



Notice of Public Meeting

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, January 28, 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**
 - 3.1 Approval of Regular Board Meeting Minutes, from December 10, 2013
- 4. Approval of the Consent Agenda * (Set for 1:00 p.m. time certain)**

4.1 Disability Retirements	4.4 Deferred Retirements
• Filamer Ancheta	4.5 Member Account Refunds
• Robert Bates	4.6 Member Account Rollovers
• Kathleen Brown	4.7 Trustee Travel Request
• David Dennis	4.8 Approval of Annual Review Questionnaire for SIS
• Maybelline Sharpe	4.9 Acceptance of Semi-Annual Compliance Certification Statements for Period Ending December 31, 2013
4.2 Service Retirements	
4.3 Continuances	
4.4 Deferred Retirements	
4.5 Member Account Refunds	
- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
 - 5.2 Approval of Cost of Living Adjustments for 2014
- 6. Investment Services**
 - 6.1 Preliminary Monthly Performance Report for the Period Ending December 31, 2013
 - 6.2 Discussion of Real Asset Portfolio Implementation Options (Special Meeting Item #4)
 - 6.3 Direction to Staff Regarding Real Asset Portfolio Implementation (Special Meeting Item #5)
 - 6.4 Approval of New Fixed Income Manager Structure Proposal
 - 6.5 Approval of the Angelo Gordon Opportunistic Whole Loan Fund
 - 6.6 Discussion on Proposed Changes to the Investment Policy
- 7. Board & Management Support**
 - 7.1 Quarterly Budget Report
 - 7.2 Update on Progress of SamCERA's Technology Modernization Project
 - 7.3 Approval of Resolution Authorizing the Chief Executive Officer to Execute and Agreement with Vitech Systems Group, Inc. for a Pension Administration Software System
 - 7.4 Approval of Recruitment Plans of Ad Hoc Committee on Succession Planning

[Continued on page 2 – Posted 01/22/2014]

Notice of Public Meeting

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- 7.5 Update on Plans for April 29 & 30, 2014 Board/Staff Retreat
- 7.6 Update of SamCERA Office Space Lease

8. Management Reports

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

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

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
- C2 Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)
Halliburton Co. v. Erica P. John Fund, Inc. (Halliburton) U.S. Supreme Court No: 13-317

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Carey, Robert	November 16, 2013	District Attorney's Office
Mau, Louella	November 17, 2013	General Services
Ullah, Karen	November 17, 2013	Social Services
Smith, Martha	November 24, 2013	Animal Services
Herbinaux, Myrna	November 24, 2013	Health and Welfare
Hibner, Esther	November 25, 2013	Crystal Springs Rehab. Center
DeMartis, Felix	November 26, 2013	Assessor's Office
Au-Yeung, Benjamin	November 26, 2013	Mental Health Department
Williams, Judy	November 30, 2013	Child Support Services
Harper, Cornel	November 30, 2013	Parks
Reed, Carla	December 2, 2013	Probation
Drolette, Gail	December 2, 2013	Beneficiary of Drolette, Richard
Knupfer, Mavis	December 3, 2013	Social Services
Turner, Donald	December 4, 2013	Hospital
Erickson, Anita	December 4, 2013	Beneficiary of Erickson, George
Humphrey, Rilda	December 7, 2013	Schools
Morales, Roina	December 8, 2013	Human Services Agency
Giovannoni, Ida	December 12, 2013	Courts
Carter, Harold	December 19, 2013	Beneficiary of Carter, Dee
Guston, Claressa	December 19, 2013	Beneficiary of Guston, James
Spells, Robert	December 21, 2013	Hospital
Hyde, Wanda	December 24, 2013	Courts
Stekert, Peter	December 25, 2013	Beneficiary of Stekart, Mary
Somerville, Carol	December 26, 2013	Environmental Services Agency
Williams, Marjorie	December 31, 2013	Beneficiary of Williams, Walter

David Bailey, Chief Executive Officer

Posted: January 22, 2013

(* 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. ANY 4.1 ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER CLOSED SESSION; ALL OTHER ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER ITEM 5.1.)

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,

WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD CITY.

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 Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

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.



Notice of Special Meeting

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

Tuesday, January 28, 2014, at 9:00 A.M.

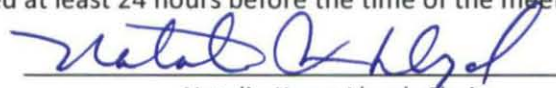
Please take notice that the Chair of the Board of Retirement, acting pursuant to the authority of Government Code §54956, hereby calls a special meeting to take place on January 28, 2014, at 9:00 a.m. in SamCERA's Board Room, 100 Marine Parkway, Suite 160, Redwood City, Ca 94065. The Board of Retirement will conduct its regular meeting commencing at 1:00 p.m. The special meeting is for the purpose of discussing and transacting the following business:

1. Call to order
2. Roll Call
3. Oral Communications from the Public
4. Discussion of Real Asset Portfolio Implementation Options (Regular Agenda Item 6.2)
 - 9am Altius
 - 10am Real Asset Portfolio Management
 - 11am Strategic Investment Solutions
5. Direction to Staff Regarding Real Asset Portfolio Implementation (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: January 22, 2014


Natalie Kwan Lloyd, Chair

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

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A copy of the Board of Retirements' open session agenda packet is available for review at the SamCERA offices at 100 Marine Parkway, Suite 125 and on our website, unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

January 28, 2014

Agenda Item 3.0

December 10, 2013 – Board Agenda

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

- 1. Call to Order, Roll Call and Miscellaneous Business**
 - 1.1 Appointment of Ad Hoc CEO Performance Evaluation Committee
- 2. Oral Communications**
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
- 3. Approval of the Minutes**
 - 3.1 Acceptance of Audit Committee Meeting Minutes, from October 29, 2013
 - 3.2 Approval of Regular Board Meeting Minutes, from October 29, 2013
- 4. Approval of the Consent Agenda**

<ol style="list-style-type: none">4.1 Disability Retirements<ol style="list-style-type: none">a. Talavera, Leslieb. Hein, Johnc. Langi, Anad. Ramseur, Sharie. Rivera, Marcianof. Sami, Usha	<ol style="list-style-type: none">4.2 Service Retirements4.3 Continuances4.4 Deferred Retirements4.5 Member Account Refunds4.6 Member Account Rollovers
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- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 6. Investment Services (The Investment Committee will meet at 10:00 a.m. on December 10, 2013)**
 - 6.1 Preliminary Monthly Performance Report for the Period Ending October 31, 2013
 - 6.2 Quarterly Investment Performance Report for the Period Ending September 30, 2013
 - 6.3 Presentation of Performance Report Concerning Certain Existing Alternative Investments (Confidential Under Gov. Code Section 6245.26, to be heard in Closed Session C2)
 - 6.4 Approval of New International Equity Manager Structure Proposal
 - 6.5 Discussion & Approval Regarding Real Asset Portfolio Implementation
- 7. Board & Management Support Services**
 - 7.1 Report from the Ad Hoc Committee Regarding the Evaluation of SamCERA's Medical Advisor
 - 7.2 Approval of Board of Retirement Meeting Calendar for 2014
 - 7.3 Discussion of Board / Staff Retreat Topics
 - 7.4 Discussion of SamCERA Office Space Options
 - 7.5 Approval of Process to Engage Counsel to Assist with Identification and Evaluation of Foreign Securities Actions
 - 7.6 Discussion of CEO Recruitment Process with San Mateo County Human Resources Department
- 8. Management Reports**
 - 8.1 Chief Executive Officer's Report
 - 8.2 Assistant Executive Officer's Report
 - 8.3 Chief Investment Officer's Report

San Mateo County Employees' Retirement Association
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8.4 Chief Legal Counsel's Report

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

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
- C2 Discussion of Due Diligence For Certain Alternative Investments (Pursuant to Government Code Section 54956.81)

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Ng, Irene	September 24, 2013	Human Services Agency
Morrison, Janet	September 28, 2013	Personnel
Lowe, Laurie	September 29, 2013	Crystal Springs Rehab. Center
Giusto, Rose	October 1, 2013	Beneficiary of Giusto, August
Peoples, Jane	October 6, 2013	Beneficiary of Peoples, J. Paul
Picchi, Yola	October 8, 2013	Courts
Moeser, Verna	October 9, 2013	Courts
Casellini, Adelene	October 10, 2013	Planning Commission
Ho, Richard	October 10, 2013	Beneficiary of Ho, Evelyn
Vergara, Jorge	October 10, 2013	Beneficiary of Vergara, Narcisa
Wolfe, Harriet	October 10, 2013	Courts
Tafoya, Marian	October 11, 2013	Courts
McKim, Magda	October 23, 2013	Probation
Won, Jane	October 23, 2013	Courts
O'Neill, Robert	October 29, 2013	Probation
Orazem, Anton	October 27, 2013	Probation
Phillips, Edward	October 29, 2013	ISD
Tyler, Eldoretha	October 30, 2013	Hospital
Magill, Aurdrey	November 2, 2013	Sheriff's Department
Schumacher, William	November 3, 2013	Board of Supervisors
Murray, Matthew	November 6, 2013	Board of Supervisors
Galila, Delfin	November 9, 2013	Hospital
Wiesel, Norma	November 16, 2013	Social Services

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

December 10, 2013 – Regular Board Meeting Minutes

1312.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Natalie Kwan Lloyd, Chair, called the Regular Meeting of the Board of Retirement to order at 1:01 p.m.

Roll Call:

Present: Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, David Spinello, Michal Settles and Eric Tashman.

Excused: Sandie Arnott.

Alternates: Christopher Miller, Alma Salas.

Staff: David Bailey, Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Mabel Wong, Elizabeth LeNguyen, Lilibeth Dames and Kristina Perez.

1312.1.1 **Appointment of Ad Hoc CEO Performance Evaluation Committee:** Mr. Bailey stated this was the time of year the chair would appoint the members of the Ad Hoc CEO Performance Evaluation Committee. The committee implements a 360 degree evaluation process for the CEO, with staff, the County Manager's Office, and Trustees all participating. He proposed that the task of evaluating the CEO now fall under the charge of the Ad Hoc Succession Planning Committee, as a means to receive additional feedback that would be helpful in the succession planning process.

Action: Ms. Kwan Lloyd assigned the duty of conduction the annual evaluation of the CEO to the Ad Hoc Succession Planning Committee, composed of Al David, Ben Bowler, Michal Settles, and Paul Hackleman, committee chair.

1312.2.1 **Oral Communications From the Board:** Mr. David reported his attendance at SACRS, in Indian Wells, CA, on November 12-15, 2013. Ms. Settles, Mr. Spinello and Ms. Agnew also reported their attendance at SACRS. In addition to SACRS, Ms. Agnew attended the CA Economic Summit, in Los Angeles, November 7-8, 2013.

1312.2.2 **Oral Communications From the Public:** None.

1312.3.1 **Approval of the Audit Committee Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the Audit Committee meeting minutes, and none were noted.

Action: Mr. Tashman moved to accept the Audit Committee meeting minutes from October 29, 2013. The motion was seconded by Mr. David and carried with a vote of 8-0 with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman in favor; none opposed.

1312.3.2 **Approval of the Board Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the minutes, and none were noted.

Action: Ms. Agnew moved to approve the minutes from the regular Board of Retirement meeting held on October 29, 2013. The motion was seconded by Mr. Hackleman and carried with a vote of 8-0 with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman in favor; none opposed.

1312.4.0 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if there were any items to be removed from the Consent Agenda, and the disability application for Leslie Talavera was removed from the Consent Agenda.

Action: Mr. Hackleman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Spinello. The motion carried with vote of 8-0 with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman in favor; none opposed.

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

1312.4.1

Consent Agenda

Disability Retirements

- a. The Board found that John Hein is (1) permanently incapacitated for the performance of his usual and customary duties as a Sheriff's Lieutenant, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.
- b. The Board found that Ana Langi is (1) permanently incapacitated for the performance of her usual and customary duties as a Medical Services Assistant, (2) found that her disability was not a result of an illness arising out of and in the course of her employment, (3) denied her application for a service-connected disability retirement (4) and granted her a non-service-connected disability retirement.
- c. The Board found that Shari Ramseur is (1) permanently incapacitated for the performance of her usual and customary duties as an Office Assistant, (2) found that her disability was not a result of an illness arising out of and in the course of her employment, (3) denied her application for a service-connected disability retirement (4) and granted her a non-service-connected disability retirement.
- d. The Board found that Marciano Rivera is (1) permanently incapacitated for the performance of his usual and customary duties as a Stationary Engineer, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.
- e. The Board found that Usha Sami is (1) permanently incapacitated for the performance of her usual and customary duties as a Food Service Worker, (2) found that her disability was not a result of an injury arising out of and in the course of her employment, (3) granted her application for a non-service-connected disability retirement.

1312.4.2

Service Retirements

The Board ratified the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Alvarez, Ana	September 21, 2013	Family Health
Buxton, Stephen	September 12, 2012	Def'd. from Assessor's Office
Caldwell, Karen	September 10, 2013	Courts
Davila, Judith	September 28, 2013	Behavioral Health
Duterte, Patrick	August 1, 2013	Def'd. from Health & Welfare
Ferrer, Adelardo	September 13, 2013	Mental Health
Golden, Mary	September 28, 2013	Human Services Agency
Grote, Lisa	September 5, 2013	Def'd. from Planning
Jukich, Mary	September 23, 2013	QDRO
King, Victoria	September 11, 2013	Courts
Lavilla, Florentino	September 29, 2013	Def'd. from Public Health
Ng, Irene	September 11, 2013	Human Services Agency
Radford, John	September 15, 2013	Libraries
Sondag, Mark	September 23, 2013	Def'd. from HSA

San Mateo County Employees' Retirement Association
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1312.4.2 **Service Retirements** (con't)

The Board ratified the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Steiger, Nancy	September 24, 2013	Def'd. from Hospital
Williams, Judy	September 19, 2013	Child Support Services
Andres, Adeline	October 16, 2013	Def'd. from Hospital
Balancio, Evelyn	October 26, 2013	Mental Health
Biag, Maria	November 1, 2013	Def'd. from Hospital
Cruz, Carmelita	October 9, 2013	Def'd. from Hospital
De Guzman, Teodora	October 4, 2013	Def'd. from Hospital
Dogelio, Thelma	October 29, 2013	Def'd. from Hospital
Fernandez, Gloria	October 6, 2013	Def'd. from Hospital
Gacayan, Cres	October 18, 2013	Def'd. from Hospital
Gloria, Emilia	October 23, 2013	Def'd. from Hospital
Harper, Cornel	November 1, 2013	Parks Department
Iglesias, Utumporn	October 6, 2013	Def'd. from Hospital
Kintanar, Oscar	October 31, 2013	Hospital
Layacan, Ma Erlinda	October 16, 2013	Hospital
Linaja, Violeta	October 4, 2013	Def'd from Hospital
Raihman, Jaibul	October 5, 2013	Def'd. from Hospital
Ramirez, Armando	October 27, 2013	Libraries
Rudd, Margaret	October 26, 2013	Tax Collector's Office
Rulloda, Pacita	October 6, 2013	Def'd. from Hospital
Siddiqui, Elaine	November 1, 2013	Def'd. from Hospital
Tayo, Elna	October 8, 2013	Def'd. from Hospital
Torres, Dorothy	October 19, 2013	Human Services Agency
Wan, Carmen	October 16, 2013	Def'd. from Hospital
Wong, Shwu-Huey	October 4, 2013	Def'd. from Hospital

1312.4.3 **Continuances**

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

Survivor's Name	Beneficiary of
Graham, Kent	Tilman, Nomalee
Goodwin, Phyllis	Goodwin, Arthur
Yano-Nakano, Monica	Ng, Irene
Tafoya, Albert	Tafoya, Marian
Phillips, Minta	Phillips, Edward
Morrison, Paul	Morrison, Janet

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

1312.4.4 **Deferred Retirements**

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

Member Name	Retirement Plan Type
Bassett, Peter	G4 Vested - incoming reciprocity
McDonald, Colleen	G4 Vested
Singh, Praveen	G4 Vested
Jackson, George	G4 Vested
Neal, Jaclyn	G4 Vested - Reciprocity
Hoehn, Kelly	G4 Non Vested – Reciprocity
Nakano, Angela	G4 Vested - Reciprocity
Day, Kimberly	G4 Vested - Reciprocity
Tsai, Gary	G4 Non Vested – Reciprocity
Rao, Suchitra	G4 Non Vested – Reciprocity
Maddox, Carol	G2 Vested - Reciprocity
Merrill, Norman	G4 Vested - Reciprocity

1312.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Zavala, Cathleen	G7 Non-vested
Louie, Brad	G4 Vested
Johnston, Anna	G4 Vested
Uluave, Akensi	G4 Vested
Fresquez, Leonard	G4 Vested
Gray, Jannette	G4 Non-vested
Riley, Jocelyn	G4 Non-vested
Hickey, Christopher	G4 Non-vested
Jurow, James	G7 Non-vested
Neves, Brent	G5 Non-vested
Ramirez, Bedilia	G4 Non-vested
Calderon, Luisa	P4 Vested
Walker, Alicia	G4 Non-vested

1312.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
Shah, Swati	G4 Non-vested
Couture, L. A.	G4 Non-vested
Rohl, Judith	G5 Non-vested
Samuels, Philip	G4 Vested

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

- 1312.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** Ms. Kwan Lloyd adjourned the meeting into closed session at 1:12 p.m. to consider the disability application of Leslie Talavera. Ms. Settles was excused for the remainder of the meeting. The Board remained in closed session to hear item 6.3 Presentation of Performance Report Concerning Certain Existing Alternative Investments.

Ms. Kwan Lloyd reconvened the meeting into public session at 2:50 p.m.

- 1312.4.1 **Disability Retirement - Leslie Talavera:** Ms. Carlson reported the following action took place in the closed session.

Action: A motion was made and seconded to accept the recommendation of staff. The Board found that Leslie Talavera is (1) permanently unable to perform her job duties, (2) found that her disability was not a result of a medical condition arising out of and in the course of employment, (3) denied her application for a service-connected disability retirement and (4) granted her application for a non-service-connected disability retirement. The motion carried with a vote of 7-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Spinello, and Tashman, all in favor; none opposed.

- 1312.6.3 **Presentation of Performance Report Concerning Certain Existing Alternative Investments (Confidential Under Gov. Code Section 6245.26, to be heard in Closed Session C2):** Ms. Carlson reported there was no reportable action taken on this item in closed session.

- 1312.6.1 **Preliminary Monthly Performance Report for the Period Ending October 31, 2013:** Mr. David reported that the Investment Committee had heard and discussed this item during the committee meeting, earlier the same day. Mr. Coultrip reported the SamCERA portfolio returned +2.7% overall during the month. This item was informational only and no action was taken.

- 1312.6.2 **Quarterly Investment Performance Report for the Period Ending September 30, 2013:** Mr. David reported that the Investment Committee had heard and discussed this item during the committee meeting, earlier the same day. Mr. Thomas was present to answer any questions from the Board. This item was informational only and no action was taken.

- 1312.6.4 **Approval of New International Equity Manager Structure Proposal:** Mr. David gave the Board a summary of the discussion on this item at the Investment Committee meeting. Board members discussed changes in style risk and a decrease in basis points with Mr. Thomas and Mr. Coultrip.
Action: Mr. David moved to approve the proposed International Equity Manager Structure as presented. The motion was seconded by Mr. Bowler and carried with a vote of 6-0 with Trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, and Tashman in favor; none opposed. Mr. Spinello had stepped out of the room and was not present for the vote on this item.

- 1312.6.5 **Discussion & Approval Regarding Real Asset Portfolio Implementation: Discussion & Approval Regarding Real Asset Portfolio Implementation:** Mr. David gave the Board a summary of the discussion on this item at the Investment Committee meeting. Board members requested that all three types of implementation service providers give educational presentations to the Board to compare and contrast services offered. This item was for discussion only; no action was taken.

Mr. Spinello returned to the Boardroom at 3:02 p.m.

San Mateo County Employees' Retirement Association
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- 1312.7.1 **Report from the Ad Hoc Committee Regarding the Evaluation of SamCERA's Medical Advisor:** Ms. Kwan Lloyd presented the Ad Hoc Medical Advisor Evaluation Committee's report to the Board on behalf of Ms. Arnott, Chair, who was unable to attend the Board meeting. Ms. Kwan Lloyd, Ms. Agnew, Mr. Miller and Ms. Arnott met on November 20, 2013, with Dr. Brodtkin. Mr. Bailey also attended the meeting. The committee reported satisfaction with the quality of the reports prepared by Dr. Brodtkin and expressed appreciation for the clarity and straightforwardness of his narratives.
- 1312.7.2 **Approval of Board of Retirement Meeting Calendar for 2014:** Mr. Bailey reviewed the proposed meeting schedule for 2014 with the Board, and noted times where the regular board meetings would deviate from the normal 4th Tuesday schedule.
Action: Mr. David moved to approve the schedule of regular Board meetings for 2014 as proposed. The motion was seconded by Ms. Kwan Lloyd and carried by a vote of 7-0 with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Spinello and Tashman in favor; none opposed.
- 1312.7.3 **Discussion of Board / Staff Retreat Topics:** Mr. Bailey opened the discussion, and went over the list of possible retreat topics included in the staff report. Board members commented and Mr. Bailey said he would return to the Board with a draft retreat agenda in January. This item was for discussion only and no action was taken.
- 1312.7.4 **Discussion of SamCERA Office Space Options:** Mr. Hood discussed the terms of SamCERA's current lease for office space which expires December 31, 2014. He noted changes in the market since the lease was last negotiated, and he anticipates an increase of \$1.00 or more per square foot, over the current rent. Mr. Hood outlined some options including the purchase of a building, negotiating with the current landlord for extra space, finding appropriate space in another building, and working with the County's real estate division to inquire about surplus office sites. This item was for discussion only and no action was taken.
- 1312.7.5 **Approval of Process to Engage Counsel to Assist with Identification and Evaluation of Foreign Securities Actions:** Ms. Carlson discussed the process to work with a legal firm to monitor foreign securities litigation actions that may be of interest to SamCERA. She explained that currently State Street provides this service for domestic securities litigation; and with an increase of involvement in foreign securities a similar monitoring service for foreign litigation would add to SamCERA's due diligence. Board members requested information on how other funds handle this situation and Ms. Carlson said she would come back to the Board with those answers. No action was taken at this time.
- 1312.7.6 **Discussion of CEO Recruitment Process with San Mateo County Human Resources Department:** Ms. Donna Vaillancourt, Director of the County's Human Resources Department was present to discuss the CEO recruitment process. She provided a hand out to the Board showing the time line of recruitment tasks and milestones. Mr. Hackleman, Chair of the Ad Hoc Succession Planning Committee, commented that the CEO's upcoming 360 evaluation will give trustees, staff and County management a chance to offer their thoughts about what traits the ideal CEO candidate would possess. Mr. Hackleman suggested that the Ad Hoc Succession Planning Committee agendaize a monthly progress update, and he highly recommended a period of overlap, where both the current and replacement CEO would work together. This item was for discussion only and no action was taken.

Mr. Tashman was excused from the remainder of the meeting, and left the Board room at 4:15 p.m.

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

- 1312.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that the County negotiated a 3% raise for employees, and that became effective at the end of November 2013. He let the Board know the MOU for the supplemental County contributions had been approved and signed by all parties, and the additional contributions are expected to be received by SamCERA in February 2014. Mr. Bailey announced he had been elected to serve as President of the California Association of Public Retirement Systems (CALAPRS) for 2014. He presented the final CAFR, and each Board member received one. In conclusion, he thanked staff members Scott Hood, Tariq Ali, Gladys Smith and Mabel Wong for their work on the PASS project and recent site visits across the country.
- 1312.8.2 **Assistant Executive Officer's Report:** Mr. Hood shared examples of new brochures created by SamCERA with the Trustees. He reviewed highlights of the four site visits, where he and Ms. Smith, Ms. Wong and Mr. Ali were able to see the PASS products in use. Mr. Hood reported that the back file scanning is near completion, and SamCERA is working with SCORPA to process certain deductions, and he updated the Board on the GASB 67 and 68 implementations.
- 1312.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that SamCERA's contract with its custodian bank, State Street, expires in April. The current cost of custodian services is \$150,000 per year, and the proposed cost to renew the State Street contract is significantly higher. Mr. Coultrip stated that there has not been an RFP for custodian services since 1999, and staff is drafting an RFP at this time. Mr. Coultrip reported meeting with Philip Kerns of D.E. Shaw, regarding the 130/30 strategy and noted SamCERA would continue to hold off on implementation until after the new year.
- 1312.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported the IRS determination letter process was nearing completion, and the Board would be notified when it was finished. She reviewed recent litigation in regard to PEPR legislation.
- 1312.10 **Adjournment:** With no further business, Ms. Kwan Lloyd adjourned the meeting at 4:38 p.m., in memory of the following deceased members:

Ng, Irene	September 24, 2013	Human Services Agency
Morrison, Janet	September 28, 2013	Personnel
Lowe, Laurie	September 29, 2013	Crystal Springs Rehab. Center
Giusto, Rose	October 1, 2013	Beneficiary of Giusto, August
Peoples, Jane	October 6, 2013	Beneficiary of Peoples, J. Paul
Picchi, Yola	October 8, 2013	Courts
Moeser, Verna	October 9, 2013	Courts
Casellini, Adelene	October 10, 2013	Planning Commission
Ho, Richard	October 10, 2013	Beneficiary of Ho, Evelyn
Vergara, Jorge	October 10, 2013	Beneficiary of Vergara, Narcisa
Wolfe, Harriet	October 10, 2013	Courts
Tafoya, Marian	October 11, 2013	Courts
McKim, Magda	October 23, 2013	Probation
Won, Jane	October 23, 2013	Courts
O'Neill, Robert	October 29, 2013	Probation
Orazem, Anton	October 27, 2013	Probation
Phillips, Edward	October 29, 2013	ISD
Tyler, Eldoretha	October 30, 2013	Hospital
Magill, Aurdrey	November 2, 2013	Sheriff's Department
Schumacher, William	November 3, 2013	Board of Supervisors
Murray, Matthew	November 6, 2013	Board of Supervisors

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

Galila, Delfin
Wiezel, Norma

November 9, 2013
November 16, 2013

Hospital
Social Services

David Bailey
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Items 4.1- 4.6

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager



Subject: Approval of Consent Agenda Items 4.1 – 4.6

4.1 Disability Retirements

- a) The Board find that **Filamer Ancheta** is (1) permanently incapacitated for the performance of her usual and customary duties as a Licensed Vocational Nurse, (2) find that her disability was a result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
- b) The Board refer **Robert Bates'** application to a hearing officer.
- c) The Board find that **Kathleen Brown** is (1) permanently incapacitated for the performance of her usual and customary duties as a Program Coordinator II, (2) find that her disability was a result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
- d) The Board find that **David Dennis** is (1) permanently incapacitated for the performance of his usual and customary duties as a Lead Estate Property Officer, (2) find that his disability was a result of an injury arising out of and in the course of his employment, (3) grant his application for a service-connected disability retirement.
- e) The Board (1) accept the proposed findings and recommendations of the Hearing Officer, John Rosenthal, that **Maybelline Sharpe's** medical condition was not permanent at the time of the hearing, (2) find that Maybelline Sharpe is now able to perform her duties as a Benefits Analyst, and (3) deny her application for a service-connected disability retirement.

4.2 Service Retirements

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

Member Name	Effective Retirement Date	Department
Andres, Adeline	October 16, 2013	Def'd. from Hospital
Albanes, Olga	November 16, 2013	Probation
Alejandrino, Leonila	November 30, 2013	Hospital
Balancio, Evelyn	October 26, 2013	Mental Health
Biag, Maria	November 1, 2013	Def'd. from Hospital
Cervantes, Liz	November 19, 2013	County Counsel

Cruz, Carmelita	October 9, 2013	Def'd. from Hospital
De Guzman, Teodora	October 4, 2013	Def'd. from Hospital
Dogelio, Thelma	October 29, 2013	Def'd. from Hospital
Doubleday, Frances	November 2, 2013	Courts
Fernandez, Gloria	October 6, 2013	Def'd. from Hospital
Florez, Joseph	November 30, 2013	Department of Public Works
Gacayan, Cres	October 18, 2013	Def'd. from Hospital
Gloria, Emilia	October 23, 2013	Def'd. from Hospital
Gontenas, Carmencita	November 18, 2013	Def'd. from Hospital
Haro, Fernando	November 7, 2013	Def'd. from HSA
Harper, Cornel	November 1, 2013	Parks Department
Iglesias, Utumporn	October 6, 2013	Def'd. from Hospital
Ignacio, Miguel	November 25, 2013	Def'd. from Hospital
Kamal, Mohammed	November 14, 2013	Def'd. from Hospital
King, Victoria	September 11, 2013	Courts
Kintanar, Oscar	October 31, 2013	Hospital
Layacan, Ma Erlinda	October 16, 2013	Hospital
Linaja, Violeta	October 4, 2013	Def'd from Hospital
Mondino, Carol	November 7, 2013	Assessor's Office
Murphy, Deanna	November 30, 2013	Human Services Agency
Pini, Richard	December 1, 2013	Human Services Agency
Raihman, Jaibul	October 5, 2013	Def'd. from Hospital
Rainey, Maryann	November 7, 2013	Def'd. from Hospital
Ramirez, Armando	October 27, 2013	Libraries
Rudd, Margaret	October 26, 2013	Tax Collector's Office
Rulloda, Pacita	October 6, 2013	Def'd. from Hospital
Sakayama, Alan	December 1, 2013	ISD
Siddiqui, Elaine	November 1, 2013	Def'd. from Hospital
Tayo, Elna	October 8, 2013	Def'd. from Hospital
Torres, Dorothy	October 19, 2013	Human Services Agency
Villar, Edizalyn	November 3, 2013	Def'd. from Hospital
Wan, Carmen	October 16, 2013	Def'd. from Hospital

Wong, Shwu-Huey	October 4, 2013	Def'd. from Hospital
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4.3 Continuances

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

Survivor's Name	Beneficiary of:
Orazem, Julia	Orazem, Anton
Stumbaugh, Bobbie	Stumbaugh, Nicholas
Galila, Mildred	Galila, Delfin
Herbinaux, James	Herbinaux, Myrna
Carey, Helen	Carey, Robert

4.4 Deferred Retirements

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

Member Name	Retirement Plan Type
Sullivan, Denise	G4 Vested
Nissing, Deborah	G4 Vested
Caballero, Jessica	S4 Vested
Esguerra, Chris	G4 Vested
Yu, Jaslin	G4 Vested – Reciprocity
Mullarkey, Kevin	G4 Vested – Reciprocity
Roderick, Bohannon	G4 Vested – Reciprocity
Garabiles, Karen	G4 Vested – Reciprocity
Guillen, Rey	G4 Non Vested - Reciprocity
Mantz, Antoinette	G5 Non Vested - Reciprocity
Advincula, Kenneth	G4 Non Vested - Reciprocity

4.5 Member Account Refunds

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

Member Name	Retirement Plan Type
Gonzalez, Maria	G7 Non-vested
Aguado, Anthony	G4 Non-vested

Kremer, Diana	G4 Non-vested
Crawley, Adam	G7 Non-vested
Schulz, Eric	G4 Vested
Derespini, Heidi	G4 Non-vested
Baltodano, Rosa	G7 Non-vested

4.6 Member Account Rollovers

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

Member Name	Retirement Plan Type
Seroff, Alexander	G7 Non-vested
Korda, Sarah	G4 Non-vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 4.7

TO: Board of Retirement
FROM: David Bailey, Chief Executive Officer
SUBJECT: Trustee Request for Conference Approval



Staff Recommendation

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

Background

The SamCERA Education Policy allows trustees to expend certain levels of system funds for continuing education sponsored by organizations approved in the policy. The policy also states that, "the board may approve participation in additional educational activities..."

Trustee Lauryn Agnew, will attend the "California Divestment Forum: Investing in the Era of Climate Change", presented by the David Brower Center in partnership with 350.org, held on January 22, 2014.

The cost (\$30 plus travel) is within this trustee's annual education and training budget. Information taken from the event website is attached.

California Divestment Forum: Investing in the Era of Climate Change
Presented by the David Brower Center in partnership with 350.org

Wednesday, January 22, 2014

9:00 am - 5:00 pm

For more information, please visit <http://www.browercenter.org/california-divestment-forum>.

The California Divestment Forum will bring together city government leaders, university endowment heads and financial professionals for a dialogue on divesting from fossil fuels. The forum will provide a unique opportunity for profound discourse on risk, return, and reinvestment; in both a general institutional context and in breakout sessions that focus on the implications of divesting, reinvestment, and institutional values exclusively. Divestment is a growing movement and we must now map out the path forward for responsibly moving institutional assets into more sustainable investments.

Attendees can benefit from creating a network of city staff, university staff and financial advisors who will work together to understand the benefits and challenges of divesting and to map out the next steps. This high-level audience will interface on the components and significance of fossil fuel divestment. Investment experts will provide empirical arguments and address concerns of institutions considering divestment or simply interested in becoming more knowledgeable about the topic. The format of the event will provide a structure for questions and concerns to drive the content into specific and sophisticated discussion generated by audience participation.

The forum morning session will begin with a lecture on the historical context of divestment; followed by the 200 list through an ESG lens, a panel on divestment data, and a panel on reinvestment.

In the afternoon, participants will have a chance to participate in open sessions on the implications of divesting, reinvestment, and institutional values.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 4.8

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: **Approval of Annual Review Questionnaire for Strategic Investment Solutions**

Staff Recommendation

Review, suggest changes, and then approve the questions in the attached document.

Background

The questions in the attached document will be submitted to SamCERA's investment consultant, Strategic Investment Solutions (SIS), prior to the annual review, which will be scheduled for the March board meeting.

An additional part of the annual review will be the result of a survey of trustees, staff and consultant regarding the performance of the consulting firm. This year the survey will again be in electronic form. You will receive an email with a link to complete the survey. We hope this will make completion more convenient. If you'd like a hard copy of the survey, please let us know.

Staff will provide SIS's responses to the questionnaire as well as the survey results at the March meeting.

Attachments:

Annual Review Questionnaire for SIS 2013

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Strategic Investment Solutions – 12/31/2013

Annual Review Questionnaire

Organizational Update

- 1) Provide an update on Strategic Investment Solutions' organization, with particular emphasis on (a) changes to your structure, (b) growth of assets/accounts under consultation (c) breakdown by client type, and (d) clients gained or lost in the past year. All significant changes should be accompanied by an explanation.
- 2) What services does your firm offer in addition to pension fund investment consulting?
- 3) What percentage of your firm's income comes from pension fund investment consulting?
- 4) Describe your plans for managing the future growth of your firm. Do you have limitations on the number of clients you intend to accept? What is the number of clients per consultant? Describe your policies for controlling the workload of the investment consultants?
- 5) Please specify the individuals (up to five) who you feel are key to the success of your firm.
- 6) Please specify the individuals (up to five) who you feel are key to the success of SIS' account relationship with SamCERA.
- 7) Has your firm been involved in any regulatory or litigation events in the past year?
- 8) Update all significant personnel changes to the "SamCERA team" at Strategic Investment Solutions.
- 9) Describe any new potential services/improvements to your existing services being considered.
- 10) Describe the relative strength and longevity of your back-office (performance and risk analytics) staff.
- 11) What are the current technologies utilized in supporting the back-office processes? What performance measurement system do you use? Also what risk systems do you utilize in producing ex-post and ex-ante risk reports for clients? Please summarize your maintenance and upgrade policy/plan.
- 12) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?
- 13) Provide an overview of your firm's business continuity plan.

Performance

- 14) Please respond to the feedback given during the prior performance review and how you have (or have not) addressed the specific issues raised during that review. The primary issues are listed below:
 - a) The robustness of the performance reporting package needs to be improved.
 - b) Better communication is needed regarding progress on the private equity build out.
 - c) The Board would like more frequent and robust educational sessions.
- 15) Detail your perspective of SamCERA's performance expectations, as spelled out in the contract and SamCERA's *Investment Policy*, and how your firm is doing relative to those expectations.
- 16) In general terms, how is SamCERA able to reduce the risk of underperformance relative to the Plan Benchmark?
- 17) Discuss the domestic equity, international equity, fixed income, alternatives, and real estate markets and SamCERA's relative success or failure in the current market.
- 18) Describe any difficulties you may experience in working with SamCERA's actuary, board, custodian, investment managers, or staff.

Investment Consulting Philosophy

- 19) Describe your investment consulting philosophy, including (a) what are your firm's consulting specialties, strengths and limitations (b) your assessment of the value added by your investment philosophy and (c) what sets your services apart from other pension consultant's services?
- 20) Describe and explain your firm's brokerage relationships, money management activities, fee relationships and soft dollar relationships. Include the amount of income derived in the last calendar year from investment managers.
- 21) Provide your assessment of the risks associated with SamCERA's portfolio and describe your firm's risk management capabilities and the tools employed in risk assessment.
- 22) What are your recommendation(s) regarding categories of managers appropriate to implement SamCERA's *Investment Policy*?
- 23) Please provide your philosophy around incorporating ESG issues in the management of the pension plan. Do any of your clients currently incorporate ESG issues in their investment process? If so, how?

- 24) Do you recommend hiring a dedicated proxy voting consultant or delegating this function to the investment manager?
- 25) Given SamCERA's current plan governance structure, do you recommend any changes in the way the Board/staff/consultant work together in managing and overseeing the plan assets?

Outlook

- 26) What is Strategic Investment Solutions' outlook for the capital markets? Provide your firm's Capital Market Assumptions. Include an explanation of how SIS arrives at its Capital Market Assumptions.
- 27) What other issues or concerns have been brought up by your other clients in regards to products, markets, education and governance?

Conclusion

- 28) Is there any information that would be timely per SamCERA's *Investment Policy* or relative to this review?
- 29) Are your clients making significant changes in their asset mixes? Please describe these changes. Do you see any trends in asset allocation?
- 30) What market opportunities should SamCERA be considering?
- 31) Please provide a preliminary recommendation of what your work plan for the next 12 months should look like given SamCERA's current plan structure.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Consent Agenda Item 4.9

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer 

SUBJECT: Acceptance of Semi-Annual Compliance Certification Statements for Period Ending December 31, 2013

Staff Recommendation

Review and accept the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of December 31, 2013.

Background

The Compliance Certification Statement sets forth the status of certain pertinent guideline issues and provisions in SamCERA's Investment Policy. In accordance with the policy and as part of SamCERA's ongoing due diligence, the Compliance Certification Statement is completed by each of the association's non-alternative investment managers on a semi-annual basis to attest its compliance with the policy's provisions.

Discussion

The attached Compliance Certification Statements report that SamCERA's investment managers are in compliance with SamCERA's Investment Policy as of December 31, 2013. No firm reported significant developments in portfolio construction, investment approach, firm ownership or organizational structure. Nor were there any notable issues regarding industry or regulatory actions that impact SamCERA. The managers were also requested to provide data regarding the characteristics and composition of each of their portfolios. No prominent issues arose during the review. Any items that raise concern will be brought to the manager's attention and will be thoroughly vetted by staff.

Please note that the Compliance Certification Statement for D.E. Shaw was not received in time to be included in the mailing, but it will be included in the day-of folder for the January meeting or in the February board packet.

Attachments

Compliance Certification Statements (16)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

- A. Domestic Equity: Barrow Hanley, BlackRock, Brown Advisory, Chartwell, The Boston Company
- B. International Equity - Developed: Baillie Gifford, Mondrian, Pyramis
- C. Emerging Market Equity: Eaton Vance Parametric
- D. Domestic Fixed Income: Angelo Gordon, Brigade, Brown Brothers Harriman, Pyramis, Western
- E. Global Fixed Income: Franklin Templeton
- F. Real Estate: INVESCO

Angelo Gordon STAR Fund – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014**.

General Compliance Issues

1. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: **N/A** If no, please explain. **The Fund targets an absolute return; not a return relative to a benchmark.**
2. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: **Yes** If no, please explain.
3. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: **No** If yes, please explain.
4. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: **No** If yes, please explain.
5. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: **No** If yes, please explain.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: **Yes** If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: Yes If no, please explain. **Yes, to the best of our understanding of the policy.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: **Yes** If no, please explain.

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: **Yes** If yes: Do the counter-parties have investment grade debt? Yes/No: **Yes** Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: **Yes** If no, please explain.

We may not be trading directly with the broker-dealer.

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: **Yes** If yes: Do the counter-parties have investment grade debt? Yes/No: **Yes** Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: **Yes** If no, please explain.
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: **Yes** If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: **Yes** If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: **No** If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: **Yes** If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

IO/PO	Strategy	CUSIP	% of LMV
IO	CMBS	23322BCX4	0.01%
IO	CMBS	23322BFC7	0.03%
IO	CMBS	3137B5KY8	0.44%
IO	CMBS	43786YAP0	0.02%
IO	CMBS	55312YBD3	0.00%
IO	RMBS	25157GDP4	0.95%
IO	RMBS	25157RAC2	0.00%
IO	RMBS	30291KAJ9	0.24%
IO	RMBS	30291KAL4	0.05%
IO	RMBS	30261TAN7	0.17%
IO	RMBS	30261TAJ6	0.04%
IO	RMBS	36156NAE5	0.26%

IO/PO	Strategy	CUSIP	% of LMV
PO	RMBS	30291KAS9	1.00%
PO	RMBS	30261TAU1	1.85%
PO	RMBS	RMAT 2013 REO/LOAN	0.10%

These positions fall within our strategy guidelines.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: No
If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

There are no inverse floating rate notes and bonds. There are no structured notes; the Fund does have positions in CDOs.

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: **Yes** If no, please explain.
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: **Yes** If no, please explain. **Yes, to the best of our understanding of the policy**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) **Attached please find the Firm's Valuation Policy.**
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives. **The fund invests in interest rate swaps which are generally very liquid.**
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain. **New regulations that impact the use of derivatives have been proposed or finalized but we do not believe there has been a material change to legal and regulatory risk.**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: **Yes** If no, please explain. **We believe it is well diversified within the mandate of the fund.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: **Yes** If yes, please explain. **The Fund has the ability to use leverage.**

Cash & Equivalents

Does the firm directly invest in short term fixed income investments? Yes/No: Yes If yes, do the investments comply with the policies? (Section 11.0) Yes/No: Yes If no, please explain. **To the best of our understanding of the policy, the short term investments comply.**

Domestic Fixed Income Portfolios

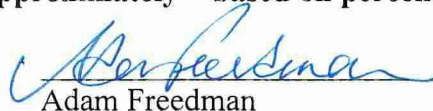
1. State the percentage of the portfolio held in each of the following types of securities (Section 11.3):

<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%
<i>Other High Grade Short-term securities</i>	%
<i>U.S. Government & Agency securities</i>	-1%
<i>Corporate Bonds</i>	%
<i>Mortgage- and asset-backed securities</i>	101%
<i>Yankee bond securities</i>	%

The fund also maintains positions in cash and interest rate swaps.

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: **No** If no, please explain. **As noted earlier, the focus is on an absolute return, not a return relative to a benchmark.**
3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: **N/A** If no, please explain.
4. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio? **Yes, the Fund's investment guidelines do permit investments in below investment grade assets.**
5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: **No** (Section 11.3(b)) Please specify the bond issue and percentage amount. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify the name of the industry and percentage amount. **N/A**
6. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c)) **36% (approximately – based on percentage of LMV).**

Signed by:



Adam Freedman

Deputy Chief Compliance Officer and Associate General Counsel

Dated: January 17, 2014

Name of Firm: Angelo, Gordon & Co., L.P.

Baillie Gifford Overseas International Growth – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014**.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: Yes If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Yes If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: No If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: No If yes, please explain.

We will transition your portfolio from EAFE Plus Focus to ACWI ex-US Focus in early January, per your request. The portfolio management team and approach will remain the same, although your chosen benchmark will change to the MSCI ACWI ex-US index.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: No If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: No If yes, please explain.
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Yes If no, please explain.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: No If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. ~~Are derivative investments in compliance with SamCERA's investment policies? (Appendix C) Yes/No: ___ If no, please explain.~~
3. ~~If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.~~
4. ~~For non-exchange traded derivative transactions, were the counter parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter parties have investment grade debt? Yes/No: ___ Are the counter parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.~~
5. ~~For non-exchange traded derivative transactions, were the counter parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter parties have investment grade debt? Yes/No: ___ Do the counter parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.~~
6. ~~Is individual counter party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter party within the portfolio? Please specify the name of the counter party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter parties over the past month?~~
7. ~~Are the investment purposes for a derivative investment consistent with the four purposes stated SamCERA's policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.~~
8. ~~List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.~~

9. ~~State if any restricted derivative investments are held in SamCERA's portfolios. Yes/No: ___
If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))~~
10. ~~For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.~~
11. ~~Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.~~
12. ~~Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))~~
13. ~~Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.~~
14. ~~State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.~~

Investment Manager Guidelines

- Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes If no, please explain.
- Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No If yes, please explain.

Cash & Equivalents

- Does the firm directly invest in short term fixed income investments? Yes/No: No If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

International Equity Portfolios - Developed

- Specify the percentage of the portfolio held in each of the following types of securities. (Section 19.4 j):

<i>Foreign Ordinary Shares</i>	<i>93.0%</i>
<i>ADR's</i>	<i>5.9%</i>

Cash & Equivalents (Foreign)	0.4%
Cash & Equivalents (Domestic)	0.7%

2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

Large-Cap	56.6%
Mid-Cap	28.9%
Small-Cap	14.5%

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: Yes If no, please explain.

As bottom up investors, the sector and country weightings of the portfolios are a residual of the process. For diversification purposes we monitor these weightings through the use of position guidelines relative to the benchmark. These positions are reviewed by the Portfolio Construction Group. They are as follows:

Position relative to MSCI EAFE index:

Sector +/-10%
Countries +/- 10%
Stocks +/- 5%

4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: Yes If yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets

As at 31 December, 2013 there was 10.9% of your portfolio invested in Emerging Markets companies.

5. Does the portfolio currently employ a currency hedging strategy? Yes/No: No

Signed by:

Dated:

Name of Firm:

13 January 2014

Baillie Gifford Overseas Limited

Barrow Hanley Diversified Large Cap Value – December 31, 2013

For 6-month period ended December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014**.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: ___ If no, please explain. **Yes.**
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: ___ If no, please explain. **Yes.**
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: ___ If no, please explain. **Yes.**
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: ___ If yes, please explain. **No.**
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: ___ If yes, please explain. **Yes.** As of December 31, 2013, Robert Chambers, Large Cap Value Portfolio Manager, retired after nearly 20 years of service. During the past six months, the equity team gained 3 new analysts: Sherry Zhang, CFA, Pranay Laharia, CFA and Eric Micek, CFA. Also, Jeff Fahrenbruch, CFA and David Ganuchau, CFA were named Large Cap Value Portfolio Managers. No changes occurred in the firm ownership or organizational structure during the period.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: ___ If yes, please explain. **No.**
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: ___ If yes, please explain. **No.**
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: ___ If yes, please explain. **No.**
9. Have there been any investment guideline breaches during the prior 6 months? If so, please provide more detail. **No.**
10. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: ___ If no, please explain. **Yes.**

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours? If yes, please explain. **No.**

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: ___ If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section. **N/A. We do not utilize derivatives.**
2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: ___ If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: ___ If no, please explain. **Yes.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: ___ If yes, please explain. **No.**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: ___ If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain. **No. We do not manage cash for our clients.**

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities (Section 19.4 j)

At December 31, 2013, the portfolio held the following:

Cash	1.3%
Common Stock	98.7%
Preferred Stock	0%
Convertible Stock	0%

2. Specify the large, mid and small capitalization exposure of the portfolios? (Section 19.4 j) Please specify percentages.

At December 31, 2013, the firm's allocation within equities is below:

Large Caps	76%
Mid Caps	10%
Small Caps	4%
International*	10%

*Includes Global & Emerging Markets

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.
At December 31, 2013, the portfolio held 7.6% ADR's and none were 144A securities. (Cash positions are not used in the calculation).
4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: ___ If yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets No.
5. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) Specify the name of the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why.
At December 31 2013, the largest security holding was Capital One Financial Corp. with a weighting of 3.1%. (Cash positions are not used in the calculation).
6. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Specify the industry and percentage amount. Please specify all industries above 15%.
BHMS uses the GICS classification system for our portfolio analysis. At December 31, 2013, the largest industry weighting was Consumer Finance, which held an 8.2% weighting. (Cash positions are not used in the calculation).

i.

Signed by: Patricia B. Andrews
Title: Chief Compliance Officer
Dated: January 10, 2014
Name of Firm: Barrow, Hanley, Mewhinney & Strauss LLC

Brown Brothers Harriman Inflation Indexed Securities – December 31, 2013

*Compliance Certification Statement
San Mateo County
Employees' Retirement Association*

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014.**

General Compliance Issues

1. Has the firm acted as a fiduciary consistent with the standards articulated in the investment management contract dated June 15, 2013 Yes/No: **YES** If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? Yes/No: **YES** If no, please explain.
3. Has the firm's insurance coverage been sustained? Yes/No: **YES** If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? Yes/No: **NO** If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? Yes/No: **YES** If yes, please explain.

John Nelson, Managing Director, left the firm at the end of May 2013 and John Acker, Senior Vice President, assumed relationship manager responsibilities for SamCERA.

6. Have there been any changes in the firm's investment approach? Yes/No: **NO** If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? Yes/No: **YES** If yes, please explain.

At the request of SamCERA, BBH maintains a duration hedge in its TIPS portfolio resulting in a relative duration variance of approximately 2.5 to 3 years. The size of this hedge is unique to the SamCERA portfolio.

8. Have there been any industry or regulatory disciplinary actions taken against the firm? Yes/No: **NO** If yes, please explain.

BBH from time to time becomes involved in litigation and regulatory matters typical of similar service providers in the industry. BBH currently has no pending litigation or regulatory matters that would materially affect its ability to provide the services requested.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: **YES** If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies? Yes/No: **YES** If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? Yes/No: **YES** If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? Yes/No: **YES** If yes: Do the counter-parties have investment grade debt? Yes/No: **YES** Are the counter-parties registered with the SEC (unless exempt) and do they have net capital to protect against potential adverse market circumstances? Yes/No: **YES** If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? Yes/No: **YES** If yes: Do the counter-parties have investment grade debt? Yes/No: **YES** Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: **YES** If no, please explain.
6. Is individual counter-party exposure well diversified? Yes/No: **YES** If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. **The notional value of the currency forward with State Street is 2,226,196. We define counterparty risk as the outstanding amount owed to us by counterparties, which is -\$12,942.** Have there been any changes to the investment manager's list of approved counter-parties over the past month? **NO**
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? Yes/No: **YES** If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: **NO** If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no,

please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

We have not invested in "limited allocation derivative investments" in the SamCERA portfolio.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: **NO**
If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? Yes/No: ___ If no, please explain.

We have not invested in "limited allocation derivative investments" in the SamCERA portfolio.

11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? Yes/No: **YES** If no, please explain.
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.

We have not invested in "limited allocation derivative investments" in the SamCERA portfolio.

13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

BBH uses two derivative instruments in its Inflation Indexed Strategy, U.S. Treasury futures and foreign exchange forward contracts. U.S. Treasury futures are utilized in what we refer to as a long breakeven position, where an expected increase in breakeven inflation rates is targeted. The futures provide a hedge against higher interest rates. In the SamCERA portfolio, U.S. Treasury futures are utilized to maintain the duration of the TIPS portfolio consistent with that of the Barclay's Aggregate Index. Foreign exchange forward contracts are utilized to mitigate the currency risk associated with tactical positions in non-U.S. inflation linked debt.

U.S. Treasury futures are among the most liquid investments and because they are exchange traded are not subject to counterparty risk. The foreign exchange market is highly liquid with several trillion dollars of currency traded daily and a wide variety of active market participants worldwide. Within the foreign exchange market, the currencies of the forwards used in the SamCERA portfolio (EUR and GBP versus USD) are among the most actively traded.

Hedging activity or use of forward currency contracts may reduce the risk of loss from currency revaluations, but also may reduce or limit the opportunity for gain and involves counter party risk, which is the risk that the contracting party will not fulfill its contractual obligation to deliver the currency contracted for at the agreed upon price. Because typically no money changes hands at the outset of a forward currency contract, the counter party risk is limited to the profit or loss on the contract, it is not the notional value of the contract.

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. Yes/No: **NO** If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? Yes/No: **YES** If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: **NO** If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: **NO** If yes, do the investments comply with the policies? Yes/No: If no, please explain.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities

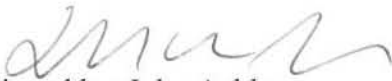
As of 12/31/13:

Cash/Receivable	8.02%
Certificates of deposit	0.00%
Commercial paper	0.00%
High grade short-term securities	0.00%
US Government & Agency Sec.	89.09%
Corporate Bonds	0.00%
MBS & ABS	0.00%
Yankee Bonds	0.00%
Non-US Sovereign Debt	2.88%

1. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? Yes/No: **YES** If no, please explain.
2. Does the firm conduct horizon analysis testing? Yes/No: **NO** If no, please explain.

Horizon analysis testing is not part of our normal portfolio analysis process but we can provide it upon request.

3. Are any holdings below investment grade? **NO** If yes, why are they held in the portfolio?
4. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: **NO** Please specify the bond issue and percentage amount. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify the name of the industry and percentage amount.
5. What percentage of the portfolio is held in Rule 144A securities? **0% as of 12/31/13**



Signed by: John Ackler

Dated: January 8, 2014

Name of Firm: Brown Brothers Harriman & Co.

BlackRock S&P 500 Index – December 31, 2013

**Compliance Certification Statement
San Mateo County
Employees' Retirement Association**

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office (Investments@samcera.org) by Monday, January 13, 2014.

General Compliance Issues

- 1. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes If no, please explain.**
- 2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: If yes, please explain.**

BlackRock has been committed to expanding our product offering and presence in Europe and Asia-Pacific through combining highly complementary businesses. On 21 May 2013, BlackRock entered into a definitive agreement to acquire MGPA, an independently-managed private equity real estate investment advisory company in Asia-Pacific and Europe. Following the appropriate regulatory approvals and satisfaction of customary closing conditions, the MGPA real estate transaction is expected to close in the third quarter of 2013.

- 3. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.**
- 4. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: No If yes, please explain.**

As a global investment manager, BlackRock, Inc. and its various subsidiaries including BlackRock Institutional Trust, N.A. (collectively, "BlackRock") are subject to regulatory oversight in numerous jurisdictions.

BlackRock is subject to examinations and inspections by the SEC, DOL, FINRA and the CFTC, among other regulatory agencies regarding its investment management business. Our regulators routinely provide us with comment letters at the conclusion of these examinations in which they request that BlackRock correct or modify certain of our practices. In all such instances, BlackRock has addressed these requests to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

BlackRock also receives subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators, some of which are ongoing. None of these matters has had any adverse impact on our ability to manage our clients' assets.

In the past years, BlackRock has acquired organizations that provide investment-related services, including, but not limited to, State Street Research & Management Company, Merrill Lynch Investment Managers, the fund of funds business of Quellos Group, LLC, and Barclays Global Investors. This response does not address regulatory matters that arose out of conduct within the acquired organizations prior to their acquisition by BlackRock. It also does not address any regulatory fines that BlackRock may have paid unrelated to its investment management business.

On 8 March 2012, BlackRock Institutional Trust Company, N.A. ("BTC") entered into an Offer of Settlement (the "Agreement") with the CFTC and consented to the entry of an Order, which makes findings and imposes remedial sanctions against BTC. Without admitting or denying wrongdoing, BTC agreed to the imposition of a \$250,000 penalty and the entry of the Order to resolve allegations by the CFTC that two trades by BTC violated Section 4c(a)(1) of the Commodity Exchange Act and CFTC Regulation 1.38(a). BTC also agreed to refrain from any further violations of the above-mentioned statutory provisions. The CFTC did not allege that any clients of BTC, BlackRock or any related affiliate were harmed in any way in the execution of these two trades.

On 11 September 2012, the UK Financial Services Authority ("FSA") issued a Final Notice against BlackRock Investment Management (UK) Limited ("BIM"), following a settlement agreement reached between the FSA and BIM. The FSA found that BIM had breached certain provisions of the FSA's Client Money Rules and Principles, during the period 1 October 2006 to 31 March 2010, by not having trust letters in place for client money placed on money market deposit and not having adequate systems and controls for the identification and protection of client money in this respect. BIM agreed to a settlement payment of GBP 9,533,100 for the breach, which it had self-reported to the FSA in April 2010. The FSA final order acknowledged that no client of BIM (or BlackRock or any related affiliate) suffered any harm and that BIM had remedied the situation and put in place robust systems and controls relating to client money protection.

On 3 October 2012, BlackRock reached an agreement with the U.S. Department of Labor ("DOL") to reimburse clients \$2,661,513 in connection with certain trades the DOL alleged violated Title I of the Employee Retirement Income Security Act ("ERISA"). BlackRock also agreed to pay to the DOL a \$266,151 penalty.

BlackRock has been subject to certain business litigation that has arisen in the normal course of its business. Our litigation has included a variety of claims, some of which are investment-related. None of BlackRock's prior litigation has been, and none of its pending litigation currently is expected to be, material to BlackRock's business. In no instance has BlackRock been found to have violated its fiduciary duty.

5. **Have proxy ballots been voted in accordance with the best economic interest of SamCERA?** Yes/No: Yes If no, please explain. Please provide a copy of your firm's proxy policy to Investments@samcera.org.

Investment Management Fees

1. **Is SamCERA's investment management fee schedule less favorable than those charged other institutional clients who hold an account investment substantially similar to ours?** Yes/No: Yes If yes, please explain.

Derivative Investments

This section is not applicable as derivatives are not used in the portfolios BlackRock managers for SamCERA.

1. **Are derivatives used in the management of the investment strategy?** Yes/No: ___ If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. **Are derivative investments in compliance with SamCERA's investment policies? (Appendix C)** Yes/No: ___ If no, please explain.

3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: No If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities (Section 19.4 j)

Please note that BlackRock manages the Equity Index Fund (benchmarked to the S&P 500 Index) for SamCERA. The breakdown by security type is provided below.

Common Stock	98%
Investment Trust	2%
Convertible Securities	%
Cash & Equivalents	%

2. Specify the large, mid and small capitalization exposure of the portfolios? (Section 19.4 j) Please specify percentages.

Large-Cap	100%
Mid-Cap	%
Small-Cap	%

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

None

4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: No If yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets
5. What is the largest percentage of the portfolio represented by a single security? Please specify the security and percentage amount. (Section 19.4 j) If any securities were above 5% at the time of purchase, please list and explain why.

Apple Inc. (as of 12/31/13) at 3.02%. Please note that the Equity Index Fund is passively managed and seeks to replicate the return of the S&P 500 Index. Apple Inc. is the largest holding in the S&P 500 Index.

6. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? Specify the name of the industry and percentage amount (Section 10.3 a). Please specify all industries above 15%.

Financials – 16.50% (as of 12/31/13). Please note that the Equity Index Fund is passively managed and seeks to replicate the return of the S&P 500 Index. Information technology is the largest sector in the S&P 500 Index.

Signed by: Vickie Chan
Dated: 1/13/2013
Name of Firm BlackRock

The Boston Company Small Cap Value – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014.**

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: ___ If no, please explain. **Yes**
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: ___ If no, please explain. **Yes, the Russell 2000 Value remains the appropriate benchmark for the strategy of this portfolio.**
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: ___ If no, please explain. **Yes, Please see attached insurance matrix**
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: ___ If yes, please explain. **No**
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: ___ If yes, please explain. **No**
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: ___ If yes, please explain. **No**
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: ___ If yes, please explain. **No**
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: ___ If yes, please explain. **No**
9. Have there been any investment guideline breaches during the prior 6 months? If so, please provide more detail. **No**

10. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: ___ If no, please explain. **Yes**

Investment Management Fees

1. Is *SamCERA*'s investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours? If yes, please explain. **No**

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: ___ If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section. **NA there were no derivatives in this portfolio.**
2. Are derivative investments in compliance with *SamCERA*'s investment policies? (Appendix C) Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio.**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio.**
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month? **NA there were no derivatives in this portfolio.**
7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA*'s policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain. **NA there were no derivatives in this portfolio.**

8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
NA there were no derivatives in this portfolio.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7)) **NA there were no derivatives in this portfolio.**
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio.**
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio.**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) **NA there were no derivatives in this portfolio.**
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives. **NA there were no derivatives in this portfolio.**
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.
NA there were no derivatives in this portfolio.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: ___ If no, please explain. **Yes**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: ___ If yes, please explain. **No**

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: ___ If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.
No

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities (Section 19.4 j)

<i>Common Stock</i>	<i>99.63%</i>
<i>Preferred Stock</i>	<i>0.00%</i>
<i>Convertible Securities</i>	<i>0.00%</i>
<i>Cash & Equivalents</i>	<i>0.37%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios? (Section 19.4 j) Please specify percentages.

<i>Large-Cap</i>	<i>0.00%</i>
<i>Mid-Cap</i>	<i>42.24%</i>
<i>Small-Cap</i>	<i>57.76%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why. **None**
4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: ___ If yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets **No**
5. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) Specify the name of the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why. **The largest holdings as of December 31, 2013 is 1.74% of the portfolio. No securities were above 5% at the time of purchase.**
6. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Specify the industry and percentage amount. Please specify all industries above 15%. **We do not use NAICS codes. We use GICS for sector and industry. The largest GICS industry as of December 31, 2013 was 15.25% in Regional Banks.**

Signed by: Krisanne Padovani, Compliance Analyst

Dated: January 9, 2013

Name of Firm: The Boston Company Asset Management, LLC

Brigade Capital Management Opportunistic Credit – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014**.

Investment Manager: Brigade Capital Management, LLC

Portfolio/Fund: Brigade Credit Fund II LP, a commingled private investment fund

General Compliance Issues

1. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) **Yes*/No:** ___ If no, please explain.

** There is no guarantee that the portfolio's investment objective will be achieved or that the portfolio will not suffer losses*

2. Has the firm's insurance coverage been sustained? (Section 19.4(c)) **Yes/No:** ___ If no, please explain.
3. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) **Yes/No:** ___ If yes, please explain.
4. Have there been any changes in the firm's investment approach? (Section 19.4(e)) **Yes/No:** ___ If yes, please explain.
5. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) **Yes/No:** ___ If yes, please explain.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? **Yes/No:** ___ If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) **Yes*/No:** ___ If no, please explain.

**The portfolio's derivative investments are consistent with the investment policies as set forth in the portfolio's offering documents.*

3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?

As of December 31st, 2013 the portfolio has 76% exposure to Goldman Sachs, which acts as the portfolio's primary custodian. Of the 76%, 11% is through the prime broker and 65% is through their custodian bank. During the past month, the firm did not enter into any new prime brokerage or ISDA relationship on behalf of the portfolio. However, please note that executing brokers are added and/or removed on an on-going basis.

7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Not applicable as the portfolio did not hold any limited allocation derivative investments as of December 31st, 2013.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___
If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes*/No: ___ If no, please explain.

** The firm assesses risk across all investment products and portfolios on an on-going basis with the assistance of its Risk Committee.*

11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.

12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

Not applicable as the portfolio did not hold any limited allocation derivative investments as of December 31st, 2013. However, if the portfolio were to hold such positions, listed options are generally priced using market quotations from the following third party sources:

- Listed equity options: Bloomberg bid price (primary method); Bloomberg last trade (secondary method); broker quotes (tertiary method)
- Listed commodity options: Bloomberg last trade (primary method); broker quotes (secondary method); fair value model (tertiary method)

13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay.

Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. There are risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger

event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) includes provisions that require increased regulation of derivatives markets. The Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as new recordkeeping and reporting requirements. This increased regulation may increase the costs of entering into certain transactions. As key provisions of the Dodd-Frank Act require rulemaking by the SEC and the U.S. Commodity Futures Trading Commission, not all of which has been finalized as yet, portfolio shareholders should expect future changes in the regulatory environment for derivatives.

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes*/No: ___ If no, please explain.

** The portfolio’s construction is consistent with the investment guidelines as set forth in the portfolio’s offering documents.*

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes*/No: ___ If yes, please explain.

** While the portfolio generally operates un-levered in the traditional sense, the portfolio’s guidelines permit a limited amount of leverage depending on market conditions. The portfolio’s assets are invested, and are allowed to be invested by its guidelines, in commodities. In addition, although not part of its primary investment strategy, the portfolio may from time to time engage in short selling consistent with its guidelines.*

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: ___ If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities (Section 11.3): As of 12/31/13:

<i>Certificates of Deposit</i>	<i>0%</i>
<i>Commercial Paper</i>	<i>0%</i>
<i>Other High Grade Short-term securities</i>	<i>0%</i>
<i>U.S. Government & Agency securities</i>	<i>2.47%</i>

<i>Bank Loans</i>	<i>20.32%</i>
<i>Corporate Bonds</i>	<i>58.19%</i>
<i>Mortgage- and asset-backed securities</i>	<i>4.23%</i>
<i>Yankee bond securities</i>	<i>0.00%</i>
<i>Structured Credit</i>	<i>3.02%</i>
<i>Cash</i>	<i>11.77%</i>

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) **Yes*/No:** ___ If no, please explain.

** The firm evaluates and monitors its investment decisions for the portfolio on an on-going basis and in accordance with the portfolio's offering documents.*

3. Does the firm conduct horizon analysis testing? (Section 19.4 j) **Yes*/No:** ___ If no, please explain.

** The firm's analysts may conduct horizon analysis testing as part of the firm's investment process, which includes idea generation, research, screening, relative value analysis, strategy selection, execution and monitoring.*

4. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio?

Yes. Positions are held in the portfolio consistent with the portfolio's investment objectives and guidelines as set forth in its offering documents.

5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? **Yes/No:** ___ (Section 11.3(b)) Please specify the bond issue and percentage amount. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify the name of the industry and percentage amount.

No, there was no such industry.

6. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

Approximately 33% of the securities held in the portfolio are Rule 144A securities, and approximately 25% of the securities held in the portfolio are Rule 144A life securities.

Signed by:



Dated: 1/13/2014

Name of Firm: Brigade Capital Management, LLC

Brown Advisory Large Cap Growth – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

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General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: **YES** If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: **YES (RIG)** If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: **YES** If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: **NO** If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: **NO** If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: **NO** If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: **NO** If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: **NO** If yes, please explain.
9. Have there been any investment guideline breaches during the prior 6 months? If so, please provide more detail. **NONE**
10. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: **YES** If no, please explain.

Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours? If yes, please explain. **NO**

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: **NO** If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: ___ If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.

Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: **YES** If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: **NO** If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: **NO** If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities (Section 19.4 j) **Source: APX**

<i>Common Stock</i>	<i>97.4%</i>
<i>Preferred Stock</i>	<i>%</i>
<i>Convertible Securities</i>	<i>%</i>
<i>Cash & Equivalents</i>	<i>2.6%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios? (Section 19.4 j) Please specify percentages. **Source: Factset.**

<i>Large-Cap</i>	<i>83.9%</i>
<i>Mid-Cap</i>	<i>16.1%</i>
<i>Small-Cap</i>	<i>%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) **0.00% - There are no ADRs currently in the portfolio.** Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.
4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: **NO** If yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets
5. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) Specify the name of the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why. **Google, Inc. (GOOG) at 4.9%. Source: APX**
6. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Specify the industry and percentage amount. Please specify all industries above 15%. **Brown Advisory uses GICS (Global Industry Classification Standard) classifications to define sector and industry weightings. Based on GICS, as of 12/31/13, the largest industry was Energy Equipment and Services (9.73%). Source: FactSet.**



Signed by: Brett D. Rogers
Dated: January 13, 2014
Name of Firm: Brown Advisory, LLC

Chartwell Investment Partners Small Cap Growth – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

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General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: Yes If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Yes If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes If no, please explain. Has the firm's insurance coverage been increased? Yes/No: If yes, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: No If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: No If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: No If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: No If yes, please explain.
9. Have there been any investment guideline breaches during the prior 6 months? If so, please provide more detail.
No.

10. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Yes
If no, please explain.

Investment Management Fees

1. Is *SamCERA*'s investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours? If yes, please explain.

No.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: No If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA*'s investment policies? (Appendix C) Yes/No: ___ If no, please explain. **Not applicable.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain. **Not applicable.**
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain. **Not applicable.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain. **Not applicable.**
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month? **Not applicable.**

7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain. **Not applicable.**

8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain. **Not applicable.**

9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7)) **Not applicable.**

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain. **Not applicable.**

11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain. **Not applicable.**

12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) **Not applicable.**

13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives. **Not applicable.**

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain. **Not applicable.**

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: No If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

The portfolio's custodian, State Street Bank invests the cash in their money market fund as instructed by San Mateo County.

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities (Section 19.4 j)

<i>Common Stock</i>	<i>98.99%</i>
<i>Preferred Stock</i>	<i>0%</i>
<i>Convertible Securities</i>	<i>0%</i>
<i>Cash & Equivalents</i>	<i>1.01%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios? (Section 19.4 j) Please specify percentages.

<i>Large-Cap</i>	<i>0%</i>
<i>Mid-Cap</i>	<i>0%</i>
<i>Small-Cap</i>	<i>99%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

The percentage of the portfolio invested in ADR's is 3.0%. There are no 144A securities in the portfolio.

4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: No If yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets

5. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) Specify the name of the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why.

The largest percentage of the portfolio represented by a single security is 3.17%.

6. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Specify the industry and percentage amount. Please specify all industries above 15%.

The largest percentage of the portfolio represented by a single industry is 7.92%.



Signed by: LuAnn Molino, Principal, Compliance & Client Administration
Dated: 1/7/14
Name of Firm: Chartwell Investment Partners

Eaton Vance Parametric Emerging Markets – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014.**

General Compliance Issues

1. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: N If no, please explain.

An appropriate benchmark for the Emerging Markets portfolio is the MSCI Emerging Markets (net of dividend withholding taxes) Total Return Index.

2. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Y If no, please explain.
3. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: Y If yes, please explain.

Christine Smith joined Parametric as Chief Administrative Officer and a member of Parametric's Executive Management Team. Her direct functional responsibilities include: middle office, back office and technology. Prior to joining Parametric, Christine was President, COO and co-founder of BNY Mellon Beta & Transition Management where she provided strategic and operational leadership. Previously at BNY Mellon, she was Director of Compliance and Risk for Mellon Capital Management. Prior to BNY Mellon, she held positions at Bear Stearns and Morgan Stanley. She has over 25 years of industry experience and holds a B.A. in Management Information Systems from the University of Arizona.

Andrew Hinkelman, former Director of the Business Solutions Group, was promoted to Chief Technology Officer effective July 1, 2013. His responsibilities include Business Solutions and all of Parametric's Technology organization, specifically focusing on the team's strategic approach. Parametric's Chief Operating Officer ("COO"), Andrew Abramsky, retired in August of 2013. The COO responsibilities have been reassigned to other members of Senior Management.

Anticipated

Parametric and Eaton Vance have always been committed to delivering the best service to our clients; this currently entails a client servicing model in which a Senior Relationship Manager from Eaton Vance is assigned to each Parametric client. As a result of the continued strong growth in Parametric's business, our client servicing model will be evolving over the next several months to a new model in which dedicated Relationship Managers at Parametric will assume the relationship responsibilities with our clients from their colleagues at Eaton Vance. As it relates to SamCERA, Dan Ryan, Director, Client Relationship Management at Parametric, will become the primary relationship manager contact and will be supported by a client service team based in Parametric's headquarters in Seattle. Dan will be working closely with Kristen Gaspar to ensure that the process advances smoothly and that SamCERA's needs continue to be fully met.

4. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: N If yes, please explain.
5. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: N If yes, please explain.
6. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA*? Yes/No: Y If no, please explain. Please provide a copy of your firm's proxy policy to Investments@samcera.org.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: Y If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: Y If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Y If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: Y If yes:

Do the counter-parties have investment grade debt? Yes/No: Y

Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: Y If no, please explain.

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: Y If yes:

Do the counter-parties have investment grade debt? Yes/No: Y

Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: Y If no, please explain.

6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: Y If no, please explain.

What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. **The largest single counter-party is HSBC Bank, PLC. The exposure to this counter-party is 0.82% of the portfolio's weight.**

Have there been any changes to the investment manager's list of approved counter-parties over the past month? N

7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: Y If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: N If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: N/A (none) If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: N If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: N/A (none) If no, please explain.
11. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) N/A

12. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

The portfolio’s use of derivatives is limited to equity-substitution securities (also known as participation notes, or “p-notes”) for the purpose of gaining underlying equity exposures only where the portfolio is unable to invest directly in the local market. The liquidity of these instruments is directly correlated to the liquidity of the underlying security, as the derivative’s pricing and return characteristics are driven by the transactions on the underlying stock.

As the equity-substitution securities (p-notes) are used as a replacement for the purchasing of local shares, and not to hedge or gain leveraged positions in the accounts, no additional material legal or regulatory risks are incurred beyond the normal course of portfolio management for this asset class.

13. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: N If yes, please explain.

Investment Manager Guidelines

- 1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Y If no, please explain.
- 2. Has the fund engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: N If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: Y*

***The firm invests directly in short term fixed income investments, however the Fund does not.**

International Equity Portfolios - Emerging

1. Specify the percentage of the portfolio held in each of the following types of securities (Section 19.4 j):

Foreign Ordinary Shares	91.46%
ADR's	7.57%
Cash & Equivalents (Foreign)	0.10%
Cash & Equivalents (Domestic)	0.87%

2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

Market Cap	Weight
> 50000.0	9.53%
15000.0 - 50000.0	24.40%
10000.0 - 15000.0	12.02%
7500.0 - 10000.0	6.94%
7000.0 - 7500.0	1.35%
5000.0 - 7000.0	9.26%
2000.0 - 5000.0	19.37%
1500.0 - 2000.0	4.36%
1000.0 - 1500.0	5.16%
750.0 - 1000.0	1.99%
500.0 - 750.0	2.39%
400.0 - 500.0	0.68%
0.0 - 400.0	2.53%

3. Specify the allocation to frontier markets and to non-benchmark holdings in the portfolio (list both by country).

As of 12.31.13 the allocation to frontier markets was 17%. Non-benchmark holdings comprised 39% of the portfolio. Detailed reports are attached.

4. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: Y If no, please explain.
5. Does the portfolio currently employ a currency hedging strategy? Yes/No: N

Signed by:

Emily Revine

Dated: 1/13/14
Name of Firm Eaton Vance

INVESCO Core Real Estate – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014**.

General Compliance Issues

1. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: **YES** If no, please explain.
2. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: **YES** If no, please explain.
3. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: **NO** If yes, please explain.
4. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: **NO** If yes, please explain.
5. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: **NO** If yes, please explain.
6. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: **NO** If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified? (Section 5.0) Yes/No: **YES** If no, please explain.
2. Has the firm used leverage? Yes/No: **YES** If yes, please explain.

Yes. The maximum leverage amount for the Fund is 35%. As of September 30, 2013, the Fund's leverage was 19.7%.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: NO If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

Real Estate Portfolios

1. Is the portfolio diversified as to region, property type, industry, and economic base? (12.3(a)2) Yes/No YES If no, do the investments comply with the policies?
2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index? (12.2) Yes/No YES If no, please explain.


The Fund's net returns exceed the net NFI ODCE index on a 1-year, 5-year and since inception basis.

3. Does the core fund concentration exceed 40% (by value) in any single property type or 35% in any single metropolitan statistical area, determined as of the date of the acquisition of the property? (12.3(a)2) Yes/No NO If yes, please explain.
4. Is the portfolio leverage within the 35% of overall loan to value guideline (12.3(d)) Yes/No YES If no, please explain.

Signed by:

Dated:

Name of Firm


1/13/14
INVESCO ADVISERS, INC.

Mondrian Investment Partners International Value – December 31, 2013

***Compliance Certification Statement
San Mateo County
Employees' Retirement Association***

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014**.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: **Yes** If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: **Yes** If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: **Yes** If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: **No** If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: **No** If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: **No** If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: **No** If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: **No** If yes, please explain.
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: **Yes** If no, please explain.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: Yes If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: Yes If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Yes If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: No If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: Yes If no, please explain.
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: No If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?
The use of derivatives at Mondrian is limited to forward currency contracts for defensive hedging purposes. These contracts are currently traded exclusively through your custodian.
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: Yes If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: N/A If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: **No**
If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: **N/A** If no, please explain.
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: **Yes** If no, please explain.
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) **N/A**
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
Mondrian enters into forward currency contracts for defensive hedging purposes. These contracts are unleveraged and fully covered. As they are traded with your custodian, we believe there should be no issues with liquidity.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: **No** If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: **Yes** If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: **No** If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: **No** If yes, do the investments comply with the policies? (Section 11.0) Yes/No: **___** If no, please explain.

International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities. (Section 19.4 j):

<i>Foreign Ordinary Shares</i>	<i>75.57%</i>
<i>ADR's</i>	<i>2.22%</i>
<i>MIP Limited Partnership</i>	<i>20.38%</i>
<i>Cash & Equivalents (Foreign)</i>	<i>0.38%</i>
<i>Cash & Equivalents (Domestic)</i>	<i>1.45%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

<i>Large-Cap > 11bn</i>	<i>84.8%</i>
<i>Mid-Cap 3.5 – 11bn</i>	<i>11.3%</i>
<i>Small-Cap < 3.5bn</i>	<i>1.7%</i>

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: If no, please explain. **Yes**
4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: **Yes** If yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets. **20.38% of the portfolio is invested in emerging markets via Mondrian Investment Partners Limited Partnership units**
5. Does the portfolio currently employ a currency hedging strategy? Yes/No: **Yes, for defensive purposes**

Signed by:

Dated:

Name of Firm

 13/1/14
Mondrian Investment Partners Limited

Pyramis Select International Small Cap – December 31, 2013

Compliance Certification Statement

San Mateo County Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office (Investments@samcera.org) by Monday, January 13, 2014.

GENERAL COMPLIANCE ISSUES

1. Are SamCERA's market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Yes. If no, please explain.
2. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes. If no, please explain.
3. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: Yes. If yes, please explain.

Beginning on October 1, 2013, some important enhancements were made at Pyramis to better position us to help meet your investment objectives. While our suite of offerings, process and philosophy did not change, the way we aligned resources to our strategies did change. Pyramis research is now more integrated with portfolio management, as best exemplified by the Select Global and International Small Cap product platform, with the primary research responsibility of analysts aligned to specific investment strategies and their respective portfolio managers. This ensures our analysts' best research ideas are infused into client portfolio solutions – a best practice that has contributed to the success of several Pyramis strategies. Analysts still maintain their sector research responsibility that supports the broader platform.

Specific to your Select International Small Cap Plus portfolio, the process and philosophy remained the same. Rob Feldman continues to be the lead Portfolio Manager. Additionally, Shah Badkoubei, one of our strongest performing analysts, was promoted to a hybrid Analyst/Associate Portfolio Manager role for the International Small Cap platform. In this role, Shah has trading authority on the portfolios under Rob's oversight, subject to ensuring the appropriate licenses are in place, but also is responsible for generating research ideas for the portfolios. Shah has been an analyst at Pyramis and Fidelity for seven years and has worked closely with Rob during this time.

In addition to dedicating Shah to these portfolios, we have aligned two additional research analysts, bringing the team total to five dedicated analysts. This analyst team will be the primary input to the Select Global and International Small Cap platform of products, but the portfolio management team will also continue to partner with other Pyramis analysts whose secondary responsibility will be to support these portfolios, as well as the more than 140 Fidelity Management & Research, Co (FMR) equity research analysts.

Further, Young Chin, who served the Pyramis investment organization as Chief Investment Officer of its equity investment platform since its founding in 2006, retired at year-end. Pam Holding assumed the role of Chief Investment Officer for Pyramis Global Advisors' equity platform on January 1, 2014. Pam joined Pyramis in January of last year as Head of Portfolio Management for equities and alternative investment strategies with over 20 years of investment management experience across asset classes.

4. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
5. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: If yes, please explain.

From time to time, in the regular course of its business, PGATC (including any officer or principal thereof) may be involved in legal proceedings (including, but not limited to, litigation, arbitration, bankruptcy, receivership, or similar proceedings). There are no material legal proceedings currently pending against PGATC that might affect the investment management services contemplated herein.

In the regular course of its business, PGATC may also 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. To the extent that PGATC's securities affiliates have been sanctioned, fined, or cited by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), or any other regulatory body, any such sanction, fine, or citation has been disclosed in its affiliates' Forms BD and/or Forms ADV in accordance with the requirements of such forms.

We note that the FDIC issued a civil money penalty of \$1,564.08 against PGATC in connection with an allegation that PGATC failed to ensure that authorized withdrawal limits on PGATC's designated account as of June 30, 2009, were appropriately set to take into account PGATC's increased deposit insurance assessment for the quarter ending March 31, 2009.

6. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA*? (Section 22.0) Yes/No: Yes. All proxies have been answered in a manner consistent with the Pyramis proxy voting guidelines.

If no, please explain. Please provide a copy of your firm's proxy policy to Investments@samcera.org.

DERIVATIVE INVESTMENTS

1. Are derivatives used in the management of the investment strategy? Yes/No: No. If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.

The portfolio may make limited use of derivative instruments to manage and invest cash inflows. They are not used for hedging purposes. The Select International Small Cap Plus portfolio did not hold any derivative instruments as of December 31, 2013.

2. Are derivative investments in compliance with *SamCERA*'s investment policies? (Appendix C) Yes/No: If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: If yes: Do the counter-parties have investment grade debt? Yes/No:

- ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
 6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?
 7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
 8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
 9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
 10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
 11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
 12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))
 13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
 14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.



INVESTMENT MANAGER GUIDELINES

- 1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes. If no, please explain.
- 2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: N/A. If yes, please explain.

CASH & EQUIVALENTS

- 1. Does the firm directly invest in short term fixed income investments? Yes/No: No. If yes, do the investments comply with the policies? (Section 11.0) Yes/No: N/A. If no, please explain.

INTERNATIONAL EQUITY PORTFOLIOS - DEVELOPED

- 1. Specify the percentage of the portfolio held in each of the following types of securities (Section 19.4 j)

FOREIGN ORDINARY SHARES	98.25%
ADR'S	0.00%
CASH & EQUIVALENTS (FOREIGN)	0.00%
CASH & EQUIVALENTS (DOMESTIC)	1.75%



2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

LARGE-CAP	%
MID-CAP	%
SMALL-CAP	%

The Select International Small Cap Plus portfolio's market capitalization allocation as of December 31, 2013 is provided in the table below. Please note the data provided excludes cash.


	WEIGHT (%)
>10b	1.41
5b to 10b	9.53
2b to 5b	42.19
1b to 2b	29.85
0.5b to 1b	11.55
0.2b to 0.5b	3.32
Below 0.2b	0.40

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: Yes. If no, please explain.

4. Does the portfolio invest in emerging and/or frontier markets? Yes/No: Yes. If yes, please specify the allocation of the portfolio invested in emerging and/or frontier markets

The portfolio invests in emerging markets. As of June 30, 2013, the portfolio's allocation to emerging markets was 20.9%.

5. Does the portfolio currently employ a currency hedging strategy? Yes/No: No.

Signed by: 

Dated: 1/4/14

Name of Firm: Praxis Wealth Advisors

Pyramis Global Advisors U.S. Core Bonds – December 31, 2013

Compliance Certification Statement

San Mateo County Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office (Investments@samcera.org) by Monday, January 13, 2014.

GENERAL COMPLIANCE ISSUES

1. Are SamCERA's market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Yes. If no, please explain.
2. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes If no, please explain.
3. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: No. If yes, please explain.

No, there are no changes that affect our fixed income offerings. However, Young Chin, who had served the Pyramis investment organization as Chief Investment Officer of its equity investment platform since its founding in 2006, retired on December 31, 2013. Pam Holding assumed the role of Chief Investment Officer for Pyramis Global Advisors' equity platform on January 1, 2014. Pam joined Pyramis in January of 2013 as Head of Portfolio Management for equities and alternative investment strategies with over 20 years of investment management experience across asset classes. While this change is certainly important to our clients invested in Pyramis equity products, it does not impact our fixed income portfolios in any way. The investment team, philosophy and process of Pyramis' fixed income strategies remain consistent and will continue to be led by Christine Thompson, Chief Investment Officer of our Bond Group.

4. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
5. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: ___ If yes, please explain.

From time to time, in the regular course of its business, PGATC (including any officer or principal thereof) may be involved in legal proceedings (including, but not limited to, litigation, arbitration, bankruptcy, receivership, or similar proceedings). There are no material legal proceedings currently pending against PGATC that might affect the investment management services contemplated herein.

In the regular course of its business, PGATC may also 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. To the extent that PGATC's securities affiliates have been sanctioned,

fined, or cited by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), or any other regulatory body, any such sanction, fine, or citation has been disclosed in its affiliates' Forms BD and/or Forms ADV in accordance with the requirements of such forms.

We note that the FDIC issued a civil money penalty of \$1,564.08 against PGATC in connection with an allegation that PGATC failed to ensure that authorized withdrawal limits on PGATC's designated account as of June 30, 2009, were appropriately set to take into account PGATC's increased deposit insurance assessment for the quarter ending March 31, 2009.

DERIVATIVE INVESTMENTS

1. Are derivatives used in the management of the investment strategy? Yes/No: Yes. If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with SamCERA's investment policies? (Appendix C) Yes/No: Yes. If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Yes. If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: Yes. If yes: Do the counter-parties have investment grade debt? Yes/No: Yes. Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: Yes. If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: Yes. If yes: Do the counter-parties have investment grade debt? Yes/No: Yes. Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: Yes. If no, please explain.
6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: Yes. If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure.

5% (please note this refers to the exposure for each participant of the pool).

Have there been any changes to the investment manager's list of approved counter-parties over the past month? No.

7. Are the investment purposes for a derivative investment consistent with the four purposes stated SamCERA's policies? (Appendix C(6)) Yes/No: Yes. If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: No. If yes, please explain.



8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)). State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: Yes If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

INTEREST RATE SWAP	% MKT VALUE
CMEC IRS 3ML 10/03/23	-0.13
CMEC IRS 3ML 12/18/18	0.2
CMEC IRS .4225% 12/18/15	-0.15
CMEC IRS .4665% 10/03/15	0.3
CMEC IRS 2.802% 10/03/23	0.13
CMEC IRS 3ML 12/18/23	0.23
CMEC IRS 3ML 12/18/15	0.15
CMEC IRS 1.6125% 12/18/18	-0.2
CMEC IRS 3ML 10/03/15	-0.3
CMEC IRS 2.92% 12/18/23	-0.22

As a participant in the Broad Market Duration pool, SamCERA will have a small amount of exposure to derivatives from time to time. As of December 31, 2013, this exposure was comprised entirely of interest rate swaps. The portfolio held 10 interest rate swaps with an average notional of 0.2% of the portfolio and a total net exposure of 0.01%.

9. State if any restricted derivative investments are held in SamCERA's portfolios. Yes/No: No. If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: Yes. If no, please explain.
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: Yes. If no, please explain.
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

Fidelity Pricing & Cash Management Services (FPCMS) utilizes a combination of sources for derivatives pricing. Wall Street brokers are our primary sources for swaps. Bloomberg is our primary pricing source for futures.



13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

All derivative instruments used in the portfolio are liquid. Given the minimal role they play in the portfolio and the extensive research conducted by the Pyramis Counterparty Risk team and the large team of in-house and external lawyers that support these efforts we feel the legal and regulatory risks are minimal.

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: Yes. If yes, please explain.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was adopted in 2010 to create a more effective regulatory structure, address a number of regulatory gaps, and increase market transparency and accountability in the financial system. Dodd-Frank was intended, among other things, to create a comprehensive regulatory framework for derivative instruments, and to increase market accountability and transparency in the financial system. Regulatory implementation of a number of important rules has taken effect during the first half of 2013. In particular, certain derivatives transaction that customarily traded over-the-counter must now trade through a clearinghouse. This migration to clearing has had a meaningful impact on market access, pricing, reporting, and counterparty risk. We have taken the necessary steps on behalf of our clients to accommodate the current rules changes and will continue to work to prepare for future regulatory changes.

INVESTMENT MANAGER GUIDELINES

- 1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes. If no, please explain.**
- 2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No. If yes, please explain.**

CASH & EQUIVALENTS

- 1. Does the firm directly invest in short term fixed income investments? Yes/No: Yes. If yes, do the investments comply with the policies? (Section 11.0) Yes/No: Yes. If no, please explain.**

DOMESTIC FIXED INCOME PORTFOLIOS

1. State the percentage of the portfolio held in each of the following types of securities (Section 11.3):

CERTIFICATES OF DEPOSIT	%
COMMERCIAL PAPER	%
OTHER HIGH GRADE SHORT-TERM SECURITIES	2.38%
U.S. GOVERNMENT & AGENCY SECURITIES	35.40%
CORPORATE BONDS	43.08%
MORTGAGE- AND ASSET-BACKED SECURITIES	19.14%
YANKEE BOND SECURITIES	%

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: Yes. If no, please explain.

3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: Yes. If no, please explain.

4. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio?

As of December 31, 2013, 0.87% of the portfolio was allocated to below investment grade securities. These positions were purchased as investment-grade, but were subsequently downgraded to below investment-grade. The portfolio will continue to hold them until the risk/return profile of the securities no longer meets our fundamental research or relative value standards.

5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: No. (Section 11.3(b)) Please specify the bond issue and percentage amount. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. No. Please specify the name of the industry and percentage amount.

6. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

As of December 31, 2013, 4.3% of the portfolio was allocated to 144A securities.

Signed by: *[Signature]*
Dated: *1/14/14*
Name of Firm: *Pyramis Global Advisors*

RESPONSE TO COMPLIANCE CERTIFICATION STATEMENT FROM

San Mateo County Employees' Retirement Association

Franklin Templeton Global Multisector Plus

Review Period: July 1, 2013 – December 31, 2013

January 13, 2014

<p>Patrick Hughes, CFA Vice President – Institutional Sales Franklin Templeton Institutional Tel: (650) 312-2619 Email: PHughes@frk.com</p>
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FRANKLIN TEMPLETON
INSTITUTIONAL

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APPENDIX 1

Franklin Advisers, Inc. Regulatory Summary

APPENDIX 2

Below Investment Grade List

GENERAL COMPLIANCE ISSUES

1. **Has the firm acted as a fiduciary and invested its assets for the sole benefit of SamCERA? (Section 19.4(a))**

Yes No

If no, please explain.

2. **Are SamCERA's market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3)**

Yes No

If no, please explain.

The benchmark for the SamCERA portfolio is the Barclays Multiverse Index.

There is no benchmark that perfectly captures Franklin Templeton Global Multisector Plus' benchmark unconstrained approach to global fixed income investing. The Barclays Multiverse Index is used for performance comparison, the calculation of risk statistics, but not for portfolio construction. While it is recognized that the strategy will be compared to a benchmark for performance and risk measurement, from a portfolio construction standpoint, the strategy is benchmark unconstrained. The indifference to the benchmark implies an absolute return approach whereby the strategy will invest only in countries or securities that are deemed attractive.

3. **Has the firm's insurance coverage been sustained? (Section 19.4(c))**

Yes No

If no, please explain.

4. **Does the firm consider any of SamCERA's investment objectives unreasonable? (Section 6.0)**

Yes No

If yes, please explain.

5. **Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j))**

Yes No

If yes, please explain.

Portfolio Developments

There have been no significant developments to the SamCERA portfolio over the last six months ending December 31, 2013.

Firm Ownership

There have been no material changes to the ownership structure of the firm during the past six months ending December 31, 2013.

Organizational Structure

There have been no material changes in the Franklin Templeton business organization during the past six months ending December 31, 2013.

Senior Management

There have been no changes in the senior management structure of Franklin Templeton in the last six months ending December 31, 2013.

Personnel

The lead portfolio managers of the SamCERA portfolio are Dr. Michael Hasenstab and Canyon Chan, CFA. The lead portfolio managers are supported by the investment resources of the larger Franklin Templeton Fixed Income Group and more specifically, the Franklin Templeton Global Bond Team. There have been no changes to the lead portfolio managers over the past six months ending December 31, 2013.

6. Have there been any changes in the firm's investment approach? (Section 19.4(e))

Yes No

If yes, please explain.

7. Do SamCERA's guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1)

Yes No

If yes, please explain.

8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a))

Yes No

If yes, please explain.

No. During the past year ended December 31, 2013, Franklin Advisers, Inc. (FAV) was not the subject of any *investment-related proceedings, findings or orders* brought or made by any U.S. federal or state regulatory agency, *foreign financial regulatory authority or self-regulatory organization*. For a summary of *investment-related proceedings, findings or orders* brought or made by any U.S. federal or state regulatory agency, *foreign financial regulatory authority or self-regulatory organization* against FAV and/or certain of its *advisory affiliates* in the past 10 years ended December 31, 2013, as well as certain other regulatory matters, please see Appendix 1: Franklin Advisers, Inc. Regulatory Summary. From time to time, FAV and its *advisory affiliates* receive subpoenas and inquiries from regulators, including requests for documents or information, and also may become the subject of governmental or regulatory examinations or investigations. *Findings or orders* resulting from such subpoenas, inquiries, examinations

or investigations if any, will be reported, to the extent required and permitted by law, on FAV's Form ADV filed with the U.S. Securities and Exchange Commission. (Italicized terms are as defined on Form ADV.)

DERIVATIVE INVESTMENTS

1. Are derivatives used in the management of the investment strategy?

Yes No

If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.

2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C)

Yes No

If no, please explain.

3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5))

Yes No

If no, please explain.

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5))

Yes No

If yes: Do the counter-parties have investment grade debt?

Yes No

Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?

Yes No

If no, please explain.

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5))

Yes No

If yes: Do the counter-parties have investment grade debt?

Yes No

Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?

Yes **No**

If no, please explain.

6. Is individual counter-party exposure well diversified? (Appendix C(5))

Yes **No**

If no, please explain.

The risk exposure to a single counterparty in an OTC derivative transaction may not exceed 10%.

All proposed counterparties are subject to review and initial approval by the Counterparty Credit Committee satisfying certain credit and other standards. The Counterparty Credit Committee and Portfolio Analysis and Investment Risk (PAIR) team provide ongoing monitoring of counterparties creditworthiness and FTI-wide exposure. Counterparty risk is an issue addressed at a firm-wide level by Franklin Templeton. Franklin Templeton requires all OTC counterparties to maintain a credit rating of BBB- or better. Additionally, Funds are only permitted to enter into derivative instruments with counterparties included on the "approved list" maintained by the investment manager in conjunction with the counterparty credit risk policy. PAIR calculates Account and FTI-wide exposure to each counterparty on a weekly basis, and on an as needed basis based on market conditions. Total exposure is compared to monetary limits that vary based on the size and creditworthiness of the counterparty.

Finally, the majority of our counterparty relationships are collateralized. This means that an account is set up in between FTI and the counterparty and every night the side that "lost" on the trade that day transfers the equivalent amount of cash or T-bills into the account to reflect the mark-to-market of the derivative's value. The account itself is ring-fenced and protected from the balance sheet of either firm. Therefore, should one of our counterparties go out of business overnight it would not affect the value of the trade we have on, given that the trade's cash value would be in the collateral account and protected from creditors.

What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?

The largest exposure to a single counter-party as of December 31, 2013 is Deutsche Bank AG, exposure is below 2.65%.

There have been no changes to the approved counter-parties list over the previous six months ending December 31, 2013.

7. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6))

Yes No

If no, please explain.

Has the firm developed any new purposes for derivative investments?

Yes No

If yes, please explain.

8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.

Yes No

If no, please explain.

Not applicable. No limited allocation derivative investments are held in the SamCERA portfolio.

State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Not applicable.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios.

Yes No

If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8))

Yes No

If no, please explain.

Not applicable. No limited allocation derivative investments are held in the SamCERA portfolio.

11. **Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9))**

Yes No

If no, please explain.

12. **Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))**

Not applicable. No limited allocation derivative investments are held in the SamCERA portfolio.

13. **Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.**

It is the policy of the Franklin Templeton Fixed Income Group, the investment platform of the SamCERA portfolio, to use derivatives only when client guidelines permit. Derivatives may be an efficient way to implement fixed income investment views on a particular sector in one transaction and also as a tool to help isolate risk exposures. Compared with cash bonds, derivatives can be more flexible and more liquid, and may have lower transaction costs. In those strategies that employ derivative instruments, or when clients request the use of derivatives to achieve certain investment objectives, we may also seek to gain exposure through the use of exchange-traded and/or over-the-counter derivatives.

As an opportunistic strategy, the Franklin Templeton Global Multisector Plus strategy (the investment strategy of the SamCERA portfolio) utilizes a wide variety of instruments to gain exposure to various fixed income sectors and achieve strategy objectives. For example, foreign exchange forward contracts are frequently used for hedging purposes and to express currency views. We may also engage in cross hedging as an efficient method of implementing the portfolio's optimal currency structure. Interest rate futures and swaps may be used to implement views on interest rates, quickly adjust portfolio duration, or efficiently handle cash flows. Total return swaps can quickly add or reduce bond market exposure.

Franklin Templeton's proprietary risk management systems enable us to properly model derivative instruments and fully understand portfolio risk. Derivatives are used only when portfolio guidelines permit and are not used to generate alpha.

14. **State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g))**

Yes No

If yes, please explain.

INVESTMENT MANAGER GUIDELINES

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0)

Yes No

If no, please explain.

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?

Yes No

If yes, please explain.

The Global Multisector Plus strategy does not engage in short selling, employ leverage or margins.

CASH & EQUIVALENTS

1. Does the firm directly invest in short term fixed income investments?

Yes No

If yes, do the investments comply with the policies? (Section 11.0)

Yes No

If no, please explain.

GLOBAL FIXED INCOME PORTFOLIOS

1. State the percentage of the portfolio held in each of the following types of securities (please sub-total each by region) (Section 11.3):

The following table shows the sector weightings for the SamCERA portfolio as of December 31, 2013. Please note the specific sector weightings for the categories listed above are not available.

Types of Securities	Investment Objective	Percentage of Portfolio (%)
Cash & Cash Equivalents		12.63
Corporate Bonds		14.08
	Investment Grade	0.52
	Non-Investment Grade	13.56
International Government/Agency Bonds		62.96
	Investment Grade	54.23
	Non-Investment Grade	8.73
Others		0.12
Sovereign Bonds		10.21
	Investment Grade	2.19
	Non-Investment Grade	8.02
Total		100.00

The following table represents the regional breakdown of the SamCERA portfolio as of December 31, 2013.

Americas	24.69
Asia	24.94
Europe/Africa	36.85
Cash and Cash Equivalents	12.63
Other	0.89
Total	100%

2.

Sector	Region	MV%
Certificates of Deposit (by region)	-	-
Cash & Cash Equivalents	-	12.63%
Preferred Stock	-	0.79%
Commercial Paper (by region)	-	-
Other high grade short-term securities (by region)	-	-
Government securities (by region)	Africa	3.13%
	Asia	24.82%
	EMU	9.72%
	Europe NonEMU	17.13%
	L. America/Caribbean	14.30%
	North America	2.32%
Agency Securities (by region)	Europe NonEMU	1.76%
Investment Grade Corporate Bonds (by region)	Europe NonEMU	0.26%
	North America	0.25%
High Yield Corporate Bonds (by region)	Africa	1.38%
	Asia	0.12%
	Australia/NZL	0.22%
	EMU	1.68%
	Europe NonEMU	1.43%
	L. America/Caribbean	0.18%
North America	7.89%	
Mortgage and asset-backed securities (by region)	-	-
Certificates of Deposit (by region)	-	-
Commercial Paper (by region)	-	-

3. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3)

Yes No

If no, please explain.

There is no benchmark that perfectly captures Franklin Templeton Global Multisector Plus' benchmark unconstrained approach to global fixed income investing. The Barclays Multiverse Index benchmark is used for performance comparison, the calculation of risk statistics, but not for portfolio construction. While it is recognized that the strategy will be compared to a benchmark for performance and risk measurement, from a portfolio construction standpoint, the strategy is benchmark unconstrained. The indifference to the benchmark implies an absolute return approach whereby the strategy will invest only in countries or securities that are deemed attractive.

4. Please list any holdings that are below investment grade or not-rated (Section 11.3(b))

Please refer to Appendix 2: *Below Investment Grade List*.

5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? (Section 11.3(b))

Yes No

Please specify the bond issue and percentage amount.

At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify the name of the industry and percentage amount.

Yes No

6. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

The percentage of 144A securities held in the account as of December 31, 2013 is 16.76%.

A handwritten signature in black ink, reading "Breda Beckerle". The signature is written in a cursive style with a large initial "B".

Signed By:

Name: Breda Beckerle

Title: Chief Compliance Officer

Dated: Monday, January 13, 2014

Name of Firm: Franklin Advisers, Inc. (FAV)

IMPORTANT NOTES

This response (the Response) is based on the information provided in the Due Diligence Questionnaire (the Questionnaire). To the extent any such information in the Questionnaire is incomplete or inaccurate, Franklin Templeton reserves the right to alter, amend or delete any information it has provided in the Response. Franklin Templeton has prepared the Response in good faith and, to the best of its knowledge, all information provided in the Response is accurate as of the date submitted. Information, including all data, provided in the Response is unaudited, unless otherwise indicated. Any information from third-party sources is believed to be reliable, but Franklin Templeton cannot guarantee its accuracy or completeness. Information set forth in the Response is subject to change and Franklin Templeton does not undertake any duty to update the Response after its issuance. Responses may include a general description of the types of services Franklin Templeton may provide to its clients and may not be applicable or tailored to the Questionnaire.

The information contained in the Response is solely for the purpose of responding to the Questionnaire, shall be treated as confidential, and shall be distributed internally on an as-needed basis only. It shall not be distributed or otherwise communicated to third parties (other than any consultant engaged by the issuer of the Questionnaire to assist in connection therewith) without the prior written consent of Franklin Templeton. Any such consultant shall likewise be obligated to treat the Response as confidential.

Investing may involve a high degree of risk. The issuer of the Questionnaire is deemed to be an experienced institutional investor or consultant and is expected to make its own independent assessment of the appropriateness and the associated risks of investing. Franklin Templeton shall not be held liable for any losses or damages arising out of any person's reliance upon the information contained in the Response. Except as expressly provided in the Response, no person, firm, or corporation has been authorized to give any information or to make any representation other than those contained in the Response.

All investors should inform themselves as to the legal requirements applicable to them with respect to any investments, holdings, and/or disposition of any investments. Franklin Templeton takes no responsibility for informing or advising investors of any applicable laws or regulations.

Views or opinions expressed in the Response do not constitute investment, legal, tax, financial or other advice. The Response is neither an offer for a particular security nor a recommendation to purchase any investments. The way Franklin Templeton implements its investment strategies and the resulting portfolio holdings may change depending on a variety of factors such as market and economic conditions, as well as client account guidelines and restrictions, if applicable. The information provided in the Response is not a complete analysis of every aspect of any market, country, industry, security, or portfolio. Past performance does not guarantee future results and results may differ over future time periods.

By accepting these materials, you confirm your acceptance of the above terms.

Western Asset Management U.S. Core Plus – December 31, 2013

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by **Monday, January 13, 2014**.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: **Yes** If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: **Yes** If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: **Yes** If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: **No** If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: **Yes** If yes, please explain.
There have been no significant portfolio developments or major changes in the firm ownership or organizational structure.
In August 2013, Mr. Anup Agarwal was hired as Western Asset's Head of Structured Products. In September 2013, his responsibilities were expanded to include both MBS/ABS.
In September 2013, Mr. Steve Fulton, the Head of Agency MBS sector team, retired.
In December 2013, Mr. Guilherme Abbud, Head of Investment Management, Sao Paulo, resigned from Western Asset to pursue a CIO role at another firm. Mr. Paulo Clini, Head of Investments, Sao Paulo, is assuming his role on an interim basis.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: **No** If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: **No** If yes, please explain.

8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: No If yes, please explain.

There have been no industry or regulatory disciplinary actions taken against the Firm for the time period 7/1/2013 to 12/31/2013. In the spirit of full disclosure, Western Asset Management Company has two open and pending regulatory inquiries, the ultimate resolution of which is unknown, but could result in an action or settlement at some point in the future. Both have been open and pending for some time and details are as follows:

- The SEC and the Department of Labor (DOL) are reviewing 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 inquiry initiated in December 2009 and the DOL's review started with an inquiry in April 2010. Western Asset has had continued dialogue with both regulatory agencies, but the inquiries remain open and pending.
- In July 2010, Western Asset received a request for information from the SEC on cross trades and related policies. In addition, the DOL made requests for similar information and the staff of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) separately requested similar information relating to trading in the Western Asset-advised entity participating in the Public Private Investment Program. Western Asset has had continued dialogue with the agencies, but the inquiries remain open and pending.

Derivative Investments

1. Are derivatives used in the management of the investment strategy? Yes/No: Yes If Yes, please answer the remaining questions in this section. If No, please skip the remaining questions in this section.
2. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: Yes If no, please explain.
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Yes If no, please explain.
4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: Yes If no, please explain.
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: Yes If no, please explain.

Western Asset's Broker Review Committee ("the Committee") maintains an Approved List of counterparties for client transactions. Each counterparty is reviewed by members of Western Asset's credit group prior to approval. Credit review includes analysis of the counterparty's capital adequacy, profitability, liquidity and other factors as may be appropriate. In addition to the credit review, counterparties are evaluated on execution capability, pricing, responsiveness, specialist credentials, research and back-office capabilities. The Committee reviews additions to the Approved Lists quarterly with a thorough re-evaluation of all counterparties annually.

The majority of Western Asset's trades involve limited counterparty credit risk. Once a trade is done and settled the Firm's exposure to the broker is over. Counterparty credit risk is only created when Western Asset relies on the broker to make future payments or forward settle a trade beyond the normal period. While this is obvious for multi-year swaps transactions, there are other transactions that also create counterparty credit risk. When aggregating Western Asset's total credit exposure to each counterparty, it is important to also take into account all of these transactions.

Western Asset seeks to reduce risk and promote diversification in its use of counterparties when using credit default swaps as in all areas of investment. The use of multiple counterparties lends itself to a more competitive bidding process, and therefore promotes best execution. Counterparty creditworthiness is a key factor that Western Asset's front office reviews before entering into a derivative agreement.

Subsequent to a trade, Western Asset's Swaps Team monitors swap exposure on a periodic basis (e.g., daily, weekly) based on the terms of the credit support annex (CSA) and instructs cash and/or security movements via the custodian bank to satisfy the collateral requirements in order to mitigate counterparty risk.

Western Asset has a CSA with each counterparty with whom the Firm trades. The CSA protects the client's marked-to-market exposure against each counterparty for amounts exceeding the minimum collateral transfer threshold. The minimum transfer amount established in each CSA varies by counterparty but generally ranges from \$250,000 to \$750,000.

6. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: **No** If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Please specify the name of the counter-party and the amount of exposure. Have there been any changes to the investment manager's list of approved counter-parties over the past month?

Counterparty selection is a balance of diversification versus best execution. The lack of counterparty diversification in the SamCERA portfolio can be attributed to the relatively small amount of exposure on the whole, seven basis points of the portfolio's market value. This can lead to one position making up the majority of the counter party risk. With that said, we are concerned about concentration risks that breach 3% of the portfolio's MV, and currently the largest exposure is only five basis points of the MV.

The portfolio's largest exposure is to the Royal Bank of Scotland Group, PLC.

7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: Yes If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: No If yes, please explain.
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: Yes If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. Yes/No: No If more than 5%, please explain.

Please see the limited allocation derivatives file attached to find all limited derivatives as of 12/31/2013.

Western Asset uses derivatives only when allowed by client guidelines. The Firm's derivatives strategy is overseen by the Broad Market Committee under the oversight of the Chief Investment Officer, utilizing reporting provided by the Risk Management Department. Derivative risk is addressed through avoiding leverage and limiting exposure. Under no circumstances does Western Asset use leverage in its derivatives strategy. The Legal & Compliance Department monitors derivative usage and their adherence to guidelines continuously. Notional exposure limits are monitored daily. Western Asset uses industry-leading Charles River Development's ComplianceMaster (CRD) as well as PCR, an in house derivative position monitoring system, to monitor derivative quantitative limits. Where an issue is identified, it is escalated to the portfolio manager and the client service executive assigned to the account. In addition, the Risk Management Department frequently monitors the extent of derivatives used by the Firm. Exposure limitations are addressed in the standard Derivatives Philosophy and Guidelines attached.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: No If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: Yes If no, please explain.

Stress testing, as part of Western Asset's ongoing risk management process, is performed continuously to 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. Correlations can also be equal to one in certain scenarios. The objective of scenario analysis is to help ensure that portfolio risk is well-diversified and that tracking error will not exceed expectations. Scenario analyzes include a full revaluation of all securities. This is to help Investments professionals to understand the behavior of the portfolios under different tail metrics. 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).

11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: **Yes** If no, please explain.
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

Prices for derivatives vary depending by 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 such as interest rate swaps, credit default swaps, and options are priced by a pricing vendor (Markit) where possible, otherwise by obtaining current prices from Bloomberg and/or broker/dealers. 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. Western Asset has a formal pricing policy, which outlines the pricing process in greater detail and is provided in Appendix A.

13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Western Asset's management style focuses on adding incremental value without taking on excessive risk. To ensure that the Firm's use of derivative instruments is consistent with this investment philosophy, Western Asset has developed the following guidelines—listed below along with a brief description of their rationale—which form the basis of every decision to employ derivatives in the Firm's investment portfolios:

- The duration contribution of derivatives will not bring the portfolio's duration outside the portfolio's specific duration band.
- Where a portfolio enters into forward foreign exchange contracts the aggregate underlying exposure of the portfolio attained through such contracts shall not exceed 100% of the portfolio's market value.
- A portfolio's gross exposure to forward foreign exchange contracts shall not exceed 50% with any single counterparty and net exposure shall not exceed 25% with any single counterparty. Net exposure is defined as the value (in account base currency terms) of open forward foreign exchange purchase contracts less forward foreign exchange sale contracts. Gross exposure is defined as the value (in account base currency terms) of open forward foreign exchange purchase contracts plus forward foreign exchange sale contracts.
- The net notional exposure to index and credit default swaps will count at their full notional value as exposure to the underlying asset. Concentration limits for a particular name or asset class will apply based on the net sum of its cash and derivative security holdings.
- Short (written) options positions will always be covered, either with current security holdings, other options or futures positions. Mortgage derivatives with significant short option characteristics will not exceed 5% of the portfolio, and will generally be a) offset by positions in other mortgage derivatives (e.g., floaters and inverse floaters), or b) offset by other portfolio positions (e.g., IOs and long duration bonds).

- Futures and options contracts will be limited to liquid instruments actively traded on major exchanges or, if over-the-counter, executed with major dealers.
- Swap contracts are considered over-the-counter contracts between two parties and have counterparty credit risk different from exchange traded derivatives. Western Asset tries to limit its counterparty risk by executing swaps with the strongest financial counterparties. The vast majority of these counterparties are rated is A- or better. In addition, collateral agreements will be in place to trigger margin movement whenever the current mark-to-market amount to be paid or received by either counterparty exceeds a threshold amount.
- Finally, under no circumstances will the derivative positions change the characteristics of the portfolio so that it violates any guideline set forth in the Investment Management Agreement.

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: Yes If yes, please explain.

In September of 2013 Western Asset began centrally clearing OTC derivatives. This reduced risk modestly for accounts that trade swaps.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No If yes, please explain.

As of 12/31/14 there were no short positions held in the portfolio nor were there any investments in commodities. Short (sold) options are allowed in accordance to the Investment Management Agreement; Exhibit C dated October 25, 2004.

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.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: Yes If yes, do the investments comply with the policies? (Section 11.0) Yes/No: Yes If no, please explain.

This is in accordance to the Investment Management Agreement; Exhibit C dated October 25, 2004.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities (Section 11.3)

Category	% of Portfolio
Cash & Cash Equivalents	-2.10%
Certificates of Deposit	5.09%
Commercial Paper	0.00%
Other high grade short-term securities	1.09%
Trade Date Cash	-8.28%
US Government and Agencies	16.70%
Corporate Bonds	37.70%
Mortgage & Asset Backed	41.50%
Yankee Bonds	6.20%

1. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: Yes If no, please explain.
2. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: Yes If no, please explain.

The horizon for risk management is the same as that for investment management, as the risk effort is closely integrated into the investment process as supports it at each step. Generally, scenario analysis models sensitivity to interest rate risk and other factors. The Firm's tracking error model calculates predicted tracking error over a forward 12-month horizon using historical 18-month data.

3. Are any holdings below investment grade? (Section 11.3(b)) Yes/No: Yes If yes, why are they held in the portfolio?

Total portfolio exposure to BIG @ 9.359%. Held per Exhibit B dated 9/30/2013.

4. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: No (Section 11.3(b)) Please specify the bond issue and percentage amount. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Yes/No: No Please specify the name of the industry and percentage amount.
5. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

As of 12/31/2013 7.88% of the portfolio's MV was held in Rule 144A securities.

A handwritten signature in black ink, appearing to read 'Chd' followed by a stylized flourish.

Signed by: Charles Colby, Client Service Associate


Dated: January 13, 2014

Western Asset Management

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 5.2

TO: Board of Retirement 
FROM: Scott Hood, Assistant Executive Officer
SUBJECT: Adoption of Cost of Living Adjustments (COLAs) for 2014

Staff Recommendation

Approve the attached resolution adopting the cost of living adjustments as recommended by Milliman, Inc.

Background

Milliman, Inc. has calculated the annual COLAs for each retirement category for approval by the Board. A letter from Milliman, Inc. is attached. Annual COLAs are calculated based on statutes in the 1937 Act (*California law*) which require that they be based on the change in the Consumer Price Index for the Bay Area provided by the U.S. Bureau of Labor Statistics and rounded to the nearest one half of one percent. Milliman reports that the CPI increased 2.24% during 2013. Rounded to the nearest one half of one percent, this yields a COLA for nearly all members who retire before April 2, 2014, equal to 2.0%.

All COLAs will be paid beginning with the April 2014 benefit payments.

The attached letter from Milliman, Inc. provides details of the COLA recommendation.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

Cost of Living Adjustments effective April 1, 2014

RESOLUTION 13-14-___

THIS RESOLUTION, adopted by the Board of Retirement (Board) of San Mateo County Employees Retirement Association (SamCERA), approves cost of living adjustments effective April 1, 2014.

WHEREAS, Government Code §31870, §31870.1, §31870.2 and §31874.4 empower the Board to grant cost of living adjustments on an annual basis to recipients of *SamCERA* benefits; and

WHEREAS, the Board has retained Milliman, Inc. to provide actuarial services to the Board; and

WHEREAS, Milliman, Inc., by its letter dated January 17, 2014, and accompanying exhibits has reported the appropriate annual cost of living adjustments for members based on each member's retirement tier, date of retirement; and the applicable rules of the 1937 Act, therefore, be it

RESOLVED, that the Board adopts the schedules of cost of living adjustments set forth in the Milliman, Inc. letter dated January 17, 2014, addressed to Chief Executive Officer David Bailey from Milliman Consulting Actuary Nick J. Collier, and the letter's accompanying exhibits entitled "*Plan 1 COLA Bank Accumulations, General and Safety*" and "*Plan 1 COLA Bank Accumulations, Probation.*" Be it further

RESOLVED, that the Board hereby adopts said cost of living adjustments effective April 1, 2014. Be it further

RESOLVED, that the Chief Executive Officer is hereby empowered to take all actions necessary to provide for the payment of cost of living adjustments in accordance with the adopted schedules.



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milliman.com

VIA EMAIL ONLY

January 17, 2014

Mr. David Bailey
Chief Executive Officer
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Re: Annual COLA Payable in 2014

Dear Dave:

The San Mateo County Employees' Retirement Association (*SamCERA*) provides a Cost-of-Living Adjustment (COLA) to retirees and beneficiaries who retired on or before April 1 of each year in accordance with Article 16.5 of the County Employees' Retirement Law of 1937 (CERL). This letter outlines the COLA percentage and changes to the COLA Bank to be adopted by the Board and effective in April of 2014.

Inflation Index

The first step in the calculation process is the measurement of inflation. The calculation of the annual COLA is specified in the CERL. For Plan 1 General and Safety members, the COLA is governed by Section 31870.2. For Plan 1 Probation and all Plan 2 members, the details of the COLA are provided under Section 31870.1. For Plan 4-7 members, the COLA is governed by Section 31870. Plan 3 members do not receive any COLA under Article 16.5 of the CERL.

Section 31870.2 says that the COLA should be calculated using...

...the cost of living as of January 1st of each year as shown by the then current Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the area in which the county seat is situated...

Identical language appears in Sections 31870 and 31870.1 of the CERL. The Retirement Board has adopted the Annual Average Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose area (Base Period: 1982-84=100) as the basis for making the annual adjustments. This index increased by 2.24% during the 2013 calendar year, from an index value of 239.650 in 2012 to an index value of 245.023 in 2013.

COLA and COLA Bank

The annual COLA that *SamCERA* retirees and beneficiaries are eligible for is based on the change in the consumer price index rounded to the nearest one-half of one percent (subject to the maximum COLAs specified in relevant sections of the CERL). We recommend that the *SamCERA* Board adopt the following items to take effect in April 2014:

This work product was prepared solely for *SamCERA* for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

- COLA percentage
 - Plan 1. Each retiree and beneficiary who retired on or before April 1, 2014 will receive a Cost-of-Living Adjustment in accordance with the following table.

Date of Retirement	General	Safety	Probation
All Dates	2.0%	2.0%	2.0%
 - Plan 2. Each retiree and beneficiary who retired on or before April 1, 2014 will receive a Cost-of-Living Adjustment of 2.0%.
 - Plan 3. No Cost-of-Living Adjustment is provided to Plan 3 retirees and beneficiaries.
 - All Other Plans. Each retiree and beneficiary who retired on or before April 1, 2014 will receive a Cost-of-Living Adjustment of 2.0%.
- No change in COLA Bank. COLA Banks are unchanged for all Plan 1 retirees and beneficiaries. After the payment of the April 2014 COLA, all Plan 1 retirees and beneficiaries will continue to have COLA Bank balances of 0.0%. The COLA Bank accumulations for Plan 1 retirees and beneficiaries through April 1, 2014 are shown in the attached Exhibits, alongside the accumulations from the previous year. (Note that under no circumstances may the COLA Bank be reduced below 0.0%.) Retirees and beneficiaries in other plans do not accumulate COLA Banks in accordance with Section 31874.4 of the CERL.

Certification

Milliman's work product was prepared exclusively for the use or benefit of *SamCERA* for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning *SamCERA*'s operations. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

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

Please let us know if you have any questions or need any additional information.

Sincerely,



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

NJC/fyb

Enclosures

San Mateo County Employees' Retirement Association
Plan 1 COLA Bank Accumulations
General and Safety

Based on the Consumer Price Index for All Urban Consumers (CPI-U) for the
San Francisco-Oakland-San Jose area (Base Period: 1982-84=100)

Retirement during 12-month period ended April 1	Accumulated COLA Bank April 1, 2014	Accumulated COLA Bank April 1, 2013	2014 Annual COLA
1969 or earlier	0.0%	0.0%	2.0%
1970	0.0%	0.0%	2.0%
1971	0.0%	0.0%	2.0%
1972	0.0%	0.0%	2.0%
1973	0.0%	0.0%	2.0%
1974	0.0%	0.0%	2.0%
1975	0.0%	0.0%	2.0%
1976	0.0%	0.0%	2.0%
1977	0.0%	0.0%	2.0%
1978	0.0%	0.0%	2.0%
1979	0.0%	0.0%	2.0%
1980	0.0%	0.0%	2.0%
1981	0.0%	0.0%	2.0%
1982	0.0%	0.0%	2.0%
1983	0.0%	0.0%	2.0%
1984	0.0%	0.0%	2.0%
1985	0.0%	0.0%	2.0%
1986	0.0%	0.0%	2.0%
1987	0.0%	0.0%	2.0%
1988	0.0%	0.0%	2.0%
1989	0.0%	0.0%	2.0%
1990	0.0%	0.0%	2.0%
1991	0.0%	0.0%	2.0%
1992	0.0%	0.0%	2.0%
1993	0.0%	0.0%	2.0%
1994	0.0%	0.0%	2.0%
1995	0.0%	0.0%	2.0%
1996	0.0%	0.0%	2.0%
1997	0.0%	0.0%	2.0%
1998	0.0%	0.0%	2.0%
1999	0.0%	0.0%	2.0%
2000	0.0%	0.0%	2.0%
2001	0.0%	0.0%	2.0%
2002	0.0%	0.0%	2.0%
2003	0.0%	0.0%	2.0%
2004	0.0%	0.0%	2.0%
2005	0.0%	0.0%	2.0%
2006	0.0%	0.0%	2.0%
2007	0.0%	0.0%	2.0%
2008	0.0%	0.0%	2.0%
2009	0.0%	0.0%	2.0%
2010	0.0%	0.0%	2.0%
2011	0.0%	0.0%	2.0%
2012	0.0%	0.0%	2.0%
2013	0.0%	0.0%	2.0%

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

San Mateo County Employees' Retirement Association
Plan 1 COLA Bank Accumulations
Probation

Based on the Consumer Price Index for All Urban Consumers (CPI-U) for the
San Francisco-Oakland-San Jose area (Base Period: 1982-84=100)

Retirement during 12-month period ended April 1	Accumulated COLA Bank April 1, 2014	Accumulated COLA Bank April 1, 2013	2014 Annual COLA
1990 or earlier	0.0%	0.0%	2.0%
1991	0.0%	0.0%	2.0%
1992	0.0%	0.0%	2.0%
1993	0.0%	0.0%	2.0%
1994	0.0%	0.0%	2.0%
1995	0.0%	0.0%	2.0%
1996	0.0%	0.0%	2.0%
1997	0.0%	0.0%	2.0%
1998	0.0%	0.0%	2.0%
1999	0.0%	0.0%	2.0%
2000	0.0%	0.0%	2.0%
2001	0.0%	0.0%	2.0%
2002	0.0%	0.0%	2.0%
2003	0.0%	0.0%	2.0%
2004	0.0%	0.0%	2.0%
2005	0.0%	0.0%	2.0%
2006	0.0%	0.0%	2.0%
2007	0.0%	0.0%	2.0%
2008	0.0%	0.0%	2.0%
2009	0.0%	0.0%	2.0%
2010	0.0%	0.0%	2.0%
2011	0.0%	0.0%	2.0%
2012	0.0%	0.0%	2.0%
2013	0.0%	0.0%	2.0%

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 6.1

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ending December 31, 2013

Staff Recommendation

Review the preliminary performance report dated December 31, 2013.

Background

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. As discussed previously, preliminary performance estimates are now included for Angelo Gordon's PPIP, Angelo Gordon's STAR, AQR's risk parity, and AQR's hedge fund portfolios. The quarterly performance metrics are not yet available for our private equity and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by SIS.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns (pages 2-3) and net manager returns (pages 4-8) also shown.

Discussion

The fund's net preliminary return for December was +1.1%, while the preliminary return for calendar year 2014 was +17.3% net (+17.7% gross). The net return for calendar year 2014 is lower than SamCERA's Total Plan Policy Benchmark return of 17.7% but above the Actuarial Assumed Earnings Rate of 7.50%. As a reminder, SamCERA should expect performance to vary substantially from that of the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

Most domestic equity indices were up between +2% and +3% for the month, with growth stocks slightly outperforming value stocks across the market capitalization spectrum. Stronger economic trends, including faster than expected 3rd Quarter GDP growth, higher manufacturing growth and higher than expected consumer confidence, enabled the U.S. Federal Reserve to announce a slight reduction in the pace of bond purchases by \$10 billion per month.

International equity indices were mixed on the month, with developed markets (as measured by MSCI EAFE) up +1.5% and emerging markets down -1.4%.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

The general fixed income market was lower by -0.60% as interest rates (as measured by 10-year Treasuries) increased by 29 basis points. High yield bonds and emerging market bonds were up +0.55% and +1.2%, respectively.

Attachments:

SIS Market Update

State Street Performance Report

U.S. EQUITY

Wall Street rallied once again in December after the Federal Reserve announced plans to trim its stimulus program by \$10 billion a month, though it said its key interest rate would stay lower longer than previously promised. The Dow hit an all-time high at the end of the year as 2013 was certainly a great year for equities.

Growth performed in-line with Value and Large Caps outperformed Small Caps. The Russell 1000 Growth Index was up +2.9% and the Russell 1000 Value Index was up +2.5% for the month. The Russell 2000 Growth Index was up +2.1% and the Russell 2000 Value was up +1.9%. The S&P 500 Index ended the month higher by +2.5%.

The S&P 500 Index has a trailing P/E ratio of 19.0, a forward 12-month estimate P/E ratio of 16.7 and dividend yield of 1.9%.

One note of caution for the U.S. equity markets according to FactSet – for Q4 2013, 94 companies in the S&P 500 have issued negative EPS guidance and 13 have issued positive guidance. This marks the highest number of negative and lowest number of positive guidance since FactSet began tracking the data in 2006.

Corporate merger highlights for the month included: Energy company Hess will sell its Indonesia assets for \$1.3 billion; NCR will acquire Digital Insight for \$1.65 billion; Sysco will buy fellow food-services distributor US Foods in a deal valued at \$3.5 billion; Medical device maker Covidien will buy Given Imaging for \$860 million; WhiteWave Foods will buy organic food brand Earthbound Farm for about \$600 million; Volvo will sell its North American construction equipment rental business to Platinum Equity for \$1.1 billion; U.S. cable group Liberty Global is in talks to buy Dutch operator Ziggo in a deal that could reach \$7 billion; Charter Communication will reportedly send an offer letter to acquire the much larger Time Warner Cable; American International Group will sell its aircraft-leasing business to Aer-Cap in a deal valued at \$5.4 billion; Avago Technologies, a designer and developer of analog semiconductors, will acquire LSI Corp for \$6.6 billion; AT&T will sell its wireless operations in Connecticut to Frontier Communications for \$2 billion; Silver Lake Management and William Morris Endeavor Entertainment will buy IMG Worldwide for about \$2.4 billion; AstraZeneca will buy Bristol-Myers Squibb's

stake in their diabetes venture for up to \$4.1 billion; Textron, the maker of Cessna aircraft and Bell helicopters, is reportedly nearing a \$1.4 billion purchase of plane-maker Beechcraft.

FIXED INCOME

The U.S. economy grew at a 4.1% annual rate during the 3rd quarter, the fastest since early 2012. However, nearly half of the growth came from a buildup in business stockpiles, a trend that could reverse in the next quarter or two. A poll of more than 60 economists forecast GDP stepping up to a 2.5% annualized rate in the 1st quarter of 2014, and reaching 3.0% by year-end.

A total of 203,000 non-farm jobs were added in November, helping the U.S. jobless rate fall to 7.0%, a five-year low.

The Labor Dept. reported that its Consumer Price Index in the 12 months through November rose by just +1.2%.

The yield on the bellwether 10-year Treasury note rose to 3.04% at the close of December from its November close at 2.75%. At month-end, the 30-year bond yield was 3.96% with the 3-month T-bill at 0.07%. The Barclays Capital US Aggregate Index was down -0.57% in December.

The U.S. Federal Reserve announced that it would begin reducing the amount of monthly asset purchases by \$10 billion a month from \$85 billion beginning in January. This “tapering” process should continue over the remainder of the 2014 calendar year, with purchases likely ending sometime in the fourth quarter (unless economic conditions weaken).

On the economic front, the following key data was released in December:

THE GOOD

*The manufacturing purchasing manager's index increased to 54.7 in November up from the 51.8 reading in October.

*The Institute for Supply Management reported that its index of national factory activity rose to 57.3 in November, its highest reading since April 2011.

*Spending on U.S. construction projects rose +0.8% in October to a seasonally-adjusted annual rate of \$908 billion.

*Cyber Monday sales surged 21% from 2012.

*The Commerce Dept. reported that the trade deficit narrowed 5.4% to \$40.6 billion in October as exports hit a record high.

*New home sales jumped 25.4% in October.

*Consumer spending rose 0.3% in October a slight acceleration from the 0.2% rate in September.

*Household net worth increased \$1.9 trillion to \$77.3 trillion in the 3rd quarter, the highest level since records started in 1945.

*The National Federation of Independent Business reported that its small-business optimism index rose +0.9 points to 92.5.

*U.S. wholesale prices fell in November for the third consecutive month, pushed down again by cheaper gasoline and lower home heating costs – the producer price index declined -0.1%.

*The Labor Dept. reported that U.S. productivity was revised to a +3.0% increase in the 3rd quarter from an initial read of +1.9%, the largest rise since the 4th quarter of 2009.

*The U.S. Energy Dept. reported that U.S. oil production will continue its surge to hit a record 9.6 million barrels a day in 2016.

Consumer confidence improved in December, leaving it close to its recovery high. The Conference Board index jumped 6.1 points to 78.1, just 4.0 points below the recovery high reached in June. Expectations surged 8.3 points to 79.4.

THE NOT SO GOOD

*Black Friday sales fell -13.2% from the previous year to \$9.74 billion but combined spending over Thanksgiving and Black Friday rose +2.3% to \$12.3 billion.

*The Institute for Supply Management's survey of purchasing managers fell to 53.9% in November from 55.4% in October.

*Several major U.S. retailers posted disappointing sales for November, a sign that the holiday season is shaping up to be a tough one.

*Americans boosted their borrowing in October, led by another big increase in auto and student loans and the biggest rise in credit card debt in five months.

NON-U.S. MARKETS

Canadian GDP was up a solid 2.7% annual rate in the third quarter and year-over-year, GDP rose 1.9%.

The Bank of England as expected left its Bank Rate at 0.50% and the stock of assets purchased at £375 billion.

The European Central Bank decided to keep its key interest rate at a record low of 0.25% in December. Eurozone industrial output fell -1.1% in October, stoking concerns a fragile recovery may be stalling. Overall Eurozone GDP rose 0.1% in the third quarter, unchanged from preliminary estimates.

Japan is preparing an economic stimulus package worth about \$53 billion to bolster its economy ahead of an increase in the national sales tax in April. The labor market remains tight with unemployment at 4.0% in October. CPI inflation year-over-year was at 1.1% in October, the highest in five years.

India's GDP rose 4.9% in Q3 from a year earlier. GDP growth has been below 5.0% for four straight quarters, compared to the pace between 9% and 10% that was the norm before the global recession.

Non-U.S. Developed equities were higher in December. The MSCI ACWI Ex-U.S. was up +0.9% (US dollars) for the month. International Developed stocks (EAFE) were up +1.5% while Emerging Markets lost -1.4% for the month.

CONCLUSION

The level of economic activity on a global basis has recovered to roughly normal levels following the financial crisis and has been fairly stable for a few years now. The world economy should snap a three-year stretch of slowing growth in 2014, although the growth trajectory appears more incremental rather than a leap forward.

That said, there are wide divergences across countries with the U.S. being the strongest in the developed world. Levels of activity remain strong in China however recently begun showing signs of slowing down. Europe is at the other end of the spectrum – sickly banks, massive unemployment and poor domestic demand will continue to hold back most of Europe's economies, even if many of them have started to grow again.

Supported by massive liquidity infusions, the amazing rebounds in equity markets, which far outpaced actual economic performance, may have created a palpable anxiety among investors. Gains that robust will be difficult to repeat and could be subject to setbacks.

Wishing all a Happy New Year!

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Dec-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.64	10.10	33.55	33.55	24.69	16.24	18.71	6.50	7.88
Russell TOP 200 Index	2.58	11.06	32.41	32.41	23.96	16.47	17.16	5.90	6.85
Russell TOP 200 Growth Index	2.70	11.49	32.66	32.66	23.55	16.89	19.36	8.21	7.25
Russell TOP 200 Value Index	2.45	10.62	32.14	32.14	24.34	16.06	14.88	3.61	6.45
S&P 500 Index	2.53	10.51	32.39	32.39	23.93	16.18	17.94	6.13	7.41
Russell 1000 Index	2.70	10.23	33.11	33.11	24.49	16.30	18.59	6.44	7.78
Russell 1000 Growth Index	2.86	10.44	33.48	33.48	24.04	16.45	20.39	8.24	7.83
Russell 1000 Value Index	2.53	10.01	32.53	32.53	24.79	16.06	16.67	4.52	7.58
Russell Mid-Cap Index	2.98	8.39	34.76	34.76	25.72	15.88	22.36	7.83	10.22
Russell Mid-Cap Growth Index	3.19	8.23	35.74	35.74	25.38	15.63	23.37	8.53	9.77
Russell Mid-Cap Value Index	2.74	8.56	33.46	33.46	25.76	15.97	21.16	6.80	10.25
Russell 2000 Index	1.97	8.72	38.82	38.82	27.09	15.67	20.08	7.20	9.07
Russell 2000 Growth Index	2.05	8.17	43.30	43.30	28.14	16.82	22.58	8.94	9.41
Russell 2000 Value Index	1.88	9.30	34.52	34.52	26.02	14.49	17.64	5.40	8.61
DJ US REIT Index	0.56	-1.09	1.22	1.22	8.88	9.04	16.36	0.96	8.22
DJ-UBS US Commodity Index TR	1.24	-1.05	-9.52	-9.52	-5.38	-8.11	1.51	-3.03	0.87
DJ-UBS US Gold Index TR	-3.84	-9.46	-28.65	-28.65	-13.00	-6.03	5.59	8.51	10.26

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Dec-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.90	4.81	15.78	15.78	16.58	5.61	13.32	2.62	8.04
MSCI AC World Index	1.76	7.42	23.44	23.44	20.07	10.33	15.53	4.30	7.72
MSCI EAFE Index	1.51	5.75	23.29	23.29	20.57	8.66	12.96	2.26	7.39
MSCI Emerging Markets index	-1.44	1.86	-2.27	-2.27	7.67	-1.74	15.15	4.10	11.52
ML Global Government Bond Ex. U.S. Index	-1.68	-3.11	-9.00	-9.00	-5.74	-1.42	1.62	4.66	3.78
Euro	1.20	1.79	4.52	4.52	3.03	0.90	-0.17	0.63	0.89
Japanese Yen	-2.61	-6.64	-17.73	-17.73	-14.44	-8.28	-2.92	1.81	0.19
UK Pound Sterling	1.11	2.28	1.89	1.89	3.23	1.89	2.87	-2.36	-0.77

US Fixed Income Indices Trailing Performance

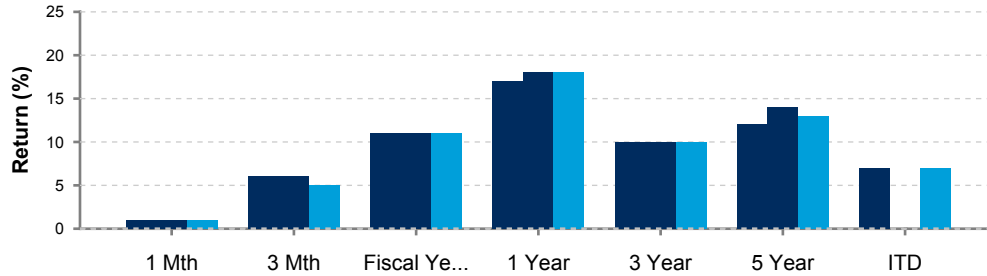
Annualized Performance to Date: Ending Dec-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.02	0.07	0.07	0.09	0.10	0.12	1.08	1.68
BarCap Aggregate Bond Index	-0.57	-0.14	-2.02	-2.02	1.05	3.26	4.44	4.91	4.55
ML U.S. Corp/Govt Master Index	-0.71	-0.18	-2.68	-2.68	1.13	3.57	4.47	4.93	4.50
ML U.S. Corporate Master Index	-0.18	1.02	-1.46	-1.46	4.29	5.35	8.93	5.92	5.31
BarCap Mortgage Backed Securities Index	-0.47	-0.42	-1.41	-1.41	0.57	2.42	3.69	4.80	4.61
ML U.S. High Yield Master Index	0.55	3.48	7.38	7.38	11.33	9.01	18.46	8.40	8.38
JPM EMBI Global	1.23	0.91	-6.58	-6.58	5.23	6.30	11.52	7.26	8.30

San Mateo County Total Fund Characteristics

December 31, 2013



Total Fund Performance

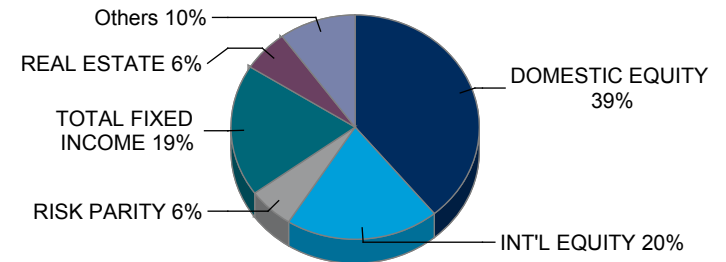


■ TOTAL FUND - Net Mgr
 ■ TOTAL FUND - Total Invested
■ SAMCERA TOTAL PLAN POLICY BENCHMARK

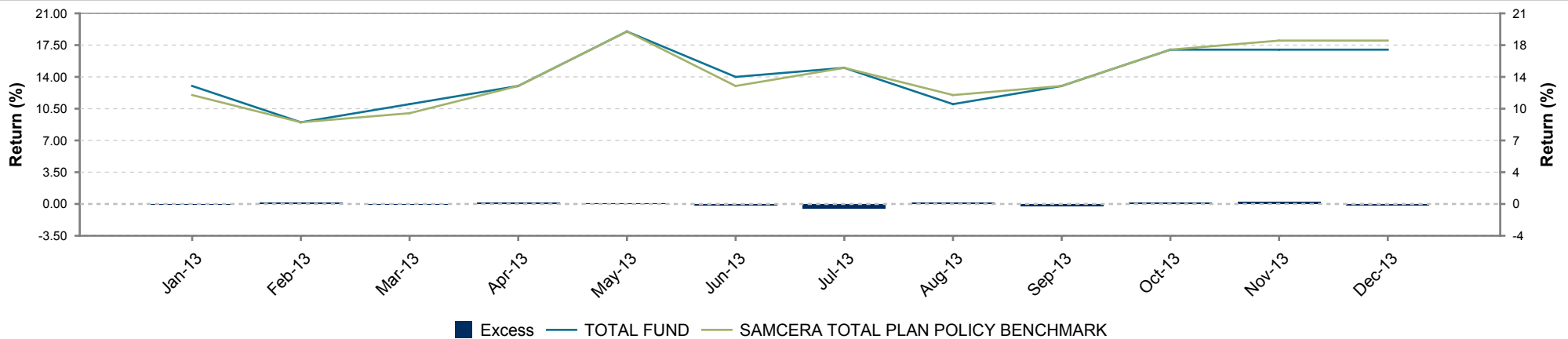
	1-Mth	3-Mth	YTD	Fiscal YTD	1-Yr	3-Yr	5-Yr	10-Yr	ITD
TOTAL FUND - Gross	1.12	5.71	17.67	11.08	17.67	10.20	12.61	6.53	6.96
TOTAL FUND - Net Mgr	1.12	5.71	17.32	10.93	17.32	9.80	12.29	6.37	6.86
SAMCERA TOTAL PLAN POLICY BENCHMARK	1.28	5.45	17.68	11.30	17.68	10.29	13.17	7.22	7.20
Excess	-0.16	0.25	-0.36	-0.37	-0.36	-0.49	-0.88	-0.85	-0.34

Asset Allocation

	Ending Market Value (\$)	Allocation (%)
DOMESTIC EQUITY	1,192,643,713	39.2
INTERNATIONAL EQUITY	606,640,151	19.9
PRIVATE EQUITY	106,037,133	3.5
RISK PARITY	175,388,323	5.8
HEDGE FUND	116,519,190	3.8
COMMODITIES	85,379,583	2.8
FIXED INCOME	565,800,094	18.6
REAL ESTATE	169,724,124	5.6
CASH	12,146,497	0.4
CLIFTON GROUP - CASH OVERLAY	15,169,411	0.5
TOTAL FUND	3,045,448,219	100.0

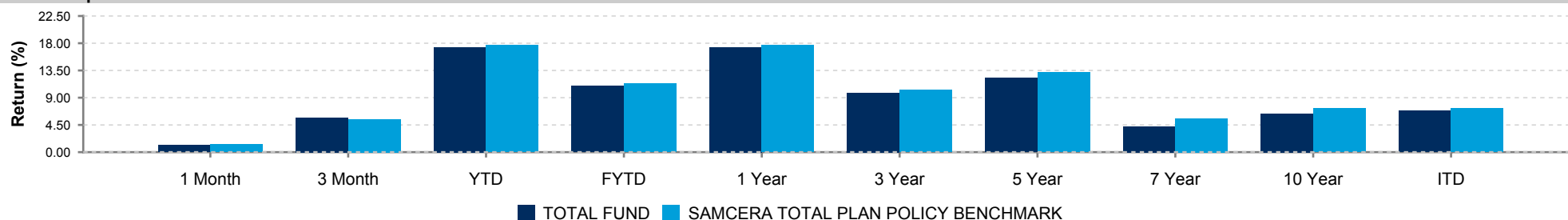


Cumulative Returns



December 31, 2013

Return Comparison



Composite Returns (Net)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
Total Fund	3,045,448,219	1.12	5.71	17.32	10.93	17.32	9.80	12.29	4.27	6.37	6.86
SAMCERA TOTAL PLAN POLICY BENCHMARK		1.28	5.45	17.68	11.30	17.68	10.29	13.17	5.59	7.22	7.20
Excess		-0.16	0.25	-0.36	-0.37	-0.36	-0.49	-0.88	-1.31	-0.85	-0.34
Total Equity	1,799,283,865	1.83	8.11	28.00	16.31	28.00	12.14	15.52	3.69	6.68	7.86
SAMCERA TOTAL EQUITY BENCHMARK		1.98	8.15	27.89	16.86	27.89	12.57	17.05	5.31	7.81	8.30
Excess		-0.15	-0.03	0.11	-0.56	0.11	-0.43	-1.54	-1.61	-1.13	-0.44
Total Fixed Income	565,800,094	0.01	1.19	0.59	2.36	0.59	5.86	9.24	5.71	5.27	5.94
SAMCERA TOTAL FIXED INCOME BENCHMARK		-0.62	-0.24	-3.16	0.81	-3.16	3.62	4.68	5.08	4.67	5.43
Excess		0.63	1.43	3.76	1.55	3.76	2.24	4.56	0.62	0.61	0.51
Total Risk Parity	175,388,323	-1.05	1.72	-2.42	3.97	-2.42					5.66
RISK PARITY BENCHMARK		1.36	5.93	18.19	10.21	18.19					10.38
Excess		-2.41	-4.21	-20.60	-6.25	-20.60					-4.72
Hedge Funds	116,519,190	1.49	5.23	7.16	3.69	7.16					3.46
LIBOR + 4%		0.34	1.03	4.19	2.07	4.19					4.22
Excess		1.15	4.20	2.97	1.62	2.97					-0.76
Private Equity	106,037,133	0.78	8.16	14.80	12.39	14.80	-36.97				-50.89
PRIVATE EQUITY BENCHMARK		2.88	10.89	37.46	18.79	37.46	19.69				21.44
Excess		-2.11	-2.74	-22.66	-6.40	-22.66	-56.66				-72.33

San Mateo County Composite Return Summary



December 31, 2013

Composite Returns (Net)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
Commodities	85,379,583	0.44	-0.78	-6.01	1.85	-6.01					-2.88
DJ-UBS COMMODITY		1.24	-1.05	-9.55	1.06	-9.55					-10.12
Excess		-0.80	0.27	3.54	0.79	3.54					7.24
Total Real Estate	169,724,124	0.00	0.00	10.11	2.15	10.11	11.59	1.65	2.24	7.08	7.64
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	0.00	9.91	3.37	9.91	12.27	2.65	3.06	7.07	7.91
Excess		0.00	0.00	0.20	-1.22	0.20	-0.67	-0.99	-0.83	0.01	-0.27
Total Cash	12,146,497	0.01	0.10	0.46	0.21	0.46	0.60	0.85	0.97	1.68	2.36
91 DAY TREASURY BILL		0.01	0.02	0.07	0.03	0.07	0.10	0.12	1.10	1.69	2.27
Excess		-0.01	0.09	0.39	0.18	0.39	0.51	0.73	-0.13	-0.02	0.09

San Mateo County Manager Return Summary

December 31, 2013



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
TOTAL EQUITY	1,799,283,865	1.83	8.11	16.31	28.00	28.00	12.14	15.52	3.69	6.68	7.86
SAMCERA TOTAL EQUITY BENCHMARK		1.98	8.15	16.86	27.89	27.89	12.57	17.05	5.31	7.81	8.30
Excess		-0.15	-0.03	-0.56	0.11	0.11	-0.43	-1.54	-1.61	-1.13	-0.44
TOTAL DOMESTIC EQUITY	1,192,643,713	2.38	9.57	17.48	33.55	33.55	15.30	18.30	5.02	7.02	8.39
SAMCERA DOMESTIC EQUITY BENCHMARK		2.55	9.93	17.46	34.26	34.26	16.21	18.94	6.64	8.09	8.74
Excess		-0.17	-0.36	0.02	-0.71	-0.71	-0.91	-0.63	-1.62	-1.07	-0.34
LARGE CAP COMPOSITE	950,933,541	2.40	9.78	16.62	32.78	32.78	15.00	17.26	5.01	7.00	8.92
Russell 1000		2.70	10.23	16.86	33.11	33.11	16.30	18.59	6.44	7.78	9.48
Excess		-0.30	-0.45	-0.24	-0.34	-0.34	-1.30	-1.33	-1.43	-0.78	-0.56
DE SHAW INVESTMENT MGT, LLC	140,966,401	2.13	9.37	16.45	34.02	34.02	17.25				18.44
Russell 1000		2.70	10.23	16.86	33.11	33.11	16.30				18.14
Excess		-0.56	-0.86	-0.41	0.91	0.91	0.95				0.30
BARROW HANLEY	141,362,443	1.83	9.16	17.11	37.84	37.84	17.18				18.36
Russell 1000 Value		2.53	10.01	14.34	32.53	32.53	16.06				17.73
Excess		-0.71	-0.85	2.77	5.31	5.31	1.12				0.64
BLACKROCK S&P 500	527,440,222	2.53	10.52								25.88
S&P 500		2.53	10.51	25.87							25.87
Excess		0.00	0.01								0.02
BROWN ADVISORY LARGE GROWTH	141,164,474	2.75	8.48								19.43
Russell 1000 Growth		2.86	10.44	19.32							19.32
Excess		-0.10	-1.96								0.11
SMALL CAP COMPOSITE	241,710,172	2.12	8.45	21.20	39.08	39.08	17.23	23.20	5.13	7.11	7.05
Russell 2000		1.97	8.72	19.82	38.82	38.82	15.67	20.08	7.20	9.07	8.06
Excess		0.15	-0.27	1.38	0.25	0.25	1.55	3.12	-2.08	-1.96	-1.01

San Mateo County Manager Return Summary

December 31, 2013



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
BOSTON COMPANY ASSET MGT, LLC	119,315,340	1.58	9.12	19.65	37.13	37.13	16.94				19.31
Russell 2000 Value		1.88	9.30	17.60	34.52	34.52	14.49				18.66
Excess		-0.30	-0.18	2.05	2.61	2.61	2.45				0.65
CHARTWELL INVESTMENT MGMT	122,394,833	2.65	7.81	22.76	41.80	41.80	19.74	24.28	8.89		9.64
Russell 2000 Growth		2.05	8.17	22.02	43.30	43.30	16.82	22.58	8.94		9.21
Excess		0.60	-0.36	0.74	-1.50	-1.50	2.92	1.70	-0.05		0.43
TOTAL INTERNATIONAL EQUITY	606,640,151	0.72	5.01	13.80	16.63	16.63	5.26	9.47	0.67	6.37	5.99
MSCI AC WORLD INDEX ex USA		0.90	4.81	15.47	15.78	15.78	5.61	13.32	2.62	8.04	6.10
Excess		-0.18	0.20	-1.67	0.85	0.85	-0.35	-3.85	-1.95	-1.67	-0.11
BAILLIE GIFFORD OVERSEAS LIMITED	200,930,560	0.85	4.56	15.58	22.28	22.28					16.72
MSCI ACWI ex US GROWTH (GROSS)		1.04	4.69	13.99	15.86	15.86					12.60
Excess		-0.19	-0.12	1.59	6.42	6.42					4.13
EATON VANCE MANAGEMENT	59,302,121	-0.02	2.83	8.50	1.50	1.50					2.97
MSCI Em Markets (USD) GDR		-1.44	1.86	7.87	-2.27	-2.27					0.90
Excess		1.42	0.97	0.63	3.76	3.76					2.07
MONDRIAN INVESTMENT PARTNERS	207,048,551	0.04	5.42	13.06	16.08	16.08	7.05	10.66	2.04		6.69
MSCI ACWI EX US VALUE (GROSS)		0.76	4.93	16.94	15.65	15.65	5.91	13.33	2.12		7.00
Excess		-0.72	0.49	-3.89	0.43	0.43	1.14	-2.67	-0.08		-0.31
PYRAMIS	62,800,018	1.15	4.76	14.55	17.31	17.31					12.67
MSCI ACWI ex US Small Cap Gross		1.77	4.67	17.72	20.13	20.13					13.54
Excess		-0.62	0.09	-3.17	-2.83	-2.83					-0.88
BLACKROCK EAFE EQUITY INDEX	76,462,000										
MSCI EAFE (NET)		1.50									
Excess											

San Mateo County Manager Return Summary

December 31, 2013



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
TOTAL FIXED INCOME	565,800,094	0.01	1.19	2.36	0.59	0.59	5.86	9.24	5.71	5.27	5.94
SAMCERA TOTAL FIXED INCOME BENCHMARK		-0.62	-0.24	0.81	-3.16	-3.16	3.62	4.68	5.08	4.67	5.43
Excess		0.63	1.43	1.55	3.76	3.76	2.24	4.56	0.62	0.61	0.51
ANGELO GORDON GECC PPI FUND	19,342										
Barclays BA Intermediate High Yield Index		0.32									
Excess											
ANGELO GORDON MANAGEMENT	36,140,001	0.75	3.79		11.89	11.89					10.91
Barclays BA Intermediate High Yield Index		0.32	3.09	0.32	5.15	5.15					5.75
Excess		0.43	0.70		6.75	6.75					5.17
PYRAMIS GLOBAL ADVISORS	147,146,075	-0.50	0.15	1.03	-1.36	-1.36	4.18	7.55	5.37		5.32
Barclays Aggregate Bond		-0.57	-0.14	0.43	-2.02	-2.02	3.26	4.44	4.91		4.89
Excess		0.06	0.29	0.60	0.67	0.67	0.92	3.11	0.46		0.43
WESTERN ASSET MGMT	118,341,156	-0.44	0.50	1.61	-1.25	-1.25	4.86	8.70	5.38		5.17
Barclays Aggregate Bond		-0.57	-0.14	0.43	-2.02	-2.02	3.26	4.44	4.91		4.50
Excess		0.13	0.63	1.18	0.77	0.77	1.60	4.25	0.47		0.68
BRIGADE CAPITAL MANAGEMENT	62,567,325	1.02	2.49	5.00	7.31	7.31	9.43				9.78
Barclays BA Intermediate High Yield Index		0.32	3.09	5.09	5.15	5.15	8.41				8.88
Excess		0.71	-0.60	-0.08	2.16	2.16	1.03				0.90
BROWN BROTHERS HARRIMAN & CO	76,752,861	-1.09	-1.65	-0.98	-8.51	-8.51	3.93				3.87
Barclays US TIPS Index		-1.52	-2.16	-1.54	-9.26	-9.26	3.52				3.59
Excess		0.43	0.52	0.56	0.75	0.75	0.41				0.28
FRANKLIN TEMPLETON INVESTMENTS	124,826,434	1.04	3.56	4.61	4.28	4.28	7.33				7.33
Barclays Multiverse		-0.53	-0.25	2.56	-2.19	-2.19	2.67				2.67
Excess		1.56	3.82	2.05	6.47	6.47	4.65				4.65
TOTAL PRIVATE EQUITY	106,037,133	0.78	8.16	12.39	14.80	14.80	-36.97				-50.89

San Mateo County Manager Return Summary

December 31, 2013



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
PRIVATE EQUITY BENCHMARK		2.88	10.89	18.79	37.46	37.46	19.69				21.44
Excess		-2.11	-2.74	-6.40	-22.66	-22.66	-56.66				-72.33
TOTAL RISK PARITY	175,388,323	-1.05	1.72	3.97	-2.42	-2.42					5.66
RISK PARITY BENCHMARK		1.36	5.93	10.21	18.19	18.19					10.38
Excess		-2.41	-4.21	-6.25	-20.60	-20.60					-4.72
AQR GLOBAL RISK PREM III LP	175,388,323	-1.05	1.72	3.97	-2.42	-2.42					5.66
RISK PARITY BENCHMARK		1.36	5.93	10.21	18.19	18.19					10.38
Excess		-2.41	-4.21	-6.25	-20.60	-20.60					-4.72
HEDGE FUND COMPOSITE	116,519,190	1.49	5.23	3.69	7.16	7.16					3.46
LIBOR + 4%		0.34	1.03	2.07	4.19	4.19					4.22
Excess		1.15	4.20	1.62	2.97	2.97					-0.76
AQR DELTA FUND II, L.P.	116,519,190	1.49	5.23	3.69	7.16	7.16					3.46
LIBOR + 4%		0.34	1.03	2.07	4.19	4.19					4.22
Excess		1.15	4.20	1.62	2.97	2.97					-0.76
TOTAL COMMODITIES	85,379,583	0.44	-0.78	1.85	-6.01	-6.01					-2.88
DJ-UBS COMMODITY		1.24	-1.05	1.06	-9.55	-9.55					-10.12
Excess		-0.80	0.27	0.79	3.54	3.54					7.24
SSGA MULTISOURCE ACT COMM NL	85,379,583	0.44	-0.78	1.85	-6.01	-6.01					-2.88
DJ-UBS COMMODITY		1.24	-1.05	1.06	-9.55	-9.55					-10.12
Excess		-0.80	0.27	0.79	3.54	3.54					7.24
TOTAL REAL ESTATE	169,724,124	0.00	0.00	2.15	10.11	10.11	11.59	1.65	2.24	7.08	7.64
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	0.00	3.37	9.91	9.91	12.27	2.65	3.06	7.07	7.91
Excess		0.00	0.00	-1.22	0.20	0.20	-0.67	-0.99	-0.83	0.01	-0.27
INVESCO REAL ESTATE	169,724,124	0.00	0.00	2.15	10.22	10.22	11.56	1.67	2.24		6.26

**San Mateo County
Manager Return Summary**

December 31, 2013



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	0.00	3.37	9.91	9.91	12.27	2.65	3.06		6.62
Excess		0.00	0.00	-1.22	0.31	0.31	-0.71	-0.98	-0.82		-0.36
TOTAL CASH	12,146,497	0.01	0.10	0.21	0.46	0.46	0.60	0.85	0.97	1.68	2.36
91 DAY TREASURY BILL		0.01	0.02	0.03	0.07	0.07	0.10	0.12	1.10	1.69	2.27
Excess		-0.01	0.09	0.18	0.39	0.39	0.51	0.73	-0.13	-0.02	0.09
SAMCERA GENERAL ACCOUNT	9,592,777	0.00	0.01	0.03	0.09	0.09	0.23	0.27	1.33	1.88	2.39
SAMCERA TREASURY & LAIF	2,553,720	0.04	0.14	0.26	0.56	0.56	0.80	0.99	0.94	1.55	
CLIFTON GROUP - CASH OVERLAY	15,169,411	0.00	0.01								0.02
91 DAY TREASURY BILL		0.01	0.02								0.02
Excess		-0.01	-0.00								-0.00
TOTAL FUND	3,045,448,219	1.12	5.71	10.93	17.32	17.32	9.80	12.29	4.27	6.37	6.86
SAMCERA TOTAL PLAN POLICY BENCHMARK		1.28	5.45	11.30	17.68	17.68	10.29	13.17	5.59	7.22	7.20
Excess		-0.16	0.25	-0.37	-0.36	-0.36	-0.49	-0.88	-1.31	-0.85	-0.34

**San Mateo County
Accounting Change in Market Value Details**

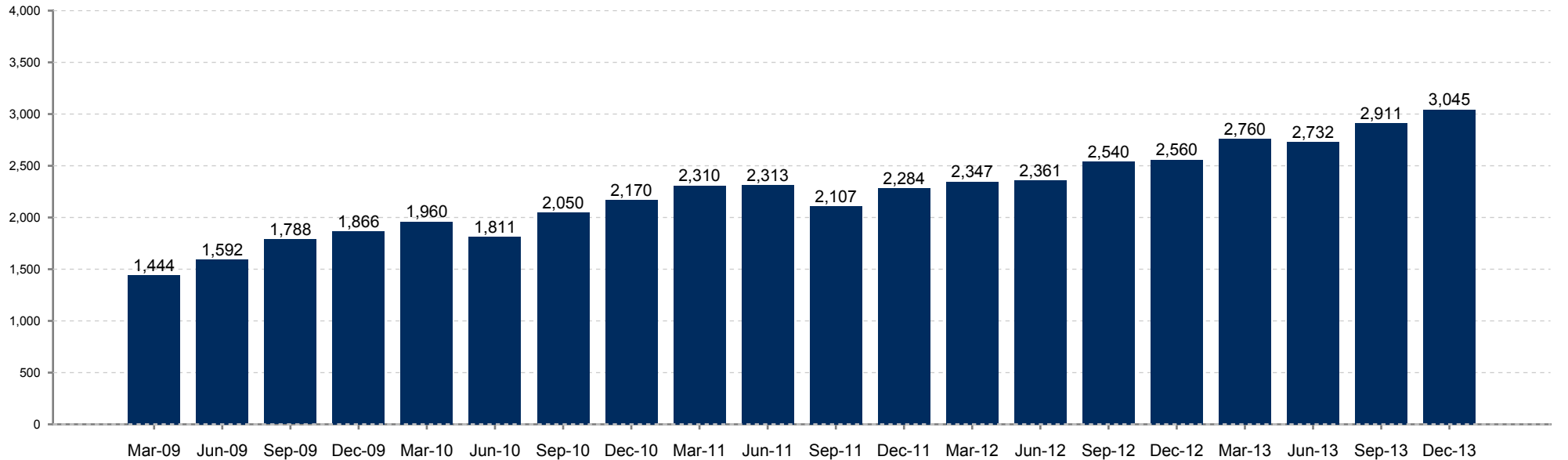
December 31, 2013



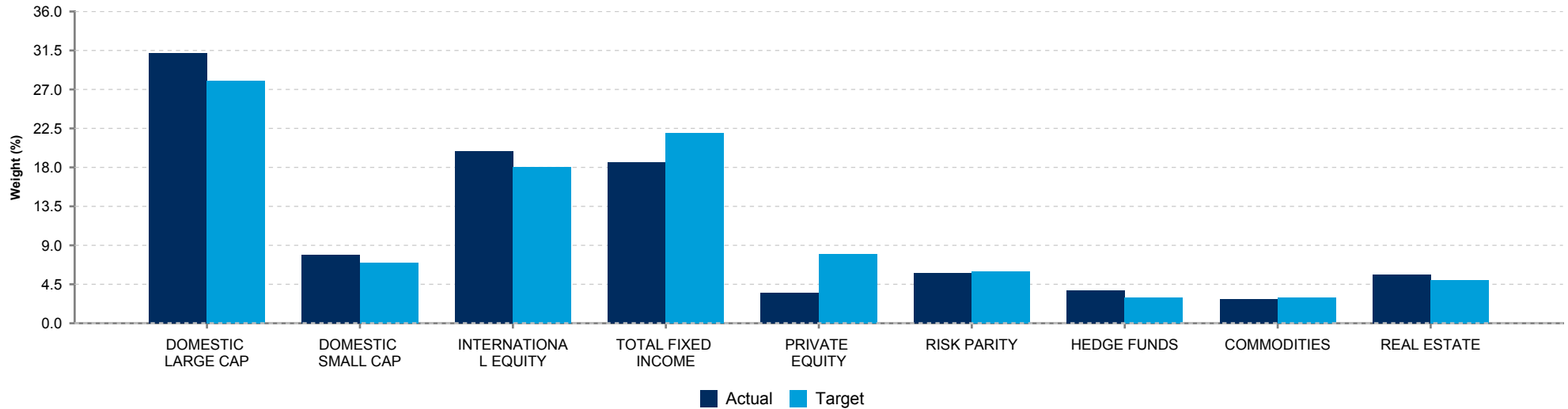
Record of Asset Growth

	One Quarter	One Year
TOTAL FUND		
Beginning Market Value	2,910,525,069	2,560,229,684
Contributions	471,411,771	2,558,295,150
Withdrawals	502,353,567	2,534,306,800
Income Received	7,687,177	36,908,584
Gain/Loss	158,177,768	424,321,602
Ending Market Value	3,045,448,219	3,045,448,219

Net Asset Values over Time (\$000)



Actual vs Target Weights



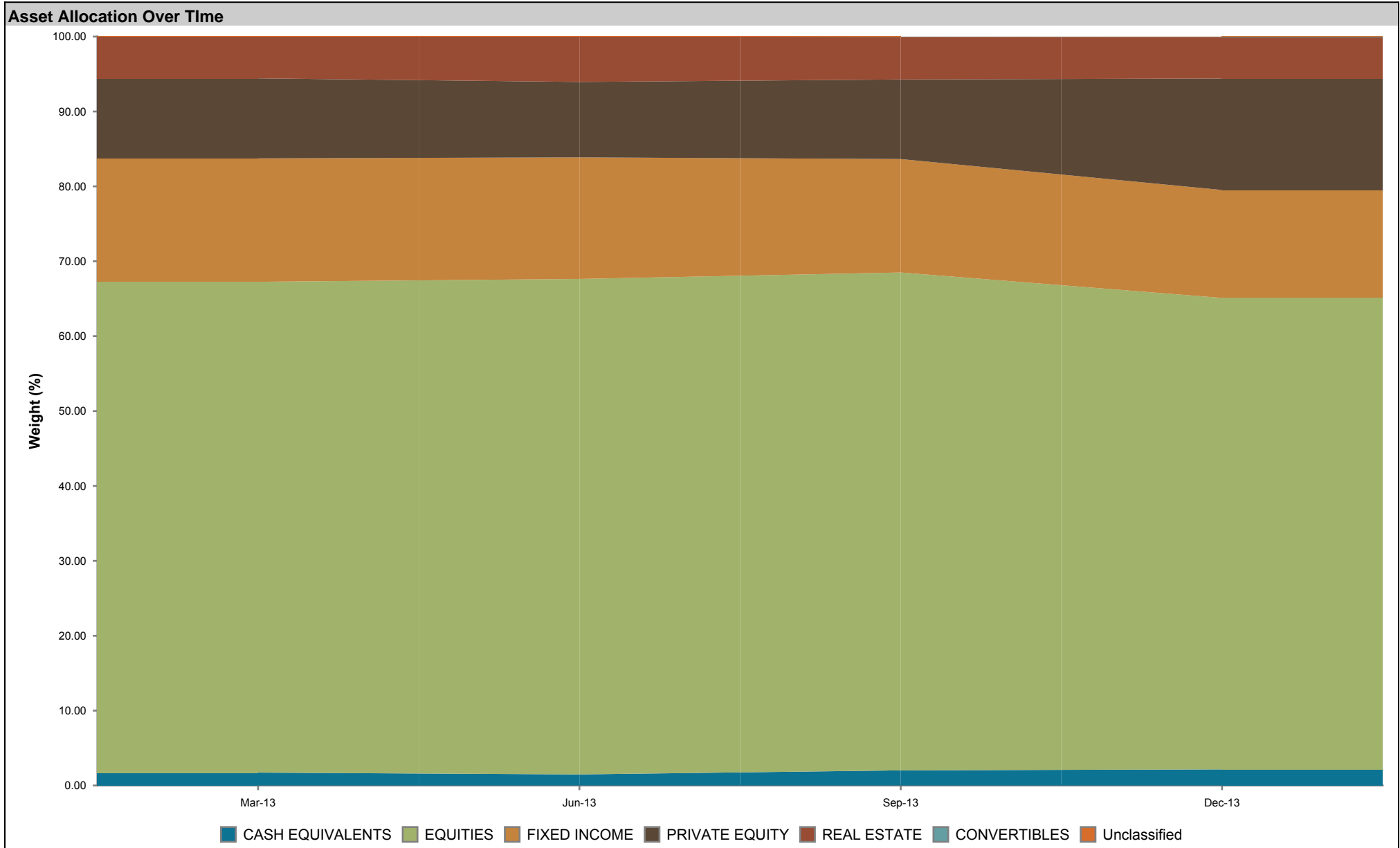
% Portfolio Weight

	Min	Actual	Target	Deviation	Max
DOMESTIC LARGE CAP	26.0	31.2	28.0	3.2	30.0
BLACKROCK S&P 500	10.3	17.3	12.3	5.0	14.3
DE SHAW INVESTMENT MGT, LLC	3.3	4.6	5.0	-0.4	7.3
BARROW HANLEY	3.3	4.6	5.1	-0.5	7.3
DOMESTIC SMALL CAP	5.0	7.9	7.0	0.9	9.0
BOSTON COMPANY ASSET MGT, LLC	1.5	3.9	3.5	0.4	5.5
CHARTWELL INVESTMENT MGMT	1.5	4.0	3.5	0.5	5.5
INTERNATIONAL EQUITY	15.0	19.9	18.0	1.9	21.0
BAILLIE GIFFORD OVERSEAS LIMITED	3.0	6.6	6.0	0.6	9.0
EATON VANCE MANAGEMENT	0.0	1.9	2.3	-0.3	5.3
MONDRIAN INVESTMENT PARTNERS	5.0	6.8	8.0	-1.2	11.0
PYRAMIS	0.0	2.1	1.8	0.3	4.8
TOTAL FIXED INCOME	19.0	18.6	22.0	-3.4	25.0

% Portfolio Weight	Min	Actual	Target	Deviation	Max
ANGELO GORDON	0.0	1.2	1.8	-0.6	3.8
BRIGADE CAPITAL MANAGEMENT	0.0	2.1	1.8	0.3	3.8
BROWN BROTHERS HARRIMAN & CO	1.1	2.5	3.1	-0.6	5.1
FRANKLIN TEMPLETON INVESTMENTS	2.4	4.1	4.4	-0.3	6.4
WESTERN ASSET MGMT	2.4	3.9	4.4	-0.5	6.4
PYRAMIS GLOBAL ADVISORS	4.6	4.8	6.6	-1.8	8.6
PRIVATE EQUITY	8.0	3.5	8.0	-4.5	8.0
RISK PARITY	6.0	5.8	6.0	-0.2	6.0
AQR GLOBAL RISK PREM III LP	6.0	5.8	6.0	-0.2	6.0
HEDGE FUNDS	3.0	3.8	3.0	0.8	3.0
AQR DELTA FUND II, L.P.	3.0	3.8	3.0	0.8	3.0
COMMODITIES	3.0	2.8	3.0	-0.2	3.0
SSGA MULTISOURCE ACT COMM NL	3.0	2.8	3.0	-0.2	3.0
REAL ESTATE	3.0	5.6	5.0	0.6	7.0
INVESCO REAL ESTATE	3.0	5.6	5.0	0.6	3.0

San Mateo County Asset Allocation Over Time

December 31, 2013

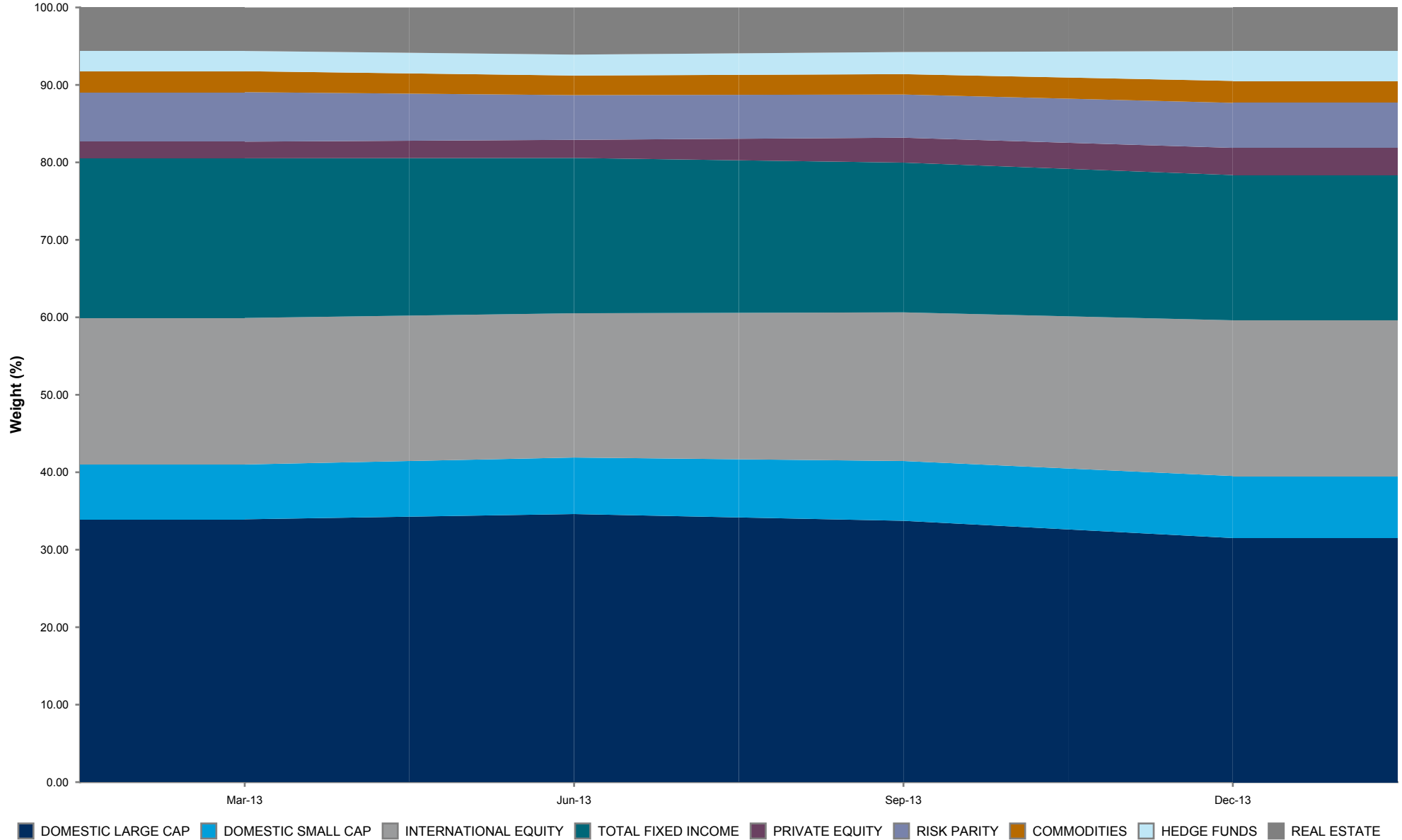


San Mateo County
 Sub-Asset Class Allocation Over Time

December 31, 2013



Sub-Asset Class Allocation Over Time



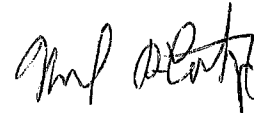
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Special Meeting Agenda Item #4
(Regular Agenda Item 6.2)

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Discussion of Real Assets Portfolio Implementation Options

Staff Recommendation

Review the attached materials from the Real Asset implementation presenters, and participate in the presentation that each will provide during the January Board meeting.

Background

During the October meeting the Board approved a new asset allocation policy which included a new 2% allocation to Real Assets. We now need to determine the appropriate structure/plan for implementing this allocation to Real Assets. During the December meeting the Board discussed three primary ways in which the Real Asset category could be implemented. One is to use our current consultant, SIS, for the manager structure, sourcing, and due-diligence of Real Asset managers. Another is to use a specialist Real Asset consultant for these same services. A third is to utilize a Fund-of-Funds (FoF) approach, which would be more of a turn-key solution. The Board requested to hear educational presentations for each of these approaches to better assess the benefits of each.

Discussion

Staff has asked *Altius Associates* to present the merits of utilizing a Fund-of-Funds approach, *Real Asset Portfolio Management* to present the merits of utilizing a specialist consultant, and *Strategic Investment Solutions* to present the merits of utilizing a generalist consulting approach for implementing real assets. The presentation books for each presenter are attached. Each presenter will have one hour allotted in the interview schedule, which will include their presentation and Q&A. The presentation schedule will be as follows:

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

9 a.m. Altius Associates – Jay Yoder (Partner and Head of Real Assets), and Doug Moore (Partner)

10 a.m. Real Asset Portfolio Management – Steve Gruber and Brent Burnett

11 a.m. Strategic Investment Solutions – John Nicolini and Patrick Thomas

Attachments

- A. *Altius Associates Fund of Funds Approach*
- B. *Real Asset Portfolio Management Specialist Consultant Approach*
- C. *Strategic Investment Solutions Generalist Consultant Approach*



ALTIUS
ASSOCIATES[®]

Real Assets Fund of Funds Approach

January 28, 2014

Confidential

Today's presenters



Jay Yoder

***Partner and
Head of
Real Assets***



Doug Moore

Partner



Bryan Sweeney

***Principal – Real
Assets***

Altius overview

- **Market leader: \$26.5 billion under advice and management (as of Dec. 31, 2013)**
- **Global reach: 44 staff in three global offices: US, Europe and Asia**
- **Experience: 16 years advising institutional clients on the creation and management of global private market programs**
- **7 US Pension Fund Clients**
- **Discipline: Research is the core of the firm's disciplined, rigorous investment process**
- **Strong reputation: Recognized for performance and high level of client service**



Altius' investment philosophy and process

- **Emphasize manager selection**
- **Maintain a long-term view**
- **Diversify the portfolio across stage, sector, geography and vintage**
- **Do not drop down in quality**
- **Utilize extensive, proprietary market research and fund due diligence process to guide manager selection**

Investment approaches

- **Listed stocks**
 - Liquid, but highly volatile and provides little diversification
- **Direct investment in projects**
 - Requires significant scale, resources, and expertise
- **Private equity-type funds**
 - Requires time, expertise, and resources to design diversified program and then source, evaluate, and select the best managers
- **Fund of Funds**

Advantages to fund of funds approach

- **Excellent diversification**
- **Leverages experience of the fund of funds manager**
- **Rigorous manager sourcing, analysis, and selection**
- **Access to the world's best managers**
- **Ease of administration**

Provides excellent diversification

➤ Real Assets is a broad sector

- Energy
- Infrastructure
- Timber
- Mining, Ag, Water

➤ Subsectors, e.g. Energy

- Upstream, midstream, power

➤ Infrastructure Strategy

- Brownfield, greenfield

➤ Geography

- North America, Europe, Rest of World

➤ Vintage Year

- 3-5 year investment period

Leverages experience



Jay Yoder
*Partner and
Head of
Real Assets*



Brad Young
*Co-CEO and
Global Head
of Investments*



Elvire Perrin
*Executive
Director*



Reyno Norval
*Principal –
Real Assets*



Bryan Sweeney
*Principal –
Real Assets*



Duncan Cox
Senior Advisor

Altius' skilled, experienced Real Assets team is led by investment professionals who have been investing in real assets since 1995

Leverages experience

- Length – 19 years
- Depth – Over 55 investments into funds, secondaries and co-investments
- Breadth – energy, timber, infrastructure and mining
- Volume – approximately \$2.3 billion
- Track Record - Altius Associates and its senior investment professionals possess an extensive real assets track record which has shown strong performance in comparison to relevant benchmarks

Altius' partners have committed over \$2.3 billion to 57 real assets funds, which Altius believes is the most comprehensive track record of any group in this developing asset class

Rigorous manager sourcing, analysis, and access

➤ Sourcing and Analysis

- Over 120 traditional energy managers
- About 50 renewable energy managers
- Over 140 infrastructure managers
- Over 80 “other” real assets managers

➤ Due Diligence and Selection

➤ Access

- Many quality RA managers are oversubscribed

Ease of administration

- **One decision**
- **Single K-1**
- **One point of contact**
- **Consolidated reporting**

Disadvantages to fund of funds approach

➤ **Extra layer of fees**

- But, you have to pay someone
- The only thing more expensive than good investment advice is poor investment advice

➤ **Lack of targeted approach**

Altius Real Asset Fund, L.P. (ARAF)

ARAF fund highlights

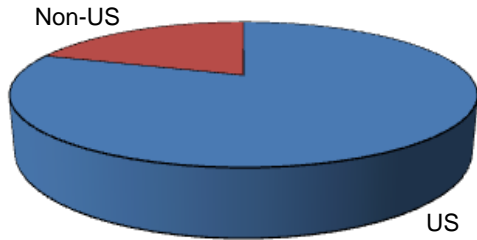
- Allocations to energy, infrastructure, timber and other natural resources
- Inefficient markets with strong long-term fundamentals and good current opportunities
- 15-18 managers with deep industry experience and operational capabilities
- Both primary and secondary commitments
- Return target: 12-14% net IRR; 3-4% current yield
- First close held in August 2013 at \$47 million
 - Additional \$16 million (€12 million) in commitments in December 2013

ARAF is a diversified, multi-strategy real assets fund-of-funds designed for investors looking for a core real assets holding

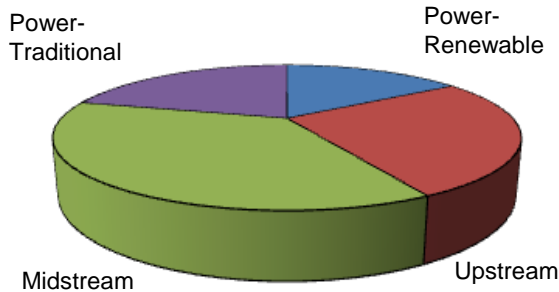
ARAF investment strategy

Energy 50-70%

By Geography

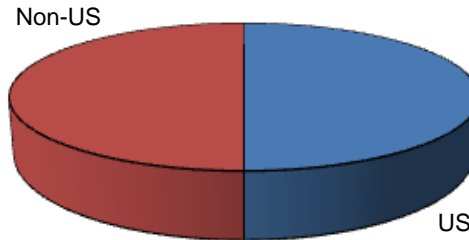


By Sector

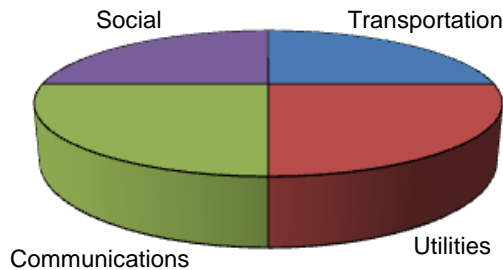


Infrastructure 10% - 20%

By Geography

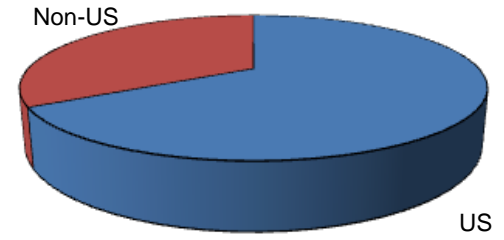


By Sector

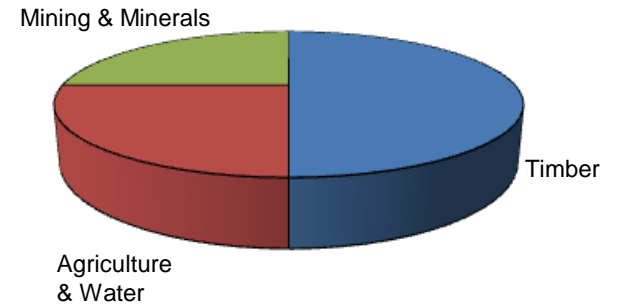


Other Natural Resources including Timber - Balance

By Geography



By Sector



Note: Actual allocations will differ from these projections

Note: Pie chart represents areas that will be considered for "other" natural resources allocation

Investment update: first two commitments completed

- First commitment made to manager providing debt and equity to energy infrastructure sector
 - Firm has 31-year history of success
 - Two prior funds have earned 33% and 17% returns *
 - Strong yield component will mitigate the J curve: two most recent funds have yielded 9.0% and 5.5% to date
- Second commitment made to energy manager providing equity to the midstream and power sectors
 - Access to this oversubscribed fund was possible due to close relationship with manager since its inception in 2005
 - Altius invested in prior fund which has generated a 35% return *

* Gross IRRs through 6/30/13

Appendix

Presenter bios



Jay Yoder
**Partner and
Head of Real
Assets**

Jay Yoder, CFA is a Partner and Head of Real Assets. He focuses on investment opportunities in energy, timber and infrastructure. Mr. Yoder has over 20 years of investment experience, with 18 years experience investing in real assets. He has identified, evaluated, and completed over USD 800 million of commitments to over 30 energy, infrastructure, timber, real estate funds and co-investments. Mr. Yoder joined Altius in 2008.

Prior to joining Altius, Mr. Yoder co-founded and managed a real assets fund of funds. For the prior 10 years, Mr. Yoder successfully managed endowments at Vassar College and Smith College. At both institutions, Mr. Yoder wrote new investment policies and implemented modern portfolios with significant allocations to alternative investments. During his tenure at both colleges, their endowments earned first quartile returns and exceeded the colleges' own composite benchmarks. Mr. Yoder also spent seven years with SEI Corporation in their pension consulting division (now part of RogersCasey).

Mr. Yoder has an undergraduate degree from Albright College, where he currently serves on the Board of Trustees and chairs its investment subcommittee. He holds an MBA from the Owen Graduate School of Management at Vanderbilt University. Mr. Yoder is also a member of the Winston-Salem Foundation's finance committee. He earned his Chartered Financial Analyst (CFA) designation in 1992.



Doug Moore
Partner

Doug Moore is a Partner on the US Investor Relations Team. He is responsible for client relationships and identifying new business within the Americas. Mr. Moore joined Altius in July 2012 and has 18 years of experience within alternative investments.

Prior to joining Altius, Mr. Moore worked at Agecroft Partners where he was a Managing Director, responsible for marketing to institutional investors in the USA and Europe on behalf of a small group of alternative investment managers. Previous experience includes institutional sales and trading roles for a variety of investment banking firms, including R6 Capital Group, Chesapeake Capital and Merrill Lynch. Mr. Moore holds a B.S. in Finance from Texas A&M University.



Bryan Sweeney
**Principal – Real
Assets**

Bryan Sweeney is a Senior Associate on the Investment Team, specializing in Real Assets and co-investments. He focuses on tracking general partners, providing due diligence and analytical support, primarily in the US. Mr. Sweeney joined Altius in 2008, and has 5 years of private equity experience.

Prior to joining Altius, Mr. Sweeney conducted research into investment strategies, asset classes and benchmark performances at Merrill Lynch & Co. Mr. Sweeney has a BS in Finance from the University of Richmond.

Other real assets team member bios



Brad Young

**Co-CEO &
Global Head of
Investments**

Brad Young is Co-Chief Executive Officer and Head of Investments. He has overall responsibility for all fund investments and runs the North American office. He is a member of Altius' Board and Investment Committee. He has more than 18 years of private markets experience, and joined Altius in 2004.

Prior to joining Altius, Mr. Young was Director of Private Equity at MIT (Massachusetts Institute of Technology), where he was one of a three-person team that managed all aspects of the domestic and international private equity program for MIT, representing MIT on fund advisory boards. Mr. Young also spent five years at the University of Richmond as Director of Private Investments where he directed all aspects of the domestic private equity portfolio. He has substantial experience investing in real assets and venture capital as well as private equity. He also held the position of Trust Officer and Manager for Crestar Bank. Mr. Young holds a BA in History from Hampden-Sydney College, and an MBA from Wake Forest University.



Elvire Perrin

Executive Director

Elvire Perrin is a Partner and Executive Director. She is a member of Altius' Investment Committee and is part of Altius' Global Investment Team, including Real Assets. She is responsible for Private Credit Strategies and Emerging Markets ex Asia. Upon joining Altius, Ms. Perrin was responsible for coverage of the private equity market in Continental Europe. During this time, she was instrumental in the research effort that led to Altius identifying the potential risks associated with the technology venture market in 2000, subsequently resulting in the firm not investing in the venture investment bubble and thereby avoiding the crash. Ms. Perrin also developed Altius' approach to peer group analysis of general partners. This approach is a key aspect of Altius' Research and Investment Process today, which includes Real Assets. Ms. Perrin joined the firm in 1999, and has over 14 years of private equity and real assets experience.

Prior to joining Altius, Ms. Perrin held positions in the New York and Paris offices of the Invest in France Agency, and DATAR (the French Regional Planning Commission). She has a BSc (Hons) in Economic Science from Sorbonne University; an MSc (Hons) in International Economics from Nanterre University, and an MSc (Hons) in Public Management from Dauphine University. Ms. Perrin speaks French, English, Spanish and Italian.



Reyno Norval

**Principal – Real
Assets**

Reyno Norval is an Infrastructure Specialist on the Investment Team. He is dedicated to infrastructure, with a main focus on European infrastructure. Mr. Norval joined Altius in 2012, and has 7 years of industry experience.

Prior to joining Altius, Mr. Norval worked at Green Gas Americas, Inc where he was a Project Developer. In that role he originated and developed principal investments in landfill gas to energy within United States and Latin America. He specialised in equity investment, acquisition screening, project financing and project development. Prior to Greengas, Mr. Norval was a Commercial Analyst in the Strategy & Investment team at EDF Energy (UK) LTD. His role included: financial valuations identifying key financial risks associated with new investments, extensive project due diligence and making investment recommendations. He also dealt with complex contractual relationships with close attention to relevant legal, technical and commercial issues. Mr. Norval has a B.Sc from the University of Wales Institute Cardiff; in addition to this he has passed the level 1 CFA exam.



Duncan Cox

Senior Advisor

Mr. Cox is a Senior Advisor to Altius Associates in the infrastructure and energy sectors.

He is the President and Chairman of Green Gas America and has over 35 years direct technical and operational experience with traditional and renewable power plants, bridges, stadiums and other steel structures. Mr. Cox has extensive experience in top level management, including President and Chief Executive Officer positions held at various companies including Canron Corporation, Mitsui Babcock Energy and Zurn Energy (US). Mr. Cox has a Bachelor of Applied Science (Mechanical Engineering) from the University of Waterloo (Canada) and is a member of the Association of Professional Engineers of Ontario.

Advisory and fund of fund clients

Superior services and resources to a select group of sophisticated institutional investors

North America

- California State Teachers' Retirement System (CalSTRS)
- California Public Employees' Retirement System (CalPERS)
- Maryland State Retirement and Pension System
- Invest Maryland
- Employees' Retirement System of Texas (ERS)
- Kentucky Retirement Systems (KRS)
- Overseas Private Investment Corporation (OPIC)
- Ohio Public Employees' Retirement System (OPERS)
- Washington State Investment Board (WSIB)
- Institutional-scale Family Office

Asia-Pacific

- Commonwealth Superannuation Corporation
(Formerly known as ARIA)
- Major Japanese financial institution

Europe

- 2 Institutional-scale Family Offices (UK)
- Church Commissioners for England (UK)
- Pension Protection Fund (UK)
- Pension Fund (Germany)
- Engineers Pension Fund (Denmark)
- Lawyers and Economists Pension Fund (Denmark)
- Municipal Employees Pension Fund (Denmark)
- British Gas (UK)

Funds-of-Funds *

- Altius Associates Private Equity Fund II (AAPEF II)
- Altius Real Assets Fund (ARAF)
- Altius Associates Private Equity Fund (AAPEF)

* (investors include endowments, family offices, local authorities and high net worth individuals)

Real assets track record

Fund	Fund Vintage Year	Sector	Net IRR	Fund	Fund Vintage Year	Sector	Net IRR
Fund 1	1994	Real Estate	8.8%	Fund 30	2007	Energy Infrastructure	16.5%
Fund 2	1994	Real Estate	10.9%	Fund 31	2007	Timber	5.8%
Fund 3	1995	Energy	16.7%	Fund 32	2007	Energy Infrastructure	3.0%
Fund 4	1995	Energy	14.8%	Fund 33	2008	Energy	-7.0%
Fund 5	1997	Energy	2.1%	Fund 34	2008	Infrastructure	15.7%
Fund 6	1998	Energy	25.7%	Fund 35	2008	Timber	11.8%
Fund 7	1998	Energy	9.1%	Fund 36	2008	Energy	27.5%
Fund 8	1998	Energy	25.3%	Fund 37	2010	Energy	100.7%
Fund 9	1998	Mining	19.1%	Fund 38	2010	Energy Infrastructure	35.0%
Fund 10	1999	Energy	73.0%	Fund 39	2010	Energy Infrastructure	-25.8%
Fund 11	1999	Real Estate	19.2%	Fund 40	2010	Timber	8.6%
Fund 12	2000	Mining	48.3%	Fund 41	2011	Energy Infrastructure	33.0%
Fund 13	2000	Real Estate	10.3%	Fund 42	2011	Timber	14.4%
Fund 14	2002	Real Estate	10.3%	Fund 43	2011	Energy Infrastructure	5.8%
Fund 15	2002	Timber	8.8%	Fund 44	2011	Energy	-0.1%
Fund 16	2002	Energy	32.0%	Fund 45	2011	Energy	40.2%
Fund 17	2003	Energy	19.0%	Fund 46	2012	Energy Infrastructure	n/m
Fund 18	2003	Energy	12.8%	Fund 47	2012	Energy Infrastructure	n/m
Fund 19	2003	Timber	n/a*	Fund 48	2012	Infrastructure	n/m
Fund 20	2005	Energy	7.9%	Fund 49	2012	Timber	9.8%
Fund 21	2006	Energy Infrastructure	5.0%	Fund 50	2012	Energy	nm
Fund 22	2006	Energy Infrastructure	6.4%	Fund 51	2012	Energy	20.2%
Fund 23	2006	Energy	23.0%	Fund 52	2012	Energy	n/m
Fund 24	2006	Timber	5.7%	Fund 53	2013	Energy	n/m
Fund 25	2007	Energy Infrastructure	10.2%	Fund 54	2013	Energy Infrastructure	n/m
Fund 26	2007	Energy	16.3%	Fund 55	2013	Energy Infrastructure	n/m
Fund 27	2007	Infrastructure	5.1%	Fund 56	2013	Energy Infrastructure	n/m
Fund 28	2007	Energy	18.5%	Fund 57	2014	Energy Infrastructure	nm
Fund 29	2007	Energy Infrastructure	33.5%				
Total Amount Committed: \$2.3 Billion to 57 investments							

Note: Track record includes the performance of Real Assets fund commitments made by Altius and Altius professionals prior to joining Altius. IRRs reported are mostly net figures as provided by fund managers or investors as of the most recent date available to Altius. Further details available upon request.

ARAF portfolio plan in place and top tier managers identified

Fund	Time Period	Fund Focus by Sector/Segment	Geography	Manager Target IRR	Estimated Yield
ECP III	2013	Power and midstream	North America	20-30%	0-2%
Energy Fund HP	2014	Independent Power – Buy or Build	North America	20-25%	3-5%
Energy Fund Q	2014	Diversified	North America	20-25%	1-3%
Energy Fund HV	2014	Equipment and services; Upstream	Europe	20-30%	1-3%
Energy Fund ES	2014	Midstream	North America	25-30%	0-2%
Energy Fund N	2015	Upstream, agriculture, and water	North America	20-25%	1-2%
Energy Fund K	2015	Upstream	North America	25-30%	0-2%
Secondary Fund A	TBD	TBD	TBD	TBD	TBD
Secondary Fund B	TBD	TBD	TBD	TBD	TBD

ARAF portfolio plan in place and top tier managers identified

Fund	Time Period	Fund Focus by Sector/Segment	Geography	Manager Target IRR	Estimated Yield
EIG XVI	2013	Energy Infrastructure	Global – primarily OECD countries	12-15%	5-7%
Infrastructure Fund BB	2014	Diversified Infrastructure	Europe and North America	15%	5-8%
Infrastructure Fund EQ	2015	Brownfield energy Transportation and utility assets	Nordic countries and North America	12-15%	5-7%
Timber Fund R	2014	Southern Pine Plantations	Southern US	10-11%	3-5%
Timber Fund O	2015	Douglas Fir Hemlock	Pacific Northwest US	8-10%	2-4%
Timber Fund R1	2015	Sustainable plantation forestry	Brazil, Australia, NZ	8-10%	4-6%
Natural Resources Fund S	2014	Mining	Global	>20%	0-2%

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The value of investments, and the income derived there from, can go down as well as up and the amount eventually realized may be lower than the amount initially invested. Past performance is not necessarily a guide to future performance. Financial markets are unpredictable. In particular, investments denominated in foreign currencies will be impacted by movements in the foreign exchange markets.

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San Mateo County Employees' Retirement Association

Real Asset Services Review

January 2014



Firm Introduction

Real Asset Portfolio Management LLC (“RAPM”) is an investment advisory firm focused **exclusively on real assets**.

- We are a Registered Investment Adviser with the SEC and we have been providing real asset consulting services to our institutional client-base for over 5 years.
- We have assembled a qualified team of eight professionals with specific knowledge and experience across the global real assets landscape.
- We are wholly dedicated to real assets and our professionals have deep experience across portfolio construction, fund manager selection, co-investment and secondary execution and direct asset transactions.
- We currently advise eight institutional clients with diverse and extensive portfolios encompassing \$1.50 billion of real assets investments.
- We maintain a global perspective on real assets and we have on-the-ground investment experience in North America, Europe, Asia, and Latin America.
- We have developed a state-of-the-art, proprietary, and comprehensive database of real asset investment opportunities, which we use to evaluate and select the best risk-adjusted investments for our clients.
- We have created a best-in-class performance reporting infrastructure, following industry standards and developed in consultation with leading industry performance reporting experts.
- **We have never lost a client and all of our retainer clients are generating strong performance relative to their established benchmarks***.

Key Services

RAPM offers the following services across real asset categories:

<p>Portfolio Construction</p>	<ul style="list-style-type: none"> ▪ Strategy development and portfolio design ▪ Manager due diligence, selection and monitoring ▪ Portfolio rebalancing and tactical investment implementation 	<ul style="list-style-type: none"> ▪ Investment policy development & review ▪ Performance reporting and manager benchmarking ▪ Quarterly capital market reviews and recommendations 	<ul style="list-style-type: none"> ▪ Leverage policy, strategy & implementation ▪ Manager compliance and fee verification ▪ Fee modeling & negotiations
<p>Investment Due Diligence</p>	<ul style="list-style-type: none"> ▪ Rigorous manager and property-level due diligence ▪ Manager monitoring ▪ Co-investment and secondary screening, due diligence and structuring 	<ul style="list-style-type: none"> ▪ Acquisition, disposition and buy/hold asset-level analysis ▪ Business plan, budget and operations reviews ▪ Work-outs, restructurings and manager replacement reviews 	<ul style="list-style-type: none"> ▪ Terms review and negotiations ▪ Public security strategy analysis and recommendations (REIT's, TIMO's, MLP's and futures based commodity strategies)
<p>Other Services</p>	<ul style="list-style-type: none"> ▪ Fiduciary audit services – audit returns and compliance of existing managers/investment program ▪ Independent fiduciary services ▪ QPAM oversight for direct investments 	<ul style="list-style-type: none"> ▪ Structuring contribution of properties to pooled funds ▪ Structuring extrication of properties from pooled funds ▪ Appraisal firm search and selection 	<ul style="list-style-type: none"> ▪ Topical and/or investment specific research ▪ Board and Investment Staff Education and Seminars

Representative Clients

We are pleased to offer real asset consulting and advisory services to an experienced and diverse group of institutional investors:

RAPM Client	Asset Class	RAPM Services
New York State Common Retirement System	Real Estate	<ul style="list-style-type: none"> Co-investment due diligence, structuring and capital placement Ongoing monitoring of co-investments Quarterly performance reporting on co-investment status and results
New Mexico Educational Retirement Board	Real Estate, Energy, Mining & Minerals, Timber, Agriculture	<ul style="list-style-type: none"> Policy development, portfolio construction and investment research Investment due diligence, selection, monitoring and performance reporting Co-investment and secondary due diligence, structuring and capital placement
Sentry Insurance Company	Real Estate, Energy, Mining & Minerals, Infrastructure, Timber, Agriculture	<ul style="list-style-type: none"> Policy development, investment research and portfolio construction Investment due diligence, selection, monitoring and performance reporting
High Net Worth Multi-Family Office	Real Estate, Energy, Mining & Minerals, Infrastructure, Timber, Agriculture	<ul style="list-style-type: none"> Policy development, portfolio construction and investment research Investment due diligence, selection, monitoring and performance reporting
Teachers Retirement System of Illinois	Real Estate	<ul style="list-style-type: none"> Co-investment due diligence, structuring and capital placement
Washington State Investment Board	Energy, Mining & Minerals, Infrastructure, Timber, Agriculture,	<ul style="list-style-type: none"> Investment due diligence, investment research, board education, other special projects
Top 15 University Endowment	Real Estate	<ul style="list-style-type: none"> Portfolio construction, investment due diligence, investment research, board education, other special projects

RAPM Organization Chart

RAPM Investment Team

Scott Davies
Senior Consultant

Steve Gruber
Managing Member

Brent Burnett
Senior Consultant

Kristina Logvinenko
Analyst

TC Rolfstad
Investment Associate

Tracy Woodward, CPA
Controller

Third Party Support Providers

Reporting, Accounting and Fund Administration

Legal

IT / Systems

Delap, LLP
Accounting, Tax and Audit

Morrison Foerster LLP
Transactions

Netage Solutions
Database Administrator

Joe D'Alessandro, CPA
Performance Reporting Consultant

Stoel Rives
Compliance/Employment

Microsoft Sharepoint
Email/Data Backup/Storage/Software

Imowitz Koenig and Co.
Fund Audit

Real Asset Specialist Considerations

- **Asset Expertise:** Real assets are unique from all other asset classes in an institutional portfolio, and understanding the nuances of real asset sub-strategies is critical to evaluating embedded risks and desired return attributes.
- **Portfolio Construction:** Most institutional investors allocate to real assets to achieve a combination of total return, income and inflation protection, yet many real asset investments covered by non-specialists are more closely related to sector-specific private equity funds.
- **Investment Sourcing:** Complete visibility into the investment universe allows for customized portfolio allocations to real asset sub-strategies to accomplish desired portfolio characteristics.
- **Investment Evaluation:** Real assets has seen a proliferation of new strategies and investment vehicles, requiring a specialty focus to ensure these emerging opportunities are properly evaluated relative to existing alternatives.
- **Investment Selection:** Portfolio construction and investment selection are the largest contributors to total returns and a sizeable spread exists between top performing and non-performing fund managers.

RAPM's Approach to Real Asset Investing

- 1. We understand the building blocks:** We separate real assets into five distinct sub-asset classes, each with its own unique set of risk and return characteristics – Energy, Infrastructure, Timber, Agriculture, Mining & Minerals.
- 2. We Focus on portfolio construction before investment selection:** Before entertaining investment options, we focus on portfolio construction and we believe the combination of the sub-asset classes should match the risk, return, diversification, and inflation objectives of the client.
- 3. We “hunt” instead of “gather” when evaluating investment opportunities:** We currently track 1,030 real asset investment offerings, we have complete visibility into the current and future investment opportunity set and we know what we want to buy, rather than buying what’s currently being offered.
- 4. Our process ensures repeatability:** We follow a rigorous due diligence process to ensure each investment option under consideration offers the best prospective risk-adjusted return.
- 5. We actively monitor our portfolios and make adjustments when necessary:** We regularly review performance, pacing and portfolio exposures to ensure the portfolio is consistent with stated objectives.

Real Asset Portfolio Construction – Approaches and Limitations

- Constructing an “optimal” allocation to Real Assets is an exercise involving some quantitative analysis and a lot of qualitative judgment.
- The tools typically involved in asset allocation decision making, both at the total portfolio level and the sub-asset class structure of broader categories, have severe limitations when applied to Real Assets.

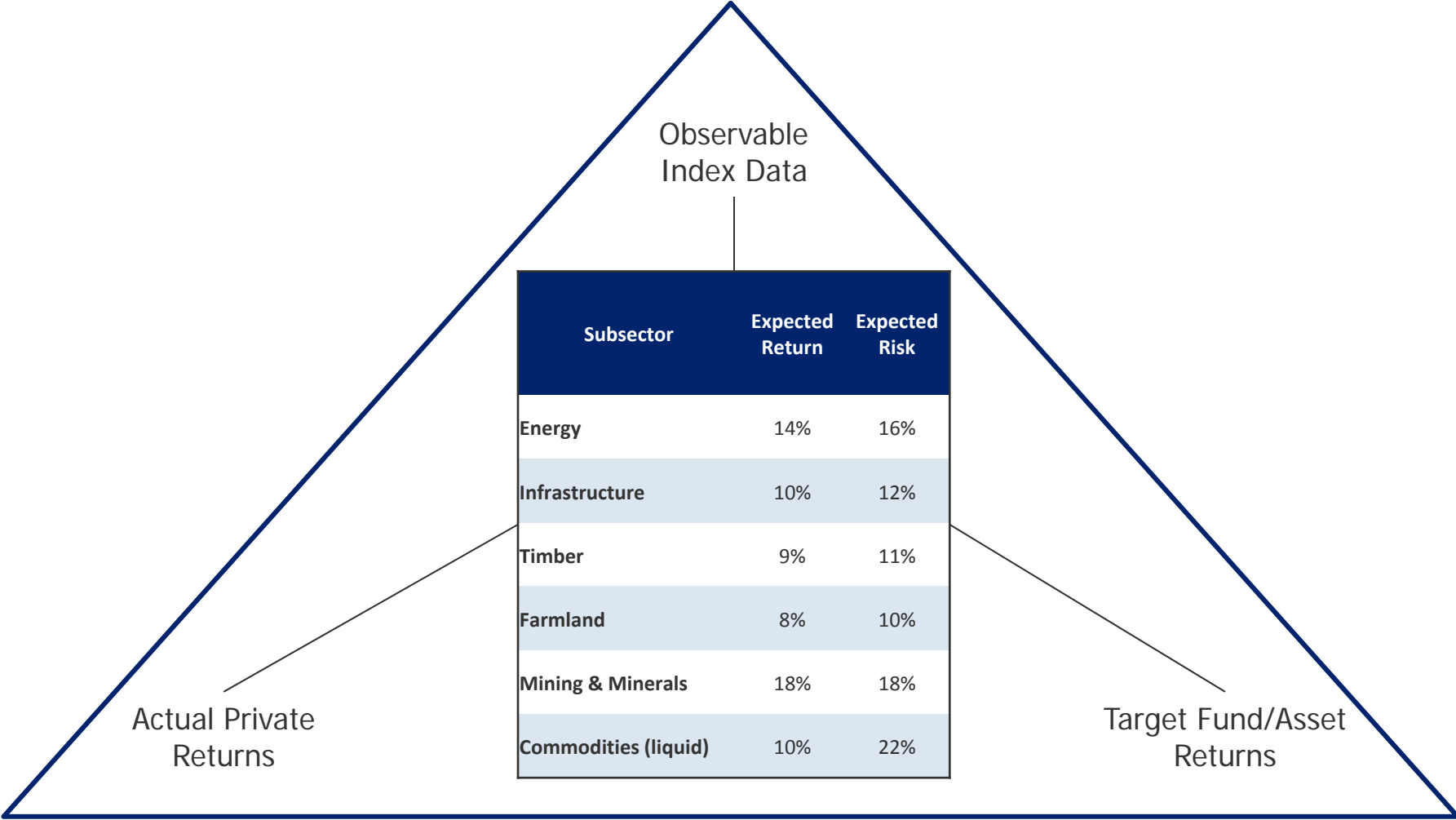
Asset Allocation Methodology	Description	Why It Works for Traditional Assets	Limitations Specific to Real Assets
Mean Variance Optimization	Utilizes inputs of expected return, expected risk (standard deviation), and correlations between asset classes to create portfolio mixes that maximize return for a given level of risk.	Long-term observable indices exist that accurately reflect the investment opportunity set, allowing for more robust data sets when developing expected assumptions in relation to historical observations.	Private real assets lack comprehensive historical return data sets. Those that exist consist of a limited number of active managers pursuing differentiated strategies. Even well-established indices don't represent the investable universe.
Mean Benchmarking Optimization	Utilizes inputs of excess return, tracking error, and excess return correlations to create portfolio mixes that provide that maximize excess return for a given level of tracking error to a desired benchmark.	Clearly defined benchmarks exist for asset classes with long, observable, return series and similar asset characteristics that adequately capture long-term relationships between assets and their corresponding relation to the target benchmark.	Long-term return series for real asset subcategories don't exist and different portfolio objectives make benchmarking difficult, resulting in unreliable assumptions around excess returns, tracking error and excess return correlations.
Investable Universe Replication	Seeks to construct a portfolio that roughly matches the sub-asset class exposures found in investable indices that accurately reflect the investable universe.	Investable options exist to adequately construct portfolios that have capital-weighted exposures that are similar to the investable universe.	Defining the investable universe is difficult in private real assets and the magnitude of certain subsectors would result in non-diversified exposure.

Real Asset Portfolio Construction – Observable Inputs

- The table below illustrates some of the data points used to develop our assumptions set for each of the sub-sectors within real assets.

Asset Class	Data Category	Data Set	Returns	Standard Deviation
Energy	Public Market Index	Dow Exploration & Production Index	12%	24%
	Private Market Index	N/A	N/A	N/A
	Observed Private Returns (production-oriented)	RAPM Database	12-16%	N/A
	Underwriting Returns (100% PDP, levered)	RAPM Analysis	12-14%	N/A
Infrastructure	Public Market Index	Dow Brookfield Global Infra. Index.	15%	20%
	Private Market Index	IPD Australia Unlisted Infra. Index	11%	8%
	Observed Private Returns	RAPM Database, Preqin Database	8-16%	10%
	Underwriting Returns (Core, levered)	RAPM Analysis	10-12%	N/A
Agriculture	Public Market Index	S&P Agribusiness Index	13%	26%
	Private Market Index	NCREIF Farmland Index	12%	7%
	Observed Private Returns	RAPM Database, Preqin Database	8-12%	N/A
	Underwriting Returns (Core, levered)	RAPM Analysis	6-8%	N/A
Timber	Public Market Index	Dow Global Forestry Index	-1%	30%
	Private Market Index	NCREIF Timberland Index	13%	8%
	Observed Private Returns	RAPM Database	8-12%	N/A
	Underwriting Returns (Core, levered)	RAPM Analysis	8-10%	N/A
Mining & Minerals	Public Market Index	Dow Global Mining Index	9%	28%
	Private Market Index	N/A	N/A	N/A
	Observed Private Returns	RAPM Database	18-22%	N/A
	Underwriting Returns (Core, levered)	RAPM Analysis	16-18%	N/A

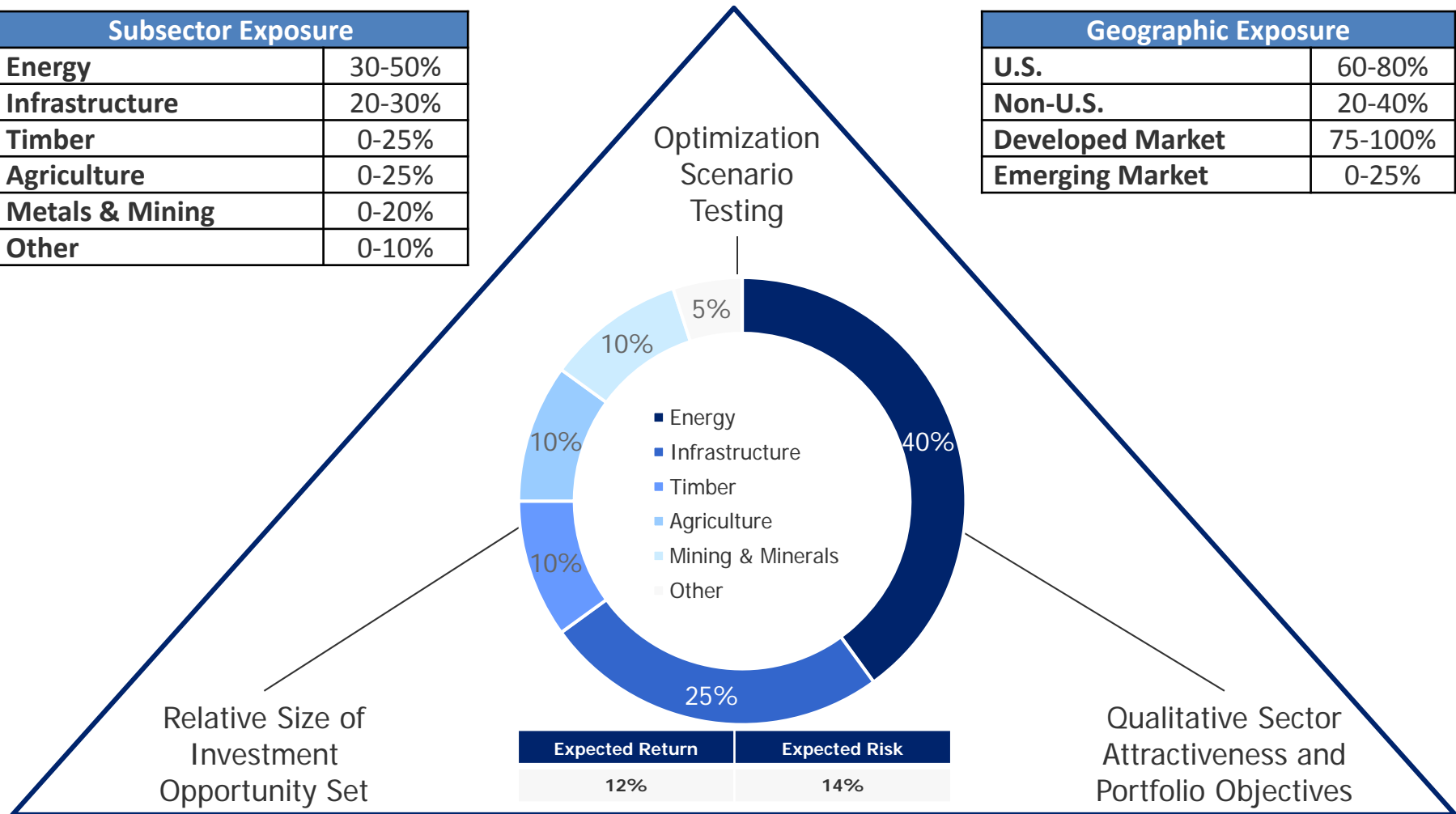
Real Asset Portfolio Construction – Expected Risk/Return



Real Asset Portfolio Construction – Portfolio Targets

Subsector Exposure	
Energy	30-50%
Infrastructure	20-30%
Timber	0-25%
Agriculture	0-25%
Metals & Mining	0-20%
Other	0-10%

Geographic Exposure	
U.S.	60-80%
Non-U.S.	20-40%
Developed Market	75-100%
Emerging Market	0-25%

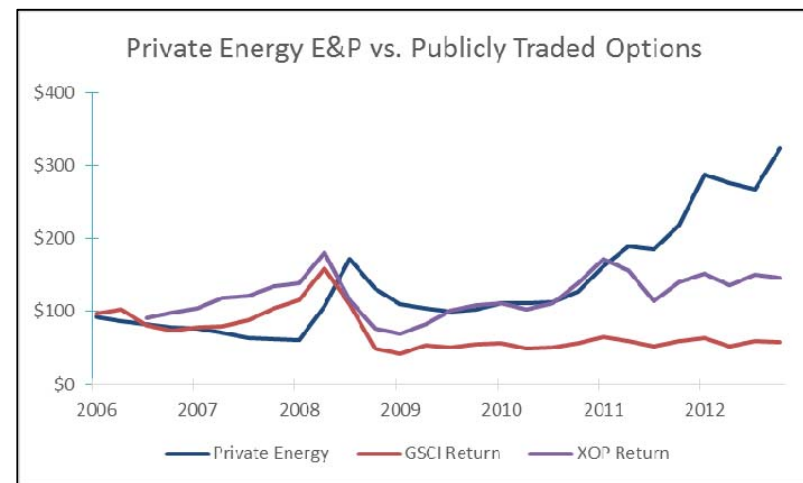
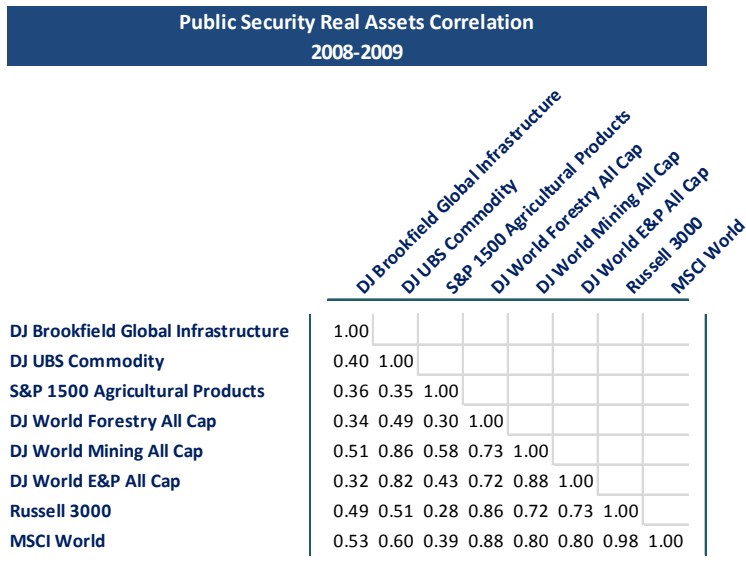


Real Asset Portfolio Construction – Exposure Options

Vehicle	Total Returns	Income Return	Volatility	Liquidity	Annual Fees	Strengths	Weaknesses
Public Stocks, REITs and MLPs	10-12%	2-5%	High	Daily	0-150 bps	<ul style="list-style-type: none"> • Instant, though indirect exposure • Low fees • Highly liquid 	<ul style="list-style-type: none"> • High volatility • High correlation to equities • No participation in operations • Highly efficient market
Commodity Futures	10-12%	1-2%	High	Daily	0-150 bps	<ul style="list-style-type: none"> • High alpha potential • Instant exposure • Highly liquid 	<ul style="list-style-type: none"> • High volatility • Return sources are driven by trading skill and not asset exposure or operating expertise
Commingled Funds	12-25%	8-12%	Low	Low	100-250 bps	<ul style="list-style-type: none"> • Private exposure • Strong returns driven by operations • Strong income and appreciation • Low correlations 	<ul style="list-style-type: none"> • Higher fees • Very low liquidity • No control
Co-investments	12-25%	8-12%	Low	Low	0-100 bps	<ul style="list-style-type: none"> • Private exposure • Low correlations • More exposure control • Lower fees 	<ul style="list-style-type: none"> • Higher staff burden • Larger investments required • Opportunity set is limited
Separate Accounts	Varies	Varies	Low	Low	100-200 bps	<ul style="list-style-type: none"> • Private exposure • Ability to customize • Lower fees and more control 	<ul style="list-style-type: none"> • Larger investments required • Manager concentration risk • Parameter definition risk
Direct Asset Own/Operate	Varies	Varies	Low	Medium	0-50 bps	<ul style="list-style-type: none"> • Private exposure • No management fees • Complete control 	<ul style="list-style-type: none"> • High staff burden • Increased liability

Real Asset Portfolio Construction – Public vs. Private

- In a real assets portfolio, we often integrate both listed and private investment vehicles into our client portfolios, though we have a preference to maintain higher allocations to private strategies.
- Publicly traded real asset securities exhibit high degrees of equity correlation in down markets and most plans already maintain some exposure to most of the publicly traded real asset companies through their equity portfolios.
- Though the illiquid nature of private real assets results in artificial return smoothing, the daily liquidity of publicly traded securities results in substantial volatility, with returns disconnected from the management of the assets.

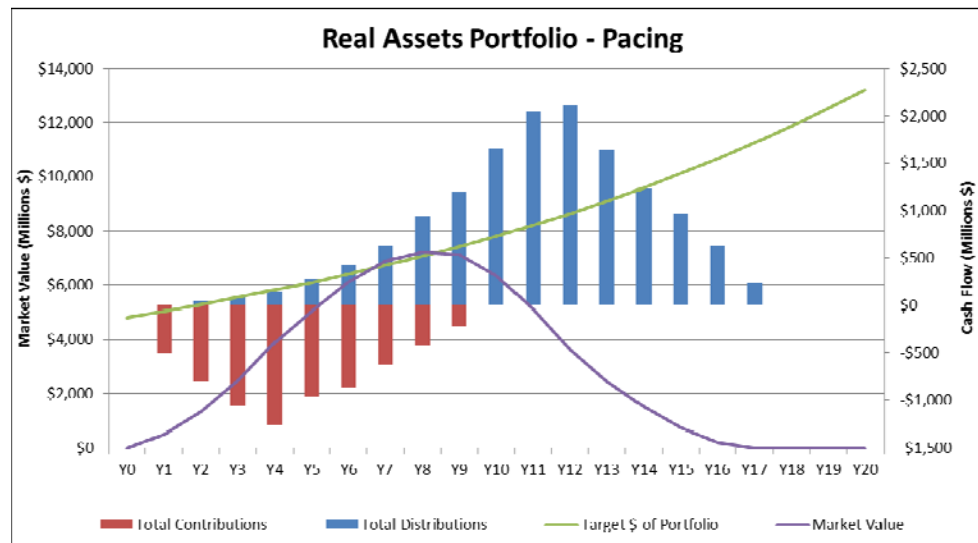


Real Asset Portfolio Implementation – Portfolio Pacing

Min	Target
Total RA	3.0%
Energy	35%
Timber	15%
Mining	10%
Infrastructure	25%
Agriculture	15%

CLIENT Total Fund Variables	
Target Return	7.50%
Net Flow Growth	3.25%
2012 Net Flow	(4,180,055,000)
December 2012 MV	160,000,000,000
December 2013 MV	
December 2014 MV	
December 2015 MV	

Real Assets Portfolio - Pacing						
Million \$	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Commitments:						
Energy - RA Target 35%	\$500	\$500	\$300	\$300	\$250	\$250
Timber - RA Target 15%	\$250	\$75	\$75	\$75	\$75	\$75
Mining - RA Target 10%	\$250	\$75	\$75	\$75	\$75	\$75
Infrastructure - RA Target 25%	\$500	\$300	\$300	\$200	\$200	\$300
Agriculture - RA Target 15%	\$300	\$200	\$200	\$100	\$100	\$100
Real Assets	\$1,800	\$1,150	\$950	\$750	\$700	\$800
Pro Forma Capital Statement:						
Beginning Market Value	\$0	\$500	\$1,314	\$2,451	\$3,876	\$5,046
Invested	-\$500	-\$806	-\$1,063	-\$1,269	-\$963	-\$875
Return of Capital	\$0	\$53	\$88	\$146	\$272	\$424
Unrealized Gains	\$0	\$8	\$74	\$157	\$208	\$204
Ending Market Value	\$500	\$1,314	\$2,451	\$3,876	\$5,046	\$6,126
Target Market Value	\$5,031	\$5,274	\$5,532	\$5,804	\$6,092	\$6,397
Difference / % of Target	-\$4,531 (10%)	-\$3,960 (25%)	-\$3,081 (44%)	-\$1,928 (67%)	-\$1,046 (83%)	-\$272 (96%)

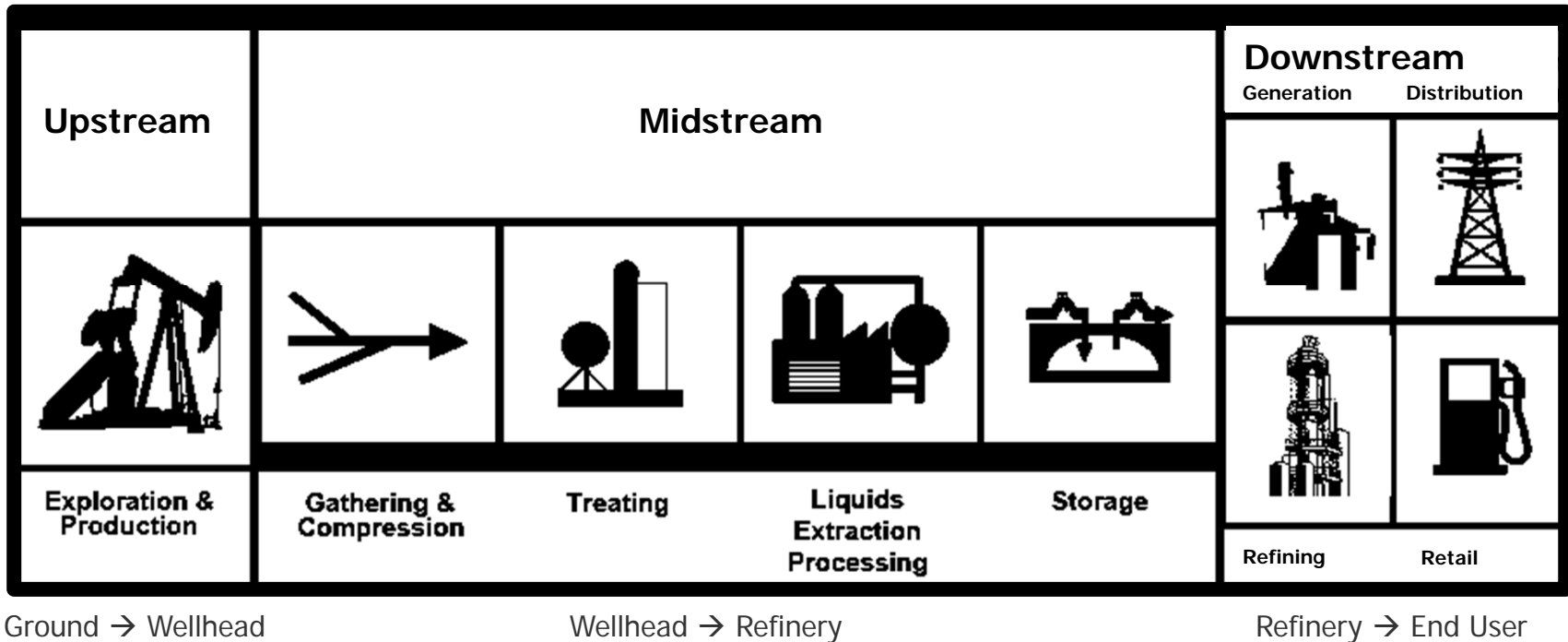


Real Asset Portfolio Implementation – Define the Universe



Real Asset Portfolio Implementation – Sub-strategy Evaluation

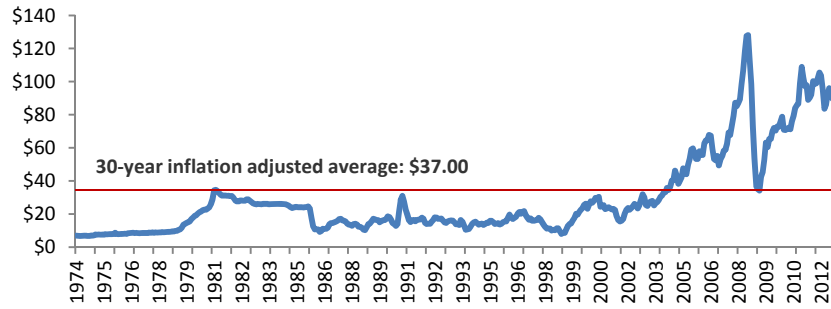
The energy sector is diverse and the level of real asset exposure differs across sub-strategies.



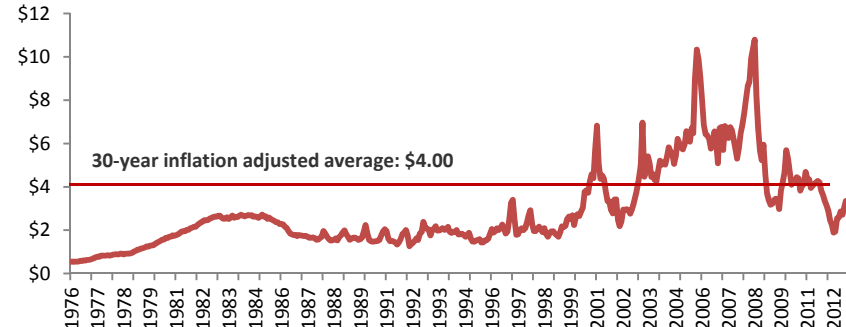
Real Asset Portfolio Implementation – Sub-strategy Evaluation

Unconventional resource plays are attracting significant development capital at current commodity prices.

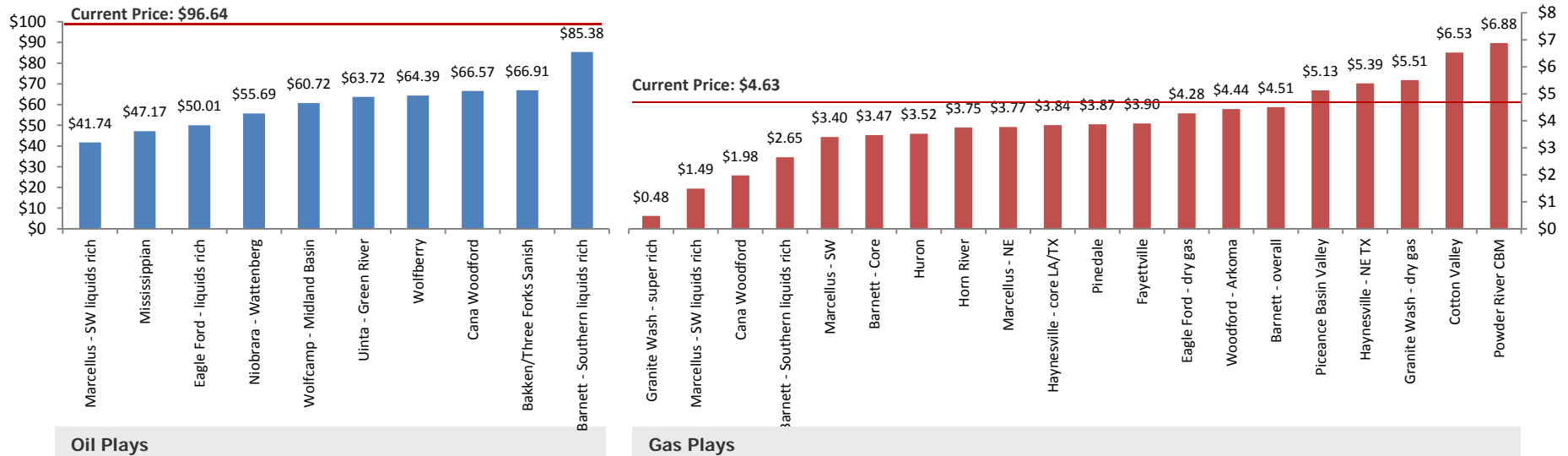
Crude Oil Prices 1974-2012



Natural Gas Prices 1976-2012



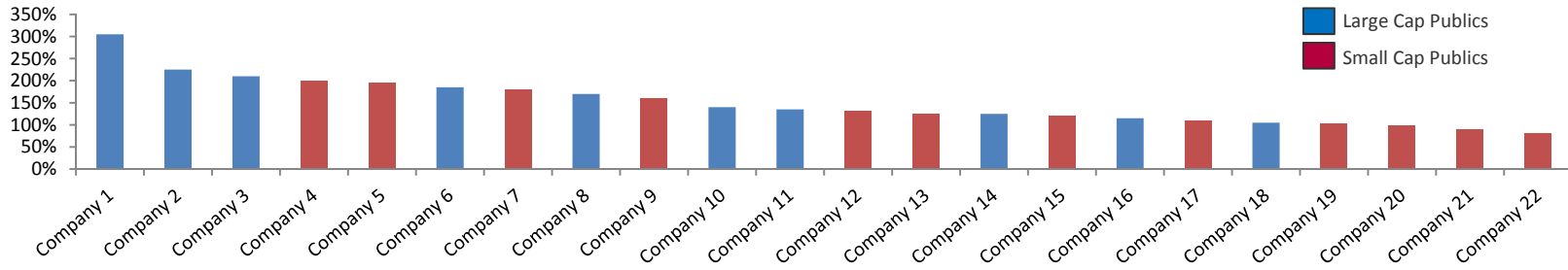
Breakeven Commodity Prices For Various North American Resource Plays



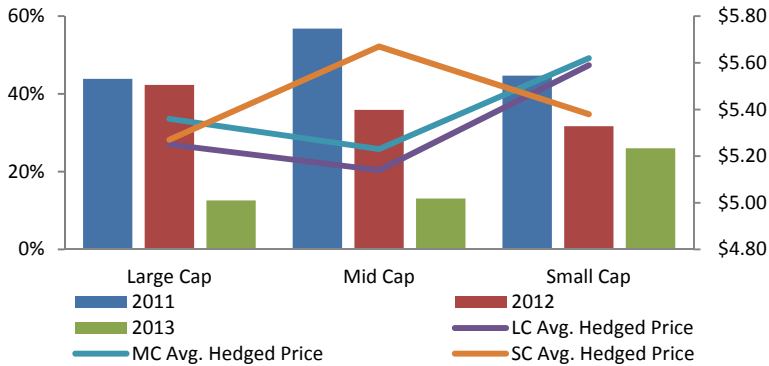
Real Asset Portfolio Implementation – Sub-strategy Evaluation

The current market creates opportunity for smaller, private investors, as the “majors” and large independents transition their focus to larger unconventional resource plays.

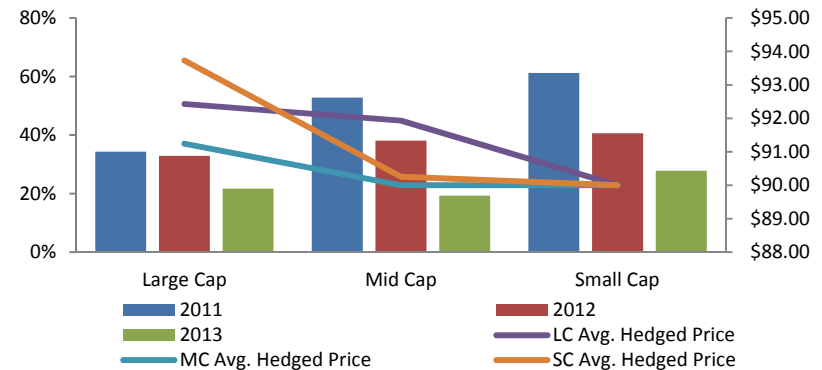
2012 Estimated Capex/Operational Cash Flow Ratio



Natural Gas Hedge Ratios and Avg. Hedged Price

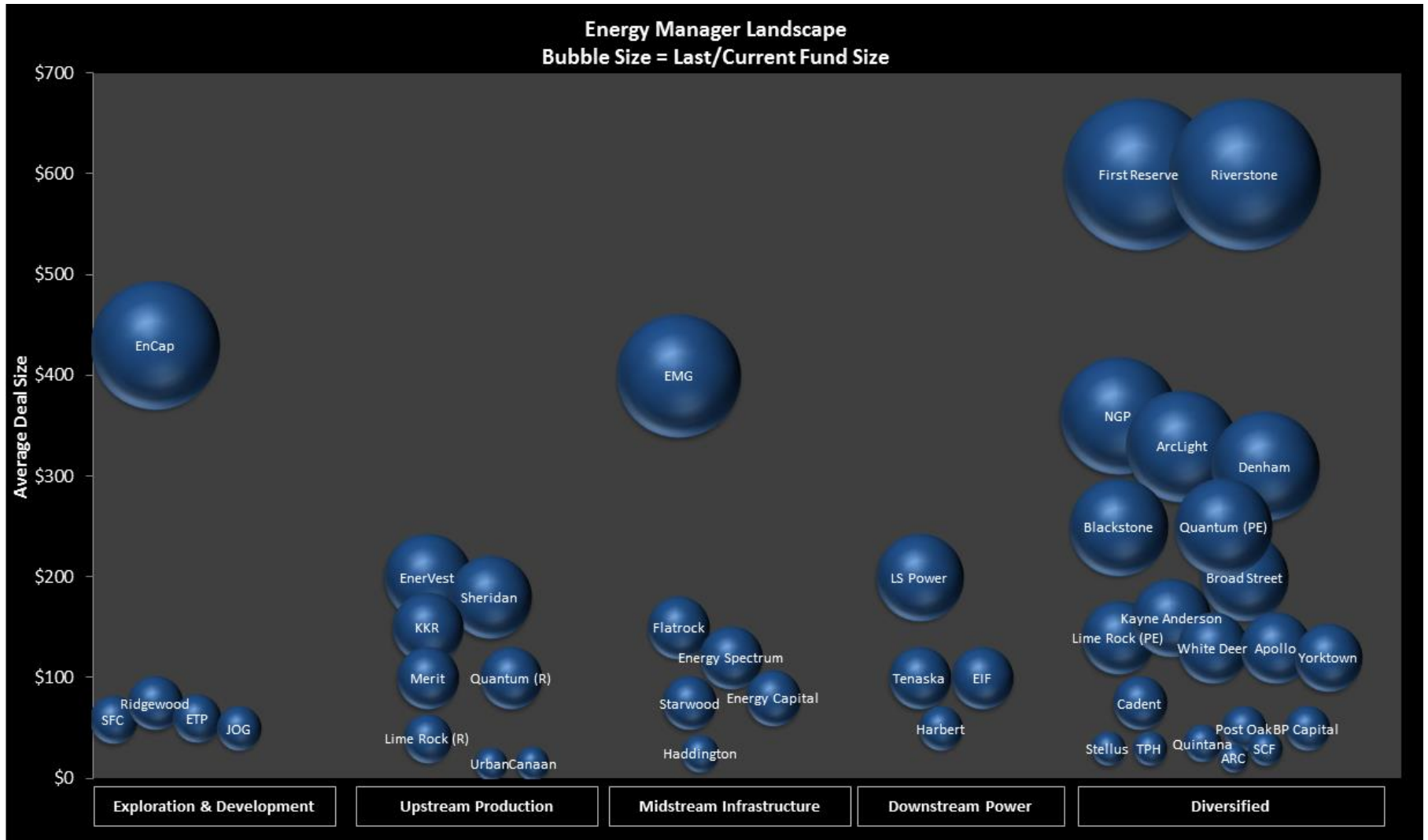


Crude Oil Hedge Ratios and Avg. Hedged Price



Publics and large independents need to sell non-core or non-scalable assets to fund capex drilling programs

Real Asset Portfolio Implementation – Sub-strategy Evaluation



Real Asset Portfolio Implementation – Investment Selection

Given the proliferation of strategies and the return dispersion between managers, we look for managers that exhibit the following characteristics:

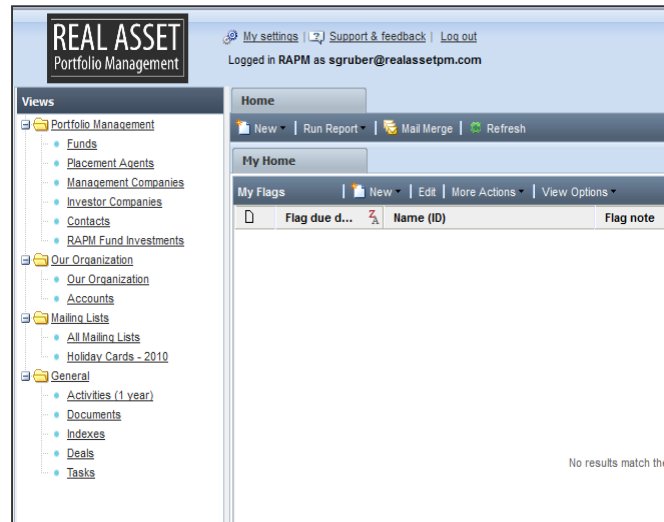
- **Asset Expertise**
 - Identifiable and defensible competitive advantage within investment sector.
 - Demonstrated track record in the asset class, property and geography considered for investment.
 - Proprietary deal flow and sourcing networks.
- **Operational Expertise**
 - History of increasing cash flows at the asset level to unlock value.
 - Demonstrated ability to preserve value in down markets through operational enhancements.
 - Active managers that invest for control and are ultimately responsible for asset performance.
 - History of business plan execution, with multiple exit opportunities identified at the start.
- **Investment Discipline**
 - Prudently deploy capital in both “hot” and “cold” markets.
 - Guard against strategy drift and don’t “chase” deals that are outside of their expertise.
 - Demonstrated prudent use of leverage, despite aggressive availability.
 - Consistent investment performance and risk-adjusted returns – prefer high batting average to high slugging percentage.
- **Organizational Depth**
 - Key professional(s) supported by bench of investment and analytical talent.
 - Back-office functions are proven and additive to the investment process.
 - Compliance and controls in place to protect investor capital.
- **Alignment of Interests**
 - Incentives based on fund performance and returns to limited partners, not management or other fees.
 - Key investment professionals required to contribute meaningfully to general partner investment.
 - Strong fund governance and clear process for managing potential conflicts of interest.

Real Asset Portfolio Implementation – Investment Selection

- RAPM has invested significant time and resources developing the most comprehensive database of real asset managers and funds encompassing real estate, energy, commodities, infrastructure, timber and agriculture.
- Database platform, highly customized in a proprietary configuration to collect those data points that are most important in fund and manager evaluation and selection.
- Web-based platform for manager and placement agents to submit investment opportunities to the RAPM system.
- Easily searchable, with efficient linking of manager, fund and client-specific investment data.

Ability to sort data by:

- Funds
- Managers
- Placement Agents
- Contacts
- Investors
- RAPM client investments

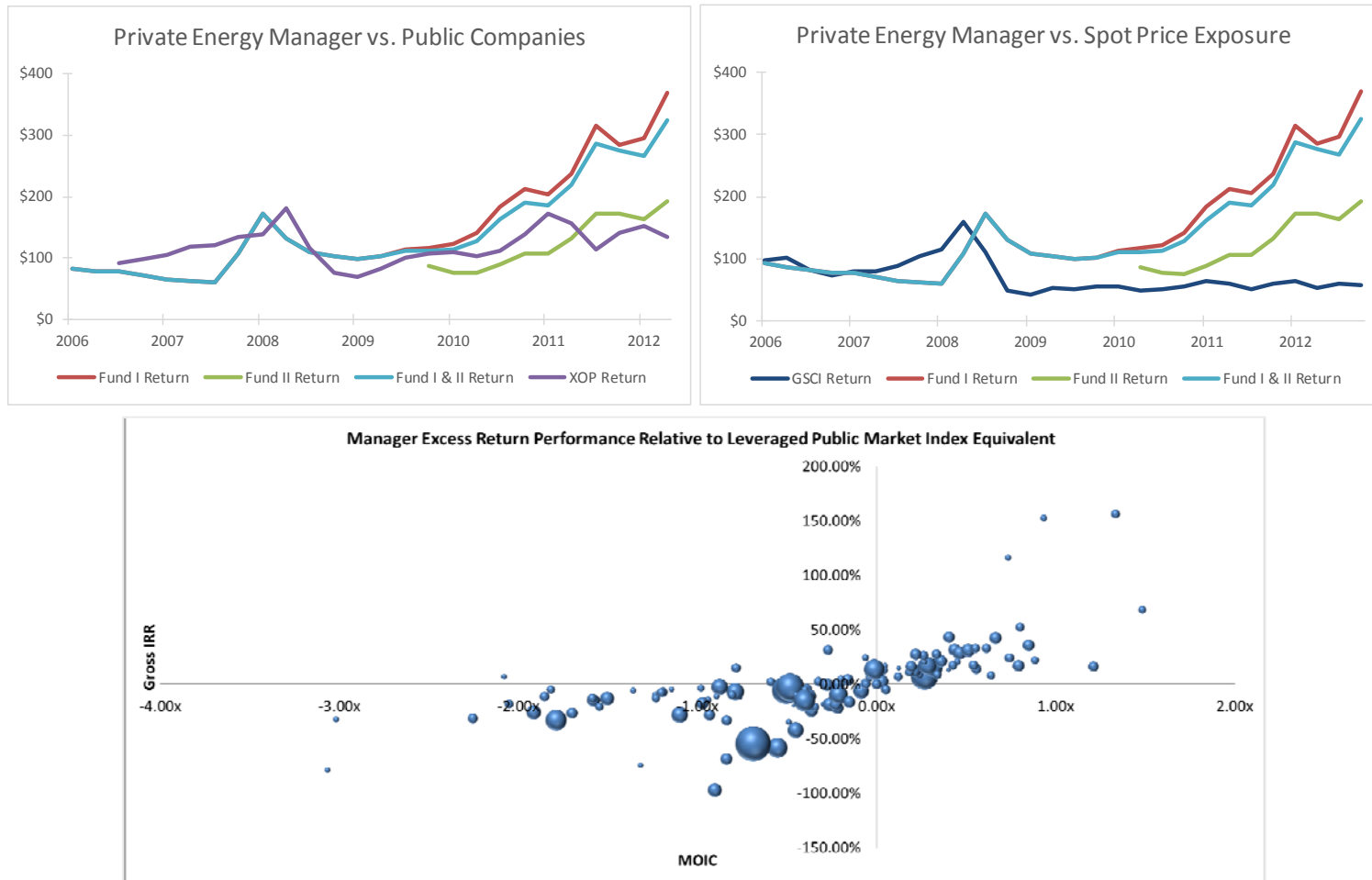


- RAPM manager lists are fresh and up to date so that investment opportunities don't get over-looked.
- Manager data, including key docs, is centralized in a single location along with RAPM notes and observations.

- Currently includes more than 550 managers and over 1000 funds across real asset categories.
- Integrates client information, manager and fund data into a single, relational platform.
- Integrated across other RAPM IT systems for continuity.
- Performance calculation engine driven by uploaded, fund-by-fund cash flows and valuations.

Real Asset Portfolio Implementation – Investment Selection

- We've created a number of proprietary analytical tools to assess manager return attribution in ways that are specific to real assets.



Real Asset Portfolio Implementation – Investment Selection

- We also evaluate fee structures across competing alternatives to assess the economic incentives of the manager and the protections offered to limited partners under multiple return scenarios.

Assumptions - Scenario 1				Assumptions - Scenario 2			
Management Fee (bps)		100		Management Fee (bps)		75	
Waterfall	Rate	LP	GP	Waterfall	Rate	LP	GP
Return of Capital and Fees	0%	100%	0%	Return of Capital and Fees	0%	100%	0%
Preferred Return	8%	100%	0%	Preferred Return	8%	100%	0%
Catch Up	0%	90%	10%	Catch Up	20%	50%	50%
Tier 1 Promote	0%	90%	10%	Tier 1 Promote	0%	90%	10%
Tier 2 Promote	0%	90%	10%	Tier 2 Promote	0%	90%	10%
Residual Promote	N/A	90%	10%	Residual Promote	N/A	90%	10%
Results - Scenario 1				Results - Scenario 2			
Gross Portfolio IRR			14.97%	Gross Portfolio IRR			14.97%
Gross Portfolio Multiple			1.59x	Gross Portfolio Multiple			1.59x
Portfolio IRR Net of Management Fees			14.21%	Portfolio IRR Net of Management Fees			14.40%
Portfolio Multiple Net of Management Fees			1.56x	Portfolio Multiple Net of Management Fees			1.57x
Portfolio IRR Net of All Fees			13.68%	Portfolio IRR Net of All Fees			13.01%
Portfolio Multiple Net of All Fees			1.53x	Portfolio Multiple Net of All Fees			1.49x
Gross to Net IRR spread			-1.29%	Gross to Net IRR spread			-1.96%
Gross to Net Multiple spread			-0.06x	Gross to Net Multiple spread			-0.09x
Total Portfolio Profits			\$ 234,800,000	Total Portfolio Profits			\$ 234,800,000
Management Fees Paid			\$ 9,777,857	Management Fees Paid			\$ 7,333,393
Incentive Fees Paid to GP			\$ 12,616,149	Incentive Fees Paid to GP			\$ 30,591,473
LP Profits			\$ 212,405,994	LP Profits			\$ 196,875,134
Sensitivity Analysis - Scenario 1				Sensitivity Analysis - Scenario 2			
Multiple	Gross IRR	Net IRR	Spread	Multiple	Gross IRR	Net IRR	Spread
1.59x	14.97%	13.68%	-1.29%	1.59x	14.97%	13.01%	-1.96%
1.00x	0.00%	-0.98%	-0.98%	1.00x	0.00%	-0.74%	-0.74%
1.15x	4.15%	3.28%	-0.87%	1.15x	4.15%	3.50%	-0.65%
1.30x	8.04%	7.23%	-0.82%	1.30x	8.04%	7.43%	-0.62%
1.45x	11.74%	10.68%	-1.06%	1.45x	11.74%	9.96%	-1.78%
1.60x	15.28%	13.96%	-1.31%	1.60x	15.28%	13.30%	-1.98%
1.75x	18.68%	17.15%	-1.54%	1.75x	18.68%	16.55%	-2.13%
1.90x	21.98%	20.25%	-1.74%	1.90x	21.98%	19.70%	-2.28%
2.05x	25.20%	23.28%	-1.92%	2.05x	25.20%	22.78%	-2.42%
2.20x	28.34%	26.25%	-2.09%	2.20x	28.34%	25.79%	-2.55%
2.35x	31.43%	29.18%	-2.25%	2.35x	31.43%	28.76%	-2.67%
2.50x	34.47%	32.07%	-2.41%	2.50x	34.47%	31.67%	-2.80%

Portfolio Implementation Options – Fund-of-Funds vs. Direct

- Most fund-of-funds target high net worth and smaller institutional investors with limited allocation sizes to make to real assets, offering the smaller investors outsourced portfolio construction, manager selection and monitoring for a management fee of .50-1.0% and an incentive promote of 3-5% on top of the fees paid to the underlying fund investments.
- Fund-of-funds managers have to target value add and opportunistic real asset strategies to justify the added layer of fees and need to outperform by 1.5-2.0% in order to break even with a direct fund portfolio.
- Most fund-of-funds have not demonstrated an ability to outperform through manager selection and their lack of performance is made worse by their higher gross-to-net fee spread.

Scenario Comparison	Direct Funds	Fund-of-Funds
Portfolio Size (\$MM)	60	60
Portfolio Target Gross Return	15%	15%
Portfolio Target Gross MOIC	1.7	1.7
Preferred Return	8.00%	8.00%
Catch-Up	"50/50"	"50/50"
Management Fee	1.65%	2.50%
Incentive Promote	20.00%	25.00%

Waterfall Results	Direct Funds	Fund-of-Funds	Difference
IRR Net of Management Fees	12.70%	11.45%	-1.25%
IRR Net of Fees and Promote	11.17%	10.03%	-1.14%
Management Fees Paid	\$5,300,460	\$8,031,000	\$2,730,540
Total Fees/Promote	\$11,699,288	\$13,974,623	\$2,275,334
Investor Profits	\$30,300,712	\$28,025,377	(\$2,275,334)

Gross MOIC	Direct Net IRR	FoF Net IRR	Difference
1.00x	-2.58%	-3.81%	-1.23%
1.15x	1.25%	0.05%	-1.20%
1.30x	4.71%	3.51%	-1.20%
1.45x	7.88%	6.67%	-1.21%
1.60x	9.55%	8.83%	-0.72%
1.75x	11.97%	10.77%	-1.21%
1.90x	14.22%	12.91%	-1.31%
2.05x	16.47%	14.97%	-1.50%
2.20x	18.59%	17.00%	-1.58%
2.35x	20.57%	18.89%	-1.68%
2.50x	22.56%	20.74%	-1.82%

Implementation Options – Fund-of-Funds vs. RAPM Solutions

	Typical Fund-of-Funds	RAPM Non-Discretionary Consulting	RAPM Single Client Fund
Client ability to customize portfolio Investments	None	Full – Client is involved in all aspects of investment decision-making	Partial – RAPM and client establish portfolio guidelines and policies and RAPM executes on portfolio implementation
Client control over portfolio pacing	None	Full	Partial – pacing guidelines can be incorporated into portfolio objectives
Fees	50-100 bps management fee plus 3-6% incentive fee above a 5-8% preferred return	15-20 bps flat retainer fee on real asset portfolio size	40-50 bps flat management fee on committed capital
Lock-up period	10-12 years	30-day no fault termination option by client	90-day no fault termination option by client
Investment administration	Fund-of-funds	Client	RAPM
Investment monitoring	Fund-of-funds	RAPM and Client	RAPM
Investment reporting	Fund-of-funds	RAPM	RAPM
Client reporting customization	None	Full	Full

Key Takeaways

- Real assets is an expanding and complex asset class that requires specialty expertise to source, evaluate and implement high-performing portfolio solutions.
- Every institutional client has unique characteristics that should dictate the construction of a real asset portfolio and a one-size-fits-all approach will often result in significant overlap with other areas of the portfolio.
- We are a real asset specialist firm, we currently track over 1,000 investment opportunities across real asset sectors, we meet with hundreds of real asset managers every year, and we've built our systems, processes, and infrastructure around identifying the best real asset investment opportunities for our clients.
- We are experienced in managing a number of different client relationship structures, from fully outsourced real asset investment services, to non-discretionary consulting working closely with client Staff.
- Relative to a generalist consultant, we offer more comprehensive coverage of the real asset investment space, which, we believe leads to higher performing portfolios for our clients.
- Relative to a fund-of-funds, we offer customized portfolio construction and better investment selection at a fraction of the total cost charged by fund-of-fund managers.

Biographies of Key Professionals

Steve Gruber, Senior Consultant and Managing Member

Steve is the Founder and Managing Member of Real Asset Portfolio Management LLC, and has over 25 years of real estate and real asset experience. Steve's responsibilities include portfolio and investment strategy, manager oversight, due diligence and research, and client service. Prior to forming Real Asset Portfolio Management, from 2005 through 2011, Steve was a manager and member of ORG Portfolio Management LLC. Steve was the Real Estate Portfolio Manager for the Oregon Public Employees' Retirement Fund ("OPERF") from 1998 – 2005, where under Steve's leadership, OPERF's performance was repeatedly rated first among the 50 public pension funds in the country. From 1990 to 1998, Steve worked at Liquidity Financial Advisors, Inc. buying and trading interests in partnerships owning US real estate. Prior to 1990, Steve was an acquisitions analyst at the Woodmont Company and a portfolio Analyst at The Lansing Corporation. Steve has been a member of "The Institutional Real Estate Letter, High Return Quarterly" Editorial Advisory Board and is a member of Pension Real Estate Association. Steve received a Bachelor of Science degree from the California State University at Chico and a MBA from the University of Oregon. Steve leads the RAPM investment committee.

Brent Burnett, Senior Consultant

Brent joined Real Asset Portfolio Management as a Senior Consultant in 2012. Prior to joining RAPM, Brent was an Associate at R.V. Kuhns & Associates, where he advised a variety of institutional investors on asset allocation, investment policy formulation, portfolio structure, and investment manager selection and monitoring. In aggregate, Brent advised on approximately \$18 billion of institutional assets, including approximately \$2.3 billion of assets invested in private real estate, real estate securities, commodities and other real return-oriented investments. Prior to joining RVK, Brent was an Associate in the Development and Investment group of Trammell Crow Company. Prior to joining TCC, Brent was an Associate on FLAG Capital Management's Real Assets investment funds, where he conducted due diligence on global real estate, energy, mining, infrastructure, timber and agriculture managers. Brent began his career as a consultant for the Monitor Group, where he advised Fortune 500 clients, including some of the largest energy & resource providers, on strategic growth initiatives. Mr. Burnett graduated from Brigham Young University with a BS in Accounting and a BA in Economics and is a member of the RAPM investment committee.

Scott Davies, Senior Consultant

Scott Davies joined Real Asset Portfolio Management in 2011. From 2009 through 2011, Scott worked in San Diego, California for Southwest Capital Partners ("SCP"). At SCP, Mr. Davies focused on acquiring and trading commercial real estate whole loans and real estate. Scott's primary role at SCP was on sourcing transactions from regional banks or distressed sellers, leading the analysis efforts for potential transactions, underwriting the credit of borrowers, and performing due diligence on debt and equity transactions. From 2006 to 2008, Mr. Davies worked at Kelly Capital of San Diego, leading underwriting efforts for acquisition of commercial and residential real estate and debt opportunities. Mr. Davies started his career in 2002 as an Associate in the Los Angeles office of CBRE where he was part of a team representing multifamily sellers of institutional sized multifamily assets in all seven counties of Southern California. As part of a team, between 2002 and 2006, Scott participated in 60 apartment sell-side transactions with total consideration of over \$2.5 billion. Mr. Davies received a Bachelor of Science from the University of Oregon, and is a member of the RAPM investment committee.

Biographies of Key Professionals (continued)

TC Rolfstad, Investment Associate

TC joined RAPM as an Investment Associate in 2012. In this role, TC is responsible for the performance measurement and analytics functions within RAPM and oversees the monitoring of existing RAPM investments. In addition, TC supports the senior investment team with investment manager due diligence, selection and monitoring for RAPM's clients. Prior to joining RAPM, TC was a Team Leader and Senior Investment Analyst at R.V. Kuhns & Associates, Inc. where he oversaw the performance measurement and analytics functions for \$25 Billion of traditional and alternative asset class investments, spread across five client relationships and consisting of several different plan types, including public, corporate and Taft Hartley defined benefit and endowment plans. TC graduated Cum Laude from North Dakota State University, with a BS in Finance.

Tracy Woodward, CPA, Controller

Tracy joined RAPM in 2012 and serves as the Controller for the company. In this role, Tracy oversees all accounting functions related to RAPM and RAPM's fund vehicles. Tracy is a Certified Public Accountant and has over 15 years of accounting experience. Prior to joining RAPM, Tracy worked as the Controller for Bridge City Capital, a small cap equity manager in Portland, Or. Prior to Bridge City Capital, Tracy was a Team Manager at LECG/Bates Private Capital where she provided accounting-related litigation support and forensic accounting services to financial institutions. Prior to LECG/Bates, Tracy held Senior audit positions at KPMG and Arthur Andersen. Tracy graduated with a BS in accounting from the University of Portland and has been a Certified Public Accountant since 1996.

Kristina Logvinenko, Investment Analyst

Kristina is joining RAPM in the summer of 2013 after graduating from the University of Oregon with a BA in Business Administration with a concentration in Finance and a minor in Economics. At the University of Oregon, Kristina was an Equity Analyst with the University of Oregon Investment Group and also served as a Member of the International Endowed Scholarship Selection Committee and as a Peer Advisor to incoming business students. Kristina is fluent in both Russian and English.

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Infrastructure

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REAL ASSET
Portfolio Management

Real Estate
Natural Resources
Infrastructure



SAN MATEO COUNTY
EMPLOYEE RETIREMENT ASSOCIATION

REAL ASSET PORTFOLIO PRESENTATION

JANUARY 2014

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, California 94104
(415) 362-3484 phone
(415) 362-2752 fax

Discussion Topics

Real Asset Characteristics

Current SamCERA Exposure to Real Asset

Complementary Real Assets

SIS Experience in Real Assets

Appendix

Real Asset Characteristics

Asset Class	Expected Return	Expected Risk	Inflation Beta	Correlation to CPI	Interest Rate Exposure
TIPS	2.9%	4.5%	0.93	0.25	High
FRN's	4.3%	7.5%	1.97	0.12	Moderate
Commodities	4.0%	30.0%	6.02 / 9.07	0.62 / 0.45	Low
Real Estate	6.2%	18.0%	0.39	0.10	High
Energy	7.2%+	24.0%	5.54	0.44*	Low
Mining	7.2%+	24.0%	5.54	0.44*	Low
Infrastructure	6.2%	24.0%	3.4	0.26	Moderate
Timberland/Agriculture	N/A	N/A	0.27 / 1.08	0.12 / 0.07	Moderate

Commodities Beta and Correlation use the DJUBS and S&P GSCI.

* Public market proxies were used for Private Energy and Mining (S&P Natural Resources Index).

- Striking a balance between attractive risk/return characteristics and an asset's ability to hedge inflation is the challenge for a real asset portfolio.
- An absence of compelling data requires us to utilize qualitative judgment.

Current SamCERA Exposure to Real Assets

Asset Class	Current (% of Total Plan)	New Policy (% of Total Plan)	Sample Plan (% of Total Plan)
TIPS	2.7%	2.0%	2.0%
Floating Rate Notes	0.9%		1.0%
Real Estate	5.8%	6.0%	6.0%
Commodities	2.6%	3.0%	3.0%
Private Energy	1.4%		
Real Assets	0.0%	2.0%	
<i>Private Mining</i>	0.0%		0.5%
<i>Infrastructure</i>	0.0%		1.0%
<i>Timberland/Agriculture</i>	0.0%		0.5%
Total	13.4%	13.0%	15.5%
Total (ex. Real Estate)	7.6%	7.0%	9.5%

Private Energy Includes the following:

- *Sheridan—\$20mm*
- *EnCap—\$10mm*
- *Warburg Pincus—\$12mm (30% of the total commitment value)*

Floating Rate Notes includes the following:

- *ABRY Advanced Securities—\$20mm*
- *Regiment—\$20mm*

- ❖ Discussion point around ranges for the asset allocation
- ❖ Liquid Real Assets as a proxy for the private market funds (e.g., AQR, SSGA)

Complementary Real Assets

Private Mining

Equity or Debt financing of junior mines.

- Equity financing typically involves taking minority stakes in small, publicly traded mining stocks on the Canadian or Australian stock exchange OR in an equity position in a private mining company. More often today, the mines are located in emerging nations where the availability of metals and minerals is prevalent.
- Debt financing is acting as a lender to a junior mine company and is typically issued to get production of the mine off the ground. Lenders receive a coupon payment and either an off-take agreement, warrants or a profit interest if the production of the mine.
- In both equity and debt financing, the investor is exposed to the movement in the underlying commodity price. Exposure to the commodity price increases risk but also provides the inflation hedge (assuming metals rise with inflation). Debt financing is less risky but returns are generally capped as the miner will not give unlimited upside to the lender at the expense of the equity holders.
- The mining sector is very volatile and has cycles tied to over and under investment in exploration and production. Falling metal prices and declining bank lending has created a need for capital in the sector. This has created some interesting opportunities in mining.

Complementary Real Assets

Infrastructure

Equity position in core infrastructure, midstream energy, and power.

Core Infrastructure Core infrastructure has not been the most attractive asset class for a number of reasons. We continue to look at the opportunities but have not been advising clients on direct allocations in the space.

Secondary Core Infrastructure Secondaries helps mitigate some of the issues through more attractive fees, discounts to NAV, and transparency into the funds assets.

Midstream Energy Midstream assets continues to present interesting opportunities primarily in the North American markets where frothy MLP markets present attractive exits for private midstream investors.

Power The power space has distinct cycles from over and under investment, and because of that, we like to be opportunistic in the asset class. When the market becomes distressed, we want to be entering as a buyer. The problem is that the power market has remained stable in the U.S. for over a decade. There will be increased demand coming from new government regulation but capital has flooded the sector in recent years. Smaller, niche players seem to be the best way to play the asset class.

Complementary Real Assets

Timberland/Agriculture

Equity position in either Timberland or Farmland.

Timberland Despite meeting with a number of groups over the years, we can't find a compelling reason to invest in timberland. We continue to look for opportunities in the asset class but will advocate a tactical approach.

Farmland Farmland has some of the same drawbacks as timberland but with a few key differences. Higher cash flows, greater crop diversification, and most importantly, product differentiation. There are ways to differentiate crops and command higher premiums, there are new markets to exploit and innovative ways to grow, package, and market crops that make the asset class interesting to institutional investors. Sourcing opportunities is a challenge because the market is undeveloped but we think there are some interesting funds in the asset class.

SIS Experience in Real Assets

Asset Class	SIS Client Allocations (\$mm)	Used by SIS Clients
Oil/Gas Partnerships	\$1,500	EnCap, NGP, EMG, Blackstone, Sheridan, Merit
Mining Partnerships	\$150	EMG, Sentient
Power	\$250	Tenaska, LS Power, Energy Capital
Infrastructure	\$500	Flatrock, First Reserve, GIP, Energy Capital
Timber/Agriculture	\$50	Hancock Timberland
Commodity Managers	\$1,600	CoreCommodity Group, Gresham, SSARIS, Schroeder, Blackstone, AQR, GSAM, Neuberger, DB Asset Management
Real Estate	\$1,225	Lone Star, Invesco, Morgan Stanley, UBS, Thayer, Prologis, Madison, Brickman, Prime Finance...

* TIPS/FRN's are not included as they would fall under our fixed income coverage which is well established.

These numbers represent client allocations to various real asset sectors. This is not meant to represent the total of SIS's experience in the categories. There are a number of funds that we conduct early stage and late stage due diligence for that never receive client commitments.

SIS Employees that Cover Real Assets			
John Nicolini	Energy, Power, Infrastructure, Mining, Real Estate, and Timberland/Agriculture	Peter Chong	Energy (upstream and midstream)
Faraz Shooshani	Energy and Power	John Meier	Mining
Patrick Thomas	Real Estate	Steve Hempler	Energy and FOF
Curt Smith	Energy, Power and Agriculture	Ping Zhu	TIPS and Floating Rate Notes
Pete Keliuotis	Energy and Agriculture	Stephen Masarik	Floating Rate Notes

Possible Implementation Alternatives

Initial Allocation is 2% of \$3 billion = \$60 million, higher target allocation likely over next several years

Private Markets

- Infrastructure—Secondary Opportunities appear attractive relative to the primary markets. Explore Secondary fund of Infrastructure funds for Core position
- Energy—1 to 2 Primary fund investments in upstream and midstream opportunities
- Mining—1 to 2 Primary fund opportunities in mining lending and upstream equity funds
- Opportunistically consider farmland/timberland primary funds

Public Markets

- Consider liquid real asset indices as a proxy for private investments

Prospect opportunistically for attractive real asset vehicles

(for example new liquid real return pool products coming to market)

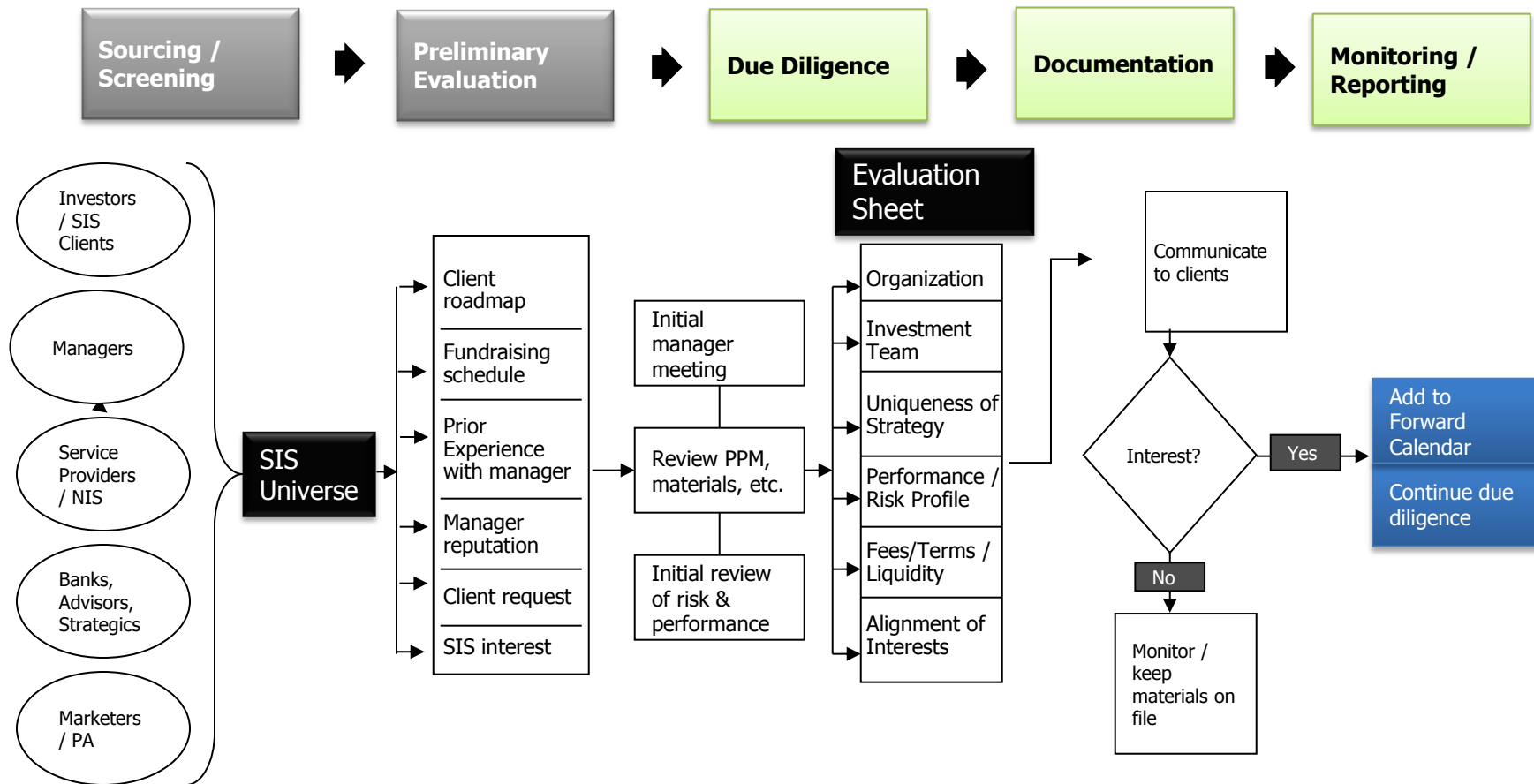
Conclusion

- As SamCERA's general consultant, SIS is in a unique position to look holistically at Real Assets within the total fund context
- Ability to customize a real asset portfolio around existing real asset holdings (i.e. commodities, real estate, TIPS, private equity, etc.)
- SIS clients have a window into the best /emerging practices employed by some of the most innovative and forward-looking funds in the industry
- SIS clients include a broad range of investment funds from large to small, including several California counties with goals , objectives and constraints that are similar to SamCERA's
- SIS follows pure consulting model that allows it to pursue and implement best in class strategies/managers for its clients
- Work on public and private Real Assets is covered under the existing contract with SIS

Appendix

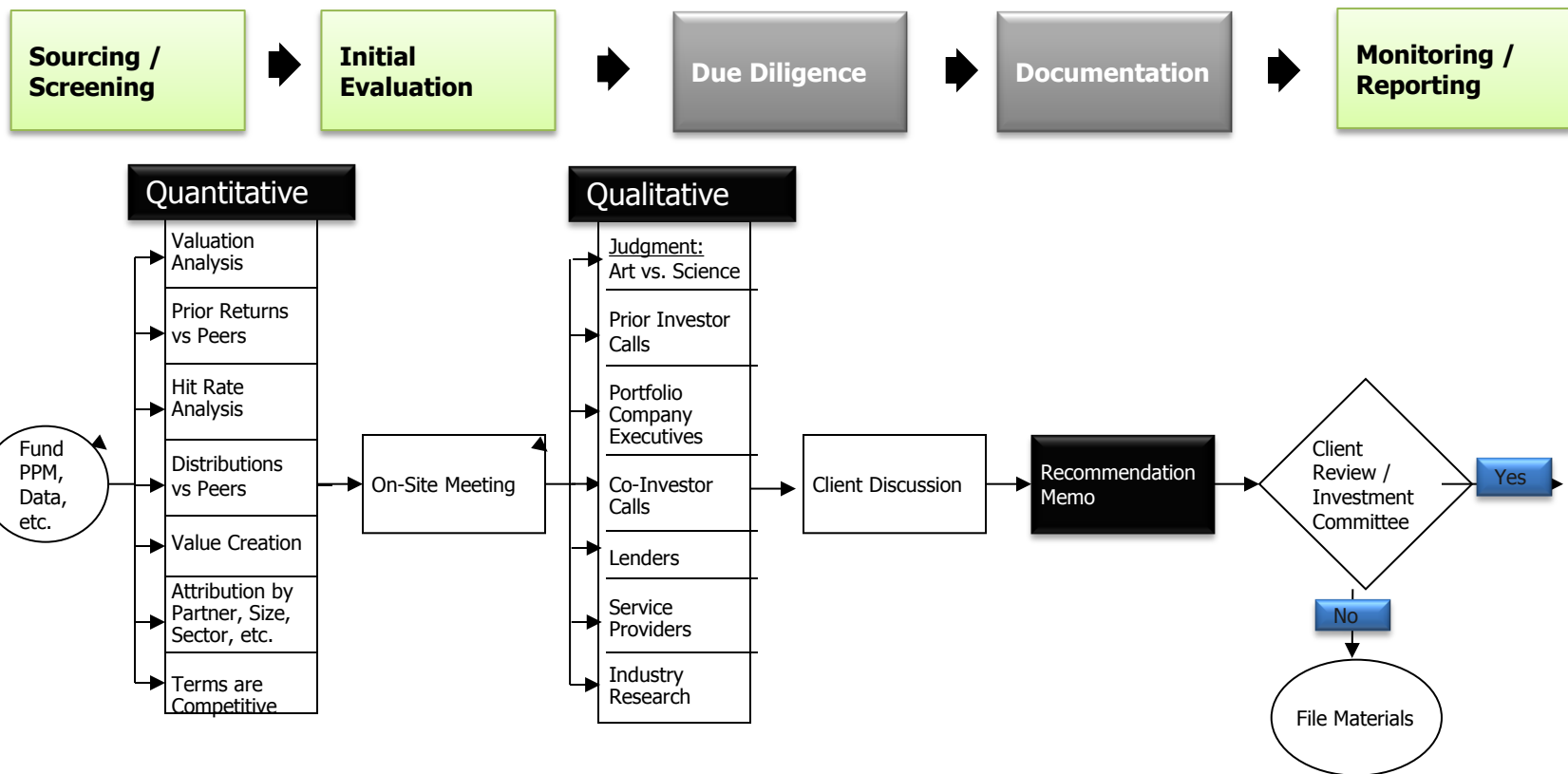
PRIVATE MARKETS: SOURCING & PRELIMINARY EVALUATION

- Continuous
- “Open door” policy to solicit ideas and information from all potential funds.
- Not a “cookie-cutter” approach



DISCIPLINED PROCESS: FULL DUE DILIGENCE

- Typically a 2 or 3 month process
- Focus on “value creation”
- The information *not* provided is often much more important than the information that is provided!



Professional Biographies

PETE A. KELIUOTIS, CFA. *Managing Director and CEO.* Responsible for general and private markets consulting at SIS. Over 20 years of investment experience. Former senior consultant and Principal at Mercer and member of its Global Research & Policy Committee. Prior to joining Mercer, Pete worked for Hotchkis and Wiley and The Northern Trust Company. B.A. in Economics from the University of Illinois – Urbana. MBA in Analytic Finance and Accounting from the University of Chicago. Pete is a CFA Charterholder and a member of the CFA Society of San Francisco.

JOHN P. MEIER, CFA. *Managing Director and COO/CFO.* Highly experienced specialist in strategic planning, capital markets analysis, and quantitative investment strategies. A leading authority in the fields of performance benchmarking and portfolio performance attribution, whose ideas have been published in Pensions and Investments, Futures, Risk and Quantitative International Investing. Senior Product Manager at BARRA from 1988 to 1994, responsible for equity risk and valuation models and services. B.S. in Chem. Eng. From Michigan State, MBA in Finance from UC Berkeley.

PATRICK F. THOMAS, CFA. *Senior Vice President.* Primarily responsible for general consulting at SIS. Served as Senior Analyst for McKesson Corporation from 1992 to 1996 responsible for all aspects of portfolio analysis of the company's combined \$1.2 billion Retirement Plans, ESOPs and Foundation. Performed corporate financial analysis and acted as Corporate Cash Manager during tenure at McKesson. Served as analyst for Wells Fargo Investment Advisors (now Barclays Global) and assisted the floor brokers for Merrill Lynch on the Pacific Stock Exchange Options Floor. B.A. in English UC Berkeley, M.B.A. Georgetown University. Member, AIMR and of the Securities Analysts of San Francisco.

CURT SMITH, CFA. *Director of Private Markets.* Twenty years of experience as a private markets and alternative investments specialist. Formerly VP and Manager of Private Market Assets at Union Bank of California, where he was responsible for the review, valuation and management of distressed securities, LBO, futures and real estate funds. B.S. Economics and MBA in Finance from University of San Francisco. Past President, Society of Securities Analysts of San Francisco.

STEVEN C. HEMPLER. *Vice President.* Responsible for private equity consulting, partnership reviews and supervision of operations of SIS' private markets performance measurement services. Formerly Senior Cash Analyst at Providian Financial. B.A. in Business Administration and Accounting, California Polytechnic State University. Former Officer, United States Army.

FARAZ SHOOSHANI. *Vice President.* Responsible for private equity consulting and partnership reviews. Formerly Associate Director of Investments at Caltech. Founded Catapult Ventures, a consulting company that helped IT startup companies. Also served as senior revenue analyst at Intel Corporation for its Profit and Loss Group, and consultant at Booz Allen Hamilton. MBA, Yale School of Management. B.A. Economics, UC Berkeley.

STEPHEN MASARIK, CFA, CAIA *Vice President,* Steve is primarily responsible for hedge fund research, due diligence and consulting. Prior to joining SIS in January 2008 Steve spent three years at Alan Biller & Associates, a fiduciary investment consultant serving Taft-Hartley plans, where he focused on manager research. During 2000-2004 Steve worked at two retail brokerage firms as a registered broker and risk management specialist. Steve obtained an M.S. in Finance from DePaul University's Kellstadt Graduate School of Business and a B.B.A. from the University of Kentucky. He has also earned the right to use the Chartered Financial Analyst (CFA), Financial Risk Manager (FRM) and Chartered Alternative Investment (CAIA) designations. In addition, Steve serves as Treasurer on the Board of Trustees of the Ronald McDonald House of San Francisco.

JOHN NICOLINI, *Vice President,* heads the real assets research effort and works with a number of clients in general consulting. John is responsible for manager due diligence, manager monitoring, general consulting and client search activity. Prior to joining SIS in 2010, John worked in the manager research group at Highland Associates in Birmingham, Alabama. John was responsible for the firm's equity and fixed income manager research and monitoring. In addition, he worked closely with institutional investors in developing asset allocations and capital market projections. Prior to Highland Associates, John worked with WAKM Asset Management in manager research and client service. John has a Bachelor of Science degree in Finance from Auburn University.

Professional Biographies

PING ZHU, *Senior Investment Analyst and Fixed Income Specialist*, joined SIS in January 2013. He is a member of the manager research group and is responsible for manager due diligence and monitoring within public and private fixed income space. Prior to joining SIS, Ping spent over four years at Alan Biller & Associates, a fiduciary investment consultant focused on Taft-Hartley plans, as a senior research analyst. Ping earned an M.B.A. from University of California at Berkeley and an M.S. /B.S. in Electrical Engineering from University of Electronic Science and Technology of China. He has also earned the right to use the Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM) designations. Ping is a member of the CFA Institute, CFA Society of San Francisco, and Global Association of Risk Professionals (GARP).

Peter Chong, CFA, CAIA, CIPM *Senior Investment Analyst*, Peter Chong joined Strategic Investment Solutions (SIS) in early 2008 as an Investment Analyst in the Performance Measurement group. In late 2010, he transitioned into SIS's Private Markets group as a Senior Investment Analyst. His primary responsibilities include performance measurement and reporting, manager due diligence, and portfolio construction and monitoring. Peter has been in the investment industry since 2006. Previously, he was at Bank of America in their Global Wealth and Investment Management group, where he started his career in Portfolio Accounting. Peter earned his Bachelor of Science in Business Administration, with a concentration in Finance, from Boston University. He also has his Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA), and Certificate in Investment Performance Measurement (CIPM) designations.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Special Meeting Agenda Item #5 (Regular Agenda Item 6.3)

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Direction to Staff Regarding Real Asset Portfolio Implementation

Staff Recommendation

Discuss the merits of the three Real Asset implementation approaches presented in Special Meeting Agenda Item #4 and direct staff on which approach SamCERA should utilize to implement its Real Asset portfolio.

Background

During the October meeting the Board approved a new asset allocation policy which included a new 2% allocation to Real Assets. We now need to determine the appropriate structure/plan for implementing this allocation to Real Assets. During the December meeting the Board discussed three primary ways in which the Real Asset category could be implemented. One is to use our current consultant, SIS, for the manager structure, sourcing, and due-diligence of Real Asset managers. Another is to use a specialist Real Asset consultant for these same services. A third is to utilize a Fund-of-Funds (FoF) approach, which would be more of a turn-key solution. The Board requested to hear educational presentations for each of these approaches to better assess the benefits of each.

Discussion

Staff has asked *Altius Associates* to present the merits of utilizing a Fund-of-Funds approach, *Real Asset Portfolio Management* to present the merits of utilizing a specialist consultant, and *Strategic Investment Solutions* to present the merits of utilizing a generalist consulting approach for implementing real assets. The presentation books for each presenter are attached. Each presenter will have one hour allotted in the interview schedule, which will include their presentation and Q&A. The presentation schedule will be as follows:

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

9 a.m. Altius Associates – Jay Yoder (Partner and Head of Real Assets), and Doug Moore (Partner)

10 a.m. Real Asset Portfolio Management – Steve Gruber and Brent Burnett

11 a.m. Strategic Investment Solutions – John Nicolini and Patrick Thomas

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 6.4

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Approval of New Fixed Income Manager Structure Proposal

Staff Recommendation

Approve the proposed fixed income manager structure.

Background

The fixed income manager structure was last reviewed in 2010. At that time, a dedicated global fixed income manager and opportunistic credit managers were added to the program.

Discussion

The proposed changes to the manager structure (as detailed on pages 7 and 8 in the attached presentation from SIS) include reducing Franklin Templeton to lower its manager-specific concentration risk to the portfolio, and increasing the allocations to Brigade and Angelo Gordon. These changes are expected to enhance the portfolio structure by spreading manager specific risk more uniformly across managers. Increasing the target allocations to high conviction opportunistic credit managers will also enhance expected alpha robustness while maintaining aggregate portfolio risk.

Attachments

- A. *Fixed Income Manager Structure Presentation*



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

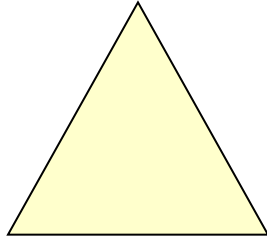
FIXED INCOME MANAGER STRUCTURE

January 28, 2014

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

Plan Management Framework



Manager Selection (5%-10%)



Manager Structure (10%-15%)

Style / Cap Tilts / Active / Passive



Asset Allocation (80%-90%)

Target Policy Mix

Manager Structure is the implementation of the Asset Allocation Study.

Manager Structure Guiding Principles

- Implementation of asset allocation
- Objectives: diversification and **risk control**
- Risk management approach
- Generally preferable to use fewer managers
- Diversify managers across investment styles

Characteristics of a Good Structure

- **High Information Ratio** **High alpha per unit of tracking error risk.**

- **Manager Event Risk (MER) is Not Concentrated** No one manager's under-performance would be expected to overwhelm the diversification of the structure.

Current Fixed Income Structure

	Weights	\$	MER	% of Total MER		Target	Portfolio
Pyramis	25.0%	\$ 150	6.0	11%	CREDINT	11.7%	11.7%
Western	20.0%	\$ 120	8.4	15%	CREDLNG	3.9%	3.9%
FT	20.0%	\$ 120	21.6	39%	GOVINT	18.7%	18.7%
Brown	10.0%	\$ 60	1.2	2%	GOVLNG	2.1%	2.1%
Brigade	8.0%	\$ 48	3.8	7%	MORTGAGE	15.6%	15.6%
AG	8.0%	\$ 48	9.6	17%	HIGHYLD	26.0%	9.5%
Opp Credit	9.0%	\$ 54	5.4	10%	BANKLOAN	0.0%	8.5%
					INTLBOND	12.0%	12.0%
Total	100.0%	\$ 600	56.0	100%	TIPS	10.0%	10.0%
					OTHER	0.0%	8.0%
					Tracking Error		3.15%
					Alpha		1.40%
					IR		0.44

Current Fixed Income Structure

Risk Highlights

- Tracking Error is 3.15%.
- The manager sector exposures in the Opportunistic Credit bucket (25% allocation benchmarked to a High Yield index) create Style Risk. However, the risk generates additional manager alpha opportunities within the Credit asset class.
- Franklin Templeton (FT) is 39% of Manager Event Risk (MER).

Recommended Fixed Income Structure

	Weights	\$	MER	% of Total MER		Target	Portfolio
Pyramis	30.0%	\$ 180	7.2	14%	CREDINT	12.4%	12.4%
Western	20.0%	\$ 120	8.4	16%	CREDLNG	4.1%	4.1%
FT	15.0%	\$ 90	16.2	31%	GOVINT	19.9%	19.9%
Brown	10.0%	\$ 60	1.2	2%	GOVLNG	2.2%	2.2%
Brigade	10.0%	\$ 60	4.8	9%	MORTGAGE	16.6%	16.6%
AG	10.0%	\$ 60	12.0	23%	HIGHYLD	25.8%	8.3%
Opp Credit	5.0%	\$ 30	3.0	6%	BANKLOAN	0.0%	7.5%
					INTLBOND	9.0%	9.0%
Total	100.0%	\$ 600	52.8	100%	TIPS	10.0%	10.0%
					OTHER	0.0%	10.0%
					Tracking Error		3.17%
					Alpha		1.32%
					IR		0.42

Recommended Fixed Income Structure

By reducing FT by 5% and allocating to Pyramis and by increasing the allocations to Brigade and Angelo Gordon (10% each) and reducing the 3rd Opportunistic Credit allocation (to 5%):

- Tracking Error is essentially unchanged (3.17%).
- Franklin Templeton MER decreases to 31% as the risk budget is spread more uniformly across managers.
- Conviction in expected fund alpha rises due to increased allocations to high confidence managers while concurrently maintaining the aggregate portfolio risk.

Fixed Income Manager Models

	CREDIT	CREDLN	GOVINT	GOVLNG	MORTGAGE	HIGHYLD	BANKLOAN	INTLBOND	TIPS	OTHER	TE	IR	Alpha
Pyramis	22.5%	7.5%	36.0%	4.0%	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.3	0.6%
Western	22.5%	7.5%	36.0%	4.0%	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	0.3	1.1%
FT	7.9%	2.6%	12.6%	1.4%	10.5%	5.0%	0.0%	60.0%	0.0%	0.0%	9.0%	0.3	2.7%
Brown	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	1.0%	0.3	0.3%
Brigade	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	50.0%	0.0%	0.0%	0.0%	4.0%	0.3	1.2%
Angelo Gordon	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	0.3	3.0%
Opportunistic Credit	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	50.0%	0.0%	0.0%	0.0%	5.0%	0.3	1.5%

Glossary

Asset Allocation Target	The asset class target benchmark, as defined in the asset/liability study.
Tracking Error	A measure of the dispersion of the difference in returns between two portfolios. Typically calculated as the standard deviation of the difference between the returns.
Mgr. Alpha	The structure's projected excess return above the target benchmark due to manager active management.
Information Ratio	Information ratio. The ratio of expected alpha to expected tracking error to the asset class benchmark.
MER	Manager Event Risk. The dollar impact on the fund if the manager were to underperform their style benchmark by a 95 th percentile result in a given year.
CREDITINT	Intermediate Credit
CREDITLNG	Long Credit
GOVINT	Intermediate Government
GOVLNG	Long Government

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 6.5

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Approval of the Angelo Gordon Opportunistic Whole Loan Fund

Staff Recommendation

Adopt a resolution for an investment in Angelo Gordon Opportunistic Whole Loan Fund.

Background

SamCERA has invested in two Angelo Gordon (AG) products, starting with AG's PPIP (Public-Private Investment Program) fund, followed by the STAR (Securitized Asset Recovery) fund, and has been extremely satisfied with the results to date.

With 95% of SamCERA's \$35 million commitment to the STAR fund already deployed (the investment period technically ends in December 2014), the roll-out of the Opportunistic Whole Loan Fund represents the progression (from senior credit securities, then to junior credit securities, and now to direct loans) where AG currently sees compelling investment opportunities in the fixed income markets.

Discussion

The AG Opportunistic Whole Loan Fund is being established by Angelo Gordon to make investments primarily in non-performing, re-performing and new residential mortgage loans. Opportunistic investments in commercial mortgage loans and other mortgage related investments may also be included in the portfolio.

Staff and SIS view the Opportunistic Whole Loan Fund as a natural product extension by the same residential and consumer debt team that managed AG's PPIP and STAR funds. This investment is in essence another "re-up" with the same AG investment team that SamCERA knows very well from its previous investments, and it represents an effort to maintain continuity with an existing investment, with the same team operating in the same general areas of the market.

A report from SIS is attached to this memo summarizing the AG Opportunistic Whole Loan Fund. In addition, Jonathan Lieberman and Jason Biegel, the co-portfolio managers for the fund, will present the Opportunistic Whole Loan fund to the Board.

Attachments:

- A. Angelo Gordon Opportunistic Whole Loan Fund Presentation
- B. SIS AG Opportunistic Whole Loan Fund Recommendation

Agenda Item 6.5

CONFIDENTIAL

ALTERNATIVE INVESTMENTS

RECORDS

EXEMPTION FROM PUBLIC

DISCLOSURE

Approval of the Angelo Gordon
Opportunistic Whole Loan Fund

(Confidential Under Gov. Code §6254.26 and
Gov. Code §54957.5)

DO NOT DUPLICATE

DO NOT DISTRIBUTE

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 6.6

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Discussion on Proposed Changes to the Investment Policy

Staff Recommendation

Review the attached Investment Policy documents and be prepared to discuss during the February Board meeting.

Background

The Investment Committee's work plan calls for an annual review of SamCERA's Investment Policy Statement (IPS). SamCERA's IPS was last reviewed in January 2012. That annual review was suspended due to multiple changes to the portfolio structure that the Board has undertaken, including approving a new asset allocation target portfolio in the October 2013 Board meeting.

Discussion

Now that the major portfolio changes are complete, staff and consultant have updated the current IPS to reflect Board input over the past year, including adding a set of investment beliefs that were discussed in the February 2013 Board meeting. Given the breadth of proposed changes to the current IPS, staff wanted to provide the Board extra time to review the proposed changes, and anticipates having a more thorough discussion at the February Board meeting. Attached you will find both a clean copy of the proposed IPS, along with a red-line version that shows proposed changes from the draft IPS document that was reviewed during the February 2013 Board meeting.

Attachments

- A. *SamCERA Investment Policy Clean January 2014*
- B. *SamCERA Investment Policy Redline January 2014*

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Working-Draft of SamCERA's Investment Policy

Revision V2

November/January 2012

January 2013/2014

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DRAFT

1.0 INTRODUCTION ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the "Board"), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the "Fund"), hereby establishes the following Investment Policy (the "Policy") for the investment of SamCERA's assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

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The purpose of this statement of Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the 1937 Act, the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the "Manager(s)") and investment consultants (the "Consultant(s)").

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A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

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The powers and duties of the Retirement Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Retirement Board.

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The San Mateo County Employees' Retirement Association ("SamCERA") was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system.

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~~The nine-member Board of Retirement is composed of the County Treasurer, four trustees appointed by the Board of Supervisors and four trustees elected from the membership. There are two alternate trustees. One is elected by the safety members and one by the retired members. The trustees' three-year terms are staggered to provide for continuity in the management of the association.~~

~~SamCERA was organized in accordance with the provisions of California's County Employees' Retirement Law of 1937. The powers and duties of the board are set forth in the '37 Act and in Article XVI of the State Constitution~~

Constitution of the State of California

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Article XVI, Section 17, relates to the administration of the system and investment of the fund assets. It reads in pertinent part:

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“(a) ...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

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“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable

expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the fund:

“31595. The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

Included among the board's duties are the mandate to assure the association's actuarial soundness and the prudent investment of the assets of the retirement fund.

This Investment Policy incorporates the board's policies, objectives, strategies, implementation programs and procedures for fulfilling its fiduciary obligation to manage the assets of the retirement fund with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

SamCERA's Mission & Goals

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The Retirement Board has adopted a Mission & Goals statement. The Mission summarizes SamCERA's reason to exist.

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"Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system."

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The Mission is further defined by three goals. One goal speaks to the management of the assets of the fund. This asset management goal reads;

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"Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers."

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The Board of Retirement (the "Board"), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the "Fund"), hereby establishes the following Investment Policy (the "Policy") for the investment of SamCERA's assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

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The Board is directed by law and given discretion to prudently invest the retirement plan assets. The purpose of this statement of Policy is to assist SamCERA in effectively supervising said investments and to encourage effective communication between SamCERA and its investment managers (the "Manager(s)") and investment consultants (the "Consultant(s)").

2.0 MISSION & PURPOSE

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SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system. SamCERA's overall goal is to provide caring, fair, accurate, timely and knowledgeable professional service to SamCERA's clients and the public.

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In addition, it aims to prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system and assure the ability to pay all earned benefits while minimizing the costs to its employers. And finally, SamCERA strives to constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

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In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other requirements in law, The San Mateo County Employees' Retirement Association Board of Retirement has established this Investment Policy.

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3.0 ROLES AND PRINCIPAL DUTIES

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The Fund investments shall be prudently planned, implemented, managed, and monitored. The Board, Investment Committee (the “Committee”), investment staff (the “Staff”), Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Managers shall coordinate this process. The roles and principal duties of the above-mentioned parties are defined below:

A. THE BOARD shall review and approve Committee recommendations. The Board also will review, adopts and monitors all investment policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund.

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B. THE COMMITTEE shall identify issues pertinent to the effective investment and administration of the Fund and, on Board approval, initiate analysis of such issues by Staff, Consultant or Managers. It also reviews Staff’s and Consultant’s recommendations regarding all investment policies and investment Fund management. The Committee provides recommendations to the Board for adoption, oversees implementation, and monitors the investment programs in accordance with all applicable laws and Board-established policies, guidelines and procedures. Refer to Attachment A – Charter of SamCERA’s Investment Committee of the Board for detailed Committee responsibilities.

C. THE STAFF shall oversee the Fund’s investment program activities, implement the Board decisions, make recommendations to the Committee regarding Fund management, and recommend investment-related policies and procedures to the Committee. Additionally, Staff shall monitor the performance and compliance of Managers in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as Schedule B Investment Guidelines set out in the investment management agreements (IMA) between SamCERA and each Manager. Staff shall also facilitates the Committee meetings and completes activity-activities, as directed by the Board.

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D. THE CONSULTANT shall review, analyze and evaluate the Fund’s effectiveness and efficiency and make fund management related recommendations. Consultant assists Staff in implementing the Board decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.

E. THE CUSTODIAN shall provide custody of SamCERA’s investment assets. In addition, Custodian will manage the securities lending program. The Custodian’s responsibilities are will be detailed in the service agreement between SamCERA and Custodian.

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F. THE MANAGERS shall prudently manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as Specific Investment Guidelines. Managers’ responsibilities are will be detailed in the Investment Management Agreement (IMAs) between SamCERA and each Manager.

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4.0 INVESTMENT OBJECTIVES

- The portfolio should be balanced diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

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Sustainability / Corporate Governance Beliefs

- While strong corporate governance practices and sustainability should help maximize shareholder value, SamCERA will always seek to act in the best economic interests of its plan beneficiaries.

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6.0 GENERAL INVESTMENT POLICY POLICIES

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Consistent with the investment beliefs contained in the Investment Philosophy Section 5, it is the Investment Policy of the Board to:

A. Pursue an investment strategy that reduces volatility of returns through the prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 67 of this Investment Policy.

B. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses of on portfolio risks.

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C. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 67, and reevaluate on an annual basis.

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D. Reevaluate the asset-liability study every three to five years.

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E. Delegate full discretion to each investment manager, to the extent authorized in their IMA.

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E. Adopt objectives which that encourage the investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.

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F. Refrain from dramatically shifting asset class allocations over short time spans.

G. Discourage the use of cash equivalents, except for liquidity purposes Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 8.

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~~H. Monitor the performance of its investment managers, relative to their assigned custom benchmarks to assure their conformance with the provisions of the board's investment policy, as provided for in Section 8.~~

I. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 7.

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- 7. For those asset classes evidencing market efficiencies, the manager structure will favor the employment of passive strategies.

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6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

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The target asset class allocation, rebalancing ranges, and the sub-asset class portfolio structure of the Fund shall be allocated as follows:

ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	53.50%	±3%
Fixed Income	22.20%	±2%
Risk Parity	8%	±2%
Alternative Assets *	20.16%	±2%
Real Estate *	5.6%	±2%

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* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

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A. The Public Equity Assets shall be allocated to managers reflecting the following investment asset classes:

PUBLIC EQUITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	26.24.00%	±2%
Passive Core	2.10.50%	
Active Core	4.50%	
Growth	4.50%	
Value	4.50%	
Small Capitalization Domestic	9.6.00%	±2%
Growth	4.50.3.00%	
Value	4.50.3.00%	
International	18.20.00%	±2%
Passive EAFE	4.00%	
Growth	6.00%	

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Value	7.756.00%
Small Capitalization	2.00%
Emerging Market	2.2500%
TOTAL PUBLIC EQUITY (EXCLUDING PE)	5350.00%

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B. The Fixed Income Assets shall be allocated to managers reflecting the following investment asset classes:

FIXED INCOME ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Domestic Core	75.50%	±2%
Domestic Core Plus	3.75%	±2%
Domestic Opportunistic Credit	3.255.00%	±2%
Domestic Inflation Protection	32.00%	±2%
Global Bonds	4.503.75%	±2%
TOTAL FIXED INCOME	2220.00%	

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C. The Alternative Assets shall be allocated to managers reflecting the following investment asset classes:

ALTERNATIVE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Private Equity	87.00%	±2%
Hedge Fund Funds (Absolute Return)	34.00%	±2%
Commodities	3.00%	±2%
Risk Parity Real Assets	62.00%	±2%
TOTAL ALTERNATIVE ASSETS	2016.0	

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D. The Risk Parity Assets shall be allocated as follows:

RISK PARITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Risk Parity	8.00%	±2%
TOTAL RISK PARITY	8.00%	

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E. The Real Estate Assets shall be allocated to managers reflecting the following investment styles as follows:

REAL ESTATE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	56.00	±2%
TOTAL REAL ESTATE	56.00	

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7.8.0 REBALANCING POLICY

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A. The Chief Investment Officer (CIO) shall rebalance the portfolio quarterly or as needed in conformance with the asset allocation tactical ranges set forth in Section 7.

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B. ~~6~~ The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established Rebalance Ranges specified in Section 7.

C. The CIO will have discretion regarding whether to rebalance to Target or some other allocation, as long as it is within said parameter ranges.

D. Cash flows will be used first to rebalance, and to the extent possible exchange traded derivatives will be used to rebalance in a cost-effect manner.

E. All rebalancing activity shall be reported to the Board in writing at the next scheduled meeting.

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~~9.B~~ The Chief Investment Officer shall issue instructions to managers to sell or transfer securities for reallocation to other managers or other asset classes when necessary to rebalance the portfolio.

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C All interest, dividends, net operating revenue and capital gains shall be reinvested by the investment manager accountable for the underlying investment.

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8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection ~~and~~, purchase and sale decisions, ~~and~~ proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the investment management agreement (IMA) with each firm.

~~The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as either:~~

- ~~(a) Cumulative annualized performance (net of fees) over a three-year period below a broad market based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return, And / Or~~
- ~~(b) Performance will be evaluated in light of the manager's stated style and discipline.~~

9.

10.0 PUBLIC EQUITY INVESTMENT POLICIES

PUBLIC EQUITY OVERVIEW: Public equity ~~returns are~~ expected to ~~be~~ reproduce returns higher than that provided from fixed income but at potentially higher levels of volatility levels. Exposure to this asset class will provide return streams generally correlated to that of the general economic growth. There are two primary parts to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

PUBLIC EQUITY MANAGER STRUCTURE:

Domestic Equity: For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. ~~The domestic equity composite will consist of two sub-composites: 1) Large-Capitalization Equity and, 2) Small-Capitalization Equity. The large-cap composite will consist of Core, Value, and Growth. Core will consist of two strategies, one a passive and another a low-tracking error active, while the Growth and Value categories will consist of higher tracking error active strategies. The Small-Capitalization strategy will consist of actively-managed Value and Growth strategies.~~

International Equity ~~Also, the domestic equity asset class will contain both active and passive strategies. International Equity will consist of two sub-composites: 1) Developed Equity and, 2) Emerging Equity. Developed Equity will consist of a passive Core component and active Value, Growth (although both have exposure to emerging markets) and core small-cap strategies. Emerging Equity will consist of an active core mandate.~~

PUBLIC EQUITY PERFORMANCE OBJECTIVE:

The performance objective of the Public Equity Category is to outperform on a net of fee basis a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for both the domestic and international equity parts

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(which results in the following weights: 50.9048% Russell 1000, 15.112% Russell 2000, and 34.40% MSCI World ex US IMI), with a maximum tracking error of 3% to this benchmark.

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PUBLIC EQUITY RISK EXPOSURES AND RISK MITIGATION:

PEP

The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks.

ASSET CLASS	BENCHMARK INDEX
Total Public Equity	Customized Benchmark Portfolio
Domestic Equity	80% Russell 1000 / 20% Russell 2000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	S&P 500
Active Core	S&P 500
Large Growth	Russell 1000 Growth
Large Value	Russell 1000 Value
Small Capitalization Domestic Equity	Russell 2000
Small Growth	Russell 2000 Growth
Small Value	Russell 2000 Value
International Equity	MSCI All Country World ex US IMI
Developed International	MSCI All Country World ex US
Developed International Growth	MSCI ACWI Free ex US Growth
Developed International Value	MSCI ACWI Free ex US Value
International Small	MSCI ACWI Small Cap ex US
Emerging Markets	MSCI Emerging Markets Free

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11.0 FIXED INCOME INVESTMENT POLICIES

FIXED INCOME OVERVIEW

FIXED INCOME OVERVIEW: Fixed income is expected to provide a lower but more steady stream of returns than public equity asset classes, but is also expected to reduce the risk of the overall portfolio because bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within fixed income that exhibit very different risk/return trade-offs and hold different tasks in terms of portfolio-role in the portfolio. Fixed Income is broken out into 5 subcategories:

1) Core, 2) Core Plus, 3) Opportunistic Credit, 4) Inflation Protection, and 5) Global

Core Fixed Income: Core is generally considered the lowest-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also consists of sectors that track those that comprise the Barclays Aggregate Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

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Core Plus: Core Plus is a medium-risk fixed income sub-category, and contains the sectors contained in Core "plus" high yield (below investment grade bonds), non- U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Plus's role in the portfolio is a combination of total portfolio volatility dampening combined with some modest return potential.

Opportunistic Credit: Opportunistic Credit is expected to be the highest-risk fixed income category, and will be used to enhance return by investing in non-traditional sectors of the bond market, including bank loans, high yield bonds, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities.

Inflation Protection: Inflation Protection is expected to provide some protection against higher rates of inflation.

Global Fixed: Global Fixed has characteristics similar to a combination of Core and Core Plus but extended to a global opportunity set, and is expected to provide some portfolio volatility dampening along with some return enhancement.

FIXED INCOME PERFORMANCE OBJECTIVE:

The performance objective of the Fixed Income Composite is to outperform, on a net-of fee-basis, a customized index incorporating the weighted average components for five sub-categories highlighted above (which results in the following weights: 46% Barclay's Capital Aggregate Bond Index, 25% Barclays BA Intermediate High Yield Index, 10% Barclays Capital US TIPS Index, and 19% Barclays Capital Multiverse Index), with a maximum tracking error of 3% to this benchmark.

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FIXED INCOME RISK EXPOSURES AND RISK MITIGATION:

The fixed income sub-sectors have very different risk factor exposures, with Core being generally the lowest risk, highest liquid sub-category, while Opportunistic Credit is generally the highest risk, lowest liquid category.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Core Plus: Typically includes the risk factors found in Core with additional (more secondary) exposures to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Opportunistic Credit: Typically includes the risk factors contained in Core and Core Plus, but with higher emphasis to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Inflation Protection: The primary risk factors are to changes in real interest rates, deflationary environments (although deflation floors could mitigate some of this risk), and potential illiquidity.

Global Fixed: The primary risk factors are sensitivity to global interest rates, sovereign credit risk, and currency impacts.

ASSET CLASS	BENCHMARK INDEX
Fixed Income	Barclays Capital Aggregate Bond Index Customized Benchmark Portfolio
Domestic Fixed Income	Barclays Capital Aggregate Bond Index
Core/Core Plus	Barclays Capital Aggregate Bond Index
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index
Inflation Protection	Barclays Capital US TIPS Index
Global Fixed Income	Barclays Capital Multiverse Index

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12.0 REAL ESTATE INVESTMENT POLICIES

REAL ESTATE PERFORMANCE OBJECTIVES

REAL ESTATE INVESTMENT GUIDELINES

Real-estate investment managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers, beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.

(a) Diversification:

The Board will employ commingled fund vehicles in this asset class.

The commingled fund vehicle may not exceed a concentration of 40% (by value) in any single property type or 25% in any single metropolitan statistical area determined as of the date of the acquisition of a property.

~~Commingled fund vehicles shall be diversified as to region, property type, industry and economic base.~~

~~(b) Quality: All assets must be of institutional quality as evidenced by tax exempt institutional investment in similar properties, high quality construction and design, a market with underlying fundamental strengths and a strong location.~~

REAL ESTATE OVERVIEW: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. The majority of exposure will be in "Core" real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. The remainder will be "Value-Add" proprieties that are expected to provide somewhat higher return potential along with somewhat higher risk. Income will be a large part of the return stream generated from this portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Equity composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core and Value-Add strategies.

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REAL ESTATE PERFORMANCE OBJECTIVE:

The performance objective of the Real Estate Composite is to outperform, on a net-of-fee basis, the NCREIF ODCE Index over a 5-year rolling period.

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REAL ESTATE RISK EXPOSURES AND RISK MITIGATION:

Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate investments. Value-add and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

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<u>ASSET CLASS</u>	<u>BENCHMARK INDEX</u>
<u>Real Estate</u>	<u>NCREIF ODCE</u>

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13.0 ALTERNATIVE ASSETS INVESTMENT POLICIES

~~ALTERNATIVE ASSET PERFORMANCE OBJECTIVES: As set forth in Section 7.~~

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~~ALTERNATIVE ASSET GUIDELINES: The responsibility for alternative asset securities selection and purchase and sale decisions is delegated to the alternative asset investment managers.~~

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~~Alternative investment managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such~~

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~~managers, beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.~~

~~(a) Diversification~~

~~Any alternative investment portfolio shall be expected to be well diversified with a minimum of five investments to be made in five different companies, ventures or investments.~~

~~Quality: All assets must be of institutional quality as evidenced by tax exempt institutional investment in similar investment opportunities. Investments must provide exposure consistent with the stated goal of the alternatives sub asset class. All categories of alternatives must contribute meaningful return-enhancing or diversifying properties to the overall SamCERA portfolio.~~

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ASSET CLASS	BENCHMARK INDEX
Alternatives	Customized Benchmark Portfolio
Private Equity	Russell 3000 + 3.0%
Commodities	Dow Jones UBS Commodity
Hedge Funds	LIBOR + 4.0%
Risk Parity	60% Russell 3000 & 40% BC Aggregate

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~~13.0 PRIVATE EQUITY INVESTMENT POLICIES~~

~~ALTERNATIVES OVERVIEW: Alternatives are investments that do not neatly fit into public equities, fixed income, or real estate. SamCERA's alternatives program is broken out into the following intofour 4 sub asset classes:~~

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- ~~1) Private Equity, Performance Objectives, 2) Hedge Funds, 3) Commodities, and 4) Private Real Assets.~~

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~~**Private Equity:** Private Equity is expected to be the highest returning asset class over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the fund to meet its performance objectives. The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:~~

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<u>Sub-Category</u>	<u>Target Allocation</u>	<u>Range</u>
<u>Buyouts</u>	<u>60%</u>	<u>+/- 20%</u>

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<u>Venture Capital</u>	20%	0 – 30%
<u>Debt/Special Situations</u>	20%	+/- 10%

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The responsibility for private equity sourcing is delegated to *SamCERA's* investment consultant.

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~~Private equity managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.~~

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The private equity portfolio shall adhere to the following investment guidelines covering ~~(a) diversification, (b) and quality, (c) restricted transactions (d) and public disclosures.~~

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(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

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~~Sub-Asset Class: Among buyouts, venture capital, and debt-related / special situations investments, including the purchase of secondaries in the aforementioned sub-asset classes.~~

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Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

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Investment Manager: No more than twenty (20) percent of the private equity portfolio's target allocation to may be committed to any one investment managervehicle (excluding Fund of Funds).

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Geography: Through commitments to funds located and/or investing both in and outside of the United States.

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Industry: ~~As fallout of diversified commitments outlined above, it~~ is expected that the private equity portfolio will be generally diversified by sector/industry.

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(b) Quality: All commitments to private equity by *SamCERA* must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

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Fund managers are expected to comply with *SamCERA's* private placement disclosure rules.

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Hedge Funds (Absolute Return): The hedge fund category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of

public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds (to limit liability look-through to the rest of the Plan assets) and not in separate accounts.

Commodities: Commodities are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of three sub-categories: 1) Infrastructure (Core, Secondary, Midstream Energy, and Power), 2) Mining, and 3) Farmland/Timber/Water. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

Sub-Category	Target Allocation	Range
<u>Infrastructure</u>	50%	+/- 50%
<u>Mining</u>	0%	0 - 50%
<u>Farmland/Timber/Water</u>	0%	0 - 50%

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ALTERNATIVES PERFORMANCE OBJECTIVE:

The performance objective of the Alternatives Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for four sub-asset classes highlighted above (which results in the following weights: 44% Russell 3000+3%, -25% LIBOR+4%, 19% Dow Jones-UBS Commodity, and 12% CPI+5%).

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ASSET CLASS	BENCHMARK INDEX
Alternatives	Customized Benchmark Portfolio
Private Equity	Russell 3000 + 3.0%
Commodities	Dow Jones-UBS Commodity
Hedge Funds	LIBOR + 4.0%
Real Assets	CPI + 5.0%

ALTERNATIVES RISK EXPOSURES AND RISK MITIGATION

Alternatives, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature both Private Equity and Private Real Assets are generally illiquid in that the life of these fund investments can be as long as 10 to 12 years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

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14.0 HEDGE FUND ASSETS

~~HEDGE FUND GUIDELINES: The board will determine which strategy(s) the hedge fund manager will pursue. The investment opportunity selection and purchase and sale decisions are delegated to the hedge fund investment managers.~~

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15.0 COMMODITY ASSETS

~~COMMODITY ASSET PERFORMANCE OBJECTIVES:~~

~~Once a commodity manager is selected, that manager must adhere to the investment style they were selected to manage.~~

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~~Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:~~

~~(a) Diversification:~~

~~Any commodity portfolio shall be well diversified.~~

~~(b) Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar investment opportunities.~~

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~~In the US, commodity futures contracts are traded on exchanges regulated by the US Commodity Futures Trading Commission (CFTC). However, commodity strategies may also make use of swaps, options, swaptions, forwards and or other investment products.~~

16.0 RISK PARITY INVESTMENT POLICIES

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RISK PARITY OVERVIEW: Risk Parity is a risk-diversified balanced portfolio that is expected to provide a more diversified return and risk profile than that of a traditional 60% equity / 40% fixed income portfolio. It is generally designed to be approximately equal risk-weighted between equity risk, interest rate risk, inflation risk, and credit risk.

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RISK PARITY PERFORMANCE OBJECTIVE:

The performance objective of the Risk Parity Composite is to outperform, on a net-of-fee basis, the 60% Russell 3000 / 40% BC Aggregate over a 5 year rolling period.

RISK PARITY RISK EXPOSURES AND RISK MITIGATION:

Risk parity managers typically must have significant latitude in the utilize leverage in order to enhance returns. Moderate leverage may be utilized and the portfolio managers should avoid strategies which that might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350% and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers.

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Any In addition, the risk parity portfolio shall consist of a portfolio of generally liquid trading instruments.

Counterparties for Over the Counter (OTC) derivatives must either (1) have a long-term rating from Standard & Poor's of at least A- or from Moody's of at least A3 or (2) be approved by the manager's counterparty committee. In the event that the OTC derivative counterparty is an unrated affiliate whose performance is unconditionally guaranteed by the parent company, the parent's credit rating shall apply.

Any risk parity portfolio shall target an annualized volatility of 10% (or as otherwise outlined within the investment management agreement). The board realizes that the portfolio's targeted annualized forecasted volatility may typically range between 7% and 13%; however, the actual or realized volatility level for longer or shorter periods may be materially higher or lower depending on market conditions. Actual or realized volatility can and will differ from the forecasted or target volatility described above.

Any risk parity portfolio shall utilize moderate leverage and the portfolio managers should avoid strategies which might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350%.

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<u>ASSET CLASS</u>	<u>BENCHMARK INDEX</u>
<u>Risk Parity</u>	<u>60% Russell 3000 / 40% BC Aggregate</u>

15.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING:

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

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The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, 1, 3, and 5 year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three-and-five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

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1816.0 ANNUAL INVESTMENT STRATEGY

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Annually, the Board/staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the fund's actual investment performance for the prior fiscal year against the investment objectives set forth in **Section 4** and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's ~~actual~~ investment performance for the prior fiscal year against the ~~performance criteria set forth in Sections 9 through 15~~ relevant benchmarks and ~~their individual contracts, peer groups~~ and evaluate the relative success or failure of their prior year's performance;
- (c) Evaluate and review the total fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- ~~(de)~~ Evaluate and review the portfolio rebalancing activity for the year;
- ~~(ef)~~ Evaluate the fund's liquidity requirements for the current and next fiscal years.

~~19~~17.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

~~22.1A.~~ All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement fund be subordinated to any other interest.

~~22.2~~ The investment managers shall be accountable for alerting, in a timely manner, the Chief Investment officer to proxy issues that have aroused concern among institutional investors. The Chief Investment Officer shall solicit advice and recommendations from institutional investors and proxy advisory services and request direction from the Board at its next regularly scheduled meeting.

~~22.3~~ Unless the Board provides specific direction, proxies concerning the election of directors, ratification of auditors, amendments to the articles of incorporation, name changes, employee stock purchase or ownership plans, stock option plans, incentive plans and increases in the number of authorized shares of common stock, shall be voted with management.

~~22.4~~ Unless the Board provides specific direction, proxies concerning mergers, acquisitions, restructuring, reincorporation and changes in capitalization shall be voted as provided for in Section 22.1.

~~22.5~~ Unless the Board provides specific direction, proxies concerning social, environmental, and political issues shall be voted as provided for in Section 22.1.

~~22.6~~ Unless the Board provides specific direction, votes shall be cast against proxies which would limit management's accountability to the shareholders or otherwise restrict shareholder's ability to realize the full value of their investment, such as proposals creating super majorities, elimination of cumulative or preemptive rights, creation of dual class voting rights, greenmail, poison pills, golden parachutes, and excessive compensation for management when earnings are declining.

~~22.7B.~~ The Board intends that its proxies be voted in accordance with its Sustainability / Corporate Governances Beliefs stated in Section 5.0 Investment Philosophy.

C. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

~~20~~18.0 SECURITIES LENDING

SamCERA instituted a securities lending program effective July 1, 2007, for the actively managed component of the portfolio. The Board's standards with respect to this program are hereby summarized below.

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23.1A. Pursuant to **Section 3E**, the master custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

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23.2B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

23.3C. Unless otherwise specified in the agreement(s),

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(a) All loans shall be marked-to-market daily,

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(b) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities,

(c) Acceptable collateral shall be in the form of cash or marketable fixed income securities with maturities not greater than one year, including (1) Commercial Paper with quality ratings of P-1 and/or A-1 by Moody's Investors Services or Standard & Poor's Corporation, or their equivalents; (2) Banker's acceptances, certificates of deposits and time deposits; (3) United States Treasury and Government Agency short-term obligations; (4) Repurchase Agreements with United States Treasury Securities and Agencies of the United States Government as collateral; and (5) Money market or short-term investment funds.

(d) If rated, borrowers shall be rated AA, Aa or higher by Moodys or Standard & Poors,

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23.4D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

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APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

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*This Resolution, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA),
sets forth the Charter for the Board's Investment Committee.*

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the

competency of the assets of the system . ; &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees' retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, *The Board of Retirement*, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted *SamCERA's Investment Policy* and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of *SamCERA's Investment Policy*. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of *SamCERA's Investment Policy*, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
 - 1.2 Evaluate plan funded status
 - 1.3 Evaluate active & retired member demographics
 - 1.4 Model plan payments for 50-70 years into future
 - 1.5 Project expected contribution rates & variability
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation
 - 3.2 Evaluate mean variance optimization
 - 3.3 Determine low risk alternatives and high risk alternatives
 - 3.4 Scale portfolios between two extremes
 - 3.5 Evaluate optimized efficient frontier
 - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
 - 4.1 Assess risk/reward trade-offs
 - 4.2 Assess contribution rate sensitivity & variability
 - 4.3 Assess ability to exceed actuarial interest rate
 - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX

- 5.1 Evaluate differences from current target
- 5.2 Evaluate Board's willingness to implement new target asset mix
- 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO *SAMCERA'S INVESTMENT POLICY*
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks
 - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations
 - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- ~~11.0 EVALUATE & RECOMMEND REVISIONS TO THE ECONOMIC ACTUARIAL ASSUMPTIONS AND OTHER ACTUARIAL ASSET CONSIDERATIONS~~
 - ~~11.1 Evaluate the data and methodology employed by the Actuary when setting the assumptions for inflation, investment return, salary increase and when establishing the actuarial value of assets and recommend revisions as appropriate.~~
 - ~~11.2 Assure that the Consultant integrates Actuarial input with all Asset Liability Modeling Studies~~
 - ~~11.3 Evaluate the consistency of actuarial-economic and investment policies and processes~~
- 12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available County and SamCERA resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100

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per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

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APPENDIX B

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Derivatives Investment Policy

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1) Introduction

There is a genuine need to allow *SamCERA's* managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows *SamCERA's* investment managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provision must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by *SamCERA's Investment Plan*. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this investment process?

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of *SamCERA's* guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction--the counter-parties to the trade. Due to the possibility of counter-party default, *SamCERA's* investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings

f) Other fundamental investment and risk characteristics.

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances.

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances.

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with *SamCERA's* overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy *SamCERA's* investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by *SamCERA's Investment Plan*. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of *SamCERA's* guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above section entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (collateralized mortgage obligations)
- b. Financial futures (if exchange traded)
- c. Currency forward contracts and currency options (exchange and OTC traded)

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if exchange traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for *SamCERA*. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets. In addition, the use of options, caps and floors may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints and communicate the assumptions and model used to estimate VAR (Value at Risk and/or other reasonable risk measurement procedures) annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in *SamCERA*'s portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors are as follows:

- a. Extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to *SamCERA* on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above.

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.

- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of *SamCERA's* investment managers to certify and demonstrate that their portfolios are in compliance with *SamCERA's* overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), *SamCERA's* investment managers will provide the following minimum monitoring information on all derivative securities.

- a. A general statement from the manager that his/her portfolio is in compliance with the Retirement Trust's derivatives policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk--an evaluation of potential counter-party default on obligations, market risk--percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

APPENDIX C

Compliance Certification Statement **San Mateo County** **Employees' Retirement Association**

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~~In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office and investment consultant no later than 10 days after the end of each reporting period. (15.3(i))~~

General Compliance Issues

- ~~1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of SamCERA? (15.4(a)) Yes/No: ___ If no, please explain.~~
- ~~2. Are SamCERA's market benchmarks in the respective asset class areas acceptable to the firm? (6.3) Yes/No: ___ If no, please explain.~~
- ~~3. Has the firm's insurance coverage been sustained? (15.4(c)) Yes/No: ___ If no, please explain.~~
- ~~4. Does the firm consider any of SamCERA's investment objectives unreasonable? (6.0) Yes/No: ___ If yes, please explain.~~
- ~~5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (15.4(j)) Yes/No: ___ If yes, please explain.~~
- ~~6. Have there been any changes in the firm's investment approach? (15.4(e)) Yes/No: ___ If yes, please explain.~~
- ~~7. Do SamCERA's guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (9.1) Yes/No: ___ If yes, please explain.~~
- ~~8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (15.4(a)) Yes/No: ___ If yes, please explain.~~
- ~~9. Have proxy ballots been voted in accordance with the best economic interest of SamCERA and in a manner consistent with the Board's proxy policies? (18.0) Yes/No: ___ If no, please explain.~~
- ~~10. For domestic equity managers, has the firm supported SamCERA's commission recapture program? (15.4(g)) Yes/No: ___ If no, please explain.~~

Derivative Investments

- ~~1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.~~

- ~~2. For non-exchange traded derivative transactions, were the counter parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter parties have investment grade debt? Yes/No: ___ Are the counter parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.~~
- ~~3. For non-exchange traded derivative transactions, were the counter parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter parties have investment grade debt? Yes/No: ___ Do the counter parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.~~

- ~~4. Is individual counter party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter party within the portfolio? Have there been any changes to the investment manager's list of approved counter parties over the past month?~~

- ~~5. Are the investment purposes for a derivative investment consistent with the four purposes stated SamCERA's policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.~~
- ~~6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.~~
- ~~7. State if any restricted derivative investments are held in SamCERA's portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))~~
- ~~8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(9)) Yes/No: ___ If no, please explain.~~
- ~~9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.~~
- ~~10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10-b))~~
- ~~11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.~~

~~12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.~~

Investment Manager Guidelines

~~1. Are portfolio holdings well diversified, and made in liquid securities? (5.0) Yes/No: ___ If no, please explain.~~

~~2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: ___ If yes, please explain.~~

Cash & Equivalents

~~1. Does the firm directly invest in short term fixed income investments? Yes/No: ___ If yes, do the investments comply with the policies? (11.0) Yes/No: ___ If no, please explain.~~

Domestic Equity Portfolios (Large, Mid & Small)

~~1. Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (15.4 j)~~

~~2. What is the firm's market value allocation to large, mid and small stocks? (15.4 j) Please specify percentages.~~

~~3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (15.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.~~

~~4. What is the largest percentage of the portfolio represented by a single security? (15.4 j) If any securities were above 5% at the time of purchase, please list and explain why.~~

~~5. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (10.3 a). Please specify all industries above 15%.~~

International Equity Portfolios - Developed

~~1. Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (15.4 j)~~

~~2. Specify the large, mid and small capitalization exposure of the portfolios. (15.4 j)~~

~~3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (15.4 j) Yes/No: ___ If no, please explain.~~

~~4. Does the portfolio currently employ a currency hedging strategy? Yes/No: ___ Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C) Yes/No: ___ If no, please explain.~~

Domestic Fixed Income Portfolios

~~1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and~~

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~~Agency securities; corporate bonds; mortgage and asset-backed securities; and, Yankee bond securities. (11.3)~~

~~2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (6.3) Yes/No: ___ If no, please explain.~~

~~3. Does the firm conduct horizon analysis testing? (15.4 j) Yes/No: ___ If no, please explain.~~

~~4. Are derivative investments in compliance with SamCERA's investment policies? (Appendix C) Yes/No: ___ If no, please explain.~~

~~5. Are any holdings below investment grade? (11.3(b)) If yes, why are they held in the portfolio?~~

~~6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: ___ (11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify.~~

~~7. What percentage of the portfolio is held in Rule 144A securities? (11.3(c))~~

Separate Property Real Estate Portfolios

~~1. What is the current product type and geographic diversification of the portfolio?~~

~~2. Is the portfolio achieving a TTWRR equal to the specified NCREIF benchmark? Yes/No: ___ If no, please explain~~

~~3. Does any individual asset constitute more than 20% of the market value in the real estate portfolio?~~

~~4. Is the portfolio leverage within the 30% guideline?~~

Signed by: _____

Dated: _____

Name of Firm _____

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APPENDIX D

DUE DILIGENCE POLICY

MANUAL

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POLICY

SamCERA's due diligence process requires (i) staff to perform ~~regular on-going~~ due diligence monitoring ~~and report on same~~, (ii) investment consultants and managers to make regularly scheduled due diligence presentations to staff in *SamCERA's* offices, ~~and~~ (iii) ~~the board and~~ staff to make on-site visitations to the investment consultant's and investment managers' offices ~~and (iv) to attend client conferences that discuss the consultant's and managers' business plans, investment processes and practices.~~

PURPOSE

To discharge the fiduciary responsibilities of the Board ~~of Retirement~~ and staff, regular due diligence with the San Mateo County Employees' Retirement Association investment managers are essential to the ~~Board of Retirement's~~ *Board's* ability to effectively monitor the performance of its investment professionals and to the prudent discharge of the board's fiduciary duty to the beneficiaries of this multi-billion dollar retirement system.

F.01 – Due Diligence Monitoring

Individual investment managers will be monitored monthly, quarterly and annually. The managers' organizations and operations will be qualitatively monitored on a continual basis.

The Chief Investment Officer, with assistance from the investment consultant, will present an investment performance report to the Board on a quarterly basis, **as specified in Section 4715.0 Quarterly Investment Performance Reporting.** Performance will be measured for the total portfolio as well as individual components such as equities, fixed income and real estate portfolios. In addition, the performance of each component will be broken down into individual portfolios.

Comparisons will be made against market indices defined in this document. A variance from the stated performance objective will be calculated each quarter. Additionally, the portfolios' actual investment approach will be monitored against the required investment style to determine whether the manager is adhering to its acknowledged investment style.

The quarterly investment performance report will compare the total fund, each asset class and individual portfolio return to appropriate market indices and a representative peer group of similar funds or similar style investment managers. The report will note significant changes in the attribution of investment manager performance.

~~Every six months, the Chief Investment Officer, with the assistance of the investment consultant, will provide the board with a review of one of the three major asset categories of the total investment portfolio in detail. Therefore, during a eighteen-month period the CIO and the investment consultant will conduct a detailed review of each of the three asset categories in which SamCERA invests.~~

Annually, staff will request and review the Investment Manager's ADV Part II form and inform the board of significant changes in the firm or apparent conflicts of interest. In addition staff will request an annual insurance certification from each professional service provider. Where appropriate a Statement of Auditing Standards #70 will be obtained and reviewed. ~~(The SAS-70 audit report describes the control structure as it relates to its fiduciary and custodial activities and is prepared in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards Number 70, entitled "Reports on the Processing of Transactions by Service Organizations" as amended by AICPA Statement on Auditing Standards Number 78, entitled "Consideration of Internal Control in a Financial Statement Audit.")~~

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F.02 – Due Diligence Presentations

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~~SamCERA's~~ Investment consultants and investment managers that are under contract with the Board to provide services will make a presentation to staff at least once a year. The presentation shall include, but not be limited to, an update on the manager's organization and business plan, changes to the investment process and investment performance. Staff may request presentations more frequently as circumstances demand. The investment managers will provide on a semi-annual basis a completed Compliance Certification Statement ~~(Appendix D)~~ and in-depth response to a list of questions submitted by staff.

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F.0403 – Asset Categories

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On-site meetings will be grouped by asset categories. This approach enables staff to readily compare and contrast investment approaches, systems, and controls utilized by the investment managers. It will also allow for a better evaluation of the existing asset diversification.

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~~**F.05 – Domestic – International Investment Managers**~~

~~**Regular due diligence evaluations shall be scheduled with traditional domestic and international equity and fixed income managers on a three year rotational basis. Evaluations may be necessary on a more frequent basis if there have been significant personnel changes, a deterioration of returns, or unresolved issues relating to the style drift with a manager.**~~

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~~**F.06 – Real Estate Managers**~~

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~~Regular due diligence evaluations with real estate managers shall be scheduled on at least a three-year rotational basis. These due diligence evaluations shall include on-site inspections of properties held in SamCERA's portfolio. The investment manager and the individual property manager will accompany staff and board members on these visits.~~

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~~F.07 – Investment Committee Chair Responsibilities~~

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~~The Investment Committee chair shall, at the first meeting of the committee in each calendar year, place before the committee a proposed outline of all due diligence trips to be performed in the following fiscal year. Once voted on by the committee, that schedule will be placed on the Board of Retirement's agenda for approval at the next regular meeting.~~

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~~F.08 – Official Due Diligence Trip~~

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~~An official due diligence trip shall consist of at least two members of the Investment Committee or in the event committee members are not available, two board members who are available, along with the Chief Investment Officer or his/her designee and the investment consultant. When deemed necessary by the Chief Executive Officer the CIO and investment consultant may meet with an investment manager on an interim basis.~~

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~~F.09 – Coordination of Due Diligence~~

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~~The Investment Committee will coordinate with the Chief Executive Officer and the Chief Investment Officer on all planned due diligence. The CIO will be responsible for coordinating each scheduled evaluation visit with the appropriate investment manager.~~

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~~F.1104 – Manager Selection Due Diligence~~

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The ~~board~~Board, with the assistance of ~~staff and~~ the investment consultant ~~and staff~~, select investment managers to manage the assets of the system. The ~~board~~Board authorizes staff and consultant to initiate a search for a manager either to replace a manager or to fill a new mandate approved by the ~~board~~Board. The investment consultant and staff will conduct the search in accordance with criteria established for the search. The search criteria will include the scope of the mandate, the investment style, benchmark, and the minimum qualifications for candidates. The investment consultant and staff will perform on-site due diligence on ~~the final candidate~~ candidate prior to ~~them being interviewed by~~ signing the ~~board~~ investment agreement.

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The ~~board~~Board will require any public securities investment manager being considered as provider of professional services for SamCERA to make a formal presentation to it at a public ~~board~~Board meeting. The presentation shall include, but not be limited to, (i) manager's organization and its staff, (ii) investment philosophy and process, (iii) the resources available to provide the service, (iv) proposed fees and (iv) performance characteristics.

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Appendix ~~ED~~

**DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN
CONTRIBUTIONS**

***Adopted by the Board of Retirement
December 14, 2010. Amended January 25, 2011.***

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This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.

I. PURPOSE

This Policy sets forth the circumstances under which the San Mateo County Employees' Retirement Association (*SAMCERA*) shall require the disclosure of payments to *Placement Agents*, as that term is defined by Government Code section 7513.8, in connection with *SAMCERA* investments in or through *External Managers*, as that term is defined by Government Code section 7513.8. This Policy is intended to apply broadly to all of the types of investment partners with whom *SAMCERA* does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. *SAMCERA* adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that *SAMCERA* investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to *SAMCERA*.

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II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended in any way to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by *SAMCERA* or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

IV. RESPONSIBILITIES

A. The Board is responsible for:

1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be

reduced by a majority vote of the board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Providing a statement in writing that the External Manager will comply with this policy.
2. Providing the following information to the *SAMCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SAMCERA* investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SAMCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to *SAMCERA* or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.

- g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
 - h. The names of any current or former *SAMCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
 - 3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.
 - 4. Representing and warranting the accuracy of the information described in section B.2 above.
 - 5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SAMCERA*,
 - a. all campaign contributions made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 - b. , prior to acting as a Placement Agent to *SAMCERA* all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 - 6. *SAMCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.
- D. *SAMCERA* Investment Staff ("Staff") are responsible for:
 - 1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
 - 2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.

3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between SAMCERA and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SAMCERA is entitled to the greater of the reimbursement of any management or advisory fees paid by SAMCERA for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the SAMCERA investment; and
4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SAMCERA for five years after they have committed a material violation of this Policy; *provided, however*, that SAMCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

DEFINITIONS:

The following definitions are current as of January 7, 2011. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8, "**External Manager**" means either of the following: (1) a person who is seeking to be, or is, retained by a board to manage a portfolio of securities or other assets for compensation; (2) a person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to a board. (All code section references are to the Government Code, unless otherwise noted.)

As defined in section 7513.8, "**Person**" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

As defined in section 7513.8, "**Placement Agent**" means any person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another placement agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to a board or an Investment Vehicle, either directly or indirectly. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

As defined in section 7513.8, **“Investment Vehicle”** means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, constituting or managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

“Compensation” means, for the purposes of this policy, remuneration and other benefits (including without limitation, favors) of any kind.

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Draft of SamCERA's Investment Policy

January 2014

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1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of SamCERA’s assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this statement of Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the 1937 Act, the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

The powers and duties of the Retirement Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Retirement Board.

The San Mateo County Employees’ Retirement Association (“SamCERA”) was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California's County Employees' Retirement Law of 1937.

Constitution of the State of California

Article XVI, Section 17, relates to the administration of the system and investment of the fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the fund:

“31595. The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SamCERA’s Mission & Goals

The Retirement Board has adopted a Mission & Goals statement. The Mission summarizes SamCERA’s reason to exist.

“Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.”

The Mission is further defined by three goals. One goal speaks to the management of the assets of the fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other requirements in law, The San Mateo County

Employees' Retirement Association Board of Retirement has established this Investment Policy.

3.0 ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored. The Board, Investment Committee (the "Committee"), investment staff (the "Staff"), Consultant (the "Consultant"), Custodian Bank (the "Custodian"), and Managers shall coordinate this process. The roles and principal duties of the above-mentioned parties are defined below:

A. THE BOARD shall review and approve Committee recommendations. The Board also will review, adopt and monitor all investment policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund.

B. THE COMMITTEE shall identify issues pertinent to the effective investment and administration of the Fund and, on Board approval, initiate analysis of such issues by Staff, Consultant or Managers. It also reviews Staff's and Consultant's recommendations regarding all investment policies and investment Fund management. The Committee provides recommendations to the Board for adoption, oversees implementation, and monitors the investment programs in accordance with all applicable laws and Board-established policies, guidelines and procedures. Refer to **Attachment A – Charter of SamCERA's Investment Committee of the Board** for detailed Committee responsibilities.

C. THE STAFF shall oversee the Fund's investment program activities, implement the Board decisions, make recommendations to the Committee regarding Fund management, and recommend investment-related policies and procedures to the Committee. Additionally, Staff shall monitor the performance and compliance of Managers in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as Schedule B Investment Guidelines set out in the investment management agreements (IMA) between SamCERA and each Manager. Staff shall also facilitate the Committee meetings and complete activities as directed by the Board.

D. THE CONSULTANT shall review, analyze and evaluate the Fund's effectiveness and efficiency and make fund management related recommendations. Consultant assists Staff in implementing the Board decisions and developing all investment-related policies. Consultant's responsibilities are detailed in the service agreement between SamCERA and Consultant.

E. THE CUSTODIAN shall provide custody of SamCERA's investment assets. In addition, Custodian will manage the securities lending program. The Custodian's responsibilities will be detailed in the service agreement between SamCERA and Custodian.

F. THE MANAGERS shall prudently manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as

Specific Investment Guidelines. Managers' responsibilities will be detailed in the IMAs between SamCERA and each Manager.

4.0 INVESTMENT OBJECTIVES

The overarching investment objective of the Fund is to efficiently allocate and manage the Fund assets in order to provide for the payment of benefits. The following specific objectives are set forth with this in mind.

- A. Generate risk-adjusted returns that exceed the asset allocation portfolio benchmark on a net-of-fee basis over five-year rolling periods.
- B. Provide for moving toward full actuarial funding of the Pension Benefit Obligation based on GASB 25 and the Board's policy of layered fifteen-year unfunded actuarial accrued liability (UAAL) amortization periods.
- C. Achieve a portfolio return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).
- D. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

5.0 INVESTMENT PHILOSOPHY

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

Financial Market Beliefs

- The equity risk premium will continue to exist, but may be smaller going forward than the long-term historical numbers suggest.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.

Investment Process Beliefs

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure will favor the employment of passive strategies.
- Diversity, balance, and patience are key across many dimensions.

- The portfolio should be diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

Sustainability / Corporate Governance Beliefs

- While strong corporate governance practices and sustainability should help maximize shareholder value, SamCERA will always seek to act in the best economic interests of its plan beneficiaries.

6.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in the Investment Philosophy **Section 5**, it is the Investment Policy of the Board to:

- A. Pursue an investment strategy that reduces volatility of returns through the prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in **Section 7** of this Investment Policy.
- B. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- C. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in **Section 7**, and reevaluate on an annual basis.
- D. Reevaluate the asset-liability study every three to five years.
- E. Delegate full discretion to each investment manager, to the extent authorized in their IMA.
- E. Adopt objectives that encourage the investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- F. Refrain from dramatically shifting asset class allocations over short time spans.
- G. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in **Section 8**.

7.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

The target asset class allocation, rebalancing ranges, and the sub-asset class portfolio structure of the Fund shall be allocated as follows:

ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE

Public Equity	50%	±3%
Fixed Income	20%	±2%
Risk Parity	8%	±2%
Alternative Assets *	16%	±2%
Real Estate *	6%	±2%

* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

A. The Public Equity Assets shall be allocated to managers reflecting the following investment asset classes:

PUBLIC EQUITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	24.00%	±2%
Passive Core	10.50%	
Active Core	4.50%	
Growth	4.50%	
Value	4.50%	
Small Capitalization Domestic	6.00%	±2%
Growth	3.00%	
Value	3.00%	
International	20.00%	±2%
Passive EAFE	4.00%	
Growth	6.00%	
Value	6.00%	
Small Capitalization	2.00%	
Emerging Market	2.00%	
TOTAL PUBLIC EQUITY	50.00%	

B. The Fixed Income Assets shall be allocated to managers reflecting the following investment asset classes:

FIXED INCOME ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	5.50%	±2%
Core Plus	3.75%	±2%
Opportunistic Credit	5.00%	±2%
Inflation Protection	2.00%	±2%
Global Bonds	3.75%	±2%
TOTAL FIXED INCOME	20.00%	

C. The Alternative Assets shall be allocated to managers reflecting the following investment asset classes:

ALTERNATIVE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Private Equity	7.00%	±2%
Hedge Funds (Absolute Return)	4.00%	±2%
Commodities	3.00%	±2%
Real Assets	2.00%	±2%
TOTAL ALTERNATIVE ASSETS	16.00	

D. The Risk Parity Assets shall be allocated as follows:

RISK PARITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Risk Parity	8.00%	±2%
TOTAL RISK PARITY	8.00%	

E. The Real Estate Assets shall be allocated as follows:

REAL ESTATE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	6.00%	±2%
TOTAL REAL ESTATE	6.00%	

8.0 REBALANCING POLICY

A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 7.

B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established Rebalance Ranges specified in Section 7.

C. The CIO will have discretion regarding whether to rebalance to Target or some other allocation, as long as it is within said parameter ranges.

D. Cash flows will be used first to rebalance, and to the extent possible exchange traded derivatives will be used to rebalance in a cost-effect manner.

E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

9.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the investment management agreement (IMA) with each firm.

10.0 PUBLIC EQUITY INVESTMENT POLICIES

PUBLIC EQUITY OVERVIEW: Public equity is expected to produce returns higher than that provided from fixed income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of the general economic growth. There are two primary parts to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

PUBLIC EQUITY MANAGER STRUCTURE:

Domestic Equity: For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The domestic equity composite will consist of two sub-composites; 1) Large-Capitalization Equity and, 2) Small-Capitalization Equity. The large-cap composite will consist of Core, Value, and Growth. Core will consist of two strategies, one a passive and another a low-tracking error active, while the Growth and Value categories will consist of higher tracking error active strategies. The Small-Capitalization strategy will consist of actively-managed Value and Growth strategies.

International Equity: International Equity will consist of two sub-composites; 1) Developed Equity and, 2) Emerging Equity. Developed Equity will consist of a passive Core component and active Value, Growth (although both have exposure to emerging markets) and core small-cap strategies. Emerging Equity will consist of an active core mandate.

PUBLIC EQUITY PERFORMANCE OBJECTIVE:

The performance objective of the Public Equity Category is to outperform on a net of fee basis a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for both the domestic and international equity parts (which results in the following weights: 48% Russell 1000, 12% Russell 2000, and 40% MSCI World ex US IMI), with a maximum tracking error of 3% to this benchmark.

PUBLIC EQUITY RISK EXPOSURES AND RISK MITIGATION:

The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks.

ASSET CLASS	BENCHMARK INDEX
Total Public Equity	Customized Benchmark Portfolio
Domestic Equity	80% Russell 1000 / 20% Russell 2000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	S&P 500
Active Core	S&P 500
Large Growth	Russell 1000 Growth
Large Value	Russell 1000 Value
Small Capitalization Domestic Equity	Russell 2000
Small Growth	Russell 2000 Growth
Small Value	Russell 2000 Value
International Equity	MSCI All Country World ex US IMI
Developed International	MSCI All Country World ex US
Developed International Growth	MSCI ACWI Free ex US Growth
Developed International Value	MSCI ACWI Free ex US Value
International Small	MSCI ACWI Small Cap ex US
Emerging Markets	MSCI Emerging Markets Free

11.0 FIXED INCOME INVESTMENT POLICIES

FIXED INCOME OVERVIEW: Fixed income is expected to provide a lower but more steady stream of returns than public equity asset classes, but is also expected to reduce the risk of the overall portfolio because bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within fixed income that exhibit very different risk/return trade-offs and hold different tasks in terms of role in the portfolio. Fixed Income is broken out into 5 subcategories:

- 1) Core, 2) Core Plus, 3) Opportunistic Credit, 4) Inflation Protection, and 5) Global

Core Fixed Income: Core is generally considered the lowest-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also consists of sectors that track those that comprise the Barclays Aggregate Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

Core Plus: Core Plus is a medium-risk fixed income sub-category, and contains the sectors contained in Core “plus” high yield (below investment grade bonds), non- U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Plus’s role in the portfolio is a combination of total portfolio volatility dampening combined with some modest return potential.

Opportunistic Credit: Opportunistic Credit is expected to be the highest-risk fixed income category, and will be used to enhance return by investing in non-traditional sectors of the bond market, including bank loans, high yield bonds, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities.

Inflation Protection: Inflation Protection is expected to provide some protection against higher rates of inflation.

Global Fixed: Global Fixed has characteristics similar to a combination of Core and Core Plus but extended to a global opportunity set, and is expected to provide some portfolio volatility dampening along with some return enhancement.

FIXED INCOME PERFORMANCE OBJECTIVE:

The performance objective of the Fixed Income Composite is to outperform, on a net-of-fee-basis, a customized index incorporating the weighted average components for five sub-categories highlighted above (which results in the following weights: 46% Barclay’s Capital Aggregate Bond Index, 25% Barclays BA Intermediate High Yield Index, 10% Barclays Capital US TIPS Index, and 19% Barclays Capital Multiverse Index), with a maximum tracking error of 3% to this benchmark.

FIXED INCOME RISK EXPOSURES AND RISK MITIGATION:

The fixed income sub-sectors have very different risk factor exposures, with Core being generally the lowest risk, highest liquid sub-category, while Opportunistic Credit is generally the highest risk, lowest liquid category.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Core Plus: Typically includes the risk factors found in Core with additional (more secondary) exposures to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Opportunistic Credit: Typically includes the risk factors contained in Core and Core Plus, but with higher emphasis to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Inflation Protection: The primary risk factors are to changes in real interest rates, deflationary environments (although deflation floors could mitigate some of this risk), and potential illiquidity.

Global Fixed: The primary risk factors are sensitivity to global interest rates, sovereign credit risk, and currency impacts.

ASSET CLASS	BENCHMARK INDEX
Fixed Income	Customized Benchmark Portfolio
Domestic Fixed Income	Barclays Capital Aggregate Bond Index
Core/Core Plus	Barclays Capital Aggregate Bond Index
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index
Inflation Protection	Barclays Capital US TIPS Index
Global Fixed Income	Barclays Capital Multiverse Index

12.0 REAL ESTATE INVESTMENT POLICIES

REAL ESTATE OVERVIEW: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. The majority of exposure will be in “Core” real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. The remainder will be “Value-Add” properties that are expected to provide somewhat higher return potential along with somewhat higher risk. Income will be a large part of the return stream generated from this portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Equity composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core and Value-Add strategies.

REAL ESTATE PERFORMANCE OBJECTIVE:

The performance objective of the Real Estate Composite is to outperform, on a net-of-fee basis, the NCREIF ODCE Index over a 5-year rolling period.

REAL ESTATE RISK EXPOSURES AND RISK MITIGATION:

Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate investments. Value-add and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

ASSET CLASS	BENCHMARK INDEX
Real Estate	NCREIF ODCE

13.0 ALTERNATIVE ASSETS INVESTMENT POLICIES

ALTERNATIVES OVERVIEW: Alternatives are investments that do not neatly fit into public equities, fixed income, or real estate. SamCERA’s alternatives program is broken out into the following four sub asset classes:

1) Private Equity, 2) Hedge Funds, 3) Commodities, and 4) Private Real Assets

Private Equity: Private Equity is expected to be the highest returning asset class over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the fund to meet its performance objectives. The Private Equity program will contain manager allocations to three primary sub-categories; 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	60%	+/- 20%
Venture Capital	20%	0 – 30%
Debt/Special Situations	20%	+/- 10%

The responsibility for private equity sourcing is delegated to *SamCERA’s* investment consultant.

The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality.

(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

Investment Manager: No more than twenty (20) percent of the private equity portfolio’s target allocation to may be committed to any one investment manager (excluding Fund of Funds).

Geography: Through commitments to funds located and/or investing both in and outside of the United States.

Industry: It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) Quality: All commitments to private equity by *SamCERA* must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with *SamCERA's* private placement disclosure rules.

Hedge Funds (Absolute Return): The hedge fund category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds (to limit liability look-through to the rest of the Plan assets) and not in separate accounts.

Commodities: Commodities are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of three sub-categories; 1) Infrastructure (Core, Secondary, Midstream Energy, and Power), 2) Mining, and 3) Farmland/Timber/Water. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

Sub-Category	Target Allocation	Range
Infrastructure	50%	+/- 50%
Mining	0%	0 - 50%
Farmland/Timber/Water	0%	0 - 50%

ALTERNATIVES PERFORMANCE OBJECTIVE:

The performance objective of the Alternatives Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for four sub-asset classes highlighted above (which results in the following weights: 44%

Russell 3000+3%, 25% LIBOR+4%, 19% Dow Jones-UBS Commodity, and 12% CPI+5%).

ASSET CLASS	BENCHMARK INDEX
Alternatives	Customized Benchmark Portfolio
Private Equity	Russell 3000 + 3.0%
Commodities	Dow Jones-UBS Commodity
Hedge Funds	LIBOR + 4.0%
Real Assets	CPI + 5.0%

ALTERNATIVES RISK EXPOSURES AND RISK MITIGATION

Alternatives, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also have a number of unique risks. Chief among these are illiquidity risk and leverage. By their nature both Private Equity and Private Real Assets are generally illiquid in that the life of these fund investments can be as long as 10 to 12 years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

14.0 RISK PARITY INVESTMENT POLICIES

RISK PARITY OVERVIEW: Risk Parity is a risk-diversified balanced portfolio that is expected to provide a more diversified return and risk profile than that of a traditional 60% equity / 40% fixed income portfolio. It is generally designed to be approximately equal risk-weighted between equity risk, interest rate risk, inflation risk, and credit risk.

RISK PARITY PERFORMANCE OBJECTIVE:

The performance objective of the Risk Parity Composite is to outperform, on a net-of-fee basis, the 60% Russell 3000 / 40% BC Aggregate over a 5 year rolling period.

RISK PARITY RISK EXPOSURES AND RISK MITIGATION:

Risk parity managers utilize leverage in order to enhance returns. Moderate leverage may be utilized and the portfolio managers should avoid strategies that might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350%. In addition, the risk parity portfolio shall consist of a portfolio of generally liquid trading instruments.

Counterparties for Over the Counter (OTC) derivatives must either (1) have a long-term rating from Standard & Poor's of at least A- or from Moody's of at least A3 or (2) be approved by the manager's counterparty committee. In the event that the OTC derivative counterparty is an unrated affiliate whose performance is unconditionally guaranteed by the parent company, the parent's credit rating shall apply.

ASSET CLASS	BENCHMARK INDEX
Risk Parity	60% Russell 3000 / 40% BC Aggregate

15.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, 1, 3, and 5 year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three-and-five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

16.0 ANNUAL INVESTMENT STRATEGY

Annually, the Board/staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the fund's actual investment performance for the prior fiscal year against the investment objectives set forth in **Section 4** and evaluate the relative

success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.

(b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance;

(c) Evaluate and review the total fund performance attribution and contribution to return at the composite level to isolate performance drivers.

(d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.

(e) Evaluate and review the portfolio rebalancing activity for the year;

(f) Evaluate the fund's liquidity requirements for the current and next fiscal years.

17.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement fund be subordinated to any other interest.

B. The Board intends that its proxies be voted in accordance with its Sustainability / Corporate Governances Beliefs stated in **Section 5.0** Investment Philosophy.

C. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

18.0 SECURITIES LENDING

SamCERA instituted a securities lending program effective July 1, 2007, for the actively managed component of the portfolio. The Board's standards with respect to this program are hereby summarized below.

A. Pursuant to **Section 3E**, the master custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

C. Unless otherwise specified in the agreement(s),

(i) All loans shall be marked-to-market daily,

(ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities,

(iii) Acceptable collateral shall be in the form of cash or marketable fixed income securities with maturities not greater than one year, including (1) Commercial Paper with quality ratings of P-1 and/or A-1 by Moody's Investors Services or Standard & Poor's Corporation, or their equivalents; (2) Banker's acceptances, certificates of deposits and time deposits; (3) United States Treasury and Government Agency short-term obligations; (4) Repurchase Agreements with United States Treasury Securities and Agencies of the United States Government as collateral; and (5) Money market or short-term investment funds.

(iv) If rated, borrowers shall be rated AA, Aa or higher by Moodys or Standard & Poors.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

DRAFT

APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

*This Resolution, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA),
sets forth the Charter for the Board's Investment Committee.*

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the system . ; &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees' retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, *The Board of Retirement*, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted *SamCERA's Investment Policy* and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of *SamCERA's Investment Policy*. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of *SamCERA's Investment Policy*, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation
 - 3.2 Evaluate mean variance optimization
 - 3.3 Determine low risk alternatives and high risk alternatives
 - 3.4 Scale portfolios between two extremes
 - 3.5 Evaluate optimized efficient frontier
 - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
 - 4.1 Assess risk/reward trade-offs
 - 4.2 Assess contribution rate sensitivity & variability
 - 4.3 Assess ability to exceed actuarial interest rate
 - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
 - 5.1 Evaluate differences from current target
 - 5.2 Evaluate Board's willingness to implement new target asset mix
 - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO *SAMCERA'S INVESTMENT POLICY*
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks
 - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations

- 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow *SamCERA's* managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows *SamCERA's* investment managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities)

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provision must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by *SamCERA's Investment Plan*. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this investment process?

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of *SamCERA's* guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction--the counter-parties to the trade. Due to the possibility of counter-party default, *SamCERA's* investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings

f) Other fundamental investment and risk characteristics.

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances.

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances.

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with *SamCERA's* overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy *SamCERA's* investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by *SamCERA's Investment Plan*. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of *SamCERA's* guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above section entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (collateralized mortgage obligations)
- b. Financial futures (if exchange traded)
- c. Currency forward contracts and currency options (exchange and OTC traded)

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if exchange traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for *SamCERA*. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets. In addition, the use of options, caps and floors may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints and communicate the assumptions and model used to estimate VAR (Value at Risk and/or other reasonable risk measurement procedures) annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in *SamCERA*'s portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors are as follows:

- a. Extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to *SamCERA* on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above.

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.

- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of *SamCERA's* investment managers to certify and demonstrate that their portfolios are in compliance with *SamCERA's* overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), *SamCERA's* investment managers will provide the following minimum monitoring information on all derivative securities.

- a. A general statement from the manager that his/her portfolio is in compliance with the Retirement Trust's derivatives policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk--an evaluation of potential counter-party default on obligations, market risk--percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

APPENDIX C

DUE DILIGENCE POLICY

MANUAL

POLICY

SamCERA's due diligence process requires (i) staff to perform on-going due diligence monitoring, (ii) investment consultants and managers to make regularly scheduled due diligence presentations to staff in *SamCERA's* offices, and (iii) staff to make on-site visitations to the investment consultant's and investment managers' offices.

PURPOSE

To discharge the fiduciary responsibilities of the Board and staff, regular due diligence with the San Mateo County Employees' Retirement Association investment managers are essential to the Board's ability to effectively monitor the performance of its investment professionals and to the prudent discharge of the board's fiduciary duty to the beneficiaries of this multi-billion dollar retirement system.

F.01 – Due Diligence Monitoring

Individual investment managers will be monitored monthly, quarterly and annually. The managers' organizations and operations will be qualitatively monitored on a continual basis.

The Chief Investment Officer, with assistance from the investment consultant, will present an investment performance report to the Board on a quarterly basis, **as specified in Section 15.0 *Quarterly Investment Performance Reporting***. Performance will be measured for the total portfolio as well as individual components such as equities, fixed income and real estate portfolios. In addition, the performance of each component will be broken down into individual portfolios.

Comparisons will be made against market indices defined in this document. A variance from the stated performance objective will be calculated each quarter. Additionally, the portfolios' actual investment approach will be monitored against the required investment style to determine whether the manager is adhering to its acknowledged investment style.

The quarterly investment performance report will compare the total fund, each asset class and individual portfolio return to appropriate market indices and a representative peer group of similar funds or similar style investment managers. The report will note significant changes in the attribution of investment manager performance.

Annually, staff will request and review the Investment Manager's ADV Part II form and inform the board of significant changes in the firm or apparent conflicts of interest. In addition staff will

request an annual insurance certification from each professional service provider. Where appropriate a Statement of Auditing Standards #70 will be obtained and reviewed.

F.02 – Due Diligence Presentations

Investment consultants and investment managers that are under contract with the Board to provide services will make a presentation to staff at least once a year. The presentation shall include, but not be limited to, an update on the manager’s organization and business plan, changes to the investment process and investment performance. Staff may request presentations more frequently as circumstances demand. The investment managers will provide on a semi-annual basis a completed Compliance Certification Statement and in-depth response to a list of questions submitted by staff.

F.03 – Asset Categories

On-site meetings will be grouped by asset categories. This approach enables staff to readily compare and contrast investment approaches, systems, and controls utilized by the investment managers. It will also allow for a better evaluation of the existing asset diversification.

F.04 – Manager Selection Due Diligence

The Board, with the assistance of staff and the investment consultant, select investment managers to manage the assets of the system. The Board authorizes staff and consultant to initiate a search for a manager either to replace a manager or to fill a new mandate approved by the Board. The investment consultant and staff will conduct the search in accordance with criteria established for the search. The search criteria will include the scope of the mandate, the investment style, benchmark, and the minimum qualifications for candidates. The investment consultant and staff will perform on-site due diligence on the final candidate prior to signing the investment agreement.

The Board will require any public securities investment manager being considered as provider of professional services for *SamCERA* to make a formal presentation to it at a public Board meeting. The presentation shall include, but not be limited to, (i) manager’s organization and its staff, (ii) investment philosophy and process, (iii) the resources available to provide the service, (iv) proposed fees and (iv) performance characteristics.

Appendix D

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

***Adopted by the Board of Retirement
December 14, 2010. Amended January 25, 2011.***

This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.

I. PURPOSE

This Policy sets forth the circumstances under which the San Mateo County Employees' Retirement Association (*SAMCERA*) shall require the disclosure of payments to *Placement Agents*, as that term is defined by Government Code section 7513.8, in connection with *SAMCERA* investments in or through *External Managers*, as that term is defined by Government Code section 7513.8. This Policy is intended to apply broadly to all of the types of investment partners with whom *SAMCERA* does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. *SAMCERA* adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that *SAMCERA* investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to *SAMCERA*.

II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended in any way to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by *SAMCERA* or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

IV. RESPONSIBILITIES

A. The Board is responsible for:

1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Providing a statement in writing that the External Manager will comply with this policy.
2. Providing the following information to the *SAMCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the

case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.

- a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SAMCERA* investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SAMCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to *SAMCERA* or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
 - h. The names of any current or former *SAMCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.

4. Representing and warranting the accuracy of the information described in section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SAMCERA*,
 - a. all campaign contributions made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 - b. , prior to acting as a Placement Agent to *SAMCERA* all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
6. *SAMCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

D. *SAMCERA* Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between *SAMCERA* and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, *SAMCERA* is entitled to the greater of the reimbursement of any management or advisory fees paid by *SAMCERA* for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the *SAMCERA* investment; and
4. Prohibiting any External Manager or Placement Agent from soliciting new

investments from SAMCERA for five years after they have committed a material violation of this Policy; *provided, however*, that SAMCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.

5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

DEFINITIONS:

The following definitions are current as of January 7, 2011. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8, "**External Manager**" means either of the following: (1) a person who is seeking to be, or is, retained by a board to manage a portfolio of securities or other assets for compensation; (2) a person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to a board. (All code section references are to the Government Code, unless otherwise noted.)

As defined in section 7513.8, "**Person**" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

As defined in section 7513.8, "**Placement Agent**" means any person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another placement agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to a board or an Investment Vehicle, either directly or indirectly. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

As defined in section 7513.8, "**Investment Vehicle**" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, constituting or managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

"**Compensation**" means, for the purposes of this policy, remuneration and other benefits (including without limitation, favors) of any kind.

San Mateo County Employees' Retirement Association
Board of Retirement

January 28, 2014

Agenda Item 7.1

To: Board of Retirement

From: Chezelle Milan, Retirement Senior Accountant *CBM*
Lilibeth Dames, Investment Analyst
Mabel Wong, Finance Officer *Mabel*

Subject: Preliminary 2nd Quarter Budget Report

DISCUSSION

SamCERA's budget consists of three components, a professional services budget authorized by Government Code §31596.1, an administrative budget and a technology budget authorized by Government Code §31580.2.

Professional Services Budget - Attachment One provides an overview of the accrued professional services expenditures. Investment management fees are driven by contractual agreements and based on total assets under management. Fees for the actuarial services, investment consulting services and global custodian services are based on services detailed in the contractual agreements. The preliminary annualized aggregate professional services fee as of December 31, 2013, is approximately 50.0 basis points versus the expected fee of 53.8 basis points. Actual to budget expenditures are on track as projected.

SamCERA's Administrative Budget –The adopted administrative budget by category, versus the preliminary fiscal expenditures is shown in the table below.

Attachment Two provides a review of the line item administrative appropriations versus the preliminary expenditures. Year-to-date through the second quarter, SamCERA expended 41.1% of the approved appropriations. Under **Salaries & Benefits** SamCERA budgets all positions and benefits. Under **Services & Supplies** the association budgets all overhead and operational expenditures. This year's budget has not allocated any appropriation for **Capital Assets**.

SamCERA's Administrative Budget

	Adopted Budget	YTD Preliminary
Salaries & Benefits	\$4,068,503	\$1,700,583
Services & Supplies	\$1,464,537	\$574,726
Capital Assets	\$ 0	\$ 0
Total	\$5,533,040	\$2,275,309

Attachment Three provides a review of the line item technology appropriations versus the preliminary expenditures. SamCERA has extended the contract with LRWL Inc. as the consultant to assist in the selection process of its new Pension Administration Software Solution (PASS). After an agreement has been entered into with the selected PASS vendor, the next stage of SamCERA's technology modernization project will be the implementation of the PASS system. The implementation of PASS will be a phased approach over three years.

SamCERA's Technology Budget

	Adopted Budget	YTD Preliminary
Property & Equipment	\$78,000	\$923
IT Infrastructure	\$2,073,200	\$385,907
Capital Asset	<u>\$1,200,000</u>	<u>\$0</u>
	\$3,351,200	\$386,830

San Mateo County Employees' Retirement Association
Board of Retirement

January 28, 2014
 Attachment One

First Quarter Analysis
 12-31-2013

Agenda Item 7.1

PROFESSIONAL SERVICES BUDGET: Government Code §31596.1 states that, *“The expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:*

- (a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.*
- (b) The compensation of any bank or trust company performing custodial services.*
- (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.*
- (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.*
- (e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1.”*

The board has entered into the following contracts pursuant to §31596.1:

CONTRACTOR	SERVICE	FEE ⁽¹⁾	2013-2014 YTD EXPENSE (ACCRUED)	2013-2014 ESTIMATE
Milliman	Actuarial Consulting	0.4 bps	\$65,631	\$105,500
Strategic Investment Solutions	Investment Consulting	1.4 bps	\$200,000	\$400,000
State Street Bank & Trust	Global Custody	0.6 bps	\$91,445	\$200,000
SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES			\$357,076	\$705,500
<i>Estimated Market Value 06-30-2014</i>			\$3.0 Billion	\$2.9 Billion
Average Basis Points ⁽²⁾			2.3 bps	2.4 bps

- (1) The Actuary, Custodian and Investment Consultant are compensated on a flat fee basis. Fees on this schedule are expressed in basis points (or fractions thereof) and utilize total assets while the Investment Manager calculations utilize assets under management.
- (2) The calculation utilizes an average market value of \$2.9 billion

The contractual fee schedule for investment managers appears on the following page.

CONTRACTOR	SERVICE	FEE ⁽¹⁾	2013-2014 YTD EXPENSE (ACCRUED)	2013-2014 ESTIMATE
BGI – S&P 500 Index Fund	Domestic Large Cap Equity	2.5 bps	\$65,889	\$140,000
D.E. Shaw Investment Management, LLC	Domestic Large Cap Enhanced	49.4 bps	\$372,612	\$760,000
Barrow, Hanley, Mewhinney & Strauss	Domestic Large Cap Value	44.9 bps	\$358,625	\$700,000
Brown Advisory	Domestic Large Cap Growth	43.8 bps	\$340,684	\$700,000
The Boston Company	Domestic Small Cap Equity	82.1 bps	\$458,461	\$860,000
Chartwell Investment Partners	Domestic Small Cap Equity	75.0 bps	\$429,408	\$780,000
Baillie Gifford	International Equity	46.3 bps	\$445,940	\$880,000
Eaton Vance - Parametric	International Equity	105.0 bps	\$337,443	\$720,000
Mondrian Investment Partners	International Equity	39.1 bps	\$299,976	\$360,000
Pyramis Global Advisors	International Equity	90.0 bps	\$269,803	\$540,000
Pyramis Global Advisors	Domestic Fixed Income	15.9 bps	\$117,184	\$240,000
Western Asset Management	Domestic Fixed Income	27.6 bps	\$155,271	\$340,000
Angelo Gordon (STAR)	Domestic Fixed Income	55.62 bps	\$201,001 ⁽³⁾	\$520,000
Brigade Capital Management	Domestic Fixed Income	37.9 bps	\$236,898	\$480,000
Brown Brothers Harriman	Domestic Fixed Income	15.0 bps	\$58,236	\$120,000
Franklin Templeton	Global Fixed Income	38.1 bps	\$232,215	\$480,000
ABRY ASF II	Private Equity	N/A	\$257,162	\$400,000
ABRY Partners VII	Private Equity	N/A	\$170,029	\$200,000
Cevian Capital	Private Equity	N/A	\$206,841	\$400,000
Emergence Capital	Private Equity	N/A	\$89,020 ⁽³⁾	\$200,000
EnCap	Private Equity	N/A	\$75,000 ⁽³⁾	\$150,000
General Catalyst	Private Equity	N/A	\$119,780	\$250,000
Regiment	Private Equity	N/A	\$150,000 ⁽³⁾	\$300,000
Sycamore	Private Equity	N/A	\$141,083	\$375,000
Sheridan Production Partners	Private Equity	N/A	\$150,000 ⁽³⁾	\$300,000
Warburg Pincus	Private Equity	N/A	\$259,780 ⁽³⁾	\$560,000
Third Rock Ventures III	Private Equity	N/A	\$125,000	\$250,000
AQR Risk Parity	Risk Parity	N/A	\$270,368	\$730,000
AQR Delta Hedge Fund	Hedge Fund	N/A	\$317,277	\$770,000
SSGA- SSARIS Multisource Commodities	Commodities	N/A	\$189,092	\$470,000
INVESCO Realty Advisors	Real Estate Management	19.7 bps	\$334,182	\$800,000
The Clifton Group	Cash Management Overlay	22.85 bps	\$34,663	\$150,000
SUB-TOTAL INVESTMENT MANAGERS			\$7,268,923	\$14,925,000
Average Basis Points ⁽¹⁾			47.7 bps	51.4 bps
SUB-TOTAL NON- INVESTMENT MANAGERS (FROM PREVIOUS PAGE)			\$357,076	\$705,500
Average Basis Points ⁽²⁾			2.3 bps	2.4 bps
TOTAL ESTIMATED CONTRACT FEES			\$7,625,999	\$15,630,500
<i>Estimated Market Value 06-30-2014</i>			\$3.0 Billion	\$2.9 Billion
Average Basis Points ⁽²⁾			50.0 bps	53.8 bps

(1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.

(2) The calculation utilizes an average market value of \$2.9 billion

(3) Management fees for investment managers that provide quarterly statements are expressed as estimates until quarterly statements are received and booked in SamCERA's financials. Statements have not been received as of the date of the mailing.

SamCERA's
Administrative Budget
Fiscal Year 2013-2014
2nd Quarter
as of December 31, 2013
PRELIMINARY
Attachment Two

	Budget Allotment (as Amended)	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Salaries	\$2,607,570	\$1,084,717	41.6%	\$1,522,853	58.4%
Benefits	\$1,460,933	\$615,866	42.2%	\$845,067	57.8%
Salaries & Benefits	\$4,068,503	\$1,700,583	41.8%	\$2,367,920	58.2%
Board Expense	\$10,500	\$4,100	39.0%	\$6,400	61.0%
Insurance	\$80,000	\$39,975	50.0%	\$40,025	50.0%
Medical Evaluation	\$100,000	\$23,789	23.8%	\$76,211	76.2%
Member Education	\$45,000	\$18,150	40.3%	\$26,850	59.7%
Education & Conference	\$97,215	\$50,770	52.2%	\$46,445	47.8%
Transportation and Lodging	\$177,750	\$36,543	20.6%	\$141,207	79.4%
Property & Equipment	\$24,000	\$13,153	54.8%	\$10,847	45.2%
General Office Supplies	\$33,500	\$13,913	41.5%	\$19,587	58.5%
Postage & Printing	\$125,000	\$25,086	20.1%	\$99,914	79.9%
Leased Facilities	\$367,794	\$153,704	41.8%	\$214,091	58.2%
County Services	\$358,278	\$177,134	49.4%	\$181,144	50.6%
Audit Services	\$45,500	\$17,319	38.1%	\$28,181	61.9%
Other Administration	\$0	\$1,090	0.0%	-\$1,090	0.0%
Services & Supplies	\$1,464,537	\$574,726	39.2%	\$889,811	60.8%
Capital Assets	\$0	\$0	0.0%	\$0	0.0%
Depreciation		\$0			
Grand Total	\$5,533,040	\$2,275,309	41.1%	\$3,257,731	58.9%

SamCERA's
 Information Technology Budget
 Fiscal Year 2013-2014
 2nd Quarter
 as of December 31, 2013
 PRELIMINARY
 Attachment Three

	Budget Allotment (as Amended)	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Property & Equipment	\$78,000	\$923	1.2%	\$77,077	98.8%
IT Infrastructure	\$2,073,200	\$385,907	18.6%	\$1,687,293	81.4%
Capital Assets	\$1,200,000	\$0	0.0%	\$1,200,000	100.0%
IT Total	\$3,351,200	\$386,830	\$0	\$2,964,370	88.5%

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 7.2

TO: Board of Retirement

FROM: Scott Hood, Assistant Executive Officer



SUBJECT: Update on Progress of SamCERA's Technology Modernization Project

Discussion

SamCERA's Project Manager, Will Morrow from LRWL, Inc. and Tariq Ali will provide an update of SamCERA's Technology Modernization project per the attached slides.



Moving Retirement Systems Forward

SamCERA IT Modernization Project Status

January 28, 2014

Technology Modernization Status

- ❑ Enterprise Content Management (ECM)
 - Phase 1 Complete
 - ✓ Autonomy solution implemented
 - ✓ Benefits documents converted
 - Phase 2 Options Being Considered
- ❑ Business Process Engineering
 - Initial Scope Completed
 - Investments Will Be Completed 2014
- ❑ Data Cleansing
 - Will Be Completed Prior to PASS Project Start
- ❑ Change Management
 - Preliminary Plan Developed
 - Plan Will Be Updated for PASS Project Start

PASS Procurement Process

- Five proposals received
- Evaluation Committee comprised of four SamCERA staff and one 1937 Act peer
- Reference checks
- Proposer product demonstrations
- Customer site visits
- Best and final offers
- No written protests

PASS Recommendation

- Evaluation Committee recommended commencing contract negotiations with Vitech Systems Group
- SamCERA CEO accepted recommendation and notified all Proposers that contract negotiations will commence with Vitech
- Contract negotiations in progress

Why Vitech Best Meets SamCERA Needs

- ❑ Vitech V3 Software Has the Most Features
- ❑ Vitech Agile Software Development Method
- ❑ Vitech Experience
- ❑ SamCERA Staff Likes the Software
- ❑ Vitech Proposal Provides Best Value

CEO Recommendation to Board

Adopt a Resolution authorizing the CEO to execute a contract not to exceed \$9,100,000 with Vitech Systems Group, Inc. for the provision of the PASS hardware, software, and implementation and support services until December 31, 2021

PASS Project Preparation

- ❑ Contract negotiation (Feb 2014)
- ❑ Team space
- ❑ Project management
 - Project charter
 - Roles and responsibilities
 - Document management
 - Deliverable review
 - Schedules
 - Communication

PASS Project Initiation

- Detailed Work Plan
- Project Management and Governance
- Concept of Operations
- Development Methodology Overview
- System Security Plan
- Requirements Confirmation
- Establish Development & Test IT infrastructure

Proposed PASS Project Schedule

ID	Task Name	Start	Finish	Duration	2014			2015				2016				
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
1	Phase 1: Initiate Project	3/3/2014	6/20/2014	16w												
2	Phase 2: Develop PASS Solution	5/5/2014	2/19/2016	94w												
3	Validation 1: ECM & Member/Employer Setup	5/5/2014	12/12/2014	32w												
4	Validation 2: Employer Reporting Part 1	10/1/2014	5/12/2015	32w												
5	Validation 3: Employer Reporting Part 2	12/1/2014	8/7/2015	36w												
6	Validation 4: Pension Benefits	1/2/2015	12/3/2015	48w												
7	Validation 5: Payments & Member Self Service	7/13/2015	2/19/2016	32w												
8	Phase 3: Implement PASS Solution	1/4/2016	8/26/2016	34w												

Questions



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 7.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Authorization to Execute an Agreement with Vitech Systems Group, Inc.
for a Pension Administration Software System

Recommendation

Adopt a Resolution authorizing the Chief Executive Officer to execute an agreement not to exceed \$9,100,000 with Vitech Systems Group, Inc. for the provision of the PASS hardware, software, and implementation and support services until December 31, 2021.

Summary

After extensive research, including review of RFP responses, site visits, presentations/interviews with each vendor, multiple discussions with the selection committee, all SamCERA staff, and Project Manager Will Morrow of LRWL, staff is prepared to recommend that the Board authorize the CEO to approve a contract with Vitech Systems Group, Inc. For SamCERA's needs, Vitech represents the best combination of product, implementation team, project schedule and price.

Background

Pension Administration Software System ("PASS"): In 2012 SamCERA undertook a comprehensive system-wide project to replace its current pension administration software system and implement a document management system. PASS will replace the 18-year-old PensionGold pension software system.

The SamCERA vision is to have a modern and integrated technology system in which all technology and people work together seamlessly to better serve SamCERA's members and other stakeholders. PASS will include the current capabilities to manage pension plan business rules, employer contribution and wage reports, employer and member accounts, member terminations and retirements, and member benefit payments. It will also include new and/or enhanced abilities to enable employers and members to transact business with SamCERA using Web self-service, to integrate with the new Enterprise Content Management (ECM) software for electronic document management, to implement automated workflows for major business processes, to generate and send

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

automated correspondence, and to produce business reports and queries. SamCERA plans to complete this project in late 2016.

Proposal Evaluation Process: SamCERA, with consulting assistance from LRWL Inc., developed and issued a Request for Proposals (RFP) for the PASS on June 17, 2013. Email notifications were sent to all known vendors (14) providing such pension systems, and a notice and RFP were posted on the SamCERA Website. A Proposers' Conference was conducted at SamCERA on July 11, 2013, attended by representatives from six companies. Proposals were received from the following five Proposers:

1. DCKAP Inc. (Fremont, CA)
2. Levi, Ray, and Shoup, Inc. (LRS) (Springfield, IL)
3. Sagitec Solutions (Little Canada, MN)
4. Tegrit Group (Livonia, MI)
5. Vitech Systems Group, Inc. (New York, NY)

The proposals were referred to an Evaluation Committee comprised of four SamCERA managers and the IT Director from another County Employees' Retirement Association. The Evaluation Committee process included:

- A review of the proposal documentation
- Reference checks
- Questions to Proposers
- Proposer presentations and product demonstrations
- Customer site visits
- Requests for Best and Final Offers

Evaluation Committee Recommendation: The Evaluation Committee recommended to the CEO that negotiations commence with Vitech Systems Group, Inc. ("Vitech"). This recommendation was accepted, and the Proposers were notified. Proposers were also notified of the deadline for written protests. That deadline has now passed and no written protests were filed. Negotiations have commenced with Vitech. The CEO notified the Board of Retirement of the decision to negotiate with Vitech by email on December 18, 2013.

Discussion:

The following is a summary of why Vitech best fits the PASS solution needs of SamCERA.

The Vitech V3 System Has the Most Features: Vitech is the only proposer that stated it shall meet all of the PASS functional requirements specified in the RFP. In addition, the Evaluation Committee identified numerous desirable features of the Vitech V3 software that exceed the requirements or meet the requirements in the most desirable manner.

Vitech will utilize An Agile Development Methodology For SamCERA's Software Project: Vitech offers an "Agile Development Methodology" which is based on developing smaller increments of the system in an iterative and collaborative style. This

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

approach provides an ability to change the software to meet SamCERA needs, but within strictly limited time periods during the development of the solution. This methodology also gives staff the earliest opportunity to view, work with and modify the product as it is being developed.

Vitech Has Strong Relevant Experience: Vitech has 20 years of public pension experience, 21 public pension customers cited in the proposal, and two existing 1937 Act customers.

The Vitech V3 Software Has SamCERA Staff Support: SamCERA staff was surveyed and discussions were held to hear each staff member's response to the PASS product demonstrations. Of the twelve staff survey responses received, ten staff members rated Vitech as their first or second choice.

The Vitech Proposal Provides the Best Value: While the Evaluation Committee concluded that the V3 System provides the most features, the final Vitech cost proposal provided the lowest total cost, as summarized below.

COST ITEMS	PROPOSED COST
Hardware	\$231,119
Commercial Software	\$580,379
Implementation Services	\$4,970,500
PASS Software License	\$975,000
Hosting and Support Services (through 2021)	\$1,647,126
Optional Software and Services	\$640,500
TOTAL PROPOSED COST	\$9,044,624

RESOLUTION 13-14-__

RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AGREEMENT WITH VITECH SYSTEMS GROUP, INC. FOR THE PROVISION OF PENSION ADMINISTRATION SOFTWARE SYSTEM HARDWARE, SOFTWARE, AND IMPLEMENTATION AND SUPPORT SERVICES

WHEREAS, SamCERA, in accordance with California Government Code Section 31588.2, is authorized to expend funds on the administration of the pension system in order to provide timely and accurate benefits to its members; and

WHEREAS, SamCERA has commenced a comprehensive system-wide project to overhaul and update its technology and business processes; and

WHEREAS, SamCERA staff, with consulting assistance from LRWL Inc., developed and issued a Request for Proposals (RFP) for the Pension Administration Software System ("PASS") hardware, software, and implementation and support services and five proposals were received; and

WHEREAS, an Evaluation Committee evaluated proposal documentation and product demonstrations, performed reference checks and customer site visits and recommended to the Chief Executive Officer that contract negotiations commence with Vitech Systems Group, Inc. ("Vitech"); and

WHEREAS, the Chief Executive Officer has accepted that recommendation and is of the opinion that Vitech best meets the needs of SamCERA and that an agreement be entered into for such services not to exceed \$9,100,000; and

WHEREAS, this Board has determined that it is in the best interest of SamCERA to enter into an agreement with Vitech and for the Chief Executive Officer to execute an agreement not to exceed \$9,100,000 with Vitech Systems Group, Inc. for the provision of the PASS hardware, software, and implementation and support services; therefore, be it

RESOLVED, that the Chief Executive Officer is hereby authorized to execute an agreement with Vitech Systems Group, Inc. for Pension Administration Software System hardware, software, and implementation and support services in an amount not to exceed \$9,100,000. Be it further

RESOLVED, that the Chief Executive Officer is hereby authorized and directed to execute subsequent amendments and minor modifications in an amount not to exceed \$100,000 in the aggregate.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 7.4

TO: Board of Retirement

FROM: Paul Hackleman, Chair, Succession Planning Committee
David Bailey, Chief Executive Officer

SUBJECT: Approval of Plans of the Ad Hoc Committee on Succession Planning

Staff Recommendation

Approve the survey plans of the Ad Hoc Committee on Succession Planning and discuss the committee's report of its recent meeting.

Background

The Ad Hoc Committee on Succession Planning met on January 13 in the SamCERA offices. Chair Paul Hackleman, Al David, and Ben Bowler attended. Also in attendance were Donna Vaillancourt and Lisa Yapching, of the County Human Resources Dept., and also David Bailey. Committee member Michal Settles was ill and could not attend. However, she and the committee chair spoke by phone after the meeting and she provided comments to the attached materials.

The committee first discussed the annual review of the current CEO. At the last Board meeting the Board determined that this year's survey should allow stakeholders to provide input to the CEO recruitment process. Attached is a list of questions the committee recommends the Board approve for addition to this year's survey.

The survey results should be available for a second meeting of the committee in mid-March. At that time they will be used to start drafting an "ideal candidate" statement.

The committee also discussed the appropriate roles in the recruitment for the full Board, the committee, the SamCERA staff, Human Resources, employers, consultants and other stakeholders. Generally, the committee is interested in broad representation of stakeholders in the process while recognizing the ultimate authority and responsibility of the Board of Retirement to make a final decision.

The committee also discussed:

- whether the interviews should take place in the SamCERA offices or offsite
- the role of the current CEO in the process

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

- who will assist the Board in negotiation of the contract with the new CEO
- the publications and websites on which to advertise
- the timeline of the recruitment
- the conduct of a salary survey on the position

The committee was in substantial agreement on most of the matters discussed. Based on the discussion, HR is updating their draft Recruitment and Marketing Plan. Final recommendations will likely be determined at the March meeting of the committee and brought to the March Board meeting for approval.

The committee will discuss more details of the meeting with the rest of the trustees at the January 28 meeting.

Attachment

DRAFT 2014 CEO Survey Questions

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

DRAFT 2014 CEO Survey Questions
(questions 4 – 7 are new)

1. What were the three most significant challenges that SamCERA faced during calendar year 2013?
2. What actions were taken in regards to each of the challenges listed in your response to question number 1.
3. What significant challenges and responsive actions to be taken by SamCERA do you anticipate in 2014 and beyond?
4. Are there any specific actions, projects or initiatives you would like the current CEO to complete prior to the selection of a new CEO?
5. What do you think the Board of Retirement should look for in the next CEO in the areas of:
 - Experience? _____
 - Skills? (technical and non-technical) _____
 - Abilities? _____
 - Knowledge? _____
 - Management Approach? _____
 - Behaviors? _____
 - Other areas? _____
6. How frequently would you like to be updated on the progress of the recruitment for a new CEO? _____
What types of information should be included in the updates? _____
7. What other comments do you have for the Retirement Board regarding their recruitment of a new SamCERA CEO?

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 7.5

TO: Board of Retirement
FROM: David Bailey, Chief Executive Officer
SUBJECT: Update on Plans for the April 29 & 30 Board/Staff Retreat



Staff Recommendation

Discuss and provide input to staff regarding the topics and schedule for the 2014 Board/Staff Retreat.

Summary

Attached is a draft agenda. The items on the agenda are the result of discussions with the Board over the last few meetings.

Background

The April 29 & 30, 2014, SamCERA Board/Staff Retreat is scheduled along the same lines as retreats of recent years:

Days: Two consecutive days
Timing: Time left in-between speakers for discussion
Location: In the SamCERA boardroom
Speakers: Draw speakers from outside professionals as well as SamCERA's consultants and staff
Regular Business: Conduct the Board's regular monthly business during the afternoon on Tuesday of the retreat
Dates: **Tuesday, April 29, and Wednesday, April 30.**

Agenda & Presenters

Board / Staff Retreat

April 29 & 30, 2014



San Mateo County Employees'
Retirement Association

SamCERA

BOARD / STAFF RETREAT AGENDA
Day One—Tuesday, April 29, 2014

<u>TIME</u>	<u>TOPIC AND PRESENTER</u>
	Coffee and Refreshments
9:00 a.m.	Welcome David Bailey, Chief Executive Officer, SamCERA
9:15 a.m.	The Fed and the Economy Presenter: John Bellows, Western Asset Management
10:15 a.m.	Break
10:30 a.m.	Immunizing the Fund What does immunizing mean? What methods are utilized? Pros and Cons of each.
11:30 a.m.	Open Discussion
12 Noon	Lunch
1:15 p.m.	Ethics, Fiduciary Duties and Investment Decisions Presenter: Brenda Carlson, Chief Legal Counsel, SamCERA
2:15 p.m.	Break
2:30 p.m.	Beginning of Regular Board Meeting Agenda

BOARD / STAFF RETREAT AGENDA
Day Two—Wednesday, April 30, 2014


<u>TIME</u>	<u>TOPIC AND PRESENTER</u>
	Coffee and Refreshments
9:00 a.m.	<p>Deep Dive Led by Mike Coultrip. Assess manager performance vs indexes, other systems, and managers not chosen. Show risks of the fund in various ways. Show allocations in various ways, including, for example, total bond risk from fixed income allocation plus risk parity. How are we doing as manager selectors? Are our managers meeting our expectations? How does SamCERA'S investment performance compare with that of other '37 Act pension systems of comparable size and UAAL? Show risks of the fund in various ways. For example, total bond risk from fixed income allocation plus risk parity and other allocations.</p> <p>Presenters: <u>Patrick Thomas</u>, Vice President, SIS and <u>Michael Coultrip</u>, Chief Investment Officer, SamCERA</p>
10:15 a.m.	Break
10:30 a.m.	Dive Deep - Continued
11:30 a.m.	Open Discussion
12 noon	Lunch (Board and SamCERA Staff)
1:15 p.m.	<p>Actuarial Presentation Led by Nick Collier, Milliman, Inc. Discussion of process to determine assumptions such as Wage Inflation, Longevity, Mortality etc.</p>
2:15 p.m.	Break
2:30 p.m.	<p>Disabilities Review Presentation from Dr. Brodtkin on approach to difficult cases, such as stress-related illnesses.</p>
3:30 p.m.	<p>Benefits Tied to Funded Status A summary of the issues surrounding the topic.</p>
4:30 p.m.	Open Discussion
5:00 p.m.	End of Retreat – Adjournment in the Memory of Our Deceased Members

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

January 28, 2014

Agenda Item 7.6

TO: Board of Retirement

FROM: Scott Hood, Assistant Executive Officer 

SUBJECT: Update of SamCERA Office Space Lease

Staff Recommendation

Discuss options for SamCERA office space.

Discussion

SamCERA has been in discussions with representatives of the owner of our current office building and with the broker representing office space in the property located at 1301 Shoreway Avenue in Belmont, less than ½ mile from our current location. Brokers for both properties were unable to provide updated proposals at the time of the board mailing.

Staff will analyze and compare each proposal and anticipates bringing a recommendation to the Board for the February meeting. There is enough information available at this time to continue exploring whether a move to the selected building will provide savings to SamCERA in the long run and put SamCERA in a better position for future growth and possible purchase of the building in the future. Staff will consider options that will include the following:

- Amending our current lease for a period of seven years, including temporary space for use by the PASS vendor
- Amending our current lease for a period of five years, including temporary space for use by the PASS vendor
- Signing a new lease for office space for a period of seven years at 1301 Shoreway Ave. in Belmont, including temporary space for the PASS vendor

Staff has consulted with the County's Real Property Division and there is no suitable County-owned space available at this time. The Real Property Division did offer their services to review documentation surrounding any leasing transactions.