



Notice of Public Meeting

The Board of Retirement

of the San Mateo County Employees' Retirement Association will meet on
Tuesday, February 25, 2014, at 1:00 p.m.

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

- 1. Call to Order, Roll Call and Miscellaneous Business**
- 2. Oral Communications**
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
- 3. Approval of the Minutes**
 - 3.1 Approval of Special Board Meeting Minutes, from January 28, 2014
 - 3.2 Approval of Regular Board Meeting Minutes, from January 28, 2014
- 4. Approval of the Consent Agenda**

4.1 Disability Retirements	4.4 Deferred Retirements
• Elizabeth Dames	4.5 Member Account Refunds
• Katherine Jackson	4.6 Member Account Rollovers
• Bruce McKay	4.7 Annual Review of SamCERA's Mission and Goals Statements
• Lourdes Tan	
4.2 Service Retirements	
4.3 Continuances	
- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
 - 5.2 Approval of a Resolution Updating Contribution Rates for FY14-15
 - 5.3 Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement with Segal Consulting for Actuarial Audit Services
 - 5.4 Approval of a Resolution Authorizing the Chief Executive Officer to Use Calculations Performed by the California Actuarial Advisory Panel to Set the Annual Pensionable Compensation Limits for PEPRAs Members
- 6. Investment Services**
 - 6.1 Preliminary Monthly Performance Report for the Period Ending January 31, 2014
 - 6.2 Quarterly Investment Performance Report for the Period Ending December 31, 2013
 - 6.3 Discussion and Approval of Risk Parity Manager Shortlist Candidates
 - 6.4 Discussion and Approval of Proposed Changes to Investment Policy
 - 6.5 Annual Review of Investment Consultant, Strategic Investment Solutions
- 7. Board & Management Support**
 - 7.1 Preliminary Quarterly Financial Report for the Period Ending December 31, 2013
 - 7.2 SamCERA's Receipt of a Favorable IRS Determination Letter

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Notice of Public Meeting

- 7.3 Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement for Leased Space with Realty Associates Fund VII, LLP

8. Management Reports

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

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

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
C2 Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)
Parkin vs San Mateo County, Board of Retirement et al, San Mateo Superior Court Case CIV514173

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Fulcher, Betty	December 8, 2013	Assessor's Office
Ponty, Margaret	January 1, 2014	Libraries
Lemon, Noah	January 1, 2014	Hospital
Fontenot, Michelle	January 1, 2014	Public Health
Burner, Gerald	January 2, 2014	Housing and Community Development
Walsh, Marie	January 5, 2014	Probation
Omai, Misayo	January 11, 2014	Treasurer's Office
Spahn, Peter	January 15, 2014	Environmental Services
Gomez, Robert	January 16, 2014	Health Services
Marchant, Marjorie	January 18, 2014	Hospital
Shroyer, Nancy	January 18, 2014	Beneficiary of Shroyer, Chester
Todd, Virginia	January 23, 2014	Courts
O'Neal, Clarice	January 25, 2014	Courts
Smith, Juanita	January 25, 2014	Probation
Warden, Doris	January 25, 2014	Sheriff's Office
Abrams, Margaret	January 27, 2014	Social Services
Kenigson, Mildred	January 29, 2014	Hospital
Emery, Alphonso	January 30, 2014	Beneficiary of Emery, Annie

David Bailey, Chief Executive Officer

Posted: February 19, 2104

(* ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA. ANY 4.1 ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER CLOSED SESSION; ALL OTHER ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER ITEM 5.1.)

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,

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

Detailed directions are available on the "Contact Us" page of the website www.samcera.org

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

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

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

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

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

February 25, 2014

Agenda Item 3.1

January 28, 2014 – Special Meeting Agenda

PUBLIC SESSION – The Board will hold a special meeting in Public Session at 9:00 A.M.

- 1 Call to Order**
- 2 Roll Call**
- 3 Oral Communications from the Public**
- 4 Discussion of Real Asset Portfolio Implementation Options (Regular Agenda Item 6.2)**
 - 9:00 a.m. Altius
 - 10:00 a.m. Real Asset Portfolio Management
 - 11:00 a.m. Strategic Investment Solutions
- 5 Direction to Staff Regarding Real Asset Portfolio Implementation (Regular Agenda Item 6.3)**
- 6 Adjournment**

January 28, 2014 – Special Meeting Minutes

- 1 Call to Order:** Ms. Natalie Kwan Lloyd, Chair, called the Special Meeting of the Board of Retirement to order at 9:00 a.m.
- 2 Roll Call:**

Present: Sandie Arnott (arrived at 10:10 a.m.), Lauryn Agnew, Albert David, Paul Hackleman, Natalie Kwan Lloyd and David Spinello

Excused: Ben Bowler, Michal Settles, and Eric Tashman

Alternates Present: Alma Salas

Staff: David Bailey, Michael Coultrip, Scott Hood, Brenda Carlson and Kristina Perez.
- 3 Oral Communications from the Public:** None.
- 4 Discussion of Real Asset Portfolio Implementation Options (Regular Agenda Item 6.2):** Mr. Coultrip gave an overview of the morning's agenda, and stated that each presentation would be approximately 60 minutes long, with time included after each presentation for questions. Each firm's representatives appeared before the Board of Retirement, in the order listed below. They gave presentations about their respective strategies and answered questions from Board members.

Altius - Jay Yoder (Partner and Head of Real Assets), and Doug Moore (Partner)

Real Asset Portfolio Management – Steve Gruber and Brent Burnett

Strategic Investment Solutions (SIS) – John Nicolini and Patrick Thomas

The presentations from the firms concluded at 12:25 p.m.
- 5 Direction to Staff Regarding Real Asset Portfolio Implementation (Regular Agenda Item 6.3)**

The Board discussed the merits of the three real asset implementation options Ms. Agnew participated in the discussion but was excused at 12:35 p.m., prior to the vote.

Action: A motion was made by Mr. Hackleman to direct staff to utilize SIS to implement the real assets portfolio. The motion was seconded by Mr. David, and carried with a vote of 5-0 with

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Minutes of a Special Meeting of the Board of Retirement

trustees Arnott, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.

- 6 Adjournment:** With no further business, Ms. Kwan Lloyd adjourned the special meeting at 12:40 p.m.

David Bailey
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

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

February 25, 2014

Agenda Item 3.2

January 28, 2014 – Board Agenda

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

- 1. Call to Order, Roll Call and Miscellaneous Business**
- 2. Oral Communications**
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
- 3. Approval of the Minutes**
 - 3.1 Approval of Regular Board Meeting Minutes, from December 10, 2013
- 4. Approval of the Consent Agenda**

<ol style="list-style-type: none">4.1 Disability Retirements<ul style="list-style-type: none">• Filamer Ancheta• Robert Bates• Kathleen Brown• David Dennis• Maybelline Sharpe4.2 Service Retirements4.3 Continuances4.4 Deferred Retirements4.5 Member Account Refunds	<ol style="list-style-type: none">4.4 Deferred Retirements4.5 Member Account Refunds4.6 Member Account Rollovers4.7 Trustee Travel Request4.8 Approval of Annual Review Questionnaire for SIS4.9 Acceptance of Semi-Annual Compliance Certification Statements for Period Ending December 31, 2013
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- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
 - 5.2 Approval of Cost of Living Adjustments for 2014
- 6. Investment Services**
 - 6.1 Preliminary Monthly Performance Report for the Period Ending December 31, 2013
 - 6.2 Discussion of Real Asset Portfolio Implementation Options (Special Meeting Item #4)
 - 6.3 Direction to Staff Regarding Real Asset Portfolio Implementation (Special Meeting Item #5)
 - 6.4 Approval of New Fixed Income Manager Structure Proposal
 - 6.5 Approval of the Angelo Gordon Opportunistic Whole Loan Fund
 - 6.6 Discussion on Proposed Changes to the Investment Policy
- 7. Board & Management Support Services**
 - 7.1 Quarterly Budget Report
 - 7.2 Update on Progress of SamCERA's Technology Modernization Project
 - 7.3 Approval of Resolution Authorizing the Chief Executive Officer to Execute and Agreement with Vitech Systems Group, Inc. for a Pension Administration Software System
 - 7.4 Approval of Recruitment Plans of Ad Hoc Committee on Succession Planning
 - 7.5 Update on Plans for April 29 & 30, 2014 Board/Staff Retreat
 - 7.6 Update of SamCERA Office Space Lease

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8. Management Reports

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

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

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

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

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

San Mateo County Employees' Retirement Association
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January 28, 2014 – Regular Board Meeting Minutes

1401.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Natalie Kwan Lloyd, Chair, called the Regular Meeting of the Board of Retirement to order at 1:00 p.m.

Roll Call:

Present: Sandie Arnott, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, and David Spinello.

Excused: Lauryn Agnew, Michal Settles and Eric Tashman.

Alternates present: Alma Salas.

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

1401.2.1 **Oral Communications From the Board:** Mr. Spinello reported his attendance at the CALAPRS Advanced Principles of Pension Management for Trustees at UCLA, on January 23 and 24, 2014.

At this time, Mr. Bailey gave Ms. Arnott a pin from SACRS, acknowledging her many years of service on the SamCERA Board of Retirement.

1401.2.2 **Oral Communications From the Public:** None.

1401.3.1 **Approval of the Board Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the minutes, and none were noted.

Action: Mr. David moved to approve the minutes from the regular Board of Retirement meeting held on December 10, 2013. The motion was seconded by Mr. Spinello and carried with a vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.

1401.4.0 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if there were any items to be removed from the Consent Agenda. No consent agenda items were removed.

Action: Mr. Spinello moved to approve the items on the Consent Agenda, and the motion was seconded by Mr. David. The motion carried with vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.

1401.4.1 **Consent Agenda**

Disability Retirements

- a. The Board found that Filamer Ancheta is (1) permanently incapacitated for the performance of her usual and customary duties as a Licensed Vocational Nurse, (2) found that her disability was a result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.
- b. The Board referred Robert Bates' application for service -connected disability retirement to a hearing officer.
- c. The Board found that Kathleen Brown is (1) permanently incapacitated for the performance of her usual and customary duties as a Program Coordinator II, (2) found that her disability was a result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.

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1401.4.1

Consent Agenda

Disability Retirements (con't)

- d. The Board found that David Dennis is (1) permanently incapacitated for the performance of his usual and customary duties as a Lead Estate Property Officer, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.
- e. The Board (1) accepted the proposed findings and recommendations of the Hearing Officer, John Rosenthal, that Maybelline Sharpe's medical condition was not permanent at the time of the hearing, (2) found that Maybelline Sharpe is now able to perform her duties as a Benefits Analyst, and (3) denied her application for a service-connected disability retirement.

1401.4.1

Service Retirements

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

Member Name	Effective Retirement	Department
Andres, Adeline	October 16, 2013	Def'd. from Hospital
Albanes, Olga	November 16, 2013	Probation
Alejandrino, Leonila	November 30, 2013	Hospital
Balancio, Evelyn	October 26, 2013	Mental Health
Biag, Maria	November 1, 2013	Def'd. from Hospital
Cervantes, Liz	November 19, 2013	County Counsel
Cruz, Carmelita	October 9, 2013	Def'd. from Hospital
De Guzman, Teodora	October 4, 2013	Def'd. from Hospital
Dogelio, Thelma	October 29, 2013	Def'd. from Hospital
Doubleday, Frances	November 2, 2013	Courts
Fernandez, Gloria	October 6, 2013	Def'd. from Hospital
Florez, Joseph	November 30, 2013	Department of Public Works
Gacayan, Cres	October 18, 2013	Def'd. from Hospital
Gloria, Emilia	October 23, 2013	Def'd. from Hospital
Gontenas, Carmencita	November 18, 2013	Def'd. from Hospital
Haro, Fernando	November 7, 2013	Def'd. from HSA
Harper, Cornel	November 1, 2013	Parks Department
Iglesias, Utumporn	October 6, 2013	Def'd. from Hospital
Ignacio, Miguel	November 25, 2013	Def'd. from Hospital
Kamal, Mohammed	November 14, 2013	Def'd. from Hospital
King, Victoria	September 11, 2013	Courts
Kintanar, Oscar	October 31, 2013	Hospital
Layacan, Ma Erlinda	October 16, 2013	Hospital
Linaja, Violeta	October 4, 2013	Def'd from Hospital
Mondino, Carol	November 7, 2013	Assessor's Office
Murphy, Deanna	November 30, 2013	Human Services Agency
Pini, Richard	December 1, 2013	Human Services Agency
Raihman, Jaibul	October 5, 2013	Def'd. from Hospital

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1401.4.2 **Service Retirements** (con't)

Member Name	Effective Retirement	Department
Rainey, Maryann	November 7, 2013	Def'd. from Hospital
Ramirez, Armando	October 27, 2013	Libraries
Rudd, Margaret	October 26, 2013	Tax Collector's Office
Rulloda, Pacita	October 6, 2013	Def'd. from Hospital
Sakayama, Alan	December 1, 2013	ISD
Siddiqui, Elaine	November 1, 2013	Def'd. from Hospital
Tayo, Elna	October 8, 2013	Def'd. from Hospital
Torres, Dorothy	October 19, 2013	Human Services Agency
Villar, Edizalyn	November 3, 2013	Def'd. from Hospital
Wan, Carmen	October 16, 2013	Def'd. from Hospital
Wong, Shwu-Huey	October 4, 2013	Def'd. from Hospital

1401.4.3 **Continuances**

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

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

1401.4.4 **Deferred Retirements**

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

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

1401.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Gonzalez, Maria	G7 Non-vested
Aguado, Anthony	G4 Non-vested
Kremer, Diana	G4 Non-vested
Crawley, Adam	G7 Non-vested

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1401.4.5 **Member Account Refunds** (con't)

Schulz, Eric	G4 Vested
Derespini, Heidi	G4 Non-vested
Baltodano, Rosa	G7 Non-vested

1401.4.6 **Member Account Rollovers**

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

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

1401.4.7 **Trustee Travel Request:** The Board approved the trustee travel request for Vice Chair Lauryn Agnew, as part of the Consent Agenda.

1401.4.8 **Approval of Annual Review Questionnaire for SIS:** The Board approved the annual review questionnaire for SIS, as part of the Consent Agenda.

1401.4.9 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ending December 31, 2013:** The Board accepted the Semi-Annual Certification Statements for the period ending December 31, 2013, as part of the Consent Agenda.

The Chair then called items 7.2 and 7.3 to be heard out of order. The remaining items were heard in the order listed below.

1401.7.2 **Update on Progress of SamCERA's Technology Modernization Project:** Chief Technology Officer, Tariq Ali, and Will Morrow, LRWL Project Manager, reviewed the progress of SamCERA's Technology Modernization Project with the Board. Mr. Morrow reviewed the status of the project, including electronic content management, business process reviews, data cleansing and change management. The RFP process and selection of a PASS vendor has concluded; staff is negotiating a contract with Vitech Systems Group. This item was for discussion only, and no action was taken.

1401.7.3 **Approval of Resolution Authorizing the Chief Executive Officer to Execute an Agreement with Vitech Systems Group, Inc. for a Pension Administration Software System:** Mr. Bailey gave background information on the selection of Vitech Systems Group as the PASS vendor, and explained that the contract negotiations were continuing, and expected to finish soon. Mr. Bailey thanked the PASS review committee of Tariq Ali, Gladys Smith, Scott Hood and Mabel Wong, who together with Will Morrow were instrumental in the RFP and selection process.
Action: Mr. Hackleman moved to approve a resolution authorizing the Chief Executive Officer to execute an agreement with Vitech Systems Group, Inc. for a pension administration software system. The motion was seconded by Mr. David, and carried with a vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.

1401.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.

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- 1401.5.2 **Approval of Cost of Living Adjustments for 2014:** Mr. Hood discussed the memo prepared by Milliman with the Board. He shared that Milliman had reported an increase in the CPI of 2.24% during 2013; which will yield a COLA for nearly all members who retire before April 2, 2014, equal to 2.0%.
- Action:** Mr. David moved to approve a resolution adopting the cost of living adjustments as recommended by Milliman, Inc. The motion was seconded by Ms. Arnott, and carried with a vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.6.1 **Preliminary Monthly Performance Report for the Period Ending December 31, 2013:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He noted that the net preliminary year-end return was estimated to be over 17%. SamCERA's return for December was estimated to be up 1.1%.
- 1401.6.2 **Discussion of Real Asset Portfolio Implementation Options (Special Meeting Item #4):** This item was heard during the Board's special meeting earlier in the day on January 28, 2014.
- 1401.6.3 **Direction to Staff Regarding Real Asset Portfolio Implementation (Special Meeting Item #5):** This item was heard during the Board's special meeting earlier on January 28, 2014. Mr. Coultrip reported the Board had considered three implementation options for SamCERA's real asset portfolio. After deliberating the Board chose to utilize SIS to implement the real assets portfolio.
- 1401.6.4 **Approval of New Fixed Income Manager Structure Proposal:** Patrick Thomas from SIS, and Mr. Coultrip reviewed the current structure and discussed the proposed changes with the Board members. Topics of discussion included risk and return, maintaining the integrity of SamCERA's asset allocation and increased robustness of the portfolio.
- Action:** Mr. Hackleman moved to approve the proposed fixed income manager structure. The motion was seconded by Mr. Bowler, and carried with a vote of 6-0, with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.6.5 **Approval of the Angelo Gordon Opportunistic Whole Loan Fund:** Colleen Casey, Jason Spiegel and Jonathan Lieberman from Angelo Gordon, attended the meeting and presented information about the Angelo Gordon Opportunistic Whole Loan (OWL) Fund to the Board. Board members asked questions about the expected returns and risks, and discussed the types and geographic locations of the loans being included in this fund. At the conclusion of their presentation, the Angelo Gordon team was excused from the Boardroom, and discussion continued.
- Action:** Mr. David moved to approve an investment in the Angelo Gordon Opportunistic Whole Loan Fund. The motion was seconded by Mr. Bowler and carried with a vote of 6-0, with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.6.6 **Discussion on Proposed Changes to the Investment Policy:** Mr. Coultrip presented a red-lined version of the Investment Policy to the Board. Board members and Mr. Coultrip discussed how to best review and collaborate on the document. The consensus was to begin by focusing on Sections 1 through 8, and upon satisfactory completion of that portion, the discussion would move on to the remaining sections of the document. This item was for discussion only and no action was taken.
- 1401.7.1 **Quarterly Budget Report:** Ms. Wong presented the Quarterly Budget Report to the Board. She reviewed the three budget areas, Technology, Administrative and Professional, and reported that all areas were on track. This item was informational only and no action was taken.

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- 1401.7.4 **Approval of Recruitment Plans of Ad Hoc Committee on Succession Planning:** Mr. Hackleman, Chair of the Ad Hoc Committee on Succession Planning, reported that the committee had met on January 13 and is scheduled to meet again in mid-March. He reviewed the plans that were discussed at the meeting. Mr. Hackleman and the Board discussed the CEO review survey questions, which will include opportunities for feedback about the “ideal candidate” for the CEO position.
- Action:** Mr. David moved to approve the survey plans of the Ad Hoc Committee on Succession Planning. The motion was seconded by Mr. Spinello and carried with a vote of 6-0, with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.7.5 **Update on Plans for April 29 & 30, 2014 Board/Staff Retreat:** Mr. Bailey opened the discussion, and went over the proposed retreat agenda with the Board. This item was for discussion only and no action was taken.
- 1401.7.6 **Update of SamCERA Office Space Lease:** Mr. Hood discussed his efforts to negotiate SamCERA’s current lease for office space, which expires December 31, 2014. He is continuing to work with a broker, and to explore lease options within the current building, and also looking at the costs of moving. Mr. Hood will update the Board as additional information is received. This item was for discussion only and no action was taken.
- 1401.8.1 **Chief Executive Officer's Report:** Mr. Bailey thanked SIS for their assistance in evaluating the financials of Vitech Systems Group, as part of the due diligence in the PASS vendor selection.
- 1401.8.2 **Assistant Executive Officer’s Report:** Mr. Hood reviewed a new pamphlet created by staff that explains the options available to an employee after separation from County employment. It was suggested that this pamphlet be sent to all County payroll clerks. Mr. Hood updated the Board on the progress of the electronic content management project, and thanked staff for completing the file conversion. He let the Board know about a compliment received from a member. Although the member was denied a service-connected disability, they still wrote to thank SamCERA staff for the way their application was handled. Mr. Hood mentioned the 1099s were mailed to retirees last week, and reminded trustees that Form 700s would be due soon. He will be bringing an item to the Board next month regarding PEPPRA compensation limits, as required by law. In closing, he noted that SamCERA will be hosting a round table on reciprocity, and CalPERS and other '37 Act plan representatives will be present.
- 1401.8.3 **Chief Investment Officer’s Report:** Mr. Coultrip reported that Chartwell was recently bought out, and staff will be monitoring for any issues that may result. He stated that he is working with SIS to find risk parity providers and will return to the Board next month to discuss and get direction. He noted the rebalancing function with the Clifton Group was engaged and began after the new year. Mr. Coultrip informed the Board that there were four expected responses to the RFP for custodian bank services, and the RFP responses will be due on February 18.
- 1401.8.4 **Chief Legal Counsel's Report:** None.
- 1401.9.0 **CLOSED SESSION** - The Chair adjourned the meeting into closed session at 3:35 p.m. to hear item C2. Mr. Spinello was excused for the remainder of the meeting and did not attend the closed session.
- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda:** None.

The meeting was reconvened at 3:48 p.m.

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

C2 Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)

Halliburton Co. v. Erica P. John Fund, Inc. (Halliburton) U.S. Supreme Court No: 13-317

Action: Ms. Carlson reported that a motion was made by Mr. Hackleman and seconded by Ms. Arnott to approve SamCERA's joining of the amicus brief in the matter of *Halliburton Co. v. Erica P. John Fund, Inc.* to be filed by the law firm of Bernstein Litowitz on behalf of public sector institutional investors. Motion was unanimously approved.

Board members present and participating: David, Bowler, Kwan Lloyd, Hackleman and Arnott. Also present was Ms. Salas (alternate).

1401.10 **Adjournment:** With no further business, Ms. Kwan Lloyd adjourned the meeting at 3:50 p.m., in memory of the following deceased members:

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

David Bailey
 Chief Executive Officer

Kristina Perez
 Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Items 4.1- 4.6

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager



Subject: Approval of Consent Agenda Items 4.1 – 4.6

4.1 Disability Retirements

- a) The Board find that **Elizabeth Dames** is (1) permanently incapacitated for the performance of her usual and customary duties as a Library Technician II, (2) find that her disability was not a result of an injury arising out of and in the course of her employment and (3) grant her application for a non-service-connected disability retirement.
- b) The Board find that **Katherine Jackson** is (1) permanently incapacitated for the performance of her usual and customary duties as a Medical Services Assistant II, (2) find that her disability was a result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
- c) The Board find that **Bruce McKay** is (1) permanently incapacitated for the performance of his usual and customary duties as a Deputy Sheriff, (2) find that his disability was a result of an injury arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.
- d) The Board find that **Lourdes Tan** is (1) permanently incapacitated for the performance of her usual and customary duties as an Office Assistant II, (2) find that her disability was not a result of an injury arising out of and in the course of her employment, (3) grant her application for a non-service-connected disability retirement.

4.2 Service Retirements

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

Member Name	Effective Retirement Date	Department
Balingit, Nona	December 15, 2013	Hospital
Barnett, Sanford	December 28, 2013	Def'd. from EMS
Bautista, Celia	December 31, 2013	Hospital
Blessing, Pastora	January 1, 2014	Hospital
Chaney, Betty	December 4, 2013	Human Services Agency
Contreras, Maria C.	January 1, 2014	Hospital
DeConcini, Kathryn	December 31, 2013	Sheriff's Department
Finney, Chuck	January 1, 2014	District Attorney's Office

Lemaro, Maria	December 7, 2013	Aging and Adult Services
Miller, Thomas	December 9, 2013	Def'd. from Mental Health
Smith, Douglas P.	December 7, 2013	Human Services Agency
Sowerbrower, James	December 31, 2013	Def'd. from DPW
Torre, Michael	December 7, 2013	Human Services Agency
Torres, Deborah	December 28, 2013	Human Services Agency
Velasquez, Angelina	October 17, 2013	Def'd. from Hospital

4.3 Continuances

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

Survivor's Name	Beneficiary of:
Turner, Barbara	Turner, Donald
Au-Yeung, Susanna	Au-Yeung, Benjamin
Humphrey, Clinton	Humphrey, Rilda

4.4 Deferred Retirements

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

Member Name	Retirement Plan Type
Tran, Robert	G4 Non-vested - Reciprocity
Uch, Sovath	G4 Non-vested - Reciprocity
Schermerhorn, Russell	G4 Vested - Reciprocity
Patterson, Michelle	Plan 3 Non-Vested - Reciprocity
Dolidze, Ekaterina	S4 Vested
Dempsey, Kristin	G4 Vested
Esguerra, Chris	G4 Vested
Olsson, Nancy	G4 Vested
Caballero, Jessica	S4 Vested
Monette, Lynette	G4 Vested
Ramirez, Lucy	G4 Vested

4.5 Member Account Refunds

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

Member Name	Retirement Plan Type
Balotro, Elisa	G4 Non-vested
Carey, Candace	G4 Non-vested
Clark, Charles	G4 Vested
Lagula, Michelle	G4 Vested
Nar, Asher	G4 Vested
Smith, Colin	S4 Non-vested
Frost, John	G5 Non-vested

4.6 Member Account Rollovers

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

Member Name	Retirement Plan Type
Lam, Robyn	G4 Non-vested
Collins, Shanna	G4 Non-vested
Jauregui, Fernando	G5 Non-vested
Chou, Raymond	G4 Non-vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 4.7

To: Board of Retirement

From: David Bailey, Chief Executive Officer



Subject: Approval of SamCERA's Mission and Goals Statements

Staff Recommendation

Approve the resolution reaffirming the current SamCERA's Mission and Goals statements.

Background

Resolution 95-96-05 as amended, incorporates the language, which was submitted to the Board on April 14, 1994, as part of SamCERA's first independent budget. The resolution is an integral part of SamCERA's Policies and Procedures Manual, Trustee's Manual, Budget Report, and SamCERA's Strategic Plan.

Statements of mission and goals should, at a minimum, capture the purpose of SamCERA as defined in the California State Constitution and the County Employees Retirement Law of 1937. The statements should also express the Board's vision of the fundamental principles guiding Board and staff actions.

The resolution was amended on February 27, 2007, to correct the statement's grammar, spelling, and capitalization. It was amended on February 26, 2008, for clarity and to put phrases in the proper priority. It was amended on January 27, 2009, when it was shortened to remove redundancies and define all categories of SamCERA membership as members. It was amended on May 28, 2013, to more accurately state the intent of the first two goals.

This year there are no recommended amendments.

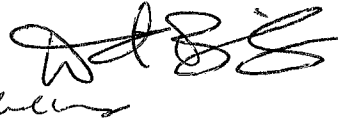
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer
Mabel Wong, Financial Officer



SUBJECT: Approval of a Resolution Updating Contribution Rates for Fiscal Year 2014-15

Recommendation

Approve a resolution accepting the June 30, 2013, Actuarial Valuation Addendum from Milliman, Inc. and adopting the contribution rates in Alternative #2 and Alternative #3, for forwarding to the County Supervisors for Approval.

Summary

At the September 2013 meeting the Board accepted the 2013 Actuarial Valuation and approved the 2014-2015 employer and employee contribution rates. Two subsequent events could result in an adjustment of the contribution rates.

- 1) Assembly Bill 1380 added Section 31620.5, which revised the calculation of member contribution rates for the PEPRA plans.
- 2) The Board of Retirement and the Board of Supervisor adopted a Memorandum of Understanding (MOU) providing the County of San Mateo the option of paying higher contribution rates than statutorily required.

Milliman, Inc. has provided an addendum to the 2013 Valuation reflecting these events. With approval of the attached resolution, staff will forward the rates contained in Alternative #2 and Alternative #3 to the Board of Supervisors for approval.

Discussion

Under Assembly Bill 1380 two changes were made to the PEPRA contribution rate calculation language:

- the PEPRA requirement that contribution rates only change when the change is 1% of the Normal Cost or greater has been removed, thus allowing changes of less than 1% to be reflected in contribution rates;

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

- retirement boards may now elect to waive a requirement for rounding of PEPRAs member rates to the nearest $\frac{1}{4}$ %.

Both these changes allow calculation of more accurate contribution rates to reflect the true cost of retirement benefits.

In the MOU with the County, the County has the option of paying the Statutory Contribution Rate or 38% of County payroll, whichever is higher. Alternative #3 shows the original valuation employer rates and revised employer rates at 38% of County payroll.

Attachment

Milliman June 30, 2013 Actuarial Valuation Addendum – Alternative Contribution Rates



1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

February 13, 2014

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

Re: June 30, 2013 Actuarial Valuation Addendum – Alternative Contribution Rates

Dear Members of the Board:

We have previously provided you an actuarial valuation report for the San Mateo County Employees' Retirement Association (SamCERA) as of June 30, 2013. There have been two recent events that could potentially affect the contribution rates calculated in that valuation.

1. Assembly Bill 1380 added Section 31620.5 to the Government Code which revises the provisions for the calculation of member contribution rates for members of Plan 7.
2. The Board of Supervisors and Board of Retirement adopted a Memorandum of Understanding (MOU) regarding retirement system funding.

The purpose of this addendum to the valuation is to provide alternate employer and member contribution rates for the fiscal year beginning July 1, 2014 reflecting these items which the Board may adopt.

Changes reflected in the addendum

The actuarial valuation reflected fully the provisions of Section 7522.30 of the Government Code included under PEPRRA. This addendum presents alternative member contribution rates that reflect changes to Section 7522.30(c) and Section 7522.30(d) that were included in AB 1380. These changes are presented as Alternative #1 and Alternative #2 in this letter and are discussed in the following section.

Additionally, under the MOU, the County intends on paying the Statutory Contribution Rate (SCR) or 38% of County payroll, whichever is higher. Since the SCR for the County for fiscal year 2014-2015 is less than 38% of payroll, this addendum provides alternative employer rates that would increase the County contribution to 38% of payroll. Note that County payroll excludes employees of the Superior Court of San Mateo (Courts) and the San Mateo County Mosquito and Vector Control District (SMCM&VCD).

For purposes of this addendum, we have defined the following alternatives:

Alternative #1: This alternative assumes the Board elects to continue to round member contribution rates. The only change is that it removes the provision of the original PEPRA legislation that prevented changes in member rates if the normal cost rate changed by less than 1%. This would impact the General Plan 7 contribution rates.

Alternative #2: This alternative is the same as Alternative #1, except that it assumes the Board does not elect to round member contribution rates. This would affect all Plan 7 contribution rates.

Alternative #3: This alternative is the same as Alternative #2, except that it assumes the County elects to contribute at the 38% rate pursuant to the MOU. This change would impact the County contribution rates.

Member Contribution Rates – Alternative #1 & #2

Member contribution rates are discussed in Section 5 and Appendix D of the actuarial valuation report. Alternative Plan 7 member contribution rates effective July 1, 2014 that reflect the changes previously discussed are shown below. The alternative rates remove the requirement of Section 7522.30(d) that rates will only be revised when the normal cost rate increases or decreases by more than 1%. It also reflects that an election to round the member contribution rates to the nearest quarter of 1% is made (Alternative #1) or is not made (Alternative #2). Note that the first change (no change in member rate if normal cost rate changes by less than 1%) is required and the second change (rounding of member rates) is at the Board's discretion. Member rates for Alternative #3 are shown on the attached exhibits.

Class	Valuation Member Contribution Rate	Alternative #1 Member Contribution Rate	Alternative #2 Member Contribution Rate
General members	7.75%	7.50%	7.58%
Safety members	14.25%	14.25%	14.28%
Probation members	13.75%	13.75%	13.78%

Employer Contribution Rates – Alternatives #1 and #2

Employer contribution rates are discussed in detail in Section 6 of the actuarial valuation report. Under Alternatives #1 and #2, the only employer contribution rates that would change are those for Plan 7. Alternative employer contribution rates by class of member are shown as a percentage of payroll in the table below. Note that under these alternatives the total aggregate contribution rate for all employers would only change by about 0.01% of payroll, because Plan 7 members only make up only a small percentage of the aggregate payroll. Employer contribution rates under Alternative #3 are discussed later.

Class / Plan	Valuation Employer Contribution Rate	Alternative #1 Employer Contribution Rate	Alternative #2 Employer Contribution Rate
General Plan 7 (County & Courts)	29.75%	30.00%	29.92%
General Plan 7 (SMCM&VCD)	30.25%	30.50%	30.42%
Safety Plan 7	64.64%	64.64%	64.61%
Probation Plan 7	43.12%	43.12%	43.09%

The above alternative employer contribution rates also reflect changes in the Plan 7 member contribution rates previously discussed.

Employer Contribution Rates – Alternative #3

We calculated alternative employer contribution rates that are expected to result in an aggregate County contribution rate of 38% of payroll in the fiscal year beginning July 1, 2014. The UAAL contribution rates for each class of County member were each increased proportionately based on the total additional contributions needed to reach the aggregate County contribution rate of 38% of payroll. Revised aggregate employer contribution rates and the additional contribution rate (as a percentage of payroll), by class of member are shown in the table below. Further breakdowns for each group are attached to this letter.

Class / Bargaining Unit	Valuation Employer Contribution Rate	Revised Employer Contribution Rate	Change in Employer Contribution Rate
General (CNA, UAPD)	31.27%	31.44%	0.17%
General (Courts)	32.09%	32.09%	0.00%
General (Other)	32.09%	32.26%	0.17%
SMCM&VCD	34.05%	34.05%	0.00%
Safety	68.84%	69.20%	0.36%
Probation Managers	47.17%	47.43%	0.26%
Probation non-Managers	47.65%	47.91%	0.26%

The above alternative employer contribution rates also reflect changes in Plan 7 member contribution rates, with no rounding, discussed earlier in this letter (Alternative #2).

Certification

This addendum is based on our valuation report dated September 18, 2013, and all caveats disclosed in that valuation continue to apply. All plan provisions, assumptions and methods are the same as that valuation, except as described in this letter.

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

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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

NJC/CJG/nlo

Enclosures



Craig J. Glyde, ASA, EA, MAAA
Consulting Actuary

San Mateo County Employees' Retirement Association

Exhibit 11a: Calculated Employer Contribution Rates – June 30, 2013 (Alternative #3)

	All Plans							
	Gross Normal Cost	Member Contributions	Employer Rates				Prior Year Total Contribution Rate	
Basic Normal Cost			COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate	Total Contribution Rate		
<u>General Members</u>								
County	19.59%	(9.85)%	6.19%	3.55%	9.74%	22.52%	32.26%	30.15%
Courts	19.59%	(9.85)%	6.19%	3.55%	9.74%	22.35%	32.09%	30.15%
CNA	19.59%	(10.67)%	5.67%	3.25%	8.92%	22.52%	31.44%	29.13%
UAPD	19.59%	(10.67)%	5.67%	3.25%	8.92%	22.52%	31.44%	29.13%
Total	19.59%	(9.98)%	6.11%	3.50%	9.61%	22.51%	32.12%	30.03%
<u>SMCM&VCD Members</u>								
Total	18.80%	(7.10)%	8.33%	3.37%	11.70%	22.35%	34.05%	31.85%
<u>Safety Members</u>								
Total	32.22%	(13.72)%	11.68%	6.82%	18.50%	50.70%	69.20%	67.56%
<u>Probation Members</u>								
PDA	30.48%	(12.15)%	11.89%	6.44%	18.33%	29.58%	47.91%	46.70%
Managers	30.48%	(12.63)%	11.57%	6.28%	17.85%	29.58%	47.43%	46.70%
Total	30.48%	(12.22)%	11.84%	6.42%	18.26%	29.58%	47.84%	46.70%
<u>All Plans</u>								
Total	21.74%	(10.55)%	7.12%	4.07%	11.19%	26.52%	37.71%	35.49%
<u>County Only</u>								
Total	21.84%	(10.60)%	7.16%	4.08%	11.24%	26.76%	38.00%	N/A

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San Mateo County Employees' Retirement Association

Exhibit 11b: Calculated Employer Contribution Rates – General (Alternative #3)

General Members								
	Employer Rates							Prior Year Total Contribution Rate
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate	Total Contribution Rate	
Plan 1								
County	21.14%	(9.89)%	5.23%	6.02%	11.25%	22.52%	33.77%	30.92%
Courts	21.14%	(9.89)%	5.23%	6.02%	11.25%	22.35%	33.60%	30.92%
CNA	21.14%	(11.33)%	4.56%	5.25%	9.81%	22.52%	32.33%	29.49%
UAPD	21.14%	(11.33)%	4.56%	5.25%	9.81%	22.52%	32.33%	29.49%
Total	21.14%	(10.05)%	5.16%	5.93%	11.09%	22.51%	33.60%	30.79%
Plan 2								
County	20.72%	(10.20)%	5.65%	4.87%	10.52%	22.52%	33.04%	30.82%
Courts	20.72%	(10.20)%	5.65%	4.87%	10.52%	22.35%	32.87%	30.82%
CNA	20.72%	(11.37)%	5.02%	4.33%	9.35%	22.52%	31.87%	29.63%
UAPD	20.72%	(11.37)%	5.02%	4.33%	9.35%	22.52%	31.87%	29.63%
Total	20.72%	(10.37)%	5.56%	4.79%	10.35%	22.51%	32.86%	30.68%
Plan 3								
County	7.83%	0.00%	7.83%	0.00%	7.83%	22.52%	30.35%	28.11%
Courts	7.83%	0.00%	7.83%	0.00%	7.83%	22.35%	30.18%	28.11%
CNA	7.83%	0.00%	7.83%	0.00%	7.83%	22.52%	30.35%	28.11%
UAPD	7.83%	0.00%	7.83%	0.00%	7.83%	22.52%	30.35%	28.11%
Total	7.83%	0.00%	7.83%	0.00%	7.83%	22.51%	30.34%	28.11%
Plan 4								
County	20.14%	(10.41)%	6.38%	3.35%	9.73%	22.52%	32.25%	30.01%
Courts	20.14%	(10.41)%	6.38%	3.35%	9.73%	22.35%	32.08%	30.01%
CNA	20.14%	(11.23)%	5.84%	3.07%	8.91%	22.52%	31.43%	29.18%
UAPD	20.14%	(11.23)%	5.84%	3.07%	8.91%	22.52%	31.43%	29.18%
Total	20.14%	(10.54)%	6.29%	3.31%	9.60%	22.51%	32.11%	29.92%
Plan 5								
County	17.07%	(7.99)%	6.30%	2.78%	9.08%	22.52%	31.60%	29.52%
Courts	17.07%	(7.99)%	6.30%	2.78%	9.08%	22.35%	31.43%	29.52%
CNA	17.07%	(7.99)%	6.30%	2.78%	9.08%	22.52%	31.60%	29.52%
UAPD	17.07%	(7.99)%	6.30%	2.78%	9.08%	22.52%	31.60%	29.52%
Total	17.07%	(7.99)%	6.30%	2.78%	9.08%	22.51%	31.59%	29.52%
Plan 7								
County	15.15%	(7.58)%	5.06%	2.51%	7.57%	22.52%	30.09%	27.82%
Courts	15.15%	(7.58)%	5.06%	2.51%	7.57%	22.35%	29.92%	27.82%
CNA	15.15%	(7.58)%	5.06%	2.51%	7.57%	22.52%	30.09%	27.82%
UAPD	15.15%	(7.58)%	5.06%	2.51%	7.57%	22.52%	30.09%	27.82%
Total	15.15%	(7.58)%	5.06%	2.51%	7.57%	22.51%	30.08%	27.82%
All Plans								
County	19.59%	(9.85)%	6.19%	3.55%	9.74%	22.52%	32.26%	30.15%
Courts	19.59%	(9.85)%	6.19%	3.55%	9.74%	22.35%	32.09%	30.15%
CNA	19.59%	(10.67)%	5.67%	3.25%	8.92%	22.52%	31.44%	29.13%
UAPD	19.59%	(10.67)%	5.67%	3.25%	8.92%	22.52%	31.44%	29.13%
Total	19.59%	(9.98)%	6.11%	3.50%	9.61%	22.51%	32.12%	30.03%

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**San Mateo County Employees'
Retirement Association**

Exhibit 11c: Calculated Employer Contribution Rates – June 30, 2013 (Alternative #3)

SMCM&VCD Members								
	Gross Normal Cost	Member Contributions	Employer Rates				Total Contribution Rate	Prior Year Total Contribution Rate
			Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate		
<u>Plan 1</u>								
Total	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>Plan 2</u>								
Total	26.47%	(8.78)%	11.46%	6.23%	17.69%	22.35%	40.04%	37.87%
<u>Plan 4</u>								
Total	17.98%	(6.93)%	7.99%	3.06%	11.05%	22.35%	33.40%	31.07%
<u>Plan 7</u>								
Total	15.65%	(7.58)%	6.74%	1.33%	8.07%	22.35%	30.42%	28.07%
<u>All Plans</u>								
Total	18.80%	(7.10)%	8.33%	3.37%	11.70%	22.35%	34.05%	31.85%

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



San Mateo County Employees' Retirement Association

Exhibit 11d: Calculated Employer Contribution Rates

Safety Members								
	Employer Rates							Prior Year Total Contribution Rate
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate	Total Contribution Rate	
<u>Plan 1</u>								
Total	41.08%	(15.92)%	12.00%	13.16%	25.16%	50.70%	75.86%	75.20%
<u>Plan 2</u>								
Total	33.13%	(13.47)%	10.79%	8.87%	19.66%	50.70%	70.36%	68.59%
<u>Plan 4</u>								
Total	31.90%	(13.40)%	12.38%	6.12%	18.50%	50.70%	69.20%	67.16%
<u>Plan 5</u>								
Total	32.45%	(16.38)%	10.03%	6.04%	16.07%	50.70%	66.77%	64.99%
<u>Plan 6</u>								
Total	32.25%	(13.99)%	12.20%	6.06%	18.26%	50.70%	68.96%	64.49%
<u>Plan 7</u>								
Total	28.56%	(14.28)%	8.99%	5.29%	14.28%	50.70%	64.98%	61.73%
<u>All Plans</u>								
Total	32.22%	(13.72)%	11.68%	6.82%	18.50%	50.70%	69.20%	67.56%

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



San Mateo County Employees' Retirement Association

Exhibit 11e: Calculated Employer Contribution Rates

Probation Members								
	Gross Normal Cost	Member Contributions	Employer Rates					Prior Year Total Contribution Rate
			Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate	Total Contribution Rate	
<u>Plan 1</u>								
PDA Members	33.70%	(3.50)%	14.59%	15.61%	30.20%	29.58%	59.78%	56.91%
Managers	33.70%	(12.11)%	10.43%	11.16%	21.59%	29.58%	51.17%	56.91%
Total	33.70%	(3.50)%	14.59%	15.61%	30.20%	29.58%	59.78%	56.91%
<u>Plan 2</u>								
PDA Members	32.63%	(12.77)%	11.27%	8.59%	19.86%	29.58%	49.44%	49.19%
Managers	32.63%	(12.11)%	11.64%	8.88%	20.52%	29.58%	50.10%	49.19%
Total	32.63%	(12.57)%	11.38%	8.68%	20.06%	29.58%	49.64%	49.19%
<u>Plan 4</u>								
PDA Members	29.95%	(11.97)%	12.17%	5.81%	17.98%	29.58%	47.56%	45.93%
Managers	29.95%	(13.08)%	11.42%	5.45%	16.87%	29.58%	46.45%	45.93%
Total	29.95%	(12.08)%	12.10%	5.77%	17.87%	29.58%	47.45%	45.93%
<u>Plan 5</u>								
PDA Members	26.64%	(12.85)%	8.73%	5.06%	13.79%	29.58%	43.37%	41.63%
Managers	26.64%	(15.32)%	7.24%	4.08%	11.32%	29.58%	40.90%	41.63%
Total	26.64%	(12.85)%	8.73%	5.06%	13.79%	29.58%	43.37%	41.63%
<u>Plan 6</u>								
PDA Members	23.99%	(9.27)%	10.10%	4.62%	14.72%	29.58%	44.30%	42.75%
Managers	23.99%	(11.87)%	8.35%	3.77%	12.12%	29.58%	41.70%	42.75%
Total	23.99%	(9.27)%	10.10%	4.62%	14.72%	29.58%	44.30%	42.75%
<u>Plan 7</u>								
PDA Members	27.55%	(13.78)%	8.59%	5.18%	13.77%	29.58%	43.35%	39.02%
Managers	27.55%	(13.78)%	8.59%	5.18%	13.77%	29.58%	43.35%	39.02%
Total	27.55%	(13.78)%	8.59%	5.18%	13.77%	29.58%	43.35%	39.02%
<u>All Plans</u>								
PDA Members	30.48%	(12.15)%	11.89%	6.44%	18.33%	29.58%	47.91%	46.70%
Managers	30.48%	(12.63)%	11.57%	6.28%	17.85%	29.58%	47.43%	46.70%
Total	30.48%	(12.22)%	11.84%	6.42%	18.26%	29.58%	47.84%	46.70%

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

RESOLUTION 13-14-___

RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AGREEMENT WITH SEGAL CONSULTING FOR ACTUARIAL AUDIT SERVICES

WHEREAS, Article XVI, §17 (e) of the Constitution of the State of California vests the Board with “The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system” and Government Code §31453 requires periodic valuations of SamCERA’s actuarial soundness; and

WHEREAS, this Board has determined that it is prudent to have periodic actuarial audits of the work performed by the Board’s actuary to better ensure the financial soundness of the fund; and

WHEREAS, on March 29, 2011, after conducting a competitive Request for Proposal process, SamCERA selected the Segal firm to conduct an independent audit to validate the appropriateness of the actuarial assumptions and methodologies employed by the Board’s actuary; and

WHEREAS, this Board has determined that it is in the best interests of SamCERA to use the same actuarial firm to perform audit services for the 2014 triennial experience study; therefore, be it


RESOLVED, the Chief Executive Officer is authorized to execute an agreement with Segal Consulting for actuarial audit services that cover the period from April 1, 2014, through December 31, 2014, at a cost not to exceed \$90,000.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 5.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer 

SUBJECT: Authorization For Chief Executive Officer To Execute An Agreement With Segal Consulting For Actuarial Audit Services

Recommendation

Adopt a resolution authorizing the Chief Executive Officer to execute an agreement with Segal Consulting for actuarial audit services not to exceed \$90,000.

Summary

Segal Consulting audited the June 30, 2011, Triennial Experience Study and Actuarial Valuation Report compiled by Milliman, Inc. Because Segal is familiar with the SamCERA plans and because they performed very detailed and knowledgeable services during the last audit, staff recommends that Segal Consulting be retained in order to perform an actuarial audit of the June 30, 2014, Triennial Experience Study and Actuarial Valuation Report compiled by Milliman, Inc.

Discussion

The Board has "The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system." (Cal. Const. Article XVI, §17 (e)). To that end, Government Code §31453 requires periodic valuations of SamCERA's actuarial soundness. The Board has determined that it is also prudent to have an actuarial audit performed at least every three years in order to determine if there are any issues or concerns with the work performed by the Board's actuary. This second level of oversight places SamCERA in a better position to catch an actuarial error before it can have significant detrimental effect to the soundness of the fund.

The most recent actuarial audit was performed in 2011 by Segal Consulting. Segal was selected as the result of a Request For Proposal process. It would be beneficial to SamCERA to use Segal again to perform audit services for the 2014 actuarial studies. Segal is familiar with SamCERA's various benefit tiers and employers, as well as the work performed by Milliman, Inc. for SamCERA. This is important for this upcoming actuarial

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

audit due to the recent implementation of benefit changes required by PEPRA and the upcoming implementation of the new Governmental Accounting Standards Board ("GASB") Statement 67 requirements for financial reporting for pension systems.

The attached resolution authorizes the Chief Executive Officer to execute an agreement with Segal Consulting for actuarial services and covers the period from April 1, 2014, through December 31, 2014, at a cost not to exceed \$90,000. The charge from Segal in 2011 was \$85,000. The additional cost is a result of the complexity added by PEPRA and better familiarity by Segal with SamCERA's requirements for the audit.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 13-14-___

***RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN
AGREEMENT WITH SEGAL CONSULTING FOR ACTUARIAL AUDIT SERVICES***

WHEREAS, Article XVI, §17 (e) of the Constitution of the State of California vests the Board with “The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system” and Government Code §31453 requires periodic valuations of SamCERA’s actuarial soundness; and

WHEREAS, this Board has determined that it is prudent to have periodic actuarial audits of the work performed by the Board’s actuary to better ensure the financial soundness of the fund; and

WHEREAS, on March 29, 2011, after conducting a competitive Request for Proposal process, SamCERA selected the Segal firm to conduct an independent audit to validate the appropriateness of the actuarial assumptions and methodologies employed by the Board’s actuary; and

WHEREAS, this Board has determined that it is in the best interests of SamCERA to use the same actuarial firm to perform audit services for the 2014 triennial experience study; therefore, be it

RESOLVED, the Chief Executive Officer is authorized to execute an agreement with Segal Consulting for actuarial audit services that cover the period from April 1, 2014, through December 31, 2014, at a cost not to exceed \$90,000.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 5.4

TO: Board of Retirement 
FROM: Scott Hood, Assistant Executive Officer
SUBJECT: Authorization For Chief Executive Officer to use calculations performed by the California Actuarial Advisory Panel to set the annual pensionable compensation limits for Public Employees' Pension Reform Act of 2012 ("PEPRA") members pursuant to Government Code §7522.10.

Recommendation

Adopt a resolution authorizing the Chief Executive Officer to Use Calculations performed by the California Actuarial Advisory Panel (the Panel) to set the annual pensionable compensation limits for PEPRA members pursuant to Government Code §7522.10.

Summary

PEPRA requires SamCERA to annually adjust the pensionable compensation limit based on the annual changes to the Consumer Price Index (CPI) for all urban consumers for the month of September in the year preceding the adjustment compared to the index in the previous September. The Panel will provide that calculation each year. Staff recommends that SamCERA use the Panel's annual calculation when making this yearly adjustment.

Discussion

PEPRA limits the total amount of annual pensionable compensation that can be used toward determining PEPRA member's pension and from which contributions can be taken. The calculations for the annual adjustments for the pensionable compensation limit are complex and are best performed by an actuary. Because it is important that all the pension systems are uniform in the approach used for the calculation, the Panel was requested to provide it for all systems. The resolution authorizes the Chief Executive Officer to use the Panel's calculations for the annual adjustments.

The Panel's 2014 letter, attached for your information, provides that the change in CPI from September 2012 to September 2013 is 1.012. Applying this factor to the 2014 limits produces an annual pensionable compensation limit for 2014 of \$115,064.00 for Plan 7 General members, as they receive Social Security, and \$138,077.00 for Plan 7 Safety members as they do not receive Social Security.

Att.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 13-14-___

RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO UTILIZE THE
CALCULATIONS PERFORMED BY THE CALIFORNIA ACTUARIAL ADVISORY PANEL
TO SET THE ANNUAL PENSIONABLE COMPENSATION LIMITS PURSUANT TO
GOVERNMENT CODE §7522.10 FOR PUBLIC EMPLOYEES' PENSION REFORM
ACT OF 2012 ("PEPRA") PLAN MEMBERS

WHEREAS, Government Code §7522.10 of PEPRA provides that whenever pensionable compensation is used in the calculation of a benefit, the pensionable compensation shall be subject to the limitations set forth in §7522.10 (c); and

WHEREAS, Section 7522.10 (c) provides that the pensionable compensation used to calculate the defined benefit paid to PEPRA members in a General Plan 7 (receive Social Security) and Safety Plan 7 (do not receive Social Security) who retire from the system shall not exceed the following applicable percentage of the contribution and benefit base specified in §430(b) of Title 42 of the United States Code on January 1, 2013: (1) One hundred percent for a member whose service is included in the federal system and (2) One hundred twenty percent for a member whose service is not included in the federal system; and

WHEREAS, Section 7522.10(d)(1) provides that SamCERA shall adjust the pensionable compensation described in subdivision (c) based on the annual changes to the Consumer Price Index for All Urban Consumers: U.S. City Average, calculated by dividing the Consumer Price Index for All Urban Consumers: U.S. City Average, for the month of September in the calendar year preceding the adjustment by the Consumer Price Index for All Urban Consumers: U.S. City Average, for the month of September of the previous year rounded to the nearest thousandth. The adjustment shall be effective annually on January 1, beginning in 2014; and

WHEREAS, the California Actuarial Advisory Panel (the Panel) has been requested to provide a calculation of the PEPRA Pensionable Compensation limit adjustments on an annual basis; and

WHEREAS, the Board believes that SamCERA should use the same calculations as other public retirement systems and such systems will be utilizing the Panel's calculations; therefore, be it

RESOLVED, that the Board directs the Chief Executive Officer to utilize the calculations performed by the California Actuarial Advisory Panel to set the annual pensionable compensation limits for members in General Plan 7 and Safety Plan 7 ("PEPRA" Plans) pursuant to Government Code §7522.10.

Be it further

RESOLVED, that the Chief Executive Officer is hereby empowered to take all actions necessary to insure PEPRA Plan members' Pensionable Compensation does not exceed said limits.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 6.1

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ending January 31, 2014

Staff Recommendation

Review the preliminary performance report dated January 31, 2014.

Background

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

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

Discussion

The fund's net preliminary return for January was -2.01%, while the preliminary trailing twelve month return was +11.3% net (+11.7% gross). The twelve-month net return is lower than SamCERA's Total Plan Policy Benchmark return of 12.0% but above the Actuarial Assumed Earnings Rate of 7.50%. As a reminder, SamCERA should expect performance to vary substantially from that of the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

Most domestic equity indices were down between -2% and -4% for the month, as a flight to quality took place in the capital markets due to growing concerns about global liquidity conditions, particularly in emerging markets. Economic indicators were mixed in January but consistent with a continued recovery. The preliminary 4th quarter GDP estimate was a relatively healthy +3.2%. The Federal Reserve, consistent with market expectations, tapered their bond purchases again in January by \$10 billion.

International equity indices were also down on the month, with developed markets (as measured by MSCI EAFE) down -4.0% and emerging markets down -6.5%.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

The general fixed income market was higher by +1.5% as interest rates (as measured by 10-year Treasuries) decreased by 37 basis points. High yield bonds were up +0.7%, while emerging market bonds were down -1.0%.

Attachments

SIS Market Update

State Street Performance Report

U.S. EQUITY

January 2014 was the first month since June 2013 that markets experienced poor returns. Microcaps, REITS, and bonds were the monthly exceptions all realizing gains.

Growth outperformed Value and Small Caps outperformed Large Caps. The Russell 1000 Growth Index was down -2.9% and the Russell 1000 Value Index down by -3.6% for the month. The Russell 2000 Growth Index was down -1.7% and the Russell 2000 Value was down by -3.9%. The S&P 500 Index ended the month lower by -3.5%.

The S&P 500 Index has a trailing P/E ratio of 17.3, a forward 12-month estimate P/E ratio of 15.2 and dividend yield of 1.95%.

Corporate merger highlights for the month included:

Fiat will buy the remaining shares of Chrysler for \$3.65 billion; T-Mobile will buy spectrum licenses from Verizon Wireless to improve its high-speed wireless services in a deal worth \$3.3 billion; Men's Wearhouse stepped up its efforts to buy Jos. A. Bank taking a newly increased \$1.6 billion offer directly to shareholders; Coated paper maker Verso Paper will buy NewPage Holdings in a deal valued at \$1.4 billion; Forest Laboratories will acquire specialty pharmaceutical company Aptalis for \$2.9 billion; Riverbed Technology rejected Elliott Management's \$3.08 billion offer; Suntory Holdings agreed to a \$16 billion deal to buy Beam Inc., making the Japanese company the world's 3rd largest maker of distilled drinks; Amec, the 2nd largest U.K. oil and gas engineering firm, will buy U.S. Foster Wheeler for \$3.2 billion; Goldcorp launched an unsolicited bid to acquire smaller rival Osisko Mining for \$2.4 billion; Charter Communications offered to buy Time Warner Cable for \$61 billion; Carlyle Group is close to acquiring Johnson & Johnson's blood-testing business for about \$4 billion; Investment firm Apollo will buy the Chuck E. Cheese restaurant chain for \$950 million; Anheuser-Busch InBev is in advanced talks to buy South Korea's Oriental Brewery for more than \$4.5 billion; VMware will buy mobile security company AirWatch in a deal valued at about \$1.5 billion to tap in the rising demand for software security; China's Lenovo will buy IBM's low-end server business for \$2.3 billion; Liberty Global finalized a takeover of Ziggo in a deal that values the Dutch operator and its debt at \$13.7 billion; KKR will buy Sedgwick Claims Management Services, a provider

of insurance claims processing, for \$2.4 billion; and, Google will sell Motorola Mobility to China's Lenovo for \$2.9 billion.

FIXED INCOME

The U.S. economy grew at a 3.2% annual rate in the October-December 2013 quarter on the strength of the strongest consumer spending in three years. The World Bank upgraded its forecast for global growth in 2014 to +3.2%. The International Monetary Fund forecasts that the world economy will grow +3.7% in 2014 and that the U.S. economy will increase +2.8%.

The U.S. Consumer Price Index increased +1.5% for all of 2013.

President Obama is ordering an increase in the federal hourly minimum wage to \$10.10 for workers on new federal government contracts.

For the first three months of the budget year, the Treasury posted a deficit of \$173 billion, down -41% from the same period a year earlier.

The yield on the bellwether 10-year Treasury note rose to 2.73% at the close of January from its December close at 3.04%. At month-end, the 30-year bond yield was 3.67% with the 3-month T-bill at 0.07%. The Barclays Capital US Aggregate Index was up +1.48% in January.

According to Ben Bernanke in his last speech as Fed Chairman, the Fed is no less committed to a highly accommodative policy now that it has begun to trim its bond-buying stimulus program.

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

THE GOOD

*U.S. construction spending climbed to its highest level in nearly five years; it was the eighth straight month that construction spending rose.

*The Commerce Dept. reported that orders for goods produced in U.S. factories jumped 1.8% in November.

*Global IT spending is forecast to grow by +3.1% to \$3.8 trillion this year after a broadly flat 2013.

*The Commerce Dept. reported that the trade gap fell 12.9% to \$34.3 billion in November, the smallest deficit since October 2009.

*U.S. import prices were unchanged in December after declining the prior two months. From a year ago, imported prices were down -1.3%.

*Overall industrial production increased +0.3% in December, a fifth consecutive monthly gain.

*The Conference Board's index of leading indicators rose +0.1% in December suggesting that economic growth will remain steady early in 2014.

*Sales of existing U.S. homes edged up slightly in December, helping to lift sales for 2013 to the highest level in seven years.

*The median sales price of a new home rose by +4.6% to \$270,200 from Dec. 2012 to Dec. 2013.

*U.S. consumer spending rose +0.4% in December as Americans increased their spending at a solid pace for the second straight month even though their income was flat.

THE NOT SO GOOD

*Employers added a scant 74,000 jobs in December, the weakest month of hiring in three years, raising questions about whether the U.S. job market can sustain its recent strong gains.

*The Labor Dept. reported that its seasonally adjusted producer price index rose +0.4% in December, the biggest rise since June, after slipping -0.1% in November.

*The Consumer Price index rose +0.3% in December.

*Durable goods orders dropped -4.3% in December, pulled down by weak demand for transportation equipment, primary metals, computers and capital goods.

The University of Michigan's index of consumer sentiment fell -1.3 points to 81.2 in January.

NON-U.S. MARKETS

Canada's GDP rose by a respectable +0.2% in November which puts the fourth quarter on pace to post a gain around +3.0% (annual rate).

The recovery in the U.K. continues to gain momentum as GDP rose by +0.7% in Q4, the fourth consecutive gain. For 2013 overall, GDP rose by +1.9%, the most in six years.

The latest consumer spending data were downbeat for both Germany and France. However, consumer confidence surveys were generally solid, with signs of improvement in Germany, France, and Italy. Inflation remains low as the January flash estimate for the overall Eurozone slipped a tick to +0.7% year-over-year.

Japanese industrial production in December jumped +1.1%. Output was up a robust +7.3% from a year earlier.

China's manufacturing growth slowed in December for the first time in six months with a PMI index of 51.0 – a reading above 50 signals expansion. China's inflation rate eased in December to +2.5% amid signs that the world's 2nd largest economy may be slowing down.

Non-U.S. Developed equities were lower in January. The MSCI ACWI Ex-U.S. was down -4.5% (US dollars) for the month. International Developed stocks (EAFE) were down -4.0% while Emerging Markets lost -6.5% for the month.

CONCLUSION

The U.S. Federal Reserve met widely held market expectations by tapering again in January. The monetary policy set by the Federal Open Market Committee (FOMC) unanimously voted to reduce the pace of asset purchases by another \$10 billion to \$65 billion per month (\$35 billion in longer-dated Treasuries and \$30 billion in mortgage-backed securities) beginning in February. Moreover, the FOMC signaled that it expected to taper in "further measured steps" at future meetings.

Risk appetites remained under pressure in January 2014. The performance within Emerging Markets continued to suffer as investors began to question the sustainability of growth in an environment of normalizing global liquidity. The slowdown in China was just one concern related to emerging markets. Turkey continued to struggle with negative news flow, as the Lira plummeted to record lows, prompting its Central Bank to dramatically raise rates.

As outflows from both emerging markets equities and bonds continued, there was a definitive sense of nervousness during the month across global equity markets.

The U.S. equity markets have now corrected 5% from the highs made during the first few days of 2014. On average U.S. equity markets correct 5% three times a year. The current 5% correction in January 2014 was the longest the market went (between 5% corrections) since 2006. The market corrects 10% on average every 20 months. U.S. equity markets have been very strong since the lows made in March 2009. It should not be a huge surprise that markets are now correcting.

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Jan-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	-3.16	2.28	-3.16	22.60	19.72	14.18	20.03	5.72	7.32
Russell TOP 200 Index	-3.74	2.01	-3.74	21.59	19.03	14.05	18.33	5.13	6.28
Russell TOP 200 Growth Index	-3.17	2.54	-3.17	24.07	18.39	14.60	19.80	7.40	6.72
Russell TOP 200 Value Index	-4.32	1.48	-4.32	19.18	19.66	13.51	16.80	2.87	5.84
S&P 500 Index	-3.46	2.00	-3.46	21.52	19.12	13.93	19.19	5.37	6.83
Russell 1000 Index	-3.19	2.21	-3.19	22.23	19.60	14.14	19.84	5.66	7.23
Russell 1000 Growth Index	-2.85	2.74	-2.85	24.35	18.76	14.37	20.88	7.40	7.30
Russell 1000 Value Index	-3.55	1.65	-3.55	20.02	20.30	13.82	18.69	3.79	7.01
Russell Mid-Cap Index	-1.95	2.65	-1.95	23.68	20.88	14.32	23.77	7.02	9.69
Russell Mid-Cap Growth Index	-2.17	3.17	-2.17	25.08	19.74	14.03	23.97	7.64	9.17
Russell Mid-Cap Value Index	-1.69	2.07	-1.69	22.14	21.74	14.46	23.41	6.08	9.78
Russell 2000 Index	-2.77	3.12	-2.77	27.03	21.11	14.69	22.26	6.52	8.31
Russell 2000 Growth Index	-1.73	4.40	-1.73	32.13	22.53	16.36	24.10	8.38	8.66
Russell 2000 Value Index	-3.87	1.77	-3.87	22.04	19.64	12.97	20.37	4.58	7.81
DJ US REIT Index	4.06	-1.10	4.06	1.87	7.66	9.22	22.06	0.31	8.23
DJ-UBS US Commodity Index TR	0.30	0.73	0.30	-11.38	-6.39	-8.32	2.70	-3.02	0.72
DJ-UBS US Gold Index TR	3.07	-6.45	3.07	-25.76	-16.12	-3.02	5.23	8.59	10.97

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Jan-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	-4.53	-3.49	-4.53	6.20	10.22	3.65	14.37	1.89	7.36
MSCI AC World Index	-3.98	-0.86	-3.98	13.28	14.37	8.27	16.66	3.55	7.10
MSCI EAFE Index	-4.02	-1.80	-4.02	12.39	15.08	6.35	14.37	1.56	6.80
MSCI Emerging Markets index	-6.47	-9.16	-6.47	-9.85	-1.32	-3.03	15.13	3.26	10.40
ML Global Government Bond Ex. U.S. Index	2.09	-1.74	2.09	-4.11	-5.33	-0.49	2.66	5.21	3.94
Euro	-2.13	-0.81	-2.13	-0.65	1.50	-0.55	1.03	0.53	0.82
Japanese Yen	3.06	-3.80	3.06	-10.52	-13.53	-7.04	-2.51	2.47	0.37
UK Pound Sterling	-0.77	2.29	-0.77	3.66	2.05	0.86	2.65	-2.47	-1.02

US Fixed Income Indices Trailing Performance

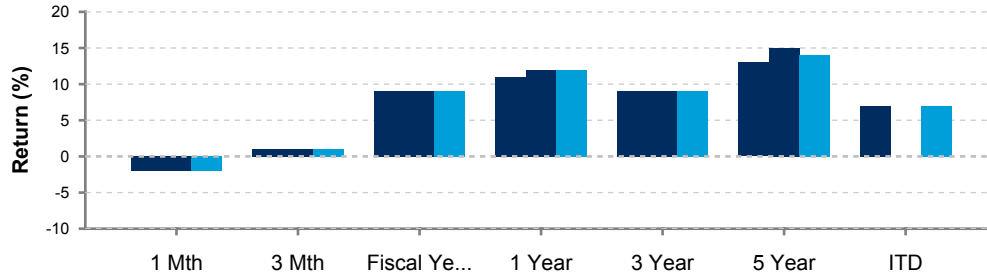
Annualized Performance to Date: Ending Jan-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.03	0.01	0.08	0.10	0.10	0.13	1.02	1.67
BarCap Aggregate Bond Index	1.48	0.53	1.48	0.12	1.35	3.73	4.93	5.14	4.62
ML U.S. Corp/Govt Master Index	1.59	0.50	1.59	-0.30	1.41	4.08	5.15	5.18	4.57
ML U.S. Corporate Master Index	1.78	1.31	1.78	1.03	4.08	5.89	9.24	6.18	5.38
BarCap Mortgage Backed Securities Index	1.56	0.46	1.56	0.63	1.15	2.94	3.98	5.02	4.71
ML U.S. High Yield Master Index	0.74	1.74	0.74	6.73	10.20	8.53	17.41	8.35	8.29
JPM EMBI Global	-1.02	-2.72	-1.02	-6.20	3.78	6.17	11.10	7.15	8.14

San Mateo County Total Fund Characteristics

January 31, 2014



Total Fund Performance

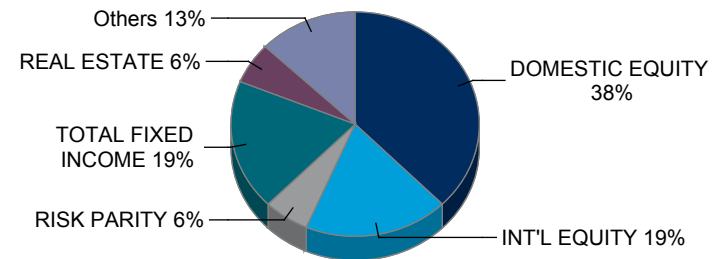


■ TOTAL FUND - Net Mgr
 ■ TOTAL FUND - Total Invested
■ SAMCERA TOTAL PLAN POLICY BENCHMARK

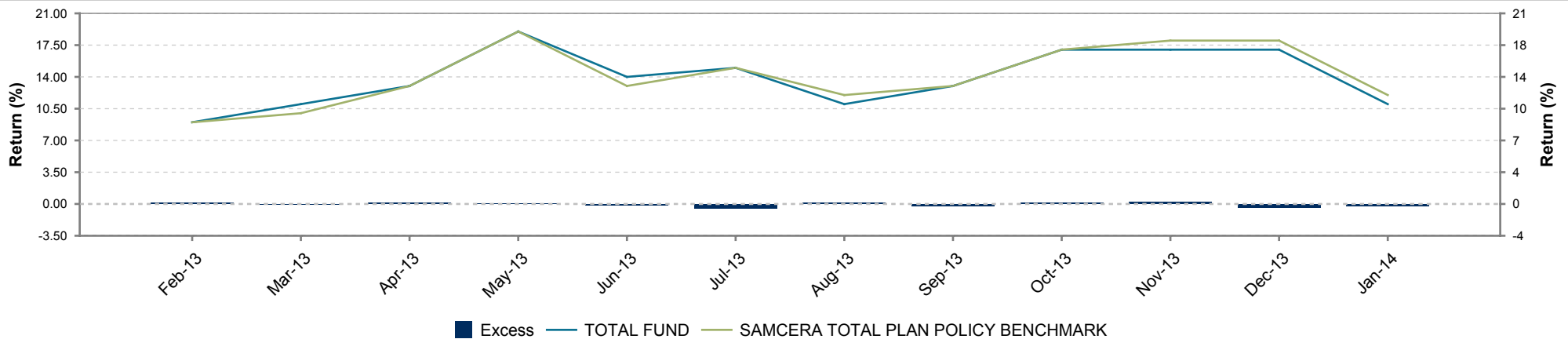
	1-Mth	3-Mth	YTD	Fiscal YTD	1-Yr	3-Yr	5-Yr	10-Yr	ITD
TOTAL FUND - Gross	-2.00	0.60	-2.00	8.84	11.73	9.02	13.39	6.11	6.80
TOTAL FUND - Net Mgr	-2.01	0.52	-2.01	8.60	11.32	8.59	13.05	5.94	6.70
SAMCERA TOTAL PLAN POLICY BENCHMARK	-1.80	0.90	-1.80	9.42	12.01	9.22	14.21	6.86	7.06
Excess	-0.20	-0.38	-0.20	-0.82	-0.69	-0.63	-1.16	-0.91	-0.36

Asset Allocation

	Ending Market Value (\$)	Allocation (%)
DOMESTIC EQUITY	1,153,552,355	37.9
INTERNATIONAL EQUITY	580,826,186	19.1
PRIVATE EQUITY	107,550,085	3.5
RISK PARITY	173,421,406	5.7
HEDGE FUND	117,794,790	3.9
COMMODITIES	83,383,420	2.7
FIXED INCOME	568,197,147	18.6
REAL ESTATE	171,235,984	5.6
CASH	71,225,424	2.3
CLIFTON GROUP - CASH OVERLAY	20,237,628	0.7
TOTAL FUND	3,047,424,427	100.0

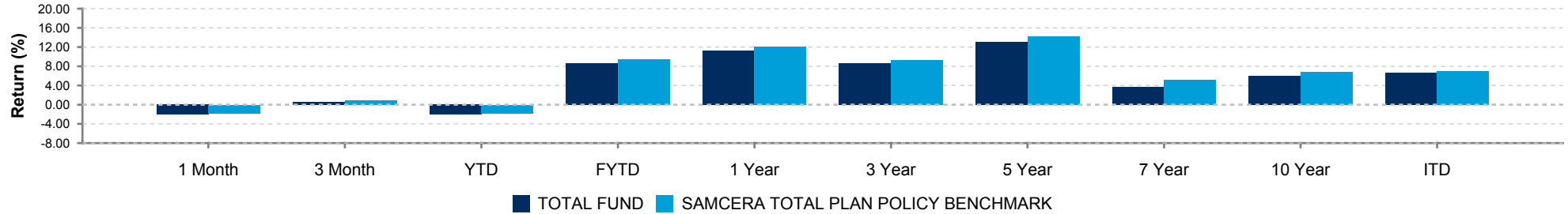


Cumulative Returns



January 31, 2014

Return Comparison



Composite Returns (Net)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
Total Fund	3,047,424,427	-2.01	0.52	-2.01	8.60	11.32	8.59	13.05	3.78	5.94	6.70
SAMCERA TOTAL PLAN POLICY BENCHMARK		-1.80	0.90	-1.80	9.42	12.01	9.22	14.21	5.18	6.86	7.06
Excess		-0.20	-0.38	-0.20	-0.82	-0.69	-0.63	-1.16	-1.40	-0.91	-0.36
Total Equity	1,734,378,541	-3.61	0.36	-3.61	12.11	18.14	10.17	16.92	2.88	6.03	7.61
SAMCERA TOTAL EQUITY BENCHMARK		-3.58	0.38	-3.58	12.68	17.33	10.65	18.35	4.53	7.18	8.05
Excess		-0.03	-0.02	-0.03	-0.57	0.81	-0.47	-1.43	-1.65	-1.15	-0.44
Total Fixed Income	568,197,147	0.51	0.28	0.51	2.83	0.61	5.85	9.17	5.78	5.22	5.94
SAMCERA TOTAL FIXED INCOME BENCHMARK		1.52	0.29	1.52	2.34	-0.93	4.07	5.18	5.32	4.74	5.49
Excess		-1.01	-0.02	-1.01	0.49	1.55	1.78	3.99	0.46	0.49	0.45
Total Risk Parity	173,421,406	0.20	-1.38	0.20	4.10	-3.01					5.54
RISK PARITY BENCHMARK		-1.30	1.63	-1.30	8.78	13.23					9.57
Excess		1.50	-3.01	1.50	-4.68	-16.24					-4.03
Hedge Funds	117,794,790	-0.95	1.62	-0.95	2.30	4.40					2.83
LIBOR + 4%		0.34	1.03	0.34	2.42	4.19					4.22
Excess		-1.29	0.59	-1.29	-0.12	0.21					-1.39
Private Equity	107,550,085	0.10	7.62	0.10	12.38	14.48	-36.97				-49.97
PRIVATE EQUITY BENCHMARK		-2.91	3.03	-2.91	15.33	26.22	17.57				19.74
Excess		3.01	4.58	3.01	-2.95	-11.74	-54.54				-69.71

San Mateo County Composite Return Summary



January 31, 2014

Composite Returns (Net)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
Commodities	83,383,420	-2.34	-2.98	-2.34	-0.53	-10.92					-3.70
DJ-UBS COMMODITY		0.30	0.73	0.30	1.36	-11.40					-9.68
Excess		-2.64	-3.71	-2.64	-1.89	0.48					5.99
Total Real Estate	171,235,984	0.00	3.27	0.00	5.49	13.71	12.80	2.31	2.71	7.40	7.80
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	3.14	0.00	5.81	11.64	12.85	2.97	3.29	7.23	7.97
Excess		0.00	0.13	0.00	-0.32	2.06	-0.06	-0.66	-0.59	0.17	-0.17
Total Cash	71,225,424	0.04	0.10	0.04	0.25	0.45	0.59	0.83	0.91	1.66	2.35
91 DAY TREASURY BILL		0.01	0.03	0.01	0.04	0.08	0.10	0.13	1.03	1.69	2.26
Excess		0.03	0.07	0.03	0.21	0.37	0.50	0.70	-0.13	-0.03	0.09

San Mateo County Manager Return Summary

January 31, 2014



Manager Returns (Net)

	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
TOTAL EQUITY	1,734,378,541	-3.61	0.36	12.11	-3.61	18.14	10.17	16.92	2.88	6.03	7.61
SAMCERA TOTAL EQUITY BENCHMARK		-3.58	0.38	12.68	-3.58	17.33	10.65	18.35	4.53	7.18	8.05
Excess		-0.03	-0.02	-0.57	-0.03	0.81	-0.47	-1.43	-1.65	-1.15	-0.44
TOTAL DOMESTIC EQUITY	1,153,552,355	-3.28	1.99	13.53	-3.28	23.39	13.24	19.59	4.19	6.40	8.15
SAMCERA DOMESTIC EQUITY BENCHMARK		-3.11	2.39	13.81	-3.11	23.20	14.28	20.37	5.88	7.50	8.51
Excess		-0.17	-0.40	-0.28	-0.17	0.19	-1.04	-0.79	-1.69	-1.10	-0.36
LARGE CAP COMPOSITE	919,415,177	-3.31	2.00	12.73	-3.31	22.69	12.82	18.46	4.20	6.44	8.68
Russell 1000		-3.19	2.21	13.13	-3.19	22.23	14.14	19.84	5.66	7.23	9.25
Excess		-0.12	-0.21	-0.40	-0.12	0.46	-1.32	-1.39	-1.46	-0.79	-0.57
DE SHAW INVESTMENT MGT, LLC	136,440,473	-3.21	2.15	12.56	-3.21	22.88	15.10				17.17
Russell 1000		-3.19	2.21	13.13	-3.19	22.23	14.14				16.92
Excess		-0.02	-0.06	-0.56	-0.02	0.65	0.96				0.25
BARROW HANLEY	135,892,239	-3.87	1.39	12.58	-3.87	26.00	14.34				16.96
Russell 1000 Value		-3.55	1.65	10.28	-3.55	20.02	13.82				16.43
Excess		-0.32	-0.26	2.30	-0.32	5.98	0.52				0.53
BLACKROCK S&P 500	509,213,719	-3.46	2.00		-3.46	21.53					21.53
S&P 500		-3.46	2.00	0.00	-3.46	21.52					21.52
Excess		0.00	-0.00		0.00	0.01					0.01
BROWN ADVISORY LARGE GROWTH	137,868,745	-2.33	2.46		-2.33						16.64
Russell 1000 Growth		-2.85	2.74		-2.85						15.92
Excess		0.52	-0.28		0.52						0.72
SMALL CAP COMPOSITE	234,137,178	-3.13	1.96	17.18	-3.13	26.60	15.67	25.02	4.21	6.30	6.76
Russell 2000		-2.77	3.12	16.50	-2.77	27.03	14.69	22.26	6.52	8.30	7.80
Excess		-0.37	-1.15	0.68	-0.37	-0.43	0.97	2.76	-2.31	-2.01	-1.04

San Mateo County Manager Return Summary

January 31, 2014



Manager Returns (Net)

	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
BOSTON COMPANY ASSET MGT, LLC	115,322,104	-3.35	1.66	15.41	-3.35	24.37	15.57				17.96
Russell 2000 Value		-3.87	1.77	13.05	-3.87	22.04	12.97				17.24
Excess		0.52	-0.11	2.36	0.52	2.33	2.60				0.72
CHARTWELL INVESTMENT MGMT	118,815,074	-2.92	2.26	18.95	-2.92	28.83	17.82	25.36	8.07		9.17
Russell 2000 Growth		-1.73	4.40	19.91	-1.73	32.13	16.36	24.10	8.38		8.92
Excess		-1.20	-2.14	-0.96	-1.20	-3.30	1.46	1.25	-0.31		0.25
TOTAL INTERNATIONAL EQUITY	580,826,186	-4.27	-3.22	8.94	-4.27	7.23	3.45	10.98	-0.06	5.67	5.69
MSCI AC WORLD INDEX ex USA		-4.53	-3.49	10.24	-4.53	6.20	3.65	14.37	1.89	7.36	5.78
Excess		0.26	0.27	-1.30	0.26	1.03	-0.20	-3.38	-1.95	-1.69	-0.09
BAILLIE GIFFORD OVERSEAS LIMITED	172,500,576	-4.59	-2.91	10.15	-4.59	10.89					12.72
MSCI ACWI ex US GROWTH (GROSS)		-4.76	-3.43	8.56	-4.76	6.53					8.88
Excess		0.17	0.53	1.59	0.17	4.35					3.84
EATON VANCE MANAGEMENT	56,313,593	-5.04	-6.56	3.03	-5.04	-5.83					-0.02
MSCI Em Markets (USD) GDR		-6.47	-9.16	0.89	-6.47	-9.85					-2.74
Excess		1.43	2.60	2.15	1.43	4.02					2.73
MONDRIAN INVESTMENT PARTNERS	174,201,351	-4.18	-3.75	8.22	-4.18	6.59	4.67	11.97	1.42		6.11
MSCI ACWI EX US VALUE (GROSS)		-4.29	-3.54	11.92	-4.29	5.81	3.50	14.76	1.45		6.42
Excess		0.11	-0.21	-3.70	0.11	0.78	1.17	-2.79	-0.04		-0.30
PYRAMIS	60,711,777	-3.33	-2.35	10.49	-3.33	9.79					9.87
MSCI ACWI ex US Small Cap Gross		-1.91	-0.42	15.46	-1.91	12.93					11.70
Excess		-1.41	-1.93	-4.97	-1.41	-3.15					-1.83
BLACKROCK EAFE EQUITY INDEX	117,004,039	-4.02			-4.02						-4.02
MSCI EAFE (NET)		-4.03			-4.03						-4.03
Excess		0.00			0.00						0.00

San Mateo County Manager Return Summary

January 31, 2014



Manager Returns (Net)

	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
TOTAL FIXED INCOME	568,197,147	0.51	0.28	2.83	0.51	0.61	5.85	9.17	5.78	5.22	5.94
SAMCERA TOTAL FIXED INCOME BENCHMARK		1.52	0.29	2.34	1.52	-0.93	4.07	5.18	5.32	4.74	5.49
Excess		-1.01	-0.02	0.49	-1.01	1.55	1.78	3.99	0.46	0.49	0.45
ANGELO GORDON GECC PPI FUND	19,342										
Barclays BA Intermediate High Yield Index		0.58									
Excess											
ANGELO GORDON MANAGEMENT	36,140,001	1.35	3.03		1.35	13.40					11.35
Barclays BA Intermediate High Yield Index		0.58	1.14		0.58	4.87					5.84
Excess		0.77	1.89		0.77	8.54					5.52
PYRAMIS GLOBAL ADVISORS	149,519,997	1.61	0.79	2.62	1.61	0.72	4.60	7.64	5.60		5.47
Barclays Aggregate Bond		1.48	0.53	1.91	1.48	0.12	3.73	4.93	5.14		5.03
Excess		0.14	0.26	0.70	0.14	0.59	0.88	2.71	0.46		0.43
WESTERN ASSET MGMT	119,987,730	1.39	0.46	2.95	1.39	0.44	5.07	8.82	5.60		5.27
Barclays Aggregate Bond		1.48	0.53	1.91	1.48	0.12	3.73	4.93	5.14		4.62
Excess		-0.09	-0.06	1.03	-0.09	0.31	1.34	3.89	0.46		0.65
BRIGADE CAPITAL MANAGEMENT	62,904,330	0.54	1.57	5.57	0.54	6.08	8.80				9.70
Barclays BA Intermediate High Yield Index		0.58	1.14	5.69	0.58	4.87	8.02				8.84
Excess		-0.04	0.44	-0.12	-0.04	1.22	0.78				0.86
BROWN BROTHERS HARRIMAN & CO	77,712,428	1.25	-0.75	0.22	1.25	-6.69	4.29				4.14
Barclays US TIPS Index		2.17	-0.62	0.60	2.17	-6.58	4.22				4.14
Excess		-0.92	-0.14	-0.38	-0.92	-0.11	0.08				-0.00
FRANKLIN TEMPLETON INVESTMENTS	121,913,319	-2.33	-1.30	2.07	-2.33	-0.21	7.29				6.27
Barclays Multiverse		1.00	-0.30	3.59	1.00	-0.40	2.93				2.93
Excess		-3.33	-1.00	-1.52	-3.33	0.19	4.36				3.34

San Mateo County Manager Return Summary

January 31, 2014



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
TOTAL PRIVATE EQUITY	107,550,085	0.10	7.62	12.38	0.10	14.48	-36.97				-49.97
PRIVATE EQUITY BENCHMARK			-2.91	3.03	15.33	-2.91	26.22	17.57			19.74
Excess		3.01	4.58	-2.95	3.01	-11.74	-54.54				-69.71
TOTAL RISK PARITY	173,421,406	0.20	-1.38	4.10	0.20	-3.01					5.54
RISK PARITY BENCHMARK			-1.30	1.63	8.78	-1.30	13.23				9.57
Excess		1.50	-3.01	-4.68	1.50	-16.24					-4.03
AQR GLOBAL RISK PREM III LP	173,421,406	0.20	-1.38	4.10	0.20	-3.01					5.54
RISK PARITY BENCHMARK			-1.30	1.63	8.78	-1.30	13.23				9.57
Excess		1.50	-3.01	-4.68	1.50	-16.24					-4.03
HEDGE FUND COMPOSITE	117,794,790	-0.95	1.62	2.30	-0.95	4.40					2.83
LIBOR + 4%			0.34	1.03	2.42	0.34	4.19				4.22
Excess		-1.29	0.59	-0.12	-1.29	0.21					-1.39
AQR DELTA FUND II, L.P.	117,794,790	-0.95	1.62	2.30	-0.95	4.40					2.83
LIBOR + 4%			0.34	1.03	2.42	0.34	4.19				4.22
Excess		-1.29	0.59	-0.12	-1.29	0.21					-1.39
TOTAL COMMODITIES	83,383,420	-2.34	-2.98	-0.53	-2.34	-10.92					-3.70
DJ-UBS COMMODITY			0.30	0.73	1.36	0.30	-11.40				-9.68
Excess		-2.64	-3.71	-1.89	-2.64	0.48					5.99
SSGA MULTISOURCE ACT COMM NL	83,383,420	-2.34	-2.98	-0.53	-2.34	-10.92					-3.70
DJ-UBS COMMODITY			0.30	0.73	1.36	0.30	-11.40				-9.68
Excess		-2.64	-3.71	-1.89	-2.64	0.48					5.99
TOTAL REAL ESTATE	171,235,984	0.00	3.27	5.49	0.00	13.71	12.80	2.31	2.71	7.40	7.80
SAMCERA NCREIF NFI ODCE EW (Gross)			0.00	3.14	5.81	0.00	11.64	12.85	2.97	3.29	7.23
Excess		0.00	0.13	-0.32	0.00	2.06	-0.06	-0.66	-0.59	0.17	-0.17

**San Mateo County
Manager Return Summary**

January 31, 2014



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
INVESCO REAL ESTATE	171,235,984	0.00	3.27	5.49	0.00	13.82	12.76	2.32	2.71		6.57
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	3.14	5.81	0.00	11.64	12.85	2.97	3.29		6.74
Excess		0.00	0.13	-0.32	0.00	2.18	-0.09	-0.65	-0.58		-0.17
TOTAL CASH	71,225,424	0.04	0.10	0.25	0.04	0.45	0.59	0.83	0.91	1.66	2.35
91 DAY TREASURY BILL		0.01	0.03	0.04	0.01	0.08	0.10	0.13	1.03	1.69	2.26
Excess		0.03	0.07	0.21	0.03	0.37	0.50	0.70	-0.13	-0.03	0.09
SAMCERA GENERAL ACCOUNT	58,341,509	0.00	0.01	0.03	0.00	0.07	0.22	0.25	1.24	1.87	2.37
SAMCERA TREASURY & LAIF	12,883,916	0.04	0.13	0.31	0.04	0.55	0.79	0.97	0.90	1.53	
CLIFTON GROUP - CASH OVERLAY	20,237,628	0.00	0.01		0.00						0.02
91 DAY TREASURY BILL		0.01	0.03		0.01						0.03
Excess		-0.00	-0.01		-0.00						-0.00
TOTAL FUND	3,047,424,427	-2.01	0.52	8.60	-2.01	11.32	8.59	13.05	3.78	5.94	6.70
SAMCERA TOTAL PLAN POLICY BENCHMARK		-1.80	0.90	9.42	-1.80	12.01	9.22	14.21	5.18	6.86	7.06
Excess		-0.20	-0.38	-0.82	-0.20	-0.69	-0.63	-1.16	-1.40	-0.91	-0.36

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

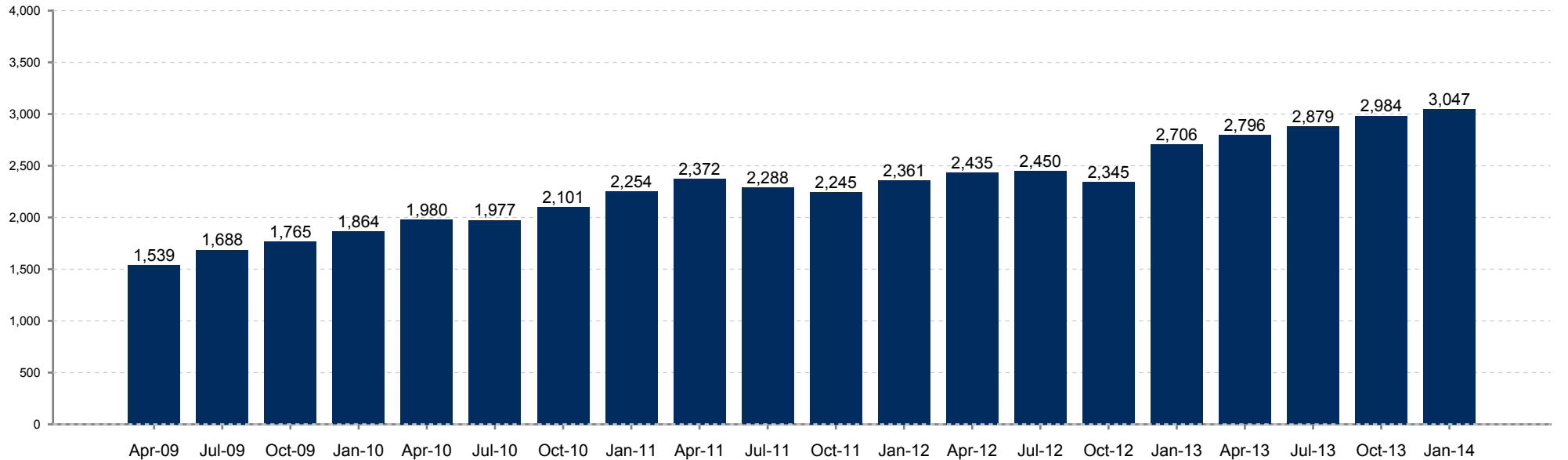
January 31, 2014



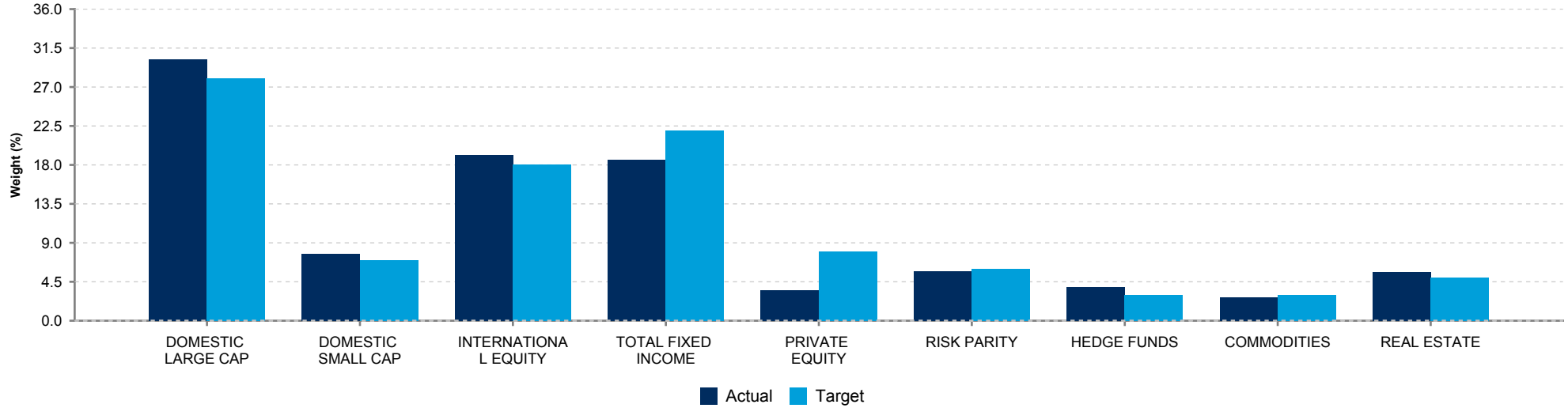
Record of Asset Growth

	One Quarter	One Year
TOTAL FUND		
Beginning Market Value	2,984,031,494	2,706,448,281
Contributions	639,478,287	1,745,887,054
Withdrawals	593,326,256	1,720,486,402
Income Received	7,938,622	36,447,903
Gain/Loss	9,302,279	279,127,591
Ending Market Value	3,047,424,427	3,047,424,427

Net Asset Values over Time (\$000)



Actual vs Target Weights

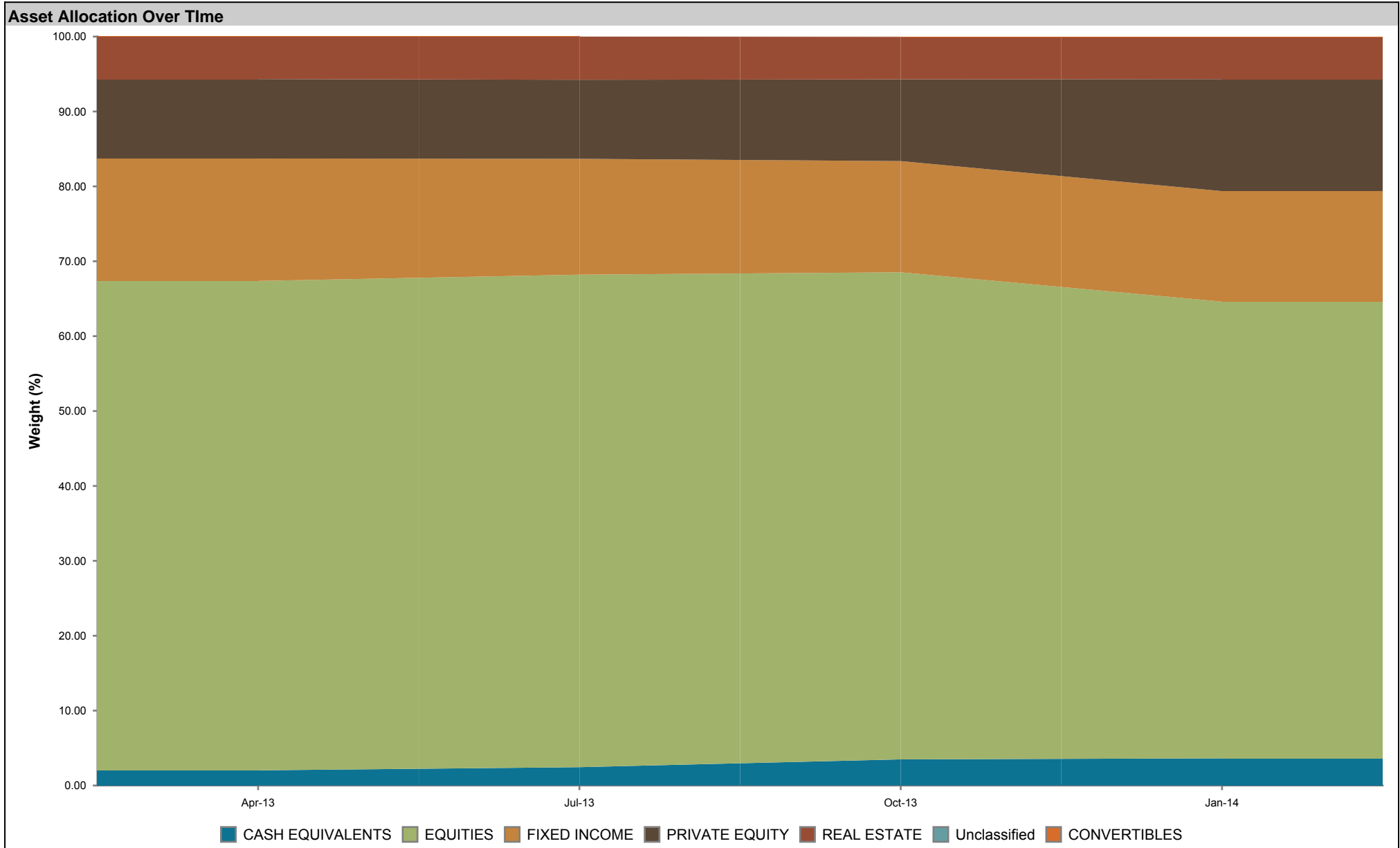


% Portfolio Weight

	Min	Actual	Target	Deviation	Max
DOMESTIC LARGE CAP	26.0	30.2	28.0	2.2	30.0
DOMESTIC SMALL CAP	5.0	7.7	7.0	0.7	9.0
TOTAL INTERNATIONAL EQUITY	15.0	19.1	18.0	1.1	21.0
TOTAL FIXED INCOME	19.0	18.6	22.0	-3.4	25.0
PRIVATE EQUITY	8.0	3.5	8.0	-4.5	8.0
RISK PARITY	6.0	5.7	6.0	-0.3	6.0
HEDGE FUNDS	3.0	3.9	3.0	0.9	3.0
COMMODITIES	3.0	2.7	3.0	-0.3	3.0
REAL ESTATE	3.0	5.6	5.0	0.6	7.0

San Mateo County Asset Allocation Over Time

January 31, 2014

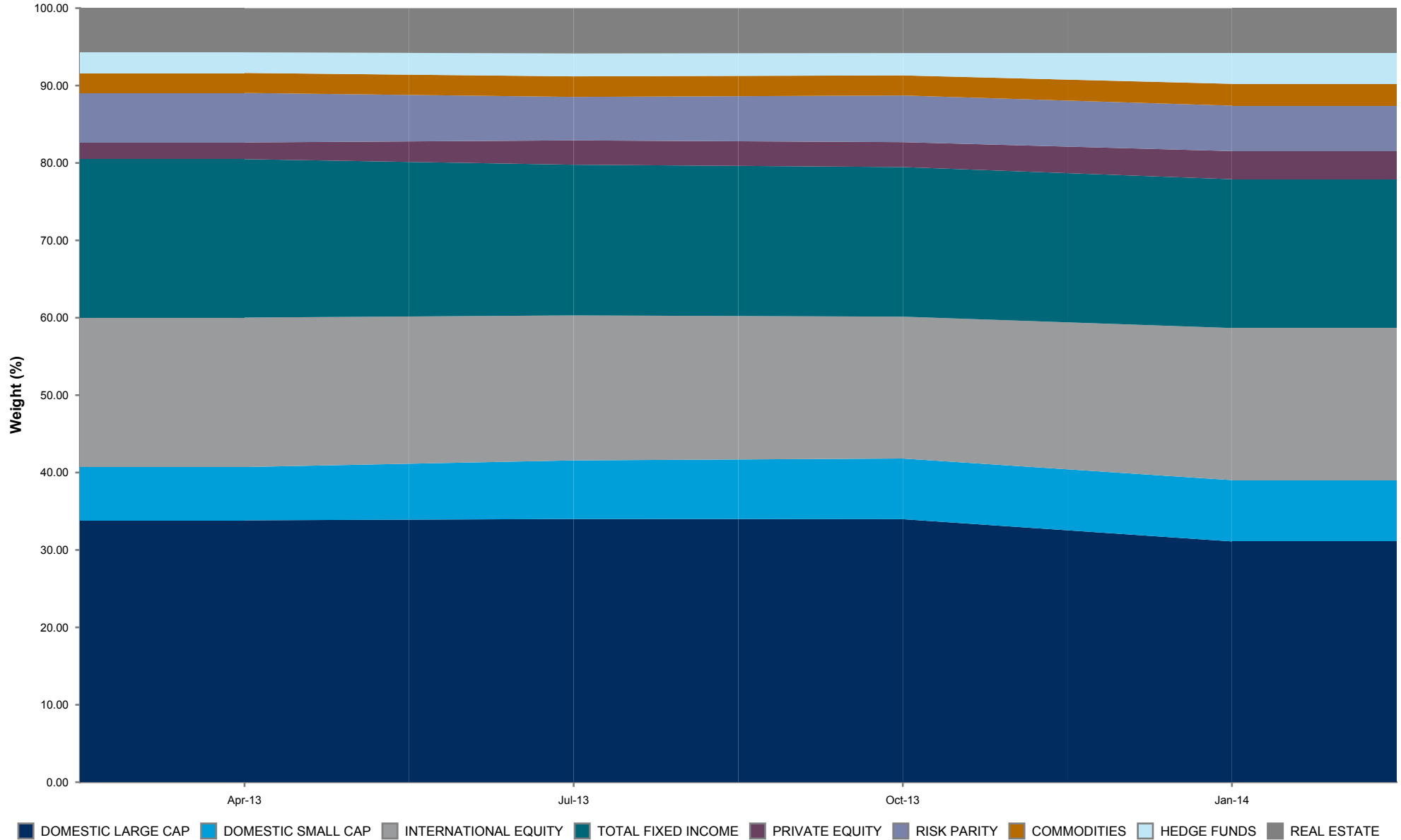


San Mateo County
Sub-Asset Class Allocation Over Time

January 31, 2014



Sub-Asset Class Allocation Over Time



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 6.2

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Quarterly Investment Performance Report for the Period Ending December 31, 2013

Staff Recommendation

Review Strategic Investment Solutions' Quarterly Performance Report for the period ending December 31, 2013.

Discussion

The 4th quarter net total return for the SamCERA portfolio was +5.7%, which was 10 bps higher than the +5.6% policy benchmark return. As can be seen on pages 11 and 12, SamCERA's Fixed Income, Hedge Fund and International Equity composites were the primary sources of outperformance, while our U.S. Equity and Risk Parity composites were the primary sources of underperformance.

For the calendar year ending December 31, 2013, the net total return for the SamCERA portfolio was +17.4%, which was 50 bps lower than the +17.9% policy benchmark return. As can be seen on pages 13 and 14, SamCERA's Private Equity, Risk Parity and International Equity composites were the primary sources of underperformance, while our Fixed Income and Hedge Fund composites were the primary sources of outperformance.

Patrick Thomas and Jonathan Brody will present the entire report to the Board and will be available for questions.

Attachments

- A. *SIS Quarterly Performance Report Ending 12/31/2013*



SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

INVESTMENT PERFORMANCE ANALYSIS

FOURTH QUARTER 2013

STRATEGIC INVESTMENT SOLUTIONS, INC.

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



	SECTION
Total Fund	I
US Equity.....	II
International Equity	III
Fixed Income	IV
Alternatives	V
Real Estate	VI
Appendix	

- Improvements in economic fundamentals in the US and confidence that the Federal Reserve can taper while maintaining low rates through forward guidance led to broad increases in the major indices during the fourth quarter. This led to a 10.5% rise in the S&P 500 total return index in the fourth quarter, despite fears over policy uncertainty during the US government shutdown.
- Sentiment also improved for emerging market equities on aggregate. The MSCI EM Net Return Index rose 1.8% during the fourth quarter.
- In the Eurozone, the European Central Bank cut interest rates 25 bps to 0.25% as a result of weakening inflation expectations. Improved sentiment and loose monetary policy helped to lift Europe ex-UK in the fourth quarter, where equities rose 8.1%. The euro rose 1.8% against the dollar in the fourth quarter, driven by strong economic fundamentals.
- The yen fell 6.7% in the fourth quarter as monetary easing in the form of Abenomics continued.
- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. With confidence declining among North American institutions, the Global ICI fell 5.4 points during the quarter to 95.9 in December and still remains below the neutral level of 100.
- For the period ending 12/31/2013, the one-quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one-quarter lag), were -0.7% and 2.6%; one-year, 2.5% and 11.0%; three-year, 9.4% and 12.7% and five-year, 16.5% and 3.4%.
- Preliminary results for 2013 indicate that US commercial real estate witnessed increased demand across all property sectors; this demand was driven by increasing employment, the recovery of the housing markets, the strong stock markets and a US economy picking up speed. Supply of new commercial real estate continued to be constrained.
- At the same time, REIT prices in the US were impacted by the increase in Treasury yields and an expectation that interest rates will continue to rise with the tapering of the quantitative easing program of the Fed.

- The Total Fund returned 5.9% in the fourth quarter of 2013 and ranked 17th among other public plans great than \$1 billion (median of 4.7%). It beat the policy index return of 5.6%. The Total Fund w/o Overlay was 5.8% for the quarter. The Clifton Overlay strategy was funded August 2013. The one year return of 17.8% was behind the policy index return of 17.9% and ranked in 22nd percentile of its peer universe. The three-year return of 10.3% (24th percentile) was above median among large public plans (9.6%).

- Fourth quarter results were enhanced by the following factors:
 1. Hedge fund strategy AQR DELTA Fund II beat the LIBOR +4% (4.8% vs. 1.0%). It ranked in the second quartile among other hedge fund multi-strategy accounts (median of 2.4%). Equity market neutral (+1.6%), dedicated short bias (+1.3%) and long/short equity (+1.2%) strategies performed with strongest results.
 2. The Angelo Gordon STAR Fund appreciated 3.5% (preliminary quarterly return) while the Barclays Aggregate was down 0.1%.
 3. Franklin Templeton appreciated 3.6% and ranked in the top quartile among global bond managers (median of 1.0%). The Barclays Multiverse Index was down 0.3%. A net-negative position in the Japanese yen and overweight to currency positions in Asia ex-Japan, plus select duration exposures in Europe, contributed to results.
 4. The opportunistic credit high yield manager, Brigade Capital, beat its benchmark, the Barclays BAA Credit Index (2.5% vs. 1.3%). The median high yield quarterly return was 3.5%. Long high yield and distressed debt positions were top contributors to performance during the quarter.
 5. Eaton Vance led the MSCI Emerging Markets Index (2.8% vs. 1.9%) and ranked at its peers median (2.8%). Key drivers to quarterly performance were its underweight to Brazil, exposure to UAE and overweight to Egypt.
 6. Western Asset Management's quarter was above par. It carried a return of 0.5% and ranked above the core bond manager median of 0.2%. The Barclays Aggregate Index returned -0.1%. Its mortgage, select high yield and corporates exposure and short position in the Japanese yen created performance alpha.

7. Mondrian returned 5.4%, led the MSCI ACWI ex US Value (4.9%) and ranked in the 67th percentile among its ACWI ex US Value equity peers (5.9% median). Performance results were enhanced by stock selection in Japan and Switzerland and an underweight position in the weak Japanese yen. Passive manager BlackRock EAFE Index was funded in December.
8. Brown Brothers Harriman lost 1.6%, outpaced the Barclays US TIPS Index (-2.0%) and ranked in the second quartile among inflation linked bond accounts (median of 1.9%).
9. The Pyramis Broad Market Duration Fund added 0.2% to its value and ranked in the 52nd percentile among core bond managers (median of 0.2%). The Barclays Aggregate Index was down 0.1% for the quarter. An overweight to the financial sector and CMBS were additive to relative performance.
10. Commodities manager SSgA Multisource beat its benchmark, DJ UBS Commodities Index (-0.8% vs. -1.1%). The S&P GSCI quarterly return was -0.3%.
11. The Invesco Core Real Estate-USA Fund returned 3.4% for the quarter and above par with the NCREIF ODCE Index (3.2%). As of quarter end, the portfolio was 92.7% leased, up 110 bps from the prior quarter.
12. The Pyramis Select International Small Cap Plus quarterly portfolio result of 4.8% was above the MSCI ACWI ex US Small Cap (4.7%), and ranked in the 84th percentile among ACWI ex US small cap managers. Holdings in the Singapore and Norway lifted relative performance. Healthcare (Hikma Pharmaceuticals) and industrials (Regus) were two of the primary sector contributors.
13. The Treasury and LAIF account added 0.1% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.
14. The BlackRock S&P 500 Index Fund (10.5%) matched its benchmark and ranked above the large cap core median of 10.3%.

- Fourth quarter results were hindered by the following factors:
 1. AQR Global Risk Premium III was up 1.8% while its custom benchmark was 5.9%. Fourth quarter gross return attribution is as follows: equity (2.2%), nominal interest rates (-1.2%), inflation (-0.9%) and credit/default (1.7%).
 2. Brown Advisory was outpaced by the Russell 1000 Growth Index (8.5% vs. 10.4%) and ranked in the bottom quartile among large cap growth managers (median of 11.0%). Select Industrial (Stericycle) and Consumer Discretionary (Whole Foods Market, Starbucks) stocks and overweight to Energy hurt performance.
 3. Baillie Gifford lagged its benchmark, the MSCI EAFE Index (4.6% vs. 5.7%). It ranked in the bottom quartile among EAFE growth equity managers (median of 6.5%). Owning Korean Standard Chartered Bank and British Imagination Technologies had been a burden during the quarter.
 4. DE Shaw's return of 9.6% ranked in the third quartile among large cap core equity managers (10.3% median), and was behind its benchmark, the Russell 1000 Index (10.2%). Investments in the Consumer Staples and Healthcare sectors hurt quarterly results.
 5. Chartwell added less value, 7.8%, than the Russell 2000 Growth Index, 8.2%. Chartwell ranked in 68th percentile among small cap growth managers (median of 8.8%). Negative performance alpha was mainly derived from its intra-quarter trading and Healthcare (Coronado Biosciences, MedAssets, Infinity Pharmaceuticals), Energy (Approach Resources) and Consumer Discretionary (Wet Seal, K12, Express) stock selection.
 6. Barrow Hanley's return of 9.8% was behind the Russell 1000 Value Index (10.0%) and ranked in the third quartile among large cap value equity managers (median of 9.9%). Performance was dampened by its security selection in the Energy sector (Seadrill, Noble, Marathon Oil, National Oilwell Varco).
 7. The Boston Company returned 9.1%, versus 9.3% for the Russell 2000 Value Index, and ranked in the 63rd percentile among its small cap value peers (median 9.8%). Negative attributes include stock selection the Industrials sector and intra-quarter trading.
 8. Private Equity investments appreciated 10.6% for the quarter. The Russell 3000 +3% Index was up 10.8%.

Periods Ending December 31, 2013

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		10 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
TOTAL FUND - Gross **	5.9	17	11.2	20	17.8	22	15.7	22	10.3	24	12.7	46	6.6	66
TOTAL FUND - Net	5.7		11.0		17.4		15.3		9.9		12.3		6.2	
<i>Policy Index¹</i>	5.6	25	11.5	17	17.9	20	15.5	23	10.3	23	13.2	27	7.2	34
<i>Allocation Index</i>	5.8	22	11.8	15	18.1	16								
TOTAL FUND ex OVERLAY - Gross	5.8	23	11.1	23	17.7	22	15.7	22	10.3	28	12.6	47	6.5	67
TOTAL FUND ex OVERLAY - Net	5.7		10.9		17.3		15.3		9.8		12.2		6.2	
<i>Policy Index¹</i>	5.6	25	11.5	17	17.9	20	15.5	23	10.3	23	13.2	27	7.2	34
<i>IFx Public DB > \$1B Gross Median</i>	4.7		10.1		15.0		14.0		9.6		12.6		7.0	
TOTAL EQUITY	8.2	54	16.5	65	29.1	49	22.3	56	12.7	62	16.1	73	7.1	69
<i>Blended Equity Index²</i>	8.2	54	16.8	55	27.8	60	22.2	59	12.5	65	17.0	54	7.8	49
<i>IFx All DB Total Eq Gross Median</i>	8.3		17.0		29.0		22.6		13.1		17.1		7.8	
US EQUITY COMPOSITE	9.6	71	17.6	49	35.0	37	25.3	41	16.0	58	18.9	54	7.4	83
<i>80% Russell 1000/20% Russell 2000²</i>	9.9	55	17.5	54	34.3	53	25.0	47	16.2	50	18.9	55	8.1	57
<i>IFx All DB US Eq Gross Median</i>	10.0		17.5		34.4		24.9		16.2		19.1		8.2	
LARGE CAP COMPOSITE	9.9		16.8		33.8		24.7		15.5		17.7		7.3	
<i>Russell 1000 Index</i>	10.2		16.9		33.1		24.5		16.3		18.6		7.8	
DE Shaw - Gross	9.6	72	16.9	56	34.8	33	26.8	14	17.9	18				
DE Shaw - Net	9.5		16.6		34.2		26.2		17.3					
<i>Russell 1000 Index</i>	10.2	52	16.9	56	33.1	49	24.5	42	16.3	48				

* Total Fund and asset class aggregates are ranked in InvestorForce (IF) universes. Managers are ranked in eVestment Alliance (eA) manager universes.

** Includes Clifton Overlay manager funded in August 2013.

1. Effective 2/1/13, Policy Index is 28% Russell 1000/ 7% Russell 2000/ 18% MSCI ACWI ex US/ 11% BC Aggregate/ 3.52% BC BAA/ 3.08% BC Tips/ 4.4% BC Multi-verse/ 5% NCREIF NFI ODCE/ 8% Russell 3000 + 3%/ 6% (60% Russell 3000/40% BC Aggregate)/ 3% Libor +4%/ 3% DJ UBS Commodity.

2. See Appendix for Benchmark History.

San Mateo County Employees' Retirement Association

Performance Summary

Periods Ending December 31, 2013

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		10 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
BlackRock S&P 500 Index - Gross ³	10.5	41	16.3	64										
BlackRock S&P 500 Index - Net	10.5		16.3											
<i>S&P 500 Index</i>	<i>10.5</i>	<i>41</i>	<i>16.3</i>	<i>65</i>										
Barrow Hanley - Gross	9.8	53	17.9	19	39.1	15	27.0	24	17.9	20				
Barrow Hanley - Net	9.7		17.6		38.5		26.5		17.4					
<i>Russell 1000 Value Index</i>	<i>10.0</i>	<i>48</i>	<i>14.3</i>	<i>72</i>	<i>32.5</i>	<i>60</i>	<i>24.8</i>	<i>46</i>	<i>16.1</i>	<i>49</i>				
Brown Advisory - Gross ³	8.5	92	17.3	85										
Brown Advisory - Net	8.4		17.0											
<i>Russell 1000 Growth Index</i>	<i>10.4</i>	<i>60</i>	<i>19.4</i>	<i>67</i>										
SMALL CAP COMPOSITE	8.5		21.4		40.6		28.0		18.2		24.2		7.9	
<i>Russell 2000 Index</i>	<i>8.7</i>		<i>19.8</i>		<i>38.8</i>		<i>27.1</i>		<i>15.7</i>		<i>20.1</i>		<i>9.1</i>	
The Boston Company - Gross	9.1	63	19.9	44	37.6	56	28.3	46	17.7	33				
The Boston Company - Net	8.9		19.4		36.5		27.3		16.8					
<i>Russell 2000 Value Index</i>	<i>9.3</i>	<i>61</i>	<i>17.6</i>	<i>78</i>	<i>34.5</i>	<i>78</i>	<i>26.0</i>	<i>67</i>	<i>14.5</i>	<i>78</i>				
Chartwell - Gross	7.8	68	23.0	55	42.4	77	29.5	51	20.5	27	25.1	43		
Chartwell - Net	7.6		22.5		41.4		28.5		19.6		24.2			
<i>Russell 2000 Growth Index</i>	<i>8.2</i>	<i>60</i>	<i>22.0</i>	<i>67</i>	<i>43.3</i>	<i>70</i>	<i>28.1</i>	<i>63</i>	<i>16.8</i>	<i>73</i>	<i>22.6</i>	<i>76</i>		
INTERNATIONAL EQUITY	5.1	59	14.0	81	17.1	57	15.9	82	5.6	73	9.9	92	6.7	70
<i>MSCI ACWI ex US Gross²</i>	<i>4.8</i>	<i>69</i>	<i>15.5</i>	<i>59</i>	<i>15.8</i>	<i>70</i>	<i>16.6</i>	<i>72</i>	<i>5.6</i>	<i>74</i>	<i>13.3</i>	<i>45</i>	<i>8.0</i>	<i>38</i>
<i>MSCI EAFE Index Gross</i>	<i>5.7</i>	<i>39</i>	<i>18.0</i>	<i>19</i>	<i>23.3</i>	<i>17</i>	<i>20.6</i>	<i>23</i>	<i>8.7</i>	<i>20</i>	<i>13.0</i>	<i>51</i>	<i>7.4</i>	<i>51</i>
IFx All DB ex-US Eq Gross Median	5.4		16.0		18.0		18.4		6.8		13.0		7.4	

2. See Appendix for Benchmark History.

3. BlackRock S&P 500 Index funded in January 2013. Brown Advisory funded in April 2013.

Performance Summary

Periods Ending December 31, 2013

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		10 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
DEVELOPED MARKETS	5.4	64	14.7	87	19.4	62	17.0	78	6.3	71	10.3	83	6.9	65
<i>MSCI ACWI -ex US Gross</i>	4.8	83	15.5	73	15.8	84	16.6	82	5.6	78	13.3	46	8.0	28
<i>IFx All DB Dev Mkt ex-US Eq Gross Median</i>	5.6		16.5		20.9		19.1		8.0		13.0		7.2	
Baillie Gifford - Gross	4.6	87	15.7	72	22.7	56								
Baillie Gifford - Net	4.4		15.4		22.1									
<i>MSCI EAFE Index Gross</i>	5.7	70	18.0	52	23.3	48								
<i>MSCI EAFE Growth Index Gross</i>	5.2	82	16.2	66	22.9	49								
BlackRock EAFE Index - Gross ⁴														
BlackRock EAFE Index - Net														
<i>MSCI EAFE Index Net</i>														
<i>MSCI EAFE Index Gross</i>														
Mondrian - Gross	5.4	67	13.2	83	16.4	70	13.9	92	7.3	66	10.9	89		
Mondrian - Net	5.3		13.0		16.2		13.7		7.1		10.7			
<i>MSCI ACWI ex US Value Gross</i>	4.9	84	16.9	43	15.7	81	16.7	77	5.9	79	13.3	50		
<i>MSCI ACWI ex US Gross</i>	4.8	86	15.5	60	15.8	78	16.6	77	5.6	79	13.3	50		
Pyramis Equity - Gross	4.8	84	14.8	90	18.1	99								
Pyramis Equity - Net	4.5		14.3		17.1									
<i>MSCI ACWI ex US Small Cap Gross</i>	4.7	86	17.7	67	20.1	98								
EMERGING MARKETS	2.8	20	8.8	22	2.0	16								
<i>MSCI Emerging Markets Index Gross</i>	1.9	44	7.9	46	-2.3	44								
<i>IFx All DB Emg Mkt Eq Gross Median</i>	1.6		7.3		-2.6									

4. BlackRock EAFE Index funded in December 2013.

Performance Summary

Periods Ending December 31, 2013

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		10 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Eaton Vance Management - Gross	2.8	50	8.8	49	2.0	41								
Eaton Vance Management - Net	2.6		8.2		1.2									
<i>MSCI Emerging Markets Index Gross</i>	1.9	70	7.9	63	-2.3	78								
TOTAL FIXED INCOME⁵	1.2	20	2.3	20	1.0	22	6.6	12	6.2	30	9.5	24	5.5	57
<i>Blended Fixed Index²</i>	-0.2	83	0.9	55	-3.0	76	1.3	77	3.6	76	4.7	86	4.7	77
<i>IFx All DB Total Fix Inc Gross Median</i>	0.4		1.0		-1.3		3.0		4.9		7.0		5.7	
US FIXED INCOME	0.5	37	1.7	27	0.0	27	5.2	16	5.7	33	9.3	16	5.4	48
<i>Blended US Fixed Index²</i>	-0.2	83	0.5	70	-3.2	76	1.3	76	3.9	70	4.8	82	4.7	76
<i>IFx All DB US Fix Inc Gross Median</i>	0.3		0.9		-1.4		2.6		4.6		6.9		5.3	
CORE FIXED	0.3		1.2		-1.1		3.3		4.8					
<i>Barclays Aggregate Index</i>	-0.1		0.4		-2.0		1.0		3.3					
Pyramis Bond - Gross	0.2	52	1.1	28	-1.2	41	2.6	33	4.4	34	7.7	9		
Pyramis Bond - Net	0.1		1.0		-1.4		2.4		4.2		7.5			
Western Asset - Gross	0.5	17	1.3	14	-1.0	34	3.9	8	5.1	9	8.9	3		
Western Asset - Net	0.4		1.2		-1.3		3.6		4.8		8.6			
<i>Barclays Aggregate Index</i>	-0.1	84	0.4	83	-2.0	82	1.0	91	3.3	88	4.4	87		
TIPS														
Brown Brothers Harriman - Gross	-1.6	35	-0.9	38	-8.4	59	-0.6	44	4.1	15				
Brown Brothers Harriman - Net	-1.7		-1.0		-8.5		-0.8		3.9					
<i>Barclays US TIPS Index</i>	-2.0	70	-1.3	77	-8.6	76	-1.1	82	3.5	65				
OPPORTUNISTIC CREDIT⁵	3.0		5.3		11.7		18.0		11.4					
<i>Barclays Credit BAA</i>	1.3		2.1		-2.1		4.4		6.1					

2. See Appendix for Benchmark History.

5. Angelo Gordon PPIP was liquidated in June 2013 with holdback set aside for expenses. Full liquidation by May 2014.

Performance Summary

Periods Ending December 31, 2013

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		10 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Angelo Gordon STAR - Net ^{6,7}	3.5		5.3		17.4									
<i>Barclays Aggregate Index</i>	-0.1		0.4		-2.0									
Brigade Capital - Gross	2.5	89	5.0	84	7.3	58	11.6	49	9.7	31				
Brigade Capital - Net	2.3		4.8		7.1		11.4		9.4					
<i>Barclays Credit BAA Index</i>	1.3	99	2.1	99	-2.1	99	4.4	99	6.1	96				
<i>50% Barclays HY /50% Bank Loan Index</i>	2.7	86	4.6	90	6.8	69	9.7	83	7.5	91				
GLOBAL FIXED INCOME	3.6	3	4.7	6	4.5	6	12.4	1	7.6	11				
<i>Barclays Multi-verse Index</i>	-0.3	60	2.6	41	-2.2	46	1.3	70	2.7	74				
<i>IFx All DB Gbl Fix Inc Gross Median</i>	0.0		2.1		-2.9		3.5		4.7					
Franklin Templeton - Gross	3.6	14	4.7	31	4.5	24	12.4	14	7.6	19				
Franklin Templeton - Net	3.5		4.5		4.1		12.0		7.2					
<i>Barclays Multi-verse Index</i>	-0.3	81	2.6	57	-2.2	71	1.3	80	2.7	83				
ALTERNATIVES	4.2		5.6		2.4		7.4							
<i>Alternatives Allocation Index</i>	4.7		8.6		12.4		9.9							
PRIVATE EQUITY	10.6	1	12.2	1	15.3	15	15.6	7	-43.4	99				
<i>Russell 3000 + 3% Index</i>	10.8	1	18.9	1	36.6	1	27.7	1	19.3	2				
<i>IFx All DB Private Eq Net Median</i>	0.2		3.5		8.9		9.3		9.5					
RISK PARITY														
AQR Global Risk Premium III - Gross	1.8		4.1		-2.1		6.5							
AQR Global Risk Premium III - Net	1.7		3.9		-2.5		6.1							
<i>60/40 R3000/Barclays Aggregate Index</i>	5.9		10.2		18.2		14.8							

6. Returns are reported net of management fees only.

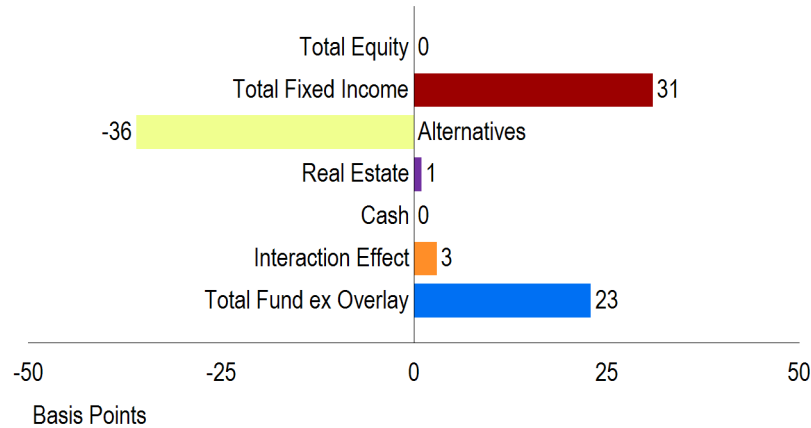
7. Preliminary returns as of 12/31/13 (Fourth quarter returns are not available at reporting period).

Performance Summary

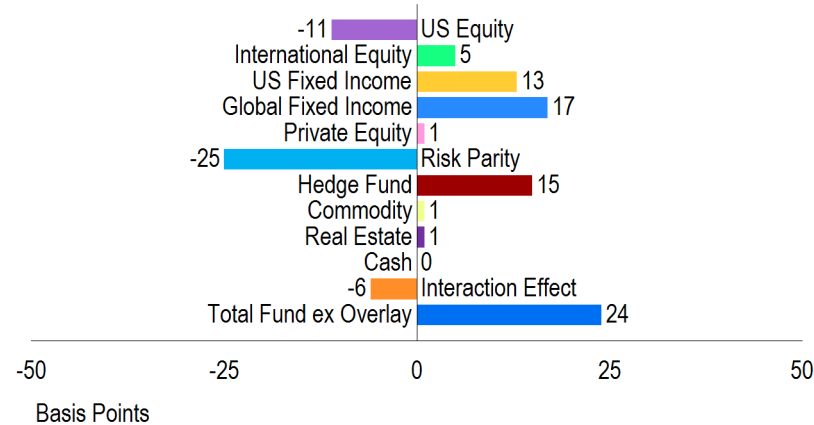
Periods Ending December 31, 2013

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		10 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
HEDGE FUND	5.9	6	4.6	77	8.6	83	7.3	80						
<i>Libor 1 Month +4% Index</i>	1.0	94	2.1	92	4.2	93	4.2	93						
<i>IFx All DB Hedge Funds Gross Median</i>	3.7		6.2		12.0		9.4							
AQR DELTA Fund II - Gross	5.1		3.8		7.8		6.9							
AQR DELTA Fund II - Net ⁸	4.8	27	3.3	60	6.7	56	5.8	62						
<i>Libor 1 Month +4% Index</i>	1.0	74	2.1	73	4.2	68	4.2	70						
COMMODITY														
SSgA Multisource Commodity - Gross	-0.8		1.9		-6.0		3.3							
SSgA Multisource Commodity - Net	-0.9		1.7		-6.1		3.0							
<i>DJ UBS Commodity Index</i>	-1.1		1.1		-9.5		-5.4							
<i>S&P Goldman Sachs Commodity Index</i>	-0.3		4.4		-1.2		-0.6							
REAL ESTATE	3.4	20	5.7	59	14.3	20	11.4	60	13.2	42	2.8	61	7.9	22
<i>NCREIF ODCE Index</i>	3.2	28	6.9	33	14.0	22	12.4	39	13.6	40	3.7	46	7.6	26
<i>IFx All DB Real Estate Gross Median</i>	2.6		6.1		12.4		11.8		12.9		3.5		6.4	
Invesco - Gross	3.4		5.7		14.3		11.4		13.2		2.8			
Invesco - Net	3.3		5.5		13.8		11.0		12.7		2.3			
<i>NCREIF ODCE Index</i>	3.2		6.9		14.0		12.4		13.6		3.7			
CASH														
General Account	0.0		0.0		0.1		0.1		0.2		0.3		1.9	
Treasury & LAIF	0.1		0.3		0.6		0.7		0.8		1.0		1.6	
CASH COMPOSITE	0.1		0.2		0.5		0.6		0.6		0.9		1.7	
<i>91-Day T-Bills Index</i>	0.0		0.0		0.0		0.1		0.1		0.1		1.6	

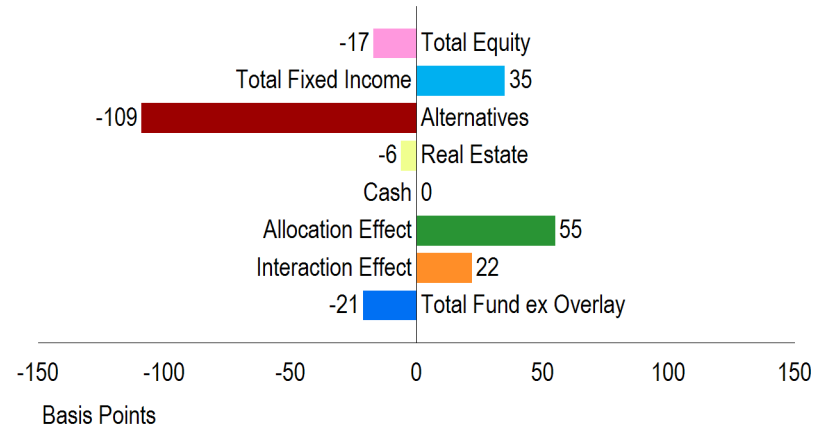
8. AQR Delta II is ranked against a net of fee universe.



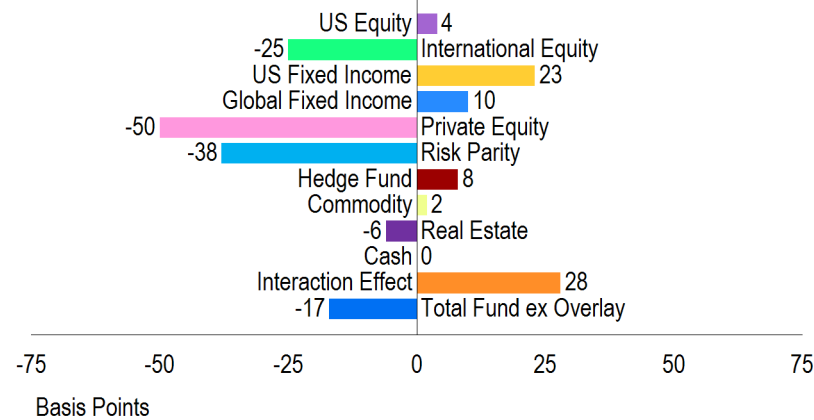
	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Total Equity	8.17%	8.18%	-0.01%	0.00%	0.16%	0.00%	0.16%
Total Fixed Income	1.19%	-0.19%	1.38%	0.31%	0.18%	-0.04%	0.45%
Alternatives	4.20%	6.02%	-1.83%	-0.36%	-0.02%	0.07%	-0.31%
Real Estate	3.37%	3.19%	0.18%	0.01%	-0.02%	0.00%	-0.01%
Cash	0.11%	0.01%	0.10%	0.00%	-0.06%	0.00%	-0.06%
Total	5.85%	5.62%	0.23%	-0.04%	0.24%	0.03%	0.23%



	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
US Equity	9.60%	9.93%	-0.33%	-0.11%	0.25%	-0.02%	0.12%
International Equity	5.07%	4.81%	0.26%	0.05%	0.01%	0.00%	0.06%
US Fixed Income	0.54%	-0.17%	0.71%	0.13%	0.16%	-0.02%	0.27%
Global Fixed Income	3.56%	-0.25%	3.82%	0.17%	0.02%	-0.01%	0.18%
Private Equity	10.60%	10.76%	-0.16%	0.01%	-0.24%	-0.02%	-0.25%
Risk Parity	1.75%	5.93%	-4.18%	-0.25%	0.00%	0.00%	-0.25%
Hedge Fund	5.86%	1.05%	4.82%	0.15%	0.00%	0.00%	0.14%
Commodity	-0.83%	-1.05%	0.22%	0.01%	0.03%	0.00%	0.03%
Real Estate	3.37%	3.19%	0.18%	0.01%	-0.02%	0.00%	-0.01%
Cash	0.11%	0.01%	0.10%	0.00%	-0.06%	0.00%	-0.06%
Total	5.86%	5.62%	0.24%	0.16%	0.14%	-0.06%	0.24%



	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Total Equity	16.49%	16.81%	-0.32%	-0.17%	0.36%	-0.02%	0.16%
Total Fixed Income	2.34%	0.88%	1.45%	0.35%	0.29%	-0.05%	0.59%
Alternatives	5.63%	10.99%	-5.37%	-1.09%	0.04%	0.30%	-0.76%
Real Estate	5.69%	6.86%	-1.17%	-0.06%	-0.05%	-0.01%	-0.13%
Cash	0.22%	0.02%	0.20%	0.00%	-0.08%	0.00%	-0.08%
Total	11.31%	11.52%	-0.21%	-0.98%	0.55%	0.22%	-0.21%

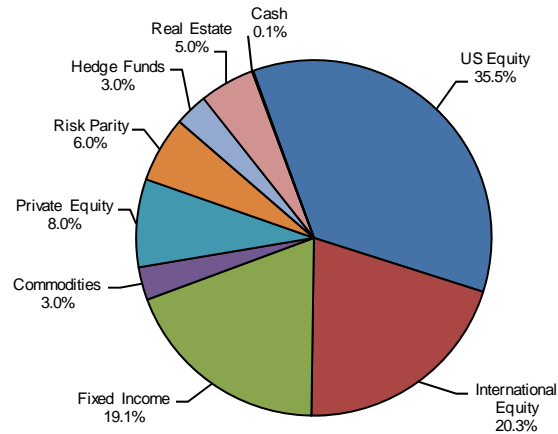


	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
US Equity	17.61%	17.46%	0.15%	0.04%	0.37%	0.01%	0.42%
International Equity	14.02%	15.47%	-1.45%	-0.25%	0.04%	-0.01%	-0.22%
US Fixed Income	1.68%	0.46%	1.22%	0.23%	0.28%	-0.03%	0.48%
Global Fixed Income	4.71%	2.56%	2.15%	0.10%	0.02%	-0.01%	0.11%
Private Equity	12.19%	18.94%	-6.76%	-0.50%	-0.37%	0.32%	-0.55%
Risk Parity	4.10%	10.21%	-6.11%	-0.38%	0.01%	0.01%	-0.36%
Hedge Fund	4.58%	2.12%	2.46%	0.08%	0.01%	0.00%	0.09%
Commodity	1.82%	1.06%	0.76%	0.02%	0.04%	0.00%	0.06%
Real Estate	5.69%	6.86%	-1.17%	-0.06%	-0.05%	-0.01%	-0.13%
Cash	0.22%	0.02%	0.20%	0.00%	-0.08%	0.00%	-0.08%
Total	11.35%	11.52%	-0.17%	-0.71%	0.26%	0.28%	-0.17%

Asset Allocation Analysis

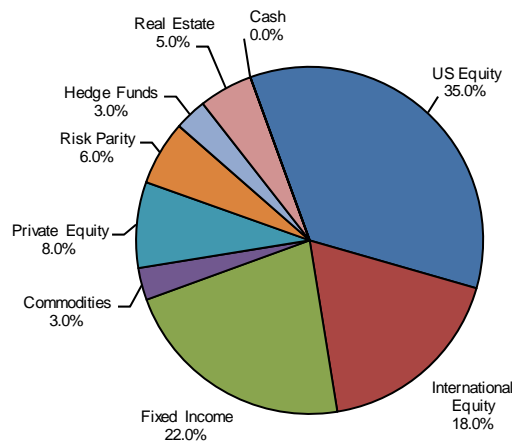
As of December 31, 2013

Current w/Overlay



ASSET ALLOCATION	MARKET VALUE	W/OVERLAY	W/O OVERLAY
US Equity	1,081,954,776	35.5%	39.1%
International Equity	620,088,486	20.3%	19.9%
Fixed Income	583,310,532	19.1%	18.6%
Commodities	91,533,743	3.0%	2.8%
Private Equity	244,089,982	8.0%	3.5%
Risk Parity	183,067,487	6.0%	5.7%
Hedge Funds	91,533,743	3.0%	3.9%
Real Estate	152,556,239	5.0%	5.7%
Cash	2,989,790	0.1%	0.9%
TOTAL	3,051,124,779	100.0%	100.0%

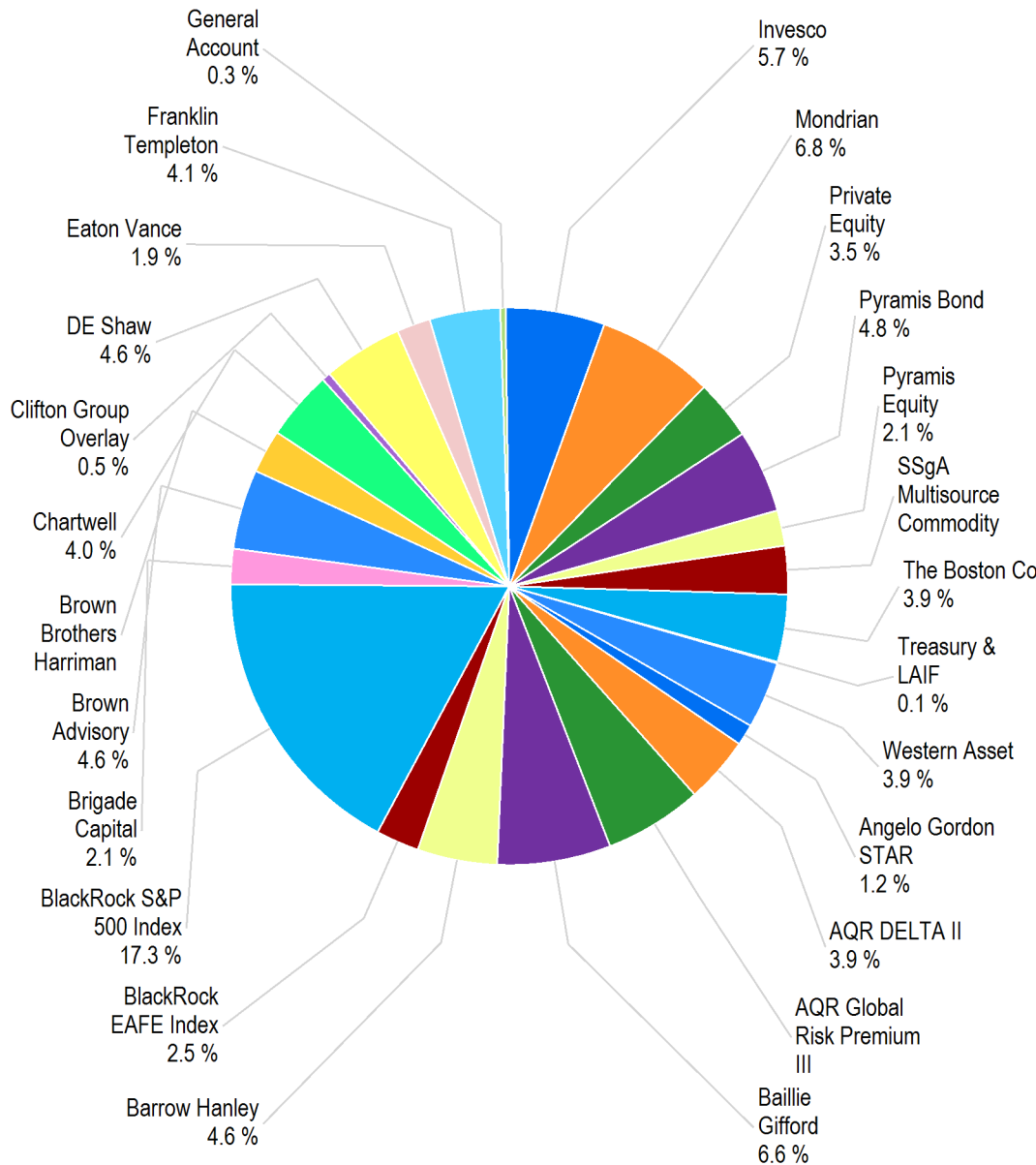
Target



ASSET ALLOCATION	W/OVERLAY	TARGET	DIFF
US Equity	35.5%	35.0%	0.5%
International Equity	20.3%	18.0%	2.3%
Fixed Income	19.1%	22.0%	-2.9%
Commodities	3.0%	3.0%	0.0%
Private Equity	8.0%	8.0%	0.0%
Risk Parity	6.0%	6.0%	0.0%
Hedge Funds	3.0%	3.0%	0.0%
Real Estate	5.0%	5.0%	0.0%
Cash	0.1%	0.0%	0.1%
TOTAL	100.0%	100.0%	0.0%

Manager Allocation Analysis - Total Plan

As of December 31, 2013



	Actual \$	Actual %
Aberdeen Asset	\$6,900	0.0%
Angelo Gordon PPIP	\$19,342	0.0%
Angelo Gordon STAR	\$37,465,716	1.2%
AQR DELTA II	\$117,794,798	3.9%
AQR Global Risk Premium III	\$173,421,331	5.7%
Artio	\$96,901	0.0%
Baillie Gifford	\$200,930,560	6.6%
Barrow Hanley	\$141,362,443	4.6%
BlackRock EAFE Index	\$76,462,000	2.5%
BlackRock S&P 500 Index	\$527,440,222	17.3%
Brigade Capital	\$62,567,325	2.1%
Brown Advisory	\$141,164,474	4.6%
Brown Brothers Harriman	\$76,752,861	2.5%
Chartwell	\$122,394,833	4.0%
Clifton Group Overlay	\$15,169,411	0.5%
DE Shaw	\$140,966,401	4.6%
Eaton Vance	\$59,302,121	1.9%
Franklin Templeton	\$124,826,434	4.1%
General Account	\$9,592,777	0.3%
Invesco	\$175,269,752	5.7%
Mondrian	\$207,048,551	6.8%
Private Equity	\$105,533,733	3.5%
Pyramis Bond	\$147,146,075	4.8%
Pyramis Equity	\$62,800,018	2.1%
SSgA Multisource Commodity	\$85,379,583	2.8%
The Boston Co	\$119,315,340	3.9%
Treasury & LAIF	\$2,553,720	0.1%
Western Asset	\$118,341,156	3.9%
Total	\$3,051,124,779	

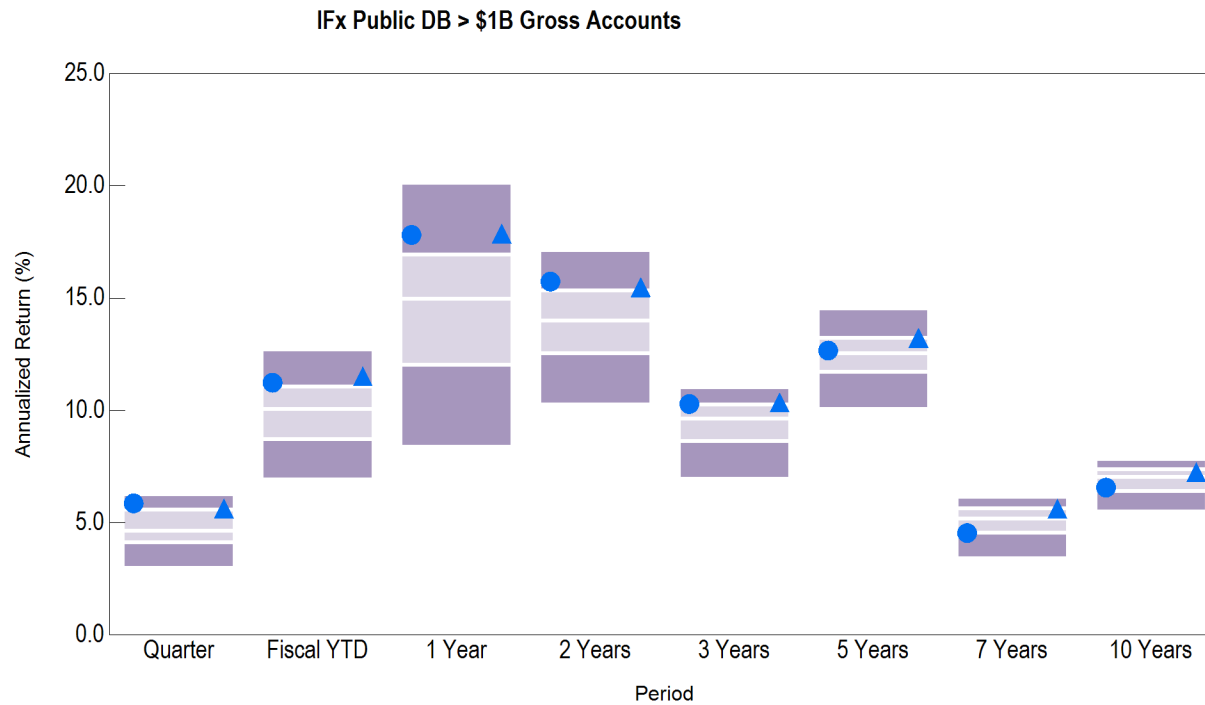
Periods Ending December 31, 2013

Statistics Summary**3 Years**

	Anlzd Return	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Sharpe Ratio	Sharpe Ratio Rank	Information Ratio	Information Ratio Rank	Tracking Error	Tracking Error Rank
Total Fund	10.3%	24	8.8%	80	1.2	61	-0.1	26	1.0%	9
Policy Index	10.3%	23	9.2%	87	1.1	66	--	--	0.0%	1
IFx Public DB > \$1B Gross Median	9.6%	--	7.7%	--	1.2	--	-0.4	--	1.9%	--

Statistics Summary**5 Years**

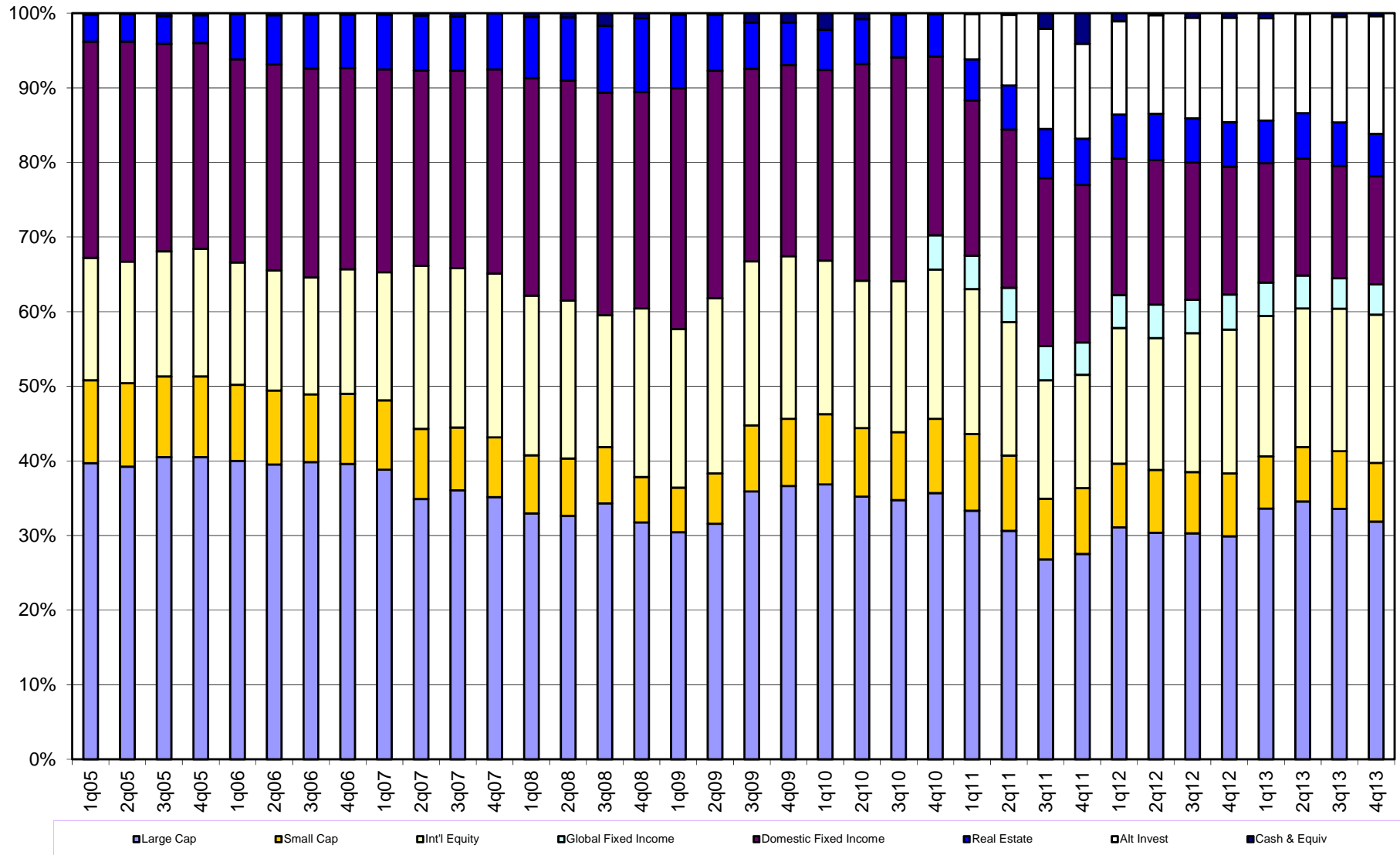
	Anlzd Return	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Sharpe Ratio	Sharpe Ratio Rank	Information Ratio	Information Ratio Rank	Tracking Error	Tracking Error Rank
Total Fund	12.7%	46	10.9%	82	1.2	91	-0.4	61	1.4%	9
Policy Index	13.2%	27	11.6%	94	1.1	95	--	--	0.0%	1
IFx Public DB > \$1B Gross Median	12.6%	--	9.6%	--	1.3	--	-0.3	--	2.7%	--



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Return (Rank)	6.3	12.7	20.1	17.1	11.0	14.5	6.1	7.8
5th Percentile	5.6	11.1	17.0	15.4	10.3	13.2	5.6	7.4
25th Percentile	4.7	10.1	15.0	14.0	9.6	12.6	5.2	7.0
Median	4.1	8.7	12.1	12.6	8.7	11.7	4.6	6.4
75th Percentile	3.0	6.9	8.4	10.3	7.0	10.1	3.4	5.5
95th Percentile	57	57	57	57	57	57	54	53
# of Portfolios								
● Total Fund	5.9 (17)	11.2 (20)	17.8 (22)	15.7 (22)	10.3 (24)	12.7 (46)	4.5 (80)	6.6 (66)
▲ Policy Index	5.6 (25)	11.5 (17)	17.9 (20)	15.5 (23)	10.3 (23)	13.2 (27)	5.6 (27)	7.2 (34)

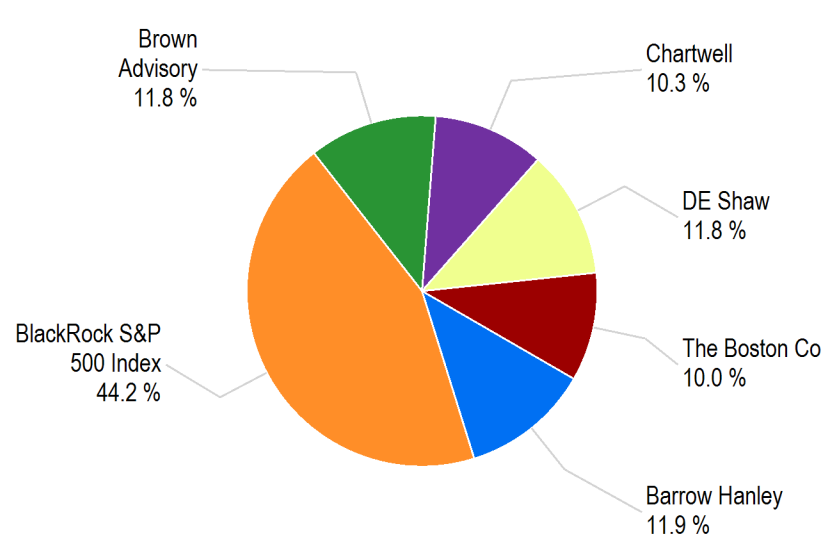
Asset Allocation History - Quarterly

Periods Ending December 31, 2013



Manager Allocation Analysis - US Equity

As of December 31, 2013



	Actual \$	Actual %	Manager Contribution to Excess Return %
Barrow Hanley	\$141,362,443	11.9%	-0.0%
BlackRock S&P 500 Index	\$527,440,222	44.2%	0.0%
Brown Advisory	\$141,164,474	11.8%	-0.3%
Chartwell	\$122,394,833	10.3%	-0.0%
DE Shaw	\$140,966,401	11.8%	-0.1%
The Boston Co	\$119,315,340	10.0%	-0.0%
Actual vs. Policy Weight Difference			0.0%
Total	\$1,192,643,713	100.0%	-0.4%

Statistics Summary

3 Years

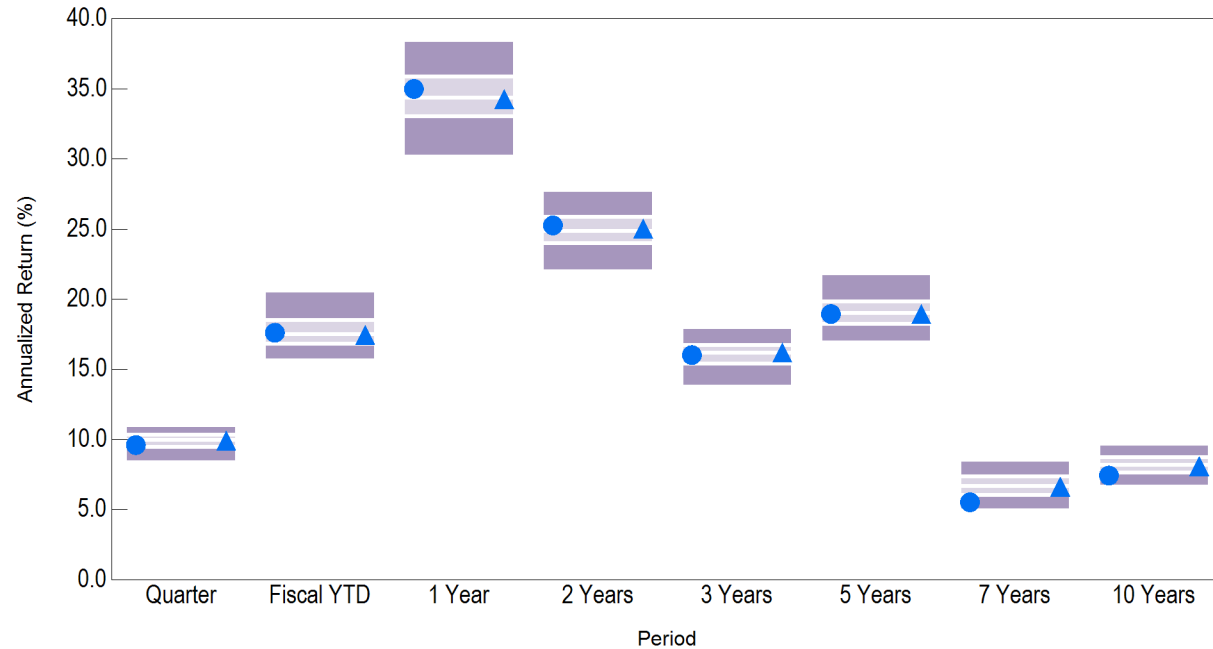
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
US Equity	16.0%	13.5%	1.2	-0.2	1.1%
80% R1000/ 20% R2000	16.2%	13.2%	1.2	--	0.0%
Large Cap Equity	15.5%	12.9%	1.2	-0.7	1.0%
Russell 1000	16.3%	12.4%	1.3	--	0.0%
Barrow Hanley	17.9%	13.3%	1.3	0.7	2.5%
Russell 1000 Value	16.1%	12.9%	1.2	--	0.0%
DE Shaw	17.9%	12.9%	1.4	0.9	1.8%
Russell 1000	16.3%	12.4%	1.3	--	0.0%
Small Cap Equity	18.2%	16.5%	1.1	0.9	3.0%
Russell 2000	15.7%	16.7%	0.9	--	0.0%
The Boston Co	17.7%	16.4%	1.1	1.2	2.6%
Russell 2000 Value	14.5%	16.0%	0.9	--	0.0%
Chartwell	20.5%	17.8%	1.1	0.8	4.4%
Russell 2000 Growth	16.8%	17.5%	1.0	--	0.0%

Statistics Summary

5 Years

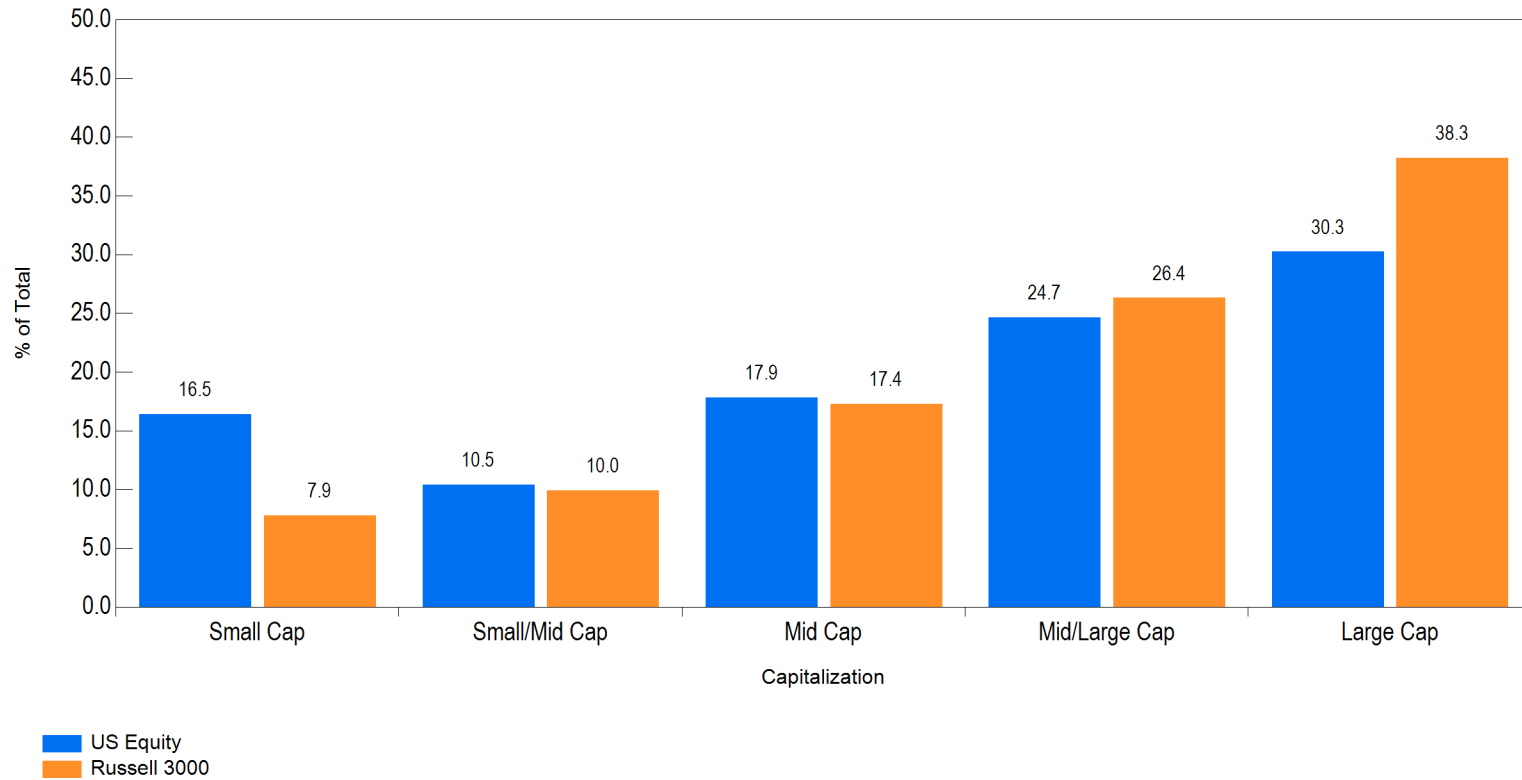
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
US Equity	18.9%	17.0%	1.1	0.0	1.1%
80% R1000/ 20% R2000	18.9%	16.8%	1.1	--	0.0%
Large Cap Equity	17.7%	16.4%	1.1	-0.8	1.0%
Russell 1000	18.6%	16.0%	1.2	--	0.0%
Small Cap Equity	24.2%	20.3%	1.2	1.5	2.8%
Russell 2000	20.1%	20.9%	1.0	--	0.0%
Chartwell	25.1%	19.9%	1.3	0.6	4.4%
Russell 2000 Growth	22.6%	20.6%	1.1	--	0.0%

IFx All DB US Eq Gross Accounts



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Return (Rank)								
5th Percentile	11.0	20.6	38.5	27.8	18.0	21.8	8.5	9.7
25th Percentile	10.4	18.5	35.9	25.9	16.8	19.9	7.4	8.8
Median	10.0	17.5	34.4	24.9	16.2	19.1	6.7	8.2
75th Percentile	9.5	16.9	33.1	24.0	15.4	18.3	6.1	7.7
95th Percentile	8.4	15.7	30.2	22.0	13.8	16.9	5.0	6.7
# of Portfolios	628	628	620	596	566	458	423	335
● US Equity	9.6 (71)	17.6 (49)	35.0 (37)	25.3 (41)	16.0 (58)	18.9 (54)	5.5 (88)	7.4 (83)
▲ 80% R1000/ 20% R2000	9.9 (55)	17.5 (54)	34.3 (53)	25.0 (47)	16.2 (50)	18.9 (55)	6.6 (55)	8.1 (57)

Market Capitalization as of December 31, 2013



See appendix for the market capitalization breakpoints.

Equity Only Summary Statistics - US Equity

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 3000
Number of Holdings	908	3,019
Weighted Avg. Market Cap. (\$B)	80.0	100.3
Median Market Cap. (\$B)	12.7	1.4
Price To Earnings	22.9	20.6
Price To Book	4.0	2.7
Price To Sales	2.4	1.8
Return on Equity (%)	17.2	16.3
Yield (%)	1.6	1.8
Beta (holdings; domestic)	1.2	1.1

Top Holdings

APPLE	2.4%
EXXON MOBIL	1.5%
GOOGLE 'A'	1.4%
JOHNSON & JOHNSON	1.2%
GENERAL ELECTRIC	1.1%
JP MORGAN CHASE & CO.	1.1%
BANK OF AMERICA	1.0%
MICROSOFT	1.0%
CITIGROUP	0.9%
VISA 'A'	0.9%

Best Performers

	Return %
LONE PINE RESOURCES (LPRIQ)	660.0%
AERCAP HOLDINGS N V (AER)	97.1%
ARC DOCUMENT SOLUTIONS (ARC)	79.1%
PAIN THERAPEUTICS (PTIE)	78.7%
DYNAVAX TECHNOLOGIES (DVAX)	64.7%
CALAMP (CAMP)	58.8%
NATUS MEDICAL (BABY)	58.7%
FARMER BROS. (FARM)	54.4%
VALERO ENERGY (VLO)	48.3%
EHEALTH (EHTH)	44.1%

Worst Performers

	Return %
FURNITURE BRANDS INTL. (FBNIQ)	-74.8%
CORONADO BIOSCIENCES (CNDO)	-62.5%
SAREPTA THERAPEUTICS (SRPT)	-56.9%
FOREST OIL (FST)	-40.8%
SUNWARD RESOURCES (C:SWD)	-39.1%
USEC (USU)	-37.1%
ION GEOPHYSICAL (IO)	-36.5%
REPROS THERAPEUTICS (RPRX)	-31.7%
CELLDEX THERAPEUTICS (CLDX)	-31.7%
WET SEAL 'A' (WTSL)	-30.5%

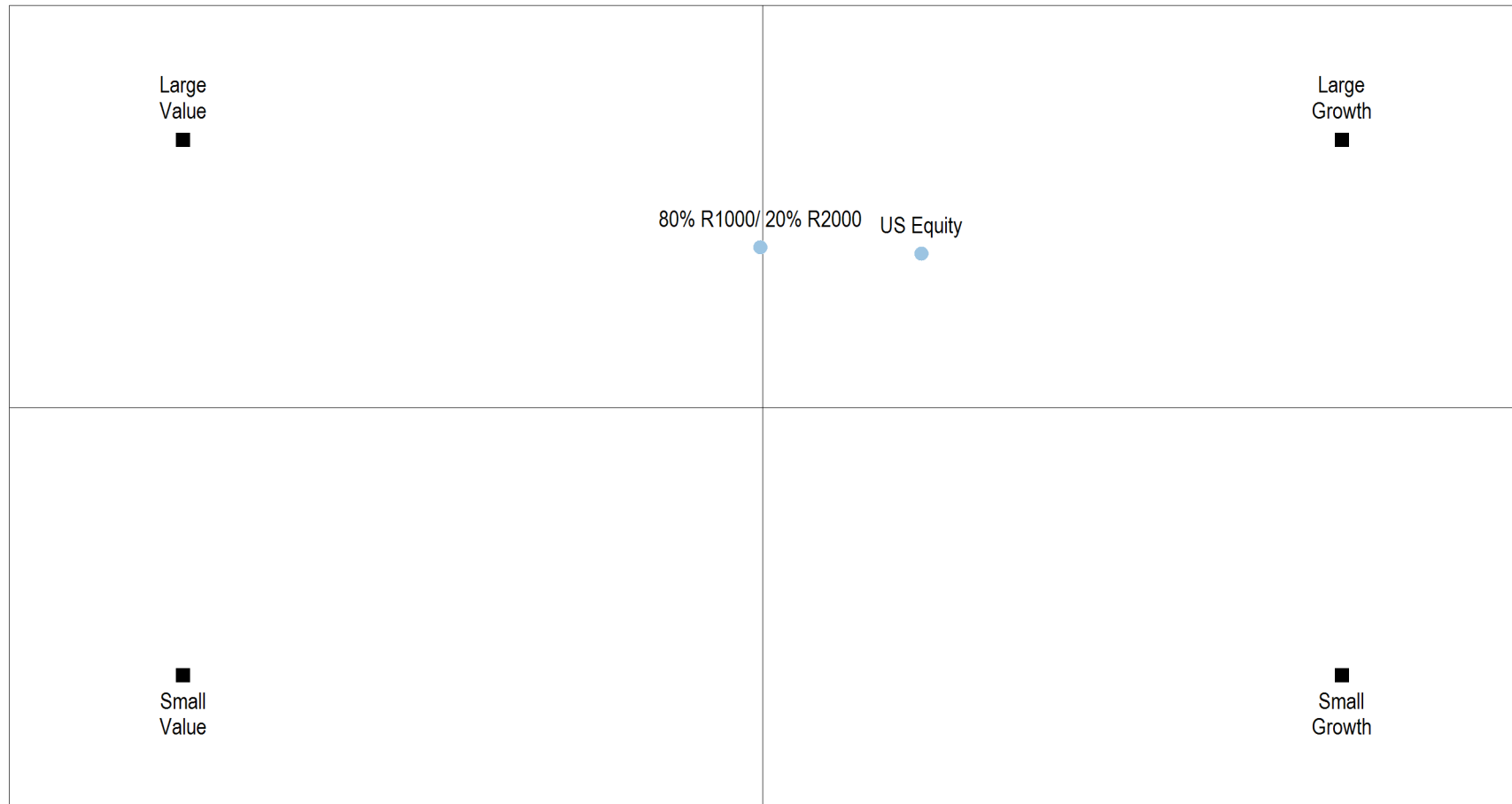
Equity Sector Attribution - US Equity

Quarter Ending December 31, 2013

US Equity Performance Attribution vs. Russell 3000

	Total Effects	Attribution Effects			Returns		Sector Weights				
		Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.2%	-0.3%	0.0%	0.0%	5.2%	7.8%	9.2%	9.5%			
Materials	0.0%	0.0%	0.0%	0.0%	9.8%	10.4%	3.4%	3.8%			
Industrials	-0.1%	-0.1%	0.0%	0.0%	11.9%	13.1%	12.4%	11.4%			
Cons. Disc.	-0.2%	-0.2%	0.0%	0.0%	9.0%	10.5%	13.8%	13.4%			
Cons. Staples	-0.1%	-0.1%	0.0%	0.0%	7.6%	8.6%	7.4%	8.7%			
Health Care	-0.1%	-0.1%	0.0%	0.0%	8.9%	9.8%	13.6%	12.6%			
Financials	0.2%	0.2%	0.0%	0.0%	10.8%	9.5%	17.2%	17.4%			
Info. Tech	0.0%	0.0%	0.0%	0.0%	12.2%	12.2%	18.2%	17.8%			
Telecomm.	0.0%	0.0%	0.0%	0.0%	5.5%	6.7%	1.6%	2.2%			
Utilities	0.1%	0.0%	0.1%	0.0%	2.7%	3.1%	2.0%	3.1%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.2%	0.0%			
Portfolio	-0.6%	=	-0.6%	+	0.0%	+	0.0%	9.5%	10.1%	100.0%	100.0%

U.S. Effective Style Map



San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - Large Cap Equity

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 1000
Number of Holdings	709	1,015
Weighted Avg. Market Cap. (\$B)	99.8	109.0
Median Market Cap. (\$B)	15.4	7.5
Price To Earnings	22.0	19.9
Price To Book	4.1	2.7
Price To Sales	2.5	1.8
Return on Equity (%)	18.0	16.9
Yield (%)	1.8	1.9
Beta (holdings; domestic)	1.1	1.1

Top Holdings

APPLE	3.0%
EXXON MOBIL	1.8%
GOOGLE 'A'	1.8%
JOHNSON & JOHNSON	1.5%
GENERAL ELECTRIC	1.4%
JP MORGAN CHASE & CO.	1.4%
BANK OF AMERICA	1.2%
MICROSOFT	1.2%
CITIGROUP	1.2%
VISA 'A'	1.2%

Best Performers

	Return %
LONE PINE RESOURCES (LPRIQ)	660.0%
AERCAP HOLDINGS N V (AER)	97.1%
ARC DOCUMENT SOLUTIONS (ARC)	79.1%
PAIN THERAPEUTICS (PTIE)	78.7%
DYNAVAX TECHNOLOGIES (DVAX)	64.7%
FARMER BROS. (FARM)	54.4%
VALERO ENERGY (VLO)	48.3%
EHEALTH (EHTH)	44.1%
US.STEEL (X)	43.5%
MARATHON PETROLEUM (MPC)	43.4%

Worst Performers

	Return %
FURNITURE BRANDS INTL. (FBNIQ)	-74.8%
SAREPTA THERAPEUTICS (SRPT)	-56.9%
FOREST OIL (FST)	-40.8%
SUNWARD RESOURCES (C:SWD)	-39.1%
USEC (USU)	-37.1%
ION GEOPHYSICAL (IO)	-36.5%
REPROS THERAPEUTICS (RPRX)	-31.7%
CELLEX THERAPEUTICS (CLDX)	-31.7%
RACKSPACE HOSTING (RAX)	-25.8%
CELSION (CLSN)	-24.8%

Equity Sector Attribution - Large Cap Equity

Quarter Ending December 31, 2013

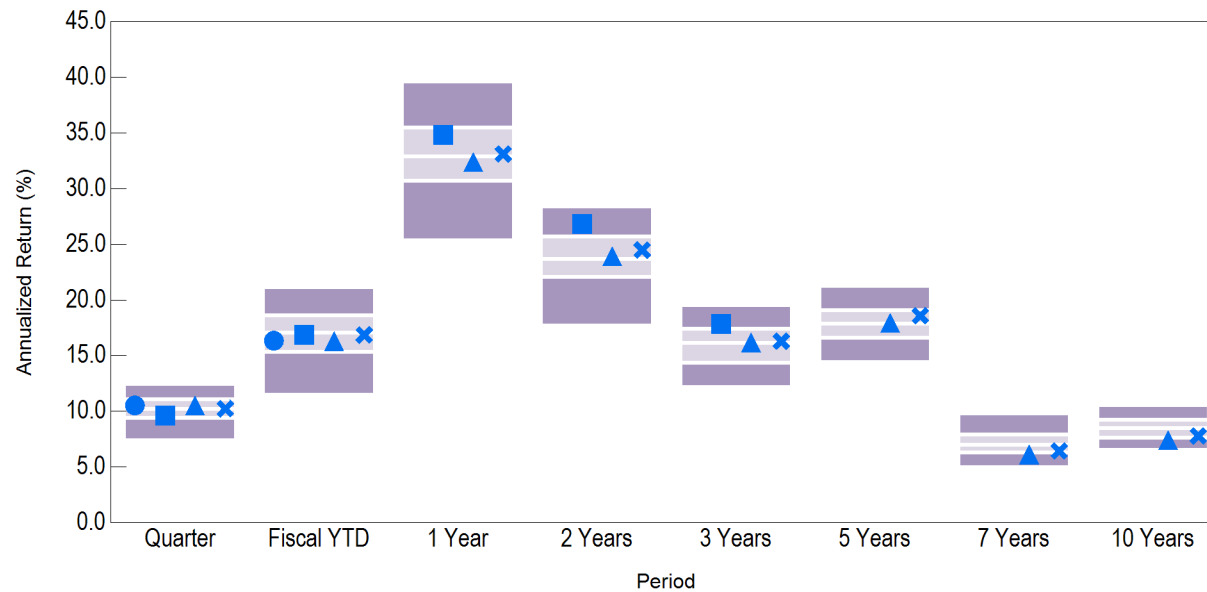
Large Cap Equity Performance Attribution vs. Russell 1000

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.2%	-0.2%	0.0%	0.0%	6.2%	7.9%	10.2%	9.9%			
Materials	0.0%	0.0%	0.0%	0.0%	9.6%	10.3%	3.5%	3.7%			
Industrials	-0.1%	-0.1%	0.0%	0.0%	12.2%	13.4%	12.0%	11.2%			
Cons. Disc.	-0.1%	-0.1%	0.0%	0.0%	9.6%	10.6%	12.4%	13.4%			
Cons. Staples	-0.1%	-0.1%	0.0%	0.0%	7.9%	8.7%	8.9%	9.1%			
Health Care	-0.1%	-0.1%	0.0%	0.0%	9.2%	9.9%	13.7%	12.5%			
Financials	0.2%	0.2%	0.0%	0.0%	10.7%	9.5%	16.7%	17.0%			
Info. Tech	0.0%	0.0%	0.0%	0.0%	12.8%	12.7%	17.6%	17.8%			
Telecomm.	0.0%	0.0%	0.0%	0.0%	5.5%	6.8%	2.0%	2.3%			
Utilities	0.1%	0.0%	0.1%	0.0%	2.8%	2.9%	2.0%	3.2%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.1%	0.0%			
Portfolio	-0.5%	=	-0.4%	+	0.0%	+	0.0%	9.8%	10.2%	100.0%	100.0%

Total Returns - Large Cap Core Equity

Periods Ending December 31, 2013

eA US Large Cap Core Equity Gross Accounts



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	12.4	21.1	39.6	28.4	19.5	21.2	9.8	10.5
25th Percentile	11.1	18.6	35.5	25.8	17.4	19.1	7.9	9.3
Median	10.3	17.1	32.9	23.7	16.2	17.9	7.0	8.5
75th Percentile	9.4	15.4	30.8	22.1	14.4	16.6	6.3	7.7
95th Percentile	7.4	11.5	25.4	17.7	12.2	14.5	5.0	6.6
# of Portfolios	262	261	261	260	256	242	224	183
● BlackRock S&P 500 Index	10.5 (41)	16.3 (64)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
■ DE Shaw	9.6 (72)	16.9 (56)	34.8 (33)	26.8 (14)	17.9 (18)	-- (--)	-- (--)	-- (--)
▲ S&P 500	10.5 (41)	16.3 (65)	32.4 (58)	23.9 (47)	16.2 (50)	17.9 (50)	6.1 (81)	7.4 (87)
× Russell 1000	10.2 (52)	16.9 (56)	33.1 (49)	24.5 (42)	16.3 (48)	18.6 (34)	6.4 (74)	7.8 (72)

Equity Only Summary Statistics - BlackRock S&P 500 Index

Quarter Ending December 31, 2013

Characteristics

	Portfolio	S&P 500
Number of Holdings	501	500
Weighted Avg. Market Cap. (\$B)	116.1	116.1
Median Market Cap. (\$B)	16.4	16.4
Price To Earnings	21.5	20.3
Price To Book	4.1	3.9
Price To Sales	2.5	2.2
Return on Equity (%)	18.9	17.9
Yield (%)	2.0	2.0
Beta (holdings; domestic)	1.1	1.1

Top Holdings

APPLE	3.1%
EXXON MOBIL	2.7%
GOOGLE 'A'	1.9%
MICROSOFT	1.7%
GENERAL ELECTRIC	1.7%
JOHNSON & JOHNSON	1.6%
CHEVRON	1.5%
PROCTER & GAMBLE	1.3%
JP MORGAN CHASE & CO.	1.3%
WELLS FARGO & CO	1.3%

Best Performers

	Return %
VALERO ENERGY (VLO)	48.3%
US.STEEL (X)	43.5%
MARATHON PETROLEUM (MPC)	43.4%
LSI (LSI)	41.6%
FOREST LABS. (FRX)	40.3%
FIRST SOLAR (FSLR)	35.9%
EXPEDIA (EXPE)	34.8%
PHILLIPS 66 (PSX)	34.2%
HEWLETT-PACKARD (HPQ)	34.0%
TESORO (TSO)	33.6%

Worst Performers

	Return %
JABIL CIRCUIT (JBL)	-19.2%
TERADATA (TDC)	-17.9%
NEWMONT MINING (NEM)	-17.3%
AVON PRODUCTS (AVP)	-16.1%
ANADARKO PETROLEUM (APC)	-14.5%
QUEST DIAGNOSTICS (DGX)	-13.4%
HEALTH CARE REIT (HCN)	-13.1%
ALTERA (ALTR)	-12.1%
REGENERON PHARMS. (REGN)	-12.0%
JDS UNIPHASE (JDSU)	-11.7%

Equity Only Summary Statistics - DE Shaw

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 1000
Number of Holdings	691	1,015
Weighted Avg. Market Cap. (\$B)	101.8	109.0
Median Market Cap. (\$B)	13.5	7.5
Price To Earnings	20.9	19.9
Price To Book	3.8	2.7
Price To Sales	2.3	1.8
Return on Equity (%)	16.6	16.9
Yield (%)	1.6	1.9
Beta (holdings; domestic)	1.2	1.1

Top Holdings

APPLE	4.2%
GENERAL ELECTRIC	3.1%
JOHNSON & JOHNSON	2.8%
BANK OF AMERICA	2.4%
JP MORGAN CHASE & CO.	2.4%
EXXON MOBIL	2.3%
MERCK & CO.	2.3%
AMERICAN INTL.GP.	1.9%
CITIGROUP	1.9%
COCA COLA	1.8%

Best Performers

	Return %
LONE PINE RESOURCES (LPRIQ)	660.0%
AERCAP HOLDINGS N V (AER)	97.1%
ARC DOCUMENT SOLUTIONS (ARC)	79.1%
PAIN THERAPEUTICS (PTIE)	78.7%
DYNAVAX TECHNOLOGIES (DVAX)	64.7%
FARMER BROS. (FARM)	54.4%
EHEALTH (EHTH)	44.1%
MARATHON PETROLEUM (MPC)	43.4%
LSI (LSI)	41.6%
SANTARUS (SNTS)	41.5%

Worst Performers

	Return %
FURNITURE BRANDS INTL. (FBNIQ)	-74.8%
SAREPTA THERAPEUTICS (SRPT)	-56.9%
FOREST OIL (FST)	-40.8%
SUNWARD RESOURCES (C:SWD)	-39.1%
USEC (USU)	-37.1%
ION GEOPHYSICAL (IO)	-36.5%
REPROS THERAPEUTICS (RPRX)	-31.7%
CELLDEX THERAPEUTICS (CLDX)	-31.7%
RACKSPACE HOSTING (RAX)	-25.8%
CELSION (CLSN)	-24.8%

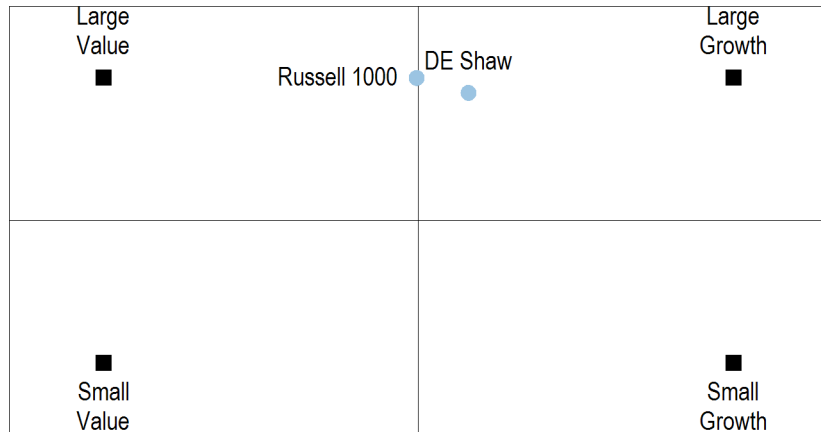
DE Shaw Performance Attribution vs. Russell 1000

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.2%	-0.2%	0.0%	0.0%	6.1%	7.9%	10.1%	9.9%			
Materials	0.0%	0.0%	0.0%	0.0%	11.6%	10.3%	3.4%	3.7%			
Industrials	0.1%	0.1%	0.0%	0.0%	14.3%	13.4%	11.3%	11.2%			
Cons. Disc.	-0.2%	-0.2%	0.0%	-0.1%	9.3%	10.6%	18.7%	13.4%			
Cons. Staples	-0.3%	-0.3%	0.0%	0.1%	5.1%	8.7%	7.6%	9.1%			
Health Care	-0.3%	-0.3%	0.0%	0.0%	7.5%	9.9%	14.2%	12.5%			
Financials	-0.2%	-0.2%	0.0%	0.0%	8.6%	9.5%	18.3%	17.0%			
Info. Tech	0.1%	0.4%	-0.2%	-0.1%	15.0%	12.7%	11.3%	17.8%			
Telecomm.	-0.1%	0.0%	0.0%	0.0%	5.2%	6.8%	2.6%	2.3%			
Utilities	0.1%	0.0%	0.1%	0.0%	2.8%	2.9%	2.4%	3.2%			
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	--	0.1%	0.0%			
Portfolio	-0.9%	=	-0.6%	+	-0.1%	+	-0.2%	9.3%	10.2%	100.0%	100.0%

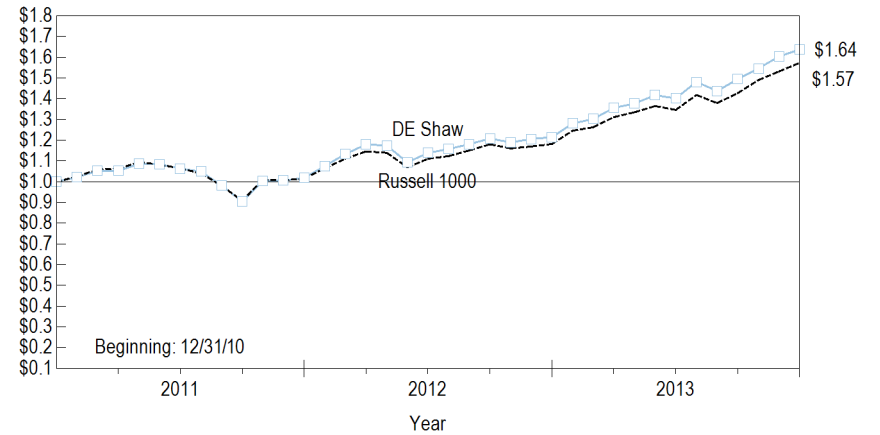
Return Based Style Analysis - DE Shaw

3 Years Ending December 31, 2013

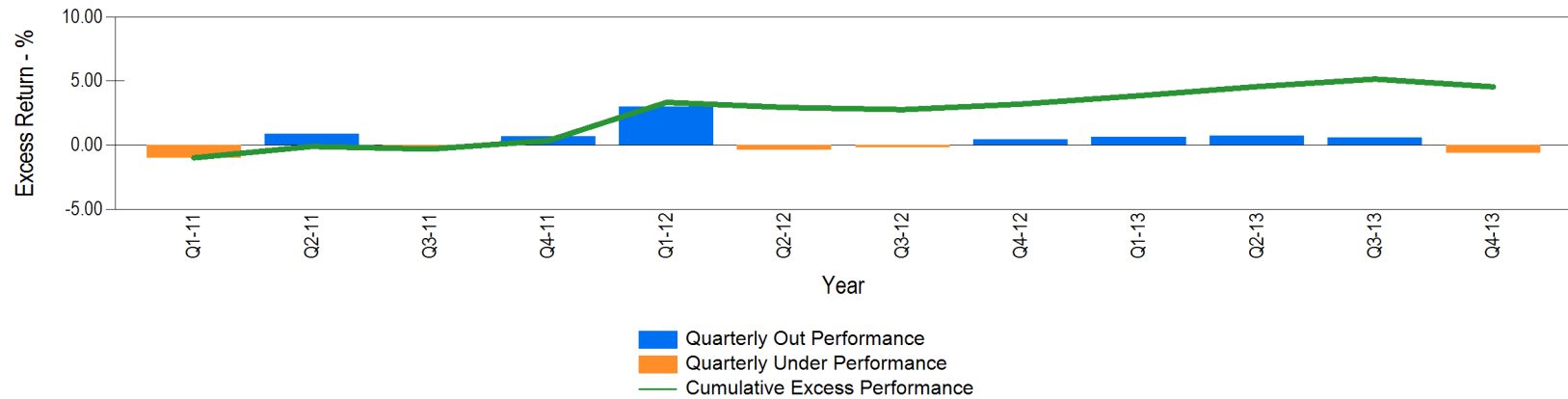
U.S. Effective Style Map



Growth of a Dollar

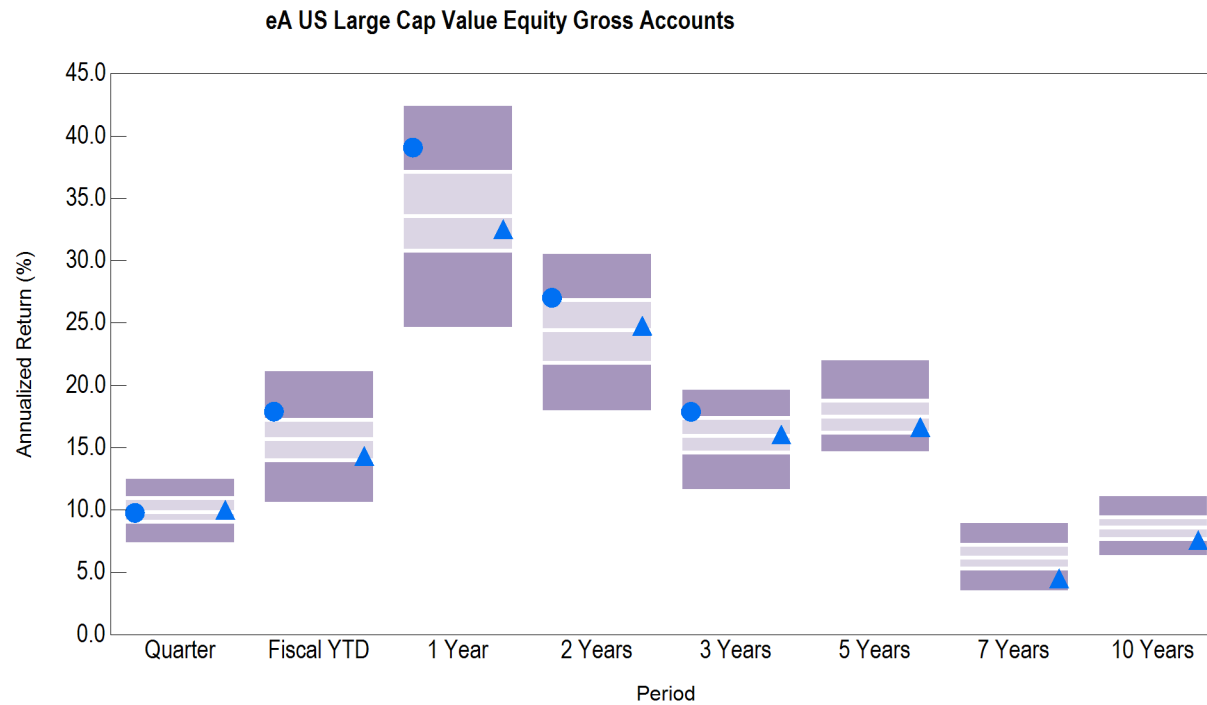


Quarterly and Cumulative Excess Performance



Total Returns - Large Cap Value Equity

Periods Ending December 31, 2013



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Return (Rank)								
5th Percentile	12.6	21.3	42.5	30.7	19.8	22.2	9.1	11.2
25th Percentile	11.0	17.3	37.2	26.9	17.4	18.8	7.3	9.5
Median	9.9	15.7	33.6	24.4	16.0	17.5	6.2	8.6
75th Percentile	9.1	14.0	30.8	21.8	14.6	16.2	5.3	7.7
95th Percentile	7.3	10.5	24.6	17.9	11.6	14.6	3.4	6.3
# of Portfolios	310	310	310	309	305	294	274	231
● Barrow Hanley	9.8 (53)	17.9 (19)	39.1 (15)	27.0 (24)	17.9 (20)	-- (--)	-- (--)	-- (--)
▲ Russell 1000 Value	10.0 (48)	14.3 (72)	32.5 (60)	24.8 (46)	16.1 (49)	16.7 (68)	4.5 (88)	7.6 (78)

San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - Barrow Hanley

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	72	662
Weighted Avg. Market Cap. (\$B)	62.7	115.3
Median Market Cap. (\$B)	32.2	6.5
Price To Earnings	19.6	17.2
Price To Book	2.5	1.8
Price To Sales	1.6	1.5
Return on Equity (%)	14.6	12.2
Yield (%)	2.3	2.2
Beta (holdings; domestic)	1.4	1.2

Top Holdings

CAPITAL ONE FINL.	3.1%
SLM	2.5%
CITIGROUP	2.3%
PENTAIR	2.1%
BANK OF AMERICA	2.1%
JP MORGAN CHASE & CO.	2.0%
WELLS FARGO & CO	1.9%
RAYTHEON 'B'	1.8%
ROYAL CARIBBEAN CRUISES	1.8%
CARDINAL HEALTH	1.7%

Best Performers

	Return %
CARDINAL HEALTH (CAH)	28.7%
AMERIPRISE FINL. (AMP)	27.0%
CVS CAREMARK (CVS)	26.6%
ROYAL CARIBBEAN CRUISES (RCL)	24.6%
CARNIVAL (CCL)	23.9%
ITT (ITT)	21.1%
AMERICAN EXPRESS (AXP)	20.5%
PENTAIR (PNR)	20.1%
E*TRADE FINANCIAL (ETFC)	19.0%
RAYTHEON 'B' (RTN)	18.4%

Worst Performers

	Return %
RENT A CENTER (RCII)	-11.9%
STANLEY BLACK & DECKER (SWK)	-10.3%
SEADRILL (NYS) (SDRL)	-6.8%
INTL.GAME TECH. (IGT)	-3.5%
KBR (KBR)	-2.0%
TARGET (TGT)	-0.5%
NOBLE (NE)	-0.2%
MARATHON OIL (MRO)	1.7%
PHILIP MORRIS INTL. (PM)	1.7%
NATIONAL OILWELL VARCO (NOV)	2.1%

Equity Sector Attribution - Barrow Hanley

Quarter Ending December 31, 2013

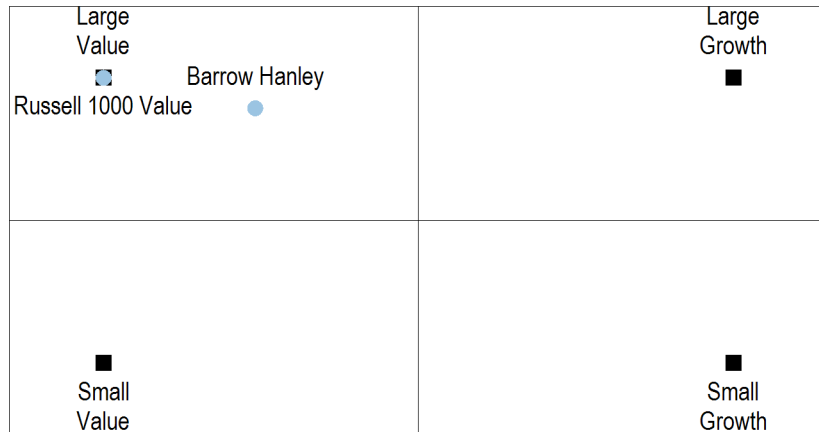
Barrow Hanley Performance Attribution vs. Russell 1000 Value

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.7%	-1.1%	0.0%	0.4%	2.7%	10.0%	9.8%	15.1%			
Materials	-0.1%	-0.1%	0.0%	0.0%	8.1%	11.1%	4.1%	2.9%			
Industrials	-0.3%	-0.3%	0.2%	-0.2%	11.5%	14.9%	15.1%	10.1%			
Cons. Disc.	-0.1%	-0.1%	0.1%	-0.1%	9.7%	11.2%	12.2%	6.5%			
Cons. Staples	0.0%	0.0%	0.0%	0.0%	11.6%	11.6%	4.4%	5.8%			
Health Care	0.2%	0.2%	0.0%	0.0%	10.0%	8.9%	15.3%	13.1%			
Financials	0.5%	0.5%	0.0%	0.0%	11.1%	9.3%	29.9%	29.0%			
Info. Tech	0.0%	0.0%	-0.1%	0.0%	12.3%	12.1%	5.8%	8.8%			
Telecomm.	0.0%	0.0%	0.0%	0.0%	5.9%	7.1%	1.9%	2.6%			
Utilities	0.5%	--	0.5%	--	--	2.6%	0.0%	6.2%			
Cash	-0.2%	0.0%	-0.2%	0.0%	0.0%	--	1.5%	0.0%			
Portfolio	-0.3%	=	-1.0%	+	0.5%	+	0.1%	9.7%	10.0%	100.0%	100.0%

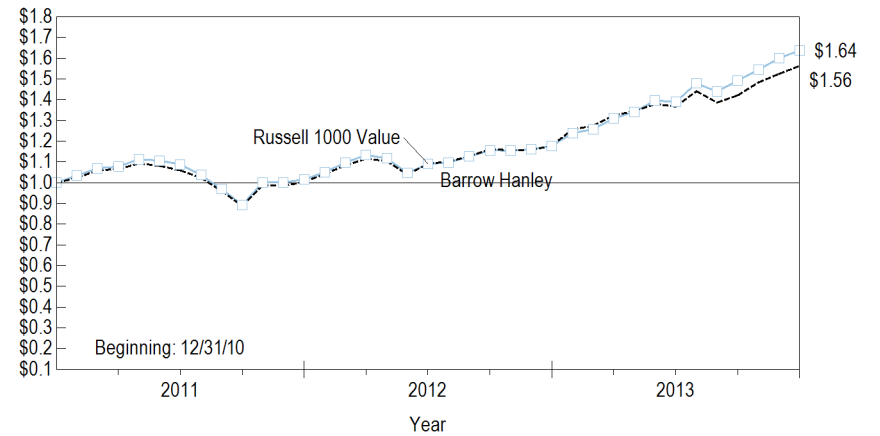
Return Based Style Analysis - Barrow Hanley

3 Years Ending December 31, 2013

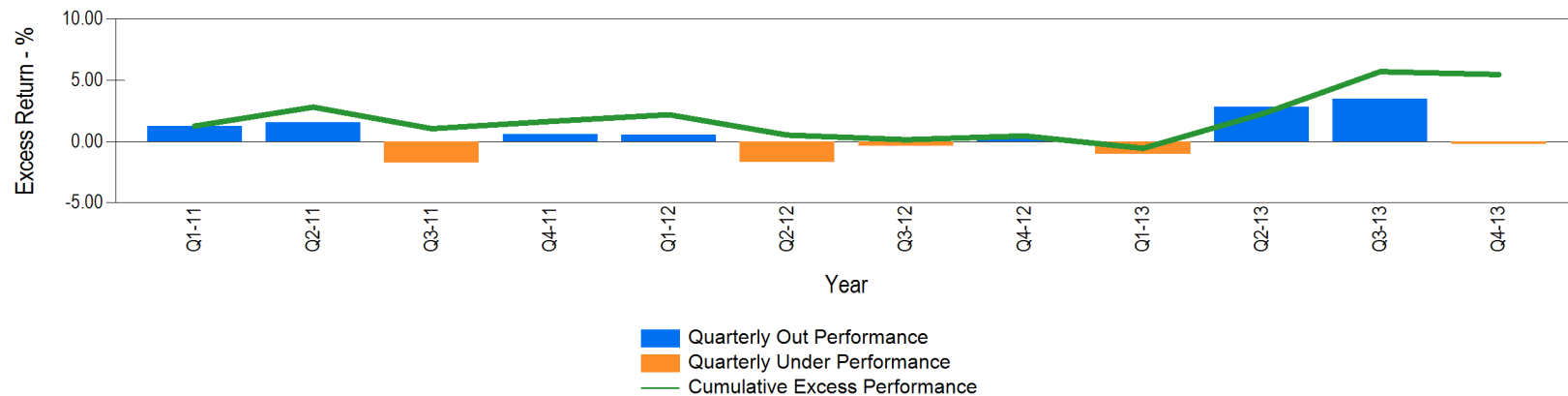
U.S. Effective Style Map



Growth of a Dollar

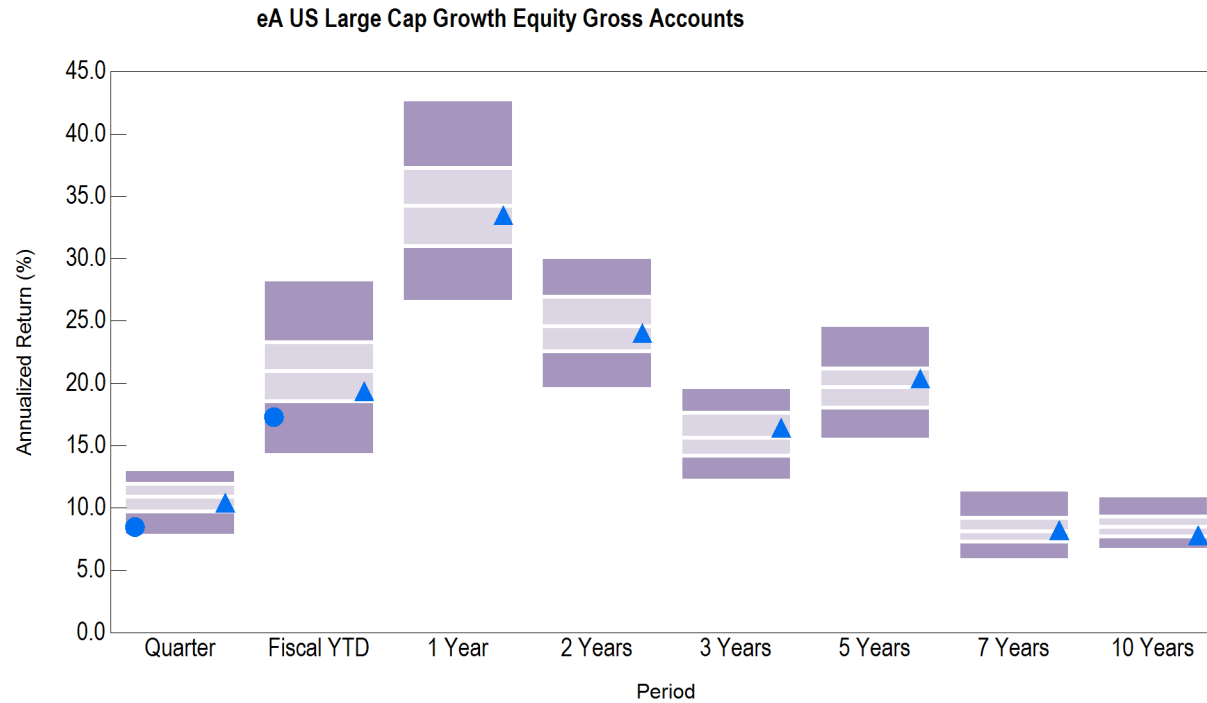


Quarterly and Cumulative Excess Performance



Total Returns - Large Cap Growth Equity

Periods Ending December 31, 2013



	Quarter		Fiscal YTD		1 Year		2 Years		3 Years		5 Years		7 Years		10 Years	
Return (Rank)	13.1	28.3	42.8	30.1	19.7	24.7	11.4	11.0	11.9	23.3	37.3	27.0	17.7	21.2	9.2	9.3
5th Percentile	11.0	21.0	34.3	24.6	15.7	19.7	8.2	8.5	9.8	18.6	31.0	22.6	14.2	18.1	7.4	7.7
25th Percentile	7.8	14.3	26.6	19.6	12.2	15.5	5.9	6.7	7.8	14.3	26.6	19.6	12.2	15.5	5.9	6.7
Median	275	274	274	271	268	259	235	201	275	274	274	271	268	259	235	201
75th Percentile	8.5 (92)	17.3 (85)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	10.4 (60)	19.4 (67)	33.5 (56)	24.0 (58)	16.5 (42)	20.4 (37)	8.2 (48)	7.8 (71)
95th Percentile	10.4 (60)	19.4 (67)	33.5 (56)	24.0 (58)	16.5 (42)	20.4 (37)	8.2 (48)	7.8 (71)	8.5 (92)	17.3 (85)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
# of Portfolios	8.5 (92)	17.3 (85)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	10.4 (60)	19.4 (67)	33.5 (56)	24.0 (58)	16.5 (42)	20.4 (37)	8.2 (48)	7.8 (71)
Brown Advisory	10.4 (60)	19.4 (67)	33.5 (56)	24.0 (58)	16.5 (42)	20.4 (37)	8.2 (48)	7.8 (71)	8.5 (92)	17.3 (85)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
Russell 1000 Growth	10.4 (60)	19.4 (67)	33.5 (56)	24.0 (58)	16.5 (42)	20.4 (37)	8.2 (48)	7.8 (71)	8.5 (92)	17.3 (85)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)

San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - Brown Advisory

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	33	625
Weighted Avg. Market Cap. (\$B)	73.6	102.9
Median Market Cap. (\$B)	19.8	8.1
Price To Earnings	27.6	23.4
Price To Book	5.9	5.1
Price To Sales	3.5	2.2
Return on Equity (%)	19.3	21.8
Yield (%)	0.7	1.6
Beta (holdings; domestic)	1.0	1.0

Top Holdings

GOOGLE 'A'	4.9%
VISA 'A'	4.7%
EXPRESS SCRIPTS HOLDING	4.3%
APPLE	4.3%
FLUOR	4.1%
QUALCOMM	4.0%
SCHLUMBERGER	3.8%
CHARLES SCHWAB	3.8%
STARBUCKS	3.7%
DANAHER	3.6%

Best Performers

	Return %
GOOGLE 'A' (GOOG)	27.9%
CHARLES SCHWAB (SCHW)	23.3%
COGNIZANT TECH.SLTN.'A' (CTSH)	23.0%
APPLE (AAPL)	18.4%
VISA 'A' (V)	16.8%
AMPHENOL 'A' (APH)	15.5%
EXPRESS SCRIPTS HOLDING (ESRX)	13.7%
FLUOR (FLR)	13.4%
MEAD JOHNSON NUTRITION (MJN)	13.2%
ACCENTURE CLASS A (ACN)	13.1%

Worst Performers

	Return %
CITRIX SYS. (CTXS)	-10.4%
FMC TECHNOLOGIES (FTI)	-5.8%
NETAPP (NTAP)	-3.1%
GENPACT (G)	-2.7%
WHOLE FOODS MARKET (WFM)	-1.1%
STERICYCLE (SRCL)	0.7%
ANSYS (ANSS)	0.8%
COVANCE (CVD)	1.9%
INTUITIVE SURGICAL (ISRG)	2.1%
STARBUCKS (SBUX)	2.2%

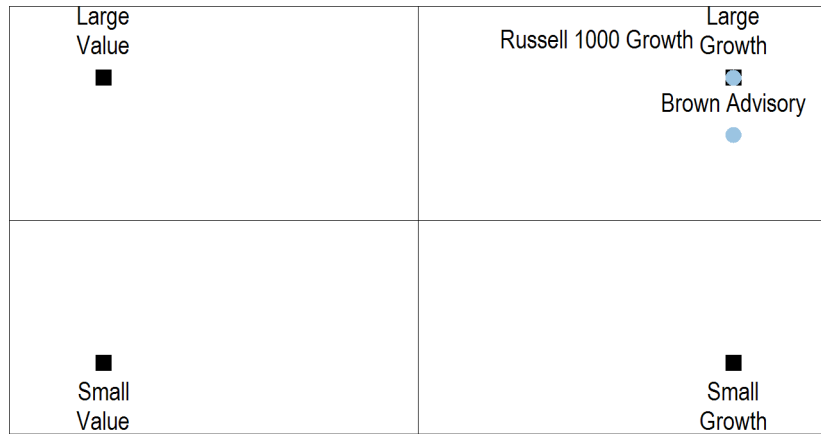
Brown Advisory Performance Attribution vs. Russell 1000 Growth

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.3%	0.1%	-0.4%	0.1%	3.1%	1.7%	9.8%	4.8%			
Materials	-0.1%	-0.2%	0.0%	0.1%	5.9%	9.8%	3.0%	4.5%			
Industrials	-0.5%	-0.5%	0.0%	0.0%	7.9%	12.1%	13.3%	12.2%			
Cons. Disc.	-0.5%	-1.6%	0.0%	1.1%	2.5%	10.4%	6.3%	20.0%			
Cons. Staples	-0.1%	-0.2%	0.0%	0.0%	6.0%	7.4%	11.6%	12.3%			
Health Care	-0.4%	-0.4%	0.0%	-0.1%	7.6%	10.9%	13.9%	12.1%			
Financials	0.4%	0.7%	0.0%	-0.3%	23.3%	10.7%	3.2%	5.3%			
Info. Tech	-0.4%	-0.4%	0.2%	-0.2%	11.2%	12.8%	35.8%	26.5%			
Telecomm.	0.1%	--	0.1%	--	--	6.4%	0.0%	2.0%			
Utilities	0.0%	--	0.0%	--	--	8.8%	0.0%	0.2%			
Cash	-0.3%	0.0%	-0.3%	0.0%	0.0%	--	3.1%	0.0%			
Portfolio	-2.2%	=	-2.5%	+	-0.4%	+	0.7%	8.2%	10.4%	100.0%	100.0%

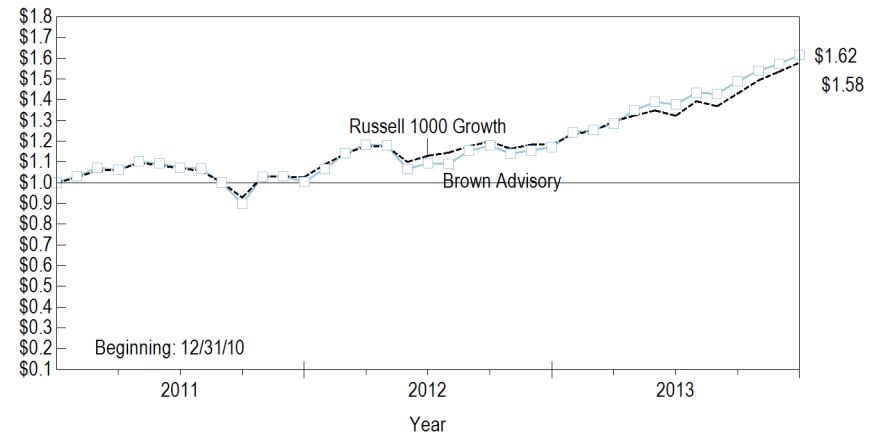
Return Based Style Analysis - Brown Advisory

3 Years Ending December 31, 2013

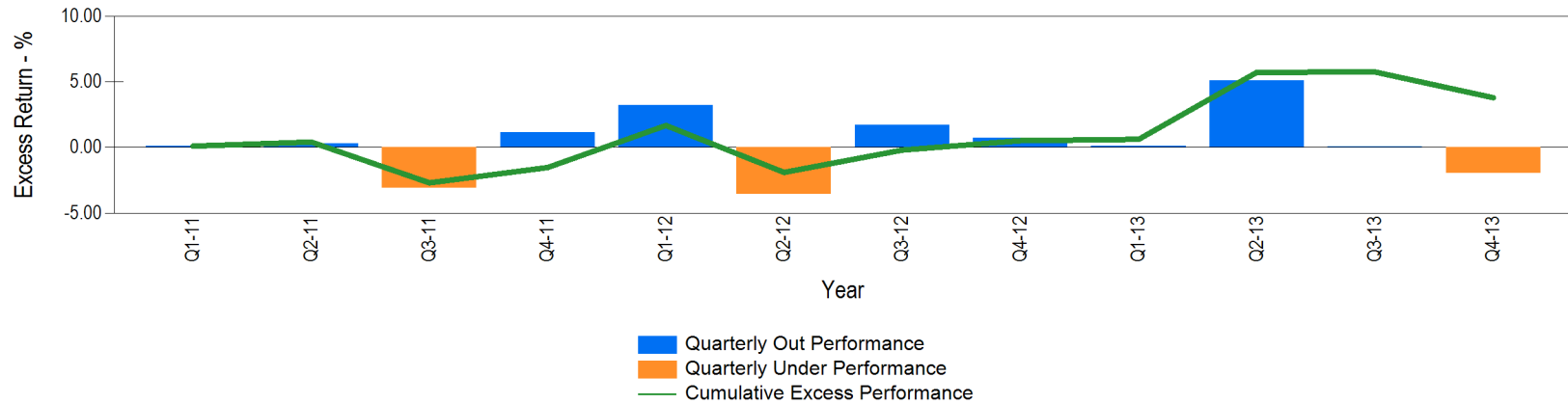
U.S. Effective Style Map



Growth of a Dollar



Quarterly and Cumulative Excess Performance



San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - Small Cap Equity

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 2000
Number of Holdings	213	2,004
Weighted Avg. Market Cap. (\$B)	2.3	1.8
Median Market Cap. (\$B)	1.7	0.7
Price To Earnings	26.8	33.6
Price To Book	3.7	2.4
Price To Sales	2.1	1.6
Return on Equity (%)	13.9	9.8
Yield (%)	0.8	1.2
Beta (holdings; domestic)	1.6	1.4

Top Holdings

SYNOVUS FINL.	2.4%
BRUNSWICK	1.5%
RADIAN GP.	1.4%
SIX FLAGS ENTM.	1.3%
WNS HDG.ADR 1:1	1.2%
CARDTRONICS	1.2%
HFF CLASS A	1.1%
HEARTLAND PAYMENT SYS.	1.1%
EXPRESS	1.1%
WESCO INTL.	1.1%

Best Performers

	Return %
CALAMP (CAMP)	58.8%
NATUS MEDICAL (BABY)	58.7%
AVIS BUDGET GROUP (CAR)	40.2%
FARO TECHS. (FARO)	38.2%
AIR METHODS (AIRM)	36.9%
MATTRESS FIRM HOLDING (MFRM)	35.3%
INCYTE (INCY)	32.7%
CORELOGIC (CLGX)	31.3%
KAPSTONE PAPER & PACK. (KS)	30.5%
REXNORD (RXN)	29.9%

Worst Performers

	Return %
CORONADO BIOSCIENCES (CNDO)	-62.5%
WET SEAL 'A' (WTSL)	-30.5%
K12 (LRN)	-29.6%
APPROACH RESOURCES (AREX)	-26.6%
TANGOE (TNGO)	-24.4%
MEDASSETS (MDAS)	-22.0%
EXPRESS (EXPR)	-20.9%
INFINITY PHARMACEUTICALS (INFI)	-20.8%
INNERWORKINGS (INWK)	-20.7%
SYNCHRONOSS TECHNOLOGIES (SNCR)	-18.4%

Equity Sector Attribution - Small Cap Equity

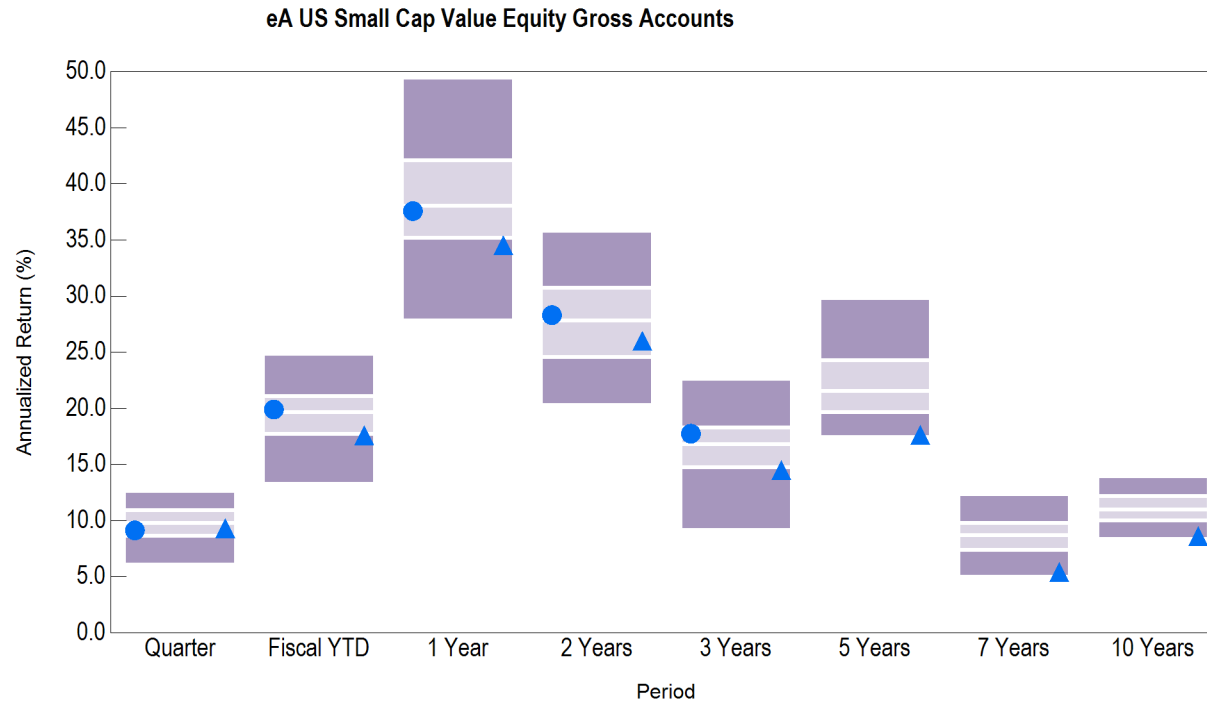
Quarter Ending December 31, 2013

Small Cap Equity Performance Attribution vs. Russell 2000

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.5%	-0.6%	0.0%	0.0%	-3.8%	6.2%	5.2%	5.5%			
Materials	-0.1%	0.0%	-0.1%	0.0%	11.0%	11.2%	2.7%	4.9%			
Industrials	0.0%	0.0%	0.0%	0.0%	10.9%	10.9%	14.5%	14.4%			
Cons. Disc.	-0.3%	-0.2%	0.0%	-0.1%	7.4%	9.2%	20.0%	13.6%			
Cons. Staples	0.0%	-0.4%	0.1%	0.3%	-4.9%	5.7%	0.9%	3.9%			
Health Care	-0.2%	-0.2%	0.0%	0.0%	7.1%	8.6%	13.2%	13.1%			
Financials	0.4%	0.5%	0.0%	-0.1%	11.3%	9.1%	19.2%	22.6%			
Info. Tech	0.5%	0.5%	0.0%	0.1%	10.2%	7.5%	20.8%	18.1%			
Telecomm.	0.0%	--	0.0%	--	--	5.3%	0.0%	0.8%			
Utilities	0.0%	-0.1%	0.0%	0.0%	2.6%	6.0%	2.0%	3.1%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.6%	0.0%			
Portfolio	-0.3%	=	-0.5%	+	-0.1%	+	0.3%	8.4%	8.7%	100.0%	100.0%

Total Returns - Small Cap Value Equity

Periods Ending December 31, 2013



	Quarter		Fiscal YTD		1 Year		2 Years		3 Years		5 Years		7 Years		10 Years	
Return (Rank)																
5th Percentile	12.6	24.9	49.4	35.8	22.6	29.8	12.3	14.0								
25th Percentile	11.0	21.1	42.1	30.8	18.3	24.3	9.8	12.2								
Median	9.8	19.7	38.1	27.8	16.8	21.6	8.7	11.0								
75th Percentile	8.7	17.7	35.2	24.6	14.8	19.7	7.4	10.0								
95th Percentile	6.1	13.3	27.8	20.3	9.2	17.5	5.0	8.4								
# of Portfolios	199	199	199	199	197	190	166	146								
● The Boston Co	9.1 (63)	19.9 (44)	37.6 (56)	28.3 (46)	17.7 (33)	-- (--)	-- (--)	-- (--)								
▲ Russell 2000 Value	9.3 (61)	17.6 (78)	34.5 (78)	26.0 (67)	14.5 (78)	17.6 (95)	5.4 (94)	8.6 (95)								

San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - The Boston Co

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 2000 Value
Number of Holdings	137	1,394
Weighted Avg. Market Cap. (\$B)	1.9	1.5
Median Market Cap. (\$B)	1.5	0.6
Price To Earnings	25.5	26.7
Price To Book	2.8	1.6
Price To Sales	1.8	1.4
Return on Equity (%)	11.8	6.7
Yield (%)	1.0	1.9
Beta (holdings; domestic)	1.6	1.4

Top Holdings

CORELOGIC	1.6%
SYNOVUS FINL.	1.5%
NEW YORK TIMES 'A'	1.5%
DECKERS OUTDOOR	1.4%
OFFICE DEPOT	1.3%
CVB FINANCIAL	1.2%
HELIX ENERGY SLTN.GP.	1.2%
VERINT SYS.	1.2%
ALSP.HLTHCR.SLTN.	1.2%
TESCO	1.1%

Best Performers

	Return %
NATUS MEDICAL (BABY)	58.7%
FARO TECHS. (FARO)	38.2%
AIR METHODS (AIRM)	36.9%
CORELOGIC (CLGX)	31.3%
KAPSTONE PAPER & PACK. (KS)	30.5%
FREIGHTCAR AMERICA (RAIL)	29.1%
DECKERS OUTDOOR (DECK)	28.1%
CVB FINANCIAL (CVBF)	27.0%
NEW YORK TIMES 'A' (NYT)	26.7%
AEROVIRONMENT (AVAV)	26.1%

Worst Performers

	Return %
EXPRESS (EXPR)	-20.9%
INNERWORKINGS (INWK)	-20.7%
SEMTECH (SMTC)	-15.7%
ALLIED NEVADA GOLD (ANV)	-15.1%
IXIA (XXIA)	-15.1%
DANA HOLDING (DAN)	-13.9%
VEECO INSTRUMENTS (VECO)	-11.6%
DEAN FOODS (DF)	-10.9%
CIRRUS LOGIC (CRUS)	-9.9%
HELIX ENERGY SLTN.GP. (HLX)	-8.6%

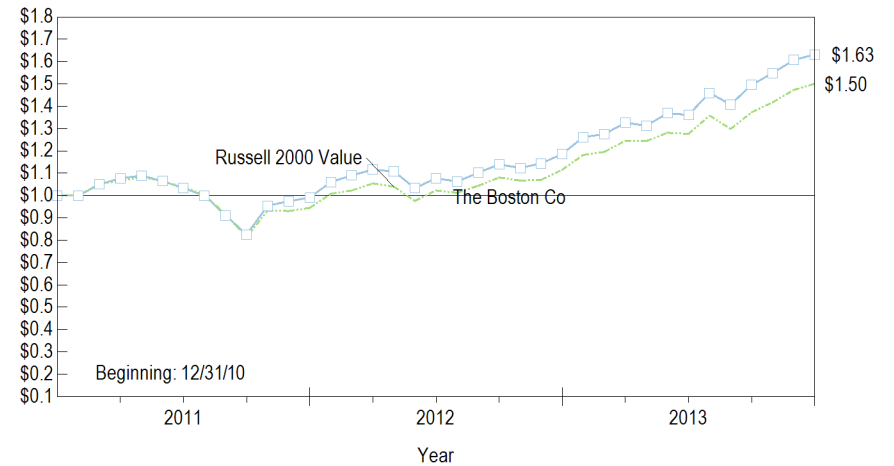
The Boston Co Performance Attribution vs. Russell 2000 Value

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.0%	-0.2%	0.1%	0.1%	3.5%	5.8%	4.9%	7.4%			
Materials	-0.1%	-0.1%	0.0%	0.0%	11.0%	13.0%	5.5%	4.6%			
Industrials	-0.4%	-0.4%	0.0%	0.0%	8.8%	11.5%	12.8%	13.5%			
Cons. Disc.	0.0%	0.0%	0.1%	0.0%	9.6%	9.9%	19.6%	10.4%			
Cons. Staples	-0.1%	-0.3%	0.0%	0.1%	-4.9%	5.4%	1.8%	2.8%			
Health Care	0.2%	0.0%	0.1%	0.0%	13.2%	12.4%	9.1%	4.6%			
Financials	0.7%	1.1%	0.0%	-0.4%	12.1%	9.3%	25.4%	39.1%			
Info. Tech	0.0%	0.0%	0.0%	0.0%	8.9%	9.1%	15.4%	10.8%			
Telecomm.	0.1%	--	0.1%	--	--	-4.4%	0.0%	0.7%			
Utilities	-0.1%	-0.2%	0.1%	0.1%	2.6%	5.9%	4.2%	6.2%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.3%	0.0%			
Portfolio	0.2%	=	0.0%	+	0.4%	+	-0.2%	9.5%	9.3%	100.0%	100.0%

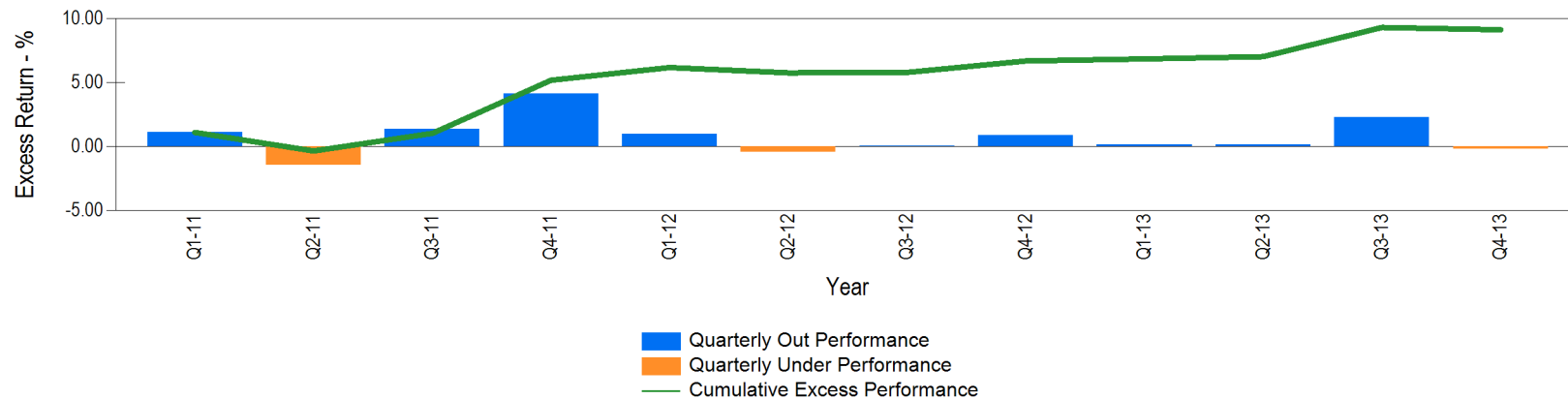
U.S. Effective Style Map



Growth of a Dollar

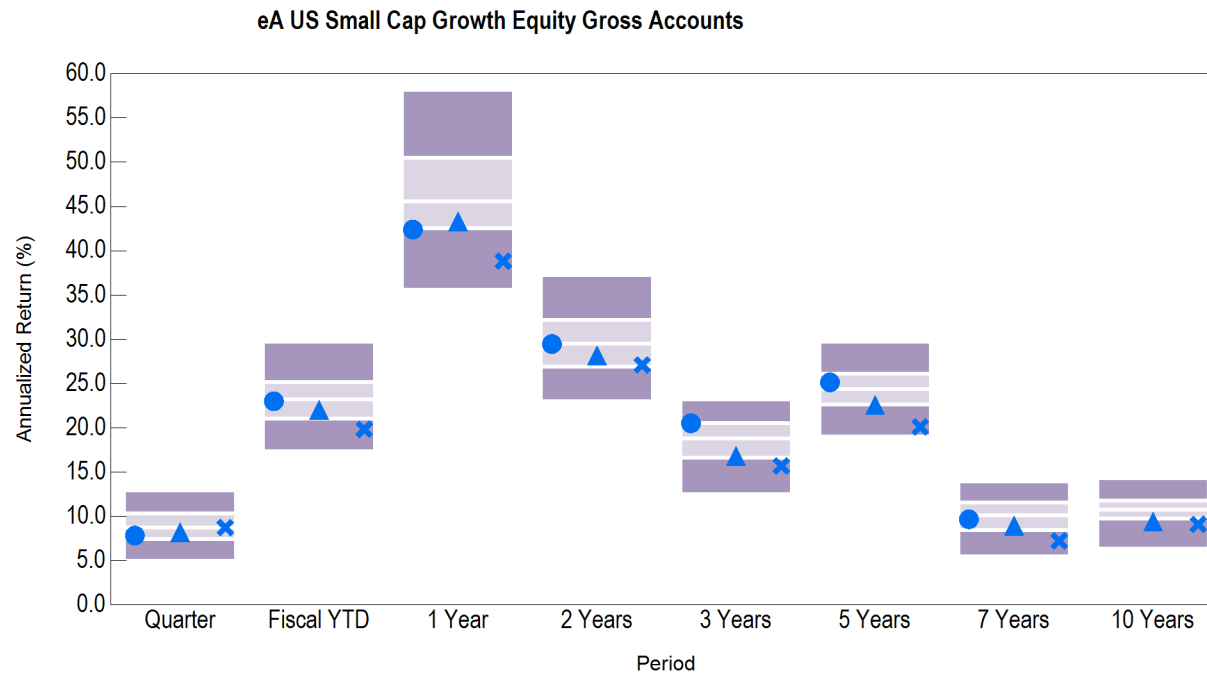


Quarterly and Cumulative Excess Performance



Total Returns - Small Cap Growth Equity

Periods Ending December 31, 2013



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	12.9	29.7	58.2	37.2	23.1	29.7	13.9	14.2
25th Percentile	10.3	25.2	50.6	32.2	20.6	26.2	11.6	11.8
Median	8.8	23.2	45.6	29.5	18.8	24.4	10.1	10.8
75th Percentile	7.4	21.0	42.6	27.0	16.6	22.6	8.5	9.8
95th Percentile	5.0	17.4	35.6	23.0	12.5	19.0	5.5	6.3
# of Portfolios	160	160	160	160	158	152	134	116
● Chartwell	7.8 (68)	23.0 (55)	42.4 (77)	29.5 (51)	20.5 (27)	25.1 (43)	9.7 (62)	-- (--)
▲ Russell 2000 Growth	8.2 (60)	22.0 (67)	43.3 (70)	28.1 (63)	16.8 (73)	22.6 (76)	8.9 (70)	9.4 (79)
× Russell 2000	8.7 (51)	19.8 (82)	38.8 (89)	27.1 (75)	15.7 (85)	20.1 (92)	7.2 (88)	9.1 (81)

Equity Only Summary Statistics - Chartwell

Quarter Ending December 31, 2013

Characteristics

	Portfolio	Russell 2000 Growth
Number of Holdings	86	1,174
Weighted Avg. Market Cap. (\$B)	2.6	2.0
Median Market Cap. (\$B)	2.0	0.9
Price To Earnings	28.3	43.9
Price To Book	4.8	4.3
Price To Sales	2.3	1.8
Return on Equity (%)	16.2	13.2
Yield (%)	0.5	0.6
Beta (holdings; domestic)	1.6	1.3

Top Holdings

SYNOVUS FINL.	3.2%
RADIAN GP.	2.8%
SIX FLAGS ENTM.	2.6%
WNS HDG.ADR 1:1	2.5%
CARDTRONICS	2.3%
HEARTLAND PAYMENT SYS.	2.2%
WESCO INTL.	2.1%
HEXCEL	2.0%
HANESBRANDS	2.0%
BRUNSWICK	2.0%

Best Performers

	Return %
CALAMP (CAMP)	58.8%
AVIS BUDGET GROUP (CAR)	40.2%
MATTRESS FIRM HOLDING (MFRM)	35.3%
INCYTE (INCY)	32.7%
REXNORD (RXN)	29.9%
CYBERONICS (CYBX)	28.9%
VIROPHARMA (VPHM)	27.0%
SILVERCREST ASSET MAN. GP.CL.A (SAMG)	26.0%
MAXLINEAR 'A' (MXL)	25.8%
HEARTLAND PAYMENT SYS. (HPY)	25.7%

Worst Performers

	Return %
CORONADO BIOSCIENCES (CNDO)	-62.5%
WET SEAL 'A' (WTSL)	-30.5%
K12 (LRN)	-29.6%
APPROACH RESOURCES (AREX)	-26.6%
TANGOE (TNGO)	-24.4%
MEDASSETS (MDAS)	-22.0%
EXPRESS (EXPR)	-20.9%
INFINITY PHARMACEUTICALS (INFI)	-20.8%
SYNCHRONOSS TECHNOLOGIES (SNCR)	-18.4%
AEGERION PHARMS. (AEGR)	-17.2%

Chartwell Performance Attribution vs. Russell 2000 Growth

	Total Effects	Attribution Effects			Returns		Sector Weights				
		Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.9%	-0.6%	0.0%	-0.3%	-9.8%	6.9%	5.5%	3.8%			
Materials	-0.1%	--	-0.1%	--	--	9.6%	0.0%	5.1%			
Industrials	0.4%	0.3%	0.0%	0.0%	12.5%	10.4%	16.1%	15.3%			
Cons. Disc.	-0.6%	-0.5%	0.0%	-0.1%	5.5%	8.8%	20.3%	16.6%			
Cons. Staples	0.1%	--	0.1%	--	--	5.9%	0.0%	5.0%			
Health Care	-0.6%	-0.8%	0.0%	0.1%	4.1%	7.8%	17.1%	21.0%			
Financials	0.2%	0.1%	0.0%	0.1%	9.7%	7.9%	13.5%	7.2%			
Info. Tech	1.0%	1.0%	0.0%	0.0%	10.9%	6.8%	25.8%	24.9%			
Telecomm.	0.0%	--	0.0%	--	--	12.3%	0.0%	0.9%			
Utilities	0.0%	--	0.0%	--	--	7.8%	0.0%	0.1%			
Cash	-0.2%	0.0%	-0.2%	0.0%	0.0%	--	1.9%	0.0%			
Portfolio	-0.7%	=	-0.5%	+	-0.1%	+	-0.1%	7.4%	8.1%	100.0%	100.0%

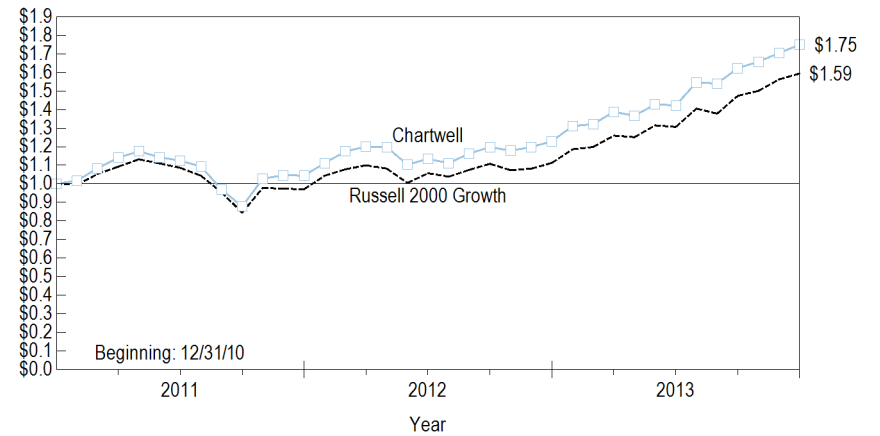
Return Based Style Analysis - Chartwell

3 Years Ending December 31, 2013

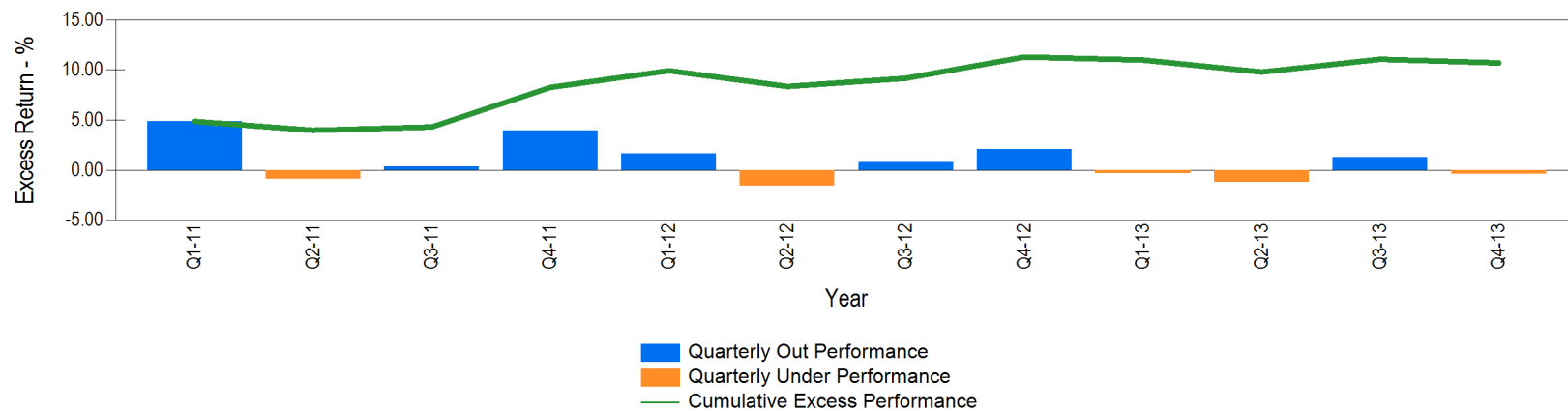
U.S. Effective Style Map



Growth of a Dollar

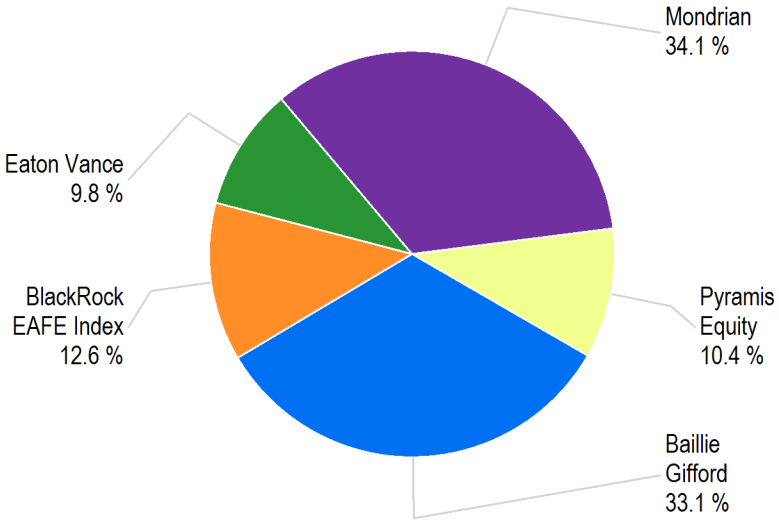


Quarterly and Cumulative Excess Performance



San Mateo County Employees' Retirement Association
Manager Allocation Analysis - International Equity

As of December 31, 2013



	Actual \$	Actual %	Manager Contribution to Excess Return %
Artio	\$96,901	0.0%	0.0%
Baillie Gifford	\$200,930,560	33.1%	-0.4%
BlackRock EAFE Index	\$76,462,000	12.6%	
Eaton Vance	\$59,302,121	9.8%	0.1%
Mondrian	\$207,048,551	34.1%	0.2%
Pyramis Int'l Equity	\$62,800,018	10.4%	0.0%
Actual vs. Policy Weight Difference			0.3%
Total	\$606,640,151	100.0%	0.3%

Statistics Summary

3 Years

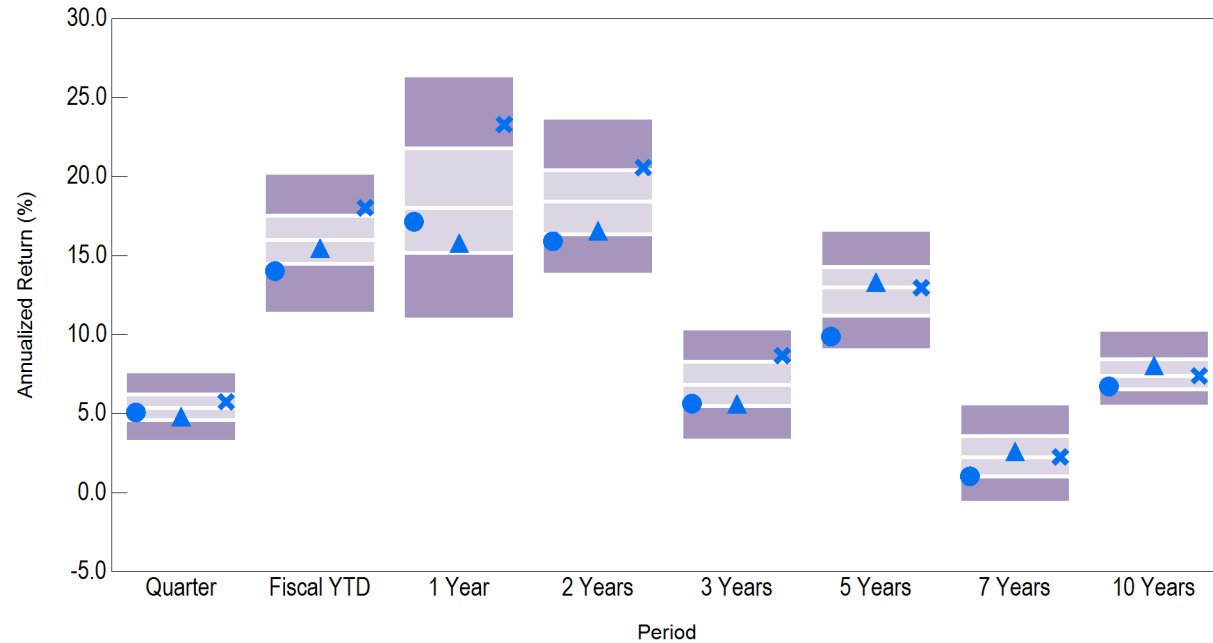
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
International Equity	5.6%	15.2%	0.4	0.0	2.3%
MSCI ACWI ex US	5.6%	16.4%	0.3	--	0.0%
Mondrian	7.3%	14.2%	0.5	0.3	4.7%
MSCI ACWI ex USA Value Gross	5.9%	16.9%	0.3	--	0.0%

Statistics Summary

5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
International Equity	9.9%	18.3%	0.5	-1.1	3.0%
MSCI ACWI ex US	13.3%	19.8%	0.7	--	0.0%
Mondrian	10.9%	17.7%	0.6	-0.4	5.6%
MSCI ACWI ex USA Value Gross	13.3%	21.1%	0.6	--	0.0%

IFx All DB ex-US Eq Gross Accounts



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	7.6	20.2	26.4	23.7	10.4	16.6	5.6	10.3
25th Percentile	6.2	17.5	21.8	20.4	8.3	14.3	3.6	8.5
Median	5.4	16.0	18.0	18.4	6.8	13.0	2.3	7.4
75th Percentile	4.6	14.5	15.2	16.4	5.5	11.2	1.0	6.5
95th Percentile	3.2	11.3	11.0	13.8	3.3	9.0	-0.6	5.4
# of Portfolios	425	424	415	405	388	292	253	165
● International Equity	5.1 (59)	14.0 (81)	17.1 (57)	15.9 (82)	5.6 (73)	9.9 (92)	1.0 (76)	6.7 (70)
▲ MSCI ACWI ex US	4.8 (69)	15.5 (59)	15.8 (70)	16.6 (72)	5.6 (74)	13.3 (45)	2.6 (42)	8.0 (38)
✕ MSCI EAFE Gross	5.7 (39)	18.0 (19)	23.3 (17)	20.6 (23)	8.7 (20)	13.0 (51)	2.3 (51)	7.4 (51)

San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - International Equity

Quarter Ending December 31, 2013

Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	1,055	1,824
Weighted Avg. Market Cap. (\$B)	45.9	55.6
Median Market Cap. (\$B)	5.3	6.8
Price To Earnings	20.6	18.2
Price To Book	3.6	2.4
Price To Sales	2.6	1.8
Return on Equity (%)	18.2	15.0
Yield (%)	2.9	2.8
Beta (holdings: global)	0.9	1.0

Top Holdings

UNILEVER (UK)	1.9%
BG GROUP	1.8%
TOTAL	1.8%
ROCHE HOLDING	1.6%
NESTLE 'R'	1.6%
KAO	1.4%
KINNEVIK 'B'	1.4%
UNITED OVERSEAS BANK	1.3%
IBERDROLA	1.2%
SVENSKA HANDBKN.'A'	1.2%

Best Performers

	Return %
OANDO (NG:OAN)	136.6%
ADANI ENTERPRISES (IN:ADE)	88.8%
WAHA CAPITAL (AD:WAH)	60.6%
SUZLON ENERGY (IN:SZE)	59.2%
VOLTAS (IN:VLT)	58.9%
TATA STEEL (IN:TIS)	58.1%
JAIPRAKASH ASSOCIATES (IN:JKA)	57.9%
NAVIOS MARITIME HDG. (NM)	57.8%
TCC INTERANTIONAL HDG. (K:TCC)	54.5%
GVK POWER & INFR. (IN:RRK)	53.0%

Worst Performers

	Return %
NOVA KREDITNA BANKA MARIBOR (SV:NOE)	-73.1%
SUNTECH PWR.HDG.ADR 1:1 (STPFQ)	-69.4%
MMX MINER ON NM (BR:MMX)	-57.4%
DETOUR GOLD (C:DGC)	-54.6%
TROY RESOURCES (A:TRYX)	-50.3%
TERAFORCE TECH. (TERA)	-50.0%
IHLAS HOLDING (TK:IHL)	-48.6%
SADOVAYA (PO:SGR)	-48.3%
THAI AIRWAYS INTL.FB (Q:TAIF)	-47.9%
KOZA ANADOLU MTL.MIE. (TK:KOZ)	-44.7%

The Pyramid Select International Small Cap Plus holdings are one quarter lag.

Equity Sector Attribution - International Equity

Quarter Ending December 31, 2013

Int'l Equity w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.2%	0.0%	0.0%	0.1%	4.5%	3.0%	9.3%	9.7%			
Materials	0.2%	0.2%	0.1%	0.0%	4.4%	2.3%	4.7%	8.5%			
Industrials	0.0%	-0.1%	0.0%	0.1%	5.2%	5.2%	13.7%	11.2%			
Cons. Disc.	0.2%	0.1%	0.0%	0.1%	6.5%	4.8%	12.4%	10.8%			
Cons. Staples	0.1%	0.2%	-0.1%	0.0%	4.3%	2.6%	13.1%	10.0%			
Health Care	-0.2%	-0.1%	0.0%	-0.2%	4.6%	7.3%	11.1%	7.7%			
Financials	0.1%	0.0%	-0.1%	0.2%	5.6%	5.2%	16.8%	26.7%			
Info. Tech	-0.3%	-0.3%	0.0%	-0.1%	3.1%	7.9%	6.9%	6.4%			
Telecomm.	-0.1%	-0.2%	0.0%	0.0%	5.7%	8.2%	7.0%	5.7%			
Utilities	0.1%	0.1%	0.0%	0.0%	5.9%	2.2%	3.9%	3.5%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.2%	0.0%			
Portfolio	0.2%	=	-0.1%	+	0.0%	+	0.3%	5.0%	4.8%	100.0%	100.0%

Equity Sector Attribution - International Equity

Quarter Ending December 31, 2013

Int'l Equity w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Europe									
Austria	-2.9%	3.4%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Belgium	1.7%	8.0%	0.3%	0.8%	-0.1%	0.0%	0.0%	0.0%	0.0%
Czech Republic*	0.0%	1.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Denmark	8.3%	10.3%	1.6%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Finland	3.5%	12.0%	0.8%	0.6%	-0.1%	0.0%	0.0%	0.0%	-0.1%
France	7.3%	6.1%	6.7%	7.1%	0.1%	0.0%	0.0%	0.0%	0.1%
Germany	16.3%	13.5%	3.9%	6.3%	0.2%	-0.1%	0.0%	-0.1%	-0.1%
Greece	19.2%	23.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Hungary*	1.9%	-4.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ireland	7.5%	10.7%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Italy	7.0%	10.7%	1.5%	1.5%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Netherlands	6.5%	8.8%	2.8%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Norway	24.9%	5.8%	0.2%	0.6%	0.1%	0.0%	0.0%	-0.1%	0.0%
Poland*	4.4%	3.9%	0.5%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Portugal	--	1.3%	0.0%	0.1%	--	0.0%	0.0%	--	0.0%
Russia*	2.2%	0.4%	1.2%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Spain	7.3%	11.3%	3.0%	2.3%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Sweden	11.7%	5.2%	3.4%	2.3%	0.2%	0.0%	0.0%	0.1%	0.2%
Switzerland	6.1%	4.3%	6.3%	6.5%	0.1%	0.0%	0.0%	0.0%	0.1%
United Kingdom	7.9%	7.4%	17.4%	15.6%	0.1%	0.0%	0.0%	0.0%	0.1%

Equity Sector Attribution - International Equity

Quarter Ending December 31, 2013

Int'l Equity w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
AsiaPacific									
Australia	-3.4%	-0.8%	4.4%	5.7%	-0.2%	0.0%	0.1%	0.0%	0.0%
China*	4.8%	3.8%	4.4%	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Hong Kong	4.4%	3.3%	1.6%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%
India*	13.5%	10.4%	1.5%	1.2%	0.0%	0.0%	0.0%	0.0%	0.1%
Indonesia*	-6.1%	-4.5%	1.1%	0.5%	0.0%	0.0%	0.0%	0.0%	-0.1%
Japan	3.2%	2.3%	12.5%	15.5%	0.2%	-0.1%	0.2%	0.0%	0.2%
Korea*	3.1%	4.0%	2.3%	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Malaysia*	2.1%	5.7%	0.7%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
New Zealand	-12.0%	-4.8%	0.5%	0.1%	0.0%	0.0%	0.0%	0.0%	-0.1%
Pakistan**	14.8%	12.7%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Philippines*	-7.5%	-5.1%	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Singapore	0.3%	0.7%	2.4%	1.1%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Taiwan*	2.4%	4.4%	2.2%	2.4%	-0.1%	0.0%	0.0%	0.0%	0.0%
Thailand*	-10.3%	-10.1%	0.8%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Americas									
Argentina**	6.0%	19.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Brazil*	-5.2%	-5.7%	2.0%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Canada	4.2%	4.2%	1.4%	7.2%	0.0%	-0.1%	0.2%	0.0%	0.1%
Chile*	-6.8%	-6.8%	0.8%	0.4%	0.0%	0.0%	0.0%	0.0%	-0.1%
Colombia*	-8.9%	-11.1%	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Mexico*	9.8%	8.3%	1.6%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Peru*	3.4%	3.0%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
United States	3.9%	10.1%	1.6%	0.0%	0.0%	0.1%	0.0%	-0.1%	0.0%

Equity Sector Attribution - International Equity

Quarter Ending December 31, 2013

Int'l Equity w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Other									
Bangladesh**	8.1%	4.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bulgaria**	13.0%	19.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Croatia**	4.4%	-0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Egypt*	19.4%	19.4%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Estonia**	-1.8%	-4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Israel	7.4%	6.3%	1.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Jordan**	8.6%	12.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Kazakhstan**	10.2%	10.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Kenya**	3.9%	1.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Kuwait**	-1.2%	-2.8%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lebanon**	-1.7%	-3.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Luxembourg	5.1%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Morocco*	7.9%	5.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nigeria**	15.2%	9.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Oman**	1.8%	1.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Qatar**	0.0%	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Romania**	7.9%	7.9%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Slovenia**	8.8%	10.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
South Africa*	6.2%	2.5%	1.9%	1.6%	0.1%	0.0%	0.0%	0.0%	0.1%
Tunisia**	-6.6%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Turkey*	-13.9%	-13.7%	1.3%	0.4%	0.0%	-0.1%	-0.1%	0.0%	-0.2%
United Arab Emirates**	16.5%	18.9%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Equity Sector Attribution - International Equity

Quarter Ending December 31, 2013

Int'l Equity w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Totals									
Americas	1.5%	1.9%	8.0%	11.3%	-0.2%	0.0%	0.2%	0.1%	0.1%
Europe	8.1%	7.7%	50.3%	48.7%	0.2%	0.0%	0.0%	0.0%	0.2%
Asia/Pacific	1.9%	2.3%	34.9%	37.7%	-0.3%	0.0%	0.2%	0.0%	0.0%
Other	2.4%	0.7%	5.6%	2.3%	0.0%	-0.1%	-0.1%	0.0%	-0.1%
Cash	0.0%	--	1.2%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Unclassified	--	--	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Total	5.0%	4.8%	100.0%	100.0%	-0.3%	-0.1%	0.4%	0.1%	0.2%
Totals									
Developed	6.1%	5.6%	73.6%	79.0%	-0.1%	0.0%	0.5%	0.0%	0.4%
Emerging*	1.7%	2.0%	23.8%	21.0%	0.0%	-0.1%	-0.1%	0.0%	-0.2%
Frontier**	7.4%	--	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	--	1.2%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%

Total Returns - Developed Markets

Periods Ending December 31, 2013

IFx All DB Dev Mkt ex-US Eq Gross Accounts



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Return (Rank)	7.8	21.4	28.2	24.7	11.3	16.7	5.3	9.8
5th Percentile	6.7	18.2	23.7	20.8	8.8	14.7	3.4	8.2
25th Percentile	5.6	16.5	20.9	19.1	8.0	13.0	2.1	7.2
Median	4.9	15.3	18.0	17.1	5.7	10.9	0.7	6.5
75th Percentile	3.5	12.3	13.2	12.7	3.1	8.7	-1.2	4.7
95th Percentile	139	139	138	134	119	107	89	61
# of Portfolios								
● Developed Markets	5.4 (64)	14.7 (87)	19.4 (62)	17.0 (78)	6.3 (71)	10.3 (83)	1.3 (66)	6.9 (65)
▲ MSCI ACWI ex USA Gross	4.8 (83)	15.5 (73)	15.8 (84)	16.6 (82)	5.6 (78)	13.3 (46)	2.6 (44)	8.0 (28)

San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - Developed Markets

Quarter Ending December 31, 2013

Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	206	1,824
Weighted Avg. Market Cap. (\$B)	49.0	55.6
Median Market Cap. (\$B)	12.8	6.8
Price To Earnings	21.1	18.2
Price To Book	3.6	2.4
Price To Sales	2.3	1.8
Return on Equity (%)	18.3	15.0
Yield (%)	2.9	2.8
Beta (holdings; global)	0.8	1.0

Top Holdings

UNILEVER (UK)	2.2%
BG GROUP	2.1%
TOTAL	2.0%
ROCHE HOLDING	1.9%
NESTLE 'R'	1.8%
KAO	1.6%
KINNEVIK 'B'	1.6%
UNITED OVERSEAS BANK	1.5%
IBERDROLA	1.4%
SVENSKA HANDBKN.'A'	1.4%

Best Performers

	Return %
TCC INTERANTIONAL HDG. (K:TCC)	54.5%
HARGREAVES LANSDOWN (UKIR:HL.)	41.4%
CELESIO (D:CLS1)	40.9%
BEIJING ENTERPRISES HDG. (K:BEEN)	37.9%
LARSEN & TOUBRO (IN:LST)	37.3%
REDROW (UKIR:RDW)	37.0%
CHINA RESOURCES GAS GP. (K:LOGI)	36.1%
GRUMA 'B' (MX:GRM)	36.0%
CHINA GAS HOLDINGS (K:IWAI)	34.9%
KINNEVIK 'B' (W:KIVB)	33.9%

Worst Performers

	Return %
DETOUR GOLD (C:DGC)	-54.6%
TROY RESOURCES (A:TRYX)	-50.3%
IMAGINATION TECHNOLOGIES (UKIR:IMG)	-44.2%
KOZA ALTIN ISLETMELERI (TK:KAI)	-34.9%
AREZZO CO ON NM (BR:ARZ)	-28.1%
ZEON (J:JG@N)	-26.6%
QBE INSURANCE GROUP (A:QBEX)	-24.9%
INDEPENDENCE GROUP (A:IGOX)	-24.5%
CHIPBOND TECH. (TW:CBO)	-23.7%
TEGMA ON (BR:TEG)	-21.8%

The Pyramid Select International Small Cap Plus holdings are one quarter lag.

Equity Sector Attribution - Developed Markets

Quarter Ending December 31, 2013

Developed Markets w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.3%	0.1%	0.0%	0.2%	5.6%	3.0%	9.7%	9.7%			
Materials	0.4%	0.4%	0.1%	-0.1%	8.6%	2.3%	2.6%	8.5%			
Industrials	-0.1%	-0.2%	0.0%	0.1%	4.7%	5.2%	13.5%	11.2%			
Cons. Disc.	0.2%	0.1%	0.0%	0.1%	6.7%	4.8%	12.3%	10.8%			
Cons. Staples	0.1%	0.3%	-0.2%	0.0%	4.5%	2.6%	14.8%	10.0%			
Health Care	-0.3%	-0.1%	0.1%	-0.2%	4.4%	7.3%	13.3%	7.7%			
Financials	0.3%	0.2%	-0.1%	0.1%	6.4%	5.2%	15.0%	26.7%			
Info. Tech	-0.4%	-0.3%	0.0%	-0.1%	1.9%	7.9%	6.1%	6.4%			
Telecomm.	-0.1%	-0.2%	0.0%	0.1%	6.3%	8.2%	7.2%	5.7%			
Utilities	0.2%	0.1%	0.0%	0.1%	6.5%	2.2%	4.1%	3.5%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.3%	0.0%			
Portfolio	0.4%	=	0.3%	+	-0.1%	+	0.2%	5.3%	4.8%	100.0%	100.0%

Equity Sector Attribution - Developed Markets

Quarter Ending December 31, 2013

Developed Markets w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Europe									
Austria	--	3.4%	0.0%	0.2%	--	0.0%	0.0%	--	0.0%
Belgium	0.7%	8.0%	0.3%	0.8%	-0.1%	0.0%	0.0%	0.0%	0.0%
Czech Republic*	--	1.0%	0.0%	0.1%	--	0.0%	0.0%	--	0.0%
Denmark	8.3%	10.3%	2.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Finland	3.3%	12.0%	0.7%	0.6%	-0.1%	0.0%	0.0%	0.0%	-0.1%
France	7.1%	6.1%	8.3%	7.1%	0.1%	0.0%	0.0%	0.0%	0.1%
Germany	17.6%	13.5%	4.2%	6.3%	0.3%	-0.1%	0.0%	-0.1%	0.0%
Greece	--	23.6%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Hungary*	--	-4.5%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Ireland	--	10.7%	0.0%	0.2%	--	0.0%	0.0%	--	0.0%
Italy	5.4%	10.7%	1.7%	1.5%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Netherlands	6.0%	8.8%	3.3%	1.9%	-0.1%	0.0%	0.0%	0.0%	0.0%
Norway	--	5.8%	0.0%	0.6%	--	0.0%	0.0%	--	0.0%
Poland*	--	3.9%	0.0%	0.4%	--	0.0%	0.0%	--	0.0%
Portugal	--	1.3%	0.0%	0.1%	--	0.0%	0.0%	--	0.0%
Russia*	1.0%	0.4%	0.5%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Spain	7.3%	11.3%	3.9%	2.3%	-0.1%	0.1%	0.0%	-0.1%	-0.1%
Sweden	12.0%	5.2%	4.2%	2.3%	0.2%	0.0%	0.0%	0.1%	0.3%
Switzerland	5.8%	4.3%	7.8%	6.5%	0.1%	0.0%	0.0%	0.0%	0.1%
United Kingdom	7.5%	7.4%	20.4%	15.6%	0.0%	0.0%	0.1%	0.0%	0.1%

Equity Sector Attribution - Developed Markets

Quarter Ending December 31, 2013

Developed Markets w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
AsiaPacific									
Australia	-3.2%	-0.8%	5.0%	5.7%	-0.1%	0.0%	0.0%	0.0%	-0.1%
China*	2.9%	3.8%	3.5%	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Hong Kong	4.9%	3.3%	1.6%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%
India*	16.5%	10.4%	0.9%	1.2%	0.1%	0.0%	0.0%	0.0%	0.0%
Indonesia*	-7.8%	-4.5%	0.8%	0.5%	0.0%	0.0%	0.0%	0.0%	-0.1%
Japan	3.8%	2.3%	13.4%	15.5%	0.3%	-0.1%	0.1%	0.0%	0.3%
Korea*	4.7%	4.0%	1.4%	3.4%	0.0%	0.1%	0.0%	0.0%	0.0%
Malaysia*	-0.5%	5.7%	0.3%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
New Zealand	-12.0%	-4.8%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	-0.1%
Philippines*	-11.4%	-5.1%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Singapore	0.3%	0.7%	3.1%	1.1%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Taiwan*	3.3%	4.4%	1.3%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Thailand*	-14.0%	-10.1%	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Americas									
Brazil*	-3.3%	-5.7%	1.4%	2.3%	0.0%	0.1%	0.1%	0.0%	0.1%
Canada	2.4%	4.2%	0.6%	7.2%	-0.1%	-0.1%	0.2%	0.1%	0.1%
Chile*	-7.3%	-6.8%	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Colombia*	-14.1%	-11.1%	0.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Mexico*	10.1%	8.3%	1.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Peru*	3.3%	3.0%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
United States	3.6%	10.1%	1.7%	0.0%	0.0%	0.1%	0.0%	-0.1%	0.0%

Equity Sector Attribution - Developed Markets

Quarter Ending December 31, 2013

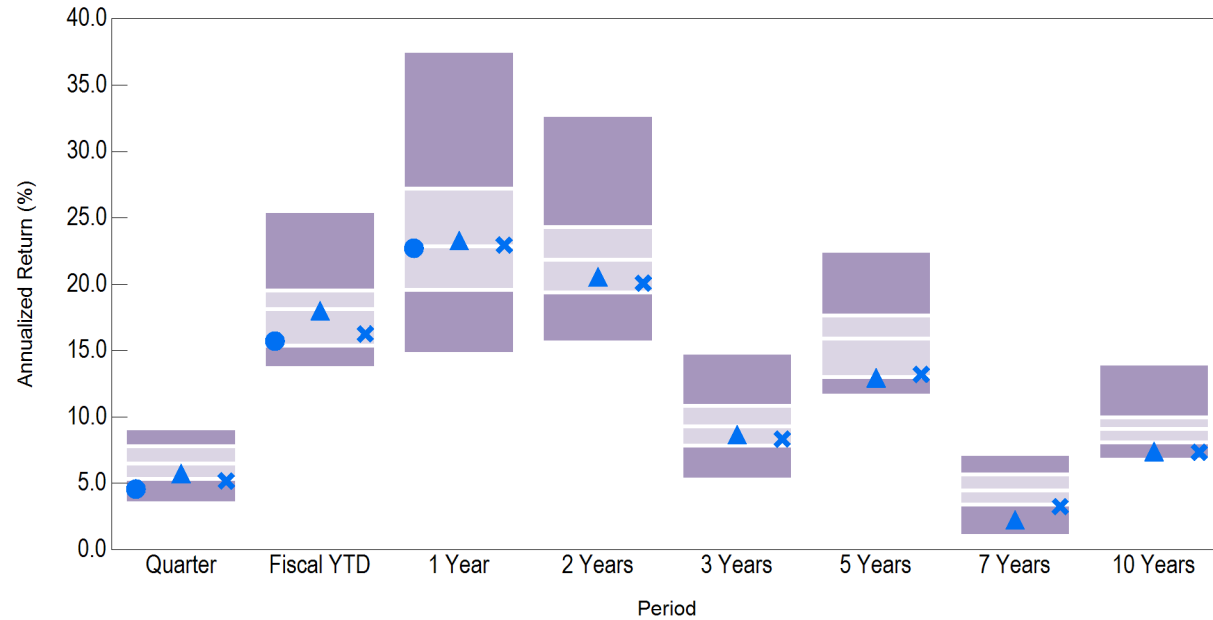
Developed Markets w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Returns and Weights				Attribution Effects				
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	Total Effects
Other									
Bulgaria**	1.8%	19.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Egypt*	--	19.4%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Israel	7.0%	6.3%	1.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Kazakhstan**	5.7%	10.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Morocco*	--	5.5%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
South Africa*	9.5%	2.5%	1.1%	1.6%	0.1%	0.0%	0.0%	0.0%	0.1%
Turkey*	-14.3%	-13.7%	1.1%	0.4%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Totals									
Americas	1.8%	1.9%	5.5%	11.3%	-0.2%	0.0%	0.3%	0.1%	0.2%
Europe	8.0%	7.7%	57.2%	48.7%	0.1%	0.0%	0.2%	0.0%	0.4%
Asia/Pacific	1.7%	2.3%	32.6%	37.7%	-0.1%	0.0%	0.1%	0.0%	0.0%
Other	0.9%	0.7%	3.3%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	--	1.3%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Unclassified	--	--	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Total	5.3%	4.8%	100.0%	100.0%	-0.2%	-0.1%	0.6%	0.2%	0.4%
Totals									
Developed	6.1%	5.6%	83.9%	79.0%	-0.2%	0.0%	0.6%	0.0%	0.4%
Emerging*	1.2%	2.0%	14.7%	21.0%	-0.1%	0.2%	0.0%	0.0%	0.1%
Frontier**	5.7%	--	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	--	1.3%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%

Total Returns - EAFE Growth Equity

Periods Ending December 31, 2013

eA EAFE Growth Equity Gross Accounts



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	9.1	25.5	37.5	32.7	14.8	22.5	7.2	14.0
25th Percentile	7.8	19.5	27.2	24.3	10.9	17.7	5.7	10.0
Median	6.5	18.1	22.9	21.9	9.3	15.9	4.5	9.1
75th Percentile	5.3	15.4	19.6	19.4	7.9	13.1	3.4	8.1
95th Percentile	3.5	13.7	14.7	15.7	5.3	11.6	1.1	6.8
# of Portfolios	59	59	59	57	56	53	48	39
● Baillie Gifford	4.6 (87)	15.7 (72)	22.7 (56)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
▲ MSCI EAFE Gross	5.7 (70)	18.0 (52)	23.3 (48)	20.6 (63)	8.7 (60)	13.0 (82)	2.3 (89)	7.4 (88)
✕ MSCI EAFE Growth Gross	5.2 (82)	16.2 (66)	22.9 (49)	20.1 (66)	8.3 (70)	13.2 (75)	3.2 (82)	7.3 (89)

Quarter Ending December 31, 2013

Characteristics

	Portfolio	MSCI EAFE Gross
Number of Holdings	81	904
Weighted Avg. Market Cap. (\$B)	35.9	63.0
Median Market Cap. (\$B)	11.0	9.1
Price To Earnings	23.3	18.8
Price To Book	4.5	2.4
Price To Sales	3.0	1.7
Return on Equity (%)	20.4	13.7
Yield (%)	2.0	2.9
Beta (holdings: global)	0.9	1.0

Top Holdings

ROCHE HOLDING	3.8%
KINNEVIK 'B'	3.1%
SVENSKA HANDBKN.'A'	2.8%
BG GROUP	2.7%
ASOS	2.5%
NESTLE 'R'	2.4%
CARLSBERG 'B'	2.3%
MS&AD INSURANCE GP.HDG.	2.3%
RIGHTMOVE	2.1%
JOHNSON MATTHEY	2.0%

Best Performers

	Return %
HARGREAVES LANSDOWN (UKIR:HL.)	41.4%
CELESIO (D:CLS1)	40.9%
KINNEVIK 'B' (W:KIVB)	33.9%
ASOS (UKIR:ASC)	21.8%
JOHNSON MATTHEY (UKIR:JMAT)	20.1%
RIGHTMOVE (UKIR:RMV)	18.8%
ADIDAS (D:ADS)	17.5%
SVENSKA HANDBKN.'A' (W:SVK)	15.0%
BAIDU 'A' ADR 10:1 (BIDU)	14.6%
INVESTOR 'B' (W:ISBF)	13.5%

Worst Performers

	Return %
IMAGINATION TECHNOLOGIES (UKIR:IMG)	-44.2%
TKI.GARANTI BKSJ. (TK:GAR)	-17.7%
KAZAKHMYS (UKIR:KAZ)	-15.9%
PROTALIX BIOTH. (PLX)	-14.1%
WOOD GROUP (JOHN) (UKIR:WG.)	-12.5%
TRADE ME GROUP (Z:TRML)	-12.0%
LI & FUNG (K:FUNG)	-11.3%
SCANIA 'B' (W:SCVB)	-8.6%
WOOLWORTHS (A:WOWX)	-7.5%
UBS 'R' (S:UBSN)	-7.0%

Baillie Gifford Performance Attribution vs. MSCI EAFE Gross

	Total Effects	Attribution Effects			Returns		Sector Weights				
		Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.1%	-0.2%	0.0%	0.1%	3.9%	5.9%	6.2%	7.3%			
Materials	0.3%	0.2%	0.1%	0.1%	9.1%	3.5%	3.8%	7.8%			
Industrials	-0.7%	-0.5%	0.0%	-0.2%	1.4%	5.1%	17.6%	13.0%			
Cons. Disc.	0.0%	0.0%	0.0%	-0.1%	5.8%	5.4%	17.0%	11.8%			
Cons. Staples	0.2%	0.4%	-0.2%	0.0%	5.5%	3.5%	16.9%	11.2%			
Health Care	-0.5%	-0.3%	0.0%	-0.2%	3.7%	7.3%	14.0%	9.9%			
Financials	0.7%	0.9%	-0.1%	-0.1%	10.0%	6.1%	18.5%	25.4%			
Info. Tech	-0.6%	-0.7%	0.0%	0.0%	-4.4%	8.0%	5.2%	4.3%			
Telecomm.	-0.3%	--	-0.3%	--	--	11.7%	0.0%	5.5%			
Utilities	0.2%	--	0.2%	--	--	1.7%	0.0%	3.7%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	0.8%	0.0%			
Portfolio	-0.9%	=	-0.3%	+	-0.2%	+	-0.4%	4.9%	5.7%	100.0%	100.0%

Equity Performance Attribution - Baillie Gifford

Quarter Ending December 31, 2013

Baillie Gifford Performance Attribution vs. MSCI EAFE Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Europe									
Austria	--	3.4%	0.0%	0.3%	--	0.0%	0.0%	--	0.0%
Belgium	0.7%	8.0%	0.6%	1.2%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Denmark	8.3%	10.3%	4.5%	1.1%	0.0%	0.1%	0.1%	-0.1%	0.0%
Finland	3.3%	12.0%	1.6%	0.9%	-0.1%	0.0%	0.0%	-0.1%	-0.1%
France	4.6%	6.1%	3.2%	9.9%	-0.1%	0.1%	-0.1%	0.1%	0.0%
Germany	27.1%	13.5%	1.8%	8.7%	1.2%	-0.4%	-0.1%	-0.9%	-0.2%
Greece	--	23.6%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Ireland	--	10.7%	0.0%	0.3%	--	0.0%	0.0%	--	0.0%
Italy	6.1%	10.7%	1.4%	2.1%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Netherlands	--	8.8%	0.0%	2.6%	--	0.0%	0.0%	--	-0.1%
Norway	--	5.8%	0.0%	0.8%	--	0.0%	0.0%	--	0.0%
Portugal	--	1.3%	0.0%	0.2%	--	0.0%	0.0%	--	0.0%
Spain	4.7%	11.3%	2.7%	3.2%	-0.2%	0.0%	0.0%	0.0%	-0.2%
Sweden	12.0%	5.2%	9.4%	3.3%	0.2%	-0.1%	0.0%	0.4%	0.6%
Switzerland	3.2%	4.3%	9.7%	9.1%	-0.1%	0.0%	0.0%	0.0%	-0.1%
United Kingdom	6.3%	7.4%	22.7%	21.8%	-0.2%	0.0%	0.0%	0.0%	-0.2%
AsiaPacific									
Australia	-0.1%	-0.8%	7.8%	8.0%	0.1%	0.0%	0.0%	0.0%	0.1%
China*	6.7%	3.8%	3.3%	0.0%	0.0%	-0.1%	0.0%	0.1%	0.0%
Hong Kong	-2.5%	3.3%	2.7%	3.0%	-0.2%	0.0%	0.0%	0.0%	-0.2%
India*	6.5%	10.3%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	3.8%	2.3%	13.5%	21.6%	0.3%	-0.3%	0.6%	-0.1%	0.5%
Korea*	2.4%	4.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
New Zealand	-12.0%	-4.8%	1.3%	0.1%	0.0%	-0.1%	0.0%	-0.1%	-0.2%
Singapore	-1.1%	0.7%	3.1%	1.5%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Taiwan*	3.2%	4.3%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%

Equity Performance Attribution - Baillie Gifford

Quarter Ending December 31, 2013

Baillie Gifford Performance Attribution vs. MSCI EAFE Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Americas									
Brazil*	-3.1%	-5.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
United States	3.0%	10.1%	3.1%	0.0%	0.0%	0.1%	0.0%	-0.2%	-0.1%
Other									
Israel	--	6.3%	0.0%	0.4%	--	0.0%	0.0%	--	0.0%
South Africa*	12.1%	2.3%	1.8%	0.0%	0.0%	0.0%	-0.1%	0.2%	0.1%
Turkey*	-17.7%	-14.1%	0.9%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.2%
Totals									
Americas	2.3%	--	3.5%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%
Europe	7.2%	7.9%	57.7%	65.3%	-0.3%	0.0%	-0.3%	0.0%	-0.5%
Asia/Pacific	1.6%	1.5%	35.3%	34.2%	-0.6%	0.0%	0.6%	0.0%	0.0%
Other	1.8%	6.3%	2.8%	0.4%	0.0%	0.0%	-0.1%	0.0%	-0.1%
Cash	0.0%	--	0.8%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Unclassified	--	--	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Total	4.9%	5.7%	100.0%	100.0%	-0.9%	-0.1%	0.2%	-0.1%	-0.9%
Totals									
Developed	5.0%	5.7%	89.2%	100.0%	-1.0%	0.0%	0.3%	0.1%	-0.6%
Emerging*	3.9%	--	10.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.3%
Cash	0.0%	--	0.8%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%

San Mateo County Employees' Retirement Association
Equity Only Summary Statistics - BlackRock EAFE

Quarter Ending December 31, 2013

Characteristics

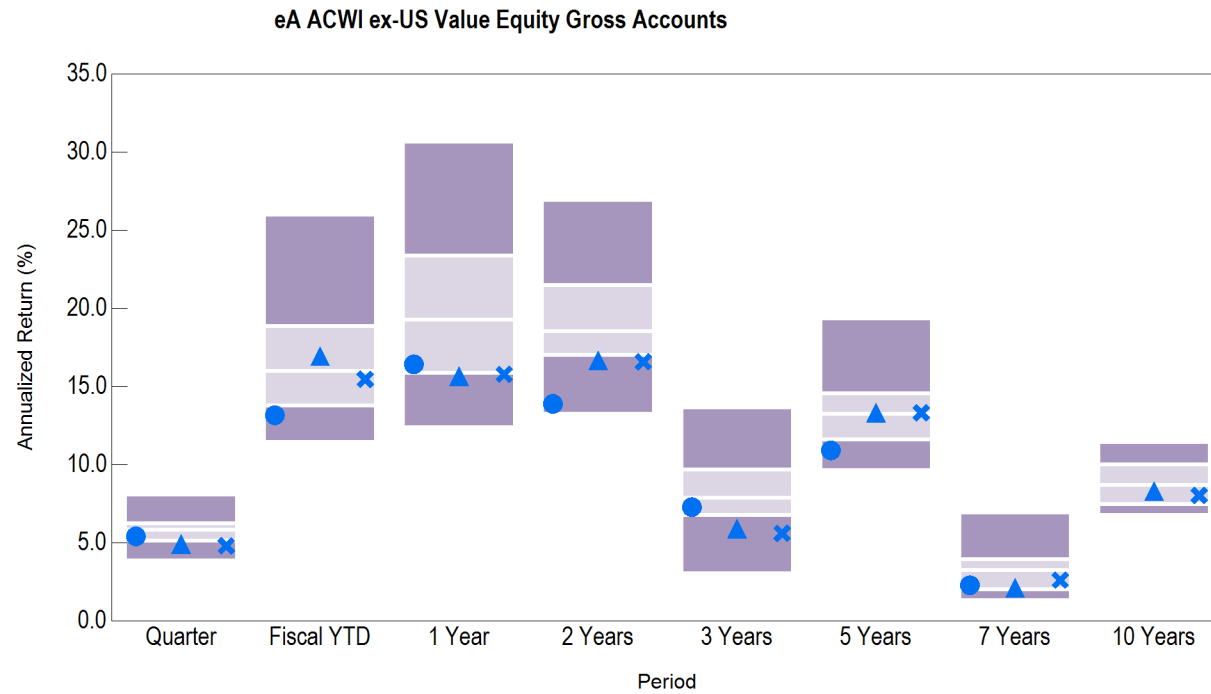
	Portfolio	MSCI EAFE
Number of Holdings	913	904
Weighted Avg. Market Cap. (\$B)	62.9	63.0
Median Market Cap. (\$B)	9.1	9.1
Price To Earnings	19.6	18.8
Price To Book	2.9	2.4
Price To Sales	1.9	1.7
Return on Equity (%)	15.2	13.7
Yield (%)	2.9	2.9
Beta (holdings; global)	1.0	1.0

Top Holdings

NESTLE 'R'	1.8%
HSBC HDG. (ORD \$0.50)	1.5%
ROCHE HOLDING	1.5%
VODAFONE GROUP	1.4%
NOVARTIS 'R'	1.4%
TOYOTA MOTOR	1.3%
BP	1.1%
ROYAL DUTCH SHELL A(LON)	1.0%
TOTAL	1.0%
GLAXOSMITHKLINE	1.0%

Total Returns - ACWI ex-US Value Equity

Periods Ending December 31, 2013



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	8.1	26.0	30.7	26.9	13.7	19.3	6.9	11.5
25th Percentile	6.3	18.9	23.4	21.5	9.7	14.6	4.0	10.0
Median	5.9	16.0	19.3	18.6	7.9	13.3	3.3	8.7
75th Percentile	5.1	13.8	15.9	17.1	6.8	11.6	2.0	7.5
95th Percentile	3.9	11.5	12.4	13.3	3.1	9.7	1.4	6.8
# of Portfolios	34	34	34	33	32	29	27	20
● Mondrian	5.4 (67)	13.2 (83)	16.4 (70)	13.9 (92)	7.3 (66)	10.9 (89)	2.3 (71)	-- (--)
▲ MSCI ACWI ex USA Value Gross	4.9 (84)	16.9 (43)	15.7 (81)	16.7 (77)	5.9 (79)	13.3 (50)	2.1 (74)	8.3 (58)
✕ MSCI ACWI ex USA Gross	4.8 (86)	15.5 (60)	15.8 (78)	16.6 (77)	5.6 (79)	13.3 (50)	2.6 (63)	8.0 (65)

Equity Only Summary Statistics - Mondrian

Quarter Ending December 31, 2013

Characteristics

	Portfolio	MSCI ACWI ex USA Value Gross
Number of Holdings	130	995
Weighted Avg. Market Cap. (\$B)	61.8	58.6
Median Market Cap. (\$B)	14.5	6.4
Price To Earnings	19.0	14.5
Price To Book	2.7	1.6
Price To Sales	1.5	1.4
Return on Equity (%)	16.5	12.5
Yield (%)	3.7	3.7
Beta (holdings: global)	0.8	1.1

Top Holdings

UNILEVER (UK)	2.9%
IBERDROLA	2.7%
NOVARTIS 'R'	2.6%
DEUTSCHE TELEKOM	2.6%
TOTAL	2.6%
AHOLD KON.	2.5%
SANOFI	2.5%
TELEFONICA	2.4%
GLAXOSMITHKLINE	2.3%
VODAFONE GROUP	2.3%

Best Performers

	Return %
BEIJING ENTERPRISES HDG. (K:BEEN)	37.9%
LARSEN & TOUBRO (IN:LST)	37.3%
CHINA GAS HOLDINGS (K:IWAI)	34.9%
SANDS CHINA (K:SNDC)	32.1%
HUABAO INTL.HDG. (K:SILV)	31.6%
AXIS BANK (IN:UTI)	30.5%
DEUTSCHE TELEKOM (D:DTE)	19.1%
AMERICA MOVIL SAB DE CV SPN.ADR 'L' 1:20 (AMX)	18.9%
RURAL ELECFN.CORP. (IN:RUR)	18.7%
HOYA (J:HQ@N)	17.6%

Worst Performers

	Return %
QBE INSURANCE GROUP (A:QBEX)	-24.9%
BELLE INTERNATIONAL HDG. (K:BIHL)	-20.3%
TURK TELEKOMUNIKASYON (TK:TUT)	-20.1%
PTT FB (Q:PTTC)	-20.0%
PERUSAHAAN GAS NEGARA (ID:PGN)	-18.1%
TKI.GARANTI BKSJ. (TK:GAR)	-17.7%
GOLDEN EAGLE RETAIL GP. (K:GERG)	-15.4%
KASIKORNBANK FB (Q:TFBF)	-14.5%
TAESA UNT (BR:TDC)	-14.4%
TIGER BRANDS (R:TBSJ)	-14.3%

Equity Sector Attribution - Mondrian

Quarter Ending December 31, 2013

Mondrian Performance Attribution vs. MSCI ACWI ex USA Value Gross

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.2%	0.1%	0.0%	0.2%	6.3%	4.5%	12.6%	13.4%			
Materials	0.3%	0.6%	0.1%	-0.4%	7.8%	3.3%	1.7%	9.4%			
Industrials	0.5%	0.2%	0.0%	0.3%	9.5%	4.4%	10.2%	9.2%			
Cons. Disc.	0.2%	0.1%	0.0%	0.1%	8.1%	5.0%	8.4%	7.0%			
Cons. Staples	-0.2%	0.0%	-0.2%	-0.1%	3.6%	3.7%	13.1%	3.1%			
Health Care	-0.1%	0.0%	0.0%	-0.1%	5.0%	5.6%	12.7%	4.3%			
Financials	-0.4%	-1.3%	-0.2%	1.2%	1.9%	5.6%	12.1%	36.5%			
Info. Tech	0.0%	0.0%	0.1%	-0.2%	5.7%	6.6%	6.9%	3.8%			
Telecomm.	0.0%	-0.1%	0.0%	0.0%	6.3%	6.9%	13.1%	8.0%			
Utilities	0.2%	0.1%	-0.1%	0.1%	6.5%	3.0%	7.4%	5.3%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.8%	0.0%			
Portfolio	0.6%	=	-0.3%	+	-0.3%	+	1.1%	5.6%	5.0%	100.0%	100.0%

Equity Performance Attribution - Mondrian

Quarter Ending December 31, 2013

Mondrian Performance Attribution vs. MSCI ACWI ex USA Value Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Europe									
Austria	--	0.8%	0.0%	0.2%	--	0.0%	0.0%	--	0.0%
Belgium	--	5.8%	0.0%	0.3%	--	0.0%	0.0%	--	0.0%
Czech Republic*	--	1.7%	0.0%	0.1%	--	0.0%	0.0%	--	0.0%
Denmark	--	17.6%	0.0%	0.3%	--	0.0%	0.0%	--	0.0%
Finland	--	15.8%	0.0%	0.9%	--	-0.1%	0.0%	--	-0.1%
France	7.6%	9.4%	12.4%	7.9%	-0.1%	0.1%	0.1%	-0.1%	-0.1%
Germany	15.2%	12.5%	6.1%	7.5%	0.2%	-0.1%	0.0%	0.0%	0.1%
Greece	--	23.6%	0.0%	0.1%	--	0.0%	0.0%	--	0.0%
Hungary*	--	-2.3%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Ireland	--	5.5%	0.0%	0.2%	--	0.0%	0.0%	--	0.0%
Italy	5.0%	12.4%	1.9%	1.9%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Netherlands	6.0%	13.9%	5.9%	1.6%	-0.1%	0.3%	0.1%	-0.3%	-0.1%
Norway	--	6.6%	0.0%	1.1%	--	0.0%	0.0%	--	0.0%
Poland*	--	2.1%	0.0%	0.3%	--	0.0%	0.0%	--	0.0%
Portugal	--	5.1%	0.0%	0.1%	--	0.0%	0.0%	--	0.0%
Russia*	1.0%	-2.1%	0.9%	1.3%	0.0%	0.0%	0.0%	0.0%	0.1%
Spain	8.5%	10.6%	4.9%	3.8%	-0.1%	0.0%	0.0%	0.0%	-0.1%
Sweden	--	10.9%	0.0%	2.0%	--	-0.1%	0.0%	--	-0.1%
Switzerland	9.1%	8.4%	6.2%	2.5%	0.0%	0.0%	0.1%	0.0%	0.1%
United Kingdom	8.7%	7.6%	18.6%	16.9%	0.2%	0.0%	0.0%	0.0%	0.2%

Equity Performance Attribution - Mondrian

Quarter Ending December 31, 2013

Mondrian Performance Attribution vs. MSCI ACWI ex USA Value Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
AsiaPacific									
Australia	-10.1%	-1.2%	2.8%	5.7%	-0.5%	0.1%	0.1%	0.3%	0.0%
China*	0.2%	-0.9%	3.7%	4.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Hong Kong	32.1%	-0.2%	0.6%	2.0%	0.6%	0.1%	0.0%	-0.4%	0.3%
India*	20.6%	14.0%	1.1%	1.2%	0.1%	0.0%	0.0%	0.0%	0.1%
Indonesia*	-7.8%	-1.9%	1.5%	0.5%	0.0%	0.0%	0.0%	-0.1%	-0.2%
Japan	3.8%	0.6%	13.4%	15.2%	0.5%	0.0%	0.1%	-0.1%	0.5%
Korea*	5.7%	3.1%	1.7%	3.6%	0.1%	0.1%	0.0%	0.0%	0.1%
Malaysia*	-0.5%	5.5%	0.5%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
New Zealand	--	-5.6%	0.0%	0.1%	--	0.0%	0.0%	--	0.0%
Philippines*	-11.4%	-5.1%	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%	-0.1%
Singapore	1.4%	0.9%	3.2%	1.1%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Taiwan*	3.4%	3.1%	0.8%	2.4%	0.0%	0.0%	0.0%	0.0%	0.1%
Thailand*	-14.0%	-10.9%	0.8%	0.5%	0.0%	0.0%	0.0%	0.0%	-0.1%
Americas									
Brazil*	-3.3%	-6.2%	2.2%	2.4%	0.0%	0.0%	0.0%	0.0%	0.1%
Canada	2.4%	4.0%	1.1%	7.3%	-0.1%	-0.1%	0.2%	0.1%	0.1%
Chile*	-7.3%	-5.1%	0.8%	0.4%	0.0%	0.0%	0.0%	0.0%	-0.1%
Colombia*	-14.1%	-11.8%	0.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Mexico*	10.1%	8.4%	1.8%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Peru*	3.3%	2.6%	0.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
United States	6.5%	10.3%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Equity Performance Attribution - Mondrian

Quarter Ending December 31, 2013

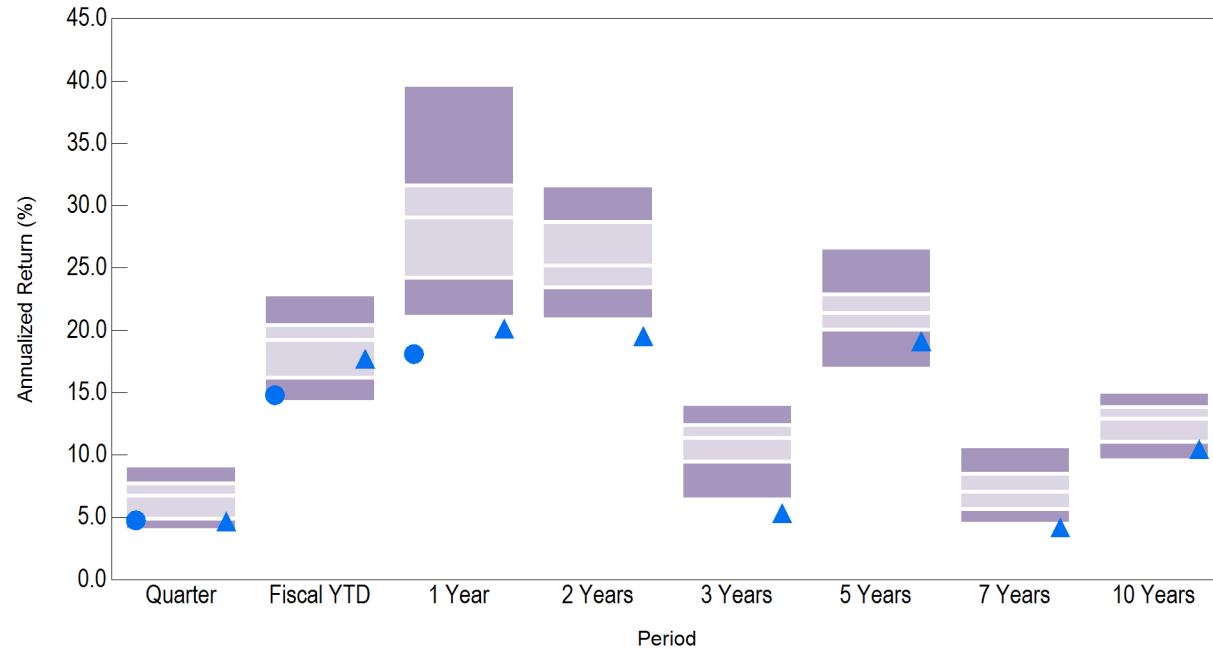
Mondrian Performance Attribution vs. MSCI ACWI ex USA Value Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Other									
Egypt*	--	10.6%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
Israel	7.0%	5.4%	2.0%	0.3%	0.0%	0.0%	0.0%	0.1%	0.0%
Kazakhstan**	5.7%	5.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Morocco*	--	1.1%	0.0%	0.0%	--	0.0%	0.0%	--	0.0%
South Africa*	2.1%	0.4%	0.5%	1.5%	0.0%	0.0%	0.0%	0.0%	0.1%
Turkey*	-12.2%	-14.0%	1.2%	0.4%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Totals									
Americas	1.6%	1.6%	7.1%	11.5%	-0.2%	0.0%	0.3%	0.1%	0.2%
Europe	8.7%	9.3%	56.8%	49.0%	-0.4%	0.1%	0.2%	-0.1%	-0.1%
Asia/Pacific	1.8%	0.8%	30.5%	37.3%	0.5%	0.1%	0.2%	-0.1%	0.6%
Other	0.4%	-1.1%	3.8%	2.3%	0.0%	-0.1%	0.0%	0.0%	0.0%
Cash	0.0%	--	1.8%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Total	5.6%	5.0%	100.0%	100.0%	-0.1%	0.1%	0.7%	-0.1%	0.6%
Totals									
Developed	7.0%	6.2%	79.6%	79.0%	0.0%	0.0%	0.7%	0.0%	0.6%
Emerging*	0.1%	0.5%	18.5%	21.0%	-0.1%	0.1%	0.0%	0.0%	0.0%
Frontier**	5.7%	--	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	--	1.8%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%

Total Returns - ACWI ex-US Small Cap Equity

Periods Ending December 31, 2013

eA ACWI ex-US Small Cap Equity Gross Accounts



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	9.1	22.8	39.7	31.6	14.1	26.6	10.7	15.0
25th Percentile	7.8	20.4	31.6	28.7	12.4	22.9	8.5	13.8
Median	6.8	19.3	29.1	25.2	11.4	21.4	7.1	12.9
75th Percentile	4.9	16.2	24.2	23.5	9.5	20.1	5.7	11.1
95th Percentile	4.0	14.3	21.1	20.9	6.4	17.0	4.5	9.6
# of Portfolios	26	26	26	25	23	22	19	13
● Pyramis Equity	4.8 (84)	14.8 (90)	18.1 (99)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
▲ MSCI ACWI ex US Small Cap Gross	4.7 (86)	17.7 (67)	20.1 (98)	19.5 (98)	5.3 (99)	19.1 (87)	4.2 (99)	10.5 (89)

Equity Only Summary Statistics – Pyramis Global Advisors

Quarter Ending December 31, 2013

Characteristics

	Portfolio	MSCI ACWI ex US Small Cap
No. of Securities	226	4,205
Wgt'd. Avg. Market Cap (000's)	2,809	2,085
Price to Book Ratio	1.9	1.6
Return on Equity	12.0%	10.2%

Ten Holdings

HIKMA PHARMACEUTICALS PLC	1.4
NIHON PARKERIZING CO LTD	1.4
AKER SOLUTIONS ASA	1.2
REDROW PLC	1.2
REGUS PLC	1.1
KINTETSU WORLD EXPRESS INC	1.1
METHANEX CORP	1.1
CHIYODA CORP	1.0
TECHTRONIC INDUSTRIES CO LTD	0.9
THK CO LTD	0.9

Best Performers

TCC INTERNATIONAL HLDGS LTD	53.2
OXFORD INSTRUMENTS GROUP PLC	41.8
MONCLER SPA	41.4
ROYAL MAIL PLC	40.9
REDROW PLC	37.0
GRUMA SAB CL B	36.0
BANCA POP DELL'EMILIA ROMAGNA	33.2
CHINA RES GAS GROUP LTD	28.3
AKER SOLUTIONS ASA	26.8
FINMECCANICA SPA	26.7

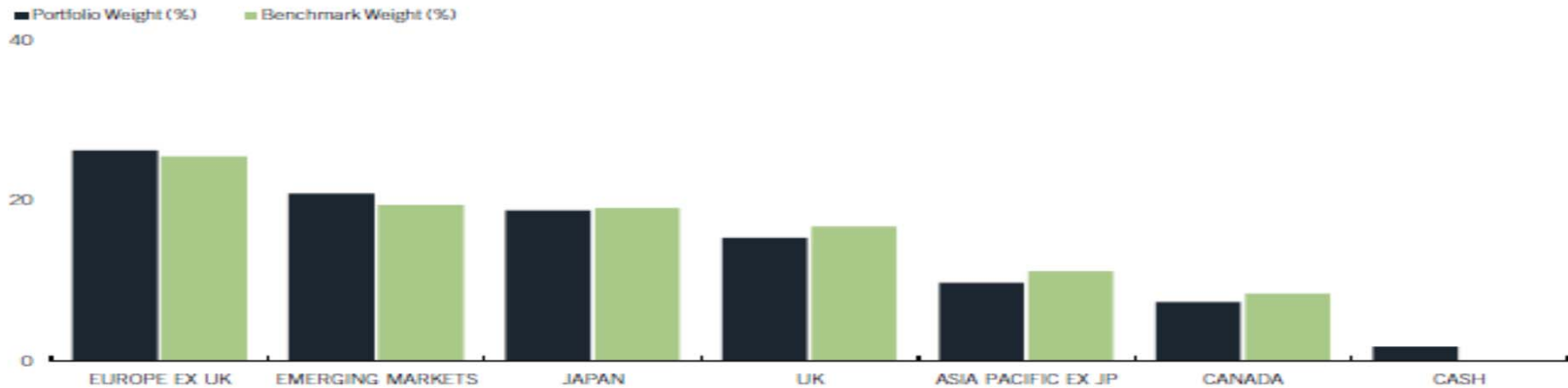
Worst Performers

DETOUR GOLD CORP	-54.6
TROY RESOURCES LTD	-50.3
KOZA ALTIN ISLETMELERI AS	-34.9
ZEON CORP	-30.5
AP THAILAND PCL	-29.1
AREZZO INDUSTRIA E COMERCIO SA	-28.1
INDEPENDENCE GROUP NL	-24.5
CHIPBOND TECHNOLOGY CORP	-23.8
TEGMA GESTAO LOGISTICA	-22.0
ALAMOS GOLD INC	-21.7

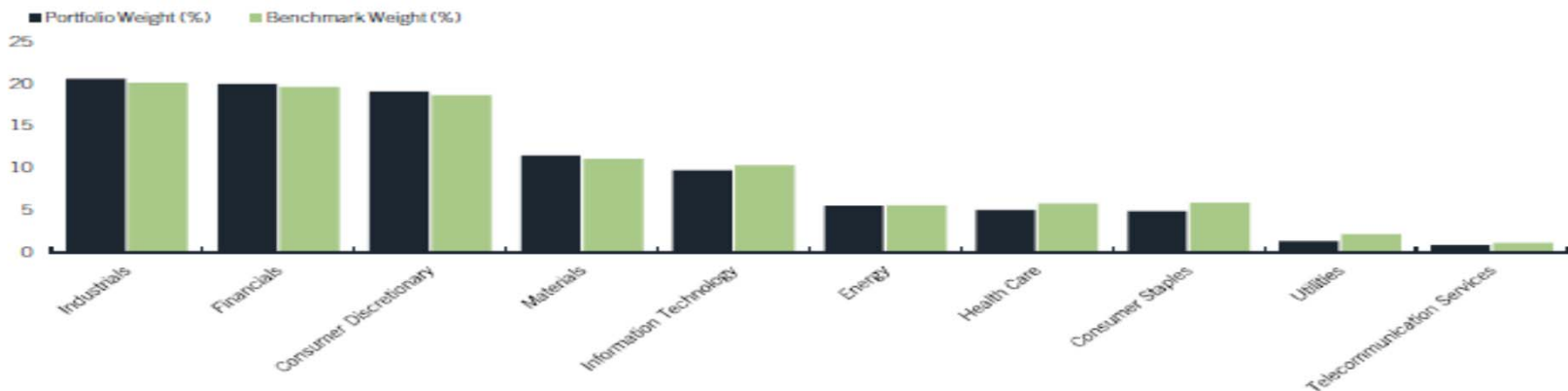
Regional and Sector Weights – Pyramis Global Advisors

Quarter Ending December 30, 2013

Regional Weights



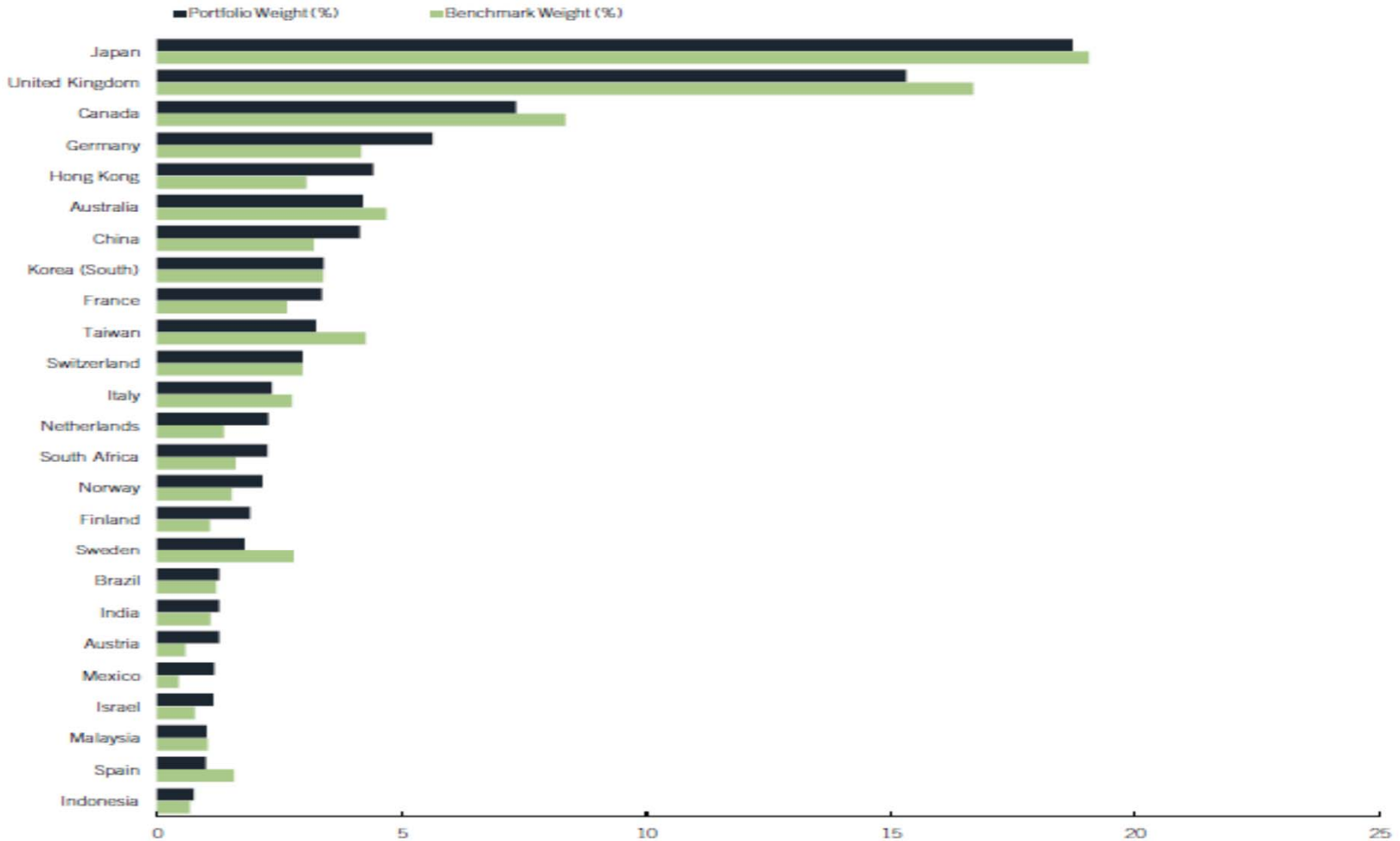
Sector Weights



Sector breakdowns are only applied to equities and convertibles and the allocation percentages may not add to 100%.

Benchmark: MSCI AC Wld Sm Cap xUS(N)

Top 25 Country Weights



Benchmark: MSCI AC Wld Sm Cap xUS(N)

Total Returns - Emerging Markets Equity

Periods Ending December 31, 2013

IFx All DB Emg Mkt Eq Gross Accounts



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	3.4	10.5	4.1	14.2	2.9	20.5	7.6	12.4
25th Percentile	2.5	8.7	-0.6	10.1	1.4	16.1	5.2	11.7
Median	1.6	7.3	-2.6	9.0	-1.4	14.4	4.4	11.6
75th Percentile	0.4	4.2	-5.5	7.5	-3.0	13.0	2.6	10.7
95th Percentile	-0.6	-0.5	-8.2	4.2	-5.1	7.4	1.0	9.5
# of Portfolios	73	73	69	61	44	22	17	11
● Emerging Markets	2.8 (20)	8.8 (22)	2.0 (16)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
▲ MSCI Emerging Markets Gross	1.9 (44)	7.9 (46)	-2.3 (44)	7.7 (74)	-1.7 (63)	15.2 (40)	4.1 (59)	11.5 (53)

Total Returns - Emerging Markets Equity

Periods Ending December 31, 2013

eA Emg Mkts Equity Gross Accounts



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Return (Rank)								
5th Percentile	5.9	14.5	11.7	19.1	4.4	22.1	9.6	16.2
25th Percentile	4.6	11.1	5.2	12.6	1.7	18.3	6.8	14.2
Median	2.8	8.7	1.0	10.4	-0.1	16.8	5.1	12.5
75th Percentile	1.6	6.4	-2.0	7.7	-2.1	14.7	3.2	11.2
95th Percentile	-0.7	1.4	-6.3	4.4	-5.3	12.2	1.5	9.7
# of Portfolios	199	199	198	186	164	133	103	77
● Eaton Vance	2.8 (50)	8.8 (49)	2.0 (41)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
▲ MSCI Emerging Markets Gross	1.9 (70)	7.9 (63)	-2.3 (78)	7.7 (76)	-1.7 (73)	15.2 (70)	4.1 (65)	11.5 (70)

Equity Only Summary Statistics - Eaton Vance

Quarter Ending December 31, 2013

Characteristics

	Portfolio	MSCI Emerging Markets Gross
Number of Holdings	903	824
Weighted Avg. Market Cap. (\$B)	23.0	36.2
Median Market Cap. (\$B)	4.2	4.6
Price To Earnings	17.3	16.0
Price To Book	3.0	2.4
Price To Sales	2.4	2.1
Return on Equity (%)	17.5	17.7
Yield (%)	2.9	2.6
Beta (holdings: global)	1.1	1.0

Top Holdings

AMX 'L'	1.3%
SAMSUNG ELECTRONICS	1.2%
MTN GROUP	1.2%
SBERBANK OF RUSSIA (LON) ADR	1.0%
OAO GAZPROM SPN.ADR 1:2	0.9%
HSBC HDG.ADR 1:5	0.9%
CHINA MOBILE	0.8%
TENCENT HOLDINGS	0.8%
MAGNIT	0.7%
NASPERS	0.7%

Best Performers

	Return %
OANDO (NG:OAN)	136.6%
ADANI ENTERPRISES (IN:ADE)	88.8%
WAHA CAPITAL (AD:WAH)	60.6%
SUZLON ENERGY (IN:SZE)	59.2%
VOLTAS (IN:VLT)	58.9%
TATA STEEL (IN:TIS)	58.1%
JAIPRAKASH ASSOCIATES (IN:JKA)	57.9%
NAVIOS MARITIME HDG. (NM)	57.8%
GVK POWER & INFR. (IN:RRK)	53.0%
JUHAYNA FOOD INDS. (EG:JFO)	52.9%

Worst Performers

	Return %
NOVA KREDITNA BANKA MARIBOR (SV:NOE)	-73.1%
SUNTECH PWR.HDG.ADR 1:1 (STPFQ)	-69.4%
MMX MINER ON NM (BR:MMX)	-57.4%
TERAFORCE TECH. (TERA)	-50.0%
IHLAS HOLDING (TK:IHL)	-48.6%
SADOVAYA (PO:SGR)	-48.3%
THAI AIRWAYS INTL.FB (Q:TAIF)	-47.9%
KOZA ANADOLU MTL.MIE. (TK:KOZ)	-44.7%
ROSSI RESID ON (BR:RSI)	-39.3%
MARFRIG ON (BR:MFA)	-37.6%

Equity Sector Attribution - Eaton Vance

Quarter Ending December 31, 2013

Eaton Vance Performance Attribution vs. MSCI Emerging Markets Gross

	Total Effects	Attribution Effects				Returns		Sector Weights			
		Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	0.3%	0.2%	0.1%	0.1%	-0.2%	-2.5%	10.5%	12.0%			
Materials	0.0%	-0.1%	0.0%	0.0%	1.8%	2.0%	10.4%	9.9%			
Industrials	0.0%	0.1%	0.0%	-0.1%	2.7%	2.7%	9.6%	6.3%			
Cons. Disc.	0.1%	0.1%	0.0%	0.0%	4.0%	2.5%	8.3%	8.9%			
Cons. Staples	0.1%	0.1%	0.0%	0.0%	0.5%	-1.0%	8.7%	8.0%			
Health Care	0.0%	0.0%	0.0%	0.0%	6.3%	4.8%	2.2%	1.6%			
Financials	0.5%	0.4%	0.0%	0.1%	3.2%	1.2%	25.3%	27.2%			
Info. Tech	-0.4%	0.0%	-0.3%	-0.1%	7.5%	7.9%	8.6%	15.2%			
Telecomm.	0.3%	0.2%	-0.1%	0.1%	3.3%	0.0%	10.8%	7.6%			
Utilities	-0.2%	-0.1%	0.1%	-0.1%	0.3%	4.8%	4.7%	3.3%			
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	--	0.3%	0.0%			
Unclassified	0.0%	0.0%	0.0%	0.0%	1.9%	--	0.6%	0.0%			
Portfolio	0.8%	=	1.0%	+	-0.2%	+	0.1%	2.8%	2.0%	100.0%	100.0%

Equity Performance Attribution - Eaton Vance

Quarter Ending December 31, 2013

Eaton Vance Performance Attribution vs. MSCI Emerging Markets Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Europe									
Czech Republic*	0.0%	1.0%	1.8%	0.3%	0.0%	0.0%	-0.1%	0.0%	0.0%
Greece	19.2%	10.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Hungary*	1.9%	-4.5%	1.5%	0.2%	0.0%	-0.1%	0.0%	0.1%	0.0%
Netherlands	14.1%	8.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Poland*	4.2%	3.9%	3.7%	1.7%	0.0%	-0.1%	0.1%	0.0%	0.0%
Russia*	3.5%	0.4%	6.3%	6.3%	0.2%	0.0%	0.0%	0.0%	0.2%
United Kingdom	4.7%	7.4%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AsiaPacific									
Australia	-20.8%	-0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
China*	4.3%	3.8%	10.5%	19.5%	0.1%	-0.1%	0.0%	0.0%	0.0%
Hong Kong	-10.8%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
India*	12.0%	10.4%	5.7%	5.9%	0.1%	0.0%	0.0%	0.0%	0.1%
Indonesia*	-3.9%	-4.5%	3.2%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Korea*	3.3%	4.0%	6.7%	16.1%	-0.1%	0.1%	-0.2%	0.1%	-0.1%
Malaysia*	5.6%	5.7%	3.1%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Pakistan**	14.8%	12.7%	0.7%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
Philippines*	-4.6%	-5.1%	1.4%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Singapore	-0.3%	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taiwan*	3.4%	4.4%	6.5%	11.6%	-0.1%	-0.1%	0.0%	0.0%	-0.1%
Thailand*	-7.5%	-10.1%	3.0%	2.5%	0.1%	0.0%	0.0%	0.0%	0.0%
Americas									
Argentina**	6.0%	19.3%	0.7%	0.0%	0.0%	0.1%	0.0%	-0.1%	0.0%
Brazil*	-6.2%	-5.7%	6.2%	10.9%	-0.1%	0.1%	0.3%	0.0%	0.4%
Chile*	-6.9%	-6.8%	3.1%	1.7%	0.0%	-0.1%	-0.1%	0.0%	-0.1%
Colombia*	-7.9%	-11.1%	1.7%	1.2%	0.0%	-0.1%	0.0%	0.0%	0.0%
Mexico*	8.7%	8.3%	6.2%	5.2%	0.0%	0.0%	0.0%	0.0%	0.1%
Peru*	3.4%	3.0%	1.5%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
United States	5.4%	10.1%	1.9%	0.0%	0.0%	0.1%	0.0%	-0.1%	0.0%

Equity Performance Attribution - Eaton Vance

Quarter Ending December 31, 2013

Eaton Vance Performance Attribution vs. MSCI Emerging Markets Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Other									
Bangladesh**	8.1%	4.6%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bulgaria**	17.2%	19.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Croatia**	4.4%	-0.4%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Egypt*	19.4%	19.4%	1.6%	0.2%	0.0%	0.3%	0.0%	0.0%	0.2%
Estonia**	-1.8%	-4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Jordan**	8.6%	12.5%	0.8%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Kazakhstan**	16.2%	10.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Kenya**	3.9%	1.5%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Kuwait**	-1.2%	-2.8%	1.6%	0.0%	0.0%	-0.1%	0.0%	0.0%	-0.1%
Lebanon**	-1.7%	-3.8%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Luxembourg	5.1%	2.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Morocco*	7.9%	5.5%	0.8%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Nigeria**	15.2%	9.6%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Oman**	1.8%	1.4%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Qatar**	0.0%	6.9%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Romania**	7.9%	7.9%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Slovenia**	8.8%	10.4%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
South Africa*	2.2%	2.5%	6.9%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Tunisia**	-6.6%	-0.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Turkey*	-12.6%	-13.7%	3.2%	1.7%	0.0%	-0.2%	-0.1%	0.0%	-0.2%
United Arab Emirates**	16.5%	18.9%	1.6%	0.0%	0.0%	0.3%	0.0%	0.0%	0.2%

Equity Performance Attribution - Eaton Vance

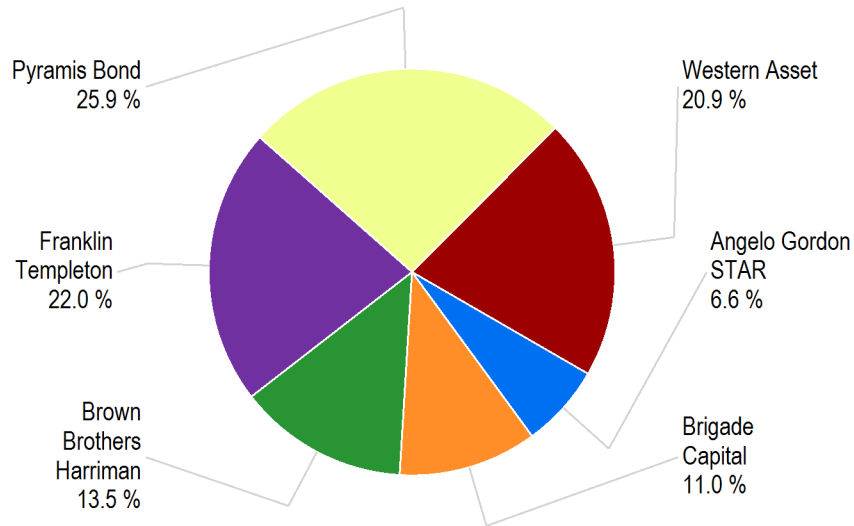
Quarter Ending December 31, 2013

Eaton Vance Performance Attribution vs. MSCI Emerging Markets Gross

	Returns and Weights				Attribution Effects				Total Effects
	Manager Return	Index Return	Manager Weight	Index Weight	Selection Effect	Allocation Effect	Currency Effect	Interaction Effect	
Totals									
Americas	0.0%	-2.2%	21.4%	19.4%	0.2%	0.0%	0.2%	0.0%	0.4%
Europe	3.5%	1.0%	14.5%	8.4%	0.2%	-0.1%	0.1%	0.1%	0.2%
Asia/Pacific	3.5%	3.7%	41.5%	62.6%	0.2%	-0.1%	-0.2%	-0.1%	-0.2%
Other	3.7%	-0.2%	22.2%	9.5%	0.1%	0.1%	0.0%	0.2%	0.4%
Cash	0.0%	--	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.8%	2.0%	100.0%	100.0%	0.7%	-0.2%	0.1%	0.2%	0.8%
Totals									
Developed	6.2%	--	3.3%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Emerging*	2.0%	2.0%	85.1%	100.0%	0.3%	0.0%	0.0%	0.0%	0.2%
Frontier**	7.5%	--	11.3%	0.0%	0.0%	0.0%	0.1%	0.4%	0.5%
Cash	0.0%	--	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

San Mateo County Employees' Retirement Association
Manager Allocation Analysis - Total Fixed Income

As of December 31, 2013



	Actual \$	Actual %	Manager Contribution to Excess Return %
Aberdeen Asset	\$6,900	0.0%	0.0%
Angelo Gordon PPIP	\$19,342	0.0%	0.0%
Angelo Gordon STAR	\$37,465,716	6.6%	0.2%
Brigade Capital	\$62,567,325	11.0%	0.1%
Brown Brother Harriman	\$76,752,861	13.5%	0.0%
Franklin Templeton	\$124,826,434	22.0%	0.8%
Pyramis Bond	\$147,146,075	25.9%	0.1%
Western Asset	\$118,341,156	20.9%	0.1%
Actual vs. Policy Weight Difference			-0.5%
Total	\$567,125,809	100.0%	1.0%

Statistics Summary

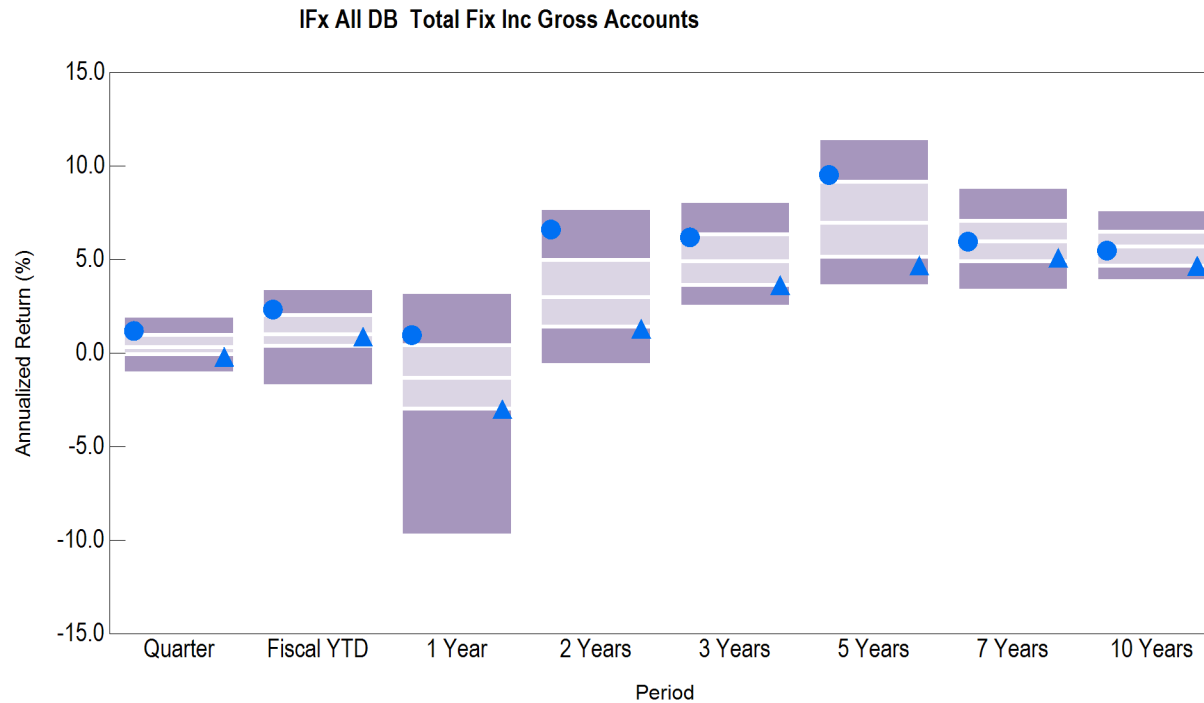
3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
Total Fixed Income	6.2%	3.9%	1.6	1.0	2.5%
Blended Fixed Index	3.6%	3.4%	1.0	--	0.0%
US Fixed Income	5.7%	3.1%	1.8	1.1	1.7%
Blended US Fixed Index	3.9%	3.4%	1.1	--	0.0%
Pyramis Bond	4.4%	2.9%	1.5	1.6	0.7%
Barclays Aggregate	3.3%	2.7%	1.2	--	0.0%
Western Asset	5.1%	4.0%	1.3	0.6	3.2%
Barclays Aggregate	3.3%	2.7%	1.2	--	0.0%
Brown Brothers Harriman	4.1%	5.4%	0.7	0.9	0.6%
Barclays US TIPS	3.5%	5.4%	0.6	--	0.0%
Brigade Capital	9.7%	4.3%	2.3	0.9	4.1%
Barclays Credit BAA	6.1%	5.0%	1.2	--	0.0%
Franklin Templeton	7.6%	10.9%	0.7	0.6	8.3%
Barclays Multi-verse	2.7%	4.4%	0.6	--	0.0%

Statistics Summary

5 Years

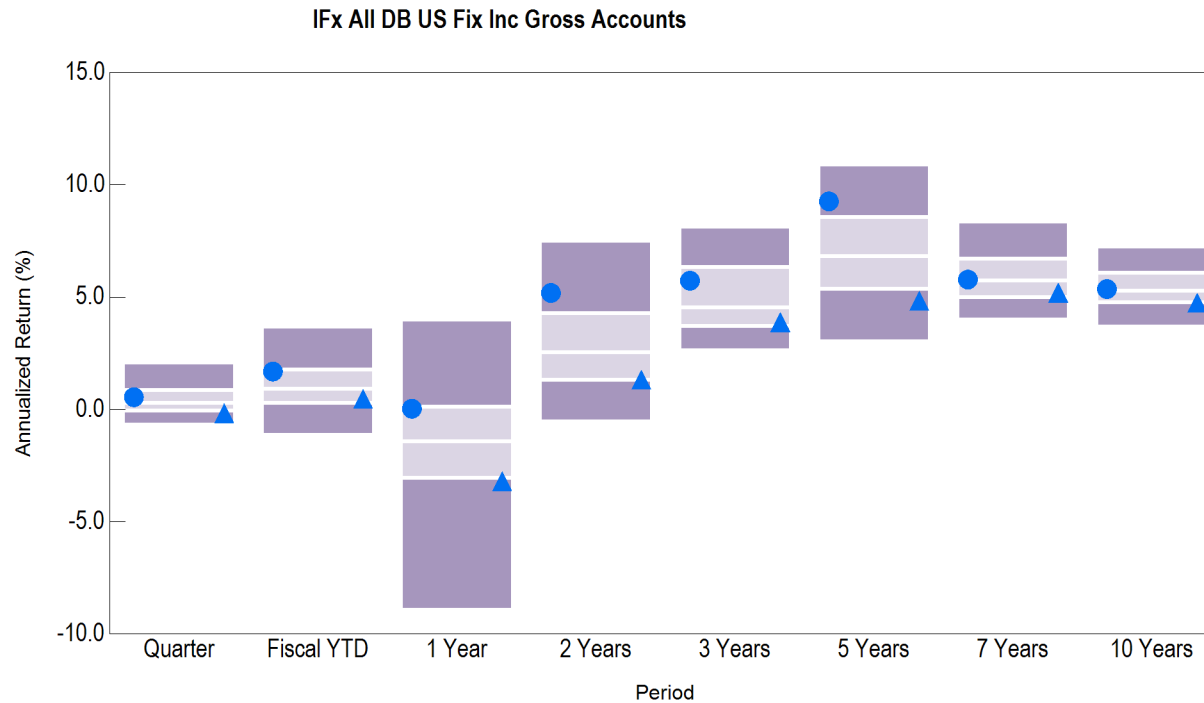
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
Total Fixed Income	9.5%	4.1%	2.3	1.8	2.7%
Blended Fixed Index	4.7%	3.3%	1.4	--	0.0%
US Fixed Income	9.3%	3.7%	2.5	1.9	2.3%
Blended US Fixed Index	4.8%	3.3%	1.4	--	0.0%
Pyramis Bond	7.7%	3.4%	2.3	2.0	1.7%
Barclays Aggregate	4.4%	2.9%	1.5	--	0.0%
Western Asset	8.9%	4.4%	2.0	1.3	3.3%
Barclays Aggregate	4.4%	2.9%	1.5	--	0.0%



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	2.0	3.5	3.3	7.7	8.1	11.5	8.9	7.7
25th Percentile	1.0	2.0	0.4	5.0	6.4	9.2	7.1	6.5
Median	0.4	1.0	-1.3	3.0	4.9	7.0	6.0	5.7
75th Percentile	0.0	0.4	-2.9	1.4	3.7	5.2	4.9	4.7
95th Percentile	-1.1	-1.8	-9.7	-0.6	2.5	3.6	3.3	3.9
# of Portfolios	253	252	245	237	210	173	157	121
● Total Fixed Income	1.2 (20)	2.3 (20)	1.0 (22)	6.6 (12)	6.2 (30)	9.5 (24)	6.0 (52)	5.5 (57)
▲ Blended Fixed Index	-0.2 (83)	0.9 (55)	-3.0 (76)	1.3 (77)	3.6 (76)	4.7 (86)	5.1 (71)	4.7 (77)

Total Returns - US Fixed Income

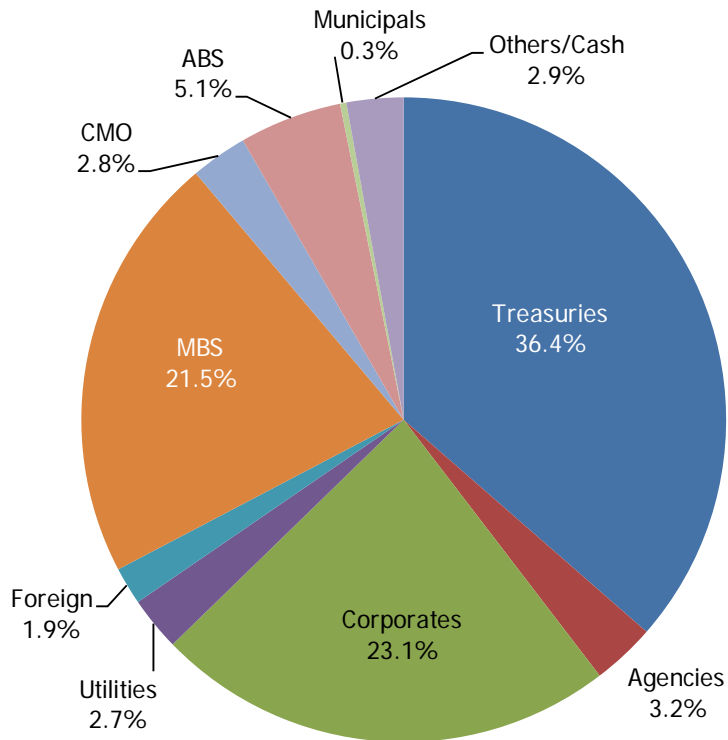
Periods Ending December 31, 2013



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	2.1	3.7	4.0	7.5	8.1	10.9	8.3	7.3
25th Percentile	0.9	1.8	0.1	4.3	6.4	8.6	6.7	6.1
Median	0.3	0.9	-1.4	2.6	4.6	6.9	5.8	5.3
75th Percentile	0.0	0.3	-3.0	1.3	3.7	5.4	5.0	4.8
95th Percentile	-0.7	-1.1	-8.9	-0.5	2.6	3.0	4.0	3.7
# of Portfolios	484	483	482	465	439	341	303	245
● US Fixed Income	0.5 (37)	1.7 (27)	0.0 (27)	5.2 (16)	5.7 (33)	9.3 (16)	5.8 (48)	5.4 (48)
▲ Blended US Fixed Index	-0.2 (83)	0.5 (70)	-3.2 (76)	1.3 (76)	3.9 (70)	4.8 (82)	5.2 (70)	4.7 (76)

Fixed Income Sector Allocation – US Fixed Income

As of December 31, 2013



Sector*	Account Weight	BC Aggregate Weight	Difference
Treasuries	36.4%	35.7%	0.8%
Agencies	3.2%	4.0%	-0.9%
Corporates	23.1%	19.8%	3.3%
Utilities	2.7%	2.4%	0.3%
Foreign	1.9%	5.1%	-3.2%
MBS	21.5%	31.5%	-10.0%
CMO	2.8%	0.0%	2.8%
ABS	5.1%	0.5%	4.7%
Municipals	0.3%	0.9%	-0.6%
Others/Cash	2.9%	0.0%	2.9%
TOTAL	100.0%	100.0%	0.0%

* Sector Allocation excludes Angelo Gordon STAR Fund and Brigade Capital Management

Bond Summary Statistics – US Fixed Income

As of December 31, 2013

Portfolio Characteristics*		Portfolio
Total Number of Securities		
Total Market Value	\$	342,240,092
Current Coupon		3.32
Yield to Maturity		2.43
Average Life		6.11
Duration		5.51
Quality		AA-

BC Aggregate	
Current Coupon	3.34
Yield to Maturity	2.35
Average Life	6.92
Duration	5.09
Quality	Aa2

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

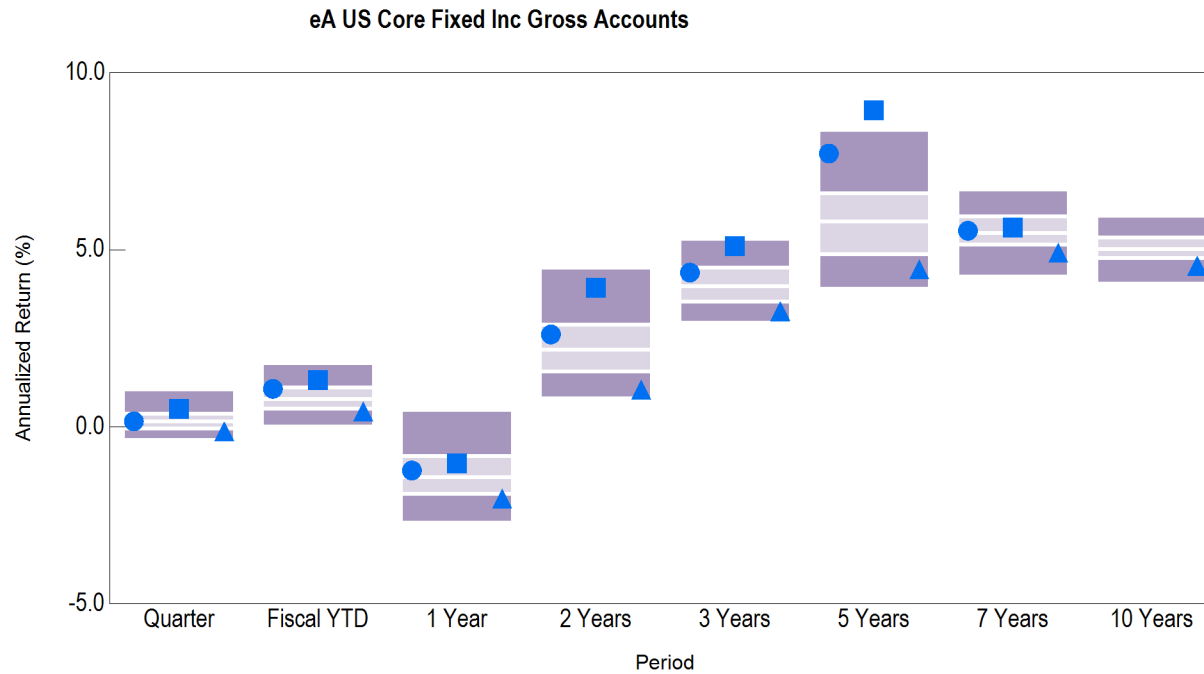
Average Life	
Range	% Held
0.0 - 1.0	8.3
1.0 - 3.0	11.6
3.0 - 5.0	30.1
5.0 - 10.0	34.9
10.0 - 20.0	8.4
20.0+	6.7
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	19.7
1.0 - 3.0	13.0
3.0 - 5.0	30.3
5.0 - 7.0	21.4
7.0 - 10.0	8.5
10.0+	7.9
Unclassified	-0.8

Quality	
Range	% Held
Govt (10)	20.0
Aaa (10)	43.2
Aa (9)	2.7
A (8)	10.3
Baa (7)	13.6
Below Baa (6-1)	3.2
Other	7.0

Coupon	
Range	% Held
0.0 - 5.0	73.9
5.0 - 7.0	21.7
7.0 - 9.0	3.8
9.0 - 11.0	0.5
11.0 - 13.0	0.1
13.0+	0.0
Unclassified	0.0

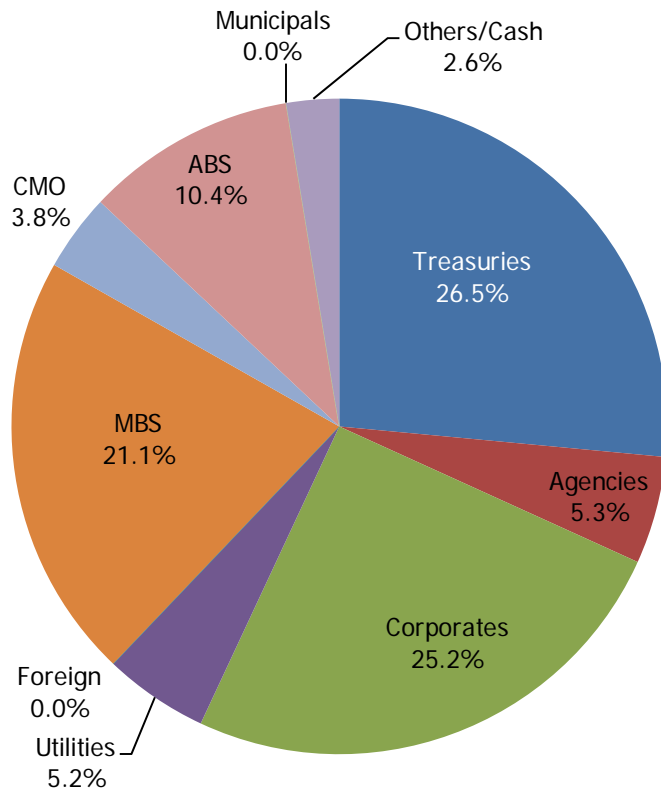
* Characteristics excludes Angelo Gordon STAR Fund and Brigade Capital Management.



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	1.0	1.8	0.5	4.5	5.3	8.4	6.7	5.9
25th Percentile	0.4	1.1	-0.8	2.9	4.5	6.6	6.0	5.4
Median	0.2	0.8	-1.4	2.2	4.0	5.8	5.5	5.0
75th Percentile	0.0	0.5	-1.9	1.6	3.5	4.9	5.2	4.8
95th Percentile	-0.4	0.0	-2.7	0.8	2.9	3.9	4.2	4.1
# of Portfolios	209	209	209	209	207	201	194	181
● Pyramis Bond	0.2 (52)	1.1 (28)	-1.2 (41)	2.6 (33)	4.4 (34)	7.7 (9)	5.5 (47)	-- (--)
■ Western Asset	0.5 (17)	1.3 (14)	-1.0 (34)	3.9 (8)	5.1 (9)	8.9 (3)	5.6 (41)	-- (--)
▲ Barclays Aggregate	-0.1 (84)	0.4 (83)	-2.0 (82)	1.0 (91)	3.3 (88)	4.4 (87)	4.9 (86)	4.5 (87)

Fixed Income Sector Allocation – Pyramis Broad Market Duration Pool

As of December 31, 2013



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	26.5%	35.7%	-9.2%
Agencies	5.3%	4.0%	1.3%
Corporates	25.2%	19.8%	5.4%
Utilities	5.2%	2.4%	2.7%
Foreign	0.0%	5.1%	-5.1%
MBS	21.1%	31.5%	-10.4%
CMO	3.8%	0.0%	3.8%
ABS	10.4%	0.5%	9.9%
Municipals	0.0%	0.9%	-0.9%
Others/Cash	2.6%	0.0%	2.6%
TOTAL	100.0%	100.0%	0.0%

Bond Summary Statistics – Pyramis Broad Market Duration Pool

As of December 31, 2013

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities			
Total Market Value	\$	147,146,075	
Current Coupon		3.50	3.34
Yield to Maturity		2.73	2.35
Average Life		7.43	6.92
Duration		5.44	5.09
Quality		AA-	Aa2

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	3.5
1.0 - 3.0	16.0
3.0 - 5.0	30.8
5.0 - 10.0	34.5
10.0 - 20.0	6.6
20.0+	8.6
Unclassified	0.0

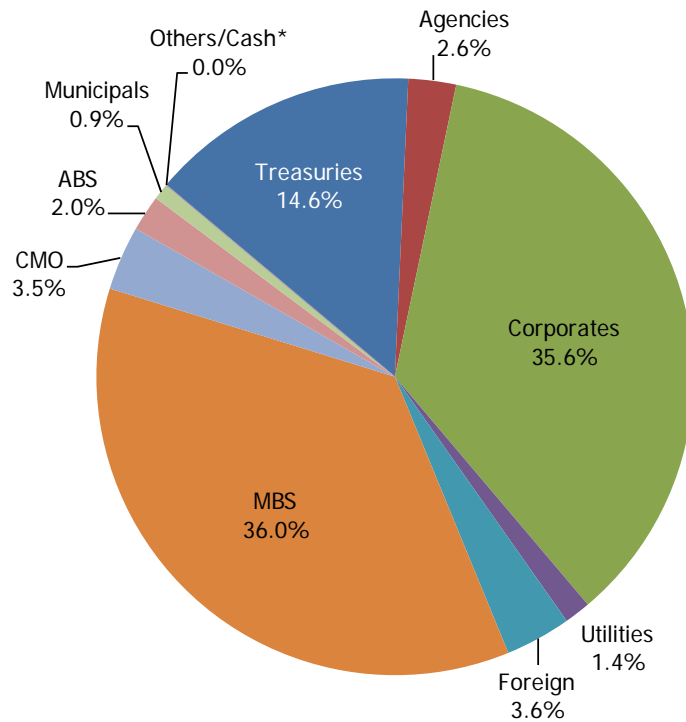
Duration	
Range	% Held
0.0 - 1.0	9.9
1.0 - 3.0	19.8
3.0 - 5.0	30.9
5.0 - 7.0	25.5
7.0 - 10.0	6.7
10.0+	9.2
Unclassified	-1.9

Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	61.0
Aa (9)	2.5
A (8)	13.8
Baa (7)	21.7
Below Baa (6-1)	0.0
Other	0.9

Coupon	
Range	% Held
0.0 - 5.0	69.4
5.0 - 7.0	27.0
7.0 - 9.0	3.2
9.0 - 11.0	0.4
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

San Mateo County Employees' Retirement Association
 Fixed Income Sector Allocation – Western Asset

As of December 31, 2013



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	14.6%	35.7%	-21.1%
Agencies	2.6%	4.0%	-1.5%
Corporates	35.6%	19.8%	15.8%
Utilities	1.4%	2.4%	-1.0%
Foreign	3.6%	5.1%	-1.6%
MBS	36.0%	31.5%	4.5%
CMO	3.5%	0.0%	3.5%
ABS	2.0%	0.5%	1.5%
Municipals	0.9%	0.9%	0.0%
Others/Cash*	-0.2%	0.0%	-0.2%
TOTAL	100.0%	100.0%	0.0%

* 2.0% Western Asset Opportunistic Invest Grade, -2.4% Short Term Securities

Bond Summary Statistics – Western Asset

As of December 31, 2013

Portfolio Characteristics		
	Portfolio	
Total Number of Securities		607
Total Market Value	\$	118,341,156
Current Coupon		4.16
Yield to Maturity		3.53
Average Life		8.42
Duration		5.99
Quality		A+

BC Aggregate	
Current Coupon	3.34
Yield to Maturity	2.35
Average Life	6.92
Duration	5.09
Quality	Aa2

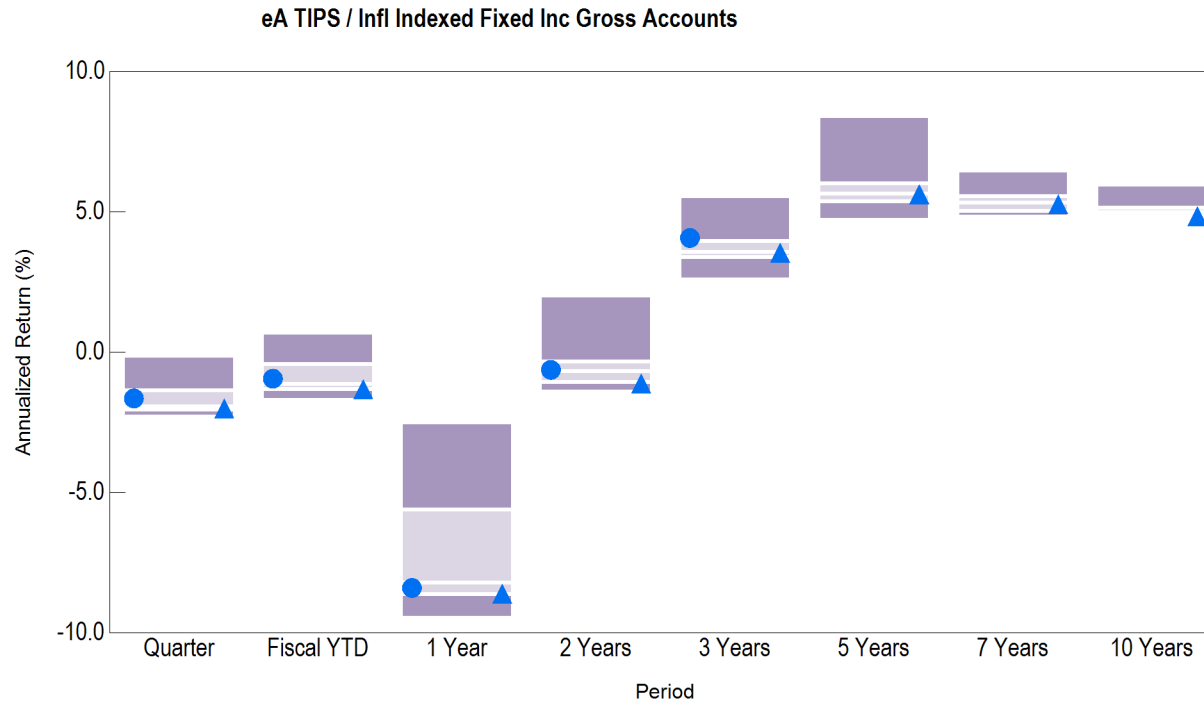
Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	0.4
1.0 - 3.0	13.8
3.0 - 5.0	22.9
5.0 - 10.0	48.3
10.0 - 20.0	5.9
20.0+	8.7
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	10.5
1.0 - 3.0	13.0
3.0 - 5.0	26.4
5.0 - 7.0	24.7
7.0 - 10.0	13.9
10.0+	11.5
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	47.2
Aa (9)	4.8
A (8)	12.7
Baa (7)	12.4
Below Baa (6-1)	9.2
Other	13.8

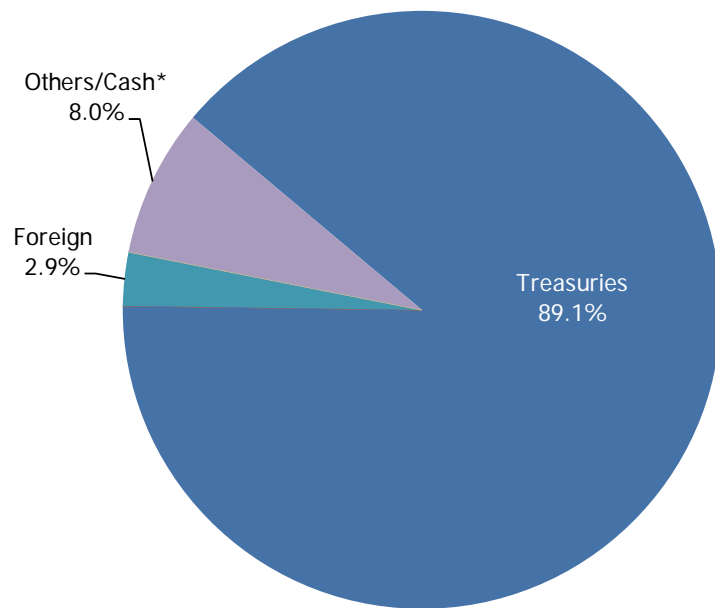
Coupon	
Range	% Held
0.0 - 5.0	62.6
5.0 - 7.0	29.3
7.0 - 9.0	7.0
9.0 - 10.0	0.9
10.0+	0.2
Unclassified	0.0



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	-0.1	0.7	-2.5	2.0	5.6	8.4	6.5	6.0
25th Percentile	-1.4	-0.4	-5.6	-0.3	4.0	6.0	5.6	5.2
Median	-1.9	-1.1	-8.2	-0.7	3.6	5.7	5.4	5.0
75th Percentile	-2.0	-1.3	-8.6	-1.1	3.4	5.4	5.1	4.9
95th Percentile	-2.3	-1.7	-9.4	-1.4	2.6	4.7	4.8	4.8
# of Portfolios	43	43	43	42	41	36	30	21
● Brown Brothers Harriman	-1.6 (35)	-0.9 (38)	-8.4 (59)	-0.6 (44)	4.1 (15)	-- (--)	-- (--)	-- (--)
▲ Barclays US TIPS	-2.0 (70)	-1.3 (77)	-8.6 (76)	-1.1 (82)	3.5 (65)	5.6 (52)	5.3 (59)	4.8 (95)

Fixed Income Sector Allocation – Brown Brothers Harriman

As of December 31, 2013



Sector	Account Weight	ML TIPS Index	Difference
Treasuries	89.1%	100.0%	-10.9%
Agencies	0.0%	0.0%	0.0%
Corporates	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Foreign	2.9%	0.0%	2.9%
MBS	0.0%	0.0%	0.0%
CMO	0.0%	0.0%	0.0%
ABS	0.0%	0.0%	0.0%
Municipals	0.0%	0.0%	0.0%
Others/Cash*	8.0%	0.0%	8.0%
TOTAL	100.0%	100.0%	0.0%

* May include Derivatives, Futures, Swaps, Credit Default Swaps, Total Return Swaps or Currency Contracts.

Bond Summary Statistics – Brown Brothers Harriman

As of December 31, 2013

Portfolio Characteristics		Portfolio
Total Number of Securities		12
Total Market Value	\$	76,752,861
Current Coupon		1.70
Yield to Maturity		0.18
Average Life		
Duration		4.92
Quality		AAA

ML TIPS	
Total Number of Securities	34
Total Market Value	N/A
Current Coupon	1.40
Yield to Maturity	0.23
Average Life	
Duration	7.31
Quality	AAA

Yield to Maturity	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 3.0	29.7
3.0 - 5.0	0.0
5.0 - 10.0	39.6
10.0- 15.0	15.0
15.0+	15.7
Unclassified	0.0

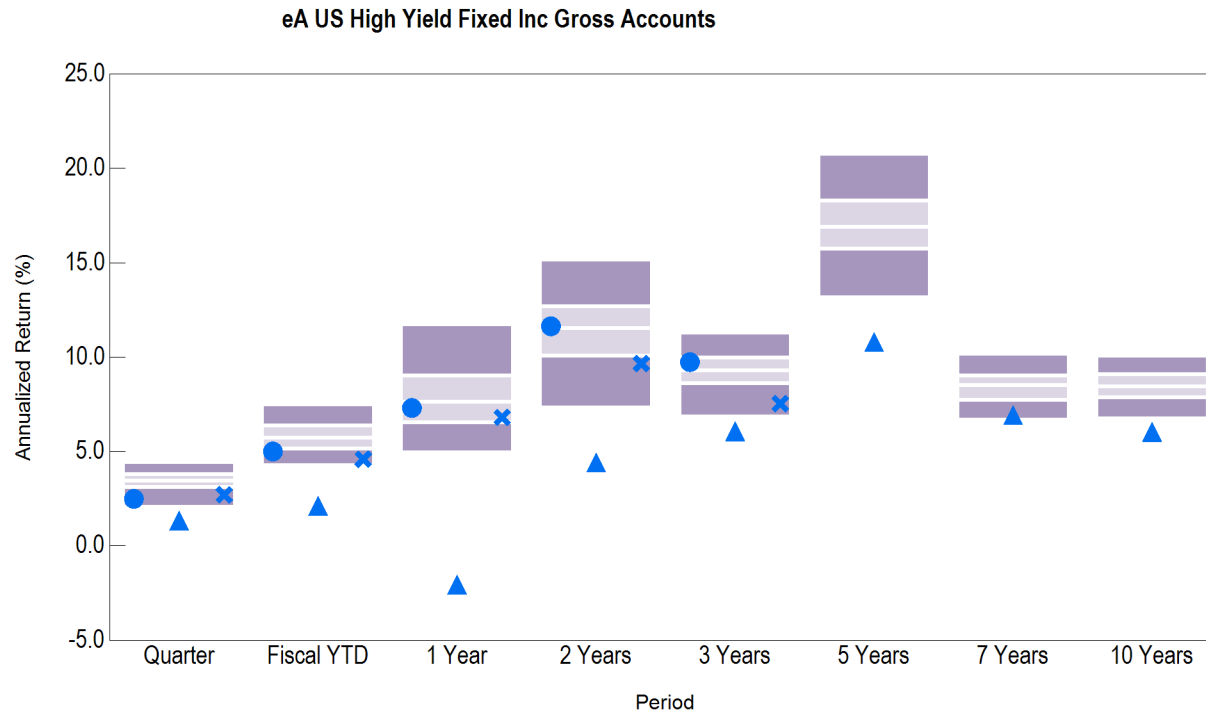
Duration	
Range	% Held
0.0 - 3.0	53.0
3.0 - 5.0	0.0
5.0 - 10.0	35.1
10.0- 15.0	8.4
15.0+	3.5
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	89.1
Aaa (10)	2.9
Aa (9)	0.0
A (8)	0.0
Baa (7)	0.0
Below Baa (6-1)	0.0
Other	8.0

Coupon	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	0.0
7.0 - 9.0	0.0
9.0 - 11.0	0.0
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

Total Returns - High Yield Fixed Income

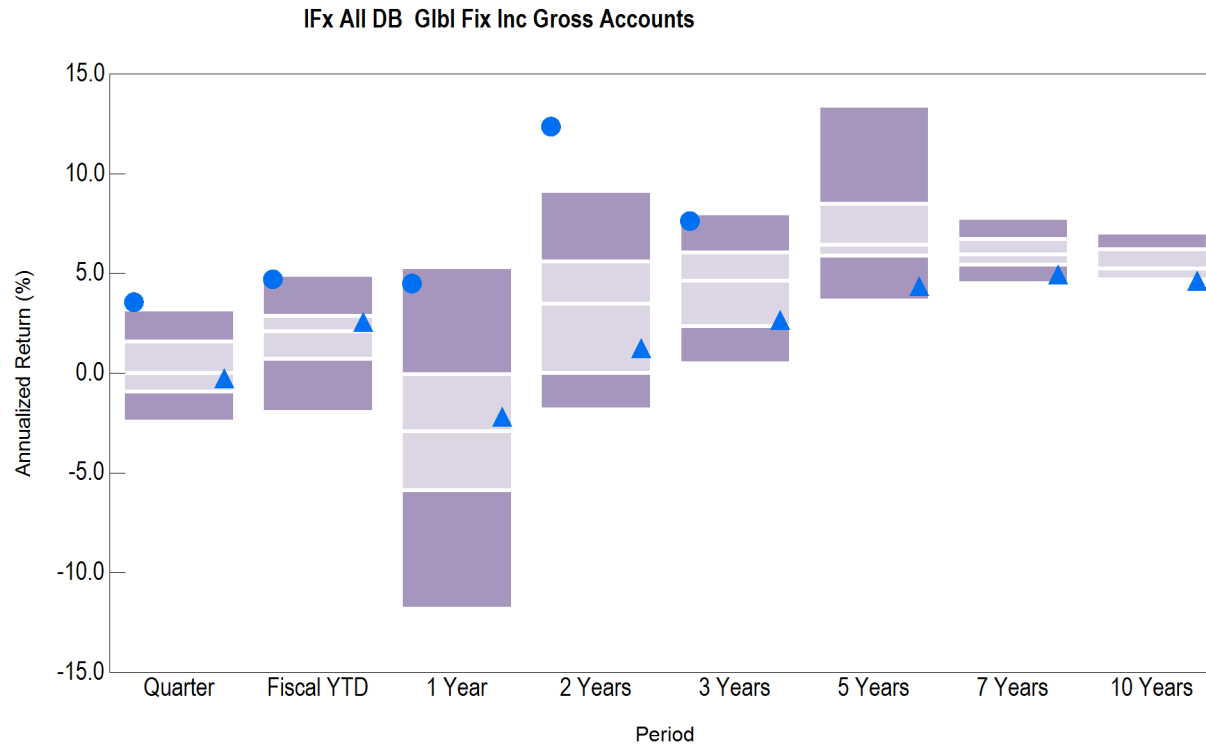
Periods Ending December 31, 2013



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	4.4	7.5	11.7	15.2	11.3	20.8	10.2	10.1
25th Percentile	3.8	6.4	9.1	12.7	10.0	18.3	9.1	9.1
Median	3.5	5.8	7.6	11.6	9.3	16.9	8.6	8.5
75th Percentile	3.1	5.2	6.6	10.1	8.7	15.8	7.7	7.9
95th Percentile	2.1	4.3	5.0	7.4	6.9	13.2	6.7	6.8
# of Portfolios	130	130	130	125	118	108	101	90
● Brigade Capital	2.5 (89)	5.0 (84)	7.3 (58)	11.6 (49)	9.7 (31)	-- (--)	-- (--)	-- (--)
▲ Barclays Credit BAA	1.3 (99)	2.1 (99)	-2.1 (99)	4.4 (99)	6.1 (96)	10.8 (98)	6.9 (93)	6.0 (99)
✕ 50% Barclays HY/ 50% Bank Loan	2.7 (86)	4.6 (90)	6.8 (69)	9.7 (83)	7.5 (91)	-- (--)	-- (--)	-- (--)

Total Returns - Global Fixed Income

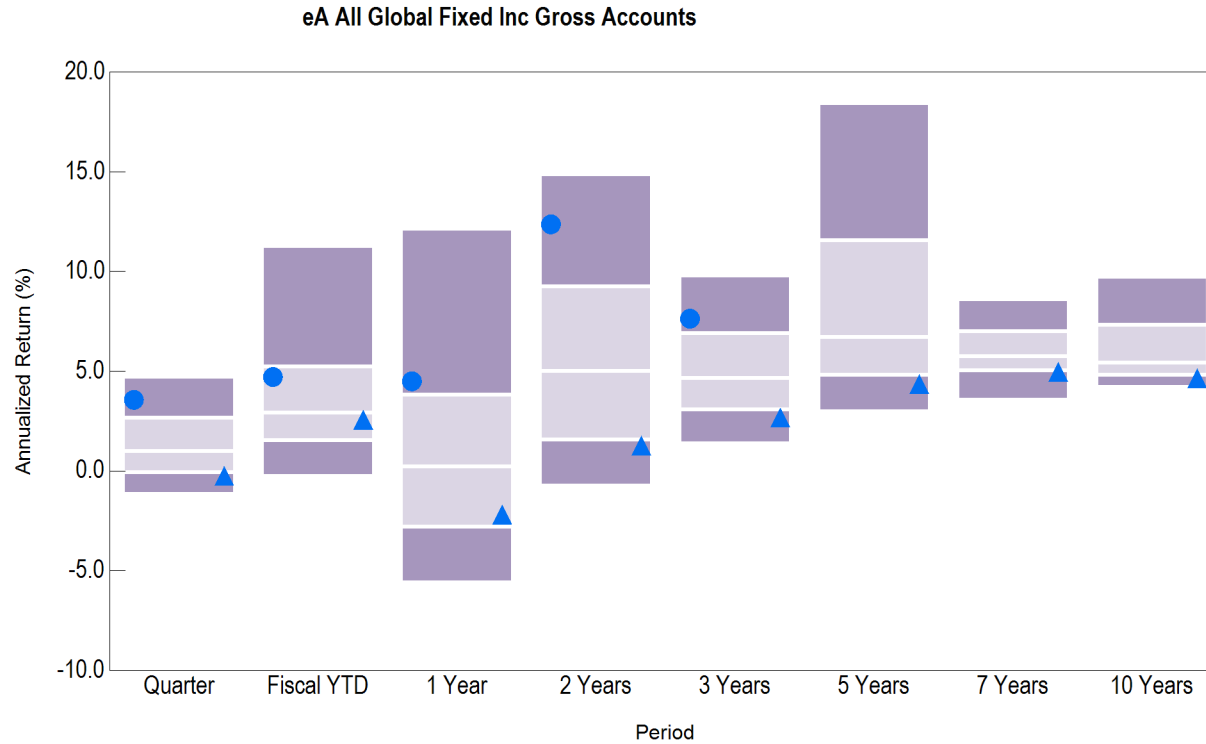
Periods Ending December 31, 2013



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	3.2	4.9	5.3	9.1	8.0	13.4	7.8	7.0
25th Percentile	1.6	2.9	0.0	5.6	6.1	8.5	6.8	6.2
Median	0.0	2.1	-2.9	3.5	4.7	6.5	6.0	5.3
75th Percentile	-0.9	0.7	-5.9	0.0	2.4	5.9	5.5	4.7
95th Percentile	-2.4	-1.9	-11.8	-1.8	0.5	3.6	4.5	4.6
# of Portfolios	36	36	35	32	29	25	19	10
● Global Fixed Income	3.6 (3)	4.7 (6)	4.5 (6)	12.4 (1)	7.6 (11)	-- (--)	-- (--)	-- (--)
▲ Barclays Multi-verse	-0.3 (60)	2.6 (41)	-2.2 (46)	1.3 (70)	2.7 (74)	4.4 (92)	5.0 (84)	4.6 (82)

Total Returns - Global Fixed Income

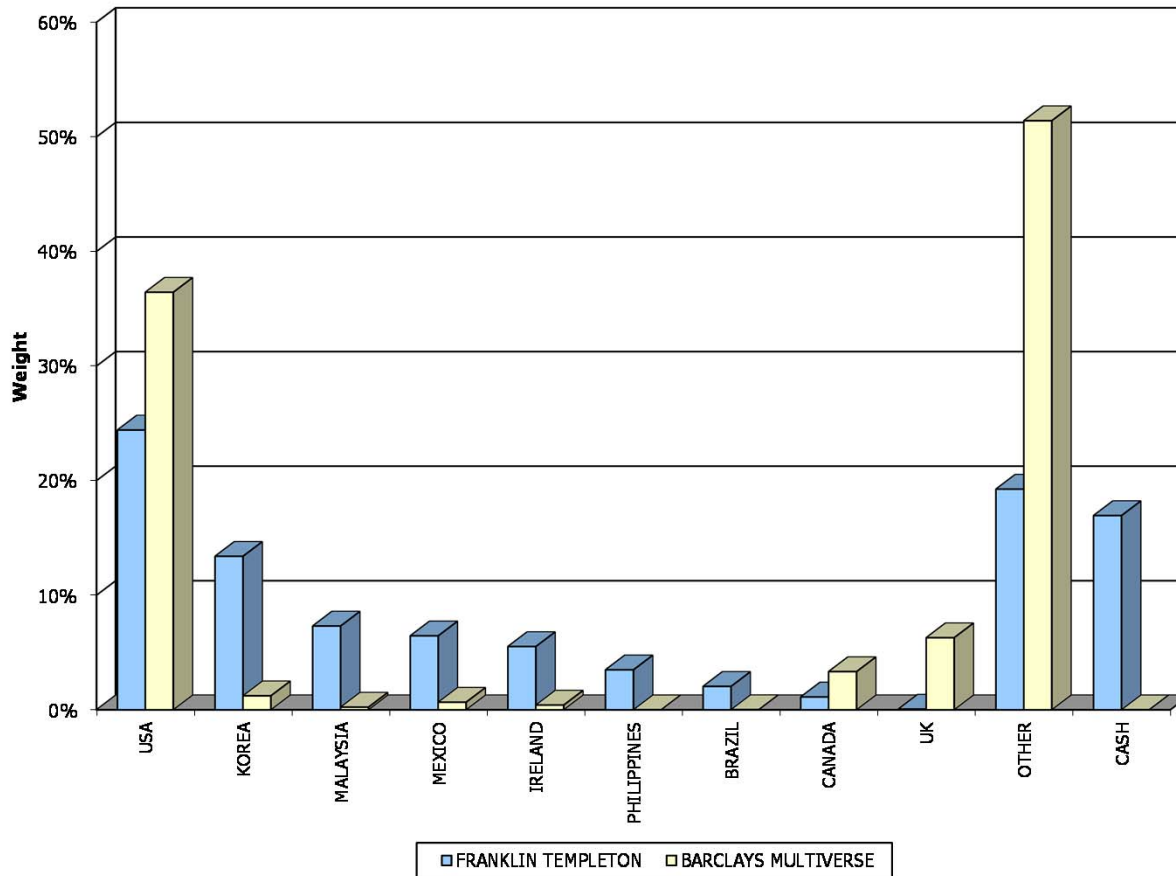
Periods Ending December 31, 2013



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Return (Rank)								
5th Percentile	4.7	11.3	12.1	14.9	9.8	18.4	8.6	9.7
25th Percentile	2.7	5.3	3.9	9.3	6.9	11.6	7.0	7.3
Median	1.0	2.9	0.2	5.0	4.7	6.7	5.8	5.4
75th Percentile	0.0	1.6	-2.8	1.6	3.1	4.9	5.1	4.8
95th Percentile	-1.1	-0.2	-5.6	-0.7	1.4	3.0	3.6	4.2
# of Portfolios	227	225	225	220	200	162	134	100
● Franklin Templeton	3.6 (14)	4.7 (31)	4.5 (24)	12.4 (14)	7.6 (19)	-- (--)	-- (--)	-- (--)
▲ Barclays Multi-verse	-0.3 (81)	2.6 (57)	-2.2 (71)	1.3 (80)	2.7 (83)	4.4 (81)	5.0 (78)	4.6 (84)

Portfolio Country Weights – Franklin Templeton

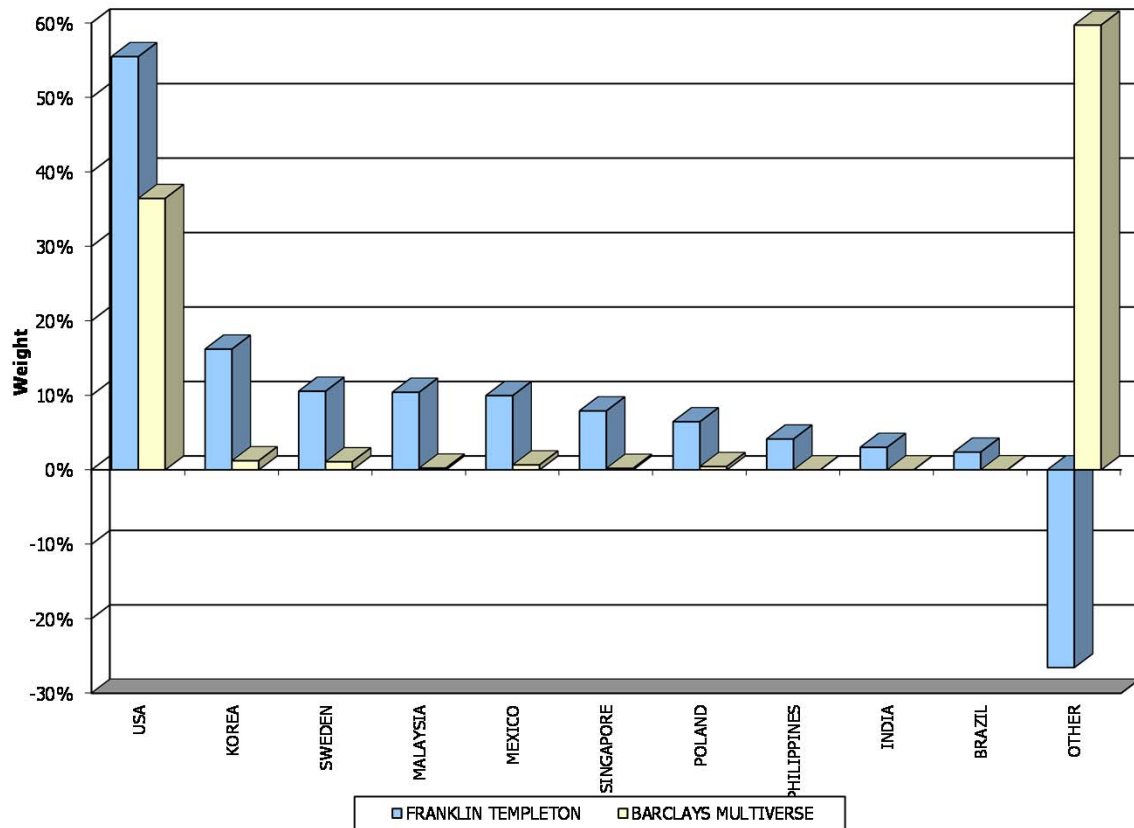
As of December 31, 2013



COUNTRY	MARKET VALUE	FRANKLIN TEMPLETON	BARCLAYS MULTIVERSE	DIFF
USA	\$ 30,478	24.4%	36.4%	-12.0%
KOREA	\$ 16,721	13.4%	1.2%	+12.2%
MALAYSIA	\$ 9,124	7.3%	0.2%	+7.1%
MEXICO	\$ 8,055	6.5%	0.7%	+5.8%
IRELAND	\$ 6,889	5.5%	0.4%	+5.1%
PHILIPPINES	\$ 4,352	3.5%	0.0%	+3.5%
BRAZIL	\$ 2,549	2.0%	0.0%	+2.0%
CANADA	\$ 1,395	1.1%	3.3%	-2.2%
UK	\$ 72	0.1%	6.3%	-6.2%
OTHER	\$ 24,036	19.3%	51.4%	-32.2%
CASH	\$ 21,156	16.9%	0.0%	+16.9%
	\$ 124,826	100.0%	100.0%	0.0%

Portfolio Currency Exposures – Franklin Templeton

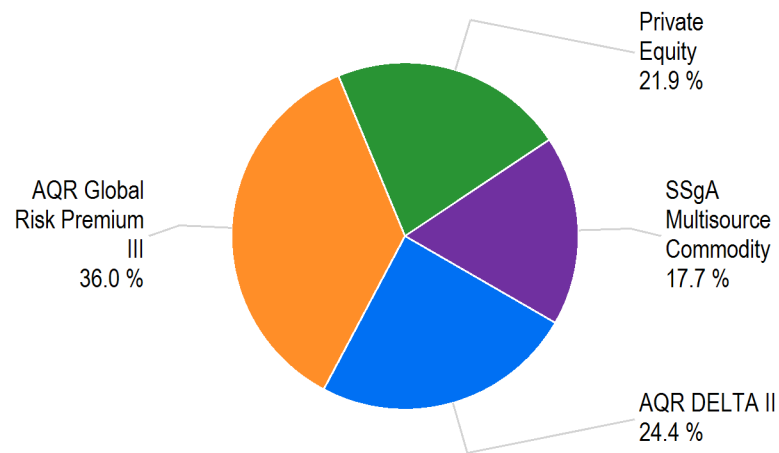
As of December 31, 2013



CURRENCY	MARKET VALUE	FRANKLIN TEMPLETON	BARCLAYS MULTIVERSE	DIFF
USA	\$ 69,263	55.5%	36.4%	+19.0%
KOREA	\$ 20,234	16.2%	1.2%	+15.0%
SWEDEN	\$ 13,175	10.6%	1.1%	+9.5%
MALAYSIA	\$ 13,004	10.4%	0.2%	+10.2%
MEXICO	\$ 12,443	10.0%	0.7%	+9.3%
SINGAPORE	\$ 9,877	7.9%	0.2%	+7.7%
POLAND	\$ 8,064	6.5%	0.4%	+6.0%
PHILIPPINES	\$ 5,166	4.1%		+4.1%
INDIA	\$ 3,767	3.0%		+3.0%
BRAZIL	\$ 2,972	2.4%	0.0%	+2.4%
OTHER	\$ (33,138)	-26.5%	59.7%	-86.3%
	\$ 124,826	100.0%	100.0%	0.0%

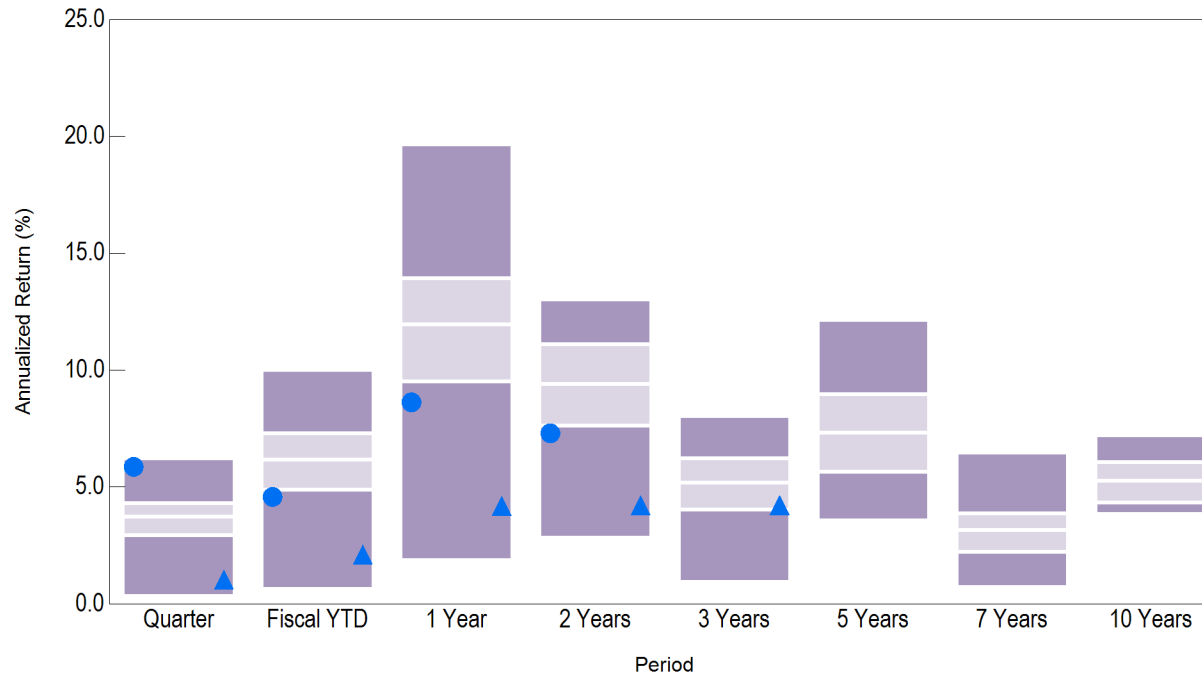
Manager Allocation Analysis - Alternatives

As of December 31, 2013



	Actual \$	Actual %	Manager Contribution to Excess Return %
AQR DELTA II	\$117,794,798	24.4%	0.8%
AQR Global Risk Premium III	\$173,421,331	36.0%	-1.6%
Private Equity	\$105,533,733	21.9%	-0.0%
SSgA Multisource Commodity	\$85,379,583	17.7%	0.1%
Actual vs. Policy Weight Difference			1.3%
Total	\$482,129,445	100.0%	0.5%

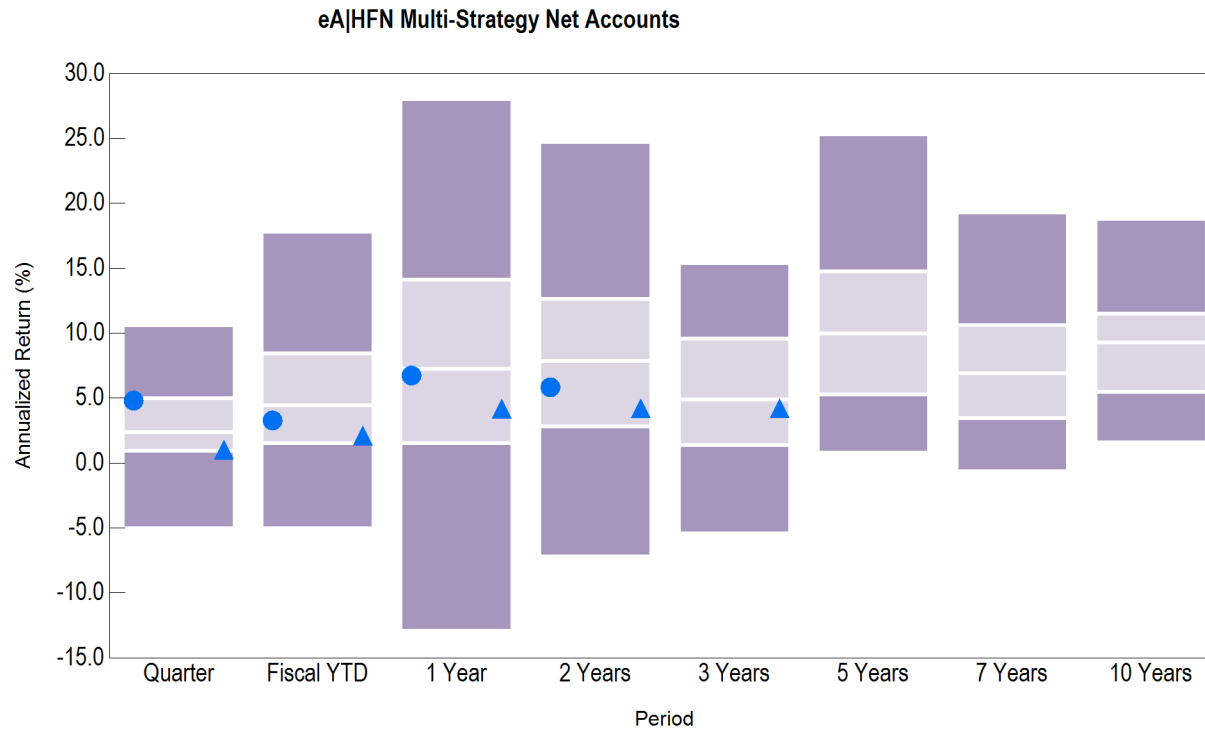
IFx All DB Hedge Funds Gross Accounts



	Return (Rank)							
	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	6.2	10.0	19.6	13.0	8.0	12.1	6.5	7.2
25th Percentile	4.3	7.3	14.0	11.1	6.2	9.0	3.9	6.1
Median	3.7	6.2	12.0	9.4	5.2	7.3	3.2	5.3
75th Percentile	3.0	4.9	9.5	7.6	4.0	5.7	2.2	4.3
95th Percentile	0.3	0.7	1.9	2.8	1.0	3.6	0.7	3.9
# of Portfolios	230	230	226	220	199	130	81	16
● Hedge Fund	5.9 (6)	4.6 (77)	8.6 (83)	7.3 (80)	-- (--)	-- (--)	-- (--)	-- (--)
▲ Libor 1 month +4%	1.0 (94)	2.1 (92)	4.2 (93)	4.2 (93)	4.2 (72)	-- (--)	-- (--)	-- (--)

Total Returns - HFN Multi-Strategy Net

Periods Ending December 31, 2013

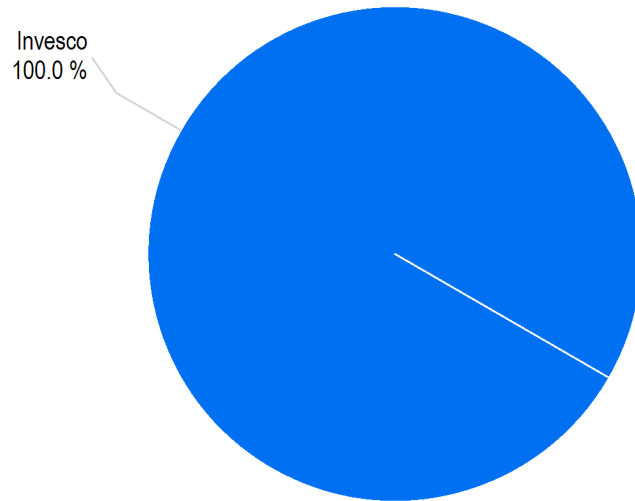


	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Return (Rank)								
5th Percentile	10.6	17.8	28.0	24.7	15.4	25.3	19.3	18.8
25th Percentile	5.0	8.5	14.1	12.6	9.6	14.8	10.6	11.5
Median	2.4	4.5	7.3	7.9	4.9	10.0	6.9	9.3
75th Percentile	1.0	1.6	1.6	2.8	1.4	5.3	3.5	5.5
95th Percentile	-5.0	-5.0	-12.9	-7.2	-5.4	0.9	-0.6	1.6
# of Portfolios	145	143	140	131	116	92	64	39
● AQR DELTA II	4.8 (27)	3.3 (60)	6.7 (56)	5.8 (62)	-- (--)	-- (--)	-- (--)	-- (--)
▲ Libor 1 month +4%	1.0 (74)	2.1 (73)	4.2 (68)	4.2 (70)	4.2 (54)	-- (--)	-- (--)	-- (--)

Manager Allocation Analysis - Real Estate

As of December 31, 2013

	Actual \$	Actual %
Invesco	\$175,269,752	100.0%
Total	\$175,269,752	



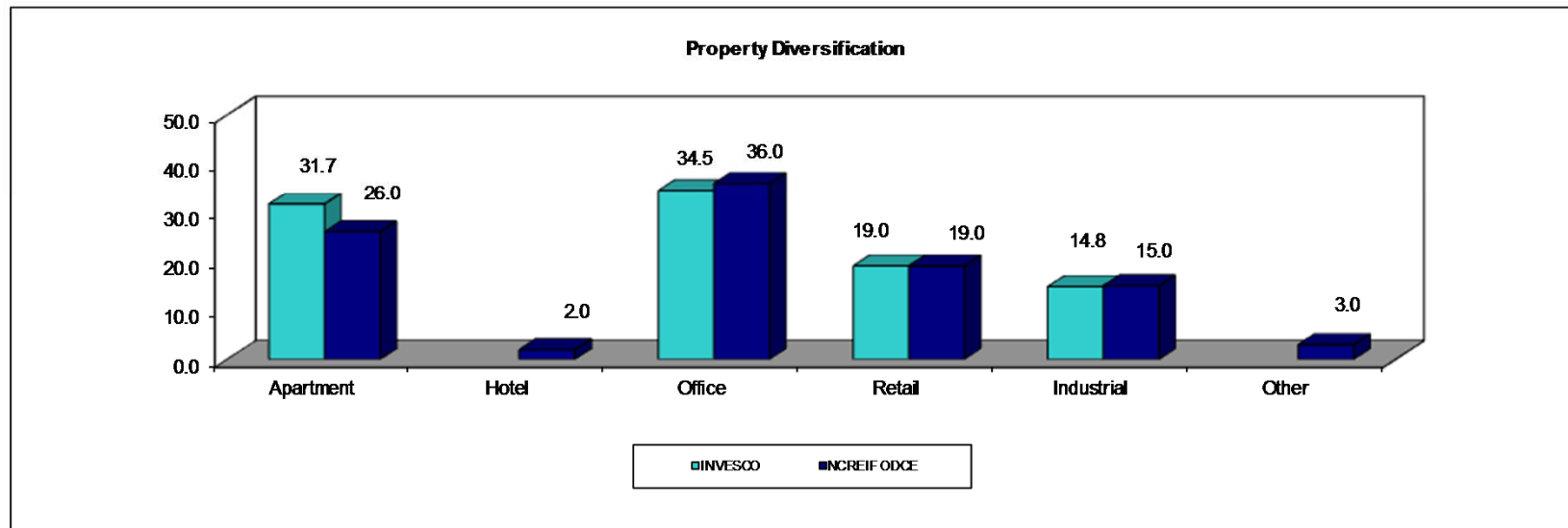
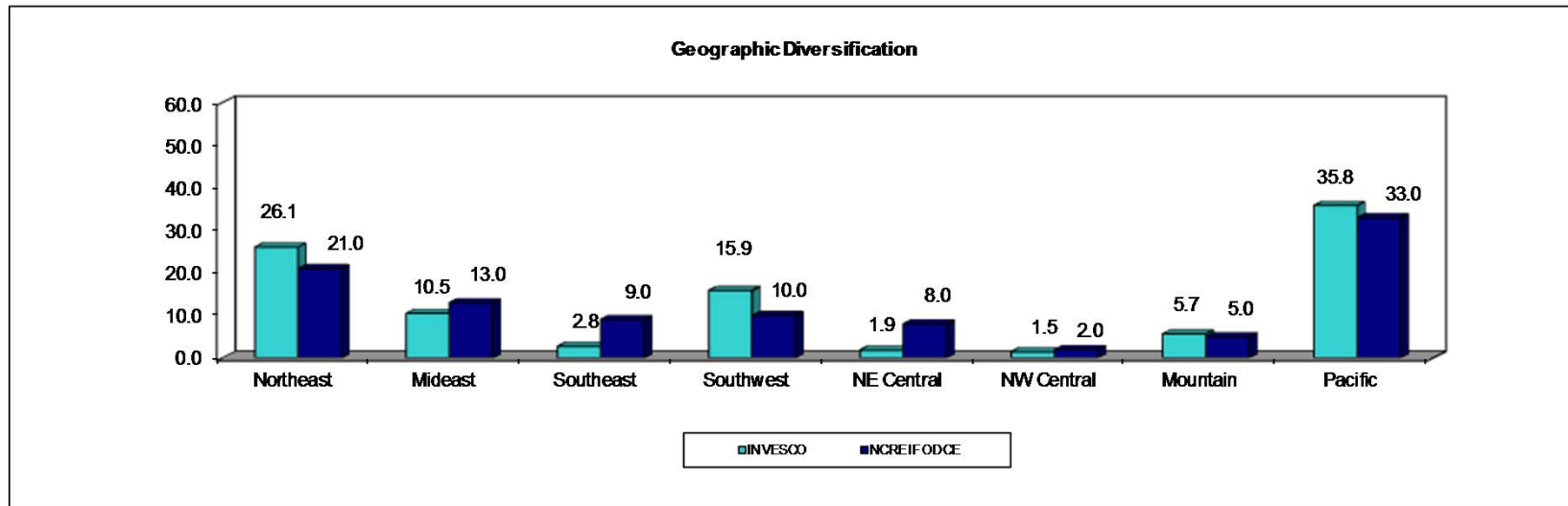
IFx All DB Real Estate Gross Accounts



	Quarter	Fiscal YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	3.8	8.3	16.2	15.3	15.7	17.0	5.0	9.1
25th Percentile	3.3	7.3	13.7	13.6	14.6	4.6	3.3	7.7
Median	2.6	6.1	12.4	11.8	12.9	3.5	2.7	6.4
75th Percentile	0.1	3.3	8.5	10.2	10.7	2.3	2.0	5.7
95th Percentile	-0.8	-3.3	2.1	7.4	7.0	-3.1	-0.8	2.5
# of Portfolios	108	108	105	101	97	92	83	48
● Real Estate	3.4 (20)	5.7 (59)	14.3 (20)	11.4 (60)	13.2 (42)	2.8 (61)	3.2 (29)	7.9 (22)
▲ NCREIF ODCE	3.2 (28)	6.9 (33)	14.0 (22)	12.4 (39)	13.6 (40)	3.7 (46)	3.8 (15)	7.6 (26)

Real Estate Diversification Analysis – INVESCO Core Real Estate

As of December 31, 2013



Real Estate Valuation Analysis – INVESCO Core Real Estate

Fourth Quarter 2013

Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Added to Fund	Last Valuation Date	SamCERA ownership as of 12/31/2013 3.48%
APARTMENTS							
Seneca Village	Portland-Vancouver OR-WA	\$42,700,000	\$43,200,000	\$43,200,000	2Q04	December-13	\$1,503,479
Grandeville at the Commons	South Kingstown, RI	\$43,100,000	\$43,600,000	\$43,600,000	3Q05	December-13	\$1,517,400
Milestone Apt. Portfolio	Various States - South	\$52,351,853	\$51,447,676	\$51,447,676	2Q06	N/A	\$1,790,520
Stoneridge	Pleasanton, CA	\$168,000,000	\$173,000,000	\$173,000,000	4Q06	December-13	\$6,020,875
Sterling Parc Apartments	Cedar Knolls, NJ	\$90,800,000	\$92,000,000	\$92,000,000	2Q07	December-13	\$3,201,852
Millington at Merrill Creek	Everett, WA	\$64,800,000	\$64,800,000	\$64,800,000	2Q07	December-13	\$2,255,218
The Residences at Stevens Pond	Boston MA - NH	\$93,800,000	\$93,800,000	\$93,800,000	4Q07	December-13	\$3,264,497
Holland Portfolio	Seattle - Belle - Eve WA	\$111,744,489	\$111,744,488	\$29,228,123	4Q07	December-13	\$1,017,219
Village Crossing at Chino Hills	Riverside, CA	\$81,700,000	\$79,500,000	\$39,500,000	1Q08	December-13	\$1,374,708
Metropolitan at Pentagon City	Arlington, VA	\$151,000,000	\$151,000,000	\$90,541,105	3Q10	December-13	\$3,151,079
Ladd Tower	Portland, OR	\$106,000,000	\$112,000,000	\$112,000,000	4Q10	December-13	\$3,897,907
Legacy Fountain Plaza	San Jose, CA	\$117,000,000	\$118,000,000	\$118,000,000	1Q11	December-13	\$4,106,724
The Elektra	New York, NY	\$158,000,000	\$158,000,000	\$89,829,859	1Q11	December-13	\$3,126,326
75 Clinton Street	Brooklyn, NY	\$59,100,000	\$64,400,000	\$64,400,000	1Q12	December-13	\$2,241,297
Club Laguna	Orange County, CA	\$124,000,000	\$127,000,000	\$127,000,000	3Q12	December-13	\$4,419,949
Goodwynn	Atlanta, GA	\$78,800,000	\$78,800,000	\$42,553,665	4Q12	December-13	\$1,480,984
Mercedes House	New York, NY	\$197,000,000	\$210,000,000	\$140,000,000	1Q13	December-13	\$4,872,384
Sunset Vine Tower	Los Angeles, CA	\$75,000,000	\$75,300,000	\$75,300,000	2Q13	December-13	\$2,620,647
The Ashton	Dallas, TX	\$0	\$112,500,000	\$112,500,000	4Q13	ACQ 4Q13	\$3,915,309
The Pointe at West Chester	West Chester, PA	\$0	\$62,400,000	\$62,400,000	4Q13	ACQ 4Q13	\$2,171,691
206 Bell	Seattle, WA	\$0	\$41,500,000	\$41,500,000	4Q13	ACQ 4Q13	\$1,444,314
		\$1,814,896,342	\$2,063,992,164	\$1,706,600,428			\$59,394,378
INDUSTRIAL							
Arjons	San Diego CA	\$26,900,000	\$27,500,000	\$27,500,000	2Q04	December-13	\$957,075
Garland Gateway East	Dallas TX	\$11,900,000	\$10,300,000	\$10,300,000	2Q04	December-13	\$358,468
Gateway Business Park	Dallas TX	\$10,600,000	\$9,900,000	\$9,900,000	2Q04	December-13	\$344,547
Hayward Industrial	Oakland CA	\$96,100,000	\$96,900,000	\$96,900,000	3Q04-3Q07	December-13	\$3,372,386
Lackman	Kansas City MO-KS	\$20,600,000	\$20,800,000	\$20,800,000	2Q04	December-13	\$723,897
Crossroads Industrial	Kansas City MO-KS	\$7,700,000	\$8,000,000	\$8,000,000	1Q06	December-13	\$278,422
Oakesdale Commerce Center	Seattle - Belle - Eve WA	\$39,200,000	\$39,500,000	\$39,500,000	1Q06	December-13	\$1,374,708
South Bay Industrial	Los Angeles, CA	\$56,700,000	\$56,400,000	\$56,400,000	4Q06	December-13	\$1,962,875
VIP Holdings I	Chicago, IL	\$75,100,539	\$75,016,120	\$28,653,011	2Q06	December-13	\$977,203
Tempe Commerce	Phoenix - Mesa AZ	\$53,900,000	\$53,900,000	\$53,900,000	4Q07	December-13	\$1,875,868
Steeplechase 95 International Business Park	Capitol Heights, MD	\$22,500,000	\$24,000,000	\$24,000,000	1Q11	December-13	\$835,266
Airport Trade Center III & V	Dallas, TX	\$32,900,000	\$32,900,000	\$32,900,000	1Q11	December-13	\$1,145,010
IE Logistics	San Bernardino, CA	\$113,200,000	\$113,200,000	\$113,200,000	3Q11	December-13	\$3,939,671
Railhead Drive Industrial	Dallas, TX	\$60,200,000	\$60,200,000	\$60,200,000	4Q11	December-13	\$2,095,125
16400 Knott Ave	Los Angeles, CA	\$30,600,000	\$30,900,000	\$30,900,000	3Q12	December-13	\$1,075,405
Chino South Logistics Center	Chino, CA	\$90,500,000	\$117,000,000	\$117,000,000	4Q12	December-13	\$4,071,921
Airport Trade Center I	Dallas, TX	\$25,900,000	\$29,100,000	\$29,100,000	1Q13	December-13	\$1,012,760
Airport Trade Center II & IV	Dallas, TX	\$41,700,000	\$41,700,000	\$41,700,000	1Q13	December-13	\$1,451,274
SFF Logistics Center	San Francisco, CA	\$0	\$118,100,000	\$118,100,000	4Q13	ACQ 4Q13	\$4,110,204
		\$816,200,539	\$965,316,120	\$918,953,011			\$31,982,086

Real Estate Valuation Analysis – INVESCO Core Real Estate

Fourth Quarter 2013

Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 12/31/2013 3.48%
OFFICE							
55 Cambridge	Boston MA - NH	\$172,000,000	\$173,000,000	\$173,000,000	4Q06	December-13	\$6,020,875
Gainey Center II	Scottsdale - AZ	\$29,000,000	\$30,400,000	\$30,400,000	3Q07	December-13	\$1,058,003
Valencia Town Center	Valencia, CA	\$148,000,000	\$160,000,000	\$160,000,000	3Q07	December-13	\$5,568,439
Westport Corporate Center	Fairfield County, CT	\$14,800,000	\$14,500,000	\$14,500,000	4Q07	December-13	\$504,640
Parkside Towers	San Francisco, CA	\$103,267,602	\$100,808,850	\$58,053,101	1Q08	December-13	\$2,020,407
The Executive Building	Washington DC	\$184,000,000	\$191,000,000	\$191,000,000	2Q08	December-13	\$6,647,324
10 Brookline Place	Brookline, MA	\$121,000,000	\$0	\$0	2Q10	Sold 4Q13	\$0
1111 Pennsylvania Avenue	Washington, D.C.	\$246,000,000	\$247,000,000	\$247,000,000	4Q10	December-13	\$8,596,278
1800 Larimer	Denver, CO	\$250,000,000	\$265,000,000	\$265,000,000	1Q11	December-13	\$9,222,727
230 Park Avenue	New York, NY	\$430,950,000	\$440,130,000	\$257,217,187	2Q11	December-13	\$8,951,864
3450 & 3460 Hillview Ave	San Jose, CA	\$59,000,000	\$60,700,000	\$60,700,000	3Q12	December-13	\$2,112,527
Williams Tower	Houston, TX	\$459,000,000	\$469,000,000	\$295,133,024	1Q13	December-13	\$10,271,439
Westlake Park Place	Westlake Village, CA	\$0	\$97,974,950	\$97,974,950	4Q13	ACQ 4Q13	\$3,409,797
		\$2,217,017,602	\$2,249,513,800	\$1,849,978,262			\$64,384,320
RETAIL							
Broadway at Surf	Chicago IL	\$33,100,000	\$32,500,000	\$32,500,000	2Q04	December-13	\$1,131,089
Carriagetown Marketplace	Boston MA - NH	\$21,400,000	\$22,500,000	\$22,500,000	2Q04	December-13	\$783,062
Chandler Pavilions	Phoenix - Mesa AZ	\$19,000,000	\$19,500,000	\$19,500,000	2Q04	December-13	\$678,654
Matthews Township	Charlotte - G - RH NC-SC	\$23,300,000	\$23,900,000	\$23,900,000	2Q04	December-13	\$831,786
Windward Commons	Atlanta GA	\$21,800,000	\$22,000,000	\$22,000,000	2Q04	December-13	\$765,660
Cityline at Tenley	Washington, D.C.	\$46,600,000	\$46,600,000	\$46,600,000	4Q05	December-13	\$1,621,808
Ridgehaven Mall	Minnetonka, MN	\$34,500,000	\$34,500,000	\$34,500,000	4Q05	December-13	\$1,200,695
The Beacon Retail	San Francisco, CA	\$50,600,000	\$50,600,000	\$50,600,000	1Q06	December-13	\$1,761,019
The Beacon Garage	San Francisco, CA	\$29,800,000	\$29,800,000	\$29,800,000	1Q06	December-13	\$1,037,122
Oak Brook Court	Chicago, IL	\$16,800,000	\$14,000,000	\$14,000,000	4Q07	December-13	\$487,238
Hawthorne Plaza	Overland Park, KS	\$29,300,000	\$32,100,000	\$32,100,000	4Q07	December-13	\$1,117,168
Deerwood Lake Commons	Jacksonville, FL	\$10,500,000	\$10,500,000	\$10,500,000	4Q07	December-13	\$365,429
Heath Brook Commons	Ocala, FL	\$10,900,000	\$10,900,000	\$10,900,000	4Q07	December-13	\$379,350
Park View Square	Miramar, FL	\$12,500,000	\$13,100,000	\$13,100,000	4Q07	December-13	\$455,916
St. John's Commons	Jacksonville, FL	\$10,400,000	\$10,400,000	\$10,400,000	4Q07	December-13	\$361,949
West Creek Commons	Coconut Creek, FL	\$10,600,000	\$11,000,000	\$11,000,000	4Q07	December-13	\$382,830
The Loop	Boston MA - NH	\$97,000,000	\$97,000,000	\$97,000,000	1Q08	December-13	\$3,375,866
Westbank Marketplace	Austin, TX	\$44,500,000	\$47,900,000	\$25,707,234	3Q10	December-13	\$894,682
910 Lincoln Road	Miami, FL	\$18,300,000	\$22,600,000	\$22,600,000	4Q10	December-13	\$786,542
Lake Pointe Village	Houston, TX	\$67,800,000	\$67,000,000	\$67,000,000	4Q11	December-13	\$2,331,784
Safeway Kapahulu	Hawaii	\$82,500,000	\$85,500,000	\$50,565,742	4Q11	December-13	\$1,759,827
Safeway Burlingame	San Francisco, CA	\$46,500,000	\$47,600,000	\$25,677,416	4Q11	December-13	\$893,645
Shamrock Plaza	Oakland, CA	\$33,800,000	\$34,500,000	\$18,806,520	4Q11	December-13	\$654,519
Pavilions Marketplace	West Hollywood, CA	\$51,400,000	\$51,400,000	\$27,570,054	1Q12	December-13	\$959,514
130 Prince	New York, NY	\$154,000,000	\$154,000,000	\$154,000,000	2Q12	December-13	\$5,359,623
Pleasanton Gateway	Pleasanton, CA	\$73,000,000	\$71,600,000	\$71,600,000	4Q12	December-13	\$2,491,876
Liberty Wharf	Boston, MA	\$74,500,000	\$75,500,000	\$40,392,725	4Q12	December-13	\$1,405,778
Shops at Legacy	Plano, TX	\$100,000,000	\$101,000,000	\$101,000,000	3Q13	December-13	\$3,515,077
		\$1,224,400,000	\$1,239,500,000	\$1,085,819,691			\$37,789,505
Portfolio Total		\$6,072,514,482	\$6,518,322,084	\$5,561,351,392			\$193,550,289

Angelo, Gordon & Co. – AG STAR Fund

The STAR Fund will focus on CMBS and non-Agency RMBS priced between 25-75% of par, which AG believes are even today mispriced due to their complex nature and a dearth of natural buyers capable of accurately valuing these assets. In addition, AG will target securities that are well-positioned to benefit from home and commercial property price stabilization and recovery, and/or borrower credit quality improvement. In this regard the STAR Fund will be more aggressive than the PPIP Fund since it will target securities that are more geared to a recovery of the commercial and residential real estate markets. The Fund will utilize a moderate amount of leverage (1x to 1.5x) and is targeting a base-case 15% net IRR with a downside return in the mid/high single digits and an upside projection of 25%+ returns.

AQR – Hedge

The AQR DELTA Fund aims to deliver efficient exposure to a well-diversified portfolio of hedge fund strategies, including Convertible Arbitrage, Event Driven, Fixed Income Relative Value, Equity Market Neutral, Long/Short Equity, Dedicated Short Bias, Global Macro, Managed Futures, and Emerging Markets. The Delta Fund's approach is to capture and deliver the "hedge fund risk premiums" that explain much of the returns of each of these strategies by building bottom-up positions in each strategy. AQR's research has demonstrated that many hedge funds use similar strategies to generate returns. These strategies are often well-known, widely understood and share common exposures. AQR's experience and research suggests much of the insight underlying these strategies - as well as a meaningful portion of their returns - can be captured using a dynamic, disciplined investment approach. Just as the equity risk premium can explain a large portion of the returns from equity investing, hedge fund risk premiums can explain the returns from hedge fund investing. Importantly, while compensation for equity risk is dependent on economic growth, hedge fund risk premiums are largely unrelated to economic activity, and thus provide attractive diversification properties.

AQR – Risk Parity

The objective of Global Risk Parity (GRP) is to generate excess returns from a risk diversified portfolio of asset exposures. AQR believes that its approach maximizes the diversification benefit across a broad range of economic environments. For many institutional portfolios, equity risk has historically been the predominant risk and the source of most return expectations since equities offer higher expected returns to compensate for their high risk. Investor preference for and concentration in equities has been driven by their expected return needs, which cannot be satisfied in a well-diversified un-levered portfolio. GRP is a diversified portfolio that can be scaled to similar levels of risk as a portfolio concentrated in equities, but with a higher expected return resulting from diversification across asset class risk. The approach helps do away with the compromise of concentrating in high risk assets to meet high return needs. Consistent with portfolio theory, the GRP strategy is designed to maximize diversification across a broad spectrum of liquid global risk premia to create a portfolio with higher expected risk-adjusted returns. Research shows that risk-adjusted returns across asset classes are similar over the long-term. Since realized risk-adjusted returns across asset classes are similar, AQR expects a portfolio that is diversified equally by risk to perform better. The Global Risk Premium strategy aims to deliver efficient market exposure across four broad asset classes in a risk balanced fashion.

Baillie Gifford – EAFE Plus Focus

EAFE Plus Focus is a fundamental growth strategy. Research is organized primarily by regional teams, and each member of the EAFE Plus Focus Portfolio Construction Group is a member of a different regional team. Four global sector groups also contribute research. Baillie Gifford conducts approximately 2000 company meetings annually both in Edinburgh and onsite. Companies are evaluated on their growth opportunity relative to the average company, their ability to execute on that opportunity, and the degree to which probability of future success is already valued by the market. Baillie Gifford's basic philosophy is that share prices ultimately follow earnings. They believe that the stock market has a recurring tendency to under-appreciate the value of long-term compound growth. The process seeks to add value through use of proprietary fundamental research to identify companies exhibiting some combination of sustained above average growth, and attractive financial characteristics. The portfolio generally holds 80-100 stocks, with country weights +/-6% relative to the index and industry weights +/- 5% relative to the index. This strategy can invest opportunistically in the emerging markets, but historically this exposure has been below 10%.

Barrow Hanley – Diversified Large Cap Value

Barrow Hanley takes a bottom up value approach to equity investing. They seek to buy stocks that exhibit all three of the following characteristics: price/earnings and price/book ratios below the market, and dividend yield above the market (with the S&P 500 representing the market). Their view is that a portfolio that emphasizes low price/book and high dividend yield stocks will provide some protection in down markets and participation in improving economic cycles. In addition to their basic valuation criteria, Barrow Hanley is also looking for profitable companies with earnings growth greater than the market. After the quantitative screening process, Barrow Hanley's equity research team conducts qualitative analysis of candidate investments. This involves forecasting ROE 5-years out and treating this forecast as the basis for earnings, book value and dividend yield projections for the same five year period. These projections are used as inputs into a dividend discount model and relative return model. Stocks that appear to be attractively valued according to both of these models comprise the firm's buy list. The portfolio managers construct the portfolio with 70-90 of the buy list names. Securities are weighted approximately equally, with core positions in the range of 1.5%. Sector weightings are limited to 35% (at cost) and industry weightings are limited to 15%. Stocks are generally held for three to four years, resulting in average turnover of 25% - 35%.

BlackRock – EAFE Index

The EAFE Index Fund seeks to replicate the return of the MSCI EAFE Index. This index represents the developed equity markets outside of North America: Europe, Austral, Asia and the Far East.

BlackRock – S&P 500 Index

The Equity Index Fund seeks to capture the growth potential of large companies and achieve broad diversification with low costs by fully replicating the Standard & Poor's (S&P) 500 Index. Representing approximately 80% of the total US equity market capitalization, the S&P 500 Index is one of the most widely followed benchmarks of US stock market performance. Introduced in 1977, this fund was the investment management industry's first institutional S&P 500 Index fund.

The Boston Company – Small Cap Index

The Boston Company's approach to small cap value investing is to conduct bottom-up fundamental research in an effort to add value through security selection. The investment process seeks to identify the stocks of companies which have compelling valuations and business fundamentals, as well as a catalyst for positive change. The appropriate valuation metrics for an individual company can vary depending on industry. Ideas are generated from company meetings, industry contacts and team's internal research. The universe of domestic small-cap equity securities is quantitatively screened for valuation, business health and earnings revisions. In addition, they also screen/track operating income and EBITDA estimate revisions. Once candidates for investment are identified, individual stock weights are determined by portfolio risk, liquidity, and analyst conviction. Normally, portfolios will contain between 120-150 holdings (from a short list of 500 securities), with a maximum individual security weighting of 5%, though most are less than 3%. Securities will typically be in the \$100 million - \$2 billion market cap range at time of purchase. Generally, sector exposure is limited to no more than 2X the index weight with a maximum overweight of 10 percentage points and a maximum underweight of half that of the index. The goal is for portfolios to be close to fully invested at all times, with cash typically below 5%. Any stock down 20% from the purchase price is reviewed. In addition, portfolios are reviewed on a regular basis for unintended risk. Positions are sold when any one of the three investment criteria (valuation, fundamentals, catalyst) breaks down.

Brigade – Opportunistic Credit

Opportunistic Credit is a fundamental, bottom-up strategy focused on high yield corporate bonds and bank loans with tactical allocations to structured securities, convertibles and other sectors of the bond markets as they become attractive on a relative value basis. While performing credits represent the majority, 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. Although the portfolio is generally long-only, Brigade has the ability to implement a limited amount of tactical macro hedges.

Brown Advisory – Large Cap Growth Equity

Brown Advisory's Large-Cap Growth Equity philosophy is based on the belief that concentrated portfolios of fundamentally strong businesses should generate returns in excess of the portfolio's index and the broad market, with an acceptable level of risk. The success of the philosophy is based on a talented, highly collaborative investment team with a long-term outlook, performing deep investment research on a broad universe of stocks. This culminates in bottom-up company selection that strives to identify drivers of growth in the large capitalization universe. With conviction in strict investment criteria and rigorous due diligence, Brown concentrate its portfolios in its best ideas, creating the potential for above-average returns. The objective is to exceed the returns of the strategy's benchmark, the Russell 1000 Growth Index, over a full market cycle (typically 3-5 years) on a risk-adjusted basis.

Brown Brothers Harriman – Inflation Indexed Securities

BBH manages TIPS using three main types of strategies: Fundamental, Technical and 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. 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).

Chartwell Investment Partners – Small Cap Growth

Chartwell's Small Cap Growth product strives to hold stocks with strong fundamentals that are best positioned for rapid growth. These businesses typically demonstrate strong increases in earnings per share. Chartwell invests in these securities with an intermediate time horizon in mind. They initiate investments opportunistically and when stocks are attractively valued. Chartwell focuses on high growth companies that lie in the middle of the momentum and growth at a reasonable price continuum, and construct Small Cap Growth portfolios with fairly low tracking errors. Portfolios contain 50-70 stocks with market capitalizations between \$200 million and \$2.5 billion at purchase. Meetings with management are an important part of the investment process. This product is closed to new investors.

DE Shaw – Broad Market Core Enhanced Plus Strategy

The D. E. Shaw group believes that there exist some market inefficiencies that may be identified through quantitative analysis, advanced technology, and the insight of practitioners. Identifying these inefficiencies involves a process of hypothesis formulation, testing, and validation. Importantly, to avoid data-mining, the hypothesis formulation precedes the analysis of the historical data. D.E. Shaw's Structured Equity strategies rely largely on quantitative and computational investment techniques developed by the D. E. Shaw over the last 19 years in the course of research conducted for purposes of managing the firm's hedge funds. Although the D.E. Shaw's long-only assets under management are comparatively modest, the firm's hedge fund assets are substantial, as are the resources devoted to quantitative research and portfolio management. D.E. Shaw's investment process involves a suite of quantitative models, each designed to capitalize on a distinct and uncorrelated set of market inefficiencies. Some of these models are technical in nature and involve price and volume inputs. Other models rely on fundamental data, such as figures gleaned from corporate balance sheets or income statements. Still others, again quantitative, anticipate or react to a particular corporate event or set of events. These models typically operate with forecast horizons of a few weeks to many months. The ability to trade on shorter-term signals distinguishes D.E. Shaw from many of its long only enhanced index peers. Portfolio construction involves the use of a proprietary optimizer which runs dynamically throughout the trading day. The portfolio will generally hold 300-500 securities. Over- and under-weighting of sectors and industries relative to the benchmark will be quite modest, with the intention that most of the alpha be generated by security selection.

Eaton Vance/Parametric – Structured Emerging Markets Equity

Parametric utilizes a structured, rules-based approach, which they believe is capable of generating enhanced returns with lower volatility compared to both traditional active management and passive capitalization weighted indices. The basic idea is to structure the portfolio with more balanced country weights than the market cap weighted indices, and also to capture a rebalancing premium. This provides more diversification and greater exposure to smaller countries than is provided by the market cap weighted indices. The approach is to divide emerging markets countries into four tiers, and to equally weight the countries within each tier. Tier 1 countries are the largest eight countries that dominate the cap weighted index. Each successive tier is comprised of smaller countries, each of which is given a smaller target weighting in the model portfolio. In aggregate, the eight Tier 1 countries are given a much lower weighting than in the capitalization weighted index, but they nevertheless comprise more than 50% of the portfolio. Tier 4 countries are in the frontier markets. The SEM strategy targets excess return of 3% over a market cycle with 4.5%-6.5% tracking error. It is designed to generate a level of volatility 85%-95% of the MSCI EM index. The strategy invests in 44 countries and will typically hold 1,000-1,500 securities. Turnover is expected to be in the range of 20%-25%.

Franklin Templeton Investments – Global Fixed Income

Franklin Templeton manages the global bond mandate in an unconstrained fashion using a top-down, fundamental framework. In the short term and on a country-by-country basis there are often inefficiencies in global bond and currency markets, however, over the longer term the market will generally price to fundamentals. Thus, FT focuses on fundamental research to identify long-term opportunities and uses short-term market inefficiencies to build positions in such investments. The investment and portfolio construction process begins with the determination of the Fund's or institutional client's investment objectives, resulting in a set of risk-return parameters and exposure limits within which the portfolio is managed. Next the firm's global economic outlook for the industrialized countries is developed, with a focus on interest rate and exchange rate forecasts. The portfolio's interest rate outlook is a function of global general equilibrium macroeconomic analysis as well as country-specific research. Macroeconomic conditions in the G-3 economies are analyzed first, primarily with respect to how current and projected growth and inflation dynamics are expected to influence monetary policy. This analysis is then extended out to the rest of the industrialized countries (G-13) as well as emerging markets, which results in broad targets for cash, duration, currencies and the developed/emerging market mix. Using the firm's interest rate and exchange rate outlook, probability-weighted horizon returns for bonds of various countries are then calculated. This analysis is used to establish specific country weights and duration targets based on risk-adjusted expected total return measured in the portfolio's base currency. Analysis of emerging markets includes sovereign credit analysis along with greater emphasis on capital flows, inter-market dynamics and trends in the level of risk aversion in the market.

INVESCO Realty Advisors – INVESCO Core Equity, LLC

SamCERA is a founding member of INVESCO's open end Core Equity real estate fund and rolled its separate account properties into the fund. INVESCO Core Equity, LLC (the "Fund") is a perpetual life, open-end vehicle which invests in a diversified portfolio of institutional quality office, retail, industrial and multifamily residential real estate assets. The Fund buys core properties that are located within the United States, typically requiring an investment of \$10 million or more. The portfolio cannot be more than 30% leveraged.

Mondrian Investment Partners – International Equity

Mondrian is a value-oriented, defensive manager whose investment philosophy is based on the principle that investments must be evaluated for their fundamental long-term value. The firm's philosophy involves three stated investment objectives: 1) provide a rate of return meaningfully greater than the client's domestic rate of inflation, 2) structure client portfolios that preserve capital during protracted international market declines, and 3) provide portfolio performance that is less volatile than benchmark indices and other international managers. Mondrian applies typical value screening criteria to a universe of 1,500 stocks, from which 500 are selected for more detailed work. Through fundamental research, and the deliberations of the Investment Committee, the universe is further reduced to a list of 150 stocks. The investment team conducts detailed fundamental analysis on the remaining stocks, a process which includes applying the firm's dividend discount model consistently across all markets and industries. Mondrian also uses a purchasing power parity model to give an accurate currency comparison of the value of the stocks under consideration. The firm will only consider buying stocks in countries with good investor protection practices and relatively simple repatriation procedures. A computer based optimization program is employed in the portfolio construction process. Mondrian's portfolio holds 80-125 issues.

Pyramis Global Advisors – Broad Market Duration Commingled Pool

Pyramis' Broad Market Duration (BMD) investment strategy seeks to achieve absolute and risk-adjusted returns in excess of the BC U.S. Aggregate Index, focusing its investments in US Treasuries, agencies, investment grade corporate bonds, mortgage-backed and asset-backed securities. The BMD commingled pool can also hold small, opportunistic positions in out-of-benchmark securities, such as inflation-linked bonds. The investable universe includes all US dollar denominated, investment grade debt securities. The BMD investment approach emphasizes issuer and sector valuation and individual security selection. Through the integration of fundamental and quantitative research and trading, the BMD strategy is implemented in a team environment. Risk management technology is utilized to explicitly quantify benchmark exposures on a daily basis, and Pyramis uses the same analytical framework to assess both index and portfolio risk. Tracking error should range between 40 and 60 basis points per annum over the benchmark, and stringent portfolio construction risk control rules are strictly adhered to.

Pyramis Global Advisors – Select International Small Cap

Pyramis Select International Small Cap is a core strategy. The approach is designed to leverage Pyramis/Fidelity's proprietary resources to add value exclusively via stock selection. To that end the portfolio is constructed to be regionally neutral, with only modest deviations from the benchmark's country and sector weights. The investment process involves three basic stages. The first stage is the security level research conducted by the analysts. The second stage is stock selection from within the pool of names that are highly ranked by the analysts. The third step is portfolio construction and risk management. The essential differentiating feature of this strategy is the breadth of coverage that is made possible by the large staff of analysts. Analysts actively conduct regular fundamental research on, and give a formal rating of 1-5, 1200-1300 international small cap companies. While there is no single firm-wide approach to security research, analysts are expected to establish an upside target for any given stock and assign a formal rating. The decision making structure is quite efficient, with portfolio manager Rob Feldman making all the buy and sell decisions. His role, as he puts it, is to be an intelligent user of the analysts' research. He selects the 1- and 2- rated stocks that he thinks are compelling and additive to his portfolio, and he sells names when they are downgraded by the analysts. There are approximately 200 holdings in the portfolio. Country and sector weights are within 3 percentage points of the benchmark and position sizes are within 2 percentage points of the benchmark. Turnover tends to be in the 60%-80% range.

SSgA Global Multisector Plus – Commodities

SSARIS operates the Multisource Commodity ("MAC") strategy. SSARIS is a joint venture between State Street Global Advisors ("SSgA") and the executive team of RXR Capital. SSgA owns 60% of the venture with the remaining 40% held by RXR Capital's executives. SSgA believes that the commodities markets are not fully efficient, and that a disciplined, quantitative investment process can identify and exploit futures contract mispricings. They believe in taking a small number of large active positions in order to capitalize on these mispricings in a timely manner, utilizing a systematic processes to evaluate commodity market prices, to process this information objectively, to build investment models, and to construct efficient portfolios. The strategy's three quantitative models each seek to capture distinct inefficiencies prevalent in the commodity markets: mean reversion, structural imbalances and price dislocations. Backwardation: This model establishes a medium-term view on individual commodity price movement by observing the futures prices associated with a particular commodity. Regime Switching: Price cycles for a given commodity market tend to be persistent in duration yet also change from time to time (and often quite abruptly). This model ascertains the most probable regime in which an individual commodity resides, how likely this regime is to change, and the expected short-term price impact for a given level of price change. Trend Following: This model uses an annual commodity market selection and risk budgeting process to set the universe of commodity markets to be traded. The selection process takes into account liquidity, volatility and prior period drawdowns. The top ranked markets will receive a larger share of risk capital relative to those that are selected, yet not as highly ranked. It then utilizes trend following and momentum algorithms that are based upon price series analysis ranging over time periods from several weeks to months to enter and exit specific markets.

Western Asset Management – U.S. Core Full Discretion

Western Asset's investment philosophy has three key components. First, as sector rotators, the firm seeks out long term value by fundamentally analyzing all sectors of the fixed income market. Second, Western employs multiple strategies, proportioned so that no single adverse market event would have an overwhelming negative impact on performance. The third component of the investment philosophy is opportunistic trading. Western Asset adds value with opportunistic trades that attempt to exploit market inefficiencies. Non-US investment grade sovereigns, high yield and emerging market debt securities are used opportunistically in this approach. Western uses a team approach to portfolio management with duration, term structure, and sector allocation decisions developed by the Investment Strategy Group. The Research Group employs these determinations as they look for issues and issuers that are appropriate for the firm's eligible universe. Factors such as relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation are central to its inquiries. Throughout this process, the Portfolio Management Group provides both teams with a picture of key capital markets. The Portfolio Management Group is also responsible for portfolio structuring and implementation. The U.S. Core Full Discretion portfolio holds between 40-60 issues and can hold up to 20% in high yield and 20% in non-US exposure. The portfolio's 10% maximum weight in emerging debt securities is counted towards the 20% maximum non-US exposure.

San Mateo County Employees' Retirement Association

Policy and Benchmarks History

Total Plan Policy Benchmark

As of:

	2/1/2013	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	28.0%	28.0%	28.0%	37.0%	37.0%	40.0%	22.0%	20.0%	20.0%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
Russell 1000 Value	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	0.0%
Russell 2000	7.0%	7.0%	7.0%	9.0%	9.0%	10.0%	15.0%	15.0%	15.0%
MSCI AC World ex-US	18.0%	18.0%	18.0%	21.0%	21.0%	15.0%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
Barclays Aggregate	11.0%	11.0%	12.9%	27.0%	27.0%	29.0%	25.0%	21.0%	21.0%
Barclays BBB	3.5%	3.3%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Tips	3.1%	3.3%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Multiverse	4.4%	4.4%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Citigroup Non-US WGBI unhedged	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	9.0%	9.0%
NCREIF NFI ODCE	5.0%	5.0%	5.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCREIF Property	0.0%	0.0%	0.0%	0.0%	6.0%	6.0%	0.0%	0.0%	0.0%
10 YR Treasury plus 2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	10.0%	10.0%
Russell 3000 + 300 basis points	8.0%	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
60% Russell 3000/40% BC Aggregate	6.0%	6.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Libor + 4%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dow Jones UBS Commodity	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Total Equity Benchmark

As of:

	10/1/2010	5/1/2007	6/1/2000	3/1/1999	9/1/1998	1/1/1996
Russell 1000	52.8%	55.2%	61.5%	35.5%	33.3%	33.3%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%
Russell 1000 Value	0.0%	0.0%	0.0%	8.0%	8.3%	0.0%
Russell 2000	13.2%	13.5%	15.4%	24.2%	25.0%	25.0%
MSCI AC World ex-US	34.0%	31.3%	23.1%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	32.3%	33.3%	33.3%
	100%	100%	100%	100%	100%	100%

Domestic Equity Benchmark

As of:

	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995
Russell 1000	80.0%	52.0%	50.0%	50.0%	69.0%
S & P 500	0.0%	0.0%	0.0%	12.5%	17.0%
Russell 1000 Value	0.0%	12.0%	12.5%	0.0%	0.0%
Russell 2000	20.0%	36.0%	37.5%	37.5%	14.0%
	100%	100%	100%	100%	100%

International Equity Benchmark

As of:

	6/1/2000	1/1/1996
MSCI AC World ex-US	100%	0.0%
MSCI EAFE	0.0%	100%
	100%	100%

Total Fixed Income Benchmark

As of:

	2/1/2013	1/1/2011	10/1/2010	6/1/2000	3/1/1999	7/1/1996
Barclays Aggregate	50.0%	50.0%	58.6%	100.0%	83.3%	70.0%
Barclays BBB	16.0%	15.0%	7.3%	0.0%	0.0%	0.0%
Barclays Tips	14.0%	15.0%	13.6%	0.0%	0.0%	0.0%
Barclays Multiverse	20.0%	20.0%	20.5%	0.0%	0.0%	0.0%
Citigroup Non-US WGBI unhedged	0.0%	0.0%	0.0%	0.0%	16.7%	30.0%
	100%	100%	100%	100%	100%	100%

Domestic Fixed Income Benchmark

As of:

	2/1/2013	1/1/2011	10/1/2010	7/1/1996
Barclays Aggregate	62.50%	62.40%	73.70%	100.00%
Barclays BBB	20.00%	18.80%	9.10%	0.00%
Barclays Tips	17.50%	18.80%	17.20%	0.00%
	100.0%	100.0%	100.0%	100.0%

Global Fixed Income Benchmark

As of:

	10/1/2010
Barclays Multiverse	100%
	100%

Real Estate Benchmark

As of:

	1/1/2009	6/1/2000	7/1/1996
NCREIF NFI ODCE (Gross)	100%	0.0%	0.0%
NCREIF Property Index	0.0%	100%	0%
10 YR Treasury plus 2%	0.0%	0.0%	100.0%
	100%	100%	100%

Brigade Capital Benchmark

As of:

	10/1/2010
Barclays High Yield	50.0%
Bank Loan	50.0%
	100%

Alternative Investment Benchmarks

	As of:
Private Equity	10/1/2010
Russell 3000 + 300 basis points	100%
	100%
Risk Parity	10/1/2010
Russell 3000	60.0%
Barclays Aggregate	40.0%
	100%
Hedge Fund	10/1/2010
Libor + 4%	100%
	100%
Commodity	10/1/2010
Dow Jones UBS Commodity	100%
	100%

Angelo Gordon STAR Fund

First \$50 million: 1.00% per annum

Baillie Gifford

First \$25 million: 0.60% per annum

Next \$100 million: 0.50% per annum

Next \$400 million: 0.40% per annum

Thereafter: 0.30% per annum

Barrow, Hanley, Mewhinney & Strauss

First \$15 million: 0.75% per annum

Next \$25 million: 0.55% per annum

Next \$100 million: 0.45% per annum

Next \$200 million: 0.35% per annum

Next \$1 billion: 0.25% per annum

Thereafter: 0.15% per annum

BlackRock-Russell S&P 500 Fund

First \$250 million: 0.03% per annum

Thereafter: 0.02% per annum

The Boston Company Asset Management

First \$25 million: 0.90% per annum

Thereafter: 0.80% per annum

Brigade Capital Management

On All Assets: 0.80% per annum

Brown Advisory

First \$50 million: 0.47% per annum

Next \$100 million: 0.45% per annum

Next \$300 million: 0.40% per annum

Thereafter: 0.35% per annum

Brown Brothers Harriman

On All Assets: 0.15% per annum

Chartwell Investment Partners

On All Assets: 0.75% per annum

Clifton Group

First \$50 million: 0.12% per annum

Next \$150 million: 0.10% per annum

Thereafter: 0.05% per annum

D.E. Shaw Investment Management

First \$100 million: 0.51% per annum

Next \$200 million: 0.46% per annum

Thereafter: 0.41% per annum

Eaton Vance

On All Assets: 1.05% per annum

Franklin Templeton Investment

First \$50 million: 0.45% per annum

Next \$100 million: 0.35% per annum

Thereafter: 0.30% per annum

Mondrian Investment Partners

First \$50 million: 1.00% per annum

Next \$200 million: 0.19% per annum

Thereafter: 0.33% per annum

Pyramis Global Advisors

First \$50 million: 0.20% per annum

Next \$100 million: 0.18% per annum

Next \$200 million: 0.10% per annum

Thereafter: 0.09% per annum

Pyramis Select International

On All Assets: 0.90% per annum

SSgA Multisource Commodities

On All Assets: 0.60% per annum

Western Asset Management

First \$100 million: 0.30% per annum

Thereafter: 0.15% per annum

Manager Compliance Checklist

MANAGER	INDEX OUTPERFORMANCE						DATABASE BENCHMARK			MANAGER MEETING INVESTMENT PERFORMANCE EXPECTATIONS
	AFTER FEE VS. INDEX		BEFORE FEE VS. INDEX		RISK ADJUSTED (SHARPE RATIO)		MEDIAN			
	3 YEARS	5 YEARS	3 YEARS	5 YEARS	3 YEARS	5 YEARS	2 YEARS	3 YEARS	5 YEARS	
DE SHAW Russell 1000 Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
BARROW HANLEY Russell 1000 Value Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
THE BOSTON COMPANY Russell 2000 Value Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
CHARTWELL Russell 2000 Growth Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
MONDRIAN MSCI ACWI ex US Value	YES	NO	YES	NO	YES	YES	NO	NO	NO	YES
PYRAMIS Bond BC Aggregate Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
WESTERN ASSET BC Aggregate Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
BROWN BROTHERS HARRIMAN Barclays US TIPS	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
BRIGADE CAPITAL Barclays Credit BAA	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
FRANKLIN TEMPLETON Barclays Multi-verse	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
INVESCO REAL ESTATE NCREIF ODCE Index	NO	NO	NO	NO	N/A	N/A	NO	YES	NO	YES

San Mateo County Employees' Retirement Association

Manager Performance Comparison

As of December 31, 2013

		<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>4th Qtr.</u> <u>2013</u>	<u>Difference</u>	<u>3rd Qtr.</u> <u>2013</u>	<u>Difference</u>	<u>2nd Qtr.</u> <u>2013</u>	<u>Difference</u>	<u>1st Qtr.</u> <u>2013</u>	<u>Difference</u>
SIS		4.60%	3.05%	2.53%	10.53%		5.26%		2.92%			
BlackRock S&P 500 Fund		4.60%	3.05%	2.53%	10.52%	0.01%	5.27%	-0.01%	2.92%	0.00%		
S&P 500 Index		4.60%	3.05%	2.53%	10.52%		5.25%		2.92%			
SIS		3.50%	3.70%	2.13%	9.62%		6.60%		3.37%		11.62%	
D.E. Shaw		3.50%	3.71%	2.13%	9.63%	0.00%	6.60%	0.00%	3.37%	0.00%	11.62%	0.00%
Russell 1000 Index		4.40%	2.81%	2.70%	10.23%		6.02%		2.65%		10.96%	
SIS		3.40%	2.10%	2.75%	8.48%		8.13%					
BrownAdvisory		3.43%	2.07%	2.76%	8.48%	-0.01%	8.12%	0.01%				
Russell 1000 Growth Index		4.42%	2.82%	2.86%	10.44%		8.12%					
SIS		3.50%	3.58%	2.39%	9.77%		7.40%		5.99%		11.29%	
Barrow Hanley		3.50%	3.56%	2.41%	9.77%	0.01%	7.40%	0.00%	5.97%	0.02%	11.31%	-0.01%
Russell 1000 Value Index		4.38%	2.79%	2.53%	10.01%		3.95%		3.20%		12.30%	
SIS		3.54%	3.75%	1.58%	9.12%		9.87%		2.65%		11.79%	
The Boston Company		3.54%	3.75%	1.58%	9.12%	0.00%	9.86%	0.01%	2.64%	0.01%	11.80%	-0.01%
Russell 2000 Value Index		3.25%	3.90%	1.89%	9.30%		7.60%		2.47%		11.63%	
SIS		2.15%	2.82%	2.65%	7.81%		14.08%		2.54%		12.90%	
Chartwell		2.15%	2.82%	2.65%	7.81%	0.00%	14.07%	0.01%	2.51%	0.02%	12.90%	0.00%
Russell 2000 Growth Index		1.82%	4.11%	2.05%	8.18%		12.80%		3.74%		13.20%	
SIS		2.64%	1.02%	0.85%	4.56%		10.66%		-1.46%		7.61%	
Baillie Gifford		2.66%	1.02%	0.85%	4.59%	-0.02%	10.63%	0.03%	-1.43%	-0.02%	7.59%	0.02%
MSCI EAFE		3.36%	0.78%	1.51%	5.74%		11.61%		-0.74%		5.24%	
MSCI EAFE Growth Index		2.58%	0.88%	1.64%	5.18%		10.53%		-0.98%		6.81%	

San Mateo County Employees' Retirement Association
Manager Performance Comparison

As of December 31, 2013

	Oct	Nov	Dec	4th Qtr. 2013	Difference	3rd Qtr. 2013	Difference	2nd Qtr. 2013	Difference	1st Qtr. 2013	Difference
SIS	4.50%	-1.58%	-0.02%	2.83%		5.78%		-6.23%		0.02%	
Eaton Vance Management	4.50%	-1.58%	-0.02%	2.83%	0.00%	5.78%	0.00%	-6.23%	0.00%	0.02%	0.00%
MSCI EM Market Index	4.87%	-1.45%	-1.44%	1.86%		5.89%		-7.96%		-1.57%	
SIS	4.84%	0.51%	0.04%	5.42%		7.35%		-0.98%		3.89%	
Mondrian	4.87%	0.53%	0.07%	5.50%	-0.08%	7.32%	0.03%	-0.98%	0.00%	3.90%	-0.01%
MSCI ACWI -ex US Value Index	4.11%	0.03%	0.76%	4.93%		11.46%		-2.97%		1.94%	
MSCI ACWI -ex US	3.68%	0.19%	0.90%	4.81%		10.17%		-2.90%		3.28%	
SIS	3.48%	0.08%	1.15%	4.76%		9.59%		-2.80%		5.84%	
Pyramis Int'l Equity	3.48%	0.08%	1.15%	4.75%	0.00%	9.58%	0.01%	-2.81%	0.00%	5.84%	0.00%
MSCI ACWI -ex US Small Cap Index	3.10%	-0.24%	1.77%	4.67%		12.46%		-4.27%		6.60%	
SIS				3.80%		2.00%		10.71%		6.53%	
Angel Gordon STAR Fund (Net)				3.80%	0.00%	2.00%	0.00%	10.71%	0.00%	6.23%	0.30%
BC Aggregate Index				-0.20%		-0.20%		-2.33%		-0.12%	
SIS	0.93%	-0.28%	-0.50%	0.15%		0.91%		-2.48%		0.20%	
Pyramis Bond	0.93%	-0.28%	-0.50%	0.14%	0.01%	0.91%	0.00%	-2.49%	0.00%	0.21%	-0.01%
BC Aggregate Index	0.81%	-0.37%	-0.57%	-0.14%		0.58%		-2.33%		-0.12%	
SIS	1.45%	0.01%	1.02%	2.49%		2.45%		-1.03%		3.26%	
Brigade Capital	1.42%	0.00%	1.01%	2.44%	0.05%	2.36%	0.09%	-1.11%	0.08%	3.17%	0.09%
BC BBB Credit	1.82%	-0.46%	-0.01%	1.34%		0.77%		-3.93%		-0.20%	
SIS	0.30%	-0.86%	-1.09%	-1.65%		0.72%		-7.34%		-0.21%	
Brown Brothers Harriman	0.32%	-0.87%	-1.11%	-1.66%	0.01%	0.59%	0.13%	-7.35%	0.01%	-0.01%	-0.20%
BC U.S Tips	0.55%	-1.09%	-1.47%	-2.01%		0.71%		-7.05%		-0.37%	

San Mateo County Employees' Retirement Association

Manager Performance Comparison

As of December 31, 2013

	Oct	Nov	Dec	4th Qtr. 2013	Difference	3rd Qtr. 2013	Difference	2nd Qtr. 2013	Difference	1st Qtr. 2013	Difference
SIS	1.35%	-0.41%	-0.44%	0.49%		0.82%		-2.73%		0.41%	
Western Asset	1.35%	-0.39%	-0.43%	0.52%	-0.03%	0.76%	0.06%	-2.71%	-0.03%	0.51%	-0.10%
BC Aggregate Index	0.81%	-0.37%	-0.57%	-0.14%		0.58%		-2.33%		-0.12%	
SIS	2.38%	0.12%	1.04%	3.56%		1.11%		-3.70%		3.62%	
Franklin Templeton Investments	2.29%	0.19%	1.05%	3.56%	0.00%	1.10%	0.01%	-3.42%	-0.27%	3.22%	0.40%
BC Multiverse	1.05%	-0.77%	-0.53%	-0.26%		2.82%		-2.73%		-1.95%	
SIS	3.32%	-0.43%	-1.09%	1.76%		2.31%		-10.01%		4.51%	
AQR Global Risk Premium III (Net)	3.29%	-0.46%	-1.12%	1.66%	0.10%	2.21%	0.10%	-10.10%	0.09%	4.40%	0.10%
40% R3000/ 60% BC Agg	2.87%	1.59%	1.36%	5.93%		4.04%		0.67%		6.52%	
SIS	2.25%	1.55%	1.18%	5.06%		-1.21%		3.03%		0.81%	
AQR DELTA Fund II (Net)	2.17%	1.48%	1.09%	4.81%	0.25%	-1.46%	0.24%	2.78%	0.26%	0.57%	0.24%
Libor + 4%	0.35%	0.35%	0.00%	0.70%		1.06%		1.06%		0.95%	
SIS	-0.12%	-1.10%	0.44%	-0.78%		2.65%		-6.78%		-0.96%	
SSgA Multisource Commodity	-0.12%	-1.10%	0.44%	-0.78%	0.01%	2.65%	0.00%	-6.78%	0.00%	-0.97%	0.01%
DJ UBS Commodity	-1.48%	-0.80%	1.24%	-1.06%		2.13%		-9.44%		-1.13%	
S&P Goldman Sachs Commodity	-1.44%	-0.78%	1.93%	-0.32%		4.78%		-5.93%		0.55%	
SIS				3.37%		2.25%		4.71%		3.25%	
INVESCO Real Estate				3.37%	0.00%	2.25%	0.00%	4.69%	0.02%	3.25%	0.00%
NCREIF NFI ODCE Index				3.19%		3.56%		3.86%		2.68%	

Market Capitalization Breakpoints

Updated December, 2013

The market capitalization breakpoints that appear in the Market Capitalization Chart are defined by the Russell 3000 Index and change for each period end. Russell calculated the total market capitalization of each security for the end of the period, based on the total shares and price, to determine whether it is large enough for inclusion in one or more of the Russell Breakpoints.

Once the market capitalization for each security is determined, each security is then placed in the appropriate market capitalization breakpoint. A market capitalization breakpoint is determined by the break between the companies below.

Break Point	Companies included
Large Cap	50 Largest US Companies
Medium Large Cap	Next largest 150 US Companies
Medium Cap	Next largest 300 US Companies
Medium Small Cap	Next largest 500 US Companies
Small Cap	All US Companies below 1,000 largest

After the breakpoints are determined by the ranges above, new members are assigned on the basis of the breakpoints and existing members are reviewed to determine if they fall within a cumulative 5% market cap range around the new market capitalization breakpoints. If an existing securities market cap falls within this 5%, it will remain in its current index rather than move into a new market capitalization based index.

Most Recent Breakpoints

As Of	Large Cap	Medium Large Cap	Medium Cap	Medium Small Cap	Small Cap
12/31/13	77.11	22.27	7.65	3.03	0
9/30/13	72.4	19.93	7.15	2.71	0
6/30/13	68.47	19.36	6.48	2.46	0
3/31/13	64.31	18.64	6.39	2.39	0
12/31/12	58.45	16.80	5.75	2.13	0
9/30/12	57.06	16.48	5.49	2.08	0
6/30/12	55.65	16.13	5.14	1.99	0
3/31/12	57.58	16.43	5.55	2.13	0
12/31/11	51.97	14.66	4.93	1.93	0
9/30/11	45.35	13.88	4.38	1.66	0
6/30/11	54.25	15.95	5.66	2.16	0
3/31/11	52.22	15.69	5.70	2.16	0
12/31/10	49.54	14.80	5.16	2.04	0
09/30/10	42.83	13.13	4.64	1.80	0
06/30/10	39.95	11.58	4.10	1.59	0

**Numbers in billions*

MARKET SUMMARY

Equity Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
S&P 500	10.5	32.4	16.2
Dow Jones Industrial Average	10.2	29.7	15.7
NASDAQ	10.7	38.3	16.3
Russell 1000	10.2	33.1	16.3
Russell 2000	8.7	38.8	15.7
Russell 3000	10.1	33.6	16.2
MSCI EAFE (Net)	5.7	22.8	8.2
MSCI Emerging Markets (Net)	1.8	-2.6	-2.1
MSCI All Country World ex US	4.8	15.3	5.1

Bond Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
Barclays Capital Aggregate	-0.1	-2.0	3.3
Barclays Capital Gov/Credit	0.0	-2.4	3.6
Barclays Capital Universal	0.2	-1.3	3.8
Barclays Capital Corp. High Yield	3.6	7.4	9.3
CG Non-US World Govt.	-1.2	-4.6	0.6

Non-Public Markets

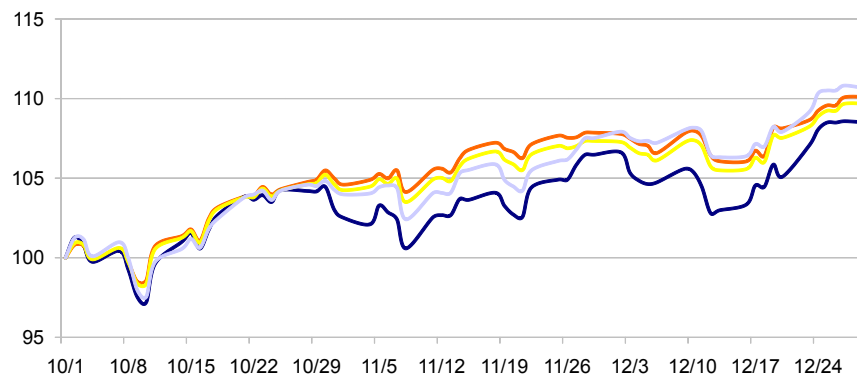
lagged quarterly

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property	2.6	11.0	12.7
State Street Private Equity Index	5.3	15.6	12.8

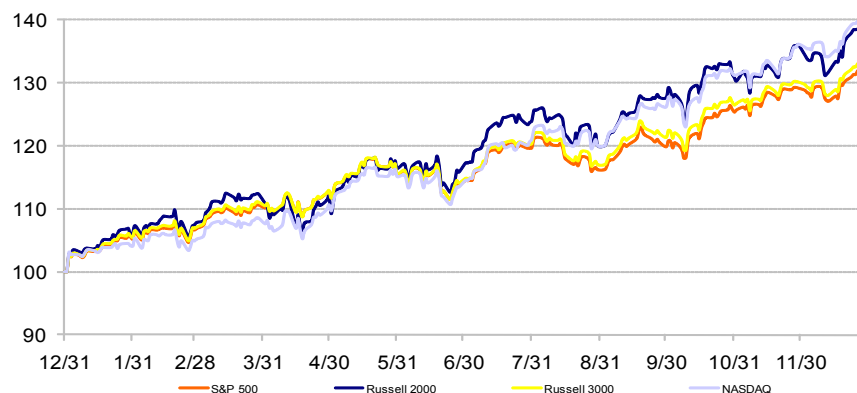
U.S. Equity Market

- U.S. equities, as measured by the S&P 500 total return index, rose 10.5% during the quarter as markets became confident that Federal Reserve forward guidance will be successful and economic conditions improved.
- Technology stocks again outperformed, with the NASDAQ returning 10.7% in Q4.
- Small caps, as measured by the Russell 2000 index, rose 8.7%.

Equity Index – Quarterly Growth Rate



Equity Index – 1-Year Growth Rate

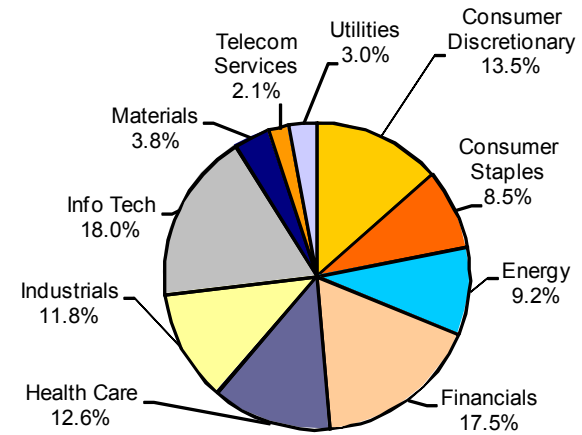


U.S. MARKETS

U.S. Equity – Russell 3000

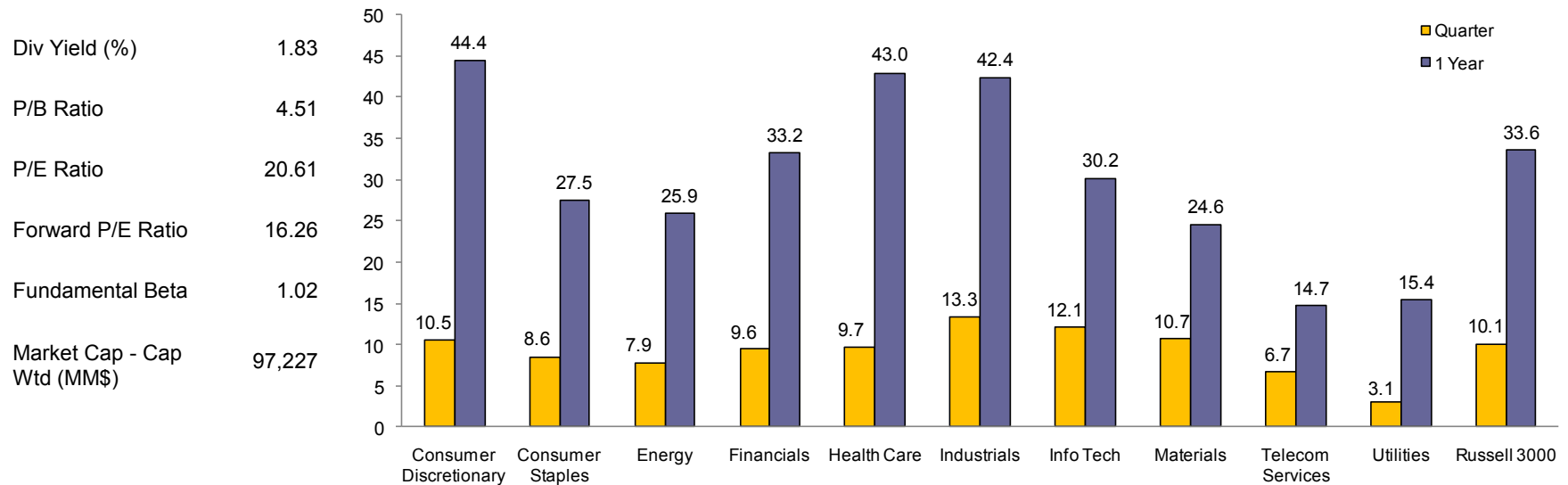
- Stronger economic metrics led to strong gains across most sectors; industrials rose 13.3% in the fourth quarter, while information technology stocks rose 12.1%.
- Defensive sectors were the relative underperformers, but still rose. Telecom climbed 6.7% and utilities rose 3.1%.
- Overall, the Russell 3000 index returned 10.1% during the fourth quarter; the yearly return was 33.6%.

Ending Sector Weights



Characteristics

Sector Returns (%)



Contribution to Return:

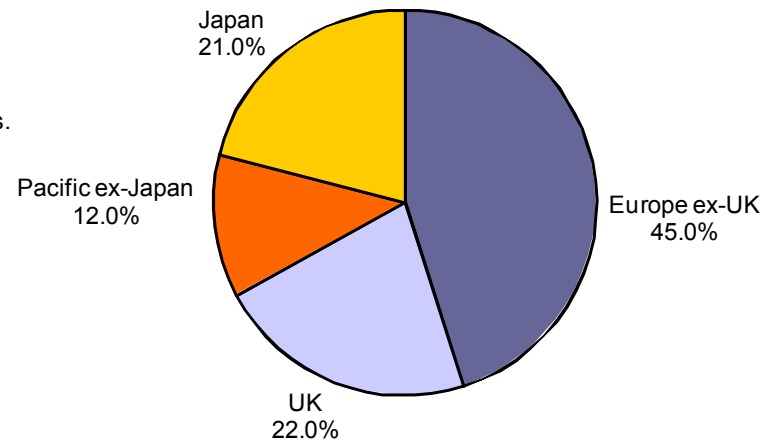
	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Telecom Services	Utilities	Russell 3000
Qtr	1.4	0.7	0.7	1.7	1.2	1.5	2.1	0.4	0.1	0.1	10.1
1 Year	5.6	2.6	2.5	5.7	5.0	4.7	5.5	1.0	0.4	0.5	33.6

NON-U.S. MARKETS

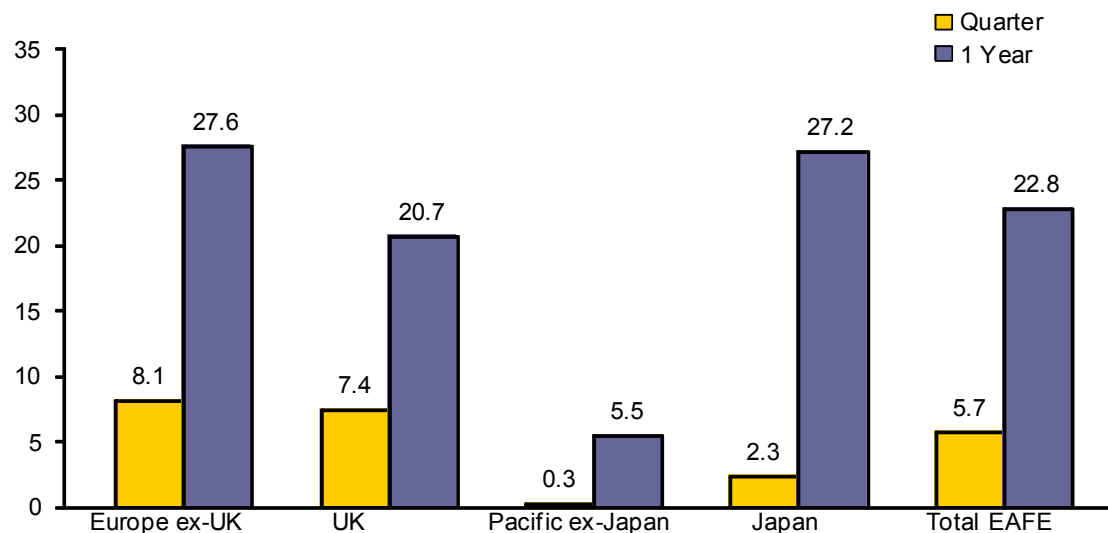
Developed Equity – MSCI EAFE (Net)

- An improved European outlook boosted Europe ex-UK in the fourth quarter, where equities rose 8.1%.
- Japanese equities rose 2.3% during the fourth quarter, driven by a weaker yen. However, Pacific ex-Japan strengthened by only 0.3% in the fourth quarter as tapering fears may have limited gains.
- Overall, the MSCI EAFE index rose 5.7% in the fourth quarter.

Ending Regional Weights



Regional Returns (%)



Contribution to Return:

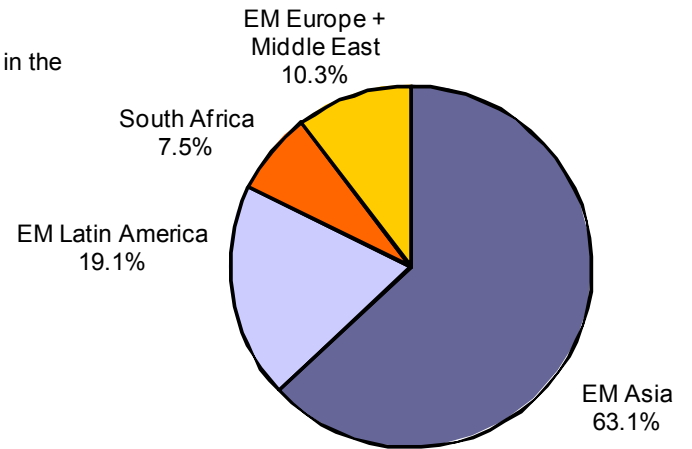
Qtr	3.7	1.6	0.0	0.5	5.7
1 Yr	12.4	4.6	0.7	5.7	22.8

NON-U.S. MARKETS

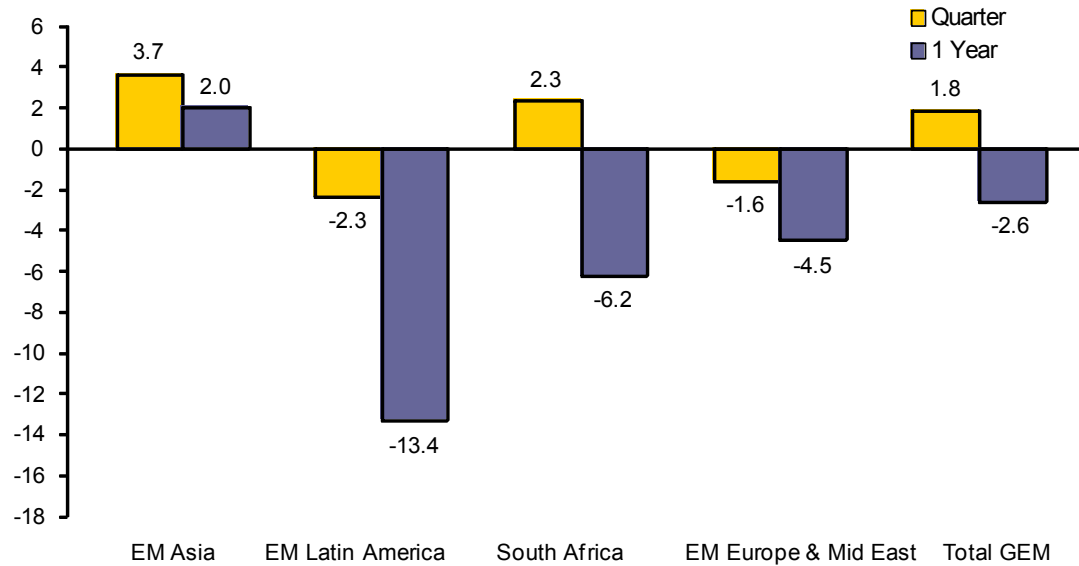
Emerging Markets Equity – MSCI EM (Net)

- Despite the onset of Fed tapering, emerging market equities rose on average, led by stronger Chinese growth. The MSCI EM index rose 1.8% in the fourth quarter.
- Selectivity is apparent in the EM space. On a regional basis, EM Asia outperformed, rising 3.7% in the fourth quarter, driven by strong returns in Indian equities.
- Latin America underperformed, falling 2.3% in the fourth quarter.

Ending Regional Weights



Regional Returns (%)



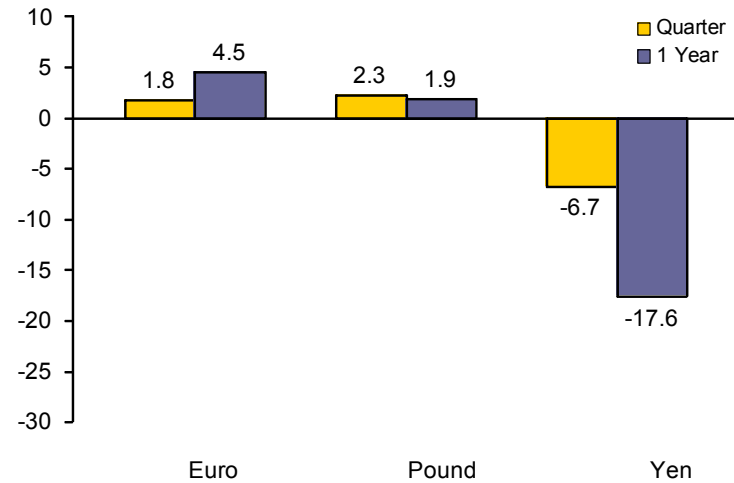
Contribution to Return:

Qtr	2.3	-0.4	0.2	-0.2	1.8
1 Yr	1.3	-2.6	-0.5	-0.5	-2.6

Currency Markets

- With stronger sentiment in Europe, the euro rose 1.8% against the dollar in the fourth quarter.
- The U.S. dollar trade-weighted index, which measures the dollar's movement against a basket of currencies, fell 0.2% in the fourth quarter.
- Abenomics has continued to help weaken the yen; the yen fell 6.7% in the fourth quarter.

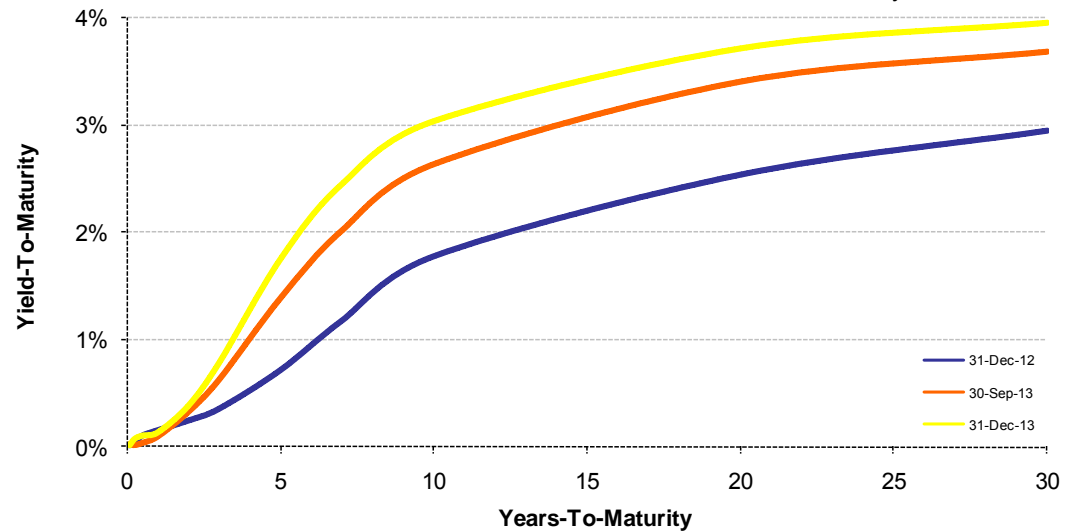
Currency Returns (%)



Yield Curve

- The long-end of the U.S. yield curve rose on a quarterly basis as investors pondered the effects of Fed tapering.
- Ten-year yields rose forty basis points during the fourth quarter.

INTEREST RATE TERM STRUCTURE
Government Issues - 3 Months to 30 Years Maturity

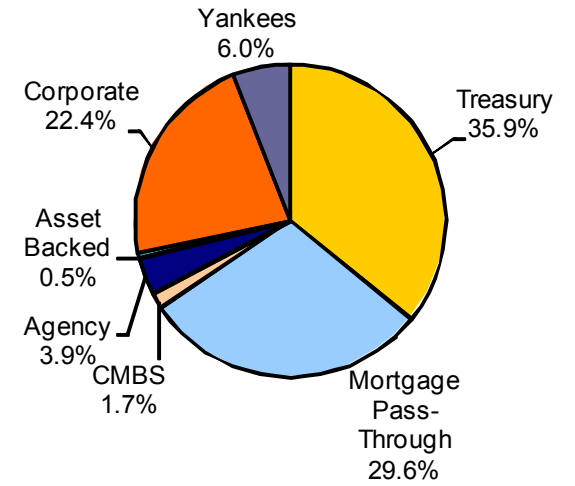


BOND MARKETS

U.S. Bond Market Returns – Barclays Capital Aggregate

- With the announcement of Fed tapering and improving economic fundamentals, Treasury bonds fell 0.8% in the fourth quarter and 2.8% for the year.
- Lower-rated corporate bonds outperformed during the fourth quarter, with BAA rated securities returning 1.3%.

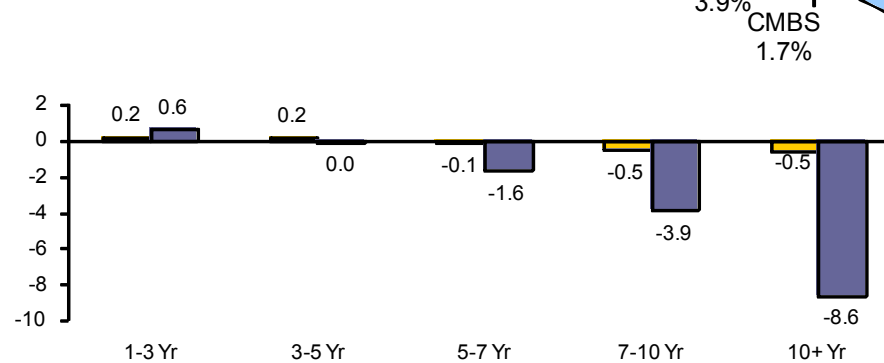
Sector Weights



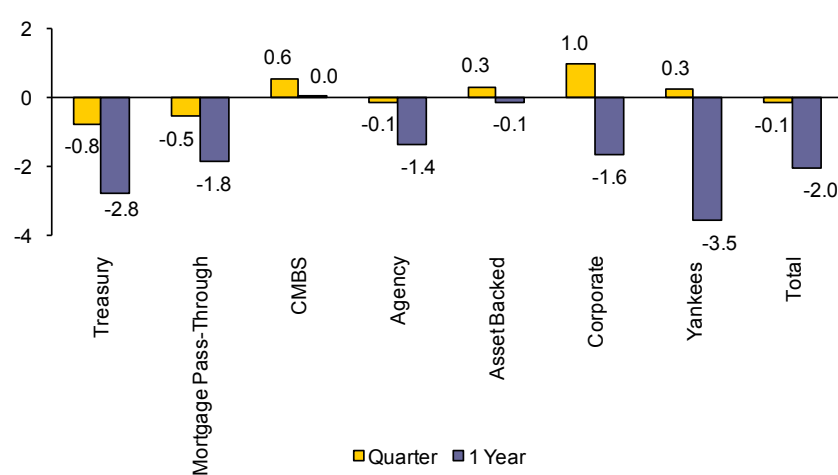
Quality Performance (%)



Duration Performance (%)



Sector Performance (%)

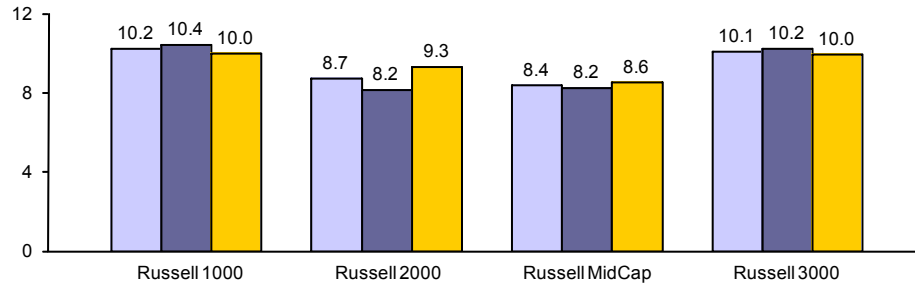


STYLE & CAPITALIZATION

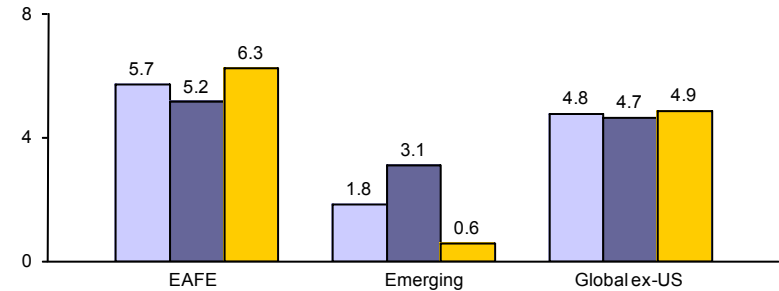
Style & Capitalization Returns

- Equities in EAFE again outperformed, rising 5.7% during the quarter. Emerging market equities were the relative underperformers in the fourth quarter, as investors remained fearful of the potential ramifications of capital outflows from emerging market economies.
- Large cap equities in the U.S. outperformed, with large cap growth stocks rising 10.4% in the fourth quarter.
- Overall, non-U.S. equities rose 4.8% in the fourth quarter.

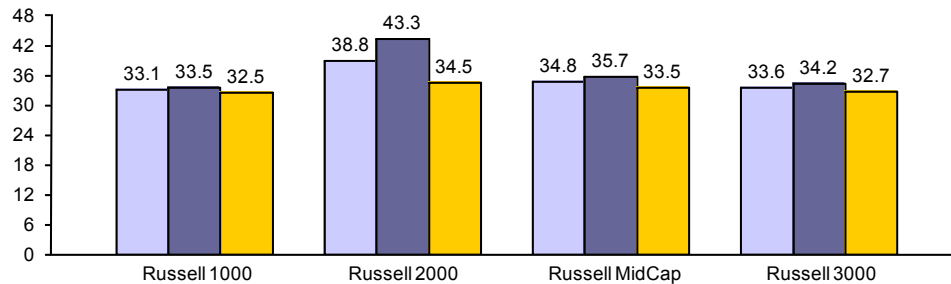
Russell US Style Returns (%) – Quarter



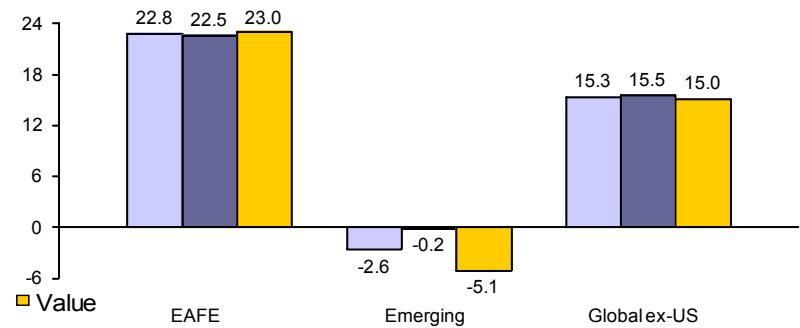
MSCI Non-US Style Returns (%) – Quarter



Russell US Style Returns (%) – 1 Year



MSCI Non-US Style Returns (%) – 1 Year



□ Neutral ■ Growth ■ Value

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 6.3

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Approval of Risk Parity Manager Shortlist Candidates

Staff Recommendation

Review the attached memo from SIS that provides an update on the Risk Parity candidate search and approve the short-list recommendation.

Background

During the October 2013 meeting the Board approved a new asset allocation policy that included a 2% increase (from 6% to 8%) to the Risk Parity category. AQR is currently the sole risk parity manager for SamCERA. Given the increased allocation to risk parity, staff and consultant believe adding another manager to complement AQR is appropriate.

Discussion

In order to identify a short-list of risk parity candidates, SamCERA staff and SIS reviewed 13 risk parity products. Areas of focus included organizational stability, investment team depth and experience, investment approach and implementation, length of track record, performance, and fees. After this analysis, staff and SIS selected Bridgewater, PanAgora, and Invesco to receive a Request for Information (RFI). With board approval of this shortlist of firms, staff and SIS will evaluate the RFI responses and make a recommendation to the Board in March on which firms to invite for potential finalist presentations.

Attachments

- A. *SIS Risk Parity Short-List Memo*

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

MEMORANDUM

To: Michael Coultrip, Chief Investment Officer
Cc:
From: SIS
Date: February 12, 2014
Subject: Update on Risk Parity Search

Although risk parity strategies have come under some criticism recently due to poor performance during May-June 2013, SIS firmly stands by its recommendation to increase the Plan's allocation to risk parity strategies from 6% to 8%, which was formally approved by the Board at the November 2013 meeting. We continue to believe in the merits of risk parity strategies over a long time horizon, which include:

- Ability to generate equity-like returns in a risk-controlled manner.
- Reduced likelihood of a substantial drawdown relative to public equities.
- Diversified exposure to a variety of global asset classes and markets, but with better risk-adjusted returns (e.g., higher Sharpe ratio) than traditional balanced portfolios.
- Enhanced stability and consistency of returns across different economic environments and market cycles (most institutional portfolios are biased towards rising growth and falling inflation environments, and are ill-equipped to handle periods of falling growth and/or rising inflation).
- Greater portfolio liquidity than a standard portfolio mix that includes asset classes such as private equity and real estate.

In order to identify a short-list of risk parity candidates, one of which will be selected to complement AQR and round out the risk parity allocation, SamCERA Staff and SIS reviewed the following managers:

- BlackRock
- Bridgewater
- Clifton Group
- First Quadrant
- Goldman Sachs
- Invesco
- Morgan Stanley
- Neuberger Berman
- PanAgora
- PIMCO
- Putnam
- Schroders
- SSgA (State Street)

While the concepts of risk-based asset allocation and risk parity have gained widespread acceptance within the plan sponsor community over the past several years, the number of actual risk parity practitioners/products is surprisingly limited and the list above represents nearly the entire universe of "pure play" risk parity managers.

Not included in this list, however, are traditional balanced products, global tactical asset allocation (GTAA) strategies, or products that are specifically targeting real return/inflation-hedging.

Next we reviewed each of the candidates in areas such as:

- Organizational resources and stability;
- Client/AUM composition;
- Investment team depth, experience and continuity;
- Investment approach, conceptual framework and implementation;
- Length of track record and experience managing risk parity strategies;
- Performance vs. relevant benchmarks and peers; and
- Fees and terms of investment.

After this analysis, which included a series of conference calls with several of the managers, **SamCERA Staff and SIS selected Bridgewater, Invesco and PanAgora to receive a Request for Information (“RFI”)**. Although a number of other firms have their own merits and might be considered for additional future risk parity mandates, these three candidates stood out as clear choices based on a several common characteristics:

- Large, stable firms with deep resources in terms of investment personnel, research capabilities, systems and analytics.
- High quality, largely institutional client bases.
- Experienced and highly capable investment teams with strong governance/oversight structures and low key-person risk.
- Robust and well-defined theoretical framework driving the design and implementation of the investment strategy.
- Disciplined investment processes and solid risk management procedures.
- Top-tier track records and substantial experience running risk parity strategies.

In addition, **an RFI was also sent to AQR for their Global Risk Premium Tactical (“GRPT”) strategy**. SamCERA is currently invested in AQR’s flagship Global Risk Premium (“GRP”) strategy, which has exceeded expectations and continues to rate favorably relative to its peers. That said SIS also believes that this is a good juncture to re-underwrite SamCERA’s investment in GRP and at the same time evaluate the potential fit of GRPT, which allows AQR additional flexibility to over/under-weight the asset classes and sectors within the GRP portfolio based on tactical views with respect to macroeconomic factors and expected returns, volatilities and correlations.

The RFI responses are due February 28, 2014, after which SamCERA staff and SIS will collectively evaluate the responses and conduct follow-up meetings with each of the candidates. It is expected that a formal recommendation and finalist presentations will be made during either the March or April Board Meeting, depending on the timing and progress of other projects currently underway.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 6.4

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Discussion on Proposed Changes to the Investment Policy

Staff Recommendation

Review the attached Investment Policy documents and be prepared to discuss during the February Board meeting.

Background

The Investment Committee's work plan calls for an annual review of SamCERA's Investment Policy Statement (IPS). SamCERA's IPS was last reviewed in January 2012. That annual review was suspended due to multiple changes to the portfolio structure that the Board has undertaken, including approving a new asset allocation target portfolio in the October 2013 Board meeting.

Discussion

Now that the major portfolio changes are complete, staff and consultant have updated the current IPS to reflect Board input over the past year, including adding a set of investment beliefs that were discussed in the February 2013 Board meeting. Given the breadth of the proposed changes to the current IPS, in January the Board requested that the review be partitioned to allow more focus in the discussion. As a result, Sections One through Eight will be reviewed during the February Board meeting, while the remaining sections will be reviewed during future Board meetings.

Attached you will find both a clean copy of the proposed IPS, along with a red-line version that shows proposed changes from the draft IPS document that was reviewed during the February 2013 Board meeting.

Attachments

- A. *SamCERA Investment Policy Clean*
- B. *SamCERA Investment Policy Redline*

Draft of SamCERA's Investment Policy

February 2014

DRAFT

1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of SamCERA’s assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this statement of Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the 1937 Act, the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

The powers and duties of the Retirement Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Retirement Board.

The San Mateo County Employees’ Retirement Association (“SamCERA”) was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California’s County Employees’ Retirement Law of 1937.

Constitution of the State of California

Article XVI, Section 17, relates to the administration of the system and investment of the fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board’s duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the fund:

“31595. The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SamCERA's Mission & Goals

The Retirement Board has adopted a Mission & Goals statement. The Mission summarizes SamCERA's reason to exist.

“Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.”

The Mission is further defined by three goals. One goal speaks to the management of the assets of the fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other requirements in law, The San Mateo County

Employees' Retirement Association Board of Retirement has established this Investment Policy.

3.0 ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored. The Board, Investment Committee (the "Committee"), investment staff (the "Staff"), Consultant (the "Consultant"), Custodian Bank (the "Custodian"), and Managers shall coordinate this process. The roles and principal duties of the above-mentioned parties are defined below:

A. THE BOARD shall review and approve Committee recommendations. The Board also will review, adopt and monitor all investment policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund.

B. THE COMMITTEE shall identify issues pertinent to the effective investment and administration of the Fund and, on Board approval, initiate analysis of such issues by Staff, Consultant or Managers. It also reviews Staff's and Consultant's recommendations regarding all investment policies and investment Fund management. The Committee provides recommendations to the Board for adoption, oversees implementation, and monitors the investment programs in accordance with all applicable laws and Board-established policies, guidelines and procedures. Refer to **Attachment A – Charter of SamCERA's Investment Committee of the Board** for detailed Committee responsibilities.

C. THE STAFF shall oversee the Fund's investment program activities, implement the Board decisions, make recommendations to the Committee regarding Fund management, and recommend investment-related policies and procedures to the Committee. Additionally, Staff shall monitor the performance and compliance of Managers in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as Schedule B Investment Guidelines set out in the investment management agreements (IMA) between SamCERA and each Manager. Staff shall also facilitate the Committee meetings and complete activities as directed by the Board.

D. THE CONSULTANT shall review, analyze and evaluate the Fund's effectiveness and efficiency and make fund management related recommendations. Consultant assists Staff in implementing the Board decisions and developing all investment-related policies. Consultant's responsibilities are detailed in the service agreement between SamCERA and Consultant.

E. THE CUSTODIAN shall provide custody of SamCERA's investment assets. In addition, Custodian will manage the securities lending program. The Custodian's responsibilities will be detailed in the service agreement between SamCERA and Custodian.

F. THE MANAGERS shall prudently manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as

Specific Investment Guidelines. Managers' responsibilities will be detailed in the IMAs between SamCERA and each Manager.

4.0 INVESTMENT OBJECTIVES

The overarching investment objective of the Fund is to efficiently allocate and manage the Fund assets in order to provide for the payment of benefits. The following specific objectives are set forth with this in mind.

- A. Generate risk-adjusted returns that exceed the asset allocation portfolio benchmark on a net-of-fee basis over five-year rolling periods.
- B. Provide for moving toward full actuarial funding of the Pension Benefit Obligation based on GASB 25 and the Board's policy of layered fifteen-year unfunded actuarial accrued liability (UAAL) amortization periods.
- C. Achieve a portfolio return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).
- D. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

5.0 INVESTMENT PHILOSOPHY

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

Financial Market Beliefs

- The equity risk premium will continue to exist, but may be smaller going forward than the long-term historical numbers suggest.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.

Investment Process Beliefs

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure will favor the employment of passive strategies.
- Diversity, balance, and patience are key across many dimensions.

- The portfolio should be diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

Sustainability / Corporate Governance Beliefs

- While strong corporate governance practices and sustainability should help maximize shareholder value, SamCERA will always seek to act in the best economic interests of its plan beneficiaries.
- In administering the system, including managing the investments of the fund, SamCERA shall not pursue other purposes than those authorized in the California Constitution: “providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.”

6.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in the Investment Philosophy **Section 5**, it is the Investment Policy of the Board to:

- A. Pursue an investment strategy that reduces volatility of returns through the prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in **Section 7** of this Investment Policy.
- B. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- C. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in **Section 7**, and reevaluate on an annual basis.
- D. Reevaluate the asset-liability study every three to five years.
- E. Delegate full discretion to each investment manager, to the extent authorized in their IMA.
- E. Adopt objectives that encourage the investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- F. Refrain from dramatically shifting asset class allocations over short time spans.
- G. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in **Section 8**.

7.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

The target asset class allocation, rebalancing ranges, and the sub-asset class portfolio structure of the Fund shall be allocated as follows:

ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	50%	±3%
Fixed Income	20%	±2%
Risk Parity	8%	±2%
Alternative Assets *	16%	±2%
Real Estate *	6%	±2%

* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

A. The Public Equity Assets shall be allocated to managers reflecting the following investment asset classes:

PUBLIC EQUITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	24.00%	±2%
Passive Core	10.50%	
Active Core	4.50%	
Growth	4.50%	
Value	4.50%	
Small Capitalization Domestic	6.00%	±2%
Growth	3.00%	
Value	3.00%	
International	20.00%	±2%
Passive EAFE	4.00%	
Growth	6.00%	
Value	6.00%	
Small Capitalization	2.00%	
Emerging Market	2.00%	
TOTAL PUBLIC EQUITY	50.00%	

B. The Fixed Income Assets shall be allocated to managers reflecting the following investment asset classes:

FIXED INCOME ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	5.50%	±2%
Core Plus	3.75%	±2%

Opportunistic Credit	5.00%	±2%
Inflation Protection	2.00%	±2%
Global Bonds	3.75%	±2%
TOTAL FIXED INCOME	20.00%	

C. The Alternative Assets shall be allocated to managers reflecting the following investment asset classes:

ALTERNATIVE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Private Equity	7.00%	±2%
Hedge Funds (Absolute Return)	4.00%	±2%
Commodities	3.00%	±2%
Real Assets	2.00%	±2%
TOTAL ALTERNATIVE ASSETS	16.00	

D. The Risk Parity Assets shall be allocated as follows:

RISK PARITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Risk Parity	8.00%	±2%
TOTAL RISK PARITY	8.00%	

E. The Real Estate Assets shall be allocated as follows:

REAL ESTATE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	6.00%	±2%
TOTAL REAL ESTATE	6.00%	

8.0 REBALANCING POLICY

A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth **in Section 7**.

B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established Rebalance Ranges specified in Section 7.

- C. The CIO will have discretion regarding whether to rebalance to Target or some other allocation, as long as it is within said parameter ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible exchange traded derivatives will be used to rebalance in a cost-effect manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

9.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the investment management agreement (IMA) with each firm.

10.0 PUBLIC EQUITY INVESTMENT POLICIES

PUBLIC EQUITY OVERVIEW: Public equity is expected to produce returns higher than that provided from fixed income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of the general economic growth. There are two primary parts to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

PUBLIC EQUITY MANAGER STRUCTURE:

Domestic Equity: For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The domestic equity composite will consist of two sub-composites; 1) Large-Capitalization Equity and, 2) Small-Capitalization Equity. The large-cap composite will consist of Core, Value, and Growth. Core will consist of two strategies, one a passive and another a low-tracking error active, while the Growth and Value categories will consist of higher tracking error active strategies. The Small-Capitalization strategy will consist of actively-managed Value and Growth strategies.

International Equity: International Equity will consist of two sub-composites; 1) Developed Equity and, 2) Emerging Equity. Developed Equity will consist of a passive Core component and active Value, Growth (although both have exposure to emerging markets) and core small-cap strategies. Emerging Equity will consist of an active core mandate.

PUBLIC EQUITY PERFORMANCE OBJECTIVE:

The performance objective of the Public Equity Category is to outperform on a net of fee basis a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for both the domestic and international equity parts (which results in the following weights: 48% Russell 1000, 12% Russell 2000, and 40% MSCI World ex US IMI), with a maximum tracking error of 3% to this benchmark.

PUBLIC EQUITY RISK EXPOSURES AND RISK MITIGATION:

The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks.

ASSET CLASS	BENCHMARK INDEX
Total Public Equity	Customized Benchmark Portfolio
Domestic Equity	80% Russell 1000 / 20% Russell 2000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	S&P 500
Active Core	S&P 500
Large Growth	Russell 1000 Growth
Large Value	Russell 1000 Value
Small Capitalization Domestic Equity	Russell 2000
Small Growth	Russell 2000 Growth
Small Value	Russell 2000 Value
International Equity	MSCI All Country World ex US IMI
Developed International	MSCI All Country World ex US
Developed International Growth	MSCI ACWI Free ex US Growth
Developed International Value	MSCI ACWI Free ex US Value
International Small	MSCI ACWI Small Cap ex US
Emerging Markets	MSCI Emerging Markets Free

11.0 FIXED INCOME INVESTMENT POLICIES

FIXED INCOME OVERVIEW: Fixed income is expected to provide a lower but more steady stream of returns than public equity asset classes, but is also expected to reduce the risk of the overall portfolio because bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within fixed income that exhibit very different risk/return trade-offs and hold different tasks in terms of role in the portfolio. Fixed Income is broken out into 5 subcategories:

- 1) Core, 2) Core Plus, 3) Opportunistic Credit, 4) Inflation Protection, and 5) Global

Core Fixed Income: Core is generally considered the lowest-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also consists of sectors that track those that comprise the Barclays Aggregate Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

Core Plus: Core Plus is a medium-risk fixed income sub-category, and contains the sectors contained in Core "plus" high yield (below investment grade bonds), non- U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Plus's role in the portfolio is a combination of total portfolio volatility dampening combined with some modest return potential.

Opportunistic Credit: Opportunistic Credit is expected to be the highest-risk fixed income category, and will be used to enhance return by investing in non-traditional sectors of the bond market, including bank loans, high yield bonds, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities.

Inflation Protection: Inflation Protection is expected to provide some protection against higher rates of inflation.

Global Fixed: Global Fixed has characteristics similar to a combination of Core and Core Plus but extended to a global opportunity set, and is expected to provide some portfolio volatility dampening along with some return enhancement.

FIXED INCOME PERFORMANCE OBJECTIVE:

The performance objective of the Fixed Income Composite is to outperform, on a net-of fee-basis, a customized index incorporating the weighted average components for five sub-categories highlighted above (which results in the following weights: 46% Barclay's Capital Aggregate Bond Index, 25% Barclays BA Intermediate High Yield Index, 10% Barclays Capital US TIPS Index, and 19% Barclays Capital Multiverse Index), with a maximum tracking error of 3% to this benchmark.

FIXED INCOME RISK EXPOSURES AND RISK MITIGATION:

The fixed income sub-sectors have very different risk factor exposures, with Core being generally the lowest risk, highest liquid sub-category, while Opportunistic Credit is generally the highest risk, lowest liquid category.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Core Plus: Typically includes the risk factors found in Core with additional (more secondary) exposures to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Opportunistic Credit: Typically includes the risk factors contained in Core and Core Plus, but with higher emphasis to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Inflation Protection: The primary risk factors are to changes in real interest rates, deflationary environments (although deflation floors could mitigate some of this risk), and potential illiquidity.

Global Fixed: The primary risk factors are sensitivity to global interest rates, sovereign credit risk, and currency impacts.

ASSET CLASS	BENCHMARK INDEX
Fixed Income	Customized Benchmark Portfolio
Domestic Fixed Income	Barclays Capital Aggregate Bond Index
Core/Core Plus	Barclays Capital Aggregate Bond Index
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index
Inflation Protection	Barclays Capital US TIPS Index
Global Fixed Income	Barclays Capital Multiverse Index

12.0 REAL ESTATE INVESTMENT POLICIES

REAL ESTATE OVERVIEW: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. The majority of exposure will be in “Core” real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. The remainder will be “Value-Add” proprieties that are expected to provide somewhat higher return potential along with somewhat higher risk. Income will be a large part of the return stream generated from this portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Equity composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core and Value-Add strategies.

REAL ESTATE PERFORMANCE OBJECTIVE:

The performance objective of the Real Estate Composite is to outperform, on a net-of-fee basis, the NCREIF ODCE Index over a 5-year rolling period.

REAL ESTATE RISK EXPOSURES AND RISK MITIGATION:

Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate investments. Value-add and opportunistic

strategies also tend to have more exposure to general economic conditions than core properties.

ASSET CLASS	BENCHMARK INDEX
Real Estate	NCREIF ODCE

13.0 ALTERNATIVE ASSETS INVESTMENT POLICIES

ALTERNATIVES OVERVIEW: Alternatives are investments that do not neatly fit into public equities, fixed income, or real estate. SamCERA’s alternatives program is broken out into the following four sub asset classes:

- 1) Private Equity, 2) Hedge Funds, 3) Commodities, and 4) Private Real Assets

Private Equity: Private Equity is expected to be the highest returning asset class over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the fund to meet its performance objectives. The Private Equity program will contain manager allocations to three primary sub-categories; 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	60%	+/- 20%
Venture Capital	20%	0 – 30%
Debt/Special Situations	20%	+/- 10%

The responsibility for private equity sourcing is delegated to *SamCERA’s* investment consultant.

The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality.

- (a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

Investment Manager: No more than twenty (20) percent of the private equity portfolio's target allocation to may be committed to any one investment manager (excluding Fund of Funds).

Geography: Through commitments to funds located and/or investing both in and outside of the United States.

Industry: It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) Quality: All commitments to private equity by *SamCERA* must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with *SamCERA's* private placement disclosure rules.

Hedge Funds (Absolute Return): The hedge fund category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds (to limit liability look-through to the rest of the Plan assets) and not in separate accounts.

Commodities: Commodities are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of three sub-categories; 1) Infrastructure (Core, Secondary, Midstream Energy, and Power), 2) Mining, and 3) Farmland/Timber/Water. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

Sub-Category	Target Allocation	Range
Infrastructure	50%	+/- 50%

Mining	0%	0 – 50%
Farmland/Timber/Water	0%	0 – 50%

ALTERNATIVES PERFORMANCE OBJECTIVE:

The performance objective of the Alternatives Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for four sub-asset classes highlighted above (which results in the following weights: 44% Russell 3000+3%, 25% LIBOR+4%, 19% Dow Jones-UBS Commodity, and 12% CPI+5%).

ASSET CLASS	BENCHMARK INDEX
Alternatives	Customized Benchmark Portfolio
Private Equity	Russell 3000 + 3.0%
Commodities	Dow Jones-UBS Commodity
Hedge Funds	LIBOR + 4.0%
Real Assets	CPI + 5.0%

ALTERNATIVES RISK EXPOSURES AND RISK MITIGATION

Alternatives, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also have a number of unique risks. Chief among these are illiquidity risk and leverage. By their nature both Private Equity and Private Real Assets are generally illiquid in that the life of these fund investments can be as long as 10 to 12 years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

14.0 RISK PARITY INVESTMENT POLICIES

RISK PARITY OVERVIEW: Risk Parity is a risk-diversified balanced portfolio that is expected to provide a more diversified return and risk profile than that of a traditional 60% equity / 40% fixed income portfolio. It is generally designed to be approximately equal risk-weighted between equity risk, interest rate risk, inflation risk, and credit risk.

RISK PARITY PERFORMANCE OBJECTIVE:

The performance objective of the Risk Parity Composite is to outperform, on a net-of-fee basis, the 60% Russell 3000 / 40% BC Aggregate over a 5 year rolling period.

RISK PARITY RISK EXPOSURES AND RISK MITIGATION:

Risk parity managers utilize leverage in order to enhance returns. Moderate leverage may be utilized and the portfolio managers should avoid strategies that might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350%. In addition, the risk parity portfolio shall consist of a portfolio of generally liquid trading instruments.

Counterparties for Over the Counter (OTC) derivatives must either (1) have a long-term rating from Standard & Poor's of at least A- or from Moody's of at least A3 or (2) be approved by the manager's counterparty committee. In the event that the OTC derivative counterparty is an unrated affiliate whose performance is unconditionally guaranteed by the parent company, the parent's credit rating shall apply.

ASSET CLASS	BENCHMARK INDEX
Risk Parity	60% Russell 3000 / 40% BC Aggregate

15.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, 1, 3, and 5 year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three-and-five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

16.0 ANNUAL INVESTMENT STRATEGY

Annually, the Board/staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the fund's actual investment performance for the prior fiscal year against the investment objectives set forth in **Section 4** and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance;
- (c) Evaluate and review the total fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- (e) Evaluate and review the portfolio rebalancing activity for the year;
- (f) Evaluate the fund's liquidity requirements for the current and next fiscal years.

17.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

- A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement fund be subordinated to any other interest.
- B. The Board intends that its proxies be voted in accordance with its Sustainability / Corporate Governances Beliefs stated in **Section 5.0** Investment Philosophy.
- C. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

18.0 SECURITIES LENDING

SamCERA instituted a securities lending program effective July 1, 2007, for the actively managed component of the portfolio. The Board's standards with respect to this program are hereby summarized below.

- A. Pursuant to **Section 3E**, the master custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

C. Unless otherwise specified in the agreement(s),

(i) All loans shall be marked-to-market daily,

(ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities,

(iii) Acceptable collateral shall be in the form of cash or marketable fixed income securities with maturities not greater than one year, including (1) Commercial Paper with quality ratings of P-1 and/or A-1 by Moody's Investors Services or Standard & Poor's Corporation, or their equivalents; (2) Banker's acceptances, certificates of deposits and time deposits; (3) United States Treasury and Government Agency short-term obligations; (4) Repurchase Agreements with United States Treasury Securities and Agencies of the United States Government as collateral; and (5) Money market or short-term investment funds.

(iv) If rated, borrowers shall be rated AA, Aa or higher by Moodys or Standard & Poors.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

This Resolution, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Charter for the Board's Investment Committee.

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the system . ; &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees' retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, *The Board of Retirement*, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted *SamCERA's Investment Policy* and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of *SamCERA's Investment Policy*. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of *SamCERA's Investment Policy*, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation
 - 3.2 Evaluate mean variance optimization
 - 3.3 Determine low risk alternatives and high risk alternatives
 - 3.4 Scale portfolios between two extremes
 - 3.5 Evaluate optimized efficient frontier
 - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
 - 4.1 Assess risk/reward trade-offs
 - 4.2 Assess contribution rate sensitivity & variability
 - 4.3 Assess ability to exceed actuarial interest rate
 - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
 - 5.1 Evaluate differences from current target
 - 5.2 Evaluate Board's willingness to implement new target asset mix
 - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO *SAMCERA'S INVESTMENT POLICY*
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks

- 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations
 - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow *SamCERA's* managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows *SamCERA's* investment managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities)

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provision must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by *SamCERA's Investment Plan*. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this investment process?

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of *SamCERA's* guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction--the counter-parties to the trade. Due to the possibility of counter-party default, *SamCERA's* investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings

f) Other fundamental investment and risk characteristics.

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances.

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances.

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with *SamCERA's* overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy *SamCERA's* investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by *SamCERA's Investment Plan*. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of *SamCERA's* guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above section entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (collateralized mortgage obligations)
- b. Financial futures (if exchange traded)
- c. Currency forward contracts and currency options (exchange and OTC traded)

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if exchange traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for *SamCERA*. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets. In addition, the use of options, caps and floors may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints and communicate the assumptions and model used to estimate VAR (Value at Risk and/or other reasonable risk measurement procedures) annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in *SamCERA*'s portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors are as follows:

- a. Extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to *SamCERA* on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above.

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.

- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of *SamCERA's* investment managers to certify and demonstrate that their portfolios are in compliance with *SamCERA's* overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), *SamCERA's* investment managers will provide the following minimum monitoring information on all derivative securities.

- a. A general statement from the manager that his/her portfolio is in compliance with the Retirement Trust's derivatives policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk--an evaluation of potential counter-party default on obligations, market risk--percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

APPENDIX C

DUE DILIGENCE POLICY

MANUAL

POLICY

SamCERA's due diligence process requires (i) staff to perform on-going due diligence monitoring, (ii) investment consultants and managers to make regularly scheduled due diligence presentations to staff in *SamCERA's* offices, and (iii) staff to make on-site visitations to the investment consultant's and investment managers' offices.

PURPOSE

To discharge the fiduciary responsibilities of the Board and staff, regular due diligence with the San Mateo County Employees' Retirement Association investment managers are essential to the Board's ability to effectively monitor the performance of its investment professionals and to the prudent discharge of the board's fiduciary duty to the beneficiaries of this multi-billion dollar retirement system.

F.01 – Due Diligence Monitoring

Individual investment managers will be monitored monthly, quarterly and annually. The managers' organizations and operations will be qualitatively monitored on a continual basis.

The Chief Investment Officer, with assistance from the investment consultant, will present an investment performance report to the Board on a quarterly basis, **as specified in Section 15.0 *Quarterly Investment Performance Reporting***. Performance will be measured for the total portfolio as well as individual components such as equities, fixed income and real estate portfolios. In addition, the performance of each component will be broken down into individual portfolios.

Comparisons will be made against market indices defined in this document. A variance from the stated performance objective will be calculated each quarter. Additionally, the portfolios' actual investment approach will be monitored against the required investment style to determine whether the manager is adhering to its acknowledged investment style.

The quarterly investment performance report will compare the total fund, each asset class and individual portfolio return to appropriate market indices and a representative peer group of similar funds or similar style investment managers. The report will note significant changes in the attribution of investment manager performance.

Annually, staff will request and review the Investment Manager's ADV Part II form and inform the board of significant changes in the firm or apparent conflicts of interest. In addition staff will

request an annual insurance certification from each professional service provider. Where appropriate a Statement of Auditing Standards #70 will be obtained and reviewed.

F.02 – Due Diligence Presentations

Investment consultants and investment managers that are under contract with the Board to provide services will make a presentation to staff at least once a year. The presentation shall include, but not be limited to, an update on the manager’s organization and business plan, changes to the investment process and investment performance. Staff may request presentations more frequently as circumstances demand. The investment managers will provide on a semi-annual basis a completed Compliance Certification Statement and in-depth response to a list of questions submitted by staff.

F.03 – Asset Categories

On-site meetings will be grouped by asset categories. This approach enables staff to readily compare and contrast investment approaches, systems, and controls utilized by the investment managers. It will also allow for a better evaluation of the existing asset diversification.

F.04 – Manager Selection Due Diligence

The Board, with the assistance of staff and the investment consultant, select investment managers to manage the assets of the system. The Board authorizes staff and consultant to initiate a search for a manager either to replace a manager or to fill a new mandate approved by the Board. The investment consultant and staff will conduct the search in accordance with criteria established for the search. The search criteria will include the scope of the mandate, the investment style, benchmark, and the minimum qualifications for candidates. The investment consultant and staff will perform on-site due diligence on the final candidate prior to signing the investment agreement.

The Board will require any public securities investment manager being considered as provider of professional services for *SamCERA* to make a formal presentation to it at a public Board meeting. The presentation shall include, but not be limited to, (i) manager’s organization and its staff, (ii) investment philosophy and process, (iii) the resources available to provide the service, (iv) proposed fees and (iv) performance characteristics.

Appendix D

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

***Adopted by the Board of Retirement
December 14, 2010. Amended January 25, 2011.***

This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.

I. PURPOSE

This Policy sets forth the circumstances under which the San Mateo County Employees' Retirement Association (*SAMCERA*) shall require the disclosure of payments to *Placement Agents*, as that term is defined by Government Code section 7513.8, in connection with *SAMCERA* investments in or through *External Managers*, as that term is defined by Government Code section 7513.8. This Policy is intended to apply broadly to all of the types of investment partners with whom *SAMCERA* does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. *SAMCERA* adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that *SAMCERA* investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to *SAMCERA*.

II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended in any way to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by *SAMCERA* or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

IV. RESPONSIBILITIES

A. The Board is responsible for:

1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Providing a statement in writing that the External Manager will comply with this policy.
2. Providing the following information to the *SAMCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the

case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.

- a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SAMCERA* investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SAMCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to *SAMCERA* or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
 - h. The names of any current or former *SAMCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.

4. Representing and warranting the accuracy of the information described in section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SAMCERA*,
 - a. all campaign contributions made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 - b. , prior to acting as a Placement Agent to *SAMCERA* all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
6. *SAMCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

D. *SAMCERA* Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between *SAMCERA* and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, *SAMCERA* is entitled to the greater of the reimbursement of any management or advisory fees paid by *SAMCERA* for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the *SAMCERA* investment; and
4. Prohibiting any External Manager or Placement Agent from soliciting new

investments from SAMCERA for five years after they have committed a material violation of this Policy; *provided, however*, that SAMCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.

5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

DEFINITIONS:

The following definitions are current as of January 7, 2011. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8, "**External Manager**" means either of the following: (1) a person who is seeking to be, or is, retained by a board to manage a portfolio of securities or other assets for compensation; (2) a person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to a board. (All code section references are to the Government Code, unless otherwise noted.)

As defined in section 7513.8, "**Person**" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

As defined in section 7513.8, "**Placement Agent**" means any person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another placement agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to a board or an Investment Vehicle, either directly or indirectly. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

As defined in section 7513.8, "**Investment Vehicle**" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, constituting or managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

"**Compensation**" means, for the purposes of this policy, remuneration and other benefits (including without limitation, favors) of any kind.

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Working-Draft of SamCERA's Investment Policy

Revision V2

~~November~~ ~~February~~ ~~January 2012~~
~~January 2013~~ ~~2014~~

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1.0 INTRODUCTION ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the "Board"), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the "Fund"), hereby establishes the following Investment Policy (the "Policy") for the investment of SamCERA's assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

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The purpose of this statement of Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the 1937 Act, the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the "Manager(s)") and investment consultants (the "Consultant(s)").

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A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

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The powers and duties of the Retirement Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Retirement Board.

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The San Mateo County Employees' Retirement Association ("SamCERA") was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system.

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~~The nine member Board of Retirement is composed of the County Treasurer, four trustees appointed by the Board of Supervisors and four trustees elected from the membership. There are two alternate trustees. One is elected by the safety members and one by the retired members. The trustees' three year terms are staggered to provide for continuity in the management of the association.~~

~~SamCERA was organized in accordance with the provisions of California's County Employees' Retirement Law of 1937. The powers and duties of the board are set forth in the '37 Act and in Article XVI of the State Constitution~~

Constitution of the State of California

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Article XVI, Section 17, relates to the administration of the system and investment of the fund assets. It reads in pertinent part:

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“(a) ...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

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“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable

expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

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The 1937 Act

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The 1937 Act contains language similar to that in the State Constitution regarding the investments of the fund:

“31595. The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

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The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

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Included among the board's duties are the mandate to assure the association's actuarial soundness and the prudent investment of the assets of the retirement fund.

This Investment Policy incorporates the board's policies, objectives, strategies, implementation programs and procedures for fulfilling its fiduciary obligation to manage the assets of the retirement fund with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

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SamCERA's Mission & Goals

The Retirement Board has adopted a Mission & Goals statement. The Mission summarizes SamCERA's reason to exist.

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"Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system."

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The Mission is further defined by three goals. One goal speaks to the management of the assets of the fund. This asset management goal reads:

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"Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers."

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The Board of Retirement (the "Board"), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the "Fund"), hereby establishes the following Investment Policy (the "Policy") for the investment of SamCERA's assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

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The Board is directed by law and given discretion to prudently invest the retirement plan assets. The purpose of this statement of Policy is to assist SamCERA in effectively supervising said investments and to encourage effective communication between SamCERA and its investment managers (the "Manager(s)") and investment consultants (the "Consultant(s)").

2.0 MISSION & PURPOSE

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SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system. SamCERA's overall goal is to provide caring, fair, accurate, timely and knowledgeable professional service to SamCERA's clients and the public.

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In addition, it aims to prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system and assure the ability to pay all earned benefits while minimizing the costs to its employers. And finally, SamCERA strives to constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

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In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other requirements in law, The San Mateo County Employees' Retirement Association Board of Retirement has established this Investment Policy.

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3.0 ROLES AND PRINCIPAL DUTIES

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The Fund investments shall be prudently planned, implemented, managed, and monitored. The Board, Investment Committee (the “Committee”), investment staff (the “Staff”), Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Managers shall coordinate this process. The roles and principal duties of the above-mentioned parties are defined below:

A. THE BOARD shall review and approve Committee recommendations. The Board also ~~will review~~s, ~~adopts~~s and ~~monitors~~s all investment policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund.

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B. THE COMMITTEE shall identify issues pertinent to the effective investment and administration of the Fund and, on Board approval, initiate analysis of such issues by Staff, Consultant or Managers. It also reviews Staff’s and Consultant’s recommendations regarding all investment policies and investment Fund management. The Committee provides recommendations to the Board for adoption, oversees implementation, and monitors the investment programs in accordance with all applicable laws and Board-established policies, guidelines and procedures. Refer to Attachment A – Charter of SamCERA’s Investment Committee of the Board for detailed Committee responsibilities.

C. THE STAFF shall oversee the Fund’s investment program activities, implement the Board decisions, make recommendations to the Committee regarding Fund management, and recommend investment-related policies and procedures to the Committee. Additionally, Staff ~~shall monitor~~s the performance and compliance of Managers in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as Schedule B Investment Guidelines set out in the investment management agreements (IMA) between SamCERA and each Manager. Staff ~~shall also facilitate~~s the Committee meetings and ~~completes activity-activities~~, as directed by the Board.

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D. THE CONSULTANT shall review, analyze and evaluate the Fund’s effectiveness and efficiency and make fund management related recommendations. Consultant assists Staff in implementing the Board decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.

E. THE CUSTODIAN shall provide custody of SamCERA’s investment assets. In addition, Custodian will manage the securities lending program. The Custodian’s responsibilities ~~are~~ ~~will be~~ detailed in the service agreement between SamCERA and Custodian.

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F. THE MANAGERS shall prudently manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as Specific Investment Guidelines. Managers’ responsibilities ~~are~~ ~~will be~~ detailed in the Investment Management Agreement (IMAs) between SamCERA and each Manager.

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4.0 INVESTMENT OBJECTIVES

The overarching investment objective of the Fund is to efficiently allocate and manage the Fund assets in order to provide for the payment of benefit ~~payments~~. The following specific objectives are set forth with this in mind.

A. Generate ~~portfolio~~-risk-adjusted returns that exceed the asset allocation portfolio benchmark on a ~~net-net-of-of~~ fee basis over a five-year rolling ~~basis~~ periods.

~~B. Provide for moving toward full actuarial funding of the Pension Benefit Obligation based on GASB 25 and the Board's policy of a moving layered fifteen-year funding unfunded actuarial accrued liability (UAAL) amortization periods. Provide returns in line with a traditional 60% Equity / 40% Fixed Income portfolio with lower drawdowns over a full market cycle.~~

~~C. 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.~~

~~D. Achieve a portfolio return consistent with that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).~~

~~D. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.~~

5.0 INVESTMENT PHILOSOPHY

The following section summarizes ~~that~~ Board's ~~collection of~~ investment beliefs that ~~will~~ have guided it in the development of this Policy document and ~~will guide it in~~ the oversight of the Plan assets.

Financial Market Beliefs

- The equity risk premium will continue to exist, but may be smaller going forward than the long-term historical numbers suggest.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.

Investment Process Beliefs

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure will favor the employment of passive strategies.
- Diversity, balance, and patience are key across many dimensions.

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- The portfolio should be ~~balanced~~diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

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Sustainability / Corporate Governance Beliefs

- While strong corporate governance practices and sustainability should help maximize shareholder value, SamCERA will always seek to act in the best economic interests of its plan beneficiaries.
- In administering the system, including managing the investments of the fund, SamCERA shall not pursue other purposes than those authorized in the California Constitution: “providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.”

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6.0 GENERAL INVESTMENT POLICY POLICIES

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Consistent with the investment beliefs contained in the Investment Philosophy Section 5, it is the Investment Policy of the Board to:

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A. Pursue an investment strategy that reduces volatility of returns through the prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 67 of this Investment Policy.

B. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses ~~es of on~~ portfolio risks.

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C. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 67, and reevaluate on an annual basis.

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D. Reevaluate the asset-liability study every three to five years.

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E. Delegate full discretion to each investment manager, to the extent authorized in their IMA.

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E. Adopt objectives ~~which that~~ encourage the investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.

F. Refrain from dramatically shifting asset class allocations over short time spans.

G. Discourage the use of cash equivalents, except for liquidity purposes. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 8.

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H. Monitor the performance of its investment managers, relative to their assigned custom benchmarks to assure their conformance with the provisions of the board's investment policy, as provided for in Section 8.

I. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 7.

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- 7. For those asset classes evidencing market efficiencies, the manager structure will favor the employment of passive strategies.

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6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

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The target asset class allocation, rebalancing ranges, and the sub-asset class portfolio structure of the Fund shall be allocated as follows:

ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	53.50%	±3%
Fixed Income	22.20%	±2%
Risk Parity	8%	±2%
Alternative Assets *	20.16%	±2%
Real Estate *	5.6%	±2%

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* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

A. The Public Equity Assets shall be allocated to managers reflecting the following investment asset classes:

PUBLIC EQUITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	26.24.00%	±2%
Passive Core	210.50%	
Active Core	4.50%	
Growth	4.50%	
Value	4.50%	
Small Capitalization Domestic	9.6.00%	±2%
Growth	4.503.00%	

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Value	4,503.00%	
International	1820.00%	±2%
Passive EAFE	4.00%	
Growth	6.00%	
Value	7,756.00%	
Small Capitalization	2.00%	
Emerging Market	2,250.00%	
TOTAL PUBLIC EQUITY (EXCLUDING PE)	5,350.00%	

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B. The Fixed Income Assets shall be allocated to managers reflecting the following investment asset classes:

FIXED INCOME ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Domestic Core	75.50%	±2%
Domestic Core Plus	3.75%	±2%
Domestic Opportunistic Credit	3,255.00%	±2%
Domestic Inflation Protection	32.00%	±2%
Global Bonds	4,503.75%	±2%
TOTAL FIXED INCOME	2,220.00%	

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C. The Alternative Assets shall be allocated to managers reflecting the following investment asset classes:

ALTERNATIVE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Private Equity	87.00%	±2%
Hedge Funds (Absolute Return)	34.00%	±2%
Commodities	3.00%	±2%
Risk Parity Real Assets	62.00%	±2%

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TOTAL ALTERNATIVE ASSETS	2016.0	
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D. The Risk Parity Assets shall be allocated as follows:

<u>RISK PARITY ASSET CLASSES</u>	<u>TARGET ALLOCATION</u>	<u>REBALANCE RANGE</u>
<u>Risk Parity</u>	8.00%	±2%
<u>TOTAL RISK PARITY</u>	8.00%	

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E. The Real Estate Assets shall be allocated to managers reflecting the following investment styles as follows:

<u>REAL ESTATE ASSET CLASSES</u>	<u>TARGET ALLOCATION</u>	<u>REBALANCE RANGE</u>
<u>Core</u>	56.00	±2%
<u>TOTAL REAL ESTATE</u>	56.00	

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7.8.0 REBALANCING POLICY

A. The Chief Investment Officer (CIO) shall rebalance the portfolio ~~quarterly or~~ as needed in conformance with the asset allocation tactical ranges set forth in Section 7.

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~~B. 6. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established Rebalance Ranges specified in Section 7.~~

C. The CIO will have discretion regarding whether to rebalance to Target or some other allocation, as long as it is within said parameter ranges.

D. Cash flows will be used first to rebalance, and to the extent possible exchange traded derivatives will be used to rebalance in a cost-effect manner.

E. All rebalancing activity shall be reported to the Board in writing at the next scheduled meeting.

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~~9. The Chief Investment Officer shall issue instructions to managers to sell or transfer securities for reallocation to other managers or other asset classes when necessary to rebalance the portfolio.~~

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C. All interest, dividends, net operating revenue and capital gains shall be reinvested by the investment manager accountable for the underlying investment.

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8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection ~~and~~, purchase and sale decisions, ~~and~~ proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the investment management agreement (IMA) with each firm.

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The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as either:

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(a) Cumulative annualized performance (net of fees) over a three-year period below a broad market based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return. And / Or

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(b) Performance will be evaluated in light of the manager's stated style and discipline.

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10.0 PUBLIC EQUITY INVESTMENT POLICIES

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PUBLIC EQUITY OVERVIEW: Public equity returns are expected to reproduce returns higher than that provided from fixed income but at potentially higher levels of volatility levels. Exposure to this asset class will provide return streams generally correlated to that of the general economic growth. There are two primary parts to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

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PUBLIC EQUITY MANAGER STRUCTURE:

Domestic Equity: For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The domestic equity composite will consist of two sub-composites; 1) Large-Capitalization Equity and, 2) Small-Capitalization Equity. The large-cap composite will consist of Core, Value, and Growth. Core will consist of two strategies, one a passive and another a low-tracking error active, while the Growth and Value categories will consist of higher tracking error active strategies. The Small-Capitalization strategy will consist of actively-managed Value and Growth strategies.

International Equity Also, the domestic equity asset class will contain both active and passive strategies. International Equity will consist of two sub-composites; 1) Developed Equity and, 2) Emerging Equity. Developed Equity will consist of a passive Core component and active Value, Growth (although both have exposure to emerging markets) and core small-cap strategies. Emerging Equity will consist of an active core mandate.

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PUBLIC EQUITY PERFORMANCE OBJECTIVE:

The performance objective of the Public Equity Category is to outperform on a net of fee basis a customized index ([Customized Benchmark Portfolio](#)) incorporating the weighted average components for both the domestic and international equity parts (which results in the following weights: 50.9048% Russell 1000, 15.112% Russell 2000, and 34.40% MSCI World ex US IMI), with a maximum tracking error of 3% to this benchmark.

PUBLIC EQUITY RISK EXPOSURES AND RISK MITIGATION:

PRR

The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks.

ASSET CLASS	BENCHMARK INDEX
Total Public Equity	Customized Benchmark Portfolio
Domestic Equity	80% Russell 1000 / 20% Russell 2000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	S&P 500
Active Core	S&P 500
Large Growth	Russell 1000 Growth
Large Value	Russell 1000 Value
Small Capitalization Domestic Equity	Russell 2000
Small Growth	Russell 2000 Growth
Small Value	Russell 2000 Value
International Equity	MSCI All Country World ex US IMI
Developed International	MSCI All Country World ex US
Developed International Growth	MSCI ACWI Free ex US Growth
Developed International Value	MSCI ACWI Free ex US Value
International Small	MSCI ACWI Small Cap ex US
Emerging Markets	MSCI Emerging Markets Free

11.0 FIXED INCOME INVESTMENT POLICIES

Fixed Income Overview

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FIXED INCOME OVERVIEW: Fixed income is expected to provide a lower but more steady stream of returns than public equity asset classes, but is also expected to reduce the risk of the overall portfolio because bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within fixed income that exhibit very different risk/return trade-offs and hold different tasks in terms of portfolio role in the portfolio. Fixed Income is broken out into 5 subcategories:

1) Core, 2) Core Plus, 3) Opportunistic Credit, 4) Inflation Protection, and 5) Global

Core Fixed Income: Core is generally considered the lowest-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also consists of sectors that track those that comprise the Barclays Aggregate Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

Core Plus: Core Plus is a medium-risk fixed income sub-category, and contains the sectors contained in Core "plus" high yield (below investment grade bonds), non- U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Plus's role in the portfolio is a combination of total portfolio volatility dampening combined with some modest return potential.

Opportunistic Credit: Opportunistic Credit is expected to be the highest-risk fixed income category, and will be used to enhance return by investing in non-traditional sectors of the bond market, including bank loans, high yield bonds, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities.

Inflation Protection: Inflation Protection is expected to provide some protection against higher rates of inflation.

Global Fixed: Global Fixed has characteristics similar to a combination of Core and Core Plus but extended to a global opportunity set, and is expected to provide some portfolio volatility dampening along with some return enhancement.

FIXED INCOME PERFORMANCE OBJECTIVE:

The performance objective of the Fixed Income Composite is to outperform, on a net-of fee basis, a customized index incorporating the weighted average components for five sub-categories highlighted above (which results in the following weights: 46% Barclay's Capital Aggregate Bond Index, 25% Barclays BA Intermediate High Yield Index, 10% Barclays Capital US TIPS Index, and 19% Barclays Capital Multiverse Index), with a maximum tracking error of 3% to this benchmark.

FIXED INCOME RISK EXPOSURES AND RISK MITIGATION:

The fixed income sub-sectors have very different risk factor exposures, with Core being generally the lowest risk, highest liquid sub-category, while Opportunistic Credit is generally the highest risk, lowest liquid category.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

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Core Plus: Typically includes the risk factors found in Core with additional (more secondary) exposures to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Opportunistic Credit: Typically includes the risk factors contained in Core and Core Plus, but with higher emphasis to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

Inflation Protection: The primary risk factors are to changes in real interest rates, deflationary environments (although deflation floors could mitigate some of this risk), and potential illiquidity.

Global Fixed: The primary risk factors are sensitivity to global interest rates, sovereign credit risk, and currency impacts.

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ASSET CLASS	BENCHMARK INDEX
Fixed Income	Barclays Capital Aggregate Bond Index Customized Benchmark Portfolio
Domestic Fixed Income	Barclays Capital Aggregate Bond Index
Core/Core Plus	Barclays Capital Aggregate Bond Index
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index
Inflation Protection	Barclays Capital US TIPS Index
Global Fixed Income	Barclays Capital Multiverse Index

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12.0 REAL ESTATE INVESTMENT POLICIES

REAL ESTATE PERFORMANCE OBJECTIVES

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REAL ESTATE INVESTMENT GUIDELINES

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Real estate investment managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers, beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.

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(e) Diversification

The Board will employ commingled fund vehicles in this asset class.

~~The commingled fund vehicle may not exceed a concentration of 40% (by value) in any single property type or 25% in any single metropolitan statistical area determined as of the date of the acquisition of a property.~~

~~Commingled fund vehicles shall be diversified as to region, property type, industry and economic base.~~

~~(b) Quality—All assets must be of institutional quality as evidenced by tax exempt institutional investment in similar properties, high quality construction and design, a market with underlying fundamental strengths and a strong location.~~

REAL ESTATE OVERVIEW: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. The majority of exposure will be in “Core” real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. The remainder will be “Value-Add” properties that are expected to provide somewhat higher return potential along with somewhat higher risk. Income will be a large part of the return stream generated from this portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Equity composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core and Value-Add strategies.

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REAL ESTATE PERFORMANCE OBJECTIVE:

The performance objective of the Real Estate Composite is to outperform, on a net-of-fee basis, the NCREIF ODCE Index over a 5-year rolling period.

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REAL ESTATE RISK EXPOSURES AND RISK MITIGATION:

Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate investments. Value-add and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

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<u>ASSET CLASS</u>	<u>BENCHMARK INDEX</u>
Real Estate	NCREIF ODCE

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13.0 ALTERNATIVE ASSETS INVESTMENT POLICIES

~~ALTERNATIVE ASSET PERFORMANCE OBJECTIVES: As set forth in Section 7.~~

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~~ALTERNATIVE ASSET GUIDELINES: The responsibility for alternative asset securities selection and purchase and sale decisions is delegated to the alternative asset investment managers.~~

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Alternative investment managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers, beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.

(a) Diversification:

Any alternative investment portfolio shall be expected to be well diversified with a minimum of five investments to be made in five different companies, ventures or investments.

Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar investment opportunities. Investments must provide exposure consistent with the stated goal of the alternatives sub-asset class. All categories of alternatives must contribute meaningful return-enhancing or diversifying properties to the overall SamCERA portfolio.

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ASSET CLASS	BENCHMARK INDEX
Alternatives	Customized Benchmark Portfolio
Private Equity	Russell 3000 + 3.0%
Commodities	Dow Jones UBS Commodity
Hedge Funds	LIBOR + 4.0%
Risk Parity	60% Russell 3000 & 40% BC Aggregate

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13.0 PRIVATE EQUITY INVESTMENT POLICIES

ALTERNATIVES OVERVIEW: Alternatives are investments that do not neatly fit into public equities, fixed income, or real estate. SamCERA's alternatives program is broken out into the following into four 4 sub asset classes:

- 1) Private Equity, **PERFORMANCE OBJECTIVES**, 2) Hedge Funds, 3) Commodities, and 4) Private Real Assets.

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Private Equity: Private Equity is expected to be the highest returning asset class over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the fund to meet its performance objectives. The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

<u>Sub-Category</u>	<u>Target Allocation</u>	<u>Range</u>
<u>Buyouts</u>	60%	+/- 20%
<u>Venture Capital</u>	20%	0 – 30%
<u>Debt/Special Situations</u>	20%	+/- 10%

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The responsibility for private equity sourcing is delegated to *SamCERA's* investment consultant.

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~~Private equity managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers, beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.~~

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The private equity portfolio shall adhere to the following investment guidelines covering ~~(a) diversification, (b) and quality, (c) restricted transactions (d) and public disclosures.~~

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(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

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~~Sub Asset Class: Among buyouts, venture capital, and debt related / special situations investments, including the purchase of secondaries in the aforementioned sub-asset classes.~~

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Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

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Investment Manager: No more than twenty (20) percent of the private equity portfolio's target allocation to may be committed to any one investment ~~manager/vehicle, (excluding Fund of Funds).~~

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Geography: Through commitments to funds located and/or investing both in and outside of the United States.

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Industry: ~~As fallout of diversified commitments outlined above, it~~ is expected that the private equity portfolio will be generally diversified by sector/industry.

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(b) Quality: All commitments to private equity by *SamCERA* must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

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Fund managers are expected to comply with *SamCERA's* private placement disclosure rules.

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Hedge Funds (Absolute Return): The hedge fund category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds (to limit liability look-through to the rest of the Plan assets) and not in separate accounts.

Commodities: Commodities are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of three sub-categories: 1) Infrastructure (Core, Secondary, Midstream Energy, and Power), 2) Mining, and 3) Farmland/Timber/Water. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

Sub-Category	Target Allocation	Range
<u>Infrastructure</u>	50%	+/- 50%
<u>Mining</u>	0%	0 – 50%
<u>Farmland/Timber/Water</u>	0%	0 – 50%

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ALTERNATIVES PERFORMANCE OBJECTIVE:

The performance objective of the Alternatives Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for four sub-asset classes highlighted above (which results in the following weights: 44% Russell 3000+3%, -25% LIBOR+4%, 19% Dow Jones-UBS Commodity, and 12% CPI+5%).

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ASSET CLASS	BENCHMARK INDEX
<u>Alternatives</u>	<u>Customized Benchmark Portfolio</u>

Private Equity	Russell 3000 + 3.0%
Commodities	Dow Jones-UBS Commodity
Hedge Funds	LIBOR + 4.0%
Real Assets	CPI + 5.0%

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ALTERNATIVES RISK EXPOSURES AND RISK MITIGATION

Alternatives, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature both Private Equity and Private Real Assets are generally illiquid in that the life of these fund investments can be as long as 10 to 12 years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

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14.0 HEDGE FUND ASSETS

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~~HEDGE FUND GUIDELINES: The board will determine which strategy(s) the hedge fund manager will pursue. The investment opportunity selection and purchase and sale decisions are delegated to the hedge fund investment managers.~~

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15.0 COMMODITY ASSETS

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~~COMMODITY ASSET PERFORMANCE OBJECTIVES:~~

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~~Once a commodity manager is selected, that manager must adhere to the investment style they were selected to manage.~~

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~~Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:~~

~~(a) Diversification:~~

~~Any commodity portfolio shall be well diversified.~~

~~(b) Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar investment opportunities.~~

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~~In the US, commodity futures contracts are traded on exchanges regulated by the US Commodity Futures Trading Commission (CFTC). However, commodity strategies may also make use of swaps, options, swaptions, forwards and or other investment products.~~

16.0 RISK PARITY INVESTMENT POLICIES

RISK PARITY OVERVIEW: Risk Parity is a risk-diversified balanced portfolio that is expected to provide a more diversified return and risk profile than that of a traditional 60% equity / 40% fixed income portfolio. It is generally designed to be approximately equal risk-weighted between equity risk, interest rate risk, inflation risk, and credit risk.

RISK PARITY PERFORMANCE OBJECTIVE:

The performance objective of the Risk Parity Composite is to outperform, on a net-of-fee basis, the 60% Russell 3000 / 40% BC Aggregate over a 5 year rolling period.

RISK PARITY RISK EXPOSURES AND RISK MITIGATION:

Risk parity managers typically must have significant latitude in the utilize leverage in order to enhance returns. Moderate leverage may be utilized and the portfolio managers should avoid strategies which that might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350%, and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers.

Any In addition, the risk parity portfolio shall consist of a portfolio of generally liquid trading instruments.

Counterparties for Over the Counter (OTC) derivatives must either (1) have a long-term rating from Standard & Poor's of at least A- or from Moody's of at least A3 or (2) be approved by the manager's counterparty committee. In the event that the OTC derivative counterparty is an unrated affiliate whose performance is unconditionally guaranteed by the parent company, the parent's credit rating shall apply.

Any risk parity portfolio shall target an annualized volatility of 10% (or as otherwise outlined within the investment management agreement). The board realizes that the portfolio's targeted annualized forecasted volatility may typically range between 7% and 13%; however, the actual or realized volatility level for longer or shorter periods may be materially higher or lower depending on market conditions. Actual or realized volatility can and will differ from the forecasted or target volatility described above.

Any risk parity portfolio shall utilize moderate leverage and the portfolio managers should avoid strategies which might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350%.

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<u>ASSET CLASS</u>	<u>BENCHMARK INDEX</u>
Risk Parity	60% Russell 3000 / 40% BC Aggregate

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15.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING:

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The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, 1, 3, and 5 year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three-and-five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

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1816.0 ANNUAL INVESTMENT STRATEGY

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Annually, the Board/staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the fund's actual investment performance for the prior fiscal year against the investment objectives set forth in Section 4 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's actual investment performance for the prior fiscal year against the performance criteria set forth in Sections 9 through 15 relevant benchmarks and their individual contracts, peer groups and evaluate the relative success or failure of their prior year's performance;
- (c) Evaluate and review the total fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.

- (de) Evaluate and review the portfolio rebalancing activity for the year;
- (ef) Evaluate the fund's liquidity requirements for the current and next fiscal years.

1917.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

~~22.1A.~~ All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement fund be subordinated to any other interest.

~~22.2~~ The investment managers shall be accountable for alerting, in a timely manner, the Chief Investment officer to proxy issues that have aroused concern among institutional investors. The Chief Investment Officer shall solicit advice and recommendations from institutional investors and proxy advisory services and request direction from the Board at its next regularly scheduled meeting.

~~22.3~~ Unless the Board provides specific direction, proxies concerning the election of directors, ratification of auditors, amendments to the articles of incorporation, name changes, employee stock purchase or ownership plans, stock option plans, incentive plans and increases in the number of authorized shares of common stock, shall be voted with management.

~~22.4~~ Unless the Board provides specific direction, proxies concerning mergers, acquisitions, restructuring, reincorporation and changes in capitalization shall be voted as provided for in Section 22.1.

~~22.5~~ Unless the Board provides specific direction, proxies concerning social, environmental, and political issues shall be voted as provided for in Section 22.1.

~~22.6~~ Unless the Board provides specific direction, votes shall be cast against proxies which would limit management's accountability to the shareholders or otherwise restrict shareholder's ability to realize the full value of their investment, such as proposals creating super majorities, elimination of cumulative or preemptive rights, creation of dual class voting rights, greenmail, poison pills, golden parachutes, and excessive compensation for management when earnings are declining.

~~22.7B.~~ The Board intends that its proxies be voted in accordance with its Sustainability / Corporate Governances Beliefs stated in [Section 5.0 Investment Philosophy](#).

C. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

2018.0 SECURITIES LENDING

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23.3A. SamCERA instituted a securities lending program effective July 1, 2007, for the actively managed component of the portfolio. The Board's standards with respect to this program are hereby summarized below.

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23.4A. Pursuant to Section 3E, the master custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

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23.2B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

23.3C. Unless otherwise specified in the agreement(s),

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(a) All loans shall be marked-to-market daily,

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(b) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities,

(c) Acceptable collateral shall be in the form of cash or marketable fixed income securities with maturities not greater than one year, including (1) Commercial Paper with quality ratings of P-1 and/or A-1 by Moody's Investors Services or Standard & Poor's Corporation, or their equivalents; (2) Banker's acceptances, certificates of deposits and time deposits; (3) United States Treasury and Government Agency short-term obligations; (4) Repurchase Agreements with United States Treasury Securities and Agencies of the United States Government as collateral; and (5) Money market or short-term investment funds.

(d) If rated, borrowers shall be rated AA, Aa or higher by Moodys or Standard & Poors.

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23.4D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

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APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

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This Resolution, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Charter for the Board's Investment Committee.

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is

clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the system . ; &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees' retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, The Board of Retirement, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted *SamCERA's Investment Policy* and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of *SamCERA's Investment Policy*. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of *SamCERA's Investment Policy*, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
 - ~~1.2 Evaluate plan funded status~~
 - ~~1.3 Evaluate active & retired member demographics~~
 - ~~1.4 Model plan payments for 50-70 years into future~~
 - ~~1.5 Project expected contribution rates & variability~~
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation
 - 3.2 Evaluate mean variance optimization
 - 3.3 Determine low risk alternatives and high risk alternatives
 - 3.4 Scale portfolios between two extremes
 - 3.5 Evaluate optimized efficient frontier
 - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
 - 4.1 Assess risk/reward trade-offs
 - 4.2 Assess contribution rate sensitivity & variability

- 4.3 Assess ability to exceed actuarial interest rate
- 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
 - 5.1 Evaluate differences from current target
 - 5.2 Evaluate Board's willingness to implement new target asset mix
 - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO *SAMCERA'S INVESTMENT POLICY*
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks
 - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations
 - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- ~~11.0 EVALUATE & RECOMMEND REVISIONS TO THE ECONOMIC ACTUARIAL ASSUMPTIONS AND OTHER ACTUARIAL ASSET CONSIDERATIONS~~
 - ~~11.1 Evaluate the data and methodology employed by the Actuary when setting the assumptions for inflation, investment return, salary increase and when establishing the actuarial value of assets and recommend revisions as appropriate.~~
 - ~~11.2 Assure that the Consultant integrates Actuarial input with all Asset Liability Modeling Studies~~
 - ~~11.3 Evaluate the consistency of actuarial-economic and investment policies and processes~~
- 12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

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RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with

access to all appropriate ~~and available, County and SamCERA~~ resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

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RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

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APPENDIX B

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Derivatives Investment Policy

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1) Introduction

There is a genuine need to allow *SamCERA's* managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows *SamCERA's* investment managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities)

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provision must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by *SamCERA's Investment Plan*. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this investment process?

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of *SamCERA's* guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction--the counter-parties to the trade. Due to the possibility of counter-party default, *SamCERA's* investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings

f) Other fundamental investment and risk characteristics.

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances.

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances.

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with *SamCERA's* overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy *SamCERA's* investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by *SamCERA's Investment Plan*. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of *SamCERA's* guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above section entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (collateralized mortgage obligations)
- b. Financial futures (if exchange traded)
- c. Currency forward contracts and currency options (exchange and OTC traded)

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if exchange traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for *SamCERA*. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets. In addition, the use of options, caps and floors may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints and communicate the assumptions and model used to estimate VAR (Value at Risk and/or other reasonable risk measurement procedures) annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in *SamCERA*'s portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors are as follows:

- a. Extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to *SamCERA* on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above.

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.

- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of *SamCERA's* investment managers to certify and demonstrate that their portfolios are in compliance with *SamCERA's* overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), *SamCERA's* investment managers will provide the following minimum monitoring information on all derivative securities.

- a. A general statement from the manager that his/her portfolio is in compliance with the Retirement Trust's derivatives policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk--an evaluation of potential counter-party default on obligations, market risk--percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

APPENDIX C

Compliance Certification Statement San Mateo County Employees' Retirement Association

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~~In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office and investment consultant no later than 10 days after the end of each reporting period. (15.3(i))~~

General Compliance Issues

- ~~1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of SamCERA? (15.4(a)) Yes/No: ___ If no, please explain.~~
- ~~2. Are SamCERA's market benchmarks in the respective asset class areas acceptable to the firm? (6.3) Yes/No: ___ If no, please explain.~~
- ~~3. Has the firm's insurance coverage been sustained? (15.4(c)) Yes/No: ___ If no, please explain.~~
- ~~4. Does the firm consider any of SamCERA's investment objectives unreasonable? (6.0) Yes/No: ___ If yes, please explain.~~
- ~~5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (15.4(j)) Yes/No: ___ If yes, please explain.~~
- ~~6. Have there been any changes in the firm's investment approach? (15.4(e)) Yes/No: ___ If yes, please explain.~~
- ~~7. Do SamCERA's guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (9.1) Yes/No: ___ If yes, please explain.~~
- ~~8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (15.4(a)) Yes/No: ___ If yes, please explain.~~
- ~~9. Have proxy ballots been voted in accordance with the best economic interest of SamCERA and in a manner consistent with the Board's proxy policies? (18.0) Yes/No: ___ If no, please explain.~~
- ~~10. For domestic equity managers, has the firm supported SamCERA's commission recapture program? (15.4(g)) Yes/No: ___ If no, please explain.~~

Derivative Investments

- ~~1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.~~

- ~~2. For non-exchange traded derivative transactions, were the counter parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter parties have investment grade debt? Yes/No: ___ Are the counter parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.~~
- ~~3. For non-exchange traded derivative transactions, were the counter parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter parties have investment grade debt? Yes/No: ___ Do the counter parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.~~

- ~~4. Is individual counter party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter party within the portfolio? Have there been any changes to the investment manager's list of approved counter parties over the past month?~~

- ~~5. Are the investment purposes for a derivative investment consistent with the four purposes stated SamCERA's policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.~~
- ~~6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.~~
- ~~7. State if any restricted derivative investments are held in SamCERA's portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))~~
- ~~8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(9)) Yes/No: ___ If no, please explain.~~
- ~~9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.~~
- ~~10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10-b))~~
- ~~11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.~~

~~12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.~~

~~Investment Manager Guidelines~~

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

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

~~Cash & Equivalents~~

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

~~Domestic Equity Portfolios (Large, Mid & Small)~~

~~1. Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (15.4 j)~~

~~2. What is the firm's market value allocation to large, mid and small stocks? (15.4 j) Please specify percentages.~~

~~3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (15.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.~~

~~4. What is the largest percentage of the portfolio represented by a single security? (15.4 j) If any securities were above 5% at the time of purchase, please list and explain why.~~

~~5. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (10.3 a). Please specify all industries above 15%.~~

~~International Equity Portfolios - Developed~~

~~1. Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (15.4 j)~~

~~2. Specify the large, mid and small capitalization exposure of the portfolios. (15.4 j)~~

~~3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (15.4 j) Yes/No: ___ If no, please explain.~~

~~4. Does the portfolio currently employ a currency hedging strategy? Yes/No: ___ Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C) Yes/No: ___ If no, please explain.~~

~~Domestic Fixed Income Portfolios~~

~~1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and~~

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~~Agency securities; corporate bonds; mortgage and asset-backed securities; and, Yankee bond securities. (11.3)~~

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

~~3. Does the firm conduct horizon analysis testing? (15.4 j) Yes/No: ___ If no, please explain.~~

~~4. Are derivative investments in compliance with SamCERA's investment policies? (Appendix C) Yes/No: ___ If no, please explain.~~

~~5. Are any holdings below investment grade? (11.3(b)) If yes, why are they held in the portfolio?~~

~~6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: ___ (11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify.~~

~~7. What percentage of the portfolio is held in Rule 141A securities? (11.3(c))~~

Separate Property Real Estate Portfolios

~~1. What is the current product type and geographic diversification of the portfolio?~~

~~2. Is the portfolio achieving a TTWRR equal to the specified NCREIF benchmark? Yes/No: ___ If no, please explain~~

~~3. Does any individual asset constitute more than 20% of the market value in the real estate portfolio?~~

~~4. Is the portfolio leverage within the 30% guideline?~~

Signed by: _____

Dated: _____

Name of Firm _____

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APPENDIX D

DUE DILIGENCE POLICY

MANUAL

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POLICY

SamCERA's due diligence process requires (i) staff to perform ~~regular on-going~~ due diligence monitoring ~~and report on same~~, (ii) investment consultants and managers to make regularly scheduled due diligence presentations to staff in *SamCERA's* offices, ~~and~~ (iii) ~~the board and~~ staff to make on-site visitations to the investment consultant's and investment managers' offices ~~and (iv) to attend client conferences that discuss the consultant's and managers' business plans, investment processes and practices.~~

PURPOSE

To discharge the fiduciary responsibilities of the Board ~~of Retirement~~ and staff, regular due diligence with the San Mateo County Employees' Retirement Association investment managers are essential to the ~~Board of Retirement's~~ *Board's* ability to effectively monitor the performance of its investment professionals and to the prudent discharge of the board's fiduciary duty to the beneficiaries of this multi-billion dollar retirement system.

F.01 – Due Diligence Monitoring

Individual investment managers will be monitored monthly, quarterly and annually. The managers' organizations and operations will be qualitatively monitored on a continual basis.

The Chief Investment Officer, with assistance from the investment consultant, will present an investment performance report to the Board on a quarterly basis, **as specified in Section 1715.0 *Quarterly Investment Performance Reporting***. Performance will be measured for the total portfolio as well as individual components such as equities, fixed income and real estate portfolios. In addition, the performance of each component will be broken down into individual portfolios.

Comparisons will be made against market indices defined in this document. A variance from the stated performance objective will be calculated each quarter. Additionally, the portfolios' actual investment approach will be monitored against the required investment style to determine whether the manager is adhering to its acknowledged investment style.

The quarterly investment performance report will compare the total fund, each asset class and individual portfolio return to appropriate market indices and a representative peer group of similar funds or similar style investment managers. The report will note significant changes in the attribution of investment manager performance.

~~Every six months, the Chief Investment Officer, with the assistance of the investment consultant, will provide the board with a review of one of the three major asset categories of the total investment portfolio in detail. Therefore, during a eighteen-month period the CIO and the investment consultant will conduct a detailed review of each of the three asset categories in which SamCERA invests.~~

Annually, staff will request and review the Investment Manager's ADV Part II form and inform the board of significant changes in the firm or apparent conflicts of interest. In addition staff will request an annual insurance certification from each professional service provider. Where appropriate a Statement of Auditing Standards #70 will be obtained and reviewed. ~~(The SAS-70 audit report describes the control structure as it relates to its fiduciary and custodial activities and is prepared in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards Number 70, entitled "Reports on the Processing of Transactions by Service Organizations" as amended by AICPA Statement on Auditing Standards Number 78, entitled "Consideration of Internal Control in a Financial Statement Audit.")~~

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F.02 – Due Diligence Presentations

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~~SamCERA's~~ Investment consultants and investment managers that are under contract with the Board to provide services will make a presentation to staff at least once a year. The presentation shall include, but not be limited to, an update on the manager's organization and business plan, changes to the investment process and investment performance. Staff may request presentations more frequently as circumstances demand. The investment managers will provide on a semi-annual basis a completed Compliance Certification Statement ~~(Appendix D)~~ and in-depth response to a list of questions submitted by staff.

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F.0403 – Asset Categories

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On-site meetings will be grouped by asset categories. This approach enables staff to readily compare and contrast investment approaches, systems, and controls utilized by the investment managers. It will also allow for a better evaluation of the existing asset diversification.

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F.05 – Domestic – International Investment Managers

~~Regular due diligence evaluations shall be scheduled with traditional domestic and international equity and fixed income managers on a three-year rotational basis. Evaluations may be necessary on a more frequent basis if there have been significant personnel changes, a deterioration of returns, or unresolved issues relating to the style drift with a manager.~~

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F.06 – Real Estate Managers

~~Regular due diligence evaluations with real estate managers shall be scheduled on at least a three-year rotational basis. These due diligence evaluations shall include on-site inspections of properties~~

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~~held in SamCERA's portfolio. The investment manager and the individual property manager will accompany staff and board members on these visits.~~

~~F.07 – Investment Committee Chair Responsibilities~~

~~The Investment Committee chair shall, at the first meeting of the committee in each calendar year, place before the committee a proposed outline of all due diligence trips to be performed in the following fiscal year. Once voted on by the committee, that schedule will be placed on the Board of Retirement's agenda for approval at the next regular meeting.~~

~~F.08 – Official Due Diligence Trip~~

~~An official due diligence trip shall consist of at least two members of the Investment Committee or, in the event committee members are not available, two board members who are available, along with the Chief Investment Officer or his/her designee and the investment consultant. When deemed necessary by the Chief Executive Officer the CIO and investment consultant may meet with an investment manager on an interim basis.~~

~~F.09 – Coordination of Due Diligence~~

~~The Investment Committee will coordinate with the Chief Executive Officer and the Chief Investment Officer on all planned due diligence. The CIO will be responsible for coordinating each scheduled evaluation visit with the appropriate investment manager.~~

~~F.1104 – Manager Selection Due Diligence~~

The ~~board~~Board, with the assistance of ~~staff and~~ the investment consultant ~~and staff~~, select investment managers to manage the assets of the system. The ~~board~~Board authorizes staff and consultant to initiate a search for a manager either to replace a manager or to fill a new mandate approved by the ~~board~~Board. The investment consultant and staff will conduct the search in accordance with criteria established for the search. The search criteria will include the scope of the mandate, the investment style, benchmark, and the minimum qualifications for candidates. The investment consultant and staff will perform on-site due diligence on ~~the final candidates~~candidate prior to ~~them being interviewed by~~signing the ~~board~~investment agreement.

The ~~board~~Board will require any public securities investment manager being considered as provider of professional services for SamCERA to make a formal presentation to it at a public ~~board~~Board meeting. The presentation shall include, but not be limited to, (i) manager's organization and its staff, (ii) investment philosophy and process, (iii) the resources available to provide the service, (iv) proposed fees and (iv) performance characteristics.

Appendix ED

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DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

*Adopted by the Board of Retirement
December 14, 2010. Amended January 25, 2011.*

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This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.

I. PURPOSE

This Policy sets forth the circumstances under which the San Mateo County Employees' Retirement Association (SAMCERA) shall require the disclosure of payments to *Placement Agents*, as that term is defined by Government Code section 7513.8, in connection with SAMCERA investments in or through *External Managers*, as that term is defined by Government Code section 7513.8. This Policy is intended to apply broadly to all of the types of investment partners with whom SAMCERA does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. SAMCERA adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that SAMCERA investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to SAMCERA.

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II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended in any way to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by SAMCERA or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

IV. RESPONSIBILITIES

- A. The Board is responsible for:
 1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
 2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.

- B. Each External Manager is responsible for:
1. Providing a statement in writing that the External Manager will comply with this policy.
 2. Providing the following information to the *SAMCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SAMCERA* investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SAMCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to *SAMCERA* or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is

registered as a lobbyist with any state or national government.

- h. The names of any current or former *SAMCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
 3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.
 4. Representing and warranting the accuracy of the information described in section B.2 above.
 5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SAMCERA*,
 - a. all campaign contributions made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 - b. , prior to acting as a Placement Agent to *SAMCERA* all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 6. *SAMCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.
- D. *SAMCERA* Investment Staff ("Staff") are responsible for:
1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
 2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.
 3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager

in the final written agreement between SAMCERA and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SAMCERA is entitled to the greater of the reimbursement of any management or advisory fees paid by SAMCERA for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the SAMCERA investment; and

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SAMCERA for five years after they have committed a material violation of this Policy; *provided, however*, that SAMCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

DEFINITIONS:

The following definitions are current as of January 7, 2011. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8, "**External Manager**" means either of the following: (1) a person who is seeking to be, or is, retained by a board to manage a portfolio of securities or other assets for compensation; (2) a person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to a board. (All code section references are to the Government Code, unless otherwise noted.)

As defined in section 7513.8, "**Person**" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

As defined in section 7513.8, "**Placement Agent**" means any person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another placement agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to a board or an Investment Vehicle, either directly or indirectly. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

As defined in section 7513.8, "**Investment Vehicle**" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign,

constituting or managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

“Compensation” means, for the purposes of this policy, remuneration and other benefits (including without limitation, favors) of any kind.

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2014

Agenda Item 6.5

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Annual Review of Investment Consultant, Strategic Investment Solutions

Staff Recommendation

Review the information below summarizing the Strategic Investment Solutions performance evaluation and comment accordingly during the agenda item.

Background

The annual evaluation of SamCERA's investment consultant has three parts:

1. A survey completed by trustees, staff, and the investment consultant
2. Responses to questions submitted to the consultant
3. A discussion at the Board meeting to present the findings of the survey and question responses

Similar to last year, the survey was provided on-line. Results were collected from nine trustees, three staff members, and from Patrick Thomas representing SIS. There were a total of 10 questions in the survey with each question scored on a range of 1 to 5, with 5 being the highest rating.

Discussion

Please refer to the summary of the survey scores below. For each question the responses are broken out and grouped by trustee, staff, and consultant scores. Within each of these sections the minimum, maximum, and average scores are presented for each question as well.

Both the Board and staff marked the overall evaluation above average, with most areas showing higher scores compared to last year. In particular, the largest increases in average scores compared to last year were with the quality and/or clarity of the firm's reports, effectiveness of the firm's educational presentations, and the firm's build-out of the private equity program. The one area that showed moderate slippage was responsiveness to staff

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

questions and requests. Staff is in the process of setting up bi-weekly calls with SIS to better manage the workflow and expectations.

Question	Trustees			Staff			Consultant
	Min	Avg	Max	Min	Avg	Max	Avg
1) How would you rate the firm's ability to respond to SamCERA's needs?	3.0	4.6	5.0	4.0	4.7	5.0	5.00
2) How would you rate the firm's ability to communicate effectively?	3.0	4.5	5.0	4.0	4.0	4.0	5.00
3) How would you rate the firm's responsiveness to questions and requests?	3.0	4.6	5.0	3.0	3.7	4.0	5.00
4) How would you rate the firm's analytical sophistication?	3.0	4.5	5.0	3.0	4.0	5.0	5.00
5) How would you rate the quality and/or clarity of the firm's reports?	3.0	4.4	5.0	4.0	4.7	5.0	4.00
6) How would you rate the effectiveness of the firm's educational presentations?	3.0	4.4	5.0	4.0	4.7	5.0	4.00
7) How would you rate the firm's knowledge of institutional investment practices?	3.0	4.4	5.0	5.0	5.0	5.0	5.00
8) How would you rate the firm's build-out of SamCERA's private equity program?	4.0	4.5	5.0	4.0	4.7	5.0	5.00
9) What is your overall opinion of firm?	3.0	4.6	5.0	4.0	4.3	5.0	5.00

Attachments

A. *SIS Annual Review Questionnaire*

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT**

**STRATEGIC INVESTMENT SOLUTIONS, INC.
DECEMBER 31, 2013
ANNUAL REVIEW QUESTIONNAIRE**

ORGANIZATIONAL UPDATE

- 1) Provide an update on Strategic Investment Solutions' organization, with particular emphasis on (a) changes to your structure, (b) growth of assets/accounts under consultation (c) breakdown by client type, and (d) clients gained or lost in the past year. All significant changes should be accompanied by an explanation.**

Significant Developments During Last Three Years

1. In March 2013, John Nicolini and Nathan Pratt became corporate officers of the company with the title of Vice President.
2. In December 2012, Harshal Shah, Vice President, left the firm, and executed a Stock Redemption Agreement for the company's repurchase of his shares of common stock (3.4% of outstanding shares).
3. In December 2011, our Board of Directors approved the creation of an Employee Stock Ownership Plan (ESOP) as a vehicle for repurchasing the shareholdings of departing employees and expanding the benefits of ownership to all employees. On December 20, 2011, retiring Chairman and co-founder Michael Beasley signed a Stock Purchase Agreement selling the majority of his shares to the ESOP Trust. Michael Beasley formally retired on February 29, 2012.
4. In connection with the creation of the ESOP, the company converted its corporate status from a C-Corp to an S-Corp effective fiscal year 2012.
5. At the annual Shareholders meeting held on February 14, 2012, the following were elected to the Board of Directors: Barry Dennis (Chairman), Pete Keliuotis (Chief Executive Officer), John Meier (Chief Financial Officer and Chief Operating Officer), Patrick Thomas (Board Member), Michael Beasley (Board Member and Chairman Emeritus). At the same Shareholders meeting Richard Dabrowski and Stephen Quirk were appointed as corporate officers of the firm.
6. In January 2012, Richard Dabrowski became a shareholder of the firm.

Current Ownership

All employees of SIS are beneficial owners of the company through the Employee Stock Ownership Plan (ESOP) that was created in 2011. The ESOP currently owns 22.6% of company stock, and 17 active employees own 77.4% of outstanding stock. The current shareholders of the company are as follows:

% OF OUTSTANDING SHARES

Barry Dennis	24.8%
SIS Employee Stock Ownership Plan	22.6%
John Meier	9.7%
Pete Keliuotis	9.7%
Paul Harte.....	5.1%
Patrick Thomas	4.9%
Curt Smith	4.1%
Emmanuel Canteras	3.4%
Anne K. Ward	3.4%
Deborah Gallegos	2.4%
Richard Dabrowski	2.1%
Steve Hempler	1.9%
Marc Gesell	1.9%
Jonathan Brody	1.9%
Elaine Gee	0.5%
Helen Lam	0.5%
Steve Masarik	0.5%
Lisa Keliuotis.....	0.5%

Growth of Assets

PERIOD ENDING 12/31	2009	2010	2011	2012	2013
NUMBER OF CLIENTS	31	31	31	32	32
ASSETS UNDER ADVISEMENT	~\$530B	~\$450B	~\$440B	~\$450B	~\$455B

Client Composition (As of 12/31/2013)

	LESS THAN \$1B	\$1B TO \$5B	\$5B TO \$15B	\$15B TO \$50B	OVER \$50B	TOTAL
PUBLIC EMPLOYEES RETIREMENT	1	3	4	4	4	16
CORPORATE	2	3	2			7
ENDOWMENT/ FOUNDATION	4		1			5
PRIVATE WEALTH TRUST	2	2				4
TOTAL	9	8	7	4	4	32

In April 2013, we were hired by Merced County Employees Retirement Association to serve as its retainer general consultant.

In July 2013, Con-Way Inc. terminated its consulting relationship with us after its DB plan was frozen and restructured. They have been a client since 1997.

2) What services does your firm offer in addition to pension fund investment consulting?

None. Pension fund consulting is our only line of business and it accounts for 100% of our firm's revenues.

3) What percentage of your firm's income comes from pension fund investment consulting?

100%.

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?

We have firm limits on the number of clients, and limits on the number of relationships that individual consultants can have. The firm-wide limit, based on current staffing, is 40 retainer relationships; we currently have 31 for both general and private markets consulting. The per-consultant client limit is 10. We currently have available capacity. Available capacity for a consulting team is based on the overall complexity and scope of services relating to their existing consulting relationships.

5) Please specify the individuals (up to five) who you feel are key to the success of your firm.

As a small firm that puts a high premium on team-driven client service and research, we view every member of our firm as an important contributor to our success. General consultants (who have direct client service responsibilities), specialty consultants, and technical analysts all work together to deliver the services required by our clients and respond to their daily needs in a timely manner.

The key executives and heads of our functional groups are as follows:

Chairman.....	Barry Dennis
CEO.....	Pete Keliuotis, CFA
COO and CFO	John Meier, CFA
Senior Consultants	Patrick Thomas, CFA
Senior Consultant	Paul Harte
Head, Quantitative Consulting.....	John Meier, CFA
Head, Manager Research.....	Deborah Gallegos
Head, Measurement Systems.....	Anne Ward
Head, Private Markets Consulting	Curt Smith, CFA
Head, Administration.....	Emmanuel Canteras

6) Please specify the individuals (up to five) who you feel are key to the success of SIS' account relationship with SamCERA.

The primary consultants to SamCERA:

Patrick Thomas, CFA, and **Jonathan Brody**, are responsible for the general direction and supervision of strategic planning and program implementation for the Fund; communication with the fund's staff, Board and third-party providers;

Faraz Shooshani, Vice President, serves as private markets consultant;

Samson Chan, Performance Analyst, assists in performance measurement

John Nicolini serves as Real Assets Specialist;

John Meier and **Barry Dennis** assist in quantitative consulting and strategic planning.

7) Has your firm been involved in any regulatory or litigation events in the past year?

No.

8) Update all significant personnel changes to the "SamCERA team" at Strategic Investment Solutions.

None.

9) Describe any new potential services/improvements to your existing services being considered.

With SamCERA's adoption last year of a 2% discrete allocation to Real Assets, SIS will expand its service to the plan assist in the population of the asset class. The Real Assets portfolio will include a mix of private and public investments selected opportunistically and designed to augment the existing inflation-sensitive elements in the total SamCERA portfolio. Also, over the past year SIS has introduced several enhancements to its performance reporting package intended to more clearly evaluate risk in the portfolio.

10) Describe the relative strength and longevity of your back-office (performance and risk analytics) staff.

Our performance measurement staff is headed by Anne Ward and composed of five performance analysts for public markets—Helen Lam, Elaine Gee, Samson Chan, Jing Chen, and Ancilla Hyppolite; and three performance analysts for alternative investments—Lisa Keliuotis, MyDung Do, and Peter Chong. One performance analyst and a backup are assigned to every relationship for this service. Anne Ward, as head of group, and your consultant oversee performance monitoring and serve as primary contact. Samson Chan serves as your performance measurement analyst.

InvestorForce has 46 full-time employees, plus one full-time and two part-time consultants. This team is solely focused on developing web-based software for the institutional investment consulting community. The breakout of our FTE employee base is as follows:

- Technology: 24
- Product Management: 5
- Operations: 5
- Client Service: 8
- Finance/Sales/HR/Executive: 4

50% of InvestorForce’s resources are allocated to technology while the majority of other resources are in client service, operations and product management.

SIS considers InvestorForce a technology partner, and looks to leverage both InvestorForce’s development expertise and deep commitment to the continual advancement of the platform in support of its clients’ needs.

11) What are the current technologies utilized in supporting the back-office processes? What performance measurement system do you use? Also what risk systems do you utilize in producing ex-post and ex-ante risk reports for clients? Please summarize your maintenance and upgrade policy/plan.

More than 30% of our non-salary operating expenditures go to the refinement, purchase, or lease of internally developed and third-party software products and databases for our consulting services. Part of our consulting strategy is to supplement or replace existing tools with more robust products available in the market. During the last three years, we have added or upgraded the following analytical consulting tools:

InvestorForce	Manager and plan sponsor performance histories, US equity and fixed income performance attribution, portfolio characteristics and comparisons
BARRA	International and US Equity (E3) models; risk exposures and performance attribution
OPTIMIZE	Asset allocation system
DB Sim	Asset allocation and asset/liability modeling system
eVestmentAlliance	Public markets database
MPI Stylus	Returns-based style analysis, regression analysis
Morningstar	Mutual fund information
Morningstar Direct	Analytics, index information
Bloomberg	Securities pricing data
Insignis Portfolio Intelligence	Portfolio analytics
HFN	Hedge fund database
Private i	Private markets analytics and performance
Preqin	Private markets database
Thomson Reuters	Private markets database
Thomson One VentureXpert	Private equity database
Private Informant	Private equity database
Preqin	Private equity database

Additionally, we have developed a proprietary web-based database that facilitates the collection and dissemination of manager information derived from manager meetings, due diligence reviews, and onsite inspections, for both public and private markets assets. This database serves as a company-wide resource for tracking all forms of manager correspondence, monitoring search activity and research priorities. It allows any employee, at any time, access to SIS's full client information and materials, and the universe of managers (public and private) with which SIS maintains a relationship.

SIS uses peer group comparison universes provided by our performance platform vendor, InvestorForce (IF). At this writing, 31 institutional investment consulting organizations leverage the InvestorForce performance measurement and reporting application. Collectively, InvestorForce clients represent roughly \$3.5 trillion in assets under advisement across 3,500+ institutional plans. Generally, InvestorForce clients range in size from close to \$500 million in AUA to \$1 trillion in AUA. In addition to InvestorForce, the peer group comparison universes include plans provided by Callan Associates and J.P. Morgan Investment Analytics & Consulting.

12) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months?

- File/Print/Email/Internet based services
- Has your firm experienced any problems with these systems in the past eighteen months?
 - No outages of more than one hour. Primary issue was related to the old email server- old server is totally offline, email system has been upgraded, and deployed on new fault tolerant hardware in a failover cluster. System is fully redundant at the primary location
 - We will be implementing offsite redundancy to the mission critical servers over the course of the next 6–12 months, allowing the systems to remain fully operational in the event the primary site is rendered inoperable for any reason
- Secondary, redundant Internet circuit was installed last month, and will be fully operational this month. Circuits are totally separate physically, and logically through different ISP's. Redundant firewalls onsite allow the failure of 1 of these devices while still providing full Internet services. Spare network switches are onsite in the event a production unit fails.

When were these systems implemented and when were they last upgraded?

- Email system is less than one year old
- File/Print is three and a half years old and in the process of being migrated to new hardware—will be completed this year
- Firewalls are one and five years old.

Do you anticipate any changes to these systems in the next eighteen months?

We will be implementing offsite redundancy to the mission critical servers over the course of the next 6–12 months, allowing the systems to remain fully operational in the event the primary site is rendered inoperable/inaccessible for any reason.

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

- Backups of all company data are performed nightly to both onsite and offsite locations.
- In the event of a catastrophe which completely destroys the primary business location, recovery of critical systems will be done to an alternate location to spare hardware that is stored offsite. Once the recovery of core systems is completed to offsite location, staff will be able to work from home computers and/or laptops and connect to new alternate server location through secure means to access email and files.
 - Recovery time for critical services is approximately 12–16 hours, and work is being done this year to reduce recover time to less than one hour.

PERFORMANCE

14) Please respond to the feedback given during the prior performance review and how you have (or have not) addressed the specific issues raised during that review. The primary issues are listed below:

a) The robustness of the performance reporting package needs to be improved.

Last year, SIS upgraded from State Street to a new performance reporting vendor, Investorforce (IF). Compared to our prior performance vendor, State Street, InvestorForce has a more stable and efficient performance platform and more automated report production. Not only can we now produce a customized performance in less time, the process is more automated and therefore, less likely to have errors.

Our peer comparisons also are now from more robust universes. Currently, 31 institutional investment consulting organizations leverage the InvestorForce performance measurement and reporting application. Collectively, InvestorForce clients, in collaboration with Callan Associates and JP Morgan Chase Bank, represent roughly \$3.5 trillion in assets under advisement across 3,500+ institutional plans. Total Plans return statistics are ranked in these IF- compiled universes. Under IF, manager portfolios are ranked in eVestment Alliance (eA) universes where each manager strategy is accorded one observation in the universe. eA universes are used by our manager research group, so there will be greater consistency with the data that SIS uses in Manager Research.

Separately, SIS has strengthened its performance reporting to SamCERA to better reflect and quantify risks in the portfolio, and to provide greater detail and clarity for assessing performance, including:

- Individual Manager benchmark tracking errors and information ratios
- Asset Class benchmark tracking errors and information ratios
- Total Fund standard deviation and Sharpe ratios
- Gross and Net return summaries
- Total Fund Allocation Index
- Total Fund Return with and without effect of Overlay

b) Better communication is needed regarding progress on the private equity build out.

We have initiated biweekly calls, in which we review the pipeline of funds and other related projects in consideration for SamCERA's private equity portfolio. Many funds are identified and noted as potential candidates for a commitment months prior to coming to market, with updates on ongoing diligence provided along the way.

c) The Board would like more frequent and robust educational sessions.

We have provided many robust education sessions in recent years, most notably on hedge funds, private equity, real assets and the Asset Liability Modeling theory and practice. We believe that these ongoing board education efforts have been instrumental to the successful implementation of SamCERA's strategic plan to diversify its portfolio that was initiated after the last SIS review.

15) Detail your perspective of SamCERA's performance expectations, as spelled out in the contract and SamCERA's Investment Policy, and how your firm is doing relative to those expectations.

SamCERA's Investment Plan describes the investment consultant's services to the Board to include: 1) assisting in the development of the Investment Plan, 2) assisting in oversight, monitoring and selection of managers, 3) providing educational sessions and insights into the financial markets and 4) providing quarterly performance reports. SamCERA's Investment Consulting Agreement also calls for SIS to assist with asset/liability modeling, rebalancing policies, and manager structure analysis.

We believe that SamCERA's performance expectation for SIS is well conceived and appropriate. SIS has had the opportunity to provide all of these consulting services to SamCERA over the course of our retainer relationship, and we believe that we have met SamCERA's performance expectations.

We are very proud of our work on behalf of SamCERA and of the results that the plan has achieved over the last three years since the SamCERA board expanded the discretion that it delegated to SIS. The many changes to the SamCERA portfolio over this period have both improved diversification while at the same time enhanced returns in the portfolio.

16) In general terms, how is SamCERA able to reduce the risk of underperformance relative to the Plan Benchmark?

SamCERA's extensive utilization of active management strategies exposes it to the risk of underperforming its indexes. Given its preference for active strategies, and absent a strategic decision to reduce the allocation to active, the primary way to reduce the risk of underperformance is robust manager research that produces good manager selection. SIS believes that we have employed a rigorous manager research and selection process on SamCERA's behalf. Also, in the last year, SamCERA has in fact increased its allocation to indexation in the more efficient area of large cap US equity and International Equity, where market are more efficient, and it is harder for active managers to add value.

Finally, SamCERA's has also implemented a portfolio overlay service to ensure efficient and disciplined rebalancing to minimize performance slippage through asset allocation differences, thus reducing the total plan's risk to its policy benchmark return.

17) Discuss the domestic equity, international equity, fixed income, alternatives, and real estate markets and SamCERA's relative success or failure in the current market.

Overall SamCERA's relative performance across broad asset classes was strong in 2013. The US Equity Composite's 35% return was 70 basis points ahead of SamCERA's custom benchmark, placing it the 37th percentile of the relevant universe. All but one of the active U.S. equity managers outperformed their respective benchmarks for the year.

The International Equity Composite was ahead of the MSCI ACWI ex US index by 130 basis points, but slightly behind the universe median. The relative laggard in the group was Pyramis, the international small cap manager. The strongest relative performance came from the plan's emerging markets manager, Eaton Vance, which was more than 400 basis points ahead of its benchmark for the year.

The Total Fixed Income Composite, which delivered a 1% return for the year, was 400 basis points ahead of its custom benchmark and in the top quartile of the universe. All of the active managers outperformed their respective benchmarks; and in the case of the opportunistic and global managers, the excess returns were substantial.

Results among the portfolio's Alternatives were mixed. The one hedge fund in the Plan, AQR Delta, generated more than twice the return of its benchmark, but fell in the bottom quartile of the universe. The commodity strategy, SSGA Multisource, lost money in absolute terms, but outperformed the DJ UBS Commodity Index. Although it is still early days for the Plan's private equity investments, in aggregate they performed in the top quartile relative to universe peers. Among the Alternatives, the risk parity strategy, AQR Global Risk Premium, faced significant challenges. The strategy's -2.1% for the year was more than 20 percentage points behind the return of its 60/40 benchmark.

The Plan’s real estate investment with INVESCO delivered benchmark-like returns for the year, which put it in the top quartile of the universe.

18) Describe any difficulties you may experience in working with SamCERA’s actuary, board, custodian, investment managers, or staff.

None.

INVESTMENT CONSULTING PHILOSOPHY

19) Describe your investment consulting philosophy, including (a) what are your firm’s consulting specialties, strengths and limitations (b) your assessment of the value added by your investment philosophy and (c) what sets your services apart from other pension consultant’s services?

Strengths and Specialties. SIS specializes in strategic planning, especially asset allocation and liability analysis and manager structure analysis, manager research, and private markets consulting. As general consultant, SIS has been providing “best-in-class” services in the following areas for more than 19 years.

- **Asset/Liability and Asset Allocation Modeling:** Our flexible approach incorporates multiple client-specific characteristics rather than “off-the-shelf” software packages.
- **Investment Policy, Objectives and Guidelines Development and Implementation:** Our long-term strategic approach and emphasis on documenting decisions and their rationale set us apart in this area.
- **Risk Management Consulting:** We help large investors assess risk exposures, develop actionable plans and procedures, and review third-party risk system vendors. In addition, we have helped clients establish their first enterprise-wide risk management systems.
- **Manager Structure Analysis:** We develop manager structure tools that allow clients to easily and consistently manage portfolio exposures within asset classes to target their unique risk tolerance and alpha objectives.
- **Trustee and Staff Education:** Our investment professionals have an average of nearly 20 years of industry experience and have individually been providing trustee and staff education for decades, throughout multiple market cycles and investment trends. We are also active in exploring new investment strategies.
- **Manager Evaluation, Search and Selection, Due Diligence:** As an independent, employee-owned firm, we are well-positioned to provide objective advice on public and

private markets investment managers and conduct rigorous due diligence at all levels of the search process.

- **Performance Evaluation and Manager Monitoring:** John Meier is a founding member of the CIPM advisory council and its first chairman and in September will begin a four year term on the GIPS Executive Committee and Chair of its Investor/Consultant Subcommittee. Our performance measurement database is the largest in the industry and is used by the Federal Reserve to track pension fund flows. In addition, our reporting package is flexible in addressing clients' specific reporting and information needs.
- **Private Markets Consulting:** We have a deep and experienced private markets consulting team. This also allows us to assist clients with developing non-traditional investment programs such as Opportunity Portfolios. "Private markets" includes: Private Equity (individual partnerships and funds-of-funds relating to domestic and international venture, buyout, distressed, mezzanine, special situations), Absolute Return (funds-of-funds and multi-strategy funds), Real Assets (Infrastructure, Commodities, Natural Resources, and Real Estate), and Opportunity Portfolio investments.

Limitations. Our limitations include:

- We do not hold conferences that bring all our clients together for educational purposes. Rather, client education will be on an individual basis.
- Our face-to-face manager research efforts are focused on managers who have delivered competitive or better than average results and manage reasonable amounts of money in the product under consideration. This research is augmented by an Emerging Manager effort. Thus, we are not focusing our primary research resources on two segments (small and underperforming) of the management community.

Consulting Approach. Our approach is to serve as an adjunct to Staff which serves at the pleasure of the Board. We provide a very hands-on consulting approach, typically speaking with our clients at least once per week. Our approach integrates consistent assumptions, policies and benchmarks throughout the application of all of our disciplines — asset allocation, manager structure, manager selection, and performance evaluation.

We view ourselves as our clients' co-fiduciary. Although we do not exercise any discretionary control or authority, we give advice and alternatives on the investment decisions of our clients for compensation and, on this basis, consider ourselves to be our clients' co-fiduciaries. We will act with the same prudence and diligence expected of fiduciaries, provide empirical and theoretical support for our recommendations, and respect the confidentiality of our client-consultant relationship.

In our relationship with money managers, we play the role of client advocate. We do not accept any revenues from money managers. Furthermore, we give all managers equal opportunity to compete for our clients' business, provided that they comply with our clients' standards and our information requirements. Along with the Board, Staff, and your money

managers, we are members of a team whose objective is to maximize the risk-adjusted return of your investments.

Distinguishing Characteristics. We believe that the following characteristics distinguish us from our competitors:

- **Relevant Experience:** Our firm and its consulting professionals have had extensive experience with plan sponsors similar in size and structure to SamCERA. We believe this combination of relevant experience with similar plan sponsors, and our reputation for quality and objectivity, is remarkable in our industry.
- **Stability.** SIS has benefited from employee stability. Fifty percent our employees have been with the firm for more than 10 of our 20 years as a firm; 28% have been with us for more than 15 years; five out of our eight founding employees remain with the firm.
- **Objectivity and Alignment of Interests with our Clients.** Throughout our history, SIS has been employee-owned. As such, we do not have any conflicts of interests, real or potential. As co-fiduciaries to all our clients, our interests are aligned with those of our clients. We offer only non-discretionary consulting services. We do not manage assets or provide services to investment managers. This allows us to provide objective, conflict-free advice. Our close client relationships and frequent communication, including on-site visits by our clients, has allowed us to maintain a high level of transparency.
- **Effective Communication.** As consultants, our primary role is to provide information, counsel, and education to our clients. This role cannot be performed effectively without clear and proactive communication. The following is a description of how this is accomplished:
 - The small size of our firm, relative to some other investment consulting organizations, belies the depth of resources we offer our clients. We are a top-heavy organization. As such, our clients work directly with senior investment professionals, not junior “consultants-in-training.”
 - Our client-to-consultant ratio, well below industry averages, allows us maintain close working relationships with each of our clients individually. Client communication is handled on a day-to-day basis by the lead consultant involved in the relationship.
 - The primary focus of our firm is providing long-term strategic guidance. Having many relationships with other large plan sponsors allows us to share ideas for both cutting edge and traditional “best practices.”

- The lean organizational structure of our firm, combined with many years of consulting experience, allows us to easily capitalize on our individual industry networks and share ideas and information internally; this provides our clients with an efficient and value-additive flow of information.
- We are not ‘yes consultants.’ As a result, we believe it is critical to have a proactive dialogue with our clients, bringing them our best ideas, rather than merely assisting them with implementing their initiatives. We believe this is an important characteristic as you seek a consultant that will provide an independent perspective directly to SamCERA.

Value-added. We can most effectively add value by assisting SamCERA in the following areas:

- Developing an appropriate asset allocation strategy that accounts for your short- and long-term liabilities, liquidity requirements, and regulatory limitations.
- Developing a manager structure within each broad asset class (both public and private) that allows you to achieve your asset class performance objectives at an acceptable level of benchmark risk.
- Sourcing investment managers that can exceed their risk-adjusted performance objectives while complying with their investment guidelines.
- Evaluating and monitoring investment managers to ensure policy compliance.
- Updating the investment policy and procedures statements so that they remain comprehensive and relevant to you.
- Educating the Staff and Board so that your fiduciaries can make investment decisions appropriately and collectively. This process often includes the introduction of “best practices” within the plan sponsor community; SIS’ experience with other similar funds often gives us an informational advantage.

20) Describe and explain your firm’s brokerage relationships, money management activities, fee relationships and soft dollar relationships. Include the amount of income derived in the last calendar year from investment managers.

None. SIS has no brokerage, money management, and soft dollar relationships or businesses. All revenues during the last calendar year and every calendar year since the establishment of our firm were derived from consulting to plan sponsors.

21) Provide your assessment of the risks associated with SamCERA’s portfolio and describe your firm’s risk management capabilities and the tools employed in risk assessment.

Risk management is the core of our institutional investment consulting practice. SIS specializes in providing strategic planning services to large institutional funds—asset allocation/liability analysis, manager structure analysis, investment policy development, and trustee education. Lou Kingsland, who developed the Monte Carlo approach to stochastic asset/liability simulation, now works exclusively for SIS and chairs our Investment Policy Committee.

SIS monitors risk through the monthly and quarterly performance measurement process we regularly go through for clients. We use a combination of returns- and holdings- based analyses to measure and monitor the risks of the portfolio. The tools we use are the InvestorForce, DB-Perform, MPI Stylus Suite and Barra U.S. and Global Equity risk models. Exposures to asset classes are monitored relative to targets. Asset class and manager risk exposures to sector, industry, quality, rating and other fundamental characteristics are calculated and monitored relative to their appropriate benchmarks and the manager's investment guidelines and objectives. We provide performance attribution to determine the sources of return to a portfolio and evaluate it to ensure that it is consistent with the investment strategy and philosophy of the investment manager.

As part of the implementation of an asset class, we develop a manager structure for the asset class which identifies and quantifies the long term exposures and risks expected from each manager and develop a target weight for each manager. This process is risk management based and is used as a yardstick against which we measure the characteristics of each manager and the asset class overall. We also use the model to monitor the risks and characteristics of an asset class as they change when manager allocations move away from their target weights. Asset allocation targets and exposures are typically monitored at least monthly. Manager allocations are typically monitored at the same frequency. Risk exposures and characteristics of managers are monitored through their monthly reporting of strategy, portfolio characteristics and account performance and then a thorough independent analysis is performed quarterly through the performance measurement report.

For clients seeking a more robust, perhaps real-time risk system, we have assisted them in evaluating vendors such as Barra, IFS, RiskMetrics, MeasureRisk, BlackRock Solutions, etc. Regarding risk as it pertains to economic environments, we conduct an extensive scenario analysis as part of our asset/liability modeling process.

On more of a micro level, we have recently been working with clients jointly with investment managers that offer “risk parity” (aka “all-weather”) strategies to assess their appropriateness; some of these managers can also provide modeling services that can serve as an independent view on the effect on funding of different economic environments. Finally, we have encouraged clients to develop “Opportunity Portfolio” mandates to allow them to pursue investment opportunities designed to benefit from market dislocations; this helps balance returns through economic cycles as investors can pursue high-return strategies even when public market returns are weak.

22) What are your recommendation(s) regarding categories of managers appropriate to implement SamCERA’s *Investment Policy*?

As a result of SamCERA’s recently-completed Asset Liability study, SIS recommended that SamCERA increase its allocations to several diversifying elements of its asset allocation – hedge funds, risk parity, and real assets. The one investment area that represents a new “category” for SamCERA is real assets. Our recommendation that SamCERA include a discrete allocation to real assets, in addition to its existing inflation-sensitive investments, is consistent with our recommendation to all SIS clients, and arises from our belief that the possibility of unexpected inflation over the next several years is an underappreciated risk for long term pools of capital.

23) Please provide your philosophy around incorporating ESG issues in the management of the pension plan. Do any of your clients currently incorporate ESG issues in their investment process? If so, how?

SIS believes that the goal of the SamCERA investment program is to achieve long-term, sustainable, risk-adjusted returns consistent with prudence and fiduciary duty. For significant institutional investors with long-term investment time horizons, sustainable investment can be defined as a prudent consideration of environmental, social and governance factors—known as ESG—within the process of investment decision making. SIS believes that these concerns have always been implicitly embedded in our investment philosophy (for instance, through our emphasis on repeatability of process, and our insistence on long term results orientation). As such, ESG issues are deeply embedded in the work we do with all of our clients.

24) Do you recommend hiring a dedicated proxy voting consultant or delegating this function to the investment manager.

We recommend delegating this function to the investment managers.

25) Given SamCERA’s current plan governance structure, do you recommend any changes in the way the Board/staff/consultant work together in managing and overseeing the plan assets?

We do not recommend any changes to SamCERA’s current governance structure.

OUTLOOK

26) What is Strategic Investment Solutions’ outlook for the capital markets? Provide your firm’s Capital Market Assumptions. Include an explanation of how SIS arrives at its Capital Market Assumptions.

RISK/RETURN ASSUMPTIONS

	EXPECTED RETURN	STANDARD DEVIATION	SHARPE RATIO
U.S. INFLATION	2.3%	—	—
U.S. LARGE CAP STOCK	7.6%	17.0%	0.359
U.S. SMALL CAP STOCK	7.9%	19.5%	0.328
U.S. FIXED INCOME	2.9%	5.0%	0.280
INT’L DEVELOP MKT STOCK	7.8%	20.0%	0.315
EMERGING MKT STOCK	8.5%	32.0%	0.219
INT'L FIXED INCOME	2.9%	9.0%	0.156
PRIVATE MARKETS	10.0%	32.0%	0.266

	EXPECTED RETURN	STANDARD DEVIATION	SHARPE RATIO
REAL ESTATE	6.2%	18.0%	0.261
U.S. HIGH YIELD	5.0%	11.0%	0.318
EMERGING MKT DEBT	4.9%	11.0%	0.309
U.S. TIPS	2.9%	4.5%	0.311
INT'L ILB	2.3%	4.0%	0.200
FLOATING RATE BANK LOANS	4.3%	7.5%	0.373
INFRASTRUCTURE	6.2%	24.0%	0.196
HARD ASSET EQUITY	7.2%	24.0%	0.238
COMMODITIES	4.0%	30.0%	0.083
HEDGE FUNDS	5.0%	10.0%	0.350
CASH	1.5%	1.0%	0.000

CORRELATIONS

	US LC	US SC	US FI	Intl Stk	EM Stk	Intl FI	PE	RE	HY	EM FI	TIPS	Intl ILB	BK Loan	Infrast	Nat Res.	Commod	HF	Cash
U.S. Large Cap Stock	1.00																	
U.S. Small Cap Stock	0.86	1.00																
U.S. Fixed Income	0.15	0.06	1.00															
Intl Develop Mkt Stock	0.77	0.72	0.05	1.00														
Emerging Mkt Stock	0.57	0.65	-0.08	0.71	1.00													
Intl Fixed Income	0.09	0.00	0.49	0.35	0.14	1.00												
Private Equity	0.73	0.68	-0.07	0.55	0.53	0.01	1.00											
Real Estate	0.64	0.71	0.16	0.56	0.50	0.00	0.32	1.00										
U.S. High Yield	0.69	0.73	0.34	0.60	0.59	0.28	0.53	0.70	1.00									
Emerging Mkt Debt	0.48	0.48	0.39	0.42	0.55	0.17	0.36	0.42	0.49	1.00								
U.S. TIPS	0.10	0.05	0.66	0.04	0.09	0.44	-0.07	0.27	0.31	0.43	1.00							
Intl ILB	0.42	0.23	0.63	0.40	0.15	0.49	0.23	0.25	0.38	0.37	0.56	1.00						
Floating Rate Bank Loans	0.66	0.64	0.12	0.62	0.59	0.09	0.42	0.69	0.80	0.39	0.24	0.31	1.00					
Infrastructure	0.51	0.53	0.42	0.49	0.44	0.21	0.19	0.64	0.61	0.50	0.36	0.19	0.59	1.00				
Natural Res. Equity	0.56	0.56	0.08	0.68	0.65	0.17	0.30	0.53	0.40	0.47	0.26	0.31	0.46	0.53	1.00			
Commodities	0.27	0.28	-0.06	0.30	0.38	0.11	0.17	0.28	0.10	0.44	0.41	0.16	0.26	0.24	0.63	1.00		
Hedge Funds	0.58	0.50	0.28	0.67	0.50	0.26	0.38	0.38	0.33	0.60	0.25	0.41	0.46	0.59	0.57	0.46	1.00	
Cash	0.06	0.03	0.09	0.10	0.07	0.07	0.09	0.02	-0.04	0.20	0.08	0.08	-0.02	0.18	0.21	0.20	0.26	1.00

EFFICIENT FRONTIER MIXES UNCONSTRAINED OPTIMIZATION RESULTS USING SIS PROJECTIONS AS OF 11/2013								
U.S. LARGE CAP	9.2%	11.0%	12.3%	12.5%	13.0%	13.3%	12.9%	12.9%
U.S. SMALL CAP	3.1%	3.7%	4.1%	4.2%	4.3%	4.4%	4.3%	4.3%
U.S. FIXED	36.2%	47.5%	45.2%	39.5%	32.6%	26.2%	17.5%	8.4%
INT'L STOCK	6.4%	7.9%	9.2%	10.3%	11.6%	13.3%	13.9%	15.5%
EMERGING MARKETS STOCK	4.4%	5.8%	6.5%	6.5%	6.8%	6.6%	6.4%	6.0%
INT'L BOND	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
REAL ESTATE	0.0%	1.1%	3.0%	4.3%	5.2%	5.4%	5.3%	3.5%
PRIVATE EQUITY	3.6%	4.6%	6.0%	8.0%	10.1%	12.6%	15.8%	19.1%
ABSOLUTE RETURNS	4.9%	3.8%	3.9%	3.4%	3.1%	0.0%	0.3%	0.0%
HIGH YIELD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EMERGING MARKETS DEBT	0.0%	0.0%	0.0%	2.3%	2.5%	3.5%	4.4%	6.0%
REAL RETURN FIXED INCOME	30.4%	11.3%	5.0%	1.9%	0.5%	0.0%	0.0%	0.0%
REAL RETURN EQUITY	1.6%	3.4%	4.6%	7.3%	10.2%	14.5%	19.3%	24.3%
% EQUITIES	28.4%	37.5%	45.8%	53.0%	61.2%	70.3%	77.9%	85.6%
EXP. RETURN	5.15%	5.63%	6.10%	6.57%	7.04%	7.52%	7.99%	8.46%
EXP. RISK	6.99%	8.20%	9.48%	10.84%	12.25%	13.73%	15.27%	16.90%

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

Clients remained concerned with:

- Continued low funded status due to low discount rates, low recent equity returns, generous benefit promises, and distressed plans sponsors
- Ongoing high pension expense and contributions, low bond return expectations leading to low blended portfolio return expectations
- Pressure to re-evaluate benefit delivery model, especially for corporate plans, increasingly for publics as well
- Ongoing impact of market crisis, fear of more trouble ahead

CONCLUSION

28) Is there any information that would be timely per SamCERA's *Investment Policy* or relative to this review?

This comprehensive questionnaire covers the information required for Policy and for the purpose of this review.

29) Are your clients making significant changes in their asset mixes? Please describe these changes. Do you see any trends in asset allocation?

Similar to SamCERA's experience with its asset allocation this past year, many clients are adding to diversifying assets and in are the early stages of implementing discrete real asset strategies. Broadly speaking, in many ways we believe that SamCERA is a leader in these areas.

30) What market opportunities should SamCERA be considering?

SamCERA should now implement the marginal changes recommended to its asset allocation arising from its recent Asset Liability study and its ongoing quest to document and manage its portfolio risk. These items are detailed in the answer to question #31 below.

31) Please provide a preliminary recommendation of what your work plan for the next 12 months should look like given SamCERA's current plan structure.

Here are the items we see for the 2013 work plan:

- Populate expanded Hedge Fund allocation
- Populate expanded Risk Parity allocation
- Begin populating new Real Assets allocation
- Populate expanded Opportunistic Credit sleeve of the Fixed allocation
- Evaluate Small Cap Growth manager Chartwell; consider options
- Implement DE Shaw in 130/30 mandate
- Evaluate Western Asset for possible Unconstrained bond mandate
- Evaluate International Small Cap manager Pyramis; consider options
- Develop Plan Risk Dashboard Reporting/Diagnostic Tool
- Study Impact of Currency Exposure Risk/Considering Hedge
- Consider Opportunistic Global Unconstrained Mandates

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 25, 2013

Agenda Item 7.1

To: Board of Retirement



From: Chezelle Milan, Retirement Senior Accountant
Mabel Wong, Finance Officer

Subject: Preliminary Quarterly Financial Report for the Period Ending December 31, 2013

Comment: The attached preliminary statements fairly represent SamCERA's Financial Statements.

Statement of Fiduciary Net Position

SamCERA's Net Position Restricted for Pension as of December 31, 2013 totaled \$3,042,783,593.

Statement of Changes in Fiduciary Net Position

Net position restricted for pensions increased by approximately \$128.1million in comparison to the net position for September 2013 of \$2.9 billion. The increase is due to market appreciation of assets over the last three months.

The following reports are attached to this agenda item:

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San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Position - YTD Comparative
December 2013
PRELIMINARY

	December 2013	December 2012
ASSETS		
CASH AND CASH EQUIVALENTS	51,297,206	55,072,055
CASH MANAGEMENT OVERLAY	14,377,888	0
SECURITIES LENDING CASH COLLATERAL	145,631,450	130,973,788
TOTAL CASH	<u>211,306,544</u>	<u>186,045,843</u>
RECEIVABLES		
Contributions	0	0
Due from Broker for Investments Sold	132,024,343	141,865,342
Investment Income	5,460,684	4,394,553
Securities Lending Income	42,848	45,123
Other Receivable	194,529	113,237
TOTAL ACCOUNTS RECEIVABLES	<u>137,722,404</u>	<u>146,418,255</u>
PREPAID EXPENSE	7,669	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	437,427,876	436,771,566
International Fixed Income Securities	109,852,954	106,264,777
Domestic Equities	1,185,067,360	970,077,722
International Equities	600,461,281	485,478,876
Real Estate	169,724,124	150,954,465
Private Equities	106,179,188	44,329,810
Risk Parity	173,421,324	167,743,631
Hedge Funds	117,794,861	71,327,120
Commodities	85,379,583	74,824,869
Held for Securities Lending	0	0
Other Investment	0	0
	<u>2,985,308,551</u>	<u>2,507,772,835</u>
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>3,334,345,168</u>	<u>2,840,244,601</u>
LIABILITIES		
Investment Management Fees	2,846,182	1,959,042
Due to Broker for Investments Purchased	142,206,154	147,991,311
Collateral Payable for Securities Lending	145,631,450	130,973,788
Other	877,789	811,826
TOTAL LIABILITIES	<u>291,561,575</u>	<u>281,735,967</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>3,042,783,593</u>	<u>2,558,508,635</u>

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Position - YTD Comparative
December 2013
Preliminary

	December 2013	December 2012	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	73,941,165	73,037,493	903,673
Employee Contribution	22,145,845	27,047,362	(4,901,517)
TOTAL CONTRIBUTIONS	96,087,010	100,084,854	(3,997,844)
INVESTMENT INCOME			
Interest and Dividends	21,207,175	28,487,296	(7,280,121)
Net Appreciation (Depreciation) in fair value of investments	291,576,901	159,201,943	132,374,958
Less Investment Expense	(11,712,805)	(11,290,089)	(422,716)
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	301,071,270	176,399,149	124,672,121
SECURITIES LENDING INCOME			
Earnings	118,476	252,374	(133,899)
Less: Securities Lending Expenses	69,846	116,643	(46,797)
NET SECURITIES LENDING INCOME	188,322	369,017	(180,696)
OTHER ADDITIONS	133,543	155,230	(21,687)
TOTAL ADDITIONS	397,480,145	277,008,251	120,471,894
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	68,531,188	64,718,180	3,813,008
Disability Retirement Allowance	9,446,667	8,158,884	1,287,783
Survivor, Death and Other Benefits	344,199	538,240	(194,041)
TOTAL ASSOCIATION BENEFITS	78,322,054	73,415,304	4,906,750
REFUND OF MEMBER CONTRIBUTIONS	1,446,507	3,079,429	(1,632,923)
ADMINISTRATIVE EXPENSE	2,662,139	2,252,207	409,932
OTHER EXPENSE	91,185	56,330	34,855
TOTAL DEDUCTIONS	82,521,884	78,803,270	3,718,614
NET INCREASE	314,958,261	198,204,981	116,753,280
Net Position Restricted for Pensions			
Beginning of Period	2,727,825,332	2,360,303,654	
End of Period	3,042,783,593	2,558,508,635	

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San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET POSITION - TRAILING SIX MONTHS
For the Month Ending December 31, 2013
PRELIMINARY

	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	YTD
ADDITIONS							
CONTRIBUTIONS							
Employee Contribution	2,559,300	3,414,941	3,454,722	3,568,554	5,456,815	3,691,512	22,145,845
Employer Contributions - Regular	5,387,029	7,274,444	7,364,919	7,314,029	11,133,539	7,660,442	46,134,402
Employer Contributions - COLA	3,079,236	4,083,674	4,118,952	4,080,220	6,203,906	4,248,765	25,814,753
Employer Prefunded Contribution	63,916,571	(11,304,718)	(11,447,540)	(11,357,918)	(17,285,936)	(10,528,448)	1,992,010
TOTAL CONTRIBUTIONS	74,942,135	3,468,341	3,491,053	3,604,885	5,508,325	5,072,271	96,087,010
INVESTMENT INCOME							
Interest and Dividends	2,841,440	3,491,619	7,207,831	3,142,406	3,055,120	1,468,759	21,207,175
Net Appreciation (Depreciation) in fair value of investments	89,392,866	(48,253,760)	96,771,789	83,660,378	36,873,411	33,265,761	291,710,444
Securities Lending Income	19,682	18,143	19,208	21,793	19,130	20,520	118,476
Other Additions	0	0	0	0	0	0	0
Other Investment Related Expense	(505,112)	(299,243)	(810,897)	(230,343)	(194,468)	(706,143)	(2,746,206)
Securities Lending Expense	6,434	7,355	12,167	7,239	12,048	24,603	69,846
TOTAL ADDITIONS	166,697,445	(41,567,544)	106,691,151	90,206,357	45,273,565	39,145,771	406,446,745
DEDUCTIONS							
ASSOCIATION BENEFITS							
Retiree Annuity	2,992,088	3,038,393	3,059,110	3,085,441	3,046,140	3,059,668	18,280,840
Retiree Pension	6,926,721	7,067,925	7,152,258	7,186,163	7,055,890	7,053,260	42,442,216
Retiree COLA	2,960,035	2,942,052	2,939,019	2,927,595	2,911,855	2,901,128	17,581,684
Retiree Death and Modified Work Benefit	2,886	2,886	2,886	2,886	2,886	2,886	17,315
Active Member Death Benefit	0	0	0	0	0	0	0
Voids and Reissues	0	0	0	0	0	0	0
TOTAL ASSOCIATION BENEFITS	12,881,729	13,051,256	13,153,272	13,202,084	13,016,771	13,016,942	78,322,054
REFUND OF MEMBER CONTRIBUTIONS	258,672	158,915	416,252	300,535	195,442	116,692	1,446,507
ACTUARIAL FEES	1,250	1,250	56,250	1,250	4,381	1,250	65,631
CONSULTANT FEES - INVESTMENT (SIS)	33,333	66,667	0	33,333	33,333	33,333	200,000
CUSTODIAN FEES - STATE STREET	15,351	15,089	13,956	14,810	18,000	14,240	91,445
CASH OVERLAY MANAGEMENT FEE - CLIFTON GROUP	0	0	21,750	7,750	(2,587)	7,750	34,663
OTHER PROFESSIONAL FEES	7,500	7,500	0	1,500	0	0	16,500
INVESTMENT MANAGEMENT FEE - R1000 INDEX	10,262	9,947	10,354	20,471	4,039	10,816	65,889
INVESTMENT MANAGEMENT FEE - PYRAMIS	19,455	19,348	19,562	19,650	19,604	19,565	117,184
INVESTMENT MANAGEMENT FEE - ANGELO GORDON STAR	99,282	0	101,719	0	0	127,679	328,680
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	9,764	9,605	9,795	9,784	9,667	9,622	58,236
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	39,703	39,724	35,367	40,702	40,702	40,702	236,898
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	38,189	37,425	38,657	39,184	39,232	39,528	232,215
INVESTMENT MANAGEMENT FEE - CHARTWELL	67,603	67,264	71,039	72,482	75,204	75,816	429,408
INVESTMENT MANAGEMENT FEE - D E SHAW	63,993	61,625	56,686	75,030	53,893	61,385	372,612
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	61,059	59,327	61,918	60,241	62,497	53,583	358,625
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	73,225	69,841	75,823	77,558	81,331	80,684	458,616
INVESTMENT MANAGEMENT FEE - BROWN ADVISORY	39,173	72,450	57,986	58,164	61,240	51,672	340,684
INVESTMENT MANAGEMENT FEE - MONDRIAN	33,532	29,008	35,707	67,042	67,430	67,258	299,976
INVESTMENT MANAGEMENT FEE - PYRAMIS SELECT	42,745	41,625	45,241	46,527	46,578	47,087	269,803
INVESTMENT MANAGEMENT FEE - EATON VANCE	47,869	54,182	54,182	68,597	60,398	52,214	337,443
INVESTMENT MANAGEMENT FEE - BAILLIE GIFFORD	70,900	69,954	74,706	76,158	77,053	77,170	445,940
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	18,941	27,012	27,248	27,419	27,337	27,313	155,271
INVESTMENT MANAGEMENT FEE - INVESCO CORE	51,493	51,493	73,047	46,794	53,901	57,454	334,182
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTION:	75,008	0	75,008	0	0	0	150,016
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	108,477	0	(21,607)	81,343	0	88,949	257,162
INVESTMENT MANAGEMENT FEE - ABRY PARTNERS	0	0	73,941	0	0	96,088	170,029
INVESTMENT MANAGEMENT FEE - REGIMENT	0	0	74,275	0	0	65,621	139,896
INVESTMENT MANAGEMENT FEE - GENERAL CATALYST	0	61,880	0	0	0	57,900	119,780
INVESTMENT MANAGEMENT FEE - EMERGENCE CAPITAL	0	0	39,020	0	0	0	39,020
INVESTMENT MANAGEMENT FEE - NEW ENTERPRISE	0	0	28,694	0	0	29,820	58,514
INVESTMENT MANAGEMENT FEE - SYCAMORE PARTNERS	141,083	0	0	0	0	0	141,083
INVESTMENT MANAGEMENT FEE - SYCAMORE SIDECAR	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - ENCAP	0	0	37,500	0	0	37,500	75,000
INVESTMENT MANAGEMENT FEE - CEVIAN CAPITAL	0	66,012	34,518	35,243	35,670	35,398	206,841
INVESTMENT MANAGEMENT FEE - WARBURG PINCUS	0	0	102,231	0	0	0	102,231
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARIT	52,481	53,149	52,363	53,639	58,736	58,463	328,831
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	61,554	69,618	68,329	69,182	35,107	89,167	392,957
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	35,758	22,284	31,860	33,063	33,063	33,063	189,092
TOTAL PROFESSIONAL FEE	1,318,982	1,083,279	1,537,126	1,136,914	995,809	1,548,090	7,620,200
ADMIN EXPENSE - SALARIES & BENEFITS	217,918	263,935	270,513	263,379	400,997	283,840	1,700,583
ADMIN EXPENSE - SERVICES & SUPPLIES	142,768	111,602	114,993	190,201	104,590	297,402	961,556
TOTAL ADMINISTRATIVE EXPENSES	360,686	375,537	385,506	453,580	505,587	581,242	2,662,139
INTEREST FOR PREPAID CONTRIBUTION	0	0	0	0	0	1,346,400	1,346,400
OTHER DEDUCTIONS	(3,099)	13,577	10,572	16,815	36,070	17,250	91,185
TOTAL DEDUCTIONS	14,816,970	14,682,563	15,502,728	15,109,928	14,749,679	16,626,615	91,488,484
NET INCREASE	151,880,475	(56,250,108)	91,188,423	75,096,429	30,523,886	22,519,156	314,958,261

2/25/2014

**San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Position - Monthly Comparative
For the Month Ending December 31, 2013**

	December 2013	November 2013	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	51,297,206	85,917,750	(34,620,544)	-40.29%
CASH MANAGEMENT OVERLAY	14,377,888	8,532,992	5,844,896	68.50%
SECURITIES LENDING CASH COLLATERAL	145,631,450	150,007,300	(4,375,850)	-2.92%
TOTAL CASH	211,306,544	244,458,042	(38,996,394)	-15.95%
RECEIVABLES				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	132,024,343	162,002,325	(29,977,982)	-18.50%
Investment Income	5,460,684	4,942,691	517,993	10.48%
Securities Lending Income	42,848	28,902	13,946	48.25%
Other Receivable	194,529	194,579	(50)	-0.03%
TOTAL ACCOUNTS RECEIVABLES	137,722,404	167,168,497	(29,446,093)	-17.61%
PREPAID EXPENSE	7,669	7,669	0	0.00%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	437,427,876	443,824,886	(6,397,011)	-1.44%
International Fixed Income Securities	109,852,954	107,704,766	2,148,188	1.99%
Domestic Equities	1,185,067,360	1,184,087,351	980,009	0.08%
International Equities	600,461,281	532,144,354	68,316,927	12.84%
Real Estate	169,724,124	169,724,124	0	0.00%
Private Equity	106,179,188	102,243,367	3,935,821	3.85%
Risk Parity	173,421,324	175,388,237	(1,966,913)	-1.12%
Hedge Funds	117,794,861	116,519,255	1,275,606	1.09%
Commodities	85,379,583	75,054,773	10,324,810	13.76%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	2,985,308,551	2,906,691,113	78,617,438	2.70%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	3,334,345,168	3,318,325,322	10,174,950	0.31%
LIABILITIES				
Investment Management Fees	2,846,182	2,125,570	720,612	33.90%
Due to Broker for Investments Purchased	142,206,154	145,094,421	(2,888,268)	-1.99%
Collateral Payable for Securities Lending	145,631,450	150,007,300	(4,375,850)	-2.92%
Other	877,789	833,592	44,196	5.30%
TOTAL LIABILITIES	291,561,575	298,060,884	(6,499,309)	-2.18%
NET POSITION RESTRICTED FOR PENSIONS	3,042,783,593	3,020,264,437	16,674,260	0.55%

2/25/2014

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Position - Monthly Comparative
For the Month Ending December 31, 2013

	December 2013	November 2013	Increase/Decrease
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	73,941,165	72,560,406	1,380,759
Employee Contribution	22,145,845	18,454,332	3,691,512
TOTAL CONTRIBUTIONS	<u>96,087,010</u>	<u>91,014,739</u>	<u>5,072,271</u>
INVESTMENT INCOME			
Interest and Dividends	21,207,175	19,738,416	1,468,759
Net Appreciation (Depreciation) in fair value of investments	291,576,901	258,333,936	33,242,965
Less Investment Expense	(11,712,805)	(8,112,172)	(3,600,633)
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	<u>301,071,270</u>	<u>269,960,179</u>	<u>31,111,091</u>
SECURITIES LENDING INCOME			
Earnings	118,476	97,956	20,520
Less: Securities Lending Expenses	69,846	45,243	24,603
NET SECURITIES LENDING INCOME	<u>188,322</u>	<u>143,199</u>	<u>45,123</u>
OTHER ADDITIONS	133,543	110,748	22,796
TOTAL ADDITIONS	<u>397,480,145</u>	<u>361,228,864</u>	<u>36,251,281</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	68,531,188	57,145,161	11,386,027
Disability Retirement Allowance	9,446,667	7,872,778	1,573,889
Survivor, Death and Other Benefits	344,199	287,173	57,026
TOTAL ASSOCIATION BENEFITS	<u>78,322,054</u>	<u>65,305,112</u>	<u>13,016,942</u>
REFUND OF MEMBER CONTRIBUTIONS	1,446,507	1,329,815	116,692
ADMINISTRATIVE EXPENSE	2,662,139	2,080,896	581,242
OTHER EXPENSE	91,185	73,935	17,250
TOTAL DEDUCTIONS	<u>82,521,884</u>	<u>68,789,759</u>	<u>13,732,125</u>
NET INCREASE	314,958,261	292,439,106	22,519,156
Net Position Restricted for Pensions			
Beginning of Period	3,020,264,437	2,727,825,332	
End of Period	3,043,367,570	3,020,264,437	

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

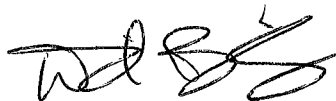
February 25, 2014

Agenda Item 7.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer
Brenda Carlson, Chief Legal Counsel

SUBJECT: SamCERA's Receipt of Favorable IRS Determination Letter



Staff Recommendation

Review report on receipt of Favorable I.R.S. Determination Letter.

Summary

In order to maintain SamCERA's tax qualified status, SamCERA's plan documents (the County Employees' Retirement Law, Board of Supervisors Resolutions, Board regulations and resolutions) and its operation must be consistent with the requirements of Internal Revenue Code (IRC). In early February, SamCERA received a favorable tax determination letter from the IRS, which reflects that SamCERA's plan documents meet the IRS qualification requirements.

Discussion

SamCERA is a qualified retirement plan under Internal Revenue Code (IRC) Section 401(a) and it is entitled to favorable tax treatment. This means that:

- (1) Member contributions can be deductible and are not included in income until the time the member receives a distribution from SamCERA.
- (2) Members may rollover withdrawn funds to another qualified plan or individual retirement arrangement for further tax deferral.
- (3) SamCERA's investment earnings may accumulate tax free.

In order to maintain this tax qualified status SamCERA must satisfy, in both form and operation, the requirements of the IRC. In order to be assured that the "form" of the plan is consistent with the IRC, SamCERA, like most public pension systems, requested a tax "determination letter" from the IRS. SamCERA submitted its request in 2011 along

Board of Retirement

with participation in a Voluntary Compliance Program (VCP) and as reported above, just received a favorable determination letter.

Implications of Favorable Determination Letter

Receipt of the favorable determination letter represents an important step in maintaining the tax-favored status of the plan. The determination letter addresses only the IRS's view that SamCERA's plan documents meet the qualification requirements. It does not protect against operational failures. That is why the VCP process was also utilized to correct any operational errors that SamCERA found in the thorough review process that we went through prior to the filing in 2011. Together, these actions serve to help protect the qualified status of SamCERA and fulfill one of the most important fiduciary duties of the Board.

That said, the favorable determination letter only covers SamCERA through the letter's date. Subsequent qualification requirements, including newly published IRS guidance or enacted statutes, are not covered by the determination letter, and must be addressed annually. Required changes must be submitted to the IRS with SamCERA's regular filings in the future.

SamCERA's Future Requests For A Tax Determination Letter

In general, as a governmental plan, SamCERA would file for a tax determination letter every 5 years under Cycle "C." However, due to the large number of governmental plans that were anticipated to file under Cycle "C", when it commenced in 2009, the IRS extended SamCERA's filing deadline from 2009 to 2011, which is the Cycle E deadline. And, SamCERA did file in 2011. This means SamCERA will need to refile between February 1, 2015, and January 31, 2016, the next deadline for Cycle E filers. SamCERA would then need to file its third determination letter application by the end of the subsequent Cycle C filing period, which is January 31, 2019. At that point, SamCERA would return to regularly filing every 5 years in Cycle C.

What SamCERA needs to do between now and January 31, 2016

In 2016, SamCERA will need to demonstrate that it has timely complied with the required law changes that apply for Cycle C beginning January 31, 2014, and each year as any changes may become effective. For the next filing SamCERA will need to:

- Explain all of the changes made by PEPRA.
- Show compliance with any applicable changes to the IRC, 1937 Act since 2011 and any changes to PEPRA itself.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

- Demonstrate that the actions described in the compliance statement issued to SamCERA on January 29, 2014, have been taken. These actions are:
 - Enactment of CERL legislation to comply with the IRC. (OCERS has begun this process and has placeholder legislation (AB 431) introduced as the vehicle to accomplish this.
 - Board adoption of proposed model regulations and creation of procedural guidance for staff in administering the regulations.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 24, 2014

Agenda Item 7.3

TO: Board of Retirement 
FROM: Scott Hood, Assistant Executive Officer
SUBJECT: Approval of Resolution Authorizing the Chief Executive Officer to Execute an Agreement for Leased Space with Realty Associates Fund VII, LLP

Staff Recommendation

Approve a resolution authorizing the CEO to execute a 4th amendment to the SamCERA office lease to extend the occupancy duration for 5 years and acquire additional temporary space to support the implementation of the Pension Automation Software System (PASS), at an amount over the duration not to exceed \$2,556,000 plus charges for taxes and common area maintenance as customarily calculated by building management.

Summary

SamCERA's lease will expire at the end of this calendar year. Initial discussions with the landlord indicated that the market has changed considerably since SamCERA's last lease extension. SamCERA will have to renew at the market rate which is more than 40% greater than the current rate in the lease. In order to perform due diligence and confirm the change in the market, staff engaged a commercial real estate broker to conduct a search for office space that would meet SamCERA's needs. In addition to a large enough space for the organization, SamCERA has the additional requirement for temporary space, not to exceed 2000 square feet that would be needed for the duration of the PASS implementation project.

The initial lease rate for the existing premises will be \$3.85 per square foot and the initial lease rate for the temporary space will be \$3.75 per square foot. Both spaces have annual 3% increases. The total cost for the five-year lease plus the temporary space is anticipated to be \$2,556,000. This amount does not include the annual prorated charges for taxes and common area maintenance (CAM)

Initially, there appeared to be some suitable space in the Belmont Shores area that would meet the space requirement and would have been less expensive. Staff explored this option but could not get the landlord to accept a low enough rental rate that would have made moving SamCERA's offices cost effective. Additionally, staff and the property's agents were unable to agree on an office layout that would have met SamCERA's space needs.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

The inability to find suitable space at a rental rate that would have made moving a cost-effective option means that extending the current lease is the most economical option at this time. Staff is also nearing the start time for the PASS project to begin and remaining in place will cause the least disruption to both staff and the vendor.

Staff was able to negotiate a shorter lease extension than was offered by the landlord (5 versus 7 years). This allows for SamCERA to reevaluate space needs after the completion of the PASS project and may allow for the market conditions to become more favorable to tenants.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 13-14-

RESOLUTION AUTHORIZING CHIEF EXECUTIVE OFFICER TO EXECUTE A FOURTH AMENDMENT TO THE LEASE BETWEEN SAMCERA AND THE REALTY ASSOCIATES FUND VII, LLP TO EXTEND THE LEASING PERIOD AND ACQUIRE ADDITIONAL TEMPORARY SPACE

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

WHEREAS, the Board authorized the Chief Executive Officer to enter into an agreement with the Realty Associates Fund VII, LLP for a term ending December 31, 2014; and

WHEREAS, this Board has determined that it is in the best interests of SamCERA to extend the current lease for five years and acquire temporary space for use during the implementation of the PASS project in order to insure the continuity of SamCERA operations; Therefore,

BE IT RESOLVED, that the Board of Retirement authorizes the Chief Executive Officer to execute a fourth amendment to the lease with The Realty Associates Fund VII, LLP to extend the period of occupancy of the current premises for five years and to acquire additional temporary space necessary to support the implementation of the PASS at an amount over the duration not to exceed \$2,556,000 plus charges for taxes and common area maintenance as customarily calculated by building management

BE IT FURTHER RESOLVED, that the Chief Executive Officer is hereby authorized and directed to execute any subsequent amendments and minor modifications in an amount not to exceed \$25,000.