

The Board of Retirement

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

SamCERA's Board Room, 100 Marine Parkway, Suite 160, Redwood Shores

Tuesday, September 25, 2012, at 10:00 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 of the Board of Retirement to take place on Tuesday September 25, 2012, at 10 a.m. in the Board Room. The Board will also hold its regular board meeting commencing at 1 p.m. on September 25, 2012. The special meeting is for the purpose of discussing and transacting the following business:

A. Call to order

B. Roll Call

C. Public Comment

D. Investment Services

(Numbering for this section's agenda items is consistent with the regular meeting numbering system.)

6.1 Preliminary Monthly Portfolio Performance Report

6.2 Review of SamCERA's Securities Lending Program

6.3 Report on the Annual Review of SamCERA's Bond Strategy Managers (Angelo Gordon, Brown Brothers Harriman, Brigade Capital Management)

6.4 Approval of Change to Management Structure in the Large Cap Allocation

6.5 Approval of Change to Management Structure in the Core Bond Portfolio

6.6 Approval of Topics for Investment Consultant Review – Strategic Investment Solutions

6.7 Discussion Regarding Investment Objectives Section of SamCERA's Investment Policy

E. Adjournment

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

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

Dated: September 19, 2012


Sandie Arnott, Chair, Board of Retirement

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Notice of Public Meeting

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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.

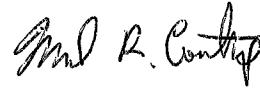
Free Parking is available in all lots in the vicinity of the building.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

To: Board of Retirement

Agenda Item 6.1



From: Michael Coultrip, Chief Investment Officer

Subject: Preliminary Monthly Portfolio Performance Report for the Period Ending **August 31, 2012**

COMMENT: The fund's preliminary return for the trailing twelve months is 9.3%. The twelve-month return is above the Actuarial Discount Rate of 7.50% but below SamCERA's Total Plan Policy Benchmark rate of 9.9%. 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.

August was generally another 'risk-on' month as the markets continued their strong summer rally based on additional hope for central bank intervention and more monetary stimulus. European Central Bank promises of support have produced relief rallies in European equity markets while also narrowing the sovereign debt spreads in Spain and Italy. Most of the equity benchmarks that SamCERA tracks posted strong returns ranging from 2.4% for U.S. large-caps to 3.3% for U.S. small-caps. International equity indices were mostly 2.0% or higher, with the exception of emerging markets, which were down -0.29%. Long-term interest rates rose slightly in the U.S., with the 10 year note now yielding 1.57%, an increase of 20 bps from the end of June. The BC Aggregate Index was up 0.07% with high yield and emerging market debt indices providing higher returns as credit outperformed in the risk rally.

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. Due to the timing of certain portfolio performance statements, this agenda item does not reflect the monthly performance of all portfolios. Monthly performance metrics are not available for our private equity and real estate portfolio. The performance for these funds is reported on a quarterly basis. As discussed last month, preliminary performance estimates are now included for Angelo Gordon's PPIP, AQR's risk parity, and AQR's hedge fund portfolios.

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Below is an overview of the investment manager performance for selected periods ending **August 31, 2012**:

Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	2.43%	7.62%	3.58%	17.39%
D.E. Shaw Investment Management, LLC	2.01%	8.00%	4.20%	20.20%
T. Rowe Price Associates	2.48%	8.03%	3.74%	18.64%
Barrow, Hanley, Mewhinney & Strauss	2.64%	7.52%	2.68%	16.13%
BlackRock Capital Management, Inc.	3.85%	7.33%	1.09%	11.42%
Large Cap Aggregate	2.74%	7.66%	2.93%	16.28%
The Boston Company	3.69%	6.66%	1.03%	20.87%
Chartwell Investment Partners	4.62%	5.39%	-1.03%	20.03%
Jennison Associates	2.82%	5.44%	-3.29%	11.51%
Small Cap Aggregate	3.60%	5.74%	-1.56%	16.13%
Baillie Gifford	2.72%	10.38%	N/A	N/A
Eaton Vance – Parametric Emerging Equity	1.08%	6.28%	N/A	N/A
Mondrian Investment Partners	3.07%	10.85%	-3.18%	1.78%
Pyramis Global Advisors – Int’l Small-Cap	3.85%	7.75%	N/A	N/A
International Aggregate	2.76%	9.72%	-3.40%	-1.47%
Total Equity	2.87%	8.00%	0.30%	10.60%
Aberdeen Asset Management	0.51%	2.50%	4.36%	8.94%
Angelo Gordon	4.70%	12.98%	13.68%	30.16%
Brigade Capital Management	1.45%	4.37%	5.59%	12.87%
Brown Brothers Harriman	-0.17%	1.19%	4.23%	9.14%
Franklin Templeton	2.22%	10.09%	1.38%	4.30%
Pyramis Global Advisors	0.15%	1.97%	4.05%	7.43%
Western Asset Management	0.36%	3.12%	4.80%	8.76%
Fixed Income Aggregate	0.96%	4.42%	4.40%	9.23%
Private Equity	N/A	-0.60%	4.34%	-1.27%
AQR’s Global Risk Premium (Risk Parity)	1.38%	7.62%	5.01%	10.98%
AQR’s Delta Fund (Hedge Fund)	-1.13%	1.08%	1.47%	2.85%
SSgA/SSARIS Commodity	5.18%	16.53%	8.90%	7.24%
Alternative Investments Aggregate	N/A	N/A	N/A	N/A
Invesco Realty Advisors	N/A	1.70%	3.50%	8.98%
Cash	0.05%	0.14%	0.35%	0.62%
Total Portfolio	2.03%	6.58%	1.95%	9.31%

U.S. EQUITY

August was a positive month for equities as U.S. stocks and Non-US stocks were up 2-3% for the month. Within the U.S. markets, growth outperformed value and small caps outperformed large caps. The Russell 1000 Growth Index was up +2.7% for the month and the Russell 1000 Value Index was up +2.2%. The Russell 2000 Growth Index was up +3.6% and the Russell 2000 Value was up 3.1%. The S&P 500 Index ended the month up +2.25%.

The S&P 500 Index has a trailing 12-month P/E ratio of 16.2 (estimated P/E ratio of 13.6 on forward looking twelve-month operating earnings) and a dividend yield of 2.1%.

Dividend payments this year are expected to hit a record \$275 billion, well above the previous record \$248 billion paid in 2008.

Corporate merger highlights for the month included: Heineken reached an agreement with Singapore's Fraser and Neave to buy its 40% stake in Asia Pacific Breweries for \$4.1 billion; GlaxoSmithKline completed its \$3 billion acquisition of long-time biotech partner Human Genome Sciences; Oilfield-services equipment maker National Oilwell Varco will acquire Robbins & Myers for \$2.55 billion; Tesoro will acquire BP's refining, marketing and infrastructure operations in Southern California in a deal valued at about \$2.5 billion; Focus Media, a Chinese digital advertising company, received a \$3.7 billion offer to take the company private; BP is seeking as much as \$7.9 billion before tax payments for a group of Gulf of Mexico oilfields as it unloads assets following its 2010 spill in the region; The Carlyle Group will pay \$3.3 billion to acquire Getty Images, the creator and distributor of photos, video and multi-media products; Best Buy rejected a takeover from its co-founder valuing the company at \$8.8 billion; Aetna will buy fellow insurer Coventry Health Care for \$5.7 billion; Heineken raised its bid for a controlling stake in Tiger Beer maker Asia Pacific Breweries to \$4.5 billion; Health Care REIT, an Ohio-based owner of senior housing and health-care properties, will acquire Sunrise Senior Living in a deal valued at \$1.9 billion; M&T Bank will buy Hudson City Bancorp in a \$3.7 billion deal to expand its reach in the eastern U.S.; Hertz, more than two years after its original bid, finally agreed to buy Dollar Thrifty for about \$2.3 billion; IBM will buy Kenexa, a provider of recruiting and talent-management services, for \$1.3 billion; Clayton, Dubilier & Rice will buy David's Bridal in a deal that

values the private company at \$1.05 billion; Japan's Daikin Industries will pay \$3.7 billion for Goodman Global; DuPont will sell its performance coatings business to The Carlyle Group for \$4.9 billion; and, Bank of Nova Scotia will buy ING Bank of Canada from its Dutch parent ING Groep for \$3.2 billion.

FIXED INCOME

The Labor Dept. reported that the unemployment rate inched up to 8.3% in July from 8.2% in June. Unemployment rates rose in 44 U.S. states in July. Nevada has the highest rate in the nation at 12.0%.

The Blue Chip forecast for growth in U.S. gross domestic product was revised down to 1.7% for the 3rd quarter and 1.9% for the 4th quarter. The economy grew at a revised 1.7% annual rate in the 2nd quarter, boosted by slightly stronger consumer spending and greater exports.

The Federal Reserve said that banks continued to ease lending standards for larger firms in the last three months but small businesses are still having a hard time accessing credit.

Long-term interest rates rose in the month of August. The bellwether 10-year Treasury note ended the month yielding 1.57% up from 1.47% at the close of June. At month-end, the 30-year bond yield was 2.68% with the 3-month T-bill at 0.09%. The Barclays Capital US Aggregate Index was up by 0.07% in August with high yield corporates the strongest sector up by 1.21% for the month as measured by the BofA Merrill Lynch US High Yield, Master II Index.

The Treasury Dept. will begin offering investors Treasury securities with variable interest rates, similar to those on some home mortgages.

On the economic front, the following key data was released in August, with the month's data being quite reasonable:

THE GOOD

- * The Commerce Dept. reported that construction spending rose 0.4% in June following an upwardly revised 1.6% gain in May.
- * Same store sales at U.S. retailers, excluding drugstores rose 4.6% in July, well above the final estimate of 3.1%, according to Thomson Reuters.
- * The Labor Dept. reported that worker productivity climbed at a faster-than-expected 1.6% in the 2nd quarter.
- * The Commerce Dept. reported that the U.S. trade deficit narrowed a more than expected 10.7% in June to \$42.9 billion from \$48.0 billion in May.
- * The national median price for single-family homes sold in the 2nd quarter was \$181,500, up 7.3% from the same quarter a year ago.
- * The Commerce Dept. reported that retail sales rose a better-than-expected 0.8% to a seasonally adjusted \$403.9 billion in July, the largest increase in five months.
- * The Labor Dept. reported that consumer prices were unchanged in July from June, as a small drop in energy costs offset slightly higher food prices.
- * The National Association of Home Builders/Wells Fargo builder sentiment index rose to 37 in August, the highest reading since March 2007.
- * The Conference Board's index of leading economic indicators increased 0.4% in July after falling 0.4% in June, the latest report showing an improved economic outlook.
- * The Commerce Dept. reported that sales of new single-family homes in the U.S. climbed to an annual rate of 372,000 in July from 359,000 in June.
- * The Commerce Dept. reported that orders for durable goods jumped 4.2% in July, marking the biggest increase since last December.
- * Median household incomes, before taxes and adjusted for inflation, rose 2.2% in the last year through June.
- * Sales of new vehicles in the U.S. are expected to rise 18% in August from a year earlier, marking the highest monthly rate in more than 4 ½ years.
- * Household debt declined to \$11.4 trillion in the 2nd quarter, a \$53 billion drop from the 1st quarter and a \$1.3 trillion drop since its peak in the 3rd quarter of 2008.

*The Commerce Dept. reported that consumer spending increased 0.4% in July after being unchanged in June and declining in May.

The University of Michigan-Thomson Reuters' consumer sentiment gauge rose to 74.3 in August.

THE NOT SO GOOD

- *The Commerce Dept. reported that factory orders fell 0.5% in June after rising by the same margin the prior month.
- *The Dept. of Agriculture forecast national corn production at 10.8 billion bushels in 2012, down 13% from 2011 and the lowest production since 2006.
- *The Empire State index fell below zero, sinking to negative 5.9 in August, worse than the 7.4 reading in July.
- *The Commerce Dept. reported that construction of single-family homes and apartments dipped 1.1% in July compared with June to a seasonally adjusted annual rate of 746,000.
- *The median price of new homes declined 2.1% to \$224,200 in July.
- *Total cost of health care coverage is expected to increase 5.9% per employee in 2012 and rise 5.3% in 2013.

NON-U.S. MARKETS

GDP for all 27 members of the European Union fell by 0.2% in the 2nd quarter compared to the prior quarter. Year-over-year GDP fell by 0.4%.

Industrial production in the U.K. plunged in June dropping by 2.5% for the month, the largest decline since November 2008. Inflation pressures in the U.K. continue to ease as PPI was unchanged in July and has not risen in three consecutive months. GDP in the U.K. fell by 0.5% in the second quarter, a decline two ticks lower than that was reported in the preliminary print.

German real factory orders fell 1.7% in June. Year-over-year, orders fell by 7.7%. Industrial production fell 0.9% in June and year-over-year production fell by 0.5% in Germany. GDP in Germany rose 0.3% in Q2 following a 0.5% gain in the first quarter. The French economy appears in worse shape as year-over-year production fell 2.3% and Q2 GDP was unchanged. The Italian economy appears to be in much worse shape as GDP fell 0.7% in Q2, the fourth consecutive decline, leaving it 2.5% lower than a year ago.

Spain's bad loan rate rose to a record 9.42% in June, with more than \$201 billion in loans to households and businesses at least three months behind in payments.

The Japanese economy has completed its recovery from the tsunami, but not from the Great Recession. GDP is now 1.1% above its pre-tsunami peak, but still 1.7% below its pre-recession peak. GDP grew by a disappointing 0.3% in the second quarter, following an upwardly revised 1.3% gain in the first.

Brazil unveiled a \$66 billion stimulus package aimed at improving the nation's infrastructure and investor confidence.

Non-U.S. equities were up for the month of July. The MSCI ACWI Ex-U.S. was up +1.4% (US dollars) in July. Developed stocks (EAFE) were up +1.2% while Emerging Markets gained +2.0% for the month.

CONCLUSION

Despite the continuation of negative news on the Eurozone and weakening Chinese growth, stocks have rallied during the summer months. Markets continue to look to central banks for intervention support and some developing economies seem to be shifting policy to include increased spending, with the hope of reinvigorating growth. "Risk on" has definitely been on for the month of August as equity markets and commodities (energy and gold) rallied.

The month of August also witnessed more upbeat economic activity prints in the U.S. The Fed minutes struck a more dovish tone, raising investor hopes for more monetary stimulus soon and perhaps even another stage of quantitative easing.

Mario Draghi, President of the European Central Bank, promises of support have produced reversals in European equity markets which also has narrowed sovereign debt spreads in Spain and Italy.

The coordinated easing by Central Banks has resulted in the U.S. Federal Reserve to promote pro-inflation policies to attempt to de-leverage the U.S. The printing of money, zero rates implementation and quantitative easing are all signs of this policy.

The options for resolving the European Balance Sheet Recession are:

- 1) Abandon the Euro – Financial Anarchy
- 2) Long-term structural reforms
- 3) Establish a Fiscal Union throughout the EU

European policy makers are struggling with which route to take but it appears to be a combination of numbers 2 and 3 listed above.

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Aug-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.50	7.57	13.15	17.03	18.16	13.83	1.50	4.35	7.01
Russell TOP 200 Index	2.13	8.14	14.07	19.04	18.59	13.14	1.10	4.02	5.78
Russell TOP 200 Growth Index	2.42	7.55	15.72	19.73	21.63	15.51	4.08	5.68	6.26
Russell TOP 200 Value Index	1.84	8.78	12.42	18.34	15.58	10.79	-1.88	2.36	5.31
S&P 500 Index	2.25	7.94	13.51	18.00	18.25	13.62	1.28	4.22	6.51
Russell 1000 Index	2.43	7.61	13.37	17.33	18.19	13.82	1.47	4.36	6.86
Russell 1000 Growth Index	2.69	6.89	14.55	17.37	20.62	15.59	3.69	5.58	7.02
Russell 1000 Value Index	2.17	8.35	12.19	17.30	15.82	12.08	-0.85	3.03	6.57
Russell Mid-Cap Index	3.15	6.30	11.63	13.30	17.22	15.57	2.47	5.26	9.88
Russell Mid-Cap Growth Index	3.41	5.24	11.65	11.72	18.46	16.12	2.92	5.56	9.97
Russell Mid-Cap Value Index	2.92	7.27	11.54	14.80	16.14	15.09	1.78	4.71	9.54
Russell 2000 Index	3.33	6.99	10.60	13.40	17.71	13.89	1.90	4.25	9.00
Russell 2000 Growth Index	3.59	7.03	10.75	12.72	19.90	15.49	2.94	5.20	9.40
Russell 2000 Value Index	3.08	6.95	10.43	14.08	15.46	12.24	0.73	3.20	8.49
DJ US REIT Index	-0.27	7.25	16.78	19.63	19.71	24.09	2.79	5.71	11.05
DJ-UBS US Commodity Index TR	1.30	13.78	3.86	-11.14	5.74	5.22	-1.86	-0.45	5.41

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Aug-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	2.11	9.74	6.83	-1.44	4.50	4.09	-3.15	3.99	8.69
MSCI AC World Index	2.22	8.83	9.88	6.82	10.48	8.28	-1.12	4.11	7.56
MSCI EAFE Index	2.70	11.20	7.38	0.47	5.36	2.87	-4.34	2.54	7.15
MSCI Emerging Markets Index	-0.29	5.70	5.92	-5.48	1.69	6.96	-0.07	9.44	15.35
ML Global Government Bond Ex. U.S. Index	0.44	1.54	1.56	0.10	5.75	6.68	8.55	6.71	7.32
Euro	2.35	1.94	-2.90	-12.45	-0.41	-4.23	-1.56	0.35	2.54
Japanese Yen	-0.26	0.15	-1.74	-2.34	3.56	5.81	8.16	5.13	4.24
UK Pound Sterling	1.38	3.20	2.20	-2.45	1.66	-0.85	-4.67	-1.76	0.26

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Aug-12	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	0.03	0.06	0.06	0.10	0.12	0.79	1.93	1.84
BarCap Aggregate Bond Index	0.07	1.49	3.85	5.78	5.20	6.51	6.66	5.74	5.48
ML U.S. Corp/Govt Master Index	0.08	1.73	4.57	6.70	5.54	7.01	6.73	5.72	5.59
ML U.S. Corporate Master Index	0.40	3.73	8.25	10.02	7.33	9.58	7.83	6.33	6.64
BarCap Mortgage Backed Securities Index	0.11	1.03	2.59	3.67	4.32	5.20	6.47	5.79	5.29
ML U.S. High Yield Master Index	1.18	5.22	13.05	13.05	10.57	14.19	9.19	8.26	10.27
JPM EMBI Global	1.16	8.96	13.04	13.84	10.62	13.53	10.49	9.58	12.04

Annualized Performance to Date: Ending Aug-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
DJ-UBS US Gold Index TR	4.53	7.59	6.93	-8.65	15.38	20.12	18.90	20.19	17.38

San Mateo County

Summary of Fund Performance
 Rates of Return Total
 Periods Ending August 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
DOMESTIC EQUITY												
BLACKROCK RUSSELL 1000 INDEX FUND	164,448,083	2.43	7.62	3.58	3.65	17.39	18.25	13.89	1.54	6.90	8.30	04/01/1995
DE SHAW INVESTMENT MGT, LLC	124,411,363	2.01	8.00	4.20	3.74	20.20	19.57	14.31			15.48	08/01/2009
<i>RUSSELL 1000</i>		2.43	7.61	3.55	3.64	17.33	18.19	13.82	1.47	6.86		
T. ROWE PRICE ASSOCIATES	121,045,111	2.48	8.03	3.74	3.86	18.64	18.58	13.53			14.34	08/01/2009
<i>S&P 500</i>		2.25	7.94	4.14	3.67	18.00	18.25	13.62			14.54	
BARROW HANLEY	167,589,011	2.64	7.52	2.68	3.34	16.13	16.97	12.65			13.61	08/01/2009
<i>Russell 1000 Value Index</i>		2.17	8.35	3.95	3.23	17.30	15.82	12.08			13.59	
BLACKROCK	172,952,669	3.85	7.33	1.09	4.95	11.42	15.44	12.19			12.50	08/01/2009
<i>Russell 1000 Growth Index</i>		2.69	6.89	3.17	4.07	17.37	20.62	15.59			15.90	
LARGE CAP AGGREGATE	750,446,237	2.74	7.66	2.93	3.93	16.28	17.41	12.90	0.56	6.31	7.98	04/01/1995
<i>RUSSELL 1000</i>		2.43	7.61	3.55	3.64	17.33	18.19	13.82	1.47	6.86	8.28	
BOSTON COMPANY ASSET MGT, LLC	53,249,947	3.69	6.66	1.03	2.21	20.87	17.73	13.41			14.57	08/01/2009
<i>RUSSELL 2000 VALUE</i>		3.08	6.95	2.03	2.03	14.08	15.46	12.24			13.57	
CHARTWELL INVESTMENT MGMT	62,607,388	4.62	5.39	-1.03	2.52	20.03	22.83	20.41	3.20		6.55	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		3.59	7.03	-0.24	1.78	12.72	19.90	15.49	2.94		5.39	
JENNISON ASSOCIATES	85,800,128	2.82	5.44	-3.29	1.32	11.51	18.44	16.61			6.85	04/01/2008
SMALL CAP AGGREGATE	201,657,464	3.60	5.74	-1.56	1.93	16.13	19.60	16.93	1.02	7.46	5.08	07/01/1999
<i>RUSSELL 2000</i>		3.33	6.99	0.89	1.91	13.40	17.71	13.89	1.90	9.00	5.82	
DOMESTIC EQUITY AGGREGATE	952,103,700	2.92	7.24	1.91	3.49	16.33	17.84	13.69	0.69	6.57	7.20	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMARK</i>		2.64	7.48	2.94	3.25	16.46	18.00	13.80	1.56	7.32		

San Mateo County

Summary of Fund Performance
Rates of Return Total
Periods Ending August 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
INTERNATIONAL EQUITY												
ARTIO GLOBAL INVESTOR	2,713,445	1.70	8.53	-4.66	3.59	-2.02	5.15	5.64	-2.70		5.19	12/01/2004
MSCI/ACW/ ex US GROWTH (GROSS)		2.72	10.38		5.03						-1.65	05/01/2012
BAILLIE GIFFORD OVERSEAS LIMITED	151,530,120	1.70	8.53		3.59						-3.44	
MSCI/ACW/ ex US GROWTH (GROSS)		1.08	6.28		1.28						-6.38	04/01/2012
EATON VANCE MANAGEMENT	56,691,830	-0.29	5.70		1.73						-7.19	
MSCI/Em Markets (USD) GDR		3.07	10.85	-3.18	3.25	1.78	5.76	4.32	-2.73		5.23	12/01/2004
MONDRIAN INVESTMENT PARTNERS	199,176,410	2.53	10.98	-6.02	3.59	-0.87	3.81	2.54	-3.64		4.84	
MSCI/ACW/ EX US VALUE (GROSS)		3.85	7.75		4.77						-4.25	04/01/2012
PYRAMIS	48,131,401	2.76	6.88		3.37						-5.70	
MSCI/ACW/ ex US Small Cap Gross		2.76	9.72	-3.40	3.72	-1.47	3.41	2.60	-4.84	6.46	5.17	10/01/1996
TOTAL INTERNATIONAL EQUITY	458,243,205	2.11	9.74	-5.33	3.59	-1.44	4.50	4.09	-3.15	8.69	5.02	
MSCI/AC WORLD ex US (GROSS)		2.87	8.00	0.30	3.56	10.60	13.22	10.14	-0.97	6.41	6.83	04/01/1995
TOTAL EQUITY AGGREGATE	1,410,346,905	2.46	8.25	0.12	3.37	10.16	13.36	10.54	0.06	7.46		
SAMCERA TOTAL EQUITY BENCHMARK												
PRIVATE EQUITY												
ABRY ADVANCED SEC II LP	8,399,817	1.90	1.90	14.87	1.90	8.51					-3.76	06/01/2011
ABRY PARTNERS VII LP	2,310,353	4.33	4.33	11.35	4.33	17.07					17.07	09/01/2011
EMERGENCE CAPITAL PARTNERS III, LP	174,721	0.00			-27.20						-27.20	07/01/2012
GENERAL CATALYST GROUP	244,214	0.00	-20.93	-92.99	-20.93						-92.99	02/01/2012
NEW ENTERPRISE ASSOCIATES 14, LP	1,172,451	-3.03	-3.03		-3.03						-3.03	06/01/2012
REGIMENT CAPITAL FUND	5,413,547	0.00	1.07	1.94	1.07	4.95					4.56	08/01/2011
SYCAMORE PARTNERS LP	8,257,234	-0.00									-0.00	08/01/2012
SHERIDAN PRODUCTION PARTNERS	3,526,998	-13.46	-13.46	-18.00	-13.46	-32.53					-74.63	11/01/2010

San Mateo County

Summary of Fund Performance
 Rates of Return Total
 Periods Ending August 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
<i>RUSSELL 3000 + 3%</i>		2.74	8.34	4.88	4.01	20.49					15.19	
TOTAL PRIVATE EQUITY	29,499,336	-0.33	-0.60	4.34	-0.60	-1.27					-72.85	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		2.74	8.34	4.88	4.01	20.49						
RISK PARITY												
AQR GLOBAL RISK PREM III LP	161,788,872	1.38	7.62	5.01	6.07	10.98					10.54	03/01/2011
TOTAL RISK PARITY	161,788,872	1.38	7.62	5.01	6.07	10.98					10.54	03/01/2011
<i>RISK PARITY BENCHMARK</i>		1.52	5.12	3.31	2.69	12.82						
HEDGE FUND												
AQR DELTA FUND II, L.P.	70,421,831	-1.13	1.08	1.47	2.07	2.85					1.36	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.05	2.10	0.70	4.26					4.25	
HEDGE FUND COMPOSITE	70,421,831	-1.13	1.08	1.47	2.07	2.85					1.36	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.05	2.10	0.70	4.26					4.25	
COMMODITIES												
SSGA MULTISOURCE ACT COMM NL	78,377,533	5.18	16.53	8.90	12.12	7.24					4.14	08/01/2011
TOTAL COMMODITIES	78,377,533	5.18	16.53	8.90	12.12	7.24					4.14	08/01/2011
<i>DJ-UBS COMMODITY</i>		1.29	13.75	-1.36	7.83	-11.19					-9.55	
DOMESTIC FIXED INCOME												
ABERDEEN ASSET MANAGEMENT	114,371,538	0.51	2.50	4.36	2.19	8.94	7.44	9.67	5.45	5.10	6.31	06/01/2000
ANGELO GORDON GECC PPI FUND	30,930,579	4.70	12.98	13.68	8.83	30.16	16.42				20.36	12/01/2009
PYRAMIS GLOBAL ADVISORS	92,998,671	0.15	1.97	4.05	1.82	7.43	6.67	8.64	7.55		6.67	02/01/2006
WESTERN ASSET MGMT	92,266,889	0.36	3.12	4.80	2.42	8.76	7.82	10.29	7.53		6.27	11/01/2004

San Mateo County

Summary of Fund Performance
Rates of Return Total
Periods Ending August 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
<i>Barclays Aggregate Bond</i>		0.07	1.49	2.97	1.45	5.78	5.20	6.51	6.66	5.48		
BRIGADE CAPITAL MANAGEMENT	55,456,200	1.45	4.37	5.59	3.14	12.87	10.98				10.54	08/01/2010
<i>Barclays BA Intermediate HY Index</i>		0.95	5.02	4.68	2.95	13.12	10.29				10.20	
BROWN BROTHERS HARRIMAN & CO	82,598,511	-0.17	1.19	4.23	1.87	9.14	9.79				10.50	08/01/2010
<i>Barclays US TIPS Index</i>		-0.36	1.06	3.91	1.65	8.69	9.85				10.36	
INTERNATIONAL FIXED INCOME												
FRANKLIN TEMPLETON INVESTMENTS	111,115,672	2.22	10.09	1.38	4.75	4.30					6.56	01/01/2011
<i>Barclays Multiverse</i>		0.91	2.67	2.01	2.10	1.76					5.67	
TOTAL FIXED INCOME												
TOTAL FIXED INCOME AGGREGATE	579,738,060	0.96	4.42	4.40	3.04	9.23	7.86	9.99	7.12	5.80	6.29	01/01/1996
SAMCERA TOTAL FIXED INCOME BENCH		0.20	2.01	3.22	1.90	6.19	6.10	7.12	7.03	5.66	6.02	
REAL ESTATE												
INVESCO REAL ESTATE	146,917,122	0.00	1.70	3.50	0.00	8.98	16.62	8.03	-0.79		5.90	10/01/2004
TOTAL REAL ESTATE AGGREGATE	146,917,122	0.00	1.70	3.50	0.00	8.98	16.62	8.03	-0.79	7.55	7.53	01/01/1997
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	2.66	5.55	0.00	12.32	15.92	7.45	-0.44	6.72	7.56	
CASH EQUIVALENTS												
SAMCERA GENERAL ACCOUNT	7,274,065	0.04	0.07	0.11	0.05	0.18	0.31	0.27	1.09	2.02	2.62	07/01/1999
SAMCERA TREASURY & LAIF	14,699,217	0.06	0.18	0.39	0.11	0.88	1.00	1.00	0.55	1.90	3.31	07/01/1994
TOTAL CASH AGGREGATE	21,973,282	0.05	0.14	0.35	0.10	0.62	0.81	0.85	0.64	1.91	2.56	07/01/1999
91 DAY T-BILL		0.01	0.03	0.06	0.02	0.06	0.10	0.12	0.80	1.86	2.49	

San Mateo County

Summary of Fund Performance
 Rates of Return Total
 Periods Ending August 31, 2012



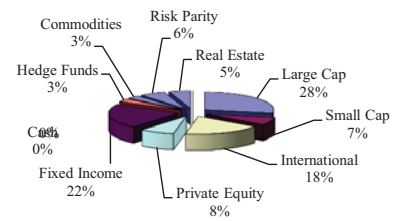
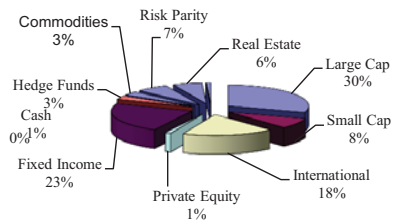
STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
TOTAL FUND												
TOTAL FUND	2,499,062,941	2.03	6.58	1.95	3.59	9.31	11.82	9.96	1.53	6.48	6.25	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		1.71	6.35	1.77	2.94	9.87	12.35	10.13	2.60	7.30	6.51	
ACTUARIAL DISCOUNT RATE		0.60	1.84	3.76	1.21	7.71	7.73	7.74	7.74	7.86		

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending August 31, 2012
 Actual versus Target Allocation

Portfolio	Market Value	Allocation		Percentage Off Target	Rebalance Range
		Current	Target *		
BlackRock Russell 1000	\$164,448,083	6.58%	6.50%	0.08%	±3%
D.E. Shaw Investment Management, LLC	\$124,411,363	4.98%	4.25%	0.73%	±3%
T. Rowe Price Associates	\$121,045,111	4.84%	4.25%	0.59%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$167,589,011	6.71%	6.50%	0.21%	±3%
BlackRock Capital Management, Inc.	\$172,952,669	6.92%	6.50%	0.42%	±3%
Large Cap Aggregate	\$750,446,237	30.03%	28.00%	2.03%	
The Boston Company	\$53,249,947	2.13%	1.75%	0.38%	±3%
Chartwell Investment Partners	\$62,607,388	2.51%	1.75%	0.76%	±3%
Jennison Associates	\$85,800,128	3.43%	3.50%	-0.07%	±3%
Small Cap Aggregate	\$201,657,463	8.07%	7.00%	1.07%	
Artio Global	\$2,713,445	0.11%	0.00%	0.11%	±3%
Baillie Gifford	\$151,530,120	6.06%	6.00%	0.06%	±3%
Eaton Vance - Parametrics Emerging Markets	\$56,691,830	2.27%	2.25%	0.02%	±3%
Mondrian Investment Partners	\$199,176,410	7.97%	8.00%	-0.03%	±3%
Pyramis Global Advisors - Int'l. Small Cap	\$48,131,401	1.93%	1.75%	0.18%	±3%
International Aggregate	\$458,243,206	18.34%	18.00%	0.34%	±3%
Total Equity	\$1,410,346,906	56.44%	53.00%	3.44%	
Aberdeen Asset Management	\$114,371,538	4.58%	3.75%	0.83%	±2%
Angelo Gordon	\$30,930,579	1.24%	1.63%	-0.39%	±2%
Brigade Capital Management	\$55,456,200	2.22%	1.63%	0.59%	±2%
Brown Brothers Harriman	\$82,598,511	3.31%	3.00%	0.31%	±2%
Franklin Templeton	\$111,115,672	4.45%	4.50%	-0.05%	±2%
Pyramis Global Advisors	\$92,998,671	3.72%	3.75%	-0.03%	±2%
Western Asset Management Company	\$92,266,889	3.69%	3.75%	-0.06%	±2%
Total Fixed Income	\$579,738,060	23.20%	22.00%	1.20%	
Private Equity	\$29,499,336	1.18%	8.00%	-6.82%	N/A
AQR Global Risk Premium	\$161,788,872	6.47%	6.00%	0.47%	N/A
AQR Delta Fund (Hedge Fund)	\$70,421,831	2.82%	3.00%	-0.18%	N/A
SSGA/SSARIS Multisource Commodities	\$78,377,533	3.14%	3.00%	0.14%	N/A
Alternative Investments	\$340,087,572	13.61%	20.00%	-6.39%	
INVESCO Realty Advisors	\$146,917,122	5.88%	5.00%	0.88%	±2%
Cash	\$21,973,282	0.88%	0.00%	0.88%	
Total	\$2,499,062,942	100.00%	100.00%		

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



San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending August 31, 2012

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change One Month	Prior Year	% Change One Year
BlackRock Russell 1000	\$164,448,083	\$145,654,149	12.9%	\$108,140,565	52.1%
D.E. Shaw Investment Management, LLC	\$124,411,363	\$121,955,364	2.0%	\$103,500,280	20.2%
T. Rowe Price Associates	\$121,045,111	\$118,115,906	2.5%	\$102,025,057	18.6%
Barrow, Hanley, Mewhinney & Strauss	\$167,589,011	\$163,277,421	2.6%	\$144,314,087	16.1%
BlackRock Capital Management, Inc.	\$172,952,669	\$166,539,803	3.9%	\$155,220,030	11.4%
Large Cap Aggregate	\$750,446,237	\$715,542,643	4.9%	\$613,200,018	22.4%
The Boston Company	\$53,249,947	\$51,355,715	3.7%	\$44,054,415	20.9%
Chartwell Investment Partners	\$62,607,388	\$59,843,616	4.6%	\$52,161,671	20.0%
Jennison Associates	\$85,800,128	\$83,446,978	2.8%	\$92,484,975	-7.2%
Small Cap Aggregate	\$201,657,463	\$194,646,309	3.6%	\$188,701,061	6.9%
Baillie Gifford - Funded on April 3rd	\$151,530,120	\$142,519,600	6.3%	\$0	N/A
Eaton Vance - Parametrics Emerging Markets	\$56,691,830	\$51,092,245	11.0%	\$0	N/A
Mondrian Investment Partners	\$182,940,496	\$183,268,077	-0.2%	\$192,011,447	-4.7%
Artio Global Investor- Mgr Terminated 3-20-2012	\$2,713,445	\$3,819,128	-29.0%	\$183,313,991	-98.5%
Pyramis Global Advisors - Int'l. Small Cap	\$48,131,401	\$41,445,739	16.1%	\$0	N/A
International Aggregate	\$458,243,206	\$422,144,789	8.6%	\$375,325,437	22.1%
Total Equity	\$1,410,346,906	\$1,332,333,741	5.9%	\$1,177,226,516	19.8%
Aberdeen Asset Management	\$114,371,538	\$113,787,291	0.5%	\$104,983,039	8.9%
Angelo Gordon	\$30,930,579	\$30,212,117	2.4%	\$37,803,179	-18.2%
Brigade Capital Management	\$55,456,200	\$54,664,785	1.4%	\$49,134,510	12.9%
Brown Brothers Harriman	\$82,598,511	\$82,739,951	-0.2%	\$75,682,202	9.1%
Franklin Templeton	\$111,115,672	\$108,702,671	2.2%	\$106,530,860	4.3%
Pyramis Global Advisors	\$92,998,671	\$92,858,401	0.2%	\$106,013,076	-12.3%
Western Asset Management Company	\$92,266,889	\$91,938,436	0.4%	\$104,138,931	-11.4%
Total Fixed Income	\$579,738,060	\$574,903,652	0.8%	\$584,285,796	-0.8%
Private Equity	\$29,499,336	\$27,711,993	6.4%	\$8,928,175	230.4%
Risk Parity	\$161,788,872	\$152,629,042	6.0%	\$150,245,200	7.7%
Hedge Funds	\$70,421,831	\$68,994,735	2.1%	\$69,604,360	1.2%
Commodities	\$78,377,533	\$74,518,389	5.2%	\$73,086,065	7.2%
Alternative Investments	\$340,087,572	\$323,854,159	5.0%	\$301,863,799	12.7%
INVESCO Realty Advisors	\$146,917,122	\$146,917,122	0.0%	\$126,673,968	16.0%
Cash	\$21,973,282	\$70,198,479	-68.7%	\$8,283,950	165.3%
Total	\$2,499,062,942	\$2,448,207,153	2.1%	\$2,198,334,030	13.7%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	56.4%	54.4%	2.0%	53.6%	2.9%
Total Fixed Income	23.2%	23.5%	-0.3%	26.6%	-3.4%
Alternative Investments	13.6%	13.2%	0.4%	13.7%	-0.1%
Real Estate	5.9%	6.0%	-0.1%	5.8%	0.1%
Cash	0.9%	2.9%	-2.0%	0.4%	0.5%
Total	100.0%	100.0%		100.0%	

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending August 31, 2012

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1)	Two Years	Three Years	Five Years	Ten Years
						Two Months				
Equity Aggregate	\$1,410,346,906	2.87%	8.00%	0.30%	10.60%	3.56%	13.22%	10.14%	-0.97%	6.41%
Equity Composite Benchmark		2.46%	8.25%	0.12%	10.16%	3.37%	13.36%	10.54%	0.06%	7.46%
Variance		0.41%	-0.25%	0.18%	0.44%	0.19%	-0.14%	-0.40%	-1.03%	-1.05%
Private Equity Aggregate	\$29,499,336	N/A	-0.60%	4.34%	-1.27%	N/A	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		N/A	8.34%	4.88%	20.49%	N/A	N/A	N/A	N/A	N/A
Variance		N/A	-8.94%	-0.54%	-21.76%	N/A	N/A	N/A	N/A	N/A
Risk Parity Aggregate	\$161,788,872	1.38%	7.62%	5.01%	10.98%	6.07%	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		1.52%	5.12%	3.31%	12.82%	2.69%	N/A	N/A	N/A	N/A
Variance		-0.14%	2.50%	1.70%	-1.84%	3.38%	N/A	N/A	N/A	N/A
Hedge Fund Aggregate	\$70,421,831	-1.13%	1.08%	1.47%	2.85%	2.07%	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.05%	2.10%	4.26%	0.70%	N/A	N/A	N/A	N/A
Variance		-1.48%	0.03%	-0.63%	-1.41%	1.37%	N/A	N/A	N/A	N/A
Commodities	\$78,377,533	5.18%	16.53%	8.90%	7.24%	12.12%	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		1.29%	13.75%	-1.36%	-11.19%	7.83%	N/A	N/A	N/A	N/A
Variance		3.89%	2.78%	10.26%	18.43%	4.29%	N/A	N/A	N/A	N/A
Fixed Income Aggregate	\$579,738,060	0.96%	4.42%	4.40%	9.23%	3.04%	7.86%	9.99%	7.12%	5.80%
Fixed Income Composite Benchmark		0.20%	2.01%	3.22%	6.19%	1.90%	6.10%	7.12%	7.03%	5.66%
Variance		0.76%	2.41%	1.18%	3.04%	1.14%	1.76%	2.87%	0.09%	0.14%
Real Estate Aggregate (2)	\$146,917,122	N/A	1.70%	3.50%	8.98%	N/A	16.62%	8.03%	-0.79%	7.55%
NCREIF NFI ODCE EW (Gross)		N/A	2.66%	5.55%	12.32%	N/A	15.92%	7.45%	-0.44%	6.72%
Variance		N/A	-0.96%	-2.05%	-3.34%	N/A	0.70%	0.58%	-0.35%	0.83%
Cash Aggregate	\$21,973,282	0.05%	0.14%	0.35%	0.62%	0.10%	0.81%	0.85%	0.64%	1.91%
91 Day Treasury Bill		0.01%	0.03%	0.06%	0.06%	0.02%	0.10%	0.12%	0.80%	1.86%
Variance		0.04%	0.11%	0.29%	0.56%	0.08%	0.71%	0.73%	-0.16%	0.05%
Total Fund Returns	\$2,499,062,942	2.03%	6.58%	1.95%	9.31%	3.59%	11.82%	9.96%	1.53%	6.48%
Total Plan Policy Benchmark		1.71%	6.35%	1.77%	9.87%	2.94%	12.35%	10.13%	2.60%	7.30%
Variance		0.32%	0.23%	0.18%	-0.56%	0.65%	-0.53%	-0.17%	-1.07%	-0.82%

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,499,062,942	2.03%	6.58%	1.95%	9.31%	3.59%	11.82%	9.96%	1.53%	6.48%
Actuarial Discount Rate		0.60%	1.84%	3.76%	7.71%	1.21%	7.73%	7.74%	7.74%	7.86%
Variance		1.43%	4.74%	-1.81%	1.60%	2.38%	4.09%	2.22%	-6.21%	-1.38%

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

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

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending August 31, 2012

Manager & Benchmark Performance

Manager Performance
 (1)

Portfolio	Fiscal Year									
	One Month	Trailing Three Months	Trailing Six Months	Trailing Nine Months	Year to Date	One Year	Two Years	Three Years	Five Years	Ten Years
BlackRock Russell 1000	2.43%	7.62%	3.58%	17.39%	13.89%	18.25%	13.89%	13.89%	15.44%	6.90%
D.E. Shaw Investment Management, LLC	2.01%	8.00%	4.20%	3.74%	20.20%	19.57%	14.31%	14.31%	N/A	N/A
T. Rowe Price Associates	2.48%	8.03%	3.74%	3.86%	18.64%	18.58%	13.53%	13.53%	N/A	N/A
Barrow, Hanley, McWhinney & Strauss	2.64%	7.52%	2.68%	3.34%	16.13%	16.97%	12.65%	12.65%	N/A	N/A
BlackRock Capital Management, Inc.	3.85%	7.33%	1.09%	4.95%	11.42%	15.44%	12.19%	12.19%	N/A	N/A
Large Cap Aggregate	2.77%	7.66%	2.93%	3.93%	16.28%	17.41%	12.90%	12.90%	0.56%	6.31%
The Boston Company	3.69%	6.66%	1.03%	2.21%	20.87%	17.73%	13.41%	13.41%	N/A	N/A
Chartwell Investment Partners	4.62%	5.39%	-1.03%	2.52%	20.03%	22.83%	20.41%	20.41%	3.20%	N/A
Jennison Associates	2.82%	5.44%	-3.29%	1.32%	11.51%	18.44%	16.61%	16.61%	N/A	N/A
Small Cap Aggregate	3.60%	5.74%	-1.56%	1.93%	16.13%	19.60%	16.93%	16.93%	1.02%	7.46%
Baillie Gifford	2.72%	10.38%	N/A	5.03%	N/A	N/A	N/A	N/A	N/A	N/A
Eaton Vance - Parametrics Emerging Markets	1.08%	6.28%	N/A	1.28%	N/A	N/A	N/A	N/A	N/A	N/A
Mondrian Investment Partners	3.07%	10.85%	-3.18%	3.25%	1.78%	5.76%	4.32%	4.32%	-2.73%	N/A
Pyramis Global Advisors - Int'l. Small Cap	3.85%	7.55%	N/A	4.77%	N/A	N/A	N/A	N/A	N/A	N/A
International Aggregate	2.76%	9.72%	-3.40%	3.72%	-1.47%	3.41%	2.60%	-4.84%	-0.97%	6.46%
Total Equity	2.87%	8.00%	0.30%	3.56%	10.60%	13.22%	10.14%	-0.97%	6.41%	5.10%
Aberdeen Asset Management	0.51%	2.50%	4.36%	2.19%	8.94%	7.44%	9.67%	9.67%	5.45%	N/A
Angelo Gordon	4.70%	12.98%	13.68%	8.83%	30.16%	16.42%	N/A	N/A	N/A	N/A
Brigade Capital Management	1.45%	4.37%	5.59%	3.14%	12.87%	10.98%	N/A	N/A	N/A	N/A
Brown Brothers Harriman	-0.17%	1.19%	4.23%	1.87%	9.14%	9.79%	N/A	N/A	N/A	N/A
Franklin Templeton	2.22%	10.09%	1.38%	4.75%	4.30%	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	0.15%	1.97%	4.05%	1.82%	7.43%	6.67%	8.64%	8.64%	7.55%	N/A
Western Asset Management Company	0.36%	3.12%	4.80%	2.42%	8.76%	7.82%	10.29%	10.29%	7.53%	N/A
Total Fixed Income	0.96%	4.42%	4.40%	3.04%	9.23%	7.86%	9.99%	7.12%	7.12%	5.80%
Private Equity	N/A	-0.60%	4.34%	N/A	-1.27%	N/A	N/A	N/A	N/A	N/A
Risk Parity	1.38%	7.62%	5.01%	6.07%	10.98%	N/A	N/A	N/A	N/A	N/A
Hedge Funds	-1.13%	1.08%	1.47%	2.07%	2.85%	N/A	N/A	N/A	N/A	N/A
Commodities	5.18%	16.53%	8.90%	12.12%	7.24%	N/A	N/A	N/A	N/A	N/A
Alternative Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESTCO Realty Advisors	N/A	1.70%	3.50%	N/A	8.98%	16.62%	8.03%	-0.79%	0.64%	1.91%
Cash	0.05%	0.14%	0.35%	0.10%	0.85%	0.81%	0.85%	0.64%	0.64%	1.91%
Total	2.03%	6.58%	1.95%	3.59%	9.31%	11.82%	9.96%	1.53%	6.48%	6.48%

Russell 1000	2.43%	7.61%	3.55%	3.64%	17.33%	18.19%	13.82%	13.82%	1.47%	6.86%
S&P 500	2.25%	7.94%	4.14%	3.67%	18.00%	18.25%	13.62%	13.62%	N/A	N/A
Russell 1000 Value	2.17%	8.35%	3.95%	3.23%	17.30%	15.82%	12.08%	12.08%	N/A	N/A
Russell 1000 Growth	2.69%	6.89%	3.17%	4.07%	17.37%	20.62%	15.59%	15.59%	N/A	N/A
Russell 2000	3.33%	6.99%	0.89%	1.91%	13.40%	17.71%	13.89%	13.89%	1.90%	9.00%
Russell 2000 Value	3.08%	6.95%	2.03%	2.03%	14.08%	15.46%	12.24%	12.24%	N/A	N/A
Russell 2000 Growth	3.59%	7.03%	-0.24%	1.78%	12.72%	19.90%	15.49%	15.49%	2.94%	8.69%
MSCI ACWI ex. US (Gross)	2.11%	9.74%	-5.33%	3.59%	-1.44%	4.50%	4.09%	4.09%	-3.15%	8.69%
MSCI ACWI ex. US Growth (Gross)	1.70%	8.53%	N/A	3.59%	N/A	N/A	N/A	N/A	N/A	N/A
MSCI ACWI ex. US Value (Gross)	2.53%	10.98%	-6.02%	3.59%	-0.87%	3.81%	2.34%	2.34%	-3.64%	N/A
MSCI Em Markets (USD)	-0.29%	5.70%	N/A	1.73%	N/A	N/A	N/A	N/A	N/A	N/A
MSCI ACWI ex. US Small Cap Gross	2.76%	6.88%	N/A	3.37%	N/A	N/A	N/A	N/A	N/A	N/A
MSCI ACWI ex. US Private Equity	N/A	8.34%	4.88%	N/A	20.49%	N/A	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	1.52%	5.12%	3.31%	2.69%	12.82%	N/A	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.35%	1.05%	2.10%	0.70%	4.26%	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	1.29%	13.75%	-1.36%	7.83%	-1.19%	N/A	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	0.07%	1.49%	2.97%	1.45%	5.78%	5.20%	6.51%	6.51%	6.66%	5.48%
Barclays U.S. TIPS Index	-0.36%	1.06%	3.91%	1.65%	8.69%	9.85%	N/A	N/A	N/A	N/A
BC BA Intermediate-High Yield Index	0.95%	5.02%	4.68%	2.95%	13.12%	10.29%	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	0.91%	2.67%	2.01%	2.10%	1.76%	N/A	N/A	N/A	N/A	N/A
SCREIF-NH ODCE EW (Gross)	N/A	2.66%	5.55%	N/A	12.32%	15.92%	0.12%	0.80%	0.80%	1.86%
91 Day Treasury Bill	0.01%	0.03%	0.06%	0.02%	9.87%	12.35%	10.13%	10.13%	2.60%	7.30%
SamCERA Plan Policy Benchmark	1.71%	6.35%	1.77%	2.94%	7.71%	7.73%	7.74%	7.74%	7.74%	7.86%
SamCERA Actuarial Discount Rate	0.60%	1.84%	3.76%	1.21%	7.19%	7.73%	7.74%	7.74%	7.74%	7.86%

(1) SamCERA's Fiscal Year is 7/1 through 6/30
 (2) Refer to page 13 for benchmark details

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending August 31, 2012

Realized & Unrealized Gain / (Loss)

Portfolio	Beginning Book Balance As of 07/01/2012	Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Book Balance As of 08/31/2012	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending Market Value As of 08/31/2012
BlackRock Russell 1000	\$127,522,003.00	1,716,299	5,000,000	\$134,238,302.43	\$26,415,847	\$3,793,934	\$164,448,083
D.E. Shaw Investment Management LLC	\$111,596,763.76	1,867,399		\$113,464,163.05	\$9,716,914	\$1,230,286	\$124,411,363
T. Rowe Price Associates	\$96,280,828.30	1,199,672		\$97,480,500.00	\$21,646,742	\$1,917,869	\$121,045,111
Barrow Hanley	\$132,934,814.16	1,664,963		\$134,599,776.76	\$30,048,380	\$2,940,855	\$167,589,011
BlackRock	\$140,210,523.86	(115,375)		\$140,095,149.12	\$26,904,854	\$5,952,666	\$172,952,669
The Boston Company	\$47,157,390.99	19,437		\$47,176,827.94	\$4,260,251	\$1,812,868	\$53,249,947
Chartwell Investment Partners	\$53,353,681.05	1,905,718		\$55,259,399.50	\$5,196,911	\$2,151,078	\$62,607,388
Jennison Associates	\$73,442,059.06	1,153,741		\$74,595,800.40	\$9,063,105	\$2,141,223	\$85,800,128
Artio Global Investors	\$3,881,475.33	(19,498)	(1,119,627)	\$2,742,350.67	(\$62,407)	\$33,502	\$2,713,445
Baillie Gifford	\$150,718,166.74	(1,022,601)	5,000,000	\$154,695,565.73	(\$7,073,174)	\$3,907,728	\$151,530,120
Eaton Vance - Parametrics	\$55,000,000.00	5,000,000	5,000,000	\$60,000,000.00	(\$3,907,755)	\$599,585	\$56,691,830
Mondrian Investment Partners	\$204,956,669.00	(1,455,614)	10,002,069	\$213,503,124.27	(\$21,991,110)	\$7,664,395	\$199,176,410
Pyramis Global Advisors - Int'l Small Cap	\$45,000,000.00		5,000,000	\$50,000,000.00	(\$3,554,261)	\$1,685,662	\$48,131,401
Aberdeen Asset Management	\$110,872,478.55	1,308,714	(2,933,000)	\$112,181,192.33	\$2,286,102	(\$95,756)	\$114,371,538
Angelo Gordon	\$20,805,749.00			\$17,872,749.00	\$10,414,368	\$1,213,178	\$29,500,295
Bridgeway Capital Management	\$45,000,000.00			\$45,000,000.00	\$9,664,785	\$791,415	\$55,456,200
Brown Brothers Harriman	\$77,611,879.07	286,399		\$77,898,278.51	\$4,937,787	(\$237,554)	\$82,598,511
Franklin Templeton Investments	\$107,284,238.06	3,321,181		\$110,605,418.57	\$711,091	(\$200,837)	\$111,115,672
Pyramis Global Advisors - Core Bond	\$61,020,021.70			\$61,020,021.70	\$31,838,379	\$140,269	\$92,998,671
Western Asset Management Company	\$88,241,048.16	937,066		\$89,178,114.06	\$3,197,882	(\$109,107)	\$92,266,889
Private Equity	\$18,717,962.60	(9,815)	10,375,757	\$29,083,904.94	\$0	\$415,431	\$29,499,336
AQR's Global Risk Premium	\$151,925,153.00	1,493,719		\$153,418,872.00	\$867,318	\$5,353,664	\$159,639,854
AQR's Delta Fund (Hedge Fund)	\$70,577,270.00	(1,453,141)		\$69,124,129.00	(\$847,253)	\$2,952,152	\$71,229,028
SSGA/SSARIS Multisource Commodities	\$75,000,000.00			\$75,000,000.00	(481,611)	\$3,859,144.36	\$78,377,533
INVESCO Core US Real Estate Fund	\$140,195,340.86	1,264,750		\$141,460,090.58	\$5,457,031	\$0	\$146,917,122
Cash	\$5,986,311.18	(602,345)	16,588,900	\$21,972,865.98	\$0	\$416	\$21,973,282
Total	\$2,215,291,827.43	\$13,460,670.01	\$52,914,099.10	\$2,281,666,596.54	\$164,710,176.14	\$49,914,063.57	\$2,496,290,836.25

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

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending August 31, 2012

Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning	(1)	Contributions/ (Withdrawals)	Ending		Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
	Market Value Balance As of 07/01/2012	Earnings / (Loss) for the FYTD		Market Value Balance As of 08/31/2012	Market Value Balance As of 08/31/2012		
BlackRock Russell 1000	\$127,522,003	\$1,716,299	\$5,000,000	\$164,448,083	\$164,448,083	3.65%	3.64%
D.E. Shaw Investment Management, LLC	\$111,596,764	\$1,867,399	\$0	\$124,411,363	\$124,411,363	3.74%	3.64%
T. Rowe Price Associates	\$96,280,828	\$1,199,672	\$0	\$121,045,111	\$121,045,111	3.86%	3.67%
Barrow, Hanley, Mewhinney & Strauss	\$132,934,814	\$1,664,963	\$0	\$167,589,011	\$167,589,011	3.34%	3.23%
BlackRock Capital Management, Inc.	\$140,210,524	-\$115,375	\$0	\$172,952,669	\$172,952,669	4.95%	4.07%
The Boston Company	\$47,157,391	\$19,437	\$0	\$53,249,947	\$53,249,947	2.21%	2.03%
Chartwell Investment Partners	\$53,353,681	\$1,905,718	\$0	\$62,607,388	\$62,607,388	2.52%	1.78%
Jennison Associates	\$73,442,059	\$1,153,741	\$0	\$85,800,128	\$85,800,128	1.32%	1.91%
Artio Global	\$3,881,475	-\$19,498	-\$1,119,627	\$2,713,445	\$2,713,445	N/A	N/A
Baillie Grifford	\$150,718,167	-\$1,022,601	\$5,000,000	\$151,530,120	\$151,530,120	5.03%	3.59%
Eaton Vance - Parametrics Emerging Markets	\$55,000,000	\$0	\$5,000,000	\$56,691,830	\$56,691,830	1.28%	1.73%
Mondrian Investment Partners	\$204,956,669	-\$1,455,614	\$10,002,069	\$199,176,410	\$199,176,410	3.25%	3.59%
Pyramis Global Advisors - Int'l. Small Cap	\$45,000,000	\$0	\$5,000,000	\$48,131,401	\$48,131,401	4.77%	3.37%
Aberdeen Asset Management	\$110,872,479	\$1,308,714	\$0	\$114,371,538	\$114,371,538	2.19%	1.45%
Angelo Gordon	\$20,805,749	\$0	-\$2,933,000	\$29,500,295	\$29,500,295	8.83%	1.45%
Brigade Capital Management	\$45,000,000	\$0	\$0	\$55,456,200	\$55,456,200	3.14%	2.95%
Brown Brothers Harriman	\$77,611,879	\$286,399	\$0	\$82,598,511	\$82,598,511	1.87%	1.65%
Franklin Templeton	\$107,284,238	\$3,321,181	\$0	\$111,115,672	\$111,115,672	4.75%	2.10%
Pyramis Global Advisors	\$61,020,022	\$0	\$0	\$92,998,671	\$92,998,671	1.82%	1.45%
Western Asset Management Company	\$88,241,048	\$937,066	\$0	\$92,266,889	\$92,266,889	2.42%	1.45%
Private Equity	\$18,717,963	-\$9,815	\$10,375,757	\$29,499,336	\$29,499,336	N/A	N/A
AQR Global Risk Premium	\$151,925,153	\$1,493,719	\$0	\$159,639,854	\$159,639,854	6.07%	2.69%
AQR Delta Fund (Hedge Fund)	\$70,577,270	-\$1,453,141	\$0	\$71,229,028	\$71,229,028	2.07%	0.70%
SSGA/SSARIS Multisource Commodities	\$75,000,000	\$0	\$0	\$78,377,533	\$78,377,533	12.12%	7.83%
INVESCO Realty Advisors	\$140,195,341	\$1,264,750	\$0	\$146,917,122	\$146,917,122	N/A	N/A
Cash	\$5,986,311	-\$602,345	\$16,588,900	\$21,973,282	\$21,973,282	0.10%	0.02%
Total	\$2,215,291,827	\$13,460,670	\$52,914,099	\$2,496,290,836	\$2,496,290,836	3.59%	2.94%

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

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending August 31, 2012

Professional Services Fees

Investment Management Fees	Market Value As of 08/31/2012	Actual 8/31/2012	Estimated 9/30/2012	12/31/2012	3/31/2013	6/30/2013	Actual Fiscal Year 2012/2013	Estimated Annual Fee
BlackRock Russell 1000	\$ 164,448,083.00	\$12,812	\$19,219				\$12,812	\$80,000
D.E. Shaw Investment Management, LLC	\$ 124,411,363.00	\$103,088	\$154,632				\$103,088	\$700,000
T. Rowe Price Associates	\$ 121,045,111.00	\$70,040	\$105,060				\$70,040	\$480,000
Barrow, Hanley, Mewhinney & Strauss	\$ 167,589,011.00	\$122,755	\$184,133				\$122,755	\$820,000
BlackRock Capital Management, Inc.	\$ 172,952,669.00	\$130,543	\$195,815				\$130,543	\$880,000
The Boston Company	\$ 53,249,947.00	\$74,325	\$111,487				\$74,325	\$500,000
Chartwell Investment Partners	\$ 62,607,388.00	\$77,108	\$115,661				\$77,108	\$540,000
Jennison Associates	\$ 85,800,128.00	\$115,852	\$173,778				\$115,852	\$800,000
Baillie Gifford	\$ 151,530,120.00	\$119,851	\$179,777				\$119,851	\$800,000
Eaton Vance - Parametrics Emerging Markets	\$ 56,691,830.00	\$90,414	\$135,621				\$90,414	\$640,000
Mondrian Investment Partners	\$ 199,176,410.00	\$56,978	\$85,467				\$56,978	\$400,000
Pyramis Global Advisors - Int'l. Small Cap	\$ 48,131,401.00	\$68,854	\$103,281				\$68,854	\$440,000
Aberdeen Asset Management	\$ 114,371,538.00	\$52,066	\$78,098				\$52,066	\$360,000
Angelo Gordon	\$ 30,930,579.00	\$58,333	\$87,500				\$58,333	\$340,000
Brigade Capital Management	\$ 55,456,200.00	\$71,689	\$107,533				\$71,689	\$460,000
Brown Brothers Harriman	\$ 82,598,511.00	\$20,661	\$30,992				\$20,661	\$120,000
Franklin Templeton	\$ 111,115,672.00	\$71,822	\$107,734				\$71,822	\$440,000
Pyramis Global Advisors	\$ 92,998,671.00	\$29,194	\$43,791				\$29,194	\$180,000
Western Asset Management Company	\$ 92,266,889.00	\$46,079	\$69,118				\$46,079	\$280,000
Private Equity	\$ 29,499,336.00	\$0	\$0				\$0	N/A
AQR Global Risk Premium (Risk Parity)	\$ 161,788,872.00	\$101,752	\$152,628				\$101,752	N/A
AQR Delta Fund (Hedge Fund)	\$ 70,421,831.00	\$116,106	\$174,159				\$116,106	N/A
Ssga/SSARIS Commodities	\$ 78,377,533.00	\$72,316	\$108,474				\$72,316	N/A
INVESCO Realty Advisors	\$ 146,917,122.00	\$102,690	\$154,035				\$102,690	\$700,000
Sub-Total	\$2,474,376,215	\$1,785,329	\$2,677,993		\$0	\$0	\$1,785,329	\$9,960,000
Investment Consultant Fees		\$66,666	\$99,999				\$66,666	\$400,000
Strategic Investment Solutions								
Global Custodian Fees		\$36,000	\$54,000				\$36,000	\$200,000
State Street Bank & Trust								
Actuarial Consultant Fees		\$1,250	\$3,750				\$1,250	\$74,000
Milliman, Inc.		\$103,916	\$157,749		\$0	\$0	\$103,916	\$674,000
Sub-Total		\$1,889,245	\$2,835,742		\$0	\$0	\$1,889,245	\$10,634,000
Total		\$1,889,245	\$2,835,742		\$0	\$0	\$1,889,245	\$10,634,000

**San Mateo County
Benchmark History**

Total Plan Policy	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Russell 1000	27.0%	28.0%	37%	37%	40%	22%	20%	20%
Russell 2000	8.0%	7.0%	9%	9%	10%	15%	15%	15%
S&P 500								5%
Russell 1000 Value						5%	5%	
MSCI ACWI -ex US	18.0%	18.0%	21%	21%	15%			
MSCI EAFE						20%	20%	20%
Barclays Aggregate	11.0%	12.9%	27%	27%	29%	25%	21%	21%
Barclays BBB	3.3%	1.6%						
Barclays TIPS	3.3%	3.0%						
Barclays Multiverse	4.4%	4.5%						
Citigroup Non-US WGBI unhedged						5%	9%	9%
NCREIF ODCE	5.0%	5.0%	6%					
NCREIF Property				6%	6%			
Citigroup 10 Yr Treasury + 2%						8%	10%	10%
Russell 3000 + 3%	8.0%	8.0%						
60% Russell 3000/40% Barclays Agg	6.0%	6.0%						
LIBOR + 4%	3.0%	3.0%						
DJ UBS Commodity	3.0%	3.0%						
	100.0%	100.0%	100%	100%	100%	100%	100%	100%
US Equity	1/1/2011	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995		
Russell 1000	77%	80%	52%	50.0%	50.0%	69%		
Russell 2000	23%	20%	36%	37.5%	37.5%	14%		
S&P 500					12.5%	17%		
Russell 1000 Value			12%	12.5%				
	100%	100%	100%	100.0%	100.0%	100%		
International Equity	6/1/2000	1/1/1996						
MSCI ACWI -ex US	100%							
MSCI EAFE		100%						
	100%	100%						
Total Equity	10/1/2010	5/1/2007	6/1/2000	3/1/1999	9/1/1998	1/1/1996		
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%		
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%		
S&P 500						8.4%		
Russell 1000 Value				8.0%	8.4%			
MSCI ACWI -ex US	34.0%	31.3%	23.1%					
MSCI EAFE				32.3%	33.3%	33.3%		
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
US Fixed Income	1/1/2011	10/1/2010	7/1/1996					
Barclays Aggregate	62.4%	73.7%	100%					
Barclays BBB	18.8%	9.1%						
Barclays TIPS	18.8%	17.2%						
	100.0%	100.0%	100%					
Global Fixed Income	10/1/2010							
Barclays Multiverse	100%							
Total Fixed Income	1/1/2011	10/1/2010	6/1/2000	3/1/1999	7/1/1996			
Barclays Aggregate	50%	58.6%	100%	83.3%	70%			
Barclays BBB	15%	7.3%						
Barclays TIPS	15%	13.6%						
Barclays Multiverse	20%	20.5%						
Citigroup Non-US WGBI unhedged				16.7%	30%			
	100%	100.0%	100%	100.0%	100%			
Real Estate	1/1/2009	6/1/2000	7/1/1996					
NCREIF ODCE	100%							
NCREIF Property		100%						
Citigroup 10 Yr Treasury + 2%			100%					
Private Equity	10/1/2010							
Russell 3000 + 3%	100%							
Risk Parity	10/1/2010							
Russell 3000	60%							
Barclays Aggregate	40%							
	100%							
Hedge Fund	10/1/2010							
LIBOR + 4%	100%							
Commodities	10/1/2010							
DJ UBS Commodity	100%							

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 6.2

To: Board of Retirement

Lilibeth M. Dames

From: Lilibeth Dames, Investment Analyst

SUBJECT: Review of *SamCERA*'s Securities Lending Program

STAFF RECOMMENDATION: Staff recommends that the Board review and accept the attached Securities Lending Report for the fiscal year ending June 30, 2012. This will be an annual report to the Board going forward.

BACKGROUND: At the April 25, 2006, Investment Committee meeting, trustees received an educational overview of securities lending. The presentation and discussions were well received by the committee and the Board. The Board instructed staff to move forward and initiate negotiations for a securities lending agreement between *SamCERA* and State Street Bank, which was approved at the September 2006, Board meeting. State Street commenced *SamCERA*'s securities lending program on July 1, 2007.

DISCUSSION: *SamCERA*'s securities lending program continues to add incremental income for the association. In the five years since inception, *SamCERA*'s program has earned \$5.2 million for the plan. In the fiscal year ended June 30, 2012, the program earned \$721,219. *SamCERA*'s acceptable collateral can be in the form of (1) cash, (2) securities issued or guaranteed by the US government or its agencies, and (3) sovereign debt. The program requires 102% domestic and 105% international collateralization. Collateral is marked to market on a daily basis. As mentioned in last year's annual report, due to *SamCERA*'s collateral reinvestment pool's conservative Rule 2a-7 guidelines, the Navigator Security Lending Prime Portfolio did not suffer appreciable declines in NAV during the 2008 global financial crisis and did not drop below \$1.00.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

SamCERA Securities Lending Report

For the fiscal year ending June 30, 2012

EARNINGS

SamCERA's securities lending program earned \$721,219 for the fiscal year ending June 30, 2012. This is a 36% increase over last year's fiscal year earnings of \$530,310. The program has earned \$5.2 million since its inception on July 1, 2007. These earnings have helped defray a portion of SamCERA's custodial and administrative expenses.

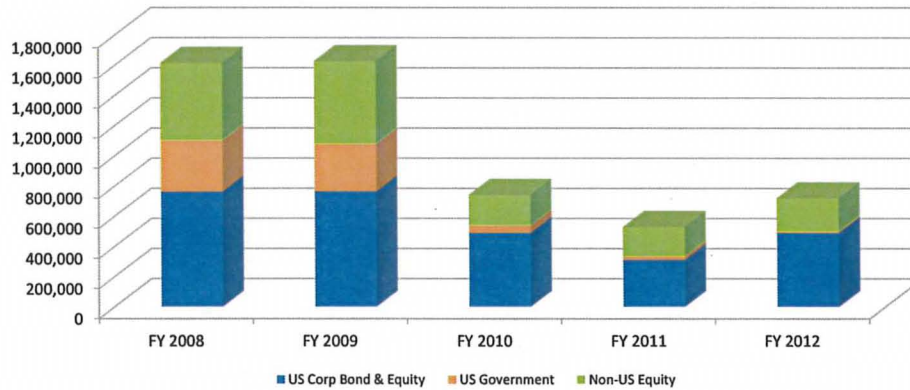
Earnings History

San Mateo County Employees' Retirement Association

	US Corp Bond & Equity	US Government	Non-US Equity	Total	Cumulative Earnings
FY 2008	762,882	342,325	513,648	1,618,854	1,618,854
FY 2009	764,480	317,263	549,531	1,631,275	3,250,128
FY 2010	489,982	51,009	201,945	742,936	3,993,064
FY 2011	311,009	23,915	195,387	530,311	4,523,375
FY 2012	489,375	10,926	220,918	721,219	5,244,594

Notes:

- (1) Fiscal Year End June 30th
- (2) Performance data represents past performance and is not a guarantee of future results
- (3) Data Source: my.statestreet.com & SFIR



Source: State Street Global Markets

As mentioned in last year's report, securities lending loan volumes are significantly lower than the peak figures seen previously. Although today's environment for borrower demand and value generation may feel subdued, it is coming off of a period when earnings were otherwise boosted by a worldwide economy featuring heavy doses of leverage. Demand from the borrower community has remained steady, giving investors an opportunity to continue profitably lending their securities.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

UTILIZATION

Utilization (On-loan amount divided by Lendable assets) has remained relatively steady since the program's inception. The utilization rate as of June 30, 2012, was 17.22%. Below, are the breakdowns of the percentages of-loan by asset type and fund manager.

Utilization by Asset Type

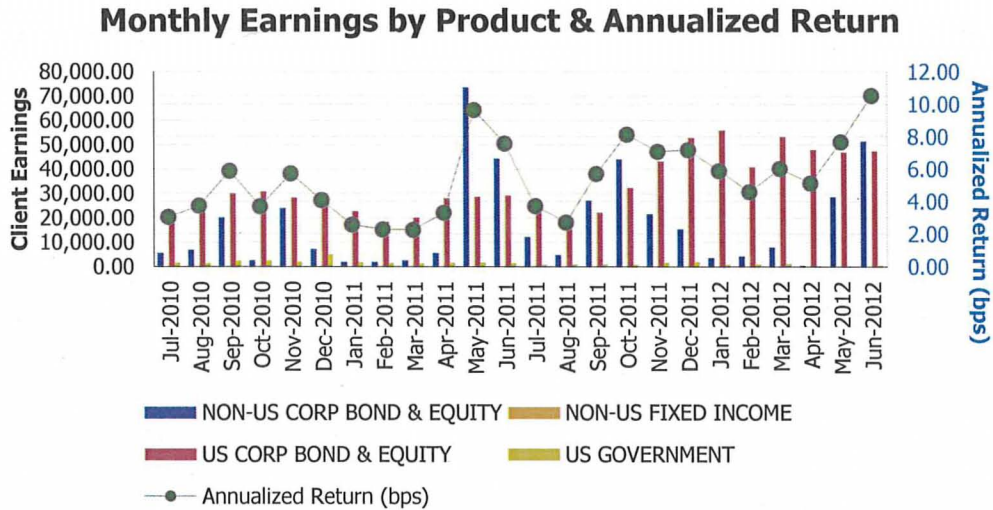
ASSET TYPE	PERCENT OF TOTAL	AVAILABLE AMOUNT	ON-LOAN AMOUNT	PERCENT ON-LOAN
NON-US CORP BOND & EQUITY	20.40%	\$236,570,892	\$13,318,227	5.63%
NON-US FIXED INCOME	0.32%	\$3,675,758	\$0	0%
US CORP BOND & EQUITY	70.43%	\$816,877,515	\$180,720,097	22.12%
US GOVERNMENT	8.86%	\$102,762,850	\$5,646,027	5.49%
SUMMARY	100.00%	\$1,159,887,016	\$199,684,351	17.22%

Utilization by Investment Manager

FUND	PERCENT OF TOTAL	AVAILABLE AMOUNT	ON-LOAN AMOUNT	PERCENT ON-LOAN
F01U-ABERDEEN ASSET MANAGEMENT	4.28%	\$49,613,070	\$9,597,313	19.34%
F02E-CHARTWELL INVESTMENTS MGMT.	5.00%	\$58,022,604	\$24,819,935	42.78%
F02G-MONDRIAN INVESTMENT PARTNERS	11.08%	\$128,517,298	\$2,945,612	2.29%
F02H-WESTERN ASSET MGMT.	3.45%	\$40,031,614	\$6,247,796	15.61%
F02N-JENNISON ASSOCIATES, LLC	7.06%	\$81,943,919	\$35,925,638	43.84%
F02P-BLACKROCK	13.71%	\$159,033,931	\$21,669,945	13.63%
F02Q-BARROW HANLEY	13.60%	\$157,799,902	\$30,563,122	19.37%
F02R-D.E. SHAW INVESTMENT MGT, LLC	10.17%	\$117,969,930	\$16,629,617	14.10%
F02S-T. ROWE PRICE ASSOCIATES, INC.	9.94%	\$115,339,098	\$14,739,202	12.78%
F02U-BOSTON COMPANY ASSET MGT, LLC	4.42%	\$51,223,486	\$19,105,899	37.30%
F02X-BROWN BROTHERS HARRIMAN & CO.	6.92%	\$80,237,061	\$799,271	1.00%
F03M-BAILLIE GIFFORD OVERSEAS	10.36%	\$120,155,102	\$16,640,747	13.85%
SUMMARY	100.00%	\$1,159,887,016	\$199,684,351	17.22%

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

PERFORMANCE SUMMARY



Source: State Street Global Markets

For the fiscal year ending June 30, 2012, SamCERA's securities lending program earned \$190,908 more than it had the previous fiscal year. The increase in earnings is mostly due to the higher demand in U.S. equities from hedge funds. Total earnings from international equity were relatively similar, year over year, and spreads slightly higher in the aggregate. Conversely, earnings from U.S. government bonds have declined due to the low rate environment, tight lending spreads and flat yield curve.

BORROWERS

Approved Borrower's List

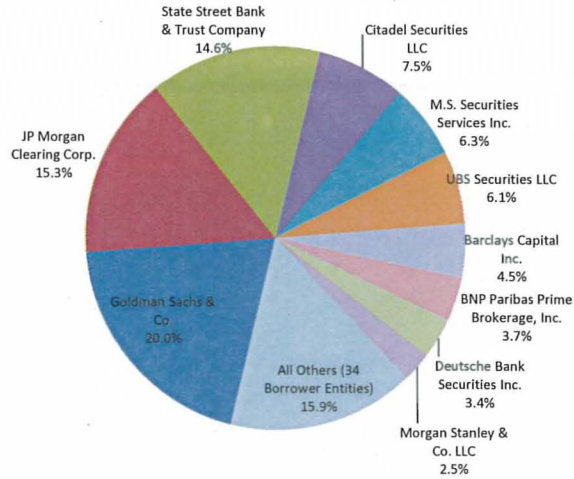
SamCERA's lending program has a diversified universe of borrowers in order to eliminate concentration risk. State Street's credit risk team evaluates the approved borrower's list on a continuous basis in order to mitigate borrower risk.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Borrower Exposure

San Mateo County Employees' Retirement Association

Borrower	Loan Balance (\$)	% of Total
Goldman Sachs & Co.	39,898,964	20.0%
JP Morgan Clearing Corp.	30,634,960	15.3%
State Street Bank & Trust Company	29,233,661	14.6%
Citadel Securities LLC	15,038,722	7.5%
M.S. Securities Services Inc.	12,529,684	6.3%
UBS Securities LLC	12,260,101	6.1%
Barclays Capital Inc.	9,080,093	4.5%
BNP Paribas Prime Brokerage, Inc.	7,348,763	3.7%
Deutsche Bank Securities Inc.	6,886,438	3.4%
Morgan Stanley & Co. LLC	5,055,112	2.5%
All Others (34 Borrower Entities)	31,717,853	15.9%
Total	199,684,351	



Notes:

- (1) Loan Balance as of June 30, 2012
- (2) Performance data represents past performance and is not a guarantee of future results
- (3) Data Source: Securities Finance Business Intelligence

Source: State Street Global Markets

COLLATERAL

Collateral

SamCERA requires borrowers to provide 102% collateralization for domestic equities/bonds and 105% for international. State Street reinvests the cash collateral provided by borrowers in a cash investment vehicle – SSGA’s Navigator Securities Lending Prime Portfolio – in order to provide an additional opportunity for revenue generation. The value of SamCERA’s loaned securities is marked-to-market by State Street on a daily basis. In other words, if prices increase, the borrower must provide additional collateral, or conversely if prices decline, State Street returns collateral to the borrower.

Collateral Re-investment Pool

The State Street Navigator Securities Lending Prime Portfolio is a registered money market fund that operates in compliance with the requirements of Rule 2a-7 under the Investment Company Act of 1940. The Prime Portfolio seeks to (i) maximize current income to the extent consistent with the preservation of capital and liquidity and (ii) maintain a stable \$1.00 per share net asset value by investing in dollar-denominated securities that qualify as “eligible securities” with the meaning of Rule 2a-7 of the 1940 Act. As of June 30, 2012, the pool had \$21 billion in assets under management.

Fund Objectives

The State Street Navigator Securities Lending Prime Portfolio (the "Prime Portfolio") is a registered money market fund that operates in compliance with the requirements of Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act"). The Prime Portfolio seeks to (i) maximize current income to the extent consistent with the preservation of capital and liquidity and (ii) maintain a stable \$1.00 per share net asset value ("NAV") by investing in dollar-denominated securities that qualify as "eligible securities" within the meaning of Rule 2a-7 of the 1940 Act.

Fund Guidelines

The Prime Portfolio will invest in a variety of high quality U.S. dollar-denominated instruments, including (i) U.S. Government Securities; (ii) instruments of U.S. and foreign banks, including certificates of deposit, bankers' acceptances and time deposits (including Eurodollar certificates of deposit, Eurodollar time deposits and Yankee certificates of deposit); (iii) corporate debt obligations, including commercial paper of U.S. and foreign companies; (iv) variable amount master demand notes; (v) debt obligations of foreign governments and foreign government subdivisions and their agencies and instrumentalities and supranational organizations; (vi) repurchase agreements; (vii) mortgage-backed securities; (viii) asset-backed securities; and (ix) floating-rate notes, medium term notes and master term notes. All investments will qualify at the time of acquisition as "eligible securities" within the meaning of Rule 2a-7 under the 1940 Act.

Among its investment guidelines, the Prime Portfolio may invest more than 25% of its assets in the banking industry. The Prime Portfolio may invest up to 50% of its assets in U.S. dollar-denominated instruments issued by foreign branches of foreign banks. The Prime Portfolio may invest up to 25% of its total assets in zero coupon securities called STRIPS, which are separately traded interest and principal components of U.S. Treasury securities.

For complete information about the investment restrictions and policies of the Prime Portfolio, please refer to the Confidential Offering Memorandum.

Fund Characteristics

1-Day Yield (360 Basis)	0.26%
Shares Outstanding (M)	22,108
Floating Rate %	17.84
% Foreign Issuers	19.85
WAM	26.00
WAM to Call	26.00
Avg. Life - Final Maturity	39.00
Unit Price (\$)	1.00

The Prime Portfolio will seek to maintain a stable NAV per share of \$1.00 by valuing its portfolio securities using the amortized cost method.

Liquidity Schedule

Next Business Day	23.56%
1 Week Liquidity	34.68
2-30 Days Liquidity	30.98
31-60 Days Liquidity	22.75
61-90 Days Liquidity	11.31
90 Day Liquidity	88.60
91-120 Days Liquidity	4.48
121-150 Days Liquidity	3.30
151-180 Days Liquidity	0.92
181-270 Days Liquidity	2.70
271-360 Days Liquidity	0.00
12-15 Month Liquidity	0.00
15-18 Month Liquidity	0.00
18-21 Month Liquidity	0.00
21-24 month Liquidity	0.00
Greater than 2 Year Liquidity	0.00

Distribution by Reset

Next Business Day	1.00%
2-7 Days	3.75
8-31 Days	10.12
1-2 Months	1.71
2-3 Months	1.27



State Street Navigator Securities Lending Prime Portfolio

June 2012

Credit Quality

Ratings for positions held in the Fund can be obtained on a monthly holdings report prepared by SSgA and posted to the Agency Lending Report Access Inbox on my.statstreet.com.

Distribution by Index

FED FUNDS	0.00%
1 MO LIBOR	12.84
3 MOS LIBOR	4.99
PRIME	0.00

Distribution by Sector

CD	38.57%
Repo	30.94
CP	16.82
ABCP	7.18
Bank Note	4.52
Asset-Backed	1.67
Corporate	0.29

The information provided herein does not constitute investment advice and is not a solicitation to buy or sell securities. It does not take into account any investor's particular investment objectives, strategies or tax status. All material has been obtained from sources believed to be reliable but we make no representation or warranty as to its accuracy and you should not place any reliance on this information.

Performance data is indicative of past performance and should not be viewed as a representation of future results.


Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund. Investment in the State Street Navigator Securities Lending Trust (the "Fund") poses investment risks including the possible loss of principal. An investment in shares of the Fund is not insured by the Federal Deposit Insurance Corporation or by another governmental agency; they are not obligations of the FDIC nor are they deposits or obligations of or guaranteed by State Street Corporation, or any of its subsidiaries or affiliates.



San Mateo County Employees' Retirement Association
Board of Retirement

September 25, 2012

Agenda Item 6.3

TO: Board of Retirement 

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Report on the Annual Review of *SamCERA's* Bond Strategy Managers (Angelo Gordon, Brown Brothers Harriman, and Brigade Capital Management)

A report from SIS is attached to this memo summarizing the recent annual reviews conducted for the non-core bond portfolio managers.

In summary, Angelo Gordon's PPIP portfolio has provided a net IRR of 15.8% as of 6/30, which places them near the top among PPIP managers. The Brown Brothers Harriman Treasury Inflation Protected Securities portfolio has provided very low cost and efficient exposure to the TIPS market while also providing some alpha. The Brigade Capital Management portfolio is an opportunistic credit strategy that rotates dynamically across high yield corporate bonds, bank loans, and tactically to convertible bonds, investment grade corporate bonds, and corporate structured credits (e.g. CLOs).

Patrick Thomas from SIS will present this report.

MEETING OVERVIEW

Client Representative

Lauryn Agnew
Michael Coultrip
Lilibeth Dames
Steven Siegel

Manager Representatives

Jonathan Lieberman, Head of Residential Mortgages
Colleen Casey, Institutional Client Service

SIS Representative

Patrick Thomas
Steve Masarik

Purpose of Meeting

On September 13, 2012, SamCERA staff, Trustee Agnew, and SIS conducted an annual review meeting with Angelo Gordon & Co. in SamCERA's offices. Our meeting was a standard review of Angelo Gordon's Public-Private Investment Fund Master Fund that SamCERA originally committed to in October of 2009. This report contains a brief summary of our findings.

Organization and Personnel

Colleen Casey provided an update on the organization. Angelo, Gordon & Co. is a privately held investment management firm focused on alternative investments. The firm manages over \$24 billion as of June 2012 and employs over 270 people, about 90 of whom are investment professionals. The company has offices in the United States, Europe, and Asia. The firm's investment disciplines encompass four principal lines: distressed debt and leveraged loans, private equity and special situations, real estate, and hedge fund strategies. In each discipline, the firm seeks to generate absolute returns by exploiting market inefficiencies and capitalizing on situations that are not in the mainstream of investment opportunities.

The firm has more than 50 research analysts and 10 portfolio managers working together. Over the years, Angelo, Gordon has built an extensive network of relationships that provides substantial deal flow. The firm's focus on fundamental research is complemented by its focus on the downside, on diversification, and the judicious use of leverage. Angelo, Gordon believes that understanding the potential downside or loss of an investment, and sizing its positions accordingly, it will be able to generate above-average returns with low volatility over time.

PPIP Review

The Public-Private Investment Program (PPIP), which is overseen by the U.S. Treasury and is part of the Troubled Asset Relief Program (TARP), was announced in March 2009 as an effort to draw in capital and help restore liquidity to the markets for some of the distressed mortgage-related assets that were at the center of the financial crisis. The primary goal is to restart the market for legacy (a new, more benign term for "toxic") assets, freeing up capital at banks and other financial institutions and hopefully stimulating the extension of new credit. Another objective is to move these assets from the weak holders into the hands of investors that are better suited to handle distressed investments and thereby facilitate a "clearing" of the market.

After a lengthy evaluation process, Treasury announced in early July 2009 that it had selected nine asset management firms to participate in the LSP from a pool of over 100 applications. SIS then conducted a detailed review of these nine candidates that it presented to SamCERA. The result of this process was the selection of Angelo Gordon to manage SamCERA's PPIP fund within its opportunistic credit allocation.

Status of the Fund / Investment Results

Residential Mortgage Head Jonathan Lieberman provided an update on the PPIF and the portfolio that included a detailed discussion of the instruments in both the commercial mortgage and non-agency residential mortgage sides of the portfolio. The portfolio is now allocated approximately 40% to residential and 60% to commercial. Angelo Gordon has called \$31.5 million of SamCERA's \$35 million original commitment. At this point, Jonathan believes that it is very unlikely that the last 10% of the fund will be called, both because the opportunity in CMBS and RMBS is now less compelling, but also because under the design of the PPIF, the optimal investment period is ending (the PPIF was meant to be a temporary, short term program). As of June 2012, AG has distributed \$11.7 million back to SamCERA and the account net asset value was \$31.4 million. The resulting net IRR for SamCERA on its investment is now 15.8%. These results for its investors place AG at the top of the class among the PPIF managers. SIS is very pleased with Angelo Gordon's absolute and relative results for Sutter.

Unfortunately, the PPIF program is now beginning to wind down; Jonathan stated that SamCERA should expect another 10 to 15% distribution in October followed by steady monthly distributions thereafter.

Key Considerations

- The PPIF investment with Angelo Gordon is held in the "Opportunistic Credit" allocation of the SamCERA bond portfolio.
- The AG PPIF fund is now winding down and capital is in the process of being distributed back to clients; SamCERA should look to redeploy capital in a similar opportunistic bond-oriented investment.
- AG is offering a new fund, the AG Securitized Asset Recovery Fund (STAR), that will invest in CMBS and RMBS going forward, and is designed to be a follow on fund for its existing PPIF investors. SIS believes that the fund is attractive for SamCERA and that it is appropriate for SamCERA to consider the STAR fund essentially a "re-up" fund in opportunistic credit analogous to a "re-up" investment with a successful venture capital partnership that SamCERA would undertake in its Private Equity portfolio.

MEETING OVERVIEW

Client Representative

David Bailey
Michael Coultrip
Lilibeth Dames
Steven Siegal

Manager Representatives

John Nelson, Head of Domestic Relationship Management
James Evans, TIPS Portfolio Manager

SIS Representative

Patrick Thomas
Jonathan Brody

Purpose of Meeting

On September 11, 2012, SamCERA staff and SIS conducted a manager annual review meeting via conference call with Brown Brothers Harriman, the Association's Treasury Inflation Protected Securities (TIPS) manager. SamCERA conducts reviews with each of its managers on an annual basis. This report contains a brief summary of the meeting.

Organization & Business Strategy

Brown Brothers Harriman & Co. is organized as a partnership and is wholly owned by the 42 partners who are active in the day to day business activities of the firm. The firm's general partners assume unlimited liability for the obligations of the firm, and consider themselves caretakers of the long traditions of Brown Brothers. The firm's structure, as a private partnership, is unusual among its asset manager peers, almost all of which take on a corporate, liability-limiting, legal structure. John Nelson stressed that the partnership structure is deeply ingrained in the culture of the firm, and that it contributes directly to the partners' risk control efforts, because "their personal and business assets are on the line every day."

Other than additions to the partnership, which have increased to 42, there have been no significant changes in ownership since 1931 when the firms of Brown Brothers & Co., Harriman Brothers & Co., and W.A. Harriman & Co., Inc. were combined under the name Brown Brothers Harriman & Co. The firm now has 16 offices around the globe, but New York City remains BBH's global headquarters and the hub of its investment management practice. Brown Brothers has three lines of business: investment management, global custody (mostly for mutual funds and other asset managers), and commercial banking. Global custody services, at 60% of firm profits, remains the biggest business at BBH. John Nelson reported that the firm is doing quite well in its asset management business, and is attracting assets to its core equity product.

Investment Team

The Brown Brothers TIPS strategy is team-managed and takes inputs from four distinct groups: Portfolio Management (4 professionals, all of whom were with us throughout the interview), Credit Research (11), Quantitative Research (3) and Sector Management (8). The lead Portfolio Manager is Jim Evans who is dedicated to TIPS mandates and has managed this strategy since its inception in 1997. The seven member Investment Policy Committee (IPC) also contributes to and oversees the strategy, mostly on broad strategic themes such as duration and yield curve positioning.

Brown Brothers Harriman

Over the last year, the BBH investment team lost one person, and added two new members. The two new professionals were replacements for two people that left the firm in 2011.

Investment Philosophy and Process

The BBH TIPS philosophy is designed to provide clients with a “pure play” TIPS portfolio that exploits market opportunities presented by a relatively young and inefficient TIPS market. Over time, the firm has developed modeling capabilities to capture some of the more subtle opportunities present in the inflation-indexed securities market. Brown Brothers Harriman believes that superior investment returns are achieved most consistently through the combination of active investment management with the application of careful risk control. Through its modeling processes, the firm attempts to create unique sources of information from which to make its relative value judgments.

Using these data, BBH’s Fixed Income Policy Committee formulates a model portfolio structure for an unconstrained Inflation-Indexed Securities portfolio embodying the preferred collection of active management strategies. The TIPS strategy is comprised of three main strategy types:

- Fundamental
- Technical
- Opportunistic

The Fundamental bucket has two sub-strategies, real yield duration and real yield curve slope vs. nominal yield curve slope. The Technical strategies consist of yield curve roll-down, auction cycle trading, seasonal vs. non-seasonal CPI and security selection/option value analysis. Finally, nominal Treasuries vs. TIPS, sector relative value (i.e., corporate or Agency inflation-linked bonds) and non-Dollar inflation-linked bonds make up the Opportunistic group.

The IPC informs decisions within the Fundamental category, TIPS portfolio manager Jim Evans handles the day-to-day security selection within the Technical bucket, and the Opportunistic strategies are driven by both the IPC and Mr. Evans. Real yield duration is held to +/- 1 year vs. the benchmark and the portfolio has a limited allocation to non-index securities, typically 5-10% with a maximum of 20% (including nominal Treasuries). They typically constrain the TIPS product to a maximum tracking error of 100 basis points and manage the exposures that comprise the portfolio’s risk budget in a diversified fashion to avoid an over-dependence on any single strategy.

BBH relies on discipline in its investment approach, which utilizes fundamental analysis within clearly defined risk parameters to ensure that above -average returns are achieved on a consistent and repeatable basis. The firm believes that risk-aware and risk-constrained portfolio construction results in superior and more consistent excess returns over time.

Results

Although benchmark relative results were down slightly in the post crisis period, they have rebounded in 2012, and the BBH team continues to perform well overall with their “pure play,” consistency-oriented and low risk approach to TIPS management. The table below shows the team’s results over trailing periods to June 30, 2012. SamCERA has been invested in the product since October 2010, and its since inception gross return is 10.4% versus 10.0 for the benchmark. SamCERA’s fee in the product is 15 basis points.

	Performance (%) as of June 30, 2012				
	1	3	5	10	Since
	Year	Year	Years	Years	Inception
					('97)
BBH TIPS	12.4	9.9	8.9	7.6	7.8
TIPS Benchmark	11.7	9.6	8.4	7.2	7.2

Key Considerations

- The TIPS mandate was put in place to provide: a very low risk core portfolio exposure; diversification to the rest of the bond portfolio, and the rest of the whole SamCERA portfolio; a hedge against both anticipated and unanticipated inflation; a contribution to portfolio return requirement.
- Brown Brothers Harriman has executed the strategy well, and has provided very low cost, efficient exposure to the TIPS market, while providing some alpha (in a very difficult environment for active management.)
- After a dramatic fall in real rates and strong price gains in the market, TIPS yields have gone into negative territory and TIPS now seem extraordinarily expensive. At current prices, it is questionable whether the TIPS portfolio will continue to provide the exposure desired for the SamCERA portfolio. TIPS now may be very vulnerable to the possibility of higher real rates and negative price returns.
- SIS recommends that SamCERA consider other capital market instruments that may now be more attractive than TIPS to provide the low risk, portfolio diversifying, inflation hedge desired in the bond portfolio. SIS and SamCERA staff have requested that BBH make a recommendation for either augmenting or replacing the TIPS portfolio with other capital market instruments.

Brigade Capital Management

*Specific Strategy Discussed: Opportunistic Credit
Reason for Meeting: SamCERA Manager Annual Review*

MEETING OVERVIEW

Client Representatives

Michael Coultrip
Lilabeth Dames
Lauren Agnew
Stephen Siegel

Manager Representatives

Don Morgan, Managing Partner
Greg Soeder, Director of Portfolio Strategies
Rob Brady, Director of Institutional Sales

SIS Representatives

Patrick Thomas
Stephen Masarik

Purpose of Meeting

On September 13, 2012, SamCERA staff, Trustee Agnew, and SIS conducted a manager annual review meeting in SamCERA's offices (Dan Morgan via conference call) with Brigade Capital Management, who manages a corporate credit mandate for the Association within their Opportunistic Credit fund. SamCERA conducts reviews with each of its managers on an annual basis. This report contains a brief summary of the meeting.

Organization

Brigade Capital Management ("Brigade") was founded in 2006 by Don Morgan (lead PM) and Patrick Kelly (COO). Mr. Morgan was previously head of the high yield group at Mackay Shields from 2000 to 2006, and six of the seven high yield investment professionals working under him joined Brigade upon formation. Brigade is a dedicated credit manager with \$9.8 B AUM spread across five strategies: a long/short credit hedge fund (\$5.5 B), opportunistic credit (\$1.9 B), traditional high yield (\$996 mm), aviation finance (\$305 mm), and distressed (\$144 mm). In addition to these strategies Brigade manages \$965 mm in two CLOs, one they originated in 2007 and another they took over at the request of the CLO equity holder.

The firm has 69 employees that are divided into a 32-member investment team and a 37-member business/operations team. The firm is headquartered in New York, NY but recently opened an office in Zurich, Switzerland in order to develop a presence in Europe. The Zurich office is run by Ben Renshaw, co-PM and Don Morgan's #2, and houses a total of four investment professionals. Brigade is 100% owned by 16 employees with Morgan holding a controlling, but less than majority position, and Renshaw the next largest shareholder in the 10-20% range.

Investment Team

Brigade maintains a centralized 32-member investment team that is responsible for managing all of the firm's strategies. The group is led by Don Morgan and co-PM Ben Renshaw, with Morgan retaining ultimate responsibility and decision-making authority. Additional senior professionals include Gregory Soeder (Director of Portfolio Strategies), Doug Pardon (Head of High Yield Research), Ivan Krsticevic (Head of Distressed Research), Justin Bradburn (Head of Aviation), Russ DiMinni (co-Head of Trading) and Steven Bleier (co-Head of Trading). The co-PMs and other senior members are supported by a group of 20 credit analysts (4 dedicated to the Aviation strategy), who are organized by industry, as well as 4 traders. Brigade's investment team has been extremely stable since the firm's inception, with no senior departures of note and relatively low turnover amongst the junior members of the team.

Investment Philosophy and Process

The Opportunistic Credit strategy began as a bank loan-only portfolio, but Brigade broadened the mandate in mid-2009 as bank loans rallied strongly and became much less attractive as a narrow, dedicated strategy. In its current form, which Brigade expects to maintain going forward, the strategy is focused on high yield corporate bonds and bank loans with

Brigade Capital Management

tactical allocations to structured securities (e.g., CLOs), busted convertibles and other sectors of the below investment grade bond market, as well as investment grade bonds, as they become attractive on a relative value basis. While performing credits represent the majority of the portfolio, Brigade will invest up to 35% of the portfolio in distressed securities and restructuring situations if these types of opportunities are attractive on a risk-adjusted basis and the timing is right with respect to the credit cycle. The portfolio is comprised of mostly North American issuers, but they are not restricted geographically and expect to have a moderate allocation to Europe over time. Brigade views the opportunity set and rough allocation guidelines for the Opportunistic Credit strategy as follows:

- Bank Debt (0-30%)
- 1st Lien/Rescue (0-30%)
- High Quality Corporate Bonds (0-25%)
- High Yield Corporate Bonds (30-90%)
- “Busted” Convertible Bonds (0-20%)
- EETC/Equipment Leasing (0-15%)
- Structured Corporate Credit (0-10%)
- Distressed (0-35%)
- Cash (0-30%)
- Macro Shorts (0-20%)

Brigade utilizes a bottom-up, fundamental approach that seeks to identify mispriced corporate debt securities issued by firms with strong asset coverage (150% or more) and free cash flow (50% of outstanding debt over 5 to 7-year timeframe). Brigade also avoids credits that are burdened with too much debt relative to enterprise value, or capital structures that are “top-heavy.” Although the process is primarily bottom-up, attention is also paid to macro influences such as interest rate volatility, the status of USD, sovereign credit risks, and the developed market governments’ ability to withdraw from extremely accommodative fiscal and monetary policies, to name a few current themes. Another key input to their investment process is evaluation of the different stages of the credit cycle, which drives active rotation among credit quality buckets and segments of the capital structure (e.g., first lien bank debt vs. subordinated bonds) as well as sector rotation that can include tactical allocations to investment grade debt and possibly Treasuries should conditions warrant ultra-conservative positioning. Brigade also prefers liquid issues based on the belief that illiquid securities are no more attractive than more liquid securities after adjusting for the liquidity premium.

After securities are sourced and researched, they are assigned a risk ranking (four tiers) that guides relative value decisions, position sizing and portfolio construction. The goal is to create balanced exposure to the four risk groups, although this aspect is also actively managed based on current stage of the credit cycle. For example, they might want to be defensively positioned with mostly tier 1 and 2 credits (representing the higher quality credits) in an environment where spreads are very tight and/or the credit cycle is peaking and set to enter the downturn phase. Other main methods of risk management include allocations to cash as well as a limited amount of “macro hedges” (up to 20% of the portfolio) that are used to lower the portfolio’s spread duration, or sensitivity to changes in credit spreads, while maintaining positions in individual cash bonds that are expected to outperform their respective sector. The three main instruments used to establish these macro hedges are credit default swaps on the high yield, investment grade and leveraged loan indices.

Results

Opportunistic Credit uses a blended benchmark of 50% ML High Yield Master/50% CS Leveraged Loan. Although this benchmark does not provide an exact match to the strategy as one might see with other, more clearly-defined mandates, it is reasonably representative of the investment universe and the long-term expected asset allocation of the strategy.

The strategy trails its benchmark moderately since inception in March 2009 (17.3% vs. 18.9%), however all of this underperformance occurred during 2009 (27.5% vs. 45.2%). At this time Opportunistic credit was a) predominantly invested in bank loans, and b) conservatively positioned relative to broad high yield or bank loan indices given the uncertain state of the global economy and capital markets. Since then Opportunistic Credit has consistently outperformed the index, beating it in 2010 (14.7% vs. 12.5%), 2011 (7.7% vs. 3.1%) and YTD 2012 (8.1% vs. 5.8%). Performance relative to peers, as measured by the combined eA High Yield Fixed Income + eA Floating Rate Fixed Income universe, has also been strong. This is especially true over the trailing 3-year period ending June 2012, during which Opportunistic Credit ranks in the 28th percentile for excess return and the 12th percentile for information ratio.

Brigade Capital Management

Key Considerations

- Don Morgan is experienced and has very solid high yield credentials
- Organizational focus (100% credit strategies), employee-owned with fairly broad participation, and the firm remains entrepreneurial and collegial
- Long-only strategies benefit from the resources supported by the higher-AUM (and fee generating) hedge fund
- Low personnel turnover since firm was formed (two analysts, one in Dec 2008 and another in May 2009)
- Key differentiator vs. other high yield managers is their broad investment universe and active rotation throughout the credit cycle between distressed debt, bank loans, performing high yield and investment grade credit
- Despite the quality rotation aspect of the strategy, it's difficult to see Opportunistic Credit having a substantial allocation to investment grade bonds or Treasuries, and we would expect that Brigade would move up in the capital structure, hold cash, or utilize macro hedges as the primary means of de-risking the portfolio
- Although not a focus for the Opportunistic Credit strategy, Brigade has solid distressed/workout capabilities (they cite participation in over 20 official creditor's committees and numerous ad-hoc committees)
- Aside from 2009, when almost no below-IG manager was able to keep up with their chosen benchmark due to the extreme rally in the lowest-rated segments of the market, Opportunistic Credit has performed very well and according to expectations of how the strategy would perform

San Mateo County Employees' Retirement Association
Board of Retirement

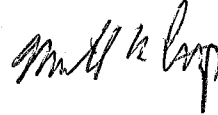
September 25, 2012

Agenda Item 6.4

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Approval of Change to Management Structure in the Large Cap Allocation



STAFF RECOMMENDATION: Staff recommends that the board review SamCERA's large-cap equity portfolio structure and then direct staff to initiate a search for a U.S. large-cap growth equity strategy.

BACKGROUND: On August 1, 2009, SamCERA provided initial funding to the Blackrock Fundamental Large-Cap Growth Strategy under a U.S. large-cap growth equity mandate. Over the past year the board has expressed concern with the performance of the strategy. Recently there have been a number of personnel changes on the team as well.

DISCUSSION: A report from SIS is attached to this memo summarizing the history of SamCERA's investment with the Blackrock Fundamental Large Growth Strategy.

Strategy: Fundamental Large Cap Growth

Background

SamCERA selected BlackRock Fundamental Large Cap Growth when it conducted a search as part of a restructuring of the entire large cap portion of the domestic equity portfolio. The large cap growth finalists presented to the Board in February 2009, and the account funded in the third quarter of 2009 along with the other new domestic equity strategies. For each of the finalists in the search, we considered both pros and cons. In the case BlackRock, we noted the following:

Pros

- High quality client mix, mostly large institutional separate accounts
- Team of 6 portfolio managers and analysts are 100% devoted to this strategy
- Team has access to equity and fixed income analysts across BlackRock's global platform (Galileo database)
- PM Jeff Lindsay had been CIO of Growth at SSRM prior to which he had spent 8 years at Putnam where he had been director of Concentrated Growth products (This team came to BlackRock as part of acquisition of State Street Research and Management in 2005, team was formed at SSRM in 2002.)
- Portfolio is a mix of stable growth (60%-70%) and opportunistic accelerating growth holdings (30%-40%)
- Risk aware portfolio construction using both Barra and traditional constraints on risk exposures as well as Risk and Quantitative Analysis Group, which leverages BlackRock Solutions

Cons

- The 49% of BlackRock that was owned by Merrill is now owned by Bank of America since its acquisition with Merrill.
- Fundamental Large Cap Growth represents a very small part of BlackRock's overall business
- Percentage of retail assets will increase following the recent departure BlackRock's large cap growth equity team based in Princeton (MLIM team) which managed approximately \$3 billion, mostly in mutual funds

Portfolio manager Jeff Lindsay had managed money in this style at prior firms and built a team that had grown, but otherwise been quite stable, through the acquisition of State Street Research by BlackRock. One of the features of the strategy that was particularly attractive at the time, during the steep market decline in late 2008 and early 2009, was BlackRock's risk oversight capabilities. Moreover, when SamCERA made the decision to hire BlackRock, the strategy had a compelling performance record:

31-Dec-08						
Description	MRQ	YTD	1 Yr	3 Yr	5 Yr	SI
BlackRock Fundamental LCG	-22.92	-35.97	-35.97	-7.09	-0.77	3.93
Russell 1000 Growth	-22.79	-38.44	-38.44	-9.11	-3.42	1.45
Excess Returns	-0.13	2.46	2.46	2.02	2.66	2.48

Description	2008	2007	2006	2005	2004	2003
BlackRock Fundamental LCG	-35.97	19.20	5.08	7.88	11.24	30.95
Russell 1000 Growth	-38.44	11.81	9.07	5.26	6.30	29.75
Excess Returns	2.46	7.39	-4.00	2.62	4.94	1.20

The tracking error was only 4% and, at the time, the information ratio over the trailing five-year period was an impressive .70. For that period the relative performance had been strong in both up markets and down markets, with an upside market capture of 109% and a downside capture of 93%. On a relative return basis, the strategy had an attractive performance profile.

Experience

For the two years after SamCERA's decision to hire BlackRock, the strategy continued to perform quite well. The composite returned 37.9% vs. the benchmark return of 37.2% in 2009, and 20.6% vs. 16.7% for the benchmark in 2010. Unfortunately, in 2011 BlackRock underperformed the benchmark by almost 11 percentage points. And in the most recent quarter, Q2 of 2012, it underperformed again by another 3 percentage points.

It should be expected that active managers will have periods of underperformance. Even excellent managers in the course of a ten-year period of generating top quartile returns may have several consecutive years of quite severe underperformance. We generally recommend retaining managers through these periods if: (1) the underperformance is within the range of our expectations given the nature of the strategy and the market environment; and (2) there have not been significant changes in the organization, the manager's philosophy or process, or the investment staff.

Given our understanding of BlackRock's risk oversight process, the magnitude of underperformance in 2011 was far outside of our expectations. According to Blackrock, 2011 was a statistically anomalous event that occurred despite their adherence to all of their risk controls. The essential reason for the underperformance was that the market did not reward above expectations earnings growth, which is the fundamental attribute central to BlackRock's selection of securities. In 2011 the market rewarded yield, but not earnings growth. And Blackrock has offered a similar explanation regarding the second quarter of 2012. This explanation is consistent with our attribution analysis which has shown BlackRock's security selection has detracted from performance across almost all sectors during these periods of underperformance.

There have also been some recent changes to the team. Healthcare analyst Jason Kritzer has been replaced by Ricky Sun. Jerry Wu, who had been a trainee rotating through the group, has joined as a full time analyst covering technology. And in a recent meeting we were informed that consumer and industrials analyst Bryan Krause had been promoted to a portfolio manager role to work alongside Ed Dowd and lead PM Jeff Lindsay. Soon after Ed Dowd was demoted from portfolio manager to analyst. And the following month BlackRock contacted us to inform us that Ed Dowd had left the firm.

Key Considerations

We recognize that portfolio manager Jeff Lindsay, the lead decision maker who has overseen many years of excess returns, remains at the helm. However, there have now been substantial changes on his team. Part of the reason BlackRock was selected for this mandate was the firm's sophisticated risk analysis and monitoring. We are disappointed that this has provided so little protection against severe underperformance. Our confidence in the strategy has been eroded by the magnitude of this underperformance, together with the changes on the team. At this point, we think it is reasonable for SamCERA to conduct a search for a replacement manager.

San Mateo County Employees' Retirement Association
Board of Retirement

September 25, 2012

Agenda Item 6.5

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Approval of Change to Management Structure in the Core Bond Portfolio



STAFF RECOMMENDATION: Staff recommends that the board review SamCERA's core-bond portfolio structure and then direct staff to redeploy the assets currently with Aberdeen to our other U.S. Fixed Income managers.

BACKGROUND: The Aberdeen team (formerly Deutsche Asset Management) has managed a Core Fixed Income strategy for SamCERA for 16 years since 1996. After many years of good performance, the team underperformed the benchmark by 20% in 2008. It has since performed well during the market rebound post-2008, but organizational changes, significant personnel changes, and sizable client and asset losses have been an on-going concern.

DISCUSSION: A report from SIS is attached to this memo summarizing the history of SamCERA's investment with the Aberdeen US Core Bond Strategy.

Strategy: US Core Bond

Background

Aberdeen has managed a Core Fixed Income strategy for SamCERA for 16 years since inception in 1996 (please find manager return data sheet attached). After many years of good performance, the team experienced a disastrous year in 2008, underperforming its Barclays Aggregate benchmark by an astounding 20%. Unlike many other Aberdeen clients who terminated the team immediately, Samcera decided not to terminate the product, but rather to wait to capture a rebound, which in fact did occur as the product outperformed the benchmark by 12% in 2009. In the aftermath of its performance debacle, Aberdeen experienced organizational changes, suffered significant senior investment personnel turnover both organizationally and within the Core Bond investment team, and also suffered huge client and asset losses.

Many long standing investors concluded that Aberdeen's huge performance shortfall in 2008 was simply unacceptable, and terminated the product (though sometimes waiting, as SamCERA has, for a bounce before pulling the trigger). Aberdeen ended 2008 with total US Fixed Income assets of \$27 billion. As of the end of 2009, they estimated the AUM in this space had fallen to \$18 billion. The group has continued to suffer a fairly steady stream of high profile institutional client losses since then, and total product assets now stand at approximately \$4 billion. These losses represent an enormous reduction in the size and profitability of the business; SIS also believes that the team's prospects for winning new business remain very poor. This obviously has important implications for both current Aberdeen professionals, and for the attraction of talented professionals to the organization in the future.

Standing Recommendation

After an SIS trip to Aberdeen in May of 2009, we advised SamCERA that "After an abysmal year, the Aberdeen team appears to be doing the right things to perform well again in 2009, and early indications are that the portfolio is doing well as the credit markets normalize. SIS recommends that SamCERA keep Aberdeen on watch for the rest of 2009 and assess developments with the team and with the portfolio's behavior this year before deciding how to proceed."

Then after a follow-up trip in early 2010, we made the following statement:

"The results for 2009 are now in, and the tough call SamCERA made to retain Aberdeen looks to have been a very smart, as the team outperformed the index, and their median Core Bond peer, by wide margins during the year. Now, SamCERA must consider the following realities:

- Very high turnover of senior investment professionals, including three of the five members of the "Fixed Income Management Committee."
- High turnover at the Executive oversight level, with effectively a new set of decision makers now in place.
- Enormous loss of clients and assets recently. The 61% decline in total of Core and Core Plus assets from their peak of \$27.0 billion in 2007 to the current level of \$10.5 has profound implications for the group's ability to attract and retain the best investment talent in the market.

- Much of the potential bounce from the idiosyncratic RMBS and CMBS positions in the Aberdeen portfolio appears to have been harvested already in 2009, and it appears unlikely that the team can continue to generate outsize returns in these areas. Also, SamCERA's new PPIP investment is also focused in these areas, with the advantage of the ability of the manager to access low cost leverage.
- Though Aberdeen's relative standing improved in 2009, because of their disastrous 2008, the team's performance for three and five year periods significantly trails their Core Bond peer managers, including their direct competitor within the SamCERA portfolio, Pyramis Core Bond."

All of these considerations are still in force for SamCERA with respect to Aberdeen. Although the team commendably has continued to perform well and their three year return is very good, their five year return remains at the bottom of the universe and well below the benchmark. Furthermore, now that the private CMBS and RMBS markets have stabilized, Aberdeen's prospects for further performance improvements are greatly diminished.

Conclusion

Due to the various issues cited above, SIS would not include Aberdeen US Core Fixed Income in a new core bond search at this point in time. Investors that (correctly) decided to stick with Aberdeen post-2008 in order to participate in what was expected to be a strong recovery have enjoyed three plus years of attractive absolute and relative returns. Having captured most or all of that post-2008 bounce, however, remaining investors should strongly consider rotating into another core bond manager where there is a higher level of conviction and far fewer concerns.

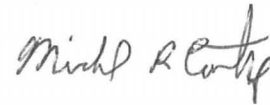
SIS recommends that SamCERA terminate Aberdeen and redeploy the asset to Pyramis and to other superior strategic uses within the bond asset class.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2012

Agenda Item 6.6

To: Board of Retirement



From: Michael R. Coultrip, Chief Investment Officer

Subject: Approval of Topics for Investment Consultant Review – Strategic Investment Solutions

STAFF COMMENTS: Below is a list of suggested questions for Strategic Investment Solutions' annual review. Please review the list and offer amendments or additional questions as appropriate. Staff will forward the approved list to SIS and request that the consultant provide written responses prior to their annual review.

An additional part of the annual review will be the result of a survey of trustees, staff and SIS regarding the performance the firm. This year the survey will 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 October meeting.

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) Describe your firm's management succession plan (especially given Michael Beasley's retirement on 3/31/12). Have dates been established regarding succession of any key personnel, specifically those in the preceding responses?
- 8) Has your firm been involved in any regulatory or litigation events in the past year?

- 9) Update all significant personnel changes to the "SamCERA team" at Strategic Investment Solutions.
- 10) Describe any new potential services/improvements to your existing services being considered.
- 11) Describe the relative strength and longevity of your back-office (performance and risk analytics) staff.
- 12) 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.
- 13) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?
- 14) Provide an overview of your firm's business continuity plan.

Performance

- 15) Please respond to the feedback given during the prior performance review (in July 2009) and how you have (or have not) addressed the specific issues raised during that review. The primary issues are listed below:
 - A) Alternatives expertise across all asset classes;
 - B) Educational presentations and investment strategy thought leadership;
 - C) Improvements to and depth of your manager research team;
 - D) Knowledge of capital market conditions given the extreme volatility over the past couple of years;
 - E) Ability to respond to plan sponsor needs;
 - F) Sophistication in your analytics and risk management consulting work;
 - G) Ability to be more forthcoming with your recommendations (e.g. making clear recommendations for manager search finalists).
- 16) 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.
- 17) In general terms, how is SamCERA able to reduce the risk of underperformance relative to the Plan Benchmark?
- 18) Discuss the domestic equity, international equity, fixed income, alternatives, and real estate markets and SamCERA's relative success or failure in the current market.
- 19) Are SamCERA's portfolio benchmarks appropriate? Please explain why the benchmarks are appropriate, or if they are not, why they are not. Please comment specifically on the inconsistent treatment of benchmarks between the U.S. equity

benchmark (for which we use the Russell 1000 and Russell 2000 indices weighted by their policy weight vs. using the Russell 3000 Index instead) and the international equity benchmark (for which we use the broad benchmark without regard for our policy weighting of emerging markets---we use MSCI ACWI ex US versus using the MSCI EAFE+Canada and MSCI EM Indices weighted by their policy weight.).

- 20) Describe any difficulties you may experience in working with SamCERA's actuary, board, custodian, investment managers, or staff.
- 21) With the increase in active management what enhancements should be made to SamCERA's monthly, quarterly, semi-annual and annual reports?
- 22) When should SamCERA initiate the next asset liability study? Are there educational topics that the association should visit prior to the next study?

Investment Consulting Philosophy

- 23) 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?
- 24) How have you consulted your other clients in the use of overlay strategies for rebalancing/risk control purposes?
- 25) 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.
- 26) 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.
- 27) What are your recommendation(s) regarding categories of managers appropriate to implement SamCERA's *Investment Policy*?
- 28) What is your assessment of SamCERA's current managers? Is there any qualitative or quantitative data that necessitates scrutiny? If yes, please provide an explanation.
- 29) Provide an overview of the SIS manager research process. Include a detailed description of how qualitative data is assembled and evaluated.
- 30) Describe SIS's real estate consulting capabilities. How are you able to assist SamCERA with this asset class? If your firm has no immediate plans to provide this service, what are your recommendations for external real estate consultants?
- 31) Describe SIS's private market consulting capabilities, including the process for manager searches and the monitoring of private placements and hedge funds.

Outlook

- 32) 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.
- 33) What other issues or concerns have been brought up by your other clients in regards to products, markets, education and governance?


Conclusion

- 34) Is there any information that would be timely per SamCERA's *Investment Policy* or relative to this review?
- 35) Are your clients making significant changes in their asset mixes? Please describe these changes. Do you see any trends in asset allocation?
- 36) What market opportunities should SamCERA be considering?
- 37) 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

September 25, 2012

Agenda Item 6.7

To: Board of Retirement 
From: Michael Coultrip, Chief Investment Officer
Subject: Discussion Regarding Investment Objectives Section of SamCERA's Investment Policy

STAFF RECOMMENDATION: Staff recommends that the Board have a free-form discussion regarding the investment goals and objectives for SamCERA.

BACKGROUND: The Investment Committee decided in the August meeting to start the review of the Investment Policy by getting input from the entire Board regarding the goals and investment objectives to be stated in the Investment Policy.

Copied below is the Investment Objectives section of SamCERA's current Investment Policy along with our current Mission & Goals statement. We have also attached some sample objectives statements from other systems.

SamCERA Investment Policy Excerpts

6.0 INVESTMENT OBJECTIVES

6.1 It is the Primary Investment Objective of the board to structure an investment program such that the short term volatility of returns does not induce the board to alter its long term asset allocation strategies.

In keeping with the aforementioned, the following specific objectives are established:

6.1.1 Generate portfolio returns that, over the long-term, exceed the actuarial interest assumption of 7.75%, net of fees.

6.1.2 Generate a total fund return equal to or greater than the aggregate return of the asset allocation Target benchmarks.

6.1.3 Provide for moving toward full funding of the Pension Benefit Obligation based on GASB 25 and the board's policy of a moving fifteen year funding period.

6.2 It is the Secondary Investment Objective of the board to stabilize the employer contribution rate, as a percentage of payroll for the present configuration of benefits.

6.3 It is the Tertiary Investment Objective of the board to generate total time-weighted rates of return which equal or exceed the benchmark indices, for the asset class assigned to the individual manager, as specified in the contract (net of fees in the case of active managers):

SamCERA Mission & Goals

Mission

SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator

of the retirement system.

Goals

Provide caring, fair, accurate, timely and knowledgeable professional service to *SamCERA*'s clients and the public.

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 employers.

Constantly improve the effectiveness of *SamCERA*'s services and the efficiency of its operations.

LA County Investment Policy Excerpts

INVESTMENT GOALS

The Plan's general investment goals are broad in nature. The objective shall be to efficiently allocate and manage the assets dedicated to the payment of Plan benefits and administrative expenses. The following goals, consistent with the above described purpose, are adopted:

The overall goal of LACERA's investment program is to provide Association participants with retirement benefits as promised. This will be accomplished through a carefully planned and executed long-term investment program.

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

The total portfolio return over the long term is directed toward achieving and maintaining a fully funded status for the Plan.

PERFORMANCE OBJECTIVES

The long-term performance objective of LACERA's total fund is to exceed its Policy benchmark by 10 to 15 basis points net of fees with a tracking error (volatility of the excess return) of less than two percent. Liquid asset class returns will be reviewed over rolling five-to-seven year periods by an amount appropriate to the amount of risk assumed. Illiquid asset class performance evaluation requires a longer time horizon (i.e. five-to-ten years) due to the nature of the asset class.

CalPERS Investment Policy Excerpts

II. STRATEGIC OBJECTIVE

CalPERS general investment goals are broad in nature. The overall objective of CalPERS investment program is to provide members and beneficiaries with benefits as required by law. This will be accomplished through a carefully planned and executed long-term investment program that efficiently and effectively allocates and manages the assets of CalPERS.

The Policies have been designed to allow CalPERS to achieve a long-term total return. As such, prudent risk-taking is appropriate within the context of overall diversification to meet CalPERS long-term investment objectives. The assets of CalPERS will be broadly diversified to minimize the effect of short-term losses within any investment program. Consistent with California Constitution, Article XVI, section 17, all of CalPERS investment activities, and all investment transactions, shall be designed and executed 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.

V. PERFORMANCE OBJECTIVE AND BENCHMARK

Specifically:

- A. The assets of CalPERS will be invested to meet or exceed the actuarial rate over the long-term;
- B. CalPERS will seek to maximize the returns for the level of risk taken;
- C. CalPERS will seek to achieve a return that exceeds the [Policy Index](#); and
- D. CalPERS will invest its assets efficiently, bearing in mind the impact of management and transaction costs on the return of the assets.

CalSTRS Investment Policy Excerpts

GENERAL INVESTMENT OBJECTIVES

The main goal for The California State Teachers' Retirement System is to "maintain a financially sound Retirement System". Within this context and in conjunction with the State Constitution and Education Code, the following general investment objectives are designed to establish a framework for the operation of the investment portfolio.

1. Provide for Present and Future Benefit Payments – CalSTRS' Investment

Program shall: provide liquidity to pay benefits to its participants and their beneficiaries in the amounts and at the times called for through the investment of contributions and other fund assets, strive to meet the assumptions built into the actuarial model and strive to maintain a fully funded pension system.

2. Diversify the Assets – Seek to diversify the assets to achieve the desired rate of return at a prudent level of risk. The asset structure must provide for diversification of risk between asset classes in order to manage the risk/return relationship through strategic asset allocation.

3. The Reduction of CalSTRS' Funding Costs – Within prudent levels of risk, the reduction of CalSTRS' funding costs shall be a consideration in the organization and structure of the investment portfolio.

4. Maintain the Trust of the Participants and Public – Manage the investment program in such a manner that will enhance the member and public's confidence in the CalSTRS Investment Program.

5. Establish Policy and Objective Review Process – A formal review of the CalSTRS Investment Policy and Management Plan will be conducted annually, with an updated financial projection developed every two years.

6. Create Reasonable Pension Investments Relative to Other Pension Funds – The selection of investment vehicles and policies will be judged against other private and public pension funds. Investment performance, asset management costs, staffing and overall expenses will be compared to other public and corporate pension plans, with special emphasis on comparisons with other large public funds.

7. Minimize Costs – Management fees, trading costs, and other expenses will be aggressively monitored and controlled.

8. Compliance with State and Federal Laws – The investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets.

INVESTMENT PERFORMANCE OBJECTIVES

The general investment objectives designed a framework for the operation of the investment function. The performance objectives can be divided into three components: (1) performance objectives for the overall Investment Portfolio, (2) performance objectives for each asset class,

and (3) performance objectives for the individual investment managers within each asset class. CalSTRS incorporates all three levels of analysis in its monitoring of the investment portfolio performance.

In 2001, a survey of the Board members confirmed the Board's primary objective is to meet the actuarial assumptions and to strive to maintain a fully funded pension plan. Further, the Board reaffirmed its focus on a long-term investment horizon of 10 years. As a long-term pension plan, the Board emphasizes that the primary time horizon for measuring investment performance will be over a three-, five-, and ten-year period rather than quarter to quarter or year to year.

There are four performance objectives identified for the overall Investment Portfolio:

1. Relative to Strategic Asset Allocation Targets
2. Relative to Inflation
3. Relative to the Actuarial Rate of Interest
4. Relative to CalSTRS' Liabilities