Notice of Special Meeting

SamCERA

The Board of Retirement

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

Tuesday, September 27, 2011, at 8:00 a.m.

Please take notice that the Chair of the Board of Retirement, acting pursuant to the authority of Government Code §54956, hereby calls a special meeting to take place on September 27, 2011, at 8:00 a.m. in *SamCERA's* Board Room. The special meeting is for the purpose of discussing and transacting the following business:

1. Call to order

2. Roll Call

3. Public Comment

4. Interview Investment Managers – International Developed Market Large Cap Growth Mandate (Regular Agenda Item 6.2)
   6.2 a Baille Gifford & Company – EAFE Plus Focus
   6.2 b Franklin Templeton Investments – Franklin Non-US Equity
   6.2 c Gryphon International Investment Corporation – EAFE Equities

5. Discussion and selection of International Developed Market Large Cap Growth Manager (Regular Agenda Item 6.3)

6. Adjournment

Pursuant to Government Code §54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning the above-mentioned business.

This notice is to be delivered to each member of the Board of Retirement and to each local newspaper of general circulation and radio or television station requesting notice in writing. The notice shall be delivered personally or by other means, and shall be received at least 24 hours before the time of the meeting as specified in this notice.

Dated: September 21, 2011 Al David DB
Chair, Board of Retirement

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 <u>100 MARINE PARKWAY, SUITE 160</u>,

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.

A copy of the Board of Retirements' agenda packet is available for review in the office reception area, and on our website. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

Notice of Public Meeting

SamCERA

The Board of Retirement

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

Tuesday, September 27, 2011, at 1:00 p.m.

PUBLIC SESSION – The Board will meet in Public Session at 1:00 p.m.

1. Call to Order, Roll Call and Miscellaneous Business
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
     - Linda Fitzgibbon
     - Gunvanti Khalasi
   - Service Retirements
   - Continuances
   - Deferred Retirements
   - Member Account Refunds
   - Member Account Rollovers
   - Pending Litigation- One Matter: EADS N.V
   - Trustee Request for Conference Approval
5. Benefit & Actuarial Services
   - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
   - 5.2 Presentation of the June 30, 2011, Actuarial Valuation Report by Milliman, Inc.
   - 5.3 Presentation of June 30, 2011, Actuarial Valuation Audit by Segal Company
   - 5.4 Approval of 2012-2013 Fiscal Year and New Hire Employer & Employee Contribution Rates recommended by Milliman, Inc.
   - 5.5 Annual Review of *SamCERA's* Actuary – Milliman Inc.
6. Investment Services (The Investment Committee will not meet in September)
   - 6.1 Presentation of the Monthly Portfolio Performance Report
   - 6.2 Interviews of International Developed Market Large Cap Growth Managers. (Special Meeting Item 4)
   - 6.3 Discussion and selection of International Developed Market Large Cap Growth Manager (Special Meeting Item 5)
   - 6.4 Selection of Finalists to Interview for *SamCERA's* Emerging Market Manager Search
   - 6.5 Reports on Annual Reviews of *SamCERA's* Core Bond Portfolio Managers
     - 6.5 a Aberdeen Asset Management –U.S. Core Fixed Income
     - 6.5 b Pyramis Global Advisors – Broad Market Duration
     - 6.5 c Western Asset Management - U.S. Core Full
   - 6.6 Approval of ABRY VII Consent to Amend the Agreement
   - 6.7 Approval of AQR Requested Completion of FINRA Rule 5131 New Issues Questionnaire
7. Board & Management Support Services
   - 7.1 Presentation of the Monthly Financial Report
   - 7.2 Approval of Amendments to *SamCERA's* Conflict of Interest Code
   - 7.3 Approval of *SamCERA's* Investment Costs Budgeting Approach
   - 7.4 Approval of SACRS Voting Delegate and Alternates
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

[Continued on page 2 – Printed 09/21/11]

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

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

C2 Conference with legal counsel--existing litigation (Government Code Section 54956.9(a))
One Matter: EADS N.V—if removed from the Consent Agenda

C3 Conference with legal counsel—anticipated litigation (Government Code Section 54956.9(b))
One matter

9. Report on Actions Taken in Closed Session

10. Adjournment in memory of the following deceased members:

Frazier, Delphine	August 5, 2011	Ben of Frazier, Thomas
Liukkonen, Mary	August 13, 2011	Ben of Liukkonen, Reino
Truesdale, Margaret	August 22, 2011	Library
Rosenthal, Mary	August 23, 2011	Ben of Rosenthal, Irving
Jackson, Barbara	August 28, 2011	Vocational Services
Fitzgerald, Mary	August 30, 2011	Library
Mambrin, Mafalda	August 30, 2011	Ben of Mambrin, Joseph
Machhi, Hemlataben	August 31, 2011	San Mateo Medical Center

David Bailey, Chief Executive Officer

Printed: 9/21/11

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.

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September 27, 2011 Agenda Item 3.0

August 23, 2011 – Investment Committee Agenda

PUBLIC SESSION

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 Quarterly Investment Performance Analysis for period ended June 30, 2011
  6.3 Presentation on Trade Cost Analysis, Commission Recapture, and Directed Brokerage (Board Presentation)
  6.4 Report on *SamCERA's* Security Lending Program for the Period Ended June 30, 2011
  6.5 Annual Review, Revision & Reaffirmation of the Investment Committee Charter
  6.6 Select Finalists for International Developed Markets Growth Manager
  6.7 Initial Review of *SamCERA's* Redrafted Investment Policy
  6.8 Report on the Annual Review of *SamCERA's* Domestic and International Equity Growth Portfolios
    6.8 a Artio Global Investors
    6.8 b BlackRock Capital Management
    6.8 c Chartwell Investment Partners
7.0 Other Business
8.0 Chief Investment Officer's Report
9.0 Adjournment

MINUTES OF *SAMCERA*'S Investment Committee

1.0 **Call to Order:** Mr. Bowler called the Public Session of the Investment Committee of the Board of Retirement to order at 9 a.m., August 23, 2011, in *SamCERA's* Board Room, Suite 160, 100 Marine Parkway, Redwood Shores, California.

2.0 **Roll Call:** Ms. Agnew, Mr. Bowler, Mr. David, and Mr. Hackleman. *Other Board Members In Attendance:* Mr. Murphy, Ms. Kwan Lloyd and Mr. Spinello. *Staff:* Mr. Bailey, Ms. Carlson, Mr. Clifton, Ms. Dames, Mr. Hood and Ms. Meitz. *Consultants:* Mr. Thomas and Mr. Brody, Strategic Investment Solutions. *Public:* One. *Retirees:* None.

3.0 **Oral Communications From the Committee:** Mr. David said that the recent market events have reminded him to focus on a long-term view.

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

5.0 **Approval of the Minutes: Motion** by Hackleman, second by David, carried unanimously to approve the minutes from the July 26, 2011, Investment Committee meeting, as submitted.

6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA*'s -0.40% Total Fund Return for the month outperformed the Total Plan Policy Benchmark return of -0.74%. The fund's return for the trailing twelve months and twenty-four months are 17.83% and 14.64% respectively. The twelve-month period is 1008 basis points (bps) above the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 97 basis points ahead of *SamCERA*'s Total Plan Policy Benchmark of 16.86%. As a reminder, Mr. Clifton said that *SamCERA* should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation. In addition, the above portfolio returns do not reflect the performance of all portfolios. As of the date of the report, monthly performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, various private equity and INVESCO's Core Real Estate portfolios had not been reported.

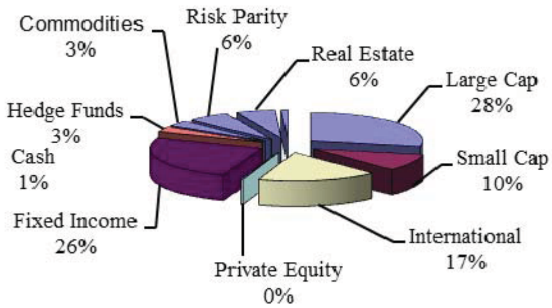
The table below shows the composite returns:

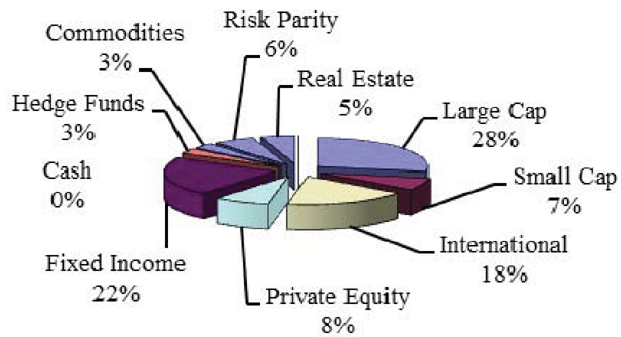
	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
Equity Aggregate	$1,303,754,02	-2.12%	-5.36%	1.96%	20.44%
Equity Composite Benchmark		-2.10%	-5.49%	1.82%	20.21%
Variance		***-0.02%***	***0.13%***	***0.14%***	***0.23%***
Private Equity Aggregate	$6,784,693	-0.02%	-5.15%	-77.15%	N/A
Private Equity Composite		-2.04%	-4.42%	3.21%	N/A
Variance		***2.02%***	***-0.73%***	***-80.36%***	***N/A***
Risk Parity Aggregate	$145,620,720	0.00%	-1.11%	N/A	N/A
Risk Parity Composite		-0.74%	-2.08%	N/A	N/A
Variance		***0.74%***	***0.97%***	***N/A***	***N/A***
Hedge Fund Aggregate	$69,986,280	0.00%	N/A	N/A	N/A
Hedge Fund Composite		0.34%	N/A	N/A	N/A
Variance		***-0.34%***	***N/A***	***N/A***	***N/A***
Commodities	$75,000,000	N/A	N/A	N/A	N/A
DJ - UBS Commodity		N/A	N/A	N/A	N/A
Variance		***N/A***	***N/A***	***N/A***	***N/A***
Fixed Income Aggregate	$603,855,754	3.16%	3.22%	6.94%	10.70%
Fixed Income Composite		2.22%	3.04%	5.83%	6.23%
Variance		***0.94%***	***0.18%***	***1.11%***	***4.47%***
Real Estate Aggregate	$135,475,106	0.00%	6.93%	11.03%	24.80%
NCREIF (one quarter lag)		0.00%	4.58%	8.78%	20.37%
Variance		***0.00%***	***0.00%***	***2.25%***	***4.43%***
Cash Aggregate	$20,901,068	0.07%	0.25%	0.43%	1.02%
91 Day Treasury Bill		-0.01%	0.01%	0.07%	0.14%
Variance		***0.08%***	***0.24%***	***0.36%***	***0.88%***
Total Fund Returns	$2,361,377,65	-0.40%	-2.16%	4.07%	17.83%
Total Plan Policy Benchmark		-0.74%	-2.71%	3.19%	16.86%
Variance		***0.34%***	***0.55%***	***0.88%***	***0.97%***

Performance versus Actuarial Discount Rate

Total Fund Returns	$2,361,377,65	-0.40%	-2.16%	4.07%	17.83%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%
Variance		***-1.02%***	***-4.04%***	***0.27%***	***10.08%***

SamCERA's current asset allocation is summarized as follows:





Action: No action was required. The Monthly Portfolio Performance Report is an informational report.

6.2 **Quarterly Investment Performance Analysis for period ended June 30, 2011:** Mr. Thomas and Mr. Brody of Strategic Investment Solutions performed a thorough presentation of the quarterly investment performance for the period ended June 30, 2011. The composite fund returned 1.2% in the second quarter of 2011 and ranked 47th among other public funds greater than $100 million (median of 1.2%). It beat the policy index return of 0.8%. The one year return of 23.9% was behind the policy index return of 24.1% and ranked in the 15th percentile of the universe. Longer term, the three- and five-year returns of 3.3% (75th percentile) and 3.5% (95th percentile), respectively, were below median among large public plans (4.4% and 4.8%).

DE Shaw's return of 1.0% ranked in the top quartile among large cap core managers (median 0.1%), and was ahead of its benchmark, the Russell 1000 Index (0.1%). Barrow Hanley's return of 1.0% was in front of the Russell 1000 Value Index (-0.5%) and ranked in the top quartile among large cap value managers (median of -0.3%). Mondrian retuned 2.9% and beat the MSCI AC World –ex US Value Index (0.1%) and ranked in the 20th percentile among its peers. The INVESCO Core Real Estate-USA Fund returned 6.9% for the quarter, positioned below the NCREIF ODCE (4.6%), and ranked in the top quartile among real estate investments.

In its first full quarter performance, risk parity manager AQR was up 3.4% while its custom benchmark was up 0.9%. Hedge fund strategy AQR Delta Fund II was funded May-end.

Second quarter results were hindered by several factors. The Boston Company returned -4.1%, versus -2.6% for the Russell 2000 Value Index, and ranked in the 78th percentile among its peers (median -2.6%). Negative attribution was derived from stock selection in the Financials and Consumer Discretionary sectors. Artio Global's quarterly result of -0.4% was below the MSCI ACWI –ex US Growth Index (1.1%) and ranked in the 89th percentile among international equity managers. Artio's stock selection in the developed market materials and healthcare sectors and in Taiwan, plus its overweight to Russia, detracted from performance. The intermediate high yield manager, Brigade Capital, also trailed its benchmark, the Barclays BBB Credit Index (1.5% vs. 2.7%).

6.3 **Presentation on Trade Cost Analysis, Commission Recapture, and Directed Brokerage**: This presentation was conducted at the full board meeting.

6.4 **Report on *SamCERA's* Security Lending Program for the Period Ended June 30, 2011:** Ms. Dames provided a report on *SamCERA*'s security lending program, including details on the program's impetus, fee split, collateral pool guidelines and earnings income. For the fiscal year ended June 30, 2011, *SamCERA*'s security lending program earned $530,310 for the association. In the four years since the program's inception, the program has earned $4,523,376 for *SamCERA*.

6.5 **Annual Review, Revision & Reaffirmation of the Investment Committee Charter:** Mr. Clifton presented the Investment Committee Charter to trustees. He thoroughly reviewed the charter and committee's responsibilities. **Motion** by David, second by Agnew, carried unanimously to reaffirm the Investment Committee Charter.

6.6 **Select Finalists for International Developed Markets Growth Manager:** Mr. Brody of SIS performed an overview of the RFI process for the international developed markets growth manager search. He said that *SamCERA* received responses from ten of the eleven firms that received the RFI. SIS then reviewed and ranked the responses based on the main search criteria. Mr. Brody then reviewed each firm's pros and cons with the committee.

Mr. Brody said that there were several strong candidates but based on the information gathered from the responses to the RFI, SIS in conjunction with staff recommend the following three candidates be invited to finalist interviews with the board at the September 2011 meeting of the Board of Retirement: (1) Baillie Gifford & Company, (2) Franklin Templeton, and (3) Gryphon International Investment Corporation.

Motion by David, second by Hackleman, carried unanimously to recommend that the board invite the following three candidates to the September 2011, board meeting for interviews: (1) Baillie Gifford & Company's EAFE Plus Focus, (2) Franklin Templeton's Non-US Equity, and (3) Gryphon International Investment Corporation's EAFE Equities.

6.7 **Initial Review of *SamCERA's* Redrafted Investment Policy:** Mr. Clifton said that *SamCERA*'s Investment Policy was last reviewed in July 2008. The annual review of the policy was suspended due to multiple changes to the portfolio structure that the board has undertaken. Mr. Clifton said that it is the intent to now begin the process of developing a new investment policy that incorporates those changes. Mr. Clifton reviewed the first portion of the redrafted policy, which included the following sections: (1) Introduction, Mission and Purpose, (2) Constitutional Requirements, (3) Roles and Principal Duties, (4) Investment Philosophy, (5) Asset Allocation and Rebalancing, and (6) Investment Strategy and Manager Structure.

In response to a question from Mr. Bailey, Mr. Clifton said that the biggest change between the new and old investment policy is that the revised policy will more clearly define asset objectives and include *SamCERA*'s new alternative investments. He requested that the committee provide suggestions to help improve the new policy. Mr. Clifton also said that the policy will later discuss the delegation of responsibilities of investment manager annual reviews and due diligence.

6.8 **Report on the Annual Review of *SamCERA's* Domestic and International Equity Growth Portfolios:** On August 11, 2011, staff conducted annual interviews of *SamCERA*'s value managers in the 100 Marine Parkway conference room. Staff and consultant interviewed the association's equity growth portfolios: (1) Artio Global Investors, (2) BlackRock Capital Management, and (3) Chartwell Investment Partners.

6.8a **Artio Global Investors:** Mr. Brody provided a report on Artio Global Investor's annual review which took place on August 11th with *SamCERA* staff and consultant. Brett Gallagher, Deputy Chief Investment Officer, Senior Portfolio Manager, and Melvin Lindsey, Senior Vice President, Director of Institutional Investments, of Artio Global were present. Mr. Brody said that Mr. Gallagher and Mr. Lindsey discussed the portfolio's underperformance for the past few years. Mr. Gallagher reported that since February 23rd, the portfolio has performed 200 basis points over the benchmark and expects the trend to continue. He indicated that poor stock selection was the biggest negative factor in 2009-2010. Several macro decisions were incorrect, including its underweight to banks and emerging markets, however, their current macro calls have been working thus far. Mr. Gallagher had discussed the major themes in the portfolio, including the increase in consumers in the emerging markets with the rise of the middle class.

6.8b **BlackRock Capital Management:** Mr. Brody provided a report on BlackRock's Capital Management's annual review which took place on August 11th with *SamCERA* staff and consultant. Anthony Freitas, Managing Director, and Christopher Morahan, Director, of BlackRock Capital Management were present at the review. Mr. Brody said that Mr. Freitas discussed the firm's repurchasing of the stake formerly held by Bank of America. He also indicated that the integration of systems between BlackRock and BGI was 90% complete. Mr. Morahan then discussed a change to the team, replacing an analyst in the communications/media sector. For the fiscal year period ended June 30, 2011, the portfolio underperformed the Russell 2000 Growth Index (23.55% vs. 24.75%). Mr. Brody said that the portfolio did not perform well in 2011, however, did have good performance in the previous year. The negative performance could be attributable to poor stock selection in healthcare and industrials.

6.8c **Chartwell Investment Partners:** Mr. Brody provided a report on Chartwell Investment Partner's annual review which took place on August 11th with *SamCERA* staff and consultant. John Heffern, Managing Partner, Senior Portfolio Manager, and Brian Ward, Vice President, Client Services & Marketing, of Chartwell Investment Partners were present at the annual review. Mr. Brody said that Mr. Heffern extensively discussed the firm's organizational and ownership structure, including the purchase of phantom equity by junior members. Mr. Heffern then discussed the portfolio's underperformance in 2008 at some length. He said that since that period, performance has improved. Mr. Heffern indicated that the team did not do anything differently since 2008; however, the strategy was just ineffective during that time frame. For the fiscal year period ended June 30, 2011, the portfolio significantly outperformed the Russell 2000 Growth index (49.87% vs. 43.50%). Mr. Heffern said the strategy does work in the long run.

7.0 **Other Business:** None.

8.0 **Chief Investment Officer's Report:** Mr. Clifton reported on some organizational changes in mid- to senior- management due to the untimely death by an executive at Pyramis Global Advisors. The changes do not have an impact on *SamCERA*'s portfolio. Mr. Clifton also highlighted some articles on Artio's outflows in assets under management. He then reported that one of *SamCERA*'s private equity managers, Sheridan Production Partners, announced the purchase of oil fields as part of its investment strategy. Mr. Clifton also reported that the association's custodian, State Street Bank & Trust, has moved its local Alameda office to Sacramento for cost savings. Lastly, regarding the debt ceiling crisis, Mr. Clifton reported that he instructed *SamCERA*'s fixed income managers to not trade anything immediately.

9.0 **Adjournment:** There being no further business, Mr. Bowler adjourned the committee at 12:24 p.m.

BENEDICT J. BOWLER, INVESTMENT COMMITTEE CHAIR

August 23, 2011 – Board Agenda

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

1. Call to Order and Roll Call
   1.1 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
     - Brian Haslinger
     - Sharon Condon
     - Chas Mercurio
     - Gerardo Garcia
     - Neal Ferguson
   - Service Retirements
   - Continuances
   - Deferred Retirements
   - Member Account Refunds
   - Member Account Rollovers
   - Anticipation of Litigation – One Matter
5. Benefit & Actuarial Services
   5.1 Consideration of agenda items, if any, removed from the Consent Agenda
   5.2 Approval for the Chief Executive Officer to Contract with Medical Consultants
6. Investment Services
   6.1 Monthly Portfolio Performance Report
   6.2 Quarterly Investment Performance Analysis for period ended June 30, 2011
   6.3 Presentation on Trade Cost Analysis, Commission Recapture, and Directed Brokerage (Board Presentation)
   6.4 Report on *SamCERA's* Security Lending Program for the Period Ended June 30, 2011
   6.5 Annual Review, Revision & Reaffirmation of the Investment Committee Charter
   6.6 Select Finalists for International Developed Markets Growth Manager
   6.7 Initial Review of *SamCERA's* Redrafted Investment Policy
   6.8 Report on the Annual Review of *SamCERA's* Domestic and International Equity Growth Portfolios
      6.8 a Artio Global Investors
      6.8 b BlackRock Capital Management
      6.8 c Chartwell Investment Partners
7. Board & Management Support Services
   7.1 Monthly Financial Report
   7.2 Report on Status of the Financial Audit for the Period Ended June 30, 2011
   7.3 Report on Results of the Alameda Retirement Administration Survey
   7.4 Approval of Amendment to Member Education Agreement – Financial Knowledge Network
   7.5 Approval of Amendments to *SamCERA's* Conflict of Interest Code
   7.6 Approval of Agreement for Legal Services - Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP
   7.7 Discussion of Topics and Dates for a 2012 Board/Staff Retreat
   7.8 Amendment to Board of Retirement Regulation 4.1 Relating to "Membership"
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
C2 Further deliberation on service-connected disability application – Neal Ferguson
C3 Anticipated Litigation – One matter, if removed from the consent agenda
9. Report on Actions Taken in Closed Session
10. Adjournment

August 23, 2011 – Board Minutes

0811.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:01 p.m., August 23, 2011, in *SamCERA*'s Board Room, 100 Marine Parkway, Suite 160, Redwood Shores, California.

Roll Call: Ms. Agnew, Mr. Bowler (dep. 4:32 p.m.), Mr. David, Mr. Hackleman, Ms. Salas for Ms. Kwan Lloyd, Ms. Settles, Mr. Spinello and Mr. Tashman. *Excused:* Ms. Arnott. *Other Board Members in Attendance:* Mr. Murphy. *Staff*: Mr. Bailey, Ms. Carlson, Mr. Hood, Ms. Dames, Mr. Clifton, Ms. Meitz and Ms. Smith. *Consultants*: Mr. Brody and Mr. Thomas, Strategic Investment Solutions. *Retirees*: 0, *Public*: 5.

Mr. Bailey introduced Ms. Nilita Meitz, *SamCERA*'s new Executive Secretary, to the board. He then commended Mr. Hood and Ms. Smith for their efforts in coordinating *SamCERA*'s new board room. Mr. Hood provided a brief overview of the features of the new room.

0811.1.1 **Appointment of Committees:** Mr. David thanked trustees for expressing their preferences for committee appointments. Mr. David **re-appointed** Mr. Bowler, Chair; Ms. Agnew, Mr. Hackleman and himself to the Investment Committee per *Regulation 2.51*.

Mr. David **re-appointed** Ms. Kwan Lloyd, Chair; Ms. Arnott, Mr. Tashman and Mr. Spinello to the Audit Committee per *Regulation 2.5.1*.

0811.2.1 **Oral Communications From the Board:** Ms. Agnew reported that she had written a paper regarding impact investing that she has forwarded to staff. Ms. Kwan Lloyd said that she recently attended a Wharton course in San Francisco on international and emerging markets. The class proved timely with *SamCERA*'s current manager searches in the asset class.

0811.2.2 **Oral Communications From the Public:** None.

0811.3 **Approval of the Minutes:** Ms. Agnew submitted the following change to the minutes: "Milliman recommended several changes to the demographic assumptions with the most significant change being ~~the strengthening~~ changing ~~of~~ the mortality assumption to reflect actuarial experience."

Motion by Hackleman, second by Bowler, carried unanimously to approve the board minutes of the July 26, 2011, meeting, as amended.

0811.4 **Approval of the Consent Agenda:** Mr. David said that there was a correction to Mr. Haslinger's job title. Mr. David then removed the disability applications of Gerardo Garcia and Neal Ferguson from the day's consent agenda to be taken under consideration in closed session. Mr. David also removed the one matter regarding the anticipation of litigation from the consent agenda to be taken under consideration in closed session.

Motion by Kwan Lloyd, second by Settles, carried unanimously to approve the day's consent agenda, as amended, as follows:

Disability Retirements:
The board found that **Sharon Condon** is able to perform her duties as a Fiscal Office Services Supervisor and denies her application for a service-connected disability retirement.

The board found that **Brian Haslinger** is permanently unable to perform his duties as a Deputy Sheriff, found the heart presumption contained in Government Code section 31720.5 applies, and further found that there is not sufficient evidence to rebut the presumption and granted his application for a service-connected disability retirement.

The board found that **Chas Mercurio** is unable to perform her duties as a Financial Services Manager II, found that her disability is not service-connected and denied her application for a service-connected disability retirement.

Service Retirements:

Member Name	**Effective Retirement Date**	**Department**
Klemish, Mary	June 2, 2011	San Mateo Medical Center
Shek, William	June 4, 2011	Ag Commission Sealer
Fonseca, Anthony	June 6, 2011	Deferred from Sheriff's Office
Dorn, Martha	June 11, 2011	San Mateo Medical Center
Len Wai, Diana	June 11, 2011	San Mateo Medical Center
Barile, Maureen	June 18, 2011	Library
Hassell, Mark	June 18, 2011	Deferred from Plan 3
Dobson, Clive	June 25, 2011	Human Services Agency
Diadula, Nelson	June 30, 2011	Superior Court
Coddington, Kay	June 30, 2011	Superior Court
Skucas, John	June 30, 2011	Superior Court
Smolen, Steve	June 30, 2011	Superior Court
Congdon, Patrick	July 1, 2011	Deferred from Parks Dept
Fuentes, Louie	July 1, 2011	Sheriff's Office
Longworth, Teresa	July 1, 2011	Deferred from Sheriff's Office
Taumoepeau, Leafa	July 1, 2011	Behavioral Health

Continuance of Benefits:

Member Name	**Beneficiary of:**
Clark, Leslie	Clark, John
Constant, Kaliope	Constant, Constantine
Fletcher, Ellen	Fletcher, Lindsay

Deferred Retirements:

Member Name	**Retirement Plan Type**
Hernandez, Christeta R.	G4 Vested

Lee, Michele P.	G4 Vested
Shukla, Jagruti	G4 Vested
Galassi, Patrick A.	G2/3 Vested
Feasel, Christopher J.	G4 Vested
Bonar, Michael N.	G4 Vested
Thompson, Dayna E.	G2 Vested
Dulal, Abul K.	G4 Non-vested
Bourland, Beau J.	G4 - Reciprocity

Member Account Refunds:

Member Name	**Retirement Plan Type**
Couch, Alan	G4 Non-vested
Debbs, Louis	QDRO of Debbs, Josephine
Duignan, Padriac	G4 Non-vested
Khoshabian, Rensen	G4 Non-vested
Mekathikom,	G4 Non-vested
Orozco, Anel	G4 Vested
Pacheco, Veronica	G4 Vested
Shurtleff, Margaret	G4 Non-vested
Whittinghill, John	G4 Non-vested

Member Account Rollovers:

Member Name	**Retirement Plan Type**
Aarhus, Jennifer	G4 Non-vested
Cocchi, Marie	G4 Non-vested
Dau, Birgitt	G4 Non-vested
Feirman, Lawrence	QDRO of Feirman, Nina
Nakagawa, Karen	G2 Vested
Pedersen, Scott	G4 Non-vested

0811.5 Benefit & Actuarial Services

0811.5.1 **Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda:** Please see agenda item 9.0, Report on Actions Taken in Closed Session.

0811.5.2 **Approval for the Chief Executive Officer to Contract with Medical Consultants:** Mr. Bailey reported that Dr. Fracchia has determined to stop providing medical advisory services for *SamCERA*. Staff has discussed this with Dr. Scott Morrow, the County's Health Officer. Dr. Morrow is attempting to find potential candidates as a successor to Dr. Fracchia. In addition, staff has been in contact with other 1937 Act systems for potential candidates. Staff recommended that the Chief Executive Officer be authorized to enter into an agreement with one or more medical professionals to assist in the processing of the disability applications until a successor advisor (or advisors) is recommended and approved by the board.

Motion by Hackleman, second by Bowler , carried unanimously to adopt **Resolution 11-12-05**, authorizing the Chief Executive Officer to execute agreements for interim medical advisory services for amounts payable up to $50,000, as follows:

"WHEREAS, Government Code § 31732 authorizes the board to secure such medical, investigatory and other services as is necessary; and

"WHEREAS, this board has determined that it is necessary to secure the services of a new medical advisor for the purposes of reviewing disability applications submitted by members; and

"WHEREAS, as this board has further determined that the Chief Executive Officer should secure such medical advisor services as is needed on an interim basis until the new medical advisor or medical advisors are selected by the board; now, therefore, be it

"RESOLVED, that the Chief Executive Officer is hereby authorized to execute agreements as he deems necessary for interim medical advisory services for amounts payable up to $50,000."

0811.6 Investment Services

0811.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA*'s -0.40% Total Fund Return for the month outperformed the Total Plan Policy Benchmark return of -0.74%. The fund's return for the trailing twelve months and twenty-four months are 17.83% and 14.64% respectively. The twelve-month period is 1008 basis points (bps) above the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 97 basis points ahead of *SamCERA*'s Total Plan Policy Benchmark of 16.86%. As a reminder, Mr. Clifton said that *SamCERA* should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation. In addition, the above portfolio returns do not reflect the performance of all portfolios. As of the date of the report, monthly performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, various private equity and INVESCO's Core Real Estate portfolios had not been reported.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	*$893,781,073*	*-2.64%*	*22.30%*	*1.59%*
International Equity	*409,977,733*	*-0.93%*	*16.36%*	*1.74%*
Total Equity	$1,303,758,806	-2.12%	20.44%	1.62%
Private Equity	6,709,693	-0.02%	N/A	N/A
Risk Parity	145,620,720	0.00%	N/A	N/A
Hedge Fund	69,986,280	0.00%	N/A	N/A
Fixed Income	603,838,513	3.16%	10.70%	6.95%
Real Estate Aggregate	135,475,106	0.00%	24.80%	0.18%
Cash Equivalents	20,901,068	0.07%	1.02%	1.45%
TOTAL FUND	**$2,361,290,186**	**-0.40%**	**17.83%**	**3.27%**
Benchmark		*-0.74%*	*16.86%*	*4.57%*

* Total Time-Weighted Rate of Return

0811.6.2 **Quarterly Investment Performance Analysis for period ended June 30, 2011:** Mr. Thomas and Mr. Brody of Strategic Investment Solutions provided a brief overview of the quarterly investment performance for the period ended June 30, 2011. Mr. Thomas and Mr. Brody performed a review of the portfolio's performance with the Investment Committee. The composite fund returned 1.2% in the second quarter of 2011 and ranked 47th among other public funds greater than $100 million (median of 1.2%). It beat the policy index return of 0.8%. The one year return of 23.9% was behind the policy index return of 24.1% and ranked in the 15th percentile of the universe. Longer term, the three and five-year returns of 3.3% (75th percentile) and 3.5% (95th percentile), respectively, were below median among large public plans (4.4% and 4.8%).

0811.6.3 **Presentation on Trade Cost Analysis, Commission Recapture, and Directed Brokerage:** Ms. Dames introduced Vinod Pakianathan, Senior Consultant, and Brian Greene, Senior Vice President, of Zeno Consulting Group. They provided a 45-minute educational presentation on trading cost and trade cost analysis. The firm also answered several questions and concerns from trustees.

At the conclusion of the presentation, Mr. Hackleman said that a one-time trade cost analysis would be beneficial for the association. Mr. David said that a lot of information could be gained from the analysis. **Motion** by Hackleman, second by Kwan Lloyd, carried unanimously to direct staff to research *SamCERA*'s options for trade cost analysis.

0811.6.4 **Report on *SamCERA's* Security Lending Program for the Period Ended June 30, 2011:** Ms. Dames provided a report on *SamCERA*'s security lending program, including details on the program's impetus, fee split, collateral pool guidelines and earnings income. For the fiscal year ended June 30, 2011, the *SamCERA*'s security lending program earned $530,310 for the association. In the four years since the program's inception, the program has earned $4,523,376 for *SamCERA*.

0811.6.5 **Annual Review, Revision & Reaffirmation of the Investment Committee Charter:** Mr. Clifton reported that the Investment Committee thoroughly reviewed the charter at the day's Investment Committee meeting. The board unanimously reaffirmed the charter. **Motion** by Hackleman, second by Bowler, carried unanimously to reaffirm the investment committee charter.

0811.6.6 **Select Finalists for International Developed Markets Growth Manager:** Mr. Brody of SIS performed an overview of the RFI process for the international developed markets growth manager search. He said that *SamCERA* received responses from ten of the eleven firms that received the RFI. SIS then reviewed and ranked the responses based on the main search criteria. Mr. Brody had reviewed each firm's pros and cons with the Investment Committee.

Mr. Brody said that there were several strong candidates but based on the information gathered from the responses to the RFI, SIS in conjunction with staff recommend the following three candidates be invited to finalist interviews with the board at the September 2011 meeting of the Board of Retirement: (1) Baillie Gifford & Company, (2) Franklin Templeton, and (3) Gryphon International Investment Corporation.

Motion by Hackleman, second by Kwan Lloyd, carried unanimously to invite the following three candidates to the September 2011, board meeting for interviews: (1) Baillie Gifford & Company's EAFE Plus Focus, (2) Franklin Templeton's Non-US Equity, and (3) Gryphon International Investment Corporation's EAFE Equities.

0811.6.7 **Initial Review of *SamCERA's* Redrafted Investment Policy:** Mr. Clifton reported that the Investment Committee is now beginning the process of developing a new investment policy that incorporates the multiple changes to the portfolio structure that the board has undertaken.

Mr. Clifton said that he had thoroughly reviewed the first portion of the redrafted policy with the committee and that the committee will continue to review the various section of the redrafted investment policy within the next several months.

0811.6.8 **Report on the Annual Review of *SamCERA's* Domestic and International Equity Growth Portfolios:** On August 11, 2011, staff conducted annual interviews of *SamCERA*'s value managers in the 100 Marine Parkway conference room. Staff and consultant interviewed the association's equity growth portfolios: (1) Artio Global Investors, (2) BlackRock Capital Management, and (3) Chartwell Investment Partners.

0811.6.8a **Artio Global Investors:** Mr. Brody had provided a report on Artio Global Investor's annual review which took place on August 11th with *SamCERA* staff and consultant to the Investment Committee. Brett Gallagher, Deputy Chief Investment Officer, Senior Portfolio Manager, and Melvin Lindsey, Senior Vice President, Director of Institutional Investments, of Artio Global had been present at the review. Mr. Brody said that Mr. Gallagher and Mr. Lindsey discussed the portfolio's underperformance for the past few years. He indicated that poor stock selection was the biggest negative factor in 2009-2010. Mr. Gallagher had discussed the major themes in the portfolio, including the increase in consumers in the emerging markets with the rise of the middle class.

0811.6.8b **BlackRock Capital Management:** Mr. Brody had provided a report on BlackRock's Capital Management's annual review which took place on August 11th with *SamCERA* staff and consultant to the Investment Committee. Anthony Freitas, Managing Director, and Christopher Morahan, Director, of BlackRock Capital Management had been present at the review. Mr. Brody said that Mr. Freitas discussed the firm's repurchasing of the stake formerly held by Bank of America. He also indicated that the integration of systems between BlackRock and BGI was 90% complete. Mr. Morahan then discussed a change to the team, replacing an analyst in the communications/media sector. For the fiscal year period ended June 30, 2011, the portfolio underperformed the Russell 2000 Growth Index (23.55% vs. 24.75%).

0811.6.8c **Chartwell Investment Partners** Mr. Brody had provided a report on Chartwell Investment Partner's annual review which took place on August 11th with *SamCERA* staff and consultant to the Investment Committee. John Heffern, Managing Partner, Senior Portfolio Manager, and Brian Ward, Vice President, Client Services & Marketing, of Chartwell Investment Partners had been present at the annual review. Mr. Brody said that Mr. Heffern extensively discussed the firm's organizational and ownership structure, including the purchase of phantom equity by junior members. Mr. Heffern then discussed performance. For the fiscal year period ended June 30, 2011, the portfolio significantly outperformed the Russell 2000 Growth index (49.87% vs. 43.50%). Mr. Heffern said the strategy does work in the long run.

0811.7 Board & Management Support Services

0811.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA*'s net assets held in trust for pension benefits as of July 31, 2011, totaled $2,358,550,693. Net assets increased by approximately $41.1 million, month over month. The increase is due to the semi-annual pre-payment of contributions, which was approximately $75 million. During the month, the market value of the assets decreased, eroding the increase in contributions.

0811.7.2 **Report on Status of the Financial Audit for the Period Ended June 30, 2011:** Mr. Clifton provided an oral report on the interim field work and current status for the June 30, 2011, Financial Statement Audit conducted by *SamCERA*'s auditor, Brown Armstrong. A Brown Armstrong audit team headed by Ms. Brooke DeCuir-Baird and Ms. Ashley Casey conducted interim audit work in *SamCERA*'s office the weeks of June 27th and August 8th. The audit is ongoing with the audit team completing the review from Brown Armstrong's office in Bakersfield. Mr. Clifton said that the auditors have not reported a finding but there may be a possible finding regarding a deceased member's benefit.

0811.7.3 **Report on Results of the Alameda Retirement Administration Survey:** Mr. Hood reported that *SamCERA* participated in Alameda County Employees' Retirement Association's (ACERA) operations survey for 1937 Act systems. The primary objective of the survey was to provide administrators with budgeting and strategic planning information based on member service levels, system processes, staffing levels and other statistical data. ACERA compiled the results and made a presentation at the Spring SACRS Conference. At that time two additional systems decided to participate in the survey. ACERA then republished the survey to include the additional systems. Mr. Hood briefly discussed the results of the survey with trustees.

0811.7.4 **Approval of Amendment to Member Education Agreement – Financial Knowledge Network:** Mr. Hood said that staff has been pleased with the quality and variety of classes offered by Financial Knowledge Network for *SamCERA*'s members. The current agreement ends on December 30, 2011, and staff recommended that it be extended until June 30, 2015. The current cost of the classes is approximately $45,000 annually. The proposed amendment to the agreement increases the current maximum from $180,000 to $260,000 to cover the extended term of the agreement. The total amount expended under the current contract thus far is $130,000.

Mr. Hood said that the classes, in general, have had room for additional participants. To address this, staff coordinated with the county's Training and Development Division. This division organizes employee classes through the County's Learning Management System, which is also used by the Regional Training & Development Consortium of Public Agencies. The Consortium is a collaboration between cities in San Mateo County and the County. The County suggested opening up participation in the financial education classes to Consortium members. *SamCERA* members would get priority and *SamCERA* would get reimbursed for the cost of attendance by these non-*SamCERA* members. The contract amendment includes language that would allow consortium member attendance.

Mr. David said that members have told him that the financial classes have been very helpful, especially due to the 2008 financial crisis as well as recent layoffs.

Motion by Tashman , second by Settles, carried unanimously to adopt **Resolution 11-12-06**, authorizing the Chief Executive Officer to execute an amendment to the agreement with Financial Knowledge Network for financial education services, as follows:

"**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**, Board of Retirement Resolution 10-11-24 approved the budget for Fiscal Year 11-12, including $45,000 for member education; and

"**WHEREAS**, Financial Knowledge Network LLC has been providing financial educational services to members of *SamCERA* since 2009 and the Board has determined that it is in the best interest of the members to continue the provision of such services with Financial Knowledge Network LLC; and

"**WHEREAS**, the Board has reviewed and approved the amendment to the agreement with Financial Knowledge Network LLC and desires to entered into the amended agreement:

"**RESOLVED**, that the Board hereby authorizes the Chief Executive Officer to execute the attached amendment to the agreement, on behalf of the Board, for financial education services with Financial Knowledge Network for a term ending June 30, 2015, cancelable by either party on thirty days written notice. Be it further

"**RESOLVED**, that the Board directs that the total amount payable under the amended agreement to be increased from $180,000 to not to exceed $260,000. Be it further

"**RESOLVED**, that the Board hereby designates the Chief Executive Office as its designee to perform those functions so identified in the contract and hereby authorizes the Chief Executive 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 amended agreement."

0811.7.5 **Approval of Amendments to *SamCERA's* Conflict of Interest Code:** Mr. Bailey said that *SamCERA*'s movement into alternative investments prompted a discussion earlier this year regarding the board's Conflict of Interest Code, which sets forth the requirements for board members, certain staff members and contractors to file Form 700s. After discussion, staff committed to bring the matter back to a later board meeting for further review.

0811.7.6 **Approval of Agreement for Legal Services - Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP:** Mr. Bailey said that Bob Blum of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, provides legal services for *SamCERA* in relation to IRS tax issues from time to time, including assisting *SamCERA* with its tax determination letter in order to maintain its tax qualified status. In addition, Hanson Bridgett has assisted in the review of certain documents related to the board's private equity investments.

Currently, Hanson Bridgett is providing these legal services through an agreement between the County Counsel's Office and Hanson Bridgett. Due to the creation of the Chief Legal Counsel position, staff recommended that the board directly contract with Hanson Bridgett. Mr. Bailey said that the proposed agreement delegates the general supervision and direction of Hanson Bridgett to the Chief Executive Officer and the Chief Legal Counsel, and expires on June 30, 2014. The total amount payable under the three-year agreement is $100,000. All charges would be service-based with no retainer fee. In response to a question from Mr. Tashman, Ms. Carlson said that the rates were no less favorable than what the County has with the firm.

Mr. Tashman recommended that staff performs its best efforts to negotiate on specific language regarding indemnification in the contract. Ms. Carlson will report back to the board regarding this part of the agreement.

Motion by Tashman, second by Agnew, carried unanimously to adopt **Resolution 11-12-07,**

authorizing the board chair to execute an agreement with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP for legal services, as follows:

"WHEREAS, Government Code §31529.9 provides that this board may contract with attorneys in private practice or employ staff attorneys for legal services; and

"WHEREAS, through an arrangement with County Counsel, this board currently receives legal services in relation to tax, investment and other matters from the Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP law firm; and

"WHEREAS, as this board has created a Chief Legal Counsel position, this board has now determined that it would be preferable to have an agreement directly with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP for these specialized legal services; and

"WHEREAS, this board has read and approved the agreement with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP and desires to enter into the agreement; now, therefore, be it

"RESOLVED, that the Chair is hereby authorized to execute an agreement with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP ("Contractor") for legal services."

0811.7.7 **Discussion of Topics and Dates for a 2012 Board/Staff Retreat:** Mr. Bailey said that the board opined that the April 2011 Board/Staff retreat was beneficial and that they would like to schedule a retreat in 2012. He said that staff recommends that the 2012 Board/Staff Retreat be held on Tuesday, April 26 and Wednesday, April 27, 2012. He presented various topic areas that may be appropriate for the 2012 retreat and noted topics of interest mentioned by trustees at the day's board meeting, including the assumed return rate, infrastructure, securities lending, GASB changes, IRS tax determination letter, IT changes, and trade cost analysis. He requested that trustees submit any additional topics to staff. The topics and agenda for the retreat will be brought forth to the board a few more times as the details evolve toward finalization.

0811.7.8 **Amendment to Board of Retirement Regulation 4.1 Relating to "Membership":** Mr. Bailey said that in the process of preparing *SamCERA*'s request to the IRS for a tax determination letter, staff determined that Regulation 4.1, which defines "membership", should be amended. In addition, a recent amendment to the 1937 Act modified the authority of retirement boards regarding the establishment of reciprocity by giving members more flexibility in the date used for commencing and terminating retirement system membership. Mr. Bailey then highlighted the proposed modifications to Regulation 4.1.

Motion by Agnew, second by Hackleman, carried unanimously to adopt **Resolution 11-12-08**, approving the amendment to Regulation 4.1 of Article IV of the Board of Retirement Regulations regarding Membership, as follows:

"WHEREAS, Government Code §31525 provides that this Board, with the approval of the Board of Supervisors, may establish regulations that govern the operation of *Sam CERA* that are not inconsistent with the California Employees' Retirement Law of 1937; and

"WHEREAS, Board of Retirement regulation 4.1 sets forth certain membership criteria and from time to time it must be updated in order to reflect changes in participating employers and changes in law; and

"WHEREAS by statute, the Superior Court of the County of San Mateo became a separate employer from the County of San Mateo and Court employees continue to be *Sam CERA* members; and

"WHEREAS, in 2010, legislation was passed authorizing the Board to adopt a regulation extending the period that an employee can delay entering membership from 6 to 12 weeks and allowing the termination of membership up to 12 weeks prior to the member's employment termination for purposes of establishing reciprocal membership with another public entity; and

"WHEREAS, this board has reviewed the amendment to regulation 4.1 which incorporates these changes in statute and desires to adopt such amendment: now, there be it RESOLVED that the board hereby amends regulation 4.1 of Article 4 of the Regulations of the Board of Retirement to read as follows:

> **4.1 Membership:** An individual entering full time or permanent part time employment with a SamCERA employer, which shall be either the County of San Mateo, the Superior Court of the County of San Mateo, or the Mosquito and Vector Control District prior to July 1, 1996, shall become a member of SamCERA on the first day of the first pay period commencing after the date of employment. An individual entering such employment on or after July 1, 1996, shall become a member of SamCERA on the first day of employment. Members may delay the effective start date of their membership with SamCERA up to twelve weeks after the date of employment and/or terminate accrual of service credit with SamCERA up to twelve weeks prior to termination of employment with a SamCERA employer, for the purpose of establishing reciprocity with another public retirement system as described in the 1937 Act."

0811.8 Management Reports

0811.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that *SamCERA*'s contract with the association's actuary, Milliman Inc., will expire before the end of the year. Mr. Bailey would like to wait until the finalization of the actuarial valuation and valuation audit report prior to making any recommendations regarding Milliman's contract.

Mr. Bailey also reported that *SamCERA* has implemented new retirement tiers into its PensionGold system. There was an increase from four retirement formulas to seven, with various contribution rate structures. He said that the county has taken substantial actions to renegotiate for lower formulas and higher contribution rates for new hires. Changes have complicated *SamCERA*'s system which will result in higher actuarial, audit and software costs. *SamCERA* will also need to train staff on the complexities of the new retirement tiers.

Mr. Bailey distributed attestation forms at the request of *SamCERA*'s audit firm, Brown Armstrong. Trustees are to complete and sign the form. He also distributed a contact information sheet for trustees. He requested that trustees review their contact information and inform him of any necessary updates.

0811.8.2 **Assistant Executive Officer's Report:** Mr. Hood said that *SamCERA* has hired a new vendor, Office Depot, to print *SamCERA*'s annual member statements. The new vendor will save the association $2,000 to run the statements and will be printing them the following week.

Mr. Hood then provided an update on the integration of the new retirement tiers in *SamCERA*'s PensionGold system. He said the first round of employees in the new tiers will occur this Thursday. The new tiers required additional programming to PensionGold and cost approximately $40,000.

0811.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported on some organizational changes in mid- to senior-management due to the untimely death by an executive at Pyramis Global Advisors. The changes do not have an impact on *SamCERA*'s portfolio. Mr. Clifton also highlighted some articles on Artio's outflows in assets under management. He then reported that one of *SamCERA*'s private equity managers, Sheridan Production Partners, announced the purchase of oil fields as part of its investment strategy. Mr. Clifton also reported that the association's custodian, State Street Bank & Trust, has moved its local Alameda office to Sacramento for cost savings. Lastly, regarding the debt ceiling crisis, Mr. Clifton reported that he instructed *SamCERA*'s fixed income managers to not trade anything immediately.

0811.8.4 **Chief Legal Counsel Report**: Ms. Carlson said that she would provide a legislative update at next month's board meeting, including two particular bills that staff is watching closely. In reference to *SamCERA*'s IRS Tax Determination Letter, Ms. Carlson said that staff had a conference call with tax counsel and provided a brief update. Lastly, Ms. Carlson discussed the issue of *SamCERA*'s asset management budget, in which the salaries and expenses of the association's in-house investment staff are treated as a professional versus administrative expense.

0811.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. David took the board meeting into closed session, with all trustees present for roll call in attendance. The board met in closed session to discuss the disability applications of Neal Ferguson and Gerardo Garcia, and one matter regarding anticipated litigation.

The board found that **Gerardo Garcia** is unable to perform his duties as a Patient Services Assistant II, found that his disability is not service-connected, and denied his application for a service-connected disability retirement.

The board found that **Neal Ferguson** is disabled from performing his usual and customary duties as a Forensic Specialist II, found that his disability is service-connected, and granted his application for a service-connected disability retirement.

Ms. Carlson said that there were no reportable actions taken for the matter regarding anticipated litigation.

Mr. David then adjourned the closed session and took up agenda item 5.2.

0811.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 5:45 p.m., in memory of the following deceased members:

Barrow, Robert	July 28, 2011	Assessor's Office
Clark, John	July 22, 2011	Building & Grounds

Constant, Constantine	July 18, 2011	Superior Court
Dunsmore, Margene	July 2, 2011	District Attorney's Office
Fletcher, Lindsay	July 11, 2011	Controllers
Fronberg, Raymond	July 30, 2011	Environmental Services
Ham, James	July 1, 2011	Probation
Hartnett, Lois	July 18, 2011	Beneficiary of Hartnett, Robert
Howell, James	July 14, 2011	Ben of Neta, Lora
McQueen, William	July 4, 2011	Def'd from Housekeeping
Owens, Evelyn	July 16, 2011	Superior Court
Rice, Edna	July 5, 2011	Superior Court
Washington , Nell	July 13, 2011	San Mateo Medical Center
Wider, Frederick	July 21, 2011	Sheriff's Office

AL DAVID, CHAIR

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 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. The Board finds that **Gunvanti Khalasi** is (1) disabled from performing her usual and customary duties as a Custodian, (2) finds that her disability is service-connected and (3) grants her application for a service-connected disability retirement.
2. The Board (1) approves and adopts the proposed findings and the recommendation of the Hearing Officer, Roy Abrams, (2) finds that **Linda Fitzgibbon** is disabled from performing her usual and customary duties as a Courtroom Clerk II, (3) finds that her disability is service-connected and (4) grants her application for a 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
Covall-Alves, Sandra	June 28, 2011	Def'd from Business Adminstration
Montoya, Mary	July 1, 2011	Public Health
Zarganis, Nadine	July 1, 2011	Probation
Aguilera, Jose	July 3, 2011	Plan 3 Only
Ho, Gary	July 9, 2011	San Mateo Medical Center
Peterson, Marie	July 9, 2011	County Manager's Office
Arvold, Nancy	July 13, 2011	Def'd from Mental Health
Ancheta, Princesita	July 14, 2011	Probation
Arndt, Justin	July 14, 2011	Human Services Agency
Dekovic, Cecilia	July 14, 2011	Human Services Agency

Hoodye, Belinda	July 14, 2011	Public Safety Commission
McCabe-Wackwitz, Ellen	July 14, 2011	Human Services Agency
Munson, Darla	July 14, 2011	Human Services Agency
Folau, Teresa	July 16, 2011	Public Health
Uribe, Thelma	July 18, 2011	Def'd from Child Support Svcs
Williams, Leroy	July 21, 2011	Human Services Agency
Mayer, Dennis	July 24, 2011	Sheriff's Office
Jenkins, Jackie	July 30, 2011	San Mateo Medical Center
Sifuentes, Teresa	July 30, 2011	Human Services Agency

Continuances

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

Survivor's Name	Beneficiary of:
Ham, Shirley	Ham, James

Deferred Retirements

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

Member Name	Retirement Plan Type
Tyler, Eldoretha	G4 Vested
Grandados, Michelle	G4 Vested
Silvestri, Gloria	G4 Vested
Chan, Curtis	G4 - Reciprocity
Diaz, Claudia	G4 Vested - Reciprocity

Member Account Refunds

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

Member Name	Retirement Plan Type
Arramdani, Rosa	G2 Vested
Chrisman, Vanessa	G4 Vested
Debbs, Louis	QDRO of Debbs, Josephine
Gonzalez, Justine	G4 Vested
Guerrero De Alfaro, Luisa	G4 Non-vested

Guevara, Maria	G4 Non-vested
Jimenez, Bernadette	G4 Non-vested
Johnsen, Christina	G4 Vested
Mendoza, Martin	G4 Vested
Randall, Lisa	G4 Non-vested
Sinipata, Vika	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
Hilario, Melinda	G4 Vested
Labatch, Justine	G4 Non-vested
Linhares, Lisa	G4 Non-vested
Nguyen, Brian	G4 Non-vested
Onwuka, Mabel	G4 Non-vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 4.0

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Trustee Request for Conference Approval

Staff Recommendation

Staff recommends the board approve the attendance of Ben Bowler, *SamCERA* Trustee, at the Wharton course: "Investment Strategies and Portfolio Management."

Summary

Approval of this recommendation will allow Mr. Bowler to attend the Wharton course that a number of trustees and staff members have attended. Mr. Bowler was unable to attend the course during his first two years as a trustee. An increase in his educational allocation now needs board approval to allow his attendance.

Background

"The Wharton Course" is internationally renowned among pension trustees and staff members as a valuable component of investment management education. Partly due to the relatively high cost of this week-long course, *SamCERA's* Education Policy allocates a higher amount for trustee education during each trustee's first two years on the board as compared to the following years. Mr. Bowler is now beyond the first two-year period and his current educational allocation is not sufficient to cover the cost of the Wharton course.

Regarding the annual allocation for trustee education, the *SamCERA* Education Policy states that, "Trustees who wish to exceed these allocations may request board approval for their participation in additional educational activities when placed on the agenda of a public meeting of the board."

Staff believes the course is valuable for trustees to attend at any time during their tenure on the board.

September 27, 2011

Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Presentation of the June 30, 2011, Actuarial Valuation Report by Milliman, Inc.

Staff Recommendation

This is an information-only item. Nick Collier and Jennifer Sorenson of Milliman, Inc. will present the results of the June 30, 2011, Actuarial Valuation. This item will be followed by a report from the Segal Company regarding their actuarial valuation audit. Then under item 5.4 the board will be asked to approve the recommended contribution rates developed by Milliman, Inc. as part of the actuarial valuation process.

Summary

Last year's actuarial valuation process resulted in a decrease in the recommended average employer contribution rate from 34.0% to approximately 31.4% of pay. However, with the knowledge that the employer contribution rate would likely increase in future years, the Board of Retirement kept the rate at 34%. This action was supported by the County Manager and approved by the Board of Supervisors.

This year's valuation calculated the employer rate at 31.0%. Although the financial situation has improved, staff is again recommending that the average employer rate be held steady at 34%. The County Manager supports this proposal as does Milliman, Inc.

This year's valuation also resulted in an improvement in the funded ratio of the system from 70.3% to 74.1%.

Further discussion will be provided in the cover memo for item 5.2.

San Mateo County Employees' Retirement Association

ACTUARIAL VALUATION
June 30, 2011

By

Nick J. Collier

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

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milliman.com

September 16, 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:

As requested, we have completed an actuarial valuation for the San Mateo County Employees' Retirement Association (*SamCERA*). The purpose of the valuation is to recommend the employer and member contribution rates for the fiscal year beginning July 1, 2012.

Actuarial Certification – Per SamCERA Consulting Contract

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27 and 35. In particular, it reflects the actuary's responsibility under Section 5.8 of ASOP No. 4 for assessing the implications of overall results, in terms of short- and long-range benefit security and expected cost progression.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our best professional judgment, the assumptions and methodologies as adopted by the Board of Retirement, individually and in combination, are reasonably related to the experience of and the expectations for *SamCERA*, and will not, in and of themselves, expose the retirement system to 'unsound financial risk'. In this regard, we consider 'unsound financial risk' to mean the following:

- A substantial likelihood that future required contribution rates as a percentage of payroll will be dramatically higher than the rates shown in this report, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions; or
- A substantial likelihood that *SamCERA*'s assets will be insufficient to pay benefit payments when due, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions.

In preparing this report, we have complied with all quality assurance procedures detailed on page 14 of our November 28, 2005 proposal titled "Response for Request for Actuarial Services."

Actuarial Certification – Milliman

The major findings of the valuation are contained in this report. This report reflects the benefit provisions and contribution rates in effect as of June 30, 2011. 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. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any data of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for *SamCERA* have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of *SamCERA* and reasonable expectations) and which, in combination, offer a reasonable estimate of anticipated experience affecting *SamCERA*. We will next be reviewing the assumptions in 2014 as part of our triennial investigation.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for *SamCERA*. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for this purpose may differ as disclosed in our report. The calculations in this report have been made on a basis consistent with our understanding of *SamCERA*'s current funding requirements and of GASB Statements No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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

We would like to express our appreciation to Mr. David Bailey, Chief Executive Officer of *SamCERA*, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

Nick Collier

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

NJC/nlo

San Mateo County Employees' Retirement Association

Table of Contents

Appendices

Section 1: Summary of the Findings

2011 Valuation Results

	June 30, 2011	June 30, 2010
Employer Contribution Rate	30.97%	31.40%
Funded Ratio	74.1%	70.3%

Overview

This report presents the results of the June 30, 2011 actuarial valuation. Several key points are summarized as follows:

- **Funding:** The Funded Ratio increased from 70.3% to 74.1%. This increase was primarily due to the required contributions made to fund the plan.
- **Contribution Rates:** The Employer Normal Cost rate of 11.25% decreased from 11.57% reported in the prior year. This rate was influenced in part by the new assumptions adopted as a result of the June 30, 2011 experience study. A revision was also made in the adjustment for the member contribution offset to the Gross Normal Cost for the upcoming year which reduced the Employer Normal Cost rate. Additionally, the rates will vary slightly from year to year as the average entry age of the membership changes and as a greater proportion of members enter Plans 3, 4, 5 & 6, which are less expensive than Plans 1 & 2.

  The employer's required contribution rate to finance the Unfunded Actuarial Accrued Liability (UAAL) over 15 years decreased from 19.83% to 19.72%. The overall result is a decrease in the required total contribution rate from the prior valuation of 0.43% (from 31.40% to 30.97% of payroll).
- **Investment Returns:** *SamCERA*'s investment return on the market value of assets for the prior year (23.7%, based on Milliman's estimate) was greater than the actuarial assumed rate of 7.75%. However, this was offset by the recognition of investment losses from prior years. The net result was a return on the actuarial value of assets which was slightly less than expected. This caused a small decrease in the system's funding status and a small increase in the required employer contribution rate. The increase in the employer contribution rate due to the actuarial investment return was offset by other factors, and the final result was a small decrease.

  Note that currently an $88 million net asset loss is being deferred. This is because the asset-smoothing method has not yet recognized a portion of the net asset losses from the prior four years. These deferred losses will be reflected in future valuations.

Overview (continued)

- **New Assumptions:** New assumptions were recently adopted with the June 30, 2011 investigation of experience, with the most significant being a stronger mortality assumption (i.e., longer life expectancies). The overall impact of the assumption changes was a small increase in the required member and employer contribution rates and a decrease in the Funded Ratio.

- **New Benefits:** New benefit provisions and member contributions rates have been negotiated recently for certain employees. For current members as of June 30, 2011, the only change is to members of the California Nurses Association (CNA) who have agreed to contribute 25% of the expected cost of post-retirement cost-of-living-adjustments (COLAs). This is in addition to their current member contributions and cost sharing and begins in January 2012. This change has been reflected in the current valuation report. Note that several new plans began in July 2011; however, they are not reflected in the results as the new plans do not apply to any current members as of the valuation date. Information on these new plans is contained in an addendum to the valuation report.

Comparison with Prior Year

Note that for comparison purposes, the prior year employer contribution rates shown in this report are those from the June 30, 2010 actuarial valuation. The County is currently contributing at a higher level than those calculated rates.

Summary of Recommendations

The following exhibit summarizes our recommendations to the Board.

Exhibit 1a Summary of Recommendations

Recommendation #1: Adopt new employer contribution rates for fiscal year beginning July 1, 2012

	June 30, 2011	June 30, 2010	Increase / (Decrease)
Gross Normal Cost	21.57%	21.28%	0.29%
Member Contributions	(10.32)%	(9.71)%	(0.61)%
Employer Normal Cost	11.25%	11.57%	(0.32)%
UAAL Amortization	19.72%	19.83%	(0.11)%
Total County Rate	30.97%	31.40%	(0.43)%

Notes:

1) *Detailed contribution rates by plan are shown in Section 6, Exhibits 12a & 12b, and page 2 of the Addendum.*
2) *As of the 2011 actuarial valuation, the member contribution rates for current members of the California Nurses Association reflect 25% of the cost of COLA, in addition to previously effective member rates and cost sharing.*
3) *The member contribution rates this year reflect changes resulting from the 2011 Investigation of Experience and a revision to the timing adjustment.*

Exhibit 1b Summary of Recommendations (continued)

Recommendation #2: Adopt new member contribution rates for fiscal year beginning July 1, 2012

	Entry Age	Recommended Rates: Basic	Recommended Rates: Cost Sharing	Recommended Rates: Total as a % of Pay	Current: Total as a % of Pay	Ratio (New/Curr)
General Members - County [(1)]						
Plans 1 & 2	25	6.06%	3.00%	9.06%	9.03%	100.3%
	35	7.25%	3.00%	10.25%	10.22%	100.3%
	45	8.71%	3.00%	11.71%	11.67%	100.3%
Plan 4	25	5.80%	3.00%	8.80%	8.78%	100.2%
	35	6.94%	3.00%	9.94%	9.91%	100.3%
	45	8.29%	3.00%	11.29%	11.26%	100.3%
General Members - SMC M&VCD						
Plans 1 & 2	25	6.06%	0.00%	6.06%	6.03%	100.5%
	35	7.25%	0.00%	7.25%	7.22%	100.4%
	45	8.71%	0.00%	8.71%	8.67%	100.5%
Plan 4	25	5.80%	0.00%	5.80%	5.78%	100.3%
	35	6.94%	0.00%	6.94%	6.91%	100.4%
	45	8.29%	0.00%	8.29%	8.26%	100.4%
Probation Members (Reflects Employer Pick-up)						
Plans 1 & 2	25	6.57%	3.50%	10.07%	10.03%	100.4%
	35	7.88%	3.50%	11.38%	11.33%	100.4%
	45	9.27%	3.50%	12.77%	12.71%	100.5%
Plan 4	25	6.29%	3.50%	9.79%	9.75%	100.4%
	35	7.54%	3.50%	11.04%	10.99%	100.5%
	45	8.72%	3.50%	12.22%	12.16%	100.5%
Safety Members - Other than Deputy Sheriff [(2)]						
Plans 1 & 2	25	8.21%	5.00%	13.21%	13.16%	100.4%
	35	9.85%	5.00%	14.85%	14.78%	100.5%
	45	11.59%	5.00%	16.59%	16.52%	100.4%
Plan 4	25	7.86%	5.00%	12.86%	12.81%	100.4%
	35	9.43%	5.00%	14.43%	14.37%	100.4%
	45	10.90%	5.00%	15.90%	15.83%	100.4%

(1) Does not include members of the California Nurses Association, who will also contribute 25% of the cost of the COLA beginning with the 2011 actuarial valuation. See Appendix D of this report for a full schedule of rates.

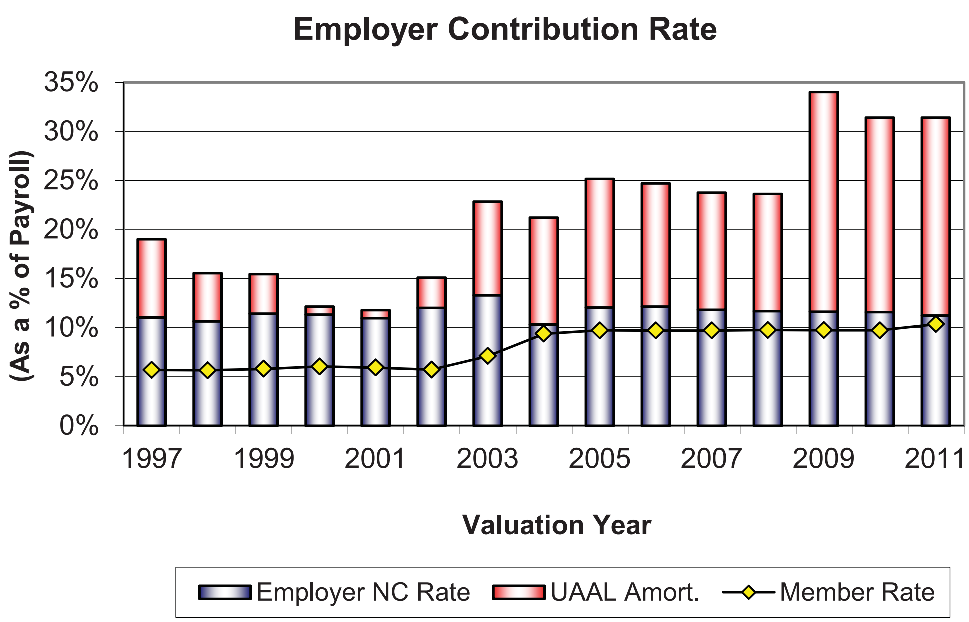
(2) Cost Sharing varies for Deputy Sheriffs as follows:
- *3.0% if employee is less than 45 and has less than 5 years of service.*
- *3.5% if employee is less than 45 and has between 5 and 15 years of service.*
- *4.5% if employee is older than 45 or has at least 15 years of service.*

Employer Contribution Rate

Under the Board's current funding objectives, the calculated employer contribution rate for the fiscal year beginning July 1, 2012 is 30.97% of payroll. This is equal to the payment of the Employer Normal Cost rate plus a 15-year layered amortization of the UAAL for each year beginning with the UAAL as of June 30, 2008. It should be noted that the 30.97% is a weighted average for all *SamCERA* plans. The actual percent of payroll to be contributed by the employer varies by plan. See Exhibits 12a and 12b for the total employer contribution rates by plan.

The new rate is effective for the fiscal year beginning July 1, 2012. The 30.97% contribution rate is currently adequate to maintain the funding of the retirement system benefits based on the actuarial methods and assumptions shown in Appendix A of this report.

A historical perspective of the total employer contribution rate is shown in the following graph.



Comparison with Last Year

A detailed analysis of the sources of the changes in both the employer contribution rate and the Funded Ratio was performed. As discussed earlier, contributions made to fund the plan were the primary reason for the increase in the Funded Ratio. There were several factors that influenced the employer contribution rate, with the overall impact being a small decrease.

Comparison with Last Year (continued)

The following chart shows how the various factors affected the overall funding of *SamCERA*, as compared to the last valuation. The most significant factors are shown in bold.

Sources of Change	Employer Contribution Rate	Funded Ratio
June 30, 2010 Actuarial Valuation	**31.40%**	**70.3%**
Expected Year-to-Year Change	0.00%	**2.8%**
Recognized Asset Gain/Loss		
From Current Year	**-0.91%**	1.3%
From Prior Years	**1.18%**	**-1.6%**
Retiree COLAs Less than Expected	**-0.60%**	0.6%
Salary / Payroll Variation	-0.05%	1.1%
Change in Average Entry Age and Plan	0.00%	0.0%
Assumption & Method Changes*	0.25%	-0.4%
County Rate > Required	-0.26%	0.0%
Increase in CNA Member Rate	-0.08%	0.0%
Other Experience Changes	0.04%	0.0%
Total Change	**-0.43%**	**3.8%**
June 30, 2011 Actuarial Valuation	**30.97%**	**74.1%**

**Includes assumption changes adopted based on the 2011 Investigation of Experience and an adjustment to the methodology for member contribution rate timing.*

Funding Progress

Based on the 2010 valuation, the expected UAAL as of June 30, 2011 was $888 million. The actual UAAL for the fiscal year ending June 30, 2011 is $842 million. This was primarily caused by smaller than assumed salary increases for active members and smaller than assumed cost-of-living adjustments for retired members. There were other factors that had a lesser impact on the UAAL. These factors are shown in detail at the end of Section 4.

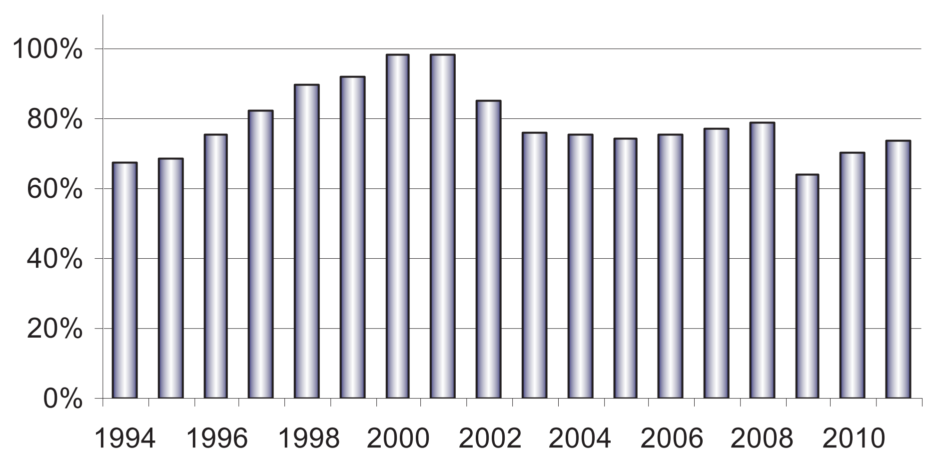
One measure of the funding adequacy of the system is the Funded Ratio, which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL), for all *SamCERA* plans combined. *SamCERA*'s Funded Ratio increased rapidly in the last half of the 1990's, reaching almost 100% in 2001. However, due primarily to asset losses this decade, the Funded Ratio has decreased significantly since then. Currently, the Funded Ratio is 74.1%; that is, the actuarial value of assets of $2,405 million is about 26% less than the actuarial accrued liabilities of $3,247 million. Note that if the market value of assets was used, the Funded Ratio would be 71.4%.

Funding Progress (continued)

(All dollar amounts in millions)

	Market Value of Total Assets	Actuarial Value: Valuation	Actuarial Value: Non-Valuation	Actuarial Accrued Liability	Funded Ratio
2002	$1,207	$1,417	$32	$1,661	85.3%
2003	1,233	1,354	34	1,782	76.0
2004	1,435	1,453	31	1,921	75.6
2005	1,599	1,616	0	2,178	74.2
2006	1,790	1,769	0	2,345	75.4
2007	2,132	1,977	0	2,555	77.4
2008	2,011	2,219	0	2,806	79.1
2009	1,591	1,910	0	2,988	63.9
2010	1,816	2,179	0	3,098	70.3
2011	2,317	2,405	0	3,247	74.1

Historical Funded Ratios



Assets

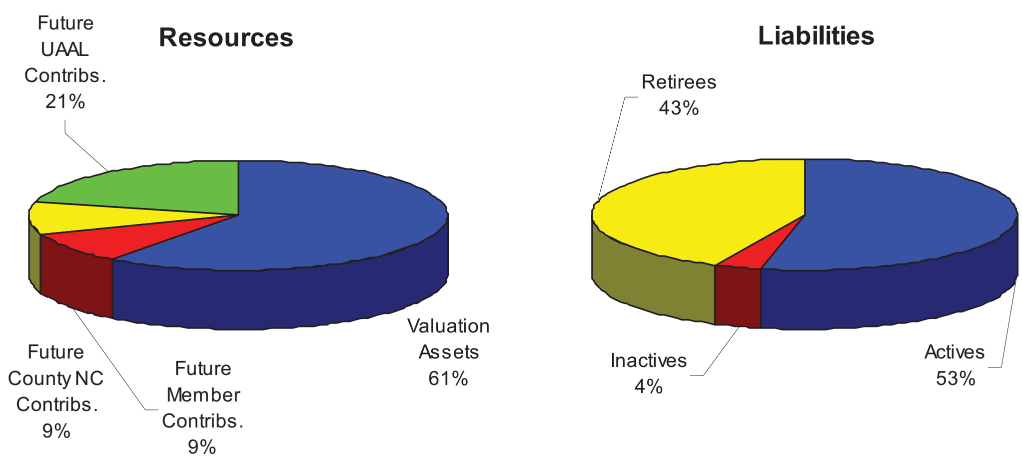
For the fiscal year ending June 30, 2011, we estimate that *SamCERA* earned 23.7%, net of investment expenses, on its market assets. Note that our return figure may be slightly different than that shown in the 2011 CAFR due to timing of contributions and benefit payments, as well as the treatment of expenses.

SamCERA uses an asset-smoothing method in the calculation of the UAAL contribution. Under this method, the market value returns are smoothed over a five-year period. Due to the recognition of deferred prior year asset losses, the return on actuarial valuation assets, at 7.2%, net of expenses, was less than the market return.

Actuarial Balance Sheet

The first step in the valuation process is to compare the total valuation assets of *SamCERA* with its total liabilities for all plans. In this analysis, *SamCERA*'s resources equal the actuarial assets plus the expected future contributions by both the employers and members. Liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members. This relationship is shown in the following chart. The AAL is the total of these liabilities less expected future Normal Cost contributions.

Comparing the current and future resources to the current and future liabilities, we then determine the annual contribution amount for the coming fiscal year.

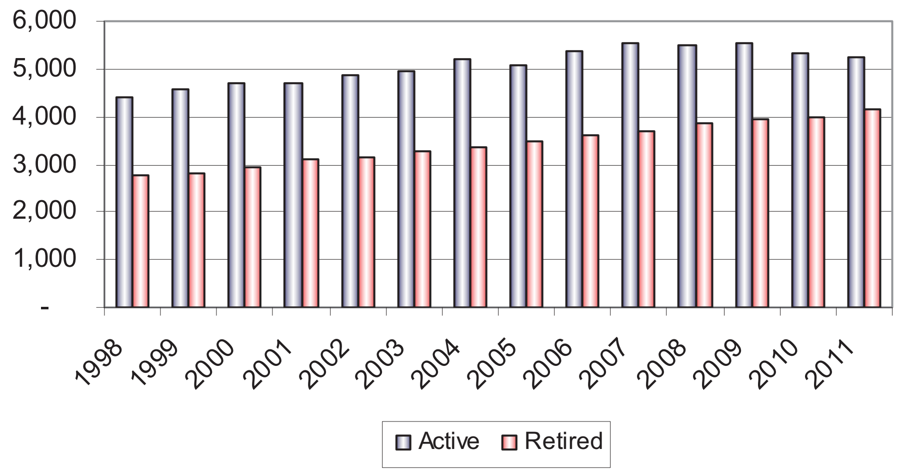


Member Information

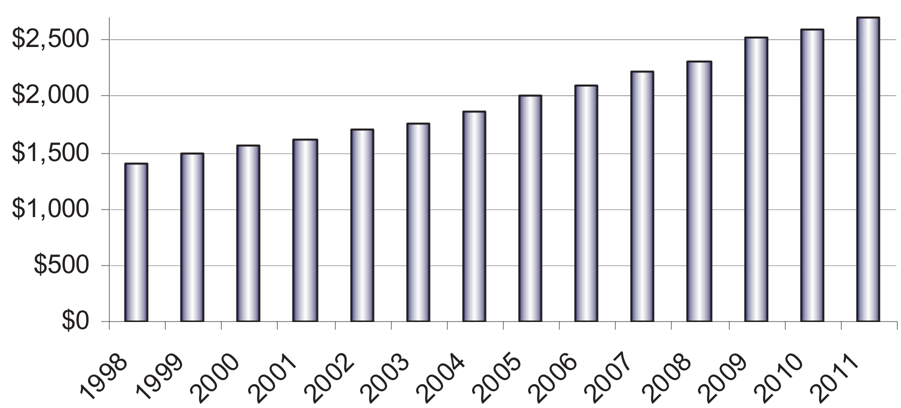
The number of active members included in the valuation decreased by 1.9% from 5,347 in 2010 to 5,245 in 2011.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2011, there were 4,147 retired members and beneficiaries with an average benefit of $2,706 per month. This represents a 3.6% increase in count (up from 4,002 in 2010), and a 4.1% increase in the average monthly benefit (up from $2,601 over the period).

Membership Count



Average Monthly Retirement Benefit



Analysis of Change in Member Population

The following table summarizes the year-to-year change in member population.

	Active Contributing Members	Deferred Members*	Retirees, Disabilities, & Beneficiaries
June 30, 2010 Valuation	**5,347**	**1,207**	**4,002**
Termination without Refund	(173)	173	-
Termination with Refund	(106)	(21)	-
Active/Deferred Death with Annuity	(5)	(2)	7
Service Retirement	(161)	(77)	238
Disability Retirement	(3)	(5)	8
Retiree Death without Beneficiary	-	-	(108)
New Entrants	261	-	-
Rehires	85	(85)	-
Total Change	**(102)**	**(17)**	**145**
June 30, 2011 Valuation	**5,245**	**1,190**	**4,147**

Summary Valuation Results

The following Exhibit 2 presents a summary of key results from June 30, 2011 and June 30, 2010, and how they changed over the past year. More detail on each of these elements can be found in the following Sections and Exhibits of this report.

San Mateo County Employees' Retirement Association

Exhibit 2: Summary of Significant Valuation Results

		June 30, 2011	June 30, 2010	Relative Change
1.	Total Membership			
	A. Active Members	5,245	5,347	(1.9)%
	B. Retired Members & Beneficiaries	4,147	4,002	3.6%
	C. Vested Terminated Members	1,190	1,207	(1.4)%
	D. Total	10,582	10,556	0.2 %
2.	Pay Rate			
	A. Annual Total ($thousands)	$ 432,542	$ 437,130	(1.0)%
	B. Monthly Average	$ 6,872	$ 6,813	0.9%
3.	Average Monthly Benefit to Current Retirees and Beneficiaries			
	A. Service Retirement	$ 2,839	$ 2,723	4.3%
	B. Disability Retirement	$ 2,797	$ 2,720	2.8%
	C. Surviving Spouse and Dependents	$ 1,836	$ 1,800	2.0%
	D. Total	$ 2,706	$ 2,601	4.1%
4.	Actuarial Accrued Liability ($thousands)			
	A. Active Members	$ 1,380,509	$ 1,353,308	2.0%
	B. Retired Members	$ 1,719,251	$ 1,588,037	8.3%
	C. Vested Terminated Members	$ 146,967	$ 157,108	(6.5)%
	D. Total	$ 3,246,727	$ 3,098,453	4.8%
5.	Assets			
	A. Market Value of Fund ($thousands)	$ 2,317,493	$ 1,815,896	27.6%
	B. Return on Market Value*	23.7%	12.2%	
	C. Actuarial Value ($thousands)	$ 2,405,140	$ 2,179,076	10.4%
	D. Return on Actuarial Value*	7.2%	12.7%	
	** May differ from return reported in CAFR due to timing of contributions and benefit payments and treatment of expenses.*			
6.	Unfunded Actuarial Accrued Liability or Surplus Funding ($thousands)	$ 841,587	$ 919,377	(8.5)%
7.	Required employer contribution rate for all plans combined as a percent of total payroll			
	A. Gross Normal Cost	21.57%	21.28%	1.4%
	B. Member Contributions	(10.32)%	(9.71)%	6.3%
	C. Employer Normal Cost	11.25%	11.57%	(2.8)%
	D. UAAL Amortization	19.72%	19.83%	(0.6)%
	E. Total Employer Rate	30.97%	31.40%	(1.4)%
8.	Funded Ratio (5C / 4D)	74.1%	70.3%	5.3%
9.	Results Based on Market Value (No Asset Smoothing) -- For Informational Purposes Only			
	A. Total Employer Rate	33.30%	38.96%	(14.5)%
	B. Funded Ratio (5A / 4D)	71.4%	58.6%	21.8%

Section 2: Scope of the Report

This report presents the actuarial valuation of the San Mateo County Employees' Retirement Association as of June 30, 2011. This valuation was requested by the Board. Section 31453 of the County Employees Retirement Law of 1937 (the '37 Act) requires an actuarial valuation to be performed at least every three years for the purposes of setting contribution rates.

In reading our cover letter, please pay particular attention to the guidelines employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings depend. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of SamCERA. The assets and investment income are presented in Exhibits 3-5.
Exhibits 6-8 develop the Actuarial Value of Assets as of June 30, 2011.

Section 4 describes the benefit obligations of SamCERA. Exhibit 9 is the Actuarial Balance Sheet. Additional analysis on the change in UAAL is also provided in this section.

Section 5 discusses the Member contribution rates.

Section 6 discusses the employer contributions needed to fund the benefits under the actuarial cost method in use.

Section 7 discloses the information required under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

This report includes several appendices:

- Appendix A — A summary of the actuarial procedures and assumptions used to estimate liabilities and contributions.
- Appendix B — A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2011.
- Appendix C — Schedules of valuation data classified by various categories of members by plan.
- Appendix D — Member contribution rates by plan.
- Appendix E — A glossary of actuarial terms used in this report.
- Addendum — Contribution rates for new Plans 5 & 6.

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Section 3: Assets

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2011. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the accrued and future actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and employer are needed to pay all expected future benefits.

This section of the report deals with the determination of assets used for funding purposes. In the next section, the actuarial liabilities will be discussed. Sections 5 and 6 deal with the process for determining required contributions based on the relationship between the actuarial assets and the actuarial liabilities.

A historical summary of *SamCERA*'s assets is presented below:

All dollar amounts in millions

		Actuarial Value	
	Market Value of Total Assets	Non-Valuation Reserves	Valuation Assets
2000	$ 1,381	$ 49	$ 1,271
2001	1,308	51	1,385
2002	1,207	32	1,417
2003	1,233	34	1,354
2004	1,435	31	1,453
2005	1,599	0	1,616
2006	1,790	0	1,769
2007	2,132	0	1,977
2008	2,011	0	2,219
2009	1,591	0	1,910
2010	1,816	0	2,179
2011	2,317	0	2,405

On June 30, 2011, the total market value of the fund was about $2.32 billion. The actuarial value of the fund was determined to be $2.41 billion, including the non-valuation reserves.

Financial Exhibits

Exhibit 3 presents a Statement of Plan Net Assets and Exhibit 4 presents a Statement of Changes in Plan Net Assets. Exhibit 5 describes the allocation of *SamCERA*'s assets by the various reserve values determined for accounting purposes.

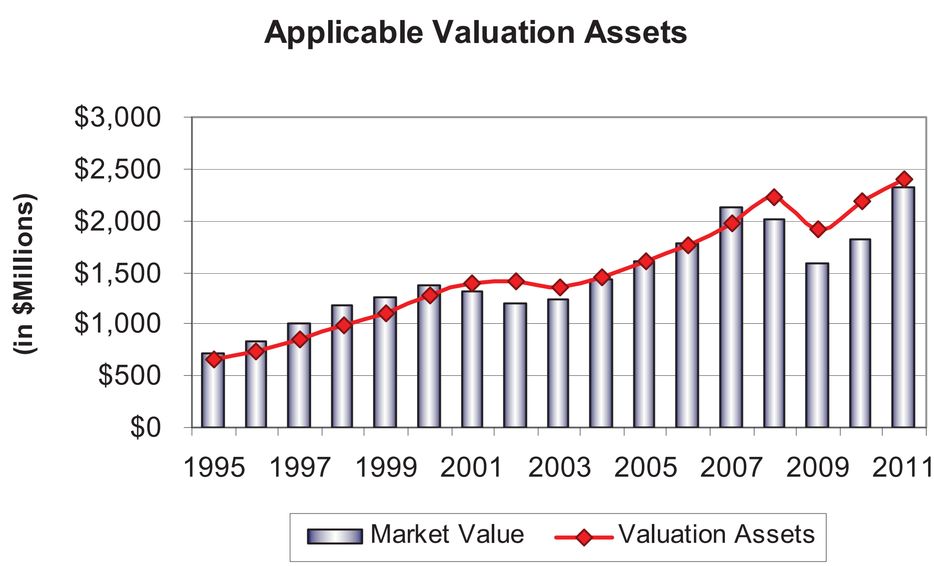
Exhibits 3-5 are taken directly from data furnished to us by *SamCERA* for their annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

Actuarial Asset Method

The actuarial asset method computes the expected market value of assets based on the prior year's market value of assets, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return. The current assumed rate of return, as recommended for this valuation, is 7.75%, net of all expenses. The difference between the actual market value and the computed expected market value is smoothed, or recognized over a five-year period.

Actuarial Value of Assets

The development of the June 30, 2011 actuarial value of assets is shown in Exhibits 6 and 7. Note the smoothing process has recognized all of the investment gains and losses from 2006 and earlier over the last few years. However, there are still portions of investment losses that have not yet been recognized by the asset smoothing method. The result is a market value of assets that is less than the actuarial value. The following graph shows a historical comparison of the actuarial and market assets used for valuation purposes.



Valuation Assets Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits (if any) that are to be funded outside of the actuarially determined contribution rates.

Allocation of Assets Valuation assets are allocated by classification (general, safety and probation) as shown in Exhibit 8. This is because UAAL contribution rates are determined separately by class.

In the calculation of the required contribution rate, the Normal Cost is determined separately for each plan. The UAAL portion of the rate is allocated proportionately to each classification. To determine the UAAL amount by classification, the valuation assets are allocated in proportion to the expected UAAL, after reflecting expected contributions from the prior year to pay down the UAAL.

San Mateo County Employees' Retirement Association

Exhibit 3: Statement of Plan Net Assets for the Years Ended June 30, 2010 and 2011

	2011	2010
Assets		
Cash and Cash Equivalents	253,934,047	74,232,656
Securities Lending Cash Collateral	5,196,620	181,645,752
Total Cash	$ 259,130,667	$ 255,878,408
Receivables		
Contributions	10,470,382	7,464,274
Due from broker for investments sold	148,074,596	83,850,705
Investment Income	5,800,573	4,654,787
Other receivables	113,735	113,787
Securities Lending Income	67,915	47,428
Total Receivables	164,527,200	96,130,980
Prepaid Expense	7,669	7,669
Investments at Fair Value		
Domestic fixed income securities	585,292,394	505,441,320
Domestic equities	932,277,233	797,467,287
International equities	398,753,172	341,048,550
Real estate	135,475,106	109,210,472
Private Equities	3,458,419	-
Risk Parity	145,620,720	-
Hedge Funds	69,986,280	-
Total Investments	2,270,863,323	1,753,167,629
Capital Assets Net of Depreciation	-	-
Total Assets	**2,694,528,860**	**2,105,184,686**
Liabilities		
Payables		
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	196,435,881	181,645,752
Mortgage Note Payable		
Due within one year	-	-
Due in more than one year	-	-
Other	3,538,208	867,600
Total Liabilities	**377,035,567**	**289,288,231**
Net Assets Held in Trust for Pension Benefits	**$ 2,317,493,293**	**$ 1,815,896,455**

San Mateo County Employees' Retirement Association

Exhibit 4: Statement of Changes in Plan Net Assets for the Years Ended June 30, 2010 and 2011

		2011		2010
Additions				
Contributions				
Employer	$	150,474,872	$	106,265,329
Employee		49,013,027		50,318,477
Total Contributions		199,487,899		156,583,806
Investment Income/(Loss)				
Interest and dividends		44,187,379		42,179,828
Net appreciation/(depreciation) in Fair Value		407,110,954		162,137,189
		451,298,333		204,317,017
Less investment expense		13,926,969		8,905,477
Net Investment Income/(Loss)		437,371,363		195,411,540
Securities Lending Income				
Earnings		558,768		988,514
Less securities lending expense		28,457		245,578
Net Securities Lending Income		530,311		742,936
Other Additions		73,305		41,474
Total Additions/(Declines)		**637,462,878**		**352,779,756**
Deductions				
Association Benefits				
Service retirement allowances		114,422,667		106,607,286
Disability retirement allowances		14,552,927		14,585,746
Medical Benefits		-		-
Death and other death benefits		858,946		948,059
Total Association Benefits		129,834,541		122,141,091
Refunds of members' contributions		2,474,445		2,736,025
Administrative Expense		3,547,526		3,372,967
Other Expense		9,529		32,776
Total Deductions		**135,866,040**		**128,282,859**
Net Increase/(Decrease)		501,596,838		224,496,897
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year		1,815,896,455		1,591,399,558
End of Year		**2,317,493,293**		**1,815,896,455**
Estimated Return, Net of Investment Expenses *		23.7%		12.2%

** May differ from return reported in CAFR due to timing of contributions and benefit payments and treatment of expenses.*

Exhibit 5: Allocation of Assets by Accounting Reserve Amounts for the Years Ended June 30, 2010 and 2011

Valuation Reserves		2011		2010
1. Member Deposit Reserve	$	485,125,877	$	449,354,818
2. County Advance Reserve		310,568,622		264,507,768
3. Retiree Reserves		765,312,627		693,630,776
4. Cost of Living Reserve		760,505,829		682,673,956
5. Total Valuation Reserves	**$**	**2,321,512,954**	**$**	**2,090,167,318**

Non-Valuation Reserves		2011		2010
1. Contingency Reserve				
a. Reserves for Deficiencies in Interest Earnings	$	-	$	-
b. Unallocated Earnings / Loss Account		83,627,120		88,908,428
c. Total	$	83,627,120	$	88,908,428
2. Market Stabilization Account		(87,646,780)		(363,179,291)
3. **Total Non-Valuation Reserves**	**$**	**(4,019,660)**	**$**	**(274,270,863)**
4. **Total Reserves (Market Value of Assets)**	**$**	**2,317,493,293**	**$**	**1,815,896,455**

Note: These amounts were determined by SamCERA for accounting purposes.

San Mateo County Employees' Retirement Association

Exhibit 6: Five-Year Smoothing of Gains and Losses on Market Value – History

History of Unexpected Asset Gains and Losses

Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Benefit Payments	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
6/30/2011	$ 2,167,939,516	$ 96,998,690	$ 67,484,144	2,317,493,293	3.875%	$ 85,497,449	$ 120,039,230	$ 34,541,781
12/31/2010	1,815,896,455	102,489,209	64,824,842	2,167,939,516	3.875%	72,262,382	314,378,695	242,116,312
6/30/2010	1,863,720,265	80,266,609	63,207,613	1,815,896,455	3.875%	73,179,765	(64,882,806)	(138,062,572)
12/31/2009	1,591,399,558	76,317,198	61,669,503	1,863,720,265	3.875%	61,835,437	257,673,013	195,837,576
6/30/2009	1,594,401,527	27,183,773	59,331,550	1,591,399,558	3.875%	61,167,136	29,145,808	(32,021,328)
12/31/2008	2,010,738,768	129,310,873	57,454,173	1,594,401,527	3.875%	80,910,069	(488,193,941)	(569,104,010)
6/30/2008	2,180,911,208	37,433,714	55,033,629	2,010,738,768	3.875%	84,025,724	(152,572,525)	(236,598,249)
12/31/2007	2,131,614,629	128,017,039	52,010,887	2,180,911,208	3.875%	85,498,735	(26,709,573)	(112,208,308)
6/30/2007	2,035,751,839	29,280,037	49,671,897	2,131,614,629	3.875%	78,382,391	116,254,650	37,872,259

Exhibit 7: Five-Year Smoothing – Development of Valuation Assets

Development of Market Stabilization Reserve

	Phase-Out of Gain / (Loss)				
Six-Month Period Ended	Percent Excluded		Unexpected Gain / (Loss)		Gain / (Loss) Excluded
6/30/2011	90%	x	$ 34,541,781	=	$ 31,087,603
12/31/2010	80%	x	242,116,312	=	193,693,050
6/30/2010	70%	x	(138,062,572)	=	(96,643,800)
12/31/2009	60%	x	195,837,576	=	117,502,546
6/30/2009	50%	x	(32,021,328)	=	(16,010,664)
12/31/2008	40%	x	(569,104,010)	=	(227,641,604)
6/30/2008	30%	x	(236,598,249)	=	(70,979,475)
12/31/2007	20%	x	(112,208,308)	=	(22,441,662)
6/30/2007	10%	x	37,872,259	=	3,787,226
Total Gain / (Loss) Excluded = Market Stabilization Reserve				=	$ (87,646,780)

Development of Valuation Assets

1.	Market Value of Assets as of June 30, 2011		$ 2,317,493,293
2.	Preliminary Market Stabilization Reserve		(87,646,780)
3.	Preliminary Actuarial Value of Assets (1) - (2)		2,405,140,073
4.	Corridor Around Market Value		
	a) Minimum = 80% of Market	1,853,994,634	
	b) Maximum = 120% of Market	2,780,991,951	
	c) Corridor Adjustment		0
5.	Market Stabilization Reserve	(87,646,780)	
6.	Gross Actuarial Valuation of Assets (3) - (4c)		$ 2,405,140,073
7.	Non-Valuation Reserves and Designations		
	a) Reserves for Interest Fluctuations	0	
	b) Medicare Part B Reserve	0	
	c) Total		0
8.	Valuation Assets (6) - (7c)		$ 2,405,140,073

San Mateo County Employees'
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Exhibit 8: Allocation of Valuation Assets
(Dollars in Thousands)

		General	Safety	Probation	Total
1.	Prior Year UAAL	$ 630,931	$ 230,537	$ 57,909	$ 919,377
2.	Expected UAAL Contribution for Preceding Year	(68,140)	(25,676)	(6,138)	(99,954)
3.	Expected Interest at 7.75%	46,306	16,890	4,255	67,451
4	Expected UAAL Based on Prior Year Assumptions	609,097	221,751	56,026	886,874
5.	Percentage of Total Expected UAAL	68.68%	25.00%	6.32%	100.00%
6.	Actual UAAL Based on Prior Year Assumptions				822,133
7.	Actual AAL Based on Prior Year Assumptions	$ 2,379,915	$ 657,404	$ 189,954	$ 3,227,273
8.	Allocated UAAL Based on Prior Year Assumptions	564,634	205,563	51,936	822,133
9.	**Actuarial Value of Assets**	**$ 1,815,281**	**$ 451,841**	**$ 138,018**	**$ 2,405,140**

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Section 4: Actuarial Liabilities

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of *SamCERA*'s assets as of the valuation date, June 30, 2011. In this section, the discussion will focus on the commitments of *SamCERA* for retirement benefits, which are referred to as its actuarial liabilities.

In an active system, the actuarial liabilities will almost always exceed the actuarial assets. This is usually expected in all but a fully closed down fund, where no further contributions of any sort are anticipated. This deficiency has to be provided by future contributions and investment returns. An actuarial valuation method sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion. The determination of the level of future contributions needed is discussed in the next section.

Actuarial Balance Sheet – Liabilities

First, we need to determine the amount of the deficiency. We compare the Actuarial Value of the Valuation Assets to the Actuarial Liabilities. The difference is the amount that needs to be funded by the member and employer contributions in the future. Both the current and future assets (contributions) are compared to the actuarial liabilities in the Actuarial Balance Sheet.

Exhibit 9 contains an analysis of the actuarial present value of all future benefits for retired, deferred vested and active members. The analysis is given by class of membership and by type of benefit.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All liabilities reflect the benefits effective through June 30, 2011.

The actuarial assumptions used to determine the liabilities are based on the results of our investigation of experience report for the period ending April 30, 2011. These assumptions were adopted by the Board at their July 2011 meeting and are shown in Appendix A. The assumptions will next be reviewed in detail in 2014 as part of the triennial investigation.

Exhibit 9: Actuarial Balance Sheet – June 30, 2011
(Dollars in Thousands)

Resources

	General	Safety	Probation	Total
Valuation Assets (Actuarial)	$ 1,815,281	$ 451,841	$ 138,018	$ 2,405,140
Present Value of Future Member Contributions	$ 290,602	$ 52,084	$ 23,595	$ 366,281
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	$ 264,706	$ 71,889	$ 44,202	$ 380,797
b) Unfunded Actuarial Accrued Liability	$ 579,208	$ 209,839	$ 52,540	$ 841,587
Total Resources	**$ 2,949,797**	**$ 785,653**	**$ 258,355**	**$ 3,993,805**

Liabilities

	General	Safety	Probation	Total
Present Value of Future Benefits				
1. Present Retired Members	$ 1,232,144	$ 402,812	$ 84,295	$ 1,719,251
2. Current Inactive Members	123,503	17,427	6,037	146,967
3. Current Active Members				
- Service Retirement	1,433,851	333,057	150,722	1,917,630
- Disability Retirement	55,822	16,385	8,355	80,562
- Death Benefits	23,588	6,741	3,321	33,650
- Deferred Vested Benefit	56,020	7,843	5,090	68,953
- Refund of Member Contributions	24,869	1,388	535	26,792
- Total Active	1,594,150	365,414	168,023	2,127,587
Total Actuarial Liabilities	**$ 2,949,797**	**$ 785,653**	**$ 258,355**	**$ 3,993,805**

Actuarial Balance Sheet – Resources

For the purpose of the Actuarial Balance Sheet, *SamCERA*'s resources are equal to the sum of:

(a) Assets currently available to pay benefits and considered for funding purposes, the Valuation Assets,

(b) The present value of future contributions expected to be made by current active Members, and

(c) The present value of future contributions expected to be made by the employer.

Actuarial Cost Method

The Actuarial Balance sheet determines the amount of future contributions that are needed, but the method used to determine the incidence of when those future contributions are yet to be made in future years is called the "actuarial cost method". For this valuation, the entry age actuarial cost method has been used. Under this method – or essentially any actuarial cost method – the contributions required to meet the difference between current assets and current actuarial liabilities are allocated each year between two elements:

- A Normal Cost amount; and
- Whatever amount is left over, which is used to amortize what is called the UAAL.

Normal Cost

The two items described above, the Normal Cost and UAAL, are the keys to understanding the actuarial cost method.

The Normal Cost is the theoretical contribution rate that will meet the ongoing costs of a group of average new employees. Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid.

Under the entry age actuarial cost method, the Normal Cost contribution rate maintains the funding of benefits as a level percentage of pay. If experience follows the actuarial assumptions precisely, the fund would be completely liquidated when the last payment to the last survivor of the group was made.

Normal Cost (continued)

By applying the Normal Cost contribution rate to the present value of salaries expected to be paid in the future, we determine the present value of future Normal Cost contributions. Future contributions are expected to be made by both the members and the employer. The member contribution rates are determined based upon requirements established in the '37 Act and the actuarial assumptions. Based on these member contribution rates, we determine the present value of future member contributions. We subtract that value from the total future Normal Cost contributions expected, based on the entry age cost method. The remaining difference is the employer's portion of the future Normal Cost contributions.

Actuarial Accrued Liability

The difference between the present value of all future obligations and the present value of the future Normal Cost contributions is referred to as the "actuarial accrued liability". The AAL is then compared to the value of assets available to fund benefits, and the difference is referred to as the UAAL. The results for *SamCERA* for all plans are summarized below:

(Dollars in millions)	**2011**	**2010**	**Percent Change**
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	$ 3,994	$ 3,835	4.1%
B. Actuarial present value of total future Normal Costs for current members	747	737	1.4%
C. Actuarial accrued liability [A-B]	$ 3,247	$ 3,098	4.8%
D. Valuation Assets	2,405	2,179	10.4%
E. UAAL or Surplus Funding [C-D]	$ 842	$ 919	(8.5)%
F. Funded Ratio [D/C]	74.1%	70.3%	5.3%

Unfunded Actuarial Accrued Liability/ Surplus Funding

The portion allocated to service already rendered or accrued is called the Actuarial Accrued Liability. The difference between the Actuarial Accrued Liability and the Valuation Assets is called the Unfunded Actuarial Accrued Liability (UAAL). If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses. If the employer had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Exhibit 9 shows how the UAAL was derived for each classification. In the Actuarial Balance sheet, the total actuarial accrued liability for all future benefits must be equal to the current and future assets.

Funding Adequacy

A key consideration in determining the adequacy of the funding of *SamCERA* is how the UAAL is being funded. If the UAAL amount is positive, that is, the Actuarial Accrued Liability to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the June 30, 2008 UAAL is amortized over a fixed period ending June 30, 2023. Any change in the UAAL in future years will be amortized separately over new 15-year periods from the valuation date at which the difference is calculated, including the change in UAAL as of June 30, 2011.

Analysis of Change in UAAL

The UAAL, at any date after establishment of a system, is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience, as it develops, differs from that expected according to the assumptions used, so also will the emerging costs differ from the estimated costs.

The 2011 actuarial valuation reflects a decrease in the UAAL of $77.8 million for the fiscal year just ended.

Unfunded Actuarial Accrued Liability - June 30, 2010	**$**	**919.4**
Expected Increase / (Decrease) *		(31.5)
Expected UAAL - June 30, 2011	**$**	**887.9**
Asset (Gains) and Losses		12.5
Retiree COLA Less than Expected		(27.6)
Salary Increases Less than Expected		(48.5)
Assumption Changes		19.4
Other Liability (Gain)/Loss		(2.1)
Total Changes		**(46.3)**
Actual UAAL - June 30, 2011	**$**	**841.6**

** Based on calculated contribution.*

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Section 5: Member Contributions

For *SamCERA*, member contributions are of two types: Basic contributions and Cost Sharing contributions.

Basic contributions for each plan are defined in the following sections of the County Employees' Retirement Law:

Basic Contributions

Plan	Code Section	Contribution Provides Average Annuity of
General Plans 1, 2 & 4	31621.9	1/120th of FAC at age 55
General Plan 5	31621	1/120th of FAC at age 60
Probation & Safety	31639.25	1/100th of FAC at age 50

FAC = Final Average Compensation

There are no member contributions under General Plan 3.

Basic member contributions are determined using the Entry Age Normal Funding Method and the following actuarial assumptions:

1. Expected rate of return on assets
2. Individual salary increase rate (wage growth + merit)
3. Mortality for members on service retirement
4. No COLAs are assumed

The member contribution rates were recalculated as of the June 30, 2011 valuation to reflect the assumptions adopted in the June 30, 2011 investigation of experience report. The rates are shown in Appendix D.

Cost-Sharing Contributions

In addition to the basic rate, Plan 1, 2 and 4 County employees make additional cost-sharing contributions as shown in Appendix B. For valuation purposes, cost-sharing contributions are assumed to be permanent. The cost-sharing contributions are fixed and not impacted by changes in assumptions.

Cost-of-Living Contributions

Beginning in January 2012, current (as of August 6, 2011) members of the California Nurses Association will contribute 25% of the cost of COLA, in addition to all base and cost-sharing rates applicable. This change has been reflected in the 2011 valuation.

Other current members do not contribute towards the cost-of-living benefit.

Member Contribution Rates

A sample of the current member contribution rates (basic plus cost-sharing) can be found in Exhibit 10.

Note that a portion of some of the member contribution rates is paid for (“picked up”) by the employer and may or may not be considered part of the member’s contribution account for refund purposes. Consistent with past practice, we have reflected the pick-up for Probation members, but not other classes, due to the differing treatment of contributions for refund purposes.

Full disclosure of the member rates, showing both the basic and the total (basic plus cost-sharing) contribution rates, can be found in Appendix D.

Exhibit 10: Sample Member Contribution Rates Effective July 1, 2012

	Entry Age	Recommended Rates: Basic	Recommended Rates: Cost Sharing	Recommended Rates: Total as a % of Pay	Current: Total as a % of Pay	Ratio (New/Curr)
General Members - County (1)						
Plans 1 & 2	25	6.06%	3.00%	9.06%	9.03%	100.3%
	35	7.25%	3.00%	10.25%	10.22%	100.3%
	45	8.71%	3.00%	11.71%	11.67%	100.3%
Plan 4	25	5.80%	3.00%	8.80%	8.78%	100.2%
	35	6.94%	3.00%	9.94%	9.91%	100.3%
	45	8.29%	3.00%	11.29%	11.26%	100.3%
General Members - SMC M&VCD						
Plans 1 & 2	25	6.06%	0.00%	6.06%	6.03%	100.5%
	35	7.25%	0.00%	7.25%	7.22%	100.4%
	45	8.71%	0.00%	8.71%	8.67%	100.5%
Plan 4	25	5.80%	0.00%	5.80%	5.78%	100.3%
	35	6.94%	0.00%	6.94%	6.91%	100.4%
	45	8.29%	0.00%	8.29%	8.26%	100.4%
Probation Members (Reflects Employer Pick-up)						
Plans 1 & 2	25	6.57%	3.50%	10.07%	10.03%	100.4%
	35	7.88%	3.50%	11.38%	11.33%	100.4%
	45	9.27%	3.50%	12.77%	12.71%	100.5%
Plan 4	25	6.29%	3.50%	9.79%	9.75%	100.4%
	35	7.54%	3.50%	11.04%	10.99%	100.5%
	45	8.72%	3.50%	12.22%	12.16%	100.5%
Safety Members - Other than Deputy Sheriff (2)						
Plans 1 & 2	25	8.21%	5.00%	13.21%	13.16%	100.4%
	35	9.85%	5.00%	14.85%	14.78%	100.5%
	45	11.59%	5.00%	16.59%	16.52%	100.4%
Plan 4	25	7.86%	5.00%	12.86%	12.81%	100.4%
	35	9.43%	5.00%	14.43%	14.37%	100.4%
	45	10.90%	5.00%	15.90%	15.83%	100.4%

(1) Does not include members of the California Nurses Association, who will also contribute 25% of the cost of the COLA beginning with the 2011 actuarial valuation. See Appendix D of this report for a full schedule of rates.

(2) 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.

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Section 6: Employer Contributions

Contributions to *SamCERA* are determined using the Entry Age Normal Cost Funding Method. The portion of the actuarial present value of retirement benefits allocated to a valuation year by the Actuarial Cost Method is called the Normal Cost. These amounts are usually expressed as a percentage of payroll and called the Normal Cost Contribution Rate. Exhibits 11a & 11b illustrate the Normal Cost Rates by type of benefit and for each plan based on this valuation. A comparison with last year is also shown.

Calculated Contribution Rate

It should be noted that when we use the term "Gross Normal Cost rate," we are referring to the value of benefits earned by active members allocated to the valuation year. The Employer Normal Cost is the portion of the annual benefit that the employer is responsible for. This is simply the Gross Normal Cost rate less the contributions made by the members.

The total calculated employer contribution rates for each plan, along with a comparison to the prior year's computed rates, can be found in Exhibits 12a & 12b. These results are expressed as a percentage of payroll and annual contribution dollars. Note that *SamCERA*'s UAAL is determined separately for each class. Thus, the employer funds the UAAL evenly as a percentage of pay over salaries for all members within a class.

The total calculated employer contribution rate was 31.40% for the fiscal year beginning July 1, 2011. For the fiscal year beginning in 2012, the calculated rate based on this report decreased to 30.97%. This is equal to the aggregate Employer Normal Cost contribution rate of 11.25% based on Milliman's 2011 valuation, plus appropriate amounts to amortize the UAAL according to the funding policy, over layered 15-year closed periods.

Employer Contribution Rate
(all values as a % of Payroll)

Employer Normal Cost	11.25%
Total Amortization of UAAL	19.72%
Total Employer Contribution	30.97%

Calculated Contribution Rate (continued)

The UAAL rate reflects a layered 15-year amortization beginning with the June 30, 2008 valuation. Gains and losses after that date are reflected over new 15-year periods starting with the valuation date. A one-year deferral in the implementation of the new rate is reflected. Therefore, the new employer contribution rate calculated in the 2011 valuation is paid over the remaining 14 years and is effective July 1, 2012.

Exhibit 12c shows detail information on how the contribution rate is calculated using the layered method.

Note that in the following exhibits “SMCM&VCD” refers to the San Mateo County Mosquito and Vector Control District.

Changes in the Normal Cost Rate

The change in the calculated Normal Cost contribution rates from year-to-year is generally due to two factors. The two factors are:

(1) **Experience**: Normal experience from year-to-year, reflecting differences in both the weighting between membership groups and in their characteristics, as well as on what was assumed to occur during the past fiscal year and what actually occurred, particularly with respect to salary increases and turnover experience. Based on current system benefit provisions, the aggregate Normal Cost rate is expected to decrease as a greater number of members are covered by Plans 3 and 4, instead of the slightly more expensive Plans 1 and 2. However, the change will be fairly gradual. This trend will continue as new members join Plans 5 and 6.

(2) **Contribution Shut-Off**: For general members hired prior to March 7, 1973 and all Safety members, basic member contributions are not collected after the member has 30 years of service. Thereafter, the member contributions towards the total annual Normal Cost is equal to the cost-sharing, resulting in a sizable increase in the employer’s share of the Normal Cost contributions for the years when the member has more than 30 years of service. The employer’s share of the Normal Cost rates for those groups can be expected to increase rather than remain level, as otherwise expected under the entry age cost method. As most general members hired prior to March 7, 1973 have now attained 30 years of service, this statement applies mainly to Safety groups.

Additionally, this year the Normal Cost changed due to the adoption of new assumptions with the June 30, 2011 experience study. Finally, we made a slight adjustment to the methodology for the member normal cost contribution timing, which resulted in a reduction to the Employer Normal Cost Rate.

San Mateo County Employees'
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Exhibit 11a: Calculated Employer Normal Cost Contribution Rates – June 30, 2011

	General - County (Excluding CNA members)					General - CNA Members**					General - SMCM&VCD*			
A. Normal Cost Contribution Rate	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total
Service Retirement	15.96%	16.38%	7.23%	15.73%	15.64%	15.96%	16.38%	7.23%	15.73%	15.64%	13.74%	22.04%	14.24%	15.63%
Disability Retirement	0.77%	0.89%	0.00%	0.99%	0.93%	0.77%	0.89%	0.00%	0.99%	0.93%	0.64%	1.20%	0.90%	0.22%
Death while Active	0.28%	0.32%	0.00%	0.31%	0.30%	0.28%	0.32%	0.00%	0.31%	0.30%	0.29%	0.47%	0.29%	0.30%
Termination (No Refund)	1.31%	1.22%	0.46%	1.20%	1.19%	1.31%	1.22%	0.46%	1.20%	1.19%	1.34%	1.12%	1.23%	1.23%
Refund of Member Contributions	1.50%	1.51%	0.00%	1.56%	1.50%	1.50%	1.51%	0.00%	1.56%	1.50%	0.92%	1.20%	1.06%	1.06%
Total	**19.82%**	**20.32%**	**7.69%**	**19.79%**	**19.56%**	**19.82%**	**20.32%**	**7.69%**	**19.79%**	**19.56%**	**16.93%**	**26.03%**	**17.72%**	**18.44%**
B. Member Contributions	(9.27)%	(9.94)%	0.00%	(10.26)%	(9.85)%	(10.69)%	(11.12)%	0.00%	(11.10)%	(10.86)%	0.00%	(8.57)%	(6.83)%	(6.47)%
C. Net Employer Normal Cost as of June 30, 2011 (A) - (B)	10.55%	10.38%	7.69%	9.53%	9.71%	9.13%	9.20%	7.69%	8.69%	8.70%	16.93%	17.46%	10.89%	11.97%
D. Net Employer Normal Cost as of June 30, 2010	11.18%	10.83%	7.81%	9.79%	10.05%	11.18%	10.83%	7.81%	9.79%	10.05%	10.76%	16.52%	10.93%	11.70%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	(0.63)%	(0.45)%	(0.12)%	(0.26)%	(0.34)%	(2.05)%	(1.63)%	(0.12)%	(1.10)%	(1.35)%	6.17%	0.94%	(0.04)%	0.27%

* *Normal Cost rates for Mosquito and Vector Control District reflect adoption of "enhanced" General County benefit formula beginning with 2010 actuarial valuation.*

** *General County members belonging to the California Nurses' Association (CNA) contribute 25% of the cost of the COLA, in addition to regular member rates and cost sharing. The Gross Normal Cost Rate shown is the aggregate rate by Plan for General County and General CNA members.*

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Exhibit 11b: Calculated Employer Normal Cost Contribution Rates – June 30, 2011 (continued)

	Safety				Probation				All Plans
A. Normal Cost Contribution Rate	Plan 1	Plan 2	Plan 4	Total	Plan 1*	Plan 2	Plan 4	Total	
Service Retirement	33.43%	27.91%	26.35%	26.92%	28.29%	27.22%	24.57%	25.26%	17.48%
Disability Retirement	1.97%	1.97%	2.38%	2.24%	1.77%	1.89%	1.93%	1.92%	1.14%
Death while Active	1.01%	0.99%	0.91%	0.94%	1.03%	0.88%	0.84%	0.85%	0.41%
Termination (No Refund)	1.19%	1.31%	1.21%	1.24%	1.42%	1.29%	1.29%	1.29%	1.20%
Refund of Member Contributions	0.66%	0.64%	0.75%	0.71%	0.48%	0.53%	0.56%	0.55%	1.35%
Total	**38.26%**	**32.82%**	**31.60%**	**32.05%**	**32.99%**	**31.81%**	**29.19%**	**29.87%**	**21.57%**
B. Member Contributions	(10.57)%	(12.99)%	(13.14)%	(13.08)%	(3.50)%	(10.24)%	(10.39)%	(10.35)%	(10.32)%
C. Net Employer Normal Cost as of June 30, 2011 (A) - (B)	27.69%	19.83%	18.46%	18.97%	29.49%	21.57%	18.80%	19.52%	11.25%
D. Net Employer Normal Cost as of June 30, 2010	25.55%	20.31%	18.06%	19.01%	24.36%	22.13%	18.88%	19.85%	11.57%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	2.14%	(0.48)%	0.40%	(0.04)%	5.13%	(0.56)%	(0.08)%	(0.33)%	(0.32)%

** Only two active members remain in Probation Plan 1 remain. Both are assumed to retire immediately; therefore, there is no normal cost calculated for the upcoming year. The Normal Cost Contribution Rate is set equal to the prior year's rate. The member rate is set equal to the cost-sharing rate, since the basic member rate has been "shut off."*

San Mateo County Employees' Retirement Association

Exhibit 12a: Total Employer Contributions
(Dollars In Thousands)

	General - County (Excludes CNA members)					General - CNA Members					General - SMCM&VCD**			
	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total
A. Basic Employer Normal Cost Rate	4.49%	5.44%	7.69%	6.09%	5.94%	3.88%	4.82%	7.69%	5.55%	5.32%	11.65%	11.20%	7.80%	8.44%
B. COLA Normal Cost Rate	6.06%	4.94%	0.00%	3.44%	3.77%	5.23%	4.38%	0.00%	3.14%	3.38%	5.28%	6.26%	3.09%	3.53%
C. Employer Normal Cost Rate	10.55%	10.38%	7.69%	9.53%	9.71%	9.11%	9.20%	7.69%	8.69%	8.70%	16.93%	17.46%	10.89%	11.97%
D. UAAL Contribution Rate	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%
E. Total June 30, 2011 Contribution Rate (C) + (D)	**26.96%**	**26.79%**	**24.10%**	**25.94%**	**26.12%**	**25.52%**	**25.61%**	**24.10%**	**25.10%**	**25.11%**	**33.34%**	**33.87%**	**27.30%**	**28.38%**
F. Total June 30, 2010 Contribution Rate***	27.53%	27.18%	24.16%	26.14%	26.40%	27.53%	27.18%	24.16%	26.14%	26.40%	27.11%	32.87%	27.28%	28.05%
G. Estimated Payroll for fiscal year beginning July 1, 2012	$ 5,242	$ 89,140	$ 10,481	$ 230,679	$ 335,542	$ 748	$ 11,783	$ 886	$ 26,766	$ 40,183	$ 127	$ 146	$ 1,269	$ 1,542
H. Estimated Annual Contribution (E x G)*	**$ 1,413**	**$ 23,876**	**$ 2,525**	**$ 59,827**	**$ 87,628**	**$ 191**	**$ 3,017**	**$ 213**	**$ 6,717**	**$ 10,088**	**$ 42**	**$ 49**	**$ 346**	**$ 438**

** Estimated contributions shown for illustrative purposes based on monthly contributions. Actual contributions will vary depending on actual payroll and timing.*

***Normal Cost rates for Mosquito and Vector Control District reflect adoption of "enhanced" General County benefit formula beginning with 2010 actuarial valuation.*

****Prior year rates shown are those calculated in the June 30, 2010 actuarial valuation. The County elected to contribute higher rates than those shown.*

San Mateo County Employees' Retirement Association

Exhibit 12b: Total Employer Contributions (continued)
(Dollars In Thousands)

	Safety				Probation				All Plans
	Plan 1	Plan 2	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total	
A. Basic Employer Normal Cost Rate	14.57%	10.89%	12.22%	11.80%	14.59%	12.92%	12.96%	12.96%	7.02%
B. COLA Normal Cost Rate	13.12%	8.94%	6.24%	7.17%	14.90%	8.65%	5.84%	6.56%	4.23%
C. Employer Normal Cost Rate	27.69%	19.83%	18.46%	18.97%	29.49%	21.57%	18.80%	19.52%	11.25%
D. UAAL Contribution Rate	40.16%	40.16%	40.16%	40.16%	21.62%	21.62%	21.62%	21.62%	19.72%
E. Total June 30, 2011 Contribution Rate (C) + (D)	**67.85%**	**59.99%**	**58.62%**	**59.13%**	**51.11%**	**43.19%**	**40.42%**	**41.14%**	**30.97%**
F. Total June 30, 2010 Contribution Rate**	70.05%	64.81%	62.56%	63.51%	45.98%	43.75%	40.50%	41.47%	31.40%
G. Estimated Payroll for fiscal year beginning July 1, 2012	$ 922	$ 18,126	$ 36,182	$ 55,230	$ 192	$ 7,015	$ 18,875	$ 26,082	$ 457,037
H. Estimated Annual Contribution (E x G)*	**$ 626**	**$ 10,874**	**$ 21,211**	**$ 32,659**	**$ 98**	**$ 3,030**	**$ 7,629**	**$ 10,730**	**$ 141,544**

** Estimated contributions shown for illustrative purposes based on monthly contributions. Actual contributions will vary depending on actual payroll and timing.*

***Prior year rates shown are those calculated in the June 30, 2010 actuarial valuation. The County elected to contribute higher rates than those shown.*

San Mateo County Employees' Retirement Association

Exhibit 12c: Supplemental Detail on UAAL Payments (Dollars in Thousands)

General

Date Established	Description	Balance as of June 30, 2011	Interest on Balance	Amort. Payment on June 30, 2012 [1]	Balance as of June 30, 2012 [2]	Remaining Period as of June 30, 2012	July 1, 2012 Amortization Payment
June 30, 2008	Initial UAAL	$ 380,673	$ 29,502	$ 41,224	$ 368,951	11 Years	$ 40,558
June 30, 2009	(Gain) / Loss	$ 361,496	$ 28,016	$ 36,734	$ 352,778	12 Years	$ 36,141
June 30, 2010	(Gain) / Loss	$ (132,418)	$ (10,262)	$ (12,701)	$ (129,979)	13 Years	$ (12,496)
June 30, 2011	(Gain) / Loss	$ (30,543)	$ (2,367)	$ 5,809 [3]	$ (38,719)	14 Years	$ (3,513)
						Total Amortization Payment July 1, 2012:	$ 60,690
						Projected Payroll July 1, 2012:	$ 369,939
	UAAL as of June 30, 2011:	**$ 579,208**				**UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2012:**	**16.41%**

Safety

Date Established	Description	Balance as of June 30, 2011	Interest on Balance	Amort. Payment on June 30, 2012 [1]	Balance as of June 30, 2012 [2]	Remaining Period as of June 30, 2012	July 1, 2012 Amortization Payment
June 30, 2008	Initial UAAL	$ 138,914	$ 10,766	$ 15,043	$ 134,637	11 Years	$ 14,800
June 30, 2009	(Gain) / Loss	$ 132,576	$ 10,275	$ 13,472	$ 129,379	12 Years	$ 13,254
June 30, 2010	(Gain) / Loss	$ (49,532)	$ (3,839)	$ (4,751)	$ (48,620)	13 Years	$ (4,674)
June 30, 2011	(Gain) / Loss	$ (12,119)	$ (939)	$ 4,899 [3]	$ (17,957)	14 Years	$ (1,629)
						Total Amortization Payment July 1, 2012:	$ 21,751
						Projected Payroll July 1, 2012:	$ 54,157
	UAAL as of June 30, 2011:	**$ 209,839**				**UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2012:**	**40.16%**

Probation

Date Established	Description	Balance as of June 30, 2011	Interest on Balance	Amort. Payment on June 30, 2012 [1]	Balance as of June 30, 2012 [2]	Remaining Period as of June 30, 2012	July 1, 2012 Amortization Payment
June 30, 2008	Initial UAAL	$ 34,804	$ 2,697	$ 3,769	$ 33,732	11 Years	$ 3,708
June 30, 2009	(Gain) / Loss	$ 33,370	$ 2,586	$ 3,392	$ 32,564	12 Years	$ 3,337
June 30, 2010	(Gain) / Loss	$ (12,089)	$ (937)	$ (1,160)	$ (11,866)	13 Years	$ (1,141)
June 30, 2011	(Gain) / Loss	$ (3,545)	$ (275)	$ 300 [3]	$ (4,120)	14 Years	$ (374)
						Total Amortization Payment July 1, 2012:	$ 5,530
						Projected Payroll July 1, 2012:	$ 25,576
	UAAL as of June 30, 2011:	**$ 52,540**				**UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2012:**	**21.62%**

Explanatory Notes:

[1] *Amortization Payments are based on a fixed schedule that increases by the payroll assumption each year.*

[2] *The calculation of assets and liabilities used in the calculation of UAAL are as of June 30, 2011; whereas, the contribution rates are not effective until July 1, 2012. Therefore, the UAAL is adjusted to June 30, 2012 in the calculation of contribution rates.*

[3] *The 15-year amortization of UAAL does not begin until July 1, 2012; however, the UAAL amount is adjusted based on the July 1, 2011 contribution rate.*

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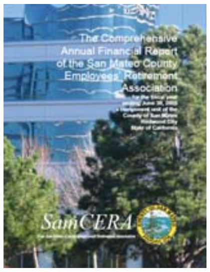
Section 7: Information for Comprehensive Annual Financial Report (CAFR)



The Governmental Accounting Standards Board (GASB) sets standards for defined benefit pension plan reporting and disclosures (Statement No. 25). The reporting requirements for Statement No. 25 include certain supplementary information that must be added to the financial statements. These include:

(1) A Schedule of Funding Progress
(2) A Schedule of Employer Contributions

The Schedule of Funding Progress, Exhibit 13, compares actuarial assets and liabilities of *SamCERA*, based on the actuarial funding method used. The required Schedule of Employer Contributions, Exhibit 14, compares the employer contributions required based on the actuarial valuation (the actuarial required contribution, or ARC) with the employer contributions actually made. The ARC must be calculated based on certain parameters required for disclosure purposes.

We believe the actuarial methods and assumptions used in this valuation to determine the employer's contribution for funding purposes satisfy the GASB reporting requirements.

GASB Statement No. 27 specifies required reporting for pension accounting by state and local governmental employers.

The comparability of the data from year-to-year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, etc.

Exhibit 15 compares the Actuarial Value of Valuation Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the active members' benefits. This is referred to as the Solvency Test. Although not required under GASB, this test is part of the CAFR guidelines specified by the Government Finance Officers Association (GFOA).

CAFR (continued)

In addition to the exhibits mentioned above, the following supporting information is supplied for inclusion in *SamCERA*'s CAFR:

- Exhibit 16 – History of employer contribution rates.
- Exhibit 17 – Actuarial analysis of financial experience.
- Exhibit 18 – Summary of significant actuarial statistics and measurements.
- Exhibit 19 – Summary of *SamCERA* membership. For more detailed information on the valuation data, see Appendix C.
- Exhibit 20 – Summary of active member valuation data.
- Exhibit 21 – Summary of demographic activity of retirees and beneficiaries.
- Exhibit 22 – Average salary and active counts by employer.
- Exhibit 23 – Summary of retired and inactive benefits.
- Exhibit 24 – Summary of actuarial assumptions and cost method. For more detailed information, see Appendix A.

San Mateo County Employees' Retirement Association

Exhibit 13: Schedule of Funding Progress

(Dollars In Thousands)

Actuarial Valuation Date*	(a) Actuarial Value of Valuation Assets	(b) Actuarial Accrued Liabilities	(b-a) Unfunded Actuarial Accrued Liabilities (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
June 30, 2002	$ 1,416,821	$ 1,660,566	$ 243,745	85.3%	$ 301,891	80.74%
June 30, 2003	1,353,941	1,781,544	427,603	76.0%	323,896	132.02%
June 30, 2004	1,452,621	1,921,328	468,707	75.6%	365,385	128.28%
June 30, 2005	1,615,585	2,177,759	562,174	74.2%	334,315	168.16%
June 30, 2006	1,769,021	2,345,149	576,128	75.4%	368,972	156.14%
June 30, 2007	1,976,731	2,555,504	578,773	77.4%	407,912	141.92%
June 30, 2008	2,218,937	2,806,222	587,285	79.1%	416,243	141.09%
June 30, 2009	1,909,679	2,987,712	1,078,033	63.9%	436,424	247.02%
June 30, 2010	2,179,076	3,098,453	919,377	70.3%	428,559	214.53%
June 30, 2011	2,405,140	3,246,727	841,587	74.1%	424,061	198.46%

**Information for years prior to 2005 reported by prior actuaries.*

Exhibit 14: Schedule of Contributions from the Employer

(All Dollars In Thousands)

Fiscal Year Ending*	Annual Required Contribution (ARC)**	Actual Employer Contributions	Percentage of ARC Contributed
6/30/2002	33,541	33,541	100%
6/30/2003	36,070	36,070	100%
6/30/2004	60,042	60,042	100%
6/30/2005	76,931	76,931	100%
6/30/2006	76,090	76,090	100%
6/30/2007	100,550	100,550	100%
6/30/2008	105,340	105,340	100%
6/30/2009	106,123	106,123	100%
6/30/2010	106,265	106,265	100%
6/30/2011	150,475	150,475	100%

**Information for years prior to 2005 reported by prior actuaries.*

***GASB Annual Required Contribution (ARC) is set equal to actual employer contribution when the actual employer contribution meets GASB ARC criteria.*

San Mateo County Employees' Retirement Association

Exhibit 15: Solvency Test
(Dollars In Thousands)

Actuarial Valuation Date[1]	Valuation Assets	Actuarial Accrued Liabilities for: Active Member Contributions (A)	Retirees and Beneficiaries[2] (B)	Active Members (Employer Financed Portion) (C)	Portion of Actuarial Accrued Liabilities Covered by Assets: (A)	(B)	(C)
June 30, 2002	$ 1,416,821	$ 190,450	$ 866,985	$ 785,082	100%	100%	46%
June 30, 2003	1,353,941	202,551	858,273	915,108	100%	100%	32%
June 30, 2004	1,452,621	259,731	942,765	718,832	100%	100%	35%
June 30, 2005	1,615,585	281,231	1,133,351	763,177	100%	100%	26%
June 30, 2006	1,769,021	317,521	1,234,005	793,623	100%	100%	27%
June 30, 2007	1,976,731	359,484	1,348,013	848,007	100%	100%	32%
June 30, 2008	2,218,937	385,300	1,550,875	870,047	100%	100%	32%
June 30, 2009	1,909,679	412,147	1,670,547	905,018	100%	90%	0%
June 30, 2010	2,179,076	449,355	1,745,146	903,952	100%	99%	0%
June 30, 2011	2,405,140	485,126	1,866,219	895,382	100%	100%	6%

(1) Information for years prior to 2005 reported by prior actuaries.
(2) Includes deferred vested.

San Mateo County Employees' Retirement Association

Exhibit 16: History of Employer Contribution Rates

(Dollars In Thousands)

County Rates[1]												
Valuation	General Member (excluding Nurses)			General Member (Nurses)			Safety Member			Probation Member		
Year	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2002	9.71%	0.70%	10.41%	Same as County General			17.22%	1.50%	18.72%	16.76%	1.17%	17.93%
2003	11.00%	4.60%	15.60%	Same as County General			21.99%	12.74%	34.73%	23.45%	8.10%	31.55%
2004	9.76%	8.25%	18.01%	Same as County General			15.34%	24.82%	40.16%	16.17%	15.28%	31.45%
2005	10.36%	10.38%	20.74%	Same as County General			20.43%	32.02%	52.45%	21.10%	16.43%	37.53%
2006	10.49%	9.97%	20.46%	Same as County General			20.18%	30.52%	50.70%	21.59%	14.85%	36.44%
2007	10.19%	9.46%	19.65%	Same as County General			19.94%	29.32%	49.26%	20.83%	14.06%	34.89%
2008	10.16%	9.81%	19.97%	Same as County General			19.32%	27.31%	46.63%	20.05%	12.81%	32.86%
2009	10.11%	18.40%	28.51%	Same as County General			19.21%	51.83%	71.04%	19.92%	23.84%	43.76%
2010	10.05%	16.35%	26.40%	Same as County General			19.01%	44.50%	63.51%	19.85%	21.62%	41.47%
2011	9.71%	16.41%	26.12%	8.70%	16.41%	25.11%	18.87%	41.75%	60.62%	19.50%	22.30%	41.80%

Rates for Mosquito and Vector Control District[2]			
Valuation	General Member		
Year	Normal	UAAL	Total
2006	8.76%	8.18%	16.94%
2007	8.50%	7.76%	16.26%
2008	8.55%	8.04%	16.59%
2009	8.25%	15.09%	23.34%
2010	11.70%	16.35%	28.05%
2011	11.48%	16.96%	28.44%

(1) Information for years prior to 2005 reported by prior actuaries.

(2) Beginning with the 2010 actuarial valuation, the Mosquito and Vector Control District adopted the same benefit formula and member contribution rates as Plan 1, 2 & 4 General County members (excluding cost sharing on member rates).

(3) Beginning with the 2011 actuarial valuation, members of the California Nurses Association contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.

San Mateo County Employees'
Retirement Association

Exhibit 17: Actuarial Analysis of Financial Experience

Summary of (Gains) / Losses	Change In Liability				
	2011	2010	2009	2008	2007
Unfunded Liability as of July 1	$ 919,377,000	$ 1,078,033,000	$ 587,285,000	$ 578,773,000	$ 576,128,000
Expected Change in UAAL	(31,508,000)	27,388,000	(11,786,000)	(31,649,000)	(16,745,000)
Salary (Gain) / Loss	(51,831,000)	(43,598,000)	(10,081,000)	(19,946,000)	45,157,000
Fewer Withdrawals than expected					
Retiree COLA more / (less) than expected	(27,561,000)	(41,258,000)	1,080,000	937,000	(3,380,000)
Asset (Gain) / Loss	12,548,000	(88,485,000)	522,444,000	(20,078,000)	(22,639,000)
Change due to Assumption Changes	19,402,000			61,011,000	
Ventura Benefits & Asset transfers					
Miscellaneous Experience	1,160,000	(12,703,000)	(10,909,000)	18,237,000	252,000
Change Due to New Formula					
Unfunded Liability as of June 30	$ 841,587,000	$ 919,377,000	$ 1,078,033,000	$ 587,285,000	$ 578,773,000

San Mateo County Employees' Retirement Association

Exhibit 18: Summary of Significant Actuarial Statistics and Measures

		June 30th of 2011	June 30th of 2010	Relative Change
I.	Active Members			
	Number of Members	5,245	5,347	(1.9)%
	Average Age	45.7	45.4	0.7%
	Average Credited Service	10.6	10.2	3.9%
	Total Active Payroll ($thousands)	$ 432,542	$ 437,130	(1.0)%
	Average Monthly Salary	$ 6,872	$ 6,813	0.9%
II.	Retired Members			
	Number of Members			
	Service Retirement	3,242	3,108	4.3 %
	Disability Retirement	370	365	1.4 %
	Beneficiaries	535	529	1.1 %
	Average Age	71.3	71.3	(0.1)%
	Actual Retiree Benefits Paid ($thousands)	$ 129,835	$ 122,141	6.3 %
	Average Monthly Pension	$ 2,706	$ 2,601	4.0%
III.	Inactive Vested Members	1,190	1,207	(1.4)%
IV.	Assets			
	Market Value of Fund ($thousands)	$ 2,317,493	$ 1,815,896	27.6%
	Return on Market Value	23.7%	12.2%	
	Valuation Assets ($thousands)	$ 2,405,140	$ 2,179,076	10.4%
	Return on Valuation Assets	7.2%	12.7%	
V.	Liability Values ($thousands)			
	Actuarial Accrued Liability	$ 3,246,727	$ 3,098,453	4.8%
	Unfunded Actuarial Accrued Liability	$ 841,587	$ 919,377	(8.5)%
	Deferred Asset (Gains) / Losses	$ 87,647	$ 363,179	
VI.	Funded Ratio			
	GASB 25 (based on valuation assets)	74.1%	70.3%	5.3%

Exhibit 19: Summary of *SamCERA* Membership

Plan	One	Two	Three	Four	Total
Retirees and beneficiaries currently receiving benefits:					
General	1,979	1,389	102	153	3,623
Safety	285	110	-	10	405
Probation	71	42	-	6	119
Subotal	2,335	1,541	102	169	4,147
Terminated employees entitled to but not currently receiving benefits (Deferred):					
General	31	458	111	481	1,081
Safety	1	32	-	31	64
Probation	-	20	-	25	45
Subotal	32	510	111	537	1,190
Current employees:					
Vested:					
General	63	1,102	77	1,957	3,199
Safety	6	132	-	195	333
Probation	2	75	-	181	258
Non-Vested:					
General	-	-	74	1,221	1,295
Safety	-	-	-	113	113
Probation	-	-	-	47	47
Subotal	71	1,309	151	3,714	5,245
Total SamCERA Membership	2,438	3,360	364	4,420	10,582

Exhibit 20: Summary of Active Member Valuation Data

Valuation Date		Members	Annual Salary	Average Annual Salary	% Change Average Salary
2002	General	4,159	$250,344,000	$60,192	6.7%
	Safety	431	$34,405,000	$79,824	5.1%
	Probation	282	$17,142,000	$60,792	6.8%
	Total	4,872	$301,891,000	$61,968	6.6%
2003	General	4,213	$267,150,000	$63,408	5.3%
	Safety	434	$37,973,000	$87,492	9.6%
	Probation	290	$18,773,000	$64,740	6.5%
	Total	4,937	$ 323,896,00	$65,964	5.9%
2004	General	4,487	$303,786,879	$67,700	6.8%
	Safety	411	$40,796,852	$99,202	13.4%
	Probation	288	$20,800,813	$72,225	11.6%
	Total	5,186	$365,384,544	$70,448	6.8%
2005	General	4,411	$304,289,437	$68,984	1.8%
	Safety	409	$39,999,593	$97,799	-1.4%
	Probation	278	$20,123,863	$72,388	0.2%
	Total	5,098	$364,412,893	$71,482	1.4%
2006*	General	4,614	$312,934,324	$67,823	-1.7%
	Safety	428	$41,407,772	$96,747	-1.1%
	Probation	313	$22,009,210	$70,317	-1.6%
	Total	5,355	$376,351,306	$70,280	-1.7%
2007	General	4,767	$346,319,017	$72,649	7.1%
	Safety	443	$45,386,411	$102,452	5.9%
	Probation	329	$24,364,268	$74,056	5.3%
	Total	5,539	$416,069,696	$75,116	6.9%
2008	General	4,743	$353,518,525	$74,535	2.6%
	Safety	432	$46,326,906	$107,238	4.7%
	Probation	325	$24,741,003	$76,126	2.8%
	Total	5,500	$424,586,434	$77,198	2.8%
2009	General	4,777	$370,760,830	$77,614	4.1%
	Safety	436	$48,120,081	$110,367	2.9%
	Probation	330	$26,270,802	$79,608	4.6%
	Total	5,543	$445,151,713	$80,309	4.0%
2010	General	4,609	$363,305,740	$78,825	1.6%
	Safety	425	$48,576,912	$114,299	3.6%
	Probation	313	$25,247,595	$80,663	1.3%
	Total	5,347	$437,130,248	$81,752	1.8%
2011	General	4,494	$355,876,715	$79,189	0.5%
	Safety	446	$52,073,940	$116,758	2.2%
	Probation	305	$24,591,392	$80,628	0.0%
	Total	5,245	$432,542,046	$82,468	0.9%

**Numbers prior to 2006 were reported on a different basis.*

San Mateo County Employees' Retirement Association

Exhibit 21: Summary of Demographic Activity of Retirees and Beneficiaries

Year Ended	Added to Rolls(1) No.	Added to Rolls(1) Annual Allowances in Thousands	Removed from Rolls No.	Removed from Rolls Annual Allowances in Thousands	Rolls end of year No.(2)	Rolls end of year Total Retiree Payroll in Thousands	% Increase in Payroll	Average Monthly Allowances
June 30, 2002	194	$ N/A	138	$ N/A	3,309	$ 66,974	7.3 %	$ 1,627
June 30, 2003	128	N/A	115	N/A	3,322	69,451	3.7	1,676
June 30, 2004	193	N/A	120	N/A	3,539	75,943	8.7	1,778
June 30, 2005	238	N/A	95	N/A	3,682	84,183	11.5	1,905
June 30, 2006	206	N/A	112	N/A	3,613	91,006	8.1	2,099
June 30, 2007	155	N/A	74	N/A	3,694	98,790	8.6	2,229
June 30, 2008	218	N/A	70	N/A	3,842	109,616	11.0	2,378
June 30, 2009	159	12,717	66	3,281	3,935	119,052	8.6	2,521
June 30, 2010	163	9,076	96	3,240	4,002	124,888	4.9	2,601
June 30, 2011	209	19,539	64	2,916	4,147	135,675	14.0	2,706

(1) Amount added to rolls includes COLAs granted in year to continuing retirees and beneficiaries.

(2) For 6/30/2004 and 6/30/2005, retirees/beneficiaries who are entitled to multiple benefits are counted more than once. Starting 6/30/2006, the counts reflect only one benefit per retiree.

Exhibit 22: Average Salary and Active Counts by Employer

Schedule of Average Monthly Salary of Active Members*
(By Plan and Membership Type)

	2011	2010	2009	2008	2007
General Plan 1	$7,630	$7,543	$7,534	$7,252	$7,175
General Plan 2	$7,208	$7,193	$7,120	$6,872	$6,688
General Plan 3	$5,968	$5,818	$5,791	$5,619	$5,287
General Plan 4	$6,398	$6,348	$6,212	$5,914	$5,714
General Plan Total	$6,599	$6,569	$6,468	$6,211	$6,054
Safety Plan 1	$12,073	$11,578	$10,889	$11,113	$10,212
Safety Plan 2	$10,789	$10,548	$10,135	$9,612	$9,299
Safety Plan 4	$9,230	$8,931	$8,610	$8,349	$7,882
Safety Plan Total	$9,730	$9,525	$9,197	$8,937	$8,538
Probation Plan 1	$7,533	$8,922	$9,751	$9,791	$8,522
Probation Plan 2	$7,349	$7,393	$7,341	$6,960	$6,899
Probation Plan 4	$6,505	$6,456	$6,291	$5,978	$5,766
Probation Plan Total	$6,719	$6,722	$6,634	$6,344	$6,171
Grand Total	$6,872	$6,813	$6,692	$6,433	$6,260

**Numbers prior to 2006 were reported on a different basis.*

Participating Employers and Active Members

	2011	2010	2009	2008	2007
County of San Mateo					
General Members	4,476	4,589	4,758	4,718	4,742
Safety Members	446	425	436	432	443
Probation Members	305	313	330	325	329
Total	5,227	5,327	5,524	5,475	5,514
San Mateo County Mosquito and Vector Control District					
General Members Total	18	20	19	25	25
Total Active Membership	5,245	5,347	5,543	5,500	5,539

San Mateo County Employees' Retirement Association

Exhibit 23: Summary of Retired and Inactive Benefits

Retired Members	2011	2010	2009	2008	2007
Service Retirement					
Number	3,242	3,108	3,032	2,958	2,835
Annual Allowance					
Basic Only	$ 87,254,000	$ 79,007,000	$ 73,038,000	$ 66,704,000	$ 59,687,000
COLA	$ 23,212,000	$ 22,542,000	$ 22,964,000	$ 21,289,000	$ 19,382,000
Total	$ 110,466,000	$ 101,549,000	$ 96,002,000	$ 87,993,000	$ 79,069,000
Average Monthly Payment	$ 2,839	$ 2,723	$ 2,639	$ 2,479	$ 2,324
Disability Retirement					
Number	370	365	369	361	351
Annual Allowance					
Basic Only	$ 9,414,000	$ 8,988,000	$ 8,722,000	$ 8,214,000	$ 7,571,000
COLA	$ 3,005,000	$ 2,926,000	$ 3,070,000	$ 2,847,000	$ 2,569,000
Total	$ 12,419,000	$ 11,914,000	$ 11,792,000	$ 11,061,000	$ 10,140,000
Average Monthly Payment	$ 2,797	$ 2,720	$ 2,663	$ 2,553	$ 2,407
Beneficiaries					
Number	535	529	534	523	508
Annual Allowance					
Basic Only	$ 6,672,000	$ 6,309,000	$ 6,052,000	$ 5,757,000	$ 5,220,000
COLA	$ 5,118,000	$ 5,116,000	$ 5,206,000	$ 4,805,000	$ 4,361,000
Total	$ 11,790,000	$ 11,425,000	$ 11,258,000	$ 10,562,000	$ 9,581,000
Average Monthly Payment	$ 1,836	$ 1,800	$ 1,757	$ 1,683	$ 1,572
Total Retired Members					
Number	4,147	4,002	3,935	3,842	3,694
Annual Allowance					
Basic Only	$ 103,340,000	$ 94,304,000	$ 87,812,000	$ 80,675,000	$ 72,478,000
COLA	$ 31,335,000	$ 30,584,000	$ 31,240,000	$ 28,941,000	$ 26,312,000
Total	$ 134,675,000	$ 124,888,000	$ 119,052,000	$ 109,616,000	$ 98,790,000
Average Monthly Payment	$ 2,706	$ 2,601	$ 2,521	$ 2,378	$ 2,229
Inactive Members	1,190	1,207	1,230	1,225	1,151

The data in the table above originates from PensionGold, SamCERA's retirement benefit administration system.

Exhibit 24a: Summary of Assumptions

Assumptions & Methods for Most Recent Actuarial Valuation

Actuarial Methods	
Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008 is amortized over 15 years as of the valuation date. Future actuarial gains and losses are amortized over new 15-year periods (including the change in UAAL as of June 30, 2011). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
Actuarial Assumptions	
Rate of Investment Return	7.75%
Price Inflation (CPI)	3.50%
Payroll Increases	4.00%
Average Projected Salary Increases	5.20%
Attributable to Wage Inflation	4.00%
Attributable to Merit and Longevity	1.20% (actual rates vary by service)
Sample Rates of Separation	Shown on following page
Additional Assumptions	Shown in Appendix A

Exhibit 24b: Summary of Assumptions

Probability of Separation During Active Service

Years of Service	Other Terminations Ordinary	Other Terminations Vested	Age	Disability Ordinary	Disability Service	Death while Active Ordinary	Death while Active Service	Service Retirement
General Plan 1, 2 & 4 Male Members								
0	0.1300	0.0000	20	0.0002	0.0004	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0003	0.0004	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0006	0.0010	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0010	0.0016	0.0017	0.0000	0.0500
20	0.0040	0.0150	60	0.0015	0.0022	0.0036	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 1, 2 & 4 Female Members								
0	0.1200	0.0000	20	0.0002	0.0003	0.0002	0.0000	0.0000
5	0.0285	0.0348	30	0.0002	0.0004	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0004	0.0007	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0012	0.0017	0.0013	0.0000	0.0400
20	0.0040	0.0150	60	0.0019	0.0029	0.0030	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 3 Male Members								
0	0.1300	0.0000	20	0.0000	0.0000	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0000	0.0000	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0000	0.0000	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0000	0.0000	0.0017	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0036	0.0000	0.0300
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 3 Female Members								
0	0.1200	0.0000	20	0.0000	0.0000	0.0002	0.0000	0.0000
5	0.0285	0.0348	30	0.0000	0.0000	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0000	0.0000	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0000	0.0000	0.0013	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0030	0.0000	0.0400
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Male Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0003	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0018	0.0004	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0028	0.0009	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0044	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0036	0.0010	1.0000
			70	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Female Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0002	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0018	0.0003	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0028	0.0007	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0044	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0039	0.0010	1.0000
			70	0.0000	0.0000	0.0000	0.0000	1.0000

Appendix A: Actuarial Procedures and Assumptions

The actuarial procedures and assumptions used in the valuation are described in this section. The assumptions were reviewed and changed as a result of the 2011 Investigation of Experience Study.

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 from 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.

Beginning with the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District adopted the same “enhanced” benefit formula that applies to Plan 1, 2 & 4 County General members and the same member rates currently being paid by County General members from those plans. 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.

The normal cost rate is 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.

Employer Contributions

The employer 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 Combined 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 Combined 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 Combined Mortality Table for Males with adjustment for White Collar workers (minimum is 1.0%).
General Females	Average of RP-2000 Healthy Combined 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 Combined 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.

Valuation of Current Deferred Members

Current non-vested members who have terminated active employment are assumed to take a refund of their contributions.

Current vested members who have terminated active employment are assumed to keep their accounts with *SamCERA* and retire as specified in this section. An adjustment is made to the salary data provided for these individuals, as it is our understanding that the salary data may not be complete in many cases. The adjustment is based on the average pay for all members of the active group divided by average pay for the deferred group. The average pay for the active group is based on the average pay over the last five-year period using the information supplied in the CAFR.

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 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* and future salaries are assumed to increase at 4.5% annually.

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.

F. Member Rates for the California Nurses Association are loaded to account for a 25% COLA share. The COLA loads are applied to the otherwise applicable basic member rates, prior to the addition of cost-sharing. The loads were determined based on 2011 information and were applied as follows:

Plan 1 CNA members: 22.74% load
Plan 2 CNA members: 17.00% load
Plan 4 CNA members: 11.58% load

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 prior to termination*	Tables A-6 to A-11

Basis-- RP-2000 Employees Table with age adjustments:

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

E. Mortality for active members after termination and service retired members* — Table A-2

Basis – RP-2000 Healthy Combined 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

Table A-1: Summary of Valuation Assumptions as of June 30, 2010 (continued)

F. Mortality among disabled members* — Table A-3

Basis – Average of RP-2000 Healthy Combined 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 Combined 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%

G. Mortality for beneficiaries* — Table A-2

Basis – Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.

H. Other terminations of employment — Tables A-6 to A-11

I. Refund of contributions on vested termination — Table A-4

* *The current mortality assumptions contain a margin to account for expected future mortality improvement. Refer to the 2011 Investigation of Experience Report for details.*

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%

San Mateo County Employees' Retirement Association

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.*

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
18	0.0000	0.0003	0.0002	N/A	0.0002
19	0.0000	0.0003	0.0002	N/A	0.0002
20	0.0000	0.0003	0.0002	N/A	0.0002
21	0.0000	0.0003	0.0002	N/A	0.0002
22	0.0000	0.0003	0.0002	N/A	0.0002
23	0.0000	0.0003	0.0002	N/A	0.0002
24	0.0000	0.0003	0.0002	N/A	0.0002
25	0.0000	0.0003	0.0002	N/A	0.0002
26	0.0000	0.0003	0.0002	N/A	0.0002
27	0.0000	0.0003	0.0002	N/A	0.0002
28	0.0000	0.0003	0.0002	N/A	0.0002
29	0.0000	0.0003	0.0002	N/A	0.0002
30	0.0000	0.0004	0.0002	N/A	0.0002
31	0.0000	0.0004	0.0002	N/A	0.0002
32	0.0000	0.0004	0.0002	N/A	0.0002
33	0.0000	0.0004	0.0003	N/A	0.0003
34	0.0000	0.0004	0.0003	N/A	0.0003
35	0.0000	0.0005	0.0003	N/A	0.0003
36	0.0000	0.0005	0.0003	N/A	0.0004
37	0.0000	0.0005	0.0004	N/A	0.0004
38	0.0000	0.0006	0.0004	N/A	0.0005
39	0.0000	0.0006	0.0004	N/A	0.0005
40	0.0000	0.0007	0.0004	N/A	0.0006
41	0.0000	0.0007	0.0004	N/A	0.0006
42	0.0000	0.0007	0.0005	N/A	0.0006
43	0.0000	0.0008	0.0005	N/A	0.0007
44	0.0000	0.0008	0.0006	N/A	0.0008
45	0.0000	0.0010	0.0006	N/A	0.0009
46	0.0000	0.0010	0.0007	N/A	0.0009
47	0.0000	0.0011	0.0007	N/A	0.0010
48	0.0000	0.0013	0.0009	N/A	0.0011
49	0.0000	0.0015	0.0010	N/A	0.0012
50	0.0400	0.0017	0.0012	N/A	0.0013
51	0.0400	0.0019	0.0013	N/A	0.0014
52	0.0400	0.0022	0.0014	N/A	0.0016
53	0.0400	0.0023	0.0015	N/A	0.0017
54	0.0500	0.0023	0.0016	N/A	0.0018
55	0.0600	0.0025	0.0016	N/A	0.0020
56	0.0600	0.0025	0.0017	N/A	0.0021
57	0.0800	0.0026	0.0018	N/A	0.0023
58	0.1200	0.0027	0.0018	N/A	0.0025
59	0.1200	0.0028	0.0018	N/A	0.0028
60	0.1500	0.0029	0.0019	N/A	0.0030
61	0.2000	0.0029	0.0020	N/A	0.0033
62	0.3000	0.0030	0.0020	N/A	0.0036
63	0.2500	0.0030	0.0020	N/A	0.0039
64	0.2500	0.0030	0.0020	N/A	0.0043
65	0.3000	0.0030	0.0020	N/A	0.0047
66	0.4000	0.0030	0.0020	N/A	0.0050
67	0.4000	0.0030	0.0020	N/A	0.0054
68	0.3000	0.0030	0.0020	N/A	0.0058
69	0.3000	0.0030	0.0020	N/A	0.0062
70	1.0000	0.0000	0.0000	N/A	0.0000

Years of Service	Other Terminations
0	0.1200
1	0.1000
2	0.0850
3	0.0750
4	0.0700
5	0.0633
6	0.0567
7	0.0500
8	0.0455
9	0.0410
10	0.0365
11	0.0320
12	0.0275
13	0.0270
14	0.0265
15	0.0260
16	0.0255
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.*

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

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	0.0003	0	0.1300
19	0.0000	N/A	N/A	N/A	0.0003	1	0.1100
20	0.0000	N/A	N/A	N/A	0.0003	2	0.0900
21	0.0000	N/A	N/A	N/A	0.0003	3	0.0800
22	0.0000	N/A	N/A	N/A	0.0003	4	0.0700
23	0.0000	N/A	N/A	N/A	0.0003	5	0.0633
24	0.0000	N/A	N/A	N/A	0.0004	6	0.0567
25	0.0000	N/A	N/A	N/A	0.0004	7	0.0500
26	0.0000	N/A	N/A	N/A	0.0004	8	0.0470
27	0.0000	N/A	N/A	N/A	0.0004	9	0.0440
28	0.0000	N/A	N/A	N/A	0.0004	10	0.0410
29	0.0000	N/A	N/A	N/A	0.0004	11	0.0380
30	0.0000	N/A	N/A	N/A	0.0004	12	0.0350
31	0.0000	N/A	N/A	N/A	0.0004	13	0.0330
32	0.0000	N/A	N/A	N/A	0.0004	14	0.0310
33	0.0000	N/A	N/A	N/A	0.0004	15	0.0290
34	0.0000	N/A	N/A	N/A	0.0005	16	0.0270
35	0.0000	N/A	N/A	N/A	0.0006	17	0.0250
36	0.0000	N/A	N/A	N/A	0.0006	18	0.0230
37	0.0000	N/A	N/A	N/A	0.0007	19	0.0210
38	0.0000	N/A	N/A	N/A	0.0008	20	0.0190
39	0.0000	N/A	N/A	N/A	0.0008	21	0.0170
40	0.0000	N/A	N/A	N/A	0.0009	22	0.0150
41	0.0000	N/A	N/A	N/A	0.0010	23	0.0140
42	0.0000	N/A	N/A	N/A	0.0010	24	0.0130
43	0.0000	N/A	N/A	N/A	0.0011	25	0.0120
44	0.0000	N/A	N/A	N/A	0.0011	26	0.0110
45	0.0000	N/A	N/A	N/A	0.0012	27	0.0100
46	0.0000	N/A	N/A	N/A	0.0013	28	0.0100
47	0.0000	N/A	N/A	N/A	0.0014	29	0.0100
48	0.0000	N/A	N/A	N/A	0.0015	30 & Above	0.0100
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		

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

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death
18	0.0000	N/A	N/A	N/A	0.0002
19	0.0000	N/A	N/A	N/A	0.0002
20	0.0000	N/A	N/A	N/A	0.0002
21	0.0000	N/A	N/A	N/A	0.0002
22	0.0000	N/A	N/A	N/A	0.0002
23	0.0000	N/A	N/A	N/A	0.0002
24	0.0000	N/A	N/A	N/A	0.0002
25	0.0000	N/A	N/A	N/A	0.0002
26	0.0000	N/A	N/A	N/A	0.0002
27	0.0000	N/A	N/A	N/A	0.0002
28	0.0000	N/A	N/A	N/A	0.0002
29	0.0000	N/A	N/A	N/A	0.0002
30	0.0000	N/A	N/A	N/A	0.0002
31	0.0000	N/A	N/A	N/A	0.0002
32	0.0000	N/A	N/A	N/A	0.0002
33	0.0000	N/A	N/A	N/A	0.0003
34	0.0000	N/A	N/A	N/A	0.0003
35	0.0000	N/A	N/A	N/A	0.0003
36	0.0000	N/A	N/A	N/A	0.0004
37	0.0000	N/A	N/A	N/A	0.0004
38	0.0000	N/A	N/A	N/A	0.0005
39	0.0000	N/A	N/A	N/A	0.0005
40	0.0000	N/A	N/A	N/A	0.0006
41	0.0000	N/A	N/A	N/A	0.0006
42	0.0000	N/A	N/A	N/A	0.0006
43	0.0000	N/A	N/A	N/A	0.0007
44	0.0000	N/A	N/A	N/A	0.0008
45	0.0000	N/A	N/A	N/A	0.0009
46	0.0000	N/A	N/A	N/A	0.0009
47	0.0000	N/A	N/A	N/A	0.0010
48	0.0000	N/A	N/A	N/A	0.0011
49	0.0000	N/A	N/A	N/A	0.0012
50	0.0000	N/A	N/A	N/A	0.0013
51	0.0000	N/A	N/A	N/A	0.0014
52	0.0000	N/A	N/A	N/A	0.0016
53	0.0000	N/A	N/A	N/A	0.0017
54	0.0000	N/A	N/A	N/A	0.0018
55	0.0400	N/A	N/A	N/A	0.0020
56	0.0400	N/A	N/A	N/A	0.0021
57	0.0400	N/A	N/A	N/A	0.0023
58	0.0400	N/A	N/A	N/A	0.0025
59	0.0400	N/A	N/A	N/A	0.0028
60	0.0400	N/A	N/A	N/A	0.0030
61	0.0600	N/A	N/A	N/A	0.0033
62	0.1500	N/A	N/A	N/A	0.0036
63	0.1000	N/A	N/A	N/A	0.0039
64	0.1500	N/A	N/A	N/A	0.0043
65	0.3000	N/A	N/A	N/A	0.0047
66	0.3000	N/A	N/A	N/A	0.0050
67	0.3000	N/A	N/A	N/A	0.0054
68	0.3000	N/A	N/A	N/A	0.0058
69	0.3000	N/A	N/A	N/A	0.0062
70	1.0000	N/A	N/A	N/A	0.0000

Years of Service	Other Terminations
0	0.1200
1	0.1000
2	0.0850
3	0.0750
4	0.0700
5	0.0633
6	0.0567
7	0.0500
8	0.0455
9	0.0410
10	0.0365
11	0.0320
12	0.0275
13	0.0270
14	0.0265
15	0.0260
16	0.0255
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-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	0.0000	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	0.0003
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	0.0005
39	0.0000	0.0027	0.0000	0.0010	0.0005
40	0.0000	0.0028	0.0000	0.0010	0.0006
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	0.0007
44	0.0000	0.0032	0.0000	0.0010	0.0008
45	0.0000	0.0033	0.0000	0.0010	0.0009
46	0.0000	0.0034	0.0000	0.0010	0.0009
47	0.0000	0.0035	0.0000	0.0010	0.0010
48	0.0000	0.0038	0.0000	0.0010	0.0011
49	0.0000	0.0041	0.0000	0.0010	0.0012
50	0.1500	0.0044	0.0000	0.0010	0.0013
51	0.1500	0.0047	0.0000	0.0010	0.0014
52	0.1500	0.0050	0.0000	0.0010	0.0016
53	0.2000	0.0064	0.0000	0.0010	0.0017
54	0.1300	0.0078	0.0000	0.0010	0.0018
55	0.3000	0.0092	0.0000	0.0010	0.0020
56	0.2500	0.0106	0.0000	0.0010	0.0021
57	0.2000	0.0120	0.0000	0.0010	0.0023
58	0.2500	0.0108	0.0000	0.0010	0.0025
59	0.2500	0.0096	0.0000	0.0010	0.0028
60	1.0000	0.0000	0.0000	0.0000	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.*

Appendix B: Summary of Benefit Provisions

All actuarial calculations are based on our understanding of the statutes governing the *SamCERA* as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the *SamCERA* Board, effective through June 30, 2010. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the State Code. This summary does not attempt to cover all the detailed provisions of the law.

Government Code Section

MEMBERSHIP IN RETIREMENT PLANS

The County has established ten defined benefit plans based on a member's date of entry into *SamCERA*. Plans 1, 2 & 4 are open to all members depending on their date of entry. Only General members are eligible for Plan 3.

Employees of the Mosquito and Vector Control District are eligible for participation in all General retirement plans, except for Plan 3.

Plan 1: Employees hired on July 6, 1980 and earlier.

Plan 2: Employees hired after July 6, 1980, but on or before July 12, 1997.

Plan 3: General members may elect to participate in Plan 3. After five years of service, Plan 3 members can elect membership under the open contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. (31496)

Plan 4: Employees hired after July 12, 1997 (if Plan 3 not elected).

MEMBER CONTRIBUTIONS

Basic: **All Plans Except 3:**	Contributions are based on the entry age and class of each member and are required of all members in all plans except Plan 3. See section 5 for details on this calculation. Current member rates are shown in Appendix D.	
	Contributions cease when general members are credited with 30 years of service in a contributory plan provided they were members of *SamCERA* or a reciprocal system on March 7, 1973, and continuously thereafter. All safety members are eligible for the 30-year cessation of contributions. This provision does not apply to cost-sharing contributions.	(31625.2, 31664.1)
	Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Retirement on amounts that have been on deposit for at least six months.	(31591, 31700)
Plan 3:	No member contributions are required under Plan 3.	
Cost-of-Living: **Plans 1, 2 & 4:**	Members of the California Nurses Association contribute 25% of the cost of the COLA, in addition to other current member rates and cost sharing. No other Plan 1, 2 & 4 members contribute towards the cost-of-living benefit.	
Cost-Sharing: **Plans 1, 2 & 4:**	**General County members:** Members contribute basic rate plus 3.0%.	(31678.2)
	Safety members (except Deputy Sheriffs): Members contribute basic rate plus 5.0%.	
	Safety members (Deputy Sheriffs only): Members contribute basic rate plus varying cost-sharing rates based on age and service: If age 45 or older 4.5% If age is less than 45 ▪ Service is less than 5 years: 3.0% ▪ Service between 5 & 15 years: 3.5% ▪ Service is more than 15 years 4.5%	
	Probation members: Members contribute basic rate plus 3.5%.	

MEMBER CONTRIBUTIONS (Continued)

Employer Pick-Up:

General members:	The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. Employer rates have not been adjusted to reflect the payment of the refundable employer pick-up of member contributions programs because the county payroll system captures these costs on a pay-as-you-go basis while processing each individual's biweekly pay.	(31581.2)
Safety members:	The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. Employer rates have not been adjusted to reflect the payment of the refundable employer pick-up of member contributions programs because the county payroll system captures these costs on a pay-as-you-go basis while processing each individual's biweekly pay.	(31678.2)
Probation members:	The County provides a variety of refundable service-based employer pick-up of contribution programs for members in several of its unions. Employer rates have been adjusted to reflect the 20% non-refundable County pick-up, effective April 2006.	(31639.85)

EMPLOYER CONTRIBUTIONS

The employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary.	(31453, 31453.5, 31453.6, 31454 31581)

SERVICE RETIREMENT ALLOWANCE

Eligibility: **Plans 1, 2 & 4***	**General members:** Age 50 with 10 years of service; Any age with 30 years of service; or Age 70 regardless of service.	 (31672)
	All Safety & Probation members: Age 50 with 10 years of service; Any age with 20 years of service.	 (31663.25)
	** For part-time employees, age 50 is replaced with age 55.*	(31672.1)
Plan 3:	Age 65 with 10 years of service. A reduced benefit is also payable at age 55 with 10 years of service.	(31496)
Final Compensation: **Plans 1 & 2:**	Monthly average of a member's highest 12 consecutive months of compensation.	(31462.1)
Plans 3 & 4:	Monthly average of a member's highest compensation during any three years. Years do not have to be consecutive.	[31462, 31496.3(d)]
Compensation Limit: **All Plans:**	The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the US Code.	(31671)
Monthly Allowance: **Plans 1, 2 & 4:**	**General members:** 1/60 x Final Compensation x General age factor x years of service.	(31676.14)
	All Safety & Probation members: 3% x Final Compensation x Safety age factor x years of service.	(31664.1)

SERVICE RETIREMENT ALLOWANCE (Continued)

Plan 3: **General members: (a)+(b)-(c) where:** (31496)

(a) 2% x Final Compensation x (Years of Service, (up to 35 years), plus

(b) 1 % x Final Compensation x Years of Service in excess of 35 (up to 10)

(c) Estimated Primary Insurance Amount (PIA) x Years of Covered Service (up to 35) divided by 35.

The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65.

If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor (see Sample Plan Age Factors).

Percentage of Final Average Compensation at Sample Ages:

Plan	Age 50	Age 55	Age 60	Age 65 & Up	
County General 1,2&4	1.475%	1.948%	2.440%	2.611%	(31676.14)
SMCM&VCD*	1.475%	1.948%	2.440%	2.611%	(31676.14)
General Plan 3**	N/A	0.780%	1.220%	2.000%	(31496)
Safety & Probation	3.000%	3.000%	3.000%	3.000%	(31664.1)

* *As of the June 30, 2010 actuarial valuation, SMCM&VCD has adopted the same benefit structure as County General.*

** *Prior to reduction for PIA benefit. Actual percentage will be less.*

Maximum Allowance:

Plans 1, 2 & 4: Allowance may not exceed 100% of final compensation.

Plan 3: The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of Final Compensation for a member with 35 or less years of service, and cannot exceed 80% of Final Compensation if service exceeds 35 years. (31496)

SERVICE RETIREMENT ALLOWANCE (Continued)

Unmodified Retirement Allowance (Normal Form):

Plans 1, 2 & 4:	Life Annuity payable to retired member with 60% continuance to an eligible survivor (or eligible children).	(31760.1)
Plan 3:	Life Annuity payable to retired member with 50% continuance to an eligible survivor (or eligible children).	(31497.71)

Eligible survivor includes certain domestic partners. (31780.2)

Optional Retirement Allowance:
A member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance.

Option 1:	Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member.	(31761)
Option 2:	100% of member's reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member.	(31762)
Option 3:	50% of member's reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member.	(31763)
Option 4:	Other % of member's reduced allowance is payable to an eligible survivor or beneficiary(ies) having an insurable interest in the life of the member.	(31764)

For Options 2, 3 or 4, the continuance will not be paid if the member revokes their election and names another beneficiary after retirement. (31782)

All Allowances:	All allowances are made on a pro rata basis (based on the number of days in that month) if not in effect for the entire month of retirement. For deaths that occur mid-month, the full month's payment is made.	(31600)

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility: **Plans 1, 2 & 4:**	Any age or years of service; disability must result from occupational injury or disease, and member must be permanently incapacitated for the performance of duty.	(31720, 31720.5, 31720.6, 31720.7, 31720.9)
Plan 3:	Not available under Plan 3.	(31487)
Monthly Allowance:	Greater of (1) 50% of final compensation, and (2) the service retirement allowance, if eligible to retire.	(31727.4)
Normal Form Of Payment:	Life Annuity with 100% continuance to a surviving spouse (or eligible children).	(31760, 31786)

RECIPROCAL SERVICE-CONNECTED DISABILITY ALLOWANCE

Eligibility: **Plans 1, 2 & 4:**	Any member regardless of age or years of service who leaves their accumulated contributions on deposit and receives a disability retirement allowance from CalPERS or another ’37 Act system. The member must be eligible for a reciprocal benefit and the disability must be service-connected.	(31837)
Plan 3:	Not available under Plan 3.	
Monthly Allowance:	Same as nonservice-connected disability, but in no case shall the allowance be greater than if all service was with one entity.	(31837, 31838.5)
Normal Form of Payment:	Life Annuity with 100% continuance to a surviving spouse (or eligible children).	(31760, 31786)

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility: **Plans 1, 2 & 4:**	Any age with five years of service and permanently incapacitated for the performance of duty.	(31720, 31836)
Plan 3:	Not available under Plan 3.	(31487)
Monthly Allowance:	The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b) where:	(31726, 31726.5)
General Members:	(a) 90% of 1/60th of Final Compensation x years of service, if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation.	(31727(a))
	(b) 90% of 1/60th of Final Compensation x years of service projected to age 65, not to exceed 1/3 of Final Compensation.	(31727(b))
Safety Members:	1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above.	(31727.2)
Normal Form Of Payment:	Life Annuity with 60% continuance to a surviving spouse (or eligible children).	(31760.1)

SERVICE-CONNECTED DEATH BENEFITS

Eligibility **Plans 1, 2 & 4:**	Active members who die in service as a result of injury or disease arising out of and in the course of employment.	(31787)
Plan 3:	Not available under Plan 3.	(31487)
Monthly Allowance:	An annual death allowance is payable monthly to an eligible survivor (or eligible children) equal to 50% of the member's Final Compensation.	(31787)

SERVICE-CONNECTED DEATH BENEFITS (Continued)

Optional Combined Benefit: (31781.3)

In lieu of the monthly allowance above, an eligible survivor may elect:

(a) A lump sum equal to 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation), plus

(b) A monthly payment equal to 50% of the member's Final Compensation, reduced by a monthly amount, which is the actuarial equivalent of (a) above based on the age of eligible survivor.

Death Benefit (Lump Sum): (31781)
The member's normal contributions and interest, plus 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation).

Additional Allowance for Children: (31787.5)
25% of death allowance (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children.

Additional Amount for Spouse of Safety Member: (31787.6)
An eligible survivor of a safety member is also entitled to receive a lump-sum death benefit equal to 12 x monthly rate of compensation at the time of member's death in addition to all other benefits.

Note: *For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to take the monthly allowance or the lump sum, whichever is more valuable.*

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility:

Plans 1, 2 & 4	Active members who die while in service or while physically or mentally incapacitated for the performance of duty.	(31780)
Plan 3:	Not available under Plan 3.	

Death Benefit (Lump Sum): (31781)
The member's normal contributions and interest, plus 1/12 of the Compensation earned in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation).

Optional Death Benefit:
In lieu of the lump-sum death benefit, several optional death benefits are available to provide flexibility to survivors, as follows.

First Optional Death Benefit: (31781.1)
If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the eligible survivor (or eligible children) may elect to receive an optional death allowance equal to 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death.

Second Optional Death Benefit: (31781.2, 31765.2)
If a member dies prior to reaching the minimum retirement age but has 10 or more years of service, an eligible survivor (or eligible children) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in 31765.2 (a 60% continuance).

Third Optional Death Benefit:
An eligible survivor of a member who dies after five years of service may elect a combined benefit equal to:

(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus (31781.3)

(b) A monthly payment equal to 60% of the monthly retirement allowance to which the member would have been entitled if the member retired or had been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of the eligible survivor. (31781.1)

NONSERVICE-CONNECTED DEATH BENEFITS (Continued)

Fourth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary, the spouse (or eligible children) may elect to receive 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death. (31765.1)

Note for Third and Fourth Optional Death Benefits: In order to leave the eligible survivor the greatest benefit, the member is assumed to have retired for nonservice-connected disability, elected the Option 2 retirement allowance, and then died the next day.

Fifth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary and survives the member by not less than 30 days the spouse (or eligible children) may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3. (31765)

Note: *For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to receive an annuity or a lump-sum, whichever is more valuable. The annuity is equal to the Option 2-100% Continuance calculation for the larger of either (1) a non-service connected disability benefit or (2) the member's earned service retirement benefit (if eligible).*

DEFERRED VESTED BENEFITS

Eligibility:		
Plans 1, 2 & 4:	Age 50 with 10 years of membership. Member contributions must be left on deposit and the member must have terminated with five years of service or entered a reciprocal agency. Members are eligible for service retirement when they would have reached eligibility if they would have remained in an active position.	(31700)
Plan 3:	Age 55 with 10 years of service.	(31496)
Monthly Allowance:		
Plans 1, 2 & 4:	Same as service retirement allowance; payable anytime after the member would have been eligible for service retirement.	(31703, 31704, 31705)
	If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary.	(31702)
Plan 3:	Same as service retirement allowance at normal retirement age 65 or in an actuarially equivalent reduced amount at early retirement, after age 55.	(31496)
	No benefit is paid for death while deferred.	

COST-OF-LIVING INCREASES

Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest ½ of 1%.		(31870, 31870.1, 31870.2, 31874.4)
Plan 1:	**General & Safety** Members (and their beneficiaries) are limited to a maximum 5% cost-of-living increase.	(31870.2)
	Probation Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.	(31870.1)
Plan 2:	**All members** Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.	(31870.1)
Plan 3:	**Plan 3** does not have a COLA.	(31487)
Plan 4:	**All members** Members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase.	(31870)
COLA Bank **Plan 1:**	When the CPI exceeds the applicable percentage (3% or 5%), the difference between the actual CPI and the maximum cost-of-living increase given in any year is credited to the COLA Accumulation (COLA Bank). It may be used in future years to provide cost-of-living increases when the CPI falls below the applicable percentage.	(31870.1, 31870.2)
Plans 2 & 4:	Plans 2 & 4 do not have a COLA bank.	(31874.4)

Appendix C: Valuation Data and Schedules

Data on *SamCERA* membership as of June 30, 2011 was supplied to us by the system staff. On the following table, Exhibit C-1, we present a summary of *SamCERA* membership at June 30, 2010 for active members. Similar information is shown in Exhibit C-2 for deferred vested members and Exhibits C-3a and C-3b for retired members.

Note that salary amounts shown are annualized amounts based on the biweekly pay for the period prior to the valuation date. If the annualized amount was less than the total prior earnings, total prior year earnings were used.

Additional statistical data on both active and retired members is shown in the following tables.

Exhibit C-4: Age, Service, Compensation Distribution of Active Members

Exhibit C-5: Age, Retirement Year, Benefit Amount and Plan Distribution of Retired Members

Exhibits C-4 and C-5 are shown for all plans combined as well as for classification separately.

San Mateo County Employees'
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Exhibit C-1: SamCERA Membership – Active Members as of June 30, 2011

	Total Number		Annual Salary	Average Age		Average Monthly Salary	Average Credited Service
General Members							
Plan 1	63	$	5,768,418	59.8	$	7,630	32.3
Plan 2	1,102		95,315,230	53.0		7,208	20.6
Plan 3	151		10,814,486	44.4		5,968	8.6
Plan 4	3,178		243,978,581	43.7		6,398	6.7
Total	4,494	$	355,876,715	46.2	$	6,599	10.5
Safety Members							
Plan 1	6	$	869,223	60.7	$	12,073	32.4
Plan 2	132		17,090,191	49.7		10,789	20.8
Plan 4	308		34,114,527	41.6		9,230	7.0
Total	446	$	52,073,940	44.2	$	9,730	11.4
Probation Members							
Plan 1	2	$	180,793	62.0	$	7,533	34.9
Plan 2	75		6,613,847	46.8		7,349	19.0
Plan 4	228		17,796,752	38.4		6,505	8.4
Total	305	$	24,591,392	40.6	$	6,719	11.2
Grand Total	5,245	$	432,542,046	45.7	$	6,872	10.6

Exhibit C-2: SamCERA Membership – Deferred Vested Members as of June 30, 2011

	Number	Average Age
General Members		
Plan 1	31	59.3
Plan 2	458	50.6
Plan 3	111	52.7
Plan 4	481	44.8
Total	1,081	48.5
Safety Members		
Plan 1	1	60.0
Plan 2	32	46.3
Plan 4	31	43.9
Total	64	45.4
Probation Members		
Plan 1	-	-
Plan 2	20	44.2
Plan 4	25	43.0
Total	45	43.5
Grand Total	1,190	48.1

Exhibit C-3a: SamCERA Membership – Retired Members as of June 30, 2011

	Number	Average Age	Monthly Allowance	Average Monthly Benefit
General Members				
Plan 1	1,979	77.3	$ 5,233,176	$ 2,644
Plan 2	1,389	66.1	2,867,344	2,064
Plan 3	102	69.3	91,178	894
Plan 4	153	62.4	221,954	1,451
Total	3,623	72.2	$ 8,413,653	$ 2,322
Safety Members				
Plan 1	285	69.2	$ 1,682,816	$ 5,905
Plan 2	110	57.8	590,330	5,367
Plan 4	10	49.8	31,785	3,178
Total	405	65.6	$ 2,304,931	$ 5,691
Probation Members				
Plan 1	71	67.5	$ 339,673	$ 4,784
Plan 2	42	59.8	149,288	3,554
Plan 4	6	64.8	15,333	2,556
Total	119	64.7	$ 504,294	$ 4,238
Grand Total	4,147	71.3	$ 11,222,878	$ 2,706

Exhibit C-3b: SamCERA Membership – Retired Members as of June 30, 2011 Subtotaled by Class and Retirement Type

Plan	Retirement Type	Number		Monthly Benefit		Average Monthly Benefit
General Plans:						
	Healthy	2,874	$	7,058,197	$	2,456
	Disabled	276		604,616		2,191
	Beneficiaries	473		750,840		1,587
	Total	3,623	$	8,413,653	$	2,322
Safety Plans:						
	Healthy	256	$	1,668,775	$	6,519
	Disabled	91		424,453		4,664
	Beneficiaries	58		211,703		3,650
	Total	405	$	2,304,931	$	5,691
Probation Plans:						
	Healthy	112	$	478,438	$	4,272
	Disabled	3		5,872		1,957
	Beneficiaries	4		19,985		4,996
	Total	119	$	504,294	$	4,238
Grand Totals						
	Healthy	3,242	$	9,205,410	$	2,839
	Disabled	370		1,034,941		2,797
	Beneficiaries	535		982,527		1,836
	Total	4,147	$	11,222,878	$	2,706

San Mateo County Employees'
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Exhibit C-4: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2011
All Members

Count

Age	Years of Service 0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Total Count
Under 25	11	17	0	0	0	0	0	0	0	28
25-29	46	167	62	3	0	0	0	0	0	278
30-34	57	272	238	48	1	0	0	0	0	616
35-39	30	196	302	192	20	0	0	0	0	740
40-44	33	183	238	246	99	24	1	0	0	824
45-49	23	113	171	193	100	120	29	0	0	749
50-54	21	108	171	156	99	126	69	17	1	768
55-59	12	97	151	115	74	97	73	30	9	658
60-64	2	53	108	92	49	49	37	31	14	435
65 & Over	1	13	38	33	19	24	12	4	5	149
Total Count	236	1,219	1,479	1,078	461	440	221	82	29	5,245

Compensation

Age	Years of Service 0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Average Comp.
Under 25	54,459	66,214	-	-	-	-	-	-	-	61,596
25-29	58,772	67,036	65,702	63,249	-	-	-	-	-	65,331
30-34	69,908	75,268	74,632	72,839	93,113	-	-	-	-	74,366
35-39	69,242	80,146	83,551	83,099	83,319	-	-	-	-	81,945
40-44	83,746	81,215	81,964	87,845	88,177	96,461	74,620	-	-	84,784
45-49	84,010	85,174	79,746	84,839	89,247	95,257	86,324	-	-	86,017
50-54	97,976	79,912	82,761	83,219	85,097	96,303	88,805	92,099	111,717	86,180
55-59	73,192	82,035	80,648	86,629	86,787	96,006	93,657	96,207	77,778	86,830
60-64	100,870	84,101	79,702	85,810	91,664	89,025	87,681	88,454	81,666	85,390
65 & Over	95,742	69,736	65,913	77,614	77,692	78,490	91,337	69,966	129,783	76,866
Avg. Annual Compensation	73,278	77,884	79,550	84,439	87,263	94,179	89,967	91,144	89,792	82,468

San Mateo County Employees' Retirement Association

Exhibit C-4a: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2011 General Members

Count

	Years of Service									Total
Age	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Count
Under 25	11	12	0	0	0	0	0	0	0	23
25-29	44	138	55	3	0	0	0	0	0	240
30-34	51	231	195	38	1	0	0	0	0	516
35-39	26	183	242	126	17	0	0	0	0	594
40-44	23	173	198	177	68	17	1	0	0	657
45-49	15	110	155	151	82	87	23	0	0	623
50-54	14	97	157	145	89	105	56	16	1	680
55-59	10	89	140	110	71	84	65	29	9	607
60-64	2	52	101	90	47	46	33	28	13	412
65 & Over	1	13	34	32	19	24	12	4	3	142
Total Count	197	1,098	1,277	872	394	363	190	77	26	4,494

Compensation

	Years of Service									Average
Age	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Comp.
Under 25	54,459	58,476	-	-	-	-	-	-	-	56,555
25-29	56,503	63,674	62,812	63,249	-	-	-	-	-	62,156
30-34	65,477	74,407	71,723	66,043	93,113	-	-	-	-	71,931
35-39	62,331	79,643	81,081	76,961	78,715	-	-	-	-	78,875
40-44	69,855	80,369	78,869	83,882	79,427	83,654	74,620	-	-	80,474
45-49	69,078	84,767	78,348	80,425	82,979	86,326	75,533	-	-	81,381
50-54	81,309	75,891	80,300	81,963	82,801	90,984	80,228	89,812	111,717	82,288
55-59	65,188	78,455	78,384	84,942	86,221	91,437	90,150	95,544	77,778	84,159
60-64	100,870	83,541	77,934	84,841	91,027	88,249	81,743	82,201	80,136	83,572
65 & Over	95,742	69,736	62,225	75,650	77,692	78,490	91,337	69,966	123,924	74,974
Avg. Annual Compensation	64,851	76,570	77,048	81,046	83,457	88,457	83,989	88,172	85,587	79,189

San Mateo County Employees' Retirement Association

Exhibit C-4b: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2011
Safety Members

Count

	Years of Service									Total
Age	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Count
Under 25	0	4	0	0	0	0	0	0	0	4
25-29	2	14	5	0	0	0	0	0	0	21
30-34	6	18	16	7	0	0	0	0	0	47
35-39	4	8	28	28	2	0	0	0	0	70
40-44	10	7	22	33	16	5	0	0	0	93
45-49	8	3	7	25	13	19	4	0	0	79
50-54	7	11	9	6	8	19	9	1	0	70
55-59	2	8	8	4	1	10	5	1	0	39
60-64	0	1	6	1	2	2	3	2	0	17
65 & Over	0	0	3	1	0	0	0	0	2	6
Total Count	39	74	104	105	42	55	21	4	2	446

Compensation

	Years of Service									Average
Age	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Comp.
Under 25	-	89,096	-	-	-	-	-	-	-	89,096
25-29	108,683	99,040	96,676	-	-	-	-	-	-	99,396
30-34	107,567	98,572	105,261	105,213	-	-	-	-	-	102,987
35-39	114,168	95,357	113,349	111,064	123,209	-	-	-	-	110,707
40-44	115,694	108,414	114,249	114,601	128,369	141,932	-	-	-	118,008
45-49	112,009	100,128	110,482	113,294	128,418	136,077	146,443	-	-	122,062
50-54	131,310	115,370	129,201	108,390	109,491	126,292	137,181	128,690	-	123,431
55-59	113,210	121,867	121,082	129,389	113,276	136,789	135,613	115,434	-	127,237
60-64	-	113,210	109,038	141,358	106,637	108,515	155,817	139,850	-	122,721
65 & Over	-	-	105,517	140,454	-	-	-	-	138,571	122,358
Avg. Annual Compensation	115,847	104,008	112,793	113,430	123,149	132,356	141,234	130,956	138,571	116,758

Exhibit C-4c: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2011 Probation Members

Count

Age	Years of Service 0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Total Count
Under 25	0	1	0	0	0	0	0	0	0	1
25-29	0	15	2	0	0	0	0	0	0	17
30-34	0	23	27	3	0	0	0	0	0	53
35-39	0	5	32	38	1	0	0	0	0	76
40-44	0	3	18	36	15	2	0	0	0	74
45-49	0	0	9	17	5	14	2	0	0	47
50-54	0	0	5	5	2	2	4	0	0	18
55-59	0	0	3	1	2	3	3	0	0	12
60-64	0	0	1	1	0	1	1	1	1	6
65 & Over	0	0	1	0	0	0	0	0	0	1
Total Count	0	47	98	101	25	22	10	1	1	305

Compensation

Age	Years of Service 0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	Average Comp.
Under 25	-	67,543	-	-	-	-	-	-	-	67,543
25-29	-	68,105	67,764	-	-	-	-	-	-	68,065
30-34	-	65,679	77,491	83,386	-	-	-	-	-	72,699
35-39	-	74,210	76,157	82,847	81,814	-	-	-	-	79,449
40-44	-	66,506	76,547	82,800	84,974	91,638	-	-	-	81,298
45-49	-	-	79,904	82,200	90,200	95,362	90,174	-	-	86,871
50-54	-	-	76,437	89,451	89,661	90,676	100,031	-	-	88,347
55-59	-	-	78,473	101,112	93,646	87,995	99,707	-	-	90,577
60-64	-	-	82,182	117,471	-	85,758	79,239	160,763	101,553	104,494
65 & Over	-	-	72,494	-	-	-	-	-	-	72,494
Avg. Annual Compensation	-	67,454	76,878	83,588	86,961	93,156	95,883	160,763	101,553	80,628

Exhibit C-5: Distribution of Retired Members by Age and Retirement Year as of June 30, 2011
All Plans Combined

	Retirement Year									
Age	Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Total Count	Average Monthly Benefit
Under 35	-	-	-	-	4	2	-	-	6	$ 1,324
35-39	-	-	-	1	-	2	5	-	8	1,474
40-44	-	-	1	-	1	5	6	-	13	2,449
45-49	-	-	1	2	8	7	15	2	35	2,654
50-54	1	-	1	1	9	19	50	55	136	2,792
55-59	-	-	2	8	12	64	180	75	341	3,006
60-64	1	3	5	24	61	161	310	95	660	3,412
65-69	2	5	15	47	146	212	331	65	823	3,418
70-74	7	3	36	130	158	185	93	10	622	2,580
75-79	15	35	62	108	151	66	23	3	463	2,206
80-84	20	72	92	148	62	12	3	2	411	2,071
85-89	66	94	141	50	9	3	2	-	365	1,848
90-94	70	87	46	6	2	-	-	-	211	1,789
95-99	34	14	1	-	-	-	-	-	49	1,290
100 & Over	3	-	-	-	-	-	1	-	4	1,242
Total Count	219	313	403	525	623	738	1,019	307	**4,147**	
Avg Monthly Benefit	$ 1,678	$ 1,556	$ 1,981	$ 2,079	$ 2,243	$ 2,904	$ 3,743	$ 3,660		$ 2,706

Exhibit C-5a: Distribution of Retired Members by Age and Retirement Year as of June 30, 2011
General Plans Combined

Age	Retirement Year								Total	Average Monthly
	Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Count	Benefit
Under 35	-	-	-	-	4	2	-	-	6	$ 1,324
35-39	-	-	-	1	-	2	3	-	6	1,965
40-44	-	-	1	-	-	3	5	-	9	1,981
45-49	-	-	1	1	6	3	8	1	20	1,803
50-54	1	-	1	1	8	13	36	37	97	1,544
55-59	-	-	1	5	10	58	142	64	280	2,231
60-64	1	2	2	15	53	122	271	88	554	2,883
65-69	1	3	8	35	101	155	314	61	678	3,051
70-74	2	2	25	105	125	167	91	9	526	2,180
75-79	12	33	56	104	148	62	23	3	441	2,097
80-84	17	68	86	147	61	12	3	2	396	1,986
85-89	56	90	141	50	9	3	2	-	351	1,749
90-94	66	87	46	6	2	-	-	-	207	1,743
95-99	33	14	1	-	-	-	-	-	48	1,288
100 & Over	3	-	-	-	-	-	1	-	4	1,242
Total Count	192	299	369	470	527	602	899	265	**3,623**	
Avg Monthly Benefit	$ 1,413	$ 1,478	$ 1,828	$ 1,814	$ 1,779	$ 2,345	$ 3,323	$ 3,155		$ 2,322

Exhibit C-5b: Distribution of Retired Members by Age and Retirement Year as of June 30, 2011
Safety Plans Combined

Age	Retirement Year: Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Total Count	Average Monthly Benefit
Under 35	-	-	-	-	-	-	-	-	-	$ -
35-39	-	-	-	-	-	-	2	-	2	-
40-44	-	-	-	-	1	2	1	-	4	3,501
45-49	-	-	-	1	2	3	7	-	13	3,819
50-54	-	-	-	-	1	4	11	12	28	6,844
55-59	-	-	1	3	2	5	29	5	45	7,125
60-64	-	1	3	9	6	36	27	5	87	6,536
65-69	1	2	7	12	35	41	7	1	106	5,452
70-74	5	1	11	23	25	6	1	-	72	5,043
75-79	3	2	6	4	-	-	-	-	15	4,553
80-84	3	4	6	1	-	-	-	-	14	4,354
85-89	10	4	-	-	-	-	-	-	14	4,343
90-94	4	-	-	-	-	-	-	-	4	4,194
95-99	1	-	-	-	-	-	-	-	1	1,350
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	27	14	34	53	72	97	85	23	**405**	
Avg Monthly Benefit	$ 3,560	$ 3,209	$ 3,648	$ 4,219	$ 4,873	$ 6,208	$ 7,979	$ 8,044		$ 5,691

San Mateo County Employees'
Retirement Association

Exhibit C-5c: Distribution of Retired Members by Age and Retirement Year as of June 30, 2011
Probation Plans Combined

Age	Pre-1979	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	Total Count	Average Monthly Benefit
	Retirement Year									
Under 35	-	-	-	-	-	-	-	-	-	$ -
35-39	-	-	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	-	-	-	-
45-49	-	-	-	-	-	1	-	1	2	3,590
50-54	-	-	-	-	-	2	3	6	11	3,482
55-59	-	-	-	-	-	1	9	6	16	4,983
60-64	-	-	-	-	2	3	12	2	19	4,540
65-69	-	-	-	-	10	16	10	3	39	4,267
70-74	-	-	-	2	8	12	1	1	24	3,944
75-79	-	-	-	-	3	4	-	-	7	3,997
80-84	-	-	-	-	1	-	-	-	1	3,817
85-89	-	-	-	-	-	-	-	-	-	-
90-94	-	-	-	-	-	-	-	-	-	-
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	-	-	-	2	24	39	35	19	**119**	
Avg Monthly Benefit	$ -	$ -	$ -	$ 7,587	$ 4,531	$ 3,312	$ 4,241	$ 5,409		$ 4,238

Appendix D: Member Contribution Rates

This section illustrates the member basic contribution rates and the basic plus cost-sharing contribution rates by entry age.

Exhibit D-1: Basic Member Contribution Rates

	General (County)		General (SMCM&VCD)		Probation		Safety	
Entry Age *	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4
16	5.14%	4.92%	5.14%	4.92%	5.58%	5.34%	6.98%	6.68%
17	5.23%	5.01%	5.23%	5.01%	5.69%	5.44%	7.11%	6.80%
18	5.33%	5.10%	5.33%	5.10%	5.79%	5.54%	7.24%	6.93%
19	5.43%	5.20%	5.43%	5.20%	5.90%	5.64%	7.37%	7.06%
20	5.53%	5.29%	5.53%	5.29%	6.00%	5.75%	7.50%	7.18%
21	5.63%	5.39%	5.63%	5.39%	6.11%	5.85%	7.64%	7.31%
22	5.74%	5.49%	5.74%	5.49%	6.22%	5.96%	7.78%	7.45%
23	5.84%	5.59%	5.84%	5.59%	6.34%	6.07%	7.92%	7.58%
24	5.95%	5.69%	5.95%	5.69%	6.45%	6.18%	8.06%	7.72%
25	6.06%	5.80%	6.06%	5.80%	6.57%	6.29%	8.21%	7.86%
26	6.17%	5.90%	6.17%	5.90%	6.69%	6.40%	8.36%	8.00%
27	6.28%	6.01%	6.28%	6.01%	6.81%	6.52%	8.51%	8.15%
28	6.39%	6.12%	6.39%	6.12%	6.93%	6.64%	8.67%	8.30%
29	6.51%	6.23%	6.51%	6.23%	7.06%	6.76%	8.82%	8.45%
30	6.63%	6.34%	6.63%	6.34%	7.19%	6.88%	8.98%	8.60%
31	6.75%	6.46%	6.75%	6.46%	7.32%	7.01%	9.15%	8.76%
32	6.87%	6.58%	6.87%	6.58%	7.45%	7.14%	9.32%	8.92%
33	6.99%	6.70%	6.99%	6.70%	7.59%	7.27%	9.49%	9.08%
34	7.12%	6.82%	7.12%	6.82%	7.73%	7.40%	9.67%	9.25%
35	7.25%	6.94%	7.25%	6.94%	7.88%	7.54%	9.85%	9.43%
36	7.38%	7.07%	7.38%	7.07%	8.03%	7.68%	10.04%	9.60%
37	7.52%	7.20%	7.52%	7.20%	8.18%	7.82%	10.23%	9.77%
38	7.66%	7.33%	7.66%	7.33%	8.33%	7.96%	10.42%	9.95%
39	7.80%	7.47%	7.80%	7.47%	8.48%	8.09%	10.60%	10.11%
40	7.95%	7.61%	7.95%	7.61%	8.63%	8.22%	10.79%	10.27%
41	8.10%	7.75%	8.10%	7.75%	8.78%	8.34%	10.97%	10.43%
42	8.26%	7.89%	8.26%	7.89%	8.91%	8.46%	11.14%	10.57%
43	8.41%	8.03%	8.41%	8.03%	9.04%	8.56%	11.31%	10.70%
44	8.56%	8.16%	8.56%	8.16%	9.16%	8.65%	11.45%	10.81%
45	8.71%	8.29%	8.71%	8.29%	9.27%	8.72%	11.59%	10.90%
46	8.85%	8.42%	8.85%	8.42%	9.37%	8.76%	11.71%	10.95%
47	8.99%	8.53%	8.99%	8.53%	9.43%	8.76%	11.79%	10.95%
48	9.12%	8.64%	9.12%	8.64%	9.46%	9.07%	11.83%	11.33%
49	9.25%	8.73%	9.25%	8.73%	9.46%	9.40%	11.83%	11.75%
50	9.36%	8.80%	9.36%	8.80%	9.46%	9.40%	11.83%	11.75%
51	9.45%	8.84%	9.45%	8.84%	9.46%	9.40%	11.83%	11.75%
52	9.52%	8.84%	9.52%	8.84%	9.46%	9.40%	11.83%	11.75%
53	9.55%	9.15%	9.55%	9.15%	9.46%	9.40%	11.83%	11.75%
54	9.55%	9.49%	9.55%	9.49%	9.46%	9.40%	11.83%	11.75%
55	9.55%	9.49%	9.55%	9.49%	9.46%	9.40%	11.83%	11.75%
56	9.55%	9.49%	9.55%	9.49%	9.46%	9.40%	11.83%	11.75%
57	9.55%	9.49%	9.55%	9.49%	9.46%	9.40%	11.83%	11.75%
58	9.55%	9.49%	9.55%	9.49%	9.46%	9.40%	11.83%	11.75%
59	9.55%	9.49%	9.55%	9.49%	9.46%	9.40%	11.83%	11.75%
60	9.55%	9.49%	9.55%	9.49%	9.46%	9.40%	11.83%	11.75%

** For County General members entering after age 55, the rate equals the rate at age 55. Likewise for Safey and Probation members entering after age 50, the rate equals the rate at age 50. Only Probation rates reflect employer pick-up.*

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San Mateo County Employees' Retirement Association

Exhibit D-2: Basic Plus Cost-Sharing Member Contribution Rates

	General (County)		General (SMCM&VCD)***		Probation		Safety**	
Entry Age *	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4
16	8.14%	7.92%	5.14%	4.92%	9.08%	8.84%	11.98%	11.68%
17	8.23%	8.01%	5.23%	5.01%	9.19%	8.94%	12.11%	11.80%
18	8.33%	8.10%	5.33%	5.10%	9.29%	9.04%	12.24%	11.93%
19	8.43%	8.20%	5.43%	5.20%	9.40%	9.14%	12.37%	12.06%
20	8.53%	8.29%	5.53%	5.29%	9.50%	9.25%	12.50%	12.18%
21	8.63%	8.39%	5.63%	5.39%	9.61%	9.35%	12.64%	12.31%
22	8.74%	8.49%	5.74%	5.49%	9.72%	9.46%	12.78%	12.45%
23	8.84%	8.59%	5.84%	5.59%	9.84%	9.57%	12.92%	12.58%
24	8.95%	8.69%	5.95%	5.69%	9.95%	9.68%	13.06%	12.72%
25	9.06%	8.80%	6.06%	5.80%	10.07%	9.79%	13.21%	12.86%
26	9.17%	8.90%	6.17%	5.90%	10.19%	9.90%	13.36%	13.00%
27	9.28%	9.01%	6.28%	6.01%	10.31%	10.02%	13.51%	13.15%
28	9.39%	9.12%	6.39%	6.12%	10.43%	10.14%	13.67%	13.30%
29	9.51%	9.23%	6.51%	6.23%	10.56%	10.26%	13.82%	13.45%
30	9.63%	9.34%	6.63%	6.34%	10.69%	10.38%	13.98%	13.60%
31	9.75%	9.46%	6.75%	6.46%	10.82%	10.51%	14.15%	13.76%
32	9.87%	9.58%	6.87%	6.58%	10.95%	10.64%	14.32%	13.92%
33	9.99%	9.70%	6.99%	6.70%	11.09%	10.77%	14.49%	14.08%
34	10.12%	9.82%	7.12%	6.82%	11.23%	10.90%	14.67%	14.25%
35	10.25%	9.94%	7.25%	6.94%	11.38%	11.04%	14.85%	14.43%
36	10.38%	10.07%	7.38%	7.07%	11.53%	11.18%	15.04%	14.60%
37	10.52%	10.20%	7.52%	7.20%	11.68%	11.32%	15.23%	14.77%
38	10.66%	10.33%	7.66%	7.33%	11.83%	11.46%	15.42%	14.95%
39	10.80%	10.47%	7.80%	7.47%	11.98%	11.59%	15.60%	15.11%
40	10.95%	10.61%	7.95%	7.61%	12.13%	11.72%	15.79%	15.27%
41	11.10%	10.75%	8.10%	7.75%	12.28%	11.84%	15.97%	15.43%
42	11.26%	10.89%	8.26%	7.89%	12.41%	11.96%	16.14%	15.57%
43	11.41%	11.03%	8.41%	8.03%	12.54%	12.06%	16.31%	15.70%
44	11.56%	11.16%	8.56%	8.16%	12.66%	12.15%	16.45%	15.81%
45	11.71%	11.29%	8.71%	8.29%	12.77%	12.22%	16.59%	15.90%
46	11.85%	11.42%	8.85%	8.42%	12.87%	12.26%	16.71%	15.95%
47	11.99%	11.53%	8.99%	8.53%	12.93%	12.26%	16.79%	15.95%
48	12.12%	11.64%	9.12%	8.64%	12.96%	12.57%	16.83%	16.33%
49	12.25%	11.73%	9.25%	8.73%	12.96%	12.90%	16.83%	16.75%
50	12.36%	11.80%	9.36%	8.80%	12.96%	12.90%	16.83%	16.75%
51	12.45%	11.84%	9.45%	8.84%	12.96%	12.90%	16.83%	16.75%
52	12.52%	11.84%	9.52%	8.84%	12.96%	12.90%	16.83%	16.75%
53	12.55%	12.15%	9.55%	9.15%	12.96%	12.90%	16.83%	16.75%
54	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
55	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
56	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
57	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
58	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
59	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
60	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%

** For County General members entering after age 55, the rate equals the rate at age 55. Likewise for Safey and Probation members entering after age 50, the rate equals the rate at age 50. Only Probation rates reflect employer pick-up.*

*** Cost sharing is less for deputy sheriffs*

****Mosquito and Vector Control District does not participate in cost sharing.*

Exhibit D-3: Basic Plus Cost-Sharing Member Contribution Rates, with 25% COLA share**

	California Nurses Association		
Entry Age *	Plan 1	Plan 2	Plan 4
16	9.31%	9.01%	8.74%
17	9.42%	9.12%	8.84%
18	9.54%	9.24%	8.95%
19	9.66%	9.35%	9.06%
20	9.79%	9.47%	9.17%
21	9.91%	9.59%	9.28%
22	10.05%	9.72%	9.40%
23	10.17%	9.83%	9.52%
24	10.30%	9.96%	9.64%
25	10.44%	10.09%	9.76%
26	10.57%	10.22%	9.88%
27	10.71%	10.35%	10.01%
28	10.84%	10.48%	10.13%
29	10.99%	10.62%	10.26%
30	11.14%	10.76%	10.40%
31	11.28%	10.90%	10.53%
32	11.43%	11.04%	10.67%
33	11.58%	11.18%	10.80%
34	11.74%	11.33%	10.94%
35	11.90%	11.48%	11.09%
36	12.06%	11.63%	11.23%
37	12.23%	11.80%	11.39%
38	12.40%	11.96%	11.55%
39	12.57%	12.13%	11.70%
40	12.76%	12.30%	11.87%
41	12.94%	12.48%	12.04%
42	13.14%	12.66%	12.22%
43	13.32%	12.84%	12.38%
44	13.51%	13.02%	12.55%
45	13.69%	13.19%	12.72%
46	13.86%	13.35%	12.87%
47	14.03%	13.52%	13.03%
48	14.19%	13.67%	13.18%
49	14.35%	13.82%	13.32%
50	14.49%	13.95%	13.44%
51	14.60%	14.06%	13.54%
52	14.68%	14.14%	13.62%
53	14.72%	14.17%	13.66%
54	14.72%	14.17%	13.66%
55	14.72%	14.17%	13.66%
56	14.72%	14.17%	13.66%
57	14.72%	14.17%	13.66%
58	14.72%	14.17%	13.66%
59	14.72%	14.17%	13.66%
60	14.72%	14.17%	13.66%

** For County General members entering after age 55, the rate equals the rate at age 55.*

*** Beginning with the 2011 valuation, current members of the California Nurses Association will contribute 25% of the cost of COLA, in addition to the current member rates and cost sharing for General members. To reflect this cost, the basic rates for current General members are multiplied by the following factors (prior to the addition of cost-sharing): 1.2274 for Plan 1 CNA members, 1.170 for Plan 2 CNA members, and 1.1158 for Plan 4 CNA members. These loads are based on 25% of the calculated cost of COLA.*

Appendix E: Glossary

The following definitions include excerpts from a list adopted by the major actuarial organizations in the United States. In some cases, the definitions have been modified for specific applicability to *SamCERA* and include terms used exclusively by *SamCERA.* Defined terms are capitalized throughout this Appendix.

Accrued Benefit — The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.

Actuarial Accrued Liability — That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial Assumptions — Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.

Actuarial Gain (Loss) — A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value — The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Actuarial Valuation — The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Value of Assets — The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Actuarially Equivalent — Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Amortization Payment — That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

COLA — Cost of living adjustments to benefit payments are made each April 1. See full description in Appendix B.

Employer Reserve	The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members and survivors, lump sum death benefit payments to member survivors, and supplemental disability payments.
Entry Age Actuarial Cost Method	A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. 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 Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.
Funded Ratio	A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities.
Member Reserve	The accumulation of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees and refunds to members.
Non-Valuation Reserves	Reserves excluded from the calculation of contribution rates.
Normal Cost	That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
Plan Year	A 12-month period beginning July 1 and ending June 30.
Projected Benefits	Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.
Unfunded Actuarial Accrued Liability	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
Valuation Date	The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
Valuation Reserves	All reserves excluding the Non-Valuation Reserves.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011

Agenda Item 5.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Presentation of the June 30, 2011, Actuarial Valuation Audit by the Segal Company

Staff Recommendation

This is an information-only item. Paul Angelo and Andy Yeung of the Segal Company will present the results of their audit of the June 30, 2011, Actuarial Valuation as produced by Milliman, Inc.

Summary

Segal noted in their audit report that, "*Our audit confirms that the results of the actuarial calculations as of June 30, 2011 are reasonable, and that those calculations are based on generally accepted actuarial principles and practices*." The overriding purpose of the valuation audit was to determine whether or not this was the case.

Segal noted further that:

- The valuation results were prepared using the actuarial assumptions approved by the Board for the 2011 valuation. Segal has previously reviewed those assumptions and found them to be reasonable and in accordance with generally accepted actuarial standards and principles.
- Segal's present value of future benefits is 100% of Milliman's present value of future benefits. This key result is the basis for all other liability and cost calculations in the valuation.

Segal drilled deeply into the actuarial processes used by Milliman and made some recommendations for improvement, including the following:

- The salary data provided by *SamCERA* for active members who worked less than a full year was reflected as a full-year salary. Segal recommended a change in the next valuation.
- Assets have been maintained by *SamCERA* only on a combined basis for all plans. The allocation of the assets among the General, Safety and Probation membership groups is needed for the valuation, so Milliman estimates this allocation from available data. Segal recommended that *SamCERA* and Milliman explore for the next valuation having *SamCERA*'s pension and accounting system maintain the asset share.
- There was an understatement in the impact on the employer rate due to member contributions. An adjustment was made in the 2011 valuation.

Staff believes that Segal's work was detailed and thorough and that it will improve future valuations.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Audit of June 30, 2011 Actuarial Valuation

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September 19, 2011

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

Re: Audit of June 30, 2011 Actuarial Valuation

Dear Members of the Board:

We are pleased to present the results of our audit of the June 30, 2011 Actuarial Valuation for the San Mateo County Employees' Retirement Association (*SamCERA*). The purpose of this audit was to verify the calculations completed by Milliman and to offer comments on the methodology and the results of their actuarial valuation.

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.

The assistance of Milliman and *SamCERA* is gratefully acknowledged. We appreciate the opportunity to be of service to *SamCERA*'s Board of Retirement, and we are available to answer any questions you may have on this report.

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.

Sincerely,

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

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

AB/hy

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

This report has been prepared by The Segal Company to present an audit of the June 30, 2011 Actuarial Valuation performed by Milliman for *SamCERA*. As described in *SamCERA*'s RFP for actuarial audit services, the scope of our audit is to review the liabilities and the contribution rates for the ten Plans that were included in *SamCERA*'s June 30, 2011 Actuarial Valuation Report as those same plans were found in the June 30, 2010 Actuarial Valuation Report. As further discussed on page 7, in particular we have not reviewed the cost of any of the retirement plan choices now offered to new General members hired on or after August 7, 2011, to new Safety hired on or after January 8, 2012 and to new Probation members hired on or after July 9, 2011. We are available to expand the scope of our original assignment to review the cost provided in the Addendum Report for the New Plans prepared by Milliman if we are requested to do so by the Board of Retirement.

Summary of Results

This audit report includes an independent reproduction of the detailed valuation results that appear in the June 30, 2011 valuation report prepared by Milliman. This audit was based on actuarial reports, employee data and supplemental information provided by both *SamCERA* and Milliman.

We have performed this actuarial audit of *SamCERA*'s June 30, 2011 Actuarial Valuation to provide assurance to *SamCERA*'s Board of Retirement that the actuarial calculations are reasonable and that the actuarial process was conducted according to generally accepted actuarial principles and practices. ***Our audit confirms that the results of the actuarial calculations as of June 30, 2011 are reasonable, and that those calculations are based on generally accepted actuarial principles and practices.***

The following is a high level summary of the results from our audit of the June 30, 2011 Actuarial Valuation:

- The valuation results were prepared using the actuarial assumptions approved by the Board for the 2011 valuation. Segal has previously reviewed those assumptions and found them to be reasonable and in accordance with generally accepted actuarial standards and principles.

- The demographic data used in the 2011 valuation was primarily that supplied by *SamCERA*. It included only minimal changes made by Milliman.

- The salary data provided by *SamCERA* for about 8% of the active members who worked either part-time or did not earn one year of service credit reflected only the percent full-time worked by those members. As a full-time-equivalent salary should have been used in determining the liabilities, an adjustment either to report such salary in the data provided by *SamCERA* or to estimate such salary by Milliman is recommended for the next valuation.

- Segal's present value of future benefits is 100% of Milliman's present value of future benefits. This key result is the basis for all other liability and cost calculations in the valuation.

- Segal's total employer contribution rate is 30.25% of payroll and Milliman's total employer contribution rate is 30.97% of payroll. The total employer contribution rate calculated by Segal is about 98% of that calculated by Milliman.

- Segal's <u>individual</u> entry age based member contribution rates are about 99% of those that Milliman included in Exhibit D-2 of the 2011 Actuarial Valuation Report.

- There was an understatement in the <u>aggregate</u> offset to the employer rate for member contributions, as used in the 2010 valuation to set the employer's normal cost rate. An adjustment was made in the 2011 valuation to properly calculate the aggregate offset for member contributions.

- Assets have been maintained by *SamCERA* only on a combined basis for all ten Plans. The split or allocation of the assets among the General, Safety and Probation membership groups is needed for the valuation, and so currently that allocation has to be made by Milliman. As the current methodology used to split assets is affected by actuarial liability gains or losses that might be experienced by one group of members but not by the other two groups, we recommend that a different methodology, such as the maintenance of the asset share by *SamCERA*'s pension and accounting administration system, be considered for the next valuation.

Detailed Findings and Recommendations

Our detailed findings and recommendations are summarized as follows:

- As indicated in our Actuarial Review of 2011 Investigation of Experience dated July 14, 2011, we found the actuarial assumptions and the methods used by Milliman to be reasonable and in accordance with generally accepted actuarial standards and principles. The assumptions used in this valuation were those that were approved by *SamCERA*'s Board of Retirement in July 2011.

- Our comparison of the demographics of the 2011 data provided by *SamCERA* with the valuation data used by Milliman for the June 30, 2011 actuarial valuation indicated that Milliman made relatively few changes to the original data before the valuation was performed. After discussions with us, Milliman has agreed to make a change in the next valuation as of June 30, 2012 to value a 50% continuance benefit instead of the 60% continuance benefit for those retired members with General Plan 3 service. We do not see any issue in deferring this adjustment until the next valuation as this change should have an immaterial impact on the results for this valuation.

- In the active member data reported to Milliman for the June 30, 2011 valuation, roughly 400 or about 8% of the active employees were reported as either working part-time or had earned less than one year of service credit between July 1, 2010 and June 30, 2011. It is our understanding that the actual year-to-date salaries reported for those members for the valuation were reflective of the percent full-time worked during 2010/2011.

  As service credits for the part-time employees should have already been adjusted to reflect the percent full-time they worked during their entire career, their salaries reported for the June 30, 2011 valuation as well as the final average salaries derived and used in projecting the ultimate value of their retirement benefits should be adjusted to a full-time-equivalent basis. As this adjustment has not been made in the current valuation, Milliman has agreed to our suggestion to either request the full-time-equivalent salary from *SamCERA* or to include an estimate for this adjustment in the next valuation.

- Segal's *total present value of future benefits* as of June 30, 2011 is 100% of Milliman's present value.
- A comparison of Segal's present value of future benefits (PVB) to Milliman's present values by plan indicates that the total liabilities of each plan are reasonable as shown in the table below.

Plan	Ratio of Segal's PVB to Milliman's PVB
General – Plan 1*	100%
General – Plan 2*	100%
General – Plan 3	99%
General – Plan 4*	99%
Safety – Plan 1	100%
Safety – Plan 2	99%
Safety – Plan 4	101%
Probation – Plan 1	100%
Probation – Plan 2	99%
Probation – Plan 4	99%

* Aggregated results for members of the County and Mosquito and Vector Control District

- Segal's *total actuarial accrued liability* as of June 30, 2011 is 99% of Milliman's liability.

- Segal's *total employer contribution rate* as of June 30, 2011 is 98% of Milliman's rate.

- As a percentage of projected payroll, Segal's net employer normal cost contribution rate is 100% of Milliman's net employer normal cost rate and Segal's employer Unfunded Actuarial Accrued Liability (UAAL) contribution rate is 97% of Milliman's UAAL rate.

- The <u>individual</u> entry age based member contribution rates included in the draft valuation report that we reviewed were understated for the employees of the Mosquito and Vector Control District. After that correction, as a percentage of projected payroll, Segal's individual entry age based member normal cost contribution rates are 99% of the member normal cost contribution rates that Milliman included in Exhibit D-2 of their June 30, 2011 Actuarial Valuation Report.

For this audit, our first focus was on matching the core numbers on which the Plans' ultimate costs depend: the present values of future benefits. The results of this analysis were shown in the previous table. We also focused on more detailed analyses of (i) the correct implementation of the actuarial assumptions as determined by the 2011 Investigation of Experience, (ii) the breakdown of the total normal cost contribution rate into portion paid by each of the employer and the member, and (iii) the determination of the UAAL contribution rate. Those detailed analyses produced the following findings and recommendations:

- For the purpose of calibrating our valuation software to independently calculate the contribution rates for the June 30, 2011 valuation, we had attempted to reproduce the contribution rates for the employer and member determined in the June 30, 2010 valuation. While we had a very close match with Milliman's total normal cost contribution rate determined in the June 30, 2010 valuation, we observed that Milliman's aggregate employer normal cost rate was higher than Segal's aggregate employer normal cost rate by about 0.4%-0.5% of payroll.

  Upon reviewing the individual member test cases, we confirmed that in taking the difference between the biweekly total normal cost contribution rate and the biweekly member contribution rate for use in determining the net biweekly employer's normal cost contribution rate, Milliman had understated the value of the member contributions by about one-half year of interest discount. That understatement in the value of the member contributions resulted in an overstatement of the employer normal cost rate by about the same amount in the June 30, 2010 valuation. After discussions with Milliman, an adjustment was made in their employer normal cost rate calculation for the June 30, 2011 valuation.

- For financial and accounting reporting purposes, assets have only been maintained by SamCERA on a combined basis for all the ten Plans as a whole. Because assets have not been maintained for each of General, Safety and Probation membership classes, for the purpose of determining the asset share among the three membership classes for use in determining the UAAL, Milliman uses a method that "backs into" the valuation assets for each of the three membership groups at each valuation date.

  Underlying that methodology is the hypothesis that, absent any assumption changes adopted by the Board, the relative proportion of the total UAAL for each of the three membership groups would remain constant from one valuation to the next. Once the total UAAL is split among the three membership groups based on that constant allocation, an asset share for each of the three membership groups is "backed into" by taking the difference between the actuarial accrued liability calculated in the current valuation for each group and the UAAL allocated to that group.

  We believe that this methodology would only provide a fair allocation of assets if there are no disproportional changes in liabilities from actuarial gains or losses among the three membership groups. However, in practice if *SamCERA* experiences liability gains or losses only for a particular membership group (e.g., when salary increases received by one group of members were less than those received by the other two groups), then the change in the UAAL and the associated UAAL rate impact for that one group due to that group's experience would effectively be shared with the two other membership groups.

While this may not have much impact for the total contribution rate paid by the largest employer (i.e., the County), this may result in less transparency in reflecting the true cost of providing retirement benefits for each of the three membership groups.

We are aware of other approximation techniques used by some retirement systems that rely on projected contributions and estimated benefit payments by membership groups that would increase the accuracy of the asset share calculations. However, the emerging practice in California public retirement systems is to move towards more robust tracking of actual contributions and actual benefit payments by membership group using the retirement systems' pension and accounting administration systems. We are available to discuss this particular refinement in the methodology if this would be of interest to the Board of Retirement.

- In determining the UAAL contribution rate, Milliman uses a methodology that first projects the outstanding balances of the various UAAL layers to the next valuation date (i.e. one year in the future). Based on those projected outstanding balances and the remaining amortization periods as of that same date, they determine the UAAL amortization payments for each layer. The total of these amortization payments is then converted to a percent of the expected payroll for the year that begins on the next valuation date. It is our understanding that the purpose of this methodology is to adjust for the one-year delay between the valuation date and the date that the contribution rates are implemented and to more accurately reflect the payroll for the fiscal year that begins one year after the valuation date. We believe that the methodology they are applying is reasonable for this purpose.
- Overall, we have verified that Milliman's calculations of the UAAL and the total employer contribution rate as a percentage of payroll are reasonable and consistent with past practices.

PURPOSE AND SCOPE OF THE ACTUARIAL AUDIT

Purpose of the Audit

The Segal Company has performed an actuarial audit of *SamCERA*'s June 30, 2011 Actuarial Valuation to provide assurance to *SamCERA*'s Board of Retirement that the actuarial calculations are reasonable and that the actuarial process was conducted according to generally accepted actuarial principles and practices.

Scope of the Audit

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

- Evaluation of the available data for the performance of such valuation, the degree to which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.
- Completion of a parallel valuation as of June 30, 2011 using the assumptions, methodologies and funding methods used by *SamCERA*'s consulting actuary in their performance of the June 30, 2011 valuation.
- Evaluation of the parallel valuation results for the ten Plans that were included in the June 30, 2011 Actuarial Valuation Report and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and/or adjustments with *SamCERA*'s consulting actuary.

New Retirement Plans

In our audit, we have not reviewed the cost of any of the retirement plan choices offered to new General members hired on or after August 7, 2011 to elect either the current General Plan 3 or the new General Plan 5 that provides the same benefit as the pre-enhancement 1.725% at 58 formula (Section 31676.1 of the 1937 Act). Similarly, we have also not reviewed the cost of the choices offered to new Safety/Probation Probation members hired on or after July 9, 2011 and January 8, 2012, respectively, to elect either the new Safety/Probation Plan 5 that provides a benefit of 3.0% at 55 (Section 31664.2) or the new Safety/Probation Plan 6 that provides the same benefit as the pre-enhancement 2.0% at 50 formula (Section 31664).

As these new formulas are not yet effective as of the date of this June 30, 2011 valuation, assumptions about the demographic profile of future members to be covered and assumptions about how the new lower level of benefits might potentially impact the age at retirement have to be made as part of the process to estimate the cost to provide those benefits. We are available to expand the scope of our original assignment to review the cost provided in the Addendum Report for the New Plans prepared by Milliman if we are requested to do so by the Board of Retirement.

RESULTS OF THE AUDIT

Several steps are involved in conducting an actuarial audit of a retirement benefits program. Outlined below are the primary steps we took to comply with the scope of the audit services. Following each step is a description of our observations.

Since our analysis was performed concurrently with Milliman's actuarial valuation, we were able to discuss our observations with Milliman while they were preparing the June 30, 2011 valuation. Our results confirm and support the results of that valuation.

***Step 1*: *Compare the demographics of the 2011 data provided by SamCERA with the valuation data used by Milliman for the June 30, 2011 actuarial valuation*.**

Results

EXHIBIT-A provides a comparison, by membership type (i.e., General, Safety and Probation), of the number of participants, their average ages, average salaries (active members), average service (active members) and average benefits (pensioners). This exhibit indicates that Milliman had only made a few adjustments, estimations or corrections to the data received from *SamCERA*. In general, the data received was "valuation ready."

Observations

(1) After comparing the data provided to us by *SamCERA* against that used by Milliman, we noted a minor issue concerning continuation percentages for some retired members with General Plan 3 service. After discussions with us, Milliman has agreed to make a change in the next valuation as of June 30, 2012 to value a 50% continuance benefit instead of the 60% continuance benefit for those retired members with General Plan 3 service. We do not see any issue in deferring this adjustment until the next valuation as this change should have an immaterial impact on the results for this valuation.

(2) In the active member data reported to Milliman for the June 30, 2011 valuation, roughly 400 or about 8% of the active employees were reported as either working part-time or had earned less than one

year of service credit between July 1, 2010 and June 30, 2011. It is our understanding that the actual year-to-date salaries reported for those members for the valuation were reflective of the percent full-time worked during 2010/2011.

As service credits for the part-time employees should have already been adjusted to reflect the percent full-time they worked during their entire career, their salaries reported for the June 30, 2011 valuation as well as the final average salaries derived and used in projecting the ultimate value of their retirement benefits should be adjusted to a full-time-equivalent basis. As this adjustment has not been made in the current valuation, Milliman has agreed to our suggestion to either request the full-time-equivalent salary from SamCERA or to include an estimate for this adjustment in the next valuation.

***Step 2*: *Develop a valuation program based on the relevant provisions of the County Employees' Retirement Law (CERL) as summarized in the Summary Plan Descriptions, using the actuarial methods and assumptions outlined in the most recent valuation report, and further defined by Milliman*.**

Step 3: Run the valuation program with specific individuals (test lives) who illustrate particular benefit provisions and compare results to Milliman's results.

Results

EXHIBIT-B provides a comparison of Segal's and Milliman's test life results for (i) the present value of future benefits, (ii) the present value of future normal costs, and (iii) the actuarial accrued liability.

- *Present Value of Future Benefits*: This liability represents the current value of the member's projected benefits, recognizing the time value of money (*i.e.*, the investment return assumption), the salary increase assumption and the probabilities of retirement, death, disability and turnover. This value is the cornerstone for the entire valuation as it represents the amount needed to provide all future expected benefit payouts for current members, based on the valuation assumptions.

The ratios of Segal's results to Milliman's results, on a *total present value of future benefits basis*, range from 97% to 109% (for the active test lives) and is about 100% (for the terminated vested and retired test lives). For the active member in General Plan 3 where Segal's result to Milliman's result is 109%, we believe that variation may be explained by possible difference in procedures used by Segal and Milliman to project the estimated Primary Insurance Amount (PIA) that is used as an offset to the benefit payable under that Plan by *SamCERA*. As the ratio of Segal's to Milliman's total present value of future benefit for all 151 active members in General Plan 3 (see page 18-A) is 98%, we are not concerned with the variation for this test live.

We believe our results are within an acceptable range of Milliman's results to provide assurance that the significant plan liabilities are properly valued.

- *Present Value of Future Normal Costs and Accrued Liability:* The funding method adopted by *SamCERA*, the Entry Age Normal Actuarial Cost Method, separates the present value of future benefits for active members into two components, the accrued liability and the present value of future normal costs. Simply stated, the Entry Age Normal Actuarial Cost Method determines a level cost as a percentage of pay for each year of service, called the normal cost. The accrued liability is the sum of *past* normal costs (less any expected benefits, and assuming all actuarial assumptions were exactly realized), while the present value of future normal costs represents the current value of *future* normal costs required to fully fund the member's projected benefits before the member is expected to retire.

  The method used to separate the present value of projected benefits into its two components can differ somewhat from valuation system to valuation system, even though the underlying funding method used in the systems is the same.

  For the active test lives, the ratios of Segal's results to Milliman's range from 89% to 104% for the present value of future normal costs and from 63% to 102% for the accrued liability. The difference in the present value of future normal costs is primarily due to the timing of the decrement as described in Observation (1) below.

Observations

(1) The Segal Company's valuation system generally assumes active members decrement (i.e., retire, terminate, etc.) at the *beginning* of each plan year (July 1). The Milliman system, on the other hand, assumes decrements occur in the *middle* of the plan year (January 1) except for those retirement ages where the probability of service retirement are 100% (e.g., on or after age 60 for Safety members) or when a member has attained a benefit that equals to 100% of final average compensation (e.g., Safety members with 33 1/3 years of service), where the decrement is assumed to occur at the beginning of the year.

For the *SamCERA* audit, we have prepared a customized version of our valuation software that mimics the timing of the decrements as used by Milliman (i.e., the middle of the plan year). However, our program continues to assume the middle of year timing for decrements even for those members at ages where the probabilities of retirement are 100%.

Either methodology is acceptable, with each actuarial firm establishing its standard for the assumed timing of decrements.

(2) The new actuarial assumptions recommended by the 2011 Investigation of Experience were used to value the test lives.

Step 4*: *Run the valuation program with all participant data, compile results, and compare to Milliman's results.

Results

EXHIBIT-C provides a comparison, by Plan, of Segal's results and Milliman's results for (i) the present value of future benefits, (ii) the present value of future normal costs, (iii) the unfunded actuarial accrued liability (UAAL), (iv) the normal cost for the period from July 1, 2011 – June 30, 2012 and (v) the employer normal cost and UAAL contribution rates.

- The ratios of Segal's results to Milliman's results, on a *total present value of future benefits basis*, range from 85% to 101% for active members. For the terminated vested and the retirees combined, the results are virtually identically and the ratio is close to 100%. In total, our present value of future benefits is 100% of Milliman's present value as shown in the rows labeled "Total PVB" on page 18-C.

- The present value of future normal costs is allocated between member contributions and employer contributions.

  For the purpose of calibrating our valuation software to independently calculate the contribution rates for the June 30, 2011 valuation, we had attempted to reproduce the contribution rates for the employer and member determined in the June 30, 2010 valuation. While we had a very close match with Milliman's total normal cost contribution rate determined in the June 30, 2010 valuation, we observed that Milliman's aggregate employer normal cost rate was higher than Segal's aggregate employer normal cost rate by about 0.4% to 0.5% of payroll.

  Upon reviewing the individual member test cases, we confirmed that in taking the difference between the biweekly total normal cost contribution rate and the biweekly member contribution rate for use in determining the net biweekly employer's normal cost contribution rate, Milliman had understated the value of the member contributions by about one-half year of interest discount. That understatement in the value of the member contributions resulted in an overstatement of the employer normal cost rate by about the same amount. After discussions with Milliman, an adjustment was made in their employer normal cost rate calculation in the June 30, 2011 valuation.

- The individual entry age based member contribution rates included in the draft valuation report that we reviewed were understated for the employees of the Mosquito and Vector Control District. After that correction, as a percentage of projected payroll, Segal's individual entry age based member normal cost contribution rates are 99% of the member normal cost contribution rates that Milliman included in Exhibit D-2 of their June 30, 2011 Actuarial Valuation Report.

  In order to provide an "apples-to-apples" comparison of the aggregate member contribution rates, we have used Milliman's individual entry age based normal cost rates in comparing the results in this report. For the June 30, 2011 valuation, the member contribution rates determined by Segal is 100% of the rates determined by Milliman as shown in the rows labeled "Member Contribution Rate" on page 18-F. The ratio of Segal's net employer normal cost contribution rates to Milliman's is close to 100% as shown in the rows labeled "Net Employer Normal Cost Contribution Rate" on page 18-F.

- The accrued liability depends in part on the valuation system's methodology for separating the present value of projected benefits into its two components – the accrued liability and the present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is simply the difference between the accrued liability and the actuarial value of assets (please note that we have used the actuarial value of assets as provided to us by Milliman). Therefore, differences in the accrued liabilities due to the variations in the valuation systems impact the unfunded accrued liabilities, and the related employer contribution rates.

  As a percentage of projected payroll, Segal's net employer normal cost contribution rate (Item 3 on page 18-F) is 100% of Milliman's net employer normal cost rate and Segal's employer UAAL amortization contribution rate (Item 4) is 97% of Milliman's UAAL rate. Segal's *total* employer contribution rate (Item 5) as of June 30, 2011 is 98% of Milliman's rate.

  Note that Segal's allocation of the *total* normal cost into the projected member rates, and the net employer normal cost rates (Items 2 and 3) were different from Milliman's for Safety and Probation Plans 1 where there were only 6 and 2 active members, respectively, as of June 30, 2011.

  As 4 and 2 of the above Safety and Probation members, respectively, had retirement probabilities of 100% for 2011/2012, Segal's valuation program that continued to assume the middle of year timing for decrements instead of the beginning of year timing as assumed by Milliman would be expected to have a relatively large impact in determining the normal cost rates in that year.

- In determining the UAAL contribution rate, Milliman uses a methodology that first projects the outstanding balances of the various UAAL layers to the next valuation date (i.e. one year in the future). Based on those projected outstanding balances and the remaining amortization periods as of that same date, they determine the UAAL amortization payments for each layer. The total of these amortization payments is then converted to a percent of the expected payroll for the year that begins on the next valuation date. It is our understanding that the purpose of this methodology is to adjust for the one-year delay between the valuation date and the date that the contribution rates are implemented and to more accurately reflect the payroll for the fiscal year that begins one year after the valuation date. We believe that the methodology they are applying is reasonable for this purpose.

Step 5: Evaluate the valuation results and methodology as presented in the Milliman actuarial valuation report.

Observations

(1) Due to the changes in assumptions implemented from the 2011 Investigation of Experience, new member contribution rates were calculated. We have verified that Milliman's calculated employee contribution rates are reasonable and consistent with the relevant provisions of the County Employees' Retirement Law (CERL) and past practices.

(2) We reviewed the Milliman draft actuarial report in detail. Most of our comments based on that draft report are minor and deal primarily with providing additional disclosures for documentation purposes:

- The June 30, 2011 valuation report should document the action taken by the Board of Retirement where, in adopting the contribution rates for the June 30, 2010 valuation, the Board decided to carry over unchanged the June 30, 2009 employer contribution rates for those plans that would otherwise have experienced a drop in such rates based solely on the results from the June 30, 2010 valuation.

- The June 30, 2011 valuation report should document the reduction in the aggregate employer contribution rate as a result of the agreement from the CNA employees to pay 25% of the cost to fund the Cost-of-Living benefit.

- As we suggested in our Actuarial Review of the 2011 Investigation of Experience, 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.

EXHIBIT – A
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
ANALYSIS OF PARTICIPANT DATA

Active Members						
Members		**Number**	**Annual Salary (Thousands)**	**Age**	**Monthly Salary**	**Total Service**
General	*SamCERA* Data*	4,510	$354,686	46.2	$6,554	10.5
	Milliman Data	4,494	$355,877	46.2	$6,599	10.5
	% Difference	**-0.4%**	**0.3%**	**0.0%**	**0.7%**	**0.0%**
Safety	*SamCERA* Data*	448	$51,925	44.3	$9,659	11.5
	Milliman Data	446	$52,074	44.2	$9,730	11.4
	% Difference	**-0.4%**	**0.3%**	**-0.2%**	**0.7%**	**-0.9%**
Probation	*SamCERA* Data*	306	$24,591	40.6	$6,697	11.1
	Milliman Data	305	$24,591	40.6	$6,719	11.2
	% Difference	**-0.3%**	**0.0%**	**0.0%**	**0.3%**	**0.9%**
Total						
	SamCERA Data**	5,285	$432,673	45.7	$6,822	10.6
	Milliman Data	5,245	$432,542	45.7	$6,872	10.6
	% Difference	**-0.8%**	**0.0%**	**0.0%**	**0.7%**	**0.0%**

* Only includes active members with code "ACT" reported in the original *SamCERA* data.

** Includes 21 members with no specific General/Safety/Probation membership code indicated in the original *SamCERA* data.

EXHIBIT – A (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
ANALYSIS OF PARTICIPANT DATA

Pensioners (Retirees, Beneficiaries, and Disableds)					
Members		**Number**	**Annual Allowances (Thousands)**	**Age**	**Monthly Benefit**
General	*SamCERA* Data*	3,659	$8,424	72.1	$2,302
	Milliman Data	3,623	$8,414	72.2	$2,322
	% Difference	**-1.0%**	**-0.1%**	**0.1%**	**0.9%**
Safety	*SamCERA* Data*	417	$2,306	65.1	$5,529
	Milliman Data	405	$2,305	65.6	$5,691
	% Difference	**-2.9%**	**0.0%**	**0.8%**	**2.9%**
Probation	*SamCERA* Data*	120	$504	64.6	$4,202
	Milliman Data	119	$504	64.7	$4,238
	% Difference	**-0.8%**	**0.0%**	**0.2%**	**0.9%**
Total					
	SamCERA Data	4,196	$11,234	71.2	$2,677
	Milliman Data	4,147	$11,223	71.3	$2,706
	% Difference	**-1.2%**	**-0.1%**	**0.1%**	**1.1%**

* Members receiving benefits as beneficiaries were counted twice by Segal but only once by Milliman.

EXHIBIT – A (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
ANALYSIS OF PARTICIPANT DATA

Inactive Vested Participants			
Members		**Number**	**Age**
General	*SamCERA* Data*	1,074	48.5
	Milliman Data	1,081	48.5
	% Difference	**0.7%**	**0.0%**
Safety	*SamCERA* Data*	66	45.3
	Milliman Data	64	45.4
	% Difference	**-3.0%**	**0.2%**
Probation	*SamCERA* Data*	48	43.9
	Milliman Data	45	43.5
	% Difference	**-6.3%**	**-0.9%**
Total			
	SamCERA Data**	1,190	48.1
	Milliman Data	1,190	48.1
	% Difference	**0.0%**	**0.0%**

* Includes 25 terminated members reported in the active file with code "TRM", 126 active members indicated as leave without pay reported in the active file with code "LNP" and 30 members with active code "ACT" but with no increase in their service credits between June 30, 2010 and June 30, 2011 valuations.

** Includes 2 members with no specific General/Safety/Probation membership code indicated in the original *SamCERA* data.

EXHIBIT – B
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
TEST LIFE COMPARISON

	General Plan 1		General Plan 2		General Plan 3		General Plan 4		Safety Plan 2		Safety Plan 4	
ACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
PVB	**$952,452**	**$963,974**	**$1,423,646**	**$1,398,520**	**$198,163**	**$215,888**	**$192,643**	**$191,747**	**$1,738,869**	**$1,718,342**	**$660,789**	**$644,178**
PV - Future Normal Costs*	$25,451	$22,581	$113,823	$120,223	$180,432	$204,734	$124,462	$127,147	$293,136	$292,127	$437,199	$438,932
Actuarial Accrued Liability	$927,001	$941,393	$1,309,823	$1,278,297	$17,731	$11,154	$68,181	$64,600	$1,445,733	$1,426,215	$223,590	$205,245
RATIO OF SEGAL/MILLIMAN												
PVB		**101%**		**98%**		**109%****		**100%**		**99%**		**97%**
PV - Future Normal Costs*		89%		106%		113%		102%		100%		100%
Actuarial Accrued Liability		102%		98%		63%		95%		99%		92%

	Retiree General Plan 1		Retiree General Plan 2		Retiree General Plan 3		Retiree Safety Plan 1		Retiree Safety Plan 2		Disabled General Plan 2	
INACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$4,134,612**	**$4,136,444**	**$49,312**	**$49,332**	**$21,754**	**$21,544**	**$3,202,302**	**$3,203,776**	**$1,708,850**	**$1,712,058**	**$303,869**	**$303,978**
RATIO OF SEGAL/MILLIMAN												
		100%		**100%**		**100%**		**100%**		**100%**		**100%**

* The difference in the present value of future normal costs is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11.

** For the active member in General Plan 3 where Segal's result to Milliman's result is 109%, we believe that variation may be explained by possible difference in procedures used by Segal and Milliman to project the estimated Primary Insurance Amount (PIA) that is used as an offset to the benefit payable under that Plan by *SamCERA*.

EXHIBIT – B (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
TEST LIFE COMPARISON

	Probation Plan 2		Probation Plan 4		Probation Plan 4		General Plan 4		General Plan 4		Safety Plan 4	
ACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$977,983**	**$965,931**	**$458,828**	**$454,755**	**$537,095**	**$535,407**	**$96,229**	**$96,543**	**$249,945**	**$247,870**	**$470,100**	**$471,331**
PV - Future Normal Costs*	$177,245	$181,784	$327,248	$327,054	$115,132	$119,598	$34,473	$34,493	$91,383	$89,818	$364,186	$364,786
Actuarial Accrued Liability	$800,738	$784,147	$131,580	$127,701	$421,963	$415,809	$61,756	$62,050	$158,562	$158,053	$105,914	$106,545
RATIO OF SEGAL/MILLIMAN												
Total PVB		**99%**		**99%**		**100%**		**100%**		**99%**		**100%**
PV - Future Normal Costs*		103%		100%		104%		100%		98%		100%
Actuarial Accrued Liability		98%		97%		99%		100%		100%		101%

	Beneficiary General Plan 1		Beneficiary General Plan 2		Beneficiary Safety Plan 1		Retiree & Beneficiary General Plan 1		Terminated Vested General Plan 2		Terminated Vested Safety Plan 4	
INACTIVES	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Total PVB	**$118,146**	**$118,393**	**$80,801**	**$80,857**	**$140,167**	**$140,390**	**$343,418**	**$344,444**	**$58,294**	**$58,570**	**$70,204**	**$70,236**
RATIO OF SEGAL/MILLIMAN												
		100%		**100%**		**100%**		**100%**		**100%**		**100%**

* The difference in the present value of future normal costs is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11.

EXHIBIT – C
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	General – COMBINED*									
PRESENT VALUE OF	**Plan 1**		**Plan 2**		**Plan 3**		**Plan 4**		**Subtotal**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$69,814	$69,116	$688,391	$682,925	$25,295	$24,884	$810,649	$803,771	$1,594,149	$1,580,696
Retirees	723,837	725,199	461,448	461,631	11,056	11,005	35,805	35,812	1,232,146	1,233,647
Inactive Vesteds	8,267	8,298	67,458	67,942	7,456	7,411	40,321	40,793	123,502	124,444
Total PVB	**$801,918**	**$802,613**	**$1,217,297**	**$1,212,498**	**$43,807**	**$43,300**	**$886,775**	**$880,376**	**$2,949,797**	**$2,938,787**
RATIO OF SEGAL/MILLIMAN										
Actives		**99%**		**99%**		**98%**		**99%**		**99%**
Retirees		100%		100%		100%		100%		100%
Inactive Vesteds		100%		101%		99%		101%		101%
Total PVB		**100%**		**100%**		**99%**		**99%**		**100%**

* Includes General members from County non-CNA, County CNA and Mosquito and Vector Control District.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Safety							
PRESENT VALUE OF	**Plan 1**		**Plan 2**		**Plan 4**		**Subtotal**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$14,286	$13,861	$176,408	$174,687	$174,721	$176,117	$365,415	$364,665
Retirees	285,539	285,696	111,590	111,759	5,683	5,774	402,812	403,229
Inactive Vesteds	247	247	12,277	12,302	4,903	4,908	17,427	17,457
Total PVB	**$300,072**	**$299,804**	**$300,275**	**$298,748**	**$185,307**	**$186,799**	**$785,654**	**$785,351**
RATIO OF SEGAL/MILLIMAN								
Actives		**97%**		**99%**		**101%**		**100%**
Retirees		100%		100%		102%		100%
Inactive Vesteds		100%		100%		100%		100%
Total PVB		**100%**		**99%**		**101%**		**100%**

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Probation									
PRESENT VALUE OF	**Plan 1**		**Plan 2**		**Plan 4**		**Subtotal**		**TOTAL**	
FUTURE BENEFITS (PVB)	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Actives	$1,409	$1,191*	$62,469	$61,945	$104,146	$103,048	$168,024	$166,184	$2,127,588	$2,111,545
Retirees	55,338	55,365	26,714	26,738	2,242	2,241	84,294	84,344	1,719,252	1,721,220
Inactive Vesteds	0	0	3,389	3,392	2,648	2,651	6,037	6,043	146,966	147,944
Total PVB	**$56,747**	**$56,556**	**$92,572**	**$92,075**	**$109,036**	**$107,940**	**$258,355**	**$256,571**	**$3,993,806**	**$3,980,709**
RATIO OF SEGAL/MILLIMAN										
Actives		**85%***		**99%**		**99%**		**99%**		**99%**
Retirees		100%		100%		100%		100%		100%
Inactive Vesteds		N/A		100%		100%		100%		101%
Total PVB		**100%**		**99%**		**99%**		**99%**		**100%**

* The difference in the present value of future benefits is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11. We also believe that there may be a possible difference between how Milliman and Segal allocate benefits and apply the limitation that benefits cannot be in excess of 100% of final average salary when a member has accrued service in more than one plan.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
COMPARISON OF RESULTS

	General – COMBINED*									
	Plan 1		Plan 2		Plan 3		Plan 4		Subtotal	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	19.76%	20.00%	20.33%	20.28%	7.69%	7.96%	19.78%	19.65%	19.56%	19.47%
2. Member Contribution Rate	9.25%	8.91%	10.08%	10.11%	0.00%	0.00%	10.33%	10.33%	9.94%	9.94%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	10.51%	11.09%	10.25%	10.17%	7.69%	7.96%	9.45%	9.32%	9.61%	9.53%
4. Employer UAAL Amortization Contribution Rate (See 18-G)	16.41%	16.01%	16.41%	16.01%	16.41%	16.01%	16.41%	16.01%	16.41%	16.01%
5. Total Employer Contribution Rate (3. + 4.)	26.91%	27.10%	26.66%	26.18%	24.10%	23.97%	25.86%	25.33%	26.02%	25.54%
RATIO OF SEGAL/MILLIMAN										
1. Normal Cost Contribution Rate		101%		100%		103%		99%		100%
2. Member Contribution Rate		96%		100%		N/A		100%		100%
3. Net Employer Normal Cost Contribution Rate		106%		99%		103%		99%		99%
4. Employer UAAL Amortization Contribution Rate		98%		98%		98%		98%		98%
5. Total Employer Contribution Rate		101%		98%		99%		98%		98%

* Includes General members from County non-CNA, County CNA and Mosquito and Vector Control District.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Safety							
	Plan 1		Plan 2		Plan 4		Subtotal	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	38.26%	37.00%	32.82%	32.94%	31.60%	31.13%	32.05%	31.82%
2. Member Contribution Rate	10.57%	6.90%*	12.99%	13.01%	13.14%	13.28%	13.08%	13.08%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	27.69%	30.11%	19.83%	19.93%	18.46%	17.85%	18.97%	18.73%
4. Employer UAAL Amortization Contribution Rate(See 18-G)	40.16%	38.97%	40.16%	38.97%	40.16%	38.97%	40.16%	38.97%
5. Total Employer Contribution Rate (3. + 4.)	67.85%	69.08%	59.99%	58.90%	58.62%	56.82%	59.13%	57.70%
RATIO OF SEGAL/MILLIMAN								
1. Normal Cost Contribution Rate		97%		100%		98%		99%
2. Member Contribution Rate		65%*		100%		101%		100%
3. Net Employer Normal Cost Contribution Rate		109%		101%		97%		99%
4. Employer UAAL Amortization Contribution Rate		97%		97%		97%		97%
5. Total Employer Contribution Rate		102%		98%		97%		98%

* The difference in the member contribution rate is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

	Probation									
	Plan 1		Plan 2		Plan 4		Subtotal		Total	
NORMAL COST	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
1. Normal Cost Contribution Rate	32.99%	33.02%	31.81%	32.10%	29.19%	29.20%	29.87%	30.00%	21.57%	21.56%
2. Member Contribution Rate	3.50%	6.71%*	10.24%	10.17%	10.39%	10.42%	10.35%	10.32%	10.32%	10.34%
3. Net Employer Normal Cost Contribution Rate (1. - 2.)	29.49%	26.31%	21.57%	21.93%	18.80%	18.78%	19.52%	19.68%	11.25%	11.22%
4. Employer UAAL Amortization Contribution Rate (See 18-G)	21.62%	20.49%	21.62%	20.49%	21.62%	20.49%	21.62%	20.49%	19.72%	19.03%
5. Total Employer Contribution Rate (3. + 4.)	51.11%	46.80%	43.19%	42.42%	40.42%	39.27%	41.14%	40.17%	30.97%	30.25%
RATIO OF SEGAL/MILLIMAN										
1. Normal Cost Contribution Rate		100%		101%		100%		100%		100%
2. Member Contribution Rate		192%*		99%		100%		100%		100%
3. Net Employer Normal Cost Contribution Rate		89%		102%		100%		101%		100%
4. Employer UAAL Amortization Contribution Rate		95%		95%		95%		95%		97%
5. Total Employer Contribution Rate		92%		98%		97%		98%		98%

* The difference in the member contribution rate is primarily due to the assumed timing of the service retirement decrements as described in Observation (1) on page 11.

EXHIBIT – C (CONTINUED)
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 30, 2011 VALUATION
COMPARISON OF RESULTS
(All Dollar Amounts are in Thousands)

UNFUNDED ACTUARIAL LIABILITY	General		Safety		Probation		Total	
	Milliman	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**	**Milliman**	**Segal**
Present Value of Future Benefits	$2,949,797	$2,938,788	$785,653	$785,351	$258,355	$256,572	$3,993,805	$3,980,711
PV Future NC Contributions	555,308	556,728	123,973	129,096	67,797	68,449	747,078	754,273
Actuarial Accrued Liability	**2,394,489**	**2,382,060**	**661,680**	**656,255**	**190,558**	**188,123**	**3,246,727**	**3,226,438**
Current Assets at Actuarial Value	1,815,281	1,815,281	451,841	451,841	138,018	138,018	2,405,140	2,405,140
Unfunded Actuarial Liability	579,208	566,779	209,839	204,414	52,540	50,105	841,587	821,298
Unfunded Actuarial Liability Amortization Contribution Rate	16.41%	16.01%	40.16%	38.97%	21.62%	20.49%	19.72%	19.03%
RATIO OF SEGAL/MILLIMAN								
Present Value of Future Benefits		100%		100%		99%		100%
PV Future NC Contributions		100%		104%		101%		101%
Actuarial Accrued Liability		99%		99%		99%		99%
Current Assets at Actuarial Value		100%		100%		100%		100%
Unfunded Actuarial Liability		98%		97%		95%		98%
Unfunded Actuarial Liability Amortization Contribution Rate		98%		97%		95%		97%

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September 27, 2011

Agenda Item 5.4

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval of the 2012-2013 Fiscal Year and New Hire Employer & Employee Contribution Rates recommended by Milliman, Inc.

Staff Recommendation

Staff recommends that the Board of Retirement adopt the attached "*Resolution Accepting Contribution rates to Recommend to the Board of Supervisors for the 2012-2013 Fiscal Year*." The resolution recommends that the current 2011-12 **employer contribution rates** for the County of San Mateo, the San Mateo County Superior Court and the Mosquito & Vector Control District be retained and in effect for the 2012-13 fiscal year for all members hired prior to the implementation of new benefit formulas in 2011 and 2012. Milliman, Inc. concurs with the recommendation.

Adoption of the attached resolution will result in a slight (less than 1% of pay) increase in **member contribution rates** for current members. These increases are mainly due to a change to the mortality assumption to recognize that people's life spans continue to increase.

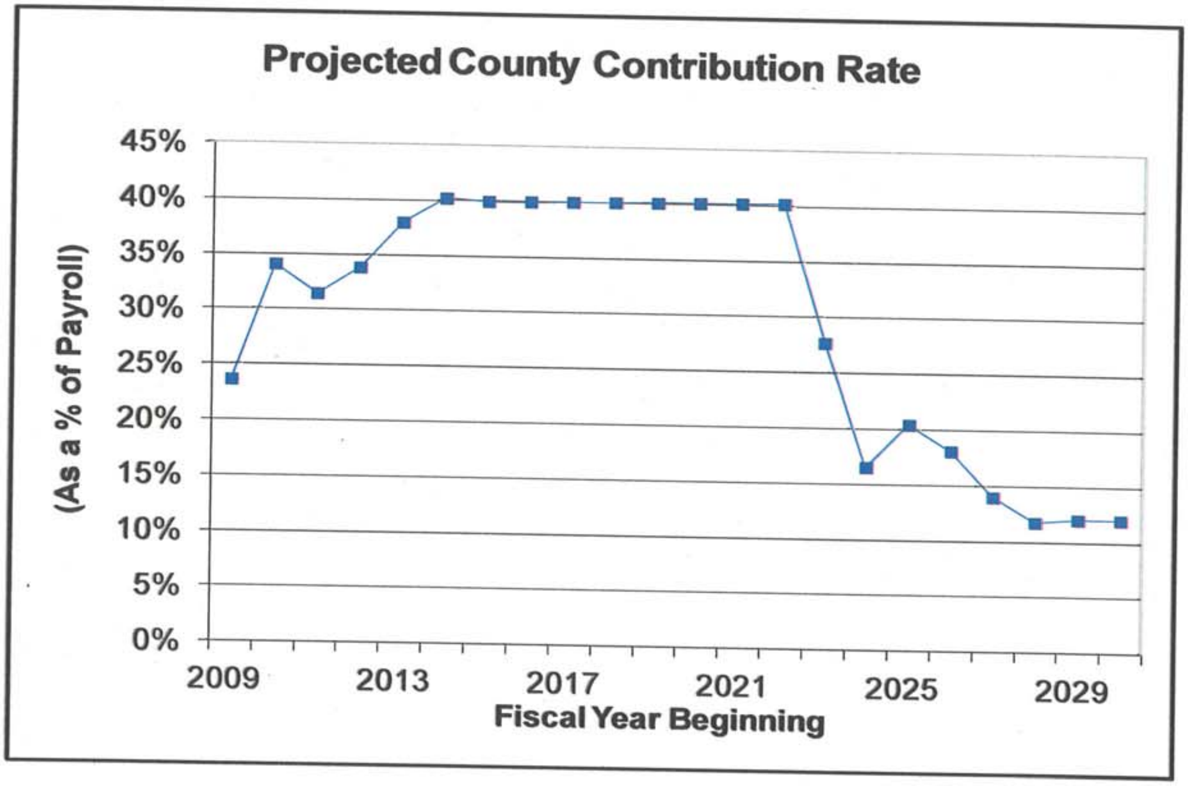
Summary

Last year at this time the board took a similar action to that recommended above. Although the actuarial process recommended a lower average employer contribution rate, the board, with support from the San Mateo County Manager, approved a recommendation to the Board of Supervisors that the employer contribution rates be maintained at their level from the prior year. This action was taken because actuarial estimates of future contribution rates were significantly higher due to the need in future years to recognize losses deferred in the smoothing process.

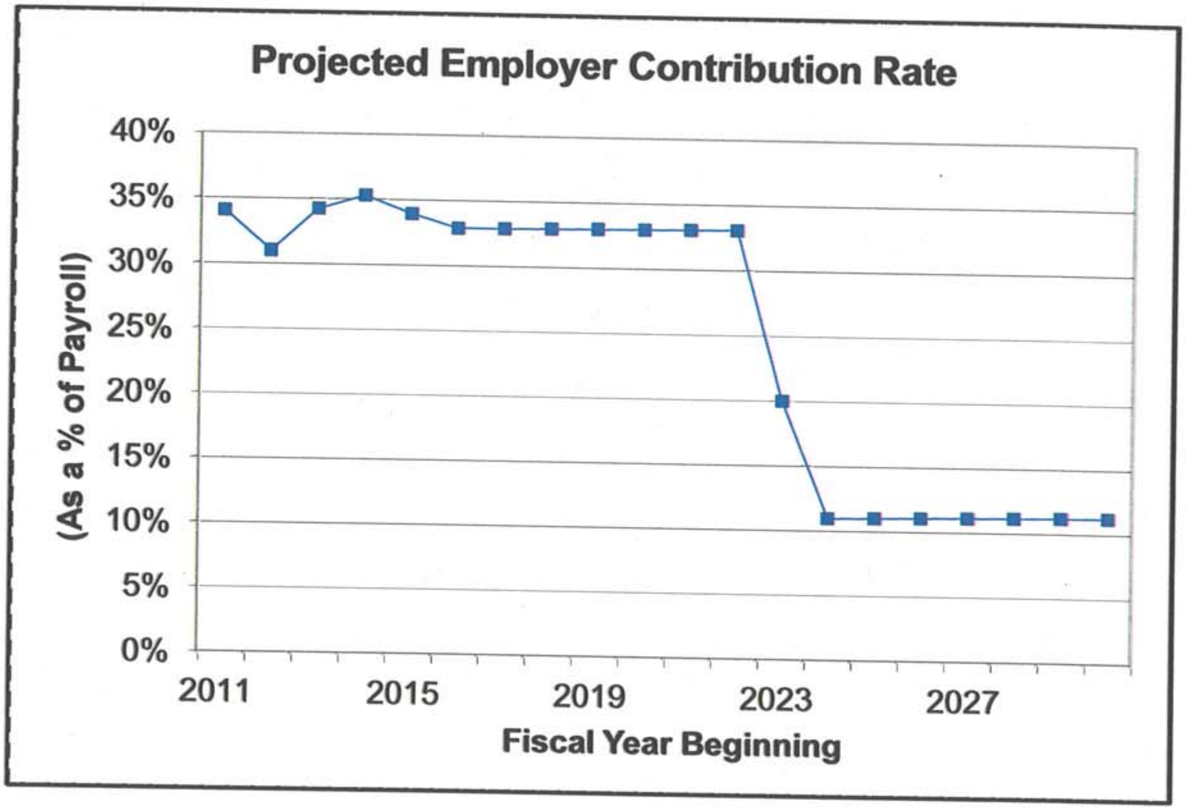
This year, although conditions have significantly improved, staff believes it is prudent that the employer contribution rate again be maintained at its current level.

Background

A key factor in last year's decision was the graph below, provided by Milliman, Inc. The graph projected employer contribution rates assuming consistent annual earnings at the assumed earnings rate of 7.75%. Of significance is that the average employer contribution rate would rise to 40% of payroll.

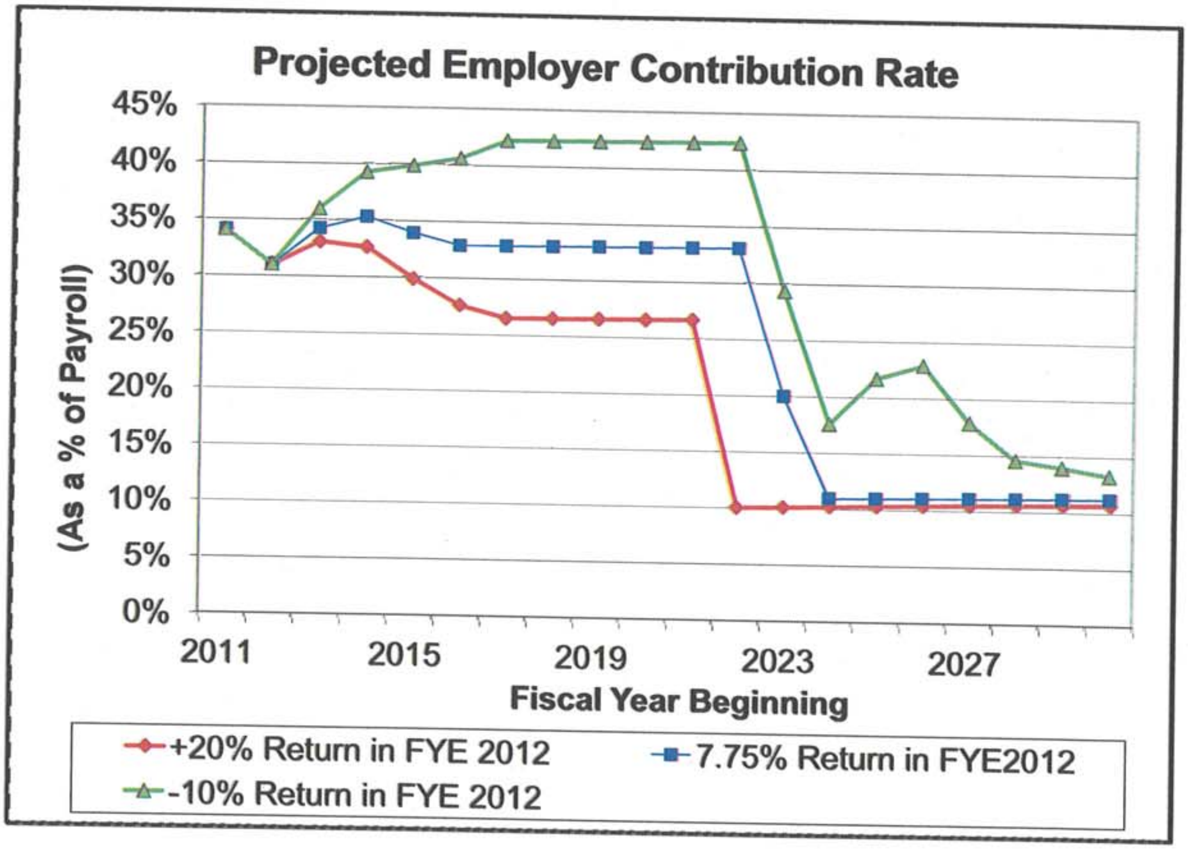


This year the same graph (below) shows a much-improved scenario. However, the average rate through 2023 is still expected to be around 34%, but with a temporary reduction for the 2012-13 fiscal year to 31%.



Though conditions have improved and *SamCERA* had a notable investment return for the 2010-11 fiscal year, staff believes maintaining the employer contribution rate is prudent for the following reasons:

1. The timing was right for *SamCERA's* earnings recognition for 2010-11. But in the first several weeks of the current fiscal year, the markets experienced a significant downturn and world financial markets continue to be volatile. These losses may be recovered by the end of the fiscal year, but that scenario may be unlikely given the continued high levels of bank and government debt in Europe and the U.S. The graph below, also provided by Milliman, Inc., shows employer rate projections depending on whether 2011-12 is a bad, average, or good earnings year. The years following 2011-12 are assumed at 7.75%.



NOTE: For all three graphs above, actual rates will vary due to a number of factors, in particular the actual future performance of *SamCERA* investments.

2. Regardless of what kind of earnings year *SamCERA* experiences in 2011-12, additional employer contribution rates will improve the funded status of the plan and will result in lower future employer contribution rates than otherwise would be contributed.

3. County leadership has indicated their preference to maintain the employer contribution rate at its current level, and Milliman, Inc. agrees with the recommendation.

The graphs above will be discussed by Nick Collier and Jennifer Sorenson of Milliman, Inc. during their presentation of the 2011 Actuarial Valuation at the September 27 board meeting.

County and bargaining unit leaderships were contacted about this issue and invited to comment at the board meeting or by communicating with staff beforehand. If comments are received they will be conveyed at the meeting.

Regarding **member contribution rates:** The valuation report recommends a change in member contribution rates to reflect the fact that members are living longer. Staff recommends approval. The increase for members will be less than 1% of pay and in most cases significantly less than 1%. These increased member contribution rates will be effective with the first payroll in July 2012.

Member and employer contribution rates for those hired after the implementation of new benefit formulas ("new hires") are not included in the valuation report or in the attached resolution. They will be provided by Milliman as an addendum to the report and brought to the Board of Retirement for approval at a future meeting.

Conclusion

During this extraordinary time for the world economy, staff believes it is again reasonable to maintain employer contribution rates at their current level rather than setting them at the levels produced by the valuation process. Maintaining the current rates will lower the level of expected future increases and steer *SamCERA* on a path toward greater fiscal strength.

San Mateo County Employees' Retirement Association
Board of Retirement

RESOLUTION 11-12-__

RESOLUTION ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2012-2013 FISCAL YEAR.

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board..."*shall, at least 45 days prior to the beginning of the succeeding fiscal year, 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 Board has received and accepted the June 30, 2011, valuation report from its actuarial firm, Milliman, Inc., and

WHEREAS, maintaining payment of the 2011-12 employer rates will lower the level of expected future increases and help keep *SamCERA* on a path toward greater fiscal strength, and

WHEREAS, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the contribution rates necessary to assure the actuarial soundness of the Retirement Fund,

Therefore, be it

RESOLVED that the Board hereby accepts the employer and member contribution rates as set forth below for the fiscal year 2012-2013.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended **employer contribution rates** for members hired prior to the implementation of new benefit formulas in 2011 and 2012 for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedule provided by Milliman, Inc. entitled *"Update to County Contribution Rates for Fiscal Year Beginning July 1, 2012" as* a percentage of covered salaries, effective July 1, 2012, in accordance with the :

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended entry age **member contribution rates** for members hired prior to the implementation of new benefit formulas in 2011 and 2012 of the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules set forth in the attachments provided by Milliman, Inc., entitled *"Exhibit D-2: Basic Plus Cost-Sharing Member Contribution Rates, and "Exhibit D-3: Basic Plus Cost-Sharing Member*

Contribution Rates, With 25% COLA Share" as a percentage of covered salaries, effective July 1, 2012.

Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2012.

San Mateo County Employees' Retirement Association

Exhibit D-2: Basic Plus Cost-Sharing Member Contribution Rates

Entry Age *	General (County)		General (SMCM&VCD)***		Probation		Safety**	
	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4
16	8.14%	7.92%	5.14%	4.92%	9.08%	8.84%	11.98%	11.68%
17	8.23%	8.01%	5.23%	5.01%	9.19%	8.94%	12.11%	11.80%
18	8.33%	8.10%	5.33%	5.10%	9.29%	9.04%	12.24%	11.93%
19	8.43%	8.20%	5.43%	5.20%	9.40%	9.14%	12.37%	12.06%
20	8.53%	8.29%	5.53%	5.29%	9.50%	9.25%	12.50%	12.18%
21	8.63%	8.39%	5.63%	5.39%	9.61%	9.35%	12.64%	12.31%
22	8.74%	8.49%	5.74%	5.49%	9.72%	9.46%	12.78%	12.45%
23	8.84%	8.59%	5.84%	5.59%	9.84%	9.57%	12.92%	12.58%
24	8.95%	8.69%	5.95%	5.69%	9.95%	9.68%	13.06%	12.72%
25	9.06%	8.80%	6.06%	5.80%	10.07%	9.79%	13.21%	12.86%
26	9.17%	8.90%	6.17%	5.90%	10.19%	9.90%	13.36%	13.00%
27	9.28%	9.01%	6.28%	6.01%	10.31%	10.02%	13.51%	13.15%
28	9.39%	9.12%	6.39%	6.12%	10.43%	10.14%	13.67%	13.30%
29	9.51%	9.23%	6.51%	6.23%	10.56%	10.26%	13.82%	13.45%
30	9.63%	9.34%	6.63%	6.34%	10.69%	10.38%	13.98%	13.60%
31	9.75%	9.46%	6.75%	6.46%	10.82%	10.51%	14.15%	13.76%
32	9.87%	9.58%	6.87%	6.58%	10.95%	10.64%	14.32%	13.92%
33	9.99%	9.70%	6.99%	6.70%	11.09%	10.77%	14.49%	14.08%
34	10.12%	9.82%	7.12%	6.82%	11.23%	10.90%	14.67%	14.25%
35	10.25%	9.94%	7.25%	6.94%	11.38%	11.04%	14.85%	14.43%
36	10.38%	10.07%	7.38%	7.07%	11.53%	11.18%	15.04%	14.60%
37	10.52%	10.20%	7.52%	7.20%	11.68%	11.32%	15.23%	14.77%
38	10.66%	10.33%	7.66%	7.33%	11.83%	11.46%	15.42%	14.95%
39	10.80%	10.47%	7.80%	7.47%	11.98%	11.59%	15.60%	15.11%
40	10.95%	10.61%	7.95%	7.61%	12.13%	11.72%	15.79%	15.27%
41	11.10%	10.75%	8.10%	7.75%	12.28%	11.84%	15.97%	15.43%
42	11.26%	10.89%	8.26%	7.89%	12.41%	11.96%	16.14%	15.57%
43	11.41%	11.03%	8.41%	8.03%	12.54%	12.06%	16.31%	15.70%
44	11.56%	11.16%	8.56%	8.16%	12.66%	12.15%	16.45%	15.81%
45	11.71%	11.29%	8.71%	8.29%	12.77%	12.22%	16.59%	15.90%
46	11.85%	11.42%	8.85%	8.42%	12.87%	12.26%	16.71%	15.95%
47	11.99%	11.53%	8.99%	8.53%	12.93%	12.26%	16.79%	15.95%
48	12.12%	11.64%	9.12%	8.64%	12.96%	12.57%	16.83%	16.33%
49	12.25%	11.73%	9.25%	8.73%	12.96%	12.90%	16.83%	16.75%
50	12.36%	11.80%	9.36%	8.80%	12.96%	12.90%	16.83%	16.75%
51	12.45%	11.84%	9.45%	8.84%	12.96%	12.90%	16.83%	16.75%
52	12.52%	11.84%	9.52%	8.84%	12.96%	12.90%	16.83%	16.75%
53	12.55%	12.15%	9.55%	9.15%	12.96%	12.90%	16.83%	16.75%
54	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
55	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
56	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
57	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
58	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
59	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
60	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%

** For County General members entering after age 55, the rate equals the rate at age 55. Likewise for Safey and Probation members entering after age 50, the rate equals the rate at age 50. Only Probation rates reflect employer pick-up.*

*** Cost sharing is less for deputy sheriffs*

****Mosquito and Vector Control District does not participate in cost sharing.*

San Mateo County Employees' Retirement Association

Exhibit D-3: Basic Plus Cost-Sharing Member Contribution Rates, with 25% COLA share**

	California Nurses Association		
Entry Age *	Plan 1	Plan 2	Plan 4
16	9.31%	9.01%	8.74%
17	9.42%	9.12%	8.84%
18	9.54%	9.24%	8.95%
19	9.66%	9.35%	9.06%
20	9.79%	9.47%	9.17%
21	9.91%	9.59%	9.28%
22	10.05%	9.72%	9.40%
23	10.17%	9.83%	9.52%
24	10.30%	9.96%	9.64%
25	10.44%	10.09%	9.76%
26	10.57%	10.22%	9.88%
27	10.71%	10.35%	10.01%
28	10.84%	10.48%	10.13%
29	10.99%	10.62%	10.26%
30	11.14%	10.76%	10.40%
31	11.28%	10.90%	10.53%
32	11.43%	11.04%	10.67%
33	11.58%	11.18%	10.80%
34	11.74%	11.33%	10.94%
35	11.90%	11.48%	11.09%
36	12.06%	11.63%	11.23%
37	12.23%	11.80%	11.39%
38	12.40%	11.96%	11.55%
39	12.57%	12.13%	11.70%
40	12.76%	12.30%	11.87%
41	12.94%	12.48%	12.04%
42	13.14%	12.66%	12.22%
43	13.32%	12.84%	12.38%
44	13.51%	13.02%	12.55%
45	13.69%	13.19%	12.72%
46	13.86%	13.35%	12.87%
47	14.03%	13.52%	13.03%
48	14.19%	13.67%	13.18%
49	14.35%	13.82%	13.32%
50	14.49%	13.95%	13.44%
51	14.60%	14.06%	13.54%
52	14.68%	14.14%	13.62%
53	14.72%	14.17%	13.66%
54	14.72%	14.17%	13.66%
55	14.72%	14.17%	13.66%
56	14.72%	14.17%	13.66%
57	14.72%	14.17%	13.66%
58	14.72%	14.17%	13.66%
59	14.72%	14.17%	13.66%
60	14.72%	14.17%	13.66%

*For County General members entering after age 55, the rate equals the rate at age 55.

** Beginning with the 2011 valuation, current members of the California Nurses Association will contribute 25% of the cost of COLA, in addition to the current member rates and cost sharing for General members. To reflect this cost, the basic rates for current General members are multiplied by the following factors (prior to the addition of cost-sharing): 1.2274 for Plan 1 CNA members, 1.170 for Plan 2 CNA members, and 1.1158 for Plan 4 CNA members. These loads are based on 25% of the calculated cost of COLA.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 5.5

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Annual Actuarial Consultant Review – Milliman, Inc.

STAFF RECOMMENDATION: Staff recommends that the board participate in Milliman's annual review.

COMMENT: *SamCERA's* actuaries completed a self-performance evaluation. Milliman rated themselves a sold four in all categories with the exception of question number 12 - keeps you informed about changes in the law that could affect the plan. They rated themselves an average three on that question. Staff rated Milliman as a five, while the board's average rating was four point five.

Some of the comments worth pointing out are:

On understanding of the system goals and objectives, Milliman's long experience with 37 Act systems and with *SamCERA* is often demonstrated in their understanding of *SamCERA's* issues and needs.

On ability to custom-tailor services and respond to the plan's needs Milliman has demonstrated an ability to respond in a clear and concise manner to all requests posed to them. Milliman is very flexible in its ability to respond to a wide variety of issues. Milliman lost one of their senior actuaries, Karen Steffen, to retirement. Nevertheless there has been no drop-off in service.

On effective communication, Milliman has always demonstrated an ability to discuss complex and technical actuarial issues in a way that enables all levels of stakeholders to understand the results. It appears that his skill will continue, as demonstrated by the assistant who presented at the July meeting.

On responsiveness, when Milliman is contacted they either are available or respond quickly. *SamCERA* provides a somewhat aggressive timeline for producing the annual valuation in early September of each year. The timelines and due dates are met unless there is an unusual circumstance.

On adequacy of information, staff believes it is always more than adequate. As an example, the actuarial valuation first provides a very short but understandable executive summary followed by descriptive test and numerical support tables that enable the reader to follow the actuarial progress and understand the results of the valuation. It appears from the actuarial audit that Milliman could provide additional information. However, *SamCERA* will reserve judgment until the audit process is complete. Nick does a great job of anticipating questions and clarifying information.

On creative solutions to difficult problems, we have contrasting opinions. One states that Milliman provides more options rather than solutions when discussing *SamCERA's* valuation rate. The other notes that Milliman demonstrated great creativity in approaching an implementation of the county's contract to provide police services for San Carlos and Half Moon Bay.

Comments on the overall evaluation were positive. Milliman stands out among actuarial firms due to their accessibility, level of service, responsiveness, technical abilities, 37 Act experience, accuracy, and communications ability. I value Milliman as *SamCERA's* Actuary and Nick as the managing principal. I expect our relationship to continue to improve over the years.

There will be difficult decisions regarding funding policies and actuarial assumptions over the next few years that will require additional education to fully understand the long term consequences of these decisions. Staff believes Milliman's research department will issue timely notices for changes occurring on a national level. In addition they will keep us informed of legislation as it moves through the California legislature. In both cases staff expects Milliman to be proactive in its approach to discuss the issues and help chart a course of action for *SamCERA* to react to the various situations.

SamCERA's consulting actuary, **Nick Collier, ASA**, will be available to respond to any questions or comments regarding the actuary relationship.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

September 27, 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 **August 31, 2011**

COMMENT: *SamCERA's* -4.34% Total Fund Return for the month underperformed the Total Plan Policy Benchmark return of -4.15%.

The fund's returns for the trailing twelve months and twenty-four months are 14.81% and 10.48% respectively. The twelve-month period is 706 basis points (bps) above the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 12 basis point behind *SamCERA's* Total Plan Policy Benchmark of 14.93%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation. In addition, the above portfolio returns do not reflect the performance of all portfolios. As of this writing, monthly performance for Angelo Gordon's PPIF, AQR's risk parity, AQR's hedge fund, various private equity and Invesco's core real estate portfolios have not been reported.

U.S. stocks fell sharply throughout most of the month. With an August 2 deadline looming following months of political squabbling, Congress and the administration finally agreed to raise the federal debt ceiling and reduce the federal deficit over the next decade. Standard & Poor's downgraded U.S. Treasury bonds from AAA to AA+, a move that was not unexpected. Against this backdrop, further aggravated by signs of weak U.S. economic growth and an ongoing European sovereign debt crisis, investors fled equities and other risky assets in favor of traditional safe havens, including gold, the Swiss franc, and, ironically, U.S. Treasury securities. Equities rallied a bit at the end of August, but the brief upturn was not enough to overcome severe earlier losses.

The U.S. economy grew at a sluggish annualized rate of 1.0% in the second quarter of the year, according to the Commerce Department. The economy has grown only 0.7% through the first half of 2011, reflecting fewer exports, low consumer demand, and weak growth in business inventories. Economists noted that nine of the past 11 recessions have been preceded by periods of economic growth amounting to 1.0% or less, prompting fears of a double-dip recession in some quarters. Low confidence has restrained consumer demand, which accounts for about 70% of total U.S. economic activity. Late in the month, Federal Reserve Chairman Ben Bernanke stated that monetary policymakers will consider taking further steps to stimulate the faltering economy. He did warn, however, that "most of the economic policies that support robust economic growth in the long run are outside the province of the central bank" and that much of the responsibility for action rests with the legislative and executive branches of government.

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	-5.75%	-9.40%	-7.42%	19.12%
D.E. Shaw Investment Management, LLC	-6.34%	-9.35%	-6.62%	18.94%
T. Rowe Price Associates	-5.83%	-8.99%	-7.48%	18.51%
Barrow, Hanley, Mewhinney & Strauss	-6.45%	-12.36%	-9.34%	17.81%
BlackRock Capital Management, Inc.	-8.26%	-11.70%	-10.52%	19.60%
Large Cap Aggregate	-6.67%	-10.64%	-8.57%	18.56%
The Boston Company	-8.85%	-14.42%	-13.19%	14.66%
Chartwell Investment Partners	-11.42%	-15.25%	-10.65%	25.70%
Jennison Associates	-9.54%	-14.55%	-10.57%	24.73%
Small Cap Aggregate	-9.89%	-14.71%	-11.18%	22.63%
Artio Global Investors	-9.39%	-10.93%	-9.37%	7.17%
Mondrian Investment Partners	-7.54%	-9.53%	-6.39%	9.88%
International Aggregate	-8.45%	-10.22%	-7.87%	8.54%
Total Equity	-7.78%	-11.23%	-8.85%	15.81%
Aberdeen Asset Management	0.39%	1.41%	4.39%	5.96%
Angelo Gordon	0.00%	-3.65%	-6.50%	18.05%
Brigade Capital Management	-2.95%	-2.08%	0.08%	9.12%
Brown Brothers Harriman	-0.10%	4.68%	8.71%	9.10%
Franklin Templeton	-0.47%	0.08%	4.84%	N/A
Pyramis Global Advisors	0.93%	2.12%	5.11%	5.92%
Western Asset Management	0.93%	1.99%	4.75%	6.98%
Total Fixed Income	0.07%	1.02%	3.85%	7.19%
Private Equity (1)	3.49%	-7.97%	-77.82%	N/A
AQR's Global Risk Premium (Risk Parity)	0.00%	1.78%	7.32%	N/A
AQR's Delta Fund (Hedge Fund)	0.00%	-0.57%	N/A	N/A
SSgA/SSARIS Commodity	-2.55%	N/A	N/A	N/A
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	0.00%	6.93%	11.03%	24.80%
Cash	0.09%	0.25%	0.49%	1.00%
Total Portfolio	-4.34%	-5.77%	-3.03%	14.81%

(1) As month end, *SamCERA* has committed to four private equity investments totaling $60 million.

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending August 31, 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	108,140,565	-5.75	-9.40	-7.42	-7.79	19.12	12.18	0.92	-2.08	1.18	3.21	7.77	04/01/1995
DE SHAW INVESTMENT MGT, LLC	103,500,280	-6.34	-9.35	-6.62	-7.59	18.94	11.48					13.27	08/01/2009
RUSSELL 1000		*-5.76*	*-9.41*	*-7.45*	*-7.80*	*19.06*	*12.10*	*0.84*	*-2.15*	*1.11*	*3.16*		
T. ROWE PRICE ASSOCIATES	102,025,057	-5.83	-8.99	-7.48	-7.47	18.51	11.06					12.34	08/01/2009
S&P 500		*-5.43*	*-8.90*	*-7.23*	*-7.36*	*18.50*	*11.50*					*12.91*	
BARROW HANLEY	144,314,087	-6.45	-12.36	-9.34	-10.89	17.81	10.95					12.42	08/01/2009
RUSSELL 1000 VALUE		*-6.24*	*-11.21*	*-9.45*	*-9.35*	*14.37*	*9.56*					*11.86*	
BLACKROCK	155,220,030	-8.26	-11.70	-10.52	-9.46	19.60	12.57					13.02	08/01/2009
RUSSELL 1000 GROWTH		*-5.28*	*-7.57*	*-5.40*	*-6.23*	*23.96*	*14.71*					*15.20*	
LARGE CAP AGGREGATE	613,200,018	-6.67	-10.64	-8.57	-8.90	18.56	11.25	-0.38	-3.03	-0.24	2.74	7.49	04/01/1995
RUSSELL 1000		*-5.76*	*-9.41*	*-7.45*	*-7.80*	*19.06*	*12.10*	*0.84*	*-2.15*	*1.11*	*3.16*	*7.75*	
BOSTON COMPANY ASSET MGT, LLC	44,054,415	-8.85	-14.42	-13.19	-11.76	14.66	9.86					11.67	08/01/2009
RUSSELL 2000 VALUE		*-8.83*	*-14.02*	*-12.99*	*-11.85*	*16.86*	*11.33*					*13.33*	
CHARTWELL INVESTMENT MGMT	52,161,671	-11.42	-15.25	-10.65	-13.83	25.70	20.61	1.46	-0.63	3.14		4.68	12/01/2004
RUSSELL 2000 GROWTH		*-8.57*	*-14.03*	*-9.39*	*-12.15*	*27.54*	*16.91*	*2.14*	*0.63*	*3.60*		*4.34*	
JENNISON ASSOCIATES	92,484,975	-9.54	-14.55	-10.57	-12.96	24.73	18.73	4.21				5.25	04/01/2008
SMALL CAP AGGREGATE	188,701,061	-9.89	-14.71	-11.18	-12.94	22.63	17.07	0.80	-2.55	-1.03	4.07	4.18	07/01/1999
RUSSELL 2000		*-8.70*	*-14.03*	*-11.17*	*-12.00*	*22.19*	*14.13*	*0.83*	*-0.79*	*1.53*	*5.85*	*5.22*	
DOMESTIC EQUITY AGGREGATE	801,901,079	-7.47	-11.66	-9.25	-9.92	19.25	12.34	-0.11	-2.91	-0.37	3.02	6.66	07/01/1995
SAMCERA DOMESTIC EQUITY BENCHMA		*-6.43*	*-10.49*	*-8.31*	*-8.78*	*19.56*	*12.49*	*0.86*	*-1.85*	*1.22*	*3.75*		

San Mateo County

Summary of Fund Performance With 4 Years
Rates of Return Total
Periods Ending August 31, 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	183,313,991	-9.39	-10.93	-9.37	-10.12	7.17	3.76	-5.50	-7.52	-1.89		4.06	12/01/2004
MSCI ACWI ex US GROWTH (GROSS)		*-8.26*	*-10.31*	*-7.43*	*-8.77*	*12.85*	*9.69*	*-0.60*	*-2.87*	*1.90*		*6.30*	
MONDRIAN INVESTMENT PARTNERS	192,011,447	-7.54	-9.53	-6.39	-8.51	9.88	5.61	-1.02	-3.83	0.70		5.75	12/01/2004
MSCI ACWI EX US VALUE (GROSS)		*-8.85*	*-11.80*	*-11.34*	*-10.77*	*8.70*	*4.29*	*-0.48*	*-4.32*	*0.53*		*5.71*	
TOTAL INTERNATIONAL EQUITY	375,325,437	-8.45	-10.22	-7.87	-9.30	8.54	4.69	-3.25	-5.66	-0.58	5.10	5.63	10/01/1996
MSCI AC WORLD ex US (GROSS)		*-8.55*	*-11.05*	*-9.39*	*-9.77*	*10.80*	*6.97*	*-0.52*	*-3.57*	*1.24*	*7.33*	*5.47*	
TOTAL EQUITY AGGREGATE	1,177,226,516	-7.78	-11.23	-8.85	-9.74	15.81	9.86	-0.99	-3.69	-0.45	3.49	6.60	04/01/1995
SAMCERA TOTAL EQUITY BENCHMARK		*-7.15*	*-10.67*	*-8.66*	*-9.10*	*16.65*	*10.73*	*0.49*	*-2.32*	*1.22*	*4.59*		
PRIVATE EQUITY													
ABRY ADVANCED SEC II LP	4,412,956	0.22	-12.15		0.16							-12.15	06/01/2011
ABRY PARTNERS VII LP	258,908												08/01/2011
REGIMENT CAPITAL FUND	2,525,310	0.00										0.00	08/01/2011
SHERIDAN PRODUCTION PARTNERS	1,731,000	25.34	18.89	-71.35	25.34							-87.97	11/01/2010
RUSSELL 3000 + 3%		*-5.75*	*-9.11*	*-6.37*	*-7.68*							*7.51*	
TOTAL PRIVATE EQUITY	8,928,175	3.49	-7.97	-77.82	1.00							-90.69	11/01/2010
PRIVATE EQUITY BENCHMARK		*-5.75*	*-9.11*	*-6.37*	*-7.68*								
RISK PARITY													
AQR GLOBAL RISK PREM III LP	150,245,200	0.00	1.78	7.32	3.18							7.32	03/01/2011

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending August 31, 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
TOTAL RISK PARITY	150,245,200	0.00	1.78	7.32	3.18							7.32	03/01/2011
RISK PARITY BENCHMARK		*-3.02*	*-4.88*	*-2.57*	*-3.73*								
HEDGE FUND													
AQR DELTA FUND II, L.P.	69,604,360	0.00	-0.57		-0.55							-0.57	06/01/2011
LIBOR + 4%		*0.35*	*1.04*		*0.69*							*1.04*	
HEDGE FUND COMPOSITE	69,604,360	0.00	-0.57		-0.55							-0.57	06/01/2011
LIBOR + 4%		*0.35*	*1.04*		*0.69*							*1.04*	
COMMODITIES													
SSGA MULTISOURCE ACT COMM NL	73,086,065	-2.55										-2.55	08/01/2011
TOTAL COMMODITIES	73,086,065	-2.55										-2.55	08/01/2011
DJ-UBS COMMODITY		*0.99*										*0.99*	
DOMESTIC FIXED INCOME													
ABERDEEN ASSET MANAGEMENT	104,983,039	0.39	1.41	4.39	2.12	5.96	10.04	6.62	4.60	4.76	5.15	6.08	06/01/2000
ANGELO GORDON GECC PPI FUND	37,803,179	0.00	-3.65	-6.50	0.00	18.05						23.63	12/01/2009
PYRAMIS GLOBAL ADVISORS	106,013,076	0.93	2.12	5.11	2.55	5.92	9.26	9.27	7.59	6.80		6.53	02/01/2006
WESTERN ASSET MGMT	104,138,931	0.93	1.99	4.75	2.46	6.98	11.12	9.89	7.25	6.59		5.93	11/01/2004
BC AGGREGATE		*1.46*	*2.77*	*5.49*	*3.07*	*4.62*	*6.87*	*7.23*	*6.88*	*6.56*	*5.71*		
BRIGADE CAPITAL MANAGEMENT	49,134,510	-2.95	-2.08	0.08	-2.01	9.12						8.44	08/01/2010
BC BA INTERMEDIATE HIGH YIELD INDEX		*-2.70*	*-2.02*	*0.37*	*-1.35*	*7.52*						*7.58*	
BROWN BROTHERS HARRIMAN & CO	75,682,202	-0.10	4.68	8.71	3.80	9.10						10.51	08/01/2010
BARCLAYS US TIPS INDEX		*0.90*	*5.85*	*9.99*	*4.98*	*11.02*						*11.92*	

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending August 31, 2011

STATE STREET.

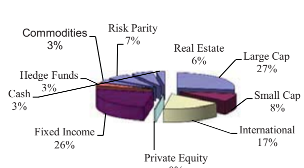
	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
INTERNATIONAL FIXED INCOME													
FRANKLIN TEMPLETON INVESTMENTS	106,530,860	-0.47	0.08	4.84	0.36							6.57	01/01/2011
BC MULTIVERSE		*1.09*	*3.18*	*6.79*	*3.13*							*7.71*	
TOTAL FIXED INCOME													
TOTAL FIXED INCOME AGGREGATE	584,285,796	0.07	1.02	3.85	1.58	7.19	10.73	9.00	6.77	6.29	5.83	6.15	01/01/1996
SAMCERA TOTAL FIXED INCOME BENCH		*1.08*	*3.20*	*6.45*	*3.32*	*6.01*	*7.58*	*7.70*	*7.24*	*6.84*	*5.85*	*6.01*	
REAL ESTATE													
INVESCO REAL ESTATE	135,475,106	0.00	6.93	11.03	0.00	24.80	7.57	-6.71	-3.09	0.18		5.47	10/01/2004
TOTAL REAL ESTATE AGGREGATE	135,475,106	0.00	6.93	11.03	0.00	24.80	7.57	-6.71	-3.09	0.18	6.87	7.44	01/01/1997
SAMCERA NCREIF NFI ODCE EW (Gross)		*0.00*	*4.58*	*8.78*	*0.00*	*20.37*	*5.42*	*-7.09*	*-3.25*	*0.54*	*6.12*	*7.29*	
CASH EQUIVALENTS													
SAMCERA GENERAL ACCOUNT	43,190,393	0.02	0.03	0.33	0.02	0.44	0.32	0.54	1.32	2.15	2.23	2.83	07/01/1999
SAMCERA TREASURY & LAIF	11,043,803	0.09	0.31	0.54	0.16	1.13	1.06	-0.63	0.47	1.25	2.19	3.45	07/01/1994
TOTAL CASH AGGREGATE	54,234,196	0.09	0.25	0.49	0.16	1.00	0.96	-0.35	0.64	1.40	2.15	2.72	07/01/1999
91 DAY T-BILL		*0.02*	*0.02*	*0.08*	*0.01*	*0.15*	*0.15*	*0.32*	*0.98*	*1.83*	*2.06*	*2.68*	
TOTAL FUND													
TOTAL FUND	2,253,085,414	-4.34	-5.77	-3.03	-4.97	14.81	10.48	1.97	-0.23	1.94	4.79	6.08	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		*-4.15*	*-5.85*	*-3.47*	*-4.86*	*14.93*	*10.28*	*2.82*	*0.86*	*3.25*	*5.43*	*6.31*	
ACTUARIAL DISCOUNT RATE		*0.62*	*1.88*	*3.80*	*1.25*	*7.75*	*7.75*	*7.75*	*7.75*	*7.75*	*7.92*		

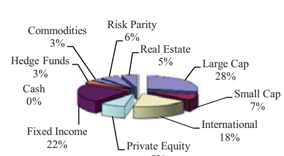
San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending August 31, 2011

Actual versus Target Allocation

Portfolio	Market Value	Allocation Current	Allocation Target *	Percentage Off Target	Rebalance Range
BlackRock Russell 1000	$108,140,565	4.80%	6.50%	-1.70%	±3%
D.E. Shaw Investment Management, LLC	$103,500,280	4.59%	4.25%	0.34%	±3%
T. Rowe Price Associates	$102,025,057	4.53%	4.25%	0.28%	±3%
Barrow, Hanley, Mewhinney & Strauss	$144,314,087	6.41%	6.50%	-0.09%	±3%
BlackRock Capital Management, Inc.	$155,220,030	6.89%	6.50%	0.39%	±3%
Large Cap Aggregate	$613,200,018	27.22%	28.00%	-0.78%	
The Boston Company	$44,054,415	1.96%	1.75%	0.21%	±3%
Chartwell Investment Partners	$52,161,671	2.32%	1.75%	0.57%	±3%
Jennison Associates	$92,484,975	4.10%	3.50%	0.60%	±3%
Small Cap Aggregate	$188,701,061	8.38%	7.00%	1.38%	
Artio Global Investors	$183,313,991	8.14%	9.00%	-0.86%	±3%
Mondrian Investment Partners	$192,011,447	8.52%	9.00%	-0.48%	±3%
International Aggregate	$375,325,437	16.66%	18.00%	-1.34%	±3%
Total Equity	$1,177,226,516	52.25%	53.00%	-0.75%	
Aberdeen Asset Management	$104,983,039	4.66%	3.75%	0.91%	±2%
Angelo Gordon	$37,803,179	1.68%	1.63%	0.05%	±2%
Brigade Capital Management	$49,134,510	2.18%	1.63%	0.56%	±2%
Brown Brothers Harriman	$75,682,202	3.36%	3.00%	0.36%	±2%
Franklin Templeton	$106,530,860	4.73%	4.50%	0.23%	±2%
Pyramis Global Advisors	$106,013,076	4.71%	3.75%	0.96%	±2%
Western Asset Management Company	$104,138,931	4.62%	3.75%	0.87%	±2%
Total Fixed Income	$584,285,796	25.93%	22.00%	3.93%	
Private Equity	$8,928,175	0.40%	8.00%	-7.60%	N/A
AQR Global Risk Premium	$150,245,200	6.67%	6.00%	0.67%	N/A
AQR Delta Fund (Hedge Fund)	$69,604,360	3.09%	3.00%	0.09%	N/A
SSGA/SSARIS Multisource Comodities	$73,086,065	3.24%	3.00%	0.24%	N/A
Alternative Investments	$301,863,799	13.40%	20.00%	-6.60%	
INVESCO Realty Advisors	$135,475,106	6.01%	5.00%	1.01%	±2%
Cash	$54,234,196	2.41%	0.00%	2.41%	
Total	$2,253,085,414	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.





San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending August 31, 2011

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	$108,140,565	$114,742,042	-5.8%	$214,836,112	-49.7%
D.E. Shaw Investment Management, LLC	$103,500,280	$110,510,825	-6.3%	$87,016,603	18.9%
T. Rowe Price Associates	$102,025,057	$108,345,268	-5.8%	$86,086,451	18.5%
Barrow, Hanley, Mewhinney & Strauss	$144,314,087	$164,412,436	-12.2%	$130,555,043	10.5%
BlackRock Capital Management, Inc.	$155,220,030	$169,188,147	-8.3%	$129,787,454	19.6%
Large Cap Aggregate	$613,200,018	$667,198,718	-8.1%	$648,281,663	-5.4%
The Boston Company	$44,054,415	$48,329,878	-8.8%	$38,420,891	14.7%
Chartwell Investment Partners	$52,161,671	$58,885,611	-11.4%	$41,497,003	25.7%
Jennision Associates	$92,484,975	$119,366,865	-22.5%	$86,574,466	6.8%
Small Cap Aggregate	$188,701,061	$226,582,354	-16.7%	$166,492,360	13.3%
Artio Global Investors	$183,313,991	$202,310,342	-9.4%	$187,676,206	-2.3%
Mondrian Investment Partners	$192,011,447	$207,662,615	-7.5%	$191,198,923	0.4%
International Aggregate	$375,325,437	$409,972,957	-8.5%	$378,875,129	-0.9%
Total Equity	$1,177,226,516	$1,303,754,029	-9.7%	$1,193,649,152	-1.4%
Aberdeen Asset Management	$104,983,039	$124,451,036	-15.6%	$142,821,794	-26.5%
Angelo Gordon	$37,803,179	$38,254,361	-1.2%	$27,001,901	N/A
Brigade Capital Management	$49,134,510	$50,627,880	N/A	$45,027,450	N/A
Brown Brothers Harriman	$75,682,202	$50,443,961	N/A	$46,188,442	N/A
Franklin Templeton	$106,530,860	$107,033,001	N/A	$0	N/A
Pyramis Global Advisors	$106,013,076	$114,907,900	-7.7%	$169,566,081	-37.5%
Western Asset Management Company	$104,138,931	$118,137,616	-11.8%	$176,141,981	-40.9%
Total Fixed Income	$584,285,796	$603,855,754	-3.2%	$606,747,649	-3.7%
Private Equity	$8,928,175	$6,784,693	31.6%		N/A
Risk Parity	$150,245,200	$145,620,720	3.2%		N/A
Hedge Funds	$69,604,360	$69,986,280	-0.5%		N/A
Comodities	$73,086,065	$75,000,000	N/A		N/A
Alternative Investments	$301,863,799	$297,391,693	1.5%		N/A
INVESCO Realty Advisors	$135,475,106	$135,475,106	0.0%	$109,210,472	N/A
Cash	$54,234,196	$20,901,068	159.5%	$16,402,321	230.6%
Total	$2,253,085,414	$2,361,377,651	-4.6%	$1,926,009,592	17.0%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	52.2%	55.2%	-3.0%	62.0%	-9.7%
Total Fixed Income	25.9%	25.6%	0.4%	31.5%	-5.6%
Alternative Investments	13.4%	12.6%	0.8%	0.0%	13.4%
Real Estate	6.0%	5.7%	0.3%	5.7%	0.3%
Cash	2.4%	0.9%	1.5%	0.9%	1.6%
Total	100.0%	100.0%		100.0%	

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending August 31, 2011

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1) Two Months	Two Years	Three Years	Five Years	Ten Years
Equity Aggregate	$1,177,226,516	-7.78%	-11.23%	-8.85%	15.81%	-9.74%	9.86%	-0.99%	-0.45%	3.49%
Equity Composite Benchmark		-7.15%	-10.67%	-8.66%	16.65%	-9.10%	10.73%	0.49%	1.22%	4.59%
Variance		***-0.63%***	***-0.56%***	***-0.19%***	***-0.84%***	***-0.64%***	***-0.87%***	***-1.48%***	***-1.67%***	***-1.10%***
Private Equity Aggregate	$8,928,175	3.49%	-7.97%	-77.82%	N/A	1.00%	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		-5.75%	-9.11%	-6.37%	N/A	-7.68%	N/A	N/A	N/A	N/A
Variance		***9.24%***	***1.14%***	***-71.45%***	***N/A***	***8.68%***	***N/A***	***N/A***	***N/A***	***N/A***
Risk Parity Aggregate	$150,245,200	0.00%	1.78%	7.32%	N/A	3.18%	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		-3.02%	-4.88%	-2.57%	N/A	-3.73%	N/A	N/A	N/A	N/A
Variance		***3.02%***	***6.66%***	***9.89%***	***N/A***	***6.91%***	***N/A***	***N/A***	***N/A***	***N/A***
Hedge Fund Aggregate	$69,604,360	0.00%	-0.57%	N/A	N/A	-0.55%	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.04%	N/A	N/A	0.69%	N/A	N/A	N/A	N/A
Variance		***-0.35%***	***-1.61%***	***N/A***	***N/A***	***-1.24%***	***N/A***	***N/A***	***N/A***	***N/A***
Commodities	$73,086,065	-2.55%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		0.99%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Variance		***-3.54%***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***
Fixed Income Aggregate	$584,285,796	0.07%	1.02%	3.85%	7.19%	1.58%	10.73%	9.00%	6.29%	5.83%
Fixed Income Composite Benchmark		1.08%	3.20%	6.45%	6.01%	3.32%	7.58%	7.70%	6.84%	5.85%
Variance		***-1.01%***	***-2.18%***	***-2.60%***	***1.18%***	***-1.74%***	***3.15%***	***1.30%***	***-0.55%***	***-0.02%***
Real Estate Aggregate (2)	$135,475,106	0.00%	6.93%	11.03%	24.80%	0.00%	7.57%	-6.71%	0.18%	6.87%
NCREIF NFI ODCE EW (Gross)		0.00%	4.58%	8.78%	20.37%	0.00%	5.42%	-7.09%	0.54%	6.12%
Variance		***0.00%***	***0.00%***	***2.25%***	***4.43%***	***0.00%***	***2.15%***	***0.38%***	***-0.36%***	***0.75%***
Cash Aggregate	$54,234,196	0.09%	0.25%	0.49%	1.00%	0.16%	0.96%	-0.35%	1.40%	2.15%
91 Day Treasury Bill		0.02%	0.02%	0.08%	0.15%	0.01%	0.15%	0.32%	1.83%	2.06%
Variance		***0.07%***	***0.23%***	***0.41%***	***0.85%***	***0.15%***	***0.81%***	***-0.67%***	***-0.43%***	***0.09%***
Total Fund Returns	$2,253,085,414	-4.34%	-5.77%	-3.03%	14.81%	-4.97%	10.48%	1.97%	1.94%	4.79%
Total Plan Policy Benchmark		-4.15%	-5.85%	-3.47%	14.93%	-4.86%	10.28%	2.82%	3.25%	5.43%
Variance		***-0.19%***	***0.08%***	***0.44%***	***-0.12%***	***-0.11%***	***0.20%***	***-0.85%***	***-1.31%***	***-0.64%***

Performance versus Actuarial Discount Rate

Total Fund Returns	$2,253,085,414	-4.34%	-5.77%	-3.03%	14.81%	-4.97%	10.48%	1.97%	1.94%	4.79%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	1.25%	7.75%	7.75%	7.75%	7.92%
Variance		***-4.96%***	***-7.65%***	***-6.83%***	***7.06%***	***-6.22%***	***2.73%***	***-5.78%***	***-5.81%***	***-3.13%***

(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
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Period Ending August 31, 2011

Manager & Benchmark Performance

Manager Performance

Portfolio	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	(1) Fiscal Year to Date Two Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
BlackRock Russell 1000	-5.75%	-9.40%	-7.42%	19.12%	-7.79%	19.12%	12.18%	0.92%	-2.08%	1.18%	3.21%
D.E. Shaw Investment Management, LLC	-6.34%	-9.35%	-6.62%	18.94%	-7.59%	18.94%	11.48%	N/A	N/A	N/A	N/A
T. Rowe Price Associates	-5.83%	-8.99%	-7.48%	18.51%	-7.47%	18.51%	11.06%	N/A	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	-6.45%	-12.36%	-9.34%	17.81%	-10.89%	17.81%	10.95%	N/A	N/A	N/A	N/A
BlackRock Capital Management, Inc.	-8.26%	-11.70%	-10.52%	19.60%	-9.46%	19.60%	12.57%	N/A	N/A	N/A	N/A
Large Cap Aggregate	-6.67%	-10.64%	-8.57%	18.56%	-8.90%	18.56%	11.25%	-0.38%	-3.03%	-0.24%	2.74%
The Boston Company	-8.85%	-14.42%	-13.19%	14.66%	-11.76%	14.66%	9.86%	N/A	N/A	N/A	N/A
Chartwell Investment Partners	-11.42%	-15.25%	-10.65%	25.70%	-13.83%	25.70%	20.61%	1.46%	-0.63%	3.14%	N/A
Jennison Associates	-9.54%	-14.55%	-10.57%	24.73%	-12.96%	24.73%	18.73%	4.21%	N/A	N/A	N/A
Small Cap Aggregate	-9.89%	-14.71%	-11.18%	22.63%	-12.94%	22.63%	17.07%	0.80%	-2.55%	-1.03%	4.07%
Artio Global Investors	-9.39%	-10.93%	-9.37%	7.17%	-10.12%	7.17%	3.76%	-5.50%	-7.52%	-1.89%	N/A
Mondrian Investment Partners	-7.54%	-9.53%	-6.39%	9.88%	-8.51%	9.88%	5.61%	-1.02%	-3.83%	0.70%	N/A
International Aggregate	-8.45%	-10.22%	-7.87%	8.54%	-9.30%	8.54%	4.69%	-3.25%	-5.66%	-0.58%	5.10%
Total Equity	-7.78%	-11.23%	-8.85%	15.81%	-9.74%	15.81%	9.86%	-0.99%	-3.69%	-0.45%	3.49%
Aberdeen Asset Management	0.39%	1.41%	4.39%	5.96%	2.12%	5.96%	10.04%	6.62%	4.60%	4.76%	5.15%
Angelo Gordon	0.00%	-3.65%	-6.50%	18.05%	0.00%	18.05%	N/A	N/A	N/A	N/A	N/A
Brigade Capital Management	-2.95%	-2.08%	0.08%	9.12%	-2.01%	9.12%	N/A	N/A	N/A	N/A	N/A
Brown Brothers Harriman	-0.10%	4.68%	8.71%	9.10%	3.80%	9.10%	N/A	N/A	N/A	N/A	N/A
Franklin Templeton	-0.47%	0.08%	4.84%	N/A	0.36%	N/A	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	0.93%	2.12%	5.11%	5.92%	2.55%	5.92%	9.26%	9.27%	7.59%	6.80%	N/A
Western Asset Management Company	0.93%	1.99%	4.75%	6.98%	2.46%	6.98%	11.12%	9.89%	7.25%	6.59%	N/A
Total Fixed Income	0.07%	1.02%	3.85%	7.19%	1.58%	7.19%	10.73%	9.00%	6.77%	6.29%	5.83%
Private Equity	3.49%	-7.97%	-77.82%	N/A	1.00%	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity	0.00%	1.78%	7.32%	N/A	3.18%	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Funds	0.00%	-0.57%	N/A	N/A	-0.55%	N/A	N/A	N/A	N/A	N/A	N/A
Comodities	-2.55%	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%	6.93%	11.03%	24.80%	0.00%	24.80%	7.57%	-6.71%	-3.09%	0.18%	6.87%
Cash	0.09%	0.25%	0.49%	1.00%	0.16%	1.00%	0.96%	-0.35%	0.64%	1.40%	2.15%
Total	-4.34%	-5.77%	-3.03%	14.81%	-4.97%	14.81%	10.48%	1.97%	-0.23%	1.94%	4.79%

Benchmark Performance

Russell 1000	-5.76%	-9.41%	-7.45%	19.06%	-7.80%	19.06%	12.10%	0.84%	-2.15%	1.11%	3.16%
S&P 500	-5.43%	-8.90%	-7.23%	18.50%	-7.36%	18.50%	11.50%	N/A	N/A	N/A	N/A
Russell 1000 Value	-6.24%	-11.21%	-9.45%	14.37%	-9.35%	14.37%	9.56%	N/A	N/A	N/A	N/A
Russell 1000 Growth	-5.28%	-7.57%	-5.40%	23.96%	-6.23%	23.96%	14.71%	N/A	N/A	N/A	N/A
Russell 2000	-8.70%	-14.03%	-11.17%	22.19%	-12.00%	22.19%	14.13%	0.83%	-0.79%	1.53%	5.85%
Russell 2000 Value	-8.83%	-14.02%	-12.99%	16.86%	-11.85%	16.86%	11.33%	N/A	N/A	N/A	N/A
Russell 2000 Growth	-8.57%	-14.03%	-9.39%	27.54%	-12.15%	27.54%	16.91%	2.14%	0.63%	3.60%	N/A
MSCI ACWI ex US (Gross)	-8.55%	-11.05%	-9.39%	10.80%	-9.77%	10.80%	6.97%	-0.52%	-3.57%	1.24%	7.33%
MSCI ACWI ex US Growth (Gross)	-8.26%	-10.31%	-7.43%	12.85%	-8.77%	12.85%	9.69%	-0.60%	-2.87%	1.90%	N/A
MSCI ACWI ex US Value (Gross)	-8.85%	-11.80%	-11.34%	8.70%	-10.77%	8.70%	4.29%	-0.48%	-4.32%	0.53%	N/A
Russel 3000 + 3% (Private Equity)	-5.75%	-9.11%	-6.37%	N/A	-7.68%	N/A	N/A	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	-3.02%	-4.88%	-2.57%	N/A	-3.73%	N/A	N/A	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.35%	1.04%	N/A	N/A	0.69%	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	0.99%	N/A	N/A	N/A	0.99%	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	1.46%	2.77%	5.49%	4.62%	3.07%	4.62%	6.87%	7.23%	6.88%	6.56%	5.71%
Barclays U.S. TIPS Index	0.90%	5.85%	9.99%	11.02%	4.98%	11.02%	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	-2.70%	-2.02%	0.37%	7.52%	-1.35%	7.52%	N/A	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	1.09%	3.18%	6.79%	N/A	3.13%	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	0.00%	4.58%	8.78%	20.37%	0.00%	20.37%	5.42%	-7.09%	-3.25%	0.54%	6.12%
91 Day Treasury Bill	0.02%	0.02%	0.08%	0.15%	0.01%	0.15%	0.15%	0.32%	0.98%	1.83%	2.06%
SamCERA Plan Policy Benchmark	-4.15%	-5.85%	-3.47%	14.93%	-4.86%	14.93%	10.28%	2.82%	0.86%	3.25%	5.43%
SamCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	1.25%	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
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Realized & Unrealized Gain / (Loss)

Portfolio	Beginning **Book Balance** As of 07/01/2011	(1) Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending **Book Balance** As of 08/31/2011	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending **Market Value** As of 08/31/2011
BlackRock Russell 1000	$116,239,675.42	4,747,118	(25,000,000)	$95,986,793.01	$25,789,141	($13,635,370)	$108,140,564
D.E. Shaw Investment Management LLC	$104,437,429.03	373,021		$104,810,449.65	$7,566,467	($8,876,636)	$103,500,280
T. Rowe Price Associates	$90,671,733.96	811,051		$91,482,785.31	$19,588,947	($9,046,675)	$102,025,057
Barrow Hanley	$137,062,910.95	1,146,834	(10,000,000)	$128,209,744.75	$35,541,811	($19,437,469)	$144,314,087
BlackRock	$137,507,026.05	(1,229,976)		$136,277,049.66	$33,938,711	($14,995,731)	$155,220,030
The Boston Company	$42,422,535.09	65,213		$42,487,747.74	$7,503,042	($5,936,375)	$44,054,415
Chartwell Investment Partners	$49,714,955.60	306,153		$50,021,108.50	$10,820,841	($8,680,279)	$52,161,671
Jennison Associates	$96,873,436.26	490,871	(15,000,000)	$82,364,307.43	$27,187,483	($17,066,816)	$92,484,975
Artio Global Investors	$176,118,388.38	(1,096,564)		$175,021,824.33	$27,844,377	($19,552,211)	$183,313,991
Mondrian Investment Partners	$199,643,052.25	359,701		$200,002,753.00	$10,221,090	($18,212,397)	$192,011,447
Aberdeen Asset Management	$121,263,066.81	2,925,883	(20,000,000)	$104,188,949.33	$1,082,815	($288,725)	$104,983,039
Angelo Gordon	$30,056,249.00		(472,500)	$29,583,749.00	$8,809,096	($589,665)	$37,803,179
Bridage Capital Management	$45,000,000.00			$45,000,000.00	$5,141,745	($1,007,235)	$49,134,510
Brown Brothers Harriman	$47,586,488.24	582,248	25,000,000	$73,168,736.52	$958,745	$1,554,721	$75,682,202
Franklin Templeton Investments	$102,493,815.00	1,326,002		$103,819,816.90	$3,650,077	($939,034)	$106,530,860
Pyramis Global Advisors	$81,745,258.37	2,979,775	(10,000,000)	$74,725,033.69	$31,162,641	$125,401	$106,013,076
Western Asset Management Company	$116,975,047.04	2,267,657	(15,000,000)	$104,242,703.57	($601,561)	$497,789	$104,138,931
Private Equity (Sheridan & ABRY)	$3,586,327.00	2,698,777	2,643,071	$8,928,174.71	$0	$0	$8,928,175
AQR's Global Risk Premium	$140,000,000.00			$140,000,000.00	$0	$10,245,200	$150,245,200
AQR's Delta Fund (Hedge Fund)	$70,000,000.00			$70,000,000.00	$0	($395,640)	$69,604,360
Comodities	$0.00		75,000,000	$75,000,000.00	$0	-$1,913,935.45	$73,086,065
INVESCO Core US Real Estate Fund	$136,831,829.92			$136,831,829.92	$0	($1,356,724)	$135,475,106
Cash	$5,273,627.54			$54,234,196.14	$0	$0	$54,234,196
Total	$2,051,502,851.91	$18,753,761.57	$7,170,571.08	$2,126,387,753.16	$256,205,466.60	-$129,507,806.16	$2,253,085,413.60

(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 07/01/2011	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending **Market Value** Balance As of 08/31/2011	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	$116,239,675	$4,747,118	-$25,000,000	$95,986,793	-7.79%	-7.80%
D.E. Shaw Investment Management, LLC	$104,437,429	$373,021	$0	$104,810,450	-7.59%	-7.80%
T. Rowe Price Associates	$90,671,734	$811,051	$0	$91,482,785	-7.47%	-7.36%
Barrow, Hanley, Mewhinney & Strauss	$137,062,911	$1,146,834	-$10,000,000	$128,209,745	-10.89%	-9.35%
BlackRock Capital Management, Inc.	$137,507,026	-$1,229,976	$0	$136,277,050	-9.46%	-6.23%
The Boston Company	$42,422,535	$65,213	$0	$42,487,748	-11.76%	-11.85%
Chartwell Investment Partners	$49,714,956	$306,153	$0	$50,021,109	-13.83%	-12.15%
Jennison Associates	$96,873,436	$490,871	-$15,000,000	$82,364,307	-12.96%	-12.00%
Artio Global Investors	$176,118,388	-$1,096,564	$0	$175,021,824	-10.12%	-8.77%
Mondrian Investment Partners	$199,643,052	$359,701	$0	$200,002,753	-8.51%	#REF!
Aberdeen Asset Management	$121,263,067	$2,925,883	-$20,000,000	$104,188,949	2.12%	3.07%
Angelo Gordon	$30,056,249	$0	-$472,500	$29,583,749	0.00%	-1.35%
Brigade Capital Management	$45,000,000	$0	$0	$45,000,000	-2.01%	-1.35%
Brown Brothers Harriman	$47,586,488	$582,248	$25,000,000	$73,168,737	3.80%	4.98%
Franklin Templeton	$102,493,815	$1,326,002	$0	$103,819,817	0.36%	N/A
Pyramis Global Advisors	$81,745,258	$2,979,775	-$10,000,000	$74,725,034	2.55%	3.07%
Western Asset Management Company	$116,975,047	$2,267,657	-$15,000,000	$104,242,704	2.46%	3.07%
Private Equity	$3,586,327	$2,698,777	$2,643,071	$8,928,175	1.00%	N/A
AQR Global Risk Premium	$140,000,000	$0	$0	$140,000,000	3.18%	N/A
AQR Delta Fund (Hedge Fund)	$70,000,000	$0	$0	$70,000,000	-0.55%	N/A
SSGA/SSARIS Multisource Comodities	$0	$0	$75,000,000	$75,000,000	N/A	N/A
INVESCO Realty Advisors	$136,831,830	$0	$0	$136,831,830	0.00%	0.00%
Cash	$5,273,628	$0	$0	$5,273,628	0.16%	0.01%
Total	$2,051,502,852	$18,753,762	$7,170,571	$2,077,427,185	-4.97%	-4.86%

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

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending August 31, 2011

Professional Services Fees

Investment Management Fees	Market Value As of 08/31/2011	For the Quarter Ending: Estimated 9/30/2010	12/31/2010	3/31/2011	6/30/2011	Fiscal Year 2010 / 2011	Estimated Annual Fee (1)
BlackRock Russell 1000	$ 108,140,564.51	$5,600				$5,600	$95,000
D.E. Shaw Investment Management, LLC	$ 103,500,280.00	$46,500				$46,500	$475,000
T. Rowe Price Associates	$ 102,025,056.90	$31,600				$31,600	$350,000
Barrow, Hanley, Mewhinney & Strauss	$ 144,314,087.16	$30,900				$30,900	$650,000
BlackRock Capital Management, Inc.	$ 155,220,029.60	$64,700				$64,700	$675,000
The Boston Company	$ 44,054,414.89	$34,300				$34,300	$375,000
Chartwell Investment Partners	$ 52,161,670.66	$36,800				$36,800	$350,000
Jennison Associates	$ 92,484,975.01	$76,400				$76,400	$775,000
Artio Global Investors	$ 183,313,990.60	$82,200				$82,200	$975,000
Mondrian Investment Partners	$ 192,011,446.89	$32,400				$32,400	$50,000
Aberdeen Asset Management	$ 104,983,038.70	$27,600				$27,600	$375,000
Angelo Gordon	$ 37,803,179.49	N/A				N/A	$350,000
Brigade Capital Management	$ 49,134,510.00	N/A				N/A	$225,000
Brown Brothers Harriman	$ 75,682,201.93	$6,300				$6,300	$75,000
Franklin Templeton	$ 106,530,859.51	$35,100				$35,100	N/A
Pyramis Global Advisors	$ 106,013,075.87	$16,900				$16,900	$275,000
Western Asset Management Company	$ 104,138,930.74	$27,300				$27,300	$425,000
Private Equity	$ 8,928,174.71	N/A				N/A	N/A
AQR' Global Risk Premium (Risk Parity)	$ 150,245,200.00	N/A				N/A	N/A
AQR's Delta Fund (Hedge Fund)	$ 69,604,360.00	N/A				N/A	N/A
Ssga/SSARIS Commoditites	$ 73,086,064.55	N/A				N/A	N/A
INVESCO Realty Advisors	$ 135,475,106.00	$51,900				$51,900	$650,000
Sub-Total	$2,198,851,218	$606,500	$0	$0	$0	$606,500	$7,145,000
Investment Consultant Fees							
Strategic Investment Solutions		$33,333				$33,333	$400,000
Global Custodian Fees							
State Street Bank & Trust		$18,000				$18,000	$125,000
Actuarial Consultant Fees							
Milliman, Inc.		$32,750				$32,750	$60,000
Sub-Total		$84,083	$0	$0	$0	$84,083	$585,000
Total		$690,583	$0	$0	$0	$690,583	$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%

September 27, 2011 Agenda Item 6.2

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Interview of Finalists for a Developed Market Large Cap Growth Mandate.

STAFF RECOMMENDATION: Staff recommends that the board interview the three finalists then deliberate upon their merits before making a selection.

BACKGROUND: At the April 2011 board meeting, the trustees initiated a high level review of *SamCERA's* international equity structure. The impetus for the review was the board's concern regarding performance of *SamCERA's* international equity managers. The concern more specifically was with the international growth manager, Artio Global Investors. The board directed staff to initiate an international growth manager search.

During the search discussion, SIS noted that there would be a limited number of qualified international growth managers. The growth manager opportunity set would be increased if the board constrained the growth manager search to developed markets.

At the May 24th board meeting Strategic Investment Solutions provided a draft proposal for restructuring *SamCERA's* international equity portfolio. The board adopted a structure which keeps the total international portfolio at 18.0%. The asset class is restructured into four portfolios. Those portfolio mandates and the percentage of the total portfolio are: Large Cap Value 8.0%, Large Cap Developed Market Growth 6.0%, International Small Cap 2.0%, and Emerging Market 2.0%.

Following discussion of the developed market large cap growth mandate at the June 21, 2011, board meeting, the following initial screening criteria were approved:

INITIAL SCREENING CRITERIA:

1. Starting Universe: It is the union of the eVestment Alliance EAFE Large Cap Growth Equity, EAFE All Cap Growth Equity, ACWI ex-US Large Cap Growth Equity and ACWI ex-US All Cap Growth Equity universes. (We are looking for EAFE and EAFE plus type strategies, but in some cases these may be classified in an ACWI ex-US universe.)

2. Product must be open to new accounts.

3. Product must have minimum assets of $600 million as of the end of Q1 2011.

4. Product must be suitable for EAFE or EAFE plus mandate and not have ACWI ex US as stated preferred benchmark or maximum emerging market exposure above 20%.

5. Product's track record must have a minimum length of five years.

6. Performance: Product must outperform EAFE Growth index in at least 50% of available time periods (3, 5, 7 and 10 years) and outperform the custom International Growth universe median in at least 50% of available time periods (3, 5, 7 and 10 years).

7. Products may be eliminated for a range of other reasons including, but not limited to, the following: recent loss of a portfolio manager, predominantly retail assets, extreme tracking error. Products that do not pass one or more of the screens may be included on the long list.

There were eleven products in the eVestment Alliance database of Developed Markets Large Cap Growth Managers that passed through these basic filters.

Those forms and products are:

• Artisan Partners Limited Partnership: Artisan Non-U.S. Growth
• Baillie Gifford & Co: EAFE Plus Focus
• Baring Asset Management Limited: Focused International Plus Equity
• Echo Point Investment Management: International Growth Equity
• Franklin Templeton Investments: Franklin Non-US Equity
• Grantham, Mayo, Van Otterloo & Co. LLC: GMO International Growth Strategy
• Gryphon International Investment Corporation: EAFE Equities
• Henderson Global Investors: International All Cap
• Johnston Asset Management Corp: International
• Schroders: International Alpha
• Walter Scott & Partners Limited: EAFE / International

Walter Scott declined to participate in the search because they prefer to grow their Global, rather than their EAFE, strategy.

After review and discussion of Strategic Investment Solutions' report on the semi-finalists, the board opined to invite three firms for interviews at today's special meeting of the board. Those three firms are:

Finalists	
Baillie Gifford & Company	EAFE Plus Focus
Franklin Templeton	Franklin Non-U.S. Equity
Gryphon International Investment Corporation	EAFE Equities

SamCERA: Developed Market Large Cap Growth Manager Search

REMAINING TIMELINE:

September 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.

International Growth Equity Search

SamCERA
September 2011

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

Baillie Gifford | **EAFE Plus Focus**

Date: August 2011

Strategy Inception: January 1990
Preferred Benchmark: MSCI EAFE

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Growth**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***20***	
Organizational Structure/Ownership		Firm was founded in Edinburgh, Scotland in 1908; remains headquartered in Edinburgh, but does have a small marketing office in New York; investment management is the firm's only business; firm is wholly owned by 36 partners, all of whom are active employees
Organizational Stability		Highly stable organization with long history of partnership structure; most senior employees started their careers at Baillie Gifford
Assets/Clients/Account Growth/Account losses		At $113 bn firm assets have grown over the past few years, and are now higher than year-end 2007; Baillie Gifford's client base is primarily institutional with North American pension funds making up a significant portion of assets; the $3.2 bn of strategy assets represents growth in the past few years; there are 10 clients in the strategy
Operations/Back Office Infrastructure		This is a large firm with more than 500 employees dedicated to operational, back-office, non-investment functions
Client Service, Transparency & Reporting		Baillie Gifford assigns specific client service staff to individual portfolio construction groups; the Focus group has two client service directors; reporting is detailed and transparent; they do state that although they will provide returns vs. EAFE Growth if requested by the client, attribution and benchmark relative analysis will be against the EAFE
Legal/Regulatory Issues		Nothing material
Investment Team (max points 20)	***18***	
Experience & Stability		Baillie Gifford as a firm has low staff turnover and there have been no departures or additions of investment decision makers from this group in the past 5-years; worth noting is that Baillie Gifford does sometimes move investment people to different research areas or strategies; the experience level on this team ranges from 7-years to 20-years, and all members of the team have been with the firm for their entire careers in the investment industry
Size & Depth of Resources		The firm has 54 portfolio managers and 25 research analysts; all of the investment decision makers are also analysts; the Focus Portfolio Construction Group is comprised of four managers with different geographical specialities, and two client service directors
Compensation/Incentives/Equity Ownership		One member of this portfolio construction group is a partner and shares directly in the firm's profits; investment managers receive base salary, firmwide bonus, and also performance bonus based half long term investment performance and half on the assessment of the individual's line manager
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		Research is organized primarily by regional teams and each member of the EAFE Focus Portfolio Construction Group is a member of a different regional team; there are also four global sector groups contributing research; Baillie Gifford conducts approximately 2000 company meetings annually both in Edinburgh and onsite; companies are evaluated on their growth opportunity relative to the average company, their ability to execute on that opportunity, and the degree to which probability of future success is already valued by the market
Philosophy/Style		Growth oriented long-term investors whose basic philosophy is that share prices ultimately follow earnings; believe that the stock market has a recurring tendency to under-appreciate the value of long-term compound growth; seek to add value through use of proprietary fundamental research to identify companies exhibiting some combination of sustained, above average growth and attractive financial
Decision Making		Ideas from the regional teams are filtered through the representative investors on the Focus Portfolio Construction Group; these representative bring rcommendations largely, but not exclusively, from their respective areas to be discussed and debated by the group; in practice the group will rely heavily on the expertise of the regional specialists and their teams, but the purpose of the group is to compare the merits of investments from different geographical areas, and to ensure that investment decisions are made in a "whole portfolio context"
Risk Management		Max EM exposure of 10%, 80-120 stock portfolio; relative to benchmark countries +/- 6%, sectors +/- 6%, industries +/- 5%, stocks +/- 4%
Performance (max points 20)	***15***	
Return Premiums		Repectable annualized excess returns
Volatility		Volatility similar to benchmark
Consistency		Has experienced rolling periods of underperformance, but recent rolling 3-year periods good
Risk Adjusted		Low tracking error and solid information ratio
Fees/Terms (max points 10)	***10***	
Competitive fee level?		48 bps for a $150 mm separate account
Separate vs. Commingled		Available for separate accounts and as an institutional mutual fund, but not a commingled fund
Additional Considerations (max points 10)	***10***	
Alignment of Interests		Private partnership structure, firm emphasizes performance rather than asset accumulation
Capacity		At $3.2 billion there are no immediate capacity constraints; worth noting is that Baillie Gifford manages several international and global strategies which in aggregate amount to substantial assets; some of these strategies are closed, and the firm has a history of closing strategies
Other		Diversified moderate tracking error strategy managed by a very solid firm

TOTAL SCORE: 91 / 100

Franklin Templeton **Non-US Equity**

Date: August 2011 *Strategy Inception: Dec 1987*

Preferred Benchmark: MSCI EAFE or EAFE Growth

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Growth**	*Sub-Focus:*	

Category	Score	Notes/Comments
Organization (max points 20)	***17***	
Organizational Structure/Ownership		Franklin was founded in 1947 and manages $734 bn across nine wholly owned subsidiaries, which are distinct investment platforms; the firm is headquartered in San Mateo, but has offices in 30 countries; Franklin Resources is a public company and >30% of the equity is held by members of the Johnson family; employees are eligible to participate in ESIP, but the percentage of Franklin's equity held by employees is not disclosed
Organizational Stability		Ownership structure appears to be stable; Johnson family members occupy the most senior executive positions; over the years Franklin has consistently made acquisitions as a means of building its investment management platform
Assets/Clients/Account Growth/Account losses		Although the firm has a very large retail mutual fund business, this is a purely institutional strategy; the strategy has 10 accounts and $1.8 bn and client base appears to have been quite stable
Operations/Back Office Infrastructure		This strategy draws on Franklin Templeton's broader resources for back office operational support; Franklin Templeton Services (FTS) is the entity that provides back office operational services to Franklin Templeton and it has over 1000 employees worldwide
Client Service, Transparency & Reporting		Ample resources dedicated to client servicing and reporting
Legal/Regulatory Issues		No issues relating to Franklin Templeton Institutional LLC, which is the subsidiary under which this strategy falls
Investment Team (max points 20)	***18***	
Experience & Stability		This strategy and team became part of Franklin with the acquisition of Fiduciary Global Advisors in 2007; lead PMs John Remmert has been on the strategy for 9 years and has 25 years of industry experience, and Coleen Barbeau has been with the firm for 28 years and has 31 years of industry experience; the team has been quite stable with two departures and four additions in the past five
Size & Depth of Resources		There are 12 investment professionals on this New York based team who are 100% dedicated to this strategy, which is managed both as a global and Non-US portfolio; the team averages 15 years of experience and 8 years at the firm
Compensation/Incentives/Equity Ownership		PMs receive salary and bonus, which is generally about half cash and half restricted shares of Franklin Resources and mutual fund units; the primary driver of bonus is investment performance, but there are also qualitative considerations; the components of analyst compensation are similar, and it is primarily driven by the performance of investment recommendations over 1-,3- and 5-year time periods
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		Global sector analysts seek to conduct deep research, with 5-10 stocks forming each analyst's primary coverage list; process is driven by analysts who focus on quality, growth and valuation; ultimately they are looking for sustainable cash flow; DCF is crucial part of modeling
Philosophy/Style		Believe in managing concentrated portfolio (40 stocks roughly equally weighted), focusing exclusively on high quality sustainable growth opportunities; strictly bottom-up growth approach
Decision Making		Decisions reflect collaborative team effort, with two lead PMs maintaining ultimate decision making authority
Risk Management		Approach to risk does not focus on benchmark, but on avoiding owning stocks with overlapping risk exposures; but Franklin also has a separate risk group overseeing portfolio; max EM of 20%, but has averaged less than 10% over the past five years; max position size of 5%; sector and country weightings are the result of bottom up stock selection and the are no formal constraints
Performance (max points 20)	***17***	
Return Premiums		Strong annualized excess returns
Volatility		Higher than benchmark volatility, but good downside capture
Consistency		Some volatility on a calendar year basis, but quite consistent on a rolling basis since 2004, which is when John Remmert took over portfolio
Risk Adjusted		Strong information ratio, even with relatively high tracking error
Fees/Terms (max points 10)	***10***	
Competitive fee level?		51 basis points for a $150 mm separate account
Separate vs. Commingled		Both available
Additional Considerations (max points 10)	***9***	
Alignment of Interests		Relatively standard large firm compensation structure; team is fully dedicated to this strategy and compensation heavily tied to performance
Capacity		At $1.8 bn in the strategy they do not anticipate capacity issues in the foreseeable future
Other		High conviction concentrated portfolio, typically buy above $2 billion, but may have substantial midcap exposure; current leadership on this strategy took over and established this investment process in 2004

TOTAL SCORE: 89 / 100

Gryphon | *International*

Date: August 2011

Strategy Inception: January 1999

Preferred Benchmark: MSCI EAFE (Benchmark Agnostic)

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Growth**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***17***	
Organizational Structure/Ownership		Gryphon was founded in 1995 and is located in Toronto; the firm's two founders, Alex Becks and Larry McManus each hold 35% of the firm's equity, and an outside entity, Gryphon Investment Counsel, Inc. (GIC) owns 30%; Gryphon is currently in the process of distributing equity to other employees which is expected to be completed in 2011.
Organizational Stability		The same three shareholders have owned Gryphon since inception; both founding partners remain the portfolio managers of the firm's strategies
Assets/Clients/Account Growth/Account losses		Firm AUM has been relatively stable over the past few years, with the exception of the market value decline in 2008; flows have been modest and most client turnover appears to have been smaller
Operations/Back Office Infrastructure		GIC provides a trading and settlement platform for Gryphon International; for a small firm, adequately resourced back office and compliance; worth noting that one of the two founding partners and portfolio managers Larry McManus (President and CEO) is also the firm's Chief Compliance Officer
Client Service, Transparency & Reporting		Sample report appears relatively standard; client service resources are relatively light and firm is located in Toronto
Legal/Regulatory Issues		None disclosed
Investment Team (max points 20)	***17***	
Experience & Stability		The two portfolio managers have been with the firm since its founding and both have over 35 years of industry experience; the four research analysts have an average of 16 years of experience, but two of the analysts have been hired since 2008; there have been two analyst departures since 2007
Size & Depth of Resources		This is a modest sized firm with 22 employees, including six investment professionals and two traders; the firm, however, is quite focused, managing only this strategy in a global and an ex-US version
Compensation/Incentives/Equity Ownership		The two portfolio managers have equity in the firm and therefore the profitability of the firm is the primary source of their compensation; the other investment team members receive base salary and bonus, with the bonus primarily based on the product's investment performance; the compensation structure is structured recognizing that it is a team approach
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		Investment team conducts fundamental research, regularly traveling and meeting with company management; they look for global or pan regional companies with strong management, strong financial position and balance sheet, and a minimum compounded earnings growth rate of 8%; the strategy avoids deep cyclicals; research is divided on a regional basis
Philosophy/Style		Growth at a reasonable price approach, with long time horizon; the investment process emphasizes bottom up stock selection; they seek to know the companies in their portfolio well; macro factors enter into stock level analysis but are not used to make top down bets
Decision Making		The decision making process is team based, but the ultimate decision is made by the two portfolio
Risk Management		Max 10% direct EM exposure (less than 5% is more typical), 35-55 stock portfolio, max 25% per sector, and a range of 30%-70% per region (Europe and Asia Pacific), security max 3% at cost 6% at market
Performance (max points 20)	***16***	
Return Premiums		Good excess returns, particularly in the trailing three-year period
Volatility		Slightly higher than benchmark volatility, but very good downside capture
Consistency		Has underperformed in some market environments
Risk Adjusted		Good information ratio
Fees/Terms (max points 10)	***10***	
Competitive fee level?		50 bps flat for accouts over $150, tiered schedule for accounts below $150
Separate vs. Commingled		Both available
Additional Considerations (max points 10)	***8***	
Alignment of Interests		70% employee owned, but current ownership limited to two founding partners; currently working on extending equity to other employees
Capacity		Assets in the EAFE strategy are $5.8 across 275 accounts; they do not state a maximum AUM but that "Additional growth will be selective and carefully managed and will be fully supported with appropriate and ample resources."
Other		Relatively small firm managing quite substantial assets; seasoned portfolio management and leadership; avoidance of cyclical stocks and historically underwieght the UK

TOTAL SCORE: 86 / 100

Baillie Gifford & Co

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	Calton Square, 1 Greenside Row Edinburgh, Scotland EH1 3AN, United Kingdom
Phone/Fax:	+44 131 275 2000 / +44 131 275 3999
Registered Investment Advisor:	Yes
Year Firm Founded:	1908
Firm Website:	www.bailliegifford.com

Key Facts	
Total Assets Under Management ($ Million):	$123,532.0
Total Number of Accounts:	340
Number of Portfolio Managers:	55
Number of Analysts:	25
% Employee Owned:	100.00 %

Contact Information

Marketing Contact:	William Pacula	Database Contact:	Claire Matthews
Title:	Director of Marketing	Title:	Marketing Analyst
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City, State, Zip Code:	New York, New York 10017-2013	City, State, Zip Code:	Edinburgh, Scotland EH1 3AN
Phone/Fax:	212 319 4637 / 212 319 4639	Phone/Fax:	44 131 275 2802 /
Email Address:	william.pacula@bailliegifford.com	Email Address:	claire.matthews@bailliegifford.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$123,532.0	340
Total Taxable	$27,112.0	90
Total Tax-Exempt	$96,419.0	250
Total Institutional	$114,542.0	300

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	11	$1,266.0	1.1 %
2010	41	$5,190.0	6.2 %
2009	23	$4,217.0	5.7 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	16	$2,720.0	3.2 %
2009	27	$5,375.0	7.6 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$689.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$6,916.0	$4,919.0	$14,440.0	$0.0	$0.0
Europe ex-UK	$1,305.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$5,076.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$266.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$29,281.0	$0.0	$0.0	$0.0	$0.0
Global	$37,279.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$13,254.0	$0.0	$0.0	$0.0	$0.0
Other	$10,108.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$119,366.0	$113,375.0	$90,289.0
Total Taxable	$26,617.0	$25,209.0	$20,899.0
Total Tax-Exempt	$92,749.0	$88,167.0	$69,390.0
Total Institutional	$110,505.0	$104,944.0	$83,168.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$45,449.0
Canada	$6,826.0
United Kingdom	$48,587.0
Continental Europe	$2,367.0
Japan	$5,000.0
Australia	$6,760.0
Hong Kong	$349.0
Singapore	$312.0
Other Asia ex-Japan	$1,113.0
Africa/Middle East	$6,182.0
Latin America	$0.0
Other	$587.0

5 Largest Accounts	Aggregate ($ Mil)
1) Sub-Advised	$9,004.0
2) Other	$4,080.0
3) Sovereign Wealth funds	$3,266.0
4) Other	$3,239.0
5) Other	$2,836.0

Ownership Information

% Employee Owned	100.0%
% Parent Owned	---
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1999
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$350.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$350.00
Firm Bonded:	Yes	Coverage ($ Mil)	---

Firm Background Narratives

Baillie Gifford & Co. was founded in Edinburgh, Scotland in 1908. It is an independent investment management firm 100% owned by the partners, all of whom work full time for the firm. The firm's sole business is investment management. Baillie Gifford Overseas Limited is the vehicle through which the firm manages assets for clients based outside the UK. It is wholly owned by Baillie Gifford & Co. was established in 1983 and registered with the SEC in April 1984.

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE All Cap Growth Equity
Marketing Contact:	William Pacula
Title:	Director of Marketing
Phone/Fax:	212 319 4637 / 212 319 4639
Email Address:	william.pacula@bailliegifford.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI EAFE-GD
Total Product Assets:	$3,187.0
Total Product Accounts:	10
Product Offered As:	SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$3,187.0	10
Total Taxable	$101.0	1
Total Tax-Exempt	$3,086.0	9
Total Institutional	$3,187.0	10

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$2,537.0
Pooled/Commingled Assets	$482.0
Mutual Fund/Institutional Assets	$168.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	1	$19.0	1.9 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	1	$185.0	18.9 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EAFE-GD
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Current Cash Position:	---
Number of Countries in Portfolio:	---
Approach Towards Currency Hedging:	Defensive
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	---

Fundamental Characteristics	
Current Number Of Holdings:	---
Annual Turnover (LTM):	---
Current Dividend Yield:	---
Current P/E (12-mo Trailing):	---
Current P/B (12-mo Trailing):	---
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$0
Median Market Cap (Mil):	$0

Key Country Allocations	
Canada	---
France:	4.39 %
Germany:	3.45 %
Japan:	19.81 %
Netherlands:	---
Switzerland:	10.75 %
United Kingdom:	19.90 %
Emerging Markets	8.84 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees
Frequency:	Quarterly
Risk Index:	MSCI EAFE-GD
Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	33.01	30.93	2.09	---	---	---	---	---	---
2 Year	23.01	18.01	5.00	---	---	---	---	---	---
3 Year	0.89	-1.30	2.19	32.08	2.58	1.04	3.99	0.55	0.02
4 Year	-0.10	-3.59	3.49	27.81	3.94	1.03	3.60	0.97	-0.04
5 Year	4.55	1.96	2.59	25.21	2.67	1.02	3.49	0.74	0.11
6 Year	8.04	5.77	2.28	23.49	2.19	1.02	3.28	0.69	0.25
7 Year	9.09	6.92	2.16	22.14	2.09	1.01	3.18	0.68	0.31
8 Year	11.01	9.87	1.15	21.24	1.17	1.00	3.48	0.33	0.42
9 Year	8.93	7.97	0.96	22.09	1.11	0.98	3.52	0.27	0.32
10 Year	6.82	6.12	0.70	21.76	0.81	0.99	3.37	0.21	0.22
Since Inception (3/1990)	7.55	4.74	2.81	18.96	3.26	0.90	7.52	0.37	0.20

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	1.78	4.17	16.04	42.59	-44.60	15.33	24.42	16.55	18.53
Benchmark Returns:	1.83	5.35	8.21	32.46	-43.06	11.63	26.86	14.02	20.70
Excess Returns:	-0.05	-1.17	7.83	10.13	-1.54	3.70	-2.44	2.54	-2.17

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	---	$300,000
Pooled/Commingled	Not Available	---	---
Institutional MFs	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$150,000	$275,000	$400,000	$525,000
	60 bps	55 bps	53 bps	53 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	4	12	12
Research Analysts:	0	0	0
Traders:	9	20	17

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	3
	2009	0	6
Professionals Lost	MRQ	0	0
	2010	0	3
	2009	1	0

Franklin Templeton Investments

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	One Franklin Parkway San Mateo, California 94403, United States
Phone/Fax:	650.312.2000 / 954.527.2137
Registered Investment Advisor:	Yes
Year Firm Founded:	1947
Firm Website:	www.franklintempleton.com

Key Facts	
Total Assets Under Management ($ Million):	$734,167.3
Total Number of Accounts:	3,164
Number of Portfolio Managers:	280
Number of Analysts:	212
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Dennis Rothe	Database Contact:	Sarah Burns
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Phone/Fax:	203.750.8725 /	Phone/Fax:	954 527 2176 /
Email Address:	drothe@frk.com	Email Address:	sburns@templeton.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$734,167.3	3,164
Total Taxable	$540,234.4	2,535
Total Tax-Exempt	$193,933.0	629
Total Institutional	$182,184.0	783

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	19	$2,218.2	0.3 %
2010	78	$7,174.1	1.2 %
2009	50	$3,252.7	0.8 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	16	$758.8	0.1 %
2010	55	$4,508.6	0.8 %
2009	71	$4,690.0	1.2 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$194,268.1	$185,603.9	$89,121.9	$1,318.3	$0.0
Canada	$23,640.0	$7,118.9	$4,324.1	$0.0	$0.0
United Kingdom	$7,111.2	$680.1	$0.0	$0.0	$0.0
Europe ex-UK	$58,969.6	$92,965.8	$3,425.3	$714.5	$0.0
Australia	$887.8	$3,349.4	$0.0	$2,330.7	$0.0
Japan	$508.5	$620.6	$0.0	$0.0	$0.0
Hong Kong	$564.3	$614.1	$149.0	$0.0	$0.0
Singapore	$0.0	$787.6	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$453.9	$0.0	$0.0	$0.0	$0.0
Latin America	$247.6	$1,722.1	$1.2	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$0.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$12,537.6	$9,186.8	$2,725.1	$19.2	$0.0
Other	$21,606.0	$6,492.3	$21.3	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$703,514.6	$670,719.4	$553,515.8
Total Taxable	$499,514.2	$468,050.6	$364,090.9
Total Tax-Exempt	$204,000.4	$202,668.9	$189,425.0
Total Institutional	$178,887.3	$171,715.7	$155,609.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$470,312.2
Canada	$35,083.0
United Kingdom	$7,871.8
Continental Europe	$161,645.7
Japan	$1,129.2
Australia	$6,567.9
Hong Kong	$1,327.4
Singapore	$787.6
Other Asia ex-Japan	$2,821.5
Africa/Middle East	$7,307.2
Latin America	$840.0
Other	$38,474.0

5 Largest Accounts	Aggregate ($ Mil)
1) Public Fund	$13,965.7
2) Public Fund	$5,503.8
3) Insurance	$4,982.9
4) Wrap Accounts	$3,497.5
5) ---	$0.0

Ownership Information

% Employee Owned	0.0%
% Parent Owned	34.0%
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/2000
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$100.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$100.00
Firm Bonded:	Yes	Coverage ($ Mil)	$90.00

Firm Background Narratives

Having established a global footprint well in advance of the competition, Franklin Templeton is uniquely positioned to distribute its investment expertise to clients worldwide. Headquartered in San Mateo, California, the firm is a leader in global investing, offering investment products and services in over 170 countries, with offices in over 30 countries. Our strong global platform and rapidly expanding distribution channels are supported by on-the-ground research capabilities and innovative technology.
Resources, Inc. is the holding company for various subsidiaries that form the global investment management organization known as Franklin Templeton Investments. It is comprised of the following six distinct investment management platforms:
' Franklin Equity Group (formerly Franklin Global Advisers)
' Templeton
' Franklin Templeton Real Asset Advisors
' Franklin Templeton Fixed Income
' Mutual Series
' Darby Investments

More...

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE Large Cap Growth Equity
Marketing Contact:	Dennis Rothe
Title:	SVP
Phone/Fax:	203.750.8725 /
Email Address:	drothe@frk.com

Key Facts	
Primary Capitalization:	Mid-Large Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI EAFE-GD
Total Product Assets:	$1,804.4
Total Product Accounts:	10
Product Offered As:	SA,MF:Retail
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$1,804.4	10
Total Taxable	$45.6	1
Total Tax-Exempt	$1,758.9	9
Total Institutional	$1,753.6	8

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$1,763.1
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$41.3

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	1	$163.3	13.1 %
2010	1	$97.9	10.3 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	1	$21.3	2.8 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EAFE-GD
Primary Capitalization:	Mid-Large Cap
Primary Style Emphasis:	Growth
Current Cash Position:	3.6 %
Number of Countries in Portfolio:	19
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	20.0 %

Fundamental Characteristics	
Current Number Of Holdings:	42
Annual Turnover (LTM):	23 %
Current Dividend Yield:	2.57 %
Current P/E (12-mo Trailing):	18.80x
Current P/B (12-mo Trailing):	2.88x
Earnings Growth (Past 5 Yrs):	14.52 %
Weighted Avg. Mkt Cap (Mil):	$16,260
Median Market Cap (Mil):	$10,379

Key Country Allocations	
Canada	2.68 %
France:	4.99 %
Germany:	5.33 %
Japan:	2.87 %
Netherlands:	2.30 %
Switzerland:	12.78 %
United Kingdom:	21.61 %
Emerging Markets	5.97 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	MSCI EAFE-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	31.25	30.93	0.32	---	---	---	---	---	---
2 Year	24.74	18.01	6.72	---	---	---	---	---	---
3 Year	4.43	-1.30	5.73	33.91	6.62	1.07	8.55	0.67	0.12
4 Year	1.49	-3.59	5.08	29.97	6.19	1.09	7.82	0.65	0.01
5 Year	7.53	1.96	5.57	27.38	5.85	1.09	7.13	0.78	0.21
6 Year	10.55	5.77	4.78	25.32	4.57	1.08	6.66	0.72	0.33
7 Year	10.97	6.92	4.04	23.99	3.73	1.07	6.27	0.64	0.37
8 Year	13.06	9.87	3.19	22.91	2.76	1.05	6.02	0.53	0.48
9 Year	10.16	7.97	2.19	23.61	2.13	1.02	6.16	0.36	0.35
10 Year	7.84	6.12	1.72	23.53	1.69	1.04	6.11	0.28	0.25
Since Inception (3/1988)	8.34	5.91	2.43	19.83	2.97	0.93	8.65	0.28	0.22

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	1.94	6.16	14.83	63.66	-50.32	20.82	30.35	15.88	18.63
Benchmark Returns:	1.83	5.35	8.21	32.46	-43.06	11.63	26.86	14.02	20.70
Excess Returns:	0.11	0.81	6.62	31.20	-7.27	9.19	3.49	1.86	-2.07

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$25	---
Pooled/Commingled	Open	$1	---
Institutional MFs	---	$1	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$175,000	$312,500	$437,500	$562,500
	70 bps	63 bps	58 bps	56 bps
Pooled/Commingled	$187,500	$350,000	$500,000	$650,000
	75 bps	70 bps	67 bps	65 bps
Institutional MFs	$295,000	$590,000	$885,000	$1,180,000
	118 bps	118 bps	118 bps	118 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	4	25	13
Research Analysts:	8	11	6
Traders:	33	16	11

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	1
	2010	0	0
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	1

Gryphon International Investment Corporation — June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	20 Bay Street, Suite 1905 Toronto, Ontario M5J 2N8, Canada
Phone/Fax:	416.364.2299 / 416.364.9067
Registered Investment Advisor:	Yes
Year Firm Founded:	1995
Firm Website:	www.gryphonintl.com

Key Facts	
Total Assets Under Management ($ Million):	$6,742.0
Total Number of Accounts:	294
Number of Portfolio Managers:	2
Number of Analysts:	4
% Employee Owned:	70.00 %

Contact Information

Marketing Contact:	Carol Sauve	Database Contact:	Pamela Wong
Title:	General Manager, Operations	Title:	Portfolio Analytics
Address:	20 Bay St, Suite 1905,	Address:	Suite 1905, 20 Bay Street
City, State, Zip Code:	Toronto, Ontario M5J 2N8	City, State, Zip Code:	Toronto, Ontario M5J 2N8
Phone/Fax:	416.364.2299 / 416.364.9067	Phone/Fax:	416.364.2299 / 416.364.9067
Email Address:	giicoperations@gryphon.ca	Email Address:	pwong@gryphon.ca

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$6,742.0	294
Total Taxable	$586.0	98
Total Tax-Exempt	$6,156.0	196
Total Institutional	$6,497.0	196

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	15	$114.7	1.8 %
2010	32	$326.8	3.3 %
2009	23	$245.7	7.3 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	3	$2.0	0.0 %
2010	25	$174.7	2.4 %
2009	47	$96.3	3.0 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$0.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$0.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$6,539.0	$6,274.0	$5,283.0
Total Taxable	$567.0	$574.0	$546.0
Total Tax-Exempt	$5,972.0	$5,700.0	$4,736.0
Total Institutional	$6,298.0	$0.0	$5,070.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$5,666.0
Canada	$964.0
United Kingdom	$0.0
Continental Europe	$0.0
Japan	$0.0
Australia	$110.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$2.0

5 Largest Accounts	Aggregate ($ Mil)
1) Corporate	$336.0
2) Public Fund	$312.0
3) Public Fund	$251.0
4) Public Fund	$249.0
5) Healthcare	$195.0

Ownership Information

% Employee Owned	70.0%
% Parent Owned	---
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1999
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$10.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	---
Firm Bonded:	Yes	Coverage ($ Mil)	$0.50

Firm Background Narratives

Gryphon International Investment Corporation (GIIC) was incorporated in 1995 as a joint venture between its two principals Alexander (Alex) Becks and Lawrence (Larry) McManus and Gryphon Investment Counsel (GIC). On April 1, 1996, the firm began offering EAFE Equities to clients. In 1998, GIIC extended its product offering to include U.S. Equities, which when bundled with the EAFE Equities created a Global Equity product. The firm has grown both by assets and personnel, but the overall strategy and philosophy have remained consistent since its inception.

GIICs founding partners, Alex Becks, Chairman and CFO and Larry McManus, President, CEO, Secretary and Chief Compliance Officer each hold 35% of the GIIC voting shares, with Gryphon Investment Counsel, Inc., the related company to GIIC, holding 30%. While no changes have occurred in the owners of the firm, the percentage ownership was changed to that as described above in February 2008.

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE All Cap Growth Equity
Marketing Contact:	Carol Sauve
Title:	General Manager, Operations
Phone/Fax:	416.364.2299 / 416.364.9067
Email Address:	giicoperations@gryphon.ca

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI EAFE-ND
Total Product Assets:	$5,866.0
Total Product Accounts:	275
Product Offered As:	
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$5,866.0	275
Total Taxable	$441.0	93
Total Tax-Exempt	$5,426.0	182
Total Institutional	$5,625.0	179

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$3,020.0
Pooled/Commingled Assets	$2,846.0
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	14	$74.8	1.4 %
2010	31	$312.1	3.3 %
2009	22	$225.4	6.7 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	3	$2.0	0.0 %
2010	24	$152.3	2.3 %
2009	44	$84.7	3.2 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EAFE-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Current Cash Position:	3.2 %
Number of Countries in Portfolio:	13
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	10.0 %

Fundamental Characteristics	
Current Number Of Holdings:	52
Annual Turnover (LTM):	11 %
Current Dividend Yield:	2.30 %
Current P/E (12-mo Trailing):	14.50x
Current P/B (12-mo Trailing):	2.40x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$34,455
Median Market Cap (Mil):	$8,827

Key Country Allocations	
Canada	0.00 %
France:	18.06 %
Germany:	15.31 %
Japan:	22.98 %
Netherlands:	10.74 %
Switzerland:	7.26 %
United Kingdom:	4.47 %
Emerging Markets	4.67 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	MSCI EAFE-ND
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	31.30	30.36	0.94	---	---	---	---	---	---
2 Year	24.69	17.51	7.18	---	---	---	---	---	---
3 Year	6.27	-1.77	8.04	29.90	7.99	0.97	4.78	1.68	0.20
4 Year	1.42	-4.06	5.48	26.59	5.57	0.98	4.83	1.13	0.01
5 Year	6.49	1.48	5.02	24.11	4.99	0.97	4.60	1.09	0.19
6 Year	8.08	5.28	2.80	22.35	2.90	0.96	5.16	0.54	0.26
7 Year	9.21	6.44	2.77	20.97	2.99	0.94	5.15	0.54	0.34
8 Year	11.22	9.38	1.84	19.92	2.46	0.91	5.65	0.33	0.46
9 Year	9.90	7.49	2.41	20.88	2.84	0.91	5.44	0.44	0.38
10 Year	9.75	5.66	4.09	20.80	4.39	0.91	6.28	0.65	0.37
Since Inception (3/1999)	10.27	3.90	6.36	20.39	6.52	0.93	6.79	0.94	0.37

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	2.12	5.83	15.01	51.23	-44.13	15.85	23.61	9.93	19.35
Benchmark Returns:	1.56	4.98	7.75	31.78	-43.38	11.17	26.34	13.54	20.25
Excess Returns:	0.56	0.85	7.26	19.46	-0.75	4.68	-2.73	-3.61	-0.90

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	---
Pooled/Commingled	Open	$3	---
Mutual Fund	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$180,000	$330,000	$455,000	$580,000
	72 bps	66 bps	61 bps	58 bps
Pooled/Commingled	$180,000	$330,000	$455,000	$580,000
	72 bps	66 bps	61 bps	58 bps
Mutual Fund	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	2	37	15
Research Analysts:	4	17	4
Traders:	2	26	14

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	0
	2009	0	1
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	1

SamCERA - International Growth Equity
Periods ending June 30, 2011

Performance Summary Tables
All Strategies

Total Return

	Baillie Gifford: EAFE Plus Focus		Franklin Templeton: Frk Non-US Equity		Gryphon Intl: EAFE Equities		MSCI EAFE Growth		MSCI EAFE		Intl Growth Cust Median	Intl Growth Cust Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
3 Mos.	1.8	55	1.9	50	2.1	39	2.3	36	1.8	54	1.9	*56*
1 Yr.	33.0	42	31.2	62	31.3	59	31.7	57	30.9	66	32.3	*56*
3 Yrs.	0.9	33	4.4	**10**	6.3	**1**	-1.5	57	-1.3	56	-0.3	*56*
5 Yrs.	4.6	48	7.5	**10**	6.5	**18**	2.9	75	2.0	**80**	4.5	*52*
7 Yrs.	9.1	42	11.0	**20**	9.2	37	7.2	**85**	6.9	**87**	8.9	*47*

Excess Return

	Baillie Gifford: EAFE Plus Focus		Franklin Templeton: Frk Non-US Equity		Gryphon Intl: EAFE Equities		MSCI EAFE Growth		MSCI EAFE		Intl Growth Cust Median	Intl Growth Cust Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
3 Mos.	-0.1		0.1		0.3		0.5				0.1	*56*
1 Yr.	2.1		0.3		0.4		0.7				1.3	*56*
3 Yrs.	2.2		5.7		7.6		-0.2				1.0	*56*
5 Yrs.	2.6		5.6		4.5		0.9				2.6	*52*
7 Yrs.	2.2		4.0		2.3		0.3				2.0	*47*

Excess Return vs. Universe Median

	Baillie Gifford: EAFE Plus Focus		Franklin Templeton: Frk Non-US Equity		Gryphon Intl: EAFE Equities		MSCI EAFE Growth		MSCI EAFE		Intl Growth Cust Median	Intl Growth Cust Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
3 Mos.	-0.2		0.0		0.2		0.4		-0.1			*56*
1 Yr.	0.8		-1.0		-0.9		-0.6		-1.3			*56*
3 Yrs.	1.2		4.7		6.6		-1.2		-1.0			*56*
5 Yrs.	0.0		3.0		2.0		-1.7		-2.6			*52*
7 Yrs.	0.2		2.0		0.3		-1.7		-2.0			*47*

Standard Deviation

	Baillie Gifford: EAFE Plus Focus		Franklin Templeton: Frk Non-US Equity		Gryphon Intl: EAFE Equities		MSCI EAFE Growth		MSCI EAFE		Intl Growth Cust Median	Intl Growth Cust Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
3 Yrs.	27.0	73	27.1	**79**	25.6	44	24.6	31	25.9	51	25.8	*56*
5 Yrs.	22.5	67	22.9	**87**	21.2	36	20.5	**18**	21.5	43	21.8	*52*
7 Yrs.	20.0	68	20.5	**85**	18.7	**22**	18.4	**18**	19.1	31	19.5	*47*

Tracking Error

	Baillie Gifford: EAFE Plus Focus		Franklin Templeton: Frk Non-US Equity		Gryphon Intl: EAFE Equities		MSCI EAFE Growth		MSCI EAFE		Intl Growth Cust Median	Intl Growth Cust Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
3 Yrs.	4.1	**8**	8.1	**84**	5.8	46	3.8	**3**			5.9	*56*
5 Yrs.	3.9	**6**	6.8	**77**	5.2	42	3.3	**1**			5.5	*52*
7 Yrs.	3.4	**7**	6.0	**77**	4.9	44	2.9	**1**			5.0	*47*

Information Ratio

	Baillie Gifford: EAFE Plus Focus		Franklin Templeton: Frk Non-US Equity		Gryphon Intl: EAFE Equities		MSCI EAFE Growth		MSCI EAFE		Intl Growth Cust Median	Intl Growth Cust Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
3 Yrs.	0.5	26	0.7	**17**	1.3	**2**	-0.1	60			0.2	*56*
5 Yrs.	0.7	30	0.8	**12**	0.9	**6**	0.3	68			0.5	*52*
7 Yrs.	0.6	27	0.7	**20**	0.5	40	0.1	**83**			0.4	*47*

Universe: **Intl Growth Cust**

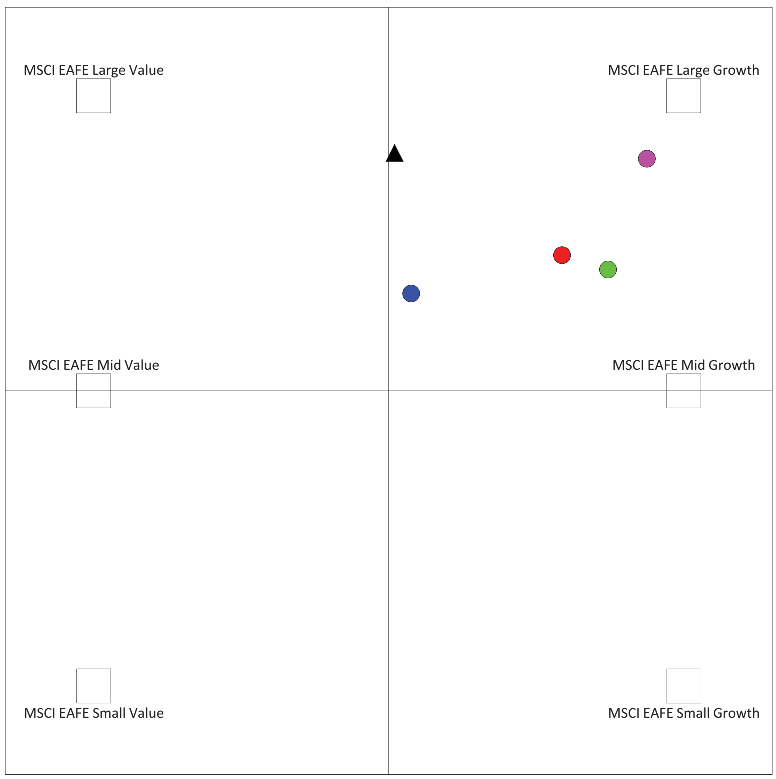
Universe Rank: **Green = Top Quartile** **Red = Bottom Quartile**

	Baillie Gifford: EAFE Plus Focus		Franklin Templeton: Frk Non-US Equity		Gryphon Intl: EAFE Equities		MSCI EAFE Growth		MSCI EAFE		Intl Growth Cust Median	Intl Growth Cust Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Beta												
3 Yrs.	1.0	13	1.0	30	1.0	57	0.9	64			1.0	*56*
5 Yrs.	1.0	18	1.0	22	1.0	61	0.9	75			1.0	*52*
7 Yrs.	1.0	16	1.0	20	1.0	81	1.0	77			1.0	*47*
Alpha (CAPM)												
3 Yrs.	2.3	31	5.7	8	7.5	1	-0.3	57			0.9	*56*
5 Yrs.	2.6	48	5.6	10	4.5	18	0.9	75			2.6	*52*
7 Yrs.	2.0	50	3.9	22	2.5	42	0.5	83			2.0	*47*
Sharpe Ratio												
3 Yrs.	0.0	33	0.2	11	0.2	2	-0.1	57	-0.1	56	0.0	*56*
5 Yrs.	0.1	53	0.2	16	0.2	22	0.0	75	0.0	80	0.1	*52*
7 Yrs.	0.3	50	0.4	20	0.4	37	0.3	82	0.2	86	0.3	*47*
Upside Capture Ratio												
3 Yrs.	103.9	11	101.7	28	102.6	20	90.8	67			97.3	*56*
5 Yrs.	105.5	42	109.8	14	99.0	65	94.7	85			102.9	*52*
7 Yrs.	106.0	44	108.6	20	94.3	92	95.7	86			104.7	*47*
Downside Capture Ratio												
3 Yrs.	97.5	53	87.9	19	84.2	10	94.1	46			96.9	*56*
5 Yrs.	96.3	57	90.7	30	84.9	12	92.7	37			95.5	*52*
7 Yrs.	97.8	53	93.4	29	85.2	14	94.5	40			97.4	*47*

Universise: **Intl Growth Cust**

Universe Rank: **Green = Top Quartile** **Red = Bottom Quartile**

Style Map (Feb 03 - Jun 11)

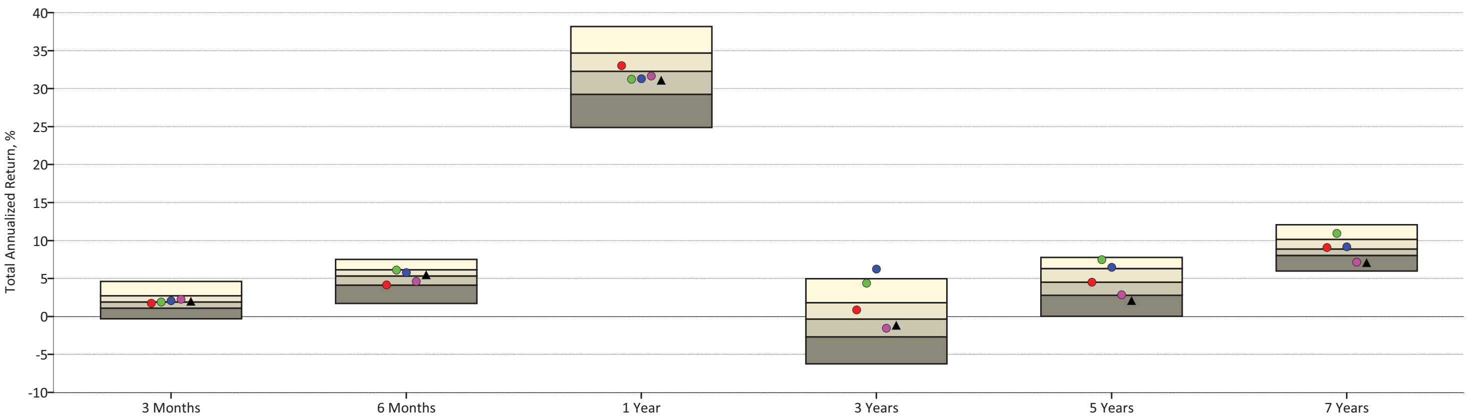


Legend

- Baillie Gifford: EAFE Plus Focus
- Franklin Templeton: Frk Non-US Equity
- Gryphon Intl: EAFE Equities
- MSCI EAFE Growth
- MSCI EAFE

Note: The date range displayed in style analysis charts will not match those in other charts because the system requires a certain number of returns (18 months in this study) before it can perform the first style calculation.

Total Return: Trailing Periods



	Total Return											
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Baillie Gifford: EAFE Plus Focus	1.8	55	4.2	75	33.0	42	0.9	33	4.6	48	9.1	42
Franklin Templeton: Frk Non-US Equity	1.9	50	6.2	26	31.2	62	4.4	**10**	7.5	**10**	11.0	**20**
Gryphon Intl: EAFE Equities	2.1	39	5.8	42	31.3	59	6.3	**1**	6.5	**18**	9.2	37
MSCI EAFE Growth	2.3	36	4.7	66	31.7	57	-1.5	57	2.9	75	7.2	**85**
MSCI EAFE	1.8	54	5.4	51	30.9	66	-1.3	56	2.0	**80**	6.9	**87**
Intl Growth Cust Median	1.9		5.4		32.3		-0.3		4.5		8.9	
Intl Growth Cust Size		*56*		*56*		*56*		*56*		*52*		*47*

Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Baillie Gifford: EAFE Plus Focus
- Franklin Templeton: Frk Non-US Equity
- Gryphon Intl: EAFE Equities
- MSCI EAFE Growth
- MSCI EAFE

Universe:
Intl Growth Cust

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

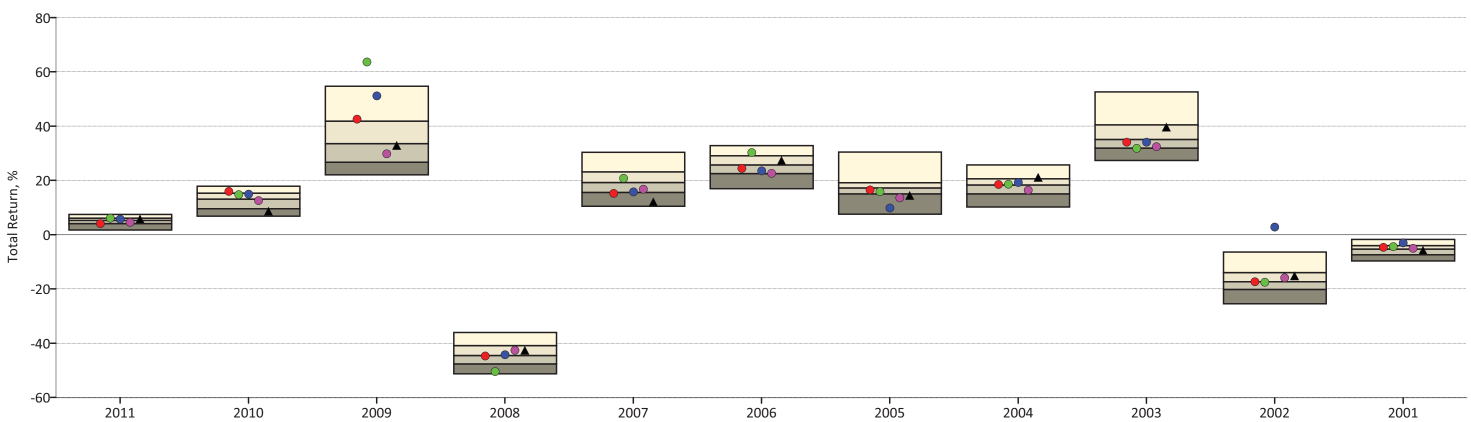
SamCERA - International Growth Equity

Periods ending June 30, 2011

Performance Detail

All Strategies

Total Return: Calendar Years



	Total Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Baillie Gifford: EAFE Plus Focus	4.2	75	16.1	**18**	42.6	**24**	-44.6	53	15.3	**77**	24.5	65	16.6	59	18.5	49	34.2	57	-17.2	49	-4.6	41
Franklin Templeton: Frk Non-US Equity	6.2	26	14.8	33	63.7	**1**	-50.3	**92**	20.8	41	30.4	**20**	15.9	64	18.6	46	31.9	**77**	-17.4	52	-4.3	32
Gryphon Intl: EAFE Equities	5.8	42	15.0	32	51.2	**8**	-44.1	48	15.9	74	23.6	71	9.9	**93**	19.3	34	34.2	58	2.9	**1**	-3.0	**15**
MSCI EAFE Growth	4.7	66	12.6	53	29.9	66	-42.5	34	16.8	64	22.7	75	13.6	**86**	16.5	66	32.5	69	-15.8	35	-5.0	46
MSCI EAFE	5.4	51	8.2	**86**	32.5	55	-43.1	39	11.6	**91**	26.9	36	14.0	**84**	20.7	25	39.2	32	-15.7	35	-6.3	64
Intl Growth Cust Median	5.4		13.2		33.6		-44.4		19.3		25.8		17.3		18.4		35.2		-17.3		-5.2	
Intl Growth Cust Size		*56*		*59*		*64*		*70*		*70*		*68*		*69*		*69*		*72*		*77*		*78*

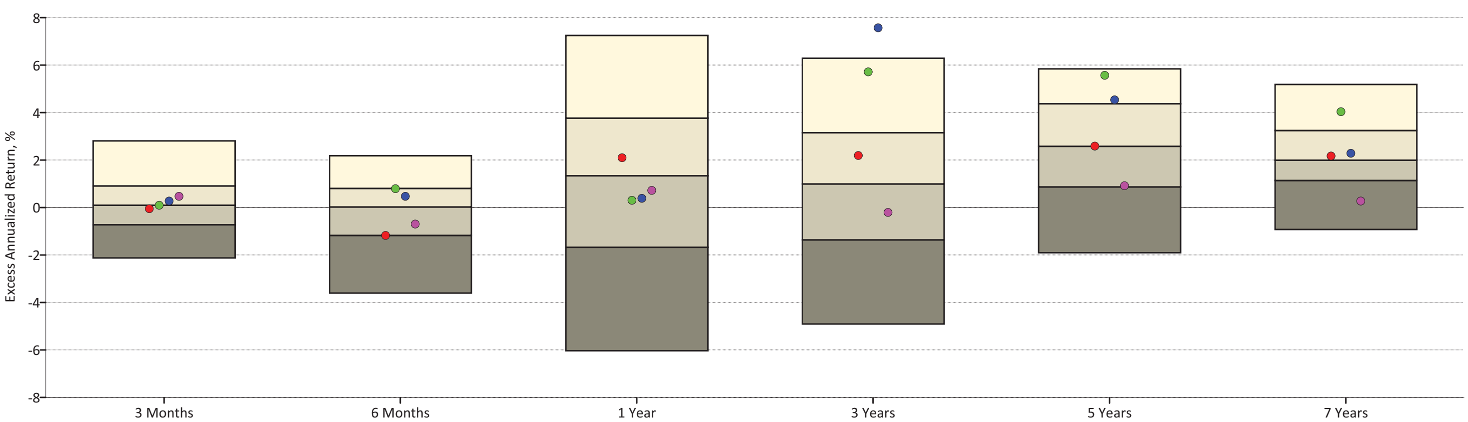
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- ● Baillie Gifford: EAFE Plus Focus
- ● Franklin Templeton: Frk Non-US Equity
- ● Gryphon Intl: EAFE Equities
- ● MSCI EAFE Growth
- ▲ MSCI EAFE

Universe:
Intl Growth Cust

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Trailing Periods



	Excess Return											
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Baillie Gifford: EAFE Plus Focus	-0.1	55	-1.2	75	2.1	42	2.2	33	2.6	48	2.2	42
Franklin Templeton: Frk Non-US Equity	0.1	50	0.8	26	0.3	62	5.7	**10**	5.6	**10**	4.0	**20**
Gryphon Intl: EAFE Equities	0.3	39	0.5	42	0.4	59	7.6	**1**	4.5	**18**	2.3	37
MSCI EAFE Growth	0.5	36	-0.7	66	0.7	57	-0.2	57	0.9	75	0.3	**85**
Intl Growth Cust Median	0.1		0.0		1.3		1.0		2.6		2.0	
Intl Growth Cust Size		*56*		*56*		*56*		*56*		*52*		*47*

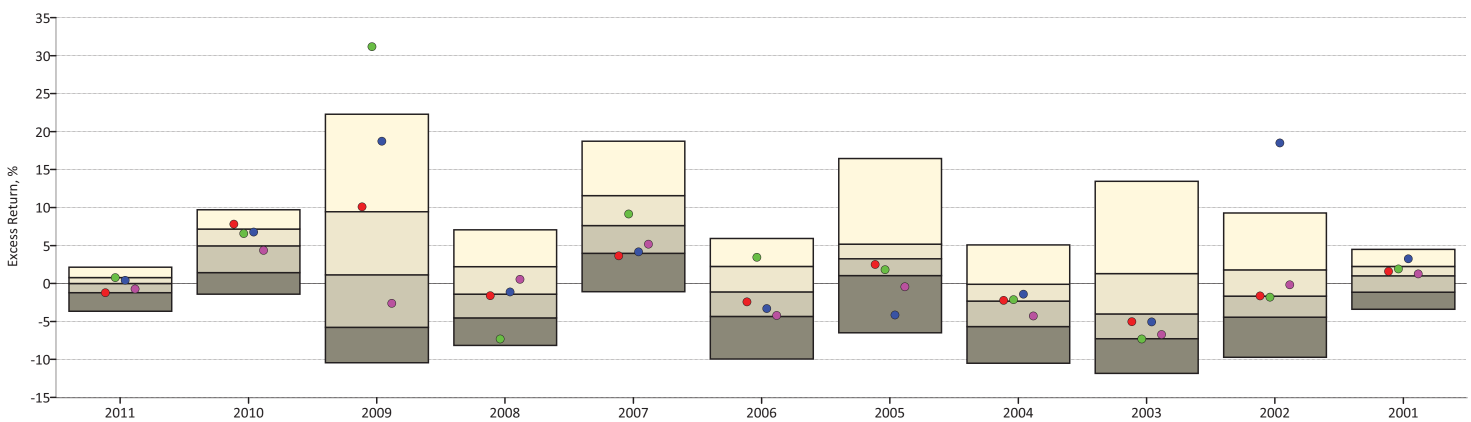
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Baillie Gifford: EAFE Plus Focus
- Franklin Templeton: Frk Non-US Equity
- Gryphon Intl: EAFE Equities
- MSCI EAFE Growth

Universe:
Intl Growth Cust

Universe Rank:
Green = Top Quartile **Red = Bottom Quartile**

Excess Return: Calendar Years



	Excess Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Baillie Gifford: EAFE Plus Focus	-1.2	75	7.8	**18**	10.1	**24**	-1.5	53	3.7	**77**	-2.4	65	2.6	59	-2.2	49	-5.0	57	-1.6	49	1.7	41
Franklin Templeton: Frk Non-US Equity	0.8	26	6.6	33	31.2	**1**	-7.3	**92**	9.2	41	3.5	**20**	1.9	64	-2.1	46	-7.3	**77**	-1.8	52	2.0	32
Gryphon Intl: EAFE Equities	0.5	42	6.8	32	18.8	**8**	-1.1	48	4.2	74	-3.2	71	-4.1	**93**	-1.4	34	-5.0	58	18.5	**1**	3.3	**15**
MSCI EAFE Growth	-0.7	66	4.4	53	-2.6	66	0.6	34	5.2	64	-4.2	75	-0.4	**86**	-4.2	66	-6.7	69	-0.1	35	1.3	46
Intl Growth Cust Median	0.0		5.0		1.2		-1.4		7.7		-1.1		3.3		-2.3		-4.0		-1.6		1.1	
Intl Growth Cust Size		*56*		*59*		*64*		*70*		*70*		*68*		*69*		*69*		*72*		*77*		*78*

Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Baillie Gifford: EAFE Plus Focus
- Franklin Templeton: Frk Non-US Equity
- Gryphon Intl: EAFE Equities
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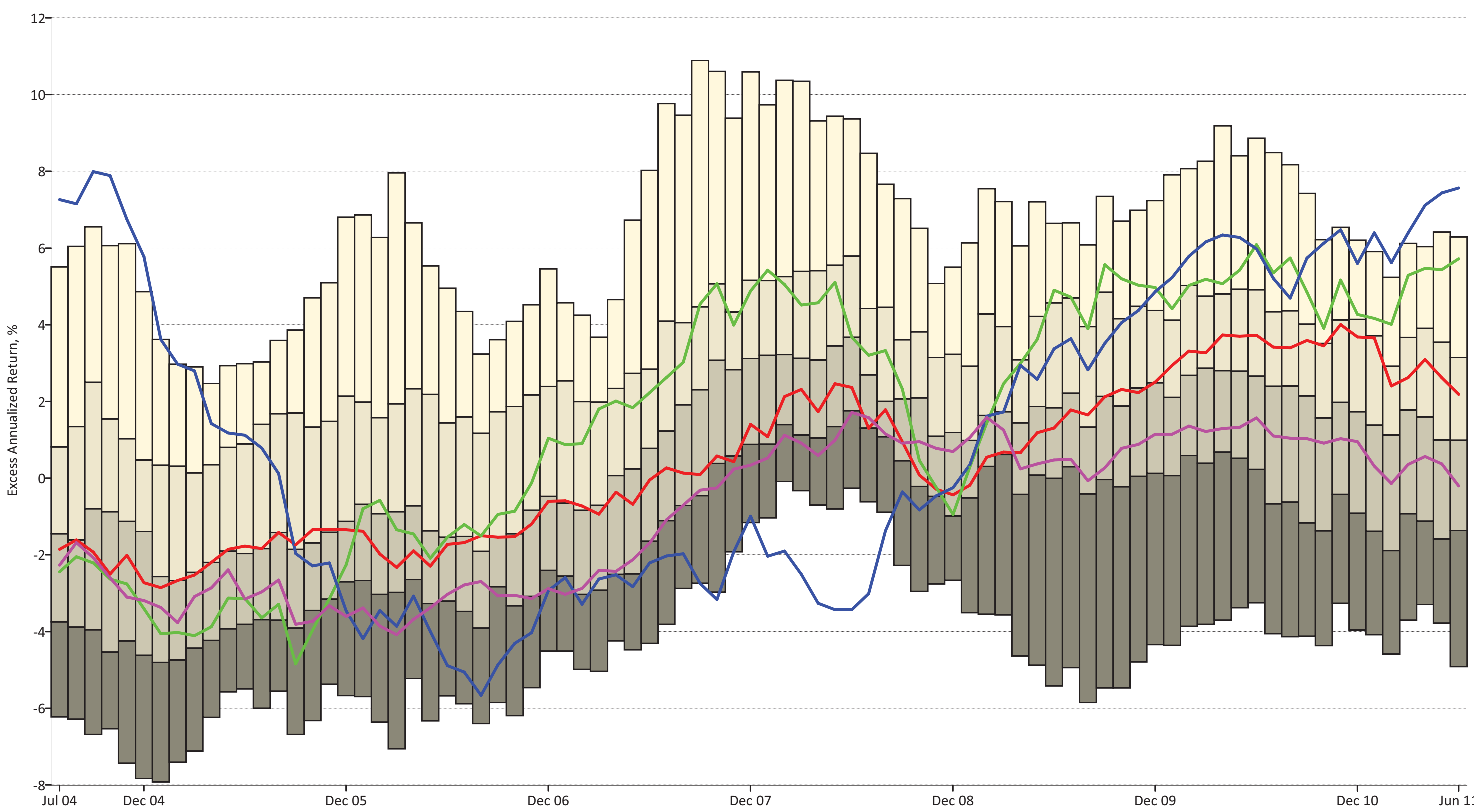
Universe:
Intl Growth Cust

Universe Rank:
Green = Top Quartile **Red = Bottom Quartile**

Excess Return: Rolling 36-month Periods (Jul 04 - Jun 11)

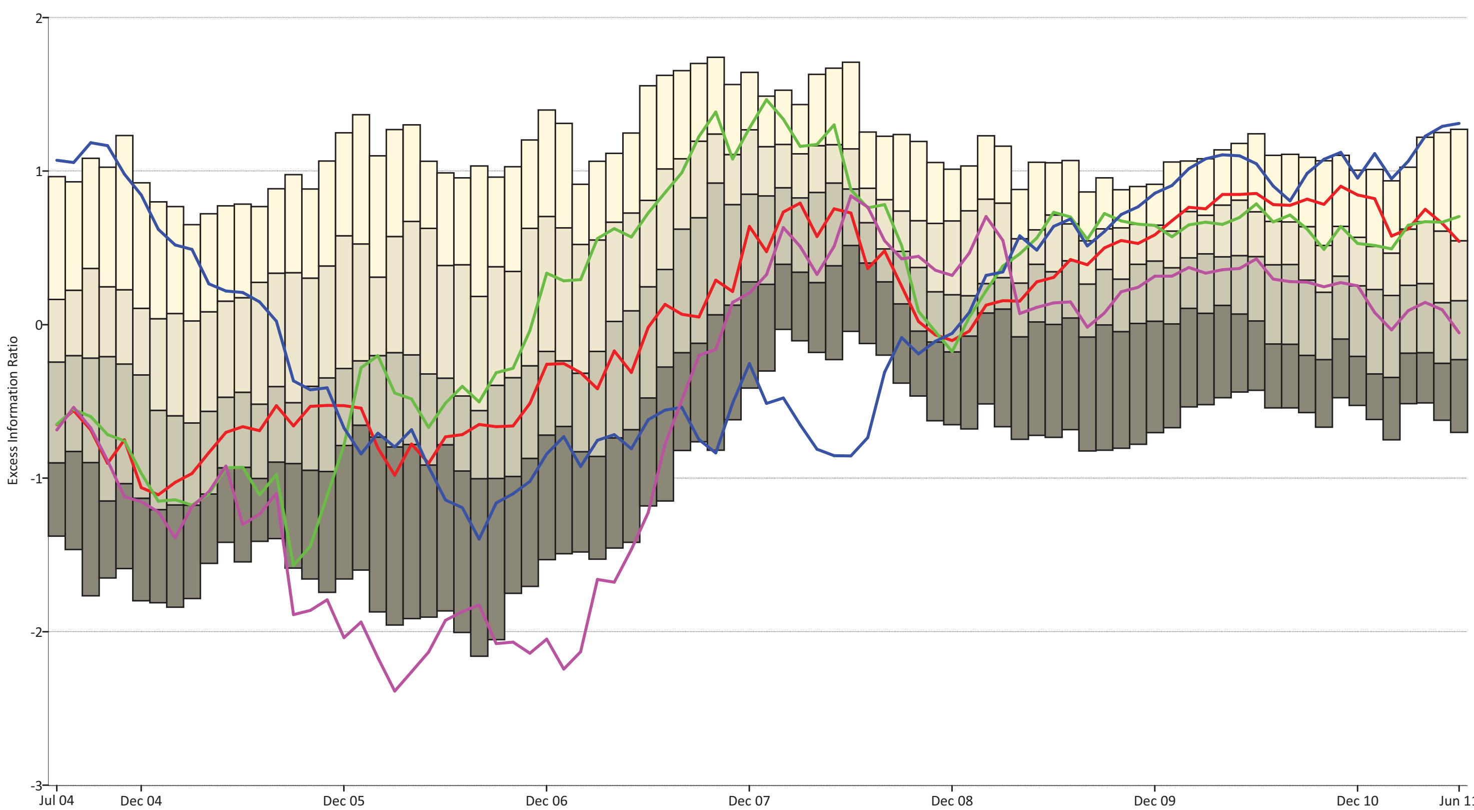


Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Baillie Gifford: EAFE Plus Focus
- Franklin Templeton: Frk Non-US Equity
- Gryphon Intl: EAFE Equities
- MSCI EAFE Growth

Universe:
Intl Growth Cust

Information Ratio: Rolling 36-month Periods (Jul 04 - Jun 11)

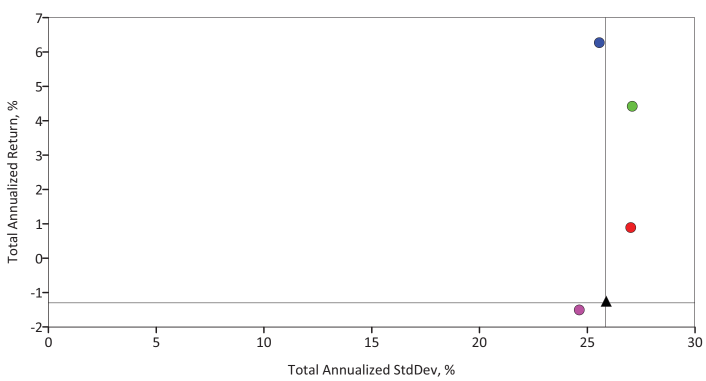


Legend

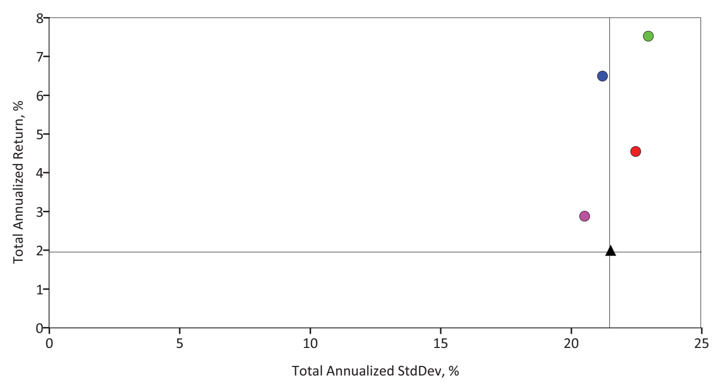
- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Baillie Gifford: EAFE Plus Focus
- Franklin Templeton: Frk Non-US Equity
- Gryphon Intl: EAFE Equities
- MSCI EAFE Growth

Universe:
Intl Growth Cust

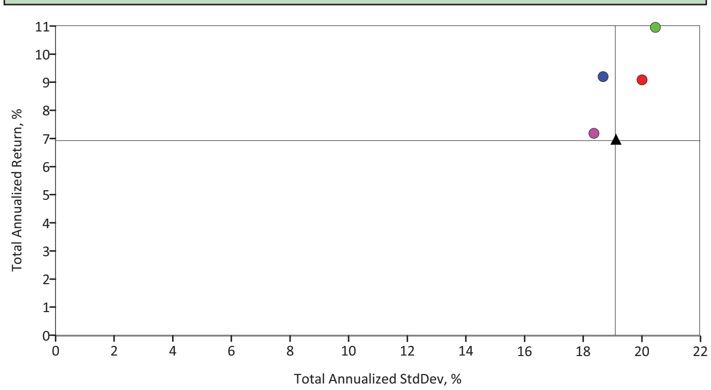
Total Return vs. Standard Deviation: Trailing 3 Years (Jul 08 - Jun 11)



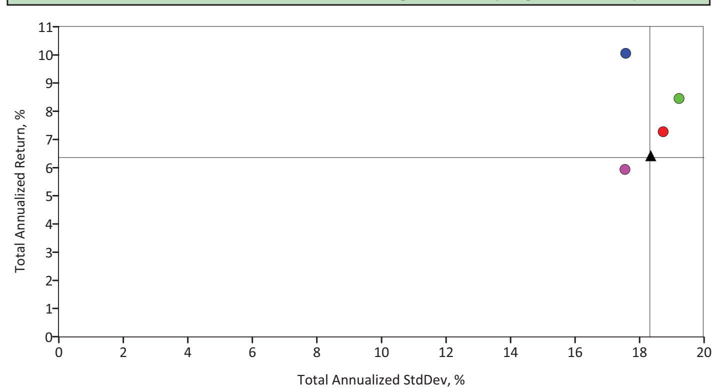
Total Return vs. Standard Deviation: Trailing 5 Years (Jul 06 - Jun 11)



Total Return vs. Standard Deviation: Trailing 7 Years (Jul 04 - Jun 11)



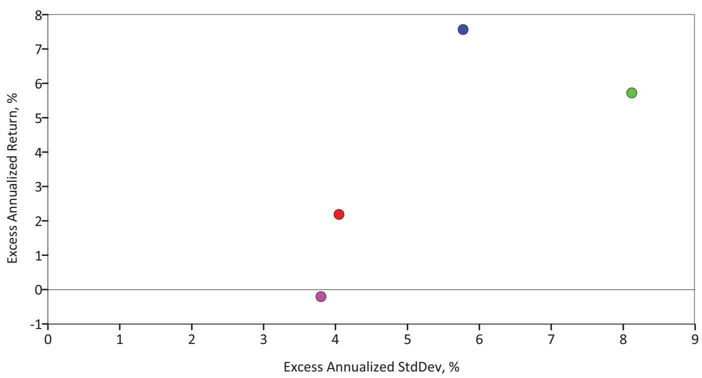
Total Return vs. Standard Deviation: Trailing 10 Years (Aug 01 - Jun 11)



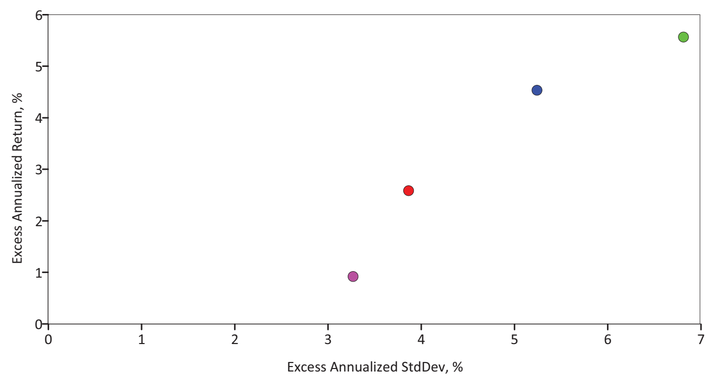
Legend

- ● Baillie Gifford: EAFE Plus Focus
- ● Franklin Templeton: Frk Non-US Equity
- ● Gryphon Intl: EAFE Equities
- ● MSCI EAFE Growth
- ▲ MSCI EAFE

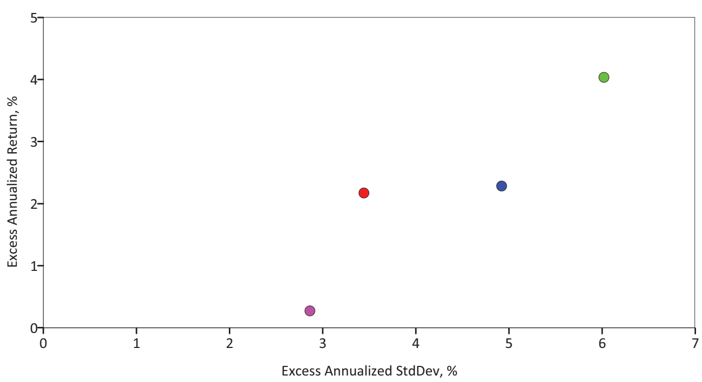
Excess Return vs. Tracking Error: Trailing 3 Years (Jul 08 - Jun 11)



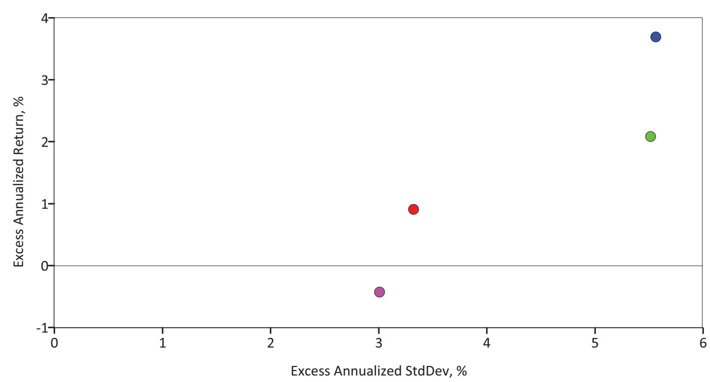
Excess Return vs. Tracking Error: Trailing 5 Years (Jul 06 - Jun 11)



Excess Return vs. Tracking Error: Trailing 7 Years (Jul 04 - Jun 11)



Excess Return vs. Tracking Error: Trailing 10 Years (Aug 01 - Jun 11)



Legend

- Baillie Gifford: EAFE Plus Focus
- Franklin Templeton: Frk Non-US Equity
- Gryphon Intl: EAFE Equities
- MSCI EAFE Growth

Alpha (Jenson's Alpha) – a manager's *Total Return* in excess of that which can be explained by its systematic risk, or *Beta*. Alpha is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the “market”). Alpha is the intercept term in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A positive Alpha implies that a manager has added value relative to the benchmark on a *Beta*- or risk-adjusted basis.

Batting Average – the percentage frequency a manager's periodic *Total Return* exceeds the benchmark. A manager that outperforms the benchmark in 15 out of 20 months will have a *Batting Average* of 0.75.

Benchmark R-Squared – a statistical measure that represents the percentage of volatility in a manger's returns which can be explained by the volatility of the benchmark. Benchmark R-Squared can range from 0-100%. See also *R-Squared*.

Best/Worst Quarter – the maximum/minimum *Total Return* or *Excess Return* over any rolling 3-month period (when monthly returns are used). Note that the term “quarter” in this calculation does not refer to calendar quarters (unless the periodicity is quarterly), but rather 3-month windows.

Best/Worst Year – the maximum/minimum *Total Return* or *Excess Return* over any rolling 12-month period (when monthly returns are used). Note that the term “year” in this calculation does not refer to calendar years, but rather 12-month (or 4-quarter) windows.

Beta – a measure of a manager's sensitivity to systematic, or market risk. Beta is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the “market”). Beta is the slope coefficient in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A manager with a Beta of 1 has a systematic volatility equal to that of the benchmark, while a Beta less than 1 implies lower systematic volatility than the benchmark and a Beta greater than 1 indicates that a manager exhibits more systematic volatility than the benchmark.

Calmar Ratio – a risk/return measure that is calculated by dividing a manager's *Total Return* or *Excess Return* by the respective *Maximum Drawdown*. A higher Calmar Ratio implies greater manager efficiency in generating *Total Returns* or *Excess Returns* without experiencing correspondingly high *Maximum Drawdowns*.

Capture Ratio – the ratio of a manager's average *Total Return* to the benchmark's average *Total Return*. Up Market Capture Ratio refers to relative performance in periods where the benchmark *Total Return* is greater than 0 (i.e., positive) and Down Market Capture Ratio is calculated over those periods where the benchmark *Total Return* is less than 0 (i.e., negative).

Correlation – a standardized measure of *Covariance* scaled to a range of -1 to 1. Correlations close to 1 suggest that two *Return Series* move together very closely while Correlations close to -1 indicate that two *Return Series* tend to move opposite of one another.

Covariance – a measure of the co-movement of two variables, *Return Series* for these purposes. When two *Return Series* tend to deviate in the same direction they will exhibit positive Covariance and if they tend to deviate in opposite directions they will exhibit negative Covariance.

Excess Correlation – the *Correlation* between two sets of *Excess Return Series*.

Excess Information Ratio – a measure of a manager's active return per unit of active risk. Excess Information Ratio (commonly referred to as *Information Ratio*) is calculated by dividing a manager's *Excess Return* by the *Tracking Error*. A higher Excess Information Ratio implies greater manager efficiency in terms of the active risk taken versus the benchmark.

Excess Loss Ratio – a measure of a manager's active return per unit of downside active risk. Excess Loss Ratio is calculated by dividing a manager's *Excess Return* by the *Semi-Standard Deviation* of *Excess Returns*. A higher Excess Loss Ratio implies greater manager efficiency.

Excess Omega Ratio – a measure of a manager's active return versus active risk that uses the cumulative probability distribution function (CDF) of *Excess Returns* and assigns a return threshold (0 in this case), with part of the distribution on each side. Excess Omega Ratio is calculated by dividing the area above the CDF curve to the right of the threshold by the area below the CDF curve to the left of the threshold. Excess Omega Ratio is useful in that it incorporates the full distribution of *Excess Returns*, not just the mean and standard deviation (i.e., tracking error), and does not rely on a normally-distributed return series as many other risk-adjusted measures such as the *Sharpe Ratio* and *Information Ratio* implicitly do. As with other risk-adjusted measures, a higher Excess Omega Ratio implies greater manager efficiency in terms of active risk and return.

Excess Return – a manager's return in excess of the benchmark's *Total Return*.

Excess Style Weights – a manager's style weights in excess of the benchmark's style weights for a given period. This measures a manager's style deviations, or bets, versus the benchmark.

Information Ratio – a measure of a manager's return per unit of risk. Information Ratio is calculated by dividing a manager's *Total Return* by the *Standard Deviation*. A higher Information Ratio implies greater manager efficiency. To avoid confusion and conform to industry standards, the term "Information Ratio" is used throughout the study when referencing the *Excess Information Ratio* statistic.

Maximum Drawdown – a drawdown is any losing period during a *Return Series* (either *Total Return* or Excess *Return*) and the Maximum Drawdown measures the cumulative return during the worst "peak to trough" period for the *Return Series*. The Maximum Drawdown does not necessarily occur over consecutive months (or quarters) of negative performance and can be interrupted by periods of positive performance as long as this does not cause full recovery of the initial value prior to the drawdown.

Recovery Duration – the number of months (or quarters) from trough to full recovery after the *Maximum Drawdown*. If the full amount of the initial value has not been recovered, Recovery Duration will display "N/A".

Recovery Percent – where the full amount of the initial value has not been recovered after the *Maximum Drawdown*, Recovery Percent represents the partial percent of peak to trough loss that has been regained to date. If the initial value has been re-achieved, Recovery Percent will display "100%".

Recovery Period – the range of months (or quarters) to regain the value before the *Maximum Drawdown* occurred, starting from the first month (or quarter) after a trough. When the full amount of the initial value has not been recovered the date range shown is from the trough to the highest subsequent cumulative value.

Return Series – a set of *Returns* over a range of time periods.

Risk – see *Standard Deviation*.

R-Squared – within the context of regression analysis, R-Squared represents the portion of the variation of a dependent variable (e.g., a manager's *Return Series*) that can be explained by the variation of the independent variable(s) (e.g., a benchmark index or set of *Style Indices*). R-squared values range from 0 to 100. An R-squared of 100 indicates that all movements of the dependent variable are completely explained by movements of the independent variable(s). In addition, R-Squared provides a measure of the goodness of fit, or validity, of the regression model.

Selection Return – a manager's *Total Return* in excess of the *Style Return*. A positive Selection Return implies that a manager has added value relative to the *Style Benchmark* through security selection.

Semi-Standard Deviation – a measure of downside risk similar to Standard Deviation, except that it is calculated using only the variance of returns below a target rate (0 by default, but can also be set to a Minimum Accepted Return or MAR, the risk-free rate or the benchmark's return). A high Semi-Standard Deviation represents a wide range of returns below the target rate and therefore implies a higher level of downside risk. Semi-Standard Deviation is useful in that it penalizes managers only for volatile returns below the target rate, unlike the full Standard Deviation calculation which does not distinguish between upside (good) and downside (bad) volatility.

Sharpe Ratio – a manager's *Excess Return* over the risk-free rate divided by the *Standard Deviation*. Sharpe Ratio measures a manager's return per unit of risk. A higher Sharpe Ratio implies greater manager efficiency.

Standard Deviation – a measure of the extent to which observations in a series vary from the arithmetic mean of the series. Standard Deviation (also referred to ask *Volatility* or *Risk*) provides an indication of the dispersion of periodic returns. A high Standard Deviation represents a wide range of returns and therefore implies a higher level of risk.

Style Benchmark – a blended index of *Style Indices* combined at the corresponding *Style Weights*. The *Style Return* represents the *Total Return* of the Style Benchmark.

Style Indices – independent (or explanatory) variables used in the *Style Regression*. Style Indices can also be interpreted as the manager's *Betas* or risk factors within the context of the *Style Regression*.

Style Map – a specialized form of scatter plot used to show where a manager lies in relation to a set of *Style Indices* on a two-dimensional plane. A Style Map is simply a different way of viewing the *Style Weights*. The x and y co-ordinates are calculated by rescaling the *Style Weights* to a range of -1 to 1 on each axis.

Style Regression – a constrained quadratic regression of a manager or benchmark return series against a set of *Style Indices*. Style Regression calculates a series of *Betas* that collectively seek to explain as much of a return series as possible.

Style Return – calculated by multiplying a manager's (or benchmark's) Style Weights by the corresponding returns of the Style Indices and summing the resulting weighted component returns.

Style R-Squared – a statistical measure that represents the percentage of volatility in a manager's returns which can be explained by the volatility of the *Style Indices* (or collectively, the *Style Benchmark*). Style R-Squared can range from 0-100%. See also *R-Squared*.

Style Weights – represent the periodic exposure of a manager (or benchmark) to various explanatory variables, also referred to as *Style Indices*. Style Weights are returns-based, i.e. they are calculated through the *Style Regression*.

Timing Return – a manager's *Style Return* in excess of the benchmark's *Style Return*'. A positive Timing Return implies that a manager has added value relative to the benchmark through asset allocation decisions, i.e., over/underweight "positions" in the *Style Indices* versus those of the benchmark.

1) If the market benchmark used in the study is not also one of the *Style Indices* then it too will have *Style Weights*, a *Style Return* and a *Style Benchmark*. If the benchmark is one of the *Style Indices*, its *Style Return* will equal the benchmark's *Total Return*.

Total Return – a measure of the appreciation or depreciation in the price of an investment over a given time period.

Tracking Error – the *Standard Deviation* of a manager's *Excess Return* series. Tracking Error measures the extent to which a manager's returns diverge from the benchmark's returns. A low Tracking Error indicates that the manager closely tracks the benchmark.

Volatility – see *Standard Deviation*.

Note: All calculations use geometrically annualized returns except for cumulative returns and those that cover periods less than one year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

September 27, 2011 Agenda Item 6.2 a

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: International Large Cap Growth Manager Interview: Baillie Gifford – EAFE Plus Focus

COMMENT: The manager presentation booklet that goes with this agenda item was distributed in the first mailing.

Below are the presenters:

8:30 a.m. Interview **Baillie Gifford – EAFE Plus Focus**

Gerard Callahan - Head of UK Equities
Anne-Marie Gillon - Client Service Director
Larysa Bemko - Marketing Director

The following is an overview of the firm and the product.

General Firm Information

Firm Legal Name: Baillie Gifford & Co
Firm Headquarters: Calton Square
1 Greenside Row
Edinburgh, Scotland EH1 3AN
United Kingdom
Year Firm Founded: 1908
Registered Investment Advisor: Yes
Firm Website Address: www.bailliegifford.com

Firm Background

Baillie Gifford & Co. was founded in Edinburgh, Scotland in 1908. It is an independent investment management firm 100% owned by the partners, all of whom work full time for the firm. The firm's sole business is investment management. Baillie Gifford Overseas Limited is the vehicle through which the firm manages assets for clients based outside the UK. It is wholly owned by Baillie Gifford & Co., and was established in 1983 and registered with the SEC in April 1984.

Joint Ventures

As state above, Baillie Gifford & Co, founded in Edinburgh in 1908, is one of Scotland's largest independent investment management firms and is 100% owned by the current partners, all of whom work fulltime for the firm.

Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Founded in 1983, it is the company through which Baillie Gifford & Co provides investment management services for clients located outside the United Kingdom. Both are authorized and regulated by the Financial Services Authority. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America (for the purposes of US clients).

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in America as well as some marketing functions in Canada.

Baillie Gifford Overseas Limited has two joint ventures, neither of which has resulted in an exchange of equity. The first joint venture, established initially in 1989 and further developed in 1998 and 2004, is Mitsubishi UFJ Baillie Gifford Asset Management Ltd, for whom they provide investment advice on Global stocks. The second joint venture, established in 1990, is with the Guardian Life Insurance Company of America. Baillie Gifford currently sub-advises six funds through a joint venture with Guardian.

Product Overview

Research & Screening Process

At Baillie Gifford, stocks are selected for the portfolio by assessing the characteristics of businesses. The firm invests in companies that enjoy sustainable competitive advantages in their industries and which they believe will grow earnings and cash flows at above average rates over time. This is based on the observation that in the longer term share prices follow earnings and cash flow growth. Baillie Gifford places a strong emphasis on fundamental research, with an extensive program of company meetings, and then maximizes the potential return from investment opportunities by backing their judgment and taking significant positions relative to the index (if appropriate). Views of the Investment Policy Committee, which sets the overall context in which clients' portfolios are managed, are also taken into account.

At Baillie Gifford the following criteria are analyzed for stock selection:

• Industry Background – Growing or restructuring? High barriers to entry?
• Competitive Advantage – Is it sustainable?
• Financial Strength – Can the company fund its own growth ?
• Management Attitudes – How is free cash-flow used? Is it reinvested profitably?
• Valuation - Is the stock attractively valued? What is the consensus view of the companies they are considering?

This results in gaining an in-depth knowledge of individual companies in order to develop an opinion on their future path and the path of their earnings. This is compared to the consensus view, with any discrepancies being seen as a potential opportunity.

Portfolio Construction & Risk Control Methodology

EAFE Focus portfolios are constructed on a regional basis with the attractions of individual stocks being key. Overall portfolio issues, including allocation between regions, are addressed by the Portfolio Construction Group (PCG). Portfolios are built from the bottom up; sector and country allocations are a residual of individual stock-picking. The firm continually monitors clients' portfolios to ensure they meet client and in-house guidelines. The way in which they manage portfolios, i.e. through model portfolios, ensures that dispersions of returns are low.

The Portfolio Construction Group ensures healthy communication between the regional teams in relation to Focus portfolios, and comprises investors from each geographical department and an experienced client service director. Discussion of investment issues in an international context helps the regional portfolio managers with their stock selection. It addresses those issues which affect the portfolio as a whole, including, allocations between regions, client needs and risk tolerance. The Head of the Portfolio Construction Group ensures that the Focus approach is consistently applied across all clients and that all members of the group are accountable for their performance.

While Baillie Gifford takes a team based approach for research coverage and for stock discussions, in decision making they emphasize individual responsibility. Stocks are added to or removed from regional models after team debate, with the individual Focus portfolio manager from each region having the final say on content and conviction for each stock from their specialized area.

Buy/Sell Discipline

The investment teams carry out all stock and macroeconomic research. Their objective is to build a model portfolio of quality, growth companies with sustainable competitive advantages and strong management teams.

Buying ideas are generated through the extensive research conducted by the Investment Managers and Analysts of the geographic equity teams. The head of each team is responsible for ensuring that the team covers a broad universe of stocks in their area. Investment Managers and Analysts are accorded a high level of responsibility to conduct research. However, all buy ideas must be convincingly presented to the rest of the team.

Every stock purchase, or sale, is thoroughly debated within the team and presented at a weekly meeting to a wider audience of investment professionals.

If an Investment Manager or Analyst finds a security that is suitable for purchase, an in-depth report will be produced and presented at a weekly meeting of the team. The Team Head, with the relevant Investment Manager and Analyst, decide on the inclusions in the model portfolio.

Sell decisions are generated by the frequent re-examination of holdings. These sometimes reveal that companies are not doing as well as expected. While Baillie Gifford likes to retain holdings in successful businesses, excessive valuations can also lead to the reduction of positions. If a company they fundamentally admire is only slightly overvalued, the inclination is to hold on.

All stocks in the model portfolios are reviewed quarterly, with in-depth analysis of individual stocks taking place after profit statements and other significant events. There are four situations when Baillie Gifford considers selling a stock:

1) An adverse change in the fundamentals of the business (i.e. deteriorating demand or pricing).
2) A loss in confidence in management (i.e. in the wake of an acquisition they consider misconceived, or a move into an inappropriate new market or business area).
3) Valuation criteria

Holdings are reviewed after company announcements, large price movements and every quarter.

Trading Strategy

Baillie Gifford has a centralized trading desk of 9 dedicated traders. Robert Blaikie is the Head of Trading and monitors all trades and FX transactions. Robert has been Head of Trading since 1986 and is a Partner of the firm.

They have a proprietary system that automatically checks proposed transactions for compliance with client restrictions before a deal is executed. There is a strict system of segregation of duties, which ensures that four separate people are involved with the instigation, execution, settlement and recording of a transaction. All client restrictions are recorded on the system and verified with clients annually. The system also records some in-house restrictions. The system automatically checks restrictions prior to a deal and will alert the fund manager to any problems, which have to be cleared before the deal can proceed.

Internally, Baillie Gifford operates a clearly documented risk based monitoring program, including checks on trades to ensure best execution has been achieved. Best execution is monitored twice weekly by comparing the execution price of trades against the volume weighted average price (VWAP) applicable for the day. The VWAP is taken from information supplied from Bloomberg.

Any trades falling outside a reasonable tolerance of the VWAP are investigated and a more concentrated time span is taken. In these instances they will view trading conditions within a 1 or 2 hour time range of our trade time.

Baillie Gifford is not affiliated to any brokers. Their core business is investment management.

Derivatives Used in Managing This Product: No

BAILLIE GIFFORD

San Mateo County Employees' Retirement Association

September 27, 2011

BAILLIE GIFFORD

Important Information and Risk Factors

Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co, Investment Managers, and is the company through which Baillie Gifford & Co provides investment management services for clients outside the United Kingdom. Both are authorised and regulated by the Financial Services Authority. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America (for the purposes of US clients).

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Baillie Gifford & Co claims compliance with the Global Investment Performance Standards (GIPS®). All performance data presented is supplementary to an appropriate compliant composite presentation. An example of a compliant composite presentation has been included for your reference. A complete list of the Firm's composites and performance results is available on request.

This presentation contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and current unless otherwise stated.

Past Performance

Past performance is not a guide to future performance. Changes in investment strategies, contributions or withdrawals may materially alter the performance, strategy and results of the portfolio.

Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction costs and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results.

It should not be assumed that recommendations/transactions made in the future will be profitable or will equal performance of the securities mentioned.

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

Any stock examples used in this presentation are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us.

Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

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Telephone: (212) 319 4633 www.bailliegifford.com

San Mateo County Employees' Retirement Association 10801 0911.indd
Ref: 10801 MP/O/US

Biographies

Larysa Bemko

Marketing Director

Larysa graduated BA in Journalism from Temple University, USA in 1979, and in 2002 gained an MBA from Pace University, USA. She has 20 years of experience in the financial industry and before coming to Baillie Gifford she worked for UBS Global Asset Management. Larysa joined the Institutional Clients Department in 2002 as a Marketing Director in the New York office.

Gerard Callahan

Head of UK Equities

Gerard graduated BA in Politics, Philosophy and Economics from Oxford University 1991. He joined Baillie Gifford the same year and became a Partner in 2000. Gerard Became Head of our UK Equities Investment Team in 2007 and is Chairman of the International Focus Portfolio Construction Group.

Anne-Marie Gillon

Client Service Director

Anne-Marie graduated BSc in Mathematics and Economics from the University of St. Andrews, Scotland in 1994. She joined Baillie Gifford in 1997 and is a Director in the Institutional Clients Department responsible for UK and North American clients. Anne-Marie is a CFA Charterholder and a member of the International Focus Portfolio Construction Group.

Baillie Gifford

Baillie Gifford

Long established asset management partnership

- Stability: organic growth since 1908
- Autonomy: owned by 36 full-time partners
- Single focus: investment management

Clear and committed approach to investment

- Add value through stock selection
- Existing clients before growth of assets

Firm-wide Research

87 investment professionals

Chief Investment Officer

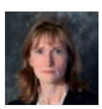
Global Opportunities Team
- Gerald Smith
  24 years’ experience
  24 years with BG
- 3 Inv. professionals

Chief of Investment Staff

Global Alpha Team
- Charles Plowden
  28 years’ experience
  28 years with BG
- 5 Inv. professionals

LTGG Team
- James Anderson
  28 years’ experience
  28 years with BG
- 6 Inv. professionals

UK Team
- Gerard Callahan
  20 years’ experience
  20 years with BG
- 6 Inv. professionals



Developed Asia Team
- Elaine Morrison
  22 years’ experience
  22 years with BG
- 5 Inv. professionals

Emerging Markets Team
- Richard Sneller
  17 years’ experience
  17 years with BG
- 10 Inv. professionals

Japanese Team
- Sarah Whitley
  31 years’ experience
  31 years with BG
- 6 Inv. professionals

North American Team
- Mick Brewis
  26 years’ experience
  26 years with BG
- 6 Inv. professionals

European Team
- Tom Coutts
  12 years’ experience
  12 years with BG
- 6 Inv. professionals

+ 4 Global Sector Specialists.
+ 7 Strategy Specific Research Specialists.
+ 23 Diversified Growth, Global Discovery and Fixed Income Investment Professionals.

North American Clients' Assets

	No. of Clients†	Assets $m
Total Firm Assets	329	123,532
North American Clients' Assets	155	52,275

Client Type	No. of Clients†	Assets $m
US Clients	**130**	**45,449**
Pension Funds	88	28,574
Endowments/Foundations	34	2,666
Other	8	14,209
Canadian Clients	**25**	**6,826**
Pension Funds	16	4,562
Endowments/Foundations	1	83
Other	8	2,180

	Mandates*	$m
International	**137**	**35,926**
EAFE	84	28,810
ACWI ex US	53	7,116
Global	**29**	**5,918**
Long Term Global Growth	13	4,304
Global Alpha	16	1,614
Specialist	**42**	**10,431**
Emerging Markets	32	9,255
China	2	43
Pan Europe Small Cap	1	476
North American Equity	2	401
Developed Asia inc Japan	3	166
Other	2	88

†Includes North American clients invested in North American pooled funds.
*Clients are counted for each mandate managed by Baillie Gifford.
As of June 30, 2011. Totals may not sum due to rounding.
US dollars.

Clients

Representative Client List

Public	Foundations/Trusts	Corporate
Massachusetts Pension Reserves Investment Management Board	University of Illinois Foundation	Goodyear Tire & Rubber Company
Province of Newfoundland and Labrador	Buck Trust	NiSource
Retirement System of Allegheny County	The American Baptist Home Mission Society	Teledyne Technologies Pension Plan
Pennsylvania Public School Employees' Retirement System	Salvation Army Southern Territory	Xerox
Workers' Compensation Board – Alberta	Creighton University	Energizer
New York City Police Pension Fund	Georgia Tech Foundation Inc.	Smithfield Foods
New York City Board of Education Retirement System	The California Wellness Foundation	ConAgra Foods
Kansas Public Employees' Retirement System	The Winnipeg Foundation	**Other Clients**
Indiana Public Employees' Retirement Fund	Ascension Health	The Vanguard Group
State Board of Administration of Florida	Evangelical Lutheran Church	RS Investments
City of Jacksonville Retirement System	Boy Scouts of America	Desjardins Global AM EAFE Equity Fund
California State Employees Retirement System		
Puerto Rico Teachers' Retirement System		

The clients identified in the above list were selected based on a variety of factors, including name recognition, industry, geographic region and investment mandate.
The selection of clients for the list is not based on performance criteria. It is not known whether the listed clients approve or disapprove of Baillie Gifford or services provided.

EAFE Focus Clients.

International Focus Strategy

Investment Approach

Long term, low turnover approach

- Growth investors with quality bias
- Individual stock selection the key element of the process
- Long-term approach, built on in house research
- No idea what share prices will do in the short term

International Focus – Research Framework

The Key Factors:

Potential (to achieve above average returns)	→	Industry background Competitive advantage
Delivery (capitalizing on the opportunity)	→	Financial strength Management attitudes
Valuation	→	Is it in the price?

Left of the decimal point: we focus on the long-term

Investment Approach

International Focus

- Stocks assessed on the basis of long term fundamentals
- Exploiting deep pockets of specialist regional knowledge and experience
- 'Asset allocation' driven by good stock ideas
- Portfolio Construction Group ensures optimal portfolio composition

Constructing the Optimal Portfolio

International Focus Portfolio Construction Group

Gerard Callahan*

Chairman
Head of UK Equities

— 20 yrs' experience
— 20 yrs with Baillie Gifford

Paul Faulkner

Investment Manager

— 11 yrs' experience
— 11 yrs with Baillie Gifford

Iain Campbell

Investment Manager

— 7 yrs' experience
— 7 yrs with Baillie Gifford

Joe Faraday

Investment Manager

— 9 yrs' experience
— 9 yrs with Baillie Gifford

Anne-Marie Gillon

Client Service Director

— 14 yrs' experience
— 14 yrs with Baillie Gifford

Chris Huckle

Client Service Director

— 11 yrs' experience
— 11 yrs with Baillie Gifford

Laurence Linklater

Client Service Director

— 22 yrs' experience
— 6 yrs with Baillie Gifford

UK Equities
— 4 Investment Managers
— 2 Analysts

European Equities
— 4 Investment Managers
— 2 Analysts

Developed Asian Equities
— 3 Investment Managers
— 2 Analysts

Emerging Markets Equities
— 8 Investment Managers
— 2 Analysts

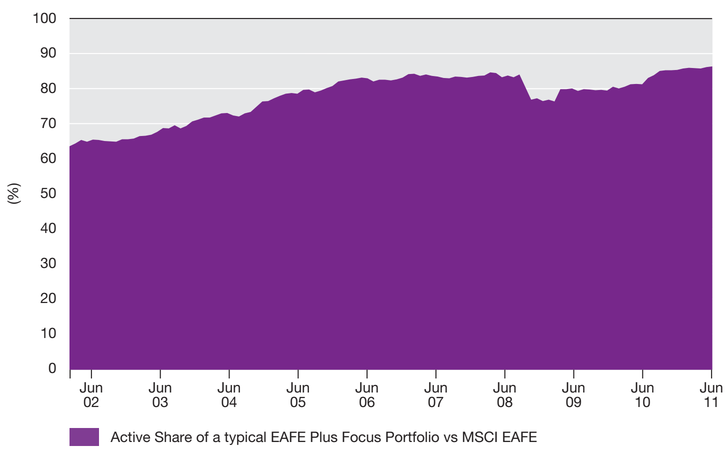
Overseas Institutional Clients Department
— 36 Investment Professionals

Regional Investment Teams

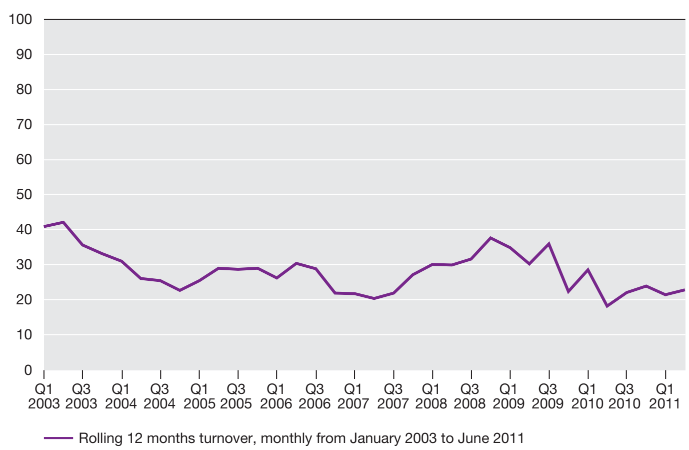
*Partner.

The Outcome – An Active, Long-Term Portfolio

Active Share† for a Typical EAFE Plus Focus Portfolio



Turnover for a Typical EAFE Plus Focus Portfolio



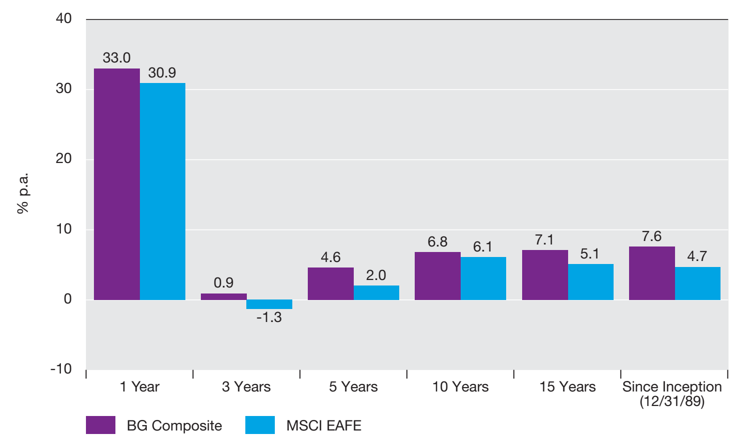
Source: Baillie Gifford & Co/APT.

†Active share is a measure of how actively managed a portfolio is. If a fund has no commonality with the benchmark then 'active share' will be 100%.

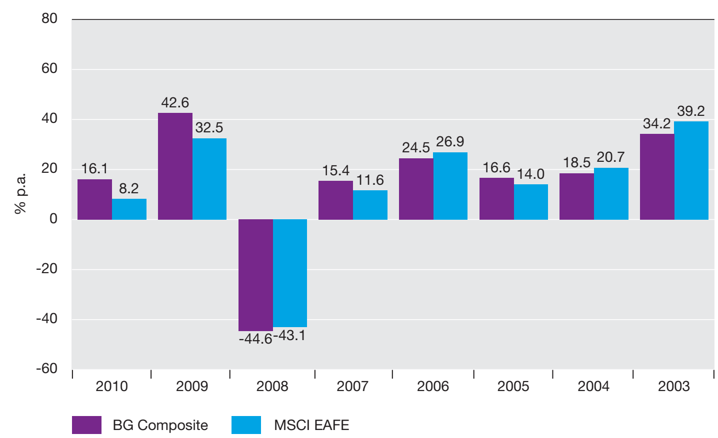
The majority of holdings will be included in the EAFE Index though off index positions are permitted. Active share is calculated by taking 100 minus the 'common money' (the % of the portfolio that overlaps with the index). For the calculation of 'common money', for each stock the smaller of either the portfolio or benchmark weight is taken, these numbers are then summed.

EAFE Plus Focus Performance

EAFE Plus Focus Composite Performance ($, Gross of fees)



Annualized periods ended June 30, 2011.



Annual periods ended December 31.

US dollars.
The EAFE Plus Focus strategy is more concentrated than the MSCI EAFE Index and permits investments in non index securities.
The returns presented above are gross of fees and reflect the reinvestment of dividends and interest. The results do not reflect the deduction of investment management fees; the client's return will be reduced by the management fees and any other expenses incurred in the management of its account. For example, a $55 million account, paying a 0.55% annual fee, with a given rate of 10% annualized over a 10-year period would result in a net-of-fee return of 9.45% p.a. This performance reflects the performance of clients of the advisor and other entities within the Baillie Gifford group. Fees are described in Part II of Form ADV which is available on request.

Client Service

Client Service staff dedicated to each client

— First point of contact for any queries

— Quarterly writtten report – commentary on portfolio changes, transaction listing, portfolio valuation

Dedicated Fund Accountant

— Monthly valuation

Client extranet

— On-line access to fund details and Baillie Gifford research

— Daily Fund valuation and archive of monthly quarterly reports

Conclusion

International Focus

- Bottom-up growth investing with a proven track record
- Long term perspective

Baillie Gifford

- Stable partnership gives experience and continuity for our clients
- Sole focus on investment excellence for our clients

Appendices

EAFE Plus Focus Portfolio: Opportunities Across Sectors

Financials	20.3
Svenska Handelsbanken	2.3
GBL	1.6
United Overseas Bank	1.5
UBS	1.3
Hargreaves Lansdown	1.2
Sumitomo Realty & Development	1.1
Standard Chartered	1.0
Jyske Bank	0.9
Investor	0.9
CF Alba	0.9
BOC Hong Kong	0.9
Hong Kong Exchanges & Clearing	0.8
DBS Group	0.8
Garanti Bankasi	0.8
MS&AD Insurance	0.7
China Merchants Bank	0.7
Itau Unibanco ADR	0.7
Intesa Sanpaolo	0.6
Hang Lung Properties	0.6
Banco Popular	0.6
Midland	0.5

Consumer Staples	14.2
Nestle	2.8
Carlsberg	1.7
Japan Tobacco	1.5
Kao	1.5
Asahi Breweries	1.2
Coca-Cola Enterprises	1.2
Imperial Tobacco	1.1
Unilever	1.0
Central European Distribution	0.8
Woolworths	0.8
Colruyt	0.7

Industrials	14.8
Atlas Copco	2.6
Schindler	1.5
Kone	1.4
Geberit	1.2
Scania	1.1
Intertek Group	1.1
SMC	1.0
Legrand	0.9
Brambles	0.9
THK	0.8
AP Moller Maersk	0.8
Hays	0.7
Deutsche Post	0.6
Mitsubishi Electric	0.2

Consumer Discretionary	14.6
ASOS	1.7
Rightmove	1.2
Adidas	1.0
Sankyo Gunma	1.0
Aristocrat Leisure	1.0
Clicks	1.0
Yamaha Motor	0.9
Mahindra & Mahindra GDR	0.9
Pearson	0.9
Namco Bandai	0.9
Rakuten	0.9
Fast Retailing	0.8
Billabong International	0.8
Reed Elsevier	0.7
Cafe De Coral	0.5
Esprit	0.4

Energy	9.7
Total	1.6
BG Group	1.3
Cairn Energy	1.3
Wood Group	1.2
Seadrill	1.1
KazMunaiGas Exploration GDR	0.9
INPEX	0.9
AMEC	0.8
Petrobras Pref ADR	0.6

Information Technology	9.3
Canon	1.5
TSMC ADR	1.0
Hitachi High-Technologies	0.9
Neopost	0.9
Rohm	0.8
Kyocera	0.8
Samsung Electronics Common GDR	0.7
Trend Micro	0.7
Hon Hai Precision GDR	0.7
Autonomy	0.6
Nokia	0.6

Materials	5.0
Johnson Matthey	1.5
Novozymes	1.2
BHP Billiton	1.0
Kazakhmys	0.8
Lonmin	0.5

Health Care	10.9
Roche	2.7
Olympus	1.6
Novo Nordisk	1.1
Mettler-Toledo	1.1
Cochlear	1.0
Celesio	0.9
bioMerieux	0.9
Qiagen	0.8
Protalix Biotherapeutics	0.8

Cash	1.3

Total	100.0

Representative portfolio, as of June 30, 2011.
Totals may not sum due to rounding.

EAFE Plus Focus Portfolio: Opportunities Across Regions

Developed Asia Pacific	30.2
Olympus	1.6
United Overseas Bank	1.5
Canon	1.5
Japan Tobacco	1.5
Kao	1.5
Asahi Breweries	1.2
Sumitomo Realty & Development	1.1
Aristocrat Leisure	1.0
Coachlear	1.0
Sankyo Gunma	1.0
SMC	1.0
BOC Hong Kong	0.9
Brambles	0.9
Yamaha Motor	0.9
INPEX	0.9
Hitachi Hight Technologies	0.9
Namco Bandai	0.9
Rakuten	0.9
Hong Kong Exchanges & Clearing	0.8
Billabong International	0.8
DBS Group	0.8
Woolworths	0.8
Rohm	0.8
Fast Retailing	0.8
THK	0.8
Kyocera	0.8
MS&AD Insurance	0.7
Trend Micro	0.7
Hang Lung Properties	0.6
Cafe de Coral	0.5
Midland	0.5
Esprit Holdings	0.4
Mitsubishi Electric	0.2

Europe (ex UK)	40.3
Nestle	2.8
Roche	2.7
Atlas Copco	2.6
Svenska Handelsbanken	2.3
Carlsberg	1.7
GBL	1.6
Total	1.6
Schindler	1.5
Kone	1.4
UBS	1.3
Novozymes	1.2
Geberit	1.2
Coca Cola Enterprises	1.2
Scania	1.1
Novo Nordisk	1.1
Mettler Toledo	1.1
Seadrill	1.1
Adidas	1.0
Legrand	0.9
Celesio	0.9
Jyske Bank	0.9
bioMerieux	0.9
Neopost	0.9
Investor	0.9
CF Alba	0.9
Qiagen	0.8
AP Moller Maersk	0.8
Protalix Biotherapeutics	0.8
Colruyt	0.7
Intesa SanPaolo	0.6
Nokia	0.6
Deutsche Post	0.6
Banco Popular	0.6

UK	19.6
ASOS	1.7
Johnson Matthey	1.5
BG Group	1.3
Cairn Energy	1.3
Rightmove	1.2
Wood Group	1.2
Hargreaves Lansdown	1.2
Intertek Group	1.1
Imperial Tobacco	1.1
Unilever	1.0
Standard Chartered	1.0
BHP Billiton	1.0
Pearson	0.9
AMEC	0.8
Kazakhmys	0.8
Reed Elsevier	0.7
Hays	0.7
Autonomy	0.6
Lonmin	0.5

Emerging Markets	8.7
Clicks	1.0
TSMC ADR	1.0
KazMunaiGas Exploration GDR	0.9
Mahindra & Mahindra GDR	0.9
Central European Distribution	0.8
Garanti Bankasi ADR	0.8
China Merchants Bank	0.7
Hon Hai Precision GDR	0.7
Itau Unibanco ADR	0.7
Samsung Electronics Common GDR	0.7
Petrobras Pref ADR	0.6
Cash	1.3
Total	100.0

Representative portfolio, as of June 30, 2011.
Totals may not sum due to rounding.

EAFE Plus Focus Portfolio: Opportunities Across the Market Cap Spectrum

Market Cap Percentiles (market cap range)	Developed Asia inc Japan	Emerging Markets	Europe	UK	Total % (Index) %
91-100 (> $122bn)			Total Nestle		4.4 (10.5)
81-90 ($87bn-$118bn)		Samsung Electronics Common GDR	Roche		3.4 (9.7)
71-80 ($56bn-$87bn)		Petrobras Pref ADR TSMC ADR	UBS	BHP Billiton BG Group Standard Chartered	6.2 (10.1)
61-70 ($41bn -$56bn)	Canon	Itau Unibanco ADR	Novo Nordisk	Unilever	4.3 (9.7)
51-60 ($29bn -$41bn)	Woolworths	Hon Hai Precision GDR		Imperial Tobacco	2.6 (10.1)
41-50 ($19bn-$29bn)	DBS Group Hong Kong Exchanges & Clearing Mitsubishi Electric United Overseas Bank		Nokia Intesa Sanpaolo		4.5 (10.0)
31-40 ($12bn -$19bn)	INPEX Japan Tobacco Kao MS&AD Insurance Kyocera	Garanti Bankasi ADR	Deutsche Post Svenska Handelsbanken Adidas	Pearson	10.9 (10.0)
21-30 ($8bn-$12bn)	SMC Fast Retailing BOC Hong Kong Sumitomo Realty & Development Hang Lung Properties Brambles	Mahindra & Mahindra GDR China Merchants Bank	Coca-Cola Enterprises Investor Carlsberg Kone Geberit Seadrill Legrand Atlas Copco AP Moller Maersk	Cairn Energy Reed Elsevier	20.5 (9.9)
11-20 ($4bn-$8bn)	Yamaha Motor Olympus Rakuten Rohm Asahi Breweries		GBL Novozymes Mettler Toledo Schindler Banco Popular Scania	Johnson Matthey Autonomy Kazakhmys AMEC Intertek Group	17.4 (10.0)
1-10 (<$4bn)	Hitachi High-Technologies Trend Micro Esprit Holdings Aristocrat Leisure Midland THK Namco Bandai Cochlear Billabong International Sankyo Gunma Cafe de Coral	Clicks Central European Distribution KazMunaiGas Exploration GDR	Celesio Qiagen CF Alba Neopost Jyske Bank Colruyt Protalix Biotherapeutics bioMerieux	Hays Wood Group Lonmin ASOS Rightmove Hargreaves Lansdown	24.6 (10.0)

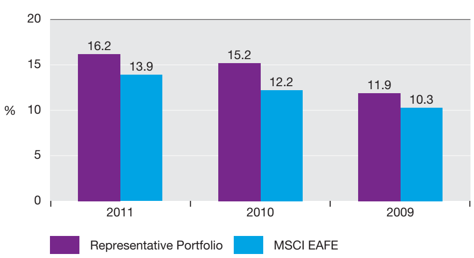
Representative portfolio, as of June 30, 2011, excludes cash.

Driven by our bottom-up approach

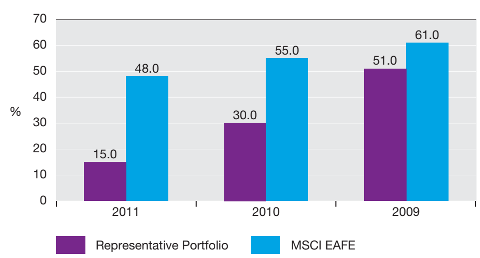
Portfolio Characteristics: EAFE Plus Focus

Consistent over time

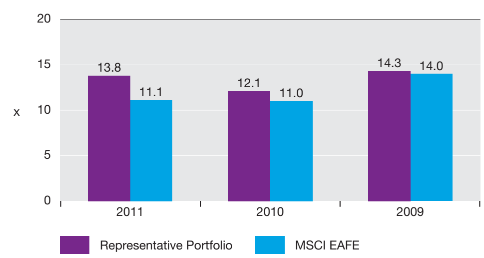
Return on Equity*



Debt/Equity Ratio



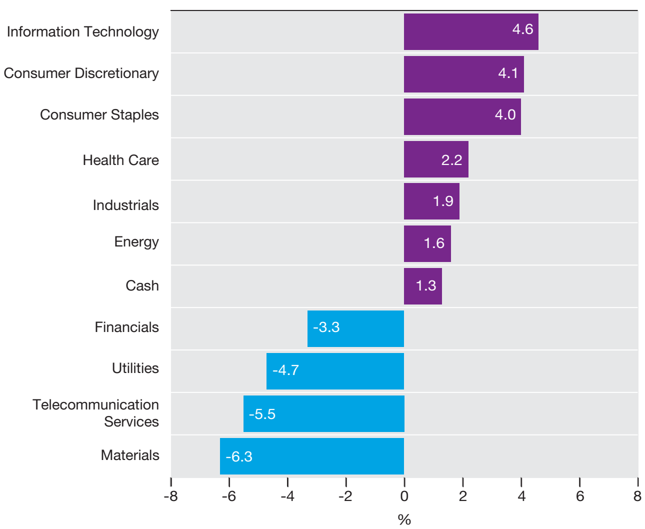
Price/Earnings*



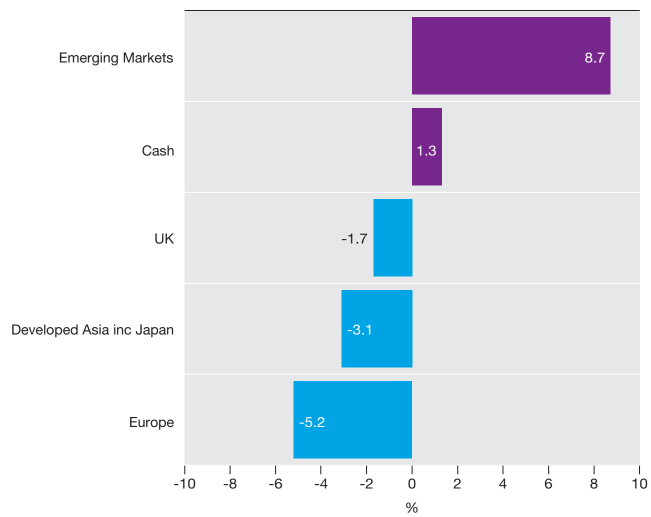
Source: UBS, US dollars, June 30. Representative EAFE Plus Focus portfolios.
*12 month forward estimate.

The Outcome

EAFE Plus Focus vs MSCI EAFE



EAFE Plus Focus Regional Positions



Based on a representative portfolio, as of June 30, 2011.

These exposures are driven by our bottom-up approach

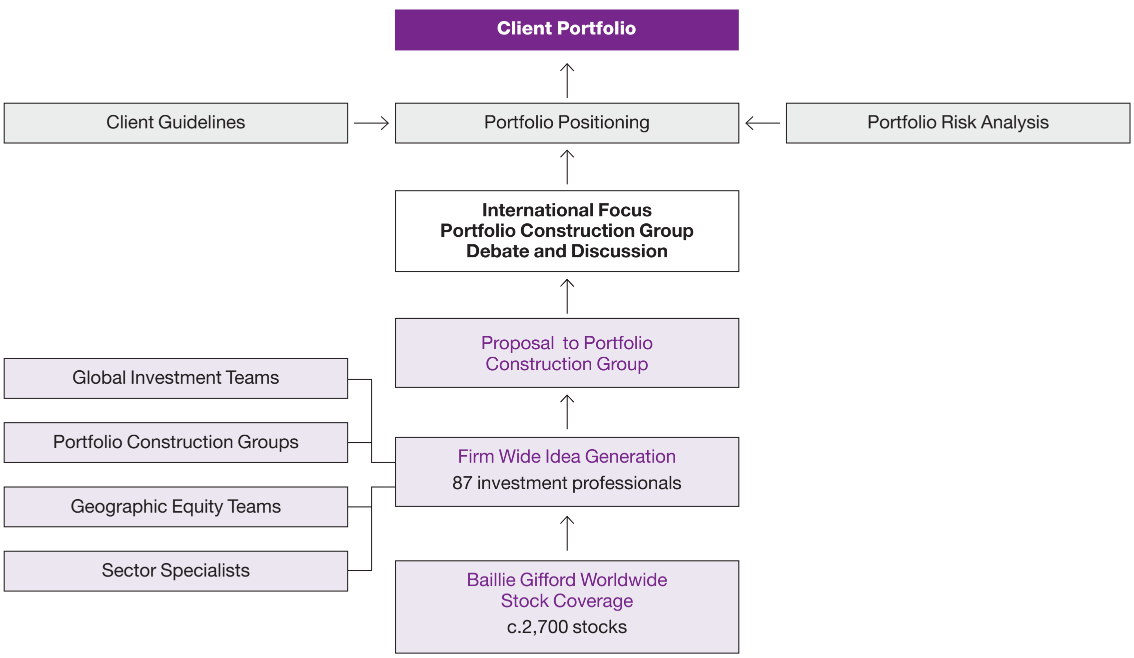
We regularly review our positions and question the implications for the portfolio

EAFE Focus Strategy Guidelines

Number of holdings (indicative range)	80–120
Tracking error (indicative range)	2–5%
Investment horizon	3–5 years
Typical position guidelines relative to benchmark	
Countries and sectors	+/-6%
Industries	+/-5%
Stocks	+/-4%
Benchmark	
MSCI EAFE	
Assets	
EAFE Plus – $3.2bn for 12 clients	
Annual turnover of a typical EAFE Plus Focus portfolio	25%

US dollars, as of June 30, 2011.

Bringing Ideas into the Portfolio



Trading

Strict division of duties

Centralized Trading Department
- 9 traders for equities and fixed interest
- Head of Department, Robert Blaikie, is a partner with 30 years' experience

Comprehensive broker list
- Approval procedure

Efficiency
- In-house monitoring
- External analysis carried out by Elkins McSherry

International Focus PCG Biographies

Gerard Callahan

Partner

Gerard graduated BA in Politics, Philosophy and Economics from Oxford University. He joined Baillie Gifford in 1991 and became a Partner in 2000. Gerard became Head of our UK Investment Team in 2007.

Paul Faulkner

Paul graduated with a BSc in Geology from Edinburgh University, a MSc in Petroleum Geo-science from Imperial College, and a PhD in Geology/Geophysics from Cambridge University. Paul who is a CFA Charterholder, joined Baillie Gifford in 2000 and is an Investment Manager in the European Investment Team.

Iain Campbell

Iain graduated from Oxford University with a BA in Modern History in 2000. He worked for Goldman Sachs and travelled in Asia, before joining Baillie Gifford in 2004. Iain is currently an Investment Manager in the Developed Asia inc Japan Investment Team.

Joe Faraday

Joe graduated with an MEng in Chemical Engineering in 2002 from Cambridge University following an engineering scholarship with the Smallpiece Trust in his gap year. He joined Baillie Gifford's graduate scheme in September 2002 and is an Investment Manager in the Emerging Markets Investment Team.

Anne-Marie Gillon

Anne-Marie graduated BSc in Mathematics and Economics in 1994 and is a CFA Charterholder. She joined Baillie Gifford in 1997 and is a Client Service Director in the Institutional Clients Department with responsibility for UK and North American clients.

Chris Huckle

Chris, who is a CFA charterholder, graduated MA in Psychology from Edinburgh University in 1992, MSc in Neural Computation, University of Stirling in 1993 and PhD in Cognitive Science, University of Edinburgh in 1996. Chris is a Chartered Accountant and joined Baillie Gifford in 2000, he is a Client Service Director and has responsibility for North American clients.

Laurence Linklater

Laurence graduated BSc in Physics & Theoretical Physics from the University of St Andrews in 1990. He spent 12 years working with the Allianz Dresdner/Dresdner RCM/Kleinwort Benson group where he was Co-Chief Investment Officer of Balanced Products in 2001-2 and Head of UK and European Fixed Income in 1998-2001. Laurence then worked for T Rowe Price where he was a Senior Global Fixed Income Manager before joining Baillie Gifford in 2005. Laurence is a Client Service Director in our Institutional Clients Department.

G·I·P·S
Global Investment Performance Standards

Performance Results

Composite	EAFE Plus Focus
Benchmark	MSCI EAFE
Currency	US$
Period Ended	31 December 2010

For GIPS® purposes, we have defined the Firm as all those actual fee paying accounts within Baillie Gifford & Co and all of its wholly or jointly owned affiliates, including Baillie Gifford Overseas Ltd, Baillie Gifford Life Ltd, Baillie Gifford & Co. Ltd, Baillie Gifford Savings Management Ltd, Guardian Baillie Gifford Ltd and Mitsubishi UFJ Baillie Gifford Asset Management Ltd.

Notes

1. Baillie Gifford claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Baillie Gifford has been independently verified for the periods 1 January 1994 to 31 December 2010. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The EAFE Plus Focus composite has been examined for the periods 1 January 2003 to 31 December 2010. The verification and performance examination reports are available on request.
2. The composite is defined as: All portfolios with an International (non-US) mandate benchmarked to the MSCI Europe, Australasia, and Far East (EAFE) index with an objective to equal or outperform that index, taking appropriate risk to do so. Portfolios will be less concentrated in their nature than EAFE Plus Alpha composite members. No significant restraints with respect to investment in Emerging Markets.
3. The composite dispersion of annual returns is indicated by the performance of individual accounts representing the highest and lowest returns. Dispersion of returns is calculated for portfolios included in the composite for the full year. Where the composite contains less than five funds at year end no dispersion figure is provided.
4. Additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations is available on request.
5. Gross of fees performance returns are presented before management and custodial fees but after all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable. Net-of-fees performance returns are calculated by deducting the highest fee of 0.60% from the annual or annualised composite return. The management fee schedule is as follows: 0.60% on the first US$25m; 0.50% on the next US$75m; 0.40% on the next US$300m; 0.30% thereafter. This may not necessarily represent the actual fee charged.
6. The name of this composite was previously EAFE Plus Standard.
7. This composite was created on 05 February 2004. A complete list and description of the firm's composites and performance results is available on request.
8. Currency hedging may have been used in some of the portfolios in the composite. This occurs when it is felt that a currency is significantly over or undervalued, to protect the underlying assets in that currency.

GIPS
Global Investment Performance Standards

Annual Performance Results to December 2010

Composite EAFE Plus Focus

Benchmark MSCI EAFE

Currency US$

Year End	Composite Return Gross of Fees %	Benchmark Return %	No of Funds	Composite Dispersion % (High –Low)	Composite Total Assets at End of Period US$ m	% of Firm Assets
2010	16.0	8.2	5	0.4	915.1	0.8
2009	42.6	32.5	5	2.2	951.2	1.1
2008	-44.6	-43.1	7	2.8	840.4	1.4
2007	15.4	11.6	9	1.7	1,740.2	1.6
2006	24.5	26.9	8	1.5	1,635.2	1.8
2005	16.6	14.0	7	0.9	890.6	1.3
2004	18.5	20.7	12	1.7	2,202.9	3.8
2003	34.2	39.2	11	3.4	1,682.4	3.6
2002	-17.2	-15.7	13	3.5	1,417.9	4.9
2001	-19.1	-21.2	13	1.5	1,740.8	6.1

Risk Results to December 2010

Year End	Composite 3 Yr St Dev (% p.a.)	Benchmark 3 Yr St Dev (% p.a.)	Tracking Error 3 Yr St Dev (% p.a.)
2010	27.7	26.3	4.3
2009	25.2	23.7	4.2

Supplementary Information: Annualised Performance Results to June 2011

	Composite Gross of Fees % p.a.	Benchmark % p.a.
1 Year	33.0	30.9
3 Years	0.9	-1.3
5 Years	4.6	2.0
10 Years	6.8	6.1
15 Years	7.1	5.1
20 Years	7.9	6.4
Since Inception (31/12/89)	7.6	4.7

* These returns are supplemental to the composite presentation and are not verified by an independent third party.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 6.2 b

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: International Large Cap Growth Manager Interview: Franklin Templeton – Non-US Equity

COMMENT: The manager presentation booklet that goes with this agenda item was distributed in the first mailing.

Below are the presenters:

9:45 a.m. Interview Franklin Templeton – Non-US Equity

John P. Remmert - Senior Portfolio Manager
Thomas J. Dickson - Senior Vice President

The following is an overview of the firm and the product

General Firm Information

Firm Legal Name: Franklin Resources, Inc.
Firm Headquarters: One Franklin Parkway
San Mateo, California 94403
United States
Year Firm Founded: 1947
Registered Investment Advisor: Yes
Firm Website Address: www.franklintempleton.com

Firm Background

Having established a global footprint well in advance of the competition, Franklin Templeton is uniquely positioned to distribute its investment expertise to clients worldwide. Headquartered in San Mateo, California, the firm is a leader in global investing, offering investment products and services in over 170 countries, with offices in over 30 countries. Their strong global platform and rapidly expanding distribution channels are supported by on-the-ground research capabilities and innovative technology.

Franklin Resources, Inc., operating as Franklin Templeton Investments, was founded in New York in 1947 and moved to San Mateo, California in 1973, and consists of the following independent investment management groups:

- Franklin Equity Group (formerly Franklin Global Advisors)
- Templeton
- Franklin Templeton Real Asset Advisors
- Franklin Templeton Fixed Income
- Mutual Series
- Darby Investments

Each of these investment platforms maintains its own process and approach to investment under its own brand, while maintaining its individual style and specialties. This enables Franklin Templeton Investments to offer one of the most comprehensive product lines in the world.

Franklin Equity Group (Formerly the Franklin Global Advisors) combines the equity expertise of Franklin and Fiduciary. Franklin was founded in New York in 1947, and moved its offices to California in 1973, following the acquisition of Winfield & Company, a San Mateo-based investment firm. Fiduciary was founded in New York in 1931, and was acquired by Franklin in 2001.

In January 2007 Fiduciary's institutional equity research and portfolio management teams were combined with those of Franklin to create Franklin Global Advisers. In 2010, Franklin Global Advisers and Franklin Advisory Services were combined under the umbrella name, Franklin Equity Group. The Franklin Equity Group is led by Ed Jamieson and Bill Lippman and encompasses five expert portfolio teams each with its own distinctive style and mandate.

Templeton traces its origins to 1940, and launched the Templeton Growth Fund, the first to utilize John Templeton’s research-intensive investment approach, in 1954. In 1979 the firm began to manage private and institutional accounts building upon the same approach. Franklin completed the acquisition of Templeton in October 1992.

Franklin Templeton Real Asset Advisors was formerly the Fiduciary Global Real Estate Group, and was re-branded in January 2007. The group has been investing in listed and unlisted real estate globally since 1984.

Franklin Templeton Fixed Income Group was officially formed in January 2006, by integrating the fixed income teams of Franklin and Fiduciary. The teams had operated a shared credit research platform since 2003, leveraging their complementary strengths.

Darby is a leading provider of private equity and mezzanine capital in emerging markets, was founded in 1994 by former U.S. Treasury Secretary Nicholas F. Brady, and was acquired by Franklin Templeton in October 2003.

Mutual Series was established in 1949, and has a deep value investment approach. Franklin Templeton merged with Heine Securities, the investment adviser to Mutual Series, in November 1996.
Franklin Resources, Inc. (operating worldwide as Franklin Templeton Investments) is one of the largest publicly-traded investment management companies in the world, with offices in over 30 countries and 8,458 staff globally. The company is listed on the New York Stock Exchange under the ticker BEN, and is a constituent of the S&P 500 Index.

The shares of the Franklin Resources, Inc. common stock were owned by over 700 institutional investors as well as employees and other private investors. Directors and officers owned approximately 35% of the outstanding shares.

In addition, management-level employees, as well as all portfolio managers and analysts, receive a portion of their annual compensation in Franklin Resources, Inc. stock as part of the company's long-term incentive plan.

Joint Ventures

Franklin Resources, Inc. is the holding company for various subsidiaries that form the global investment management organization known as Franklin Templeton Investments. It is comprised of the following six distinct investment management platforms:

- Franklin Equity Group (formerly Franklin Global Advisers)
- Templeton
- Franklin Templeton Real Asset Advisors
- Franklin Templeton Fixed Income
- Mutual Series
- Darby Investments

Each of these investment platforms maintains its own process and approach to investment under its own brand, while maintaining its individual style and specialties. This enables Franklin Templeton Investments to offer one of the most comprehensive product lines in the world.

Franklin Templeton Investments currently has joint ventures with partners in Brazil, Cayman Islands, Asia, China, Vietnam, India, Taiwan, Bahamas, Hong Kong and the USA.

Prior or Pending Litigation

Explanation of Litigation

From time to time Franklin Resources, Inc. and certain of its subsidiaries may receive requests for documents or other information from governmental authorities or regulatory bodies or also may become the subject of governmental or regulatory examinations or investigations. Material findings of any such examinations or investigations of Franklin’s investment advisers that are registered with the U.S. Securities and Exchange Commission (SEC) will be reported, to the extent required by law, on the particular adviser’s Form ADV.

Since June 2006, Franklin Templeton Investments (Franklin) has been a voluntary participant in a U.S. Securities and Exchange Commission (SEC) pilot program for oversight of large investment advisers, known as the “Monitoring Team Program” or “Program”. The Program was designed to determine if the SEC could leverage firms’ strong compliance cultures, effective compliance programs and capable chief compliance officers, in its regulatory oversight. Firms participating in the Program have been assigned a core team of examiners who monitor all investment management operations of the firm and its affiliates. The initial portion of the program was generally referred to as

"Phase I". Phase I consisted of routine SEC examination of Franklin's investment advisory activities, including investment management, fund administration, distribution and transfer agency.

As the Monitoring Team substantiated that Franklin maintained an effective compliance program, the Program evolved to where the Monitoring Team places greater reliance on Franklin's internal compliance program and less on standard SEC examination routines. This aspect of the pilot program is generally referred to as "Phase II". Since April 2008, Franklin has been participating in Phase II of the Program.

Phase II has generally consisted of periodic discussions with the Monitoring Team with occasional on site meetings to discuss the continued effectiveness of Franklin's compliance controls, monitoring activities and policies and procedures. In view of these periodic discussions, the Monitoring Team does not send examination comment letters to Franklin, unless it deems it warranted. No such letters have been received since Franklin joined the Program in 2006.

Although there have been a number of changes at the SEC in recent years, Franklin believes that in the near term it will continue to participate in the Program.

Research & Screening Process

Templeton's investment approach is rooted in original fundamental research and characterized by an unconstrained search for long-term value. They seek to identify the most compelling opportunities globally through the following steps:

1. Identify Potential Bargains

The investment team narrows down a global universe of more than 10,000 stocks to 1,000 investment ideas. Quantitative screening, qualitative assessment, and the deep experience of their analysts determine the group of securities that merits closer analysis. This process is ongoing, as analysts continually monitor their industries for investment ideas.

2. In-Depth Fundamental Analysis

Through in-depth research, the investment team narrows down 1,000 potential investment ideas to a group of Bargain List candidates. These are stocks trading at a substantial discount to the analysts' estimate of their intrinsic value.

Analysts examine a company's financial statements and evaluate its competitive position, management quality, and commitment to generating shareholder value. Typically, they conduct 1,500-2,000 research visits annually, including meetings with company management, competitors, suppliers and customers.

Analysts utilize normalized earnings to capture a company's prospects over a five-year period. They formulate a detailed assessment of trends and analyze cash flow and asset value potential.

They examine a company's fair value based on projected future earnings and evaluate it relative to the current stock price.

3. Research Team Evaluation

All team members participate in twice-weekly research meetings, at which analysts present their stock recommendations. A Devil's Advocate takes the lead in questioning each idea, which is then subject to scrutiny by the entire team. Stocks are added to the Bargain List with the approval of the Director of Research, once the recommendation has passed the group's scrutiny. As they increase in valuation, stocks may be moved to the Core List or Source of Funds List.

Analysts are aligned by global industry, and some also have secondary country coverage. Portfolio managers assume research coverage responsibilities. Every member of the team participates in ongoing formal and informal discussions and contributes critical feedback and ideas.

4. Construct Portfolio

They build portfolios from the bottom up, on a stock-by-stock basis. Country and industry allocations are a residual of this process. Portfolio managers have discretion in selecting stocks but act within a disciplined, structured framework designed to ensure consistency and diversification for all clients.

5. Portfolio and Risk Management

Templeton actively manages client portfolios through a team commitment to fundamental research and risk management. Several internal groups support the team's risk management efforts.

Portfolio Construction & Risk Control Methodology

Templeton believes that the best investment decisions draw on the collective knowledge of the entire research team. Original research is the foundation of their approach, and the portfolio construction process leverages the insights of all their portfolio manager/analysts within a disciplined framework.

Bottom-up Stock Selection Drives the Process

All Templeton portfolios are built from the bottom up, on a stock-by-stock basis, with a consistent focus on long-term valuations. Every portfolio benefits from the expertise and input of the entire investment team, whose members work collaboratively to populate the approved stock lists with compelling investment ideas.

New portfolios are constructed from a combination of Bargain List stocks (securities that are undervalued relative to their long-term prospects) and Core List stocks (securities that are still attractively valued but above Bargain List levels). New portfolios never contain Source of Funds stocks since these are the securities that have reached fair or full valuation and are in the process of being sold out of portfolios. Established portfolios primarily hold stocks from the Bargain and Core Lists, with transitional holdings from the Source of Funds List.

As Templeton is concerned first and foremost with the pursuit of compelling valuations, they do not construct portfolios to match the characteristics of any specific benchmark. As a result, country and industry allocations are a result of their bottom-up stock selection process.

A Disciplined Framework Ensures Consistency & Diversification

While every client receives a portfolio that reflects the best thinking of the Templeton Global Equity Group, they are also diligent in their efforts to meet individual client requirements. When constructing portfolios, portfolio managers first consider client guidelines and restrictions. They have discretion when selecting stocks, but must do so within a disciplined, structured framework of controls designed to ensure consistency and diversification for all clients.

Portfolio managers must work within sector ranges, which are based on ongoing fundamental bottom-up research. These dynamic ranges reflect where the analysts are currently finding value (on an individual stock basis) and where the portfolios are currently invested. Bottom-up research drives the direction of Templeton portfolios, and as analysts increasingly find attractive stocks within a particular sector, the range for that sector is increased. Sector ranges have no relation to the benchmark index and are established by the Chief Investment Officer and Director of Portfolio Management after consultation with the analysts. The ranges ensure that portfolios are both consistent and broadly diversified and result in similar sector weightings across all Templeton portfolios.

Team input and collaboration are integral to the portfolio construction process. Portfolio managers seek to build portfolios that are consistent with other Templeton portfolios in reflecting the firm's best thinking. When constructing new portfolios, they often leverage the team's best ideas by using current portfolios with similar mandates as a starting point. This is a natural result of their collaborative research process, which draws on the experience and knowledge of the portfolio managers and analysts for all potential investment ideas. Once stocks are selected, a list of current holdings is circulated to the entire investment team for input to ensure that they reflect the most compelling ideas. This is part of an active peer review process that starts at the very inception of the portfolio and continues throughout its lifespan.

Working within client guidelines and sector ranges, portfolio managers use their expertise to build and diversify the portfolio with stocks from Templeton's Global Research Database. They can only select stocks from its approved stock lists, which ensures that all portfolio holdings have been thoroughly vetted by the entire research team.

This process results in diversified Templeton portfolios that combine the appreciation potential of their best ideas with the risk benefits of diversification. Typical portfolio characteristics include:

• 5-Year Investment Horizon
• 20% Historical Turnover
• Approximately 100 Companies
• 3% Maximum Position Size
• Sector and Geographic Diversification
• Unhedged Currency Exposure
• Fully Invested
• All Capitalization

Portfolio Monitoring and Risk Management

After initial construction, Templeton actively manages client portfolios to ensure they continually reflect the best thinking. This is accomplished through a team commitment to ongoing fundamental research and risk management. Several internal groups work closely with the portfolio managers to monitor portfolios and manage risk. Their strong input and support are critical to the portfolio management process.

Portfolio Management

Portfolio managers leverage the expertise of the entire research team, which conducts ongoing intensive research to closely scrutinize companies and keep recommendations and forecasts updated. With the support of the team, portfolio managers continually monitor valuations and portfolio diversification to determine if greater value exists in another stock idea or whether recent cash flows or stock price appreciation are impacting the portfolio.

Director of Portfolio Management

The Director of Portfolio Management coordinates the global portfolio management activities of the Global Equity Group, oversees the Weekly Peer Review process, and works closely with the Portfolio Analysis and Investment Risk Group to improve risk management efforts. In conjunction with the Chief Investment Officer (and in close consultation with research analysts), the Director of Portfolio Management also establishes sector ranges and works with portfolio managers to ensure that portfolios remain in line with the rest of the team.

Weekly Peer Reviews

All members of the investment team participate in Weekly Peer Reviews, which are led by the Director of Portfolio Management and also attended by other groups. At these meetings, portfolios are reviewed at the security, sector and regional levels. This rigorous process, which includes risk analysis, is intended to ensure that every client portfolio reflects the expertise of the entire investment team.

Global Portfolio Compliance Group

The Global Portfolio Compliance Group monitors adherence to investment restrictions and guidelines. An automated process provides for pre- and post-trade compliance. To maximize efficiency, compliance officers are often physically located on the trading desks to review and approve trades and ensure compliance prior to trade execution. Additionally, the Portfolio Compliance Group performs front- and back-end compliance monitoring activities to detect investment restriction breaches.

Portfolio Analysis and Investment Risk Group (PAIR)

Risk is analyzed by PAIR, which regularly examines portfolios relative to their composite and benchmark using sector range reports as well as detailed risk analytics. All risk reports are provided to the portfolio managers and analysts and discussed at Weekly Peer Reviews.

Buy/Sell Discipline

Buy Discipline

Templeton is first and foremost a research-driven investment manager, and their buy discipline is based on careful determination of a stock's intrinsic value relative to other opportunities in its sector. While they adhere to strict and well-defined valuation criteria across all stocks, their analysts, who are industry specialists, use varying approaches and tools for finding value in different sectors.
The objective is to uncover undervaluation: companies that are trading at a substantial discount relative to what their research indicates them to be worth. Investing in this market mispricing allows us to purchase companies at prices lower than what they believe to be their intrinsic value.

All stock purchase recommendations undergo intense team scrutiny at twice-weekly formal research meetings. If the recommendation passes the Global Equity Group's scrutiny, and the Director of Research determines that the analysis has met Templeton standards, the stock is approved for the Bargain List. The list is comprised of companies that the analysts have determined are mispriced by the market and most undervalued relative to their business prospects based upon five-year normalized earnings and/or cash flow forecasts. Each stock on the list has an established valuation target that is set by the analyst responsible for recommending the security.

Sell Discipline

Templeton adheres to a strict sell discipline based on the valuation thresholds mentioned above.

Stocks are placed on the Source of Funds List and sold if:

• The current security price exceeds the estimation of full value
• Significantly greater value exists in another similar security
• A fundamental change occurs at a company to alter the forecasts

All holdings are regularly reviewed to ensure that analyst recommendations are up-to-date and accurately reflect any changes in company fundamentals. In this way, their ongoing fundamental research drives all buy and sell decisions.

Trading Strategy

Franklin Templeton has a global paperless trading desk and a global proprietary Order Management System (OMS). Portfolio managers from any office in the world can input orders into the system, which will then run through the compliance check and automatically be routed to the proper trading desk. All orders must pass a verification screen, which adds an additional layer of checks and a front-end compliance. If the order fails to pass any of the necessary criteria, a stop or warning will be issued with the severity depending on the seriousness of the violation. Some violations cannot be overridden while others require a password and second signature. All records are kept online and an audit trail for overrides and second signature tracking is in place.

The new orders become active as soon as they reach a trader's Order Management screen and are accepted by a specific trader. Although all traders can view all orders, an algorithm routes an order to a specific trader. Orders are placed with a broker either electronically via FIX (Financial Information Exchange) or manually by phone. If the order is sent via FIX then all executions will electronically flow back into the system; otherwise, the trader will manually input executions as they occur.

Brokers send indications of interest (IOIs) messages to the Trading department, which are used to monitor and react to natural contra-side liquidity in open orders on the trade blotter. Additionally, the trade blotter shows all executions, average prices, order balances, and real time market data, which enables traders to monitor trade performance and other metrics.

The Order Management System is seamless and transparent around the world, allowing any trader to trade any order, if necessary. This will typically occur in stocks that trade in multiple time zones or if there is a disaster recovery-type situation.

Best Execution Policy and Procedures

Best execution is a term that describes Franklin Templeton's process of attempting to secure the best combination of price and intermediary value given their strategies and objectives from the inception to the completion of the order.

Each of the investment advisors within Franklin Templeton Investments (FTI) that are registered with the U.S. Securities and Exchange Commission under the Investment Advisors Act of 1940 (Advisors), adopt this Statement of Best Execution Procedures (Statement) in order to ensure:

- Execution services meet the quality standards established by the trading team and are consistent with policies established by FTI.
- The broadest flexibility in determining brokers who will provide best execution.
- Continual evaluation of the execution capabilities of, and the quality of execution services received from, brokers effecting portfolio transactions for the clients of each of the Advisers.
- The identification and resolution of potential conflicts of interest.

Broker Review Methodology

Twice per year, the trading team for each trade location determines which brokers have provided the best combination of high quality execution and low relative commission rates with the view towards maximizing value for the Advisor's clients. Each trading team will evaluate and rank each broker on up to seven criteria in order to determine those who have delivered the best overall trading service. A Broker Evaluation's form, which may be revised from time to time, will be used for this purpose. An average of each team's rankings will then be used to determine the broker's appropriate rank on each trading desk's broker universe. Each Advisor will report their rankings to FTI's Global Trading Oversight Committee.

Traders' Responsibilities

It is the responsibility of the traders to determine which broker(s) within the universe of qualified brokers will provide the best execution for any particular transaction. There are many potentially relevant circumstances to consider in making broker selections. Moreover, since circumstances vary from trade to trade, there is no single rule that can be strictly applied to guide the trader to choose a particular broker for each and every trade.

The trader's instincts, knowledge and experience must be considered and will generally override any predetermined notion for choice of brokers. For example, the broker able to provide the best execution on a particular trade might not be in the qualified broker universe, thus the trader must have the freedom to use brokers outside the universe on a documented exception basis.

Another example is when the broker selected charges a commission that is higher than what other brokers might charge for the same trade. The commission rate is only one factor that the trader needs to consider in evaluating which broker can provide best overall execution for a particular trade and a higher commission may be outweighed by other considerations relevant to the quality of the execution received.

When the trader believes more than one broker is capable of providing best execution, the trader may consider secondary factors not relevant to execution capabilities in making a trade allocation decision. Such additional factors may include feedback received from portfolio managers regarding value added by brokers in the form of research and statistical services. When secondary factors influence the decision to use a particular broker, the trader must document the reason for selecting the broker in accordance with FTI's Guidelines.

Execution Considerations

There are many factors that should be considered in choosing a broker to execute a trade. The following are some, but by no means all of the factors that may be relevant to the trader's determination of which broker can provide best execution for a particular trade:

- Market impact cost/willingness of a broker to work an order
- Order size/liquidity considerations
- Willingness to commit capital
- Ability to get best price
- Knowledge of and access to natural contra side
- Commission rate
- Timeliness and quality of looks and reports on markets
- Ability to handle certain trading styles or strategies
- Knowledge of and access to potential market participants
- Block trading and arbitrage capabilities
- Specialized expertise
- Consistency
- Promptness of execution and FIX connectivity
- Responsiveness
- Back office capabilities/quality of confirmations and account statements
- Sophistication of trading facilities
- Ability and willingness to correct errors
- Confidentiality
- Trustworthiness/reputation
- Experience/past execution history
- Financial condition of broker

Soft Dollar Policy

Templeton Investment Counsel LLC has a written policy regarding the use of client commissions. When appropriate under its discretionary authority and consistent with its duty to obtain best execution, Templeton Investment Counsel LLC may direct brokerage transactions for client accounts to broker-dealers who provide the adviser with research and brokerage products and services.

In determining whether to use client commissions to obtain a product or service, Templeton Investment Counsel LLC will apply the following three-step analysis:

1. Verify that the service or product is eligible for research or brokerage under the specific statutory limits of Section 28(e) in The Securities Exchange Act of 1934.
2. Determine that the service or product provides lawful and appropriate assistance to the manager in carrying out its investment decision making responsibilities.
3. Determine, in good faith, that the amount of the client commissions paid to the broker is reasonable in light of the value of the products and services provided by the broker-dealer.

Derivatives Used in Managing This Product: No

SEPTEMBER 27, 2011

San Mateo County Employees Retirement Association

John P. Remmert
Senior Portfolio Manager
Franklin Equity Group.

Thomas J. Dickson
Senior Vice President
Franklin Templeton Institutional
650.312.3203
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Data as of June 30, 2011

FRANKLIN TEMPLETON
INSTITUTIONAL

Table of Contents

This presentation is intended only as a general overview of the Franklin Non-U.S. Equity strategy and is for informational purposes only and should not be construed or relied upon as investment advice. It has been provided to the recipient for use in a private and confidential meeting to discuss a potential or existing investment advisory relationship and may not be reproduced or used for any other purpose. It is intended only for institutional investment consultants or institutional investors. It is not meant for the general public. Information provided in this presentation is as of the date of this presentation, unless otherwise indicated. Effective June 30, 2007 the Franklin International Large Cap Equity strategy has been renamed Franklin Non-U.S. Equity strategy.

Investment Platform Overview

FRANKLIN TEMPLETON INVESTMENTS
Total Combined Assets Under Management (AUM) : US$734.2 Billion

Institutional AUM : US$182.2 Billion
Single Business Development, Relationship Management, and Consultant Relations Platform

	EQUITY				FIXED INCOME	SPECIALIZED STRATEGIES			
	Franklin Equity Group	Templeton Emerging Markets Group	Templeton Global Equity Group	Mutual Series	Franklin Templeton Fixed Income Group	Franklin Templeton Local Asset Management	Franklin Templeton Real Asset Advisors	Darby	Franklin Templeton Multi-Asset Strategies
Established	1947	1987	1940	1949	1971	1993	1984	1994	1982
Focus	• U.S. Equity • Global Equity • International Equity	• Emerging Markets Equity	• Global Equity • International Equity	• Global Equity • International Equity • U.S. Equity • Distressed Debt & Merger Arbitrage	• Global Fixed Income • Regional Fixed Income • Emerging Market Debt	• Global Equity and Fixed Income • Regional Equity and Fixed Income • Single-Country Equity and Fixed Income	• Global Private Real Estate • Global Listed Real Estate Securities • Global Private Infrastructure and Real Resources	• Emerging Markets Private Equity & Mezzanine Finance • Infrastructure	• Multi-Asset • Fund-of-Funds Strategies • Global Tactical Asset Allocation
Style	Growth, Value, Core/Hybrid	Core Value	Core Value	Deep Value	Single Sector, Multi-Sector	Multi-Sector, Single- or Multi-Region	Multi-Sector, Multi-Region	Multi-Sector	Multi-Style
AUM	US$135.1 Billion	US$56.7 Billion	US$110.1 Billion	US$68.2 Billion	US$298.6 Billion	US$16.1 Billion	US$4.4 Billion	US$1.7 Billion	US$31.4 Billion

Source: Franklin Templeton Investments (FTI), as of June 30, 2011, unless otherwise noted. Assets under management (AUM) combines the U.S. and non-U.S. AUM of the investment management subsidiaries of the parent company, Franklin Resources, Inc. [NYSE: BEN], a global investment organization operating as Franklin Templeton Investments. AUM includes discretionary and advisory accounts, including pooled investment vehicles, separate accounts and other vehicles, as well as some accounts that may not be eligible for inclusion in composites as defined by the firm's policies. AUM may also include advisory accounts with or without trading authority. Numbers may not equal 100% due to rounding. Please note that the table above does not include all affiliates under FTI. FTI AUM includes AUM for Rensburg Fund Management Limited, a wholly-owned subsidiary of Franklin Resources, Inc.
Franklin Equity Group (formerly Franklin Global Advisers), a unit of Franklin, combines the expertise of the Franklin Advisers, Inc., and Fiduciary Global Advisors equity teams (with origins dating back to 1947 and 1931, respectively).
Franklin Templeton Fixed Income Group, a unit of Franklin, combines the expertise of the Franklin Advisers, Inc., and Fiduciary Trust Company International fixed income teams (originating in 1971 and 1973, respectively).
Each local asset manager may be considered as an entity affiliated with or associated to Franklin Templeton Investments by virtue of being wholly-owned subsidiaries, or other entities or joint ventures in which Franklin Resources, Inc., owns a partial interest, which may be a minority interest. Local asset management AUM includes AUM for Franklin Templeton Investments (ME) Limited, an indirect wholly-owned subsidiary of Franklin Resources, Inc.
Franklin Templeton Real Asset Advisors originated in 1984 as the global real estate team of Fiduciary Trust Company International.
Franklin Templeton Multi-Asset Strategies (FTMAS) AUM as of May 31, 2011. FTMAS is a global investment management group dedicated to multi-strategy solutions and is comprised of individuals from various registered entities within Franklin Resources, Inc. Certain individuals based in Canada that advise FTMAS mandates are part of Fiduciary Trust Company of Canada, a wholly-owned subsidiary of Franklin Resources, Inc., that originated in 1982. FTMAS was formed in 2007 to combine the research and oversight of all multi-strategy investment solutions offered by Franklin Resources, Inc. FTMAS invests in various Franklin Templeton and external investment platforms; AUM for FTMAS is reported under each utilized investment platform, as well as for FTMAS.
For firms claiming compliance with the Global Investment Performance Standards (GIPS®), figures for the assets under management above may not correspond to the assets under management as defined by GIPS®. For GIPS® purposes, Franklin Equity Group and Franklin Templeton Fixed Income Group are both units of the firm Franklin; Templeton Emerging Markets Group and Templeton Global Equity Group are both units of the firm Templeton.

Franklin Equity Group—Platform Overview

Chief Investment Officer

Edward Jamieson
San Mateo

Global Equity *New York*	**Europe Equity** *London/Frankfurt*	**U.S. Equity** *San Mateo*		
Global Growth Equity	**Pan-European Equity**	**U.S Core Equity/Hybrid**	**U.S. Growth Equity**	**U.S. Equity Research & Sector Strategies**
Coleen Barbeau Director	Uwe Zoellner, CFA Director	Edward Perks, CFA Director	Conrad Herrmann, CFA Director	Michael McCarthy, CFA Director

Global Large Cap Equity
$3.5 billion[1]

Global Small Cap Equity
$2.0 billion[1]

More than 70 Investment Professionals[2]

$135.1 billion assets under management[1]

Source: Franklin Templeton Investments.
1. AUM as of June 30, 2011.
2. Professionals include portfolio managers and analysts as of June 30, 2011.
The above information is not meant to depict the management or investment team of any specific account, fund or composite.

Franklin Global Large Cap Team

Team of Experienced Professionals Focused on Global Growth Strategies, Supported by the Broader Resources of the Franklin Equity Group

Franklin Global Large Cap—Investment Team

John P. Remmert Senior Portfolio Manager	Coleen F. Barbeau Senior Portfolio Manager

Investment Team	Responsibility	Sector
Donald Huber, CFA	Institutional Portfolio Manager	
Mary Killian	Analyst	Consumer
Maria Lernerman, CFA	Analyst	Consumer
Jim Battaglia, CFA	Analyst	Cyclicals
Yan Lager, CFA	Analyst	Cyclicals
M. Par Rostom, CFA	Analyst/Portfolio Manager	Financials
Francyne Mu, CFA	Analyst	Financials
Chris Pettine, CFA	Analyst	Health Care
Jenny Chang, CPA	Analyst	Health Care & Technology
Nam Hoang, CFA	Analyst	Technology & Telecommunications

- 12 investment professionals
- Average 16 years industry experience
- Average 8 years firm experience

Additional Resources		
Franklin Global Small Cap Team	Franklin European Equity Team	Franklin U.S. Growth Team

As of June 30, 2011.
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Investment Strategy

We Believe Our Approach Has the Potential to Deliver Alpha over a Full Market Cycle

Bottom-Up, Research-Driven Portfolio

- Concentrated portfolio with approximately 40 holdings[1]

Longer-Term Investment Horizon

- Historical portfolio turnover of 40–50%[1]
- Less than half of turnover due to complete buys or sells

Maintain Approximately Equal-Weighted Positions and Utilize a Contrarian Rebalancing Approach

- Positions have typically ranged from 2.0–3.5%[1]
- Sell following stock price strength; buy following stock price weakness

Benchmark Indifferent, Seeking to Manage Risk by Limiting Economic Overlap among Holdings[2]

- Select companies whose earnings streams are not highly correlated
- Has typically resulted in a diversified portfolio across MSCI Global Industry Classification Standard (GICS)[3] sectors and industries[1]

Global Opportunity Set

- Search without borders, average allocation to emerging markets has been less than 10%[1]

1. Information is based on a representative portfolio taken from the Franklin Non-U.S. Equity Composite as of June 30, 2011. The historical turnover is based on the Franklin Non-U.S. Equity representative account over a five-year period ended June 30, 2011 and is a byproduct of the strategy's long-term approach, but various factors, such as a portfolio's specific investment guidelines and market or economic conditions may cause portfolio turnover to vary. For more information regarding the strategy's historical turnover ratio, please contact your Institutional marketing representative at 1.800.321.8563. A representative account including, but not limited to, its holdings and characteristics, may vary significantly from other similarly managed separate accounts, depending on a variety of factors, such as portfolio size, specific investment guidelines and inception date of the account.
2. Please see Portfolio Snapshot: Limited Overlap of Economic Exposures page for additional information.
3. All Morgan Stanley Capital International (MSCI) data is provided "as is." The Composite described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the Composite described herein. Copying or redistribution of the MSCI data is strictly prohibited.

Stock Selection Discipline

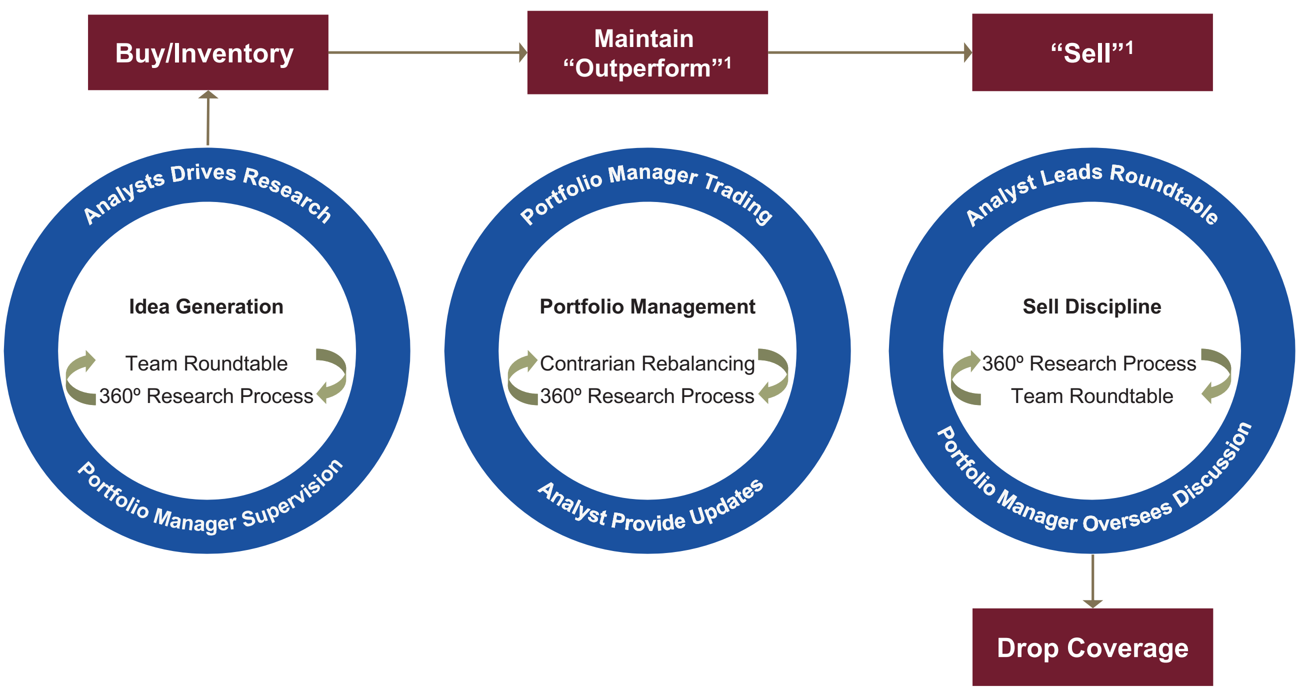
We Focus on Selecting Companies That Meet Our Rigorous Investment Criteria

Growth	Quality	Valuation
Free cash flow analysis to assess: • Sustainable business model • Long-term competitive advantage • Value-generating reinvestment record	**Capital return and management analysis to assess if:** • Proven creation of value • Financial transparency sufficient to understand company • Accountability in corporate governance	**Common discount cash flow/dividend model to assess:** • Relative attractiveness of company • Valuation support under different scenarios

The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. There is no assurance that any securities selected will be profitable.

Investment Process Overview

Throughout the Process, Companies Undergo Detailed Analysis, Supported by Ongoing Discussion between Portfolio Managers and Analysts

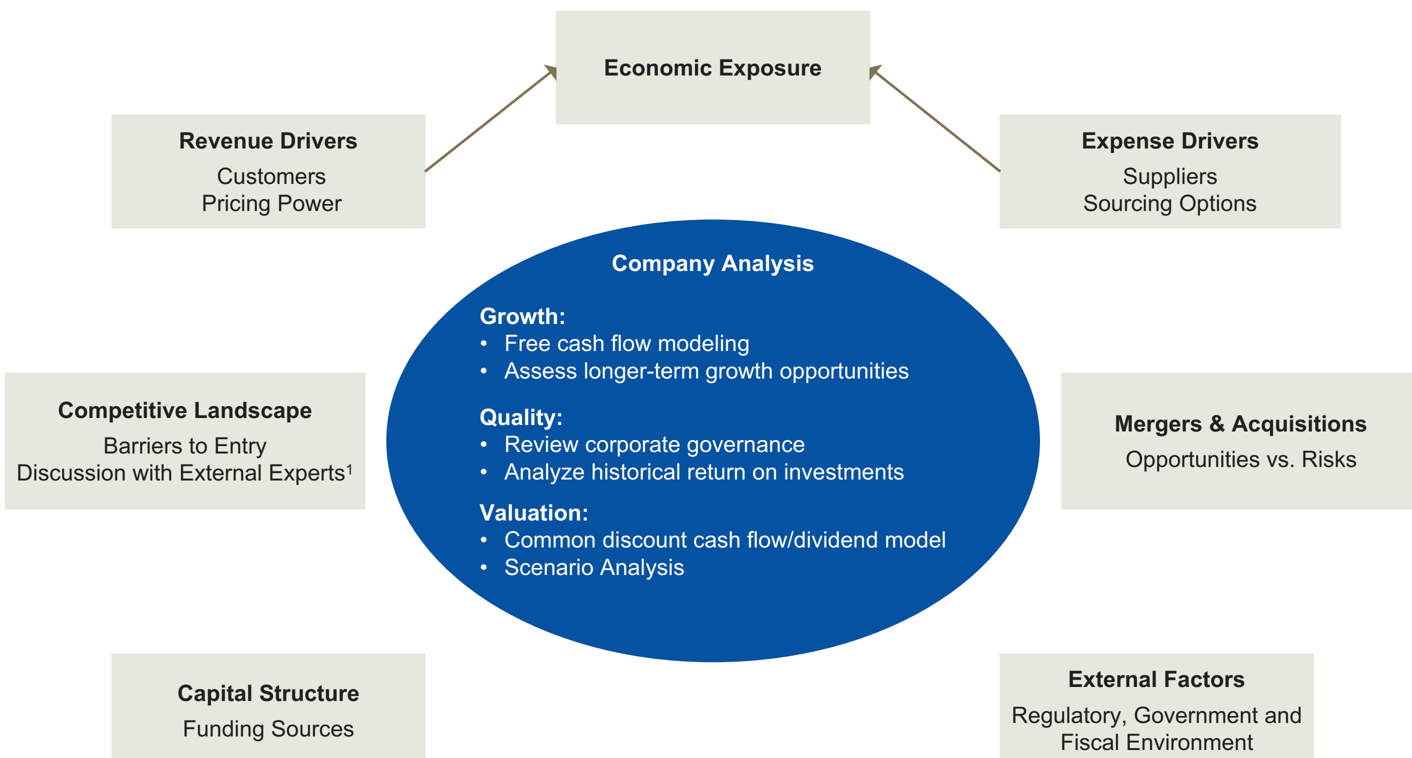


1. The Franklin Global Large Cap Team utilizes its own internal two-rating system for stocks: "Outperform" and "Sell." Outperform stocks are those that we believe meet our growth, quality and valuation criteria and have demonstrated limited economic exposures relative to other portfolio holdings. Stocks that we rate Outperform are generally held in client portfolios until the next time we rate such stock. Individual portfolios within the strategy and their respective holdings may differ due to a number of factors including, but not limited to, portfolio size, specific investment guidelines and restrictions and inception dates of individual portfolios.

The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. There is no assurance that securities purchased will remain in the strategy's portfolio, or that securities sold will not be repurchased. In addition, it should not be assumed that securities purchased will be profitable.

A 360º Research Process

Our Analysts Conduct In-Depth Research, Evaluating a Company from Multiple Angles before Its Inclusion in Portfolios

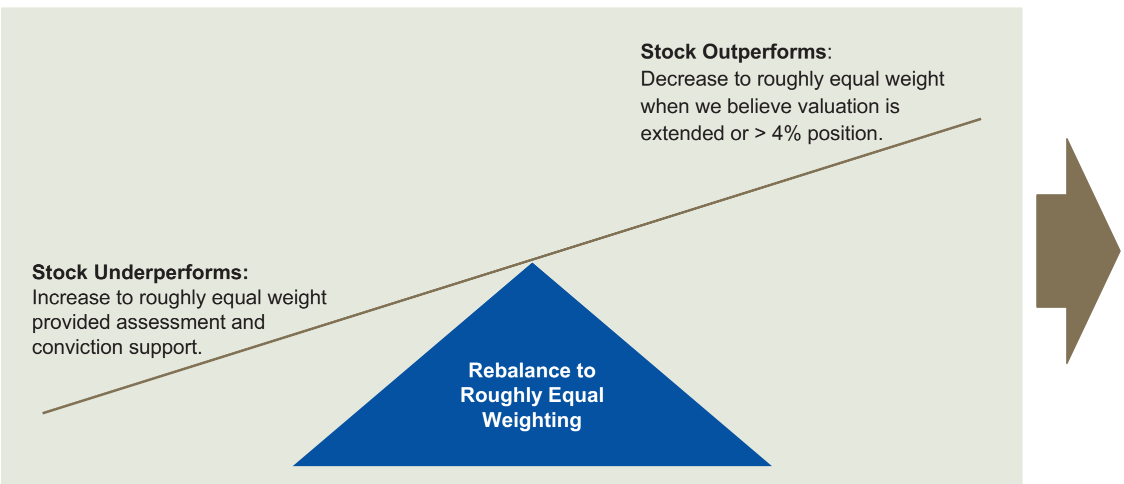


1. The Franklin Global Large Cap Team maintains a number of relationships with industry experts and sell-side contacts. Our analysts typically utilize these resources for meetings with company management or competitors.

The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.

Portfolio Management

We Manage Roughly Equally Weighted Positions within Portfolios, Rebalancing Holdings When We Believe to Be Prudent and Applying Our Sell Discipline to Companies That No Longer Meet Our Investment Criteria



Sell Discipline:

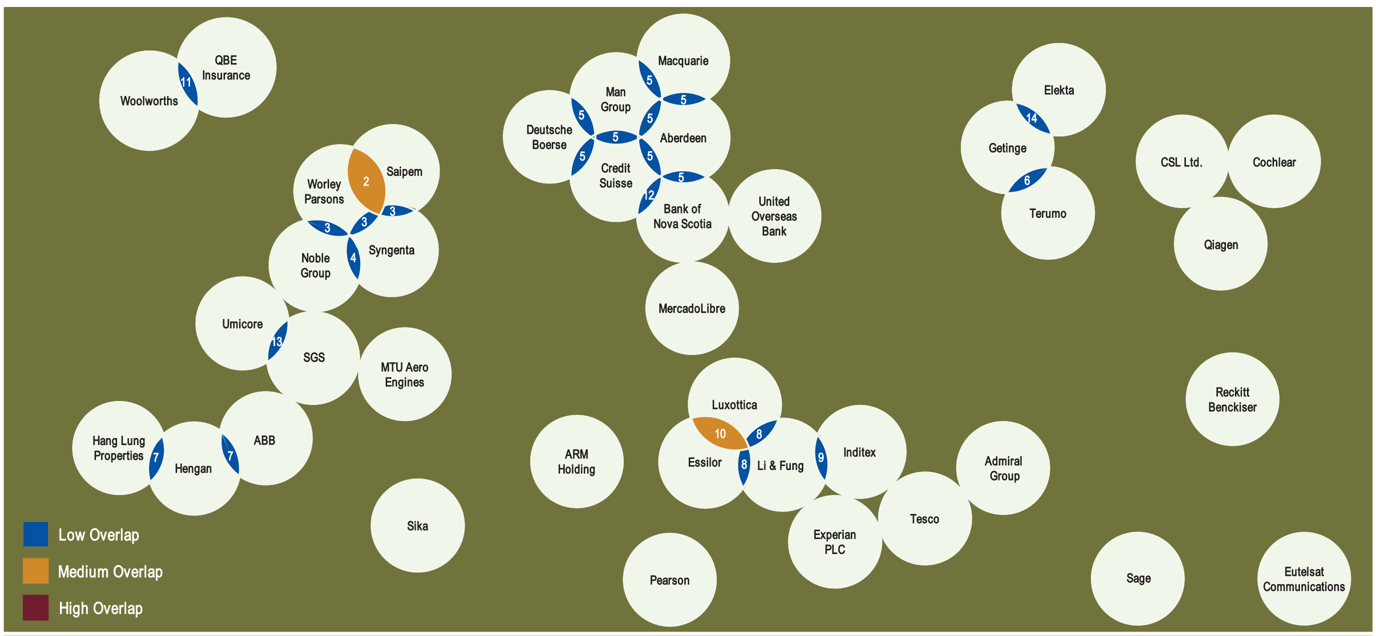
- More compelling alternative
- Change in fundamentals
- Our analysis indicates valuation is excessive
- 20% monitoring rule[1]

1. If security underperforms its respective sector's return in the strategy's benchmark by 20% over a 30- or 60-day period, decision is made to add to position or remove from client portfolios.

The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.

Portfolio Snapshot: Limited Overlap of Economic Exposures

As of June 30, 2011



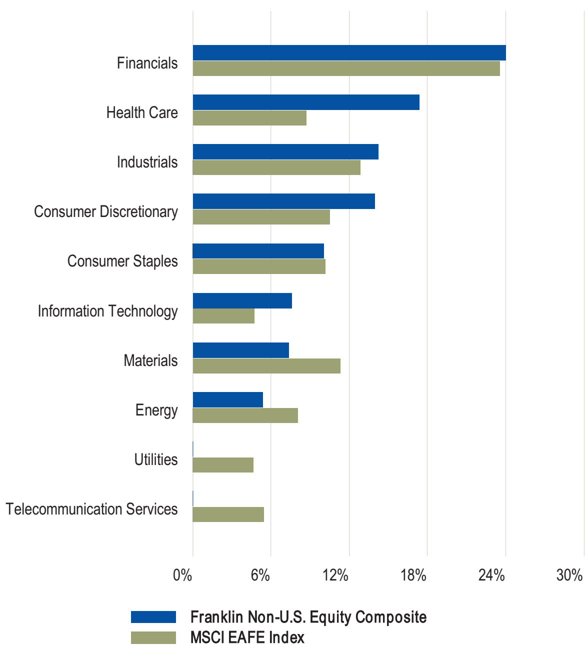
1. Mexican Consumer
2. Energy Services
3. Energy Prices (Biofuels)
4. Agricultural Logistics
5. Asset Management
6. Cardiac and Vascular Surgery
7. Chinese Consumer
8. U.S. Consumer
9. European Consumer
10. Eyewear Consumption
11. Australian Consumer
12. Investment Banking
13. Metals and Mining
14. Hospital Capital Expenditure

1. The above chart is for illustrative and discussion purposes only. It is based on the internal assessment of the portfolio manager and investment team and is meant to show the economic overlap among all of the holdings in the representative portfolio from the Franklin Non-U.S. Equity Composite as of the date indicated. The shaded areas reflect, in the manager's view, the areas of overlap among the holdings and are not meant to represent the business of any holding as a whole. The circles are graphic representations of the individual holdings only and are not intended to represent equal weightings in the portfolio. All holdings information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The information provided is not a recommendation to purchase, sell or hold any particular security, nor is it investment advice. There is no assurance that the securities purchased will remain in any portfolio or composite, or that securities sold will not be repurchased. In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. A representative portfolio and its holdings may vary significantly from other similarly managed separate accounts, depending on a variety of factors, such as portfolio size, specific investment guidelines and inception date of the account. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.

Sector Allocation

Franklin Non-U.S. Equity Composite vs. MSCI EAFE Index

As of June 30, 2011



	Portfolio %	Index %	Over/Under
Financials	**24.0**	**23.5**	**0.5**
Diversified Financials	10.7	3.5	7.2
Banks	5.5	12.4	-6.9
Insurance	5.1	4.5	0.6
Real Estate	2.7	3.1	-0.4
Health Care	**17.4**	**8.7**	**8.7**
Health Care Equipment & Services	12.0	1.1	11.0
Pharmaceuticals Biotechnology & Life Sciences	5.4	7.7	-2.3
Industrials	**14.2**	**12.9**	**1.4**
Capital Goods	9.0	9.7	-0.8
Commercial & Professional Services	5.3	1.0	4.2
Transportation	0.0	2.1	-2.1
Consumer Discretionary	**14.0**	**10.5**	**3.5**
Retailing	5.6	1.4	4.2
Media	5.1	1.6	3.6
Consumer Durables & Apparel	3.3	2.2	1.1
Automobiles & Components	0.0	4.4	-4.4
Consumer Services	0.0	1.0	-1.0
Consumer Staples	**10.1**	**10.2**	**-0.1**
Household & Personal Products	5.5	1.0	4.5
Food & Staples Retailing	4.6	2.2	2.4
Food Beverage & Tobacco	0.0	6.9	-6.9
Information Technology	**7.6**	**4.7**	**2.9**
Software & Services	5.0	1.3	3.7
Semiconductors & Semiconductor Equipment	2.6	0.6	2.0
Technology Hardware & Equipment	0.0	2.8	-2.8
Materials	**7.4**	**11.3**	**-3.9**
Materials	7.4	11.3	-3.9
Energy	**5.4**	**8.1**	**-2.7**
Energy	5.4	8.1	-2.7
Utilities	**0.0**	**4.7**	**-4.7**
Utilities	0.0	4.7	-4.7
Telecommunication Services	**0.0**	**5.5**	**-5.5**
Telecommunication Services	0.0	5.5	-5.5

Percentages may not equal 100% due to rounding. Sector and industry group diversification information is historical and may not reflect current or future portfolio characteristics of the composite. Indexes are unmanaged and one cannot invest directly in an index.

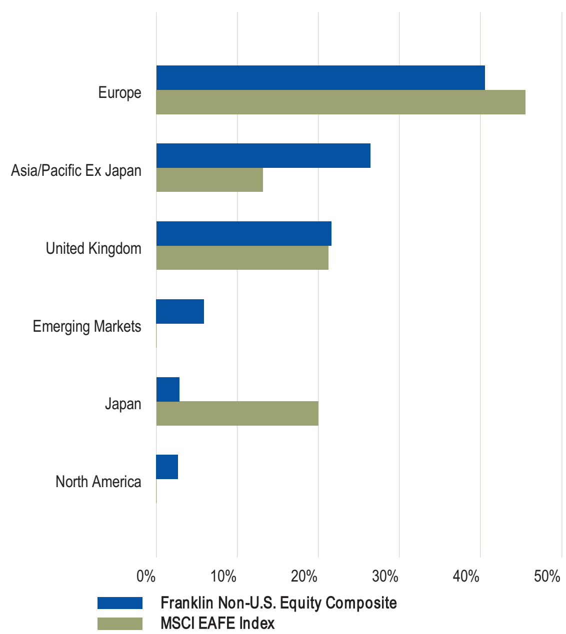
All Morgan Stanley Capital International (MSCI) data is provided "as is." The portfolio described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the portfolio described herein. Copying or redistributing the MSCI data is strictly prohibited.

Information is supplemental to the Historical Performance page and the accompanying full performance presentation prepared in accordance with the Global Investment Performance Standards (GIPS®). Please also see the Important Information page in the Appendix.

Geographic Allocation

Franklin Non-U.S. Equity Composite vs. MSCI EAFE Index

As of June 30, 2011



	Portfolio %	Index %	Over/Under
Europe	**40.5**	**45.5**	**-5.0**
Switzerland	12.8	8.4	4.4
Germany	5.3	9.0	-3.7
Italy	5.3	2.8	2.5
France	5.0	10.5	-5.4
Sweden	4.1	3.1	1.0
Belgium	2.9	1.0	2.0
Spain	2.8	3.6	-0.8
Netherlands	2.3	2.5	-0.2
Denmark	0.0	1.1	-1.1
Other	0.0	3.7	-3.7
Asia/Pacific Ex Japan	**26.4**	**13.2**	**13.2**
Australia	14.8	8.6	6.2
Hong Kong	8.7	2.7	6.0
Singapore	2.9	1.7	1.1
Other	0.0	0.1	-0.1
United Kingdom	**21.6**	**21.3**	**0.4**
United Kingdom	21.6	21.3	0.4
Emerging Markets	**5.9**	**0.0**	**5.9**
China	2.6	0.0	2.6
Argentina	2.5	0.0	2.5
Other	0.8	0.0	0.8
Japan	**2.9**	**20.0**	**-17.2**
Japan	2.9	20.0	-17.2
North America	**2.7**	**0.0**	**2.7**
Canada	2.7	0.0	2.7

Percentages may not equal 100% due to rounding. Geographic diversification information is historical and may not reflect current or future portfolio characteristics of the composite. Indexes are unmanaged and one cannot invest directly in an index.

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Top Ten Equity Holdings

Franklin Non-U.S. Equity Composite

As of June 30, 2011

	Name of Issuer	Country	Industry	% of Total
1.	NOBLE GROUP LTD	Hong Kong	Capital Goods	3.0
2.	CSL LTD	Australia	Pharmaceuticals, Biotechnology & Life Sciences	2.9
3.	SYNGENTA AG	Switzerland	Materials	2.9
4.	ABB LTD	Switzerland	Capital Goods	2.9
5.	UMICORE	Belgium	Materials	2.8
6.	SGS SA	Switzerland	Commercial & Professional Services	2.8
7.	TERUMO CORP	Japan	Health Care Equipment & Services	2.8
8.	UNITED OVERSEAS BANK LTD	Singapore	Banks	2.7
9.	RECKITT BENCKISER GROUP PLC	United Kingdom	Household & Personal Products	2.7
10.	LI & FUNG LTD	Hong Kong	Retailing	2.7
	Total			**28.3**

Top ten equity holdings information is historical and may not reflect current or future composite characteristics. All holdings are subject to change. Holdings of the same issuers have been combined.
The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the composite's entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in the composite, or that securities sold will not be repurchased. Top ten holdings may differ for individual accounts within the composite. In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. For the most current information on the composite, please contact your Franklin Templeton institutional marketing representative at 1.800.321.8563.
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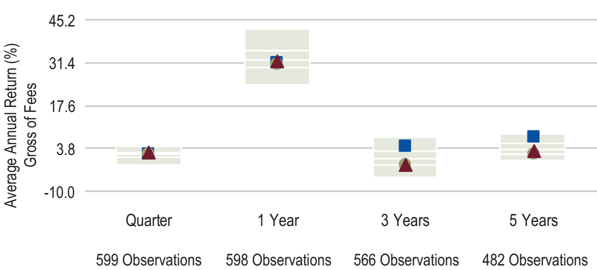
Historical Performance Results

Franklin Non-U.S. Equity Composite

As of June 30, 2011

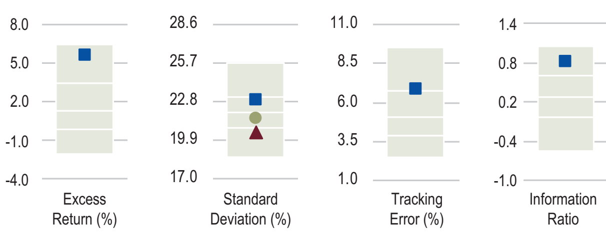
NON-U.S. EQUITY UNIVERSE

Performance Universe Comparisons[1]



■ Franklin Non-U.S. Equity ● MSCI EAFE Index[2] ▲ MSCI EAFE Growth Index[2]

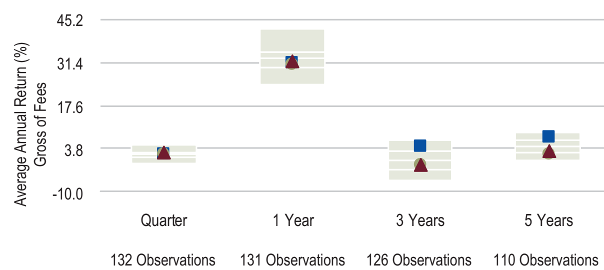
Risk and Return 5-Year Universe Comparisons[1]



■ Franklin Non-U.S. Equity ● MSCI EAFE Index[2] ▲ MSCI EAFE Growth Index[2]

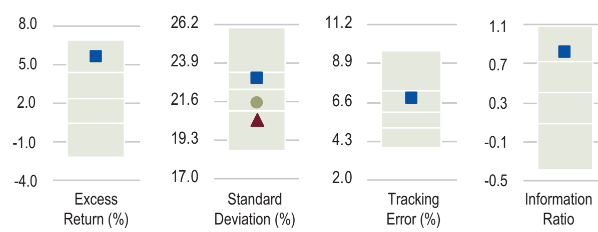
NON-U.S. GROWTH EQUITY UNIVERSE

Performance Universe Comparisons[1]



■ Franklin Non-U.S. Equity ● MSCI EAFE Index[2] ▲ MSCI EAFE Growth Index[2]

Risk and Return 5-Year Universe Comparisons[1]



■ Franklin Non-U.S. Equity ● MSCI EAFE Index[2] ▲ MSCI EAFE Growth Index[2]

1. Universe source: eVestment Alliance. The peer universe includes unaffiliated institutional asset managers that manage similar mandates. Universe percentile rankings were calculated using gross of fees performance.
2. All Morgan Stanley Capital International (MSCI) data is provided "as is." The portfolio described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the portfolio described herein. Copying or redistributing the MSCI data is strictly prohibited.

Historical results may differ over different time periods.

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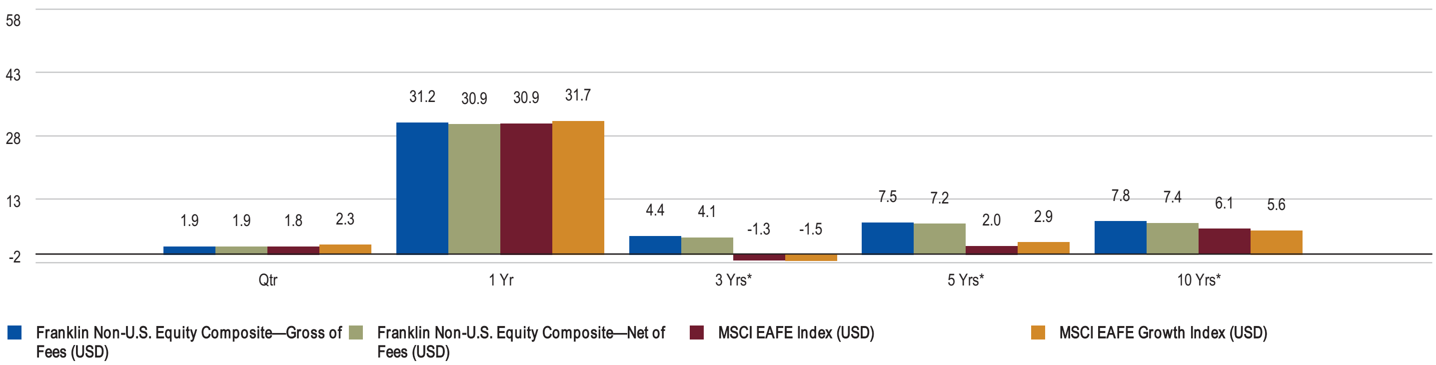
Past performance does not guarantee future results and results may differ over future time periods.

Historical Performance (%)

Franklin Non-U.S. Equity Composite

As of June 30, 2011

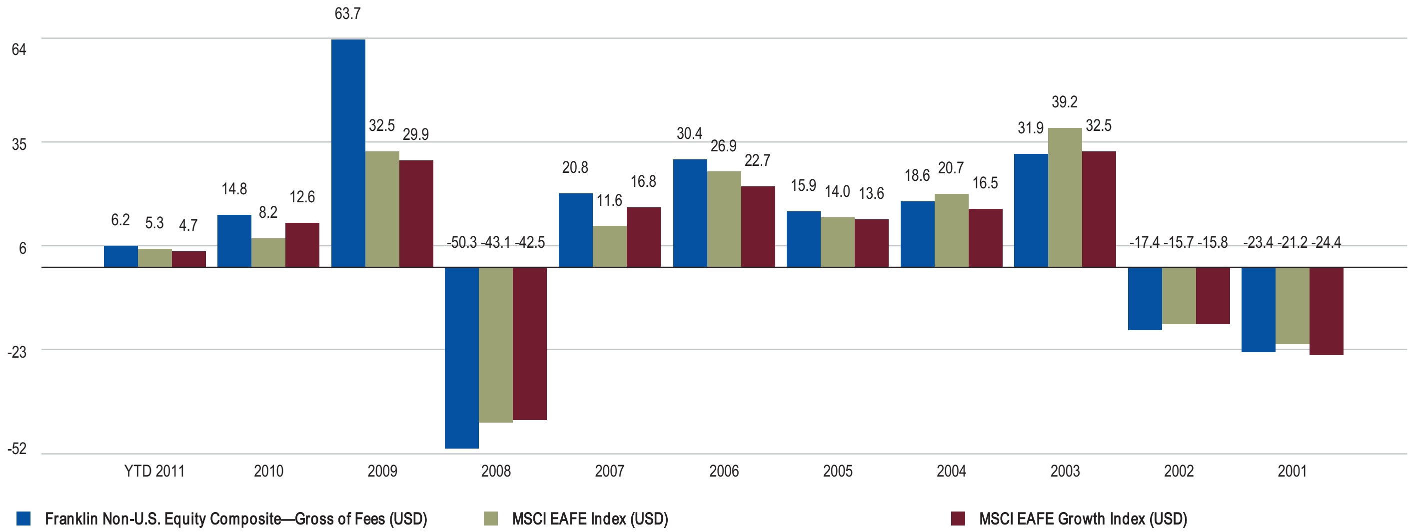


Past performance does not guarantee future results and results may differ over future time periods.
Please see accompanying full performance presentation prepared in accordance with the Global Investment Performance Standards (GIPS®). Please also see the Important Information page in the Appendix.
Total returns are presented inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings.
All Morgan Stanley Capital International (MSCI) data is provided “as is.” The composite described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the composite described herein. Copying or redistributing the MSCI data is strictly prohibited.
Indexes are unmanaged and one cannot invest directly in an index.
*Average Annual Returns.

Calendar Year Returns (%)

Franklin Non-U.S. Equity Composite

As of June 30, 2011



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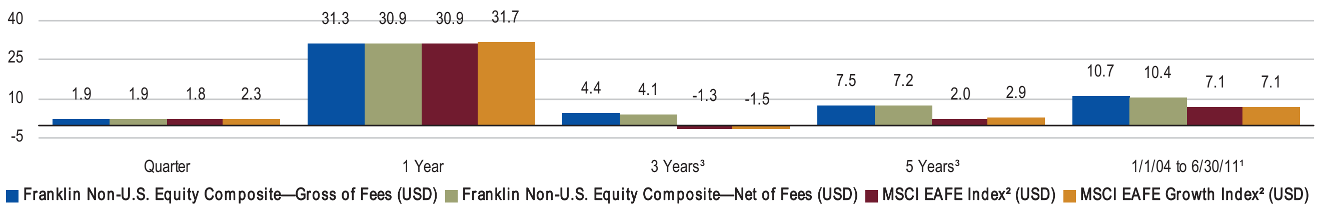
Please see accompanying full performance presentation prepared in accordance with the Global Investment Performance Standards (GIPS®). Please also see the Important Information page in the Appendix.
Total returns are presented inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings.
All Morgan Stanley Capital International (MSCI) data is provided "as is." The composite described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the composite described herein. Copying or redistributing the MSCI data is strictly prohibited.
Indexes are unmanaged and one cannot invest directly in an index.

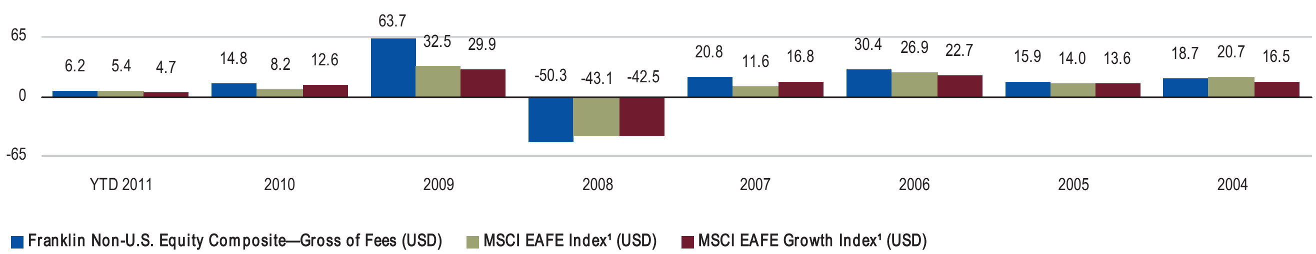
Supplemental Information
Historical Performance for the Franklin Global Equity Team Based on Current Investment Approach[1] (%)

Franklin Non-U.S. Equity Composite vs. MSCI EAFE Index[2] and MSCI EAFE Growth Index[2]

As of June 30, 2011



Calendar Year Performance



1. The above information is **supplemental** to the Historical Performance page. The supplemental information is a subset of the Historical Performance shown for the Franklin Global Equity strategy and highlights the period (from January 1, 2004 to the most recent date shown above) in which the Franklin Global Equity team has consistently applied a bottom-up investment approach focused on stocks that meet their growth, quality and valuation criteria. Prior to January 1, 2004, a growth-oriented, top-down, bottom-up investment approach had been applied.
2. All Morgan Stanley Capital International (MSCI) data is provided "as is." The portfolio described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the portfolio described herein. Copying or redistributing the MSCI data is strictly prohibited.
3. Annualized.

Total returns are presented inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings.

The performance presented for Franklin is in compliance with GIPS®, from January 1, 2000 to the present.

Please see accompanying full performance presentation prepared in accordance with the Global Investment Performance Standards (GIPS®). Please also see the Important Information page in the Appendix.

Past performance does not guarantee future results and results may differ over future time periods.

Important Information

Franklin claims compliance with the Global Investment Performance Standards (GIPS®). Please see accompanying full performance presentation prepared in accordance with the Global Investment Performance Standards (GIPS®).

Franklin (the "firm") encompasses the equity, fixed income and balanced accounts managed by Franklin Advisers, Inc., and related Franklin affiliates, including, effective January 1, 2007, the equity accounts managed by the institutional investment teams of Franklin Templeton Institutional, LLC under the former firm name of Fiduciary Global Advisors. The combined equity assets of Franklin and Fiduciary Global Advisors form the Franklin Global Advisers unit of Franklin going forward. Effective January 1, 2006, the fixed income assets managed from that date forward by Franklin Templeton Institutional, LLC ("FTI") or its related affiliates (managed previously by Fiduciary Trust Company International - Institutional Division or "FTCI's Institutional Division") that went through the institutional portfolio review process were combined with the fixed income assets of Franklin to form the Franklin Templeton Fixed Income unit of Franklin. The primary reason for these changes to the firm definition was to consolidate equity and fixed income asset management for Franklin (as previously defined), Fiduciary Global Advisors (institutional equities) and FTCI's Institutional Division (institutional fixed income) under one firm, Franklin. Wrap-fee and non wrap-fee accounts managed by Franklin Portfolio Advisors (formerly the Franklin Private Client Group) and multi-strategy asset allocation portfolios managed by Franklin Templeton Multi-Asset Strategies (FTMAS) are not included in the firm definition.

Total firm assets prior to January 1, 2006 are for the predecessor firm, Fiduciary Trust Company International - Institutional Division. As a result of the transfer of the fixed income assets of the Institutional Division on that date to the Franklin Templeton Fixed Income unit of Franklin, total firm assets for calendar year 2006 are only for the equity and private equity real estate assets that comprise Fiduciary Global Advisors. Effective January 1, 2007, the assets of Fiduciary Global Advisors have been redefined, as noted above, with the result that its equity assets (excluding global REITs) became part of the Franklin Equity Group (formerly Franklin Global Advisers prior to June 30, 2010) unit of Franklin and its global REIT and private equity real estate assets were reconstituted as Franklin Templeton Real Estate Advisors.

Additional information regarding the firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. As a firm with many mutual funds with unique investment objectives that are subject to varying regulatory requirements based on domicile of jurisdiction, the firm considers many of its mutual funds to be single account composites, for which the objective is as stated in each respective fund's prospectus. To receive a complete list and description of the firm's composites (including any single account mutual fund composite) contact your Franklin Templeton representative at 1.800.321.8563.

This publication is intended only as a general overview of the Franklin Non-U.S. Equity management team and philosophy and is for informational purposes only. It has been prepared solely for the use of the person to whom it has been delivered and may not be reproduced or used for any other purpose. It is intended only for institutional investment consultants or institutional investors. It is not meant for the general public. For specific information on available non-U.S. equity products or services, please contact your local Franklin Templeton Institutional office.

The information contained in this piece is not a complete analysis of every material fact regarding the market and any industry sector, a security, or a portfolio. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to the completeness or accuracy. Because market and economic conditions are subject to rapid change, opinions provided are valid only as of the date of the material. Portfolio holdings and the manager's analysis of these issuers, market sectors, and of the economic environment may have changed since the date of the material. The manager's opinions are intended solely to provide insight into how the manager analyzes securities and are not a recommendation or individual investment advice for any particular security, strategy, or investment product.

This presentation contains certain performance and statistical information. There is no assurance that employment of any of the strategies will result in the investment objectives or intended results being achieved. **Past performance does not guarantee future results and results may differ over future time periods.**

Indices are unmanaged and one cannot invest directly in an index. The performance of an individual portfolio may differ from that of a benchmark, representative account or composite included herein for various reasons, including but not limited to, the objectives, limitations or investment strategies of a particular portfolio. Management fees will reduce the rate of return on any particular account or portfolios.

All investments are subject to certain risks. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Bond prices are affected by interest rate changes. High-yield, lower-rated (junk) bonds generally have greater price swings and higher default risks. Foreign investing, especially in developing countries, has additional risks such as currency and market volatility and political or social instability.

This piece is intended for institutional investment management consultants or investors interested in institutional products and services available through Franklin Templeton Institutional and its affiliates. Various account minimums or other eligibility qualifications apply depending on the investment strategy or vehicle.

Effective with the third quarter of 2008, composite returns in base currency are translated to other currencies using London FX rates instead of New York rates for all time periods presented, which may result in revisions to multi-currency returns compared to what was previously reported for prior periods.

Franklin Global Equity Team

JOHN P. REMMERT
Senior Vice President
Lead Portfolio Manager

FRANKLIN
New York, United States

John Remmert, Senior Vice President and Lead Portfolio Manager for Franklin Equity Group. He is responsible for the management of global and non-US institutional equity portfolios. Mr. Remmert has more than 15 years of investment experience. Prior to joining Franklin Templeton in 2001, Mr. Remmert was with Citibank Global Asset Management and was based in both New York and London. Previously, he was with the U.S. Federal Reserve. Mr. Remmert earned an M.B.A. from the University of Chicago, a J.D. from Georgetown University, and a B.A. from Rutgers University.

COLEEN F. BARBEAU
Senior Vice President
Director of Global Growth Portfolio Management

FRANKLIN
New York, United States

Coleen F. Barbeau, Senior Vice President and Director of Global Growth Portfolio Management for Franklin Equity Group. She is responsible for leading the global equity strategies and for managing global and non-US institutional equity portfolios. Ms. Barbeau also assists in the management of select non-U.S. and global equity funds. Ms. Barbeau has more than 25 years investment experience. Prior to joining Fiduciary Trust in 1983, which was acquired by Franklin Templeton in 2001, she was with Shearson/American Express for two years. Ms. Barbeau earned a B.A. from Montclair State University.

JAMES J. BATTAGLIA, CFA
Vice President
Research Analyst

FRANKLIN
New York, United States

James J. Battaglia is a vice president and research analyst responsible for the industrial sector, capital goods, aerospace and defense, and conglomerates. Mr. Battaglia has over eight years of experience as an industrials analyst. Prior to joining the firm, Mr. Battaglia spent six years at Citigroup Asset Management covering industrial companies, and three years as an analyst at Rochdale Investment Management covering small cap equities. Mr. Battaglia holds a B.S. in finance from Le Moyne College and a M.S. in investment management from Pace University. Mr. Battaglia is a Chartered Financial Analyst (CFA) Charterholder.

Franklin Global Equity Team

NAM HOANG, CFA
Vice President, Research Analyst

FRANKLIN
New York, United States

Nam Hoang, Vice President and Research Analyst, focusing on the telecom and technology industries. Ms. Hoang has over 12 years of experience as an equity research analyst and previously worked for Fred Alger Management, Inc. Prior to entering the investment research field, Ms. Hoang worked for Westinghouse Electric Corp and later Digital Equipment Corp (now part of Hewlett-Packard Company). Ms. Hoang holds a B.S. in computer science, an M.S. in electrical engineering from the State University of New York, Stony Brook, and an M.B.A. from the Stern School of Business at New York University and is a Chartered Financial Analyst (CFA) Charterholder.

DONALD G. HUBER, CFA
Vice President, Portfolio Manager

FRANKLIN
New York, United States

Donald G. Huber, Vice President and Portfolio Manager responsible for managing institutional and retail global large cap equity portfolios. Prior to joining the firm, Mr. Huber was with JPMorgan Chase & Co. and predecessor organizations for 20 years, where he focused on portfolio management, strategic planning and relationship management in the private bank and corporate banking. Mr. Huber earned a B.B.A. from the University of Michigan. He is a member of the New York Society of Security Analysts and a Chartered Financial Analyst (CFA) Charterholder.

MARY KILLIAN
Vice President, Research Analyst

FRANKLIN
New York, United States

Mary Killian, Vice President and Research Analyst focusing on consumer companies. Ms. Killian has over 10 years of investment experience with over seven years of experience as a consumer analyst. Prior to joining Franklin Templeton Investments, Ms. Killian was with Merrill Lynch Investment Managers - Private Investors where she provided research on the consumer sector with a focus on broadline and specialty apparel retail, beverages and food. Ms. Killian holds a B.S. in accounting from Rowan College and earned an M.B.A. from Rutgers University.

Franklin Global Equity Team

YAN LAGER, CFA
Research Analyst

FRANKLIN
New York, United States

Yan Lager, Research Analyst responsible for participating in the coverage of cyclicals companies globally. Mr. Lager has worked in the investment industry since 1998 and was most recently with Alliance Capital Management, where he was a senior portfolio management associate on the Global & International Large Cap Growth Portfolio Management Team. Prior to this position Mr. Lager worked for Gabelli Asset Management. Mr. Lager earned a B.S. in business administration from the College of Mount Saint Vincent and an M.B.A. in finance and management from Fordham University School of Business. He is a Chartered Financial Analyst (CFA) Charterholder.

MARIA LERNERMAN, CFA
Research Analyst

FRANKLIN
New York, United States

Maria Lernerman, Research Analyst focusing on companies in the consumer discretionary sector. Most recently, Ms. Lernerman worked at Citigroup Asset Management where she had coverage for North American electric and gas utilities. Prior to joining the firm Ms. Lernerman worked in the Industrials and Consumer Discretionary groups at Citigroup Asset Management. She has also worked at PNC Advisors and the Snider Research Center at the Wharton School. Ms. Lernerman holds a B.S. in finance and marketing from The Wharton School at the University of Pennsylvania and is a Chartered Financial Analyst (CFA) Charterholder.

FRANCYNE MU, CFA
Research Analyst

FRANKLIN
London, United Kingdom

Francyne Mu, Research Analyst responsible for research and analysis companies in the Financials sector. Ms. Mu has over 10 years of global investment experience. Prior to joining the firm, Ms. Mu worked at Pictet Asset Management as a senior investment manager and held the title of vice president at Citigroup Asset Management, covering Financials. Ms. Mu earned a B.A. and a B.Com (Hons) from the University of Melbourne. She is a Chartered Financial Analyst (CFA) Charterholder.

Franklin Global Equity Team

CHRISTOPHER D. PETTINE, CFA
Vice President, Research Analyst

FRANKLIN
New York, United States

Christopher Pettine, Vice President and Research Analyst responsible for research on health care related companies including services, devices, pharmaceuticals, and biotechnology. Mr. Pettine has over eight years experience as an equity research analyst.

PAR ROSTOM, CFA
Vice President
Research Analyst, Portfolio Manager

FRANKLIN
New York, United States

Par Rostom, Vice President, Research Analyst and Portfolio Manager with Franklin Equity Group. He is responsible for managing the Franklin International Growth Fund and global and non-US institutional equity portfolios, as well as conducting research on the financials sector. Mr. Rostom has over 10 years of experience as an analyst and portfolio manager. Prior to joining Franklin Templeton in 2005, he was with Brown Brothers Harriman as an analyst and portfolio manager for global and international portfolios. Prior to this position, he worked for Kulicke & Soffa Industries. Mr. Rostom earned a M.A. in economics and finance from Temple University and a B.S. in electrical engineering from the Rochester Institute of Technology. He is a Chartered Financial Analyst (CFA) Charterholder and holds NASD series 7, 63 and 66 licenses.

JENNY CHANG, CPA
Research Analyst

FRANKLIN
New York, United States

Jenny Chang, Research Analyst focusing on companies in the technology and healthcare sectors. Prior to joining the firm, Ms. Chang spent eight years as a research analyst at Fidelity Investments where she most recently covered global ex-U.S. health care companies. Ms. Chang has also worked at Salomon Smith Barney and Deloitte & Touche. Ms. Chang holds a B.A. in business economics and East Asian studies from the University of California, Los Angeles and earned an M.B.A. from the Marshall School of Business at the University of Southern California (USC). While at USC, Ms. Chang was co-portfolio manager for the Trojan Equity Fund. Ms. Chang is a Certified Public Accountant (CPA).

Management Profile

JOHN P. REMMERT
Senior Vice President
Lead Portfolio Manager
Franklin Equity Group

Franklin Templeton Institutional, LLC
New York, United States

John Remmert, Senior Vice President and Lead Portfolio Manager for Franklin Equity Group. He is responsible for the management of global and non-US institutional equity portfolios. Mr. Remmert has more than 15 years of investment experience. Prior to joining Franklin Templeton in 2001, Mr. Remmert was with Citibank Global Asset Management and was based in both New York and London. Previously, he was with the U.S. Federal Reserve. Mr. Remmert earned an M.B.A. from the University of Chicago, a J.D. from Georgetown University, and a B.A. from Rutgers University.

Management Profile

THOMAS J. DICKSON
Senior Vice President
Franklin Templeton Institutional

Franklin Templeton Institutional, LLC
San Mateo, California, United States

Thomas Dickson is senior vice president at Franklin Templeton Institutional with responsibilities for new business development and client relations in the Western region of the United States. He has a broad range of investment experience working with institutional clients and consultants including public and corporate pension plans, as well as foundations and endowments.

Mr. Dickson started his career at Franklin Templeton in 1992. Prior to his current responsibilities, Mr. Dickson was an portfolio manager and research analyst with the Templeton Global Fixed Income Group in Ft. Lauderdale from 1994-2001.

Mr. Dickson earned his B.S. in managerial economics from the University of California, Davis, and an M.B.A. with emphasis in international business from the University of Miami. He is a member of the Security Analysts of San Francisco (SASF), the CFA Institute, and holds FINRA Series 6, 7 and 63 licenses.

Franklin Non-U.S. Equity Composite

All Returns and Asset Figures in USD

Calendar Year	Composite Total Return Gross	Composite Total Return Net	Primary Benchmark Return	Secondary Benchmark Return	Composite Gross Annualized 3-Yr St Dev	Primary Benchmark Annualized 3-Yr St Dev	Secondary Benchmark Annualized 3-Yr St Dev	Composite Assets (Millions)	Total Firm Assets (Millions)	No of Portfolios (End of Period)	Equal-Wtd Dispersion
YTD*	6.16%	6.00%	5.35%	4.66%	26.70%	25.52%	24.28%	1,268.81	430,402.53	≤5	≤5
2010	14.83%	14.49%	8.21%	12.60%	27.80%	26.28%	25.05%	822.26	377,138.14	≤5	≤5
2009	63.66%	63.19%	32.46%	29.91%	26.36%	23.65%	22.59%	694.15	303,250.42	≤5	≤5
2008	-50.34%	-50.47%	-43.06%	-42.46%	22.96%	19.26%	19.40%	607.92	223,631.99	≤5	≤5
2007	20.83%	20.54%	11.63%	16.84%	11.34%	9.41%	9.39%	1,867.00	279,142.59	≤5	≤5
2006	30.36%	30.03%	26.87%	22.69%	10.74%	9.29%	9.63%	1,560.02	229,905.87	≤5	≤5
2005	15.87%	15.57%	14.01%	13.63%	12.26%	11.39%	11.05%	1,306.14	183,756.89	≤5	≤5
2004	18.65%	18.03%	20.69%	16.48%	14.85%	15.45%	14.41%	1,085.46	166,976.28	≤5	≤5
2003	31.93%	31.23%	39.16%	32.47%	17.96%	17.83%	17.54%	707.78	145,887.18	≤5	≤5
2002	-17.41%	-17.89%	-15.64%	-15.77%	18.49%	16.03%	16.82%	571.61	115,691.10	8	0.97%
2001	-23.44%	-23.89%	-21.21%	-24.40%	20.81%	15.17%	17.60%	785.10	112,221.40	10	0.92%

N/A = Not Available

* Year to Date reflects performance through 6/30/2011 and composite composition as of 6/30/2011

Primary Benchmark: MSCI EAFE Index. Secondary Benchmark: MSCI EAFE Growth Index.

1 Franklin claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Franklin has been independently verified for the periods 31 December 2006 through 31 December 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 Franklin Non-U.S. Equity Composite has been examined for the periods 31 December 2006 through 31 December 2009. The verification and performance examination reports are available upon request.

2 Past performance does not guarantee future results and results may differ over future time periods.

3 Prior to 1 January 2007, firm assets under management do not include composites that transferred from Fiduciary Global Advisers, due to changes in the firm definition, as more fully explained in footnotes a and b. Please see additional notes to this performance presentation starting on page 2.

Disclosures:

a Firm Definition - Franklin (the "firm") encompasses the equity, fixed income and balanced accounts managed by Franklin Advisers, Inc., and related Franklin affiliates, including, effective 1 January 2007, the equity accounts managed by the institutional investment teams of Franklin Templeton Institutional, LLC under the former firm name of Fiduciary Global Advisors. The combined equity assets of Franklin and Fiduciary Global Advisors form the Franklin Equity Group (formerly Franklin Global Advisers prior to 30 June 2010) unit of Franklin. Effective 1 January 2006, the fixed income assets managed from that date forward by Franklin Templeton Institutional, LLC ("FTI") or its related affiliates (managed previously by Fiduciary Trust Company International - Institutional Division or "FTCI's Institutional Division") that went through the institutional portfolio review process were combined with the fixed income assets of Franklin to form the Franklin Templeton Fixed Income unit of Franklin. The primary reason for these changes to the firm definition was to consolidate equity and fixed income asset management for Franklin (as previously defined), Fiduciary Global Advisors (institutional equities) and FTCI's Institutional Division (institutional fixed income) under one firm, Franklin. Wrap-fee and non wrap-fee accounts managed by Franklin Portfolio Advisors (formerly the Franklin Private Client Group) and multi-strategy asset allocation portfolios managed by Franklin Templeton Multi-Asset Strategies (FTMAS) are not included in the firm definition.

Figures for total firm assets are impacted by the changes to the firm definition effective 1 January 2006 and 1 January 2007, as firm assets for prior periods have not been restated. Total firm assets prior to 1 January 2006 are for Franklin prior to the inclusion of the fixed income assets from the predecessor firm, Fiduciary Trust Company International - Institutional Division. Total firm assets for calendar year 2006 include Franklin legacy equity assets plus Franklin Templeton Fixed Income, including both Franklin and Fiduciary legacy fixed income assets. Effective 1 January 2007, Franklin's assets also include the equity assets of the former firm Fiduciary Global Advisors, which were combined with Franklin's equity assets on that date to form the Franklin Global Advisers unit of Franklin.

b Composite Description - The Franklin Non-U.S. Equity Composite consists of all portfolios managed on a fully discretionary basis with an investment objective that seeks to outperform its benchmark on a gross of fees basis by investing in non-U.S. equities. Franklin employs a bottom-up fundamental approach to stock selection, utilizing in-depth analysis to select companies based on growth, quality and valuation investment criteria. Prior to 1 January, 2004, the investment approach is as follows: Franklin employs a bottom-up fundamental approach to stock selection, while taking into consideration the macroeconomic and global sector views provided by the firm's senior investment team. Franklin seeks to invest in those sectors and companies that are expected to grow at a faster rate than the market overall, likely benefiting from secular and cyclical trends in both U.S. and non-U.S. markets. Franklin does not employ leverage or use derivatives in any account in the composite except for the use of foreign currency forward contracts in conjunction with the normal settlement of security trades in currencies other than the base currency of each account. The base currency of the composite is USD. The inception date for the composite is 31 December 1987. The composite creation date is 1 April 2004. The performance returns for the composite are in compliance with GIPS® from 1 January 2000 to the present. The performance for the period prior to 1 January 2007 represents the performance of the composite when the constituent accounts were part of the firm Fiduciary Global Advisors (previously, FTCI - Institutional Division), which also claimed compliance with GIPS® from 1 January 2000 forward. That performance is linked to the ongoing performance of the composite following the consolidation of the Fiduciary equity team into the Franklin Global Advisers unit of Franklin. The figures for composite assets shown in the table provided were not part of Franklin's historical assets under management prior to 1 January 2007. As a result, the assets under management for the firm represent the assets of Franklin without giving effect to changes in the firm definition, as more fully described in footnote a. Eligible new accounts and eligible accounts that have changed to this mandate are added to the composite after one full month of performance, excluding any first partial month following inception or notification of mandate change. Accounts are removed from the composite if they breach the minimum account size for two consecutive months based on beginning market value for the month or if they become non-discretionary due to client-directed restrictions according to the firm's definition of what constitutes discretion. Effective 1 January 2006, the composite name was changed from FTCI International Large Cap Equity Composite to FGA International Large Cap Equity Composite due to the firm name change from FTCI-Institutional Division to Fiduciary Global Advisors. Effective 1 January 2007, the composite name was changed from FGA International Large Cap Equity Composite to Franklin International Large Cap Growth Equity Composite due to the integration of Fiduciary Global Advisors into the Franklin Global Advisers unit of Franklin. Effective 1 July 2007, the composite name was changed from Franklin International Large Cap Growth Equity Composite to Franklin Non-U.S. Equity Composite.

c Basis of Presentation and Calculation Methodology - Total returns are both gross and net of investment advisory fees, are inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains or other earnings. Dividends, interest income, and capital gains are net of any applicable withholding taxes. Both gross and net performance results are time-weighted rates of return, including realized and unrealized gains and losses. Monthly composite returns are calculated by weighting each account's monthly return by its beginning market value as a percent of the total composite beginning market value. Quarterly and annual returns are calculated by linking the monthly returns through compounded multiplication. Returns for periods of less than one year are not annualized. Returns for accounts in the composite have been calculated historically based on month-end valuations using the Modified BAI (Bank Administration Institute) Method, which adjusts for cash flows on a day-weighted basis using an internal rate of return (IRR) methodology for each month, with monthly returns then geometrically linked together to generate time-weighted rates of returns for longer periods. In 2004, accounts started a conversion process to a new portfolio accounting system using daily valuation. Since early 2006, returns for all accounts in the composite are calculated using daily valuation, with daily returns then linked together to generate time-weighted rates of returns. For the time periods when separate accounts use the Modified BAI Method, net performance is reduced by investment management fees by applying the standard fee schedule in effect at such time with applicable breakpoints on a monthly basis to the actual market values of the accounts in the composite at each point in time. If the standard fee schedule changed, returns were adjusted only going forward from the time of the change with no retroactive restatement. As a result of the conversion to the new portfolio accounting system, net performance for each separate account reflects actual investment management fees charged, assessed quarterly in arrears, and actual performance fees as applicable. For pooled investment vehicles that are eligible for inclusion in the composite, net performance figures have historically been calculated for this composite by applying the standard fee schedule with applicable breakpoints to the gross monthly returns of the pooled investment vehicle, in the same manner as for separate accounts. As a result of the conversion to the new portfolio accounting system, net performance figures for pooled investment vehicles are based on net asset values for the primary share class (if applicable) before sales charges and have been reduced by investment management fees, administrative fees, and all other pooled vehicle related expenses (the "total expense ratio"). Pooled investment vehicles may offer other share classes, which are subject to different fees and expenses, affecting their performance. Gross of fee returns for pooled investment vehicles are calculated by adding back 1/12 of the pooled investment vehicle's total annual expense ratio to the monthly returns which are based on the net asset values for the primary share class. The total expense ratio reflects the investment management fees, administrative fees and all other pooled vehicle-related expenses for the primary share class but do not include any sales charges. Account portfolios are valued daily at fair market value on a trade date basis, with adjustment for all cash flows, and market values include accrued income for fixed income securities. Where market quotations are readily available, securities are valued thereon (using closing quotations when available), provided such quotations adequately reflect, in the judgment of the firm, the fair value of the securities. Positions for which no quotation is readily available are valued at fair market value using quotations from brokers or using Franklin Templeton's own assessment of fair market value based on fundamental analysis (earnings multiples, price to cash flow analysis), discounts from market prices of similar securities, or matrix pricing, among other methods. Securities not in the base currency of the portfolio have (since 1 September 2004) generally been valued using foreign exchange rates obtained through Reuters, using 4:00 PM (New York time) foreign exchange (FX) rates. Effective June 2006, Franklin began to revert to the use of London FX rates for selected separate accounts and, if approved by the respective boards, selected mutual funds (generally offshore funds), due to requests from clients and in order to move toward industry practice of utilizing London FX rates. Accounts in this composite may include accounts that have reverted to the use of London FX rates. Prior to 1 September 2004, rates were pulled from WM/Reuters at mid-day New York time for initial review, then FX rates were pulled in again at 3:30 PM EST. These rates were compared against the rates pulled in at mid-day and, if rates had moved by 1% or more, the 3:30 PM rates were used (rates prior to 1 September 2004 are referred to as "hybrid FX" rates). While valuations for individual security positions began using the New York close effective 1 September 2004, the asset-weighted composite calculation continued to use London close until 31 December 2004 for purposes of translating non-base account market values and returns for accounts in currencies other than the base currency of the composite before changing to the use of New York close on 1 January 2005. Effective 1 January 2008, the asset-weighted composite calculation reverted to using London close once again. **Past performance does not guarantee future results and results may differ over future time periods.**

d Description of Index - The primary benchmark is the MSCI EAFE Index. The MSCI EAFE Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country-specific indexes, excluding the U.S. and Canada. The secondary benchmark is the MSCI EAFE Growth Index. The MSCI EAFE Growth Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country-specific indexes, excluding the U.S. and Canada, that have more growth-oriented investment style characteristics. Returns for the benchmarks include income or dividends not adjusted for foreign withholding taxes (the "gross of dividends" series of MSCI) and are based on foreign exchange rates established at the London close (or mid-day New York time). FX rates used by index vendors are obtained from their respective FX vendors and may differ slightly from the FX rates used by Franklin, which (effective 1 September 2004) for individual security valuations and (effective 1 January 2005) for translating non-base account market values to the base currency of the composite began to use 4:00 PM (New York time) rates. Beginning with the third quarter of 2008, Franklin reverted to the use of London FX rates for all time periods back to inception for converting composite base currency returns into other currencies and for reporting benchmark returns, in order to conform to more common industry practice. The benchmarks, which are not managed, are used for comparative purposes only and are provided to represent the investment environment existing during the time periods shown.

All MSCI data is provided "as is". The composite described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the composite described herein. Copying or redistributing MSCI data is strictly prohibited.

e Minimum Account Size - The minimum account size required for separate accounts to be included in this composite was US $1 million from inception to 31 December 1993, US $3 million from 1 January 1994 to 30 June 2004, and US $10 million from 1 July 2004 to the present. The reason for these changes was to allow for a greater number of issues and increased diversification to best meet the investment objective. The minimum account size required for mutual funds to be included in this composite was US $20 million thru 30 September 2005, US $15 million from 1 October 2005 to the present. The minimum account size is higher for mutual funds because mutual funds require meeting redemptions and subscriptions on a daily basis and because the mutual fund(s) the firm has offered in this strategy typically have a few large investors vs. many small investors, making the likelihood of larger cash flows greater.

f Standard Fee Schedule - The standard investment management fee schedule has breakpoints depending on asset size, with the result that accounts with higher asset levels will pay a lower fee. Investment management fees are negotiable, so some clients may be able to negotiate a fee that is less than the standard fee schedule at a given breakpoint. For pooled investment vehicles such as mutual funds that may be in the composite, the total expense ratio may higher than the standard fee schedule for separate accounts, depending on the total expenses for that vehicle which includes management fees, administrative fees, and other expenses. The fee schedule is presented in USD.

Breakpoints	Separate Accounts
First $25,000,000	0.70%
Next $25,000,000	0.55%
Next $50,000,000	0.50%
Over $100,000,000	0.40%

g Measure of Dispersion - Dispersion represents the consistency of Franklin’s results with respect to individual portfolio returns within the composite. The dispersion of annual returns is measured by the standard deviation of equal-weighted returns for those accounts that were in the composite for each full calendar year, or partial year for the most recent year-to-date. Dispersion is not meaningful when there are five or fewer accounts in a given year or time period, so is not presented for this composite for periods when this is applicable, in accordance with GIPS® guidelines.

h Additional Information - The firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. As a firm with many mutual funds with unique investment objectives that are subject to varying regulatory requirements based on domicile of jurisdiction, Franklin considers many of its mutual funds to be single account composites, for which the objective is as stated in each respective fund's prospectus. To receive a complete list and description of Franklin composites (including any single account mutual fund composite) contact your Franklin Templeton representative at 1.800.321.8563.

FRANKLIN TEMPLETON INSTITUTIONAL

Franklin Non-US Equity

PRODUCT PROFILE

SECOND QUARTER 2011

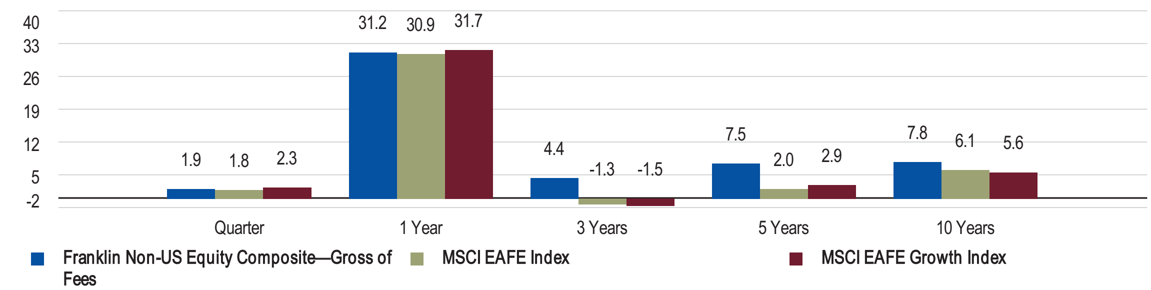
INVESTMENT APPROACH

We focus on fundamental bottom-up stock analysis with an objective to identify and select quality growth companies with sustainable business models and proven management teams that are focused on the creation of shareholder value. We utilize the recommendations from this analysis seeking to build a best-ideas portfolio that is benchmark indifferent, yet diversified, by limiting the overlap of economic exposures among companies. Our in-depth research supports our longer-term perspective, seeking to hold securities for three to five years.

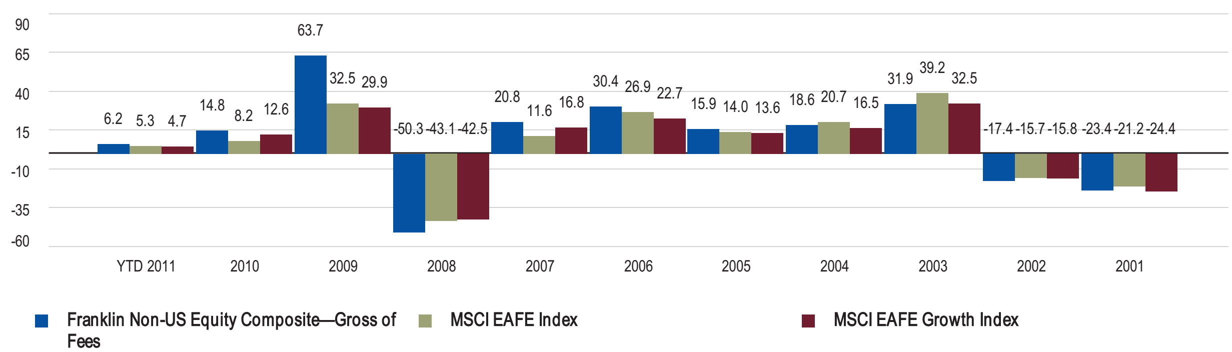
PERFORMANCE DATA (USD%)*

Average Annual Total Returns for Periods Ended June 30, 2011

	Quarter	1 Year	3 Years	5 Years	10 Years
Franklin Non-US Equity Composite—Gross of Fees	1.9	31.2	4.4	7.5	7.8
Franklin Non-US Equity Composite—Net of Fees	1.9	30.9	4.1	7.2	7.4
MSCI EAFE Index[1]	1.8	30.9	-1.3	2.0	6.1
MSCI EAFE Growth Index[1]	2.3	31.7	-1.5	2.9	5.6



Calendar Year Returns (%)



QUARTERLY MARKET REVIEW

Sovereign debt woes in the developed world continued to make headlines on both sides of the Atlantic. While equity markets were mixed due to these events, the Greek parliament's passing of further austerity legislation in the final days of the quarter eased concerns, to which equity markets responded positively. Overall, developed markets continued to do better than their emerging brethren, with particular weakness evidenced in the BRIC countries (Brazil, Russia, India and China). Large-cap stocks outperformed small-cap stocks, while the growth investing style bested value over the period ending June 30, 2011. Turning to individual sectors, energy stocks experienced a notable drop-off in performance.

INVESTMENT OUTLOOK AND STRATEGY

Looking ahead to the second half of 2011, we think it is difficult to see how the markets can shake off the currently weak macroeconomic environment and make material gains in the short term. The current environment has led to a slowing of global consumer spending and spotty manufacturing data, increasing the likelihood that we may see more companies than usual miss Wall Street analysts' forecasts during the upcoming earnings season. In summary, we continue to remain cautious on the state of global markets and in our overall investment approach, as we believe the light at the end of the tunnel remains rather distant right now.

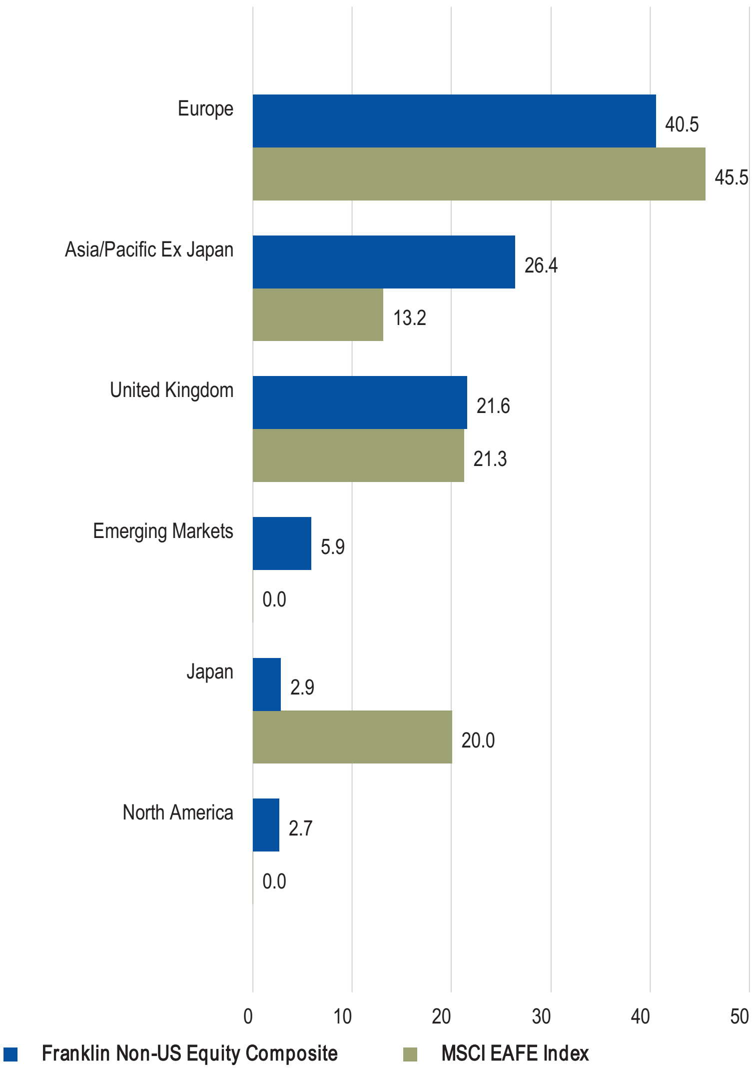
*Periods of more than one year are annualized.

PORTFOLIO CHARACTERISTICS[1,3]—FRANKLIN NON-US EQUITY COMPOSITE (AS OF 06/30/11)

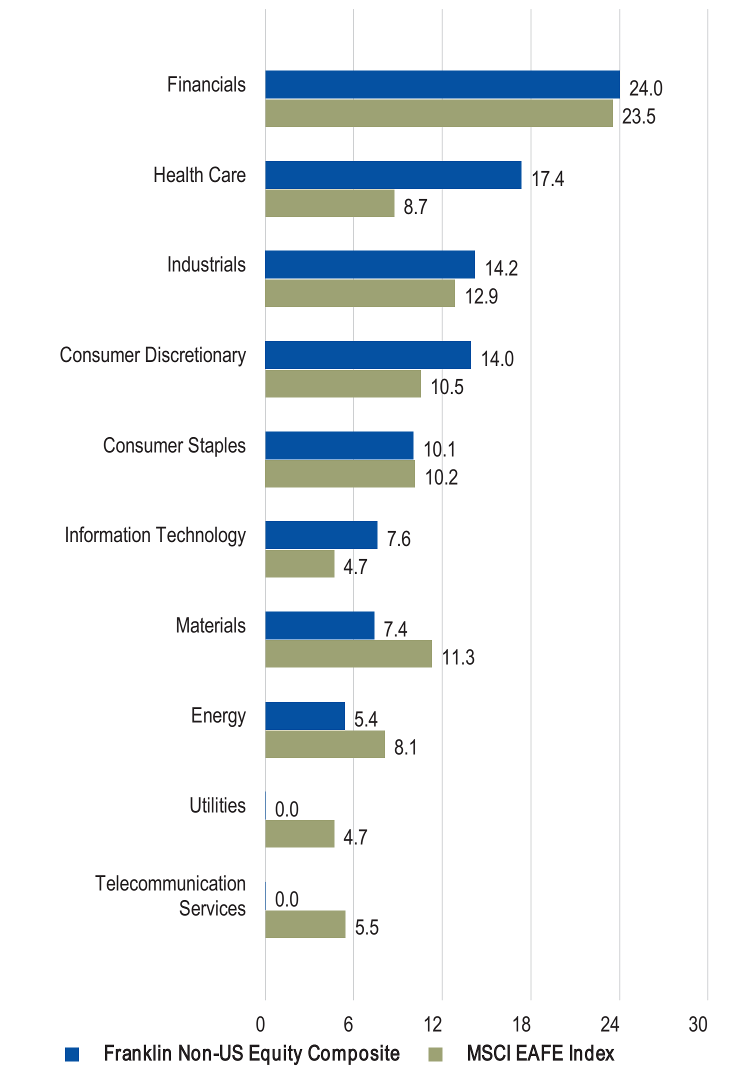
	Franklin Non-US Equity Composite	MSCI EAFE Index
Historical 3-Year EPS Growth	9.2%	-1.0%
Return on Equity	19.1%	15.3%
P/E to Growth Ratio	1.2x	0.9x
Weighted Average Market Cap (USD Million)	19,143.4	49,241.9
Number of Securities	41	944

PORTFOLIO DIVERSIFICATION—FRANKLIN NON-US EQUITY COMPOSITE (AS OF 06/30/11)

Portfolio Regional Weighting vs. MSCI EAFE Index (%)[1,4]
Percent of Equity



Portfolio Sector Weighting vs. MSCI EAFE Index (%)[1,4]
Percent of Equity



Top Ten Holdings[5]

Security	Country	Industry Group	Percent of Total
NOBLE GROUP LTD	Hong Kong	Capital Goods	3.0
CSL LTD	Australia	Pharmaceuticals, Biotechnology & Life Sciences	2.9
SYNGENTA AG	Switzerland	Materials	2.9
ABB LTD	Switzerland	Capital Goods	2.9
UMICORE	Belgium	Materials	2.8
SGS SA	Switzerland	Commercial & Professional Services	2.8
TERUMO CORP	Japan	Health Care Equipment & Services	2.8
UNITED OVERSEAS BANK LTD	Singapore	Banks	2.7
RECKITT BENCKISER GROUP PLC	United Kingdom	Household & Personal Products	2.7
LI & FUNG LTD	Hong Kong	Retailing	2.7

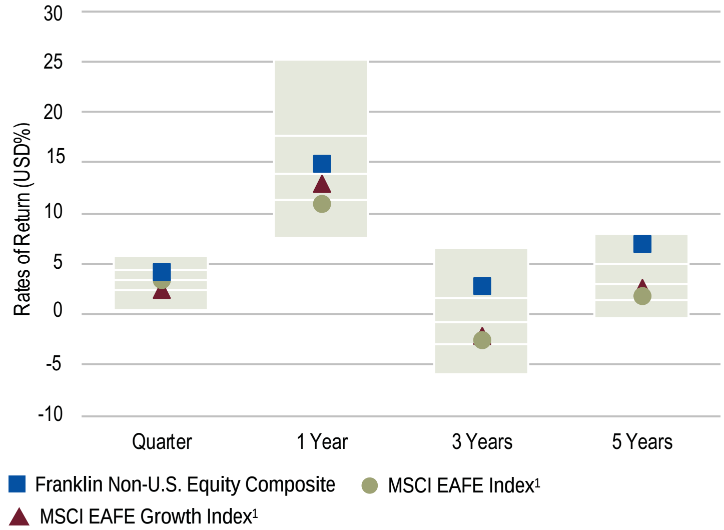
LONG-TERM PERFORMANCE ANALYSIS—FRANKLIN NON-US EQUITY COMPOSITE (AS OF 06/30/11)

Supplemental Performance Statistics

	10 Years*	5 Years*	3 Years*
Supplemental Information—Annualized Performance (USD)			
Franklin Non-US Equity Composite—Gross of fees	7.8	7.5	4.4
MSCI EAFE Index[1]	6.1	2.0	-1.3
MSCI EAFE Growth Index[1]	5.6	2.9	-1.5
Standard Deviation			
Franklin Non-US Equity Composite	19.15	22.75	26.70
MSCI EAFE Index[1]	18.21	21.32	25.52
MSCI EAFE Growth Index[1]	17.44	20.33	24.28
Tracking Error			
vs. MSCI EAFE Index[1]	5.56	6.76	8.00
vs. MSCI EAFE Growth Index[1]	5.39	6.60	7.48
Information Ratio[6]			
vs. MSCI EAFE Index[1]	0.31	0.82	0.71
vs. MSCI EAFE Growth Index[1]	0.41	0.70	0.79

Peer Relative Performance*
Franklin Non-U.S. Equity Composite (Gross of Fees) vs. Non-U.S. Equity Universe**

Performance Universe Comparisons as of March31, 2011



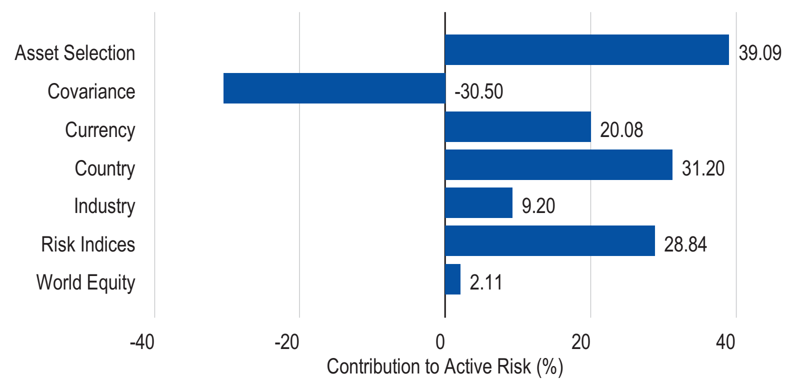
QUARTERLY PERFORMANCE ATTRIBUTION[2]

- Selections that contributed to overall portfolio performance for the period included holdings in the Industrials, Materials and Consumer Staples sectors.
- The primary detractors for the period included holdings within the Consumer Discretionary, Information Technology and Health Care sectors.
- Sector allocation was positive for portfolio performance versus the MSCI EAFE Index. The portfolio's overweighting in the Health Care and the Consumer Discretionary sector and its underweighting in the Energy sector positively contributed to relative results. In contrast, an overweighting in the Information Technology sector negatively impacted performance. Sector weightings are the result of our bottom-up stock selection process.

BARRA RISK ANALYSIS***—FRANKLIN NON-US EQUITY COMPOSITE VS MSCI EAFE INDEX[1] (AS OF 06/30/11)

	Standard Deviation
Total Active Risk (Predictive Tracking Error)	4.60
Active Specific Risk	2.88
World Equity Risk	0.67
Active Common Factor Risks	
Risk Index	2.47
Industries	1.40
Countries	2.57
Currencies	2.06
Total Portfolio Risk	20.51
Benchmark Risk	21.22

Active Risk Profile†



Barra Active Risk Index Exposure††			
Size	-0.61	Size Non-Linearity	0.46
Momentum	0.21	Growth	0.29
Value	-0.65	Financial Leverage	-0.50
Volatility	-0.12	Liquidity	0.07

*Periods of more than one year are annualized.

**Universe source: Evestment Alliance. Peer universe data for the most recently completed quarter was not available at the time this material was printed. The peer universe includes unaffiliated institutional asset managers that manage similar mandates. Universe percentile rankings were calculated using gross of fee performance. A managed account will incur investment management fees, which will reduce performance. All calculations were made assuming reinvestment of dividends. The universe consisted of 638, 631, 587, and 491 constituents for the Quarter, 1-, 3-, and 5-year periods, respectively.

***Barra Inc.'s analytics and data (www.barra.com) were used in the preparation of this report. Copyright 2011 BARRA, INC. All Rights Reserved. The model used in this Barra Risk Analysis section changed as of March 31, 2009 due to the creation of the new Barra model - the GEM2. The current model takes country and industry factors on an equal basis whereas the prior model primarily focused on the country as the determining factor of an asset's risk.

†Covariance reflects the magnitude of co-movement of the composite's portfolio and benchmark's **common** factors (Country, Currency, Industry, and Risk Index exposures). The World Equity risk factor is the regression intercept of Barra's global equity risk model - GEM2 that is designed to reflect a global view of risk.

††In Standard Deviation Units.

INVESTMENT STRATEGY

We Believe Our Approach Has the Potential to Deliver Alpha over a Full Market Cycle

Bottom-Up, Research-Driven Portfolio
- Concentrated portfolio with approximately 40 holdings*

Longer-Term Investment Horizon
- Historical portfolio turnover of 40–50%*
- Less than half of turnover due to complete buys or sells

Maintain Approximately Equal-Weighted Positions and Utilize a Contrarian Rebalancing Approach
- Positions have typically ranged from 2.0–3.5%*
- Sell following stock price strength; buy following stock price weakness

Benchmark Indifferent, Seeking to Manage Risk by Limiting Economic Overlap among Holdings
- Select companies whose earnings streams are not highly correlated
- Has typically resulted in a diversified portfolio across MSCI Global Industry Classification Standard (GICS)[1] sectors and industries*

Global Opportunity Set
- Search without borders, average allocation to emerging markets has been less than 10%*

STOCK SELECTION DISCIPLINE

We Focus on Selecting Companies That Meet Our Rigorous Investment Criteria

Growth

Free cash flow analysis to assess:
- Sustainable business model
- Long-term competitive advantage
- Value-generating reinvestment record

Quality

Capital return and management analysis to assess if:
- Proven creation of value
- Financial transparency sufficient to understand company
- Accountability in corporate governance

Valuation

Common discount cash flow/dividend model to assess:
- Relative attractiveness of company
- Valuation support under different scenarios

* Information is based on the Franklin Non-U.S. Equity representative account as of the date of this product profile. The historical turnover is based on the Franklin Global Equity representative account over a five-year period ended 12.31.09 and is a byproduct of the strategy's long-term approach, but various factors, such as a portfolio's specific investment guidelines and market or economic conditions may cause portfolio turnover to vary. For more information regarding the strategy's historical turnover ratio, please contact your Franklin Templeton marketing representative. A representative account including, but not limited to, its holdings and characteristics, may vary significantly from other similarly managed separate accounts, depending on a variety of factors, such as portfolio size, specific investment guidelines and inception date of the account.

INVESTMENT AND PRODUCT MANAGEMENT TEAM

Franklin Global Large Cap Management Team	Years with Firm	Years Experience
Coleen Barbeau - Senior Portfolio Manager	28	30
John Remmert - Senior Portfolio Manager	9	24
Franklin Global Large Cap Team	**Number of Members**	**Average Years Experience**
Institutional Portfolio Manager	1	29
Analyst/Portfolio Manager	1	14
Research Analysts	7	11
Additional Resources		
Franklin Global Small Cap Team	Franklin European Equity Team	Franklin U.S. Growth Team
Product Managers	**Years with Firm**	**Years Experience**
Amber Saft	9	9

COMPLIANCE STATEMENT AND OTHER INFORMATION

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

Franklin (the "firm") encompasses the equity, fixed income and balanced accounts managed by Franklin Advisers, Inc., and related Franklin affiliates, including, effective January 1, 2007, the equity accounts managed by the institutional investment teams of Franklin Templeton Institutional, LLC under the former firm name of Fiduciary Global Advisors. The combined equity assets of Franklin and Fiduciary Global Advisors form the Franklin Equity Group (formerly Franklin Global Advisors prior to June 30, 2010) unit of Franklin going forward. Effective January 1, 2006, the fixed income assets managed from that date forward by Franklin Templeton Institutional, LLC ("FTI") or its related affiliates (managed previously by Fiduciary Trust Company International - Institutional Division or "FTCI's Institutional Division") that went through the institutional portfolio review process were combined with the fixed income assets of Franklin to form the Franklin Templeton Fixed Income unit of Franklin.

The Franklin Non-U.S. Equity Composite consists of all portfolios managed on a fully discretionary basis with an investment objective that seeks to outperform its benchmark on a gross of fees basis by investing in non-U.S. equities. Franklin employs a bottom-up fundamental approach to stock selection, utilizing in-depth analysis to select companies based on growth, quality and valuation investment criteria. Prior to January 1, 2004, Franklin employed a growth-oriented top-down, bottom-up investment approach. Franklin does not employ leverage or use derivatives in any account in the composite except for the use of foreign currency forward contracts in conjunction with the normal settlement of security trades in currencies other than the base currency of each account. Total returns are presented in U.S. dollars both gross and net of investment advisory fees, are inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings. Returns for periods of less than one year are not annualized. The performance presented for Franklin is in compliance with GIPS® from January 1, 2000 to the present. Effective with the third quarter of 2008, composite returns in base currency are translated to other currencies using London FX rates instead of New York rates for all time periods presented, which may result in revisions to multi-currency returns compared to what was previously reported for prior periods. **Past performance does not guarantee future results and results may differ over future time periods.**

The MSCI EAFE Index is the primary benchmark. The benchmark is used for comparative purposes only and is provided to represent the investment environment existing during the time periods shown. The MSCI EAFE Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country-specific indexes, excluding the U.S. and Canada.

Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. To receive a complete list and description of Franklin Templeton composites (including any single account mutual fund composite) and/or a presentation that adheres to the GIPS® standards for any composite, contact your Franklin Templeton institutional representative at 1.800.321.8563.

Explanatory Notes:

1. Source: Morgan Stanley Capital International (MSCI). All MSCI data is provided "as is". The composite described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the composite described herein. Copying or redistributing the MSCI data is strictly prohibited.
2. Based on a representative portfolio taken from the Franklin Non-U.S. Equity Composite. A representative portfolio may vary significantly from other similarly managed separate accounts, depending on a variety of factors, such as portfolio size, specific investment guidelines and inception date of the account.
3. For the portfolio, the P/E calculation for the weighted average uses the harmonic mean. Due to data limitations, all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase.
4. Percentage may not equal 100% due to rounding. Regional and sector diversification information is historical, and may not reflect current or future portfolio characteristics.
5. Holdings of the same issuers have been combined. Top ten equity holdings information is historical, and may not reflect current or future portfolio holdings. All holdings are subject to change.
6. Information ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the composite return and the benchmark return over time).

This piece is intended for institutional investment management consultants or investors interested in institutional products and services available through Franklin Templeton Institutional and its affiliates. Various account minimums or other eligibility qualifications apply depending on the investment strategy or vehicle.

Franklin Templeton Investments
Performance Summary
Period Ending August 31, 2011

	Currency	Inception Date	Market Value (Thousands)	Security Category Description	1 Mth To 31-Aug-11	3 Mths To 31-Aug-11	YTD To 31-Aug-11	1 Yr To 31-Aug-11	2 Yrs* To 31-Aug-11	3 Yrs* To 31-Aug-11	5 Yrs* To 31-Aug-11	7 Yrs* To 31-Aug-11	10 Yrs* To 31-Aug-11	Inception* To 31-Aug-11
FRANKLIN NON-U.S. EQUITY COMPOSITE	USD	31-Dec-87	$1,150,873	Gross Market Weighted Average	-6.71	-11.97	-3.50	13.01	12.74	3.40	4.67	10.02	7.79	7.85
FRANKLIN NON-U.S. EQUITY COMPOSITE	USD	31-Dec-87	$1,150,873	Net Market Weighted Average	-6.72	-12.03	-3.70	12.69	12.42	3.10	4.39	9.71	7.40	7.25
MSCI EAFE Index	USD		N/A	Gross	-9.02	-11.55	-5.66	10.50	4.10	-2.50	-1.01	5.68	5.41	5.38

NOTE: All Returns in: US Dollar

* = Annualized Rate of Return

September 27, 2011 Agenda Item 6.2 c

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: International Large Cap Growth Manager Interview: Gryphon International Investment Corporation – EAFE Equities

COMMENT: The manager presentation booklet that goes with this agenda item was distributed in the first mailing.

Below are the presenters:

11:00 a.m. Interview Gryphon International Investment Corporation – EAFE Equities

Larry McManus - President and Chief Executive Officer of Gryphon International

Robin P. Armour - AMD Capital, LLC (Gryphon's third party marketing firm)

The following is an overview of the firm and the product.

General Firm Information

Firm Legal Name: Gryphon International Investment Corporation
Firm Headquarters: 20 Bay Street
Suite 1905
Toronto, Ontario M5J 2N8
Canada
Year Firm Founded: 1995
Registered Investment Advisor: Yes
Firm Website Address: www.gryphonintl.com

Firm Background

Gryphon International Investment Corporation (GIIC) was incorporated in 1995 as a joint venture between its two principals Alexander (Alex) Becks and Lawrence (Larry) McManus and Gryphon Investment Counsel (GIC). On April 1, 1996, the firm began offering EAFE Equities to clients. In 1998, GIIC extended its product offering to include U.S. Equities, which when bundled with the EAFE Equities created a Global Equity product. The firm has grown both by assets and personnel, but the overall strategy and philosophy have remained consistent since its inception.

GIIC's founding partners, Alex Becks, Chairman and CFO, and Larry McManus, President, CEO, Secretary and Chief Compliance Officer, each hold 35% of the GIIC voting shares, with Gryphon Investment Counsel, Inc., the related company to GIIC, holding 30%. While no changes have occurred in the owners of the firm, the percentage ownership was changed to that as described above in February 2008.

Additional Comments

GIICs business objectives emphasize management of the firm's present investment product line, i.e. EAFE, Global and U.S. Equity mandates based on model portfolios. Accordingly the primary focus of the firm's investment professionals will continue to be a commitment to sustaining investment performance in these products. There are no immediate plans to change the ownership or capital structure. However investment professionals may be offered an opportunity for equity ownership in the firm in the future.

Effective September 30, 2010, GIIC implemented an internal client reclassifciation. There has been no material change to assets. There have been changes to primary classifications to better reflect GIIC's client base.

General Product Information

Research & Screening Process

The product universe is drawn from approximately 800 EAFE companies that are considered to be broadly attractive investment opportunities based on:

1) the investment team's extensive experience researching companies and assessing management capabilities
2) country classification
3) no deep cyclicals
4) minimum annual growth rate of 8%
5) a strong balance sheet

The broad list of companies is narrowed to 150 – 200 by applying the firm's selection screening process. The selection screens, which include valuation analysis, technical and quantitative factors, and risk controls, help guide the determination of which companies will be included in the portfolio, invariably between 35 and 55 securities.

GIIC does not actively subscribe to any country allocation weights because its philosophy is benchmark indifferent. Security selection is paramount to the portfolio construction process and enhancement of portfolio returns under the firm's bottom-up research investment philosophy. As such, country weights are a result of individual security selection, excepting situations where risk/concentration parameters are in jeopardy.

The investment team utilizes a disciplined selection strategy. If a security is to be included in the portfolio, the following factors are considered:

• Valuation analysis on an absolute basis (e.g. price-earnings to growth (PEG) ratio of less than 1, excellent earnings and cash flow generation).
• Primarily global or pan-European or pan-Asian exposure of the company's business.

- Leadership qualities (including a highly competent management team and a focused, clearly articulated and realistic growth strategy).
- Solid balance sheet (based on considerations such as leverage, asset quality, and disclosure of financial liabilities).
- Liquidity.
- Consistent financial performance (evidenced through earnings, cash flow, ROE, ROCE, etc.).
- Corporate governance practices.
- Quantitative analysis (evidenced through strong Balance Sheet and Income Statement).
- Qualitative analysis (including management assessment, historical judgment, market and industry context).

The product allows for investment in emerging markets, with a weight between 0-10% of the portfolio. Emerging markets' investment selection is based on the same criteria as other securities in the portfolio. The Emerging markets GIIC considers are Taiwan, South Korea, Thailand and India.

A number of risk control parameters are also applied to the portfolio construction process, including with respect to sector and regional exposure, security and cash position weights.

Portfolio Construction & Risk Control Methodology

GIIC does not actively subscribe to any country allocation weights because its philosophy is benchmark indifferent. Security selection is paramount to the portfolio construction process and enhancement of portfolio returns under the firm's bottom-up research investment philosophy. As such, country weights are a result of individual security selection, excepting situations where risk/concentration parameters are in jeopardy. A number of risk control parameters are also applied to the portfolio construction process, including with respect to sector and regional exposure, security and cash position weights.

Buy/Sell Discipline

GIIC's decision making process for portfolio securities is team based – Larry and Alex must agree as to whether a security is to be purchased or sold. The Investment Analysts work closely with the Portfolio Managers to determine which securities are to be maintained in the portfolio. The team approach centers on the portfolio as a whole.

A buy decision is the culmination of the processes and steps outlined in the screening process above. The firm's Portfolio Managers make consensus decisions following the application of the screening process, including discussions/consultation with the senior management of a company whenever possible, as well as internal discussions with GIIC's Investment Analysts as to available research findings.

GIIC has a seven-step sell process that encapsulates the firm's sell discipline/trading philosophy, and its process for monitoring holdings for possible sale. Three factors relate to qualitative judgment, three factors relative to mechanical criteria, and one factor relates to opportunity.

The factors concerning qualitative judgment pertain to changes in GIIC's expectations for the security and/or sector, weakened confidence in management and unexpected volatility. The mechanical factors pertain to constraints such as a relative portfolio weight of 6%, a PEG approaching 2, and sector limitations/allocations. The opportunistic factor is a derivative of qualitative judgment and/or mechanical factors and is predicated on a better opportunity existing elsewhere.

The Portfolio Managers have used this process for many years and do not deviate from it. There is no minimum time period for holding a position. Positions are added to portfolios with the intention of being long-term growth opportunities and would be sold if/when the outlook for the company degenerated from the time the buy decision was made.

Trading Strategy

GIIC uses the Montreal trading desk of its sister company, Gryphon Investment Counsel, to do all of its equity and cash management and foreign exchange trading. There is one trader and two back-up traders at this location; neither one is a Portfolio Manager.

The equity trader has the authority to act within the guidelines set by the trade order, which has been approved by a Portfolio Manager. If a stock begins to trade outside of the parameters set by the Portfolio Manager, the trader must bring this to the Manager’s attention to determine if the order should proceed.

While there is a separation of duties between equity management and trading, there is on-going communication. Gryphon believes that it is helpful for the portfolio managers to appreciate the type of flows and the depth in the market, and for the equity trader to be aware of the securities that are of interest to the investment management team.

Under the definition of “Soft Dollars,” GIIC technically uses soft dollars due to the fact that it may receive investment decision-making services to further trading conducted on behalf of clients insofar as GIIC may receive analyses and reports concerning securities, portfolio strategy or performance, issuers, industries or economic or political factors and trends or other related research materials.

However, it is important to note that GIIC uses “Soft Dollars” on an incidental basis only (i.e. GIIC receives research on an unsolicited basis through “bundled research” provided by brokers.) It is GIIC’s experience that the provision of research is ubiquitous among brokers that can provide best execution and competitive pricing for trades in international equities. Given this situation, GIIC does not explicitly track research received on a “Soft Dollar” basis and does not place a dollar value on the research received. Research materials are a secondary consideration regarding selection of brokers that is ordinarily only considered if two brokers are found to provide largely identical opportunities for best execution and pricing. There is no other use of “Soft Dollars” (e.g. for hardware or operational expenses.)

Additional Comments

GIIC uses the model portfolio approach extensively. This process is done by the entire team and no individual manager has discretion to alter an individual account.

Derivatives Used in Managing This Product: No

GRYPHON INTERNATIONAL INVESTMENT CORPORATION

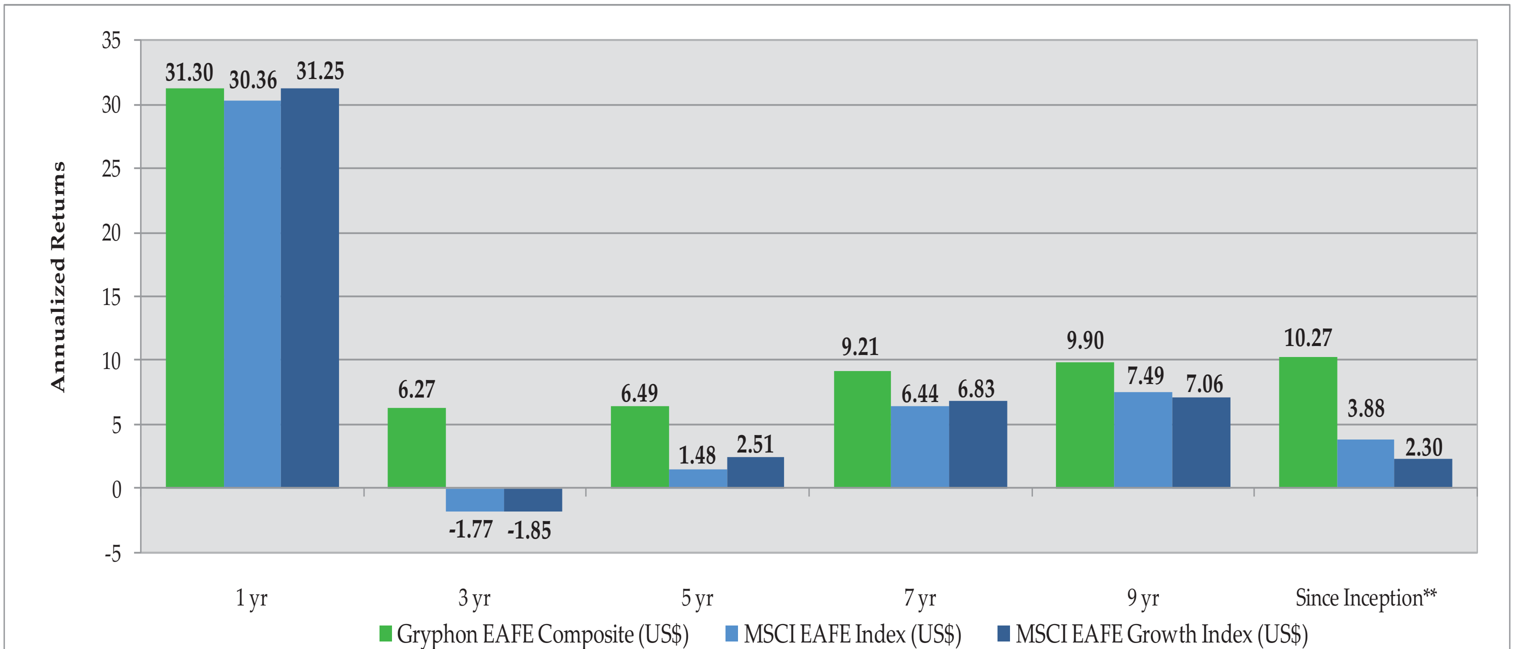
San Mateo County Employees' Retirement Association

September 27, 2011

(EAFE Equities in U.S. Dollars)
(As of June 30, 2011)

OUR ANNUALIZED PROOF STATEMENT

(As of June 30, 2011*)



*** 2011 results—preliminary, unaudited **January 1, 1999**

SINCE INCEPTION ENDING 06/30/2011

EAFE Equity Composite vs. MSCI EAFE Index

Total Gross Returns 239% vs. 61%

EAFE Equity Composite vs. MSCI EAFE Growth Index

Total Gross Returns 239% vs. 33%

Founded 1995
Current Assets $6.7 Billion
Focused All-Cap Growth Portfolio

Gryphon International Investment Corp.

Gryphon International Investment Corporation claims compliance with the Global Investment Performance Standards (GIPS®Standards) and has prepared and presented this report in compliance with the GIPS®Standards. All performance is presented before investment management fees. Past performance is not a guarantee or indication of future performance. Please refer to Page 15 for full disclosure.

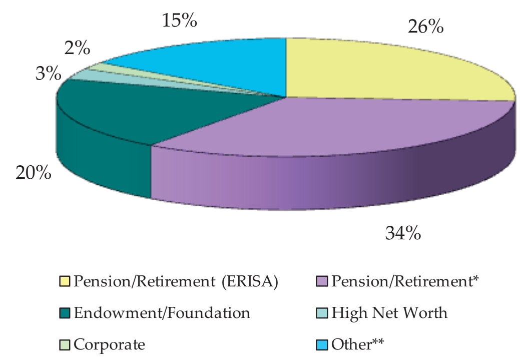
OUR ASSET BREAKDOWN

(As of June 30, 2011)

Client Base

Total Assets (U.S. $ MM)		6,740
Mandates		
EAFE Mandates	5,865	
Global Mandates	875	
U.S. Client Assets		84%
Non-U.S. Client Assets		16%

Firm Assets: ($6.7B)



*Includes Multi-Employer/Union of 10%
**Arts/Cultural, Educational, Healthcare, Pooled/Private Fund, Religious

Effective 09/30/2010, GIIC implemented an internal client reclassification. While there was no material change to assets, there were changes to primary classifications to better reflect GIIC's client base.

OUR COMPANY STRUCTURE

Investment Management

Alex Becks, Portfolio Manager
Larry McManus, Portfolio Manager
Raj Bharwani, Associate Portfolio Manager
Kathryn Collins, Associate Portfolio Manager
Peter Hanley, Associate Portfolio Manager
John Hwang, Investment Analyst

Support

Cheryl D'Souza,
Executive Assistant

Support

Ann MacDonald,
Executive Assistant

Support*

Administration

Sandra Wark, Controller
Steve Barringer,
Sr. Business Analyst
Steve Barringer Jr.,
Business Analyst

Compliance

Nicholas Spiers,
Senior Compliance Administrator
Maryann Madore,
Compliance Assistant

Operations/Client Services

Carol Sauvé, General Manager, Operations
Pamela Wong, Portfolio Analytics
Ryan Chow, Portfolio Analytics
Hazel Pinto, Administrator
Tara Miller, Administrator
Mellissa Sutherland, Administrator

Information Technology

Trevor Malanda,
Technology Administrator

(*Back-office trading /administrative services from Gryphon Investment Counsel Inc. staff)

OUR PHILOSOPHY

We believe that:

- Our goal is to find the most attractive global growth companies regardless of:
  - Size
  - Sector, or
  - Location

  …within prudent portfolio risk controls
- Our approach leads us to a strong emphasis on absolute valuation, relative to growth rates
- In order to make long-term, high-conviction decisions, we prefer to interview senior management
- To properly manage a diversified portfolio, we enforce strict investment criteria
- Investment style: Growth at a reasonable price
- Benchmark indifferent

OUR PROCESS: TIGHTLY DEFINED CRITERIA

Our Universe	Investable Companies	Watch List	Closely Monitor	Portfolio
• Investable countries • No deep cyclicals • Annual growth above 8% • Strong balance sheet	• Liquidity • Leadership position • Earnings quality • Corporate governance	• Business strategy and financials • Financial discipline • Management track record • Outlook and forecasts	• Valuations • Technical/ quantitative factors • Risk controls • PM Consensus	• Review and monitor
800	**200**	**100**	**35 – 55**	
• Quantitative & qualitative screens • Networking, industry conferences, business publications • Investment Team	• Annual Reports, filings • Conference calls, company-specific broker research • Brief historical financial reviews • Investment Team	• Management meetings • Close scrutiny of fundamentals • Detailed filings and reports • Investment Team	• Further financial analysis • Conference calls, follow-up meetings, regular management contact • Close review of company and industry information • PM-focused	• PMs

OUR SEVEN-STEP SELL DISCIPLINE

MECHANICAL	**One**	Position weight reaches 6%	**Trim**
	Two	PEG Ratio approaches 2	**Trim / Sell**
	Three	Sector Concentration hits limit	**Trim / Sell**
JUDGMENTAL	**Four**	Change in our expectations	**Sell**
	Five	Confidence in management weakens	**Reassess**
	Six	Unexpected price volatility	**Reassess**
OPPORTUNISTIC	**Seven**	Better opportunity exists elsewhere	**Replace**

OUR RISK PARAMETERS

- **VALUATION RISK** – is there a margin of safety?

Absolute Valuation Criteria

- **BUSINESS RISK** – loss of quality and earning power through economic changes or management concerns.

Regular Company Contact

- **FINANCIAL RISK** – to detect the presence of potential financial weakness.

Balance Sheet/Cash Flow Analysis

WHAT WE LOOK LIKE TODAY

(Based on the Gryphon International EAFE Growth Fund as of June 30, 2011)

Total Security Positions	52
EPS Growth (projected 3 year)	13%
P/E (one year forward)	12.4x
PEG Ratio	1.0x
Debt / Capital	32.3%
Yield	2.3%

Market Capitalization

Up to $5 Bil	24%
$5 – $25 Bil	41%
> $25 Bil	35%

Top Ten Holdings
(32.1% of Portfolio)

Fresenius SE	Germany
Inditex SA	Spain
Total SA	France
BNP Paribas	France
Novartis AG	Switzerland
Heineken NV	The Netherlands
Li & Fung Limited	Hong Kong
Schneider Electric SA	France
Siemens AG	Germany
Kingboard Chemical Holdings Limited	China

Country Allocations	Gryphon International EAFE Growth Fund		MSCI EAFE	
Europe	**62.6%**		**66.1%**	
France		17.5 %		10.5 %
Germany		14.9		9.0
The Netherlands		10.4		2.5
Switzerland		7.0		8.3
U.K.		4.3		21.3
Spain		4.0		3.6
Sweden		3.2		3.1
Italy		1.3		2.8
Other		0.0		5.0
Asia-Pacific (excl EM)	**29.8%**		**33.2%**	
Japan		22.3 %		20.1 %
Hong Kong		6.1		2.7
Singapore		1.4		1.7
Australia & New Zealand		0.0		8.7
Middle East	**0.0%**		**0.7%**	
Emerging Markets (A-P)	**4.5%**		**0.0%**	
Cash	**3.1%**		**0.0%**	
Sector Weightings				
Industrials		22.4 %		12.9 %
Consumer Discretionary		19.8		10.5
Consumer Staples		12.6		10.2
Information Technology		12.5		4.7
Healthcare		12.3		8.7
Financials		6.9		23.5
Energy		5.3		8.1
Materials		5.1		11.3
Telecommunication Services		0.0		5.5
Utilities		0.0		4.6
Cash		3.1		0.0

HISTORIC vs. CURRENT PORTFOLIO CHARACTERISTICS

(Based on the Gryphon International EAFE Growth Fund as of June 30, 2011)

Portfolio Positions

Guideline	Current
35 - 55	52

Position Weights

Guideline	Current
1.0 - 6.0%	0.4*- 4.1%

*(*Building position)*

Currency Hedge

Guideline	Current
0%	0%

Average Turnover* *(Historical)*

15%

*(*Annual)*

Three Year EPS Growth

Historic	Current
10 - 16%	13%

P/E to Growth Ratio

Historic	Current
0.8 - 1.8x	1.0x

Sector Weights

(Minimum 6 out of 10 sectors)

Guideline	Current
0.0 - 25.0%	5.1 - 22.4%

(8 out of 10 sectors)

Emerging Markets

Guideline	Current
0.0 - 10.0%	4.5%

Regional Allocations

	Guideline	Current
Europe	30-70%	62.6%
Asia-Pacific *(incl EM)*	30-70%	34.3%
Cash	0-10%	3.1%

SAMPLES OF PORTFOLIO HOLDINGS' EMERGING MARKET EXPOSURE

	% of Revenues*	MSCI Sector
adidas AG (Germany)	30%	Consumer Discretionary
Asahi Glass Company Limited (Japan)	38%	Industrials
Ericsson (Sweden)	64%	Information Technology
Heineken NV (The Netherlands)	65%	Consumer Staples
Hexagon AB (Sweden)	33%	Industrials
Honda Motor Co Ltd (Japan)	30%	Consumer Discretionary
Inditex SA (Spain)	35%	Consumer Discretionary
Komatsu Ltd (Japan)	65%	Industrials
Schneider Electric SA (France)	37%	Industrials
SEB SA (France)	44%	Consumer Discretionary
Siemens AG (Germany)	33%	Industrials
Standard Chartered Plc (UK)	90%	Financials
Technip SA (France)	65%	Energy
Unilever NV (The Netherlands)	56%	Consumer Staples
Vallourec SA (France)	40%	Industrials
Yue Yuen Industrial [Holdings] Limited (Hong Kong)	45%	Consumer Discretionary

*Approximate

WHY HIRE GRYPHON INTERNATIONAL

- Proven and Experienced Team
- Disciplined Investment Process
- Consistently Applied Investment Philosophy
- Demonstrated Performance
- Controlled Asset Growth:
  - Flexibility in investment choices
  - Access to investment professionals
- Dedicated to Client Service

APPENDIX

OUR ANNUAL REPORT CARD

	EAFE Equity Composite %	MSCI EAFE %	Value Added %
2011*	5.8	5.0	0.8
2010	15.0	7.8	7.2
2009	51.2	31.8	19.4
2008	-44.1	-43.4	-0.7
2007	15.9	11.2	4.7
2006	23.6	26.3	-2.7
2005	9.9	13.5	-3.6
2004	19.3	20.2	-0.9
2003	34.1	38.6	-4.5
2002	2.9	-15.9	18.8
2001	-10.9	-21.7	10.8
2000	-6.4	-14.2	7.8
1999	52.6	27.0	25.6
Three Years**	-1.0	-7.0	6.0
Five Years**	6.8	2.5	4.3
Inception**	10.2	3.6	6.6

	EAFE Equity Composite %	MSCI EAFE Growth %	Value Added %
2011*	5.8	4.4	1.4
2010	15.0	12.2	2.8
2009	51.2	29.4	21.8
2008	-44.1	-42.7	-1.4
2007	15.9	16.5	-0.6
2006	23.6	22.3	1.3
2005	9.9	13.3	-3.4
2004	19.3	16.1	3.2
2003	34.1	32.0	2.1
2002	2.9	-16.0	18.9
2001	-10.9	-24.6	13.7
2000	-6.4	-24.5	18.1
1999	52.6	29.5	23.1
Three Years**	-1.0	-5.9	4.9
Five Years**	6.8	3.5	3.3
Inception**	10.2	2.0	8.2

** 2011 returns preliminary, unaudited - as of June 30, 2011*

*** Annualized as of December 31, 2010*

Outperformance in 36 of 50 quarters

Outperformance in 33 of 50 quarters

Gryphon International Investment Corporation claims compliance with the Global Investment Performance Standards (GIPS®Standards) and has prepared and presented this report in compliance with the GIPS®Standards. All performance is presented before investment management fees. Past performance is not a guarantee or indication of future performance. Please refer to Page 15 for full disclosure.

OUR FEES AND QUARTERLY RESULTS

Investment Management Fees for All Accounts
(in percentage of assets per $US)

For accounts under $20 million

a flat fee of 0.90% (90 basis points) will apply.

For accounts over $20 million

the following schedule will apply:

First $20 million	0.75%
Next $30 million	0.60
Balance	0.50

For accounts over $150 million

a flat fee of 0.50% (50 basis points) will apply.

$50 million separate account minimum
$3 million commingled account minimum
Minimums are subject to Gryphon International's discretion

Gross Investment Performance by Quarter
EAFE Equity Composite

	Q1	Q2	Q3	Q4
2011*	3.6	2.1		
2010	5.2	(11.9)	16.2	6.8
2009	(6.9)	27.2	21.9	4.8
2008	(10.1)	(4.7)	(16.7)	(21.8)
2007	4.2	8.1	3.5	(0.6)
2006	10.5	(2.7)	6.1	8.3
2005	2.6	(1.0)	6.7	1.4
2004	3.7	0.6	2.3	11.8
2003	(6.8)	18.9	10.5	9.6
2002	11.5	2.2	(16.2)	7.7
2001	(9.6)	3.7	(13.7)	10.2
2000	2.9	(2.0)	(7.1)	(0.1)
1999	(0.9)	13.8	10.3	22.7

** Preliminary, unaudited*

Gryphon International Investment Corporation claims compliance with the Global Investment Performance Standards (GIPS®Standards) and has prepared and presented this report in compliance with the GIPS®Standards. All performance is presented before investment management fees. Past performance is not a guarantee or indication of future performance. Please refer to Page 15 for full disclosure.

EAFE EQUITY COMPOSITE (USD)

Year End	Composite Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Dispersion	Total Composite Assets ($1,000s)	Percentage of Firm Assets	Assets Under Management ($1,000s)
2010	15.01	7.75	27	0.24	4,991,864	79.55	6,275,003
2009	51.24	31.78	26	0.36	4,015,053	76.04	5,279,910
2008	-44.13	-43.38	33	0.77	2,816,291	82.46	3,415,148
2007	15.85	11.17	42	0.27	5,564,751	81.65	6,815,354
2006	23.61	26.34	45	0.63	5,203,338	87.21	5,966,249
2005	9.93	13.53	38	0.63	2,087,967	45.08	4,631,369
2004	19.35	20.25	17	0.79	604,852	60.17	1,005,159
2003	34.14	38.58	13	0.71	401,098	60.08	667,655
2002	2.87	-15.94	6	n/a	97,723	28.27	345,679
2001	-10.93	-21.68	≤5	n/a	63,317	23.99	263,894
2000	-6.37	-14.17	≤5	n/a	62,914	24.05	261,635
1999	52.58	26.96	≤5	n/a	99,933	34.81	287,098

Gryphon International Investment Corporation claims compliance with the Global Investment Performance Standards (GIPS® Standards) and has prepared and presented this report in compliance with the GIPS® Standards. Gryphon International Investment Corporation has been independently verified for the periods from January 1, 1999 to December 31, 2010. A copy of the verification reports is available upon request.

1) Gryphon International Investment Corporation ("Gryphon International" or the "Firm") is a Canadian based Investment Advisor registered in Canada and the United States that focuses on Non-Canadian equity investments. Clients include pension plans, endowments, foundations, and high net worth individuals.

2) The investment objective of this portfolio is to add value and preserve capital by focusing on absolute rather than relative returns. The portfolios are managed using a GARP ("Growth at a Reasonable Price") approach to the EAFE equity markets. To accomplish this objective, the EAFE portfolios are allowed a maximum sector weight of 25%, with a minimum investment in 6 out of 10 sectors. Exposure to EAFE equity markets is maximized by allocating the split between Europe (30-70%), Pacific Rim (30-70%) and Emerging Markets (0-10%).

3) Performance for separate portfolios is calculated monthly using the Modified Dietz time-weighted rate of return formula adjusting for daily weighted cash flows, net of trading and administrative expenses and gross of management fees. For commingled funds, the performance is calculated using the monthly NAVs provided by the fund's custodian on the last business day of the month. Quarterly and annual returns for the composite are calculated by geometrically linking the monthly returns. Past returns are not indicative of future returns.

4) Performance is calculated net of trading, custodial, trustee and all other reasonable expenses incurred in connection with the administration and management of the portfolio, but gross of management fees.

5) The composite was created in June 2004.

6) The benchmark for this composite is the MSCI EAFE Index.

7) A complete list and description of all composites maintained by the Firm and all related performance results are available upon request.

8) Accounts included in this composite have a minimum balance of $5,000,000.

9) Valuations and returns are computed and stated in U.S. Dollars.

10) Of the assets in the EAFE Equity Composite, 5.2% were invested in Emerging Markets which are not included in the MSCI EAFE Index as of December 31, 2010. Historically the composite has invested between 0% and 10% in Emerging Markets.

11) As of January 1, 2010, carve-outs represent 0% of the assets in the EAFE Equity Composite.

12) Valuations are priced on a daily basis using third-party pricing services.

13) Standard deviation presented is an equal-weighted calculation of performance dispersion for accounts in the composite for the entire year. Composite dispersion is not calculated for periods less than one year or if there are five or fewer accounts in the composite for the entire year.

14) Gryphon International utilizes forward currency contracts solely to match trade and settlement dates and manage currency risk.

15) The investment management fee schedule is as follows:
All accounts (in percentage of assets per dollar):

Under $20 million:	Flat 0.90%
Over $20 million:	0.75% on first $20 million
	0.60% on next $30 million
	0.50% on balance
Over $150 million:	Flat 0.50%

Account minimum: $50 million separate, $3 million commingled. Minimum investment commitments are subject to GIIC's discretion.

16) Foreign exchange rates for the composite were changed from the Bank of Canada closing to World Markets London 4pm as of March 2008. All MSCI Indices use World Markets Closing Rates Services.

17) Additional information regarding policies for calculating and reporting returns is available upon request.

BIOGRAPHIES: FOUNDERS

ALEX BECKS

- 1995 – Present
- **Portfolio Manager,**
  Founder and Principal, Gryphon International Investment Corporation

- 1990 – 1995
- Founder and Principal, Becks Capital Management, Maastricht, Netherlands

- 1985 – 1990
- Senior Vice President Johnston, Lemon & Co., Washington, DC

- 1978 – 1985
- General Manager Equities; Manager U.S. Common Stocks , CN Investment Division, Montreal, Canada

- 1975 – 1978
- Investment Analyst US and International Equities, Royal Trust Company, Montreal, Canada

- 1970 – 1974
- Member, International Investment / Research Committee , ABN Bank, Amsterdam, Netherlands

LARRY McMANUS CFA

- 1995 – Present
- **Portfolio Manager,**
  Founder and Principal, Gryphon International Investment Corporation

- 1994 – 1995
- Vice President and Partner, Natcan Investment Management, Montreal, Canada

- 1988 – 1994
- Manager of North American and US Common Stocks, CN Investment Division, Montreal, Canada

- 1985 – 1988
- Portfolio Manager , Calvin Bullock, Ltd., Montreal, Canada

- 1976 – 1985
- Senior Investment Officer and Senior Trust Officer, Royal Trust Company, Montreal, Canada

BIOGRAPHIES: INVESTMENT TEAM

RAJ BHARWANI
MBA

- 2008 – Present
- **Associate Portfolio Manager,** Gryphon International Investment Corporation

- 2004 – 2008
- Director, International Equities, Mackay Shields, New York, New York

- 2000 – 2004
- Senior Investment Analyst, Eagle Asset Management, St. Petersburg, Florida

- 1998 – 2000
- Senior Investment Analyst, Federated Investors, Inc., Pittsburgh, Pennsylvania

- 1995 – 1998
- Senior Product Engineer, Daimler Chrysler, Detroit, Michigan

- 1994 – 1995
- Project Engineering, WNCT, Tenneco Automotive, Jackson, Michigan

- 1986 – 1994
- Product Engineering, Chrysler Corp, Huntsville, Alabama

KATHRYN COLLINS
CA, CFA

- 2002 – Present
- **Associate Portfolio Manager,** Gryphon International Investment Corporation

- 2000 – 2002
- Contract management position at PricewaterhouseCoopers LLP, IAS Tax Group, Toronto, Canada

- 1995 - 1997
- Vice President, Institutional Sales, HSBC James Capel Canada, Inc., Toronto, Canada

- 1993 - 1995
- Vice President, Consumer Products Analyst, Bunting Warburg Inc., Toronto, Canada

- 1989 – 1993
- Consumer Products Analyst, Midland Walwyn Capital, Inc., Toronto, Canada

- 1988 – 1989
- Senior Manager, Taxation, Central Capital Corporation, Toronto, Canada

- 1984 – 1988
- Manager, Canadian Taxation, The Molson Companies, Ltd, Toronto, Canada

PETER HANLEY
MBA, CMA, CFA

- 2009 – Present
- **Associate Portfolio Manager,** Gryphon International Investment Corporation

- 2000 – 2009
- Vice-President, Director & Portfolio Manager, Galileo Global Equity Advisors Inc., Toronto, Canada

- 1994 - 2000
- Vice-President & Portfolio Manager, KBSH Capital Management, Toronto, Canada

- 1993 - 1994
- Vice-President, Director & Portfolio Manager, Van Berkom & Associates, Montreal, Canada

- 1989 – 1993
- Senior Investment Officer, CN Investment Division, Montreal, Canada

- 1987 – 1989
- Vice-President, Financial Controls, Toronto Dominion Bank, Toronto, Canada

JOHN HWANG
CFA

- 2004 – Present
- **Investment Analyst,** Gryphon International Investment Corporation

- 2002 – 2003
- Performance Analyst, Laketon Investment Management, Toronto, Canada

- 2001 – 2002
- Product Specialist, Performance Applications, Financial Models Company Inc., Toronto, Canada

- 1998 – 2000
- Investment Performance Analyst, Canada Life Financial Corporation, Toronto, Canada

BIOGRAPHIES: ADMINISTRATION

CAROL SAUVÉ

- 2006 - Present
- **General Manager Operations,** Gryphon International Investment Corporation

- 2002 – 2005
- Associate Vice President, Trading and Fixed Income Solutions, RBC Private Counsel, Toronto, Canada

- 1995 - 2000
- Director, North American Fixed Income, CT Investment Management Group, Toronto, Canada

- 1981 –1995
- Manager of Equity Investments, Montreal Trust , Montreal, Canada

NICHOLAS SPIERS

- 2004 - Present
- **Senior Compliance Administrator,** Gryphon International Investment Corporation

- 1998 – 2003
- Senior Registration Officer, Ontario Securities Commission, Toronto, Canada

- 1997 – 1998
- Administrator, Cafo Premium Financing, Toronto, Canada

SANDRA WARK

- 2005 – Present
- **Controller,** Gryphon International Investment Corporation

- 2000 - 2004
- Chief Financial Officer, Galileo Equity Management, Toronto, Canada

- 1996 - 2000
- Senior Manager, Global Custody, Bank of Montreal, Toronto, Canada

- 1985-1994
- Manager, Securities Administration, Mutual Life of Canada, Toronto, Canada

PAMELA WONG
CFA

- 2005 - Present
- **Senior Analyst, Portfolio Analytics,** Gryphon International Investment Corporation

- 2000 - 2005
- Portfolio Administrator, Galileo Equity Management, Toronto, Canada

- 1996 - 2000
- Technology Specialist, North American Equities, CT Investment Management Group, Toronto, Canada

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 6.3

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Discussion and Selection of International Developed Market Large Cap Growth Mandate.

STAFF RECOMMENDATION: Staff recommends that the board discuss the merits of the three finalists then select one. Following the selection of a manager, the board should direct staff to perform further due diligence and initiate negotiations for an investment management agreement for the international developed market large cap growth mandate.

COMMENT: A thorough discussion of the background of the search process for an international developed market large cap growth manager appears in today's agenda item 6.2. That discussion notes eleven firms passed the boards screening criteria for the mandate. From that field the board invited three firms to interview before the board at today's special meeting.

Those firms and products are:

- **Baillie Gifford & Co: EAFE Plus Focus**

- **Franklin Templeton Investments: Franklin Non-US Equity**

- **Gryphon International Investment Corporation: EAFE Equities**

Agenda item 6.2 has a review booklet that provides individual data on each manager. It also provides manager comparisons for vital statistics. The review booklet along with the interviews will provide a basis for the board's decision.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

September 25, 2011 Agenda Item 6.4

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Approval of Semi-Finalists for an Emerging Market Mandate.

STAFF RECOMMENDATION: Staff recommends that the board review and accept the recommendation from staff and Strategic Investment Solutions regarding the top four firms. Staff further recommends that the board then select from those firms the finalists they wish to invite for interviews at the October meeting.

BACKGROUND: At the May 24th board meeting Strategic Investment Solutions (SIS) provided a draft proposal for restructuring *SamCERA's* international equity portfolio. Based on the restructuring proposal, the board adopted a structure which keeps the total international portfolio at 18.0%. The asset class is restructured into four portfolios. Those portfolio mandates and their percentage of the total portfolio are:

Large Cap Value 8.0%,
Large Cap Developed Market Growth 6.0%,
International Small Cap 2.0%, and
Emerging Market 2.0%.

At the June 21, 2011, board meeting, the trustees adopted the following initial screening criteria for an emerging market manager search:

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.

Following discussion of the initial screening process for the emerging markets equity search at the July 26th, 2011 board meeting, the following firms/strategies were approved to receive a Request for Information (RFI):

- Acadian Asset Management: Emerging Markets Equity
- Amundi : Global Emerging Equity
- Axiom International Investors: Emerging Markets Equity Composite
- Delaware Investments: Emerging Markets Equity
- Dimensional Fund Advisors: Emerging Markets Core Equity Portfolio
- Eaton Vance Management (Parametric): Structured Emerging Markets Equity
- Grantham, Mayo, Van Otterloo & Co: GMO Emerging Markets Strategy
- Quantitative Management Associates: Emerging Markets Core Equity
- Schroder Investment Management: Emerging Markets Equity
- Trilogy Global Advisors: Trilogy Emerging Markets Equity

COMMENT: Based on information gathered from the responses to the Request for Information, SIS, in conjunction with staff, recommends the following four candidates be invited to finalist interviews with the board at the October 2011 meeting of the Board of Retirement.

Recommended Finalists	
Dimensional Fund Advisors	Emerging Markets Core Equity Portfolio
Eaton Vance Management (Parametric)	Structured Emerging Markets Equity
Quantitative Management Associates	Emerging Markets Core Equity
Schroder Investment Management	Emerging Markets Equity

Below is the remaining timeline with deliverables and desired results.

***SamCERA*: Emerging Markets Manager Search**

TIMELINE:

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

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

<u>*Desired Output from the Meeting*</u>: Select finalists for interviews.

October 2011: Prepare for interviews.

<u>*Deliverables*</u>: Search book with comparative analysis and statistics for finalist candidates.

<u>*Desired Output from the Meeting*</u>: Interview finalists in San Mateo. Select manager.

Emerging Markets Equity Search

SamCERA
September 2011

Strategic Investment Solutions, Inc.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

MEMORANDUM

To:	SAMCERA Investment Committee
Cc:	Gary Clifton, CIO
From:	SIS
Date:	September 15, 2011
Subject:	Emerging Markets Equity Search

Overview

Following discussion of the criteria and initial screening process for the emerging markets equity search at the July 23rd, 2011 Board meeting, the following firms/strategies were approved to receive a Request for Information (RFI):

- Acadian Asset Management: Emerging Markets Equity
- Amundi : Global Emerging Equity
- Axiom International Investors: Emerging Markets Equity Composite
- Delaware Investments: Emerging Markets Equity
- Dimensional Fund Advisors: Emerging Markets Core Equity Portfolio
- Eaton Vance Management (Parametric): Structured Emerging Markets Equity
- Grantham, Mayo, Van Otterloo & Co: GMO Emerging Markets Strategy
- Quantitative Management Associates: Emerging Markets Core Equity
- Schroder Investment Management: Emerging Markets Equity
- Trilogy Global Advisors: Trilogy Emerging Markets Equity

Based on the information gathered from the RFI responses, SIS evaluated and scored the candidates based on the following main criteria:

- *Organization (20%)*
  -Organizational Structure/Ownership
  -Organizational Stability
  -Assets/Clients/Account Growth/Account losses
  -Operations/Back Office Infrastructure
  -Client Service, Transparency & Reporting
  -Legal/Regulatory Issues

- *Investment Team (20%)*
  -Experience & Stability

-Size & Depth of Resources
-Compensation/Incentives/Equity Ownership

- *Investment Strategy (20%)*
  -Research Process/Due Diligence/Stock Selection
  -Philosophy/Style
  -Decision Making
  -Risk Management

- *Performance (20%)*
  -Return Premiums
  -Volatility
  -Consistency
  -Risk Adjusted

- *Fees/Terms (10%)*
  -Competitive fee level?
  -Separate vs. Commingled

- *-Additional Considerations (10%)*
  Alignment of Interests
  Capacity
  Trading Costs
  Soft Dollar Policy
  Other

SIS recommends that the board consider the four below listed firms, and invite three of the four firms to make a finalist presentation at the upcoming Board meeting:

- **Dimensional Fund Advisors: Emerging Markets Core Equity Portfolio**
- **Eaton Vance Management (Parametric): Structured Emerging Markets Equity**
- **Quantitative Management Associates: Emerging Markets Core Equity**
- **Schroder Investment Management: Emerging Markets Equity**

Section 1 summarizes our scoring of each proposed strategy. Section 2 contains firm and strategy profiles. Section 3 contains performance information.

Acadian Asset Management — *Emerging Markets Equity*

Date: September 2011

Strategy Inception: January 1994
Preferred Benchmark: MSCI EM

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Value**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		Firm founded in 1986; became a wholly owned affiliate of Old Mutual in 2000 when Old Mutual acquired UAM; currently employees own 29% of Class B shares which provide economic interest, but not voting interest, in the firm; the majority of sr. staff have class B shares.
Organizational Stability		Anticipate some changes among senior management over the next few years; there has been some investment staff turnover, additions and departures, in the past three years
Assets/Clients/Account Growth/Account losses		Firm assets grew rapidly to over $80 bn at the end of 2007, and have since fallen to approximately $50 bn; strategy assets are slightly below $15 bn across 33 accounts; lost two large accounts in 2010, but for the most part number of accounts has grown steadily over the past 5 years
Operations/Back Office Infrastructure		Well staffed operations group; use outside vendors for some services
Client Service, Transparency & Reporting		Sophisticated reporting including model specific attribution
Legal/Regulatory Issues		There has been some litigation; none appears to be of particular concern
Investment Team (max points 20)	***16***	
Experience & Stability		Experienced team including many quantitative Ph.D.s; as noted above, there has been some turnover over the past few years
Size & Depth of Resources		20 portfolio managers, 16 research analysts and 15 traders; porfessionals are not segregated along product line or geographic region; their main role is to test and evaluate factors, improve research methodologies and portfolio construction
Compensation/Incentives/Equity Ownership		Employees own 29% of class B shares; compensation is base salary, bonus and profit sharing; bonus is based on individual's contributions to the the firm, process and performance; because of quantitative approach, bonus is not tied directly to portfolio performance or stock selection
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		Quantitative multi-factor model based on fundamental insights; factor groups include value, growth, quality and technical attributes; model forecasts returns for 6000 EM stocks daily; forecasts driven by bottom up analysis of individual stock attributes, but also by top down analysis of stock's peer group; forecasts fed into optimizer for portfolio construction
Philosophy/Style		Believe that market inefficiencies are caused by behavioral anomalies; style is value-to-core
Decision Making		Security selection is model driven; changes to the model are driven by the research team; findings are presented to the Investment Policy Committee, led by CIO John Chisholm, who has ultimate authority over whether idea is implemented in the model
Risk Management		Risk mostly defined relative to benchmark; 150-350 securities; no frontier markets; country and industry weights +/- 5% of the benchmark, positions 175 bps over benchmark
Performance (max points 20)	***15***	
Return Premiums		3- and 5-year numbers weak because of poor 2008-2009; other than that performance has been quite good
Volatility		Volatility slightly higher than benchmark, but tracking error consistently in the 4% range
Consistency		Delivered consistently good returns until recent period
Risk Adjusted		Longer term information ratios are respectable
Fees/Terms (max points 10)	***8***	
Competitive fee level?		75 bps flat fee for separate account, $25 mm minimum
Separate vs. Commingled		Separate and commingled both available
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Some employee economic ownership
Capacity		$20 - $22 billion in EM asset class
Trading costs		46 bps for most recent calendar year
Soft Dollar Policy		Does not pay up for research, and pays hard dollars for research; in limited circumstances will allocate trades to a broker to obtain proprietary research that cannot be purchased with hard dollars
Other		Well resourced quantitative firm with long track record in emerging markets equities

TOTAL SCORE: 79 / 100

Amundi Asset Management | **_Emerging Markets Equity_**

Date: September 2011 | *Strategy Inception: June 1997*

Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Growth**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***12***	
Organizational Structure/Ownership		Amundi was formed at the end of 2009 by combining the asset amangement operations of Credit Agricole and Societe Generale; Amundi Group is 75% owned by Credit Agricole and 25% owned by Societe General; both are publicly traded companies; employees do not have direct ownership of Amundi, but certain senior employees have been awarded stock options in Credit Agricole
Organizational Stability		Difficult to assess stability given that current ownership arrangement is relatively recent; not discussed in RFI, but some market participants have been concerned about European banks in connection with sovereign debt crisis
Assets/Clients/Account Growth/Account losses		Amundi is a massive firm with a global footprint; total firm assets are in the range of $980 bn; product assets are in the range of $8.6 bn, across 8 accounts; assets have increased rapidly over the past few years from less than $1 bn in 2006; the firm has only recently started marketing this strategy in the US, but recently won a $100 mm mandate from a US pension plan
Operations/Back Office Infrastructure		Large deeply resourced organization; has outsourced back office and operational functions where possible
Client Service, Transparency & Reporting		US offices in New York and Chicago; recently hired portfolio manager in New York to manage (mirror trades) of Paris based team, for US based investors; not much detail in sample client report
Legal/Regulatory Issues		Some litigation, but within the range of expectation for such a large organization
Investment Team (max points 20)	***17***	
Experience & Stability		Large, well-resourced and relatively experience team; much growth in the past five years, with few departures; analysts specialized by region were hired in 2007, 2008 and 2010 to strengthen team as universe of stocks and AUM grew
Size & Depth of Resources		Team of 10 dedicated portfolio manager/analysts with an average of 12 years emerging markets experience; Amundi employs more than 700 portfolio managers and research analysts located in offices globally
Compensation/Incentives/Equity Ownership		Portfolio managers and analysts receive base salary, profit sharing and bonus; profit sharing depends on company results; for PMs bonus is linked to team's performance and contribution of profits to the company; for analysts; no direct equity ownership in Amundi
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		The process involves three types of research: top down analysis for country allocations involving economists, strategists and management team; sector views within countries, which involves both top down and bottom up research; and bottom up fundamental analysis of seeking attractive stocks in each country and sector; the research driving each of these decisions involves valuation, outlook (forward looking) and risk analysis
Philosophy/Style		The approach seeks to add value both from top-down country and sector allocation decisions, as well as bottom up security selection decisions; the philosophy encourages travel and company meetings; on average PMs are meet with one company per day; the style is Growth at a Reasonable Price (GARP);
Decision Making		PMs and analysts continually interact and discuss ideas; however PMs have ultimate decision making authority; regional PMs decide on individual securities within their region; lead PM Patrice Lemonnier has ultimate decision-making authority and accountability on overall portfolio positioning
Risk Management		250-450 stock portfolio, country and sector weights +/- 10% of benchmark, individual position max of benchmark +2%; think of risk in both relative and absolute terms
Performance (max points 20)	***18***	
Return Premiums		Strong long term excess returns (95% return in 2009)
Volatility		Slightly higher volatility than the benchmark, but moderate 3%-4% tracking error
Consistency		Consistently good rolling returns, during recent periods
Risk Adjusted		Strong information ratios
Fees/Terms (max points 10)	***9***	
Competitive fee level?		75 basis points for a separate account of less than $100 mm
Separate vs. Commingled		Amundi offers SamCERA a 40 basis point fee if SamCERA funds a US domiciled commingled fund with more than $35 mm
Additional Considerations (max points 10)	***6***	
Alignment of Interests		Average; investment staff is compensated partially on investment performance, but does not hold substantial equity in the firm or have substantial investment in the strategy
Capacity		EM team manages over $13 bn including regional strategies and they say they monitor capacity closely, but do not state a level at which they will close
Trading costs		9.1 basis points in 2010
Soft Dollar Policy		"Soft commissions are no longer authorized with Amundi Group"
Other		Added value is distributed 40% from country allocation, 20% from sector allocation and 40% form stock selection; team generates internal research but also makes use of a great deal external research

TOTAL SCORE: 80 / 100

Axiom International Investors | *Emerging Markets Equity*

Date: September 2011

Strategy Inception: August 2007

Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Growth**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***18***	
Organizational Structure/Ownership		Axiom was founded in 1998 by Andrew Jacobson and his international equity team from Columbus Circle Investors (CCI); the firm is independent and 100% owned by current employees; Andrew Jacobson is the controlling shareholder. Axiom manages several international and domestic equity strategies, and hedge funds, including a long-short emerging markets strategy
Organizational Stability		Axiom appears to be a stable and profitable mid-sized investment management organization
Assets/Clients/Account Growth/Account losses		Firm has grown steadily over the past few years to $14 bn; strategy assets have just recently ramped up to $1.2 bn across with 19 accounts;
Operations/Back Office Infrastructure		Sufficient resources dedicated to back office and operational functions; many systems and tools purchased from third party vendors
Client Service, Transparency & Reporting		Eight member client service and marketing team is well resourced; sample client report quite basic
Legal/Regulatory Issues		No significant legal or regulatory issues
Investment Team (max points 20)	***10***	
Experience & Stability		**After receiving the RFI, Axiom announced the departure of Luis Soares, the lead portfolio manager;** the co-Manager of the strategy, Chris Lively has now taken over the lead PM Role; Chris Co-managed the strategy for 3.5 years and has over 17 years experience managing emerging markets equities; CIO Andrew Jacobson will also dedicate 50% of his time to the Emerging Markets Strategy
Size & Depth of Resources		There are two key investment professionals involved in this strategy, both mentioned above, as well as a comparatively jr. research associate; the firm employs eight portfolio managers and 11 analysts and associates, who are organized regionally
Compensation/Incentives/Equity Ownership		Employees receive base salary, profit sharing and opportunity for equity ownership; employees have over $100 mm invested in Axiom strategies and over $12 mm invested in the Emerging Markets strategy, of which the PM and Co-PM represent a large portion; investment staff sign non-competes which extend for a period of time beyond employment
Investment Strategy (max points 20)	***17***	
Research Process/Due Diligence/Stock Selection		Identify companies that are exceeding expectations, identify key business drivers for each stock; part of the process is understanding the market's expectations for a given stock re these key drivers; the idea is to buy those companies that are surprising on the upside, but surprising regarding the key drivers which Axiom believes are leading indicators of positive earnings surprises; valuation serves as an important indication of market expectation; country allocation is a consequence of stock selection; use proprietary rating/ranking system that helps with both stock selection and portfolio construction
Philosophy/Style		Bottom-up, growth oriented, valuation is an important consideration; one might describe this as a fundamental momentum strategy (emphasis on positive surprises as leading indicators of future postive results)
Decision Making		Analysts are responsble for reporting devolpments related to holdings in their particular regions and sectors, but portfolio managers have ultimate authority for buy and sell decisions
Risk Management		70-85 stock portfolio, positions limited to 5%, sectors 0%-40% (financials up to 50%), industries 0%-25%, countries 0%-30%; do not manage to tracking error target, but more oriented toward absolute return and downside protection
Performance (max points 20)	***16***	
Return Premiums		Solid but shorter track record
Volatility		Benchmark like volatility
Consistency		Four straight calendar years in the top half of peer group
Risk Adjusted		Good for avialable period
Fees/Terms (max points 10)	***7***	
Competitive fee level?		For a $50 mm separate account or in commingled account 95 bps
Separate vs. Commingled		Both are available
Additional Considerations (max points 10)	***6***	
Alignment of Interests		Employee ownership; substantial employee investments in the strategies
Capacity		Strategy has $1.2 bn and will close at $2-$2.5 bn level (unusually low level)
Trading costs		14 bps for 2010
Soft Dollar Policy		Soft dollars used to pay for services that aid Axiom's investment decision making process; examples include services such as Factset, Bloomberg, First Call Notes, etc; generally 10%-15% of all commission dollars
Other		Loss of lead portfolio manager Luis Soares is significant consideration; otherwise this is a very competitive offering

TOTAL SCORE: 74 / 100

Delaware Investments | *Emerging Markets Equity*

Date: September 2011

Strategy Inception: September 2005

Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**Large**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Value**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***15***	
Organizational Structure/Ownership		In January 2010, Lincoln National sold Delaware Investments to Macquarie Group, a publicly traded financial services firm located in Australia; Delaware's assets are approximately $160 billion; in 2004 Delaware's international equity and emerging markets teams spun out through a management buyout to form Mondrian; Delaware soon formed a new emerging markets team and Liu-Er Chen joined the firm from Evergreen in August 2006.
Organizational Stability		Change of ownership in 2010
Assets/Clients/Account Growth/Account losses		$5.5 billion across 25 accounts; account growth has happened quite recently (in 2008 there were fewer than 10 accounts); more than half the assets are in a mutual fund
Operations/Back Office Infrastructure		Delaware has 39 operations professionals that support the institutional business; investment accounting functions are outsourced to BNY Mellon
Client Service, Transparency & Reporting		Generally hold semi-annual or quarterly reviews; sample client statement provides basic portfolio holding information
Legal/Regulatory Issues		None
Investment Team (max points 20)	***15***	
Experience & Stability		Range of experience on team from 15 years to less than one year; some turnover and one analyst departure this year; no one on the team has been with the firm more than five years; Liu-Er Chen had a track record managing emerging markets strategy with the same approach at Evergreen
Size & Depth of Resources		Currently five member team composed of one portfolio manager and four analysts; three team members have more than 10 years of industry experience. Delaware recently announced that it is hiring Wei Xiao, who had been with China Asset Management , and most recently, with Amazon
Compensation/Incentives/Equity Ownership		The Emerging Markets team receives a portion of the revenue stream associated with its products--subject to a performance screen; Delaware targets having base salaries in the top quartile; bonus, above a certain level, is deferred and invested in the teams products, and the remainder in Delaware or Macquarie equity; there is a Delaware option program for portfolio managers with four-year vesting schedule
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		The broad starting universe is reduced using a multi-factor approach; these factors include metrics for valuation, profitability, balance sheet strength and earnings growth; the factors are weighted differently across countries and sectors; stocks screening in the top two quintiles are considered for further analysis; each analyst is responsible for covering approximately 50 companies, including new ideas, current holdings, and companies representing more than 50 basis points of the index; analysts conduct fundamental research, visiting companies, meeting managements, attending conferences and participating in conference calls; the objective is to identify companies where they are able to develop a high level of confidence in management's capabilities
Philosophy/Style		The strategy's objective is to outperform the Emerging Markets Index over a full market cycle (3 - 5 years) while maintaining below-market portfolio risk; this is a bottom-up, fundamental, value-tilted investment process that focuses on identifying companies with sustainable business franchises and
Decision Making		The analysts provide important inputs in the process, but Chen is the ultimate decision maker and in many cases also the idea generator
Risk Management		Conceive of risk as the potential impairment of a holdings value or the potential to misjudge a company's intrinsic value; portfolio of 90-140 securities, with a maximum initial position size of 5%; for countries and sectors representing more than 15% of the MSCI Emerging Markets Index, the portfolio's weighting is limited to 50%-150% of the benchmark weighting; for countries and sectors with Index weightings between 5%-15%, the strategy can invest in a range from 0%-200% of benchmark weighting; for sectors representing less than 5% of the Index, maximum exposure is limited to 300% of the Index; historically, country and sector allocations have not deviated dramatically from benchmark weights
Performance (max points 20)	***16***	
Return Premiums		Solid for avialable time periods
Volatility		Lower volatility than the benchmark
Consistency		High level of consistency since inception about five years ago
Risk Adjusted		Respectable information ratio
Fees/Terms (max points 10)	***6***	
Competitive fee level?		For a $50 mm separate account 110 bps
Separate vs. Commingled		Both are available
Additional Considerations (max points 10)	***7***	
Alignment of Interests		Compensation and incentives appear to be carefully designed; but this is not an employee owned firm
Capacity		Do not give hard number for capacity, but say the will evaluate at $8 bn
Trading costs		Trading costs are considered to be proprietary
Soft Dollar Policy		Uses revenues from equity trades to pay for research allowable under safe harbor protections described in Section 28(e) of Securities and Exchange Act of 1934
Other		One notable feature of this strategy is the portfolio manager's willingness to hold stocks that generate substantial revenue in the emerging markets but are not domiciled in an emerging markets country; Delaware does have accounts that restrict developed markets holdings

TOTAL SCORE: 75 / 100

Dimensional Fund Advisors — *Emerging Markets Core Portfolio*

Date: September 2011

Strategy Inception: May 2005

Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***19***	
Organizational Structure/Ownership		DFA has been managing taxable and tax-exempt assets since 1981; headquartered in Austin, the firm has offices in Santa Monica, Chicago, London, Sydney, and Vancouver; DFA is approximately 70% owned by employees and directors and 30% by outside investors who have close ties to the firm
Organizational Stability		Since DFA's inception, there havenot been material changes in DFA's ownership structure; the firm has significantly expanded personnel across all departments over the past five years; the firm's headquarters were moved from Santa Monica, CA to Austin, TX in 2009; the firm is profitable and remained profitable even during the financial crisis
Assets/Clients/Account Growth/Account losses		DFA's total AUM is approximately $230 bn; the firm has $43 bn invested in emerging markets across a range of strategies; assets in the Emerging Markets Core equity strategy are approximately $7.2 across 87 account; assets and accounts have grown quite steadily from a much lower level over the past five years
Operations/Back Office Infrastructure		Functions such as trade confirmation, settlement, portfolio accounting, account reconciliation and operational data management, have been outsourced to Citigroup; DFA uses a customized version of the Charles River Investment Management System as the primary order management system, which is used for pretrade and post trade compliance trade order management
Client Service, Transparency & Reporting		Detailed reporting with commentary and attribution; high ratio of portfolio managers to portfolios
Legal/Regulatory Issues		None
Investment Team (max points 20)	***17***	
Experience & Stability		DFA manages assets using a team approach; the firm's 12 member Investment Policy Committee includes academic luminaries Kenneth French and Eugene Fama; the International Equity Portfolio Management Team oversees the emerging markets strategies; turnover in the group has been low
Size & Depth of Resources		All of the investment professionals hold advanced degrees, including an MBA or PhD; on average portfolio managers have over seven years of experience and were hired directly from top business schools; in addition to portfolio managers, DFA employs a research team of 23 professionals who are not analysts in the traditional sense, but financial economists, mathematicians, engineers, etc.
Compensation/Incentives/Equity Ownership		Investment professionals receive base salary and bonus on an bi-annual basis; certain qualified employees are invited to participate in stock ownership
Investment Strategy (max points 20)	***17***	
Research Process/Due Diligence/Stock Selection		DFA's investment philosophy is founded on academic research regarding the characteristics of risk and return of investment portfolios; they adhere to three fundamental tenets: first of all, they take an equilibrium view of markets and believe there is an efficient trade-off between risk and reward; they believe that diversification is essential and the most powerful risk control mechanism; they also believe that structure, exclusion rules and trading expertise explain performance; the portfolio is designed to benefit from the small market capitalization risk factor over time
Philosophy/Style		DFA's approach falls somewhere between an index and a traditional active management style; they are not conducting fundamantal analysis on individual stocks, but are seeking to outperform conventional indices by holding stocks with certain attributes (e.g. size, value, momentum) and using exclusion rules replacing companies with certain characteristics with others with more desirable behavior (e.g. companies which are likely difficult to trade efficiently in live portfolios may be excluded)
Decision Making		DFA uses a rules based approach; the Investment Committee reviews and approves rules and guidelines used by the strategies; the portfolio managers use these rules to construct portfolios
Risk Management		DFA believes there are four primary components of portfolio risk: style risk, concentration risk, implementation risk and operational risk; the portfolio has historically held 2,500 - 3,000 (currently holds approximately 3,300); industry groups capped at 25%; individual positions 5% at purchase; country max of 15% at purchase
Performance (max points 20)	***16***	
Return Premiums		Good excess returns since inception about five years ago
Volatility		Slightly higher than the benchmark, possibly because of small cap exposure
Consistency		A couple of underperforming years
Risk Adjusted		Respectably information ratio
Fees/Terms (max points 10)	***9***	
Competitive fee level?		Institutional mutual fund is 65 bps (which includes management fee and other expenses)
Separate vs. Commingled		Separate accounts are available on a case by case basis for accounts above $100 mm.
Additional Considerations (max points 10)	***9***	
Alignment of Interests		Employees have equity in the firm; DFA does not track employee investment in the funds, but they are used in firm's 401k
Capacity		Based on current market values and liquidity conditions, could more than double assets in strategy without causing market impact issues
Trading costs		7 bps for this strategy for 2010, very low portfolio turnover of 5%-15%, patient trading aims to generate value
Soft Dollar Policy		Engages in soft dollar practices only in a manner that is consistent with section 28(e) of Securities Exchange Act of 1934
Other		Systematic approach provides broad exposure to asset class while not being similar to benchmark; reasonably priced with exposure to lower market cap names

TOTAL SCORE: 87 / 100

Eaton Vance Parametric — *Structured Emerging Markets Equity*

Date: September 2011

Strategy Inception: July 1998
Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		The Eaton Vance Parametric Structured Emerging Markets Core Equity Strategy is distributed by Eaton Vance and sub-advised by Parametric Portfolio Associates; Parametric is 94% owned by Eaton Vance and 6% owned by employees; Eaton Vance's history dates back to 1924; the firm is publicly traded on the New York stock exchange; Nineteen senior members of Eaton Vance control the voting stock and the strategic direction of the firm; Eaton Vance manages approximately $200 billion in a broad range of strategies.
Organizational Stability		Parametric was founded in 1987; in 2003 Eaton Vance took a 80% stake in Parametric; it appears that by 2013 Eaton Vance will have purchased Parametric's remaining interest in the firm; historically staff turnover at Parametric has been relatively low
Assets/Clients/Account Growth/Account losses		There is $10.6 bn across 29 accounts in the strategy; steady and quite rapid account and asset growth over the past five years; no account losses; references include large sophisticated pension funds
Operations/Back Office Infrastructure		Large operations and back office groups; eight members of the team support the Structured Emerging Markets Strategy
Client Service, Transparency & Reporting		Parametric has team of five product specialists/institutional portfolio managers; sample client report includes commentary and portfolio analysis
Legal/Regulatory Issues		Some litigation at Eaton Vance, historically mostly related to mutual funds; most recent litigation relates to closed end funds and auction rate preferred securities
Investment Team (max points 20)	***17***	
Experience & Stability		Have had three departures and one internal transfer in the past five years and have made several hires over the same period; experience level on team spans the range from more than 20 years to less than five
Size & Depth of Resources		Twelve investment professionals and three traders; Team is led by CIO David Stein and includes four pure researchers and seven portfolio managers who are also involved in implementation
Compensation/Incentives/Equity Ownership		Three primary components of compensation: base salary; cash bonus, annual stock based compensation consisting of options to buy non-voting shares of EVC; cash bonuses are based on a target percentage of Parametric profits
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		This is a tiered weighted approach that divides emerging markets countries into four tiers, equally weighting the countries within each tier; tier 1 countries are the largest eight countries that dominate the cap weighted index; each successive tier is comprised of smaller countries, each of which is given a smaller target weighting in the model portfolio; in aggregate, the eight Tier 1 countries are given a much lower weighting than in the capitalization weighted index, but they nevertheless comprise more than 50% of the portfolio; tier 4 countries are in the frontier markets; the strategy seeks to add value with active country and sector allocation relative to the index, but not with individual stock selection; dynamic rebalancing is a crucial component of strategy
Philosophy/Style		Parametric utilizes a structured, rules-based approach, which they believe is capable of generating enhanced returns with lower volatility compared to both traditional active management and passive capitalization weighted indices; the basic idea is to structure the portfolio with more balanced country weights than the market cap weighted indices, and also to capture a rebalancing premium; this provides more diversification and greater exposure to smaller countries than is provided by the market cap weighted indices
Decision Making		Decisions are made by the Structured Emerging Markets Investment Committtee which includes the entire investment management team; substantial decisions relating to the model are made by the four senior staff members who are the voting members of this committee
Risk Management		Define risk as high individual country volatility; they seek to maximize risk adjusted return by diversifying across country and sector; portfolio holds 1000-1500 securities; country weights determined by tiered approach; sectors limited to .7X - 4X the benchmark weight
Performance (max points 20)	***19***	
Return Premiums		Excellent over all standard time periods
Volatility		Lowest volatility manager in the group
Consistency		For the most part quite consistent; but will not perform well in all environments; underperformed in 2009 by 900 bps
Risk Adjusted		Strong alpha because of low absolute volatility, information ratio also good but not highest in group
Fees/Terms (max points 10)	***6***	
Competitive fee level?		For a $50 mm account in commingled vehicle 105 bps
Separate vs. Commingled		Separate accounts have $75 mm minimum
Additional Considerations (max points 10)	***8***	
Alignment of Interests		New employee ownership program has been initiated and will be more broadly distributed in future
Capacity		Calculate capacity to be $17.6 bn
Trading costs		Average commission 20 bps, but extremely low portfolio turnover (historically <10%)
Soft Dollar Policy		Parametric does not use soft dollars
Other		Provides good exposure to lower market caps securities, smaller countries and frontier markets; fee seems a bit high, but partially offset by low portfolio turnover

TOTAL SCORE: 84 / 100

Grantham, Mayo, Van Otterloo & Co. (GMO) — *Emerging Markets Strategy*

Date: September 2011

Strategy Inception: December 1993

Preferred Benchmark: S&P/IFCI (Investable) Composite Index

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Value**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***18***	
Organizational Structure/Ownership		Firm founded in 1977 by three partners as private investment firm to serve institutional market; each founding member continues to own more than 10%, with the balance distributed over approximately 40 employees (out of a total of 530 employees); GMO offers a wide variety of equity, fixed income and absolute return strategies
Organizational Stability		Employee owned since inception; stated commitment to remaining independent; organization appears to be stable, but there has been notable turnover of sr. executives over the past 2 years
Assets/Clients/Account Growth/Account losses		Assets remain >$100 bn, but are down from over $150 bn in 2007; strategy assets have been quite stable in the $16.8 bn range; there are 263 accounts and there has been some client turnover in the past few years
Operations/Back Office Infrastructure		Well-resourced, larger firm with ample staff
Client Service, Transparency & Reporting		Well-resourced client service staff and sample reporting material appears comprehensive
Legal/Regulatory Issues		Various investigations, and DOL requests for information, nothing particularly surprising for a larger company with a wide range of funds and vehicle types
Investment Team (max points 20)	***16***	
Experience & Stability		The strategy is managed by the emerging markets team, primarily from the San Francisco office, using a team approach; Arjun Divecha (18 years at GMO) is the architect of the process and serves as the lead PM; there have been few departures, but most of the team has been hired in the past five years
Size & Depth of Resources		The investment professionals in the Emerging markets Team can broadly be grouped into a nine-member quantitative team (led by George Saoulis) and a six-member fundamental team (led by Amit Bhartia); the quantitative team formulates and test factors; the fundamental team meets with strategists, brokers and company management to confirm the views they have developed internally
Compensation/Incentives/Equity Ownership		Compensation is tied to overall firm performance, and assessment of individual's contribution; compensation not tied directly to portfolio performance
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		Investment process is 80%-90% quantitative and 10%-20% fundamental; at country/sector level they focus on valuations, price and earnings momentum, and macroeconomic factors; at the stock level they look at quality, valuations, and price and earnings momemtum; the quantitative approach is a formalization of GMO's fundamental analysis; principal source of value added comes from top-down country/sector selection and they spend 70%-80% of research time on country/sector selection
Philosophy/Style		Strategy has a value bias relative to benchmark; philosophy is built on three core factors: (1) Quantitative research and fundamental analysis; (2) valuation and momentum used in combination; (3) top down emphasis
Decision Making		Team approach, with portfolio managers and dedicated traders responsible for implementing trading decisions; Arjun Divecha has final authority over all day-to-day decisions
Risk Management		Primarily view risk relative to benchmark; country weights limited to benchmark + 10%, sector weights limited to benchmark +20%, individual positions limited to 3X benchmark weight or 5% of portfolio, number of names in portfolio has been 382-465
Performance (max points 20)	***14***	
Return Premiums		Mixed results, but good 10-year number
Volatility		Benchmark-like
Consistency		Suffered a stretch of weak relative performance 2006-2009
Risk Adjusted		Negative recent information ratios, but better long term
Fees/Terms (max points 10)	***5***	
Competitive fee level?		Up to $50 mm in the UCITS commingled vehicle is 90 bps annual operating expenses (there are also 80 bps subscription fee and 80 bps redemption fee, that reflect the clients own cost of investing)
Separate vs. Commingled		Separate account minimum is $200 mm
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Sr. staff has equity, bonus and compensation driven mostly by firm performance and general assessment of individual contribution; this structure seems reasonable for quantitative platform
Capacity		Strategy was closed from late 2003 to mid-2008, but they now believe they have significant remaining capacity, over $10 bn
Trading costs		For 2010 11.8 bps in Fees & Taxes and 12.9 bps in commisions
Soft Dollar Policy		GMO relies on the statutory safe harbor in Section 28(e) of the Securities Exchange Act of 1934
Other		

TOTAL SCORE: 77 / 100

Quantitative Management Associates (QMA) — Emerging Markets Core Equity

Date: September 2011

Strategy Inception: May 2002

Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		QMA is located in Newark, NJ, and is a wholly owned subsidiary of Prudential Investment Management, which is in a wholly owned subsidiary of Prudential Financial; Prudential Financial is a publicly traded company; (SamCERA's domestic small cap core manager, Jennison, is also a subsidiary of Prudential)
Organizational Stability		QMA's predecessor firm began managing US equity accounts for institutional client in 1975; in 2004, the quantitative management business of Prudential Investment Management was transferred to QMA; there were no changes in investment professionals or process as a result of this change in legal structure; since then the organization has not changed structurally; QMA has invested substantially in its business and grown its staff over the past five years
Assets/Clients/Account Growth/Account losses		The firm manages over $80 billion in quantitative strategies; strategy assets are approximately $1.85 bn across 20 accounts; inflows have been gradual and modest, but the strategy has lost no clients
Operations/Back Office Infrastructure		Large operational group with 30 team members; Systems Technology team with 20 members
Client Service, Transparency & Reporting		Marketing and Client service team of 22; sample client report appears to provide adequate information
Legal/Regulatory Issues		No litigation and firm policy is not to comment on regulatory investigation if they are of a non-public nature
Investment Team (max points 20)	***16***	
Experience & Stability		The team has a deep level of experience, but several of the members have joined the firm since 2008; there have been no departures from the group; in 2010, Margaret Stump, CIO, promoted Jacob Pozharny to Head of International Quantitiative Core Equity; and he now oversees the research and portfolio management related to the Emerging Markets Core Equity Strategy
Size & Depth of Resources		QMA has 147 employees and 35 investment professionals; the Emerging Markets Core Equity strategy is managed by the eight member Global Quantitative Core Equity team; the portfolio managers each have PhD's in varied areas including Applied Statistics, Physics, Engineering, Finance and Economics
Compensation/Incentives/Equity Ownership		Combination of base salary, performance-based annual cash incentive bonus and an annual long-term incentive grant; incentive compensation is based primarily on an individual's contribution, but also on the performance of certain QMA advised accounts including the emerging markets equity strategy; but incentive compensation is not tied to the performance of any individual account or value of assets of any account
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		QMA's quantitative investment process has three steps: the first is to classify the universe of 2,500 emerging markets stocks by growth rate, ordering them from slower to faster growing; the next step is to calculate an expected alpha for each stock; different models are applied to low and high growth stocks; for more slowly growing companies, the approach emphasizes valuation; for stocks in higher growth categories, the approach emphasizes signaling, news based variables pertaining to future earnings; also included among the news based variables are EPS estimate revisions and price-volume behavior; as the growth rate shifts from low to high, there is successively less emphasis on valuation factors and more emphasis on signaling or news; quality factors (income and balance sheet) are applied to both high and low growth stocks; the final step in the process is constructing the portfolio using QMA's internally developed optimizer
Philosophy/Style		They believe a quantiative investment process provides both increased breadth and greater objectivity in avoiding cognitive errors; the strategy is core and risk controlled, low tracking error
Decision Making		Team works together on the model; buy and sell decisions are model driven
Risk Management		Long-run expected tracking error of 2%-3%; 250-350 holdings; individual security, sector, and country are all +/-.75% vs. the benchmark, regional weights are +/-1% vs. the benchmark; QMA also regulates factor exposures such as size and value/growth relative to benchmark
Performance (max points 20)	***17***	
Return Premiums		Attractive excess returns on both an annualized and rolling basis
Volatility		Absolute volatility like the benchmark, but lowest tracking error in the group, in the range of 2%
Consistency		Highly consistent; periods of underperformance have been quite mild
Risk Adjusted		Impressive information ratios
Fees/Terms (max points 10)	***10***	
Competitive fee level?		For a $50 million account in the commingled vehicle it is 50 bps (excludes custody)
Separate vs. Commingled		Separate account minimum is $100 million
Additional Considerations (max points 10)	***9***	
Alignment of Interests		Employees do not have direct equity in QMA and the firm does not disclose employee investments in strategy; but compensation is tied to overall performance of the firm's strategies
Capacity		At current levels of market liquidity, estimated capacity is $8-$10 billion
Trading costs		QMA's optimizer considers transaction costs against expected alpha; for 2010 commission costs averaged 7.5 basis points, total costs including spread and market impact were 29 bps
Soft Dollar Policy		QMA does not utilize soft dollars
Other		They also run this strategy against the MSCI Emerging Markets IMI index, which would give all-cap exposure

TOTAL SCORE: 84 / 100

Schroder Investment Management | *Global Emerging Markets Core Equity*

Date: September 2011

Strategy Inception: Dec 1991 (Current investment Process, Jan 2005)
Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		Large global firm founded in 1804, headquartered in London with a substantial North American business; 335 portfolio managers and analysts, over 2600 employees, and offices in 25 countries; Schroders PLC is publicly traded on the LSE, 48% owned by Schroder family, employees own 5.5%, and the rest by outside investors; approximately 30% of employees received stock awards in 2010
Organizational Stability		Firm appears to be reasonably stable, but has been steadily acquiring other business over the past few years
Assets/Clients/Account Growth/Account losses		Firm assets are $329 bn, and assets for North American clients are $59 bn; firm AUM has grown over the past few years, particularly in the alternatives area; this Emerging Market team manages approximately $12.8 bn in the GEM strategy
Operations/Back Office Infrastructure		Large organization with deep resources dedicated to back office and operational functions
Client Service, Transparency & Reporting		Solid institutional quality reporting and resources dedicated to client service
Legal/Regulatory Issues		Nothing material disclosed
Investment Team (max points 20)	***19***	
Experience & Stability		The five senior portfolio managers involved in the strategy all have substantial experience, ranging from 18 to 31 years; four of the five joined in 2005-2006, when Allan Conway joined Schroders and become Head of the Emerging Markets; in the broader analyst group there has been some turnover
Size & Depth of Resources		Large, deeply resourced, emerging markets team; three of the five senior portfolio managers are entirely devoted to the GEM strategy, while the other two work also on Schroder's other emerging markets equity strategies; emerging markets research platform includes 25 analysts organized by country working from various global locations
Compensation/Incentives/Equity Ownership		Investment staff receive base salary and bonus, with bonus based on quantitative metrics of performance as well as qualitative evaluation; for GEM fund managers, 77.5% of their assessment is based on quantitative measures of the performance of the portfolios to which they contribute, and 22.5% of their assessment is based on qualitative measures; for analysts, a substantial component of compensation is driven by the performance of their stock rankings
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		For country selection they use a quantitative model based on fundamental factors: valuation, growth, currency/risk, momentum and interest rates; for stock selection, analysts perform fundamental analysis incorporating a large number of company visits; Schroders' approach emphasizes specialization, and the analysts are expected to be experts on a limited number of economies and markets; analysts use a range of valuation tools in their research, but always use Schroders' proprietary company valuation model to generate three-year earnings and cashflow forecasts and a three-stage DCF
Philosophy/Style		Believe emerging stock markets are inefficient and that value can be added with active stock and country selection; seek to derive 50% of value added from country selection and 50% from stock selection; avoid systematic style biases because of heterogeniaty of emerging market countries
Decision Making		The judgemental overlay for country allocation is ultimately the responsibility of the five portfolio managers; the three global fund manages construct country portfolios for each country the are responsible for using the analyts' research; Head of Emerging Markets, Allan Conway is responsible for the overall process
Risk Management		90-130 individual holdings; country wieghts are limited to +/- 5% relative to benchmark; sector weights and position sizes are not formally constrained; risk control is driven by tracking error targets; for the portfolio TE target is 4.5%-5%, this is built up from stock tracking error targets and stock tracking error targets at the country level; they also employ a stop loss policy which causes a stock to be sold if it underperformes its local market by 15%
Performance (max points 20)	***14***	
Return Premiums		Weak 2009-2010 have wieghed on annualized numbers, but three-year rolling since Allan Conway's arrival has been solid
Volatility		Slightly lower volatility than the benchmark
Consistency		Mixed because of a couple of poor calendar years
Risk Adjusted		Tracking error quite low, but information ratio has suffered because of recent underperformance
Fees/Terms (max points 10)	***6***	
Competitive fee level?		For a $50 mm account, 1% in the commingled fund (Initial fee and exit fees of 35 bps, and 11 bps operating expenses)
Separate vs. Commingled		Separate account has a $100 mm minimum, commingled fund and institutional mutual fund both
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Employees own 5.5% of the firm equity; approximately 30% of employees received an award of Schroders' equity in 2010
Capacity		Believe they have capacity to manage $15.9 bn in GEMs strategy; note that including both global and regional EM strategies, Schroder's is managing close to $26 bn
Trading costs		Average commission rate was 11 bps for the trailing 12-months, ended Q1 2011; turnover is generally in the 70% -120% range
Soft Dollar Policy		Complies with safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934
Other		Substantial resources dedicated to emerging market equity research; investment process and team changed substantially when Allan Conway took over in 2005

TOTAL SCORE: 81 / 100

Trilogy Global Advisors — *Emerging Markets*

Date: September 2011

Strategy Inception: April 1996

Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Growth**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		Trilogy was founded in 1999 by Bill Sterling, who had been global head of equities at CSAM; Trilogy Global Advisors was formed to facilitate the merger of Trilogy and BPI in 2005; with the BPI merger, EM portfolio manager Pablo Salas joined Trilogy and brought his strategy and track record; in December of 2010 Trilogy Global Advisors became an affiliate of AMG; AMG shares in the revenue of Trilogy; Trilogy employees maintain a significant revenue interest in the firm (6 sr. employees have >5% each, and 8 additional employees have <5%)
Organizational Stability		Recent acquisition by AMG; although this represents a change in ownership, the relationship also provides some assurance that the current managment team will retain autonomy over the management of the firm and control over the investment team and process
Assets/Clients/Account Growth/Account losses		Firm assets are $13.5 bn; strategy assets of $6.3 across 43 accounts; assets have grown quite rapidly over the past five years
Operations/Back Office Infrastructure		For a firm of this size, large operational support team of approximately 30 employees
Client Service, Transparency & Reporting		Client service group is a team of four that is overseen by two managing directors who lead marketing and client service
Legal/Regulatory Issues		None
Investment Team (max points 20)	***17***	
Experience & Stability		Lead porfolio manager Pablo Salas has 25 years of experience and was a co-founder of BPI Global; prior to his time at BPI, he was at Lazard, where he worked on emerging markets equities; Bill Sterling, who functions as the firm's global strategist, also has 25 years of experience; prior to his leadership role at CSAM, he was Head of International Equities at BEA associates; Robert Beckwitt is also a senior portfolio manager on the strategy with 25 years of experience; average experience across the research and trading teams is 16 years; there has been no staff turnover among senior professionals and very little turnover of analysts
Size & Depth of Resources		In addition to the portfolio managers, Trilogy employs 18 reseach analysts with global sector coverage; each sector is covered by 2-4 analysts
Compensation/Incentives/Equity Ownership		Senior PMs own material equity stakes in Trilogy and other key personnel also have minority equity stakes; all investment/research staff receive a base salary and bonus, which is partly determined by objective performance criteria and partly determined by communication with other team members
Investment Strategy (max points 20)	***17***	
Research Process/Due Diligence/Stock Selection		The process begins with a quantitative screen for companies with high return on equity and strong growth attributes; companies that rank high in the screening process are subject to due diligence, including company visits and financial statement analysis; stock modeling is driven by the analysts' earnings growth forecasts; the modeling takes the form of three scenarios: a negative case, a base case and a positive case; based on these scenarios, they look to add the stocks with the best risk/reward ratios to their sector buy lists; Bill Sterling's work as global strategist feeds into the assumptions which are included in the modeling process; sector and country weightings are driven primarily by the bottom up opportunity set
Philosophy/Style		The approach is fundamental, bottom up and growth oriented; the philosophy is that future earnings growth is the key determinant of long-term equity returns; tend to own two kinds of stocks: traditional growth companies, with sustainable earnings power, and early stage growth companies, those with near term potential
Decision Making		Portfolio managers work with research analysts to identify companies for investment; the portfolio managers are ultimately responsible for initiating purchases and sales of securities
Risk Management		View of risk is to avoid losses at the security level, rather than focusing on metrics such as tracking error or beta; portolio holds 60-100 names; for countries and sectors representing 10% or more the the index, the maximum weighting is 2X the benchmark; for countries and sectors representing less than 10% of the index, the maximum weighting is 20% of the portfolio; maximum individual position size is 5%, except for stocks representing more than 5% of the index
Performance (max points 20)	***14***	
Return Premiums		Poor recent numbers have dragged down longer term annualized returns
Volatility		Benchmark like, with tracking error in the 4% range
Consistency		Slightly weak relative return in 2008, and poor year-to-date returns, but other than that quite consistent going back ten years
Risk Adjusted		Recent returns have eroded longer term information ratios
Fees/Terms (max points 10)	***7***	
Competitive fee level?		Separate account fee is 1%, with a minimum of $20 mm
Separate vs. Commingled		Separate accounts and institutional mutual fund are available, but not commingled fund
Additional Considerations (max points 10)	***7***	
Alignment of Interests		Arrangement with AMG seems to be reasonably well designed from the point of view of alignment of interest; according to Trilogy it will effectively facilitate broader equity ownership throughout the organization; all the principals of the firm have meaningful percentage of net worth invested in
Capacity		Do not provide a hard dollar at which they will close strategy, but will consider closing when they their largest position sizes reach 3%-4% of the free float of the companies they invest in; they are not close to that level, according the RFI
Trading costs		Average commission costs of 25-35 bps, name turnover averages 50%
Soft Dollar Policy		Do use soft dollars
Other		Description of AMG deal not entirely transparent

TOTAL SCORE: 78 / 100

Acadian Asset Management LLC — June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	One Post Office Square Boston, Massachusetts 02109, United States
Phone/Fax:	617.850.3500 / 617.850.3501
Registered Investment Advisor:	Yes
Year Firm Founded:	1986
Firm Website:	www.acadian-asset.com

Key Facts	
Total Assets Under Management ($ Million):	$50,639.7
Total Number of Accounts:	217
Number of Portfolio Managers:	20
Number of Analysts:	14
% Employee Owned:	29.00 %

Contact Information

Marketing Contact:	Renee Hoffman	Database Contact:	Amy Burns
Title:	Senior Vice President	Title:	Consultant Database Manager
Address:	One Post Office Square, 20th floor	Address:	One Post Office Square, 20th Floor
City, State, Zip Code:	Boston, Massachusetts 02019	City, State, Zip Code:	Boston, Massachusetts 02109
Phone/Fax:	617.850.3579 / 617.850.3679	Phone/Fax:	617.850.3566 / 617.850.3666
Email Address:	rhoffman@acadian-asset.com	Email Address:	aburns@acadian-asset.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$50,639.7	217
Total Taxable	$21.3	1
Total Tax-Exempt	$50,618.4	216
Total Institutional	$50,639.7	217

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	3	$348.1	0.7 %
2010	14	$2,449.5	5.0 %
2009	31	$3,462.0	8.1 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	8	$968.0	2.0 %
2010	44	$7,917.2	16.2 %
2009	46	$5,901.5	13.5 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$1,173.8	$0.0	$0.0	$0.0	$0.0
Canada	$4.9	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$119.8	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$64.1	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$20,070.6	$0.0	$0.0	$0.0	$0.0
Global	$14,268.3	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$14,790.8	$147.5	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$50,609.3	$49,022.4	$49,314.1
Total Taxable	$20.6	$20.1	$78.4
Total Tax-Exempt	$50,588.7	$49,002.3	$49,235.7
Total Institutional	$50,609.3	$49,022.4	$49,314.1

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$32,874.2
Canada	$2,830.7
United Kingdom	$1,919.9
Continental Europe	$6,668.6
Japan	$975.1
Australia	$1,931.3
Hong Kong	$425.8
Singapore	$697.4
Other Asia ex-Japan	$390.1
Africa/Middle East	$1,611.4
Latin America	$0.0
Other	$315.2

5 Largest Accounts	Aggregate ($ Mil)
1) Public Fund	$2,292.1
2) Other	$1,763.2
3) Other	$1,456.4
4) Public Fund	$1,381.1
5) Other	$1,281.8

Ownership Information

% Employee Owned	29.0%
% Parent Owned	71.0%
% Publicly Held	---
Parent Company Name	Old Mutual Asset Managers (US) LLC
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1994
Performance Audited:	Yes	Effective Date	1/1/1994
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$20.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$25.00
Firm Bonded:	Yes	Coverage ($ Mil)	$10.00

Firm Background Narratives

Acadian Asset Management LLC, which was founded in 1986, is a U.S. Securities and Exchange Commission-registered investment adviser and Boston-headquartered investment management firm that, along with its wholly owned Singapore and U.K. affiliates, specializes in the active investment management of global and international equity strategies.

Acadian is a subsidiary of Old Mutual Asset Managers (US) LLC ('OMAM'), which is an indirectly wholly owned subsidiary of Old Mutual plc, a UK-listed financial services company. Acadian exercises complete discretion over its investment philosophy, people and process, and Acadian is operated as a single independent entity. Acadian has been owned by Old Mutual since 2000, when Old Mutual purchased Acadian's former parent United Asset Management. Acadian had been acquired by UAM in 1992.

Acadian is a subsidiary of Old Mutual Asset Managers (US) LLC (OMAM), which is an indirectly wholly-owned subsidiary of Old Mutual plc, a London-based financial services firm. Old Mutual Asset Managers (US) LLC owns 100% of the Class A (voting) interest of Acadian. Ownership of the Class B interest, which provides financial participation in the profitability of the firm, is divided, with just over 71% owned by Old Mutual and the remainder owned by an Acadian Key Employee Limited Partnership (Acadian KELP) comprised of approximately 50 senior staff. We consider the actual amount of KELP interest held by each KELP member to be confidential.

More...

Acadian Asset Management LLC June 30, 2011

Displayed in: US Dollar (USD)

Emerging Markets Equity **Product Snapshot**

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Renee L Hoffman
Title:	Senior Vice President
Phone/Fax:	617.850.3579 / 617.850.3679
Email Address:	rhoffman@acadian-asset.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Value
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$14,705.6
Total Product Accounts:	33
Product Offered As:	CF,PF,SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$14,705.6	33
Total Taxable	$0.0	0
Total Tax-Exempt	$14,705.6	33
Total Institutional	$14,705.6	33

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$10,347.3
Pooled/Commingled Assets	$4,358.3
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	1	$58.0	0.5 %
2009	8	$382.5	6.9 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	2	$449.1	4.0 %
2009	1	$31.3	0.6 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Value
Current Cash Position:	0.9 %
Number of Countries in Portfolio:	20
Approach Towards Currency Hedging:	Defensive
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	298
Annual Turnover (LTM):	51 %
Current Dividend Yield:	3.29 %
Current P/E (12-mo Trailing):	9.53x
Current P/B (12-mo Trailing):	1.39x
Earnings Growth (Past 5 Yrs):	10.26 %
Weighted Avg. Mkt Cap (Mil):	$50,519
Median Market Cap (Mil):	$2,565

Key Country Allocations	
Brazil	19.61 %
China Free	13.09 %
Korea	18.58 %
Mexico	4.81 %
Russia	6.37 %
South Africa	3.06 %
Taiwan	14.45 %
Developing Markets	0.00 %

Performance Information

Performance For:	USA - SA - Composite - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	31.65	28.17	3.49	---	---	---	---	---	---
2 Year	28.63	25.80	2.83	---	---	---	---	---	---
3 Year	2.53	4.53	-2.00	38.56	-1.57	1.06	3.30	-0.61	0.06
4 Year	4.27	4.62	-0.35	34.36	-0.09	1.06	3.29	-0.11	0.09
5 Year	11.23	11.75	-0.52	31.51	-0.57	1.04	3.37	-0.15	0.30
6 Year	15.70	15.46	0.24	29.73	-0.07	1.04	3.31	0.07	0.45
7 Year	19.09	18.05	1.04	28.04	0.47	1.05	3.40	0.31	0.60
8 Year	22.09	19.88	2.21	27.82	1.18	1.06	3.82	0.58	0.72
9 Year	21.06	18.37	2.69	28.29	1.76	1.05	3.81	0.71	0.68
10 Year	19.62	16.54	3.08	29.12	2.46	1.03	3.88	0.79	0.60
Since Inception (3/1994)	9.89	6.93	2.96	28.66	2.97	1.02	6.02	0.49	0.23

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.80	2.23	23.02	78.38	-55.95	44.27	33.13	35.36	33.67
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	0.25	1.20	3.82	-0.64	-2.77	4.49	0.55	0.81	7.72

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$25	---
Pooled/Commingled	Open	$1	---
Institutional MFs	AEMGX	$0.03	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$187,500 75bps	$375,000 75bps	$562,500 75bps	$750,000 75bps
Pooled/Commingled	$187,500 75bps	$375,000 75bps	$562,500 75bps	$750,000 75bps
Institutional MFs	$250,000 100 bps	$500,000 100 bps	$750,000 100 bps	$1,000,000 100 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	17	16	10
Research Analysts:	13	10	4
Traders:	13	15	7

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	2	1
	2010	4	1
	2009	1	2
Professionals Lost	MRQ	1	1
	2010	2	1
	2009	0	3

Amundi

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	Boulevard Pasteur, 90 Paris, Other 75730, France
Phone/Fax:	+44 207 074 9300 / +44 207 074 9339
Registered Investment Advisor:	Yes
Year Firm Founded:	1950
Firm Website:	www.amundi.com

Key Facts	
Total Assets Under Management ($ Million):	$0.0
Total Number of Accounts:	0
Number of Portfolio Managers:	483
Number of Analysts:	113
% Employee Owned:	---

Contact Information

Marketing Contact:	Mandy Adamou	Database Contact:	Lydia Fettes-Neame
Title:	Global Consultant Relations, Director	Title:	RFI & Database Coordinator
Address:	41 Lothbury,	Address:	41 Lothbury,
City, State, Zip Code:	London, England EC2R 7HF	City, State, Zip Code:	London, England EC2R 7HF
Phone/Fax:	00 44 20 7074 9334 / 00 44 20 7074 9339	Phone/Fax:	44.207.074.9376 /
Email Address:	mandy.adamou@amundi.com	Email Address:	lydia.fettes-neame@amundi.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$0.0	0
Total Taxable	$0.0	0
Total Tax-Exempt	$0.0	0
Total Institutional	$0.0	0

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	16	$2,528.0	0.3 %
2010	49	$8,128.0	1.0 %
2009	67	$11,333.0	1.8 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	8	$719.0	0.0 %
2010	17	$2,293.0	0.3 %
2009	35	$3,432.0	0.5 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$0.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$0.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$980,982.0	$921,267.0	$965,020.0
Total Taxable	$0.0	$0.0	$0.0
Total Tax-Exempt	$0.0	$0.0	$0.0
Total Institutional	$0.0	$0.0	$0.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$0.0
Canada	$0.0
United Kingdom	$0.0
Continental Europe	$0.0
Japan	$0.0
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) ---	$0.0
2) ---	$0.0
3) ---	$0.0
4) ---	$0.0
5) ---	$0.0

Ownership Information

% Employee Owned	---
% Parent Owned	100.0%
% Publicly Held	---
Parent Company Name	Credit Agricole S.A.
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1994
Performance Audited:	Yes	Effective Date	12/31/2010
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$139.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	---
Firm Bonded:	---	Coverage ($ Mil)	---

Firm Background Narratives

Important milestones in the history of AMUNDI are:

2011 - Amundi Investment Advisors USA is a US investment adviser registered with the US Securities and Exchange Commission and providing investment management services to US clients. Information in this database is a compilation from the Amundi entities named, and the resources and results of portfolios managed by the New York-based management team may differ.

2010 - Amundi Group, 75% owned by Credit Agricole S.A. group entities and 25% by Societe Generale group entities starts operations

2009 - Credit Agricole S.A. and Societe Generale signed a final agreement to combine their asset management activities

2008 - Transformation of the regional representative office in Sydney (opened in 2007) to the wholly-owned subsidiary Credit Agricole Asset Management Australia Ltd.

More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Mandy Adamou
Title:	Global Consultant Relations, Director
Phone/Fax:	00 44 20 7074 9334 / 00 44 20 7074 9339
Email Address:	mandy.adamou@amundi.com

Key Facts

Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI EM-GD
Total Product Assets:	$8,725.0
Total Product Accounts:	9
Product Offered As:	PF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$8,725.0	9
Total Taxable	$0.0	0
Total Tax-Exempt	$0.0	0
Total Institutional	$3,954.0	5

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$4,771.0
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$3,954.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	1	$187.0	3.9 %
2009	3	$241.0	12.3 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-GD
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Current Cash Position:	-1.0 %
Number of Countries in Portfolio:	25
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	10.0

Fundamental Characteristics	
Current Number Of Holdings:	487
Annual Turnover (LTM):	61 %
Current Dividend Yield:	2.36 %
Current P/E (12-mo Trailing):	12.03x
Current P/B (12-mo Trailing):	1.91x
Earnings Growth (Past 5 Yrs):	10.70 %
Weighted Avg. Mkt Cap (Mil):	$48,505
Median Market Cap (Mil):	$19,767

Key Country Allocations	
Brazil	20.19 %
China Free	16.47 %
Korea	15.20 %
Mexico	4.35 %
Russia	9.66 %
South Africa	5.64 %
Taiwan	9.05 %
Developing Markets	0.22 %

Performance Information

Performance For:	FRA - PF - FCP - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	28.09	28.17	-0.08	---	---	---	---	---	---
2 Year	28.98	25.80	3.18	---	---	---	---	---	---
3 Year	5.40	4.53	0.87	39.30	1.04	1.08	4.07	0.21	0.13
4 Year	6.51	4.62	1.88	35.15	1.92	1.08	3.75	0.50	0.15
5 Year	14.82	11.75	3.07	32.72	2.27	1.09	3.55	0.86	0.40
6 Year	19.24	15.46	3.78	31.02	2.44	1.09	3.47	1.09	0.55
7 Year	22.40	18.05	4.35	29.01	2.75	1.08	3.51	1.24	0.70
8 Year	23.95	19.88	4.07	28.57	2.21	1.09	3.62	1.13	0.77
9 Year	22.08	18.37	3.71	28.88	2.23	1.08	3.64	1.02	0.70
10 Year	19.81	16.54	3.26	30.72	1.85	1.09	4.00	0.82	0.58
Since Inception (9/1997)	10.24	8.01	2.23	30.59	2.09	1.03	5.45	0.41	0.24

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-1.39	0.00	18.88	94.99	-54.80	50.04	39.66	44.74	26.69
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	-0.35	-1.03	-0.32	15.97	-1.62	10.26	7.07	10.19	0.74

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	---
Pooled/Commingled	Not Available	---	---
Institutional MFs	FR00105568	$0.52	$4,680

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	---	---	---	---
	---	---	---	---
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	$225,000	$450,000	$675,000	$900,000
	90 bps	90 bps	90 bps	90 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	5	13	10
Research Analysts:	4	11	7
Traders:	2	10	4

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	2
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Axiom International Investors LLC

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	33 Benedict Place Greenwich, Connecticut 06830, United States
Phone/Fax:	203.422.8000 / 203.422.8090
Registered Investment Advisor:	Yes
Year Firm Founded:	1998
Firm Website:	

Key Facts	
Total Assets Under Management ($ Million):	$14,363.4
Total Number of Accounts:	53
Number of Portfolio Managers:	7
Number of Analysts:	12
% Employee Owned:	100.00 %

Contact Information

Marketing Contact:	Jon Yenor	Database Contact:	Sanja Kraljevic
Title:	Director of Marketing	Title:	Marketing Associate
Address:	33 Benedict Place,	Address:	33 Benedict Place,
City, State, Zip Code:	Greenwich, Connecticut 06830-6378	City, State, Zip Code:	Greenwich, Connecticut 06830
Phone/Fax:	203.422.8030 / 203.422.8090	Phone/Fax:	203.422.8035 / 203.422.8090
Email Address:	jyenor@axinvest.com	Email Address:	skraljevic@axinvest.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$14,363.4	53
Total Taxable	$3,903.2	20
Total Tax-Exempt	$10,460.2	33
Total Institutional	$0.0	0

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	11	$293.8	0.0 %
2010	69	$960.2	7.5 %
2009	82	$1,320.9	15.4 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	14	$208.3	0.0 %
2010	48	$556.6	2.5 %
2009	52	$361.1	4.2 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$0.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$0.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$14,336.1	$13,814.8	$12,112.5
Total Taxable	$3,963.7	$3,732.2	$3,054.1
Total Tax-Exempt	$10,372.5	$10,082.5	$9,058.5
Total Institutional	$0.0	$0.0	$0.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$0.0
Canada	$0.0
United Kingdom	$0.0
Continental Europe	$0.0
Japan	$0.0
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) ---	$0.0
2) ---	$0.0
3) ---	$0.0
4) ---	$0.0
5) ---	$0.0

Ownership Information

% Employee Owned	100.0%
% Parent Owned	0.0%
% Publicly Held	0.0%
Parent Company Name	---
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	7/1/1996
Performance Audited:	Yes	Effective Date	12/31/2009
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	---
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	---
Firm Bonded:	Yes	Coverage ($ Mil)	---

Firm Background Narratives

Axiom International was officially formed on September 1, 1998, as an independent investment advisor specialized in managing international equity portfolios by Andrew Jacobson and his current team of research analysts. Prior to forming Axiom, the investment team was responsible for developing and managing the international equity strategy at Columbus Circle Investors (CCI), a division of PIMCO Advisors LP. Historical performance is reported starting in the 3rd quarter of 1996 in full compliance with AIMR standards of reporting prior firm performance. Axiom is completely independent, and 100% owned by the current employees of the firm.

Axiom International Investors LLC — June 30, 2011

Displayed in: US Dollar (USD)

Axiom Emerging Markets Equity Composite — **Product Snapshot**

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Jon R. Yenor
Title:	Director of Marketing
Phone/Fax:	203.422.8030 / 203.422.8090
Email Address:	jyenor@axinvest.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$1,201.2
Total Product Accounts:	8
Product Offered As:	CF,SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$1,201.2	8
Total Taxable	$929.0	4
Total Tax-Exempt	$272.1	4
Total Institutional	$0.0	0

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$1,188.5
Pooled/Commingled Assets	$12.6
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	1	$63.4	0.0 %
2010	3	$25.5	3.3 %
2009	4	$14.5	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Current Cash Position:	1.9 %
Number of Countries in Portfolio:	18
Approach Towards Currency Hedging:	---
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	78
Annual Turnover (LTM):	118 %
Current Dividend Yield:	2.50 %
Current P/E (12-mo Trailing):	18.50x
Current P/B (12-mo Trailing):	3.40x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$35,962
Median Market Cap (Mil):	$10,352

Key Country Allocations	
Brazil	17.46 %
China Free	17.49 %
Korea	14.21 %
Mexico	6.98 %
Russia	5.85 %
South Africa	5.11 %
Taiwan	9.27 %
Developing Markets	---

Performance Information

Performance For: USA - CF - Delaware Business Trust - ERISA/Non-ERISA - Gross of Fees

Frequency: Quarterly

Risk Index: MSCI EM-GD

Risk-Free Index: Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	34.46	28.17	6.29	---	---	---	---	---	---
2 Year	31.54	25.80	5.74	---	---	---	---	---	---
3 Year	8.41	4.53	3.88	37.00	3.82	1.02	3.14	1.24	0.22
4 Year	---	4.62	---	---	---	---	---	---	---
5 Year	---	11.75	---	---	---	---	---	---	---
6 Year	---	15.46	---	---	---	---	---	---	---
7 Year	---	18.05	---	---	---	---	---	---	---
8 Year	---	19.88	---	---	---	---	---	---	---
9 Year	---	18.37	---	---	---	---	---	---	---
10 Year	---	16.54	---	---	---	---	---	---	---
Since Inception (12/2007)	5.79	1.21	4.58	33.84	4.70	1.03	3.53	1.30	0.15

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.07	0.63	26.92	87.51	-51.64	---	---	---	---
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	0.97	-0.40	7.72	8.49	1.54	---	---	---	---

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	$475,000
Pooled/Commingled	Open	$1	$50,000
Mutual Fund	Not Available	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000	$475,000	$700,000	$925,000
	100 bps	95 bps	93 bps	93 bps
Pooled/Commingled	$250,000	$475,000	$700,000	$925,000
	100 bps	95 bps	93 bps	93 bps
Mutual Fund	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	2	21	6
Research Analysts:	12	7	3
Traders:	6	10	6

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	1
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	1
	2009	0	0

Delaware Investments

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	One Commerce Square, 2005 Market Street Philadelphia, Pennsylvania 19103, United States
Phone/Fax:	215.255.2300 / 215.255.1196
Registered Investment Advisor:	Yes
Year Firm Founded:	1929
Firm Website:	www.delawareinvestments.com/institutional

Key Facts	
Total Assets Under Management ($ Million):	$159,750.7
Total Number of Accounts:	594
Number of Portfolio Managers:	42
Number of Analysts:	69
% Employee Owned:	1.00 %

Contact Information

Marketing Contact:	Trevor Blum	Database Contact:	Tom Harvey
Title:	Vice President, Institutional Sales and Consultant Relations	Title:	Consultant Relations Supervisor
Address:	121 SW Salmon Street, 11th Floor	Address:	One Commerce Square, 2005 Market Street
City, State, Zip Code:	Portland, Oregon 97204	City, State, Zip Code:	Philadelphia, Pennsylvania 19103
Phone/Fax:	503.471.1387 /	Phone/Fax:	215.255.8697 / 215.255.1196
Email Address:	tmblum@delinvest.com	Email Address:	thomas.harvey@delinvest.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$159,750.7	594
Total Taxable	$125,916.8	366
Total Tax-Exempt	$33,833.8	228
Total Institutional	$119,854.8	355

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	18	$1,863.3	1.2 %
2010	80	$6,347.7	4.8 %
2009	42	$2,850.4	2.3 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	16	$702.5	0.5 %
2010	38	$3,100.2	2.4 %
2009	40	$1,100.7	0.9 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$25,200.7	$120,061.2	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$173.1	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$5,815.0	$1,127.2	$0.0	$0.0	$0.0
Global	$217.5	$94.5	$0.0	$7.0	$0.0
Emerging Markets	$6,088.3	$966.1	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$151,648.5	$150,331.7	$131,488.9
Total Taxable	$118,517.5	$118,368.8	$102,071.9
Total Tax-Exempt	$33,130.9	$31,963.0	$29,417.0
Total Institutional	$114,480.8	$114,479.3	$93,080.1

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$149,901.7
Canada	$196.9
United Kingdom	$218.3
Continental Europe	$1,284.9
Japan	$209.1
Australia	$662.2
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$360.4
Africa/Middle East	$594.2
Latin America	$26.4
Other	$6,296.7

5 Largest Accounts	Aggregate ($ Mil)
1) Insurance	$77,350.6
2) Wrap Accounts	$3,307.4
3) Other	$3,108.3
4) Sub-Advised	$1,497.9
5) Other	$1,486.5

Ownership Information

% Employee Owned	1.0%
% Parent Owned	99.0%
% Publicly Held	0.0%
Parent Company Name	Macquarie Group Ltd.
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1988
Performance Audited:	Yes	Effective Date	12/31/2009
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$50.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$45.00
Firm Bonded:	Yes	Coverage ($ Mil)	$40.00

Firm Background Narratives

Delaware Investments traces its origins to an investment counseling service that was founded in 1929. We offer over 80 years of investment management experience, covering many economic, political, and market environments.

Our first mutual fund was introduced in 1938 and since then, Delaware Investments has pioneered a number of investment strategies. In addition to our flagship Delaware Fund which focused on large cap equity investing, Delaware Investments was among the first to offer small company stock funds, single-state municipal bond funds, high-yield corporate bond funds, and short-to-intermediate-maturity government bond funds. Delaware Investments has since become a significant manager of assets in each of the major categories with offerings and services covering all market capitalizations and all investment styles.

Delaware Investment Advisers (DIA), a series of Delaware Management Business Trust (DMBT), was established in 1972 to provide investment advisory services for separately managed institutional accounts.

Delaware Management Company (DMC), a series of Delaware Management Business Trust (DMBT), was incorporated in the State of Delaware on February 25, 1988. DMC provides investment advisory

More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Trevor M. Blum
Title:	Vice President, Institutional Sales and Consultant Relations
Phone/Fax:	503.471.1387 /
Email Address:	tmblum@delinvest.com

Key Facts	
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Value
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$5,485.9
Total Product Accounts:	25
Product Offered As:	SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$5,485.9	25
Total Taxable	$4,210.0	17
Total Tax-Exempt	$1,275.9	8
Total Institutional	$2,028.1	17

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$1,826.1
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$202.2
Mutual Fund/Retail Assets	$3,457.6

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	7	$1,124.7	37.2 %
2010	4	$386.3	27.1 %
2009	5	$81.0	11.6 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Value
Current Cash Position:	1.4 %
Number of Countries in Portfolio:	23
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	200
Annual Turnover (LTM):	20 %
Current Dividend Yield:	1.72 %
Current P/E (12-mo Trailing):	13.94x
Current P/B (12-mo Trailing):	1.42x
Earnings Growth (Past 5 Yrs):	5.13 %
Weighted Avg. Mkt Cap (Mil):	$42,994
Median Market Cap (Mil):	$7,909

Key Country Allocations	
Brazil	18.74 %
China Free	13.21 %
Korea	13.90 %
Mexico	4.96 %
Russia	6.52 %
South Africa	6.38 %
Taiwan	5.52 %
Developing Markets	14.00 %

Performance Information

Performance For:	USA - SA - Composite - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	29.71	28.17	1.55	---	---	---	---	---	---
2 Year	27.58	25.80	1.78	---	---	---	---	---	---
3 Year	5.35	4.53	0.82	37.03	0.81	1.02	3.01	0.27	0.14
4 Year	6.07	4.62	1.45	32.66	1.43	1.00	3.61	0.40	0.15
5 Year	14.82	11.75	3.07	31.03	2.68	1.02	4.06	0.76	0.42
6 Year	---	15.46	---	---	---	---	---	---	---
7 Year	---	18.05	---	---	---	---	---	---	---
8 Year	---	19.88	---	---	---	---	---	---	---
9 Year	---	18.37	---	---	---	---	---	---	---
10 Year	---	16.54	---	---	---	---	---	---	---
Since Inception (12/2005)	16.31	12.86	3.44	29.48	2.93	1.03	4.04	0.85	0.48

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-3.08	0.31	19.73	82.20	-50.60	43.26	38.71	---	---
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	-2.03	-0.72	0.53	3.17	2.58	3.48	6.13	---	---

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	---
Pooled/Commingled	---	---	---
Institutional MFs	DPEGX	$1	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$275,000	$550,000	$775,000	$1,000,000
	110 bps	110 bps	103 bps	100 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	$300,000	$600,000	$900,000	$1,200,000
	120 bps	120 bps	120 bps	120 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	1	0	0
Research Analysts:	5	0	0
Traders:	3	0	0

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	1
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Dimensional Fund Advisors L.P.

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	6300 Bee Cave Road, Building One Austin, Texas 78746, United States
Phone/Fax:	512.306.7400 / 512.306.7499
Registered Investment Advisor:	Yes
Year Firm Founded:	1981
Firm Website:	www.dfaus.com

Key Facts	
Total Assets Under Management ($ Million):	$230,905.0
Total Number of Accounts:	2,460
Number of Portfolio Managers:	29
Number of Analysts:	23
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Magdalia Armstrong	Database Contact:	Patrick Woo
Title:	Regional Director	Title:	Associate
Address:	1299 Ocean Ave, 11th Floor	Address:	6300 Bee Caves Road, Building One
City, State, Zip Code:	Santa Monica, California 90401	City, State, Zip Code:	Austin, Texas 78746
Phone/Fax:	310.633.7859 / 310.395.6140	Phone/Fax:	512.306.7404 / 1.512.306.7404
Email Address:	magdalia.armstrong@dimensional.com	Email Address:	patrick.woo@dimensional.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$230,905.0	2,460
Total Taxable	$41,637.0	607
Total Tax-Exempt	$60,409.0	1,853
Total Institutional	$102,046.0	2,460

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	63	$2,695.0	1.3 %
2010	100	$5,499.0	3.2 %
2009	83	$4,603.0	2.9 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	1	$38.0	0.0 %
2010	30	$1,285.0	0.8 %
2009	29	$976.0	0.6 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$66,763.0	$29,107.0	$0.0	$0.0	$2,670.0
Canada	$1,836.0	$630.0	$0.0	$0.0	$103.0
United Kingdom	$2,719.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$22.0	$0.0	$0.0	$0.0
Australia	$7,995.0	$675.0	$0.0	$0.0	$453.0
Japan	$533.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$401.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$46,122.0	$0.0	$0.0	$0.0	$748.0
Global	$9,006.0	$16,472.0	$1,809.0	$0.0	$849.0
Emerging Markets	$41,992.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$227,415.0	$206,427.0	$164,583.0
Total Taxable	$43,556.0	$32,153.0	$28,694.0
Total Tax-Exempt	$58,678.0	$54,930.0	$42,763.0
Total Institutional	$102,234.0	$87,083.0	$71,456.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$192,881.0
Canada	$3,201.0
United Kingdom	$15,385.0
Continental Europe	$0.0
Japan	$0.0
Australia	$19,439.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) Corporate	$14,650.0
2) Sub-Advised	$2,300.0
3) Corporate	$1,550.0
4) Other	$1,500.0
5) Corporate	$1,400.0

Ownership Information

% Employee Owned	0.0%
% Parent Owned	0.0%
% Publicly Held	0.0%
Parent Company Name	
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	No	Effective Date	
Performance Audited:	No	Effective Date	---
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$40.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$25.00
Firm Bonded:	Yes	Coverage ($ Mil)	$15.00

Firm Background Narratives

Dimensional Fund Advisors, a registered investment advisor has been managing taxable and tax-exempt assets since 1981. Headquartered in Austin, Dimensional has grown into a global organization with offices in Santa Monica, London, Sydney, Vancouver, and Berlin.

Ownership:
Dimensional Fund Advisors is a private corporation owned primarily by employees and directors.

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Magdalia Armstrong
Title:	Regional Director
Phone/Fax:	310.633.7859 / 310.395.6140
Email Address:	magdalia.armstrong@dimensional.com

Key Facts

Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$7,237.0
Total Product Accounts:	87
Product Offered As:	PF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$7,237.0	87
Total Taxable	$1,225.0	20
Total Tax-Exempt	$1,771.0	67
Total Institutional	$2,995.0	87

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$1,431.0
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$5,807.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	5	$361.0	7.1 %
2010	30	$957.0	32.1 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Current Cash Position:	0.4 %
Number of Countries in Portfolio:	20
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	15.0

Fundamental Characteristics	
Current Number Of Holdings:	3,334
Annual Turnover (LTM):	4 %
Current Dividend Yield:	2.22 %
Current P/E (12-mo Trailing):	12.92x
Current P/B (12-mo Trailing):	2.46x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$33,180
Median Market Cap (Mil):	$594

Key Country Allocations	
Brazil	14.62 %
China Free	14.65 %
Korea	15.03 %
Mexico	4.52 %
Russia	3.82 %
South Africa	7.72 %
Taiwan	12.90 %
Developing Markets	---

Performance Information

Performance For:	USA - PF - SEC-Registered 1940 Act Mutual Fund - Net of Fees
Frequency:	Quarterly
Risk Index:	MSCI EM-GD
Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	29.88	28.17	1.71	---	---	---	---	---	---
2 Year	28.46	25.80	2.66	---	---	---	---	---	---
3 Year	9.21	4.53	4.67	37.02	4.31	1.02	4.53	1.03	0.24
4 Year	5.82	4.62	1.20	32.82	1.03	1.00	5.40	0.22	0.14
5 Year	14.23	11.75	2.48	30.62	2.14	1.01	4.99	0.50	0.40
6 Year	16.41	15.46	0.96	28.72	0.81	1.00	4.90	0.20	0.49
7 Year	---	18.05	---	---	---	---	---	---	---
8 Year	---	19.88	---	---	---	---	---	---	---
9 Year	---	18.37	---	---	---	---	---	---	---
10 Year	---	16.54	---	---	---	---	---	---	---
Since Inception (9/2005)	16.41	15.46	0.96	28.72	0.81	1.00	4.90	0.20	0.49

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.32	0.26	23.61	83.57	-50.66	37.46	30.93	---	---
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	0.72	-0.77	4.41	4.55	2.52	-2.32	-1.65	---	---

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	---	---
Pooled/Commingled	---	---	---
Institutional MFs	DFCEX	$2	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	---	---	---	---
	---	---	---	---
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	$162,500	$325,000	$487,500	$650,000
	65 bps	65 bps	65 bps	65 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	15	12	9
Research Analysts:	17	7	5
Traders:	18	11	8

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	1
	2010	2	8
	2009	0	0
Professionals Lost	MRQ	0	1
	2010	1	2
	2009	0	1

Eaton Vance Management

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	Eaton Vance Management, Two International Place Boston, Massachusetts 02110, United States
Phone/Fax:	617.482.8260 / 617.672.1277
Registered Investment Advisor:	Yes
Year Firm Founded:	1924
Firm Website:	www.eatonvance.com

Key Facts	
Total Assets Under Management ($ Million):	$155,868.3
Total Number of Accounts:	639
Number of Portfolio Managers:	66
Number of Analysts:	69
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Louis Membrino	Database Contact:	Monica Marois
Title:	Vice President, Consultant Relations	Title:	Consultant Relations Associate
Address:	Eaton Vance Management, Two International Place	Address:	Eaton Vance Management, Two International Place
City, State, Zip Code:	Boston, Massachusetts 02110	City, State, Zip Code:	Boston, Massachusetts 02110
Phone/Fax:	617.672.8775 / 617.672.1775	Phone/Fax:	617.672.8277 / 617.672.1277
Email Address:	lmembrino@eatonvance.com	Email Address:	MMarois@EatonVance.Com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$155,868.3	639
Total Taxable	$139,492.9	403
Total Tax-Exempt	$16,375.3	236
Total Institutional	$25,895.0	330

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	25	$427.7	0.3 %
2010	98	$3,902.1	3.0 %
2009	134	$2,444.5	2.4 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	12	$162.2	0.1 %
2010	46	$859.8	0.7 %
2009	37	$456.4	0.4 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$49,304.0	$61,856.5	$245.7	$0.0	$3,233.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$10.0
Global	$14,990.5	$14,474.9	$0.0	$0.0	$511.9
Emerging Markets	$10,616.2	$625.2	$0.0	$0.0	$0.4
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$157,680.9	$150,907.2	$128,853.0
Total Taxable	$140,670.3	$135,500.6	$117,669.4
Total Tax-Exempt	$17,010.7	$15,406.6	$11,183.6
Total Institutional	$21,954.0	$21,155.5	$16,470.4

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$147,681.0
Canada	$197.6
United Kingdom	$0.0
Continental Europe	$3,411.5
Japan	$2,417.5
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$708.4
Latin America	$0.0
Other	$1,452.2

5 Largest Accounts	Aggregate ($ Mil)
1) Corporate	$2,241.0
2) Sub-Advised	$2,033.8
3) Sub-Advised	$1,077.7
4) Sub-Advised	$1,064.5
5) Corporate	$1,010.5

Ownership Information

% Employee Owned	0.0%
% Parent Owned	100.0%
% Publicly Held	0.0%
Parent Company Name	Eaton Vance Corporation
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1991
Performance Audited:	Yes	Effective Date	1/1/1996
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$90.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$80.00
Firm Bonded:	Yes	Coverage ($ Mil)	$70.00

Firm Background Narratives

Eaton Vance is one of the oldest financial services firms in the United States, with a history dating to 1924. Our firm established its reputation as an investment manager by offering clients a conservative approach to managing money and an uncompromising commitment to integrity and quality. Eaton Vance Management was created in 1979 by the merger of two Boston-based investment management companies - Eaton & Howard, Inc. (founded in 1924) and Vance Sanders & Company, Inc. (founded in 1934). The combined capabilities of these two industry pioneers provided the foundation for the substantial business success achieved by Eaton Vance over the past quarter century.

Today, Eaton Vance continues to build on the legacy of investment excellence, distribution strength and product innovation inherited from our predecessors. Eaton Vance and its affiliates manage assets for institutions and individuals and offer clients a full range of investment management strategies, including:

-High Yield Fixed Income
-Senior Secured Floating-Rate Bank Loans
-Investment Grade Fixed Income
-Global Fixed Income
More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Louis Membrino
Title:	Vice President, Consultant Relations
Phone/Fax:	617.672.8775 / 617.672.1775
Email Address:	lmembrino@eatonvance.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$9,903.0
Total Product Accounts:	27
Product Offered As:	SA,CF,PF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$9,903.0	27
Total Taxable	$6,776.9	3
Total Tax-Exempt	$3,126.1	24
Total Institutional	$3,126.1	24

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$2,574.7
Pooled/Commingled Assets	$551.4
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$6,776.9

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	7	$100.8	1.1 %
2010	2	$227.1	4.2 %
2009	4	$58.7	2.7 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Current Cash Position:	---
Number of Countries in Portfolio:	39
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	1,546
Annual Turnover (LTM):	11 %
Current Dividend Yield:	---
Current P/E (12-mo Trailing):	---
Current P/B (12-mo Trailing):	---
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$13,730
Median Market Cap (Mil):	$1,338

Key Country Allocations	
Brazil	6.47 %
China Free	9.06 %
Korea	6.62 %
Mexico	6.29 %
Russia	6.24 %
South Africa	5.82 %
Taiwan	6.08 %
Developing Markets	0.00 %

Performance Information

Performance For:	SA - Composite - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	29.32	28.17	1.15	---	---	---	---	---	---
2 Year	27.57	25.80	1.77	---	---	---	---	---	---
3 Year	5.30	4.53	0.77	36.91	0.77	1.01	5.50	0.14	0.13
4 Year	5.12	4.62	0.49	32.37	0.54	0.98	5.80	0.09	0.12
5 Year	13.60	11.75	1.85	30.08	1.88	0.99	5.50	0.34	0.39
6 Year	17.14	15.46	1.68	28.34	1.76	0.98	5.11	0.33	0.53
7 Year	20.25	18.05	2.20	26.64	2.24	0.98	4.86	0.45	0.68
8 Year	22.55	19.88	2.67	25.91	2.75	0.98	4.78	0.56	0.79
9 Year	22.14	18.37	3.77	25.97	3.98	0.96	4.85	0.78	0.78
10 Year	20.02	16.54	3.47	26.17	4.22	0.92	5.77	0.60	0.69
Since Inception (9/1998)	16.77	12.88	3.89	27.44	4.22	0.94	6.19	0.63	0.51

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.03	1.10	24.32	70.07	-50.61	41.21	39.23	35.05	32.87
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	1.02	0.07	5.12	-8.95	2.57	1.43	6.65	0.51	6.92

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$75	$750,000
Pooled/Commingled	Open	$5	$52,500
Institutional MFs	EIEMX	$0.25	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000	$500,000	$750,000	$950,000
	100 bps	100 bps	100 bps	95 bps
Pooled/Commingled	$262,500	$525,000	$787,500	$1,025,000
	105 bps	105 bps	105 bps	103 bps
Institutional MFs	$315,000	$630,000	$945,000	$1,260,000
	126 bps	126 bps	126 bps	126 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	8	14	7
Research Analysts:	4	12	6
Traders:	3	11	6

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	2	1
	2009	2	1
Professionals Lost	MRQ	0	0
	2010	1	0
	2009	0	1

Grantham, Mayo, Van Otterloo & Co. LLC — June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	40 Rowes Wharf Boston, Massachusetts 02110, United States
Phone/Fax:	617.330.7500 / 617.261.0134
Registered Investment Advisor:	Yes
Year Firm Founded:	1977
Firm Website:	www.gmo.com

Key Facts	
Total Assets Under Management ($ Million):	$106,031.8
Total Number of Accounts:	1,461
Number of Portfolio Managers:	47
Number of Analysts:	71
% Employee Owned:	---

Contact Information

Marketing Contact:	Holly Carson	Database Contact:	Consultant Support
Title:	Head of US Consultant Relations	Title:	Consultant Relations Data Analyst
Address:	40 Rowes Wharf,	Address:	40 Rowes Wharf,
City, State, Zip Code:	Boston, Massachusetts 02110	City, State, Zip Code:	Boston, Massachusetts 02110
Phone/Fax:	617-330-7500 /	Phone/Fax:	617.790.5073 / 617.310.4449
Email Address:	holly.carson@gmo.com	Email Address:	consultantsupport@gmo.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$106,031.8	1,461
Total Taxable	$25,040.9	411
Total Tax-Exempt	$80,990.9	1,051
Total Institutional	$106,031.8	1,461

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	4	$255.7	0.2 %
2010	83	$3,036.9	2.9 %
2009	67	$2,815.2	3.3 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	23	$1,853.3	1.7 %
2010	70	$4,707.8	4.4 %
2009	39	$2,981.6	3.5 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$21,472.2	$4,635.3	$0.0	$2,676.8	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$2,767.9	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$2,107.1	$0.0	$0.0	$19.1	$0.0
Japan	$39.5	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$33,252.4	$828.6	$0.0	$0.0	$0.0
Global	$8,172.3	$341.4	$0.0	$0.0	$0.0
Emerging Markets	$16,672.9	$3,921.2	$0.0	$0.0	$0.0
Other	$0.0	$1,857.5	$0.0	$5,627.2	$1,640.4

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$108,277.2	$106,846.4	$106,859.2
Total Taxable	$25,349.4	$25,244.4	$24,402.5
Total Tax-Exempt	$82,927.8	$81,602.0	$82,456.6
Total Institutional	$108,277.2	$106,846.4	$106,859.2

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$80,475.4
Canada	$3,564.5
United Kingdom	$8,476.9
Continental Europe	$4,629.4
Japan	$21.9
Australia	$6,135.4
Hong Kong	$11.3
Singapore	$748.6
Other Asia ex-Japan	$946.5
Africa/Middle East	$429.2
Latin America	$10.1
Other	$582.7

5 Largest Accounts	Aggregate ($ Mil)
1) Sub-Advised	$8,244.4
2) Sub-Advised	$4,912.5
3) Public Fund	$1,950.1
4) Public Fund	$1,666.5
5) Public Fund	$1,439.2

Ownership Information

% Employee Owned	---
% Parent Owned	---
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1993
Performance Audited:	No	Effective Date	---
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$75.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$10.00
Firm Bonded:	Yes	Coverage ($ Mil)	$10.00

Firm Background Narratives

Jeremy Grantham, Richard Mayo and Eyk Van Otterloo founded GMO in 1977 as a private investment firm to serve institutional investors with superior investment performance and independent, unbiased advice and counsel. On December 31, 1979, GMO registered with the U.S. Securities and Exchange Commission as an Investment Adviser under the Investment Advisers Act of 1940, as amended. The firm began by managing traditional U.S. equity portfolios based on fundamental research. In 1981, the firm took the same value-oriented investment discipline and launched the International Active division with a focus on large cap non-U.S. equities. In 1982, GMO created the Quantitative division to augment its existing value-based investment style.

Because GMO was able to consistently provide value-added performance in specific asset classes, many of our clients requested that we allocate assets and advise them across a broad spectrum of the capital markets. The resulting asset allocation style and approach have been in place since 1988, when we began managing asset allocation accounts for our clients.

In 1993, GMO formed the Global Fixed Income and the Emerging Markets Equity teams. GMO became a Limited Liability Company in 1996.

GMO began managing alternative asset classes in 1996 with the inception of the GMO Real Estate Strategy and the GMO Emerging Country Debt Long/Short Strategy. In 1997, we augmented our alternative investment capabilities with the formation of the Renewable Resources Division. GMO currently manages a variety of absolute return strategies including a GMO hedge fund-of-funds.

More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	eA Frontier Mkts Equity
Marketing Contact:	Holly Carson
Title:	Head of US Consultant Relations
Phone/Fax:	617-330-7500 /
Email Address:	holly.carson@gmo.com

Key Facts

Primary Capitalization:	All Cap
Primary Style Emphasis:	Value
Preferred Benchmark:	IFC Investable
Total Product Assets:	$16,844.5
Total Product Accounts:	263
Product Offered As:	PF,SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$16,844.5	263
Total Taxable	$1,177.5	46
Total Tax-Exempt	$15,667.1	217
Total Institutional	$16,844.5	263

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$3,972.8
Pooled/Commingled Assets	$750.9
Mutual Fund/Institutional Assets	$12,121.2
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	5	$761.8	5.3 %
2009	11	$288.1	3.6 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	1	$28.3	0.2 %
2010	15	$1,563.5	10.7 %
2009	11	$954.1	10.3 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	IFC Investable
Primary Capitalization:	All Cap
Primary Style Emphasis:	Value
Current Cash Position:	1.6 %
Number of Countries in Portfolio:	---
Approach Towards Currency Hedging:	Defensive
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	---
Annual Turnover (LTM):	---
Current Dividend Yield:	2.70 %
Current P/E (12-mo Trailing):	11.40x
Current P/B (12-mo Trailing):	1.70x
Earnings Growth (Past 5 Yrs):	14.50 %
Weighted Avg. Mkt Cap (Mil):	$19,700
Median Market Cap (Mil):	$800

Key Country Allocations	
Brazil	13.70 %
China Free	16.20 %
Korea	18.20 %
Mexico	1.50 %
Russia	12.70 %
South Africa	2.60 %
Taiwan	9.60 %
Developing Markets	---

Performance Information

Performance For:	SA - Composite - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	34.60	28.17	6.43	---	---	---	---	---	---
2 Year	28.99	25.80	3.19	---	---	---	---	---	---
3 Year	3.66	4.53	-0.87	37.38	-0.62	1.03	3.81	-0.23	0.09
4 Year	3.01	4.62	-1.61	33.37	-1.41	1.03	3.51	-0.46	0.06
5 Year	10.74	11.75	-1.01	31.01	-1.00	1.03	3.30	-0.31	0.29
6 Year	15.00	15.46	-0.46	29.19	-0.55	1.02	3.32	-0.14	0.44
7 Year	18.79	18.05	0.74	27.58	0.39	1.03	3.45	0.21	0.60
8 Year	21.18	19.88	1.30	27.53	0.55	1.05	4.10	0.32	0.70
9 Year	19.68	18.37	1.31	27.82	0.79	1.03	3.96	0.33	0.64
10 Year	19.00	16.54	2.45	28.46	2.32	1.00	5.24	0.47	0.60
Since Inception (3/1994)	11.26	6.93	4.34	29.03	4.30	1.03	7.09	0.61	0.27

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-1.23	3.68	21.44	73.62	-55.20	38.67	30.89	41.65	27.93
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	-0.18	2.65	2.24	-5.40	-2.02	-1.11	-1.69	7.11	1.98

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$200	---
Pooled/Commingled	Open	$5	---
Institutional MFs	GMOEX	$10	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$237,500 95 bps	$475,000 95 bps	$712,500 95 bps	$950,000 95 bps
Pooled/Commingled	--- ---	--- ---	--- ---	--- ---
Institutional MFs	$270,000 108 bps	$540,000 108 bps	$810,000 108 bps	$1,080,000 108 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	3	20	12
Research Analysts:	16	8	4
Traders:	4	13	8

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	2
	2009	1	2
Professionals Lost	MRQ	0	1
	2010	0	0
	2009	2	1

Quantitative Management Associates LLC

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	Two Gateway Center, 6th Floor Newark, New Jersey 07102, United States
Phone/Fax:	973.802.7399 / 973.367.1372
Registered Investment Advisor:	Yes
Year Firm Founded:	1975
Firm Website:	www.qmassociates.com

Key Facts	
Total Assets Under Management ($ Million):	$81,312.0
Total Number of Accounts:	235
Number of Portfolio Managers:	20
Number of Analysts:	6
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Brad Allinson	Database Contact:	Richard Egbert
Title:	Managing Director, Head of Institutional Sales & Consultant	Title:	Vice President
Address:	Two Gateway Center, 6th Floor,	Address:	Two Gateway Center, 6th Floor,
City, State, Zip Code:	Newark, New Jersey 07102	City, State, Zip Code:	Newark, New Jersey 07102
Phone/Fax:	973-367-5115 / 973-367-1372	Phone/Fax:	973.367.3474 / 973.367.1372
Email Address:	brad.allinson@qmassociates.com	Email Address:	richard.egbert@qmassociates.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$81,312.0	235
Total Taxable	$9,366.0	35
Total Tax-Exempt	$71,946.0	200
Total Institutional	$81,312.0	235

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	0	$50.0	0.1 %
2010	3	$41.0	0.0 %
2009	6	$383.0	0.7 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	4	$716.0	0.9 %
2010	10	$2,227.0	3.3 %
2009	16	$1,078.0	2.1 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$37,973.0	$0.0	$36,618.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$292.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$128.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$2,981.0	$0.0	$0.0	$0.0	$0.0
Global	$396.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$2,924.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$83,644.0	$79,735.0	$70,162.0
Total Taxable	$9,816.0	$9,457.0	$9,670.0
Total Tax-Exempt	$73,828.0	$70,278.0	$60,492.0
Total Institutional	$83,644.0	$79,735.0	$70,162.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$75,584.0
Canada	$167.0
United Kingdom	$151.0
Continental Europe	$5,324.0
Japan	$0.0
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$86.0

5 Largest Accounts	Aggregate ($ Mil)
1) Sub-Advised	$8,814.0
2) Sub-Advised	$7,662.0
3) Sub-Advised	$7,533.0
4) Sub-Advised	$5,735.0
5) Sub-Advised	$4,420.0

Ownership Information

% Employee Owned	0.0%
% Parent Owned	100.0%
% Publicly Held	0.0%
Parent Company Name	Prudential Financial, Inc.
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/2006
Performance Audited:	Yes	Effective Date	12/31/2010
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$150.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$150.00
Firm Bonded:	Yes	Coverage ($ Mil)	$1.00

Firm Background Narratives

Quantitative Management Associates LLC (QMA), a United States registered investment adviser, seesk to deliver investment solutions tailored to client objectives through a broad range of customized strategies. QMA seeks to identify investment opportunities by blending the output from quantitative models with the seasoned judgment of 35 investment professionals (including 9 PhDs) averaging 20 years of experience. Models incorporate salient insights from academic theory to identify when stocks or asset classes seem mispriced. Rigorous risk controls seek to ensure non-benchmark risk is focused on areas with the potential to provide sufficient rewards.

QMA manages approximately $84 billion as of March 31, 2011. Clients include domestic and international corporate and public pension plans, mutual funds, endowments and foundations, and multi-employer plans in the following strategies:
- Enhanced Indexing, seeks to add value over a benchmark by systematically identifying and exploiting investor mistakes resulting from human bias.
- Value Equity, seeks to objectively and systematically identify undervalued stocks that have the potential to provide above-average performance.
- Structured Equity, seeks to synthetically create desired investment exposures using a combination of derivative and physical securities.
- Asset Allocation, allocates client assets among a broad array of investment strategies through customized asset and liability studies.
- Equity Indexing, seeks to effectively track the performance of a specified benchmark.

More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Brad Allinson
Title:	Managing Director, Head of Institutional Sales & Consultant
Phone/Fax:	973-367-5115 / 973-367-1372
Email Address:	brad.allinson@qmassociates.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$1,852.0
Total Product Accounts:	20
Product Offered As:	SA,CF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$1,852.0	20
Total Taxable	$1,088.0	3
Total Tax-Exempt	$764.0	17
Total Institutional	$1,852.0	20

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$620.0
Pooled/Commingled Assets	$144.0
Mutual Fund/Institutional Assets	$1,088.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	1	$10.0	0.8 %
2009	0	$186.0	39.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Current Cash Position:	0.1 %
Number of Countries in Portfolio:	19
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	268
Annual Turnover (LTM):	111 %
Current Dividend Yield:	3.00 %
Current P/E (12-mo Trailing):	11.79x
Current P/B (12-mo Trailing):	1.94x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$50,127
Median Market Cap (Mil):	$5,802

Key Country Allocations	
Brazil	16.33 %
China Free	18.32 %
Korea	15.82 %
Mexico	3.96 %
Russia	6.28 %
South Africa	7.67 %
Taiwan	10.34 %
Developing Markets	---

Performance Information

Performance For:	USA - SA - Composite - Gross of Fees
Frequency:	Quarterly
Risk Index:	MSCI EM-GD
Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	34.56	28.17	6.39	---	---	---	---	---	---
2 Year	30.03	25.80	4.23	---	---	---	---	---	---
3 Year	5.69	4.53	1.16	37.07	1.24	1.02	1.89	0.61	0.14
4 Year	6.33	4.62	1.71	33.12	1.73	1.02	1.80	0.95	0.16
5 Year	13.81	11.75	2.06	30.72	1.80	1.02	1.63	1.27	0.39
6 Year	17.22	15.46	1.76	29.02	1.38	1.02	1.63	1.08	0.52
7 Year	19.65	18.05	1.60	27.30	1.14	1.02	1.59	1.01	0.64
8 Year	21.80	19.88	1.92	26.97	1.21	1.03	1.99	0.96	0.73
9 Year	20.38	18.37	2.01	27.55	1.35	1.03	2.03	0.99	0.67
10 Year	---	16.54	---	---	---	---	---	---	---
Since Inception (9/2002)	20.38	18.37	2.01	27.55	1.35	1.03	2.03	0.99	0.67

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.01	4.22	21.68	80.33	-53.23	43.11	32.76	34.42	25.76
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	1.03	3.19	2.49	1.31	-0.05	3.33	0.17	-0.12	-0.19

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$100	$625,000
Pooled/Commingled	Open	$5	$32,500
Mutual Fund	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$162,500	$325,000	$475,000	$625,000
	65 bps	65 bps	63 bps	63 bps
Pooled/Commingled	$162,500	$325,000	$475,000	$625,000
	65 bps	65 bps	63 bps	63 bps
Mutual Fund	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	6	23	16
Research Analysts:	3	22	12
Traders:	2	19	16

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	1	0
	2010	0	0
	2009	1	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Schroder Investment Management

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	31 Gresham Street London, England EC2V 7QA, United Kingdom
Phone/Fax:	+44 (0)20 7658 6000 /
Registered Investment Advisor:	Yes
Year Firm Founded:	1804
Firm Website:	www.schroders.com

Key Facts	
Total Assets Under Management ($ Million):	$328,755.0
Total Number of Accounts:	3,878
Number of Portfolio Managers:	176
Number of Analysts:	163
% Employee Owned:	5.50 %

Contact Information

Marketing Contact:	Richard Graham	Database Contact:	Rosalind Keenan
Title:	Head of UK & Ireland Consultant Relationships	Title:	Head of Consultant Relations Support
Address:	31 Gresham Street, London	Address:	31 Gresham Street,
City, State, Zip Code:	London, England EC2V 7QA	City, State, Zip Code:	London, England EC2V 7QA
Phone/Fax:	+44 (0) 20 7658 2965 /	Phone/Fax:	+44 (0) 20 7658 6297 /
Email Address:	richard.graham@schroders.com	Email Address:	rosalind.keenan@schroders.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$328,755.0	3,878
Total Taxable	$213,285.0	1,939
Total Tax-Exempt	$115,470.0	1,933
Total Institutional	$180,863.0	3,106

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	243	$0.0	0.0 %
2010	708	$31,739.0	0.0 %
2009	145	$7,521.7	4.8 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	162	$0.0	0.0 %
2010	391	$7,361.6	0.0 %
2009	117	$2,396.1	1.5 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$8,554.6	$10,098.0	$4,050.4	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$21,390.0	$6,623.0	$34,798.6	$0.0	$0.0
Europe ex-UK	$13,485.0	$13,854.0	$2,372.2	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$3,724.0	$595.8	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$33,538.0	$11,332.0	$9,545.8	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$40,037.0	$16,058.0	$5,524.0	$0.0	$0.0
Emerging Markets	$27,356.0	$0.0	$0.0	$8,474.0	$0.0
Other	$0.0	$0.0	$0.0	$30,467.0	$26,865.8

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$322,793.7	$307,897.2	$239,624.0
Total Taxable	$220,741.9	$214,019.7	$0.0
Total Tax-Exempt	$102,051.8	$93,877.5	$7,577.7
Total Institutional	$193,872.0	$183,124.7	$123,935.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$33,362.0
Canada	$1,964.0
United Kingdom	$113,906.0
Continental Europe	$75,608.0
Japan	$17,405.0
Australia	$27,634.0
Hong Kong	$11,529.0
Singapore	$8,792.0
Other Asia ex-Japan	$18,264.4
Africa/Middle East	$8,302.9
Latin America	$9,935.0
Other	$2,057.0

5 Largest Accounts	Aggregate ($ Mil)
1) High Net Worth Individuals	$12,308.8
2) Other	$9,755.3
3) Other	$7,865.5
4) High Net Worth Individuals	$7,322.9
5) Other	$4,550.0

Ownership Information

% Employee Owned	5.5%
% Parent Owned	47.8%
% Publicly Held	46.7%
Parent Company Name	
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	12/31/1997
Performance Audited:	Yes	Effective Date	12/31/2010
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$250.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$4.50
Firm Bonded:	Yes	Coverage ($ Mil)	$0.50

Firm Background Narratives

With a history of over 200 years, Schroders is one of the largest asset managers listed on the London Stock Exchange. As at 31 June 2011, Schroders held $328.7 billion in client assets under management worldwide, 342 investment professionals (portfolio managers and analysts) and 32 offices in 25 countries. Schroders' current levels of expertise, market presence and client assets are the result of long-term growth over many decades and we endeavour to maintain our goal to build a world class Asset Management Company that is diversified by product, by channel and by region.

The company is a purely focused asset management business offering clients tremendous breadth in locally managed products, delivered through a fully integrated global distribution platform. Schroders offer an extensive range of products and services. We manage portfolios across all asset classes, with specialist capabilities in equities, fixed income, private equity, property, hedge funds and structured products. This broad spectrum allows us to meet our clients' particular requirements for innovative products and services. The rationale behind our extensive range of products and services is our adaptability to tailor products to meet the needs of different clients according to local culture, risk appetite and regulations. We excel in the management of multi-asset portfolios, combining the best ingredients from our range of specialist components. Our clients include corporations, insurance companies, local and public authorities, charities, pension funds, high net worth individuals and retail investors.
Schroders has a unique corporate culture and philosophy that reflects the trusted heritage of the firm. Long-term thinking governs our approach to investing, building client relationships and growing our business. We believe that our strict focus on investment management ensures that the long-term interests of the company are aligned with the investment objectives of our clients and to gain access to

More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Kathleen Hopkins
Title:	Consultant Research & Relations Manager
Phone/Fax:	212.641.3917 / 212.641.3985
Email Address:	kathleen.hopkins@us.schroders.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$12,643.8
Total Product Accounts:	42
Product Offered As:	SA,CF,PF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$12,643.8	42
Total Taxable	$6,202.0	20
Total Tax-Exempt	$6,441.8	22
Total Institutional	$7,806.3	31

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$6,711.3
Pooled/Commingled Assets	$1,328.7
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$4,603.9

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	13	$2,620.3	39.7 %
2009	6	$612.8	22.7 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	1	$4.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Current Cash Position:	1.3 %
Number of Countries in Portfolio:	16
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	5.0

Fundamental Characteristics	
Current Number Of Holdings:	---
Annual Turnover (LTM):	28 %
Current Dividend Yield:	2.20 %
Current P/E (12-mo Trailing):	12.50x
Current P/B (12-mo Trailing):	2.10x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$40,268
Median Market Cap (Mil):	$11,811

Key Country Allocations	
Brazil	15.60 %
China Free	21.38 %
Korea	18.64 %
Mexico	1.93 %
Russia	9.52 %
South Africa	4.86 %
Taiwan	11.25 %
Developing Markets	0.00 %

Performance Information

Performance For: USA - SA - Composite - Gross of Fees

Frequency: Quarterly

Risk Index: MSCI EM-GD

Risk-Free Index: Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	27.79	28.17	-0.38	---	---	---	---	---	---
2 Year	24.33	25.80	-1.47	---	---	---	---	---	---
3 Year	4.02	4.53	-0.51	35.09	-0.50	0.97	2.97	-0.17	0.10
4 Year	5.20	4.62	0.58	31.68	0.60	0.98	2.92	0.20	0.13
5 Year	12.42	11.75	0.67	29.53	0.79	0.98	2.65	0.25	0.36
6 Year	16.09	15.46	0.64	27.78	0.85	0.98	2.46	0.26	0.50
7 Year	18.51	18.05	0.46	26.07	0.77	0.98	2.31	0.20	0.63
8 Year	19.80	19.88	-0.08	26.01	0.09	0.99	2.78	-0.03	0.68
9 Year	18.02	18.37	-0.35	26.73	-0.25	1.00	2.67	-0.13	0.60
10 Year	15.69	16.54	-0.85	28.40	-0.85	1.01	2.72	-0.31	0.48
Since Inception (3/1992)	10.90	9.89	1.01	28.09	0.95	1.01	4.13	0.24	0.27

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.87	2.65	13.76	77.74	-51.15	41.91	34.95	33.99	18.28
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	0.18	1.62	-5.43	-1.28	2.03	2.13	2.37	-0.55	-7.67

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$100	$1,000,000
Pooled/Commingled	Open	$10	$100,000
Institutional MFs	SEMNX	$0.25	$3,125

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000 100 bps	$500,000 100 bps	$750,000 100 bps	$1,000,000 100 bps
Pooled/Commingled	$250,000 100 bps	$500,000 100 bps	$712,500 95 bps	$925,000 93 bps
Institutional MFs	$312,500 125 bps	$625,000 125 bps	$937,500 125 bps	$1,250,000 125 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	8	19	9
Research Analysts:	25	11	6
Traders:	17	11	7

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	2
	2010	0	4
	2009	0	0
Professionals Lost	MRQ	0	1
	2010	0	4
	2009	0	1

Trilogy Global Advisors LP

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	1114 Avenue of the Americas, 28th Floor New York, New York 10036, United States
Phone/Fax:	212.703.3100 / 212.703.3180
Registered Investment Advisor:	Yes
Year Firm Founded:	1999
Firm Website:	www.trilogyadvisors.com

Key Facts	
Total Assets Under Management ($ Million):	$13,514.0
Total Number of Accounts:	99
Number of Portfolio Managers:	3
Number of Analysts:	18
% Employee Owned:	---

Contact Information

Marketing Contact:	Erik Bieck	Database Contact:	Rene Alberson
Title:	Principal, Institutional Marketing	Title:	Portfolio Analyst/Client Service
Address:	1114 Avenue of the Americas, 28th Floor	Address:	400 Park Avenue South, Suite 320
City, State, Zip Code:	New York, New York 10036	City, State, Zip Code:	Winter Park, Florida 32789
Phone/Fax:	212.703.3150 / 407-667-5778	Phone/Fax:	407.551.1425 / 407.660.5778
Email Address:	ebieck@trilogyadvisors.com	Email Address:	marketingsupport@trilogyadvisors.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$13,514.0	99
Total Taxable	$2,266.6	25
Total Tax-Exempt	$11,247.4	74
Total Institutional	$12,547.7	87

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	3	$468.3	3.5 %
2010	21	$1,326.5	9.0 %
2009	14	$541.0	5.1 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	27	$3,317.7	24.6 %
2010	11	$573.4	3.9 %
2009	25	$480.5	4.4 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$0.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$1,465.9	$0.0	$0.0	$0.0	$0.0
Global	$5,172.3	$34.4	$0.0	$0.0	$0.0
Emerging Markets	$6,269.3	$0.0	$0.0	$0.0	$572.2
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$16,286.5	$16,527.5	$13,080.4
Total Taxable	$5,481.9	$5,352.4	$4,287.0
Total Tax-Exempt	$10,804.7	$11,175.1	$8,793.4
Total Institutional	$12,118.4	$12,470.0	$9,885.7

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$5,347.2
Canada	$618.3
United Kingdom	$2,252.5
Continental Europe	$585.0
Japan	$898.0
Australia	$3,415.2
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$287.6
Latin America	$0.0
Other	$110.2

5 Largest Accounts	Aggregate ($ Mil)
1) Public Fund	$1,107.6
2) Corporate	$891.7
3) Public Fund	$512.7
4) Public Fund	$572.2
5) Other	$481.6

Ownership Information

% Employee Owned	---
% Parent Owned	---
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	8/31/1999
Performance Audited:	Yes	Effective Date	12/31/2010
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$10.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$10.00
Firm Bonded:	Yes	Coverage ($ Mil)	---

Firm Background Narratives

Trilogy Global Advisors LLC is a SEC registered investment advisor founded by Bill Sterling in 1999. Bill has brought to Trilogy long-standing global asset management relationships and has managed these relationships since 1996. Bill is the former global head of equities at Credit Suisse Asset Management and formed Trilogy to continue providing institutional investors with his growth-oriented global and international investment management discipline.

With a global sector-based research staff of approximately 28 investment and trading professionals, averaging 18 years experience, Trilogy Global Advisors is well positioned to continue a tradition of providing superior results for global investors. The firms principals strongly believe that a growth-oriented investment process should focus not only on identifying companies with superior growth prospects, but also on carefully evaluating potential risks related to both company-specific and global economic factors. This belief has guided the development of a highly disciplined bottom-up research capability aimed at creating portfolios with optimal risk/return profiles with every position continually evaluated for its upside potential relative to its downside risk. This process leaves Trilogy Global Advisors well positioned to take advantage of current and future marketplace dynamics characterized by intense global competition and rapid structural change.

In December 2010, Trilogy Global Advisors became an Affiliate of AMG, Inc. AMG's approach to ownership is to take a share of revenue interest in its Affiliates. This allows Trilogy employees to maintain a significant revenue interest in the firm as well as all of the ongoing profit interest. Our existing management team retains autonomy over the management of the firm, as well as complete control over our

More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Erik Bieck
Title:	Principal, Institutional Marketing
Phone/Fax:	212.703.3150 / 407-667-5778
Email Address:	ebieck@trilogyadvisors.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$6,269.3
Total Product Accounts:	46
Product Offered As:	PF,SA,CF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$6,269.3	46
Total Taxable	$1,788.9	13
Total Tax-Exempt	$4,480.4	33
Total Institutional	$5,455.7	39

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$3,926.4
Pooled/Commingled Assets	$1,530.1
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$812.8

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	2	$468.3	7.5 %
2010	18	$1,180.3	23.7 %
2009	7	$256.4	10.5 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	7	$592.1	9.4 %
2010	1	$0.7	0.0 %
2009	5	$96.9	4.1 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Current Cash Position:	3.0 %
Number of Countries in Portfolio:	18
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	94
Annual Turnover (LTM):	18 %
Current Dividend Yield:	2.04 %
Current P/E (12-mo Trailing):	15.00x
Current P/B (12-mo Trailing):	2.50x
Earnings Growth (Past 5 Yrs):	10.87 %
Weighted Avg. Mkt Cap (Mil):	$14,911
Median Market Cap (Mil):	$4,779

Key Country Allocations	
Brazil	15.35 %
China Free	16.50 %
Korea	13.35 %
Mexico	4.97 %
Russia	9.48 %
South Africa	10.05 %
Taiwan	6.00 %
Developing Markets	0.00 %

Performance Information

Performance For:	USA - SA - Composite - Gross of Fees
Frequency:	Quarterly
Risk Index:	MSCI EM-GD
Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	27.05	28.17	-1.11	---	---	---	---	---	---
2 Year	24.00	25.80	-1.80	---	---	---	---	---	---
3 Year	1.55	4.53	-2.99	39.72	-2.63	1.09	5.08	-0.59	0.03
4 Year	3.36	4.62	-1.26	35.09	-1.06	1.08	4.93	-0.26	0.06
5 Year	11.02	11.75	-0.73	32.28	-1.00	1.07	4.52	-0.16	0.28
6 Year	15.32	15.46	-0.14	30.48	-0.69	1.07	4.52	-0.03	0.43
7 Year	18.96	18.05	0.91	28.62	0.07	1.06	4.36	0.21	0.59
8 Year	20.33	19.88	0.45	27.69	-0.26	1.05	4.19	0.11	0.66
9 Year	19.38	18.37	1.01	28.10	0.38	1.05	4.02	0.25	0.62
10 Year	16.97	16.54	0.42	29.15	0.09	1.03	3.94	0.11	0.51
Since Inception (6/1997)	12.76	8.49	4.27	30.91	4.06	1.04	7.19	0.59	0.32

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-2.16	-2.89	20.33	80.33	-54.51	40.50	37.54	39.66	29.95
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	-1.11	-3.92	1.14	1.31	-1.33	0.72	4.95	5.12	3.99

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$20	$200,000
Pooled/Commingled	Open	$10	$100,000
Institutional MFs	TLEIX	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000	$500,000	$750,000	$1,000,000
	100bps	100bps	100bps	100bps
Pooled/Commingled	$250,000	$500,000	$750,000	$1,000,000
	100bps	100bps	100bps	100bps
Institutional MFs	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	3	25	10
Research Analysts:	18	16	5
Traders:	7	20	5

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	1
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

SamCERA - Emerging Market Equity

Periods ending June 30, 2011

Performance Summary Tables

All Strategies

	Acadian: EM		Amundi: GEM		Axiom: EM		Delaware: EM		EV Parametric		DFA: EM Core Eq		GMO: EM		QMA: EM		Schroder: EM		Trilogy: EM		MSCI EM		eA EM Eq Median	eA EM Eq Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Total Return																								
3 Mos.	-0.8	51	-1.4	71	-0.1	32	-3.1	94	0.0	31	-0.3	39	-1.2	63	0.0	31	-0.9	54	-2.2	82	-1.0	60	-0.7	*184*
1 Yr.	31.6	25	28.1	52	34.5	13	29.7	38	29.3	44	29.9	34	34.6	12	34.6	13	27.8	55	27.0	63	28.2	51	28.3	*182*
3 Yrs.	2.5	67	5.4	40	8.4	23	5.4	41	5.3	41	9.2	19	3.7	56	5.7	38	4.0	52	1.6	75	4.5	46	4.1	*167*
5 Yrs.	11.2	56	14.8	19	n/a	n/a	14.8	18	13.6	30	14.2	23	10.7	67	13.8	28	12.4	40	11.0	61	11.8	46	11.5	*128*
7 Yrs.	19.1	36	22.4	6	n/a	n/a	n/a	n/a	20.2	23	n/a	n/a	18.8	40	19.7	32	18.5	44	19.0	37	18.1	52	18.2	*102*
10 Yrs.	19.6	20	19.8	17	n/a	n/a	n/a	n/a	20.0	16	n/a	n/a	19.0	28	n/a	n/a	15.7	84	17.0	51	16.5	68	17.0	*86*
Excess Return																								
3 Mos.	0.2		-0.4		1.0		-2.0		1.0		0.7		-0.2		1.0		0.2		-1.1				0.3	*184*
1 Yr.	3.5		-0.1		6.3		1.6		1.1		1.7		6.5		6.4		-0.4		-1.1				0.1	*182*
3 Yrs.	-2.0		0.9		3.9		0.8		0.8		4.7		-0.9		1.2		-0.5		-3.0				-0.5	*167*
5 Yrs.	-0.5		3.1		n/a	n/a	3.1		1.8		2.5		-1.0		2.1		0.7		-0.7				-0.3	*128*
7 Yrs.	1.0		4.4		n/a	n/a	n/a	n/a	2.2		n/a	n/a	0.7		1.6		0.5		0.9				0.2	*102*
10 Yrs.	3.1		3.3		n/a	n/a	n/a	n/a	3.4		n/a	n/a	2.5		n/a	n/a	-0.9		0.4				0.4	*86*
Excess Return vs. Universe Median																								
3 Mos.	-0.1		-0.7		0.7		-2.3		0.7		0.4		-0.5		0.7		-0.1		-1.4		-0.3			*184*
1 Yr.	3.4		-0.2		6.2		1.5		1.0		1.6		6.4		6.3		-0.5		-1.2		-0.1			*182*
3 Yrs.	-1.5		1.4		4.4		1.3		1.3		5.2		-0.4		1.6		0.0		-2.5		0.5			*167*
5 Yrs.	-0.2		3.4		n/a	n/a	3.4		2.1		2.8		-0.7		2.4		1.0		-0.4		0.3			*128*
7 Yrs.	0.8		4.2		n/a	n/a	n/a	n/a	2.0		n/a	n/a	0.6		1.4		0.3		0.7		-0.2			*102*
10 Yrs.	2.6		2.8		n/a	n/a	n/a	n/a	3.0		n/a	n/a	2.0		n/a	n/a	-1.3		0.0		-0.4			*86*
Standard Deviation																								
3 Yrs.	32.4	70	32.1	61	31.4	49	30.5	30	30.1	24	32.7	74	31.5	51	31.6	54	30.1	26	32.4	69	31.1	43	31.5	*167*
5 Yrs.	28.5	73	28.6	74	n/a	n/a	26.6	27	25.4	13	28.0	62	27.7	56	27.7	54	26.8	34	27.9	60	27.4	48	27.5	*128*
7 Yrs.	26.6	78	27.0	87	n/a	n/a	n/a	n/a	23.4	8	n/a	n/a	25.7	56	25.7	60	24.8	31	25.8	61	25.3	45	25.6	*102*
10 Yrs.	25.1	79	25.7	89	n/a	n/a	n/a	n/a	21.8	5	n/a	n/a	24.4	55	n/a	n/a	24.1	42	24.4	52	24.1	43	24.3	*86*
Tracking Error																								
3 Yrs.	3.8	32	2.9	13	3.9	36	3.7	26	4.6	52	4.0	38	3.8	31	2.1	4	3.0	15	4.5	47			4.6	*167*
5 Yrs.	3.9	37	2.8	11	n/a	n/a	4.0	40	5.4	67	4.9	56	3.4	23	1.9	4	2.8	10	3.9	38			4.5	*128*
7 Yrs.	3.9	42	3.3	27	n/a	n/a	n/a	n/a	5.0	67	n/a	n/a	3.2	19	1.8	3	2.6	7	3.8	39			4.2	*102*
10 Yrs.	3.9	41	4.0	43	n/a	n/a	n/a	n/a	5.3	71	n/a	n/a	4.1	51	n/a	n/a	2.8	8	3.8	33			4.1	*86*
Information Ratio																								
3 Yrs.	-0.5	70	0.3	38	1.0	17	0.2	40	0.2	43	1.2	12	-0.2	57	0.6	27	-0.2	53	-0.7	75			-0.2	*167*
5 Yrs.	-0.1	56	1.1	3	n/a	n/a	0.8	15	0.3	33	0.5	23	-0.3	71	1.1	4	0.2	35	-0.2	61			-0.1	*128*
7 Yrs.	0.3	36	1.3	1	n/a	n/a	n/a	n/a	0.4	28	n/a	n/a	0.2	39	0.9	7	0.2	41	0.2	38			0.1	*102*
10 Yrs.	0.8	6	0.8	5	n/a	n/a	n/a	n/a	0.7	16	n/a	n/a	0.6	18	n/a	n/a	-0.3	89	0.1	51			0.1	*86*

Universe: **eA EM Eq**

Universe Rank: **Green = Top Quartile Red = Bottom Quartile**

SamCERA - Emerging Market Equity

Periods ending June 30, 2011

Performance Summary Tables

All Strategies

Beta

	Acadian: EM		Amundi: GEM		Axiom: EM		Delaware: EM		EV Parametric		DFA: EM Core Eq		GMO: EM		QMA: EM		Schroder: EM		Trilogy: EM		MSCI EM		eA EM Eq Median	eA EM Eq Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
3 Yrs.	1.0	30	1.0	37	1.0	54	1.0	72	1.0	76	1.0	26	1.0	49	1.0	41	1.0	73	1.0	33			1.0	*167*
5 Yrs.	1.0	27	1.0	23	n/a	n/a	1.0	70	0.9	87	1.0	45	1.0	47	1.0	42	1.0	62	1.0	43			1.0	*128*
7 Yrs.	1.0	19	1.1	11	n/a	n/a	n/a	n/a	0.9	91	n/a	n/a	1.0	45	1.0	37	1.0	65	1.0	42			1.0	*102*
10 Yrs.	1.0	17	1.1	10	n/a	n/a	n/a	n/a	0.9	92	n/a	n/a	1.0	52	n/a	n/a	1.0	56	1.0	46			1.0	*86*

Alpha (CAPM)

3 Yrs.	-2.1	69	0.8	42	3.9	23	0.9	40	1.0	39	4.5	21	-0.9	57	1.1	38	-0.4	50	-3.1	75			-0.4	*167*
5 Yrs.	-0.8	63	2.7	23	n/a	n/a	3.5	18	2.7	23	2.4	25	-1.1	66	2.0	32	0.9	43	-0.8	62			-0.2	*128*
7 Yrs.	0.4	51	3.4	19	n/a	n/a	n/a	n/a	3.7	16	n/a	n/a	0.6	47	1.4	36	0.9	44	0.8	45			0.4	*102*
10 Yrs.	2.6	28	2.5	31	n/a	n/a	n/a	n/a	5.1	11	n/a	n/a	2.5	30	n/a	n/a	-0.7	78	0.4	58			1.1	*86*

Sharpe Ratio

3 Yrs.	0.1	69	0.2	42	0.3	23	0.2	40	0.2	39	0.3	23	0.1	56	0.2	38	0.1	50	0.0	75	0.1	46	0.1	*167*
5 Yrs.	0.3	63	0.5	24	n/a	n/a	0.5	18	0.5	21	0.4	26	0.3	65	0.4	29	0.4	41	0.3	63	0.4	47	0.3	*128*
7 Yrs.	0.6	50	0.7	18	n/a	n/a	n/a	n/a	0.8	16	n/a	n/a	0.6	46	0.7	33	0.7	41	0.7	45	0.6	53	0.6	*102*
10 Yrs.	0.7	26	0.7	30	n/a	n/a	n/a	n/a	0.8	9	n/a	n/a	0.7	29	n/a	n/a	0.6	77	0.6	58	0.6	63	0.6	*86*

Upside Capture Ratio

3 Yrs.	99.0	56	104.4	28	108.1	18	96.7	72	92.2	82	110.1	15	99.1	54	104.3	30	97.4	67	99.3	52			99.6	*167*
5 Yrs.	101.3	41	110.3	8	n/a	n/a	101.1	44	90.8	86	101.8	37	99.4	53	104.4	24	99.8	49	99.8	49			99.7	*128*
7 Yrs.	104.2	23	114.2	1	n/a	n/a	n/a	n/a	92.5	91	n/a	n/a	102.2	35	104.3	21	99.1	61	102.2	34			100.6	*102*
10 Yrs.	107.6	6	112.1	1	n/a	n/a	n/a	n/a	92.2	95	n/a	n/a	103.8	25	n/a	n/a	99.4	64	100.8	50			100.7	*86*

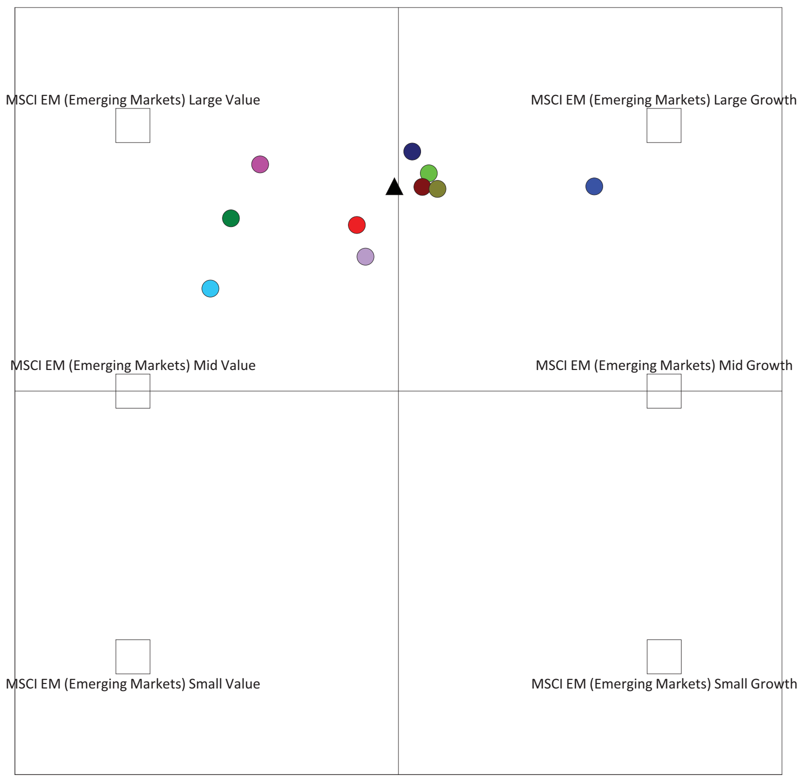
Downside Capture Ratio

3 Yrs.	103.4	69	101.5	59	98.0	37	95.7	29	92.3	23	97.9	35	101.1	58	100.8	54	99.1	44	105.8	75			100.3	*167*
5 Yrs.	102.5	65	102.1	63	n/a	n/a	93.4	26	86.3	14	95.6	29	101.9	62	99.1	48	98.2	45	101.6	61			99.5	*128*
7 Yrs.	102.0	63	104.0	77	n/a	n/a	n/a	n/a	84.7	10	n/a	n/a	100.4	50	100.5	51	97.7	39	100.0	46			100.5	*102*
10 Yrs.	99.7	53	104.1	86	n/a	n/a	n/a	n/a	80.4	10	n/a	n/a	97.2	39	n/a	n/a	101.8	70	99.6	52			99.5	*86*

Universe: eA EM Eq

Universe Rank: Green = Top Quartile Red = Bottom Quartile

Style Map (Jan 03 - Jun 11)



Legend

- Acadian: EM
- Amundi: GEM
- Axiom: EM
- Delaware: EM
- EV Parametric
- DFA: EM Core Eq
- GMO: EM
- QMA: EM
- Schroder: EM
- Trilogy: EM
- MSCI EM

Note: The date range displayed in style analysis charts will not match those in other charts because the system requires a certain number of returns (18 months in this study) before it can perform the first style calculation.

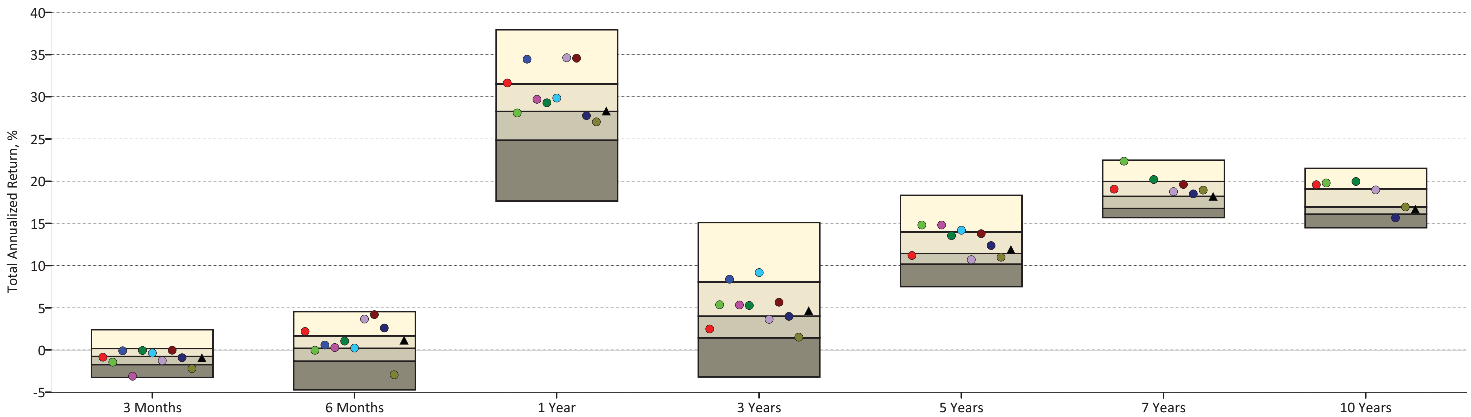
SamCERA - Emerging Market Equity

Periods ending June 30, 2011

Performance Detail

All Strategies

Total Return: Trailing Periods



	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: EM	-0.8	51	2.2	18	31.6	25	2.5	67	11.2	56	19.1	36	19.6	20
Amundi: GEM	-1.4	71	0.0	55	28.1	52	5.4	40	14.8	19	22.4	6	19.8	17
Axiom: EM	-0.1	32	0.6	44	34.5	13	8.4	23	n/a	n/a	n/a	n/a	n/a	n/a
Delaware: EM	-3.1	94	0.3	48	29.7	38	5.4	41	14.8	18	n/a	n/a	n/a	n/a
EV Parametric	0.0	31	1.1	35	29.3	44	5.3	41	13.6	30	20.2	23	20.0	16
DFA: EM Core Eq	-0.3	39	0.3	50	29.9	34	9.2	19	14.2	23	n/a	n/a	n/a	n/a
GMO: EM	-1.2	63	3.7	11	34.6	12	3.7	56	10.7	67	18.8	40	19.0	28
QMA: EM	0.0	31	4.2	7	34.6	13	5.7	38	13.8	28	19.7	32	n/a	n/a
Schroder: EM	-0.9	54	2.7	16	27.8	55	4.0	52	12.4	40	18.5	44	15.7	84
Trilogy: EM	-2.2	82	-2.9	90	27.0	63	1.6	75	11.0	61	19.0	37	17.0	51
MSCI EM	-1.0	60	1.0	37	28.2	51	4.5	46	11.8	46	18.1	52	16.5	68
eA EM Eq Median	-0.7		0.3		28.3		4.1		11.5		18.2		17.0	
eA EM Eq Size		*184*		*184*		*182*		*167*		*128*		*102*		*86*

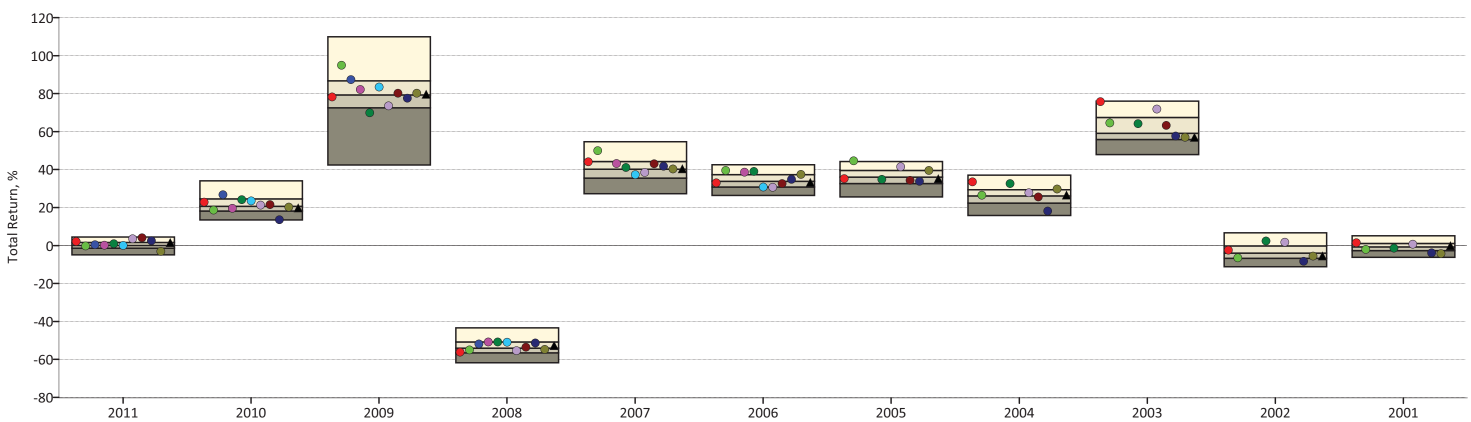
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: EM
- Amundi: GEM
- Axiom: EM
- Delaware: EM
- EV Parametric
- DFA: EM Core Eq
- GMO: EM
- QMA: EM
- Schroder: EM
- Trilogy: EM
- MSCI EM

Universe:
eA EM Eq

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Total Return: Calendar Years



	Total Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: EM	2.2	18	23.0	36	78.3	55	-55.9	74	44.2	27	33.1	55	35.3	58	33.6	11	75.9	8	-2.3	37	1.6	22
Amundi: GEM	0.0	55	18.9	67	95.0	13	-54.8	64	50.0	9	39.7	14	44.7	4	26.7	49	64.6	30	-6.3	74	-1.8	65
Axiom: EM	0.6	44	26.9	17	87.5	21	-51.6	30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Delaware: EM	0.3	48	19.7	60	82.2	39	-50.6	25	43.3	32	38.7	18	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV Parametric	1.1	35	24.3	28	70.0	84	-50.6	26	41.2	44	39.2	16	35.0	61	32.8	14	64.3	31	2.5	13	-1.2	60
DFA: EM Core Eq	0.3	50	23.6	32	83.6	35	-50.7	26	37.5	69	30.9	76	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GMO: EM	3.7	11	21.5	46	73.6	71	-55.2	69	38.7	64	30.9	77	41.6	16	27.9	38	71.9	14	1.9	15	0.8	29
QMA: EM	4.2	7	21.7	45	80.3	46	-53.3	44	43.1	34	32.8	57	34.4	64	25.8	57	63.4	33	n/a	n/a	n/a	n/a
Schroder: EM	2.7	16	13.8	95	77.7	59	-51.2	28	41.9	40	35.0	45	34.0	67	18.3	94	57.7	63	-8.1	91	-3.6	86
Trilogy: EM	-2.9	90	20.3	53	80.3	46	-54.5	59	40.5	49	37.5	25	39.7	26	29.9	22	57.1	70	-5.4	67	-4.1	89
MSCI EM	1.0	37	19.2	65	79.0	52	-53.2	42	39.8	54	32.6	59	34.5	63	26.0	55	56.3	74	-6.0	73	-0.7	55
eA EM Eq Median	0.3		20.8		79.4		-53.9		40.3		33.9		36.1		26.3		59.3		-3.9		-0.5	
eA EM Eq Size		*184*		*188*		*187*		*178*		*164*		*152*		*134*		*130*		*124*		*115*		*115*

Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: EM
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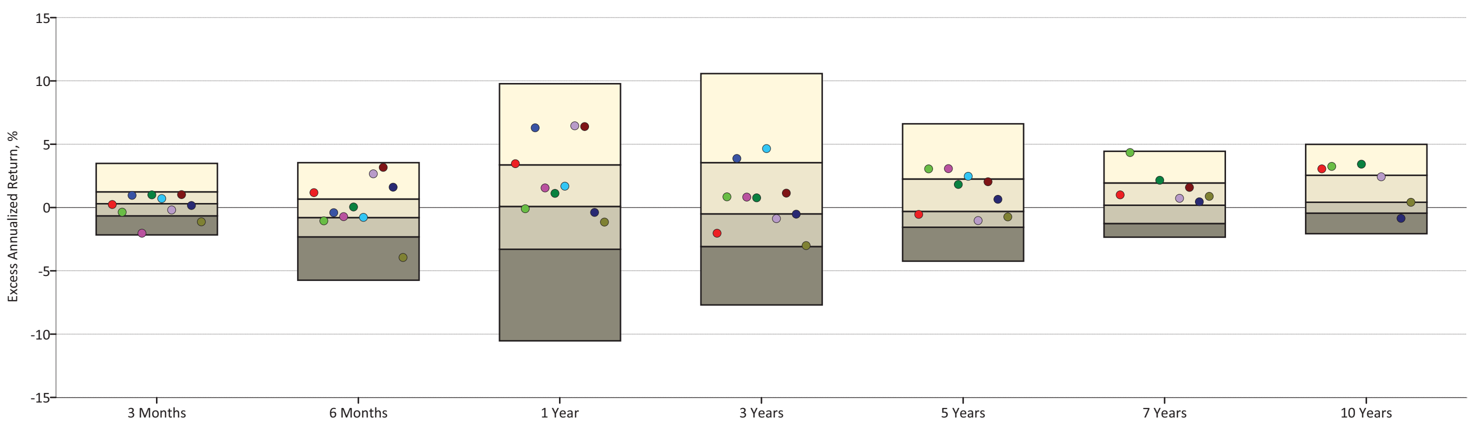
- Schroder: EM
- Trilogy: EM
- MSCI EM

Universe:
eA EM Eq

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Trailing Periods



	Excess Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: EM	0.2	51	1.2	**18**	3.5	25	-2.0	67	-0.5	56	1.0	36	3.1	**20**
Amundi: GEM	-0.4	71	-1.0	55	-0.1	52	0.9	40	3.1	**19**	4.4	**6**	3.3	**17**
Axiom: EM	1.0	32	-0.4	44	6.3	**13**	3.9	**23**	n/a	n/a	n/a	n/a	n/a	n/a
Delaware: EM	-2.0	**94**	-0.7	48	1.6	38	0.8	41	3.1	**18**	n/a	n/a	n/a	n/a
EV Parametric	1.0	31	0.1	35	1.1	44	0.8	41	1.8	30	2.2	**23**	3.4	**16**
DFA: EM Core Eq	0.7	39	-0.8	50	1.7	34	4.7	**19**	2.5	**23**	n/a	n/a	n/a	n/a
GMO: EM	-0.2	63	2.7	**11**	6.5	**12**	-0.9	56	-1.0	67	0.7	40	2.5	28
QMA: EM	1.0	31	3.2	**7**	6.4	**13**	1.2	38	2.1	28	1.6	32	n/a	n/a
Schroder: EM	0.2	54	1.6	**16**	-0.4	55	-0.5	52	0.7	40	0.5	44	-0.9	**84**
Trilogy: EM	-1.1	**82**	-3.9	**90**	-1.1	63	-3.0	75	-0.7	61	0.9	37	0.4	51
eA EM Eq Median	0.3		-0.8		0.1		-0.5		-0.3		0.2		0.4	
eA EM Eq Size		*184*		*184*		*182*		*167*		*128*		*102*		*86*

Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: EM
- Amundi: GEM
- Axiom: EM
- Delaware: EM
- EV Parametric
- DFA: EM Core Eq
- GMO: EM
- QMA: EM
- Schroder: EM
- Trilogy: EM

Universe:
eA EM Eq

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

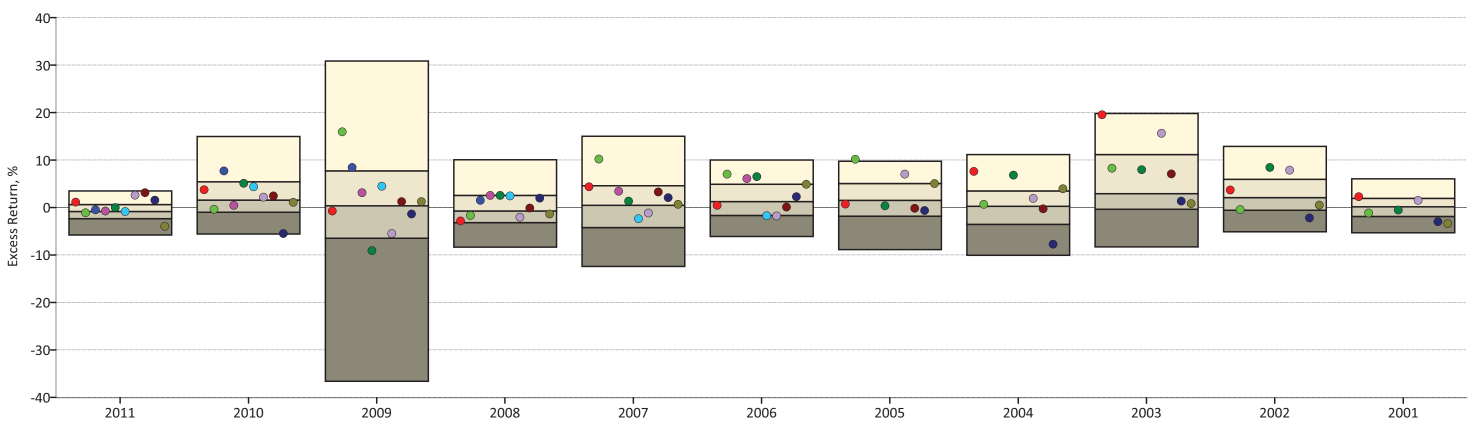
SamCERA - Emerging Market Equity

Periods ending June 30, 2011

Performance Detail

All Strategies

Excess Return: Calendar Years



	Excess Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: EM	1.2	18	3.8	36	-0.7	55	-2.8	74	4.5	27	0.5	55	0.8	58	7.7	11	19.6	8	3.8	37	2.3	22
Amundi: GEM	-1.0	55	-0.3	67	16.0	13	-1.6	64	10.3	9	7.1	14	10.2	4	0.7	49	8.3	30	-0.3	74	-1.1	65
Axiom: EM	-0.4	44	7.8	17	8.5	21	1.5	30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Delaware: EM	-0.7	48	0.5	60	3.2	39	2.6	25	3.5	32	6.1	18	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV Parametric	0.1	35	5.1	28	-9.0	84	2.6	26	1.4	44	6.6	16	0.4	61	6.9	14	8.0	31	8.5	13	-0.5	60
DFA: EM Core Eq	-0.8	50	4.4	32	4.5	35	2.5	26	-2.3	69	-1.7	76	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GMO: EM	2.7	11	2.3	46	-5.4	71	-2.0	69	-1.1	64	-1.7	77	7.1	16	2.0	38	15.7	14	7.9	15	1.5	29
QMA: EM	3.2	7	2.5	45	1.3	46	-0.1	44	3.3	34	0.2	57	-0.1	64	-0.2	57	7.1	33	n/a	n/a	n/a	n/a
Schroder: EM	1.6	16	-5.4	95	-1.3	59	2.0	28	2.1	40	2.4	45	-0.6	67	-7.7	94	1.4	63	-2.1	91	-2.9	86
Trilogy: EM	-3.9	90	1.1	53	1.3	46	-1.3	59	0.7	49	5.0	25	5.1	26	4.0	22	0.9	70	0.6	67	-3.3	89
eA EM Eq Median	-0.8		1.6		0.4		-0.7		0.5		1.3		1.6		0.3		3.0		2.1		0.2	
eA EM Eq Size		*184*		*188*		*187*		*178*		*164*		*152*		*134*		*130*		*124*		*115*		*115*

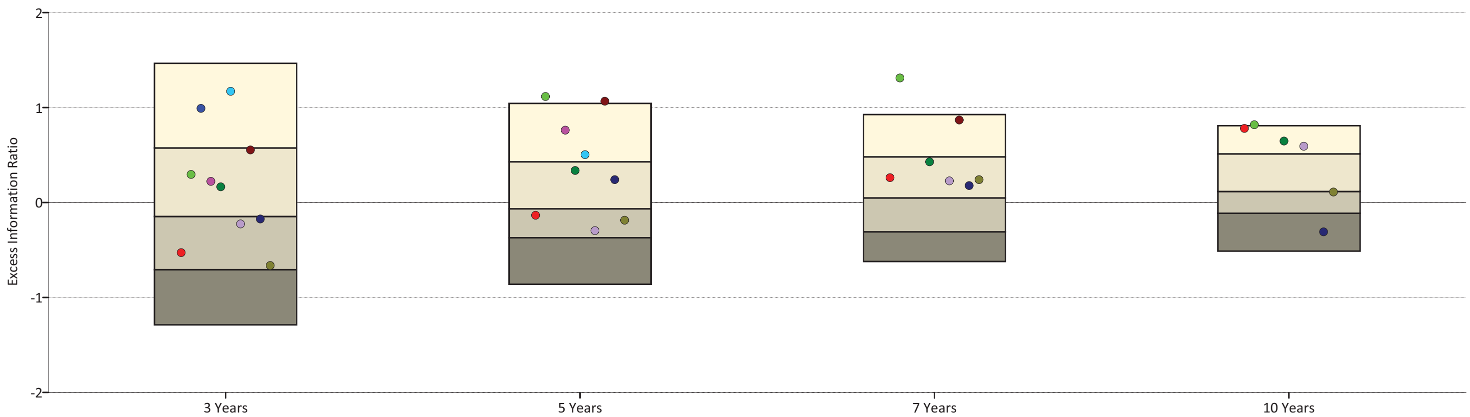
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: EM
- Amundi: GEM
- Axiom: EM
- Delaware: EM
- EV Parametric
- DFA: EM Core Eq
- GMO: EM
- QMA: EM
- Schroder: EM
- Trilogy: EM

Universe:
eA EM Eq

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Information Ratio: Trailing Periods



	Information Ratio							
	3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: EM	-0.5	70	-0.1	56	0.3	36	0.8	**6**
Amundi: GEM	0.3	38	1.1	**3**	1.3	**1**	0.8	**5**
Axiom: EM	1.0	**17**	n/a	n/a	n/a	n/a	n/a	n/a
Delaware: EM	0.2	40	0.8	**15**	n/a	n/a	n/a	n/a
EV Parametric	0.2	43	0.3	33	0.4	28	0.7	**16**
DFA: EM Core Eq	1.2	**12**	0.5	**23**	n/a	n/a	n/a	n/a
GMO: EM	-0.2	57	-0.3	71	0.2	39	0.6	**18**
QMA: EM	0.6	27	1.1	**4**	0.9	**7**	n/a	n/a
Schroder: EM	-0.2	53	0.2	35	0.2	41	-0.3	**89**
Trilogy: EM	-0.7	75	-0.2	61	0.2	38	0.1	51
eA EM Eq Median	-0.2		-0.1		0.1		0.1	
eA EM Eq Size		*167*		*128*		*102*		*86*

Legend

5th to 25th Percentile | 25th Percentile to Median | Median to 75th Percentile | 75th to 95th Percentile

Acadian: EM | Amundi: GEM | Axiom: EM | Delaware: EM

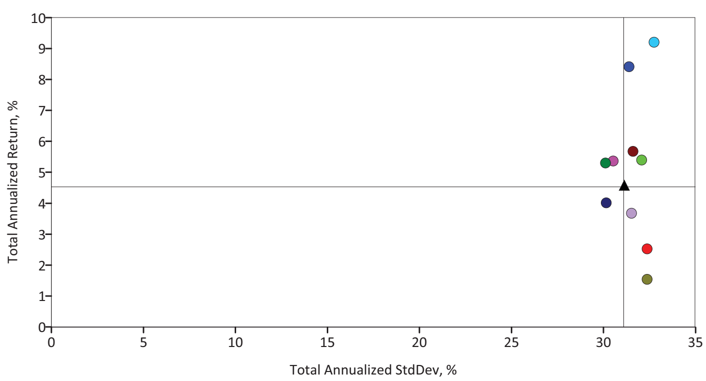
EV Parametric | DFA: EM Core Eq | GMO: EM | QMA: EM

Schroder: EM | Trilogy: EM

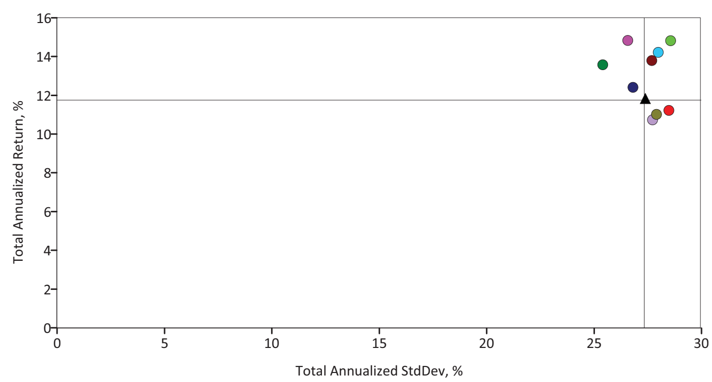
Universe:
eA EM Eq

Universe Rank:
Green = Top Quartile **Red = Bottom Quartile**

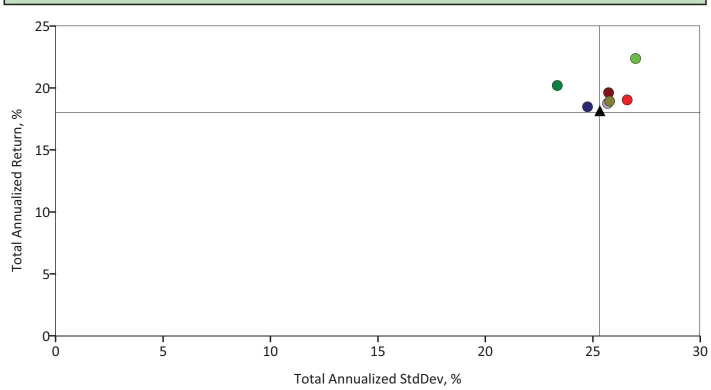
Total Return vs. Standard Deviation: Trailing 3 Years (Jul 08 - Jun 11)



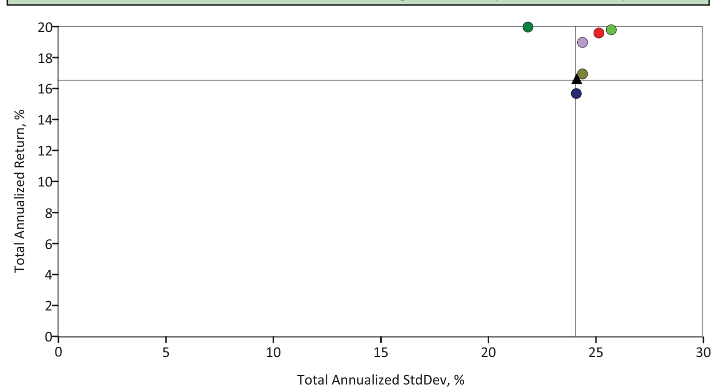
Total Return vs. Standard Deviation: Trailing 5 Years (Jul 06 - Jun 11)



Total Return vs. Standard Deviation: Trailing 7 Years (Jul 04 - Jun 11)



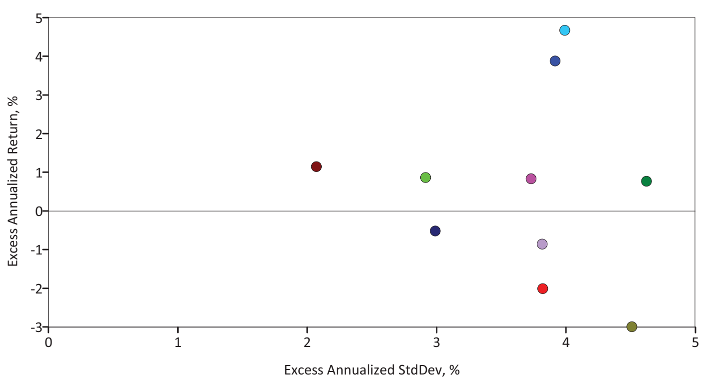
Total Return vs. Standard Deviation: Trailing 10 Years (Jul 01 - Jun 11)



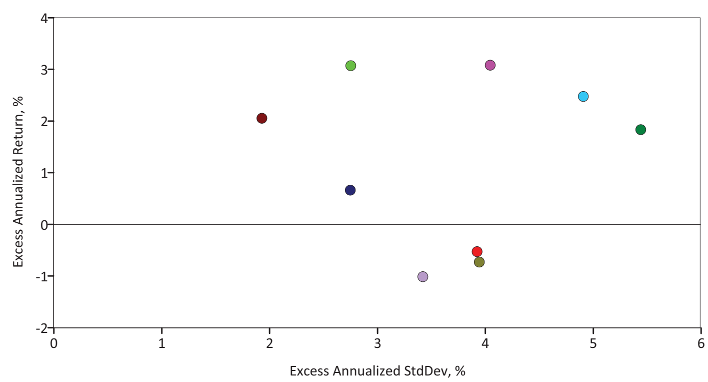
Legend

- Acadian: EM
- Amundi: GEM
- Axiom: EM
- Delaware: EM
- EV Parametric
- DFA: EM Core Eq
- GMO: EM
- QMA: EM
- Schroder: EM
- Trilogy: EM
- MSCI EM

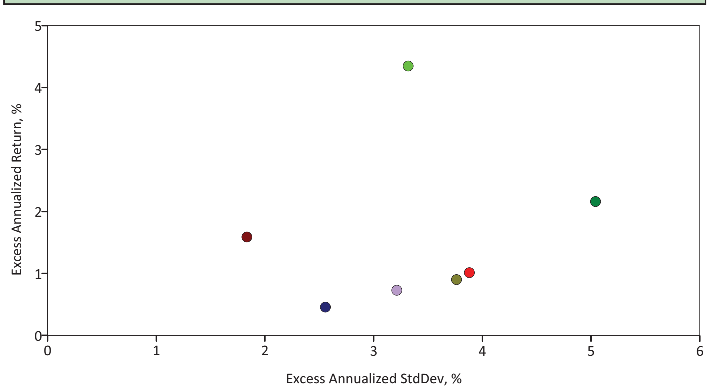
Excess Return vs. Tracking Error: Trailing 3 Years (Jul 08 - Jun 11)



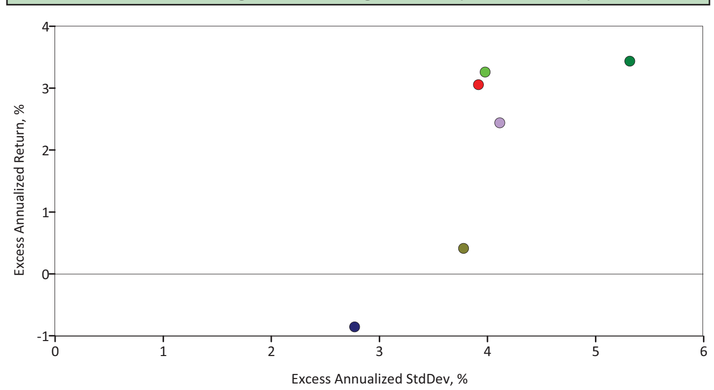
Excess Return vs. Tracking Error: Trailing 5 Years (Jul 06 - Jun 11)



Excess Return vs. Tracking Error: Trailing 7 Years (Jul 04 - Jun 11)



Excess Return vs. Tracking Error: Trailing 10 Years (Jul 01 - Jun 11)



Legend

- Acadian: EM
- Amundi: GEM
- Axiom: EM
- Delaware: EM
- EV Parametric
- DFA: EM Core Eq
- GMO: EM
- QMA: EM
- Schroder: EM
- Trilogy: EM

Alpha (Jenson's Alpha) – a manager's *Total Return* in excess of that which can be explained by its systematic risk, or *Beta*. Alpha is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the "market"). Alpha is the intercept term in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A positive Alpha implies that a manager has added value relative to the benchmark on a *Beta*- or risk-adjusted basis.

Batting Average – the percentage frequency a manager's periodic *Total Return* exceeds the benchmark. A manager that outperforms the benchmark in 15 out of 20 months will have a *Batting Average* of 0.75.

Benchmark R-Squared – a statistical measure that represents the percentage of volatility in a manger's returns which can be explained by the volatility of the benchmark. Benchmark R-Squared can range from 0-100%. See also *R-Squared*.

Best/Worst Quarter – the maximum/minimum *Total Return* or *Excess Return* over any rolling 3-month period (when monthly returns are used). Note that the term "quarter" in this calculation does not refer to calendar quarters (unless the periodicity is quarterly), but rather 3-month windows.

Best/Worst Year – the maximum/minimum *Total Return* or *Excess Return* over any rolling 12-month period (when monthly returns are used). Note that the term "year" in this calculation does not refer to calendar years, but rather 12-month (or 4-quarter) windows.

Beta – a measure of a manager's sensitivity to systematic, or market risk. Beta is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the "market"). Beta is the slope coefficient in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A manager with a Beta of 1 has a systematic volatility equal to that of the benchmark, while a Beta less than 1 implies lower systematic volatility than the benchmark and a Beta greater than 1 indicates that a manager exhibits more systematic volatility than the benchmark.

Calmar Ratio – a risk/return measure that is calculated by dividing a manager's *Total Return* or *Excess Return* by the respective *Maximum Drawdown*. A higher Calmar Ratio implies greater manager efficiency in generating *Total Returns* or *Excess Returns* without experiencing correspondingly high *Maximum Drawdowns*.

Capture Ratio – the ratio of a manager's average *Total Return* to the benchmark's average *Total Return*. Up Market Capture Ratio refers to relative performance in periods where the benchmark *Total Return* is greater than 0 (i.e., positive) and Down Market Capture Ratio is calculated over those periods where the benchmark *Total Return* is less than 0 (i.e., negative).

Correlation – a standardized measure of *Covariance* scaled to a range of -1 to 1. Correlations close to 1 suggest that two *Return Series* move together very closely while Correlations close to -1 indicate that two *Return Series* tend to move opposite of one another.

Covariance – a measure of the co-movement of two variables, *Return Series* for these purposes. When two *Return Series* tend to deviate in the same direction they will exhibit positive Covariance and if they tend to deviate in opposite directions they will exhibit negative Covariance.

Excess Correlation – the *Correlation* between two sets of *Excess Return Series*.

Excess Information Ratio – a measure of a manager's active return per unit of active risk. Excess Information Ratio (commonly referred to as *Information Ratio*) is calculated by dividing a manager's *Excess Return* by the *Tracking Error*. A higher Excess Information Ratio implies greater manager efficiency in terms of the active risk taken versus the benchmark.

Excess Loss Ratio – a measure of a manager's active return per unit of downside active risk. Excess Loss Ratio is calculated by dividing a manager's *Excess Return* by the *Semi-Standard Deviation* of *Excess Returns*. A higher Excess Loss Ratio implies greater manager efficiency.

Excess Omega Ratio – a measure of a manager's active return versus active risk that uses the cumulative probability distribution function (CDF) of *Excess Returns* and assigns a return threshold (0 in this case), with part of the distribution on each side. Excess Omega Ratio is calculated by dividing the area above the CDF curve to the right of the threshold by the area below the CDF curve to the left of the threshold. Excess Omega Ratio is useful in that it incorporates the full distribution of *Excess Returns*, not just the mean and standard deviation (i.e., tracking error), and does not rely on a normally-distributed return series as many other risk-adjusted measures such as the *Sharpe Ratio* and *Information Ratio* implicitly do. As with other risk-adjusted measures, a higher Excess Omega Ratio implies greater manager efficiency in terms of active risk and return.

Excess Return – a manager's return in excess of the benchmark's *Total Return*.

Excess Style Weights – a manager's style weights in excess of the benchmark's style weights for a given period. This measures a manager's style deviations, or bets, versus the benchmark.

Information Ratio – a measure of a manager's return per unit of risk. Information Ratio is calculated by dividing a manager's *Total Return* by the *Standard Deviation*. A higher Information Ratio implies greater manager efficiency. To avoid confusion and conform to industry standards, the term “Information Ratio” is used throughout the study when referencing the *Excess Information Ratio* statistic.

Maximum Drawdown – a drawdown is any losing period during a *Return Series* (either *Total Return* or Excess *Return*) and the Maximum Drawdown measures the cumulative return during the worst “peak to trough” period for the *Return Series*. The Maximum Drawdown does not necessarily occur over consecutive months (or quarters) of negative performance and can be interrupted by periods of positive performance as long as this does not cause full recovery of the initial value prior to the drawdown.

Recovery Duration – the number of months (or quarters) from trough to full recovery after the *Maximum Drawdown*. If the full amount of the initial value has not been recovered, Recovery Duration will display “N/A”.

Recovery Percent – where the full amount of the initial value has not been recovered after the *Maximum Drawdown*, Recovery Percent represents the partial percent of peak to trough loss that has been regained to date. If the initial value has been re-achieved, Recovery Percent will display “100%”.

Recovery Period – the range of months (or quarters) to regain the value before the *Maximum Drawdown* occurred, starting from the first month (or quarter) after a trough. When the full amount of the initial value has not been recovered the date range shown is from the trough to the highest subsequent cumulative value.

Return Series – a set of *Returns* over a range of time periods.

Risk – see *Standard Deviation*.

R-Squared – within the context of regression analysis, R-Squared represents the portion of the variation of a dependent variable (e.g., a manager's *Return Series*) that can be explained by the variation of the independent variable(s) (e.g., a benchmark index or set of *Style Indices*). R-squared values range from 0 to 100. An R-squared of 100 indicates that all movements of the dependent variable are completely explained by movements of the independent variable(s). In addition, R-Squared provides a measure of the goodness of fit, or validity, of the regression model.

Selection Return – a manager's *Total Return* in excess of the *Style Return*. A positive Selection Return implies that a manager has added value relative to the *Style Benchmark* through security selection.

Semi-Standard Deviation – a measure of downside risk similar to Standard Deviation, except that it is calculated using only the variance of returns below a target rate (0 by default, but can also be set to a Minimum Accepted Return or MAR, the risk-free rate or the benchmark's return). A high Semi-Standard Deviation represents a wide range of returns below the target rate and therefore implies a higher level of downside risk. Semi-Standard Deviation is useful in that it penalizes managers only for volatile returns below the target rate, unlike the full Standard Deviation calculation which does not distinguish between upside (good) and downside (bad) volatility.

Sharpe Ratio – a manager's *Excess Return* over the risk-free rate divided by the *Standard Deviation*. Sharpe Ratio measures a manager's return per unit of risk. A higher Sharpe Ratio implies greater manager efficiency.

Standard Deviation – a measure of the extent to which observations in a series vary from the arithmetic mean of the series. Standard Deviation (also referred to ask *Volatility* or *Risk*) provides an indication of the dispersion of periodic returns. A high Standard Deviation represents a wide range of returns and therefore implies a higher level of risk.

Style Benchmark – a blended index of *Style Indices* combined at the corresponding *Style Weights*. The *Style Return* represents the *Total Return* of the Style Benchmark.

Style Indices – independent (or explanatory) variables used in the *Style Regression*. Style Indices can also be interpreted as the manager's *Betas* or risk factors within the context of the *Style Regression*.

Style Map – a specialized form of scatter plot used to show where a manager lies in relation to a set of *Style Indices* on a two-dimensional plane. A Style Map is simply a different way of viewing the *Style Weights*. The x and y co-ordinates are calculated by rescaling the *Style Weights* to a range of -1 to 1 on each axis.

Style Regression – a constrained quadratic regression of a manager or benchmark return series against a set of *Style Indices*. Style Regression calculates a series of *Betas* that collectively seek to explain as much of a return series as possible.

Style Return – calculated by multiplying a manager's (or benchmark's) Style Weights by the corresponding returns of the Style Indices and summing the resulting weighted component returns.

Style R-Squared – a statistical measure that represents the percentage of volatility in a manager's returns which can be explained by the volatility of the *Style Indices* (or collectively, the *Style Benchmark*). Style R-Squared can range from 0-100%. See also *R-Squared*.

Style Weights – represent the periodic exposure of a manager (or benchmark) to various explanatory variables, also referred to as *Style Indices*. Style Weights are returns-based, i.e. they are calculated through the *Style Regression*.

Timing Return – a manager's *Style Return* in excess of the benchmark's *Style Return*'. A positive Timing Return implies that a manager has added value relative to the benchmark through asset allocation decisions, i.e., over/underweight “positions” in the *Style Indices* versus those of the benchmark.

1) If the market benchmark used in the study is not also one of the *Style Indices* then it too will have *Style Weights*, a *Style Return* and a *Style Benchmark*. If the benchmark is one of the *Style Indices*, its *Style Return* will equal the benchmark's *Total Return*.

Total Return – a measure of the appreciation or depreciation in the price of an investment over a given time period.

Tracking Error – the *Standard Deviation* of a manager's *Excess Return* series. Tracking Error measures the extent to which a manager's returns diverge from the benchmark's returns. A low Tracking Error indicates that the manager closely tracks the benchmark.

Volatility – see *Standard Deviation*.

Note: All calculations use geometrically annualized returns except for cumulative returns and those that cover periods less than one year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 | Agenda Item 6.5 (a)

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Annual Investment Manager Review – Aberdeen Asset Management (AAMI) – Domestic Fixed Income Core Mandate

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 September 15, 2011, staff interviewed *SamCERA's* core and core-plus bond managers in *SamCERA's* conference room.

Aberdeen Asset Management was interviewed at approximately 9:15 a.m. Those present were:

John Nicolini – Strategic Investment Solutions' Investment Consultant
Gary Clifton – *SamCERA's* Chief Investment Officer
Christopher Gagnier – AAMI's Head of Investments (Philadelphia)
Boris Karol – AAMI's Client Relationship Manager

Attached to this agenda item are the presentation materials used by AAMI for the review and AAMI's response to *SamCERA's* annual questionnaire.

BACKGROUND: On February 23, 1995, the board selected Deutsche Asset Management Investment Services Limited (DeAM), then known as Morgan Grenfell Investment Services Limited (MGIS) and now known as Aberdeen Asset Management, to manage $50 million under a global fixed income mandate. Then in June of 1996 the board allocated an additional $50 million to DeAM and customized the mandate to 70% domestic and 30% international. Four years later on April 25, 2000, the Board instructed DeAM to consolidate assets under a domestic mandate benchmarked against the Lehman Aggregate Bond Index. Management of those assets was by DeAM's Philadelphia subsidiary, Deutsche Asset Management, Inc. (DAMI). On March 23, 2004, the board authorized entering its fourth three-year agreement with the Deutsche Group. An agreement with DAMI, DeAM's Philadelphia subsidiary, was executed effective March 31, 2004. On July 7, 2005, Deutsche Asset Management announced that it would sell parts of its United Kingdom and Philadelphia business to Aberdeen Asset Management. This sale included the fixed income business. Effective November 30, 2005, *SamCERA* executed an Investment Management Agreement (IMA) with Aberdeen Asset Management to replace the IMA that was in place with Deutsche Asset Management.

DISCUSSION: Aberdeen Asset Management, Inc. has a value oriented, bottom-up, issue specific, investment style. Their fixed income investment philosophy is that diligent credit analysis, bond structure evaluation and an assessment of a bond's relative value can be used to exploit inefficiencies in the non-Treasury markets. In addition, they believe interest rate forecasting and sector rotation do not add value. Therefore, their team of investment professionals focuses its efforts on constructing a duration neutral portfolio of high quality securities across the yield curve. Fundamental research on the investment grade universe of securities and constant communication with the market is key to their investment process.

In an October 2005 review of Aberdeen Asset Management (then known as DeAM) the board listed the following pros and cons:

Pros

- Adds value through investing in inefficient credits and structured product within the U.S.
- Largely stable team
- Strong returns

Cons

- Deutsche Asset Management (DeAM) and Deutsche Bank have had various regulatory issues in recent years
- Firm has lost business across asset classes in the last year
- Significant non-index exposure within the U.S. investment grade component
- Capacity constraints given niche bond exposure

On August 31, 2011, AAMI managed $105.0 million or 4.66% of *SamCERA's* assets. AAM's management fee is subject to marginal pricing and is ~27.6 basis points.

	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Since Inception (5/31/2000)
Aberdeen Asset Management	1.41%	4.39%	5.96%	6.08%
BC Aggregate Index	2.77%	5.49%	4.62%	6.57%
Variance	***-1.36%***	***-1.10%***	***1.34%***	***-0.49%***

General Firm Information

Firm Legal Name: Aberdeen Asset Management PLC
Firm Headquarters: 1735 Market Street, 34th floor
Philadelphia, Pennsylvania 19103
United States
Year Firm Founded: 1983
Registered Investment Advisor: Yes
Firm Website Address: www.aberdeen-asset.com

Firm Background

Aberdeen Asset Management PLC (Aberdeen PLC) was formed in 1983 via a management buyout of an investment management contract for an investment trust by the Chief Executive Officer, Martin Gilbert. Over the years the firm has expanded through a combination of acquisition and organic growth.

Aberdeen PLC has been providing investment management services since that time and was listed on the London Stock Exchange in 1991.

Aberdeen PLC's wholly owned US subsidiary, Aberdeen Asset Management Inc. (AAMI) has been registered with the SEC since August 1995 and is headquartered in Philadelphia, Pennsylvania.

Joint Ventures

In January 2010, Aberdeen PLC announced a definitive agreement with The Royal Bank of Scotland PLC (RBS), RBS Asset Management Limited (RBSAM) and RBS Asset Management Holdings (RBSAMH) to acquire certain fund management assets and contracts and a long-term distribution agreement, for certain products, with RBS Wealth Management (RBSWM), including Coutts & Co, subject to certain regulatory approvals. The RBS businesses include an established, award-winning fund of hedge fund business and long-only multi-manager business. Total assets under management are £13.5 billion ($21.5 billion).

In December 2008, Aberdeen PLC announced that it had entered into a definitive agreement to acquire certain fund management assets and businesses from Credit Suisse subject to regulatory and shareholder approval. This consists of approximately US$61.7 billion in equity, fixed income and money market assets. The purchase consideration will be met by the issue to Credit Suisse of new ordinary shares in Aberdeen PLC, up to 24.97% of the enlarged group. As of September 30, 2010, Credit Suisse held 21.0% of outstanding shares on a fully diluted basis. Credit Suisse has also appointed a non-executive member to serve on the PLC Board.

In October 2008, Aberdeen PLC entered into a business and capital alliance with Mitsubishi UFJ Trust and Banking Corporation (MUTB), a wholly owned subsidiary of Mitsubishi UFJ Financial Group, one of Japan’s largest banks. Under the terms of the business alliance, MUTB has agreed to promote Aberdeen products in the Japanese institutional marketplace. In addition, MUTB acquired 9.9% of the current outstanding shares of Aberdeen PLC and have rights to purchase up to 19.9% of the outstanding shares per the agreement. As of September 30, 2010, MUTB held 16.5% of outstanding shares on a fully diluted basis. MUTB has also appointed a non-executive member to serve on the PLC Board.

Affiliations - Aberdeen PLC has approximately 20 affiliated organizations providing investment management and services globally.

Prior or Pending Litigation

Explanation of Litigation

AAMI

On December 5, 2008, PNC Bank, National Association (PNC), a client custodian, filed a complaint against AAMI claiming $351,264.51 in damages connected with a client investing in the wrong Aberdeen-sponsored mutual fund. Without admission of liability by either party, a settlement agreement was reached in December 2009.

Aberdeen PLC

Aberdeen PLC has no pending litigation, involving the firm or any individual employee. However, as a large financial services institution, Aberdeen is, from time to time, the subject of threatened or filed business litigation. Other than the case disclosed below, they do not consider such threatened or filed actions to be material.

On June 28, 2005, proceedings were issued against two wholly owned subsidiaries of Aberdeen PLC, Aberdeen Asset Managers Limited and Aberdeen Asset Managers Jersey Limited (together the "Aberdeen Parties"), and UBS, in the High Court in London by Real Estate Opportunities Limited (REO). In 2003, the board of REO announced, with regard to the Aberdeen Parties, that REO had terminated its management contract with immediate effect and indicated that it held the Aberdeen Parties liable for damages in respect of losses incurred on REO's income portfolio.

In a press release dated March 16, 2007, Aberdeen PLC announced that it had reached agreement with REO to settle Aberdeen's part in the legal action initiated in 2005 by REO against Aberdeen and UBS. Aberdeen had made no admission whatsoever of any liability or of acceptance of the validity of REO's claim, but the Board recognized that it was in the best interests of the Group and its shareholders to conclude the matter. The cost to Aberdeen, net of existing provisions and taxation, was approximately £30 million. Otherwise, the terms of the settlement agreement remain confidential between the parties.

Currently there are no actions pending for AAMI or Aberdeen PLC.

Additional Comments

Aberdeen's defining characteristics are the firm’s proprietary research effort, the investment team structure, consistency of investment approach and strict adherence to investment disciplines at all times.

Proprietary Research Effort

Research is the cornerstone of the investment process. Aberdeen believes that their research methods are unique in terms of the depth of research and reliance on interviews with company management. The bottom-up process relies primarily on gathering information from face-to-face company visits and then distributing that information through a detailed company visit note in a standard template. Quality is the first screen and determined at the company visit. Unlike other managers, Aberdeen does not employ any initial quantitative screens to pare the universe.

Investment Team Structure

The investment team works in a truly collaborative fashion. Teams work in an open plan format in an effort to foster communication amongst all members. The firm does not believe in having star managers, instead preferring to have both depth and experience within the team. Depth of team members allows Aberdeen to perform the diligent research required by their investment process. The experience of senior managers provides the confidence needed to take a long-term view.

Aberdeen has the following competitive advantage(s) relative to other managers of similar investment styles that should result in superior performance:

- Continuity and stability of people and investment process.
- Ownership structure that provides a high level of autonomy to the investment team and compensation arrangements that firmly align client and investment team interests.

- Scale that is large enough to support world class investment capabilities and provide leverage when seeking to engage with invested companies, but small enough to ensure that the firm can be effective in exploiting inefficiencies at the individual security level.

US Core Fixed Income

Research & Screening Process

The universe of eligible investments includes, but is not limited to, all securities and security types included in the broad Barclays Capital Aggregate Bond Index. Securities in which AAM may invest include:

U.S. Treasuries and government-sponsored agencies
Residential Mortgage-Backed Securities (Agency and non-Agency)
Commercial Mortgage-Backed Securities (Agency and non-Agency)
Asset-Backed Securities
Sovereigns
Corporates
Taxable Municipals
Supranationals
Preference shares and hybrid capital securities

The investment universe for the Core Fixed income product includes securities rated investment grade (Baa3/BBB-) or higher. Average credit quality for portfolios is maintained at AA or higher.

Sector weightings are a function of where they find value at the individual issue level and their top down risk management process.

Portfolio Construction & Risk Control Methodology

The Core Fixed Income strategy employs an investment process based on bottom-up, relative-value security selection. The goal of this process is to identify securities they believe are mispriced in the market. Portfolio managers continually monitor the available investment universe in their sectors. Upon identification of a security that appears mispriced, they calculate an intrinsic value for each security considered for purchase.

According to an independent valuation process, a bond's intrinsic value is the sum of the Treasury risk-free rate plus three risk premiums:

- credit risk (e.g., relative certainty of repayment)
- cash flow structure (e.g., timing of repayment)
- liquidity risk (e.g., relative certainty of market price)

The first consideration in their fundamental analysis is creditworthiness – i.e., the ability and willingness of a company to pay interest and principal in accordance with the terms of the original bond instrument. The research performed by their credit analysts and portfolio managers is directed at providing insight into management's credibility with respect to its financial track record and commitment to current ratings and/or ratings targets. Their research effort also attempts to assess the trends and fundamental drivers of success and failure in the industry, as well as the company's competitive position and strategic plan for dealing with industry and competitive dynamics. Liquidity analysis, including an evaluation of covenants and triggers in lending agreements often provides early insights into potential event risk.

Next, they analyze potential cash flow variability for each security – this measure applies primarily to mortgage- or asset-backed securities. They securities are stress-tested under various potential future scenarios, examining the expected relative price performance and repayment/prepayment stability. There is a constant tradeoff between yield and cash flow certainty, and the focus in this area is to gain as much cash flow certainty as possible while giving up as little yield as possible.

Finally, they evaluate the degree of liquidity associated with each bond. Factors that could influence a bond's liquidity include the size of the bond issue, the size of the issuing entity, the degree of Wall Street sponsorship of the issuer, inclusion in the benchmark, and the registration status of the issue (i.e., public or private placement).

Buy/Sell Discipline

Based on their analysis, a final "target spread" or intrinsic value is calculated and compared to the current market spread. If the bond's target spread is lower than its current market spread, the bond becomes a purchase candidate.

Similarly, securities owned in the portfolio are constantly monitored to evaluate changes in credit, structure and liquidity characteristics, as well as changes in market pricing. As a bond's market spread approaches the target, it becomes a sell candidate. Managers communicate their purchase and sell candidates across the team, and these are compared across all sectors to determine the best opportunities. The most compelling relative value trades are then implemented and allocated to portfolios.

As a discipline of the process, once the target spread on a bond is reached, the bond is sold and replaced with the most compelling buy candidate across the investment universe. Bonds may reach their target spread either as a result of market appreciation of the credit, or when there is a negative change in their view of the bond's value, which causes an upward adjustment in the target spread.

Trading Strategy

The Portfolio Managers are responsible for trade execution and allocations for their respective sectors. They are assisted by the Sector Managers and Portfolio Analysts that are assigned to their sector. Under the guidance of the Portfolio Manager, Sector Managers and Portfolio Analysts ultimately execute and allocate a majority of trades. They do not have dedicated traders.

Maximum benefit to clients is delivered by obtaining the highest prices on security sales and the lowest prices on security purchases, and they seek to achieve these objectives on each transaction. Costs associated with dealing fixed income securities are typically limited to the bid-ask spread, which they make every effort to minimize. AAM has strong relationships with a broad range of sell-side dealers and works closely with senior management of those firms to ensure that they receive the highest level of service that is practical. Competitive bids and offers are solicited from those dealers known to make the most competitive markets in each type of security. There is a constant dialogue among portfolio managers to monitor the competitiveness of various dealers. AAM purchases lesser known, undervalued securities from dealers that either underwrite or make competitive secondary markets in them. The depth and experience of the investment team, including considerable sell-side trading experience, is very important in ensuring that they receive the best possible execution for their clients.

Additional Comments

The Core Fixed Income investment process has been designed to add value chiefly from the security-selection process. This approach results in a portfolio constructed one bond at a time, using the team's expertise in fundamental credit and structure analysis. Sector weights are thus a direct result of the identification of attractive issues and not the result of a sector's projected over- or under-performance. Additionally, their process neutralizes interest-rate risk by confirming portfolio duration is at all times effectively neutral to that of the benchmark.

Given this process, they believe that security selection is attributable for virtually 100% of their performance. While their primary generator of returns is security selection, it is tightly intertwined with fundamental analysis via both cash flow and credit examination and the intra- and inter-sector swapping of securities.

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SamCERA

September 15, 2011

Chris Gagnier, Head of Investments
Boris Karol, Client Relationship Manager
Aberdeen Asset Management

Aberdeen

Aberdeen Asset Management PLC

Aberdeen PLC
AUM $298.3bn

Equity	Fixed Income	Property	Other[1]
AUM $136.8bn	AUM $81.5bn	AUM $34.4bn	AUM $45.6bn

- Aberdeen PLC: Publicly traded, founded in 1983 via a management buyout
  Market capitalization: $4.1 billion*, FTSE 250 company
- Employee ownership: Staff owns 8.0%**

Aberdeen Asset Management PLC, assets under management as of June 30, 2011.
[1]Multi-Manager, Multi-Assets and Indexed Equities
* As of June 30, 2011. – Source: Factset
**Employee ownership as of June 30, 2011. Staff holdings shown fully diluted.

The Aberdeen group

- Group listed since 1991 on the London Stock Exchange

Top 5 Shareholders*	%
Credit Suisse Securities	21.0
Mitsubishi UFJ Trust & Banking	16.4
Directors, Management and Staff	8.0*
MFS Investment Management	4.7
Legal & General Investment Management	3.6
	53.7

Source: Aberdeen Asset Management PLC, as at June 30, 2011
* All figures are on an undiluted basis except directors, management and staff which are shown fully diluted.

Aberdeen

Global Fixed Income AUM

U.S. Fixed Income

Strategy	AUM ($bn)	Total AUM %
Core*	5.4	46.4
Core Plus**	2.2	18.7
Global Aggregate**	1.3	11.3
Core Strategies (Sub-total)	**8.9**	**76.4**
Short Duration / LIBOR* **	**2.7**	**23.6**
Total	**11.6**	**100.0**

Global platform

Strategy	AUM ($mm)	Total AUM %
UK	14,373.9	17.6
Australia	12,702.6	15.6
Global	9,428.9	11.6
US	8,456.3	10.4
Euro/Europe	6,602.7	8.1
EMD	6,125.4	7.5
Asia	5,469.5	6.7
High Yield	1,307.3	1.6
Currency Overlay	894.1	1.1
Convertibles	785.4	1.0
Money Markets	15,424.3	18.9
Total	**81,570.1**	**100.0**

Data as of June 30, 2011
Source: Aberdeen Asset Management PLC.
*Includes Intermediate, MBS, and Corporate
**Jointly managed with London. Global Aggregate assets include only the portion of portfolios managed in Philadelphia.
***Combination of Core, Core Plus and Global assets managed to a short duration / libor benchmark.

US Fixed Income Investment Team

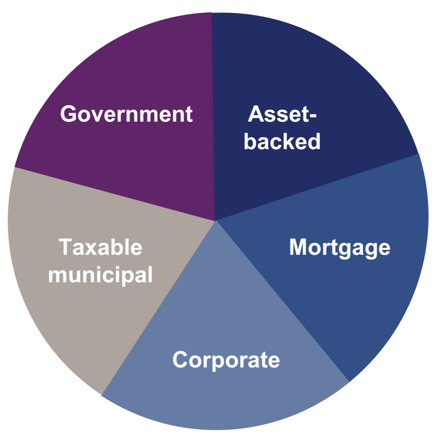
Portfolio Managers / Sector Specialists

Christopher Gagnier
Head of US Fixed Income
32 yrs exp. (14 yrs with firm)

Timothy Vile
Senior Portfolio Manager
Corporate
27 yrs exp. (20 yrs with firm)

Oliver Boulind
Senior Portfolio Manager
Corporate
18 yrs exp. (3 yrs with firm)

Ed Grant
Portfolio Manager / Head of Credit Research
Corporate/ Muni
25 yrs exp. (10 yrs with firm)



Steve Cianci
Senior Portfolio Manager
ABS/CMBS
19 yrs exp. (2 yr with firm)

Neil Moriarty
Senior Portfolio Manager
Residential MBS
25 yrs exp. (9 yrs with firm)

Keith Bachman
Senior Portfolio Manager / Head of US High Yield
High Yield
22 yrs exp. (4 yrs with firm)

Michael Degernes
Portfolio Manager
Corporate/ Muni
32 yrs exp. (7 yrs with firm)

Charles Tan
Portfolio Manager
Financials
17 yrs exp. (5 yrs with firm)

Kam Poon
Portfolio Manager
Enhanced Cash/Short Duration
20 yrs exp. (14 yrs with firm)

Sector Managers
Jon Callahan, Tsy.
Oliver Chambers, mortgages.
Brendan Dillon, derivatives
William Hines, corp./ muni.
John Johnson, corp.
Brian Kienzle, CMBS/ABS
Stefan Martin, CMBS
Jon Prestley, ABS/MBS
Neal Rayner, high yield
Tyrone Smith, corp.

Research Analysts
Bill Bellinzoni, corp.
Jamie Chiarieri, corp
Michael Concklin, corp.
Scott Ellis, corp.
James Faunce, muni.
Jason Greenblath, corp.
Lesya Paisley, corp.
Alexander Schwiersch, corp./ Can.
Curt Starer, corp.
Charles Tan, corp.
Wen Zhang, corp.

Quantitative Research
Ramona Bejan
Steven Frech
Marnie Uy
Jim Zhang

- **Experienced team**
- **Sector specialization**
- **Team decision making**

Source: AAMI
Data as of September 6, 2011
Years of service may include years with acquired firms.

Distinguishing Features
Core Fixed Income

- Fundamental relative value approach
  - Markets are priced inefficiently
- Distinct bottom up, security selection driven process
  - Duration Neutral
  - Research centric
- Deep and experienced team
  - Fully resourced with full market coverage
- Strong risk management controls
  - Incorporates forward looking risk/return estimates

Targets consistent risk-adjusted performance and low correlation of excess returns*

*Targets are offered as strategy goals. There can be no guarantee targets will be achieved.

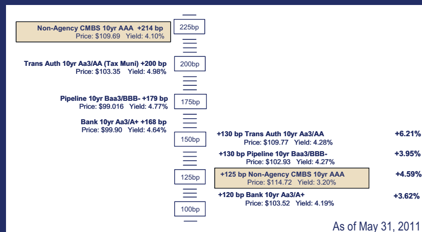
Investment Process Summary

Product Design

Define Expected Return and Risk | Strategic Ranges | Guidelines

Security Selection

Cross Sector Relative Value



Portfolio Risk

- **Forward Looking Risk/Return**
- **Risk Policy**

Proprietary Risk Management System

Portfolio Exposures | Tracking Error | Attribution

For illustrative purposes only.

Risk Management Process

Goal: Identify, Measure and Control Risk

Proprietary Factor Risk Model	Strategic Ranges	Forward Looking Risk	Attribution & Risk Policy
Quantitative factor risk model consistent with investment process.	Formal position limits for risk factors resulting from quantitative risk budgeting process	Scenario based, portfolio manager driven downside and upside performance estimates for each bond relative to the benchmark	Feedback loop consistent with investment process. Performance limits ("yellow lights") are set for each sector and the overall portfolio.
Output: • Ex-ante tracking error estimates. • Measures exposure and risk at the factor and portfolio level under range of assumptions. • Volatility, correlation data and judgment incorporate crisis. • Increased number of risk factors • More granular approach.	Output: • More constrained limits on non-benchmark exposure • Tighter sub-sector limits • Greater diversification and downside risk control	Output: • Explicit downside risk estimates at the portfolio and sub-sector levels. • RIFLES (Risk identification for Large Exposures) process systematically identifies risks to significant positions. • Basis for team review of risk/return and manager conviction. • Measure drawdown based on 2007-2008 experience.	Output: • Ex-post performance attribution by risk factor. • PM's manage within a risk budget for each sub-sector • Sub-sector limits provide early identification of any performance issues • Team review of performance is required should performance limits be reached • Senior Management oversight

Relationship Review

San Mateo County Employees’ Retirement Association

Client Team
Chris Gagnier *Head of Investments* (215) 405-5704 christopher.gagnier@aberdeen-asset.com **Boris Karol** *Client Relationship Manager* (215) 405-5738 boris.karol@aberdeen-asset.com **Jenny Eves** *Client Service Associate* (215) 405-5798 jenny.eves@aberdeen-asset.com

Portfolio inception:	**7/01/1996**
Market value as of 6/30/2011:	**$122,327,967**
Investment mandate:	**Core Fixed Income**
Benchmark:	**Barclays Capital US Aggregate**

Investment objective and constraints:

- Investment grade bonds only
- No more than 20% 144A
- No more than 10% Below BBB; Minimum rating of single “B”
- Duration neutral to index
- No foreign currency denominated bonds

Guideline Issues Update

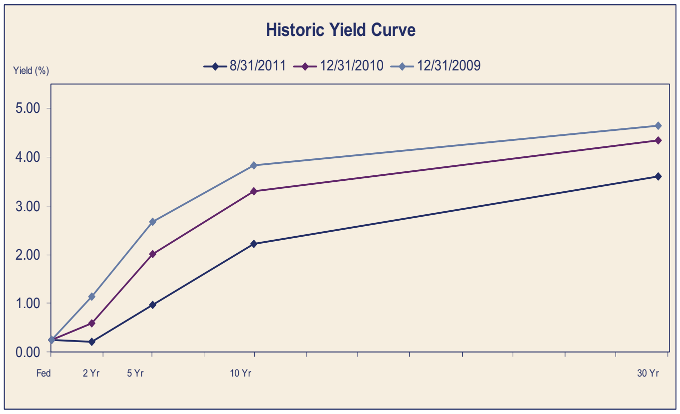
Downgraded Securities:

Cusip	Issue	Coupon	Stated Maturity	Effective Maturity	Original Face	Current Face	Price as of 6/30/11	% of portfolio	Market Value	S&P	Moody's	Fitch	Industry
Rated below the "B-/B3" minimum limit													
81375WGB6	SABN 2005-FR5 NIM	0.000	08/25/35	07/01/11	826,000.00	88,100.61	0.00	0.00	0.88	CC	NR	NR	ABS
92926UAA9	WAMU 2007-HY2 1A1	3.406	12/25/36	11/27/17	1,040,000.00	663,728.50	74.92	0.41	499,157.13	CCC	NR	C	Non-Agency MBS
933637AA8	WAMU 2006-AR18 1A1	5.028	01/25/37	05/21/16	2,200,000.00	1,151,240.50	75.37	0.71	872,546.19	CCC	NR	C	Non-Agency MBS
94984LAA4	WFMBS 2006-AR17 A1	5.041	10/25/36	07/29/15	1,795,000.00	590,642.75	78.43	0.38	465,718.63	CCC	NR	CC	Non-Agency MBS
92925GAA1	WAMU 2006-AR16 1A1	5.302	12/25/36	11/06/17	1,360,000.00	669,449.13	73.42	0.40	494,463.56	CCC	NR	C	Non-Agency MBS
07401CAV5	BSARM 2007-4 22A1	5.762	06/25/47	07/08/17	1,520,000.00	1,050,500.25	79.63	0.69	841,578.38	CCC	NR	C	Non-Agency MBS
81744MAQ5	SEMT 2007-3 2BA1	5.316	07/20/37	02/09/15	985,000.00	580,639.88	69.37	0.33	405,385.56	D	NR	C	Non-Agency MBS
81744MAS1	SEMT 2007-3 2CA1	5.475	07/20/37	04/27/14	985,000.00	552,320.69	79.07	0.36	439,216.38	CCC	NR	CC	Non-Agency MBS
863579J90	SARM 2005-22 1A4	2.542	12/25/35	10/05/25	1,000,000.00	984,757.06	39.20	0.32	388,123.31	D	NR	C	Non-Agency MBS
17307G6L7	CMLTI 2006-AR2 1A2	2.863	03/25/36	06/16/18	1,230,000.00	539,602.38	80.61	0.36	436,269.44	NR	Caa2	C	Non-Agency MBS
							Total	**3.96**					

Cusip	Issue	Coupon	Stated Maturity	Effective Maturity	Original Face	Current Face	Price as of 6/30/11	% of portfolio	Market Value	S&P	Moody's	Fitch	Industry
Remain above the "B-/B3" minimum limit but below Investment Grade (using higher rating for splits)													
17307G3C0	CMLTI 2006-AR1 2A1	2.670	03/25/36	02/13/18	980,000.00	492,183.44	80.28	0.32	396,220.97	NR	B3	B	Non-Agency MBS
25157FAH7	DMSI 2005-WF1 1A2	5.233	06/26/35	09/02/12	945,000.00	391,784.34	101.96	0.33	401,173.31	BB	Ba1	NR	Non-Agency MBS
25157FAJ3	DMSI 2005-WF1 1A3	5.233	06/26/35	08/26/15	970,000.00	970,000.00	95.80	0.76	933,488.81	BB	Caa1	NR	Non-Agency MBS
							Total	**1.41**					
							Total below BBB	**5.37**					

Data as of June 30, 2011
Source: Aberdeen Asset Management Inc.
We were in compliance with all of the above referenced guidelines.

Market Review – August 2011

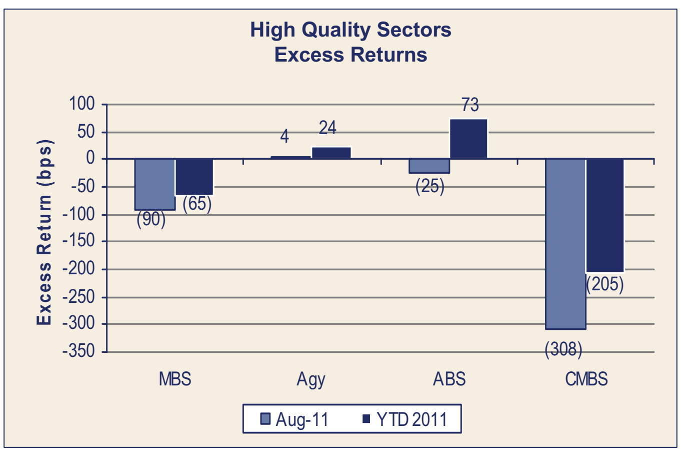


Source: Bloomberg

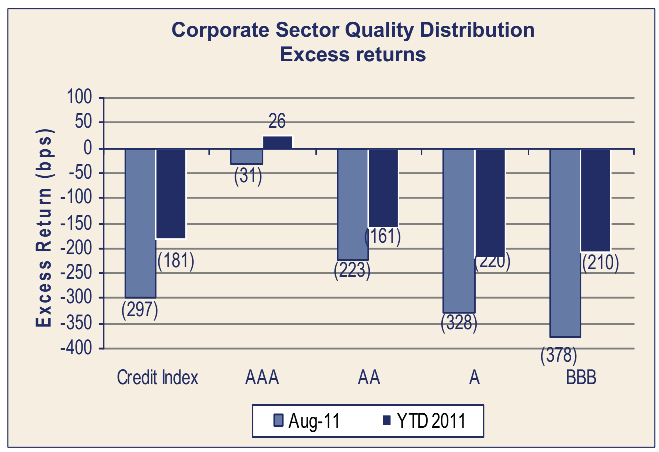
Market performance (%)

	Aug 2011	YTD 2011
Barclays Capital Aggregate Bond	**1.46**	**5.88**
US Treasury	**2.78**	**6.98**
Intl. Bonds-hedged	**1.55**	**2.57**
Intl. Bonds-unhedged	**1.83**	**9.24**
High Yield	**-3.70**	**2.35**
Emerging Debt	**0.52**	**7.25**

Sources: Barclays Capital, Citigroup, CSFB and J.P. Morgan



Source: Barclays Capital



Source: Barclays Capital

Data as August 31, 2011
For illustrative purposes only.

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Results

San Mateo County Employees’ Retirement Association

	San Mateo County Employees' Retirement Association	Barclays Capital Aggregate Index	Excess Return
Year 1997	10.03%	9.65%	0.38%
Year 1998	8.50%	8.69%	-0.19%
Year 1999	-0.01%	-0.82%	0.81%
Year 2000	12.28%	11.63%	0.65%
Year 2001	9.89%	8.44%	1.45%
Year 2002	9.66%	10.25%	-0.59%
Year 2003	5.34%	4.10%	1.24%
Year 2004	5.34%	4.34%	1.00%
Year 2005	3.08%	2.43%	0.65%
Year 2006	5.08%	4.33%	0.75%
Year 2007	5.71%	6.97%	-1.26%
Year 2008	-15.16%	5.24%	-20.40%
Year 2009	17.76%	5.93%	11.83%
Year 2010	10.35%	6.54%	3.81%
Q1 2011	1.57%	0.42%	1.15%
Q2 2011	2.02%	2.29%	-0.27%
YTD 2011	3.63%	2.72%	0.90%
1 year	6.64%	3.90%	2.74%
3 years*	5.19%	6.46%	-1.27%
5 years*	4.92%	6.52%	-1.60%
10 years*	5.31%	5.74%	-0.44%
Since inception (7/1/1996)*	6.24%	6.32%	-0.07%

Preliminary Performance as of August 31, 2011			
Jul-11	1.74%	1.59%	0.15%
Aug-11	0.36%	1.46%	-1.11%
Q3 2011 (thru 8/31/11)	2.10%	3.07%	-0.97%
YTD 2011(thru 8/31/11)	5.80%	5.88%	-0.08%

Data as of June 30, 2011. Source: Aberdeen Asset Management Inc. and Barclays Capital

*Annualized

Returns are shown gross of fees with dividends and capital gains, if any, reinvested. Performance results do not reflect the deduction of investment advisory fees. Client returns will be reduced by the advisory fees and other expenses it incurs as a client. Past performance is no guarantee of future results.

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Performance Attribution

San Mateo County Employees' Retirement Association

	YTD 2011 thru 6/30/2011	Q2 2011	Q1 2011	Year 2010
CORE	**1.07 %**	**(0.09) %**	**1.15 %**	**4.06 %**
Asset-Backed Securities	**0.10**	**0.02**	**0.08**	**0.12**
Residential MBS	**0.37**	**(0.16)**	**0.52**	**2.35**
Agency Fixed Rate	(0.00)	(0.10)	0.10	0.16
Non-Agency Fixed Rate	0.07	0.03	0.04	0.30
Non-Agency Hybrid	0.30	(0.09)	0.38	1.90
Commercial MBS	**0.07**	**(0.06)**	**0.12**	**0.61**
Corporate	**0.43**	**0.02**	**0.40**	**0.95**
Financial	0.27	0.02	0.25	0.20
Industrials	0.09	0.01	0.08	0.34
Telecom	(0.02)	(0.01)	(0.01)	0.16
Utility	0.09	0.01	0.08	0.25
Agency	**(0.08)**	**(0.05)**	**(0.03)**	**(0.08)**
Municipal	**0.19**	**0.12**	**0.06**	**0.10**
Curve Effect	**(0.11)**	**(0.12)**	**(0.00)**	**(0.18)**
Residual	**(0.06)**	**(0.06)**	**0.00**	**(0.07)**
Total Excess Return	**0.90**	**(0.27)**	**1.15**	**3.81**
Portfolio Return	**3.63**	**2.02**	**1.57**	**10.35**
Barclays Aggregate Index	**2.72**	**2.29**	**0.42**	**6.54**

Data as of June 30, 2011

Source: Aberdeen Asset Management Inc. and Barclays Capital

Performance is gross of fees and does not reflect advisory fees, had such fees been deducted returns would have been lower. Past performance is not indicative for future results.

Performance Attribution

San Mateo County Employees' Retirement Association

	YTD 2011 thru 8/31/2011	Q3 2011 thru 8/31/2011	Aug-11	Jul-11
CORE	**0.19 %**	**(0.86) %**	**(1.07) %**	**0.21 %**
Asset-Backed Securities	**0.09**	**(0.01)**	**(0.03)**	**0.01**
Residential MBS	**0.24**	**(0.13)**	**(0.31)**	**0.19**
Agency Fixed Rate	0.03	0.03	(0.13)	0.17
Non-Agency Fixed Rate	0.03	(0.04)	(0.04)	0.00
Non-Agency Hybrid	0.18	(0.12)	(0.14)	0.02
Commercial MBS	**(0.33)**	**(0.39)**	**(0.33)**	**(0.06)**
Corporate	**0.10**	**(0.32)**	**(0.32)**	**0.00**
Financial	0.20	(0.08)	(0.09)	0.01
Industrials	(0.10)	(0.18)	(0.20)	0.02
Telecom	(0.03)	(0.02)	0.02	(0.03)
Utility	0.03	(0.05)	(0.05)	(0.01)
Agency	**(0.03)**	**0.05**	**0.04**	**0.01**
Municipal	**0.13**	**(0.06)**	**(0.11)**	**0.06**
Curve Effect	**(0.07)**	**0.04**	**0.04**	**(0.00)**
Residual	**(0.20)**	**(0.15)**	**(0.08)**	**(0.06)**
Total Excess Return	**(0.08)**	**(0.97)**	**(1.11)**	**0.15**
Portfolio Return	**5.80**	**2.10**	**0.36**	**1.74**
Barclays Aggregate Index	**5.88**	**3.07**	**1.46**	**1.59**

Preliminary data as of August 31, 2011
Source: Aberdeen Asset Management Inc. and Barclays Capital
Performance is gross of fees and does not reflect advisory fees, had such fees been deducted returns would have been lower. Past performance is not indicative for future results.

Current Strategy - Sector Profile

San Mateo County Employees' Retirement Association

	6/30/2011 % of Index(1)		6/30/2011 % of Portfolio		12/31/2010 % of Portfolio		6/30/2010 % of Portfolio		12/31/2009 % of Portfolio	
US Treasury	**32.89**	%	**9.45**	%	**5.97**	%	**10.83**	%	**14.41**	%
Government-Related	**10.61**		**0.00**		**0.00**		**0.00**		**0.00**	
Agency	7.60		0.00		0.00		0.00		0.00	
Sov/Supra/Other	3.01		0.00		0.00		0.00		0.00	
Credit	**19.80**		**26.77**		**31.47**		**29.85**		**32.23**	
Industrial	10.48		15.06		15.27		14.47		13.87	
Bank	4.81		5.00		7.81		5.16		9.05	
Finance	0.75		1.42		1.73		1.63		1.36	
Insurance	1.10		2.09		2.30		2.34		1.96	
Broker	0.15		0.00		0.26		0.45		0.19	
Utilities	2.18		2.59		4.10		5.58		5.51	
REIT	0.34		0.61		0.00		0.23		0.29	
Single Family MBS	**33.27**		**44.61**		**43.08**		**44.37**		**41.30**	
Pass-Thru GNMA	7.22		0.00		0.00		0.20		0.25	
Pass-Thru FNMA	15.62		10.09		10.55		12.51		14.74	
Pass-Thru FHLMC	10.43		3.06		1.55		3.18		1.38	
Agency CMO	0.00		19.25		18.12		15.75		11.36	
Non-Agency CMO	0.00		12.21		12.86		12.74		13.56	
CMBS	**2.29**		**8.42**		**8.27**		**8.48**		**7.41**	
Agency CMBS	0.00		0.00		0.00		0.00		0.00	
Non-Agency CMBS	2.29		8.42		8.27		8.48		7.41	
Asset-Backed Securities	**0.27**		**5.57**		**5.88**		**2.86**		**0.74**	
Credit Card	0.14		1.50		1.62		0.93		0.00	
Auto	0.08		1.64		2.69		0.72		0.00	
Home Equity Loans	0.00		0.41		0.43		0.35		0.23	
Manufactured Housing	0.00		0.71		0.75		0.44		0.51	
Miscellaneous	0.00		1.31		0.39		0.42		0.00	
Utility	0.05		0.00		0.00		0.00		0.00	
Taxable Municipals	**0.87**		**4.72**		**4.83**		**2.66**		**3.05**	
Cash	**0.00**		**0.46**		**0.50**		**0.94**		**0.87**	
Total	**100.00**		**100.00**		**100.00**		**100.00**		**100.00**	

Data as of June 30, 2011
Source: Aberdeen Asset Management
(1) Barclays Capital Aggregate Bond Index
Totals may not equal 100.00 due to rounding.

Current Strategy

San Mateo County Employees' Retirement Association

CREDIT RATING BREAKDOWN

Sector	6/30/2011 Barclays Capital Aggregate Index	6/30/2011 Portfolio (%)	12/31/2010 Portfolio (%)	6/30/2010 Portfolio (%)	12/31/2009 Portfolio (%)
AAA	76.5	58.1	54.9	61.0	59.7
AA	4.9	7.9	9.9	6.2	6.7
A	10.0	12.6	13.6	10.9	12.2
BBB	8.6	16.0	17.1	17.0	16.8
BB	0.0	1.1	0.0	1.6	1.0
B	0.0	0.3	0.4	0.0	1.0
Below B	0.0	4.0	4.2	3.3	2.6
Other Rating	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

PORTFOLIO STATISTICS

	6/30/2011 Barclays Capital Aggregate Index	6/30/2011 Portfolio	12/31/2010 Portfolio	6/30/2010 Portfolio	12/31/2009 Portfolio
Average Credit Quality	AA1/AA2	AA-	AA-	AA-	AA-
Average Maturity (yrs)	7.40	7.45	7.66	7.22	7.78
Effective Duration (yrs)*	4.94	4.97	4.77	4.33	4.47
Yield to Maturity (%)	2.84	3.98	4.33	4.29	5.50

Source: Aberdeen Asset Management Inc
Data as of June 30, 2011
Sources: Aberdeen Asset Management Inc. and Barclays Capital
*The 'Adjusted Index' effective duration is identical to the Barclays Capital Aggregate Index, with the exception of using the Salomon YieldBook analytics to calculate the duration of the MBS component of the Barclays Capital Aggregate Index. YieldBook is proficient in handling both passthroughs and structured products, and is the industry standard for MBS analysis.

Aberdeen

Portfolio Yield vs. Index

San Mateo County Employees' Retirement Association

	Relative Exposure +/- %	Benchmark* YTM	Account YTM	Average Price
Treasury	-23.4%	1.73	3.27	102.29
Agency	-10.6%	1.84		
MBS	11.3%	3.57	3.77	102.17
Agency Pass-Thru	-20.1%	3.57	2.86	107.34
Agency CMO	19.3%		2.84	106.57
Non-Agency CMO	12.2%		6.22	89.66
Corporate	7.0%	3.84	4.47	106.13
ABS	5.3%	1.71	2.88	101.31
CMBS	6.1%	3.73	4.23	104.88
Munis	3.8%	5.66	5.77	100.57
Total		**2.84%**	**3.98%**	

Data as of June 30, 2011
*Barclays Capital Aggregate Bond Index
Source: Aberdeen Asset Management and Barclays Capital

Risk Monitoring: Tracking Error Report

San Mateo County Employees' Retirement Association

Factor	Portfolio Weight	Benchmark Weight	Active Weight	Portfolio Exposure (Yrs)	Benchmark Exposure (Yrs)	Active Exposure (Yrs)	Total Factor	Stand Alone	Contrib to TE
IntRate_Tsy_USD	-	-	-	5.00	4.91	0.09		0.19%	(0.025)%
GT6M Govt	-	-	-	0.12	0.15	(0.03)	0.54%	0.02%	0.005%
GT2 Govt	-	-	-	0.54	0.69	(0.15)	0.69%	0.10%	0.036%
GT5 Govt	-	-	-	1.33	1.31	0.02	0.98%	0.02%	(0.007)%
GT10 Govt	-	-	-	1.54	1.26	0.28	0.95%	0.27%	(0.068)%
GT30 Govt	-	-	-	1.46	1.50	(0.04)	0.88%	0.04%	0.009%
IntRate_Swap_USD	-	-	-	3.97	3.30	0.67		0.17%	(0.060)%
6M Swap	-	-	-	0.01	0.01	-	0.56%	-	-
2Yr Swap	-	-	-	0.34	0.41	(0.07)	0.37%	0.03%	(0.001)%
5Yr Swap	-	-	-	1.74	1.77	(0.03)	0.26%	0.01%	-
10Yr Swap	-	-	-	0.98	0.35	0.63	0.22%	0.14%	(0.041)%
30Yr Swap	-	-	-	0.90	0.76	0.14	0.34%	0.05%	(0.018)%
Credit	97.90%	99.99%	(2.08)%	4.28	3.78	0.50		2.23%	2.220%
CMBS 5Yr	0.29%	0.19%	0.10%	0.02	-	0.02	3.37%	0.06%	0.033%
CMBS 7Yr	2.03%	0.10%	1.92%	0.05	-	0.05	3.54%	0.18%	0.115%
CMBS 10yr AAA	4.06%	1.64%	2.42%	0.19	0.06	0.13	2.78%	0.36%	0.233%
CMBS 10Yr Mezz	2.10%	0.22%	1.87%	0.10	0.01	0.09	6.83%	0.64%	0.523%
CMBS 10Yr Jr	-	0.10%	(0.10)%	-	-	-	10.10%	0.04%	(0.026)%
CMBS Other	0.56%	0.05%	0.51%	0.02	-	0.02	2.62%	0.06%	0.047%
ABS OTHER	5.16%	0.28%	4.88%	0.08	0.01	0.07	1.72%	0.12%	0.040%
ABS HEL AAA	0.20%	-	0.20%	-	-	-	4.26%	0.01%	0.006%
ABS HEL AA/A	0.21%	-	0.21%	-	-	-	5.94%	0.02%	0.002%
ABS HEL <=BBB	-	-	-	-	-	-	9.56%	-	-
MBS Conv Curr	3.90%	8.86%	(4.96)%	0.23	0.94	(0.71)	0.65%	0.46%	0.019%
MBS Conv Prem	7.88%	12.18%	(4.30)%	0.28	0.48	(0.20)	0.89%	0.18%	0.016%
MBS FNMA 15	-	4.11%	(4.11)%	-	0.13	(0.13)	0.40%	0.05%	(0.001)%
MBS GNMA	-	7.02%	(7.02)%	-	0.35	(0.35)	0.58%	0.20%	0.023%
MBS Hybrid ARM AGY 3/1	-	0.06%	(0.06)%	-	-	-	0.52%	-	(0.001)%
MBS Hybrid ARM AGY 5-10	-	1.06%	(1.06)%	-	0.05	(0.05)	0.59%	0.03%	(0.006)%
MBS Hybrid ARM Priv 5/1	6.24%	-	6.24%	0.24	-	0.24	4.34%	1.03%	0.700%
MBS Hybrid ARM Priv 7/1	2.63%	-	2.63%	0.05	-	0.05	3.72%	0.20%	0.111%
MBS Hybrid ARM Priv 10/1	2.93%	-	2.93%	0.09	-	0.09	3.20%	0.29%	0.039%
CMO PAC 0-3	4.53%	-	4.53%	0.16	-	0.16	1.13%	0.18%	0.004%
CMO PAC 3-5	10.45%	-	10.45%	0.47	-	0.47	0.66%	0.31%	0.027%
CMO PAC 5-7	2.49%	-	2.49%	0.13	-	0.13	0.93%	0.12%	0.003%
CMO PAC 7+	2.09%	-	2.09%	0.20	-	0.20	0.66%	0.13%	(0.001)%
MBS Other	1.47%	-	1.47%	0.04	-	0.04	0.56%	0.02%	0.002%
NON CORP	-	2.56%	(2.56)%	-	0.13	(0.13)	0.48%	0.06%	(0.034)%
AGCY	-	6.46%	(6.46)%	-	0.19	(0.19)	0.28%	0.05%	(0.021)%
TMUNI	4.72%	2.71%	2.01%	0.42	0.17	0.25	0.38%	0.09%	0.045%
FIN AA	2.61%	2.25%	0.36%	0.14	0.11	0.04	0.98%	0.04%	0.020%
FIN A	3.90%	3.58%	0.33%	0.24	0.19	0.05	1.67%	0.09%	0.041%
FIN BBB	3.05%	1.35%	1.71%	0.18	0.08	0.10	2.78%	0.29%	0.149%
IND AA	0.86%	1.31%	(0.45)%	0.05	0.09	(0.03)	0.52%	0.02%	(0.011)%
IND A	1.90%	4.48%	(2.58)%	0.11	0.29	(0.19)	0.88%	0.16%	(0.099)%
IND BBB	8.27%	4.65%	3.62%	0.51	0.32	0.19	1.26%	0.24%	0.159%
UTIL AA	-	0.05%	(0.05)%	-	0.01	(0.01)	0.62%	-	(0.002)%
UTIL A	0.38%	0.85%	(0.47)%	0.05	0.07	(0.02)	0.80%	0.02%	(0.010)%
UTIL BBB	3.32%	1.26%	2.06%	0.19	0.09	0.11	1.13%	0.12%	0.069%
Hybrid Corp - IND/UTIL	0.20%	-	0.20%	-	-	-	4.66%	0.01%	0.004%
TSY	9.45%	32.59%	(23.14)%	-	-	-	-	-	-
HY	2.26%	0.01%	2.25%	0.12	-	0.12		0.18%	0.122%
CCY	100.63%	100.00%	0.63%	(1.01)	(1.00)	(0.01)		-	-
Other	0.46%	-	0.46%	-	-	-			-
CASH	0.46%	-	0.46%	-	-	-	-	-	-
Total Active Tracking Error									2.258%

Source: Aberdeen Asset Management Inc.

Data as June 30, 2011. Benchmark; Barclays Capital US Aggregate

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Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is an integral part of a complete presentation and is described in Part II of the firm’s ADV, which is available upon request. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client’s portfolio assuming (a) quarterly fee assessment, (b) $1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be $10,416 in the first year, and cumulative effects of $59,816 over five years and $143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

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San Mateo County Employees' Retirement Association (SamCERA)

Annual Review
Aberdeen Core Fixed Income

September 15, 2011

Aberdeen
ASSET MANAGEMENT

Review Questionnaire - Aberdeen Asset Management

Organizational Update

1) **Provide an update on your firm as a whole and specifically for the your firm's Fully Discretionary Core Fixed Income product in the following categories (a) changes to structure, (b) growth and acquisition of assets under management, (c) clients gained or lost in the past year.**

Firm

There have been no significant updates within our firm over the past year.

Fixed Income

There have been no significant updates within our Core Fixed Income product over the past year.

	Total Assets Gained (millions)	Number of Accounts Gained	Total Assets Lost (millions)	Number of Accounts Lost
Core Fixed Income[1]	0.00	0	$1,458.68	22
Firmwide[2]	$11,808.95	148	$14,874.22	141

Source: Aberdeen PLC; as of 06/30/2011
[1] *Includes internal transfers to other AAMI fixed income strategies representing accounts*
[2] *Pure firm gained/lost and does not include acquisitions and internal fund closing & mergers*

2) **What is AAM's philosophy and current policy regarding new business?**

Firm

The objective of our organization is to add value for our clients and shareholders by efficiently and effectively providing strong investment performance and client service. We strive to maintain an environment where world class investment professional can thrive, while also maintaining a client centric and team oriented culture.

We will continue to add resources in portfolio management and client service as necessary to maintain the highest standards of client service, investment skill, and adequate coverage of the investment universe, oversight of client portfolios, compliance, risk management, and competitive technology infrastructure.

We target a manageable pace of growth in our assets under management. As we have done in the past, we would stop accepting new clients and close our business if we believed the pace of growth or market conditions would make it difficult to add value for our existing clients.

We arrived at our present position via organic growth and acquisitions, and now have a network of offices across the globe, including principal investment centers in the three (3) main time zones: US, Europe, and Asia. Our most recent acquisition was that of various Credit Suisse long-only management assets and associated businesses as described above.

The additional scale this brings means we are close to completing our transformation from a one-time specialist manager. Our aim now is to become a leading global firm and an active participant as the industry goes through an expected period of consolidation. We intend to achieve this by developing new products by building on core asset classes; cross-selling products through multiple distribution channels; and, penetrating new markets. Further, we will look to continue our strategy of very selective, opportunistic acquisitions that we believe can add scale to our existing product offerings and/or add selective bolt on capabilities to our product mix, while not being disruptive to the service that we provide to existing clients.

Our ambition is to grow our business but it is important that we do so in a measured way. Our marketing emphasizes the importance of client retention as much as client acquisition. This calls for effective client management at all points of contact – sales, relationship management, reporting and back office. Beyond this, we try to manage costs closely.

New business generation is not our sole criterion for growth. As a publicly-listed group we are very profit focused, with clear targets for profitability and shareholder returns. Thus it is essential that we understand in advance the true costs and expected profitability of any new product development initiative or office expansion. Our priorities behind growth include maintaining clear management structure, lines of responsibility and, where possible, local 'ownership' of products, servicing and clients.

Fixed Income

While a formal limit to the amount of assets has not been set for our Core Fixed Income strategy, determining remaining capacity is an inexact process given the dynamics of the market and our investment process.

We target managed growth of 10 – 15% annually for our Philadelphia based fixed income products (Core, Core Plus, Short Duration and the US portion of Global mandates).

To this end, we have closed our fixed income strategies to new separate account business opportunities several times in the past. These decisions are consistent with our historic commitment to our clients to manage pace of growth for the benefit of our business long-term.

We are currently open to new business opportunities across all fixed income strategies, including Core and Core Plus.

3) Please specify separately the individuals (up to ten) who you feel are key to the success of Aberdeen Asset Management.

Martin Gilbert, Chief Executive
Andrew Laing, Chief Operating Officer
Bill Rattray, Finance Director
Paul Griffiths, Global Head of Fixed Income
Hugh Young, Head of Equities
Anne Richards, Chief Investment Officer
Ken Fry, Chief Operating Officer
Gary Marshall, Head of the Americas
John Brett, Head of Institutional Business Development*
Andrew Smith, Global Head of Property Division
Rod MacRae, Head of Risk

Source: Aberdeen PLC; as of 06/30/11
Note: Includes persons operating under an inter-company agreement.
** Effective October 2011*

4) Please specify separately the individuals (up to ten) who you feel are key to the success of Aberdeen Asset Management's core fixed income product.

The following individuals are senior members of AAMI's US Fixed Income Team and are key to the success of our Core Fixed Income product.

Christopher Gagnier, Head of US Fixed Income
Keith Bachman, Senior Portfolio Manager/Head of US High Yield
Oliver Boulind, Senior Portfolio Manager
Steve Cianci, Senior Portfolio Manager
Neil Moriarty, Senior Portfolio Manager
Timothy Vile, Senior Portfolio Manager
Mike Degernes, Portfolio Manager
Ed Grant, Portfolio Manager/Head of Credit Research
Charles Tan, Portfolio Manager/Analyst
Source: Aberdeen PLC; as of 06/30/11

5) Update all significant personnel changes to the "*SamCERA* Team", at AAM.

There have been no significant personnel changes to the SamCERA Team during the past year.

6) Describe your firm's management succession plan. Have dates been established regarding succession of any key personnel, specifically those in the preceding questions?

Aberdeen runs relatively flat operating structures. Most of the senior executive staff members have been with the Group for many years. Three members of the Group Management Board also sit on the board of Aberdeen PLC. Deputies have been identified across all key functions. Our open culture encourages internal communication and management actively supports ongoing staff development, including management skills in order to equip them for bigger roles as the need arises.

As noted in question 3 above, John Brett will take over as Head of Institutional Business Development in October 2011.

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? E-mail your firm's most recent ADV Parts I & II to gclifton@samcera.org.

AAMI
There are no regulatory or litigation actions pending against AAMI. Neither our firm nor any of its employees have been censured or otherwise admonished by the SEC or FINRA or other regulatory agency. To the best of our knowledge, no other actions or investigations are currently being conducted.

Aberdeen PLC
As a large financial services institution, Aberdeen is, from time to time, the subject of threatened or filed business litigation. However, we are not aware of any litigation or regulatory issues involving the firm.

Please find the attached current ADV Parts I & II.

8) Has there been any litigation specific to the product in which *SamCERA* invests?

No, there has been no litigation specific to the product in which SamCERA invests.

9) When did the Securities Exchange Commission, Attorney General, and/or the NASD last audit your firm? Please note any material findings or recommendations.

AAMI
The SEC conducted a general examination of AAMI in August 2007. The SEC requested that AAMI make to minor modifications to its ADV, enhance two of its procedures and conduct two additional forensic tests. There were no other findings, deficiencies or recommendations from this examination.

Aberdeen Fund Distributors LLC
In May 2009, the SEC conducted a routine examination of Aberdeen Fund Distributors LLC (AFD). The SEC noted that AFD had incorrectly characterized certain 12b-1 expenses as allowable in its net capital calculation. AFD revised its calculation and undertook a full review of its dealer agreements to ensure that all 12b-1 fees were properly characterized. No net capital violation resulted from the revision to the firm's characterizations.

Financial Industry Regulatory Association (FINRA) conducted its initial 6 month Cycle Examination of AFD in November – December 2008. FINRA issued and Examination Report to AFD on February 20, 2009. The Examination Report suggested that AFD make some additions to procedures and required a revision to the classifications the firm was using to perform its net capital computations. The Examination Report also indicated that AFD must file a notification to FINRA and the SEC in accordance with the requirements of SEC Rule 17a-4(f) of the firm's reliance on electronic storage media for the preservation and maintenance of e-mails. AFD has revised its procedures, changed its net capital computation classifications and filed its Rule 17a-4(f) notice. A response was filed with FINRA on March 20, 2009. To date, no follow-up correspondence has been received from FINRA on this issue.

FINRA conducted a routine examination of AFD in early 2010. In January 2011, AFD received its examination disposition letter from FINRA. While FINRA noted several issues and areas for improvement in their letter, no material violations were noted and no formal action was taken.

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.

We have a Group professional indemnity and crime policy which covers negligent acts, errors and omission, first party fraud or dishonesty committed by directors/employees and several other crime risks including external computer fraud. The directors and officers are separately insured for their own liability in respect to their duties as directors/officers of the company. Our policy level is no less than £150 million. Our brokers, who arrange the policy, are Willis Limited, and the primary layer is held by Axis Specialty Europe Limited.

Aberdeen's current insurance coverage is as follows:

Insurance Type	Insurance Carrier	Amount of Coverage
Professional Indemnity and Crime Insurance*	Axis (Specialty) Europe Limited**	£150 million (US $240.2 million+)
ERISA Bond Insurance	Federal Insurance Company	US $500,000

Source: Aberdeen PLC

* *Includes errors and omissions, Directors & Officers viability insurance and fiduciary liability insurance.*

** *Coverage is provided by eight insurance companies, led by Axis (Specialty) Europe Limited.*

\+ *Conversion rate as of 06/30/11*

Please find the attached current Certification of Insurance.

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

Yes, our employees are guided by compliance standards that are in line with international best practice. Codes of conduct are clearly delineated in staff compliance manuals that address insider dealing, personal account dealing and client confidentiality, amongst others. All staff members that are deemed to be an Access Person are required to sign our Code of Ethics.

All employees are required to report to the Compliance department any actual or potential conflicts of interest, as or when they arise, to ensure that client and company interests are protected. This would include directorships of public or private corporations, shareholdings in private corporations or shareholdings/membership in investment clubs.

New Access Person employees are required to disclose any actual or potential conflicts of interest. In addition, as part of the quarterly disclosure of personal trading activity, employees are asked if there are any potential conflicts of interest.

Please find attached the current Code of Ethics Policy.

12) What are the current technologies utilized in supporting the investment and back-office processes?

AAMI's investment and back-office process is supported by various technologies. These technologies include both proprietary systems and vendor purchased software. Specific to our Core Fixed Income strategy are a number of systems including:

Investment Related

- Bloomberg Analytics
- First Call
- TradeWeb
- Citi Yield Book
- Intex
- LoanPerformance

Investment / Back-office Related

- HiPortfolio (Accounting)
- Charles River (Trade Capture Platform)
- SWORD (Risk Monitoring)

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.**

Our model is to maintain in-house those value added functions/processes (Middle Office) that are critical to our investment and product groups and outsource all other administrative functions that are deemed to be back office in nature. This model ensures that operational service quality to the Investment and Product groups may be optimized due to the tailored nature of the role. The Middle Office (MO) is responsible for providing operational support for the portfolios managed by AAMI and maintaining accurate books and records on our investment accounting platforms. The MO team is responsible for processes and controls over posting and reconciliation of trading system transactions and position data. MO works closely with custodian banks, brokers, and third-party vendors to ensure that client accounts are accurate. MO is organizationally independent of the portfolio managers, investment consultants, traders/sector managers, compliance, research, risk management, and brokers. However, they work closely with these groups to ensure efficiency, accuracy, and internal control. O'Niel Morgan is the Head of the Middle Office group which is located in Philadelphia.

The following three (3) major administrative functions are either performed directly or indirectly by AAMI:

1. **Trade Support** – is responsible for trade authorization verification, verification with counter-parties, confirmation of allocations, corrections processing, and the resolution of trade settlement issues. The Trade Support Group works closely with custodian banks on all trade related matters, and is responsible for the facilitation of trade confirmation with brokers, depositories, and custodians. Location: Philadelphia, AAMI.

2. **Portfolio Administration** – handles the management of data and reporting derived from investment records. This includes support of all investment teams, quality assurance, performance measurement, and data management. This team handles reporting, cash management, and ad-hoc support to the portfolio management teams, performance for accounts and composites, corporate actions, proxy voting, security valuation, and data management to include security master set-up and maintenance. This function was successfully transitioned to BNP Paribas (BNP), a third party provider.

3. **Operations Control** – confirms the accuracy and integrity of account information for portfolio managers. This group is a neutral party that verifies the accuracy and integrity of our accounting and trading records. This includes daily positions reconciliation of all internal systems to verify integrity of trading data. Investment accountants are responsible for reconciling cash balances on a daily basis, as well as portfolio holdings on a monthly basis custody bank records. Our function is subcontracted to BNP KOP, and they complete full back office service (reconciliation/cash and position). Internally, we have dedicated investment support and data management teams that verify the accuracy and integrity of our portfolio positions and market values on a daily basis.

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?

With respect to our asset management operation, Mission Critical Systems include the accounting system used to support the investment and back-office process. For our Active Fixed Income strategies, HiPortfolio (HiPort) is an integrated investment management accounting system that combines portfolio and fund management with real-time transactions processing, analytics, reporting, and trade administration through a single core database. In addition, Charles River is our trading and compliance system.

No, Aberdeen has not experienced any problems with these systems in the past eighteen months.

15) Provide an overview of your firm's Business Continuity Plan.

We have detailed disaster recovery procedures, including off-site backup facilities and details of disaster recovery teams for all departments. In the event of a major disaster, even in our primary offices, core task capability would be restored and functional within 24 hours. Contracts are in place for on-site recovery within 4 hours and off-site recovery within 8 hours.

Our network of offices globally offers us the security that key operations can be moved from one location to another in the short term if necessary. All data is synchronized in real time to our disaster recovery site and backed up to tape five days a week and stored offsite. Critical hard copy documents are scanned and stored electronically. Detailed recovery plans are available for inspection at Aberdeen's offices.

Business continuity is a key area of risk management within Aberdeen. Major disasters may be infrequent, but any business continuity program also needs to consider the lesser misfortunes which can more regularly beset any business. Our business continuity program is designed to cover all areas such as power outages, evacuations, severe weather, and other events which can disrupt normal business operations. Plans are reviewed and updated quarterly and include the following tests and procedures:

<u>Annual notification call tree test – (Last Completed June '11)</u>
Participation by all employees is mandatory and is calculated to determine success or failure. Less than an 80% result requires retesting. The test conducted in June was successful with 92% participation from the Philadelphia office.

<u>Detailed Disaster Recovery and Business Continuity Plans – (Last Updated April '11)</u>
All documentation is updated as needed to incorporate changes to any systems or services.

<u>Annual Shutdown/BCP test – (Last Completed August '11)</u>
The primary office is shut down and completely isolated while the DR site is activated for production testing. All critical systems and processes are tested by users and results are documented. This year's test concluded with satisfactory results.

Performance

16) Is the performance composite constructed for *SamCERA's* portfolio in GIPS compliance? If yes, when and who performed the last GIPS verification? Please provide a copy of the most recent verification.

Yes, the composite is GIPS compliant through September 30, 2010. A copy of the verification letter is attached.

17) What is the core portfolio's expected tracking error to the Barclays Capital Aggregate Index? What are the expected sources of the tracking error?

In the current market environment, the expected tracking error is higher than the historical targeted range of +50 – 75 basis points. In our base case scenario which we believe to be conservative, we estimate annualized alpha of between 1.0% - 2.5% with 2.25 basis points of tracking error.

The primary source of tracking error (see table below) in SamCERA's portfolio include investments in Commercial Mortgage Backed securities, Non-Agency Mortgage Backed securities (Residential), BBB-rated Industrials and BBB-rated Financials.

Factor	Portfolio Weight	Benchmark Weight	Active Weight	Portfolio Exposure (Yrs)	Benchmark Exposure (Yrs)	Active Exposure (Yrs)	Total Factor	Stand Alone	Contrib to TE
IntRate_Tsy_USD	-	-	-	5.00	4.91	0.09		0.19%	(0.025)%
GT6M Govt	-	-	-	0.12	0.15	(0.03)	0.54%	0.02%	0.005%
GT2 Govt	-	-	-	0.54	0.69	(0.15)	0.69%	0.10%	0.036%
GT5 Govt	-	-	-	1.33	1.31	0.02	0.98%	0.02%	(0.007)%
GT10 Govt	-	-	-	1.54	1.26	0.28	0.95%	0.27%	(0.068)%
GT30 Govt	-	-	-	1.46	1.50	(0.04)	0.88%	0.04%	0.009%
IntRate_Swap_USD	-	-	-	3.97	3.30	0.67		0.17%	(0.060)%
6M Swap	-	-	-	0.01	0.01	-	0.56%	-	-
2Yr Swap	-	-	-	0.34	0.41	(0.07)	0.37%	0.03%	(0.001)%
5Yr Swap	-	-	-	1.74	1.77	(0.03)	0.26%	0.01%	-
10Yr Swap	-	-	-	0.98	0.35	0.63	0.22%	0.14%	(0.041)%
30Yr Swap	-	-	-	0.90	0.76	0.14	0.34%	0.05%	(0.018)%
Credit	97.90%	99.99%	(2.08)%	4.28	3.78	0.50		2.23%	2.220%
CMBS 5Yr	0.29%	0.19%	0.10%	0.02	-	0.02	3.37%	0.06%	0.033%
CMBS 7Yr	2.03%	0.10%	1.92%	0.05	-	0.05	3.54%	0.18%	0.115%
CMBS 10yr AAA	4.06%	1.64%	2.42%	0.19	0.06	0.13	2.78%	0.36%	0.233%
CMBS 10Yr Mezz	2.10%	0.22%	1.87%	0.10	0.01	0.09	6.83%	0.64%	0.523%
CMBS 10Yr Jr	-	0.10%	(0.10)%	-	-	-	10.10%	0.04%	(0.026)%
CMBS Other	0.56%	0.05%	0.51%	0.02	-	0.02	2.62%	0.06%	0.047%
ABS OTHER	5.16%	0.28%	4.88%	0.08	0.01	0.07	1.72%	0.12%	0.040%
ABS HEL AAA	0.20%	-	0.20%	-	-	-	4.26%	0.01%	0.006%
ABS HEL AA/A	0.21%	-	0.21%	-	-	-	5.94%	0.02%	0.002%
ABS HEL <=BBB	-	-	-	-	-	-	9.56%	-	-
MBS Conv Curr	3.90%	8.86%	(4.96)%	0.23	0.94	(0.71)	0.65%	0.46%	0.019%
MBS Conv Prem	7.88%	12.18%	(4.30)%	0.28	0.48	(0.20)	0.89%	0.18%	0.016%
MBS FNMA 15	-	4.11%	(4.11)%	-	0.13	(0.13)	0.40%	0.05%	(0.001)%
MBS GNMA	-	7.02%	(7.02)%	-	0.35	(0.35)	0.58%	0.20%	0.023%
MBS Hybrid ARM AGY 3/1	-	0.06%	(0.06)%	-	-	-	0.52%	-	(0.001)%
MBS Hybrid ARM AGY 5-10	-	1.06%	(1.06)%	-	0.05	(0.05)	0.59%	0.03%	(0.006)%
MBS Hybrid ARM Priv 5/1	6.24%	-	6.24%	0.24	-	0.24	4.34%	1.03%	0.700%
MBS Hybrid ARM Priv 7/1	2.63%	-	2.63%	0.05	-	0.05	3.72%	0.20%	0.111%
MBS Hybrid ARM Priv 10/1	2.93%	-	2.93%	0.09	-	0.09	3.20%	0.29%	0.039%
CMO PAC 0-3	4.53%	-	4.53%	0.16	-	0.16	1.13%	0.18%	0.004%
CMO PAC 3-5	10.45%	-	10.45%	0.47	-	0.47	0.66%	0.31%	0.027%
CMO PAC 5-7	2.49%	-	2.49%	0.13	-	0.13	0.93%	0.12%	0.003%
CMO PAC 7+	2.09%	-	2.09%	0.20	-	0.20	0.66%	0.13%	(0.001)%
MBS Other	1.47%	-	1.47%	0.04	-	0.04	0.56%	0.02%	0.002%
NON CORP	-	2.56%	(2.56)%	-	0.13	(0.13)	0.48%	0.06%	(0.034)%
AGCY	-	6.46%	(6.46)%	-	0.19	(0.19)	0.28%	0.05%	(0.021)%
TMUNI	4.72%	2.71%	2.01%	0.42	0.17	0.25	0.38%	0.09%	0.045%
FIN AA	2.61%	2.25%	0.36%	0.14	0.11	0.04	0.98%	0.04%	0.020%
FIN A	3.90%	3.58%	0.33%	0.24	0.19	0.05	1.67%	0.09%	0.041%
FIN BBB	3.05%	1.35%	1.71%	0.18	0.08	0.10	2.78%	0.29%	0.149%
IND AA	0.86%	1.31%	(0.45)%	0.05	0.09	(0.03)	0.52%	0.02%	(0.011)%
IND A	1.90%	4.48%	(2.58)%	0.11	0.29	(0.19)	0.88%	0.16%	(0.099)%
IND BBB	8.27%	4.65%	3.62%	0.51	0.32	0.19	1.26%	0.24%	0.159%
UTIL AA	-	0.05%	(0.05)%	-	0.01	(0.01)	0.62%	-	(0.002)%
UTIL A	0.38%	0.85%	(0.47)%	0.05	0.07	(0.02)	0.80%	0.02%	(0.010)%
UTIL BBB	3.32%	1.26%	2.06%	0.19	0.09	0.11	1.13%	0.12%	0.069%
Hybrid Corp - IND/UTIL	0.20%	-	0.20%	-	-	-	4.66%	0.01%	0.004%
TSY	9.45%	32.59%	(23.14)%	-	-	-	-	-	-
HY	2.26%	0.01%	2.25%	0.12	-	0.12		0.18%	0.122%
CCY	100.63%	100.00%	0.63%	(1.01)	(1.00)	(0.01)		-	-
Other	0.46%	-	0.46%	-	-	-			-
CASH	0.46%	-	0.46%	-	-	-	-	-	-
Total Active Tracking Error									2.258%

Source: AAMI; as of 06/30/11

18) Detail your firm's perspective of *SamCERA's* performance expectations for AAM, as spelled out in the contract and *SamCERA's Investment Policy*. How is AAM doing relative to those expectations?

SamCERA's performance expectation for AAMI, as spelled out in the contract and SamCERA's Investment Plan, is to perform better than the total rate of return of the Barclays Capital Aggregate Index (formerly Lehman Brothers Aggregate Bond Index).

SamCERA's fixed income portfolio outperformed the Barclays Capital Aggregate Index by a wide margin for the 12 month period ending June 2011. Excess returns continued to be driven by corporate and non-agency residential MBS holdings. While we do not expect excess returns, going forward to be as dramatic as the levels achieved in 2009, we are optimistic that our fundamental security selection driven investment process will continue to identify pricing inefficiencies that will create opportunities to generate attractive risk-adjusted excess returns. We have continued to refine and develop our risk management and portfolio construction approach to help ensure that we limit downside risk to appropriate levels in all environments and that we use our risk budget efficiently. We believe that will be able to meet SamCERA's expectations now and in the future.

Annualized Gross Performance as of 06/30/11:

	1 Year	3 Years	5 Years	10 Years
SamCERA	6.64%	5.19%	4.92%	5.31%
Barclays Capital Aggregate Bond	3.90%	6.46%	6.52%	5.74%

Source: AAMI as of 06/30/11

Past performance is not an indication of future results and you may lose money by investing. Performance is shown gross of fees and does not reflect investment advisory fees. Had such fees been deducted, returns would have been lower.

19) What is your firm's source(s) for pricing fixed income instruments? Discuss pricing methodology and issues related to pricing. What is the process followed for resolving significant pricing differences between your firm and *SamCERA's* custodian, State Street Bank & Trust?

Prices for the majority of our securities come from IDC (pricing vendor) via daily batch feeds. New issues not yet priced by pricing services are priced intra month using the executed price. If, however, at month-end, a vendor price is not available, then a broker price is requested and used.

Prices are checked through a number of different processes: 1) daily tolerance-based exception checks flag securities whose price has moved more than a certain amount (currently 2%); 2) a month-end price check process evaluates all bonds for accuracy; and, 3) sector specialists are responsible for checking intra-month to make sure that their bonds are being priced accurately. Pricing issues resulting from any of these processes are researched and evaluated by the pricing committee and then challenged with the pricing vendor where appropriate. For this fund, we complete monthly market value reconciliation, and perform a price comparison between our prices and the custodian prices. We will challenge the custodian prices that are greater than a $3.00 price discrepancy.

20) Discuss performance in 2010 and through the first six months of 2011. Please include a description of how the portfolio is positioned (sector allocations, credit quality, industries within the corporate sector, sub-prime exposure, etc.)

During 2010 the portfolio outperformed the benchmark by a fair margin (+3.81% excess return). This good performance continued through the first six months of the year as well. Excess returns were primarily driven by Non-Agency Hybrid Residential MBS and our Corporate holdings.

	YTD 2011 thru 6/30/2011	Year 2010
CORE	**1.09**	**4.06**
Asset-Backed Securities	**0.10**	**0.12**
Residential MBS	**0.37**	**2.35**
Agency Fixed Rate	(0.00)	0.15
Non-Agency Fixed Rate	0.07	0.30
Non-Agency Hybrid	0.30	1.91
Commercial MBS	**0.07**	**0.61**
Corporate	**0.43**	**0.95**
Financial	0.27	0.20
Industrials	0.09	0.34
Telecom	(0.02)	0.16
Utility	0.09	0.25
Agency	**(0.06)**	**(0.08)**
Municipal	**0.19**	**0.10**
Curve Effect	**(0.13)**	**(0.18)**
Residual	**(0.05)**	**(0.07)**
Total Excess Return	**0.90**	**3.81**
Portfolio Return	**3.63**	**10.35**
Barclays Aggregate Index	**2.72**	**6.54**

Source: AAMI; as of 6/30/2011

Non-Agency Residential MBS:

Off benchmark exposure to ***Non-agency Residential MBS*** again had a large positive impact on relative returns as a result of both an attractive yield advantage and higher prices. Reduced supply coupled with the continued strong demand for higher-yielding assets kept the technicals very positive in the sector throughout the period. Based on our ongoing loan level fundamental research and stress testing, we believe that our holdings continue to offer excellent risk adjusted total return prospects relative to alternatives thus we are maintaining the bulk of our exposure.

Investment Grade Corporates: An overweight to ***investment grade corporate bonds*** as well as good security selection contributed to relative performance as the sector significantly outperformed Treasuries. As a result of our fundamental investment discipline, we reduced selected utilities and financials on strength as they reached intrinsic value targets. Corporate sector spreads, while having tightened significantly, still remain wide relative to intrinsic value for many credits in our view, particularly with the strong fundamental backdrop. We expect spreads to continue to tighten as the economy maintains its slow recovery, and the sector continues to benefit from strong liquidity and favorable technical conditions. However, we remain cognizant of the potential for event risk in the current environment.

Taxable Municipals: An overweight to ***Taxable Municipal Bonds,*** which we mainly built up during the market stress and supply glut last year, generated positive excess returns for the portfolio as spreads in the sector were tighter during the period. The absence of the Build America Bond (BAB) program has contributed to the performance in the sector as a scarcity premium for the taxable product is applied. We have maintained the portfolio's overweight to the sector, which we continue to view as quite cheap relative to corporate bonds and other high quality alternatives. Holdings emphasize carefully selected essential service (water/sewer, utility, transportation, etc.) paper with bondholder security from defined revenue streams and with a focus on longer maturities. In the portfolio we've selectively added some general obligation exposure where structural protections are strong and the political will of legislators to act has been reinforced. Tax receipts generally are rebounding although this varies by locale. While headline risk related to certain credits will cause some volatility going forward, issuers largely maintain the necessary tools to adequately resolve budgetary pressures in our view.

Agency Residential MBS: ***Agency Residential MBS*** added modestly to returns during a period, primarily during 2010, as the sector benefited from low volatility and superior carry. Our holdings in well structured PAC CMOs that are locked out from receiving principal slightly outperformed the underlying mortgage pass-throughs. With extension risk from a rising rate scenario a key market risk, we are emphasizing burnt-out seasoned higher coupon issues and lower coupons where the market has already priced in close to maximum duration extension in addition to the above mentioned CMO's. As is typical, our portfolio has less prepayment risk than the overall market.

Asset-Backed Securities (ABS): ABS added modestly to excess returns due to security selection as we continued to add selectively to our position. Like non-agency RMBS, we believe ABS will benefit from strong technicals throughout 2011, and the gradual evolution of newer ABS sub-sectors will offer many good investment opportunities despite relatively tight generic spread levels.

Commercial MBS (CMBS): CMBS provided positive excess returns during 2010 and the first half of 2011. Although the fundamental problems in the sector are not yet entirely in the rear-view mirror, certain segments of commercial real estate appear to be in recovery, and many investors have reduced their loss projections, giving them comfort to reach for yield in the middle of the capital structure. Holdings continue to emphasize ASB bonds that are at the top of the capital structure and that have the most predictable cash flow profiles under a range of scenarios, which should limit the potential for extension risk. We continue to view the CMBS market as one of the best risk-adjusted portions of the investment grade fixed income universe.

Portfolio Positioning

Table below reflects portfolio sector weights from 06/30/10 to current exposures as of 06/30/11:

	6/30/2011 % of Index	6/30/2011 % of Portfolio	6/30/2010 % of Portfolio
TREASURY	**32.89**	**9.45**	**10.83**
GOVT RELATED	10.61	0.00	0.00
Agency	7.60	0.00	0.00
Sov/Supra/Other	3.01	0.00	0.00
CORPORATES	**19.80**	**26.77**	**29.85**
Industry	10.48	15.06	14.47
Bank	4.82	5.00	5.16
Fin	0.72	1.42	1.63
Insurance	1.11	2.09	2.34
Broker	0.15	0.00	0.45
Utility	2.18	2.59	5.58
REIT	0.34	0.61	0.23
MBS	**33.27**	**44.61**	**44.37**
Pass-Thru GNMA	7.22	0.00	0.20
Pass-Thru FNMA	15.62	10.09	12.51
Pass-Thru FHLMC	10.43	3.06	3.18
Agency CMO	0.00	19.25	15.76
Non-Agency CMO	0.00	12.21	12.74
CMBS	**2.29**	**8.42**	**8.48**
Agency CMBS	0.00	0.00	0.00
Non-Agency CMBS	2.29	8.42	8.48
Asset-Backed Securities	**0.27**	**5.57**	**2.86**
Credit Card	0.14	1.5	0.93
Auto	0.08	1.64	0.72
Home Equity Loans	0.00	0.41	0.35
Utility	0.05	0.00	0.00
Manufactured Housing	0.00	0.71	0.44
Other/Miscellaneous	0.00	1.31	0.42
TAXABLE MUNIS	**0.87**	**4.72**	**2.66**
CASH	**0.00**	**0.46**	**0.94**
TOTAL	**100.00**	**100.00**	**100.00**

Source: AAMI; as of 6/30/2011

Portfolio Positioning

Credit Quality Breakdown	
AAA	76.49
AA	4.86
A	10.03
BBB	8.62
BB	-
B	-
Below B	-
Not Rated	-
Total	**100**

Source: AAMI; as of 6/30/2011

21) Discuss the fixed income market and *SamCERA*/AAM's relative success or failure in the current market.

Fixed Income Market Summary

The U.S. fixed income market began July in a similar fashion to that in June, with some very weak data from the U.S. labor market setting a 'risk off' tone for the first half of the month. Sovereign debt issues dominated the headlines throughout, and set a broad risk-averse tone—the S&P 500 Index, the broader equity market benchmark, fell 2.2% over the month, while the 10-year U.S. Treasury rallied 36 basis points (bps), with risk-aversion taking precedence over credit quality concerns.

News was dominated by the protracted debt-ceiling negotiations between Congressional Republicans and the Obama Administration and Senate Democrats. A final compromise was reached less than a day before the Treasury Department would become unable to meet all obligations. Under the new legislation, the Budget Control Act of 2011, the debt ceiling will be raised by $2.4 trillion, more than enough to meet projected borrowing needs to beyond 2013. The entire amount will be offset by the combination of discretionary government spending cuts and $1.5 trillion yet to be determined by a special committee—most likely a combination of tax increases and cuts to entitlement programs.

In early August, Standard & Poor's lowered the long-term sovereign credit rating of the United States from AAA to AA+. The move is unprecedented given the size and scope of the U.S. economy as well as the fact that United States has held an AAA rating since 1917. The agency left the ratings on negative outlook and said it could lower the rating to AA if spending cuts are less than anticipated, interest rates were higher than expected or if new fiscal pressures emerge that result in more debt than anticipated. S&P cited its displeasure with the scope of deficit reduction embedded in the recently agreed upon deal between Republicans and Democrats to raise the federal debt ceiling. The agency stated it now believes that "further near-term progress containing the growth in pubic spending, especially on entitlements, or on reaching an agreement on raising revenues is less likely than we previously assumed and will remain a contentious and fitful process." In addition, S&P cited its discomfort with the continued growth in debt as a portion of GDP even under its "upside" scenario.

It is important to note that both Moody's Investors Service and Fitch Ratings have maintained their highest ratings on U.S. credit. On August 2, Moody's affirmed the AAA rating but assigned a negative outlook given risks that budget discipline weakens, fiscal consolidation is delayed until 2013, the economy deteriorates or there is an unexpected rise in interest rates that raises the U.S.'s funding costs. In addition to the first $917 billion of spending cuts over the next decade, Moody's was clear that it expects the next $1.5 trillion of deficit reduction specified in the recent debt ceiling agreement to be made and that overall debt levels to stabilize post-2012. On the same day, Fitch affirmed the AAA and stable outlook. On the face of it, the risk of a short-term technical default in the U.S. government market due to a failure to gain bipartisan agreement on deficit reduction plans should be negative for U.S. Treasuries, but the market took the view that the short-term risks to growth outweighed the longer term risks to policy credibility.

Over the next three to six months, we see the impact of S&P's downgrade as limited - at least from a technical, market-functioning perspective. An analysis of holders demonstrates why. Foreign holders of U.S. debt–Asian central banks in particular–must continue to recycle maturities and most of their new trade surplus into the U.S. dollar and Treasuries. No other market is large enough to absorb the volume. U.S. money funds are still able to classify Treasuries as high quality, and banks are still able to classify them at zero risk-weighting. We believe there will be limited impact on those portfolios given their more flexible nature. With respect to the broader economy, we see the larger risk to efforts to preserve AAA ratings (or to recover the AAA rating, as the case may be) to be the impact that an excessively austere budget would inflict on the U.S. economy.

Performance Summary

In the current market, although July was a good month for *SamCERA's* portfolio performance, August was extremely challenging. All of the spread sectors underperformed as US Treasury market experienced a dramatic rally. In the portfolio, Investments in Residential Mortgage Backed Securities, Commercial Mortgage Backed Securities and Industrial (corporates) were the primary performance detractors.

In periods of heightened volatility, we lean on the depth and strength of our fundamental research. Given our bottom-up views, we continue to believe there is an above-average level of excess return available in bond markets. While following our duration neutral approach, we remain overweight the spread sectors of the market relative to Treasuries and government-related agencies. On a relative value basis, we have preferred opportunities presented in high quality corporates, structured product and municipals relative to Treasuries, which have seen and are expected to see supply. More recently, we have been decreasing in applicable portfolios our position in US money center banks over the past two months given our increasingly negative view on earnings potential, continued write-offs and on-going ratings actions. We remain materially underweight peripheral European Yankee corporate exposure. In structured product, we have selectively increased our agency mortgage holdings given strong relative value in these secured assets. In commercial mortgage-backed securities and asset-backed securities, we continue to see fundamental improvement at the issuer and loan pool levels and are thus overweight. Lastly in taxable municipals, we remain focused on well structured essential service issuers, which have outperformed duration-equivalent corporates year-to-date. We continuously compare relative value and adjust portfolios accordingly.

We are ready to take advantage of dislocations as they arise while maintaining a vigilant eye to identifying, measuring and controlling risk.

22) Is the Barclays Capital Aggregate Index appropriate as a benchmark for *SamCERA's* portfolio?

We believe the Barclays Capital Aggregate Bond Index is the most appropriate benchmark for our Core Fixed Income portfolios (including SamCERA's portfolio) because we believe it is most representative of the investment-grade bond market. We have not seen a trend toward utilization of another benchmark as the "standard" measurement for the broad domestic fixed income market.

23) Discuss the addition and deletion of clients in this product for the years 2008, 2009 & 2010. Include a discussion, by year, regarding the nature of net change in clients.

Year	Gained Accounts	Gained Market Value ($millions)	Lost Accounts	Lost Market Value ($millions)
2008	6	$237.86	33	($1,217.65)
2009	4	$ 67.59	56	($4,284.92)
2010	0	$ 0.00	31	($1,311.42)

Source: AAMI; as of 12/31/2010
Includes internal transfers

Clients that transitioned their assets away from Aberdeen during the three year period (2008-2010) cited the following reasons for their decision: account underperformance in 2008, changes to investment team, market conditions that have created a situation in which plans asset allocations were significantly off target and needed to rebalance to remain within investment guidelines.

24) Discuss the change in total assets managed by your firm for the years 2008, 2009, & 2010. Which products gained or lost assets? How has the change impacted staffing?

Total Firm Assets	
Year	Market Value ($millions)
2008	$158,424.64
2009	$232,224.20
2010	$286,989.46

Source: Aberdeen PLC; as of 12/31/2010

Assets managed for the years 2008, 2009 & 2010 were impacted primarily by market conditions, strategy changes, exchange rates, and internal transfers. The products impacted the most were our US fixed income strategies and our global emerging markets equity strategies.

Aberdeen's US fixed income assets declined due to a need for liquidity by some clients in response to market volatility, asset allocation shifts away from US fixed income, poor performance in 2008, and team turnover.

Overall, our growth in assets under management were is attributable to organic growth, significant inflows of assets, especially into our international strategies, strong relative returns in 2009 and 2010

Aberdeen is fully committed to supporting all business units within the organization and, as we have illustrated throughout our history, will add appropriate resources as needed.

25) Discuss the change in assets managed for this product for the years 2008, 2009, and 2010.

US Core Fixed Income Assets	
Year	**Market Value ($millions)**
2008	$10,018.62
2009	$5,882.70
2010	$5,220.23

Source: AAMI; as of 12/31/2010

Investment Strategy and Process

26) Provide a full review of the investment process, including (a) who is responsible for various stages of the process, (b) a performance attribution which reflects your assessment of the value added by your investment discipline, (c) your assessment of the risks associated with *SamCERA's* portfolio, (d) what methodologies are employed to evaluate risk and perform bond scenario testing, including a description of the software you have in place, and (e) which parts of your investment process are not functioning as well as you would expect?

(a) who is responsible for various stages of the process

Each PM is responsible for specific sectors of the bond market and for assessing the relative value of securities within those sectors. Each PM is supported by a Sector Manager and multiple Research Analysts in covering their assigned sectors. The PM is responsible for identifying buy and sell candidates from their assigned sectors and presenting those candidates to the PM team.

The PM team then collectively meets to compare relative value across sectors and to ultimately as a team make all buy and sell decisions for the portfolio. Accordingly, the PM team is responsible for investment strategy and portfolio construction. The PM team meets formally on a weekly basis but confers informally on a continuous basis as part of our open and interactive office environment.

In terms of execution, the SPM is ultimately responsible for execution within each sector. Sector Managers are primarily responsible for executing trades.

Portfolio Analysts assist with trade execution, allocate trades, monitor individual portfolio positioning, generate risk management and exposure reports, create ad-hoc reports, and support client service.

(b) a performance attribution which reflects your assessment of the value added by your investment discipline

As discussed in question #20 above, during 2010 the portfolio outperformed the benchmark by a fair margin (+3.81% excess return). This good performance continued through the first six months of the year as well. Excess returns were primarily driven by Non-Agency Hybrid Residential MBS and our Corporate holdings.

	YTD 2011 thru 6/30/2011		Year 2010	
CORE	**1.09**	**%**	**4.06**	**%**
Asset-Backed Securities	**0.10**		**0.12**	
Residential MBS	**0.37**		**2.35**	
Agency Fixed Rate	(0.00)		0.15	
Non-Agency Fixed Rate	0.07		0.30	
Non-Agency Hybrid	0.30		1.91	
Commercial MBS	**0.07**		**0.61**	
Corporate	**0.43**		**0.95**	
Financial	0.27		0.20	
Industrials	0.09		0.34	
Telecom	(0.02)		0.16	
Utility	0.09		0.25	
Agency	**(0.06)**		**(0.08)**	
Municipal	**0.19**		**0.10**	
Curve Effect	**(0.13)**		**(0.18)**	
Residual	**(0.05)**		**(0.07)**	
Total Excess Return	**0.90**		**3.81**	
Portfolio Return	**3.63**		**10.35**	
Barclays Aggregate Index	**2.72**		**6.54**	

Source: AAMI; as of 6/30/2011

(c) your assessment of the risks associated with *SamCERA's* portfolio

The primary measure of risk for this product is tracking error relative to the benchmark. Tracking error is controlled primarily through product design. As discussed in question #17 above, the primary source of tracking error (see table below) in SamCERA's portfolio include investments in Commercial Mortgage Backed securities, Non-Agency Mortgage Backed securities (Residential), BBB-rated Industrials and BBB-rated Financials (as of 6/30/2011).

Factor	Portfolio Weight	Benchmark Weight	Active Weight	Portfolio Exposure (Yrs)	Benchmark Exposure (Yrs)	Active Exposure (Yrs)	Total Factor	Stand Alone	Contrib to TE
IntRate_Tsy_USD	-	-	-	5.00	4.91	0.09		0.19%	(0.025)%
GT6M Govt	-	-	-	0.12	0.15	(0.03)	0.54%	0.02%	0.005%
GT2 Govt	-	-	-	0.54	0.69	(0.15)	0.69%	0.10%	0.036%
GT5 Govt	-	-	-	1.33	1.31	0.02	0.98%	0.02%	(0.007)%
GT10 Govt	-	-	-	1.54	1.26	0.28	0.95%	0.27%	(0.068)%
GT30 Govt	-	-	-	1.46	1.50	(0.04)	0.88%	0.04%	0.009%
IntRate_Swap_USD	-	-	-	3.97	3.30	0.67		0.17%	(0.060)%
6M Swap	-	-	-	0.01	0.01	-	0.56%	-	-
2Yr Swap	-	-	-	0.34	0.41	(0.07)	0.37%	0.03%	(0.001)%
5Yr Swap	-	-	-	1.74	1.77	(0.03)	0.26%	0.01%	-
10Yr Swap	-	-	-	0.98	0.35	0.63	0.22%	0.14%	(0.041)%
30Yr Swap	-	-	-	0.90	0.76	0.14	0.34%	0.05%	(0.018)%
Credit	97.90%	99.99%	(2.08)%	4.28	3.78	0.50		2.23%	2.220%
CMBS 5Yr	0.29%	0.19%	0.10%	0.02	-	0.02	3.37%	0.06%	0.033%
CMBS 7Yr	2.03%	0.10%	1.92%	0.05	-	0.05	3.54%	0.18%	0.115%
CMBS 10yr AAA	4.06%	1.64%	2.42%	0.19	0.06	0.13	2.78%	0.36%	0.233%
CMBS 10Yr Mezz	2.10%	0.22%	1.87%	0.10	0.01	0.09	6.83%	0.64%	0.523%
CMBS 10Yr Jr	-	0.10%	(0.10)%	-	-	-	10.10%	0.04%	(0.026)%
CMBS Other	0.56%	0.05%	0.51%	0.02	-	0.02	2.62%	0.06%	0.047%
ABS OTHER	5.16%	0.28%	4.88%	0.08	0.01	0.07	1.72%	0.12%	0.040%
ABS HEL AAA	0.20%	-	0.20%	-	-	-	4.26%	0.01%	0.006%
ABS HEL AA/A	0.21%	-	0.21%	-	-	-	5.94%	0.02%	0.002%
ABS HEL <=BBB	-	-	-	-	-	-	9.56%	-	-
MBS Conv Curr	3.90%	8.86%	(4.96)%	0.23	0.94	(0.71)	0.65%	0.46%	0.019%
MBS Conv Prem	7.88%	12.18%	(4.30)%	0.28	0.48	(0.20)	0.89%	0.18%	0.016%
MBS FNMA 15	-	4.11%	(4.11)%	-	0.13	(0.13)	0.40%	0.05%	(0.001)%
MBS GNMA	-	7.02%	(7.02)%	-	0.35	(0.35)	0.58%	0.20%	0.023%
MBS Hybrid ARM AGY 3/1	-	0.06%	(0.06)%	-	-	-	0.52%	-	(0.001)%
MBS Hybrid ARM AGY 5-10	-	1.06%	(1.06)%	-	0.05	(0.05)	0.59%	0.03%	(0.006)%
MBS Hybrid ARM Priv 5/1	6.24%	-	6.24%	0.24	-	0.24	4.34%	1.03%	0.700%
MBS Hybrid ARM Priv 7/1	2.63%	-	2.63%	0.05	-	0.05	3.72%	0.20%	0.111%
MBS Hybrid ARM Priv 10/1	2.93%	-	2.93%	0.09	-	0.09	3.20%	0.29%	0.039%
CMO PAC 0-3	4.53%	-	4.53%	0.16	-	0.16	1.13%	0.18%	0.004%
CMO PAC 3-5	10.45%	-	10.45%	0.47	-	0.47	0.66%	0.31%	0.027%
CMO PAC 5-7	2.49%	-	2.49%	0.13	-	0.13	0.93%	0.12%	0.003%
CMO PAC 7+	2.09%	-	2.09%	0.20	-	0.20	0.66%	0.13%	(0.001)%
MBS Other	1.47%	-	1.47%	0.04	-	0.04	0.56%	0.02%	0.002%
NON CORP	-	2.56%	(2.56)%	-	0.13	(0.13)	0.48%	0.06%	(0.034)%
AGCY	-	6.46%	(6.46)%	-	0.19	(0.19)	0.28%	0.05%	(0.021)%
TMUNI	4.72%	2.71%	2.01%	0.42	0.17	0.25	0.38%	0.09%	0.045%
FIN AA	2.61%	2.25%	0.36%	0.14	0.11	0.04	0.98%	0.04%	0.020%
FIN A	3.90%	3.58%	0.33%	0.24	0.19	0.05	1.67%	0.09%	0.041%
FIN BBB	3.05%	1.35%	1.71%	0.18	0.08	0.10	2.78%	0.29%	0.149%
IND AA	0.86%	1.31%	(0.45)%	0.05	0.09	(0.03)	0.52%	0.02%	(0.011)%
IND A	1.90%	4.48%	(2.58)%	0.11	0.29	(0.19)	0.88%	0.16%	(0.099)%
IND BBB	8.27%	4.65%	3.62%	0.51	0.32	0.19	1.26%	0.24%	0.159%
UTIL AA	-	0.05%	(0.05)%	-	0.01	(0.01)	0.62%	-	(0.002)%
UTIL A	0.38%	0.85%	(0.47)%	0.05	0.07	(0.02)	0.80%	0.02%	(0.010)%
UTIL BBB	3.32%	1.26%	2.06%	0.19	0.09	0.11	1.13%	0.12%	0.069%
Hybrid Corp - IND/UTIL	0.20%	-	0.20%	-	-	-	4.66%	0.01%	0.004%
TSY	9.45%	32.59%	(23.14)%	-	-	-	-	-	-
HY	2.26%	0.01%	2.25%	0.12	-	0.12		0.18%	0.122%
CCY	100.63%	100.00%	0.63%	(1.01)	(1.00)	(0.01)		-	-
Other	0.46%	-	0.46%	-	-	-			-
CASH	0.46%	-	0.46%	-	-	-	-	-	-
Total Active Tracking Error									2.258%

Source: AAMI; as of 06/30/2011

(d) what methodologies are employed to evaluate risk and perform bond scenario testing, including a description of the software you have in place

There are a variety of measures we use to evaluate risk including: EG, tracking error, manager driven forward-looking risk scenario analysis, MDD, and contemporaneous measures of price/yield volatility.

We have fully retooled our risk management process which provides a solid framework to manage conservative, risk controlled fixed income strategies. As a result, we have formalized a comprehensive methodology that appropriately identifies, measures, and controls investment risk and which is consistent with our relative value process.

With particular emphasis on the 2007-09 experience, we have conducted a thorough review of fixed income returns including sector and sub-sector returns and our own manager returns. As a result, we have fully retooled our risk management process with the main enhancements focusing on measuring and controlling ex ante and ex post core investment grade sector risk.

These enhancements fall within the following categories:

- Product Design: tighter limits are instituted on sector risk for the investment grade benchmark and non benchmark sectors (i.e., Strategic Ranges for Core sectors).
- Forward Looking Risk/Return: Forward Looking Risk (FLR) is a rigorous process that the team uses to explicitly measure and assess both our ex ante potential downside risk as well as ex post risk-adjusted returns. FLR is aided by our RIFLES process (Risk Identification for Large Exposures), where the team systematically identifies risks and risk scenarios for our significant positions.
- Risk Policy: We have set underperformance limits by sub-sector of the portfolios which are designed to promptly identify and then require re-evaluation of any underperforming positions.
- Risk Factor Identification: As a result of our analysis, we are now applying a more granular approach as we now include a broader and more robust set of risk factors across all steps in our risk management process. Importantly, our approach is focused on the ongoing identification and monitoring of most appropriate market risk factors consistent with our investment process.
- Investment Process: It is important to emphasize that the basis of our fundamental relative value investment process remains unchanged. We continue to focus on our skill set and key competitive advantage, which is our research driven core fundamental relative value process. The enhancements made to our risk management process build on these strengths and represent a more detailed and systematic approach to achieving high risk-adjusted returns.

Enhancements

The main enhancements to our Risk Management process are detailed below:

- Strategic Ranges for Core Sectors: Tighter limits on core sector risk, non benchmark risk
- Forward Looking Risk/Return: More rigorous measurement and monitoring of downside risk
- Risk Policy: Clear process to promptly identify and re-evaluate underperforming positions.

Underpinning our investment process is our proprietary risk system which measures and evaluates exposures. This is a traditional module of risk measurement (exposures, tracking error) and attribution systems. We have fully retooled our Risk Management Process which we believe provides a solid framework to manage conservative, risk controlled fixed income strategies. As a result, we have formalized a comprehensive methodology that appropriately identifies, measures, and controls investment risk and which is consistent and prudent in budgeting risk for portfolios through the market cycle.

To adequately convey the details of our Risk Management process, we have attached a paper discussing this topic.

(e) which parts of your investment process are not functioning as well as you would expect

All parts of our investment process are functioning within our expectations.

27) 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
Our philosophy for adding value in the Core Fixed Income strategy is as follows:

- A strictly bottom-up approach to portfolio construction, which capitalizes on pricing inefficiencies at the individual security level, is the most effective and reliable way to consistently seek to generate risk-adjusted excess returns.
- A relative value driven investment process that is grounded in rigorous fundamental research is the most effective way to identify pricing inefficiencies in the fixed income markets
- Macro techniques that are less reliable in consistently generating risk-adjusted returns should be avoided, including interest-rate forecasting and top-down sector rotation.
- Portfolios should be effectively duration-neutral, relative to the benchmark, with sector weights resulting from bottom-up security selection and our risk-management process.
- A team approach to portfolio management and fixed income research provides the greatest leverage of resources and collective expertise.
- Strong buy and sell disciplines are critical to maintaining the consistency of process and performance and limiting downside risk.

This philosophy has been in place since the inception of our Core Fixed Income product in 1989.

We believe our approach to be successful over the course of future investment cycles, because the vast size and structure of the bond market should continue to permit pricing inefficiencies to exist at the individual security level as they have historically. Further, with the tremendous consolidation of fixed income managers, many of our well regarded competitors are likely to be too big to effectively focus on individual security selection to a large extent, which should further highlight the distinctiveness of our approach.

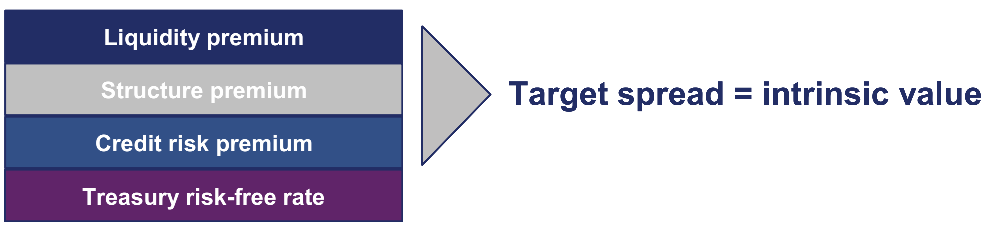
Process
The Core Fixed Income strategy employs an investment process based on bottom-up, relative-value security selection. The goal of this process is to identify securities that we believe are "mispriced" in the market.

Our portfolio managers continuously monitor the available investment universe in their sectors. Upon identification of a security that appears mispriced, we calculate an intrinsic value for each security considered for purchase, based on our analysis of fundamental credit, structure, and liquidity characteristics. We then compare our independent valuation to the value assigned by the market. Bonds trading below our intrinsic value are purchase candidates, which are then vetted by the team to identify those that we believe present the most compelling relative value. When bonds in the portfolio reach their intrinsic value, they are sold. This approach – continuous recycling of "cheap" securities into the portfolio and "rich" securities out of the portfolio – is integral to our goal of maximizing total return by way of both yield and price return.

According to our independent valuation process, a bond's intrinsic value is the sum of the Treasury risk-free rate plus three risk premiums:

- credit risk (e.g., relative certainty of repayment)
- cash flow structure (e.g., relative certainty of timing of repayment)
- liquidity risk (e.g., relative certainty of market price)

These risk premiums take into account fundamental analysis as well as valuation relative to the bond's peer group – i.e., the current market price for bonds with similar risk/return characteristics.



The first consideration in our fundamental analysis is creditworthiness – i.e., the ability and willingness of a company to pay interest and principal in accordance with the terms of the original bond instrument. The research performed by our credit analysts and portfolio managers is directed at providing insight into management's credibility with respect to its financial track record and commitment to current ratings and/or ratings targets. Our research effort also attempts to assess the trends and fundamental drivers of success and failure in the industry, the company's competitive position and strategic plan for dealing with industry and competitive dynamics. Liquidity analysis, including an evaluation of covenants and triggers in lending agreements often provides early insights into potential event risk.

Next, we analyze potential cash flow variability for each security – this measure applies primarily to mortgage- or asset-backed securities. Herein, we stress-test securities under various potential future scenarios, examining their expected relative price performance and repayment/prepayment stability. There is a constant tradeoff between yield and cash flow certainty, and our focus in this area is to gain as much cash flow certainty as possible while giving up as little yield as possible.

Finally, we evaluate the degree of liquidity associated with each bond. Factors that could influence a bond's liquidity include the size of the bond issue, the size of the issuing entity, the degree of Wall Street sponsorship of the issuer, inclusion in the benchmark, and the registration status of the issue (i.e., public or private placement).

Based on this analysis, a final "target spread" or intrinsic value is calculated and compared to the current market spread. If the bond's target spread is lower than its current market spread, the bond becomes a purchase candidate.

Similarly, securities owned in the portfolio are constantly monitored to evaluate changes in credit, structure and liquidity characteristics, as well as changes in market pricing. As a bond's market spread approaches our target, it becomes a sell candidate. Managers communicate their purchase and sell candidates across the team, and these are compared across all sectors to determine the best opportunities. The most compelling relative value trades are then implemented and allocated to portfolios.

As a discipline of the process, once the target spread on a bond is reached, the bond is sold and replaced with the most compelling buy candidate across the investment universe. Bonds may reach their target spread either as a result of market appreciation of the credit, or when there is a negative change in our view of the bond's value which causes an upward adjustment in our target spread.

<u>Research</u>

Our credit research capabilities are a significant comparative advantage in our view and are an important contributor to our strong long-term performance track record. This capability is primarily a result of the depth, quality and experience of our people dedicated to credit research, which we believe are second to none in the industry. All of our portfolio managers are actively involved in our research effort along with our dedicated research analysts.

The individuals listed below comprise our credit research capability:

Name	Experience	Function	Sectors Covered
Chris Gagnier	32	Head of Investment	High Yield, Industrials
Timothy Vile	27	Senior Portfolio Manager	Corporate
Keith Bachman	22	Senior Portfolio Manager	High Yield
Oliver Boulind	18	Senior Portfolio Manager	Corporate
Steve Cianci	19	Senior Portfolio Manager	ABS/CMBS
Ed Grant	25	Portfolio Manager	Corporate / Taxable Municipals
Mike Degernes	32	Portfolio Manager	Corporate, Municipals
Stefan Martin	13	Sector Manager	CMBS
Charles Tan	18	Research Analyst	Brokerage, Banks, Financials, Homebuilders, Tech., Building Materials
Lesya Paisley	8	Research Analyst	Gaming, Leisure and Lodging, Retail, Consumer
Bill Bellinzoni	13	Research Analyst	Autos, Healthcare-Pharma, Education
Jason Greenblath	10	Research Analyst	Technology, Media, Telecom
Curt Starer	12	Research Analyst	Energy, MLPs, Paper, Metals and Mining, Coal
Wen Zhang	8	Research Analyst	Financials
Scott Ellis	3	Junior Analyst	Chemicals, Papers
Alexander Schwiersch	6	Research Analyst	Industrials, Canadian

Source: AAMI; as of 06/30/11
Years of service may include years with acquired firms.
Includes affiliated persons operating under inter-company agreement.

The majority of the research conducted is generated internally. To supplement our research, we use the following sources:

- Company filings with the Securities and Exchange Commission
- Management conference calls (both one-on-one and public calls)
- Investor presentations, including those hosted by brokerage firms
- Company press releases
- Financial media (e.g., Bloomberg, American Banker)
- Research of ratings agencies, including Moody's, Standard & Poor's, Fitch)
- Industry and company reports of sell-side analysts
- Meetings with company management

The information gathered from the sources above is utilized to gain insight into a company's financial track record, creditability, strategic plan, and commitment to investment-grade ratings and debt-rating targets. Our research effort also attempts to assess a company's competitive position, health, fundamental trends, cyclical and secular position, event risk, and likelihood of success and current investor perceptions. We resolve inconsistencies among resources through discussions with authors, agencies and brokerage contacts. We may follow these discussions with meetings with company management.

Incorporating experience and judgment, our analysts use the above information to determine what we believe to be an appropriate debt rating and credit trend for a company. This analysis, along with the downside risks and upside opportunities, is communicated to the portfolio managers as part of our relative value discussion. Analysts also use the data to determine a company's financial viability and flexibility. Their assessment, along with the portfolio managers' input, determines whether a specific credit is appropriate to hold in our portfolios.

Portfolio managers are ultimately responsible for security selection decisions but they rely heavily on the input from the research analysts.

<u>Portfolio Construction</u>

The portfolio construction process is as follows:

- Intra-Sector Relative Value: The investment team assign to each sector identifies the most attractive buy and sell candidates in their sector using the fundamental relative value investment process described above.

- Inter-Sector Relative Value: Using the same relative value process, the leaders of each sector team compare the most attractive buy and sell candidates across sectors in order to determine the what securities are bought and sold in the portfolio.

- Risk Management: Our risk management process and systems (see Question 26 [d,e] above) is designed to ensure that systematic risk exposures that may result from our bottom up security selection process are controlled.

<u>Team</u>

Our Core Fixed Income investment team located in Philadelphia is led by our eight Senior Portfolio Managers (SPM's) – Chris Gagnier, Neil Moriarty, Steve Cianci, Keith Bachman, Michael Degernes, Ed Grant, Oliver Boulind, and Timothy Vile. The SPM's as a team are collectively responsible for all investment decisions.

Each PM is responsible for specific sectors of the bond market and for assessing the relative value of securities within those sectors. Each PM is supported by a Sector Manager and multiple Research Analysts in covering their assigned sectors. The PM is responsible for identifying buy and sell candidates from their assigned sectors and presenting those candidates to the PM team.

The PM team then collectively meets to compare relative value across sectors and to ultimately as a team make all buy and sell decisions for the portfolio. Accordingly, the PM team is responsible for investment strategy and portfolio construction. The PM team meets formally on a weekly basis but confers informally on a continuous basis as part of our open and interactive office environment.

28) 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 Core Fixed Income investment approach uses the full opportunity set to provide diversified sources of excess returns. Thus, we seek to add value in all market environments. We believe that our highly disciplined approach to alpha generation, one which emphasizes value investing at the security level and de-emphasizes top-down macro-oriented techniques, provides a complement, both in terms of style and return streams, to managers with a more macro approach.

The degree of our outperformance relative to a benchmark in a given market cycle is correlated to the number of pricing inefficiencies available during that period. Given our investment style, higher volatility and wider spread environments often provide the basis for greater outperformance.

As discussed previously, 2008 proved to be a challenging investment environment, we continued to apply our fundamental security level analysis to ensure that our portfolios were comprised of holdings that we believed to be of sound credit quality while also being priced to offer attractive total return prospects. Further, we were focused on actively trading the portfolio to opportunistically capture the many compelling relative value opportunities that were available in the marketplace. The results of post-2008 validated our approach. Nonetheless, as discussed in the attached "Portfolio Construction and Risk Management" paper, we have updated our assessment of fixed income investment performance to include the experience in 2008.

29) Are there sectors or securities that cause your strategy more difficulty?

We believe our approach is the basis for competitive relative long term performance, however, occasionally market environments occur during which fundamental value is over powered by other factors (i.e., 2008). Thus, our approach, which generally eschews dependence upon macro techniques, can be subject to short term bouts of underperformance during periods when macro and technical factors dominate market pricing and sector dynamics.

30) Describe in detail the types of mortgage- and asset-backed securities, including related derivatives (e.g., ABX CDS), that were/are used in the portfolio.

We do not purchase any derivatives in SamCERA's fixed income portfolio.

The following are the types of Mortgage-Backed securities that we have purchased: (although may not own at all times in the portfolio):

- Agency Pass-throughs (FNMA, FHLMC & GMNA): 30-year, 20-year and 15-year maturities
- Agency CMOs: PAC (Planned Amortization Class) and Sequential structures
- Non-agency: Fixed-rate Pass-throughs; Fixed-rate PAC, Sequential and Sinkers; 3/1, 5/1, 7/1 and 10/1 Hybrid Arm Pass-throughs; 3/1, 5/1, 7/1 and 10/1 Hybrid Arm sequential
- Commercial Mortgage Backed Securities

The following are the types of Asset-Backed securities that we have purchased are: (although may not own at all times in the portfolio):

- Autos (prime and non-prime)
- Credit Cards
- Manufactured Housing
- Stranded Utilities
- Home Equity Loans (sub-prime)
- Equipment

31) Describe the tools you employ and the process followed to stress-test structured securities & related derivatives. How often is the portfolio stress-tested.

Below is a comprehensive review of the structured component of our portfolio. Structured securities are monitored on an on-going basis. Additionally, as a point of clarification, we do not invest in derivatives in SamCERA's fixed income portfolio.

<u>Residential Mortgage-Backed Securities</u>

Portfolios typically hold a large portion of non-index mortgage securities. Non-index holdings typically include very well structured Agency and non-Agency CMOs (PAC bonds), non-Agency mortgage pass-through securities and whole loans. We typically avoid poorly structured/more volatile CMO structures including CMOs that concentrate prepayment risk (mortgage derivatives).

The goal of our mortgage process is to build a "robust" portfolio (a portfolio that is expected to perform well in a variety of interest rate scenarios). This generally means that our mortgage holdings tend to have less prepayment risk (less negatively convex) than the mortgage securities that comprise the mortgage index. Thus, in periods where volatility in the bond market causes the duration of the mortgage index to change in a material way, our mortgage holdings tend to outperform because of the better convexity profile. An improved convexity profile allows a mortgage portfolio to do well during periods of volatility is generally expensive in terms of yield give up. This means the same portfolio would tend to underperform in a low volatility environment.

Traditionally, our approach has been to offset some of this yield give up by partially populating the portfolio with less liquid but fundamentally and structurally robust securities in both the agency and non-agency portions of the mortgage-backed markets. Giving up a degree of liquidity in order to substitute better structure is appropriate in an approach which is agnostic in duration risk.

We rely heavily on models to run scenario analysis on individual securities and portfolios. For example, for Non-Agency Mortgage Backed Securities, each bond is run on Intex under 13 scenarios. The first 12 represent a 4 x 3 analysis using 4 prepayment vectors and 3 default and loss severity vectors. The 13th scenario uses the slowest prepayment vector, two times the highest default vector, and the highest loss severity vector. The purpose of the 13th scenario is to answer the question, "What would happen if losses were far worse than our Worst Case scenario?" In addition to scenario analysis, however, we also rely heavily on our judgment in analyzing model output and evaluating the inputs and biases inherent in all models.

<u>Commercial Mortgage-Backed Securities</u>

The potential for mis-pricing at the security level is high in CMBS, which exhibits a high degree of heterogeneity between and within deals. We seek to take advantage of this market inefficiency through intensive loan- and property-level analysis to assess the relative value of different bonds. This process involves the examination of data from a wide variety of sources including trustee and servicer reports, issuers, rent rolls, financial statements, and market and property-level data available from third parties such as CoStar. Where appropriate, we directly contact servicers, rating agencies, property managers, etc. in order to gain a complete picture of the credit quality of loans of concern and to stay informed on industry trends. The results of this research are used to develop loan-level inputs for modeling of the bonds.

While this bottom-up approach is critical to properly model loan cash flows, it is also necessary to understand the structure of the bond. This allows us to test a variety of modeling scenarios that are appropriate for assessing the bond's potential weaknesses. For example, bonds that may be vulnerable to extension are stressed using scenarios that incorporate a high degree of loan maturity extensions, long disposition times for loans projected to default, and other assumptions that tend to extend cash flows.

Model outputs are central to our process, but they are subject to the biases of the modeler. Furthermore, other factors such as correlation/concentration risk across the portfolio, liquidity and market technicals must be taken into consideration. Therefore, the final investment decision ultimately relies on the experience and judgment of our CMBS team, working in conjunction with other portfolio managers in within the firm to find the best relative value.

<u>Asset-Backed Securities</u>

In analyzing ABS, we examine the collateral, structure, and servicer components of each security considered for investment. Servicers are evaluated by looking at their corporate credit strength, servicer ratings and their performance trends in servicing the asset class in question. For collateral, the analysis looks at historical performance trends since loan inception as well as specific loan attributes that may influence future performance. Trend analysis is particularly useful for seasoned collateral and even more so for pools with high levels of delinquency. Based on the observed transition rates of delinquent loans, we can 'forward age' these loans through the delinquency pipeline to extrapolate near-term future pool performance. Longer term projections are based on collateral characteristics such as loan-to-value ratio, borrower credit, geography, loan terms (including upcoming interest rate resets), and forward estimates of asset value.

Besides intrinsic loan attributes and historical trends, we overlay a macro view relative to the particular industry and collateral type to establish a reasonable range for each of our collateral assumptions. For example, residential mortgages are affected by housing prices and mortgage rates, auto loans by the used car market, and credit cards by short-term interest rates. Also, in the current climate, regional unemployment trends are affecting every ABS sector. Thus, for each collateral pool underlying a given security, we create a range of scenarios that test various combinations of delinquencies, defaults, prepayments and interest rates. We are not just trying to make a deterministic projection of how the collateral will perform; but also testing the boundary cases in scenarios we think are highly stressful. In this way, we look at the worst case scenarios as well as the expected case for each ABS bond.
Once we have modeled this range of collateral scenarios, we run the resulting cash flows though the bond structure using the Intex analytic system. This allows us to test the effects of structure, including credit support and triggers that may redirect cash flow or change the bond interest rate. Resulting bond cashflows are then used to develop price/yield matrices and to examine short-term horizon returns.

Besides this intrinsic cashflow-based analysis, we also factor in corporate risk and liquidity into the relative value framework. Corporate credit risk is important because it can affect servicer stability as mentioned above and because in some ABS sectors, there can be indirect support of the asset pool by the corporate parent. For example, in credit cards, the issuer can use several methods of managing the portfolio if they have sufficient wherewithal and flexibility. Also, liquidity premiums vary by sector and by specific issuers, vintages, and loan types within sectors. Thus, the purchase decision for any ABS will factor in the scenario-driven return profile described above, the liquidity premium, and finally, a relative value comparison to other available investment opportunities.

Deal surveillance is another important part of our ongoing analysis. ABS typically report performance numbers on a monthly cycle and we collect this data and store it in a proprietary database. We screen the data for deviations from expected performance and re-analyze any significant outliers. This data surveillance is supplemented by direct contact with servicers, rating agencies, research analysts and various company officials. We also monitor corporate fundamentals, industry trends, and regulatory developments that can hinder a bond's market performance and liquidity. Our goal is to identify underperformers before the ratings agencies and the rest of the market so we can preserve the liquidity to exit the position if needed.

32) Provide a description of all types of derivatives and TBA securities used in the portfolio and discuss specifically how each is typically used (e.g., to adjust portfolio duration, create synthetic positions).

We do not use any types of MBS derivatives in the portfolio. We purchase TBA mortgage backed securities to gain exposure to the MBS market when those securities offer relative value opportunities versus specified pools or other MBS.

33) Define leverage and discuss its use in the portfolio. Please include a discussion of both financial leverage (i.e., borrowing) and effective leverage (i.e., notional exposure obtained through the use of derivatives).

We do not use leverage in our Core Fixed Income portfolios.

34) With respect to synthetic exposures and TBA rolls, are these exposures fully collateralized? What is considered an appropriate form of collateral (e.g., T-bills, an internally-managed enhanced cash vehicle)?

We only invest in Mortgage TBA's and as we manage all portfolios on a trade date basis we therefore always maintain a cash or cash equivalent against any TBA purchase for a future month.

35) How are derivatives positions, total notional exposures and the use of leverage aggregated and presented in client reports?

Not applicable.

36) What portfolio reporting / attribution system can you make available to *SamCERA* such that we can better track the risk positions in your portfolio?

We have an in house attribution system which generates reports that we make available to SamCERA on a monthly basis. Attached, please find a copy of last month's attribution report.

Portfolio: SamCERA - San Mateo County Employees' Retirement Association
Benchmark: Barclays Capital Aggregate Bond Index

Account Level Returns		
Return vs Index	Curve Effect	Excess Return
0.15	0.00	0.15

	Portfolio						Benchmark							
Sector	MV Weight	Contrib. to Spread Duration	Total Return	Tsy Return	Excess Return	Contrib. to Excess Return	MV Weight	Contrib. to Spread Duration	Total Return	Tsy Return	Excess Return	Contrib. to Excess Return	Market Weight (Over/Under)	Excess Return Attribution
Total	100.0%	4.44	1.74	1.59	0.15	0.15	100.0%	3.20	1.59	1.59	(0.01)	(0.01)	-	0.15
U.S. Treasury	8.8%	-	3.21	2.82	0.40	0.04	32.9%	-	1.82	1.66	0.17	0.06	(24.1%)	(0.02)
Securitized	59.2%	2.40	0.99	1.01	(0.02)	(0.01)	35.8%	1.47	0.93	1.34	(0.41)	(0.15)	23.4%	0.10
ABS	5.7%	0.14	0.58	0.39	0.19	0.01	0.3%	0.01	1.14	0.95	0.20	0.00	5.4%	0.01
CMBS	8.5%	0.35	0.83	1.59	(0.76)	(0.07)	2.3%	0.08	0.89	1.22	(0.33)	(0.01)	6.2%	(0.04)
Mortgage	45.0%	1.91	1.07	0.98	0.10	0.04	33.3%	1.38	0.93	1.35	(0.42)	(0.14)	11.7%	0.14
Hybrid ARMs - Agency	1.3%	0.06	0.37	0.47	(0.10)	(0.00)	1.1%	0.05	0.64	0.65	(0.01)	-	0.2%	(0.00)
Hybrid ARMs - Non Agency	10.3%	0.32	0.20	-	0.20	0.02	0.0%	0.00	0.00	0.00	0.00	-	10.3%	0.01
MBS Fixed Rate - FHLMC	12.2%	0.60	1.72	1.47	0.25	0.03	10.1%	0.40	0.93	1.28	(0.34)	(0.04)	2.1%	0.05
MBS Fixed Rate - FNMA	19.1%	0.87	1.24	1.31	(0.07)	(0.01)	15.1%	0.60	0.87	1.29	(0.42)	(0.06)	4.1%	0.04
MBS Fixed Rate - GNMA	0.4%	0.01	2.51	1.00	1.52	0.01	7.0%	0.33	1.09	1.71	(0.62)	(0.04)	(6.6%)	0.04
MBS Fixed Rate - Non Agency	1.8%	0.05	0.01	-	0.01	-	0.0%	0.00	0.00	0.00	0.00	-	1.8%	0.00
Government-Related	0.0%	0.00	0.00	-	-	0.00	10.6%	0.39	1.05	1.18	(0.13)	(0.01)	(10.6%)	0.01
Agency	0.0%	0.00	0.00	-	-	0.00	6.3%	0.18	0.84	0.88	(0.04)	(0.00)	(6.3%)	0.00
Local Authorities	0.0%	0.00	0.00	-	-	0.00	1.8%	0.08	1.63	1.52	0.11	0.00	(1.8%)	(0.00)
Sovereign	0.0%	0.00	0.00	-	-	0.00	1.2%	0.08	1.07	2.28	(1.21)	(0.02)	(1.2%)	0.01
Supranationals	0.0%	0.00	0.00	-	-	0.00	1.3%	0.05	1.21	1.14	0.06	0.00	(1.3%)	(0.00)
Corporate	27.2%	1.63	2.57	2.26	0.31	0.09	19.8%	1.24	2.52	2.09	0.43	0.09	7.4%	(0.00)
Financial	9.5%	0.55	2.15	2.26	(0.11)	(0.01)	7.1%	0.37	1.48	1.80	(0.32)	(0.02)	2.3%	0.01
Industrials	12.0%	0.72	3.23	2.26	0.98	0.12	8.9%	0.60	3.13	2.22	0.91	0.08	3.1%	0.03
Telecom	2.3%	0.15	1.02	2.19	(1.17)	(0.03)	2.1%	0.15	2.78	2.28	0.50	0.01	0.2%	(0.03)
Utility	3.4%	0.21	2.49	2.32	0.17	0.01	1.6%	0.12	3.43	2.45	0.98	0.02	1.8%	(0.01)
Municipal	4.6%	0.41	4.44	2.89	1.55	0.07	0.9%	0.09	5.10	3.25	1.85	0.02	3.7%	0.04
Cash	0.3%	-	0.00	-	-	0.00	0.0%	0.00	0.00	0.00	0.00	-	0.3%	-

37) How has the "debt crisis" changed the way you manage the portfolio? What has your investment team learned from this episode?

The “debt crisis” has not changed the basis of our fundamental relative value investment process.

As we analyze this “episode”, we believe that some of the larger budget-cutting proposals bring the U.S. economy close to a standstill. In our view, many of the budget cuts already agreed upon appear to be backend loaded, as we suspect politicians are wary about jeopardizing growth any more than necessary in a presidential election year in 2012. We feel that U.S. economic growth should hover around 1-2% —“stall speed.”

In our view, the price action in both equity and fixed income markets recently, suggests that consensus now expects the U.S. to undergo the second leg of a double-dip recession or something that feels very much like one. We have yet to see wholesale earnings and guidance revision from our analyst team, but we would not be surprised to see some of the weaker credits to be the first to adjust. In structured markets, consumer data such as credit card delinquencies and mortgage defaults continue to improve gradually.

Again, we remain wary of where we may stand with respect to an inflection point in this data, but on the whole credit quality remains high. In our forward-looking risk process, we are analyzing the impact of varying degrees of a double dip recession in our downside scenario modeling.

In periods of heightened volatility, we lean on the depth and strength of our fundamental research. Given our bottom-up views, we continue to believe there is an above-average level of excess return available in bond markets. While following our duration neutral approach, we remain overweight the spread sectors of the market relative to Treasuries and government-related agencies.

38) Please discuss the use of third party credit ratings in the portfolio? How has the use of credit ratings changed?

Amongst other things, described in detail in question #40, we utilize the research of ratings agencies, including Moody’s, Standard & Poor’s, and Fitch in assessing the securities fundamentals. However, by incorporating experience and judgment and our own internal research, our analysts use the ratings provided by these agencies and compare that information to what we believe to be an appropriate debt rating and credit trend for a company. This analysis, along with the downside risks and upside opportunities, is communicated to the portfolio managers as part of our relative value discussion. Their assessment, along with the portfolio managers’ input, determines whether a specific credit is appropriate to hold in our portfolios. Our approach has not changed.

39) Describe your compliance procedures in detail. To whom does your compliance department report?

The Guideline Monitoring function is carried out by our Compliance team based in Philadelphia. Client guidelines are coded into our automated Trade Order Management system, the Charles River Trading System, which generates both pre-allocation and post-trade compliance reports. On a pre-allocation basis the application flags the Portfolio Manager with an alert before a trade is allocated. On a post trade basis (T+1) Charles River Trading System identifies active and passive alerts. Rules that cannot be automated due to system limitations are manually monitored by the Compliance team on a daily basis. Exceptions noted during reviews of pre-allocation and post-trade reports will be investigated and recorded in an electronic breach database and corrective actions will be monitored. Typically, breaches are passive, or market driven (for example, a portfolio holding exceeding its permissible limit in the portfolio due to a market value increase). If the breach is found to be active, or the result of erroneous trading, clients will be compensated if found to have been disadvantaged.

US Compliance Team:

Name	Title
Jeffrey Cotton	Head of Compliance - US
Aileen Strachan	Deputy Head of Compliance - US
Laura Smolenski	Deputy Chief Compliance Officer
Daniel Connaughton	Compliance Officer
Raoul Clark	Compliance Officer
Alex Degernes	Compliance Officer
Deborah Lord	Compliance Officer
John McDevitt	Compliance Officer
Christina Mammarella	Compliance Officer
Michael Scopelliti	Compliance Officer

Source: AAMI; as of 06/30/11

40) Provide an overview of your firm's credit research. Has this approach changed in the past eighteen months?

Our approach has not changed in the past 18 months. Our credit research capabilities are a significant comparative advantage. This capability is primarily a result of the depth, quality and experience of our people dedicated to credit research, which we believe are second to none in the industry. All of our portfolio managers are actively involved in our research effort along with our dedicated research analysts. The individuals listed below comprise our credit research capability

Name	Experience	Function	Sectors Covered
Chris Gagnier	32	Head of Investment	High Yield, Industrials
Timothy Vile	27	Senior Portfolio Manager	Corporate
Keith Bachman	22	Senior Portfolio Manager	High Yield
Oliver Boulind	18	Senior Portfolio Manager	Corporate
Steve Cianci	19	Senior Portfolio Manager	ABS/CMBS
Ed Grant	25	Portfolio Manager	Corporate / Taxable Municipals
Mike Degernes	32	Portfolio Manager	Corporate, Municipals
Stefan Martin	13	Sector Manager	CMBS
Charles Tan	18	Research Analyst	Brokerage, Banks, Financials, Homebuilders, Tech., Building Materials
Lesya Paisley	8	Research Analyst	Gaming, Leisure and Lodging, Retail, Consumer
Bill Bellinzoni	13	Research Analyst	Autos, Healthcare-Pharma, Education
Jason Greenblath	10	Research Analyst	Technology, Media, Telecom
Curt Starer	12	Research Analyst	Energy, MLPs, Paper, Metals and Mining, Coal
Wen Zhang	8	Research Analyst	Financials
Scott Ellis	3	Junior Analyst	Chemicals, Papers
Alexander Schwiersch	6	Research Analyst	Industrials, Canadian

Source: AAMI; as of 06/30/11
Years of service may include years with acquired firms.
Includes affiliated persons operating under inter-company agreement.

The majority of the research conducted is generated internally. To supplement our research, we use the following sources:

- Company filings with the Securities and Exchange Commission
- Management conference calls (both one-on-one and public calls)
- Investor presentations, including those hosted by brokerage firms
- Company press releases
- Financial media (e.g., Bloomberg, American Banker)
- Research of ratings agencies, including Moody's, Standard & Poor's, Fitch)
- Industry and company reports of sell-side analysts
- Meetings with company management

The information gathered from the sources above is utilized to gain insight into a company's financial track record, creditability, strategic plan, and commitment to investment-grade ratings and debt-rating targets. Our research effort also attempts to assess a company's competitive position, health, fundamental trends, cyclical and secular position, event risk, and likelihood of success and current investor perceptions. We resolve inconsistencies among resources through discussions with authors, agencies and brokerage contacts. We may follow these discussions with meetings with company management.

Incorporating experience and judgment, our analysts use the above information to determine what we believe to be an appropriate debt rating and credit trend for a company. This analysis, along with the downside risks and upside opportunities, is communicated to the portfolio managers as part of our relative value discussion. Analysts also use the data to determine a company's financial viability and flexibility. Their assessment, along with the portfolio managers' input, determines whether a specific credit is appropriate to hold in our portfolios.

Portfolio managers are ultimately responsible for security selection decisions but they rely heavily on the input from the research analysts.

41) Detail your firm's policy regarding portfolio diversification and quality. Provide the allowable percentages by issue and quality type. Have these changed in the last 18 months?

We have upgraded how we manage core sector and overall portfolio risk (see attached write-up for detailed review). In particular, our risk management process has evolved to include a forward looking assessment of risk and return in managing our sector exposures. Specifically, in our Core and Core Plus strategies we seek to build diversified portfolios with multiple sources of alpha reflecting our best ideas across the opportunity set. In the product design phase we define expected return and risk over a market cycle for each strategy. This consists of a risk budgeting exercise that produces strategic ranges that constrain sector and portfolio risk subject to client guidelines and risk preferences.

Strategic ranges: We begin the asset allocation process with a historical analysis of the return distributions of the major Core (Corporate, Agency and non agency MBS, CMBS, ABS, Municipals, Agencies) and Core Plus sectors (High Yield, Emerging Debt, and International Bonds and Currencies). We create a predictive distribution of returns for each of these sectors based on simulations and/or manager views. We then specify strategic allocation ranges for each of these sectors which factor in alpha targets, volatility, non normality, tail risk, and correlations across asset classes.

Note: We update our ranges annually; current ranges are the result of our evaluation of both available alpha and downside risk in today's market; ranges may be reviewed more frequently based on changes in the market.

The following summarize the Core and Core Plus strategic ranges (typical ranges) for each of the sectors.

Core Sectors	Total	Vs. Index
Agency Mortgages	20 - 50%	-10% / +20
Non Agency Mortgages	5 - 7%	+5 - 7%
Non Agency Re-remics	5 - 7%	+5 - 7%
Corporates	8 - 35%	-9 / +18%
Financials	3 - 15%	-4 / +8%
Industrials	5 - 20%	-5 / +10%
Utilities	0 - 10%	-2 / +8%
Corporate Hybrid/ Preferreds	0 - 3%	+0 - 3%
Asset Backed	0 - 10%	+0 - 10%
Commercial Mortgages	0 - 10%	-4 / +8%
Taxable Municipals	0 - 10%	-1 / +9%
Agency Debentures	0 - 15%	-11 / +4%
Treasuries	8 - 38%	-20 / +10%
Non Benchmark Sectors *	0 - 25%	+0 - 25%

** Sectors not in the Barclays Aggregate Index (e.g., Non agency MBS, Corporate Hybrid/ Preferreds, certain ABS sectors)*

Core Plus Sectors

Core Plus Sectors	Total
High Yield	3 - 10%
Emerging Debt	1 - 5%
Currency	0 - 5%
International Bonds	0 - 10%

Security Selection Limits:

Default risk is controlled through diversification. Security weightings are a function of our relative value analysis and our diversification requirements. Our general approach is to maintain issuer exposure limits as follows relative to the benchmark (note: these do not include government, government agency debt):

Security Selection Limits	Total
AAA	1.50%
AA	1.25%
A	1.00%
BBB	0.75%
<BBB	0.40%

42) What drives the decision making process which governs the selection of securities in *SamCERA's* portfolio? Who are the individuals involved with the selection of securities?

Investment Process

Our Core Fixed Income strategy employs an investment process based on bottom-up, relative-value security selection. The goal of this process is to identify securities that we believe are "mispriced" in the market.

Our portfolio managers continuously monitor the available investment universe in their sectors. Upon identification of a security that appears mispriced, we calculate an intrinsic value target for each security considered for purchase, based on our analysis of fundamental credit, structure, and liquidity characteristics. We then compare our independent valuation to the value assigned by the market. Bonds trading below our intrinsic value target are purchase candidates, which are then vetted by the team to identify those that we believe present the most compelling relative value. When bonds in the portfolio reach their intrinsic value target, they are sold. This approach – continuous recycling of "cheap" securities into the portfolio and "rich" securities out of the portfolio – is integral to our goal of maximizing total return by way of both yield and price return.

Core Fixed Income Team (Philadelphia)
Our Core Fixed Income investment team located in Philadelphia is led by our eight Portfolio Managers (PM's) – Chris Gagnier, Keith Bachman, Oliver Boulind, Mike Degernes, Ed Grant, Neil Moriarty, Steve Cianci, and Tim Vile. The PM's as a team are collectively responsible for all investment decisions. Each PM is also supported by a Sector Manager and multiple Research Analysts in covering their assigned sectors.

43) What is your firm's investable universe? What percentage of your portfolio holdings are comprised of securities outside of the Barclays Capital Aggregate Index?

Our universe of eligible investments includes (but is not limited to) all securities and security types included in the broad Barclays Capital Aggregate Bond Index. Securities in which we may invest include:

- US Treasuries and government-sponsored agencies
- Residential Mortgage-Backed Securities (Agency and non-Agency)
- Commercial Mortgage-Backed Securities (Agency and non-Agency)
- Asset-Backed Securities
- Sovereigns
- Corporates
- Taxable Municipals
- Supranationals
- Preference shares and hybrid capital securities

As of June 30, 2011 approximately 40% of the portfolio is invested in non-index securities.

44) What drives the decision making process which governs the disposition of securities in *SamCERA's* portfolio? Do the individuals involved with the disposition process differ from those involved with the acquisition process? If the individuals are different, why are they different?

Our sell discipline requires that once the target spread on a bond is reached, the bond is sold and replaced with the most compelling buy candidate across the investment universe. Bonds may reach their target spread either as a result of market appreciation of the credit, or when there is a negative change in our view of the bond's value which causes an upward adjustment in our target spread.

While portfolio managers are responsible for security selection decisions within their sector, all decisions are a result of a team process. There is no individual portfolio manager discretion. The same members of the team contribute to both buy and sell decisions.

45) Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2010?

Our process is a distinctive one in which our team of Portfolio Managers jointly make all decisions affecting portfolios. Each Senior Portfolio Manager also heads a sector team which includes one or more research analysts. Decisions on value within each sector are made jointly by that team. Hence, both at the sector level and portfolio level all decisions are made collectively and breaking out the percentage contribution would be inconsistent with our approach. Sector exposures and concentration levels are monitored and adjusted in those cases where security selection results in risk levels perceived as inconsistent with the goals of the strategy.

Maximum benefit to clients is delivered by obtaining the highest prices on security sales and the lowest prices on security purchases, and we seek to achieve these objectives on each transaction. Costs associated with dealing fixed income securities are typically limited to the bid-ask spread, which we make every effort to minimize. We have strong relationships with a broad range of sell-side dealers who work closely with senior management of those firms to ensure that we receive the highest level of service that is practical. Competitive bids and offers are solicited from those dealers known to make the most competitive markets in each type of security. There is a constant dialogue among our portfolio managers to monitor the competitiveness of various dealers. We purchase lesser known, undervalued securities from dealers that either underwrite or make competitive secondary markets in them. The depth and experience of our investment team, including considerable sell-side trading experience, is very important in ensuring that we receive the best possible execution for our clients.

In addition to traditional trading we also employ electronic trading systems that allow AAMI to trade in fixed income securities efficiently and rapidly. They are used to make sure best price is obtained on each and every trade, in order to maximize profit from investment decisions and minimize overall cost. The systems we primarily use are TradeWeb and MarketAxess. Through these systems our fixed income dealers can offer a trade to a number of brokers. General pricing information is also obtained from Bloomberg and Reuters.

We used a total of 55 different brokers in 2010 for the SamCERA account.

46) Does your firm monitor trade effectiveness? If so, how is that documented? Please provide *SamCERA* with a copy of the trade analysis for the portfolio.

The following is a summary of our Trading Practices – Best Execution Policy:

Each Adviser has a fiduciary duty to place the interests of its clients above its own interests. Among other things, this duty requires each Adviser to seek best execution in effecting portfolio transactions for Accounts. Steps associated with seeking best execution are: (1) determine each client's trading requirements; (2) select appropriate trading methods, venues, and agents to execute the trades under the circumstances; (3) evaluate market liquidity of each security and take appropriate steps to avoid excessive market impact; (4) maintain client confidentiality and proprietary information inherent in the decision to trade; and (5) review the results on a periodic basis.

The SEC generally describes "best execution" as executing securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. However, the SEC has stated that, in selecting a broker or dealer, the determining factor is not the lowest possible commission cost but rather whether the transaction represents the best qualitative execution. Nevertheless, because of the difficulty of providing overall best execution, the SEC frequently employs a hindsight analysis in enforcement cases by looking at which brokers were charging the lowest commission at the time.

In evaluating whether best execution is being obtained, the Advisers must exercise reasonable, good faith judgment to select broker-dealers that consistently provide best execution with respect to the securities they handle. It is well-recognized that broker-dealers may have different execution capabilities with respect to different types of securities.

For fixed income clients, best execution is considered a part of the trading and portfolio management process and is integral to our performance. Because trading costs are implicit in the bid/asked spread, our portfolio managers strive to select broker-dealers that provide the best price and execution – taking into consideration the quality and reliability of brokerage services, as well as research and investment information and other services. Where possible, our Core Fixed Income portfolio managers attempt to obtain and document multiple bids. If more than one bid is unavailable, the manager may document on the trade ticket the basis upon which he or she made the determination. To the extent feasible, the portfolio manager may document his or her conclusion that we have been given a fair price.

Brokerage practices are reviewed by AAMI's investment committee. Besides the aforementioned criteria, we also consider quality of settlement, accuracy of trade reporting and gift and entertainment trends in determining whether we have received best execution or have been influenced by other factors. For quality of settlement, we review frequency of failed trades, quality of data, and responsiveness. For gifts and entertainment, we review the potential for conflicts of interest arising due to the receipt of gifts or entertainment from the sell-side. We review the gifts log versus the brokerage allocations and question the use of any particular broker. We also have minimum net-capital requirements and or credit ratings for the brokers on our approved list. On the fixed income side, we are especially price sensitive since the instruments trade directly from the counterparty and, therefore, price and execution are viewed as contributors to performance.

47) Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.

The majority of the research conducted is generated internally. To supplement our research, we use the following sources:

- Company filings with the Securities and Exchange Commission
- Management conference calls (both one-on-one and public calls)
- Investor presentations, including those hosted by brokerage firms
- Company press releases
- Financial media (e.g., Bloomberg, American Banker)
- Research of ratings agencies, including Moody's, Standard & Poor's, Fitch)
- Industry and company reports of sell-side analysts
- Meetings with company management

The information gathered from the sources above is utilized to gain insight into a company's financial track record, creditability, strategic plan, and commitment to investment-grade ratings and debt-rating targets. Our research effort also attempts to assess a company's competitive position, health, fundamental trends, cyclical and secular position, event risk, and likelihood of success and current investor perceptions. We resolve inconsistencies among resources through discussions with authors, agencies and brokerage contacts. We may follow these discussions with meetings with company management.

Our Fixed Income Team does not typically participate in soft dollar arrangements. However, brokers sometimes provide unsolicited access to financial and market databases to certain clients free of charge. AAMI does not consider the provision of any such databases in connection with its selection of broker-dealers to execute trades.

48) 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	>0.1%
B) Firm revenue	>0.1%
C) Firm profit	>0.1%
D) Total firm work hours	N/A%

We do not calculate percentage of hours devoted to each individual portfolio. The investment professional's located in Philadelphia are fully dedicated to our active fixed income strategies.

Source: AAMI as of 6/30/11

***49)* Are *SamCERA's* investment guidelines adequate? Provide comments on the Derivatives Appendix in *SamCERA's Investment Policy*.**

Yes, we believe that SamCERA's Core Fixed Income portfolio investment guidelines are adequate.

SamCERA's Core Fixed Income portfolio does not contain derivatives; therefore, the second part of the question is not applicable.

50) What are the capacity constraints for your core product? At what asset level will you have to close to new business? Does your response include the core portion of core-plus accounts? If it does not please describe the impact of core-plus accounts on capacity constraint.

While a formal limit to the amount of assets has not been set for our Core Fixed Income strategy, determining remaining capacity is an inexact process given the dynamics of the market and our investment process.

We target managed growth of 10 – 15% annually for our Philadelphia-based fixed income products (Core, Core Plus, Short Duration and the US portion of Global mandates).

To this end, we have closed our fixed income strategies to new separate account business opportunities several times in the past. These decisions are consistent with our historic commitment to our clients to manage pace of growth for the benefit of our business long-term.

In the current market environment, there are no capacity constraints.

Outlook

51) What is your firm's outlook for the domestic, international, emerging, & high yield fixed income markets?

Attached please find the most recent "Global Investment Outlook" write-up published by Aberdeen.

Additionally, we've provided comments specific to the High Yield market not covered in the above referenced document:

<u>High Yield</u>
We believe that value in the high yield asset class can be defined as excess income (spread), net of anticipated default losses. Given our view of extremely low default rates, we believe that investors are receiving attractive compensation for a credit sector with solid fundamental support and minimal anticipated default losses. Current spread levels reflect a forward default rate closer to 5%.

In our view, presently low Treasury yields are likely an impediment for substantial spread compression as high yield investors tend to be extremely focused on gross yield, not spread (see the graph above). In a scenario where Treasury rates move higher, we would envision increased capacity for spreads to grind tighter. Thus, we believe the high yield market is fairly well insulated from higher interest rates, given current valuations, representing an attractive option within fixed income alternatives, as well as a potential substitute to equities.

Recognizing some of the political and macroeconomic risks, our strategy is to maintain our positioning within defensive industries represented by companies with more stable end-demand characteristics. Our portfolios are constructed purely through bottom-up selection and we would expect these particular credits and sectors to perform better in the event of a market correction or a double-dip in the U.S. economy.

Our basket of single-name short positions within the portfolios is constructed using intrinsically expensive instruments and is designed to create alpha and buffer returns as the market exhibits volatility. The strategy seeks to achieve a relatively higher Sharpe ratio over a market cycle.

52) How does your firm manage fixed income in a rising rate, rising inflation, lack of liquidity environment?

We manage our Core Fixed Income strategy on a total return basis relative to a benchmark. We specifically avoid forecasting interest rates and concentrate upon security selection to generate excess returns relative to the chosen benchmark. Thus, this approach remains effectively duration neutral relative to the benchmark irrespective of the interest-rate environment.

Additionally, we manage our strategies against benchmarks with varying duration. Our short duration portfolios are typically benchmarked to a 1 – 3 year Treasury index, which typically has an interest-rate sensitivity of less than half that of the Barclays Capital Aggregate Index and, therefore, would be expected to provide better absolute returns in a rising rate environment. We also have the ability to provide duration management of benchmarks via the use of derivative instruments that allow clients to add tactical-rate management.

Thus, while our approach is an effectively duration-neutral one, we provide a broad range of options to our clients to allow them to make tactical decisions that help them optimize their portfolio allocation strategy.

Additionally, all other things equal, the inflation outlook, vis-à-vis its impact on rates, is not impacting our portfolio strategy, as active duration management is not part of our core strategy.

Lack of liquidity during 2008 has certainly impacted the financial markets in an unprecedented way, nonetheless, our process and investment approach remain the same.

53) List the type of changes your clients are requesting in light of the recent events in the market?

There are no notable changes that clients are requesting in light of the recent events in the market.

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

<u>Products and Education</u>
Generally speaking as client portfolios now include a broader asset mix they are looking to get more education regarding the various strategies that are included in their portfolios. They are particularly keen on getting this information presented to them quickly and succinctly.

<u>Markets</u>
Currently our clients seem to be concerned about the general headlines including the US debt crisis and downgrade news and broader Global debt and European Banking problems.

Governance
Clients demand transparent and risk controlled processes and procedures to be documented and adhered to by their investment managers. Governance has always been and remains of paramount importance to our clients and to Aberdeen.

55) What is on the horizon for your firm's Business Plan?

AAMI is committed to being a world class institutional investment manager. We feel that we can achieve this goal and build upon our successful platform by allocating resources to:

- Attract and retain the best possible investment professionals globally
- Meet the infrastructure requirements of a world class institutional manager
- Selectively build our marketing capability, particularly in the U.S. and Asia

We target managed growth of 10 – 15% annually for our Philadelphia based fixed income products (Core, Core Plus, Short Duration and the US portion of Global mandates). To this end, se have closed our fixed income strategies to new separate account business opportunities several times in the past. These decisions are consistent with our historic commitment to our clients to manage pace of growth for the benefit of our business long-term.

We have and will continue to add resources in portfolio management and client service as necessary to maintain the highest standards of client service, adequate coverage of the fixed income market, extensive oversight of client portfolios, and competitive technology infrastructure.

56) Describe your assessment of the relationship between your firm and *SamCERA*. How can we better take advantage of your firm's capabilities?

AAMI continues its long-standing, good relationship with SamCERA. There has been complete consistency of investment philosophy and process over the course of the relationship. Our client service efforts are focused on continuing to provide SamCERA with high quality and useful information about your portfolio, as well as other product offerings and research that might be beneficial to you. We have a wide range of international equity strategies as well as Global fixed income strategies, including Emerging Market Debt, that we would be happy to provide information on, at your request.

Conclusion

57) Is there any information, which would be timely pursuant to *SamCERA's Investment Policy*, the *SamCERA*/AAM Agreement, and this annual review?

At this time, there is no information which we would deem timely, pursuant to SamCERA's Investment Plan, the SamCERA/AAMI Agreement, and this annual review.

58) Are your clients making significant changes in their asset mixes? Please describe these changes.

Although clients routinely rebalance their portfolios, actions that are typically driven by market movements and by specific investment policies, based on our observations, generally our clients are not making significant changes in their asset mixes.

59) What market opportunities should *SamCERA* be considering?

Developed market governments and consumers face significant multi-year structural impediments to growth in the form of de-leveraging and fiscal austerity. In contrast emerging market governments, corporates and consumers are in good health, although face the cyclical headwinds of a slowly growing developed world. With the prospect of a sustained wide differential in growth rates, allied with an improving economic and political structure within emerging markets, many of our clients are looking carefully at opportunities presented in emerging markets, whether equity, fixed income or physical assets such as property.

Real yields in emerging market debt remain attractive, with the added return from currency appreciation in local currency issues as many of these countries attract capital inflows. Previously, external bond markets were the investment vehicles of choice for an allocation to emerging market debt, but a wider opportunity set now exists - we believe the improving credit quality of emerging market local currency debt is one of the most widely under appreciated characteristics of the strategy. Over 80% of local currency bonds are investment grade along with a marked decrease in default rates over the last decade. These markets responded well to the stress test of the global financial crisis and liquidity can be better than hard currency with a broader investor base

Although closed to new global emerging market equity mandates clients are increasingly spreading their emerging market equity exposure regionally, to Latin America, one of the areas in which we find great opportunities at the company level, or to the next tier down in frontier markets.

Property markets in Asia are well positioned to benefit from this growth and the increasing wealth of emerging market consumers. We are in the process of launching our 3rd Asian property fund of fund, managed by our experienced team in Singapore, in which there has been considerable interest.

Aberdeen has a long history and expertise in these markets and we are currently working with many of our global clients and prospects through various stages of due diligence and implementation.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

September 27, 2011 Agenda Item 6.5 (b)

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Annual Investment Manager Review – Pyramis Global Advisors – Domestic Fixed Income Core Enhanced Index

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 September 15, 2011, staff interviewed *SamCERA's* core and core-plus bond managers in *SamCERA's* conference room.

Pyramis Global Advisors was interviewed at approximately 10:30 a.m. Those present were:

John Nicolini – Strategic Investment Solutions' Investment Consultant
Gary Clifton – *SamCERA's* Chief Investment Officer
Bailey Bishop – Pyramis – Institutional Portfolio Manager, CFA
Sue Curran – Pyramis – Senior Vice President, Relationship Manager

Attached to this agenda item are the presentation materials used by Pyramis for the review and Pyramis' response to *SamCERA's* annual questionnaire.

BACKGROUND: At the July 2005 Investment Committee meeting, the committee reviewed the association's domestic fixed income manager structure. The full board opined to restructure the fixed income portfolio. The new structure divided the fixed income portfolio equally between an enhanced index mandate, an active core mandate and an active core-plus mandate.

In September 2005, the board approved a list of criteria to be utilized in an enhanced index fixed income manager search. Strategic Investment Solutions screened 36 products to assure a minimum three-year track record, minimum performance standards, minimum amount of assets under management, a tracking error consistently less than one, and qualitative screens. The qualitative screens excluded managers with an inappropriate strategy, organizational or personnel concerns, and eliminated multiple products from a single manager. The quantitative screens excluded managers with tracking error too high or low, low relative information ratios and inadequate alpha.

The board, with the assistance of Strategic Investment Solutions (SIS), reviewed Baird Advisors, Barclays Global Investors, BlackRock, Pyramis Global Advisors (then known as Fidelity Management Trust Company), Lehman Brothers Asset Management, and Smith Breeden Associates before narrowing the field to three finalists that were invited to interview before the entire board at the October 2005 meeting. The finalists were BlackRock, Pyramis Global Advisors, and Lehman Brothers Asset Management. The board found all three finalists to be extremely qualified. The board opined to offer the fixed income enhanced index mandate of approximately $165 million to Pyramis Global Advisors.

In an October 2005 review of Pyramis Global Advisors the board listed the following pros and cons:

Pros

- Large family ownership stake allows for longer term, strategic investment in fixed income effort.
- Noteworthy investment into personnel and the development of proprietary risk measurement system.
- Largely stable investment team.
- Strong returns in enhanced index product. Strong returns for mutual SIS client in Core Plus bond product.

Cons

- Some personnel turnover among senior portfolio managers recently.

On August 31, 2011, Pyramis managed $106.0 million or 4.71% of *SamCERA's* assets. Pyramis' management fee is subject to marginal pricing and is ~18.0 basis points.

	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Since Inception (2/01/2006)
Pyramis Global Advisors	2.12%	5.11%	5.92%	6.53%
BC Aggregate Index	2.77%	5.49%	4.62%	6.26%
Variance	***-0.65%***	***-0.38%***	***1.30%***	***0.27%***

General Firm Information

Firm Legal Name: Pyramis Global Advisors
Firm Headquarters: 900 Salem Street Mailzone OT3N1
Smithfield, Rhode Island 02917
United States
Year Firm Founded: 2005
Registered Investment Advisor: No
Firm Website Address: http://www.pyramis.com

Firm Background

Fidelity Investments (FMR LLC), one of the largest privately held financial services firm in the United States, established Pyramis Global Advisors (Pyramis) in 2005 as a separate business unit to focus on institutional clients. The Pyramis group of companies includes two US investment management companies - Pyramis Global Advisors Trust Company, an FDIC insured, New Hampshire non-depository limited purpose trust company (PGATC), and Pyramis Global Advisors, LLC (PGALLC), an investment adviser registered with the Securities and Exchange Commission, the Ontario Securities Commission and the Australian Securities Investment

Commission (ASIC) pursuant to a Class Order Exemption (PGA LLC). The Pyramis group of companies also includes, Pyramis Canada ULC, an Ontario-registered investment adviser ("Pyramis Canada"), Pyramis Global Advisors UK) Limited, a UK limited company registered with the Financial Services Authority (PGA UK), Pyramis Global Advisors (Hong Kong) Limited, a Hong Kong limited company registered with the Securities and Futures Commission and with ASIC pursuant to a Class Order Exemption (PGA HK), Pyramis Distributors Corporation LLC, a broker-dealer registered with the financial Industry Regulatory Authority, and Fidelity Investments Canada ULC, an adviser and mutual fund dealer registered in all provinces of Canada. Investment services are provided by PGA LLC, PGATC, PGA UK, PGA HK and Pyramis Canada by offering active and risk controlled domestic equity, international equity, fixed-income, high-yield, real estate debt, Real Estate Investment Trust, and alternative strategies, including equity market neutral and 130/30 disciplines and asset allocation to meet specific client investment objectives.

Pyramis serves corporate and public employee pension and retirement funds, endowments and foundations and other institutional investors, as well as non-U.S. investors. Pyramis offers its investment strategies through a variety of investment vehicles, including commingled pools, separate accounts and privately offered funds in limited liability companies and limited partnerships, U.S. and non-U.S. domiciled alternative funds, Canadian and other non-U.S. mutual funds, and acts as a sub-adviser to certain U.S. mutual funds. Pyramis is able to draw upon significant resources for the benefit of its clients through its own investment team as well as the resources of its affiliates.

Joint Ventures

Fidelity (FMR LLC) established Pyramis Global Advisors (Pyramis) in 2005 as a separate business unit to focus on institutional clients. The Pyramis group of companies is wholly owned by Fidelity under Pyramis Global Advisors Holdings Corp. (PGAHC), a directly held subsidiary of FMR LLC and therefore is affiliated with the Fidelity group of companies. Pyramis does not have any joint ventures.

Prior or Pending Ownership Changes

There are no ownership changes anticipated.

Prior or Pending Litigation

Explanation of Litigation

From time to time, in the regular course of its business, the firm (including directors, officers, partners, trustees, affiliates and/or subsidiaries thereof) may be involved in legal proceedings (including, but not limited to, bankruptcy, receivership or similar proceedings). There are no material legal proceedings pending against the firm that might affect the firm's provision of investment management services.

Additional Comments

Effective April 1, 2007, Pyramis Global Advisors (Pyramis) has updated the methodology with which the firm calculates assets under management and client account data. The updated methodology reflects assets for which Pyramis is the named advisor on the investment management contract. Historical AUM and client account figures will not be impacted.

Broad Market Duration

Research & Screening Process

The foundation of the screening process is fundamental and quantitative research, which is defined by the breadth of coverage and independence from Wall Street. Approximately 90% of the research is conducted internally and the remaining 10% is derived from external sources. Their research platform consists of over 70 Investment-Grade and 400+ equity and international analysts. Their credit research analysts, organized by sector teams, follow a fundamental approach to research and form fundamental and relative value assessments within their assigned sectors, typically 3-5 per analyst. The universe of securities includes all U.S. dollar denominated, investment-grade debt securities. Analysts attend structured, weekly sector team meetings where multiple perspectives are shared on common sectors.

The output from this analysis is an issuer fundamental credit rating and an ordinal ranking based on attractiveness of fundamental and relative value within each of their assigned sectors. A cross-sector team, consisting of portfolio managers, Credit Strategist, Director of Credit Research, and traders, uses the ordinal rankings to determine cross-sector relative valuation. Their quantitative research process focuses on deriving independent valuations of risk and expected return characteristics for all benchmark securities, portfolio positions and overall portfolios. All portfolio and benchmark securities are modeled daily using proprietary models. By modeling the entire universe, they use the same analytical framework to assess both index and portfolio risk. Output from these models is actively fed daily into a desktop application called "Armanta" which reports all positioning and risk metrics for the portfolio versus the index and offers drill down capabilities.

Portfolio Construction & Risk Control Methodology

The portfolio construction process is implemented within a team framework. The Broad Market Duration discipline is supported by the entire investment-grade Fixed Income Division, which is comprised of over 120 investment professionals focused on portfolio management, research, and trading. Within the Fixed Income Division, there is a dedicated team responsible for the management of all Broad Market Duration portfolios and for all of the overall portfolio structure, sector allocation and individual security selection decisions. The team is comprised of investment professionals, from portfolio management, quantitative research, credit research and trading, and is coordinated by a lead portfolio manager.

The most important components of the portfolio construction process are security and sector selection. Security selection comprises 60% of the expected alpha; sector selection 30%; and trading and yield curve positioning comprise 10%. They focus on these research-based strategies as the principal means by which to add value over the benchmark. Macro-economic and top-down perspectives play a role in complementing their fundamental research. They do not rely on duration management, but instead maintain duration within a very narrow band around that of the benchmark. They do not exhibit an explicit yield curve view. However, they will at times maintain active yield curve variances relative to the benchmark as a result of individual security selection. Tracking error is estimated at 50-75 basis points per annum over the benchmark.

Portfolios are constructed within a balanced framework, with a focus on diversification and the avoidance of undue risk concentrations.

Portfolio oversight is achieved at multiple levels within the fixed income organization. First, investment teams meet several times a week to review overall portfolio structure and investment targets. Second, investment teams communicate regularly with senior management to discuss strategy and review holdings. Finally, a dedicated fixed income compliance team oversees fixed income activity. The team uses proprietary technologies to monitor all aspects of the portfolio management process, including real-time trade compliance and client guideline adherence. In general, portfolio construction is driven by a combination of the client's choice of benchmark and individual risk tolerance. Within this context, fundamental considerations and relative value will determine the specific sector allocation and individual security positions at any point in time.

Buy/Sell Discipline

Buy Discipline

Purchase decisions are based on expected total returns over a 6-12 month time horizon and are driven by relative value. The following factors influence buy recommendations:

- Corporate issue selection is based on an assessment of both fundamental credit characteristics and a relative value overlay. Other factors such as secondary market liquidity and future financing requirements are also taken into account.

- Mortgage issues are analyzed utilizing an internally generated prepayment and option-adjusted spread models. They model future cash flows over a wide range of potential future interest rate environments to identify the mortgage securities with the most attractive risk/return characteristics. This includes fixed rate, HEL, and hybrid ARM securities.

- Treasury issues are evaluated utilizing a term structure model, which allows us to evaluate the attractiveness of actual market prices relative to theoretical value.

- Agency issues are bought based on relative value assessment and other qualitative factors.

- Asset-backed securities are purchased based on a combination of fundamental analysis of collateral, and relative value assessment of securities based, in part upon output from proprietary quantitative models.

Sell Discipline

The following factors influence sell recommendations:

- Corporate issues that either demonstrate deteriorating credit fundamentals or reach unattractive relative valuation levels will become sell candidates. They will not hold corporate issues that they believe are deteriorating fundamentally regardless of the yield advantage which they might offer.

- Mortgage issues will be sold when specific prepayment characteristics become unattractive or when alternative mortgage issues offer more attractive relative valuations.

• Treasury issues are sold based on relative value decisions driven by output from a term structure model, market, market technicals and other qualitative factors.
• Agency issues are sold based on relative value due to market technicals, valuation concerns, and other qualitative factors.
• Asset-backed securities are sold based upon relative value, or deteriorating fundamentals.

Trading Strategy

The traders who support the Broad Market Duration discipline are specialists who focus on specific sectors of the fixed income markets. They are experienced investment professionals, many of whom have had significant buy- and/or sell-side Wall Street experience. Pyramis' philosophy is to work "peer-to-peer" with their Wall Street counterparts, matching their level of experience and investment sophistication. The primary functions of a trader are to:

• Keep abreast of all market developments within their specific sectors, including current prices, yield relationships, new issue activity, specific security availability, and all secondary market trading activity

• Continuously communicate with the Investment team during the course of the day as market variables fluctuate

• Proactively recognize and communicate pricing anomalies, supply/demand imbalances and other market opportunities

• Achieve best price execution on all purchases and sales of securities and to thereby minimize transaction costs

Use Of Derivatives

Derivatives Used in Managing This Product: Yes

Explanation of How Derivatives Are Utilized in Managing This Product:

The team employs futures, options, and swaps primarily as risk management tools in Broad Market Duration portfolios. These tools are used as an efficient and effective tool to manage interest rate and credit risk (i.e. duration within each of the sub-portfolios is managed in-line with the index). In addition, derivatives enable the portfolio team to broaden its range of investment opportunities, including:

· more precise yield curve targeting
· diversified exposure across market sectors
· gaining / shedding certain credit exposures
· achieving portfolio exposures at cheaper cost

Typically derivatives have represented less than 20% of the value of the Broad Market Duration Portfolio.

Pyramis Global Advisors®

Global Institutional Fixed Income Overview

September 15, 2011

San Mateo County Employees' Retirement Association

Bailey Bishop, CFA
Institutional Portfolio Manager

Sue Curran
SVP, Relationship Manager
401-292-4722
sue.curran@pyramis.com

592985.1.0

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Table of Contents

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

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Fixed Income Overview

Pyramis GLOBAL ADVISORS® | Fidelity Asset Management℠

Organizational Structure

As of August 19, 2011

- **Ronald O'Hanley**
  President, Fidelity Asset Management
  - **Kevin Uebelein**
    Chairman and President, Pyramis Global Advisors
    - **Michael Barnett**
      Head of North American Business Development
    - **Chuck Black**
      Head of Global Consultant Relations
    - **Michael Palermo**
      Head of Relationship Management
    - **Robert Strickland**
      President, Fidelity Canada
  - **Charlie Morrison**
    Vice Chairman, Pyramis Global Advisors
    Head of Fixed Income
    - **Robert Brown**
      President, Money Markets
    - **Christopher Sullivan**
      President, Bond Group
  - **Derek Young**
    Vice Chairman, Pyramis Global Advisors
    President, Asset Allocation
    - **William Ebsworth**
      Chief Investment Officer, Strategic Advisers, Inc.
    - **Mark Friebel**
      Senior Vice President, Global Investment Strategies
  - **Young Chin**
    Chief Investment Officer, Pyramis Equities and Alternatives
  - **Jacques Perold**
    President, Fidelity Management and Research
    - **Brian Hogan**
      President, Equity Group
      - **Thomas Hense**
        CIO, High-Income, Small Cap and Value
      - **Bruce Herring**
        CIO, Domestic and International Equities[1]
        - **Joseph DeSantis**
          CIO, Domestic Equities[2]

Fidelity Shared Services (Compliance, Risk and Operations)

Relationship Management Team

Sue Curran
SVP, Relationship Manager
401-292-4722
sue.curran@pyramis.com

Bailey Bishop, CFA
Institutional Portfolio Manager

Ford O'Neil
Portfolio Manager

Jeff Moore, CFA
Portfolio Manager

George Fisher
Portfolio Manager

Paul Cahill
Senior Account Executive
603-791-8314
paul.cahill@pyramis.com

Depth and Breadth of Resources

Dedicated resources support the investment process

FIXED INCOME INVESTMENT PROFESSIONALS					
Division Management	Fundamental Research	Quantitative Research	Trading	Portfolio Management	Institutional Portfolio Management
1	41	14	32	17	9

FIXED INCOME INVESTMENT SUPPORT			
Legal and Compliance	Product Management & Analysis	Investment Services Team	Technology
17	11	26	146

PORTFOLIO MANAGEMENT—ASSETS $265B*							
Core/Core Plus	Short/Intm.	Stable Value[1]	Credit/LDI	Govt/ Mortgage	Non-Dollar[1]	Municipal[1]	Passive
88.5	19.8	46.4	7.2	42.5	12.7	26.5	21.3

Resources depicted reflect the combined resources of Pyramis Global Advisors and Fidelity Investments as of June 30, 2011.
*Assets only include investment grade bonds.
[1]Certain strategies are managed by Pyramis affiliates.

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Wide Range of Investment Solutions

Designed to meet the needs of institutional investors

Active/Diversified	Active/Single-Sector	Custom Solutions	Passive
Money Market[1]	Inflation-Protected	Liability Driven Investing	US Bond
Short Duration	Government	Stable Value[1]	Inflation-Protected
Intermediate Duration	Mortgage-Backed	Target Maturity	
Core Constrained	Investment-Grade Credit	Tax Sensitive	
Core	Global Credit		
Core Plus	Long Corporate		
Long Duration	Leveraged Loans		
Global	High Yield Corporate		
National Short Municipals[1]	High Yield CMBS		
National Intermediate Municipals	Emerging Markets		
National Municipals[1]	Single State Short Municipals[1]		
	Single State Municipals[1]		

Representative list as of June 30, 2011.
Solutions available through Fidelity Asset Management.
[1]Certain strategies are managed by Pyramis affiliates.

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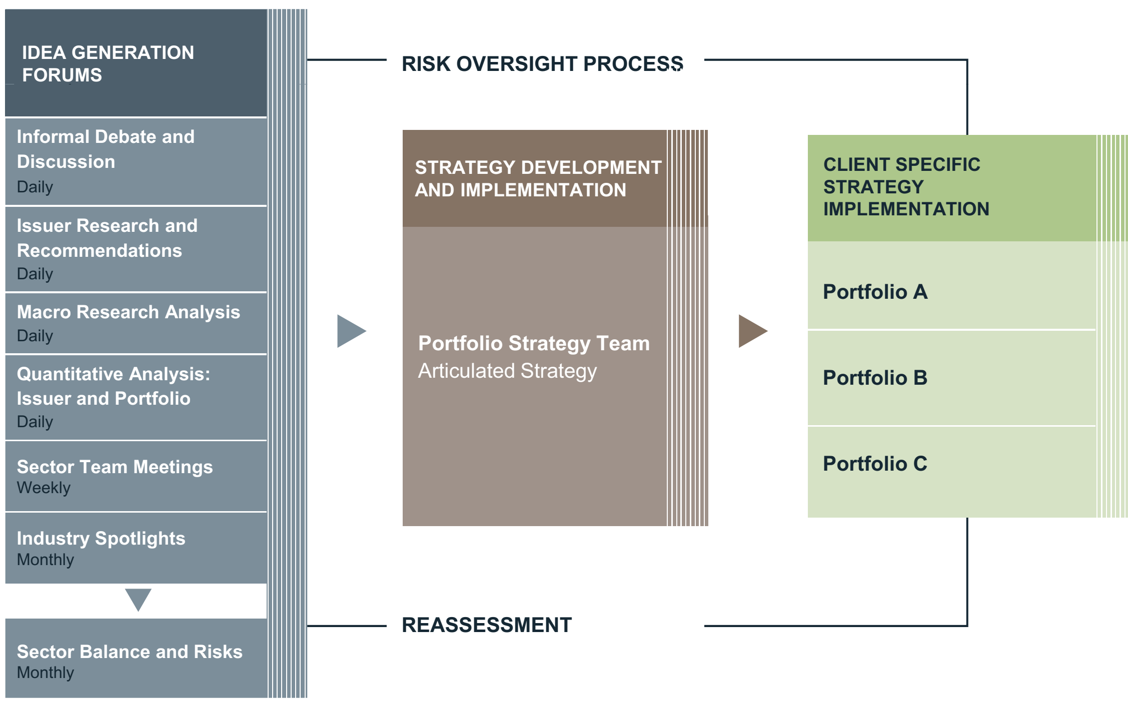
Pyramis GLOBAL ADVISORS | Fidelity Asset Management™

Disciplined Portfolio Management Process

Strategic and tactical implementation by portfolio managers seeking to generate alpha



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Pyramis GLOBAL ADVISORS | Fidelity Asset Management℠

Multi-Dimensional Approach

Surfacing diverse ways to find success through market cycles

BOTTOM-UP FOUNDATION

- Fundamental Analysis
  - Independent credit assessment
  - Relative value judgment
- Quantitative Analysis
  - Proprietary risk modeling
  - Security and portfolio level
- Structured Analysis
  - Tranche analysis
  - Complements fundamental view
- Value-Added Trading
  - Relative value judgment
  - Across curve and structure
  - Liquidity/technicals

TOP-DOWN PERSPECTIVES

- Macroeconomic Inputs
  - Economic fundamental
  - Fiscal policy
  - Monetary policy
- Sector
  - Basis Call: transparency
  - Fundamental and relative value
- Yield Curve
  - Slope and volatility
  - Relative value opportunities
- Interest Rate
  - Duration views
  - Volatility perspectives
- Mitigating down side risk
  - Systemic risk
  - Sovereign risk
  - Tail risk/scenario modeling

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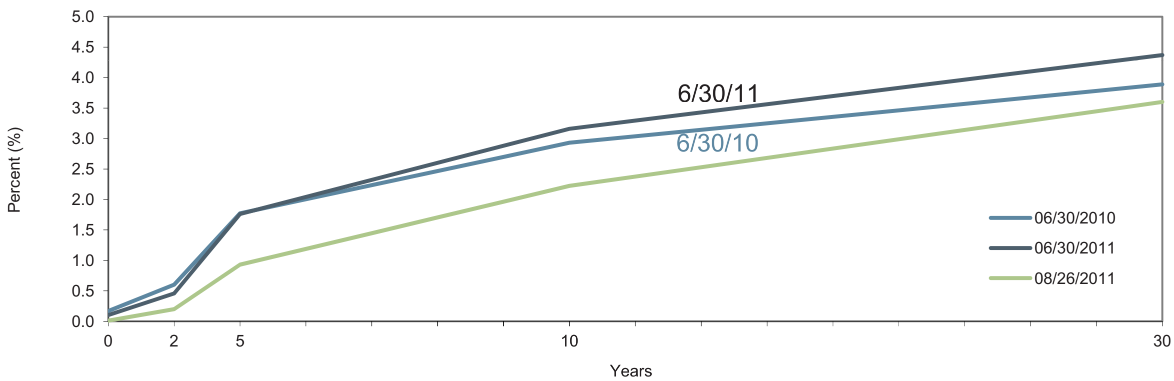
Market Review

Pyramis GLOBAL ADVISORS®

Fidelity Asset Management℠

US Treasury Yield Curves



▶ **The yield curve moved lower as investors sought the safety of Treasuries amidst concerns over Europe and weakening US economic data**

Source: Bloomberg, as of August 31, 2011

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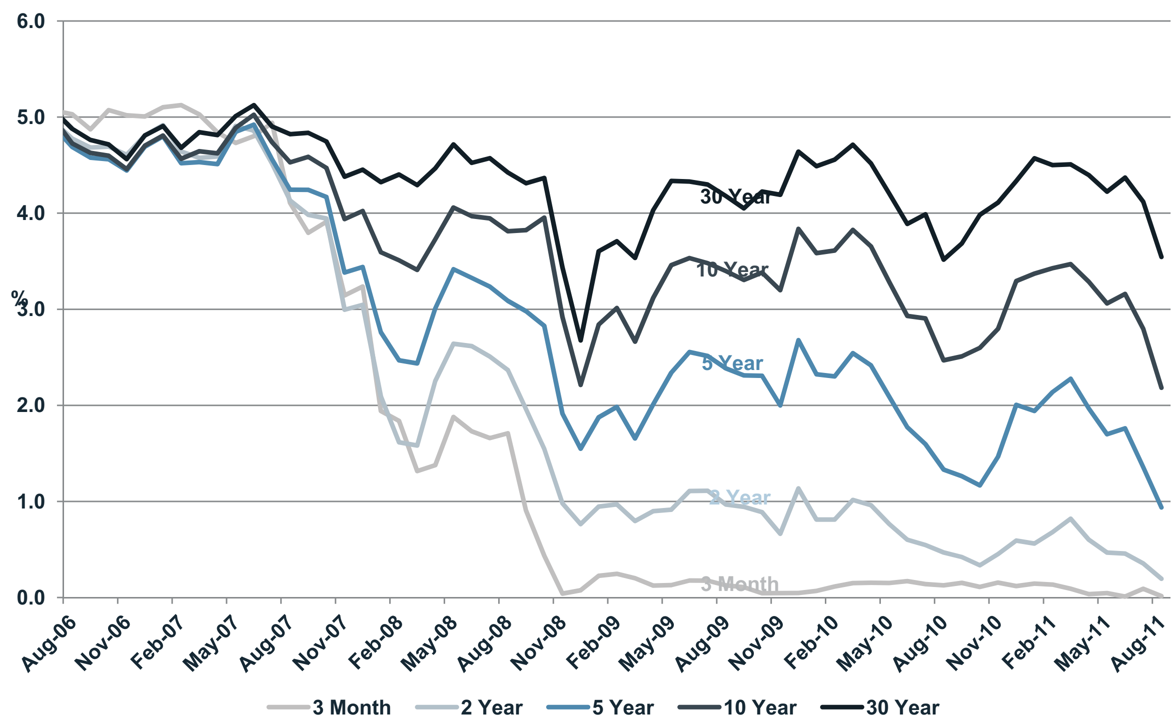
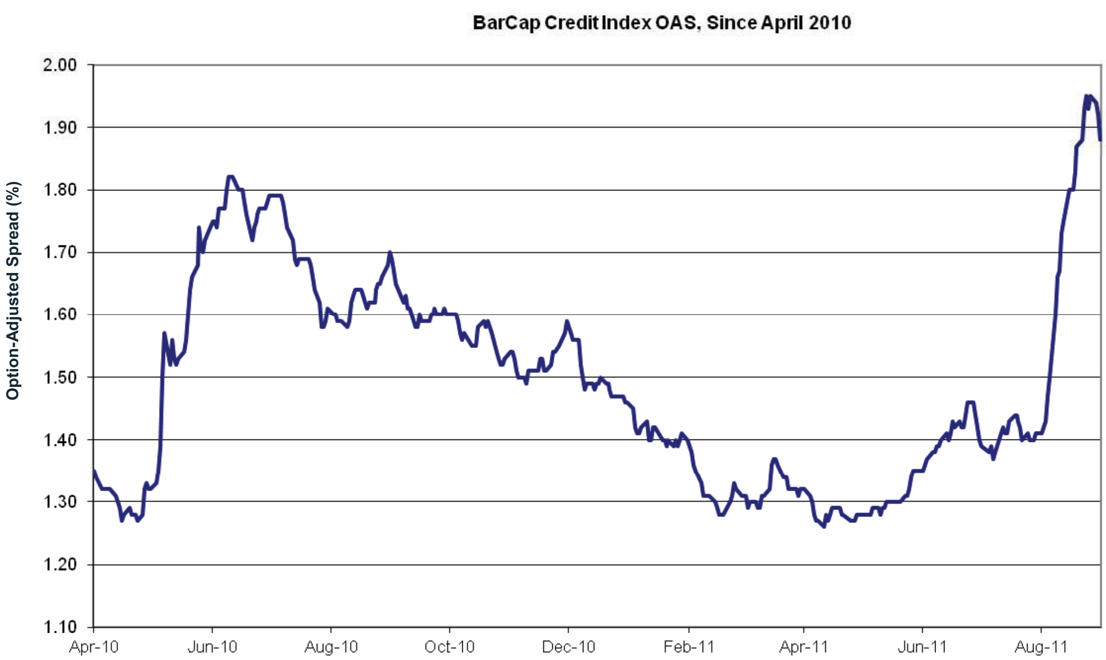
Treasury Yields Over Last Five Years



Source: Bloomberg, as of August 31, 2011

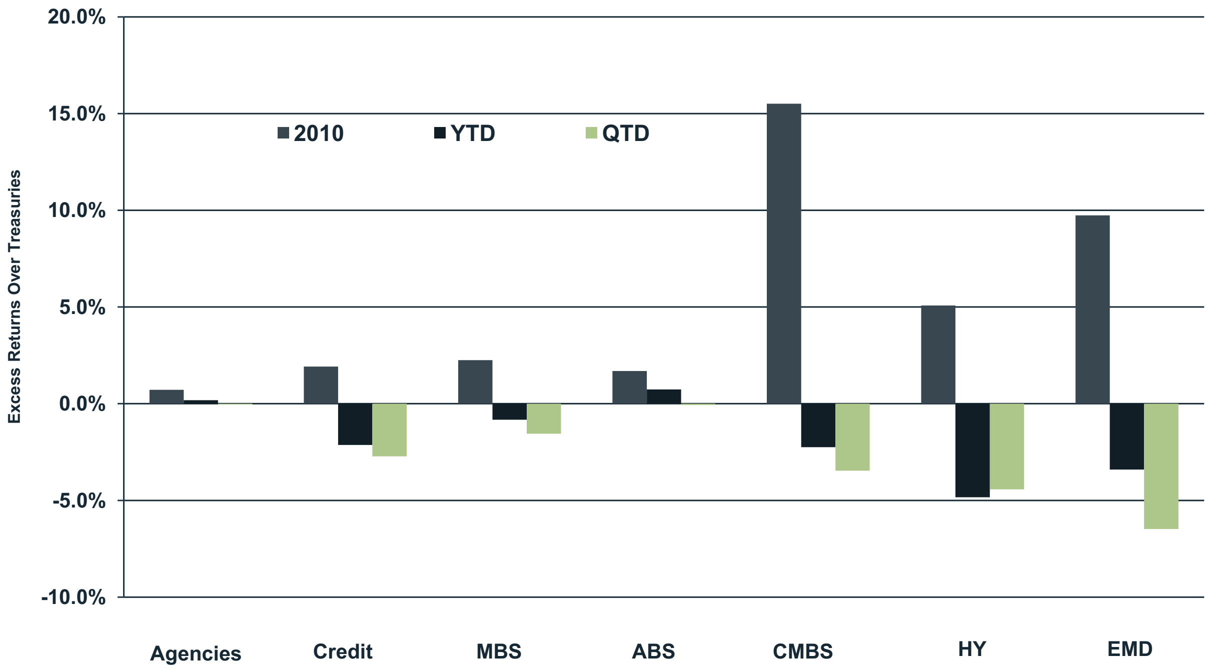
Credit Index Spread Since April, 2010



Credit		
Last	8/31/11	1.88
High on	8/26/11	1.95
Avg		1.49
Low on	4/11/11	1.26

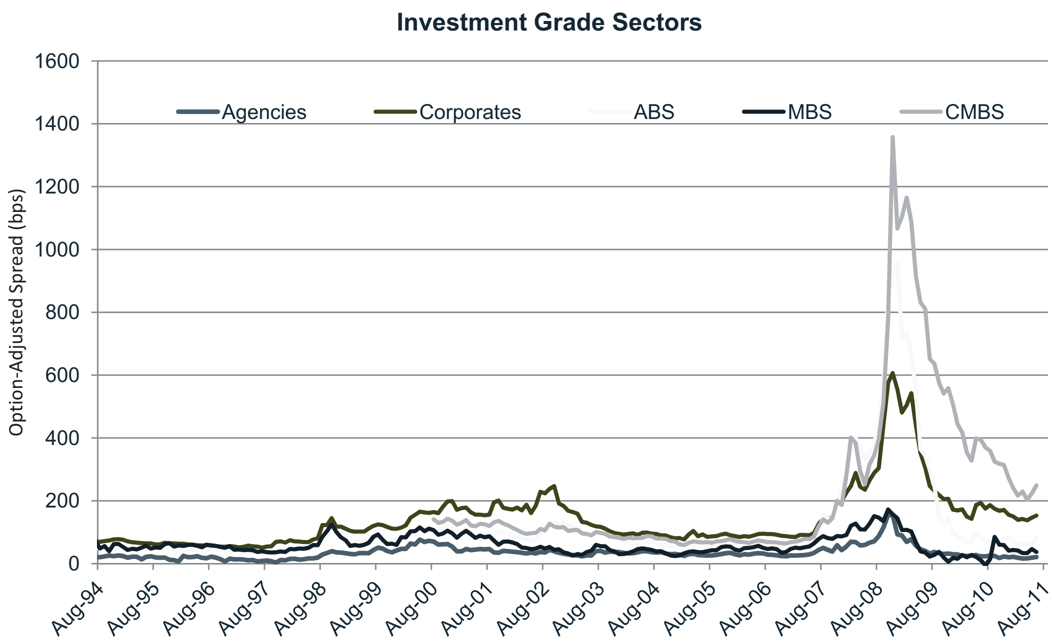
Source: Barclay's and FMR. As of 8/31/11

Sector Excess Returns vs. Treasuries



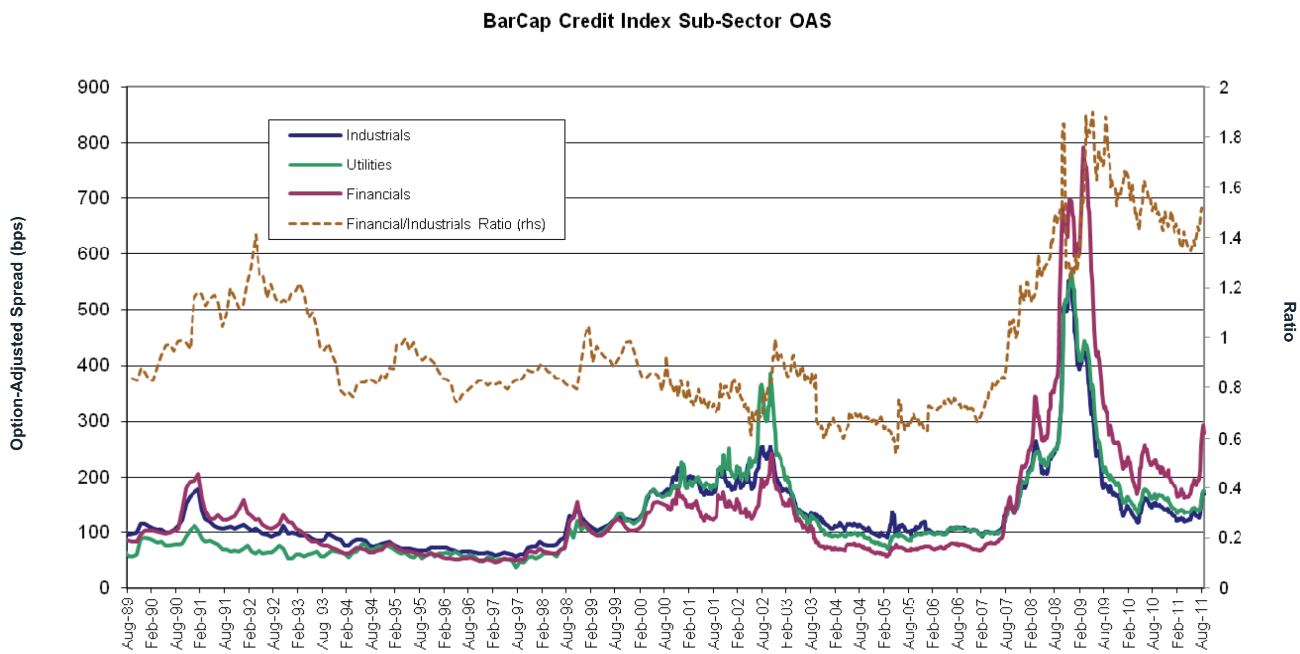
Source: Barclays, as of August 31, 2011
Sectors are sub-indices of the Barclay's Aggregate Index

Spread Sectors Over Time



Source: Barclays, as of August 30, 2011
Sectors are sub-indices of the Barclay's Aggregate Index

Credit Spreads by Sector



Industrials		
Last	8/31/11	168.58
High on	12/5/08	556.74
Avg		154.26
Low on	7/31/97	57.75

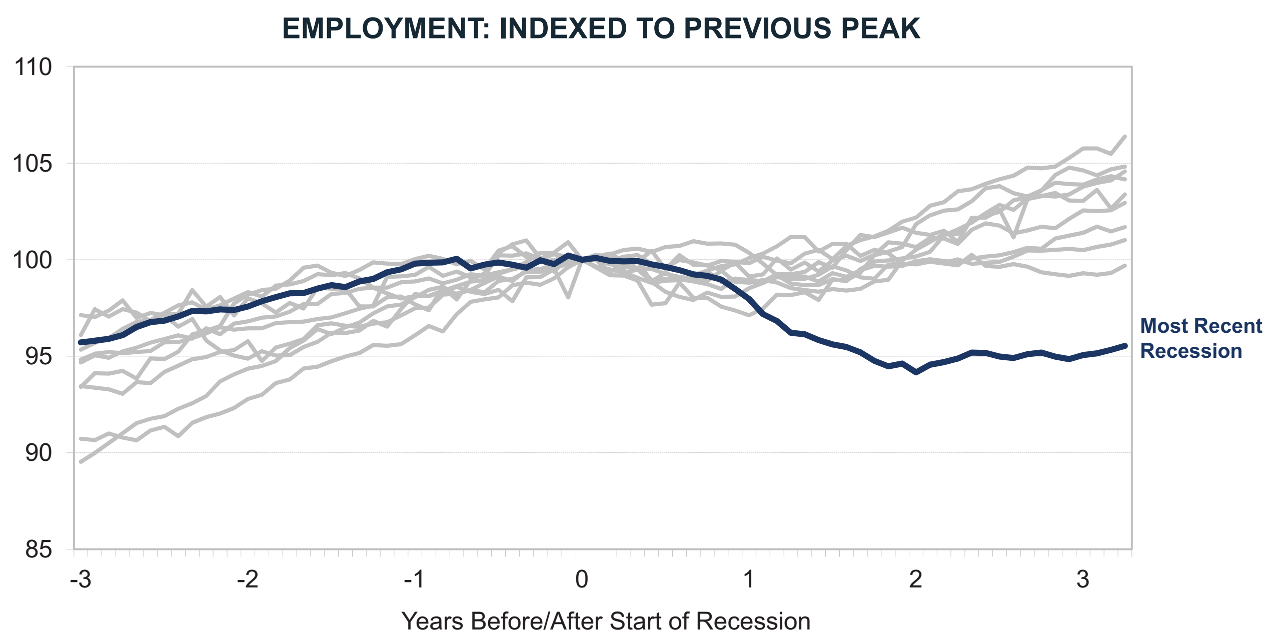
Utilities		
Last	8/31/11	173.48
High on	12/12/08	568.51
Avg		156.24
Low on	7/31/97	37.81

Financials		
Last	10/4/00	278.76
High on	3/13/09	792.48
Avg		165.19
Low on	2/28/97	46.36

Source: Barclay's and FMR. As of 8/31/11

201108-10018

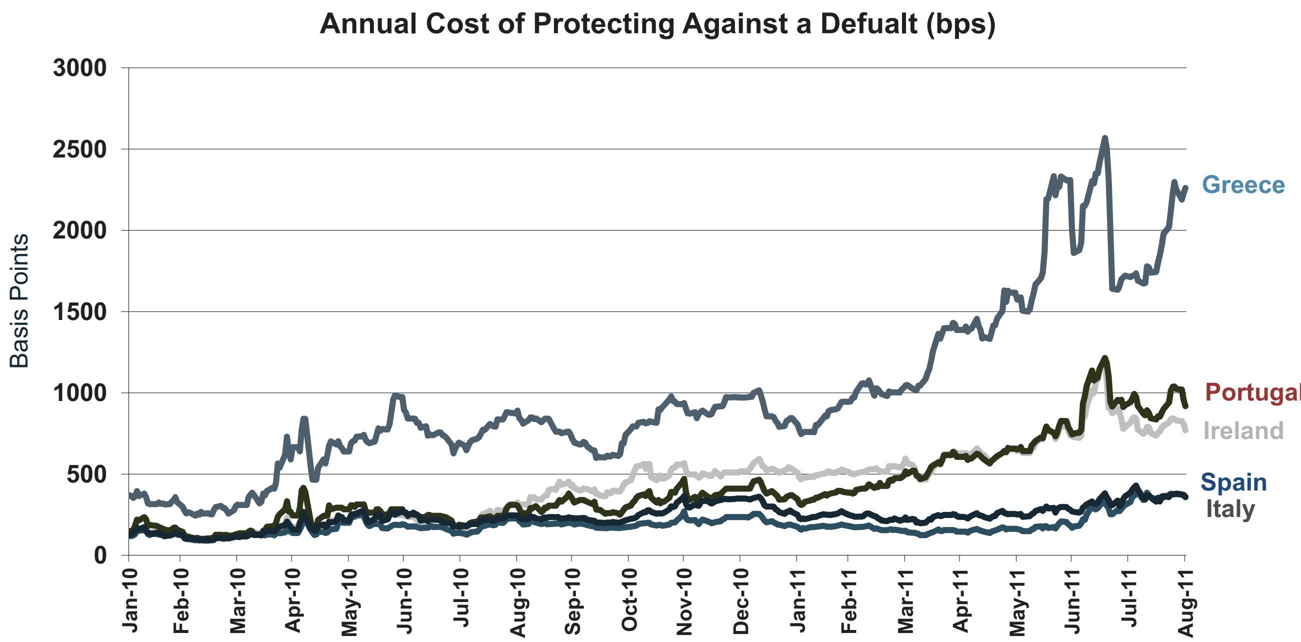
Employment Recovery Has Not Occurred Yet



Source: NBER, BLS/Haver as of March 31, 2011. Data represents Civilian Employment (SA, Thous).

201108-10018

European Peripherals Under Pressure



Source: Bloomberg; Data through 8/31/11

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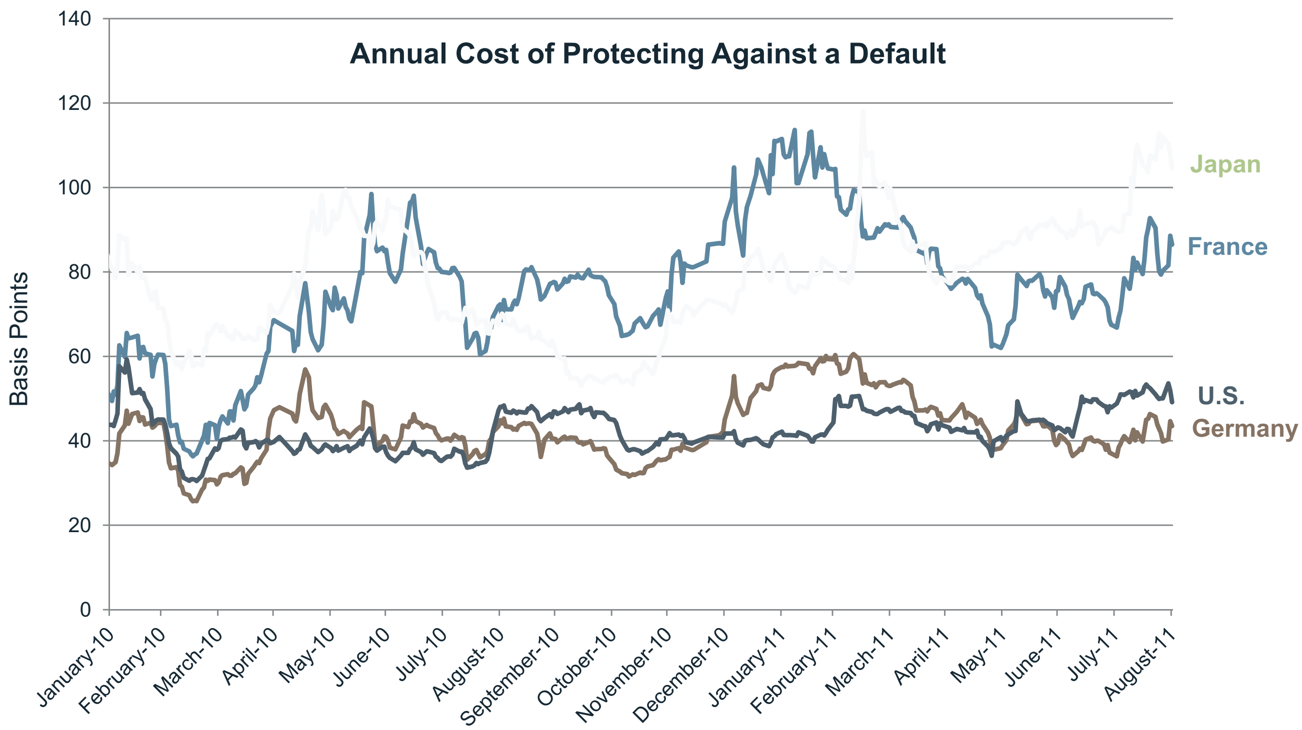
Sovereign Crisis Starting to Impact Larger Economies



Source: Bloomberg; Data through 8/31/11

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Performance and Positioning

Performance and Positioning Overview

The portfolio has performed well in the face of geo-political tensions, debt concerns and natural disasters

- Conservative positioning with strong security selection drove performance
- Added value over the past year as spread sectors outperformed
- Strong performance in Q2 when most spread sectors trailed Treasuries
- Minimal exposure to Europe
- Long-term performance in line with expectations

The current environment poses significant uncertainty with historically low rates

- While spreads have widened, significant risk factors do not justify large overweights to spread sectors
- May opportunistically add as valuations and opportunities warrant
- Security selection will likely be a greater source of alpha

Broad Market Duration Performance Review

Performance (preliminary) as of August 31, 2011

	Cumulative	Annualized			
	YTD	1-Year	3-Year	5-Year	SI (1/31/2006)
SamCERA (Gross)	6.10	5.95	9.28	6.81	6.54
BC US Aggregate Index	5.88	4.62	7.23	6.56	6.26
Active Return (Gross)	0.22	1.33	2.05	0.25	0.28

Preliminary performance numbers subject to material change until finalization. Please contact Pyramis for final performance numbers after the tenth business day after quarter end.
Performance shown is gross of any fees and expenses, including advisory fees, which when deducted will reduce returns.
Past performance is no guarantee of future results.

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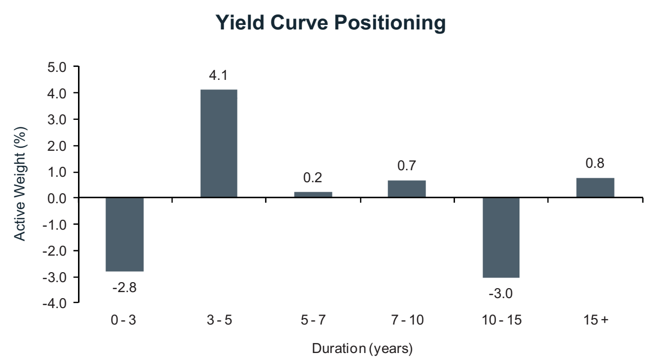
BMD Portfolio Characteristics

Characteristics	Portfolio	Index	Difference
YTW%	3.19	1.94	1.25
Duration	4.61	4.67	-0.06
OAS (bps)	125	39	86

	Percent Market Value		
Ratings	**Portfolio**	**Index**	**Difference**
AAA	71.6	77.3	-5.8
AA	2.5	5.7	-3.2
A	8.6	9.9	-1.3
BBB	15.4	7.1	8.3
Other	2.0	0.0	2.0
NR	0.0	0.0	0.0
Total	**100.0**	**100.0**	



Client data shown.
Data as of August 31, 2011.
Index is Barclays US Aggregate Index

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BMD Portfolio Characteristics – Sector Positioning

	Percent Market Value		
	Portfolio	**Index**	**Difference**
Treasury	16.68	33.61	-16.93
TIPS	4.66	0.00	4.66
Agency	1.04	7.01	-5.97
Sovereigns	1.81	4.39	-2.58
Agency MBS	40.37	32.79	7.58
Pass-throughs	37.34	32.79	4.55
CMO	3.03	0.00	3.03
Non-Agency MBS	2.60	0.00	2.60
Subprime	0.43	0.00	0.43
CMO	2.17	0.00	2.17
CMBS	7.05	2.13	4.92
Credit	23.06	19.81	3.25
Financials	12.98	6.93	6.05
Industrials	6.10	10.66	-4.56
Utilities	3.98	2.22	1.76
Consumer ABS	2.59	0.26	2.33
Cards	0.39	0.14	0.25
Auto	1.71	0.08	1.63
Other	0.49	0.04	0.45
Cash/Other	0.14	0.00	0.14
Total	**100.00**	**100.00**	

	Contribution to Duration (years)		
	Portfolio	**Index**	**Difference**
Treasury	1.49	1.85	-0.36
TIPS	0.34	0.00	0.34
Agency	0.06	0.29	-0.23
Sovereigns	0.09	0.22	-0.13
Agency MBS	1.23	0.92	0.31
Pass-throughs	1.18	0.92	0.26
CMO	0.05	0.00	0.05
Non-Agency MBS	0.00	0.00	0.00
Subprime	0.00	0.00	0.00
CMO	0.00	0.00	0.00
CMBS	0.16	0.08	0.08
Credit	1.20	1.30	-0.10
Financials	0.56	0.37	0.19
Industrials	0.40	0.75	-0.35
Utilities	0.24	0.18	0.06
Consumer ABS	0.04	0.01	0.03
Cards	0.00	0.01	-0.01
Auto	0.02	0.00	0.02
Other	0.02	0.00	0.02
Cash/Other	0.00	0.00	0.00
Total	**4.61**	**4.67**	

Client data shown.
Data as of August 31, 2011.
Cash/Other may include cash and derivatives. Index is Barclays US Aggregate Index

BMD Portfolio Characteristics – Investment Grade Credit

	Percent Market Value		
Credit Sub-Sector	**Portfolio**	**Index**	**Difference**
REITS	3.88	0.34	3.54
Insurance	2.24	1.08	1.16
Banking	5.79	4.66	1.13
Natural Gas Utility	1.68	0.68	1.00
Electric Utility	2.30	1.50	0.80
Brokerage	0.54	0.15	0.39
Communications	2.50	2.13	0.37
Transportation	0.47	0.40	0.07
Finance	0.53	0.67	-0.14
Other	0.00	0.15	-0.15
Energy	1.07	1.37	-0.30
Basic Industry	0.60	1.01	-0.41
Technology	0.00	0.91	-0.91
Consumer Cyclical	0.15	1.11	-0.96
Capital Goods	0.00	0.99	-0.99
Consumer Noncyclical	1.31	2.66	-1.35
Total	**23.06**	**19.81**	**3.25**

	Percent Market Value		
Top 10 Overweights	**Portfolio**	**Index**	**Difference**
Duke Realty	0.56	0.01	0.55
Prime Property	0.41	0.00	0.41
Petrobras Intl	0.49	0.12	0.37
Lazard	0.35	0.01	0.34
Suncor Energy	0.38	0.06	0.32
Pacific Life	0.30	0.00	0.30
Discover Bank	0.32	0.02	0.30
Symetra Financial	0.27	0.00	0.27
Citigroup	0.73	0.46	0.27
Duke Energy	0.26	0.00	0.26

Top 10 Underweights	Portfolio	Index	Difference
Kredit Fuer Wiederaufbau Global	0.00	0.56	-0.56
Brazil Republic	0.00	0.28	-0.28
AT&T	0.08	0.34	-0.26
Ontario Province	0.00	0.23	-0.23
Walmart	0.00	0.22	-0.22
Wachovia	0.18	0.38	-0.20
Italy (Republic of)	0.00	0.20	-0.20
HSBC	0.00	0.20	-0.20
Berkshire Hathaway	0.06	0.24	-0.18
American Express	0.00	0.17	-0.17

Client data shown.
Not representative of manager's entire portfolio or all recommendations. Not a recommendation or offer to buy or sell securities. Data as of August 31, 2011.
Index is Barclays US Aggregate Index

Appendix

Pyramis GLOBAL ADVISORS® | Fidelity Asset Management℠

Investment-Grade Team

	Industry Experience	Education
Group Heads		
Bob Brown	1985	B.S., Bryant College
Chris Sullivan	1984	M.A., University of California, CFA
Trading		
Norman Lind, Head Trader	1983	M.B.A., Cornell University
Alex Marx, Head Trader	1992	B.A., Princeton University
Corinne Austin	1972	B.A., University of Southern New Hampshire
Rich Bohan	1986	B.S. Providence College
Steve Borgioli	1994	M.B.A., Bentley College
David Boyea	1992	B.S., Western Michigan University
Ryan Brogan	2004	B.S., Providence College
Matthew Camacho	1989	B.S., University of Massachusetts, Dartmouth
Peter Caulo	1983	B.A., Merrimack College
Mark Chase	1993	M.B.A., University of Edinburgh
David DeBiase	1996	M.B.A., Boston College
Van Eswara	1993	M.B.A, Boston University, CFA
Eric Graham	2000	B.S., Boston College
Leigh Hesler	1986	M.B.A., University of Dallas
Rashmi Khare	2000	B.S., Massachusetts Institute of Technology
William Kramer	1988	B.A., Hartwick College
Steve Langan	1995	M.A., Colgate University
Kelly Lord	2001	B.S. University of New Hampshire
Michael Maka	2001	B.S., Babson College, CFA
Brett McClenning	2007	B.S., Northeastern University
Ryan Noonan	1996	M.B.A., Boston College
William O'Brien	1997	B.S., United States Military Academy
Lee Ormiston	1995	M.B.A, Babson College
Brent Osborn	2004	B.S., Boston College
Alex Ostrowski	2004	B.S., Babson College
Jay Small	1998	B.S., University of Virginia
Matt Smith	2000	B.S., Bryant College, CFA
Sri Tella	1995	M.B.A., Duke University
Maura Walsh	1992	B.A., College of the Holy Cross, CFA
William Wight	1992	B.A., Trinity College
Portfolio Managers		
Christine Thompson, CIO	1985	M.B.A., Wharton School of Business, U Penn, CFA
Bailey Bishop	1990	B.A., University of Vermont, CFA

	Industry Experience	Education
Franco Castagliuolo	1996	B.S., Bryant College, CFA
George Fischer	1989	M.B.A., Wharton School of Business, U Penn
Robin Lee Foley	1986	M.B.A., Boston University, CFA
Kevin Gaffney	1991	B.S., Lynchburg College
Rob Galusza	1987	M.S.F., Boston College
Curt Hollingsworth	1984	B.A., Boston University
John Houston	1992	M.S.M., Sloan School of Management, M.I.T.
Tim Huyck	1987	M.B.A., Southern Methodist University
Bill Irving	1998	Ph.D., Massachusetts Institute of Technology
Bob Litterst	1984	M.B.A., New York University
Michael Marchese	1983	L.L.M., Boston University School of Law
Catriona Martin	1993	M.A., University College, Galway
Doug McGinley	1989	M.B.A., Harvard Business School
Elizah McLaughlin	1999	M.B.A., Cornell University, CFA
Kim Miller	1987	M.B.A., University of Chicago
Brian Miron	1989	M.A., University of Toronto, CFA
Jeffrey Moore	1989	M.A., University of Waterloo, CFA
Michael Morin	1988	M.B.A, Fordham University, CFA
Gene Morrison	1995	B.A., University of Massachusetts, CFA
Ford O'Neil	1986	M.B.A., Wharton School of Business, U Penn
Jaime Pagliocco	1991	M.B.A., Seton Hall University
Christian Pariseault	1993	B.S., Saint Michael's College, CFA
Michael Plage	1997	M.B.A, University of Connecticut, CFA
Kerry Pope	1986	M.B.A., Boston University, CFA
David Prothro	1987	M.B.A., University of Texas, CFA
Karthik Ramanathan	1994	B.S., Columbia University
Kevin Ramundo	1988	M.B.A., Union College
Michael Schmitt	1990	M.B.A., Boston University, CFA
Jamie Stuttard	1999	B.A., Cambridge University
Mark Sommer	1992	Sc.M, Brown University, CFA
Daniel Tremblay	1994	M.A., Northeastern University, CFA
Sean Walker	1996	B.A., Hobart College
Michael Widrig	1985	M.B.A., Columbia University, CFA
Quantitative Research		
Venky Venkataramani	1989	M.B.A., XLRI (Jamesheddupur, India), CFA
Raghav Bansal	2005	Masters of Technology, Indian Institute of Tech.
Steve Crooks	2004	Ph.D., University of California
James Gerard	1982	Ph.D., California Institute of Technology

Data as of June 30, 2011. Data represents the combined resources of Pyramis and Fidelity Investments.

Investment-Grade Team (continued)

	Industry Experience	Education
Quantitative Research		
Maxim Golts	2005	Ph.D, Yale University
Gaurav Malhotra	2004	Masters, Indian Institute of Technology
Bill Morrissey	2001	M.S., University of Massachusetts
Hien Nguyen	1994	M.B.A., University of Chicago
David O'Brien	1997	B.S., University of Limerick
Ben Tarlow	1998	Ph.D., Columbia University
Akash Vallecha	1999	M.S., Southern New Hampshire University, CFA
Shaw n Verbout	2002	S.M., Ph.D., Massachusetts Institute of Technology
Jubao Zhang	2002	Ph.D., Massachusetts Institute of Technology
Li Zhu	2006	Ph.D., University of Florida
Credit Research		
Nancy Prior, Credit Head	1991	J.D., Northeastern University
Mark Flaherty, Municipal Head	1993	J.D., Harvard School of Law
David Hamlin, Credit Head	1989	M.B.A., University of Delaw are, CFA
Payal Agarw al	2003	M.B.A., FORE School of Management
Pramod Atluri	2001	M.B.A., Harvard Business School, CFA
Lauren Baker	2011	B.S., Bentley University
Yami Baker	1993	M.S.F., Boston College
Dinesh Balachandran	2001	B.S., Massachusetts Institute of Technology
Matthew Bartlett	1992	M.B.A., Loyola University
Christopher Bartoli	2006	Masters, CERAM Business School, France
John Beekman	1999	M.B.A., Yale School of Management
Alan Bembenek	1980	M.B.A., Dartmouth College, CFA
Brandon Bettencourt	2008	M.S. Worcester Polytechnical University
Neil Beddall	1991	Leasow es H.S.
Eric Bouchard	2010	B.S., Bentley University
Eric Bringardner	2011	B.S., Northeastern University
Harold Burger	2006	M.P.A., Syracuse University
Catherine Bush	2003	M.B.A., UCLA
John Cassidy	1991	B.A., Northeastern University
Rob Chan	1999	M.B.A., University of California, Berkeley, CFA
Tom Chistolini	1991	M.B.A., University of Connecticut, CFA
Claire Churchill	2009	B.A., University of New Hampshire
Kristina Clark	1997	B.S., Georgetow n University, CFA
Kevin Collins	2008	B.A., Yale University
Sean Corcoran	2002	M.B.A., Northeastern University, CFA
Michael Craft	1984	M.B.A., Stern School of Business, NY University, CFA
Cormac Cullen	2001	J.D., University of Virginia

	Industry Experience	Education
Nick Eisinger	1993	MSC, University of London
James Gallant	2007	B.A., Bryant University
Eric Gallic	2010	B.S., Boston College
Alex Galperin	2007	B.S., Babson College
Bradley Garcia	2010	B.A., Stanford University
Simon Geldenhuys	2008	B.A., University of Pennsylvania
Luke Gilroy	2004	B.A., Dartmouth College
Eric Golden	2003	B.S., Bentley College
Shaunn Griffiths	1994	Bachelor of Commerce, University of Queensland, CFA
Heather Hagerty	2000	M.S.F., Brandeis University, CFA
Kathryn Hagy	1993	B.S. Dartmouth College
Matt Healey	1992	B.A., Cornell University, CFA
Jay Hedstrom	2005	B.A., Boston College
Matthew Hegarty	1995	B.S., University of Bristol
Amy Johonnett	2005	M.B.A., Bentley College
Fabian Jones	2004	B.S., Massachusetts Institute of Technology
Colin Keenan	2001	M.B.A., Cornell University, CFA
Abhishek Khemka	2004	M.B.A., Finance, IMI New Delhi
Matthew Kinnan	2010	B.S., Georgetow n University
Martin Lemaire	2011	B.S., Northeastern University
Andrew Lew is	1997	M.A., University of Glasgow , CFA
Robert Mandeville	2007	B.A., Northeastern University
Bruce Martin	1988	M.S.F., Boston College, CPA, CFA
Lisa McLachlan	2003	BSc, University of Durham, UK, CFA
Andre Messier	1997	M.S., Boston College
John Murphy	1987	M.S., Adelphi University
Gregory Nelson	2010	B.S., University of Virginia
Thomas Nolan	2003	B.S., Cass Business School
Kana Norimoto	1994	M.A., Columbia University
Lenola Potami	2000	B.S., Bryant College
Julian Potenza	2003	B.S., Boston College
Mirjana Rives	1995	B.S., University of Phoenix
Steven Rolecek	2009	B.A., Harvard University
Carrie Saint Louis	1994	B.S., University of Virginia
Anurag Sanghai	1999	Chartered Acct, India, BC-Calcutta
Ben Schuler	1998	J.D., Boston College Law School
Jaimin Shah	2004	B.S., London School of Economics
Neel Shah	2004	B.S., University of Bath, UK
Karan Vazirani	2011	B.S., Babson College
John Vetter	1988	B.S., St. John's University, CFA

Data as of June 30, 2011. Data represents the combined resources of Pyramis and Fidelity Investments.

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Fixed Income Assets Under Management

	Institutional (billions $)	Retail (billions $)	Total (billions $)
Broad Market Duration	$9.6	$62.9	$72.5
Intermediate Duration	1.9	4.9	6.8
Short Duration	2.6	10.4	13.0
LDI/Credit	6.2	1.0	7.2
Government	0.1	9.7	9.8
Mortgage Backed Securities	1.4	20.2	21.6
TIPS	0.5	10.6	11.1
Canadian	1.2	12.8	14.0
Stable Value	46.4	0.0	46.4
Municipal	0.2	26.3	26.5
Passive Strategy	0.9	20.4	21.3
High Yield	2.6	58.5	61.1
Leveraged Loans (High Yield)	1.7	15.1	16.8
Emerging Market Debt	1.1	9.1	10.2
High Yield CMBS	2.4	2.2	4.6
Core Plus*	2.3	13.7	16.0
Total Bonds	**$78.8**	**$264.1**	**$342.9**
Total Money Market	**$241.6**	**$259.1**	**$500.7**
Total Fixed Income Assets	**$320.4**	**$523.2**	**$843.6**

Data as of June 30, 2011.
* Core Plus assets are not included in total figures because they have been incorporated into the figures of the underlying investment categories.

201108-10018

Important Information

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

Risks

Past performance is no guarantee of future results. An investment may be risky and may not be suitable for an investor's goals, objectives and risk tolerance. Investors should be aware that an investment's value may be volatile and any investment involves the risk that you may lose money.

The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

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

Derivatives may be volatile and involve significant risk, such as, credit risk, currency risk, leverage risk, counterparty risk and liquidity risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances. Investments in derivatives may have limited liquidity and may be harder to value, especially in declining markets.

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

Important Information

Performance Data

Unless otherwise indicated performance data shown is client data. Performance data is generally presented gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. All results reflect realized and unrealized appreciation and the reinvestment of dividends and investment income, if applicable. Taxes have not been deducted. In conducting its investment advisory activities, Pyramis utilizes certain assets, resources and investment personnel of FMR Co., which does not claim compliance with the Global Investment Performance Standards (GIPS®).

If representative account information is shown, it is based on an account in the subject strategy's composite that generally reflects that strategy's management and is not based on performance.

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

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Not FDIC Insured - No Bank Guarantee - May Lose Value

Biographies

Bailey Bishop, CFA
Institutional Portfolio Manager

Bailey Bishop is an Institutional Portfolio Manager within the Fixed Income Division of Fidelity Investments. In this role, he is responsible for the development, implementation and oversight of institutional fixed income investment strategies.

Prior to assuming his current role, Bailey was a Vice President and Senior Product Engineer for State Street Global Advisors (SSgA). In that role, he was responsible for product management, research and development of SSgA's institutional equity beta products. Prior to joining SSgA in 2000, Bailey spent 10 years at Scudder Kemper Investments, the last six as an emerging markets trader in the Fixed Income Group. He has 21 years of investment industry experience.

Bailey earned a Bachelor of Arts degree in Psychology from the University of Vermont. He is a Chartered Financial Analyst charter holder, and an affiliate member of the Market Technicians Association.

Sue Curran
Senior Vice President, Relationship Manager

Sue Curran is senior vice president and relationship manager at Pyramis Global Advisors, a unit of Fidelity Investments.

Prior to assuming her current role, she was a director at Deutsche Asset Management, responsible for covering public funds in the western region of the U.S. Before joining Deutsche Asset Management, Sue was a vice president of public funds at Bank of America. Prior to that, she held various management and sales positions at Merrill Lynch. Sue has over 20 years of experience.

Sue earned a Bachelor of Arts degree from Wheaton College. She holds the Financial Industry Regulatory Authority (formerly NASD) Series 7 and 63 licenses.

Fact Sheet
As of June 30, 2011

Broad Market Duration

Key Facts

Inception date:	Jun 30, 1988
Style focus:	Core
Duration emphasis:	Neutral
Benchmark:	BC US Aggregate Bond
Target excess return (bps): †	50–70
Expected tracking error (bps):	50–75
Total product assets (USD): ††	$72.8 B

Portfolio Management

	Industry Experience Since	Firm Experience Since
Ford O'Neil	1985	1990
Jeff Moore	1990	1995
George Fischer	1983	1989

Contact Information

Chris Pariseault, CFA
Fixed Income Institutional Portfolio Manager
603-791-7688
christian.pariseault@pyramis.com

Bailey Bishop, CFA
Fixed Income Institutional Portfolio Manager
603-791-1813
bailey.bishop@pyramis.com

Earl McKennon, CFA, CPA
Fixed Income Investment Director
603-791-7237
earl.mckennon@pyramis.com

Overview

The Broad Market Duration discipline seeks to outperform the Barclays Capital Aggregate Bond® Index by investing in a full spectrum of US dollar–denominated investment-grade securities. An integral part of the strategy is intensive risk management. We concentrate our resources where we believe they have the greatest competitive advantage and can add the most value. Thus, our process emphasizes sector allocation and individual security selection, while managing duration in-line with the index. Macroeconomic and top-down perspectives also play a role in complementing our fundamental research. Portfolios seek to be well diversified across sectors and issuers. A typical portfolio has an average corporate issuer weighting of 0.5%.

The investment decision-making process is implemented within a team framework. However, each account has a lead portfolio manager, who is responsible for all sector and security decisions. The lead portfolio manager is supported by the co-members of the team as well as the investment professionals from the entire Fixed Income organization. The team structure provides for multiple inputs and unique perspectives from all aspects of the investment process, yet individual accountability from the lead portfolio manager.

Portfolios are constructed using fundamental analysis and in-depth quantitative research. On the credit front, our credit analysts perform fundamental and relative value analysis on the industries and issuers in their universe. By leveraging equity analysts around the globe* and meeting with company management, we are able to identify relative value opportunities but more importantly, we seek to minimize downside risk.

We augment this fundamental analysis with our proprietary quantitative modeling. Each day we model over 140,000 securities across the entire investment-grade universe. Our quantitative analysis encompasses the government, credit, and securitized sectors, providing us with a comprehensive understanding of risk and return characteristics in the market. By using proprietary modeling, we have a deeper understanding of model inputs/outputs and can also enhance or modify our models in a timelier and more efficient manner.

An integral component of our investment process is risk management. Risk management begins with diversification and minimizing idiosyncratic risk through our proprietary research. A dedicated compliance group monitors client guidelines in real-time and enhances the portfolio management teams' oversight of client guidelines. In addition, investment teams meet regularly with Senior Management to discuss portfolio positioning and active positions to ensure consistency across portfolios and exposures.

*Resources described herein include the combined resources of Pyramis, Fidelity Investments, and Fidelity International.

†Target excess return is presented gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. Although Pyramis believes it has a reasonable basis for any gross excess returns, there can be no assurance that actual results will be comparable. Actual results will depend on market conditions over a full market cycle and any developments that may affect these investments and will be reduced by the deduction of any fees and expenses associated with the investment.

††Effective January 1, 2011, Pyramis changed the definition of its firm for GIPS purposes. See GIPS Composite Performance Data for more information.

Broad Market Duration

As of June 30, 2011

Philosophy

We focus our attention on areas of the market where we believe our resources have the greatest competitive advantage, seeking strong risk-adjusted performance by adhering to the following principles:

- Emphasis on sector valuation and security selection
- Independent, broad-based fundamental research
- Proprietary quantitative research
- Disciplined risk management
- Team structure that facilitates multi-dimensional investment perspectives

How can Pyramis' Fixed Income Strategy benefit your organization?

- Through seeking strong, long-term performance
- By depth of global research and investment resources*
- With experienced portfolio management and a disciplined team approach
- Through a commitment to sophisticated risk management technology
- With a competitive fee structure

Composite Performance (%) in USD

	Cumulative		----------------------Annualized----------------------				
	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr
Broad Market Duration (Gross)	2.44	3.39	5.77	8.12	7.03	6.43	6.85
Broad Market Duration (Net)	2.37	3.25	5.48	7.85	6.76	6.16	6.57
BC US Aggregate Bond	2.29	2.72	3.90	6.46	6.52	5.74	6.32
Active Return (Gross)	0.15	0.67	1.87	1.66	0.51	0.69	0.53
Active Return (Net)	0.08	0.53	1.58	1.39	0.24	0.42	0.25

The inception of this composite is June 30, 1988.

Net performance is less the maximum advisory fee charged any client employing this strategy; other fees and expenses may reduce returns.

Portfolio Characteristics

	Broad Market Duration	BC US Aggregate Bond
Duration (yrs)	4.66	4.88
Yield (%)	3.55	2.64

Quality Allocation (%)

	Broad Market Duration	BC US Aggregate Bond
AAA	71.0	77.3
AA	2.4	5.8
A	8.6	9.8
BBB	15.9	7.2
Other	2.0	0.0
Total	100.0	100.0

Sector Allocation (%)

	Broad Market Duration	BC US Aggregate Bond
U.S. Treasury	22.7	32.9
U.S. Agency	0.7	6.2
Other Govt Related (U.S. and Foreign)	2.1	5.7
Corporate	23.2	19.8
MBS Passthrough	32.1	32.8
ABS	3.3	0.3
CMBS	7.2	2.3
CMO	5.1	0.0
Cash	8.4	0.0
Net Other Assets	(4.6)	0.0
Total	**100.0**	**100.0**

*Resources described herein include the combined resources of Pyramis, Fidelity Investments, and Fidelity International.

Net Other Assets includes cash, repurchase agreements, receivables and payables, and may include notional assets/liabilities of certain derivative instruments if held by the portfolio.

Past performance is no guarantee of future results. Representative account information is shown. Supplemental information is complemented by the GIPS Composite Performance Data. Representative account information is based on an account in this strategy's composite that generally reflects the strategy's management and is not based on performance. An individual account's performance will vary due to many factors, including inception dates, portfolio size, account guidelines, and type of investment vehicle.

GIPS Composite Performance Data

As of June 30, 2011

Broad Market Duration NCF Composite (USD) Versus Barclays Capital U.S. Aggregate Bond Index

Period	Composite Return (Gross%)	Composite Return (Net%)	Benchmark Return (%)	Value Added (%)*	Number of Portfolios	Total Composite Assets End of Period ($M)	Composite 3 Year Standard Deviation (%)	Benchmark 3 Year Standard Deviation (%)	Asset Weighted Standard Deviation (%)	Percent of Firm's Assets
2011 YTD	3.39	3.25	2.72	0.67	14	32,464	4.88	4.16	N/A	5%
2010 Annual	8.48	8.20	6.54	1.94	10	7,396	4.94	4.23	0.54	4%
2009 Annual	15.93	15.64	5.93	10.00	9	7,768	4.85	4.17	1.43	5%
2008 Annual	(2.30)	(2.55)	5.24	(7.54)	14	10,513	4.24	4.03	1.85	6%
2007 Annual	5.22	4.96	6.97	(1.75)	14	13,228	2.57	2.80	1.26	5%
2006 Annual	4.74	4.48	4.33	0.41	12	10,249	3.13	3.26	0.19	4%
2005 Annual	2.91	2.65	2.43	0.48	10	7,750	4.04	4.12	0.11	4%
2004 Annual	5.12	4.86	4.34	0.78	8	6,353	4.27	4.34	N/A	4%
2003 Annual	5.74	5.48	4.10	1.64	less than 5	4,170	4.20	4.26	N/A	3%
2002 Annual	10.85	10.57	10.25	0.60	less than 5	3,406	3.39	3.40	N/A	3%
2001 Annual	9.22	8.90	8.44	0.78	less than 5	2,964	3.44	3.39	N/A	3%

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

Notes

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

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

Basis of Presentation
The Firm claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The Firm has been independently verified for the periods January 1, 1990 through December 31, 2009. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all of the composite requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The Firm's list of composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

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

Composite Description
The investment objective of this sub-composite is to achieve absolute and risk-adjusted returns in excess of the Barclays Capital U.S. Aggregate Bond Index through investments in investment-grade fixed income securities including primarily government, corporate, structured securities, and commingled vehicles. The sub-composite is composed of all fee-paying discretionary accounts that are managed by the Firm in this style. This sub-composite, along with one or more other sub-composites, combine to create an aggregate composite.

Composite Creation Date
This composite was created in 1993

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

Fee Schedule
The maximum scheduled investment advisory fee for this strategy is 28 basis points, which may be subject to certain decreases as assets under management increase. The investment advisory fee applicable to a portfolio depends on a variety of factors, including but not limited to portfolio size, the level of committed assets, service levels, the use of a performance fee or minimum fee arrangement, and other factors.

Effect of Investment Advisory Fee
Returns will be reduced by the investment advisory fee and any other expenses incurred in the management of the portfolio. For example, an account with a compound annual return of 10% would have increased by 61% over five years. Assuming an annual advisory fee of 28 basis points, the net return would have been 59% over five years.

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

Past performance is no guarantee of future results.
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Important Information

Information presented herein is for discussion and illustrative purposes only and is not a recommendation nor an offer or solicitation to buy or sell any securities.

Past performance is no guarantee of future results. An investment may be risky, may fluctuate in value, and may not be suitable for all investors.

This strategy's performance will change daily based on changes in interest rates and market conditions and in response to other economic, political or financial developments. Debt securities are sensitive to changes in interest rates depending on their maturity, and may involve the risk that their prices may decline if interest rates rise or, conversely, if interest rates decline, their prices may increase. Debt securities carry the risk of default, prepayment risk and inflation risk. Changes specific to an issuer, which may involve its financial condition or economic environment, can affect the credit quality or value of an issuer's securities. Lower-quality debt securities are often considered to be speculative and involve greater risk, especially in periods of general economic difficulty. The value of mortgage securities may change due to shifts in the market's perception of issuers and changes in interest rates, regulatory or tax changes. Foreign markets, particularly emerging markets, can be more volatile than the US market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the US market.

Derivatives may be volatile and involve significant risk, such as credit risk, currency risk, leverage risk, counterparty risk and liquidity risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances. Investments in derivatives may have limited liquidity and may be harder to value, especially in declining markets.

Products and services presented here are managed by the Fidelity Investments companies of Pyramis Global Advisors, LLC, a registered investment adviser, or Pyramis Global Advisors Trust Company, a non-depository limited purpose trust company. Pyramis products and services may be presented by Fidelity Investments Institutional Services Company, Inc, Fidelity Investments Canada ULC, Fidelity International, Fidelity Brokerage Services LLC, Member NYSE, SIPC, all non-exclusive financial intermediaries that are affiliated with Pyramis.

Pyramis has prepared this material for, and only intends to provide it to, institutional, sophisticated, and/or qualified investors. Do not distribute or reproduce this material.

This investment strategy may be offered to certain qualified investors in the form of interests in a privately-offered fund offered by Pyramis Distributors Corporation LLC. Such interests will not generally be transferable, listed on any exchange and it is not anticipated that they will be tradable. Such interests may also be subject to certain collateral risks. Before investing, any potential investors should receive and read a copy of such fund's confidential private placement memorandum.

Pyramis does not provide legal or tax advice and we encourage you to consult your own lawyer, accountant, or other advisor before making any investment decision.

Pyramis Global Advisors I 900 Salem Street, Smithfield, RI 02917

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San Mateo County (CA) Employees' Retirement Association
The Board of Retirement

Review Questionnaire – Pyramis Global Advisors

Organizational Update

1) **Provide an update on your firm as a whole and specifically for the Broad Market Duration product in the following categories (a) changes to structure, (b) growth and acquisition of assets under management, (c) clients gained or lost in the past year.**

The ownership of FMR LLC (commonly known as Fidelity or Fidelity Investments) has been consistent since its founding and there are no pending changes of the current structure in the future. Fidelity is fully owned by active employees (51%) and the founding Johnson family (49%). Private ownership has provided Fidelity with a stable platform to pursue long-term business goals. Pyramis Global Advisors Trust Company (PGATC) is a New Hampshire Trust Company duly organized and existing under the laws of the State of New Hampshire and is an indirect, wholly-owned subsidiary of Fidelity that acts as the top-tier holding company of a group of affiliated financial services companies more commonly known to the public as "Fidelity." As a bank, PGATC is exempt from registration under the Investment Advisers Act of 1940. The New Hampshire Deputy Secretary of State issued the Trust Company's charter on October 4, 2005, and the New Hampshire Banking Department issued its certificate of authority for the Trust Company to commence business on October 17, 2005.

Growth and Acquisition of Assets under Management

Total assets at PGATC have grown since its inception in November 2005 from $102 billion to $176 billion as of June 30, 2011. Growth and acquisition of assets under management in the Broad Market Duration strategy has been as follows:

- For the year ending December 31, 2009, our Broad Market Duration discipline gained 3 new accounts, representing $768.1 million in assets. During this same time period, the strategy lost 6 accounts, representing $1,184.8 million in assets.
- For the year ending December 31, 2010, the strategy gained four new accounts, representing $1,037.27 million in assets. During this same period, the strategy lost seven accounts, representing $885.56 million in assets.

As of June 30, 2011, Broad Market Duration had $8.3 billion in assets across 47 institutional accounts.

There have been no changes to the structure of the management of our Broad Market strategy during the past year.

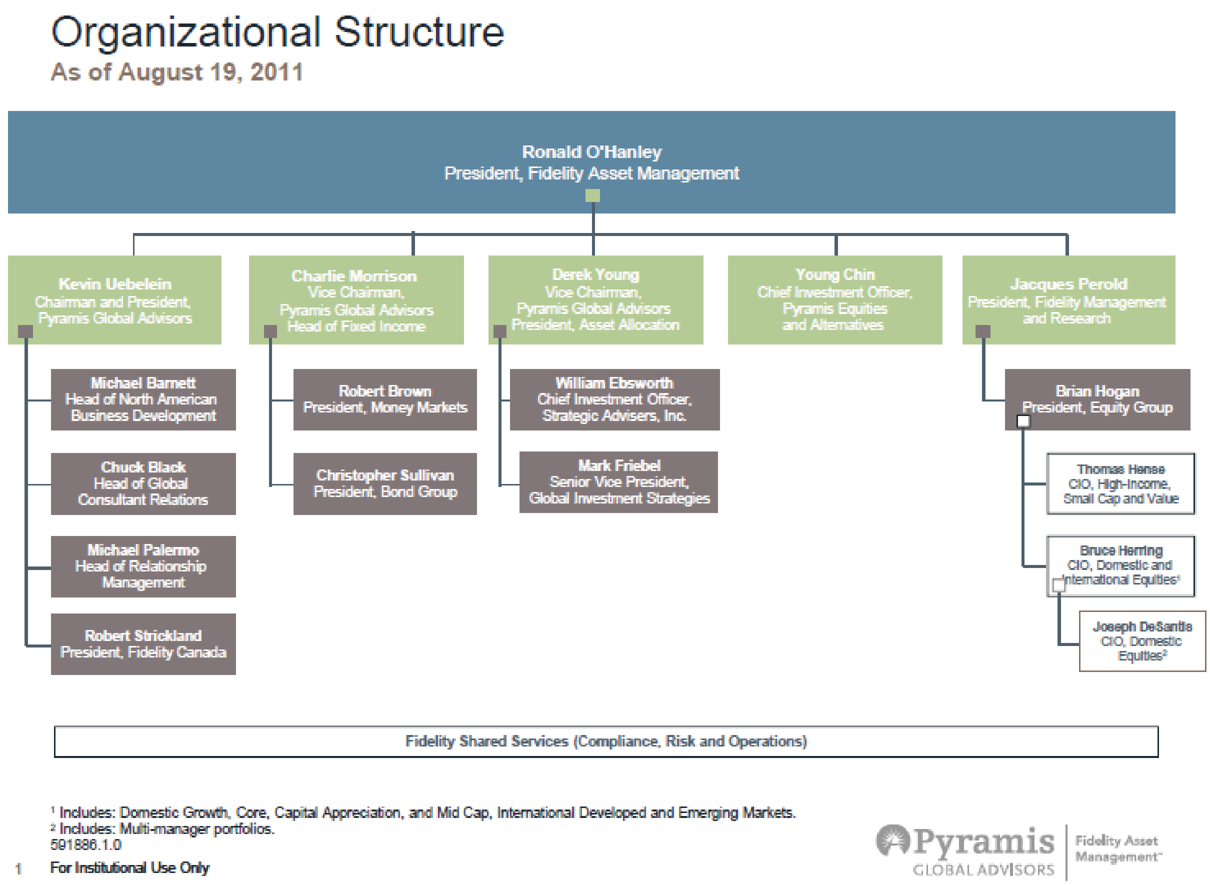
2) **What is your firm's philosophy and current policy regarding new business?**

Overall, the depth of our global resources and the diversity of our strategies have allowed us to grow as an organization. The ability Pyramis Global Advisors (Pyramis) has to leverage the powerful and efficient infrastructure of the Fidelity Fixed Income Division is one of our greatest competitive advantages and provides us with the best means to serve the institutional marketplace with innovative and high-quality asset management. Our proactive approach to hiring, our consistent philosophy and processes, and our ability to manage additional funds allow us to dedicate the resources needed to meet our client's needs while taking advantage of market opportunities over the next three years and beyond.

Pyramis is a client-focused investment company with an unwavering commitment to people, process, and technology. We are driven to generate superior investment performance and exceed our client's expectations for results, innovation, and integrity. Pyramis' primary goal is to be a trusted provider of world-class institutional asset management solutions for our clients. Pyramis' extensive global research capabilities and commitment to risk management enable us to deliver on that promise. Our clients also benefit from informed client service and renowned thought leadership on pension and investment issues.

3) Please specify separately the individuals (up to ten) who you feel are key to the success of your firm.

It is impossible to single out 10 individuals as the keys to the success of PGATC; we believe that every PGATC associate contributes to our success. The chart below outlines the senior management team, which is responsible for leading the Firm's various business units.



4) Please specify separately the individuals (up to ten) who you feel are key to the success of your firm's fixed income division. Identify those involved with the Broad Market Duration product.

Following are the key individuals involved in the success of our Fixed Income Division and our Broad Market Duration strategy:

Name	Title/Responsibility
Chris Sullivan	President, Bond Group
Christine Thompson	Chief Investment Officer, Fixed Income Division
Ford O'Neil	Aggregate Team Portfolio Manager
Jeff Moore	Aggregate Team Portfolio Manager
George Fischer	Aggregate Team Portfolio Manager
Bailey Bishop	Institutional Portfolio Manager

The success of our fixed income portfolios is dependent upon the consistency of our performance, team, and process. Please note that the above individuals are further supported by the entire fixed income division, which includes 69 research analysts, 17 portfolio managers, and 32 traders (please note that these employee numbers do not include our money market investment professionals).

5) Update all significant personnel changes to the "*SamCERA* Team," at Pyramis.

Portfolio Management

With regard to the SamCERA portfolio management team, which continues to include Portfolio Managers Ford O'Neil, Jeff Moore, and George Fischer, institutional portfolio management has been transitioned from Chris Pariseault to Bailey Bishop. A biography for Bailey follows:

Bailey Bishop, CFA
Institutional Portfolio Manager

Bailey Bishop is an institutional portfolio manager within the Fixed Income Division of Fidelity Investments. In this role, he is responsible for the development, implementation and oversight of institutional fixed income investment strategies.

Prior to assuming his current role, Bailey was a vice president and senior product engineer for State Street Global Advisors (SSgA). In that role, he was responsible for product management, research and development of SSgA's institutional equity beta products. Prior to joining SSgA in 2000, Bailey spent 10 years at Scudder Kemper Investments, the last six as an emerging markets trader in the Fixed Income Group. He has 21 years of investment industry experience.

Bailey earned a Bachelor of Arts degree in Psychology from the University of Vermont. He is a Chartered Financial Analyst charter holder, and an affiliate member of the Market Technicians Association.

In addition, in June 2010, Christine J. Thompson was named Bond Group Chief Investment Officer for the Fixed Income Division.

Client Service

For the client service team, Senior Account Executive Paul Cahill continues as SamCERA's account executive, while Relationship Manager Art Greenwood has transitioned the SamCERA portfolio to long-term Pyramis relationship manager Sue Curran. A biography for Sue follows:

Sue Curran
Senior Vice President, Relationship Manager

Sue Curran is senior vice president and relationship manager at Pyramis.

Prior to assuming her current role, she was a director at Deutsche Asset Management, responsible for covering public funds in the western region of the US. Before joining Deutsche Asset Management, Sue was a vice president of public funds at Bank of America. Prior to that, she held various management and sales positions at Merrill Lynch. Sue has over 20 years of experience.

Sue earned a Bachelor of Arts degree from Wheaton College. She holds the Financial Industry Regulatory Authority (formerly NASD) Series 7 and 63 licenses.

6) Describe your firm's management succession plan. Have dates been established regarding succession of any key personnel, specifically those in the preceding questions?

Each portfolio that we manage is assigned a back-up portfolio manager who is also a member of the Investment Team. Our emphasis on a highly collaborative team structure provides for maximum transfer of information among team members regarding the management of client accounts. When the primary portfolio manager is out-of-reach or leaves the firm, the back-up portfolio manager assumes responsibility for the management of the portfolio. He or she works closely with the other team members on portfolio strategy. In nearly all cases, the back-up portfolio manager already manages a similar mandate, making the transition seamless.

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? E-mail your firm's most recent ADV Parts I, II, and IIb to gclifton@samcera.org.**

From time to time, in the regular course of its business, PGATC (including directors, officers, partners, trustees) may be involved in legal proceedings (including, but not limited to, bankruptcy, receivership or similar proceedings). There are no material legal proceedings pending against PGATC that might affect the services contemplated herein. PGATC may also be involved in legal proceedings including, but not limited to, litigation, arbitration, or regulatory proceedings. Also, from time to time, in the normal course of its business, PGATC may receive inquiries (including subpoenas and voluntary requests for information) from regulatory authorities or law enforcement; a regulator may conduct an on-site examination; or a regulator may commence an investigation. The Firm does not make public comment about such inquiries, examinations, or investigations unless and until enforcement proceedings are initiated.

PGATC is not registered with the SEC as an investment advisor. PGATC is a New Hampshire limited-purpose trust bank. As a bank, PGATC is exempt from SEC registration under the Investment Advisers Act of 1940 and is therefore not required to file Form ADV.

8) **Has there been any litigation specific to the product in which *SamCERA* invests?**

No.

9) **When did the Securities Exchange Commission, Attorney General, and/or the NASD last audit your firm? Please note any material findings or recommendations.**

PGATC is a New Hampshire limited-purpose trust company. It is excluded from the definition of an investment adviser under Section 202(a)(11)(A) of the Investment Advisers Act of 1940 (Advisers Act) because it is a bank as defined in Section 202(a)(2) of the Advisers Act. Therefore, PGATC is exempt from Securities and Exchange Commission (SEC) registration as an investment adviser.

The State of New Hampshire Office of the Bank Commissioner authorized Pyramis Global Advisors Trust Company to begin transacting business on October 17, 2005. As of May 1, 2008, deposits of PGATC became insured by the Federal Deposit Insurance Corporation (FDIC) and, accordingly, PGATC is subject to federal oversight by the FDIC.

The New Hampshire Banking Division and the FDIC conducted a routine examination of PGATC in April, 2009. There were no material findings identified by the examiners.

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.**

Pyramis maintains coverage for errors and omissions. This policy protects Pyramis against third-party suits that allege a failure in professional services performed by any Pyramis officer, director, trustee, or employee. This protection applies to acts or failures to act that result in the breach of our fiduciary duty as an investment manager, custodian, or trustee. Also included in the protection is indemnification of officers and directors. Total program limits are in excess of $100,000,000.

Fidelity Financial Institutions Bond Coverage protects Pyramis and its clients' assets against losses resulting from dishonest or fraudulent acts committed by employees, officers, and directors whether committed alone or in collusion with others. Total program limits are in excess of $100,000,000.

Electronic and Computer Crime Coverage protects Pyramis and its clients' assets against losses resulting from fraudulent activity by means of computers or electronic transmissions. Total program limits are $100,000,000.

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

Pyramis has adopted Fidelity's Code of Ethics. As instructed, we have emailed a copy of our Code of Ethics.

12) What are the current technologies utilized in supporting the investment and back-office processes?

Fidelity views our technology platform as a major competitive advantage within the institutional services marketplace, and is committed to technology investment and innovation. As a testament to that commitment, Fidelity has an annual technology budget in excess of $3 billion across the enterprise. Within the Fixed Income Division, we believe that efficient organization of information is just as important as breadth of information. As a result, our Fixed Income quantitative research analysts continuously work to develop efficient technological interfaces between our research, portfolio management and trading platforms. To do this, the team seeks to build maximum flexibility into our systems to provide information to the investment team in useful, timely and efficient ways. Since all of the quantitative capabilities used in the management of Broad Market Duration portfolios are developed internally, ongoing improvements and refinements are easier to implement. A side benefit of the ongoing improvement of quantitative capabilities is the extraordinarily in-depth understanding of the portfolio inputs and exposures among our fixed income investment professionals who actively participate in the process of refining models and systems. In addition, the portfolio management process is further enhanced by our ability to alter quantitative methods in a timely manner in response to changing market conditions, including the introduction of newly-developed products to the marketplace. Following are some of the quantitative models and systems used in the management of Broad Market Duration portfolios:

Term Structure Model: Our term structure model fits off-the-run Treasury securities to construct a term structure yield curve. We use the observed prices of off-the-run, non-callable Treasuries to derive a set of zero-coupon discount raters that best equate to those prices. The fitted discount rates uniquely identify the spot, par, and forward yield curves. This model is the underlying foundation for our OAS and Prepayment Models, as well as the first model to feed our "Exposure Analysis," an internally developed capability that helps the portfolio team monitor individual security and overall portfolio risk relative to the benchmark by all relevant risk types, including duration, convexity, yield curve exposure, sector allocation, and individual security exposure.

Prepayment Model: Our proprietary prepayment model quantitatively characterizes the homeowner's decision process with regard to the incentive to refinance or relocate—taking into account the effect of interest rates and the robustness of the housing market. The model tracks the evolution of the detailed composition of the mortgage pool's refinanceability in terms of borrower willingness, ability, and readiness to refinance. Each driver of prepayments (housing turnover and refinancing) is modeled independently and summed for an overall prepayment rate. The output from the prepayment model is used to project mortgage cash flows, which are discounted using short rates simulated from the output from our proprietary term structure and interest rate models to derive MBS OAS, OAD, OAC, etc. These characteristics help us to determine MBS relative value and convexity hedging.

Asset Allocation Model: The asset allocation model is a 10-factor model that analyzes relationships between 40 pre-defined sub-sectors in the fixed income universe and produces an optimal sector allocation. The model seeks to achieve a set excess return over the benchmark while minimizing tracking error. These 10 factors help to explain 95% of the empirical spread sector and yield curve volatility. Our analysis is done for several indices, including the Lehman Aggregate Index.

Scenario Analysis: Scenario analysis is performed at both the security and portfolio level. We perform scenario analysis on a daily basis for most fixed income securities in our universe. There are

13 interest rate scenarios consisting of unchanged, shift, and twist yield curve movements. We also allow for interactive analysis, incorporating spread changes into the estimated scenarios.

Contingent Claims Model: Fidelity's Contingent Claims Model is used to identify risk adjusted value at the issuer level using a theoretical debt/equity relationship using option theory, thus measuring spread volatility given a change in equity prices and implied option volatility. This approach allows us to perform a cross-sectional evaluation by comparing a universe of issuers based on expected risk/return and a time series assessment by comparing single issuers over time.

Other models include our Tracking Error Volatility Model, Risk Management System, and Performance Attribution System.

Back-Office

Our back-office operations are an integral part of our investment platform. For our institutional assets, we use Sungard's Invest One accounting system, which is a real-time, multi-currency general ledger-based accounting system capable of handling all types of investment portfolios, security classes, and transactions.

With respect to investment compliance, our core compliance system, the Fund Monitoring System, is an automated, rules-based system that interfaces with the Fidelity trading system. This system contains over 4,000 rules with warning and violation limits assigned as appropriate. If a trade is entered into the system that could potentially violate client guidelines or compliance regulations, the system will "flag" the violation within seconds and send a message to the trader (if the restriction can be tested at time of trade) and to a compliance specialist for investigation. The trader, portfolio manager, and compliance specialist work together to resolve the issues at the time of the trade.

In addition, our Compliance Status Inquiry System is available to portfolio managers, traders, and investment compliance personnel. This system provides the compliance status on each fund or client account as of the beginning of the day and is updated with each trade during the day. Portfolio managers and traders can view the investment limitations for the accounts they are managing and discern where they stand in regard to those limitations.

13) Describe the relative strength and longevity of your back-office staff. Provide the location of the investment and accounting back-office staff for this product. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.

Within the Fixed Income Division, we have continually added resources around our legal, investment, and back office support. For example, Fidelity employs over 60 individuals in our Investment and Compliance group, which is dedicated to the investment and compliance and regulatory reporting function. Within this group, nine individuals are now devoted solely to our Fixed Income Division, and sit on the trading desks with our portfolio managers, research analysts, and traders. The group monitors transactions to verify compliance with portfolio restrictions, regulatory requirements, and industry or company-specific investment policies. Each of these individuals is well versed in the regulatory and compliance issues surrounding the management of fixed income portfolios.

We also utilize Fidelity Pricing & Cash Management Services (FPCMS), which provides accounting and investment management support services to Fidelity separate accounts, commingled pools, and mutual funds. These services include calculating and distributing NAVs, distribution rates, and yields for a wide variety of investment products; preparing fund financial statements, dividend estimates, and tax returns; monitoring delivery of fund trades to custodian banks; processing corporate actions; collecting securities income on behalf of the funds; reconciling, reporting, and moving money in support of fund shareholder transactions; and managing fund liquidity.

FPCMS reconciles all cash transactions in each portfolio to the custodian books on a daily basis. Market value and share reconciliations to the custodian books are performed on a monthly basis. Any cash and position discrepancies are immediately communicated to the custodian for resolution. Also, price discrepancies are reconciled each month and any pricing discrepancies are addressed with the custodian for source verification and accuracy.

FPCMS is based in Boston, MA, and has extensive and experienced global trade operations team that works to settle the trades and reconcile positions with global custodian and settle all income events. A multi-currency fund accounting system takes care of daily bookkeeping including accruals, accretion, and amortization processing.

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?

Pyramis' and Fidelity's technology infrastructure is a key component to our success as an investment management organization. We consider our investment management, back-office, client service, and communication systems critical to achieving our goal of providing best in class investment management and client service to the institutional marketplace. Fidelity makes a major commitment to technology and infrastructure to enhance portfolio management and client service by reinvesting more than 20% of its annual revenue back into technology. We are continuously evaluating our internal systems and make modifications and upgrades as needed.

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

At Pyramis, significant resources—including staff, time, facilities, and equipment—are dedicated to managing our Business Continuity Program. This program allows us to continue to provide the full spectrum of financial services in the event of an incident affecting operational functions, applications, networks, and/or building sites. Our goal is to provide uninterrupted service; and in so doing ensure that our clients' interests, as well as our own, are best protected.

Pyramis is able to leverage Fidelity-wide resources as well as invest specifically in a business unit Business Continuity Plan. Fidelity has established an Enterprise Business Continuity (EBC) team that drives business continuity planning efforts. This team provides guidance, training, expertise, and governance to all Fidelity business units. Fidelity's Enterprise Business Continuity System has obtained BS25999 Certification.

EBC maintains strong ties with Federal, state, and local agencies (e.g., Homeland Security, Police, Fire, etc.) that have jurisdiction over event management for each Fidelity location. EBC is responsible for emergency event management and alternate site readiness. EBC also provides oversight of business unit continuity plans and testing practices, which culminates in a semi-annual scorecard that is independently sent to business unit presidents.

EBC assigns a business continuity liaison to work with the Pyramis continuity planner, who in turn works with relevant business function representatives, application owners, and network owners to evaluate the business requirements and identify alternative facilities, equipment, and essential personnel to ensure that procedures are in place to quickly recover from any type of business interruption.

The main goals of the Pyramis Business Continuity Program are to:

- Understand and anticipate a disruption in service
- Create awareness and avoid complacency
- Establish, test, and maintain effective recovery procedures

The program documents the planning and recovery processes required to maintain our critical business functions during an unexpected business interruption and throughout the recovery. It is guided by procedures that involve all employees and vendors and is subject to periodic audits.

Performance

16) Is the performance composite constructed for *SamCERA's* portfolio in GIPS compliance? If yes, when was the last GIPS verification performed? Who performs your GIPS verification? Please provide a copy of the most recent verification.

Compliance with the GIPS Standards has been independently verified for the period January 1, 1990, through December 31, 2009. PricewaterhouseCoopers, LLP, is our verifier for GIPS compliance. Please see the attached "Pyramis GIPS Signed Opinion (2009)" letter for our most recent verification.

17) What is the Broad Market Duration's expected tracking error to the Barclays Capital Aggregate? What are the expected sources of the tracking error?

Although tracking error is typically targeted to be 50–75 basis points per annum over three- and five-year market cycles, our realized tracking error may vary depending on market conditions. For example, we have recently lowered our internal tracking error target given our increased concern about a slowing economy, macro event risks and market volatility. Typically, when spreads are tight and volatility is low, we use less tracking error. On the other hand, at the beginning of 2009, internal tracking error budgets were loosened. The portfolio had a 35% weighting to Credit, which was double the benchmark weight, as well as a 5% overweight to CMBS. Although these combined positions indicate a higher level of acceptable tracking error, if we had not dialed up risk at this time, we would have missed the subsequent rally within these sectors.

18) Detail your firm's perspective of *SamCERA's* performance expectations for your firm, as spelled out in the contract and *SamCERA's Investment Policy*. How is your firm doing relative to those expectations?

The Portfolio seeks to generate returns that exceed the Barclays Capital Aggregate Bond Index (the "Benchmark") through investments in fixed income securities and commingled vehicles. We have successfully met this goal. As of June 30, 2011, the SamCERA BMD portfolio has generated 23 basis points of excess return on a net basis.

19) What is your firm's source(s) for pricing fixed income instruments? Discuss pricing methodology and issues related to pricing. What is the process followed for resolving significant pricing differences between your firm and *SamCERA's* custodian, State Street Bank & Trust?

Fidelity uses multiple sources to value its securities. Most securities have a primary and secondary source. Fidelity uses several sources to collect security prices including Reuters, Interactive Data Corporation, Bloomberg, brokers, and others.

Fidelity has a centralized pricing area that supports our institutional portfolios, as well as Fidelity mutual funds and all other products. On a daily basis, we collect prices for more than 41,000 securities. Over 90% of our securities are priced using automated sources.

We use several pricing sources to ensure our clients' assets are priced as efficiently and accurately as possible. We use the same sources and prices for all of our products, including retail and institutional products. All securities and portfolios receive a value daily.

Pricing services use valuation matrices that incorporate both dealer-supplied valuations and electronic data processing techniques.

If an event that is expected to materially affect the value of a security occurs after the close of an exchange or market on which that security trades, but prior to the official NAV calculation time, then that security will be fair valued taking the event into account. Securities (including restricted securities) for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures under general supervision. Price movements in futures contracts and ADRs, market and trading trends, the bid/ask quotes of brokers and off-exchange institutional trading may be reviewed in the course of making a good faith determination of a security's fair value. Short-term securities with remaining maturities of sixty days or less for which quotations are not readily available are valued on the basis of amortized cost. Investments in open-end investment companies are valued at their net asset value each business day.

Daily pricing tolerance checks are performed on price movements and vary by asset class and can be adjusted to reflect market volatility. Our procedures are designed to isolate exceptions. All significant price deviations are verified with alternate pricing sources, another pricing vendor, brokers, and/or our securities trading professionals. While our investment professionals do not provide security prices to value our portfolios, we have the advantage of leveraging their market expertise when pricing complex securities or verifying exceptions.

FPCMS provides accounting and investment management support services to Fidelity separate accounts, commingled pools, and mutual funds. FPCMS reconciles all cash transactions in each portfolio to the custodian books on a daily basis. Price discrepancies are reconciled each month and any pricing discrepancies are addressed with the custodian for source verification and accuracy.

20) Discuss the fixed income market and *SamCERA*/Pyramis' relative success or failure in the current market.

Market conditions have been extremely volatile in 2011. The first quarter of the year was a continuation of a rally in risk-related assets, as the US economy continued to show signs of recovery from the 2008 recession. Positioning in the SamCERA BMD portfolio was beneficial. An underweight to Treasuries in favor of top-performing spread sectors such as financial corporates and commercial mortgage backed securities (CMBS) were key contributors to outperformance.

We slowly began to realize some of these gains and reduce portfolio risk levels in the second quarter. Valuations were no longer as compelling as they had been heading into the year. The timing of this risk reduction proved beneficial. In recent months there has been a marked downturn in risk assets, as markets reacted to a myriad of new risks. These included an escalating fiscal crisis in Europe, deteriorating economic data in the US, and a downgrade of US Treasuries.

During this downturn, bonds have provided positive absolute returns while areas such as equities have suffered large losses. However, within fixed income, Treasury securities now enjoy the strongest year-to-date total return despite historically low yields. This has provided a headwind to our performance on a relative basis, as we generally underweight Treasuries. At the same time, the recent reduction in risk levels and strong issue selection have maintained positive excess returns. Looking ahead we remain cautious on the economy and will likely keep our risk levels low, seeking to add opportunistically to areas in which we see clear opportunity.

21) Discuss the addition and deletion of clients in this product for the years 2008, 2009 & 2010. Include a discussion, by year, regarding the nature of net change in clients.

The following table shows client gains and losses for the Broad Market Duration strategy over the past three years.

	BMD Client Gains	BMD Client Losses
2010	0	2
2009	1	3
2008	1	6

Several client accounts were moved from our Broad Market Duration product to our Core Plus and Long Duration strategies over the past several years. In 2008 and 2009 there were several transitions from Broad Market Duration to Core Plus to allow clients to take advantage of additional alpha-generating opportunities in the Plus sectors (for example, High Yield and Emerging Markets Debt). More recently many plan sponsors have moved from Broad market Duration to Long Duration in an effort to better match the duration of their assets to their liabilities.

22) **Discuss the change in assets managed for this product for the years 2008, 2009, and 2010. Were any staff support positions for this product eliminated?**

The following table shows asset gains and losses for the Broad Market Duration strategy over the past three years.

	BMD Asset Gains ($M USD)	BMD Asset Losses ($M USD)
12/31/2010	1,037.27	885.56
12/31/2009	185.06	2,684.23
12/31/2008	1,113.79	878.13

No staff positions were eliminated for this product.

23) **Discuss the change in total assets managed by your firm for the years 2008, 2009, & 2010. Which products gained or lost the most assets?**

The following table shows asset gains and losses for the firm over the past three years.

	Firm Asset Gains ($M USD)	Firm Asset Losses ($M USD)
12/31/2010	9,706.22	14,576.71
12/31/2009	8,037.32	6,121.17
12/31/2008	13,763.14	4,718.60

The following table shows the products that gained or lost the most assets over the past three years.

	Largest Product Asset Gains ($M USD)	Largest Product Asset Losses ($M USD)
12/31/2010	Dynamic Asset Allocation 1,687.16	Quantitative Large Cap Core 1,315.66
12/31/2009	Select Europe 1,083.60	Broad Market Duration 2,684.23
12/31/2008	Select International 3,299.36	Core Plus 1,169.61

Investment Strategy and Process

24) **Provide a full review of the investment process, including (a) who is responsible for various stages of the process, (b) a performance attribution which reflects your assessment of the value added by your investment discipline, (c) your assessment of the risks associated with *SamCERA's* portfolio, (d) what methodologies are employed to evaluate risk and perform bond scenario testing, including a description of the software you have in place, and (e) which parts of your investment process are not functioning as well as you would expect?**

The investment process within our Broad Market Duration strategy emphasizes security selection, sector allocation, and to a lesser extent, yield curve positioning. We do not rely on active duration management within the portfolio, but instead maintain duration within a very narrow band around that of the benchmark (+/- 0.30 years of the index.).

Following is more detail regarding the primary components of our process:

Issue Selection (60% of value added): Avoiding downside risk and identifying undervalued issues is the primary objective of our fundamental research. It is our belief that the ability to tactically take offensive and defensive positions, depending on market conditions, will result in value-added over the long term.

Fundamental and relative value analysis is driven by 60+ dedicated fixed income research analysts who are organized by industry. Analysts rank issuers in their universe on a granular scale ranging from buy to sell. This forms a basis for broader discussions with portfolio managers and traders. Analysts discuss industry trends and traders offer real-time relative value metrics on common issuers in order to complement the issuer-specific research. Analysts leverage the broader Fidelity research platform, including 400+ high yield, equity, and international analysts located worldwide. This results in better access to company management, customers, suppliers, and competitors, translating into a full 360-degree view of the company. This same type of fundamental rigor is also incorporated into our securitized sector analysis. For example, our analysts perform in-depth fundamental and quantitative analysis on all asset-backed securities, including property/collateral, prepayment, and loan structure analysis. The same holds true for our commercial and residential mortgage analysis.

Final security and sector level decisions are made by the lead portfolio manager but are driven by input from members of the portfolio teams and the entire Fixed Income Division. It is critical to our process that all of our investment-grade professionals—including portfolio managers, analysts and traders—contribute to the issue selection process. As such, they are located in a single, state-of-the-art trading room recently upgraded and expanded in 2011. This unique open floor plan facilitates optimal communication, and provides for multiple inputs and unique perspectives from all aspects of the investment process. We purchase only investment-grade securities and generally overweight those debt issues where our research can add the most value.

Issue selection within the portfolio incorporates a blend of judgments, including assessment of such factors as:

- Quantitative portfolio characteristics
- Fundamental characteristics of specific sectors and issuers
- Appropriate pricing relationships between and within sectors
- Structural changes taking place within the market
- Supply and demand conditions
- Liquidity conditions and overall market sentiment

Sector Selection (30% of value added): The firm's approach to sector/industry diversification is to evaluate both the fundamental characteristics and the relative value of each sector to determine its appropriate weighting in the portfolio. We use a combination of fundamental and quantitative modelling. Our asset allocation model optimizes the sector allocation based on an expected alpha target, all while minimizing tracking error. The model output forms the basis for team discussions and is combined with the fundamental sector analysis and bottom-up security selection evaluation outlined above. We also incorporate a Tracking Error Volatility (TEV) Model that quantifies expected TEV resulting from exposures to multiple correlated and idiosyncratic risk factors. This quantitative output is combined with our fundamental views to determine sector over and under weights relative to the index. It also allows us to decompose expected portfolio tracking error relative to the index along 25 different systematic risk factors.

In general, we find that the best sector opportunities lie within the non-Treasury/Agency sectors like credit, mortgages, and asset-backed securities. Our ability to add value across all of these sectors under different market environments over the long term has been the hallmark of our investment process.

Yield Curve Placement (10% of value added): On a daily basis, we model the portfolio's exposure along the yield curve and compare the output with the characteristics of the benchmark. We also maintain an internally generated model using principal components analysis that examines potential yield curve reshapings and their potential impact on portfolio returns. From this analysis, we pick securities that we find are undervalued, making sure that exposure is not too divergent from the benchmark. Overall, we expect to add more value from sector and issue selection relative to our yield curve placement.

Macro Perspectives: To a much greater degree than in the past, global macro perspectives now inform our investment process. These perspectives are most evident at the sector level, as well as the positioning of our strategies across the yield curve. These global macro perspectives serve a twofold function: (1) they represent potential sources of alpha and (2) they facilitate the risk management process. The risk management process itself includes a qualitative component and a quantitative component. The purview of the qualitative component is the global political, social, and economic environment. This environment represents a potential source of systemic risk that can significantly impact not only the overall performance of the credit markets, but also the relative performance of different sectors of the credit markets – an obvious case in point being the performance of government bonds relative to corporate bonds during periods of stress or unrest – be they political, social, or economic, such as the recent sovereign debt crisis in Greece. We have developed a formal, disciplined, structured process for monitoring the global macro environment, evaluating the investment implications of this environment, developing a consensus view on the potential rewards and risks represented by this environment, and incorporating this view into our strategies.

Attribution: Our performance evaluation seeks to decompartmentalize the portfolio to each variation from the benchmark from the perspective of our main performance drivers – issue selection, sector selection and yield curve positioning.

Risk Management: As it related to the stated objective of the SamCERA investment policy, risk is viewed relative to the benchmark, Barclay Capital Aggregate Bond Index. As such, tracking error is the key quantitative measurement of portfolio risk. Risk management is a primary component of our process. We view risk management as integral to a successful portfolio strategy, and support the risk management process in a number of ways, including our research platform, and in-depth quantitative capabilities, among others (noted below):

Tight Risk Controls and Diversification

Portfolios only invest in US dollar denominated investment grade securities. We also ensure broad diversification by investing across a wide-range of sectors and limit issuer exposures to less than 1.0%, with an average of 0.5%. Idiosyncratic risk is the major driver of risk in a bond portfolio because of the asymmetric payoff relative to equities. Thus, our first line of defence is solid research but our second line of defence is diversification. By keeping our average issuer to less than 0.5% we essentially eliminate the impact a single security can have on performance due to a major sell off.

Research Platform

Exceptionally broad research coverage (60+ investment-grade research analysts) facilitates timely risk identification and avoidance of blow ups. Further, our analysts gain a wider, more multi-dimensional perspective on risk via access to information and ideas generated from analysts within Fidelity's larger research network (400+ high yield and equity analysts located worldwide). This is our first line of defence against idiosyncratic risk and underperformance.

Quantitative Modelling

The portfolio team has access to one of the most comprehensive modelling capabilities in the industry. We model the entire universe of 40,000+ securities daily, and can apply an identical comparative framework across both our portfolios and the benchmark. In this way, we are able to view all holdings relative to the benchmark from unlimited perspectives, and gain a daily, comprehensive understanding of portfolio sensitivities. Our state-of-the-art quantitative models are developed by an in-house team of 14 quantitative analysts. Because we build and maintain our own models, we have a thorough understanding of model inputs/outputs related to risk, and an opportunity to refine models on an ongoing basis as new market risks arise.

Collaborative Team Environment

A team environment fosters information sharing amongst portfolio managers, analysts and traders, critical to creating a multi-faceted and comprehensive understanding of security, sector and marketplace risks. Analysts and portfolio managers within the team are able to draw upon the research and interaction of other specialized analysts (including corporate credit, mortgage-backed and intermediate duration, among others) located in the same, large open-office space. Analysts work collaboratively and discuss industry trends; traders offer real-time relative value metrics on common issuers.

Systems Technology

Our information technology expertise provides real-time links between portfolio managers, traders and analysts, fostering information sharing with regards to marketplace and security risks. Systematic analytics and data feeds eliminate the reliance on individual input for daily reporting.

Real-Time Compliance

Our firm employs a dedicated fixed income compliance team that systematically monitors all clients on a real time basis to ensure full compliance. Portfolio managers are also responsible for oversight but the dedicated compliance team provides an additional layer of independent oversight.

Although the performance of the portfolio recently has been below expectations, we have strong conviction regarding the core of our investment approach and philosophy, which emphasizes bottom-up fundamental and quantitative research. On the margin, we have recently made refinements to our process, including the following:

– Our team focus has been enhanced to ensure greater and more consistent application of "best ideas" from team members.
– We are evaluating the investment process to incorporate new perspectives (such as macro-economic factors) to complement our current process.

25) 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?

Each client portfolio has a lead portfolio manager who is responsible for all sector and security level decisions and is the fiduciary on the portfolio. The lead portfolio manager is supported by co-members of the team as well as the other 100+ investment professionals within the Fixed Income Division. The team structure provides for multiple inputs and unique perspectives from all aspects of the investment process, yet individual accountability resides with the lead portfolio manager.

Analysts discuss their favorite sector and issuer recommendations through formal published research and relative value rankings, and through informal discussions on the trading desk. These discussion and model-output reviews happen formally through weekly and daily team meetings and from real-time discussions on the trading floor each day. Since our portfolio managers sit on the trading floor adjacent to the traders and analysts, the information flow is very efficient. No single input mechanism drives the decision-making process as each individual contribution is a critical component to generating new ideas.

26) 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?

We believe a distinguishing characteristic of the Broad Market Duration discipline is its ability to outperform in most market environments. One of our greatest assets is our considerable breadth of research coverage, which enables us to identify relative value opportunities across all sectors in continuously changing and varied market environments. We rely on an investment process that is structured and predictable, while maintaining a dynamic approach that allows us to exploit market opportunities.

One challenging environment for the Broad Market Duration Discipline is when US Treasuries significantly outperform other market segments, usually due to a significant flight to quality. Since we tend to overweight non-Treasury sectors where we believe our in-depth investment research adds maximum value, including the corporate, MBS, and securitized sectors, we would suffer in this environment. Historically, we have only seen this occur under short, stressed time periods.

27) **Are there sectors or securities that cause your strategy more difficulty?**

We believe that there are no securities that cause particular difficulty for our strategy. The size and scale of Fidelity and our fixed income operation allow us the advantage of breadth and depth. All sectors within the benchmark and many that are not part of the benchmark are covered by dedicated analysts and traders.

Research drives our investment process. We have a significant commitment of resources to the research platform in terms of people, processes, and systems to generate alpha and minimize controllable risks for client portfolios.

28) **Describe in detail the types of mortgage- and asset-backed securities, including related derivatives (e.g., ABX CDS), that are used in the portfolio.**

We use our research capabilities to add value across all sectors within the mortgage market, including the following segments:

Agency MBS
We analyze collateral across GNMA, FNMA, and FHLMC in the following ways:

TBA Generic Collateral
Within the TBA market, we either take delivery of generic collateral or enter into a dollar-roll transaction. We will typically roll 25% of the portfolio on average. Rolls generally appear to be more attractive to us when the yield curve is steep and Wall Street needs collateral to create CMOs.

Pool-Specific Selection
In conjunction with buying generic collateral in TBA form (either taking delivery or rolling forward), we also specifically select pools that we believe have attractive characteristics. We analyze thousands of pools a day based on inventory from the largest dealers on Wall Street. Using their offering prices, we run each bond through our proprietary models which allows us to sort and evaluate over 2,000 bonds in a matter of minutes. We look for the best spread pickup over TBA generic collateral and/or evaluate our confidence in the prepayment speeds based on model and historical data. Some of the variables that we monitor include: geographical location, FICO scores, LTV ratios, owner-occupied versus investment property, and seasoning, among others.

We perform a similar analysis across new sectors of the mortgage market, such as hybrid mortgages. As the mortgage sector has expanded, we now need to model securities across structure (fixed rate versus adjustable rate for example), quality (prime through sub-prime) and size (jumbo versus conforming). Each security type has its own complex features and sensitivities to prepayments.

CMOs
Within the CMO market, we value all major Wall Street dealer CMO inventories (500–1000 bonds) on a daily basis. Although these inventories include agency and non-agency collateral, we purchase mostly agency-backed deals. These include PACs and supports, Sequentials, Floaters, inverse floaters, and structured IOs.

In analyzing these structures, we use the same prepayment and interest-rate models used in the analysis of pass-through MBS, while remaining cognizant of the fact that CMOs are very sensitive to prepayment speeds. Some of the variables we calculate include yield, average life, and average life variability. Also included in our calculations are OAS, OAD, and OAC. We also perform a sensitivity analysis to prepayment assumptions and the quality of the prepayment fit to particular collateral.

CMBS
We use fundamental and quantitative analysis to evaluate relative value in the commercial mortgage-backed market. We invest in all rating tranches (AAA through BBB) with the lower-rated tranches more sensitive to real estate fundamentals. We assess underlying collateral in the deals, looking at lease and tenant information; we leverage our private real estate group to review market conditions where the properties exist; and we also stress test the structure of the deal to determine if there is adequate coverage and that delinquencies are not a problem.

ABS

A small portion of the portfolio is typically allocated to asset-backed securities, usually at an overweight to the minimal exposure in the benchmark. We have been concentrating these positions in ABS backed by automobile loans, which we believe to have the strongest loan covenants. They have also been trading at relatively attractive yields over the past few years. ABS backed by credit card loans is another category we focus on and generally hold in the BMD portfolios. Our analysis on ABS focuses on both the fundamental strength of the collateral type—for instance the charge-off trends in credit card loans—as well as the structure and packaging of the loans and their covenants.

29) Describe the tools you employ and the process followed to stress-test structured securities & related derivatives. How often is the portfolio stress-tested.

Within the securitized sectors, our research platform combines fundamental analysis with state-of-the-art analytics to study portfolio holdings, focusing on all sectors of the securitized market, including MBS, ABS, and CMBS issues. Our analytical resources are among the most comprehensive in the industry. We are one of the few firms with in-house analytics designed to apply the same analytical approach to both the benchmark and the portfolio, resulting in a consistent, comparative framework. Our internally developed analytics enable us to run the entire investable universe of securities (40,000+) through specially designed models to measure and evaluate risk, as well as identify opportunities. By controlling the input to these models, we have a better understanding of model output, as well as more flexibility to enhance our models in a timely fashion as the markets evolve. For example, the mortgage market is analyzed using our mortgage modeling capabilities, which are designed to develop a set of expected cash flows (typically through prepayment modeling but also through default, delinquent and severity analysis in some instances), and then to use an interest rate model to develop a set of yields, durations, etc. for each security. These metrics are then used to determine if spreads are cheap or rich versus other securities. Similar analysis is performed for the other sectors of the securitized market.

30) Provide a description of all types of derivatives and TBA securities used in the portfolio and discuss specifically how each is typically used (e.g., to adjust portfolio duration, create synthetic positions).

There are primarily three types of derivatives that we use: Eurodollar futures/interest rate swaps, credit default swaps, and total return swaps.

We use derivatives in our fixed income portfolios to enhance risk management and to increase our opportunity set through more efficient investment exposures. For example, derivatives:

– allow us increased liquidity and flexibility to manage both interest rate and credit risk
– reduce transaction costs
– increase the correlation between portfolio risks and risk management tools
– allow us to implement exposures that cannot be created through investing in bonds (fixed versus floating, specific maturities, etc.).

We do not employ leverage at any time in the portfolios. All dollars supporting the desired notional exposure are supported by cash substitutes or highly liquid investment-grade securities. We have been successfully using derivatives in our fixed-income portfolios since 2000. We have a full complement of risk management oversight including legal, operational, and senior management oversight.

Typically, derivatives have represented less than 20% of the value of our portfolios.

Examples include:

Futures
The portfolio team uses Eurodollar futures to hedge (by selling) or gain exposure (by buying) to a particular maturity along yield curve, which is helpful in the management of overall portfolio duration and yield curve management. Eurodollar futures provide risk exposures no different from those created with cash bonds.

Swaps
Swaps the portfolio team employ include interest rate, total return and credit default swaps. The team uses **Interest Rate Swaps** to aid in duration and yield curve management. Typically, Interest Rate Swaps involve a floating rate cash flow based on the 3-mo LIBOR, and a fixed rate based on longer LIBOR rates. **Total Return Swaps** enable the portfolio team to gain instant, highly diversified exposure to a market sector (i.e., investment grade CMBS via that sector's broadly diversified benchmark), and/or take advantage of a counterparty's hedging requirements to lock in index-plus returns for a market sector. Total Return Swaps employed by the team involve floating cash flows based on the total return of a specified bond index (usually measured as three-month LIBOR plus or minus a margin) and some specified fixed rate. **Credit Default Swaps** involve one party receiving a premium for providing an insurance contract to another party to cover an event of default. The team employs Credit Default Swaps to create credit exposures more cheaply versus the cash market, or to create exposures not available in the cash market due to lack of issuance or availability. In addition, the team can use Credit Default Swaps to reduce exposure to a specific issuer without having to sell the security (i.e., specific corporate issues can be difficult to buy back at advantageous prices).

TBAs
We use TBAs to gain exposure to the mortgage market in two ways. The first is by purchasing securities directly in the TBA ("to-be-announced") market and taking delivery on regular settlement. The second way is to enter into a dollar roll transaction that is similar to a reverse repurchase agreement. Dollar rolls are most advantageous when the yield curve is steep and dealers need the inventory for other securitization transactions, such as CMOs.

31) Define leverage and discuss its use in the portfolio. Please include a discussion of both financial leverage (i.e., borrowing) and effective leverage (i.e., notional exposure obtained through the use of derivatives).

The industry standard states that leverage is the use of borrowed funds to purchase securities. We do not employ "leverage" in this manner. Rather, we define leverage as having a total market exposure of greater than 100% of net assets under management. Consistent with our definition of leverage, the portfolio may have a total market exposure of greater than 100% but less than 175% of total net assets. It has been maintained at levels well below 175%.

32) With respect to synthetic exposures and TBA rolls, are these exposures fully collateralized? What is considered an appropriate form of collateral (e.g., T-bills, an internally-managed enhanced cash vehicle)?

Yes, our synthetic exposures and TBA ("to-be-announced") rolls are fully collateralized either by cash substitutes or highly liquid investment-grade securities.

33) How are derivative positions, total notional exposures and the use of leverage aggregated and presented in client reports?

The use of derivatives is fully integrated into the portfolio management process and is similarly integrated into our client reports that provide a "look through" capability to all the positions in the portfolio.

34) What portfolio reporting / attribution system can you make available to *SamCERA* such that we can better track the risk positions in your portfolio?

PGATC adds value to client relationships by providing a number of services and reporting capabilities, including those listed below. Please feel free to discuss with your client services team any additional reporting you may require.

Quarterly Investment Management Review
Providing clients with an analysis of the portfolio, market conditions, and total relationship with Fidelity, this review contains commentary by portfolio managers, as well as data pertaining to the quarterly performance of their portfolio(s).

The review delivers complete, accurate, and timely information in the form of detailed quarterly reviews of performance, characteristics, and current investment thinking. In addition, our quarterly investment review concisely presents information without compromising on the statistical analysis of the portfolio. These reports may also include special client requests.

Monthly Performance Summary Sheets
These statements are prepared for each portfolio and are mailed between the 7th and 9th business days following month end (depending on the portfolio's benchmark). Preliminary performance data can also be provided to clients and their consultants upon request to their Account Executive.

Product Fact Sheets
The fact sheets provide a comprehensive view of portfolio data, including performance, asset allocation, sector diversification, and top holdings. Fact sheets are primarily used with defined contribution plans and individual participants.

Fixed Income and Market Neutral Newsletters
These monthly newsletters provide a comprehensive summary of performance and trends across market neutral and fixed income disciplines, including high yield bond and emerging market debt.

White Papers
White papers leverage our intellectual capital to bring clients thoughtful and timely articles on a variety of investment management topics, as well as challenges facing plan sponsors and other institutional investors.

Defined Benefit Research
Pyramis conducts regular research and surveys into issues and concerns as they pertain to defined benefit plan sponsors. Data is complied, analyzed, and presented in an easy-to-read and thought-provoking format.

Educational Forums
Pyramis hosts exclusive educational forums that allow clients and consultants to share ideas and perspectives with industry experts and their peers. Past forums addressed topics such as trading cost analysis, real estate investing, performance attribution, and risk management.

Web Casts
Pyramis also hosts exclusive Web casts for clients, consultants, and prospects. These live, Web-based presentations allow participants to hear from Pyramis' portfolio managers and market strategists. The interactive aspect of these Web casts allows participants to ask questions in real time. Past Web casts have addressed topics such as discipline-specific quarterly reviews, capital market updates, and educational overviews on investment-related issues.

Client Web Site
The client-access portion of our Web site, pyramis.com, provides clients with timely portfolio-level data pertaining to their account(s). By the 15th calendar day after quarter-end, clients can view portfolio characteristics ranging from top holdings to performance attribution. Standard monthly and quarterly reports are also stored on the site for easy access and downloading.

35) Please discuss the use of third-party credit ratings in the portfolio? How has the use of credit ratings changed?

As part of our research process, we form our own ratings for the securities we buy independent of the rating agencies. In fact, over 90% of our research is conducted internally. External research resources comprise less than 10% of the overall input, and are used only to supplement our in-house research effort. These resources, which include rating agency conclusions, are examined to gain an understanding of what other market participants are considering, but their conclusions are not used to form our independent fundamental and relative value determinations. However, we are subject to ratings given by the rating agencies when it comes to client guidelines.

36) Describe your compliance procedures in detail. To whom does your compliance department report?

From a compliance standpoint, approximately 60 employees in our Investment and Advisor Compliance group are dedicated solely to the investment compliance function, of which five are dedicated solely to fixed income. The primary role of this group is to oversee the investment activities of the investment management organization. The group monitors transactions to verify compliance with portfolio restrictions, regulatory requirements, and industry- or company-specific investment policies. To accomplish this, the group uses a rules-based system that examines and quantifies the impact of each individual trade against the rules and their associated limits. In addition, our Technology Resources group is an integral part of the investment compliance organization. Its primary role is to provide hardware and software technical support to all investment compliance personnel.

37) Provide an overview of your firm's credit research. Has this approach changed in the past eighteen months?

Our Credit research platform combines quantitative and fundamental analysis in order to gain a thorough understanding of issuers and industry dynamics. From a quantitative standpoint, financial and quantitative credit modeling techniques are utilized to aid our analysts in performing bottom-up company/sector analysis and relative valuation determinations within sectors.

Our credit analysts perform qualitative security and industry analysis. Analysts are responsible for performing qualitative security and industry analysis. Each analyst covers approximately 2–3 industries across 30–50 names, resulting in a high degree of specialization and focus. Analysts leverage the broader Fidelity research platform, including 400+ equity and international analysts located worldwide. This results in significant access to company management, customers, suppliers, and competitors, translating into a full 360-degree view of each issuer.

In addition to performing in-depth industry assessment, analysts assign ordinal relative value ranking for each industry based, in part, on each industry's fundamental strength and assessed relative value. Analysts rank issuers from 1–5, forming a basis for broader discussions with portfolio managers and traders. In meetings with the portfolio manager and traders, analysts propose their security recommendations, discuss industry trends, and provide updates on company-specific situations. Outputs from this meeting include formal ratings changes to both fundamental outlooks and relative value. In addition, traders offer real-time relative value metrics on common issuers.

Our credit research approach has not changed in the past eighteen months as the tumultuous markets reinforce the need for rigorous fundamental analysis and diversification.

38) Detail your firm's policy regarding portfolio diversification and quality. Provide the allowable percentages by issue and quality type. Have these changed in the last eighteen months?

We construct highly diversified portfolios with an emphasis on minimizing downside risk. This is made possible by Fidelity's large research organization, which provides exceptional breadth of coverage and a relatively large opportunity set from which to identify relative value opportunities. Average position size is approximately 0.5% of portfolio assets. In general, for credit issuers, the maximum holding in any one issuer is 1%. We feel this diversification gives us plenty of upside potential but more importantly, provides significant protection from downside risk caused by volatility.

At the time of purchase, all issues are rated BBB- or higher. We may hold issues if they fall below this level if client guidelines allow us to. The typical sector-band guidelines provided below have not changed during the past 18 months.

Sector/Industry	Typical Bands
Treasuries	5–25%
Agencies	5–15%
Mortgages	30–50%
Asset-backed Securities	1–10%
Corporates	15–40%
Yankees	1–10%
Cash	0-5%
Issuer Diversification	0–2%

39) What drives the decision process which governs the selection of securities in *SamCERA's* portfolio? Who are the individuals involved with the selection of securities?

Decision-making within our Broad Market Duration discipline emphasizes security selection, sector allocation, and to a lesser extent, yield curve positioning. Our ability to overweight undervalued sectors of the market while avoiding downside risk through astute security selection is our strongest attribute. We do not rely on active duration management within Broad Market Duration portfolios, but instead maintain duration within a very narrow band around that of the benchmark (+/- 0.30 years of the index).

The Aggregate team, including three portfolio managers, a research analyst, and a trader, is responsible for generating new investment ideas. However, the lead portfolio manager, Ford O'Neil, is the ultimate decision maker who holds final accountability for the portfolio.

40) What is your firm's investable universe? What percentage of your portfolio holdings are comprised of securities outside of the Barclays Capital Aggregate Index?

The investable universe for the Broad Market Duration pool is investment-grade, dollar-denominated securities. As of June 30, 2010, 8% of the portfolio was invested in sectors outside of the Barclays Aggregate Index. These out-of-benchmark securities included CMOs and TIPS.

41) What drives the decision making process which governs the disposition of securities in *SamCERA's* portfolio? Do the individuals involved with the disposition process differ from those involved with the acquisition process? If the individuals are different, why are they different?

When making a buy or sell decision, the same decision-makers are involved. Decision-makers include the portfolio managers, research analysts, and quantitative analysts. When fundamentals for a bond deteriorate or it no longer represents value, the investment team generally will sell the bond. Likewise, when the risk/return metrics change from a quantitative standpoint, the team may sell the security.

42) Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2010?

Traders are located alongside portfolio managers and analysts in a single, state-of-the-art trading room. This unique open floor plan facilitates optimal communication and generation of ideas. Among the electronic platforms used by Broad Market Duration traders are TradeWeb, Bloomberg AIM, and Market Axess.

Traders seek to identify valuation anomalies in primary and secondary markets. In addition, traders seek to maximize trading efficiency by leveraging Fidelity's significant capital market presence. Our traders are specialists who focus on specific sectors of the fixed-income markets. They are experienced investment professionals, many of whom have had significant buy and/or sell side Wall Street experience. Our strategy is to achieve the best possible execution for our clients, while maintaining good relationships with our trading partners. In addition, we leverage our significant capital market presence to enhance the liquidity and execution for all of our trades under all market conditions.

We have relationships with all of the major Wall Street dealers as well as some regional brokers. Our goal is to balance the number of relationships we have so that we can diversify while still achieving best execution and building strong relationships. Overall, we trade with roughly 10-12 dealers.

43) Does your firm monitor trade effectiveness? If so, how is that documented? Please provide *SamCERA* with a copy of the trade analysis for the Broad Market Duration product.

We regularly evaluate and monitor the transaction costs and execution effectiveness of each brokerage firm used, and we trade with firms delivering the best net price. We examine trading costs by comparing closing prices to the previous night's close (last trade, and bid/ask spreads).

Trading is an integral part of the investment process and the costs associated with trade execution directly impact investment performance. We have structured a component of our trader's compensation to reflect their ability to execute trades in the most cost effective manner; we feel that by structuring the trader's compensation in this manner we are aligning the goals of our traders with that of our clients.

44) Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.

More than 90% of research for the Broad Market Duration discipline is generated by our in-house research teams. External research resources comprise less than 10% of the overall input to the Broad Market Duration discipline. This external research is used only to supplement our in-house research effort. These resources, including Wall Street research reports and rating agency conclusions, are examined to gain an understanding of what other market participants are considering, but their conclusions are not used to form our independent fundamental and relative value determinations.

External research is paid for directly and not charged to client accounts. Please note that Fidelity does not implement soft dollar trades for fixed income securities within our investment-grade fixed income mandates.

45) What percentage of each of the following does the Broad Market Duration portfolio account for? Please estimate if exact figures are not available or disclosed.

As of June 30, 2011:

A) Firm assets	22%*
B) Firm revenue	N/A %**
C) Firm profit	N/A %**
D) Total firm work hours	N/A %***

*Please note that effective January 1, 2011, Pyramis changed the definition of its firm for GIPS purposes. Please see the GIPS Composite Performance Data" in the attached "Broad Market Duration Fact Sheet 06-30-2011" for complete information. Note also that combined with the Pyramis AUM ($176,416.95 million as of June 30, 2011), the Fixed Income Division manages a total of approximately $321 billion in Fidelity retail and institutional bond assets.
**We are unable to disclose this information.
***This data is not actively tracked.

46) **Are *SamCERA's* investment guidelines adequate? Provide comments on the Derivatives Appendix in *SamCERA's Investment Policy*.**

SamCERA's Investment Guidelines meet the objectives set forth by SamCERA's "Policy Perspectives" and the "Portfolio Management" sections of the Investment Plan. Specifically, SamCERA's objectives of maximizing risk adjusted returns are clearly stated in terms of an acceptable tracking error range and return expectations. The diversification, quality, restricted transactions and exemptions language is clearly stated and reasonable.

The Derivatives Appendix sets forth the guidelines specific to the investment in derivatives. Specifically, it allows for derivative use where the "Purposes of Derivatives" criteria is satisfied. It also outlines permitted derivatives, derivatives with allocation limits and restricted derivative investments.

47) **What are the current assets in the Broad Market Duration product? What are the capacity constraints for this product and who determines the constraints? How did you determine the capacity threshold?**

As of June 30, 2011, the Broad Market Duration product had $68,889.57 million in assets under management. (Please note that effective January 1, 2011, Pyramis changed the definition of its firm for GIPS purposes. Please see the GIPS Composite Performance Data in the attached "Broad Market Duration Fact Sheet 06-30-2011" for complete information.)

At this time we are not close to a capacity level that would impact the amount of new institutional and/or retail assets, accounts, or clients we would be willing to accept. The deep liquidity of the aggregate bond market, combined with the disciplined approach our firm takes in adding value, eliminates any ceiling in asset growth. However, we will continually monitor all growth activity to ensure our ability to deliver a consistent, value-added approach. Size is an asset in the fixed-income markets.

Outlook

48) **What is your firm's outlook for the domestic, international, emerging, & high yield fixed income markets?**

Overall, we remain cautious on the economy. We maintain lower levels of risk in the portfolio due to the slowing economic recovery and the increased risk of "tail events," such as contagion from Europe. In the US, we believe the biggest positive is the corporate sector, which has enjoyed a strong recovery and profit growth. However, the macro economy remains significantly vulnerable due to persistently weak housing prices and high unemployment. Slowing growth may begin to impact corporate profit margins. Given the cash on corporate balance sheets, the increased potential for shareholder-friendly activities such as share buybacks also remains a risk to bondholders.

Our key portfolio overweights remain to select financial corporates (focusing on insurance, REITs, and certain banks with strong balance sheets) and to CMBS. Positioning in CMBS has focused on super-senior CMBS issues with significant levels of credit enhancement. These overweights have been reduced over the past six months, but remain in place as potential drivers of excess return. With volatility high in the financial markets, we may seek to add to these or other positions as spread levels and valuations warrant. For example, very recent increases (widening) in spreads across most sectors may indicate that the risks we have mentioned are being priced into the market.

International markets are a minimal part of the BMD strategy. However, they are a critical part of our research and portfolio management efforts, given the interlinked state of the world economy. We believe conditions in the Euro-zone are a critical risk, as they are likely headed to recession. Furthermore, the impact of contagion stemming from the Greek crisis and European banks is a key risk we are monitoring closely. Extreme scenarios could even involve a breakup of the Euro-zone. We have maintained a significant underweight to Sovereign issues, which has benefited the portfolio in recent months. We will likely maintain this underweight.

The scenario is much different in emerging markets, though fraught with risks that were not nearly as concerning a year ago. The largest risk we see is inflation and the measures that may be taken to combat it. Countercyclical measures, be they fiscal austerity or monetary tightening, that may slow the growth of emerging markets would have a negative impact on vulnerable developed economies. For instance, many large companies in the US have become increasingly dependent on the emerging markets for sales and revenue growth.

Given these conditions, our high yield forecast has also become increasingly cautious. However, recent spread widening has made valuations more compelling and suggests that economic risks are being factored into yield levels. This is an asset class that will become increasingly dependent on bottom-up analysis to derive value over the next year.

49) How does your firm manage fixed income in a rising rate, rising inflation, lack of liquidity environment?

As previously mentioned, the focus of our process is on fundamental, bottom-up research; we do not make interest rate bets in this portfolio. On the margin, we can and will make adjustments to the portfolio to take advantage of unique misshapings of the yield curve. One direct measure we have taken when inflation has been a concern is to tactically buy Treasury Inflation Protected Securities (TIPS). However, we do not believe inflation is a threat in the near-term. Our close and varied relationships with dealers across the fixed income market are an advantage when liquidity conditions are challenged. However, one notable difference from the market downturn in 2011 vs. 2008 is that liquidity has not been a problem and the fixed income markets have continued to operate efficiently.

50) How will the S&P downgrade of the US government impact the markets going forward?

We believe the largest impact has already been felt. Most notably, there was a large drop in equity markets resulting largely from the unprecedented nature of this event. However, the rally in Treasury prices that coincided with this sell-off suggests that the market did not agree with the downgrade and still considers Treasuries the de facto risk-free asset during flights to quality. As stated previously, S&P ratings do not impact our analysis of a creditor.

51) List the type of changes your clients are requesting in light of the recent events in the market?

There have been few requests in reaction to recent events. In some cases we have discussed with clients the impact of the S&P downgrade, and we have agreed to adjust their guidelines concerning average credit quality so that the downgrade does not trigger forced selling of securities we believe will benefit their portfolios.

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

We have heard of few specific concerns lately. Clients had been concerned about rising rates, but this has waned given recent events. Our advice had been that market conditions did not indicate that rates would rise suddenly or sharply in the near- to mid-term. The tradeoff between negative real rates at the short end of the curve and increased rate risk of moving further out the curve has also been a client concern.

53) What is on the horizon for your firm's business plan?

New developments within the fixed income area include:

– Our Liability-Driven Investing strategy, which is an asset allocation framework that utilizes our newly developed Long Duration discipline and focuses on the relationship between assets and liabilities instead of the relationship between assets and traditional benchmarks, with a goal of minimizing funding volatility. We have recently launched a new Long Corporate-Only strategy under this platform.

– Constant evolution of our quantitative modeling capabilities supporting securitized and credit platforms.

– Massive expansion of our global bond capabilities, including a new office in London, England that will be interconnected, and an extension of, our trading and portfolio management operations in our fixed income headquarters in Merrimack, NH USA.

– Continued focus and expansion on customized solutions for each client. We believe this will be particularly important in the challenging low yield environment.

54) Describe your assessment of the relationship between Pyramis and *SamCERA*. How can we better take advantage of your firm's capabilities?

PGATC and all its employees involved in providing service to the SamCERA consider it a relationship of the highest quality. We have been very grateful to work with responsible, effective, and efficient personnel at your organization. We look forward to continuing to serve the SamCERA to the very best of our collective abilities.

Conclusion

55) Is there any information, which would be timely pursuant to *SamCERA's Investment Policy*, the *SamCERA*/Pyramis Agreement, and this annual review?

There has not been any material information that would be timely pursuant to the above.

56) Are your clients making significant changes in their asset mixes? Please describe these changes.

The low-yield environment has caused some clients, including those in BMD and core plus mandates, to inquire about other ways to enhance total return. In some cases this has resulted in loosening investment guidelines – for example, allowing us to more tactically pursue plus sectors. Some clients have changed their mandate from Core to Core Plus. In recent years, we have seen an increasing focus, particularly for our corporate pension clients, on matching their assets with their pension liabilities. We have created a world-class infrastructure for liability-driven investing with industry-leading analysis.

57) What market opportunities should *SamCERA* be considering?

The selection of Broad Market Duration as an investment strategy for SamCERA is in alignment with its long term goals and objectives. As part of SamCERA's overall portfolio, the allocation to the Pyramis Broad Market Duration Pool exposes SamCERA to the risk and return characteristics of the fixed income asset class with an appropriate benchmark to measure performance. Despite low yield levels entering the year, this strategy has provided positive absolute returns and outperformance of its benchmark.

As future circumstances for SamCERA evolve, a review of additional sources of return for its fixed income portfolio may be necessary. With deep resources and expertise in the fixed income market, Pyramis offers many solutions to meet the dynamic needs of its clients.

San Mateo County Employees' Retirement Association
Board of Retirement

September 27, 2011 Agenda Item 6.5 (c)

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Annual Investment Manager Review – Western Asset Management (WAM) – Domestic Fixed Income Core-Plus Mandate

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 September 15, 2011, staff interviewed *SamCERA's* core and core-plus bond managers in *SamCERA's* conference room.

Western Asset Management was interviewed at approximately 11:45 a.m. Those present were:

John Nicolini – Strategic Investment Solutions' Investment Consultant
Gary Clifton – *SamCERA's* Chief Investment Officer
Travis M. Carr – WAM - Product Specialist, CFA
Frances L. Coombes – WAM - Client Service Executive

Background: In July 2004, the board approved criteria to be utilized in a search for managers in a core-plus mandate. Strategic Investment Solutions (SIS) screened 329 products to assure a minimum three-year track record, minimum performance standards, minimum amount of assets under management, return based style screens, the product is open to new business and qualitative screens. The qualitative screens excluded managers where there were organizational concerns or noteworthy personnel turnover, retail or wrap business focus, very high tracking error, regulatory issues, assets mainly parent related, and poor relative performance/information ratios. The investment committee with the assistance of SIS, reviewed Deutsche Asset Management, Hartford Investment Management, Payden & Rygel, Pacific Investment Management Company, LLC (PIMCO), Trust Company of the West Group, Inc. (TCW), and Western Asset Management Company. The candidates were narrowed to three semi-finalists, Deutsche Asset Management, PIMCO and Western Asset Management. WAM was selected as the finalist. A three-year Investment Management Agreement (IMA) was executed effective as of October 25, 2004.

Discussion: Western Asset's investment philosophy has three key components. First, long term value investing, which they define as their fundamental approach. As sector rotators, the firm seeks out the greatest long term value by assiduously analyzing all sectors of the fixed income market. The second component is multiple strategies. Western Asset employs multiple strategies, proportioned so that results do not depend upon one or two opportunities, and in order that no single adverse market event will have an overwhelming negative impact on performance. This approach seeks to add incremental value over time, while reducing overall volatility. They deliberately avoid dependence on a single market anomaly or inefficiency. The third component of the investment philosophy is opportunistic trading. Western Asset adds value with opportunistic trades that attempt to exploit market inefficiencies. Non-US investment grade sovereigns, high yield, and emerging market debt securities are used opportunistically in this approach.

Western Asset's team approach to portfolio management revolves around an investment outlook developed by the Investment Strategy Group. This group tracks economic trends and makes determinations for duration, term structure, and sector allocation. The Research Group employs these determinations as they look toward issues and issuers that are appropriate for the firm's universe. Central to their inquiries are factors such as relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation. Throughout this process, the Portfolio Management Group provides both aforementioned teams with a picture of key capital markets. When an issue is decided upon they are responsible for portfolio structuring and implementation.

Following are the specific factors that are integral to Western Asset's Core Full Discretion portfolio construction, with the portion of added value attributed to each: sector and sub-sector allocation (35%), issue selection (30%), duration (20%), and term structure (15%). The U.S. Core Full Discretion portfolio can hold up to 20% in high yield and 20% in non-US exposure. The portfolio's 10% maximum weight in emerging debt securities is counted towards the 20% maximum non-US exposure.

In an October 2005 review of Western Asset Management the board listed the following pros and cons:

Pros

- A bond powerhouse
- High conviction approach has yielded tremendous alpha for its clients
- Portfolio outlook and structure determined by experienced and stable Investment Strategy Group
- Successful sector rotation over many years

Cons

- High tracking error
- Long term, value-oriented approach requires investor patience

On August 31, 2011, WAM managed $104.1 million or 4.62% of *SamCERA's* assets. WAM's management fee is subject to marginal pricing and is ~28.8 basis points.

	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Since Inception (10/31/2004)
Western Asset Management	1.99%	4.75%	6.98%	5.93%
BC Aggregate Index	2.77%	5.49%	4.62%	5.47%
Variance	**-0.78%**	**-0.74%**	**2.36%**	**0.46%**

General Western Asset Management Firm Information

Firm Legal Name: Western Asset Management Company
Firm Headquarters: 385 East Colorado Boulevard
Pasadena, California 91101
United States
Year Firm Founded: 1971
Registered Investment Advisor: Yes
Firm Website Address: www.westernasset.com

Firm Narratives

Western Asset Management Company was founded in October 1971 by United California Bank (which later became First Interstate), and became an SEC-registered investment advisor in December of that same year.

In December 1986, Western Asset was acquired by Legg Mason, Inc. An independent affiliate of that firm, Western Asset operates as an autonomous investment management company.

In February 1996, in order to broaden Western Asset's non-dollar capabilities, Legg Mason acquired Lehman Brothers Global Asset Management Limited, based in London, and renamed it Western Asset Management Company Limited. It operates as the London office of the firm.

In September 2000, in order to enhance Western Asset's Asian presence, Western Asset Management Company (Asia) Pte. Ltd. was established in Singapore.

In December 2003, the office was expanded when Legg Mason acquired Rothschild Asset Management (Singapore) Limited and merged it into the existing operation, creating Western Asset Management Company (Asia). It operates as the Singapore office of the firm.

In December 2005, in order to further enhance Western Asset's capabilities and global presence, Legg Mason acquired a substantial part of Citigroup's asset management business in exchange for its brokerage and capital markets business. As part of this transaction, the firm gained new offices in New York, Sao Paulo, Hong Kong, Tokyo and Melbourne, as well as related staff and assets.

Western Asset is one of the world's leading investment management firms. Its sole business is managing fixed-income portfolios, an activity the firm has pursued since 1971. From offices in Pasadena, New York, Sao Paulo, London, Singapore, Hong Kong, Tokyo and Melbourne, Western Asset's 912 employees perform investment services for a wide variety of global clients. The firm's clients include charitable, corporate, health care, insurance, mutual fund, public and union organizations, and client portfolios range across an equally wide variety of mandates, from money markets to emerging markets.

Joint Ventures

In addition to its parent company, Western Asset has numerous affiliates through its association with its parent, each with its own subsidiaries and relationships.

Prior or Pending Ownership Changes

Western Asset Management Company was founded in October, 1971 by United California Bank (which later became First Interstate), and became an SEC-registered investment advisor in December of that year. The complete ownership history is detailed above.

The last ownership transaction occurred in December 2005, when in order to further enhance Western Asset's capabilities and global presence, Legg Mason acquired a substantial part of Citigroup's asset management business in exchange for its brokerage and capital markets business. As part of this transaction, the firm gained new offices in New York, Sao Paulo, Hong Kong, Tokyo and Melbourne, as well as related staff and assets.

Western Asset has not experienced any ownership changes since then and does not anticipate any further ownership changes in the near future.

Prior or Pending Litigation

Explanation of Litigation

Western Asset Management Company is involved in a single investment-related litigation matter. In March 2009, Western Asset Management Company was named in federal and state class action suits by beneficiaries of the Alabama Prepaid Affordable College Tuition Program (PACT) as a co-defendant along with the Trustees of PACT, the investment consultant for PACT and eight other investment managers retained by PACT. In January 2010, the state court dismissed the action before it without prejudice. The remaining federal suit generally seeks damages for potential losses that may be suffered by the PACT program and its participants. Western Asset Management Company, which manages an investment account for PACT, believes the claims against it are meritless and intends to vigorously defend itself in the action.

Additional Comments

Western Asset's team approach allows for all of the firm's investment professionals to contribute to the management of client portfolios, thereby leveraging the collective experience and judgment of the entire investment management team to the benefit of each client. Western Asset manages portfolios that involve every sector of the global bond markets. Teams are made up of investment professionals with both sector and product responsibilities, who work together as a single unit from the firm's offices. The firm strives to maintain a culture of investment excellence, centered on teamwork and facilitated by an environment that encourages an open exchange of ideas and frequent communication among all the members of the investment management team.

All Western Asset products, as well as all portfolios within a particular product area, are affected by the firm's overall investment process. This process relies heavily on the input of sector specialists in the formation of the general strategy that applies to any given product at any point in time. The best ideas from each of the sector teams get implemented across portfolios.

This approach seeks to leverage the broad and detailed knowledge of the sector specialists rather than rely on individual portfolio managers or smaller generalist teams to master all sectors of the bond market. There is evidence that sector performance varies dramatically and that non-government sectors have outperformed over longer periods of time in most time periods.

Over the long term, Western Asset has enhanced returns by rotating among and within sectors of the bond markets and has demonstrated that a focus on sector, sub-sector and issue selection can add significant value to portfolios.

U.S. Core Full Portfolio Narrative

Research & Screening

Internal Research Process

Western Asset has a large, highly experienced team of research professionals who have immediate access to current market, security, and issuer information through up-to-date data retrieval technology. Daily monitoring of issuer information and market news is conducted using a combination of direct contact and external services. Direct contact with companies' senior management is a critical source of information. Wall Street and city analysts, both fixed-income and equity, are used for input, although outside research is used primarily as a supplement to internal research or for investment idea generation.

Western Asset's research team combines sound qualitative judgment with sophisticated quantitative tools to analyze credit valuations, market and sector movements, micro and macroeconomic trends, and how portfolios are positioned to take advantage of these trends.

Western Asset's research effort covers all major bond market segments, focusing on the non-government sectors such as corporates, mortgage-backed, and asset-backed securities that might provide excellent relative value for the firm's portfolios.

The corporate research process begins with fundamental credit analysis, which involves examining key financial parameters, such as:

* Will the credit stay the same or improve?
* Is there potential for corporate restructuring or stock buy-backs?
* How much free cash flow exists after covering annual interest expenses and capital spending?
* How much cash flow can the company generate, and how does this compare to its principal and interest burden and other financial objectives?
* If the issuer is a net user of cash, how is this being invested and what sort of return on invested capital might this produce in the future?
* What are management's financial goals and philosophy, and are they achievable?

Western Asset assesses the credibility of management and whether they possess the willingness and ability to maintain or improve upon their competitive posture and financial profile. Western Asset meets in person with the management of all of its major corporate holdings to determine firsthand their ability to achieve this task. The next step in the process is to analyze specific issues, paying special attention to covenants which, when present, provide important protections for bondholders. Option-adjusted spreads are examined at various levels of implied volatility and an analysis is performed of any embedded options in the issue, such as puts, calls or convertibility into an issuer's common stock. The focus is whether the pricing of embedded options offers value.

Of equal importance in the analysis of specific issues is liquidity. Western Asset has a bias towards large, broadly sponsored issues. It is important to be able to sell an issue should it reach Western Asset's objectives, or should they have concerns about unfavorable credit developments.

Western Asset believes that inefficiencies exist in the market and seeks to add incremental value by exploiting these opportunities. Below are some key examples of opportunities for enhanced returns:

* Undervalued Securities – Securities trading at a discount to the market or peers due to oversight or misinterpretation of the issuing company's current or future business prospects.
* Out-of-Favor Securities – Securities trading at a discount to the market due to industry-related stresses irrespective of their specific business and financial situation. These can also be securities trading at a discount to the market or peers due to a specific negative occurrence which is being mitigated or is a one-time anomaly.
* Trading Inefficiencies – Securities trading at a discount to the market or peers due to differences in bid and offer spreads between various dealers. Technical market factors such as cash flows in and out of the market which disturb the supply/demand balance, causing securities to trade at a discount to their face value irrespective of their specific business or financial situation.
* Potential Upgrade Candidates – Securities in companies with credit statistics and operating results that would indicate the potential for rating upgrades.

External Research Process

Approximately 25% of Western Asset's research comes from outside sources. External research sources include, but are not limited to, The Foundation for International Business Cycle Research, Moody’s Investors Service, Standard & Poor’s, Fitch, The London Business School, Merrill Lynch Fixed Income Research, Goldman Sachs Fixed Income Research, CSFB Fixed Income Research, UBS Warburg Fixed Income Research, Barclays Capital Fixed Income Research, A.B. Laffer & Associates, and ISI Research.

Portfolio Construction & Risk Control Methodology

Portfolio Construction

Western Asset’s team approach to portfolio management revolves around an investment outlook developed by the US Broad Market Committee. These senior professionals, each with expertise in a specific area of the fixed-income market, interact on a daily basis to evaluate developments in the market and the economy, and meet formally at least every two weeks to review Western Asset's economic outlook and investment strategy.

With each member's area of expertise represented, the committee reaches a consensus view on the outlook for the economy over a six- to nine- month horizon. The portfolio managers then incorporate this outlook into their strategy within the constraints and guidelines of each individual portfolio. The sector specialists, who are grouped by market sector (i.e., corporate, high yield, mortgage- and asset- backed, emerging market), concentrate on research, identifying issuers and issues appropriate for the firm’s universe by considering relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation

Risk Controls

In addition to its risk management analysis and reports, Western Asset uses internal guidelines to limit risk and promote diversification.

Buy/Sell Discipline

Buy

Western Asset's buy decisions are not made according to a rigid formula. Rather, these decisions are always based on the well-informed judgment of Western Asset's investment professionals.

Western Asset's research analysts seek to be ahead of the markets and rating services in identifying securities with changing credit characteristics. The firm's sector analysts examine such things as relative competitive position, company operating risks, general quality of business, free cash flow generation, debt reduction potential, liquidity, capital structure and bond covenants.

The primary effort is to identify those companies with improving credit fundamentals and overall debt reduction. They also attempt to identify specific securities that are undervalued or mispriced due to unusual characteristics such as merger-related issuance, floating interest rates, embedded options, hidden underlying assets or credit backing, or changing credit qualities.

Analysts are full participants in the formation of outlook and strategy, and in the selection of securities for purchase.

Sell

As with its buy decisions, Western Asset makes securities sell decisions daily via a disciplined decision-making process in accordance with its overall investment strategy. The firm does not engage in market timing.

Western Asset analyzes the following factors when considering the sale of a security:

• Total return and/or spread level targets realized
• Significant changes in macro/micro analyses indicating that sector emphasis should be changed
• Deterioration in industry conditions
• Shift in management strategy
• Deterioration in credit fundamentals
• Relative value elsewhere

The sell process operates informally with interaction between portfolio managers and analysts on a daily basis and within the context of weekly portfolio and credit reviews. Western Asset continually monitors the above factors that prompt the firm to immediately revisit the risk/reward characteristics of a credit.

Trading Strategy

At Western Asset, all trading is conducted by senior members of the investment team, as these individuals have the experience to best appraise the opportunities in their sector of expertise.

However, there are a few sectors where the firm realizes extra efficiencies by utilizing dedicated traders to assist these professionals. Western Asset utilizes traders, thus freeing more of the senior team members' time to concentrate on portfolio management and research. A Trade Process Flowchart demonstrating the process from execution through settlements and reconciliation can be provided upon request.

Consistent with industry practice, Western Asset chooses brokers on a trade-by-trade basis in order to obtain best execution. The firm seeks to obtain best execution of its clients' trades through monitoring and effectively controlling the quality of trade decisions. The circumstantial and judgmental aspects involved in obtaining best execution with respect to a particular trade are not always quantifiable. Therefore, when selecting a broker, individuals making trades on behalf of clients are obliged to consider the full range and quality of a broker's services, including execution capability, commission rate, price, the value of research provided, financial responsibility and responsiveness. Western Asset is not obligated to merely get the lowest price or commission, but rather should determine whether the transaction represents the best qualitative execution for the account. The firm maintains a list of "approved" brokers that has been carefully pre-certified by the firm. The list is comprised of those brokers that can demonstrate desk strength, knowledgeable sales coverage, quality research, capital commitment, and financial health. This list is maintained by the Legal & Compliance Department and regularly reviewed by the Broker Review Committee.

Soft Dollars

Western Asset does not participate in soft dollar arrangements. However, the organizations may receive research from brokers with whom they execute trades, but the receipt of any such research is not the subject of any arrangement or agreement.

Additional Comments

Western Asset believes in a well-diversified, long-term, fundamentally based, value driven investment approach. The firm's philosophy is unique as Western Asset has always been and remains a value oriented investor and has held firm to its long-term view. Western Asset's process combines bottom-up issuer selection with a top down investment view. Western Asset seeks active risk opportunities within a risk management framework. What makes the firm's philosophy unique is that Western Asset is a true value-based manager. The fixed income indices are limited in terms of opportunities. They are heavily weighted to Treasuries, agencies, agency MBS and investment grade corporates while value opportunities in the fixed-income arena often reside outside these boundaries. Western Asset seeks to incorporate these external opportunities in measured amounts to enhance portfolio returns without increasing long-term risk by a significant margin.

The firm employs sector specialists to analyze issuers from the bottom up. Western Asset utilizes analysts that focus on companies, sub-sectors and sectors. These teams are led by sector specialist portfolio managers that construct allocations within the sector that seek to generate excess returns versus the relevant component of the selected benchmark. The generalist portfolio managers focus on top-down analysis of the economy and the markets and determine the appropriate sector allocations based on broad market characteristics and the input from the sector specialist teams. It is the combination of these two disciplines combined with the risk management framework that make Western Asset's process unique within the industry.

Use of Derivatives

Explanation of How Derivatives Are Utilized in Managing This Product

Western Asset uses derivatives only when allowed by client guidelines. The firm's derivatives strategy is overseen by the US Broad Market Committee under the oversight of the Chief Investment Officer, utilizing reporting provided by the Risk Management Department. Western Asset uses exchange-traded futures and options contracts. These markets are generally very liquid, with quotations readily available and published daily. Western Asset uses these both as a substitute for cash transactions, and as a tool to adjust a portfolio’s sector, issue, duration, and yield curve exposure. Options also offer a way to gain exposure to volatility. Swaps, or contractual agreements between two parties to exchange cash flows at periodic intervals based upon a notional asset, can also be used to manage portfolio risk, to fine tune investment strategy, and to capture relative value opportunities. Swaps can include interest rate, total return, and credit default swaps. Interest rate swaps facilitate duration and yield curve management, and represent a contract to pay (receive) floating rates in exchange for receiving (paying) fixed rates. Total return swaps allow inexpensive exposure to a particular market or market segment, and generally have a payment (receipt) of LIBOR or T-Bills while the investor then receives (pays) a broad market return, i.e., Barclays Capital Aggregate. Credit default swaps are bilateral contracts where Party A agrees to pay Party B an on-going premium in exchange for the right to put a security of a reference entity to Party B in exchange for par should pre-specified credit events occur. Credit default swaps (single-name and index) can allow for rapid and inexpensive adjustments to optimize credit spread exposure. These adjustments can often times be made using credit default swaps irrespective of the liquidity in the cash markets.

Due Diligence Questionnaire submitted to:

San Mateo County Employees' Retirement Association

US Core Full Discretion

June 30, 2011

Western Asset

Western Asset Management is a global asset management firm, comprised of seven legal entities that operate together as one. The entities include: Western Asset Management Company (the Pasadena and New York offices); Western Asset Management Company Limitada (the Sao Paulo office); Western Asset Management Company Limited (the London office); Western Asset Management Company Pte. Ltd. (the Singapore office); Western Asset Management Hong Kong (the Hong Kong office); Western Asset Management Company Ltd (the Tokyo office); and Western Asset Management Company Pty Ltd (the Melbourne office). Note that the Hong Kong office (fixed income business), although a division of Legg Mason Asset Management Hong Kong Limited, is operated and managed by Western Asset, and is therefore hereafter referred to as the Hong Kong office.

The entity responding to this request is *Western Asset Management Company (the Pasadena and New York offices)*. The following response, while it covers all seven of these organizations, reflects the Firm's general business approach. Specific details may vary from office to office depending on local circumstances, and may change as Western Asset continues to evolve. Unless specifically noted, references to "Western Asset" and "Firm" represent all seven entities.

Except as specifically noted, all data is as of June 30, 2011, and all currency is represented in US dollars.

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1. Organizational Update

1. Provide an update on your firm as a whole and specifically for the your firm's Fully Discretionary Core Plus Fixed Income product in the following categories:

   (a) changes to structure

   There have been no changes to Western Asset's structure during the past year.

   (b) growth and acquisition of assets under management

	6/30/2010	6/30/2011
Total Assets ($ mm)	74,856	68,212

   (c) clients gained or lost in the past year.

	Clients Gained	Clients Lost
2Q11	1	5
1Q11	1	14
4Q10	9	15
3Q10	4	13

2. What are your firm's philosophy and current policy regarding new business?

   Western Asset manages growth by the number of client relationships rather than the amount of assets managed. Thus, the Firm does not have any hard targets for asset or account growth.

   Western Asset is focused on understanding and meeting client needs. The Firm focuses on actively managed, fixed-income products. The product development staff works closely with clients and in conjunction with the client service representatives to create highly customized strategies, as well as key strategic products that are likely to have broad appeal. Key initiatives are currently focused on Alternative Investments, Bank Loan, Developed Market Currencies, Enhanced Liquidity, Middle Market Debt, Mortgage-backed Security Real Estate Investment Trust, Non-Agency Mortgage Market, Ultra Short Duration, and various Emerging Markets strategies.

3. Please specify separately the individuals (up to ten) who you feel are key to the success of Western Asset Management.

   Western Asset manages portfolios on a team basis, with the same team of professionals responsible for all products and portfolios. This team approach unites groups of specialists dedicated to different market sectors. The investment responsibilities of each sector team are distinct, yet results are derived from the constant interaction that unites the sector teams into a cohesive whole. This structure ensures that client portfolios benefit from a consensus that draws on the expertise of all team members. The investment team is led by:

Name	Title	Responsibility	Yrs of Exp.	Yrs w/ Firm
Stephen A. Walsh	Chief Investment Officer	Investment Strategy; Core Portfolios	30	20
S. Kenneth Leech	CIO Emeritus	Investment Strategy; Core Portfolios	34	21

   Mr. Walsh and Mr. Leech are supported by Western Asset's broad investment team, which consists of 122 investment professionals with an average experience of 18 years. An overview of the team is provided below:

Category	2Q11
Investment Professionals	122
▪ Portfolio managers	53
▪ Portfolio manager/research analysts	12
▪ Research analysts	45
▪ Traders	12

Biographies of the members of this team are provided in Appendix A. The entire investment team is responsible for this account.

4. Please specify separately the individuals (up to ten) who you feel are key to the success of Western Asset Management's Fully Discretionary Core Plus Fixed Income product.

Western Asset's US Core Full Discretion portfolios are managed by a team of portfolio managers, sector specialists and other investment professionals. This team is led by Mr. Stephen Walsh and Mr. Carl Eichstaedt, CFA, who are responsible for the day-to-day strategic oversight of the portfolio's investments and for supervising the operations of the various sector specialist teams dedicated to the specific asset classes in which the strategy invests.

Western Asset's US Core Full Discretion portfolio managers are further supported by a larger broad market team. Western Asset's team approach unites groups of specialists dedicated to different market sectors. The investment responsibilities of each sector team are distinct, yet results are derived from the constant interaction that unites the sector teams into a cohesive whole. This structure ensures that client portfolios benefit from a consensus that draws on the expertise of all team members. The investment management team consists of 122 investment professionals with an average industry experience of 18 years. An overview of Western Asset's investment professionals is described in the previous question.

5. Update all significant personnel changes to the "*SamCERA* Team," at WAM.

During the past year, Western Asset hired eight investment professionals, while losing 11.

A detailed breakdown by office worldwide is as follows:

Pasadena

Additions

Year	Name	Function/Job Title
2010	Christopher Orndorff	Portfolio Manager
	Kurt Halvorson	Trader

Departures

Year	Name	Function/Job Title	Tenure	Reason
2011	Jeffrey T. Katz	Research Analyst	13 years	Resigned
	Jeffrey Van Schaick	Portfolio Manager/ Research Analyst	30 years	Resigned
	Edward Moody	Portfolio Manager	25 years	Retired

New York

Additions

There were no additions to the Firm's New York office during the past year.

Departures

Year	Name	Function/Job Title	Tenure	Reason
2011	Joseph Deane	Portfolio Manager	6 years	Resigned
	Julie Callahan	Portfolio Manager	6 years	Resigned
	Pasqualina Brandow	Research Analyst	5 years	Resigned

Sao Paulo

Additions

Year	Name	Function/Job Title
2011	Jean-Pierre Gil	Portfolio Manager
2010	Paschoal Paione	Portfolio Manager

Departures

Year	Name	Function/Job Title	Tenure	Reason
2010	Mauricio Lima	Portfolio Manager	9 years	Resigned

London

Additions

Year	Name	Function/Job Title
2011	Natalie Cuadrado	Research Analyst
	Pradipta Sen	Trader
2010	Ruchi Gupta	Research Analyst

Departures

Year	Name	Function/Job Title	Tenure	Reason
2011	Andres Sanchez Balcazar, CFA	Portfolio Manager	5 years	Resigned
2010	Christopher Telling	Trader	8 years	Resigned
	Simon Chester	Research Analyst	9 years	Resigned

Singapore

Additions

There were no additions to Western Asset's Singapore office during the past year.

Departures

Year	Name	Function/Job Title	Tenure	Reason
2011	Rajeev De Mello	Head of Singapore Operations/ Portfolio Manager	4 years	Resigned

Melbourne

Additions

Year	Name	Function/Job Title
2011	Damon Shinnick	Portfolio Manager/ Research Analyst

Departures

There were no departures from Western Asset's Melbourne office during the past year.

The total effect of promotions and internal transfers during the past year decreased the investment management team by one.

6. Describe your firm's management succession plan. Have dates been established regarding succession of any key personnel, specifically those in the preceding questions?

A thorough management succession plan has been established to ensure a smooth transition in the event of a change in Western Asset's senior management. Western Asset's hallmark team approach, highly-qualified professional staff and commitment to internal development have led to a pool of strong internal candidates for senior management positions. These candidates all have extensive industry and leadership experience. Should Western Asset's Chief Executive Officer, Mr. James W. Hirschmann, be unable to continue his responsibilities, he would be succeeded by a member of the Firm's Global Strategy Committee, which is comprised of: Mr. Bruce D. Alberts, Mr. Brett B. Canon, Mr. James J. Flick, Mr. Gavin L. James, and Mr. Michael B. Zelouf, CFA. This Committee, in conjunction with senior management from Legg Mason, Inc., would be involved in any such selection process.

Should the Firm's Chief Investment Officer, Mr. Stephen A. Walsh, be unable to continue his responsibilities, he would be succeeded by a senior member of the Firm's investment management team. Mr. Michael C. Buchanan, CFA, Mr. Kazuto Doi, Mr. Carl Eichsteadt, CFA, Mr. Gavin L. James, Mr. Arun Lyng, and Mr. Dennis J. McNamara, CFA are some of the experienced leaders from Western Asset's global investment team who would be considered for the CIO position. Any exploration process regarding this position would be led by the Firm's CEO.

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? E-mail your firm's most recent ADV Parts I, II, and IIb to gclifton@samcera.org.

Regulatory

To the best of its knowledge, Western Asset has no current regulatory actions to report. The SEC and the Department of Labor (DOL) are separately investigating the handling of an investment made on behalf of certain ERISA accounts, where the terms imposed by the issuer on the offering restricted participation by ERISA accounts. Western Asset believes that the resolution of the investment was handled appropriately. The SEC's review started with an examination initiated in December 2009 and the DOL's review started with an inquiry in April 2010. Western Asset received an exam letter and provided a response, but the investigation remains open and pending. Since the SEC has yet to conclude their inquiry of the matter, it would be premature to provide a summary of the letter at this point.

Litigation

In March 2009, Western Asset Management Company was named in federal and state class action suits by beneficiaries of the Alabama Prepaid Affordable College Tuition Program (PACT) as a co-defendant along with the Trustees of PACT, the investment consultant for PACT and eight other investment managers retained by PACT. In January 2010, the state court dismissed the action before it without prejudice. The remaining federal suit generally seeks damages for potential losses that may be suffered by the PACT program and its participants. Western Asset Management Company, which managed an investment account for PACT, believes the claims against it are meritless and intends to vigorously defend itself in the action.

Western Asset's most recent Form ADV, Parts I and II, is provided in Appendices B and C, respectively.

8. Has there been any litigation specific to the product in which *SamCERA* invests?

Western Asset has no litigation to report specific to the product in which SamCERA invests.

9. When did the Security Exchange Commission (SEC) or the NASD last audit your firm? Please note any material findings or recommendations.

In July 2010, Western Asset received a written examination request for information from the SEC on cross trades and related policies. In addition, the staff of the Special Inspector General for the Troubled Asset Recovery Program (SIGTARP) separately requested similar information relating to trading in the Western Asset-advised entity participating in the Public Private Investment Program. Western Asset received an exam letter from the SEC and requests from both agencies for further information to which it is currently responding. The inquiries remain open and pending and it would be premature to provide a summary of the SEC letter at this point. Western Asset's previous SEC examination, which covered the Pasadena and New York offices, was in March 2007. Western Asset believes that any areas of potential concern were immaterial.

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.

Western Asset carries many forms of insurance to safeguard clients against theft, fraud, and negligence.

Errors and Omissions
Covers errors, omissions, misstatements, acts, neglect, or breach of duty by directors, officers, or managers.

Carriers:	Federal Insurance Co. (a subsidiary of Chubb)
	National Union Fire Insurance Co. (a subsidiary of AIG)
	US Specialty Insurance Co. (a subsidiary of HCC)
	Twin City Fire Insurance Co. (a subsidiary of Hartford Insurance Co)
Limit:	Single loss $50 million, aggregate $50 million

Financial Institutional/Fidelity Bond
Covers forgery, theft, dishonesty, etc.

Carriers:	St. Paul Fire & Marine (a subsidiary of Travelers) Federal Insurance Co. (a subsidiary of Chubb) Westchester Fire Insurance Company Continental Casualty Company
Limit:	Single loss $30 million, aggregate $60 million

The amounts of all policies are regularly reviewed and readjusted annually, or more often as required.

Proof on insurance is provided in Appendix D.

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

Yes. Western Asset's Code of Ethics, which is bundled with the Firm's Compliance Manual, is issued to all staff and includes rules on brokerage, conduct of business, conflicts of interest, fiduciary responsibilities, independence, inducements, insider trading, trading practices, and applicable laws and regulations. The manual is maintained by the Firm's Legal & Compliance Department and updated at least annually by them in consultation with the appropriate functional groups, or more often as needed. It must be read and signed by each employee when hired, and renewed annually thereafter. A copy of the Code is provided in Appendix E.

12. What are the current technologies utilized in supporting the investment and back-office processes?

Western Asset's custom Global Data Repository (GDR) is the Firm's master data warehouse for security and portfolio analysis and trading. The system, which is linked to all Firm-utilized systems and offices, captures and integrates data from accounting and analytic systems to create a hierarchy of both Western Asset's and the Street's analytical values in one consolidated source. This data is the foundation for the custom Advanced Trading Platform (ATP) system as well as a key data source for the compliance system and client reporting system. The security master is linked with Bloomberg where securities are updated on an intra-day and nightly basis to ensure that the Firm has the latest data. For security analytics, GDR also maintains a security hierarchy so that the Firm can control whether Western Asset has a preference for Barclays Capital POINT or Citigroup Yield Book data for any class of securities or any individual security. Benchmark data from various sources (e.g., Barclays Capital, Merrill, JP Morgan, etc) are loaded at the constituent level on a daily basis to provide portfolio reports that compute the relative percent market value and duration contribution weights. Development of the system was initiated in 1998.

Western Asset's Reports system provides real-time and historical reports on trades, positions, and portfolios on a web-based platform. Many reports are available to portfolio managers so that portfolio strategy and exposures can be measured. Some examples include:

- GCM – position level detail grouped and subtotaled similar to the benchmarks.
- Sector Term Structure – aggregated at sector with custom duration term structure support. Both absolute and relative to benchmark available. Also, can be used to compare two accounts.
- Currency Exposure Breakdown – computes by each currency and currency bloc, portfolio weights on an absolute and relative to benchmark basis.
- Global Duration Contribution Summary – computes by each currency and currency bloc, portfolio duration contributions on an absolute and relative to benchmark basis.

Western Asset also utilizes several electronic trading platforms to access liquidity in the market:

- TradeWeb is utilized for government, agency, and corporate bond trading
- MarketAxess is utilized for government and corporate bond trading
- Barclays Capital SmartConnect is utilized for bond futures trading
- Bloomberg is utilized for government and corporate bond trading

A dedicated IT development team exists to enhance and support GDR and ATP. Significant enhancements over the prior year include the introduction of new product types (e.g., derivatives, municipals) and new automated portfolio allocation strategies.

Portfolio Accounting

Western Asset installed SunGard's InvestOne portfolio accounting system in January 2003. It provides portfolio accounting for 100% of Western Asset's portfolios. It is a full-featured system incorporating real-time capabilities, robust messaging interfaces, customizable reporting, and true dual-entry accounting.

Client Reporting

Western Asset's Online Client Reporting system (OCR) consolidates data from InvestOne (portfolio accounting), GDR (front-end data warehouse), and Onyx (customer relationship management system) to provide consolidated reporting for all the Firm's accounts. Custom-developed and subsequently released in January 2003, OCR supports customizable reports, the creation of reporting packages, and robust management of recipient information.

Western Asset's goal is to provide clients with concise reporting on their accounts in an efficient, flexible, and timely manner. This is achieved via OCR. The details are as follows:

- Concise − report layouts emphasize clarity, a detailed security classification structure, and increased flexibility to customize portfolio information to meet clients' needs.
- Efficient − clients currently receive clients' statements electronically through the Firm's secure website, Western Asset Online.
- Flexible reports online are available in multiple formats – Adobe Acrobat (.pdf), MS Excel (.xls), web pages (.html), and comma or tab delimited (.txt).
- Timely − as soon as reports are ready for viewing online, individuals have the option to receive an e-mail notification with a link to your personalized Home Page.

Compliance

Western Asset uses industry-leading Charles River Development's ComplianceMaster (CRD) for portfolio compliance monitoring. CRD is an automated system with both pre- and post-trade capabilities that monitors adherence to accounts' specific guidelines, regulatory requirements, and risk exposure limits. CRD has been in use at Western Asset since 1997.

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.

The Investment Support Department is responsible for supporting post-trade investment activities. It is divided into five specialized groups. 1) The Securities Operations Group is responsible for confirming all trades at the block level that have been executed and entered into Western Asset's trading systems, and consists of four specialized teams organized by product type and functionality: a) Account Transition & Derivative Operations; b) Corporate Trade Control & Failed Settlements, which enters transactions to the Firm's systems, ensures delivery of trade details to the custodian banks and tracks and resolves failed trades; c) Mortgage-backed Securities and Bank Loans, which specialize in these investments; d) Swaps Technical Specialist. 2) Cash Management & Performance is responsible for cash reconciliations, monitoring cash movement & forecasting, overnight repos and overdraft prevention and also ensures that the Firm's performance calculations, including accounts, benchmarks and composites, meeting Global Investment Performance Standards (GIPS). 3) Portfolio Administration and 4) Fund Treasury are two groups responsible for client accounting-related functions, including interfacing with custodian banks, monitoring foreign exchange funding requirements, performing reconciliations (par and NAV), and performing period-end closings. 5) Analysis & Controls is responsible for a small specialized team servicing management and the above groups on an as-needed basis. The Investment Support Department consists of 192 individuals, is headquartered in Pasadena, and services all Western Asset offices.

The Information Technology Department is responsible for the acquisition, provision, and support of all aspects of technology for the Firm. The Department is organized into four functional groups: Analysis, Application Delivery, International, and Operations. The Analysis Group is primarily responsible for vendor relationships, budgeting and administration of the project management reporting system. The Application Delivery Group is responsible for development and support of proprietary systems and architecture, as well as evaluation, integration, and support of third party applications. The Application Delivery Group is further bifurcated and aligned into teams responsible for supporting individual business groups and reporting. The International Group is responsible for coordination of regional technology and advocacy of technology needs between regional and Pasadena based technology and business users. Finally, the Operations Group is responsible for hardware computing environments, infrastructure support, network and telecommunications support and business continuity management. In total, the Department consists of 136 individuals. These individuals are augmented as needed by independent contractors, consultants, and Legg Mason's Technology Services department, resulting in a structure capable of addressing the technology needs of the Firm with high quality, innovative, customized, and accurate solutions and data to provide Western Asset with an advantage in this competitive industry.

Outsourced Functions

Western Asset has entered into an agreement with The Bank of New York Mellon under which they are obligated to provide labor resources to augment existing Investment Support (certain reconciliation) staff. Western Asset has retained direct managerial control of all processes and related technology, indirect control of all labor resources and monitors quality control through a defined services agreement. The Bank of New York Mellon services the Firm's commingled vehicles along with Cayman funds and hedge funds. It also serves as the lending agent for the participating Western Asset Limited Liability Company Funds. The fee split is proposed to be 85% Fund, and 15% The Bank of New York Mellon for the first $2.5 million of gross revenue. For amounts in excess of $2.5 million, the fee split is 90% Fund, 10% The Bank of New York Mellon. There are no other compensation agreements. Finally, the funds are priced daily by The Bank of New York Mellon.

Western Asset leases space from Equinix Inc., in which Western Asset hosts its primary datacenter. Equinix is responsible for providing redundant power, cooling, and a physically secure space. Western Asset maintains ownership and all responsibility for the servers and applications located in the datacenter.

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?

As noted, Western Asset's mission critical applications are hosted by Equinix in Santa Clara, CA and all server hardware and support application software are located in Equinix's datacenter in Santa Clara. The Firm's personnel provide all operational support for these systems. Network connections to Western Asset's offices are made via a global MPLS network.

Mission critical applications that support Western Asset's global trading and processing functions include, but are not limited to, the following:

Trading and Analytic Support Systems

- The Advanced Trading Platform (ATP) – This system was designed and developed by Western Asset employees and third-party consultants. It provides trade entry, allocation, and blotter functionality to portfolio managers, trade support personnel, and portfolio analysts. The system was developed using n-tier technology, including Java, JSPs, and application server techniques. This system was implemented in 2002.
- The Global Data Repository (GDR) – This system was designed and developed by Western Asset employees and third-party consultants. The system accepts all account transactions, pricing, analytic, and market data and serves as the relational database back-end to ATP. This system was implemented in 1998.
- Oracle (Internal Reporting) – Oracle is a vendor supplied internal reporting system that has been customized to serve the needs of Western Asset. The system replicated data from GDR/ATP (Sybase) in a format that allows the creation of high-performance custom reports for the investment managers and analysts. This system was implemented in 2004.

Accounting and Reconciliation Systems

- SunGard's InvestOne System (InvestOne) – InvestOne is a portfolio accounting and trade processing system developed as a commercial product by SunGard Investment Management Systems. InvestOne is used to support Western Asset's portfolio accounting activities for all portfolios and their respective assets. This system was implemented in 2003.
- SmartStream Reconciliation (SSR) – SSR is a reconciliation system used to perform cash, position, and market value reconciliations between account information maintained in InvestOne and those records received from the custodian banks. SSR is a commercial product developed and supported by SmartStream Technologies. This system was implemented in 2003.

Client Information and Reporting Systems

- Online Client reporting (OCR) – OCR is a client reporting system designed and developed by Western Asset. The system collects data from InvestOne, GDR, Onyx, and the Performance Database and creates custom report packages that are subsequently delivered both electronically and via mail to the client base. Client reporting data is stored in an Oracle relational database management system (RDBMS). This system was implemented in 2003.
- Onyx OEP (Onyx Employee Portal) – Onyx OEP is the Firm's customer relationship management (CRM) solution. This vendor product is utilized primarily by the Client Service Department to: 1.) maintain records of all clients, client contacts, client portfolios, sales opportunities, meetings and related work notes; 2.) manage the client

reporting workflow task lists; 3.) administer the public website secure login process and associated user access levels and 4.) administer client service mailings (e.g., market updates, organizational announcements, etc.). This system is utilized for Client Service purposes only and is not utilized for trading or portfolio accounting. This system was implemented in 2000.

Performance System

- Eagle Pace Performance System (Eagle) delivers Western Asset a web-based solution for portfolio performance and GIPS composite management. Eagle is designed to calculate industry standard returns on investment portfolios, segments, and securities. Eagle Pace calculates portfolio level performance for all accounts using InvestOne data that is extracted and uploaded during the overnight process. A dedicated performance team, working closely with IT, delivers accurate performance calculations and manages the integrity of source data. Finalized account performance records, supporting valuation records and benchmark returns are maintained and stored in Eagle. This system was implemented in 2005.

Compliance Monitoring Systems

- Charles River Development ComplianceMaster (CRD) – CRD is a portfolio compliance system that is utilized to monitor portfolio holdings for compliance with client guidelines. CRD is a commercial product developed and supported by Charles River Development. This system was implemented in 1997.

Western Asset has not experienced any problems with these systems in the past eighteen months. Western Asset is committed to its technology program and will continue to devote a significant level of resources in the technology arena to exceed the demands of the business, including:

- focused commitment to an integrated global architecture capable of supporting all Western Asset products and clients
- the integration of additional third party systems which meet Western Asset's rigid standards for functionality and strategically align with Western Asset's architecture
- the implementation of internally developed applications and enhancements where competitive advantages may be achieved and/or appropriate third party systems are not available
- the continued upgrade of Western Asset's infrastructure, to ensure that it meets the requirements of additional volumes, product types, businesses, and locations.

Adherence to its technology strategy keeps Western Asset at the forefront of investment management technology. Over the past few years, Western Asset has dedicated approximately 10% of revenues to the pursuit and implementation of technology and enhancement of existing systems. This commitment puts Western Asset at the top of its industry. Western Asset is committed to maintaining this advantage, and as such will continue to devote a significant level of investment to technology.

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

Western Asset has had a formal Business Continuity Program since November 1998. The Firm is committed to proactively protecting all of its stakeholders, and development of the Program, which replaced a previous disaster recovery plan, has involved significant resources from both Western Asset and its parent Legg Mason, as well as the participation of industry-leading firms like PricewaterhouseCoopers, Gartner, SunGard Availability Services, and IBM Business Resiliency Services. The Program has been successively upgraded as technological and other improvements have allowed, and is regularly tested.

The Program is designed to restore mission-critical information technology services, essential business operations, and eventually full business recovery, as quickly as possible following an emergency, disaster, or other business disruption. It includes procedures for data redundancy and backup facilities, as well as a regular testing schedule.

Due to the size and sensitive nature of the plans, it has not been Firm practice to provide copies. However, a copy of the Program's Executive Summary is provided in Appendix F, and further details are available upon request.

2. Performance

16. Is the performance composite constructed for *SamCERA's* portfolio in GIPS compliance? If yes, when and who performed the last GIPS verification? Please provide a copy of the most recent verification.

    Western Asset has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). The Firm is both internally and externally verified for compliance to these standards. Western Asset has been in compliance since the Firm's inception and has been verified for the period from January 1, 1993 through December 31, 2009.

    A copy of Western Asset's most recent verification letter is included in Appendix G.

17. What is the Fully Discretionary Core Plus Fixed Income Portfolio's expected tracking error to the Barclays Capital Aggregate Index? What are the expected sources of the tracking error?

    The US Core full Discretion portfolio targets an annualized average tracking error of approximately 200 bps, over the course of a market cycle.

    Western Asset's estimates of tracking error are based on the assumption that changes in interest rates and spreads will be within a reasonable range of historical experience. Investment strategies are calibrated so as to generate a reasonably high expectation of delivering tracking error equal to or less than the Firm's expectations. Periods in which the actual tracking error has diverged significantly from the expected tracking error are thus due principally to extraordinarily high or low market volatility.

    Western Asset expects sector allocation to account for 60% of tracking error for its US Core Full Discretion strategy and issue selection, duration, and yield curve to account for 20% each.

18. Detail your firm's perspective of *SamCERA's* performance expectations for WAM, as spelled out in the contract and *SamCERA's Investment Policy*. How is WAM doing relative to those expectations?

    SamCERA's performance objectives for Western Asset Management Company as set forth in the guidelines are as follows:

    - Exceed inflation by 2% annually over the long term (ten years)
    - Exceed the 25th percentile of other managers over the medium term (three to seven years)
    - Exceed the market by 115 bps annually over the medium term (three to seven years)

    Due to the market anomalies, historical spread widening and increased volatility from 2007 to 2008, Western Asset's time-tested investment process and value-orientation philosophy came under pressure, as there was an unprecedented flight to quality. In 2009 and 2010, the Firm saw a significant upswing and recovery in the markets which produced an excess of 1,200 and 450 bps respectively in performance against the Barclays Capital US Aggregate Index. While the underperformance of SamCERA's medium term objectives remains a challenge, Western Asset believes that the Firm will be able to meet SamCERA's objectives over the long term.

19. What is your firm's source(s) for pricing fixed income instruments? Discuss pricing methodology and issues related to pricing. What is the process followed for resolving significant pricing differences between your firm and *SamCERA's* custodian, State Street Bank & Trust?

    Pricing Sources

    Western Asset's valuation hierarchy is driven by the region type (e.g., Americas) and price class (e.g., high-yield) assigned to each security. Western Asset primarily uses FTID (Financial Times Interactive Data), but also uses additional services depending on product type. JP Morgan Emerging Market Index is used as the primary source for emerging market securities, Markit is used for Swaps-Derivative products, Reuters-LPC (Loan Pricing Corporation) is used for Loans, and Barclays Index is primary source for Government Index Linked securities. A copy of procedures including a list of pricing services and the current price-source hierarchy by product type is provided in Appendix H.

    Pricing Methodology

    Western Asset has a very detailed and formal pricing procedure that utilizes a hierarchy of vendor pricing that is maintained separate and apart from the investment team. The hierarchy for different securities is as follows:

    For regular securities, prices are first requested from an approved pricing vendor (Western Asset uses several independent commercial pricing services, including Interactive Data, Markit and Bloomberg). If a vendor price is unavailable, bids from at least two independent dealers, who stand ready to trade at such bids are obtained and averaged to arrive at the market value to be used for the security.

Prices for derivatives vary depending upon the specific derivative instrument. Exchange traded futures and options are priced using closing prices from the primary exchange they are traded upon. Over-the-counter derivatives are priced by a third party pricing vendor, where possible, otherwise Bloomberg swaps models or dealer quotations are used.

All third party vendors, brokers, security hierarchies and deviations from those hierarchies must be approved by the Pricing Committee before the Pricing Group is allowed to make any changes.

Discrepancies

All material discrepancies in the monthly position reconciliation are commented on and investigated. Material is defined as four bps of the total market value of the portfolios. The portfolio administrator researches the item and determines the source of the discrepancy. The portfolio administrator will then send formal notification (e-mail, letter, or fax) to the custodian, instructing them to research and resolve the discrepancy. All discrepancies are subject to the review of senior portfolio administration personnel to ensure follow-up has taken place.

Western Asset's client records for global accounts are reconciled against the records of the relevant custodian bank in accordance with requirements by the Firm's clients. Western Asset's standard procedures require a monthly reconciliation of the security ID and par amounts for each security position, and a quarterly reconciliation of security ID, par, price, market value and accrued income where the client's bank provides accounting data. Prices of both securities and currency holdings are monitored daily via the Pricing Group, which reviews price variances from the prior day based upon established thresholds by security type. Month-end portfolio valuations are based on latest price data collected using Western Asset's pricing hierarchy. Accrued interest is reviewed for reasonableness by portfolio administrators prior to release of valuations. Internal procedures and controls ensure that the market value record created every month for each account is accurate and reconciled with the custodian record.

The Pricing Group ensures that vendor quotes are received and loaded into the system in a timely and accurate manner. On a daily basis, the Pricing Group runs price variance report that shows security prices day-over-day changes that break internal tolerance threshold. Prices for these securities are verified using alternate sources, sent to investment management team for a review and communicated to a vendor as a challenge.

On a daily basis, a member of the Pricing Group runs a trade price comparison report comparing valuation quote received from a vendor vs. a trade price for securities that were traded previous day. If certain conditions are met, a price variance is sent to investment management team for a review and communicated to a vendor as a challenge.

20. Recap 2010 performance and discuss any significant market movements. Please include a description of how the portfolio is positioned (sector allocations, credit quality, industries within the corporate sector, sub-prime exposure, etc.)

1Q2010 − Western Asset's strategies produced positive excess returns for the quarter. Corporate and economic fundamentals continued to show gradual improvement while monetary policy remained largely unchanged and extremely accommodative. Against this backdrop risk sectors performed well with spreads continuing on their compression path. Non-agency structured mortgages benefited in this environment and were further aided by an improving technical situation. An overweight to investment-grade corporates also added to performance during the quarter as market sentiment improved alongside better fundamentals. The quarterly period was one defined as rewarding investors for taking on incremental risk, and Western Asset's allocation to high-yield credit bonds generated significant excess returns. Western Asset's neutral to underweight exposure to agency mortgages detracted slightly from performance as government purchases continued to support this sector. The Firm's tactical duration posture and curve strategy had minimal negative impact. Despite a volatile sovereign environment issue selection and currency exposure enabled Western Asset's non-dollar and emerging market exposure to contribute to performance.

2Q2010 − Western Asset's strategies mostly generated positive excess returns during the quarter, although spread sectors were mixed. Non-agency mortgage exposure continued to add to the performance, as investor interest increased and principal returns remained steady. Western Asset's underweight exposure to agency mortgage-backed securities detracted slightly from performance, while its tactical trading between the agencies and various coupons added to performance and offset the underweight position slightly. An overweight to credit, particularly the financial subsector, detracted from performance, as investors fled to higher quality assets. An allocation to high-yield bonds further subtracted from returns as uncertainties increased after the sovereign debt crisis and the Gulf oil spill. Due to the volatile environment in the sovereign area, international exposure was slightly negative. Western

Asset's exposure to TIPS detracted as market breakeven rates declined and fears of future inflation subsided. Western Asset's tactical duration posture and curve positioning had a positive impact during the period as overall yields were decreased and the curve flattened.

3Q2010 − Western Asset's portfolios generated positive excess returns during the quarter. Non-agency mortgage exposure continued to add to the performance as investor interest remained strong and principal returns remained steady. The Firm's underweight exposure to agency mortgage-backed securities added to performance as did its tactical trading between the agencies and various coupons. An overweight to credit, particularly the financial subsector, added to performance, as investors once again sought risk assets. An allocation to high-yield bonds was also beneficial as uncertainties surrounding the sovereign debt crisis and the Gulf oil spill moderated. During a volatile environment in the sovereign area, international exposure was slightly negative when a short position in the euro detracted as the currency gained versus the US dollar. Western Asset's exposure to TIPS detracted as market breakeven rates declined and fears of future inflation subsided. A tactical duration posture and curve positioning had a generally positive impact during the period as yields decreased and the overall curve flattened.

4Q10 − In general, portfolios generated positive excess returns during the quarter. Non-agency mortgage exposure continued to lead the way, as investor interest remained strong and principal paydowns remained steady. Despite an underweight exposure to the agency MBS sector, which generated positive excess returns, the Firm's position added slightly to performance due to tactical trading between the agencies and various coupons. An allocation to high-yield bonds also was very beneficial, as investors felt more comfortable taking risk despite continued concerns regarding European sovereign debt. Equity volatility decreased over the quarter, reflecting improved investor confidence. An overweight to credit, particularly the financial subsector, similarly added to performance. Western Asset's exposure to TIPS added as market breakeven rates increased and deflationary fears subsided. Due to the volatile environment in the sovereign area, however, international exposure was mixed. Tactical duration posture and curve positioning had a slightly negative impact during the period as yields increased and the overall curve steepened.

Please refer to the Quarterly Investment Report provided in Appendix I for information on the portfolio's current positioning.

21. Discuss the fixed income market and *SamCERA*/WAM's relative success or failure in the current market.

    Please refer to the response provided in the preceding question and Appendix I for further information.

22. Is the Barclays Capital Aggregate Index appropriate as a benchmark for *SamCERA's* portfolio?

    Western Asset believes that the Barclays Capital US Aggregate Index is the appropriate benchmark for SamCERA's portfolio. The Firm uses this index because, as with Western Asset's Core product, it is both broadly accepted, captures the key elements of the product and SamCERA's overall risk profile and investment objectives. Western Asset does not believe there is a trend toward utilizing another benchmark as the standard measurement for US Core Full Discretion portfolios.

3. Investment Strategy and Process

23. Provide a full review of the investment process, including

(a) who is responsible for various stages of the process,

Western Asset's team approach to portfolio management revolves around an investment outlook developed by the US Broad Market Committee. These senior professionals, each with expertise in a specific area of the fixed-income market, interact on a daily basis to evaluate developments in the market and the economy, and meet formally at least every two weeks to review Western Asset's economic outlook and investment strategy.

With each member's area of expertise represented, the Committee reaches a consensus view on the outlook for the economy over a six- to nine-month horizon. The portfolio managers then incorporate this outlook into their strategy within the constraints and guidelines of each individual portfolio. The sector specialists, who are grouped by market sector (e.g., corporate, high yield, mortgage- and asset-backed, emerging market), concentrate on research, identifying issuers and issues appropriate for the Firm's universe by considering relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation.

(b) a performance attribution which reflects your assessment of the value added by your investment discipline,

	2Q11	2010
Composite	2.05	11.51
Benchmark	2.29	6.54
Variance	-0.24	4.97
Duration	0.00	0.38
Yield Curve	-0.14	0.00
Sector	-0.19	2.38
Issue	0.09	2.21
Variance	-0.24	4.97

(c) your assessment of the risks associated with *SamCERA's* portfolio,

As an active fixed-income manager, Western Asset positions its portfolios to take risk. Western Asset attempts to manage risk by positioning its portfolios so that they will outperform if future expectations unfold as the Firm expects it will, and so that they will not dramatically underperform if the future does not unfold as expected based on the investment outlook.

Western Asset seeks to construct portfolios that contain reward-generating exposures that use risk efficiently. The themes in a portfolio that are expected to generate excess returns over the benchmark should be the same themes that are expected to generate risk (volatility or other measure of future uncertainty) in the portfolio. A portfolio with risk and reward properly aligned is more likely to produce a desirable and consistent stream of returns.

Western Asset also seeks to understand its clients' risk tolerances and to construct portfolios accordingly. Clients who wish to position portfolios opportunistically will have a greater tolerance for large swings in performance than clients who want a highly predictable outcome. A key function of risk management is to make sure that not only is the result at the end of a measurement period acceptable to a client, but that the interim behavior is acceptable as well.

Risk Controls

In addition to its risk management analysis and reports, Western Asset uses internal guidelines to limit risk and promote diversification.

Concentration risk is addressed through diversification. This is provided in many ways. One, Western Asset uses multiple independent strategies to capture return, rather than just one, weighting these approaches so that no one strategy is disproportionate. Two, the Firm's portfolios are diversified by sector. Western Asset has historically had exposures between 10% and 50% for each of the major sectors such as governments/agencies, corporates, and mortgages. Three, the Firm's portfolios are further diversified by issuer. Generally, issuer diversification increases as quality decreases.

Credit risk, including default, is addressed through limits and the research process. In addition, mutually agreed limits are set at a portfolio's inception and may include issue and issuer limitations, credit minimums or an average credit quality. Accounts are monitored on an ongoing basis to confirm they continue to meet these parameters.. In addition, Western Asset employs a highly experienced research team that performs a rigorous independent analysis of all credit securities before purchase, including financial modeling, scenario analysis, and monitoring changes in risk profile. Final investments are made only when all major variables are well understood and the Firm's opinion of relative safety is high.

Currency Risk – Western Asset endeavors to add value to its portfolios utilizing the broadest range of strategies and securities that its clients feel comfortable with. Active management of currency exposure, where allowed by client guidelines, is one such strategy. Western Asset is mindful, however, that currency risk is an order of magnitude greater than bond market risk, so over the cycle currency risk is not a significant component of portfolio exposure. Active currency management in Western Asset's US Core Full Discretion strategies will be used to add to returns, albeit in a minor fashion, but mainly to reduce tracking error.

Interest rate risk is addressed through limiting duration and controlling term structure. Duration is constrained to a pre-determined target around the benchmark, usually 20%, to ensure that the interest rate position of a portfolio is never so substantial that it overwhelms other strategies. Sectors and individual securities are also assessed in terms of their duration contribution to the portfolio. In addition, Western Asset controls term structure relative to the target portfolio by adopting independent and often non-complementary yield curve strategies. These strategies are analyzed under various scenarios and stress-tested to ensure optimal weighting with regard to both their duration hedging and performance attribution characteristics.

Liquidity risk is addressed by emphasizing larger, heavily traded issues. Western Asset defines these as publicly traded securities that have an issue size of $500 million or greater, are supported by multiple underwriters, and have multiple bids and offers in the market. The Firm may purchase securities of smaller issue sizes if the risk/reward analysis is compelling. Regardless, all holdings must be of sufficient size and traded actively enough to facilitate transactions at minimum cost and accurate market valuation. This emphasis on liquid securities makes Western Asset less likely to participate in any illiquidity event that might arise. Should such an event occur, the Firm would focus on working very closely with the market makers to ensure that pricing accurately reflects the fundamental situation of the illiquid credit.

All exposures to the above risks are monitored by risk management, compliance, and investment staff on an ongoing basis.

(d) what methodologies are employed to evaluate risk and perform bond scenario testing, including a description of the software you have in place,

Western Asset uses a variety of vendor and custom systems to assess risk. Security level risk characteristics such as durations, spread durations, convexities, weighted average lives, and other single security metrics are generated by an extensive daily process using systems such as Barclays Capital POINT and Citigroup Yield Book.

At a portfolio level, currently the main system used is Barclays Capital POINT, which produces tracking error estimates for the majority of the hub portfolios representing Western Asset's key strategies. Tracking error analyses are reported on risk dashboards that standardize, to the extent it is possible, the approach to assessing risk. Many of Western Asset's clients request tracking error targets, but many other risk statistics such as value at risk, volatility ratios, and conditional value at risk can be computed. Custom models are used to assess particular markets that are not served well by vendor systems, such as Asian bond markets. In addition, Western Asset has developed a customized stress testing/scenario analysis model based on historical simulation.

Western Asset continually evaluates both new vendor systems and new customized approaches to risk systems and models, so the systems used change in response to changes in the capital markets.

Some specific measures that Western Asset uses at the portfolio level (usually relative to a benchmark) for monitoring investment risk include:

- Average portfolio exposures of duration, yield curve exposures, spread durations, weighted average lives, convexities and yields.

- Weights and duration/spread duration exposures by asset classes, sectors, and subsectors.
- Currency and geographic exposures
- Obligor concentrations and non-benchmark exposures
- Ex post and ex ante volatility ratio – the ratio of the volatility (standard deviation) of the portfolio to the volatility of the benchmark. A ratio greater than one indicates a view that higher risk will be rewarded in upcoming markets, while a ratio less than one indicates a view that higher risk will suffer in upcoming markets.
- Tracking error to a benchmark. Both ex post and ex ante tracking errors are considered. Ex ante tracking errors can be derived from vendor systems such as Barclays Capital POINT or Citigroup Yield Book, or in some cases from customized spreadsheet models that Western Asset has developed for special markets. Western Asset computes tracking error for portfolios representing each of its key strategies.
- Components of tracking error. The Firm looks at where tracking error is expected to be incurred – from factors like curve positioning; credit; currency, structured product, inflation, the chance of default, and idiosyncratic (nonsystematic) behavior.
- Strategy concentrations. Using a combination of quantitative measures and risk management analysis, Western Asset attempts to identify pools of risk where the behavior of a section of the portfolio could account for a large portion of the behavior of the portfolio.
- Performance. While performance is not directly a risk factor, performance that is either much higher or much lower than expected is evidence of high risk in portfolios.
- Stress testing and scenario analysis. In selected cases, Western Asset runs stress tests to try to determine the future behavior of the portfolio under shocks to single factors, such as an instantaneous 50 bps parallel shift in the yield curve. The Firm can also run scenarios attempting to determine the behavior of the portfolio if there is a repeat of a historical extreme situation such as the Russian debt crisis of 1998, or in a hypothetical scenario such as a worldwide outbreak of Avian Flu.

In addition to these quantitative measures, senior members of the risk and investment teams continually think through possible future scenarios. While some of the more formal discussions of risk scenarios take place in the monthly Market and Credit Risk Committee, discussions and analyses of risk take place formally and informally every day at Western Asset.

As part of its daily analytics process, Western Asset continuously stress-tests its portfolios in order to assess their behavior under a variety of interest rate and spread scenarios. The correlation assumptions used in these simulations are continually revised on the basis of historical experience and the judgment of senior investment professionals. The objective of scenario analysis is to help ensure that portfolio risk is well-diversified and that tracking error will not exceed expectations. Scenario analyses include a full revaluation of all securities, including a reestimation of prepayment models in the case of mortgage-backed securities. Portfolio managers receive a report which estimates the likely performance behavior of all portfolios under their supervision under a variety of what-if scenarios (e.g., if interest rates rise 50 or 100 bps, if the yield curve steepens or flattens, if spreads widen by 50 bps).

(e) which parts of your investment process are not functioning as well as you would expect?

Neither the philosophy nor the process has changed, nor does Western Asset envision any changes. The Firm continues to focus on long term, fundamental value opportunities and diversified strategies. Western Asset continues to employ an active process that is both top-down and bottom-up. The Firm does however continuously review its investment themes, risk management approach and investment management tools.

Following the financial crisis, Western Asset reviewed all aspects of its investment process. Unanticipated results prompted this review and market volatility, changing market dynamics and poor performance in the 2007 to 2008 period prompted a number of process changes and enhancements. There were changes in personnel and systems. Western Asset added credit analysts, portfolio managers on the investment-grade and global credit teams. The Firm enhanced its structured product teams with additional analysts and Western Asset continued to improve and expand its analytic systems. Western Asset has continued to expand and improve its risk management team by improving its systems, increasing transparency and communication both internally and externally and enhancing both the quantity and quality of the team. Having made these process improvements Western Asset feels it has addressed previous shortcomings and are well positioned to deal with future market challenges.

24. 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?

Investment Philosophy

Western Asset's investment philosophy is to provide clients with diversified, tightly controlled, value-oriented portfolios. The Firm's management style emphasizes the use of multiple strategies and active sector rotation and issue selection, while constraining overall interest rate risk relative to the benchmark. This philosophy has been successfully fulfilled through uniform application of the following key strategic points:

- *Long-term value investing*. As sector rotators, the Firm seeks out the greatest long-term value by assiduously analyzing all sectors of the fixed-income market.
- *Multiple strategies*. Western Asset employs multiple strategies, proportioned so that results do not depend on one or two opportunities, and no single adverse market event has an overwhelming effect. Western Asset believes this approach can add incremental value over time and can help to reduce volatility.

Western Asset's fixed-income discipline emphasizes a team approach that unites groups of specialists dedicated to different market sectors. The investment responsibilities of each sector group are distinct, yet results are derived from the constant interaction that unites the specialty groups into a cohesive investment management team. The sector teams are comprised of Western Asset's senior portfolio managers, research analysts and an in-house economist who are highly skilled and experienced in all major areas of the fixed-income market. They exchange views on a daily basis and meet more formally twice each month to review the Firm's economic outlook and investment strategy. This structure seeks to ensure that client portfolios benefit from a consensus that draws on the expertise of all team members.

Investment Strategy & Process

The strategic goal at Western Asset is to add value to client portfolios while adhering to a disciplined risk control process. With this process the management team seeks to exceed benchmark returns while approximating benchmark risk. The Firm's investment philosophy combines traditional analysis with innovative technology applied to all sectors of the market. Western Asset believes inefficiencies exist in the fixed-income markets and attempts to add incremental value by exploiting these inefficiencies across all eligible market sectors. The key areas of focus are:

- Sector & Sub-Sector Allocation
- Issue Selection
- Duration
- Term Structure

These areas represent the primary sources of value added in active fixed-income management. Different investment approaches result from the relative weight attributed to each factor. Historical analyses of performance attribution indicate that Sector Allocation and Issue Selection contribute the majority of value added by Western Asset, while Duration and Term Structure decisions account for the remainder.

Sector & Sub-Sector Allocation – Western Asset has been successfully rotating among and within sectors of the bond market, preferring non-government sectors because they typically offer higher relative yields and have tended to outperform the broad markets over long market cycles. Members of the US Broad Market Committee continually analyze the broad economic environment to determine the potential impact on sector performance. They study historical yield spreads, identify the fundamental factors that influence yield spread relationships, and relate these findings to the Firm's projections to determine attractive alternatives.

The Firm's analysts continually augment this process by providing detailed analyses of specific sectors. Corporate analysis includes assiduous credit quality studies and historical yield spread analysis. Mortgage analysis includes the use of external research which integrates the components of prepayment, housing turnover, default, and refinancing.

In addition, non-US investment-grade sovereigns, high yield, and/or emerging markets are used opportunistically as additional sectors within the US mandate. Any foreign investments may be held on a hedged or unhedged basis, according to client guidelines and current Firm strategy. From a global perspective, the Firm analyzes the projected economic environment in a wide range of countries to determine how this will affect the market behavior of the various sectors worldwide.

Issue Selection – Issue selection is a bottom-up process to determine mispriced or undervalued securities. The sector teams provide an ongoing assessment of changing credit characteristics and of securities with characteristics such as floating interest rates, hidden underlying assets or credit backing and securities issued in mergers. Also assessed are newly issued securities. Armed with these sector and issue analyses, the sector teams and portfolio manager select issues opportunistically.

Corporate bonds have long been an area of significant added value for Western Asset. While Western Asset concentrates on investment-grade securities, the Firm's analysts have proven very successful in analyzing lower grade credits. Securities rated at the lower end (BBB) of the investment grade scale, and those at the higher ranges below that (BB), have proven particularly attractive. It is anticipated that these securities will continue to offer exceptional risk-adjusted opportunities. Western Asset believes that authority to use at least the full range of investment grade credit, when combined with proper risk control guidelines, is a prudent exercise of fiduciary responsibility.

Duration – Limiting interest rate risk to 20% above or below benchmark duration is Western Asset's most basic risk control tool. The US Broad Market Committee decides on a duration target based on a comprehensive analysis of domestic and international macroeconomic factors as well as the general political environment. The underlying belief is that interest rates are primarily determined by the level and direction of inflation, and that inflation is primarily a monetary phenomenon. The US Broad Market Committee weighs its views against market expectations, taking on more risk as its views diverge from the market and less risk as they converge. The consensus is not to attempt to time the market, but rather to identify and stay with long-term trends.

Term Structure – Western Asset closely monitors shifts in the yield curve, for the relationship between short, intermediate and long maturity securities is essential to constructing a long-term investment horizon. The US Broad Market Committee determines the implications of the yield curve's shape, along with projections of Fed policy and market expectations, and formulates a yield curve strategy to be implemented by the portfolio managers. With excessive market volatility in the last several years, Western Asset's yield curve strategies have proven to be an important source of value added.

Risk is managed by controlling term structure relative to a target portfolio and by assessing the convexity of the Firm's holdings.

Research Process

Western Asset has a large, highly experienced team of research professionals who have immediate access to current market, security, and issuer information through up-to-date data retrieval technology. Daily monitoring of issuer information and market news is conducted using a combination of direct contact and external services. Direct contact with companies' senior management is a critical source of information. Wall Street and City analysts, both fixed-income and equity, are used for input, although outside research is used primarily as a supplement to internal research or for investment idea generation.

Western Asset's research team combines sound qualitative judgment with sophisticated quantitative tools to analyze credit valuations, market and sector movements, micro and macro economic trends, and how portfolios are positioned to take advantage of these trends.

Western Asset's research effort covers all major bond market segments, focusing on the non-government sectors such as corporates, mortgage-backed, and asset-backed securities that might provide excellent relative value for the Firm's portfolios.

The corporate research process begins with fundamental credit analysis, which involves examining key financial parameters, such as:

- Will the credit stay the same or improve?
- Is there potential for corporate restructuring or stock buy-backs?
- How much free cash flow exists after covering annual interest expenses and capital spending?
- How much cash flow can the company generate, and how does this compare to its principal and interest burden and other financial objectives?
- If the issuer is a net user of cash, how is this being invested and what sort of return on invested capital might this produce in the future?
- What are management's financial goals and philosophy, and are they achievable?

Western Asset assesses the credibility of management and whether they possess the willingness and ability to maintain or improve upon their competitive posture and financial profile. Western Asset meets in person with the management of all of its major corporate holdings to determine firsthand their ability to achieve this task.

The next step in the process is to analyze specific issues, paying special attention to covenants which, when present, provide important protections for bondholders. Option-adjusted spreads are examined at various levels of implied volatility and an analysis is performed of any embedded options in the issue, such as puts, calls or convertibility into an issuer's common stock. The focus is whether the pricing of embedded options offers value.

Of equal importance in the analysis of specific issues is liquidity. Western Asset has a bias towards large, broadly sponsored issues. It is important to be able to sell an issue should it reach Western Asset's objectives, or should the Firm have concerns about unfavorable credit developments.

Western Asset believes that inefficiencies exist in the market and seeks to add incremental value by exploiting these opportunities. Below are some key examples of opportunities for enhanced returns:

- Undervalued Securities – Securities trading at a discount to the market or peers due to oversight or misinterpretation of the issuing company's current or future business prospects.
- Out-of-Favor Securities – Securities trading at a discount to the market due to industry-related stresses irrespective of their specific business and financial situation. These can also be securities trading at a discount to the market or peers due to a specific negative occurrence which is being mitigated or is a one-time anomaly.
- Trading Inefficiencies – Securities trading at a discount to the market or peers due to differences in bid and offer spreads between various dealers. Technical market factors such as cash flows in and out of the market which disturb the supply/demand balance, causing securities to trade at a discount to their face value irrespective of their specific business or financial situation.
- Potential Upgrade Candidates – Securities in companies with credit statistics and operating results that would indicate the potential for rating upgrades.

Western Asset's team approach allows for all of the Firm's investment professionals to contribute to the management of client portfolios, thereby leveraging the collective experience and judgment of the entire investment management team to the benefit of each client. Western Asset manages portfolios that involve every sector of the global bond markets. Teams are made up of investment professionals with both sector and product responsibilities, who work together as a single unit from all of the Firm's offices. The Firm strives to maintain a culture of investment excellence, centered on teamwork and facilitated by an environment that encourages an open exchange of ideas and frequent communication among all the members of the investment management team.

Western Asset's team approach to investment management makes the division between research, analysis, and portfolio management less rigid than at many firms, and thus research is not a stepping stone to portfolio management. All of these are senior investment positions heavily involved in implementing the Firm's overall investment strategy, and thus tend to have the same status.

Western Asset's portfolio managers are responsible for managing sector and portfolio allocations. These experienced professionals focus on portfolio structure, including sector allocation, duration weighting and term structure decisions, and currency exposures where appropriate. Portfolio managers work within client guidelines and risk tolerances, implementing strategies consistent with overall global macro-economic themes and strategies as set by the senior investment team.

Research analysts focus at the sector or sub-sector level, to include individual issues within those sectors. These professionals may be responsible for trade execution, and are responsible for making relative value recommendations.

Western Asset manages portfolios on a team basis, with the same team of professionals responsible for all products and portfolios. Each person in this 122-person team is responsible for 8 to 10 accounts which represent approximately $4 billion in assets under management.

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?

Western Asset's products seek to outperform their benchmarks over the long term regardless of short-term market environment. Some conditions which the Firm has consistently been able to take advantage of are moderate to extreme market volatility, which provides spread product investors with the opportunity for increased return; and market dislocation, which leads to increased inefficiencies and therefore additional investing opportunities. However, certain products may underperform due to unexpected economic shocks such as a liquidity crisis, temporary setback in stock prices, or regional crisis that causes rapid and unexpected changes in monetary policy, commodity prices, or consumer wealth and confidence. Historically, these shocks have proved to be temporary. Since Western Asset rigorously adheres to its long-term investment process, the Firm's strategies have typically gone unrewarded during these shocks, only to achieve an even more significant gain during the ultimate readjustment to normal conditions.

26. Are there sectors or securities that cause your strategy more difficulty?

Western Asset uses every type of security available, provided they are also allowed by client guidelines. However, Western Asset typically avoids the use of structured notes, IOs, POs, and other securities with highly unstable cash flow or duration characteristics, or those whose returns are driven primarily by factors not intrinsic to the bond market or by conditions that would not be acceptable under client guidelines. Western Asset makes active use of fixed-income derivatives (e.g., futures and options on futures, as well as over the counter options and swaps), but mainly as an adjunct to other investment strategies. Derivatives are used at the margin to minimize transactions costs, hedge risk, and to implement strategies in a more efficient manner.

27. Describe in detail the types of mortgage and asset-backed securities, including related derivatives (e.g., ABX CDS), that were/are used in the portfolio.

Please refer to Appendices J and K for information on MBS and ABS and related derivatives used in the portfolio.

28. Describe the tools you employ and the process followed to stress-test structured securities & related derivatives. How often is the portfolio stress-tested?

Surveillance Systems

Western Asset has used Loan Performance data since 2007 and Intex data since 2000 to develop and run complex models for ABS securities. Western Asset updates Loan Performance data from origination on over 24,000,000 individual loans, 16,000 pools, 8,000 deals and 137,000 CUSIPS.

Western Asset also uses Zip code and county home price data, including median price, number of home sales and per square foot price data from a variety of sources including Dataquick, Office of Federal Housing Enterprise Oversight (OFHEO), Case-Shiller® Home Price Indices and RPX Monthly Housing Market Report.

Western Asset's systems support monthly and ad hoc workflows for position monitoring, price validation and real-time market analysis. Loan Performance data is enhanced with parameters Western Asset has identified as value drivers. Flexible economic models together with the enhanced Loan Performance data and the Firm's classification data form the dataset run through Intex for pricing sensitivity.

Stress Testing

Western Asset has developed proprietary models to analyze structured product securities for potential purchases and for ongoing surveillance. When analyzing a mortgage pool, a base case cumulative default expectation for the underlying mortgage pool is derived by applying roll rates to the current delinquency profile of the pool. The roll rates are determined by Western Asset using historical loan-level default data taken from negative-HPA environments (rustbelt, early-1990s California, etc). The roll rates are dynamically adjusted to reflect the degree of seasoning (loan age) of the mortgages with higher roll rates assigned to newer mortgages and lower roll rates assigned to older mortgages. The base case is adjusted quantitatively and qualitatively to reflect the presence of risk layering of the mortgage pool (low FICOs, stated doc, investor property, interest only, etc). The default profile for the pool is projected by using Western Asset's proprietary loss timing curve as adjusted to reflect the base case cumulative default expectation as derived above. Western Asset also applies different loss severity assumptions depending on the composition of the pools. The main criteria are geographic location of the loans, what the home price appreciation has been since origination and what Western Asset thinks it will be going forward. The Firm then factors in all of the foreclosure costs (servicer advances, maintenance costs, realtor commissions, etc.) including how long foreclosure timelines are in different states. Loan size also factors into the Firm's severity assumptions since many of the foreclosure costs are fixed and therefore loss severities will be higher for small balance loans.

A set of stress case scenarios are also created by adjusting the base case by a set of progressively increasing stress factors (example 2.0x to 4x base case) in which Western Asset increases default expectations and loss severities and slow down prepayment assumptions. The Firm then compares the increased cumulative loss output in these stress cases versus the bond's credit enhancement to determine if any principal impairment is expected under these stress scenarios. This surveillance process is monitored and updated continuously but no less frequently than on a monthly basis as new remittance data is received on the underlying pools.

29. Provide a description of all types of derivatives and TBA securities used in the portfolio and discuss specifically how each is typically used (e.g., to adjust portfolio duration, create synthetic positions, etc).

    Please refer to Appendix K for a list of derivatives in the portfolio and for a breakdown of the TBA securities used in SamCERA's portfolio.

    TBAs are used to gain exposure to the mortgage market. The mortgage market is a forward market with offerings being made for the current month and the two upcoming months. As the settlements move further away, the price is discounted to compensate the investor for the lost coupon income during the period of delay. Typically, the prices are reduced by a greater amount to incent investors to buy in the future rather than in the cash market. This occurs because banks commit to mortgages today that will close in 15 days, 30 days or 60 days. With the existence of the forward market, they are able to sell these commitments forward to more precisely hedge their issuance. This creates an opportunity for the investor as a) they can buy the securities in the future at a lower price. and b) have the ability to invest at rates that are somewhat higher than the cash rates that are used to discount the price.

30. Define leverage and discuss its use in the portfolio. Please include a discussion of both financial leverage (i.e., borrowing) and effective leverage (i.e., notional exposure obtained through the use of derivatives).

    Financial Leverage

    Western Asset does not use leverage for this product.

    Economic Leverage

    Western Asset's standard approach to leverage is to cover forward securities and the mark-to-market value of interest rate swaps with cash and cash equivalent securities. Next the Firm's investment professionals look to cover short and long futures, short puts, short calls and the notional value short credit default swaps with any excess cash not covering forwards, offsetting derivatives or investment grade liquid assets in the account. This methodology of determining leverage/coverage is consistent with the standards used for monitoring coverage requirements as prescribed under Section 18 of the Investment Company Act of 1940. Western Asset has used derivatives in portfolios since 1988, and most of the Firm's clients allow for derivatives authority.

31. With respect to synthetic exposures and TBA rolls, are these exposures fully collateralized? What is considered an appropriate form of collateral (e.g., T-bills, an internally-managed enhanced cash vehicle)?

    TBAs are fully backed by cash and cash equivalents. Whenever client guidelines do not specifically address this issue Western Asset defaults to the following criteria for cash equivalents:

    - Duration less than or equal to one year.
    - Ratings greater than or equal to BBB- or equivalent (investment grade)
    - No IOs
    - No POs
    - No inverse floaters
    - No Emerging Market Debt.

    There is a Comment Letter from the SEC, dated 11/7/97, which defines qualified coverage for purposes of coverage for 40-Act funds (i.e., mutual funds) as: "Cash, US Government Securities and other high-grade debt obligations. Western Asset believes the firm's internal definition is more conservative.

32. How are derivative positions, total notional exposures and the use of leverage aggregated and presented in client reports?

    The consolidated derivatives report for the account as of June 30, 2010 is provided in Appendix K.

33. What portfolio reporting/attribution system can you make available to *SamCERA* so that we can better track the risk positions in your portfolio?

    Reporting

    Western Asset provides clients with account statements on a monthly basis. These are typically available within 10 business days after month-end, depending on the nature of the data provided and whether the custodian has been mandated to follow the same statement and reconciliation process.

A typical report includes:

- Investment performance report
- Summary of holdings
- Schedule of current holdings
- Purchases and sales
- Portfolio characteristic matrix

Western Asset provides a Quarterly Investment Report to clients. The report contains detailed performance, sector, and term structure information for all Western Asset products. It also includes a four-page market commentary that reviews the economic and fixed-income market of the past quarter, the Firm's performance in this context, and discusses the Firm's outlook and game plan going forward.

Western Asset will customize reporting to accommodate specific client needs, including non-standard items such as cash journals, price reports (asset or broker), profit and loss reports, performance attribution, or trade confirmations; specialized items like compliance attestation letters or consolidated reporting of multiple managers; or alternate delivery methods such as removable media or e-mail.

All reports are available through the Firm's website at www.westernasset.com. Designed for clients, prospects, consultants, and the general public, the site has been developed with three levels of access. The general public is entitled to view general information about the Firm and products. Prospects and consultants can access additional content including historical performance and proprietary research. A large client-only section provides secure access to monthly statements and reports.

Attribution

To accommodate the broad range of mandates and securities traded, Western Asset employs different methods of attribution, including both risk model- and exposure-based variants. The attribution model is chosen to provide maximum insight considering the primary risk factors of that particular market, the data available, and the investment process employed.

In addition to internally developed attribution models, Western Asset also utilizes Barclays Capital POINT and Citigroup Yield Book.

34. How has the "debt crisis" changed the way you manage the portfolio? What has your investment team learned from this episode?

The recent US "debt crisis" (generally thought of as the showdown in Congress in July and August 2011 to raise the legal US debt limit and thereby avert a number of potential negative consequences, including default) was a unique event which Western Asset monitored closely. However, this event did not meaningfully alter the way the Firm manages its portfolio. Outcomes of political processes are inherently difficult to predict (although in this case Western Asset correctly expected, as did the market, a last-minute compromise to be reached) but must be monitored and accessed as they unfold. During periods of heightened market risk Western Asset pays particularly close attention to various risk metrics, in part to ensure that the portfolio will have sufficient liquidity to make any portfolio adjustments the Firm feels would be necessary.

35. Please discuss the use of third party credit ratings in the portfolio? How has the use of credit ratings changed in the past two years?

As noted, Western Asset uses CRD to monitor client guidelines. CRD is a fully automated compliance system that ensures specific account guidelines, regulatory requirements, and risk exposure limits are not violated. CRD is used to monitor average credit quality requirements on a daily basis.

The system performs this calculation by assigning numerical rankings to each security's ratings. For example, a AAA ranked security by S&P is assigned a rank of 25, a AA+ is assigned rank 24, and so forth. Each NRSRO and Western Asset rating is given corresponding numerical assignments. The average quality rating is assigned to a portfolio by taking the dollar weighted average value of all securities held in the account using the assigned ratings of each rating agency. Generally derivatives (futures, options, swaps) are excluded from the calculation.

Western Asset's policy is to defer to client guidelines regarding methodology whenever possible (e.g., higher of, lower of, etc.). However, if client guidelines are silent regarding split ratings, Western Asset will look to either the higher of or lower of rating calculations depending on which calculation best fits the investment goals of the portfolio. For example, if there is an average quality rule in an investment grade portfolio and the guidelines were silent as to which methodology to use, the Firm would default to using the higher of, the Western Asset standard for this mandate.

Western Asset will assign a rating to any security that is no longer rated by an NRSRO. To that end, the Firm's calculations will always factor in positions not rated by NRSROs.

36. Provide a full review of the investment process, including (a) who is responsible for various stages of the process (b) a performance attribution which reflects your assessment of the value added by your investment discipline, (c) your assessment of the risks associated with *SamCERA's* portfolio, (d) what methodologies are employed to evaluate risk and perform bond scenario testing, including a description of the software you have in place and (e) which parts of your investment process are not functioning as well as you would expect?

Please refer to Question 23 for detailed information.

37. Describe your compliance procedures in detail. To whom does your compliance department report?

Western Asset's compliance process has three primary objectives: to confirm that assets are managed in accordance with client parameters; to confirm that the business is managed in accordance with regulatory requirements; and to confirm there are sound controls in place to maintain compliance with policies and procedures. The Firm's Legal & Compliance Department is responsible for this process, which includes five main areas: training, computer systems, procedural controls, account setup and ongoing monitoring.

Training

Western Asset's compliance process begins with training. This education is a critical component of Western Asset's compliance program.

All new employees receive compliance training as part of their orientation. The Firm's compliance manual, which is issued at this time, is designed to establish policies that will mitigate, eliminate, or disclose potential conflicts of interest and ensure Western Asset remains in compliance with applicable statutes and regulations. The manual is updated and redistributed as necessary, and changes to regulatory and compliance matters are communicated to all staff through meetings and e-mails.

In addition, the compliance staff themselves participate in training that includes portfolio issues, security knowledge, technological skills, and any changes in the client and regulatory environment.

Finally, the Legal & Compliance Department holds a mandatory yearly compliance meeting for all Western Asset staff. This is organized by department and covers all compliance policies firmwide as well as department-specific issues. Additional training sessions occur throughout the year as new procedures, policies, and issues arise.

Computer Systems

A key component of Western Asset's compliance process is a robust set of computer systems which serve to monitor specific account guidelines, regulatory requirements and risk exposure limits. These include Charles River Development's ComplianceMaster (CRD) and The Compliance Service (TCS). Once the compliance staff has entered specific parameters into the Firm's systems, automated reports detailing limits can be generated.

The first compliance system a potential trade will encounter is TCS. TCS is a system that sits between the Advanced Trading Platform (ATP) and CRD. It contains a subset of CRD rules which are straightforward exclusionary rules which would prevent a potential trade from being included in an allocation (e.g,. no corporates, no below investment-grade, etcetera). TCS provides the ability to block trades directly in ATP. The objective of TCS is to provide stronger controls over simple rules, and to provide reliable feedback to the investment team during the trade cycle as early as possible in order to avoid compliance issues.

Once a trade has passed through TCS, it encounters CRD. CRD can analyze transactions in any combination of three modes: pre-trade, post-trade, and intra-day batch. Pre-trade and post-trade modes operate at the trade level during the day. Intra-day batch mode is processed twice daily (at the middle of the day and the end of the day). This mode captures all rules that alert as a result of newly posted trades and acts as a secondary check for pre-trade compliance.

By eliminating the need to manually verify holdings and trades, the system helps assure that portfolios are in compliance with client guidelines.

Procedural Controls

As a complement to training and technology, a rigorous system of procedural checks and balances has been designed to ensure compliance in all trading activity.

To begin with, Western Asset's trading process involves a careful segregation of trading duties and responsibilities. Although the investment management team is responsible for investment strategy, Investment Support is the group that verifies and settles trades.

In addition, several compliance officers are assigned to the investment trading function. Utilizing tools such as CRD, the Guidelines Matrix (an internal summary of the guidelines for each account), and quality reports and asset listings, the officers review trading activity as the trades occur for adherence to client restrictions, objectives, and guidelines, as well as adherence to regulatory issues. The portfolio management staff may also request an officer's assistance for pre-trade verification. Prior to the initiation of a trade, portfolio management can provide the officer with proposed trade specifications, including security characteristics, trade size, and proposed accounts. CRD checks for transaction conformity with account guidelines and existing portfolio positions.

This careful set of procedures ensures that all trades are reviewed by a department independent of the investment group.

Account Setup

The fourth area of compliance involves ensuring each new account is documented with all applicable governing instruments.

The Client Service Department, in concert with the Legal & Compliance Department, reviews the proposed guidelines to ensure there is a complete understanding of the client's investment guidelines and objectives. If appropriate, draft versions of these guidelines are circulated to the portfolio-related staff for initial comment and question prior to the execution of a final version.

Once the guidelines are final, the Legal & Compliance Department enters this information into CRD and the Firm's guidelines matrix, and the account is assigned a compliance officer.

Finally, a copy of the final guidelines is circulated to the investment-related staff. Members of this staff sign off that they have received the final investment parameters and on any special action required. The confirmation is then returned to the Legal & Compliance Department to ensure that investment personnel understand the information and no clarification is required.

The above procedure is also utilized in the event a client makes a change to their guidelines or objectives.

Ongoing Monitoring

Western Asset regularly monitors all of its accounts for guideline and regulatory compliance. This monitoring is independent of and in addition to the investment team's regular portfolio review process, which focuses on strategic investment issues.

Monitoring starts at the daily level. Throughout the trading day, trades are reviewed by the compliance officers stationed in the trading room, and both CRD and the account's assigned compliance officer screen portfolios to ensure that no activity has inadvertently taken a portfolio out of compliance with its guidelines. At the end of each day, all portfolio activities are reconciled with their respective custodian. Finally, compliance officers receive exception reports each morning that cover all variables specified by client guidelines. These reports highlight not only actual violations, but also variables that are nearing their limits.

The second level of monitoring occurs monthly. At this time, the investment management and compliance staff review each portfolio for overall compliance with its guidelines and objectives. Portfolios are also reviewed for adherence to current investment strategies. In addition, monthly reconciliations versus the custodian are reviewed at this time. Finally, an account exception report summarizing all errors, their cause, resolution, and remedial measures is reviewed by the Firm's Operations Committee.

Finally, compliance officers are authorized to initiate additional reviews any time it appears necessary, such as the occurrence of significant economic, financial, or other events which might impact investment strategy.

If any of these steps reveal that an account is out of compliance with its guidelines or strategy, the compliance officers work with the investment staff to ensure that appropriate action is taken in a timely manner.

Mr. Charles A. Ruys (Tony) de Perez, Western Asset's General Counsel and Head of the Legal and Compliance Department, reports directly to Mr. James W. Hirschmann, the Firm's Chief Executive Officer and President.

38. Provide an overview of your firm's credit research.

Western Asset employs dedicated credit analysts in the United States, Europe, and Asia, each of whom follows a specific sub-sector of the market. Individual analysts have significant leeway to conduct their research in the manner they see fit, provided that they contribute in a meaningful way to the overall effort and produce identifiable results.

The key fundamental factors examined in the credit analysis vary from analyst to analyst and from industry to industry. However, all Western Asset analysts seek to make a judgment on the balance between business risk and financial risk. Business risk can be thought of as the combination of industry risk which affects a whole sub-sector of a market, and the position of and the risks more unique to an individual company with the industry. Sector risks include:

- Technological risks and product substitution. An example is wireless substitution for traditional landline telephones, or VoIP (voice over internet protocol) encroachment on the local telephones.
- Regulatory or legal environment in which a company operates. For example: the higher degree of scrutiny facing the investment banks, the ongoing interaction of the domestic electric utilities with their state regulators, or the litigation risks that the tobacco and pharmaceutical industries face.
- Risks of labor disputes. This has occurred in domestic airlines, domestic grocers, or unionized labour forces of the large three auto makers.
- Cost structures of an industry. For example, high fixed costs, or for the auto industry, high legacy costs related to defined and other retiree benefit plans, and of course, there are myriad others.

Within broad industries, individual companies will face more unique risks. For example, within the utility sector, some companies may only be involved in the transmission and distribution of electricity to final customers, which is less risky than owning generation in a competitive deregulated electricity market. The diversity and stability of a company's operations plays a role, offset by the great managerial skills required to manage a diverse pool of assets. Issues of size and competitive position within an industry come into play.

For this reason, each analyst focuses on defined sub-sectors in order to develop a full understanding of the forces that affect industries and issuers, and the broad risks that they face. The ability of those companies to respond and react to those risks will in part depend upon the financial risk of the company and – all else equal; the higher the financial risk, the lower level of business risk Western Asset would expect to see, and vice versa.

Key criteria in the assessment of financial risks include a company's ability to generate cash. Western Asset generally looks at this relative to the company's debt levels and interest expense levels. Typical measures here include Funds Flow from Operations to Total Debt, Earnings Before Interest and Taxes (and Depreciation) (EBIT and EBITDA) relative to Interest, and Debt relative to EBIT and EBITDA. Profitability is important for the generation and attraction of capital, and usually Western Asset measures this in terms of return on invested capital, and return on equity. Operating and net income margins are important as well. Debt levels are key, and in addition to the measures above, debt relative to book capital and enterprise value are important. Alternative sources of liquidity are important, and so having undrawn bank lines is a good backstop to corporate liquidity. However, often these may have material adverse change clauses in place, which might limit availability under difficult circumstances. The tenor of an issuer's debt structure is important: what does the maturity profile look like? When will an issuer need to come to market? and so on.

For financial issuers, Western Asset looks at leverage and Tier One and Tier Two capitalization. The Firm examines such questions as: What is the level of non-performing loans and non-performing assets relative to total loans and assets, and relative to reserves and equity? Have reserves been growing, or are reserves being released? How much ability does management have to upstream dividends from the subsidiary operations to the parent in order to service the latter's debt load, and are there regulatory constraints on the timing of those payments? How much double leverage is in place (the borrowing of money at the parent company and subsequent downstreaming of those funds to the subsidiaries as an equity contribution)?

Each analyst is responsible for defining the criteria for examining his or her industry and the companies within that industry. Western Asset likes to take this one step further and make sure analysts are involved in the operations of the portfolio and the trading desk. To that end, each analyst will spend much of his or her day on the desk, both performing the analyses discusses above, as well as interacting with the Street, looking at market levels, looking at the equity markets for the issuers in question, and relative to the overall corporate market, developing views about the relative attractiveness of the industry and issuers within it.

39. How do portfolio managers and research analysts interact in the investment process? What is the reporting structure and process for idea generation?

Western Asset's team approach allows for all of the Firm's investment professionals to contribute to the management of each client's portfolio, thereby leveraging the collective experience and judgment of the entire investment management team to the benefit of each client. Western Asset manages portfolios that involve every sector of the global bond markets using a highly integrated team approach to portfolio management. Teams are made up of investment professionals with both sector and product responsibilities, who work together as a single unit from the Firm's global offices.

Decisions on the implementation of strategy in particular client portfolios are made by Portfolio Managers and Research Analysts working as a team. The portfolio managers incorporate the economic outlook developed by the US Broad Market Committee into their strategy within the constraints and guidelines of each individual portfolio. The sector specialists, who are grouped by market sector (e.g., corporate, high yield, mortgage- and asset- backed, emerging market), concentrate on research, identifying issuers and issues appropriate for the Firm's universe by considering relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation.

Please refer to the preceding question for more information.

40. Detail your firm's policy regarding portfolio diversification and quality. Provide the allowable percentages by issue and quality type. Have these changed in the last 18 months?

As discussed, concentration risk is addressed through diversification. This is provided in many ways. One, Western Asset uses multiple independent strategies to capture return, rather than just one, weighting these approaches so that no one strategy is disproportionate. Two, the Firm's portfolios are diversified by sector. Western Asset has historically had exposures between 10% and 50% for each of the major sectors such as governments/agencies, corporates, and mortgages. Three, the Firm's portfolios are further diversified by issuer. Generally, issuer diversification increases as quality decreases. For this specific mandate, these limits per issuer typically are as follows: US Government or agencies, no limit; foreign governments, 10%; mortgage- and asset-backed securities, 5% per issuer (unless credit independent and generated internally, in which case 25% per issuer); all others, 5% (excluding commingled vehicles).

Credit risk, including default, is addressed through limits and the research process. In addition, mutually agreed limits are set at a portfolio's inception and may include issue and issuer limitations, credit minimums or an average credit quality. Accounts are monitored on an ongoing basis to confirm they continue to meet these parameters. For this specific mandate, these limits typically are as follows: At least 70% of the portfolio will be investment grade, with a BBB- minimum rating for purchase. Held issues that are later downgraded below this may be held at the manager's discretion, but the client will be notified of any such downgrade and the rationale for retaining the investment. In addition, the portfolio will maintain an average credit quality of AA- or better. In addition, Western Asset employs a highly experienced research team that performs a rigorous independent analysis of all credit securities before purchase, including financial modeling, scenario analysis, and monitoring changes in risk profile. Final investments are made only when all major variables are well understood and the Firm's opinion of relative safety is high.

Western Asset has not changed the general guideline constraints set forth for the Firm's US Core Full Discretion strategy in the last 18 months.

41. What drives the decision making process which governs the selection of securities in *SamCERA's* portfolio? Who are the individuals involved with the selection of securities?

Western Asset's buy decisions are not made according to a rigid formula. Rather, these decisions are always based on the well-informed judgment of Western Asset's investment professionals. Underlying all day-to-day buy decisions is an awareness of the need to maintain alignment with current Firm strategy, or to rebalance when strategy changes.

Western Asset's research analysts seek to be ahead of the markets and rating services in identifying securities with changing credit characteristics. The Firm's analysts attempt to identify specific securities that are undervalued or mispriced due to unusual characteristics such as merger-related issuance, floating interest rates, embedded options, hidden underlying assets or credit backing, or changing credit qualities. Analysts are full participants in the formation of outlook and strategy, and in the selection of securities for purchase.

Western Asset's sector teams, consisting of specialists in that respective sector of the fixed-income market, are responsible for the buying and selling of securities within their respective area of expertise. Though the US Broad Market Committee may review these decisions, the sector teams are not required to present securities on a case-by-case basis.

42. What is your firm's investable universe? What percentage of your portfolio holdings are comprised of securities outside of the Barclays Capital Aggregate Index?

There are approximately 15,900 securities in the Barclays Multiverse Index. The Multiverse Index provides a broad-based measure of the international fixed-income market and is a combination of the Global Aggregate and Global High Yield indices. While the benchmark index for the US Core Full Discretion portfolio is the US Aggregate, as a global investment management company with global investment research capabilities, Western Asset endeavors to add value to its portfolios utilizing as large investment universe and broad opportunity set as possible. Western Asset considers the use and understanding of derivatives, and the derivative characteristics embedded in many fixed-income securities, an essential part of fixed-income management and as such will also evaluate the relative attractiveness of engaging in certain strategies through derivatives.

As of June 30, 2011, approximately 30% of Western Asset's US Core Full Discretion portfolio is invested outside the Barclays Capital US Aggregate Bond Index.

43. What drives the decision making process which governs the disposition of securities in *SamCERA's* portfolio? Do the individuals involved with the disposition process differ from those involved with the acquisition process? If the individuals are different, why are they different?

Western Asset makes securities sell decisions daily via a disciplined decision-making process in accordance with its overall investment strategy. The Firm does not engage in market timing.

Western Asset analyzes the following factors when considering the sale of a security:

- Total return and/or spread level targets realized
- Significant changes in macro/micro analyses indicating that sector emphasis should be changed
- Deterioration in industry conditions
- Shift in management strategy
- Deterioration in credit fundamentals
- Relative value elsewhere

The sell process operates informally with interaction between portfolio managers and analysts on a daily basis and within the context of weekly portfolio and credit reviews. Western Asset continually monitors the above factors that prompt the Firm to immediately revisit the risk/reward characteristics of a credit.

As discussed, Western Asset's sector teams are responsible for the buying and selling of securities within their respective area of expertise.

44. Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2010?

Trade Process

At Western Asset all trading is conducted by those members of the investment team listed on Western Asset's Authorized Signers List, as these individuals have the experience to best appraise the opportunities in their sector of expertise. However, there are a few sectors where the Firm realizes extra efficiencies by utilizing dedicated traders to assist these professionals (corporate investment-grade, high-yield, emerging markets, and foreign exchange areas), thus freeing more of the senior team members' time to concentrate on portfolio management and research. A Trade Process Flowchart demonstrating the process from execution through settlements and reconciliation is provided in Appendix L.

Pre-trade

Only those members of the investment team listed on the Authorized Signers List have trade authorization. The assigned portfolio manager is responsible for ensuring that the portfolio is in conformance with the appropriate investment strategy, client objectives and guidelines.

Security selection decisions are recorded with both a time of decision and time of execution. The rationale for the selection would be recorded separately in notes from strategy meetings or in credit files for corporate bonds.

CRD runs compliance checks, thereby helping to prevent inappropriate trading at the source.

Prior to purchasing a security with unusual characteristics, the investment team will first discuss the security with the Legal & Compliance Department so that they may perform an initial screening of client accounts to determine which accounts may be included in the allocation.

Trade allocations may be processed through the CRD prior to trade execution to determine if any account violations would result from the processing of the trade.

Execution

Western Asset seeks to obtain best execution of its clients' trades through monitoring and effectively controlling the quality of trade decisions. The Firm considers broker selection to be integrally related to best execution. The circumstantial and judgmental aspects involved in obtaining best execution with respect to a particular trade are not always quantifiable. Therefore, it is not feasible to define a single measurement basis for best execution on a trade-by-trade basis. Instead, Western Asset focuses on establishing processes, disclosures, and documentation, which together form a systematic, repeatable, and demonstrable approach to seeking best execution.

In addition, when selecting a broker, Western Asset investment professionals executing trades on behalf of clients are obliged to consider the full range and quality of a broker's services, including execution capability, commission rate, price, the value of research provided, financial responsibility and responsiveness. Western Asset is not obligated to merely get the lowest price or commission, but rather should determine whether the transaction represents the best qualitative execution for the account.

Several entities of Western Asset have developed a Broker Review Committee to evaluate and monitor the Firm's approach and compliance with its Best Execution Policy and obligations. The Broker Review Committees are responsible for all issues relating to broker usage, including best execution, broker approval, and soft dollars. The Committees generally consist of the Director of Portfolio Operations, Credit Specialist, a Portfolio Manager, the Manager of Enterprise Risk, the Manager of Regulatory Affairs, and the Manager of Security Operations which meets approximately five times a year. The Committees have formally recognized that as a fixed-income manager, Western Asset trades mainly in securities where the commission is incorporated into the negotiated price of the security. The commission on the security, which is rarely known by the investment manager, represents the spread between what the broker bought and sold the security for. Therefore, total commissions paid to brokers are generally not an aspect that Western Asset focuses on when determining best execution. Instead, the Firm monitors the total principal and volume traded with each broker.

Each Committee reviews the Firm's utilization of each broker on a quarterly and annual basis. The Committees review broker reports, which include summaries and details of each broker's executions in principal terms, to determine whether the utilization levels (by portfolio manager, broker, and sector) are consistent with the broker's execution capability, sector specialty, historical firm utilization, creditworthiness, and reputation. The Committees conduct an annual review where each broker is also rated by each portfolio manager based on their execution capability, competitive spreads, research value, responsiveness, financial stability, and new issue allocations. This information, along with each broker's credit rating (based on financial stability), is compiled and taken into consideration when reviewing the Firm's approved broker list and portfolio manager utilization of each broker.

Allocation

Western Asset executes trades on a block basis whenever possible in order to minimize execution costs and obtain best execution for all clients involved. All eligible clients that can participate in such trades share the same prices on a pro-rata allocation basis to ensure that no conflict of interest occurs. In order to ensure that no client is favored over any other, each client participating in an aggregated order receives the average share price for the transaction, and each client shares transaction costs on a pro-rata basis based upon the client's level of participation in the aggregate order.

Where a bunched order is partially filled, each client participating in the transaction will receive a pro-rated portion of the securities based upon the client's level of participation in the bunched order. However, prorated allocations may be made subject to individual client factors such as: investment goals and guidelines, available cash, liquidity requirements, odd lot positions, minimum allocations, existing portfolio holdings compared to the target weights, and regulatory restrictions. Allocations are then weighted by portfolio market value keeping final allocations in round lots.

Allocations are generally processed through CRD for verification that the allocation will not violate any compliance restrictions for those accounts participating in the trade.

Western Asset's allocation procedures are designed to ensure that all clients are treated fairly and equitably

Settlement

Processing and confirmation of transaction-related data is undertaken by Western Asset's experienced Investment Support Department and is segregated from the trading function. Upon executing a trade, the portfolio manager completes a draft ticket in the Firm's trading system. The Trading Operations team reviews this ticket for completeness and approves its posting. Once posted, the Settlements team confirms the accuracy of the trade characteristics with the executing broker, after which the allocation is provided to the broker. If any discrepancies are noted, the Settlements team will work with the desk to resolve. Upon resolution, the trade will again be confirmed and processed for settlement.

All trades are notified by automatically generated SWIFT, fax, or other electronic means to the appropriate custodian who then co-ordinates settlement of each transaction. SWIFT messages are monitored to ensure receipt is confirmed by the custodian. Faxes are also monitored through an automated process to ensure receipt by the custodian. All negatively acknowledged messages are reviewed and resent. The settlements team is authorized to instruct the custodian, with each fax instruction requiring two authorized signatures.

Conclusion

Western Asset's trading procedures and controls are fully documented and constantly monitored by the Legal & Compliance Department for efficiency and compliance with both local and external regulations.

Western Asset monitors trading activity by generating internal trading reports, which detail all trading activity. These reports reflect the amount of business transacted in two categories: short and long term trades. Within each category, trades are shown by broker, maturity, and product.

All trading activity is reviewed regularly, usually weekly, to understand the type of trades executed by each portfolio manager or trader. These reviews are conducted by either the CIO or a senior member of the Portfolio Operations Team.

In addition to the trading activity reviewed regularly by senior investment professionals, the Broker Review Committee reviews a series of broker allocation reports quarterly. An in-depth best execution review is performed on an annual basis, with the review process continually appraised and updated as new information dictates.

Finally, Investment Support records are audited yearly by external auditors, and SEC and FSA audits are carried out periodically as required.

Trading Systems

The Advanced Trading Platform (ATP) is Western Asset's portfolio management system. A custom suite of applications, ATP is the primary interface through which strategies are executed against portfolios. ATP consists of three main modules: trade entry, blotter, and allocator. The reporting and analytics systems are also closely tied to ATP. The system, which is internally developed and maintained, has been in production since 2002.

Western Asset also utilizes several electronic trading systems, including Tradeweb, MarketAxess, Bloomberg Trading, Global Link FX Connect, Barclays Tradepipe and Goldman REDIPlus. As an ongoing effort, Western Asset is continually evaluating and prioritizing enhancements to ATP, as well as third party systems, to address new securities, strategies, and products.

Western Asset utilizes the following e-Trading platforms in multiple locations with straight through processing (STP) automation in place:

- Western Asset has been one of TradeWeb's largest customers since TradeWeb's inception; the Firm currently executes government and agency bond trades, money market trades and TBA trades in volume on the system. Tradeweb is used in multiple Western Asset offices (Pasadena, London, New York and Tokyo). The Firm has automated post-trade (execution and allocation reports) using FIX 4.4. Western Asset has also automated pre-trade flow for government trades executed in Pasadena, London and Tokyo and TBA Roll trades executed in Pasadena.
- MarketAxess – Western Asset executes corporate bond trades using this system in both its Pasadena and New York offices. The Firm has automated pre-trade and post-trade (execution reports) using FIX 4.4.
- Bloomberg Trading – Western Asset currently executes bonds, money market, muni and TBA trades in both its Pasadena and New York offices. The Firm has automated pre-trade and post-trade (execution reports) using FIX 4.4.
- Global Link FX Connect – Western Asset executes foreign exchange trades using this system in the London and Tokyo offices. Pre-trade and post-trade communication between Western Asset's internal OMS and FX Connect has been automated via a proprietary protocol.

- Barclays Tradepipe – Western Asset executes futures and options trades using this system in both its Pasadena and London offices. Currently the Firm supports pre-trade and post-trade execution reports using FIX 4.4.
- Goldman Sachs REDIPlus – Western Asset executes futures and options trades using this system in its Pasadena office. Currently the firm supports both pre-trade and post-trade execution reports using FIX 4.4.

During 2010, Western Asset used 40 brokers for trades within SamCERA's portfolio.

45. Does your firm monitor trade effectiveness? If so, how is that documented? Please provide *SamCERA* with a copy of the trade analysis for the Broad Market Duration product.

As discussed, Western Asset seeks to obtain best execution of its clients' trades through monitoring and effectively controlling the quality of trade decisions. Several entities of Western Asset have developed a Broker Review Committee to evaluate and monitor the Firm's approach and compliance with its Best Execution Policy and obligations. The Broker Review Committees are responsible for all issues relating to broker usage, including best execution, broker approval, and soft dollars. Each Committee reviews the Firm's utilization of each broker on a quarterly and annual basis. The Committees review broker reports, which include summaries and details of each broker's executions in principal terms, to determine whether the utilization levels (by portfolio manager, broker, and sector) are consistent with the broker's execution capability, sector specialty, historical firm utilization, creditworthiness, and reputation. The Committees conduct an annual review where each broker is also rated by each portfolio manager based on their execution capability, competitive spreads, research value, responsiveness, financial stability, and new issue allocations. This information, along with each broker's credit rating (based on financial stability), is compiled and taken into consideration when reviewing the Firm's approved broker list and portfolio manager utilization of each broker.

Western Asset does not make its proprietary-work product publicly available, but would be happy to show examples and more fully describe the process during an on-site visit to Western Asset.

46. Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.

Western Asset does not participate in soft dollar arrangements. However, the organizations may receive research from brokers with whom they execute trades, but the receipt of any such research is not the subject of any arrangement or agreement.

Approximately 25% of Western Asset's research comes from outside sources. External research sources include, but are not limited to, The Foundation for International Business Cycle Research, Moody's Investors Service, Standard & Poor's, Fitch, The London Business School, Merrill Lynch Fixed Income Research, Goldman Sachs Fixed Income Research, CSFB Fixed Income Research, UBS Warburg Fixed Income Research, Barclays Capital Fixed Income Research, A.B. Laffer & Associates, and ISI Research.

47. What are your current assets in this product? What are the capacity constraints for the product? How did you determine the capacity threshold?

As of June 30, 2011, Western Asset has 179 accounts totaling $68,212 million in assets under management in its US Core Full Discretion strategy.

As most of Western Asset's broad market products concentrate on large, highly liquid investments, the Firm does not plan to close any of them to new investments.

48. What percentage of each of the following does the product account for? Please estimate if exact figures are not available or disclosed.

A) Firm assets

15%

B) Firm revenue

Western Asset regards its product revenues/profit as confidential information.

C) Firm profit

Please refer to the response provided in the preceding question.

D) Total firm work hours

Due to Western Asset's unique team approach to investment management, pro-rated time breakdowns are an inaccurate reflection of how much attention a product receives.

Western Asset operates on a sector team basis, employing teams of dedicated specialists devoted to each major sector of the market. These sector teams devote a full 100% of their time to their chosen area, and the research and issue recommendations that result from this process are often used by many portfolios.

These sector teams are supplemented by additional team members who are either generalists or specialize in general areas such as economics. Pro-rating, while more accurate here, is again imperfect. For example, all portfolios profit strongly from the views of the Firm's economist, as his research is a crucial input to the US Broad Market Committee's deliberations, but not all portfolios use the expertise of the Firm's derivatives professionals.

Finally, each portfolio is assigned a supervising manager, who is responsible for ensuring that the account complies with client objectives, guidelines and restrictions, and the Firm's current investment strategies. The manager spends much more time on his accounts than a simple pro-rating would indicate.

In the end, the most accurate statement is that Western Asset's investment team will spend as much time on a given portfolio as necessary to ensure it performs in line with Firm and client expectations.

49. Are *SamCERA's* investment guidelines adequate? Provide comments on the Derivatives Appendix in *SamCERA's Investment Policy*. Detail Western Asset Management's use of derivatives.

Western Asset believes SamCERA's investment guidelines are adequate.

Western Asset uses derivatives only when allowed by client guidelines.

The Firm's derivatives strategy is overseen by the US Broad Market Committee under the oversight of the Chief Investment Officer, utilizing reporting provided by the Risk Management Department.

Western Asset uses exchange-traded futures and options contracts. These markets are generally very liquid, with quotations readily available and published daily. Western Asset uses these both as a substitute for cash transactions, and as a tool to adjust a portfolio's sector, issue, duration, and yield curve exposure. Options also offer a way to gain exposure to volatility.

Swaps, or contractual agreements between two parties to exchange cash flows at periodic intervals based upon a notional asset, can also be used to manage portfolio risk, to fine tune investment strategy, and to capture relative value opportunities. Swaps can include interest rate, total return, and credit default swaps. Interest rate swaps facilitate duration and yield curve management, and represent a contract to pay (receive) floating rates in exchange for receiving (paying) fixed rates. Total return swaps allow inexpensive exposure to a particular market or market segment, and generally have a payment (receipt) of LIBOR or T-Bills while the investor then receives (pays) a broad market return, i.e., Barclays Capital Aggregate Index. Credit default swaps are bilateral contracts where Party A agrees to pay Party B an on-going premium in exchange for the right to put a security of a reference entity to Party B in exchange for par should pre-specified credit events occur. Credit default swaps (single-name and index) can allow for rapid and inexpensive adjustments to optimize credit spread exposure. These adjustments can often times be made using credit default swaps irrespective of the liquidity in the cash markets.

Western Asset considers that the use and understanding of derivatives, and the derivative characteristics embedded in many fixed-income securities, is an essential part of fixed-income management. The Firm uses over-the-counter and exchange-traded derivatives to hedge or reduce risk and to provide incremental value when appropriate. For example, derivatives are useful for adjusting portfolio duration and yield curve strategies without disturbing the underlying securities in the portfolio, while simultaneously reducing transaction costs related to these duration position changes. No more than 5% of the portfolio will be invested in original futures margin and option premiums, exclusive of any in-the-money portion of the premiums, and under no circumstances does Western Asset use leverage in its derivatives strategy. Western Asset has used derivatives in portfolios since 1988, and most of the Firm's clients allow for derivatives authority.

Western Asset's standard Derivatives Philosophy and Guidelines are provided in Appendix M.

50. Describe the high yield market, including its role in a core-plus strategy. Include in your description the allowable rating range of securities. Expressed in percentages, what range of high yield is permissible in the portfolio. Currently, where is Western in that range and where is it normally in the range?

While duration and term structure decisions play a fundamental role in Western Asset's investment strategy process, the Firm concentrates primarily on sector allocation and issue selection to add value to client portfolios, in the belief that this is where there is the greatest potential for finding inefficiencies. Western Asset believes that the broader the scope of the Firm's investment latitude, the better Western Asset is at finding relative value opportunities. The use of plus sectors has traditionally allowed the Firm to add additional value to US Core Full Discretion portfolios, and Western Asset has been able to do this without adding significant additional risk, thanks to the Firm's efforts to use the plus sectors carefully and as part of its diversified strategies.

Western Asset has extensive capabilities in using non-traditional instruments such as high yield, non-dollar, and emerging market debt. Non-traditional products are used by Western Asset on an opportunistic basis to add value and improve the risk-reward profile of its fixed-income products. Western Asset has teams of sector specialists who are responsible for managing dedicated high yield, non-dollar, and emerging market portfolios. The sector specialists are also responsible for contributing to the decision as to how much the opportunistic allocation to these sectors in US Core Full Discretion portfolios should be; as with other sector specialists, they act as advocates for their sector, and the Firm expects them to be willing to recommend increasing or decreasing exposure to these sectors as conditions warrant and as opportunities present themselves..

Corporate bonds have long been an area of significant added value for Western Asset. While Western Asset concentrates on investment-grade securities, the Firm's analysts have proven very successful in analyzing lower grade credits. Securities rated at the lower end (BBB) of the investment grade scale, and those at the higher ranges below that (BB), have proven particularly attractive. It is anticipated that these securities will continue to offer exceptional risk-adjusted opportunities. Western Asset believes that authority to use at least the full range of investment grade credit, when combined with proper risk control guidelines, is a prudent exercise of fiduciary responsibility.

The minimum and maximum limits for the high yield sector of SamCERA's portfolio are 0% and 30%, respectively. As of June 30 2011, the Firm holds 11.84% of the portfolio in this sector.

51. Describe the non-US investment-grade sovereign debt, including its role in a core-plus strategy. Expressed in percentages, what range of non-US investment-grade sovereign debt is permissible in the portfolio. Currently, where is Western in that range and where is it normally in the range?

Non-dollar securities are managed by a dedicated team of specialists, and they may be held on a hedged or unhedged basis, according to client guidelines and current Firm strategy. Generally, the Firm's default position is to hedge currency exposure, since it can contribute significant volatility, but Western Asset does at times retain moderate amounts of currency exposure if it feels that is warranted. From a global perspective, the Firm analyzes the projected economic environment in a wide range of countries to determine how this will affect the market behavior of the various sectors worldwide. Western Asset has a full team of global bond specialists with many years of experience managing non-dollar bonds and currency exposure for clients around the world and against multiple mandates.

There is no maximum limit for the non-US investment-grade sovereign debt sector in SamCERA's portfolio. There is however, a 10% limit per issuer of other national governments. As of June 30, 2011, the Firm holds 0.266% in Japan, 0.239% in Mexico and 0.009% in Russia.

52. Describe the emerging debt markets, including their role in a core-plus strategy. Expressed in percentages, what range of emerging markets debt is permissible in the portfolio. Currently, where is Western in that range and where is it normally in the range?

Non-US investment-grade sovereigns, high yield, and/or emerging markets are used opportunistically as additional sectors within US mandates. Any foreign investments may be held on a hedged or unhedged basis, according to client guidelines and current Firm strategy. From a global perspective, the Firm analyzes the projected economic environment in a wide range of countries to determine how this will affect the market behavior of the various sectors worldwide.

Western Asset also has a team of dedicated specialists who focus on emerging market debt securities. Traditionally the Firm has utilized primarily dollar-denominated sovereign securities, but recently it has broadened its scope to include local currency denominated securities and dollar-denominated emerging market corporate debt as well.

No other asset class is changing in composition as rapidly as emerging markets debt; from a credit quality as well as subsector standpoint. The three major emerging market indices are currently all investment-grade rated (CEMBI- USD corporate EM index, GBI-EM - the local currency sovereign index and the EMBI the traditional USD sovereign index). The local currency sovereign market is approximately three times the size of the traditional US dollar emerging sovereign index. Taking exposure to emerging local markets allows an investor to benefit from local interest rate strategies relative to developed country rates as well as via potential currency appreciation. Western Asset is bullish about the long-term prospects for local markets' exposure (both rates and currency). The Firm's view is motivated by the relative gains in productivity which contribute to strong economic growth in the emerging markets, along with increased central bank credibility.

Western Asset sees a lot of value in emerging markets generally, and as economies continue to grow and evolve, investing in emerging market corporate credit will be an increasingly attractive way to potentially capitalize on not just specific countries but also on specific industries and companies within those countries.

Western Asset's investment team is less constructive overall on the dollar-denominated sovereign sector of the emerging market marketplace and would rather gain exposure via the local currency sovereign emerging market debt market as well as the corporate emerging market sector. In US Core Full Discretion mandates, it would ideally gain exposure to these two subsectors via Western Asset's opportunistic commingled vehicles (Opportunistic Local Market Debt Securities LLC and the Opportunistic Developing Markets Corporate Credit LLC). Currently in US Core Full Discretion accounts the Firm is targeting a 1.5% allocation to the Opportunistic Developing Markets Corporate Credit LLC and a 3% allocation to the Opportunistic Local Market Debt Securities LLC.

There is no maximum limit for the emerging markets sector in SamCERA's portfolio. As of June 30, 2011, the Firm holds 0.30% of the portfolio in this sector.

53. How do you approach currency management? How much of the foreign exposure of the portfolio can be hedged and for what purposes (example: defensive hedging)?

Currency exposure is carefully monitored and managed, primarily using forward foreign exchange contracts and currency options where allowed. Where appropriate and permitted, active currency exposure can be used as a very effective, liquid and low-transaction cost hedge against a variety of risks in addition to being a diversification tool. The rationale for currency hedging depends on the outlook for the currency of the foreign bonds held in the portfolio and the costs entailed in hedging that currency. In general, currency hedges are implemented whenever a currency is seen to be at risk of depreciating by more than the interest rate differential embodied in the hedge transaction. Western Asset's in-house systems allow the Firm closely to monitor the characteristics of portfolios using currency hedging strategies and to adjust the extent of hedges as market circumstances alter.

The execution of currency hedges can be strategic (i.e., long-term) or tactical (i.e., short-term) dependent on market conditions. Western Asset uses forward foreign exchange contracts as the primary tool for currency hedging, although currency options are also used when they are a more cost effective way of expressing a given view. The Firm finds that option volatility information is useful in deciding the relative over bought/sold valuation of currencies, and in confirming its views on market positioning and/or risk tolerance.

Unless there is a compelling argument for not hedging, Western Asset hedges all non-dollar securities held back into US dollars.

Western Asset endeavors to add value to its portfolios utilizing the broadest range of strategies and securities that its clients feel comfortable with. Active management of currency exposure, where allowed by client guidelines, is one such strategy. Western Asset is mindful, however, that currency risk is an order of magnitude greater than bond market risk, so over the cycle currency risk is not a significant component of portfolio exposure. Active currency management in Western Asset's US Core Full Discretion strategies will be used to better manage risk and for diversification purposes.

54. What are the capacity constraints for your product?

As most of Western Asset's broad market products concentrate on large, highly liquid investments, the Firm does not plan to close any of them to new investments. There may be a point in time that particular sectors of the fixed-income market become less liquid due to capacity limitations, but this potential concern is mitigated by the fact that the enhanced sectors utilized by the US Core Full Discretion Strategy are opportunistic in nature and tend to invest in the larger, more liquid deals within these markets. Western Asset emphasizes growth from within its existing client base, as that has typically accounted for about one-third of the Firm's growth in assets under management. The Firm passively grows traditional fixed-income products; and actively grows only the specialized fixed-income products where

Western Asset has the capacity to easily absorb new assets, can leverage an existing center of excellence, and in the process strengthen its broader portfolios by further developing its asset base and talent. More often than not, the growth and development of new products is client-driven, as both the Firm and its clients respond to the changing nature of the economy and the marketplace. Since clients' interests are the Firm's first priority, Western Asset has no interest in allowing its growth to negatively impact performance.

4. Outlook

55. What is WAM's outlook for the domestic, international, emerging, & high yield fixed income markets?

    Please refer to the Quarterly Investment Report provided in Appendix I.

56. How does your firm manage fixed income in a rising rate, rising inflation, lack of liquidity environment?

    Western Asset's products seek to outperform their benchmarks over the long term regardless of short-term market environment. Some conditions which the Firm has consistently been able to take advantage of are moderate to extreme market volatility, which provides spread product investors with the opportunity for increased return; and market dislocation, which leads to increased inefficiencies and therefore additional investing opportunities. However, certain products may underperform due to unexpected economic shocks such as a liquidity crisis, temporary setback in stock prices, or regional crisis that causes rapid and unexpected changes in monetary policy, commodity prices, or consumer wealth and confidence. Historically, these shocks have proved to be temporary. Since Western Asset rigorously adheres to its long-term investment process, the Firm's strategies have typically gone unrewarded during these shocks, only to achieve an even more significant gain during the ultimate readjustment to normal conditions.

    When considering strategies for a falling rate environment, the first thing Western Asset does is determine whether the Firm's expectations are different from the market's. It is not enough to believe in falling rates: to be bullish on bond prices, one must believe that rates will fall by more than the market expects. If Western Asset's view is that rates will fall by more than expectations, there are several courses of action the Firm would likely follow:

    - Western Asset would probably target a longer-market portfolio duration, as this would result in outperformance in a falling rate environment.
    - Western Asset would also likely target a bullet exposure to the yield curve, since falling rates would likely be led by an easing of monetary policy, and that would mean that short-term rates would fall by more than long-term rates.
    - Easier central bank policy rates (a falling rate environment) are generally good for corporate bonds, so Western Asset would likely have a bias to increase its exposure to credit if valuations and underlying economic and credit fundamentals were supportive.

    All other things being equal, Western Asset would typically underperform in periods of widening spreads (i.e., during periods in which government bonds outperform) and in periods of high volatility and/or wide bid/offer spreads in which the opportunity to rotate actively in and out of the sectors of the bond market and of the industry sectors of the corporate bond market is reduced.

    Western Asset's US Core Full Discretion strategy tends to be challenged when volatility increases in the marketplace or when uncertainty rises and market technicals cause current market values to diverge from fundamental values.

    If Western Asset's view is that rates will rise by more than expectations, there are several courses of action the Firm would likely follow:

    - Western Asset would probably target a below-market portfolio position, as this would result in outperformance in a rising rate environment.
    - Western Asset would also likely target a barbelled exposure, since rising rates would lead to tighter monetary policy, and that would mean that short-term rates would rise by more than long-term rates.
    - Rising rates are not generally good for corporate bonds, so Western Asset would likely have a bias to reduce its corporate exposure, depending on the behavior of credit spreads. The Firm's mortgage- and asset-backed exposure would likely be a function of spreads and the Firm's view of the speed with which rates would be likely to rise.

57. List the type of changes your clients are requesting in light of the recent events in the market?

    The financial crisis in 2008 and the subsequent rebound in 2009 and 2010 have created opportunities for clients to review their overall fixed-income allocation. Clients looking to take advantage of recent market volatility and historically wide spreads are becoming more opportunistic in their fixed-income allocations, seeking out higher-yielding opportunities such as emerging market debt, high yield/bank loans and structured product.

    Other clients are seeking greater flexibility with regards to duration management and average quality constraints, moving away from traditional benchmarks (e.g., Barclays Capital US Aggregate Bond Index), especially in light of the changing composition of the Barclays Aggregate Index (i.e., projected increased government-related issuance) to a more unconstrained approach and absolute return focus.

58. What issues are other clients concerned with in regards to products, markets, education and governance?

Clients have shown their concerns in the following areas:

- *Products* – Liability Driven Investing, Total Return Unconstrained (TRU) Bond, opportunistic credit, and distressed non-agency mortgage strategies; and emerging markets and Asian debt opportunities.
- *Markets* – What is happening to the dollar, inflation, interest rates, spreads and equity prices, volatility, defaults, illiquidity in traditionally high quality structured products, and increased interest on the impact of fiscal stimulus programs; increasing sovereign debt risk; fiscal/monetary policy; potential for a double-dip recession and a further decline in the housing market; increasing fiscal pressure of public/state funds; and decreasing funding status.
- *Education* – Derivatives and liability driven approaches to investing.

59. What is on the horizon for WAM's business plan?

Western Asset will continue to invest in those areas of the company that will allow the Firm to continue to provide the highest level of service, support, and investment management services that clients have come to expect from Western Asset. Thus, the Firm will continue to invest in its growing infrastructure including systems and technology, risk management, product development, and client service/support. Western Asset also continues to focus on its efforts to attract and retain the highest quality individuals in all aspects of the Firm.

60. Describe your assessment of the relationship between WAM and *SamCERA*. How can we better take advantage of your firm's capabilities?

Currently Western Asset is very comfortable with the status of the relationship it shares with SamCERA and the degree of communication and interaction they share on a regular basis, and believes that there are currently no areas of improvement needed in this area. Obviously, if there are any changes the Firm will immediately notify the Staff at SamCERA and take corrective measures. In the interim, should the Staff or Board at SamCERA feel they would like to modify the communication process, or any other area of the Western relationship, they should feel free to contact Western Asset, and the Firm will make every effort to accommodate that request.

5. Conclusion

61. Is there any information, which would be timely pursuant to *SamCERA's Investment Policy*, the *SamCERA*/WAM management agreement, and this annual review?

    Western Asset will be happy to present more detail on any of the requested topics at the upcoming board meeting.

62. Are your clients making significant changes in their asset mixes? Please describe these changes.

    For the most part, clients are not making significant changes to their asset mixes. However, the changes they are making appear to be more client-oriented. For instance, corporate clients are gravitating toward longer duration strategies and adding to core and core full discretion fixed-income strategies at the margin. Public fund clients, on the other hand, are looking to increase yield opportunities in an attempt to mitigate their higher unfunded status by adding broader based opportunistic sectors to their core strategy. In addition, public funds are concerned about potential inflation fears in the longer term, and are therefore reviewing inflation-protected strategies such as US and global TIPS portfolios.

63. What market opportunities should *SamCERA* be considering?

    Please refer to the response provided in Question 61.

6. Disclosure

Past results are not indicative of future investment results. This publication is for informational purposes only and reflects the current opinions of Western Asset Management. Information contained herein is believed to be accurate, but cannot be guaranteed. Opinions represented are not intended as an offer or solicitation with respect to the purchase or sale of any security and are subject to change without notice. Statements in this material should not be considered investment advice. Employees and/or clients of Western Asset Management may have a position in the securities mentioned. This publication has been prepared without taking into account your objectives, financial situation or needs. Before acting on this information, you should consider its appropriateness having regard to your objectives, financial situation or needs. It is your responsibility to be aware of and observe the applicable laws and regulations of your country of residence.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 6.6

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Approval of ABRY VII Consent to Amend the Agreement.

STAFF RECOMMENDATION: Staff recommends that the board authorize the chair to execute the attached Consent Form, which will indicate that *SamCERA* agrees to allow ABRY VII to increase its allowable investments outside of North America for 10% to 15%.

BACKGROUND: At the February 22, 2011, board meeting the board approved investing in ABRY VII's Private Equity fund. The executive summary prepared by Strategic Investment Solutions described **ABRY Partners VII, L.P.** as an investment with a focus to buyouts of media, communications and business services. The executive summary, in part, described the fund strategy as:

• The Fund will generally target 15-20 primarily control-oriented investments in companies which at:

- The Industry Level: are positioned in the most attractive subsectors within the media, communications, and business services industries. Following a thesis-based approach, ABRY regularly evaluates 26 subsectors within its target industries, and prioritizes them into three groups: high priority, opportunistic, and toxic. High priority subsectors are actively targeted for investments in the Fund, toxic subsectors are fully avoided, and investments in opportunistic sectors are considered pending the unique merits of the specific investment prospect.

- The Company Level: possess high barriers to entry, recurring revenues, scalable operating profits, and strong management teams. Provided these characteristics, the target companies tend to be well positioned to profitably capitalize on the strong dynamics within their subsector.

• Each investment is expected to range between $25-$150 million in size, and provided the controlling influence of the GP, will typically have an investment horizon of 3-7 years. Due to their mid-market size and historically attractive characteristics, strategic buyers have most often acquired ABRY's portfolio 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.

DISCUSSION: ABRY VII has recently executed an agreement to make a "highly attractive" investment in e-shelter, a German provider of data center solutions for enterprises across Europe.

Currently ABRY VII has a 10% cap on Investments outside of the U.S. and Canada, most of which will be utilized upon the completion of the e-shelter transaction (approximately 8% of ABRY VII's commitments.) The General Partner believes it is prudent to increase the cap on the amount of capital ABRY VII can invest in companies domiciled outside of North America from its present limit of 10% to 15%, in order to potentially pursue other highly attractive investments, should they arise outside of North America. This increase will give ABRY VII approximately $80 million of added capacity for additional investments outside of North America. While they do not actively source transactions outside of North America, they do see select opportunities in their high priority sectors through ABRY's existing proprietary flow and the increase would enable ABRY VII to selectively take advantage of such opportunities.

Attached are the proposed amendment and a consent form. Executing the consent form will show *SamCERA's* support to the amendment.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 6.7

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Approval of AQR Requested Completion of FINRA Rule 5131 New Issues Questionnaire.

STAFF RECOMMENDATION: Staff recommends that the board authorize the chair to execute the FINRA Rule 5131 New Issues Questionnaire for AQR.

BACKGROUND: The Securities and Exchange Commission (SEC) approved Financial Industry Regulatory Authority (FINRA) Rule 5131, which became effective May 27, 2011. This rule codifies specific limitations on broker-dealer practices in the allocation of "new issues" and articulates specific requirements for reporting final allocations, waiving certain lock-up restrictions, reallocating new issues shares returned to a syndicate member and accepting secondary market orders prior to the initiation of secondary market trading.

In 2003, as part of the settlement of enforcement actions involving conflicts of interest in research and investment banking, the firms that were party to the Global Research Settlement also agreed to a voluntary initiative to address new issue allocation practices. The firms agreed to implement policies and procedures reasonably designed to prevent allocations of "hot IPOs" to accounts of executive officers or directors of public companies. The policies and procedures also were required to be reasonably designed to prevent, among other practices, the allocation of new issues in exchange for or for the purpose of obtaining investment banking business. While the Voluntary Initiative applied only to the firms that were party to the Global Research Settlement, its concepts were widely incorporated into the policies and procedures of U.S. broker-dealers engaged in investment banking activities.

Not long after the Voluntary Initiative was announced by the SEC, NASD filed with the SEC a Proposed Rule 2712, now Rule 5131, that reflected the concepts of the Voluntary Initiative as well as additional issues related to "flipping" and lock-up waivers. NASD, and then FINRA, proposed four amendments to NASD Proposed Rule 2712/FINRA Rule 5131 between 2003 and 2010. FINRA has now, finally, obtained approval for this rule.

DISCUSSION: The Financial Industry Regulatory Authority, Inc. and the SEC recently adopted new FINRA Rule 5131 (Rule 5131) relating to the allocation and distribution of equity IPOs (new issues). Rule 5131 prohibits "spinning" and creates new categories of investors that may be ineligible or restricted from investing in new issues and implements a number of other changes regarding certain conduct of FINRA broker-dealers. "Spinning" generally refers to the allocation of new issues by a FINRA broker-dealer to certain persons who are affiliated with a company that is a current, former or prospective investment banking client. Due to the new prohibition on spinning, certain investors who are not currently restricted under the existing FINRA Rule 5130 (Rule 5130), which remains in effect, may now nonetheless be restricted under Rule 5131.

The Fund or Partnership (either, a Fund) may decide to rely on a new “de minimis” exemption that permits a new category of “covered investors” under Rule 5131 to participate in new issue allocations made to the Fund, provided that the beneficial interests of covered investors of any one particular company do not exceed in the aggregate 25% of the Fund. If the covered investors of a particular company in the aggregate beneficially own more than 25% of the Fund, the Fund may still permit the covered investors of a company to participate in a particular new issue by limiting participation by such covered investors to not more than 25% of the profits and losses from the new issue. For the avoidance of doubt, the current “de minimis” exemption under Rule 5130 (i.e.10%) will continue to apply to those investors who are “restricted persons” under Rule 5130.

The Fund may also decide to rely on a new “de minimis” exemption that permits a new category of “covered investors” under Rule 5131 to participate in new issue allocations made to the Fund, provided that the beneficial interests of covered investors do not exceed in the aggregate 25% of the Fund. If the covered investors in the aggregate beneficially own more than 25% of the Fund, the Fund may still permit such covered investors to participate in a particular new issue by limiting participation of all covered investors to not more than 25% of the profits and losses from the new issue. For the avoidance of doubt, the current “de minimis” exemption under Rule 5130 will continue to apply to those investors who are “restricted persons” under Rule 5130 (i.e., 10%).

Because Rule 5131 requires AQR to provide an affirmative representation to brokers as to the Fund’s eligibility to participate in new issues in accordance with Rule 5131, they request that *SamCERA* complete the attached FINRA Rule 5131 New Issue Questionnaire and return it to International Fund Services (Ireland) Limited at aqrinvestors@imsi.com by no later than September 1, 2011.

If *SamCERA* does not return the questionnaire, we may not be permitted to participate in new issues to any extent. In addition, in connection with Rule 5131, AQR may, among other things, be required to amend the Fund’s governing documents to include disclosure with respect to Rule 5131. *SamCERA’s* return of this questionnaire constitutes the board’s consent to any such amendments.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 7.1

To: Board of Retirement

From: Chezelle Milan, Retirement Senior Accountant
Mabel Wong, Finance Officer

Subject: Preliminary Monthly Financial Report for the Period Ending August 31, 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 $2,248,402,789.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits decreased by approximately $110.3 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

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
August 2011
PRELIMINARY

	August 2011	**August 2010**
ASSETS		
CASH AND CASH EQUIVALENTS	295,441,835	94,525,566
SECURITIES LENDING CASH COLLATERAL	48,265,816	171,473,602
TOTAL CASH	343,707,651	265,999,168
RECEIVABLES		
Contributions	0	0
Due from Broker for Investments Sold	191,609,944	113,680,657
Investment Income	6,096,436	5,890,668
Securities Lending Income	18,027	30,574
Other Receivable	113,635	113,629
TOTAL ACCOUNTS RECEIVABLES	197,838,043	119,715,529
PREPAID EXPENSE	7,669	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	582,659,533	596,062,254
Domestic Equities	788,404,009	804,675,493
International Equities	363,648,152	365,952,605
Real Estate	135,475,106	109,210,472
Private Equities	7,067,250	0
Risk Parity	145,620,699	0
Hedge Funds	69,986,272	0
Commodities	73,086,065	0
Held for Securities Lending	0	0
Other Investment	0	0
	2,165,947,085	1,875,900,823
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	**2,707,500,448**	**2,261,623,189**
LIABILITIES		
Investment Management Fees	1,940,848	1,142,953
Due to Broker for Investments Purchased	216,938,437	162,783,857
Collateral Payable for Securities Lending	239,505,077	171,473,602
Other	713,298	780,203
TOTAL LIABILITIES	**459,097,659**	**336,180,615**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**2,248,402,789**	**1,925,442,574**

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
August 2011
Preliminary

	August 2011	August 2010	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	69,885,895	76,923,642	(7,037,747)
Employee Contribution	6,298,853	6,675,878	(377,025)
TOTAL CONTRIBUTIONS	76,184,748	83,599,521	(7,414,772)
INVESTMENT INCOME			
Interest and Dividends	6,234,385	5,541,380	693,005
Net Appreciation (Depreciation) in fair value of investments	(126,221,710)	43,628,002	(169,849,712)
Less Investment Expense	(1,821,899)	(1,331,017)	(490,882)
Less Asset Management Expense	(90,523)	(83,054)	(7,469)
NET INVESTMENT INCOME	(121,899,747)	47,755,311	(169,655,058)
SECURITIES LENDING INCOME			
Earnings	65,343	96,134	(30,792)
Less: Securities Lending Expenses	(748)	(35,869)	35,122
NET SECURITIES LENDING INCOME	64,595	60,265	4,330
OTHER ADDITIONS	40,397	5,964	34,434
TOTAL ADDITIONS	**(45,610,006)**	**131,421,061**	**(177,031,067)**
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	19,962,982	18,588,945	1,374,037
Disability Retirement Allowance	2,549,073	2,395,663	153,410
Survivor, Death and Other Benefits	122,249	125,816	(3,568)
TOTAL ASSOCIATION BENEFITS	22,634,303	21,110,424	1,523,879
REFUND OF MEMBER CONTRIBUTIONS	516,742	401,338	115,404
ADMINISTRATIVE EXPENSE	567,166	358,164	209,002
OTHER EXPENSE	44,823	5,015	39,808
TOTAL DEDUCTIONS	**23,763,033**	**21,874,942**	**1,888,092**
NET INCREASE	**(69,373,040)**	**109,546,119**	**(178,919,158)**
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,317,775,829	1,815,896,455	
End of Period	2,248,402,789	1,925,442,574	

San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET ASSETS - TRAILING TWO MONTHS
For the Month Ending August 31, 2011
PRELIMINARY

	July 2011	August 2011	YTD
ADDITIONS			
CONTRIBUTIONS			
Employee Contribution	2,796,875	3,501,978	6,298,853
Employer Contributions - Regular	5,858,439	7,315,021	13,173,460
Employer Contributions - COLA	3,261,580	4,069,393	7,330,973
Employer Prefunded Contribution	60,704,948	(11,323,486)	49,381,462
TOTAL CONTRIBUTIONS	72,621,842	3,562,906	76,184,748
INVESTMENT INCOME			
Interest and Dividends	2,374,869	3,859,517	6,234,385
Net Appreciation (Depreciation) in fair value of investments	(21,395,266)	(104,786,047)	(126,181,313)
Securities Lending Income	36,093	29,250	65,343
Other Additions			0
Asset Management Expense	(40,465)	(50,058)	(90,523)
Other Investment Related Expense	(216,389)	(96,059)	(312,449)
Securities Lending Expense	3,410	(4,157)	(748)
TOTAL ADDITIONS	**53,384,093**	**(97,484,649)**	**(44,100,556)**
DEDUCTIONS			
ASSOCIATION BENEFITS			
Retiree Annuity	2,577,870	2,603,168	5,181,038
Retiree Pension	6,081,746	6,213,436	12,295,183
Retiree COLA	2,583,422	2,567,502	5,150,924
Retiree Deathe and Modified Work Benefit	3,579	3,579	7,158
Active Member Death Benefit	0	0	0
Voids and Reissue	0	0	0
TOTAL ASSOCIATION BENEFITS	11,246,618	11,387,685	22,634,303
REFUND OF MEMBER CONTRIBUTIONS	193,618	323,124	516,742
ACTUARIAL FEES	32,750	111,250	144,000
CONSULTANT FEES - INVESTMENT (SIS)	33,333	33,333	66,667
CUSTODIAN FEES - STATE STREET	18,000	18,000	36,000
INVESTMENT MANAGEMENT FEE - R1000 INDEX	5,628	5,470	11,098
INVESTMENT MANAGEMENT FEE - ABERDEEN	27,574	23,680	51,254
INVESTMENT MANAGEMENT FEE - PYRAMIS	16,867	15,879	32,746
INVESTMENT MANAGEMENT FEE - ANGELO GORDON	0	0	0
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	6,306	10,512	16,817
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	0	0	0
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	35,092	34,924	70,016
INVESTMENT MANAGEMENT FEE - CHARTWELL	36,804	31,200	68,004
INVESTMENT MANAGEMENT FEE - D E SHAW	46,529	42,946	89,475
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	31,601	29,143	60,744
INVESTMENT MANAGEMENT FEE - BLACKROCK	64,729	58,521	123,251
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	60,870	53,054	113,924
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	34,303	30,503	64,806
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	76,350	58,429	134,779
INVESTMENT MANAGEMENT FEE - MONDRIAN	32,441	30,065	62,506
INVESTMENT MANAGEMENT FEE - ARTIO	82,213	73,789	156,002
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	27,267	24,934	52,201
INVESTMENT MANAGEMENT FEE - INVESCO CORE	51,937	51,937	103,874
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	0	0	0
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	0	0	0
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	0	0	0
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	0		0
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	26,087	25,200	51,287
TOTAL PROFESSIONAL FEE	746,681	762,770	1,509,451
ADMIN EXPENSE - SALARIES & BENEFITS	115,926	194,009	309,935
ADMIN EXPENSE - SERVICES & SUPPLIES	146,801	110,430	257,231
TOTAL ADMINISTRATIVE EXPENSES	262,727	304,439	567,166
INTEREST FOR PREPAID CONTRIBUTION	0	0	0
OTHER DEDUCTIONS	31,671	13,151	44,823
TOTAL DEDUCTIONS	**12,481,315**	**12,791,169**	**25,272,484**
NET INCREASE	**40,902,778**	**(110,275,818)**	**(69,373,040)**

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending August 31, 2011

	August 2011	July 2011	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	295,441,835	270,226,381	25,215,454	9.33%
SECURITIES LENDING CASH COLLATERAL	48,265,816	(28,034,887)	76,300,703	-272.16%
TOTAL CASH	343,707,651	242,191,494	101,516,157	0
RECEIVABLES				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	191,609,944	168,799,220	22,810,724	13.51%
Investment Income	6,096,436	5,165,260	931,177	18.03%
Securities Lending Income	18,027	32,438	(14,410)	-44.42%
Other Receivable	113,635	113,685	(50)	-0.04%
TOTAL ACCOUNTS RECEIVABLES	197,838,043	174,110,603	23,727,440	13.63%
PREPAID EXPENSE	7,669	7,669	0	0.00%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	582,659,533	594,907,778	(12,248,245)	-2.06%
Domestic Equities	788,404,009	879,367,914	(90,963,904)	-10.34%
International Equities	363,648,152	398,170,534	(34,522,382)	-8.67%
Real Estate	135,475,106	135,475,106	0	0.00%
Private Equity	7,067,250	7,067,250	0	0.00%
Risk Parity	145,620,699	145,620,699	0	N/A
Hedge Funds	69,986,272	69,986,272	0	N/A
Commodities	73,086,065	75,000,000	(1,913,935)	-2.55%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	2,165,947,085	2,305,595,552	(139,648,467)	-6.06%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	**2,707,500,448**	**2,721,905,318**	**(14,404,869)**	-0.53%
LIABILITIES				
Investment Management Fees	1,940,848	2,526,080	(585,232)	-23.17%
Due to Broker for Investments Purchased	216,938,437	196,890,166	20,048,271	10.18%
Collateral Payable for Securities Lending	239,505,077	163,204,374	76,300,703	46.75%
Other	713,298	606,091	107,207	17.69%
TOTAL LIABILITIES	**459,097,659**	**363,226,711**	**95,870,948**	26.39%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**2,248,402,789**	**2,358,678,607**	**(110,275,818)**	-4.68%

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending August 2011

	August 2011	July 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	69,885,895	69,824,967	60,928
Employee Contribution	6,298,853	2,796,875	3,501,978
TOTAL CONTRIBUTIONS	76,184,748	72,621,842	3,562,906
INVESTMENT INCOME			
Interest and Dividends	6,234,385	2,374,869	3,859,517
Net Appreciation (Depreciation) in fair value of investments	(126,221,710)	(21,395,266)	(104,826,444)
Less Investment Expense	(1,821,899)	(963,071)	(858,829)
Less Asset Management Expense	(90,523)	(40,465)	(50,058)
NET INVESTMENT INCOME	(121,899,747)	(20,023,933)	(101,875,814)
SECURITIES LENDING INCOME			
Earnings	65,343	36,093	29,250
Less: Securities Lending Expenses	(748)	3,410	(4,157)
NET SECURITIES LENDING INCOME	64,595	39,503	25,092
OTHER ADDITIONS	40,397	0	40,397
TOTAL ADDITIONS	**(45,610,006)**	**52,637,412**	**(98,247,418)**
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	19,962,982	9,958,402	10,004,579
Disability Retirement Allowance	2,549,073	1,227,092	1,321,981
Survivor, Death and Other Benefits	122,249	61,124	61,124
TOTAL ASSOCIATION BENEFITS	22,634,303	11,246,618	11,387,685
REFUND OF MEMBER CONTRIBUTIONS	516,742	193,618	323,124
ADMINISTRATIVE EXPENSE	567,166	262,727	304,439
OTHER EXPENSE	44,823	31,671	13,151
TOTAL DEDUCTIONS	**23,763,033**	**11,734,634**	**12,028,399**
NET INCREASE	**(69,373,040)**	**40,902,778**	**(110,275,818)**
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,358,678,607	2,317,775,829	
End of Period	2,248,402,789	2,358,678,607	

September 27, 2011

Agenda Item 7.2

To: Board of Retirement

From: David Bailey, Chief Executive Officer
Brenda B. Carlson, Chief Legal Counsel

Subject: Approval of Amendments to *SamCERA's* Conflict of Interest Code

RECOMMENDATION: Staff recommends that the board adopt a resolution amending *SamCERA*'s Conflict of Interest Code.

SUMMARY: Adoption of the attached resolution will set standards under which the staff will determine and notify investment management firms of *SamCERA's* Form 700 filing requirements. The resolution is consistent with our understanding of the practice of the California Public Employees' Retirement System and it will facilitate *SamCERA's* implementation of its alternatives portfolio.

BACKGROUND: The regulations of the Fair Political Practices Commission set forth the parameters as to whether a consultant who provides services to a public agency should be required to file a Form 700 statement of economic interests. These regulations are subject to varied interpretations and, consequently, the retirement systems are not uniform in their application of the filing requirements in relation to investment managers. Some systems require all of their investment managers to file while others require none. Some systems require some but not all of their managers to file.

SamCERA's staff believes an all-or none approach is not consistent with the intent of the law and that the recommended approach is well thought out, defensible, and provides a practical implementation that will allow *SamCERA* to move forward with its efforts to diversify the fund into alternative investments.

The FPPC has opined that "consultants" include "investment consultant and investment management firm employees and principals ... who provide services to [*SamCERA*] ... with influence over the investment decisions pertaining to the [retirement fund] ... in positions that involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest ... are required to file financial disclosure statements for ... investments in and income from, business entities which are or may foreseeably be invested in by [*SamCERA*] and investments in, and income from, persons or business entities engaged in buying and selling securities for the account of [*SamCERA*]." The FPPC further stated that the "employees of the various investment management firms that contract with the a board of retirement" do not need to file under the broader section 87200 governing officials that make public investments (such as board members, the CEO and CIO), but should be designated as section 87100 filers and file under the

RESOLUTION AMENDING THE CONFLICT OF INTEREST CODE FOR THE SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

WHEREAS, the board has adopted a Code of Fiduciary Conduct which requires among other things, that Trustees, the Chief Executive Officer, Consultants, Investment Managers and other professionals retained by the board and *SamCERA* staff shall comply with the provisions of the California Constitution; the Political Reform Act of 1974, as amended...and all other laws pertinent to the conduct of public pension fund fiduciaries; and

WHEREAS, Government Code §87300 mandates the adoption of a Conflict of Interest Code by independent public agencies; and

WHEREAS, the board, by Resolution 96-97-03, adopted the Conflict of Interest Code provisions of the California Fair Political Practices Commission (FPPC) Regulation 18730; and

WHEREAS, Government Code §87306.5 mandates that the board review its designation of employees and disclosure categories from time to time. Therefore, be it

RESOLVED that the board hereby instructs the Chief Executive Officer to provide annual disclosure Form 700s to all trustees and all individuals in the *Designated Positions.* Each individual receiving said form must file the original Form 700 with the Chief Executive Officer who must make and retain a copy and forward the original to the County Clerk. Form 700 must be filed at the times and on the forms prescribed by law. Failure to file statements on time may result in penalties, including but not limited to late fines. Be it further

RESOLVED that the board hereby instructs the Chief Executive Officer to implement a program to provide reasonable assurance that foreseeable potential conflict of interest situations will be disclosed and prevented and to provide each affected person with a clear and specific statement of his or her duties under the Conflict of Interest Code. Be it further

RESOLVED that the board hereby instructs the Chief Executive Officer to supply the necessary forms and manuals, to monitor timely and complete filing compliance, to take action regarding late filings and to report apparent violations of the Conflict of Interest Code to the Board.

RESOLVED that the board hereby redefines *SamCERA*'s List of Designated Individuals and Disclosure Categories per FPPC Regulation 18730, to read as follows:

Description of Financial Disclosure Categories

Category 1: Persons in this category shall disclose all interest in real property within the boundaries of the County of San Mateo or within two miles outside the boundaries of the County of San Mateo and property located within two miles of any land owned or used by *SamCERA*. Persons are not required to disclose property, such as a home or vacation cabin, used exclusively as a personal residence.

Category 2: Persons in this category shall disclose all business positions, investments in, or income (including gifts and loans) received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by *SamCER*A.

Category 3: Persons in this category shall disclose all business positions and investments in business entities that are the type in which *SamCERA*'s trust funds may be invested (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

Category 4: Persons in this category are those investment consultants have been determined by the Chief Executive Officer to have a requirement to file and such consultant shall disclose all business positions and investments in business entities that are the type in which, under the terms of that consultant's agreement with *SamCERA*, *SamCERA*'s trust funds may be invested by that consultant's employer (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

ADOPTED by unanimous vote, February 23, 1999
AMENDED by unanimous vote, February 22, 2000
AMENDED by unanimous vote, February 27, 2001
AMENDED by unanimous vote, February 26, 2002
AMENDED by unanimous vote, March 25, 2003
AMENDED by unanimous vote, February 22, 2005
AMENDED by unanimous vote, January 24, 2006
AMENDED by unanimous vote, February 26, 2008
AMENDED by unanimous vote, July 28, 2009
AMENDED by unanimous vote, March, 2010

DETERMINATION OF CONSULTANT'S DISCLOSURE CATEGORY:

☐ Contractor is an "investment consultant" and disclosures are limited to:

☐ Category 4

☐ Contractor is an "other consultant" and disclosures would be limited to:

☐ Category 1 ☐ Category 2 ☐ Category 3

Date: ___________ ______________________________

CHIEF EXECUTIVE OFFICER

ACKNOWLEDGMENT OF CONSULTANT STATUS AND DESIGNATION OF EMPLOYEES:

The undersigned entity representative has received this determination and designate individual(s) to file a Form 700 as set forth above.

Date:_________ **Name :** ______________________ **Title**__________________________

Name and e-mail of employees designated to file:

___________________________ ________________________________

___________________________ ________________________________

___________________________ ________________________________

___________________________ ________________________________

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___________________________ ________________________________

California Code of Regulations Section 18701

"Consultant" means an individual who, pursuant to a contract with a state or local government agency:

(a) Makes a governmental decision whether to:

1. Approve a rate, rule, or regulation;
2. Adopt or enforce a law;
3. Issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement;
4. Authorize the agency to enter into, modify, or renew a contract provided it is the type of contract that requires agency approval;
5. Grant agency approval to a contract that requires agency approval and to which the agency is a party, or to the specifications for such a contract;
6. Grant agency approval to a plan, design, report, study, or similar item;
7. Adopt, or grant agency approval of, policies, standards, or guidelines for the agency, or for any subdivision thereof; or

(b) Serves in a staff capacity with the agency and in that capacity participates in making a governmental decision as defined in Regulation 18702.2 or performs the same or substantially all the same duties for the agency that would otherwise be performed by an individual holding a position specified in the agency's Conflict of Interest Code under Government Code Section 87302.

California Code of Regulations Section 18702.2

A public official "participates in making a governmental decision," except as provided in Title 2, California Code of Regulations, section 18702.4, when, acting within the authority of his or her position, the official:

(a) Negotiates, without significant substantive review, with a governmental entity or private person regarding a governmental decision referenced in Title 2, California Code of Regulations, section 18701(a)(2)(A);

(b) Advises or makes recommendations to the decision maker either directly or without significant intervening substantive review, by:

(1) Conducting research or making any investigation which requires the exercise of judgment on the part of the official and the purpose of which is to influence a governmental decision referenced in Title 2, California Code of Regulations, section 18701(a)(2)(A); or

(2) Preparing or presenting any report, analysis, or opinion, orally, or in writing, which requires the exercise of judgment on the part of the official and the purpose of which is to influence a governmental decision referenced in Title 2, California Code of Regulations, section 18701(a)(2)(A).

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 7.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval of *SamCERA's* Staff Investment Costs Budgeting Approach

Staff Recommendation

Staff recommends the board approve the inclusion of all *SamCERA* staff investment-related salary, benefit and overhead costs within the Administrative Budget.

Summary

In recent years, based on Government Code §31596.1, *SamCERA* has budgeted for staff salary, benefit and overhead costs related to investment management under the Asset Management Budget rather than under the Administrative Budget. The Administrative Budget is capped by language in the 1937 Act whereas the Asset Management Budget is not capped. Section §31580.2, governing the Administrative Budget, was revised in 2010 so that today the Administrative Budget cannot exceed 21/100ths percent of the accrued actuarial liabilities of the system. After reviewing §31596.1, discussing the opinions of other '37 Act systems regarding its interpretation, and considering the changes in the '37 Act limits on the Administrative Budget, staff believes it is reasonable and appropriate to reallocate all staff investment management costs to the Administrative Budget.

Background

SamCERA's fiscal year 2011/2012 budget consists of three components, a Professional Services Budget and an Asset Management Budget, both authorized by Government Code §31596.1, and an Administrative Budget authorized by Government Code §31580.2.

Government Code §31596.1 states that, "The following types of expenses shall not be considered a cost of administration of the retirement system..." The section then goes on to list several "types" of expenses. While investment staff salary, benefit and overhead costs are not specifically listed, some systems and their legal counsel have considered them to be among the "types" of expenses that could or should be excluded.

In 2010 the California Assembly recognized that changes were needed to §31580.2, which sets the cap on Administrative Expenses. Prior to these changes, the Administrative Budget expenses were capped at a percentage of the system's assets. In 2008 and 2009, when the recession drove asset levels significantly lower, '37 Act retirement systems had serious challenges in their ability to continue services at their former levels. In

SamCERA's case, approximately $250,000 planned for improvements to the information technology infrastructure was eliminated from the Administrative Budget in order to assure that the Administrative Budget was under the '37 Act cap.

The Assembly's changes to the Administrative Budget cap included:

- linking the Administrative Budget to the systems' actuarial liabilities rather than their assets. Liabilities are today significantly higher than assets and tend to be less volatile.
- taking information technology project costs out from under the cap of the Administrative Budget.

Staff prefers to budget the expenses of the system in as consistent and stable a methodology as possible, and although all budget cost have been fully revealed in the budget numbers presented, with the recent changes to the Administrative Budget cap we believe it is prudent to include all staff investment-related salary, benefit and overhead costs under the Administrative Budget.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 27, 2011 Agenda Item 7.4

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval of SACRS Voting Delegate and Alternates

Staff Recommendation

Staff recommends the board designate **Al David**, Board Chair, as the Voting Delegate, **David Spinello**, Trustee, as the First Delegate Alternate, and **David Bailey**, CEO, as the Second Delegate Alternate to cast *SamCERA's* votes at the Fall 2011 SACRS Conference.

Summary

Prior to each SACRS conference the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegates and alternate voting delegates at the conference business meeting.

Background

SamCERA normally selects the highest ranking board officer who will attend the conference as the voting delegate. Delegates can be either trustees or staff. For this SACRS conference, Al David is the highest ranking board officer. David Spinello is the most senior of the other trustees planning to attend. We typically recommend the CEO be the final.

The business meeting will occur on the last morning of the conference, 9:45 a.m., Friday, Nov. 18. The agenda for the business meeting should be available for discussion at the board's October meeting.