Notice of Public Meeting

SamCERA

The Board of Retirement

of the San Mateo County Employees' Retirement Association
will meet in

SamCERA's Board Room, 100 Marine Parkway, Suite 125, Redwood Shores

Tuesday, July 26, 2011, at 1:00 p.m.

PUBLIC SESSION – The Board will meet in Public Session at 1 p.m.

1. Call to Order, Roll Call and Miscellaneous Business
   - 1.1 Report from Ad Hoc Nominating Committee and Election of 2011-2012 Board Officers
   - 1.2 Appointment of Committees
2. Oral Communications
   - 2.1 Oral Communications From the Board
   - 2.2 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda
   (Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)
   - Disability Retirements
     - Neal Ferguson
     - Dawn Alfonso
     - Loida Rodriguez
   - Service Retirements
   - Continuances
   - Deferred Retirements
   - Member Account Refunds
   - Member Account Rollovers
   - Trustee Conference Approval
5. Benefit & Actuarial Services
   - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
   - 5.2 Milliman's Triennial Investigation of Experience Report
   - 5.3 Actuarial Auditor's Findings Regarding the Investigation of Experience Report
   - 5.4 Adoption of Milliman's Investigation of Experience Report Recommendations
   - 5.5 Approval of Questions for the Annual Review of *SamCERA's* Actuarial Firm – Milliman Inc.
   - 5.6 Adopt Resolution Ratifying Plan 3 Early Retirement Adjustment Factors
6. Investment Services (The Investment Committee will meet on July 26th at 10 a.m.)
   - 6.1 Monthly Portfolio Performance Report
   - 6.2 Approval of Resolution Ratifying Private Equity Investment
   - 6.3 Annual Review of *SamCERA's* Private Equity Implementation
   - 6.4 Approve Request For Information for an International Small Cap Equity Manager Search and Identify Semi-Finalists
   - 6.5 Approve Request For Information for an Emerging Markets Equity Manager Search and Identify Semi-Finalists
   - 6.6 Annual Review of *SamCERA's* Domestic and International Equity Value Portfolios (Summary Report Only)
     - 6.6 a Barrow Hanley – *SamCERA's* Domestic Large Cap Value Manager
     - 6.6 b Mondrian Investment Partners – *SamCERA's* International Value Manager
     - 6.6 c The Boston Company – *SamCERA's* Domestic Small Cap Value Manager
   - 6.7 Semi-Annual Report on the Strategic Investment Solutions' Capital Market & Inflation Outlook
   - 6.8 Approval of a Trust Agreement with State Street Global Advisors for a Commodities Mandate
7. Board & Management Support Services
   - 7.1 Monthly Financial Report
   - 7.2 Quarterly Budget Report for Period Ended June 30, 2011
   - 7.3 Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong
   - 7.4 Amendment of Board Resolution Authorizing *SamCERA's* Corporate Credit Cards Through American Express Corporate Services to Add the Benefits Manager

[Continued on page 2 – Printed 07/20/11]

***Matters Set for a Time Certain:** *Times listed are approximate. In no case will any item be heard before it is scheduled.*

SamCERA

8. Management Reports
   8.1 Chief Executive Officer's Report
   8.2 Assistant Executive Officer's Report
   8.3 Chief Investment Officer's Report
   8.4 Chief Legal Counsel's Report

CLOSED SESSION – The board may meet in closed session prior to adjournment

C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session

9. Report on Actions Taken in Closed Session

10. Adjournment in memory of the following deceased members:

Oskea, Kathleen	June 5, 2011	Probation
Estes, Jack	June 8, 2011	Assessor
Sherman, Marcia	June 8, 2011	Beneficiary of Sherman, Fred
Swinehart, Mary	June 8, 2011	Beneficiary of Swinehart, William
Vanderford, Mary	June 11, 2011	Library
Larson, Larry	June 12, 2011	Sheriff's Office
Malerstein, Abraham	June 12, 2011	Mental Health
Gretter, William	June 15, 2011	Beneficiary of Gretter, Rita

David Bailey, Chief Executive Officer

Printed: 7/20/11

Be advised that the committees of the Board of Retirement are forums in which consensus may emerge. If you have an interest in a matter before a committee, you are advised to attend the committee meeting. Committee meeting times are noted on the board agenda.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact *SamCERA* at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable *SamCERA* to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 125,
WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.
Detailed directions are available on the "Contact Us" page of the website www.samcera.org
Free Parking is available in all lots in the vicinity of the building.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 1.1

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Report from Ad Hoc Nominating Committee and Election of 2011-2012 Board Officers

Issue

Annual election of board chair, board vice chair and board secretary.

Background

Pursuant to the Regulations of the Board of Retirement, an election of board officers is to be held at the first meeting of each fiscal year. The board regulations regarding the election of officers are reprinted on the following page.

At the May 24, 2011, meeting, Board Chair Al David appointed the following committee:

Ad Hoc Nominating Committee for Board Officers
Chair, Paul Hackleman,
Ben Bowler,
Sandie Arnott,
Natalie Kwan Lloyd.

At the July 26, 2011, meeting, the committee chair will report on the recommendations of the committee and place in nomination the names of the trustees the committee recommends for the three board officer positions.

Staff Recommendation

Staff recommends that under this agenda item the board chair:

- Ask for a report from the chair of the ad hoc committee and a motion and a second to place its slate of candidates in nomination,
- Open the floor to additional nominations,
- Conduct a vote for the officer positions.

EXCERPT FROM THE
REGULATIONS OF THE BOARD OF RETIREMENT

1.1. Election Of Chair: At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, shall appoint all committees and shall perform all duties incidental to that office.

1.2. Election Of Vice Chair: At the first regular meeting in July, the Board of Retirement shall elect one of its members vice chair for a term of one year or until his or her successor is duly elected and qualified. In the Chair's absence or inability to act, the Vice Chair shall take the place and perform the duties of that office.

1.3. Election Of Secretary: At the first regular meeting in July, the Board of Retirement shall elect one of its members secretary for a term of one year or until his or her successor is duly elected and qualified. The Secretary shall attest to Resolutions and other such documents for the Board. In the Chair's and Vice Chair's absence or inability to act, the Secretary shall take the place and perform the duties of the Chair.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 1.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Appointment of Committees

Issue

The board chair normally makes committee appointments at the July meeting.

Background

The board chair is authorized to appoint the committees of the board pursuant to Article 1.1 of the Regulations of the Board of Retirement.

> 1.1 **Election of Chair**: At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, **shall appoint all committees** [emphasis added] and shall perform all duties incidental to that office.

Standing committees of the board have been the Investment Committee and the Audit Committee.

Staff Recommendation

Staff recommends the newly elected chair appoint members to the Investment and Audit committees as the chair deems appropriate.

June 21, 2011 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 8 a.m.

1. Call to Order and Roll Call
2. Oral Communications
   - 2.1 Oral Communications From the Board
   - 2.2 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda
   (Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)
   - Disability Retirements
     - Rose Kao *(Per Board of Retirement Resolution 5.2 Active Death)*
   - Service Retirements
     - Edward Lusnich *(Per Board of Retirement Resolution 5.2 Active Death)*
   - Continuances
   - Deferred Retirements
   - Member Account Refunds
   - Member Account Rollovers
5. Benefit & Actuarial Services
   - 5.1 Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda
6. Investment Services
   - 6.1 Monthly Portfolio Performance Report
   - 6.2 Interview Finalist for Commodities Mandate
     - 6.2 a Cargill Risk Management – ProAlpha Index
     - 6.2.b Gresham Investment Management – Tangible Asset Program
     - 6.2.c Invesco - Balanced-Risk Commodities
     - 6.2 d State Street Global Advisors – Multisource Active Commodity Strategy
   - 6.3 Adopt Criteria for International Developed Markets Equity Growth Manager
   - 6.4 Approve Criteria and Timeline for an International Small Cap Equity Manager Search
   - 6.5 Approve Criteria and Timeline for an Emerging Market Equity Manager Search
   - 6.6 Approval of Alternative Asset Manager Resolutions
7. Board & Management Support Services
   - 7.1 Monthly Financial Report
   - 7.2 Approval to Cancel the November 2011 Board Meeting and Reschedule the December 2011 Board Meeting
8. Management Reports
   - 8.1 Chief Executive Officer's Report
   - 8.2 Assistant Executive Officer's Report
   - 8.3 Chief Investment Officer's Report
   - 8.4 County Counsel's Report

CLOSED SESSION – The board will meet in closed session prior to adjournment

C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session

9. Report on Actions Taken in Closed Session
10. Adjournment

June 21, 2011 – Board Minutes

1106.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 8:07 a.m., June 21, 2011, in *SamCERA*'s Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

Roll Call: Ms. Arnott (arr. 10:28 a.m.), Ms. Agnew, Mr. Bowler, Mr. David, Mr. Hackleman, Ms. Kwan Lloyd, Ms. Settles, Mr. Spinello (arr. 8:25 a.m.) and Mr. Tashman (arr. 12:45 p.m.). *Other Board Members in Attendance:* Mr. Murphy. *Staff*: Mr. Bailey, Mr. Hood, Ms. Dames and Mr. Clifton. *Consultants*: Mr. Whitlock, Mr. Brody, Mr. Nicolini and Mr. Thomas. *Retirees*: 0, *Public*: 0.

1106.1.1 **Welcome and Introduction of New Board Member:** Mr. David welcomed Ms. Settles to the board. Ms. Settles is serving out the unexpired term of former trustee, Margaret Jadallah. Her term is set to expire on June 30, 2013. Ms. Settles thanked everyone and commended the board for their work to date. She expressed her enthusiasm and hoped to offer her experience and expertise going forward.

1106.1.2 **Appointment of Ad Hoc Board Officers Nominating Committee:** Mr. David **appointed** Mr. Hackleman, Chair; Ms. Arnott, Ms. Kwan Lloyd and Mr. Bowler, to the Ad Hoc Board Officers Nominating Committee. The general sense of the board was to maintain the same slate.

1106.2.1 **Oral Communications From the Board:** Ms. Agnew attended a Clean and Green Investment Forum in San Francisco. She found the conference very informative and is interested in viewing the progress of this investment area.

1106.2.2 **Oral Communications From the Public:** None.

1106.3 **Approval of the Minutes:** **Motion** by Bowler, second by Agnew, carried unanimously to approve the minutes from the May 24, 2011, board meeting, as submitted.

Mr. David then took up agenda item 6.1.

1106.4 **Approval of the Consent Agenda:** **Motion** by Spinello, second by Kwan Lloyd, carried unanimously to adopt the day's consent agenda, as submitted, as follows:

Disability Retirements:
The board approved staff's recommendation that they grant the request for non-service connected disability retirement (per Regulation 5.2 *Death of member prior to completion of application process)* for the purpose of establishing a continuance to Shen Kao, spouse of deceased member, **Rose Kao**.

Service Retirements:
The board approved staff's recommendation that they grant the request for a service retirement (per Regulation 5.2 *Death of member prior to completion of the application process)* for the purpose of establishing a continuance to Susan Beaulien, spouse of deceased Plan 3 member, **Edward Lusnich**. Mr. David disclosed that he had worked very closely with Mr. Lusnich.

Member Name	Effective Retirement Date	Department
Lima, Samuel	January 20, 2011	Def'd from Probation
Jensen, Anne	April 6, 2011	Def'd from Environmental
Gutierrez, Jorge	April 10, 2011	Def'd from Plan 3
Fleishman, Mark	April 12, 2011	Sheriff's Office
Jower, Bruce	April 22, 2011	Def'd from Superior Court
Janatpour, Danna	April 23, 2011	Def'd from San Mateo Medical
Enberg, Mary	April 29, 2011	Human Services Agency
Nicholas, Deborah	April 29, 2011	Def'd from Assessor
Bush, Henry	April 30, 2011	Probation
Bussani, Carol	April 30, 2011	Human Services Agency
Cabatic, Serafin	April 30, 2011	Assessor
Cachuela, Angelita	April 30, 2011	Controller
Contreras, Prima	April 30, 2011	Human Services Agency
Cortopassi, Margaret	April 30,	Human Services Agency
Hiraki, Kenneth	April 30, 2011	Probation
Kennon, Leon	April 30, 2011	Probation
Livingstone, Virginia	April 30, 2011	Human Services Agency
Lopes, Michael	April 30, 2011	Human Services Agency
Ojeda, Raymond	April 30, 2011	Probation
Redington, Guy	April 30, 2011	Probation
Seetho, Jeff	April 30, 2011	Assessor
Vasquez, Daniel	April 30, 2011	Probation
Villaluna, Miguel	April 30, 2011	Controller
Kissoon, Sandra	May 1, 2011	San Mateo Medical Center

Continuance of Benefits:

Member Name	Beneficiary of:
Beaulien, Susan	Lusnich, Edward
Concepcion, Antonio	Concepcion, Louella
Derner, Donna	Derner, Leland
Kao, Shen	Kao, Rose
Tacorda, Jose	Tacorda, Gracia

Deferred Retirements:

Member Name	Retirement Plan Type
Nofield, Keith	G4 - Reciprocity

Member Account Refunds:

Member Name	Retirement Plan Type
Sydnor, Mallory	G4 Non-vested

Member Name	**Retirement Plan Type**
Arecelo, Agripino	G4 Vested
Bland, Jeanette	G4 Non-vested
Chu, Frances	G4 Non-vested
DeBord, Amalia	G4 Non-vested
Glenn, Camila	G4 Non-vested
Koziol, Maria	Beneficiary of Koziol, Mary
Smith, Troy	G4 Non-vested
Sweeney, Travis	G4 Non-vested

1106.5 **Benefit & Actuarial Services**

1106.5.1 **Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda:** None.

1106.6 **Investment Services**

1106.6.1 **Monthly Portfolio Performance Report:** *SamCERA's* -0.86% Total Fund Return for the month slightly outperformed the Total Plan Policy Benchmark return of -0.96%.

The fund's return for the trailing twelve months and twenty-four months are 22.26% and 18.18% respectively. The twelve-month period is 1451 basis points (bps) above the Actuarial Discount Rate of 7.75%. However, for the same period the total fund return is 17 basis points behind *SamCERA's* Total Plan Policy Benchmark of 22.43%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	*$968,820,068*	*-1.17%*	*28.51%*	*2.46%*
International Equity	*418,041,331*	*-2.80%*	*27.30%*	*2.57%*
Total Equity	1,386,861,399	-1.69%	28.11%	2.44%
Private Equity	2,776,631	-4.45%	N/A	N/A
Risk Parity	147,619,360	0.25%	N/A	N/A
Hedge Fund	70,000,000	N/A	N/A	N/A
Fixed Income	598,766,658	0.60%	11.03%	6.75%
Real Estate Aggregate	126,673,968	0.00%	20.84%	0.15%
Cash Equivalents	8,283,950	0.08%	1.06%	1.56%
TOTAL FUND	**$2,340,981,966**	**-0.86%**	**22.26%**	**3.75%**
Benchmark		*-0.96%*	*22.43%*	*5.09%*

* Total Time-Weighted Rate of Return

1106.6.2 **Interview Finalist for Commodities Mandate:** Mr. Thomas provided a brief overview of *SamCERA*'s commodities mandate and reviewed the search process and some challenges.

The board interviewed the following four finalists for *SamCERA*'s Commodities mandate: (1) Cargill Risk Management, (2) Gresham Investment Management, (3) Invesco, and (4) State

Street Global Advisors.

Please see agenda items 6.2a, 6.2b, 6.3c and 6.3d for a summary of each interview.

Following the four interviews, the board discussed the pros and cons of each of the four finalists and reviewed their investment profiles.

Motion by Arnott, second by Agnew, carried unanimously to select State Street Global Advisors' Multisource Active Commodity Strategy for the association's commodities mandate, subject to due diligence.

1106.6.2a **Cargill Risk Management – ProAlpha Index:** Mr. Clifton introduced Thomas King, Commercial Manager, and Andrew Brodbeck, Institutional Marketer, of Cargill Risk Management. The firm provided a 45-minute presentation and answered trustees' questions and concerns.

1106.6.2b **Gresham Investment Management – Tangible Asset Program:** Mr. Clifton introduced Jonathan Berland, Managing Director, of Gresham Investment Management. The firm provided a 45-minute presentation and answered trustees' questions and concerns.

1106.6.2c **Invesco - Balanced-Risk Commodities:** Mr. Clifton introduced Scott Hixon, Portfolio Manager, Head of Research, and Greg Murphy, Managing Director, of Invesco. The firm provided a 45-minute presentation and answered trustees' questions and concerns.

1106.6.2d **State Street Global Advisors – Multisource Active Commodity Strategy:** Mr. Clifton introduced Paul Lucek, Director of Research, Senior Portfolio Manager, and Christopher Hawkins, Vice President Client Services, of State Street Global Advisors. The firm provided a 45-minute presentation and answered trustees' questions and concerns.

1106.6.3 **Adopt Criteria for International Developed Markets Equity Growth Manager:** Mr. Brody of Strategic Investment Solutions discussed the proposed schedule and criteria for the international developed markets equity growth manager search. He also attached a list of eleven firms that passed all formal screens. SIS proposed to send an RFI to each of the firms listed. **Motion** by Hackleman, second by Kwan Lloyd, carried unanimously to adopt the initial search criteria for the international developed markets equity growth manager search, as submitted, and send RFI's to the firms per SIS' recommendation.

1106.6.4 **Approve Criteria and Timeline for an International Small Cap Equity Manager Search:** Mr. Brody of Strategic Investment Solutions discussed the proposed schedule and criteria for the international small cap equity manager search. In terms of investment style, he said that the product should be primarily core with a moderate growth or value tilt and no extreme style biases. Mr. Brody said that international small cap is a newer strategy for most investment managers and therefore the initial search criteria only requires a 3-year minimum track record. **Motion** by Bowler, second by Kwan Lloyd, carried unanimously to adopt the initial search criteria for the small cap equity manager search, as submitted.

1106.6.5 **Approve Criteria and Timeline for an Emerging Market Equity Manager Search:** Mr. Brody of Strategic Investment Solutions discussed the proposed schedule and criteria for the emerging market equity manager search. **Motion** by Bowler, second by Spinello, carried to adopt the initial search criteria for the emerging market equity manager search.

1106.6.6 **Approval of Alternative Asset Manager Resolutions:** Mr. Clifton informed the board that this agenda item was a housekeeping measure. The board previously adopted and authorized the chair to execute documentation for five varying investments.

Motion by Spinello, second by Kwan Lloyd, carried unanimously to adopt (1) **Resolution 10-11-08** for Sheridan Production Partners II, (2) **Resolution 10-11-15** for AQR Global Risk Premium Fund III, (3) **Resolution 10-11-16** for ABRY Partners VII, (4) **Resolution 10-11-17** for ABRY Advanced Securities Fund II, and (5) **Resolution 10-11-20** for AQR Delta Fund II, as follows:

**"Contract for Private Equity Investment Management Services
With a Strategy to Buyout Income Producing Oil & Gas Properties**

Sheridan Production Partners II

RESOLUTION 10-11-08

THIS RESOLUTION, adopted by the Board of Retirement ("Board") of the San Mateo County Employees' Retirement Association ("SamCERA"), approves the contract between the Board and Sheridan Production Partners ("Sheridan")

"**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

"**WHEREAS**, Government Code §31595 vests in the Board *". . . exclusive control of the investment of the employees retirement fund."*; and

"**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *". . . in connection with administration of the Board's investment program . . . "*; and

"**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

"**WHEREAS**, the Board's agreement with Strategic Investment Solutions (*"SIS"*) delegates to SIS discretion to source and perform due diligence for private equity investment opportunities; and

"**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

"**WHEREAS**, the board approved a multi-year private equity implementation plan and charged SIS and staff to begin executing that plan; and

"**WHEREAS**, in August 2010, SIS presented to the Board their due diligence for the Sheridan Production Partners II Fund and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

"**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel.

Be it further

"**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution."

**"Contract for an Alternative Investment Opportunity
With a Risk Parity Strategy**

AQR Global Risk Premium Fund III

RESOLUTION 10-11-15

THIS RESOLUTION, adopted by the Board of Retirement ("Board") of the San Mateo County Employees' Retirement Association ("SamCERA"), approves the contract between the Board and AQR Capital Management ("AQR")

"**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

"**WHEREAS**, Government Code §31595 vests in the Board *". . . exclusive control of the investment of the employees retirement fund."*; and

"**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *". . . in connection with administration of the Board's investment program . . . "*; and

"**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 6.0% of the total portfolio to be allocated to risk parity investments opportunities; and

"**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

"**WHEREAS**, in October, 2010, the Board reviewed the following five candidates to manage a risk parity strategy: AQR Capital Management: Global Risk Premium Strategy 10% Volatility, BlackRock: Market Advantage, Bridgewater: All Weather Strategy, First Quadrant: Essential Beta and PanAgora: Risk Parity; and

"**WHEREAS**, on December 14, 2010, the Board interviewed AQR Capital Management, Bridgewater and PanAgora as finalists before selecting AQR Global Risk Premium Fund III with a 10% volatility as the firm to implement the risk parity mandate; and

"**WHEREAS**, staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

"**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

“**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.”

“**Contract for Private Equity Investment Management Services**
With a Strategy to Buyout Companies
In Media, Communications and Business Services

ABRY Partners VII

RESOLUTION 10-11-16

THIS RESOLUTION, adopted by the Board of Retirement (“Board”) of the San Mateo County Employees' Retirement Association (“SamCERA”), approves the contract between the Board and ABRY Partners VII, L.P. (“ABRY VII”)

“**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

“**WHEREAS**, Government Code §31595 vests in the Board *". . . exclusive control of the investment of the employees retirement fund."*; and

“**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *". . . in connection with administration of the Board's investment program . . . "*; and

“**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

“**WHEREAS**, the Board’s agreement with Strategic Investment Solutions (*“SIS”*) delegates to SIS discretion to source and perform due diligence for private equity investment opportunities; and

“**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

“**WHEREAS**, the board approved a multi-year private equity implementation plan and charged SIS and staff to begin executing that plan; and

“**WHEREAS**, on February 22, 2011, SIS presented to the Board their due diligence for the ABRY Partners VII Fund and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

“**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel.

Be it further

"**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution."

"Contract for Private Equity Investment Management Services
With a Strategy to Acquire Leveraged Sr. Bank Loans
For Companies in Media, Communications and Business Services

ABRY Advanced Securities Fund II

RESOLUTION 10-11-17

THIS RESOLUTION, adopted by the Board of Retirement ("Board") of the San Mateo County Employees' Retirement Association ("SamCERA"), approves the contract between the Board and ABRY Advanced Securities Fund II, L.P. ("ASF II")

"**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

"**WHEREAS**, Government Code §31595 vests in the Board *". . . exclusive control of the investment of the employees retirement fund."*; and

"**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *". . . in connection with administration of the Board's investment program . . . "*; and

"**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

"**WHEREAS**, the Board's agreement with Strategic Investment Solutions (*"SIS"*) delegates to SIS discretion to source and perform due diligence for private equity investment opportunities; and

"**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

"**WHEREAS**, the board approved a multi-year private equity implementation plan and charged SIS and staff to begin executing that plan; and

"**WHEREAS**, on February 22, 2011, SIS presented to the Board their due diligence for the ABRY Advanced Securities Fund II and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

"**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

"**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution."

"**Contract for an Alternative Investment Opportunity With a Hedge Fund Strategy**

AQR DELTA FUND II

RESOLUTION 10-11-20

THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), approves the contract between the Board and AQR Capital Management ("AQR")

"**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

"**WHEREAS**, Government Code §31595 vests in the Board *". . . exclusive control of the investment of the employees retirement fund."*; and

"**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *". . . in connection with administration of the Board's investment program . . . "*; and

"**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 3.0% of the total portfolio to be allocated to hedge fund investments opportunities; and

"**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

"**WHEREAS**, beginning in January 2011, the Board vetted five different methods for implementing *SamCERA's* hedge fund mandate before selecting one. The board eliminated index replication strategies as not providing an adequate alpha. Multi-strategy managers, and direct investment managers were also eliminated as a first step in implementing the mandate. Those two were dismissed primarily because *SamCERA* lacks adequate experience with the various hedge funds strategies. Either of those strategies may be considered at a future date as an augmentation to *SamCERA's* hedge fund program. The methodologies that the board believed were most promising for a first step in implementing a hedge fund mandate were a fund of hedge funds manager or a hedge fund beta product; and

"**WHEREAS**, In April 14, 2010, the Board selected AQR Capital Management's Delta Fund II as the firm and product as *SamCERA's* first step in implementing a hedge fund strategy: and

"**WHEREAS**, staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

"**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

"**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution."

1106.7 Board & Management Support Services

1106.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA*'s Net Assets Held in Trust for Pension Benefits as of May 31, 2011, totaled $2,338,577,029. Net assets held in trust for pension benefits decreased by approximately $26.9 million, month over month. The decrease is primarily due to market depreciation in assets.

1106.7.2 **Approval to Cancel the November 2011 Board Meeting and Reschedule the December 2011 Board Meeting:** Mr. Bailey said that last year, in consideration of the holidays occurring at the end of the calendar year, the board chose to cancel the November meeting and hold the December meeting earlier in the month, essentially combining the business of both meetings to avoid dates that were close to the holidays during those two months. Mr. Bailey recommended the board reschedule in the same way in 2011.

Motion by Kwan Lloyd, second by Bowler, carried unanimously to (1) cancel the November 22, 2011, board meeting, (2) reschedule the December 27, 2011, board meeting to December 13, 2011, and (3) direct the CEO to make all appropriate communications to notify the public and all interested parties of those changes.

1106.8 Management Reports

1106.8.1 **Chief Executive Officer's Report:** Mr. Bailey provided a follow-up to an inquiry Mr. Tashman had made at last month's board meeting when *SamCERA*'s FY2011-2012 budgets were reviewed and subsequently adopted. Mr. Tashman asked if there was any legal opinion allowing 1937 Act systems to remove certain expenses from the administrative budget into an asset management budget and thereby excluded from the administrative expense budget cap. Mr. Bailey said that Ms. Carlson is aware of at least one documented legal opinion available and will provide more information at the July board meeting.

Mr. Bailey then said that staff is working with an IT vendor to program four new retirement benefit tiers into *SamCERA*'s pension administration system. He noted that some union negotiations are still on-going.

Mr. Bailey said that *SamCERA*'s financial auditor, Brown Armstrong, intends to request that board members complete a confirmation letter and form similar to the questions asked in the Form 700. He will discuss the matter with the auditors when they arrive for their interim fieldwork at *SamCERA*'s offices. In light of the fiscal year end on June 30th, he then requested that the board submit any reimbursement forms to staff by June 24th.

1106.8.2 **Assistant Executive Officer's Report:** Mr. Hood provided a status update on the construction of the new board room.

1106.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported that the local private equity firm that SIS had discussed at last month's board meeting formally notified staff that *SamCERA* will regretfully not be permitted to invest monies in its fund. The firm cited their concerns about the appearance of conflicts of interest with upcoming building and real estate matters in San Mateo County.

Mr. Clifton reported that Mr. Thomas will not be present at the July board meeting; however, Mr. Brody will be in attendance. He then said that he recently attended a CALAPRS Investment Officers Roundtable. At the roundtable, he learned that Kern County is suing its investment consultant, Wilshire, for the lack of due diligence concerning a particular investment. In light of this information, he then discussed possibly defining the parameters of "due diligence" with the association's own investment consultant, SIS.

Mr. Clifton said that the association has been conducting several audits and suggested that it might be a good time to conduct a one-time trade cost analysis to see how *SamCERA* compares with its peers. A consulting firm that specializes in trade cost analysis is scheduled to conduct an educational presentation at the August board meeting. Mr. Bowler said that given the size of the portfolio, a commission recapture program might be a viable option.

Lastly, he reported that he and Ms. Dames attended a few fixed income educational sessions hosted by Western Asset Management. They both attended sessions on emerging markets and mortgages. Mr. Clifton also attended a session on governmental investing from a global perspective.

1106.8.4 **County Counsel's Report**: None.

1106.9 **Report on Actions Taken in Closed Session:** None.

1106.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 1:45 p.m., in memory of the following deceased members:

Wright, Dortha	April 28, 2011	District Attorney
Bohlen, Edward	May 1, 2011	Engineers Dept.
Okamura, Miki	May 6, 2011	Human Services Agency
MacLennan, Barbara	May 7, 2011	General Services
Einhoff, Lucille	May 9, 2011	Social Services
Tacorda, Gracia	May 9, 2011	Human Services Agency
Moore, Beatrice	May 14, 2011	Social Services
Fabbro, Sylveen	May 15, 2011	Ben of Fabbro, Bruno

Czellecz, Joyce	May 18, 2011	Social Services
Vassalle, Lucille	May 18, 2011	Ben of Vasalle, Lino
Rehanek, Lillian	May 19, 2011	Ben of Rehanek, Edward
Hendrickson, Vivian	May 22, 2011	Social Services
Stepp, Jo Anne	May 24, 2011	Ben of Stepp, John Paul
Yee, Robert	May 24, 2011	Ben of Yee, Vivian
Derner, Leland	May 28, 2011	Sheriff's Office
Kimlinger, Patsy	May 28, 2011	Recorder's Office
Smith, Bojan	May 29, 2011	Ben of Smith, Rue

AL DAVID, CHAIR

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager

Subject: Approval of Consent Agenda

ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA.

Disability Retirements

1. Board finds that **Neal Ferguson** is (1) disabled from performing his usual and customary duties as a Forensic Specialist II, (2) deny his application for a service-connected disability retirement and (3) grant him a non-service connected disability retirement.
2. Board finds that **Dawn Alfonso** is (1) disabled from performing her usual and customary duties as a Courtroom Clerk and (2) grant her a non-service connected disability retirement.
3. Board finds that **Loida Rodriguez** is (1) disabled from performing her usual and customary duties as an Office Services Supervisor and (2) grant her a non-service connected disability retirement.

Service Retirements

1. The Board ratifies the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Thomas, Elefteria	October 12, 2010	Deferred from San Mateo Medical Center
Resnick, Joyce	April 30, 2011	Deferred from Behavioral Health
Hassell, Chris	May 3, 2011	Deferred from Plan 3
Dirain, Gloria	May 14, 2011	Deferred from Public Health
Woods, Maria	May 18, 2011	Deferred from Human Services Agency
Anderson, Marlys	May 23, 2011	Term Non-vested from San Mateo Medical Center

Clancy, Charlene	May 26, 2011	San Mateo Medical Center
Caballero, Maria	June 1, 2011	San Mateo Medical Center
Cayas, Teresita	June 1, 2011	Human Services Agency
Ferguson, John	June 1, 2011	Deferred from Ag Commission Sealer
Knapton,Robert	June 1, 2011	Sheriff's Office
Monmiller, Charles	June 1, 2011	San Mateo Medical Center
Robelet, Linda	June 1, 2011	San Mateo Medical Center

Continuances

The Board ratifies the actions as listed below for the following members regarding continuances:

Survivor's Name	Beneficiary of:
Irwin, Fred	Irwin, Winifred
Larson, Anne	Larson, Larry
Malerstein, Jean	Malerstein, Abraham

Deferred Retirements

The Board ratifies the actions as listed below for the following members regarding deferred retirements:

Member Name	Retirement Plan Type
Ahlberg, Lynn	G4 Vested
Clifford, Cheryl	G4 Vested
Dhillon, Ruby	G4 Vested – Auto Deferred Government Code §31700
Lasseigne, Suzanne	G4 Vested – Auto Deferred
Prior, Marguerite	G4 Vested – Auto Deferred
Dennis, Jeremy	G4 Vested – Auto Deferred
Harrington, Michaela	G4 Vested – Auto Deferred
Cooper, Brenda	3 Vested – Auto Deferred
Cabezas, Athena	G4 Vested – Auto Deferred
Cruz-Cornejo, Raul	G4 Vested – Auto Deferred
Dolamore, Heidi	G4 - Recipocity
McGuire, Kevin	S4 - Recipocity

Member Account Refunds

The Board ratifies the actions as listed below for the following members regarding refunds:

Member Name	Retirement Plan Type
Anderson, Nancy	G4 Vested
Dobkins, Yolanda	G4 Non-vested
Luva, Patricia	G2 Vested
McIntosh, Sandra	G4 Vested
Orque, David	G4 Vested
Sinipata, Vika	G4 Non-vested
Wray, Martin	G4 Non-vested

Member Account Rollovers

The Board ratifies the actions as listed below for the following members regarding rollovers:

Member Name	Retirement Plan Type
None	

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 4.0

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Trustee Request for Conference Approval

Issue

Approval of a board member's attendance at a conference not sponsored by an organization included in the *SamCERA* Education Policy.

Background

The *SamCERA* Education Policy allows trustees to attend educational conferences sponsored by certain organizations included in the policy. The policy also states that, "the board may approve participation in additional educational activities…"

Trustee Lauryn Agnew would like to attend an upcoming conference on Impact Investing. The conference is September 6-9, 2011, in San Francisco. It is sponsored by Social Capital Markets (SOCAP). SOCAP is a multi-platform organization dedicated to the flow of capital towards social good. Their event series connects leading global innovators – investors, foundations, institutions and social entrepreneurs – to build the market at the intersection of money and meaning.

The estimated cost of attending this conference is within the trustee's per year educational budget.

Staff Recommendation

Staff recommends approval of attendance at the above-mentioned educational event.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Milliman Presents the Triennial Investigation of Experience Report

Issue

Under this agenda item, Milliman, Inc. will discuss the results of its Investigation of Experience report.

Background

Four actuarial agenda items are scheduled for the July 26 board meeting. Under this first item, 5.2, Nick Collier and Jennifer Sorensen, Milliman, Inc., will present the findings of their Investigation of Experience. That will be followed by a presentation from the Segal Co. actuaries, Paul Angelo and Andy Yeung, under item 5.3, regarding their audit of the Milliman report. Under item 5.4, the board will be asked to adopt the recommendations of Milliman's Investigation of Experience report, which will include changes recommended by Segal and included in the report. Under agenda item 5.5, the board will be asked to approve questions for Milliman's annual performance review.

The purpose of the experience report is to communicate the results of Milliman's review of the actuarial methods and the economic and demographic assumptions to be used in the Actuarial Valuation. The valuation will be presented to the board at its September 27 meeting.

SamCERA instructs it actuarial firm to perform an experience study every third year. While the experience study is based on both economic and demographic data, the demographic data showing the experience of the membership over the last three years is particularly reviewed.

In this year's experience report, Milliman is recommending several changes to the demographic assumptions. Milliman is not recommending any changes to the economic assumptions.

From a cost perspective, the most significant recommended change is a strengthening of the mortality assumption (i.e., increased life expectancies). This change would have the largest financial impact on the employer's contribution rate and on the funded ratio of the system. The proposed change is due to data that shows that male retirees appear to be living longer, as compared to the results of the prior study done in 2008. This result in generally consistent with what Milliman has found in other plans.

The impacts of the proposed changes, if they had been put in place for the prior (June 30, 2010) actuarial valuation, are shown in the chart below. The proposed changes would tend to increase the expected county contribution rate and decrease the Funded Ratio of the system.

The actual financial impact will vary somewhat and will be combined with the impacts of investment returns and deferred losses in the actuarial valuation report scheduled for review at the September board meeting.

	County Contribution Rate	Funded Ratio
June 30, 20110, Actuarial Valuation	**31.40%**	**70.3%**
Demographic Assumptions		
Termination Rates/Probability of Refund	0.10%	0.0%
Rates of Retirement	-0.13%	0.1%
Rates of Disability	0.08%	0.0%
Reciprocity Assumption	-0.03%	0.0%
Rates of Mortality	0.58%	-0.5%
Subtotal Demographic Changes	0.60%	-0.4%
Economic Changes- Proposed		
No Changes Proposed	0.00%	0.0%
Combined Change	**0.60%**	**-0.4%**
June 30, 2011, Valuation with Changes	**32.00%**	**69.9%**

The recommended assumptions would also result in an increase in the **member contribution rates**. The relative increase would be less than 1%. On page 8 of the report, Milliman provides sample rates for a member entering the system at age 35.

Staff Recommendation

Staff recommends the board members discuss the Investigation of Experience report and its recommendations. No action is required under this agenda item.

San Mateo County Employees' Retirement Association

Investigation of Experience
July 1, 2008 – April 30, 2011

July 18, 2011

By

Nick J. Collier

Associate, Society of Actuaries
Enrolled Actuary
Member, American Academy of Actuaries

and

Jennifer D. Sorensen

Associate, Society of Actuaries
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milliman.com

July 18, 2011

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Dear Members of the Board:

It is a pleasure to submit this report of our investigation of the experience of the San Mateo County Employees' Retirement Association for the period July 1, 2008 through April 30, 2011. The results of this investigation are the basis for the actuarial assumptions and methods to be used in the actuarial valuation to be performed as of June 30, 2011.

The purpose of this report is to communicate the results of our review of the actuarial methods and the economic and demographic assumptions to be used in the completion of the upcoming valuation. Several of our recommendations represent changes from the prior methods or assumptions and are designed to better anticipate the emerging experience of *SamCERA*.

We have provided financial information showing the estimated impact of the recommended assumptions, if they had been reflected in the June 30, 2010 actuarial valuation. We believe the recommended assumptions provide a reasonable estimate of anticipated experience affecting *SamCERA*. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following:

- Plan experience differing from the actuarial assumptions,
- Future changes in the actuarial assumptions,
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as potential additional contribution requirements due to changes in the plan's funded status), and
- Changes in the plan provisions or accounting standards.

Due to the scope of this assignment, we did not perform an analysis of the potential range of such measurements.

In preparing this report, we relied without audit on information (some oral and some in writing) supplied by *SamCERA*'s staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination, after discussion with *SamCERA* and certain adjustments, we have found the data to be reasonably consistent and comparable with data used for other purposes. Since the experience study results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our determinations might need to be revised.

Milliman's work is prepared solely for the internal business use of *SamCERA*. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

We would like to acknowledge the help in the preparation of the data for this investigation given by the *SamCERA* staff. We look forward to our discussions and the opportunity to respond to your questions and comments at your next meeting.

I, Nick Collier, am a member of the American Academy of Actuaries and an Associate of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Nick Collier

Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary
NJC/nlo

San Mateo County Employees' Retirement Association
Investigation of Experience (2008-2011)

Table of Contents

San Mateo County Employees' Retirement Association
Investigation of Experience (2008-2011)

Section 1: Executive Summary

Overview

Any actuarial valuation is based on certain underlying assumptions. Determining the adequacy of the contribution rate is highly dependent on the assumptions that the actuary uses to project the future benefit payments and then to discount the value of future benefits to determine the present values. Thus, the assumptions are critical in assisting the system in adequately pre-funding for the benefits prior to retirement.

To assess the reasonableness of the assumptions used in the valuation, they should be studied regularly. This process is called an investigation of experience (or experience study).

Summary of Results

This section describes the key findings of this investigation of experience of the San Mateo County Employees' Retirement Association (*SamCERA*) for the period July 1, 2008 through April 30, 2011. We are recommending several changes to the demographic assumptions. We are not recommending any changes to the economic assumptions. Throughout this report, we will refer to our recommended assumptions as the "proposed" assumptions.

Note that in addition to the recommended changes, we have shown an alternative set of economic assumptions that are based on a lower inflation assumption, as discussed later in this report. We would describe the current set of economic assumptions as middle-of-the-road (i.e., neither aggressive nor conservative). If the Board wished to move to the alternate set of economic assumptions, it would provide some level of conservatism.

The table on the following page shows a summary of our recommendations for all assumptions and methods studied.

Summary (continued)

Assumption	Recommendation
Inflation	No Change
Investment Return	No Change
Wage Growth	No Change
Payroll Increase Assumption	No Change
Funding Method	No Change
Merit Salary Scale	No Change
Death while Active	Reduce rates for males
Retirement	Reduce rates
Disability	Increase rates for general members
Termination	Reduce rates
Probability of Refund	Reduce rates for safety members
Mortality	Reduce rates (increase life expectancies) for healthy retirees
Prob. Elig. Survivor	No Change
Reciprocity	Reduce rates for general members; increase rates for safety members

If adopted, the new assumptions would result in an increase in the County contribution rate and a decrease in the Funded Ratio calculated in the next valuation, as compared to the current assumptions. This is discussed further in the Financial Impact section at the end of the Executive Summary.

Economic Assumptions

Section 2 discusses the economic assumptions: price inflation, general wage growth (includes price inflation and productivity) and the investment return assumption. We have not recommended that the Board make any changes to the current economic assumptions.

As discussed in Section 2, although inflation historically has averaged close to the current 3.50% assumption, forecasts for inflation in the future are much lower. In particular, the capital market assumptions of investment consultants are projecting inflation at around 2.50% to 2.75% over the next 10 years. We still believe the current assumption is reasonable, but there is evidence to support a lower inflation assumption.

We have recommended the Board retain the current assumptions; however, we have also shown an alternative set of economic assumptions based on a lower inflation assumption. If the Board adopts a lower inflation assumption, we would recommend a corresponding lower investment return and wage growth assumption. The alternate set of economic assumptions would provide a slightly more conservative basis for the valuation.

Actuarial Methods and Miscellaneous Assumptions

Section 3 discusses the actuarial methods and other miscellaneous assumptions used in the valuation and administration of the system.

We are recommending changes in this area as follows:

- If the recommended new mortality assumptions are adopted, a corresponding change to the member contribution rates should be made. The impact of this is discussed later in this section.
- If the recommended new mortality assumptions are adopted, a corresponding change to the factors used for determining optional benefits and the purchase costs for Additional Retirement Credit (ARC) should be considered.
- The assumption for reciprocal employment should be split by class: General members (35%) and Safety members (45%).

Demographic Assumptions

Sections 4-9 discuss the demographic assumptions. Unlike the economic assumptions, which are more global in nature, the demographic assumptions are based heavily on recent *SamCERA* experience. Demographic assumptions are used to predict future member behavior (e.g., when will a member retire? How long will the member live?).

Based on the results of this study, we are recommending changes to many of the demographic assumptions. In cases where we have recommended changes, the changes have for the most part only partially reflected recent experience. Our reason for recommending only partial reflections of experience is twofold:

1. The recent recessionary economic environment has caused some short-term aberrations in typical member behavior. We do not recommend altering assumptions in reaction to temporary trends, but rather we take a long-term view of member behavior.
2. The Actuarial Standards of Practice (ASOPs) govern the assumption-setting process of actuaries. The ASOPs urge that an actuary not give undue weight to recent experience. Again, this is due to the long-term nature of actuarial assumptions. For this reason, in many cases we consider both the current (2011) and prior (2008) experience study results in evaluating potential assumption changes.

From a cost perspective, the most significant change that we have recommended is a strengthening of the mortality assumption (i.e., increased life expectancies). Although the change is fairly small, it did have the largest financial impact as discussed at the end of this section.

Demographic Assumptions (continued)

When reviewing the sections on demographic assumptions, please note the following:

- Our analysis uses the Actual-to-Expected (A/E) ratio to measure how well the current assumptions fit actual experience. For example, if the service retirement A/E is 80%, it indicates that there were 20% fewer service retirements than expected, and that we should consider decreasing the assumption. By decreasing the expected rates, this results in a higher ratio, in this case closer to 100%.
- Due to scheduling considerations, the data provided to us by *SamCERA* was as of April 30, 2011. This was necessary to complete both the experience investigation and the valuation in time for inclusion in the Comprehensive Annual Financial Report (CAFR). Thus, the study period was two years and ten months instead of the three years implied by the "triennial" description. We do not believe this two-month difference has a material impact on the results.
- When we refer to "Safety" members in this report, we are including both Safety and Probation members.
- When we refer to the "proposed" assumptions, these are the assumptions that we are recommending. The current assumptions are also referred to as the "expected" assumptions.
- For many of the assumptions, we show detail graphs of our analysis showing the actual experience for the study (blue bar), the actual experience from the prior study (green bar), the current assumption (red line), and the new proposed assumptions.

The recommended rates are shown in detail in Appendix A.

Individual Salary Increases due to Promotion and Longevity (Merit)

Section 4 discusses the individual salary increases due to promotion and longevity – the merit component of salaries. Overall, the results of our last two salary studies show increases in line with what the current rates predicted. We are not recommending any changes to this assumption. See Section 4 for more details on this analysis.

Mortality

The mortality assumption is used to predict the life expectancy of both members currently in pay status (referred to as retired mortality) and those expected to receive a benefit in the future (referred to as active mortality). Due to a lack of statistically significant experience data for deaths from active status, the assumptions for active mortality are set to be consistent with the assumptions for retired mortality.

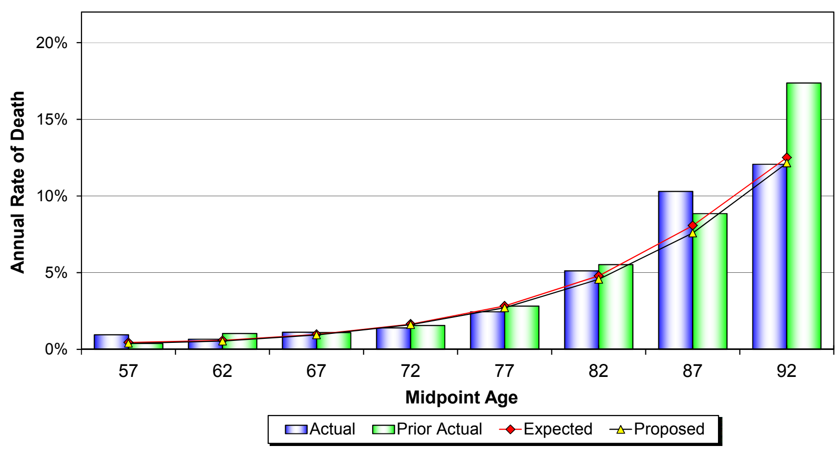
Mortality (continued)

Overall, the actual number of deaths for the current group of retirees (both service and disabled) was slightly greater than that predicted by the assumptions. This is indicated by an actual-to-expected (A/E) ratio of 111%. That is, there were 11% more deaths than the current assumptions would have predicted.

For most assumptions, an A/E of 111% would lead us to recommend no change or a small increase; however, we believe that some additional margin should be built into mortality assumptions to account for the trend of increasing life expectancies. In particular, there was no margin for male service retirees for either General or Safety.

In *SamCERA*'s case, the results of this study show that male retirees appear to be living longer, as compared to the results of the prior study done in 2008. Although this may be partly due to statistical fluctuation, this result is generally consistent with what we have found in other large plans.

We are recommending a reduction in the mortality rates for male service retirees and beneficiaries to reflect that people are living longer. For disabled retirees, we are recommending a small increase in the rates of mortality. The reduced rates are represented by the yellow lines compared to the current rates shown as red lines in the following graph for all service and disabled retirees. Note that the blue bars (actual rates from the current) study tend to be shorter than the green bars (actual rates from the prior study). This indicates a slight decrease in the mortality rates since the prior study.



Under the current assumptions, the Actual-to-Expected (A/E) ratio is 108% for all service retirees, indicating that there were slightly more deaths than predicted. Under the revised assumptions, the A/E ratio is 112%, providing some additional margin for future improvements in mortality. Further analysis is shown in Section 5 of this report.

Mortality (continued)

For active mortality (the probability of death while actively employed), we are recommending using a standard mortality table for active employees, with adjustments similar to those made to the mortality for *SamCERA's* retired members.

Service Retirement

Overall, the actual number of service retirements was less than what the assumptions predicted for both General members and Safety/Probation members. The following chart shows the results for all members eligible for retirement.

Service Retirements					
Class	**Actual**	**Expected**	**Act / Exp**	**Proposed**	**Act / Prop**
General	296	376	79%	358	83%
Safety	43	68	63%	57	75%
Total	339	444	76%	415	82%

Retirement and termination rates may be influenced by recessionary economic environments. While we do believe that some of the reduction in retirement rates may be due in part to a longer-term trend, it is likely that these rates are being temporarily influenced by the recent recession. We are therefore recommending only a partial reflection of the recent experience through slightly decreased proposed rates of retirement. Further analysis is shown in Section 6 of this report.

Disability Retirement

Overall, the actual number of disability retirements was greater in total than the assumptions predicted . The following chart shows the results for General and Safety disability retirements.

Disability Retirements					
Class	**Actual**	**Expected**	**Act / Exp**	**Proposed**	**Act / Prop**
General	31	25	124%	29	107%
Safety	6	8	75%	8	75%
Total	37	33	112%	37	100%

As indicated by the increased number of expected disabilities under the proposed rates (29 proposed versus 25 expected under the current assumptions), we are recommending slightly higher rates of disability retirement for General members. Further analysis is shown in Section 7 of this report.

Termination

The actual number of terminations for both General and Safety/Probation members was lower than the assumptions predicted. The following chart shows the results for the two groups.

Termination					
Class	**Actual**	**Expected**	**Act / Exp**	**Proposed**	**Act / Prop**
General	582	746	78%	718	81%
Safety	31	47	66%	44	70%
Total	613	793	77%	762	80%

Termination (continued)

As mentioned above, recessionary economic environments may tend to cause temporarily reduced rates of termination and retirement. Therefore, we are recommending a partial recognition of recent experience by slightly lowering termination rates. Further analysis is shown in Section 8 of this report.

Probability of Refund upon Vested Termination

The actual number of refunds for vested members at termination was in line with the assumptions for General members, and was lower than the assumptions predicted for Safety members.

Probability of Refund					
Class	**Actual**	**Expected**	**Act / Exp**	**Proposed**	**Act / Prop**
General	59	66	90%	66	90%
Safety	2	6	33%	5	40%
Total	61	72	85%	71	86%

We are recommending slightly lowering the rates of refund for Safety members, and no change for General members. Further analysis is shown in Section 9 of this report.

Financial Impact of the Recommended Assumptions

The following exhibit shows the expected financial impact the proposed changes would have on *SamCERA*'s funding. Note that the proposed changes would increase the expected County contribution rate and decrease the Funded Ratio of the system.

The financial impact was evaluated by performing additional valuations with the June 30, 2010 valuation data and reflecting the proposed assumption changes. The actual financial impact will vary somewhat for the June 30, 2011 valuation due to year-to-year changes in the member population.

	County Contribution Rate	**Funded Ratio**
June 30, 2010 Actuarial Valuation	**31.40%**	**70.3%**
Demographic Assumptions		
Termination Rates/Probability of Refund	0.10%	0.0%
Rates of Retirement	-0.13%	0.1%
Rates of Disability	0.08%	0.0%
Reciprocity Assumption	-0.03%	0.0%
Rates of Mortality	0.58%	-0.5%
Subtotal Demographic Change	0.60%	-0.4%
Economic Changes- Proposed		
No Changes Proposed	0.00%	0.0%
Combined Change	**0.60%**	**-0.4%**
June 30, 2010 Valuation with Changes	**32.00%**	**69.9%**

Impact of the Recommended Assumptions on Member Contribution Rates

If adopted, the recommended assumptions would result in a small increase in the member contribution rates. The relative increase would be less than 1%. The following are sample rates for entry age 35:

Sample Changes in Member Rates due to Mortality Change (Rates Shown Include Cost Sharing)				
	Age	**Current**	**Proposed**	**Increase**
General Members - County				
Plans 1 & 2	35	10.22%	10.25%	0.03%
Plan 4	35	9.91%	9.94%	0.03%
Probation Members (Reflects Employer Pick-up)				
Plans 1 & 2	35	11.33%	11.38%	0.05%
Plan 4	35	10.99%	11.04%	0.05%
Safety Members - Other than Deputy Sheriff*				
Plans 1 & 2	35	14.78%	14.85%	0.07%
Plan 4	35	14.37%	14.43%	0.06%

** Cost Sharing varies for Deputy Sheriffs as follows:*
3.0% if employee is less than 45 and has less than 5 years of service.
3.5% if employee is less than 45 and has between 5 and 15 years of service.
4.5% if employee is older than 45 or has at least 15 years of service.

Revised Assumptions and Methods

Appendix A illustrates the Summary of Actuarial Assumptions as it will appear in the June 30, 2011 valuation report, if all recommended assumptions and methods are adopted. Proposed changes in assumptions are highlighted in yellow.

Section 2: Economic Assumptions

Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, provides guidance to actuaries giving advice on selecting economic assumptions for measuring obligations under defined benefit plans. Because no one knows what the future holds, the best an actuary can do is to use professional judgment to estimate possible future economic outcomes. These estimates are based on a mixture of past experience, future expectations, and professional judgment. The actuary should consider a number of factors, including the purpose and nature of the measurement, and appropriate recent and long-term historical economic data. However, the standard explicitly advises the actuary not to give undue weight to recent experience.

Recognizing that there is not one "right answer", the standard calls for the actuary to develop a best estimate range for each economic assumption, and then recommend a specific point within that range. Each economic assumption should individually satisfy this standard. Furthermore, with respect to any particular valuation, each economic assumption should be consistent with every other economic assumption over the measurement period.

In our opinion, the economic assumptions recommended in this report have been developed in accordance with ASOP No. 27. The following table shows our recommendations.

This section will discuss the economic assumptions. In brief, they are as follows (changes are shown in bold):

Economic Assumption	Current Assumption (Annual Rate)	Proposed (Annual Rate)	Alternative (Annual Rate)
Consumer Price Inflation	3.50%	3.50%	**3.25%**
Investment Return[1]	7.75%	7.75%	**7.50%**
Wage Growth (includes inflation and productivity)	4.00%	4.00%	**3.75%**
Real Wage Inflation (wage growth less price inflation)	0.50%	0.50%	0.50%
Payroll Growth	Assumed to be the same as Wage Growth		

[1] *Net of investment expenses.*

1. Price Inflation

Use in the Valuation

When we refer to inflation in this report, we are referring to price inflation. The inflation assumption has an indirect impact on the results of the actuarial valuation through the development of the assumptions for investment return, general wage increases and the payroll increase assumption. It also has a direct impact on the valuation results as it will be used to determine the expected future COLA payments.

The long-term relationship between inflation and investment return has long been recognized by economists. The basic principle is that the investors demand a "real return" – the excess of actual investment returns over inflation. If inflation rates are expected to be high, investors will demand investment returns that are also expected to be high enough to exceed inflation, while lower inflation rates will result in lower demanded expected investment returns, at least in the long run.

The current assumption for inflation is 3.50% per year.

Historical Perspective

The data for inflation shown below is based on the national Consumer Price Index, US City Average, All Urban Consumers (CPI-U) as published by the Bureau of Labor Statistics. The data for periods ending in December of each year is documented in Exhibit 1 at the end of this section.

Although economic activities in general and inflation in particular, do not lend themselves to prediction on the basis of historical analysis, historical patterns and long term trends are a factor to be considered in developing the inflation assumption.

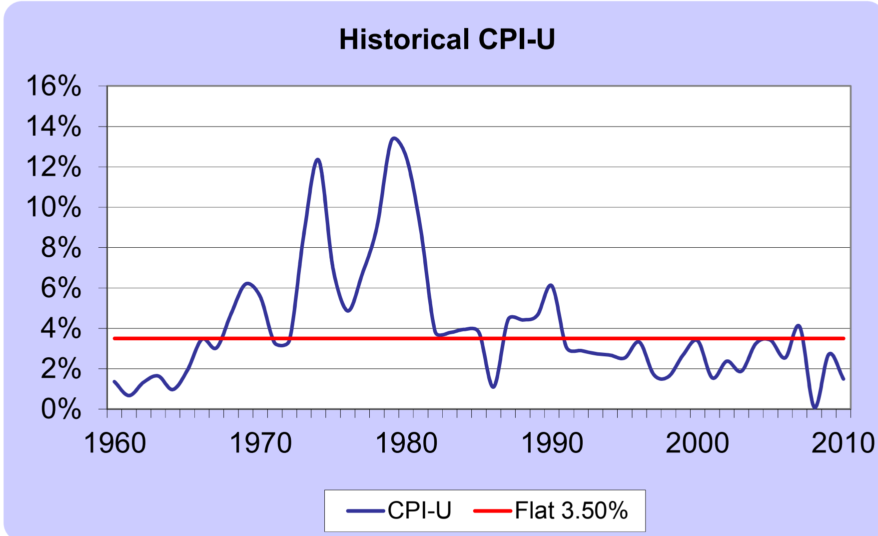
There are numerous ways to review historical data, with significantly differing results. The tables below show the compounded annual inflation rate for various 10-year periods, and for the 75-year period ended in December 2010.

Decade	CPI Increase
2001-2010	2.5%
1991-2000	2.9%
1981-1990	5.1%
1971-1980	7.4%
1961-1970	2.5%
Prior 75 Years	
1936-2010	3.8%

These are national statistics. For comparison, the average CPI increase for the Bay Area has been 4.0% for the same 75-year period.

Historical Perspective (Continued)

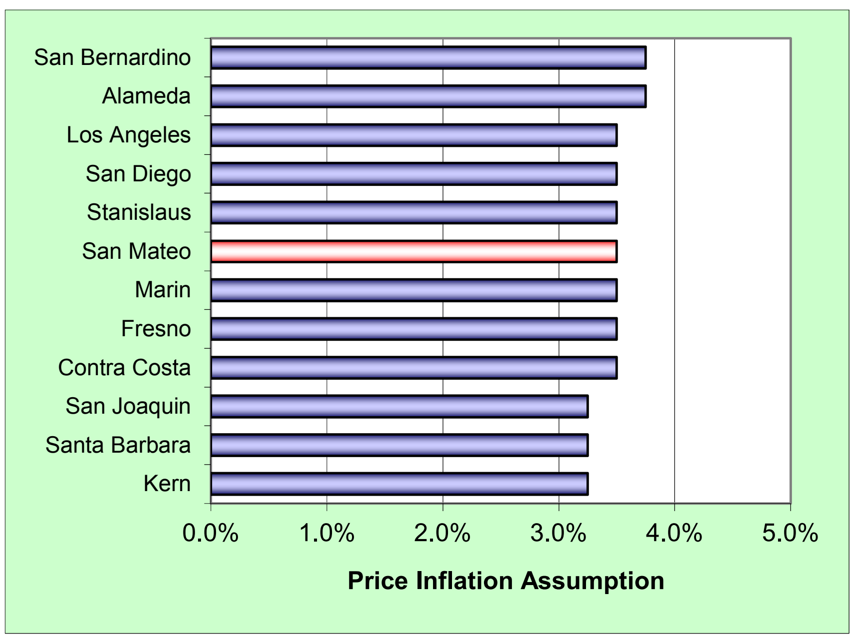
The following graph shows historical national CPI increases. Note that the actual CPI increase has been less than 3.50% during the most recent 15 years.



Peer System Comparison

According to the *Public Fund Survey* (a survey of approximately 100 statewide systems), the average inflation assumption for statewide systems has been steadily declining. As of the most recent study, the two most common assumptions are 3.00% and 3.50%.

Looking at other selected '37 Act systems, the current inflation assumption is in the mainstream.



Forecasts of Inflation

Since the U.S. Treasury started issuing inflation indexed bonds, it is possible to determine the approximate rate of inflation anticipated by the financial markets by comparing the yields on inflation indexed bonds with traditional fixed government bonds. Current market prices as of July 2011 suggest investors expect inflation to be about 2.6% over the next 30 years. This rate is close to the amount forecast by Strategic Investment Solutions (SIS), *SamCERA*'s investment consultant.

Many economists have been forecasting inflation lower than the current assumption of 3.50% for several years. Economists are generally considering shorter time periods (10 years or less) than may be appropriate for a pension valuation. To find an economic forecast with a time frame long enough to suit our purposes, we looked at the expected increase in the CPI by the Office of the Chief Actuary for the Social Security Administration. In the 2010 Trustees Report, the projected average annual increase in the CPI over the next 75 years under the intermediate cost assumptions was 2.80%. The reasonable range was stated as 1.80% to 3.80%.

Best Estimate Range and Recommendation

The consumer price inflation assumption impacts *SamCERA*'s funding as it is used to project the COLA payments. It is also used to determine both the investment return assumption and the wage growth assumptions. We believe that the current assumption of 3.50% per year is somewhat on the high side, although we believe it is still reasonable and are recommending making no change. Given the future expectations of inflation, the Board might consider lowering the assumption as shown in the alternative assumptions. If the assumption were lowered, we would recommend a small adjustment to 3.25% (and a corresponding decrease in the general wage growth and investment return assumptions, as discussed later).

CONSUMER PRICE INFLATION	
Current Assumption	3.50%
Best Estimate Range	2.00% - 3.75%
Recommended Assumption	Proposed = 3.50%
	Alternative = 3.25%

Exhibit 2-1 US City Average, All Urban Consumers (CPI-U) - December

December of:	Index	Increase	December of:	Index	Increase
1928	**17.1**				
1929	17.2	0.6%	**1969**	37.7	6.2%
1930	16.1	-6.4	**1970**	39.8	5.6
1931	14.6	-9.3	**1971**	41.1	3.3
1932	13.1	-10.3	**1972**	42.5	3.4
1933	13.2	0.8	**1973**	46.2	8.7
1934	13.4	1.5	**1974**	51.9	12.3
1935	13.8	3.0	**1975**	55.5	6.9
1936	14.0	1.4	**1976**	58.2	4.9
1937	14.4	2.9	**1977**	62.1	6.7
1938	14.0	-2.8	**1978**	67.7	9.0
1939	14.0	0.0	**1979**	76.7	13.3
1940	14.1	0.7	**1980**	86.3	12.5
1941	15.5	9.9	**1981**	94.0	8.9
1942	16.9	9.0	**1982**	97.6	3.8
1943	17.4	3.0	**1983**	101.3	3.8
1944	17.8	2.3	**1984**	105.3	3.9
1945	18.2	2.2	**1985**	109.3	3.8
1946	21.5	18.1	**1986**	110.5	1.1
1947	23.4	8.8	**1987**	115.4	4.4
1948	24.1	3.0	**1988**	120.5	4.4
1949	23.6	-2.1	**1989**	126.1	4.6
1950	25.0	5.9	**1990**	133.8	6.1
1951	26.5	6.0	**1991**	137.9	3.1
1952	26.7	0.8	**1992**	141.9	2.9
1953	26.9	0.7	**1993**	145.8	2.7
1954	26.7	-0.7	**1994**	149.7	2.7
1955	26.8	0.4	**1995**	153.5	2.5
1956	27.6	3.0	**1996**	158.6	3.3
1957	28.4	2.9	**1997**	161.3	1.7
1958	28.9	1.8	**1998**	163.9	1.6
1959	29.4	1.7	**1999**	168.3	2.7
1960	29.8	1.4	**2000**	174.0	3.4
1961	30.0	0.7	**2001**	176.7	1.6
1962	30.4	1.3	**2002**	180.9	2.4
1963	30.9	1.6	**2003**	184.3	1.9
1964	31.2	1.0	**2004**	190.3	3.3
1965	31.8	1.9	**2005**	196.8	3.4
1966	32.9	3.5	**2006**	201.8	2.5
1967	33.9	3.0	**2007**	210.0	4.1
1968	35.5	4.7	**2008**	210.2	0.1
			2009	215.9	2.7
			2010	219.2	1.5

2. Wage Growth

Use in the Valuation

Estimates of future salaries are based on two types of assumptions: 1) general wage increase and 2) merit increase. Rates of increase in the general wage level of the membership are directly related to inflation, while individual salary increases due to promotion and longevity occur even in the absence of inflation. The promotion and longevity assumptions, referred to as the merit scale, will be reviewed with the other demographic assumptions.

The current assumption is for 0.50% wage growth above the inflation assumption.

Historical Perspective

We have used statistics from the Social Security Administration on the National Average Wage back to 1951. For years prior to 1951, we studied the Total Private Nonagricultural Wages as published in *Historical Statistics of the U.S., Colonial Times to 1970*.

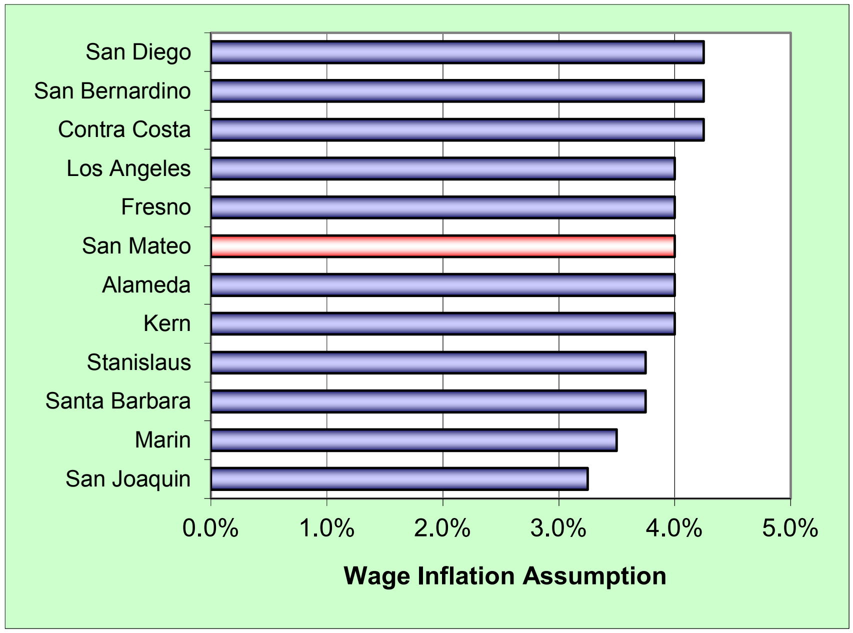
There are numerous ways to review this data. For consistency with our observations of other indices, the table below shows the compounded annual rates of wage growth for various 10-year periods and for the 75-year period ended in 2010. The excess of wage growth over price inflation represents "productivity" (or the increase in the standard of living, also called the real wage inflation rate).

Decade	Wage Growth	CPI Increase	Real Wage Inflation
2001-2010	2.6%	2.5%	0.1%
1991-2000	4.3%	2.9%	1.4%
1981-1990	5.3%	5.1%	0.2%
1971-1980	7.3%	7.4%	-0.1%
1961-1970	4.4%	2.5%	1.9%
Prior 75 Years			
1936-2010	5.3%	3.8%	1.5%

Peer System Comparison

The *Public Fund Survey* does not report the average wage growth assumption. Based on our experience with other systems, we believe the average for this group would be approximately equal to *SamCERA*'s assumption of 4.0%.

Looking at other selected '37 Act systems, the current wage growth assumption is in the mainstream.



Forecasts of Future Wages

Wage inflation has been projected by the Office of the Chief Actuary of the Social Security Administration. In the 2010 Trustees Report, the long-term annual increase in the National Average Wage is estimated to be 1.2% higher than the Social Security intermediate inflation assumption of 2.8% per year. The range of the assumed real wage growth in the 2010 Trustees Report was from 0.8% to 1.8% per year.

Reasonable Range and Recommendation

We believe that a range between 0.25% and 1.25% is reasonable for the actuarial valuation. Real wage inflation rate in recent years has been very low or negative; however, in each of the three prior decades, the actual experience was close to or less than the current assumption. We recommend that the long-term assumed real wage inflation rate remain at 0.50% per year.

REAL WAGE INFLATION RATE	
Current Assumption	0.50%
Best Estimate Range	0.25% - 1.25%
Recommended Assumption	0.50%

The wage growth assumption is the total of the consumer price inflation assumption and the real wage inflation rate. If the real wage inflation assumption remains 0.50% and the price inflation assumption remains at 3.50%, this would result in a total wage growth assumption of 4.00%.

Payroll Increase Assumption

In addition to setting salary assumptions for individual members, the aggregate payroll of *SamCERA* is expected to increase, without accounting for the possibility of an increase in membership (our current and recommended assumption is that no growth in membership will occur).

The current payroll increase assumption is equal to the general wage growth assumption of 4.00%. It is our general recommendation to continue to set these two assumptions to be equal, unless there is a specific circumstance that would call for an alternative assumption. We are recommending that the payroll increase assumption remain at 4.0% if the inflation rate remains at 3.50%.

3. Investment Return

Use in the Valuation

The investment return assumption is one of the primary determinants in the calculation of the expected cost of the System's benefits, providing a discount of the future benefit payments that reflects the time value of money. This assumption has a direct impact on the calculation of liabilities, normal costs, member contribution rates, and the factors for optional forms of benefits. The current investment return assumption for *SamCERA* is 7.75% per year, net of administrative and investment-related expenses.

Method to Determine Best-Estimate Range for Investment Return

We have determined the best-estimate range for the investment return assumption based upon a model developed by Milliman's investment practice. As input to this model, we have used the average capital market assumptions of a number of investment consultants and the target asset allocation adopted by the *SamCERA* Board. *SamCERA*'s target asset allocation is summarized in the following chart:

Asset Class	Target Allocation
Large Cap Equity	28%
Small Cap Equity	7
International Equity	18
Fixed Income	22
Real Estate	5
Private Equity	8
Risk Parity	6
Hedge Funds	3
Commodities	3
Total	100%

This model is used to provide the range of assumptions appropriate for compliance with Actuarial Standard of Practice No. 27, "Selection of Economic Assumptions for Measuring Pension Obligations." The Standard defines the Best-Estimate Range as "the narrowest range within which the actuary reasonably anticipates that the actual results, compounded over the measurement period, are more likely than not to fall."

By assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year, we can develop expected percentiles for the long-term distribution of annualized returns.

Using properties of the lognormal distribution, we calculate the 25th and 75th percentiles of the long-term total return distribution. This becomes our best-estimate range because 50% of the outcomes are expected to fall within this range and it is centered about the mean.

Method to Determine Best-Estimate Range for Investment Return (continued)

The capital market assumptions were combined with the target asset allocation policy to generate expected real rates of returns (total return less assumed inflation) which were then added to the current inflation assumption of 3.5%. The real rate of return is subject to significant year-to-year volatility as measured by the standard deviation. Volatility over time will lower the mean real rate of return but diversification by asset class will reduce the volatility and narrow the range of expected total returns for the entire portfolio. The results are summarized as follows:

Expected Investment Return with 3.50% Inflation
(after reflecting administrative and investment expenses)

Horizon	Percentile Results for Nominal Rate of Return				
In Years	5th	25th	50th	75th	95th
1	-9.7%	0.2%	7.7%	15.9%	28.6%
5	-0.5%	4.3%	7.7%	11.3%	16.6%
10	1.9%	5.3%	7.7%	10.2%	13.9%
20	3.6%	6.0%	7.7%	9.5%	12.1%
30	**4.3%**	**6.3%**	**7.7%**	**9.2%**	**11.3%**

The geometric mean return is 7.7%, but due to the volatility associated with the asset allocation, the range of probable outcomes is quite large. For example, in the first year there is a 5% chance the rate of return will be less than -9.7% and a 5% chance it will be greater than 28.6%. As the time horizon lengthens the range of the cumulative average results narrows. Note that these are net returns, after adjusting for investment expenses.

Over a 30-year time horizon, we estimate there is a 25% chance the nominal rate of return will be less than 6.3% and a 25% chance the return will be greater than 9.2% (bold numbers on the bottom line in the table above). Therefore, we can say the return is just as likely to be within the range from 6.3% to 9.2% as not.

Captital Market Assumptions

As previously noted, the capital market assumptions used in our analysis were the average of the capital market assumptions used by several investment consultants (SIS, Ennis Knupp, Cliffwater, Pension Consulting Alliance and Milliman).

Class	Expected Return	Standard Deviation
Large Cap Equity	9.09%	17.2%
Small Cap Equity	9.59%	19.6%
International Equity	9.38%	19.3%
Fixed Income	3.99%	5.2%
Real Estate	7.69%	12.5%
Private Equity	13.54%	28.7%
Risk Parity/Hedge Funds	7.31%	9.3%
Commodities	6.95%	21.6%

Investment and Administrative Expenses

The investment return used for the valuation is assumed to be net of all investment and administrative expenses. The following table shows the ratio of total expenses to the fair market value of *SamCERA* assets over the last eight fiscal years ending June 30. The expense ratio is calculated as the total expense divided by the ending asset balance at fair market value.

($ in millions where applicable)

Year	Market Assets	Inv. Expense	Adm. Expense	Expense Ratio
2003	$1,207.5	$3.6	$1.9	0.46 %
2004	$1,233.3	$4.2	$1.9	0.49
2005	$1,579.5	$7.3	$2.2	0.60
2006	$1,799.0	$8.5	$2.1	0.59
2007	$2,131.6	$10.7	$2.6	0.62
2008	$2,010.7	$10.9	$3.2	0.70
2009	$1,565.6	$11.1	$3.3	0.92
2010	$1,753.2	$8.9	$3.4	0.70

The ratio of expenses to market assets has increased over the last several years to about 0.75%. This amount does not have a direct impact on the actuarial valuation results, but it does provide a measure of gross return on investments that will be needed to meet the actuarial assumption used for the valuation. For example, if the investment return assumption is set equal to 7.75%, then *SamCERA* would need to earn a gross return on its assets of 8.50% in order to net the 7.75% for funding purposes.

Best Estimate Range and Recommendations Based on Current Market Expectations

Based on the ASOP No. 27 guidelines, we conclude that the best-estimate range is the expected real rates of return between the 25^{th} and 75^{th} percentile projected out 30 years, plus the assumed inflation rate, less investment-related expenses.

Based upon our model and the current inflation assumption, we have the following results:

	Percentile Results		
Components of Return	**75th**	**50th**	**25th**
Expected Real Rate of Return	3.6%	5.0%	6.4%
Valuation Inflation	3.5%	3.5%	3.5%
Total Expenses	-0.8%	-0.8%	-0.8%
Net Expected Return	**6.4%**	**7.7%**	**9.2%**

Best Estimate Range and Recommendations Based on Current Market Expectations (continued)

Based upon this model, there is approximately a 50% chance that the net return will be 7.75% or more over a 30-year period. Generally we like to allow some room for conservatism when recommending the investment return assumption to provide a buffer against future adverse experience. Since the expected return of 7.7% is approximately equal to the assumed investment return of 7.75%, there is currently no buffer.

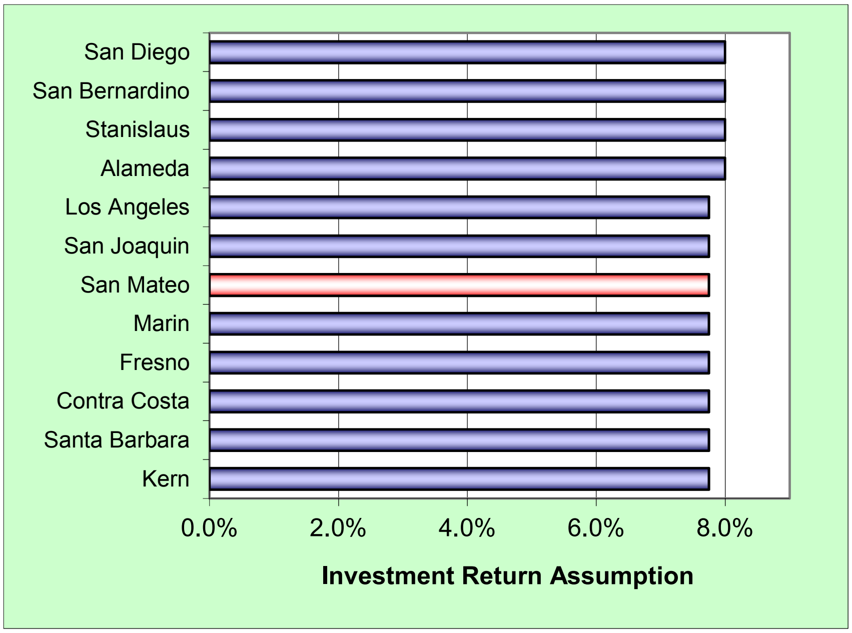
It should be noted that this analysis is based on a 3.50% inflation assumption. As discussed earlier, there is some argument for using a lower inflation assumption. If the inflation assumption were lowered to 3.25% (alternative assumption), the expected net investment return would be 7.45%, making the current assumption more aggressive (i.e., less likely to be met).

Accordingly, if the 3.25% inflation assumption is adopted, we would recommend lowering the investment return assumption to 7.50%. We would describe the current set of economic assumptions as middle-of-the-road (i.e., neither aggressive nor conservative). Moving to the alternate set of economic assumptions would provide slightly more conservatism.

Peer System Comparison

According to the *Public Fund Survey*, the average investment return assumption for statewide systems has been slowly declining. As of the most recent study, the average rate is just under 8.0%

Looking at other selected '37 Act systems, *SamCERA*'s current assumption of 7.75% is the most common.



Excess Earnings

Section 31592.2 of the 1937 Act provides the Retirement Board with the authority to set aside surplus earnings of the retirement fund which are in excess of the total interest credited to contributions, provided this surplus exceeds 1.00% of the total assets of the retirement system.

If the Board determines that the fund should share excess earnings with members when times are good, but the fund is not able to collect additional revenue when investment returns lag expectations, there will be a reduction in the investment return available to fund *SamCERA*'s regular pension benefits. Thus, if the Board adopts a policy, either formal or informal, to use excess earnings for anything other than the regular pension benefits, we would consider the impact on the investment return assumption and possibly recommend a reduction. As of this time, we are not recommending any adjustment.

Other Factors for Board Consideration

Since economic assumptions are subjective in nature, it is our recommendation that the Board be fully comfortable with the implications of the economic assumptions, particularly with the investment return assumption. There is an "actuarial risk" associated with the economic assumptions, just as there is an investment risk associated with a given portfolio mix.

Actuarial assumptions are used to measure and budget future costs. Changing assumptions will not change the actual cost of future benefits. Aggressive assumptions anticipate good future experience ahead of time and factor it into budget estimates. Conservative assumptions, on the other hand, tend to recognize good experience only after it happens.

The choice of assumptions depends on a system's risk tolerance. The final determination on whether or not a set of assumptions is either conservative or aggressive will only be born out by future experience. As discussed earlier, we believe the current economic assumptions are neither aggressive nor conservative.

All other things being equal, a lower investment return assumption provides stronger funding, and a higher investment return assumption results in weaker funding. Therefore, in our opinion, systems that are already funding at a low level (e.g., a rolling 30-year amortization of the UAAL) should consider incorporating conservatism in their investment return assumption. *SamCERA* has a strong contribution policy (15-year layered amortization of the UAAL), so we believe it is not as important to include a level of conservatism in the investment return assumption, although it should still be considered.

Other Factors for Board Consideration (continued)

The investment return assumption also impacts member contribution rates, as well as the costs of service purchases and other optional forms of payment. Therefore, although the investment return assumption does not directly impact the ultimate cost of benefits, it does impact the split between the employers and the members.

In particular, SamCERA has a fairly significant number of members who purchase additional retirement credit (ARC). If the actual rate of return earned in the long-term is less than the investment return assumption, the system will have charged the member less than the true cost, and the employer will ultimately have to make up this shortfall. Conversely, if the actual rate of return earned in the long-term is greater than the investment return assumption, the system will have charged the member more than the full cost, and the employer will have to contribute less in the future.

Conclusion

Based on portfolio analysis and the current inflation assumption, we believe the 7.75% investment return is a reasonable long-term assumption. Nonetheless, the expected returns for the portfolio will still have a certain amount of volatility.

According to the economists and investment advisors, a decrease in the price inflation assumption to 3.0% or lower would be reasonable. If such low inflation is experienced over time, then it is likely *SamCERA*'s investment return will be lower than the current assumption of 7.75%.

As discussed in the inflation section, we are not recommending a change in the inflation assumption. Based on the 3.50%, we believe the 7.75% investment return assumption is appropriate and we are recommending the Board adopt it. However, we believe there is some justification to lower the inflation. If the inflation assumption were lowered, we would recommend lowering the investment return assumption to avoid increasing the net rate of return assumption. Therefore, we have also shown a lower investment return with the alternative assumptions.

INVESTMENT RETURN (NET OF INVESTMENT EXPENSES)	
Current Assumption	7.75%
Best Estimate Range*	6.4% - 9.2%
Recommended Assumption	Proposed = 7.75%*
	Alternative = 7.50%**

* *Based on a 3.5% inflation assumption.*

** *Based on a 3.25% inflation assumption.*

Section 3: Actuarial Methods and Miscellaneous Assumptions

Valuation Methods

As part of the triennial investigation, we have reviewed the valuation methods and other issues related to the actuarial assumptions.

- **Cost Method:** The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). We believe that this cost method is appropriate for *SamCERA*'s valuation. We recommend no change.

- **Funding Method (amortization of UAAL):** The current method uses a layered approach. We recommend no change.

- **Valuation of Assets:** We believe that the current asset valuation method which smoothes gains and losses over five years (actually 10 six-month periods) is appropriate for *SamCERA*'s valuation. We recommend no change.

- **Adjustment to Plan 3 Normal Cost Rate:** The current method increases the Plan 3 Normal Cost rate to account for Plan 3 members being eligible to transfer to Plan 2 or Plan 4 (depending on entry date) after five years of service. Under this method, the Plan 3 Normal Cost rate is 50% of the unadjusted Plan 3 Normal Cost rate and 50% of the Plan 4 Normal Cost rate. We believe this method continues to be appropriate and recommend no change.

Miscellaneous Assumptions

- **Reciprocity:** Members who terminate may go to work for a reciprocal employer. This can result in an increase in the member's final compensation used in the calculation of their *SamCERA* benefit. We currently assume that 40% of future terminated vested members retire with a reciprocal employer. We reviewed this assumption and are recommending a change to 35% for General members, and 45% for Safety members. The results of the study are as follows:

Probability of Reciprocal Employer					
Class	**All Terms >= 5 Years**	**Recip.**	**Actual**	**Expected**	**Proposed**
General	20	11	32%	40%	35%
Safety	6	0	47%	40%	45%

Valuation Methods (continued)

- **Probability of Eligible Survivor:** Eligible surviving beneficiaries (spouses or qualified domestic partners of members) generally receive a 60% continuance of the member's benefit (100% continuance for service-connected disabilities and 50% for Plan 3 members). The valuation assumes a certain percentage of members will have an eligible survivor at retirement. We studied this assumption and are recommending no change. The results of the study are as follows:

Retirees with Eligible Survivor			
Gender	**Actual**	**Expected**	**Act / Exp**
Male	74%	80%	93%
Female	52%	55%	95%

Non-Valuation Methods

- **Operating Tables:** We are recommending changes in the retired and disabled mortality assumptions. If these changes are adopted, the operating tables need to be updated to reflect the altered life expectancies.

- **Member Contribution Rates:** The proposed changes to the retired mortality assumptions will impact the basic member contribution rates. If the investment return assumption is changed, this will also impact the member rates. New member rates were calculated as of June 30, 2010 based on the new assumptions, and were included in the cost analysis of the new assumptions. A sample of the changes to the member rates due to the new mortality assumption is shown in the chart below.

Sample Changes in Member Rates due to Mortality Change (Rates Shown Include Cost Sharing)				
	Age	**Current**	**Proposed**	**Increase**
General Members - County				
Plans 1 & 2	35	10.22%	10.25%	0.03%
Plan 4	35	9.91%	9.94%	0.03%
Probation Members (Reflects Employer Pick-up)				
Plans 1 & 2	35	11.33%	11.38%	0.05%
Plan 4	35	10.99%	11.04%	0.05%
Safety Members - Other than Deputy Sheriff*				
Plans 1 & 2	35	14.78%	14.85%	0.07%
Plan 4	35	14.37%	14.43%	0.06%

** Cost Sharing varies for Deputy Sheriffs as follows:*

3.0% if employee is less than 45 and has less than 5 years of service.

3.5% if employee is less than 45 and has between 5 and 15 years of service.

4.5% if employee is older than 45 or has at least 15 years of service.

Section 4: Salary Increases Due to Promotion and Longevity (Merit)

Estimates of future salaries are based on assumptions for two types of increases:

1) Increases in each individual's salary due to promotion or longevity, which occur even in the absence of inflation (merit increases); and

2) Increases in the general wage level of the membership, which are directly related to inflation and increases in productivity.

Results

In Section 2 we recommend that the second of these rates, the general wage inflation, remain at 4.00%.

Exhibit 4-1 shows the actual merit increases, plus the general wage growth assumption, over the period July 1, 2008 – June 30, 2010. Increases were higher earlier in a member's career (lower service) and then decreased over time, consistent with the current assumptions. Overall, the actual increases were less than that predicted by the current assumptions.

Note that this period is slightly shorter than the period over which all other assumptions were studied. We felt that studying salary increases for a partial final year (ending April 30, 2011) would result in a less accurate analysis of salary increase patterns over the study period.

The recent current experience study was likely influenced by the recession that occurred during the study period. Our goal in recommending assumptions is to predict the long-term expectations for the system, not to alter assumptions based on temporary, short-term patterns. Therefore, we looked at both the 2011 and previous 2008 experience study in making our determinations.

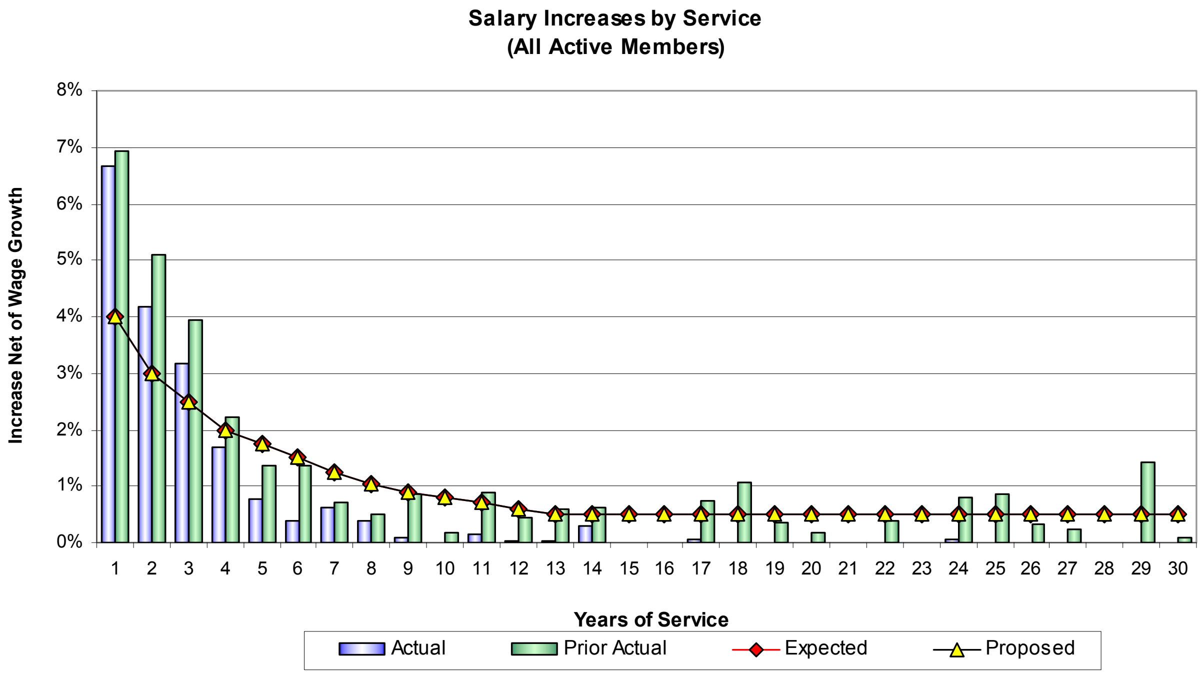
We also studied the merit patterns of Safety and General members separately, as we have seen differences between the two groups in other systems. There were some differences for *SamCERA*; however, it is not clear at this time whether this is a long-term trend or a short-term fluctuation. We will continue to monitor this in future studies.

Recommendation

Based on the results of the prior two experience studies, we are not recommending a change in the merit component of the salary increase assumptions.

Exhibit 4-1 Total Annual Rates of Increase in Salary Due to Merit and Longevity

(Excluding the General Wage Growth Assumption)



Section 5: Mortality

In this section we look at the results of the study of actual and expected death rates of retired members. We studied rates of mortality among healthy and disabled retired members. Valuation mortality is a critical assumption, since, if members live longer than expected, we will be understating the true cost of the future plan obligations.

Results

Overall, we found there were slightly more deaths than the current rates predicted: 269 actual to 243 expected for a total ratio of 111%. We generally like to see some margin for future improvements in mortality (i.e., actual number greater than expected by about 10% or so). Note that under the current assumptions, there is no margin at all for General or Safety males under Service Retirement. We are therefore recommending strengthening the mortality assumption for males under Service Retirement (i.e., increasing life expectancies).

Additionally, we have made adjustments to the General male and General female mortality rates under Disability Retirement in order to better fit experience (note that the recommended change did not alter the A/E ratio for General females).

The following is a comparison of the actual-to-expected deaths of retired members by class and gender for the study period.

Retiree Mortality

Service Retirement

	Deaths			Actual to	Actual to
Group	Actual	Expected	Proposed	Expected	Proposed
General Male	76	76	68	100%	112%
General Female	149	133	133	112%	112%
Safety Male	11	11	10	100%	110%
Safety Female	2	1	1	200%	200%
Total Svc Ret	**238**	**221**	**212**	**108%**	**112%**

Disability Retirement

	Deaths			Actual to	Actual to
Group	Actual	Expected	Proposed	Expected	Proposed
General Male	11	6	7	183%	157%
General Female	16	11	11	145%	145%
Safety Male	3	4	4	75%	75%
Safety Female	1	1	1	100%	100%
Total Dis Ret	**31**	**22**	**23**	**141%**	**135%**
Grand Total	**269**	**243**	**235**	**111%**	**114%**

Results (continued)

Results are shown graphically on the following pages. Note that analysis of Safety females is not shown in graph form due to the small number of actual and expected deaths.

Recommendation

We are recommending strengthening the mortality assumption (i.e., increasing life expectancies). Note that this brings the total A/E ratio to 114%, which allows for some increases in life expectancies. The recommended new mortality tables are based on standard mortality tables for annuitants with adjustments to fit *SamCERA*'s experience and are described in Appendix A.

For active mortality (the probability of death while actively employed), we are recommending using a standard mortality table for active employees, with adjustments similar to those made to the mortality for *SamCERA*'s retired members.

Similarly, there was not enough experience for service-related death to perform a valid statistical analysis. We are recommending retaining the current assumption.

Exhibit 5-1 **Mortality for Service Retirees**
General Males

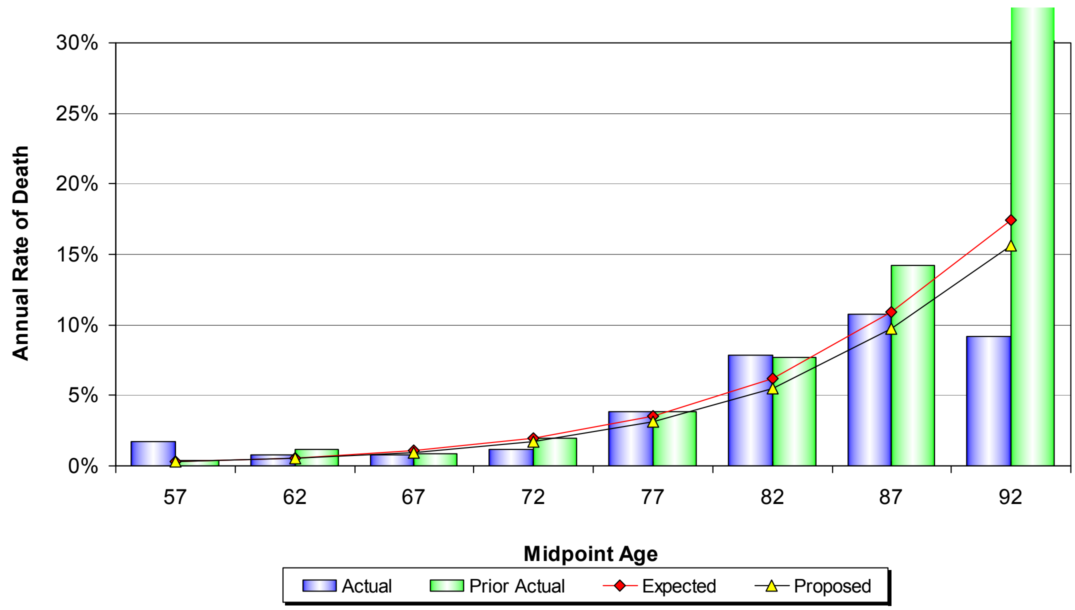


Exhibit 5-2 **Mortality for Service Retirees**
General Females

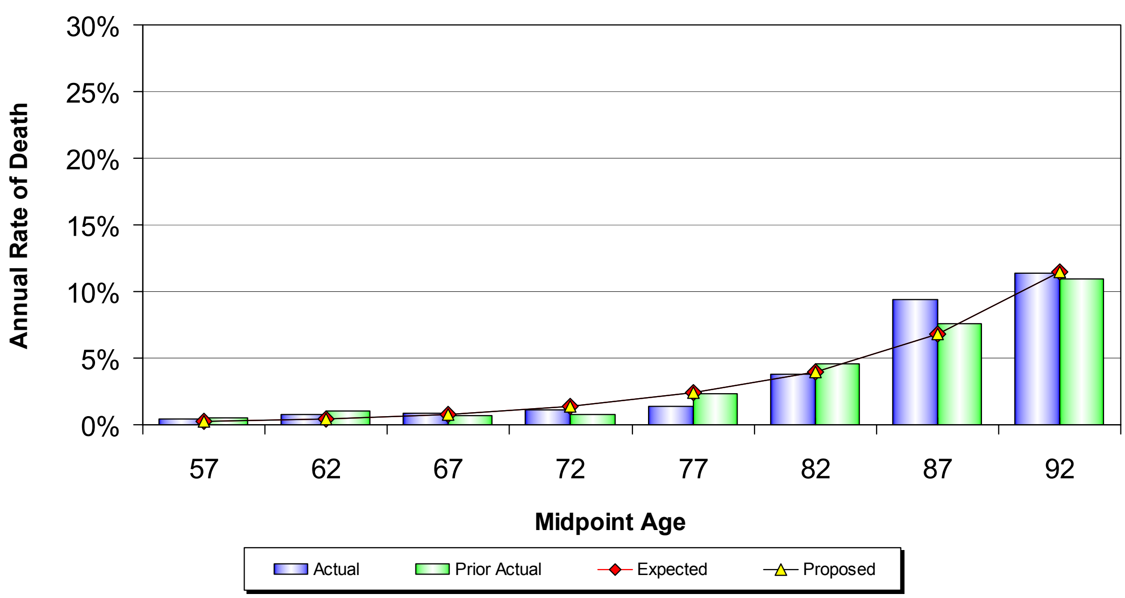


Exhibit 5-3 Mortality for Service Retirees Safety Males

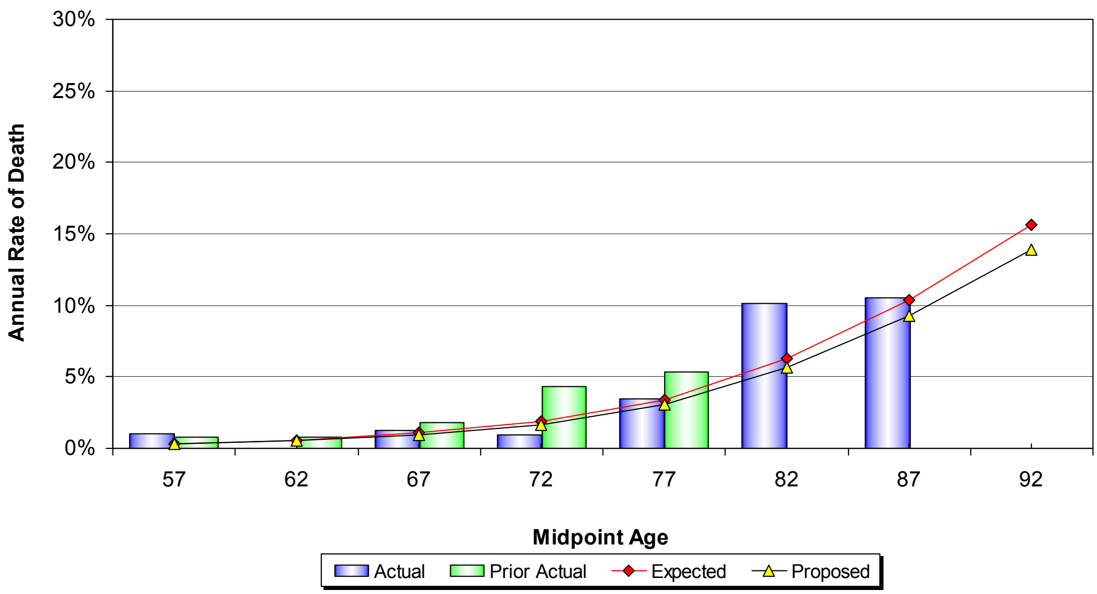


Exhibit 5-4 Mortality for Disabled Retirees General Males

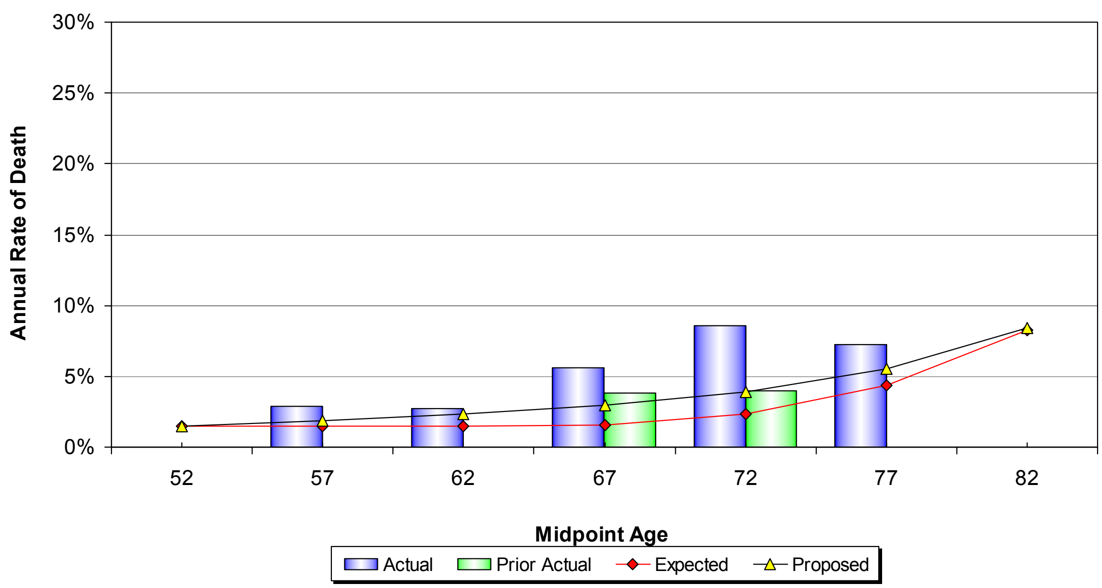


Exhibit 5-5 Mortality for Disabled Retirees General Females

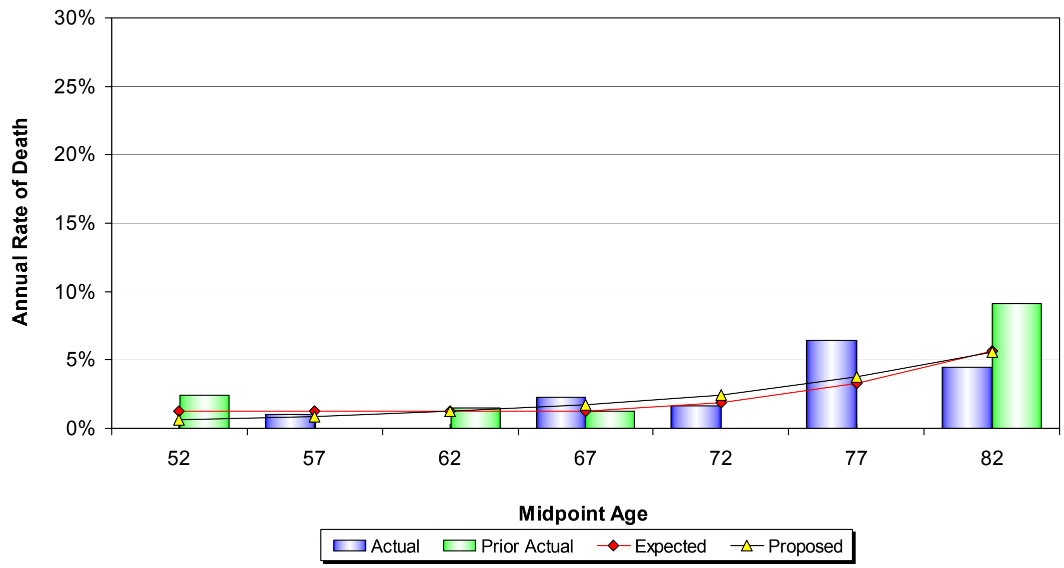
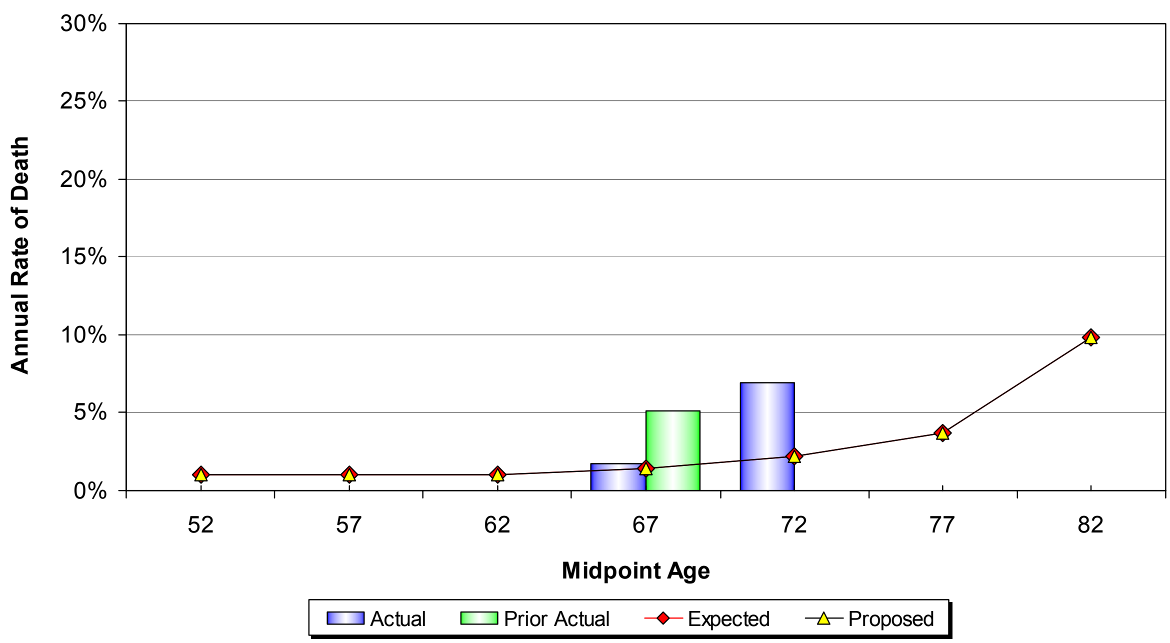


Exhibit 5-6 Mortality for Disabled Retirees Safety Males



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Section 6: Service Retirements

Exhibits 6-1 through 6-3 show the actual and expected rates of service retirement. Our analysis of rates of service retirement was by attained age.

Exhibits 6-1 through 6-3 study retirements for the following groups:

- Exhibit 6-1: General Members – Males
- Exhibit 6-2: General Members – Females
- Exhibit 6-3: Safety Members – Males and Females

Results

For General and Safety/Probation members, the total actual retirements from active service were less than the assumptions predicted.

As shown below, the total number of retirements (339) was only 76% of the total number expected (444).

Service Retirements			
Class	**Actual**	**Expected**	**Act / Exp**
General	296	376	79%
Safety	43	68	63%
Total	339	444	76%

Recommendation

As mentioned in Section 1 of this report, we believe the recessionary economic environment has resulted in lower rates of retirement and termination. We have seen a slight long-term downward trend in retirement rates among public systems, but the current experience study period is likely heavily influenced by the recession.

Actuarial assumptions are used to predict long-term expected behavior, and therefore in cases of significant deviation from previous recent experience, our recommendation is usually to make only a partial adjustment to reflect the most recent experience.

We are recommending reduced retirement rates for General and Safety/Probation members. Note that, as illustrated in the graphs below, we have reflected only part of the recent experience. Additionally, we have taken the previous experience study into account to give more of a long-term picture of the recent retirement rates.

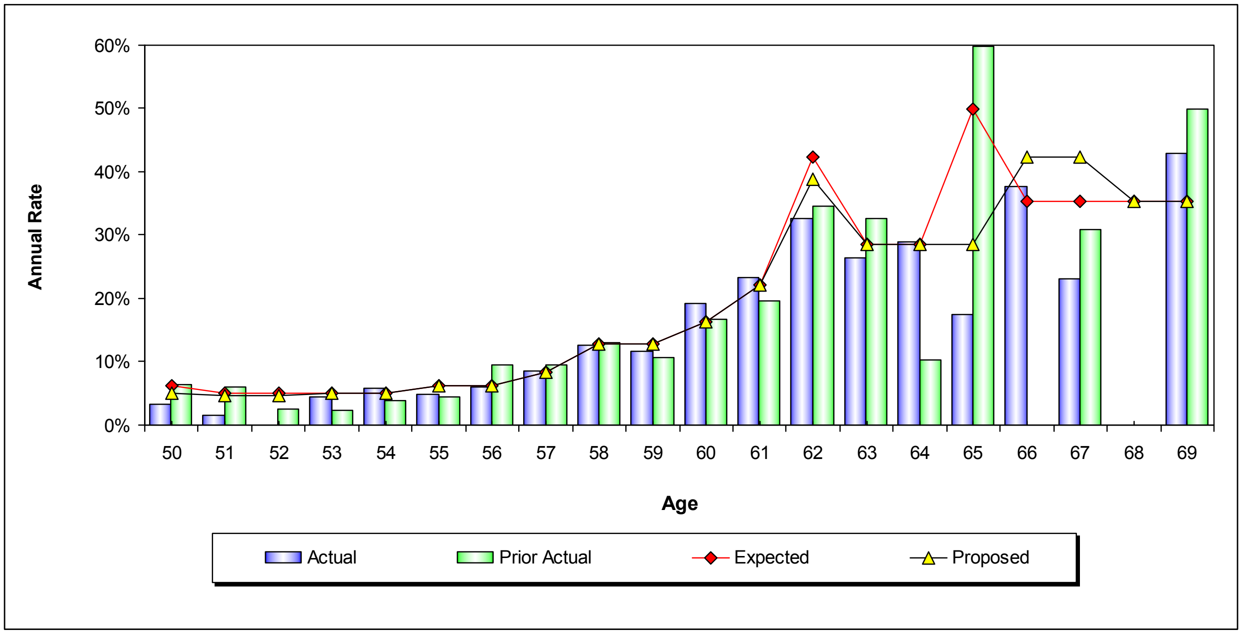
Recommendation (continued)

A comparison of the actual and expected retirements under the recommended assumptions is shown in the table below.

Service Retirements -- Proposed			
Class	**Actual**	**Proposed**	**Act / Prop**
General	296	358	83%
Safety	43	57	75%
Total	339	415	82%

There were not enough Plan 3 service retirements to perform a statistically meaningful study; therefore we are recommending no change to these rates.

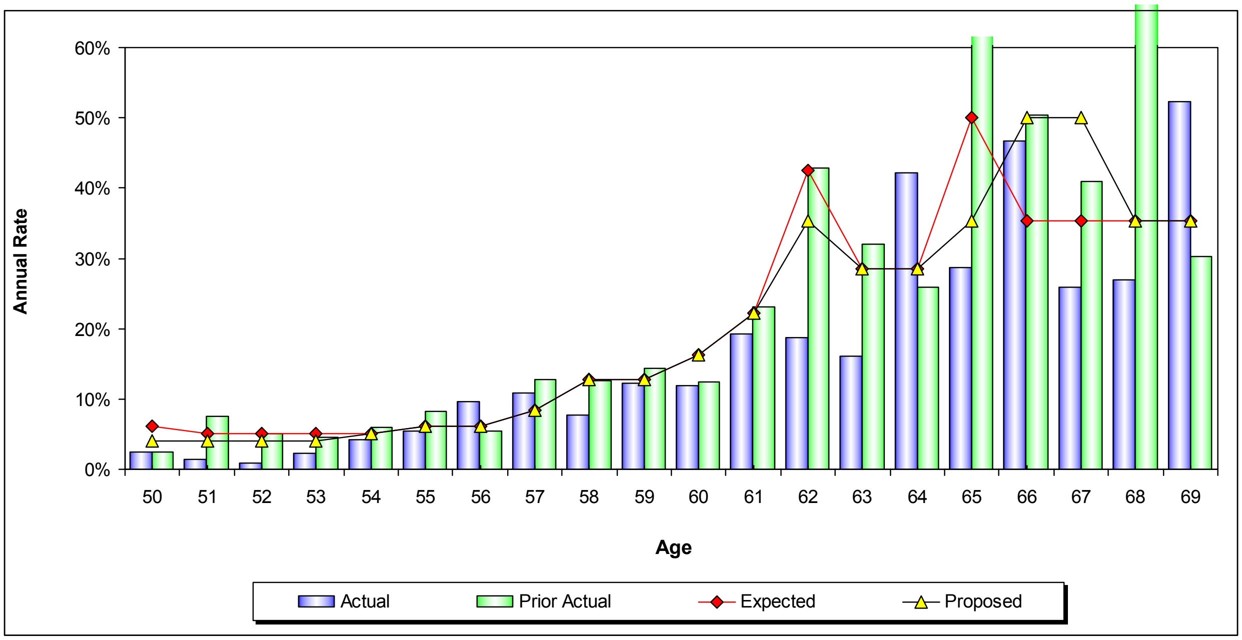
Exhibit 6-1 Retirement Rates
General Males



Ages 50-69	Expected	Actual	Proposed
Total Count	133	111	127
Actual / Expected	83%		87%

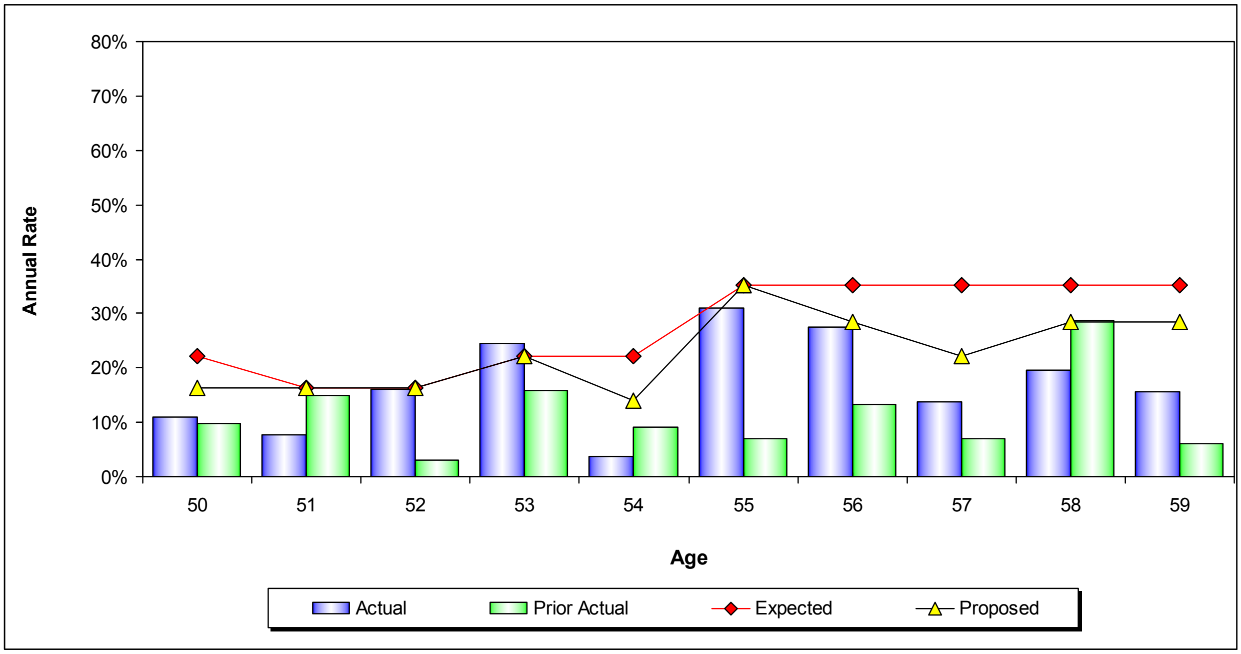
San Mateo County Employees' Retirement Association
Investigation of Experience (2008-2011)

Exhibit 6-2 Retirement Rates
General Females



Ages 50-69	Expected	Actual	Proposed
Total Count	243	185	231
Actual / Expected	76%		80%

Exhibit 6-3 Retirement Rates
Safety Males/Females



Ages 50-59	Expected	Actual	Proposed
Total Count Actual / Expected	68 63%	43	57 75%

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Section 7: Disability Retirement

SamCERA allows a member to start receiving benefits prior to eligibility for service retirement if they become disabled. There are two types of disability:

- Nonservice-Connected Disability: This is available to a disabled member only if he has satisfied the vesting requirement.
- Service-Connected Disability: This is available only to members who are disabled for the performance of duty. There is no service requirement, and the service-connected disability benefit generally pays a larger benefit than nonservice-connected disability.

We have found that in many systems, including *SamCERA*, there is generally at least a 6-month lag between the actual occurrence of a disability retirement and the subsequent approval and reporting of that same retirement. To account for this, we adjusted our final data to include eight disability retirements that occurred in the 6-month period preceding our study.

Results

After taking this 6-month lag into account, the total adjusted number of disability retirements (service-connected and nonservice-connected combined) was greater than expected for General members (Actual/Expected ratio of 124%). There were 6 actual Safety disabilities, compared to 8 expected disabilities.

Disability Retirements			
Class	**Actual**	**Expected**	**Act / Exp**
General	31	25	124%
Safety	6	8	75%
Total	37	33	112%

Results – Comparison of Service and Ordinary Disability

The total disability rates are split between ordinary and service disability in accordance with the approximate relative number of each reported in the experience data for General and Safety members. The proportions of disabilities attributable to each cause in the study period are shown in the following chart.

Split between Service and Ordinary Disability					
Class	**Svc**	**Ordinary**	**Total**	**Svc/Total**	**% Svc**
General	20	11	31	65%	60%
Safety	6	0	6	100%	80%

Recommendation

We are recommending increasing the rates of disability retirement for General members. We are recommending no change to the rates of disability retirement for Safety members.

We recommend continuing to use a 60%/40% split between service disability and ordinary disability for General members. For Safety members, we recommend changing the assumption so that 100% of disabilities are assumed to be service connected.

Disability Retirements					
Class	**Actual**	**Expected**	**Act / Exp**	**Proposed**	**Act / Prop**
General	31	25	124%	29	107%
Safety	6	8	75%	8	75%
Total	37	33	112%	37	100%

Section 8: Other Terminations of Employment

This section of the report summarizes the results of our study of terminations of employment for reasons other than death, service retirement, or disability. Rates of termination vary by years of service – the greater the years of service, the less likely a member is to terminate employment.

The current assumptions also vary by gender for General members, with females having a slightly higher probability of terminating than males.

Results

Overall, the actual number of terminations was lower than expected for both General and Safety members.

Termination -- General Members			
Gender	**Actual**	**Expected**	**Act / Exp**
Male	203	228	89%
Female	379	518	73%
Total	582	746	78%

Termination - Safety Members			
Gender	**Actual**	**Expected**	**Act / Exp**
Male/Female	31	47	66%

Recommendation

As mentioned in Section 1 of this report, we believe the recessionary economic environment has resulted in lower rates of retirement and termination. The current termination study results are likely influenced by the recession.

Actuarial assumptions are used to predict long-term expected behavior, and therefore in cases of significant deviation from previous recent experience, our recommendation is usually to make only a partial adjustment to reflect the most recent experience.

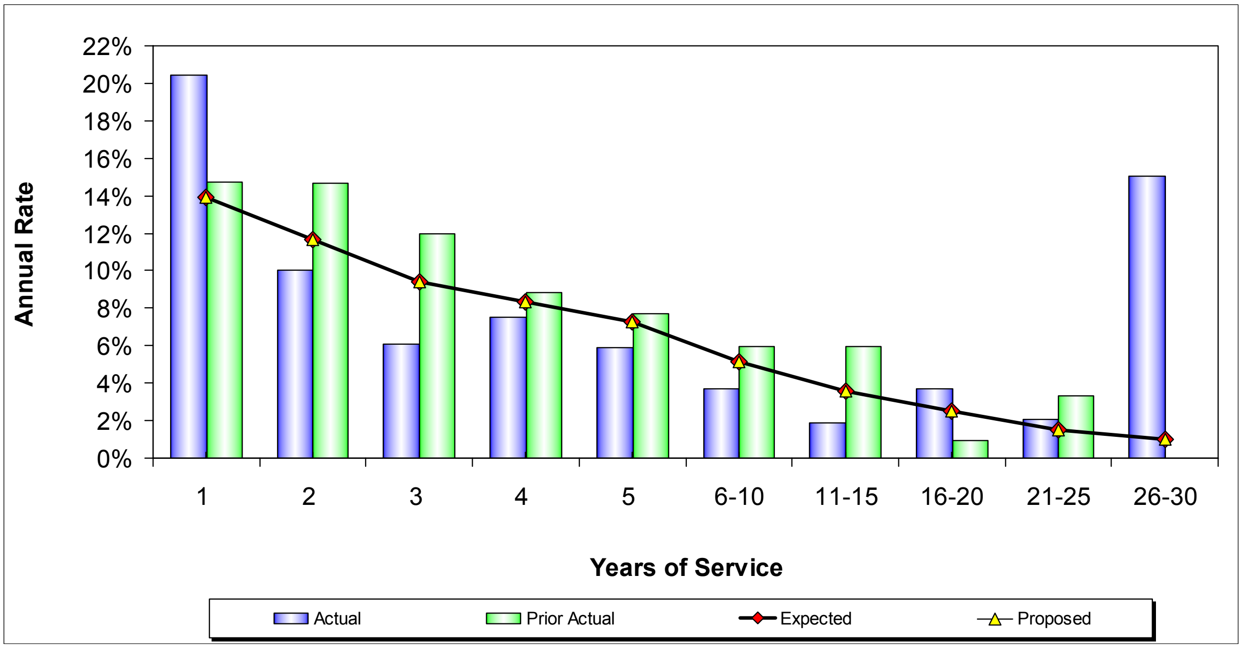
Recommendation (continued)

In this case, we are recommending reduced rates of termination for General females and for Safety members. Since the General male actual/expected ratio is almost 90%, we are not recommending a change to those rates at this time. The results of the study are shown in Exhibits 8-1 through 8-3. A summary of the revised results under the recommended assumptions is shown in the following table.

Termination -- General Members			
Gender	**Actual**	**Proposed**	**Act / Prop**
Male	203	228	89%
Female	379	490	77%
Total	582	718	81%

Safety Termination - All Years of Service			
Gender	**Actual**	**Proposed**	**Act / Prop**
Male/Female	31	44	70%

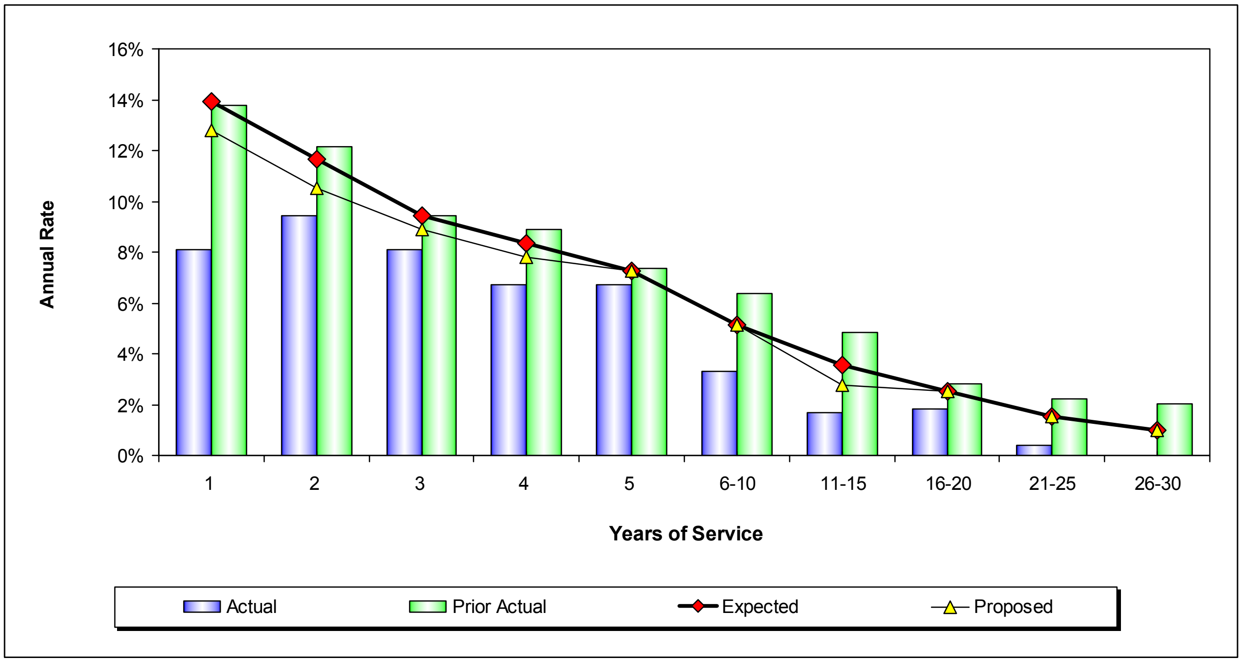
Exhibit 8-1 Termination by Years of Service* – General Males



	2008 - 2011 Data		
	Expected	Actual	Proposed
Total Count	228	203	228
Actual / Expected	89%		89%

**Excludes retirement-eligible members.*

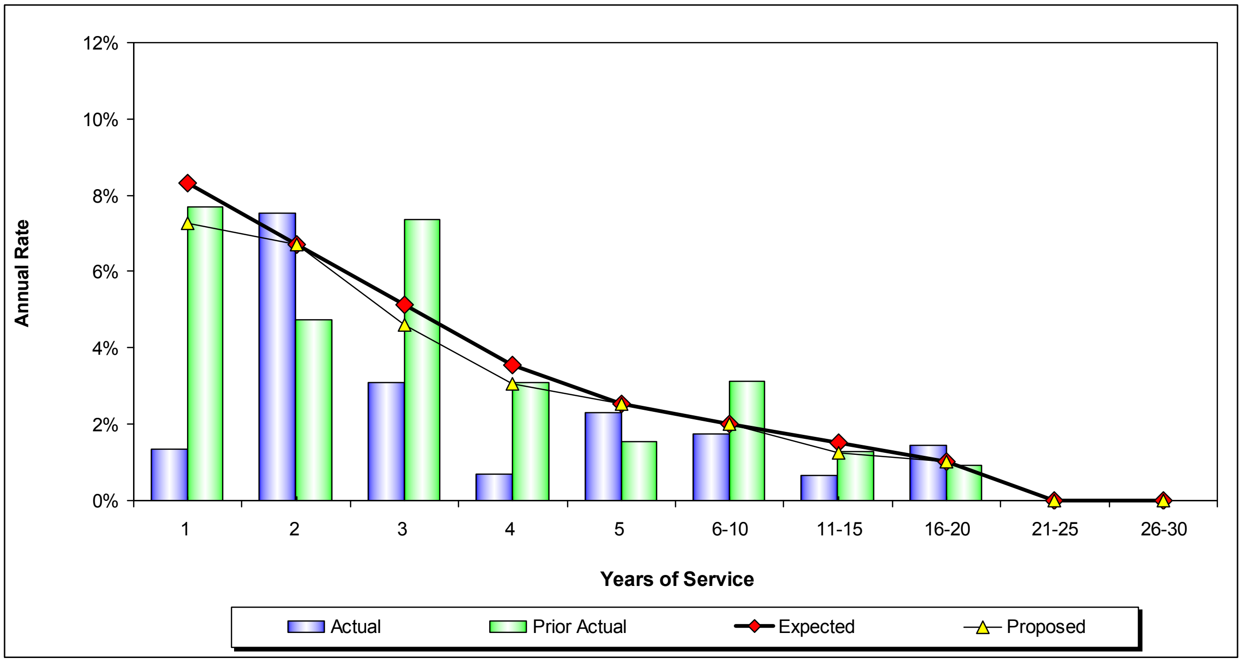
Exhibit 8-2 Termination by Years of Service* – General Females



	2008 - 2011 Data		
	Expected	Actual	Proposed
Total Count	518	379	490
Actual / Expected	73%		77%

**Excludes retirement-eligible members.*

Exhibit 8-3 Termination by Years of Service* – Safety



	2008 - 2011 Data		
	Expected	Actual	Proposed
Total Count	47	31	44
Actual / Expected	66%		70%

**Excludes retirement-eligible members.*

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Section 9: Probability of Refund Upon Vested Termination

This section of the report deals with the rates at which employees elect a refund of their contributions upon termination of service. It only considers vested members who are not yet eligible for service retirement. Under the current assumptions, members who terminate with fewer years of service have a greater probability of electing to withdraw their contributions. All non-vested members are assumed to take a refund at termination.

Results

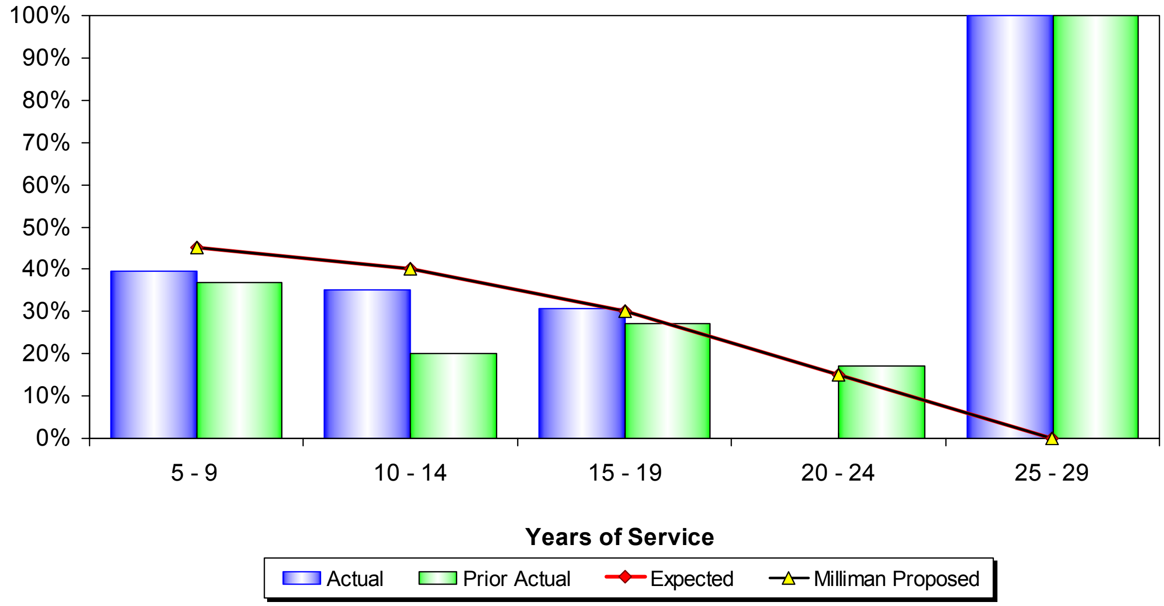
Exhibit 9-1 summarizes the results of our study. The results are consistent with our assumptions in that members have a higher likelihood of electing a refund at lower years of service; however, the actual total number of refunds was less than the assumptions predicted for Safety members (although this group has a very small amount of experience). The actual number of refunds taken by General members was close to what the assumptions predicted.

Probability of Refund					
Class	**Actual**	**Expected**	**Act / Exp**	**Proposed**	**Act / Prop**
General	59	66	90%	66	90%
Safety	2	6	33%	5	40%
Total	61	72	85%	71	86%

Recommendation

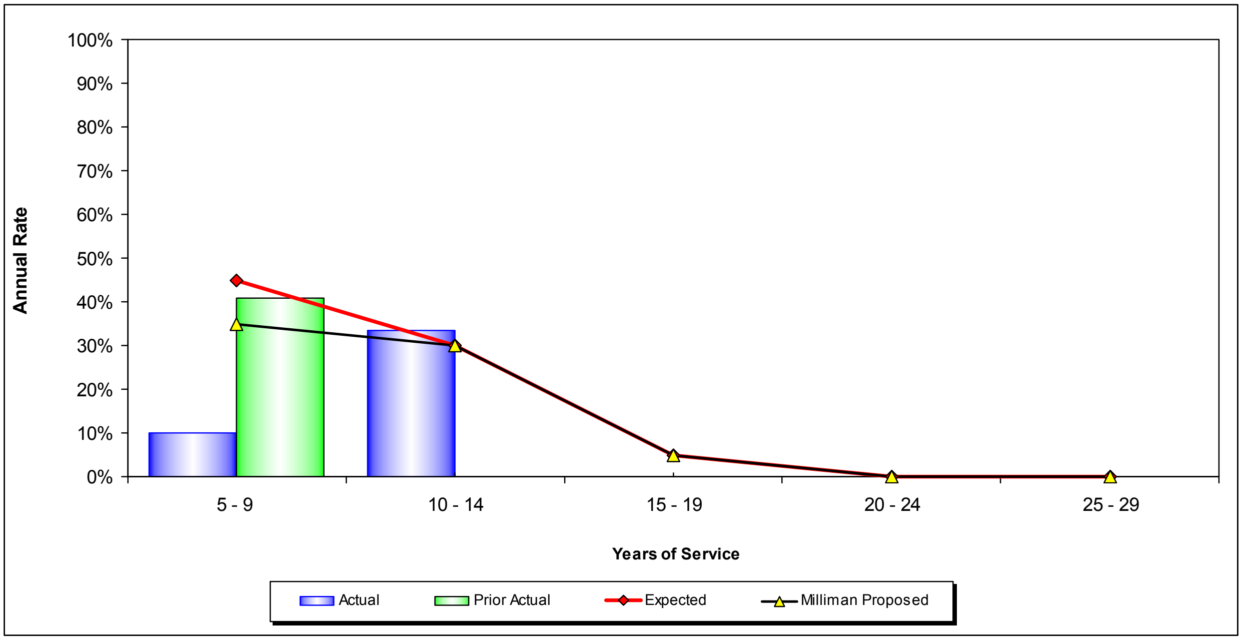
Based on the experience, we are recommending a slight decrease in the assumed rates at which Safety members at low levels of service withdraw their contributions from *SamCERA*. We are recommending no change to the rates of refund for General members. The lower rates of refund are likely reflective of an increased awareness of the value of saving for retirement. This trend towards a higher probability of leaving the contributions with the system is consistent with what we have observed with other retirement systems.

Exhibit 9-1 Probability of Refund upon Vested Termination – General



	2008 - 2011 Data		
	Expected	Actual	Proposed
Total Count	66	59	66
Actual / Expected	90%		90%

Exhibit 9-2 Probability of Refund upon Vested Termination – Safety



	2008 - 2011 Data		
	Expected	Actual	Proposed
Total Count	6	2	5
Actual / Expected	36%		44%

Appendix A: Summary of Proposed Assumptions

The actuarial procedures and assumptions to be used in the June 30, 2011 valuation are described in this section. The assumptions were reviewed and changed as a result of the 2011 Investigation of Experience Study. Assumptions that have been changed since the June 30, 2010 valuation as a result of this study are highlighted in yellow in the section that follows.

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of *SamCERA* and of *SamCERA* itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected based on these assumptions will result in corresponding changes in the estimated costs of *SamCERA*'s benefits.

Table A-1 summarizes the assumptions. The mortality rates are taken from the sources listed.

Tables A-2 and A-3 show how members are expected to leave retired status due to death.

Table A-4 presents the probability of refund of contributions upon termination of employment while vested.

Table A-5 presents the expected annual percentage increase in salaries.

Tables A-6 to A-11 present the probabilities a member will leave the system for various reasons.

NOTE: Assumptions for Probation members are assumed to be the same as Safety members unless otherwise noted.

Actuarial Cost Method

The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age).

For members who transferred from Plan 3 to another General plan, entry age is based on the transfer date.

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL as of June 30, 2008 is amortized as a level percentage of the projected salaries of present and future members of *SamCERA* over the remaining period from the valuation date to June 30, 2023. This is commonly referred to as a "closed amortization method". Actuarial gains and losses after the June 30, 2008 valuation are amortized over new closed 15-year periods from their respective valuation dates.

As of the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District has adopted the same "enhanced" benefit formula that applies to County General members and the same member rates currently being paid by County General members. However, because the Mosquito and Vector Control District does not participate in cost sharing on the member rates, it will have a separate normal cost rate and expected member contribution rate from the County General group.

As of the June 30, 2010 actuarial valuation, the normal cost rate will be calculated separately for County General and for the Mosquito and Vector Control District. These normal cost rates will differ from each other for two reasons:

1) The demographics within the two groups will vary (specifically, the groups will have different average entry ages), and
2) The expected refund of contributions, which is a component of the normal cost, will differ between the County and the Mosquito and Vector Control District, since the District does not participate in cost sharing on the member rates.

Records and Data

The data used in this valuation consist of financial information and the age, service, and income records for active and inactive members and their survivors. All of the data were supplied by *SamCERA* and are accepted for valuation purposes without audit.

Replacement of Terminated Members

The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions or the pattern of the new entrants.

Growth in Membership

For benefit determination purposes, no growth in the membership of *SamCERA* is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed.

Internal Revenue Code Section 415 Limit

The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.

Internal Revenue Code Section 401(a)(17)

The Internal Revenue Code Section 401(a)(17) maximum compensation limitation is not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.

County Contributions

The County contribution rate is set by the Retirement Board based on actuarial valuations.

Member Contributions

The member contribution rates vary by entry age and are described in the law. Code references are shown in Appendix B of the valuation report. The methods and assumptions used are detailed later in this section.

The individual member rates by entry age, plan and class are illustrated in Appendix D of the valuation report.

Valuation of Assets

The assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value is the prior year's market value increased with the net increase in the cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption.

Investment Earnings and Expenses

The future investment earnings of the assets of *SamCERA* are assumed to accrue at an annual rate of 7.75% compounded annually, net of both investment and administrative expenses. This rate was adopted June 30, 2005.

Postretirement Benefit Increases

Postretirement increases are described in Appendix B. Assumed increases for valuation purposes are:

	General	Safety	Probation
Plan 1	3.50%	3.50%	3.00%
Plan 2	2.75%	2.75%	2.75%
Plan 3	0.00%	N/A	N/A
Plan 4	2.00%	2.00%	2.00%

Assumed Plan 1 General and Safety COLAs are set at the inflation (CPI) assumption of 3.5% per year. Since Plan 2 does not have a COLA bank, it is expected that increases will be limited in some years. This reduces the overall expected rate and is reflected in a lower assumed increase.

Interest on Member Contributions

The annual credited interest rate on member contributions is assumed to be 7.75% compounded semi-annually for an annualized rate of 7.90%. This rate was adopted June 30, 2005.

Future Salaries

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table A-5. In addition to increases in salary due to promotions and longevity, this scale includes an assumed 4.00% per annum rate of increase in the general wage level of the membership.

Increases are assumed to occur mid-year. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year.

SamCERA supplied two types of compensation data:
1) pensionable pay from the most recent bi-weekly pay period; and 2) pensionable pay from the prior year. We annualized by bi-weekly pay (by multiplying by 26) and then used the greater of the two amounts.

Social Security Wage Base

Plan 3 members have their benefits offset by an assumed Social Security Benefit. For valuation funding purposes, we need to project the Social Security Benefit. We assume the current Social Security provisions will continue and the annual Wage Base will increase at the rate of 3.5% per year. Note, statutory provisions describe how to compute a member's offset amount at time of termination or retirement.

Retirement

The retirement rates vary by age and are shown by plan in Tables A-6 through A-11.

All General members who attain or who have attained age 70 and all Safety members who have attained age 60 are assumed to retire immediately. Additionally, if a member's benefit is equal to or greater than the 100% of compensation limit, they are also assumed to retire immediately. For purposes of the valuation, immediate retirement is assumed at:

- Age 62 with 38 years of service (General, except Plan 3)
- Any age with 33 years of service (Safety & Probation)

Deferred vested members are assumed to retire at the later of current age and:

- Age 55 (General Members, except Plan 3)
- Age 65 (General Plan 3 Members)
- Age 50 (Probation and Safety members)

The retirement rates were adopted June 30, 2011.

Disablement

The rates of disablement used in the valuation are also illustrated in Tables A-6 through A-11.

The disability rates were adopted June 30, 2011.

Mortality – Other Than Disabled Members

The same postretirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. These rates are illustrated in Table A-2. Beneficiary mortality is assumed to be the same as for healthy members. Beneficiaries are assumed to be of the opposite sex, and have the same mortality as General members.

General Males	RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for White Collar workers. Ages are set back three years.
Safety Males	Same as General.
General Females	RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for White Collar workers. Ages are set back three years.
Safety Females	Same as General.

The rates of retired mortality were adopted June 30, 2011.

Mortality – Disabled Members

For disabled members, the mortality rates used in the valuation rates are illustrated in Table A-3.

General Males	Average of RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Males, both set back three years.
Safety Males	RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for White Collar workers (minimum is 1.0%).
General Females	Average of RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for White Collar workers and the RP-2000 Disabled Annuitant Mortality Table for Females, both set back three years.
Safety Females	RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for White Collar workers (minimum is 1.0%).

The rates of mortality were adopted June 30, 2011.

Other Employment Terminations

Tables A-6 to A-11 show, for all ages, the rates assumed in this valuation for future termination from active service other than for death, disability or retirement. These rates do not apply to members eligible for service retirement.

Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further benefits, or they may leave their contributions with *SamCERA*. Former contributing members whose contributions are on deposit may later elect to receive a refund, may return to work or may remain inactive until becoming eligible to receive a retirement benefit under either *SamCERA* or a reciprocal retirement system. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately.

The rates of termination were adopted June 30, 2011.

Probability of Refund

Table A-4 gives the assumed probabilities that vested members will withdraw their contributions and elect a refund immediately upon termination and the probability the remaining members will elect a deferred vested benefit. For Plan 3, 100% of members are assumed to elect a vested benefit. All non-vested members are assumed to elect a refund and withdraw their contributions.

The probability of refund assumptions were adopted June 30, 2011.

Probability of Eligible Survivor

For members not currently in pay status, 80% of all males and 55% of all females are assumed to have eligible survivors (spouses or qualified domestic partners). Survivors are assumed to be three years younger than male members and three years older than female members. Survivors are assumed to be of the opposite sex as the member. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this assumption are sufficient to cover children's benefits as they occur.

Reciprocal Benefits

35% of future deferred vested General members and 45% of future deferred vested Safety members are assumed to immediately join a reciprocal agency. For current and future reciprocal members, salaries are assumed to increase at the same rate as if they had remained in active employment with *SamCERA*. For current deferred vested members, eligibility is based on the data supplied by *SamCERA*.

Adjustment to Plan 3 Normal Cost Rate

Plan 3 members are eligible to transfer to Plan 2 or Plan 4 (depending on entry date) after five years of service. We have adjusted the Plan 3 Normal Cost to account for this. The adjusted Plan 3 Normal Cost rate is 50% of the unadjusted Plan 3 Normal Cost rate and 50% of the Plan 4 Normal Cost rate.

Part-Time Employees

For valuation purposes, part-time employees are assumed to continue working the same number of hours in the future.

Member Contribution Rate Assumptions

The following assumptions summarize the procedures used to compute member contribution rates based on entry age:

In general, the member rate is determined by the present value of the future benefit (PVFB) payable at retirement age, divided by the present value of all future salaries payable between age at entry and retirement age. For these purposes, per the CERL:

A. The annuity factor used for General members is based on a 33% / 67% blend of the male and female annuity factors using current valuation assumptions and no COLA. For Safety members it is based on an 83% / 17% blend of the male and female annuity factors using current valuation assumptions.

B. The annuity factor used in determining the present value of future benefits (PVFB) at entry age is equal to the life only annuity factor at 7.75%.

Member Contribution Rate Assumptions (continued)

C. The Final Compensation is based on the salary paid in the year prior to attaining the retirement age.

   Example: For a Plan 4 Member who enters at age 54 or earlier, the Final Compensation at retirement (age 55) will be the monthly average of the annual salary for age 54.

D. For purposes of calculating the value of the member's future contribution, interest is assumed to be credited at 7.75% semiannually (7.90% annual rate).

E. Member Rates are assumed to increase with entry age. There are a few exceptions at the higher entry ages where the calculated rate is less than the previous entry age. In these cases the member contribution rate is adjusted so that it is no less than the value for the previous entry age.

For purposes of determining cost-sharing, 85% of Safety members (excluding Probation members) were assumed to be deputy sheriffs.

Table A-1: Summary of Valuation Assumptions as of June 30, 2011

I. Economic assumptions

A. General wage increases	4.00%
B. Investment earnings	7.75%
C. Growth in active membership	0.00%
D. CPI inflation assumption	3.50%

II. Demographic assumptions

A. Salary increases due to service	Table A-5
B. Retirement	Tables A-6 to A-11
C. Disablement	Tables A-6 to A-11
D. Mortality for active members after termination and service retired members	Table A-2

Basis – RP-2000 Healthy Annuitant Mortality Table with adjustment for White Collar workers:

Class of Members	Age Adjustment
General – Males	-3 years
General – Females	-3 years
Safety – Males	-3 years
Safety – Females	-3 years

E. Mortality among disabled members — Table A-3

Basis – Average of RP-2000 Healthy Annuitant Mortality Table with adjustment for White Collar workers and RP-2000 Disabled Annuitant Mortality Table:

Class of Members	Age Adjustment	Minimum Rate
General – Males	-3 years	None
General – Females	-3 years	None

Basis – RP-2000 Healthy Annuitant Mortality Table with adjustment for White Collar workers:

Class of Members	Age Adjustment	Minimum Rate
Safety – Males	none	1.00%
Safety – Females	none	0.40%

F.	Mortality for beneficiaries Basis – Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.	Table A-2
G.	Other terminations of employment	Tables A-6 to A-11
H.	Refund of contributions on vested termination	Table A-4

Table A-2: Mortality for Members Retired for Service

Age	General Male	General Female	Safety Male	Safety Female
20	0.030%	0.018%	0.030%	0.018%
25	0.037%	0.019%	0.037%	0.019%
30	0.038%	0.022%	0.038%	0.022%
35	0.043%	0.036%	0.043%	0.036%
40	0.071%	0.053%	0.071%	0.053%
45	0.103%	0.076%	0.103%	0.076%
50	0.158%	0.123%	0.158%	0.123%
55	0.250%	0.192%	0.250%	0.192%
60	0.409%	0.332%	0.409%	0.332%
65	0.731%	0.599%	0.731%	0.599%
70	1.404%	1.094%	1.404%	1.094%
75	2.387%	1.878%	2.387%	1.878%
80	4.236%	3.155%	4.236%	3.155%
85	7.493%	5.337%	7.493%	5.337%
90	13.019%	9.248%	13.019%	9.248%

Table A-3: Mortality for Members Retired for Disability

Age	General Male	General Female	Safety Male	Safety Female
20	1.144%	0.382%	1.000%	0.400%
25	1.147%	0.382%	1.000%	0.400%
30	1.148%	0.384%	1.000%	0.400%
35	1.150%	0.391%	1.000%	0.400%
40	1.164%	0.399%	1.000%	0.400%
45	1.180%	0.411%	1.000%	0.400%
50	1.335%	0.509%	1.000%	0.400%
55	1.703%	0.769%	1.000%	0.400%
60	2.106%	1.099%	1.000%	0.468%
65	2.615%	1.503%	1.106%	0.865%
70	3.424%	2.114%	1.928%	1.519%
75	4.664%	3.082%	3.363%	2.572%
80	6.725%	4.555%	5.941%	4.308%
85	9.840%	6.783%	10.467%	7.419%
90	14.271%	10.350%	17.827%	12.615%

Table A-4: Immediate Refund of Contributions Upon Termination of Employment (Excludes Plan 3)

Years of Service	General	Safety
0	100%	100%
1	100%	100%
2	100%	100%
3	100%	100%
4	100%	100%
5	45%	35%
6	45%	35%
7	45%	35%
8	44%	34%
9	43%	33%
10	42%	32%
11	41%	31%
12	40%	30%
13	38%	25%
14	36%	20%
15	34%	15%
16	32%	10%
17	30%	5%
18	27%	4%
19	24%	3%
20	21%	0%
21	18%	0%
22	15%	0%
23	12%	0%
24	9%	0%
25	6%	0%
26	3%	0%
27	0%	0%
28	0%	0%
29	0%	0%
30 & Up	0%	0%

Table A-5: Annual Increase in Salary

Years of Service	Due to Promotion and Longevity	Total Annual Increase*
<1	6.00%	10.24%
1	4.00%	8.16%
2	3.00%	7.12%
3	2.50%	6.60%
4	2.00%	6.08%
5	1.75%	5.82%
6	1.50%	5.56%
7	1.25%	5.30%
8	1.05%	5.09%
9	0.90%	4.94%
10	0.80%	4.83%
11	0.70%	4.73%
12	0.60%	4.62%
13	0.50%	4.52%
14	0.50%	4.52%
15	0.50%	4.52%
16	0.50%	4.52%
17	0.50%	4.52%
18	0.50%	4.52%
19	0.50%	4.52%
20 or More	0.50%	4.52%

** The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 4.00% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.*

Appendix A: Rates of Separation From Active Service
Tables A-6 to A-11

A schedule of the probabilities of termination of employment due to the following causes can be found on the following pages:

Service Retirement:	Member retires after meeting age and service requirements for reasons other than disability.
Withdrawal:	Member terminates and elects a refund of member contributions, or a deferred vested retirement benefit.
Service Disability:	Member receives disability retirement; disability is service related.
Ordinary Disability:	Member receives disability retirement; disability is not service related.
Service Death:	Member dies before retirement; death is service related.
Ordinary Death:	Member dies before retirement; death is not service related.

Each rate represents the probability that a member will separate from service at each age due to the particular cause. For example, a rate of 0.0300 for a member's service retirement at age 50 means we assume that 30 out of 1,000 members who are age 50 will retire at that age.

Each table represents the detailed rates needed for each *SamCERA* plan by sex:

Table A-6: General Plan 1, 2 & 4 Males
A-7: General Plan 1, 2 & 4 Females
A-8: General Plan 3 Males
A-9: General Plan 3 Females
A-10: Safety Plans 1, 2 & 4 Males
A-11: Safety Plans 1, 2 & 4 Females

Table A-6: Rate of Separation From Active Service General Plans 1, 2 & 4 – Male

Age	Service Retirement*	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	0.0004	0.0002	N/A	0.0003
19	0.0000	0.0004	0.0002	N/A	0.0003
20	0.0000	0.0004	0.0002	N/A	0.0003
21	0.0000	0.0004	0.0002	N/A	0.0003
22	0.0000	0.0004	0.0002	N/A	0.0003
23	0.0000	0.0004	0.0002	N/A	0.0003
24	0.0000	0.0004	0.0002	N/A	0.0004
25	0.0000	0.0004	0.0002	N/A	0.0004
26	0.0000	0.0004	0.0002	N/A	0.0004
27	0.0000	0.0004	0.0002	N/A	0.0004
28	0.0000	0.0004	0.0002	N/A	0.0004
29	0.0000	0.0004	0.0003	N/A	0.0004
30	0.0000	0.0004	0.0003	N/A	0.0004
31	0.0000	0.0005	0.0003	N/A	0.0004
32	0.0000	0.0005	0.0003	N/A	0.0004
33	0.0000	0.0005	0.0004	N/A	0.0004
34	0.0000	0.0006	0.0004	N/A	0.0005
35	0.0000	0.0006	0.0004	N/A	0.0006
36	0.0000	0.0007	0.0004	N/A	0.0006
37	0.0000	0.0007	0.0005	N/A	0.0007
38	0.0000	0.0008	0.0005	N/A	0.0008
39	0.0000	0.0008	0.0006	N/A	0.0008
40	0.0000	0.0010	0.0006	N/A	0.0009
41	0.0000	0.0010	0.0007	N/A	0.0010
42	0.0000	0.0011	0.0007	N/A	0.0010
43	0.0000	0.0011	0.0008	N/A	0.0011
44	0.0000	0.0012	0.0008	N/A	0.0011
45	0.0000	0.0013	0.0009	N/A	0.0012
46	0.0000	0.0014	0.0009	N/A	0.0013
47	0.0000	0.0014	0.0010	N/A	0.0014
48	0.0000	0.0015	0.0010	N/A	0.0015
49	0.0000	0.0016	0.0010	N/A	0.0016
50	0.0500	0.0016	0.0010	N/A	0.0017
51	0.0450	0.0016	0.0011	N/A	0.0019
52	0.0450	0.0017	0.0011	N/A	0.0020
53	0.0500	0.0017	0.0012	N/A	0.0021
54	0.0500	0.0018	0.0012	N/A	0.0023
55	0.0600	0.0018	0.0012	N/A	0.0024
56	0.0600	0.0019	0.0012	N/A	0.0026
57	0.0800	0.0019	0.0013	N/A	0.0028
58	0.1200	0.0020	0.0014	N/A	0.0030
59	0.1200	0.0021	0.0014	N/A	0.0033
60	0.1500	0.0022	0.0015	N/A	0.0036
61	0.2000	0.0023	0.0015	N/A	0.0040
62	0.3250	0.0024	0.0016	N/A	0.0044
63	0.2500	0.0025	0.0017	N/A	0.0049
64	0.2500	0.0026	0.0018	N/A	0.0054
65	0.2500	0.0028	0.0018	N/A	0.0059
66	0.3500	0.0029	0.0019	N/A	0.0065
67	0.3500	0.0030	0.0020	N/A	0.0070
68	0.3000	0.0031	0.0021	N/A	0.0076
69	0.3000	0.0032	0.0022	N/A	0.0081
70	1.0000	0.0000	0.0000	N/A	0.0000

Years of Service	Other Terminations
0	0.1300
1	0.1100
2	0.0900
3	0.0800
4	0.0700
5	0.0633
6	0.0567
7	0.0500
8	0.0470
9	0.0440
10	0.0410
11	0.0380
12	0.0350
13	0.0330
14	0.0310
15	0.0290
16	0.0270
17	0.0250
18	0.0230
19	0.0210
20	0.0190
21	0.0170
22	0.0150
23	0.0140
24	0.0130
25	0.0120
26	0.0110
27	0.0100
28	0.0100
29	0.0100
30 & Above	0.0000

** 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service.*

San Mateo County Employees' Retirement Association
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Table A-7: Rate of Separation From Active Service General Plans 1, 2 & 4 – Female

Age	Service Retirement*	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.0003	0.0002	N/A	0.0002	0	0.1200
19	0.0000	0.0003	0.0002	N/A	0.0002	1	0.1000
20	0.0000	0.0003	0.0002	N/A	0.0002	2	0.0850
21	0.0000	0.0003	0.0002	N/A	0.0002	3	0.0750
22	0.0000	0.0003	0.0002	N/A	0.0002	4	0.0700
23	0.0000	0.0003	0.0002	N/A	0.0002	5	0.0633
24	0.0000	0.0003	0.0002	N/A	0.0002	6	0.0567
25	0.0000	0.0003	0.0002	N/A	0.0002	7	0.0500
26	0.0000	0.0003	0.0002	N/A	0.0002	8	0.0455
27	0.0000	0.0003	0.0002	N/A	0.0002	9	0.0410
28	0.0000	0.0003	0.0002	N/A	0.0002	10	0.0365
29	0.0000	0.0003	0.0002	N/A	0.0002	11	0.0320
30	0.0000	0.0004	0.0002	N/A	0.0002	12	0.0275
31	0.0000	0.0004	0.0002	N/A	0.0002	13	0.0270
32	0.0000	0.0004	0.0002	N/A	0.0002	14	0.0265
33	0.0000	0.0004	0.0003	N/A	0.0002	15	0.0260
34	0.0000	0.0004	0.0003	N/A	0.0003	16	0.0255
35	0.0000	0.0005	0.0003	N/A	0.0003	17	0.0250
36	0.0000	0.0005	0.0003	N/A	0.0004	18	0.0230
37	0.0000	0.0005	0.0004	N/A	0.0004	19	0.0210
38	0.0000	0.0006	0.0004	N/A	0.0004	20	0.0190
39	0.0000	0.0006	0.0004	N/A	0.0005	21	0.0170
40	0.0000	0.0007	0.0004	N/A	0.0005	22	0.0150
41	0.0000	0.0007	0.0004	N/A	0.0006	23	0.0140
42	0.0000	0.0007	0.0005	N/A	0.0006	24	0.0130
43	0.0000	0.0008	0.0005	N/A	0.0006	25	0.0120
44	0.0000	0.0008	0.0006	N/A	0.0007	26	0.0110
45	0.0000	0.0010	0.0006	N/A	0.0008	27	0.0100
46	0.0000	0.0010	0.0007	N/A	0.0009	28	0.0100
47	0.0000	0.0011	0.0007	N/A	0.0009	29	0.0100
48	0.0000	0.0013	0.0009	N/A	0.0010	30 & Above	0.0000
49	0.0000	0.0015	0.0010	N/A	0.0011		
50	0.0400	0.0017	0.0012	N/A	0.0012		
51	0.0400	0.0019	0.0013	N/A	0.0013		
52	0.0400	0.0022	0.0014	N/A	0.0014		
53	0.0400	0.0023	0.0015	N/A	0.0016		
54	0.0500	0.0023	0.0016	N/A	0.0017		
55	0.0600	0.0025	0.0016	N/A	0.0018		
56	0.0600	0.0025	0.0017	N/A	0.0020		
57	0.0800	0.0026	0.0018	N/A	0.0021		
58	0.1200	0.0027	0.0018	N/A	0.0023		
59	0.1200	0.0028	0.0018	N/A	0.0025		
60	0.1500	0.0029	0.0019	N/A	0.0028		
61	0.2000	0.0029	0.0020	N/A	0.0030		
62	0.3000	0.0030	0.0020	N/A	0.0033		
63	0.2500	0.0030	0.0020	N/A	0.0036		
64	0.2500	0.0030	0.0020	N/A	0.0039		
65	0.3000	0.0030	0.0020	N/A	0.0043		
66	0.4000	0.0030	0.0020	N/A	0.0047		
67	0.4000	0.0030	0.0020	N/A	0.0050		
68	0.3000	0.0030	0.0020	N/A	0.0054		
69	0.3000	0.0030	0.0020	N/A	0.0058		
70	1.0000	0.0000	0.0000	N/A	0.0000		

** 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service.*

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Table A-8: Rate of Separation From Active Service General Plan 3 – Male

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	N/A	N/A	N/A	0.0003
19	0.0000	N/A	N/A	N/A	0.0003
20	0.0000	N/A	N/A	N/A	0.0003
21	0.0000	N/A	N/A	N/A	0.0003
22	0.0000	N/A	N/A	N/A	0.0003
23	0.0000	N/A	N/A	N/A	0.0003
24	0.0000	N/A	N/A	N/A	0.0004
25	0.0000	N/A	N/A	N/A	0.0004
26	0.0000	N/A	N/A	N/A	0.0004
27	0.0000	N/A	N/A	N/A	0.0004
28	0.0000	N/A	N/A	N/A	0.0004
29	0.0000	N/A	N/A	N/A	0.0004
30	0.0000	N/A	N/A	N/A	0.0004
31	0.0000	N/A	N/A	N/A	0.0004
32	0.0000	N/A	N/A	N/A	0.0004
33	0.0000	N/A	N/A	N/A	0.0004
34	0.0000	N/A	N/A	N/A	0.0005
35	0.0000	N/A	N/A	N/A	0.0006
36	0.0000	N/A	N/A	N/A	0.0006
37	0.0000	N/A	N/A	N/A	0.0007
38	0.0000	N/A	N/A	N/A	0.0008
39	0.0000	N/A	N/A	N/A	0.0008
40	0.0000	N/A	N/A	N/A	0.0009
41	0.0000	N/A	N/A	N/A	0.0010
42	0.0000	N/A	N/A	N/A	0.0010
43	0.0000	N/A	N/A	N/A	0.0011
44	0.0000	N/A	N/A	N/A	0.0011
45	0.0000	N/A	N/A	N/A	0.0012
46	0.0000	N/A	N/A	N/A	0.0013
47	0.0000	N/A	N/A	N/A	0.0014
48	0.0000	N/A	N/A	N/A	0.0015
49	0.0000	N/A	N/A	N/A	0.0016
50	0.0000	N/A	N/A	N/A	0.0017
51	0.0000	N/A	N/A	N/A	0.0019
52	0.0000	N/A	N/A	N/A	0.0020
53	0.0000	N/A	N/A	N/A	0.0021
54	0.0000	N/A	N/A	N/A	0.0023
55	0.0300	N/A	N/A	N/A	0.0024
56	0.0300	N/A	N/A	N/A	0.0026
57	0.0300	N/A	N/A	N/A	0.0028
58	0.0300	N/A	N/A	N/A	0.0030
59	0.0300	N/A	N/A	N/A	0.0033
60	0.0300	N/A	N/A	N/A	0.0036
61	0.0600	N/A	N/A	N/A	0.0040
62	0.1500	N/A	N/A	N/A	0.0044
63	0.1000	N/A	N/A	N/A	0.0049
64	0.1500	N/A	N/A	N/A	0.0054
65	0.3000	N/A	N/A	N/A	0.0059
66	0.3000	N/A	N/A	N/A	0.0065
67	0.3000	N/A	N/A	N/A	0.0070
68	0.3000	N/A	N/A	N/A	0.0076
69	0.3000	N/A	N/A	N/A	0.0081
70	1.0000	N/A	N/A	N/A	0.0000

Years of Service	Other Terminations
0	0.1300
1	0.1100
2	0.0900
3	0.0800
4	0.0700
5	0.0633
6	0.0567
7	0.0500
8	0.0470
9	0.0440
10	0.0410
11	0.0380
12	0.0350
13	0.0330
14	0.0310
15	0.0290
16	0.0270
17	0.0250
18	0.0230
19	0.0210
20	0.0190
21	0.0170
22	0.0150
23	0.0140
24	0.0130
25	0.0120
26	0.0110
27	0.0100
28	0.0100
29	0.0100
30 & Above	0.0100

Table A-9: Rate of Separation From Active Service General Plan 3 – Female

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	N/A	N/A	N/A	0.0002	0	0.1200
19	0.0000	N/A	N/A	N/A	0.0002	1	0.1000
20	0.0000	N/A	N/A	N/A	0.0002	2	0.0850
21	0.0000	N/A	N/A	N/A	0.0002	3	0.0750
22	0.0000	N/A	N/A	N/A	0.0002	4	0.0700
23	0.0000	N/A	N/A	N/A	0.0002	5	0.0633
24	0.0000	N/A	N/A	N/A	0.0002	6	0.0567
25	0.0000	N/A	N/A	N/A	0.0002	7	0.0500
26	0.0000	N/A	N/A	N/A	0.0002	8	0.0455
27	0.0000	N/A	N/A	N/A	0.0002	9	0.0410
28	0.0000	N/A	N/A	N/A	0.0002	10	0.0365
29	0.0000	N/A	N/A	N/A	0.0002	11	0.0320
30	0.0000	N/A	N/A	N/A	0.0002	12	0.0275
31	0.0000	N/A	N/A	N/A	0.0002	13	0.0270
32	0.0000	N/A	N/A	N/A	0.0002	14	0.0265
33	0.0000	N/A	N/A	N/A	0.0002	15	0.0260
34	0.0000	N/A	N/A	N/A	0.0003	16	0.0255
35	0.0000	N/A	N/A	N/A	0.0003	17	0.0250
36	0.0000	N/A	N/A	N/A	0.0004	18	0.0230
37	0.0000	N/A	N/A	N/A	0.0004	19	0.0210
38	0.0000	N/A	N/A	N/A	0.0004	20	0.0190
39	0.0000	N/A	N/A	N/A	0.0005	21	0.0170
40	0.0000	N/A	N/A	N/A	0.0005	22	0.0150
41	0.0000	N/A	N/A	N/A	0.0006	23	0.0140
42	0.0000	N/A	N/A	N/A	0.0006	24	0.0130
43	0.0000	N/A	N/A	N/A	0.0006	25	0.0120
44	0.0000	N/A	N/A	N/A	0.0007	26	0.0110
45	0.0000	N/A	N/A	N/A	0.0008	27	0.0100
46	0.0000	N/A	N/A	N/A	0.0009	28	0.0100
47	0.0000	N/A	N/A	N/A	0.0009	29	0.0100
48	0.0000	N/A	N/A	N/A	0.0010	30 & Above	0.0100
49	0.0000	N/A	N/A	N/A	0.0011		
50	0.0000	N/A	N/A	N/A	0.0012		
51	0.0000	N/A	N/A	N/A	0.0013		
52	0.0000	N/A	N/A	N/A	0.0014		
53	0.0000	N/A	N/A	N/A	0.0016		
54	0.0000	N/A	N/A	N/A	0.0017		
55	0.0400	N/A	N/A	N/A	0.0018		
56	0.0400	N/A	N/A	N/A	0.0020		
57	0.0400	N/A	N/A	N/A	0.0021		
58	0.0400	N/A	N/A	N/A	0.0023		
59	0.0400	N/A	N/A	N/A	0.0025		
60	0.0400	N/A	N/A	N/A	0.0028		
61	0.0600	N/A	N/A	N/A	0.0030		
62	0.1500	N/A	N/A	N/A	0.0033		
63	0.1000	N/A	N/A	N/A	0.0036		
64	0.1500	N/A	N/A	N/A	0.0039		
65	0.3000	N/A	N/A	N/A	0.0043		
66	0.3000	N/A	N/A	N/A	0.0047		
67	0.3000	N/A	N/A	N/A	0.0050		
68	0.3000	N/A	N/A	N/A	0.0054		
69	0.3000	N/A	N/A	N/A	0.0058		
70	1.0000	N/A	N/A	N/A	0.0000		

Table A-10: Rate of Separation From Active Service Safety & Probation Plans – Male

Age	Service Retirement*	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	0.0015	0.0000	0.0010	0.0003
19	0.0000	0.0015	0.0000	0.0010	0.0003
20	0.0000	0.0015	0.0000	0.0010	0.0003
21	0.0000	0.0015	0.0000	0.0010	0.0003
22	0.0000	0.0015	0.0000	0.0010	0.0003
23	0.0000	0.0015	0.0000	0.0010	0.0003
24	0.0000	0.0015	0.0000	0.0010	0.0004
25	0.0000	0.0015	0.0000	0.0010	0.0004
26	0.0000	0.0015	0.0000	0.0010	0.0004
27	0.0000	0.0015	0.0000	0.0010	0.0004
28	0.0000	0.0016	0.0000	0.0010	0.0004
29	0.0000	0.0017	0.0000	0.0010	0.0004
30	0.0000	0.0018	0.0000	0.0010	0.0004
31	0.0000	0.0019	0.0000	0.0010	0.0004
32	0.0000	0.0020	0.0000	0.0010	0.0004
33	0.0000	0.0021	0.0000	0.0010	0.0004
34	0.0000	0.0022	0.0000	0.0010	0.0005
35	0.0000	0.0023	0.0000	0.0010	0.0006
36	0.0000	0.0024	0.0000	0.0010	0.0006
37	0.0000	0.0025	0.0000	0.0010	0.0007
38	0.0000	0.0026	0.0000	0.0010	0.0008
39	0.0000	0.0027	0.0000	0.0010	0.0008
40	0.0000	0.0028	0.0000	0.0010	0.0009
41	0.0000	0.0029	0.0000	0.0010	0.0010
42	0.0000	0.0030	0.0000	0.0010	0.0010
43	0.0000	0.0031	0.0000	0.0010	0.0011
44	0.0000	0.0032	0.0000	0.0010	0.0011
45	0.0000	0.0033	0.0000	0.0010	0.0012
46	0.0000	0.0034	0.0000	0.0010	0.0013
47	0.0000	0.0035	0.0000	0.0010	0.0014
48	0.0000	0.0038	0.0000	0.0010	0.0015
49	0.0000	0.0041	0.0000	0.0010	0.0016
50	0.1500	0.0044	0.0000	0.0010	0.0017
51	0.1500	0.0047	0.0000	0.0010	0.0019
52	0.1500	0.0050	0.0000	0.0010	0.0020
53	0.2000	0.0064	0.0000	0.0010	0.0021
54	0.1300	0.0078	0.0000	0.0010	0.0023
55	0.3000	0.0092	0.0000	0.0010	0.0024
56	0.2500	0.0106	0.0000	0.0010	0.0026
57	0.2000	0.0120	0.0000	0.0010	0.0028
58	0.2500	0.0108	0.0000	0.0010	0.0030
59	0.2500	0.0096	0.0000	0.0010	0.0033
60	1.0000	0.0000	0.0000	0.0010	0.0000

Years of Service	Other Terminations
0	0.0700
1	0.0650
2	0.0450
3	0.0300
4	0.0250
5	0.0233
6	0.0217
7	0.0200
8	0.0185
9	0.0170
10	0.0155
11	0.0140
12	0.0125
13	0.0120
14	0.0115
15	0.0110
16	0.0105
17	0.0100
18	0.0080
19	0.0060
20 & Above	0.0000

** 100% probability of retirement is assumed at ages 50 and above with 33 or more years of service.*

Table A-11: Rate of Separation From Active Service Safety & Probation Plans – Female

Age	Service Retirement*	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	0.0015	0.0000	0.0010	0.0002
19	0.0000	0.0015	0.0000	0.0010	0.0002
20	0.0000	0.0015	0.0000	0.0010	0.0002
21	0.0000	0.0015	0.0000	0.0010	0.0002
22	0.0000	0.0015	0.0000	0.0010	0.0002
23	0.0000	0.0015	0.0000	0.0010	0.0002
24	0.0000	0.0015	0.0000	0.0010	0.0002
25	0.0000	0.0015	0.0000	0.0010	0.0002
26	0.0000	0.0015	0.0000	0.0010	0.0002
27	0.0000	0.0015	0.0000	0.0010	0.0002
28	0.0000	0.0016	0.0000	0.0010	0.0002
29	0.0000	0.0017	0.0000	0.0010	0.0002
30	0.0000	0.0018	0.0000	0.0010	0.0002
31	0.0000	0.0019	0.0000	0.0010	0.0002
32	0.0000	0.0020	0.0000	0.0010	0.0002
33	0.0000	0.0021	0.0000	0.0010	0.0002
34	0.0000	0.0022	0.0000	0.0010	0.0003
35	0.0000	0.0023	0.0000	0.0010	0.0003
36	0.0000	0.0024	0.0000	0.0010	0.0004
37	0.0000	0.0025	0.0000	0.0010	0.0004
38	0.0000	0.0026	0.0000	0.0010	0.0004
39	0.0000	0.0027	0.0000	0.0010	0.0005
40	0.0000	0.0028	0.0000	0.0010	0.0005
41	0.0000	0.0029	0.0000	0.0010	0.0006
42	0.0000	0.0030	0.0000	0.0010	0.0006
43	0.0000	0.0031	0.0000	0.0010	0.0006
44	0.0000	0.0032	0.0000	0.0010	0.0007
45	0.0000	0.0033	0.0000	0.0010	0.0008
46	0.0000	0.0034	0.0000	0.0010	0.0009
47	0.0000	0.0035	0.0000	0.0010	0.0009
48	0.0000	0.0038	0.0000	0.0010	0.0010
49	0.0000	0.0041	0.0000	0.0010	0.0011
50	0.1500	0.0044	0.0000	0.0010	0.0012
51	0.1500	0.0047	0.0000	0.0010	0.0013
52	0.1500	0.0050	0.0000	0.0010	0.0014
53	0.2000	0.0064	0.0000	0.0010	0.0016
54	0.1300	0.0078	0.0000	0.0010	0.0017
55	0.3000	0.0092	0.0000	0.0010	0.0018
56	0.2500	0.0106	0.0000	0.0010	0.0020
57	0.2000	0.0120	0.0000	0.0010	0.0021
58	0.2500	0.0108	0.0000	0.0010	0.0023
59	0.2500	0.0096	0.0000	0.0010	0.0025
60	1.0000	0.0000	0.0000	0.0010	0.0000

Years of Service	Other Terminations
0	0.0700
1	0.0650
2	0.0450
3	0.0300
4	0.0250
5	0.0233
6	0.0217
7	0.0200
8	0.0185
9	0.0170
10	0.0155
11	0.0140
12	0.0125
13	0.0120
14	0.0115
15	0.0110
16	0.0105
17	0.0100
18	0.0080
19	0.0060
20 & Above	0.0000

** 100% probability of retirement is assumed at ages 50 and above with 33 or more years of service.*

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 | Agenda Item 5.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Actuarial Auditor's Findings Regarding the Investigation of Experience Report

Issue

Under this agenda item, Segal Co. actuaries, Paul Angelo and Andy Yeung, will review their audit of Milliman's Investigation of Experience report.

Background

At its May 24 meeting, the Board of Retirement selected The Segal Co. to perform actuarial auditing services including an audit of the Triennial Investigation of Experience report and the Annual Actuarial Valuation.

Segal has reviewed the Experience Report provided by Milliman, Inc. In its review Segal states:

> "Our overall assessment of Milliman's actuarial work for *SamCERA* is that all major actuarial assumptions are being appropriately reviewed. Milliman has employed generally accepted actuarial practices and principles in studying and selecting the assumptions. We believe that the actuarial assumptions as recommended by Milliman are reasonable for use in *SamCERA*'s upcoming actuarial valuation as of June 30, 2011."

Segal made some recommendations to Milliman to improve future experience reports. These recommendations are summarized on the last page (page 19) of the Segal report. Milliman has incorporated nearly all the recommendations in their current report. Others will be considered for future reports.

Segal worked with Milliman to resolve some differences between the two firms in various counts of *SamCERA*-provided data. Segal stated that:

> "…we believe that those differences (even if they are validated by Milliman) should not have a material impact on the review of the assumptions and associated recommendations."

Segal also opined in its report on the demographic assumption changes recommended by Milliman. Segal stated that:

> "We have found all the changes recommended by Milliman to be reasonable based on recent plan experience."

A copy of the Segal report is attached.

Staff Recommendation

Staff recommends the board members discuss Segal's "Actuarial Review of 2011 Investigation of Experience" and its recommendations. No action is required under this agenda item.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Actuarial Review of
2011 Investigation of Experience

THE SEGAL COMPANY
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July 14, 2011

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, California 94065

Re: Actuarial Review of 2011 Investigation of Experience

Dear Members of the Board:

We are pleased to present the results of this review of the 2011 investigation of experience for the San Mateo County Employees' Retirement Association (*SamCERA*). The purpose of this review is to verify the recommendations on the economic and non-economic assumptions made by Milliman and to offer comments on the methodology and the results of their investigation.

This review was conducted by Paul Angelo, a Fellow of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA, and Andy Yeung, an Associate of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA. This review was conducted in accordance with the standards of practice prescribed by the Actuarial Standards Board.

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.

We appreciate the opportunity to be of service to *SamCERA* and we are available to answer any questions you may have on this report.

Sincerely,

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

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary

AYY/gxk

cc: Nick J. Collier, ASA, EA, MAAA
Jennifer Sorensen, ASA, MAAA

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This report has been prepared by The Segal Company to present a review of the 2011 investigation of experience performed by Milliman for *SamCERA* for the period July 1, 2008 through April 30, 2011.

Our overall assessment of Milliman's actuarial work for *SamCERA* is that all major actuarial assumptions are being appropriately reviewed. Milliman has employed generally accepted actuarial practices and principles in studying and selecting the assumptions. We believe that the actuarial assumptions as recommended by Milliman are reasonable for use in *SamCERA*'s upcoming actuarial valuation as of June 30, 2011. The focus of the review is to comment on those items which, in our opinion, are subject to improvement, so as to contribute to the improvement of the valuation process.

Our observations and recommendations are summarized as follows:

- Milliman has derived the investment return assumption by applying *SamCERA*'s target asset allocation in a model developed by Milliman's investment practice and using the average capital market assumptions collected by Milliman from a number of investment consultants.

  We concur with Milliman's use of an average from a sample of capital market assumptions instead of only one investment consultant's assumptions. This should mitigate the undesired outcome of having the expected investment returns dependent on which investment consultant is employed by a retirement plan.

  For documentation purposes, we would recommend that Milliman consider disclosing in their report the average capital market assumption used in their analysis for each asset category.

- We believe the recommendation from Milliman to the Board to retain the prior economic assumptions is reasonable. In particular, we believe that the 3.50% price inflation assumption is reasonable, and that the other economic assumptions (including the 7.75% investment and 4.0% wage growth assumptions) that have been recommended by

Milliman to the Board for the June 30, 2011 valuation are both reasonable and consistent with that inflation assumption.

- Based on comparing the development of the investment return assumption in the current experience study with the prior experience study, it would appear that *SamCERA* is not taking on additional risk by maintaining the current 7.75% investment return assumption.

- Currently, the same merit and promotional salary increase assumptions are used for both the General and the Safety (including Probation) members in the actuarial valuation. Milliman is recommending no change in the current assumptions based on their review of the combined General and Safety salary experience over a two-year period (from July 1, 2008 to June 30, 2010).

  Based on our experience from working with other county retirement systems, we have found that experience sometimes supports the establishment of a different set of merit and promotional salary increase assumptions for each of the General and Safety plans. We note that the salary experience over the two-year period stated above for *SamCERA* was quite different between the General and Safety members. We do not have the data separated between the General and Safety members from the prior experience studies to validate if the experience from the most recent two-year period was anomalous.

  We would recommend that Milliman consider reviewing that experience as part of the next study to determine if separate merit and promotional salary increase assumptions for General and Safety would be justified.

- To review the principal non-economic assumptions for reasonability, we have created our own database for this experience study based on data files that were used by Milliman in their June 30, 2008, 2009 and 2010 valuations. For the experience from July 1, 2010 to April 30, 2011, we have used the same data files provided by *SamCERA* to Milliman that were created specifically to capture the experience of the last 10 months of the experience study period. Initially, we had some differences when we compared our counts of the actual number of service retirements, disability retirements and terminations to those used by Milliman in their experience study.

At our request, Milliman provided us with a list of the actual counts that they used in their study. After reviewing that file together with the original files provided by *SamCERA* to Milliman for the June 30, 2009 and 2010 valuations we were able to reconcile most of our initial differences, which involved the treatment of active members reported as being on leave status between valuation dates. For the valuations, those active members who were reported as being on leave as of the June 30 valuation dates had been classified by Milliman as deferred vested members. In most cases, as those members tended to return to active employment, they were not counted by Milliman in the experience study as terminations. We concur with Milliman's treatment of those members in the experience study.

On those actual counts where we still differ, we have provided Milliman with a sample of those decrements for their review and comment. However, we believe that those differences (even if they are validated by Milliman) should not have a material impact on the review of the assumptions and associated recommendations.

- Milliman has reviewed and recommended some changes to the following principal demographic assumptions as part of their investigation: (i) service retirement, (ii) disability retirement, (iii) terminations (including probabilities of refunds and deferred vested retirement) and (iv) mortality. We have found all the changes recommended by Milliman to be reasonable based on recent plan experience. Note that a correction to the development of the disability retirement assumption was identified, reported to Milliman, and corrected in the final report.

- Beside the principal demographic assumptions, there are some ancillary assumptions that also have to be made in the valuation. Those assumptions include: (i) the probability of deferred members expected to be employed by another reciprocal retirement system[1], (ii) the probability of members with spouses/domestic partners eligible for the 60% (100% on

[1] *This should also include the assumption used by Milliman to project the salary increases while the deferred member is working at another reciprocal employer.*

service connected disability or service connected death) automatic continuance benefit[2] and (iii) the expected age at retirement for the deferred members.

Milliman is recommending a change to item (i) while leaving unchanged items (ii) and (iii) without supplying the detail behind their recommendations. We would recommend Milliman include the detail supporting their recommendations.

- On some occasions, it may be desirable to review the actual counts between valuation dates for reasonability. For instance, the employer may be interested in the number of active employees leaving the workforce due to terminations or retirements each year.

  We would recommend that Milliman consider including a “flow of lives” in their annual valuation report. A flow of lives would reconcile the number of members in different status categories (including active, deferred vested, retiree and beneficiary) between two valuation dates. A flow of lives would also generally allow another actuary to perform a high level review of the results from an experience study.

- There was a reference on page 22 of the Milliman experience study report to the role of the actuarial assumptions as they relate to the purchase of additional retirement credit (ARC). We understand that Milliman will be addressing their recommendations in a separate study. As some of the actuarial assumptions provided in the experience study report may have to be modified for use in pricing ARC purchases, we have not reviewed those assumptions applicable to the ARC purchases as part of this analysis.

We are in the process of replicating Milliman’s calculation of the liabilities and the contribution rates for *SamCERA*. We will be including, as part of that review, a determination of the liabilities and the contribution rates (using data as of June 30, 2011) based on the final assumptions recommended by Milliman and adopted by the Board for the June 30, 2011 valuation.

[2] *This should also include the assumption used by Milliman to determine the age difference between a member and his/her eligible beneficiary.*

The staff at Milliman has been very knowledgeable, cooperative and helpful in the course of our review.

PURPOSE AND SCOPE OF THE ACTUARIAL REVIEW

Purpose of the Review

The purpose of this review is to provide *SamCERA* an independent opinion as to the reasonableness of the methods, analysis and recommendations of Milliman in developing the actuarial assumptions presented in their 2011 investigation of experience for *SamCERA*. Toward this purpose we used the guidelines of the relevant Actuarial Standards of Practice established by the Actuarial Standards Board as well as comparisons to recognized and accepted methods and practices as the gauge of reasonableness.

Scope of the Actuarial Review

The scope of the Actuarial Review, as described in *SamCERA*'s Actuarial Audit Services Agreement with Segal, includes the following:

- Evaluation of the available data for the performance of such investigation, the degree to which such data is sufficient to support the conclusions of the investigation, and the use and appropriateness of any assumptions made regarding such data.
- Evaluation of recommended economic and demographic assumptions as presented in *SamCERA*'s consulting actuary's investigation report.
- Reconciliation of the aggregate counts of actual occurrences by decrement type with *SamCERA*'s consulting actuary.
- Compare the assumptions against those used by similar systems.
- Evaluation of the investigation results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments with *SamCERA*'s consulting actuary.

RESULTS OF THE ACTUARIAL REVIEW

Review of Economic Assumptions

The economic assumptions reviewed by Milliman during the 2011 experience study are the assumed rate of consumer price inflation, investment rate of return (net of expenses), wage growth (including real wage increases), payroll growth and growth in membership. Actuarial Standard of Practice No. 27 (ASOP 27) provides the actuary guidance in developing these assumptions. Primary among these guidelines is the need for consistency among the economic assumptions selected by the actuary. Milliman has recommended a set of economic assumptions that are consistent with each other.

Milliman has utilized a "building block" approach in developing the recommended investment rate of return assumption. Under this approach, the investment rate of return assumption is the combination of the inflation component and the real rate of return component, less an expense component. In our experience, this is generally the preferred approach for developing this assumption.

Inflation Assumption

The first "building block" to consider is the price inflation component assumption. This assumption underlies all other economic assumptions. In their analysis, Milliman has determined the best-estimate range for this component to be from 2.00% to 3.75%. Segal is of the opinion that the lower end of this range could be somewhat higher, but we believe that the range used by Milliman is reasonable.

While the current inflation assumption of 3.50% is at the high end of this range, Milliman believes that that assumption continues to be reasonable and they are not recommending any change. However, given their future expectations for inflation, Milliman recommends an alternative inflation assumption of 3.25%, noting several forecasts of lower future inflation, along with a corresponding 0.25% lower general wage assumption and investment return assumption to avoid increasing the assumed real rates of wage growth and investment return.

We believe that Milliman's alternative recommendations are reasonable; however, our preference would be to retain the current inflation assumption of 3.50%, noting that most of Segal's California public sector clients currently use a 3.50% price inflation assumption.

Administrative and Investment Expense Assumption

Milliman analyzes the total of administrative and investment-related expenses as a percentage of market value of assets for each year since 2003. The total expense ratio has ranged from a low of 0.46% to a high of 0.92% with the average over an eight-year period of 0.64%. Milliman notes that the expense over the last several years has increased and incorporates a change from the assumption of 0.5% used in their last experience study to a 0.75% assumption used in the current study.

The actual expense has only exceeded the 0.75% assumption once in 2009 and primarily as a result of an over 20% reduction in the market value of assets from about $2.0 billion to $1.6 billion. If the experience in 2009 were to be excluded from the analysis, the average from a seven-year period would be 0.59%. Utilizing an assumption of 0.75% should provide a comfortable margin against any possible future increase in expense or erosion in the market value of assets.

Investment Rate of Return Assumption

For the investment rate of return assumption, Milliman recommends maintaining the current assumption of 7.75%, net of administrative and investment related expenses. Their 7.75% recommendation is based on an inflation assumption of 3.50%. This is indicated by the fact that, if a lower inflation assumption of 3.25% is adopted, then they would recommend lowering the correspond investment return assumption to 7.50%.

Milliman has derived the investment return assumption by applying *SamCERA*'s target asset allocation in a stochastic model developed by Milliman's investment practice and using the average of capital market assumptions collected by Milliman from a number of investment consultants.

Based on stochastic modeling and stochastic assumptions, Milliman has determined the "best-estimate range" (based on 3.50% inflation) to be from 6.4% to 9.2%, which are the 25th and 75th percentiles of their 30-year total return distribution. We believe that, as defined in ASOP 27, this is an appropriate "best-estimate range" for long-term returns for a portfolio similar to *SamCERA*. We observe the following:

- To estimate the expected return from each category class, Milliman uses an average from a sample of capital market assumptions instead of only one investment consultant's assumptions. We concur with their approach as that should mitigate the undesired outcome (and possibly significant variability) of having the expected investment returns dependent on which investment consultant is employed by a retirement plan.

  For documentation purposes, we would recommend that Milliman consider disclosing in their report the average capital market assumption used in their analysis for each asset category.

- Milliman discusses that the median return from their stochastic modeling using an inflation assumption of 3.50%, together with an expense assumption of 0.8% (rounded up from the 0.75% previously discussed in this report) is 7.7%.

  Of note is that the median return from their stochastic modeling in their prior study over a 50-year period (instead of the 30-year period used in their current study) is 7.6%. That return was from a best estimate range of 6.4% to 8.8% and it was based on inflation assumption of 3.50%, together with an expense assumption of 0.5%.

  To provide an "apples to apples" comparison, we have reviewed the percentile investment returns net of expenses over a 20-year period provided in both the current and the prior studies.

The results are summarized in the table below:

20-Year Time Horizon	25th Percentile	50th Percentile	75th Percentile
Current Study	6.0%	7.7%	9.5%
Prior Study	5.8%	7.6%	9.4%

Based on comparing the 20-year time horizon results from the two studies, the current median return is higher by 0.1% (i.e., increased from 7.6% to 7.7%), the current expense assumption is higher by 0.3% (i.e., increased from 0.5% to 0.8%) and the best estimate range has more upside potential with no increase in the downside risk. From this comparison, it would appear that *SamCERA* is not taking on additional risk by maintaining the current 7.75% investment return assumption.

- Given their future expectation on inflation, Milliman recommends an alternative inflation assumption of 3.25% together with an alternative 7.50% investment return assumption

  We believe that Milliman's alternative recommendation is reasonable; however, as previously stated in the inflation assumption section, our preference would be to retain the current 3.50% inflation assumption and therefore our preference would be to also retain the current 7.75% investment return assumption.

- As an independent check, Segal has applied the model that we use for other California public retirement systems to review the 7.75% recommended investment return assumption. While, especially when first applied, our model does not generally produce an absolute investment return recommendation, it is very useful in comparing the level of risk inherent in the investment return assumptions adopted by different retirement systems measured using that model.

  Based on the application of our model, we believe the level of risk implicit in the 7.75% investment return assumption that has been recommended by Milliman to the Board is comparable to that of the other California retirement systems we serve.

- Many California public sector retirement systems have reduced their investment return assumption to 7.75% in the last year or so. However, we are not aware of any California public sector retirement system that reduced their investment return assumption below 7.75% in the last year, regardless of whether they were already at 7.75% or whether they were previously using an assumption that is higher than 7.75%.

Taking into account the above discussion, we believe that the 7.75% investment return assumption that has been recommended by Milliman to the Board is reasonable based on its consistency with the 3.50% price inflation assumption that they have also recommended.

<u>Salary Increase Assumption</u>

Milliman also utilized a “building block” approach in developing the recommended salary increase assumption. Under this approach, the salary increase assumption is the combination of the price inflation component, the productivity or real wage increase component, and the merit and promotional increase component. This is generally the preferred approach for developing this assumption.

<u>Inflation Component</u>

The price inflation component was discussed earlier where we agreed with Milliman’s recommendation to retain the current assumption of 3.50%. They also provided justifications to move to a lower alternative recommendation of 3.25%.

<u>Productivity or Real Wage Increase Component</u>

Real “across the board” pay increases are sometimes termed productivity increases since they are considered to be derived from the ability of an organization or an economy to produce goods or services in a more efficient manner. As that occurs, some portion of the value of these improvements can provide a source for pay increases greater than price inflation. These increases are typically assumed to extend to all employees “across the board.” When these increases are combined with the price inflation component the result is the wage growth component, which reflects the average rate of increase in salaries for all members.

For the current study, Milliman determined the best estimate range for the real wage increase component to be from 0.25% to 1.25%, based on a review of national wage data over the period from 1936 to 2010 and information from the 2010 Trustees Report from the Office of the Chief Actuary of the Social Security Administration. Milliman's recommendation is to retain the current productivity or real wage increase assumption of 0.50%. Of note is that that the best estimate range of this assumption used by Milliman in their prior study was 0.50% to 1.50%.

We note based on information provided on page 48 of the June 30, 2010 actuarial valuation report that the salary for the average *SamCERA* employee had increased from $58,152 valued in the 2001 valuation to $81,752 valued in the 2010 valuation. On an annualized basis, the increase over this 9-year period was 3.85%. For comparison purposes, the change in the general consumer prices over this period using the local index used by *SamCERA* (based on San Francisco-Oakland-San Jose Area) to determine COLA for retirees was an annualized rate of 2.03%. The difference between the two averages is greater than the current real wage growth assumption used in the valuation of 0.50%. This type of difference is not atypical among our other California public retirement system clients.

We believe that a comparison of *SamCERA* members' salary with the local consumer price index may better reflect the experience at *SamCERA*. However, due to the current budgetary issues in California, salary increases would most likely fall below Milliman's recommended combined inflation and productivity or real wage increase of 4.00% in the short term.

As the economy recovers, we would recommend Milliman consider the local experience at *SamCERA* to determine if in the long term a higher productivity or real wage increase assumption such as 0.75% may be justified in their next experience study.

Based on this information, we believe that the current 0.50% real wage increase assumption is reasonable based on the 3.50% price inflation assumption that has also been recommended by Milliman to the Board. However, if future recommendations are made to decrease the price inflation assumption, then Milliman should consider increasing the real wage increase assumption from 0.50% to 0.75%.

Merit Increase Component

The last step of the building block needed to complete the salary increase assumption is the merit increase component, which was reviewed by Milliman as part of the demographic assumptions. Merit increases are the salary increases above the general wage increases due to the combination of promotions, longevity increases, bonuses and merit pay increases as applicable. We agree with Milliman's findings concerning the correlation of service and merit increases.

Currently, the same merit and promotional salary increase assumptions are used for the General and Safety (including Probation) members in the actuarial valuation. Milliman is recommending no change in the current assumptions based on their review of the combined General and Safety salary experience over a two-year period (from July 1, 2008 to June 30, 2010).

Based on our experience from working with other county retirement systems, we have found that the experience sometimes supports the establishment of a different set of merit and promotional salary increase assumptions for each of the General and Safety plans. We note that the salary experience over the two-year period stated above for *SamCERA* was quite different between the General and Safety members. We do not have the data separated between the General and Safety members from the prior experience studies to validate if the experience from the most recent two-year period was anomalous.

We would recommend that Milliman consider reviewing that experience as part of the next study to determine if separate merit and promotional salary increase assumptions for General and Safety would be justified.

For members with less than 2 to 3 years of service, the actual merit and promotional increases over the current experience and the prior experience study periods were consistently higher than the current assumptions. We believe that an increase in those assumptions at these durations should be considered for the next experience study.

Payroll Growth and Future Growth in Membership Assumptions

The current payroll growth assumption used by Milliman for the purposes of amortizing the Unfunded Actuarial Accrued Liability (UAAL) as a level percent of payroll is 4.00% and is directly tied to the wage growth component discussed above. Milliman is recommending no change in that assumption. We concur that this assumption should be equal to the combination of the price inflation and real wage growth components discussed earlier.

Implicit in Milliman's 4.00% payroll growth recommendation is the assumption that no future growth in membership would occur. This is consistent with parameters set forth by the Governmental Accounting Standards Board and no change was recommended. We concur with this recommendation.

Review of Demographic Assumptions

The Actuarial Standards Board has adopted an Actuarial Standard of Practice (No. 35) which provides actuaries guidance in selecting demographic and other noneconomic assumptions. Reasonableness of each assumption and consistency among the assumptions are primary among the considerations for selecting assumptions in accordance with the ASOP. The Standard of Practice bases the evaluation of an assumption's reasonableness on two criteria. First, the "assumption is expected to appropriately model the contingency being measured." Second, the "assumption is not anticipated to produce significant cumulative actuarial gains or losses over the measurement period."

The primary demographic assumptions reviewed by Milliman during the 2011 experience study are retiree mortality, termination, and service retirement. Secondary assumptions reviewed include pre-retirement mortality, disability retirement (service and non-service related), probability of refund election, probability of an eligible survivor, age of beneficiaries, retirement age for vested terminated members and reciprocity.

For many demographic assumptions, the actuary must consider the factors affecting the variation in the rates of decrement. Often, the rate of terminations by active members will be highly correlated to their years of service. Alternatively, the variation in the rate of retirements may be better correlated to the participant's age. The type of assumption utilized determines how the data is to be grouped for analysis. Many large systems have analyzed the correlation of the variation in certain decrements to age and service simultaneously, which can result in a "select and ultimate" type of assumption. In some cases, this additional complexity does not affect results materially.

To review the principal non-economic assumptions for reasonability, we have created our own database for this experience study based on data files that were used by Milliman in their June 30, 2008, 2009 and 2010 valuations. For the experience from July 1, 2010 to April 30, 2011, we have used the same data files provided by *SamCERA* to Milliman that were created specifically to capture the experience of the last 10 months of the experience study period. Initially, we had some differences when we compared our counts of the actual number of service retirements, disability retirements and terminations to those used by Milliman in their experience study.

At our request, Milliman provided us with a list of the actual counts that they used in their study. After reviewing that file together with the original files provided by *SamCERA* to Milliman for the June 30, 2009 and 2010 valuations, we were able to reconcile most of our initial differences as resulting from the treatment of active members reported as being on leave status between valuation dates. For the valuations, those active members who were reported as being on leave as of the June 30 valuation dates had been classified by Milliman as deferred vested members. In most cases, as those members tended to return to active employment, they were not counted by Milliman in the experience study as terminations. We concur with Milliman's treatment of those members in the experience study.

For those actual counts where we still differ, we have provided Milliman with a sample of those decrements for their review and comment. However, we note that those differences (even if they are validated by Milliman) should not have a material impact on the review of the assumptions and associated recommendations.

The prevalent method used to determine the appropriateness of a demographic assumption is to analyze the actual to expected ratios (AE ratios). An AE ratio is found by dividing, for any single contingency, the actual number to occur during the study period by the number expected to occur based upon current assumptions. These ratios display how well the current assumptions anticipated actual experience. An AE ratio of 100% results when actual experience equals that expected under the assumption.

For each contingency, the actuary determines a reasonable range for the AE ratio. This reasonable range is based upon the materiality of the assumption, the effect of future trends, and the degree of conservatism or margin the actuary considers appropriate. An AE ratio falling into this range would indicate the current assumption may still be appropriate. AE ratios not in the reasonable range may indicate the need to modify the assumption. In our opinion, Milliman has performed accurate analyses overall of the reasonableness of the current assumptions through the use of AE ratios.

Assumptions Reviewed by Milliman

Milliman has reviewed and recommended some changes to the following principal demographic assumptions as part of their investigation: (i) service retirement, (ii) disability retirement, (iii) terminations (including probabilities of refunds and deferred vested retirement) and (iv) mortality. We have found all the changes recommended by Milliman to be reasonable.

For disability retirement, note that during our review of Milliman’s draft report and supporting documents we observed an overstatement of the expected number of disability retirements calculated using the current assumptions. That overstatement of the number of expected disability retirements led to a recommendation to lower the disability retirement assumption.

When we raised our concern with Milliman, they were to able review and confirm our observation, and to revise their recommendation accordingly. The final disability assumption now takes into account the proper expected number of disability retirements.

For the other assumptions included by Milliman in their review, we have made the following observations.

Reciprocity for Terminated Members

Milliman recommends changing the current assumptions for the probabilities of members who go to work for a reciprocal employer. In order to validate their recommendations, we would recommend that Milliman consider including the data behind their recommendation in the investigation report. Milliman should also include the assumption they would use to project salary increases while the deferred member is working at another reciprocal employer.

Probability with an Eligible Survivor and Beneficiary Age Difference

Milliman recommends the continued use of the current assumption for the percentage of future retirees with an eligible survivor under the unmodified retirement allowance and for the beneficiary age difference. While these assumptions appear reasonable, there is no data shown in the study with regard to actual experience during the investigation period to help confirm these recommendations. At a minimum, we would suggest that the data supporting the development of the recommended assumption for percentage with an eligible survivor be included in the investigation report.

Retirement Age for Deferred Vested Members

A deferred retirement age assumption is necessary in the valuation to anticipate when those members who left their contributions on deposit would ultimately retire from the Association. We recommend that Milliman include the data supporting the development of their deferred retirement age recommendation.

Flow of Lives

On some occasions, it may be desirable to review the actual counts between valuation dates for reasonability. For instance, the employer may be interested in the number of active employees leaving the workforce due to terminations or retirements each year.

We would recommend that Milliman consider including a “flow of lives” in their annual valuation report. A flow of lives would reconcile the number of members in different status categories (including active, deferred vested, retiree and beneficiary) between two valuation dates. A flow of lives would also generally allow another actuary to perform a high level review of the results from an experience study.

Assumptions for Additional Retirement Credit (ARC) Purchases

There was a reference on page 22 of the Milliman experience study report to the role of the actuarial assumptions as they relate to the purchase of additional retirement credit (ARC). We understand that Milliman will be addressing their recommendations in a separate study. As some of the actuarial assumptions provided in the experience study report may have to be modified for use in pricing ARC purchases, we have not reviewed those assumptions applicable to the ARC purchases as part of this analysis.

Review of Liabilities and Contribution Rates for the June 30, 2011 Valuation

We are in the process of replicating Milliman's calculation of the liabilities and the contribution rates for *SamCERA*. We will be including, as part of that review, a determination of the liabilities and the contribution rates (using data as of June 30, 2011) based on the final assumptions recommended by Milliman and adopted by the Board for the June 30, 2011 valuation.

Overall Conclusion

Our overall assessment of Milliman's actuarial work for *SamCERA* is that all major actuarial functions are being appropriately addressed. Milliman has employed generally accepted actuarial practices and principles in studying plan experience, selecting assumptions, computing employer contribution rates, and presenting the results of their work. We believe that the actuarial assumptions as recommended by Milliman to the Board are reasonable for use in *SamCERA*'s actuarial valuation.

The staff at Milliman has been very knowledgeable, cooperative and helpful in the course of our review.

Summary of Suggestions for Future Experience Studies

It is our opinion that in future experience studies, Milliman should consider the following:

- Disclose in their report the average capital market assumptions used in their analysis for each asset category.
- For the real wage growth assumption, consider increasing this assumption if future recommendations are made to decrease the price inflation assumption.
- For the merit and promotional salary increase assumptions, consider including a separate analysis for each of the General and Safety plans. For members with less than 2 to 3 years of service, consider increasing their merit and promotional salary increase assumptions.
- For the assumptions for the percentage of future retirees with an eligible survivor and beneficiary age difference, consider including data supporting the development of the recommended assumption in the investigation report.
- For the assumption for percentage of members assumed to work for a reciprocal employer, consider including the data supporting the development of the recommended assumption in the investigation report. Milliman should also include the assumption used to project future salary increases for those employees.
- For the assumption for the expected age at retirement for the deferred members, consider including data supporting the development of the recommended assumption in the investigation report.
- For the valuation, consider including a flow of lives in the valuation report.

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 5.4

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Adoption of Milliman's Investigation of Experience Report Recommendations

Issue

Under this agenda item the board will be asked to adopt Milliman's Investigation of Experience report recommendations.

Background

The significant recommendations of the Milliman report are changes to some *demographic* assumptions. These are summarized under agenda item 5.2. The recommendations are based on the experience of the plan membership. For instance, *SamCERA's* data shows that males are living longer than has been assumed in past valuations. Milliman has suggested a change in the mortality assumption to reflect this experience.

The recommended changes would add an estimated 0.60% of payroll to the employer contribution rate for the 2012-13 fiscal year. The changes would also increase member contributions. All member increases would be less than 1.0% of pay and in most cases well less than that amount. The final impact of these changes and the total change for member and employer contribution rates will be discussed by Milliman at the board's September meeting when the firm presents its annual actuarial valuation.

Milliman recommends no change in the current *economic* assumptions.

The Segal Co. has opined on the Milliman Experience Report that, "...all major actuarial functions are being appropriately addressed." Milliman has incorporated most of Segal's suggestions in its Experience Report and will consider all other recommendations not yet incorporated.

Staff Recommendation

Staff recommends the board accept Milliman's Investigation of Experience Report and its recommendations dated July 18, 2011 and approve a resolution adopting recommended changes to assumptions based upon Milliman, Inc's "Investigation of Experience July 1, 2008 – April 30, 2011."

RESOLUTION ADOPTING RECOMMENDED CHANGES TO ASSUMPTIONS BASED UPON MILLIMAN, INC'S INVESTIGATION OF EXPERIENCE JULY 1, 2008 – APRIL 30, 2011

RESOLUTION 11-12-

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board of Retirement...shall... recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...; and

WHEREAS, the actuarial valuation of the Retirement Fund, including the adequacy of the contribution rates, is based on certain underlying assumptions; and

WHEREAS , the Board instructs it actuarial firm to provide an Experience Report every third year to assess the reasonableness of the assumptions used in the valuation; and

WHEREAS, the Board of Retirement has received, reviewed and accepted the "Investigation of Experience July 1, 2008 – April 30, 2011" report prepared by Milliman, Inc., setting forth recommendations to make amend certain assumptions to be used by Milliman when it prepares its June 30, 2011, actuarial valuation; and

WHEREAS, the Board has reviewed the recommendations and finds it to be in the best interest of the members, retirees and beneficiaries of the Retirement System to adopt certain changes to the assumptions used by its actuary, Milliman, Inc. when performing is actuarial valuation:

Therefore, be it

RESOLVED, the following changes in assumptions, as reflected in more detail in the cited tables contained in "Investigation of Experience July 1, 2008 – April 30, 2011," shall be used by Milliman, Inc when performing its actuarial valuation:

Death while Active --	Reduce rates for males (Tables A-6-A-11)
Retirement --	Reduce rates (Table A-2)
Disability --	Increase rates for general members (Tables A-6-A-11)
Termination --	Reduce rates (Tables A-6-A-11)
Probability of Refund --	Reduce rates for safety members (Table A-4)
Mortality --	Reduce rates (increase life expectancies) for healthy Retirees and increase rates for retirees with disabilities (Tables A-2 –A-3)
Reciprocity --	Reduce rates for general members; increase rates for safety members (Page A-7)

San Mateo County Employees' Retirement Association
Board of Retirement

July 26, 2011 Agenda Item 5.5

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Mabel Wong

Mabel Wong, Retirement Finance Officer

Subject: Approval of Topics for Actuarial Review – Milliman Inc.

STAFF COMMENTS: Below is a list of suggested questions that will be submitted to *SamCERA's* actuary, Milliman Inc, prior to the annual review, which will be September 27, 2011. Please review the list and offer amendments or additional questions as appropriate.

Following the list of questions is an actuarial evaluation form. Staff recommends that trustee, staff and actuary complete the evaluation form. Staff will compile the trustee and staff responses and compare them to the actuary responses. Points of discussion will arise where the staff and trustee responses differ from those of the actuary.

Organizational Update

1) What is the ownership structure of your firm? Identify all owners with 5% ownership or more.
2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.
3) Provide a list of services available through your firm, including the number of staff supporting those services.
4) What are your firm's philosophy and current policy regarding new business?
5) Specify separately the individuals (up to five) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).
6) Update all significant personnel changes or expected changes to the "*SamCERA* Team".
7) Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months?
8) Has an actuarial audit been performed on any of your firm's actuarial products in the past eighteen months? If yes, discuss the audit and the findings. Any material findings or recommendations must be accompanied by an explanation.
9) Describe the levels of insurance coverage maintained by your firm. E-mail a current certification of insurance to gclifton@samcera.org.

10) Do you have a written policy on ethics? If so, please e-mail the policy to gclifton@samera.org.

11) Describe the relative strength and longevity of your staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.

12) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?

13) Provide an overview of your firm's business continuity plan.

Actuarial Process

14) Provide a description, in detail, of your actuarial process.

15) Describe your peer review procedures in detail.

16) Does your firm engage in peer review with other actuarial firms?

Outlook

17) What issues are other clients concerned with in regards to products, education and governance?

18) Describe your assessment of the relationship between your firm and *SamCERA*. How can *SamCERA* better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?

19) What is your firm's position on Liability Driven Investments, or matching asset and liability duration?

20) What is your firm's position on recording liabilities at market value?

21) What is your firm's outlook and position regarding the current enacted or proposed changes in accounting standards relative to the pension industry? Please list and discuss each proposal separately.

Conclusion

22) Is there any information that would be timely pursuant to *SamCERA's* contract and this annual review?

23) Are your clients making significant changes in their asset mixes or economic and non-economic assumptions or other structural changes to the actuarial overview of their plans? Describe these changes.

24) What actuarial related changes should *SamCERA* consider?

25) Relative to your expertise, what trends are occurring in the retirement industry that *SamCERA* should be tracking?

San Mateo County Employees' Retirement System

ANNUAL ACTUARIAL PERFORMANCE EVALUATION

For Fiscal Year 2010-2011

Actuarial Firm: Firm Name – Milliman, Inc.
Actuary(s), - Nick Collier

Reviewer's Name (Optional): ____________________________________

The following criteria are the categories of evaluation for the system's actuarial firm. Please rank on a scale of 1 to 5, with 1 being "Low" and 5 being "High", your opinion of the service provided by the firm. Additional space is provided for comments if necessary or desired.

I. UNDERSTANDING OF SYSTEM GOALS AND OBJECTIVES

Low		Average		High
1	2	3	4	5

Comments: ____

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II. ABILITY TO CUSTOM-TAILOR SERVICES

Low		Average		High
1	2	3	4	5

Comments: ____

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III. ABILITY TO RESPOND TO PLAN SPONSOR NEEDS

Low		Average		High
1	2	3	4	5

Comments: ______________________________

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IV. ABILITY TO COMMUNICATE EFFECTIVELY

Low		Average		High
1	2	3	4	5

Comments: ______________________________

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V. RESPONSIVENESS TO QUESTIONS AND REQUESTS

Low		Average		High
1	2	3	4	5

Comments: ______________________________

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VI. ADEQUACY OF INFORMATION PROVIDED

Low		Average		High
1	2	3	4	5

Comments: ______________________________

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VII. KNOWLEDGEABLE IN THEIR SUBSTANTIVE ACTUARIAL AREAS

Low		Average		High
1	2	3	4	5

Comments: ____

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VIII. PROVIDES PRACTICAL AND EFFECTIVE ADVICE

Low		Average		High
1	2	3	4	5

Comments: ____

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____

IX. PROVIDES CREATIVE SOLUTIONS TO DIFFICULT PROBLEMS

Low		Average		High
1	2	3	4	5

Comments: ____

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X. ACHIEVES RESULTS THAT MEET YOUR EXPECTATIONS

Low		Average		High
1	2	3	4	5

Comments: ____

____

XI. KEEPS YOU INFORMED ABOUT THE PROGESS OF YOUR MATTERS

Low		Average		High
1	2	3	4	5

Comments: ____

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XII. KEEPS YOU INFORMED ABOUT CHANGES IN THE LAW THAT COULD AFFECT THE PLAN

Low		Average		High
1	2	3	4	5

Comments: ____

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XIII. DEMONSTARTATES A HIGH STANDARD OF ETHICS AND INTEGRITY

Low		Average		High
1	2	3	4	5

Comments: ____

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XIV. OTHER COMMENTS, QUESTIONS, OR CONCERNS

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XV. EFFECTIVENESS OF EDUCATIONAL PRESENTATIONS

Low		Average		High
1	2	3	4	5

Comments: ____

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XVI. OVERALL EVALUATION

Low		Average		High
1	2	3	4	5

Comments: ____

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July 26, 2011 Agenda Item 5.6

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Adopt Resolution Ratifying Plan 3 Early Retirement Adjustment Factors

Issue

General Plan 3 Early Retirement Adjustment (ERA) factors were revised in September 2008 based on the 2008 Investigation of Experience study and updated mortality assumptions. However, the ERA factors were not adopted by the board.

Background

This is a housekeeping matter to ratify the actions of staff in 2008 to implement Plan 3 ERA factors in accordance with actuarial recommendations. Plan 3 is the county's non-contributory plan. Its benefits differ from the contributory plans and are based in part on whether the member retires before age 65. Plan 3 retirement factors are affected by mortality and interest assumptions adopted by the board.

The Plan 3 factors were updated by Milliman, Inc. as a result of their work to produce the 2008 Investigation of Experience. However, the new factors were not incorporated in the study report but were instead included in a letter from the actuary. As a result, the new factors were not included in the resolution the retirement board adopted in 2008 approving all the recommendations of the experience study.

The new ERA factors were implemented in late 2008, but a routine staff audit recently revealed that the revised ERA factors had not been adopted by the board.

Staff Recommendation

Staff recommends the board adopt the attached Resolution 11-12- to ratify implementation of revised ERA factors retroactive to September 2008 which reflect the mortality assumptions adopted from the 2008 Investigation of Experience study.

Adoption of Revised General Plan 3 Early Retirement Adjustment Factors Retroactive to September 22, 2008

RESOLUTION 11-12-__

Whereas, Government Code §31453 mandates that "...an actuarial valuation shall be made...at intervals not to exceed three years. The valuation shall be conducted under the supervision of an actuary and shall cover the mortality, service, and compensation experience of the members and beneficiaries..."; and

WHEREAS , the Board instructs it actuarial firm to provide an Experience Report every third year to assess the reasonableness of the assumptions used in the valuation; and

WHEREAS, the Board of Retirement received, reviewed and accepted the "Investigation of Experience July 1, 2005 – April 30, 2008" report prepared by Milliman, Inc., setting forth recommendations to amend certain assumptions to be used by Milliman in preparation of its June 30, 2008, actuarial valuation; and

WHEREAS, Section 31497.3(f) defines a table of early retirement factors to be used to determine actuarially equivalent factors; and this table is to be updated in accordance with the interest and mortality tables adopted by the Board; and

WHEREAS, the Board finds the implementation of actuarially determined early retirement factors for Plan 3 retirements in accordance with the demographic assumptions of the 2008 Investigation of Experience to be in the best interest of the members, retirees and beneficiaries of the Retirement System:

Therefore, be it

Resolved that the board hereby ratifies General Plan 3 Early Retirement Adjustment factors retroactive to September 22, 2008, as recommended by Milliman, Inc., based on the revised mortality assumptions included in the *Investigation of Experience* study report dated August 18, 2008, and adopted by the board on August 26, 2008, and in accordance with the following table:

Age	2008 Revised ERA Factor	Prior ERA Factor
55	0.40	0.39
56	0.43	0.43
57	0.47	0.47
58	0.52	0.51
59	0.57	0.56
60	0.62	0.61
61	0.68	0.67
62	0.75	0.74
63	0.82	0.82
64	0.91	0.90

Notice of Public Meeting

SamCERA

Investment Committee

of the San Mateo County Employees' Retirement Association
will meet in

100 Marine Parkway, Suite 125, Redwood Shores

Tuesday, July 26, 2011, at 10:00 a.m.

1.0 Call to Order
2.0 Roll Call
3.0 Oral Communications From the Committee
4.0 Oral Communications From the Public
5.0 Approval of the Minutes
6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
  6.1 Monthly Portfolio Performance Report
  6.2 Approval of Resolution Ratifying Private Equity Investment
  6.3 Annual Review of SamCERA's Private Equity Implementation
  6.4 Approve Request For Information for an International Small Cap Equity Manager Search and Identify Semi-Finalists
  6.5 Approve Request For Information for an Emerging Markets Equity Manager Search and Identify Semi-Finalists
  6.6 Annual Review of SamCERA's Domestic and International Equity Value Portfolios (Summary Report Only)
    6.6 a Barrow Hanley – *SamCERA's* Domestic Large Cap Value Manager
    6.6 b Mondrian Investment Partners – *SamCERA's* International Value Manager
    6.6 c The Boston Company – *SamCERA's* Domestic Small Cap Value Manager
  6.7 Semi-Annual Report on the Strategic Investment Solutions' Capital Market & Inflation Outlook
  6.8 Approval of a Trust Agreement with State Street Global Advisors for a Commodities Mandate
7.0 Other Business
8.0 Chief Investment Officer's Report
9.0 Adjournment

Gary Clifton

Gary Clifton, Chief Investment Officer

Printed: 7/20/11

Be advised that the committees of the Board of Retirement
are forums in which consensus may emerge.
If you have an interest in a matter before a committee,
you are advised to attend the committee meeting.
Committee meeting times are noted on the board agenda.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact David Bailey at (650) 363-4930 at least three business days prior to the meeting, if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable *SamCERA* to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

THE COMMITTEE MEETS IN 100 MARINE PARKWAY, SUITE 125,
WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.
Detailed directions are available on the "Contact Us" page of the website www.samcera.org
Free Parking is available in all lots in the vicinity of the building.

SamCERA
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065

How to Find Us:

From Northbound 101 take the Ralston/ Marine World Parkway exit. Drive East on Marine Parkway toward the Bay.

From Southbound 101 take the Ralston/ Marine World Parkway exit. Drive East over the freeway on Marine Parkway toward the Bay.

From El Camino Real, turn East toward the Bay on Ralston and drive over the freeway on Marine Parkway. (Ralston becomes Marine Parkway at 101.)

Twin Dolphin Drive is two stoplights beyond the freeway. The "*Shores Center*" sign on the lawn is located in front of our new home.

Continue on Marine Parkway one block beyond Twin Dolphin to Lagoon Drive. Note the 100 Marine granite monument with *SamCERA* logo near curb as you approach Lagoon Drive.

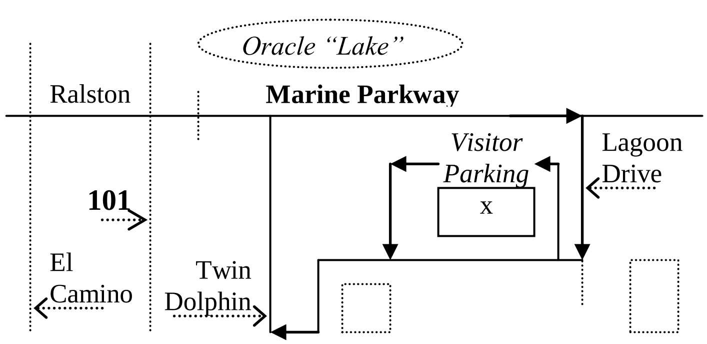
From Marine Parkway turn Right on Lagoon Drive and then immediately take the next two Right turns into our parking lot.

Park in the **Visitor spaces** on the Marine Parkway side of our building near the North Entrance.

SamCERA is in Suite 125 on the first floor, on your left just inside the North Entrance on the Marine Parkway side of the building.

SamCERA's Telephone Number:	(650) 599-1234
From a County Extension:	Dial 1234
From Outside the 650 Area Code:	(800) 339-0761
Web Site: www.samcera.org	

Our Office is Open Monday thru Thursday from 7:00 a.m. until 6:00 p.m.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

July 26, 2011 Agenda Item 6.1

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Monthly Portfolio Performance Report for the Period Ending **June 30, 2011**

COMMENT: *SamCERA's* -1.06% Total Fund Return for the month outperformed the Total Plan Policy Benchmark return of -1.28%.

The fund's return for the trailing twelve months and twenty-four months are 23.78% and 18.16% respectively. The twelve-month period is 1603 basis points (bps) above the Actuarial Discount Rate of 7.75%. For the same period the total fund return is one basis point ahead of *SamCERA's* Total Plan Policy Benchmark of 23.77%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented. In addition, the above numbers do not reflect the performance of all portfolios. As of this writing, performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, Sheridan Production Partners and Invesco's core real estate portfolios have not been reported.

The broad US equity market, as represented by the Russell 3000® Index, finished the second quarter essentially flat, returning -0.03%. The delayed effects of higher oil prices and the Japanese natural disasters in early March caused global growth to moderate in May and June. The US economy, already operating at the low end of trend growth, was not immune. Low-end consumption was affected most, with average gasoline prices nearing the $4 per gallon threshold in late April. Continued tepid employment growth, low levels of housing activity, and higher prices across a range of products provided additional, though now familiar, headwinds to economic activity. The effects of the earthquake and tsunami hurt both aggregate demand and activity in Japan. Supply chain disruptions caused by damaged facilities and power infrastructure impeded global output, though to a lesser degree than feared in the disasters' immediate aftermath.

China continued to apply the brakes on growth and attempted to ease resource constraints, which have spurred commodity cost inflation, rising real estate prices, and tightening labor rates. Chinese equity prices were weak during the quarter on investor concern about the severity of the tightening measures and their impact on corporate activity, revenue, and profit growth. Elsewhere, equity prices recovered from declines in May and early June related to fears of slowing growth, resulting in net gains in the quarter for many indexes. A wave of high-profile, social-network-oriented initial public offerings (IPOs) in the US produced outsized gains in early trading reminiscent of the early 2000 technology/internet frenzy. Some voiced concerns about a new bubble, as companies with modest revenues and profits and unseasoned business models attained multi-billion dollar valuations.

Below is an overview of the investment manager performance for selected periods:

Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	-1.74%	0.14%	6.40%	32.00%
D.E. Shaw Investment Management, LLC	-1.90%	1.02%	6.32%	30.46%
T. Rowe Price Associates	-1.64%	0.18%	6.01%	30.42%
Barrow, Hanley, Mewhinney & Strauss	-1.65%	1.04%	8.84%	33.98%
BlackRock Capital Management, Inc.	-2.47%	-1.60%	2.74%	33.96%
Large Cap Aggregate	-1.90%	0.07%	6.03%	32.35%
The Boston Company	-3.01%	-4.10%	3.29%	26.40%
Chartwell Investment Partners	-1.64%	-1.47%	12.42%	49.87%
Jennison Associates	-1.82%	-0.20%	8.93%	43.13%
Small Cap Aggregate	-2.03%	-1.38%	8.54%	40.80%
Artio Global Investors	-0.90%	-0.37%	1.81%	24.87%
Mondrian Investment Partners	-1.12%	2.94%	6.84%	28.76%
International Aggregate	-1.01%	1.28%	4.30%	26.81%
Total Equity	-1.66%	0.19%	5.89%	31.84%
Aberdeen Asset Management	-0.70%	2.03%	3.59%	6.60%
Angelo Gordon	0.00%	-0.68%	4.90%	30.69%
Brigade Capital Management	-0.07%	1.49%	5.91%	N/A
Brown Brothers Harriman	0.85%	3.71%	5.78%	N/A
Franklin Templeton	-0.28%	2.67%	6.18%	N/A
Pyramis Global Advisors	-0.41%	2.38%	3.44%	6.05%
Western Asset Management	-0.46%	2.22%	3.65%	7.93%
Total Fixed Income	-0.30%	2.15%	4.41%	9.00%
Private Equity (1)	-6.44%	-6.44%	-6.44%	N/A
AQR's Risk Parity	0.00%	4.77%	N/A	N/A
Hedge Funds (2)	0.00%	N/A	N/A	N/A
Commodities	N/A	N/A	N/A	N/A
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	0.00%	0.00%	3.83%	16.71%
Cash	0.06%	0.21%	0.38%	1.00%
Total Portfolio	-1.06%	1.05%	5.61%	23.78%

(1) As of June month end, *SamCERA* has committed to four private equity investments. Performance data was incomplete as of the second mailing.
(2) As of June month end, *SamCERA* has invested into one hedge fund portfolio. Performance data was unavailable as of the second mailing.

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 30, 2011

STATE STREET.

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
DOMESTIC EQUITY													
BLACKROCK RUSSELL 1000 INDEX FUND	142,028,817	-1.74	0.14	6.40	32.00	32.00	23.38	3.76	-0.51	3.38	3.25	8.40	04/01/1995
DE SHAW INVESTMENT MGT, LLC	112,003,896	-1.90	1.02	6.32	30.46	30.46						19.35	08/01/2009
RUSSELL 1000		*-1.75*	*0.12*	*6.37*	*31.93*	*31.93*	*23.30*	*3.68*	*-0.59*	*3.30*	*3.21*		
T. ROWE PRICE ASSOCIATES	110,260,680	-1.64	0.18	6.01	30.42	30.42						18.20	08/01/2009
S&P 500		*-1.67*	*0.10*	*6.02*	*30.69*	*30.69*						*18.78*	
BARROW HANLEY	172,604,722	-1.65	1.04	8.84	33.98	33.98						20.64	08/01/2009
RUSSELL 1000 VALUE		*-2.05*	*-0.50*	*5.92*	*28.94*	*28.94*						*18.92*	
BLACKROCK	171,445,737	-2.47	-1.60	2.74	33.96	33.96						20.35	08/01/2009
RUSSELL 1000 GROWTH		*-1.43*	*0.76*	*6.83*	*35.01*	*35.01*						*20.63*	
LARGE CAP AGGREGATE	708,343,852	-1.90	0.07	6.03	32.35	32.35	22.59	2.76	-1.61	2.12	2.91	8.19	04/01/1995
RUSSELL 1000		*-1.75*	*0.12*	*6.37*	*31.93*	*31.93*	*23.30*	*3.68*	*-0.59*	*3.30*	*3.21*	*8.38*	
BOSTON COMPANY ASSET MGT, LLC	49,925,577	-3.01	-4.10	3.29	26.40	26.40						20.38	08/01/2009
RUSSELL 2000 VALUE		*-2.46*	*-2.65*	*3.77*	*31.35*	*31.35*						*22.39*	
CHARTWELL INVESTMENT MGMT	60,535,796	-1.64	-1.47	12.42	49.87	49.87	35.17	7.20	2.53	5.53		7.21	12/01/2004
RUSSELL 2000 GROWTH		*-2.14*	*-0.59*	*8.59*	*43.50*	*43.50*	*30.10*	*8.35*	*3.20*	*5.80*		*6.54*	
JENNISON ASSOCIATES	124,060,920	-1.82	-0.20	8.93	43.13	43.13	34.71	10.24				10.14	04/01/2008
SMALL CAP AGGREGATE	234,522,293	-2.03	-1.38	8.54	40.80	40.80	33.02	6.98	-1.56	1.31	4.61	5.45	07/01/1999
RUSSELL 2000		*-2.31*	*-1.61*	*6.21*	*37.41*	*37.41*	*29.20*	*7.77*	*1.20*	*4.08*	*6.27*	*6.43*	
DOMESTIC EQUITY AGGREGATE	942,866,145	-1.94	-0.28	6.59	34.14	34.14	24.65	3.67	-1.52	2.04	3.28	7.43	07/01/1995
SAMCERA DOMESTIC EQUITY BENCHMA		*-1.88*	*-0.28*	*6.35*	*33.06*	*33.06*	*24.53*	*4.56*	*-0.17*	*3.51*	*3.89*		

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 30, 2011

STATE STREET.

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
INTERNATIONAL EQUITY													
ARTIO GLOBAL INVESTOR	203,962,765	-0.90	-0.37	1.81	24.87	24.87	16.55	-5.31	-5.95	1.08		5.87	12/01/2004
MSCI ACWI ex US GROWTH (GROSS)		*-1.68*	*1.06*	*3.43*	*31.07*	*31.07*	*21.14*	*-0.79*	*-0.85*	*4.48*		*7.96*	
MONDRIAN INVESTMENT PARTNERS	209,864,143	-1.12	2.94	6.84	28.76	28.76	17.52	0.32	-2.33	3.62		7.35	12/01/2004
MSCI ACWI EX US VALUE (GROSS)		*-1.15*	*0.15*	*4.81*	*29.39*	*29.39*	*19.16*	*0.98*	*-2.22*	*3.75*		*7.72*	
TOTAL INTERNATIONAL EQUITY	413,826,908	-1.01	1.28	4.30	26.81	26.81	17.04	-2.50	-4.13	2.37	5.57	6.40	10/01/1996
MSCI AC WORLD ex US (GROSS)		*-1.42*	*0.61*	*4.11*	*30.27*	*30.27*	*20.18*	*0.11*	*-1.51*	*4.14*	*7.92*	*6.27*	
TOTAL EQUITY AGGREGATE	1,356,693,053	-1.66	0.19	5.89	31.84	31.84	22.25	1.80	-2.25	2.09	3.79	7.35	04/01/1995
SAMCERA TOTAL EQUITY BENCHMARK		*-1.72*	*0.03*	*5.59*	*32.12*	*32.12*	*23.16*	*3.23*	*-0.50*	*3.67*	*4.84*		
PRIVATE EQUITY													
SHERIDAN PRODUCTION PARTNERS	1,381,000	0.00	0.00	0.00								0.00	11/01/2010
ABRY ADVANCED SEC II LP	2,002,419	-12.30										-12.30	06/01/2011
RUSSELL 3000 + 3%		*-1.55*										*-1.55*	
TOTAL PRIVATE EQUITY	3,383,419	-6.44	-6.44	-6.44								-6.44	11/01/2010
PRIVATE EQUITY BENCHMARK		*-1.55*	*0.71*	*7.92*									
RISK PARITY													
AQR GLOBAL RISK PREM III LP	147,619,360	0.00	4.77									5.45	03/01/2011
TOTAL RISK PARITY	147,619,360	0.00	4.77									5.45	03/01/2011
RISK PARITY BENCHMARK		*-1.19*	*0.91*	*4.92*									

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 30, 2011

STATE STREET.

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
HEDGE FUND													
AQR DELTA FUND II, L.P.	70,000,000	0.00										0.00	06/01/2011
LIBOR + 4%		*0.34*										*0.34*	
HEDGE FUND COMPOSITE	70,000,000	0.00										0.00	06/01/2011
LIBOR + 4%		*0.34*										*0.34*	
DOMESTIC FIXED INCOME													
ABERDEEN ASSET MANAGEMENT	122,345,881	-0.70	2.03	3.59	6.60	6.60	12.07	5.12	4.49	4.92	5.31	5.98	06/01/2000
WESTERN ASSET MGMT	116,373,486	-0.46	2.22	3.65	7.93	7.93	13.04	8.62	6.84	6.73		5.70	11/01/2004
PYRAMIS GLOBAL ADVISORS	113,091,422	-0.41	2.38	3.44	6.05	6.05	10.19	8.46	7.10	6.88		6.25	02/01/2006
ANGELO GORDON GECC PPI FUND	40,337,951	0.00	-0.68	4.90	30.69	30.69						29.49	12/01/2009
BC AGGREGATE		*-0.29*	*2.29*	*2.72*	*3.90*	*3.90*	*6.66*	*6.46*	*6.62*	*6.52*	*5.74*		
BROWN BROTHERS HARRIMAN & CO	48,545,233	0.85	3.71	5.78								7.37	08/01/2010
BARCLAYS US TIPS INDEX		*0.83*	*3.71*	*5.84*								*7.64*	
BRIGADE CAPITAL MANAGEMENT	50,141,745	-0.07	1.49	5.91								11.43	08/01/2010
BC BA INTERMEDIATE HIGH YIELD INDEX		*-0.67*	*1.29*	*4.51*								*9.73*	
INTERNATIONAL FIXED INCOME													
FRANKLIN TEMPLETON INVESTMENTS	106,143,892	-0.28	2.67	6.18								6.18	01/01/2011
BC MULTIVERSE		*0.05*	*3.04*	*4.44*								*4.44*	
TOTAL FIXED INCOME													
TOTAL FIXED INCOME AGGREGATE	596,979,609	-0.30	2.15	4.41	9.00	9.00	12.95	8.17	6.72	6.64	6.06	6.13	01/01/1996
SAMCERA TOTAL FIXED INCOME BENCH		*-0.12*	*2.73*	*3.74*	*5.03*	*5.03*	*7.24*	*6.84*	*6.91*	*6.75*	*5.86*	*5.85*	

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 30, 2011

STATE STREET.

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
REAL ESTATE													
INVESCO REAL ESTATE	126,673,968	0.00	0.00	3.83	16.71	16.71	4.02	-8.77	-4.70	-1.16		4.56	10/01/2004
TOTAL REAL ESTATE AGGREGATE	126,673,968	0.00	0.00	3.83	16.71	16.71	4.02	-8.77	-4.70	-1.16	6.16	7.03	01/01/1997
SAMCERA NCREIF NFI ODCE EW (Gross)		*0.00*	*0.00*	*4.01*	*15.10*	*15.10*	*3.09*	*-8.47*	*-4.33*	*-0.36*	*5.64*	*7.04*	
CASH EQUIVALENTS													
SAMCERA GENERAL ACCOUNT	2,996,014	0.01	0.30	0.34	0.46	0.46	0.34	0.67	1.55	2.33	2.29	2.86	07/01/1999
SAMCERA TREASURY & LAIF	2,277,614	0.08	0.24	0.48	1.10	1.10	1.02	-0.55	0.61	1.33	2.24	3.48	07/01/1994
TOTAL CASH AGGREGATE	5,273,628	0.06	0.21	0.38	1.00	1.00	0.92	-0.26	0.79	1.50	2.19	2.74	07/01/1999
91 DAY T-BILL		*0.01*	*0.04*	*0.09*	*0.16*	*0.16*	*0.16*	*0.42*	*1.21*	*2.00*	*2.13*	*2.71*	
TOTAL FUND													
TOTAL FUND	2,306,623,037	-1.06	1.05	5.61	23.78	23.78	18.16	3.21	0.38	3.43	5.00	6.49	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		*-1.28*	*0.56*	*4.92*	*23.77*	*23.77*	*17.91*	*4.20*	*1.84*	*4.74*	*5.55*	*6.70*	
ACTUARIAL DISCOUNT RATE		*0.62*	*1.88*	*3.80*	*7.75*	*7.75*	*7.75*	*7.75*	*7.75*	*7.75*	*7.92*		

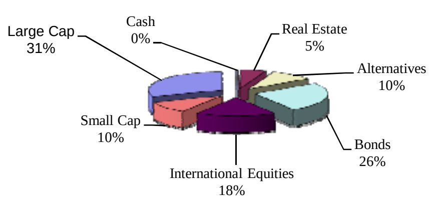
San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending June 30, 2011

Actual versus Target Allocation

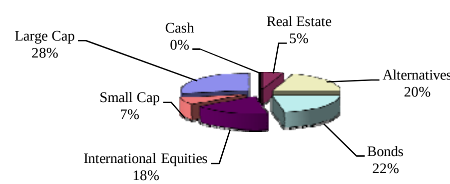
Portfolio	Market Value	Allocation Current	Allocation Target *	Percentage Off Target	Rebalance Range
BlackRock Russell 1000	$142,028,817	6.16%	6.50%	-0.34%	±3%
D.E. Shaw Investment Management, LLC	$112,003,896	4.86%	4.25%	0.61%	±3%
T. Rowe Price Associates	$110,260,680	4.78%	4.25%	0.53%	±3%
Barrow, Hanley, Mewhinney & Strauss	$172,604,722	7.48%	6.50%	0.98%	±3%
BlackRock Capital Management, Inc.	$171,445,737	7.43%	6.50%	0.93%	±3%
Large Cap Aggregate	$708,343,852	30.71%	28.00%	2.71%	
The Boston Company	$49,925,577	2.16%	1.75%	0.41%	±3%
Chartwell Investment Partners	$60,535,796	2.62%	1.75%	0.87%	±3%
Jennison Associates	$124,060,920	5.38%	3.50%	1.88%	±3%
Small Cap Aggregate	$234,522,293	10.17%	7.00%	3.17%	
Artio Global Investors	$203,962,765	8.84%	9.00%	-0.16%	±3%
Mondrian Investment Partners	$209,864,143	9.10%	9.00%	0.10%	±3%
International Aggregate	$413,826,908	17.94%	18.00%	-0.06%	±3%
Total Equity	$1,356,693,053	58.82%	53.00%	5.82%	
Aberdeen Asset Management	$122,345,880	5.30%	3.75%	1.55%	±2%
Angelo Gordon	$40,337,951	1.75%	1.63%	0.12%	±2%
Brigade Capital Management	$50,141,745	2.17%	1.63%	0.55%	±2%
Brown Brothers Harriman	$48,545,233	2.10%	3.00%	-0.90%	±2%
Franklin Templeton	$106,143,892	4.60%	4.50%	0.10%	±2%
Pyramis Global Advisors	$113,091,422	4.90%	3.75%	1.15%	±2%
Western Asset Management Company	$116,373,486	5.05%	3.75%	1.30%	±2%
Total Fixed Income	$596,979,609	25.88%	22.00%	3.88%	
Private Equity	$3,383,419	0.15%	8.00%	-7.85%	N/A
AQR Global Risk Premium	$147,619,360	6.40%	6.00%	0.40%	N/A
AQR Delta Fund (hedge fund)	$70,000,000	3.03%	3.00%	0.03%	N/A
Comodities	$0	0.00%	3.00%	-3.00%	N/A
Alternative Investments	$221,002,779	9.58%	20.00%	-10.42%	
INVESCO Realty Advisors	$126,673,968	5.49%	5.00%	0.49%	±2%
Cash	$5,273,628	0.23%	0.00%	0.23%	
Total	$2,306,623,037	100.00%	100.00%		

* *SamCERA* is in the process of implementing alternative asset allocations. As the allocation is being implemented, the actual versus target returns and target allocations will be impacted.

Current Allocation



Target Allocation



San Mateo County Employees' Retirement Associatior
Monthly Performance Review
Period Ending June 30, 2011

Change in Portfolio Market Value by Managei

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	$142,028,817	$151,875,989	-6.5%	$210,278,079	-32.5%
AXA Rosenberg Investment Management, LLC	$0	$0	0.0%	$0	-100.0%
D.E. Shaw Investment Management, LLC	$112,003,896	$114,170,410	-1.9%	$85,852,734	30.5%
T. Rowe Price Associates	$110,260,680	$112,097,732	-1.6%	$84,544,549	30.4%
Barrow, Hanley, Mewhinney & Strauss	$172,604,722	$175,496,164	-1.6%	$128,833,168	34.0%
BlackRock Capital Management, Inc.	$171,445,737	$175,790,247	-2.5%	$127,980,383	34.0%
Large Cap Aggregate	$708,343,852	$729,430,542	-2.9%	$637,488,913	11.1%
The Boston Company	$49,925,577	$51,476,253	-3.0%	$39,496,656	26.4%
Chartwell Investment Partners	$60,535,796	$61,546,960	-1.6%	$40,392,035	49.9%
Jennision Associates	$124,060,920	$126,366,314	-1.8%	$86,674,207	43.1%
Small Cap Aggregate	$234,522,293	$239,389,527	-2.0%	$166,562,897	40.8%
Artio Global Investors	$203,962,765	$205,805,127	-0.9%	$179,216,093	13.8%
Mondrian Investment Partners	$209,864,143	$212,236,204	-1.1%	$178,342,665	17.7%
International Aggregate	$413,826,908	$418,041,331	-1.0%	$357,558,758	15.7%
Total Equity	$1,356,693,053	$1,386,861,400	-2.2%	$1,161,610,568	16.8%
Aberdeen Asset Management	$122,345,880	$123,203,855	-0.7%	$166,833,354	-26.7%
Angelo Gordon	$40,337,951	$41,164,528	-2.0%	$23,046,760	N/A
Brigade Capital Management	$0	$49,958,730	N/A	$0	N/A
Brown Brothers Harriman	$48,545,233	$48,135,995	N/A	$0	N/A
Franklin Templeton	$106,143,892	$106,444,220	N/A	$0	N/A
Pyramis Global Advisors	$113,091,422	$113,561,200	-0.4%	$165,152,318	-31.5%
Western Asset Management Company	$116,373,486	$116,906,862	-0.5%	$170,391,016	-31.7%
Total Fixed Income	$596,979,609	$599,375,390	-0.4%	$525,423,448	13.6%
Private Equity	$3,383,419	$2,776,631	21.9%	$0	N/A
Risk Parity	$147,619,360	$147,250,040	0.3%	$0	N/A
Hedge Funds	$70,000,000	$70,000,000	0.0%	$0	N/A
Comodities	$0	$0	N/A	$0	N/A
Alternative Investments	$221,002,779	$220,026,671	0.4%	$0	N/A
INVESCO Realty Advisors	$126,673,968	$126,673,968	0.0%	$105,602,228	N/A
Cash	$5,273,628	$8,283,950	-36.3%	$13,670,766	-61.4%
Total	$2,306,623,037	$2,341,221,378	-1.5%	$1,806,307,010	27.7%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	58.8%	59.2%	-0.4%	64.3%	-5.5%
Total Fixed Income	25.9%	25.6%	0.3%	29.1%	-3.2%
Alternative Investments	9.6%	9.4%	0.2%	0.0%	9.6%
Real Estate	5.5%	5.4%	0.1%	5.8%	-0.4%
Cash	0.2%	0.4%	-0.1%	0.8%	-0.5%
Total	100.0%	100.0%		100.0%	

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending June 30, 2011

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1) Twelve Months	Two Years	Three Years	Five Years	Ten Years
Equity Aggregate	$1,356,693,053	-1.66%	0.19%	5.89%	31.84%	31.84%	22.25%	1.80%	2.09%	3.79%
Equity Composite Benchmark		-1.72%	0.03%	5.59%	32.12%	32.12%	23.16%	3.23%	3.67%	4.84%
Variance		***0.06%***	***0.16%***	***0.30%***	***-0.28%***	***-0.28%***	***-0.91%***	***-1.43%***	***-1.58%***	***-1.05%***
Private Equity Aggregate	$3,383,419	-6.44%	-6.44%	-6.44%	N/A	N/A	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		-1.55%	0.71%	7.92%	N/A	N/A	N/A	N/A	N/A	N/A
Variance		***-4.89%***	***-7.15%***	***-14.36%***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***
Risk Parity Aggregate	$147,619,360	0.00%	4.77%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity Composite Benchmark		-1.19%	0.91%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Variance		***1.19%***	***3.86%***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***
Hedge Fund Aggregate	$70,000,000	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Fund Composite Benchmark		0.34%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Variance		***-0.34%***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***
Fixed Income Aggregate	$596,979,609	-0.30%	2.15%	4.41%	9.00%	9.00%	12.95%	8.17%	6.64%	6.06%
Fixed Income Composite Benchmark		-0.12%	2.73%	3.74%	5.03%	5.03%	7.24%	6.84%	6.75%	5.86%
Variance		***-0.18%***	***-0.58%***	***0.67%***	***3.97%***	***3.97%***	***5.71%***	***1.33%***	***-0.11%***	***0.20%***
Real Estate Aggregate (2)	$126,673,968	0.00%	0.00%	3.83%	16.71%	16.71%	4.02%	-8.77%	-1.16%	6.16%
NCREIF NFI ODCE EW (Gross)		0.00%	0.00%	4.01%	15.10%	15.10%	3.09%	-8.47%	-0.36%	5.64%
Variance		***0.00%***	***0.00%***	***-0.18%***	***1.61%***	***1.61%***	***0.93%***	***-0.30%***	***-0.80%***	***0.52%***
Cash Aggregate	$5,273,628	0.06%	0.21%	0.38%	1.00%	1.00%	0.92%	-0.26%	1.50%	2.74%
91 Day Treasury Bill		0.01%	0.04%	0.09%	0.16%	0.16%	0.16%	0.42%	2.00%	2.71%
Variance		***0.05%***	***0.17%***	***0.29%***	***0.84%***	***0.84%***	***0.76%***	***-0.68%***	***-0.50%***	***0.03%***
Total Fund Returns	$2,306,623,037	-1.06%	1.05%	5.61%	23.78%	23.78%	18.16%	3.21%	3.43%	5.00%
Total Plan Policy Benchmark		-1.28%	0.56%	4.92%	23.77%	23.77%	17.91%	4.20%	4.74%	5.55%
Variance		***0.22%***	***0.49%***	***0.69%***	***0.01%***	***0.01%***	***0.25%***	***-0.99%***	***-1.31%***	***-0.55%***

Performance versus Actuarial Discount Rate

Total Fund Returns	$2,306,623,037	-1.06%	1.05%	5.61%	23.78%	23.78%	18.16%	3.21%	3.43%	5.00%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	7.75%	7.75%	7.75%	7.75%	7.92%
Variance		***-1.68%***	***-0.83%***	***1.81%***	***16.03%***	***16.03%***	***10.41%***	***-4.54%***	***-4.32%***	***-2.92%***

(1) SamCERA's Fiscal Year is 7/1 through 6/30

(2) The Real Estate Aggregate prior to 12/99 includes REIT returns

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending June 30, 2011

Manager & Benchmark Performance

Manager Performance

Portfolio	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	(1) Fiscal Year to Date Twelve Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
BlackRock Russell 1000	-1.74%	0.14%	6.40%	32.00%	32.00%	32.00%	23.38%	3.76%	-0.51%	3.38%	3.25%
D.E. Shaw Investment Management, LLC	-1.90%	1.02%	6.32%	30.46%	30.46%	30.46%	N/A	N/A	N/A	N/A	N/A
T. Rowe Price Associates	-1.64%	0.18%	6.01%	30.42%	30.42%	30.42%	N/A	N/A	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	-1.65%	1.04%	8.84%	33.98%	33.98%	33.98%	N/A	N/A	N/A	N/A	N/A
BlackRock Capital Management, Inc.	-2.47%	-1.60%	2.74%	33.96%	33.96%	33.96%	N/A	N/A	N/A	N/A	N/A
Large Cap Aggregate	-1.90%	0.07%	6.03%	32.35%	32.35%	32.35%	22.59%	2.76%	-1.61%	2.12%	2.91%
The Boston Company	-3.01%	-4.10%	3.29%	26.40%	26.40%	26.40%	N/A	N/A	N/A	N/A	N/A
Chartwell Investment Partners	-1.64%	-1.47%	12.42%	49.87%	49.87%	49.87%	35.17%	7.20%	2.53%	5.53%	N/A
Jennison Associates	-1.82%	-0.20%	8.93%	43.13%	43.13%	43.13%	34.71%	10.24%	N/A	N/A	N/A
Small Cap Aggregate	-2.03%	-1.38%	8.54%	40.80%	40.80%	40.80%	33.02%	6.98%	-1.56%	1.31%	4.61%
Artio Global Investors	-0.90%	-0.37%	1.81%	24.87%	24.87%	24.87%	16.55%	-5.31%	-5.95%	1.08%	N/A
Mondrian Investment Partners	-1.12%	2.94%	6.84%	28.76%	28.76%	28.76%	17.52%	0.32%	-2.33%	3.62%	N/A
International Aggregate	-1.01%	1.28%	4.30%	26.81%	26.81%	26.81%	17.04%	-2.50%	-4.13%	2.37%	5.57%
Total Equity	-1.66%	0.19%	5.89%	31.84%	31.84%	31.84%	22.25%	1.80%	-2.25%	2.09%	3.79%
Aberdeen Asset Management	-0.70%	2.03%	3.59%	6.60%	6.60%	6.60%	12.07%	5.12%	4.49%	4.92%	5.31%
Angelo Gordon	0.00%	-0.68%	4.90%	30.69%	30.69%	30.69%	N/A	N/A	N/A	N/A	N/A
Brigade Capital Management	-0.07%	1.49%	5.91%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brown Brothers Harriman	0.85%	3.71%	5.78%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Templeton	-0.28%	2.67%	6.18%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	-0.41%	2.38%	3.44%	6.05%	6.05%	6.05%	10.19%	8.46%	7.10%	6.88%	N/A
Western Asset Management Company	-0.46%	2.22%	3.65%	7.93%	7.93%	7.93%	13.04%	8.62%	6.84%	6.73%	N/A
Total Fixed Income	-0.30%	2.15%	4.41%	9.00%	9.00%	9.00%	12.95%	8.17%	6.72%	6.64%	6.06%
Private Equity	-6.44%	-6.44%	-6.44%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity	0.00%	4.77%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Funds	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Comodities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alternative Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO Realty Advisors	0.00%	0.00%	3.83%	16.71%	16.71%	16.71%	4.02%	-8.77%	-4.70%	-1.16%	6.16%
Cash	0.06%	0.21%	0.38%	1.00%	1.00%	1.00%	0.92%	-0.26%	0.79%	1.50%	2.74%
Total	-1.06%	1.05%	5.61%	23.78%	23.78%	23.78%	18.16%	3.21%	0.38%	3.43%	5.00%

Benchmark Performance

Russell 1000	-1.75%	0.12%	6.37%	31.93%	31.93%	31.93%	23.30%	3.68%	-0.59%	3.30%	3.21%
S&P 500	-1.67%	0.10%	6.02%	30.69%	30.69%	30.69%	N/A	N/A	N/A	N/A	N/A
Russell 1000 Value	-2.05%	-0.50%	5.92%	28.94%	28.94%	28.94%	N/A	N/A	N/A	N/A	N/A
Russell 1000 Growth	-1.43%	0.76%	6.83%	35.01%	35.01%	35.01%	N/A	N/A	N/A	N/A	N/A
Russell 2000	-2.31%	-1.61%	6.21%	37.41%	37.41%	37.41%	29.20%	7.77%	1.20%	4.08%	6.27%
Russell 2000 Value	-2.46%	-2.65%	3.77%	31.35%	31.35%	31.35%	N/A	N/A	N/A	N/A	N/A
Russell 2000 Growth	-2.14%	-0.59%	8.59%	43.50%	43.50%	43.50%	30.10%	8.35%	3.20%	5.80%	N/A
MSCI ACWI ex US (Gross)	-1.42%	0.61%	4.11%	30.27%	30.27%	30.27%	20.18%	0.11%	-1.51%	4.14%	7.92%
MSCI ACWI ex US Growth (Gross)	-1.68%	1.06%	3.43%	31.07%	31.07%	31.07%	21.14%	-0.79%	-0.85%	4.48%	N/A
Russel 3000 + 3% (Private Equity)	-1.55%	0.71%	7.92%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	-1.19%	0.91%	4.92%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.34%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MSCI ACWI ex US Value (Gross)	-1.15%	0.15%	4.81%	29.39%	29.39%	29.39%	19.16%	0.98%	-2.22%	3.75%	N/A
Barclays Capital Aggregate	-0.29%	2.29%	2.72%	3.90%	3.90%	3.90%	6.66%	6.46%	6.62%	6.54%	5.74%
Barclays U.S. TIPS Index	0.83%	3.71%	5.84%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	-0.67%	1.29%	4.51%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	0.05%	3.04%	4.44%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	0.00%	0.00%	4.01%	15.10%	15.10%	15.10%	3.09%	-8.47%	-4.33%	-0.36%	5.64%
91 Day Treasury Bill	0.01%	0.04%	0.09%	0.16%	0.16%	0.16%	0.42%	1.21%	2.00%	2.13%	2.71%
SamCERA Plan Policy Benchmark	-1.28%	0.56%	4.92%	23.77%	23.77%	23.77%	17.91%	4.20%	1.84%	4.74%	5.55%
SamCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.92%

(1) SamCERA's Fiscal Year is 7/1 through 6/30

(2) Refer to page 13 for benchmark details

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending June 30, 2011

Realized & Unrealized Gain / (Loss)

Portfolio	Beginning **Book Balance** As of 07/01/2010	(1) Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending **Book Balance** As of 06/30/2011	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending **Market Value** As of 06/30/2011
BlackRock Russell 1000	$227,158,749.62	21,080,926	(132,000,000)	$116,239,675.42	($12,322,638)	$38,111,779	$142,028,816
D.E. Shaw Investment Management LLC	$91,382,477.76	13,054,951		$104,437,429.03	($5,529,724)	$13,096,190	$112,003,896
T. Rowe Price Associates	$84,410,628.27	6,261,106		$90,671,733.96	$133,920	$19,455,026	$110,260,680
Barrow Hanley	$125,717,857.93	11,345,053		$137,062,910.95	$3,115,310	$32,426,501	$172,604,722
BlackRock	$120,628,030.67	16,878,995		$137,507,026.05	$7,352,352	$26,586,359	$171,445,737
The Boston Company	$39,782,574.05	2,639,961		$42,422,535.09	($285,918)	$7,788,960	$49,925,577
Chartwell Investment Partners	$37,328,257.20	12,386,698		$49,714,955.60	$3,063,778	$7,757,063	$60,535,796
Jennison Associates	$81,047,582.79	15,825,853		$96,873,436.26	$5,626,624	$21,560,859	$124,060,920
Artio Global Investors	$185,960,389.43	10,157,999	(20,000,000)	$176,118,388.38	($6,744,297)	$34,588,674	$203,962,765
Mondrian Investment Partners	$213,442,132.16	6,200,920	(20,000,000)	$199,643,052.25	($35,099,468)	$45,320,558	$209,864,143
Aberdeen Asset Management	$163,766,449.61	10,496,617	(53,000,000)	$121,263,066.81	$3,066,904	($1,984,090)	$122,345,881
Angelo Gordon	$21,875,000.00		8,181,249	$30,056,249.00	$1,478,466	$8,803,236	$40,337,951
Bridage Capital Management	$0.00		45,000,000	$45,000,000.00		$5,141,745	$50,141,745
Brown Brothers Harriman	$0.00	2,586,488	45,000,000	$47,586,488.24	$0	$958,745	$48,545,233
Franklin Templeton Investments	$0.00	2,493,815	100,000,000	$102,493,815.00		$3,650,077	$106,143,892
Pyramis Global Advisors	$126,598,323.37	15,146,935	(60,000,000)	$81,745,258.37	$38,553,995	($7,207,832)	$113,091,422
Western Asset Management Company	$174,036,705.22	7,938,342	(65,000,000)	$116,975,047.04	($3,645,689)	$3,044,128	$116,373,486
Private Equity (Sheridan & ABRY)	$0.00	(496,112)	3,898,531	$3,402,419.00	$0	$56,000	$3,458,419
AQR's Global Risk Premium	$0.00		140,000,000	$140,000,000.00	$0	$7,619,360	$147,619,360
AQR's Delta Fund (Hedge Fund)	$0.00		70,000,000	$70,000,000.00	$0	$0	$70,000,000
Comodities	$0.00			$0.00	$0	$0	$0
INVESCO Core US Real Estate Fund	$132,755,678.60	2,801,797		$135,557,476.00	$0	($8,883,508)	$126,673,968
Cash	$13,670,765.68			$5,273,627.54	$0	$0	$5,273,628
Total	$1,839,561,602.36	$156,800,345.77	$62,079,780.00	$2,050,044,589.99	-$1,236,384.30	$257,889,830.71	$2,306,698,036.40

(1) SamCERA's Fiscal Year is 7/1 through 6/30

San Mateo County Employees' Retirement Association
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Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning **Market Value** Balance As of 07/01/2010	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending **Market Value** Balance As of 06/30/2011	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	$227,158,750	$21,080,926	-$132,000,000	$116,239,675	32.00%	31.93%
D.E. Shaw Investment Management, LLC	$91,382,478	$13,054,951	$0	$104,437,429	30.46%	31.93%
T. Rowe Price Associates	$84,410,628	$6,261,106	$0	$90,671,734	30.42%	30.69%
Barrow, Hanley, Mewhinney & Strauss	$125,717,858	$11,345,053	$0	$137,062,911	33.98%	28.94%
BlackRock Capital Management, Inc.	$120,628,031	$16,878,995	$0	$137,507,026	33.96%	35.01%
The Boston Company	$39,782,574	$2,639,961	$0	$42,422,535	26.40%	31.35%
Chartwell Investment Partners	$37,328,257	$12,386,698	$0	$49,714,956	49.87%	43.50%
Jennison Associates	$81,047,583	$15,825,853	$0	$96,873,436	43.13%	37.41%
Artio Global Investors	$185,960,389	$10,157,999	-$20,000,000	$176,118,388	24.87%	31.07%
Mondrian Investment Partners	$213,442,132	$6,200,920	-$20,000,000	$199,643,052	28.76%	29.39%
Aberdeen Asset Management	$163,766,450	$10,496,617	-$53,000,000	$121,263,067	6.60%	3.90%
Angelo Gordon	$21,875,000	$0	$8,181,249	$30,056,249	30.69%	N/A
Brigade Capital Management	$0	$0	$45,000,000	$45,000,000	N/A	N/A
Brown Brothers Harriman	$0	$2,586,488	$45,000,000	$47,586,488	N/A	N/A
Franklin Templeton	$0	$2,493,815	$100,000,000	$102,493,815	N/A	N/A
Pyramis Global Advisors	$126,598,323	$15,146,935	-$60,000,000	$81,745,258	6.05%	3.90%
Western Asset Management Company	$174,036,705	$7,938,342	-$65,000,000	$116,975,047	7.93%	3.90%
Private Equity	$0	-$496,112	$3,898,531	$3,402,419	N/A	N/A
AQR Global Risk Premium	$0	$0	$140,000,000	$140,000,000	N/A	N/A
AQR Delta Fund (hedge fund)	$0	$0	$70,000,000	$70,000,000	N/A	N/A
Comodities	$0	$0	$0	$0	N/A	N/A
INVESCO Realty Advisors	$132,755,679	$2,801,797	$0	$135,557,476	16.71%	15.10%
Cash	$13,670,766	$0	$0	$13,670,766	1.00%	0.16%
Total	$1,839,561,602	$156,800,346	$62,079,780	$2,058,441,728	23.78%	23.77%

(1) SamCERA's Fiscal Year is 7/1 through 6/30

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending June 30, 2011

Professional Services Fees

Investment Management Fees	**Market Value** As of 06/30/2011	Estimated 9/30/2010	12/31/2010	3/31/2011	6/30/2011	Fiscal Year 2010 / 2011	Estimated Annual Fee (1)
		For the Quarter Ending					
BlackRock Russell 1000	$ 142,028,817.00	$22,800	$23,400	$31,500	$11,400	$89,100	$95,000
D.E. Shaw Investment Management, LLC	$ 112,003,896.00	$115,900	$128,400	$138,700	$143,000	$526,000	$475,000
T. Rowe Price Associates	$ 110,260,680.00	$84,900	$93,300	$89,600	$98,000	$365,800	$350,000
Barrow, Hanley, Mewhinney & Strauss	$ 172,604,722.00	$158,900	$170,100	$186,800	$191,800	$707,600	$650,000
BlackRock Capital Management, Inc.	$ 171,445,737.00	$162,600	$185,500	$197,200	$200,400	$745,700	$675,000
The Boston Company	$ 49,925,577.00	$88,400	$97,300	$106,900	$109,000	$401,600	$375,000
Chartwell Investment Partners	$ 60,535,796.00	$82,600	$95,800	$108,400	$115,900	$402,700	$350,000
Jennison Associates	$ 124,060,920.00	$185,600	$207,600	$232,800	$239,100	$865,100	$775,000
Artio Global Investors	$ 203,962,765.00	$242,100	$263,200	$263,000	$259,200	$1,027,500	$975,000
Mondrian Investment Partners	$ 209,864,143.00	$136,700	$118,700	$88,600	$102,600	$446,600	$50,000
Aberdeen Asset Management	$ 122,345,880.00	$90,800	$90,800	$80,400	$81,900	$343,900	$375,000
Angelo Gordon	$ 40,337,951.00	$58,300	$58,300	$58,300	$58,300	$233,200	$350,000
Brigade Capital Management	$ 50,141,745.00	$49,700	$51,200	$54,700	$136,800	$292,400	$225,000
Brown Brothers Harriman	$ 48,545,233.00	$17,200	$12,500	$17,400	$18,100	$65,200	$75,000
Franklin Templeton	$ 106,143,892.00	$0	$5,400	$100,300	$105,100	$210,800	N/A
Pyramis Global Advisors	$ 113,091,422.00	$64,200	$61,000	$53,400	$51,500	$230,100	$275,000
Western Asset Management Company	$ 116,373,486.00	$103,400	$98,500	$82,600	$81,100	$365,600	$425,000
Private Equity	$ 3,383,419.00	$0	$0	$0	$478,000	$478,000	N/A
Risk Parity	$ 147,619,360.00	$0	$0	$0		$0	N/A
Hedge Funds	$ 70,000,000.00	$0	$0	$0		$0	N/A
Commoditites	$ -	$0	$0	$0		$0	N/A
INVESCO Realty Advisors	$ 126,673,968.00	$161,100	$155,100	$136,000	$127,100	$579,300	$650,000
Sub-Total	$2,301,349,409	$1,825,200	$1,916,100	$2,026,600	$2,608,300	$8,376,200	$7,145,000
Investment Consultant Fees							
Strategic Investment Solutions		$50,000	$116,600	$100,100	$99,900	$366,600	$400,000
Global Custodian Fees							
State Street Bank & Trust		$35,700	$81,600	$75,400	$44,100	$236,800	$125,000
Actuarial Consultant Fees							
Milliman, Inc.		$35,900	$4,200	$2,600	$26,000	$68,700	$60,000
Sub-Total		$121,600	$202,400	$178,100	$170,000	$672,100	$585,000
Total		$1,946,800	$2,118,500	$2,204,700	$2,778,300	$9,048,300	$7,730,000

San Mateo County
Benchmark History

Total Plan Policy	**1/1/2011**	**10/1/2010**	**1/1/2009**	**5/1/2007**	**6/1/2000**	**3/1/1999**	**9/1/1998**	**7/1/1996**
Russell 1000	27.0%	28.0%	37%	37%	40%	22%	20%	20%
Russell 2000	8.0%	7.0%	9%	9%	10%	15%	15%	15%
S&P 500								5%
Russell 1000 Value						5%	5%	
MSCI ACWI -ex US	18.0%	18.0%	21%	21%	15%			
MSCI EAFE						20%	20%	20%
Barclays Aggregate	11.0%	12.9%	27%	27%	29%	25%	21%	21%
Barclays BBB	3.3%	1.6%						
Barclays TIPS	3.3%	3.0%						
Barclays Multiverse	4.4%	4.5%						
Citigroup Non-US WGBI unhedged						5%	9%	9%
NCREIF ODCE	5.0%	5.0%	6%					
NCREIF Property				6%	6%			
Citigroup 10 Yr Treasury + 2%						8%	10%	10%
Russell 3000 + 3%	8.0%	8.0%						
60% Russell 3000/40% Barclays Agg	6.0%	6.0%						
LIBOR + 4%	3.0%	3.0%						
DJ UBS Commodity	3.0%	3.0%						
	100.0%	100.0%	100%	100%	100%	100%	100%	100%

US Equity	**1/1/2011**	**6/1/2000**	**3/1/1999**	**9/1/1998**	**7/1/1996**	**1/1/1995**
Russell 1000	77%	80%	52%	50.0%	50.0%	69%
Russell 2000	23%	20%	36%	37.5%	37.5%	14%
S&P 500					12.5%	17%
Russell 1000 Value			12%	12.5%		
	100%	100%	100%	100.0%	100.0%	100%

International Equity	**6/1/2000**	**1/1/1996**
MSCI ACWI -ex US	100%	
MSCI EAFE		100%
	100%	100%

Total Equity	**10/1/2010**	**5/1/2007**	**6/1/2000**	**3/1/1999**	**9/1/1998**	**1/1/1996**
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%
S&P 500						8.4%
Russell 1000 Value				8.0%	8.4%	
MSCI ACWI -ex US	34.0%	31.3%	23.1%			
MSCI EAFE				32.3%	33.3%	33.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

US Fixed Income	**1/1/2011**	**10/1/2010**	**7/1/1996**
Barclays Aggregate	62.4%	73.7%	100%
Barclays BBB	18.8%	9.1%	
Barclays TIPS	18.8%	17.2%	
	100.0%	100.0%	100%

Global Fixed Income	**10/1/2010**
Barclays Multiverse	100%

Total Fixed Income	**1/1/2011**	**10/1/2010**	**6/1/2000**	**3/1/1999**	**7/1/1996**
Barclays Aggregate	50%	58.6%	100%	83.3%	70%
Barclays BBB	15%	7.3%			
Barclays TIPS	15%	13.6%			
Barclays Multiverse	20%	20.5%			
Citigroup Non-US WGBI unhedged				16.7%	30%
	100%	100.0%	100%	100.0%	100%

Real Estate	**1/1/2009**	**6/1/2000**	**7/1/1996**
NCREIF ODCE	100%		
NCREIF Property		100%	
Citigroup 10 Yr Treasury + 2%			100%

Private Equity	**10/1/2010**
Russell 3000 + 3%	100%

Risk Parity	**10/1/2010**
Russell 3000	60%
Barclays Aggregate	40%
	100%

Hedge Fund	**10/1/2010**
LIBOR + 4%	100%

Commodities	**10/1/2010**
DJ UBS Commodity	100%

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 6.2

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Approval of Resolution Ratifying Private Equity Investment

STAFF RECOMMENDATION: Adopt a resolution authorizing (1) the Chair to execute an agreement with Regiment Capital Special Situations Fund V LP for private equity investment management services and (2) authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement.

Staff recommends that the board approve the attached resolution to ratify an investment with Regiment Capital for a total capital commitment of $20 million.

BACKGROUND: In July and August of 2010, Faraz Shooshani of Strategic Investment Solutions provided presentations on the implementation of private equity. In July Mr. Shooshani thoroughly reviewed private equity asset classes and reiterated that the primary reason to invest in the asset class is for the return enhancement with diversification benefits. He then reviewed a proposed private equity strategy and implementation approach, including a preliminary roadmap through 2014, which is when he believes the initial implementation of *SamCERA's* private equity allocation will be completed. The board delegated authority to SIS for sourcing and timing of product to build out the private equity allocation.

Documentation for *SamCERA's* first private equity investment, Sheridan Production Partners II, was executed in August 2010. The Sheridan investments will buyout income producing oil and gas properties. The investments strategy is to pursue (i) acquiring a portfolio of currently producing oil properties characterized by proven reserves and a balance between oil and gas in geographically diverse areas onshore in the United States and on the Gulf of Mexico shelf; (ii) optimizing the operation of those properties through production acceleration and recovery enhancement, appropriate use of capital reinvestment and aggressive cost control; and (iii) providing investors with relatively low risk, long-term cash distributions through prudent hedging and leverage strategies.

Commitment to the second investment was made in early April. It was with **ABRY Partners VII, L.P.** an investment with a focus on buyouts of media, communications and business services. The fund will invest in privately negotiated equity and related investments primarily in the media, communications, and business services industries and related companies. A variety of transaction types may be targeted, including leveraged acquisitions, growth investments, consolidation strategies, and cost reductions and turnarounds. Investments will be based in North America primarily, but up to 10% of the Fund may be invested outside this region. Not more than 20% of aggregate commitments (excluding interim Bridge Financing) will be invested in any portfolio company.

The third investment was committed to with **ABRY Advanced Securities Fund II, L.P.** in late April. The strategy is to build a diversified portfolio of performing floating rate senior debt securities issued primarily by high quality, non-investment grade companies in the firm's target sectors – media, communications, business services and related businesses; and to finance these investments through a combination of fund capital and external financing, usually in the form of total return swaps ("TRS") with one or more creditworthy banks and financial institutions.

The investment that will be discussed today is **Regiment Capital Special Situations Fund V, L.P.**, which has a strategy of investing primarily in dislocations in the credit market. The basic strategy of the investment vehicles is to originate new senior and junior secured loans to middle market private companies with EBITDA (earnings before interest, taxes, depreciation, and amortization) in the range of $50 million - $250 million and an enterprise value between $100 million - $1 billion. The typical loan size ranges from $10 million - $100 million with an average at approximately $45 million and a current yield to investors at around LIBOR + 800 bps. Additional returns may be generated through origination fees. Total loan IRRs are targeted in the 8-12% range, unlevered and are secured at the top of the company's capital structure. In addition, most new loans being originated have floating rates and floors that participate if interest rates go up and protect should rates decline. Investors looking for more return may consider investing in the levered sleeve that is employed at the fund level.

COMMENT: Due to the timing requirements of the investment, staff submitted an executed agreement and made the first capital contribution on July 15th. The resolution ratifies that agreement. Strategic Investment Solutions' **Faraz Shooshani** will discuss with the board the review and analysis that SIS has performed on Regiment Capital. The executive summary and analysis is attached to this agenda item.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 11-12-

RESOLUTION authorizing (1) the Chair to execute an agreement with Regiment Capital Special Situations Fund V, L.P. for Private Equity Investment Management Services and (2) authorizing the Chief Executive Officer to take all actions necessary to initiate, implement and monitor the agreement.

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

WHEREAS, Government Code §31595 vests in the Board *". . . exclusive control of the investment of the employees retirement fund."*; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers *". . . in connection with administration of the Board's investment program . . . "*; and

WHEREAS, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

WHEREAS, the Board's agreement with Strategic Investment Solutions (*"SIS"*) delegates to SIS discretion to source and perform due diligence for private equity investment opportunities; and

WHEREAS, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

WHEREAS, the board approved a multi-year private equity implementation plan and charged SIS and staff to begin executing that plan; and

WHEREAS, in June 2011, SIS presented to *SamCERA* their due diligence for the Regiment Capital Special Situations Fund V, L.P. and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

RESOLVED that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required documentation on behalf of the Board that has been approved by staff and counsel. Be it further

RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

July 26, 2011 Agenda Item 6.3

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Review of *SamCERA's* Private Equity Program

STAFF RECOMMENDATION: Staff recommends that the board review with Strategic Investment Solutions' **Faraz Shooshani** the current status and future plans for *SamCERA's* private equity allocation.

BACKGROUND: In July and August of 2010, Faraz Shooshani of Strategic Investment Solutions provided presentations on the implementation of private equity. In July, Mr. Shooshani thoroughly reviewed private equity asset classes and reiterated that the primary reason to invest in the asset class is for the return enhancement with diversification benefits. He then reviewed a proposed private equity strategy and implementation approach, including a preliminary roadmap through 2014, which is when he believes the initial implementation of *SamCERA's* private equity allocation will be completed. The board delegated authority to SIS for sourcing and timing of product to build out the private equity allocation.

COMMENT: Mr. Shooshani will discuss the attached private equity implementation presentation. He will review private equity investment sub-classes, implementation approaches, and the implementation road map developed for *SamCERA*. He will discuss where *SamCERA* is in the implementation of the private equity allocation and where the association is headed regarding future investments.

SAN MATEO COUNTY EMPLOYEES'

RETIREMENT ASSOCIATION

PRIVATE EQUITY – IMPLEMENTATION PLAN UPDATE

July 26, 2011

STRATEGIC INVESTMENT SOLUTIONS, INC.

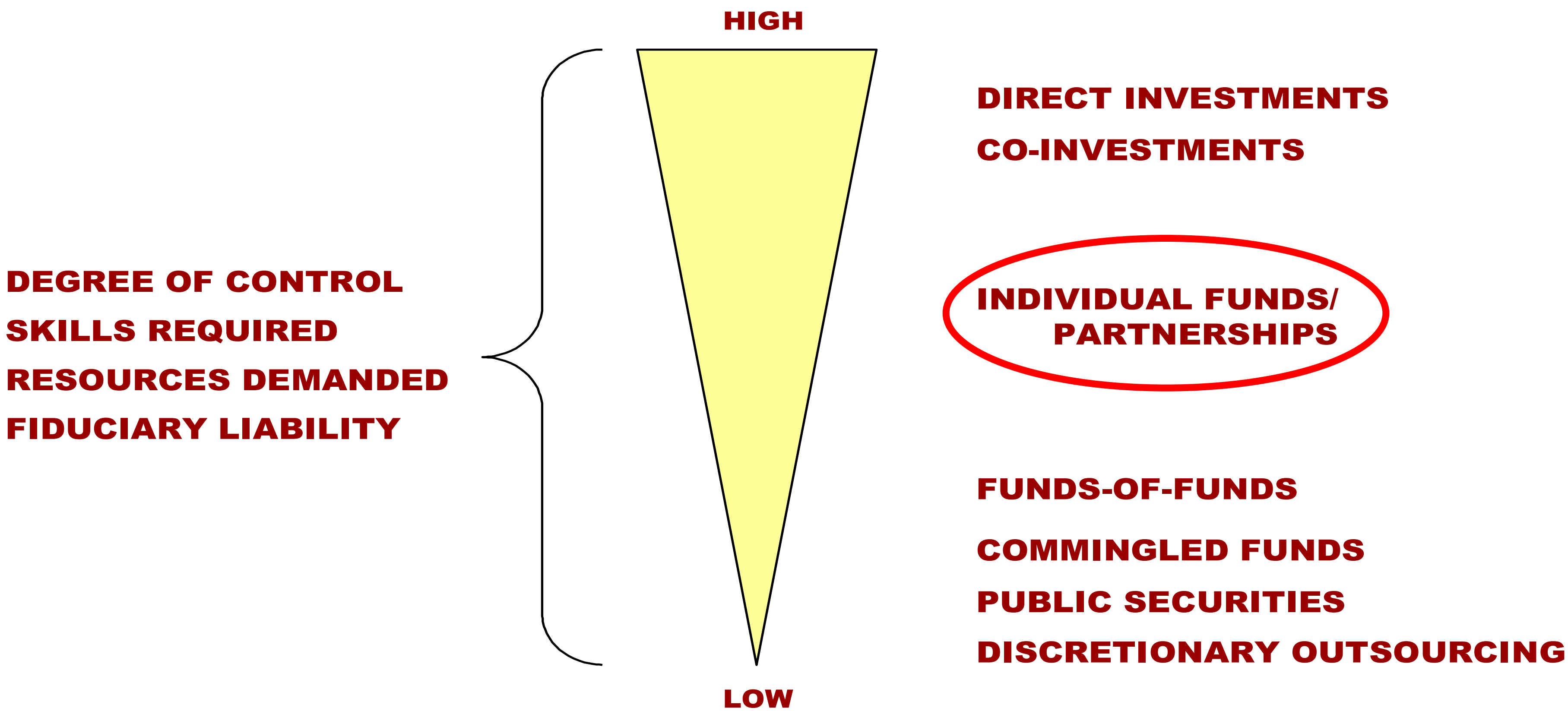
333 BUSH ST. SUITE 2000
SAN FRANCISCO, CA 94104
(415) 362-3484 (415) 362-2752 FAX

Private Equity Investment Sub-Classes

- **Venture Capital**
  - The financing of young, rapidly growing companies, including seed/ early stage, later stage and expansion/growth
  - Returns typically occur in years 5-12
- **Buyouts**
  - Involves the purchase of a control position (majority or minority) in an established company with or without leverage
  - Returns typically occur in years 4-8
- **Debt-Related**
  - Combines a debt instrument, which provides current yield, with an equity participation referred to as an "equity kicker"
  - Returns typically occur in years 3-6
- **Non-US**
  - Investments made outside the U.S. in the above mentioned categories
  - Generally rolled up within a broad private equity program; includes all subcategories (Venture Capital, Buyouts, Debt-Related)

Implementation Approach: Individual Funds / Partnerships

Every investor has different:
- Investment Objectives
- Risk Tolerance
- Resources
- Investment Horizon



Proposed Roadmap

Key Assumptions:

- **Plan Size:** **$2.4 billion by the end of 2011 (up from $2.0 billion estimate)**
- **Long Term Growth:** **7.7% (versus 8.12%)**
- **PE Target:** **8% (versus 7% preliminary roadmap)**

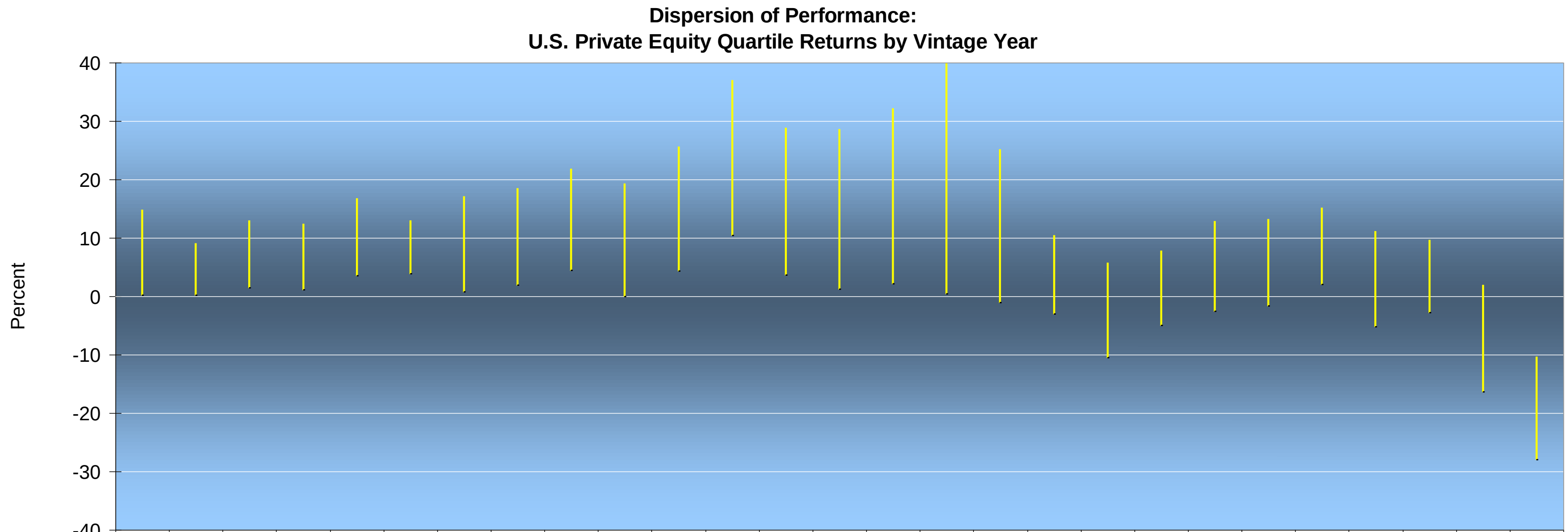
Projected Commitments

PE category	2010	2011	2012	2013	2014	2015
	Actual Commit ($)	**Projected Commit ($)**	**Projected Commit ($)**	**Projected Commit ($)**	**Projected Commit ($)**	**Projected Commit ($)**
Buyouts	$ -	$ 45,000,000	$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 45,000,000
Venture Capital	$ -	$ 20,000,000	$ 20,000,000	$ 20,000,000	$ 20,000,000	$ 20,000,000
Debt-related	$ 20,000,000	$ 60,000,000	$ 40,000,000	$ 25,000,000	$ 20,000,000	$ 20,000,000
Total	**$ 20,000,000**	**$ 125,000,000**	**$ 110,000,000**	**$ 95,000,000**	**$ 90,000,000**	**$ 85,000,000**
	Actual Commit (#)	**Projected Commit (#)**	**Projected Commit (#)**	**Projected Commit (#)**	**Projected Commit (#)**	**Projected Commit (#)**
Buyouts	0	3	2	2	2	2
Venture Capital	0	1-2	2	2	2	2
Debt-Related	1	3	1	1	1	1
Total	**1**	**7-8**	**5**	**5**	**5**	**5**

Projected Allocation

TOTAL PROJECTED ALLOCATIONS	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Buyouts	$ -	$ 2,612,041	$ 20,771,781	$ 50,179,634	$ 84,753,368	$ 118,979,349
Venture Capital	$ -	$ 825,593	$ 7,430,338	$ 16,898,530	$ 30,013,408	$ 41,935,308
Debt-Related/Special Situations	$ 105,000	$ 12,781,630	$ 35,162,037	$ 52,149,420	$ 64,870,277	$ 78,243,414
Total Private Equity	*$ 105,000*	*$ 16,219,264*	*$ 63,364,156*	*$ 119,227,584*	*$ 179,637,053*	*$ 239,158,072*
Approximate Plan Value - Beginning of Year	$ 1,700,000,000	$ 2,170,329,171	$ 2,337,444,517	$ 2,517,427,745	$ 2,711,269,681	$ 2,920,037,447
+ SIS Long-Term Growth Assumption (7.7% per year)		$ 167,115,346	$ 179,983,228	$ 193,841,936	$ 208,767,765	$ 224,842,883
- Net Distributions/Contributions						
= Plan Value - End of Year	$ 2,170,329,171	$ 2,337,444,517	$ 2,517,427,745	$ 2,711,269,681	$ 2,920,037,447	$ 3,144,880,330
Private Equity as a % of Plan **(Target ~8%)**	**0.00%**	**0.69%**	**2.52%**	**4.40%**	**6.15%**	**7.60%**

Private Equity Manager Returns



	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Upper	14.8	9.1	13.0	12.4	16.8	13.0	17.1	18.5	21.8	19.3	25.6	37.0	28.9	28.6	32.2	39.9	25.2	10.5	5.7	7.8	12.9	13.2	15.2	11.1	9.6	2.0	-10.3
Med	10.1	4.2	6.9	4.2	11.8	7.1	8.2	10.5	11.2	10.3	14.1	15.7	12.6	14.9	10.5	8.1	8.5	3.3	-2.0	-1.1	2.9	1.9	6.3	3.9	2.2	-6.4	-15.0
Lower	0.1	0.1	1.4	1.0	3.4	3.8	0.7	1.8	4.4	-0.1	4.2	10.3	3.6	1.2	2.1	0.3	-1.1	-3.1	-10.6	-5.1	-2.7	-1.7	2.0	-5.3	-2.9	-16.4	-28.0

$\}$ **18% Average Dispersion**

**Source: Thomson Financial, as of December 31, 2008.*

… GP selection is critical for achieving return objectives.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

July 26, 2011 Agenda Item 6.4

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Approve a Request for Information (RFI) for an International Small Cap Equity Manager Search and Identify Semi-Finalists.

STAFF RECOMMENDATION: Staff recommends that the board review and approve Strategic Investment Solutions' draft RFI and list of candidates to receive the RFI.

COMMENT: Strategic Investment Solutions' **Jonathan Brody** will discuss the attached RFI and list of possible candidates with the board.

Below is the remaining schedule and criteria for this manager search.

***SamCERA*: International Small Cap Equity Manager Search**

TIMELINE:

July 2011: SIS conducts screening and compiles a long list of semi-finalists, develops draft of the Request for information (RFI) and sends out RFI after the meeting.

Deliverables: Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.

Desired Output from the Meeting: Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.

August 2011: SIS will receive and begin reading RFI responses.

Deliverables: None from SIS, managers deliver completed RFI responses to SIS.

Desired Output from the Meeting: No official agenda related to this search.

September 2011: Finish reading RFI responses and prepare summary material.

Deliverables: SIS produces statistics sheet and pros and cons (bullet points) for semi-finalists based on RFI responses.

Desired Output from the Meeting: Select finalists for interviews.

October 2011: Prepare for interviews.

Deliverables: Search book with comparative analysis and statistics for finalist candidates.

Desired Output from the Meeting: Interview finalists in San Mateo. Select manager.

INITIAL SCREENING CRITERIA:

1. Starting Universe: eVestment Alliance Non-US Diversified Small Cap Equity universe.

2. Product must be open to new accounts.

3. Product must have minimum assets of $200 million as of the end of Q1 2011.

4. Product's track record must have a minimum length of three years as of the end of Q1 2011.

5. Performance: Product must outperform EAFE Small Cap index in at least 50% of available time periods (3, 5, 7 and 10 years) and outperform the universe median in at least 50% of available time periods (3, 5, 7 and 10 years). If the strategy is benchmarked to the MSCI ACWI ex-US Small Cap index, which is preferred, it should also have outperformed that index in half the available periods.

6. Product should be core, or have a moderate growth or value tilt. Products with extreme style biases will be excluded.

7. Products may be eliminated for a range of other reasons including, but not limited to, the following: excessive assets, recent loss of a portfolio manager, predominantly retail assets, extreme tracking error or volatility.

International Small Cap Screening Results

24 strategies passed the screens
SIS proposes to send RFIs to the below 9 managers
8 of these managers passed all of the formal screens
Munder did not pass the median performance screen

Firm Name	Product Name	Firm: Total AUM (3/2011)	Product: Total AUM (3/2011)	Product: Primary Equity Style Emphasis	Product: Returns - 1 Years (3/2011)	Product: Returns - 3 Years (3/2011)	Product: Returns - 5 Years (3/2011)	Product: Returns - 7 Years (3/2011)	Product: Returns - 10 Years (3/2011)
Acadian Asset Management LLC	Non-U.S. Small-Cap Equity	50,609	2,919	Value	21.86	0.68	2.59	11.19	15.09
Copper Rock Capital Partners, LLC.	International Small Cap	1,524	202	Growth	15.50	0.78	6.34	13.56	---
Dimensional Fund Advisors L.P.	International Small Company Strategy	227,415	8,719	Core	23.22	3.31	4.67	10.39	13.42
Epoch Investment Partners, Inc.	International Small Cap	15,606	554	Core	28.00	2.99	6.70	---	---
Franklin Templeton Investments	Templeton International Small Cap Composite	703,515	1,819	Core	23.37	8.53	9.85	13.56	---
Harris Associates L.P.	International Small Cap	65,696	2,777	Value	19.32	9.10	6.29	12.69	15.10
Munder Capital	International Small Cap Equity*	14,581	400	Core	26.25	-1.41	0.66	9.53	13.01
Pyramis Global Advisors	Select International Small Cap	176,423	3,002	Core	22.23	1.99	6.00	12.18	12.90
Wells Capital Management Incorporated	Berkeley Street International Small Cap Equity	362,711	375	Core	30.44	4.79	6.91	14.79	14.50
MSCI Index	MSCI EAFE Small Cap-GD	---	---	---	20.29	1.75	1.70	8.57	10.96
Intl SC Universe	Median Return	---	---	---	22.09	2.46	5.26	10.85	11.66

* Returns for Munder prior to 8/2007 are from the team's prior firm and are considered to be supplementary.

12 Quarter Rolling Annualized Return, % Excess vs. MSCI EAFE Small Cap-GD	Apr 08 - Mar 11	Apr 07 - Mar 10	Apr 06 - Mar 09	Apr 05 - Mar 08	Apr 04 - Mar 07	Apr 03 - Mar 06	Apr 02 - Mar 05	Apr 01 - Mar 04	Apr 00 - Mar 03	Apr 99 - Mar 02
Acadian Asset Management LLC	-1.07	-1.55	-0.26	5.32	8.73	6.37	9.41	7.99	10.81	2.22
Copper Rock Capital Partners, LLC.	-0.97	3.98	9.02	11.47	9.78	-0.04	-2.57	---	---	---
Dimensional Fund Advisors L.P.	1.56	2.06	3.64	2.47	1.08	-3.01	3.65	4.08	5.97	3.78
Epoch Investment Partners, Inc.	1.24	2.24	5.59	10.11	---	---	---	---	---	---
Franklin Templeton Investments	6.78	9.22	7.44	5.20	0.11	-6.22	-4.75	---	---	---
Harris Associates L.P.	7.35	3.85	1.23	-0.59	6.16	1.96	-1.51	4.18	9.67	13.78
Munder	-3.16	-4.16	-2.40	4.27	6.41	2.99	3.47	4.83	8.39	---
Pyramis Global Advisors	0.24	3.97	5.32	8.17	3.62	-2.53	-2.86	-2.15	0.75	3.05
Wells Capital Management Incorporated	3.04	3.17	5.64	8.31	8.85	4.31	-0.92	-2.91	-3.67	12.55

REQUEST FOR INFORMATION: INTERNATIONAL SMALL CAP EQUITY

Strategic Investment Solutions, Inc. (SIS) is issuing this Request for Information (RFI) on behalf of San Mateo County Employees' Retirement Association (SamCERA), a $2.3 billion public pension plan located in California. The approximate size of the mandate is $45 mm.

Please provide the requested information in a comprehensive yet succinct fashion and in the format provided. The data should be as of 6/30/2011 unless otherwise requested.

The deadline for your firm's response to this RFI is 8/22/2011. (Please send the electronic copy no later than this date and mail the hard copy no later than this date.)

Please submit **one hard copy and an electronic copy** to:

Jonathan Brody
Strategic Investment Solutions
333 Bush Street, Ste. 2000
San Francisco, CA. 94104
(415)-362-3484

Electronic Copy:
jbrody@sis-sf.com

NOTE: Where noted, exhibits are to be completed in the attached Excel document.

I. BACKGROUND & GENERAL INFORMATION

A. Contact information:

Firm Name:	
Address:	
Telephone Number:	
Fax Number:	
Website:	
Primary Contact	
Name:	
Title:	
Telephone Number:	
Email:	

B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

C. Attach an organizational chart depicting the firm's distinct business units as **Appendix A – Firm Organizational Chart** and provide the total number of employees within each business unit**.**

D. List the firm's office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.

E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.

F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?

G. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.

H. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

I. Describe your succession and continuity plans for management of the firm.

J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.

K. **Exhibit-A** (in the attached Excel document): Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.

L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

II. INVESTMENT TEAM

A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as **Appendix B – Investment Team Organizational Chart**.

B. **Exhibit B** (in the attached Excel document): Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked in the industry.

C. Attach biographies for each of the individuals named above as **Appendix C – Biographies of Key Investment Professionals**.

D. Identify the named portfolio manager(s) who would be responsible for our client's specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.

E. **Exhibit B** (in the attached Excel document): Provide a summary of the firm's employees.

F. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.

G. **Exhibit B** (in the attached Excel document): Complete the table listing turnover within the last five years for the individuals responsible for the proposed strategy.

H. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

I. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

III. INVESTMENT STRATEGY & PROCESS

A. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.
B. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?
C. Characterize the style of your approach and the degree to which this style can change in response to market conditions.
D. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other managers in your universe?
E. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?
F. Does the strategy employ derivatives?
G. Describe the degree to which the strategy will invest in non-benchmark securities.
H. Does this strategy invest in emerging markets equities? If so, which ones? What is the maximum allowable weighting in the emerging markets?
I. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?
J. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?
K. Outline and briefly describe the main steps of your investment process.
L. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.
M. To the extent that tactical sector, country or regional allocation shifts and other top-down "macro" bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?
N. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.
O. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.
P. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.
Q. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.
R. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.
S. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.
T. How do you define "risk"?
U. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls. Include such things a maximum position sizes, as well as minimum or maximum sector and country weightings.

V. Describe market cap and liquidity requirements for purchases or holdings.

W. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

X. Do you restrict the percentage of a company's outstanding shares that would be held by this strategy? By your entire firm? Do any of the current positions in the portfolio represent more than 5% of shares outstanding?

Y. Regarding risk management:

1) List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.
2) Identify the person(s) or group primarily responsible for the risk management function.
3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

Z. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?

AA. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

IV. PERFORMANCE & PORTFOLIO COMPOSITION

A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.

B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.

C. What has been the annual turnover for this product over the past five years?

D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

F. What market environments are normally favorable and unfavorable to this strategy's relative performance?

G. Provide metrics associated with the following areas:

1) Number of securities held
   - Current
   - Historical range
2) Position size
   - Current average
   - Current largest
   - Maximum allowable (specify if measured at cost or market)
   - Percent in top ten holdings
3) Cash & equivalents allocation
   - Current

- Historical range
- Maximum allowable

H. **Exhibit-C** (in the attached Excel document): Provide current and historical holding Cap Size.

I. **Exhibit-D** (in the attached Excel document): Please provide country, currency, region and industry allocation weightings for the past 5 years.

J. Describe your approach to managing currency exposures and how this is integrated into the overall portfolio management process. Do you attempt to add value through active currency management and/or hedging? If so, please quantify the impact of currency management over an appropriate time period.

K. **Exhibit-E** (in the attached Excel document): Please enter monthly **gross and net of fee** returns for the proposed strategy, since inception through 6/30/11, using the format provided.

DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. **Exhibit-F** (in the attached Excel document): Please include monthly gross and net of fee returns, since inception through 6/30/11.

L. Regarding your performance – how much of your historical "value added" is attributable to the following factors: Stock Selection, Industry Selection, Country Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.

Regarding composite quality:

1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?
2) Has it been your firm's policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.
3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.
4) Are terminated portfolios included in the composite? If not, please explain.
5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?
6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?
7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?
8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?
9) For the calendar year ending 12/31/10, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.
10) Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 12/31/10.

V. Investment Vehicles, Fees & Terms

A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:
   1) Separate Account
   2) Commingled Fund
   3) Institutional Mutual Fund
C. Provide the fee in basis points that you would propose for a $45 million separate account, if available.
D. Are fees and/or terms negotiable for this mandate? If so, at what size?
E. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.
F. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.
G. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?
H. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as **Appendix E – Legal Documents.**

VI. OPERATIONS, TRADING & CONTROLS

A. Briefly describe your administrative/back office operations and organizational structure.
B. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.
C. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.
D. Regarding valuation practices:
   1) Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.
   2) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.
   3) Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?
E. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.
F. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.
G. Discuss procedures used to monitor and control personal trading activities.
H. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?
I. Has any member or representative of your firm had contact with any SamCERA board member, staff member or consultant during the last 12 months outside of the usual and customary business contacts associated with a conference or educational event offered generally to pension system representatives? What has been the nature of these contacts?
J. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

K. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.
L. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.
M. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?
N. Provide an overview of your business continuity and disaster recovery systems and plans.

VII. LEGAL & REGULATORY ISSUES

A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as **Appendix F – ADV Part II**. If exempt, please describe the exemption.
B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.
C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.
D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.
E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).
F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.
G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.
H. What is your firm's soft dollar policy?

VIII. MISCELLANEOUS

A. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as **Appendix G – Sample Client Report**.
B. Attach a list of institutional clients invested in the proposed strategy as **Appendix H – Representative Institutional Clients**.
C. Provide references for five current institutional clients invested in the proposed strategy.
D. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

July 26, 2011 Agenda Item 6.5

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Approve a Request For Information (RFI) for an Emerging Markets Equity Manager Search and Identify Semi-Finalists.

STAFF RECOMMENDATION: Staff recommends that the board review and approve Strategic Investment Solutions' draft RFI and list of candidates to receive the RFI.

COMMENT: Strategic Investment Solutions' **Jonathan Brody** will discuss the attached RFI and list of possible candidates with the board.

Below is the remaining schedule and criteria for this manager search.

SamCERA: Emerging Markets Manager Search

TIMELINE:

July 2011:

SIS performs screening, develops draft of Request for information (RFI) and sends out RFI after the meeting.

Deliverables: Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.

Desired Output from the Meeting: Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.

August 2011:

SIS will receive and begin reading RFI responses.

Deliverables: None from SIS, managers deliver completed RFI responses to SIS.

Desired Output from the Meeting: No official agenda related to this search.

September 2011:

Finish reading RFI responses and prepare summary material.

Deliverables: SIS produces statistics sheet and pros and cons (bullet points) for semi-finalists based on RFI responses.

Desired Output from the Meeting: Select finalists for interviews.

October 2011:

Prepare for interviews.

Deliverables: Search book with comparative analysis and statistics for finalist candidates.

Desired Output from the Meeting: Interview finalists in San Mateo. Select manager.

INITIAL SCREENING CRITERIA:

1. Starting Universe: eVestment Alliance Emerging Markets Equity universe.

2. Product must be open to new accounts.

3. Product must have minimum assets of $250 million as of the end of Q1 2011.

4. Product’s track record must have a minimum length of three years as of the end of Q1 2011.

5. Performance: Product must outperform MSCI Emerging Market index in at least 50% of available time periods (3, 5, 7 and 10 years) and outperform the universe median in at least 50% of available time periods (3, 5, 7, and 10 years).

6. Product should be core, or have a moderate growth or value tilt. Products with extreme style biases will be excluded. Small cap products will also be eliminated.

7. Products may be eliminated for a range of other reasons including, but not limited to, the following: excessive assets, recent loss of a portfolio manager, predominantly retail assets, extreme tracking error or volatility.

Emerging Markets Screening Results

57 strategies passed the screens

SIS proposes to send RFIs to the below 10 managers

Firm Name	Product Name	Firm: Total AUM (3/2011)	Product: Total AUM (3/2011)	Product: Primary Equity Style Emphasis	Product: Returns - 1 Years (3/2011)	Product: Returns - 3 Years (3/2011)	Product: Returns - 5 Years (3/2011)	Product: Returns - 7 Years (3/2011)	Product: Returns - 10 Years (3/2011)
Acadian Asset Management LLC	Emerging Markets Equity	50,609	14,543	Value	23.31	3.41	10.79	17.58	20.17
Amundi	Global Emerging Equity	980,982	8,079	Growth	18.57	6.29	14.17	20.32	20.46
Axiom International Investors LLC	Axiom Emerging Markets Equity Composite	14,336	987	Growth	24.96	9.59	---	---	---
Delaware Investments	Emerging Markets Equity	151,648	4,132	Value	21.06	7.23	14.36	---	---
Dimensional Fund Advisors L.P.	Emerging Markets Core Equity Portfolio	227,415	6,204	Core	19.80	7.85	12.74	---	---
Eaton Vance Management	Structured Emerging Markets Equity	157,681	9,904	Core	18.94	4.60	12.88	19.22	20.91
Grantham, Mayo, Van Otterloo & Co. LLC	GMO Emerging Markets Strategy	108,277	17,287	Value	23.31	4.02	10.25	17.08	20.05
Quantitative Management Associates LLC	Emerging Markets Core Equity	83,644	1,911	Core	23.70	6.01	12.68	17.86	---
Schroder Investment Management	Emerging Markets Equity	322,794	12,281	Core	16.85	4.73	11.84	16.23	16.41
Trilogy Global Advisors LP	Trilogy Emerging Markets Equity	16,287	6,560	Growth	18.04	3.05	10.31	17.64	17.99
MSCI Index	MSCI EM-GD	---	---	---	18.78	4.62	11.01	16.54	17.12
Custom Emerging Market Equity Universe	Median Return	---	---	---	18.55	4.67	11.00	16.94	17.79

12 Quarter Rolling Annualized Return, % Excess vs. MSCI EM Index	Apr 08 - Mar 11	Apr 07 - Mar 10	Apr 06 - Mar 09	Apr 05 - Mar 08	Apr 04 - Mar 07	Apr 03 - Mar 06	Apr 02 - Mar 05	Apr 01 - Mar 04	Apr 00 - Mar 03	Apr 99 - Mar 02	Apr 98 - Mar 01
Acadian Asset Management LLC	-1.21	-1.64	-1.64	1.51	3.11	9.23	8.25	7.92	6.64	6.96	3.48
Amundi	1.67	3.67	2.10	7.97	5.33	7.38	1.50	2.30	-1.03	-1.00	-1.89
Axiom International Investors LLC	4.97	---	---	---	---	---	---	---	---	---	---
Delaware Investments	2.61	2.96	3.00	---	---	---	---	---	---	---	---
Dimensional Fund Advisors L.P.	3.23	1.71	0.11	---	---	---	---	---	---	---	---
Eaton Vance Management	-0.02	0.49	1.49	3.29	6.29	3.90	9.58	6.43	6.01	5.23	---
Grantham, Mayo, Van Otterloo & Co. LLC	-0.60	-2.84	-2.17	-0.15	3.33	6.12	5.54	8.76	8.60	12.83	5.78
Quantitative Management Associates LLC	1.39	0.84	0.61	1.61	0.62	2.65	---	---	---	---	---
Schroder Investment Management*	0.11	1.21	2.29	1.29	-1.55	-2.21	-2.78	-1.68	-3.46	-2.58	-0.90
Trilogy Global Advisors LP	-1.57	-1.43	-1.30	2.79	4.92	4.40	2.64	0.30	1.55	6.22	7.40

* Schroders: Allan Conway, Head of Emerging Markets, joined Schroders and took over this strategy at the end of 2004.

REQUEST FOR INFORMATION: EMERGING MARKETS EQUITY

Strategic Investment Solutions, Inc. (SIS) is issuing this Request for Information (RFI) on behalf of San Mateo County Employees' Retirement Association (SamCERA), a $2.3 billion public pension plan located in California. The approximate size of the mandate is $60 mm and the benchmark will be the MSCI Emerging Market index.

Please provide the requested information in a comprehensive yet succinct fashion and in the format provided. The data should be as of 6/30/2011 unless otherwise requested.

The deadline for your firm's response to this RFI is 8/22/2011. (Please send the electronic copy no later than this date and mail the hard copy no later than this date.)

Please submit **one hard copy and an electronic copy** to:

Jonathan Brody
Strategic Investment Solutions
333 Bush Street, Ste. 2000
San Francisco, CA. 94104
(415)-362-3484

Electronic Copy:
jbrody@sis-sf.com

NOTE: *Where noted, exhibits are to be completed in the attached Excel document.*

I. BACKGROUND & GENERAL INFORMATION

A. Contact information:

Firm Name:	
Address:	
Telephone Number:	
Fax Number:	
Website:	
Primary Contact	
Name:	
Title:	
Telephone Number:	
Email:	

B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

C. Attach an organizational chart depicting the firm's distinct business units as **Appendix A – Firm Organizational Chart** and provide the total number of employees within each business unit**.**

D. List the firm's office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.

E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.

F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?

G. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.

H. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

I. Describe your succession and continuity plans for management of the firm.

J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.

K. **Exhibit-A** (in the attached Excel document): Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.

L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

II. INVESTMENT TEAM

A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as **Appendix B – Investment Team Organizational Chart**.

B. **Exhibit B** (in the attached Excel document): Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked in the industry.

C. Attach biographies for each of the individuals named above as **Appendix C – Biographies of Key Investment Professionals**.

D. Identify the named portfolio manager(s) who would be responsible for our client's specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.

E. **Exhibit B** (in the attached Excel document): Provide a summary of the firm's employees.

F. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.

G. **Exhibit B** (in the attached Excel document): Complete the table listing turnover within the last five years for the individuals responsible for the proposed strategy.

H. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

I. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

III. INVESTMENT STRATEGY & PROCESS

A. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

B. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

C. Characterize the style of your approach and the degree to which this style can change in response to market conditions.

D. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other managers in your universe?

E. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

F. Does the strategy employ derivatives? P-notes?

G. Describe the degree to which the strategy will invest in non-benchmark securities.

H. Does this strategy invest in frontier markets equities? If so, which ones? What is the maximum allowable weighting in the frontier markets?

I. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?

J. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?

K. Outline and <u>briefly</u> describe the main steps of your investment process.

L. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

M. To the extent that tactical sector, country or regional allocation shifts and other top-down "macro" bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

N. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

O. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

P. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

Q. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

R. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

S. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

T. How do you define "risk"?

U. Describe how you monitor and manage political risk in the portfolio?

V. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls. Include such things a maximum position sizes, as well as minimum or maximum sector and country weightings.

W. Describe market cap and liquidity requirements for purchases or holdings.

X. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

Y. Do you restrict the percentage of a company's outstanding shares that would be held by this strategy? By your entire firm? Do any of the current positions in the portfolio represent more than 5% of shares outstanding?

Z. Regarding risk management:

1) List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.

2) Identify the person(s) or group primarily responsible for the risk management function.

3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

AA. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?

BB. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

IV. Performance & Portfolio Composition

A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.

B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.

C. What has been the annual turnover for this product over the past five years?

D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

F. What market environments are normally favorable and unfavorable to this strategy's relative performance?

G. Provide metrics associated with the following areas:

1) Number of securities held
   - Current
   - Historical range

2) Position size
   - Current average
   - Current largest
   - Maximum allowable (specify if measured at cost or market)

    - Percent in top ten holdings

3) Cash & equivalents allocation
    - Current
    - Historical range
    - Maximum allowable

H. **Exhibit-C** (in the attached Excel document): Provide current and historical holding Cap Size.

I. **Exhibit-D** (in the attached Excel document): Please provide country, currency, region and industry allocation weightings for the past 5 years.

J. Describe your approach to managing currency exposures and how this is integrated into the overall portfolio management process. Do you attempt to add value through active currency management and/or hedging? If so, please quantify the impact of currency management over an appropriate time period.

K. **Exhibit-E** (in the attached Excel document): Please enter monthly **gross and net of fee** returns for the proposed strategy, since inception through 6/30/11, using the format provided.

   DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. **Exhibit-F** (in the attached Excel document): Please include monthly gross and net of fee returns, since inception through 6/30/11.

L. Regarding your performance – how much of your historical "value added" is attributable to the following factors: Stock Selection, Industry Selection, Country Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.

Regarding composite quality:

1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?
2) Has it been your firm's policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.
3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.
4) Are terminated portfolios included in the composite? If not, please explain.
5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?
6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?
7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?
8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?
9) For the calendar year ending 12/31/10, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.
10) Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 12/31/10.

V. Investment Vehicles, Fees & Terms

A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:

   1) Separate Account
   2) Commingled Fund
   3) Institutional Mutual Fund

C. Provide the fee in basis points that you would propose for a $60 million separate account, if available.

D. Are fees and/or terms negotiable for this mandate? If so, at what size?

E. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.

F. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.

G. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?

H. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as **Appendix E – Legal Documents.**

VI. Operations, Trading & Controls

A. Briefly describe your administrative/back office operations and organizational structure.

B. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

C. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

D. Regarding valuation practices:

   1) Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.
   2) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.
   3) Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?

E. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.

F. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

G. Discuss procedures used to monitor and control personal trading activities.

H. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?

I. Has any member or representative of your firm had contact with any SamCERA board member, staff member or consultant during the last 12 months outside of the usual and customary business contacts associated with a conference or educational event offered generally to pension system representatives? What has been the nature of these contacts?

J. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

K. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

L. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

M. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

N. Provide an overview of your business continuity and disaster recovery systems and plans.

VII. Legal & Regulatory Issues

A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as **Appendix F – ADV Part II**. If exempt, please describe the exemption.

B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.

C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.

D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.

E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).

F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

H. What is your firm's soft dollar policy?

VIII. Miscellaneous

A. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as **Appendix G – Sample Client Report**.

B. Attach a list of institutional clients invested in the proposed strategy as **Appendix H – Representative Institutional Clients**.

C. Provide references for five current institutional clients invested in the proposed strategy.

D. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

July 26, 2011 Agenda Item 6.6 a

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Investment Manager Review – Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS)

Staff Comments: The board instructed *SamCERA's* staff and investment consultant to perform the annual review of *SamCERA's* investment managers and report back to the board. On July 7, 2011, staff interviewed *SamCERA's* value managers in the boardroom.

Barrow Hanley was interviewed at approximately 9:15 a.m. Those present were:

Michal Settles – *SamCERA* Trustee
Patrick Thomas – Strategic Investment Solutions Investment Consultant
Gary Clifton – *SamCERA's* Chief Investment Officer
Lilibeth Dames – *SamCERA's* Retirement Investment Analyst
Scott Hood – *SamCERA's* Assistant Executive Officer
Mark Giambrone, BHMS Managing Director, CPA
Matt Egenes, BHMS Director, CFA

Attached to this agenda item are the presentation materials used by BHMS for the review and BHMS's response to *SamCERA's* annual questionnaire.

Below is the criteria used in the search to select BHMS as a domestic large cap value manager, the original pros and cons to their selection, and the other finalists in the search.

Those are followed by a general firm overview, then an overview of BHMS's Diversified Large Cap Value Equity Portfolio.

Initial Screening Criteria Domestic Large Cap Value Equity:

1. Starting Universe: The union of the eVestment Alliance Large Cap Value Universe and all products in eVestment Alliance US Equity Universe classified by market cap as "large" or "mid-large" and by style as "value."

2. Product's track record must have a minimum length of three years.

3. Performance: Product must out-perform Russell 1000 Value index in at least 50% of available time periods (1-, 3-, 5-, 7-, and 10-years) and out-perform the eA Large Cap Value universe median in at least 50% of available time periods (1-, 3-, 5-, 7-, and 10-years).
4. Product must be open to new accounts.

5. Product must have minimum assets of $500 million as of the end of Q2 2008.

6. Product's value style must be confirmed by returns based style analysis.

7. Products may be eliminated for being tax managed, being open only in mutual fund, having many small accounts, recent portfolio manager changes, and for various other qualitative reasons.

Below the pros and cons that surfaced through the vetting process.

Barrow, Hanley, Mewhinney & Strauss Large Cap Value

Pros

• Seasoned team of PMs with average experience level of more than 30 years
• Stable organization with low staff turnover
• One of the largest value oriented managers in US with approximately $45 billion in large cap value equity assets
• Substantial public pension fund assets including large sophisticated state plans
• Pure value approach is easily understood and should produce consistently value oriented portfolio
• Average Diversified Large Cap Value account is over $100 million

Cons

• Deep value approach is likely to under-perform in strong growth markets
• Firm is 100% owned by Old Mutual (there is a phantom equity program)
• Portfolio management team is not young (but they do have long-term succession plan)
• Holders of AIG, Bear Stearns and Washington Mutual in 2008

Below are the large cap value managers, which were semi-finalists in the search process:

Firm Name	Product Name
Barrow, Hanley, Mewhinney & Strauss	Large Cap Value
Cohen & Steers Capital Management	Large Cap Value Equity
Evergreen Investment Management	Large Cap Intrinsic Value
Wellington Management Company	Large Cap Value

General Firm Information

Firm Legal Name: Barrow, Hanley, Mewhinney & Strauss, LLC
Firm Headquarters: 2200 Ross Avenue, 31st Floor, Dallas, Texas 75201
Year Firm Founded: 1979
Registered Investment Advisor: Yes
Firm Website Address: www.barrowhanley.com
Geographic Areas of Interest: United States

Firm Background

Barrow, Hanley, Mewhinney & Strauss (BHMS) was founded and registered with the SEC in July of 1979 to manage U.S. tax-exempt portfolios for institutional clients. They began managing large cap value equity assets in October of that same year. A value-oriented fixed income strategy was established in 1983. They currently offer core, core plus, intermediate, short maturity, investment grade credit, long duration, TIPS, and high yield products, as well as special purpose portfolios. A small cap value equity strategy was added in July of 1995 and mid cap value equity management was established in March of 1999. In October of 2000, they added a diversified large cap value strategy. Two new equity strategies were added in 2006, international value and diversified small cap value. Balanced management is available utilizing any combination of equity and fixed income strategies.

In January of 1988, BHMS became an affiliate of United Asset Management Corporation (UAM), a Boston-based holding company, listed on the New York Stock Exchange. On October 5, 2000, UAM was acquired by Old Mutual plc, an international financial services group based in London. Subsequent to the acquisition, BHMS became a subsidiary of the Old Mutual Asset Management (OMAM (US)) group of companies, operating its business on an autonomous basis from our Dallas, Texas headquarters. BHMS is majority owned by Old Mutual, a parent with substantial resources dedicated to the investment management business.

In January 2010, BHMS, formerly a Nevada corporation, became a Delaware limited liability company. The LLC structure enables key BHMS employees to maintain significant economic ownership in BHMS. Our firm remains a subsidiary of Old Mutual.

Joint Ventures

BHMS is wholly owned by Old Mutual plc.

Prior or Pending Ownership Changes

All of the legal ownership belongs to Old Mutual. However, many of the key employees, including all portfolio managers and the majority of analysts, have economic ownership in BHMS through a limited partnership that owns a 24.9% equity interest in BHMS LLC.

Additional Comments

There is no prior or pending litigation.

BHMS has a total of $70 million in Errors & Omissions insurance, which includes fiduciary insurance.

BHMS' compliance with the GIPS standards has been verified beginning January 1, 2005, by Ashland Partners & Company LLP and for the period of January 1, 1993, through December 31, 2004, by a previous verifier.

BHMS's Diversified Large Cap Value Equity

Research & Screening Process

The firm's Diversified Large Cap Value decision-making process involves quantitative and qualitative analysis and analytical tools to ensure adherence to the value discipline. Those companies which meet the three-pronged definition of value (price/earnings and price/book ratios below the market and dividend yields above the market) and are projected to achieve earnings growth above that of the market, are registered on the firm's Security Guidance List. This list, which is updated weekly, averages 250 companies and summarizes the historical data and financial forecasts for each entry. The financial information reported on the Security Guidance List becomes the input for two valuation models that are used as analytical tools to ensure adherence to the value style, as well as consistency and uniformity of the investment process. The first is a Dividend Discount Model and the second is a Relative Return Model. A stock must be attractive on both models before it is purchased.

Portfolio Construction & Risk Control Methodology

By their very nature, the characteristics of low price/earnings, low price/book and high dividend yield reflect a low-risk approach. Declines in security prices will generally be buffered as investors will quickly identify the firm's stocks as an inexpensive source of income and/or tangible assets.

Additionally, the firm feels that a proper level of diversification will prevent undue risk being assumed in a portfolio. In the creation of their large cap value portfolios, they seek to build equally weighted portfolios. Nevertheless, portfolios generally consist of 70-90 stocks due to the buying and selling of stocks at different times. Stocks are held for an average of three years, resulting in an average annual portfolio turnover of 25-30%. They will not take more than a 15% weighting, at cost, in any industry group. Sector weightings are a residual of the bottom-up stock selection process and vary widely in comparison to the S&P 500. However, sector weightings will not exceed 35% of the portfolio. They will hold no more than 5% in any one stock.

All portfolios and security positions are monitored daily, with industry concentrations evaluated weekly. The AXYS portfolio accounting system produces daily reports that enable each portfolio manager to monitor individual holdings as well as industry and sector weightings.

Buy / Sell Discipline

Stocks that appear to be attractively valued on both the Dividend Discount and Relative Return Models are placed on the buy list, a final universe of approximately 120 stocks. While portfolios generally consist of 80 to 90 stocks, the buy list must be more expansive. A meaningful number of clients have directed the firm to observe investment restrictions within their portfolios and these limitations increase the need for alternative "buy" candidates, which are used in place of holdings in the unrestricted portfolios.

The two valuation models that instill discipline in the final stock selection process are also used to accomplish the same on the sell side. Once placed in a portfolio, a stock is monitored using the two valuation models. The models are updated on a weekly basis, at a minimum. When a stock becomes fairly valued on either of the models, the liquidation process begins. The firm does not try to judge when the holding might reach a speculative level of overvaluation.

Trading Strategy

It is the goal of the firm's trading staff to buy and sell securities for its clients in a manner that ensures "best execution". Total trading costs, including both commissions paid and average execution price (including market impact), are considered when evaluating the success of their trading operations. Best execution is achieved through the firm's internal trading systems and expertise.

They work with firms that have consistently demonstrated superior execution capabilities. The firm judges brokerage firms not only from the prospective of average execution costs, but also on the added value the firm receives from the broker's trading technology and support systems, the information flow from their trading desks and the investment research provided to the firm's portfolio management team.

The firm utilizes Bloomberg for trading support, which provides the staff with real-time information, including market quotes, charts, company news, online research, and trading history.

The trading desk maintains direct lines to numerous brokerage firms that provide their staff with a continual flow of information regarding the active buyers and sellers of a stock, the amount of stock available for purchase or sale and any breaking news that may impact the price or trading action of a stock. The firm maintains constant communication with major "sell side" trading desks, which gives their staff the opportunity to participate in large blocks of stock, including shelf offerings and secondaries, which might trade at a discount to the quoted markets.

After taking into account all the relevant information, the trading staff selects a broker to execute the order. Once an order is initiated, the trading staff continuously monitors the broker's trade reports to ensure that the execution price of each order is within the context of the market. In addition to trading activity through brokerage firms, the firm uses electronic communication networks (ECN's) and alternative trading systems (ATS's) to execute trades anonymously, find increased liquidity opportunities, and reduce commission costs.

The firm limits the amount of manager-directed commissions they utilize to pay for "soft dollar" research and other services to those that are of direct benefit to their clients. They review every service purchased to ensure the appropriateness of the service versus its assigned cost and compliance with Section 28(e) of the Exchange Act. If paid for through a third-party broker, they screen the applicable conversion rates to ensure a favorable conversion ratio.

Additional Comments

The most appropriate benchmark for the diversified large cap value strategy is a combined use of both the S&P 500 and a value-style index. The S&P 500 is appropriate for longer time periods, while the most appropriate benchmark over a shorter period (3-5 years) would be a value-oriented index such as the Russell 1000 Value Index.

International Securities: Most of our international holdings are in the form of ADR's or they are securities that are principally traded on U.S. stock exchanges. Ordinaries may also be included. International holdings will generally not comprise more than 10% to 15% of assets.

PORTFOLIO REVIEW

SamCERA

San Mateo County Employees’ Retirement Association

JULY 7, 2011

MARK GIAMBRONE, CPA
MANAGING DIRECTOR
MATT EGENES, CFA
DIRECTOR

ORGANIZATIONAL OVERVIEW
AS OF MARCH 31, 2011

32-Year-Old Firm, Founded in 1979 in Dallas, Texas

Sole Focus is "Long Only" Value Management for Institutional Investors

Firm is Financially Strong and Adding to Staff

Employee Equity Ownership

Large Manager of Institutional Assets - $63.0 Billion

Strategy	Inception	Assets Under Management
Large Cap Value Equity		
Institutional	1979	$ 15.8 Billion
Sub-Advisory	1985	$ 28.2 Billion
Diversified Large Cap Value Equity	2000	$ 1.6 Billion
Mid Cap Value Equity	1999	$ 3.8 Billion
International Value Equity	2006	$ 2.1 Billion
Global Value Equity	2010	$ 1.0 Billion
Small Cap Value Equity	1995	$ 1.9 Billion
Diversified Small Cap Value Equity	2007	$ 6.8 Million
Fixed Income	1983	$ 8.5 Billion

BHMS Professionals

Equity Investment Team

Portfolio Managers	Years of Experience	Years with BHMS
Jim Barrow	49	32
Bob Chambers, CFA	39	17
Tim Culler, CFA	27	12
Mark Giambrone, CPA	19	13
John Harloe, CFA	35	16
Dave Hodges, CFA	11	10
Jim McClure, CFA	39	16
Ray Nixon	34	17
Lewis Ropp	30	10

Global Sector Analysts	Years of Experience	Years with BHMS
Jeff Fahrenbruch, CFA	14	9
David Ganucheau, CFA	15	7
Jane Gilday, CFA	43	13
Monroe Helm	35	9
Michael Nayfa, CFA	7	3
Terry Pelzel, CFA	6	2
Brian Quinn, CFA	10	6
Mike Wetherington, CFA	18	14
Rand Wrighton, CFA	9	6

Portfolio Specialists	Years of Experience	Years with BHMS
Matt Egenes, CFA	24	6
Lin Fitzenhagen, CFA	10	2
Cory Martin	21	12
Kirby Smith, CFA, CPA	18	6
Bill Underwood	15	13

BHMS Equity Partnerships

CORPORATE

Air Products and Chemicals-27
Alabama Power NDT
American Airlines-27
American Electric Power-20
Armstrong World Industries
CVS Caremark Corporation
Caterpillar Inc
CenterPoint Energy Inc-13
Coca-Cola Refreshments Inc-9
ConocoPhillips Company-32
Ericsson Inc
Fortune Brands-12
Fulbright & Jaworski-8
Genuine Parts Company-10
The Great Atlantic & Pacific Tea Co
Hess Corporation
ITT Corporation-28
Idaho National Laboratory-12
Idaho Power Company
Johnson & Johnson-12
NV Energy Inc-8
National Rural Electric Co-op-32
Owens Corning-14
Board of Pensions of the Presbyterian Church (USA)-21
Prudential Ret Ins and Annuity Co-9
SCANA Corporation-7
Sherwin-Williams Company-12
Smurfit-Stone Container Corp-8
Southern Company-13
SYSCO Corporation-29
Tronox Inc
Valero Energy Corporation-27
Verizon Communications-24

HEALTHCARE

Bon Secours Health System-13
Catholic Health Initiatives-12
DeKalb Medical Center-10
Edward Hospital & Health Services-13
El Camino Hospital-20
Nash Health Care Systems
Novant Health System-13
Dorothy Rider Pool Healthcare Tr
St Luke's Episcopal Hospital-17
St Luke's Regional Medical Ctr-9
Sturdy Memorial Hospital-10
WakeMed-11

ENDOWMENT/FOUNDATION

The Abell 1991 Trusts
John W Anderson Foundation-8
Birmingham So College End Fund-13
Catholic Soc Religious & Literary Ed-11
Dallas Museum of Art-19
Houston Endowment Inc-13
Hubbard Foundation-13
Joyce Foundation-27
Miami Dade College-11
Purdue University-12
Samuel Roberts Noble Fdn-18
Southern Oklahoma Mem Fdn-14

PUBLIC

Alaska Retirement Mgmt Board
Arkansas Local Police & Fire Ret Sys
Boca Raton Police & Fire-14
Dallas/Fort Worth Int'l Airport-14
City of Gainesville Emp's Pen Fd-11
State Retirement Sys of Georgia-ND-7
State of Hawaii ERS-26
Idaho Endowment Fund Invest Bd-7
City of Memphis-29
City of Miami Fire and Police-21
St of Michigan Legislative Ret Sys-8
Minnesota State Bd of Investment-7
Montana Board of Investments
New Jersey Ed Assoc Emp Ret Fd-9
Oklahoma Public Emps Ret System-7
City of Orlando Police Pension Fund
St Paul Teachers' Ret Fund Assoc-11
San Mateo County Emps' Ret Assoc
Texas Mutual Insurance Co-14
Tulsa County Retirement Trust-14
WorkSafe-New Brunswick
Wichita Retirement Systems

TAFT-HARTLEY

Airconditioning & Refrigeration Ret Fd-12
Allied Pilots Association-27
Carpenters' Dist Council of Houston-22
Chicago Teamsters Pension Tr-10
Construction Ind Laborers Welfare Fd
Directors Guild of America
IBEW Local 332
Trust for the IBEW Pen Benefit Fd-12
Major League Baseball Players-12
Milwaukee Brewery Workers Pens Fd-10
National Electrical Benefit Fund-18
New York Racing Association
Minnesota Lbrs Pens & Health & Welfare-8
Ohio Bricklayers Pension Trust-12
Retail Clerks Pension Trust-22
Sheet Metal Workers Local #85-10
Shopmen's Ironworkers Local #502-9
Southern Calif Lumber Ind Ret Fd-10
Sprinkler Ind Supplemental Pen Fd-7
Texas Ironworkers Trust Fund-16
UFCW Pension Fund-Atlanta-10
UFCW-Midwest-27
United Mine Workers of America-25
United Parcel Service-Local 177

MUTUAL FUNDS

American Beacon Funds-24
Columbia Small Cap Value Fund
Genworth – GuideMark Funds
GuideStone Funds-22
IMCA Vantagepoint Eq Income Fd-12
Integra Capital Management-13
Russell Investment Group
USAA Value Fund-7
VALIC Broad Cap Value Income Fd
Vanguard Selected Value Fund-15
Vanguard Windsor II Fund-26

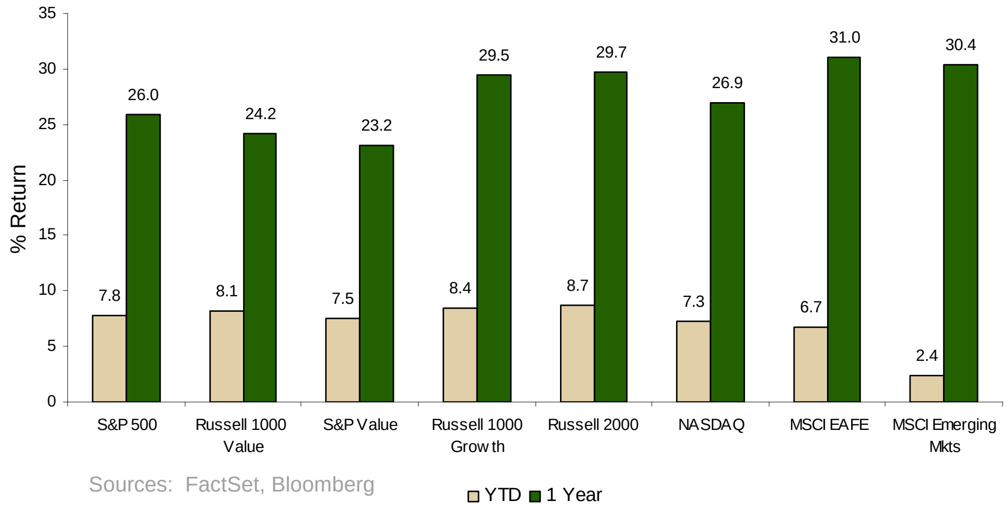
Partial client list - see appendix for disclosure.
Number indicates client for 7 years or longer.

MARKET OVERVIEW

INDEX AND SECTOR RETURNS

INDEX RETURNS

AS OF MAY 31, 2011



Sources: FactSet, Bloomberg

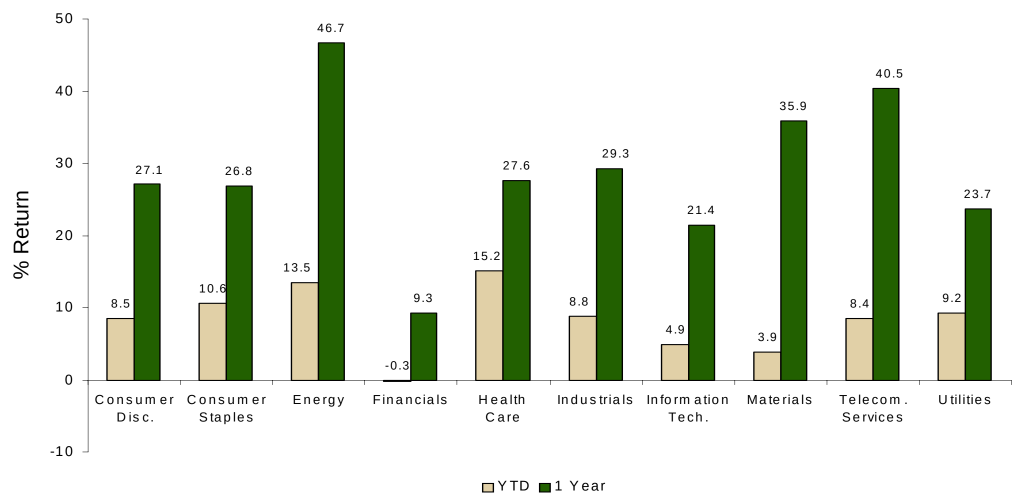
- Competition from risk-free Treasuries remains minimal, providing a strong incentive for investors to increase exposure to higher risk assets.

S&P SECTOR RETURNS

AS OF MAY 31, 2011

- Year to date, Health Care, Energy and Consumer Staples outperformed in a more narrow market.

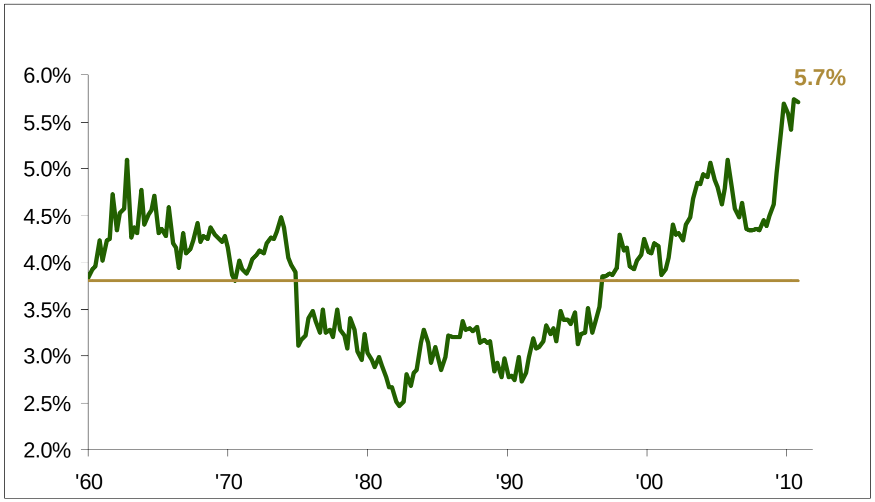
- For the one year period, Energy, Telecom. Services, Materials, and Industrials outperformed, while Financials and Information Technology lagged.



Source: FactSet

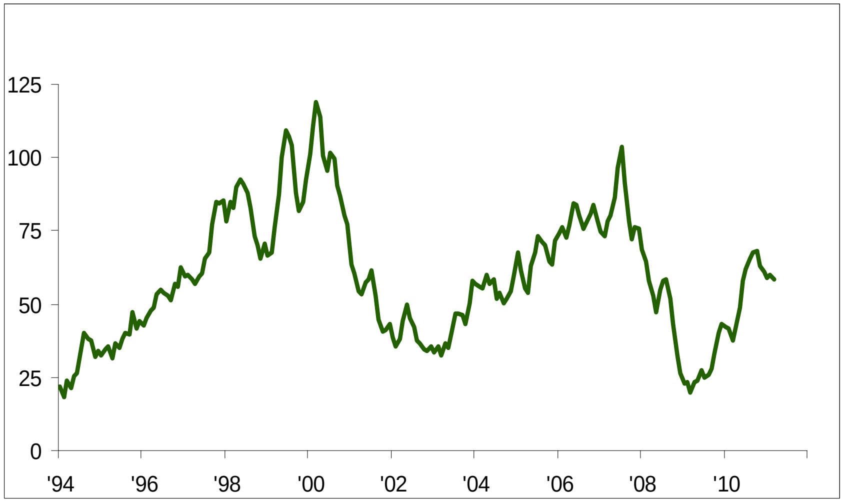
Cash Deployment

U.S. Non-Financial Corporation Cash
(% TOTAL ASSETS)



Source: S&P, Strategas

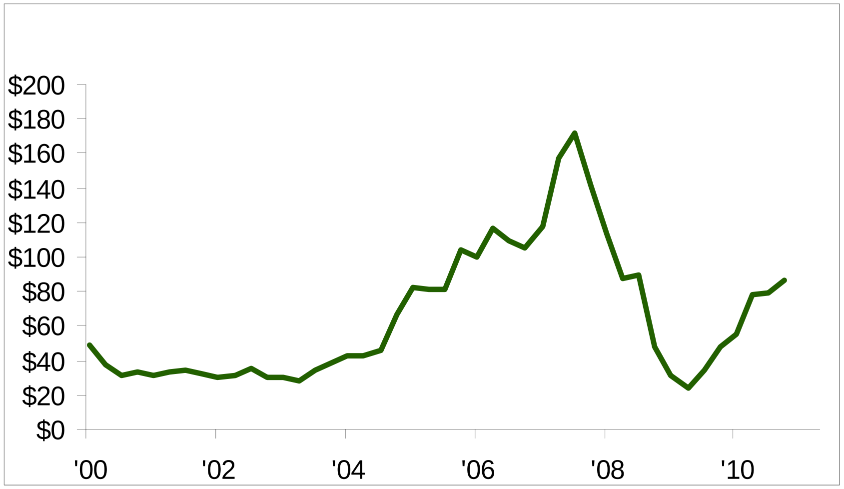
U.S. M&A Deals
(3 MONTH AVG., $ in BILLIONS)



Source: S&P, Strategas

- Through the recent downturn, corporations cut operating expenses to buffer margins. Margins and free cash flow improved and companies built up large amounts of cash on their balance sheets. Recent activity suggests companies will use the cash for M&A, share buy backs and dividend increases.

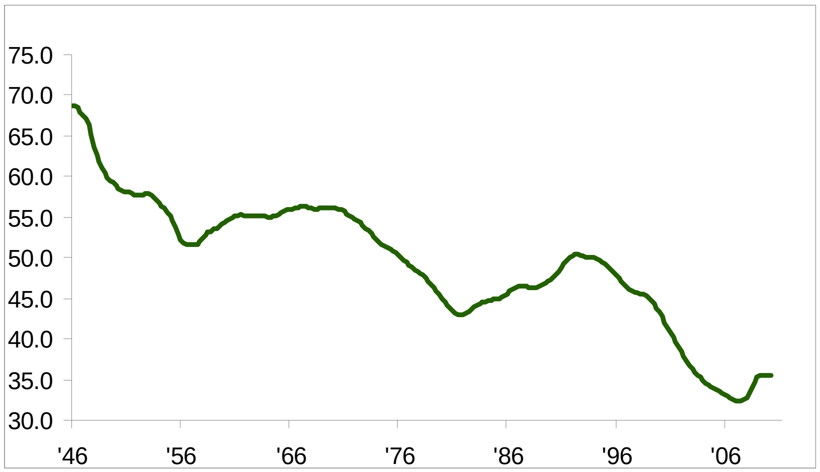
Announced Share Repurchases
(S&P 500, $ in BILLIONS)



Source: S&P, Strategas

THE POWER OF DIVIDENDS

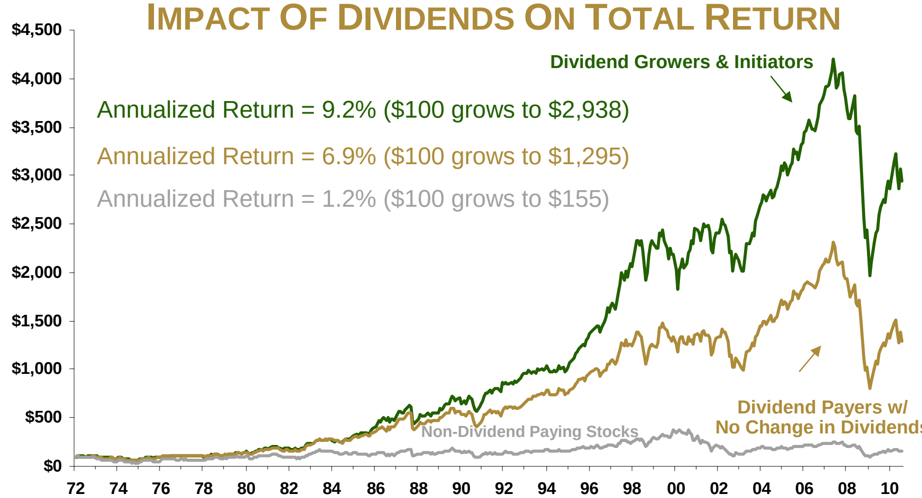
S&P 500 10-YEAR NORMALIZED DIVIDEND PAYOUT RATIO



Source: S&P, Strategas

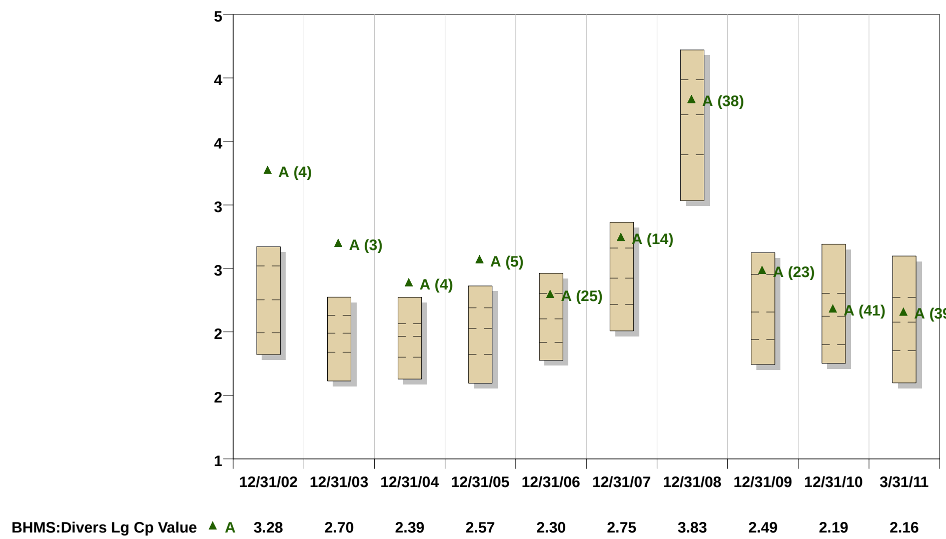
- Since 1926, close to 50% of the 9.7% return of the S&P 500 was derived from dividends.
- With record levels of cash flow on balance sheets, a change in corporate conservatism, fewer government restrictions, low payout ratios, and increased investor demand; dividends can grow meaningfully from current levels.

IMPACT OF DIVIDENDS ON TOTAL RETURN



Returns based on monthly equal-weighted geometric average of total return of S&P 500 component stocks, with components reconstituted monthly.
Source: Ned Davis Research

BHMS – ONE OF THE HIGHEST YIELDING MANAGERS IN THE LARGE CAP UNIVERSE

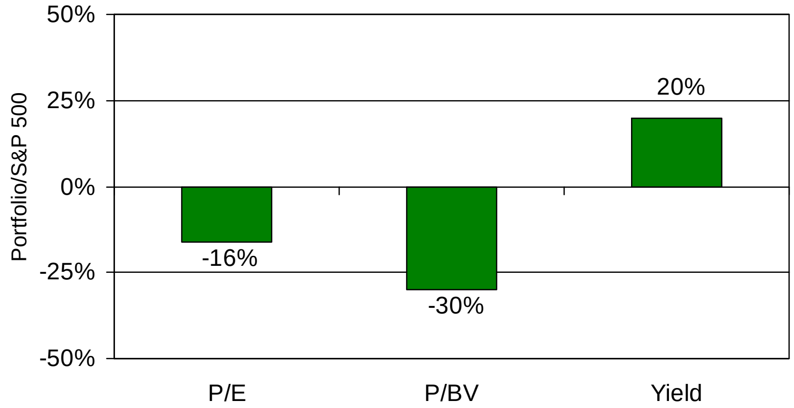


Source for peer comparison: PEP for Windows. Group: CAI Large Cap Value Style

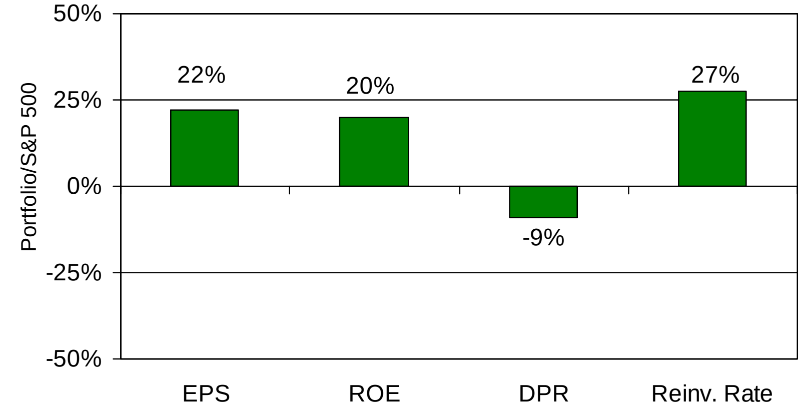
PROCESS AND PERFORMANCE

EQUITY PORTFOLIO CHARACTERISTICS
MAY 31, 2011

CHARACTERISTICS VS. S&P 500



CHARACTERISTICS VS. S&P 500



The BHM&S philosophy requires that the portfolio must always have the following characteristics:

- Price/Earnings *Lower* than the Market
- Price/Book *Lower* than the Market
- Dividend Yield *Higher* than the Market

	SamCERA	S&P 500	R1000V
Price/Earnings[1]	12.7 x	15.2 x	14.3 x
Price/Book Value	1.9 x	2.7 x	1.9 x
Div. Yield	2.4 %	2.0 %	2.3 %
BHMS 5-Yr. Projections [2]			
EPS Growth	10.4 %	8.5 %	9.1 %
Profitability (ROE)	20.4 %	17.0 %	19.3 %
Div. Payout Ratio (DPR)	36.3 %	40.0 %	39.2 %
Reinv. Rate [ROE (1-DPR)]	13.0 %	10.2 %	11.7 %

[1] Based on trailing 12 months operating earnings; harmonically averaged
[2] BHMS 5 Yr. Projections except for R1000V
Source: FactSet

STOCK SELECTION OBJECTIVES:

- Bottom-up Stock Selection
- Buy Stocks Trading at Discount to Market
- Low Turnover Approach
- 80-90 Stock Portfolios
- Max. 15% in an Industry Group
- Max. 5% Cash

BHMS Diversified Large Cap Value Process

INITIAL UNIVERSE

- Initial Universe Screened Down To A Guidance List Of Investment Opportunities
  - Stocks With a Market Cap Greater Than $1 Billion
  - Low P/E, Low P/Bk and High Dividend Yield Compared to the S&P 500
  - Generally Low-Expectation Stocks

1800 Stocks

INVESTMENT PROCESS

- Hands-On, Fundamental Research Performed By Long-Tenured, Experienced Investment Team
- Research Compelling Ideas, One-at-a-time
  - Construct Financial Projections
  - Company / Management Visits
  - Daily Research Meetings to Monitor Existing and Potential Holdings
- Bring Only Best Ideas Forward

250 Stock Guidance List

PORTFOLIO CONSTRUCTION

- Construct Diversified Portfolios
  - Max 15% in an Industry
  - Max 35% in any Sector
- No Market Timing - Max. 5% Cash

120 Stock Buylist

FINAL PORTFOLIO

- Monitor Diversification Schedule Daily
- 3-5 Year Investment Horizon Results in Low Turnover (25%-30%)
- Disciplined Sell Process
  - When Stock Reaches Our Estimation of Fair Value
  - Our Investment Thesis Changes Materially or is No Longer Valid

80-90 Stock Portfolio

PORTFOLIO STRUCTURE AND PERFORMANCE

MAY 31, 2011

PORTFOLIO STRUCTURE

PORTFOLIO COMPOSITION		
	Market Value	*% Assets*
Cash and Equiv.	$ 4,323,350	2.5
Equities	171,140,487	97.5
Total	**$ 175,463,837**	**100.0**

CHANGE IN PORTFOLIO		
Portfolio Value on	5/31/2010	$ 137,619,864
Net Additions/Withdrawals		10,407
Realized Gains		4,272,010
Unrealized Gains		29,822,536
Income Received		3,739,019
Portfolio Value on	**5/31/2011**	**$ 175,463,837**

PERFORMANCE

For Periods Ended May 31, 2011

	YTD	1 Year	Since Inception (7/31/09)
SamCERA	10.64 %	27.49 %	22.80 %
Russell 1000 Value	8.14 %	24.23 %	21.21 %

Periods over one year are annualized. Performance is gross of fees.

PORTFOLIO ATTRIBUTION

VS. RUSSELL 1000 VALUE – YEAR TO DATE ENDING MAY 31, 2011

BHMS Sector	SamCERA Average Weight	SamCERA Total Return	Russell 1000 Value Average Weight	Russell 1000 Value Total Return	Attribution Analysis Allocation Effect	Attribution Analysis Selection + Interaction	Attribution Analysis Total Effect
Financials	23.2	8.0	27.1	-0.3	0.3	1.9	2.2
Health Care	14.2	24.4	12.5	17.3	0.2	0.9	1.0
Consumer Staples	8.0	19.6	9.6	10.2	-0.0	0.7	0.6
Utilities	3.6	16.3	6.7	9.6	-0.0	0.2	0.2
Telecommunication Services	1.6	7.4	5.0	8.8	-0.0	-0.0	-0.0
Materials	1.8	4.9	3.2	7.4	0.0	-0.1	-0.1
Industrials	15.8	8.4	9.5	10.0	0.2	-0.3	-0.1
Information Technology	12.3	5.0	5.4	3.6	-0.3	0.2	-0.1
Energy	12.5	11.1	13.2	12.9	-0.0	-0.2	-0.2
Consumer Discretionary	7.0	2.6	7.8	13.3	-0.0	-0.8	-0.8
Total	100.0	10.8	100.0	8.1	0.2	2.5	2.7

Selection=return differential x portfolio weight
Allocation=weight differential x return differential between benchmark sector return and benchmark total return
Note: Performance Analysis does not include impact of cash holdings.

Largest Contributors

	Avg. Weight	Contribution to Equity Return
Capital One Financial Corp.	3.2 %	0.81 %
SLM Corp.	2.0 %	0.63 %
WellPoint Inc.	1.9 %	0.62 %
UnitedHealth Group Inc.	1.9 %	0.58 %
Marathon Oil Corp.	1.5 %	0.56 %

Largest Detractors

	Avg. Weight	Contribution to Equity Return
Carnival Corp.	1.5 %	-0.25 %
Citigroup Inc.	1.6 %	-0.21 %
Bank of America Corp.	1.2 %	-0.18 %
Royal Caribbean Cruises Ltd.	0.9 %	-0.17 %
Computer Sciences Corp.	0.8 %	-0.15 %

Best Performing Stocks

	Performance
Lorillard Inc.	44 %
Service Corp. International	40 %
Marathon Oil Corp.	39 %
WellPoint, Inc.	37 %
CIGNA Corp.	36 %

Worst Performing Stocks

	Performance
Computer Sciences Corp.	-20 %
Royal Caribbean Cruises Ltd.	-15 %
Carnival Corp.	-15 %
Bank of America Corp.	-14 %
Citigroup Inc.	-13 %

Source: Factset, Axys

PORTFOLIO ATTRIBUTION

VS. RUSSELL 1000 VALUE – ONE YEAR ENDING MAY 31, 2011

	SamCERA		Russell 1000 Value		Attribution Analysis		
BHMS Sector	Average Weight	Total Return	Average Weight	Total Return	Allocation Effect	Selection + Interaction	Total Effect
Financials	22.3	18.8	27.3	7.9	0.8	2.4	3.2
Consumer Staples	8.5	44.6	9.7	24.0	0.0	1.5	1.5
Health Care	14.1	41.0	12.5	30.5	0.3	1.2	1.5
Utilities	4.9	31.6	7.0	24.8	0.0	0.2	0.3
Materials	1.5	44.0	3.1	34.9	-0.2	0.1	-0.1
Industrials	15.9	24.4	9.4	28.1	0.3	-0.5	-0.2
Consumer Discretionary	8.2	21.7	7.8	29.8	0.2	-0.4	-0.2
Telecommunication Services	1.5	39.6	5.1	40.2	-0.5	0.0	-0.5
Information Technology	11.8	14.8	5.5	18.0	-0.4	-0.4	-0.8
Energy	11.3	40.3	12.7	49.7	-0.1	-0.8	-1.0
Total	100.0	27.8	100.0	24.2	0.4	3.2	3.6

Selection=return differential x portfolio weight
Allocation=weight differential x return differential between benchmark sector return and benchmark total return
Note: Performance Analysis does not include impact of cash holdings.

Largest Contributors

	Avg. Weight	Contribution to Equity Return
Stanley Black & Decker Inc.	3.1 %	1.19 %
UnitedHealth Group Inc.	1.8 %	1.05 %
SLM Corp.	1.9 %	0.89 %
Philip Morris International Inc.	1.4 %	0.86 %
Capital One Financial Corp.	3.0 %	0.85 %

Largest Detractors

	Avg. Weight	Contribution to Equity Return
Bank of America Corp.	1.0 %	-0.37 %
Computer Sciences Corp.	0.7 %	-0.22 %
Hewlett-Packard Co.	0.8 %	-0.20 %
International Game Technology	0.9 %	-0.18 %
L-3 Communications Holdings	1.9 %	-0.12 %

Best Performing Stocks

	Performance
Limited Brands Inc.	69 %
Philip Morris International Inc.	68 %
UnitedHealth Group Inc.	68 %
Coventry Health Care Inc.	67 %
Lorillard Inc.	66 %

Worst Performing Stocks

		Performance
	Bank of America Corp.	-21 %
	Computer Sciences Corp.	-16 %
	Hew lett Packard Co.	-14 %
*	Gamestop Corp.	-12 %
	Xerox Corp.	-8 %

*sold

Source: Factset, Axys

PORTFOLIO HOLDINGS

MAY 31, 2011

	Port. Wtg. %	R1000V Wtg. %
CONSUMER DISCRETIONARY	**5.2**	**8.0**
Carnival Corp.	1.3	
International Game Technology	1.1	
Hanesbrands Inc.	1.1	
Royal Caribbean Cruises Ltd.	0.8	
Service Corp. International	0.4	
Newell Rubbermaid Inc.	0.4	
Limited Brands Inc.	0.1	
CONSUMER STAPLES	**8.2**	**9.9**
Philip Morris International Inc.	1.5	
CVS/Caremark Corp	1.3	
Altria Group Inc.	1.2	
Walgreen Co.	1.0	
Lorillard Inc.	1.0	
Reynolds American Inc.	0.9	
Imperial Tobacco Group PLC ADR	0.7	
Diageo PLC ADR	0.6	
ENERGY	**12.0**	**13.2**
ConocoPhillips	1.8	
Occidental Petroleum Corp.	1.8	
Marathon Oil Corp.	1.7	
Murphy Oil Corp.	1.6	
BP PLC ADS	1.5	
Spectra Energy Corp.	1.2	
Seadrill Limited	1.2	
Chevron Corp.	0.6	
* Royal Dutch Shell PLC ADR	0.6	

***New holding in 2011**

Holdings Eliminated in 2011

Advance Auto Parts	Entergy Corp.
Alliance Data Systems	Family Dollar Stores
AXIS Capital Holdings	Home Depot, Inc.
Bristol-Myers Squibb Co.	National Oil Well Varco
Dominion Resources	Quest Diagnostics
E.I. Du Pont de Nemours & Co.	Ryder Systems Inc.
El Paso Corporation	Sysco Corp.

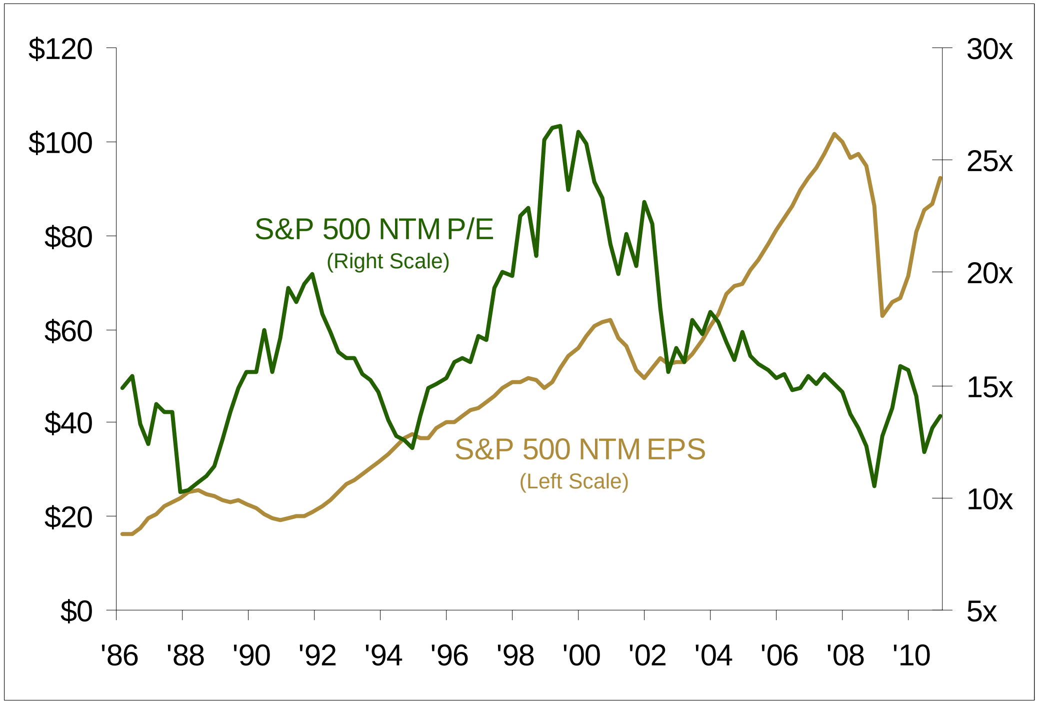
	Port. Wtg. %	R1000V Wtg. %
FINANCIALS	**22.4**	**25.8**
Capital One Financial Corp.	3.0	
PNC Financial Services Group Inc.	2.2	
SLM Corporation	2.2	
American Express	1.5	
J.P. Morgan Chase	1.4	
Citigroup Inc.	1.3	
Willis Group Holdings PLC	1.3	
* Discover Financial Services	1.2	
Wells Fargo & Co.	1.1	
Fifth Third Bancorp	1.0	
XL Group PLC	1.0	
Bank of America Corp.	1.0	
Ameriprise Financial Inc.	0.9	
* Essex Property Trust	0.8	
State Street Corp.	0.8	
NY Community Bancorp	0.7	
Annaly Capital Mgmt	0.6	
Chubb Corp.	0.4	
HEALTH CARE	**15.2**	**13.3**
UnitedHealth Group Inc.	1.9	
WellPoint, Inc.	1.9	
Pfizer Inc.	1.6	
Johnson & Johnson	1.6	
Medtronic, Inc.	1.4	
Coventry Health Care Inc.	1.3	
Baxter International Inc.	1.3	
Omnicare Inc.	1.2	
CIGNA Corp.	1.0	
Cardinal Health Inc.	0.8	
Teva Pharmaceutical Ind Ltd. ADS	0.6	
* Sanofi	0.6	
MATERIALS	**1.8**	**3.1**
* Sealed Air Corp	1.2	
Alcoa	0.6	
CASH & EQUIV.	**2.5**	

	Port. Wtg. %	R1000V Wtg. %
INDUSTRIALS	**16.0**	**9.4**
Stanley Black & Decker Inc.	2.9	
L-3 Communications Holdings Inc.	1.9	
Illinois Tool Works Inc.	1.6	
Honeywell International	1.3	
General Electric	1.3	
Raytheon Co.	1.1	
Goodrich Corp.	1.1	
* Masco Corp	1.1	
Eaton Corp.	1.0	
Emerson Electric Co.	0.8	
ITT Corp.	0.7	
SPX Corp	0.6	
Dun & Bradstreet Corp.	0.6	
INFORMATION TECHNOLOGY	**11.3**	**5.3**
International Business Machines	1.5	
Texas Instruments Inc.	1.2	
Molex Inc.	1.1	
Corning Inc.	1.0	
Microsoft Corp.	1.0	
Microchip Technology Inc.	1.0	
Applied Materials	0.9	
Intel Corp.	0.9	
Xerox Corp.	0.9	
* Western Union Co.	0.8	
Computer Sciences Corp.	0.6	
Hewlett Packard Co.	0.4	
TELECOMMUNICATION SRVS	**1.6**	**5.1**
Verizon Communications Inc.	0.6	
Vodafone Group PLC ADS	0.5	
AT&T Inc.	0.5	
UTILITIES	**3.6**	**6.9**
CenterPoint Energy	0.9	
Pinnacle West Capital Inc.	0.8	
Xcel Energy Inc.	0.8	
MDU Resources Group Inc.	0.6	
ONEOK Inc.	0.5	

MARKET OUTLOOK

EARNINGS AND VALUATIONS

S&P 500 EARNINGS AND VALUATION

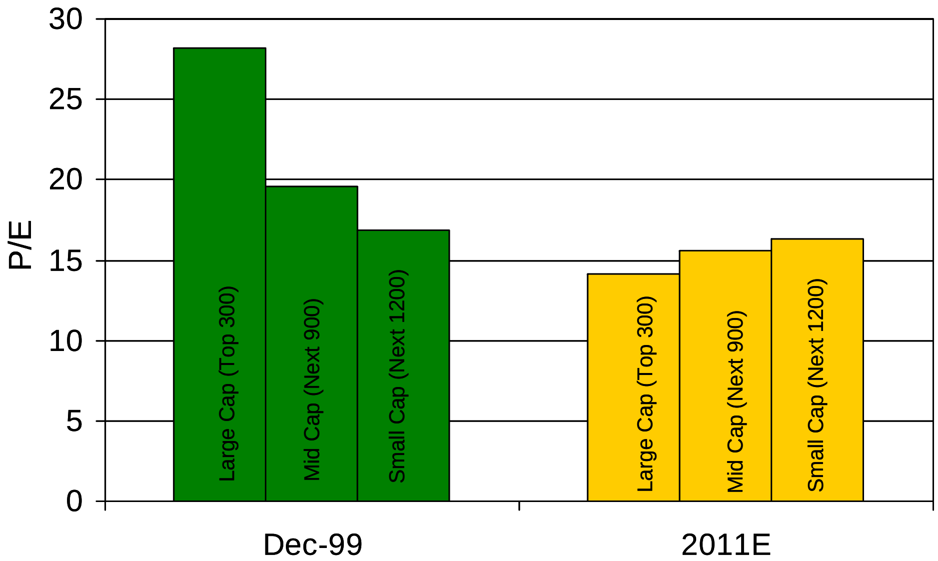


Source: Strategas

- A robust earnings rebound has left the S&P 500 near its long-term average valuation.

U.S. Large Cap Stocks

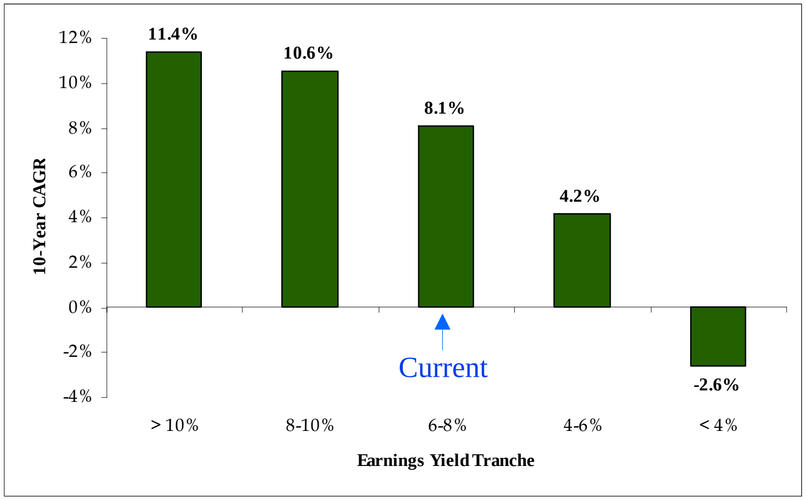
Valuation By Market Capitalization



Source: The Leuthold Group, January 2011

- The sharp overvaluation of large cap stocks in the late 90's has reversed.
- Large, high quality stocks now offer exceptional valuations and high current yields (relative to bonds).
- U.S. large cap stocks have lost favor with investors.
- Earnings yield, an important predictor of future equity returns, is currently close to 7%. Historically, returns have been better than average at the current earnings yield.

S&P 500 10-Year Return By Earnings Yield (Since 1950)



(Based on forward 12 months estimated earnings) Source: Strategas

THE BARROW HANLEY LARGE CAP VALUE OPPORTUNITY

		May 2011		December 1999	
Ticker	**Holding**	**P/E***	**Div Yield**	**P/E***	**Div Yield**
BMY	Bristol-Myers Squibb	13	4.6	32	1.2
HPQ	Hewlett-Packard Co.	7	0.9	34	0.6
IBM	Intl. Business Machines	13	1.5	31	0.4
INTC	Intel Corp.	10	3.2	36	0.1
JNJ	Johnson & Johnson	14	3.2	31	1.2
MDT	Medtronic Inc.	12	2.2	40	0.4
MSFT	Microsoft Corp.	10	2.6	79	--
PFE	Pfizer Inc.	10	3.7	39	0.9
SNY	Sanofi ADR	8	4.5	N/A	--
TEVA	Teva Pharmaceutical Ind ADS	10	1.6	114	0.4
ST	State Street Corp.	12	1.6	25	0.9
TXN	Texas Instruments	14	1.5	57	0.2
UNH	UnitedHealth Group Inc.	12	1.0	17	0.1

•Forward 1-year mean IBES estimate

Source: FactSet

- The bear market of the last decade has brought the stock prices of many exceptional businesses down to attractive levels.
- The opportunity set for active Large Cap Value managers is as good as it has been since the firm was founded in the late 1970's.
  - Your portfolio is trading at a reasonable 12.0x next twelve month earnings.
  - The dividend yield (2.4%) is about 20% higher than the market yield.
- Our holdings have a history of dividend growth in addition to capital appreciation.

APPENDIX

BHMS Equity Professionals

Value Equity

JAMES P. BARROW – Executive Director, Portfolio Manager

During Mr. Barrow's 49-year investment career, he has worked as a securities analyst and portfolio manager for several major institutions including Citizens & Southern Bank of South Carolina, Atlantic Richfield, and Reliance Insurance. In 1973 he joined Republic National Bank of Dallas as a portfolio manager. He later was placed in charge of the Employee Benefit Portfolio Group and was a member of the Trust Investment Committee until the founding of this firm in 1979. Mr. Barrow graduated from the University of South Carolina.

ROBERT J. CHAMBERS, CFA – Managing Director, Portfolio Manager

Mr. Chambers joined BHMS in 1994. During his 39-year investment career, he worked as a senior securities analyst and portfolio manager for General Accident Group, the U.S. subsidiary of General Accident Fire and Life Assurance Co., Ltd. of Perth, Scotland. Mr. Chambers graduated from Drexel University with a BS in Finance.

TIMOTHY J. CULLER, CFA – Managing Director, Portfolio Manager

Mr. Culler joined BHMS in 1999 from INVESCO Capital Management, where he served as their Chief Investment Officer. Prior to his 9 years at INVESCO, Mr. Culler served as a securities analyst and a portfolio manager at First Union National Bank in Charlotte, where he began his 27-year career in the investment management industry. Mr. Culler graduated from Miami University in Ohio with BA and MA degrees.

MATTHEW P. EGENES, CFA – Director, Portfolio Specialist

Mr. Egenes joined BHMS as a portfolio specialist in 2005. He joined our firm from American Century Investments, where he served as vice president and institutional client advisor. Prior to his eight years at American Century, Mr. Egenes was executive vice president and portfolio manager for the firm that is now U.S. Bancorp, where he began his 24-year career in the investment management industry. Mr. Egenes graduated from Iowa State University with a BBA in Finance. He is a member of the CFA Institute and The CFA Society of Dallas/Fort Worth.

JEFF G. FAHRENBRUCH, CFA – Managing Director, Analyst

Mr. Fahrenbruch joined BHMS in 2002. Prior to joining BHMS, he was an equity analyst at Westwood Holdings Group. Mr. Fahrenbruch, with 14 years of experience in the investment industry, serves on the Board of Directors and the Strategic Advisory Board of the CFA Society of Dallas-Fort Worth. He earned a BBA in Finance with Highest Honors from the University of Texas, where he also served as an analyst on the MBA Investment Fund, LLC and competed on the UT golf team. In 1997, Mr. Fahrenbruch received the Ben Hogan Award and now serves on the selection committee for the award.

LIN FITZENHAGEN, CFA – Director, Portfolio Specialist

Mr. Fitzenhagen joined our firm as a portfolio specialist and director in February 2010. Prior to joining BHMS, he worked for Callan Associates, where before acting as a general consultant, he was a specialty consultant in Callan's Global Manager Research group responsible for covering international and global equity strategies. During his 10-year investment career, Mr. Fitzenhagen also served at the San Diego City Employees' Retirement System as an investment analyst. He graduated from Washington and Lee University with a BA and received an MBA from the University of Texas at Dallas. Mr. Fitzenhagen is a member of the CFA Society of Dallas-Fort Worth, the Financial Analysts Society of San Diego and the CFA Institute.

DAVID W. GANUCHEAU, CFA – Managing Director, Analyst

Mr. Ganucheau joined BHMS in 2004. Prior to joining BHMS, he was a portfolio manager and analyst for Clover Partners, LP. His 15-year career in the investment management industry includes serving as an analyst at GSB Investment Management. Mr. Ganucheau graduated from Southern Methodist University with a BBA in Accounting.

BHMS Equity Professionals

VALUE EQUITY *(Continued)*

MARK GIAMBRONE, CPA – Managing Director, Portfolio Manager

Mr. Giambrone joined BHMS in 1998. Prior to joining BHMS, Mr. Giambrone served as a portfolio consultant at HOLT Value Associates. During his 19-year career, he has also served as a senior auditor/tax specialist for KPMG Peat Marwick and Ernst & Young Kenneth Leventhal. Mr. Giambrone is a member of the American Institute of Certified Public Accountants. He graduated summa cum laude from Indiana University with a BS in Accounting and received an MBA from the University of Chicago.

JANE GILDAY, CFA – Managing Director, Analyst

Ms. Gilday joined BHMS in 1998. During her 43-year investment career, she has worked as a securities analyst at Argus Research, Spencer Trask & Co., First Boston Corp., M.J. Gilday Associates Inc., McKinley Allsopp, Gruntal & Co., Hancock Institutional Equity Services, and Advest Inc. Ms. Gilday graduated from Smith College, where she earned her BA in Economics, cum laude.

JOHN P. HARLOE, CFA – Managing Director, Portfolio Manager

Mr. Harloe joined BHMS in 1995 from Sterling Capital Management, where he served as a vice president and equity portfolio manager/analyst for 9 years. During the remainder of his 35-year investment career, Mr. Harloe worked with James McClure at American National Insurance Company, American Capital Management and Research, and Oppenheimer & Co., Inc. Mr. Harloe graduated from the University of South Carolina with a BA and an MBA.

H. MONROE HELM, III – Director, Analyst

Mr. Helm joined BHMS as an equity analyst in June 1997 and January 2010. He founded Cimarrone Capital Management, LLC and was a co-manager of Monomoy Natural Resources Fund, both affiliated with CM Energy Partners, Inc. Mr. Helm was also a founding member of RoundRock Capital Management, LLC. During his 35-year investment career, he has worked as a securities analyst at Republic National Bank of Dallas, Wells Fargo Investment Advisors, Morgan Stanley & Co. and Dillon, Read & Co. Mr. Helm has also worked for finance groups at Tenneco, Inc. and Lear Petroleum Corporation. He graduated from the University of Texas, where he earned both his BA and MBA.

DAVID A. HODGES, CFA – Managing Director, Portfolio Manager

Mr. Hodges joined BHMS in 2001. During his 11-year investment career, he served as an equity analyst for Sawgrass Asset Management. Prior to his tenure at Sawgrass, he was a partner at Hodges Law Firm in Little Rock. Mr. Hodges graduated from Southern Methodist University with a BA. He received an MBA from the University of Florida with a concentration in Security Analysis. He also holds a JD degree from the University of Arkansas School of Law, where he graduated magna cum laude.

CORY L. MARTIN – Managing Director, Portfolio Specialist Group

Mr. Martin joined BHMS in 1999. Prior to joining BHMS, he served as a vice president at Templeton Investment Counsel, Inc. in Fort Lauderdale, Florida where he was responsible for a number of international separate account and institutional fund client relationships. His 21-year career in the investment management industry includes servicing as an institutional investment consultant with LCG Associates, Inc., where he was responsible for advising institutional clients. Mr. Martin is a member of the CFA Institute and The CFA Society of Dallas-Fort Worth. He graduated from Baylor University.

BHMS EQUITY PROFESSIONALS

VALUE EQUITY *(Continued)*

JAMES S. McCLURE, CFA – Managing Director, Portfolio Manager

Mr. McClure joined BHMS in 1995 from Goldman Sachs Asset Management, where he had been a vice president and senior portfolio manager, managing the Capital Growth Fund, as well as separate accounts. During his 39-year investment career, he has served as the Chief Investment Officer, and then President and Chief Operating Officer at National Securities and Research Corporation. He also served as the Chief Investment Officer and executive vice president at Oppenheimer & Co., Inc. He managed mutual funds at American Capital Management and Research and was initially a securities analyst at American National Insurance Company. Mr. McClure graduated from the University of Texas where he earned both his BA and MBA.

MICHAEL B. NAYFA, CFA– Analyst

Mr. Nayfa joined BHMS in June 2008 as an equity analyst. Prior experience includes works as an analyst at HBK and institutional equity sales at Natexis Bleichroeder. Mr. Nayfa began his career in institutional sales at Sidoti & Company, LLC. He holds an MBA from the University of Texas, as well as a BBA in Finance from Texas Christian University, and is a member of the CFA Society of Dallas-Fort Worth.

RAY NIXON, JR. – Executive Director, Portfolio Manager

Mr. Nixon joined BHMS in 1994 from Smith Barney, Inc., where he was a member of the firm's Investment Policy Committee and served as their lead institutional stockbroker for the Southwest. During his 34-year investment career, he also served as a research analyst for the Teacher Retirement System of Texas. Mr. Nixon holds a BA and an MBA from the University of Texas. He is a member of the Board of the Presbyterian Healthcare Foundation, the Board of the Salvation Army, and the Investment Committee of The Susan G. Komen Foundation.

TERRY L. PELZEL, CFA – Analyst

Mr. Pelzel joined BHMS in January 2010 as an equity analyst. Prior to joining BHMS, he served as a senior portfolio analyst at Highland Capital Management, LP and as a financial analyst for Houlihan, Lockey, Howard & Zukin, Inc. Mr. Pelzel graduated from Texas A&M University, where he earned his BBA in Finance, magna cum laude.

BRIAN F. QUINN, CFA – Director, Analyst

Mr. Quinn joined BHMS in 2005 as an equity analyst. During his 10-year investment career, he has served as an equity analyst for Clover Partners, LP, and as a credit analyst for Frost Bank. Mr. Quinn received an MBA from Texas Christian University, where he served as a portfolio manager and equity research analyst for the William C. Conner Foundation's Educational Investment Fund. He earned a BS, with a concentration in finance, from Fordham University and is a member of The CFA Society of Dallas-Fort Worth.

R. LEWIS ROPP – Managing Director, Portfolio Manager

Mr. Ropp joined BHMS in 2001 from Frost Securities, where he was a senior equity analyst and served as managing director of the Energy Group. He served in management positions at Shell Oil Company and as a securities analyst in the energy sector at Howard, Weil, Labouisse, Friedrichs, Inc. prior to joining Frost Securities. Mr. Ropp received a Wall Street Journal "Best On The Street" listing in 2001 for his coverage of the secondary oil sector. Mr. Ropp graduated from the University of Louisiana at Lafayette with a BS in Mechanical Engineering. He received an MBA, as well as an MS in Civil and Environmental Engineering from Tulane University.

BHMS EQUITY PROFESSIONALS

VALUE EQUITY *(Continued)*

KIRBY H. SMITH, CFA, CPA – Director, Portfolio Specialist

Mr. Smith joined BHMS in 2005 as a portfolio specialist. During his 18-year career, Mr. Smith served as a managing director of institutional equity sales for Bear Stearns. Prior to joining Bear Stearns, he worked at Donaldson, Lufkin & Jenrette and Lehman Brothers. Prior to his investment banking tenure, Mr. Smith held positions in public accounting and corporate finance. He graduated from Rhodes College with a BA and received an MBA in Finance and Accounting from Emory University. Mr. Smith is a member of the American Institute of Certified Public Accountants, as well as the CFA Society of Dallas-Fort Worth.

WILLIAM B. UNDERWOOD – Director, Portfolio Specialist

Mr. Underwood joined BHMS in 1998. Prior to servicing the firm's client relationships, his work at the firm included market and index research and portfolio analysis. Mr. Underwood began his 15-year career as a financial analyst at First City Financial Corporation. He graduated from Baylor University with a BBA and received an MBA from the Cox School of Business at Southern Methodist University.

MICHAEL J. WETHERINGTON, CFA – Director, Analyst

Mr. Wetherington joined BHMS in 1997. He serves as an equity analyst at BHMS. Mr. Wetherington began his 18-year investment career as an equity trader for Fidelity Investments, where he later served as an analyst for their brokerage advisors. Mr. Wetherington graduated from Southern Methodist University with a BS in Economics/Finance.

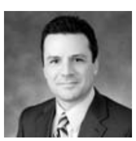
RANDOLPH S. WRIGHTON, JR., CFA – Director, Analyst

Mr. Wrighton joined BHMS in 2005 as an equity analyst. He worked as an intern analyst for the University of Texas Investment Management Company in Austin and Perry Capital in New York while attending graduate school at the McCombs School of Business at the University of Texas. Prior experience includes work as an associate in institutional equity sales for Deutsche Bank Securities in Atlanta. He is a member of the CFA Society of Dallas-Fort Worth. Mr. Wrighton holds an MBA from the University of Texas and a BA in Economics from Vanderbilt University.

TRADING

LAURA JIRELE-BORLESKE, CFA, CIPM

Ms. Jirele-Borleske joined BHMS in 2006. Prior to serving as an equity trader, her work at the firm included international operations and GIPS compliance. Her prior experience includes working on the trading desk of Jefferies & Company. Ms. Jirele-Borleske graduated magna cum laude from the A.B. Freeman School of Business at Tulane University, where she earned a BS with a concentration in finance and served as a research equity analyst for the Burkenroad Reports. She is a member of the CFA Institute and the CFA Society of Dallas-Fort Worth.



JASON W. SKINNER – Director, Head Trader

Mr. Skinner joined our firm in 1993 and currently serves as head equity trader. Mr. Skinner started his 18-year investment career with Fidelity Investments. He graduated from the University of Texas at Arlington with a BBA in Finance.

AARON J. SKIPWITH – Director

Mr. Skipwith joined BHMS in 2003. Mr. Skipwith currently serves as an equity trader. His 11-year investment career includes working for Lamp Technologies LLC, a technology consultant and service provider to the alternative investment community. Mr. Skipwith also served as a quantitative analyst at ATA Research, Inc. He graduated from the University of Texas at Dallas with a BS in Economics and Finance, cum laude.

BHMS EQUITY PROFESSIONALS

COMPLIANCE

PATRICIA B. ANDREWS – Director, Chief Compliance Officer

Ms. Andrews joined our firm in 2000. She began serving as BHMS' Compliance Officer in 2001 and was appointed Chief Compliance Officer (CCO) in 2004. She is responsible for overseeing the firm's compliance program. Her 23-year career in the investment industry includes serving at Smith Barney and Morgan Stanley. Ms. Andrews earned the Investment Adviser Certified Compliance Professional (IACCP) certification in 2006.

CLIENT DEVELOPMENT

ROBERT D. BARKLEY – Managing Director

Mr. Barkley joined BHMS in 1996. Prior to joining the firm, Mr. Barkley was a vice president and regional sales manager for Goldman Sachs Asset Management. During his 31-year investment career, he has worked as a senior capital advisor with SEI Corporation, and as a vice president in charge of institutional marketing at L.J. Melody & Co. He began his career at Goldman, Sachs & Co. as a member of the firm's private client services group. Mr. Barkley graduated from Baylor University with a BBA and from the Baylor School of Law with a JD.

HUNTER WOOD – Director

Mr. Wood joined BHMS in 2001. Prior to joining the firm, Mr. Wood was director of business development for Digital Century Capital in New York. During his 19-year investment career, Mr. Wood has served as director of product development at MINT Investment Management Company in New York and vice president of trading operations at Chesapeake Capital Corporation in Richmond. Mr. Wood graduated from the University of Richmond with a BSBA in Finance.

Regulatory Disclosures

Partial Client List: The representative client list was compiled based on diversity of client type and length of relationship with BHMS (both old and new relationships). Performance-based criteria was not used in determining which clients to include on the list. Inclusion on this list does not reflect an endorsement of our firm or the advisory services provided.

Russell Indexes: Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

General Disclosures: A complete list and details concerning all composites are available upon request. Past performance is not indicative of future results. This information is to be used solely in one-on-one discussions with plan sponsors and consultants, with the appropriate reference to these disclosures.

Largest Contributors/Detractors and Largest Gainers/Decliners: Returns shown are of an actual client's portfolio managed by BHMS as of the date noted. Performance is expressed in U.S. currency. The returns include the reinvestment of all income. Gross returns are presented before investment management and custodial fees. Past performance does not guarantee future results. The calculation methodology used and a list of the contribution to overall performance for each holding during the measurement period is available by contacting clientservices@barrowhanley.com. Holdings identified do not represent all of the securities purchased, sold, or recommended.

Organizational Update

1) What is the ownership structure of your firm? Please identify all owners with 5% ownership or more.

Name	Title / Responsibility	% Ownership
Old Mutual plc	Parent Company	100%

Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS) is a subsidiary of Old Mutual Asset Management (US) LLC, which is a subsidiary of Old Mutual plc. All of the legal ownership of BHMS belongs to Old Mutual. However, many of our key employees, including all portfolio managers and the majority of our analysts, have economic ownership in BHMS through a limited partnership that owns a 24.9% equity interest in BHMS LLC.

2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your structure over the past eighteen months, (b) growth and acquisition of assets under management, (c) clients gained or lost in the past year, and (d) recent corporate acquisitions, including negative and positive effects. All significant changes should be accompanied by an explanation.

a) In January 2010, BHMS became a Delaware limited liability company. The LLC structure enables key BHMS employees to maintain significant economic ownership in BHMS.

b) Details of the firm's assets under management during the past year are detailed in the chart below.

BHMS Firm-Wide Assets ($ mil)

Period Ending 3/31/11	Total Firm Assets ($million)	# of Clients
2011 YTD	$63,046.8	244
2010	$60,348.8	242

c) Detail's of the net change in number of clients is detailed in the chart above.

d) There have been no recent corporate acquisitions, nor significant changes other than detailed above in section 2a.

3) What are your firm's philosophy and its current policy regarding new business?

The business strategy at BHMS is relatively simple and focused. All of our efforts and resources are focused on "long only" investment management of equity and fixed income securities in the "cash" market. We do not employ leverage, short sales, or derivatives in client portfolios. We have avoided strategies such as hedge funds and 130/30 strategies that have been embraced by many investment management firms, as our core investment expertise does not lend itself to excellence in these higher-risk, higher-turnover strategies.

Our singular, long-term focus is presently serving our institutional client base well, as our client and asset base is stable, and thus our organization is on sound financial footing. We have not faced the need to downsize our staff or inject capital into, or wind down, struggling strategies. We have thus been able to continue focusing all of our attention on navigating volatile markets, to the best of our ability, on behalf of our clients.

4) Specify separately the individuals (up to ten) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).

Name	Title/ Responsibility	Years Experience	Years w/ Firm
James Barrow	Executive Director, Large Cap & Mid Cap Value Equity Portfolio Manager	49	32
Mark Giambrone, CPA	Managing Director, Large Cap Value Equity Portfolio Manager	19	13
Ray Nixon	Executive Director, Large Cap Value Equity Portfolio Manager	34	17
Robert Chambers, CFA	Managing Director, Large Cap Value Equity Portfolio Manager	39	17
Tim Culler, CFA	Managing Director, Large Cap Value Equity Portfolio Manager	27	12
Lewis Ropp	Managing Director, Large Cap Value Equity Portfolio Manager	30	10
Jane Gilday, CFA	Managing Director, Equity Analyst	43	13
Mike Wetherington, CFA	Director, Equity Analyst	18	19
John Williams, CFA	Managing Director, Fixed Income Portfolio Manager	14	9
Patricia Andrews	Director, Chief Compliance Officer	23	11

During the first quarter of 2011, Lewis Ropp (previously an equity analyst at BHMS) was named a Large Cap Value Portfolio Manager.

5) Specify separately the individuals (up to five) who you feel are key to the success of SamCERA's product. If the list has changed in the last eighteen months, identify and explain the change(s).

Name	Years Experience	Years w/ Firm
James Barrow	49	32
Mark Giambrone, CPA	**19**	**13**
Ray Nixon	34	17
Robert Chambers, CFA	39	17
Tim Culler, CFA	27	12
Lewis Ropp	30	10
Jane Gilday, CFA	43	13
Mike Wetherington, CFA	18	19
Jeff Fahrenbruch, CFA	14	9
David Ganucheau, CFA	15	7

All 18 of our equity portfolio managers and analysts work as a team for the purposes of generating and researching investment ideas within the large, mid, and small cap segments of the market.

6) Update all significant personnel changes to the "SamCERA Team" over the past eighteen months.

The only change to the "SamCERA Team" within the last 18 months was that Lewis Ropp was named a Large Cap Value Portfolio Manager during the first quarter of 2011; he was previously and Equity Analyst.

7) Describe your firm's management succession plan. Have dates been established regarding the succession of any key personnel, specifically those reported in the preceding questions?

We have been planning and implementing an effective plan for the succession and transition of management responsibilities for more than a decade through the addition of experienced portfolio managers and analysts dedicated to the value approach of investing. Our transition plan includes second, third, and fourth generation investment professionals. Over the past five years, BHMS has added three investment professionals to our team. The turnover within our professional staff has been quite low and the additions to our team have, in all instances, enhanced our ability to perform firsthand fundamental securities analysis. Our clients can be assured that the experience and stability of our team will remain a hallmark of our firm.

8) Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months? E-mail your firm's most recent ADV Parts I & II to gclifton@samcera.org.

No. Neither BHMS, nor any of its employees, has ever been involved in any regulatory or legal actions related to our business. To the best of our knowledge, no actions or investigations involving BHMS are currently being conducted.

9) When did the Securities & Exchange Commission, Attorney General, or the Financial Industry Regulatory Authority (FINRA) last audit your firm? Please note any material findings or recommendations.

The SEC has not conducted an examination of BHMS in the past five years. Our last SEC examination was conducted in July 2004.

10) Please describe the levels of coverage for SEC-required fidelity bonds, errors and omissions insurance, and any other fiduciary liability coverage your firm carries. E-mail a current Certification of Insurance to gclifton@samcera.org.

BHMS has the following insurance coverage through Old Mutual:

A total of $70,000,000 in Errors and Omissions insurance from St. Paul Mercury Insurance Company, Federal Insurance Company, Catlin Insurance Company, National Union Fire Insurance Company, and Lloyds Syndicate,

A total of $10,000,000 in Employment Practices Liability insurance from Continental Casualty Company, and

A total of £150,000,000 ($241.0 million in U.S. dollars as of June 30, 2011) in Directors & Officers Liability insurance from Lloyds Syndicate.

In addition, Hanover Insurance Company provides BHMS with $500,000 in fidelity bond coverage.

11) Do you have a written policy on ethics? If so, please e-mail the policy to gclifton@samcera.org.

Yes. BHMS has adopted a Code of Ethics in compliance with Rule 204A-1 of the Investment Advisers Act of 1940 and Rule 17j-1 of the Investment Company Act of 1940. We have also adopted a set of Compliance Policies & Procedures in compliance with Rule 206(4)-7 of the Adviser's Act.

12) Describe the relative strength and longevity of your back-office staff. Provide the location of your firm's investment and accounting back-office staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.

Clare Burch is head of operations and a director of BHMS. Ms. Burch has been with our firm for 29 years. The average tenure with BHMS of the four senior members of our equity operations group is over 20 years.

13) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?

BHMS uses the following critical applications:

Equity
- Axys - Portfolio management system
- Bloomberg
- Moxy Trading System

Fixed Income
- Axys - Portfolio management system
- Bloomberg
- Moxy Trading System
- BondEdge

We have not experienced any problems in the past 18 months. The implementation date for each system is listed in the table on the following page. In terms of upgrades, we performed an Axys upgrade from 3.51 to 3.80 in August 2010.

Regarding changes to these systems, we are currently testing a new trade order management and compliance system for both our equity and fixed income areas.

System / Date Put in Place	Description
AXYS 1992	Portfolio management and accounting system which includes GIPS compliant performance measurement, electronic interface capabilities to download prices, dividends, shares outstanding, splits and other equity and fixed income data, customized reporting, multicurrency capabilities, and the ability to automate and download data to trading, research, and analytic systems.
MOXY 1998	Trade order management system, which integrates with AXYS to export trades and import account and data updates. MOXY provides portfolio modeling, rebalancing and "what if" scenarios, as well as trading and compositional restrictions for compliance, customizable blotter and electronic order routing and trade execution.
Bloomberg 1990	An extensive technological platform that provides a wide variety of analytical, pricing, research, and trading capabilities.
BondEdge 1988	A multi-purpose analytical platform that is used as a compliance tool to monitor granular portfolio characteristics such as sector weightings, duration, quality, yields, and convexity and to run customized "stress test" simulations as part of the risk control process

14) Provide an overview of your firm's business continuity plan as it relates to the investment process.

BHMS maintains an offsite location for disaster recovery and business continuity. The equipment maintained at the site includes a server with the latest network backup, a server for our Moxy trading system, and a number of workstations, along with office equipment and T1 Internet access. Software/vendor applications, as well as backup copies of optical disks containing scanned statements and other documents are available at the site. Ron Cooper, our IT specialist, conducts periodic testing of systems and data at the recovery site to ensure integrity. BHMS has procedures in place, in the event of an emergency, to communicate with employees and activate systems as needed at the recovery site.

15) E-mail your firm's most recent SAS 70 Report or equivalent to gclifton@samcera.org.

Ashland Partners & Company, LLP recently completed an examination of the internal controls of BHMS. A copy of our Type II SAS 70 is provided in the attached document, BHMS SAS 70 Report 2010.pdf.

Performance

16) Is the performance composite constructed for SamCERA's portfolio in compliance with the Global Investment Performance Standards (GIPS)? When was the performance composite last audited?

Yes, our Diversified Large Cap Value Equity Fully Discretionary Composite has been calculated in compliance with GIPS guidelines since inception in November 2000. An independent verifier has conducted a Performance Examination of this composite for the period of November 1, 2000 through September 30, 2010. The verifier's report is available upon request.

17) What is a reasonable expected tracking error to the Russell 1000 Value? What are the expected sources of the tracking error?

The returns that BHMS' investment team generates are a direct result of their bottom-up process of individual stock selection. Sector and industry allocations are a residual of that process. Although attribution analysis for selected periods may indicate that certain sector over- or underweightings contributed to returns, sector allocations are not part of the decision-making process. BHMS' professionals base their investment decisions solely on the merits of individual stocks.

Tracking error is a residual of our active approach to individual stock selection. The ex-post tracking error of our Diversified Large Cap Value strategy vs. the Russell 1000 Value Index for the 5-year period ending March 31, 2011 is 4.4%. We expect tracking error to range from 3% to 6% over periods of three to five years in our diversified large cap value strategy.

18) Detail your firm's perspective of SamCERA's performance expectations, as spelled out in the Investment Management Agreement and SamCERA's Investment Policy. How is your firm doing relative to those expectations?

SamCERA's performance has exceeded that of the Russell 1000 Value Index over the year-to-date, one-year, and since inception periods.

Within your portfolio, we are seeing significant actions to return capital to shareholders and enhance shareholder value, which helped your portfolio outperform the Russell 1000 Value. Acquisitions, dispositions, share repurchases and meaningful dividend increases are bringing positive changes to many of your portfolio holdings – making it an especially rewarding time to be a fundamental, bottom-up research-based value manager. Capital allocation and return of capital decisions are more important than ever, and are driving equity performance.

19) Please discuss your firm's performance relative to the Russell 1000 Value for the one, two and three year periods ending March 31, 2011.

Please see the answer to the previous question for a discussion of our performance since the portfolio's July 31, 2009 inception.

Our diversified large cap value strategy composite has outperformed the Russell 1000 Value Index in the past one, two, and three-year periods ending March 31, 2011.

20) What is your firm's source(s) for pricing equities? Does this source differ from that of SamCERA's custodian, State Street Bank & Trust? How are pricing variances with the custodian resolved?

BHMS uses Bloomberg for trading support, which provides our trading desk with real-time pricing information. For portfolio pricing, we download prices daily from IDC Interactive Data to our Axys portfolio accounting system. We reconcile custodian statements as they are received -- usually within two to three weeks after month-end.

21) Are there pricing issues relative to methodology or pricing sources utilized by your firm versus those utilized by the benchmark?

No.

22) Is SamCERA's benchmark, the Russell 1000 Value, appropriate?

Yes.

Investment Strategy and Process

23) Provide a description, in detail, of your investment philosophy, strategy, and process, including your research effort and portfolio construction rules. Describe how the portfolio managers and research analysts interact in the investment process. Do the portfolio managers work individually or in teams? How is the work divided among managers?

Our process is team oriented. All 18 of our equity portfolio managers and analysts work as a team for the purposes of generating and researching investment ideas within the large cap, mid cap, and small cap segments of the market. Mark Giambrone, Portfolio Manager, is primarily responsible for stock selection, stock sales, and construction of your portfolio.

Quantitative analysis is used to identify the stocks within our initial universe that possess all three traditional value characteristics. We initially screen for those companies with price/earnings and price/book ratios below the market and dividend yields above the market (S&P 500). Details of our decision making process is below.

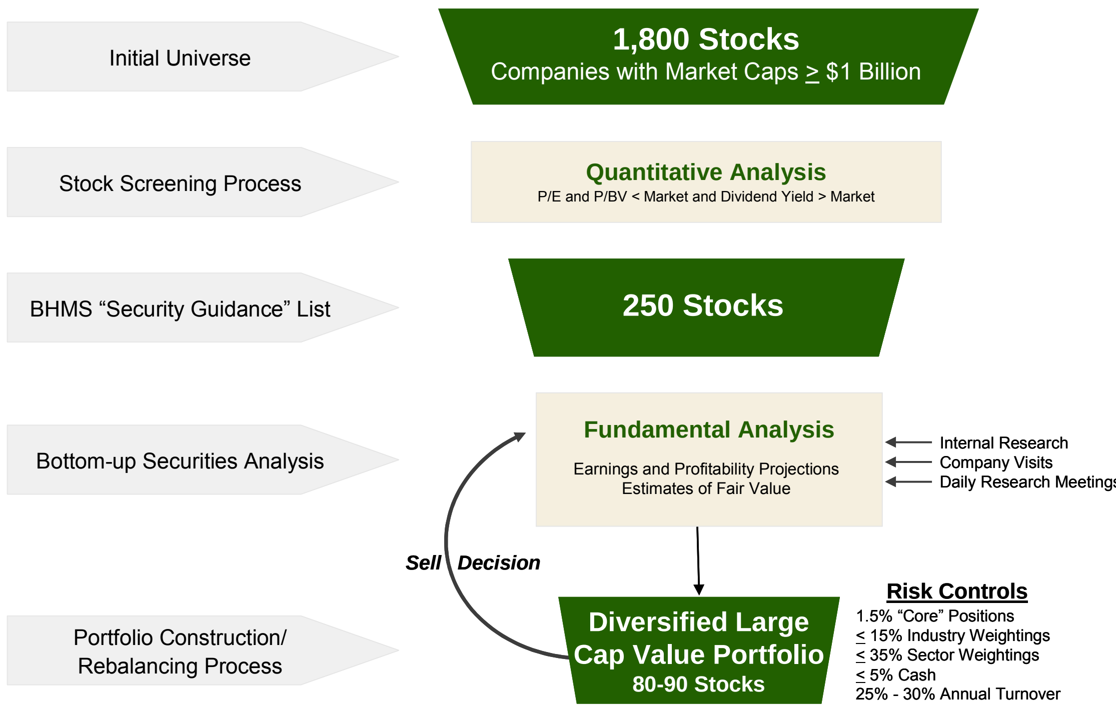
Investment Philosophy

Our approach to the equity market is based on the underlying philosophy that markets are inefficient. These inefficiencies can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. We do not attempt to time the market or rotate in and out of broad market sectors, as we believe it is difficult, if not impossible, to add incremental value on a consistent basis by market timing.

We stay fully invested with a defensive, conservative orientation based on our belief that superior returns can be achieved while taking below average risks. We implement this strategy by constructing portfolios of individual stocks that reflect all three value characteristics: price/earnings and price/book ratios below the market and dividend yields above the market (S&P 500). While we are exacting in our definition of value, we are equally demanding in our pursuit of quality companies. We seek companies with profitability and earnings growth greater than the market. BHMS' history indicates that a strategy of emphasizing low price/book ratios and high dividend yields provides a measure of protection in down markets, as well as participation in improving economic cycles.

Investment Process

The BHMS diversified large cap value decision-making process involves quantitative and qualitative analysis and analytical tools to ensure adherence to our value discipline. A diagram of this process is shown below.



Initial Universe

There are approximately 13,000 stocks in the U.S. In order for us to focus our fundamental research effort, we must target a specific sector of the market. The starting point for our stock selection process is those companies with market capitalizations of $1 billion or greater. This equates to a universe of approximately 1,800 stocks. We screen this universe using historical data to complete our quantitative analysis, while projections for return on equity (ROE), earnings growth, and dividend yield are developed as part of our qualitative analysis.

Quantitative Analysis

Quantitative analysis is used to identify the stocks within our initial universe that possess all three traditional value characteristics. We initially screen for those companies with price/earnings and price/book ratios below the market and dividend yields above the market (S&P 500). To assist us in the quantitative side of our investment analysis, we utilize industry data sources such as FactSet, Compustat, I/B/E/S, Bloomberg, First Call, Capital IQ, Thomson One, Reuters Knowledge, HOLT Value Associates, and Wilshire Atlas, along with selected Wall Street research.

Security Guidance List

The companies that meet our three-pronged definition of value and are projected to achieve earnings growth above that of the market are registered on the BHMS Security Guidance List. The list averages 250 companies and summarizes the historical data and financial forecasts for each entry. The list is updated weekly and includes the following for each of the 250 stocks:

- Projected earnings growth, ROE, and dividend payout ratios for the next five years, as well as actual figures for the last five years,
- Internal and consensus (I/B/E/S median) earnings estimates for the next two fiscal years, the next quarter, and the last four quarters,
- Absolute and market-relative P/E on each of the next two year's projected earnings,
- High and low P/E values over the last five years using trailing 12-month EPS,
- Price/book ratio, book value, and earnings yield.

Fundamental Analysis

Our fundamental analysis is a discipline that seeks to identify companies that not only posses the three characteristics of value, but also those companies whose businesses exhibit high or improving profitability which translates into earnings growth above that of the market. The qualitative aspects of our investment analysis are designed to produce judgments regarding the prospects for a company's business. We believe that the value of the underlying business, identified through our quantitative analysis, will be "unlocked" as the company's fundamentals improve and investor confidence is restored.

As a starting point in our qualitative analysis, we first look at the profitability of a business and calculate what the company is earning on its equity capital. Experience has taught us that a good, long-term business is one that earns a high ROE, and we therefore want to own equity interests in companies with high or improving ROE's. The goal of our qualitative analysis is to produce reliable 5-year projections of ROE, which we then use to forecast earnings per share, book value, and dividend yield for the same 5-year period.

The analysis of a company, including its profitability and prospects for earnings growth, is not an exact science and is clearly subjective in nature. The experience of our 18-member equity research team, with an average tenure of more than 20 years, is a key factor in this stage of our investment process. The experience of our equity team is utilized on a front-line basis, as all of our portfolio managers do their own security analysis. Each of our managers worked as a securities analyst at the outset of his or her career.

Industry assignments for our equity research team are provided on the next page.

VALUE EQUITY RESEARCH ASSIGNMENTS

Portfolio Managers

Jim Barrow
Energy
Industrials
Materials
Utilities

Ray Nixon
Consumer Discretionary
Financials
Industrials
Materials

Bob Chambers
Consumer Staples
Financials
Industrials
Telecommunication Services

Tim Culler
Consumer Discretionary
Energy
Telecommunication Services

Mark Giambrone
Consumer Discretionary
Financials
Health Care
Industrials
Information Technology

Lewis Ropp
Chemicals
Energy

Jim McClure
Industrials
Information Technology
Materials
Telecommunication Services
Utilities
Emphasis on Small Cap Value Equities

John Harloe
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care
Industrials
Emphasis on Small Cap Value Equities

Dave Hodges
Consumer Discretionary
Financials
Information Technology
Emphasis on International Value Equities

Analysts

Jane Gilday
Consumer Discretionary
Consumer Staples

Mike Wetherington
Aerospace & Defense
Commercial Services & Supplies
Telecommunication Services
Transportation
Utilities

Jeff Fahrenbruch
Food & Beverage
Health Care Equipment & Services
Insurance
Packaging
Pharmaceuticals
Software

David Ganucheau
Banks
Financials
Information Technology

Monroe Helm
Energy
Materials
Telecommunication Services
Utilities

Brian Quinn
Consumer Discretionary
Industrials
Insurance
REITs

Rand Wrighton
Energy
Industrials & Capital Goods
Information Technology
Materials

Michael Nayfa
Industrials
Information Technology
Media
Retailing

Terry Pelzel
Consumer Staples
Industrials
Telecommunication Services

Our research analysis includes face-to-face meetings with the senior management of approximately 200 companies each year. Because BHMS is one of the country's largest managers of value equities, we are major shareholders of most of the companies in which we invest. Accordingly, we utilize our direct access to the senior management of corporations, many of whom call upon us. We also maintain an active dialogue with select Wall Street research analysts whom we have identified as especially astute and have utilized their work as a "second opinion" to the financial work done internally.

The weekly research meeting, consisting of all members of the equity research team, is the forum through which the equity team reviews the results of its qualitative research.

The discussion is focused on specific company research rather than top-down industry analysis. The goal of the meeting is to reach a consensus on 5-year projections for ROE, earnings growth, and dividend yields for those companies that meet our criteria for value. Additionally, less formal daily research meetings are held to discuss current portfolio holdings and important market activity.

Portfolio Construction

In the creation of our portfolios, we seek to build equally weighted portfolios. Portfolios generally consist of 80 to 90 stocks due to the buying and selling of stocks at different times. Stocks are held for an average of three to four years, resulting in an average annual portfolio turnover of 25% to 30%. We will not take more than a 15% weighting (at cost) in any industry. Sector weightings are a residual of our bottom-up stock selection process and may vary widely in comparison to the S&P 500 and the Russell 1000 Index. However, sector weightings are limited to 35% of the portfolio (at cost).

24) What is the market capitalization purchase range for this product? What are the portfolio construction rules regarding market capitalization? Are sell disciplines directly tied to market capitalization?

The starting point for our stock selection process for our diversified large cap value strategy is those companies with market capitalizations of $1 billion or greater. Within this capitalization range, our portfolio managers determine the best opportunities for purchase with generally a distribution of 60% in large cap value and 40% in mid cap value stocks. Sell disciplines are not tied to market capitalization, as there is no upper limit on the market cap value of the stocks in this strategy.

25) Discuss your firm's investment strategy relative to market environments. Are there market cycles that are particularly favorable to your firm's investment strategy and process? Are there market cycles that are historically difficult for your firm's investment strategy and process?

Our style will generally outperform when the market is emphasizing basic fundamental valuations and is rewarding investment in companies where reasonable prices are paid for attractive earnings growth. In other words, our traditional value approach will generally provide our clients with excess returns for extended periods when market behavior is rational.

Our style will often underperform during the latter, speculative phases of a bull market when unrealistic expectations for continued double-digit returns lead to "momentum" investing. Our value style will also underperform when euphoria surrounding a particular market sector (such as technology in 1998-1999) leads to valuations that are extreme and well beyond our traditional value parameters. In these market environments, investors disregard fundamental securities analysis, ignore valuations and downside risk.

In such periods, managers who abandon traditional measures of valuation and embrace the "new economy" sectors and momentum-driven stocks will outperform BHMS. To justify the inclusion of such stocks during the late 1990's and early 2000, many value managers became "relative" in their definition of value. Such value managers considered any stock included in the major value indices to be in their investable universe.

Momentum-driven markets and "new economy" themes are generally not sustained for extended periods and end badly for participating investors. We believe, however, that "value" investing provides the best long-term, risk-adjusted performance of any domestic equity investment style. Analysis of the domestic equity market from a risk (standard deviation) and return perspective indicates that value-oriented investment approaches provide the most attractive long-term characteristics, an important consideration for those investors charged with fiduciary responsibility and corresponding liability.

The return objective of our diversified large cap value strategy is to obtain higher returns compared to our benchmarks while maintaining lower risk.

26) Provide a full review of: (a) a performance attribution which reflects your assessment of the value added by your investment discipline, (b) your assessment of the risks associated with SamCERA's portfolio, and (c) methodologies employed to evaluate risk, including a description of the software(s) you have in place.

	SamCERA		Russell 1000 Value		Attribution Analysis		
BHMS Sector	*Average Weight*	*Total Return*	*Average Weight*	*Total Return*	*Allocation Effect*	*Selection + Interaction*	*Total Effect*
Financials	22.3	18.8	27.3	7.9	0.8	2.4	3.2
Consumer Staples	8.5	44.6	9.7	24.0	0.0	1.5	1.5
Health Care	14.1	41.0	12.5	30.5	0.3	1.2	1.5
Utilities	4.9	31.6	7.0	24.8	0.0	0.2	0.3
Materials	1.5	44.0	3.1	34.9	-0.2	0.1	-0.1
Industrials	15.9	24.4	9.4	28.1	0.3	-0.5	-0.2
Consumer Discretionary	8.2	21.7	7.8	29.8	0.2	-0.4	-0.2
Telecommunication Services	1.5	39.6	5.1	40.2	-0.5	0.0	-0.5
Information Technology	11.8	14.8	5.5	18.0	-0.4	-0.4	-0.8
Energy	11.3	40.3	12.7	49.7	-0.1	-0.8	-1.0
Total	100.0	27.8	100.0	24.2	0.4	3.2	3.6

Largest Contributors

	Avg. Weight	Contribution to Equity Return
Stanley Black & Decker Inc.	3.1 %	1.19 %
UnitedHealth Group Inc.	1.8 %	1.05 %
SLM Corp.	1.9 %	0.89 %
Philip Morris International Inc.	1.4 %	0.86 %
Capital One Financial Corp.	3.0 %	0.85 %

Largest Detractors

	Avg. Weight	Contribution to Equity Return
Bank of America Corp.	1.0 %	-0.37 %
Computer Sciences Corp.	0.7 %	-0.22 %
Hewlett-Packard Co.	0.8 %	-0.20 %
International Game Technology	0.9 %	-0.18 %
L-3 Communications Holdings	1.9 %	-0.12 %

Best Performing Stocks

	Performance
Limited Brands Inc.	69 %
Philip Morris International Inc.	68 %
UnitedHealth Group Inc.	68 %
Coventry Health Care Inc.	67 %
Lorillard Inc.	66 %

Worst Performing Stocks

	Performance
Bank of America Corp.	-21 %
Computer Sciences Corp.	-16 %
Hew lett Packard Co.	-14 %
* Gamestop Corp.	-12 %
Xerox Corp.	-8 %

*sold

Period of analysis is twelve months ending May 31, 2011.

Selection=return differential x portfolio weight. Allocation=weight differential x return differential between benchmark sector return and benchmark total return
Contribution to return is calculated by multiplying the beginning weight of a security by the portfolio return.
Note: Performance Analysis does not include impact of cash holdings.

(a) Historically, our greatest source of value has come from individual stock selection. Over shorter periods of time, stock selection may not add value. Sector and industry allocations are a residual of our bottom-up stock selection process. Although attribution analysis for selected periods may indicate that certain sector over- or underweights contributed to returns, sector allocations are not part of the decision-making process. BHMS' professionals base their investment decisions solely on the merits of individual stocks. Cash is a residual of our bottom-up investment process.

Financials were the largest contributors for the one-year period. Both our underweight, as well as stock selection, contributed to relative performance. With improving credit (i.e. declining delinquencies and charge-offs), credit-sensitive names such as Capital One and American Express contributed to relative performance. SLM also contributed, as their business model evolved in the face of government competition for student loans.

Consumer Staples stocks also contributed during the one-year period—mainly due to stock selection, including tobacco company Philip Morris International (PM). Despite tobacco tax increases in many countries last year, the major tobacco companies proved they have the ability to raise prices in excess of those tax increases, thereby not only preserving profits, but achieving earnings growth. PM's strong market position in rapidly growing emerging markets in the Middle East, Asia, and Eastern Europe was also a major positive. Currently, PM has prospects for mid-teens earnings per share and dividend growth, and it pays an attractive 4.6% dividend yield.

Both the portfolio's overweight and stock selection in Health Care (specifically, managed care) contributed to relative outperformance. As more details came to light regarding the new Health Reform Bill, the stocks that were originally most heavily impacted by the bill have tended to improve as the impending changes can be more accurately quantified and the companies prove they can continue to remain profitable under the new rules. Specifically, Coventry Health Care, UnitedHealth Group, WellPoint, and CIGNA did well during the period.

The largest detracting sector during the one-year period was Energy. The portfolio did not participate in rising oil prices and the subsequent move in Energy shares primarily due to our underweight position in exploration and production (E&P) companies. E&P companies are leveraged to the price of the commodity, and as such, have price movements that are typically many times that of the integrated Energy companies. Accordingly, it should come as no surprise that these stocks outperformed over the past year. However, valuations are stretched—not one E&P company in our investable universe trades at a P/E multiple less than the broad market. In addition, they pay no dividends.

Also detracting from the portfolio's performance during the period was both the portfolio's overweight and security selection within Technology. Hewlett Packard (HPQ) was the largest individual detractor. HPQ shares have underperformed since the August 2010 resignation of CEO Mark Hurd. Despite hiring a new CEO, making a couple of small, yet scaleable, acquisitions in higher margin offerings, such as storage and security, buying back shares, and increasing the dividend, the stock has continued to languish. Looking forward, HPQ's efficient cost structure, dominant scale and distribution and strong free cash generation to layer on higher margin, faster growing businesses within the enterprise segment will continue to drive meaningful earnings growth. We believe that 8x forward earnings (60% of which are recurring in nature) and a 10% free cash flow yield represent a very attractive valuation for HPQ shares.

(b) The largest active weightings in the portfolio are an underweight in Financials and an overweight in Industrial stocks.

More government regulation and higher capital requirements equal lower levels of profitability for Financials as a group. While we have been cautious on the environment for Financial stocks over the past several years, we continue to search for those companies we believe have the highest probability of returning to normalized levels of earnings growth as we move through the credit cycle. Within Financials, this has led to an overweight in credit-sensitive names, such as banks and credit card companies. Our overweight position in credit sensitive names is largely due to low valuations on both book value and normalized levels of profitability, coupled with an expected cyclical upturn in profits from falling loan loss provisions as they continue to work through bad loans

Our largest overweight is in Industrials, where we continue to find significantly discounted, high quality stocks. While we own each of the Industrial stocks for their own individual merits, the common theme among them are their global reach, strong balance sheets, high levels of free cash flow, compelling valuation and solid and rising dividend yields.

(c) The portfolio will generally have not more than 35% in any one sector and not more than 15% in any industry group. We typically do not hold more than a 3% position in one stock. We remain fully invested with a modest amount of frictional cash. As a manager focused on bottom-up stock picking, we pay limited regard to benchmark weightings. Risks associated with portfolio construction within our diversified large cap portfolios are monitored using numerous analytic programs including Factset, Zephyr Style Advisor, PEP Database, and eASE Analytics.

27) Describe your compliance procedures in detail. To whom does compliance report?

Our compliance department includes two members: Patti Andrews, Chief Compliance Officer, who reports to James Barrow, President, and Dawn Gochinas, who reports to Patti Andrews. Patricia Andrews, CCO, is responsible for overseeing compliance for the firm. In addition to our internal compliance team, we utilize the legal and compliance department of our parent company, Old Mutual.

The firm has adopted a detailed Compliance Policies & Procedures manual. Our Compliance Policies & Procedures cover many areas of the firm's businesses and compliance requirements and our Code of Ethics governs our employees' conduct.

Each section of our policies and procedures document provides the firm's policy on the topic and provides our firm's procedures to ensure that the particular policy is followed. BHMS' chief compliance officer is responsible for administering our compliance program. A current copy of our *Compliance Policies & Procedures* is attached for your review.

28) Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2010?

BHMS employs three equity trading professionals. It is the goal of the BHMS trading staff to buy and sell securities for our clients in a manner that ensures "best execution". Total trading costs, including both commissions paid and average execution price (including market impact), are considered when evaluating the success of our trading operations. Best execution is achieved through our trading systems and expertise.

We work with those firms that have consistently demonstrated superior execution capabilities. We judge brokerage firms not only from the perspective of average execution costs, but also on the added value we receive from their trading technology and support systems, the information flow from their trading desks and the investment research provided to our portfolio management team. We review semi-annually the roster of firms with which we execute the majority of our trades.

Prior to even entering a "buy" or "sell" order, our trading staff updates all available information on the stock to be traded as well as the current conditions in the capital markets. We utilize Bloomberg for trading support, which provides our staff with real-time information, including market quotes, charts, company news, online research, and trading history.

Our trading desk maintains direct lines to numerous brokerage firms that provide our staff with a continual flow of information regarding the active buyers and sellers of a stock, the amount of stock available for purchase or sale and any breaking news that may impact the price or trading action of a stock. This constant communication with major "sell side" trading desks also gives our staff the opportunity to participate in large blocks of stock, including shelf offerings and secondaries, which might trade at a discount to the quoted markets.

After taking into account all the relevant information, the trading staff selects a broker to execute the order. This brokerage firm is chosen not only for its execution capabilities, but also for its present trading activity in the stock. Once an order is initiated, the trading staff continuously monitors the broker's trade reports to ensure that the execution price of each order is within the context of the market. We have an average equity trading cost of approximately 2.1 cents per share.

In addition to our trading activity through brokerage firms, we use electronic communication networks (ECN's) and alternative trading systems (ATS's), including ITG - Radical and Triton, Instinet, Liquidnet, Pipeline Trading, BlockCross, Weeden-

Pragma, and Aqua ATS, as well as multiple algorithms. These tools enable us to execute trades anonymously, find increased liquidity opportunities, and reduce commission costs.

BHMS typically uses approximately 90-100 brokers for equity trading.

29) Does your firm monitor trade effectiveness? If so, how is that documented?

See above answer to question 28. BHMS uses ITG to perform trade cost analysis of the execution of client portfolio trades. ITG issues a monthly report that measures our execution against the stock's VWAP, and against a "value peer group." We use these monthly and quarterly trade cost analysis (TCA) reports from ITG for our Trade Management Oversight Committee meetings each quarter.

30) How many brokers were used during calendar year 2010? List the top ten brokers used during that period. Have you discontinued the use of any broker in the last eighteen months?

During the calendar year 2010, BHMS utilized the services of 91 brokerage firms. Our firm does not keep track of discontinued brokers. The top ten brokers used during 2010 are listed below.

- Morgan Stanley
- JP Morgan
- Liquidnet
- Sanford Bernstein
- Instinet LLC
- Pipeline Trading
- Keefe, Bruyette & Woods
- Merrill Lynch
- ISI Group Inc.
- Calyon

31) **Do you have a policy regarding selection and review of brokers and counterparties? If you do, please email a copy to gclifton@samcera.org.**

Please see the Policies and Procedures Manual which has been sent as an attachment.

32) **Describe your firm's policies regarding the use of soft dollars. If soft dollar arrangements were not used to acquired products and services in 2009, what would be the dollar increase in your firms total operating expenses?**

Brokerage commissions are an asset of the client. A significant number of our clients require us to direct some portion of their commissions. We will work to comply with guidelines for client-directed trading as long as they are reasonable in amount and we can obtain best execution. We are given directions for trading by clients who wish to use a portion of their commissions for payment of "plan related expenses" or for commission recapture (rebate) programs. In other instances, clients direct us to utilize discount brokers to meet plan goals for overall average commission rates.

BHMS limits the amount of manager-directed commissions we utilize to pay for "soft dollar" research and other services to those that are of direct benefit to our clients. We review every service purchased to ensure the appropriateness of the service versus its assigned cost and compliance with Section 28(e) of the Exchange Act. If paid for through a third-party broker, we screen the applicable conversion rates to ensure a favorable conversion ratio. We review our soft dollar obligations on a regular basis.

None of the firm's operating expenses is covered through soft dollar arrangements.

33) **Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.**

BHMS utilizes research, third-party research, research-related products and other brokerage services on a "soft dollar" commission basis or purchased with client commissions. Our soft dollar policy is to:

♦ Examine soft dollar arrangements for research products and services that assist in the investment decision-making process.

♦ Make a good faith determination of the value of the research product or services in relation to the commissions paid.

♦ Review, at least annually, the firm's soft dollar arrangements, budget, and allocations, and monitor the firm's policy.

We may receive independent research reports that are paid for through a third-party broker or we may receive proprietary research from a full service broker. We receive research on a wide range of industries, companies, economics, market activity, political activity, and regulations, which may or may not be considered when making investment decisions. Our largest providers of research are JPMorgan, Convergex, Cowen, C.I.S., Instinet, Interstate, Bloomberg Tradebook, Donaldson, and William O'Neill.

34) **Please disclose the firms you employ for introductions to industry experts.**

N/A. We do not employ any firms for the purpose of making introductions to industry experts on our behalf. We do not use outside consultants known as "expert networks" for investment information.

35) **What is your firm's position regarding participation in directed brokerage and/or commissions? Is there a maximum amount of trades that you allow to be directed? What percentage of your clients direct commissions? How many clients direct brokerage? What are the advantages and disadvantages to a client who directs commissions?**

BHMS generally has full discretion in selecting executing brokers for the initiation of security transactions. Certain clients may require that all or a portion of their transactions be executed through firms they designate. If clients direct the firm to utilize a particular broker, they may be preventing themselves from obtaining best price and execution by limiting our ability to negotiate elements of the trade. The head trader has the responsibility for implementing and monitoring our directed brokerage policy, practices and recordkeeping.

♦ Any client directed brokerage instructions and arrangements must be received in writing from the client and reviewed by the head trader.
♦ Any client directed brokerage instructions are maintained in the client document file.
♦ Any relationships and conflicts of interest relating to arrangements in which brokers refer clients to the firm will be disclosed to clients.

There is no maximum or minimum percentage of trades allowed. The percentage of our clients that direct commission as of March 31, 2011 was approximately 57%. The advantage of directing commissions is that the commission rebate is captured for the credited client. A disadvantage of directing commissions exists if a net directed commission rate is higher than our standard negotiated rate.

36) **What percentage of each of the following does the portfolio account for? Please estimate if exact figures are not available or disclosed.**

A) Firm assets	__0.27_**%**
B) Firm revenue	_______**%** not disclosed
C) Firm profit	_______**%** not disclosed
D) Total firm work hours	_______**%** not available

37) **What are the current assets in this product? What are the capacity constraints for this product and who determines the constraints? How does your firm determine the capacity threshold?**

As of March 31, 2011, the firm managed $1.6 billion in assets in the diversified large cap value strategy.

Our investment strategy and style allows us to effectively manage large pools of assets. However, we will have to consider limitations after our assets in the Diversified Large Cap Value strategy reach $10 billion. This asset target is subject to change based on market conditions.

Outlook

38) Please provide you views on how the Dodd-Frank Wall Street Reform and Consumer Protection Act will affect the investment industry in general and your firm specifically.

Financial reform has no affect on the operation of BHMS, but certainly impacts the financial stocks that are holdings and prospective holdings in our portfolio. Financial reform should increase transparency and reduce risk throughout the financial system. The resulting increased regulation and capital requirements, however, will ultimately lead to lower levels of profitability. It is too early to determine the impact of the Consumer Protection Act, given that the leader of the Consumer Financial Protection Agency, who will be given widespread power, has yet to be appointed.

39) What is your firm's outlook for domestic equity markets?

Domestic equities should continue to perform well, provided there are no unexpected shifts in Fed policy and/or a sovereign default that would move investors from a sentiment of "risk on" to a more "risk averse" posture. Many investors have just begun coming back to equities after a decade that produced two bear markets and a massive reallocation into fixed income alternatives. While the bull market is more than two years old, flows back into U.S. focused equity mutual funds only turned positive several months ago, signaling that this shift in investor preference back to equities could still be in the early stage. Improved sentiment and fund flows are encouraging trends.

The preference so far in this bull market for smaller cap stocks is puzzling to us, but also encouraging as we look ahead. The larger cap stocks we invest in have remained relatively out of favor and trade at valuation discounts to their smaller cap peers. Many of the largest companies are some of the best capitalized in the world and generate significant cash, both here and abroad. In an environment in which the largest improvements in margins and profits may be moderating, large companies still have numerous ways to enhance returns and create shareholder value.

Mergers and acquisitions should continue to grab headlines. In a liquid, but slow growth, low-interest-rate environment, companies will seek to generate growth via acquisitions. Some acquisitions will destroy, not enhance, shareholder value, but some will prove opportunistic. Because we seek out good companies trading at discounted valuations, we have benefited from takeovers consistently throughout our 32-year investing history.

Share repurchase announcements will also be grabbing headlines and will remain a popular vehicle for returning capital to shareholders. The level of cash generation and cash hoards at many companies is impressive, but returns on cash are very low. In addition, while acquisitions can take a great deal of time, cash can be redeployed into share buybacks more quickly. Collectively, the share repurchase activity will outpace equity issuance to produce net equity shrinkage in domestic equity markets, an environment which has historically been positive for overall market returns.

Dividend actions should also be making news, although perhaps not grabbing headlines to the degree of large acquisitions or buybacks. Nonetheless, dividends will be a key driver of portfolio performance. We fully expect that the dividend growth within your portfolio over the coming year could be more robust than any other period in the history of Barrow Hanley.

Overall, we are quite positive about the outlook for your portfolio and equity markets, and continue to see numerous new opportunities to reinvest any returns on capital cause our investment process remains well-defined, consistently applied and repeatable, and our investment team is stronger than ever, we expect the upward trend in performance so far in 2011 to continue.

40) What issues are other clients concerned with in regards to products, markets, education and governance?

Corporate clients are highly sensitized to immunizing their pension liabilities through increasing their allocation to fixed income. While understandable from the perspective of increasing certainty around the funding obligation, it may be misguided in terms of prospective total returns, given the current level of interest rates, credit spreads, and the longer-term outlook for equities.

41) What is on the horizon for your firm's business plan?

Our fundamental objective for the growth of the firm is to continue to provide our clients with active management of portfolios in the value style, provide superior client service, and produce returns in excess of our benchmarks. To meet this goal, we must continue to retain and attract experienced investment professionals. Over the past five years, we have strengthened our research effort with the addition of three investment professionals to our team.

We are approaching a five-year track record in International Value Equity management and are building a track record in Global Value Equity, having launched the strategy on September 1, 2010. Both strategies draw on our expertise and strength in firsthand, fundamental research and our patient approach to bottom-up security selection. When, and if, we develop additional investment strategies in the future, they will merely be extensions of our core competency of identifying securities – both debt and equity – that we believe are currently undervalued for reasons we can research and understand.

42) Describe your assessment of the relationship between your firm and SamCERA. How can we better utilize your firm's capabilities?

We serve SamCERA at the Board's pleasure. As a global value manager with more than $63 billion in assets under management, we offer investment strategies that span asset classes, capitalization, and geography.

Conclusion

43) Is there any information that would be timely pursuant to SamCERA's Investment Policy, the Investment Management Agreement with SamCERA, and this annual review?

No.

44) Are your clients making significant changes in their asset mixes? Please describe these changes.

The Pension Protection Act and FASB 158 have generated corporate defined benefit pension demand for liability-driven investment (LDI) solutions. Accordingly, a number of clients have been rebalancing in favor of long duration credit strategies.

45) What market opportunities should SamCERA consider?

As plan sponsors consider the global opportunity set, BHMS offers a compelling International Value strategy with top quartile and benchmark-beating performance over commonly measured time periods, including since its August 2006 inception. With over $2.1 billion in assets, the strategy has the process, resources, scale, and capacity to be a destination for assets. Furthermore, a Global Value strategy began on September 1, 2010, and has the same attributes as BHMS' domestic and international value strategies. The Global Value strategy currently has $1.0 billion in assets under management.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 6.6 b

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Investment Manager Review – Mondrian Investment Partners

STAFF COMMENT: The board instructed *SamCERA's* staff and investment consultant to perform the annual review of *SamCERA's* investment managers and report back to the board. On July 7, 2011, staff interviewed *SamCERA's* value managers in the boardroom.

Mondrian was interviewed at approximately 11:30 a.m. Those present were:

Michal Settles – *SamCERA* Trustee
Patrick Thomas – Strategic Investment Solutions Investment Consultant
Gary Clifton – *SamCERA's* Chief Investment Officer
Lilibeth Dames – *SamCERA's* Retirement Investment Analyst
Scott Hood – *SamCERA's* Assistant Executive Officer
Justin Richards – Mondrian Senior Vice President, Client Services

Attending via conference call from London and/or Philadelphia were:

Russell J. Mackie – Mondrian Senior Portfolio Manager – London
Steven Dutaut – Mondrian Portfolio Manager – London
Kimberly L. Aspenleider- Delaware Vice President, Client Services – Philadelphia

Attached to this agenda item are the presentation materials used by Mondrian and Delaware for the review and Mondrian's response to *SamCERA's* annual questionnaire.

Below is the criteria used in the search to select Mondrian as an international value manager, the original pros and cons to their selection, and the other finalists in the search.

Those are followed by a general firm overview, then an overview of Mondrian's All Countries World Ex-US Equity Portfolio.

Criteria - *SamCERA* International Equity Core Value Search – April 2004

1. Create starting universe of all International Equity managers. (405 products)
2. Pass half available performance screens (3, 5 ,7 and 10 yrs.) versus MSCI ACWI –ex US Index and median International Equity manager. (292 products)
3. At least $500 million in product assets (so SamCERA would be maximum of 20% of product assets). (154 products)
4. Product open to new business. (137 products)
5. Minimum 5-year track record. (117 products)

6. Eliminate regional and emerging markets only products. (74 products)
7. Run return-based style screen and determine managers with Core-Value style based on a minimum 60% plotting to the MSCI Value Index. (27 products)
8. Initial qualitative cuts due to lack of emerging markets exposure/proven expertise, extreme style leanings, very high tracking error, low information ratios/relative performance, organizational instability, significant personnel turnover, unethical behavior, lack of institutional focus, etc. (6 products left)

The Investment Committee discussed the following pros and cons for Mondrian Investment Partners. Reminder – these are pros and cons that were valid in 12/2004. They may not be valid today.

Mondrian Investment Partners

Pros

- At less than $10 billion, relatively low level of international equity assets
- Product just closed but open for *SamCERA* search
- Rigorous DDM research methodology
- High historical exposure to Emerging Markets in products
- Strong leadership from Chief Investment Officer David Tilles

Cons

- Less than ideal ownership arrangement – wholly-owned subsidiary of Lincoln National Corporation
- Defensive investment style can lag significantly in strong market environments
- Some turnover among investment team in recent years
- Relatively small investment team
- Recent returns have brought high asset growth

Below are the six semi-finalists for the mandate:

International Equity Core Value
1) Alliance Bernstein Institutional Investment Management
2) INVESCO Global Asset Management (N.A.), Inc.
3) *LSV Asset Management*
4) Philadelphia International Advisors
5) The Boston Company Asset Management. LLC

General Firm Information

Firm Legal Name: Mondrian Investment Partners Limited
Firm Headquarters: Fifth Floor, 10 Gresham St., London, England EC2V 7JD, United Kingdom
Year Firm Founded: 1990
Registered Investment Advisor: Yes
Firm Website Address: www.mondrian.com
Geographic Areas of Interest: United States, United Kingdom, Eurozone, Africa/Middle East

Firm Background

Mondrian Investment Partners Limited was founded and SEC registered in 1990 under the name Delaware International Advisers Ltd. It was then affiliated with Delaware Investments.

On September 24, 2004 a senior management team, together with private equity funds sponsored by Hellman & Friedman LLC, a leading private equity firm, completed the acquisition of Delaware International Advisers Ltd. Upon closing of the transaction, the firm changed its name to Mondrian Investment Partners Limited ("Mondrian").

Mondrian is pleased to announce that effective July 12, 2011 its existing employee partnership purchased a 27.5% minority interest of the company held by the private equity firm Hellman and Friedman to take ownership of Mondrian by the employee partnership to 100%.

This transaction was a natural evolution in Mondrian's development following the 2004 management buy-out of the firm from Delaware Investments which was part of the Lincoln National Group at that time.

All staff equity holders remain fully invested in the partnership and are committed to the firm. There will be no change in the senior management team at Mondrian. The same directors and senior management will continue to run the business, so there will be no change in the day to day operations of the Company.

As a business that is wholly owned by its employees, Mondrian is confident that this transaction will ensure continuity and stability now and for the future employee generations thereby ensuring stability for our clients.

Joint Ventures

Mondrian Investment Partners (U.S.), Inc. carries out marketing and client services activities for the Mondrian group in North America. Mondrian Investment Group (U.S.), Inc. is the General Partner for a range of Mondrian Limited Partnerships.

Prior or Pending Ownership Changes

Mondrian Investment Partners Limited was founded and SEC registered in 1990 under the name Delaware International Advisers Ltd. It was then affiliated with Delaware Investments.
On September 24, 2004 a senior management team, together with private equity funds sponsored by Hellman & Friedman LLC, a leading private equity firm, completed the acquisition of Delaware International Advisers Ltd. Upon closing of the transaction, the firm changed its name to Mondrian Investment Partners Limited (Mondrian).

Prior to the July 12 announcement that management was purchasing Hellman & Friedman's interest, Mondrian was ultimately controlled by a partnership of senior management and private equity funds sponsored by Hellman & Friedman, LLC, an independent private equity firm. Mondrian is currently 67% owned by approximately 80 of its senior employees, including the majority of investment professionals, senior client service officers, and senior operations personnel through Atlantic Value Investment Partnership LP, and 33% owned by private equity funds sponsored by Hellman & Friedman, LLC. The private equity funds sponsored by Hellman & Friedman LLC were passive, non-controlling minority investors in Mondrian and did not have day-to-day involvement in the management of Mondrian.

Additional Comments

Mondrian states there is no prior or pending Litigation

While Mondrian is neither minority nor women-controlled, a portion of Mondrian's senior management owners are minorities and women.

Mondrian Investment Partner's All Countries World Ex-US Equity

Research & Screening Process

Universe of Securities:

The firm screens a universe of more than 4000 stocks on the basis of value criteria, and reduces this to a concise list of 500 stocks annually, for detailed work. The universe spans markets covered in the MSCI Indices and those developing markets with adequate investor protection and good repatriation procedures. Analysts at the company follow many of the stocks in the universe, however, an electronic screening process narrows the universe annually to 500 stocks on which detailed fundamental analysis is carried out. The screens include basic value characteristics such as price to book, price to cash flow ratio, price to earnings ratio, and yield, as well as liquidity considerations. A buy/sell list of 200 stocks is then created from that list of 500 through fundamental research and deliberations of the Equity Strategy Committee. It is this shorter list of stocks on which more detailed fundamental analysis is carried out utilizing the dividend discount model, which is based on an evaluation of a company's future income stream, and is then discounted in real terms.

Security Selection:

Security selection is the most important part of the firm's equity investment process. The firm uses the same dividend discount valuation model of future income streams across all markets, securities and industries. Securities which are significantly mispriced relative to the dividend discount valuation are purchase and sale candidates.

Key to the security selection process is fundamental company analysis and a regular program of meeting with companies. Meeting with the management of holdings is important to the investment process. The firm uses forward looking valuations, and, therefore, the business plans and projections for a company's future are extremely important. This type of forward looking analysis has helped the firm to be ahead of the markets in a number of instances.

Portfolio Construction & Risk Control Methodology

The firm's portfolio construction process for the developed international equity component of the portfolio is made up of approximately 60% bottom-up stock selection decisions and 40% top-down country and currency allocation decisions. For the emerging markets equity sub-portfolio, the process is based approximately 50% on stock selection and 50% on country and currency allocation decisions.

Country Allocation:

Tied to the security selection process is a top-down country allocation overlay that helps to structure the firm's equity portfolios. Equity market valuations are based on inflation adjusted dividend discount analysis, coupled with long term purchasing power parity analysis of currencies. The resulting currency and market valuations, together with client objectives and shorter term political and economic factors, are then analyzed with the help of a computer based optimization program, which produces a list of attractive portfolios that seeks to bring together the best international value within guidelines set by the offering memorandum. This optimization helps the firm to choose portfolio allocations at appropriate points along the efficient risk/return frontier.

Sector/Industry Allocation:

Sector/Industry selection forms a secondary part of the firm's portfolio construction process. Levels of all allocations to sectors are monitored to ensure prudent diversification.

Individual Security Weightings:

Individual securities chosen through the Equity Strategy Committee are initially weighted from 1% to 3% of the portfolio depending on the underlying security's liquidity, and generally will not constitute more than 4% of the portfolio.

Number of Holdings:

The firm's ACW ex-US portfolios ordinarily contain between 95 and 155 issues

Currency:

The firm will hedge defensively to protect the underlying value of a client's assets when currencies are widely miss-priced compared to their value against the client's base currency. A uniform currency hedging policy is in place across the firm.

The firm believes that in the medium to long term, currencies adjust to their purchasing power parities (PPP). However, it is clear that currencies do fluctuate quite significantly around their purchasing power fair value. Therefore, as a defensive measure to protect real returns, the firm will hedge a currency when its real exchange rate suggests that it is overvalued. This approach is supplemented by a shorter-term assessment of the key identifiable factors that result in deviations from purchasing power parity.

The firm's normal position is to manage portfolios on an un-hedged basis. Should a currency become more than two standard deviations overvalued against the firm's PPP assessment of value, the firm would then undertake to defensively hedge the currency back into US dollars to protect the underlying value of the assets. The firm would normally hedge up to 100% of the currency's underlying asset value and up to 50% of the portfolio's market value.

Sell / Buy Discipline

Buy Discipline:

Portfolio manager/analysts bring security buy/sell recommendations from their regions/sectors to the International Equity Forum and the Equity Strategy Committee to either be added or dropped from the Mondrian approved buy list. Securities are analyzed by the dividend discount model and securities which are mispriced relative to their value are candidates for buying or selling. Prior to bringing a security to the committee, analysts will have completed in-depth, fundamental research and will have presented their work to the relevant sector grouping for peer review. Securities which are significantly undervalued relative to the dividend discount model's valuation are bought.

Sell Discipline:

The firm follows a clear sell discipline for stocks, markets and currencies. Sales are carried out when:

1. Price appreciation leads to significant overvaluation against a predetermined value level.
2. A change in the fundamentals occurs, which adversely affects appraised value.
3. More attractive alternative investments become available.

Trading Strategy

Central Trading Desk:

All of the firm's security and foreign exchange trading is usually carried out by the central trading desk in the firm's London office. The firm's Trading Desk ("Trading Desk") is headed by Sandy Beveridge, Senior Trading Manager, who has over 30 years experience working in international securities markets. He has traded in large and small capitalization securities within all developed equity markets, government and corporate fixed income markets, emerging equity and debt markets and derivatives in both equity and fixed income markets. He is supported by two experienced traders and two trading assistants.

Best Execution:

It is the firm's policy to take all reasonable steps to achieve on a consistent basis the best possible result for clients on trades ("best execution"). Best execution refers to many factors, including, the price paid or received for a security, the size of the order, the commission charged, the promptness and reliability of execution, liquidity of the market, the confidentiality and placement accorded the order and other factors, such as the efficiency of settlement and the quality of any research received, affecting the overall benefit obtained by the client in the transaction.

The relative importance of each of the above factors will differ depending on the characteristics of the order, the financial instrument and the characteristics of the execution venue to which the trade may be directed. In most circumstances, price will be the most important execution factor; however in some circumstances the firm may determine that other execution factors have greater importance in achieving the best possible outcome for clients.

Dealing Venues and Methods:

The decision regarding the selection of the trading venue and executing broker/dealer (if applicable) is the sole responsibility of the Trading Desk. In certain circumstances they may consult with the portfolio manager or analyst. In reaching their decision, the Trading Desk's objective is always to achieve best execution. The firm trades through a variety of sources in an effort to ensure best execution.

For each trade the firm will appraise the most effective execution method and venue. With the objective of achieving best execution as outlined above, the appraisal will include the use of some or all of the following criteria (this is not an exhaustive list):

- Size of trade
- Market liquidity
- Number of securities being traded
- Number of clients involved in the trade
- Trading/listing country
- Prevailing market conditions
- Type of asset being traded
- Ability to settle the trade
- Credit quality of the counterparty
- Custody transaction charges
- Characteristics of the execution venues to which the order can be directed

The firm's policy with regard to best execution is to exercise the same standards and operate the same processes across all the different markets and financial instruments. However, the diversity in markets and instruments may mean that different factors will have to be taken into account in the context of different markets and financial instruments. For example in some markets, price volatility may mean that the timeliness of execution is a priority, whereas, in other markets that have low liquidity, the fact of execution may itself constitute best execution. In other cases, the choice of venue or execution method may be limited because of the nature of the order. For example, in the case of a large trade or a program trade across a number of markets, it may not be practical to use a direct market access venue or a multilateral trading facility such as a crossing network. Timeliness together with depth of liquidity may be the overriding factors in such cases and therefore the firm may select a broker/dealer to execute such trades either on a principal or agency basis.

Trades will take place both on exchanges regulated under Markets in Financial Instruments Directive (MiFID) and on those that fall outside MiFID’s jurisdiction.

The firm uses a range of execution methods and venues to execute equity trades which may include:

- Broker/dealer execution on an agency basis
- Broker/dealer execution on a principal basis
- Execution through broker/dealers that deal on an organized frequent and systematic basis buying and selling off their own books outside a regulated market but for which continuous quotes must be provided. Firms that provide this category of trading are known under the MiFID regulations as “systematic internalisers”.
- Direct market access
- Multilateral trading facilities e.g. crossing networks or matching engines

Broker/dealers may execute trades on an agency or principal basis and they may also act as a systematic internalizer where they are, in effect, acting as the execution venue. Mondrian is not always notified of the capacity that the broker/dealer is acting in when it trades.

The firm may use the following trading strategies:

- Execution only
- Value added execution (agency trading)
- Principal trading
- Placement of limit orders
- External crossing
- Algorithmic trading (includes “program” and “package” trading)

During the past 12 months Mondrian has primarily executed trades through broker/dealers on a full service basis as Mondrian believes that this enables it, on a consistent basis, to obtain the best possible result for clients.

Soft Dollar Arrangements:

As is typical in the investment management industry client funds are used to pay brokerage commissions for the execution of transactions in the client portfolio. As part of that execution service, brokers typically provide proprietary research to their clients as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing of analyses and reports concerning issuers, securities or industries; and providing information on economic factors and trends.

Proprietary research may be used by the firm in connection with its investment decision-making process with respect to one or more accounts managed by it, and it may or may not be used, or used exclusively, with respect to the account generating the brokerage.

The firm is satisfied that all proprietary research received is covered by the “Safe Harbor” in Section 28(e) of the US Securities Exchange Act of 1934.

With the exception of the receipt of proprietary research, the firm has no other soft dollar or commission sharing arrangements in place with brokers.

Additional Comments

The product's derivatives exposure consists almost exclusively of defensive forward currency contracts in an unleveraged and fully covered manner. They price the forward contracts on a daily basis and monitor their value to ensure they do not exceed the value of the underlying assets. Internal procedures restrict hedging to 100% of the underlying asset value and 50% of the total portfolio value. Other derivative securities, such as futures, options, and unleveraged convertible bonds and warrants, are researched as well, and the firm may use such securities.

July 7, 2011

MONDRIAN
INVESTMENT PARTNERS LIMITED

Representing Mondrian:

Russell J. Mackie
SENIOR PORTFOLIO MANAGER
MONDRIAN INVESTMENT PARTNERS LIMITED

Steven Dutaut
PORTFOLIO MANAGER
MONDRIAN INVESTMENT PARTNERS LIMITED

Justin A. Richards
SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Representing Delaware Investments:

Kimberly L. Aspenleider
VICE PRESIDENT, CLIENT SERVICES
DELAWARE INVESTMENTS

PRESENTATION TO:

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MONDRIAN ALL COUNTRIES WORLD EX-US EQUITY

AGENDA

Mondrian Investment Partners Limited
Fifth Floor
10 Gresham Street
London EC2V 7JD
Telephone 020 7477 7000

Mondrian Investment Partners (U.S.), Inc.
Two Commerce Square
2001 Market Street, Suite 3810
Philadelphia, PA 19103
Telephone (215) 825-4500

Biographies

Russell J. Mackie

SENIOR PORTFOLIO MANAGER
MONDRIAN INVESTMENT PARTNERS LIMITED LONDON

A graduate, with Honours in European Studies and French from the University of Dundee and the Université de Grenoble, France. Mr. Mackie joined Mondrian in 1997, previously he was an Investment Analyst for Hodgson Martin Ltd. Prior to that he worked for the European Commission in Brussels. Mr. Mackie holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK. Mr. Mackie is a Senior Portfolio Manager in the Non-US Equity Team. He has had significant experience in analyzing securities in Europe and in global consumer sectors. Mr. Mackie is a member of Mondrian's Non-US Equity Strategy Committee.

Steven Dutaut, CFA

PORTFOLIO MANAGER
MONDRIAN INVESTMENT PARTNERS LIMITED LONDON

Mr. Dutaut holds a BA in Business Finance from the University of Durham and a M.Litt. in Management, Economics and International Relations from the University of St. Andrews. After completing his postgraduate degree, Mr. Dutaut worked in Bank of America's investment banking division for one year, followed by two years as an investment analyst for Baillie Gifford. Mr. Dutaut joined Mondrian as an Assistant Portfolio Manager in the Non-US Equity Team in 2007. Mr. Dutaut is a CFA Charterholder, a member of the CFA Institute and a member of the CFA Society of the UK.

Justin A. Richards

SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC. PHILADELPHIA

Mr. Richards is a graduate of Temple University, where he earned an MBA with Honors, and a Cum Laude graduate of Gettysburg College, where he earned a Bachelor of Arts degree in Economics and Japanese Studies. Mr. Richards worked for the Japanese government as a participant in the Japan Exchange Teaching Programme, before joining Mondrian's former affiliate in 2000, where he worked in various client service and marketing roles. In his present position, Mr. Richards is responsible for client service, consultant relations, and marketing.

Kimberly L. Aspenleider

VICE PRESIDENT, CLIENT SERVICES
DELAWARE INVESTMENTS PHILADELPHIA

Kimberly L. Aspenleider's responsibilities at Delaware Investments include relationship management and client servicing for numerous institutional separate accounts. She began her investment career at Delaware Investments in 1989 and has worked both in financial control and as a mutual fund accountant for the firm. Most recently she served as internal client service officer in the firm's institutional client services department. Ms. Aspenleider holds a bachelor's degree in economics from the University of North Carolina and an MBA with a concentration in finance from Temple University.

Organization

Our Organization

MARCH 31, 2011

MONDRIAN INVESTMENT PARTNERS

A Successful, Well-Managed Company

- Founded in 1990
- 20 years of stable, consistent leadership
- Approximately US$70 billion under management

An Independent, Employee-Owned Company

- Equity ownership plan designed to attract, retain and motivate highly skilled people
- Broad employee ownership of 73% of the company's equity
- Approximately 80 employees are owners today, up from 60 in 2004

A Proven Investment Philosophy and Process

- All products utilize an income-oriented value discipline
- Successfully applied since the company's founding in 1990
- In-depth global fundamental research

A Well-Resourced Team

- Highly experienced team of 55 investment professionals in London
- Low turnover of professional staff
- Strong culture of client service and support

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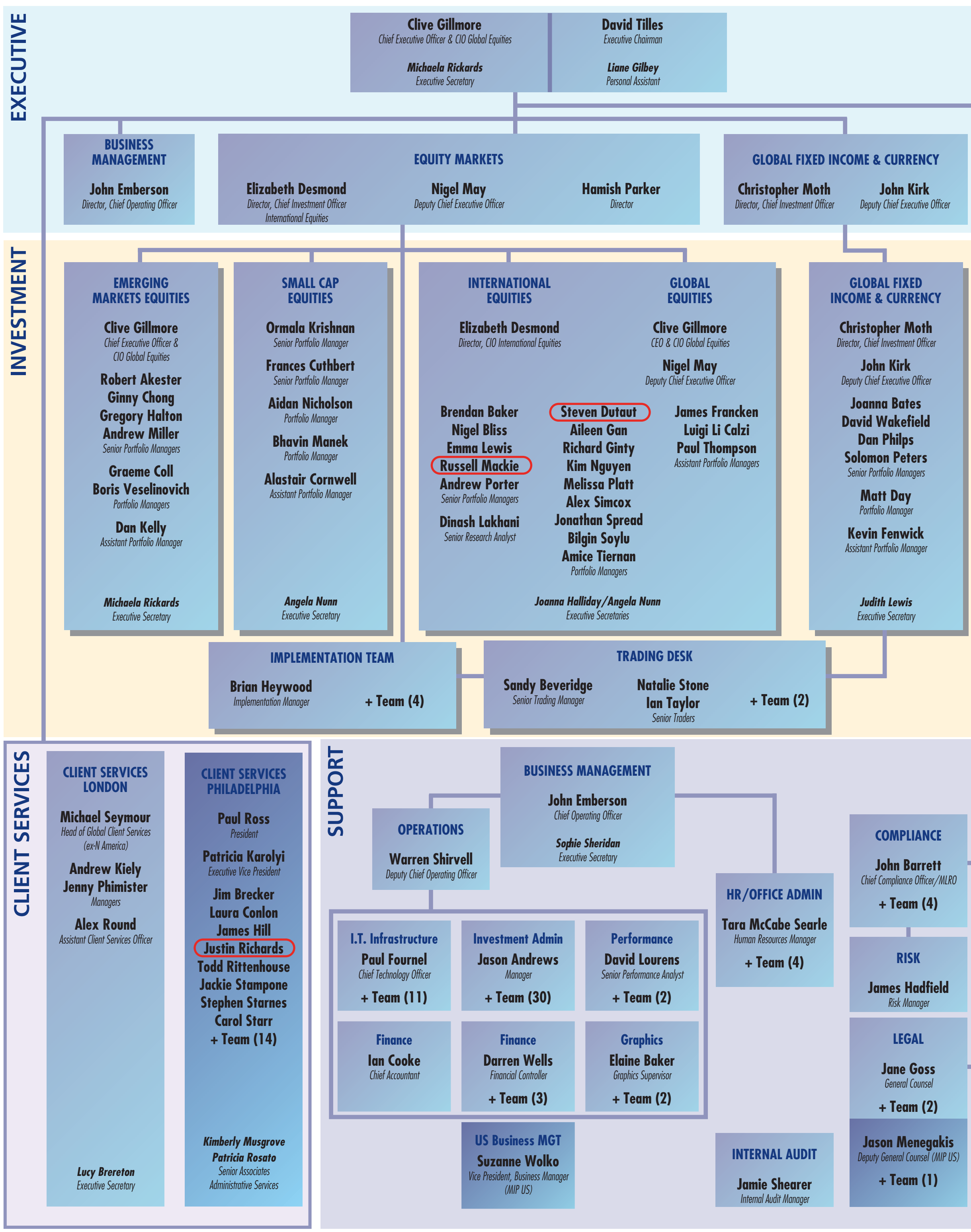
ORGANIZATION

JUNE 14, 2011

MONDRIAN INVESTMENT PARTNERS



This chart is designed to indicate the staffing resources and management structure at Mondrian Investment Partners Limited, and Mondrian Investment Partners (U.S.), Inc. The chart does not attempt to show all functions nor reporting and delegation lines, details of which are maintained in separate records. Please note some people may appear on this chart more than once, reflecting various responsibilities.

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EQUITY STRATEGY COMMITTEE

NON-US EQUITY

APRIL 2011

MONDRIAN INVESTMENT PARTNERS

Global Fixed Income & Currency

TOP DOWN

Elizabeth Desmond
Director
CIO, International Equities

Clive Gillmore
CEO
CIO, Global Equities

Nigel May
Deputy CEO

Nigel Bliss
Senior Portfolio Manager

Russell Mackie
Senior Portfolio Manager

Andrew Porter
Senior Portfolio Manager

Emerging Markets Equity Research

North American Equity Research

Non-US Equity Research and Investment Management

Elizabeth Desmond
Director, CIO International Equities

Hamish Parker
Director

Nigel Bliss
Emma Lewis
Russell Mackie
Andrew Porter
Senior Portfolio Managers

Dinash Lakhani
Senior Research Analyst

Steven Dutaut
Aileen Gan
Melissa Platt
Alex Simcox
Bilgin Soylu
Jonathan Spread
Portfolio Managers

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Representative Client List
North America

MONDRIAN INVESTMENT PARTNERS

Government and Labor

Alameda County Employees' Retirement Association
Alaska Permanent Fund Corporation
Alaska Retirement Management Board
Arapahoe County Retirement Plan
Baltimore County Employees' Retirement System
California State Teachers' Retirement System
City of Austin Employees' Retirement System
City of Baltimore Employees Retirement System
City of Cincinnati Retirement System
Colorado PERA
Cook County Annuity & Benefit Funds
Directors Guild of America
El Paso Firemen & Policemen's Pension Fund
Equity League Pension & Health Trust Fund
Florida State Board of Administration
Fresno County Employees Retirement Association
GCIU Local 119B Pension and Welfare Funds
Georgia Division of Investment Services
Howard County Government
I.A.M. National Pension Fund
Idaho Public Employee Retirement System
Indiana Public Employees' Retirement Fund
Indiana State Teachers' Retirement Fund
Inter-Local Pension Fund
Iron Workers District Council of New England
Kent County Employees Retirement System
LA County Metropolitan Transportation Authority
Louisiana School Employees' Retirement System
Louisiana State Employees' Retirement System
MassPRIM
Mendocino County Retirement Association
Montgomery County Employees' Retirement System
Municipal Fire and Police Retirement System of Iowa
National Railroad Retirement Investment Trust
Nebraska State Investment Council
New York City Deferred Compensation Plan
New York City Employee's Retirement System
New York City Police Pension Fund
New York City Retirement Systems
New York State Common Retirement Fund
Nova Scotia Association of Health Organizations
Ohio Tuition Trust Authority
Oklahoma Law Enforcement Retirement System
Oklahoma Police Pension & Retirement System
Oklahoma Public Employees Retirement System
Ontario Power Generation Inc.
Orange County Employees Retirement System
Parochial Employees' Retirement System of Louisiana
Prince George's County, Maryland
Public School Retirement System of Kansas City
Public School Retirement System of the City of St. Louis
Pueblo County Employees Retirement System
Sacramento County Employees Retirement System
San Bernardino County Employees' Retirement Association
San Francisco City and County Retirement System
San Mateo County E.R.A.
School Employees Retirement System of Ohio
South Carolina Retirement Systems
Southern California UFCW
St. Louis County Government
State Universities Retirement System of Illinois
Teachers' Retirement System of the City of New York
Teachers' Retirement System of the State of Illinois
The Louisiana Clerks of Court Association
UFCW Unions & Employers Pension Atlanta
United Brotherhood of Carpenters Pension Fund
United Parcel Service, Inc. Local 177 IBT
Utah State Retirement System
Vermont Pension Investment Committee
Washington State Investment Board
Western PA Teamsters & Employers Pension Fund
Wichita Retirement Systems

Insurance

American Assets Inc.
Nuclear Electric Insurance
Radian Asset Assurance
State Auto Insurance Companies

Corporations

A.O. Smith Corporation
Air Canada Pension Investments
American Hospital Association
AICPA
Archdiocese of Los Angeles
Armstrong World Industries, Inc.
Ascension Health
Ash Grove Cement Company
Axel Johnson, Inc.
Bank of America Corporation
Banner Health System
BMW of North America
Burlington Northern Santa Fe
Burke Rehabilitation Hospital Retirement Plan Trust
Care New England
Catholic Health Partners
Catholic Healthcare West
Children's Hospital of Central California
Chrysler LLC
ConAgra Foods, Inc.
Continental Grain Company
Cooperative Banks Employees Retirement A
Dallas County Hospital District Retirement Income Plan
Dallas Museum of Art
Dartmouth-Hitchcock Medical Center
Daughters of Charity
Deere & Company
Dominion Resources, Inc.
Dow Chemical Company
Eastman Kodak Company
Energizer Holdings, Inc.
Equifax, Inc.
Group Health Cooperative
Health Care Service Corporation
Henry Ford Health Systems
Herbert J. Thomas Memorial Hospital
Highmark, Inc.
Hoag Memorial Hospital Presbyterian
Honeywell International Inc.
IATSE National Pension Fund
Integrys Energy Group
Les Schwab Tire Centers
LyondellBasell Industries
Martin's Point Health Care, Inc.
Memorial Sloan-Kettering Cancer Center
MERCK & Co., Inc.
Mercy Investment Services, Inc.
Ministers and Missionaries Benefit Board
Montefiore Medical Center
National Grid Investment Management
Nemours Foundation Pension Plan
Novant Health, Inc.
NSTAR Electric & Gas Corporation
OhioHealth
Orlando Health, Inc.

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It is not known whether the listed clients approve or disapprove of the adviser or the advisory services provided. Please note, the above list includes separately managed accounts and participants in Mondrian commingled vehicles and is NOT a complete list of all Mondrian's clients.

Updated: May 2011

Representative Client List
North America

MONDRIAN INVESTMENT PARTNERS

Corporations (cont.)

Pfizer Inc.
Pinnacle Health System
Renown Health
Ricoh Americas Corporation
The Scripps Research Institute
SECURA Insurance Companies
Sisters of Mercy Health System
Smith & Nephew, Inc.
Sonoco Products Company
Southern California Edison
Southern Company
St. Marys United Methodist Church
The Green-Wood Cemetery
The Green-Wood Cemetery Endowment
TI Group Automotive Systems
Tribune Company
Tufts Associated Health Maintenance Organization, Inc.
University of Ottawa
Verizon Investment Management Corp.
Wal-Mart Stores, Inc.
Wells Fargo & Company Cash Balance Plan
Winifred Masterson Burke Rehabilitation Hospital

Sub-Advisory

Brown Brothers Harriman
Charles Schwab Investment Management, Inc.
Delaware Investments
GuideStone Funds
ICMA Retirement Corporation
Lincoln Financial Group
Lincoln National Life Insurance Co.
LPL Financial
MD Physician Services Inc.
PACE Select Advisors Trust
RBC Global Private Banking
RiverSource Investments, LLC
Russell Investment Group
The Investment Fund for Foundations

Endowments and Foundations

A.A.S.R. Supreme Council, NMJ
A.I. duPont Testamentary Trust
Alverno College
American Academy of Ophthalmology
Amherst H. Wilder Foundation
Ancilla Domini Sisters
Augustana College
Baltimore Community Foundation
Baylor Oral Health Foundation
Berkshire Taconic Community Foundation
Carle Defined Benefit Pension Plan
Community Foundation for Southeast Michigan
Community Foundation of Greater Flint
Community Foundation of the Holland/Zeeland Area
Cornell University
Covenant Ministries of Benevolence
Deerfield Academy
Detroit Province of the Society of Jesus
Donald B. & Dorothy L. Stabler Foundation
Dunwoody College of Technology
Edsel & Eleanor Ford House
Father Flanagan's Girls' and Boys' Home
Frederik Meijer Gardens Foundation
Furman University
George I. Alden Trust
Goucher College
Greater Des Moines Community Foundation
Greater Worcester Community Foundation, Inc.
Hampton Roads Community Foundation
Harvey Mudd College
Home Health Foundation, Inc.
Indianapolis Symphony Orchestra
J. Bulow Campbell Foundation
Jessie Ball duPont Fund
Johnson & Wales University
Josephine and Louise Crane Foundation
Kansas State University Foundation
Le Moyne College
Lenoir-Rhyne University
Longwood Foundation, Inc.
Los Angeles County Museum of Art
Mashantucket Pequot Tribal Nation
Michigan State University Foundation
Miss Porter's School
Missouri Botanical Garden
Nemours Foundation
Northwest Health Foundation
Oregon Health & Science University
Phi Beta Kappa Society
Ranken Technical College
Regent University
Rex Hospital, Inc.
Richard King Mellon Foundation
Rollins College
Roswell Park Alliance Foundation
Seattle Art Museum
Seventh-Day Adventists
Siena College
Simpson College
Springfield Foundation
St. Louis Symphony Orchestra
Stanford University
Tabor Academy
Texas Biomedical Research Institute
Texas Tech University System
The Batchelor Foundation, Inc.
The Boston Foundation
The Butler Family Foundation
The Carle Foundation
The Catholic University of America
The Community Foundation for Greater New Haven
The Henry Luce Foundation, Inc.
The Hyams Foundation, Inc.
The McKnight Foundation
The Medical College of Georgia Foundation
The Samuel Roberts Noble Foundation, Inc.
The Seattle Foundation
The Riverside Church
UC Berkeley Foundation
University of Alabama Health Services Foundation
University of Hawaii Foundation
University of Houston System
University of Kentucky
University of Missouri System
University of New Orleans Foundation
University of North Carolina at Greensboro
University of Redlands
University of Vermont
W.K. Kellogg Foundation Trust
Washington State University Foundation
Western Illinois University
World Learning

It is not known whether the listed clients approve or disapprove of the adviser or the advisory services provided. Please note, the above list includes separately managed accounts and participants in Mondrian commingled vehicles and is NOT a complete list of all Mondrian's clients.

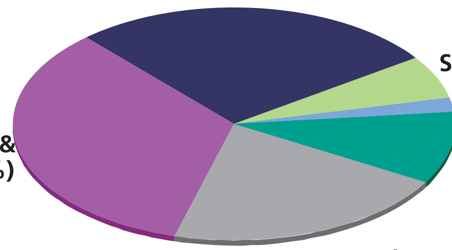
Updated: May 2011

Business Profile

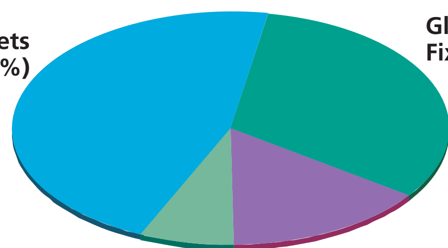
MARCH 31, 2011

MONDRIAN INVESTMENT PARTNERS

Type of Clients Served (Number of Relationships)



Type of Assets Managed (Assets Under Management)



Diverse Investment Products

Equity

- *Non-US Equity*
- *Focused Non-US Equity*
- *Global Equity*
- *All Countries World (ACW) Ex-US Equity*
- *Focused (ACW) Ex-US Equity*
- *Emerging Markets Equity*
- *Focused Emerging Markets Equity*
- *Non-US Small Cap Equity*
- *Regional/Single Country Equity*

Fixed Income

- *Global Fixed Income*
- *Focused Global Fixed Income*
- *International Fixed Income*
- *Focused International Fixed Income*
- *European Fixed Income*
- *Emerging Markets Local Currency Debt*
- *Global Debt Opportunities*
- *Global Inflation-Linked Bonds*
- *US Aggregate Fixed Income*

A number of vehicles are available in each of the above product areas, including separate accounts, limited partnerships, and registered mutual funds. Please refer to additional information at the end of the book regarding available vehicles and minimum account sizes.

Investment Philosophy

Style Summary

MONDRIAN INVESTMENT PARTNERS

Investment Methodology

- A value approach which emphasizes yield and future real growth in dividends.
- Consistent dividend discount methodology which compares value across all securities, markets and sectors.
- Analysis of central, best and worst case scenarios.
- In-depth worldwide fundamental research with an emphasis on company visits.
- Long term Purchasing Power Parity approach to currency analysis.

Performance Characteristics

- Seek to produce meaningfully high real returns.
- Aim to preserve capital during global market declines.
- Returns that typically have shown lower volatility than the index and most other managers.

Portfolio Characteristics

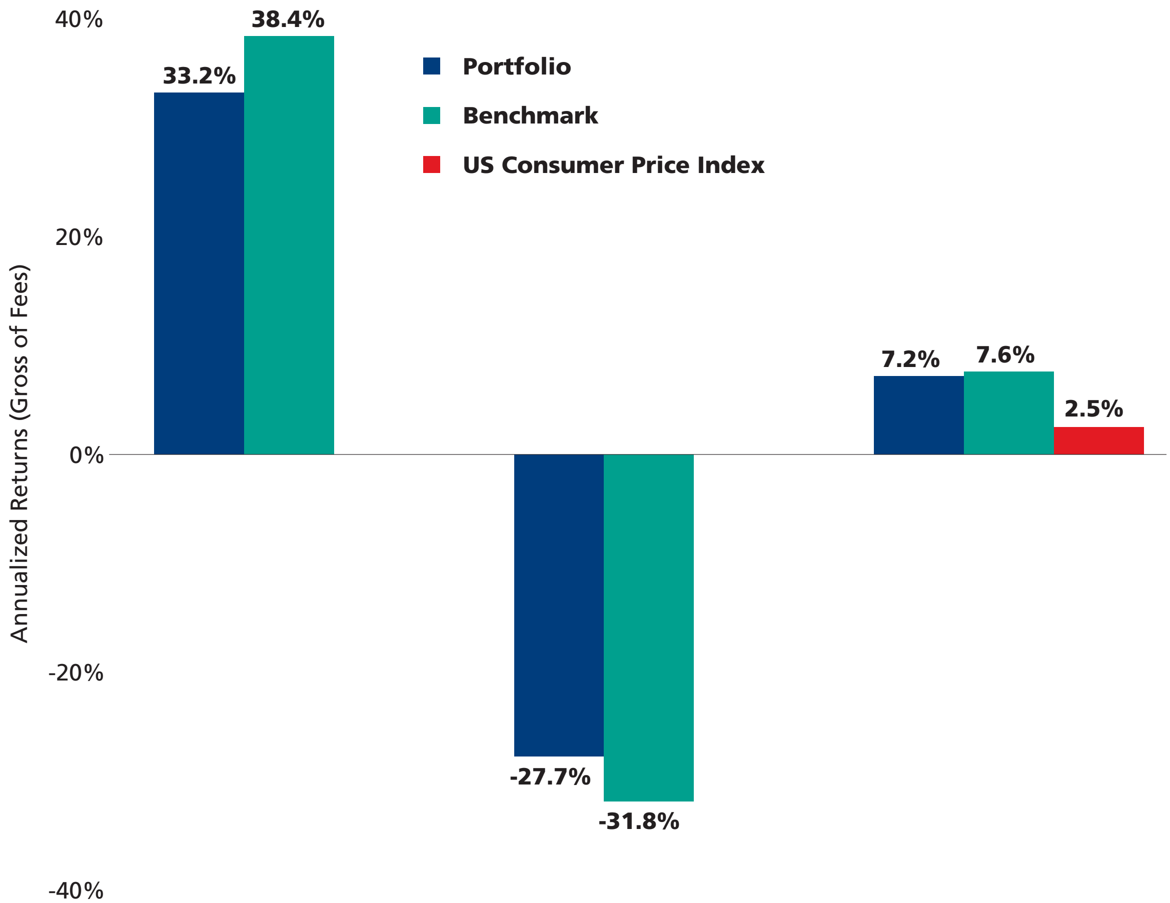
- Focused portfolios with strong value characteristics.
- Long term focus resulting in low turnover and reduced transaction costs.

Defensive Characteristics

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

DECEMBER 1, 2004 THROUGH MARCH 31, 2011

MONDRIAN INVESTMENT PARTNERS



	BULL MARKET	BEAR MARKET	TOTAL
NUMBER OF QUARTERS	16.3	9	25.3
PORTFOLIO AGGREGATE PERFORMANCE	222.3%	–51.8%	55.2%
BENCHMARK AGGREGATE PERFORMANCE	277.1%	–57.8%	59.1%

Source: Mondrian Investment Partners and MSCI

A Bull Market quarter is defined as one in which the benchmark showed a positive U.S. dollar return, and a Bear Market quarter when the benchmark showed a negative U.S. dollar return.

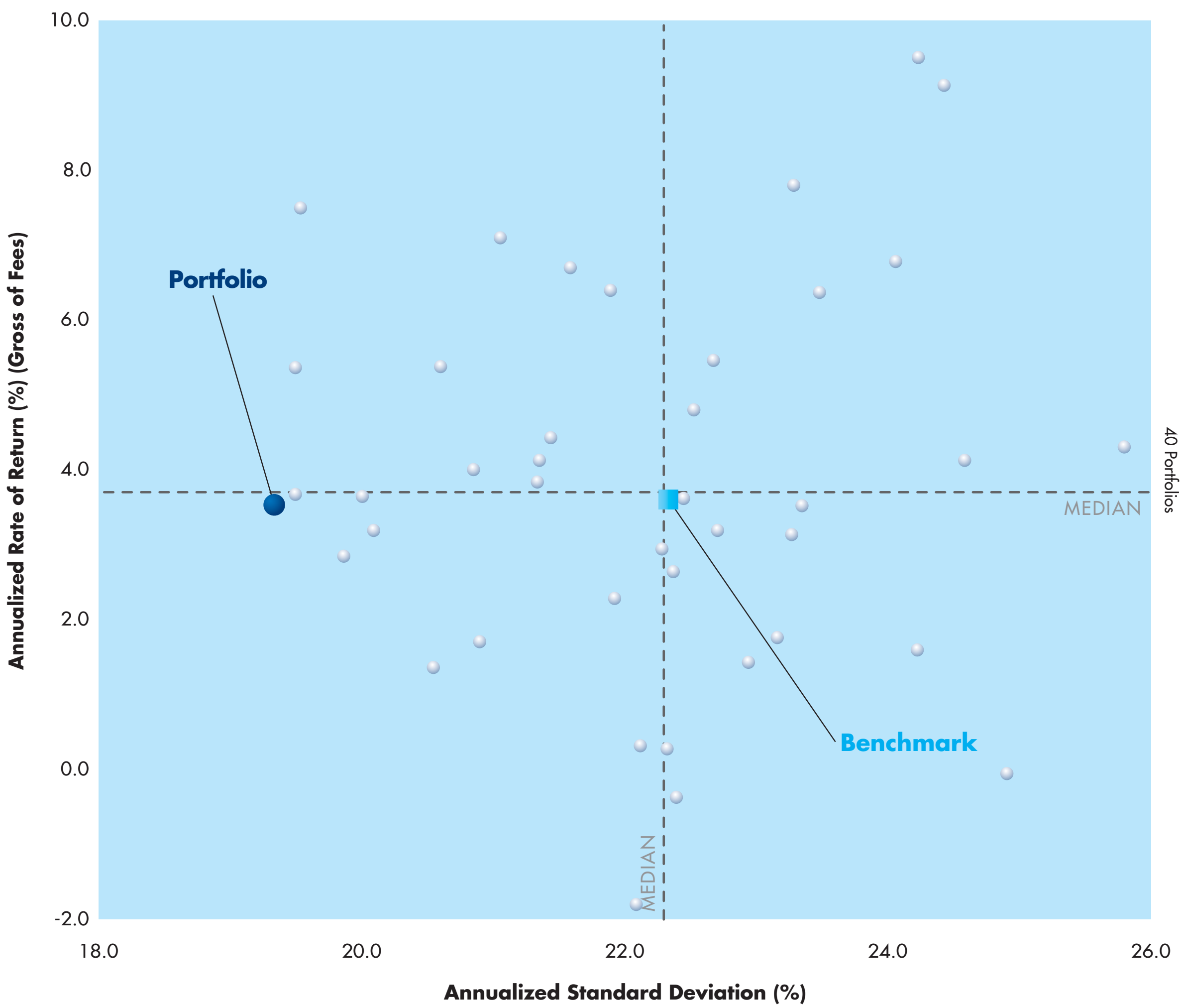
The returns presented on this page reflect a combination of developed market assets held in the separate account portion of the overall portfolio and assets held in the Delaware Pooled Trust - The Emerging Markets Portfolio ("DPT"). Performance results for the separate account are presented gross of advisory fees and other expenses associated with managing an investment advisory account. Performance results for DPT are net of management fees and expenses, but gross of contribution and withdrawal fees. Actual returns will be reduced by such fees and expenses. Please carefully review the disclosure at the back of this book for more information concerning these gross performance results including an illustration of the negative effect of advisory fees on performance. Past performance is not a guarantee of future results.

Risk/Return Comparison
All Countries World Ex-US Portfolios

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

FIVE YEARS ENDED MARCH 31, 2011

MONDRIAN INVESTMENT PARTNERS



Source: Mondrian Investment Partners and Recognized Financial and Statistical Reporting Service

The returns presented on this page reflect a combination of developed market assets held in the separate account portion of the overall portfolio and assets held in the Delaware Pooled Trust - The Emerging Markets Portfolio ("DPT"). Performance results for the separate account are presented gross of advisory fees and other expenses associated with managing an investment advisory account. Performance results for DPT are net of management fees and expenses, but gross of contribution and withdrawal fees. Actual returns will be reduced by such fees and expenses. Please carefully review the disclosure at the back of this book for more information concerning these gross performance results including an illustration of the negative effect of advisory fees on performance.
Past performance is not a guarantee of future results.

Performance

Performance

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

Period	Portfolio %	MSCI ACW Ex-US %	MSCI ACW Ex-US Value %	Relative to MSCI ACW Ex-US %	US Inflation %
Quarter 1, 2011	3.8	3.4	4.6	0.4	2.0
April	5.8	4.9	4.6	0.9	N/A
May	-1.7	-2.9	-3.4	1.3	N/A
Year to Date	**8.0**	**5.3**	**5.7**	**2.6**	**2.0**
1 Year	**29.8**	**30.0**	**27.8**	**-0.1**	**2.4**
3 Years (annualized)	**-2.2**	**-2.7**	**-2.4**	**0.5**	**1.0**
5 Years (annualized)	**4.0**	**4.0**	**3.4**	**0.1**	**2.0**
Since Inception December 1, 2004	**7.7**	**7.7**	**7.4**	**0.0**	**2.5**

Market Value: US$212,136,846

Source: Mondrian Investment Partners and MSCI

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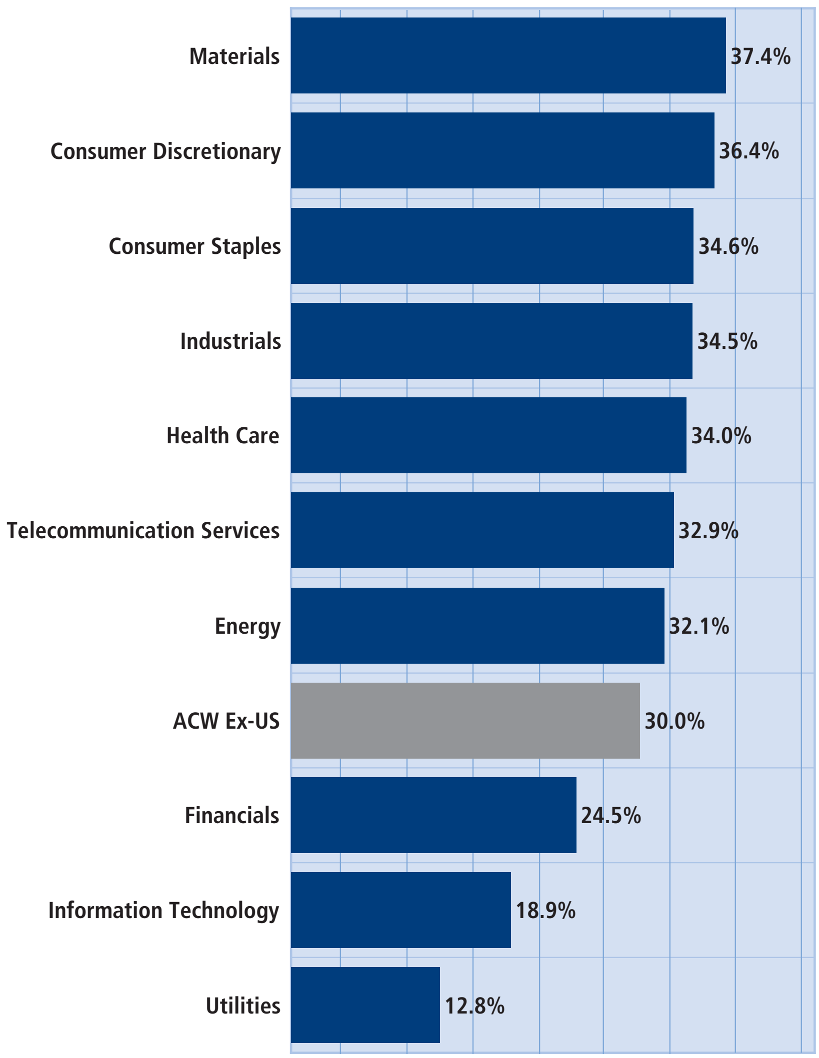
Benchmark Sector Returns
MSCI ACW Ex-US

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

12 Months to May 31, 2011



- Utilities sector weaker on regulatory concerns and impact of Japanese nuclear accident
- Economic recovery helped the materials and industrials sectors
- Uncertainty surrounding capital, funding costs and regulations in financial sector

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Developed Markets Performance

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

	Year to Date			12 Months		
	Local Market Return (%)	Currency Change vs. US$ (%)	US$ Return (%)	Local Market Return (%)	Currency Change vs. US$ (%)	US$ Return (%)
NORTH AMERICA	**7.3**	**0.3**	**7.5**	**25.0**	**0.8**	**26.0**
Canada	3.0	2.6	5.6	17.3	8.3	27.1
USA	7.8	0.0	7.8	25.9	0.0	25.9
PACIFIC	**-3.3**	**1.1**	**-2.2**	**3.5**	**14.9**	**18.9**
Australia	0.9	4.0	4.9	9.6	27.0	39.3
Hong Kong	2.7	0.0	2.6	35.0	0.1	35.1
Japan	-6.0	-0.2	-6.1	-2.6	12.1	9.1
New Zealand	12.7	5.3	18.7	21.6	22.1	48.5
Singapore	-0.7	3.7	3.0	16.6	13.3	32.2
EUROPE	**4.0**	**6.9**	**11.2**	**16.2**	**18.5**	**37.6**
Austria	-2.1	7.2	4.9	19.1	17.2	39.5
Belgium	5.3	7.2	12.9	9.2	17.2	28.0
Denmark	0.3	7.1	7.5	16.9	16.9	36.6
Finland	-8.1	7.2	-1.5	4.9	17.2	22.9
France	7.2	7.2	14.9	18.7	17.2	39.1
Germany	4.5	7.2	12.0	21.8	17.2	42.7
Greece	-9.2	7.2	-2.7	-19.7	17.2	-5.9
Ireland	5.7	7.2	13.2	-8.2	17.2	7.5
Israel	-6.3	3.2	-3.3	-1.6	13.0	11.3
Italy	6.6	7.2	14.3	12.9	17.2	32.3
Netherlands	1.4	7.2	8.7	9.1	17.2	27.8
Norway	1.0	7.7	8.8	27.0	20.2	52.7
Portugal	4.0	7.2	11.4	13.2	17.2	32.7
Spain	8.1	7.2	15.8	14.8	17.2	34.5
Sweden	2.2	8.7	11.1	20.9	26.6	53.1
Switzerland	3.8	9.3	13.5	6.4	35.5	44.1
United Kingdom	3.4	5.1	8.7	19.2	13.3	35.0
THE WORLD INDEX	**4.6**	**2.3**	**7.0**	**18.6**	**8.0**	**28.1**
EAFE	**1.4**	**4.8**	**6.3**	**11.5**	**17.2**	**30.7**
AC WORLD EX-US	**1.2**	**4.1**	**5.3**	**13.5**	**14.5**	**30.0**

Source: MSCI

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Emerging Markets Performance

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

	YEAR TO DATE			12 MONTHS		
	Local Market Return (%)	Currency Change vs. US$ (%)	US$ Return (%)	Local Market Return (%)	Currency Change vs. US$ (%)	US$ Return (%)
EM EMEA	**1.0**	**2.2**	**3.2**	**20.1**	**10.8**	**33.0**
Czech Republic	11.4	9.4	21.9	10.1	21.7	34.0
Egypt	-19.0	-2.2	-20.8	-12.1	-4.5	-16.0
Hungary	11.6	11.9	24.8	6.5	20.9	28.9
Morocco	1.7	5.9	7.7	4.8	13.8	19.3
Poland	6.3	7.4	14.2	23.4	20.7	49.0
Russia	1.5	7.6	9.3	27.1	8.7	38.2
South Africa	1.0	-3.1	-2.1	19.0	12.6	34.0
Turkey	-5.1	-3.7	-8.6	13.6	-1.6	11.9
EM ASIA	**1.9**	**1.8**	**3.8**	**22.6**	**6.2**	**30.2**
India	-9.4	-0.7	-10.1	7.5	2.9	10.7
Indonesia	4.9	5.6	10.7	27.9	7.5	37.5
Korea	5.0	5.2	10.4	32.2	11.4	47.3
Malaysia	3.4	2.4	5.9	26.5	8.3	37.0
Philippines	-3.0	1.3	-1.8	17.2	7.0	25.3
Taiwan	-0.1	1.7	1.7	24.8	11.6	39.3
Thailand	7.0	-0.5	6.4	44.1	7.3	54.6
EM LATIN AMERICA	**-5.8**	**4.7**	**-1.4**	**7.8**	**13.3**	**22.2**
Brazil	-5.8	4.8	-1.3	3.7	14.5	18.7
Chile	-0.8	0.6	-0.2	23.8	14.2	41.3
Colombia	1.1	6.1	7.3	29.3	9.0	41.0
Mexico	-7.0	6.6	-0.9	12.1	11.7	25.2
Peru	-16.9	0.0	-16.9	21.7	0.0	21.7
EM (EMERGING MARKETS)	**-0.2**	**2.6**	**2.5**	**18.4**	**8.8**	**28.8**

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Performance Summary – Year to Date

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

PERFORMANCE CONTRIBUTION %

TOTAL RETURN		CURRENCY		MARKET		STOCK SELECTION PORTFOLIO
PORTFOLIO	ACW EX-US	PORTFOLIO	ACW EX-US	PORTFOLIO	ACW EX-US	
+8.2	+5.3	+3.5	+4.1	+2.0	+1.2	+2.3

PERFORMANCE ATTRIBUTION %

RELATIVE RETURN	RELATIVE CURRENCY CONTRIBUTION	RELATIVE MARKET CONTRIBUTION	STOCK SELECTION
+2.6	-0.6	+0.8	+2.3

POSITIVE NEGATIVE

CURRENCY CONTRIBUTION

Positive:
- Overweight the euro

Negative:
- Overweight Swiss franc

MARKET CONTRIBUTION

Positive:
- Underweight emerging markets
- Overweight France

Negative:
- Underweight Canada

STOCK SELECTION

Positive:
- Stock selection in Telecommunications and Industrials

Sanofi - France
Deutsche Telekom
GlaxoSmithKline - UK

Negative:
- Stock selection in Health Care and Consumer Staples

Canon - Japan
RWE - Germany
Tokio Marine - Japan

Source: Mondrian Investment Partners and MSCI

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PERFORMANCE SUMMARY – 12 MONTHS

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

PERFORMANCE CONTRIBUTION %

TOTAL RETURN		CURRENCY		MARKET		STOCK SELECTION PORTFOLIO
PORTFOLIO	ACW EX-US	PORTFOLIO	ACW EX-US	PORTFOLIO	ACW EX-US	
+30.1	+30.0	+13.0	+14.5	+13.0	+13.5	+1.6

PERFORMANCE ATTRIBUTION %

RELATIVE RETURN	RELATIVE CURRENCY CONTRIBUTION	RELATIVE MARKET CONTRIBUTION	STOCK SELECTION
-0.1	-1.3	-0.4	+1.6

POSITIVE | NEGATIVE

CURRENCY CONTRIBUTION

Positive:
- Underweight Canadian dollar
- Overweight the euro

Negative:
- Overweight Swiss franc
- No exposure to Swedish krona

MARKET CONTRIBUTION

Positive:
- Overweight France
- Overweight UK

Negative:
- Underweight Canada
- Overweight Japan

STOCK SELECTION

Positive:
- Stock selection in Industrials and underweight Financials

Novartis - Switzerland
Royal Dutch Shell - UK
GlaxoSmithKline - UK

Negative:
- Stock selection in Consumer Staples and underweight Industrials

RWE - Germany
Intesa Sanpaolo - Italy
Tokio Marine - Japan

Source: Mondrian Investment Partners and MSCI

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Investment Strategy

Country Allocation

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

	1 FORECAST REAL RETURN (%)	2 MIN/MAX ALLOCATION (%)	3 PORTFOLIO ALLOCATION (%)	4 ACW EX-US WEIGHT (%)	5 CURRENCY HEDGE (%)
North America			**1.1**	**8.1**	
Canada	4.2	0 - 20	1.1	8.1	
Pacific			**24.8**	**22.5**	
Australia	4.9	0 - 15	5.6	5.8	-2.9
Japan	4.8	0 - 40	15.2	13.4	
New Zealand	5.2	0 - 5	0.5	0.1	
Singapore	5.8	0 - 10	3.5	1.2	
Europe			**52.1**	**45.8**	
France	5.5	0 - 20	12.3	7.0	
Germany	5.0	0 - 20	3.5	6.0	
Italy	6.6	0 - 10	3.6	2.9	
Netherlands	6.4	0 - 15	4.6	1.7	
Spain	7.2	0 - 10	5.4	2.4	
Switzerland	5.7	0 - 15	4.2	5.8	
United Kingdom	5.9	0 - 40	18.2	14.8	
Other Europe			0.3	5.2	
Emerging Markets		**0 - 25**	**20.1**	**23.6**	

1 Calculated using Mondrian's dividend discount methodology and long term purchasing power parity currency analysis. These forecast "real" annualized market returns are used solely as a basis for making judgements about country allocations and are not intended to be indications of expected returns. Forecast real returns in US dollars are calculated as at March 31, 2011.

2 A minimum/maximum country allocation policy allows broad flexibility while guarding against concentration relative to benchmark.

3 Client portfolio allocation

4 Benchmark weights

5 Currency hedges are put into place if appropriate and permissible under client objectives.

Source: Mondrian Investment Partners and MSCI

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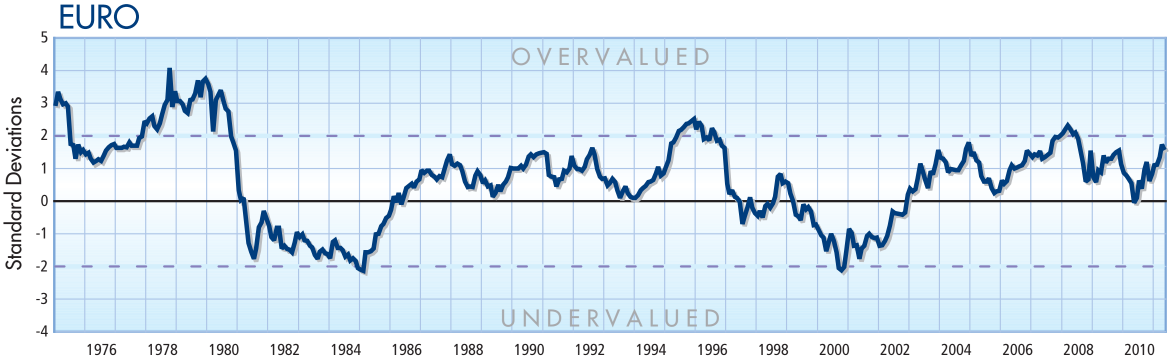
PURCHASING POWER PARITY VALUATIONS VERSUS US DOLLAR

MAY 31, 2011

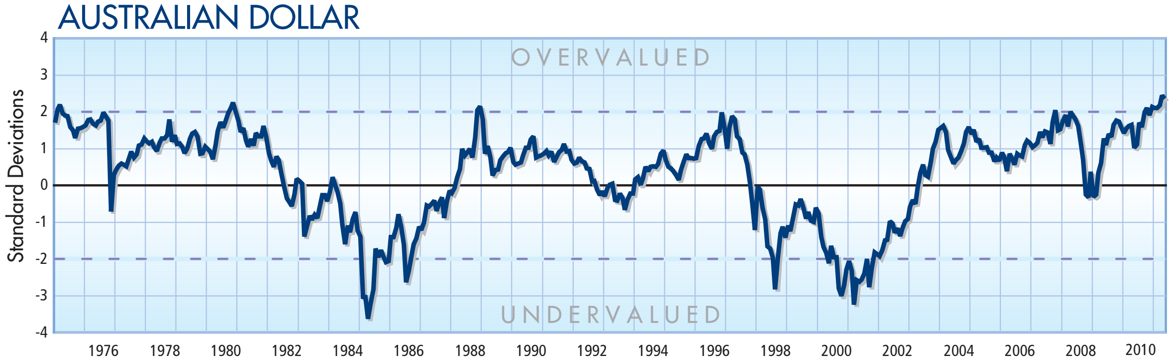
MONDRIAN INVESTMENT PARTNERS

JAPANESE YEN

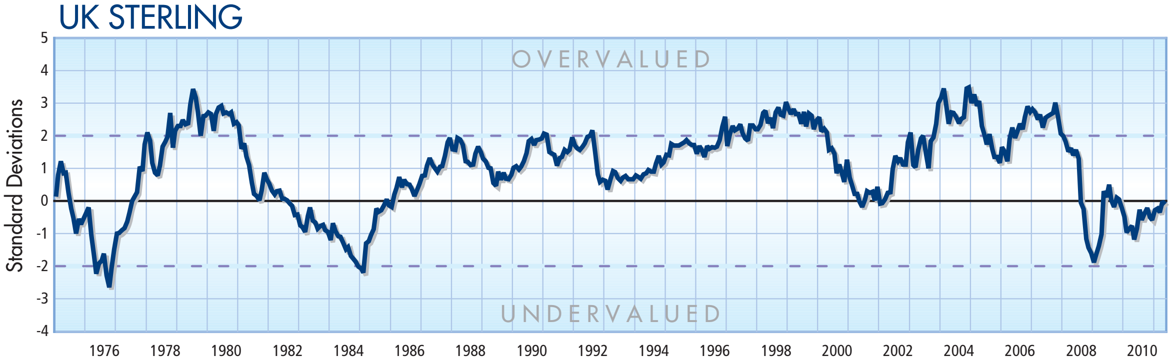
EURO



AUSTRALIAN DOLLAR



UK STERLING



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Source: Mondrian Investment Partners

International Equity Portfolio

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

	HOLDINGS (%)		P/E RATIO		DIVIDEND YIELD (%)	
	PORTFOLIO	ACW EX-US	PORTFOLIO	ACW EX-US	PORTFOLIO	ACW EX-US
NORTH AMERICA	**1.1**	**8.1**	**14.3**	**19.1**	**5.3**	**2.3**
CANADA	**1.1**	**8.1**	**14.3**	**19.1**	**5.3**	**2.3**
BCE	1.1		14.3		5.3	
PACIFIC	**24.8**	**22.5**	**15.2**	**14.9**	**4.1**	**2.6**
AUSTRALIA	**5.6**	**5.8**	**14.9**	**16.3**	**7.2**	**4.3**
Amcor	1.1		28.2		4.7	
AMP	0.6		13.9		5.8	
Telstra	2.1		11.7		9.3	
Treasury Wine	0.0		Loss		-	
QBE Insurance	1.6		15.4		7.2	
Wesfarmers	0.2		20.7		4.1	
JAPAN	**15.2**	**13.4**	**15.9**	**14.0**	**3.1**	**1.8**
Astellas Pharmaceutical	2.1		16.8		4.0	
Canon	2.3		19.5		3.1	
Hoya	0.0		12.3		3.9	
Kao Corp	1.8		23.3		2.8	
KDDI	0.6		9.7		2.6	
Secom	0.1		13.8		2.3	
Seven & I	2.6		17.0		2.6	
Shin-Etsu Chemical	0.3		17.9		2.4	
Takeda Pharmaceutical	2.2		12.3		4.7	
Tokio Marine	1.6		11.0		2.2	
Toyota Motor	1.3		21.5		1.5	
Trend Micro	0.3		24.7		2.8	
NEW ZEALAND	**0.5**	**0.1**	**15.4**	**20.6**	**6.8**	**4.1**
Telecom Corporation of New Zealand	0.5		15.4		6.8	
SINGAPORE	**3.5**	**1.2**	**12.8**	**14.1**	**3.4**	**2.9**
Jardine Matheson	0.9		13.9		2.2	
Singapore Telecom	1.3		13.4		4.6	
United Overseas Bank	1.2		11.5		3.1	
EUROPE	**52.1**	**45.8**	**13.5**	**13.4**	**4.6**	**3.5**
FRANCE	**12.3**	**7.0**	**13.1**	**13.3**	**5.0**	**3.8**
Carrefour	2.0		56.8		3.5	
France Télécom	2.2		11.1		8.8	
Saint Gobain	1.4		21.4		2.5	
Sanofi	2.4		13.2		4.5	
Société Générale	0.7		7.9		4.2	
Vinci	1.4		13.9		3.7	
Total	2.3		8.5		5.7	
GERMANY	**3.5**	**6.0**	**11.6**	**11.9**	**7.7**	**3.2**
Deutsche Telekom	1.8		31.7		6.8	
RWE	1.7		6.9		8.6	
ISRAEL	**0.3**	**0.7**	**13.8**	**13.7**	**1.7**	**2.6**
Teva	0.3		13.8		1.7	
ITALY	**3.6**	**2.9**	**10.7**	**11.9**	**5.3**	**4.2**
ENI	2.0		10.0		6.0	
Intesa Sanpaolo	1.5		11.7		4.4	
Intesa Sanpaolo Rts	0.1		Loss		-	
NETHERLANDS	**4.6**	**1.7**	**13.2**	**11.7**	**2.5**	**3.0**
Ahold	1.8		13.7		2.9	
ING-Groep	1.4		10.0		0.0	
Reed Elsevier	1.4		18.2		4.4	
SPAIN	**5.4**	**2.4**	**9.3**	**9.0**	**7.2**	**6.2**
Banco Santander	0.7		8.6		7.3	
Iberdrola	2.4		12.1		5.5	
Telefonica	2.3		7.6		9.0	
SWITZERLAND	**4.2**	**5.8**	**13.6**	**15.6**	**5.0**	**3.1**
Novartis	3.1		14.8		4.0	
Zurich Financial Services	1.2		11.3		7.5	
UNITED KINGDOM	**18.2**	**14.8**	**17.2**	**14.5**	**3.6**	**3.2**
BG	1.5		19.5		1.0	
BP	2.1		Loss		1.8	
Compass Group	1.7		16.6		3.2	
Experian	1.0		18.8		2.1	
GlaxoSmithKline	2.5		24.5		5.0	
Royal Dutch Shell A	2.4		11.0		4.7	
Tesco	2.2		12.7		3.5	
Unilever	2.8		14.9		3.7	
Vodafone	2.0		10.1		5.3	
DEVELOPED MARKETS	**78.0**	**76.4**	**14.0**	**14.3**	**4.5**	**3.1**
EMERGING MARKETS	**20.1**	**23.6**	**12.4**	**13.3**	**3.6**	**2.3**
CASH	**1.9**	**-**	**-**	**-**	**0.2**	**-**
US dollars	1.1				0.4	
Other Currency	0.8					
TOTAL	**100.0**	**100.0**	**13.6**	**14.0**	**4.2**	**2.9**

Source: Mondrian Investment Partners and MSCI

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Investment Strategy Summary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

Recent Portfolio Transactions

- In 2011 we have initiated new positions in **AMP**, the Australian wealth management company, and **Teva**, the Israeli pharmaceutical company.
- We exited positions in **Power Asset Holdings**, the Hong Kong utility, and **Sekisui House**, the Japanese house-builder.
- Following weakness in the consumer staples sector, we added to positions in **Tesco**, the UK food retailer, **Ahold**, the Dutch food retailer, and **Unilever**, the Anglo-Dutch consumer goods group.
- We increased the portfolios exposure to emerging markets. This was funded primarily by trimming positions in **Wesfarmers**, the Australian conglomerate, **Amcor**, the Australian packaging company, and **Zurich Financial Services**, the Swiss insurer.
- We also initiated a partial defensive hedge out of the overvalued Australian dollar.

Sector Allocation

Sector	Portfolio %	Benchmark %	Relative %
Consumer Discretionary	5.2	9.2	-4.0
Consumer Staples	15.7	8.8	6.9
Energy	12.7	11.3	1.4
Financials	15.0	24.6	-9.6
Health Care	12.7	6.2	6.5
Industrials	6.6	10.9	-4.3
Information Technology	5.2	6.4	-1.2
Materials	2.9	12.8	-9.9
Telecommunication Services	15.5	5.7	9.8
Utilities	6.4	4.0	2.3
Cash	2.2	—	2.2

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Source: Mondrian Investment Partners and MSCI

Summary Portfolio Characteristics

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

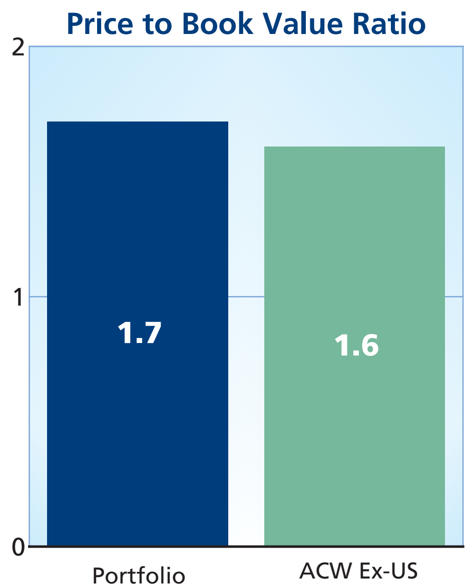
MONDRIAN INVESTMENT PARTNERS

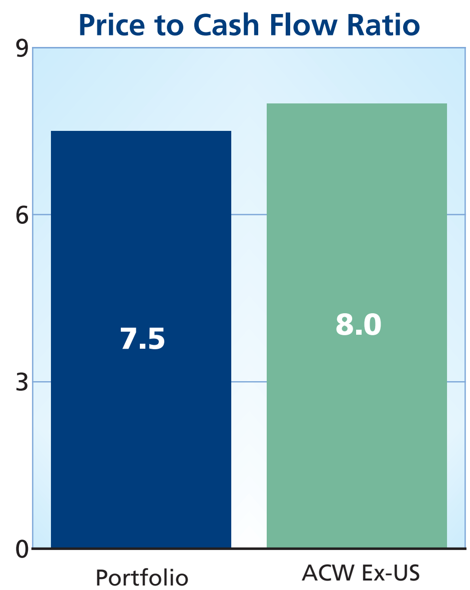
Portfolio Turnover

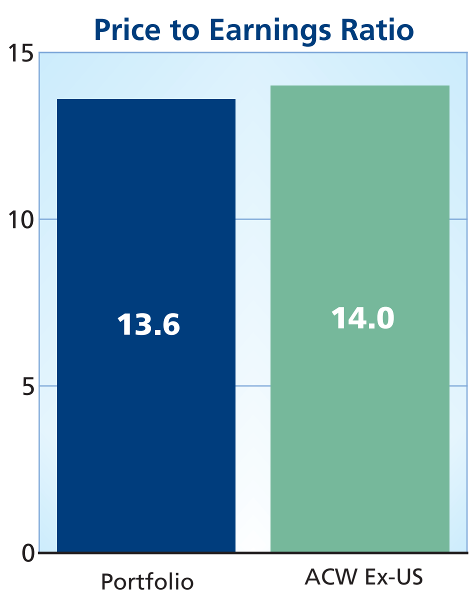
12 months to May 31, 2011:	21.5%
12 months to May 31, 2010:	16.0%

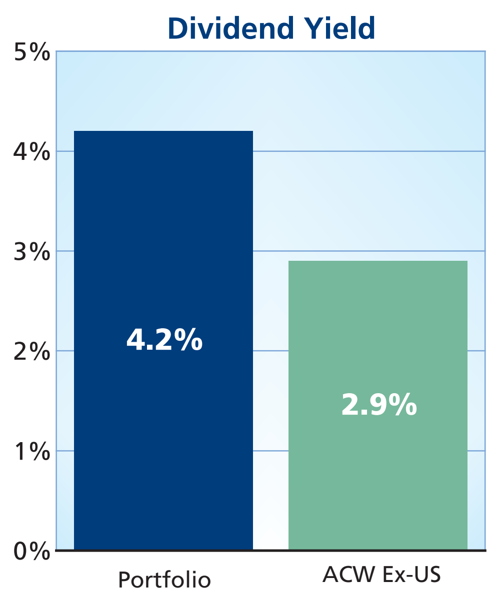
Market Capitalization
(Weighted Average)

Portfolio:	US$57.4 billion
ACW Ex-US:	US$48.2 billion









Source: Mondrian Investment Partners and MSCI

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Appendix

Transaction Summary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

QUARTER 1, 2011

MONDRIAN INVESTMENT PARTNERS

Country	Action	Stock	Status	Date
JAPAN	Sale	Sekisui House	Eliminate Position	Jan
JAPAN	Purchase	Shin-Etsu Chemical	New Position	Jan
JAPAN	Purchase	Secom	New Position	Jan
FRANCE	Sale	Société Générale	Reduce Position	Jan-Feb
UK	Purchase	GlaxoSmithKline	Add to Position	Jan-Feb
UK	Purchase	Tesco	Add to Position	Jan-Feb
HONG KONG	Sale	Power Assets	Eliminate Position	Jan-Mar
NETHERLANDS	Purchase	Ahold	Add to Position	Jan-Mar
GERMANY	Purchase	Deutsche Telekom	Add to Position	Feb
JAPAN	Purchase	Canon	Add to Position	Feb
SPAIN	Sale	BSCH	Reduce Position	Feb
SWITZERLAND	Sale	Zurich Financial Services	Reduce Position	Feb
UK	Purchase	Unilever	Add to Position	Feb
AUSTRALIA	Sale	Foster's Group	Reduce Position	Feb-Mar
AUSTRALIA	Purchase	AMP	New Position	Mar
AUSTRALIA	Sale	Wesfarmers	Reduce Position	Mar
JAPAN	Purchase	Trend Micro	New Position	Mar

- During the quarter, we began working on four new ideas in Japan and Australia. We also added to existing positions in **Tesco**, the UK food retailer, **Ahold**, the Dutch food retailer, **Canon**, the Japanese consumer electronics company, **GlaxoSmithKline**, the UK-based pharmaceuticals group, and **Unilever**, the Anglo-Dutch consumer goods company.
- To fund these transactions, we reduced positions in **Foster's Group**, the Australian brewer, **Wesfarmers**, the Australian conglomerate, **Banco Santander**, the Spanish bank, **Zurich Financial Services**, the Swiss insurer, and **Société Générale**, the French bank. In addition, we sold the positions in **Sekisui House**, the Japanese Construction Company, and **Power Assets**, the Hong Kong utilities company.
- Finally, we implemented a partial hedge of the portfolio's exposure to the Australian dollar, reflecting that currency's extreme overvaluation as per our purchasing power parity analysis.

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Transaction Summary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

QUARTER 4, 2010

MONDRIAN INVESTMENT PARTNERS

Country	Action	Stock	Status	Date
AUSTRALIA	Sale	Amcor	Reduce Position	Oct
FRANCE	Purchase	Vinci	Add to Position	Oct
GERMANY	Purchase	Deutsche Telekom	Add to Position	Oct
UK	Sale	Vodafone	Reduce Position	Oct
ITALY	Purchase	ENI	Add to Position	Oct-Nov
NETHERLANDS	Purchase	Ahold	New Position	Oct-Dec
JAPAN	Sale	Nitto Denko	Eliminate Position	Nov
UK	Sale	Aviva	Eliminate Position	Nov
HONG KONG	Sale	Hong Kong Electric	Reduce Position	Nov-Dec
UK	Purchase	Tesco	Add to Position	Nov-Dec
AUSTRALIA	Sale	Foster's Group	Reduce Position	Dec
JAPAN	Sale	West Japan Railway	Eliminate Position	Dec

- During the quarter, we added a new position in **Ahold**, the Dutch food retailer, to the portfolio. Ahold operates supermarkets in Europe and the United States and benefits from a very strong balance sheet.
- We also added added to existing holdings in **ENI**, the Italian oil company, **Vinci**, the French construction and civil engineering group, **Deutsche Telekom** and **Tesco**, the UK-based food retailer.
- Positions in **Nitto Denko**, the Japanese materials company, **Aviva**, the UK insurer, and **West Japan Railway**, were all sold on valuation grounds.
- In addition, we trimmed positions in **Hong Kong Electric**, **Vodafone**, the UK-based telecommunication services provider, **Amcor**, the Australian packaging company, and **Foster's Group**, the Australian beverage company.

Transaction Summary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

QUARTER 3, 2010

MONDRIAN INVESTMENT PARTNERS

Country	Action	Stock	Status	Date
AUSTRALIA	Purchase	QBE	Add to Position	Jul
AUSTRALIA	Sale	Telstra	Reduce Position	Jul
FRANCE	Purchase	France Télécom	Add to Position	Jul
JAPAN	Sale	JR West	Reduce Position	Jul
FRANCE	Purchase	Sanofi-Aventis	Add to Position	Jul-Aug
AUSTRALIA	Sale	Fosters Group	Reduce Position	Jul - Sep
EMERGING MARKETS	Purchase		Add to Position	Aug
FINLAND	Sale	UPM	Eliminate Position	Aug
ITALY	Purchase	ENI	New Position	Aug
ITALY	Purchase	Intesa Sanpaolo	Add to Position	Aug
ITALY	Sale	Unicredit	Eliminate Position	Aug
UK	Purchase	Tesco	Add to Position	Aug
BELGIUM	Sale	Ageas	Eliminate Position	Sep

- During the quarter, we added a new position in **ENI**, the Italian energy company, to the portfolio. We also added to existing holdings in **Tesco**, the UK food retailer, **Sanofi-Aventis**, the French pharmaceuticals company, **QBE Insurance**, the Australian insurer, **France Télécom**, **Intesa Sanpaolo**, the Italian bank, and to the exposure to emerging markets.
- To fund these transactions, we sold the holdings in **UPM-Kymmene**, the Finnish paper company, **Ageas**, the Benelux insurance company, and **UniCredit**, the Italian bank.
- In addition, we trimmed positions in **Telstra Corporation**, the Australian telecommunication services provider, **Foster's Group**, the Australian brewer, **UniCredit**, the Italian bank, and **West Japan Railway**.

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Transaction Summary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

QUARTER 2, 2010

MONDRIAN INVESTMENT PARTNERS

Country	Action	Stock	Status	Date
HONG KONG	Sale	Wharf Holdings	Eliminate position	Apr
UK	Purchase	Unilever	Add to position	Apr
FRANCE	Purchase	Sanofi-Aventis	Add to position	Apr - May
FINLAND	Sale	UPM	Reduce position	Apr - Jun
SINGAPORE	Sale	OCBC	Eliminate position	Apr - Jun
UK	Purchase	Experian	New position	Apr - Jun
SPAIN	Purchase	Telefonica	Add to position	May
FRANCE	Purchase	Total	Add to position	Jun
HONG KONG	Sale	Hong Kong Electric	Reduce position	Jun
JAPAN	Purchase	Astellas	Add to position	Jun
JAPAN	Sale	Takeda	Reduce position	Jun
UK	Purchase	Tesco	New position	Jun
UK	Sale	Compass	Reduce position	Jun

- During the quarter, we added two new positions; **Experian**, the UK-based credit information group. Experian has growth opportunities in new service areas and new geographies, and operates in a market with significant barriers to entry, and **Tesco**, a large UK-based food retailer with significant overseas operations in Eastern Europe, the US and Asia. We expect Tesco's strong free cashflow generation to be reinvested profitably in retail services and continued overseas expansion

- In addition, we added to existing holdings in **Sanofi-Aventis**, the French pharmaceuticals company, **Unilever**, the Anglo-Dutch consumer goods group, **Telefónica**, the Spanish telecommunication services provider, **Total**, the French oil company, **Astellas**, the Japanese pharmaceutical company.

- These purchases were, in part, funded by the sales of **Wharf Holdings**, the Hong Kong-based real estate group, and **OCBC**, the Singaporean bank, as well as reductions in **UPM-Kymmene**, the Finnish paper company, **Hong Kong Electric**, **Takeda** and **Compass Group**.

Performance

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MAY 31, 2011

MONDRIAN INVESTMENT PARTNERS

Period	Portfolio %	MSCI ACW Ex-US %	MSCI ACW Ex-US Value %	Relative to MSCI ACW Ex-US %	US Inflation %
December 2004	4.9	4.3	4.5	0.5	-0.4
2005	**14.9**	**16.6**	**16.5**	**-1.5**	**3.4**
2006	**30.6**	**26.7**	**29.7**	**3.1**	**2.5**
2007	**13.9**	**16.7**	**12.3**	**-2.4**	**4.1**
2008	**-38.7**	**-45.5**	**-45.5**	**12.6**	**0.1**
2009	**29.0**	**41.5**	**44.3**	**-8.8**	**2.7**
2010	**5.5**	**11.2**	**7.8**	**-5.1**	**1.3**
Quarter 1, 2011	3.8	3.4	4.6	0.4	2.0
April	5.8	4.9	4.6	0.9	N/A
May	-1.7	-2.9	-3.4	1.3	N/A
Year to Date	**8.0**	**5.3**	**5.7**	**2.6**	**2.0**
Since Inception December 1, 2004	**7.7**	**7.7**	**7.4**	**0.0**	**2.5**

Market Value: US$212,136,846

Source: Mondrian Investment Partners and MSCI

The returns presented on this page reflect a combination of developed market assets held in the separate account portion of the overall portfolio and assets held in the Delaware Pooled Trust - The Emerging Markets Portfolio ("DPT"). Performance results for the separate account are presented gross of advisory fees and other expenses associated with managing an investment advisory account. Performance results for DPT are net of management fees and expenses, but gross of contribution and withdrawal fees. Actual returns will be reduced by such fees and expenses. Please carefully review the disclosure at the back of this book for more information concerning these gross performance results including an illustration of the negative effect of advisory fees on performance. Past performance is not a guarantee of future results.

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Disclosure – All Countries World Excluding US Equity Composite

MONDRIAN INVESTMENT PARTNERS

Annual Performance

Year	Total Gross US$ Return	Total Net of Fees US$ Return	Benchmark US$ Return	Composite Standard Deviation	Benchmark Standard Deviation	Number of Portfolios	Composite Dispersion	Total Composite Assets (US$ millions)	% of Firm Assets	Total Firm Assets (US$ millions)
2001	-8.28%	-8.92%	-19.73%	14.44%	15.89%	9	0.22%	1,125.6	8.26	13,623
2002	-7.16%	-7.81%	-14.95%	15.31%	16.37%	11	0.59%	1,455.3	10.53	13,823
2003	47.74%	46.71%	40.83%	16.83%	17.92%	15	0.58%	2,155.6	10.31	20,899
2004	23.64%	22.78%	20.91%	14.53%	15.28%	22	0.28%	4,566.1	14.62	31,226
2005	14.98%	14.18%	16.62%	10.99%	11.63%	23	0.15%	5,219.6	11.92	43,794
2006	30.66%	29.75%	26.65%	8.85%	10.22%	23	0.59%	6,549.3	12.33	53,102
2007	13.88%	13.09%	16.65%	9.20%	10.63%	15	0.12%	5,200.2	8.08	64,338
2008	-38.45%	-38.87%	-45.53%	17.29%	20.88%	16	0.22%	4,051.9	8.40	48,233
2009	29.25%	28.35%	41.45%	21.24%	25.24%	13	0.26%	4,246.2	6.59	64,393
2010	5.57%	4.84%	11.15%	23.56%	27.29%	10	0.30%	3,712.2	5.43	68,386
2011 (to Mar 31)	3.81%	3.63%	3.41%	23.12%	26.66%	9	0.19%	3,718.2	5.30	70,179

Accompanying Notes Concerning Performance Calculation and GIPS® Compliance

- *This composite was created in February 1998.*
- *Past performance is not a guarantee of future results. Independent third parties have completed an annual Verification of Mondrian's firm wide claim of compliance with GIPS from 1993 to 2009. Additional third party Performance Examination under GIPS of this composite's results has also been undertaken from 1998 to 2009.*
- *A complete list and description of all firm composites is available on request.*

Mondrian Investment Partners Limited ("Mondrian") has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

The Firm is defined as all discretionary portfolios managed by Mondrian.

Mondrian is a value-oriented defensive manager seeking to achieve high real returns for its clients. Mondrian invests mainly in securities where rigorous dividend discount analysis identifies value in terms of the long-term flows of income. Mondrian's methodology is applied consistently to markets and individual securities, both bonds and equities.

The All Countries World Excluding US Equity Composite includes US dollar based discretionary fee paying portfolios, measured against the Morgan Stanley Capital International All Countries World Index excluding US or equivalent index, net of US withholding taxes. The portfolios are invested in non-US based equities with allowance for hedging and investment in Emerging Markets.

Portfolios are valued on a trade date basis using accrual accounting. Returns are calculated using the modified Dietz method and then weighted by using beginning-of-period market values to calculate the monthly composite returns. Portfolio returns are calculated net of irrecoverable withholding tax on dividend income. New portfolios are included in the first full month of investment in the composite's strategy. Terminated portfolios remain in the composite through the last full month of investment. Additional information regarding policies for calculating and reporting returns is available on request.

Composite and benchmark standard deviation are measured as the rolling 3 year annualised standard deviation of monthly returns. The dispersion of annual returns of portfolios within the composite (Composite Dispersion), is measured by the standard deviation of the equal-weighted returns of portfolios represented within the composite for the full year. Composite Dispersion is not presented if there are less than five portfolios in the composite during the year.

Performance results marked "Gross" do not reflect deduction of investment advisory fees. Investment returns will be reduced accordingly. For example, if a 1.00% advisory fee were deducted quarterly (0.25% each quarter) and the three year gross annual returns were 10.00%, 3.00% and -2.00%, giving an annualized return of 3.55% before deduction of advisory fees, then the deduction of advisory fees would result in three year net annual returns of 8.91%, 1.98% and -2.97% giving an annualized net return of 2.52%.

Performance returns marked "Net" reflect deduction of investment advisory fees and are calculated by deducting a quarterly indicative fee from the quarterly composite return. The indicative fee is defined as being the effective fee rate (or average weighted fee) at the composite's minimum account size as set out below. Actual net composite performance would be higher than the indicative performance shown because some accounts have sliding fee scales and accordingly lower effective fee rates.

Mondrian's investment advisory fees are described in Part II of its Form ADV. A representative United States fee schedule for institutional accounts is provided below, although it is expected that from time to time the fee charged will differ from the below schedule depending on the country in which the client is located and the nature, circumstances and requirements of individual clients. The fees will be charged as follows: the first US$100m at 0.70%; the next US$100m at 0.60%; and amounts over US$100m at 0.45%. Minimum segregated portfolio size of currently US$100 million (or fees equivalent thereto).

Summary Biographies

JUNE 14, 2011

MONDRIAN INVESTMENT PARTNERS

Investment Professionals & Traders

Name	Position/Title	Discipline	Former Employer	Years with MIP	Industry Experience
David Tilles	Executive Chairman	Strategy	Hill Samuel	20	37
Clive Gillmore	CEO & CIO, Global Equities	Equities/Emerging & Global	Hill Samuel	20	28
Elizabeth Desmond	Director, CIO International Equities	Equities/International	Hill Samuel	20	24
John Kirk	Deputy Chief Executive Officer	Fixed Income & Currency	Royal Bank of Canada	12	26
Nigel May	Deputy Chief Executive Officer	Equities/Global	Hill Samuel	20	24
Christopher Moth	Director, CIO GFI & Currency	Fixed Income & Currency	Guardian Royal Exchange	18	22
Hamish Parker	Director	Equities/International	Hill Samuel	20	29
Robert Akester	Senior Portfolio Manager	Equities/Emerging Markets	Hill Samuel	15	42
Brendan Baker	Senior Portfolio Manager	Equities/North America	Lombard Street Research	9	21
Joanna Bates	Senior Portfolio Manager	Fixed Income & Currency	Hill Samuel	14	28
Nigel Bliss	Senior Portfolio Manager	Equities/International	Cazenove & Co.	15	17
Ginny Chong	Senior Portfolio Manager	Equities/Emerging Markets	PricewaterhouseCoopers	10	15
Frances Cuthbert	Senior Portfolio Manager	Equities/Small Cap	Deutsche Bank	12	12
Gregory Halton	Senior Portfolio Manager	Equities/Emerging Markets	Deutsche Asset Management Ltd	7	11
Ormala Krishnan	Senior Portfolio Manager	Equities/Small Cap	Koeneman Capital Management	11	18
Emma Lewis	Senior Portfolio Manager	Equities/International	Fuji Investment	15	21
Russell Mackie	Senior Portfolio Manager	Equities/International	Hodgson Martin Ltd.	13	16
Andrew Miller	Senior Portfolio Manager	Equities/Emerging Markets	PricewaterhouseCoopers	11	12
Solomon Peters	Senior Portfolio Manager	Fixed Income & Currency	CEBR	10	14
Dan Philps	Senior Portfolio Manager	Fixed Income & Currency	Dresdner Bank	12	16
Andrew Porter	Senior Portfolio Manager	Equities/International	Frank Russell	7	11
David Wakefield	Senior Portfolio Manager	Fixed Income & Currency	Bank of England	9	18
Graeme Coll	Portfolio Manager	Equities/Emerging Markets	Ernst & Young	6	12
Matt Day	Portfolio Manager	Fixed Income & Currency	Buck Consultants	3	9
Steven Dutaut	Portfolio Manager	Equities/International	Baillie Gifford	3	7
Aileen Gan	Portfolio Manager	Equities/International	Accenture	5	11
Richard Ginty	Portfolio Manager	Equities/North America	Kleinwort Benson	18	23
Bhavin Manek	Portfolio Manager	Equities/Small Cap	Mercer Investment Consulting	5	7
Kim Nguyen	Portfolio Manager	Equities/North America	Citigroup Asset Management	7	7
Aidan Nicholson	Portfolio Manager	Equities/Small Cap	Cazenove & Co.	7	9
Melissa Platt	Portfolio Manager	Equities/International	FundSource Research	7	13
Alex Simcox	Portfolio Manager	Equities/International	Ernst & Young LLP	3	7
Bilgin Soylu	Portfolio Manager	Equities/International	Yapi Kredi Bank	10	11
Jonathan Spread	Portfolio Manager	Equities/International	Morley Fund Management	6	11
Amice Tiernan	Portfolio Manager	Equities/North America	ING	6	14
Boris Veselinovich	Portfolio Manager	Equities/Emerging Markets	Challenger International	10	12
Dinash Lakhani	Senior Research Analyst	Equities/International	Abu Dhabi Investment Authority	10	27
Alastair Cornwell	Asst. Portfolio Manager	Equities/Small Cap	PricewaterhouseCoopers	3	3
Kevin Fenwick	Asst. Portfolio Manager	Fixed Income & Currency	Wilshire Associates	3	7
James Francken	Asst. Portfolio Manager	Equities/North America	Investec Asset Management	2	4
Dan Kelly	Asst. Portfolio Manager	Equities/Emerging Markets	Deloitte LLP	1	4
Luigi Li Calzi	Asst. Portfolio Manager	Equities/Strategy	Matterhorn Investments	2	3
Paul Thompson	Asst. Portfolio Manager	Equities/North America	Deloitte LLP	1	5
Brian Heywood	Implementation Manager	Equities	Mercury Asset Management	14	16
Alan Fedarb	Portfolio Managers' Asst.	Equities	Gartmore Fund Managers	14	21
Samantha Pollard	Portfolio Managers' Asst	Equities	Lambeth Building Society	5	11
Vinit Shah	Portfolio Managers' Asst	Equities	State Street Bank	5	14
Stuart Thomas	Portfolio Managers' Asst	Equities	ABN AMRO Asset Management	2	11
Sandy Beveridge	Senior Trading Manager	Trading Desk	IDS International Inc	20	39
Natalie Stone	Senior Trader	Trading Desk	WestAM	6	16
Ian Taylor	Senior Trader	Trading Desk	Invesco Asset Management Ltd	<1	18
Arthur van Hoogstraten	Trading Technology Specialist	Trading Desk	Banque Paribas	13	23
Clark Simpson	Trader	Trading Desk	None	9	9

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Summary Biographies

JUNE 14, 2011

MONDRIAN INVESTMENT PARTNERS

Client Service Professionals

Name	Position/Title	Former Employer	Years with MIP	Industry Experience
Michael Seymour	Head of Global Client Services (ex-N America), London	SEI Investments	1	24
Andrew Kiely	Manager, Client Services, London	Bank of Ireland Asset Management	5	14
Jenny Phimister	Manager, Client Services, London	Hill Samuel Investment Management	10	21
Paul Ross	President, MIP (U.S.), Inc., Philadelphia	The Travelers Corporation*	17*	29
Patricia Karolyi	Executive Vice President, MIP (U.S.), Inc., Philadelphia	Blank, Rome, Comisky & McCauley*	19*	22
James Brecker	Senior Vice President, Client Services, MIP (U.S.), Inc., Philadelphia	None*	11*	11
Laura Conlon	Senior Vice President, Client Services, MIP (U.S.), Inc., Philadelphia	Morgan Lewis & Bockius, LLP*	13*	14
James Hill	Senior Vice President, Client Services, MIP (U.S.), Inc., Philadelphia	PNC Equity Advisors*	13*	20
Justin Richards	Senior Vice President, Client Services, MIP (U.S.), Inc., Philadelphia	None*	11*	11
Todd Rittenhouse	Senior Vice President, Client Services, MIP (U.S.), Inc., Philadelphia	Chartwell Investment Partners*	11*	20
Steve Starnes	Senior Vice President, Client Services, MIP (U.S.), Inc., Philadelphia	1838 Investment Advisers*	9*	30

*Prior to joining Mondrian Investment Partners (U.S.), Inc. in September 2004, these individuals worked with Delaware Investments. Delaware Investments was an affiliate of Mondrian Investment Partners Limited prior to the management buy-out and name change of September 2004. The listing for "Former Employer" denotes the individual's employer prior to joining Delaware Investments. The listing for "Years with MIP" includes both years with Delaware Investments and MIP (U.S.), Inc. Todd Rittenhouse rejoined in 2007 after having worked with Delaware Investments from 1992 – 1999.

Senior Investment Staff and Senior Management

MONDRIAN INVESTMENT PARTNERS

David G. Tilles

EXECUTIVE CHAIRMAN

Mr. Tilles was educated at the Sorbonne, Warwick University and Heidelberg University. Prior to joining Mondrian in 1990 as founding Managing Director & Chief Investment Officer he spent 16 years with Hill Samuel in London, serving in a number of investment capacities. Mr. Tilles was appointed Executive Chairman in November 2007. Mr. Tilles holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Clive A. Gillmore

CHIEF EXECUTIVE OFFICER
& CIO GLOBAL EQUITIES

Mr. Gillmore is a graduate of the University of Warwick and has completed the Investment Management Program at the London Business School. In 1990, Mr. Gillmore joined Mondrian Investment Partners' predecessor organization as a founding member, having previously worked as a Senior Portfolio Manager for Hill Samuel Investment Advisers Ltd., and a Portfolio Manager at Legal and General Investment Management. He has over twenty years' experience analyzing equity markets and securities around the world and has managed client portfolios with a wide range of mandates. Mr. Gillmore is CEO of Mondrian, CIO of Global Equities and he is a member of Mondrian's Equity Strategy Committee, Chairman of the Emerging Markets Strategy Committee (where his research specialization lies) and a member of the Management Steering Committee.

Elizabeth A. Desmond

DIRECTOR, CHIEF INVESTMENT OFFICER
INTERNATIONAL EQUITIES

Ms. Desmond is a graduate of Wellesley College and the Masters Program in East Asian Studies at Stanford University. After working for the Japanese government for two years, she began her investment career as a Pacific Basin investment manager with Shearson Lehman Global Asset Management. Prior to joining Mondrian in 1991, she was a Pacific Basin Equity Analyst and Senior Portfolio Manager at Hill Samuel Investment Advisers Ltd. Ms. Desmond is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of the UK.

John Kirk

DEPUTY CHIEF EXECUTIVE OFFICER

Mr. Kirk is a Math graduate from the University of Wales and has an MA in operations research from Lancaster University. Before joining Mondrian in 1998, Mr. Kirk was at Royal Bank of Canada in London, where he was responsible for European and Asian Fixed Income. Mr. Kirk started his career at Ford Motor Company as a member of their operations research group. Mr. Kirk leads our credit research and heads the Global Credit Valuation Committee.

Nigel G. May

DEPUTY CHIEF EXECUTIVE OFFICER

Mr. May is a graduate of Sidney Sussex College, Cambridge University, where he completed his Masters in Engineering. He joined Mondrian in 1991. Having led the European Team's research effort since 1995, he is now on the investment committee for several of Mondrian's investment products. Mr. May was formerly a Senior Portfolio Manager and analyst with Hill Samuel Investment Advisers Ltd., having joined the Hill Samuel Investment Group in 1986.
Mr. May holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Christopher A. Moth

DIRECTOR, CHIEF INVESTMENT OFFICER
GLOBAL FIXED INCOME & CURRENCY

Mr. Moth is an Actuarial graduate from The City University in London, and was later awarded the Certificate in Finance & Investment from the London Institute of Actuaries. He joined Mondrian in 1992, after working for the GRE insurance company where he was responsible for quantitative models and projections. He has made key contributions to the development of Mondrian's fixed income product, and was primarily responsible for the structure of the company's in-house systems to control and facilitate the investment process. Mr. Moth chairs the Global Fixed Income and Currency Committee meeting.

Hamish O. Parker

DIRECTOR

Mr. Parker has a degree from St. Johns College, Oxford. He began his investment career in 1981 as a Portfolio Manager for the Kuwait Investment Office, London, before joining J. Rothschild Holdings. Prior to joining Mondrian in 1990, he was with Hill Samuel Investment Advisers Ltd, which he joined in 1986 as a European Analyst and Senior Portfolio Manager.

John Emberson

DIRECTOR, CHIEF OPERATING OFFICER

Mr. Emberson is a member of the Institute of Chartered Accountants in England and Wales and has completed an MBA. Upon joining Mondrian in 1991, he assumed the role of business manager and compliance officer and is now responsible for all operating functions. He began his career with Dearden Farrow, where his specialization was the auditing of organizations in the investment management business. He joined Touche, Remnant & Co. in 1987 as head of finance and planning. In addition to the above, Mr. Emberson is also responsible for management information systems, with which he has extensive experience.

Paul M. Ross

PRESIDENT
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Mr. Ross is a graduate of the University of Connecticut, where he earned an MBA, and Western Connecticut State University, where he earned a Bachelor of Business Administration degree. Prior to joining Mondrian's former affiliate in 1993, he spent eleven years in the institutional client service, consultant relations and business development group at The Travelers Corporation. In his present position, he is responsible for managing Mondrian's North American client service, consultant relations and marketing activities. Mr. Ross is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of Philadelphia.

Patricia M. Karolyi

EXECUTIVE VICE PRESIDENT
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Ms. Karolyi is a graduate of Villanova University, where she earned an MBA, and Temple University, where she earned a Bachelor of Science degree. She began her investment career at Mondrian's former affiliate in 1989, where she had increasing roles in the marketing and client service areas. In her present position, she is responsible for client service, marketing and consultant relations. Ms. Karolyi is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of Philadelphia.

Investment Staff

MONDRIAN INVESTMENT PARTNERS

Robert Akester

SENIOR PORTFOLIO MANAGER

A graduate of University College, London, Mr. Akester joined Mondrian in 1996. Prior to joining Mondrian he was a Director of Hill Samuel Investment Management where he had responsibility for significant overseas clients and Far Eastern markets. He has 40 years of investment experience, including over 30 years of involvement in emerging markets. Mr. Akester is a Senior Portfolio Manager in the Emerging Markets Team.

Brendan Baker

SENIOR PORTFOLIO MANAGER

Mr. Baker has a BSc in History and an MSc in Economics from the University of London. He commenced his career as a financial journalist covering UK markets. On completing his MSc, Mr. Baker moved to Lombard Street Research, a leading UK economics consultancy. As a Senior Economist there, he worked on global economic analysis and financial markets strategy. He joined Mondrian in 2001. Mr Baker is a Senior Portfolio Manager with the US Equities Team and is a member of the Global Equity Strategy Committee.

Joanna Bates

SENIOR PORTFOLIO MANAGER

Ms. Bates is a graduate of London University. She joined Mondrian's Fixed Income Team in 1997, before which she was Associate Director of Fixed Interest at Hill Samuel Investment Management. She has also worked for Fidelity International and Save & Prosper as a fund manager and analyst for global bond markets. At Mondrian, Ms. Bates is a Senior Portfolio Manager with many client relationships including those based in Japan. Her research specialities are emerging market currencies and debt. Ms. Bates holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Nigel A. Bliss

SENIOR PORTFOLIO MANAGER

Mr. Bliss has a BA (Hons) Degree in Geography from the University of Manchester. He holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK. He commenced his career at Cazenove & Co. and moved to join Mondrian in 1995. Mr. Bliss is a Senior Portfolio Manager in the Non-US Equity Team. He has had significant experience analyzing securities in the Pacific Basin region and in the global materials, utilities, property and industrials sectors. Mr. Bliss is a member of Mondrian's Non-US Equity Strategy Committee.

Ginny Chong

SENIOR PORTFOLIO MANAGER

Prior to joining Mondrian in 2000, Ms. Chong worked for PricewaterhouseCoopers in Vancouver, within the Corporate Finance and Investment Banking Division where she qualified as a Canadian Chartered Accountant. Ms. Chong has a degree in Commerce from the University of British Columbia, Vancouver. Ms. Chong is presently a Senior Portfolio Manager within the Emerging Markets Team. Ms. Chong is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Frances M. Cuthbert

SENIOR PORTFOLIO MANAGER

Ms. Cuthbert is a graduate of the University of Edinburgh where she completed a MA (Hons) degree in Economics. She commenced her career at Deutsche Bank before joining Mondrian in 1999 with responsibilities in the International Small Capitalisation Team. Ms. Cuthbert is a CFA Charterholder, a member of the CFA Institute and a member of the CFA Society of the UK.

Gregory J.P. Halton

SENIOR PORTFOLIO MANAGER

Having graduated from St Catherine's College, Oxford in 2000 with a MEng (Hons) in Engineering Science, Mr. Halton worked in the global equity division of Deutsche Asset Management before joining Mondrian in 2004. Mr. Halton is a Senior Portfolio Manager within the Emerging Markets Team. Mr. Halton is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Ormala Krishnan

SENIOR PORTFOLIO MANAGER

Dr. Krishnan heads Mondrian's International Small Capitalisation Team. Dr. Krishnan started her investment career in 1993 with Singapore based Koeneman Capital Management. Prior to joining Mondrian in 2000 as a portfolio manager, Dr. Krishnan was an investment consultant with William M Mercer. Upon completion of her BSc in Pure and Applied Mathematics from the National University of Singapore, Dr. Krishnan achieved her MSc in Actuarial Science from City University, London. In 2006, Dr. Krishnan completed her Doctoral program in Investment and Finance from Sir John Cass Business School, City of London. Her doctoral thesis was on 'Value versus Growth in the Asian Equity Markets'.

Emma R. E. Lewis

SENIOR PORTFOLIO MANAGER

Ms. Lewis is a graduate of Pembroke College, Oxford University, where she completed her Masters in Philosophy and Theology. She joined Mondrian in 1995, assuming analytical responsibilities in the Non-US Equity Team. Ms. Lewis is currently a Senior Portfolio Manager at Mondrian where she manages international portfolios. Prior to joining Mondrian, Ms. Lewis began her investment career at the Dutch bank ABN AMRO and later joined Fuji Investment Management. Ms. Lewis holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Russell J. Mackie

SENIOR PORTFOLIO MANAGER

A graduate, with Honours in European Studies and French from the University of Dundee and the Université de Grenoble, France. Mr. Mackie joined Mondrian in 1997, previously he was an Investment Analyst for Hodgson Martin Ltd. Prior to that he worked for the European Commission in Brussels. Mr. Mackie holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK. Mr. Mackie is a Senior Portfolio Manager in the Non-US Equity Team. He has had significant experience in analyzing securities in Europe and in global consumer sectors. Mr. Mackie is a member of Mondrian's Non-US Equity Strategy Committee.

Andrew Miller

SENIOR PORTFOLIO MANAGER

Mr. Miller is a graduate of the University of Birmingham. Prior to joining Mondrian in 2000, he worked in the Investment Management department of PricewaterhouseCoopers, where he was responsible for the analysis and audit of various investment vehicles. Mr. Miller is presently a Senior Portfolio Manager within the Emerging Markets Team. Mr. Miller holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Solomon O. Peters

SENIOR PORTFOLIO MANAGER

Mr. Peters joined Mondrian's Fixed Income Team in 2000. He has a BA in Economics from King's College, Cambridge and an MSc in Economics and Econometrics from Southampton University. After a period with the UK Government Statistical Service, he moved to research consulting at the Centre for Economics and Business Research (CEBR), specializing in econometric forecasting. Mr. Peters has helped to further develop Mondrian's proprietary inflation forecasting models, and also supplies quantitative support to our credit research. Mr. Peters is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Daniel G. Philps

SENIOR PORTFOLIO MANAGER

Mr. Philps joined Mondrian in 1998. He has a BSc from London University (King's College). Before joining Mondrian, Mr. Philps was a consultant to the derivatives businesses of Dresdner KB, Bankers Trust and Barclays Capital where he specialized in building pricing, risk and value models. At Mondrian he is a Senior Portfolio Manager and had a lead role in building our in-house proprietary credit analysis system. As a member of the Global Fixed Income and Currency Committee Mr. Philps has primary responsibility for credit research. Mr. Philps is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Andrew R. Porter

SENIOR PORTFOLIO MANAGER

Mr. Porter studied at Magdalen College, Oxford University graduating with a first class degree in Chemistry. He also has an MSc in Economics from the University of London. Mr. Porter started his career as a consultant and trainee chartered accountant at Deloitte and Touche. Prior to joining Mondrian in 2003, Mr. Porter worked at Frank Russell, part of the team managing the multi-manager funds in the Asia Pacific region. Mr. Porter is a CFA Charterholder, a member of the CFA Institute and a member of the CFA Society of the UK.

David J. Wakefield

SENIOR PORTFOLIO MANAGER

Mr. Wakefield joined Mondrian in 2001. He took both a BSc and an MSc in Economics from the University of Warwick. Prior to joining Mondrian, Mr. Wakefield was an economic adviser to the Monetary Policy Committee of the Bank of England, and formerly an economic adviser to the UK Treasury Department, specializing in inflation forecasting in both positions. At Mondrian, he is a Senior Portfolio Manager and an active member of the Global Fixed Income and Currency Committee, where he utilizes his extensive inflation forecasting experience. Mr. Wakefield is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Investment Staff (continued)

MONDRIAN INVESTMENT PARTNERS

Graeme R. Coll
PORTFOLIO MANAGER

Mr. Coll is a graduate of the University of the Witwatersrand, South Africa where he completed his Bachelor of Commerce with Honours. Prior to joining Mondrian in 2005, Mr. Coll was an Assistant Director at Ernst & Young Corporate Finance in London. Previously, he was employed at Deloitte & Touche in both New York and Johannesburg in their Financial Advisory Services Practice. Mr. Coll is a Portfolio Manager within the Emerging Markets Team. Mr. Coll is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Matt Day
PORTFOLIO MANAGER

Mr. Day joined the Mondrian Global Fixed Income & Currency Team in 2007. Prior to this, he worked at Buck Consultants in their investment and actuarial divisions, specialising in the development of stochastic asset and liability models for UK pension schemes. At Mondrian, Mr. Day is a quantitative analyst responsible for the continuing development of the company's proprietary inflation and mortgage backed securities models. Mr. Day has a BSc in Economics with Actuarial Studies from the University of Southampton and is a Fellow of the Institute of Actuaries.

Steven Dutaut
PORTFOLIO MANAGER

Mr. Dutaut holds a BA in Business Finance from the University of Durham and a M.Litt. in Management, Economics and International Relations from the University of St. Andrews. After completing his postgraduate degree, Mr. Dutaut worked in Bank of America's investment banking division for one year, followed by two years as an investment analyst for Baillie Gifford. Mr. Dutaut joined Mondrian as an Assistant Portfolio Manager in the Non-US Equity Team in 2007. Mr. Dutaut is a CFA Charterholder, a member of the CFA Institute and a member of the CFA Society of the UK.

Aileen Gan
PORTFOLIO MANAGER

Ms. Gan is a Commerce graduate from the University of Melbourne, Australia and holds a Masters of Commerce degree from the University of New South Wales, Australia. Prior to joining Mondrian in 2005, she was a consultant at Accenture, specialising in the financial services sector, firstly in Singapore and subsequently in the UK. Ms. Gan is a CPA (Australia) and CFA Charterholder. She is also a member of the CPA Australia, the CFA Institute and the CFA Society of the UK.

Richard J. Ginty
PORTFOLIO MANAGER

A graduate of Sheffield University, Mr. Ginty joined Mondrian in 1993. He began his investment career with Fiduciary Trust International in 1988 and subsequently moved to Kleinwort Benson Securities Limited. His primary research focus at Mondrian is in the Non-US Equity markets. Mr. Ginty holds the ASIP designation.

Bhavin Manek
PORTFOLIO MANAGER

Mr. Manek is a graduate of the London School of Economics where he achieved a First Class Honours degree in Economics. Mr. Manek started his career at Mercer Investment Consulting where he worked for 3 years as an Investment Analyst, before joining Mondrian in 2006. Mr. Manek is a Portfolio Manager on the International Small Capitalisation Team. Mr. Manek is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Kim Nguyen
PORTFOLIO MANAGER

Ms. Nguyen is a graduate of the University of New South Wales where she completed her Bachelor of Laws and Bachelor of Commerce (Finance). On graduation in 2000, Ms. Nguyen joined Credit Suisse as a Legal and Compliance Analyst. Ms. Nguyen has also worked with Citigroup and Invesco before joining Mondrian in 2004 where she had been working as a Compliance Executive before accepting a position as Assistant Portfolio Manager with the North American Team in 2005. Ms. Nguyen is a CFA Charterholder and a member of the CFA Institute and the CFA Society of the UK.

Aidan Nicholson
PORTFOLIO MANAGER

Having graduated from Pembroke College, Oxford with a Masters in Engineering, Economics & Management, Mr. Nicholson worked at Cazenove & Co. in the UK Smaller Companies Team, before moving to Mondrian in 2003 where he is a Portfolio Manager on the International Small Capitalisation Team. Mr. Nicholson is a CFA Charterholder, a member of the CFA Institute and a member of the CFA Society of the UK.

Melissa J. A. Platt
PORTFOLIO MANAGER

Ms. Platt is an Economics and Finance graduate of Massey University, New Zealand. She started her career as a consultant at KPMG Corporate Finance. She then moved to FundSource Research for 3 years as an Investment Analyst and later as Research Manager. Ms. Platt joined Mondrian in 2004 and is a Portfolio Manager in the Non-US Equity Team. Ms. Platt is a CFA Charterholder, a member of the CFA Institute and a member of the CFA Society of the UK.

Alex Simcox
PORTFOLIO MANAGER

Mr. Simcox graduated from Robinson College, Cambridge with an MA in History. He worked at Ernst and Young LLP for four years, where he qualified as a Chartered Accountant, before joining the Non-US Equity Team at Mondrian in 2007. Mr. Simcox is a CFA Charterholder, and a member of the CFA Institute, the CFA Society of the UK, and the Institute of Chartered Accountants of Scotland.

Bilgin Soylu
PORTFOLIO MANAGER

Dr. Soylu holds a Science/Engineering PhD from Cambridge University. Following nine years in scientific research and project management at Cambridge University and having gained an MBA, he moved from the academic world to join a consultancy specialising in Telecommunications. Dr. Soylu's most recent position before joining Mondrian in 2000, was as senior telecoms/technology analyst for Yapi Kredi Bank, the largest private bank in Turkey. Dr. Soylu is a Portfolio Manager in the Non-US Equity Team. Dr. Soylu is a member of the CFA Institute and a member of the CFA Society of the UK.

Jonathan Spread
PORTFOLIO MANAGER

Mr. Spread graduated from Durham University in 1999 with a BSc in Computer Science and joined Morley Fund Management as part of their Pan-European research team. He joined Mondrian in 2005 and continues to focus on Non-US banks and insurers. Mr. Spread is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Amice Tiernan
PORTFOLIO MANAGER

Ms. Tiernan graduated from the University of Bristol in 1996 with a BSc in Mathematics. After completing her degree, she worked in the Financial Services department at PricewaterhouseCoopers for 6 years where she qualified as a Chartered Accountant. She then joined ING as an internal auditor, before moving to Mondrian in 2005. Ms. Tiernan is a Portfolio Manager in the North American Team. Ms. Tiernan is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Boris Veselinovich
PORTFOLIO MANAGER

Mr. Veselinovich is an Economics and Quantitative Finance graduate from the University of Western Australia and holds an MSc in Mathematical Trading and Finance from CASS Business School, London. He commenced his career as an Investment Research Analyst at Challenger International in Australia covering the local equity market. He joined Mondrian in 2001 and has since worked on global equity coverage as well as new product development initiatives. Mr. Veselinovich has the IMC designation, the Securities and Investment Institute Certificate in Derivatives and is a member of the CFA Institute and CFA Society of the UK.

Dinash V. Lakhani
SENIOR RESEARCH ANALYST

Mr. Lakhani holds a joint Honours degree in Chemical Engineering and Management Sciences from Imperial College, London and an MBA from Manchester Business School. After completing his degree in 1983, he joined Fleming Investment Management in London, where he gained wide ranging experience in fund management. Prior to joining Mondrian, in 2000, Mr. Lakhani worked as a Senior Investment Analyst at the Abu Dhabi Investment Authority in Abu Dhabi covering the energy and utility sectors across Europe. Mr. Lakhani is a Senior Research Analyst in the Non-US Equity Team.

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Investment Staff (continued)

MONDRIAN INVESTMENT PARTNERS

Alastair Cornwell
ASSISTANT PORTFOLIO MANAGER

Mr. Cornwell graduated from Imperial College, London with a BSc (Hons) degree in Physics. He started his career at Mondrian as an Investment Administrator in 2008, subsequently joining the International Small Capitalisation Team in 2010. Mr. Cornwell holds the IMC designation and is a CFA candidate.

Kevin Fenwick
ASSISTANT PORTFOLIO MANAGER

Mr. Fenwick is an Economics graduate from the University of Cambridge and also holds a Masters degree in Computer Science from the University of Adelaide, Australia. He joined Mondrian in 2008, working in the Performance and Attribution Department, and became a member of the Global Fixed Income and Currency team in 2010. Directly before joining Mondrian, Mr. Fenwick worked for Wilshire Associates in their portfolio analytics division. He started his career at Touche Ross & Co as an auditor and forensic accountant and, for a number of years, was a Professor at the City University of New York, where he taught algorithms and logic. Mr. Fenwick is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

James Francken
ASSISTANT PORTFOLIO MANAGER

Mr. Francken is a graduate of Exeter College, Oxford University and Emmanuel College, Cambridge University and holds an MBA in Finance from London Business School. Prior to joining Mondrian in 2009, he worked for Investec Asset Management. Mr. Francken is an Assistant Portfolio Manager in the North American Team.

Dan Kelly
ASSISTANT PORTFOLIO MANAGER

Mr. Kelly graduated from the University of Leeds in 2004, with a BSc. (Hons) degree in Mathematics with Philosophy. He subsequently worked in the Financial Services department of Deloitte LLP for three years, where he qualified as a Chartered Accountant. He joined the Mondrian Emerging Markets Equity Team in 2009. Mr. Kelly is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Luigi Li Calzi
ASSISTANT PORTFOLIO MANAGER

Mr. Li Calzi holds an MSc in Physics from the University College, London, and an MSc in Quantitative Finance from the Sir John Cass Business School, London. Prior to joining Mondrian in 2008 he worked for Matterhorn Investment Management, a London based fund specialising in emerging markets.

Paul Thompson
ASSISTANT PORTFOLIO MANAGER

Mr. Thompson graduated from St. Peter's College, Oxford University, with a BA (Hons) degree in Modern History and Politics in 2006. He spent three years in the financial services practice of Deloitte LLP, where he qualified as a Chartered Accountant. He joined the Mondrian US Equity Team in 2009. Mr. Thompson is a member of the Institute of Chartered Accountants in England and Wales and is a candidate for Level II of the CFA Program.

Brian Heywood
IMPLEMENTATION MANAGER

Mr. Heywood is a graduate of the University of Bournemouth, where he achieved a BA (Hons) degree in Financial Services. He commenced his career at Mercury Asset Management. Mr. Heywood joined the Investment Administration department of Mondrian in 1996, and three years later was promoted to the investment staff. Mr. Heywood holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Alan Fedarb
PORTFOLIO MANAGER'S ASSISTANT

Prior to joining Mondrian, Mr. Fedarb spent seven years at Gartmore Investment Management. He joined the Investment Administration department of Mondrian in 1997, and was promoted to the investment staff in 2000. Mr. Fedarb has the IMC designation.

Samantha Pollard
PORTFOLIO MANAGER'S ASSISTANT

Ms. Pollard graduated from Kingston University with a BA (Hons) in Accountancy and Law. After completing her degree, she worked for Newton Investment Partners for 3 years where she qualified as an accountant. She joined Mondrian in 2005 as management accountant and in 2008 transferred to the investment staff. Ms. Pollard has the IMC designation and passed Level I of the CFA in 2009.

Vinit Shah
PORTFOLIO MANAGERS' ASSISTANT

Mr. Shah graduated from Leicester University in 1997 with a BSc (Hons) in Mathematics and Computer Science. Prior to joining Mondrian in 2005 Mr. Shah worked for State Street Bank for 5 years in the Client service department. Mr. Shah has the IMC designation and is a CFA candidate.

Stuart Thomas
PORTFOLIO MANAGERS' ASSISTANT

Mr. Thomas graduated from Leicester University in 1997 with a BA (Hons) in Business Economics. Prior to joining Mondrian in 2008 Mr. Thomas worked for ABN AMRO Asset Management for 2 years in the trade reconciliations department. Mr. Thomas has the IMC designation and is a CFA candidate.

Sandy Beveridge
SENIOR TRADING MANAGER

Mr. Beveridge joined Morgan Grenfell Investment Division in 1972 and was an international trader with that organization between 1984 and 1988. Prior to joining Mondrian in 1990, as Trading Manager, he was a trader at IDS International Inc., in London.

Natalie Stone
SENIOR TRADER

Ms. Stone holds a BSc (Hons) degree in Maths and Physics from Leeds University. She started her career in investment administration at Pictet Asset Management. Ms. Stone then moved to WestLB Asset Management as a dealer and progressed to Head of Dealing, trading all instruments. After nearly 8 years at WestAM, she joined Mondrian in 2004. Ms. Stone has the IMC designation.

Ian Taylor
SENIOR TRADER

Prior to joining Mondrian as a Senior Trader in 2010, Mr. Taylor worked at Invesco Asset Management Ltd. since 1995. The first seven years of his career there were spent as a Treasury Dealer specialising in cash management and foreign exchange. A further eight years were spent as a Fixed Income Dealer, and later Senior Fixed Income Dealer, trading a full spectrum of fixed income products. During his tenure at Invesco, Mr. Taylor completed the Investment Administration Qualification and the Investment Management Certificate.

Arthur van Hoogstraten
TRADING TECHNOLOGY SPECIALIST

Mr. van Hoogstraten has a degree in Electronics from the HTS Rens & Rens in Hilversum, Netherlands and holds the CFA UK Level 3 Certificate in Investment Management. He has over 22 years experience in Information Technology and before joining Mondrian in 1998, he worked for Siemens, ABN Amro and Banque Paribas in systems development and project management roles.

Clark Simpson
TRADER

Mr. Simpson holds a BA Honours degree in Sociology from the University of Essex. Prior to joining Mondrian's Trading Team in June 2010 Mr. Simpson spent seven years as a Compliance Executive at Mondrian. Mr Simpson has successfully completed the Investment Administration Qualification and the Investment Management Certificate. Mr. Simpson is a Member of the UK Chartered Institute for Securities & Investment and holds both the diploma in Investment Compliance and the full Securities Institute diploma.

Client Service Staff – London & Philadelphia

MONDRIAN INVESTMENT PARTNERS

LONDON:

Michael Seymour

HEAD OF GLOBAL CLIENT SERVICES
(EX-N AMERICA)

Mr. Seymour has a BSc in Mechanical Engineering from Cardiff University. Prior to joining Mondrian in 2010, he worked for SEI Investment as a Client Investment Strategist. He has over twenty years in the industry mostly with Deutsche Asset Management and Fidelity. His experience covers both client service and work as an investment specialist in global and emerging market equities. At Mondrian, Mr Seymour is part of the client service team. He holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Andrew Kiely

MANAGER, CLIENT SERVICES

Mr. Kiely has a BA in Economics from University College Dublin and an MSc in Investment & Treasury from Dublin City University. Prior to joining Mondrian in 2006, Mr. Kiely worked for 6 years in client services and marketing for Bank of Ireland Asset Management in the United States. Before this, Mr. Kiely was a junior equity analyst with ABN Amro in Dublin. In his present position, his responsibilities include UK based Consultant liaison and client servicing. Mr. Kiely holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

Jenny Phimister

MANAGER, CLIENT SERVICES

Ms. Phimister is a graduate of The Open University, and is a holder of the Investment Management Certificate. She joined Mondrian's Client Service Team in 2000 from Hill Samuel Investment Management, where she was a Client Service Manager. Ms. Phimister has many years experience in liaising with international clients particularly in Japan and the Middle East.

PHILADELPHIA:

Paul M. Ross

PRESIDENT
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Mr. Ross is a graduate of the University of Connecticut, where he earned an MBA, and Western Connecticut State University, where he earned a Bachelor of Business Administration degree. Prior to joining Mondrian's former affiliate in 1993, he spent eleven years in the institutional client service, consultant relations and business development group at The Travelers Corporation. In his present position, he is responsible for managing Mondrian's North American client service, consultant relations and marketing activities. Mr. Ross is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of Philadelphia.

Patricia M. Karolyi

EXECUTIVE VICE PRESIDENT
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Ms. Karolyi is a graduate of Villanova University, where she earned an MBA, and Temple University, where she earned a Bachelor of Science degree. She began her investment career at Mondrian's former affiliate in 1989, where she had increasing roles in the marketing and client service areas. In her present position, she is responsible for client service, consultant relations, and marketing. Ms. Karolyi is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of Philadelphia.

James F. Brecker III

SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Mr. Brecker is a Cum Laude graduate of the University of Richmond, where he earned a Bachelor of Science degree in Business Administration. Prior to his current role, he worked in a marketing and client service role at Mondrian's former affiliate. In his present position, he is responsible for client service, consultant relations, and marketing. Mr. Brecker is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of Philadelphia.

Laura A. Conlon

SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Ms. Conlon is a Summa Cum Laude graduate of Rosemont College where she earned a Bachelor of Science degree in Business Administration. Ms. Conlon worked at Morgan, Lewis & Bockius, LLP before joining Mondrian's former affiliate in 1997 where she had increasing roles in the marketing and client service areas. In her present position, she is responsible for client service, consultant relations, and marketing. Ms. Conlon is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of Philadelphia.

James H. Hill

SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Mr. Hill is a graduate of Saint Joseph's University, where he earned a Bachelor of Arts degree in Political Science. He has held positions in marketing and client services for PNC Equity Advisors and Provident Capital Management. Prior to joining Mondrian, he was an Investment Specialist for Growth Equities at Mondrian's former affiliate. In his present position, Mr. Hill is responsible for client service, consultant relations, and marketing.

Justin A. Richards

SENIOR VICE PRESIDENT,
CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Mr. Richards is a graduate of Temple University, where he earned an MBA with Honors, and a Cum Laude graduate of Gettysburg College, where he earned a Bachelor of Arts degree in Economics and Japanese Studies. Mr. Richards worked for the Japanese government as a participant in the Japan Exchange Teaching Programme, before joining Mondrian's former affiliate in 2000, where he worked in various client service and marketing roles. In his present position, Mr. Richards is responsible for client service, consultant relations, and marketing.

E. Todd Rittenhouse

SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Mr. Rittenhouse is a graduate of LaSalle University where he earned a Bachelor of Science degree in Business Administration. He worked at Mondrian's former affiliate from 1992 to 1999, where he was a Vice President in the Client Services Group. Prior to joining Mondrian, he was a Partner in the Client Services Group at Chartwell Investment Partners, where he worked for eight years. In his present position, Mr. Rittenhouse is responsible for client service, consultant relations, and marketing.

Stephen W. Starnes

SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC.

Mr. Starnes is a graduate of Hamilton College, where he earned Bachelor of Arts degree in Sociology. He began his investment career at Bache, Halsey, Stuart, Shields (now Wells Fargo) in 1983. After spending 10 years at 1838 Investment Advisors, LLC as a Partner and Director, he joined Mondrian's former affiliate in 2002 as head of Wealth Management and Managed Accounts. Mr. Starnes was seconded in August 2006 to Mondrian's London office where he acted as Senior Manager for European and Australasian clients. In March 2009, he returned to the Mondrian US office. In addition to work with the institutional client base, he acts as the Investment Specialist for International Equity ADR portfolio.

Operations Senior Staff

MONDRIAN INVESTMENT PARTNERS

John L. Barrett

CHIEF COMPLIANCE OFFICER

Mr. Barrett is a Fellow of the UK Chartered Institute for Securities & Investment and holds the Securities Institute diploma. Prior to joining Mondrian in 2001, he spent 8 years with Newton Investment Management as Deputy Head of Compliance. Mr. Barrett began his financial services career in 1988 at the Investment Management Regulatory Organisation (IMRO), a UK regulatory body which now forms part of the Financial Services Authority (FSA). At IMRO he held a variety of positions including Team Leader with responsibilities for carrying out regulatory examinations of regulated firms.

Paul J. Fournel

CHIEF TECHNOLOGY OFFICER

Mr. Fournel joined Mondrian in 1995 with 9 years experience within offshore investment management companies, latterly with S.G.Warburg KAG in Frankfurt. He was initially recruited as Investment Administration Manager, which at that time included responsibility for systems. As the Company has expanded, Mr. Fournel has concentrated on the Information Technology development and is now responsible for all IT Management and Projects at Mondrian.

Jane S. Goss

GENERAL COUNSEL

Ms. Goss is a graduate of Tufts University and the American University - Washington College of Law. Prior to joining Mondrian in 2004, she was the general counsel and compliance officer for GMO Europe Ltd for five years. She began her career in London with Morgan Stanley Asset Management Limited where she was employed for 11 years, latterly as an executive director and head of the legal and compliance department with responsibilities for Europe, Japan, Australia and the Far East.

Warren D. Shirvell

DEPUTY CHIEF OPERATING OFFICER

Mr. Shirvell graduated from Exeter University in 1989 with a Honours degree in Applied Mathematics. He joined Arthur Andersen's Financial Markets Group, working in audit practice but also performing a large number of investment and operations consulting assignments. Before joining Mondrian in 2001, he undertook a number of short term senior consultancy roles at Invesco Asset Management, Hill Samuel Investment Advisers and BNP Paribas Asset Management. At Mondrian, he has responsibility for Operations, Finance, Performance and IT, focusing on improving operational effectiveness and internal control. Mr. Shirvell is an Associate Member of the Institute of Chartered Accountants (ACA), a Fellow of the UK Chartered Institute for Securities & Investment and holds the Securities Institute Diploma.

Ian N. Cooke

CHIEF ACCOUNTANT

Mr. Cooke's first degree was in Electronic Engineering from the University of Surrey. He trained to be a Chartered Accountant at KPMG. After qualification, he worked at National Westminster Bank for four years in the Head Office as an accountant. In 1994, he transferred to NatWest Markets, a newly formed subsidiary, to establish a management reporting function. During this period he undertook a part time MBA at Sir John Cass Business School, City of London. Mr. Cooke joined Ernst & Young in 1997 as a management consultant specialising in finance process improvement and shared service centres. He became a freelance consultant in 2001. In 2004 he implemented a new finance system at Mondrian and later joined the finance function as Chief Accountant.

Jamie A. Shearer

INTERNAL AUDIT MANAGER

Ms. Shearer holds a Master of Professional Accounting degree from the University of Saskatchewan and a Bachelor of Arts degree from the University of British Columbia, both in Canada. She subsequently qualified as a Chartered Accountant with KPMG, working in the Vancouver, Canada and London, UK markets. Prior to joining Mondrian in 2010, she worked in Northern Trust's Audit Services department where she led internal audits in their London, Channel Islands, Luxembourg, and Ireland jurisdictions. She also holds a Securities & Investment Institute Level 3 Certificate in Investment Administration Qualification with a focus on Operational Risk.

14 June 2011

Important Information

MONDRIAN INVESTMENT PARTNERS

Term/Issue	Description/Disclosure
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Forecast "Real" Annualized Market Returns:	These forecast "real" annualized market returns are used solely as a basis for making judgements about country allocation weightings and are not intended to be indications of expected returns.
Forward-looking Statements:	This document may include forward-looking statements. All statements other than statements of historical facts are forward-looking statements (including words such as "believe", "estimate", "anticipate", "may", "will", "should", "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those reflected in such forward-looking statements.
Gross Performance Results:	Performance returns of the client's overall portfolio presented in this book reflect a combination of developed market assets held in the separate account portion of the overall portfolio and assets held in the Delaware Pooled Trust - The Emerging Markets Portfolio ("DPT"). Performance results for the separate account are presented gross of advisory fees and other expenses associated with managing an investment advisory account. Performance results for DPT are net of management fees and expenses, but gross of contribution and withdrawal fees. Results have not been adjusted to reflect the different treatments of various expenses and fees. Performance results for the Mondrian ACW Excluding US Equity Composite do not reflect deduction of investment advisory and other fees and are net of transactions costs and withholding tax. The fees will be charged as follows: the first US$20m at 0.825%; the next US$30m at 0.55%; the next US$50m at 0.44%; and amounts over US$100m at 0.385%. Currently, new accounts are typically subject to a minimum account size of US$100m (or fees equivalent thereto). Unless otherwise noted, all returns are in US Dollar.
Portfolio Characteristics:	Portfolio Turnover, Market Capitalization, Price to Book Value Ratio, Price to Cash Flow Ratio, Price to Earnings Ratio and Dividend Yield are each based on generally accepted industry standards. All portfolio characteristics are derived by first calculating the characteristics for each security, and then calculating the weighted-average of these values for the portfolio. The details of exact calculations can be provided on request.
Purchasing Power Parity Valuations:	Using proprietary Mondrian models. Further information on these models can be provided on request.
Universe Information:	The information provided in Risk/Return chart is from InterSec Research Corp.
US Consumer Price Index:	Data provided through Datastream.

MONDRIAN EQUITY PRODUCTS

MARCH 31, 2011

MONDRIAN INVESTMENT PARTNERS

MONDRIAN PRODUCT AND TYPICAL BENCHMARK	VEHICLE			
	SEPARATE ACCOUNT	COMMINGLED FUND US INVESTORS	REGISTERED MUTUAL FUND	COMMINGLED FUND NON-US INVESTORS
Non-US Equity *MSCI EAFE*	Closed	Open *Minimum: $5 million*		
Focused Non-US Equity *MSCI EAFE*	Open *Minimum: $100 million*	Open *Minimum: $5 million*	Laudus Mondrian[4]	Available
Global Equity *MSCI World*	Open *Minimum: $100 million*	Open *Minimum: $2 million*	Laudus Mondrian[4]	
All Countries World Equity *MSCI ACW*	Open *Minimum: $300 million[1]* *Minimum: $100 million[2]*			
All Countries World Ex-US Equity *MSCI ACW ex-US*	Closed	Open *Minimum: $5 million*		
Focused All Countries World Ex-US Equity *MSCI ACW ex-US*	Open *Minimum: $300 million[1]* *Minimum: $100 million[2]*			
Emerging Markets Equity *MSCI EM*	Closed	Closed		Closed
Focused Emerging Markets Equity *MSCI EM*	Open *Minimum: $100 million*	Open *Minimum: $3 million*	Laudus Mondrian[4]	Open
Non-US Small Cap Equity *MSCI World ex-US Small Cap*	Closed	Closed		
Regional/Single Country Equity [3]	Open Minimum: $100 million	Open		Available

1. Utilizing separate account only
2. Utilizing commingled fund for emerging markets exposure
3. Regional mandates include Japan, UK, Pacific and US Equity
4. Mondrian serves as sole sub-advisor to a range of registered mutual funds known as the Laudus Mondrian Funds. The Funds are advised by Charles Schwab Investment Management. For additional information on the Laudus Mondrian Funds, please contact your Mondrian client service representative or see www.laudus.com

Mondrian may, from time to time, reduce and/or increase the minimum amounts listed above. The above is for information purposes only and intended solely for the person to whom is has been delivered. It is not an offer or solicitation with respect to the purchase of any securities. Any investment decision in connection with any investment vehicle should be based on the information contained in its written offering materials.

110707 SanMateo ACWIxUS

Mondrian Fixed Income Products

MARCH 31, 2011

MONDRIAN INVESTMENT PARTNERS

MONDRIAN PRODUCT AND TYPICAL BENCHMARK	VEHICLE			
	SEPARATE ACCOUNT	COMMINGLED FUND US INVESTORS	REGISTERED MUTUAL FUND	COMMINGLED FUND NON-US INVESTORS
Global Fixed Income *Citigroup WGBI* *Barclays Capital Global Aggregate Bond Index*	Closed	Closed		
International Fixed Income *Citigroup WGBI ex-US* *Barclays Capital Global Aggregate ex-US Bond Index*	Closed	Closed	Closed	
Focused Global Fixed Income *JPMorgan Global Government Bond Index* *Barclays Capital Global Aggregate Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
Focused International Fixed Income *JPMorgan Global Government Bond ex-US Index* *Barclays Capital Global Aggregate ex-US Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
Global Inflation-Linked Bonds *Barclays World Government Inflation-Linked Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
US Aggregate Fixed Income *Barclays Capital US Aggregate Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
Global Debt Opportunities *80% JPM GGBI/20% JPM GBI-EM BD*	Open *Minimum: $100 million*	Open *Minimum: $1 million*		
Emerging Markets Debt *JP Morgan GBI-EM BD*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		Available

Mondrian may, from time to time, reduce and/or increase the minimum amounts listed above. The above is for information purposes only and intended solely for the person to whom is has been delivered. It is not an offer or solicitation with respect to the purchase of any securities. Any investment decision in connection with any investment vehicle should be based on the information contained in its written offering materials.

110707 SanMateo ACWIxUS

MONDRIAN INVESTMENT PARTNERS

Organizational Update

1) **What is the ownership structure of your firm? Please identify all owners with 5% ownership or more.**

   Mondrian is ultimately controlled by a partnership of senior management and private equity funds sponsored by Hellman & Friedman, LLC, an independent private equity firm. Mondrian is currently 73% (up from 67% in 2009) owned by approximately 80 of its senior employees, including the majority of investment professionals, senior client service officers, and senior operations personnel through Atlantic Value Investment Partnership LP, and 27% owned by private equity funds sponsored by Hellman & Friedman, LLC. The private equity funds sponsored by Hellman & Friedman LLC are passive, non-controlling minority investors in Mondrian and do not have day-to-day involvement in the management of Mondrian. It is Mondrian's policy to not disclose individual ownership percentages.

2) **Provide a review of the relationship between Mondrian Investment Partners and Hellman & Friedman LLC. Discuss the time frame and likely course of action for Hellman & Friedman's liquidation of their ownership.**

   As of today, Hellman & Friedman still own 27% of our business. They need to exit, however, by February 2012. Mondrian plans to keep the firm private and management controlled, which entails management buying H&F out or finding another external, passive investor. We should hopefully be in a position to announce our intentions very shortly.

3) **Provide an update on your firm's organization, with particular emphasis on (a) growth and acquisition of assets under management, (b) clients gained or lost in the past year, and (c) recent corporate acquisitions, including negative and positive affects. All significant changes should be accompanied by an explanation.**

Time Period	Total Firm Assets ($millions)	# Accounts Gained*	Assets Gained ($millions)	# Accounts Lost*	Assets Lost ($millions)
YTD 2011 (as of March 31)	70,179.1	6	780.8	2	547.5
2010	68,385.8	30	4,102.7	22	3,625.1

**Accounts gained represent new separate account client relationships only and do not include new investors into Mondrian's commingled vehicles. Accounts lost represent lost separate account client relationships only and do not include separate account clients who have transitioned to Mondrian's commingled vehicles, nor losses of clients invested in Mondrian's commingled vehicles.*

Explanation of Accounts Lost in 2011:
One account was lost due to the client's portfolio rebalancing.
One account was lost because internal staff changes led to a policy change.

Explanation of Accounts Lost in 2010:
Nine accounts were lost due to the client exiting the unit trust business where we acted as sub-advisor.
Five accounts were lost due to asset reallocation.
Two accounts were lost due to rebalancing.
One account was lost due to internal manager restructuring.
One account was lost due to Mondrian's resignation in managing the portfolio.
One account was lost due to the fund closing.
One account was lost due to internal policy change.
One account was lost due to the underlying client could no longer keep the fund economically viable.
One account was lost due to a plan sponsor change.

There have been no corporate acquisitions made in the past year.

4) **What are your firm's philosophy and current policy regarding new business?**

Mondrian's overall business objectives are to build a successful and profitable international value investment management operation, meeting client objectives regarding performance and risk. We are doing this with a high quality, motivated investment team. We are profitable and intend to grow the business with costs in mind to maintain profitability.

We strongly believe in managing our business very carefully. We utilize the same methodology across all of our products and we intend to use this methodology with any new product developments.

5) **Please specify separately the individuals (up to ten) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).**

Mondrian's senior management consists of eight directors of the firm. These directors include David Tilles, Executive Chairman; Clive Gillmore, Chief Executive Officer and Chief Investment Officer– Global Equities; Elizabeth Desmond, Chief Investment Officer – International Equities; Nigel May, Deputy Chief Executive Officer; Hamish Parker, Director; Christopher Moth, Chief Investment Officer – Fixed Income; John Kirk, Deputy Chief Executive Officer and John Emberson, Chief Operating Officer.

There have been no changes to this list over the last eighteen months.

6) **Specify separately the individuals (up to five) who you feel are key to the success of *SamCERA's* product. If the list has changed in the last eighteen months, identify and explain the change(s).**

Elizabeth A. Desmond, Director, Chief Investment Officer, International Equities
Ms. Desmond is a graduate of Wellesley College and the Master's Program in East Asian Studies at Stanford University. After working for the Japanese government for two years, she began her investment career as a Pacific Basin investment manager with Shearson Lehman Global Asset Management. Prior to joining Mondrian in 1991, she was a Pacific Basin Equity Analyst and Senior Portfolio Manager at Hill Samuel Investment Advisers Ltd. Ms. Desmond is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of the UK.

Andrew Miller, Senior Portfolio Manager
Mr. Miller is a graduate of the University of Birmingham. Prior to joining Mondrian in 2000, he worked in the Investment Management department of PricewaterhouseCoopers, where he was responsible for the analysis and audit of various investment vehicles. Mr. Miller is presently a Senior Portfolio Manager within the Emerging Markets Team. Mr. Miller holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

James F. Brecker III, Senior Vice President, Client Services
Mondrian Investment Partners (U.S.), Inc.
Mr. Brecker is a Cum Laude graduate of the University of Richmond, where he earned a Bachelor of Science degree in Business Administration. Prior to his current role, he worked in a marketing and client service role at Mondrian's former affiliate. In his present position, he is responsible for client service, consultant relations, and marketing. Mr. Brecker is a CFA Charterholder, and a member of the CFA Institute and the CFA Society of Philadelphia.

There have been no changes to this list over the last eighteen months.

7) **Update all significant personnel changes to the "*SamCERA* Team."**

As stated in our previous annual update, Fiona Barwick, Deputy Head, International Equities, approached the company in April 2010 with her decision to gradually transition out of the business. She has since retired in April of 2011.

In addition, as stated in the May monthly letter, Dawid Krige has resigned from Mondrian to pursue a business venture. His responsibilities will be assigned to other members of the emerging markets team.

8) Describe your firm's management succession plan. Have dates been established regarding the succession of any key personnel, specifically those reported in the preceding questions?

Throughout the organization, Mondrian has a team based decision making environment which is enhanced by succession planning at all levels.

Specifically, in the case of equity investment products, senior professionals have experience across a wide range of investment disciplines and, through our team based investment strategy committee structure, would be able to assume responsibilities on a larger scale. Key members of this group include, but are not limited to Clive Gillmore, Chief Executive Officer and CIO Global Equities; Elizabeth Desmond, Chief Investment Officer- International Equities; Nigel May, Deputy Chief Executive Officer; Andrew Miller, Senior Portfolio Manager – Emerging Markets; Ormala Krishnan, Senior Portfolio Manager – International Small Cap Equity.

In the case of our fixed income team, we have implemented a structure that provides for depth of capabilities in all of our key investment areas. We have two or more professionals focused on our top-down, bottom-up, country and currency selection, emerging markets research, and quantitative market assessment. Each individual is capable of assuming the bulk of the workload in any of their core areas should the need arise. The fundamental team decision-making environment further enhances this structure. Mondrian has never subscribed to a star system of management, and therefore, each team member is well versed in the full range of tasks.

It is the aim at Mondrian to ensure that each investment position is "covered" by peers within the wider investment staff as well as the senior individuals mentioned above. Dates have not been established regarding the succession of any of the key personnel reported in the preceding question.

9) Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months? E-mail your firm's most recent ADV Parts I & II to gclifton@samcera.org.

No, neither Mondrian nor any of its employees have been involved in regulatory or litigation actions related to its business activities in the past eighteen months.

A copy of the firm's ADV Parts I & II has been emailed to the address provided above.

10) When did the Securities Exchange Commission, Attorney General, the NASD, and/or any British regulatory body last audit your firm? Please note any material findings or recommendations.

Mondrian's primary regulators are the United States Securities and Exchange Commission ("SEC") and the United Kingdom's Financial Services Authority ("FSA"). Mondrian is: (a) registered with the SEC as an Investment Adviser pursuant to the Investment Advisers Act 1940; and (b) regulated by the FSA for the provision of investment management services in the United Kingdom.

Mondrian has not been directly subject to an SEC audit. The FSA conducts routine periodic visits to all regulated firms and occasional theme visits to selected firms. The FSA do not allow regulated firms to discuss their periodic or theme visit findings with third parties, who may seek to place reliance on them. However, we can confirm that, in our opinion, there were no significant issues arising from the most recent periodic visit which was conducted in July 2010 or a theme visit in August 2007 which focused on Mondrian's implementation of new FSA rules related to commission usage.

11) Please describe the levels of coverage for SEC-required fidelity bonds, errors and omissions insurance, and any other fiduciary liability coverage your firm carries. E-mail a current Certification of Insurance to gclifton@samcera.org.

Mondrian Investment Partners Limited, Mondrian Investment Partners (U.S.), Inc. and Mondrian's limited partnerships utilize several forms of professional insurance coverage which are described below.

For the period September 24, 2010 – September 24, 2011:

Policy	**Insurers**	Total Sum Insured
Directors & Officers Liability Insurance	Chartis Insurance (UK) Limited Axis Specialty Europe Limited Novae Lloyd's Syndicate 2007	$30 million on any one loss and in the aggregate
Professional Indemnity (Errors & Omissions) Insurance & Comprehensive Crime Insurance* *Includes Fidelity Bond	Chartis Insurance (UK) Limited Axis Specialty Europe Limited Novae Lloyd's Syndicate 2007 Aspen Insurance UK Limited Newline Lloyd's Syndicate 1218 ACE Global Markets Financial Lines Antares Lloyd's Syndicate 1274 Brit Lloyd's Syndicate 2987 QBE Insurance (Europe) Limited Pembroke Lloyd's Syndicate 4000 Barbican Lloyd's Syndicate 9562	$50 million on any one loss/claim in the aggregate in respect of Comprehensive Crime and Professional Indemnity Insurance (with reinstatement), and in addition, a further $50 million on any one claim and in the aggregate in respect of Professional Indemnity Insurance only (with reinstatement).
Employment Practices Liability Insurance	Chartis Insurance (UK) Limited	$10 million on any one claim and in the aggregate
ERISA Bond Insurance	Chartis Insurance (UK) Limited	$500,000 or $1 million on any one plan

A copy of Mondrian's Certification of Insurance has been emailed to the address provided above.

12) Do you have a written policy on ethics? If so, please e-mail the policy to gclifton@samcera.org.

Yes. Mondrian's Code of Ethics has been emailed to the address provided above.

13) Describe the relative strength and longevity of your back-office staff. Provide the location of your firm's investment and accounting back office staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.

Mondrian's investment accounting and back office team, located in the London, U.K. office, is founded on utilizing best of breed technology with professional, experienced staff motivated to deliver outstanding client service utilizing exceptions-based management underpinned by a strong risk based control environment. Much of the staff has been with the team for over five years and we believe turnover is significantly lower than the market average. A strong blend of experienced personnel and a considerable ongoing investment in STP (straight through processing) systems combine to provide a service level we believe exceeds many industry competitors.

No operations are fully outsourced. However, in order to facilitate the actual process of voting proxies, Mondrian has contracted with an independent company, RiskMetrics Group (formerly Institutional Shareholder Services ("ISS")), to analyze proxy statements on behalf of its clients and vote proxies generally in accordance with our established Proxy Voting Policies and Procedures. After a proxy has been voted for a client, RiskMetrics will create a record of the vote that will be available to clients as requested.

14) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?

We consider our trade order management system (LVTS) and our fund accounting system (Portia) as mission critical, as well as our general use file/print server systems in London and Philadelphia. We have not experienced any significant problems with these systems in the past eighteen months.

LVTS was implemented in August 1999 and last upgraded in May 2008. Portia was implemented in May 1992 and last upgraded in March 2006. The current file/print server system was implemented in London in April 2002 (most recently upgraded in May 2008) and in Philadelphia in September 2004 (upgraded in May 2009).

Mondrian is considering upgrades for LVTS and Portia to be implemented in the next twelve to eighteen months.

15) Provide an overview of your firm's business continuity plan as it relates to the investment process.

Business Continuity Plan

Mondrian has a full and comprehensive disaster-recovery/business-resumption plan that is reviewed and modified regularly to take into consideration our business growth. The plan covers all business functions (IT and non-IT) and is tested (offsite) at the business resumption center.

Business Continuity and Disaster Recovery testing is normally conducted twice annually.

Business Continuity

Mondrian has a contract with an offsite "business resumption service" company for full Disaster Recovery. As part of the contract they provide Mondrian with a suite of offices in the Recovery Company centre which enables us to recreate our systems based on backups and other software. The service includes servers, workstations, and printers, fax machines, telephones and access to service provider's terminals.

Mondrian has also incorporated a permanent offsite communications room at the recovery site. The offsite communications facility is connected to the production data center using gigabit fiber optic connections. At the end of 2010 Mondrian invested in Virtual technology underpinned by SAN storage. This is now the method used to replicate our critical systems to our recovery site.

Our business continuity strategy incorporates live failover of our critical systems to our recovery site with users based at our main site. At the end of the quarter the critical systems would then be failed back to the main site and again failed over the following quarter.

Background to BCM Development

A full review of Mondrian Business Continuity capability was conducted during 2007 which culminated in a number of actions being agreed by the Board of Directors in November 2007. The actions have been converted to a project which was completed during the early part of 2008. Some of the high level deliverables were:

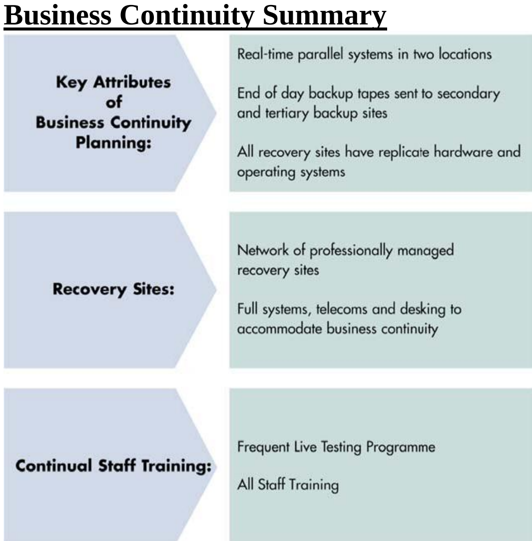
- New Disaster Recovery contract with vendor
- Dedicated emergency seats at primary recovery site.
- Secure dedicated Internet from all Mondrian production and recovery sites
- High speed data line between London and Philadelphia to facilitate replication of core systems between offices
- Replication of Blackberry servers

Overview of BCM

Mondrian's Business Continuity Plan anticipates two kinds of significant business disruptions, internal and external. Internal disruptions affect only our firm's ability to communicate and do business, such as a fire in our building. External disruptions prevent the operation of the securities markets or a number of firms, such as a terrorist attack or other wide-scale, regional disruption.

In the event of an internal or external disruption that causes the loss of our paper records, we will physically recover them from Mondrian Investment Partners Limited and from their electronic storage locations. If our primary site is inoperable, our employees will continue operations from their homes or an alternate location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, our employees will continue operations from their homes or an alternate location.

Business Continuity Summary



16) E-mail your firm's most recent SAS 70 Report or equivalent to gclifton@samcera.org.

Mondrian's SAS 70 Report dated March 31, 2011 has been sent to the email address provided above.

Performance

1) Is the performance composite constructed for *SamCERA's* portfolio in compliance with the Global Investment Performance Standards (GIPS)?

Yes, the Mondrian All Countries World ex US Equity composite is in compliance with the Global Investment Performance Standards (GIPS®). Please refer to the attached ACW Ex-US Equity Composite Disclosure which has been included with our response.

2) **What is a reasonable expected tracking error to the MSCI ACWI ex US Value? What are the expected sources of the tracking error (country, currency, sector or security over / underweighting, securities outside the index, etc.)?**

Historically, our style has demonstrated a strong record in terms of the volatility of returns. The volatility of our absolute returns is lower than the index itself, and also very low compared with other international equity managers. However, on occasion, our investment style does establish significant allocation divergence from the index. As a consequence our style can be expected to produce a fairly high tracking error relative to the index. Over a full market cycle, we estimate that our tracking error will be in the range of 4-8 %.

While tracking error is monitored, it is not a primary driver of our investment process. We believe that the most important risk for our clients would be that of failing to achieve their target returns, so we place more emphasis in our research process on examining the gap between the most likely return and the worst case return for each investment. It is this detailed downside scenario analysis for all markets and stocks, which we believe, has been a key factor in achieving very low volatility of our returns.

3) **Detail your firm's perspective of *SamCERA's* performance expectations for your firm, as spelled out in the Investment Management Agreement and *SamCERA's Investment Policy*. How is your firm doing relative to those expectations?**

In the period of approximately 6.5 years that we have been managing the assets, we have maintained our disciplined style while providing absolute returns and performance that is approximately in-line with the benchmark. Of course, we have not generated the level of alpha we would have hoped for, or as is stated in the Investment Management Agreement. Nevertheless, on a risk adjusted basis, we have provided an absolute level of return, and believe the portfolio is well structured for the challenging global economic environment that we envisage over the next few years. In the year to date so far, we believe this cautious positioning is beginning to show its merits.

4) **Has *SamCERA* imposed constraints on the portfolio either through the *Investment Policy* or the Guidelines in the Investment Management Agreement that would result in a significant dispersion from the commingled portfolio for this product?**

No, SamCERA has not imposed constraints on the portfolio either through the Investment Plan or the Guidelines in the Investment Management Agreement that would result in a significant dispersion from the commingled portfolio for this product.

5) **Please discuss your firm's performance relative to the MSCI ACWI ex US Value for the one, three and five year periods ending March 31, 2011.**

Time Period (Annualized)	**ACW ex US Composite (Gross)**	**MSCI ACW ex US Value Index (Net)**
1 Year ending March 31, 2011	10.73	11.50
3 Years ending March 31, 2011	-1.70	-0.65
5 Years ending March 31, 2011	3.63	3.29

Year	**Relative Performance: Reasons for Overperformance/Underperformance**	
One year	Underperformed	Despite achieving strong absolute returns, the portfolio slightly lagged the index over the last 12 months. Asset allocation held back returns due to the underweight exposure to strong Canadian and emerging markets during 2010. Stock selection was strong, particularly in Asia. Currency management detracted from relative returns.
Three years	Underperformed	Despite strong relative outperformance during 2008, Mondrian's value style lagged during the market rally post March 2009. Poor stock selection held back performance. In particular the underweight positions in the strong cyclical sectors. Currency was positive over the period, led by the defensive sterling and Euro currency hedges.
Five years	Outperformed	The portfolio slightly outperformed the index over this period. Stock selection (Spain & Switzerland) and currency (Yen) were both positive, but asset allocation (Canada) was negative.

6) **What is your firm's source(s) for pricing international equities? Does this source differ from that of the *SamCERA's* Custodian, State Street Bank & Trust? How are pricing variances with the custodian resolved?**

Mondrian subscribes to a full daily pricing service from our pricing vendor Interactive Data (ID). This includes the provision of evaluated prices for illiquid or hard to price securities. ID is a market leader in pricing services, supplying pricing & other services to most of the leading custodians and major fund management groups. Our daily spot and forward currency exchange rates are also received from ID. These are based upon the published 11a.m. EST WM/Reuters rates, which is the recognized industry standard.

All of our prices, including evaluated prices, are compared to a secondary pricing source provided by Bloomberg on a daily basis. Our internal pricing tolerance procedures are then employed to ensure that all prices, including evaluated prices, are in line with the secondary source and market movements. Any prices that fall outside of our tolerance checks are then investigated in the market through our trading desk. In the unlikely event that neither ID or Bloomberg are able to supply a valid price through our standard pricing mechanism, the security in question would be highlighted to both the relevant portfolio manager and the head trader, who in turn, would seek to obtain an independent fair value price from the market.

Occasionally, there are pricing discrepancies that occur with State Street primarily because of either different price vendor services used and/or prices being rounded to a set no. of decimal places. The difference in time zones and hence the time for close of business prices can also cause fluctuations, as can bank holidays. None of these differences are usually material.

Mondrian reconciles all cash statements received from the client's custodian bank on a daily basis, which detail any movements that have passed over the account during the previous day. These include purchases, sales, foreign exchange deals, contributions & withdrawals, coupons, dividends and bank interest.

On a monthly basis a portfolio valuation is received from State Street detailing the end of month cash balances, stock nominals, prices and exchange rates. A thorough reconciliation is carried out by the portfolio administrator to the valuation produced at Mondrian. The total market value is broken down into liquidity, securities, accrued interest, forwards and income receivables and each section is reconciled with discrepancies noted for further investigation with State Street. Our policy is to investigate anything which results in a ±1% variance within individual sectors, that is, accruals, forward currency contracts, and cash equivalents.

7) **Are there pricing issues relative to methodology or pricing sources utilized by your firm versus those utilized by the benchmark?**

Please refer to question #6 above. We are not aware of any material pricing issues between those used by ourselves and the benchmark.

8) **Is *SamCERA's* international equity benchmark, MSCI ACWI ex US Value, appropriate?**

Yes, Mondrian believes that SamCERA's international equity benchmark is appropriate.

Mondrian's preferred capitalization weighted index for an ACW ex-US account is the Morgan Stanley Capital International All Countries World ex-US Index. The MSCI index remains the most widespread and commonly quoted benchmark for ACW ex-US portfolios and is, therefore, the most relevant.

Investment Strategy and Process

1) **Provide a description, in detail, of your investment philosophy, strategy, and process, including your research effort and portfolio construction rules. Describe how the portfolio managers and research analysts interact in the investment process. Do the portfolio managers work individually or in teams?**

Mondrian is an active value-oriented defensive manager. In the management of international/global equity assets, we invest in securities where rigorous dividend discount analysis identifies value in terms of the long term flow of income. Dividend yield and future real growth play a central role in our decision making process and over time the dividend component is expected to be a meaningful portion of the expected total return.

Our methodology is applied consistently to individual securities across all markets and industries.

Mondrian's investment approach seeks to generate three specific investment benefits. These benefits are:

- Provide a rate of return meaningfully greater than the client's domestic rate of inflation.
- Structure client portfolios that preserve capital during protracted international market declines.
- Provide portfolio performance that is less volatile than both benchmark indices and other managers.

Buy Discipline
Portfolio manager/analysts bring security buy/sell recommendations from their regions/sectors to the International Equity Team Forum and the Equity Strategy Committee to either be added or dropped from the Mondrian approved buy list. Securities are analyzed by the dividend discount model and securities which are mispriced relative to their value are candidates for buying or selling. Prior to bringing a security to the committee, analysts will have completed in-depth, fundamental research and will have presented their work to the relevant sector grouping for peer review. Securities which are significantly undervalued relative to the dividend discount model's valuation are bought.

Sell Discipline
Mondrian follows a clear sell discipline for securities, markets and currencies. Sales are carried out when:

- Price appreciation leads to significant overvaluation against a predetermined value level.
- A change in the fundamentals occurs, which adversely affects appraised value.
- More attractive alternative investments become available.

Security Selection
Security selection is the most important part of Mondrian's equity investment process. Mondrian uses the same dividend discount valuation model of future income streams across all markets, securities and industries. Securities which are significantly mispriced relative to the dividend discount valuation are purchase and sale candidates.

Key to the security selection process is fundamental company analysis and a regular program of meeting with companies. Meeting with the management of holdings is important to the investment process. The firm uses forward looking valuations, and, therefore, the business plans and projections for a company's future are extremely important. This type of forward looking analysis has helped Mondrian to be ahead of the markets in a number of instances.

Country Selection
Tied to the security selection is a top-down country allocation overlay that helps to structure Mondrian's equity portfolios. Equity market valuations are based on inflation adjusted dividend discount analysis, coupled with long term purchasing power parity analysis of currencies. The resulting currency and market valuations, together with client objectives and shorter term political and economic factors, are then analyzed with the help of a computer based optimization program, which produces a list of attractive portfolios that seeks to bring together the best international value within guidelines set by the client. This optimization helps the firm to choose portfolio allocations at appropriate points along the efficient risk/return frontier.

Currency Selection
Mondrian will hedge defensively to protect the client returns when currencies are widely mispriced compared to their value.

Mondrian believes that in the medium to long term, currencies adjust to their purchasing power parities. However, it is clear that currencies do fluctuate quite significantly around their purchasing power fair value.

Therefore, as a defensive measure to protect real returns, Mondrian will hedge a currency when its real exchange rate suggests that it is overvalued. This approach is supplemented by a shorter-term assessment of the key identifiable factors which result in deviations from purchasing power parity.

Mondrian is unusual within its peer group in its emphasis on the consistent application of purchasing power parity as the cornerstone of currency management. Our firm belief is that this is the most appropriate currency management methodology in an investment process geared at meeting liabilities which are themselves long-term and real in nature.

Asset Allocation/Cash
If real return estimate comparisons are compelling, it is not unusual for equity portfolios to contain a small allocation to fixed income. This generally will not exceed 5-10%. Portfolios are generally fully invested, and cash is not viewed as part of the asset allocation process.

Sector/Industry Selection
Sector/Industry selection forms part of Mondrian's portfolio construction process. Levels of all allocations to sectors are monitored to ensure prudent diversification.

Portfolio Construction

It is important to re-emphasize that Mondrian evaluates all prospective investments on the basis of their long-term real return potential. The use of the dividend discount model is applied consistently across all securities and markets in the developed and emerging markets universe. The output of this analysis allows portfolio managers to equally evaluate markets and securities in terms of both risk and return across geographic borders.

The ACW ex-US mandate contains two separate components – a developed international equity portfolio and an emerging markets portfolio. The allocation between the portfolios is made by the Equity Strategy Committee which bases its decision on the long-term real return projections for developed and emerging markets.

Below is the portfolio construction process for international equity and emerging markets:

Portfolio Construction – Developed International Equity

Mondrian's portfolio construction process is made up of approximately 60% bottom-up stock selection decisions and 40% top-down country and currency allocation decisions.

Mondrian developed international equity portfolios contain 35 to 55 issues. Individual securities chosen through the Equity Strategy Committee are initially weighted between 1 to 3%, depending on underlying security liquidity and generally will not constitute more than 4% of a portfolio. Selected emerging market securities and small amounts of fixed income may be held if client objectives permit and those securities represent significantly better value than available equities. Portfolios are generally fully invested and cash levels are minimal. The maximum allocation to a single issue would be 5%.

Portfolio Construction – Emerging Markets

Mondrian's emerging markets portfolio construction process is based approximately 50% on stock selection and 50% on country and currency allocation decisions. Portfolios are relatively concentrated, containing approximately 60-100 issues. Individual securities, which are chosen through the Emerging Markets Equity Strategy Committee, will typically constitute between 0.5%- 3.0% of a portfolio at time of purchase. However, from time to time individual Emerging Markets securities may represent more than 5% of the overall Emerging Markets index as a result of market movements, and therefore flexibility to this 'rule' is necessary. Generally, all Mondrian's client portfolios are very similar in nature and performance. Small amounts of fixed income may be held if client objectives permit and if the fixed income investment offers significantly better returns than available equities. Portfolios are generally fully invested and cash levels are minimal.

Decision Making Process

Portfolio manager/analysts bring security buy/sell recommendations from their regions/sectors to the International Equity Forum and the Equity Strategy Committee to either be added or dropped from the Mondrian approved buy list. Securities are analyzed by the dividend discount model and securities which are mispriced relative to their value are candidates for buying or selling. Prior to bringing a security to the committee, analysts will have completed in-depth, fundamental research and will have presented their work to the relevant sector grouping for peer review. Securities which are significantly undervalued relative to the dividend discount model's valuation are bought.

The ultimate decision to buy or sell individual securities for the developed international equity portfolio and the allocation decision between developed and emerging markets is made by the Equity Strategy Committee (ESC), following recommendations from the company's Portfolio Managers/Analysts. The ESC meets at least every two weeks and is made up of Elizabeth Desmond, Chief Investment Officer – International Equities; Clive Gillmore, Chief Executive Officer and Chief Investment Officer – Global Equities; Nigel May, Deputy CEO; Nigel Bliss, Senior Portfolio Manager, Russell Mackie, Senior Portfolio Manager, and Andrew Porter, Senior Portfolio Manager.

If a buy or sell recommendation is accepted by the Equity Strategy Committee, it is entered into the company stock list to be implemented in all relevant client portfolios. Asset allocation and currency hedging decisions are also finalized at the strategy meetings and, after being finalized, are implemented across all client portfolios.

In the absence of client-imposed restrictions, all client portfolios are managed to be as similar as possible. As all investment decisions are made by the Equity Strategy Committee and communicated to all fund managers as house policy, there is very little discretion allowed to individual portfolio managers.

For decisions regarding the emerging markets sub-portfolio, the Emerging Markets Equity Strategy Committee meets formally at least every two weeks to review both client portfolio output and the research of the analysts as it pertains to possible portfolio changes. Informal meetings, however, occur every day. Portfolio policies and decisions are made in the committee setting. Individual portfolio managers have little discretion over these decisions, although all portfolio managers are part of the committee decision making process. In the unlikely event that the committee is unable to reach an agreement, Clive Gillmore has final decision-making authority. Clive is a member of both Committees so he provides a common thread to help evaluate markets on a real return basis.

2) **How much of the portfolio can be invested in emerging markets? How much of the portfolio has been invested in emerging markets over each of the last five calendar years ending 12/31/2010? How do your buy/sell criteria differ for emerging market names, if at all, and what are portfolio construction rules for emerging markets? How do you implement emerging market exposure in the international equity portfolio?**

Up to 25% of the portfolio can be invested in emerging markets. Mondrian evaluates and monitors emerging markets in the same manner as developed markets. We apply our standard methodology to analyzing emerging markets. Information on emerging markets and their stocks may be less comprehensive or reliable than for developed markets. Careful analysis is necessary, both in the office and through visits to the countries themselves. We will not invest unless there is sufficient comfort over the quality of the information provided. While the means of research are identical in emerging markets and developed markets, the former category needs more attention to the risk of failing to achieve the expected return. Worst-case scenarios therefore require more careful analysis and more weight in the portfolio construction process.

The San Mateo account utilizes The Delaware Pooled Trust Emerging Markets Equity portfolio to gain exposure to emerging markets equity. An ACW-ex U.S. mandate is best served by utilizing vehicles such as the Delaware Pooled Trust because from time to time a significant portion of the assets will be invested in emerging markets.

Mondrian's approach to emerging markets is to offer truly diversified exposure. Therefore, at any point in time a number of different markets will have to be used – some of which have onerous registration and compliance issues relating to them. As a result of this, a commingled vehicle such as the Delaware Pooled Trust where Mondrian can control the difficulties and uniqueness of investing in emerging markets on behalf of clients is the preferred option. However, depending on the size of a mandate, and the strength of the custodial relationship, the aforementioned strategy can be gained through a separate account.

Year End	% of Portfolio in Emerging Markets
2010	18.26%
2009	13.46%
2008	10.25%
2007	11.45%
2006	10.14%

3) **Discuss your firm's investment strategy relative to market environments. Are there market cycles that are particularly favorable to your firm's investment strategy and process? Are there market cycles that are historically difficult for your firm's investment strategy and process?**

During periods of speculative excess when stock markets are rising strongly, we believe valuation fundamentals are often ignored by the markets. Mondrian would not expect to outperform the benchmark or most other managers in such periods. We believe that Mondrian would be likely to provide strong performance against the consumer price indices during this period, enabling the client to meet its long-term liabilities.

Based on Mondrian's prior performance, over the long term Mondrian would expect to outperform indices and other active managers. Our relative performance has historically been best in slightly rising and down market periods. We believe that during this period, stocks and markets identified by high and growing dividend streams are most likely to outperform.

Please note that past performance is not a guarantee of future results.

4) **How do you approach currency management? How much of the portfolio can be hedged and for what purposes? How much of the portfolio has been hedged over each of the last five calendar years ending 12/31/2010?**

For this product, where mandates permit, Mondrian will carry out defensive currency hedging to protect the dollar value of underlying international investments. This is a defensive measure to protect real returns and will only be undertaken back into the client's base currency at such time when our analysis shows that this currency is significantly undervalued against international currencies.

Mondrian believes that in the medium to long term, currencies adjust to their purchasing power parities. This analysis is supplemented by a shorter-term assessment of the key identifiable factors that result in deviations from purchasing power parity. However, it is clear that currencies do fluctuate quite significantly around their purchasing power fair value. It is when a currency has risen above two standard deviations from fair value that we will consider a protective hedge into the dollar. At the extreme, this will be a maximum of 100% of the specified underlying currency exposure and across the whole portfolio to a maximum of 50%.

We believe that Mondrian is unusual within its peer group in its emphasis on the consistent application of purchasing power parity as the cornerstone of currency management. Our firm belief is that this is the most appropriate currency management methodology in an investment process geared at meeting liabilities that are themselves long-term and real in nature.

Our derivatives exposure consists almost exclusively of defensive forward currency contracts in an unleveraged and fully covered manner. We price the forward contracts on a daily basis and monitor their value to ensure they do not exceed the value of the underlying assets. Internal procedures and client guidelines restrict hedging to 100% of the underlying asset value and 50% of the total portfolio value. Derivative securities, such as non-leveraged convertible bonds and warrants, are researched as well, and sometimes used if client guidelines permit. Other derivative securities such as futures and options are not used.

Year End	% of Portfolio Hedged*
2010	0.00%
2009	0.00%
2008	0.00%
2007	5.00%
2006	4.07%

**Hedging into USD.*

5) **Provide a full review of: (a) a performance attribution which reflects your assessment of the value added by your investment discipline, (b) your assessment of the risks associated with *SamCERA's* portfolio, and (c) methodologies employed to evaluate risk, What software(s) do you have in place to evaluate portfolio risk?**

Attribution
As of March 31, 2011, the San Mateo ACW Ex-US Equity account has underperformed the MSCI AC World ex US Index by 2.46%, and underperformed the MSCI AC World ex US Value Index by 1.35% since inception of the fund on December 1, 2004. Stock selection, during this period has been positive due to our selection of defensive stocks during a difficult period for markets. Performance has been held back by asset allocation, due primarily to the underweight positions in emerging markets and Canada.

Risks
Mondrian considers that there are several total return risks to be managed. These include the risk of not meeting future liabilities, the risk of deviation from the chosen index which has normally been selected by the client with certain asset allocation goals in mind, and currency risk.

Risk of Not Meeting Future Liabilities
To help clients ensure that they meet their future liabilities, all analysis is conducted in inflation-adjusted terms. Additionally all equity analysis is considered under three scenarios: best, base and worst case. These scenarios are based on market valuations as well as political, economic and industry considerations. The range of returns between the cases indicates the risk inherent in a market or security. If the risks are considered significant, the firm will adjust allocation to a market or security accordingly.

Risks Created by Deviation from an Index
The risks created by deviation from an index are assessed through the use of a non-linear computer optimization routine, which quantifies these risks for a given target return. Mondrian has found that constraints on minimum/maximum percentage allocations can control risk very effectively, without giving up return over a market cycle. These constraints are a function of the size and liquidity of any particular country in the index. These minimum/maximum percentage allocations act as constraints on the degree of under/overweighting versus an index. Substantial deviations from the index will occur, however, at times of extremes in valuation differences between countries.

Currency Risk
Mondrian believes that in the medium to long term, currencies adjust to their purchasing power parities (PPP). It is clear, however, that currencies do fluctuate quite significantly around their purchasing power fair value. Our long term analysis of value at the local level is converted to the client's base currency using PPP. In addition, if a currency is excessively overvalued, by more than two standard deviations, Mondrian may choose to participate in the value at the local level by purchasing assets in that currency and hedging the currency back into US dollars. This is only used as a defensive measure to protect real returns. This long term approach is supplemented by a shorter-term assessment of the key identifiable factors which result in deviations from purchasing power parity.

Software
Mondrian reviews portfolio attribution analysis in detail on a monthly basis as a historical measure using the Sylvan Attribution Software. The attribution analysis of portfolio successes and failures can indicate areas requiring more attention to achieve continuing improvement in the product.

6) **Describe your compliance procedures in detail. To whom does compliance report?**

For details of Mondrian's compliance procedures please refer to the Mondrian Compliance Program which has been sent via email to gclifton@samcera.org.

The Mondrian Compliance team is a dedicated and stand-alone compliance resource comprising of the Chief Compliance Officer, John Barrett, a Senior Compliance Executive, two Compliance Executives, a Compliance Forensic Analyst and a Legal and Compliance Assistant. On a day to day basis Mr. Barrett reports to Clive Gillmore, Chief Executive Officer. In addition, he also has an indirect reporting line to David Tilles, Executive Chairman, should it be necessary for him to bypass his immediate reporting line. The Compliance Department is monitored by the Compliance Committee, which is a subcommittee of the Board of Directors. The Committee meets quarterly and comprises the Chairman, who is Mondrian's Executive Chairman, Mondrian's Chief Executive Officer and the Chief Operating Officer. The Chief Compliance Officer and Mondrian's General Counsel are attendees. The Committee is a senior level body which is responsible for monitoring, supervising and reviewing the adequacy and effectiveness of regulatory controls implemented by management and considering any recommendations for improvements to such controls.

Mondrian's compliance team (the "Compliance Department", "Compliance Team" or "Compliance") is well resourced and experienced.

There are no reporting lines between the compliance and investment groups.

7) Describe your trading procedures in detail. What trading platforms does your firm use?

Please refer to the Mondrian Trading Execution Policy and Procedures document which has been sent via email to gclifton@samcera.org. This provides a full explanation of the trading procedures at Mondrian.

<u>Trading Platforms</u>
Mondrian uses electronic trading platforms such as Tradeweb (for government bonds), MarketAxxess (for corporate bonds) and FX Connect (for FX trading). Where applicable, these platforms are being integrated with internal investment support applications, such as our trade order management system and our fund accounting system.

For the trading of equities, order placements and executions are communicated to and from our counterparties electronically utilizing FX.

8) Does your firm monitor trade effectiveness? If so, how is that documented? To whom does trading report?

The quality of trade executions at Mondrian is evaluated through a variety of methods:

- <u>Trading Desk Review</u>
  All trade executions will initially be reviewed by the Trading Desk to see that they meet the requirements of best execution.

- <u>Trading Oversight Committee</u>
  Senior investment staff (representing each major product) and the Chief Compliance Officer meet formally with the Trading Desk on a quarterly basis to review trading volumes, business targets, execution quality and overall service levels. In monitoring execution quality, this committee relies on the work of third-party-provider Elkins McSherry whom Mondrian has commissioned to complete post trade execution analysis on a quarterly basis. In evaluating the total cost of any trade, Mondrian considers the commission paid as well as the 'spread' and fees charged and any market impact.

- <u>Compliance Monitoring</u>
  Mondrian's Compliance Team performs a number of periodic reviews of trading activity to test execution quality and to review broker/dealer due diligence and broker/dealer allocation procedures. These reviews cover trades in all asset classes including foreign exchange.

- <u>Broker Service Level Reviews</u>
  On a regular basis, Trading Desk representatives and senior Mondrian portfolio managers meet broker/dealer counterparties to review the quality of services received. In measuring total execution cost, Mondrian looks at the price paid for a security, the spread and any commission charged by the broker/dealer. The objective of the Trading Desk is to aim to minimize overall costs during the life of

a trade and across all clients participating in that trade. The Trading Desk also takes into account the size of the trade, as well as the marketability of the issue involved in coming to trading decisions. 'Package' or 'program' trades are one example of a cost saving mechanism used by the Trading Desk to benefit the client when a large block of securities is traded.

As stated above, please refer to the Mondrian Trading Execution Policy and Procedures document which has been sent via email to gclifton@samcera.org. This provides a full explanation of the trading procedures at Mondrian.

The Trading Desk reports to Nigel May, Deputy Chief Executive Officer.

9) **How many brokers were used during calendar year 2010? List the top ten brokers used during that period. Have you discontinued the use of any broker in the last eighteen months?**

	Firm Wide Equity	Firm Wide Fixed Income	San Mateo ACW Ex-US Equity Account
# of Brokers Used During 2010	28	25	13
Top Ten Brokers Used During 2010	1) Merrill Lynch Capital Markets 2) Macquarie Securities Ltd 3) Sanford C Bernstein 4) Citigroup Global Markets 5) CLSA 6) Morgan Stanley International Ltd 7) Goldman Sachs International Ltd 8) Nomura International PLC 9) JP Morgan Securities Ltd 10) Royal Bank of Scotland	1) UBS Limited 2) Citigroup Global Markets 3) Societe Generale 4) Royal Bank of Scotland 5) Deutsche Bank 6) Barclays Cap 7) Nomura International PLC 8) JP Morgan Securities Ltd 9) HSBC 10) Royal Bank of Canada Global Markets	1) Merrill Lynch 2) Sanford B 3) Macquarie 4) CLSA 5) Citigroup 6) Instinet 7) Credit Suisse 8) RBS 9) MSI 10) UBS

Mondrian has not discontinued the use of any broker in the past eighteen months.

10) **Do you have a policy regarding the selection and review of brokers and counterparties. If you do, please e-mail a copy to gclifton@samcera.org.**

Mondrian's broker selection and review processes are contained in Sections 5, 6 and 7 of the Mondrian Trading Execution Policy and Procedures document which has been sent via email to gclifton@samcera.org.

11) **Describe your firm's policies regarding the use of soft dollars. If soft dollar arrangements were used to acquired products and services, what was the dollar amount?**

As is typical in the investment management industry client funds are used to pay brokerage commissions for the execution of transactions in the client portfolio. As part of that execution service, brokers typically provide proprietary research to their clients as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing of analyses and reports concerning issuers, securities or industries; and providing information on economic factors and trends.

Equity commission rates are set by product and market and Mondrian will split these into an execution component and a research component. Mondrian generally negotiates competitive commission rates in advance. Commission rates are reviewed quarterly and compared to industry averages. By concentrating business through a limited number of broker/dealers and taking account of the size of Mondrian's trading volumes, Mondrian believes it is able to negotiate competitive commission terms.

Proprietary research may be used by Mondrian in connection with its investment decision-making process with respect to one or more accounts managed by it, and it may or may not be used, or used exclusively, with respect to the account generating the brokerage.

Mondrian is satisfied that all proprietary research received is covered by the "Safe Harbor" in Section 28(e) of the US Securities Exchange Act of 1934.

With the exception of the receipt of proprietary research, Mondrian has no other soft dollar or commission sharing arrangements in place with brokers.

Broker/dealers do not separately charge for proprietary research. Therefore, we do not believe that there would be a material difference in Mondrian's operating expenses if we asked broker/dealers to cease providing proprietary research.

12) What is your firm's position regarding participation in directed brokerage and/or commission recapture programs? Is there a maximum amount of trades that you allow to be directed? How many clients direct brokerage? What are the advantages and disadvantages to a client who directs commissions?

Mondrian does not enter into any commission recapture or directed commission programs for its own benefit or the benefit of its affiliates. Mondrian may be directed by clients to use named brokerage services with respect to securities transactions generated by their portfolios.

As commission rates have fallen in recent years, the number of broker/dealers participating in commission recapture and directed commission programs has declined. The commission rates that Mondrian trades at in most equity markets are now so low that many counterparties are unwilling to also credit recapture programs.

Certain US based Mondrian clients have an obligation to direct a portion of the commissions paid by their portfolio to minority-, disabled veteran- and/or women-owned broker/dealer businesses. Where possible, Mondrian will endeavor to meet these client requirements. Any such trades will be disaggregated from the trades for other Mondrian clients and executed separately with the directed broker. In this situation, Mondrian operates a trade rotation policy to ensure equitable treatment of all clients.

We request that any client wishing to undertake a directed program speak directly with their portfolio manager or client services officer to discuss the feasibility of meeting the program's objectives. Any such requests are subject to best execution, and Mondrian discourages clients from directing material portions of total commissions as this could impair Mondrian's ability to achieve best execution.

13) Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.

Fundamental research is conducted by Mondrian's investment staff on a worldwide basis. Portfolio managers and analysts will typically conduct teleconferences, meet management or participate in company presentations with existing or potential investment opportunities. In-house research will be augmented by use of research-oriented brokerage houses, which provide supplemental information and information with regard to new ideas. New ideas are also derived from trade journals, financial newspapers, magazines and the like. Corporate annual and financial reports are the main source of financial data, supplemented by various manuals and databases published by research services.
At Mondrian, all information interpretation is done in-house. A very high proportion of Mondrian's research is internally generated. A wide variety of different source materials are used including company data (this is Mondrian's primary data source and includes annual reports, websites and, most importantly, company meetings), research purchased directly by Mondrian from third party sources and broker/dealer research.

Mondrian uses hard dollars to purchase outside research reports, utilizing external sources for approximately 5-10% of total research. External organizations are mainly used for information gathering. Mondrian has purchased several research datafeeds including Datastream, Worldscope, Factset, Micropal, ThomsonOne, Reuters and Bloomberg. The pricing source used is ID. In hard copy format, Mondrian receives broker research and various trade and industry publications all of which complement Mondrian's in-house research. In addition, ad hoc materials such as OECD Surveys are subscribed to at their time of publication.

14) What percentage of each of the following does the portfolio account for? Please estimate if exact figures are not available or disclosed.

A) Firm assets*	0.25 **%**
B) Firm revenue	** **%**
C) Firm profit	** **%**
D) Total firm work hours	*** **%**

**Expressed as a % of total assets under management as of March 31, 2010.*

*** Typically, Mondrian does not provide this information as it is difficult to allocate costs to measure the profitability of individual funds.*

**** All Mondrian staff work full-time on activities associated with investment management, i.e. the firm does not engage in any other activities. Investment personnel allocate the vast majority of their time to the identification and evaluation of investment opportunities for all clients that fall within their area of responsibility. Therefore, it is not meaningful to designate a specific allocation of time to specific clients.*

15) What are the current assets in this product? What are the capacity constraints for this product and who determines the constraints? How does your firm determine the capacity threshold?

As of March 31, 2011, assets in the firm's All Countries World Ex-US Equity strategy totaled approximately $4.1 billion. The strategy is currently closed to new separate account investors, however remains open to new investors in the Mondrian All Countries World Ex-US Equity Fund, L.P. (the "ACWI Ex-US Fund"). Mondrian continually reviews the limitations imposed by total funds under management in the ACWI Ex-US Fund. Although we ceased participation in new separate account searches for our All Countries World Ex-US Equity product, we have not yet established a specific amount at which the ACWI Ex-US Fund will close to additional contributions. However, we strongly believe in managing our business very carefully and will continue to monitor total funds under management in ACWI Ex-US Fund and all related products.

Capacity constraints for each product are determined by the product heads, together with the Chief Executive Officer, and are based upon the assets the firm can manage without compromising its investment style.

Outlook

1) What is your firm's outlook for the international and domestic equity markets?

Developed equity markets performed well during 2010, despite concerns over sovereign debt. Events in Southern Europe contributed to weakness, though cyclical sectors maintained the out-performance seen throughout 2009. Many of these themes have continued into 2011, but recent market performance has been weaker. Traditionally defensive sectors that we have been adding to over the past few quarters have started to perform well, such as healthcare and telecoms. At Mondrian, we assess the outlook for equities by reference to our market real return estimates. We continue to see these returns amongst the cyclical sectors as looking relatively unattractive versus the more defensive sectors. The latter continue to look very cheap generating prospective real returns in excess of 6.5%. Furthermore, the risk profile of these sectors is also more appealing in context of our opinion about the fragile economic backdrop. From a country perspective we continue to find the UK and selected parts of Europe attractive whilst also overweighting the Pacific region including Japan. In terms of the latter, we accept that economic growth and the political backdrop remain challenging, but from a bottom up perspective valuations look attractive and we are comforted by the strong balance sheets that our companies enjoy. Our valuations continue to recommend an underweight position in Canada due to cheaper alternatives elsewhere.

2) What is your firm's outlook for equities in emerging markets?

Our view and assumptions for emerging markets are of course predicated on the outlook for the global economy. As alluded to above, we remain cautious as to the global growth rates going forward, expecting a much lower trend growth rate for the next 5 years that that witnessed in the last decade. The devastating financial sector crisis in the developed world and the knock-on effects of this on the broader economy has led to circa 10% unemployment rates in the US, and other developed nations. With the US economy being so consumer spending centric, we don't see how the consumer can continue to spend at historic levels, and with this being the case, GDP growth has to be lower. Furthermore, emerging economies are unquestionably linked to this slowdown in the developed world, especially as so many Asian economies manufacture and then export so many products for the developed world. Additionally, in the short-term, many emerging market economies are having to increase interest rates and reduce liquidity in the system to rein in inflation which has increased to uncomfortable levels in countries such as India, China and Brazil. This will most likely lead to lower GDP growth in 2011 that that experienced in 2010.

Having said this, we do believe the long-term outlook for most emerging countries looks sound, especially when compared to developed markets. Most emerging economies came out of the economic crisis in good health, and should deliver sustainable growth rates above that of the developed world for some time, albeit at a lower rate than experienced in the last few years. Generally, they have better demographics, improving productivity levels, higher savings rates, a healthier government debt position, banks that have not been through a capital diminution process; as well as many other positive features. As a result of the economic crisis, much of the developed world has uncomfortable government debt levels which need to come down; this can only be negative for growth as a result of lower spending and higher taxation. Thematically therefore, emerging markets look better placed. We however concern ourselves with valuation when allocating between developed and emerging markets. The relative underperformance of emerging markets from October 2010 into Q1 2011 gave us an opportunity to increase our position in the developing world during Q1, but we still remain slightly underweight. We would need to see a bigger valuation gap between EM and DM to increase our position again, so we will be looking to take advantage of any excessive weakness in EM. We continue to believe that emerging markets should be a core holding in any diversified equity portfolio, and even with a lower growth outlook, current valuations suggest to us that a real return of over 6% per annum should be achievable over the next few years.

3) Discuss your firm's outlook for a global mandate. Do you offer global products?

Mondrian offers global products and currently has mandates with MSCI World (these mandates allow a small emerging market exposure) and MSCI ACWI benchmarks.

With regard to the outlook for global mandates, this is an area where we have had a significant increase in interest. One factor of importance we think is that our North American team uses the same valuation process as our International and Emerging Market Equity teams. That is, the dividend discount model, with the same discount rate for all sectors and all markets, is applied consistently. With this standardized approach, our Global Equity product is properly integrated and we can bring into the portfolio our best investment ideas from all markets. Please also refer to our response to the previous question.

4) What impact is private equity and hedge fund development having on the equity markets?

The broad investment philosophy of most private equity funds is to analyze the free cash flow of a company over the long term and calculate its net present value. Companies which arguably do not create sufficient value from that cash are often prime targets, as taking a company private at the very least allows all cash to be returned to the owners if they so wish. Another example of a typical target would be a company that is underleveraged, maybe sitting on net cash, or has unusually low debt given the sector in which it operates. The private equity company may believe a more efficient capital structure would create greater value.

Mondrian's approach is to analyze the dividend flow from any investment, and in doing so, forecast the free cash flow generation and ability to grow dividends over the long term. In theory, where Mondrian discovers value, private equity companies may follow. Where this occurs, and we are agreeable to the price offered, it can provide added value to the portfolio. The danger and concern however, is where the price offered is below our estimation of fair value. In this instance, we would of course challenge the offer.

5) What issues are other clients concerned with in regards to products, markets, education and governance?

For the past several years, many plans throughout the U.S. have voted to divest from companies associated with Sudan and, more recently, Iran. Many clients have already taken the steps to divest, using varying criteria on which companies should be restricted.

In general, governance continues to be a main concern among our clients, including the use of soft dollars. We have seen a steady flow of compliance visits and due diligence questionnaires. Specifically, there have been a number of requests regarding conflicts of interests.

Directed commissions are also significant issue with some of our clients. In recent years, the trading environment has become increasingly competitive. Additionally, while overall trading costs, for example market impact, remain difficult to analyze, objective costs such as commissions have become more transparent as broker/dealers now provide fewer bundled services and the role of soft commission payments has become significantly reduced. This trend has been encouraged by the work of regulators such as the Financial Services Authority (FSA) in the United Kingdom which now requires all investment managers to analyze commission payments to broker/dealers and to breakout the value of any bundled services ("unbundling"). We have viewed these developments positively, and this environment has given us an opportunity to negotiate significantly lower commission rates for securities trading on all client portfolios.

Lastly, we have received numerous inquiries on foreign exchange trading and whether we feel custodial banks are charging competitive rates.

There have been few concerns about Mondrian's products or education.

6) What is on the horizon for your firm's business plan?

We believe that a successful fund management operation is one that is able to grow steadily while at the same time retaining its client base by meeting clients' performance and risk objectives. Mondrian is committed to a value focus and intends to continue to grow by offering quality core products and by developing new investment products consistent with the company's value focus. The firm will continue to focus on retaining its client relationships and developing these relationships in the context of new investment product opportunities. Historically, Mondrian has had very low turnover of client relationships and we have no reason to believe this trend wouldn't continue into the future.

It is Mondrian's belief that a growing firm creates a dynamic work environment that helps to motivate team members. Growth however, must be managed and should not be at the expense of the entrepreneurial environment that Mondrian currently enjoys.

Mondrian does not anticipate increasing staffing levels significantly in 2011 or over the next five years, and we will seek to create efficiencies within the current staffing structure. Based on our appraisal of historical data, Mondrian can reasonably estimate new business flows in the future, with the knowledge that capacity constraints will limit the amount of business that can be accepted. However, the margin for error in these forecasts can be significant from time to time and for that reason the company's philosophy has been to place emphasis on hiring staff in advance of any expectation of business flow. Mondrian's hiring plan for portfolio managers, client service and marketing staff, and operations staff has been carefully evaluated over time. The hiring of additional investment professionals over the life of the firm has typically been about 2-3 investment professionals per annum, with no expectation that the firm should change this in the future. Commensurate with Mondrian hiring of new staff is the nurturing of existing employees with a focus on succession planning throughout the organization.

Summary

Fundamentally, our business model is strong with a focus on minimizing fixed costs so that in times of economic downturn the variable costs can be reduced to such an extent that we can continue our business largely unchanged. In addition, we have been very cautious in our budgeting for some time and therefore we have not placed ourselves under undue pressure to outperform. We are a debt free, cash generative business that does not require significant ongoing capital investment and therefore we are confident that we can continue to manage our business cautiously in the future without reducing staff or deferring planned future hires.

7) **Describe your assessment of the relationship between your firm and *SamCERA*. How can we better utilize your firm's capabilities?**

We believe our relationship with SamCERA has been working well in terms of providing our distinct style, reporting, and maintaining an open dialogue with staff.

Conclusion

1) **Is there any information that would be timely pursuant to *SamCERA's Investment Policy*, the Investment Management Agreement, and this annual review?**

We do not have information that would be timely pursuant to SamCERA's Investment Plan, the Agreement or the annual review.

2) **Are your clients making significant changes in their asset mixes? Please describe these changes.**

Several of our clients have changed their international benchmark to incorporate a wider universe of securities, including international small cap and emerging markets. This has resulted in clients reducing larger, developed cap names and allocating to small cap and emerging markets.
On the fixed income side, we have seen more interest in global developed and emerging markets.

3) **What market opportunities should *SamCERA* be considering?**

In an expected low return environment, we continue to see all international asset classes, including equity and debt, to be attractive over the long-term.

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Delaware Pooled® Trust
The Emerging Markets Portfolio

Presentation to:

San Mateo County
Employees' Retirement Association

Representing Delaware Investments:

Kimberly L. Aspenleider *Vice President – Client Services*

Representing Mondrian Investment Partners Limited:

Russell J. Mackie *Senior Portfolio Manager*

Steven Dutaut *Portfolio Manager*

Justin A. Richards *Senior Vice President, Client Services – Mondrian Investment Partners (U.S.), Inc.*

July 7, 2011

Delaware Investments • 2005 Market Street • Philadelphia, PA 19103-7094

Delaware Investments, a member of Macquarie Group, refers to Delaware Management Holdings, Inc. and its subsidiaries. Macquarie Group refers to Macquarie Group Limited and its subsidiaries and affiliates worldwide.

Investments in The Delaware Pooled Trust Emerging Markets Portfolio are not and will not be deposits with or liabilities of Macquarie Bank Limited ABN 46 008 583 542 and its holding companies, including their subsidiaries or related companies (the "Macquarie Group"), and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. No Macquarie Group company guarantees or will guarantee the performance of the Portfolio, the repayment of capital from the Portfolio, or any particular rate of return.

Investments in international equity securities are not only subject to the usual market volatility, they may also be affected by other risks, including foreign taxes, differences in financial standards, currency fluctuations and political instability.

This marketing book must be preceded or accompanied by a performance update for the most recent calendar quarter and a prospectus for The Emerging Markets Portfolio which contain more information including investment strategy, charges, and expenses. Please read the prospectuses carefully before you invest or send money.

Advised by Delaware Management Company

Sub-advised by Mondrian Investment Partners Limited (formerly known as Delaware International Advisers Ltd.)

Distributed by Delaware Distributors, L.P.

EMGDPT-110707-SanMateo1

Biographies

Representing Delaware Investments

Kimberly L. Aspenleider *Vice President – Client Services*

Kimberly L. Aspenleider's responsibilities at Delaware Investments include relationship management and client servicing for numerous institutional separate accounts. She began her investment career at Delaware Investments in 1989 and has worked both in financial control and as a mutual fund accountant for the firm. Most recently she served as internal client service officer in the firm's institutional client services department. Aspenleider holds a bachelor's degree in economics from the University of North Carolina and an MBA with a concentration in finance from Temple University.

Representing Mondrian Investment Partners Limited *(formerly Delaware International Advisers Ltd.)*

Russell J. Mackie *Senior Portfolio Manager*

A graduate, with Honours in European Studies and French from the University of Dundee and the Universitéde Grenoble, France. Mr. Mackie joined Mondrian in 1997, previously he was an Investment Analyst for Hodgson Martin Ltd. Prior to that he worked for the European Commission in Brussels. Mr. Mackie holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK. Mr. Mackie is a Senior Portfolio Manager in the Non-US Equity Team. He has had significant experience in analyzing securities in Europe and in global consumer sectors. Mr. Mackie is a member of Mondrian's Non-US Equity Strategy Committee.

Steven Dutaut, CFA *Portfolio Manager*

Mr. Dutaut holds a BA in Business Finance from the University of Durham and a M. Litt. in Management, Economics and International Relations from the University of St. Andrews. After completing his postgraduate degree, Mr. Dutaut worked in Bank of America's investment banking division for one year, followed by two years as an investment analyst for Baillie Gifford. Mr. Dutaut joined Mondrian as an Assistant Portfolio Manager in the Non-US Equity Team in 2007.Mr. Dutaut is a CFA Charterholder, a member of the CFA Institute and a member of the CFA Society of the UK.

Justin A. Richards *Senior Vice President, Client Services – Mondrian Investment Partners (U.S.), Inc.*

Mr. Richards is a graduate of Temple University, where he earned an MBA with Honors, and a Cum Laude graduate of Gettysburg College, where he earned a Bachelor of Arts degree in Economics and Japanese Studies. Mr. Richards worked for the Japanese government as a participant in the Japan Exchange Teaching Programme, before joining Mondrian's former affiliate in 2000, where he worked in various client service and marketing roles. In his present position, Mr. Richards is responsible for client service, consultant relations, and marketing.

Firm overview

Delaware Investments — March 31, 2011

History

1929 Delaware Investments predecessor firm is founded

1938 Delaware Investments introduces its first mutual fund

1970 Begin managing fixed income strategies

1972 Institutional separate account management is established

1974 Taft-Hartley business is established

1990 International / global capabilities are established

2000 Begin decade of broadening investment capabilities

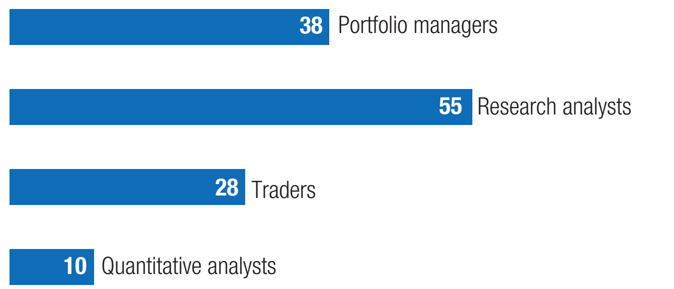
2004 Entered into an agreement to have Mondrian Investment Partners Limited (formerly known as Delaware International Advisors Ltd.) sub-advise Delaware Pooled Trust: The Emerging Markets Equity Portfolio*

2007 Ireland–based UCITS funds are launched

2010 Delaware Investments joins Macquarie Group

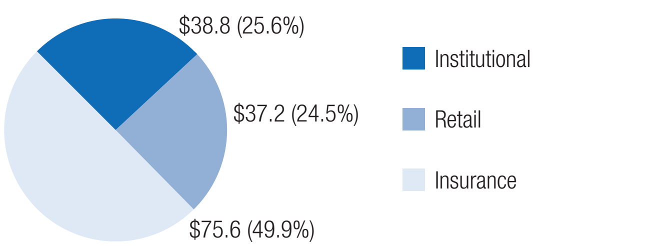
Staff

131 Investment professionals

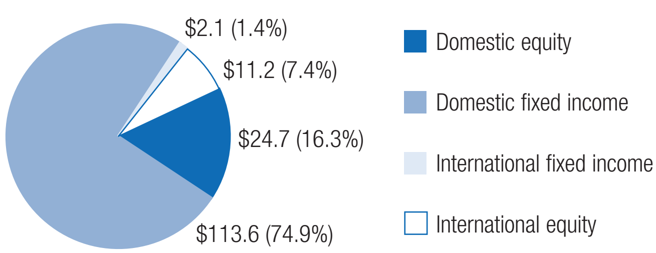


Assets $151.6 billion under management

By client type ($ billions)



By asset class ($ billions)



*Please refer to the prospectus for more information.

Institutional profile

526 Institutional client accounts

363 Institutional equity accounts

163 Institutional fixed income accounts

By assets

Sub-advisory: 57%	Taft-Hartley: 3%
Corporate: 15%	Endowments and foundations: 2%
Public: 14%	High net worth: 2%
NDT/VEBA: 7%	

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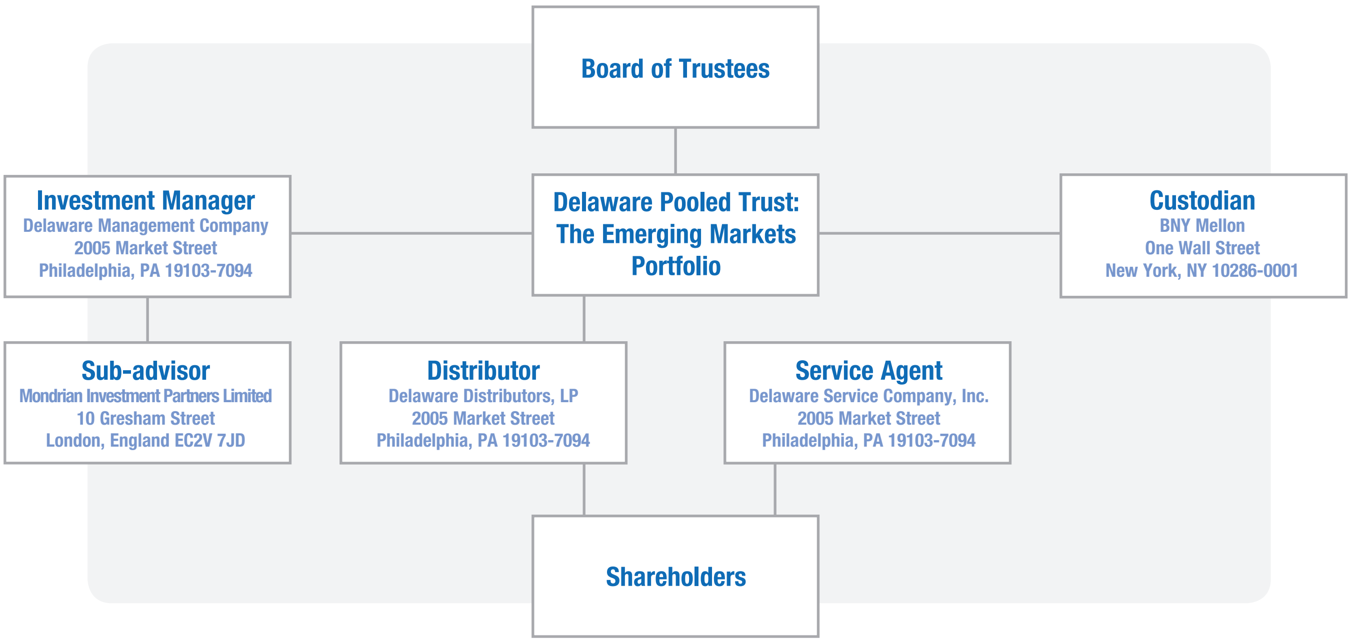
Delaware Pooled Trust overview

As of March 31, 2011



Sub-advisor profile

Mondrian Investment Partners Limited *(formerly known as Delaware International Advisers Ltd.)*

- Established in 1990.
- Assets under management / advice of over $70 billion, with over $47 billion in international/global equity strategies.
- Highly experienced investment team that has worked together for many years under a common investment philosophy.
  - 55 investment professionals / analysts
- An owner-operated business since management led buyout on September 24, 2004.
  - Employees hold a 73% ownership interest.
  - Up to 5% ownership interest in future business growth can be re-distributed among employees each and every year to retain and motivate the next generation.
  - Approximately 80 employees are owners today, up from 60 in 2004.

Representative client list

Delaware Pooled Trust: The Emerging Markets Portfolio

- AMA
- Alameda County Employees' Retirement Association
- Austin Presbyterian Seminary
- Burlington Northern Santa Fe Retirement Plan
- Clinton Township Fire & Police Retirement System
- Father Flanagan Foundation, Inc.
- IHM Congregation
- Illinois Teachers' Retirement System
- Molex Inc.
- Monte Vista Management Co.
- Moorings Capital
- Old Dominion University
- Pfizer Master Trust
- Spencer Foundation
- Wichita Employees' Retirement System

Delaware Pooled Trust: The International Equity Portfolio

- American Council of Learned Societies
- Boston Newspaper Retirement Fund
- Boston Shipping Association/ILA
- College of William & Mary
- Everest Reinsurance
- Wells Fargo Bank
- Franciscan Sisters of Little Falls
- Hampton University
- Herb Block Foundation
- Intel Corporation
- Pfizer Foundation
- Standex International
- Trust for Public Land
- U.S. Airways
- Washington and Jefferson College

Delaware Pooled Trust: The Global Fixed Income Portfolio

- American Dehydrated Foods
- Belmont Retirement System
- Bristol County Retirement System
- Boston Shipping Association/ILA
- New Hampshire Charitable Foundation
- Palmer & Dodge
- Steelcase Retirement Plan
- Williams and Connolly

It is not known whether the listed clients approve or disapprove of the advisory services. Delaware Investments does not use performance-based criteria to determine which clients are included on the list.

Equity investment philosophy

Delaware Pooled Trust: The Emerging Markets Portfolio

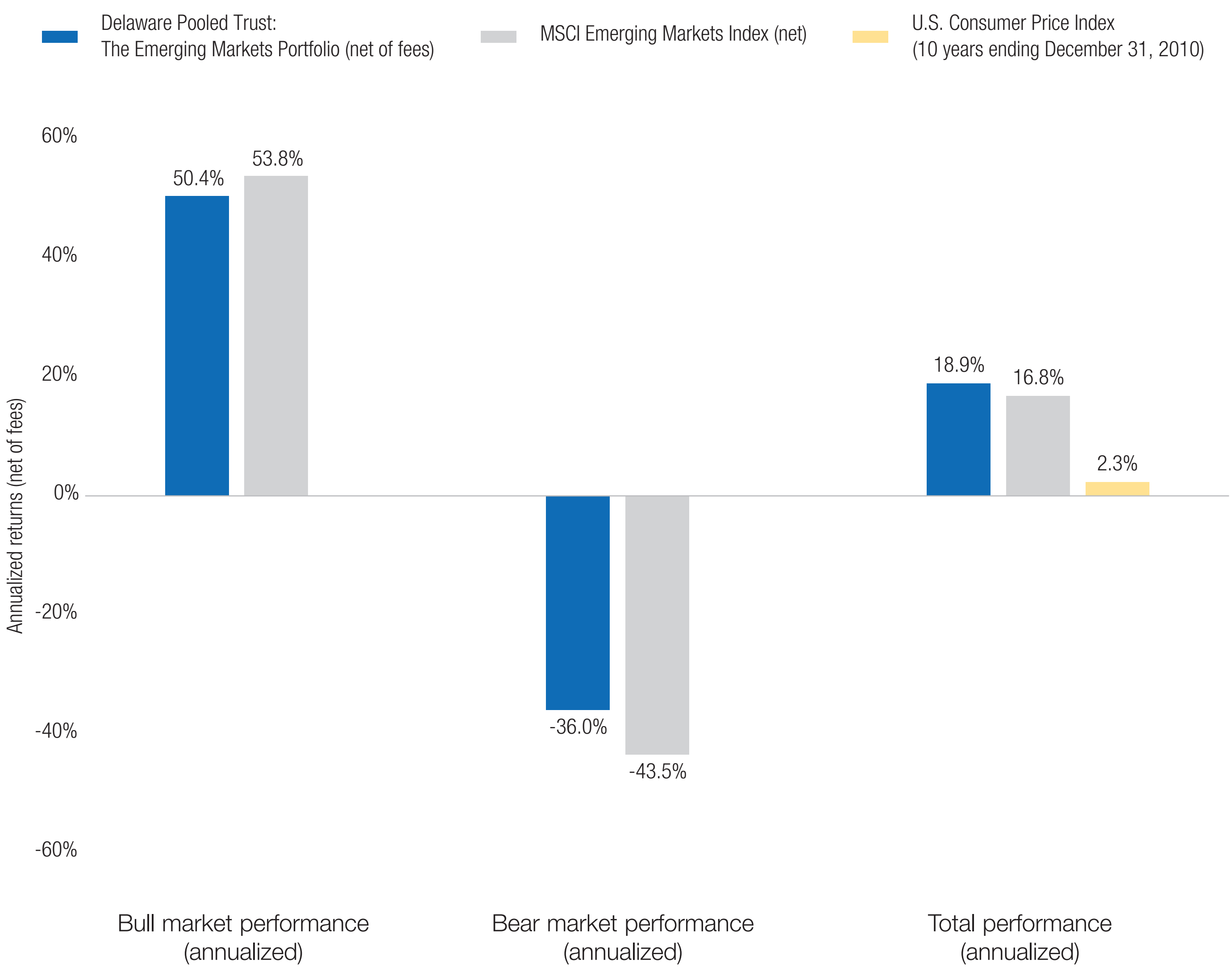
The portfolio is managed in a value-oriented defensive style

Mondrian invests the portfolio in stocks where rigorous dividend discount analysis isolates value in terms of the long-term flow of dividends. Dividend yield and future growth play a central role in the decision making process and over time the dividend component will be a meaningful portion of expected total return.

- An approach that focuses on providing a **rate of return** meaningfully **greater than** the client's domestic rate of **inflation**.
- Client portfolios that seek to **preserve capital** during protracted global market declines.
- Portfolio performance has typically been **less volatile** than the MSCI EM Index (net) and most other emerging markets managers.

Defensive characteristics

Delaware Pooled Trust: The Emerging Markets Portfolio
March 31, 2001 – March 31, 2011



Number of quarters		
29	11	40

Additional performance information is presented on page 4.5

A bull market quarter is defined as one in which the MSCI Emerging Markets Index showed a positive U.S. dollar return, and bear market quarter as one in which the MSCI Emerging Markets Index showed a negative U.S. dollar return. For purposes of the performance graph above, the "bear market" quarters were: 2001 (3Q) 2002; (2Q,3Q); 2003 (1Q); 2004 (2Q); 2006 (2Q); 2008 (1Q, 2Q, 3Q, 4Q), 2010 (2Q). All other quarters were "bull" quarters. The bull market performance is calculated as an average of 29 quarters during the time period from March 31, 2001 to March 31, 2011.

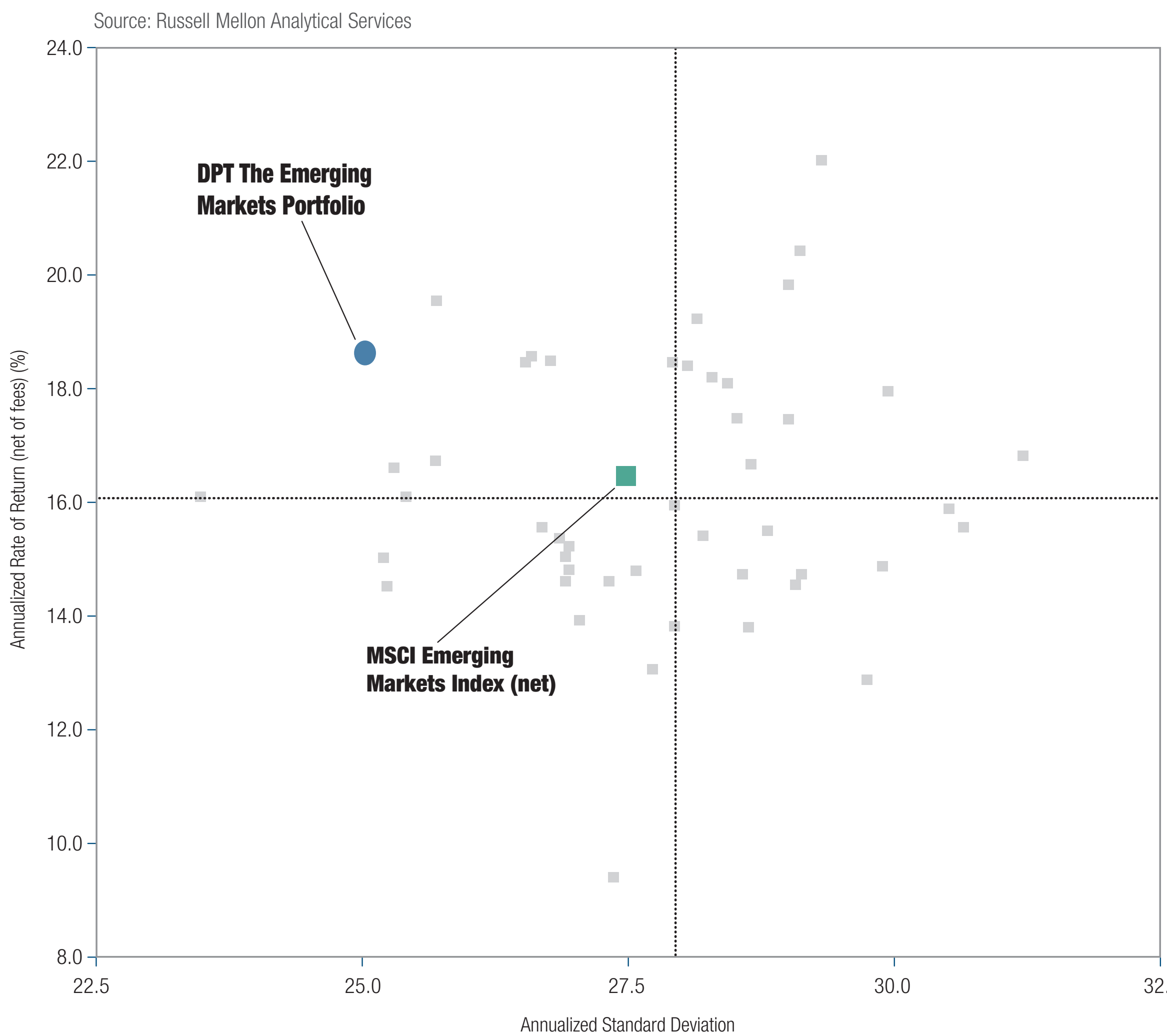
The bear market performance is calculated as an average of 11 quarters during the time period from March 31, 2001 to March 31, 2011.

*Mondrian Investment Partners Limited ("Mondrian") sub-advises Delaware Pooled Trust: The Emerging Markets Portfolio. Mondrian was formerly known as Delaware International Advisers Ltd. ("DIAL"). DIAL previously acted as the sole investment advisor since the inception of Delaware Pooled Trust: The Emerging Markets Portfolio.

The MSCI Emerging Markets Index, measures equity market performance across emerging market countries world-wide. Index "net" return approximates the minimum possible dividend reinvestment, after deduction of withholding tax at the highest possible rate. The MSCI Emerging Markets Index is an unmanaged index. You cannot invest directly in an index.

Emerging markets mutual fund portfolios

Delaware Pooled Trust: The Emerging Markets Portfolio
10 years ending March 31, 2011



The small gray squares in the chart above represent 46 emerging market mutual fund competitors of Delaware Pooled Trust - The Emerging Markets Equity Portfolio as determined by Russell Mellon Analytical Services.

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- A **value-oriented dividend discount methodology** toward individual security and market analysis that isolates value across country boundaries.

- A long-term oriented **purchasing power parity approach** supplemented by shorter-term probability assessment is the cornerstone of ongoing currency analysis.

- Extensive **world-wide fundamental research** with the **emphasis on company visits** being the central focus of the research process.

Framework for decision making

Delaware Pooled Trust: The Emerging Markets Portfolio

TOP DOWN

50%

Country Analysis

- Focus on demographics, productivity, debt and politics
- Inputs from bottom-up, security research
- Regular research trips
- Long term forward looking dividend discount model

Currency Analysis

- Long term purchasing power parity analysis
- Shorter term considerations

Emerging Markets Strategy Committee

- Checks market and stock valuations for consistency and quality
- Optimised asset allocation based on top down values and security valuations

CLIENT PORTFOLIO
60-100 holdings

- Balance sheet, income and cash flow analysis
- Industry studies and meetings with management
- Inputs from top-down, country analysis
- Long term forward looking dividend discount model

Security Research

- Based on value, liquidity, financial strength, prospects
- Additional ideas identified through conferences, research trips

Screening

50%

BOTTOM UP

EMGDPT-110707-SanMateo3.1

Country allocation

Delaware Pooled Trust: The Emerging Markets Portfolio
March 31, 2011

	* Estimated "Real" Annualized Market Returns (%)	Country Allocation Weightings (%)			Currency Hedge
	1	2	3	4	5
	U.S. Dollar	Normal Minimum/Maximum Weightings	Current Allocation	MSCI Emerging Markets Index "net"	
LATIN AMERICA			**27.4**	**23.3**	
Brazil	6.4	0-30	17.8	16.0	
Chile	5.3	0-10	2.4	1.5	
Mexico	5.2	0-20	5.0	4.4	
Others		0-10	2.4	1.4	
EUROPE, MIDDLE EAST, AFRICA			**16.8**	**19.0**	
Poland	6.0	0-10	0.8	1.6	
Russia	5.9	0-20	3.9	7.3	
South Africa	5.6	0-20	5.7	7.4	
Turkey	6.9	0-10	5.0	1.4	
Others		0-10	1.4	1.3	
ASIA			**54.6**	**57.6**	
China	6.5	0-30	22.5	17.4	
India	5.7	0-20	5.9	7.4	
Indonesia	6.1	0-10	3.9	2.4	
Korea	5.2	0-30	6.6	14.3	
Malaysia	5.4	0-10	1.1	2.9	
Taiwan	6.1	0-25	9.2	10.9	
Thailand	6.5	0-10	3.9	1.7	
Others		0-5	1.6	0.5	

1. Calculated using Mondrian's dividend discount methodology and long term purchasing power parity currency analysis. These forecast "real" annualized market returns are used solely as a basis for making judgements about country allocations and are not intended to be indications of expected returns. Forecast real returns in US dollars are calculated as at March 31, 2011.
2. A minimum/maximum country allocation policy allows broad flexibility while guarding against concentration relative to benchmark.
3. Portfolio allocation
4. Benchmark weights
5. Currency hedges are put into place if appropriate.

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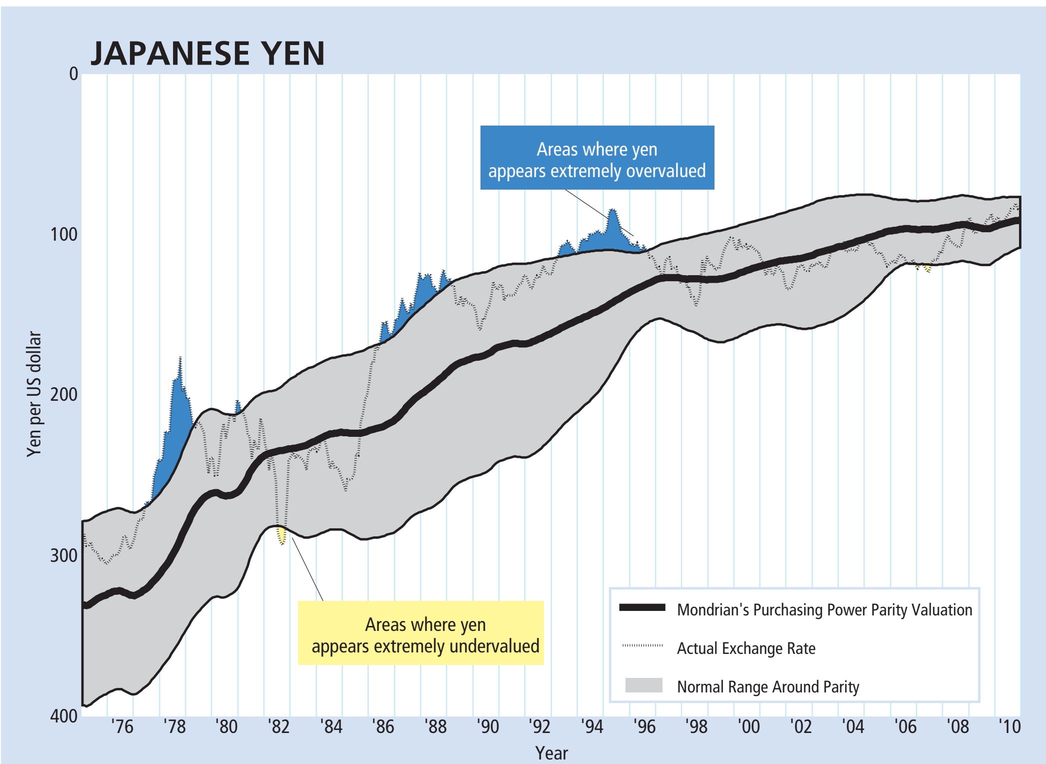
A long-term-oriented purchasing power parity approach supplemented by shorter-term probability assessment is the cornerstone of ongoing currency analysis.

Currency approach: a defensive strategy



Source: Mondrian Investment Partners Limited

- **HEDGING IS FOR DEFENSIVE PURPOSES ONLY**

However…

- Costs can be prohibitive
- Weaknesses with the data

Therefore…

- Assess and monitor economic imbalances and political uncertainty
- Top down – **AVOID MARKET**
- Bottom up – **BUY NATURAL HEDGES**

- **CURRENCY MATTERS**
  – HELPS TO ENHANCE DEFENSIVE CHARACTERISTICS

Sell discipline

Stocks, markets, and currencies

- Price appreciation leading to significant overvaluation against a predetermined value level.
- A change in the fundamentals that adversely affects ongoing appraisal of value.
- More attractive alternatives.
- A change in the political environment which has implications for the investment's future prospects.

- **Dividend Discount Model** seeks to neutralize accounting differences and focuses on more stable element of return.
- **Worst case** risk assessment of stocks, markets and sectors.
- Mondrian policy currently at a **maximum 4% position** of the portfolio in any one security.
- **Currency** issues are critical in building Emerging Markets Portfolios.
- **Direct local market** investment is avoided where necessary.

Emerging markets performance

March 31, 2011

	Quarter 1, 2011			2010		
	Local Market Return (%)	Currency Change vs. US$ (%)	US$ Return (%)	Local Market Return (%)	Currency Change vs. US$ (%)	US$ Return (%)
EM EMEA	**3.1**	**2.0**	**5.1**	**18.9**	**3.9**	**23.5**
Czech Republic	7.6	8.1	16.3	-1.0	-1.6	-2.5
Egypt	-21.3	-2.4	-23.2	18.5	-5.1	12.4
Hungary	8.4	10.8	20.2	-0.4	-9.2	-9.6
Morocco	0.7	4.8	5.5	21.5	-5.4	14.9
Poland	2.8	4.0	6.9	19.0	-3.1	15.2
Russia	9.5	6.2	16.3	20.0	-0.7	19.1
South Africa	0.3	-2.1	-1.9	20.6	11.3	34.2
Turkey	-5.0	-0.3	-5.3	24.0	-2.6	20.8
EM ASIA	**0.6**	**0.9**	**1.5**	**14.6**	**3.8**	**19.0**
China	2.9	-0.1	2.9	4.9	-0.2	4.6
India	-5.4	0.3	-5.1	16.2	4.1	20.9
Indonesia	1.2	3.5	4.7	28.4	4.3	33.9
Korea	3.7	3.5	7.3	23.5	2.6	26.7
Malaysia	2.4	1.8	4.3	23.4	11.0	37.0
Philippines	-4.2	0.9	-3.3	26.9	5.5	33.9
Taiwan	-3.4	-0.9	-4.2	11.1	9.7	21.8
Thailand	4.4	-0.3	4.1	40.8	10.6	55.7
EM LATIN AMERICA	**-1.1**	**2.0**	**0.9**	**9.0**	**5.2**	**14.7**
Brazil	0.5	2.0	2.6	1.5	5.0	6.5
Chile	-5.7	-2.3	-7.9	33.0	8.4	44.2
Colombia	-2.3	2.6	0.2	34.8	6.4	43.4
Mexico	-2.9	3.6	0.6	20.6	5.8	27.6
Peru	-13.6	0.0	-13.6	53.3	0.0	53.3
EM (EMERGING MARKETS)	**0.7**	**1.4**	**2.0**	**14.1**	**4.2**	**18.9**

Source: MSCI

Benchmark sector returns

March 31, 2011

	QUARTER 1, 2011 US$ Return (%)	2010 US$ Return (%)
CONSUMER DISCRETIONARY	**1.8**	**31.4**
Automobiles & Components	12.7	47.8
Consumer Durables & Apparel	-9.1	2.8
Consumer Services	1.4	51.6
Media	-6.6	33.6
Retailing	-2.3	32.9
CONSUMER STAPLES	**-1.5**	**30.4**
Food & Staples Retailing	-1.1	45.8
Food Beverage & Tobacco	-1.1	24.9
Household & Personal Products	-4.1	29.4
ENERGY	**11.9**	**9.9**
FINANCIALS	**0.7**	**17.0**
Banks	2.6	20.0
Diversified Financials	-5.2	24.4
Insurance	-4.3	5.7
Real Estate	-1.1	-1.8
HEALTH CARE	**-4.9**	**26.8**
Health Care Equipment & Services	-0.1	16.1
Pharmaceuticals Biotechnology & Life Sciences	-7.2	29.4
INDUSTRIALS	**-2.9**	**29.0**
Capital Goods	-1.6	29.9
Commercial & Professional Services	5.8	20.7
Transportation	-7.4	26.5
INFORMATION TECHNOLOGY	**-1.8**	**16.4**
Software & Services	1.7	19.1
Technology Hardware & Equipment	-7.6	15.8
Semiconductors & Semiconductor Equipment	1.2	15.4
MATERIALS	**2.9**	**22.8**
TELECOMMUNICATION SERVICES	**1.6**	**14.6**
UTILITIES	**2.2**	**8.1**
EM (EMERGING MARKETS)	**2.0**	**18.9**

Source: MSCI

Emerging markets gross performance

Quarter 1, 2011

PERFORMANCE ATTRIBUTION %			
RELATIVE RETURN	RELATIVE CURRENCY CONTRIBUTION	RELATIVE MARKET CONTRIBUTION	STOCK SELECTION
-1.3	-0.9	-0.1	-0.3

POSITIVE | NEGATIVE

CURRENCY CONTRIBUTION

Positive:
- Underweight Taiwanese dollar

Negative:
- Underweight Korean won
- Overweight Turkish lira

MARKET CONTRIBUTION

Positive:
- Underweight India
- Overweight Thailand
- Underweight Taiwan

Negative:
- Underweight Russia
- Underweight Korea
- Overweight Turkey

STOCK SELECTION

Positive:
- Stock selection in Energy and Information Technology

Lukoil - Russia
Tupras - Turkey
Redecard - Brazil

Negative:
- Consumer Staples positioning and stock selection in Materials

Mediatek - Taiwan
Compartamos - Mexico
PPC - South Africa

Source: Mondrian Investment Partners and MSCI

Past performance is no guarantee of future performance

Performance and attribution data calculated by Mondrian's attribution system, which is based on performance gross of fees and neutralizes the effect of fair pricing policy required on mutual funds.

Emerging markets gross performance

Year 2010

PERFORMANCE ATTRIBUTION %			
RELATIVE RETURN	RELATIVE CURRENCY CONTRIBUTION	RELATIVE MARKET CONTRIBUTION	STOCK SELECTION
-0.2	-1.4	-0.5	+1.7

POSITIVE	NEGATIVE

CURRENCY CONTRIBUTION

Positive:
- Underweight Hungarian forint

Negative:
- Overweight Turkish lira
- Underweight Brazilian real
- Overweight Czech koruna

MARKET CONTRIBUTION

Positive:
- Underweight Brazil
- Overweight Turkey

Negative:
- Underweight Korea
- Overweight Czech Republic

STOCK SELECTION

Positive:
- Stock selection in Energy and Financials

HTC - Taiwan
President Chain - Taiwan
BanColombia

Negative:
- Overweight Utilities and stock selection in Information Technology

Redecard - Brazil
KazMunaiGas - Kazakhstan
Asustek - Taiwan

Source: Mondrian Investment Partners and MSCI

Past performance is no guarantee of future performance

Performance and attribution data calculated by Mondrian's attribution system, which is based on performance gross of fees and neutralizes the effect of fair pricing policy required on mutual funds.

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San Mateo County Employees' Retirement Association

Delaware Pooled Trust: The Emerging Markets Portfolio

Performance Summary

	DPT Emerging Markets (net of fees)	MSCI Emerging Markets Index (gross)	Relative Performance	MSCI Emerging Markets Index (net)	Relative Performance
Second Quarter 2010	-7.38	-8.29	0.91	-8.37	0.99
Third Quarter 2010	18.47	18.16	0.31	18.03	0.44
Fourth Quarter 2010	4.74	7.36	-2.62	7.33	-2.59
First Quarter 2011	0.62	2.10	-1.48	2.04	-1.42
through May 31, 2011					
Year to Date	2.56	2.57	-0.01	2.45	0.11
One Year	27.93	29.18	-1.25	28.83	-0.90
Three Years (annualized)	2.13	1.45	0.68	1.15	0.98
Five Years (annualized)	11.77	12.03	-0.26	11.71	0.06
Since Inception Account (annualized)*	14.82	16.36	-1.54	16.00	-1.18

Market Value Account: $42,724,537

* Inception of San Mateo County Employees' Retirement Association (11/18/2004). The returns have been calculated from the start of the month following the corresponding Portfolio's inception date.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800 231-8002 or visiting www.delawareinvestments.com/institutional/performance.

Instances of high double-digit returns are unusual, cannot be sustained, and were achieved primarily during favorable market conditions.

Returns reflect the reinvestment of all distributions. The Portfolio's total operating expenses are 1.17%. The Portfolio has a purchase reimbursement fee and a redemption reimbursement fee that is paid to the Portfolio. These fees are designed to reflect an approximation of the brokerage and other transaction costs associated with the investment of an investor's purchase amount or the disposition of assets to meet redemptions, and to limit the extent to which the Portfolio (and, indirectly, the Portfolio's existing shareholders) would have to bear such costs. In lieu of the reimbursement fees, investors in the Portfolio may be permitted to utilize alternative purchase and redemption methods designed to accomplish the same economic effect as the reimbursement fees.

Investing involves risk, including the possible loss of principal.

International investments entail risks not ordinarily associated with U.S. investments including unfavorable fluctuation in currency values, differences in accounting principles, or economic or political instability in other nations. Investing in emerging markets can be riskier than investing in established foreign markets due to increased volatility and lower trading volume.

If and when we invest in forward foreign currency contracts or use other investments to hedge against currency risks, the Portfolio will be subject to special risks, including counterparty risk.

Fixed income securities and bond funds can lose value, and investors can lose principal, as interest rates rise. They also may be affected by economic conditions that hinder an issuer's ability to make interest and principal payments on its debt.

High yielding, noninvestment grade bonds (junk bonds) involve higher risk than investment grade bonds.

Holdings are for informational purposes only and are subject to change.

The MSCI Emerging Markets Index, measures equity market performance across emerging market countries world-wide. Index "net" return approximates the minimum possible dividend reinvestment, after deduction of withholding tax at the highest possible rate. The MSCI Emerging Markets Index is an unmanaged index. You cannot invest directly in an index.

Carefully consider the Portfolio's investment objectives, risk factors, charges, and expenses before investing. This and other information can be found in the Portfolio's prospectus, which may be obtained by visiting www.delawareinvestments.com/institutional or calling 800 231-8002. Investors should read the prospectus carefully before investing.

Performance Summary of Delaware Pooled Trust: The Emerging Markets Portfolio

through May 31, 2011

	DPT Emerging Markets (net of fees)	MSCI Emerging Markets Index (gross)	Relative Performance	MSCI Emerging Markets Index (net)	Relative Performance
One Year	27.93	29.18	-1.25	28.83	-0.90
Three Years (annualized)	2.13	1.45	0.68	1.15	0.98
Five Years (annualized)	11.77	12.03	-0.26	11.71	0.06
Ten Years (annualized)	18.22	16.47	1.75	16.13	2.09
Since Inception Account (annualized)**	10.88	8.69	2.19	8.44	2.44

**Inception of Delaware Pooled Trust: The Emerging Markets Portfolio (4/14/1997). The returns for the MSCI EM (net) have been calculated from the start of the month following the portfolio's inception date.

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Emerging markets transaction summary

Delaware Pooled Trust: The Emerging Markets Portfolio
Quarter 1, 2011

BUY

COUNTRY	STOCK	DATE
Brazil	CSN	Jan-11
India	Tata Motors	Jan-11
Indonesia	Astra International	Jan-11
South Africa	Clicks	Mar-11

SELL

COUNTRY	STOCK	DATE
Czech Republic	Telefonica O2	Jan-11
Taiwan	Asustek	Jan-11
Czech Republic	CEZ	Mar-11
Taiwan	HTC	Mar-11

portfolio snapshot

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Portfolio

Delaware Pooled Trust: The Emerging Markets Portfolio

March 31, 2011

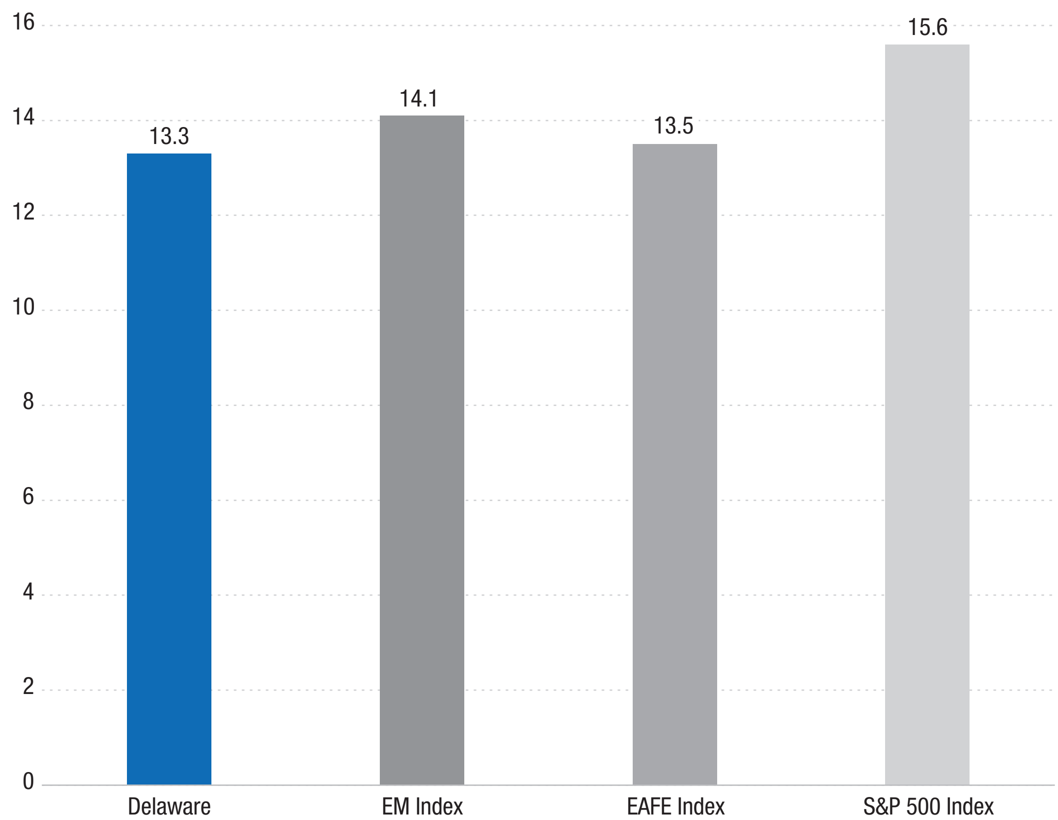
	Holdings		P/E		Yield (%)*	
	Portfolio	MSCI Emerging Markets Index	Portfolio	MSCI Emerging Markets Index	Portfolio	MSCI Emerging Markets Index
LATIN AMERICA	**27.4**	**23.3**	**13.9**	**14.4**	**4.3**	**2.4**
BRAZIL	**17.8**	**16.0**	**13.0**	**12.6**	**5.3**	**2.8**
AES TIETE PREF	0.5		12.2		8.5	
AES TIETE	0.2		11.2		8.5	
AMBEV	1.4		18.7		5.1	
CCR	2.1		31.1		4.1	
CIELO	2.0		10.3		8.4	
CPFL ENERGIA	1.6		14.1		6.9	
CSN	1.4		13.7		5.3	
VALE PREF	3.1		9.3		2.4	
ITAU UNIBANCO	1.1		15.1		2.5	
ITAUSA	2.0		12.3		4.3	
REDECARD	1.8		11.6		8.8	
SANTOS BRASIL	0.5		31.0		2.5	
CHILE	**2.4**	**1.5**	**13.3**	**18.6**	**3.9**	**1.4**
ENERSIS	2.0		13.3		3.1	
IAM	0.3		13.4		8.7	
COLOMBIA	**0.7**	**0.8**	**15.5**	**24.5**	**2.3**	**2.1**
BANCOLOMBIA	0.7		15.5		2.3	
MEXICO	**5.0**	**4.4**	**17.9**	**22.0**	**2.1**	**1.6**
BANCO COMPARTAMOS	1.3		18.8		1.1	
GRUPO AEROPORTUARIO PACIFICO	1.0		18.9		3.5	
GRUPO MEXICO	1.7		15.9		1.2	
GRUPO TELEVISA	0.5		21.2		2.3	
KIMBERLY-CLARK DE MEXICO	0.5		18.6		4.6	
PERU	**1.7**	**0.6**	**14.7**	**16.8**	**1.9**	**1.3**
CREDICORP	1.7		14.7		1.9	
EUROPE, AFRICA & MIDDLE EAST	**16.8**	**19.0**	**9.7**	**9.6**	**3.6**	**1.8**
CZECH REPUBLIC	**0.0**	**0.4**	**10.0**	**10.7**	**6.0**	**6.1**
EGYPT	**0.3**	**0.3**	**11.6**	**13.3**	**5.8**	**5.0**
MOBINIL	0.3		11.6		5.8	
KAZAKHSTAN	**1.1**	**-**	**5.9**	**7.1**	**3.5**	**2.6**
KAZMUNAIGAS	1.1		5.9		3.5	
POLAND	**0.8**	**1.6**	**15.3**	**13.3**	**2.6**	**2.5**
BANK PEKAO	0.3		17.7		1.7	
POLSKA GRUPA ENERG	0.4		13.8		3.3	
RUSSIA	**3.9**	**7.3**	**5.9**	**8.8**	**1.8**	**1.4**
OAO GAZPROM	2.0		5.4		1.0	
LUKOIL	1.9		6.5		2.6	
SOUTH AFRICA	**5.7**	**7.4**	**15.2**	**17.3**	**4.2**	**2.8**
AFRICAN BANK INVESTMENTS	1.8		16.1		4.9	
CLICKS	0.1		21.2		2.5	
PRETORIA PORTLAND CEMENT	0.5		12.2		7.3	
SASOL	2.0		15.0		2.8	
TIGER BRANDS	1.3		15.3		4.2	
TURKEY	**5.0**	**1.4**	**11.4**	**10.4**	**4.3**	**2.5**
GARANTI BANK	1.8		8.8		2.1	
TOFAS	0.5		11.3		3.0	
TUPRAS	2.1		15.4		6.6	
TURKCELL	0.6		11.1		4.3	

	Holdings		P/E		Yield (%)*	
	Portfolio	MSCI Emerging Markets Index	Portfolio	MSCI Emerging Markets Index	Portfolio	MSCI Emerging Markets Index
ASIA	**54.6**	**57.6**	**14.6**	**14.9**	**3.4**	**2.0**
CHINA	**22.5**	**17.4**	**15.5**	**14.9**	**2.6**	**2.2**
BEIJING ENTERPRISES	1.0		19.9		1.6	
CHINA BLUECHEMICAL	0.8		24.9		1.3	
CHINA CONSTRUCTION BANK	3.0		11.6		3.3	
CHINA GAS	1.0		29.0		0.4	
CHINA MERCHANTS INTL	1.6		22.5		1.7	
CHINA MOBILE	2.3		10.3		4.0	
CHINA RESOURCES POWER	1.9		12.8		2.2	
CHINA SHENHUA	0.6		18.0		1.7	
CHINA SHIPPING	1.1		14.6		1.4	
ENN ENERGY	0.8		22.3		0.9	
HENGAN	1.2		29.9		2.3	
ICBC	3.2		11.9		3.1	
JIANGSU EXPRESSWAY	1.2		14.6		4.9	
TINGYI	1.4		34.0		1.7	
WANT WANT	1.3		29.4		2.9	
INDIA	**5.9**	**7.4**	**13.0**	**19.9**	**1.6**	**1.0**
AXIS BANK	2.0		18.6		0.9	
HCL TECHNOLOGIES	0.9		27.6		1.2	
RURAL ELECTRIFICATION	1.9		10.2		2.8	
TATA MOTORS	1.1		8.7		1.2	
INDONESIA	**3.9**	**2.4**	**15.1**	**19.0**	**3.3**	**2.1**
ASTRA INTERNATIONAL	1.5		16.1		2.3	
PT PERUSAHAAN	2.4		14.5		4.0	
KOREA	**6.6**	**14.3**	**9.5**	**12.5**	**3.0**	**1.2**
HYUNDAI MOTOR 2ND PRF	0.6		4.0		2.2	
KANGWON LAND	0.8		12.3		3.8	
KB FINANCIAL	1.6		65.9		0.2	
KT&G	2.2		7.8		5.3	
SAMSUNG ELECTRONICS PREF	1.1		7.2		1.6	
SK TELECOM	0.3		9.0		5.7	
MALAYSIA	**1.1**	**2.9**	**17.6**	**18.2**	**5.5**	**2.6**
MAXIS	1.1		17.6		5.5	
PHILIPPINES	**1.6**	**0.5**	**10.8**	**16.5**	**9.5**	**2.8**
PLDT	1.6		10.8		9.5	
TAIWAN	**9.2**	**10.9**	**23.3**	**15.0**	**5.9**	**3.2**
CHUNGHWA TELECOM	2.1		15.0		8.3	
FAR EASTONE	0.5		16.2		6.4	
LITE-ON TECHNOLOGY	0.6		8.6		6.2	
MEDIATEK	1.3		9.1		7.7	
PRESIDENT CHAIN STORES	1.2		25.7		2.8	
QUANTA COMPUTER	0.4		9.1		6.6	
TAIWAN SEMICONDUCTOR	2.7		11.3		4.2	
WISTRON CORP	0.4		7.7		5.8	
THAILAND	**3.9**	**1.7**	**14.3**	**14.3**	**2.5**	**2.8**
KASIKORNBANK	1.7		15.7		1.9	
PTT	2.2		13.4		2.9	
CASH	**1.3**				**0.1**	
US DOLLARS	0.8				0.2	
OTHER CURRENCY	0.5					
TOTAL PORTFOLIO	**100.0**	**100.0**	**13.3**	**14.1**	**3.6**	**2.2**
CURRENT 30-DAY SEC YIELD**					**2.8**	

*The yield for the total portfolio and countries has been calculated utilizing the stock yields provided by MSCI. **SEC 30-day yield shows the rate of return (dividends and interest, less expenses) on a fund's offering price over a trailing 30-day period.

Price to earnings value ratio

Delaware Pooled Trust: The Emerging Markets Portfolio
March 31, 2011



Source: MSCI & S&P

Key characteristics

Delaware Pooled Trust: The Emerging Markets Portfolio

Aim	Benefit
Consistent valuation methodology across all markets and stocks	***Efficient asset allocation***
Focus on long-term real returns in clients' base currency	***Matching clients' long-term liabilities*** ***Reduced transaction costs due to low turnover***
Analysis of both likely return and risk of not achieving it	***Optimization of risk adjusted returns***
Consistent performance at low risk relative to competitors	***Greater comfort factor in volatile asset class***

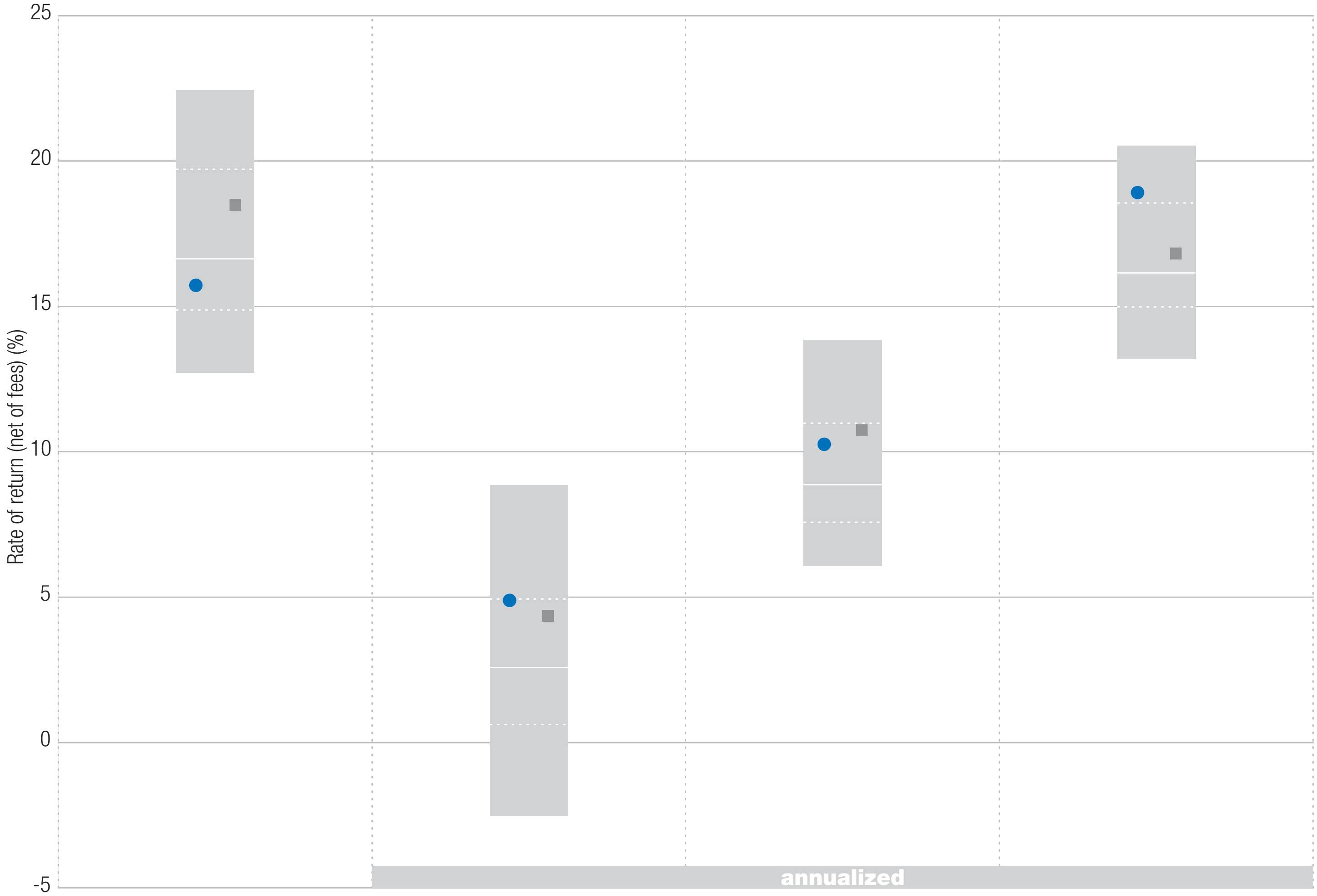
Key features of Delaware Pooled Trust

Delaware Pooled Trust: The Emerging Markets Portfolio

- Equitable procedure for handling inflows and outflows.
- As of March 1, 2011, total annual operating expenses were 1.17%.
- SEC registered mutual fund, with daily pricing.
- Client service resources of Delaware Investments supplemented by personnel from Mondrian Investment Partners Limited.

Performance of emerging markets equity mutual funds

Delaware Pooled Trust: The Emerging Markets Portfolio
March 31, 2011



	1 Year	3 Years	5 Years	10 Years
5th percentile	22.44	8.85	13.84	20.53
25th percentile	19.72	4.94	10.98	18.56
Median	16.63	2.58	8.87	16.15
75th percentile	14.88	0.62	7.58	14.99
95th percentile	12.72	-2.53	6.07	13.19

● **Delaware Pooled Trust: The Emerging Markets Portfolio (net of fees) / (percentile rank)**

15.64 / (69th)	**4.89 / (26th)**	**10.26 / (35th)**	**18.90 / (15th)**

■ **MSCI Emerging Markets Index (net) / (percentile rank)**

18.46 / (35th)	**4.32 / (28th)**	**10.69 / (28th)**	**16.78 / (45th)**

Source: Russell Mellon Analytical Services

As of March 31, 2011, the universe contains 46 emerging markets mutual fund competitors of the Delaware Pooled Trust-The Emerging Markets Portfolio as determined by Russell Mellon Analytical Services.

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

July 26, 2011 Agenda Item 6.6 c

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Investment Manager Review – The Boston Company (TBC)

Staff Comments: The board instructed *SamCERA's* staff and investment consultant to perform the annual review of *SamCERA's* investment managers and report back to the board. On July 7, 2011, staff interviewed *SamCERA's* value managers in the boardroom.

The Boston Company was interviewed at approximately 10:30 a.m. Those present were:

Michal Settles – *SamCERA* Trustee
Patrick Thomas – Strategic Investment Solutions Investment Consultant
Gary Clifton – *SamCERA's* Chief Investment Officer
Lilibeth Dames – *SamCERA's* Retirement Investment Analyst
Scott Hood – *SamCERA's* Assistant Executive Officer
Edward Walter – The Boston Company Senior Portfolio Manager, CFA
Paul Leahy – The Boston Company Senior Relationship Manager

Attached to this agenda item are the presentation materials used by The Boston Company for the review and TBC's response to *SamCERA's* annual questionnaire.

Below is the criteria used in the search to select TBC as a domestic small cap value manager, the original pros and cons to their selection, and the other finalists in the search.

Those are followed by a general firm overview, then an overview of The Boston Company's US Small Cap Value Equity Portfolio.

Criteria - *SamCERA* Domestic Small Cap Equity Value Search – April 2004

1. Starting Universe: The union of the eVestment Alliance Small Cap Value Universe and all products in eVestment Alliance US Equity Universe classified by market cap as "small" and by style as "value."

2. Product's track record must have a minimum length of three years.

3. Performance: Product must out-perform Russell 2000 Value index in at least 50% of available time periods (1-, 3-, 5-, 7-, and 10-years) and out-perform the eA Small Cap Value universe median in at least 50% of available time periods (1-, 3-, 5-, 7-, and 10-years).

4. Product must be open to new accounts.

5. Product must have minimum assets of $200 million as of the end of Q3 2008.

6. Product's value style must be confirmed by returns based style analysis.

7. Products may be eliminated for being tax managed, being open only in mutual fund, having many small accounts, recent portfolio manager changes, and for various other qualitative reasons.

<u>The Boston Company</u>

Pros

• Well resourced and seasoned investment team (five professionals 100% devoted to this strategy)
• Have not lost any client accounts in the past five years
• Clients include large state and corporate pension plans
• Use quantitative risk models to monitor risk and help ensure that all risks are intended

Cons

• Firm cut 29% of staff in January (no investment professionals involved in the small value strategy)
• More than half the product assets are in a retail mutual fund

Below are the four semi-finalists for the mandate:

Firm Name	Product Name
Denver Investment Advisors	Small Cap Value
Mesirow financial Investment Management, Inc.	Small Cap Value Equity
Netols Asset Management, Inc.	Small Cap Value
The Boston Company	U.S. Small Cap Value

<u>Firm Overview</u>

Firm Legal Name: The Boston Company Asset Management, LLC
Firm Headquarters: One Boston Place, Suite 024-0146, Boston, Massachusetts 02108
Year Firm Founded: 1970
Registered Investment Advisor: Yes
Firm Website Address: www.thebostoncompany.com
Geographic Areas of Interest: United States, Canada, Eurozone, India

Firm Background

The Boston Company is a boutique asset management firm that consists of seven separate investment teams each of which operate autonomously of one another. The Boston Company built its reputation on a long and distinguished tradition of bottom-up stock selection and portfolio construction utilizing risk control guidelines to ensure that the risk profile of the portfolios remains appropriate for an institutional plan sponsor. They believe that the best investment opportunities, whether they are value- or growth-oriented, are discovered with in-depth, investigative, bottom-up stock research and that there is no substitute for this approach.

The Boston Company was founded in 1970 in Boston, Massachusetts by Boston Safe Deposit & Trust Company, one of America's oldest financial institutions with origins dating back to the 1800s. The firm was established to provide investment strategies tailored to the institutional marketplace.

In September of 1981, The Boston Company, Inc., the holding company of the firm, became a wholly-owned subsidiary of Shearson Lehman Brothers, Inc., an American Express Company. Twelve years later, Mellon Financial Corporation acquired The Boston Company, Inc. from Shearson Lehman Brothers. The acquisition strengthened Mellon's position as a leading provider of institutional asset management, institutional trust and custody, private banking and mutual fund custody services.

On July 1, 2007, The Bank of New York Company, Inc. and Mellon Financial Corporation completed their merger, creating the global leader in asset management and securities servicing - The BNY Mellon Corporation.

Joint Ventures

As a subsidiary, The Boston Company Asset Management, LLC is affiliated with The Bank of New York Mellon Corporation principal operating entities worldwide.

Prior or Pending Ownership Changes

As stated, on July 1, 2007, The Bank of New York Company, Inc. and Mellon Financial Corporation completed their merger, creating The Bank of New York Mellon Corporation. The new company ranks as one of the largest global asset managers with $1 trillion in assets under management and is the world's leading asset servicer with more than $18 trillion in assets under custody and administration. This action is a true merger, with senior managers from both organizations heading business and support functions. Board members from both companies now sit on the new board of directors. Robert Kelly, Mellon Financial Corporation's former Chairman, President and CEO, is the CEO of the new organization. Following an 18-month period from the merger date, he became Chairman of the new organization.

In addition, the former Bank of New York's asset management subsidiaries have been accepted into the new company's multi-boutique business model. The new business is named Bank of New York Mellon Asset Management.

Other Comments

There is no prior or pending litigation. The Boston Company has not been subject to any investment related judgments, indictments or settlements of potential litigation, investigation or enforcement action by a regulatory agency, or other legal proceedings related to investment activities during the past ten years. The Boston Company reports that to the best of its knowledge, no current employees have been subject to any investment related judgments, indictments or settlements of potential litigation, investigation or enforcement action by a regulatory agency, or other legal proceedings related to investment activities during the past ten years.

The Boston Company is organized as a Limited Liability Company (LLC.) It is run independently of the parent company in terms of investment strategy, product development, and employee compensation.

The Boston Company - US Small Cap Value Equity

Research & Screening Process

Investment ideas come from a number of sources, including meetings with company management, business and industry contacts and the team's own in-house research. The universe of domestic small cap equity securities is quantitatively screened via screens developed over the almost 20-year tenure of the portfolio managers. They look at environmental factors, such as credit cycle, macro impacts, secular trends and sector/industry health. They screen on, among other things, measures of valuation, earnings, balance sheet quality, cash flow, capital and debt. Measures here can include (enterprise value / earnings before interest, taxes, depreciation) EV/EBITDA, free cash flow yield, relative/absolute value, asset value, price/tangible book, price/earnings, price/normalized earnings, etc. They also take a fundamental look at the universe, focusing on factors such as debt, cash, cash flow, niche, business position, margins and revenue. The range of securities typically screened is from market caps of $100 million to $2 billion. Screens are run in a disciplined fashion (some screens are run weekly, some quarterly; depending on how frequently new data is available to the market.)

Each security in the portfolio must meet three criteria: valuation (the stock has been unfairly valued by the marketplace), strong fundamentals and the presence of a catalyst for change. Valuation is critical in evaluating a company. The appropriate valuation metrics for an individual company can vary dramatically from one industry to another. As such, the team not only identifies the appropriate valuation metrics but also determines if the stock is inexpensive on both a relative and absolute basis based on those metrics.

The fundamentals of a stock are also critical. The analysts try to understand and get at the company's franchise specifically while simultaneously evaluating the specific controversy surrounding the stock that led it to be priced cheaply. They believe identifying companies with strong or solid franchises can limit downside risk. In addition, a thorough evaluation and understanding of the specific controversy can help them look beyond the current issue(s) and determine whether or not the controversy is long-term/permanent or short-term/resolvable. To properly assess the company's specific situation, the team extensively digs into a company's information from a variety of angles. They evaluate the past, current and projected conditions and performance of the firm, as well as relative measures of the firm's conditions and performance. They evaluate the internal structure of the firm, perform industry comparisons to similar firms or with industry averages or norms, and consult with management to discuss plans and business prospects as well as any problem areas identified in their analysis.

Finally, there must be a catalyst that will unlock the true value of the company. The catalyst can be any number of events or changes, but it must result in a positive material impact to the company.

Portfolio Construction & Risk Control Methodology

The results of the fundamental research are presented at regular team meetings or as necessary. The team meets regularly to discuss new ideas, update the progress on companies being researched, and review existing holdings. The environment is collaborative. While Lead Portfolio Manager Joe Corrado is ultimately in charge and responsible for final portfolio decisions, the other two portfolio managers (Ed Walter and Stephanie Brandaleone) work in very close support. Typically, a new idea gets into the portfolio when the team is in agreement. However, Joe Corrado does have final authority. There is rarely an instance of disagreement on a purchase of a stock due to the fact that the team has been working together for almost two decades. It is very often the case that a buy idea gets presented multiple times over the course of a week or a month due to the collaborative nature of the team which keeps everyone informed throughout the research process. At any point in time the team has what can best be described as "inventory" of ideas in various stages of development.

The team adheres to the following risk controls set forth in the guidelines of the strategy. These controls are designed to ensure that the risk profile of our portfolios remains appropriate for an institutional plan sponsor. They also represent a balance between the need to diversify away from unrewarded risk, while, at the same time, allow the conviction of our stock selection to add material value to the portfolio. The following investment guidelines have been established to promote diversification:

* Individual holdings are generally between 0.5% and 3% with a maximum position of 5% of the total portfolio; stock weights are a function of risk/reward and liquidity.

* Manage relative sector exposure - Sector exposure is typically no more than two times the index weight, with a maximum overweight of ten percentage points. Sector exposure is generally no less than one half the index weights.

* Quantitative Risk Models - Tracking error is monitored to help ensure that the portfolio does not contain unintended risk.

* Remain fully invested in all market cycles - The team does not attempt to time the market.

* Keep the portfolio diversified with 120-150 holdings.

* Perform detailed attribution analysis daily to understand the value-added, which in turn shapes the team's research.

* Review holding if down 20% relative to the market.

While the team uses risk models to monitor exposure across a wide range of market factors, they do not have target ranges. For example, tracking error and beta are examined historically, not on a predictive basis.

Buy & Sell Discipline

In order for a name to be included, it must meet all three criteria of the investment process (valuation, fundamentals, and catalyst). Once identified, individual stock weights are determined by portfolio risk, liquidity and analyst conviction. Analysts make buy and sell recommendations; however Lead Portfolio Manager Joe Corrado has ultimate decision-making authority. Normally, portfolios will contain between 120 and 150 holdings, with a maximum individual security weighting of 5%, though most positions are less than 3%. Securities will typically be in the $100 million to $2 billion market cap range at time of purchase.

A stock is sold when any one of the three investment criteria deteriorates (valuation, fundamentals or catalyst). Portfolio holdings are monitored daily. Price targets are established for each holding and utilized in portfolio analysis and evaluation. The team believes that their past success is due in large part to their strict adherence to their buy and sells disciplines, and they do not envision any circumstances that would cause them to deviate from discipline.

Derivatives are not a strategic part of the investment process. The team may, however, purchase and temporarily hold stock substitutes to equitize cash positions and stock index futures to temporarily expose frictional cash to equities.

Trading Strategy

The primary objective of The Boston Company trading in executing all client orders shall be to seek best execution. The Boston Company interprets best execution as seeking the most favorable execution terms reasonably available given the circumstances of a particular trade. Execution terms can be defined as a combination of explicit fees (commissions) and implicit costs (market impact and opportunity cost). All Boston Company traders shall adhere to the guidelines discussed below in order to ensure that The Boston Company is both seeking best execution for its clients and can demonstrate the consistency of this approach.

It is the responsibility of the Director of Global Equity Trading or a Senior Equity Trader to ensure that each order placed by a portfolio manager is assigned to the trader most capable of handling such a transaction. Factors that are considered in assigning orders include the experience level of the trader, recent activity in the specific security, the overall distribution of orders on the trading desk at the time and the size and degree of difficulty of the order. The Boston Company does not limit the scope of an individual trader's expertise and training through the utilization of sector trading; however, a certain degree of specialization among the traders is achieved via specific product responsibilities.

While commission rates are negotiable on each trade, The Boston Company has instituted commission rate guidelines for both execution-only and full-service brokers (who provide research and execution services) which indicate an appropriate commission rate based on the broker utilized, the price of the stock and the type of transaction. Actual commission rates may be higher or lower than indicated by the rate guidelines under the following circumstances: when utilization of broker capital results in a financial loss to said broker, when the quality of the broker execution justifies an adjustment to the commission rate, when the underlying security is more or less difficult to trade relative to other securities or when the broker sources hidden natural liquidity in an illiquid security.

All orders must be submitted electronically to the trading department via the order management system by the portfolio managers or their designated proxy. Under normal circumstances, orders shall be acted upon chronologically based on the time of receipt of the order by trading. Trading may delay the execution of orders in a particular security when, in its judgment, market conditions in such security make such delay advisable.

When an order is received to buy or sell a particular security for which there are pending orders on the same side, generally, when feasible and practicable in the judgment of trading, the orders will be executed contemporaneously without preferring one order over the other, even though the orders were delivered at different times to trading.

In seeking the best possible execution cost for their clients, portfolio managers and the equity traders will seek to aggregate orders that are received concurrently for more than one account. These aggregated orders include an order placed by a portfolio manager on behalf of more than one account and orders placed on behalf of one or more accounts by multiple portfolio managers.

In an effort to assist the traders in monitoring the quality of brokerage and The Boston Company executions, The Boston Company shall employ the services of at least one independent execution monitoring service. Such services will evaluate The Boston Company executions versus standard benchmarks (available VWAP, release price, opening and closing prices), and, if available, a client universe. Generally, The Boston Company traders will review these reports as the data is made available, but at least on a quarterly basis. These reports will also be reviewed by a person or committee independent from Trading.

The Boston Company uses client commission arrangements to obtain information in support of our research activities. Under their Client Commission Arrangement Policy, the firm only enters into client commission arrangements in a manner that will ensure the availability of the “safe harbor” provided in Section 28(e) of the Securities Exchange Act of 1934 and that will ensure they meet their fiduciary obligations for obtaining best execution for their clients.

Edward R. Walter, CFA
Senior Portfolio Manager
(617) 248-6279

Paul J. Leahy
Senior Relationship Manager
(617) 722-7864

THE BOSTON COMPANY
ASSET MANAGEMENT, LLC

➤ A BNY MELLON ASSET MANAGEMENT COMPANY[SM]

PRESENTS

US Small Cap Value Equity Management

July 7, 2011

Table of Contents

All data is sourced from The Boston Company Asset Management, LLC, unless otherwise noted.

The Boston Company Asset Management, LLC

As of March 31, 2011

Boston Safe Deposit Company incorporated 1867, The Boston Company Asset Management established 1970

Independent teams focused on a fundamental research approach to global equity management

Total Assets Under Management: $42.3 Billion*	Total Staff: 228
Total Clients: 225	Total Investment Professionals: 86

US Equity	Non US Equity	Alternative
Large Cap	Global	Equity Long/Short
Mid Cap	Developed Markets	Market Neutral
Small/Mid Cap	Emerging Markets	
Small Cap	Region/Country Specific	
Short Extension	Small Cap	
Sector Specific		

*As of December 31, 2010 approximately $45 million of the Market Neutral assets have been placed in administration in the UK and are currently unavailable. Includes assets managed by investment personnel of The Boston Company Asset Management, LLC acting in their capacity as officers of affiliated entities. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures.

US Small Cap Value Equity: *Investment Team*

Research and Management

	Industry Experience	Years with Firm*	Primary Research Responsibility		
Joseph M. Corrado, CFA Senior Portfolio Manager *BS, New York University*	34	25	Consumer	Financials	Materials
Edward R. Walter, CFA Senior Portfolio Manager *BS, Villanova University*	22	22	Healthcare	Industrials	Information Technology
Stephanie K. Brandaleone, CFA Senior Research Analyst *BA, Washington University*	20	20	Portfolio Construction/Risk Management		
Gordon P. Cromwell, CFA Research Analyst *BA, Denison University* *MBA, Vanderbilt University*	17	1	Technology	Industrials	
Caroline M. Higgins, CFA Research Analyst *BA, College of the Holy Cross* *MBA, Babson College*	19	8	Consumer	Industrials	Utilities
Jonathan J. Piskorowski, CFA Research Analyst *BA, Dartmouth College* *MBA, MIT Sloan School of Management*	8	5	Energy	Financials	
George C. Saffaye Portfolio Strategist *BBA, Baruch College, CUNY*	21	11	Portfolio Strategy		
Al Diamond Trading Manager *BS, Boston College*	14	6	Portfolio Trading		

*Includes tenure at The Bank of New York Mellon Corporation affiliates.

Performance

Investment Objective

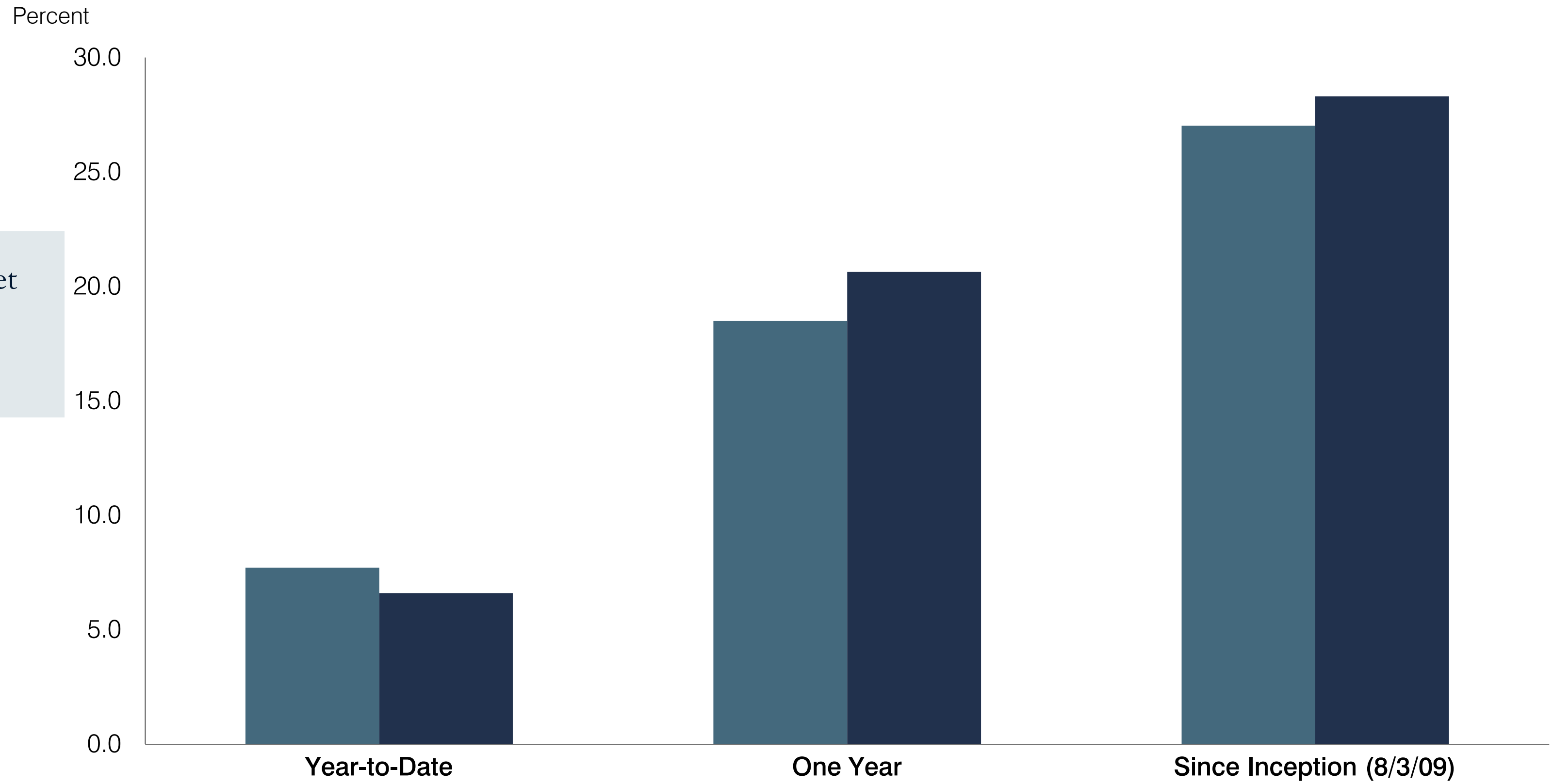
The Boston Company Asset Management, LLC's investment objective for the San Mateo County Employees' Retirement System portfolio is to outperform the Russell 2000 Value Index over a full market cycle.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

San Mateo Investment Performance

As of March 31, 2011

Portfolio Market Value: **$52,057,792**



	Year-to-Date	One Year	Since Inception (8/3/09)
Portfolio	7.71	18.49	27.02
Russell 2000 Value	6.60	20.63	28.31

Returns for periods greater than one year are annualized. Past performance is not a guarantee for future performance. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures.

US Small Cap Value Equity: *Performance Attribution**

April 1, 2010 – March 31, 2011

Sector	Average Percent Weight: US Small Cap Value	Average Percent Weight: Russell 2000 Value	Total Return: US Small Cap Value	Total Return: Russell 2000 Value	Attribution Analysis: Allocation Effect	Attribution Analysis: Selection Effect	Attribution Analysis: Interaction Effect	Attribution Analysis: Total Effect
Healthcare	**9.61**	**5.35**	**33.79**	**30.83**	**0.30**	**0.17**	**0.16**	**0.64**
Consumer Staples	**5.12**	**3.00**	**20.48**	**14.59**	**-0.14**	**0.23**	**0.13**	**0.22**
Utilities	**3.37**	**6.28**	**29.84**	**21.05**	**-0.20**	**0.55**	**-0.19**	**0.16**
Information Technology	**11.98**	**9.53**	**24.25**	**25.54**	**0.05**	**-0.10**	**-0.07**	**-0.12**
Telecommunication Services	**0.26**	**0.54**	**-25.22**	**12.17**	**0.08**	**-0.09**	**-0.14**	**-0.15**
Industrials	**14.55**	**14.69**	**32.40**	**32.16**	**0.00**	**-0.05**	**-0.19**	**-0.24**
Comm. & Prof Services	7.28	2.67	39.48	22.98	0.20	0.39	0.34	0.92
Transportation	0.93	2.78	29.88	19.65	-0.18	0.23	-0.11	-0.05
Capital Goods	6.33	9.24	27.26	39.08	-0.43	-0.98	0.32	-1.10
Materials	**4.92**	**6.15**	**36.27**	**41.28**	**-0.22**	**-0.07**	**-0.05**	**-0.34**
Financials	**29.30**	**36.98**	**6.13**	**10.23**	**0.86**	**-1.43**	**0.21**	**-0.36**
Real Estate	9.44	13.20	28.45	20.90	0.02	1.11	-0.30	0.82
Insurance	3.39	5.34	4.31	10.33	0.19	-0.25	0.13	0.06
Diversified Financials	3.27	4.42	2.04	12.62	0.12	-0.53	0.13	-0.28
Banks	13.20	14.02	-5.63	1.05	0.09	-0.94	-0.07	-0.93
Energy	**6.92**	**7.07**	**38.09**	**45.11**	**-0.07**	**-0.64**	**0.30**	**-0.41**
Consumer Discretionary	**13.98**	**10.40**	**4.80**	**11.08**	**-0.07**	**-0.71**	**-0.25**	**-1.03**
Media	1.28	1.19	-1.55	-6.94	-0.01	0.15	0.03	0.16
Automobiles & Components	1.15	0.57	25.86	53.51	0.36	-0.09	-0.20	0.07
Consumer Services	0.62	2.34	-9.86	12.88	0.13	-0.38	0.26	0.01
Retailing	6.44	3.47	7.93	17.83	0.07	-0.23	-0.34	-0.50
Consumer Durables & Apparel	4.49	2.83	-3.53	5.86	-0.15	-0.49	-0.09	-0.72
Total	**100.00**	**100.00**	**19.01**	**20.65**	**0.59**	**-2.14**	**-0.09**	**-1.64**

*Representative institutional account – Where applicable, excludes cash, futures, and ETFs are appropriately allocated according to their constituent exposure. Performance history of less than two years may not provide an adequate basis from which to determine the performance of a strategy. Past performance of such a strategy is not a guarantee of any future results. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures. There may be material differences between the representative account and other accounts managed with the same strategy. Because of these differences, the information based on the representative account should not necessarily be relied upon. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

US Small Cap Value Equity: *Performance Attribution Analysis**

Individual Stock Contributions to Equity Return — April 1, 2010 – March 31, 2011

	Stock	Sector
Added Value	Coeur d'Alene Mines Corp.	Materials
	AMERIGROUP Corp.	Health Care
	Frontier Oil Corp.	Energy
	Clean Harbors Inc.	Industrials
	Unit Corp.	Energy
Subtracted Value	Wilmington Trust Corp.	Financials
	Tekelec	Information Technology
	Winn-Dixie Stores Inc.	Consumer Staples
	FormFactor Inc.	Information Technology
	Citizens Republic Bancorp Inc.	Financials

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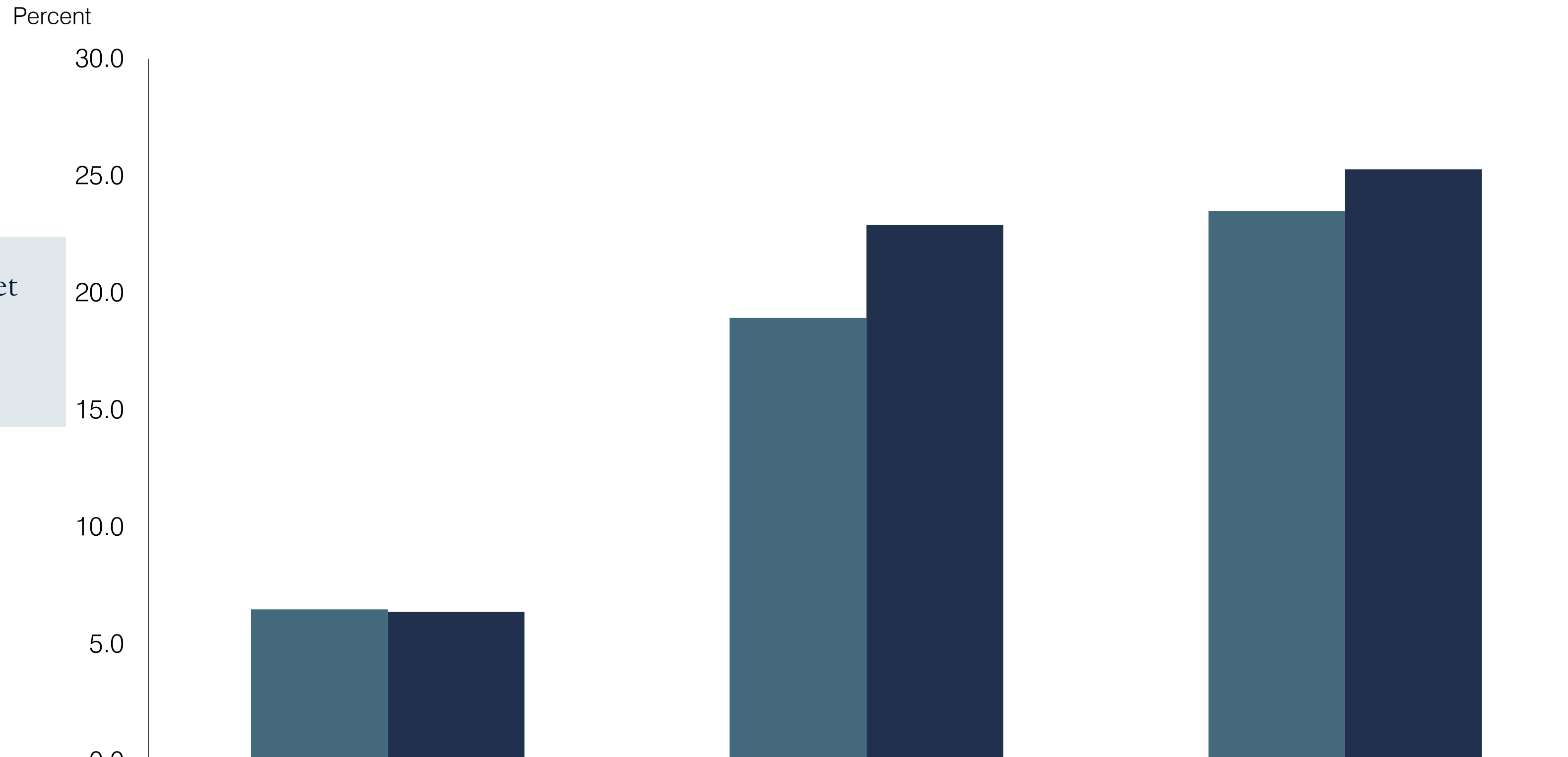
San Mateo Investment Performance

As of May 31, 2011

Portfolio Market Value: **$51,475,841**



	Year-to-Date	One Year	Since Inception (8/3/09)
Portfolio	6.50	18.94	23.51
Russell 2000 Value	6.39	22.91	25.28

Returns for periods greater than one year are annualized. Past performance is not a guarantee for future performance. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures.

US Small Cap Value Equity: *Performance Attribution**

January 1, 2011 – May 31, 2011

	Average Percent Weight		Total Return		Attribution Analysis			
Sector	US Small Cap Value	Russell 2000 Value	US Small Cap Value	Russell 2000 Value	Allocation Effect	Selection Effect	Interaction Effect	Total Effect
Industrials	**16.04**	**14.22**	**6.85**	**3.42**	**-0.08**	**0.47**	**0.03**	**0.43**
Transportation	1.51	2.46	7.05	-3.95	0.11	0.29	-0.12	0.28
Capital Goods	7.02	9.11	9.49	6.49	-0.03	0.26	-0.08	0.15
Comm. & Prof Services	7.51	2.65	4.62	0.43	-0.28	0.11	0.17	0.00
Energy	**8.70**	**8.22**	**21.03**	**15.91**	**-0.01**	**0.35**	**-0.05**	**0.30**
Utilities	**5.04**	**6.13**	**16.58**	**9.68**	**-0.01**	**0.39**	**-0.09**	**0.29**
Information Technology	**10.76**	**9.42**	**8.34**	**5.75**	**0.01**	**0.24**	**0.03**	**0.28**
Healthcare	**9.62**	**5.75**	**20.38**	**24.75**	**0.61**	**-0.21**	**-0.16**	**0.23**
Healthcare Equip. & Svcs.	8.76	4.17	20.68	26.83	0.81	-0.20	-0.26	0.36
Pharm. Bio. & Life Sci.	0.85	1.58	16.27	20.90	-0.05	-0.01	-0.06	-0.12
Consumer Staples	**5.19**	**2.97**	**9.05**	**10.98**	**0.11**	**-0.05**	**-0.02**	**0.04**
Telecommunication Services	**--**	**0.56**	**--**	**19.36**	**-0.07**	**--**	**--**	**-0.07**
Materials	**4.24**	**6.42**	**5.00**	**7.76**	**-0.02**	**-0.15**	**0.03**	**-0.15**
Financials	**28.08**	**36.76**	**-0.91**	**2.50**	**0.34**	**-1.21**	**0.29**	**-0.58**
Insurance	2.85	4.88	-5.69	-0.45	0.13	-0.22	0.15	0.05
Banks	12.60	13.31	-3.94	-2.78	0.07	-0.14	-0.03	-0.10
Real Estate	9.19	14.14	6.85	8.23	-0.08	-0.17	0.06	-0.18
Diversified Financials	3.44	4.43	-7.49	4.07	0.04	-0.51	0.13	-0.34
Consumer Discretionary	**12.34**	**9.54**	**0.06**	**3.66**	**-0.13**	**-0.34**	**-0.12**	**-0.59**
Total	**100.00**	**100.00**	**6.58**	**6.39**	**0.75**	**-0.51**	**-0.05**	**0.19**

*Representative institutional account – Where applicable, excludes cash, futures, and ETFs are appropriately allocated according to their constituent exposure. Performance history of less than two years may not provide an adequate basis from which to determine the performance of a strategy. Past performance of such a strategy is not a guarantee of any future results. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures. There may be material differences between the representative account and other accounts managed with the same strategy. Because of these differences, the information based on the representative account should not necessarily be relied upon. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

Performance Attribution Analysis*

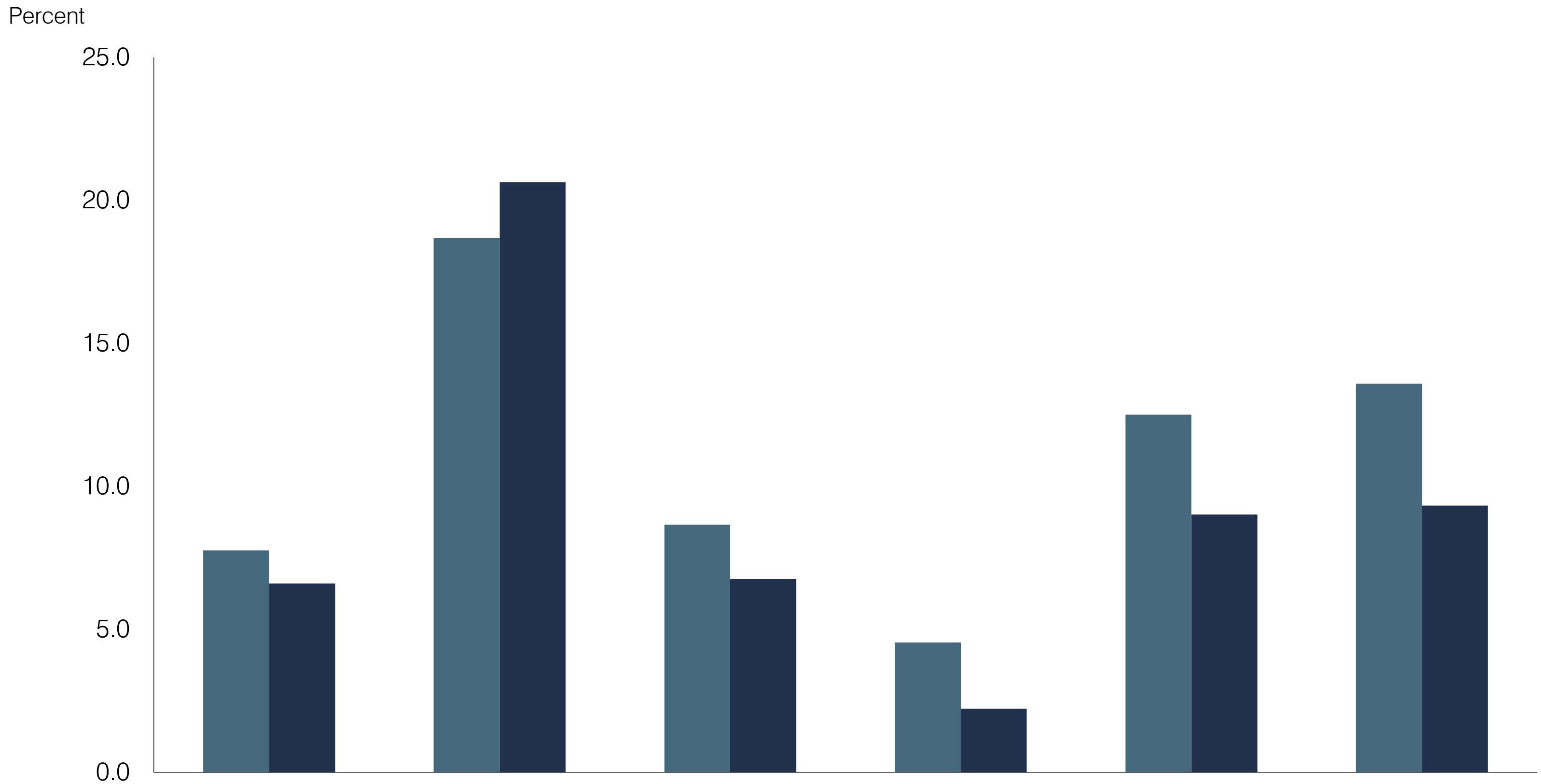
Individual Stock Contributions to Equity Return — January 1, 2011 – May 31, 2011

	Stock	Sector
Added Value	RehabCare	Health Care
	Frontier Oil Corp.	Energy
	AMERIGROUP Corp.	Health Care
	Unit Corp.	Energy
	Timberland Co. (Cl A)	Consumer Discretionary
Subtracted Value	MGIC Investment Corp.	Financials
	OfficeMax Inc.	Consumer Discretionary
	Tekelec	Information Technology
	Big 5 Sporting Goods Corp.	Consumer Discretionary
	Brookline Bancorp Inc.	Financials

*Where applicable, excludes cash, futures, and ETFs are appropriately allocated according to their constituent exposure.
Performance history of less than two years may not provide an adequate basis from which to determine the performance of a strategy. Past performance of such a strategy is not a guarantee of any future results. Certain securities may not remain in the portfolio at the time that you receive this report. A full list of holdings is available upon request. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

US Small Cap Value Equity: *Annualized Composite Returns*

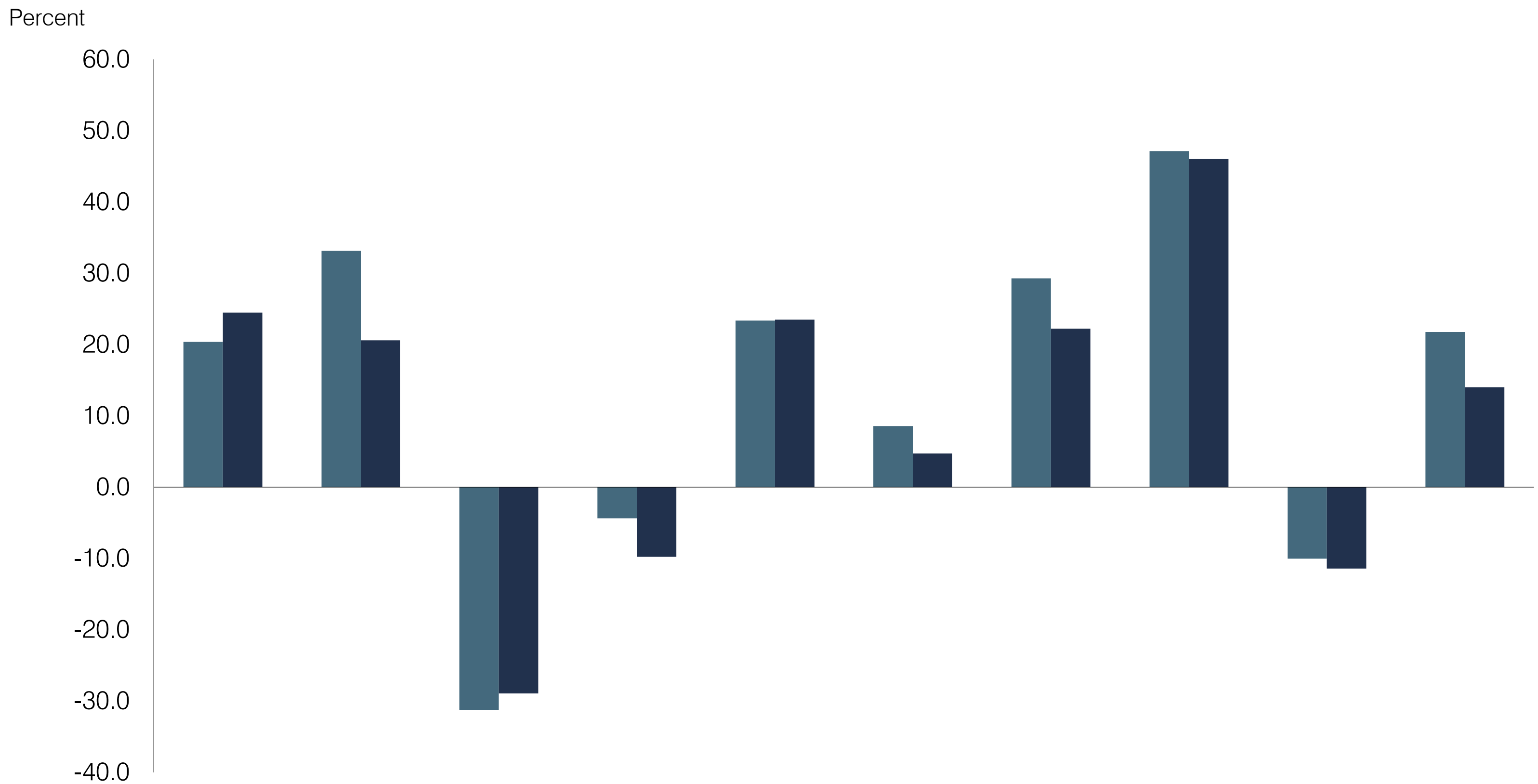
As of March 31, 2011



	Quarter	One Year	Three Years	Five Years	Ten Years	Since Inception (2/1/1999)
US Small Cap Value (Gross of fees)	7.76	18.68	8.66	4.54	12.50	13.59
Russell 2000 Value	6.60	20.63	6.76	2.23	9.01	9.33

Returns for periods greater than one year are annualized. Past performance is not a guarantee for future performance. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures.

US Small Cap Value Equity: *Annual Composite Returns*



	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
US Small Cap Value (Gross of fees)	20.36	33.12	-31.24	-4.35	23.35	8.58	29.31	47.12	-10.02	21.78
Russell 2000 Value	24.50	20.58	-28.92	-9.78	23.48	4.71	22.25	46.02	-11.42	14.02

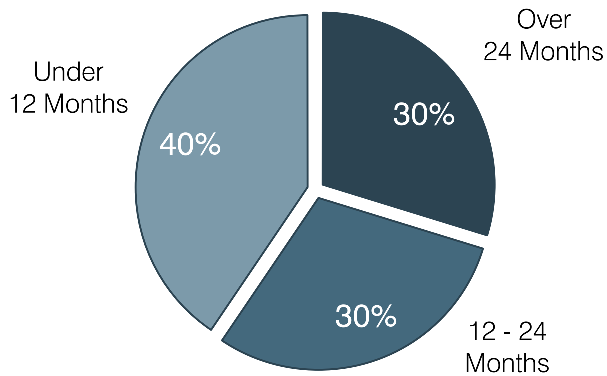
Past performance is not a guarantee for future performance. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures.

Portfolio

US Small Cap Value Equity: *Portfolio Characteristics**

As of March 31, 2011

Holdings Vintage



Characteristics	US Small Cap Value	Russell 2000 Value	Russell 2000**
Valuation			
Price/Earnings Ratio FY1	19.3x	17.8x	21.6x
Price/Earnings Ratio FY2	14.2x	13.8x	16.4x
Price/Book	1.6x	1.4x	2.0x
Price/Tangible Book	2.4x	2.1x	3.3x
Fundamental			
Debt/Capital Ratio	32.0%	35.9%	31.0%
Net Debt/EBITDA (ex-Financials)	0.8x	1.8x	1.3x
IBES Long-Term Growth Rate	11.2%	10.5%	14.6%
Portfolio			
Wtd. Average Market Cap	$1.7B	$1.2B	$1.4B
Dividend Yield	1.2%	1.8%	1.1%
Turnover (Trailing 5 Years)	69%	N/A	N/A

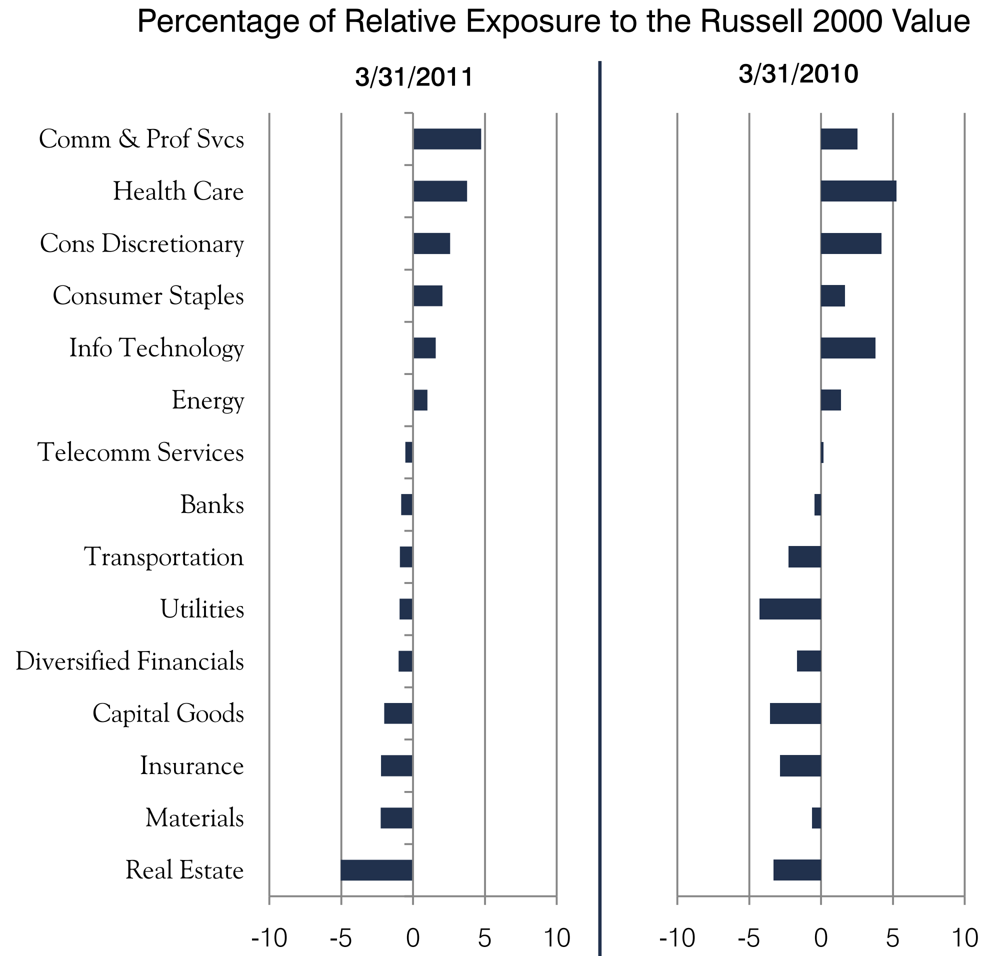
Top Ten Holdings	Sector	Percent
MGIC Investment Corp.	Financials	2.1
Unit Corp.	Energy	1.7
Brink's Co.	Industrials	1.5
SVB Financial Group	Financials	1.3
STERIS Corp.	Health Care	1.3
Clean Harbors Inc.	Industrials	1.2
FTI Consulting Inc.	Industrials	1.2
Cadence Design Systems Inc.	Information Technology	1.2
Haemonetics Corp.	Health Care	1.2
Tidewater Inc.	Energy	1.1
Total		**13.8%**

*Representative institutional account–Where applicable, excludes cash, futures, and ETFs are appropriately allocated according to their constituent exposure. Wtd Avg Mkt Cap excludes ETFs. **The Russell 2000 Index is being shown for comparison purposes only and measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index. It includes approximately 2,000 of the smallest companies based on a combination of their market cap and current index membership. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures. There may be material differences between the representative account and other accounts managed with the same strategy. Because of these differences, the information based on the representative account should not necessarily be relied upon. It should not be assumed that securities identified were or will be profitable or that decisions we make in the future will be profitable. Percentages are subject to change at any time and without notice. Certain securities may not remain in the portfolio at the time that you receive this report. A full list of holdings is available upon request.

US Small Cap Value Equity: *Portfolio Sector Exposure**

As of March 31, 2011

Sector Exposure	TBC Small Cap Value	Russell 2000 Value Index	Russell 2000 Index**
Financials	**27**	**36**	**20**
Banks	12	13	7
Real Estate	9	14	8
Diversified Financials	3	4	3
Insurance	3	5	2
Industrials	**16**	**15**	**16**
Comm & Prof Svcs	7	3	4
Capital Goods	7	9	10
Transportation	2	3	2
Cons Discretionary	**12**	**9**	**13**
Info Technology	**11**	**9**	**19**
Energy	**10**	**9**	**7**
Health Care	**10**	**6**	**12**
Utilities	**5**	**6**	**3**
Consumer Staples	**5**	**3**	**3**
Materials	**4**	**7**	**6**
Telecomm Services	**0**	**1**	**1**



*Representative institutional account – Where applicable, excludes cash, futures, and ETFs are appropriately allocated according to their constituent exposure.

**The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index. It includes approximately 2,000 of the smallest companies based on a combination of their market cap and current index membership. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures. There may be material differences between the representative account and other accounts managed with the same strategy. Because of these differences, the information based on the representative account should not necessarily be relied upon. Percentages are subject to change at any time and without notice.

The Boston Company
Asset Management, LLC
A BNY Mellon Company℠

US Small Cap Value Equity: *Portfolio Holdings**

As of March 31, 2011

Consumer Discretionary 11.9%

Automobiles & Components	1.1%
Thor Industries Inc.	0.9
Drew Industries Inc.	0.2
Consumer Durables & Apparel	4.2%
Ethan Allen Interiors Inc.	0.9
Ryland Group Inc.	0.8
Timberland Co. (Cl A)	0.8
Meritage Homes Corp.	0.6
Jones Group Inc.	0.5
Skechers USA Inc. (Cl A)	0.4
Cavco Industries Inc.	0.3
Consumer Services	0.8%
Jack in the Box Inc.	0.8
Media	0.9%
Meredith Corp.	0.9
Retailing	4.9%
OfficeMax Inc.	1.1
Foot Locker Inc	1.0
Children's Place Retail Stores Inc.	0.7
Chico's FAS Inc.	0.6
Williams-Sonoma Inc.	0.5
99 Cents Only Stores	0.3
Big 5 Sporting Goods Corp.	0.3
Express Inc.	0.3
bebe Stores Inc.	0.1

Consumer Staples 5.0%

Food & Staples Retailing	2.2%
BJ's Wholesale Club Inc.	0.9
Spartan Stores Inc.	0.5
Casey's General Stores Inc.	0.4
Winn-Dixie Stores Inc.	0.3
Food Beverage & Tobacco	2.8%
Flowers Foods Inc.	0.7
Snyders-Lance Inc.	0.7
Lancaster Colony Corp.	0.6
Hain Celestial Group Inc.	0.5
Sanderson Farms Inc.	0.3

Energy 9.6%

Unit Corp.	1.7
Tidewater Inc.	1.1
Comstock Resources Inc.	0.9
Matrix Service Co.	0.7
Penn Virginia Corp.	0.7
Berry Petroleum Co. (Cl A)	0.6
Global Industries Ltd.	0.6
Newpark Resources Inc.	0.6

Energy (continued)

Frontier Oil Corp.	0.5%
Warren Resources Inc.	0.5
Tesco Corp.	0.4
Cal Dive International Inc.	0.4
Rex Energy Corp.	0.4
Dawson Geophysical Co.	0.2
Cloud Peak Energy Inc.	0.2

Financials 26.9%

Banks	12.3%
MGIC Investment Corp.	2.1
SVB Financial Group	1.3
Webster Financial Corp.	1.0
CVB Financial Corp.	0.8
City National Corp.	0.8
PacWest Bancorp.	0.7
Associated Banc-Corp	0.7
Brookline Bancorp Inc.	0.7
National Penn Bancshares Inc.	0.7
Provident Financial Services Inc.	0.6
Whitney Holding Corp.	0.4
First Midwest Bancorp	0.4
Fulton Financial Corp.	0.4
PrivateBancorp Inc.	0.4
MB Financial Inc.	0.3
Southwest Bancorp Inc.	0.3
Cardinal Financial Corp.	0.2
Lakeland Financial Corp.	0.2
Washington Trust Bancorp Inc.	0.2
Diversified Financials	3.4%
E*TRADE Financial Corp.	1.1
Investment Technology Group Inc.	0.8
Piper Jaffray Cos.	0.7
Janus Capital Group Inc.	0.5
Duff & Phelps Corp. (Cl A)	0.3
Insurance	2.6%
First American Financial Corp.	1.0
The Hanover Insurance Group Inc.	0.8
Protective Life Corp.	0.8
Real Estate	8.6%
BioMed Realty Trust Inc.	1.1
Lexington Realty Trust	1.0
LaSalle Hotel Properties	1.0
Diamondrock Hospitality Co.	0.9
Omega Healthcare Investors Inc.	0.9
DCT Industrial Trust Inc.	0.8
National Health Investors Inc.	0.7
Inland Real Estate Corp.	0.7

Financials (continued)

Real Estate (continued)	
CBL & Associates Properties Inc.	0.7%
Entertainment Properties Trust	0.6
Urstadt Biddle Properties Inc. (Cl A)	0.2
Pebblebrook Hotel Trust	0.1

Health Care 9.5%

Health Care Equipment & Services	8.6%
STERIS Corp.	1.3
Haemonetics Corp.	1.2
LifePoint Hospitals Inc.	1.1
Mednax Inc.	1.1
AMERIGROUP Corp.	1.0
Omnicell Inc.	0.7
HealthSpring Inc.	0.6
Air Methods Corp.	0.5
HealthSouth Corp.	0.5
Kensey Nash Corp.	0.3
Assisted Living Concepts Inc. Cl A	0.3
Pharmaceuticals Biotech & Life Sciences	0.9%
PAREXEL International Corp.	0.9

Industrials 16.3%

Capital Goods	7.3%
Spirit AeroSystems Holdings Inc. (Cl A)	1.0
Granite Construction Inc.	1.0
Thomas & Betts Corp.	0.9
Astec Industries Inc.	0.8
Mueller Industries Inc.	0.8
RSC Holdings Inc.	0.7
Carlisle Cos.	0.7
Apogee Enterprises Inc.	0.5
Columbus McKinnon Corp.	0.4
Comfort Systems USA Inc.	0.4
FreightCar America Inc.	0.2
Commercial & Professional Services	7.4%
Brink's Co.	1.5
Clean Harbors Inc.	1.2
FTI Consulting Inc.	1.2
Steelcase Inc.	0.8
Tetra Tech Inc.	0.7
Viad Corp.	0.5
Heidrick & Struggles International Inc.	0.4
McGrath RentCorp	0.4
Team Inc.	0.4
Huron Consulting Group Inc.	0.3

Industrials (continued)

Transportation	1.6%
Atlas Air Worldwide Holdings	0.6
Heartland Express Inc.	0.5
Marten Transport Ltd.	0.4

Information Technology 11.1%

Semiconductors & Semiconductor Equip.	2.3%
Cymer Inc.	1.1
TriQuint Semiconductor Inc.	0.4
Applied Micro Circuits Corp.	0.4
MKS Instruments Inc.	0.4
Software & Services	4.8%
Cadence Design Systems Inc.	1.2
CoreLogic, Inc.	0.9
NetScout Systems Inc.	0.8
Aspen Technology Inc.	0.8
Websense Inc.	0.6
JDA Software Group Inc.	0.5
Technology Hardware & Equipment	4.0%
Diebold Inc.	1.0
QLogic Corp.	0.8
Avid Technology Inc.	0.7
Arris Group Inc.	0.5
Checkpoint Systems Inc.	0.5
Aviat Networks, Inc.	0.3
NETGEAR Inc.	0.2

Investment Trusts 0.3%

iShares Russell 2000 Value Index Fund	0.3

Materials 4.3%

Coeur d'Alene Mines Corp.	1.1
Carpenter Technology Corp.	1.0
Louisiana-Pacific Corp.	0.9
Packaging Corp. of America	0.8
AMCOL International Corp.	0.4
Wausau Paper Corp.	0.2

Utilities 5.1%

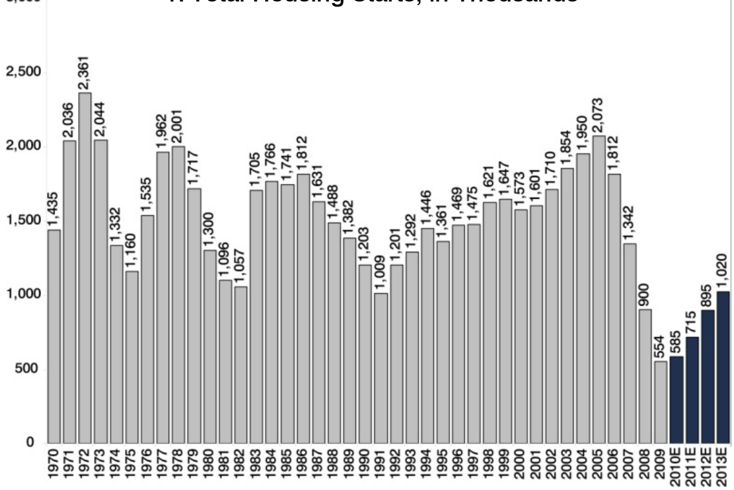
El Paso Electric Co.	1.0
Hawaiian Electric Industries Inc.	1.0
Portland General Electric Co.	0.9
WGL Holdings Inc.	0.9
NorthWestern Corp.	0.8
PNM Resources Inc.	0.5

*Representative institutional account – Excludes cash and futures. The information shown above is supplemental to a fully compliant GIPS presentation that can be found at the end of this book along with other important disclosures. There may be material differences between the representative account and other accounts managed with the same strategy. Because of these differences, the information based on the representative account should not necessarily be relied upon. It should not be assumed that securities identified were or will be profitable or that decisions we make in the future will be profitable. Percentages are subject to change at any time and without notice. Certain securities may not remain in the portfolio at the time that you receive this report. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

Spotlight

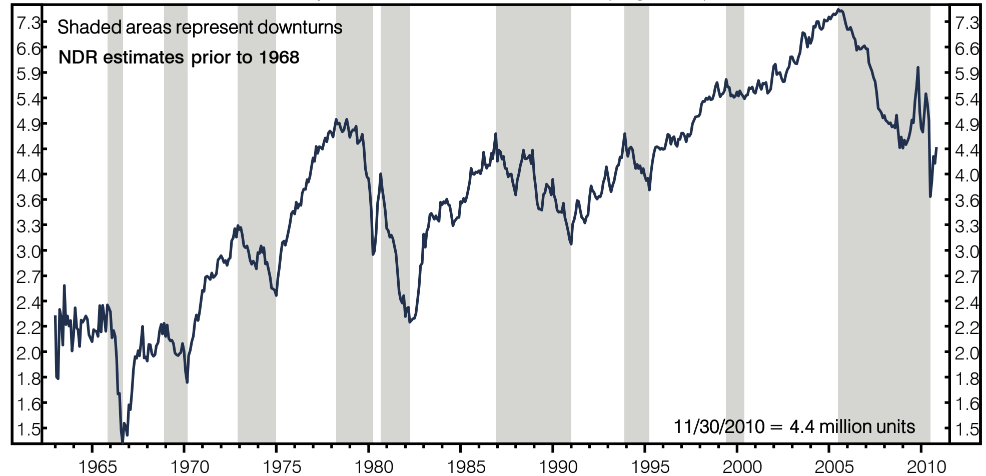
Spotlight: *Housing*

1. Total Housing Starts, in Thousands

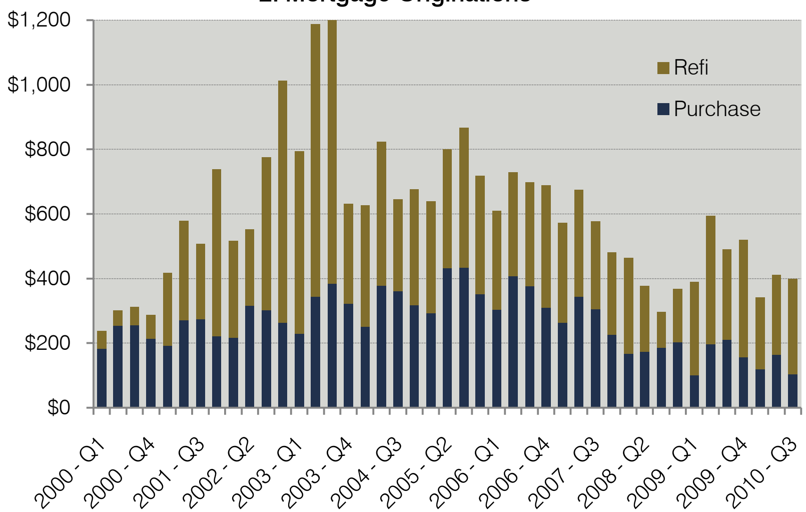


3. Total Single-Family Home Sales

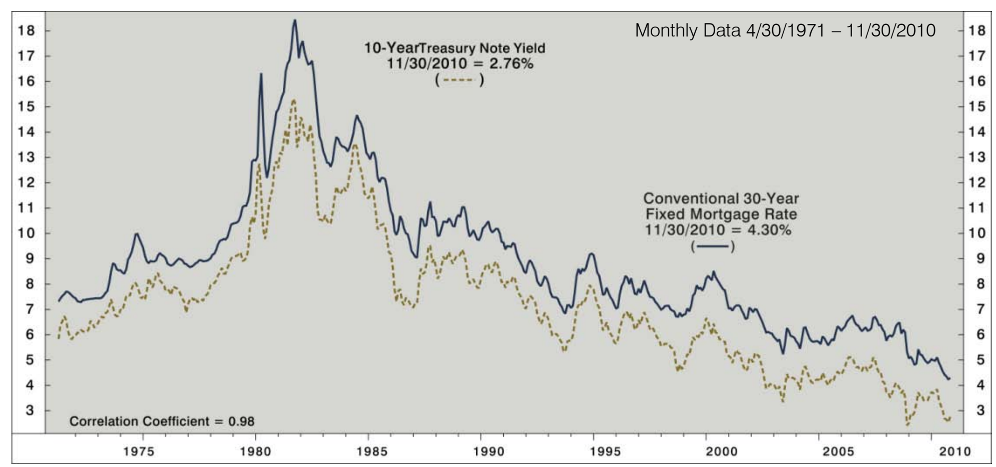
Monthly Data 1/31/1963 – 11/30/2010 (Log Scale)



2. Mortgage Originations

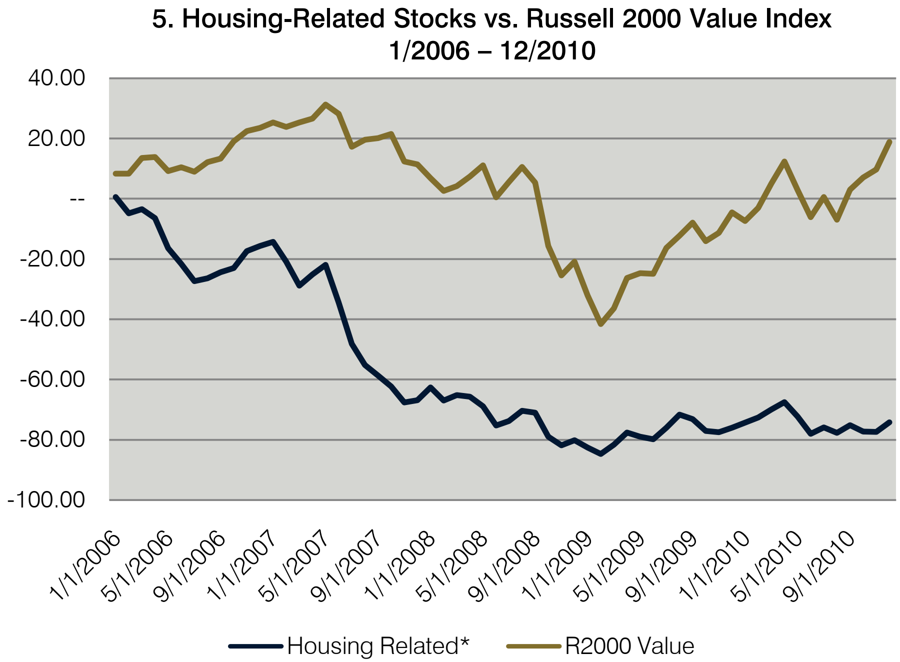


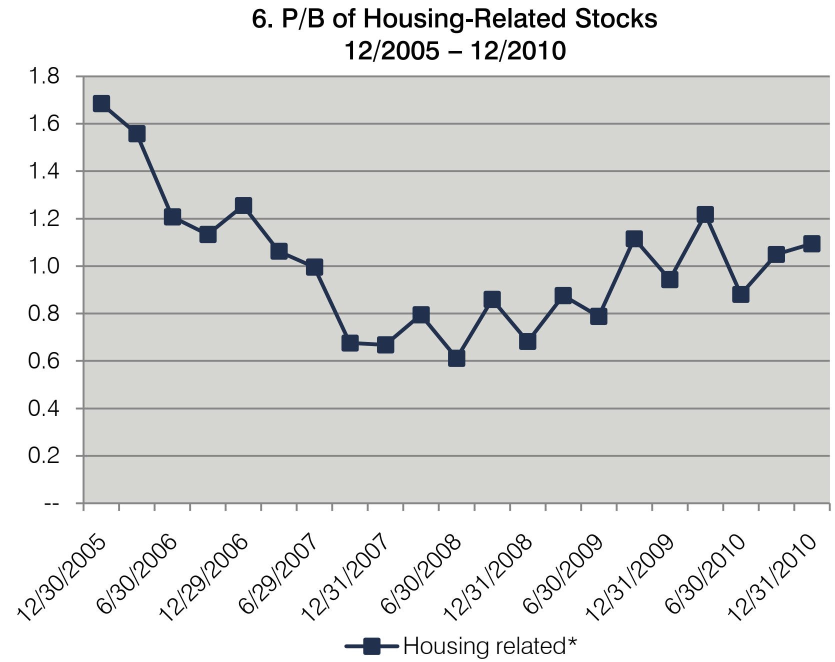
4. 10-Year Note Yield vs. Conventional Mortgage Rate



Sources: 1) Census Bureau, Zelman & Associates estimates; 2) Haver Analytics; 3) Ned Davis Research, Inc.; 4) Stephens & Co. As of November 2010.

Spotlight: *Housing* *(continued)*





*Stocks in Index: RYL, MTM, SPF, BZM, HOV, MOC, KBH, TOL, LEN, PHM, FAF, FNF, MTG, RDN, PMI, GNW
Source: FactSet. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Some information contained herein has been obtained from third party sources that are believed to be reliable, but the information has not been independently verified by TBCAM. TBCAM makes no representations as to the accuracy or the completeness of such information.

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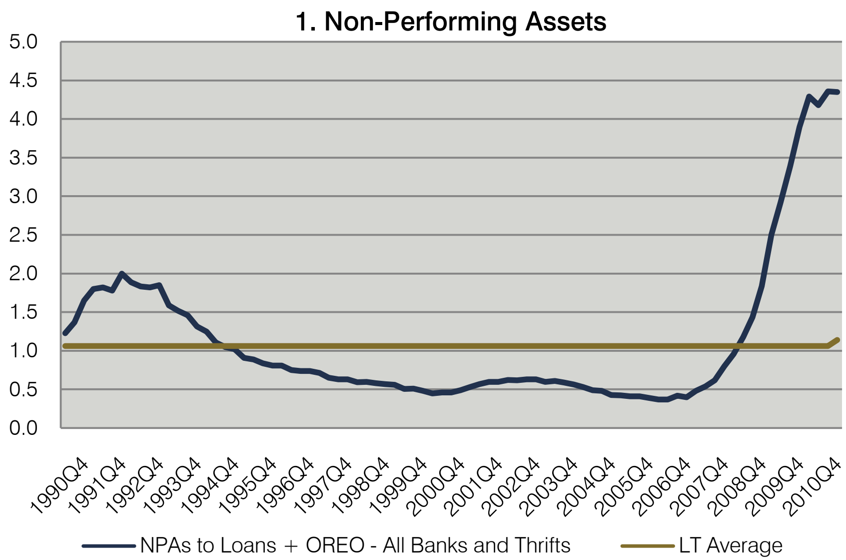
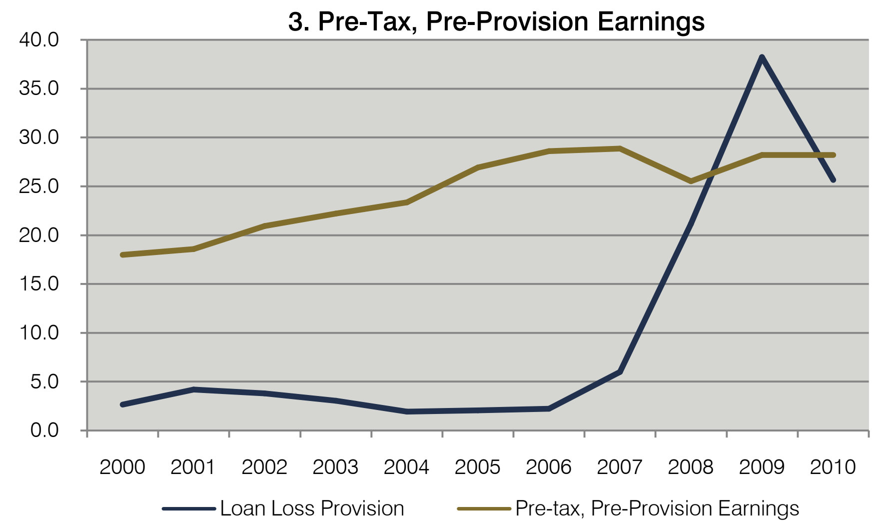
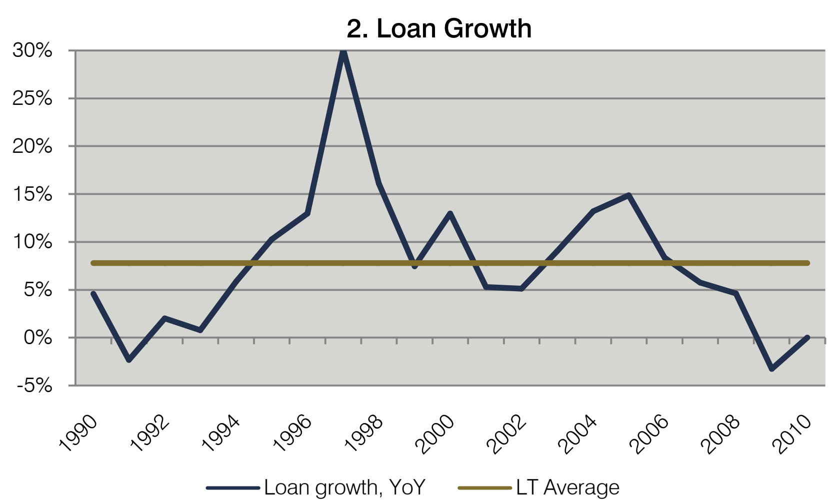
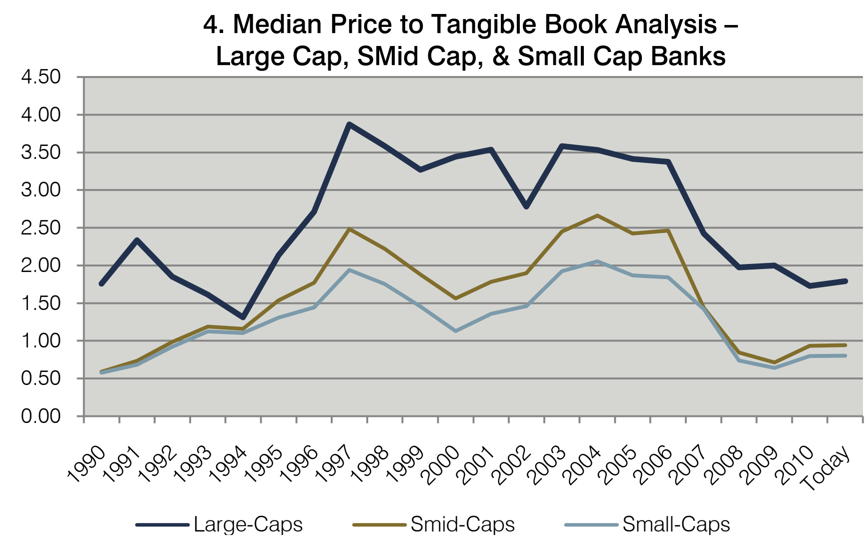
Spotlight: *Banks*



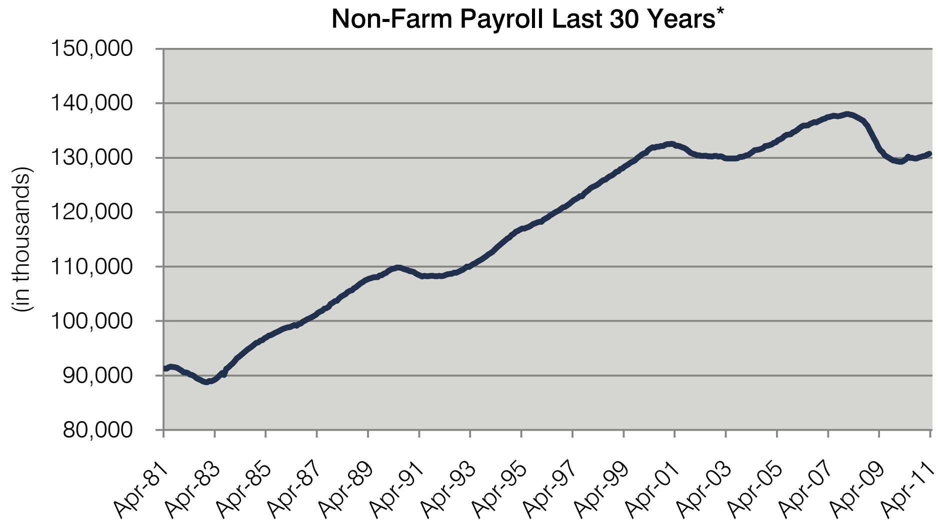


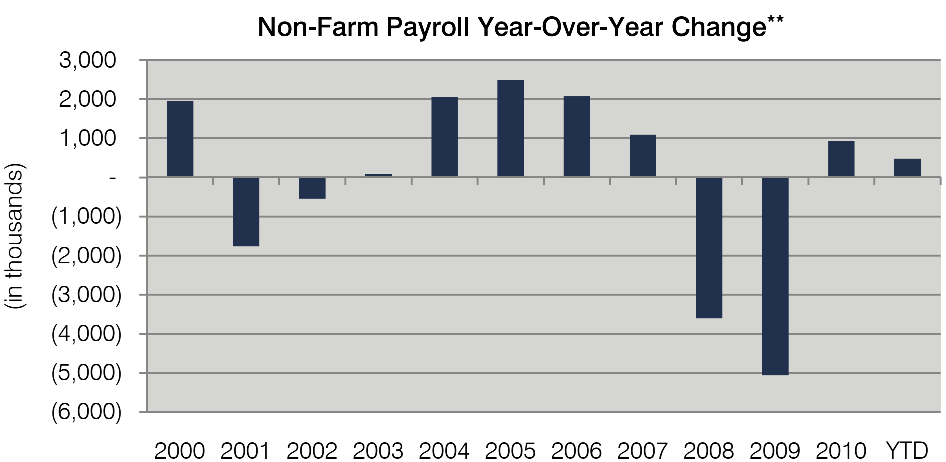




Sources: 1. Sandler O'Neil; 2. Federal Reserve H.8 release; 3. SNL Financial, banks and thrifts with a market cap less than $10bn; 4. KBW Research, SNL DataSource, Bloomberg Research

Spotlight: *Employment*





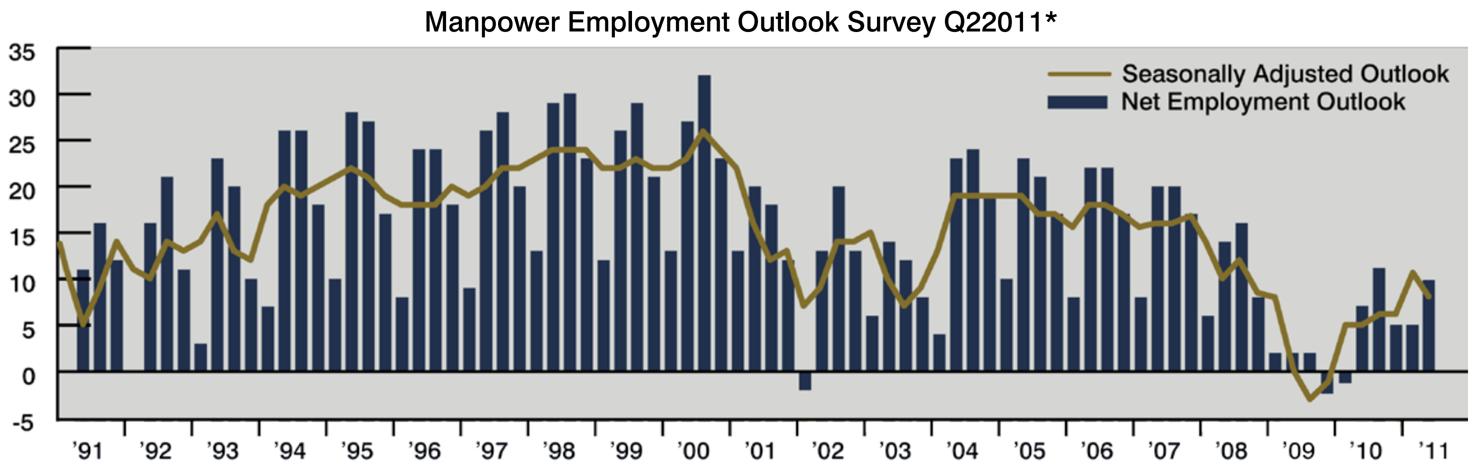
Payroll Change Across Economic Groups (in thousands)***

# Change	12/00-12/07	12/07-12/09	12/09-03/11	Total All Periods
Total Nonfarm	5,498	(8,663)	1,418	(1,747)
Government	1,573	108	(319)	1,362
Total Private	3,925	(8,771)	1,737	(3,109)
Healthcare & Social Assist.	2,705	669	430	3,804
Leisure & Hospitality	1,562	(606)	224	1,180
Educational Services	538	126	94	758
Other Services	318	(195)	120	243
Professional & Business	1,215	(1,570)	593	238
Mining and Logging	138	(78)	96	156
Utilities	(44)	(1)	(6)	(51)
Financial Activities	482	(543)	(72)	(133)
Transp. & Warehousing	82	(370)	54	(235)
Wholesale Trade	154	(565)	48	(364)
Retail Trade	201	(1,233)	140	(892)
Information	(681)	(282)	(61)	(1,024)
Construction	695	(1,840)	(133)	(1,278)
Manufacturing	(3,438)	(2,284)	211	(5,511)

***Total Nonfarm minus Gov't equals Total Private

*Source: FactSet;, as of 4/1/2011
**Source: Bureau of Labor Statistics

Spotlight: *Employment* *(continued)*

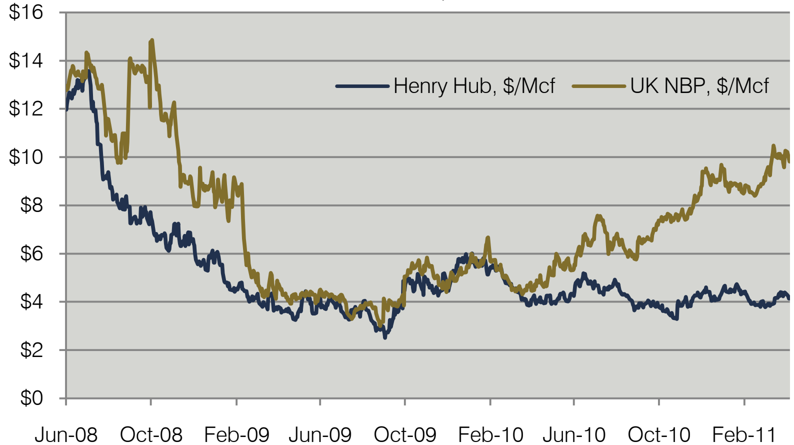


Industry Sector Comparison	Increase	Decrease	Net Outlook Q2 2011
Construction	16	10	6
Education & Health Services	11	5	6
Financial Activities	14	5	9
Government	9	8	1
Information	14	5	9
Leisure & Hospitality	27	6	21
Manufacturing- Durable Goods	19	5	14
Manufacturing- Nondurable Goods	15	4	11
Mining	27	6	21
Other Services	12	5	7
Professional & Business Services	21	6	15
Transportation & Utilities	16	8	8
Wholesale & Retail Trade	18	6	12
Geographic Comparison			
Midwest	16	6	10
Northeast	16	6	10
South	16	6	10
West	16	7	9

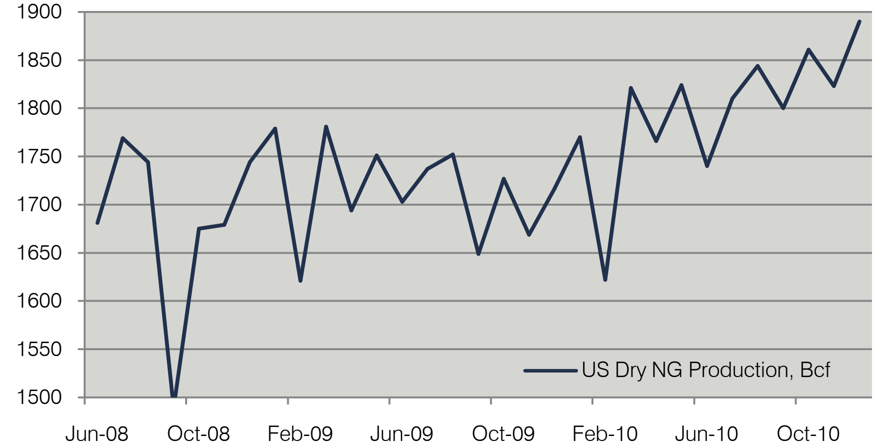
*No bar indicates Net Employment Outlook of zero. Revised methodology effective Quarter 1 2009. The results of the Manpower Employment Outlook Survey in the United States include Puerto Rico.

Spotlight: *Energy*

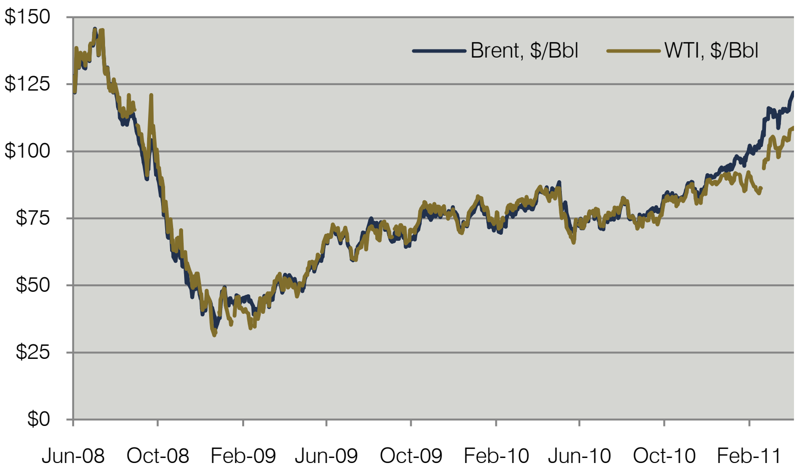
1. Natural Gas Prices
June 2008 – April 2011



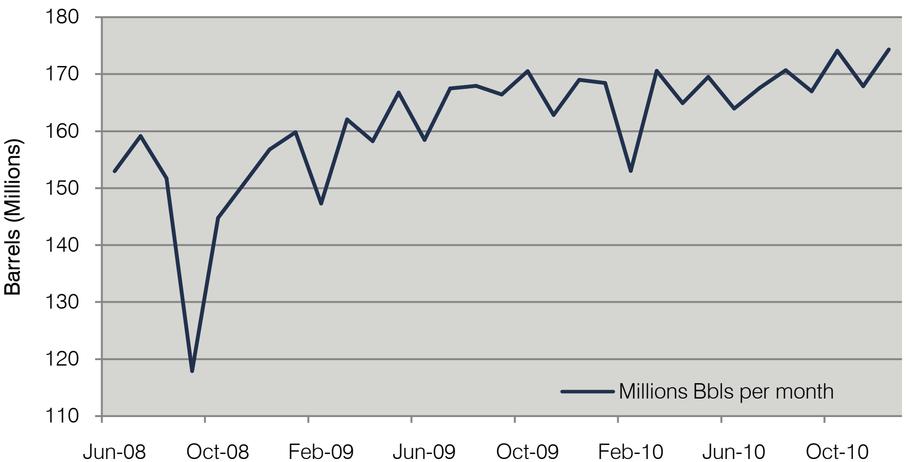
3. Monthly US Natural Gas Production
June 2008 – December 2010



2. Crude Oil Prices
June 2008 – April 2011



4. Monthly US Crude Oil Production
June 2008 – December 2010



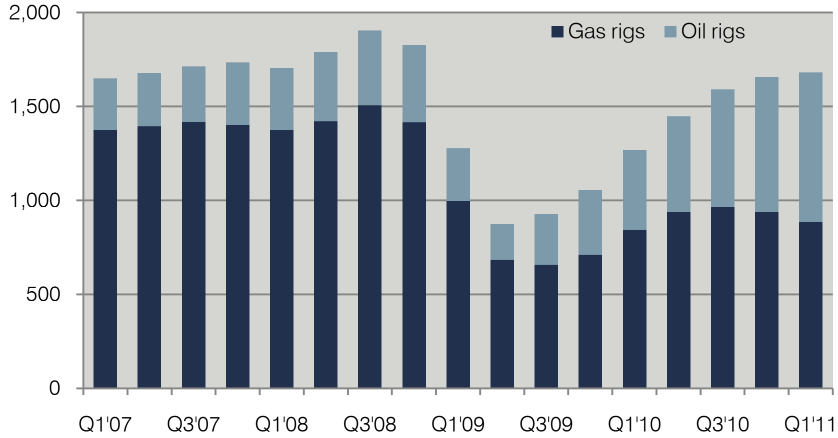
Sources: 1) Bloomberg, Simmons & Co.; 2) Bloomberg; 3) EIA; 4) EIA

Spotlight: *Energy*

Domestic Energy Trends

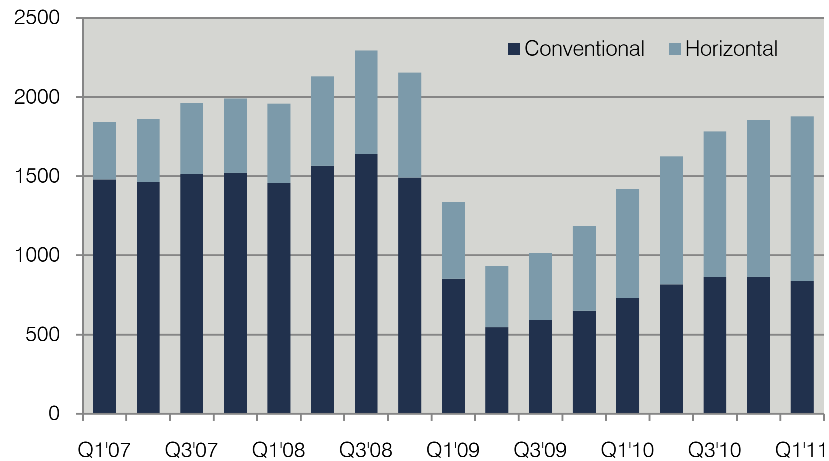
1. US Land Rig Count by Hydrocarbon Target

March 2007 – March 2011



2. US Land Rig Count by Wellpath

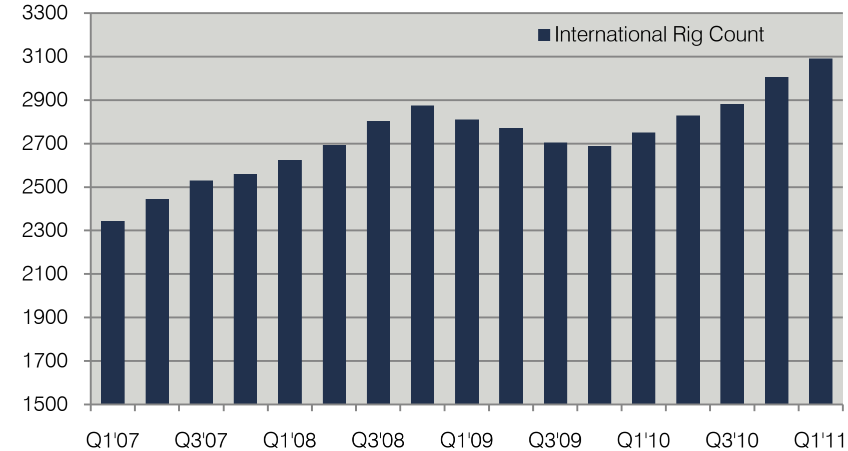
March 2007 – March 2011



International Energy Trends

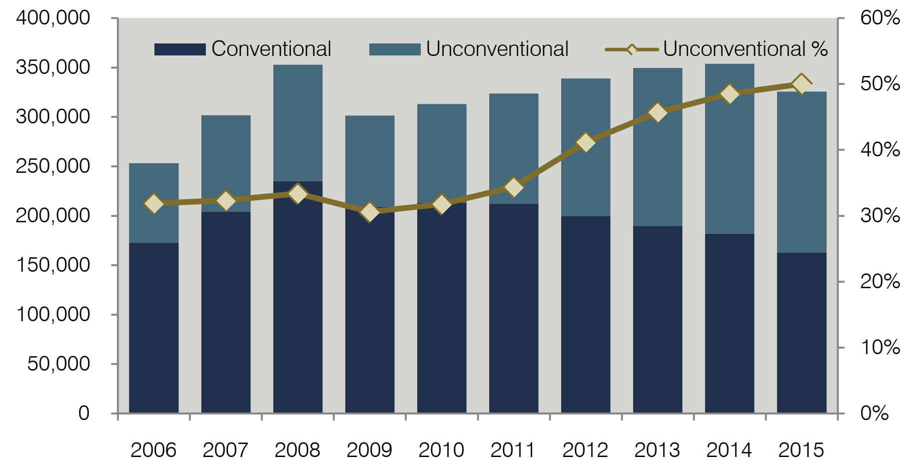
3. International Rig Count

March 2007 – March 2011



4. Estimated Global E&P Capex

2006 – 2015 (estimate)



Sources: 1) Baker Hughes Rig Count, Tudor Pickering Holt; 2) RigData, Tudor Pickering Holt; 3) M-I-SWACO, Tudor Pickering Hold; 4) Wood Mackenzie, Deutsche Bank.

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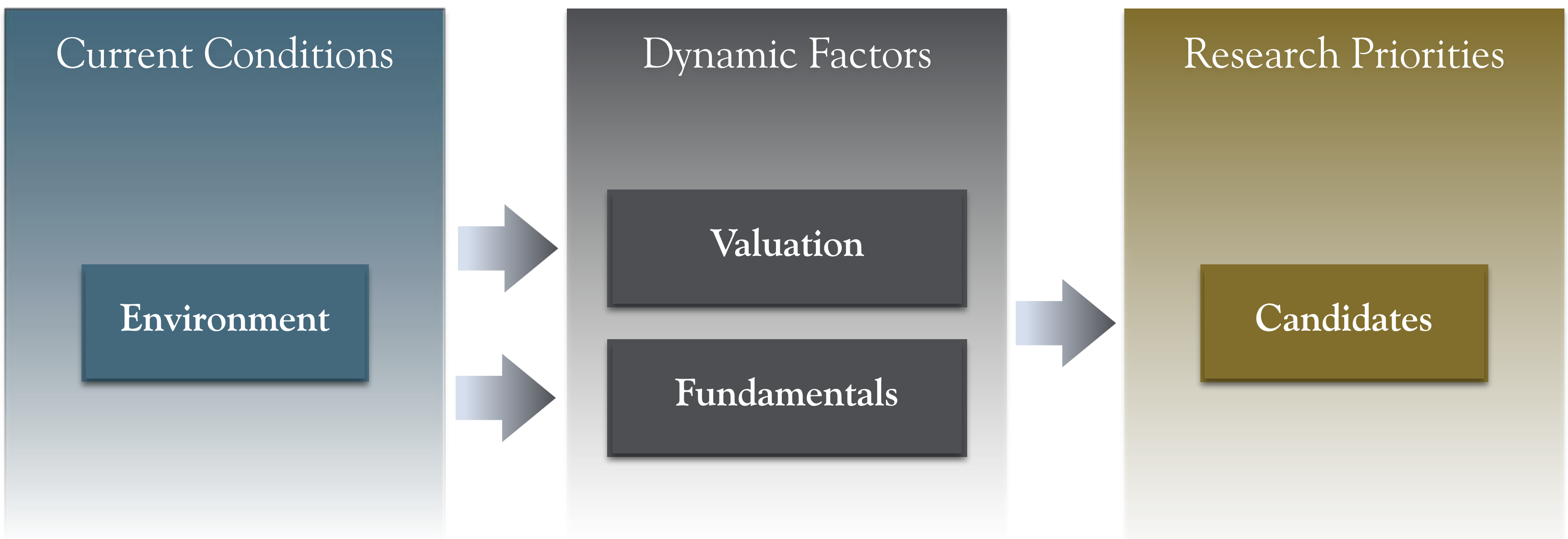
Philosophy and Process

US Small Cap Value Equity: *Investment Philosophy*

Goal	Fundamental Principles
■ Outperform the benchmark over a market cycle ■ Deliver consistent returns	■ Cash flow wins – The market ultimately rewards free cash flow ■ Never ignore the balance sheet – Strong balance sheets allow for patience ■ Exploit fear and think longer-term – The market is often short-sighted and reactionary

US Small Cap Value Equity: *Investment Process*



 No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

US Small Cap Value Equity: *Investment Process*

Research

- Interview management
- Model financials
- Capital/resource allocation
- Competitive/peer analysis
- Industry trends
- End market exposure

Dissect the Company

Analysis

Valuation:

- Confirm valuation

Fundamentals:

- Identify franchise
- Temporary controversy

Catalyst:

- Establish the catalysts

Validate the Opportunity

Decision

- Three criteria
- Competition of candidates
- Timing

Weight of the Evidence

Construction

- Portfolio rules
- Portfolio exposures
- Investment horizon

Maximize Reward/
Manage Risk

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

US Small Cap Value Equity: *Investment Process – Portfolio Construction*

Risk/Reward

- ✓ Valuation
- ✓ Fundamentals
- ✓ Catalyst

Portfolio Exposures

- Industry
- Market Cap
- Liquidity
- Leverage
- Currency
- Economic
- End Markets

Buy/Sell

Portfolio Structure

- Sector Exposure Limits: 0.5x to 2x
- Holdings: 120 – 150
- Position Size: up to 3%
- Cash: <5%

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

US Small Cap Value Equity: *Five Largest Holdings**

Valuation Methods and Conclusions as of March 31, 2011

	Valuation	Fundamentals		Catalyst
	Discount	Franchise	Controversy	Anticipate Change
MGIC Investment Corp. Mortgage insurer	➢ Price/Book Value	+ Leading market share + Strongest reserve levels	– Timing of housing sector recovery – High level of FHA mortgage participation – QRM regulation	■ Gradual reduction in losses ■ Rapid growth in book value ■ Clarity on regulations
Unit Corp. Natural gas production and services	➢ Sum of the parts ➢ EV/Normalized EBITDA ➢ NAV	+ Consistent, low-risk gas producer + Leading drilling services provider + Strong balance sheet	– Weak gas demand –Decline in gas drilling activity	■ Cyclical demand recovery ■ Development of shale plays ■ Shift to oil/NGL production
Brink's Co. Provider of money transfer services	➢ FCF Yield	+ Strong free cash flow + Leading provider of armored cars and ancillary services	– Economic sensitivity – Regional underperformance	■ Latin American growth ■ Margin expansion
SVB Financial Group Silicon Valley based commercial bank	➢ Normalized Price/Earnings ➢ Price/Book Value	+ Technology lending franchise + Low cost deposits + Excess capital	– Use of excess liquidity	■ Deployment of excess capital ■ Loan growth ■ International expansion
STERIS Corp. Provides sterilization equipment to hospitals	➢ EV/EBITDA ➢ Price/Earnings	+ Dominant provider of sterilization equipment + High recurring revenue stream	– Weak hospital spending environment – FDA recall of key product	■ Improving hospital spending trends ■ Successfully launch of new product ■ Growth in non-sterilization products

*Representative institutional account – Where applicable, excludes cash, futures, and ETFs are appropriately allocated according to their constituent exposure. There may be material differences between the representative account and other accounts managed with the same strategy. Because of these differences, the information based on the representative account should not necessarily be relied upon. It should not be assumed that securities identified were or will be profitable or that decisions we make in the future will be profitable. Certain securities may not remain in the portfolio at the time that you receive this report. A full list of holdings is available upon request. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

Disclosures

US Small Cap Value Equity: *Disclosure*

Period	Gross-of-Fees Return	Net-of-Fees Return	Benchmark Return	Number of Portfolios	Internal Dispersion	Total Composite Assets (USD Million)	Total Firm Assets (USD Million)
2001	21.78%	20.60%	14.02%	1	N/M	$33	$23,491
2002	-10.02%	-10.92%	-11.42%	3	N/M	$41	$20,670
2003	47.12%	45.71%	46.02%	2	N/M	$58	$34,300
2004	29.31%	28.05%	22.25%	2	N/M	$78	$49,492
2005	8.58%	7.51%	4.71%	7	N/M	$849	$59,997
2006	23.35%	22.14%	23.48%	10	N/M	$1,876	$72,747
2007	-4.35%	-5.30%	-9.78%	11	0.05%	$1,722	$53,308
2008	-31.24%	-31.95%	-28.92%	12	0.10%	$935	$26,213
2009	33.12%	31.82%	20.58%	15	0.13%	$1,616	$34,783
2010	20.36%	19.19%	24.50%	15	0.15%	$1,844	$39,438

Compliance Statement
The Boston Company Asset Management, LLC (TBCAM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. TBCAM has been independently verified for the years 2003 - 2009.
Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The US Small Cap Value Equity composite has been examined for the years 2004- 2005, 2007 - 2009. The verification and performance examination reports are available upon request.

Definition of the Firm
The firm is defined as The Boston Company Asset Management, LLC (TBCAM), a registered investment advisor established in 1970 and wholly-owned indirect subsidiary of The Bank of New York Mellon Corporation. This Composite may also include assets managed by TBCAM personnel serving as dual officers of affiliated companies other than wrap accounts managed in a dual officer capacity. As of December 31, 2010, total firm assets were $39.4 billion of which $22.9 billion represented assets managed in a dual officer capacity.

Composite Description
The US Small Cap Value Equity Composite creation date is February 1, 1999. The Composite is composed of all fee-paying, discretionary accounts managed by TBCAM in this investment style. The US Small Cap Value Equity Composite represents an equity strategy that primarily invests in small capitalization U.S. value companies. Small capitalization companies are those with a market capitalization within the same general range as the issuers included in the benchmark. The strategy can invest in American Depositary Receipts. The use of derivatives is permitted. Prior to March 1, 2007, the Composite was known as the Small Cap Value Equity Composite. The performance presented prior to July 1, 2003 occurred while the investment personnel were employed at an affiliated firm. No material change in investment personnel responsible for the investment process occurred on July 1, 2003 when the investment personnel were integrated into TBCAM.

N/M = not meaningful

US Small Cap Value Equity: *Disclosure*

continued

Effective January 1, 2006, portfolios that come under management on the twenty-first day of the month or earlier join the Composite the following month; portfolios that come under management after the twenty-first day of the month join the Composite after one full calendar month under management. Prior to January 1, 2006, new portfolios were included in the Composite after one full calendar month under management. Terminated portfolios remain in the historical record through the last full calendar month under management.

Returns include realized and unrealized gains and losses plus accrued income. The performance of the Composite is based in U.S. dollars. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The Composite does not include the performance of accounts with investment restrictions that significantly hinder TBCAM from fully implementing its intended strategy. A complete list of composite descriptions is available upon request.

Benchmark

The Composite's benchmark is the Russell 2000 Value Index. The benchmark is used for comparative purposes only and is not covered by the Report of Independent Accountants. The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity market.

Internal Dispersion

The internal dispersion of annual returns is measured by the standard deviation of asset-weighted portfolio returns represented within the Composite for the full year. A standard deviation is not presented for periods with fewer than six portfolios participating for the full year.

Minimum Account Size To Be Included In Composite

To be included in the Composite, portfolios must meet the minimum account size requirement of $1 million. Prior to July 1, 2003, there was no minimum account size requirement.

Cash Flow Policy

Effective January 1, 2006, any portfolio that experiences a client-initiated cash flow (on a net daily basis) that is 10% or more of the portfolio's beginning-of-month market value is removed temporarily from the Composite. The portfolio is excluded from the Composite the month of the cash flow. The admission policy for new portfolios (described above) governs the readmission of the excluded portfolio to the Composite, based on the date of the cash flow.

Fee Schedule

Except where noted, performance is stated gross of management fees. Prior to January 1, 2010, net performance was calculated by subtracting the highest published management fee for the strategy (since inception) from the gross performance, on a monthly basis. Beginning on January 1, 2010, net performance is calculated by subtracting the highest current management fee for the strategy from the gross performance, on a monthly basis. The current standard fee schedule for the US Small Cap Value Equity strategy is as follows:

100 Basis Points on the first $25 million
90 Basis Points thereafter

Other Information

(*The following information is not covered by the Report of Independent Accountants.*)

BNY Mellon Asset Management is the umbrella organization of The Bank of New York Mellon Corporation's affiliated investment management firms and global distribution companies. To derive Ten Largest Holdings, Characteristics, Economic Sector Weightings, Country Weightings and Portfolio Holdings for presentation purposes, the portfolio manager has identified a representative institutional account to be used as a proxy for the strategy. This portfolio data should not be relied upon as a complete listing of the Account's holdings (or of an Account's top holdings) as information on particular holdings may be withheld if it is in the Account's best interest to do so. Portfolio holdings and allocations are subject to change without notice and may not represent current or future portfolio composition. The Account data is "as of" the date indicated. The information provided in this document should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be

US Small Cap Value Equity: *Disclosure*

continued

profitable or will equal the investment performance of the securities discussed herein.
Investments made by TBCAM for the portfolios it manages may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the portfolios may differ from those of the benchmark. Also, unlike the portfolios, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the portfolios may incur. Because of these differences, investors should carefully consider these limitations when evaluating the performance in comparison to benchmark data as provided herein. The impact of fees on performance can be significant. A $125 million account with a fee schedule of the following: .008 for the first $20 million, .007 on the next $20 million, .006 on the next $60 million and .004 on the next $25 million, assuming an annual gross of fee return of 12%, would realize an annual net of fee return of 11.39%. This assumes that 1/12 of the annual fee is deducted on a monthly basis from the monthly account rate of return.
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Some information contained herein has been obtained from third-party sources that are believed to be reliable, but the information has not been independently verified by TBCAM. TBCAM makes no representations as to the accuracy or the completeness of such information and has no obligation to revise or update any statement herein for any reason. Securities offered through MBSC Securities Corporation, a registered broker-dealer, and a member of FINRA. MBSC Securities Corporation and The Boston Company Asset Management, LLC are both wholly-owned subsidiaries of The Bank of New York Mellon Corporation.

THE BOSTON COMPANY

Organizational Update

1) **What is the ownership structure of your firm? Please identify all owners with 5% ownership or more.**

   The Boston Company Asset Management, LLC ("The Boston Company") is an independently operated subsidiary of The BNY Mellon Corporation (NYSE:BK). As a legal entity our firm has been organized as a limited liability company under the laws of the Commonwealth of Massachusetts.

   Effective March 1, 2011, through the creation of The Boston Company Restricted Share Plan, up to 10% of the firm's ownership may be held by Boston Company employees. The Share Plan was created to reward high-performing investment professionals and key non-investment professionals. Currently, total holdings by Boston Company employees, awarded through The Boston Company Long Term Incentive Plan (LTRIP), is less than 1%; the remaining percentage is owned by BNY Mellon.

2) **Provide an update on your firm's organization, with particular emphasis on (a) changes to your structure over the past eighteen months, (b) growth and acquisition of assets under management, (c) clients gained or lost in the past year, and (d) recent corporate acquisitions, including negative and positive effects. All significant changes should be accompanied by an explanation.**

   On June 1, 2011, Bart A. Grenier became Chairman and Chief Executive Officer of The Boston Company. He replaced David H. Cameron, CFA, who will be taking on a new role at BNY Mellon Asset Management later in the year. Bart joined the firm from Deutsche Asset Management where he had been the Chief Investment Officer and Global Head of Institutional Investments at DB Advisors. His selection was based on a strong background that blends investment expertise with a great feel for clients and what they seek in "best-in-class" asset managers. David (outgoing CEO) was interested in looking for new and broader ways in which he could leverage his investment leadership skills, and his new role will afford him this opportunity. David had served as the Chairman and CEO at The Boston Company for four years of his eight-year tenure, and in that time he repositioned and strengthened the firm during unprecedented market volatility. With good performance, strong client relationships and a steady employee base, David, together with The Boston Company's Executive Committee and BNY Mellon Asset Management leadership, decided to execute a smooth succession plan by appointing Bart to lead The Boston Company into the future.

   As discussed above, effective March 1, 2011, through the creation of The Boston Company Restricted Share Plan, up to 10% of the firm's ownership may be held by Boston Company employees. Please refer to Question 1 for details.

   During the year ending March 31, 2011, the firm's assets under management have increased from $36,502 million to $42,269 million. In the past year, 68 accounts with assets of $1,740 million have been gained, and 70 accounts with assets of $1,984 million have terminated. Reasons for account terminations include product rationalization, asset allocation, plan terminations, objective changes and performance. There have been no recent corporate acquisitions that have affected The Boston Company.

3) **What are your firm's philosophy and its current policy regarding new business?**

   The Boston Company's management philosophy is actually quite simple. Create an open culture in which intelligent and highly-motivated individuals may succeed, and they will. We have worked hard at creating, managing and nurturing our culture because we believe it to be a significant distinguishing factor when prospective clients/employees are choosing a firm and we know it to be a powerful retention factor contributing to the long-term relationships we enjoy with our valued clients and employees.

As a firm, The Boston Company is focused on fundamental research and bottom-up stock selection; however, there are currently seven separate investment teams within The Boston Company each of which operate autonomously of one another, each following their own philosophy and process. With that said, The Boston Company has built its reputation on a long and distinguished tradition of bottom-up stock selection and portfolio construction utilizing risk control guidelines to ensure that the risk profile of our portfolios remain appropriate for an institutional plan sponsor. We believe that the best investment opportunities, whether they be value- or growth-oriented, are discovered with in-depth, investigative, bottom-up stock research, and that there is no substitute for this approach.

In regards to new business, all of our initiatives are focused on actions and decisions that relate to our value proposition, which is producing alpha for our clients and achieving their trust by inspiring confidence at every touch point. We will spend to maintain a high-performing, motivated staff and to keep clients satisfied. We see the largest area of asset and revenue growth to be through better penetration of retail and global entities through the distribution structure established by our parent, The BNY Mellon Corporation.

4) Specify separately the individuals (up to ten) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).

We feel the following individuals are key to the success of The Boston Company:

Bart Grenier, Chairman and Chief Executive Officer

John Truschel, CFA, Chief Investment Officer

Joseph P. Gennaco, Chief Operating Officer

Daniel J. McCormack, Head of Distribution

D. Kirk Henry, CFA, Director of Non-US Value Equities

Joseph M. Corrado, CFA, Lead Portfolio Manager, US Small Cap Value Team

David A. Daglio, CFA, Lead Portfolio Manager, Opportunistic Value Team

Brian C. Ferguson, Lead Portfolio Manager, US Large Cap Value Team

Sean P. Fitzgibbon, CFA, Lead Portfolio Manager, Global Core Team

B. Randall Watts, Jr., CFA, Lead Portfolio Manager, US Small Cap Growth Team

Effective July 1, 2011, Director of Sales and Relationship Management Daniel J. McCormack was named Head of Distribution at The Boston Company, succeeding Richard K. Watson. On June 1, 2011, Bart A. Grenier became Chairman and Chief Executive Officer of The Boston Company, succeeding David H. Cameron, CFA.

5) **Specify separately the individuals (up to five) who you feel are key to the success of *SamCERA's* product. If the list has changed in the last eighteen months, identify and explain the change(s).**

The following individuals are key to the success of The Boston Company's US Small Cap Value Equity strategy:

Joseph M. Corrado, CFA, Senior Managing Director, Lead Portfolio Manager

Edward R. Walter, CFA, Managing Director, Portfolio Manager

Stephanie K. Brandaleone, CFA, Director, Portfolio Manager

Caroline M. Higgins, CFA, Vice President, Research Analyst

Jonathan J. Piskorowski, CFA, Vice President, Research Analyst

This list has not changed in the past eighteen months.

6) **Update all significant personnel changes to the "*SamCERA* Team" over the past eighteen months.**

In the past eighteen months, Gordon P. Cromwell, CFA, joined the team as a Research Analyst.

7) **Describe your firm's management succession plan. Have dates been established regarding the succession of any key personnel, specifically those reported in the preceding questions?**

We believe our professionals are the driving force in recognizing, innovating and responding to the needs of our ever-changing marketplace. Based on this assumption, we strongly believe in promoting professionals to senior management positions. Many of our senior management staff members started at our firm in capacities related to their expertise. Leveraging the various experiences of our team members and strengthening the team structure will be an essential part of our firm's future. We believe this is a key element of our success.

Despite our strong record of retention, turnover of investment professionals is a natural part of the investment management business. Our investment teams have been built with this reality in mind, and we have constructed our teams with the breadth of skill and depth of experience necessary to make the team capable of withstanding the departure of any person(s).

8) **Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months? E-mail your firm's most recent ADV Parts I & II to gclifton@samcera.org.**

The Boston Company has not been subject to any investment-related judgments, indictments or settlements of potential litigation, investigation or enforcement action by a regulatory agency or other legal proceedings related to investment activities during the past eighteen months. Furthermore, to the best of our knowledge, no current employees have been subject to any of the enumerated matters while employed at the firm. A copy of the firm's most recent Form ADV Parts I and II have been e-mailed to **gclifton@samcera.org**.

9) **When did the Securities & Exchange Commission, Attorney General, or the Financial Industry Regulatory Authority (FINRA) last audit your firm? Please note any material findings or recommendations.**

The Boston Company underwent a routine audit by the SEC in 2007. A copy of the 2007 SEC audit has been e-mailed to **gclifton@samcera.org**.

10) **Please describe the levels of coverage for SEC-required fidelity bonds, errors and omissions insurance, and any other fiduciary liability coverage your firm carries. E-mail a current Certification of Insurance to gclifton@samcera.org.**

The following insurance coverage is maintained. All coverage is continually renewed prior to expiration dates. Please note that our policies are stand-alone policies and loss limits are not combined.

Financial Institutions Bond/Computer Crime Includes Safe Deposit Box Coverage	
Per Loss Limit:	$150,000,000
Carrier:	Lloyd's of London
Coverage Type:	a) Dishonesty of Employees b) Forgery of securities, checks, drafts or other written instruments c) Loss or destruction of cash or securities
Expiration:	12/1/11
Excess J-Form and Transit All Risk Money and Securities Coverage (On premises and in transit) Excess of the F. I. Bond	
Per Loss Limit:	$850,000,000
Carrier:	Lloyd's of London
Coverage Type:	Loss or destruction of cash or securities on or off premises (including securities of others held in custody).
Expiration:	12/1/11
Mail Insurance (per envelope limit)	
Per Envelope Limit:	$100,000,000 non-negotiable $10,000,000 negotiable
Carrier:	Chubb Group of Insurance Companies
Coverage Type:	All risk of physical loss of property sent by registered mail or overnight courier.
Expiration:	Continuous
Bankers Professional Liability (E & O)	
Per Loss Limit:	$75,000,000
Carrier:	Houston Casualty, XL, Ace, Axis & BNY Trade Ins Ltd
Coverage Type:	Losses due to errors or omissions
Expiration:	12/1/11
Directors and Officers Liability	
Per Loss Limit:	Corporate: $30,000,000 Individual: $30,000,000
Carrier:	XL and Houston Casualty
Coverage Type:	Coverage for wrongful acts in respective capacities of Directors or Officers of the Company
Expiration:	12/1/11
Primary General Liability / Automobile Liability (Domestic)	
Per Loss Limit:	$2,000,000 (separate limit for each)
Carrier:	Federal Insurance
Coverage Type:	3rd party bodily injury / property damage
Expiration:	4/1/11
Excess / Umbrella Liability	
Per Loss Limit:	$25,000,000
Carrier:	Chartis
Coverage Type:	Liability coverage in excess of primary coverage
Expiration:	4/1/11

Property	
Per Loss Limit: California Earthquake	$800,000,000 $50,000,000
Carrier: Coverage Type: Expiration:	Lexington, Chubb, Ace, & Various Other Carriers Coverage includes Data Processing, Business Interruption, Boiler and Machinery Service Interruption / Extra Expense, Earthquake / Flood, Fine Arts 6/1/11
Workers Compensation/ Employers Liability (Domestic)	
Carrier: Coverage Type: Expiration:	Chartis Job related injuries. Statutory $1,000,000 Limit for Employers Liability 4/1/11
Enterprise Privacy Liability	
Carrier:	Lloyd's of London, & Chartis
Limit:	$30,000,000 Limit
Coverage: Expiration:	Privacy Breach and Internet Liability 12/1/11

The insurance coverage listed provides protection for The Bank of New York Mellon Corporation and all other corporations, companies, firms, enterprises or entities which are subsidiaries of, or affiliated with it, and in which the named insured has more than 50% ownership. All carriers are rated A- or better by A.M. Best

11) Do you have a written policy on ethics? If so, please e-mail the policy to gclifton@samcera.org.

To facilitate compliance with Rule 204A-1 under the Investment Advisers Act of 1940, The Boston Company has adopted the BNY Mellon Code of Conduct (the Code) and the BNY Mellon Personal Securities Trading Policy (the Policy). The Code and the Policy, when read together, comprise The Boston Company Code of Ethics. The Code of Ethics, among other things, establishes a standard of conduct for Boston Company employees consistent with their fiduciary responsibilities to clients and addresses conflicts that may arise from personal trading by employees. A copy of the Code of Ethics has been e-mailed to gclifton@samcera.org.

12) Describe the relative strength and longevity of your back-office staff. Provide the location of your firm's investment and accounting back-office staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.

There are 65 individuals in our back office staff which includes operations, technology and compliance. 29 individuals have been in their positions four years or longer.

The firm's investment and accounting back-office staff are located in our Boston office. None of our operations are outsourced.

13) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?

Eagle STAR/PACE, our web-based investment portfolio accounting system, and EzeCastle's Traders Console, our trade order management system have been deemed mission critical. Eagle STAR/PACE was implemented in 2007 and was recently upgraded in 2010. EzeCastle has been used by The Boston Company since 2001 and was last upgraded in 2010.

Over the past 18 months, we have experienced one service disruption regarding STAR/PACE. Business continuity procedures and processes were implemented, and the disruption ended with no impact on that day's operations. There have been no service disruptions with EzeCastle in the past 18 months.

We do not anticipate any changes to EzeCastle or STAR/PACE, seeing that both were upgraded last year in 2010.

14) **Provide an overview of your firm's business continuity plan as it relates to the investment process.**

In the event of an emergency, The Boston Company would utilize its designated regional disaster recovery site assigned by our parent company, The BNY Mellon Corporation. This hot-site is located on Santilli Highway in Everett, Massachusetts. The disaster recovery site is for BNY Mellon use only; however, it is shared among the Boston area subsidiaries of The BNY Mellon Corporation. This facility has telephones, faxes and networked computers (with access to BNY Mellon's One-Net servers based in Pittsburgh). The hot-site has a backup instance of our application and data servers, both utilizing Double-Take software to remain replicated in real-time with the production versions of these servers located at One Boston Place. The site also has access to Thomson One and Bloomberg for real-time pricing, FXALL for executing, affirming and notifying the custodians of FXs, Factset, Autex, Oasys (domestic), Global Oasys/CTM, AOL and Advantage for client billing.

STAR (developed and sold by Eagle Investment Solutions of Newton, Massachusetts) is our portfolio accounting system and has been deemed as "mission critical.” Eagle maintains our product version on STAR at their production data center. The backup/disaster recovery version of STAR is housed in Eagle's recovery site at a separate Massachusetts location. From a data perspective, the disaster recovery version of STAR receives updates from the production environment throughout the day to assure the highest possible data integrity in the event of a disaster temporary loss-of-service at the production facility.

Traders Console (developed and sold by Eze Castle Software of Boston, Massachusetts), has also been designated as "mission critical." Traders Console is currently maintained on a series of servers at BNY Mellon in Pittsburgh and can be accessed via Citrix from any location on the BNY Mellon network. From a disaster recovery perspective, our backup Traders Console systems are maintained by BNY Mellon as part of their corporate disaster recovery strategy.

At the hot-site, a listing is maintained of all broker contacts used by The Boston Company with telephone and fax numbers. Technology would assist Operations in reloading each trade file created that day (which is backed up on a server at BNY Mellon in a location in Pittsburgh).

To continue trading activity, the trading system is available at the hot-site (via Citrix, connected to the Eze Castle servers in Pittsburgh), and there is access to Thomson One, Bloomberg, Autex, FXALL and FIX capabilities to provide pricing, trade indications, trade execution and electronic trading capabilities to the traders. Because our production trading is physically housed in Pittsburgh and our production accounting system is physically located in Everett, the loss or inability to enter One Boston Place would not affect the interfaces and interaction of our core production systems.

From a human capital perspective, we have ongoing fire drill and evacuation drills performed in cooperation with our building's management and appropriate agencies.

15) **E-mail your firm’s most recent SAS 70 Report or equivalent to gclifton@samcera.org.**

A copy of the most recent SAS 70 Report has been e-mailed to **gclifton@samcera.org**.

Performance

16) **Is the performance composite constructed for *SamCERA's* portfolio in compliance with the Global Investment Performance Standards (GIPS)?**

    The Boston Company claims compliance with the Global Investment Performance Standards (GIPS). The Boston Company has been independently verified for the years 2003 through 2009.

17) **What is a reasonable expected tracking error to the Russell 2000 Value? What are the expected sources of the tracking error?**

    Rolling three-year tracking error has typically been in the 300 to 500 basis points range, and we would expect similar going forward. Tracking error can come from a variety of sources, including position sizes versus the benchmark, sector weight differences and capitalization exposures.

18) **Detail your firm's perspective of *SamCERA's* performance expectations, as spelled out in the Investment Management Agreement and *SamCERA's Investment Policy*. How is your firm doing relative to those expectations?**

    While we expect to outperform the benchmark by 200 to 300 basis points over a full market cycle (three to five years), we have been managing assets for SamCERA for just under two years. During that period, we have underperformed the benchmark by approximately 160 basis points on a gross basis. Equity markets continue to be overshadowed by macro events that include sovereign debt issues and resulting austerity measures in Europe, a stubbornly weak housing market, relatively high unemployment, and the near conclusion of the Fed's bond buying program (QE2). Also creating uncertainty are US policy issues that include Healthcare reform, financial reform and tax policy. As was the case in our discussion last year, investor behavior seems to be driven less by fundamental assessment and longer-term focus and more by the risk trade where capital moves between asset classes. As result, we have seen high stock correlations over this period.

19) **Please discuss your firm's performance relative to the Russell 2000 Value for the one, three and five year periods ending March 31, 2011.**

Year*	Strategy Return**	Bench Return	Performance Comments
1 Year	18.7	20.6	▪ Over the last year, the portfolio underperformed the benchmark. The strongest relative sectors were Healthcare, Consumer Staples, and Utilities. Within the Healthcare sector, the providers & services were the strongest segment, led by the acquisition of Odyssey Healthcare Inc. and strong performance results for AMERIGROUP Corp. and Air Methods Corp. among several others. Consumer Staples was especially helped by the food products area, led by Hain Celestial Group Inc. Within Utilities, strong stock selection within Electrical Utilities drove the relative strength. ▪ Conversely, the Consumer Discretionary, Energy, and Materials were the largest detractors of performance. Within Consumer Discretionary, household durables and specialty retail weighed heaviest. Several stocks related to housing remained under pressure as the trough in much of the housing data has yet to stabilize enough for investor confidence to build, and several retailers proved unable to execute as expected as the economic data has become more mixed. Within Energy, the portfolio lagged primarily due to a move toward natural gas at the latter portion of the year, which hurt as natural gas-related E&P companies did not benefit as the commodity remained near trough price levels. Our underweight of the Materials sector was also a detractor, as this was the second best performing sector within the benchmark for the 1 year period.
3 Year	8.7	6.8	▪ Over the last 3 years, on an annualized basis, the portfolio outperformed the benchmark. Sectors with largest positive relative impacts were the Consumer Staples, Consumer Discretionary and Financials. Within Consumer Discretionary, stock selection drove results, especially within specialty retail, restaurants & leisure and apparel & luxury goods. Consumer Staples were led by the food and staples retailing as well as food products segments, while Financials were driven by commercial banks and REITs. The portfolio's underweight to commercial banks was also a strong contributor, as was better relative stock selection evidenced by the smaller declines in this very difficult group. ▪ Conversely, the Materials, Healthcare and Telecomm Services sectors were detractors from performance. Within Materials, the portfolio was impacted by weaker relative performance in the paper & forest products, containers & packaging and chemicals areas, largely due to underweights to these relatively strong segments, although stock selection was a factor as well. Within Healthcare, investments in the pharmaceutical and equipment & supplies segments detracted the most from relative performance. In the Telecomm services segment, an investment in a regional phone company dropped on soft macro conditions and led to weaker guidance at the time.

Year*	Strategy Return**	Bench Return	Performance Comments
5 Year	4.5	2.2	▪ Over the last five years, on an annualized basis, the portfolio outperformed the benchmark. The portfolio's relative outperformance was primarily driven by the Consumer Staples, Consumer Discretionary and Financials sectors. Within Consumer Discretionary, stock selection drove results, especially within specialty retail and restaurants & leisure. Consumer Staples were led by the food and staples retailing as well as food products segments, while Financials were driven by the commercial banks, REITs, and capital markets segments. ▪ Conversely, the Materials, Utilities and Telecomm Services sectors were detractors from performance. Within Materials, the portfolio was impacted by underweight exposure and weaker relative performance in the chemicals, containers & packaging and paper & forest products areas. Within Utilities, investments in electric and gas utilities were negative impacts as many grappled with rising costs that were more difficult to pass on than expected.

*Time periods as of March 31, 2011
** Strategy returns are based on the US Small Cap Value Equity Composite

20) What is your firm's source(s) for pricing equities? Does this source differ from that of *SamCERA's* custodian, State Street Bank & Trust? How are pricing variances with the custodian resolved?

On a nightly basis, a vendor feed provided by IDC automatically applies prices to all securities within the STAR accounting system. Every evening the Operations Specialist identifies securities that were not priced by IDC. The non-priced securities are manually priced via Bloomberg. Bloomberg prices are printed (and retained) and the prices are manually entered into STAR by the Operations Specialist. A variety of reports are run and reviewed nightly to ensure pricing performed was complete and accurate.

The Boston Company has commissioned an internal Valuation Committee primarily to provide management-level oversight of the policies, practices and processes related to the valuation of individual securities and accounts/funds. Additionally, the firm maintains a comprehensive firm-wide Pricing Policy which requires specifically assigned operations personnel to be responsible for pricing securities, maintaining appropriate back-up for price overrides and alerting other areas, specifically the portfolio management teams as necessary, when a pricing issue is encountered.

Equity securities are priced based on the following hierarchy:

a. IDC Price Feed

b. Manual Price (usually obtained from Bloomberg)

c. Fair Value Pricing

Valuations are based upon prices from our vendor, IDC, with a secondary of Bloomberg when necessary. Domestic securities are valued as of the 4:00 p.m. EST market close. Multiple reports are run by Operations nightly to validate pricing. Prices of securities captured by reporting are validated and researched as necessary. A prime example of this reporting is the Variance Report which flags any security whose price has moved 10% from the previous day's price. These prices are validated against Bloomberg prices to ensure accuracy. Records are maintained of all price verification.

Each month our reconciliation specialists reconcile the positions as noted on our portfolio accounting system (STAR) with those of a client's custodian for each account. Currently, 100% of the accounts at The Boston Company are reconciled for cash and 100% for positions using the auto-reconciliation product, Smart Stream Reconciliations (SSR). For these accounts, cash settlements are reconciled daily and positions are reconciled monthly. The process requires each eligible custodian to send daily SWIFT messages (MT950s for cash) to our assigned BIC code, while The Boston Company also sends their daily cash settlement information from STAR to this same BIC. As a result, like-transactions are auto-matched, enabling the reconciliation specialist to concentrate his or her efforts on any exceptions. This process is again used when receiving month-end position files from custodians via SWIFT (MT535s for positions).

21) Are there pricing issues relative to methodology or pricing sources utilized by your firm versus those utilized by the benchmark?

The Boston Company is very interactive and proactive with our clients' custodian banks. All new client conversions and day to day processing are coordinated in partnership with the custodian. Our top priorities are correct delivery instructions, timely opening of foreign markets (depending on the investment strategy), SWIFT and FX capabilities. The Boston Company reconciles cash positions with the custodian daily and securities monthly. One primary area of risk is corporate actions processing. We expect timely corporate action notification and response from all custodians where our clients have holdings. Where ever possible The Boston Company subscribes to the custodians' web site services for corporate actions notification and processing.

The Operations Department at The Boston Company is responsible for pricing securities, maintaining appropriate back-up for price overrides and alerting other areas, specifically the portfolio management teams, as necessary, when a pricing issue comes up. A copy of the The Boston Company's Pricing Policy has been e-mailed to **gclifton@samcera.org**.

22) Is *SamCERA's* benchmark, the Russell 2000 Value, appropriate?

We consider the Russell 2000 Value Index to be the most appropriate benchmark for this strategy due to its market capitalization and holdings characteristics.

Investment Strategy and Process

23) Provide a description, in detail, of your investment philosophy, strategy, and process, including your research effort and portfolio construction rules. Describe how the portfolio managers and research analysts interact in the investment process. Do the portfolio managers work individually or in teams? How is the work divided among managers?

Philosophy

We believe that undervalued stocks provide significant upside potential while mitigating downside risk. Following our disciplined, research-driven process, we seek to uncover those securities that the market has priced incorrectly.

We seek to add value through security selection. Securities are selected based upon fundamental analysis which takes a bottom-up approach. Fundamental research is done in-house by our own investment professionals. Our investment process seeks to identify the stocks of companies which have compelling combinations of valuation, strong business franchises and a catalyst for change. The most compelling securities uncovered by our research are assembled into portfolios, which are well diversified by individual security and economic sector. Individual holdings in the portfolio are weighted based upon the upside/downside opportunity presented, market liquidity and the parameters of our internal risk controls.

We adhere to an active, bottom-up philosophy. Our philosophy, process and style have been consistent since the strategy's inception.

Process

Idea Generation

Investment ideas come from a number of sources, including meetings with company management, business and industry contacts and our own in-house research. The universe of domestic US small cap value equity securities is quantitatively screened via screens developed over the almost 20-year tenure of the portfolio managers. We look at environmental factors, such as credit cycle, macro impacts, secular trends and sector/industry health. We screen on, among other things, measures of valuation, earnings, balance sheet quality, cash flow, capital and debt. Measures here can include EV/EBITDA, free cash flow yield, relative/absolute value, asset value, price/tangible book, price/earnings, price/normalized earnings, etc. We also take a fundamental look at evaluation of the universe, focusing on factors such as debt, cash, cash flow, niche, business position, margins and revenue. The range of securities typically screened is from market caps of $100 million to $2 billion. Screens are run in a disciplined fashion (some screens are run weekly, some quarterly, depending on how frequently new data is available to the market).

Stock Selection

Each security in the portfolio must meet three criteria: valuation (the stock has been unfairly valued by the marketplace), strong fundamentals and the presence of a catalyst for change. Valuation is critical in evaluating a company. The appropriate valuation metrics for an individual company can vary dramatically from one industry to another. As such, our team not only identifies the appropriate valuation metrics but also determines if the stock is inexpensive on both a relative and absolute basis based on those metrics. Analysts evaluate what is appropriate for the peer group and how specific companies compare to the group. Depending on the environment, valuation can become more meaningful on a specific metric(s) today versus a different metric(s) when the economy improves or declines.

The fundamentals of a stock are also critical. The analysts try to understand and get at the company's franchise specifically while simultaneously evaluating the specific controversy surrounding the stock that led it to be priced cheaply. They believe identifying companies with strong or solid franchises can limit downside risk. In addition, a thorough evaluation and understanding of the specific controversy can help them look beyond the current issue(s) and determine whether or not the controversy is long-term/permanent or short-term/resolvable. To properly assess the company's specific situation, the team extensively digs into a company's information from a variety of angles. They evaluate the past, current and projected conditions and performance of the firm, as well as relative measures of the firm's conditions and performance. They evaluate the internal structure of the firm, including the mix of assets that produce income and the mix of the sources of capital, whether by current or long-term debt or by equity funding. They do industry comparisons to similar firms or with industry averages or norms to determine how the company is faring relative to its competitors and perform analysis to compare past and expected future ratios to determine whether the company's financial condition is improving or deteriorating over time. They consult with management to discuss plans and business prospects as well as any problem areas identified in their analysis.

Finally, there must be a catalyst that will unlock the true value of the company. The catalyst can be any number of events or changes, but it must result in a positive material impact to the company.

Portfolio Construction

The results of the fundamental research are presented at regular team meetings or as necessary. The team meets regularly to discuss new ideas, update the progress on companies being researched and review existing holdings. The environment is collaborative, while Lead Portfolio Manager Joe Corrado is ultimately in charge and responsible for final portfolio decisions, the other two portfolio managers (Ed Walter and Stephanie Brandaleone) work in very close support. Typically, a new idea gets into the portfolio when the team is in agreement. While Joe Corrado does have final authority, there is rarely an instance of disagreement on a purchase of a stock due to the fact that the team has been working together for almost two decades. It is very often the case that a buy idea gets presented multiple times over the course of a week or a month due to the collaborative nature of the team which keeps everyone informed throughout the research process. At any point in time the team has what can best be described as an "inventory" of ideas in various stages of development.

24) **What is the market capitalization purchase range for this product? What are the portfolio construction rules regarding market capitalization? Are sell disciplines directly tied to market capitalization?**

Securities will typically be in the Russell 2000 market cap range at time of purchase. With regards to market capitalization at market value, the US Small Cap Value Equity strategy does not have a maximum capitalization that would force a company to be sold. We believe in maximizing investment returns in the companies we purchase and instead focus on managing a portfolio with a weighted average market capitalization within the normal small cap range. Typically, as a company performs well and grows within the portfolio, we would begin to pare back the exposure, if not selling it due to reaching target price. In addition, the top 10 companies in the portfolio by weight rarely, if ever, exceed 20% of the portfolio, underscoring the diversification of the strategy. We believe this limits a company's market capitalization from disproportionately impacting and skewing the portfolio away from its stated asset class, while allowing us to capture the sustainable growth opportunities we have invested in.

25) **Discuss your firm's investment strategy relative to market environments. Are there market cycles that are particularly favorable to your firm's investment strategy and process? Are there market cycles that are historically difficult for your firm's investment strategy and process?**

While we strive to outperform in all market cycles, our strategy typically performs best in declining and normal (stable) markets, while capturing the majority of the upside in fast-rising markets. We may be out of favor during periods that are characterized by narrow market leadership, that is, a small group of securities responsible for inflating the aggregate value of the market. In addition, we can underperform when momentum is driving the markets, characterized by strong breadth and typically some type of inflection point that has occurred.

26) **Provide a full review of: (a) a performance attribution which reflects your assessment of the value added by your investment discipline, (b) your assessment of the risks associated with *SamCERA's* portfolio, and (c) methodologies employed to evaluate risk, including a description of the software(s) you have in place.**

Please see attached performance attribution for the US Small Cap Value Equity Strategy for the period from August 3, 2009 through March 31, 2011 (since the inception of the SamCERA portfolio). Over this time period, the portfolio has underperformed by approximately 160 basis points on a gross basis. The portfolio did well on a relative basis across the Utilities, Healthcare, and Financials sectors. Stock selection was the driver of performance in the Utilities and Healthcare sectors, while our underweight position in Financials drove the positive relative results within that sector. Conversely, the portfolio was hurt by the Information Technology, Industrials, and Materials sectors. Both the Information technology and Industrials segments were largely impacted by difficult stock selection, while our underweight to the Materials sector was almost all of the relative underperformance to this sector. Overall, we have been surprised at how quickly the market was willing to price some stocks at or near peak multiples, creating some difficult valuation decisions within the portfolio. In addition, our increased confidence in banks has not yet yielded expected results, as banks have money to loan, but need the environment to improve and the earnings growth should result. Another difficulty has been housing; it appears to be bottoming, and we do not need it to recover to prior levels, just show improvement. We believe there is meaningful earnings leverage in these stocks.

The portfolio mitigates risk through diversification across sectors and position sizes, as well as exposures such as industry, market cap, liquidity, leverage, currency, economic and end markets. On a routine basis, the portfolio is analyzed using both the Northfield and Barra risk models to determine what factors are impacting performance most and monitor tracking error. In addition, we have proprietary, intranet based tools to look at sector, market cap and factor-based exposures as well as to monitor price action of portfolio stocks relative to the benchmark.

27) Describe your compliance procedures in detail. To whom does compliance report?

The Chief Compliance Officer ("CCO"), Jennifer Cassedy reports to our Chief Operating Officer, Joseph P. Gennaco, and also has a reporting line into the Global Compliance Department of our parent company, The BNY Mellon Corporation. Jennifer is responsible for maintaining knowledge of the laws, rules and regulations governing the investment advisory business of The Boston Company and any changes to such laws, rules and regulations. The Compliance Department is responsible for determining what, if any, action is required on the part of the firm given changes in laws, regulations or rules. Actions may include developing or changing policies and procedures of the firm or individual departments within the firm.

The Compliance Department informs and trains employees of changes to the rules or regulations governing their activities.

The Compliance Department is responsible for the regulatory filings of the firm, including, but not limited to Form ADV filings, state notice filings, 13F and G filing reviews, foreign registrations, and collection of quarterly securities transactions reports from employees required to be filed under federal law. Additionally, the department is responsible for ensuring that appropriate disclosures are made to new clients and that all clients are offered or sent an updated disclosure document annually.

The foundation of The Boston Company's control structure is the firm's Compliance Policies and Procedures and the Compliance Program. The Boston Company's Compliance Program is the responsibility of the CCO. The CCO will ensure that the requirements of Rule 206(4)-7 of the Investment Advisers Act of 1940 are satisfied.

An integral part of The Boston Company's Compliance Program is our conflicts matrix. The conflicts matrix, initially developed in 2004, is updated on an as needed basis (as our business changes), as well as when rules, regulations and laws change. The Compliance Department maintains the conflicts matrix as a means to document and track all specific conflicts that are known to exist within the firm. These conflicts serve as the starting point for the development of policies and procedures. The policies are intended to cover at a minimum, the areas identified in Rule 206(4)-7.

The Compliance Department has developed a testing program that is designed to prevent and detect violations of the federal securities laws. A risk rating methodology has been developed and applied to the compliance policies to identify areas of highest risk. Areas deemed as high risk may be tested more frequently than moderate or low risk areas. At a minimum, all compliance policies will be tested on an annual basis.

The CCO prepares a Compliance Annual Report which documents results, findings and corrective actions determined from the execution of the annual testing program. The purpose of the annual review and report is to assess the adequacy of The Boston Company's Policies and Procedures and the effectiveness of their implementation. The CCO's Annual Report is presented to The Boston Company Executive Management Team as well as The Boston Company Board of Managers.

Several tools are used to identify, document and track operational and compliance risks. The Risk Control Self Assessment ("RCSA") and Key Risk Indicator Report ("KRI") have been developed in response to risk and compliance initiatives of our parent company, The BNY Mellon Corporation, and are designed to assist in the risk management process within the business lines and facilitate corporate level reporting and oversight.

Training initiatives are also a key component of our control structure. Changes to policies are communicated to the firm via e-mail quarterly or on an "as needed" basis. The level of training provided is dependent upon the nature of a particular policy and the employees' role at the firm. All new employees attend a one-on-one orientation with a member of the Compliance Department where among other relevant policies personal trading and Code of Conduct issues are discussed. Additional training is conducted on an ad hoc basis as the need arises. The Compliance Department maintains a dedicated portal on a company sponsored intranet site that provides employees access to all policies and forms as well as contact information for members of the Compliance Department.

The Boston Company's Compliance Department meets with all employees in small group settings to review personal trading, Code of Conduct, insider trading, gifts, anti-money laundering, record retention as well as other pertinent policies/issues. These training sessions are also intended to provide a forum for Boston Company employees to engage Compliance staff in active dialogue about particular compliance related issues. In addition to the firm level training that occurs, our parent company, BNY Mellon Corporation, provides web-based training that is mandated for all employees. The topics covered, among others, include ethical behavior, inside information, records management and gifts and entertainment.

28) Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2010?

All trading activity flows through our fully automated order management system, Eze Castle's Traders Console. This automation allows for a seamless transaction process that minimizes processing errors. Portfolio managers and traders receive real-time market price feeds and can transact in all global markets through multi-currency execution functionality. Once an order has been sent to the trading desk, the trader can electronically route orders to traditional full-service and execution-only brokers, crossing networks, broker algorithms or direct market access (DMA) providers for execution.

Upon completion of the order (or at the end of the trading day), the trade is allocated in the order management system across all participating accounts pro-rata on the basis of order size, and the allocations are electronically transmitted to the executing broker or trading venue.

An important feature for our clients is the pre-trade compliance engine incorporated into the system. This allows compliance officers to code restrictions on individual securities, industry sectors and market capitalizations. If a proposed trade results in a security or industry sector overweight, the system sends an automatic warning to the user, signaling a potential guideline violation. Another key element of this system is that all trading events and user movements are monitored, recorded and time-stamped in real-time, creating an instant audit trail.

We used 43 brokers for explicit commissions during calendar year 2010.

29) Does your firm monitor trade effectiveness? If so, how is that documented? To whom does trading report?

The Boston Company utilizes two independent vendors, ITG and Abel Noser, to measure our transaction costs. Abel Noser provides a comparison of The Boston Company commission (explicit) costs to their client universe, and both services measure our impact and delay (implicit) costs versus their client universe and several standard benchmarks. ITG utilizes a proprietary expected cost model, ACE, to estimate the cost of any given trade and compares our actual costs to the ACE benchmark. We also utilize both ITG and Abel Noser to compare our actual costs to the entry strike price (measures implementation shortfall), volume weighted average price (ensures representative prices were received while the order was on the desk) and the closing price on trade date or T+1 (looks at price reversion to evaluate the degree of price impact we incurred on a given trade). When measuring implicit transaction costs, we also look for context beyond the actual execution horizon, incorporating pre-trade momentum to evaluate portfolio manager timing and post-trade reversion or persistence to assess the magnitude of price impact attributable to our execution.

Generally, The Boston Company traders will review these reports as the data is made available, but at least on a quarterly basis. These reports will also be reviewed by a person or committee independent from Trading. Trading reports to our Chief Investment Officer, John Truschel, CFA, and also has a reporting line into the Global Compliance Department of our parent company, The BNY Mellon Corporation.

30) How many brokers were used during calendar year 2010? List the top ten brokers used during that period. Have you discontinued the use of any broker in the last eighteen months?

The Boston Company used 43 brokers for the calendar year 2010. We have discontinued the use of certain brokers in the past 18 months. The list of top ten brokers used measured by explicit commission for 2010 are as follows:

Bank of America Securities/Merrill Lynch
Credit Suisse
Morgan Stanley
UBS Investment Bank
Weeden & Co
Deutsche Bank Securities
Macquaries Securities
Goldman Sachs & Co
JP Moran Securities
Liquidnet

31) Do you have a policy regarding the selection and review of brokers and counterparties. If you do, please e-mail a copy to gclifton@samcera.org.

A copy of the Approved Broker Policy has been e-mailed to **gclifton@samcera.org**.

32) Describe your firm's policies regarding the use of soft dollars. If soft dollar arrangements were not used to acquired products and services in 2010, what would be the dollar increase in your firms total operating expenses?

We use client commission arrangements to obtain brokerage services and information in support of our research activities. Under our Client Commission Arrangement Policy, the firm only enters into client commission arrangements in a manner that will ensure the availability of the "safe harbor" provided in Section 28(e) of the Securities Exchange Act of 1934 and that will ensure we meet our fiduciary obligations for obtaining best execution for our clients. A copy of the Client Commission Arrangement Policy has been e-mailed to **gclifton@samcera.org**.

In 2010, The Boston Company Asset Management allocated approximately $9.5 million firm-wide to third party (contracted) CCA Services.

33) Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.

On a monthly basis, The Boston Company allocates a research budget to each investment professional for both proprietary and independent research (including any new third party arrangements). The budget is based upon the prior month's trading volumes and commissions generated. The investment professionals then have the ability to allocate dollars (unbundled, referred to as Chits) to brokers for specific research services and are required to provide details regarding the research consumed. At the end of the month, The Boston Company's External Research Coordinator will aggregate the totals by broker from the allocations provided, request an invoiced total from the research provider and convey a payment request to one of The Boston Company's CCA providers. Semi-annually, reports are provided to each research provider showing the total amount of the resulting research payment and a more detailed evaluation of the services purchased.

Our investment process is based on proprietary quantitative and fundamental analysis conducted by employees of The Boston Company and external research services that provide input into that process. Supplemental to our in-house research, we utilize select street and independent research providers and regularly confer with industry-specific consultants and experts.

In addition to our "hands-on" fundamental approach, we incorporate a variety of electronic databases and software programs to aid us in aggregating industry and company data. For those products and services eligible for payment via Client Commission Arrangements (safe harbor provided under Section 28(e) of the Securities Exchange Act of 1934), The Boston Company will pay via Commission Sharing Arrangements (CSA's). The most frequently used systems in support of our investment process are:

FactSet Workstation (w/PA2), Thomson-Reuters FirstCall/IBES/Worldscope: Provides fundamental financial data, analytical tools to interpret and review data, as well as portfolio attribution and contribution tools at the constituent and aggregated level

Bloomberg Anywhere: Provides real-time and historical pricing, indicative and fundamental data, customized analytics, print and multi-media news and electronic communications on demand twenty-four hours a day with remote access capabilities

Barra, Northfield, S&P ClariFI: Used to monitor portfolio risk exposures and identify opportunities for alpha generation

Standard & Poor's, Russell, and MSCI: Provides industry benchmark tools at the constituent level

34) **Please disclose the firms you employ for introductions to industry experts.**

A copy of the Expert Network Policy for the Boston Company has been e-mailed to **gclifton@samcera.org**. The list for approved expert network firms follows:

Firm Name:

Detwiler Fenton
Epocrates
Gerson Lehrman Group (GLG)
Leerink Swann, LLC
Soleil Securities Corp
Mosaic
Juda Group
Eastshore Partners

35) **What is your firm's position regarding participation in directed brokerage and/or commission recapture programs? Is there a maximum amount of trades that you allow to be directed? How many clients direct brokerage? What are the advantages and disadvantages to a client who directs commissions?**

Client-directed brokerage is not a contractual obligation and shall be effected on a best-efforts basis only when it does not interfere with the trader's ability to seek best execution. Orders may be directed for execution to a broker designated by the client, provided the broker's execution capability is competitive in the designated security. Alternatively, directed orders may be aggregated and executed in coordination with non-directed orders and 'stepped out' to the client's directed broker. A step-out occurs when The Boston Company directs the executing broker to give up a portion of the execution to another broker, allowing the directed account(s) to receive the same average price as the non-directed account(s). Conversely, client-directed orders may be excluded from coordinated execution when, in the judgment of Trading, it is appropriate to do so. The trader shall evaluate each incoming order to determine whether the aggregation of directed and non-directed orders will compromise his/her ability to seek best execution. In these instances, the directed order(s) may be delayed until execution of non-directed orders has been completed.

As the primary objective of The Boston Company's Trading Department in executing all client orders is to seek best execution, The Boston Company has set limits on the maximum percentage of commissions that may be directed for each product group. These limits are determined by the liquidity and volatility characteristics of the constituent stocks in the portfolio and are intended to provide clients the maximum benefit at the lowest overall transaction cost. For the US Small Cap Value Equity strategy The Boston Company will direct up to 10%.

Client-directed brokerage must be authorized in writing by the client prior to the arrangement taking effect, and a copy of the authorization letter must be provided to Trading via the Compliance Department.

We have clients in all of our investment strategies who have asked us to participate in client commission recapture programs. One advantage of client direction is that the client will get some use of their commission dollars; the disadvantage is that they do not get full use of their commission dollars as they are traded in a bundled fashion alongside other accounts and are limited to a maximum of 10%. Also, the client's order may be sequenced and, therefore, may be delayed until execution of non-directed orders has been completed.

36) **What percentage of each of the following does the portfolio account for? Please estimate if exact figures are not available or disclosed.**

A) Firm assets* 4.7 **%**

B) Firm revenue* 6.3 **%**

C) Firm profit** _______**%**

D) Total firm work hours** _______**%**

*Assets under management as of April 30, 2011
**Note that we do not track firm profitability at a product level.

37) **What are the current assets in this product? What are the capacity constraints for this product and who determines the constraints? How did you determine the capacity threshold?**

As of March 31, 2011, there were $2,042 million assets under management in the US Small Cap Value Equity strategy.

The Boston Company has a history of closing the strategies we offer to maintain the integrity of the given investment discipline. We constantly monitor the liquidity of the portfolio holdings and the overall market. Our goal is to close strategies to preserve our ability to generate alpha for our clients. At this time we have set the asset capacity for the US Small Cap Value Equity strategy at approximately $2 billion in total assets. Our practice has been to "soft close" strategies, thus allowing our existing client base to continue to rebalance into/out of our portfolios even after we have closed to new investors.

Total capacity is determined by each investment team, with the support of the quantitative research and strategy teams. The process takes into consideration current and anticipated market liquidity, the team's investment style and historical trading experience, and the additional products being managed by the team and other Boston Company investment teams. Among the inputs to the determination of capacity are an analysis of the number of days required to sell positions (with a maximum of ten days' volume) and the percentage of each holding's market value owned (with a maximum of ten percent). The inputs represent several years of historical holdings data across all related investment strategies.

38) **Please provide you views on how the Dodd-Frank Wall Street Reform and Consumer Protection Act have affected the investment industry in general and your firm specifically.**

A copy of our white paper on the Dodd-Frank Act has been e-mailed to **gclifton@samcera.org**.

Outlook

39) **What is your firm's outlook for the domestic equity markets?**

Overall, inflation is real. It may not be obvious in CPI and PPI but companies see it in input costs and we are seeing multiple industries attempting pass-throughs. This is our biggest concern. Our companies continue to tell us they are hiring, leading us to believe that employment may be better than advertised. We are optimistic, but monitoring the inflation effect as it may cause companies to pull back. Banks have money to loan and need an improvement in the environment and the earnings growth will appear and housing seems to be bottoming. We don't need it to recover to prior levels, we just need improvement. There is meaningful earnings leverage in these stocks. The market appears less receptive to excuses, as poor results are met with negative stock reactions. It will be interesting to see what happens this quarter as Japan impacts are cited for poor guidance. We remain focused on valuation and cash flow. We see no evidence that our strategy will not work over the course of the cycle. We especially favor areas where the market has not yet discounted a recovery/improvement, such as in banks, housing and healthcare. We continue to utilize a long-term view and seek to identify investment opportunities that emerge from short-term issues and market overreactions.

40) What issues are other clients concerned with in regards to products, markets, education and governance?

Pension fund clients remain concerned with volatility, funding levels, asset allocation changes and overall lower return expectations. There is no one trend regarding risk acceptance, since risk tolerance is very client specific. Some clients have asked us to reduce volatility, while others have asked us to increase the risk/return balance to help meet their overall goals. Additionally, some clients have explored the idea of allowing greater latitude in their risk controls, with the understanding that doing so could increase alpha potential. Many clients and consultants have taken a much more global view in positioning their portfolios as opposed to a distinct spilt US versus non-US in an effort to better understand the risks across the entire portfolio. We continue to see increased activity regarding global emerging markets from both an equity and debt perspective. Clients' appetite for increased exposure to alternatives remains strong as they look to improve their risk return profile.

Regarding education, we continue to participate in board meetings and client conferences to address a broad range of topics from current market conditions to managing the impact of inflation on a portfolio. Several of our clients have been keenly aware that inflation is looming just over the horizon and are concerned that most institutional portfolios lack adequate protection against inflationary environments.

From a governance standpoint, there remains a heightened sensitivity to ensure that there are the proper oversight structure and committees in place to focus on higher risk areas such as broker conflicts and product development, especially with alternative strategies.

41) What is on the horizon for your firm's business plan?

The Boston Company has a written five-year strategic plan that outlines various goals, milestones and aspirations as identified by the three divisions of the company—investments, operations and distribution. At the firm-wide level our five-year plan is built around enhancing our status as an innovative, global performance brand. All of our initiatives are focused on actions and decisions that relate to our value proposition, which is producing alpha for our clients and achieving their trust by inspiring confidence at every touch point. We will spend to maintain a high-performing, motivated staff and to keep clients satisfied. We see the largest area of asset and revenue growth to be through better penetration of retail and global entities through the distribution structure established by our parent, The BNY Mellon Corporation. Additionally, one project that we have worked on this year has been to build out the capability to offer our alternative strategies in a UCITS III platform and distribute the funds to non-US investors.

42) Describe your assessment of the relationship between your firm and *SamCERA*. How can we better utilize your firm's capabilities?

The Boston Company is a full-service fundamental equity firm with focus on bottom-up stock selection. We can offer quality equity investment options, foreign and domestic, spanning by capitalization and style to include core, value and growth. We would be happy to discuss these investment options with SamCERA.

Conclusion

43) Is there any information that would be timely pursuant to *SamCERA's Investment Policy*, the Investment Management Agreement with *SamCERA*, and this annual review?

There is no new information in regards to The Boston Company or the US Small Cap Value Equity strategy that would be timely pursuant to SamCERA's Investment Policy, the Investment Management Agreement with SamCERA and this annual review.

44) Are your clients making significant changes in their asset mixes? Please describe these changes.

Based on numerous discussions with clients and consultants, most plans continue to modify their asset allocation as they continue to address specific issues such as inflation, deflation and liquidity. Public fund clients of all sizes continue to increase their exposure to alternatives, while endowment/foundation clients look to better position their portfolios to meet liquidity needs. Pension clients have been making a greater number of shifts to their asset allocation during the several years as they look to reduce volatility while still meeting their funding objectives in the coming years. The market rebound of the past two years has helped improve funding ratios for many plans, but many public DB plans still face a daunting task of meeting future liabilities. Corporate plans, on the other hand, are more focused on the impact that their DB plan has on the balance sheet. As a result, many corporate plans continue the trend towards liability driven investing as they try to immunize the portfolio to market fluctuations. Clients continue to retool how they categorize their asset allocation buckets focused on inflation, capital appreciation, fixed income, real estate and hedge funds.

The Boston Company has created diverse new strategies to help our clients with their changing asset allocation needs. Examples include equity long-short hedge funds, a Global Natural Resources strategy which may act as an inflation hedge and an Emerging Markets Small Cap Value strategy. Although these are newer offerings, our approach to alpha generation through a dedicated fundamental research approach remains consistent.

45) What market opportunities should *SamCERA* consider?

We believe that asset allocation remains the most important decision for a pension plan. The objectives of each plan vary widely based on numerous factors, including the plan's current funding status. Although many plans have made the decision to reduce volatility and increase the usage of passive investments, we believe that great opportunities lie ahead for active management globally and across the market cap spectrum. Historically, wide valuation spreads have represented better opportunities for active management. Today, we find wide spreads in equities, including domestic markets. While we continue to receive inquires for higher alpha-potential strategies, such as small cap, non-US equity and emerging markets equity, we have also experienced a broader base of interest across most asset classes this year. Most notable would be the increased interest in US large cap equity products we have received from our overseas clients and prospects.

July 26, 2011 Agenda Item 6.7

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Report on Strategic Investment Solutions' (SIS) Capital Market Outlook

COMMENT: The following data is excerpted from SIS' Capital Market Outlook. The outlook allows *SamCERA* to semi-annually view the expectations for capital market returns.

The attached Capital Market Outlook provides an explanation of the SIS process. Under return, the outlook provides a thorough discussion of SIS' initial projections for all asset classes. Those projections are compared with projections and estimates from a proprietary SIS survey of investment managers and investment institutions and adjusted if appropriate.

Capital Market Expectations – 05/2011

SIS initial projections for all asset classes discussed below are compared with projections and estimates from a proprietary SIS survey of investment managers and investment institutions and adjusted if appropriate.

	Expected Return	Standard Deviation	Sharpe Ratio
U.S. Inflation	2.4%	-------	-------
U.S. Large Cap Stock	8.1%	17.0%	0.359
U.S. Small Cap Stock	8.4%	20.5%	0.312
U.S. Fixed Income	3.5%	4.5%	0.333
Int'l Develop Mkt Stock	8.1%	17.0%	0.359
Emerging Mkt Stock	8.6%	27.0%	0.244
Int'l Fixed Income	3.5%	10.0%	0.150
Private Markets	10.6%	35.0%	0.246
Real Estate	6.6%	17.5%	0.263
U.S. High Yield	5.4%	10.0%	0.340
Emerging Mkt Debt	5.4%	11.0%	0.309
U.S. TIPS	3.5%	4.5%	0.333
Int'l ILB	3.7%	4.3%	0.395
Floating Rate Bank Loans	4.8%	7.5%	0.373
Infrastructure	7.5%	22.0%	0.250
Hard Asset Equity	8.0%	25.0%	0.240
Commodities	4.4%	28.0%	0.086
Hedge Funds	5.5%	9.5%	0.368
Cash	2.0%	1.0%	0.000

Correlations

	US Lrg Cap Stk	US Sml Cap Stk	US FI	Intl Dev Stock	Emerg Mkt Stk	Intl Bond	Priv Eqty	Real Est	High Yield	EM Debt	TIPS	FR BK Loan	Intl ILB	Abs Ret	Commod	Infrast	Hard Asset	Cash
US Lrg Cap	1.00																	
US Sml Cap	0.85	1.00																
US FI	0.18	0.11	1.00															
Intl Dev Stock	0.79	0.72	0.08	1.00														
Emerg Mkt Stk	0.58	0.66	-0.08	0.72	1.00													
Intl Bond	0.11	0.00	0.46	0.33	0.11	1.00												
Priv Eqty	0.63	0.60	-0.09	0.58	0.58	-0.02	1.00											
Real Est	0.62	0.67	0.17	0.58	0.53	0.00	0.31	1.00										
High Yield	0.68	0.72	0.35	0.59	0.57	0.30	0.46	0.71	1.00									
EM Debt	0.50	0.55	0.31	0.50	0.52	0.13	0.36	0.47	0.53	1.00								
TIPS	0.10	0.09	0.52	0.08	0.09	0.39	-0.09	0.27	0.27	0.33	1.00							
FR BK Loan	0.55	0.55	0.19	0.53	0.50	0.10	0.36	0.50	0.70	0.44	0.26	1.00						
Intl ILB	0.46	0.35	0.58	0.47	0.15	0.49	0.27	0.27	0.42	0.27	0.51	0.35	1.00					
Abs Ret	0.58	0.51	0.29	0.63	0.49	0.22	0.36	0.40	0.36	0.60	0.32	0.44	0.42	1.00				
Commod	0.26	0.27	-0.05	0.28	0.34	0.08	0.18	0.28	0.11	0.44	0.46	0.23	0.18	0.50	1.00			
Infrast	0.51	0.52	0.46	0.50	0.48	0.22	0.15	0.60	0.60	0.54	0.41	0.60	0.18	0.58	0.23	1.00		
Hard Asset	0.48	0.50	0.06	0.57	0.57	0.06	0.16	0.54	0.34	0.42	0.34	0.40	0.33	0.48	0.68	0.44	1.00	
Cash	0.20	0.10	0.34	0.11	0.00	0.02	0.05	-0.11	-0.10	0.18	0.12	-0.05	0.11	0.53	0.19	0.36	0.08	1.00

Efficient Frontier Mixes

Unconstrained Optimization Results Using SIS Projections

U.S. Large Cap Stock	7.4%	9.4%	11.4%	13.7%	13.9%	17.6%	19.3%	20.6%
U.S. Small Cap Stock	1.7%	2.4%	3.1%	3.6%	4.7%	2.6%	3.6%	5.8%
U.S. Fixed Income	44.8%	43.3%	40.2%	34.4%	30.9%	23.5%	14.4%	5.9%
Intl Dev Stock	10.9%	12.7%	14.4%	15.8%	19.2%	20.6%	22.7%	24.2%
Emerging Mkt Stk	4.1%	4.2%	4.1%	4.0%	3.4%	2.8%	2.2%	1.8%
Intl Fixed Income	0.2%	0.1%	0.3%	0.6%	0.1%	0.1%	0.5%	0.0%
Private Equity	3.3%	4.3%	5.5%	6.8%	8.6%	10.6%	12.7%	15.0%
Real Estate	0.0%	0.0%	0.1%	0.7%	1.2%	4.7%	3.0%	0.0%
High Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Emerging Mkt Debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TIPS	11.6%	7.4%	3.9%	1.5%	0.0%	0.0%	0.0%	0.0%
Floating Rate Bk Loan	10.2%	7.1%	4.1%	2.1%	0.1%	0.0%	0.0%	0.0%
Intl ILB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Absolute Return	2.9%	3.8%	5.2%	6.2%	3.6%	0.2%	0.3%	1.6%
Commodities	1.1%	2.1%	3.1%	4.2%	5.7%	6.9%	8.5%	10.0%
Infrastructure	0.6%	1.0%	1.6%	2.1%	2.8%	3.5%	4.3%	5.0%
Hard Asset Equity	1.1%	2.1%	3.1%	4.2%	5.7%	6.9%	8.5%	10.0%

% Equities	30.2%	38.3%	46.5%	55.1%	65.3%	76.1%	84.7%	92.5%

Exp. Return	5.75%	6.21%	6.67%	7.13%	7.60%	8.04%	8.51%	8.96%
Exp. Risk	6.95%	8.12%	9.36%	10.69%	12.08%	13.43%	14.94%	16.50%

Below is a comparison of the current CAPM expectations, Standard Deviation, and Sharpe Ratio to those of the prior review, October 2010.

	Current Expectation	Prior	Current Standard Deviation	Prior	Current Sharpe Ratio	Prior
U.S. Inflation	2.4%	2.3%	-------	-------	-------	-------
U.S. Large Cap Stock	8.1%	8.1%	17.0%	17.0%	0.359	0.359
U.S. Small Cap Stock	8.4%	8.5%	20.5%	21.0%	0.312	0.317
U.S. Fixed Income	3.5%	3.2%	4.5%	4.5%	0.333	0.267
Int'l Develop Mkt Stock	8.1%	8.1%	17.0%	17.8%	0.359	0.339
Emerging Mkt Stock	8.6%	8.6%	27.0%	30.0%	0.244	0.228
Int'l Fixed Income	3.5%	3.2%	10.0%	10.0%	0.150	0.120
Private Markets	10.6%	10.6%	35.0%	35.0%	0.246	0.246
Real Estate	6.6%	6.6%	17.5%	15.0%	0.263	0.256
U.S. High Yield	5.4%	5.4%	10.0%	11.0%	0.340	0.340
Emerging Mkt Debt	5.4%	5.1%	11.0%	11.0%	0.309	0.282
U.S. TIPS	3.5%	3.1%	4.5%	4.5%	0.333	0.244
Int'l ILB	3.7%	N/A	4.3%	N/A	0.395	N/A
Floating Rate Bank Loans	4.8%	N/A	7.5%	N/A	0.373	N/A
Infrastructure	7.5%	N/A	22.0%	N/A	0.250	N/A
Hard Asset Equity	8.0%	N/A	25.0%	N/A	0.240	N/A
Commodities	4.4%	5.5%	28.0%	28.0%	0.086	0.125
Hedge Funds	5.5%	N/A	9.5%	N/A	0.368	N/A
Cash	2.0%	2.0%	1.0%	1.3%	0.000	0.000

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 6.8

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Approval of a Trust Agreement with State Street Global Advisors for a Commodities Mandate

STAFF RECOMMENDATION: Adopt a resolution authorizing (1) the Chair to execute a Limited Partnership Agreement with State Street Global Advisors (SSGA) for a Commodities Mandate and (2) authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement.

Staff recommends that the board approve the attached resolution to approve an investment with SSGA for a $75 million commodities mandate.

COMMENT: As of the second board mailing, *SamCERA* is still in the process of completing a site visit and further due diligence with State Street Global Advisors. Details of the visit will be presented at the July 26, 2011, board meeting. Staff and consultant anticipate a successful site visit and will notify the board if contentious items arise.

Attached you will find (1) the SSGA Global Managed Common Trust Funds Declaration of Trust and (2) proposed Agreement of Trust, which have both been reviewed and approved by legal counsel.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 11-12-

RESOLUTION authorizing (1) the Chair to execute an agreement with State Street Global Advisors for Commodities Investment Management Services and (2) authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement.

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

WHEREAS, Government Code §31595 vests in the Board *". . . exclusive control of the investment of the employees retirement fund."*; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers *". . . in connection with administration of the Board's investment program . . . "*; and

WHEREAS, in August 2010, the Board completed an asset-liability study, which designated 3.0% of the total portfolio to be allocated to commodities investment opportunities; and

WHEREAS, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

WHEREAS, on May 24, 2011, the Board considered proposals from nine firms for investment management services under a commodities mandate. Gresham Investment Management, Cargill Risk Management, INVESCO and State Street Global Advisors were invited to participate in interview at the June board meeting; and

WHEREAS, on June 21, 2011, the Board interviewed representatives from the four finalists, selecting State Street Global Advisors for the mandate to be funded with approximately $75 million; Therefore, be it

RESOLVED that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required documentation on behalf of the Board that has been approved by staff and counsel. Be it further

RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

AGREEMENT OF TRUST

The Undersigned as Settlor hereby transfers the property shown on Schedule A to STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company with its principal place of business in Boston, Massachusetts as Trustee (hereinafter, the "Trust").

The Trustee hereby acknowledges that it has received said property in trust and agrees that it will hold, manage and invest the same in accordance with the investment objectives described in Exhibit 1, as amended from time to time, together with the net income therefrom and any other additions by the Settlor. After paying all expenses of the Trust, including compensation for its services as described in Exhibit 2, the Trustee will dispose of such Trust property as follows:

FIRST: The Trustee shall pay to the Settlor as of the last business day of each month such part or all of the Trust property as the Settlor may request in writing delivered to the Trustee at least fifteen days before then, or within such shorter period of time as may be agreed upon by the Settlor and the Trustee from time to time. The Trustee may at any time or times and for any reason pay all or any part of the Trust property to the Settlor even though the Settlor does not request such payment.

SECOND: Unless sooner terminated by payments of Trust property, the Trust shall terminate upon the first to occur of (i) the revocation of the Trust by the Settlor, (ii) the resignation of the Trustee, or (iii) the bankruptcy of the Settlor (without regard to the bankruptcy of any beneficiary of a Settlor which is a trust). Upon termination of the Trust, the property then held in trust, less proper taxes, assessments, and charges, including expenses and compensation of the Trustee, shall be transferred and conveyed to the Settlor or as the Settlor may direct in writing. The Settlor may not assign or otherwise dispose of its interest in the Trust. To help the U.S. government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions such as the Trustee to obtain, verify, and record information that identifies each person who opens an account, including in connection with this Agreement. When the Settlor opens an account in connection with the Trust established under this Agreement, the Trustee will ask, as applicable, for the Settlor's name, address, date of incorporation or establishment, and other information that will allow the Trustee to identify the Settlor pursuant to US federal requirements. The Trustee may also ask to see other identifying documents.

THIRD: In addition to all common law and other statutory powers, the Trustee shall have and may exercise at any time or times, without license of court or notice to or consent of anyone, the following powers, authorities and discretions, exercised consistent with the powers and limitations set forth in the fund documents referenced in paragraph Eighth below which shall continue after the termination of the Trust for the purpose of distributing the Trust property:

(a) to retain, purchase and invest in any securities, regardless of their character, their quality, any requirement of diversification or any other principle applicable to investments of fiduciaries, with the investment objectives specified in Exhibit 1, as amended from time to time, and as determined by the Trustee in its sole discretion, including without limitation, in any participations or other interests in the Trustee's Global Managed Common Trust Funds (the "Funds");

(b) to lend securities of the Trust and charge fees with respect to securities lending (as described in the applicable fund declarations), on such terms as the Trustee shall determine, including but not limited to utilizing EquiLend or its successor (and the Settlor hereby acknowledges receipt of the Trustee's Securities Lending Program Disclosure, EquiLend Disclosure, and the US Cash Collateral Strategy Disclosure Document);

(c) to hold unproductive property, including without limitation uninvested cash;

(d) to make contracts and covenants;

(e) to employ agents, custodians and attorneys, and pay them reasonable compensation in addition to that of the Trustee;

(f) to keep the whole or any part of the Trust property in any jurisdiction;

(g) to make distributions in cash or in kind or in both and conclusively determine all values in accordance with Article V of the Declaration of Trust (as defined below); and

(h) to participate with respect to securities of the Trust in such passive account cross-trading as may be permissible pursuant to applicable U.S. Department of Labor Prohibited Transaction Exemptions. Settlor acknowledges receipt of the Trustee's Policies for Internal Cross-Trading, and hereby consents to the Trust's participation in cross-trading with respect to any passively managed mandates contemplated hereunder.

FOURTH: The Trustee shall provide monthly statements to the Settlor within a reasonable period after the close of each month. The Trustee shall also render accounts formally for accounting purposes on an annual basis. The Settlor shall be deemed to have approved an account if it does not communicate to the Trustee its written objection to the account within ninety (90) days after the date on which the account is rendered. The approval of any account shall constitute a full and complete discharge to the Trustee from further accountability or liability as to all matters and transactions stated therein or shown thereby and as to all persons (whether in being or under disability or not) who have been, are then or may thereafter become entitled to share in the Trust property; notwithstanding the foregoing, the actual or deemed approval of an account by the Settlor shall not discharge the Trustee as to any matter set forth in such account that relates to or is attributable to the Trustee's breach of fiduciary duty, negligence, willful misconduct, or fraud in carrying out the responsibilities specifically allocated to it under the terms of this Agreement or with respect to any such account to which the Settlor within such ninety (90) day period files a specific written objection with the Trustee.

FIFTH: The Trustee may in writing resign at any time from the Trust, but such resignation shall not be effective as against any person dealing in good faith with the apparent Trustee of the Trust without knowledge thereof.

SIXTH: The Settlor shall have the right to revoke or amend this Trust, either in whole or in part, by a writing signed by the Settlor and delivered to the Trustee; provided, however, that any amendment shall be effective only if consented to in writing by the Trustee. The Trustee expressly reserves the right to amend Exhibit 1 hereto in any respect whatever and as often as desired by an instrument signed by the Trustee and acknowledged by the Settlor at least thirty (30) days' prior to the effective date of such amendment.

SEVENTH: With respect to the terms of this instrument, the existence and terms of any amendments hereto, the termination of the Trust hereunder and the identity, decision and actions of the Settlor and the Trustee, all persons may rely conclusively on the facts stated in a certificate signed by a Trustee.

EIGHTH: The Trust hereby created shall be in all respects governed by the laws of Massachusetts. The Settlor hereby acknowledges that the assets of the Trust may be invested by the Trustee in one or more of the Trustee's common trust funds, including the Funds. Settlor acknowledges receipt of the Declaration of Trust, as amended (the "Declaration of Trust"), applicable fund declarations, fund operating guidelines and applicable strategy disclosure documents. The Settlor acknowledges that certain charges and expenses may be assessed against the assets of the Trust under the terms of the Declaration of Trust, including those described in Section 2 of Article VI thereof. The Settlor further acknowledges that, with respect to investment in foreign market indices, the individual weighting of a particular security may constitute a significant portion of an index (in excess of 10%), and may therefore impact the overall return of the index to a significant degree.

NINTH: The Settlor represents and warrants to the Trustee that (a) this Trust is organized exclusively for the benefit of an entity described in Article II, Section 6 of the Declaration of Trust such that this Trust will constitute a "trust" as defined in Article II, Section 6 of the Declaration of Trust; (b) it has the authority to enter into and perform its obligations under this Agreement; (c) the execution and delivery of this Agreement does not violate any provision of the laws or regulations applicable to the Settlor or any governing documents pursuant to which the Settlor is established; it is a "qualified purchaser" as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended; (e) it is a "qualified institutional buyer" as that term is defined in Rule 144A of the Securities Act of 1933, as amended; and (f) upon acceptance by the Trustee, this Agreement shall be valid and binding upon the Settlor.

The Settlor agrees to reimburse and hold harmless the Trustee and any of the Funds in which the Settlor's Trust property may be invested from all losses, expenses, damages, liabilities, demands, charges and claims of any kind or nature whatsoever (including reasonable attorneys' fees and expenses) which result from a breach of any representation made by the Settlor in this paragraph TENTH.

TENTH: Settlor and Trustee expressly undertake to protect and to preserve the confidentiality of: (i) the portfolio holdings of the investment strategies listed on Exhibit 1 attached hereto, (ii) all other information and know-how made available under or in connection with this Agreement, and (iii) the parties' activities hereunder that is either designated as being confidential, or which, by the nature of the circumstances surrounding the disclosure, ought in good faith be treated as proprietary or confidential (collectively the "Confidential Information"). The Settlor and the Trustee shall take reasonable security precautions, at least as great as the precautions it takes to protect its own confidential information but in any event using a reasonable standard of care, to keep confidential the Confidential Information. Neither the Settlor nor the Trustee shall disclose Confidential Information except: (a) to its employees, consultants, legal advisors or auditors having a need to know such Confidential Information; (b) in accordance with a judicial or other governmental order or when such disclosure is required by law, provided that prior to such disclosure the receiving party shall provide the disclosing party with written notice and shall comply with any protective order or equivalent; or (c) in accordance with a regulatory audit or inquiry, without prior notice to the disclosing party, provided that the receiving party shall obtain a confidentiality undertaking from the regulatory agency where possible. Neither the Settlor nor the Trustee may make use of any Confidential Information except as expressly authorized in this Agreement or as agreed to in writing between the parties. However, the receiving party shall have no obligation to maintain the confidentiality of information that: (a) it received rightfully from another party prior to its receipt from the disclosing party; (b) the disclosing party discloses generally without any obligation of confidentiality; (c) is or subsequently becomes publicly available without the receiving party's breach of any obligation owed to the disclosing party; or (d) is independently developed by the receiving party without reliance upon or use of any Confidential Information. The obligations of the Settlor and the Trustee under this clause shall survive for a period of three (3) years following the expiration or termination of this Agreement.

TWELFTH: This Agreement shall not be effective until accepted by the Trustee in Boston, Massachusetts.

Executed under seal this ________ day of _________________, 2011.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By: ____
Name:
Title:

Date: ____________________________________

Accepted and Agreed to:

STATE STREET BANK AND TRUST COMPANY, AS TRUSTEE

By: ____
Name:
Title:

Schedule A

The Settlor will make a contribution of assets in the approximate amount of seventy-five million ($75,000,000) US dollars.

Exhibit 1

INVESTMENT OBJECTIVES

SSgA Multisource Active Commodity Non-Lending QP Strategy

The Strategy seeks to provide a total investment return in excess of the performance of the Dow Jones-UBS Commodity Total Return Index (the "Index") over the long term. In seeking to accomplish this investment objective, the Strategy may invest directly or indirectly in securities and other instruments, including in other pooled investment vehicles sponsored or managed by, or otherwise affiliated with the Trustee ("Collective Funds").

Due to the uncertainty in all investments, there can be no assurance that the Strategy will achieve its investment objective. For more information about investment policies, principal investment strategy and associated risks, please see the "SSgA/SSARIS Multisource Active Commodities Strategy Disclosure" (as may be amended, modified, or supplemented from time to time, the "Strategy Disclosure Document").

Exhibit 2

FEE SCHEDULE

SSgA Multisource Active Commodity Non-Lending QP Strategy

0.60% flat fee on the net asset value of the Account per annum.

Minimum annual fee: $25,000

For any portion of the Trust property invested in the Trustee's common trust funds (each a, "Fund") in accordance with the investment objectives set forth in Exhibit 1, the Trustee may charge annual custody fees and transaction fees. The Trustee, with regard to the SSgA Multisource Active Commodity Non-Lending QP Strategy, will charge the Fund custody and transaction fees as more fully outlined in the Fund Declaration.

Fees are charged for services rendered pursuant to this Agreement quarterly in arrears based on the average of the month-end market values within each quarter. Invoices shall be rendered subsequent to the end of the calendar quarter.

Exhibit 3

STANDARD STATE CONTRACT PROVISIONS

1. **<u>Confidentiality</u>**.

(a) The Trustee hereby acknowledges that, as local public agencies in the State of California, the Settlor is a "public agency" subject to the provisions of the State of California Public Records Act (Cal. Govt. Code Sections 6250 et. seq.) (the "Public Records Act"), which provides generally that all records relating to a public agency's business, including but not limited to its investment in the Trust, constitute "public records or files," and are open to public inspection, disclosure and copying in the manner provided in the Public Records Act, unless specifically exempted under the Public Records Act (including, without limitation, exemptions on the grounds that such records represent proprietary information or trade secrets), and the Ralph M. Brown Act (Cal. Govt. Code Sections 54950 et seq.) (the "Open Meetings Act"), which provides generally for open meetings for local legislative bodies. In addition to the Public Records Act and Open Meeting Act, Trustee hereby acknowledges that the Settlor may also be subject to other various local and county ordinances which may also require public disclosure of certain information.

(b) The Trustee further acknowledges and agrees that the Settlor intends to disclose periodically the name of the Trust, the date the investment was made by the Settlor in the Trust, the amount of cash distributed to the Settlor by the Trust, the market value of the Settlor's investment in the Trust, and the net internal rate of return of the Settlor's investment in the Trust. The Trustee consents in advance to such disclosures with respect to the Trust and any such disclosure shall not constitute a breach of this Agreement. The Trustee hereby represents and warrants that it shall not make any claim against the Settlor if the Settlor makes available to the public any of the foregoing.

(c) In the event that pursuant to the Public Records Act, the Open Meetings Act or other various local and county ordinances, the Settlor is requested to disclose information concerning the Trust other than that information detailed in Paragraph 1(c) above, the Settlor shall provide the Trustee with prompt written notice of such request, including a detailed summary of the additional information being requested, and inform the Trustee of the deadline for responding to such request in order to enable the Trustee (i) to seek an appropriate protective order or other remedy, or (b) to consult with the Settlor on taking steps to resist or narrow the scope of such request.

2. **<u>Legal Actions</u>**.

a) Except as otherwise disclosed to Settlor by Trustee, the Trustee represents that there have been no criminal actions or proceedings (pending on appeal or concluded) or investigations (other than routine examinations) against the Trust, or the Trustee or their affiliates within the last five years, nor have there been any administrative or civil actions, suits or proceedings (pending, on appeal, or concluded) or investigations (other than routine examinations) during such period against such persons that were commenced by: (i) any governmental authority or agency in connection with an alleged violation of any securities laws or regulations or (ii) any other person that either asserted fraud or securities law violations that, in the case of clause (i) or clause (ii) above, is material to the operation of the Trust or the Trustee.

b) Subject to the Trustee's securities laws obligations, including but not limited to Regulation FD, the Trustee shall notify the Settlor of (i) any lawsuits or legal proceedings in which the Trust, the Trustee, or their affiliates are a named party or witness, or (ii) any lawsuit or legal

c) Subject to the Trustee's securities laws obligations, including Regulation FD, the Trustee shall notify the Settlor of any investigation (other than routine examinations or sweep examinations focused outside the Trust's investment strategy) by the Securities and Exchange Commission or any other regulatory or administrative body with authority over the Trustee or their affiliates which involve the Trustee, or their affiliates that materially adversely affect the ability of the Trustee to perform its respective obligations under the Trust.

3. **Changes to Valuation Policy**. The Trustee shall provide the Settlor with reasonable notice of any change in the valuation policy as set forth in Article V of the Declaration of Trust.

4. **Insurance**. The Trustee (a) represents and warrants that it has E&O insurance providing for coverage in an amount equal to at least $30 million and (b) agrees to use commercially reasonable efforts (subject to market availability) to maintain E&O insurance coverage of not less than $20 million at all times during the term of the Partnership. If applicable coverage is materially changed, cancelled or non-renewed the Trustee will provide notice to Settlor within thirty (30) days of the Trustee's notice of such change.

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5. **Immunity**. The Trustee acknowledges that Settlor reserves all immunities, defenses, rights or actions arising out of Settlor's status, to which Settlor may be entitled. No provision of the Trust documents shall be construed as a waiver or limitation of such immunities, defenses, rights or actions.

6. **Venue; Jury Trial**. Because of the Settlor's status as a public agency of the State of California, in the event that any action shall be brought by any party under this letter, the Trust documents, the parties hereto agree that trial of such action shall be exclusively vested in the United States District Court for the Northern District of California, San Francisco, California. The Trust and the Trustee acknowledge and agree that the Settlor does not waive its right to a trial by jury.

7. **California Political Reform Act**. The Trustee, as applicable, in its capacity as a consultant (as that term is defined in the California Government Code) to Settlor, will comply with the requirements of the California Political Reform Act, California Government Code 87100 et seq., and its implementing regulations. Such requirements include the filing of a "Form 700" upon engagement, upon termination of the engagement, and annually during the term of the engagement.

8. **Placement Agent Policy**. The Trust confirms that no placement fees have been paid by the Trust or any affiliate in connection with the investment made by the Settlor on or about the date hereof. The Trustee acknowledges that it has received the Settlor's Placement Agent Disclosure Policy, adopted pursuant to the California Government Code, and attached hereto as Exhibit A, and agrees to comply with this policy, as applicable. The Trustee further acknowledges that it has completed the Settlor's Placement Agent Information Disclosure Form (the "Form"), and represents and warrants to the accuracy of the information that the Trustee has provided in the Form. If any information provided by the Trustee in the Form changes, the Trustee agrees to

FIRST AMENDED AND RESTATED

STATE STREET BANK AND TRUST COMPANY
GLOBAL MANAGED COMMON TRUST FUNDS
DECLARATION OF TRUST

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FIRST AMENDED AND RESTATED
STATE STREET BANK AND TRUST COMPANY
GLOBAL MANAGED COMMON TRUST FUNDS
DECLARATION OF TRUST

STATE STREET BANK AND TRUST COMPANY (hereinafter usually referred to as the "Trustee" and sometimes as the "Trust Company"), Trustee of the Declaration of Trust known as "STATE STREET BANK AND TRUST COMPANY GLOBAL MANAGED COMMON TRUST FUNDS" under instrument of trust dated August 12, 1997, agreed and declared that it would hold, administer and deal with all money and property received or purchased by it as Trustee under the terms and conditions stated in the Declaration of Trust, and pursuant to Article XIII thereof hereby amends and restates said Declaration of Trust in its entirety as follows:

ARTICLE I - Name - Purpose

Section 1. Name

The Trustee has established and may continue to establish Funds pursuant to this Plan. These Funds shall be known collectively as the "STATE STREET BANK AND TRUST COMPANY GLOBAL MANAGED COMMON TRUST FUNDS." Each Fund shall be separately held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with as a separate trust hereunder.

Section 2. Purpose

These Funds are established, operated and maintained exclusively for the collective investment and reinvestment of moneys and/or, to the extent authorized by law, securities contributed thereto or invested therein by the Trust Company acting either in its capacity as sole trustee or as one of two or more assenting trustees of the individual trusts which participate therein.

The purpose of these Funds is to provide participating trusts with a method for acquiring investments in securities of issuers principally domiciled or organized in the United States and other countries, including the securities of any sovereign governments, or political subdivisions thereof, and the securities of agencies established by sovereign governments or subdivisions. It is generally intended that the Funds will be invested primarily in securities, although the Trustee may in its discretion acquire and retain other investments, as described in Article VII, Section 3, if it deems such investments to further the purpose of the Fund.

ARTICLE II - Definitions

Whenever used in this Plan, unless the context otherwise requires or specifically provides, the following terms shall have the following meaning:

Section l. "Funds" shall mean the common trust funds hereby established and collectively designated as the STATE STREET BANK AND TRUST COMPANY GLOBAL MANAGED COMMON TRUST FUNDS.

Section 2. "Fund" shall mean one of the Funds to which the particular provision hereof is being applied.

Section 3. "Trust Company" shall mean STATE STREET BANK AND TRUST COMPANY, and any bank affiliate thereof.

Section 4. "Trust Committee" shall mean the Trust Committee of the Trust Company or such other committee, or person or persons as by law or by resolution of the Board of Directors of the Trust Company shall have responsibility for managing these Funds; provided, however, that any such committee or person shall be or be comprised exclusively of Directors, officers and other employees of the Trust Company.

Section 5. "Trustee" shall refer to the Trust Company in its capacity as trustee of these Funds.

Section 6. The term "trust" shall mean any trust, common trust fund, collective investment fund or similar entity, including without limitation these Funds, held by the Trust Company, either as sole trustee or jointly with one or more co-trustees, that is organized exclusively by, or for the benefit of : (a) any entity exempt from United States income tax under any provisions of the Internal Revenue Code of 1986 as amended (the "Code") and/or any employee benefit or similar plan created by such entity; and (b) any entity that is otherwise generally not subject to United States income tax and/or any employee benefit or similar plan created by such entity. In illustration and not in limitation of the foregoing, the term 'trust' shall include any trust, common trust fund, collective investment fund or similar entity, held by the Trust Company, either as sole trustee or jointly with one or more co-trustees, that is organized exclusively by, or for the benefit of : (a) an organization or corporation exempt from United States income taxes pursuant to Sections 501(c) or (d) of the Code; (b) a foreign organization or corporation not engaged in a United States trade or business and/or an employee benefit or similar plan created by such entity; (c) a foreign government, its subdivision, instrumentality or agency and/or an employee benefit or similar plan created by such entity; or (d) an international organization as defined in §7701(a)(18) of the Code and/or an employee benefit or similar plan created by such organization. In further illustration, the term 'trust' shall also shall include any trust or fund, held by the Trust Company, either as sole trustee or jointly with one or more co-trustees, that is either (a) an employees' pension, profit sharing or stock bonus plan which is qualified within the meaning of Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code; (b) any plan described in Section 818(a)(6) of the Code; or (c) a collective investment fund or trust the assets of which consist solely of assets from employees' pension, profit sharing or stock bonus plans qualified within the meaning of Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code and/or plans described in Section 818(a)(6) of the Code." Furthermore, for purposes of this definition of 'trust', funds which may be established "for the benefit of" one or more of the entities described above include collective investment funds not formed under the Plan, including without limitation common trust funds, common law trusts, New Hampshire Investment Trusts, Delaware Business Trusts, limited liability companies, and similar entities.

Section 7. The term "trustee" shall mean the Trust Company, acting as a fiduciary with respect to a trust or a participating trust, and shall include any co-fiduciary or co-fiduciaries thereof.

Section 8. The term "participating trust" shall mean any trust, any moneys of which are invested in one or more of the Funds.

Section 9. The term "participation" shall mean the interest of a participating trust in a Fund.

Section 10. The terms "security" or "securities" shall include: (a) bonds, debentures, notes or certificates, or other evidences of indebtedness, whether or not in registered form; (b) common and preferred stocks and all other indicia of ownership in any business enterprise, whether or not incorporated, including rights and warrants and units of participation in any commingled short-term collective investment fund maintained by the Trust Company; and (c) similar instruments generally considered to be securities.

Section 11. The term "readily marketable securities" shall mean such securities as may be so defined by the regulations from time to time prevailing of the Comptroller of the Currency of the United States, or his successor, and pertaining to the collective investment of trust funds by national banks of the United States and as may be so defined by the applicable state statutes or regulations, including units of participation in any commingled short-term collective investment fund maintained by the Trust Company.

Section 12. The term "this Plan" shall mean all of the provisions embodied in this instrument and in any other instrument supplemental hereto or amendatory hereof.

Section 13. The term "business day" shall mean any day or part of a day on which the New York Stock Exchange and the Trust Company are open for business.

Section 14. The term "valuation date" when applied to any Fund shall mean the last business day of each calendar month and such other additional business days as the Trustee, the Trust Committee or an authorized representative thereof may from time to time designate.

Section 15. The term "other instruments" shall mean forwards, futures, puts, calls, swaps and similar instruments and options on any of the foregoing whose market value is primarily determined by a reference rate, index or the value of an underlying asset or security.

Section 16. The term “Fund Declaration” shall mean one of the separate declarations executed by the Trustee pursuant to Section 13 of Article VII for the purpose of establishing a Fund hereunder or for the purpose of amending an existing Fund.

ARTICLE III - Interests in the Funds - How Defined and Evidenced - Restrictions Upon Investment Herein

Section 1. Division into Units - Evidence of Ownership

(a) Participations in a Fund shall at all times be composed of units representing equal interests in the Fund and without priority or preference one over the other. The Trustee may from time to time divide or combine the units of a Fund into a greater or lesser number.

(b) Upon receiving the first contribution(s) to a Fund, the Trustee shall divide the Fund into such number of units as it may determine in its discretion and shall allocate to each participating trust a number of such units proportionate to its contribution to the Fund. A participating trust which makes a subsequent contribution of property to a Fund shall be allocated a number of units proportional to its contribution to the Fund based upon the then value of such units and the value of the property so contributed.

(c) The Trustee shall evidence the ownership of units in a Fund by notation of said ownership clearly upon its books but shall not issue any certificate evidencing a direct or indirect interest in the Fund.

(d) The Trustee shall designate clearly upon its records the name of each trust having a participation in each Fund and the number of units owned by said trust.

Section 2. Restrictions Upon Investment Herein

No investment shall be made in a Fund:

(a) By any person or entity other than a trust of which the Trust Company is the trustee or one of the trustees.

(b) By any trust of which the Trust Company is one of the trustees without the written consent of the co-trustee or all of the co-trustees as the case may be.

(c) By a trust if the instrument under which the assets of the trust are held or the decree appointing the trustee thereof fails to provide sufficiently broad investment discretion consistent with the provisions of the Fund.

(d) By the Trust Company of its own assets; and if, because of a creditor relation or for any other reason, the Trust Company shall acquire any interest in a participation, the participation to the extent necessary to liquidate such interest shall be withdrawn on the next valuation date, except that the Trust Company shall be permitted to retain said interest to the extent that it is allowed to receive security for advances of its own money made pursuant to the provisions of Article X, Section 2 hereof in order to protect investments held in segregated accounts.

The Trust Company shall not be deemed to have an interest in a Fund merely because of the fact that it is designated or acting as trustee, custodian, depository, transfer agent, or in some other capacity under a deed of trust, mortgage, indenture, deposit agreement, or other instrument under which any of the assets of the Fund have been issued or are being held, or because it owns assets of the same kind in its own right.

(e) By a trust without the approval of the Trustee, the Trust Committee or an authorized representative thereof and the approval in writing of each person who by the terms of the trust must be consulted.

(f) By a trust unless the Trustee, the Trust Committee or an authorized representative thereof shall have first determined that all of the investments then held in the Fund are such as would then be proper for investment of the assets of the participating trust and that the proportion of the securities then held in the Fund which are readily marketable is such as to provide adequately for the liquidity needs, if any, of the Fund.

ARTICLE IV - Participation and Withdrawal

Section 1. Provisions of this Plan Control

Each participation and withdrawal shall be subject to all provisions of this Plan (particularly the provisions of Section 6 of Article IV) relative to participations and withdrawals.

Section 2. Investment of Assets of a Trust

The assets of a participating trust may be deposited in one or more of the Funds and in such proportions among the Funds as the trustee of such participating trust shall determine. The Trustee shall be fully protected in following the determination of such trustee as to the amounts and proportions of the assets of any participating trust to be placed in each of the Funds.

Section 3. To be Based on Current Valuation

Each participation and withdrawal shall be made upon the basis of the value of the Fund and its units determined as of the relevant valuation date in the manner set forth by the provisions of Article V hereof.

Section 4. Payment

Subject to the provisions of Section 2 of Article VI, on the issue to a trust of units in a Fund, the trust shall pay in cash and/or, to the extent authorized by the applicable regulations, interpretations, pronouncements or rulings of the pertinent regulatory authorities with respect thereto, in kind, or partly in cash and partly in kind, to the satisfaction of and in the discretion of the Trustee, into the Fund an amount equal to the value of said units determined in the manner hereinabove described in Section 3; and upon withdrawal of units by a trust from a Fund, the Fund shall pay to the withdrawing trust an amount equal to the value thus determined of the units withdrawn. The Trustee in its sole discretion may make payments on units withdrawn in whole or in part in cash or in kind, or in any other manner consistent with applicable Massachusetts law.

Section 5. Notice

No investment shall be made in a participation in a Fund and no withdrawal of a participation or any part thereof shall be made therefrom unless on or prior to a valuation date written notice of intention to make such investment or such withdrawal shall have been duly noted in the records of the Trustee, and be approved by the Trustee, the Trust Committee or an authorized representative thereof, such notation being deemed a notice for the purpose of this Section. Where a participation in a Fund is held by the Trust Company in conjunction with one or more other persons in any fiduciary capacity, such participating interest shall be withdrawn, subject to the notice required by this Section and to all other provisions of this Plan relating to a withdrawal, upon written request made by any such other person acting in such joint fiduciary capacity and received by the Trustee on or before the valuation date as of which withdrawal is requested. No notice may be cancelled or countermanded after the valuation date.

Section 6. Withdrawal

No withdrawal of a participation from a Fund shall be permitted except in conformity with the provisions of Section 4 of Article V.

Section 7. Limitations on Assignments of Beneficial Interests

No beneficial interest in the Funds held by a participating trust may be assigned directly or indirectly by such participating trust or the settlor thereof.

ARTICLE V - Valuation and Valuation Dates

Section 1. When and How Made

As of each valuation date, the Trustee, the Trust Committee or an authorized representative thereof shall determine the value of each Fund in the manner hereinafter set forth. In every such determination the Trustee, the Trust Committee or an authorized representative thereof shall exclude the assets contained in any segregated account as described in this Article V and in Article X.

Unless a shorter period shall be required by the rules and regulations promulgated by the appropriate governmental authority pertaining to the collective investment of trust funds by national banks, each valuation shall be made within ten (10) business days following each Valuation Date; provided, however, that if the Trustee cannot reasonably complete such valuation within said ten-day period, it shall complete such valuation as soon as reasonably possible thereafter.

Section 2. Valuation of Assets

The Trustee, the Trust Committee or an authorized representative thereof shall determine the fair market value of the assets of each Fund as of each valuation date. The reasonable and equitable decision of the Trustee, the Trust Committee or an authorized representative thereof regarding such values, including the determination whether a method of valuation fairly indicates fair market value, and the selection of experts for purposes of assessing the value of a Fund's assets, shall be conclusive and binding upon all persons having an interest in the Fund, provided that the Trustee, the Trust Committee or an authorized representative thereof shall use the following methods in the valuation of the assets of the Fund:

(a) Securities shall be valued at fair market value, as determined in good faith and pursuant to procedures established by the Trustee. The Trustee may rely upon values supplied by a subcustodian, financial publications, pricing services and other sources selected in good faith by the Trustee.

(b) An investment purchased and awaiting payment against delivery shall be included for valuation purposes as a security held, and the accounts payable of the Fund shall be adjusted to reflect the purchase price, including brokers' commissions and other expenses incurred in the purchase thereof but not disbursed as of the Valuation Date. Investments sold but not delivered pending receipt of proceeds shall be valued at the net sales price.

(c) With respect to the purchase or sale of foreign securities, the Trustee may execute a foreign exchange contract. The U.S. dollar value of the foreign exchange contract will then be used to establish the value for the security purchased or sold, or the Trustee will assign the foreign exchange rate (to determine the value of the security) as of the close of business on the trade date of the security purchase or sale.

(d) The valuation of the investments in the Funds shall be made in United States dollars. If the price of a security obtained by the Trustee pursuant to the method prescribed in paragraphs (a) and (b) of this Section is expressed in a currency other than United States dollars, the Trustee shall convert the price into United States dollars by using the exchange rate, on the valuation date, published or otherwise provided by a reliable bank or other agent selected by the Trustee, the Trust Committee or an authorized representative thereof even though this rate may not represent the official exchange rate for such currencies.

(e) To the aggregate value of investments determined above, there shall be added any uninvested cash adjusted as required by subsections (d) and (e) of this Section; (if the accounts of the Trustee are being kept on an accrual basis) interest accrued and uncollected as of the valuation date; dividends declared as of said date but not paid on shares of stock where the market quotation used in determining the value thereof is ex-dividend; and the value of any other assets.

From the sum so obtained there shall be deducted:

(i) Such portion of all charges, taxes, expenses and other liabilities due or accrued as would properly be chargeable to the Fund; and

(ii) Whatever reasonable reservation the Trustee shall deem advisable for all charges, taxes, expenses and other liabilities which properly would, in the discretion of the Trustee, be chargeable to the Fund and which are anticipated and applicable in whole or in part to any period prior to the date as of which such valuation is made.

Section 3. <u>Valuation of Units</u>

The value on any valuation date of each unit into which a Fund is divided shall be determined by dividing the then fair market value of the Fund by the number of units into which the Fund is then divided.

In determining the said unit value, there shall be included in the fair market value of the Fund units to be redeemed as of that valuation date; and there shall be excluded therefrom units to be issued as of that date.

In determining the valuation of units as aforesaid, fractions of a cent per unit may be omitted.

Section 4. <u>Determination to be Made as of Valuation Date - Segregation of Investments</u>

The Trustee, the Trust Committee or an authorized representative thereof shall make the following determinations as of each valuation date in respect to the propriety of permitting admissions to and withdrawals from a Fund.

(a) Which, if any, of the securities in the Fund is not readily marketable.

(b) Which, if any, of said securities is no longer a security a trustee properly should purchase, even though readily marketable.

(c) Which, if any, of said securities would be an improper investment for one or more of the participating trusts, if assets of such trust were being invested in the Fund as of said valuation date.

(d) What percentage of the total value of the assets of the Fund would be composed of cash and readily marketable securities after effecting all sales and segregations expected to be made as of said valuation date and after effecting, also, all admissions and withdrawals expected to be made as of said date. If the Trustee, the Trust Committee or an authorized representative thereof determines that the cash and readily marketable securities of the Fund are not sufficient to provide adequately for the liquidity needs, if any, of the Fund, then no admissions to or withdrawals from the Fund shall be permitted as of such valuation date.

If to conform to the applicable law or regulations of Massachusetts or the United States, a determination made under any of the foregoing subsections (a), (b), and (c) would require that the Trustee either sell a security, or segregate it by setting it apart to be held and disposed of as provided in Article X hereof, prior to permitting any further admission to or withdrawal from the Fund, such sale or segregation shall be made.

Nothing herein contained shall forbid a ratable distribution upon all participations in the Fund.

The Trustee may remove from any Fund from time to time and place in one or more segregated accounts authorized pursuant to Article X any investment which the Trustee, the Trust Committee or an authorized representative thereof, in its discretion, deems advisable in order to prevent any participating trust from suffering any loss or prejudice.

ARTICLE VI - Compensation of the Trustee and Expenses of the Funds and the Participating Trusts

Section 1. Compensation of the Trustee and Expenses of the Funds

The Trustee may charge a fee for the management of the Funds, provided that the fractional part of such fee proportionate to the interest of any participating trust shall not, when added to other fees charged by the Trust Company to such participating trust, exceed the total amount of compensation which would have been charged to such trust if no assets of such trust had been invested in the Funds. Except as provided in Section 2 of this Article, all reasonable fees, costs and expenses incurred by the Trustee in the investment, administration or preservation of a Fund may be charged to the Fund, including without limitation counsel fees, subagency fees, custodial fees, audit fees and such other expenses and fees as would be chargeable to a participating trust if incurred in the investment, administration or preservation of such participating trust. Reference is hereby made to Section 5 of Article X hereof, which provides for expenses of any segregated account.

Section 2. Expenses Chargeable to the Participating Trusts

Brokerage fees and expenses (including but not limited to settlement, stamp taxes, duty, stock listing, and related expenses) incurred in connection with the purchase or sale of securities relating to or arising out of the participation or withdrawal of a trust in or from the Funds may, in the sole discretion of the Trustee, be charged to such trust.

For purposes of clarity, such expenses may also include intra-day market gain or loss attributable in the determination of the Trustee to the purchase or sale of securities by a Fund in connection with trust contributions or withdrawals, and may be aggregated across contributing or withdrawing trusts, as the case may be, on a weighted average basis as determined by the Trustee for any given trading period.

ARTICLE VII - Powers of the Trustee

Section 1. Management

The Trustee shall have the exclusive management and control of the Funds.

Section 2. Ownership of Assets

Title to all the assets of a Fund shall at all times be considered as vested in the Trustee in a fiduciary capacity. No participating trust shall be deemed to have a severable ownership in any individual asset in a Fund or any right of participation or possession thereof, but each shall have a proportionate undivided interest in the Fund and each shall share ratably with the others in the income, profits and losses thereof.

Section 3. Investment Powers - Proper Investment

In addition to and not in limitation of all powers granted to it by common law and statutory authority, the Trustee may invest and reinvest any assets at any time forming part of a Fund in any securities and other instruments and the determination of the Trustee as to whether or not any securities and other instruments are of a type which may be purchased or held by the Fund shall be conclusive.

Assets of a Fund may be invested in obligations of the United States government, commercial paper, certificates of deposit, savings accounts and/or other short-term fixed income investments (including without limitation any money market mutual fund advised by the Trust Company or any commingled short-term collective investment fund maintained by the Trust Company) pending the selection and purchase of other suitable investments and reinvestments or distribution to the participating trusts or to meet the liquidity needs of the Funds as determined by the Trustee in its sole discretion. Because of the special investment objectives of each of the Funds, there may not be found within the securities held in a Fund the degree of diversification as to types or classes of securities which might otherwise be required; consequently, with respect to trusts participating in a Fund, such diversification may be achieved through participation in other Funds and/or other direct investments of such participating trusts or settlors thereof.

Section 4. Investment Policy

It is the intention of this Agreement and Declaration of Trust that subject only to the specific restrictions herein mentioned and the provisions of Article VII, Section 3 hereof, the Trustee shall have the broadest power and authority in making investments consistent with the investment powers herein provided and consistent with the special purposes applicable to each Fund, it being recognized that by virtue of such special purposes, there may not be found within the securities held in said Funds the diversification among classes or types of investment which otherwise might be required in a trust; and that with respect to a trust participating in one or more of the Funds, necessary diversification will be achieved through distribution among investments of the Fund, other common trust funds (including Funds) administered by the Trustee, and other direct investments of the participating trust or the settlors thereof.

Section 5. Investment Restrictions

The Trustee, in making investments for a Fund, shall observe the following restrictions:

(a) No investment of a Fund shall be made in anything other than investments which would then be proper investments for the participating trusts.

(b) For the purposes of this Section, no asset placed in a segregated account as provided for in Article X hereof shall be deemed to be a part of the Fund.

(c) No investment of a Fund shall be made in the stock or obligations, including time or savings deposits, of the Trustee or any of its affiliates; provided, however, that such deposits may be made of assets awaiting investment or distribution; and provided further that the Trustee may invest assets of any Fund in the securities of State Street Corp., if such State Street Corp. securities are included in the independently-created, third party index the composite price and yield performance of which such Fund seeks to track as nearly as practically possible.

Section 6. Power to Administer Assets

The Trustee shall have full discretionary power to retain for so long a period as it shall think proper and to manage, convert, exchange, transfer and dispose of the assets comprising a Fund and shall have and may exercise every right and privilege pertaining to trust management which is granted to a trustee by the common law, by the decisions of the Supreme Judicial Court of the Commonwealth of Massachusetts and by the statutes of said Commonwealth from time to time prevailing. Without limitation upon the generality of the foregoing the Trustee shall also have the following powers and authority:

(a) To consent to, or participate in, any plan for the reorganization, consolidation or merger of any corporation or other entity, any security of which is held in the Fund, and to pay any and all calls and assessments imposed upon the owners of such securities as a condition of their participating therein, and to consent to any contract, lease, mortgage, purchase or sale of property, by or between such corporation or other entity and any other corporation or person.

(b) To deposit any security with any protective or reorganization committee, and to delegate to such committee such power and authority with relation thereto as the Trustee may deem proper, and to agree to pay out of the Fund such portion of the expenses and compensation of such committee as the Trustee may deem proper.

(c) To vote all stock and other securities and to execute and deliver proxies or powers of attorney to such person or persons as the Trustee may deem proper, granting to such person or persons such power and authority with relation to any property or securities at any time held in the Fund as the Trustee may deem proper.

(d) To exercise all powers and rights of subscription or otherwise which in any manner arise out of ownership of securities held in the Fund.

(e) To extend the time of payment of any obligation.

(f) To compromise, arbitrate, or otherwise adjust claims in favor of or against the Fund including claims for taxes, and to accept any property, either in total or partial satisfaction of any indebtedness or other obligation, and, subject to the provisions hereof, to continue to hold the same for such period of time as the Trustee may deem proper.

(g) To grant such terms of credit as the Trustee shall see fit, with or without security, upon the occasion of making any sale or disposition of any asset contained in the Fund and/or to give and receive money in order to effect equality in price upon the occasion of making any exchange.

(h) To register and carry any securities or property of the Fund in the name of a nominee or nominees without designation of trust.

(i) To keep securities at any place or places selected by it, and to deposit such securities with a custodian, agent, or depository, in the Commonwealth of Massachusetts or elsewhere inside or outside of the United States.

(j) To do all such acts, take all such proceedings and exercise all such rights and privileges in the proper discharge of its trust hereunder, whether hereinbefore specifically referred to or not, with relation to any property of the Fund as could be done, taken and/or exercised by the absolute owner thereof.

(k) To employ counsel, custodians or other agents, for any of the above or other purposes and to determine the reasonable sums which shall be paid for such services and to make payment of the same.

(l) To loan any security held by a Fund to a borrower and to accept collateral as security for such loan and to invest such collateral in any reasonable investment vehicle; provided, that the Fund Declaration for such Fund specifically authorizes the lending of securities.

(m) To the extent permitted under applicable law or regulation, to employ such brokers or dealers, including but not limited to any affiliate of the Trust Company, as may be reasonably necessary or desirable for effecting transactions in securities or other instruments on behalf of a Fund or a participating trust, and to pay their reasonable expenses and compensation out of the Fund, or out of the participating trust, as the case may be.

(n) On behalf of each of the participating trusts, to delegate responsibility for the management of all or any of the assets of the Funds to one or more investment managers (as such term is defined in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended).

Section 7. Third Persons not Obligated to See to Application of Payments

No person dealing with the Trustee shall be under any obligation to make any inquiry concerning the authority of the Trustee hereunder or see to the application of any payments made to or by the Trustee.

Section 8. Creation of Funds

The Trustee shall in its sole discretion establish Funds under this Plan. The Trustee shall establish each such Fund, and any additional Funds thereafter, by executing a Fund Declaration which shall incorporate the terms of this Declaration of Trust by reference and shall specify such other terms applicable to such Fund as the Trustee shall determine. Each Fund shall constitute a separate trust. The assets of each Fund shall be separately held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with as a separate trust hereunder.

ARTICLE VIII - Taxes

Section 1. Exoneration and Reimbursement of the Trustee

The Trustee shall be entitled to exoneration and reimbursement from a Fund for all taxes or assessments levied on or payable by the Trustee with respect to the Fund or any asset therein or the income therefrom.

Section 2. Method of Apportionment for Tax Purposes Among Participating Trusts

The income accrued during any tax period together with any capital gains realized or losses sustained shall, if required by the provisions of any tax statute or regulation, be apportioned among the participating trusts in the proportions in which said participating trusts shared in such accrued income or in such capital gains or losses during such tax period.

Section 3. Payment from the Assets of the Funds for Tax Purposes

If any tax or charge shall be payable out of the assets of a Fund, or of a segregated account, in respect of some but not all participations, an equalizing distribution from the assets of a Fund may, in the sole discretion of the Trustee, be made to such other participations, and such equalizing distribution shall not be held to affect the value of the participations in the Fund; or the Trustee may require payment of part or all of such tax or charge from the participation or participations with respect to which such tax or charge has been assessed.

Section 4. Conformity to Tax Laws

If any of the provisions of this Plan are at any time or in any way contrary to or inconsistent with any laws of the United States of America or of the Commonwealth of Massachusetts, or any rules or regulations of the Internal Revenue Service, or of the Department of Revenue of said Commonwealth, from time to time prevailing with regard to the computation or payment of taxes, the keeping of accounts for the computation of such taxes or the apportionment or distribution among participating trusts of income, expenses, profits, losses or any like matter, the Trustee shall incur no liability for conforming to any such laws, rules or regulations.

Section 5. Information Required to be Supplied by the Trustee

The Trustee shall report to the trustee of each participating trust such information as may be necessary concerning the share of such participating trust in each Fund and of any segregated account during each fiscal year of the Fund, and the sources thereof, to enable such trustee to make such tax returns as may be required of it.

ARTICLE IX - Accounts of the Trustee

Section 1. Keeping of Accounts

The Trustee shall keep full records showing all transactions with relation to each Fund and also showing the proportionate interest, on each valuation date, of each participating trust therein. The Trustee shall keep its accounts on the basis of a fiscal year which may be a calendar year, and the income of a Fund in each fiscal year shall be apportioned among the participating trusts in accordance with the proportionate interest of each of such trusts in such income. The Trustee, in its discretion, may keep its accounts either on an accrual system (except with respect to any segregated account) or to the extent permitted by law, on a cash system and may change from one of said systems to the other as of the close of any fiscal year. The Trustee shall keep its accounts and records of the segregated accounts on a cash system.

Section 2. Auditors and Audit of Accounts

At least once during each period of twelve (12) months an audit shall be made of each Fund and of any segregated accounts by competent auditors. Such auditors may be either independent public accountants or the Trustee's own auditors, provided, in either case, that they shall be responsible only to the Board of Directors of the Trust Company who by proper resolution shall formally appoint them for, and in advance of, each audit.

A financial report based on the above audit shall be prepared and shall include a list of investments in the Fund on the last day of the period covered by such audit, showing the cost and market value of each item in the Fund on said day, a statement of purchases, with cost, sales, with gain or loss, and any other investment changes, and appropriate notation concerning any investment in default, and of all income and disbursements during the period to which the audit relates, but no value need be shown for any item in a segregated account.

The Trustee shall send a copy of the financial report without charge, or a notice stating that a copy thereof will be so sent without charge upon request, to each person to whom a regular periodic accounting of each participating trust ordinarily would be sent. In addition, a copy of such financial reports may be furnished to prospective customers. The Trustee shall furnish a copy of the financial report to any person on request. The Trustee shall effect such publication of the audit, in whole or in summary, as is required by applicable governmental authority.

Section 3. Fees and Expenses of the Auditors

If independent public accountants are retained by the Trustee to audit a Fund, they shall be entitled to receive reasonable compensation for the services rendered by them. Such compensation and the reasonable expenses of such independent public accountants connected with their audit of the Fund shall be paid by the Trustee out of the assets of the Fund, as the Trustee may determine, and if connected with the audit of any segregated account shall be paid out of such segregated account. The Trustee shall make no charge in respect of any audit made by its own auditors.

Section 4. Filing and Allowance of Accounts

The Trustee shall file annually in the Registry of Probate for Suffolk County an account of its administration of each Fund and may file an application for allowance in accordance with the laws of the Commonwealth of Massachusetts as from time to time amended or any successor provision of similar import.

ARTICLE X - Segregated Accounts

Section 1. Purpose and Effect of Segregated Accounts and Powers and Duties of Trustee

All investments which are set apart by the Trustee in accordance with the duty and power given to the Trustee by the provisions hereof shall be held in a separate account or separate accounts hereinafter sometimes called, without reference to the number thereof, the segregated accounts. Each segregated account shall be maintained and administered solely for the ratable benefit of the participating trusts interested in the Fund at the time such account is established.

The primary purpose of the segregated accounts shall be to provide a method of liquidation of the investments contained therein, but the period during which the Trustee may continue to hold any such investment or any investment received on account thereof shall rest in its discretion.

In order to accomplish said purpose, the Trustee shall have, in addition to all of the powers granted to it by law and by the terms hereof, each and every discretionary power of management of said investments and of all proceeds thereof which the Trustee shall deem necessary or convenient to accomplish said liquidation. Transactions of sale and purchase of any of said investments contained in said segregated accounts may be made on terms of cash or credit, or partly of cash and partly of credit, and with or without security, and the Trustee shall have full discretion in allocating all items of receipt and expenditure including the proceeds of sale.

The books and records of the segregated accounts shall be kept upon a cash basis.

After an asset of a Fund has been set apart in a segregated account, it shall be governed by the special provisions of this Article, but it shall also be subject to all other provisions of this Plan so far as the same shall be applicable thereto and not inconsistent with the provisions of this Article.

Section 2. Limitation on Investment of Further Moneys

No further funds shall be invested in any segregated account except that the Trustee shall have the power and authority, if, in the Trustee's opinion, it is advisable for the protection of any investment held therein, to borrow money from others or advance its own money to be secured by the investments held in such segregated account.

Section 3. Distributions

The Trustee may make distributions from a segregated account in cash or in kind or partly in cash and partly in kind, and the time and manner of making all such distributions shall rest in the sole discretion of the Trustee, provided, that all such distributions as of any one time shall be made ratably and on the same basis as among the participating trusts beneficially interested in such segregated account.

Section 4. Evidence of Participation in Segregated Accounts

The Trustee shall evidence the ownership in segregated accounts by clear records, in such form and subject to such rules as the Trustee may deem appropriate, setting forth the beneficial interest of a participating trust in the assets of each segregated account in which such trust has an interest.

Section 5. Expenses

The Trustee shall not receive any compensation for managing a segregated account; but all reasonable expenses incurred by the Trustee in the administration of the same, which would be chargeable to a participating trust if incurred in the liquidation of property of such participating trust, may be charged to such segregated account.

ARTICLE XI - Miscellaneous

Section 1. Discretion of the Trustee

The discretion of the Trustee and of its Trust Committee or an authorized representative thereof shall be binding upon all persons, except in cases of gross negligence or wilful misconduct.

Section 2. Advice of Counsel

The Trustee may consult counsel with respect to the meaning, construction and operation of this Plan or any provision hereof, or concerning its powers or obligations hereunder and may act on the advice of such counsel without incurring liability on account of any such action.

Section 3. The Trustee to Represent the Funds in Judicial Proceedings

In any judicial proceeding affecting any security belonging to a Fund, each participating trust and each and every person having or claiming to have any interest in any participating trust and in the Fund shall be represented by the Trustee for all purposes if the Trustee is a party to such proceeding.

Section 4. Fractions of a Cent

Any fraction of a cent per unit of participation resulting from any computation hereunder may be disregarded or may be adjusted in such reasonable manner as the Trustee may determine.

Section 5. Effect of this Plan

With respect to any moneys contributed to, or invested in, these Funds by any participating trust, the trustee of such participating trust and all persons interested therein shall be bound by the provisions of this Plan as the same may be amended from time to time pursuant to its terms.

Section 6. Effect of Law and Regulations

These Funds shall be administered at all times in conformity with the laws of the Commonwealth of Massachusetts, as declared by the decisions of the Supreme Judicial Court thereof and by the statutes of said Commonwealth from time to time prevailing, with the laws of the United States of America as the same may from time to time be amended, and with the rules and regulations from time to time promulgated by the Comptroller of the Currency and/or other appropriate regulatory authority pertaining to the collective investment of trust funds by national or state banks (as such may be amended or modified by interpretations or pronouncements of such regulatory authorities), all of which shall be deemed to be part of this Plan.

Section 7. Title and Sub-titles

Titles of the Articles and titles or sub-titles of the Sections are placed herein for convenience of reference only, and in case of any conflict, the text of this Plan, other than such titles or sub-titles, shall in each and every instance be controlling.

Section 8. Words of Gender or Number

Unless the context otherwise requires, words denoting the singular number may, and where necessary shall, be construed as denoting the plural number, and words of the plural number may, and where necessary shall, be construed as denoting the singular number, and words of the masculine, feminine or neuter gender may, and where necessary shall, be construed as denoting the other two genders.

Section 9. Successors and Assigns

This Plan and all the provisions hereof shall be binding upon and inure to the benefit of the Trustee and its successors, and all persons having or claiming to have any interest in any participating trust or in any Fund and their and each of their heirs, executors, administrators, legal representative, successors and assigns.

Section 10. Mistake

No mistake made in good faith and in the exercise of due care in connection with the administration of a Fund shall be deemed a violation of the rules and regulations of the appropriate governmental authority relating to the collective investment of trust funds if promptly after the discovery of the mistake the Trustee shall take whatever action may be practicable in the circumstances to remedy the mistake.

ARTICLE XII - Merger with Other Common Trust Funds

Section 1. Authorization

Whenever the Trust Company shall have established one or more common trust funds in addition to these Funds or shall become trustee of one or more such common trust funds theretofore established and maintained by any other bank or trust company, by virtue of a merger or consolidation of such bank or trust company with this Trust Company, or otherwise, in its discretion, as of a valuation date, the Board of Directors may authorize the merger of any such common trust fund into these Funds, or the consolidation with these Funds, or transfer of its assets into and commingling with the assets of these Funds; or said Board of Directors as of such date may authorize the merger of these Funds, or the consolidation of these Funds, or transfer of the assets of these Funds, into and commingling with the assets of such other common trust fund or funds; in any such event, under such terms and conditions as said Board may deem desirable, provided that upon the completion of any such merger, consolidation, transfer or commingling, the merged Fund shall comply in all respects with the statutes of the Commonwealth of Massachusetts and of the United States, and the applicable regulations of both of them and provided that such merger shall be consistent with this Article.

Section 2. Procedure for Merger

As of the effective date of any such merger each of the common trust funds involved shall be valued in accordance with the terms provided in the plan of each merging fund, and the value of a unit of interest or participation of each merging fund shall be determined. Thereupon all the combined assets of all common trust funds involved shall be divided by the Trustee into such number of equal units as the Trustee shall determine. There then shall be allocated to each participating trust in the Fund involved and to each participating trust in the common trust fund merging into the Fund involved or into which the Fund hereunder involved is merging such number of units as will have a total value equal to the value of the aggregate units of interest or participations held by each such trust in one or the other of the respective separate common trust funds prior to the merger. Payment shall be made in cash to participating trusts from the assets of the Fund involved in such amounts as may be necessary to eliminate fractional units in the merged fund, if any. Subject to the aforesaid cash payment to eliminate fractional units, the value of the beneficial interest of each participating trust in the Fund involved subsequent to such merger shall be equal to the value of its beneficial interest in the separate fund or funds involved immediately prior thereto. In the event that one of these Funds is merging into another common trust fund, the Trustee, after the payments to eliminate fractional units as hereinabove provided, shall transfer all of the assets of the Fund hereunder involved to such other fund into which it is merging and immediately thereafter the Fund involved hereunder shall terminate. The Trustee shall execute any instruments of assignment or transfer or other documents or take any action necessary or advisable to effect such merger and to evidence such termination consistent with this Article XII and any votes of the Board of Directors of the Trust Company authorizing or implementing such merger.

ARTICLE XIII - Amendments and Termination

Section 1. Amendments

This Plan may be amended from time to time by the Trustee in the manner and upon the conditions hereinafter stated:

(a) This Plan having been approved by the Board of Directors of the Trust Company (acting through the Executive Committee of the Board of Directors), any amendment thereof must also be approved by said Board or by a committee authorized by the Board.

(b) Any such amendment shall be filed with the original Plan, together with a certified copy of such resolution of the Board of Directors of the Trust Company or by a committee authorized by the Board approving the same.

(c) Any amendment to this Plan which is adopted for the purpose of complying with any restriction imposed, or using any latitude or power granted, by any amendment of the statutes of the Commonwealth of Massachusetts or the United States of America or the applicable rules and regulations of either of them may be made to take effect as of the effective date of the amendment to such statutes, rules, or regulations. Unless consented to by each participating trust, no other amendment shall take effect, however, until the occurrence of a valuation date which shall be specified in a notice mailed at least thirty (30) days prior thereto, by the Trustee, with a copy of the proposed amendment, to each person to whom a regular periodic accounting of such participating trust ordinarily would be sent under the governing instrument. If any person to whom such notice is mailed shall file with the Trustee, on or before five (5) days prior to the date specified in such notice for the taking effect of such amendment, an objection thereto and shall fail to withdraw said objection on or before said five (5) days, the Trustee either shall abandon its intention to make such amendment or shall withdraw from the Fund(s) the participation of the trust in behalf of which such objection was filed and such withdrawal shall be made on the valuation date as of which such amendment is to take effect.

Section 2. Termination

The Board of Directors of the Trust Company may at any time in its discretion by resolution direct the termination and liquidation of any one or more of the Funds, provided, however, if a participating trust or the settlor of such participating trust but not a beneficiary of a settlor which is a trust shall become bankrupt while such participating trust holds units in any of the Funds, such Funds established hereunder shall terminate. No further participants shall be admitted to such Funds from the time of the voting of said resolutions of their termination, and in its sole discretion the Trustee shall thereafter sell all or such part of the assets then held in such Funds as it shall deem advisable with the purpose of making final distribution thereof in cash or in kind or partly in cash and partly in kind, among the participating trusts, provided, that all such distributions shall be made ratably and on the same basis. The time and manner of making each such partial distribution and final distribution shall rest in the discretion of the Trustee.

IN WITNESS WHEREOF, STATE STREET BANK AND TRUST COMPANY hereby ratifies, approves and confirms this Declaration of Trust entitled FIRST AMENDED AND RESTATED STATE STREET BANK AND TRUST COMPANY GLOBAL MANAGED COMMON TRUST FUNDS DECLARATION OF TRUST as of the 1st day of February, 2004.

STATE STREET BANK AND TRUST COMPANY

By: Timothy B. Harbert

Timothy B. Harbert
Executive Vice President

Attest:

R J Carrigan

Name: RANDALL J CARRIGAN
Title: PRINCIPAL AND SENIOR COUNSEL

The foregoing Declaration of Trust was approved by a resolution of a duly authorized committee of the Board of Directors of STATE STREET BANK AND TRUST COMPANY adopted at a meeting therefor held.

COMMONWEALTH OF MASSACHUSETTS)
) SS.
COUNTY OF SUFFOLK)

On this 22nd day of December, 2003, before me personally came Timothy B. Harbert and Randall J. Carrigan to me personally known, who being by me duly sworn did depose and say that they reside in Lynnfield, Massachusetts and Swampscott, Massachusetts, respectively; that they are the Executive Vice President and Principal and Senior Counsel, respectively of STATE STREET BANK AND TRUST COMPANY, the Trust Company described in and which executed the foregoing instrument; that they know the seal of said Trust Company; that the seal was affixed by the authority of the Board of Directors of said Trust Company; and that they signed their names thereto by like authority; and the said Timothy B. Harbert and Randall J. Carrigan severally acknowledged said instrument to be their free act and deed and the free act and deed of said Trust Company.

IN WITNESS HERETO, I have hereunto set my hand and affixed my notarial seal at the City of Boston, in the County of Suffolk and Commonwealth of Massachusetts, on the day and year above appearing.

Kelly A. Broderick

Notary Public: Kelly A. Broderick
My commission expires: January 11, 2010

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 26, 2011 Agenda Item 7.1

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Preliminary Monthly Financial Report for the Period Ending June 30, 2011

STAFF RECOMMENDATION: Staff recommends that the board review the attached preliminary financial statements.

COMMENT: The attached preliminary statements fairly represent *SamCERA's* Financial Statements.

Statement of Fiduciary Net Assets

SamCERA's Net Assets Held in Trust for Pension Benefits as of month end, totaled $2,309,049,708.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits decreased by approximately $30.1 million, month over month. The decrease is primarily due to market depreciation in assets.

The following reports are attached to this agenda item:

Table of Contents	Page

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
June 2011
PRELIMINARY

	June 2011	June 2010
ASSETS		
CASH AND CASH EQUIVALENTS	62,642,549	74,232,656
SECURITIES LENDING CASH COLLATERAL	174,674,845	181,645,752
TOTAL CASH	237,317,394	255,878,408
RECEIVABLES		
Contributions	7,544,867	7,464,274
Due from Broker for Investments Sold	148,074,596	83,850,705
Investment Income	5,783,112	4,654,787
Securities Lending Income	120,322	47,428
Other Receivable	113,292	113,787
TOTAL ACCOUNTS RECEIVABLES	161,636,189	96,130,980
PREPAID EXPENSE	7,669	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	586,764,999	505,441,320
Domestic Equities	932,227,735	797,467,287
International Equities	398,753,172	341,048,550
Real Estate	126,673,968	109,210,472
Private Equities	3,458,419	0
Risk Parity	147,619,360	0
Hedge Funds	70,000,000	0
	2,265,497,653	1,753,167,629
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	**2,664,458,905**	**2,105,184,686**
LIABILITIES		
Investment Management Fees	1,869,336	1,562,410
Due to Broker for Investments Purchased	175,192,142	105,212,469
Collateral Payable for Securities Lending	174,674,845	181,645,752
Other	3,672,874	867,600
TOTAL LIABILITIES	**355,409,197**	**289,288,231**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**2,309,049,708**	**1,815,896,455**

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
June 2011
Preliminary

	June 2011	June 2010	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	147,568,955	106,265,329	41,303,626
Employee Contribution	48,993,429	50,318,477	(1,325,048)
TOTAL CONTRIBUTIONS	196,562,384	156,583,806	39,978,578
INVESTMENT INCOME			
Interest and Dividends	41,923,314	42,179,828	(256,514)
Net Appreciation (Depreciation) in fair value of investments	403,019,638	162,137,189	240,882,449
Less Investment Expense	(12,408,647)	(8,380,882)	(4,027,765)
Less Asset Management Expense	(695,752)	(524,595)	(171,158)
NET INVESTMENT INCOME	431,838,553	195,411,540	236,427,013
SECURITIES LENDING INCOME			
Earnings	558,768	988,514	(429,746)
Less: Securities Lending Expenses	(28,457)	(245,578)	217,122
NET SECURITIES LENDING INCOME	530,311	742,936	(212,624)
OTHER ADDITIONS	73,305	41,474	31,830
TOTAL ADDITIONS	**629,004,553**	**352,779,756**	**276,224,797**
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	114,422,667	106,607,286	7,815,381
Disability Retirement Allowance	14,552,927	14,585,746	(32,819)
Survivor, Death and Other Benefits	858,946	948,059	(89,113)
TOTAL ASSOCIATION BENEFITS	129,834,541	122,141,091	7,693,450
REFUND OF MEMBER CONTRIBUTIONS	2,474,445	2,736,025	(261,580)
ADMINISTRATIVE EXPENSE	3,532,786	3,372,967	159,819
OTHER EXPENSE	9,529	32,776	(23,248)
TOTAL DEDUCTIONS	**135,851,300**	**128,282,859**	**7,568,441**
NET INCREASE	**493,153,253**	**224,496,897**	**268,656,356**
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	1,815,896,455	1,591,399,558	
End of Period	2,309,049,708	1,815,896,455	

San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET ASSETS - TRAILING TWELVE MONTHS
For the Month Ending June 30, 2011
PRELIMINARY

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	YTD
ADDITIONS							
CONTRIBUTIONS							
Employee Contribution	3,019,936	3,655,943	3,594,335	3,642,307	3,931,107	5,744,046	23,587,673
Employer Contributions - Regular	5,407,157	7,251,548	7,302,907	7,314,517	7,373,448	11,260,294	45,909,870
Employer Contributions - COLA	3,047,757	4,080,356	4,106,941	4,109,218	4,138,857	6,315,925	25,799,055
Employer Prefunded Contribution	68,411,230	(11,274,407)	(11,390,665)	(11,385,369)	(11,454,658)	(15,713,522)	7,192,610
TOTAL CONTRIBUTIONS	79,886,080	3,713,440	3,613,518	3,680,673	3,988,754	7,606,743	102,489,208
INVESTMENT INCOME							
Interest and Dividends	2,228,528	3,312,853	3,275,168	2,196,872	2,999,996	4,821,615	18,835,032
Net Appreciation (Depreciation) in fair value of investments	87,400,814	(43,766,849)	127,340,342	56,496,595	(9,582,182)	85,376,887	303,265,608
Securities Lending Income	45,487	50,647	58,657	56,343	55,461	56,056	322,650
Other Additions	0	0	0	0	0	0	0
Asset Management Expense	(34,874)	(48,180)	(45,105)	(56,665)	(69,170)	(68,573)	(322,568)
Other Investment Related Expense	(54,893)	(21,994)	(28,660)	(16,428)	(60,565)	(50,291)	(232,830)
Securities Lending Expense	(18,072)	(17,797)	(6,250)	(20,480)	(1,432)	(14,372)	(78,403)
TOTAL ADDITIONS	**169,453,071**	**(36,777,881)**	**134,207,670**	**62,336,911**	**(2,669,137)**	**97,728,065**	**424,278,699**
DEDUCTIONS							
ASSOCIATION BENEFITS							
Retiree Annuity	2,369,716	2,389,206	2,405,091	2,402,821	2,430,529	2,422,802	14,420,165
Retiree Pension	5,649,275	5,673,987	5,713,621	5,694,015	5,746,049	5,743,755	34,220,701
Retiree COLA	2,514,530	2,506,061	2,503,348	2,492,815	2,488,067	2,481,293	14,986,114
Retiree Deathe and Modified Work Benefit	3,579	3,579	3,579	3,579	3,579	3,579	21,475
Active Member Death Benefit	0	0	0	0	0	0	0
Voids and Reissue	492	0	0	0	0	0	492
TOTAL ASSOCIATION BENEFITS	10,537,591	10,572,833	10,625,639	10,593,230	10,668,223	10,651,429	63,648,946
REFUND OF MEMBER CONTRIBUTIONS	110,411	290,928	163,314	170,084	414,929	26,231	1,175,896
ACTUARIAL FEES	16,083	19,083	750	750	2,667	833	40,167
CONSULTANT FEES - INVESTMENT (SIS)	16,667	16,667	16,667	33,333	33,333	50,000	166,667
CUSTODIAN FEES - STATE STREET	11,800	12,057	11,800	11,705	11,800	58,136	117,298
INVESTMENT MANAGEMENT FEE - R1000 INDEX	7,601	7,361	7,835	7,939	7,601	7,953	46,291
INVESTMENT MANAGEMENT FEE - ABERDEEN	29,975	30,448	30,368	30,622	30,622	28,031	180,066
INVESTMENT MANAGEMENT FEE - PYRAMIS	21,220	21,489	21,411	21,572	21,475	18,080	125,248
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	5,651	5,814	5,770	5,935	744	5,770	29,683
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	18,265	18,265	13,122	17,156	16,987	17,071	100,865
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	0	0	0	0	0	5,407	5,407
INVESTMENT MANAGEMENT FEE - CHARTWELL	27,285	25,486	29,832	30,634	31,847	33,350	178,434
INVESTMENT MANAGEMENT FEE - D E SHAW	38,742	36,395	40,770	41,744	42,032	44,604	244,287
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	28,364	26,801	29,807	30,424	30,525	32,394	178,315
INVESTMENT MANAGEMENT FEE - BLACKROCK	53,979	50,802	57,819	60,137	61,723	63,563	348,022
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	53,239	50,247	55,417	55,847	54,720	59,454	328,924
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	29,952	26,946	31,460	31,259	31,937	34,136	185,690
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	61,867	57,824	65,932	67,596	70,895	72,168	396,283
INVESTMENT MANAGEMENT FEE - MONDRIAN	53,376	40,166	43,103	43,995	26,437	48,337	255,414
INVESTMENT MANAGEMENT FEE - ARTIO	81,045	76,961	84,099	86,442	87,385	89,412	505,344
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	34,141	34,643	34,573	34,846	34,723	29,035	201,962
INVESTMENT MANAGEMENT FEE - INVESCO CORE	53,711	53,711	50,725	52,715	52,715	41,566	305,143
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	0	0	0	0	0	0	0
TOTAL PROFESSIONAL FEE	642,963	611,167	631,257	664,651	650,168	739,303	3,939,509
ADMIN EXPENSE - SALARIES & BENEFITS	99,487	168,819	170,584	171,415	174,710	258,847	1,043,860
ADMIN EXPENSE - SERVICES & SUPPLIES	33,996	55,862	124,612	150,416	105,433	112,074	582,393
TOTAL ADMINISTRATIVE EXPENSES	133,483	224,680	295,196	321,830	280,143	370,920	1,626,253
INTEREST FOR PREPAID CONTRIBUTION	0	0	0	0	0	1,804,884	1,804,884
OTHER DEDUCTIONS	919	4,096	4,593	12,505	7,962	10,075	40,149
TOTAL DEDUCTIONS	**11,425,368**	**11,703,704**	**11,719,999**	**11,762,300**	**12,021,425**	**13,602,843**	**72,235,638**
NET INCREASE	**158,027,703**	**(48,481,584)**	**122,487,671**	**50,574,610**	**(14,690,562)**	**84,125,222**	**352,043,061**

San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET ASSETS - TRAILING TWELVE MONTHS
For the Month Ending June 30, 2011
PRELIMINARY

	December YTD 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	YTD
ADDITIONS								
CONTRIBUTIONS								
Employee Contribution	23,587,673	3,734,419	3,948,453	3,601,493	3,925,374	3,995,313	6,200,704	48,993,429
Employer Contributions - Regular	45,909,870	7,652,176	7,460,233	7,390,652	7,825,727	7,281,630	11,320,105	94,840,392
Employer Contributions - COLA	25,799,055	4,292,459	4,173,675	4,131,189	4,397,122	4,062,716	5,872,347	52,728,562
Employer Prefunded Contribution	7,192,610	53,179,642	(11,595,294)	(11,503,337)	(12,152,773)	(11,309,292)	(13,811,555)	0
TOTAL CONTRIBUTIONS	102,489,208	68,858,695	3,987,066	3,619,996	3,995,449	4,030,368	9,581,601	196,562,384
INVESTMENT INCOME								
Interest and Dividends	18,835,032	1,999,124	3,622,609	4,346,612	3,380,857	5,878,630	3,860,450	41,923,314
Net Appreciation (Depreciation) in fair value of investments	303,265,608	22,650,174	51,815,603	16,355,785	61,910,894	(23,740,685)	(29,164,437)	403,092,943
Securities Lending Income	322,650	43,061	33,846	40,392	37,048	40,717	41,053	558,768
Other Additions	0	0	0	0	0	0	0	
Asset Management Expense	(322,568)	(44,618)	(46,577)	(56,564)	(71,466)	(41,089)	(112,870)	(695,752)
Other Investment Related Expense	(232,830)	(38,041)	(3,683)	(19,886)	(76,258)	(257,983)	(100,523)	(729,206)
Securities Lending Expense	(78,403)	(16,677)	(12,252)	(16,499)	(1,902)	63,349	33,928	(28,457)
TOTAL ADDITIONS	**424,278,699**	**93,451,719**	**59,396,612**	**24,269,836**	**69,174,622**	**(14,026,694)**	**(15,860,799)**	**640,683,995**
DEDUCTIONS								
ASSOCIATION BENEFITS								
Retiree Annuity	14,420,165	2,455,713	2,477,318	2,487,046	2,539,302	2,558,539	2,563,545	29,501,628
Retiree Pension	34,220,701	5,825,447	5,869,498	5,904,613	6,054,657	6,047,121	6,057,952	69,979,990
Retiree COLA	14,986,114	2,474,478	2,471,993	2,458,332	2,615,219	2,605,638	2,591,436	30,203,211
Retiree Death and Modified Work Benefit	21,475	3,579	31,487	3,579	3,579	3,579	3,579	70,857
Active Member Death Benefit	0	0	0	0	0	60,527	0	60,527
Voids and Reissue	492	(6,887)	6,887	0	0	0	0	492
TOTAL ASSOCIATION BENEFITS	63,648,946	10,752,331	10,857,183	10,853,570	11,212,758	11,275,405	11,216,513	129,816,705
REFUND OF MEMBER CONTRIBUTIONS	1,175,896	170,704	521,840	181,415	122,188	21,089	299,148	2,492,281
ACTUARIAL FEES	40,167	833	833	833	833	(3,417)	28,583	68,667
CONSULTANT FEES - INVESTMENT (SIS)	166,667	16,667	50,000	33,333	16,667	50,000	33,333	366,667
CUSTODIAN FEES - STATE STREET	117,298	28,689	31,302	15,355	18,000	13,221	12,928	236,793
INVESTMENT MANAGEMENT FEE - R1000 INDEX	46,291	7,972	9,371	5,988	7,064	6,036	6,374	89,096
INVESTMENT MANAGEMENT FEE - ABERDEEN	180,066	28,231	26,401	27,351	27,160	27,463	27,182	343,853
INVESTMENT MANAGEMENT FEE - PYRAMIS	125,248	18,093	15,951	19,290	16,638	18,223	16,677	230,119
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	29,683	5,747	6,644	5,002	5,985	6,028	6,057	65,146
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	100,865	17,694	18,015	17,968	18,250	91,642	27,907	292,341
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	5,407	81,162	(14,815)	33,931	35,046	35,160	34,903	210,795
INVESTMENT MANAGEMENT FEE - CHARTWELL	178,434	34,224	37,239	36,927	39,544	38,108	38,194	402,670
INVESTMENT MANAGEMENT FEE - D E SHAW	244,287	45,429	47,062	46,259	48,011	47,906	47,128	526,081
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	178,315	31,080	32,526	25,898	33,071	32,570	32,285	365,744
INVESTMENT MANAGEMENT FEE - BLACKROCK	348,022	64,716	66,636	65,929	67,962	66,586	65,826	745,677
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	328,924	60,782	62,936	63,145	64,416	63,999	63,364	707,566
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	185,690	34,280	36,460	36,244	37,176	36,142	35,625	401,617
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	396,283	73,876	78,093	77,766	80,517	79,627	78,920	865,082
INVESTMENT MANAGEMENT FEE - MONDRIAN	255,414	38,236	42,018	8,327	40,503	30,736	31,359	446,594
INVESTMENT MANAGEMENT FEE - ARTIO	505,344	86,562	88,141	88,239	93,105	80,128	86,004	1,027,524
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	201,962	29,125	25,929	27,530	26,937	27,172	26,988	365,642
INVESTMENT MANAGEMENT FEE - INVESCO CORE	305,143	48,999	48,999	39,079	45,692	45,692	45,692	579,297
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	0	0	0	0	0	0	300,000	300,000
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	0	0	0	0	0	0	178,044	178,044
TOTAL PROFESSIONAL FEE	3,939,509	752,399	709,739	674,393	722,578	793,023	1,223,374	8,815,015
ADMIN EXPENSE - SALARIES & BENEFITS	1,043,860	184,241	182,148	180,989	249,190	169,483	343,272	2,353,184
ADMIN EXPENSE - SERVICES & SUPPLIES	582,393	79,118	98,096	145,419	92,549	72,096	109,932	1,179,603
TOTAL ADMINISTRATIVE EXPENSES	1,626,253	263,359	280,245	326,408	341,739	241,578	453,204	3,532,786
INTEREST FOR PREPAID CONTRIBUTION	1,804,884	0	0	0	0	0	1,059,542	2,864,426
OTHER DEDUCTIONS	40,149	2,780	9,298	2,071	(64,307)	4,977	14,560	9,529
TOTAL DEDUCTIONS	**72,235,638**	**11,941,573**	**12,378,305**	**12,037,857**	**12,334,955**	**12,336,072**	**14,266,341**	**147,530,742**
NET INCREASE	**352,043,061**	**81,510,146**	**47,018,307**	**12,231,979**	**56,839,666**	**(26,362,766)**	**(30,127,140)**	**493,153,253**

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending June 30, 2011

	June 2011	May 2011	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	62,642,549	58,109,162	4,533,388	7.80%
SECURITIES LENDING CASH COLLATERAL	174,674,845	172,187,097	2,487,748	1.44%
TOTAL CASH	237,317,394	230,296,258	7,021,136	0
RECEIVABLES				
Contributions	7,544,867	0	7,544,867	N/A
Due from Broker for Investments Sold	148,074,596	161,740,564	(13,665,968)	-8.45%
Investment Income	5,783,112	6,799,542	(1,016,430)	-14.95%
Securities Lending Income	120,322	149,408	(29,086)	-19.47%
Other Receivable	113,292	112,921	371	0.33%
TOTAL ACCOUNTS RECEIVABLES	161,636,189	168,802,435	(7,166,246)	-4.25%
PREPAID EXPENSE	7,669	7,669	0	0.00%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	586,764,999	591,852,459	(5,087,459)	-0.86%
Domestic Equities	932,227,735	955,599,842	(23,372,107)	-2.45%
International Equities	398,753,172	402,658,448	(3,905,276)	-0.97%
Real Estate	126,673,968	126,673,968	0	0.00%
Private Equity	3,458,419	2,776,631	681,788	24.55%
Risk Parity	147,619,360	147,619,360	0	N/A
Hedge Funds	70,000,000	70,000,000	0	N/A
	2,265,497,653	2,297,180,707	(31,683,054)	-1.38%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	**2,664,458,905**	**2,696,287,069**	**(31,828,164)**	-1.18%
LIABILITIES				
Investment Management Fees	1,869,336	2,230,496	(361,160)	-16.19%
Due to Broker for Investments Purchased	175,192,142	182,117,977	(6,925,834)	-3.80%
Collateral Payable for Securities Lending	174,674,845	172,187,097	2,487,748	1.44%
Other	3,672,874	574,651	3,098,223	539.15%
TOTAL LIABILITIES	**355,409,197**	**357,110,221**	**(1,701,024)**	-0.48%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**2,309,049,708**	**2,339,176,848**	**(30,127,140)**	-1.29%

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending June 2011
Preliminary

	June 2011	May 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	147,568,955	144,188,058	3,380,897
Employee Contribution	48,993,429	42,792,725	6,200,704
TOTAL CONTRIBUTIONS	196,562,384	186,980,784	9,581,601
INVESTMENT INCOME			
Interest and Dividends	41,923,314	38,062,865	3,860,450
Net Appreciation (Depreciation) in fair value of investments	403,019,638	432,185,938	(29,166,300)
Less Investment Expense	(12,408,647)	(10,025,208)	(2,383,439)
Less Asset Management Expense	(695,752)	(582,882)	(112,870)
NET INVESTMENT INCOME	431,838,553	459,640,713	(27,802,160)
SECURITIES LENDING INCOME			
Earnings	558,768	517,715	41,053
Less: Securities Lending Expenses	(28,457)	(62,384)	33,928
NET SECURITIES LENDING INCOME	530,311	455,331	74,980
OTHER ADDITIONS	73,305	71,442	1,863
TOTAL ADDITIONS	**629,004,553**	**647,148,269**	**(18,143,716)**
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	114,422,667	104,494,195	9,928,472
Disability Retirement Allowance	14,552,927	13,326,012	1,226,916
Survivor, Death and Other Benefits	858,946	797,822	61,124
TOTAL ASSOCIATION BENEFITS	129,834,541	118,618,028	11,216,513
REFUND OF MEMBER CONTRIBUTIONS	2,474,445	2,175,297	299,148
ADMINISTRATIVE EXPENSE	3,532,786	3,079,582	453,204
OTHER EXPENSE	9,529	(5,031)	14,560
TOTAL DEDUCTIONS	**135,851,300**	**123,867,876**	**11,983,424**
NET INCREASE	**493,153,253**	**523,280,394**	**(30,127,140)**
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,339,176,848	2,365,539,614	
End of Period	2,309,049,708	2,339,176,848	

San Mateo County Employees' Retirement Association

Board of Retirement

July 26, 2011 Agenda Item 7.2

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Preliminary Fourth Quarter Budget Report

DISCUSSION: *SamCERA*'s fiscal year 2010/2011 budget consists of three components, a professional services budget and an asset management budget authorized by Government Code §31596.1, and an administrative budget authorized by Government Code §31580.2.

Professional Services Budget - **Attachment One** provides an overview of the accrued professional services expenditures. Investment management fees are driven by contractual agreements and based on total assets under management. Fees for the actuarial services, investment consulting services and global custodian services are based per-service and/or retainer based as detailed in the contractual agreements. The preliminary aggregate professional services fee as of June 30 is approximately 37.7 basis points. Contracts are generally negotiated in a manner that reduces management fees as a portfolio's assets grow.

Administrative Budget - The adopted administrative budget by category, versus the preliminary fiscal expenditures, is shown in the table on the following page. When this budget was adopted Government Code Section 31580.3 of the County Employees Retirement Law of 1937 limited *SamCERA's* administrative budget to twenty-three hundredths of 1 percent (0.23%) of the total assets of the retirement system. The legislated calculation for the administrative budget has been changed under AB609 County Employees Retirement: Administrative Costs. The new calculation methodology is based upon actuarial liabilities versus the market value of assets. The calculation shown is based on the old methodology, which was in place when the budget was adopted. The basis points for the 2011-2012 fiscal year will be expressed according to AB609.

Attachment Two provides a review of the line item administrative appropriations versus the preliminary expenditures. The preliminary fiscal year budget shows that *SamCERA* has expended only 70.9% of the appropriations.

San Mateo County's budget process requires *SamCERA* to allocate for positions as though they are filled on day one. This fiscal year the board authorized three new positions, two of which were not filled during the fiscal year. The **Salaries & Benefits** allocation is below where one would expect if all positions had been filled on day one. *SamCERA* realized savings of approximately $1.4 million in **Services & Supplies**. Most of those saving resulted from technology projects that were rescheduled.

***SamCERA's* Administrative Budget**

	Adopted Budget	YTD Preliminary
Salaries & Benefits	$2,640,000	$2,353,184
Services & Supplies	$2,343,000	$1,179,602
Capital Assets	$ 000	$ 000
Total	$4,983,000	$3,532,786

Asset Management Budget - The adopted asset management budget by category, versus the preliminary fiscal expenditures, is shown in the table on the following page.

Attachment Three provides a review of the line item asset management appropriations versus the preliminary expenditures. This budget encompasses *SamCERA's* in-house expenditures, which are incurred when managing the association's assets. It currently includes the salaries and benefits of the Chief Investment Officer, Retirement Investment Analyst and a percentage of the salaries and benefits of the Chief Executive Officer, Assistant Executive Officer, and Finance Officer. It also includes overhead related to support of the investment functions.

***SamCERA's* Asset Management Budget**

	Adopted Budget	YTD Preliminary
Salaries & Benefits	$ 550,000	$ 486,626
Services & Supplies	$ 430,700	$ 209,126
Capital Assets	$ 000	$ 000
Total	$ 980,700	$ 695,752

San Mateo County Employees' Retirement Association
Board of Retirement

July 26, 2011 | Fourth Quarter Analysis | Agenda Item 7.2
Attachment One | 06-30-2011

PROFESSIONAL SERVICES BUDGET: Government Code §31596.1 states that, "*The expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:*

(a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.
(b) The compensation of any bank or trust company performing custodial services.
(c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.
(d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.
(e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."

The board has entered into the following contracts pursuant to §31596.1:

CONTRACTOR	SERVICE	FEE (1)	2010-2011 YTD EXPENSE (ACCRUED)	2010-2011 ESTIMATE
Milliman	Actuarial Consulting	0.1 bp	$68,700	$75,000
Strategic Investment Solutions	Investment Consulting	0.4 bp	$366,700	$400,000
State Street Bank & Trust	Global Custody	0.1 bp	$236,800	$130,000
SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES			$672,100	$605,000
Estimated Market Value 06-30-2011			$2.3 Billion	$2.3 Billion
Average Basis Points (2)			2.9 bp	2.6 bp

(1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.
(2) The calculation utilizes a market value of $2,400.0 million

The contractual fee schedule for investment managers appears on the following page.

CONTRACTOR	SERVICE	FEE	2010-2011 YTD EXPENSE (ACCRUED)	2010-2011 ESTIMATE
BlackRock – Russell 1000 Index Fund	**Enhanced Index Fund** Domestic Large Cap Equity	4.8 bp	$89,100	$93,000
D.E. Shaw Investment Management,	**Active Management** Domestic Large Cap Enhanced	50.4 bp	$526,000	$480,000
T. Rowe Price Associates	**Active Management** Domestic Large Cap Enhanced	35.0 bp	$365,800	$350,000
Barrow, Hanley, Mewhinney & Strauss	**Active Management** Domestic Large Cap Value	43.9 bp	$707,600	$650,000
BlackRock Capital Management	**Active Management** Domestic Large Cap Growth	45.7 bp	$745,700	$660,000
The Boston Company	**Active Management** Domestic Small Cap Equity	84.9 bp	$292,600	$375,000
Chartwell Investment Partners	**Active Management** Domestic Small Cap Equity	75.0 bp	$401,700	$335,000
Jennison Associates	**Active Management** Domestic Small Cap Equity	75.9 bp	$865,100	$770,000
Artio Global Investors	**Active Management** International Equity	48.4 bp	$1,027,500	$965,000
Mondrian Investment Partners	**Active Management** International Equity	24.0 bp	$446,600	$500,000
Aberdeen Asset Management	**Active Management** Domestic Fixed Income	26.7 bp	$343,900	$375,000
Angelo Gordon (PPIP)	**Active Management** Domestic Fixed Income	100.0 bp	$155,467	$350,000
Brigade Capital Management	**Active Management** Domestic Credit Opportunity Fixed Income	80.0 bp	$292,400	$220,000
Brown Brothers Harriman	**Active Management** Treasury Inflation Protection Securities	15.0 bp	$65,200	$75,000
Franklin Templeton	**Active Management** Domestic Fixed Income	39.4 bp	$210,800	$450,000
Pyramis Global Advisors	**Enhanced Index Fund** Domestic Fixed Income	17.8 bp	$230,100	$260,000
Western Asset Management	**Active Management** Domestic Fixed Income	27.9 bp	$365,600	$420,000
Sheridan & ABRY II	**Active Management** Private Equity	N/A	$478,000	N/A
INVESCO Realty Advisors	Real Estate Management	5.6 bp	$579,300	$700,000
SUB-TOTAL INVESTMENT MANAGERS			$8,376,200	$7,898,000
Average Basis Points (1)			34.9 bp	32.9 bp
SUB-TOTAL NON- INVESTMENT MANAGERS (FROM PREVIOUS PAGE)			$672,100	$605,000
Average Basis Points (2)			2.9 bp	2.6 bp
TOTAL ESTIMATED CONTRACT FEES			$9,048,300	$8,503,000
Estimated Market Value 06-30-2011			$2.3 billion	$2.3 billion
Average Basis Points (2)			37.7 bp	35.4 bp

(1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.
(2) The calculation utilizes a market value of $2,300.0 million

San Mateo County Employees' Retirement Association
Preliminary Report
Fiscal Year 2010-2011
Fourth Quarter Analysis
Line Item Administrative Budget

	Budget Allotment	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Salaries	$1,782,008	$1,541,235	86.5%	$240,773	13.5%
Benefits	$857,992	$811,949	94.6%	$46,043	5.4%
Salaries & Benefits	**$2,640,000**	**$2,353,184**	**89.1%**	**$286,816**	**10.9%**
Board Expenses	$10,800	$6,100	56.5%	$4,700	43.5%
Insurance	$85,000	$44,374	52.2%	$40,626	47.8%
Medical Record Service	$45,000	$88,651	197.0%	-$43,651	-97.0%
Member Education	$45,000	$48,077	106.8%	-$3,077	-6.8%
Education & Conference	$38,700	$41,681	107.7%	-$2,981	-7.7%
Transportation & Lodging	$85,000	$45,145	53.1%	$39,855	46.9%
Technology Infrastructure	$1,048,000	$124,470	11.9%	$923,530	88.1%
Property & Equipment	$102,000	$45,175	44.3%	$56,825	55.7%
General Office Supplies	$25,000	$20,811	83.2%	$4,189	16.8%
Postage, Printing & Copying	$125,000	$60,569	48.5%	$64,431	51.5%
Leased Facilities	$235,000	$210,687	89.7%	$24,313	10.3%
County Service	$333,000	$316,309	95.0%	$16,691	5.0%
Audit Services	$45,500	$31,122	68.4%	$14,378	31.6%
Other Administration	$120,000	$96,431	80.4%	$23,569	19.6%
Services & Supplies	**$2,343,000**	**$1,179,602**	**50.3%**	**$1,163,398**	**49.7%**
Capital Assets	**$0**	**$0**	**0.0%**	**$0**	**0.0%**
Depreciation		**$0**			
Grand Total	**$4,983,000**	**$3,532,786**	**70.9%**	**$1,450,214**	**29.1%**

San Mateo County Employees' Retirement Association
Preliminary Report
Fiscal Year 2010-2011
Fourth Quarter Analysis
Line Item Asset Management Budget

	Budget Allotment	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Salaries	$370,000	$332,686	89.9%	$37,314	10.1%
Benefits	$180,000	$153,940	85.5%	$26,060	14.5%
Salaries & Benefits	**$550,000**	**$486,626**	**88.5%**	**$63,374**	**11.5%**
Board Expenses	$0	$2,500	0.0%	-$2,500	0.0%
Insurance	$2,000	$32,324	1616.2%	-$30,324	-1516.2%
Medical Record Service	$0	$0	0.0%	$0	0.0%
Member Education	$0	$0	0.0%	$0	0.0%
Education & Conference	$35,700	$19,782	55.4%	$15,918	44.6%
Transportation & Lodging	$62,000	$37,775	60.9%	$24,225	39.1%
Technology Infrastructure	$195,000	$15,000	7.7%	$180,000	92.3%
Property & Equipment	$5,000	$1,066	21.3%	$3,934	78.7%
General Office Supplies	$0	$0	0.0%	$0	0.0%
Postage, Printing & Copying	$0	$333	0.0%	-$333	0.0%
Leased Facilities	$45,000	$32,139	71.4%	$12,861	28.6%
County Service	$74,000	$41,330	55.9%	$32,670	44.1%
Audit Services	$0	$10,374	0.0%	-$10,374	0.0%
Other Administration	$12,000	$16,504	137.5%	-$4,504	-37.5%
Services & Supplies	**$430,700**	**$209,126**	**48.6%**	**$221,574**	**51.4%**
Capital Assets	**$0**	**$0**	**0.0%**	**$0**	**0.0%**
Depreciation		**$0**			**0.0%**
Grand Total	**$980,700**	**$695,752**	**70.9%**	**$284,948**	**29.1%**

San Mateo County Employees' Retirement Association
The Board of Retirement

July 26, 2011 Agenda Item 7.3

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Mabel Wong

Mabel Wong, Retirement Finance Officer

Subject: Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter

STAFF COMMENTS: Below is a list of suggested questions that will be submitted to *SamCERA's* auditor, Brown Armstrong, prior to the annual review, which will be October 25, 2011. Please review the list and offer amendments or additional questions as appropriate.

Following the list of questions is an actuarial evaluation form. Staff recommends that trustees, staff and auditor complete the evaluation form. Staff will compile the trustee and staff responses and compare them to the auditor's responses. Points of discussion will arise where the staff and trustee responses differ from those of the auditor.

Organizational Update

1) What is the ownership structure of your firm? Identify all owners with 5% ownership or more.
2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) public clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.
3) Provide a list of services available through your firm, including the number of staff supporting those services.
4) What are your firm's philosophy and current policy regarding new business?
5) Specify separately the individuals (up to five) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).
6) Update all significant personnel changes to the "*SamCERA* Team."
7) Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months?
8) Has a peer review been performed on any of your firm's audit products? If yes, discuss the review and the findings. Any material findings or recommendations must be accompanied by an explanation.

9) Describe the levels of insurance coverage maintained by your firm. E-mail a current certification of insurance to gclifton@samcera.org.

10) Do you have a written policy on ethics? If so, please e-mail the policy to gclifton@samera.org.

11) Describe the relative strength and longevity of your staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.

12) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?

13) Provide an overview of your firm's business continuity plan.

Audit Process

14) Provide a description, in detail, of your audit process.

15) What changes to the process resulted from going paperless?

16) Describe your internal peer review procedures in detail.

17) Does your firm engage in peer review with other audit firm? Please provide details.

Outlook

18) What issues are other clients concerned with in regards to products, education and governance?

19) What is your firm's outlook and position regarding the current enacted or proposed changes in accounting standards relative to the pension industry? Please list and discuss each proposal separately.

20) Describe your assessment of the relationship between your firm and *SamCERA*. How can *SamCERA* better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?

Conclusion

21) Is there any information that would be timely pursuant to *SamCERA's* contract and this annual review?

22) Are your clients making significant changes in their asset mixes or economic and non-economic assumptions? Describe these changes.

23) What audit related changes should *SamCERA* consider?

24) Relative to your expertise, what trends are occurring in the retirement industry that *SamCERA* should be tracking?

ANNUAL AUDITOR PERFORMANCE EVALUATION

For Fiscal Year 2010-2011

Audit Firm: Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter

The following criteria are the categories of evaluation for the system's auditor. The ranking is on a scale of 1 to 5, with 1 being "low" and 5 being "high". The numerical scoring shows the average staff score followed by the average auditor score. The comment section is a consolidation of comments made by staff.

I. UNDERSTANDING OF SYSTEM GOALS AND OBJECTIVES

Low		Average		High
1	2	3	4	5

Comments:

II. ABILITY TO CUSTOM-TAILOR SERVICES

Low		Average		High
1	2	3	4	5

Comments:

III. ABILITY TO RESPOND TO PLAN SPONSOR NEEDS

Low		Average		High
1	2	3	4	5

Comments:

IV. ABILITY TO COMMUNICATE EFFECTIVELY

Low		Average		High
1	2	3	4	5

Comments:

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____

V. RESPONSIVENESS TO QUESTIONS AND REQUESTS

Low		Average		High
1	2	3	4	5

Comments:

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____

VI. ADEQUACY OF INFORMATION PROVIDED

Low		Average		High
1	2	3	4	5

Comments:

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VII. KNOWLEDGEABLE IN THEIR SUBSTANTIVE LEGAL EXPERTISE AREAS

Low		Average		High
1	2	3	4	5

Comments:

____

____

VIII. PROVIDES PRACTICAL AND EFFECTIVE ADVICE

Low		Average		High
1	2	3	4	5

Comments:

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____

IX. PROVIDES CREATIVE SOLUTIONS TO DIFFICULT PROBLEMS

Low		Average		High
1	2	3	4	5

Comments:

____

____

X. ACHIEVES RESULTS THAT MEET YOUR EXPECTATIONS

Low		Average		High
1	2	3	4	5

Comments:

____

____

XI. KEEPS YOU INFORMED ABOUT THE PROGESS OF YOUR MATTERS

Low		Average		High
1	2	3	4	5

Comments:

____

____

XII. KEEPS YOU INFORMED ABOUT CHANGES IN THE LAW THAT COULD AFFECT THE PLAN

Low		Average		High
1	2	3	4	5

Comments:

____

____

XIII. DEMONSTRATATES A HIGH STANDARD OF ETHICS AND INTEGRITY

Low		Average		High
1	2	3	4	5

Comments:

____

____

XIV. OTHER COMMENTS, QUESTIONS, OR CONCERNS

Comments:

____

____

XV. EFFECTIVENESS OF EDUCATIONAL PRESENTATIONS

Low		Average		High
1	2	3	4	5

Comments:

____

____

XVI. OVERALL EVALUATION

Low		Average		High
1	2	3	4	5

Comments:

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

July 26, 2011 Agenda Item 7.4

To: Board of Retirement

Mabel Wong

From: Mabel Wong, Finance Officer

Subject: Amendment of board resolution authorizing *SamCERA's* corporate credit cards through American Express Corporate Services to add the Benefits Manager.

STAFF RECOMMENDATION: Staff recommends that the board approve the attached amendment to Resolution 08-09-03,"American Express Corporate Services Resolution" which authorizes the Chief Executive Officer, Assistant Executive Officer, and the Investment & Finance Manager (Chief Investment Officer) to be issued and use an American Express corporate credit card. The amendment would add the *SamCERA* Benefits Manager to the list of employees authorized to be issued credit cards.

BACKGROUND: Since 2003, the Board of Retirement has authorized the Chief Executive Officer, Assistant Executive Officer and Chief Investment Officer to hold public sector corporate credit cards in *SamCERA*'s name. The existing resolution limits their use of said credit card agreement to the following board business expenditures: education, conference, travel and disaster recovery. The Chief Executive Officer is authorized to take all actions necessary to initiate, implement, approve payments and monitor the agreement with American Express Corporate Services.

DISCUSSION: Due to the routine purchases made by the Benefits Manager in relation to Board meeting expenses and certain office supplies, it has been determined that the Benefits Manager should have a credit card as well. The existing combined credit limit of $50,000 does not need to be increased.

Additionally, the proposed amended resolution reflects the title change of the Chief Investment Officer from Investment & Finance Manager. It further reflects that the use of the card can be for: "business expenditures: <u>meetings</u>, education, conference, travel, <u>miscellaneous office supplies</u>, and disaster recovery."

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

American Express Corporate Services Resolution
RESOLUTION 08-09-03

THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA) authorizes a credit card agreement with American Express Corporate Services

WHEREAS, Article XVI 1 § 7(a) of the Constitution of the State of California states in part that *the retirement board...shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system...*; &

WHEREAS, Government Code §31580.2 vests authority in the Board of Retirement to …*annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund; &*

WHEREAS, the Board, by motion unanimously adopted March 25, 2003, authorized the Chief Executive Officer, Assistant Executive Officer and Chief Investment Officer to hold public sector corporate credit cards; &

Now, therefore, be it

RESOLVED, that the Chief Executive Officer is hereby authorized to enter into and maintain a credit card agreement with American Express Corporate Services or its issuance agent for a credit line not to exceed $50,000 and to provide said entity with specimen signatures for those who will receive credit cards. Be it further

RESOLVED, that the Chief Executive Officer, the Assistant Executive Officer, Chief Investment Officer and the Benefits Manager are hereby authorized to borrow on behalf of *SamCERA* such sums for such times and upon such terms as each deems advisable and to execute in the name of *SamCERA* notes, drafts or agreements for repayment of any sums so borrowed pursuant to the terms of said credit card agreement. Be it further

RESOLVED, that the Chief Executive Officer, the Assistant Executive Officer, Chief Investment Officer, and the Benefits Manager are hereby ordered to limit their use of said credit card agreement to the following business expenditures: meetings, education, conference, travel, miscellaneous office supplies, and disaster recovery. Be it further

RESOLVED, that *SamCERA* will be and shall remain liable for all amounts owing to the card issuer pursuant to the terms of said credit card agreement. Be it further

RESOLVED, that the terms of this resolution shall continue in force until express written notice of its rescission or modification has been received by said entity. Be it further

RESOLVED, that the Board hereby names the Chief Executive Officer as its designee to perform those functions so identified in the credit card agreement with said entity and hereby authorizes the Chief Executive Officer to take all actions necessary to initiate, implement, approve payments and monitor the agreement with said entity.