound annual return since 1976
3. International reflects average annual return since 1970



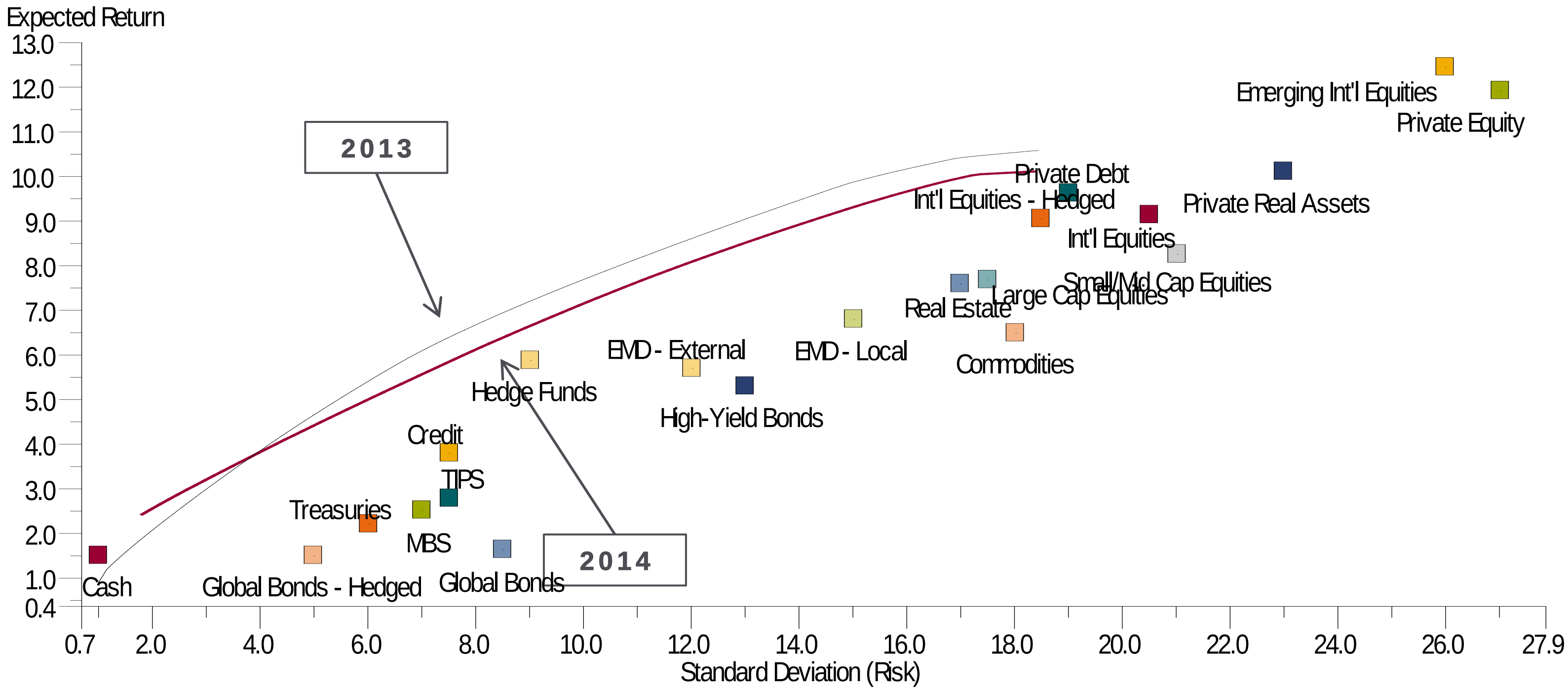
- **Total return expectations for non-US Equities are reduced relative to last year**
- **Yet expectations for US equities are reduced as well**
  - Consistent spread of 1% for developed non-US relative to US Large Cap
  - Increased premium for emerging equity
- **Meaningful downside risks remain in both developed and emerging world**
- **While we expect investors to be compensated over 5-7 years with a higher relative return for holding non-US equities, it is appropriate to use active management to attempt to minimize exposure to downside risks**

- **Slight decrease in US vs. Non-US equities reflecting globally diverging economic condition / policies**

- **Several adjustments made to harmonize correlations across broad factors**
  - Increasing Treasury correlations to EMD, HY, Munis
  - Decreasing TIPS correlations
  - Greater differentiation between EMD external and local
  - Broad increases in alternative/illiquid asset classes to risky assets

Asset Class	Cash	Treasuries	IG Corp Credit	MBS	TIPS	High-Yield Bonds	Global Bonds (Unhedged)	Global Bonds (Hedged)	EMD (External)	EMD (Local Currency)	Large Cap Equities	Small/Mid Cap Equities	Int'l Equities (Unhedged)	Int'l Equities (Hedged)	Emerging Int'l Equities	Private Equity	Private Debt	Private Real Assets	Real Estate (Core)	Commodities	Hedge Funds
Cash	1.00																				
Treasuries	0.20	1.00																			
IG Corp Credit	0.10	0.75	1.00																		
MBS	0.25	0.90	0.80	1.00																	
TIPS	0.00	0.75	0.60	0.70	1.00																
High-Yield Bonds	-0.05	0.30	0.55	0.30	0.20	1.00															
Global Bonds (Unhedged)	0.10	0.50	0.50	0.45	0.40	0.10	1.00														
Global Bonds (Hedged)	0.10	0.80	0.65	0.70	0.65	0.20	0.60	1.00													
EMD (External)	0.05	0.40	0.65	0.35	0.30	0.65	0.25	0.35	1.00												
EMD (Local Currency)	0.05	0.30	0.60	0.25	0.25	0.60	0.30	0.25	0.80	1.00											
Large Cap Equities	0.05	0.05	0.55	0.15	0.00	0.70	0.10	0.05	0.60	0.65	1.00										
Small/Mid Cap Equities	-0.05	-0.05	0.35	0.05	-0.10	0.70	0.00	-0.05	0.55	0.60	0.90	1.00									
Int'l Equities (Unhedged)	-0.10	0.00	0.30	0.05	-0.05	0.50	0.40	0.25	0.60	0.65	0.70	0.60	1.00								
Int'l Equities (Hedged)	-0.10	0.00	0.30	0.05	-0.05	0.50	0.30	0.40	0.60	0.65	0.75	0.65	0.90	1.00							
Emerging Int'l Equities	-0.10	-0.10	0.25	-0.10	-0.10	0.55	0.05	0.05	0.75	0.80	0.60	0.65	0.70	0.70	1.00						
Private Equity	-0.10	-0.05	0.20	0.00	-0.10	0.60	-0.10	-0.10	0.35	0.40	0.70	0.80	0.60	0.65	0.45	1.00					
Private Debt	0.00	-0.25	0.15	-0.15	-0.10	0.65	-0.10	-0.10	0.55	0.60	0.65	0.75	0.60	0.60	0.65	0.65	1.00				
Private Real Assets	0.15	-0.20	0.05	-0.15	0.00	0.40	-0.05	-0.05	0.40	0.40	0.55	0.60	0.50	0.50	0.50	0.65	0.60	1.00			
Real Estate (Core)	0.25	-0.05	0.05	-0.05	0.00	0.10	0.00	-0.05	0.10	0.10	0.35	0.25	0.30	0.30	0.15	0.35	0.25	0.40	1.00		
Commodities	0.10	-0.10	0.10	-0.10	0.30	0.20	0.10	0.10	0.35	0.45	0.30	0.30	0.35	0.35	0.40	0.25	0.30	0.45	0.30	1.00	
Hedge Funds	0.00	-0.20	0.35	-0.15	0.20	0.60	0.05	-0.30	0.55	0.60	0.60	0.65	0.70	0.65	0.70	0.75	0.80	0.65	0.25	0.50	1.00

Efficient Frontier Comparison



- **Expected returns over the next 5-7 years have moved in different directions**
  - Increase in yields results in higher expected returns for most fixed income investments
  - Strong recent performance and valuation expansion leads to a drop in equity assumptions
- **Expectations are also mixed over a 30-year period**
  - Likely still able to support investor long-term targets for well diversified portfolios
- **On a Sharpe ratio basis, 2014 outlook has decreased for most asset classes due to improved outlook for cash**
  - Few asset classes have improved Sharpe Ratios relative to prior year expectations
    - US Treasuries
    - External Emerging Debt
    - US TIPS
- **Outlook is generally cautious across most markets**

- Past performance is no guarantee of future results.

- Information on market indices was provided by 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.

- The goal of this report is to provide a basis for substantiating asset allocation recommendations.

- All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

- This report is provided as a management aid for the client's internal use only. This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

Ventura County Employees' Retirement Association

Investment Summary
Quarter Ending December 31, 2013

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

Total Fund Performance Detail (Net)

Performance Summary

	Market Value ($)	% of Portfolio	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fund	**4,083,986,285**	**100.0**	**4.3**	**17.0**	**10.5**	**17.0**	**10.2**	**13.8**	**6.8**	**8.3**	**Apr-94**
Policy Index			5.6	17.1	11.2	17.1	9.9	12.7	7.0	8.3	*Apr-94*
Over/Under			-1.3	-0.1	-0.7	-0.1	0.3	1.1	-0.2	0.0	
Total US Equity	**1,286,480,877**	**31.5**	**9.5**	**33.3**	**17.1**	**33.3**	**16.3**	**19.2**	**7.4**	**9.0**	**Dec-93**
Total U.S. Equity Benchmark			10.1	33.5	16.9	33.5	16.2	18.9	8.0	9.4	*Dec-93*
Over/Under			-0.6	-0.2	0.2	-0.2	0.1	0.3	-0.6	-0.4	
BlackRock Extended Equity Index	43,281,890	1.1	8.6	38.2	19.5	38.2	16.5	22.5	10.4	13.0	Oct-02
Dow Jones U.S. Completion Total Stock Market			8.5	38.1	19.3	38.1	16.1	22.6	10.3	13.0	*Oct-02*
Over/Under			0.1	0.1	0.2	0.1	0.4	-0.1	0.1	0.0	
Western U.S. Index Plus	121,431,888	3.0	10.8	33.0	16.7	33.0	17.4	23.4	--	1.9	May-07
S&P 500			10.5	32.4	16.3	32.4	16.2	17.9	7.4	5.2	*May-07*
Over/Under			0.3	0.6	0.4	0.6	1.2	5.5		-3.3	
BlackRock Equity Market Fund	1,121,767,099	27.5	9.5	32.7	16.3	32.7	16.0	18.7	--	6.8	Dec-07
Dow Jones U.S. Total Stock Market			10.1	33.5	16.9	33.5	16.2	18.9	8.1	6.9	*Dec-07*
Over/Under			-0.6	-0.8	-0.6	-0.8	-0.2	-0.2		-0.1	

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% Wells Fargo MLP 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

BlackRock Equity Market Fund Perfomance is preliminary, valuations between State Street Bank and BlackRock are under review

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Non-US Equity	**650,705,921**	**15.9**	**4.5**	**16.4**	**14.9**	**16.4**	**5.8**	**13.1**	**7.4**	**7.1**	**Mar-94**
Total Non-US Equity Benchmark			*4.8*	*15.3*	*15.3*	*15.3*	*5.1*	*12.8*	*7.6*	*5.7*	*Mar-94*
Over/Under			-0.3	1.1	-0.4	1.1	0.7	0.3	-0.2	1.4	
BlackRock ACWI ex-U.S. Index	290,890,130	7.1	4.8	16.1	15.6	16.1	5.3	13.5	--	2.1	Mar-07
MSCI ACWI ex USA			*4.8*	*15.3*	*15.3*	*15.3*	*5.1*	*12.8*	*7.6*	*1.7*	*Mar-07*
Over/Under			0.0	0.8	0.3	0.8	0.2	0.7		0.4	
Spurcegrove	185,640,498	4.5	4.8	17.1	15.4	17.1	6.9	14.6	8.3	8.9	Mar-02
MSCI EAFE			*5.7*	*22.8*	*17.9*	*22.8*	*8.2*	*12.4*	*6.9*	*7.2*	*Mar-02*
Over/Under			-0.9	-5.7	-2.5	-5.7	-1.3	2.2	1.4	1.7	
MSCI ACWI ex USA			*4.8*	*15.3*	*15.3*	*15.3*	*5.1*	*12.8*	*7.6*	*7.9*	*Mar-02*
Hexavest	80,514,432	2.0	4.8	20.2	14.9	20.2	7.5	--	--	7.5	Dec-10
MSCI EAFE			*5.7*	*22.8*	*17.9*	*22.8*	*8.2*	*12.4*	*6.9*	*8.2*	*Dec-10*
Over/Under			-0.9	-2.6	-3.0	-2.6	-0.7			-0.7	
Walter Scott	93,660,860	2.3	2.3	12.1	10.7	12.1	7.0	--	--	7.0	Dec-10
MSCI ACWI ex USA			*4.8*	*15.3*	*15.3*	*15.3*	*5.1*	*12.8*	*7.6*	*5.1*	*Dec-10*
Over/Under			-2.5	-3.2	-4.6	-3.2	1.9			1.9	
Total Global Equity	**422,358,273**	**10.3**	**7.4**	**22.0**	**15.2**	**22.0**	**10.3**	**12.0**	**--**	**6.0**	**May-05**
MSCI ACWI			*7.3*	*22.8*	*15.8*	*22.8*	*9.7*	*14.9*	*7.2*	*7.0*	*May-05*
Over/Under			0.1	-0.8	-0.6	-0.8	0.6	-2.9		-1.0	
GMO Global Equity	209,734,792	5.1	7.3	21.0	14.6	21.0	10.9	13.3	--	7.6	Apr-05
MSCI ACWI			*7.3*	*22.8*	*15.8*	*22.8*	*9.7*	*14.9*	*7.2*	*7.0*	*Apr-05*
Over/Under			0.0	-1.8	-1.2	-1.8	1.2	-1.6		0.6	
BlackRock MSCI ACWI Equity Index	212,623,481	5.2	7.5	23.2	15.8	23.2	--	--	--	--	May-12
MSCI ACWI			*7.3*	*22.8*	*15.8*	*22.8*	*9.7*	*14.9*	*7.2*	*24.6*	*May-12*
Over/Under			0.2	0.4	0.0	0.4					

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

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total US Fixed Income	**697,296,959**	**17.1**	**1.0**	**0.0**	**1.9**	**0.0**	**5.5**	**10.3**	**6.1**	**6.5**	**Feb-94**
Barclays Aggregate			*-0.1*	*-2.0*	*0.4*	*-2.0*	*3.3*	*4.4*	*4.5*	*5.8*	*Feb-94*
Over/Under			1.1	2.0	1.5	2.0	2.2	5.9	1.6	0.7	
Western	247,565,929	6.1	0.4	-1.1	0.9	-1.1	5.2	8.9	5.4	6.5	Dec-96
Barclays Aggregate			*-0.1*	*-2.0*	*0.4*	*-2.0*	*3.3*	*4.4*	*4.5*	*5.7*	*Dec-96*
Over/Under			0.5	0.9	0.5	0.9	1.9	4.5	0.9	0.8	
BlackRock U.S. Debt Fund	131,068,003	3.2	-0.2	-2.0	0.4	-2.0	3.3	4.5	4.6	5.7	Nov-95
Barclays Aggregate			*-0.1*	*-2.0*	*0.4*	*-2.0*	*3.3*	*4.4*	*4.5*	*5.6*	*Nov-95*
Over/Under			-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	
Reams	251,728,906	6.2	1.9	2.6	2.5	2.6	6.9	12.8	7.1	6.7	Sep-01
Reams Custom Index			*0.1*	*-0.5*	*0.1*	*-0.5*	*3.8*	*4.8*	*4.7*	*5.0*	*Sep-01*
Over/Under			1.8	3.1	2.4	3.1	3.1	8.0	2.4	1.7	
Barclays Aggregate			*-0.1*	*-2.0*	*0.4*	*-2.0*	*3.3*	*4.4*	*4.5*	*4.9*	*Sep-01*
Loomis Sayles Multi Strategy	66,934,121	1.6	2.4	1.5	3.3	1.5	7.3	14.1	--	7.4	Jul-05
Loomis Custom Index			*0.9*	*0.8*	*2.0*	*0.8*	*5.1*	*8.4*	--	*5.9*	*Jul-05*
Over/Under			1.5	0.7	1.3	0.7	2.2	5.7		1.5	
Barclays Aggregate			*-0.1*	*-2.0*	*0.4*	*-2.0*	*3.3*	*4.4*	*4.5*	*4.7*	*Jul-05*
Total Global Fixed Income	**255,241,694**	**6.2**	**0.3**	**-2.2**	**2.9**	**-2.2**	**--**	**--**	**--**	**0.8**	**Jun-12**
Barclays Global Aggregate			*-0.4*	*-2.6*	*2.3*	*-2.6*	*2.4*	*3.9*	*4.5*	*0.1*	*Jun-12*
Over/Under			0.7	0.4	0.6	0.4				0.7	
Loomis Sayles Global Fixed Income	91,531,091	2.2	0.0	-2.1	2.3	-2.1	--	--	--	1.2	Jun-12
Barclays Global Aggregate			*-0.4*	*-2.6*	*2.3*	*-2.6*	*2.4*	*3.9*	*4.5*	*0.1*	*Jun-12*
Over/Under			0.4	0.5	0.0	0.5				1.1	
PIMCO Global Fixed Income	122,867,727	3.0	0.0	-3.3	2.7	-3.3	--	--	--	-2.9	Sep-12
Barclays Global Aggregate			*-0.4*	*-2.6*	*2.3*	*-2.6*	*2.4*	*3.9*	*4.5*	*-2.5*	*Sep-12*
Over/Under			0.4	-0.7	0.4	-0.7				-0.4	
Loomis Strategic Alpha	40,842,876	1.0	2.0	--	--	--	--	--	--	1.6	Jul-13
Barclays Global Aggregate			*-0.4*	*-2.6*	*2.3*	*-2.6*	*2.4*	*3.9*	*4.5*	*1.1*	*Jul-13*
Over/Under			2.4							0.5	

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

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

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Real Estate	**287,745,891**	**7.0**	**0.0**	**7.9**	**2.7**	**7.9**	**10.4**	**1.4**	**4.8**	**7.4**	**Mar-94**
Total Real Estate Benchmark			0.0	10.4	3.6	10.4	12.4	3.0	6.8	8.5	*Mar-94*
Over/Under			0.0	-2.5	-0.9	-2.5	-2.0	-1.6	-2.0	-1.1	
Prudential Real Estate	91,858,664	2.2	0.0	10.0	3.5	10.0	12.3	1.6	--	3.3	Jun-04
UBS Real Estate	187,243,945	4.6	0.0	7.1	2.5	7.1	9.4	3.1	6.6	6.8	Mar-03
RREEF	8,643,282	0.2	0.0	12.5	4.4	12.5	28.6	-4.0	--	-11.2	Sep-07
Total Private Equity	**66,236,989**	**1.6**	**0.0**	**12.9**	**5.6**	**12.9**	**--**	**--**	**--**	**--**	**Jul-10**
DJ U.S. Total Stock Market Index + 3%			10.9	37.4	18.6	37.4	--	--	--	--	*Jul-10*
Over/Under			-10.9	-24.5	-13.0	-24.5					
Adams Street Partners	40,972,599	1.0	0.0	11.7	7.6	11.7	--	--	--	--	Jul-10
DJ U.S. Total Stock Market Index + 3%			10.9	37.4	18.6	37.4	--	--	--	--	*Jul-10*
Over/Under			-10.9	-25.7	-11.0	-25.7					
Panteon Ventures	9,678,475	0.2	0.0	12.1	1.4	12.1	--	--	--	--	Aug-10
DJ U.S. Total Stock Market Index + 3%			10.9	37.4	18.6	37.4	--	--	--	--	*Aug-10*
Over/Under			-10.9	-25.3	-17.2	-25.3					
Harbourvest	15,585,915	0.4	0.0	--	0.0	--	--	--	--	--	May-13
DJ U.S. Total Stock Market Index + 3%			10.9	37.4	18.6	37.4	--	--	--	17.4	*May-13*
Over/Under			-10.9		-18.6						
Total Liquid Alternatives	**377,931,146**	**9.3**	**3.3**	**--**	**7.8**	**--**	**--**	**--**	**--**	**11.0**	**Apr-13**
Wells Fargo MLP Index			7.3	30.1	5.0	30.1	15.2	--	--	6.3	*Apr-13*
Over/Under			-4.0		2.8					4.7	
Tortoise Energy Infrastructure	123,023,887	3.0	8.6	--	13.4	--	--	--	--	16.8	Apr-13
Wells Fargo MLP Index			7.3	30.1	5.0	30.1	15.2	--	--	6.3	*Apr-13*
Over/Under			1.3		8.4					10.5	
Bridgewater All Weather Fund	254,907,259	6.2	0.9	--	--	--	--	--	--	3.4	Aug-13
DJ U.S. Total Stock Market Index + 3%			10.9	37.4	18.6	37.4	--	--	--	15.3	*Aug-13*
Over/Under			-10.0							-11.9	

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.

Private Equity manager values are adjusted for 4th quarter cash flows

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Overlay	**39,988,536**	**1.0**									
Clifton	39,988,536	1.0									

Clifton Overlay account: Performance is not applicable

Please Note:

The Policy Index and Bridgewater All Weather performance is preliminary

Real Estate managers and benchmark as well as Private Equity managers performance numbers are not yet available for 4q2013

Performance Summary

Ventura County Employees' Retirement Association

Period Ending 12/31/2013

Net of Fee Performance	4th Quarter	Year-to Date	1 Year Ending 12/31/2013	3 Years Ending 12/31/2013	5 Years Ending 12/31/2013	10 Years Ending 12/31/2013	Since Inception	Inception Date
Total Fund	**4.3**	**17.0**	**17.0**	**10.2**	**13.8**	**6.8**	**8.3**	**Apr-94**
Policy Index [1,8]	*5.6*	*17.1*	*17.1*	*9.9*	*12.7*	*7.0*	*8.3*	*Apr-94*
Total US Equity	**9.5**	**33.3**	**33.3**	**16.3**	**19.2**	**7.4**	**9.0**	**Dec-93**
Total U.S. Equity Benchmark [2]	*10.1*	*33.5*	*33.5*	*16.2*	*18.9*	*8.0*	*9.4*	*Dec-93*
BlackRock Extended Equity Index	8.6	38.2	38.2	16.5	22.5	10.4	13.0	Oct-02
Dow Jones U.S. Completion Total Stock Market	*8.5*	*38.1*	*38.1*	*16.1*	*22.6*	*10.3*	*13.0*	*Oct-02*
Western U.S. Index Plus	10.8	33.0	33.0	17.4	23.4	--	1.9	May-07
S&P 500	*10.5*	*32.4*	*32.4*	*16.2*	*17.9*	*7.4*	*5.2*	*May-07*
BlackRock Equity Market Fund	9.5	32.7	32.7	16.0	18.7	--	6.8	Dec-07
Dow Jones U.S. Total Stock Market	*10.1*	*33.5*	*33.5*	*16.2*	*18.9*	*8.1*	*6.9*	*Dec-07*
Total Non-US Equity	**4.5**	**16.4**	**16.4**	**5.8**	**13.1**	**7.4**	**7.1**	**Mar-94**
Total Non-US Equity Benchmark [3]	*4.8*	*15.3*	*15.3*	*5.1*	*12.8*	*7.6*	*5.7*	*Mar-94*
BlackRock ACWI ex-U.S. Index	4.8	16.1	16.1	5.3	13.5	--	2.1	Mar-07
MSCI ACWI ex USA	*4.8*	*15.3*	*15.3*	*5.1*	*12.8*	*7.6*	*1.7*	*Mar-07*
Spurcegrove	4.8	17.1	17.1	6.9	14.6	8.3	8.9	Mar-02
MSCI EAFE	*5.7*	*22.8*	*22.8*	*8.2*	*12.4*	*6.9*	*7.2*	*Mar-02*
Hexavest	4.8	20.2	20.2	7.5	--	--	7.5	Dec-10
MSCI EAFE	*5.7*	*22.8*	*22.8*	*8.2*	*12.4*	*6.9*	*8.2*	*Dec-10*
Walter Scott	2.3	12.1	12.1	7.0	--	--	7.0	Dec-10
MSCI ACWI ex USA	*4.8*	*15.3*	*15.3*	*5.1*	*12.8*	*7.6*	*5.1*	*Dec-10*

Net of Fee Performance	4th Quarter	Year-to Date	1 Year Ending 12/31/2013	3 Years Ending 12/31/2013	5 Years Ending 12/31/2013	10 Years Ending 12/31/2013	Since Inception	Inception Date
Total Global Equity	**7.4**	**22.0**	**22.0**	**10.3**	**12.0**	**--**	**6.0**	**May-05**
MSCI ACWI	*7.3*	*22.8*	*22.8*	*9.7*	*14.9*	*7.2*	*7.0*	*May-05*
GMO Global Equity	7.3	21.0	21.0	10.9	13.3	--	7.6	Apr-05
MSCI ACWI	*7.3*	*22.8*	*22.8*	*9.7*	*14.9*	*7.2*	*7.0*	*Apr-05*
BlackRock MSCI ACWI Equity Index	7.5	23.2	23.2	--	--	--	--	May-12
MSCI ACWI	*7.3*	*22.8*	*22.8*	*9.7*	*14.9*	*7.2*	*24.6*	*May-12*
Total US Fixed Income	**1.0**	**0.0**	**0.0**	**5.5**	**10.3**	**6.1**	**6.5**	**Feb-94**
Barclays Aggregate	*-0.1*	*-2.0*	*-2.0*	*3.3*	*4.4*	*4.5*	*5.8*	*Feb-94*
Western	0.4	-1.1	-1.1	5.2	8.9	5.4	6.5	Dec-96
Barclays Aggregate	*-0.1*	*-2.0*	*-2.0*	*3.3*	*4.4*	*4.5*	*5.7*	*Dec-96*
BlackRock U.S. Debt Fund	-0.2	-2.0	-2.0	3.3	4.5	4.6	5.7	Nov-95
Barclays Aggregate	*-0.1*	*-2.0*	*-2.0*	*3.3*	*4.4*	*4.5*	*5.6*	*Nov-95*
Reams	1.9	2.6	2.6	6.9	12.8	7.1	6.7	Sep-01
Reams Custom Index [4]	*0.1*	*-0.5*	*-0.5*	*3.8*	*4.8*	*4.7*	*5.0*	*Sep-01*
Loomis Sayles Multi Strategy	2.4	1.5	1.5	7.3	14.1	--	7.4	Jul-05
Loomis Custom Index [5]	*0.9*	*0.8*	*0.8*	*5.1*	*8.4*	--	*5.9*	*Jul-05*
Total Global Fixed Income	**0.3**	**-2.2**	**-2.2**	**--**	**--**	**--**	**0.8**	**Jun-12**
Barclays Global Aggregate	*-0.4*	*-2.6*	*-2.6*	*2.4*	*3.9*	*4.5*	*0.1*	*Jun-12*
Loomis Sayles Global Fixed Income	0.0	-2.1	-2.1	--	--	--	1.2	Jun-12
Barclays Global Aggregate	*-0.4*	*-2.6*	*-2.6*	*2.4*	*3.9*	*4.5*	*0.1*	*Jun-12*
PIMCO Global Fixed Income	0.0	-3.3	-3.3	--	--	--	-2.9	Sep-12
Barclays Global Aggregate	*-0.4*	*-2.6*	*-2.6*	*2.4*	*3.9*	*4.5*	*-2.5*	*Sep-12*
Loomis Strategic Alpha	2.0	--	--	--	--	--	1.6	Jul-13
Barclays Global Aggregate	*-0.4*	*-2.6*	*-2.6*	*2.4*	*3.9*	*4.5*	*1.1*	*Jul-13*
Total Real Estate	**0.0**	**7.9**	**7.9**	**10.4**	**1.4**	**4.8**	**7.4**	**Mar-94**
Total Real Estate Benchmark [6]	0.0	10.4	10.4	12.4	3.0	6.8	8.5	Mar-94
Prudential Real Estate [7]	0.0	10.0	10.0	12.3	1.6	--	3.3	Jun-04
UBS Real Estate [7]	0.0	7.1	7.1	9.4	3.1	6.6	6.8	Mar-03
RREEF [7]	0.0	12.5	12.5	28.6	-4.0	--	-11.2	Sep-07

Net of Fee Performance	4th Quarter	Year-to Date	1 Year Ending 12/31/2013	3 Years Ending 12/31/2013	5 Years Ending 12/31/2013	10 Years Ending 12/31/2013	Since Inception	Inception Date
Total Private Equity	**0.0**	**12.9**	**12.9**	**--**	**--**	**--**	**--**	**Jul-10**
DJ U.S. Total Stock Market Index + 3%	*10.9*	*37.4*	*37.4*	--	--	--	--	*Jul-10*
Adams Street Partners [7]	0.0	11.7	11.7	--	--	--	--	Jul-10
DJ U.S. Total Stock Market Index + 3%	*10.9*	*37.4*	*37.4*	--	--	--	--	*Jul-10*
Panteon Ventures [7]	0.0	12.1	12.1	--	--	--	--	Aug-10
DJ U.S. Total Stock Market Index + 3%	*10.9*	*37.4*	*37.4*	--	--	--	--	*Aug-10*
Harbourvest [7]	0.0	--	--	--	--	--	--	May-13
DJ U.S. Total Stock Market Index + 3%	*10.9*	*37.4*	*37.4*	--	--	--	*17.4*	*May-13*
Total Liquid Alternatives	**3.3**	**--**	**--**	**--**	**--**	**--**	**11.0**	**Apr-13**
Wells Fargo MLP Index	*7.3*	*30.1*	*30.1*	*15.2*	--	--	*6.3*	*Apr-13*
Tortoise Energy Infrastructure	8.6	--	--	--	--	--	16.8	Apr-13
Wells Fargo MLP Index	*7.3*	*30.1*	*30.1*	*15.2*	--	--	*6.3*	*Apr-13*
Bridgewater All Weather Fund [8]	0.9	--	--	--	--	--	3.4	Aug-13
DJ U.S. Total Stock Market Index + 3%	*10.9*	*37.4*	*37.4*	--	--	--	*15.3*	*Aug-13*

Note:

1 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% Wells Fargo MLP Index, and 7% NCREIF ODCE Real Estate Index

2 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

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

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

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

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

7 Real Estate managers and benchmark as well as Private Equity managers performance numbers are not yet available for 4q2013

8 The Policy Index and Bridgewater All Weather performance is preliminary

Clifton Overlay account: Performance is not applicable

Asset Allocation

Ventura County Employees' Retirement Association

Period Ending 12/31/2013

	Total Market Value	% of Portfolio	U.S. Equity	Non-US Equity	Global Equity	U.S. Fixed Income	Global Bonds	Private Equity	Liquid Alternatives	Real Estate	Cash
Total Equity	**$2,359,545,070**	**57.8%**									
Total US Equity	**$1,286,480,877**	**31.5%**	**$1,286,480,877**								
BlackRock Extended Equity Index	$43,281,890	1.1%	$43,281,890								
Western U.S. Index Plus	$121,431,888	3.0%	$121,431,888								
BlackRock Equity Market Fund	$1,121,767,099	27.6%	$1,121,767,099								
Total Non-US Equity	**$650,705,920**	**15.9%**		**$650,705,920**							
BlackRock ACWI ex-U.S. Index	$290,890,130	7.1%		$290,890,130							
Spurcegrove	$185,640,498	4.6%		$185,640,498							
Hexavest	$80,514,432	2.0%		$80,514,432							
Walter Scott	$93,660,860	2.3%		$93,660,860							
Total Global Equity	**$422,358,273**	**10.3%**			**$422,358,273**						
GMO Global Equity	$209,734,792	5.2%			$209,734,792						
BlackRock MSCI ACWI Equity Index	$212,623,481	5.2%			$212,623,481						
Total Fixed Income	**$952,538,653**	**23.3%**									
Total US Fixed Income	**$697,296,959**	**17.1%**				**$697,296,959**					
Western	$247,565,929	6.1%				$247,565,929					
BlackRock U.S. Debt Fund	$131,068,003	3.2%				$131,068,003					
Reams	$251,728,906	6.2%				$251,728,906					
Loomis Sayles Multi Strategy	$66,934,121	1.6%				$66,934,121					
Total Global Fixed Income	**$255,241,694**	**6.2%**					**$255,241,694**				
Loomis Sayles Global Fixed Income	$91,531,091	2.2%					$91,531,091				
PIMCO Global Fixed Income	$122,867,727	3.0%					$122,867,727				
Loomis Strategic Alpha	$40,842,876	1.0%					$40,842,876				
Total Real Estate	**$287,745,891**	**7.0%**								**$287,745,891**	
Prudential Real Estate	$91,858,664	2.3%								$91,858,664	
UBS Real Estate	$187,243,945	4.6%								$187,243,945	
RREEF	$8,643,282	0.2%								$8,643,282	
Total Private Equity	**$66,236,989**	**1.6%**						**$66,236,989**			
Adams Street Partners	$40,972,599	0.9%						$40,972,599			
Panteon Ventures	$9,678,475	0.2%						$9,678,475			
Harbourvest	$15,585,915	0.2%						$15,585,915			
Total Liquid Alternatives	**$377,931,146**	**9.3%**							**$377,931,146**		
Tortoise Energy Infrastructure	$123,023,887	3.0%							$123,023,887		
Bridgewater All Weather Fund	$254,907,259	6.3%							$254,907,259		
Overlay	**$39,988,536**	**1.0%**									**$39,988,536**
Clifton	$39,988,536	1.0%									$39,988,536
Total	**$4,083,986,285**	**100.0%**	**$1,286,480,877**	**$650,705,921**	**$422,358,273**	**$697,296,959**	**$255,241,694**	**$66,236,989**	**$377,931,146**	**$287,745,891**	**$39,988,536**
% of Portfolio			31.5%	15.9%	10.3%	17.1%	6.2%	1.6%	9.3%	7.0%	1.0%

Note:

Real Estate and Private Equity numbers are not yet available

Bridgewater All Weather Fund value is preliminary

Private Equity manager values are cash adjusted for 4th quarter cash flows

Ventura County Employee Retirement Systems

2014 Proposed Board Meeting Agenda Items

Board Meeting	Agenda Item
January 27, 2014	✓ 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	• Quarterly performance report • Update on real estate markets • January monthly performance • Fixed income structure review
March 24, 2014	• Private equity market update • Potential approaches to reach PE target • February monthly performance
April 21, 2014	• March monthly performance • Non-US equity structure review • Review asset/liability study • Prioritize search activity
May 19, 2014	• April monthly performance • Education on fixed income alternatives • Quarterly performance report
June 16, 2014	• May monthly performance • Retreat agenda discussion
July 21, 2014	• June monthly performance • Discuss alternative fixed income strategies • Approve and finalize retreat agenda
September 22, 2014	• Quarterly performance report • August monthly performance • Education on new asset classes
October 20, 2014	• September performance report
November 17, 2013	• October performance report • Quarterly Investment Report
December 15, 2014	• November performance report • Review 2015 agenda

NEPC, LLC

To: VCERA Board of Retirement

From: Allan Martin, Don Stracke, CFA, CAIA, and Anthony Ferrara

Date: January 27, 2014

Subject: Tactical Rebalancing Review

Recommendation

NEPC recommends that the VCERA Board of Retirement provide guidance to NEPC and staff regarding their preferred strategy for tactical rebalancing going forward. The options available include:

1.) Conduct a search to identify and retain a tactical rebalancing vendor such as AlphaEngine to provide direction to the Clifton group regarding tactical tilts for the portfolio.

2.) Wait for the completion of the NEPC Asset/Liability study with an expectation that a component of the allocation would include an allocation to a Global Asset Allocation manager(s). As a reminder, the role of a GAA manager is to tactically move assets between asset classes to take advantage of perceived relative value within agreed-upon constraints.

3.) Direct NEPC to fine-tune their current tactical rebalancing strategy being used for San Jose Police & Fire with a goal of implementing the same approach by June.

4.) Continue the historic passive rebalancing with specific rebalancing to target rules.

Background

For the last few years, the question of whether additional value could be added by tactically tilting the VCERA portfolio has been reviewed by the Board. This review included presentations by AlphaEngine, access to their rebalancing views, discussions with other California counties that engage in tactical rebalancing, and discussions with HEK. After significant deliberations, the decision was made to use HEK's medium term views to inform a structured rebalancing approach. This decision was codified in the Investment Policy Statement, but the operational time-period has been much too short to draw any conclusions about the success of the approach.

Option 1

This is clearly a viable option. There are a handful of potential vendors in the space, and a thoughtful search could be conducted to identify a premier vendor.

<u>Pros</u>

- There would be track-records to evaluate that could provide a higher degree of comfort regarding the potential for a successful program.
- Using specialists in this area, as in most cases, would likely provide a higher probability of success.

- Generally these vendors use rules-based strategies that are reasonably easy to understand and thoughtful. The approach can almost be viewed as a systematic rebalancing as valuations change.
- There is no leverage applied, and these programs can be customized.

Cons

- The cost would not be insignificant.
- It is extremely hard to consistently add value by tactically rebalancing, and that value may not be apparent (or realized) for significant periods of time.

Option 2

This is the option pursued by the majority of our clients. We certainly believe in long-term strategic allocations. We further believe that our medium term (5-7 years) views can inform over and under-weights to asset classes from time to time capturing intermediate term trends, as we saw in the credit markets after the global financial crisis. In general, for more short-term tactical decisions, we find that investment managers who can trade in markets on an intra-day basis have a higher probability of success.

Pros

- There are track-records to evaluate that could provide a higher degree of comfort regarding the potential for a successful program.
- Using specialists in this area, as in most cases, would likely provide a higher probability of success.
- There is a much larger universe of practitioners, and a balanced program can be constructed that would smooth out much of the short and medium term volatility vs. the benchmark.

Cons

- Manager fees would be higher, although assuming that the assets come from a mix of equity and fixed income managers, the key would be the difference between the GAA managers.
- Many of the strategies employ a degree of leverage. Additionally there is a level of complexity to many of these strategies that can create discomfort.

Option 3

While this is certainly a viable approach, there are a couple issues that should be carefully considered before adopting this approach.

Pros

- There would be no incremental fees charged for this service, making this option the least expensive from an out-of-pocket perspective.

Cons

- NEPC has very little experience in recommending tactical rebalancing. We have recently implemented a program for San Jose Police & Fire, but it is in its second month of operation.
- NEPC has no track record to evaluate.
- NEPC is not currently using a rules-based approach, but rather a more holistic use of the judgment of our CIO and the head of our asset allocation team.

Option 4

This option is one used by less than half of our clients, but still is a very popular approach.

Pros

- There is some degree of intellectual support to an argument that simple rules-based tactical moves can add value over time.

Cons

- To the degree that there is an opportunity to add value by tactical rebalancing, that opportunity would be lost.
- We are currently in a low-return environment, and any opportunity to create incremental value-added needs to be thoughtfully studied and considered.

Investment Policy Manual

Ventura County Employees' Retirement Association
January 201~~3~~4

1. Total Fund Investment Policy Statement

2. BlackRock

3. Sprucegrove Investment Management

4. Hexavest

5. Walter Scott

6. Grantham, Mayo, Van Otterloo & Co. (GMO)

7. Loomis, Sayles & Company

8. Reams Asset Management Company

9. Western Asset Management Company

10. Pacific Investment Management Company LLC (PIMCo)

11. Prudential Financial, Inc.

12. UBS Realty Investors

13. RREEF

14. Adams Street Partners

15. Pantheon

~~15.~~16. Harbourvest

17. Tortoise

~~16.~~18. Bridgewater

~~17.~~19. Clifton Group

Formatted: Font: Not Bold

Formatted: List Paragraph, Line spacing: single, No bullets or numbering

Formatted: Font: Not Bold

INVESTMENT POLICY, PROCEDURES, OBJECTIVES AND GUIDELINES
FOR
VENTURA COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION COUNTY OF VENTURA

December 2002
(Revised January 2014~~3~~)

I. INTRODUCTION

This document sets forth the framework for the management and oversight of the investment assets of the Ventura County Employees' Retirement Association (VCERA). The purpose of the Investment Policy is to assist the Board of Retirement (the "Board") in effectively supervising and monitoring the investments of VCERA. Specifically, it will address the following issues:

- The general goals of the investment activity
- The policies and procedures for the management of the investments
- Specific asset allocations, rebalancing procedures and investment guidelines
- Performance objectives
- Responsible parties

The Board establishes this investment policy in accordance with the provisions of the County Employees' Retirement Law of 1937 (Government code Sections 31450 et. seq.). VCERA is considered a separate entity and is administered by a Board consisting of nine members, plus two alternates. VCERA's Board and its officers and employees shall discharge their duties as provided for in Government Code Section 31595:

- Solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims.
- Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care are exercised in the execution of the investment program.

With respect to investments, asset allocation target and ranges, the role of the Board is to ensure VCERA's fiduciary responsibilities are fulfilled, that the investment structure, operation and results of the individual portfolios are consistent with investment objectives established for them, and to ensure competence, integrity and continuity in the management of the assets.

II. INVESTMENT POLICY

The following policies, consistent with the above described purpose and state government citations, are adopted:

- The overall goal of VCERA's investment assets is to provide plan participants with retirement, disability, and death and survivor benefits as provided for under the County Employees' Retirement Law of 1937.

- VCERA's assets will be managed on a total return basis. While VCERA recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

- VCERA's Investment Policy has been designed to produce a total portfolio, long-term (as defined by rolling 10-year periods) real (above inflation) return of 4%. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this goal. Investment strategies are considered primarily in light of their impact on total plan assets subject to any restrictions set forth in the County Employees' Retirement Law of 1937, and shall at all times comply with applicable state and federal regulations.

- All transactions undertaken will be for the sole benefit of VCERA's participants and their beneficiaries and for the exclusive purpose of providing benefits to them, minimizing employer contributions to the System, and defraying reasonable administrative expenses of the System.

`

- VCERA has a long-term investment horizon generally described as a time period greater than 10 years, and utilizes an asset allocation that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Association's investment performance.

- Investment actions are expected to comply with "prudent person" standards.

- Invest funds in accordance with asset allocation targets established by the Board.

III. INVESTMENT OBJECTIVES OF THE TOTAL FUND

- Produce a total portfolio, long-term (as defined by rolling 10-year periods) real (above inflation) return of 4%;

- Exceed a weighted index of its asset allocation policy and component benchmarks over rolling five year periods.

IV. ASSET ALLOCATION

This policy is adopted to provide for diversification of assets in an effort to maximize the investment return of the Association consistent with market conditions. Asset allocation modeling identifies asset classes the Association will utilize and the percentage each class represents in the total fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur. VCERA staff will monitor and assess the actual asset allocation versus policy, and will evaluate any variation considered significant.

The policies and procedures of VCERA's investment program are designed to maximize the probability that the investment goals will be fulfilled. Investment policies will evolve as fund conditions change and as investment conditions warrant.

VCERA adopts and implements an asset allocation policy that is predicated on a number of factors, including:

- The actuarially projected liabilities and benefit payments and the cost to both covered employees and employers;

- Historical and expected long-term capital market risk and return behavior;

- The perception of future economic conditions, including inflation and interest rate levels;

- The risk tolerance of the Board; and

- The relationship between current and projected assets of the Plan and its actuarial requirements.

VCERA's current target asset allocation (including ranges) is attached as Appendix A to this Policy Statement.

The Board will implement the asset allocation policy through the use of specialized investment managers, who will be given full discretion to invest the assets of their portfolios subject to investment guidelines incorporated into the investment management agreement executed with the Association. When appropriate, passive and index managers will also be utilized.

The Board, in recognition of the benefits of commingled funds as investment vehicles (e.g., the ability to diversify more extensively than in a direct investment account and the lower costs that can be associated with these funds) may from time to time elect to invest in such funds. The Board recognizes that the practices of such funds will be in accordance with the funds' offering documents. Any change in the offering documents of a fund in which the Board has placed as investment will be promptly delivered to the Board.

Tactical Rebalancing Policy (implementing Hewitt EnnisKnupp's (HEK's) Medium Term Views (MTVs)

~~Background~~

~~The VCERA Board believes value can be added by utilizing a proactive rebalancing policy that endeavors to take advantage of short- and intermediate-term market dislocations. However, the Board does not feel it is appropriate to leave rebalancing decisions to the discretion of Staff. Therefore, the Board is adopting the following policy. In addition, the Board agrees to continue with this strategy for a three-year period in order to give it sufficient time to be properly evaluated.~~

~~Rebalancing Policy~~

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

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

- ~~At the beginning of each month, the retirement staff shall review the Fund's overall asset allocation. Rebalancing efforts will first focus on normal cash flows and then second through the re-allocation among asset and sub asset classes. Taking into account HEK's MTVs, overweighted asset categories/managers may be used as a source of funds for that month's expenditure requirements and to bring the underweighted asset categories/managers in line with their targeted strategic asset allocation. HEK's MTVs range from very unfavorable to very favorable at the extreme bands. The other ratings are unfavorable, neutral, and favorable. Working with HEK, staff shall re-allocate~~

~~within a range of +/- 1% for unfavorable/favorable outlooks and +/- 2% for very unfavorable/favorable outlooks based on HEK's recommendation. A report will be submitted by staff to the Board, and the investment consultant retained by the Board, summarizing monthly asset rebalancing activity if such activity is necessary as described in this policy.~~

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

- ~~The retirement staff shall monitor its cash position on a regular basis. If it is projected at any time that there will not be a sufficient amount of cash available to meet expenditure requirements, staff is authorized to take action consistent with the intent of this policy to raise additional cash.~~
- ~~Every attempt will be made by staff to cause the least amount of disruption to the Fund's investment management team when withdrawing assets or making contributions.~~

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

- ~~A monthly report on all rebalancing transactions that have been completed will be provided by HEK.~~

- ~~HEK and/or Clifton Advisors will provide an annual report to the Board measuring the impact of this Rebalancing Policy.~~

V. ROLE OF ASSET CLASSES

VCERA will utilize the following portfolio components to fulfill the asset allocation targets and total fund performance goals established elsewhere in this document.

Equities – VCERA anticipates that total returns to equities will be higher than total returns to fixed income securities over the long-run, but may be subject to greater volatility as well. There are several components of the Association's equity holdings:

Stocks –

- Core Stocks – This portfolio will provide broadly diversified, core exposure to the U.S. equity market, primarily through holdings in large capitalization companies.

- Small Stocks – Small cap stocks are those with market capitalizations below $1.0 billion. Although more volatile than larger capitalization stocks, small stocks are generally characterized by faster growth and (historically) higher long-term returns. Low correlation between small caps and large caps leads to portfolio diversification. Small stocks tend to outperform large caps at the onset of economic recoveries, and outperform over time due to the higher risk premium associated with earnings uncertainty.

- International Equities – This portfolio provides access to major equity markets outside the U.S. and consequently plays a significant role in diversifying VCERA's equity portfolio. This segment will provide exposure to developed non-U.S. markets, whose growth and returns are not necessarily synchronized with those of the U.S. This core international segment will concentrate on larger companies in established non-U.S. equity markets. Limited discretion will be provided to active managers deemed to have an appropriate level of expertise to invest opportunistically in emerging markets.

- Global Equities – A further diversifying feature that allows for investment managers to select securities domiciled both in the domestic and international stock markets. While most global equity managers invest in the larger capitalization offerings, limited discretion will be placed on the active managers in an effort to allow for a greater level of outperformance. Managers are allowed to invest in U.S. stocks, non-U.S. domiciled stocks, as well as emerging market securities.

Fixed Income – The primary role of the fixed income portfolio is to provide a more stable investment return and to generate income while diversifying the Association's investment assets. The fixed income holdings are comprised of the following:

- Bonds – This portfolio will provide core exposure to the U.S. and non-U.S. fixed income markets (maturities from 1 to 30 years) including Treasury and government agency bonds, corporate debt, mortgages and asset-backed securities. The portfolio will be largely composed of investment grade issues with limited discretion provided to those active managers deemed to have an appropriate level of skill to invest opportunistically in non-dollar and high yield bonds.
- Absolute Return Bond Portfolios - Due to the historic low interest rates, the board has a concern that maintaining a duration exposure similar to the Barclays Aggregate index creates the real possibility of significant losses. Therefore some of the US and non-US fixed income exposure will be achieved by using managers with a more flexible mandate that differs significantly from the benchmark in an effort to earn an absolute return with lower down-side risk.

Real Estate – The role of real estate, in general, is to provide a competitive risk adjusted rate of return compared to other asset classes and to provide prudent portfolio diversification consistent with risk and return objectives. This portfolio diversification is due to real estate's low correlation with returns of equity and fixed income. Real Estate investments shall consist of the broad range of investment opportunities including direct investment in properties, REITs and commingled funds.

Private Equity – The role of private equity, in general, is to provide a superior risk adjusted rate of return compared to other asset classes and to provide prudent portfolio diversification consistent with risk and return objectives. This portfolio diversification is due to private equity's low correlation with returns of equity and fixed income. Private Equity investments shall consist of a broad range of investment opportunities and may include leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

~~Risk Parity – The role of risk parity, in general, is to seek to provide returns with no material bias to perform better or worse in any particular type of economic environment. In other words, the portfolio seeks to perform approximately as well in rising or falling inflation periods, or in periods of strong or weak economic growth. To achieve this objective, the portfolio holds investments, directly or indirectly, in different asset classes that have different biases to economic conditions. These asset classes may include the currency, fixed-income, inflation linked bond, equity, and commodity markets, among others.~~

Liquid Alternatives – The role of liquid alternatives, in general, is to provide a superior risk adjusted rate of return across different economic regimes and to provide prudent portfolio diversification consistent with risk and return objectives. This portfolio diversification is due to liquid alternatives low correlation with returns of equity and fixed income. Liquid alternatives initially shall include MLP's and risk parity strategies, but it is anticipated that additional liquid alternatives that provide similar uncorrelated returns will be added over time.

Performance Benchmarks – Please refer to the manager-specific guidelines in the appendix for each manager's specific benchmark. The composite benchmarks for the respective asset classes are:

- Domestic Equities
  - Composite – the DJ U.S. Total Stock Market Index
- International Equities
  - Composite – the MSCI All-Country World Ex-US Index
- Global Equities
  - Composite – the MSCI All Country World Index
- Fixed Income
  - Composite – Barclays Capital Aggregate Index, Barclays Capital Global Aggregate Bond Index
- Real Estate
  - Composite – NCREIF Open-End Fund Property Index
- Private Equity
  - Composite - DJ U.S. Total Stock Market Index + 3%
- Liquid Alternatives

Formatted: Indent: Left: 0", Hanging: 0.1", No bullets or numbering

Formatted: Indent: Left: 0", Hanging: 0.1", No bullets or numbering

– Composite - CPI + 4%

~~Risk Parity~~

~~The individual investment objectives specified in the relevant manager-specific guidelines will be used in lieu of a consolidated performance benchmark~~

- Total Fund
  - Weighted Benchmark based on asset allocation

VI. INVESTMENT MANAGEMENT POLICY

The managers will have full discretion and authority for determining investment strategy, security selection and timing subject to the Policy guidelines and any other guidelines specific to their portfolio. Performance of the portfolio will be monitored and evaluated on a regular basis relative to each portfolio component's benchmark return and relative to a peer group of managers following similar investment styles.

Investment actions are expected to comply with "prudent expert" standards. Each investment manager will be expected to know the VCERA's policies (as outlined in this document) and to comply with those policies. It is each manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with the Board toward possible improvement of said policies.

VCERA will also review each investment manager's adherence to its investment policy, and any material changes in the manager's organization (e.g., personnel changes, new business developments, etc.) or its investment process. The investment managers retained by the Association will be responsible for informing the Board of such material changes as detailed in the investment manager's guidelines.

Investment managers under contract to VCERA shall have discretion to establish and execute transactions through accounts with one or more securities broker/dealer(s) that a manager may select. The investment managers will attempt to obtain the best available price and most favorable execution with respect to portfolio transactions.

Selection Criteria for Investment Managers

Criteria will be established for each manager search undertaken by VCERA, and will be tailored to the Association's needs in such search. In general, eligible managers will possess attributes including, but not limited to, the following:

- The firm must be experienced in managing money for institutional clients in the asset class/product category specified.

- The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients.

- The firm must demonstrate adherence to the investment style sought, and adherence to the firm's stated investment discipline.

- The firm's fees must be competitive with industry standards or the product category.

- The firm must be willing and able to comply with the "Duties of the Investment Managers" outlined herein.

Criteria for Investment Manager Termination

VCERA reserves the right to terminate an investment manager for any reason. Grounds for investment manager termination may include, but are not limited to, the following:

- Failure to comply with the guidelines agreed upon for management of the portfolio, including holding restricted issues.
- Failure to achieve performance objectives in the manager's guidelines.

- Significant deviation from manager's stated investment philosophy and/or process

- Loss of key personnel.

- Evidence of illegal or unethical behavior by the investment management firm.

- Lack of willingness to cooperate with reasonable requests by the Association for information, meetings or other material related to its portfolios.

- Loss of confidence by the Board in the investment manager.

- A change in the asset allocation program that necessitates a shift of assets to a different investment style.

The presence of any one of these factors will be carefully reviewed by the Board, but will not necessarily result in an automatic termination.

VCERA reserves the right to place its investment managers on a formal Watch List.

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

1) failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
2) violation of ethical, legal, or regulatory standards
3) material adverse change in the ownership of the firm or personnel changes
4) failure to meet reporting or disclosure requirements
5) failure to meet performance objectives or goals
6) any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

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

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

VII. GENERAL GUIDELINES

Custody of Assets

With the exception of assets invested in commingled funds, the assets of VCERA shall be held in a custody/record keeping account in a master custody bank located in a national money center and in international sub-custodian banks under contract with the custodian bank.

Derivatives

VCERA's investment managers may be permitted through individual investment guidelines to use derivative instruments to control or manage portfolio risk. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or derivative. While this definition includes collateralized mortgage obligations, the most common type of derivatives, it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, swap options, etc.

VCERA's managers are not to utilize derivatives for speculative purposes (for example, by taking a position greater than 100% or less than 0% of underlying asset exposure). In no circumstances can derivatives lever any positions in VCERA's portfolio. No derivatives positions can be established that create portfolio characteristics outside of current portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, and maintaining exposure to a desired asset class while effecting asset allocation changes.

VCERA's Investment Consultant shall be responsible for monitoring the investment managers' derivative usage and for reporting to the Board any deviations from this Investment Policy Statement and the investment managers' specific guidelines.

Securities Lending

The Board may authorize the execution of a Securities Lending Program for separate accounts and will also conduct best efforts due diligence and monitoring of such activities in commingled funds.

VCERA may participate in a securities lending program administered by a lending agent approved by the Board for the purpose of increasing income. The Board, or agent, as designated by the Board, shall be responsible for overseeing the securities lending program. The securities lending program shall be established pursuant to a written agreement established between the Board and the custodian that stipulates the working of the program.

The terms of any securities lending program should incorporate the following provisions at a minimum:

- A description of the allocation queuing system used.
- The number of brokers involved and a list of the brokers used.
- The appropriate percentage of asset types for loans outstanding.
- Provision for indemnification in case of broker default.
- Provisions for the selection/elimination of brokers from the program by the lending agent and/or the Board.
- The securities to be included in the program.
- Provisions for the elimination of securities from the securities lending program by either the lending agent or the Board.
- The collateral to be used for each security and provisions for the adjustment of collateral when it fails.

- The lending agent/VCERA split on the securities lending income.
- Provisions for termination of a loan.
- The requirement for a securities lending report which details the securities loaned, the collateral used, the broker used and the income and fees received. The report should break out intrinsic and reinvestment income when reporting revenues.
- Disclose potential conflicts with existing clients.
- Collateralization limits (102% for U.S. and 105% for non-U.S. holdings)
- The collateral pool should be invested conservatively in high quality short maturity fixed income instruments. Leverage shall not be allowed in the collateral pool.

Voting of Proxies

Retained investment managers will vote, or cause to be voted, all proxy proposals on an individual basis. The manager's process in dealing with proxy issues should be both thorough and reasonable, and oriented toward achieving maximum long-term shareholder value. The manager is to discharge expected fiduciary duty by use of proxy voting policies and procedures solely in the interest of the participants and beneficiaries. To act prudently in the voting of proxies, the manager should consider those factors that would affect the value of the plan's investment and act solely in the interest of, and for the exclusive purpose of providing benefits to participants and beneficiaries. The manager will not subordinate the interest of participants and beneficiaries in their retirement income to unrelated objectives. Managers will review and vote all proxies that are received. Each investment manager shall notify the custodial bank of their responsibility to forward to the manager all proxy material. An ongoing review should be done to see that all expected proxies have been received, and if not, the bank should be directed to vote any proxy it receives in conformance with the manager's instruction. The manager may outsource this service in order to discharge its proxy voting responsibilities in conformance with these guidelines.

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

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

PUBLIC MARKET EQUITY OBJECTIVES AND GUIDELINES

Domestic Equities

- No securities shall be purchased on margin or sold short.
- American Depositary Receipts (ADRs) are permissible investments.
- Managers shall not purchase stock (or securities convertible into stock) of any issuer if the purchase would cause this portfolio to include more than 5% of the outstanding voting stock, or more than 5% in (market) value of all outstanding securities of a single issuer (assuming all shares are converted).

Prohibited Transactions

Unless otherwise provided for, the following transactions will be prohibited:

- Physical commodities, including gold;
- Tax exempt securities, either state or federal;
- Options including the purchase, sale or writing of options;
- Speculative or leveraged use of derivatives;
- Warrants;
- Margin buying;
- Short selling;
- Reverse repurchase agreements; and

- Transactions that involve a broker acting as a "principal," where such broker is also the investment manager who is making the transaction. Any exemption from these guidelines requires prior written approval from the Board of Retirement.

International Equities

- Portfolios shall be comprised of cash equivalents, debt instruments convertible into equity securities, forward foreign exchange contracts, and equity securities of companies domiciled outside the U.S. including established and emerging countries.

- No securities shall be purchased on margin or sold short.

Global Equity

- No securities shall be purchased on margin or sold short.

- Managers shall not purchase stock (or securities convertible into stock) of any issuer if the purchase would cause this portfolio to include more than 5% of the outstanding voting stock, or more than 5% in (market) value of all outstanding securities of a single issuer (assuming all shares are converted).

- Appropriate investments include stocks domiciled in the United States, on foreign exchanges, and emerging market securities.

VIII. FIXED INCOME OBJECTIVES AND GUIDELINES

U.S. Fixed Income

- The total portfolio's minimum rating will be AA or better by Moody's, AA by Standard & Poor's, or AA by Fitch. Although any individual manager may be less.

- No more than 5% of the market value of any single portfolio will be invested in any one issuer, with the exception of U.S. Treasury or Federal Agency issues.

- U.S. dollar-denominated issues of foreign governments, international organizations and U.S. subsidiaries of foreign corporations are permitted up to 10% of the market value of any single portfolio.

- No securities shall be purchased on margin or sold short.

- Limited investments in mortgage interest only (IO) or principal only (PO) securities or derivatives based on them that have uncertain or volatile duration or price movements.

- Bonds rated investment grade by either Moody's or Standard and Poor's must comprise at least 90% of the total portfolio.

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

Global Fixed Income

- At least 80% of the Fund's Market Value must be invested in investment-grade securities
- Below investment grade rated securities cannot exceed 20% of the portfolio when combining High Yield securities and below investment grade rated Emerging Market Securities.
- No more than 5% of the market value of any single portfolio will be invested in any one issuer, with the exception of the United States, Canada, United Kingdom, Germany, France, Australia, New Zealand and Japan or securities issued or guaranteed by A- or better rated supranational entities.
- Limited investments in mortgage interest only (IO) or principal only (PO) securities or derivatives based on them that have uncertain or volatile duration or price movements.

Real Estate, Private Equity, Liquid Alternatives

- Due to the varying nature of these strategies, and the primary use of commingled vehicles, each investment will be subject to the customized guidelines created for that strategy.

Formatted: List Paragraph, Line spacing: single, No bullets or numbering

Formatted: Indent: Left: 0", Hanging: 0.1", No bullets or numbering

IX. MANAGEMENT CONTROL PROCEDURES – RESPONSIBLE PARTIES

Duties of the Board

Procedures concerning the oversight of VCERA include the following:

- The Board shall have discretion to develop and execute VCERA's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program. Staff will be responsible for the timely implementation and administration of these decisions.
- A formal review of VCERA's investment structure, asset allocation and financial performance will be conducted annually or more frequently as the need arises. The review will include recommended adjustments to the long-term, strategic asset allocation plan to reflect any changes in pension fund regulations, long-term capital market assumptions or VCERA's financial condition.

The Board or its designate(s) will adhere to the following procedures in the management of VCERA's assets:

- External investment managers will manage VCERA's investment assets. In accordance with the asset allocation guidelines, external investment managers will be hired who have demonstrated experience, expertise and investment styles that are consistent with the need for return and diversification. Investment guidelines will be developed for each manager, and investment performance will be monitored against these guidelines. Each investment manager will manage its portfolio according to a formal contract.

- The Board, with the assistance of Staff and consultants, shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on:

  - Manager adherence to the Policy guidelines.

  - Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping VCERA advised of any material changes in personnel, investment strategy, or other pertinent information potentially affecting performance.

- The Board shall be responsible for selecting a qualified custodian.

- The Board shall administer VCERA's investments in a cost-effective manner. These costs include, but are not limited to, management, trustee, consulting and custodial fees, transaction costs and other administrative costs chargeable to VCERA.

Duties of the Retirement Administrator

The Retirement Administrator or his designate(s) will adhere to the following procedures in the management of VCERA's assets:

- The Retirement Administrator shall support the Board in the development and approval of the Investment Plan, implement and monitor the Plan, and report at least monthly on investment activity and matters of significance.

- The Retirement Administrator shall provide for the collection and investment of contributions and investment income, the disbursement of benefits and refunds, the payment of budgeted expenditures, the maintenance of accounting and internal control systems, the estimating and monitoring of cash flows, and shall report on matters of significance.

- Ensure that Investment Managers conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide the Board with timely, accurate and useful information.

Duties of the Custodian

The Board recognizes that accurate and timely completion of custodial functions is necessary to effectively monitor investment management activity. The custodian's responsibilities for VCERA's investible assets are to:

- Provide complete global custody and depository services for the designated accounts.

- Provide a Short Term Investment Fund (STIF) for investment of any cash not invested by managers, and to ensure that all available cash is invested.

- Provide for timely settlement of securities transactions.

- Collect all income and principal realizable and properly report it on the periodic statements.

- Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within 15 days from the end of the month.

- Report to VCERA situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.

- Provide assistance to the Association to complete such activities as the annual audit, transaction verification or unique issues as required by the Board.

- Manage a securities lending program to enhance income as directed by the Board.

- Provide other services, as required, that assist with the monitoring of managers and investments

Duties of the Investment Managers

The Investment Managers shall:

- Provide the Association with written agreement to invest within the guidelines established in the Investment Plan.

- Provide the Association with proof of liability and fiduciary insurance coverage.

- Be SEC-Registered Investment Advisors recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets and a defined investment specialty.

- Adhere to the investment management style, concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, purchasing securities and voting proxies.

- Execute all transactions for the benefit of the Association with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the Association, and, where appropriate, facilitate the recapture of commissions on behalf of the Association.

- Reconcile every quarter accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.

- Maintain frequent and open communication with the Board through Investment Consultant on all significant matters pertaining to the Investment Plan, including, but not limited to, the following:

  – Major changes in the Investment Manager's investment outlook, investment strategy and portfolio structure;

  – Significant changes in ownership, organizational structure, financial condition or senior personnel;

  – Any changes in the Portfolio Manager or other personnel assigned to the VCERA;

  – Each significant client which terminates its relationship with the Investment Manager, within 45 days of such termination;

  – All pertinent issues which the Investment Manager deems to be of significant interest or material importance.

Manager Reporting Requirements

In addition to the aforementioned duties, the managers are required to provide the Staff, and Consultant with the following reports:

- Monthly – Transaction statement, asset (portfolio) statement, and performance on the portfolio and benchmark for the month, quarter, year-to-date, fiscal year-to-date, 1-year, 3-year, 5-year and since inception annualized returns gross and net of fees. In addition, a discussion of the portfolio's recent strategy and expected future strategy and a demonstration of compliance with guidelines.

Duties of the Investment Consultant(s)

The Investment Consultant(s) shall:

- Make recommendations to the Board and the Staff regarding investment policy and strategic asset allocation.

- Assist the Association in the selection of qualified investment managers, and assist in the oversight of existing managers, including monitoring changes in personnel and the investment process.

- Assist in the selection of a qualified custodian, if necessary.

- Prepare a quarterly performance report on the Association's managers, including a check on guideline compliance and adherence to investment style and discipline.

- Provide topical research and education on investment subjects that are relevant to VCERA.

- Deliver a monthly performance update.

APPENDIX A

Asset Allocation Policy
Approved by the Board in April 1998 (Revised through July 2013)

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

Asset Class	Target Percent	Allowable Range
U.S. Equity	30%	26-34 %
International Equities	14%	11-17%
Global Equities	10%	7-13 %
US Fixed Income	19%	15-23%
Global Fixed Income	5%	3-7%
Real Estate	7%	4-10%
Private Equity	5%	3-7%
Liquid Alternatives	10%	7-13%
Total Equity	54%	50-58%
Total Fixed Income	24%	20-28%
Total Real Estate	7%	4-10%
Total Private Equity	5%	3-7%
Total Liquid Alternatives	10%	7-13%

BlackRock (“Manager”)
Investment Guidelines

Extended Equity Market Fund

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

U.S. Debt Index Fund

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

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

The BlackRock MSCI ACWI ex-U.S. IMI Index Fund shall be invested and reinvested in a portfolio of International Equity Securities whose total rates of return will approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. The Manager shall determine from time to time which countries shall be represented in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund and may subdivide the BlackRock MSCI ACWI ex-U.S. IMI Index Fund into one or more separate divisions each of which represents a national equity market (“National Divisions”), or may subdivide these Collective Funds into one or more separate divisions representing two or more national equity markets (“Multinational Divisions”). A participating account may be invested in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund, in any one or more of the National Divisions or in any one or more of the Multinational Divisions in whatever proportion among National Divisions or Multinational Divisions as is deemed appropriate by the fiduciary responsible for the funding policy of a participating account. The primary criterion for selection of investments in each National Division shall be the MSCI ACWI ex-U.S. IMI IndexSM for the country represented. The primary criterion for selection of investments in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund shall be the relative market weight of units of the National Divisions.

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

U.S. Equity Market Fund

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

BlackRock MSCI ACWI Equity Index Fund

The BlackRock MSCI ACWI Equity Index Fund shall be invested and reinvested primarily in a portfolio of U.S. Equity Securities and International Equity Securities with the objective of approximating as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for publicly traded equity securities. The benchmark for the BlackRock MSCI ACWI Equity Index Fund shall be the MSCI ACWI Net Dividend Return IndexSM. The Manager shall determine from time to time which countries shall be represented in these funds and may subdivide these funds into one or more separate divisions, each of which represents a distinct equity market. The primary criterion for selection of investments in each country shall be the relative market capitalization weight of the constituent markets in the MSCI ACWI Net Dividend Return IndexSM. In addition to, or in lieu of investing in Equity Securities and International Equity Securities, the Manager may invest assets in American Depository Receipts, Global Depository Receipts, registered investment companies and other country funds managed by investment advisors not affiliated with the Manager, and other structured transactions utilizing foreign stocks, bonds, currencies and money market instruments, futures, exchange traded and over-the-counter options, forward contracts and swaps. Any purchases and sales of ETFs for the ACWI IMI Index Fund will be made only through secondary market transactions.

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

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

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

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

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

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

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

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

STIF Funds used to manage cash collateral associated with securities loans ("Cash Equivalent Funds") invest such cash collateral in short term debt instruments. Additional information relating to the investment philosophy, risk management and guidelines criteria for the STIF Funds, as well as specific guidelines for each STIF Fund can be found in “Short-Term Investment Funds Overview and Guidelines”, a current copy of which may be accessed via www.blackrock.com/institutional/documents.

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

Sprucegrove ("Manager")
Investment Objectives and Policies

I. General

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

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

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

II. Investment Objectives

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

To outperform the EAFE Index over a full market cycle.

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

There is no assurance that these objectives will be achieved.

1. Investment Policies

Asset Mix

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

Investments may be selected from the following asset categories:

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

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

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

2. Diversification

Equities

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

a. Region

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

Europe	Pacific Basin
Austria	Australia
Belgium	Hong Kong
Denmark	Japan
Finland	Malaysia
France	New Zealand
Germany	Singapore
Holland	Thailand
Ireland	
Italy	
Norway	
Spain	
Sweden	
Switzerland	
United Kingdom	

b. Country

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

EAFE Countries	
Japan	10% - 50%
United Kingdom	10% - 50%
Other countries	0% - 15%

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

c. Sector

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

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

d. Company Holdings

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

e. Other

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

Short-Term

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

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

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

3. Philosophy

Equities

Sprucegrove's mission is to provide investment management advice predominantly in the specialized area of global equities.

They aim to discover above-average businesses through the research process and to purchase these companies at below average prices – or more simply put, to discover quality companies with excellent businesses that are selling at attractive prices.

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

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

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

4. Conflict of Interest

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

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

(a) direct or indirect beneficial ownership of the voting rights of any class of securities or interests in an issuer;

(b) the receipt of payments, gifts, entertainments or other favors which might be regarded as placing them under some obligation to a third party dealing or desiring to deal with Sprucegrove or its clients;

(c) any outside employment, position, activities or businesses relationships which may compete or conflict to a significant extent with the interests of Sprucegrove and its clients.

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

Sprucegrove provides investment advisory and management services to various managed accounts and collective funds, some of which may invest in the same or similar types of securities as those in which the Fund will invest. Thus, the obligations of Sprucegrove are not exclusive. Investment decisions on behalf of the Fund are made independently from decisions for other accounts and funds managed by Sprucegrove and Sprucegrove is permitted to make an investment decision on behalf of the Fund which differs from decisions made for, or advice given to, such other accounts and funds, even though their investment objectives may be the same or similar to those of the Fund. The Trustee, J.P. Morgan Chase Bank, does not review, and has no responsibility for the investment management decisions on behalf of the Fund, or for compliance of the Fund with its investment objectives.

5. Delegation of Voting Rights

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

6. Securities Lending

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

7. Review of Policy Statement

This policy statement will be reviewed no less than annually.

Hexavest (“Manager”) EAFE Equity Fund (“Fund”)
Statement of Objectives, Guidelines and Procedures

Investment Objectives of the Fund

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

Asset Classes Eligible for Investment

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

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

Performance Objectives

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

Benchmark

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

Constraints

All guidelines and constraints are based on market value.

Asset Allocation by Class

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

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

Regional, Country and Sector Asset Allocation (equity exposure)

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

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

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

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

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

Cash, Cash Equivalents & Currencies

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

Other

Notwithstanding any other provisions of this policy or the Trust Agreement, the Fund shall earn a return only from the investment of capital, not the provision of services or goods, and it will structure its investments so that it does not exercise day-to-day management or general operating control of the business underlying a particular investment. In its capacity as an investor, however, the Fund will oversee each investment and may, in appropriate cases, or to the extent necessary to preserve its investment, exercise any rights it may possess to influence, intervene in, or control temporarily the day-to-day management of the business underlying an investment. The Fund has the right to amend its investment objectives without the approval of Unitholders, after giving Unitholders at least 30 days' prior written notice of such amendment.

Walter Scott & Partners ("Manager") Limited Group Trust - International Fund ("Fund")
Investment Guidelines

Investment Objectives

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

Guidelines

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

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

Borrowing

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

Cash Positions

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

Securities Lending

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

Grantham, Mayo, Van Otterloo & Co. LLC (GMO) (“Manager”)
GMO Global All Country Equity Allocation Strategy

Investment Objective

Total return greater than that of its benchmark, the MSCI ACWI Index.

Overview

The GMO Global All Country Equity Allocation Strategy seeks to outperform its benchmark by 2.5%-3.5%, net of fees, over a complete market cycle with lower volatility than its benchmark. The Strategy uses both top-down and bottom-up valuation methodologies to value countries, sectors, and individual securities in order to allocate assets to undervalued countries, currencies, and securities around the world. The resulting portfolio typically provides exposure to foreign and U.S. equity markets and may have exposure to foreign and U.S. fixed income markets.

Methodology

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

Portfolio Construction

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

Risks

The value of the Fund's shares changes with the value of the Fund's investments. Many factors can affect this value, and you may lose money by investing in the Fund. References to investments include those held directly by the Fund and indirectly through the Fund's investments in the underlying Funds. Some of the underlying Funds are non-diversified investment companies under the Investment Company Act of 1940, as amended, and therefore a decline in the market value of a particular security held by those Funds may affect their performance more than if they were diversified investment companies. The principal risks of investing in the Fund are summarized below. For a more complete discussion of these risks, including those risks to which the Fund is exposed as a result of its investments in the underlying Funds, see "Description of Principal Risks."

- Market Risk – Equity Securities – The market price of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. If an underlying Fund purchases equity investments at a discount from their value as determined by the Manager, the Fund runs the risk that the market prices of these investments will not appreciate to or decline from that value for a variety of reasons, one of which may be the Manager's overestimation of the value of those investments. An underlying Fund also may purchase equity investments that typically trade at higher multiples of current earnings than other securities, and the market prices of these investments often are more sensitive to changes in future earnings expectations than those other securities. Because the Fund and the underlying Funds normally do not take temporary defensive positions, declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares.

- Management and Operational Risk – The Fund runs the risk that GMO's investment techniques will fail to produce desired results. The Fund's portfolio managers may use quantitative analyses and models, and any imperfections or limitations in those analyses and models could affect the ability of the portfolio managers to implement the strategies they wish to pursue. By necessity, these analyses and models make simplifying assumptions that limit their efficacy. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and may not include the most recent information about a company or a security. The Fund also runs the risk that GMO's fundamental assessment of an investment may be wrong or that deficiencies in GMO's or another service provider's internal systems or controls will cause losses for the Fund or impair Fund operations.

- Non-U.S. Investment Risk – The market prices of many non-U.S. securities fluctuate more than those of U.S. securities. Many non-U.S. markets are less stable, smaller, less liquid, and less regulated than U.S. markets, and the cost of trading in those markets often is higher than in U.S. markets. Non-U.S. portfolio transactions generally involve higher commission rates, transfer taxes, and custodial costs than similar transactions in the U.S. In addition, the Fund may be subject to non-U.S. taxes, including potentially on a retroactive basis, on (i) capital gains it realizes or dividends or interest it receives on non-U.S. securities,

(ii) transactions in those securities and (iii) the repatriation of proceeds generated from the sale of those securities. Also, many non-U.S. markets require a license for the Fund to invest directly in those markets, and the Fund is subject to the risk that it could not invest if its license were terminated or suspended. In some non-U.S. markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) expose the Fund to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers.

Further, adverse changes in investment regulations, capital requirements or exchange controls could adversely affect the value of the Fund's investments. These and other risks (e.g., nationalization, expropriation or other confiscation of assets of non-U.S. issuers) tend to be greater for investments in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

- Liquidity Risk – Low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the Fund or an underlying Fund from selling particular securities or unwinding derivative positions at desirable prices.

- Derivatives Risk – The use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates, or indices. Derivatives also present other risks, including market risk, liquidity risk, currency risk and counterparty risk.

- Fund of Funds Risk – The Fund is indirectly exposed to all of the risks of an investment in the underlying Funds in which it invests, including the risk that those Funds will not perform as expected. Because the Fund bears the fees and expenses of the underlying Funds in which it invests, a reallocation of the Fund's investments to underlying Funds with higher fees or expenses will increase the Fund's total expenses. The fees and expenses associated with an investment in the Fund are less predictable than those associated with an investment in funds that charge a fixed management fee.

- Smaller Company Risk – Smaller companies may have limited product lines, markets, or financial resources, may lack the competitive strength of larger companies, or may lack managers with experience or depend on a few key employees. The securities of small- and mid-cap companies often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations.

- Natural Resources Risk – To the extent an underlying Fund concentrates its assets in the natural resources sector, the value of its portfolio is subject to factors affecting the natural resources industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

- Commodities Risk – Commodities prices can be extremely volatile and exposure to commodities can cause the price of the Fund's shares to decline and fluctuate more than the price of shares of a fund with a broader range of investments.

- Currency Risk – Fluctuations in exchange rates can adversely affect the market value of non-U.S. currency holdings and investments denominated in non-U.S. currencies. In addition, hedging a non-U.S. currency can have a negative effect on performance if the U.S. dollar declines in value relative to that currency.

- Leveraging Risk – The use of reverse repurchase agreements and other derivatives and securities lending creates leverage. Leverage increases the magnitude of the Fund's losses when the value of its investments (including derivatives) declines.

- Counterparty Risk – The Fund runs the risk that the counterparty to an over-the-counter (OTC) derivatives contract or a borrower of the Fund's securities will be unable or unwilling to make timely settlement payments or otherwise honor its obligations.

- Real Estate Risk – To the extent an underlying Fund concentrates its assets in real estate-related investments, the value of its portfolio is subject to factors affecting the real estate industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

- Market Disruption and Geopolitical Risk – Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events, as well as other changes in non-U.S. and U.S. economic and political conditions, could adversely affect the value of the Fund's investments.

- Short Sales Risk – The Fund runs the risk that an underlying Fund's loss on a short sale of securities that the underlying Fund does not own is unlimited.

- Market Risk – Fixed Income Investments – The market price of a fixed income investment can decline due to a number of market-related factors, including rising (or, in some limited cases, declining) interest rates and widening credit spreads, or decreased liquidity that reflect the market's uncertainty about the value of a fixed income investment (or class of fixed income investments).

- Market Risk – Asset-Backed Securities – The market price of fixed income investments with complex structures, such as asset-backed securities, can decline due to a number of factors, including market uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow generated by the assets backing the securities, the deal structure, the credit worthiness of any credit-support provider, and the reliability of various other service providers with access to the payment stream) and a problem in any one of these areas can lead to a decrease in the payment stream expected by the Fund at the time it purchased the asset-backed security.

- Credit Risk – The Fund runs the risk that the issuer or guarantor of a fixed income investment will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. The market price of a fixed income investment will normally decline as a result of the issuer's or guarantor's failure to meet its payment obligations. Below investment grade securities have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the capacity of issuers to make principal and interest payments than is the case with issuers of investment grade securities.

- Focused Investment Risk – Focusing investments in countries, regions, sectors, companies, or industries with high positive correlations to one another creates more risk than if the Fund's investments were less correlated.

- Large Shareholder Risk – To the extent that a large number of shares of the Fund is held by a single shareholder (e.g., an institutional investor), the Fund is subject to the risk that a redemption by that shareholder of all or a large portion of its Fund shares will disrupt the Fund's operations.

Loomis, Sayles & Company ("Manager")
Medium Grade Full Discretion ("Fund")
Statement of Objectives, Guidelines and Procedures

Objectives

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

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

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

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

Guidelines

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

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

Restrictions

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

Security Type Qualifications

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

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

Preferred stock, convertible preferred stock and bonds convertible into common stock are permitted to a limit of 20% of the market value of the portfolio.

The portfolio may receive instruments prohibited or not contemplated herein through the conversion, exchange, reorganization, corporate action or bankruptcy of an otherwise permissible investment. The manager is required to notify the Board upon receipt of any such instrument and sell the equity securities as soon as it is prudent or possible to do so.

Credit Quality

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

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

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

Non-U.S. Exposure

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

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

Excluding 144A instruments, 10% in bonds issued by entities not domiciled in the J.P. Morgan Government Bond Index. This restriction is meant to limit the portfolio's emerging market exposure to no more than 10%.

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

Additional Sector and Position Limits

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

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

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

The portfolio's combined allocation to the security types listed below may not exceed 55%.
Bonds not receiving an investment-grade rating from either Fitch, Moody's or Standard & Poor's[1] (not too exceed the 35% maximum allocation noted above)

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

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

Commingled funds. Up to 15% of the market value of the portfolio, as determined at the time of purchase, may be invested in the Loomis Sayles Full Discretion Institutional Securitized Fund. Additionally, up to 15% of the market value of the portfolio, as determined at the time of purchase, may be invested in the Loomis Sayles Senior Loan Fund LLC.

The commingled funds listed above are not rated by S&P, Moody's or Fitch. Therefore, Loomis Sayles' internal ratings will be used for purposes of calculating the portfolio's credit quality restrictions. The average rating of these commingled funds as determined by Loomis are high yields and the investments will also be governed by the limitation on high yield investments. The commingled funds are U.S. instruments denominated in U.S. dollars.

Investments in the commingled Funds shall not be subject to any guidelines or restriction included herein, with the exception of the credit quality, country, duration and currency restrictions. In applying these restrictions, the credit quality, country, duration and currency of the applicable Commingled Funds will be used and not the credit qualities, country, durations and currencies of the underlying instruments in the Commingled Funds.

Compliance Monitoring

[1] Any nationally recognized rating agency is acceptable.

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

Performance Measurement

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

The portfolio's performance is also expected to compare favorably to that of the custom benchmark, net of fees, on a risk-adjusted basis. The custom benchmark is consists of 30% of the rate of return of the Citigroup High Yield Index, 5% of the rate of return of the J.P. Morgan Non-U.S. Hedged Bond Index and 65% of the rate of return of the Barclays Capital Aggregate Bond Index.

Reporting Requirements

An update on organizational developments and performance for the portfolio and benchmark for the month and one-year returns gross and net of fees will be sent to VCERA and its investment consultant by the 10th of the following month, as well as a discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines.

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

The Manager will meet with VCERA's staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

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

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

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

LOOMIS SAYLES (“Manager)
GLOBAL FIXED INCOME TRUST (“Fund”)
INVESTMENT OBJECTIVES AND GUIDELINES

This portion of the Total plan is invested in the Loomis Sayles Global Fixed Income Trust, a private commingled vehicle. The guidelines are governed by the Private Placement Memorandum and Declaration of Trust of the trust, a copy of which has been provided to the Board at inception. Loomis Sayles will provide updated governing documents to the Board, with material changes going into effect 30 days after providing notice of such changes. The below excerpt describes the objective and general investment permissible in the trust fund.

Investment Objective and Policies

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

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

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

LOOMIS SAYLES (“Manager”)
Strategic ALPHA TRUST (“Fund”)
INVESTMENT OBJECTIVES AND GUIDELINES

This portion of the Total plan is invested in the Loomis Sayles Global Fixed Income Trust, a private commingled vehicle. The guidelines are governed by the Private Placement Memorandum and Declaration of Trust of the trust, a copy of which has been provided to the Board at inception. Loomis Sayles will provide updated governing documents to the Board, with material changes going into effect 30 days after providing notice of such changes. The below excerpt describes the objective and general investments permissible in the trust.

Investment Objective and Policies

The Fund’s investment objective is to provide absolute returns in excess of the great of (1) the three month London Interbank Offered Rate (“LIBOR”) in U.S. dollars plus two to four percent of (2) 7% with a risk volatility goal of approximately 4 to 6% over market cycles. LIBOR is used for comparative purposes only and is not intended to parallel the risk or investment style of the Fund.

The Fund may invest a substantial portion of its assets in public or private debt securities and other instruments issued or guaranteed by U.S. or non-U.S. issuers, including, but not limited to, government securities (including their agencies, instrumentalities and sponsored entities), municipal securities, non-U.S. sovereign debt, equity securities, corporate obligations, commercial and residential mortgage-backed securities, asset-backed securities, convertibles and preferred securities, synthetic bonds, warrants, derivatives, when-issued and delayed delivery securities, over-the-counter (“OTC”) securities, loans, loan participations and assignments, senior loans, second lien loans, other secured and unsecured loans, real estate investment trusts (“REITS”), securities of issuers in real estate-related industries, structured notes, hybrid instruments, currencies, commingled pools (including but not limited to exchange-traded funds (“ETFs”) and closed-end funds), temporary high quality cash items and cash equivalents.

Reams Asset Management Company ("Manager")
Core Plus Fixed Income ("Fund")
Statement of Objectives, Guidelines and Procedures

Objectives

The objective of the fixed income portfolio is to maximize risk-adjusted total return by systematically pursuing relative value opportunities throughout all sectors of the fixed income market. The targeted annual return in times of lower volatility is LIBOR plus 300 basis points per annum while minimizing the probability of a negative absolute return in any calendar year. In times of higher volatility, the targeted annual return will increase in correlation with relative value opportunities.

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

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

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

Guidelines

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

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

Restrictions

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

Duration

Average portfolio duration shall be within a range of -3 to 8 years. There is no restriction on individual holdings.

Security Type Qualifications

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

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

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

Credit Quality

Bonds may be rated investment grade or below investment grade by either Moody's, Fitch, or Standard & Poor's without limitation. Issues that are unrated by any major credit rating agency shall be rated by the investment manager, who shall compare an unrated bond's fundamental financial characteristics with those of rated bonds to determine the appropriate rating.

Non-U.S. Dollar Exposure

Non-U.S. dollar holdings shall not exceed 30% of the total portfolio at purchase, including positions hedged and unhedged.

Additional Sector and Position Limits

The portfolio is limited to a maximum of 10% outstanding issuer at purchase.

No single credit industry shall exceed 25% of the portfolio at purchase.

Emerging market securities shall not exceed 30% of the portfolio at purchase.

Performance Measurement

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

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

Reporting Requirements

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

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

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

The Manager will provide the Board with proof of liability and fiduciary insurance coverage of at least $5 million, in writing, on an annual basis.

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

Western Asset Management Company (“Manager”)
Core Fixed Income (“Fund”)
Statement of Objectives, Guidelines and Procedures

Objectives

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

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

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

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

Guidelines

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

U.S. Treasuries U.S. Agencies U.S. corporate bonds Mortgage-backed securities Asset-backed securities Bonds and preferred stock convertible into common stock Preferred stock Municipal bonds Structured notes Cash equivalents Bank loans	Derivative mortgage-backed securities Bonds of developed non-U.S. issuers Bonds of emerging non-U.S. issuers Fixed income and currency futures, options, forward contracts and swaps Private placement bonds Rule 144(a) securities Commercial mortgage-backed securities Capital notes/Preferred trust certificates Commingled funds investing in fixed income securities 4(2) CP (commercial paper)

Restrictions

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

Duration

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

Security Type Qualifications

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

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

Credit Quality

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

Bonds rated investment grade by either Moody's, Fitch, or Standard & Poor's[1] must comprise at least 70% of the total portfolio.

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

Non-U.S. Exposure

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

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

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

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

Additional Sector and Position Limits

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

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

[1] Any nationally recognized rating agency is acceptable.

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

The portfolio’s combined allocation to the security types listed below may not exceed 30%.
Bonds not receiving an investment-grade rating from either Moody’s, Fitch, or Standard & Poor’s

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

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

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

The Manager will meet with VCERA staff as often as determined necessary by VCERA’s Board, and will meet with the Board at least annually.

Reporting Requirements

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

Reconcile every quarter accounting, transaction, and asset summary data with custodian reports and communicate and resolve any significant discrepancies with the custodian. Send a copy of the reconciliation to VCERA by the 10th of the following month subsequent to quarter-end.

The Manager will meet with VCERA staff as often as determined necessary by VCERA’s Board, and will meet with the Board at least annually.

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

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

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

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

Objectives

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

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

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

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

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

Guidelines

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

1. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. government-sponsored corporations and agencies;
2. Obligations of U.S. and non-U.S. corporations such as mortgage bonds, convertible and non-convertible notes and debentures, preferred stocks, commercial paper, certificates of deposit and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations;
3. Mortgage-backed and asset-backed securities (including CDOs, CBOs & CLOs);
4. Obligations, including the securities of emerging market issuers, denominated in U.S. dollars or foreign currencies of international agencies, supranational entities and foreign governments (or their subdivisions or agencies), as well as foreign currency exchange-related securities, warrants, and forward contracts;

5. Obligations issued or guaranteed by U.S. local, city and state governments and agencies;
6. Swaps, forwards, options on swaps, options on forwards;
7. Securities defined under Rule 144A and Commercial Paper defined under Section 4(2) of the Securities Act of 1933;
8. Swaps, futures and options on commodity indices; and
9. Bank Loans

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

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

Duration Exposure

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

Credit Quality

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

1. Rated Securities: At least 90% of the portfolio will be of "investment grade", i.e. rated as high as or higher than the following standards or their equivalent by one or more nationally recognized statistical rating organizations (NRSRO):
   i. Standard & Poor's — BBB-, or A-2, or
   ii. Moody's — Baa3, or Prime-2, or
   iii. Fitch — BBB-, or D-2

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

Diversification

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

1. Maturity: Securities covering the full range of available maturities are acceptable.
2. Sector: The portfolio will at all times be diversified among the major market sectors, subject to the following limitations:

   a. Up to 10% of the portfolio may be invested in non-dollar denominated securities; up to 5% of the portfolio may be invested in un-hedged non-dollar denominated securities;
   b. Up to 5% of the portfolio may be invested in U.S. securities rated below investment grade;
   c. Up to 10% of the portfolio may be invested in non-U.S. securities (dollar and non-dollar denominated) rated investment grade; and
   d. Up to 10% of the portfolio may be invested in CDOs, CBOs & CLOs
3. Issuer: Holdings are subject to the following limitations:
   a. Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies are eligible without limit
   b. Obligations of other national governments are limited to 10% per issuer
   c. Private mortgage-backed and asset-backed securities are limited to 10% per issuer, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer
   d. Obligations of investment grade corporations are limited to 3% per issuer
   e. Obligations of other issuers are subject to a 2% per issuer limit excluding investments in commingled vehicles
4. Credit: No more than 10% of the portfolio will be invested in issuers rated below Baa3 or BBB- / A2 or P2
5. Derivatives:
   a. No more than 20% of the portfolio will be invested in original futures margin and option premiums, exclusive of any in-the-money portion of the premiums. Short (sold) options positions will generally be hedged with cash, cash equivalents, current portfolio security holdings, or other options or futures positions
   b. Use of leverage is not permitted in the portfolio

Marketability

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

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

Performance Measurement

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

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

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

Performance Objectives

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

Reporting Requirements

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

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

The Manager will meet with VCERA staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

The Manager will ensure that all documents, exhibits and written materials that will be used during the annual meeting between VCERA and the Manager be submitted to and received by the Retirement Office at least seven business days in advance of these meetings.
The Manager will provide the VCERA with proof of liability and fiduciary insurance coverage of at least $5 million, in writing, on an annual basis.

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

PIMCO ("Manager") Global Bond (unhedged) ("Fund") Investment Guidelines
Ventura County Employees' Retirement Association
Manager Account # 7384

The investment objectives of the Fund are as stated below.

Performance Objective

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

Risk Objective

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

Investment Guidelines

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

Risk Limits

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

Transaction Types

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

PIMCO has authority to take actions in connection with exchanges, reorganizations, conversions or other corporate events that could result in the receipt of securities (including, but not limited to, common stock) that may or may not be referenced elsewhere in the investment guidelines. PIMCO may, in the best interest of the portfolio, hold these for a reasonable amount of time.

Credit Quality Minimums

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

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

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

Leverage

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

Asset Types and Investment Vehicles

- Government and Agency Securities
- Supranational Securities
- Municipal Bonds
- Corporate Securities
- Event-linked Bonds
- Money Market Instruments
- Bank Loans
- Yankee and Euro Bonds
- Mortgage-Backed Securities (including collateralized mortgage obligation ("CMOs") and Real Estate Mortgage Investment Conduits ("REMICs")
- Mortgage Derivatives
- Asset-Backed Securities
- Preferred Stock
- Contingent Securities
- Emerging Market Securities
- Private Placements
- Structured Notes
- Futures and Forwards
- Foreign Exchange
- Options, Caps and Floors
- Swaps and Swaptions
- Credit Default Swaps (Long and Short)
- PIMCO Pooled Funds (with prior written agreement from the client)

Prohibited Investments

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

PIMCO Funds Private Account Portfolio Series

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

Concentration Limits

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

Concentration Limits to Issuers:

- Issuers rated A- or higher 5%
  Excludes sovereign debt of governments rated A- or higher, debt guaranteed by those governments, and US agency securities, which have no limit, and supranational issuers, which have a 25% limitation. Specific mortgage pools and trusts are considered separate issuers, and each tranche within a CMO is considered a separate issue.
- Issuers rated BBB+ to BBB- 3% (5% for sovereigns)
- Issuers rated BB+ and lower 2%

Concentration Limits to Sectors or Security Types:

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

Compliance Monitoring

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

Reporting Requirements and Transaction Types

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

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

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

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

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

Prudential Financial, Inc. (“Manager”)
Prudential Property Investment Separate Account (PRISA) (“Fund”)
Investment Guidelines

Listed below are the guidelines for the PRISA investments. Prudential is the discretionary investment manager and fiduciary to the fund. The guidelines are monitored in connection with each investment decision made by Prudential on behalf of PRISA. These guidelines may be waived or modified in the best interest of the fund. Prudential shall notify VCERA within 30 days of any waiver or modification.

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

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

Legal Structure
PRISA is a separate account product offered through a group insurance annuity contract issued by The Prudential Insurance Company of America.

Vehicle Life
Open-end fund

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

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

Regional Focus: Investments are made in various US markets.

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

Reporting

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

Investment Objective and Performance

The objective of the fund is to annually achieve a total return, which exceeds the NCREIF Fund Index – Open-End Diversified Core Equity (NFI-ODCE).

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

Listed below are guidelines for RESA investments. UBS Realty is the discretionary investment manager and fiduciary to the fund. The guidelines are monitored in connection with each investment decision made by UBS Realty on behalf of RESA. These are guidelines that may be waived or modified in the best interest of the fund. Notice of waiver or modification shall be given to VCERA within 30 days of such waiver or modification.

1. Joint ventures, partnerships or limited liability companies, which own real estate and involve a third party, including in connection with developmental projects, will not exceed 50% of total gross assets.

2. Mortgage loans, including construction loans, will not exceed 30% of total gross assets; a construction loan may only be made in connection with the prospective acquisition of a property on a wholly-owned or partnership, joint venture or limited liability company basis or in connection with a conventional or participating mortgage. Construction loans will not exceed 10% of total gross assets.

3. Publicly-traded REITs, other real estate securities, and collateralized mortgage obligations will not exceed 5% of total gross assets.

4. No one NCREIF property type will exceed 50% of total gross assets.

5. Total investment in any one NCREIF geographic region will not exceed 50% of total gross assets.

6. Total investment in any local market (CBSA)[1] will not exceed 20% of total gross assets.

7. No single new investment shall exceed 10% of total gross assets (applies separately to each non-contiguous investment in a portfolio transaction).

8. Mortgage debt will generally not exceed 20% of total gross assets.

9. Short-term borrowing or a line of credit generally will not exceed 15% of total gross assets.

10. All investments shall be located in the United States.

11. Equity interests (including through joint ventures, partnerships and limited liability companies) in office, apartment, retail, industrial and hotel properties will constitute at least seventy percent (70%) of Gross Asset Value.

12. Cash and cash equivalents will be invested primarily in short-term fixed-income securities such as US government obligations, high quality commercial paper, repurchase agreements, and certificates of deposit, the average maturity of which will be generally 25-65 days and the maximum maturity of which will be generally limited to 185 days.

[1] Core-Based Statistical Area formerly Metropolitan Statistical Area

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

RREEF (“Manager”) America REIT III, Inc. (“Fund”)
Investment Plan

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

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

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

Investment Objectives

RAIII seeks to generate nominal, leveraged total returns of 12.0% to 16.0% over the long term from a combination of current income and capital appreciation[2].
In addition the Fund seeks to provide:

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

[2] Targeted returns in this Investment Plan are Time-Weighted Rates of Returns, as required per the Association for Investment Management and Research (AIMR), are before the deduction of any investment management fees, and are calculated as follows:

Income (Loss) + Appreciation (Depreciation)
Beginning Net Asset Value + Time-Weighted Contributions - Time-Weighted Distributions

Income (Loss) represents all operating income of the investment (i.e. rents, interest and other income from day-to-day investment activities) less operating expenses, determined on an accrual basis in accordance with generally accepted accounting principles, but without regard to debt service, capital expenditures (including leasing commissions), and non-cash expenditures such as depreciation and amortization of intangibles.
Appreciation (Depreciation) represents all realized and unrealized gains and losses on an investment, based on fair market value as determined by the Fund’s Board of Directors.

Overall leveraged targeted returns for the Fund are as follows:

Income Return:	2.00% - 4.00%
Appreciation Return:	6.00% - 8.00%
Total Expected Return:	8.00% - 12.00%
Dividend Yield:	1.00% - 2.50%

Fund Life

The Fund is an infinite life vehicle. No investment strategy should be subject to limits based upon the life of the vehicle.

Use of Leverage

Moderate leverage up to a maximum of 60 percent of the market value of assets held by the Fund will be used when deemed prudent and advantageous to Fund performance. This leverage may be achieved either through the assumption of existing debt or the placement of new financing. As a general rule, leverage will only be employed if it positively contributes to Fund performance. Under some circumstances, however, properties may be acquired with unfavorable loans in place if (1) management feels they will be attractive investments despite the existing debt, and (2) expected returns meet minimum performance thresholds.

Individual assets may be leveraged up to a maximum of 80 percent of their market value, provided the Fund's overall debt cap is not exceeded.

During 2008 there are 3 loans of $18 million expiring. We are actively working with our capital markets group to renegotiate or replace these loans. The following chart details the Fund's future debt expirations:

% Debt Expiring in 2013 and beyond: 36%

Types of Property to be Acquired

Since this investment is in "wind-down" mode, no further property acquisitions will be made.

Control

The Fund will acquire controlling equity interests in the properties it acquires, either directly or in joint venture with a local partner. In a majority of cases, it will acquire full equity ownership. Direct ownership by the Fund provides management with maximum control and operating flexibility over each asset. However, consideration of joint ventures with carefully selected partners is likely to provide attractive investment opportunities.

Individual Investment Sizes

Equity investment in individual properties will range in size from $20 million to 10% of the Fund's gross market value. Properties may be acquired through portfolio acquisitions provided the individual properties meet the Fund's size and other criteria. Smaller sized individual property investments of less than $20 million may be undertaken where the proposed acquisition will complement the existing portfolio.

Property Holding Periods

Individual property assets may be sold at any time in order to maximize their value to the Fund. Management expects that most will be held for a four to eight year period in order to complete the planned value-adding activity, lease or stabilize the asset, maximize the tax advantages of the REIT structure, and sell on the most favorable terms.

Sustainability

New acquisitions, development, and the existing portfolio will be reviewed in the context of their sustainability and "green" attributes. Where economically justified, a LEED designation will be sought. Early results indicate that environmentally green properties are also more economical to operate and create better value in the long term.

Geographic Focus

Property investments are made in major metropolitan areas within the continental United States, recommended by RREEF's Research Department and where RREEF has an established market presence, superior local knowledge, access to potential investments, and the ability to provide effective property management and leasing. Target markets vary by property type as noted in the property strategy sections.

All the metropolitan areas targeted for investment are large and economically diverse and have a history of attracting institutional investment. Economic and real estate market conditions vary widely from city to city, between the different property types within each metropolitan area and individual submarkets. These differences are carefully reflected in the initial financial underwriting of each investment, in its price, and in the management plan and operating decisions for each property.

At this mid-stage of the economic and property market cycles, market selectivity is more important than was the case in the earlier recovery stages of the cycles. As a result, primary consideration should be given to those metropolitan areas where economic growth should be the strongest, based on above-average activity in international financial services, defense, trade, medical and high-tech (see Map below). RREEF Research believes these sectors will be the strongest for the US economy during the next several years. These "Globally-Linked" locations should achieve particularly strong economic growth and should be primary targets for investment. This economic growth will continue to produce broad-based activity and increases in space demand. These markets also typically provide above-average household education and income, reflecting their "knowledge-based" foundation.

In the final section of this Plan, investment strategies have been delineated for the four major property sectors, industrial, office, apartment and retail. Target market designations, as shown for each investment style (pp 27-30), are based on both demand and supply conditions.

Investments in specific submarkets of other larger metropolitan areas are considered if economic and market conditions in the submarket are sound and the specific investment opportunities are appropriate to RAIII's investment strategy. Based on gross value, 86 percent of existing RAIII investments are located in "globally linked" markets.

The Adams Street ("Manager") Partnership Fund Program - U.S. Fund ("Fund")
Portfolio Guidelines

The portfolio guidelines of the U.S. Fund are subject to the Trade Allocation Policy and are as follows:

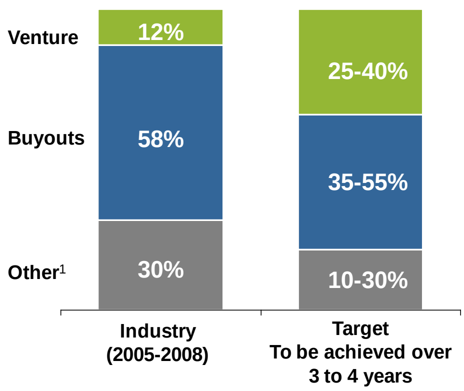
- Each participant's subscription to the U.S. Fund will be allocated to private equity partnership investments that in turn invest a substantial portion of their assets in North American companies typically over three to four years;

- No more than 10% of a participant's subscription to the U.S. Fund will be allocated to any single partnership investment;

- Up to 40% of each participant's subscription to the U.S. Fund may be used to opportunistically purchase secondary interests in private equity partnerships and /or their portfolio companies; and

- Adams Street anticipates 15-30 North American private equity partnership investments will be made during each year of the U.S. Fund's investment period. Adams Street Partners will target a participant's subscription to the U.S. Fund to be diversified by subclass asset forth in the chart below.

Over a typical three- to four-year commitment period, the U.S. Fund is targeted to invest as follows:



[1] Includes mezzanine/subordinated debt, restructuring/distressed debt and special situations partnerships
Source: Venture Economics

Pantheon ("Manager" Global Secondary Fund IV (PGSF) ("Fund")
Portfolio Guidelines

Objective

Fund IV's objective is to generate superior risk-adjusted returns for its investors. It aims to achieve this through investing in portfolios of private equity assets, encompassing leveraged/management buyout, venture capital, development capital and mezzanine funds, as well as direct portfolios of private equity assets and other privately negotiated transactions in the secondary market.

Portfolio Diversification

Pantheon will seek to diversify Fund IV's assets by vintage year, sector, industry, stage and geography, as appropriate.

Global Portfolios

Local presence and depth of resources in the major private equity markets worldwide enable Pantheon to maximize its competitive advantage in global transactions.

HarbourVest Partners L.P. (“Manager”)
Dover Street VIII L.P. (“Fund”)

Portfolio Guidelines

The primary objective of the Fund is to provide compelling investment returns through a selected portfolio of private equity investments.

The Fund intends to invest in secondary transactions in venture capital, leveraged buyout, and other private equity assets. The Fund may also invest up to 10% of its capital in strategic primaries and up to 5% of its capital in secondary purchases of real estate and infrastructure assets, and debt. The Fund will consider many different types of transactions: traditional limited partner interests, portfolios of direct investments (synthetic secondaries) and structured transactions. As a result of its investment strategy, the Fund expects to be diversified by geography, stage, industry, vintage year, and type, as appropriate.

Notwithstanding anything contained herein to the contrary, the Fund will only make investments in accordance with the terms of the Amended and Restated Limited Partnership Agreement of Dover Street VIII L.P. dated as of November 1, 2011, as amended by amendment dated December 10, 2012, and as may be further amended from time to time.

Formatted: Font: Bold

Formatted: Centered

Formatted: Font: Bold

Formatted: Font: Bold

Formatted: Don't adjust space between Lati and Asian text, Don't adjust space between Asian text and numbers

Tortoise Energy Infrastructure MLP Separate Account Investment Guidelines

Single Issuer Concentrations – We limit exposure to any single issuer to 10% of portfolio market value at the time of purchase. Occasionally, market value fluctuations may cause positions to increase above 10% of portfolio market value. Although not required by these guidelines, we will normally reduce positions to below 10% of portfolio value in a reasonable amount of time.

Industry Concentrations – By its nature, the Energy Infrastructure MLP Separate Account product is a strategy concentrated in energy infrastructure MLPs. We will invest up to 100% of the portfolio in securities issued by MLPs and/or their affiliates (general partners, i-shares, etc.).

Sector Allocations – Our strategy emphasizes more stable, fee based cash flow segments of the MLP asset class (for example – long haul, natural gas transmission, crude oil, and refined petroleum product pipelines). These MLPs tend to be the larger, better capitalized, and higher credit rated entities within the MLP sector. Generally, at least 70% of the portfolio will be invested in MLPs that derive a majority of their business from long-haul pipelines. Other segments of the MLP sector that we may invest in currently include natural gas gathering and processing, propane, coal, and shipping MLPs; however, we intend to limit aggregate exposure to these segments to 30% or less of the portfolios.

We limit portfolio exposure to sectors with the most commodity price exposure:

- We generally will not invest in companies that have a majority of their revenues directly exposed to changes in commodity prices (e.g., exploration and production MLPs).
- Natural gas gathering and processing, propane, and coal MLPs have varying degrees of commodity price exposure. The degree of exposure varies significantly depending on the proportion of the MLP's contracts that are fee based (no commodity price exposure) as well as the degree to which the MLPs have hedged the non fee based portions of their business. In this area, we prefer MLPs who mitigate their commodity price exposure via some or all of the following: fee based contracts, hedging programs, higher distribution coverage ratios.

Cash Balances – We aim to limit cash and money market balances to 5% or less of portfolio value. However, we may temporarily hold higher cash balances for defensive reasons or to facilitate a trade program.

Leverage – we do not employ leverage in our separate account product.

Long- Only – This is a long-only strategy. We will not engage in short selling.

Use of Derivatives – We will not use any derivative strategies within separate accounts. We will only make exceptions to this guideline when specifically requested by a client.

Custody of Client Assets – Under no circumstances will Tortoise Capital Advisors custody client assets. A qualified, independent third – party custodian must be selected by the client prior to establishing an account.

Tortoise Capital Advisors will have authorization to direct trades within clients' custody accounts; however, Tortoise Capital Advisors will not accept authorization or responsibility for transferring cash or other assets in or out of the custody account. The only exceptions to this are investment management fee disbursement and securities trades which are typically handled on a 'delivery versus payment' basis.

Guideline Review – These guidelines will be reviewed on an as needed basis and will not be changed without client notification.

Bridgewater Associates, LP ("Manager")
All Weather Portfolio, LLC ("Fund")
Description

The Fund is a commingled fund and the practices of the Manager and the Fund will be in accordance with the Fund's offering documents and related Fund documents, as may be amended and supplemented from time to time.

Investment Objective and Strategy:
The investment objective of the Fund is to seek to provide returns with no material bias to perform better or worse in any particular type of economic environment. In other words, the portfolio seeks to perform approximately as well in rising or falling inflation periods, or in periods of strong or weak economic growth. To achieve this objective, the Fund, directly or indirectly, holds investments in different asset classes that have different biases to economic conditions. These asset classes may include the currency, fixed-income, inflation linked bond, equity, and commodity markets, among others.

Allocations to the asset classes described above are set from time to time by the Manager in its sole discretion so that they balance each other (i.e., represent an approximately equal portion of the Fund's risk, as determined by the Manager in its sole discretion), thereby minimizing the portfolio's exposure to changing economic conditions. The Manager does not vary the weights of investments based on any tactical view of how particular investments will perform, but rather attempts to balance the risk of the Fund based on its understanding of the relationship between asset classes and economic environments, provided that the Manager may vary the allocations to asset classes based on its assessment of market conditions, in a manner that is consistent with the long term investment objective of the Fund. The Fund will invest primarily in exchange traded futures contracts, over-the-counter derivatives, including without limitation, credit derivatives, cash securities, and spot and forward contracts on the international, interbank currency market but may invest in other securities or instruments. Asset classes may be added to and removed from the portfolio by the Manager from time to time in its sole discretion. The Fund may invest in both listed and unlisted securities or instruments which may be investment grade or non-investment grade.

The long-term annual targeted return of the Fund is expected to be approximately 5% to 7% above cash (90-day Treasury bills) while targeting a tracking error of approximately 10%, where tracking error is measured as the standard deviation of the portfolio return of the Fund above cash. The Fund may employ leverage in the forms of trading on margin, entering into other forms of direct and indirect borrowings and investing in derivative instruments that are inherently leveraged.

Investment activity of the Fund described herein may be carried out directly or indirectly through a trading company or trading vehicle.

Trading Policies and Restrictions:
In order to seek to limit exposure to risk, the Fund requires the Manager to observe the following trading policies:

- The Fund will not invest directly in real estate.
- The Fund will generally not invest directly in physical commodities. However, the Fund may invest in precious metals or in derivative contracts on physical commodities.
- The Fund will not take legal or management control of the issuers of underlying investments.
- The Fund may invest in regulated or unregulated money market funds or similarly constructed business trusts or other commingled or collective investment funds, (including investment funds managed by the Manager or by an external manager acceptable to the Manager). Holdings within commingled vehicles are not subject to the specific guidelines and restrictions of the Fund but must be managed in a manner

consistent with the overall investment objectives of the Fund. When assets of the Fund are allocated to a commingled investment fund managed by the Manager, the Fund will not pay any additional investment management fees or profit participation fees within such investments.

Derivatives, repurchase agreements, reverse repurchase agreements and securities lending, among other forms of leverage, may be used by the Fund in achieving its Risk Parity strategy, and VCERA has agreed that limits thereon in Section VII and VIII shall not apply to Risk Parity portfolios (to the extent such provisions would otherwise apply).

The Manager is retained by the Fund. Consistent with the foregoing, the Manager will provide services to the Fund as fiduciary to the Fund in the aggregate.

Without limiting the foregoing, duties of the Manager in respect of proxy voting, best execution, insurance, client communications (including such matters as are expressly referenced in "Duties of the Investment Managers") and reporting shall be as set forth in the offering documents of the Fund.

The Manager shall promptly deliver material changes in the offering documents of the Fund to VCERA. The guidelines and description of the Fund's investment program set forth in this exhibit shall be automatically deemed updated, without further action of the Manager, by the terms of any material changes so delivered.

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

Consistent with the treatment of commingled funds as set forth in Section IV, the specific terms set forth in these guidelines supersede the general terms set forth in the remainder of VCERA's Investment Policy Manual.

Clifton PIOS INVESTMENT GUIDELINES
PIOS® SUMMARY DESCRIPTION AND DEFINED TERMS
Updated January 2013

These PIOS® Guidelines form an integral part of that certain Investment Management Agreement dated January 28, 2008 between the Ventura County Employees' Retirement Association ("Client") and The Clifton Group Investment Management Company as Investment Manager (herein after referred to as "Clifton").

Clifton's PIOS® program is an overlay investment strategy that seeks to provide for the disciplined maintenance of target asset allocations. PIOS® uses financial products to overlay the selected assets of a fund (the underlying "manager portfolio(s)" which are managed by a manager chosen solely by Client) to seek to bring about a more exact match with target allocations. PIOS® can be broken down into six components:

PIOS® PROGRAM ELEMENT	CHECK BOX IF UTILIZED	PROGRAM ELEMENT SUMMARY DESCRIPTION
<u>Invest Unallocated Cash</u>	[X]	Clifton monitors a fund's overall positions daily and synthetically invests unallocated cash using financial futures contracts. Cash will be invested synthetically as directed by Client.
<u>Invest Manager Cash</u>	[X]	Clifton monitors manager cash positions daily and synthetically invests uninvested portions using financial futures contracts. Client will communicate to Clifton which manager's cash positions are to be included in the overlay. Cash will be invested synthetically as directly by Client.
<u>Manage Transitions</u>	[X]	Client will be responsible for contacting Clifton as transition events arise. Each transition issue will be reviewed individually with the objectives of maintaining a seamless transition to target market exposure (no market timing) and minimizing transition costs. Transition events include, but are not limited to, an impending transition of: a) a Custodian, b) manager, c) asset allocations between or among manager portfolios, d) changes in asset allocation targets, e) "bridging" cash positions in alternative asset classes, or f) this program to another manager or termination of program.
<u>Maintain Target Allocation</u>	[X]	A fund's actual allocation is calculated and compared to targets. If actual allocations differ from targets by more than the client's predetermined tolerance level, the fund is synthetically rebalanced on an overlay basis using futures. Target allocations and variance bands as provided by Client are set forth in Addendum A.

Alpha Transport	[ ]	It is possible to separate alpha and beta and capture them independent of one another. In doing so a fund may be able to more efficiently manage specified objectives by targeting a combination of alpha and beta that represents a desired risk/return profile. Alpha can be taken from an asset class where a manager has outperformed the benchmark and "transported" back to the base asset class through the use of futures and/or swaps. The Index and exposure to be maintained as well as the "embedded" beta of the manager portfolio(s) provided by Client are set forth in Addendum A.
Duration Modification	[ ]	The fund's duration may be modified, subject to the duration constraints of the fund, by using exchange traded futures and/or OTC contracts on fixed income securities to lengthen or shorten effective duration. Established targets and related ranges as provided by Client are set forth in Addendum A.

In addition to the use of futures or other financial products as stated in the Product Element Summary Description above, Clifton may utilize other or additional financial products such as Exchange Traded Funds or options or other financial products as limited and subject to the authority Client has granted Clifton.

EACH PROGRAM ELEMENT IS DESCRIBED IN FURTHER DETAIL BELOW

OBJECTIVES

PIOS® seeks to achieve three key objectives: increase returns, improve tracking relative to target allocations and improve portfolio efficiency and flexibility. PIOS®'s impact on Client's fund is dependent in part upon the extent to which each PIOS® component is utilized.

PORTFOLIO MONITORING

On a regular basis (which will be, utilizing reasonable efforts, a daily basis, however in no case less than monthly, and depending upon availability), Clifton will seek to obtain all information from State Street ("Custodian") regarding the market value of the Client's manager portfolios ("Information"). In the case of commingled funds (e.g. mutual funds) or other assets where a "download" of Information is not available, a portfolio value tracking methodology will be established for each holding as set forth in Addendum B. This may involve manually retrieving fund values on a regular basis from the manager for such holdings. In addition, each manager's portfolio holdings will be further broken down defining the specific allocation to equity, fixed income, cash or any other asset class which is to be overlaid by PIOS®.

Subject to the foregoing, where electronic interfacing is reasonably available for the purposes set forth herein, Clifton will be responsible for establishing a communication link and electronic interface methodology enabling the transfer of Information from the Custodian. From time to time such communication link may be unavailable due to system outages or other technical issues outside of Clifton's reasonable control, which include, but are not limited to internet problems, or hardware or software issues.

In the event that Information cannot be transferred on any given day, regardless of the reason, Clifton will attempt to receive Information through an alternative method, such as fax. Client will reasonably assist Clifton in obtaining Information. If Information is ultimately not received by Clifton, an adjustment to the previous day's portfolio value will be made using benchmark index total returns as a proxy. Regardless of the method by which Clifton obtains or is to obtain Information (which may include but is not limited to electronic download, manual retrieval or benchmark index proxy), Client acknowledges and agrees that Clifton will rely on Information provided by these methods without further investigation or confirmation.

In the event that the aggregate fund value changes by more than 1% in a day, Clifton will seek to identify the origin of change (e.g. markets) and contact Client if the reason is not clearly identifiable. If an individual manager portfolio's value changes by more than 3%, a similar process will be followed.

INDEX REPLICATION

Each index replication portfolio will be periodically rebalanced based on the methodology described for each index replication portfolio.

Client's index replication information is set forth in Addendum A.

DOMESTIC EQUITY

When acquiring (long) or removing (short) domestic equity exposure for Client, financial products including but not limited to equity index futures contracts will be used individually or in combination to seek to replicate the benchmark index(es) designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

INTERNATIONAL EQUITY

When acquiring (long) or removing (short) international equity exposure for Client, financial products including but not limited to international equity index and currency futures will be used individually or in combination to seek to replicate benchmark index(es) as designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

DOMESTIC FIXED INCOME

When acquiring (long) or removing (short) domestic fixed income exposure for Client, financial products including but not limited to US fixed income futures will be used individually or in combination to seek to replicate the benchmark index(es) as designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

MANAGER ASSET CLASS ASSIGNMENTS

See daily PIOS® report posted on the company's web site. Client is responsible for informing Clifton, at its earliest opportunity, of any changes in managers or when class assignments are revised.

PIOS® PROGRAM ELEMENT DESCRIPTIONS

INVEST UNALLOCATED CASH

If the Invest Unallocated Cash program element is utilized by Client, this section will apply.

Unallocated fund cash is generally defined as:

1. **Cash balances for the PIOS® overlay pool.** A cash overlay pool will be established with the Custodian to provide the margin necessary for PIOS® positions. The size of the margin pool will be a function of the size of PIOS® overlay positions as well as Client's desire to increase the level of overall fund liquidity. Clifton is responsible for providing Client's representative with an estimate of variation and initial margin required, as well as margin pool adequacy/sensitivity reports for the PIOS® program on a daily basis via Clifton's website at www.thecliftongroup.com. Clifton will attempt to contact Client's representative if the margin pools move to a level requiring the addition or variation margin or when excess margin is present in the margin pool.

2. **Cash held at the fund level in excess of target allocations**. For example, this may be cash from a terminated manager waiting for a new manager to be selected and funded or other fund level cash balances as designated by Client. Cash held at the fund level will be synthetically invested as directed by Client's representative.

The overlay targets for the unallocated cash exposure are set forth in Addendum A.

INVEST MANAGER CASH

If the Invest Manager Cash program element is utilized by Client, this section will apply.

Cash held by equity managers. Cash held by equity managers (including estimated cash in commingled accounts as designated by Client) will be deployed synthetically in the manager's benchmark index or as requested by Client.

Cash held by fixed income managers. Cash held by fixed income managers will not be deployed synthetically unless otherwise requested by Client.

Cash held by other managers. Cash held by other managers may be deployed as requested by Client.

On a daily basis, uninvested or unallocated manager cash is identified and invested via an overlay in the appropriate asset class(es). It is Client's responsibility to establish and revise from time to time the asset class categories and weights and communicate any such revisions to Clifton.

Invest Manager Cash information is provided in Addendum A.

MANAGE TRANSITIONS

If the Manage Transitions program element is utilized by Client, this section will apply.

The Client's PIOS® program representative will be responsible for contacting Clifton with as much advance notice as practicable as transition events arise. Client must provide Clifton with information as specified by Clifton, and in a reasonable time period as so deemed solely by Clifton. Clifton will provide transition management services as provided herein on a best efforts basis, based upon information provided by Client. Minimal information requirements of Clifton may be obtained from Clifton and may be provided on a document or otherwise, posted on Clifton's website.

Each transition issue will be reviewed individually with the objectives of: 1.) minimizing imbalances in actual asset class positions, 2.) maintaining a seamless transition to target market exposure (no market timing), and 3.) minimizing transaction costs.

Clifton acknowledges that there may be transition events that do not require the use of Clifton's services.

SPECIAL CONSIDERATIONS AND RISKS

Tracking Error: Over the term of the PIOS® program for Client, Clifton believes there may be tracking error between the actual overlay portfolio and target allocations described in these Guidelines. For example, futures contract may not exist for certain indices. To attempt to replicate such index results, a blend of futures contracts on securities of various maturities is utilized. This blend of futures contracts may or may not replicate the performance of the actual index. This is a form of tracking error. Tracking error could be material. Other sources for tracking error may include, among others:

- Execution value versus previous day's closing index value
- Transaction costs
- Change in relative futures premiums
- Index replication variances and differences
- Mid-day information flows

Leverage: Leverage introduces special risks and will change the volatility of Client's underlying assets (manager portfolios). Margin is a form of leverage. Adverse moves in the futures positions can require Client to post additional margin beyond those amounts initially deposited. Failure to maintain sufficient margin may result in the closing out of futures positions in a manner not consistent with the Guidelines. Leverage in the form of portfolio volatility or margin requirements may result in a loss to Client.

Futures: Client understands that the use of futures entails risks. These risks include:

- Market Risk – The potential that the market moves in a manner adverse to the futures position causing a mark-to-market loss of capital.

- Liquidity Risk – To the extent the futures position generates a loss in excess of margin available, the fund will require liquid assets to satisfy any outstanding commitments or experience liquidation of positions.

- Collateral Risk – The fund may experience losses on the underlying designated assets in addition to potential losses on the index market exposure overlaying these assets.

- Information Risks – As described above under "Portfolio Monitoring", Clifton will maintain index market exposures based on designated asset values provided by one or more third party(ies). Clifton cannot verify these values but will rely on this information as being reflective of true fund values. If actual fund values are different from the values provided by such third parties, losses may result from over or under exposure to the desired index.

- Leverage Risk – Notional exposure in excess of portfolio capital or fund collateral may produce a significant loss of capital to the fund.

EXECUTION GUIDELINES

In accordance with these policy guidelines, Clifton has the authority to execute trades which are intended to achieve program objectives and are consistent with the structure as described herein.

A daily tracking report will be generated by Clifton using fund data downloaded from the custodian bank, subject to the limitations regarding availability of daily data as set forth in the Portfolio Monitoring section above. The tracking report will generally be completed near the opening of the U.S. market enabling necessary transactions to be completed at the open of the domestic markets. If trades required by the PIOS® policy are not executed due to uncontrollable events (e.g. trading halts) Clifton will contact Client to discuss alternatives. Clifton will implement order execution for all Guidelines based transactions in a manner to seek to avoid having the net synthetic index exposure greater than the underlying total fund cash amount for which exposure, maintenance or rebalancing is sought. In certain instances, such as fixed income and international equity synthetic index exposure, the notional amount of futures contracts utilized may be more or less than the specific exposure sought, but the net synthetic index exposure would remain less than the underlying total fund cash amount, which is unleveraged from a market exposure standpoint.

For example, removing fixed income duration through futures contracts does not typically require sale of a notional amount of contracts equal to the notional amount of underlying fixed income securities held (e.g., $10 in fixed income holdings with a duration of 5 can become "zero" duration cash through the sale of $5 in treasury futures with a duration of 10). An opposite example occurs for gaining international equity exposure in that for every dollar of aggregate exposure desired, one dollar of foreign stock index futures contracts are needed plus one dollar of foreign currency futures contracts are needed (e.g., to gain $10 in FTSE index exposure, $10 in FTSE futures are required plus $10 in British pound futures). This is because foreign stock index futures alone do not include exposure to the US $.

In each of the foregoing examples, it is the synthetic index exposure which remains unleveraged. By combining the foregoing two principles, the concept of not introducing leverage within the PIOS® program is illustrated:

Assume under the PIOS® program a client fund ("Fund X") has $100 in total assets consisting of $30 in large cap equity securities at a manager with a S&P 500 benchmark, $50 in fixed income securities with a duration of 5 at a manager with a Barclays Aggregate Index benchmark, $10 in international equity exposure with a EAFE Index benchmark and $10 in cash. Fund X desires to be fully invested 40% in large cap, 40% in fixed income with a duration of 5, and 20% in international equity. Under the PIOS® program, Clifton would purchase $10 in S&P 500 futures contracts, sell $5 in fixed income futures contracts with a duration of 10 and purchase $10 in foreign stock index futures and $10 in foreign currency futures to bring Fund X into compliance with its asset allocation targets.

The net notional amount of contracts outstanding would be $25 (long $10 in S&P index futures minus $5 short in treasury futures for the fixed income exposure reduction plus $20 in foreign stock index and currency futures to gain the international equity exposure). Yet the position is neutral from a market exposure stand point because the synthetic index exposure of $10 in long S&P futures, $10 in short Barclays index exposure and $10 in long EAFE index exposure (net of $10 long) does not exceed the then cash amount of $10 in Fund X.

Notwithstanding the foregoing discussion of leverage, the use of margin, which is a form of leverage, has special consideration as described above under the caption "Special Considerations and Risks".

REPORTING AND COMMUNICATION

Clifton will provide the following to Client:

1. A tracking report summarizing actual fund allocations, manager holdings (to the extent available), actual PIOS® positions and key program parameters. This report is available daily (in normal circumstances) via Clifton's web site (www.thecliftongroup.com).

2. A program summary report describing the performance of the program relative to the predetermined benchmarks (produced monthly).

3. An accounting report containing transaction details, position values, etc. (produced quarterly).

4. All Clifton employees, including portfolio managers, are accessible to answer questions or clarify activity.

5. In the event market conditions warrant a change to these Guidelines, Clifton will initiate contact with the Client's contact person to discuss any recommended changes.

6. In person performance reviews with a portfolio manager are anticipated to be conducted annually, or more often if requested by Client. Client may request that other personnel from Clifton or its consultants are present for such performance reviews.

There is no assurance the Client will achieve its objective through the use of the PIOS® program. Past performance does not guaranty future results. Clifton does not warrant any particular rate of return, level of tracking error or index replication reliability.

Addendum A

Client will select the assets to be overlaid by Clifton's PIOS® program. Specifically, that portion shall consist of those funds designated by Client as cash reserves at its custodian as well as cash held from time to time by other investment managers for Client (the manager portfolio(s)).

The asset class allocation targets and associated benchmark indexes are as follows:

Asset Class	Target %	Benchmark Index
Domestic Equity	34.00%	Wilshire 5000
Global Equity	10.00%	MSCI ACWI (including US)
International Equity	16.00%	MSCI ACWI (ex US)
Fixed Income	25.00%	Barclays Aggregate
Private Equity*	5.00%	N/A
Real Estate*	10.00%	NCREIF Property
Cash	0.00%	N/A
Total:	100.00%	

*For PIOS® Program purposes, target exposure will be equated with actual exposure with the difference allocated proportionally to the four replicable asset classes - Domestic Equity, Global Equity, International Equity and Fixed Income. For example, if the actual allocation to Private Equity is 4.00% and the long-term allocation is 5.00%, and the actual allocation to Real Estate is 9.00% and the long-term allocation is 10.00%, the difference of 2.00% is allocated as follows:

Asset Class	Target %	Proportional Adjustment	Adjusted Target Allocation
Domestic Equity	34.00%	0.80%	34.80%
Global Equity	10.00%	0.23%	10.23%
International Equity	16.00%	0.38%	16.38%
Fixed Income	25.00%	0.59%	25.59%

It is Client's responsibility to establish and revise as necessary the asset class categories.

INVEST UNALLOCATED CASH AND MANAGER CASH COMPONENT

Unallocated cash and manager cash will be synthetically invested as follows: Clifton will overlay cash balances on an ongoing basis to seek to reduce the overall fund's deviation from the targets. Initially, cash will be securitized in a manner which seeks to reduce the fund's deviation from the adjusted target allocations as defined above. On an ongoing basis, as cash levels change, futures contracts will be added or removed with an objective of reducing imbalances relative to the adjusted target allocation.

MAINTAIN TARGET ALLOCATION COMPONENT

Clifton will monitor fund asset allocation relative to the following variation bands:

Asset Class	Variation Band %*	Rebalancing Approach
Domestic Equity	28% – 38%	Futures Based
Global Equity	7% - 13%	Futures Based
International Equity	12% - 18%	Futures Based
Fixed Income	20% - 30%	Futures Based

*Client will be notified if a variation band has been exceeded.

Rebalancing will occur only upon written direction of Client.

Addendum B

OVERLAID ASSETS FOR WHICH VALUES ARE NOT RECEIVED FROM THE CUSTODIAN

It will be the responsibility of Clifton to request regular updates on the value of the overlaid assets for which values are not received from the Custodian. Because Clifton does not control these managers, it is possible that Clifton will not receive information in a timely manner from such managers. It is also possible that this information will not be accurate. Client agrees that Clifton may rely on such information as provided by the source without further investigation or confirmation.

Managers	Frequency*	Method of Update**	Index Used	Index Btick
BlackRock MSCI ACWI Equity Index	Monthly	Henry Solis's Monthly Reports	MSCI ACWI	JETAX
BlackRock MSCI ACWI ex. US	Monthly	Henry Solis's Monthly Reports	MSCI ACWI ex. US	NDUEACWZ
BlackRock Wilshire 5000	Monthly	Henry Solis's Monthly Reports	Wilshire 5000	DWCF
Extended Equity	Monthly	Henry Solis's Monthly Reports	Wilshire 5000	DWCF
In-House Cash	Daily	Henry Solis's email		
Sprucegrove	Monthly	Henry Solis's Monthly Reports	MSCI ACWI ex. US	NDUEACWZ
Western Asset	Daily	MyStateStreet Daily NAV spreadsheet	Wilshire 5000	DWCF

As more managers are added, it will be Client's responsibility to contact Clifton and assist in developing a method for updating values for each new manager.

Formatted: Body Text Indent, Line spacing: Exactly 15 pt, Tab stops: Not at 5.94"

~~Bridgewater Associates, LP ("Manager")~~
~~All Weather Portfolio, LLC ("Fund")~~
~~Description~~

~~The Fund is a commingled fund and the practices of the Manager and the Fund will be in accordance with the Fund's offering documents and related Fund documents, as may be amended and supplemented from time to time.~~

~~Investment Objective and Strategy:~~
~~The investment objective of the Fund is to seek to provide returns with no material bias to perform better or worse in any particular type of economic environment. In other words, the portfolio seeks to perform approximately as well in rising or falling inflation periods, or in periods of strong or weak economic growth. To achieve this objective, the Fund, directly or indirectly, holds investments in different asset classes that have different biases to economic conditions. These asset classes may include the currency, fixed-income, inflation linked bond, equity, and commodity markets, among others.~~

~~Allocations to the asset classes described above are set from time to time by the Manager in its sole discretion so that they balance each other (i.e., represent an approximately equal portion of the Fund's risk, as determined by the Manager in its sole discretion), thereby minimizing the portfolio's exposure to changing economic conditions. The Manager does not vary the weights of investments based on any tactical view of how particular investments will perform, but rather attempts to balance the risk of the Fund based on its understanding of the relationship between asset classes and economic environments, provided that the Manager may vary the allocations to asset classes based on its assessment of market conditions, in a manner that is consistent with the long term investment objective of the Fund. The Fund will invest primarily in exchange traded futures contracts, over-the-counter derivatives, including without limitation, credit derivatives, cash securities, and spot and forward contracts on the international, interbank currency market but may invest in other securities or instruments. Asset classes may be added to and removed from the portfolio by the Manager from time to time in its sole discretion. The Fund may invest in both listed and unlisted securities or instruments which may be investment grade or non-investment grade.~~

~~The long-term annual targeted return of the Fund is expected to be approximately 5% to 7% above cash (90-day Treasury bills) while targeting a tracking error of approximately 10%, where tracking error is measured as the standard deviation of the portfolio return of the Fund above cash. The Fund may employ leverage in the forms of trading on margin, entering into other forms of direct and indirect borrowings and investing in derivative instruments that are inherently leveraged.~~

~~Investment activity of the Fund described herein may be carried out directly or indirectly through a trading company or trading vehicle.~~

~~Trading Policies and Restrictions:~~
~~In order to seek to limit exposure to risk, the Fund requires the Manager to observe the following trading policies:~~

Formatted: Body Text Indent, Line spacing: Exactly 15 pt, Tab stops: Not at 5.94"

Formatted: Body Text Indent, Centered, Line spacing: Exactly 15 pt

Formatted: Body Text Indent, Centered, Line spacing: Exactly 15 pt, Tab stops: Not at

~~The Fund will not invest directly in real estate.~~

~~The Fund will generally not invest directly in physical commodities. However, the Fund may invest in precious metals or in derivative contracts on physical commodities.~~

~~The Fund will not take legal or management control of the issuers of underlying investments.~~

~~The Fund may invest in regulated or unregulated money market funds or similarly constructed business trusts or other commingled or collective investment funds, (including investment funds managed by the Manager or by an external manager acceptable to the Manager). Holdings within commingled vehicles are not subject to the specific guidelines and restrictions of the Fund but must be managed in a manner consistent with the overall investment objectives of the Fund. When assets of the Fund are allocated to a commingled investment fund managed by the Manager, the Fund will not pay any additional investment management fees or profit participation fees within such investments.~~

~~Derivatives, repurchase agreements, reverse repurchase agreements and securities lending, among other forms of leverage, may be used by the Fund in achieving its Risk Parity strategy, and VCERA has agreed that limits thereon in Section VII and VIII shall not apply to Risk Parity portfolios (to the extent such provisions would otherwise apply).~~

~~The Manager is retained by the Fund. Consistent with the foregoing, the Manager will provide services to the Fund as fiduciary to the Fund in the aggregate.~~

~~Without limiting the foregoing, duties of the Manager in respect of proxy voting, best execution, insurance, client communications (including such matters as are expressly referenced in "Duties of the Investment Managers") and reporting shall be as set forth in the offering documents of the Fund.~~

~~The Manager willshall promptly deliver material changes in the offering documents of the Fund to to the AssociationVCERA. The guidelines and description of the Fund's investment program set forth in this exhibit shall be automatically deemed updated, without further action of the Manager, by the terms of any material changes so delivered.~~

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

~~Consistent with the treatment of commingled funds as set forth in Section IV, the specific terms set forth in these guidelines supersede the general terms set forth in the remainder of theVCERA's Investment Policy Manual.~~

Formatted: Body Text Indent, Centered, Line spacing: Exactly 15 pt, No bullets or numbering

Formatted: Body Text Indent, Centered, Indent: Left: 0", Line spacing: Exactly 15 pt

Formatted: Body Text Indent, Centered, Line spacing: Exactly 15 pt

Formatted: Body Text Indent, Centered, Tab stops: Not at 0.1" + 0.15" + 3"

Approved and Confirmed Changes to the Guidelines

Date	Guidelines / Change	Verified by
06/02/2008	Portfolio targets and Unallocated Cash targets have been updated.	Email sent on 6/2/2008 by Tim Thonis to Megan Zhou, titled "RE: Ventura PIOS® Guidelines updated with new targets"
07/28/2008	Addendum B has been updated.	
12/03/2008	Addendum B has been updated	
01/05/2009	Addendum B has been updated	
01/20/2009	Addendum A target allocations revised and Maintain Target Allocation Component added	
10/02/2009	Addendum B has been updated.	
11/20/2009	Addendum B has been updated.	
05/26/2010	Addendum B has been updated.	
01/31/2011	Addendum B has been updated, Tim Thonis replaced by Henry Solis.	
06/13/2011	Addendum A has been updated	Email sent on 05/25/2011 to Alex Gomelsky/TCG from Henry Solis titled, "RE: VCERA Cash – Week of May 25th"
08/22/2011	Addendum A: asset class allocation targets and associatied benchmark indexes have been updated	Conference call on August 19, 2011 between Ben and Team PIOS and representatives from Hewitt EnnisKnupp and Client.
06/18/2012	Addendum A: Asset classes revised as well as targets, adjustments and allocations. Revised body of Guidelines regarding Invest Manager Cash.	Conference calls with Client.

NEPC, LLC

To: VCERA Board of Retirement

From: Allan Martin, Don Stracke, CFA, CAIA, and Anthony Ferrara

Date: January 27, 2014

Subject: Liquid Alternatives Benchmark

Recommendation

NEPC recommends that the VCERA Board of Retirement change the benchmark of the Liquid Alternatives asset class from the Wells Fargo MLP Index to CPI +4%.

Background

The liquid alternatives asset class currently contains Bridgewater's All Weather Fund with a 6.3% allocation and Tortoise Energy Infrastructure with a 3% allocation. The current benchmark does match up well with the Tortoise strategy, it has very little correlation with the larger Bridgewater allocation. Continuing with the current benchmark will introduce significant tracking error over all time periods, as well as complicate any analysis of the degree of success achieved in the Liquid Alternatives asset class.

We are under the assumption that the goal of the Liquid Alternatives asset class is to provide a return in excess of the rate of inflation in the US that has a low correlation to equity and fixed income market returns. A secondary goal is likely to provide strong performance in economic regimes that will likely cause equity markets to fall. With that understanding, a return goal of CPI +4% seems appropriate, and should the asset class provide performance in excess of that over a full market cycle, we believe that the VCERA Board of Retirement should be pleased.

NEPC, LLC

To: VCERA Board

From: Don Stracke, CFA, CAIA

Date: January 14, 2014

Subject: Walter Scott & Partners Limited – Ian Clark Retirement

---

Background

In February 2013, one of Walter Scott & Partners' founders, Ian Clark, stepped down from the Board due to health issues. Mr. Clark remained in contact with the firm, but neither worked in the office nor played an active role in the investment or training activities of the firm. Effective December 31, 2013, Mr. Clark formally ended his employment, despite an improvement in his health

As of December 31, 2013, VCERA had approximately $93 million invested with Walter Scott, representing 2.3% of the total portfolio.

Summary

Walter Scott has been planning for succession and the founders relinquished stock coverage and management of the research process a long time ago. Last year, when the announcement was made that Mr. Clark was stepping down from his active involvement as a Director, there were no plans to replace him on the Board.

The Walter Scott investment process is a low turnover, concentrated approach with team decision making. The team functions such that all members of the investment team must agree on a stock addition to the portfolio and a stock can be sold from the portfolio based on a single team member's decision. The process does not rely on any one team member.

Conclusion

NO CLIENT ACTION recommended. While Mr. Clark had a significant role in the hiring and training of the current generation managing the firm and process, he no longer played an active role in the decision making and leadership. Walter Scott is well positioned to move forward.

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

January 27, 2014

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

SUBJECT: ESTABLISHMENT OF PERSONNEL COMMITTEE

Dear Board Members:

The Retirement Administrator Performance Policy directs the Board to establish a Personnel Committee (Committee) to coordinate the evaluation of the Retirement Administrator's performance. In 2014, the Committee will also be tasked with coordinating the search process for selecting a new Retirement Administrator.

At the January 6, 2014 Disability meeting, Mr. Hoag, Mr. Chris Johnston and Mr. Sedell volunteered to serve on the Personnel Committee, and I hereby recommend the Board confirm their appointments. The Chairman of the Committee will be selected by the Committee members.

I will be pleased to respond to any questions you may have on this matter at the January 27, 2014 business meeting.

Sincerely,

TRACY TOWNER
Chairman

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

January 27, 2014

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

SUBJECT: APPROVAL OF BUSINESS OBJECTIVES JANUARY – JUNE 2014

Dear Board Members:

Recommendation

Approve Objectives for VCERA's business units through June 30, 2014.

Background

VCERA's Business Planning Policy (copy attached) requires the annual development of a business planning framework identifying risk categories affecting VCERA and potential means to address those risks. Staff is presenting the following six month plan to address several of VCERA's key risks with a more comprehensive longer term plan being developed for presentation with the 2014/15 budget later this year.

Discussion

The following objectives, and the risks addressed, are presented by business unit:

Administration:

1. Retention of Plan Administrator – Assist Board of Retirement in search for new executive.
2. Consider the need for an Investment Analyst – continue earlier work regarding the need to add an investment professional to VCERA staff.

Risks Addressed: Management turnover at key levels and continued evaluation of staff composition as plan complexity grows and evolves.

Member Services:

1. Expand Staff Training – goal of increasing the knowledge base across all levels of VCERA's benefit staff to provide management flexibility in allocating staff time between member services and the development of VCERA's new pension administration system.
2. Expand Hearing Officer Panel – replacing departed hearing officers provides flexibility in setting hearing dates and increases the opportunity for a more efficient disability process.
3. Review of Disability Procedures – continue the work previously engaged with the goal to update the disability procedures and Board of Retirement By-laws.

Risks Addressed: Decrease in customer service levels, mitigate the risks of higher ongoing technology costs and disability service levels.

Fiscal Services:

1. Training and Review for New GASB (Governmental Accounting Standards Board) Statements #67 & #68. – Statement #67 revises reporting standards for pension plans, while Statement #68 revises reporting for plan sponsors.
2. IRS Tax Determination Process.

Risks Addressed: Ensuring compliance with GASB financial reporting requirements in order to provide meaningful annual financial reporting. Compliance with IRS regulations is critical for all pension plans.

Funding:

1. Review of Annual Actuarial Valuation.

Risk Addressed: Achievement of VCERA's long term funding goals.

Investment:

1. Review of Investment Policy Statement.
2. Asset/Liability Study.

Risks Addressed: Investment Manager compliance, proper diversification of assets and portfolio efficiency (risk/reward & cost).

Technology:

1. Implementation of New Pension Administration System.
2. Disaster Recovery Planning.

Risks Addressed: Pension system obsolescence and business continuity (Hurricane Sandy scenario).

Fiduciary & Plan Governance:

1. Trustee Training – through attendance at investment seminars, SACRS/CALAPRS events and internal training workshops, as requested.

Risks Addressed: Meet ongoing educational requirements and enhance effectiveness of the Board.

Conclusion

A collaborative planning effort between the Board and staff is important to VCERA's long term success.

I will be pleased to respond to any questions you may have on this matter at the January 27, 2014 business meeting.

Sincerely,

Tim Thonis
Interim Retirement Administrator

Attachment

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BUSINESS PLANNING POLICY

I. Background and Objectives

1) Given the complex environment in which it operates, VCERA faces myriad risks that could impact its operations. The Board is committed to identifying, understanding, and managing such risks through a formal business planning process.

   The Board has developed this policy to provide broad guidance to the Board and the Retirement Administrator in this regard.

II. Policy Guidelines

2) As input into the Business Plan, the Retirement Administrator and staff will develop a business planning framework identifying:

   a) The broad categories of risk that affect VCERA;

   b) Significant risks that exist within each category;

   c) Potential means to address each risk (e.g. new systems, policies, or other special projects);

   d) An assessment of the extent to which VCERA has already implemented the above means.

3) The broad categories of risk referred to above will, at a minimum, include the following:

   a) Funding;

   b) Investments;

   c) Benefit Administration; and

   d) Governance and Fiduciary Risk.

4) Based on the above framework, the Retirement Administrator will prepare a Business Plan containing at a minimum:

a) An assessment of VCERA's risk exposure from a business perspective;

b) A list of the priority initiatives to be undertaken to address VCERA's most significant areas of risk exposure (these should generally not exceed 2-3 initiatives);

c) An estimated timeline for completing the priority initiatives;

d) The parties responsible for completing the initiatives; and

e) The resources necessary to undertake the initiative.

5) At the beginning of each fiscal year, the Retirement Administrator will review and update the business planning framework and the Business Plan, and present them to the Board for discussion along with a status report on the prior year's Business Plan.

III. Policy Review

6) The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

IV. Policy History

7) The Board last reviewed and approved this policy on June 18, 2012. The Board originally adopted this policy on June 2, 2003.

FILED
Ventura County Elections Division

JAN 16 2014

MARK A. LUNN
County Clerk and Recorder
By RC Valenzuela Deputy

Committee for Pension Fairness
1827 Knoll Drive
Ventura, CA 93003

January 16, 2014

Mr. Mark A. Lunn
County Clerk and Recorder
800 S. Victoria Ave.
Ventura, CA 93009
Mark.Lunn@ventura.org

Mr. Lunn:

Please immediately forward the attached Petition to County Counsel for preparation of title and summary. We also request a draft of the title and summary for review.

Richard C. Thomson
Chairman
rcthomson50@gmail.com

Enclosure

FILED
Ventura County Elections Division

JAN 16 2014

MARK A. LUNN
County Clerk and Recorder
By E C Valenzuela Deputy

Notice of Intention to Circulate Petition

Notice is hereby given by the persons whose names appear hereon of their intention to circulate the petition within the County of Ventura for the purpose of changing the County employee retirement plan from a Defined Benefit Plan to a Defined Contribution Plan as of July 1, 2015 for new employees, as well as to place new controls over the establishment of increases to pensionable compensation.

David P. Grau 1028 Bangor Lane Ventura, CA 93001	Richard C. Thomson 132 Ventura Avenue Oxnard, CA 93035	James McDermott 1050 S. Kimball Road Ventura, CA 93004

PREAMBLE

A. Ventura County's required contribution to its defined pension plan has been climbing rapidly and diverting resources from important services. There is no end in sight to the growth of this massive expense under the current pension system.

B. The Voters of Ventura County realize they must take action to stop the growth of this unaffordable pension system. The Voters seek transparency, fairness and sustainability and want all new County employees to have a pension system that is no better and no worse than the private sector.

C. To curb runaway pension costs, the Voters hereby impose procedural limitations on benefit increases for certain classes of employees, along with rules that limit, for a five year period, pension-based salary increases.

An Initiative Petition for Submission to Voters of a Proposed Amendment to the County Employees Retirement Plan of the County of Ventura

To the Board of Supervisors of the County of Ventura:

We the undersigned, registered and qualified voters of the State of California, residents of the County of Ventura, pursuant to the California Constitution and the California Government Code, present to the Board of Supervisors of the County of Ventura, this petition and request that the following proposed amendment to the County Employees Retirement Plan be submitted to the registered and qualified voters of the County for their adoption or rejection at an election on a date to be determined by the Board of Supervisors.

The County Counsel has prepared the following title and summary of the chief purpose and points of the proposed measure:

COUNTY OF VENTURA INITIATIVE FOR FAIRNESS AND SUSTAINABILITY THROUGH THE ESTABLISHMENT OF A COUNTY EMPLOYEES' DEFINED CONTRIBUTION PLAN
(To Be Replaced by County Counsel's title)

The People of the County of Ventura do ordain as follows:

SECTION ONE. Ordinance Number 401, adopted by the voters on June 4, 1946, is repealed. Section 1221 of Division 1, Article 2 of the Ventura County Code of Ordinances is hereby repealed and replaced with Sections 1221 to 1233, inclusive, as follows:

Section 1221. Findings and Purpose

(a) There is hereby created, established and adopted a retirement system for all new officers and employees of the County of Ventura. The Board of Supervisors may adopt Ordinances and/or Resolutions necessary to implement this Ordinance. Notwithstanding the foregoing, this Ordinance may only be amended, modified or repealed by a Vote of the People.

(b) No new employees hired on or after July 1, 2015 will be enrolled in any defined benefit pension plan.

(c) New employees, hired on or after July 1, 2015, shall be enrolled in the County's Defined Contribution Plan, as established in this Ordinance, applying the same standards for eligibility for participation in the Plan as existed for the Defined Benefit Plan as of the Effective Date of this ordinance.

(d) No provisions in Ordinance Number 401, including Division 1, Article 2, Section 1221 of the Ventura County Code of Ordinances, shall apply to this Ordinance unless specifically incorporated hereunder. The purpose of this Ordinance is to phase out the Defined Benefit Plan established under Ordinance Number 401 and replace it with the Defined Contribution Plan established hereunder for new employees hired on or after July 1, 2015.

(e) All employees hired prior to July 1, 2015 shall remain eligible for existing death and disability benefits in place. This initiative shall have no impact on death and disability benefits in place as of the Effective Date of this initiative. For those employees hired on or after July 1, 2015, a death and disability plan shall be established by the Board of Supervisors with an effective date of July 1, 2015. The administration of the death and disability benefits for new employees hired on or after July 1, 2015 shall be authorized in a manner determined by the Board of Supervisors.

(f) An employee hired on or after July 1, 2015 may be enrolled in the Defined Benefit Plan instead of the Defined Contribution Plan if required by the terms of a Memorandum of Understanding in effect on July 1, 2015. No Memorandum of Understanding in effect on July 1, 2015 shall be extended or renewed beyond its original term in a manner that permits new employees to be enrolled in the Defined Benefit Plan.

Section 1222. Definitions.

The following words and phrases shall have the meaning ascribed to them in this initiative unless a different meaning is clearly indicated by the context:

(a) Administrator: Administrator shall hold the same meaning as Defined Contribution Plan Administrator.

(b) Base Hourly Salary: For the purposes of Section 1233, Base Hourly Salary shall include all components of an employee's hourly salary that are used by the County, as of the Operational Date of this initiative, to calculate the pension benefits and contributions required under the Defined Benefit Plan.

(c) Beneficiary: Persons entitled to receive a benefit from the Defined Contribution Plan.

(d) Board of Supervisors: Board of Supervisors shall mean the Ventura County Board of Supervisors.

(e) Compensation: For purposes of the Defined Contribution Plan established hereunder, compensation shall equal the employee's base hourly salary, excluding (to the extent permitted by applicable state or federal laws) any add-on elements of pay that may be authorized by the Board of Supervisors from time to time, multiplied by the employee's standard hours for each pay period. If there are no regular or weekly hours established by an MOU, Ordinance or resolution or other County policy, the Federal Fair Labor Standards Act regular working standard hours shall apply. Elements of pay to be excluded from Compensation include, by way of example and not limitation, special assignment pay, shift differentials, industrial leave, pay in lieu of annual leave, paid overtime (excluding scheduled overtime), workers' compensation benefits, long-term disability benefits, bonus awards, suggestion awards, termination payoffs for accrued sick leave and annual leave, retirement or deferred compensation benefit payments, any death benefits and any other element of pay required to be excluded by applicable state or federal laws. "Compensation" for any individual employee may not exceed the amount allowed for that employee under Internal Revenue Code section 401(a)(17), as amended, or under the California Public Employees' Pension Reform Act of 2013, as amended.

(f) County: County shall mean the county of Ventura in the State of California. "County" shall include all special districts, agencies and sub-governments that the Board of Supervisors serve as the governing board and/or any special districts, agencies and sub-governments that are part of any County retirement program.

(g) Date of Initial Hire: The Date of Initial Hire shall mean the date on which an employee is first hired, elected or appointed in service to the County, including employees of special districts that are subsidiary agencies that have employees enrolled in the County Defined Benefit Plan on or before the Operational Date of this Ordinance.

For any County employee who has previously been employed by the County but who left the County's employ before July 1, 2015 and is rehired by the County on or after July 1, 2015 the employee's Date of Initial Hire shall refer to the earliest date of employment by the County. No person hired by the County on or after July 1, 2015 shall be enrolled in the Defined Benefit Plan under a reciprocity agreement unless the person had been a County employee prior to July 1, 2015.

(h) Defined Benefit Plan: The Defined Benefit Plan shall mean that retirement system known as the Ventura County Employees' Retirement Plan administered by the VCERA under the authority of Ordinance Number 401 as was codified in Ventura County Code of Ordinances Section 1221.

(i) Defined Contribution Plan: The Defined Contribution Plan shall mean any defined contribution plan authorized under the Internal Revenue Code and administered by the Defined Contribution Plan Administrator, and in this Ordinance shall mean and refer to that retirement system established hereunder and implemented by the Board of Supervisors.

(j) Defined Contribution Plan Administrator: Defined Contribution Plan Administrator shall mean and refer to the Administrator of the Defined Compensation Plan, appointed and authorized by the Board of Supervisors. The Administrator may be hired as an employee or by contract through a competitive bid for professional services. In addition, the Administrator may be a department of the County appointed for the purpose of administering the Defined Contribution Plan.

(k) Effective Date: This Initiative (Ordinance) will go into effect ten days after the declaration of the vote of the people in the manner provided by law.

(l) Employee: For the purposes of this Ordinance, Employee shall include all employees and officers of the County of Ventura, its subsidiary agencies, governmental entities and sub-governments that are qualified to be members of the Defined Benefit Plan or beneficiaries of the Defined Contribution Plan.

(m) Member: An officer or employee of the County of Ventura, including those working for subsidiary agencies covered by Ordinance Number 401, as codified in Section 1221 of the Ventura County Code of Ordinances, prior to the Operational Date of this Ordinance, who meets the membership requirements of the Plan as further defined in ordinance(s) establishing the benefits of the Plan and defined herein.

(n) Memorandum of Understanding ("MOU"): An "MOU" shall be an agreement regarding wages, hour and working conditions, of any kind, entered into by the County or its subsidiary agencies, governments or sub-governments with recognized bargaining groups under the authority of California Public Sector Labor Laws. An "MOU", for the purposes of this Ordinance, shall include an agreement, policy or arrangement in which the wages, hours and working conditions are established for unrepresented or management and confidential employees in the same or similar manner to an MOU with a recognized bargaining group.

(o) Operational Date: The "Operational Date" shall be July 1, 2015 as applied herein. This Ordinance will go into operation on July 1, 2015 by requiring the phasing out of the Defined Benefit Plan and the application of the Defined Contribution Plan to qualifying new employees with an Date of Initial Hire on or after July 1, 2015. The Defined Benefit Plan shall continue after the Operational Date only for eligible employees with a Date of Initial Hire before July 1, 2015 and other qualifying employees with vested rights in the Defined Benefit Plan as recognized herein.

(p) Ordinance: Ordinance shall mean the provisions of this people's initiative, including Section One which shall be codified in Division One, Article 2 of the Ventura County Code of Ordinances.

(q) Plan: The County of Ventura Employees' Defined Contribution Plan as adopted by the Board of Supervisors under authority of this Ordinance and any amendments approved by a vote of the People.

(r) Plan Administrator: Plan Administrator shall hold the same meaning as Defined Contribution Plan Administrator.

(s) Public Safety Member or Beneficiary: A Public Safety Member shall mean any officer or employee who is a firefighter, as defined in California Government Code Section 3251(a), or a public safety officer, as defined in California Government Code Section 3301, including public safety employees of special districts that are subsidiary agencies to the County and have public safety employees enrolled in the County Defined Benefit Retirement Plan.

(t) Retired Member: A member who has ceased employment with the County of Ventura and is receiving benefits from a VCERA-administered defined benefit pension or defined contribution withdrawals from the Plan. A Retired Member shall include surviving spouses and beneficiaries.

Section 1223. Establishment of the Ventura County Employee Defined Contribution Plan.

(a) A Defined Contribution Plan is established by this Ordinance with an Operational Date of July 1, 2015 when it is applicable to all qualifying County employees hired on or after that date who do not otherwise have vested rights to be part of the Defined Benefit Plan. The Board of Supervisors shall, by ordinance and such other enactments as are necessary and appropriate to carry out the intent of this Ordinance, implement the Defined Contribution Plan for the retirement of all County employees whose Date of Initial Hire is on or after the Operational Date of the Defined Contribution Plan.

(b) To the extent that this Plan applies to employee groups that are not a part of the Social Security System established under the United States Internal Revenue Code, it is the intent that this Plan shall meet the legal requirements established by the United States Internal Revenue Code in order to allow the County to retain Social Security Safe harbor status for those employee groups. For those employee groups that are not currently enrolled in the Social Security System, the County Board of Supervisors may enroll in the Social Security System , subject to any bargaining obligations with recognized bargaining groups affected by the action and applicable federal and state legal procedures, as long as the Defined Contribution Plan contributions do not exceed the limits as established in Section 1224 of this initiative.

(c) The Plan shall be a defined contribution plan, the benefits from which are payable on an employee's termination of service, retirement, disability or death. The amount of benefits payable to the employee shall be the balance in the employee's individual account, comprised of the accumulated contributions by the employer and employee, adjusted for investment gains and losses allocated to the employee's individual account. The Defined Contribution Plan established pursuant to this Ordinance shall be designed and implemented to maintain its status as a qualified defined contribution pension plan that meets the requirements of applicable sections of the Internal Revenue Code.

(d) The Defined Contribution Plan Administrator shall develop the Defined Contribution Plan document and shall make recommendations to the Board of Supervisors with respect to the elements contained in the Defined Contribution Plan, including permitted levels of employee contribution. In addition to such elements of the Defined Contribution Plan as are specifically established in this Ordinance, the Defined Contribution Plan Administrator may recommend, and the Board of Supervisors may include such terms and provisions in the Defined Contribution Plan, including but not limited to terms concerning investment options, rollovers, loans, in-service withdrawals, breaks in service, forfeitures, or other terms and provisions customarily included in a qualified defined contribution plan, consistent with the best interests of the employees and sound fiscal management.

(e) To the extent allowed by law, the County may offer a Plan that allows employees to convert their defined contribution retirement account into an annuity or other County-approved investment instrument as of their date of retirement. No conversion under this section shall require the County to contribute additional funds to convert the defined contribution retirement account to another approved investment instrument.

(f) The County is prohibited from creating any additional retirement plans beyond that created under this Ordinance. Any additional retirement plans must be submitted to a vote for approval by the electorate.

Section 1224. County Contributions.

(a) For employees enrolled under the Defined Contribution Plan who are enrolled in Social Security, the County shall contribute no more than four percent (4%) of Compensation to the employees' account within the Defined Contribution Plan. For public safety employees enrolled under the Defined Contribution Plan who are not enrolled in Social Security, the County shall contribute no more than eleven percent (11%) of Compensation to the employees' account within the Defined Contribution Plan. For public safety employees who are enrolled in Social Security, the County shall contribute no more than five percent (5%) of Compensation to the employees' account within the Defined Contribution Plan.

(b) Any employee enrolled in the Defined Benefit Plan shall not be eligible for any employer contributions to any defined contribution plan, except employees with vested rights in any defined contribution plans that predate the Operational Date of this initiative.

Section 1225. Vesting.

Subject to applicable Internal Revenue Code requirements, as amended, the County contributions in the Defined Contribution Plan shall be immediately vested.

Section 1226. Implementation.

To the extent consistent with the intent of the electorate established in this Ordinance and custom and practice in the establishment and implementation of a defined contribution plan, the Board of Supervisors is authorized and empowered to enact, by ordinance or resolution as necessary, such changes to the Defined Contribution Plan as may be advised by the Defined Contribution Plan Administrator who shall act as a fiduciary to protect and advance the best interests of the employees participating in the Defined Contribution Plan.

Section 1227. Defined Contribution Plan Administrator.

(a) The Defined Contribution Plan Administrator shall be authorized and empowered to select a reasonable number of investment choices to allow employees a variety of investment vehicles to choose from when investing their contributions made to their individual account within the Plan.

(b) The Board of VCERA shall not have any authority or responsibility for administration of the Defined Contribution Plan. Said retirement board shall retain applicable jurisdiction over the payment and administration of death and disability benefits to employees covered under this Ordinance for service retirement purposes of Members in the Defined Benefit Plan. The Board of Supervisors shall determine the manner of administration of death and disability benefits for eligible Beneficiaries of the Defined Contribution Plan.

Section 1228. Phase Out Options for the Defined Benefit Plan.

Subject to applicable vested rights of employees and obligations to qualifying employees, the Defined Benefit Plan may be phased out by the Board of Supervisors, in accordance with applicable law, by any lawful method.

Section 1229. Adoption of Administrative Rules to Comply with Federal or State Law.

If at any time, federal or state law should become preemptive or controlling with respect to the provisions of this Plan, the Administrator shall have the power to adopt such rules as may be necessary to comply with such federal or state law. Such rules shall be adopted upon the advice and with the concurrence of the county counsel.

Section 1230. Funding of the Defined Contribution Fund.

(a) Creation of Funds. A separate and distinct fund is hereby created and established for record keeping, actuarial and other administrative purposes, one of which shall be known as the "Ventura County Employees' Defined Contribution Fund".

(b) The Ventura County Employees Defined Contribution Fund shall consist of:

(1) all monies appropriated to the fund by the Board of Supervisors for the purpose of required contributions;

(2) all contributions of County employees into their individual retirement accounts; and

(3) all interest, earnings and profits resulting from investment of such monies.

(c) Use of Funds. The monies in the Fund shall be used, other than for the investment thereof, exclusively for the benefit of the employees covered by this Ordinance in the manner required by law. Each individual sub-account held for the benefit of an individual employee shall be managed and maintained in accordance with the requirements of the Internal Revenue Code, applicable County laws and policies and any applicable requirements of any Memorandum of Understanding entered into by the County with a recognized bargaining group.

Section 1231. Compliance with Certain Internal Revenue Code Provisions.

(a) The benefits payable to any person who becomes a Defined Contribution Plan Beneficiary shall be subject to the pension contribution limitations set forth in Section 415 of the Internal Revenue Code, as amended.

(b) If any of the provisions of Section 415 of the Internal Revenue Code should be repealed, the provisions of this section shall be deemed repealed to the same extent.

Section 1232. Implementation of Social Security Participation.

(a) Should Social Security participation be mandated or made available to uncovered Plan Beneficiaries by federal legislation amending the Social Security Act or by action taken by the County or by Plan Beneficiaries as provided by law, the following provisions shall govern the manner in which such participation by Plan Beneficiaries is to be implemented and the limitations hereinafter set forth shall be controlling unless federal law is contrary to these provisions, is in conflict therewith and is clearly intended to be preemptive. Should applicable provisions of federal law in any respect differ from the provisions contained in this section and should they be determined to be preemptive as to any part thereof, then and in that event, those provisions of this section not affected by such federal law shall remain in full force and effect.

(b) Board of Supervisors Authority to Coordinate Benefits and Contributions. As to the rights and entitlement to benefits of Plan Beneficiaries participating in such Social Security coverage, the Board of Supervisors shall have the power and authority to adopt ordinances modifying the benefits and conditions of entitlement provided in this Ordinance, subject to the limitations stated herein

(c) For public safety employees enrolled under the Defined Contribution Plan who enroll in Social Security, the County shall contribute no more than five percent (5%) of Compensation to the employees' account within the Defined Contribution Plan.

Sec. 1233. Five Year Salary Limitations on All General Tier I Pensionable Pay Increases.

To reduce pension spiking, for five years after the Operational Date or the termination date contained in any MOU in effect on the Operational Date, whichever is later, the County's initial bargaining position in negotiations on any new or extended, Management Resolution, MOU, including any side letter MOU, as such MOU's relate to public safety employees and those officers and employees who have the right to any General Tier I and General Tier I PEPRA benefits, shall propose terms that do not increase pensionable pay. This section does not apply to participants in the Defined Contribution Plan.

County bargaining representatives may be authorized to negotiate tentative agreements with employee organizations incorporating changes in employee compensation and other employee benefits provided, however, that no provision of a tentative agreement that increases pensionable pay shall become effective unless and until it is approved by the County Board of Supervisors with separate findings by the Board that the Defined Benefit Pension Plan has adequate funding to allow for any increase in long-term pension costs. Such findings shall be supported by actuarial and accounting justifications.

SECTION TWO. SEVERABILITY.

If any section, sub-section, sentence, clause, phrase, part, or other portion of this measure, or application thereof, is held to be invalid or unconstitutional by a final judgment of a court of competent jurisdiction, such decision shall not affect the remaining portions or provisions of this measure. It is hereby declared by the people voting for this measure that this measure, and each section, sub-section, sentence, clause, phrase, part, or portion thereof would have been adopted or passed even if one or more sections, sub-sections, sentences, clauses, phrases, parts or portions, or the application thereof, are declared invalid or unconstitutional.

SECTION THREE. CONFLICTING BALLOT MEASURES.

This measure is inconsistent with and intended as an alternative to any other initiative or measure placed on the same ballot that addresses the same subject matter as this measure. In the event that this measure and another initiative or measure addressing the same subject matter as this measure, or any part thereof, is approved by a majority of voters as the same election, and this measure receives a greater number of affirmative votes than any other such initiative or measure, then this measure shall prevail and control in its entirety and said other initiative or measure shall be rendered void and without any legal effect.

SECTION FOUR. AMENDMENT BY THE PEOPLE.

This Ordinance Amendment shall only be repealed, amended or modified by a vote of the people. Nothing herein prevents the Board of Supervisors from placing before the electorate any amendments to this Ordinance including amendments at the request of a recognized bargaining group as part of an agreement reached during the labor relations bargaining process.

SECTION FIVE. LIBERAL CONSTRUCTION.

The provisions of this Ordinance shall be liberally construed to affect its purposes. The purpose of the Initiative is to control pension costs and allow County employees the same or similar benefits as are customary in the private sector.

SECTION SIX. VESTED RIGHTS.

This Ordinance shall not affect the vested rights of employees who enrolled under the Defined Benefit Plan administered by VCERA prior to the application of thisInitiative. Nothing herein shall limit or restrict the Board of Supervisors from "meeting and conferring" with recognized bargaining groups regarding the implementation of this measure as required by law. Nothing herein impairs any existing Memorandum of Understanding entered into by the County before the effective date of this Ordinance for the term of those agreements. After July 1, 2015, pre-existing MOUs shall not be extended or continued beyond their termination date without complying with this Ordinance.

SACRS MEMORANDUM

To: **SACRS Trustees & SACRS Administrators/CEO's**
From: **Rich White, SACRS Nominating Committee Chair**
SACRS Nominating Committee

Re: **SACRS Board of Director Elections – Reminder for upcoming 2014-2015 BOD Elections**

SACRS BOD 2014-2015 Election process begins in January 2014. Please review the following timeline:

DEADLINE	DESCRIPTION
Friday, February 1, 2014	Nominating Committee receives nominations from SACRS membership
Friday, March 1, 2014	Nominating Committee submits its recommended ballot to each 1937 Act Board
Monday, March 25, 2014	Nominating Committee receives nominations from any 1937 Act Board
Monday, April 1, 2014	Nominating Committee (NC) submits final ballot to each 1937 Act Board – ballot consists of NC's recommended ballot plus anybody else who is nominated but not recommended by the NC
Friday, May 16, 2014	Conduct elections during the SACRS Business Meeting (at end of the May 2014 conference)
Friday, May 16, 2014	Board of Directors take office for 1 year

Per **SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office**

> *"The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected."*

Per S**ACRS Bylaws, Article VI ~Section 4 - Officer Elections**

> *"…The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee's final ballot provided the Nominating Committee receives those write-in candidates prior to March 25th.*
>
> *The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.*
>
> *The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee…"*

The elections will be held at the SACRS Spring Conference May 13-16, 2014, at the Sacramento Sheraton Grand Hotel, Sacramento, California. Elections will be held during the Annual Business meeting on Friday, May 16th, 2014 at 10 a.m.

If you have any questions or require assistance, please contact SACRS at sulema@sacrs.org. Thank you for your prompt attention to this timely matter.

Sincerely,

Rich White

Richard White, Mendocino CERA
SACRS Nominating Committee Chair

CC: SACRS Board of Directors
SACRS Nominating Committee Members
Sulema H. Peterson, SACRS Administrator

THE PENSION BRIDGE ANNUAL

APRIL 22 & 23, 2014

FOUR SEASONS HOTEL, SAN FRANCISCO

The Pension Bridge Annual Conference provides the highest level of education and networking to the Institutional Investment Community. A mix of Public Funds, Corporate Funds, Foundations, Endowments, Taft-Hartleys, Consultants and Investment Managers will come together for this exclusive event.

We will limit the attendance in order to maintain **better than a 1:1 Ratio.** We will allow for only 100 Manager Firms to attend and there will be approximately 150 Pension Funds/Non-Discretionary Consultants joining us, creating an enjoyable atmosphere.

Learn from the experts about the most important Issues, Challenges, Trends, Opportunities and Strategies that will shape our Industry for today and the future:

- A Macro Economic View of the Economy
- Fed Tapering and its Impact on Equities and Bonds
- Best Approaches to handle the Upcoming Rise in Interest Rates
- Risk Parity and LDI Asset Allocation Models – which one will be Most Effective in Preserving Capital and Providing Steady Returns
- How a Dynamic Asset Allocation Model can Increase Returns while Managing Volatility and Risk
- Asset/Liability Evaluation
- The Changing Landscape of Fixed Income and the Shift into Next Generation Strategies
- Risk Allocation Approaches and De-Risking Strategies
- Understanding Proper Diversification to Prevent Portfolio Drawdowns
- Strategies that offer a Non-Correlation to Equities, Fixed Income, and Alternative Investments
- In-Depth Coverage of the Alternatives Space – Considerations for each Allocation and Strategy
- Best Practices for the way we Evaluate, Allocate and Invest
- A Glimpse of what our Industry will look like in the Future
- Strategies that will Outperform in the Next Few Years

We remain in a post-crisis environment and are going through an unprecedented era of a massive Fed experiment. In addition to the listed themes above, we will be covering many more challenging issues that are crucial to the investment decision making process during this uncertain economic time. We will learn from the best about how to adapt in our industry which is always evolving and transforming.

The Pension Bridge Annual has two goals in mind. First is to provide the **highest level of education** with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help **build relationships** between the pension plans, consultants and investment managers. We have provided the best possible networking atmosphere for this event and will cap it off with a fun and enjoyable networking outing. We will manage the attendance and once again provide the proper networking sessions required for connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have structured this conference in a manner that will be the most productive and beneficial for you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies and trends

Tuesday, April 22nd

7:10 AM – Breakfast

8:10 AM – Opening Remarks

8:15 AM – Keynote Speaker

8:45 AM – Keynote Speaker – Macro Economic View

- Fed's Role in the Stock Market and Bond Market
- Effects of Fed Tapering – Should we expect a Bernanke Hangover?
- Fed's Balance Sheet
- How is the Health of the US Consumer? – Savings Rate, Disposable Income, Debt, Homeowner Equity
- Unemployment – how bad are the Actual Figures? Has the Employment-Population Ratio Improved and is that a More Accurate Measurement?
- Housing Market Outlook
- Stock Market Outlook
- Earnings Growth – Not Supporting Stock Market Run?
- Bond Market Expectations – will we reach the Historical Norm for Rates and what might be the Consequence?
- Derivatives Risk from Rising Interest Rates
- Outlook for the Dollar – is the World's Reserve Currency Status in Jeopardy?
- Inflation from Fed Policies – when will the Excess Bank Reserves make its way to the Consumer side and Create Inflation?
- European Sovereign Debt Crisis
- Future Municipal Bond Defaults – Expectations and Implications
- Is there a Black Swan Event in the Future? What would be the most likely cause?

9:15 AM – Keynote Panel – Contrasting Risk Parity and LDI Asset Allocation Models – the Benefits of a Dynamic Program

The market downturn in 2008 showed the shortcomings of the total return model. Unwinding an unsustainable asset allocation policy can be costly under market duress with little flexibility to adjust portfolio positioning. A dynamic asset allocation approach allows pension plans to manage assets in a manner that balances the rewards of investment return opportunities with the inherent risks embedded in the liabilities. Taking equity and bond market valuations and past performance into consideration, we'll hear about which asset allocation model makes the most sense going forward.

(A) Risk Parity

- Risk Parity Explained
- Risk/Return in the Past Decade
- Why does Risk Parity Make Sense Now?
- Risk Parity – the Poster Child for Current Environment or will Bonds become Less Likely to Protect against Volatility in Equities?
- Will there be Drawdowns during a Rising Rates Environment or will it be Muted?
- How would a Risk Parity Portfolio have Performed in Past Rate Increase Periods?
- Risk Parity Flaws – Discussion of the following and a Solution for each:
    1. Leverage and more importantly, Leveraging the Inappropriate Assets
    2. Over-Reliance on Bonds while Ignoring Valuations
    3. Don't have the Ability to go Short and only a Positive Weight to Asset
    4. Many Portfolio Construction Approaches only consider Volatility Risk, Not Tail Risk or Drawdown Risk
    5. Leverage and Illiquidity Do Not Mix
- Is Tail Risk Parity the newest Trend? Explain the Concept of Measuring Expected Tail Loss rather than Volatility, Cheaper Hedges for Protection, Reducing Tail Risks while Retaining More Upside than Risk Parity

(B) Liability Driven Investment, (LDI)

- What is LDI and how is it Interpreted in the Market?
- Does LDI make sense right now considering Current and Future Market Conditions?
- Low Pension Funded Status and Low Interest Rates – what are Plans doing to address these hurdles?

- Reducing Funding Ratio Volatility
- Risk/Return – does embracing LDI mean giving up much needed Returns?
- Are Plan Liabilities the only appropriate Benchmark?
- Understanding the Components of Performance Monitoring and Evaluation
- Beyond the Ability to Earn Excess Returns, what should Investors look for in Selecting LDI Managers?
- Understanding Implementation Approaches, Strategies and Issues
- How to Implement LDI in a Pubic Fund Context – are the LDI Methods Applicable?
- Risk Transfer – Lump Sum Payments, Buyouts – what Trends are we seeing?
- How is LDI Compatible with the New Developments in Pension Risk Transfer?

(C) Dynamic Asset Allocation Strategy

- Model Return Assumptions and Managing Risk more Effectively – Reflecting Valuations and Economic Regimes, Changing Risk Premium and Correlations
- Explanation of the Intent – Preserve Funded Status Improvements, De-Risk, Take Advantage of Market Anomalies with Flexibility, Negate Tactical Decisions, Incorporate Plan-Specific Considerations via the Glide Path
- Changes in Allocation – are we attempting to Time the Market or is it Based on Predefined Rules?
- How does the Dynamic Asset Allocation Model Map out Changes to the Plan's Makeup based on the Funded Status and Current Interest Rate Levels?
- Opportunistic Component – Benefiting from any level of Market Volatility?
- Implementing Dynamic Asset Allocation – Establishing a series of Target Allocations or Glide Path
- Which types of Triggers do you Favor for Moving Down the Glide Path?
- How have some Public Plans faired with a Dynamic Allocation Approach?
- What Changes or Steps need to be considered in order to Achieve a more Dynamic Approach to Asset Allocation?

10:00 AM – Refreshment Break

10:30 AM – Risk Premium Investing

For the past several years, de-risking has been at the forefront of the minds of the institutional investors. In the past, equity risk or, more appropriately, how to minimize the equity risk in the institutional portfolios dominated the discussion among institutional investors. Today, it's fixed income risk that occupies investors' minds. Although there is no shortage of de-risking ideas, implementation of de-risking strategies has been uneven among institutional investors. Risk premia strategy provides a clear path to improving plan diversification.

- Overview of the Risk Profile of a typical Institutional Portfolio
- Risk Parity – a Portfolio Construction Methodology, Not an Investment Strategy
- Benefits and Short-Comings of Existing Asset Based Risk Parity Portfolios
- Risk Premia Strategy – Introduction and Implementation

11:00 AM – Risk Management and Adopting a Risk Culture

- How has the Financial Crisis changed the way Pension Plans Measure and Manage Risk?
- What kinds of Future Risk should US Pension Plans be most wary of?
- Understanding Current Asset Class Behavior Risk – Interest Rate and Inflation Shocks tend to Drive Equities and Bonds in the Same Direction
- Integration of Risk Management and Portfolio Modeling
- Techniques – what are the most effective Asset Allocation Strategies for dealing with Future Financial Challenges?
- Correlation and Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- What's the best Approach to Liquidity Risk as Applies to Meeting Future Cash Flow Obligations?
- The Importance of Monitoring Counterparty Risk being taken by Managers
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?
- How has the Role of Fiduciary Responsibility Changed in this new Era of Risk?
- What Considerations do Boards Need in order to Adopt a more Risk Cultural View? How can Fiduciaries Adapt and Safeguard against today's Challenges?
- How do you go about Educating a Board on Risk?
- How does a Plan's Size affect the Approach to Pension Risk Management?
- What will Risk Management Best Practice look like in the Future? – Risk Adjusted Returns?
- What Developments have we seen for Combining Several Risk Premiums as a part of Portfolio Diversification?

11:45 AM – Next Generation Fixed Income Strategies

With traditional fixed income at risk after a 30 year bull market, investors are expected to move an estimated $1 trillion out of bonds and shift the assets into next generation debt strategies over the next three to five years. The landscape of the Asset Class is in the early stages of a drastic transformation.

- Assessing the Current Environment: Fed Policy, Interest Rates, Spreads, U.S. Dollar, Foreign Investment in US Treasuries, Global Fixed Income Landscape and Default Rate Expectations
- Supply and Demand Imbalance in Long-Duration Fixed Income
- Need and Appetite for Alternative, Opportunistic, Absolute Return, Unconstrained, Active Approaches
- Understanding how to Select Alternative Managers – Multi-Sector, Multi-Region and Multi-Currency Skill Set
- Portfolio Construction – Need for Increased Disaggregation of Alpha Sources and the Dangers of Correlations that are Unseen
- Modern Risk Management – what Progress have we seen for Developing a Risk Premium Approach applied to Next Generation Fixed Income Portfolios? What Dynamic Approaches are Valid?
- Using Structured Products, Swaps and Derivatives to Create Alpha and Hedge Volatility
- Why Invest in Emerging Markets Local Fixed Income? Is Currency Risk Higher?
- Opportunities in Global and Emerging Market Debt – why is it Appealing?
- Making the case for Corporate Debt – Less Sensitivity to Rising Rate Environment
- Bank Loans – Attractive or Not a Good Hedge in Rising Rate Environment?
- Landscape for MBS Market with GSE Reform Considerations
- Inflation Protection – Risk/Reward for TIPS, Interest Rate and Inflation Swaps, Inflation Bonds and Overlays
- The $10 Billion Trade Finance Market – will this be the Future for Short Duration Credit because of Basel III?

12:30 PM – Lunch

Allocations to Protect Against a Rising Interest Rate Environment (outside of Fixed Income Strategies), **While Achieving Non-Correlation and Diversification**

Real Asset Strategies

Where or when is the inflation? While assets of the Federal Reserve have tripled over the past few years, there has been little or no loan growth during that time. The money has remained in the banks with no incentive to lend because the Fed has paid interest on bank reserves. As rates rise, it will cause the excess reserves to make its way to the consumer side of the monetary base as banks will seek out the higher interest they will get paid. This will create the inflation many have been expecting, barring an unlikely flawless Fed exit strategy of tapering and draining reserves.

With many pension plans increasing their allocations to Real Asset Strategies, demand is expected to remain strong as they search for higher income potential, lower correlations and inflation protection.

1:40 PM – Commodities

- Current Market Environment and Outlook – why is now the Time to Increase your Allocation?
- View on Sub-Sectors or Pockets of Value
- Long Term Global Supply, Demand, Pricing, Fed Policy and China as Factors
- Diversification and Low Historical Correlation to Equities - will Inflation bring back Lower Correlation?
- Commodities as an Inflation Hedge
- Performance during Previous Down Equity Markets
- Understanding the Different Approaches to Investing in Commodities – Equities, Indexes, Futures, Real Assets
- Trend of Real Assets in Favor of Indexes – What are the Benefits?
- Argument that Natural Resource Stocks are a bad way to get Commodities Exposure – Less Correlation to Inflation than Commodities, Higher Correlation to Equities, Different Return Pattern to the Commodity, Higher Volatility, Lower Diversification Benefit
- Investing in Long/Short vs. Long Only
- Active vs. Passive
- What are the Key Criteria that would lead to Manager Outperformance?
- Risk Factors
- How concerned should we be with the Regulatory Environment – Effect on Pension Plans?

2:10 PM – Natural Resources - Agriculture/Farmland

- Attributes – Natural Inflation Hedge, Low Correlation, Diversification, Income Generation
- Positive Global Macro Trends – Population Growth, Emerging Markets, Increase in Pricing, Supply/Demand
- Federal Crop Insurance to Safeguard against Droughts

- Return Expectations – making sense in a Low Return Environment
- Various Ways to Invest in Global Agriculture
- Benefits of Active Management
- Long Term Performance – Low Risk, High Return
- What are the Key Criteria that would lead to Manager Outperformance?

2:25 PM – Energy

- Inflation Hedge, Diversification and Low Correlation Characteristics
- Projections of Global Energy Supply/Demand and Consumption
- China and Emerging Market Consumption Projections
- Oil and Gas Pricing Trends – Are Investments likely to produce Returns Independent of Prices?
- Access – Public, (Stocks and MLPs), Indexes, Futures, Private, (Direct, Funds, Fund of Funds)
- What are the Advantages of Investing in Private Energy?
- Market Underserved by Private Equity Capital?
- Recent and Long-Term Performance
- Upstream, Midstream and Downstream
- Equipment and Services Sector Growth Demands
- Rapid Growth of Oil and Gas Production
- The Shale Oil and Gas Revolution and what it means for the U.S.

2:40 PM – Infrastructure

- Deal Flow Activity and Fundraising Environment
- Objective in Portfolio – Diversification, Inflation Protection, etc.
- Infrastructure Demand and Size of the Market – where are they projected to be for the Future?
- Infrastructure Spending/Funding Gap – Explanation of the Shortfall and how it Translates into Increased Opportunities for Pension Plans
- What is a Suitable Benchmark?
- In which Sectors will investors find the best Opportunities and Returns?
- Energy Infrastructure – Big Opportunity Set or Too Much Capital rushing into the Sector?
- Trend of Infrastructure Debt, (Non-Bank) – How Attractive is it?
- Implementation Approaches – Primary Partnerships, Direct, Co-Investment, Fund of Funds, Publicly Listed – MLP's, Separate Accounts. What are the Advantages and Limitations of each?
- What are the Key Elements for a Good Infrastructure Investment?
- What should you look for when Selecting an Infrastructure Manager?
- Mature vs. Emerging Markets, U.S. vs. Europe
- How has Performance been and what are the Return Expectations from Plan Sponsors?
- Valuations of Infrastructure Assets over the past few years in a Low Interest Rate Environment and Implications for Valuations when Interest Rates Rise
- Risk/Return Profiling – which Infrastructure Assets are classified as High Risk and Low Risk?
- What are the Largest Challenges/Risks associated with Infrastructure Investing?

3:10 PM – Currency and Currency Alpha

Central banks stimulus policy around the world has crushed currency volatility. As developed economies begin to depart from global central bank easing, higher rates will cause currency volatility to recover. Unlike other asset classes, volatility is considered a positive for currency which supports increased opportunity and performance, especially for active management.

- Explanation of why Central Bank Efforts and Low Rates Created a Challenging Environment with Diminished Returns – why it will Improve
- Relationship of Volatility and Currency Returns – Extended Volatility Period Ahead?
- Goals of a Currency Program
- How does Investing in Currency Diversify and Reduce Risk? Natural Diversifier for the Duration Risk in Bonds?
- Non-Correlated Returns to Equities, Fixed Income, and other Alternative Investments
- Liquid and Transparent Market
- Active Management to Benefit in the Coming Years?
- What is Currency Alpha and how is it done?
- Can Currencies be Forecasted via Fundamentals, Cycles and Trends?
- Importance of Currency Hedging to Reduce Portfolio Volatility and Risk
- Managing Currency Risk Factors

3:40 PM – Refreshment Break

Additional Strategies to Achieve Non-Correlation and Diversification

We now understand that diversification models were flawed during the last market downturn. With the S&P rising as high as 155% since the 2009 lows, it's been widely agreed upon that Fed stimulus has played a large role in the rally. With slow economic growth and Fed tapering on the horizon, the importance of finding investments with a non-correlation to Equities, Alternatives and Fixed Income has become even more crucial for portfolio protection.

4:10 PM – Tail Risk Hedging

- Understanding Tail Risk Frequency, Severity and Impact
- Globalization of Capital Markets Leading to a Connected Marketplace
- Importance of Understanding where in the Market your Existential Tail Risks come from and how big they could be – Analysis of your Liquidity and Leverage
- Limits of Diversification and Beta Hedging
- What types of Strategies and Approaches are used to Hedge?
- Derivatives Overlay Hedges – Dedicated and Customized
- Option Overlay Strategy – Cash Flow Generation in Down Markets but can you Maintain Upside Exposure in Rising Markets?
- Active Management
- Pension Plans developing a Contingency Plan – What are the Best Practices to Navigate through Stressful Periods?
- Is this a good time to Mitigate Equity Tail Risk?
- Is Raising Cash a proper Tail-Risk Strategy?
- Disadvantages – Cost, Implementation, Risks, etc.

4:40 PM – Managed Futures

- Global Macro's place in the Hedge Fund Industry – what are the key Differences from other Hedge Fund Strategies?
- Diversification and Non-Correlation to Equities and Hedge Fund Strategies
- Performance during Periods of Stress or Crisis Events
- Decreasing Depth of Portfolio Drawdowns and Volatility
- Qualitative Traits – Liquid, Transparent and Regulated
- Increasing your Exposure to Global Markets and Non-Financial Sectors
- Do Managed Futures provide an Inflation Hedge?
- How to Implement an Allocation to Managed Futures
- How do you Manage Risk and Volatility?
- Historical Performance of Managed Futures
- CTA Recent Underperformance – why and what are the Expectations Going Forward?

5:10 PM – Mezzanine Debt

- How will the Debt Maturity Wall and Dry Powder Affect Mezzanine?
- Significant Demand for Mezzanine and how the Credit Crisis changed the Providers of Capital
- Banks – where are they as Lenders, Underwriters and Providers of Leverage due to Regulation from Dodd Frank? Is this a Secular Trend and what does it mean for Mezz?
- How much Activity are you seeing for Mezz Loans now? Expectations for the Future?
- Mezz Stability, Non-Correlation and Performance During Economically Challenged Times – Peak to Trough Draw-down compared to PE Sub-Sectors and other Asset Classes
- How are Deals being Structured and Priced?
- What does the Cash Flow Model and Return Structure look like?
- Obstacles, Competition, Liquidity, Pricing and Returns Expectations
- Middle Market Advantages – Funding Gap, Fewer Providers, etc.

5:25 PM – Trade Finance

The estimated $10 trillion market supports more than 80% of global trade. Due to Basel III bank reserve capital requirements to cover their loans, we're seeing the development of alternative sources of non-bank credit. Trade Finance is set to catch on big with institutional investors.

- The Effects of Basel III Regulations and how it will cause Trade Finance Demand to Emerge
- Is this the Future for Short Duration Credit?

- How does it Fit in the Fixed Income or Credit Bucket?
- Attractive Characteristics of Trade Finance – Diversification, Non-Correlation, Low Volatility, Low Duration, Lower Risk, Collateralized
- Trade Finance Risk – Not Market Risk but Contract Risk making Execution/Operational Capabilities more Important
- What is the Length of Short Term and Long Term Investments?
- What are some Case Studies or Examples of Trade Finance Investments?
- Any Regulatory Concerns or Actions from the Basel Committee on Banking Supervision that might soften the blow to Trade Finance and change the Demand?

5:40 PM – Structured Investments in Healthcare Companies and Products

- Examining Trends in the Healthcare/Pharma Industry and the Role of Royalty Contracts
- How Large is the Opportunity? Why the Increased Popularity?
- Investment Characteristics – Liquidity/Cash Flow Strategy, Non-Correlation and Diversification from Private Equity Portfolio
- Cash Flows from Investments in Royalty Contracts
- Royalty Investing Structures – Passive/Traditional Royalties, Royalty Bonds, Synthetic Royalties, Structured Debt Collateralized by Royalties or Drug Revenues
- What Asset Class/Bucket should it be in?

5:55 PM – Lifetime Achievement Award – Presented to Ron Peyton, Chairman & CEO of Callan Associates

Mr. Peyton joined Callan Associates in 1974. His stability, experience and unwavering commitment to our industry is recognized by The Pension Bridge. Mr. Peyton is a leader and pioneer in our industry. His dedication to research and education is evident with the development of "Callan Investments Institute" in 1980 and "Callan College" in 1993. His many accomplishments have helped our industry evolve during his 40 years of service.

6:00 PM – Cocktail Reception

7:15 PM – Cocktail Reception Concludes

Wednesday, April 23rd

7:15 AM – Breakfast

8:15 AM – Keynote Speaker

8:45 AM – Emerging Markets

- Long Term Global Outlook – Weaker Growth Expectations?
- What are the Demographics driving Growth in Emerging Markets?
- What Major Developments have we seen in the Past Year?
- Will Concerns about an End to Monetary Easing in Developed Economies Weigh on Capital Inflows?
- What would be the Effects on Emerging Markets if we see a Recession in Developed Markets?
- BRIC Counties – GDP, Growth, Debt and Reserves in comparison to Developed Markets
- Breaking down BRIC Prospects – which Countries offer the best Opportunities and Returns?
- China's Slowing Growth – is a Hard Landing possible or will China avoid it with more Rate Cuts and Monetary Stimulus?
- Public vs. Private Emerging Markets – Benefits and Drawbacks of each
- Frontier Markets – Investing for Diversification and Lower Correlation to Developed Markets
- Which Markets in Frontier Countries can you profit from Growing Local Consumption?
- MENA Outlook – Pros and Cons
- How has the Asset Class Evolved?
- What is an appropriate Long-Term Allocation to Emerging Markets?
- Do you consider Emerging Markets to be an Inefficient Asset Class?
- Choosing an Emerging Markets Fund or Manager – should you be Investing by Region, Country or Sector?
- Which Rapidly Growing Sectors within Emerging Markets offer the Best Opportunity?
- The Case for Emerging Markets Corporate Debt
- Active vs. Passive Debate
- How do Valuations look Relative to Risk? Are Risk and Return in Balance?
- How should Inflation and Currency Risk be factored in?
- Given the Current Environment, will Emerging Markets Outperform Developed Markets?

9:25 AM – Hedge Funds

(A) Current and Future State of the Hedge Fund Industry

- How large is the Industry now? How many Good Hedge Funds are there?
- Pension Inflows – are they still going to the Largest Hedge Funds? Are there Capacity Constraints with the most Desirable Hedge Funds?
- What have you seen regarding Small Hedge Fund Performance vs. Large Hedge Fund Performance?
- How to go about debunking the Misconception that Hedge Funds are Risky
- What does the Future hold for Fund of Funds? How is the Industry Changing and how should you Adapt?
- Transparency and Risk Aggregation Data – are they valuable and accurate?
- Explain the Benefits of Open Protocol Enabling Risk Aggregation (OPERA), Standards
- Valuation Procedures and Controls
- Fees – what sort of Trends are you seeing? Do Investors have the ability to Renegotiate?
- How do you assess the Tradeoff between Lower Fees and Longer Lock-ups?
- Returns of Liquid Strategies Lagging Private Partnership Versions of the Same Approach – why and will this continue?
- Importance of Operations Due Diligence. Any recent Developments? How often should Operations be Reviewed?
- How do you Explain Recent Industry Underperformance?

(B) Hedge Fund Portfolio Construction, Selection and Strategies

- Considerations for Selecting the right Hedge Fund or Fund of Funds – Due Diligence and Manager Selection. What are the Key Traits you should be looking for?
- Deciding Between Fund of Funds vs. Direct – Key Considerations
- What sort of innovative Changes have Fund of Funds adopted to stay relevant to their Pension Clients?

- Specialization – the Future Norm?
- Long-Short Hedge Funds – should they be in the Domestic Equity Allocation to Reduce Exposure?
- Which Strategies offer more Transparency and Liquidity?
- Should you ask for a Separate Account?
- Is the Trend towards Managed Accounts the Future? Understanding the Benefits of Increased Transparency and Control, more Liberal Liquidity Terms for Redemption/Termination, Outsourcing Operational Oversight/Support
- Does Portfolio Construction change based on the Size of the Portfolio?
- How many Hedge Fund Strategies do you need?
- Can Hedge Fund Strategies be Tactically Managed?
- Do you find Opportunities within the Global Macro Space attractive and if so, why?
- Hedge Fund Replication – will this Strategy catch on? How do the Fees and Returns Compare?
- If there was a Hedge Fund Strategy you would Invest in over the next Decade, which one would it be and why?

10:15 AM – Refreshment Break

10:45 AM – Distressed Debt

- Where are we in the Distressed Cycle? How much of the Opportunity remains?
- How have Financing Markets Activity affected the Opportunity Set and what is the Outlook? Maturity Wall?
- Which Sectors, Strategies and Geographies will create the Best Opportunities?
- Scope of the Distressed Market and Segments – Corporate Credit, Structured Credit, Commercial Real Estate, Hard Assets, Liquidations, Segmentation by Deal Size, etc.
- Eurozone Opportunities – what Investments are sensible and when will they Arrive in Scale? Still Too Early? Which Countries, Sectors, Types of Deals should be looked at?
- U.S. Distressed Opportunity vs. the European Opportunity – what do we need to know before making Allocation Decisions?
- Do you see Opportunities in Asia?
- Control vs. Non-Control – which do you see as the Best Strategy?
- How does a Pension Plan go about choosing the right Distressed Strategy, Investment Style and Approach?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?
- Importance of Patience and staying Defensive
- Effects of Basel III, Dodd-Frank and Volker Rule on the Opportunity Set?
- What are the Implications and Risks associated with Investing in Distressed now? Pitfalls of the Economy?
- What Returns can Investors expect over the next Five Years?

11:20 AM – Credit Strategies

- Current State of the Credit Market
- Where are we in the Credit Cycle and how will it play out?
- Would you say that Bargain Buys have been Tough to Find and Firms have been for the most part Sitting on Cash over the past few years?
- Any Lessons Learned from 2008 that we can apply to Today's Environment?
- Debt coming Due in from Amend-and-Extend – how should Investors be Positioned?
- Default Rates and Expectations
- How is the Credit Quality of New Issuance?
- Where are we in the High Yield Market? What's the Upside and Downside from here?
- CLO Market Outlook and Reinvestment Challenge
- Dodd-Frank Risk Retention Requirement to Dramatically Shrink CLO Market by up to 75%? What are the Far-Reaching Effects?
- State of Securitized Markets
- Trade Finance – will this be the Future for Short Duration Credit because of Basel III?
- European Sovereign Debt Crisis and the Opportunity Set
- How do you Manage a Credit Program in a Volatile Market?
- How can Pension Plans take advantage of the available Opportunities and Profit from it?
- How should Pension Plans go about Analyzing and Selecting from the various Credit Funds and Direct Lending Strategies?
- Considerations for Selecting a Manager
- What are the Trade-offs between Mid-Market and Large Market Credit Investing?

- Are Credit Investment Mandates Too Narrow? Should it be Defined as Opportunistic Credit?
- How has the Competition (Fixed Income, Private Equity, Hedge Funds, etc.), altered the Market?
- What Subsectors of Credit are Most Attractive? What are your Best Ideas for Finding Value?

11:55 AM – Emerging Managers

- How are Plans defining Emerging Managers?
- What are the Benefits and Opportunities offered by Investing in Next Generation Managers?
- Exploiting Market Inefficiencies by utilizing Emerging Managers
- What are the Growth Prospects?
- Strategies for Implementing an Emerging Managers Program – how is Establishing this type of Program different from others?
- Due Diligence and Key Points of Analysis for Selecting Emerging Managers
- Comparing the Attributes of Prospective Emerging Managers
- Explain Diversity and how you Achieve it
- New Firms Fundraising – how important is it to be spun out from Traditional or Name-Brand Firms? Key Differentiators that enable a Successful Fund Raising?
- Research Statistics and Results on Emerging Managers
- Risk/Return Prospects of Emerging Manager Programs vs. Programs focused on Established Managers?
- What are the Perceived Risks of Emerging Managers? Are they Inappropriate?
- How do you Evaluate Performance and Measure Success?
- What is happening with Funds that have Reached Critical Mass?
- What is an important Lesson Learned from your Experiences?

12:30 PM – Lunch

1:35 PM – ESG, (Environmental, Social and Governance)

- Why should we consider ESG Issues and is there a Fiduciary Duty to address them?
- What are the Recent Market Developments for the U.S. and Abroad?
- Climate Change and Investment – what's the Relationship and how do you Integrate Climate Risks into your Process?
- Importance of Hiring an In-House ESG Specialist or Outside ESG Consultant
- How ESG should be best Incorporated into the Investment Process – Portfolio Integration into all Asset Classes
- ESG Fund Performance vs. Traditional Funds
- Do we have Proof that ESG Integration Adds Value?
- How has ESG Research and Data Evolved or Improved? How is it Incorporated into your Portfolio Construction Process?
- What should Pension Funds be asking their Existing Active Managers in terms of whether they are looking at Climate Risk or Opportunity?
- Relevant Benchmarks for ESG Risk Measurement and Assessing ESG Factors
- What are some ESG Misconceptions?

2:05 PM – Real Estate

(A) Current State of the Real Estate Market Understanding Tail Risk Frequency, Severity and Impact

- Real Estate Cycle – where are we?
- Current Conditions
- Commercial Real Estate Challenges and Debt Maturities coming due
- What would be the Impact of Rising Rates on your Real Estate Portfolio? What are the Short-Term and Long-Term Implications?
- Commercial Pricing – Fully Priced and Not Pricing in Risk or Disruption?
- Residential Real Estate Challenges
- Loan Extensions/Refinancing

(B) Profiting from Distressed Real Estate

- Loan Maturities and Future Opportunities
- Are Lenders still Holding Nonperforming Assets or have they Yet to Unload?

- Role of the Fed and Government – what is their Effect on the Market?
- Tactical Strategy of Investing in Single-Family Homes and Institutionalizing the Sector – Thoughts on this Trend?
- What sort of Debt Investments are you looking at?
- Importance of Occupancy
- Cap Rates and Vacancy Rates
- Buying Distressed Residential Mortgage Pools
- Strategies for Selecting Investments
- Case Studies
- Drawbacks in this Environment

(C) Strategies in Real Estate

- What Strategies do you see as the Biggest Risks and the Biggest Rewards/Relative Value for the Future?
- Is Core likely to get your Expected Returns right now?
- Role of Leverage
- Larger vs. Smaller Fund Size – which ones will Outperform going forward?
- Choosing a Manager – Stand Alone vs. Captive
- Joint Ventures with REITs – will we see more Pension Plans re-enter the market by teaming up with Commercial REITs? Why are these Joint Ventures being done?
- Entry Issues with Open-End Funds and Concentration into Fewer Funds?
- Growth of Direct Real Estate for Defined Contribution
- Asia and Europe Real Estate Outlook – Opportunities, Investment Trends and Capital Flows
- Real Estate Secondary Market – Transaction Volume

2:50 PM – Refreshment Break

3:15 PM – Secondaries

- Reasons why are Pension Plans turning to the Secondary Market – what has been the recent Seller Motivation?
- LPs Using Secondary Market to Break up Zombie Funds
- What are the Expectations for the Future – Supply/Demand, who will be the Sellers and where are Valuations headed?
- What is the Current Deal Flow Environment and Volume of Secondary Activity?
- Why are Sellers Waiting?
- Current Pricing – Pressures/Opportunities. Relationship to Public Market Performance
- Impact of Volcker Rule and Basel III – what does this mean for Deal Activity?
- What Recent Developments have we seen in Secondary Technologies?
- Return of Staple Transactions – is it Different this Time? What have we Learned?
- What should LPs look for to Identify Differentiation?
- What will Increased Specialization look like going forward?
- What are the Risk/Return Characteristics of Secondaries vs. Private Equity in general?

3:45 PM – Private Equity

- Difficulty in Fundraising – What are the Key Characteristics of those who are successfully able to Raise a Fund?
- Will Sovereign Wealth Funds and the DC Plan Shift into Private Equity help for Future Fundraising? What will be the Impact?
- Fund of Funds Consolidation – how will the space Evolve during future Company Closures/Mergers? Specialization? What are the Points of Distinction?
- Trend of Committing More Capital to Fewer Managers
- Survival of the Fittest – how extreme will the GP Shakeout be? Impact from Zombie Funds?
- Who will Benefit most from the Volcker Rule?
- Trend of Big LPs committing to Customized GP Relationships with Separate Accounts – how will it affect the Industry?
- Trend of Co-Investments – Approach and Criteria. Do's and Don'ts of Co-Investing
- What are your Expectations for Deal Flow Volume? Effects of the PE Overhang?
- Financing Deals – is Credit Cheap or Expensive relative to the Risks? Might Credit Tighten for an Extended Period?
- What are your Expectations for Buyout Exits and Distributions? Will the Average Hold Period Remain Long and what are the Implications?
- Do you see Opportunities in Europe?
- Venture IPO and M&A Exit Pipeline Outlook. Thoughts on Lack of Performance over past Decade?

Outperformance of Smaller Venture Funds?
- Can you Time Venture Investment based on Equity Peaks and Troughs? Any Relation?
- What Trends have you seen for Fees and Terms?
- Alignment in the LP/GP Relationship – what have we seen as a result of ILPA?
- Liquidity Concerns – which Strategies offer Shorter Time Horizons, Cash Yield and Greater Liquidity?
- Where do you expect that we'll see the Best Returns over the next Five Years? Favorite Sector?

4:30 PM – CIO Roundtable

(A) Fiscal Health and Asset/Liability Evaluation
- What is your Current Funded Status and has it changed your Long Term Decisions with Liquid or Illiquid Investments?
- Is your Fund adequately Protected for Liquidity and Cash Flow Requirements whether it is for Benefits and/or other Commitments?
- Has your Fund taken adequate Risk Measures and Diversified via Non-Correlation Strategies to guard against a Large or Prolonged Decline in Equities? Is your Fund Better Positioned to withstand Major Market Volatility than it was in 2008?
- Has your Fund done any Stress-Testing under Extreme Economic Scenarios?
- What sort of De-Risking Strategies or Risk Management Approaches has your Fund Integrated into the Investment Decision Process?
- Do you employ or have you considered Utilizing any Risk Parity Strategies in the Future?
- What Strategies do you incorporate for a Dynamic or Opportunistic Approach?
- Do you believe Plans in general will be able to meet or beat the Assumed Rate of Return over the next 10 Years?
- Defending DB Plans – What are the basic elements of a reasonable Plan to Save DBs? What bothers you most about the efforts to "fix" them?

(B) Allocation and Considerations for the Future
- What are your Biggest Concerns about the Tapering or End of Global Central Banks Stimulus Policies? Have you taken any steps as a result?
- Are you worried about the Long Term Aftermath of a "Bond Bubble" and have you positioned your Fund accordingly?
- What Strategies does your Fund utilize that will Protect against Rising Interest Rates?
- What Strategies does your Fund utilize that will Protect or Hedge against Future Inflation?
- What do you feel is the proper Emerging Markets Allocation and are there any Regional or Frontier Strategies that interest you?
- What Trends have you seen towards more Liquid Investments and has your Fund deployed Assets into these types of Investments?
- Which Strategies do you expect to Outperform in the next 3-5 Years?

(C) Alignment of Interests
- What Changes or Trends have you noticed in Fee Structures/Terms and your Bargaining Power?
- What Tactics work best for you when attempting to Negotiate Private Placement Agreements?
- What are your Concerns about Operational Due Diligence and what can you do about this Issue?
- What Support would help you to do a better job of Addressing and Solving Investment Problems? What Discretion and Authority do you have with those Problems?
- Any Progress in granting you and your Investment Departments more Latitude in Tactically Managing your Portfolios in response to Extreme Economic Conditions?
- How do you keep your Trustees Educated so they can make more Timely and Effective Decisions? Any Programs?
- Any important Lessons Learned that you can share from your Individual Plan Experiences?

5:35 PM – Conference Concludes

6:30 PM – Bus Leaves for Pier 40

7:00 PM – Bay Cruise Networking Event

Network with our group while cruising the San Francisco Bay. Enjoy stunning skyline views of Fisherman's Wharf, the Golden Gate Bridge, the Bay Bridge, McCovey Cove, Alcatraz, Angel Island, Treasure Island and more. Join us for a cocktail reception, dinner, four decks of luxury and an excellent atmosphere to connect with your industry peers!

9:45 PM – Bay Cruise Docks at Pier 40

Supporting Partner of The Pension Bridge Annual

CAIA ASSOCIATION®

REGISTRATION:

To register or receive more information on The 2014 Pension Bridge Annual:

Florida Office Contact:

Brett Semel
(561) 455-2729
bsemel@pensionbridge.com

New York Office Contact:

Andrew Blake
(516) 818-7989
ablake@pensionbridge.com

Please visit www.pensionbridge.com for additional details. Registration is not available online.

About The Pension Bridge: We are an innovative company offering educational conferences of the highest quality. Our objective is to provide an education to the institutional investment community while providing an impressive speaker faculty in a setting that is conducive to great networking. We help institutional money managers connect with Pension Funds and Consultants across the country in a fun, enjoyable atmosphere. Our events can act as a stepping stone to a successful financial relationship or simply help build the investment education.

Our management team's unique skills, operating experience, and industry relationships help to make our events the main attraction in the industry. We pride ourselves on being there to cater to our clients' wants and needs. Our ratio of plan sponsor to investment manager allows our events to be the most desirable and accommodating in the conference industry. The Pension Bridge is known for its strength, stability, relationships and operational excellence.

The Pension Bridge ▪ 1015 Bel Air Drive, Building 1 ▪ Highland Beach, FL 33487 ▪ (561) 455-2729
www.pensionbridge.com

Walter Scott
Global Investment Management

Walter Scott's lecture series travels to the US for the first time. We hope you can join us at one of the upcoming talks:

New York
Wednesday 19 March

Chicago
Wednesday 30 April

San Francisco
Wednesday 28 May

In Spring 2014 Walter Scott will host its inaugural lunchtime lecture series bringing together the firm's management, members of the investment team and guest speakers.

Through this series of lectures we hope to place Walter Scott's investment approach in the context of today's markets. Just as importantly, we will seek to look beyond today's market mood and consider the long-term trends and dynamics at play within portfolios, not simply over the next quarter or two, but over years to come.

Further details will follow in late January

No pictures? View this email online

Walter Scott
Global Investment Management

Dear client,

Almost a year ago, we informed you that Ian Clark was stepping down from his active role as a Director of the firm.

While we are pleased to report an improvement in his health, Ian's employment with the firm ended formally on 31 December 2013. While Ian has not maintained an active hand in the firm's investments or training of late, we have continued our dialogue with him on a regular basis.

Ian has clearly played an invaluable role in the founding of the business alongside Walter three decades ago and the subsequent hiring and training of the generation that have long since taken the helm.

As such Ian will remain a close friend and highly respected founder in perpetuity.

Kind regards

Jane Henderson
Managing Director

Walter Scott & Partners Limited
One Charlotte Square Edinburgh UK EH2 4DR
T +44 131 225 1357
F +44 131 225 7997

For all replies, please email clientservice@walterscott.com