



Notice of Special Meeting

Address: 100 Marine Parkway | Suite 125
Redwood City, CA 94065
Phone: (650) 599-1234
Toll-Free: (800) 339-0761
Fax: (650) 591-1488
Email: samcera@samcera.org

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, June 3, 2014, at 10:00 A.M.**

(Please note time for the Special Meeting. No other meeting will be held on 6/3/14.)

Please take notice that the Chair of the Board of Retirement, acting pursuant to the authority of Government Code §54956, hereby calls a special meeting to take place on June 3, 2014, at 10:00 a.m. in SamCERA's Board Room, 100 Marine Parkway, Suite 160, Redwood City, CA 94065. The special meeting is for the purpose of discussing and transacting the following business:

PUBLIC SESSION – The Board will meet in Public Session at **10:00 a.m.**

- 1. Call to Order, Roll Call and Miscellaneous Business**
 - 1.1 Appointment of Ad Hoc Nominating Committee for Board Officers
- 2. Oral Communications**
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
- 3. Approval of the Minutes**
- 4. Approval of the Consent Agenda * (Set for 1:00 p.m. time certain)**

| | |
|----------------------------|---|
| 4.1 Disability Retirements | 4.6 Member Account Rollovers |
| • Brian McKinley | 4.7 Trustees' Requests for Additional Educational Activities |
| • Ana Sapling | 4.8 Overview of Annual Financial Audit |
| • Francine Wesley | 4.9 Approval of Audit Engagement Letter |
| • Hellen Zhang | 4.10 Annual Review, Revision, & Reaffirmation of the Investment Committee Charter |
| 4.2 Service Retirements | 4.11 Ratification of Staff's Action to Acquire Fiduciary Liability Insurance |
| 4.3 Continuances | |
| 4.4 Deferred Retirements | |
| 4.5 Member Account Refunds | |
- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
 - 5.2 Approval of Actuarial Assumptions for the June 30, 2014 Actuarial Valuation
- 6. Investment Services**
 - 6.1 Preliminary Monthly Performance Report for the Period Ending April 30, 2014
 - 6.2 Quarterly Investment Performance Report for the Period Ending March 31, 2014
 - 6.3 Discussion and Selection of Risk Parity Manager
 - 6.4 Due Diligence Report Concerning Certain Existing Alternative Investments (Confidential Under Gov. Code §6254.26, to be heard in Closed Session, C2)
 - 6.5 Report on Core Equity Manager and Barrow Hanley Annual Reviews

* Matters set for a time certain. Time listed is approximate. Time certain items will not be heard before the time scheduled.

Notice of Special Meeting

- 6.6 Discussion and Approval of Proposed Changes to the Investment Policy
- 6.7 Educational Presentation Regarding Fixed Income Direct Lending

7. Board & Management Support

- 7.1 Preliminary Quarterly Financial Report for Period Ending March 31, 2014
- 7.2 Update on SamCERA's Technology Modernization Project
- 7.3 Approval of Resolution Amending the Board's Education Policy
- 7.4 Approval to Reschedule the July Meeting of the Board of Retirement
- 7.5 Approval of SamCERA's 2014-15 Strategic Plan Update

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 Due Diligence Report Concerning Certain Existing Alternative Investments (Confidential Under Gov. Code §6254.26)
- C3 Public Employee Appointment in Accordance With Government Code Section 54957.
Title: Chief Executive Officer.

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

| | | |
|---------------------|-------------------|-------------------------------|
| Jackson, Rosalee | February 27, 2014 | Youth and Family Services |
| Zapparoni, Ceide | April 4, 2014 | County Counsel |
| Boyd, Elise | April 7, 2014 | Probation |
| Gunderson, Martin | April 9, 2014 | Sheriff's Office |
| Blanchard, Laurence | April 12, 2014 | Adult and Aging Services |
| Gildner, Gloria | April 18, 2014 | Beneficiary of Van Pelt, Chas |
| Bergman, Patricia | April 15, 2014 | Controller's Office |
| Wendler, JoyAnn | April 24, 2014 | Beneficiary of Wendler, Paul |

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

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



Posted: May 28, 2014

Natalie Kwan Lloyd, Chair

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



Notice of Special Meeting

Address: 100 Marine Parkway | Suite 125

Redwood City, CA 94065

Phone: (650) 599-1234

Toll-Free: (800) 339-0761

Fax: (650) 591-1488

Email: samcera@samcera.org

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.

A copy of the Board of Retirements' open session agenda packet is available for review at the SamCERA offices at 100 Marine Parkway, Suite 125 and on our website, unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday, 7:00 a.m. – 6:00 p.m.

* Matters set for a time certain. Time listed is approximate. Time certain items will not be heard before the time scheduled.

[Continued on page 2 – Posted 05/28/2014]


SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 1.1

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Appointment of Ad Hoc Nominating Committee for Board Officers

Staff Recommendation

The chair appoint an ad hoc committee to nominate officers for the 2014-2015 fiscal year, the committee to place its recommended trustees' names in nomination at the July 29 board meeting.

Background

The election of board officers takes place at the first meeting (July) of each fiscal year.

Article 1 of the *Regulations of the Board of Retirement* provides for the election of three board officers: Chair, Vice Chair and Secretary, as follows:

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

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

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

SamCERA's board officers traditionally serve one-year terms. Also by tradition, the board attempts to alternate appointed and elected trustees in each officer position. The officers tend to move up "through the steps" to eventually become Board Chair.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

10-Year SamCERA Board Officer History

| | <u>Chair</u> | <u>Vice-Chair</u> | <u>Secretary</u> |
|----------|--------------------|--------------------|--------------------|
| 2004-05 | Alma Salas | Ken Lewis | Tom Bryan |
| 2005-06 | Ken Lewis | Tom Bryan | Emily Tashman |
| 2006-07 | Tom Bryan | Emily Tashman | Bette Stuart |
| 2007-08 | Tom Bryan | Emily Tashman | Jim Hooley |
| 2008-09 | Emily Tashman | David Wozniak | Sandie Arnott |
| 2009-10 | Margaret Jadallah | Al David | Sandie Arnott |
| 2010-11* | Al David | Sandie Arnott | Natalie Kwan Lloyd |
| 2011-12 | Al David | Sandie Arnott | Natalie Kwan Lloyd |
| 2012-13 | Sandie Arnott | Natalie Kwan Lloyd | Lauryn Agnew |
| 2013-14 | Natalie Kwan Lloyd | Lauryn Agnew | Paul Hackleman |

*beginning October 2010

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

June 3, 2014

Agenda Item 3.0

April 29, 30, 2014 – Board Agenda

Day 1: Agenda for Tuesday, April 29, 2014

PUBLIC SESSION - The Board will meet in Public Session at 9:00 A.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
- 2.3 Retreat Presentations and Discussions *(see attached agenda and list of presenters)*

3. Approval of the Minutes

4. Approval of the Consent Agenda (* Set for a time certain of 2:30 p.m., April 29)

(Items removed from the Consent Agenda will be taken up during the Regular Agenda under Item 5.1 and in the order determined by the Board Chair.)

- | | |
|--|---|
| 4.1 Disability Retirements | 4.8 Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Website Developer |
| • Faina Birman | |
| • William Lopez | |
| • Jack Yaco | |
| 4.2 Service Retirements | 4.9 Resolution Authorizing Chief Executive Officer to Execute an Agreement to Upgrade Microsoft Dynamics Great Plains Software. |
| 4.3 Continuances | |
| 4.4 Deferred Retirements | 4.10 Q3 Quarterly Budget Report for Period Ending March 31, 2014 |
| 4.5 Member Account Refunds | 4.11 Acceptance of a Gift from Daegis Inc. of Used Office Furniture |
| 4.6 Member Account Rollovers | 4.12 Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff |
| 4.7 Trustees' Requests for Additional Educational Activities | |

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda

6. Investment Services

- 6.1 Preliminary Monthly Performance Report for the Period Ending March 31, 2014
- 6.2 Report on the Annual Review of SamCERA's International Managers (Eaton Vance, Franklin Templeton, and Pyramis)
- 6.3 Discussion and Approval of Proposed Changes to the Investment Policy
- 6.4 Discussion and Approval of Proposed Alternative Investment *(Confidential Under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, C2)*

7. Board & Management Support Services

- 7.1 Discussion and Approval of SamCERA 2014-15 Budget
- 7.2 Approve a Resolution Authorizing the Chief Executive Officer to Execute Agreements with Northern Trust Company For Global Custody Services and Securities Lending
- 7.3 Approval of Resolution Revising the Board's Education Policy
- 7.4 Discussion of SACRS Business Meeting Topics Including Final SACRS Nominating Committee Slate of Officer Candidates

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

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 Discussion and Approval of Proposed Alternative Investment** (*Confidential under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, Item 6.4*)
 - C3 Public Employee Appointment in Accordance with Government Code §54957.**
Title: Chief Executive Officer. Approval of Ideal Candidate Description for Chief Executive Officer Recruitment
- 9. Report on Actions Taken in Closed Session**
- 10. Recess** (*the meeting/retreat will reconvene at 9:00 a.m. on Wednesday, April 30, 2014*)

Day 2: Agenda for Wednesday, April 30, 2014

PUBLIC SESSION - The Board will reconvene at 9:00 a.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
- 2.3 Retreat Presentations and Discussion (*Continued from Tuesday, April 29, 2014, see attached agenda and list of presenters*)

3. Adjournment in Memory of the Following Deceased Members:

| | | |
|----------------------|-------------------|------------------------------------|
| Pemberton, Beverly | February 12, 2014 | Beneficiary of Fries, Gustav |
| Arnold, Virginia | February 27, 2014 | Human Resources |
| Moore, Judith A. | March 10, 2014 | Mental Health |
| Moreno, Amy | March 3, 2014 | Mental Health |
| VanCantfort, Marilyn | March 4, 2014 | Beneficiary of VanCantfort, Rollin |
| Kalis, Betty | March 9, 2014 | Mental Health |
| Geimer, Irene | March 12, 2014 | EDP |
| Prime, Patricia | March 14, 2014 | Courts |
| Pantoja, Victoria | March 15, 2014 | Social Services |
| Ketchens, John | March 19, 2014 | General Services |
| Wyman, Patricia | March 21, 2014 | Tax Collector's Office |
| Nelson, Dena | March 21, 2014 | Courts |
| Bloom, Murray | March 22, 2014 | Probation |
| Paull, Forrest | March 23, 2014 | Sheriff's Office |
| House, Betty | March 23, 2014 | Hospital |
| Proctor, Patricia | March 26, 2014 | Sheriff's Office |
| Woodard, Josephine | March 27, 2014 | Probation |
| Parker, Leslie | March 27, 2014 | Probation |

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

April 29-30, 2014 Board Minutes

Day 1: Minutes for Tuesday, April 29, 2014

1404.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Natalie Kwan Lloyd, Chair, called the Public Session of the Board of Retirement to order at 9:00 a.m.

Roll Call:

Trustees Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello (arrived at 9:15 a.m.) and Eric Tashman (arrived at 11:40 a.m.).

Alternates Present: Christopher Miller (*Alma Salas – Excused*)

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

1404.2.1 **Oral Communications From the Board:** Ms. Settles reported her attendance at the 2014 Pension Bridge Annual in San Francisco, on April 22-23, 2014. Mr. David reported his attendance at the NCPERS 2014 Public Pension Funding Forum, April 21-22 in New York. Lauryn Agnew reported attending the Institutional Investor Forum's Roundtable for Public Funds, April 23-25, in Los Angeles. Ms. Arnott reported her attendance at the CALAPRS General Assembly in Palm Springs, March 2-5, 2014.

1404.2.2 **Oral Communications From the Public:** None.

1404.2.3 **Retreat Presentations**

The Fed and the Economy – Dr. John Bellows from Western Asset Management gave a presentation and discussed the topic with Board members.

Immunizing the Fund –Patrick Thomas and John Meier of SIS, discussed this topic with the Board.

The Board meeting was adjourned for lunch at 11:45 a.m., and reconvened at 12:30 p.m. to discuss the following agenda items in the order they appear below.

1404.3.1 **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 Special Meeting held on March 25, 2014. The motion was seconded by Mr. Hackleman and carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor, none opposed.

1404.6.1 **Preliminary Monthly Performance Report for the Period Ending March 31, 2014:** Mr. Coultrip discussed the fund's monthly performance with the Board and reported that SamCERA's net preliminary return for March was +0.36%. This item was informational only and no action was taken.

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

1404.6.2 **Report on the Annual Review of SamCERA's International Managers (Eaton Vance, Franklin Templeton, and Pyramis):** Mr. Coultrip reported that staff met with SamCERA's international managers on April 3, 2014, and there were no significant concerns identified in the Eaton Vance and Templeton portfolio reviews. Mr. Coultrip noted that the Pyramis Select International Small-Cap Plus strategy has underperformed and staff will continue to monitor this strategy going forward. This item was informational only and no action was taken.

1404.6.3 **Discussion and Approval of Proposed Changes to the Investment Policy:** Mr. Coultrip reviewed the changes to the Investment Policy discussed at the March Board meeting. Conversation continued on topics including ESG. This item was for discussion only and no action was taken.

Mr. David was excused at 1:00 p.m., and Mr. Miller sat in for Mr. David for the remainder of the meeting. Ms. Kwan Lloyd adjourned the meeting into closed session at 1:40 p.m. to discuss item 6.4.

1404.6.4 **Discussion and Approval of Proposed Alternative Investment (*Confidential Under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, C2*):** The Board met in closed session to discuss a proposed alternative investment with John Nicolini of SIS. The meeting was reconvened into open session at 2:18 p.m.

Ms. Carlson reported that a motion was made to approve an investment of \$20 million in Taurus Mining Debt Fund, L.P. The motion was seconded and carried by a vote of 6-3, with trustees Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles and Spinello in favor; and trustees Agnew, Arnott and Tashman opposed.

1404.7.2 **Approve a Resolution Authorizing the Chief Executive Officer to Execute Agreements with Northern Trust Company For Global Custody Services and Securities Lending:** Mr. Coultrip went over the selection process that staff undertook to research and select a custodial bank services provider. An Evaluation Committee comprised of Mr. Coultrip, CIO; Mr. Hood, Assistant Executive Officer; Ms. Wong, Finance Officer; and Ms. Milan, Senior Accountant had reviewed the RFPs and attended presentations from each proposer, and recommended Northern Trust. Mr. Coultrip explained that State Street would be the bank of record until June 30, 2014, and would stay working under a contract extension until September 30, to provide a smooth transition; with Northern Trust as the bank of record beginning July 1, 2014.

Action: Ms. Settles moved to approve the resolution authorizing the Chief Executive Officer to execute agreements with The Northern Trust Company for Global Custody Services and Securities Lending. The motion was seconded by Mr. Spinello and carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed.

1404.7.1 **Discussion and Approval of SamCERA 2014-15 Budget:** Ms. Wong reviewed the three components (Professional, Administrative and Technology) of SamCERA's budget for 2014-15 with the Board, and answered questions about changes from last year.

Action: Ms. Agnew moved to approve SamCERA's 2014-2015 Professional, Administrative and Technology Budgets. The motion was seconded by Ms. Settles and carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed.

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

1404.4.0 **Approval of the Consent Agenda:** At the time certain of 2:30 p.m., the Chair asked if there were any items to be removed from the Consent Agenda. The disability application for Jack Yaco was removed and voted on separately, as Ms. Kwan Lloyd recused herself from item 5.1 only.
Action: Mr. Hackleman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Bowler and carried by a vote of 9-0, with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman, all in favor, none opposed.

1404.4.1 **Disability Retirements**

1. The Board found that **Faina Birman** is (1) permanently incapacitated for the performance of her usual and customary duties as a Nurse Practitioner, (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.
2. The Board found that **William Lopez** is (1) permanently incapacitated for the performance of his usual and customary duties as an Institutional Services Manager, (2) found that his disability was a result of an injury arising out of and in the course of his employment, and (3) granted his application for a service-connected disability retirement.

1404.4.2 **Service Retirements**

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

| Member Name | Effective Retirement Date | Department |
|---------------------|----------------------------------|------------------------|
| Castle, Mary | March 1, 2014 | Libraries |
| Concepcion, Antonio | February 18, 2014 | Public Health |
| Fajardo, Teresita | February 28, 2014 | Hospital |
| Freeman, Beth | February 26, 2014 | Deferred from Courts |
| Ibanez, Fernando | March 1, 2014 | Hospital |
| Kelleher, Carolyn | March 3, 2014 | Deferred from CMO |
| Korpiel, Adina | February 11, 2014 | Deferred from Courts |
| Lockman, Gary | March 1, 2014 | Parks Department |
| Martinez, Harry | March 1, 2014 | Corrections |
| McKinley, Brian | February 16, 2014 | Sheriff's Office |
| Morris, Arthur | February 19, 2014 | Health Administration |
| Semana, Eunice | February 2, 2014 | Tax Collector's Office |

1404.4.3 **Continuances**

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

| Survivor's Name | Beneficiary of |
|------------------------|-----------------------|
| Omai, Noboru | Omai, Misayo |
| Spahn, Charlene | Spahn, Peter |
| Carney, Margaret | Carney, Francis |
| Sanchez, Irma | Sanchez, Joseph |

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

1404.4.4 **Deferred Retirements**

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

| Member Name | Retirement Plan Type |
|-----------------------|-----------------------------|
| Blanchard, Barbara | G4 Vested |
| Holland, David | G4 Vested |
| Ramirez, Lucy | G4 Vested |
| Olsson, Nancy | G4 Vested |
| Da Rosa, Maxine E. | G4 Vested |
| Jameson, Kelly S. | P2 Vested - Reciprocity |
| Breedlove, Brianne M. | G4 Non-Vested - Reciprocity |
| Kim, Amanda M. | G4 Vested - Reciprocity |
| Mortz, Melissa A. | G4 Non-Vested – Reciprocity |

1404.4.5 **Member Account Refunds**

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

| Member Name | Retirement Plan Type |
|----------------------|-----------------------------|
| Harrington, Michaela | G4 Vested |
| Fortson, Sarah | G7 Non-vested |
| Erickson, Lindsay | G4 Non-vested |
| Knox, Stewart | G7 Non-vested |
| Ugur, Aylin | P5 Non-vested |
| McCarville, Thomas | S5 Non-vested |
| Imler, Erin | G7 Non-vested |
| Taylor, Lonnie | G7 Non-vested |
| Lopez, Celina | G4 Vested |
| Korsunsky, Julia | G5 Non-vested |
| Fong, Suzanna | G4 Non-vested |
| Chavez, Himer | G4 Vested |
| Alinea, Dominador | G4 Vested |
| Downs, Rebecca | G4 Non-vested |
| Caughlan, Sandra | G7 Non-vested |
| Pate, Joyevane | G4 Vested |
| Ortega, Jessica | G7 Non-vested |

1404.4.6 **Member Account Rollovers**

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

| Member Name | Retirement Plan Type |
|---------------------|-----------------------------|
| Medina, Ed | G4 Vested |
| Visser-Knoth, Maeve | G4 Non-vested |
| Kroll, Mary | G7 Non-vested |
| Chandra, Kamni | G4 Non-vested |
| Hanley, Lucy | G7 Non-vested |
| Ritchie, Elena | G5 Non-vested |
| Maclsaac, Julia | G7 Non-vested |
| Schuller, Bettina | G5 Non-vested |
| Ogden, Rita | G5 Non-vested |
| Alexander, Tania | G7 Non-vested |
| Sandstrom, Matthew | G4 Non-vested |

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

- 1404.4.7 **Trustees' Requests for Additional Educational Activities:** The Board approved the requests from three trustees for additional educational activities.
- 1404.4.8 **Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Website Developer:** The Board approved the resolution authorizing the Chief Executive Officer to execute an agreement not to exceed \$100,000 with a website developer for a new SamCERA website.
- 1404.4.9 **Resolution Authorizing Chief Executive Officer to Execute an Agreement to Upgrade Microsoft Dynamics Great Plains Software:** The Board approved the resolution authorizing the Chief Executive Officer to execute an agreement with a value-added reseller to upgrade SamCERA's Microsoft Dynamics Great Plains Software.
- 1404.4.10 **Q3 Quarterly Budget Report for Period Ending March 31, 2014:** The Board accepted the 3rd Quarter Budget report as presented.
- 1404.4.11 **Acceptance of a Gift from Daegis Inc. of Used Office Furniture:** The Board approved the acceptance of the gift of used office furniture from Daegis, Inc.
- 1404.4.12 **Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff:** The Board approved the resolution amending the Board's "Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff" to clarify the existing procedure for reimbursement for areas not subject to the standard Federal CONUS (Continental United States) rates.
- 1404.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** The disability application for Jack Yaco was considered separately from the Consent Agenda, as Ms. Kwan Lloyd recused herself from this item.
Action: Mr. Hackleman moved to grant Jack Yaco's application for a service-connected disability retirement. The motion was seconded by Mr. Spinello, and carried with a vote of 8-0-1, with trustees Agnew, Arnott, Bowler, Hackleman, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed, and Kwan Lloyd abstaining.
- 1404.2.3 The Retreat Presentations continued after the approval of the Consent Agenda.

Government Transparency Laws – Brenda Carlson, Chief Legal Counsel for SamCERA discussed this topic with the Board.

The meeting was adjourned into closed session at 2:35 pm, to discuss item C3. The meeting reconvened at 3:43 p.m. into open session.

C3 Public Employee Appointment in Accordance with Government Code §54957.

Title: Chief Executive Officer. Approval of Ideal Candidate Description for Chief Executive Officer Recruitment

Action: Mr. Bailey reported that in closed session the Board approved the "Ideal Candidate Statement" for use in the recruitment of a new CEO.

- 1404.7.3 **Approval of Resolution Revising the Board's Education Policy:** Mr. Bailey reviewed the proposed changes to the Board's Education Policy that were discussed at the March meeting. Board members discussed the amended policy that allows trustees to travel to educational events 8 times per year.
Action: Mr. Hackleman made a motion to approve the resolution amending the Board's Education Policy. The motion was seconded by Ms. Arnott, and carried with a vote of 9-0, with trustees Agnew,

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

Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed.

At this time both Mr. Spinello and Mr. Tashman reported their attendance at the 2014 Pension Bridge Annual in San Francisco, on April 22-23, 2014.

- 1404.7.4 **Discussion of SACRS Business Meeting Topics Including Final SACRS Nominating Committee Slate of Officer Candidates:** Mr. Bailey reviewed the SACRS business meeting topics and nominating materials with the Board. This item was informational only and no action was taken.
- 1404.8 **Management Reports**
- 1404.8.1 **Chief Executive Officer's Report:** Mr. Bailey notified the Board that SamCERA had received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for SamCERA's CAFR, and thanked staff members who had worked on the CAFR. Mr. Bailey discussed changes to meeting dates and times for June and July, reminding trustees that there is no meeting in May, and the June meeting will be June 3.
- 1404.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that the agreement with Vitech was nearing completion. He discussed the new additional office space being leased by SamCERA above the current space. Mr. Hood reviewed the Consent Agenda items – the gift of furniture, and the two technology contracts – that were approved by the Board. He noted that the Financial Knowledge classes were completed for the season. Mr. Hood also let Board members know that the non-recourse insurance fee of \$25 would be due on June 3.
- 1404.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that another private equity opportunity may be available, and would let the Board know after due diligence was completed. He thought that a special meeting or phone call may be required before the next Board meeting to take advantage of this opportunity.
- 1404.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported that the PERS interpretation of PEPR law regarding pensionable compensation was consistent with SamCERA's regulations.

Ms. Kwan Lloyd recessed the meeting at 4:24 p.m., concluding the first day of the retreat.

Day 2: Minutes for Wednesday, April 24, 2013

- 1404.1 **Call to Order, Roll Call and Miscellaneous Business**
- Call to Order:** Ms. Kwan Lloyd, Chair, called the Public Session of the Board of Retirement to order at 9:00 a.m.
- Roll Call:**
Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello (arrived at 9:40 a.m.) and Eric Tashman.
Alternates Present: Christopher Miller (*Alma Salas – Excused*)
Staff: David Bailey, Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Lilibeth Dames and Kristina Perez.
- 1404.2 **Oral Communications**
- 1404.2.1 **Oral Communications From the Board** – Ms. Arnott asked if GMI Ratings, The Future of Corporate

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

Reform could be added to the list of approved educational providers listed in the Board's Education Policy.

1404.2.2 **Oral Communications From the Public** – None.

1404.2.3 **Retreat Presentations**

Dive Deep – Michael Coultrip, CIO and Patrick Thomas, Vice President, SIS discussed, in detail, a variety of investment topics related to SamCERA's portfolio with the Board. This presentation and discussion was from 9:00 a.m. to 11:45 a.m.

The Board meeting was adjourned for the Board/Staff lunch at 12:00 p.m. and reconvened at 1:15 p.m. Retreat Presentations continued after lunch.

Understanding Certain Medical Conditions Routinely Raised in Disability Applications - Dr. Henry Brodtkin, SamCERA Medical Advisor, discussed this topic with the Board.

Actuarial Presentation - Nick Collier, Milliman, Inc. discussed the processes used to determine assumptions such as Wage Inflation, Longevity, and Mortality.

Ad Hoc Benefits - David Bailey and Brenda Carlson gave an overview of the issues surrounding this topic.

Adjournment: With no further business, Ms. Kwan Lloyd adjourned the meeting at 4:50 p.m. in memory of the following deceased members:

| | | |
|----------------------|-------------------|------------------------------------|
| Pemberton, Beverly | February 12, 2014 | Beneficiary of Fries, Gustav |
| Arnold, Virginia | February 27, 2014 | Human Resources |
| Moore, Judith A. | March 10, 2014 | Mental Health |
| Moreno, Amy | March 3, 2014 | Mental Health |
| VanCantfort, Marilyn | March 4, 2014 | Beneficiary of VanCantford, Rollin |
| Kalis, Betty | March 9, 2014 | Mental Health |
| Geimer, Irene | March 12, 2014 | EDP |
| Prime, Patricia | March 14, 2014 | Courts |
| Pantoja, Victoria | March 15, 2014 | Social Services |
| Ketchens, John | March 19, 2014 | General Services |
| Wyman, Patricia | March 21, 2014 | Tax Collector's Office |
| Nelson, Dena | March 21, 2014 | Courts |
| Bloom, Murray | March 22, 2014 | Probation |
| Paull, Forrest | March 23, 2014 | Sheriff's Office |
| House, Betty | March 23, 2014 | Hospital |
| Proctor, Patricia | March 26, 2014 | Sheriff's Office |
| Woodard, Josephine | March 27, 2014 | Probation |
| Parker, Leslie | March 27, 2014 | Probation |

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 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 **Brian McKinley** 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.
- b) The Board (1) accept the proposed findings and recommendation of the Hearing Officer, John Simonsen, that **Ana Sapling** does not have a disabling medical condition, (2) find that Ana Sapling is able to perform her duties as a Systems Engineer, and (3) deny her application for a service-connected disability retirement.
- c) The Board find that **Francine Wesley** is (1) not permanently incapacitated for the performance of her usual and customary duties as a Legal Office Specialist, and (2) deny her application for a non-service-connected disability retirement.
- d) The Board find that **Helen Zhang** is (1) permanently incapacitated for the performance of her usual and customary duties as an Accountant, (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.

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 |
|--------------------|----------------------------------|-----------------------------|
| Aguirre, Linda | March 29, 2014 | Human Services Agency |
| Antonini, Janice | March 29, 2014 | Courts |
| Baldwin, Beverly | April 16, 2014 | Environmental Health |
| Binns, Carol | March 29, 2014 | Hospital |
| Boone, Jill | April 23, 2014 | Deferred from Public Works |
| Boulding, Ife | March 29, 2014 | Hospital |
| Briggs, Patrick | March 20, 2014 | District Attorney's Office |
| Bywaters, Julie | April 24, 2014 | Deferred from Courts |
| Camarao, Bonifacio | March 14, 2014 | Deferred from Public Health |

| | | |
|-----------------------|------------------|---------------------------------|
| Dallimonti, Donald | March 31,2014 | Sheriff's Office |
| Davenport, Thomas | March 29, 2014 | Public Works |
| Day, Vickie | April 1, 2014 | Hospital |
| Dela Cruz, Russell | March 15, 2014 | Hospital |
| DelRosario, Emilio | March 29, 2014 | Sheriff's Office |
| Dottery, Geoffrey | February 1, 2013 | Deferred from Hospital |
| Ellette, Marian | March 31, 2014 | Human Services Agency |
| Franklyn, Linda | March 29, 2014 | Aging & Adult Services |
| Gan, Margaret | April 1, 2014 | Human Services Agency |
| Gandhi, Dhiren | March 30, 2014 | ISD |
| Gimotea, Susan | March 29, 2014 | Assessor's Office |
| Hagler, Isaura | March 29, 2014 | Human Services Agency |
| Hanlon, Mark | March 29, 2014 | Sheriff's Office |
| Hardiman, Lenore | March 17, 2014 | Hospital |
| Haw, Gan | March 2, 2014 | Hospital |
| Hennessy, David | March 29, 2014 | Sheriff's Office |
| Herrera-Zaman, Emilia | March 29, 2014 | Hospital |
| Humphrey, Mary | March 29, 2014 | ISD |
| Jansen, Nora | April 1, 2014 | Hospital |
| Johnson, Beverly | April 1, 2014 | Human Services Agency |
| Leung, David | March 29, 2014 | Agricultural Weights & Measures |
| Levy, Nell | March 29, 2014 | Human Services Agency |
| Lim, Michael | March 19, 2014 | Probation |
| Lopez, William | April 1, 2014 | Probation |
| Lucca, Vincenta | March 29, 2014 | Department of Public Works |
| Martinez, Joseph | March 29, 2014 | Sheriff's Office |
| Matarazzo, Steve | March 14, 2014 | Deferred from Planning |
| Matsumoto, Karyl | April 1, 2014 | Def'd. County Manager's Office |
| McKenna, Kathleen | April 1, 2014 | Court Commissioner |
| Miller, Glenda | March 29, 2014 | Probation |
| Miller, Gwendolyn | March 31, 2014 | Libraries |
| Morris-Rankins, Susan | March 2, 2014 | Libraries |

| | | |
|----------------------------|----------------|-------------------------------|
| Nardo, Frank | March 29, 2014 | Courts |
| Nishita, Carol | April 1, 2014 | Deferred from Social Services |
| Nissing, Deborah | March 13, 2014 | Deferred from Hospital |
| Northrup, Linda | March 27, 2014 | Aging & Adult Services |
| O'Brien, Rose | March 31, 2014 | Public Health |
| Oliden, Frances | March 29, 2014 | Family Health |
| Olsen, Gregory | March 2, 2014 | Probation |
| Palomaria, Abema | April 12, 2014 | Deferred from Hospital |
| Peterson, Dean | April 1, 2014 | Environmental Health |
| Preza, Luzviminda | March 28, 2014 | Hospital |
| Rangaswamy, Radha | March 31, 2014 | Libraries |
| Rocha, Lesbia | March 8, 2014 | Human Services Agency |
| Schoenfeld, Jerry | April 1, 2014 | Hospital |
| Shropshire-Mobbs, Margaret | March 29, 2014 | Family Health |
| Singh, Dharendra | March 31, 2014 | Sheriff's Office |
| Taylor, Rosemary | March 29, 2014 | Correctional Health |
| Thompson, Lee | March 29, 2014 | County Counsel |
| Tseng, Olive | March 29, 2014 | Hospital |
| Valde, Tito | April 1, 2014 | Hospital |
| Varela, Maria Elena | March 29, 2014 | Courts |
| Voll, Denise | March 27, 2014 | Deferred from Planning Dept. |
| Walker, Cheryl | March 29, 2014 | Behavioral Health |
| Wee, John | March 28, 2014 | Deferred from Courts |

4.3 Continuances

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

| Survivor's Name | Beneficiary of: |
|------------------------|------------------------|
| Pantoja, Carlos | Pantoja, Victoria |
| Ketchens, Annie Lee | Ketchens, John |
| Bloom, Lois | Bloom, Murray |
| Paull, Anne | Paull, Forrest |

| | |
|--------------|--------------|
| House, Edwin | House, Betty |
|--------------|--------------|

4.4 Deferred Retirements

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

| Member Name | Retirement Plan Type |
|------------------------|-----------------------------|
| Trewin, John | G4 Vested |
| Bates, Robert | S4 Vested |
| Seubert, Matthes | G4 Vested |
| Sharpe, Maybelline | G4 Vested |
| Stevens, Barbara | G4 Vested |
| Anderson, Rosanna | G4 Vested – Auto Defer |
| Aragon, Maria | G4 Vested – Auto Defer |
| Austin, Mary | G4 Vested – Auto Defer |
| Delgad, Crispin | G4 Vested – Auto Defer |
| Dubois, Amie | G4 Vested – Auto Defer |
| Fernandez, Karla | G4 Vested – Auto Defer |
| Garcia, Amador | G4 Vested – Auto Defer |
| Hernandez, Patricia L. | G4 Vested – Auto Defer |
| Hill, Elizabeth M. | G4 Vested – Auto Defer |
| Jensen, Alicia S. | G4 Vested – Auto Defer |
| McElroy-White, Greta | G4 Vested – Auto Defer |
| Morales, Roina M. | G4 Vested – Auto Defer |
| Nielsen, Eirik C. | G4 Vested – Auto Defer |
| Pawlowsky, Eric | G4 Vested – Auto Defer |
| Peterson, Candyce C. | G4 Vested – Auto Defer |
| Phelan, Paul | P4 Vested – Auto Defer |
| Recotta, Marjorie H. | G4 Vested – Auto Defer |
| Rhodes, Karen | G4 Vested – Auto Defer |
| Shanks, Marie P. | G2 & 3 Vested – Auto Defer |
| Swaminathan, Meena | G4 Vested – Auto Defer |
| Thain, Lauri | 3 Vested – Auto Defer |

| | |
|------------------|------------------------|
| Wachhorst, Wendy | G4 Vested – Auto Defer |
| Zamora, Niki | G4 Vested – Auto Defer |

4.5 Member Account Refunds

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

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Kostic, Christina | G7 Non-vested |
| Signo, Meriam | G4 Vested |
| Balbuena, Paul | G5 Non-vested |
| Jones, Mlima | G7 Non-vested |

4.6 Member Account Rollovers

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

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Nubia, Nicholas | G4 Vested |
| Warner, Roberta | G4 Vested |
| Chawk, Gary | G7 Non-vested |
| Tang, Xiaohua | G4 Non-vested |
| Mejia, Salvador | G4 Non-vested |

1 JOHN S. SIMONSON (SBN 58311)
HAYES SCOTT BONINO ELLINGSON & McLAY, LLP
2 203 Redwood Shores Parkway, Suite 480
Redwood City, CA 94065
3 Telephone: (650) 637-9100
Facsimile: (650) 637-8071
4 jsimonson@hayesscott.com

5 HEARING OFFICER

6 SERVICE CONNECTED RETIREMENT DISABILITY HEARING
7 BEFORE THE RETIREMENT BOARD
8

9 In re: Disability Retirement Application of
10 ANA SAPLING,

11 Claimant.

DECISION OF HEARING OFFICER

12
13 The hearing of the appeal of the application for service-connected disability denial by Ana
14 Sapling came on regularly for hearing April 9, 2014 before John S. Simonson. Appearances were
15 Jan Ellard for SamCERA and Ana Sapling appeared representing herself. A court reporter was
16 present and Ana Sapling was sworn. SamCERA filed a brief in advance and Ana Sapling did not
17 file a brief or any evidence other than her testimony under oath. For the reasons stated below the
18 denial of her application is hereby affirmed. All of the exhibits to the SamCERA brief were
19 admitted into evidence.

20 The claimant testified that she became depressed and therefore unable to work as a result of
21 her employment. She said, however, that she last saw Dr. Gonzales March 31, 2012 and had no
22 medical evidence of depression other than that contained in the records of Dr. Gonzales, which has
23 already been reviewed by Dr. Brodtkin. The records submitted do not support disability caused by
24 depression. In addition, the testimony of the witness cannot support such a finding as she is not a
25 physician.

26 As the hearing officer, I am charged with hearing the evidence and determining whether it
27 would support a finding as stated in Government Code section 31720 that the member is
28 permanently incapacitated for the performance of duty. To do so, I must consider only competent

1 medical opinion. Government Code 31720.3. The claimant here has submitted no medical opinion
2 at all. The claimant said she had contacted Dr. Gonzalez for her Social Security disability claim but
3 not for her claim in this forum. The claimant did say she has been taking "depression" medication
4 since 2005 but there is no evidence to connect that to her employment, if, in fact, it is true.
5 Furthermore, on September 27, 2010, Dr. Gonzales said she was in good physical and mental
6 condition and could return to work. She retired from the County September 1, 2011. For the
7 reasons stated, the appeal is denied.

8 Dated: April 17, 2014

HAYES SCOTT BONINO ELLINGSON & McLAY, LLP



9
10
11 By: _____
JOHN S. SIMONSON
HEARING OFFICER

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 4.7

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Trustees' Requests for Additional Educational Activities

Staff Recommendation

Approve attendance of trustees for the additional educational events and additional costs as noted below.

Background

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

"Certificate of Achievement in Public Plan Policy (CAPPP) from the International Foundation of Employee Benefit Plans"

Trustee Natalie Kwan Lloyd would like to attend CAPPP Part II, for Employee Pensions, scheduled for June 5-6, 2014, in San Jose, California. IFEBP is an approved provider of continuing education as per SamCERA's policy, however, Board approval is needed as costs for this conference will exceed the Trustee's FY 2013-14 education and training budget.

At the September 2013 meeting, the Board approved Ms. Kwan Lloyd's attendance at the IFEBP Trustees Masters' Program and Annual Conference, and allowed her to exceed her travel and education allowance for FY 2013-14. Her current expenditures total \$10,311.

Obtaining the CAPPP II Certification locally provides a significant savings as no hotel or airfare costs will be accrued. CAPPP II registration is \$1165 and food and mileage costs are expected to be under \$200.

With the addition of the CAPPP II costs, Ms. Kwan Lloyd's FY 2013-14 travel and education expenditures will be increased to approximately \$11,676.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

“US Markets, Center for Institutional Investor Education – 2nd Annual Tri-State Institutional Investors Forum”

Trustee Lauryn Agnew has asked to attend this US Markets sponsored forum to be held on June 11, 2014, in New York. This conference provider is not included in the list of approved organizations in SamCERA's travel policy. Board approval is needed for Ms. Agnew to attend this conference.

There is no registration fee for this event, and other costs are expected to be under \$1100 for airfare, meals, ground transportation and one night of lodging. The cost of attendance is within Ms. Agnew's annual travel allowance.

Attachment:

US Markets, Center for Institutional Investor Education – 2nd Annual Tri-State Institutional Investors Forum - Conference Agenda.

2nd Annual Tri-State Institutional Investors Forum

*A Meeting of Regional Institutional Investors – Wednesday, June 11th
NASDAQ Market Site - Times Square, New York*

DESIGNED FOR:

Public Pensions, Corporate Pensions, Endowments, Foundations, Insurance Companies & Investment Advisors

PROGRAM CONTRIBUTORS

Carolyn Wolpert, Chief Pension Administrator, **NYC Mayor's Office of Pensions & Investments**

Adam Cloud, Treasurer, **City of Hartford, Connecticut**

Andrew Russell, Head of Fixed-Income Investments, **Pension Boards United Church of Christ**

Louise Howard, Vice President, Fixed Income and Performance Analytics, **YMCA Retirement Fund**

Charles Tschampion, Director of Special Projects, **CFA Institute** / Board Member, **NY State Common Retirement Fund**

Jeffrey Oram, Council Member, **New Jersey State Investment Council**

Guy Haselmann, Council Member, **New Jersey State Investment Council**

Edward M. Cupoli, Board Member, **New York State Deferred Compensation Plan**

Michael Garland, Assistant Comptroller, **NYC Office of the Comptroller**

Larry Schimmel, General Counsel, **Office of NYC Public Advocate** / Trustee, **NYCERS**

Brian Guthrie, Executive Director, **Teacher Retirement System of Texas**

Adi Divgi, Head of Alternative Investments, **Quanta US Holdings Inc**

Joy Xu, Director, **Verizon Investment Management Corp.**

Christopher Brockmeyer, Director of Employee Benefit Funds, **The Broadway League**

Will Buividas, Treasurer, Chief Contract Negotiator, **Phoenix Law Enforcement Association**

Matthew Stroud, Head of Strategy and Portfolio Construction, **Towers Watson**

Fabio Cecutto, Head of International Equity Manager Research, **Towers Watson**

Michael Moy, Managing Director, **Pension Consulting Alliance**

Dr. Andrea Malagoli, Director, **Buck Consultants**

Melissa Mendenhall, Consultant, Private Markets, **NEPC**

Annoesjka T. West, Vice President, **Callan Associates**

Dr. Susan Mangiero, Managing Director, **Fiduciary Leadership**

Cynthia Steer, Head of Manager Research, **BNY Mellon**

CONTRIBUTING PARTNERS

EDUCATIONAL PARTNERS

CFA Institute

NASBA (CPE)

CFP Board

Schroders

Putnam Investments

NASDAQ OMX

World Gold Council

Bernstein Litowitz Berger & Grossmann

Voya Investment Management

Morgan Stanley Investment Management

Brandes Investment Partners

Vontobel

Natixis

7:30 Registration & Welcome Coffee

8:00 Breakfast Workshop – hosted by NASDAQ OMX

8:40 Welcome Remarks

The Organizer: **Shu Li**, Program Director, **US Markets**

The Chairperson: **Karl Dasher**, CEO, North America, **Schroders**

8:45 Smart Beta – Buzzword Explained

The cap-weighted index fund is facing intense competition from “smart beta” alternatives. What is “smart beta” and why is it becoming so popular with investors? Understand the key drivers of return and issues when considering “smart beta” for your portfolios

Stephen Kwa, Senior Portfolio Manager, **Schroders**

9:15 The NASDAQ Stock Market Opening Bell

9:45 Advanced Asset Allocation

In order to grow the pie, we need to cut it. Some slices will be larger than others but won’t necessarily grow faster. There are many ways to view and implement this process. Our expert speakers will compare notes on their approaches

Moderator

Guy Haselmann, Council Member, **New Jersey State Investment Council**

Panelists

Matthew Stroud, Head of Strategy and Portfolio Construction, **Towers Watson**

Adam Cloud, Treasurer, **City of Hartford, Connecticut**

Joy Xu, Director, **Verizon Investment Management Corp.**

Robert Schoen, Co-Head of Global Asset Allocation, **Putnam Investments**

10:45 Relative Value in the Credit Markets: Institutional Demand for Credit Strategies

This session will focus on several credit strategies that have evolved over time, including Emerging Market Debt, European High-Yield and Leverage Loans, US Middle Market Debt, Bank Loans, etc. Our panelists will debate the merits and pitfalls when these are incorporated into your portfolio.

Moderator

Louise Howard, Vice President, Fixed Income and Performance Analytics, **YMCA Retirement Fund**

Panelists

Andrew Russell, Head of Fixed-Income Investments, **Pension Boards United Church of Christ**

***Reginald Tucker**, Special Investment Officer, **New York State Common Retirement Fund**

***Adi Divgi**, Head of Alternative Investments, **Quanta US Holdings Inc**

11:20 Morning Coffee Break

11:30 Pension Executive Roundtable

Pension systems around the country, large or small, all face old and new challenges. Some are unique to one state, others are common to many. What are some of the issues that our executives are currently tackling?

Moderator

Annoesjka T. West, Vice President, **Callan Associates**

Panelists

Brian Guthrie, Executive Director, **Teacher Retirement System of Texas**

Christopher Brockmeyer, Director of Employee Benefit Funds, **The Broadway League**

***Carolyn Wolpert**, Chief Pension Administrator, **NYC Mayor's Office of Pensions & Investments**

12:05 Shareholder Rights and Policing Corporate America

This presentation will identify the governance and legal issues that shareholders of institutional funds should be aware of so that their rights are protected under domestic and international laws. The panel will also focus on securities litigation as a means to protect shareholders, providing precedent setting cases, as well as current ones, to show the benefits and hardships of pursuing such recourse

Panelists

Hannah Ross, Partner, **Bernstein Litowitz Berger & Grossmann LLP**

Michael Garland, Assistant Comptroller, **New York City Comptroller's Office**

***Francis Byrd**, Director, Corporate Governance, **TIAA-CREF**

12:40 Networking Luncheon

1:40 Negotiating Fees: A Discussion with All Parties Involved

This session will dive into the cost structure of asset managers and where there is flexibility to negotiate on management fees. Hear from all sides – the client, the consultant, the asset manager and the index provider – as we engage in a frank and honest discussion aimed at maximizing investment returns.

Moderator

Larry Schimmel, General Counsel, **Office of NYC Public Advocate** / Trustee, **NYCERS**

Panelists

Will Buividas, Treasurer, Chief Contract Negotiator, **Phoenix Law Enforcement Association**

Oliver Murray, Managing Director, **Brandes Investment Partners**

Speaker, TBA, **NASDAQ OMX**

2:15 Active v. Passive Strategies

2013 was a strong year for equities, providing passive strategies and index providers with more reasons to smile. However, as volatility picks up and more risk enters into global markets, will active management prove its worth yet again? Within the context of current and expected conditions, we evaluate the pros and cons on each side of this crucial debate

Panelists

Denise Higgins, Senior Vice President & Senior Portfolio Manager, **Voya Investment Management**

Fabio Cecutto, Head of International Equity Manager Research, **Towers Watson**

Dr. Andrea Malagoli, Director, **Buck Consultants**

2:50 Private Equity Update

As institutional LPs become more and more experienced and sophisticated, they now have more choices of accessing (and exiting) private equity investments. This panel will provide an update on the latest trends and opportunities.

Moderator

Melissa Mendenhall, Consultant, Private Markets, **NEPC**

Panelists

Michael Moy, Managing Director, **Pension Consulting Alliance**

***James Del Gaudio**, Investment Officer, Private Equity, **NYC Retirement System**

3:25 Real Assets & Infrastructure Opportunities

More and more investors are adding real assets and infrastructure investments into their portfolios as inflation hedge and/or risk diversifier. What are some of the attractive (and unattractive) assets in the current and future economic conditions? What type of infrastructure projects can make the most compelling case on a risk-adjusted basis?

Moderator

Jeffrey Oram, Council Member, **New Jersey State Investment Council**

Panelists

Cynthia Steer, Head of Manager Research, **BNY Mellon**

Ahmad Atwan, Executive Director, **Morgan Stanley Infrastructure**

***Petya Nikolova**, Executive Director and Head of Infrastructure Investments, **NYC Retirement System**

4:00 Sustainable and Responsible Investing

Why is socially responsible investing an important consideration for institutional investors? Is divesting from a certain company or industry still a powerful message? Should investment officers be concerned about the impacts to their portfolios' make up?

Moderator

Michael Garland, Assistant Comptroller, **New York City Comptroller's Office**

Panelists

Laura Campos, Director of Shareholder Activities, **The Nathan Cummings Foundation**

Speaker, TBA, **Natixis**

4:35 Fiduciary Responsibility for Management & Trustees

This session will be a discussion on the importance of the Board in establishing good governance practices. The role of audits as monitoring tools, the importance of establishing the right standards, transparency to stakeholders, lines of authority and reporting, delegation among staff, the investment consultant, and investment manager are some of the key points covered in this session.

Moderator

Dr. Susan Mangiero, Managing Director, **Fiduciary Leadership**

Panelists

Charles Tschampion, Director of Special Projects, **CFA Institute**

Edward M. Cupoli, Board Member, **New York State Deferred Compensation Plan**

Patricia Demaras, Senior Counsel, **Xerox Corporation**


5:10 Chairperson's Closing Remarks

5:15 Microbrew / Cocktail Roundtables – hosted by Vontobel

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 4.8

TO: Board of Retirement

FROM: Mabel Wong, Finance Officer
SUBJECT: Overview of Annual Financial Audit

Staff Recommendation: Staff recommends that the Board review the schedule and structure of the FY 2013-2014 financial audit process, as described below.

Background: Government Code Section 31593 mandates that *"The retirement board shall conduct an audit of the retirement system at least once every 12 months and report upon its financial condition."* SamCERA's fiscal year is from July 1st through June 30th. The Board of Retirement believes that to make informed decisions financial and actuarial data should be made available as promptly as possible. The Comprehensive Annual Financial Report (CAFR) includes information from the most recent valuation report scheduled to be presented to the Board in September. The annual audit report and the CAFR are scheduled for Board approval before the end of October.

Discussion: SamCERA will implement Governmental Accounting Standards Board Statement 67 (GASB 67) Financial Reporting for Pension Plans in the current fiscal year. GASB 67 replaces the requirements of GASB 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Plans. The objective of this statement is to improve financial reporting by state and local government pension plans. SamCERA's CAFR will include new information required for participating employers' financial reports when GASB Statement 68 is implemented in 2015. Staff is coordinating with Brown Armstrong CPA, Milliman, participating employers and auditors for a smooth implementation.

The audit preparation started in May with staff providing population information to the auditor for member and employer confirmations. The auditor will be on site during the last weeks of June and August to perform fieldwork. The results of the audit will be presented to the board for discussion and approval on October 28, 2014.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 4.9

TO: Board of Retirement

FROM: Mabel Wong, Finance Officer 

SUBJECT: Approval of Audit Engagement Letter FY 2013-2014

Staff Recommendation

Staff recommends that the Board authorize the Chief Executive Officer and the Audit Committee Chair, Mr. Eric Tashman, to execute the Audit Engagement Letter for the June 30, 2014, Financial Statement Audit. The Engagement Letter is attached to this agenda item.

Background

Government Code Section 31593 mandates that *"The retirement board shall conduct an audit of the retirement system at least once every 12 months and report upon its financial condition."* The board's external auditor, Brown Armstrong Accountancy Corporation, is a Certified Public Accounting firm hired to perform an audit of SamCERA's financial statements. The objective of this audit is to express an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. In addition the audit includes reports (that do not include opinions) on internal controls related to the financial statements and compliance with laws, regulations, and the provisions of contractual agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards.

Discussion

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements: therefore a Brown Armstrong audit team headed by Ms. Brooke DeCuir-Baird, Audit Manager, will be in SamCERA's office to conduct interim work prior to the closing of SamCERA's books. In planning and performing the audit, Brown Armstrong will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and it will assess control risk. Brown Armstrong will inform the Audit Committee or the Board of any matters involving internal controls and SamCERA's operation that are considered reportable conditions under standards established by the American Institute of Certified Public Accountants. The fee for these services will be at Brown Armstrong's standard hourly rate plus out-of-pocket costs. The gross base audit fee, including expenses is not to exceed \$45,500.

When reviewing the scope of the audit, it is incumbent upon trustees and staff to highlight issues within that scope that may be of concern, or deserve additional scrutiny. If you have comments or concerns, please express them to Ms. Wong (mwong@samcera.org (650) 363-4838) or directly to Mr. Andy Paulden of Brown Armstrong (apaulden@bacpas.com (661) 324-4971.)

Attachment

Audit Engagement Letter for FY 2013-2014

**BROWN
ARMSTRONG**

CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309

TEL 661.324.4971

FAX 661.324.4997

EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263

TEL 661.746.2145

FAX 661.746.1218

7673 N. INGRAM AVENUE

SUITE 101

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

221 E. WALNUT STREET

SUITE 260

PASADENA, CALIFORNIA 91101

TEL 626.204.6542

FAX 626.204.6547

5250 CLAREMONT AVENUE

SUITE 237

STOCKTON, CA 95207

TEL 209.451.4833



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

RECEIVED

MAY 05 2014

**RETIREMENT OFFICE
SAN MATEO COUNTY**

April 28, 2014

Mr. David Bailey, Chief Executive Officer, and
Mr. Eric Tashman, Audit Committee Chair
San Mateo County Employees' Retirement Association
100 Marine World Parkway, Suite 125
Redwood Shores, California 94065

Dear Sirs:

We are pleased to confirm our understanding of the services we are to provide San Mateo County Employees' Retirement Association for the year ended June 30, 2014. We will audit the financial statements, including the related notes to the financial statements, which collectively comprise the basic financial statements of San Mateo County Employees' Retirement Association as of and for the year ended June 30, 2014. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement San Mateo County Employees' Retirement Association's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to San Mateo County Employees' Retirement Association's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Schedule of Funding Progress
- 3) Schedule of Employer Contributions
- 4) Notes to the Required Supplemental Information

We have also been engaged to report on supplementary information other than RSI that accompanies San Mateo County Employees' Retirement Association's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance

Mr. David Bailey, Chief Executive Officer, and
Mr. Eric Tashman, Audit Committee Chair
San Mateo County Employees' Retirement Association
April 28, 2014
Page Two

with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of Administrative Expenses
- 2) Administrative Budget Analysis
- 3) Schedule of Information Technology Expenses
- 4) Schedule of Investment Expenses
- 5) Schedule of Payments to Consultants
- 6) Notes to the Other Supplemental Information
- 7) Applicable Valuation Assets
- 8) Actuarial Resources and Liabilities

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Introductory Section
- 2) Investment Section
- 3) Actuarial Section
- 4) Statistical Section
- 5) Compliance Section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of San Mateo County Employees' Retirement Association and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of San Mateo County Employees' Retirement Association's financial statements. Our report will be addressed to the Board of Retirement of San Mateo County Employees' Retirement Association. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

Mr. David Bailey, Chief Executive Officer, and
Mr. Eric Tashman, Audit Committee Chair
San Mateo County Employees' Retirement Association
April 28, 2014
Page Three

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of San Mateo County Employees' Retirement Association's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Mateo County Employees' Retirement Association's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that San Mateo County Employees' Retirement Association is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of

Mr. David Bailey, Chief Executive Officer, and
Mr. Eric Tashman, Audit Committee Chair
San Mateo County Employees' Retirement Association
April 28, 2014
Page Four

the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means of distributing information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Mr. David Bailey, Chief Executive Officer, and
Mr. Eric Tashman, Audit Committee Chair
San Mateo County Employees' Retirement Association
April 28, 2014
Page Five

You are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statement were issued or were available to be issued. You should not date the subsequent event note earlier than the date of the management representation letter.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to San Mateo County Employees' Retirement Association or to acts by management or employees acting on behalf of San Mateo County Employees' Retirement Association. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of San Mateo County Employees' Retirement Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit

Mr. David Bailey, Chief Executive Officer, and
Mr. Eric Tashman, Audit Committee Chair
San Mateo County Employees' Retirement Association
April 28, 2014
Page Six

procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under American Institute of Certified Public Accountants professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of San Mateo County Employees' Retirement Association's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, contribution, investment manager or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the U.S. Government Accountability Office.

We expect to begin our audit on approximately June 23, 2014, and to issue our reports no later than October 21, 2014. Andrew J. Paulden is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

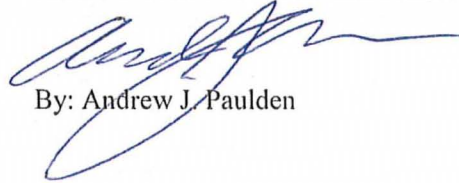
Mr. David Bailey, Chief Executive Officer, and
Mr. Eric Tashman, Audit Committee Chair
San Mateo County Employees' Retirement Association
April 28, 2014
Page Seven

We appreciate the opportunity to be of service to San Mateo County Employees' Retirement Association and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our peer review report dated February 8, 2013, accompanies this letter.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



By: Andrew J. Paulden

AJP:mab:rnp
Enclosure
Pfx Engagement/74015/06/30/14 Audit/PSR-02-2 Draft - Engagement Letter (Yellow Book)

RESPONSE:

This letter correctly sets forth the understanding of San Mateo County Employees' Retirement Association.

Chief Executive Officer Signature: _____

Title: _____

Date: _____

Audit Committee Chair Signature: _____

Title: _____

Date: _____



System Review Report

To the Shareholders of
Brown Armstrong Accountancy Corporation
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to non SEC issuers in effect for the year ended October 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to non SEC issuers in effect for the year ended October 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brown Armstrong Accountancy Corporation has received a peer review rating of *pass*.


WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 8, 2013

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Consent Agenda Item 4.10

TO: Board of Retirement



FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Annual Review, Revision, & Reaffirmation of Investment Committee Charter

Staff Recommendation

Review the Investment Committee Charter and make revisions as necessary.

Background

The Board created the Investment Committee with the adoption of Resolution 99-00-09 on January 25, 2000. The Board reviewed the resolution on April 24, 2001. By consensus, it directed staff to provide amended language regarding the Committee's authority to advise the Board on its ongoing evaluation of the Investment Consultant Structure & Performance and the ongoing evaluation of the Actuary's Economic & Asset Considerations. Sections 10.0 & 11.0 were amended into the Charter on May 22, 2001.

The charter was last amended on October 25, 2004. Two whereas clauses in the Preamble were eliminated. They became unnecessary due to amendments to the Board's regulations.

The Investment Committee Charter is attached to this agenda item.

Attachments

A. *SamCERA Investment Committee Charter*

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
 - 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
 - 10.4 Conduct evaluations of Investment Consultants
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 EVALUATE & RECOMMEND REVISIONS TO THE ECONOMIC ACTUARIAL ASSUMPTIONS AND OTHER

ACTUARIAL ASSET CONSIDERATIONS

11.1 Evaluate the data and methodology employed by the Actuary when setting the assumptions for inflation, investment return, salary increase and when establishing the actuarial value of assets and recommend revisions as appropriate.

11.2 Assure that the Consultant integrates Actuarial input with all Asset Liability Modeling Studies

11.3 Evaluate the consistency of actuarial-economic and investment policies and processes

12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES

13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD

Be it further

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

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

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 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

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
 - 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
 - 10.4 Conduct evaluations of Investment Consultants
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 EVALUATE & RECOMMEND REVISIONS TO THE ECONOMIC ACTUARIAL ASSUMPTIONS AND OTHER

ACTUARIAL ASSET CONSIDERATIONS

11.1 Evaluate the data and methodology employed by the Actuary when setting the assumptions for inflation, investment return, salary increase and when establishing the actuarial value of assets and recommend revisions as appropriate.

11.2 Assure that the Consultant integrates Actuarial input with all Asset Liability Modeling Studies

11.3 Evaluate the consistency of actuarial-economic and investment policies and processes

12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES

13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD

Be it further

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

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

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 4.11

TO: Board of Retirement



FROM: Scott Hood, Assistant Executive Officer

SUBJECT: Ratification of Staff's Action to Acquire Fiduciary Liability Insurance

Staff Recommendation:

Approve staff's acquisition of fiduciary liability insurance on behalf of the Board for the period 5/27/14 to 5/27/15.

Background:

In 1998, County Counsel provided an analysis of SamCERA's need for insurance coverage. She noted that the Government Code requires SamCERA to defend trustees and staff against claims and litigation which results from the performance of their duties. She noted that the assets of the retirement fund would be used to provide such defense. She indicated that the Board could purchase fiduciary liability insurance to help protect the assets of the fund from the expenses and awards resulting from such litigation. The Board unanimously passed a motion to acquire insurance coverage to protect SamCERA's assets. The Board requested the County's Risk Manager purchase a 3-year prepaid \$10 million policy, with a \$50,000 deductible and waiver of recourse (at a cost to each individually named insured). In 2011 the deductible limit was raised to \$100,000. SamCERA has had continuous coverage since 1998.

During this year's renewal period staff found, through James and Gable Insurance Brokers, Inc., that Travelers would not renew SamCERA's existing policy for \$10 Million. They offered a \$5 Million policy. ACE Group offered a quote for the additional \$5 Million, for a total of \$10 Million in coverage. The total premium from both insurers would be \$89,569. This would be 30% higher than the expiring policy. Staff also received a quote for a \$10 Million policy from AIG for \$63,315, representing an 8% reduction over the existing premium.

SamCERA also received a Waiver of Nonrecourse endorsement in the amount of \$450, for the 18 identified fiduciaries. This cannot be paid by the fund and must be paid personally by each fiduciary. For convenience, the fund collects the money from the fiduciary and remits payment to the insurance broker.


Staff instructed Gable Insurance Brokers, Inc. to bind coverage with AIG so that there is no lapse in coverage.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer 

SUBJECT: Consideration and Direction to Milliman Inc. Regarding Assumptions To Be Used In The June 30, 2014, Actuarial Valuation

Staff Recommendation

Provide direction to Milliman, Inc. regarding the actuarial assumptions to be used in the June 30, 2014, actuarial valuation. Staff further recommends that the investment return assumption be set at 7.25%, the inflation assumption be set at 3.00% and the wage assumption be set at 3.5%.

Discussion

This agenda item is to provide guidance to Milliman, Inc. regarding the demographic and economic assumptions that Milliman will use in its June 30, 2014, actuarial valuation of the system. For the discussion, Milliman has provided the attached slides, which will be presented at the June 3, 2014, meeting by Milliman lead actuary, Nick Collier.

The most significant assumption is the assumed investment return rate. This rate is currently set at 7.5%. Lowering the rate to 7.25% (along with the related inflation and wage assumption changes) would result in an estimated 2% of payroll increase for SamCERA's three **employers**. However, because the County is voluntarily paying an average rate set at no less than 38%, which is higher than the actuarially developed rate, the rate paid by the County is expected to remain at 38% despite lowering of the assumed investment return. If the County continues to pay at the 38% rate, Milliman's expectation is that the time required to pay off the County's Unfunded Actuarial Accrued Liability (UAAL) will not increase due to this recommended lowering of the assumed rate to 7.25%.

Changing these assumptions would increase **member** contributions. Based on Milliman's figures, staff projects an average increase to be between \$6 and \$7 per pay period. Of course, members with higher or lower pay than average would see higher or lower increases.

A Milliman poll of investment consultants' capital market expectations shows a median return for the next 10 years of about 7.1% (net of investment and administrative costs).

Because of excellent earnings over the last few years, SamCERA has deferred investment gains that have not yet been recognized in the actuarial smoothing process. The current investment year--which will end on June 30--is also likely to exceed expected returns. As such, SamCERA is in a good position to lower its assumed rate and have a minimal impact to employers and members. Lowering the rate will add to the financial strength and stability of the fund by mitigating the impacts if future returns are lower than current expectations.



Valuation Preview

Discussion of Assumptions to be Used in June 30, 2014 Actuarial Valuation

presented by

Nick Collier, ASA, EA, MAAA

June 3, 2014



Overview

- Annual Review of Assumptions
 - To be used in 2014 valuation
 - Demographic assumptions
 - Economic assumptions



Demographic Assumptions

- Triennial year so detailed analysis currently under way
 - We will present results at the July Board meeting
 - Also will hear from Segal

Economic Assumptions

- Price Inflation
 - Currently 3.25% -- Our recommendation to other clients has been to move toward 3.0%
- Wage Inflation
 - Currently 3.75% -- Our recommendation is to remain at 0.50% above price inflation
- Investment Return
 - Currently 7.50% -- Could go lower
 - Capital Market Assumptions predict 7.5% or lower in short term (10 years)

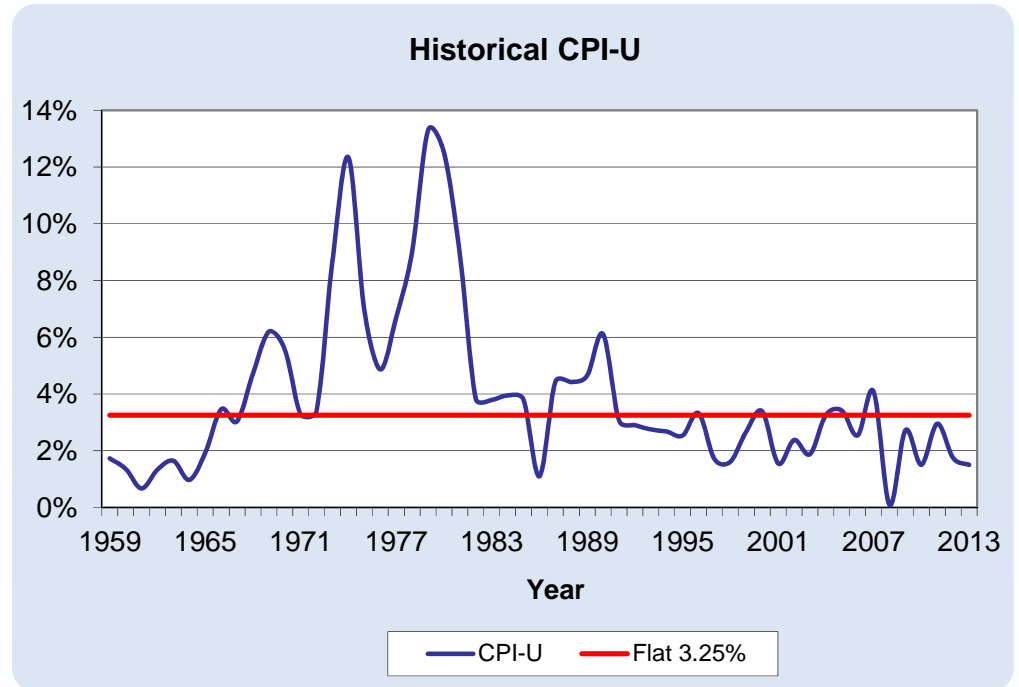


Inflation Assumption

- Direct impact
 - May impact assumed future COLA increases
- Indirect Impact
 - Component of:
 - Wage growth
 - Payroll increase
 - Investment return
 - Changes in these assumptions can have a material impact on member and employer rates

Price Inflation

- Historical CPI-U
 - 75-year average = 3.8%
 - Recent 20 years = 2.4%
- Forecasts
 - Implied Inflation = 2.3% (based on 30-year TIPS)
 - Inv. consultants \leq 3.0%
 - Soc. Sec. assumptions = 2.8% (range of 1.8% - 3.8%)
 - Other retirement systems
 - Most common is 3.0%
- Our thoughts
 - 3.0% or 3.25%



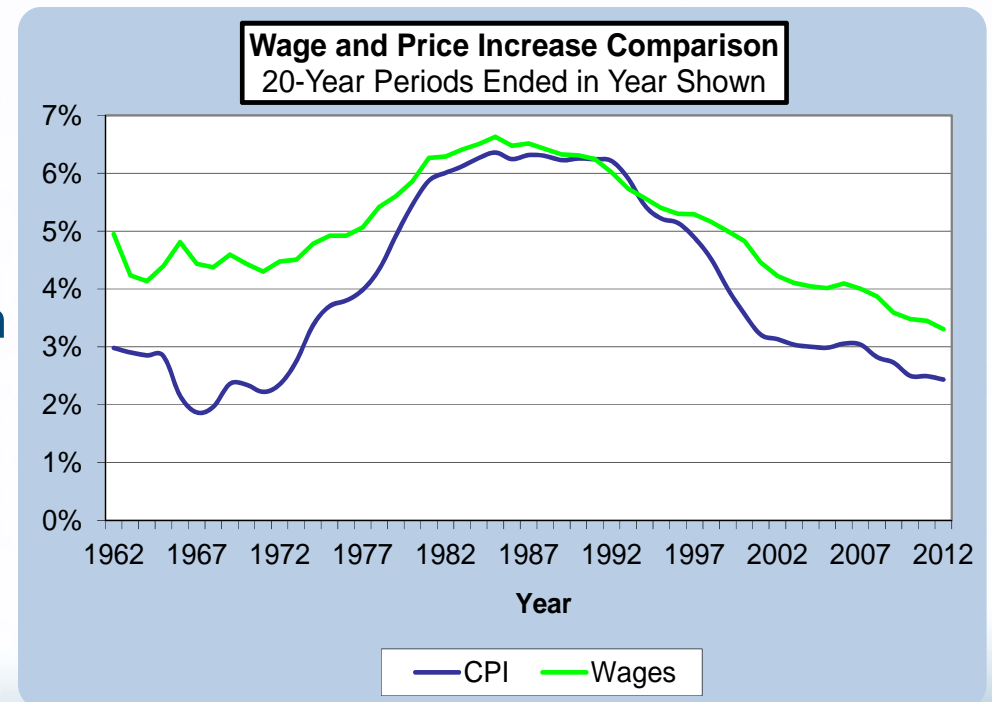
General Wage Growth

- An individual's wage increases are based on the sum of:
 1. Price Inflation
 2. Real Wage Growth (also called productivity)
 3. Individual Merit increases (also called Promotion and Longevity)
- Merit scales are studied separately.
- Total payroll is assumed to grow based on price inflation and real wage increases.

| | |
|---------------------|-------------|
| Price Inflation | 3.25% |
| Real Wage Growth | <u>0.50</u> |
| General Wage Growth | 3.75% |

Real Wage Growth

- Real Wage Growth (Total Wage Growth less Price Inflation)
 - Historically total wage growth has exceeded price inflation
 - 0.6% over last 50 years (national)
 - Social Security assumptions have wage increase of 1.1% in excess of CPI
- Our Thoughts
 - Current 0.5% real wage growth assumptions is reasonable
 - 0.4% over last 10 years
 - 0.6% over last 50 years



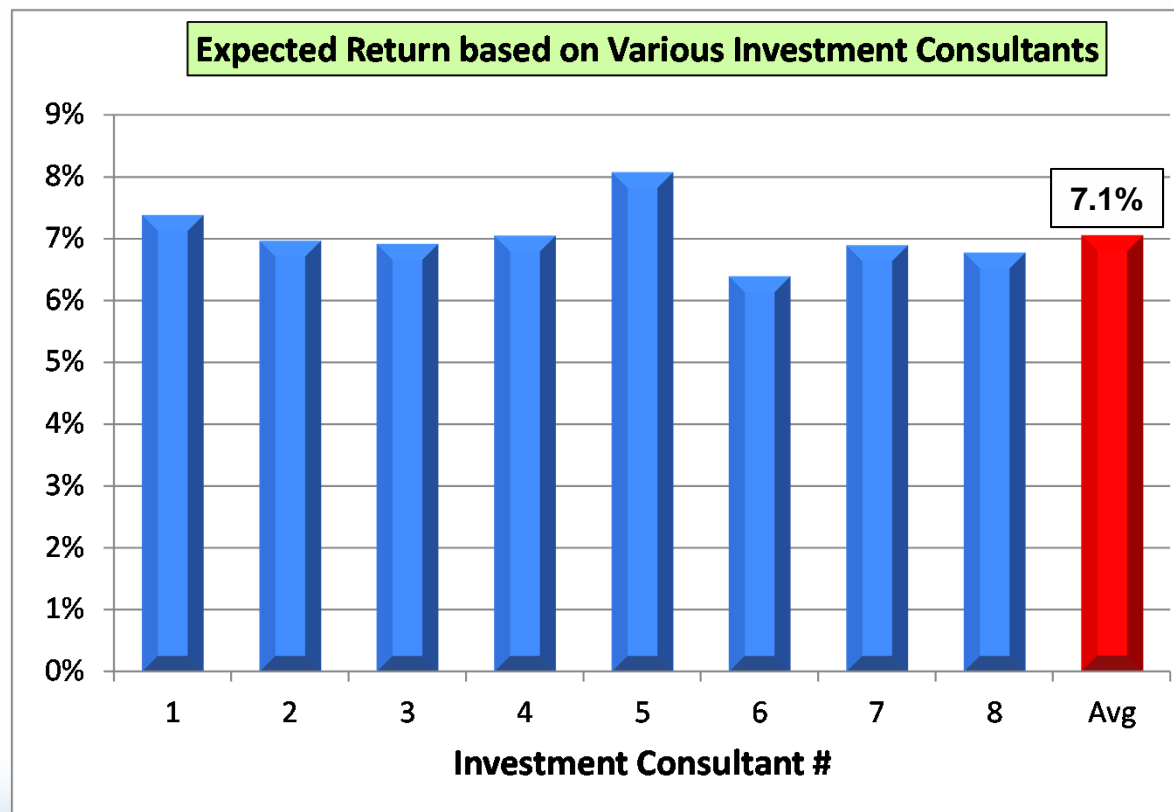
Investment Return Assumption

- Also referred to as:
 - Interest Rate
 - Actuarial Discount Rate
- Modeled expected return
 - Based on capital market assumptions
 - Adjusted for expenses
 - Administrative expenses have run about 0.20% of assets
→ reduce expected return by 0.20% for administrative expenses
 - Capital market assumptions already adjusted for most investment expenses
→ no adjustment for investment expenses



Investment Return: 10-Year Return Expectations

- Based on capital market assumptions and *SamCERA* allocation
 - Net of Administrative Expenses

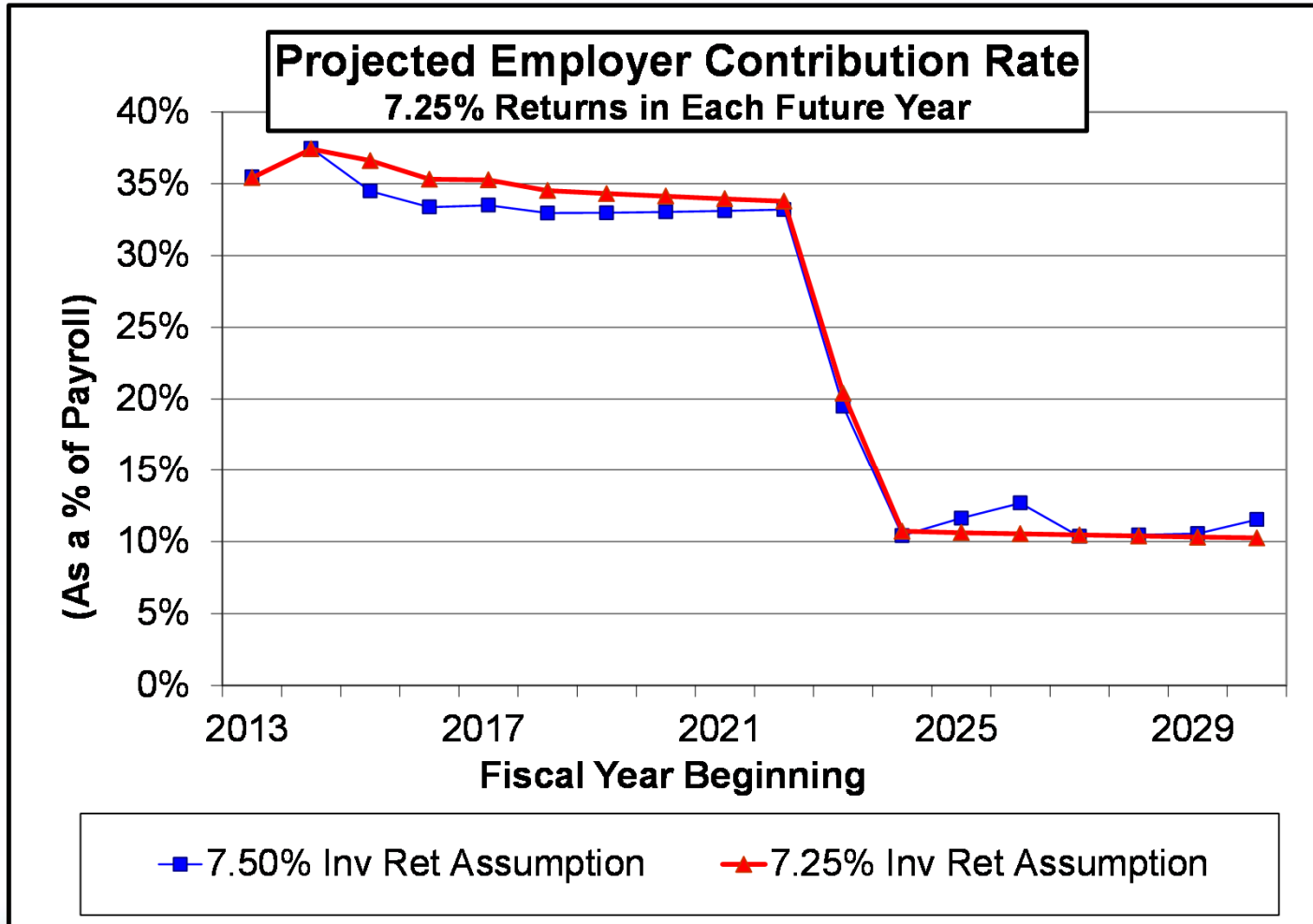


Step 2 – Selecting a Specific Assumption

- Many factors to be considered
 - Long-term vs Short-term
 - Conservatism
 - What happens if assumption is not met?
 - Financial impact
 - Employers
 - Members
 - What are other systems doing?



What Happens if Assumption is not Met



Alternatives

- Stay the Course
- Small Change (0.25% reduction)
 - Inv. Ret = 7.25% / CPI = 3.00% / Wage = 3.50%
- Larger Change
 - Inv. Ret = 7.00% / CPI = 3.00% / Wage = 3.50%

Alternatives – Financial Impact (Statutory Rate)

- \$ Impact on Members
 - General Plan 4 member earning \$65,000 a year
 - (Entry age = 35)
 - Small change: Increase in bi-weekly contribution of about \$5
 - Larger change: Increase in bi-weekly contribution of about \$14
- Impact on Employers (relative to staying at 7.50%)
 - Small change: Increase of about 2% of pay
 - Larger change: Increase of about 5% of pay

Investment Return – Other Systems (CA)

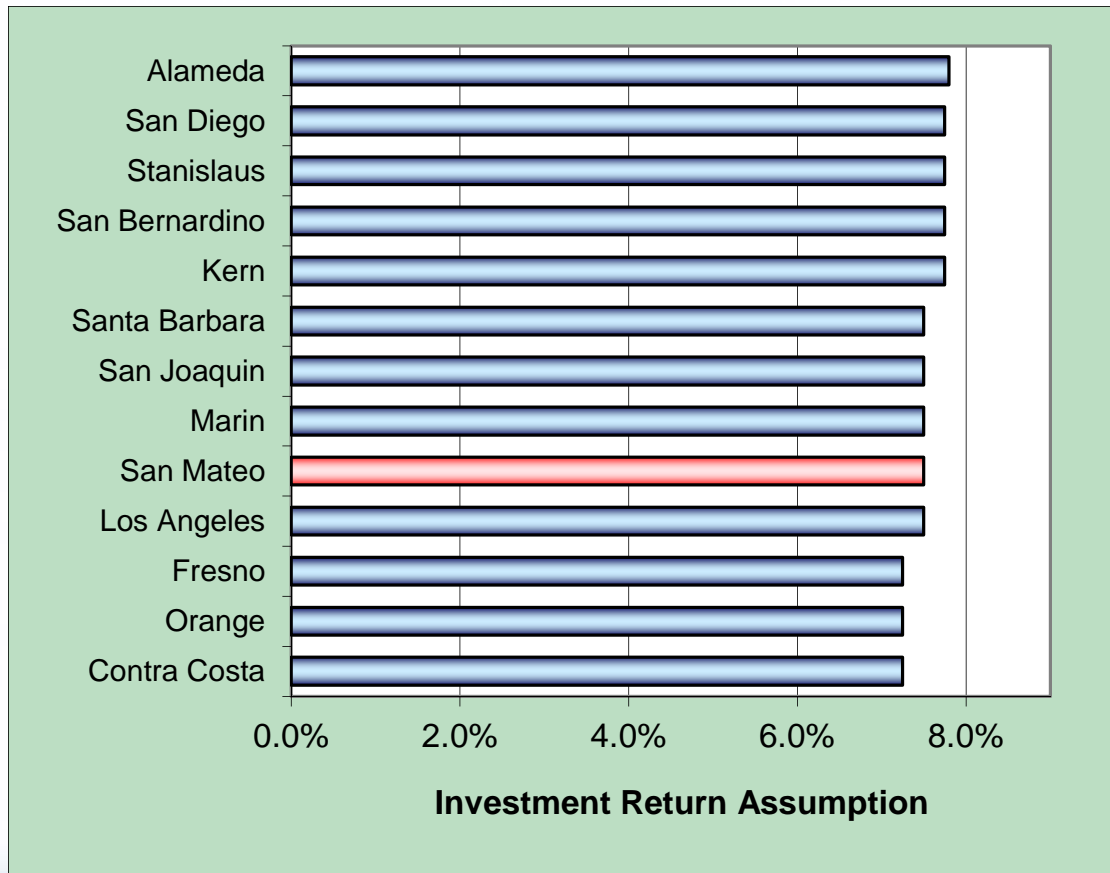
- Majority of systems use very similar approach to *SamCERA*
- Nationally
 - Large statewide systems are gradually moving below 8%
 - Trend continued in 2013
- '37 Act Systems
 - Majority at 7.50% or 7.75% -- A few are less
- California Systems (Statewide)
 - All at 7.5% (CalPERS, CalSTRS and UC)

Additional Impact of Lower Return Assumption

- Members
 - Increase in member contribution rates
 - Small reduction in optional forms of benefit generally
- County
 - Scheduled to pay 38% starting in FYB2014
 - Projected rate slightly less than 38% with 7.25% assumption
 - → No change projected (if rate is 38%), but this may not hold in the future depending on actual returns

Investment Return – Other Systems (CA)

- '37 Act Systems



GASB 67/68 Assumptions

- Generally similar to funding valuation assumptions
- Adjustment to investment return for plans with lower levels of funding
 - Should not apply to SamCERA
- Adjustment for administrative expenses
 - Investment return (for GASB purposes) must be gross of administrative expenses
 - Different than current approach which is net of expenses
 - 7.70% for GASB vs 7.50% for funding?

GASB 67/68 Assumptions – Alternatives

- Stay the course (implicit)
 - Use different return assumption for funding and GASB
- Move administrative expenses to Normal Cost (explicit)
 - Who pays for administrative expenses?
- Use funding return assumption for GASB and treat difference as not material

Conclusion

- When it comes to assumptions, there is not one right answer
- Our opinion
 - Current investment return assumption is slightly on the high side relative to future expectations
 - Strong funding of plan makes it less imperative to reduce the assumption
 - Consider alternatives

Questions



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 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 April 30, 2014

Staff Recommendation

Review the preliminary performance report dated April 30, 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 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 April was +0.25%, 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 12.3% 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.

The broad domestic equity market was modestly higher during the month (+0.12%). However, there were vast performance differences within the market. Large-cap stocks were higher by almost 1.0%, while small-cap stocks lost almost -4.0%. Value stocks again outperformed growth stocks (especially the momentum high-growth stocks) across the valuation spectrum. The Federal Reserve announced another \$10 billion reduction to its quantitative easing purchases during April. Economic data were mixed but continued to point to moderate improvement. The advance estimate of annualized 1st quarter real GDP growth was +0.1%, below the consensus estimate of 1.1%. The slowdown was attributed to the cold winter weather and less inventory building. Manufacturing and labor market statistics showed strength during the month.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

International equity indices were higher on the month, with developed markets (as measured by MSCI EAFE) up +1.5%, while emerging markets were up +0.4%.

The general fixed income market was higher by +0.84% as interest rates (as measured by 10-year Treasuries) declined 7 basis points during the month. High yield bonds were up +0.7%, while emerging market bonds were up +1.6%.

Attachments

SIS Market Update

State Street Performance Report

U.S. EQUITY

For the month of April, Value outperform Growth and Large Caps outperform Small Caps. The Russell 1000 Growth Index was unchanged +0.0% and the Russell 1000 Value Index up by +1.0% for the month. The Russell 2000 Growth Index was down -5.1% and the Russell 2000 Value was down by -2.6%. The S&P 500 Index ended the month higher by +0.7%.

The S&P 500 Index has a trailing P/E ratio of 17.7, a forward 12-month estimate P/E ratio of 15.6 and dividend yield of 2.0%.

Corporate merger highlights for the month included:

Anheuser-Busch InBev completed its \$5.8 billion purchase of South Korea's Oriental Brewery; DFC Global, a pawn and payday leader, will be acquired by private equity firm Lone Star for \$1.3 billion; China's largest grain trader, Cofco and Hopu Investment Management, will buy a majority stake in Noble Group's agribusiness unit for \$1.5 billion; Vivendi will sell its mobile phone unit, SFR to Altice for \$23 billion; Ireland's Mallinckrodt will buy Questor Pharma for \$5.2 billion; India's Sun Pharmaceutical Industries will buy generic durgmaker Ranbaxy Laboratories for \$3.2 billion; Laclede Group will buy Alabama Gas from Energen for \$1.3 billion; Procter & Gamble will sell its pet food brands (Iams, Eukanuba and Natura) in major markets to confectionery company Mars for \$2.9 billion; South Africa's Woolworth Holdings will acquire Australian retailer David Jones for \$2.0 billion; Financial services TIAA-CREF will buy Nuveen Investments in an estimated \$6.26 billion deal; Privately held film and TV studio Relativity Media offered up to \$1.1 billion to buy Maker Studios; Symrise offered to buy French food firm Diana Group for \$1.8 billion; Zebra Technologies will buy Motorola Solutions' enterprise business, which makes rugged mobile computers, tablets, and barcode scanners for \$3.5 billion; Johnson Controls will buy Texas air ventilation company Air Distribution Technologies for \$1.6 billion; GEA Group sold its heat exchangers business for approximately \$1.8 billion; Cereal maker Post Holdings is buying packaged food maker Michael Foods in a \$2.45 billion deal; Valeant Pharma and Bill Ackman have offered to buy Botox maker Allergan in a deal worth \$46 billion; Orthopedic device maker Zimmer will buy Biomet for \$13.4 billion; Pfizer made a \$100 billion offer to buy AstraZeneca; Alibaba and a private equity firm will buy a \$1.2 billion stake in Youku Tudou, an online video business; Forest Laboratories will pay \$1.5 billion to acquire Furiex

Pharmaceuticals; Banco Santander made a buyout offer for the remaining 25% of its Brazilian unit in a deal worth \$6.5 billion; and Exelon will buy Pepco for about \$6.8 billion.

FIXED INCOME

The Commerce Dept. reported that gross domestic product expanded at a +0.1% annual rate in the first quarter, the slowest since the fourth quarter of 2012. Gross domestic product is projected to grow +2.7% this year after broad-based cuts in government spending restrained growth to +1.9% in 2013, according to economists surveyed by Bloomberg.

U.S. employers added 192,000 jobs in March, a solid pace, and hired more in January and February than previously announced. The unemployment rate remained unchanged at 6.7%.

The yield on the Bellwether 10-year Treasury note fell to 2.67% at the close of April from its March close at 2.77%. At month-end, the 30-year bond yield was 3.49% with the 3-month T-bill at 0.05%. The Barclays Capital U.S. Aggregate Index was up +0.84% in April and is now up +2.70% for the first four months of 2014.

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

THE GOOD

*The Institute of Supply Management reported that its index of national factory activity rose to 53.7 in March, up from February's read of 53.2.

*The Commerce Dept. reported that construction spending edged up +0.1% in February to an annual rate of \$945 billion.

*Ford's U.S. vehicle sales rose +3% in March, Toyota's increased +5%, Chrysler Group's jumped +13%, Nissan's grew by +8.3%, and Volkswagen's fell by -2.6%.

*The Commerce Dept. reported that new orders for manufactured goods jumped +1.6% in February, the largest rise since last September.

*The Commerce Dept. reported that retail sales increased +1.1% last month, the largest growth since September 2012.

*The Congressional Budget Office cut its estimate of the deficit for the fiscal year by \$23 billion to \$492 billion.

*The Labor Dept. reported that the Consumer Price Index increased by +0.2% in March, as a rise in food and shelter costs offset a decline in gasoline prices.

*The Commerce Dept. reported that U.S. housing starts increased +2.8% in March to a seasonally-adjusted annual rate of 946,000.

*Industrial production grew +0.7% in March; February's gain was revised to +1.2% from an initial reading of +0.7%.

*Private industry workers' inflation-adjusted wages shrank -0.7% from 2011 through 2013 according to the Bureau of Labor.

*Orders for durable goods increased +2.6% in March following a +2.1% rise in February indicating manufacturing is recovering after a cold winter disrupted business activity. (Blame it on the weather).

The Conference Board's Consumer Confidence Index dipped to 82.3 in April, the second highest reading since January 2008, from an upwardly revised 83.9 in March.

THE NOT SO GOOD

*The U.S. trade deficit unexpected widened in February as exports hit a five-month low, suggest first quarter growth could be much weaker than initially reported.

*About 19% of homeowners owe more on their mortgages than their reported properties would sell for, according to real estate database Zillow.

*The Commerce Dept. reported that wholesale inventories increased by +0.5% in February after a revised +0.8% gain in January.

*The producer price index, which measures price changes before they reach the consumer, rose +0.5% in March. Overall inflation remains tame with producer prices up a modest +1.4% over the past 12 months.

*Sales of existing homes slipped in March to their lowest level since July 2012 as rising prices and a tight supply of available homes discouraged many would-be buyers. It was the seventh drop in the last eight months.

*Sales of new homes slumped -14.5% in March to a 384,000 annualized pace, the weakest since last July. The median sales price of a new house is up +12.6% to a record \$290,000 versus a year ago.

NON-U.S. MARKETS

U.K. headline consumer price inflation (CPI) rate edged down in March to +1.6% year-over-year.

Eurozone CPI remains uncomfortably low in March and generally remains on a decelerating trend. For the overall Eurozone, CPI posted a +0.5% year-over-year gain. In addition, overall Eurozone manufacturing remains anemic. The overall Eurozone purchasing managers' index (PMI) rose +0.3 point to 53.3, just above the 50.0 expansion mark.

Japanese consumer confidence continued its disconcerting, steady erosion. The Cabinet Office's headline index fell another point in March to 37.5, leaving it below the levels that prevailed before Abe's election.

China's gross domestic product growth slipped to +7.4% in the first quarter, its slowest level in 18 months.

Russia hiked interest rates for a second month in a row in an effort to limit the economic damage of rising tensions over Ukraine.

Non-U.S. Developed equities were positive in April. The MSCI ACWI Ex-U.S. was up +1.4% (U.S. dollars) for the month. International Developed stocks (EAFE) were up +1.5% while Emerging Markets gained +0.4% for the month.

CONCLUSION

The major U.S. stock averages such as the Dow Jones Industrials and S&P 500 have been holding up quite well in 2014 and are not far off from their recent highs. However, underneath the surface there has been a good deal of damage to momentum growth stocks (i.e., social media and biotechnology) these past few weeks with many of those issues down -20% or more. The Russell 2000 Index has also started to exhibit signs of a potential correction.

One question is whether the two major U.S. indices will continue to hold up or follow the corrective behavior of the high growers? The recent rotation into Utilities, Energy and defensive types of stocks is usually a late type of cycle move. Although it is hard to say what part of the cycle we are in given the huge amounts of support from global central bankers.

Monthly Market Update

US Equity Indices Trailing Performance

| Annualized Performance to Date: Ending Apr-14 | 1 Month | 3 Months | YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|--|------------|-------------|-------|-----------|------------|------------|------------|------------|-------------|
| Russell 3000 Index | 0.12 | 5.43 | 2.10 | 20.78 | 18.98 | 13.54 | 19.54 | 6.03 | 8.10 |
| Russell TOP 200 Index | 0.94 | 6.32 | 2.34 | 20.61 | 18.43 | 14.11 | 18.59 | 5.62 | 7.14 |
| Russell TOP 200 Growth Index | 0.70 | 4.70 | 1.39 | 20.78 | 16.26 | 14.20 | 18.95 | 7.70 | 7.50 |
| Russell TOP 200 Value Index | 1.18 | 7.98 | 3.31 | 20.45 | 20.67 | 14.03 | 18.22 | 3.54 | 6.76 |
| S&P 500 Index | 0.74 | 6.23 | 2.56 | 20.44 | 18.65 | 13.83 | 19.14 | 5.76 | 7.67 |
| Russell 1000 Index | 0.47 | 5.91 | 2.53 | 20.81 | 18.98 | 13.80 | 19.52 | 6.01 | 8.05 |
| Russell 1000 Growth Index | 0.00 | 4.09 | 1.12 | 20.66 | 16.56 | 13.37 | 19.47 | 7.52 | 7.99 |
| Russell 1000 Value Index | 0.95 | 7.83 | 4.00 | 20.90 | 21.35 | 14.16 | 19.52 | 4.38 | 7.95 |
| Russell Mid-Cap Index | -0.57 | 4.98 | 2.93 | 21.25 | 20.22 | 13.05 | 21.87 | 7.05 | 10.40 |
| Russell Mid-Cap Growth Index | -1.47 | 2.78 | 0.55 | 20.62 | 17.48 | 11.63 | 21.10 | 7.35 | 9.63 |
| Russell Mid-Cap Value Index | 0.41 | 7.47 | 5.66 | 22.10 | 22.88 | 14.41 | 22.61 | 6.44 | 10.77 |
| Russell 2000 Index | -3.88 | -0.04 | -2.80 | 20.50 | 19.09 | 10.74 | 19.84 | 6.21 | 8.67 |
| Russell 2000 Value Index | -2.57 | 3.15 | -0.84 | 19.61 | 19.66 | 11.16 | 19.13 | 4.90 | 8.37 |
| Russell 2000 Growth Index | -5.13 | -3.00 | -4.67 | 21.46 | 18.53 | 10.33 | 20.50 | 7.42 | 8.85 |
| DJ US REIT Index | 3.68 | 9.94 | 14.41 | 1.22 | 9.03 | 9.49 | 22.70 | 2.39 | 10.17 |
| DJ-UBS US Commodity Index TR | 2.44 | 9.27 | 9.60 | 3.17 | -1.18 | -7.68 | 4.59 | -2.54 | 0.85 |
| DJ-UBS US Gold Index TR | 0.95 | 4.52 | 7.73 | -12.30 | -12.25 | -6.47 | 7.08 | 8.64 | 11.89 |

Non-US Indices Trailing Performance

| Annualized Performance to Date: Ending Apr-14 | 1 Month | 3 Months | YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|--|------------|-------------|------|-----------|------------|------------|------------|------------|-------------|
| MSCI AC World Index ex USA | 1.39 | 6.85 | 2.01 | 10.22 | 12.43 | 3.43 | 13.40 | 1.70 | 8.08 |
| MSCI AC World Index | 1.00 | 6.46 | 2.23 | 14.98 | 15.33 | 8.03 | 16.03 | 3.60 | 7.89 |
| MSCI EAFE Index | 1.53 | 6.59 | 2.31 | 13.80 | 16.84 | 6.15 | 14.09 | 1.35 | 7.41 |
| MSCI Emerging Markets index | 0.37 | 6.93 | 0.01 | -1.49 | 1.39 | -3.41 | 11.43 | 3.09 | 11.44 |
| ML Global Government Bond Ex. U.S. Index | 1.22 | 1.89 | 4.02 | -0.07 | -3.72 | -1.19 | 3.73 | 4.99 | 4.51 |
| Euro | 0.60 | 2.82 | 0.63 | 5.17 | 2.35 | -2.23 | 0.91 | 0.23 | 1.47 |
| Japanese Yen | 0.82 | -0.16 | 2.89 | -4.64 | -11.59 | -7.39 | -0.75 | 2.27 | 0.78 |
| UK Pound Sterling | 1.28 | 2.75 | 1.95 | 8.49 | 1.97 | 0.41 | 2.65 | -2.39 | -0.49 |

US Fixed Income Indices Trailing Performance

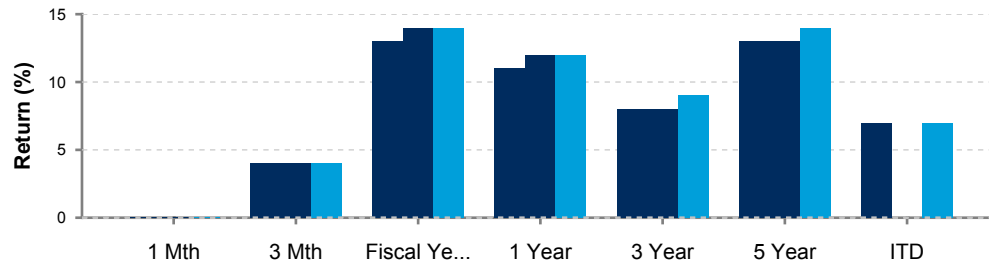
| Annualized Performance to Date: Ending Apr-14 | 1 Month | 3 Months | YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|--|------------|-------------|------|-----------|------------|------------|------------|------------|-------------|
| ML 3-month T-bill Total Return Index | 0.00 | 0.01 | 0.02 | 0.06 | 0.09 | 0.08 | 0.11 | 0.84 | 1.64 |
| BarCap Aggregate Bond Index | 0.84 | 1.21 | 2.70 | -0.26 | 1.69 | 3.60 | 4.88 | 5.01 | 4.83 |
| ML U.S. Corp/Govt Master Index | 0.81 | 1.33 | 2.94 | -0.91 | 1.84 | 4.00 | 5.30 | 5.05 | 4.81 |
| ML U.S. Corporate Master Index | 1.17 | 2.35 | 4.17 | 0.89 | 4.50 | 5.86 | 9.47 | 6.19 | 5.73 |
| BarCap Mortgage Backed Securities Index | 0.92 | 0.95 | 2.52 | 0.59 | 1.22 | 2.70 | 3.70 | 4.87 | 4.86 |
| ML U.S. High Yield Master Index | 0.66 | 2.91 | 3.67 | 6.24 | 10.04 | 8.41 | 15.61 | 8.35 | 8.61 |
| JPM EMBI Global | 1.56 | 6.17 | 5.09 | -2.28 | 4.43 | 7.21 | 10.72 | 7.52 | 9.09 |

San Mateo County Total Fund Characteristics

April 30, 2014



Total Fund Performance

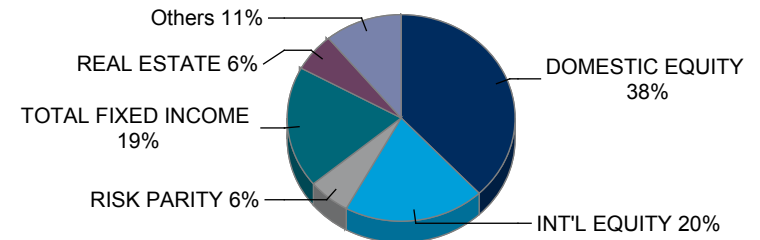


■ TOTAL FUND - Net Mgr
 ■ TOTAL FUND - Total Invested
■ SAMCERA TOTAL PLAN POLICY BENCHMARK

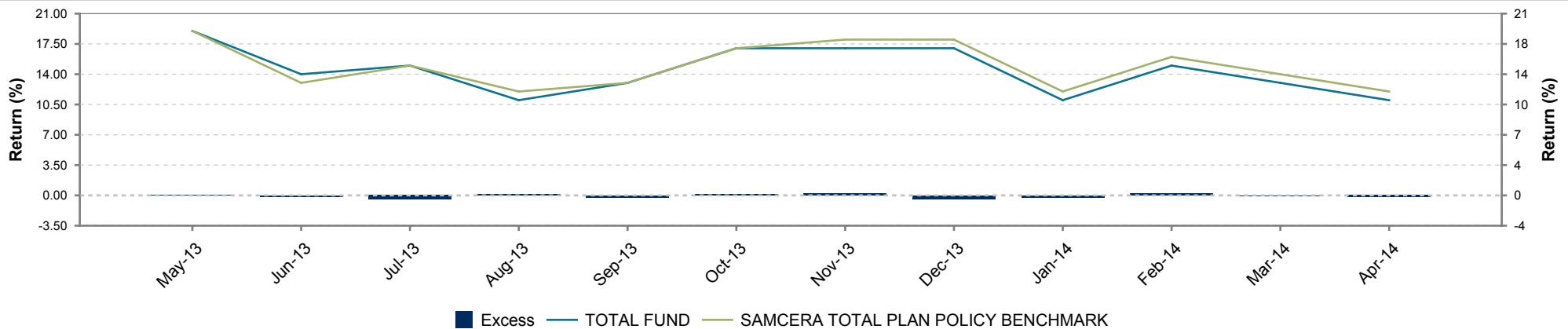
| | 1-Mth | 3-Mth | YTD | Fiscal YTD | 1-Yr | 3-Yr | 5-Yr | 10-Yr | ITD |
|-------------------------------------|-------|-------|-------|------------|-------|-------|-------|-------|-------|
| TOTAL FUND - Gross | 0.26 | 4.38 | 2.26 | 13.57 | 11.71 | 8.33 | 13.54 | 6.70 | 6.96 |
| TOTAL FUND - Net Mgr | 0.25 | 4.30 | 2.17 | 13.23 | 11.29 | 7.92 | 13.19 | 6.52 | 6.85 |
| SAMCERA TOTAL PLAN POLICY BENCHMARK | 0.45 | 4.36 | 2.47 | 14.23 | 12.35 | 8.69 | 13.88 | 7.45 | 7.22 |
| Excess | -0.20 | -0.06 | -0.30 | -1.00 | -1.07 | -0.77 | -0.69 | -0.92 | -0.37 |

Asset Allocation

| | Ending Market Value (\$) | Allocation (%) |
|------------------------------|--------------------------|----------------|
| DOMESTIC EQUITY | 1,191,125,783 | 37.9 |
| INTERNATIONAL EQUITY | 635,934,380 | 20.2 |
| PRIVATE EQUITY | 117,521,987 | 3.7 |
| RISK PARITY | 183,132,578 | 5.8 |
| HEDGE FUND | 116,642,580 | 3.7 |
| COMMODITIES | 90,047,415 | 2.9 |
| FIXED INCOME | 598,842,281 | 19.0 |
| REAL ESTATE | 178,084,212 | 5.7 |
| CASH | 12,410,904 | 0.4 |
| CLIFTON GROUP - CASH OVERLAY | 22,082,321 | 0.7 |
| TOTAL FUND | 3,145,824,440 | 100.0 |

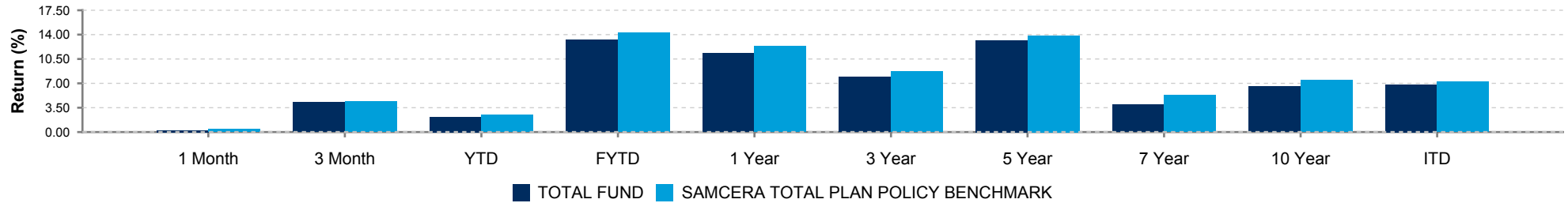


Cumulative Returns



April 30, 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 | 3,145,824,440 | 0.25 | 4.30 | 2.17 | 13.23 | 11.29 | 7.92 | 13.19 | 3.90 | 6.52 | 6.85 |
| SAMCERA TOTAL PLAN POLICY BENCHMARK | | 0.45 | 4.36 | 2.47 | 14.23 | 12.35 | 8.69 | 13.88 | 5.29 | 7.45 | 7.22 |
| Excess | | -0.20 | -0.06 | -0.30 | -1.00 | -1.07 | -0.77 | -0.69 | -1.40 | -0.92 | -0.37 |
| Total Equity | 1,827,060,162 | -0.19 | 5.26 | 1.46 | 18.01 | 17.51 | 9.36 | 16.60 | 3.08 | 6.78 | 7.80 |
| SAMCERA TOTAL EQUITY BENCHMARK | | 0.13 | 5.32 | 1.55 | 18.67 | 17.16 | 9.81 | 17.52 | 4.67 | 7.92 | 8.24 |
| Excess | | -0.32 | -0.06 | -0.09 | -0.67 | 0.35 | -0.46 | -0.92 | -1.59 | -1.13 | -0.44 |
| Total Fixed Income | 598,842,281 | 0.89 | 2.29 | 2.81 | 5.18 | 0.55 | 5.43 | 9.14 | 5.80 | 5.51 | 5.99 |
| SAMCERA TOTAL FIXED INCOME BENCHMARK | | 1.10 | 1.86 | 3.41 | 4.25 | -0.56 | 3.79 | 5.26 | 5.28 | 5.02 | 5.52 |
| Excess | | -0.21 | 0.43 | -0.59 | 0.94 | 1.11 | 1.64 | 3.88 | 0.52 | 0.50 | 0.47 |
| Total Risk Parity | 183,132,578 | 2.12 | 7.62 | 7.84 | 12.03 | -0.79 | 6.20 | | | | 7.57 |
| RISK PARITY BENCHMARK | | 0.41 | 3.74 | 2.39 | 12.85 | 12.05 | 9.72 | | | | 10.07 |
| Excess | | 1.71 | 3.88 | 5.45 | -0.81 | -12.84 | -3.51 | | | | -2.50 |
| Hedge Funds | 116,642,580 | -0.41 | -0.21 | -1.38 | 1.85 | 1.27 | | | | | 2.44 |
| LIBOR + 4% | | 0.34 | 1.02 | 1.37 | 3.47 | 4.18 | | | | | 4.22 |
| Excess | | -0.75 | -1.24 | -2.75 | -1.61 | -2.90 | | | | | -1.78 |
| Private Equity | 117,521,987 | 0.28 | 2.25 | 2.35 | 14.91 | 15.90 | 2.05 | | | | -47.16 |

April 30, 2014

Composite Returns (Net)

| | Market Value (\$) | 1 Mth | 3 Mth | YTD | FYTD | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year | ITD |
|------------------------------------|-------------------|-------|-------|-------|-------|--------|--------|--------|--------|---------|--------|
| PRIVATE EQUITY BENCHMARK | | 0.37 | 6.20 | 3.10 | 22.48 | 24.35 | 16.92 | | | | 20.29 |
| Excess | | -0.08 | -3.94 | -0.75 | -7.56 | -8.45 | -14.87 | | | | -67.45 |
| Commodities | 90,047,415 | 2.42 | 7.83 | 5.31 | 7.26 | 3.07 | | | | | -0.68 |
| DJ-UBS COMMODITY | | 2.44 | 9.27 | 9.60 | 10.76 | 3.17 | | | | | -5.87 |
| Excess | | -0.02 | -1.44 | -4.28 | -3.50 | -0.10 | | | | | 5.18 |
| Total Real Estate | 178,084,212 | 0.00 | 1.61 | 1.61 | 7.18 | 12.12 | 12.06 | 4.81 | 2.38 | 7.22 | 7.79 |
| SAMCERA NCREIF NFI ODCE EW (Gross) | | 0.00 | 2.52 | 2.52 | 9.28 | 13.29 | 12.88 | 6.61 | 3.36 | 7.39 | 8.10 |
| Excess | | 0.00 | -0.91 | -0.91 | -2.10 | -1.16 | -0.82 | -1.79 | -0.98 | -0.17 | -0.31 |
| Total Cash | 12,410,904 | 0.17 | 0.17 | 0.45 | 0.66 | 0.75 | 0.67 | 0.83 | 0.80 | 1.64 | 2.34 |
| 91 DAY TREASURY BILL | | 0.00 | 0.01 | 0.02 | 0.05 | 0.06 | 0.08 | 0.11 | 0.85 | 1.66 | 2.22 |
| Excess | | 0.17 | 0.16 | 0.43 | 0.61 | 0.69 | 0.59 | 0.72 | -0.05 | -0.02 | 0.12 |

San Mateo County Manager Return Summary

April 30, 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 | 1,827,060,162 | -0.19 | 5.26 | 18.01 | 1.46 | 17.51 | 9.36 | 16.60 | 3.08 | 6.78 | 7.80 |
| SAMCERA TOTAL EQUITY BENCHMARK | | 0.13 | 5.32 | 18.67 | 1.55 | 17.16 | 9.81 | 17.52 | 4.67 | 7.92 | 8.24 |
| Excess | | -0.32 | -0.06 | -0.67 | -0.09 | 0.35 | -0.46 | -0.92 | -1.59 | -1.13 | -0.44 |
| TOTAL DOMESTIC EQUITY | 1,191,125,783 | -0.83 | 4.03 | 18.11 | 0.62 | 20.46 | 11.94 | 18.78 | 4.45 | 7.06 | 8.27 |
| SAMCERA DOMESTIC EQUITY BENCHMARK | | -0.40 | 4.71 | 19.17 | 1.46 | 20.79 | 13.21 | 19.63 | 6.10 | 8.22 | 8.66 |
| Excess | | -0.43 | -0.68 | -1.06 | -0.83 | -0.33 | -1.27 | -0.85 | -1.65 | -1.17 | -0.39 |
| LARGE CAP COMPOSITE | 954,550,402 | 0.05 | 4.89 | 18.24 | 1.41 | 20.17 | 12.23 | 18.13 | 4.51 | 7.14 | 8.83 |
| Russell 1000 | | 0.47 | 5.91 | 19.81 | 2.53 | 20.81 | 13.80 | 19.52 | 6.01 | 8.05 | 9.45 |
| Excess | | -0.42 | -1.02 | -1.57 | -1.11 | -0.64 | -1.57 | -1.38 | -1.50 | -0.90 | -0.62 |
| DE SHAW INVESTMENT MGT, LLC | 142,447,946 | 0.20 | 4.28 | 17.38 | 0.93 | 19.33 | 14.43 | | | | 17.25 |
| Russell 1000 | | 0.47 | 5.91 | 19.81 | 2.53 | 20.81 | 13.80 | | | | 17.40 |
| Excess | | -0.27 | -1.63 | -2.44 | -1.60 | -1.48 | 0.63 | | | | -0.15 |
| BARROW HANLEY | 142,479,332 | -1.01 | 4.73 | 17.90 | 0.68 | 22.02 | 13.35 | | | | 17.16 |
| Russell 1000 Value | | 0.95 | 7.83 | 18.92 | 4.00 | 20.90 | 14.16 | | | | 17.37 |
| Excess | | -1.96 | -3.10 | -1.02 | -3.32 | 1.12 | -0.80 | | | | -0.21 |
| BLACKROCK S&P 500 | 530,584,745 | 0.74 | 6.23 | 19.29 | 2.56 | 20.45 | | | | | 22.79 |
| S&P 500 | | 0.74 | 6.23 | 19.29 | 2.56 | 20.44 | | | | | 22.79 |
| Excess | | 0.00 | -0.00 | 0.01 | 0.00 | 0.01 | | | | | 0.01 |
| BROWN ADVISORY LARGE GROWTH | 139,038,378 | -1.59 | 0.74 | 15.28 | -1.61 | 17.50 | | | | | 17.50 |
| Russell 1000 Growth | | 0.00 | 4.09 | 20.73 | 1.12 | 20.66 | | | | | 20.66 |
| Excess | | -1.60 | -3.35 | -5.46 | -2.74 | -3.16 | | | | | -3.16 |
| SMALL CAP COMPOSITE | 236,575,381 | -4.13 | 0.85 | 18.17 | -2.31 | 22.52 | 11.76 | 21.88 | 4.35 | 6.74 | 6.70 |
| Russell 2000 | | -3.88 | -0.04 | 16.46 | -2.80 | 20.50 | 10.74 | 19.84 | 6.21 | 8.67 | 7.67 |
| Excess | | -0.25 | 0.88 | 1.71 | 0.49 | 2.02 | 1.02 | 2.05 | -1.86 | -1.93 | -0.96 |

San Mateo County Manager Return Summary

April 30, 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 | 116,982,710 | -3.99 | 1.24 | 16.83 | -2.15 | 20.87 | 12.84 | | | | 17.27 |
| Russell 2000 Value | | -2.57 | 3.15 | 16.61 | -0.84 | 19.61 | 11.16 | | | | 17.05 |
| Excess | | -1.42 | -1.91 | 0.23 | -1.31 | 1.26 | 1.68 | | | | 0.22 |
| CHARTWELL INVESTMENT MGMT | 119,592,671 | -4.27 | 0.47 | 19.51 | -2.47 | 24.17 | 12.53 | 23.20 | 7.82 | | 8.97 |
| Russell 2000 Growth | | -5.13 | -3.00 | 16.32 | -4.67 | 21.46 | 10.33 | 20.50 | 7.42 | | 8.32 |
| Excess | | 0.87 | 3.47 | 3.19 | 2.21 | 2.72 | 2.20 | 2.70 | 0.40 | | 0.65 |
| TOTAL INTERNATIONAL EQUITY | 635,934,380 | 0.97 | 7.62 | 17.23 | 3.02 | 10.79 | 3.52 | 11.51 | -0.21 | 6.56 | 6.05 |
| MSCI AC WORLD INDEX ex USA | | 1.39 | 6.85 | 17.79 | 2.01 | 10.22 | 3.43 | 13.40 | 1.70 | 8.08 | 6.10 |
| Excess | | -0.42 | 0.76 | -0.56 | 1.00 | 0.57 | 0.10 | -1.88 | -1.91 | -1.52 | -0.05 |
| BAILLIE GIFFORD OVERSEAS LIMITED | 185,140,166 | -0.13 | 7.20 | 18.08 | 2.28 | 12.40 | | | | | 15.02 |
| MSCI ACWI ex US GROWTH (GROSS) | | 0.79 | 6.25 | 15.34 | 1.19 | 8.68 | | | | | 11.07 |
| Excess | | -0.92 | 0.96 | 2.74 | 1.10 | 3.71 | | | | | 3.94 |
| EATON VANCE MANAGEMENT | 60,562,484 | 0.97 | 7.27 | 10.52 | 1.86 | 2.19 | | | | | 3.41 |
| MSCI Em Markets (USD) GDR | | 0.37 | 6.93 | 7.88 | 0.01 | -1.49 | | | | | 0.76 |
| Excess | | 0.59 | 0.34 | 2.65 | 1.86 | 3.67 | | | | | 2.65 |
| MONDRIAN INVESTMENT PARTNERS | 191,402,200 | 2.08 | 9.77 | 18.79 | 5.17 | 12.23 | 5.49 | 13.04 | 1.53 | | 7.01 |
| MSCI ACWI EX US VALUE (GROSS) | | 2.01 | 7.47 | 20.28 | 2.85 | 11.74 | 3.71 | 13.22 | 1.40 | | 7.06 |
| Excess | | 0.08 | 2.30 | -1.49 | 2.32 | 0.49 | 1.78 | -0.18 | 0.13 | | -0.06 |
| PYRAMIS | 63,971,470 | -0.24 | 5.14 | 16.16 | 1.64 | 9.77 | | | | | 11.31 |
| MSCI ACWI ex US Small Cap Gross | | -0.13 | 5.44 | 21.74 | 3.42 | 13.42 | | | | | 13.10 |
| Excess | | -0.11 | -0.30 | -5.58 | -1.78 | -3.65 | | | | | -1.79 |
| BLACKROCK EAFE EQUITY INDEX | 134,759,467 | 1.52 | 6.54 | | 2.25 | | | | | | 2.25 |
| MSCI EAFE (NET) | | 1.45 | 6.40 | | 2.12 | | | | | | 2.12 |

San Mateo County Manager Return Summary

April 30, 2014



| Manager Returns (Net) | | | | | | | | | | | |
|---|-------------|-------|-------|-------|---------|--------|--------|--------|--------|---------|-------|
| | \$ EMV | 1 Mth | 3 Mth | FYTD | Cal YTD | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year | ITD |
| Excess | | 0.07 | 0.14 | | 0.13 | | | | | | 0.13 |
| TOTAL FIXED INCOME | 598,842,281 | 0.89 | 2.29 | 5.18 | 2.81 | 0.55 | 5.43 | 9.14 | 5.80 | 5.51 | 5.99 |
| SAMCERA TOTAL FIXED INCOME BENCHMARK | | 1.10 | 1.86 | 4.25 | 3.41 | -0.56 | 3.79 | 5.26 | 5.28 | 5.02 | 5.52 |
| Excess | | -0.21 | 0.43 | 0.94 | -0.59 | 1.11 | 1.64 | 3.88 | 0.52 | 0.50 | 0.47 |
| ANGELO GORDON GECC PPI FUND | 19,342 | | | | | | | | | | |
| Barclays BA Intermediate High Yield Index | | 0.64 | | | | | | | | | |
| Excess | | | | | | | | | | | |
| ANGELO GORDON MANAGEMENT | 37,657,771 | 1.70 | 5.14 | 12.81 | 6.55 | 18.55 | | | | | 13.25 |
| Barclays BA Intermediate High Yield Index | | 0.64 | 2.91 | 8.77 | 3.51 | 4.94 | | | | | 6.96 |
| Excess | | 1.06 | 2.22 | 4.04 | 3.05 | 13.61 | | | | | 6.29 |
| PYRAMIS GLOBAL ADVISORS | 166,860,081 | 0.94 | 1.45 | 4.11 | 3.09 | 0.36 | 4.36 | 7.37 | 5.51 | | 5.48 |
| Barclays Aggregate Bond | | 0.84 | 1.21 | 3.15 | 2.70 | -0.26 | 3.60 | 4.88 | 5.01 | | 5.03 |
| Excess | | 0.09 | 0.24 | 0.96 | 0.39 | 0.62 | 0.75 | 2.49 | 0.50 | | 0.45 |
| WESTERN ASSET MGMT | 122,653,234 | 1.02 | 2.15 | 5.16 | 3.57 | 0.72 | 5.11 | 8.81 | 5.61 | | 5.37 |
| Barclays Aggregate Bond | | 0.84 | 1.21 | 3.15 | 2.70 | -0.26 | 3.60 | 4.88 | 5.01 | | 4.63 |
| Excess | | 0.18 | 0.94 | 2.02 | 0.87 | 0.98 | 1.50 | 3.94 | 0.60 | | 0.74 |
| BRIGADE CAPITAL MANAGEMENT | 64,790,370 | 0.94 | 3.00 | 8.73 | 3.55 | 6.07 | 8.79 | | | | 9.90 |
| Barclays BA Intermediate High Yield Index | | 0.64 | 2.91 | 8.77 | 3.51 | 4.94 | 8.07 | | | | 9.07 |
| Excess | | 0.30 | 0.08 | -0.04 | 0.05 | 1.13 | 0.72 | | | | 0.83 |
| BROWN BROTHERS HARRIMAN & CO | 78,551,351 | 1.07 | 1.04 | 1.26 | 2.30 | -7.03 | 3.26 | | | | 4.15 |
| Barclays US TIPS Index | | 1.46 | 1.50 | 2.11 | 3.70 | -6.33 | 3.20 | | | | 4.28 |
| Excess | | -0.40 | -0.46 | -0.84 | -1.40 | -0.70 | 0.06 | | | | -0.13 |
| FRANKLIN TEMPLETON INVESTMENTS | 125,810,132 | 0.33 | 3.10 | 5.23 | 0.69 | -0.89 | 5.21 | | | | 6.77 |

San Mateo County Manager Return Summary

April 30, 2014



| Manager Returns (Net) | | | | | | | | | | | |
|---|-------------|-------|-------|-------|---------|--------|--------|--------|--------|---------|--------|
| | \$ EMV | 1 Mth | 3 Mth | FYTD | Cal YTD | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year | ITD |
| Barclays Multiverse | | 1.14 | 2.57 | 6.25 | 3.60 | 1.89 | 2.39 | | | | 3.50 |
| Excess | | -0.81 | 0.53 | -1.02 | -2.90 | -2.78 | 2.83 | | | | 3.27 |
| | | | | | | | | | | | |
| ANGELO GORDON OPPORTUNISTIC WHOLE LN FD | 2,500,000 | | | | | | | | | | |
| Barclays BA Intermediate High Yield Index | | 0.64 | | | | | | | | | |
| Excess | | | | | | | | | | | |
| | | | | | | | | | | | |
| TOTAL PRIVATE EQUITY | 117,521,987 | 0.28 | 2.25 | 14.91 | 2.35 | 15.90 | 2.05 | | | | -47.16 |
| PRIVATE EQUITY BENCHMARK | | 0.37 | 6.20 | 22.48 | 3.10 | 24.35 | 16.92 | | | | 20.29 |
| Excess | | -0.08 | -3.94 | -7.56 | -0.75 | -8.45 | -14.87 | | | | -67.45 |
| | | | | | | | | | | | |
| TOTAL RISK PARITY | 183,132,578 | 2.12 | 7.62 | 12.03 | 7.84 | -0.79 | 6.20 | | | | 7.57 |
| RISK PARITY BENCHMARK | | 0.41 | 3.74 | 12.85 | 2.39 | 12.05 | 9.72 | | | | 10.07 |
| Excess | | 1.71 | 3.88 | -0.81 | 5.45 | -12.84 | -3.51 | | | | -2.50 |
| | | | | | | | | | | | |
| AQR GLOBAL RISK PREM III LP | 183,132,578 | 2.12 | 7.62 | 12.03 | 7.84 | -0.79 | 6.20 | | | | 7.57 |
| RISK PARITY BENCHMARK | | 0.41 | 3.74 | 12.85 | 2.39 | 12.05 | 9.72 | | | | 10.07 |
| Excess | | 1.71 | 3.88 | -0.81 | 5.45 | -12.84 | -3.51 | | | | -2.50 |
| | | | | | | | | | | | |
| HEDGE FUND COMPOSITE | 116,642,580 | -0.41 | -0.21 | 1.85 | -1.38 | 1.27 | | | | | 2.44 |
| LIBOR + 4% | | 0.34 | 1.02 | 3.47 | 1.37 | 4.18 | | | | | 4.22 |
| Excess | | -0.75 | -1.24 | -1.61 | -2.75 | -2.90 | | | | | -1.78 |
| | | | | | | | | | | | |
| AQR DELTA FUND II, L.P. | 116,642,580 | -0.41 | -0.21 | 1.85 | -1.38 | 1.27 | | | | | 2.44 |
| LIBOR + 4% | | 0.34 | 1.02 | 3.47 | 1.37 | 4.18 | | | | | 4.22 |
| Excess | | -0.75 | -1.24 | -1.61 | -2.75 | -2.90 | | | | | -1.78 |
| | | | | | | | | | | | |
| TOTAL COMMODITIES | 90,047,415 | 2.42 | 7.83 | 7.26 | 5.31 | 3.07 | | | | | -0.68 |
| DJ-UBS COMMODITY | | 2.44 | 9.27 | 10.76 | 9.60 | 3.17 | | | | | -5.87 |
| Excess | | -0.02 | -1.44 | -3.50 | -4.28 | -0.10 | | | | | 5.18 |

**San Mateo County
Manager Return Summary**

April 30, 2014



| Manager Returns (Net) | | | | | | | | | | | |
|-------------------------------------|----------------------|--------------|--------------|--------------|----------------|---------------|---------------|---------------|---------------|----------------|-------------|
| | \$ EMV | 1 Mth | 3 Mth | FYTD | Cal YTD | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year | ITD |
| SSGA MULTISOURCE ACT COMM NL | 90,047,415 | 2.42 | 7.83 | 7.26 | 5.31 | 3.07 | | | | | -0.68 |
| DJ-UBS COMMODITY | | 2.44 | 9.27 | 10.76 | 9.60 | 3.17 | | | | | -5.87 |
| Excess | | -0.02 | -1.44 | -3.50 | -4.28 | -0.10 | | | | | 5.18 |
| TOTAL REAL ESTATE | 178,084,212 | 0.00 | 1.61 | 7.18 | 1.61 | 12.12 | 12.06 | 4.81 | 2.38 | 7.22 | 7.79 |
| SAMCERA NCREIF NFI ODCE EW (Gross) | | 0.00 | 2.52 | 9.28 | 2.52 | 13.29 | 12.88 | 6.61 | 3.36 | 7.39 | 8.10 |
| Excess | | 0.00 | -0.91 | -2.10 | -0.91 | -1.16 | -0.82 | -1.79 | -0.98 | -0.17 | -0.31 |
| INVESCO REAL ESTATE | 178,084,212 | 0.00 | 1.61 | 7.18 | 1.61 | 12.12 | 12.00 | 4.82 | 2.38 | | 6.57 |
| SAMCERA NCREIF NFI ODCE EW (Gross) | | 0.00 | 2.52 | 9.28 | 2.52 | 13.29 | 12.88 | 6.61 | 3.36 | | 7.01 |
| Excess | | 0.00 | -0.91 | -2.10 | -0.91 | -1.16 | -0.88 | -1.78 | -0.98 | | -0.43 |
| TOTAL CASH | 12,410,904 | 0.17 | 0.17 | 0.66 | 0.45 | 0.75 | 0.67 | 0.83 | 0.80 | 1.64 | 2.34 |
| 91 DAY TREASURY BILL | | 0.00 | 0.01 | 0.05 | 0.02 | 0.06 | 0.08 | 0.11 | 0.85 | 1.66 | 2.22 |
| Excess | | 0.17 | 0.16 | 0.61 | 0.43 | 0.69 | 0.59 | 0.72 | -0.05 | -0.02 | 0.12 |
| SAMCERA GENERAL ACCOUNT | 11,221,210 | 0.00 | 0.01 | 0.04 | 0.02 | 0.06 | 0.21 | 0.22 | 1.06 | 1.85 | 2.34 |
| SAMCERA TREASURY & LAIF | 1,189,694 | 0.17 | 0.12 | 0.66 | 0.40 | 0.76 | 0.83 | 0.96 | 0.79 | 1.51 | |
| CLIFTON GROUP - CASH OVERLAY | 22,082,321 | 0.00 | 0.01 | | 0.02 | | | | | | 0.03 |
| 91 DAY TREASURY BILL | | 0.00 | 0.01 | | 0.02 | | | | | | 0.04 |
| Excess | | -0.00 | 0.00 | | 0.00 | | | | | | -0.00 |
| TOTAL FUND | 3,145,824,440 | 0.25 | 4.30 | 13.23 | 2.17 | 11.29 | 7.92 | 13.19 | 3.90 | 6.52 | 6.85 |
| SAMCERA TOTAL PLAN POLICY BENCHMARK | | 0.45 | 4.36 | 14.23 | 2.47 | 12.35 | 8.69 | 13.88 | 5.29 | 7.45 | 7.22 |
| Excess | | -0.20 | -0.06 | -1.00 | -0.30 | -1.07 | -0.77 | -0.69 | -1.40 | -0.92 | -0.37 |

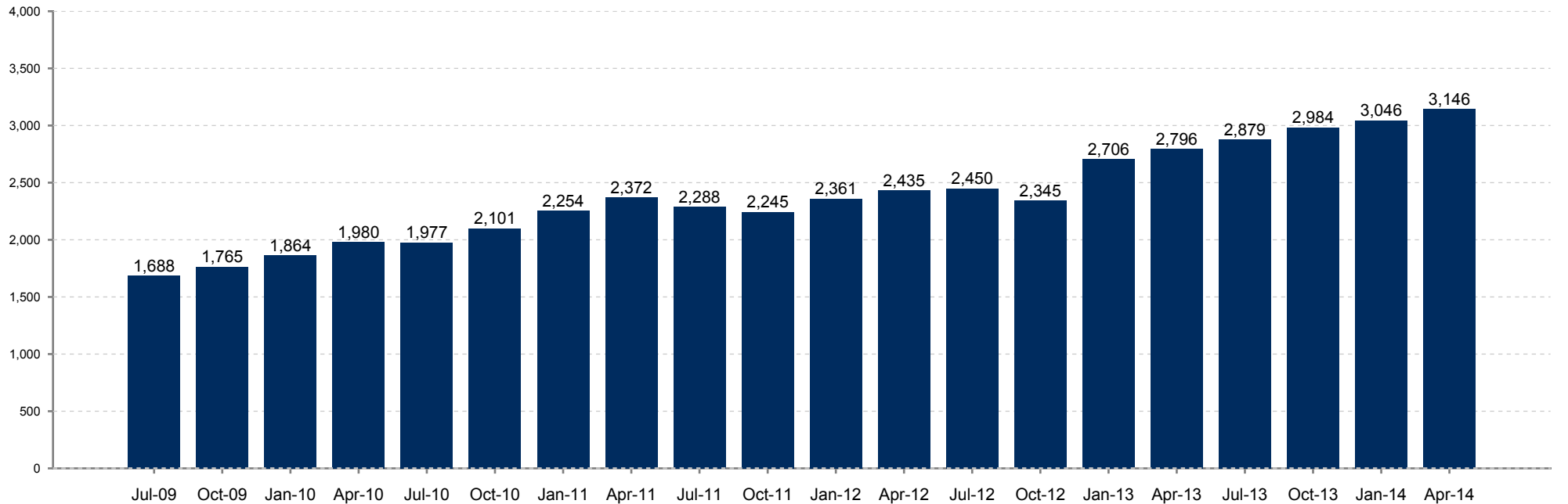
**San Mateo County
Accounting Change in Market Value Details**

April 30, 2014

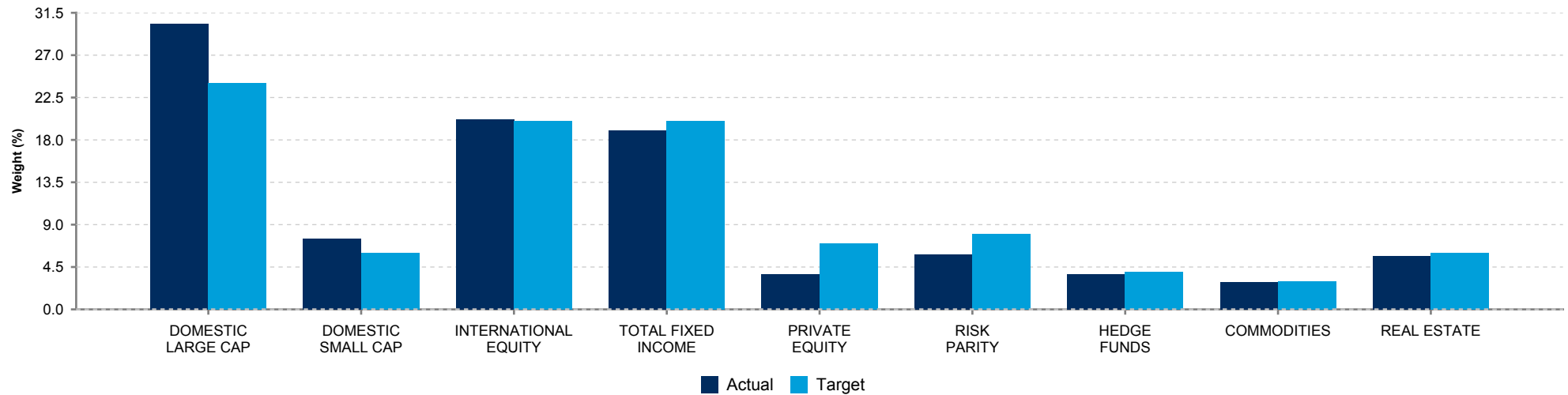


| Record of Asset Growth | | |
|-------------------------------|--------------------|-----------------|
| | One Quarter | One Year |
| TOTAL FUND | | |
| Beginning Market Value | 3,046,398,114 | 2,796,376,490 |
| Contributions | 223,098,011 | 1,516,180,578 |
| Withdrawals | 257,103,817 | 1,497,693,965 |
| Income Received | 12,981,962 | 39,431,758 |
| Gain/Loss | 120,450,170 | 291,529,580 |
| Ending Market Value | 3,145,824,440 | 3,145,824,440 |

Net Asset Values over Time (\$000)



Actual vs Target Weights

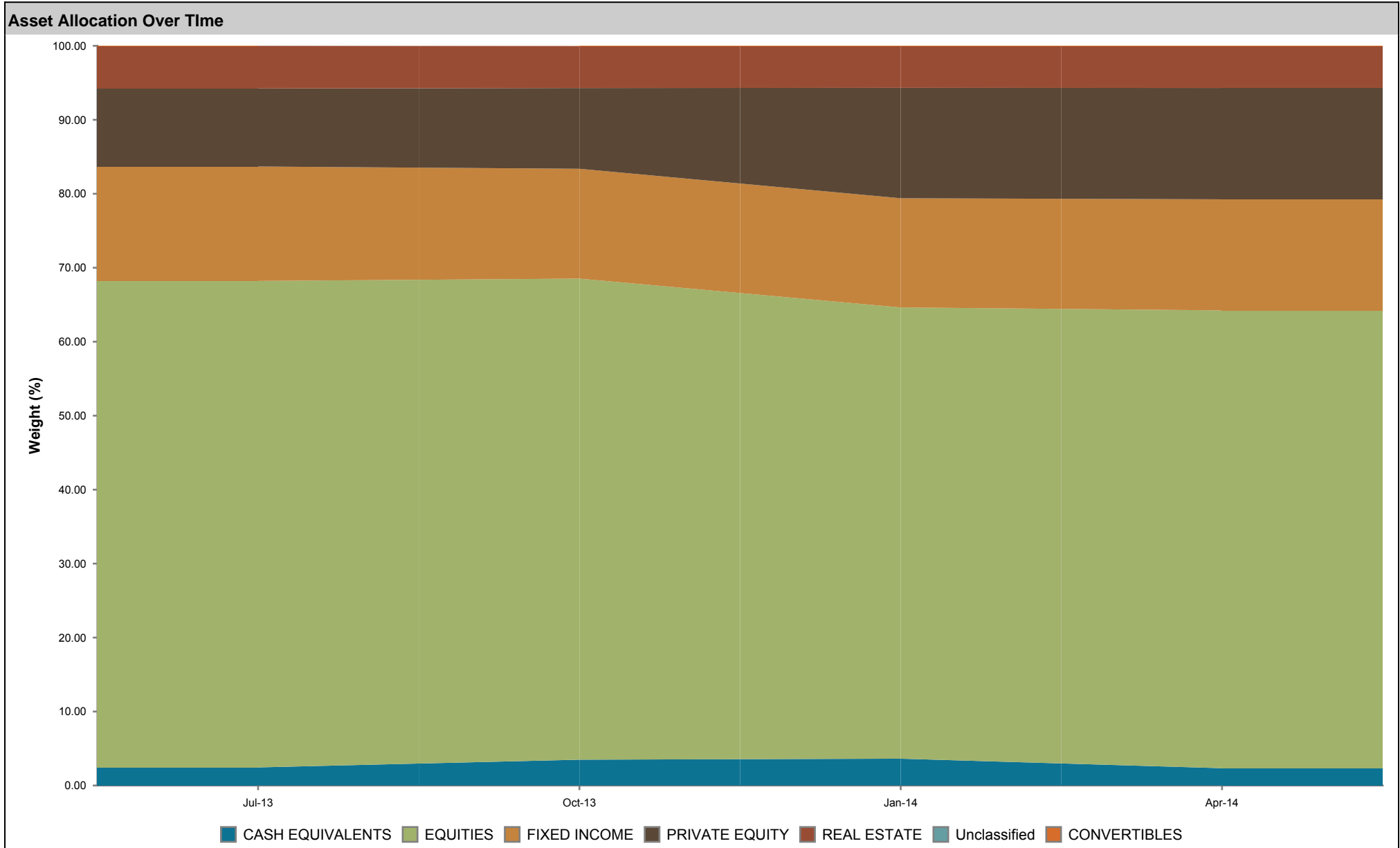


% Portfolio Weight

| | Min | Actual | Target | Deviation | Max |
|----------------------------|------|--------|--------|-----------|------|
| DOMESTIC LARGE CAP | 20.0 | 30.3 | 24.0 | 6.3 | 28.0 |
| DOMESTIC SMALL CAP | 4.0 | 7.5 | 6.0 | 1.5 | 8.0 |
| TOTAL INTERNATIONAL EQUITY | 15.0 | 20.2 | 20.0 | 0.2 | 25.0 |
| TOTAL FIXED INCOME | 15.0 | 19.0 | 20.0 | -1.0 | 25.0 |
| PRIVATE EQUITY | 5.0 | 3.7 | 7.0 | -3.3 | 9.0 |
| RISK PARITY | 6.0 | 5.8 | 8.0 | -2.2 | 10.0 |
| HEDGE FUNDS | 2.0 | 3.7 | 4.0 | -0.3 | 6.0 |
| COMMODITIES | 1.0 | 2.9 | 3.0 | -0.1 | 5.0 |
| REAL ESTATE | 4.0 | 5.7 | 6.0 | -0.3 | 8.0 |

San Mateo County Asset Allocation Over Time

April 30, 2014

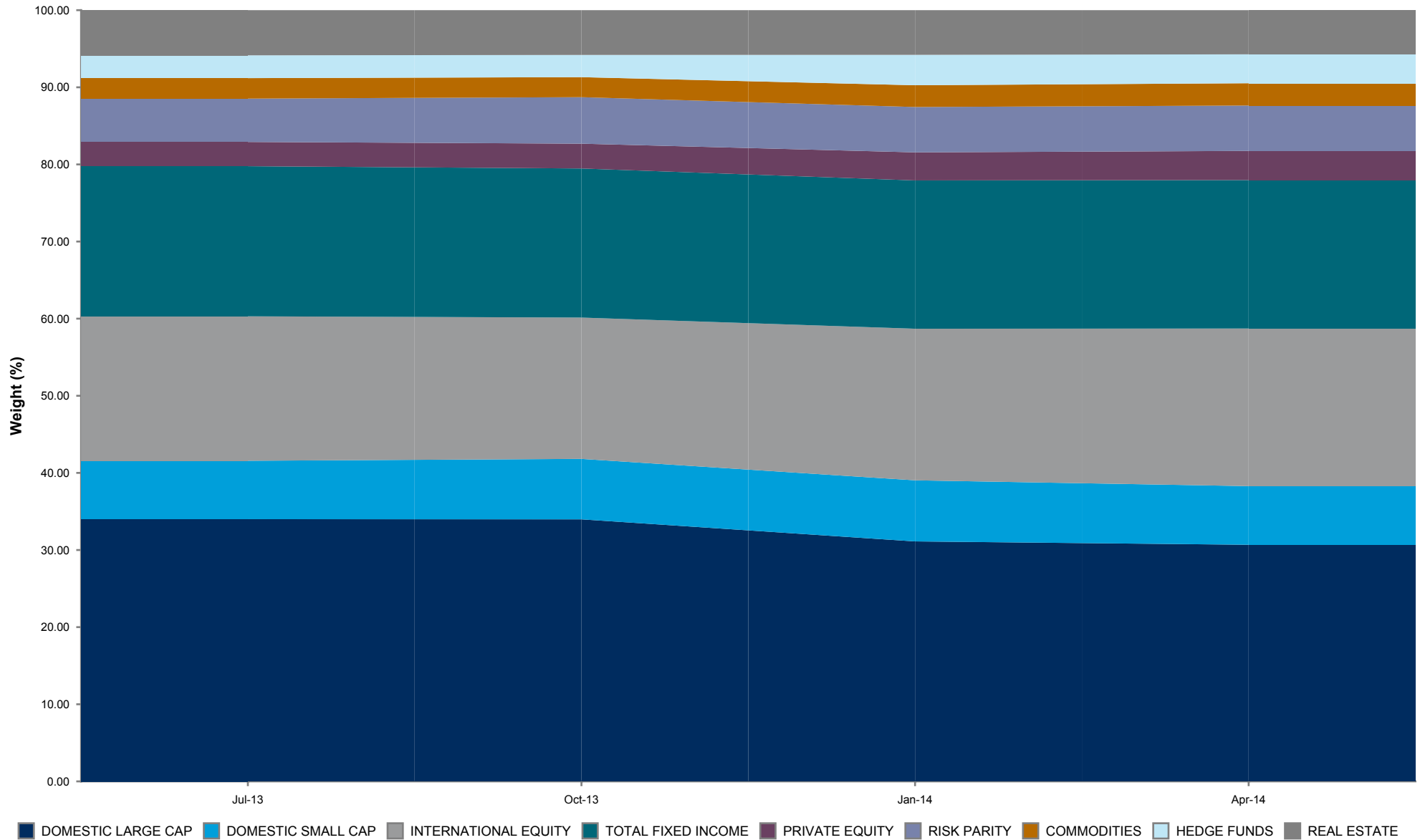


San Mateo County
 Sub-Asset Class Allocation Over Time

April 30, 2014



Sub-Asset Class Allocation Over Time



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 6.2

TO: Board of Retirement



FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Quarterly Investment Performance Report for the Period Ending March 31, 2014

Staff Recommendation

Review Strategic Investment Solutions' Quarterly Performance Report for the period ending March 31, 2014.

Discussion

The 1st quarter net total return for the SamCERA portfolio was +1.8%, which was 20 bps lower than the +2.0% policy benchmark return. As can be seen on pages 11 and 12, SamCERA's Risk Parity and International Equity composites were the primary sources of outperformance, while our Commodity, U.S. Equity, and Global Fixed Income composites were the primary sources of underperformance.

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 3/31/2014*



SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

INVESTMENT PERFORMANCE ANALYSIS

FIRST QUARTER 2014

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

INVESTMENT PERFORMANCE ANALYSIS

TABLE OF CONTENTS

| | SECTION |
|---------------------------|---------|
| Total Fund | I |
| US Equity | II |
| International Equity..... | III |
| Fixed Income..... | IV |
| Alternatives..... | V |
| Real Estate..... | VI |
| Risk Parity | VII |
| Appendix | |

- Federal Reserve policy uncertainty and inclement weather in the US led to a volatile first quarter in the S&P 500, but the index ended the period with a gain of 1.8%.
- In addition to policy uncertainty, geopolitical risk limited gains in equity markets as the MSCI EM Net Return Index fell 0.4% in the first quarter. However, geopolitical risk and global growth concerns also helped boost demand for U.S. Treasuries.
- Hope for quantitative easing by the European Central Bank has helped drive down peripheral European financing costs and improve equity sentiment. Europe ex-UK equities rose 3.5% on a net return basis.
- The People's Bank of China announced a wider daily currency trading band in March, which has allowed the renminbi to depreciate. The prospects for increased exports and the potential for reform efforts conducive to growth in India and Indonesia may have limited the decline in the MSCI EM Asia Net Return Index.
- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. With confidence rising among North American institutions, the Global ICI increased 24.4 points during the quarter to 120.2 in March, remaining well above the neutral level of 100.
- For the period ending 3/31/14, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 10.0% and 2.5%; one-year, 4.2% and 11.0%; three-year, 10.7% and 11.9% and five-year, 28.2% and 5.7%.
- A drop in the 10-year Treasury during Q1 2014 resulted in a rally in the US REIT market, with resulting in REITs doing well in comparison with the broader equity markets. The REIT dividend yield of 3.9% was 199 basis points higher than the 10-year US Treasury yield.
- Following the US REIT market, global REITs finished Q1 2014 with a total return of 4.0%; the UK at 6.7% and Canada at 5.5% were regional leaders.

- The Total Fund returned 1.9% in the first quarter of 2014 and ranked 37th among other public plans great than \$1 billion (median of 1.8%). It lagged the policy index return of 2.0%. The Total Fund w/o Overlay was 1.9% for the quarter. The Parametric Clifton Overlay strategy was funded August 2013. The one year return of 13.3% was behind the policy index return of 13.7% and ranked in 22nd percentile of its peer universe. The three-year return of 9.4% (30th percentile) was above median among large public plans (8.8%).

- First quarter results were enhanced by the following factors:
 1. AQR Global Risk Enhanced Liquidity was up 5.7% while its custom benchmark was 2.0%. First quarter gross return attribution is as follows: equity (-0.1%), nominal interest rates (2.8%) and inflation (2.8%) risk.
 2. The Angelo Gordon STAR Fund appreciated 4.5% (preliminary quarterly return) while the Barclays Aggregate was up 1.8%.
 3. Mondrian returned 3.1%, beat the MSCI ACWI ex US Value (0.8%) and ranked in the 17th percentile among its ACWI ex US Value equity peers (0.8% median). Performance results were enhanced by stock selection in Japan, France and Israel and an underweight position in the weak Japanese market.
 4. Baillie Gifford led its benchmark, the MSCI EAFE Index (2.5% vs. 0.8%). It ranked in the top quartile among EAFE growth equity managers (median of 0.1%). Owning Swedish truck manufacturer Scania and Australian online jobs board company Seek had been helpful during the quarter.
 5. Chartwell added more value, 2.1%, than the Russell 2000 Growth Index, 0.5%. Chartwell ranked in 22nd percentile among small cap growth managers (median of 0.7%). Performance alpha was mainly derived from its Industrials (H&E Equipment Services, Acuity Brands, Avis Budget Group), and Consumer Discretionary (Helen of Troy, Del Frisco's Restaurant) stock selection.
 6. Eaton Vance led the MSCI Emerging Markets Index (1.1% vs. -0.4%) and ranked at its peers median (-0.6%). Key drivers to quarterly performance were its exposure to UAE and Qatar and underweight to China.

First Quarter 2014

7. Western Asset quarter was above par. It carried a return of 2.6% and ranked above the core bond manager median of 2.0%. The Barclays Aggregate Index returned 1.8%. Its select high yield, emerging markets and corporates exposure and underweight to mortgages created performance alpha.
 8. The Pyramis Bond Fund added 2.2% to its value and ranked in the 27th percentile among core bond managers (median of 2.0%). The Barclays Aggregate Index was up 1.8% for the quarter. An overweight to the financial sector and CMBS were additive to relative performance.
 9. The Boston Co returned 2.1%, versus 1.8% for the Russell 2000 Value Index, and ranked in the 46th percentile among its small cap value peers (median 2.0%). Positive attributes include stock selection the Info Tech and Financials sectors.
 10. The Treasury and LAIF account added 0.2% for the during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.
 11. The BlackRock S&P 500 Index Fund (1.8%) matched its benchmark but ranked below the large cap core median of 2.1%.
 12. In its first full quarter, the BlackRock EAFE Index Fund (0.7%) matched its benchmark but ranked below the large cap core median of 1.4%.
- First quarter results were hindered by the following factors:
 1. Commodities manager SSgA Multisource trailed its benchmark, DJ UBS Commodities Index (3.0% vs. 7.0%). The S&P GSCI quarterly return was 2.9%.
 2. Franklin Templeton appreciated 0.5% and ranked in the bottom quartile among global bond managers (median of 2.7%). The Barclays Multiverse Index was up 2.4%. A net-negative position in the Japanese yen and currency positions in Latin America negated results.
 3. Hedge fund strategy AQR DELTA XN lagged the LIBOR +4% (-0.8% vs. 0.9%). It ranked in the bottom quartile among other hedge fund multi-strategy accounts (median of 1.5%). Managed futures (-1.9%), global macro (-0.7%) and emerging markets strategies performed with weakest results. The strategy was shifted from AQR DELTA.

4. The Pyramis Select International Small Cap Plus quarterly portfolio result of 2.1% was below the MSCI ACWI ex US Small Cap (3.6%), and ranked in the 72nd percentile among ACWI ex US small cap managers. Holdings in the China and South Korea dampened relative performance. Financials (Ashmore Group) and consumer discretionary (Iida Group) were two of the primary sector detractors.
5. Barrow Hanley's return of 1.8% was behind the Russell 1000 Value Index (3.0%) and ranked in the bottom quartile among large cap value equity managers (median of 2.6%). Performance was dampened by its security selection in the Financials (First Niagara Financial Group, Citigroup) and Healthcare (Cigna) sectors and lack of Utilities holdings.
6. DE Shaw's return of 0.8% ranked in the bottom quartile among large cap core equity managers (2.1% median), and was behind its benchmark, the Russell 1000 Index (2.0%). Investments in the Industrials and Info Tech sectors, plus its intra-quarter trading, hurt quarterly results.
7. Brown Advisory was outpaced by the Russell 1000 Growth Index (0.1% vs. 1.1%) and ranked in the third quartile among large cap growth managers (median of 0.8%). Select Info Tech (ANSYS, National Instruments, NetApp) and Consumer Staples (Whole Foods Market, Estee Lauder) stocks hurt performance.
8. The Invesco Core Real Estate-USA Fund returned 1.7% for the quarter and below par with the NCREIF ODCE Index (2.5%). As of quarter end, the core portfolio was 94.7% leased, up 50 bps over the prior quarter.
9. Private Equity investments appreciated 2.2% for the quarter. The Russell 3000 +3% Index was up 2.8%.
10. Brown Brothers Harriman gained 1.3%, was outpaced by the Barclays US TIPS Index (1.9%) and ranked in the bottom quartile among inflation linked bond accounts (median of 2.0%).
11. The opportunistic credit high yield manager, Brigade Capital, lagged its benchmark, the Barclays BA Intermediate High Yield Index (2.6% vs. 2.8%). The median high yield quarterly return was 3.0%. Long bond positions in Walter Energy and Forest Oil were top detractors to performance during the quarter.

Performance Summary

Periods Ending March 31, 2014

| | 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 ** | 1.9 | 37 | 13.4 | 17 | 13.3 | 22 | 12.3 | 21 | 9.4 | 30 | 15.1 | 28 | 6.5 | 72 |
| TOTAL FUND - Net | 1.8 | | 13.1 | | 12.9 | | 11.9 | | 9.0 | | 14.7 | | 6.1 | |
| <i>Policy Index¹</i> | 2.0 | 30 | 13.8 | 13 | 13.7 | 20 | 12.0 | 23 | 9.5 | 26 | 15.6 | 17 | 7.1 | 34 |
| <i>Allocation Index</i> | 1.9 | 40 | 13.9 | 12 | 13.9 | 17 | | | | | | | | |
| TOTAL FUND ex OVERLAY - Gross | 1.9 | 37 | 13.3 | 20 | 13.2 | 24 | 12.3 | 21 | 9.3 | 31 | 15.1 | 29 | 6.4 | 72 |
| TOTAL FUND ex OVERLAY - Net | 1.8 | | 13.0 | | 12.8 | | 11.9 | | 8.9 | | 14.7 | | 6.1 | |
| <i>Policy Index¹</i> | 2.0 | 30 | 13.8 | 13 | 13.7 | 20 | 12.0 | 23 | 9.5 | 26 | 15.6 | 17 | 7.1 | 34 |
| <i>InvestorForce Public DB > \$1B Gross Median</i> | 1.8 | | 12.1 | | 11.7 | | 10.9 | | 8.8 | | 14.4 | | 6.9 | |
| TOTAL EQUITY | 1.8 | 28 | 18.5 | 59 | 20.5 | 48 | 16.4 | 53 | 11.3 | 58 | 19.7 | 66 | 6.9 | 75 |
| <i>Blended Equity Index²</i> | 1.5 | 45 | 18.6 | 56 | 19.6 | 62 | 16.2 | 58 | 11.1 | 63 | 20.2 | 54 | 7.6 | 52 |
| <i>InvestorForce All DB Total Eq Gross Median</i> | 1.4 | | 18.8 | | 20.4 | | 16.5 | | 11.5 | | 20.2 | | 7.6 | |
| US EQUITY COMPOSITE | 1.6 | 68 | 19.4 | 60 | 23.5 | 41 | 18.5 | 56 | 14.1 | 62 | 22.2 | 45 | 7.3 | 87 |
| <i>80% Russell 1000/20% Russell 2000²</i> | 1.9 | 43 | 19.6 | 53 | 22.9 | 55 | 18.8 | 41 | 14.5 | 45 | 22.3 | 41 | 8.0 | 55 |
| <i>InvestorForce All DB US Eq Gross Median</i> | 1.8 | | 19.7 | | 23.1 | | 18.6 | | 14.3 | | 22.1 | | 8.1 | |
| LARGE CAP COMPOSITE | 1.4 | | 18.4 | | 22.7 | | 17.7 | | 13.9 | | 20.9 | | 7.2 | |
| <i>Russell 1000 Index</i> | 2.0 | | 19.3 | | 22.4 | | 18.4 | | 14.7 | | 21.7 | | 7.8 | |
| DE Shaw - Gross | 0.8 | 88 | 17.9 | 75 | 21.8 | 65 | 18.3 | 50 | 16.2 | 23 | | | | |
| DE Shaw - Net | 0.8 | | 17.5 | | 21.3 | | 17.8 | | 15.7 | | | | | |
| <i>Russell 1000 Index</i> | 2.0 | 52 | 19.3 | 53 | 22.4 | 57 | 18.4 | 50 | 14.7 | 53 | | | | |

* 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 1/1/14, Policy Index is 24% Russell 1000/ 6% Russell 2000/ 20% MSCI ACWI ex US IMI/ 9.25% Barclays Aggregate/ 5% Barclays BA Intermediate HY / 2% Barclays Tips/ 3.75% Barclays Multi-verse/ 6% NCREIF NFI ODCE/ 7% Russell 3000 + 3% 8% (60% Russell 3000/40% Barclays Aggregate)/ 4% Libor +4%/ 3% DJ UBS Commodity/ 2% CPI +5%

2. See Appendix for Benchmark History.

Performance Summary

Periods Ending March 31, 2014

| | 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 | 1.8 | 62 | 18.5 | 65 | 21.9 | 63 | | | | | | | | |
| BlackRock S&P 500 Index - Net | 1.8 | | 18.4 | | 21.9 | | | | | | | | | |
| <i>S&P 500 Index</i> | 1.8 | 62 | 18.4 | 66 | 21.9 | 64 | | | | | | | | |
| Barrow Hanley - Gross | 1.8 | 77 | 20.0 | 32 | 27.2 | 16 | 21.3 | 26 | 15.7 | 31 | | | | |
| Barrow Hanley - Net | 1.7 | | 19.6 | | 26.7 | | 20.8 | | 15.2 | | | | | |
| <i>Russell 1000 Value Index</i> | 3.0 | 33 | 17.8 | 62 | 21.6 | 65 | 20.2 | 38 | 14.8 | 48 | | | | |
| Brown Advisory - Gross ³ | 0.1 | 65 | 17.4 | 87 | | | | | | | | | | |
| Brown Advisory - Net | 0.0 | | 17.1 | | | | | | | | | | | |
| <i>Russell 1000 Growth Index</i> | 1.1 | 43 | 20.7 | 63 | | | | | | | | | | |
| SMALL CAP COMPOSITE | 2.1 | | 24.0 | | 27.2 | | 22.0 | | 15.3 | | 27.9 | | 7.4 | |
| <i>Russell 2000 Index</i> | 1.1 | | 21.2 | | 24.9 | | 20.5 | | 13.2 | | 24.3 | | 8.5 | |
| The Boston Co - Gross | 2.1 | 46 | 22.4 | 44 | 25.7 | 45 | 22.2 | 43 | 15.7 | 33 | | | | |
| The Boston Co - Net | 2.0 | | 21.8 | | 24.7 | | 21.3 | | 14.7 | | | | | |
| <i>Russell 2000 Value Index</i> | 1.8 | 56 | 19.7 | 75 | 22.6 | 75 | 20.3 | 66 | 12.7 | 74 | | | | |
| Chartwell - Gross | 2.1 | 22 | 25.5 | 37 | 28.7 | 57 | 22.0 | 45 | 16.1 | 37 | 28.0 | 30 | | |
| Chartwell - Net | 1.9 | | 24.9 | | 27.8 | | 21.1 | | 15.3 | | 27.0 | | | |
| <i>Russell 2000 Growth Index</i> | 0.5 | 54 | 22.6 | 60 | 27.2 | 71 | 20.7 | 59 | 13.6 | 69 | 25.2 | 69 | | |
| INTERNATIONAL EQUITY | 2.1 | 10 | 16.5 | 56 | 14.2 | 53 | 11.9 | 55 | 5.3 | 65 | 14.0 | 82 | 6.6 | 64 |
| <i>MSCI ACWI ex US IMI ⁴</i> | 1.0 | 39 | 16.6 | 52 | 13.2 | 63 | 11.0 | 68 | 4.8 | 73 | 16.1 | 52 | 7.6 | 40 |
| <i>MSCI EAFE Index Gross</i> | 0.8 | 50 | 18.9 | 24 | 18.1 | 22 | 14.9 | 18 | 7.7 | 21 | 16.6 | 44 | 7.0 | 55 |
| InvestorForce All DB ex-US Eq Gross Median | 0.8 | | 16.7 | | 14.4 | | 12.2 | | 5.9 | | 16.2 | | 7.1 | |

3. Brown Advisory funded in April 2013.

4. Effective 1/1/14 Benchmark change from MSCI ACWI ex US.

Performance Summary

Periods Ending March 31, 2014

| | 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 | 2.3 | 16 | 17.3 | 49 | 15.7 | 60 | 13.0 | 57 | 6.1 | 66 | 14.4 | 70 | 6.9 | 53 |
| <i>MSCI ACWI -ex US Gross</i> | 0.6 | 55 | 16.2 | 65 | 12.8 | 75 | 10.8 | 82 | 4.6 | 79 | 16.0 | 48 | 7.6 | 37 |
| InvestoForce All DB Dev Mkt ex-US Eq Gross Median | 0.8 | | 17.2 | | 16.5 | | 13.6 | | 6.7 | | 16.0 | | 7.0 | |
| Baillie Gifford - Gross | 2.5 | 13 | 18.6 | 37 | 16.9 | 51 | | | | | | | | |
| Baillie Gifford - Net | 2.5 | | 18.3 | | 16.4 | | | | | | | | | |
| <i>MSCI EAFE Index Gross</i> | 0.8 | 38 | 18.9 | 35 | 18.1 | 39 | | | | | | | | |
| <i>MSCI EAFE Growth Index Gross</i> | 0.2 | 47 | 16.5 | 68 | 15.3 | 64 | | | | | | | | |
| BlackRock EAFE Index - Gross ⁵ | 0.7 | 65 | | | | | | | | | | | | |
| BlackRock EAFE Index - Net | 0.7 | 65 | | | | | | | | | | | | |
| <i>MSCI EAFE Index Net</i> | 0.7 | 66 | | | | | | | | | | | | |
| <i>MSCI EAFE Index Gross</i> | 0.8 | 64 | | | | | | | | | | | | |
| Mondrian - Gross | 3.1 | 17 | 16.7 | 56 | 15.6 | 50 | 11.3 | 82 | 7.1 | 51 | 15.1 | 81 | | |
| Mondrian - Net | 3.1 | | 16.5 | | 15.3 | | 11.1 | | 6.9 | | 14.8 | | | |
| <i>MSCI ACWI ex US Value Gross</i> | 0.8 | 49 | 17.9 | 43 | 14.4 | 71 | 11.3 | 82 | 4.6 | 79 | 16.5 | 54 | | |
| <i>MSCI ACWI ex US Gross</i> | 0.6 | 57 | 16.2 | 65 | 12.8 | 80 | 10.8 | 89 | 4.6 | 79 | 16.0 | 57 | | |
| Pyramis Equity - Gross | 2.1 | 72 | 17.2 | 88 | 13.9 | 97 | 12.9 | 99 | | | | | | |
| Pyramis Equity - Net | 1.9 | | 16.4 | | 12.9 | | 11.9 | | | | | | | |
| <i>MSCI ACWI ex US Small Cap Gross</i> | 3.6 | 43 | 21.9 | 72 | 16.7 | 82 | 13.8 | 99 | | | | | | |
| EMERGING MARKETS | 1.1 | 22 | 10.0 | 6 | 3.2 | 9 | 3.5 | 9 | | | | | | |
| <i>MSCI Emerging Markets Index Gross</i> | -0.4 | 54 | 7.5 | 42 | -1.1 | 28 | 0.6 | 62 | | | | | | |
| InvestoForce All DB Emg Mkt Eq Gross Median | -0.2 | | 6.5 | | -2.9 | | 1.3 | | | | | | | |

5. BlackRock EAFE Index funded in December 2013.

Performance Summary

Periods Ending March 31, 2014

| | 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 | 1.1 | 15 | 10.0 | 27 | 3.2 | 26 | 3.5 | 41 | | | | | | |
| Eaton Vance Management - Net | 1.0 | | 9.3 | | 2.2 | | 3.0 | | | | | | | |
| MSCI Emerging Markets Index Gross | -0.4 | 46 | 7.5 | 58 | -1.1 | 58 | 0.6 | 73 | | | | | | |
| TOTAL FIXED INCOME ⁶ | 2.0 | 55 | 4.3 | 41 | 1.2 | 30 | 5.6 | 14 | 6.1 | 33 | 9.8 | 22 | 5.4 | 63 |
| Blended Fixed Index ² | 2.2 | 44 | 3.1 | 58 | -0.3 | 69 | 2.0 | 84 | 4.1 | 77 | 5.1 | 83 | 4.6 | 79 |
| InvestorForce All DB Total Fix Inc Gross Median | 2.0 | | 3.6 | | 0.2 | | 3.6 | | 4.9 | | 7.6 | | 5.7 | |
| US FIXED INCOME | 2.4 | 38 | 4.1 | 41 | 1.2 | 31 | 5.0 | 23 | 5.9 | 34 | 9.6 | 24 | 5.3 | 51 |
| Blended US Fixed Index ² | 2.2 | 49 | 2.6 | 69 | -0.9 | 89 | 2.0 | 84 | 4.3 | 67 | 5.3 | 80 | 4.7 | 74 |
| InvestorForce All DB US Fix Inc Gross Median | 2.1 | | 3.4 | | 0.4 | | 3.6 | | 5.0 | | 7.2 | | 5.3 | |
| CORE FIXED | 2.3 | | 3.6 | | 0.9 | | 3.5 | | 5.1 | | | | | |
| Barclays Aggregate Index | 1.8 | | 2.3 | | -0.1 | | 1.8 | | 3.7 | | | | | |
| Pyramis Bond - Gross | 2.2 | 27 | 3.3 | 25 | 0.7 | 33 | 3.1 | 29 | 4.7 | 34 | 7.7 | 13 | | |
| Pyramis Bond - Net | 2.1 | | 3.1 | | 0.5 | | 2.9 | | 4.6 | | 7.6 | | | |
| Western Asset - Gross | 2.6 | 6 | 3.9 | 9 | 1.1 | 18 | 4.0 | 8 | 5.5 | 8 | 9.4 | 3 | | |
| Western Asset - Net | 2.5 | | 3.8 | | 0.9 | | 3.7 | | 5.2 | | 9.1 | | | |
| Barclays Aggregate Index | 1.8 | 67 | 2.3 | 75 | -0.1 | 75 | 1.8 | 85 | 3.7 | 85 | 4.8 | 85 | | |
| TIPS | | | | | | | | | | | | | | |
| Brown Brothers Harriman - Gross | 1.3 | 77 | 0.3 | 98 | -7.1 | 91 | -0.4 | 58 | 3.8 | 34 | | | | |
| Brown Brothers Harriman - Net | 1.2 | | 0.2 | | -7.2 | | -0.6 | | 3.7 | | | | | |
| Barclays US TIPS Index | 1.9 | 53 | 0.6 | 84 | -6.5 | 76 | -0.6 | 82 | 3.5 | 68 | | | | |
| OPPORTUNISTIC CREDIT ⁶ | 3.4 | | 8.9 | | 10.0 | | 14.9 | | 10.8 | | | | | |
| Barclays BA Intermediate HY ⁷ | 2.8 | | 5.0 | | 0.9 | | 4.6 | | 6.6 | | | | | |

2. See Appendix for Benchmark History.

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

7. Effective 1/1/14 Benchmark change from Barclays Credit BAA.

Performance Summary

Periods Ending March 31, 2014

| | 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 ^{8,9} | 4.5 | | 10.1 | | 15.6 | | | | | | | | | |
| <i>Barclays Aggregate Index</i> | 1.8 | | 2.3 | | -0.1 | | | | | | | | | |
| Brigade Capital - Gross | 2.6 | 78 | 7.7 | 81 | 6.6 | 80 | 10.2 | 47 | 9.1 | 43 | | | | |
| Brigade Capital - Net | 2.4 | | 7.4 | | 6.2 | | 10.1 | | 8.7 | | | | | |
| <i>Barclays BA Intermediate HY Index¹⁰</i> | 2.8 | 64 | 5.0 | 97 | 0.9 | 99 | 4.6 | 98 | 6.6 | 92 | | | | |
| <i>50% Barclays HY/50% Bank Loan Index</i> | 2.1 | 86 | 6.8 | 89 | 6.3 | 83 | 8.5 | 84 | 7.2 | 90 | | | | |
| GLOBAL FIXED INCOME | 0.5 | 99 | 5.2 | 38 | 1.3 | 37 | 8.0 | 7 | 6.6 | 26 | | | | |
| <i>Barclays Multi-verse Index</i> | 2.4 | 43 | 5.1 | 44 | 2.2 | 21 | 1.9 | 77 | 3.0 | 77 | | | | |
| <i>InvestorForce All DB Gbl Fix Inc Gross Median</i> | 2.4 | | 4.6 | | 1.1 | | 4.0 | | 5.2 | | | | | |
| Franklin Templeton - Gross | 0.5 | 96 | 5.2 | 58 | 1.3 | 68 | 8.0 | 24 | 6.6 | 25 | | | | |
| Franklin Templeton - Net | 0.4 | | 4.9 | | 1.0 | | 7.7 | | 6.3 | | | | | |
| <i>Barclays Multi-verse Index</i> | 2.4 | 63 | 5.1 | 61 | 2.2 | 54 | 1.9 | 76 | 3.0 | 76 | | | | |
| ALTERNATIVES | 1.3 | | 7.0 | | 1.4 | | 5.5 | | 5.4 | | | | | |
| <i>Alternatives Allocation Index²</i> | 3.0 | | 14.4 | | 14.3 | | 12.3 | | 9.6 | | | | | |
| PRIVATE EQUITY | 2.2 | 34 | 14.6 | 14 | 15.9 | 27 | 12.2 | 30 | 2.6 | 94 | | | | |
| <i>Russell 3000 + 3% Index</i> | 2.8 | 29 | 22.3 | 1 | 25.6 | 2 | 21.5 | 1 | 17.6 | 2 | | | | |
| <i>InvestorForce All DB Private Eq Net Median</i> | 0.0 | | 7.4 | | 10.1 | | 9.6 | | 9.3 | | | | | |
| RISK PARITY | | | | | | | | | | | | | | |
| AQR Global Risk Premium III - Gross | 5.7 | | 10.0 | | -1.0 | | 6.8 | | 7.5 | | | | | |
| AQR Global Risk Premium III - Net | 5.6 | | 9.7 | | -1.4 | | 6.4 | | 7.0 | | | | | |
| <i>60/40 R3000/Barclays Aggregate Index</i> | 2.0 | | 12.4 | | 13.1 | | 11.7 | | 10.4 | | | | | |

2. See Appendix for Benchmark History.

8. Returns are reported net of management fees only.

9. Preliminary returns as of 03/31/14 (First quarter returns are not available at reporting period).

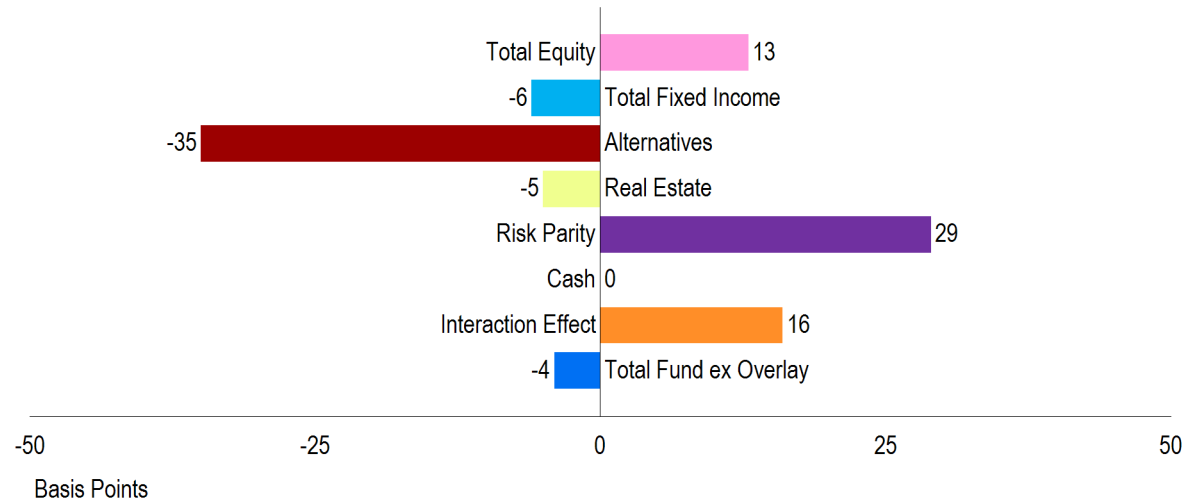
10. Effective 1/1/14 Benchmark change from Barclays Credit BAA.

Performance Summary

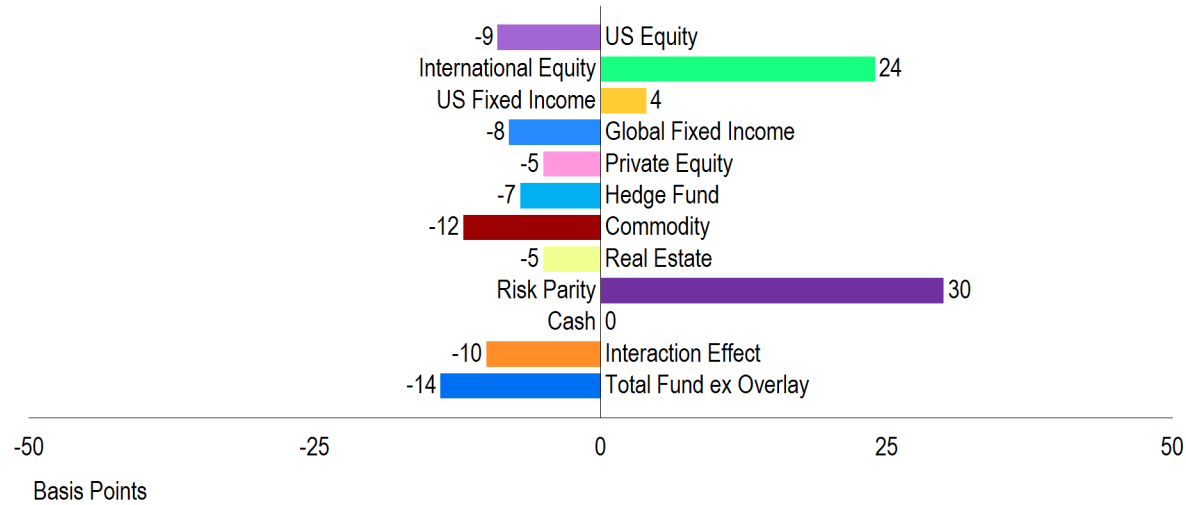
Periods Ending March 31, 2014

| | 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 | -0.8 | 97 | 3.0 | 95 | 6.1 | 86 | 6.5 | 82 | | | | | | |
| <i>Libor 1 Month +4% Index</i> | 0.9 | 74 | 3.1 | 95 | 4.2 | 93 | 4.2 | 93 | | | | | | |
| <i>InvestorForce All DB Hedge Funds Gross Median</i> | 1.6 | | 8.2 | | 9.4 | | 8.6 | | | | | | | |
| AQR DELTA XN - Gross | -0.8 | | 3.0 | | 6.1 | | 6.5 | | | | | | | |
| AQR DELTA Fund XN - Net ¹¹ | -1.0 | 78 | 2.3 | 72 | 5.1 | 54 | 5.5 | 58 | | | | | | |
| <i>Libor 1 Month +4% Index</i> | 0.9 | 60 | 3.1 | 67 | 4.2 | 58 | 4.2 | 64 | | | | | | |
| COMMODITY | | | | | | | | | | | | | | |
| SSgA Multisource Commodity - Gross | 3.0 | | 4.9 | | -2.2 | | 0.4 | | | | | | | |
| SSgA Multisource Commodity - Net | 2.8 | | 4.6 | | -2.5 | | 0.1 | | | | | | | |
| <i>DJ UBS Commodity Index</i> | 7.0 | | 8.1 | | -2.1 | | -2.6 | | | | | | | |
| <i>S&P Goldman Sachs Commodity Index</i> | 2.9 | | 7.5 | | 1.1 | | -2.0 | | | | | | | |
| REAL ESTATE | 1.7 | 82 | 7.5 | 65 | 12.6 | 53 | 11.4 | 50 | 12.4 | 38 | 5.3 | 82 | 7.7 | 19 |
| <i>NCREIF ODCE Index</i> | 2.5 | 66 | 9.5 | 36 | 13.7 | 28 | 12.3 | 31 | 13.0 | 33 | 7.3 | 45 | 7.6 | 22 |
| <i>InvestorForce All DB Real Estate Gross Median</i> | 2.8 | | 8.9 | | 12.7 | | 11.3 | | 11.9 | | 6.9 | | 6.4 | |
| Invesco - Gross | 1.7 | | 7.5 | | 12.6 | | 11.4 | | 12.4 | | 5.3 | | | |
| Invesco - Net | 1.6 | | 7.2 | | 12.1 | | 10.9 | | 12.0 | | 4.8 | | | |
| <i>NCREIF ODCE Index</i> | 2.5 | | 9.5 | | 13.7 | | 12.3 | | 13.0 | | 7.3 | | | |
| CASH | | | | | | | | | | | | | | |
| General Account | 0.0 | | 0.0 | | 0.1 | | 0.1 | | 0.2 | | 0.2 | | 1.9 | |
| Treasury & LAIF | 0.2 | | 0.5 | | 0.7 | | 0.7 | | 0.8 | | 0.9 | | 1.5 | |
| CASH COMPOSITE | 0.0 | | 0.2 | | 0.3 | | 0.5 | | 0.6 | | 0.8 | | 1.6 | |
| <i>91-Day T-Bills Index</i> | 0.0 | | 0.0 | | 0.0 | | 0.1 | | 0.1 | | 0.1 | | 1.5 | |

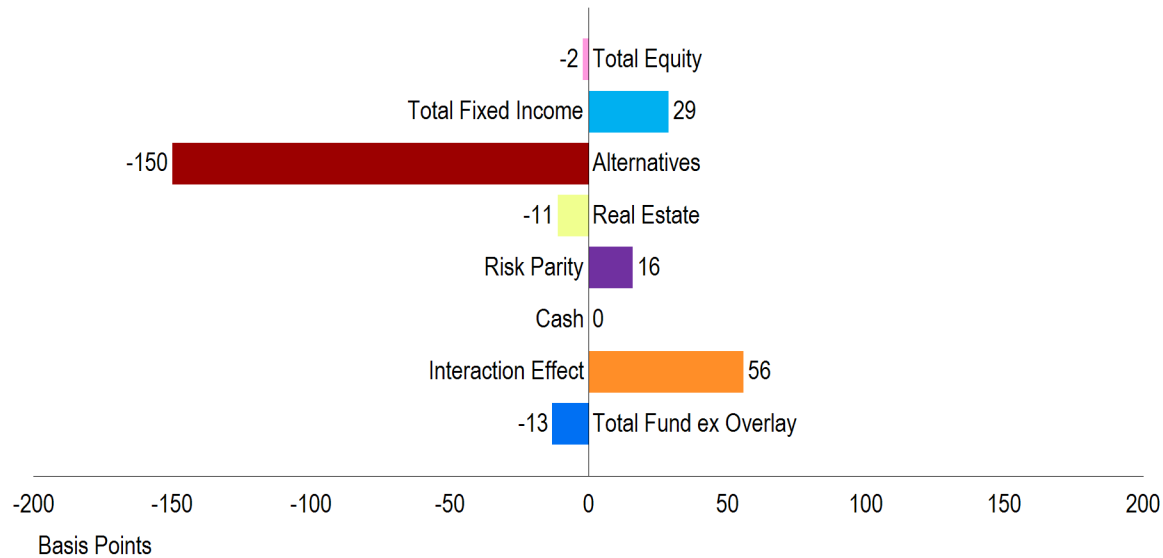
11. AQR Delta XN is ranked against a net of fee universe.



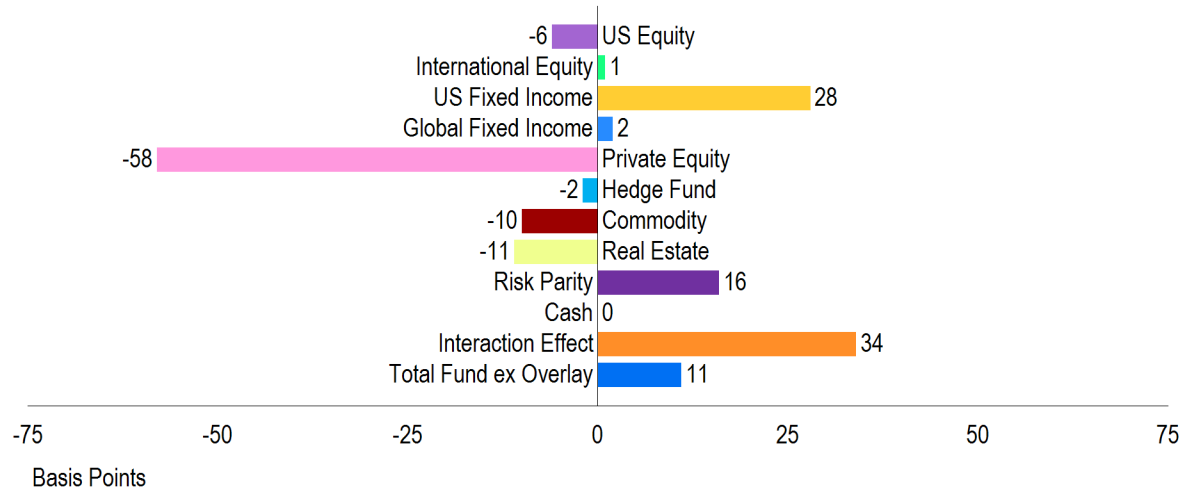
| | Wtd. Actual Return | Wtd. Index Return | Excess Return | Selection Effect | Allocation Effect | Interaction Effects | Total Effects |
|--------------------|--------------------|-------------------|---------------|------------------|-------------------|---------------------|---------------|
| Total Equity | 1.76% | 1.51% | 0.25% | 0.13% | -0.01% | 0.01% | 0.14% |
| Total Fixed Income | 1.96% | 2.22% | -0.26% | -0.06% | -0.04% | 0.02% | -0.07% |
| Alternatives | 1.26% | 3.03% | -1.76% | -0.35% | -0.04% | 0.21% | -0.18% |
| Real Estate | 1.71% | 2.47% | -0.76% | -0.05% | -0.01% | 0.00% | -0.05% |
| Risk Parity | 5.70% | 1.97% | 3.73% | 0.29% | 0.00% | -0.09% | 0.21% |
| Cash | 0.01% | 0.01% | 0.00% | 0.00% | -0.09% | 0.00% | -0.09% |
| Total | 1.98% | 2.23% | -0.25% | -0.03% | -0.17% | 0.16% | -0.04% |



| | Wtd. Actual Return | Wtd. Index Return | Excess Return | Selection Effect | Allocation Effect | Interaction Effects | Total Effects |
|----------------------|--------------------|-------------------|---------------|------------------|-------------------|---------------------|---------------|
| US Equity | 1.55% | 1.86% | -0.31% | -0.09% | -0.02% | -0.03% | -0.14% |
| International Equity | 2.15% | 0.98% | 1.17% | 0.24% | -0.01% | -0.01% | 0.22% |
| US Fixed Income | 2.39% | 2.17% | 0.22% | 0.04% | -0.01% | 0.00% | 0.02% |
| Global Fixed Income | 0.46% | 2.43% | -1.98% | -0.08% | 0.00% | -0.01% | -0.08% |
| Private Equity | 2.16% | 2.79% | -0.63% | -0.05% | -0.03% | 0.02% | -0.06% |
| Hedge Fund | -0.76% | 0.94% | -1.70% | -0.07% | 0.00% | 0.00% | -0.07% |
| Commodity | 2.98% | 6.99% | -4.01% | -0.12% | -0.01% | 0.01% | -0.12% |
| Real Estate | 1.71% | 2.47% | -0.76% | -0.05% | 0.00% | 0.00% | -0.05% |
| Risk Parity | 5.70% | 1.97% | 3.73% | 0.30% | 0.00% | -0.08% | 0.21% |
| Cash | 0.01% | 0.01% | 0.00% | 0.00% | -0.08% | 0.00% | -0.08% |
| Total | 1.89% | 1.98% | -0.10% | 0.12% | -0.16% | -0.10% | -0.14% |



| | Wtd. Actual Return | Wtd. Index Return | Excess Return | Selection Effect | Allocation Effect | Interaction Effects | Total Effects |
|--------------------|-----------------------|----------------------|------------------|---------------------|----------------------|------------------------|------------------|
| Total Equity | 18.53% | 18.57% | -0.04% | -0.02% | 0.31% | -0.01% | 0.28% |
| Total Fixed Income | 4.34% | 3.12% | 1.22% | 0.29% | 0.27% | -0.03% | 0.54% |
| Alternatives | 6.96% | 14.36% | -7.39% | -1.50% | 0.04% | 0.54% | -0.92% |
| Real Estate | 7.50% | 9.50% | -2.00% | -0.11% | -0.07% | -0.01% | -0.19% |
| Risk Parity | 4.55% | 3.35% | 1.20% | 0.16% | 0.12% | 0.07% | 0.35% |
| Cash | 0.23% | 0.03% | 0.20% | 0.00% | -0.18% | 0.00% | -0.18% |
| Total | 13.52% | 14.66% | -1.14% | -1.18% | 0.49% | 0.56% | -0.13% |

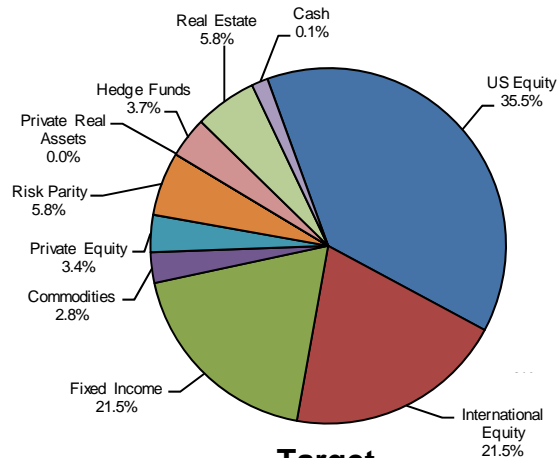


| | Wtd. Actual Return | Wtd. Index Return | Excess Return | Selection Effect | Allocation Effect | Interaction Effects | Total Effects |
|----------------------|--------------------|-------------------|---------------|------------------|-------------------|---------------------|---------------|
| US Equity | 19.44% | 19.65% | -0.21% | -0.06% | 0.51% | -0.02% | 0.43% |
| International Equity | 16.47% | 16.59% | -0.13% | 0.01% | 0.07% | -0.03% | 0.05% |
| US Fixed Income | 4.12% | 2.64% | 1.48% | 0.28% | 0.16% | -0.02% | 0.42% |
| Global Fixed Income | 5.19% | 5.05% | 0.13% | 0.02% | 0.00% | -0.01% | 0.01% |
| Private Equity | 14.61% | 22.27% | -7.66% | -0.58% | -0.39% | 0.35% | -0.63% |
| Hedge Fund | 3.00% | 3.08% | -0.08% | -0.02% | -0.01% | 0.01% | -0.02% |
| Commodity | 4.85% | 8.12% | -3.27% | -0.10% | 0.01% | 0.01% | -0.09% |
| Real Estate | 7.50% | 9.50% | -2.00% | -0.11% | -0.08% | -0.01% | -0.20% |
| Risk Parity | -- | 3.35% | -- | 0.16% | 0.08% | 0.07% | 0.32% |
| Cash | 0.23% | 0.03% | 0.20% | 0.00% | -0.17% | 0.00% | -0.17% |
| Total | 13.89% | 13.73% | 0.16% | -0.41% | 0.19% | 0.34% | 0.11% |

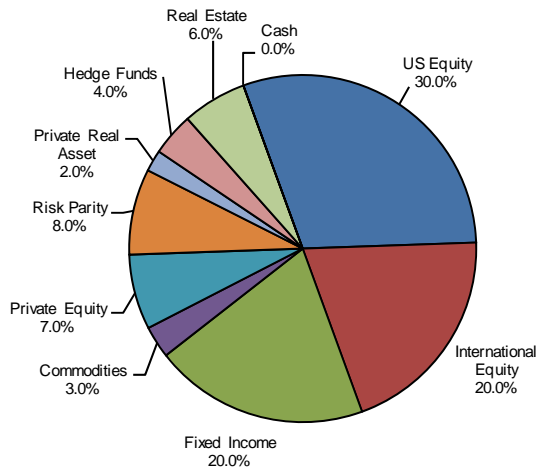
Asset Allocation Analysis

As of March 31, 2014

Current w/Overlay



Target



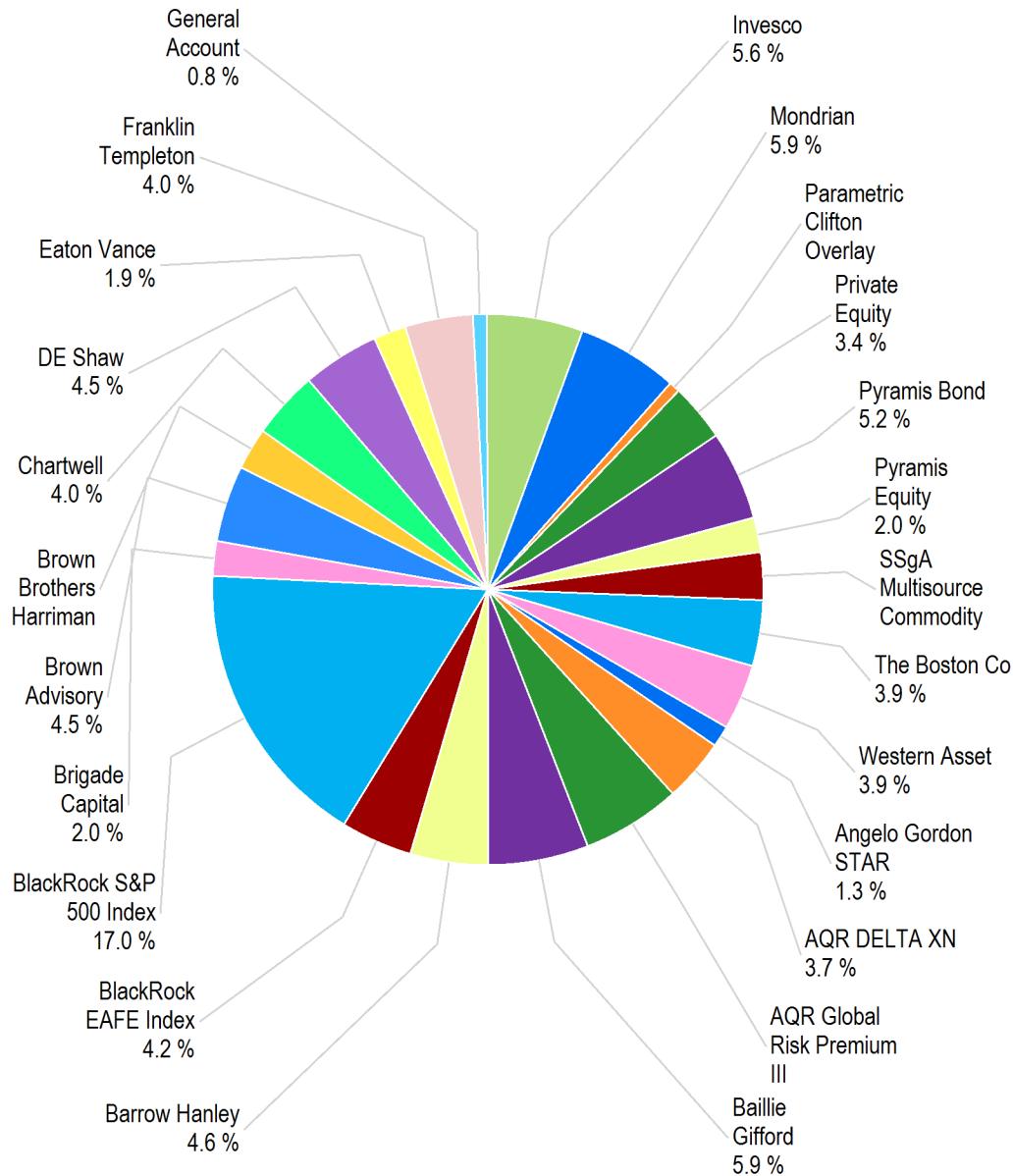
| ASSET ALLOCATION | MARKET VALUE | W/OVERLAY | W/O OVERLAY |
|----------------------|----------------------|---------------|---------------|
| US Equity | 1,211,154,749 | 35.5% | 38.4% |
| International Equity | 629,836,518 | 21.5% | 20.0% |
| Fixed Income | 593,479,499 | 21.5% | 18.8% |
| Commodities | 87,922,223 | 2.8% | 2.8% |
| Private Equity | 106,560,801 | 3.4% | 3.4% |
| Risk Parity | 183,132,544 | 5.8% | 5.8% |
| Private Real Assets | 0 | 0.0% | 0.0% |
| Hedge Funds | 116,642,569 | 3.7% | 3.7% |
| Real Estate | 178,084,212 | 5.8% | 5.6% |
| Cash | 46,928,168 | 0.1% | 1.4% |
| TOTAL | 3,153,741,283 | 100.0% | 100.0% |

| ASSET ALLOCATION | W/OVERLAY | TARGET | DIFF |
|----------------------|---------------|---------------|-------------|
| US Equity | 35.5% | 30.0% | 5.5% |
| International Equity | 21.5% | 20.0% | 1.5% |
| Fixed Income | 21.5% | 20.0% | 1.5% |
| Commodities | 2.8% | 3.0% | -0.2% |
| Private Equity | 3.4% | 7.0% | -3.6% |
| Risk Parity | 5.8% | 8.0% | -2.2% |
| Private Real Asset | 0.0% | 2.0% | -2.0% |
| Hedge Funds | 3.7% | 4.0% | -0.3% |
| Real Estate | 5.8% | 6.0% | -0.2% |
| Cash | 0.1% | 0.0% | 0.1% |
| TOTAL | 100.0% | 100.0% | 0.0% |

San Mateo County Employees' Retirement Association

Manager Allocation Analysis - Total Plan

As of March 31, 2014



| | Actual \$ | Actual % |
|-----------------------------|------------------------|----------|
| Angelo Gordon PPIP | \$19,342 | 0.0% |
| Angelo Gordon STAR | \$39,436,049 | 1.3% |
| AQR DELTA XN | \$116,642,569 | 3.7% |
| AQR Global Risk Premium III | \$183,132,544 | 5.8% |
| Artio | \$98,171 | 0.0% |
| Baillie Gifford | \$185,381,288 | 5.9% |
| Barrow Hanley | \$143,933,469 | 4.6% |
| BlackRock EAFE Index | \$132,748,182 | 4.2% |
| BlackRock S&P 500 Index | \$536,998,170 | 17.0% |
| Brigade Capital | \$64,185,030 | 2.0% |
| Brown Advisory | \$141,286,218 | 4.5% |
| Brown Brothers Harriman | \$77,723,321 | 2.5% |
| Chartwell | \$124,923,958 | 4.0% |
| DE Shaw | \$142,162,392 | 4.5% |
| Eaton Vance | \$59,983,384 | 1.9% |
| Franklin Templeton | \$125,395,820 | 4.0% |
| General Account | \$25,520,405 | 0.8% |
| Invesco | \$178,084,212 | 5.6% |
| Mondrian | \$187,501,225 | 5.9% |
| Parametric Clifton Overlay | \$20,182,778 | 0.6% |
| Private Equity | \$106,560,801 | 3.4% |
| Pyramis Bond | \$165,310,171 | 5.2% |
| Pyramis Equity | \$64,124,268 | 2.0% |
| SSgA Multisource Commodity | \$87,922,223 | 2.8% |
| The Boston Co | \$121,850,542 | 3.9% |
| Treasury & LAIF | \$1,224,986 | 0.0% |
| Western Asset | \$121,409,766 | 3.8% |
| Total | \$3,153,741,283 | |

Statistics Summary

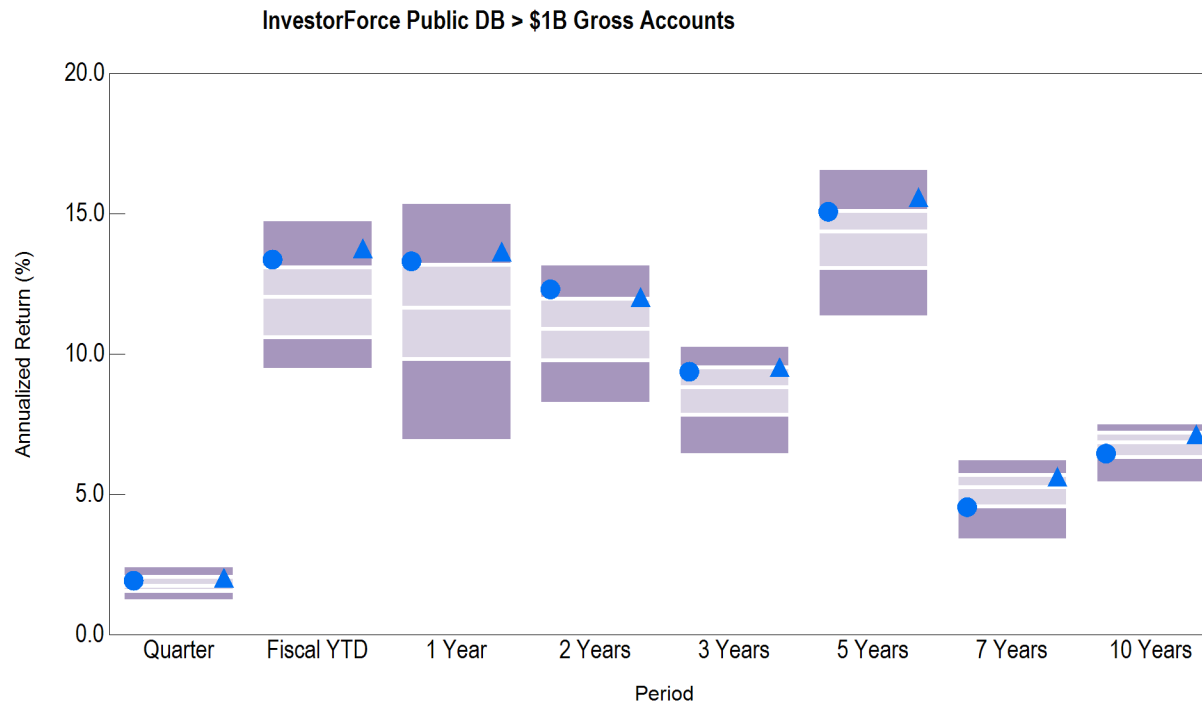
3 Years

| | 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 | 9.4% | 30 | 9.1% | 82 | 1.0 | 66 | -0.2 | 35 | 1.0% | 8 |
| Policy Index | 9.5% | 26 | 9.4% | 87 | 1.0 | 72 | -- | -- | 0.0% | 1 |
| InvestorForce Public DB > \$1B Gross Median | 8.8% | -- | 7.7% | -- | 1.1 | -- | -0.4 | -- | 2.1% | -- |

Statistics Summary

5 Years

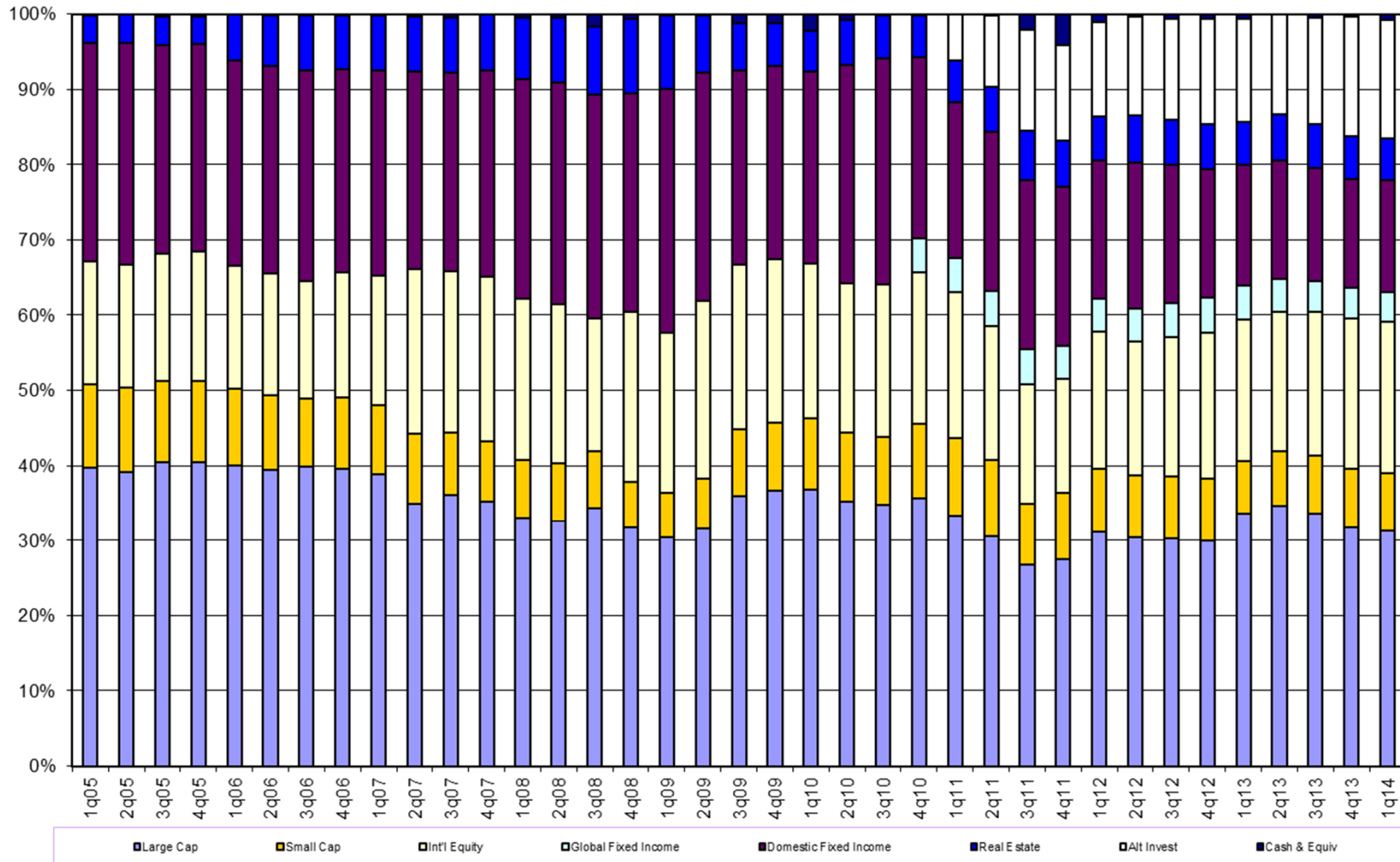
| | Anlzd Return | Anlzd Return Rank | Anlzd Standard Deviation | Anlzd Standard Deviation Rank | Sharpe Ratio | Sharpe Ratio Rank | Information Ratio | Information Ratio Rank | Tracking Error | Tracking Error Rank |
|---|--------------|-------------------|--------------------------|-------------------------------|--------------|-------------------|-------------------|------------------------|----------------|---------------------|
| Total Fund | 15.1% | 28 | 10.1% | 81 | 1.5 | 87 | -0.5 | 46 | 1.1% | 2 |
| Policy Index | 15.6% | 17 | 10.5% | 90 | 1.5 | 91 | -- | -- | 0.0% | 1 |
| InvestorForce Public DB > \$1B Gross Median | 14.4% | -- | 8.7% | -- | 1.6 | -- | -0.5 | -- | 2.3% | -- |



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|------------------------|----------|------------|-----------|-----------|----------|-----------|----------|----------|
| 5th Percentile | 2.5 | 14.8 | 15.4 | 13.2 | 10.3 | 16.6 | 6.3 | 7.5 |
| 25th Percentile | 2.1 | 13.1 | 13.2 | 12.0 | 9.5 | 15.1 | 5.7 | 7.2 |
| Median | 1.8 | 12.1 | 11.7 | 10.9 | 8.8 | 14.4 | 5.3 | 6.9 |
| 75th Percentile | 1.6 | 10.6 | 9.8 | 9.8 | 7.9 | 13.1 | 4.6 | 6.3 |
| 95th Percentile | 1.2 | 9.5 | 6.9 | 8.2 | 6.4 | 11.3 | 3.4 | 5.4 |
| # of Portfolios | 56 | 56 | 56 | 56 | 56 | 56 | 54 | 53 |
| ● Total Fund | 1.9 (37) | 13.4 (17) | 13.3 (22) | 12.3 (21) | 9.4 (30) | 15.1 (28) | 4.5 (76) | 6.5 (72) |
| ▲ Policy Index | 2.0 (30) | 13.8 (13) | 13.7 (20) | 12.0 (23) | 9.5 (26) | 15.6 (17) | 5.6 (29) | 7.1 (34) |

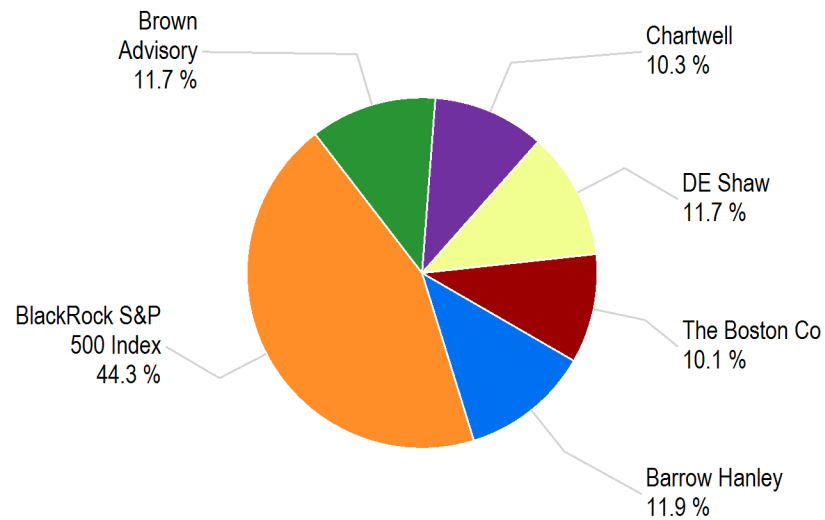
Asset Allocation History - Quarterly

Periods Ending March 31, 2014



Manager Allocation Analysis - US Equity

As of March 31, 2014



| | Actual \$ | Actual % | Manager Contribution to Excess Return % |
|-------------------------------------|------------------------|---------------|---|
| Barrow Hanley | \$143,933,469 | 11.9% | -0.1% |
| BlackRock S&P 500 Index | \$536,998,170 | 44.3% | 0.0% |
| Brown Advisory | \$141,286,218 | 11.7% | -0.1% |
| Chartwell | \$124,923,958 | 10.3% | 0.2% |
| DE Shaw | \$142,162,392 | 11.7% | -0.1% |
| The Boston Co | \$121,850,542 | 10.1% | 0.0% |
| Actual vs. Policy Weight Difference | | | -0.1% |
| Total | \$1,211,154,748 | 100.0% | -0.3% |

Statistics Summary

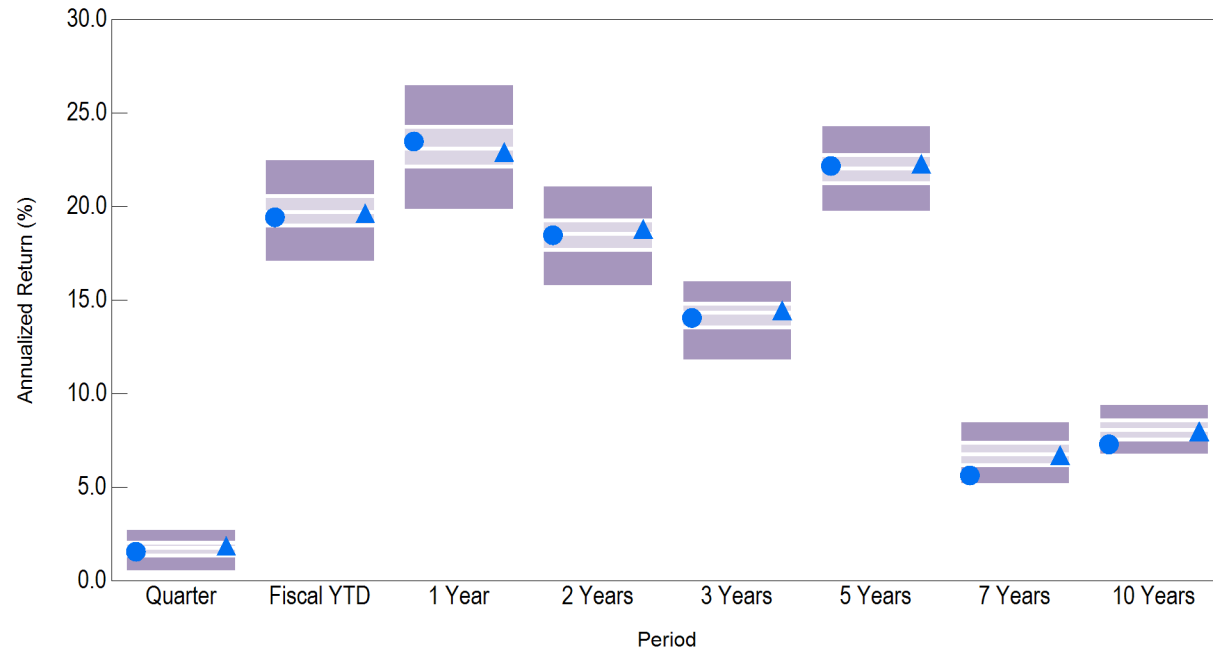
3 Years

| | Anlzd Return | Anlzd Standard Deviation | Sharpe Ratio | Information Ratio | Tracking Error |
|----------------------|--------------|-----------------------------|--------------|-------------------|----------------|
| US Equity | 14.1% | 13.8% | 1.0 | -0.4 | 1.1% |
| 80% R1000/ 20% R2000 | 14.5% | 13.5% | 1.1 | -- | 0.0% |
| Large Cap Equity | 13.9% | 13.2% | 1.0 | -0.9 | 1.0% |
| Russell 1000 | 14.7% | 12.8% | 1.2 | -- | 0.0% |
| Barrow Hanley | 15.7% | 13.7% | 1.1 | 0.4 | 2.5% |
| Russell 1000 Value | 14.8% | 13.2% | 1.1 | -- | 0.0% |
| DE Shaw | 16.2% | 13.3% | 1.2 | 0.8 | 1.9% |
| Russell 1000 | 14.7% | 12.8% | 1.2 | -- | 0.0% |
| Small Cap Equity | 15.3% | 16.7% | 0.9 | 0.7 | 3.0% |
| Russell 2000 | 13.2% | 16.8% | 0.8 | -- | 0.0% |
| The Boston Co | 15.7% | 16.5% | 0.9 | 1.1 | 2.6% |
| Russell 2000 Value | 12.7% | 16.3% | 0.8 | -- | 0.0% |
| Chartwell | 16.1% | 17.9% | 0.9 | 0.6 | 4.3% |
| Russell 2000 Growth | 13.6% | 17.6% | 0.8 | -- | 0.0% |

Statistics Summary**5 Years**

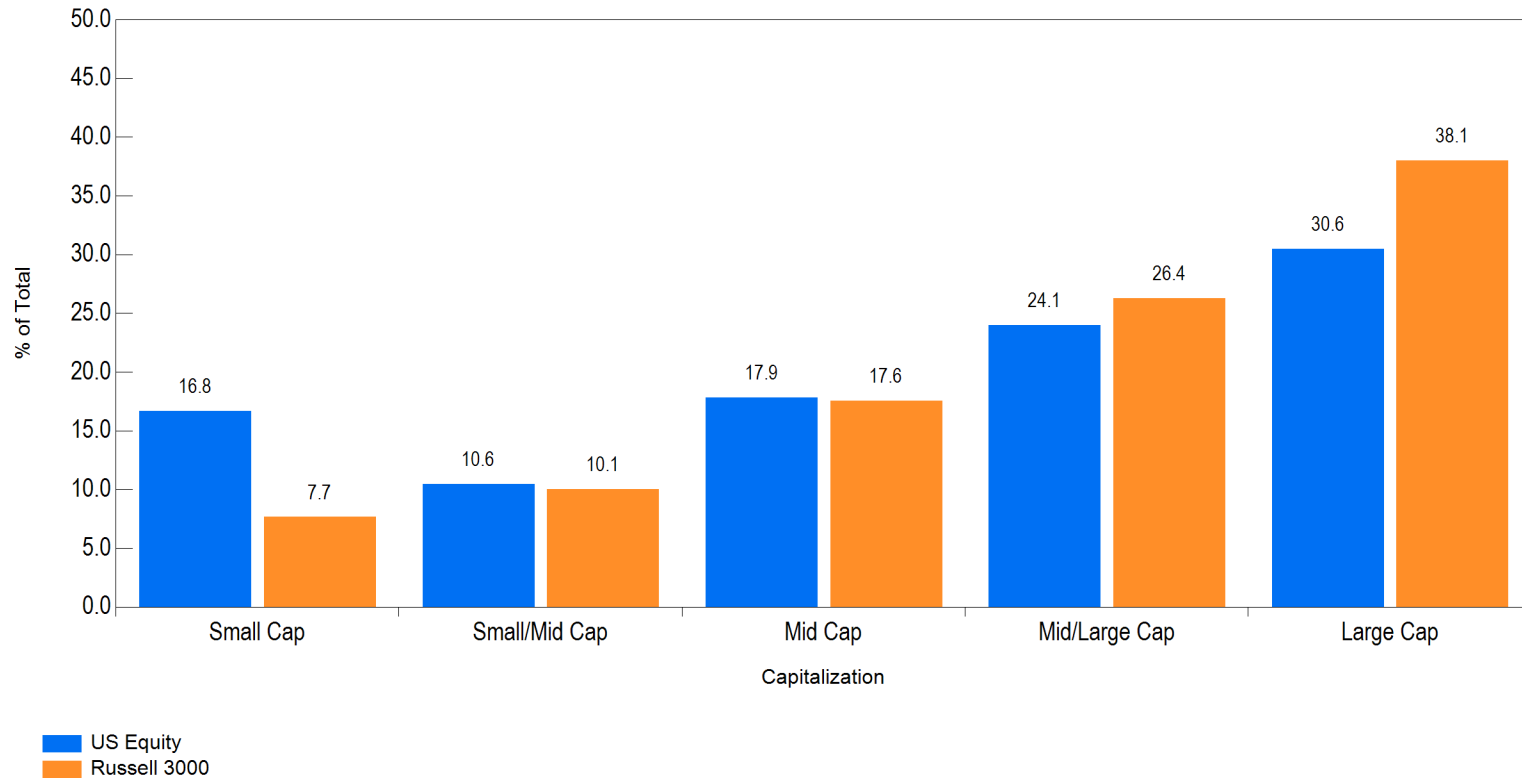
| | Anlzd Return | Anlzd Standard Deviation | Sharpe Ratio | Information Ratio | Tracking Error |
|----------------------|--------------|-----------------------------|--------------|-------------------|----------------|
| US Equity | 22.2% | 15.3% | 1.4 | -0.1 | 1.0% |
| 80% R1000/ 20% R2000 | 22.3% | 15.1% | 1.5 | -- | 0.0% |
| Large Cap Equity | 20.9% | 14.7% | 1.4 | -0.8 | 1.0% |
| Russell 1000 | 21.7% | 14.3% | 1.5 | -- | 0.0% |
| Small Cap Equity | 27.9% | 18.6% | 1.5 | 1.3 | 2.7% |
| Russell 2000 | 24.3% | 19.0% | 1.3 | -- | 0.0% |
| Chartwell | 28.0% | 19.0% | 1.5 | 0.6 | 4.4% |
| Russell 2000 Growth | 25.2% | 19.3% | 1.3 | -- | 0.0% |

InvestorForce 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 | 2.8 | 22.6 | 26.6 | 21.2 | 16.1 | 24.4 | 8.6 | 9.5 |
| 25th Percentile | 2.1 | 20.6 | 24.3 | 19.3 | 14.8 | 22.8 | 7.4 | 8.6 |
| Median | 1.8 | 19.7 | 23.1 | 18.6 | 14.3 | 22.1 | 6.8 | 8.1 |
| 75th Percentile | 1.4 | 19.0 | 22.2 | 17.7 | 13.6 | 21.3 | 6.2 | 7.6 |
| 95th Percentile | 0.5 | 17.0 | 19.8 | 15.7 | 11.8 | 19.7 | 5.1 | 6.7 |
| # of Portfolios | 630 | 627 | 623 | 601 | 558 | 450 | 415 | 318 |
| ● US Equity | 1.6 (68) | 19.4 (60) | 23.5 (41) | 18.5 (56) | 14.1 (62) | 22.2 (45) | 5.6 (88) | 7.3 (87) |
| ▲ 80% R1000/ 20% R2000 | 1.9 (43) | 19.6 (53) | 22.9 (55) | 18.8 (41) | 14.5 (45) | 22.3 (41) | 6.7 (54) | 8.0 (55) |

Market Capitalization as of March 31, 2014



See appendix for the market capitalization breakpoints.

Equity Only Summary Statistics - US Equity

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 3000 |
|---------------------------------|-----------|--------------|
| Number of Holdings | 931 | 2,992 |
| Weighted Avg. Market Cap. (\$B) | 78.7 | 94.8 |
| Median Market Cap. (\$B) | 12.4 | 1.4 |
| Price To Earnings | 22.1 | 20.8 |
| Price To Book | 3.8 | 3.6 |
| Price To Sales | 3.0 | 2.8 |
| Return on Equity (%) | 17.7 | 17.3 |
| Yield (%) | 1.6 | 1.8 |
| Beta (holdings; domestic) | 1.2 | 1.1 |

Top Holdings

| | |
|-----------------------|------|
| APPLE | 2.1% |
| GOOGLE 'A' | 1.6% |
| JOHNSON & JOHNSON | 1.3% |
| EXXON MOBIL | 1.2% |
| JP MORGAN CHASE & CO. | 1.1% |
| GENERAL ELECTRIC | 1.0% |
| MICROSOFT | 1.0% |
| VISA 'A' | 1.0% |
| WELLS FARGO & CO | 1.0% |
| BANK OF AMERICA | 1.0% |

Best Performers

| | Return % |
|-------------------------------|----------|
| HORIZON PHARMA (HZNP) | 98.4% |
| GT ADVANCED TECHS. (GTAT) | 95.6% |
| PENN VA. (PVA) | 85.5% |
| FOREST LABS. (FRX) | 53.7% |
| NABORS INDS. (NBR) | 45.3% |
| KEURIG GREEN MOUNTAIN (GMCR) | 40.3% |
| HELEN OF TROY (HELE) | 40.2% |
| BIOCRYS T PHARMS. (BCRX) | 39.2% |
| AEROVIRONMENT (AVAV) | 38.1% |
| H&E EQUIPMENT SERVICES (HEES) | 36.5% |

Worst Performers

| | Return % |
|-------------------------------|----------|
| USEC (USU) | -39.3% |
| AEGERION PHARMS. (AEGR) | -34.9% |
| VIVUS (VVUS) | -34.6% |
| BEST BUY (BBY) | -33.3% |
| GLOBAL CASH ACCESS HDG. (GCA) | -31.3% |
| GEOSPACE TECHNOLOGIES (GEOS) | -30.1% |
| HERCULES OFFSHORE (HERO) | -29.6% |
| OCWEN FINL. (OCN) | -29.3% |
| HOVNIANIAN ENTS.'A' (HOV) | -28.5% |
| STAPLES (SPLS) | -27.9% |

US Equity Performance Attribution vs. Russell 3000

| | Attribution Effects | | | | Returns | | Sector Weights | | | | |
|------------------|---------------------|------------------|-------------------|---------------------|--------------|-----------|----------------|-------------|-------------|---------------|---------------|
| | Total Effects | Selection Effect | Allocation Effect | Interaction Effects | Portfolio | Benchmark | Portfolio | Benchmark | | | |
| Energy | -0.1% | -0.1% | 0.0% | 0.0% | 0.9% | 1.6% | 8.6% | 9.4% | | | |
| Materials | 0.0% | 0.0% | 0.0% | 0.0% | 3.9% | 3.0% | 3.4% | 3.8% | | | |
| Industrials | 0.0% | 0.0% | 0.0% | 0.0% | 0.4% | 0.5% | 13.1% | 11.7% | | | |
| Cons. Disc. | 0.1% | 0.1% | 0.0% | 0.0% | -1.6% | -2.1% | 13.7% | 13.4% | | | |
| Cons. Staples | -0.1% | -0.1% | 0.0% | 0.0% | -0.8% | 0.6% | 7.6% | 8.5% | | | |
| Health Care | 0.1% | 0.1% | 0.0% | 0.0% | 6.4% | 5.7% | 13.0% | 12.5% | | | |
| Financials | -0.1% | -0.1% | 0.0% | 0.0% | 2.4% | 2.8% | 17.4% | 17.5% | | | |
| Info. Tech | -0.2% | -0.2% | 0.0% | 0.0% | 1.3% | 2.2% | 18.8% | 18.2% | | | |
| Telecomm. | 0.0% | 0.0% | 0.0% | 0.0% | -0.4% | 0.4% | 1.4% | 2.0% | | | |
| Utilities | -0.1% | 0.0% | -0.1% | 0.0% | 8.4% | 9.3% | 1.9% | 2.9% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.2% | 0.0% | | | |
| Portfolio | -0.3% | = | -0.3% | + | -0.1% | + | 0.0% | 1.6% | 2.0% | 100.0% | 100.0% |

US Effective Style Map



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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 1000 |
|---------------------------------|-----------|--------------|
| Number of Holdings | 733 | 1,016 |
| Weighted Avg. Market Cap. (\$B) | 98.2 | 102.8 |
| Median Market Cap. (\$B) | 15.2 | 7.6 |
| Price To Earnings | 21.2 | 20.5 |
| Price To Book | 3.9 | 3.7 |
| Price To Sales | 3.1 | 2.8 |
| Return on Equity (%) | 18.7 | 17.9 |
| Yield (%) | 1.8 | 1.9 |
| Beta (holdings; domestic) | 1.1 | 1.1 |

Top Holdings

| | |
|-----------------------|------|
| APPLE | 2.6% |
| GOOGLE 'A' | 2.0% |
| JOHNSON & JOHNSON | 1.6% |
| EXXON MOBIL | 1.5% |
| JP MORGAN CHASE & CO. | 1.4% |
| GENERAL ELECTRIC | 1.3% |
| MICROSOFT | 1.3% |
| VISA 'A' | 1.3% |
| WELLS FARGO & CO | 1.3% |
| BANK OF AMERICA | 1.2% |

Best Performers

| | Return % |
|------------------------------|----------|
| HORIZON PHARMA (HZNP) | 98.4% |
| PENN VA. (PVA) | 85.5% |
| FOREST LABS. (FRX) | 53.7% |
| NABORS INDS. (NBR) | 45.3% |
| KEURIG GREEN MOUNTAIN (GMCR) | 40.3% |
| BIOCRYST PHARMS. (BCRX) | 39.2% |
| RIGEL PHARMS. (RIGL) | 36.1% |
| ILLUMINA (ILMN) | 34.4% |
| TYSON FOODS 'A' (TSN) | 31.8% |
| KERYX BIOPH. (KERX) | 31.6% |

Worst Performers

| | Return % |
|------------------------------------|----------|
| USEC (USU) | -39.3% |
| VIVUS (VVUS) | -34.6% |
| BEST BUY (BBY) | -33.3% |
| HERCULES OFFSHORE (HERO) | -29.6% |
| OCWEN FINL. (OCN) | -29.3% |
| HOVNANIAN ENTS.'A' (HOV) | -28.5% |
| STAPLES (SPLS) | -27.9% |
| ADT (ADT) | -25.6% |
| DREAMWORKS ANIMATION SKG 'A' (DWA) | -25.2% |
| GNC HOLDINGS CL.A (GNC) | -24.4% |

Equity Sector Attribution - Large Cap Equity

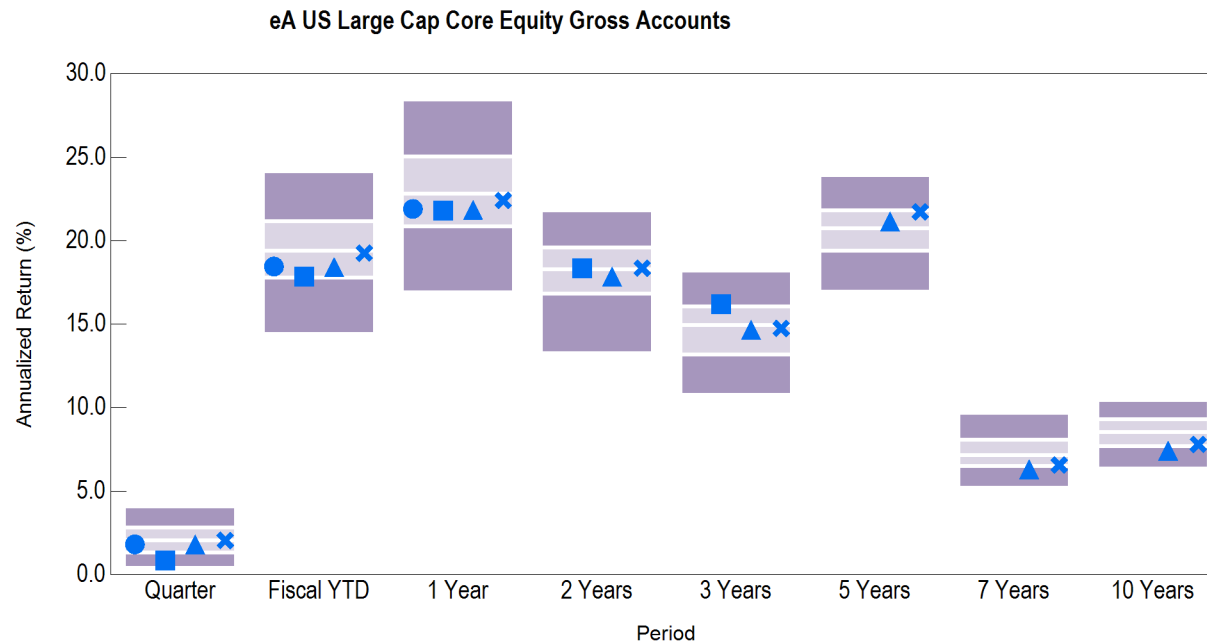
Quarter Ending March 31, 2014

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 | 0.0% | 0.0% | 0.0% | 0.0% | 1.0% | 1.5% | 9.4% | 9.7% | | | |
| Materials | 0.0% | 0.0% | 0.0% | 0.0% | 3.4% | 3.2% | 3.6% | 3.7% | | | |
| Industrials | -0.2% | -0.1% | 0.0% | 0.0% | -0.7% | 0.5% | 12.5% | 11.5% | | | |
| Cons. Disc. | 0.1% | 0.0% | 0.1% | 0.0% | -2.0% | -2.0% | 12.2% | 13.4% | | | |
| Cons. Staples | -0.1% | -0.1% | 0.0% | 0.0% | -0.7% | 0.6% | 9.2% | 9.0% | | | |
| Health Care | 0.2% | 0.1% | 0.0% | 0.0% | 6.7% | 5.9% | 13.6% | 12.5% | | | |
| Financials | -0.1% | -0.1% | 0.0% | 0.0% | 2.2% | 3.0% | 16.6% | 17.1% | | | |
| Info. Tech | -0.2% | -0.2% | 0.0% | 0.0% | 1.0% | 2.3% | 18.2% | 18.2% | | | |
| Telecomm. | 0.0% | 0.0% | 0.0% | 0.0% | -0.4% | 0.3% | 1.7% | 2.1% | | | |
| Utilities | -0.1% | 0.0% | -0.1% | 0.0% | 9.8% | 9.7% | 1.8% | 2.9% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.2% | 0.0% | | | |
| Portfolio | -0.6% | = | -0.6% | + | 0.0% | + | 0.0% | 1.5% | 2.1% | 100.0% | 100.0% |

Total Returns - Large Cap Core Equity

Periods Ending March 31, 2014



| | Return (Rank) | | | | | | | |
|--------------------------------------|---------------|------------|-----------|-----------|-----------|-----------|----------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 4.1 | 24.2 | 28.4 | 21.8 | 18.2 | 23.9 | 9.7 | 10.4 |
| 25th Percentile | 2.8 | 21.2 | 25.1 | 19.6 | 16.1 | 21.8 | 8.1 | 9.3 |
| Median | 2.1 | 19.4 | 22.9 | 18.3 | 15.0 | 20.8 | 7.2 | 8.6 |
| 75th Percentile | 1.3 | 17.8 | 20.9 | 16.9 | 13.2 | 19.4 | 6.5 | 7.7 |
| 95th Percentile | 0.4 | 14.4 | 16.9 | 13.3 | 10.8 | 17.0 | 5.2 | 6.4 |
| # of Portfolios | 250 | 250 | 250 | 249 | 246 | 233 | 218 | 179 |
| ● BlackRock S&P 500 Index | 1.8 (62) | 18.5 (65) | 21.9 (63) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) |
| ■ DE Shaw | 0.8 (88) | 17.9 (75) | 21.8 (65) | 18.3 (50) | 16.2 (23) | -- (--) | -- (--) | -- (--) |
| ▲ S&P 500 | 1.8 (62) | 18.4 (66) | 21.9 (64) | 17.8 (59) | 14.7 (55) | 21.2 (38) | 6.3 (80) | 7.4 (88) |
| × Russell 1000 | 2.0 (52) | 19.3 (53) | 22.4 (57) | 18.4 (50) | 14.7 (53) | 21.7 (29) | 6.6 (75) | 7.8 (73) |

Equity Only Summary Statistics - BlackRock S&P 500 Index

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | S&P 500 |
|---------------------------------|-----------|---------|
| Number of Holdings | 501 | 500 |
| Weighted Avg. Market Cap. (\$B) | 115.1 | 115.1 |
| Median Market Cap. (\$B) | 16.9 | 16.9 |
| Price To Earnings | 20.5 | 19.9 |
| Price To Book | 3.9 | 3.7 |
| Price To Sales | 3.0 | 2.7 |
| Return on Equity (%) | 19.3 | 18.3 |
| Yield (%) | 2.0 | 2.0 |
| Beta (holdings; domestic) | 1.0 | 1.0 |

Top Holdings

| | |
|------------------------|------|
| APPLE | 2.9% |
| EXXON MOBIL | 2.5% |
| GOOGLE 'A' | 1.9% |
| MICROSOFT | 1.9% |
| JOHNSON & JOHNSON | 1.7% |
| GENERAL ELECTRIC | 1.6% |
| WELLS FARGO & CO | 1.4% |
| JP MORGAN CHASE & CO. | 1.4% |
| CHEVRON | 1.4% |
| BERKSHIRE HATHAWAY 'B' | 1.3% |

Best Performers

| | Return % |
|----------------------------|----------|
| FOREST LABS. (FRX) | 53.7% |
| NABORS INDS. (NBR) | 45.3% |
| TYSON FOODS 'A' (TSN) | 31.8% |
| HARMAN INTL.INDS. (HAR) | 30.4% |
| HELMERICH & PAYNE (HP) | 28.8% |
| FIRST SOLAR (FSLR) | 27.7% |
| NEWFIELD EXPLORATION (NFX) | 27.3% |
| ELECTRONIC ARTS (EA) | 26.5% |
| DELTA AIR LINES (DAL) | 26.4% |
| SOUTHWEST AIRLINES (LUV) | 25.5% |

Worst Performers

| | Return % |
|--------------------------------|----------|
| BEST BUY (BBY) | -33.3% |
| STAPLES (SPLS) | -27.9% |
| ADT (ADT) | -25.6% |
| INTL.GAME TECH. (IGT) | -22.0% |
| CLIFFS NATURAL RESOURCES (CLF) | -21.4% |
| DUN & BRADSTREET DEL. (DNB) | -18.7% |
| CELGENE (CELG) | -17.4% |
| KANSAS CTY.STHN. (KSU) | -17.3% |
| PEABODY ENERGY (BTU) | -15.9% |
| GAMESTOP 'A' (GME) | -15.8% |

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 1000 |
|---------------------------------|-----------|--------------|
| Number of Holdings | 712 | 1,016 |
| Weighted Avg. Market Cap. (\$B) | 94.7 | 102.8 |
| Median Market Cap. (\$B) | 13.4 | 7.6 |
| Price To Earnings | 21.3 | 20.5 |
| Price To Book | 3.6 | 3.7 |
| Price To Sales | 3.0 | 2.8 |
| Return on Equity (%) | 19.0 | 17.9 |
| Yield (%) | 1.7 | 1.9 |
| Beta (holdings; domestic) | 1.2 | 1.1 |

Top Holdings

| | |
|-----------------------|------|
| APPLE | 3.7% |
| JOHNSON & JOHNSON | 3.0% |
| GENERAL ELECTRIC | 3.0% |
| AT&T | 2.6% |
| MERCK & CO. | 2.5% |
| JP MORGAN CHASE & CO. | 2.2% |
| GOOGLE 'A' | 2.1% |
| CITIGROUP | 2.1% |
| BANK OF AMERICA | 1.9% |
| AMERICAN INTL.GP. | 1.9% |

Best Performers

| | Return % |
|------------------------------|----------|
| HORIZON PHARMA (HZNP) | 98.4% |
| PENN VA. (PVA) | 85.5% |
| FOREST LABS. (FRX) | 53.7% |
| NABORS INDS. (NBR) | 45.3% |
| KEURIG GREEN MOUNTAIN (GMCR) | 40.3% |
| BIOCRYST PHARMS. (BCRX) | 39.2% |
| RIGEL PHARMS. (RIGL) | 36.1% |
| ILLUMINA (ILMN) | 34.4% |
| TYSON FOODS 'A' (TSN) | 31.8% |
| KERYX BIOPH. (KERX) | 31.6% |

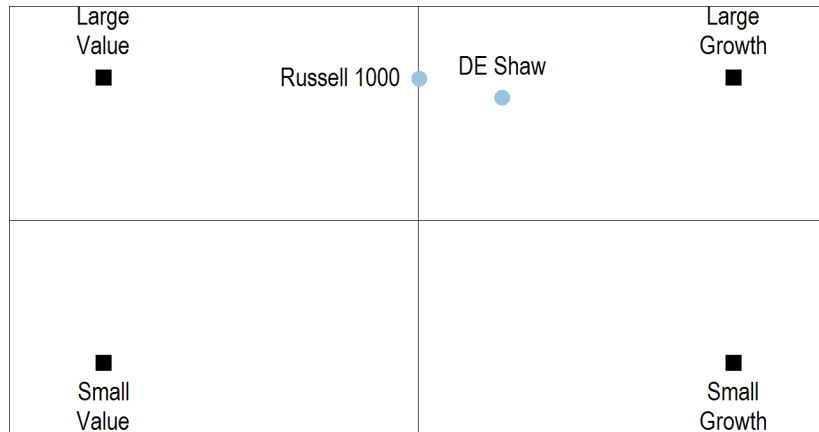
Worst Performers

| | Return % |
|------------------------------------|----------|
| USEC (USU) | -39.3% |
| VIVUS (VVUS) | -34.6% |
| BEST BUY (BBY) | -33.3% |
| HERCULES OFFSHORE (HERO) | -29.6% |
| OCWEN FINL. (OCN) | -29.3% |
| HOVNANIAN ENTS.'A' (HOV) | -28.5% |
| STAPLES (SPLS) | -27.9% |
| ADT (ADT) | -25.6% |
| DREAMWORKS ANIMATION SKG 'A' (DWA) | -25.2% |
| GNC HOLDINGS CL.A (GNC) | -24.4% |

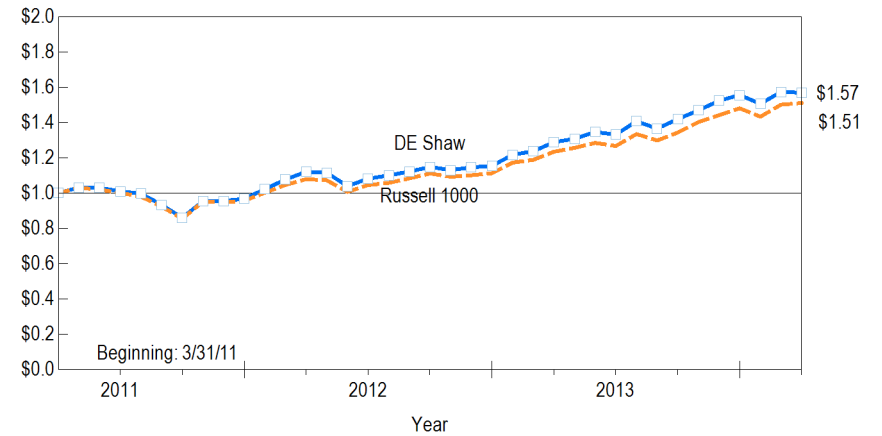
DE Shaw Performance Attribution vs. Russell 1000

| | Total Effects | Attribution Effects | | | Returns | | Sector Weights | | | | |
|------------------|------------------|---------------------|----------------------|------------------------|--------------|-----------|----------------|-------------|-------------|---------------|---------------|
| | | Selection Effect | Allocation Effect | Interaction Effects | Portfolio | Benchmark | Portfolio | Benchmark | | | |
| Energy | 0.0% | -0.1% | 0.0% | 0.0% | 0.7% | 1.5% | 6.4% | 9.7% | | | |
| Materials | -0.1% | -0.1% | 0.0% | 0.0% | 0.7% | 3.2% | 4.2% | 3.7% | | | |
| Industrials | -0.5% | -0.4% | 0.0% | -0.1% | -3.1% | 0.5% | 13.6% | 11.5% | | | |
| Cons. Disc. | 0.0% | 0.1% | -0.2% | 0.0% | -1.0% | -2.0% | 18.1% | 13.4% | | | |
| Cons. Staples | 0.1% | 0.1% | 0.0% | 0.0% | 1.5% | 0.6% | 9.1% | 9.0% | | | |
| Health Care | 0.6% | 0.4% | 0.1% | 0.1% | 9.3% | 5.9% | 15.4% | 12.5% | | | |
| Financials | -0.2% | -0.2% | 0.0% | 0.0% | 1.8% | 3.0% | 18.4% | 17.1% | | | |
| Info. Tech | -0.3% | -0.5% | 0.0% | 0.2% | -0.3% | 2.3% | 11.7% | 18.2% | | | |
| Telecomm. | 0.0% | 0.0% | 0.0% | 0.0% | 2.6% | 0.3% | 1.4% | 2.1% | | | |
| Utilities | -0.1% | 0.0% | -0.1% | 0.0% | 9.0% | 9.7% | 1.7% | 2.9% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 0.0% | 0.0% | | | |
| Portfolio | -0.5% | = | -0.6% | + | -0.2% | + | 0.2% | 1.5% | 2.1% | 100.0% | 100.0% |

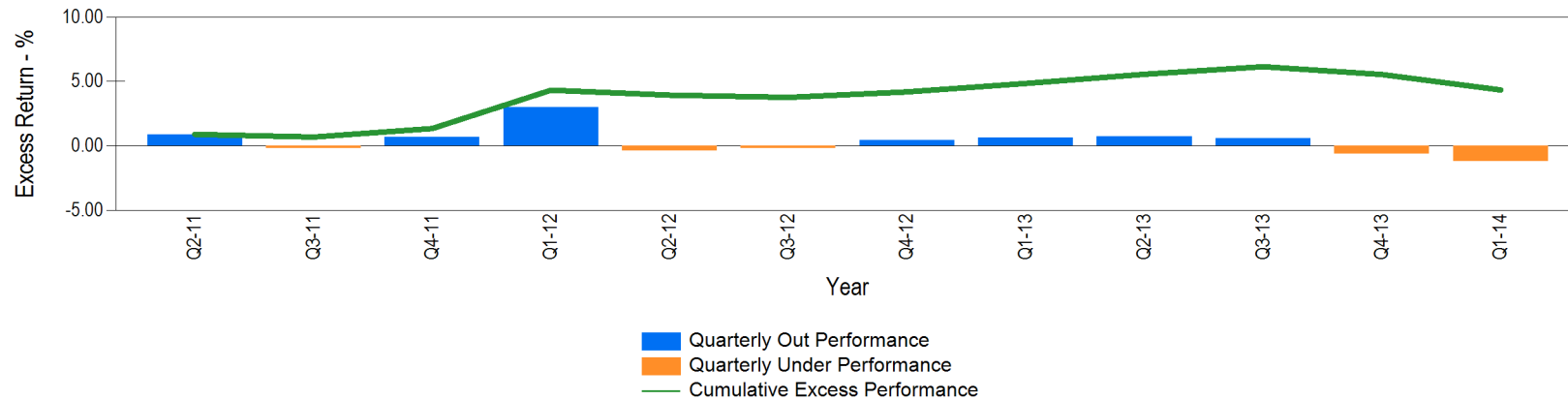
US Effective Style Map



Growth of a Dollar

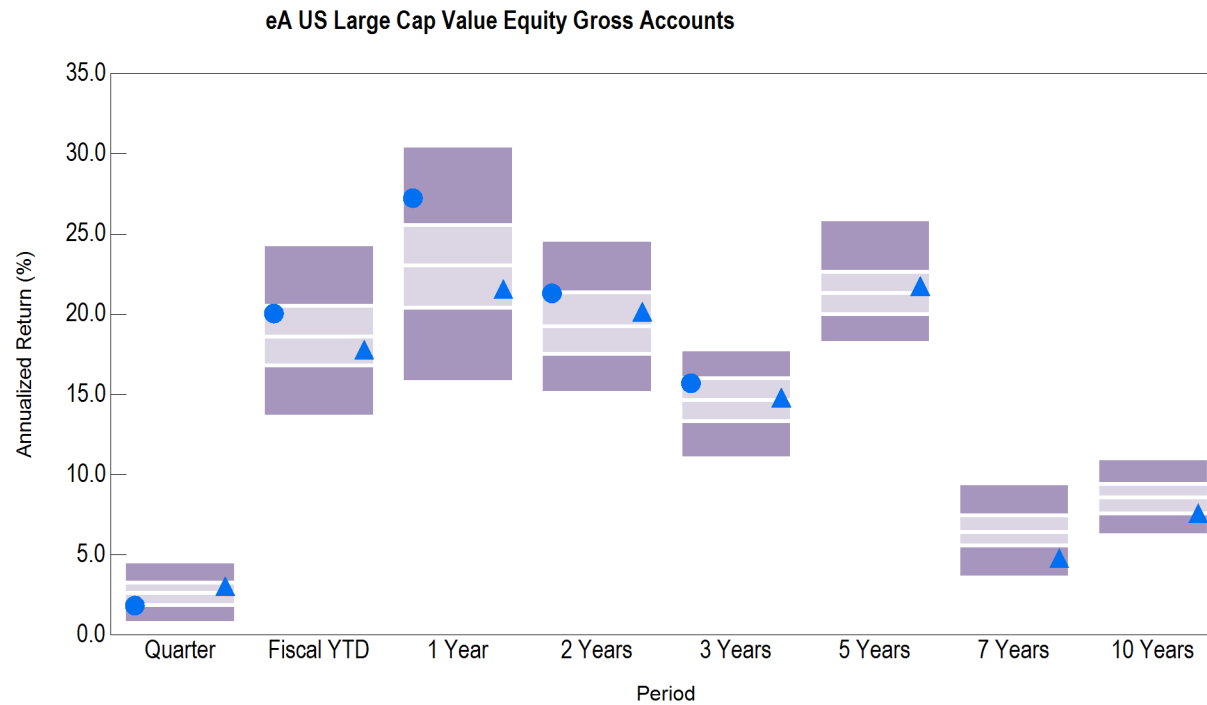


Quarterly and Cumulative Excess Performance



Total Returns - Large Cap Value Equity

Periods Ending March 31, 2014



| | Return (Rank) | | | | | | | |
|-----------------------------|---------------|------------|-----------|-----------|-----------|-----------|----------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 4.6 | 24.3 | 30.5 | 24.6 | 17.8 | 25.9 | 9.4 | 11.0 |
| 25th Percentile | 3.3 | 20.6 | 25.6 | 21.4 | 16.0 | 22.6 | 7.5 | 9.4 |
| Median | 2.6 | 18.6 | 23.0 | 19.3 | 14.7 | 21.3 | 6.4 | 8.6 |
| 75th Percentile | 1.9 | 16.8 | 20.4 | 17.5 | 13.3 | 20.0 | 5.6 | 7.6 |
| 95th Percentile | 0.7 | 13.6 | 15.8 | 15.1 | 11.0 | 18.2 | 3.6 | 6.2 |
| # of Portfolios | 311 | 310 | 310 | 309 | 306 | 294 | 279 | 238 |
| ● Barrow Hanley | 1.8 (77) | 20.0 (32) | 27.2 (16) | 21.3 (26) | 15.7 (31) | -- (--) | -- (--) | -- (--) |
| ▲ Russell 1000 Value | 3.0 (33) | 17.8 (62) | 21.6 (65) | 20.2 (38) | 14.8 (48) | 21.8 (46) | 4.8 (89) | 7.6 (75) |

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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 1000 Value |
|---------------------------------|-----------|--------------------|
| Number of Holdings | 74 | 664 |
| Weighted Avg. Market Cap. (\$B) | 66.8 | 108.1 |
| Median Market Cap. (\$B) | 33.4 | 6.6 |
| Price To Earnings | 18.3 | 18.1 |
| Price To Book | 2.5 | 2.2 |
| Price To Sales | 2.1 | 2.2 |
| Return on Equity (%) | 16.2 | 13.2 |
| Yield (%) | 2.3 | 2.2 |
| Beta (holdings; domestic) | 1.3 | 1.1 |

Top Holdings

| | |
|-----------------------|------|
| CAPITAL ONE FINL. | 2.7% |
| SLM | 2.3% |
| BANK OF AMERICA | 2.3% |
| WELLS FARGO & CO | 2.1% |
| JP MORGAN CHASE & CO. | 2.1% |
| CITIGROUP | 2.1% |
| RAYTHEON 'B' | 1.9% |
| DELPHI AUTOMOTIVE | 1.8% |
| CRH ADR 1:1 | 1.8% |
| MEDTRONIC | 1.7% |

Best Performers

| | Return % |
|-------------------------------|----------|
| E*TRADE FINANCIAL (ETFC) | 17.2% |
| ROYAL CARIBBEAN CRUISES (RCL) | 15.6% |
| WALGREEN (WAG) | 15.5% |
| GENERAL DYNAMICS (GD) | 14.7% |
| MERCK & CO. (MRK) | 14.3% |
| DELPHI AUTOMOTIVE (DLPH) | 13.3% |
| PNC FINL.SVS.GP. (PNC) | 12.8% |
| CRH ADR 1:1 (CRH) | 12.6% |
| BANK OF AMERICA (BAC) | 10.5% |
| MICROSOFT (MSFT) | 10.4% |

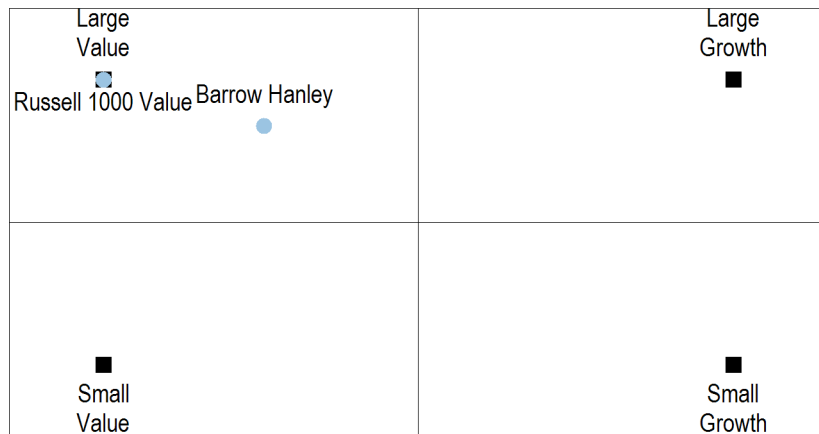
Worst Performers

| | Return % |
|--------------------------------|----------|
| INTL.GAME TECH. (IGT) | -22.0% |
| KBR (KBR) | -16.1% |
| GENERAL MOTORS (GM) | -15.0% |
| SEADRILL (NYS) (SDRL) | -12.1% |
| NOBLE (NE) | -11.6% |
| FIRST NIAGARA FINL.GP. (FNFG) | -10.2% |
| CITIGROUP (C) | -8.6% |
| VODAFONE GP.SPN.ADR 1:10 (VOD) | -7.9% |
| CA (CA) | -7.2% |
| SLM (SLM) | -6.3% |

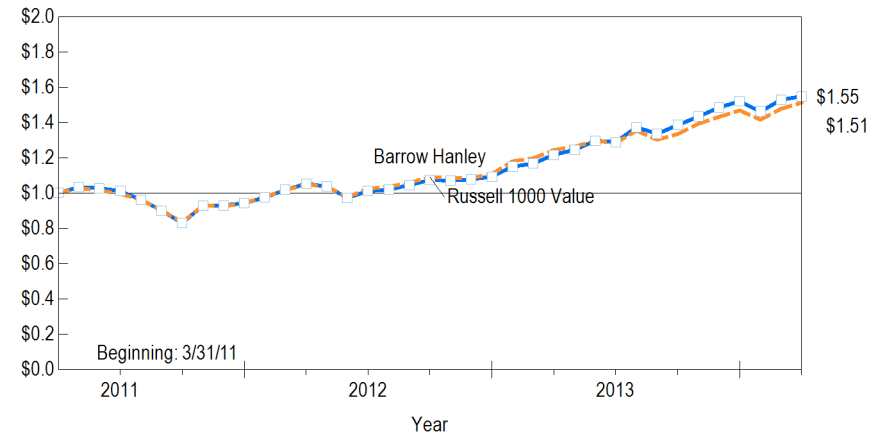
Barrow Hanley Performance Attribution vs. Russell 1000 Value

| | Attribution Effects | | | | Returns | | Sector Weights | | | | |
|------------------|---------------------|------------------|-------------------|---------------------|--------------|-----------|----------------|-------------|-------------|---------------|---------------|
| | Total Effects | Selection Effect | Allocation Effect | Interaction Effects | Portfolio | Benchmark | Portfolio | Benchmark | | | |
| Energy | 0.0% | -0.4% | 0.2% | 0.1% | -2.7% | -0.2% | 9.1% | 15.0% | | | |
| Materials | 0.2% | 0.1% | 0.0% | 0.0% | 7.4% | 3.2% | 4.0% | 2.9% | | | |
| Industrials | -0.1% | 0.1% | -0.2% | 0.1% | 0.8% | -0.1% | 17.2% | 10.5% | | | |
| Cons. Disc. | 0.1% | 0.2% | -0.3% | 0.1% | 0.9% | -1.9% | 11.6% | 6.6% | | | |
| Cons. Staples | 0.1% | 0.1% | 0.0% | 0.0% | 3.2% | 1.8% | 4.4% | 5.9% | | | |
| Health Care | -0.4% | -0.4% | 0.0% | 0.0% | 4.9% | 8.2% | 13.7% | 12.9% | | | |
| Financials | -0.7% | -0.6% | 0.0% | 0.0% | 1.3% | 3.5% | 29.4% | 29.0% | | | |
| Info. Tech | 0.0% | 0.1% | 0.0% | 0.0% | 4.4% | 3.7% | 7.0% | 8.9% | | | |
| Telecomm. | -0.1% | -0.2% | 0.0% | 0.0% | -4.6% | 1.5% | 2.4% | 2.5% | | | |
| Utilities | -0.4% | -- | -0.4% | -- | -- | 9.7% | 0.0% | 5.7% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.1% | 0.0% | | | |
| Portfolio | -1.3% | = | -1.0% | + | -0.6% | + | 0.3% | 1.7% | 3.0% | 100.0% | 100.0% |

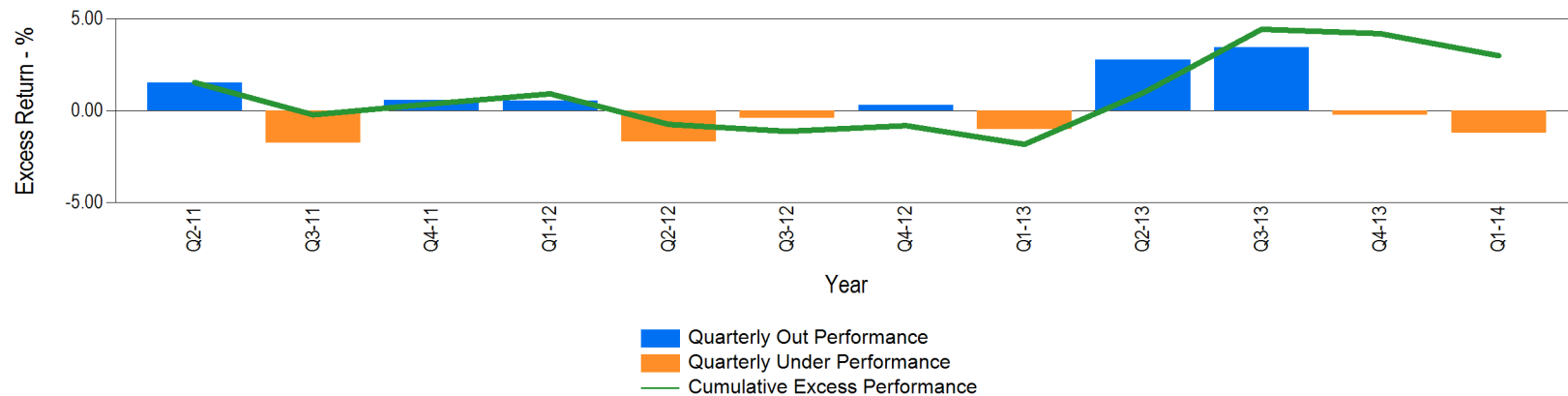
US Effective Style Map



Growth of a Dollar

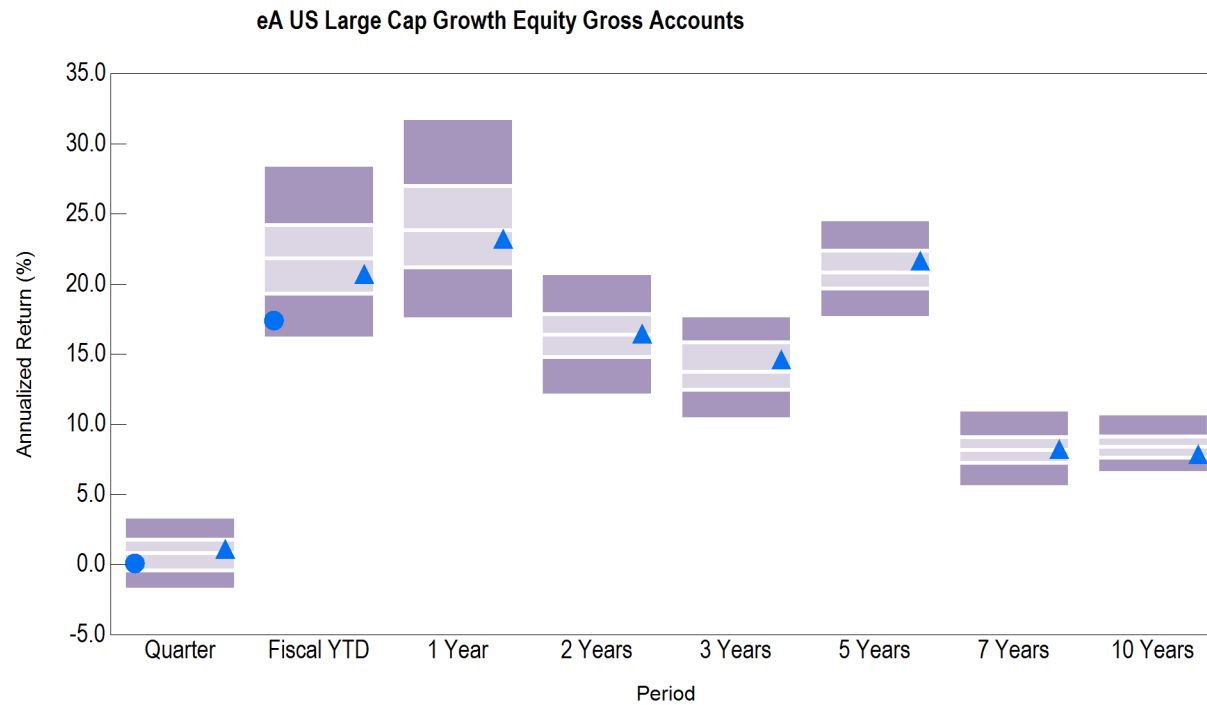


Quarterly and Cumulative Excess Performance



Total Returns - Large Cap Growth Equity

Periods Ending March 31, 2014



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|-----------------------|----------|------------|-----------|-----------|-----------|-----------|----------|----------|
| Return (Rank) | | | | | | | | |
| 5th Percentile | 3.4 | 28.5 | 31.8 | 20.8 | 17.8 | 24.6 | 11.0 | 10.7 |
| 25th Percentile | 1.8 | 24.2 | 27.0 | 17.9 | 15.9 | 22.4 | 9.1 | 9.1 |
| Median | 0.8 | 21.8 | 23.9 | 16.4 | 13.8 | 20.9 | 8.2 | 8.4 |
| 75th Percentile | -0.4 | 19.3 | 21.2 | 14.8 | 12.5 | 19.7 | 7.3 | 7.6 |
| 95th Percentile | -1.8 | 16.2 | 17.5 | 12.1 | 10.4 | 17.6 | 5.6 | 6.6 |
| # of Portfolios | 268 | 267 | 267 | 262 | 257 | 248 | 228 | 194 |
| ● Brown Advisory | 0.1 (65) | 17.4 (87) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) |
| ▲ Russell 1000 Growth | 1.1 (43) | 20.7 (63) | 23.2 (58) | 16.5 (50) | 14.6 (39) | 21.7 (33) | 8.2 (49) | 7.9 (69) |

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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 1000 Growth |
|---------------------------------|-----------|---------------------|
| Number of Holdings | 35 | 626 |
| Weighted Avg. Market Cap. (\$B) | 68.9 | 97.7 |
| Median Market Cap. (\$B) | 16.8 | 8.4 |
| Price To Earnings | 26.9 | 22.7 |
| Price To Book | 5.4 | 5.4 |
| Price To Sales | 4.2 | 3.6 |
| Return on Equity (%) | 18.9 | 23.8 |
| Yield (%) | 0.8 | 1.6 |
| Beta (holdings; domestic) | 1.1 | 1.0 |

Top Holdings

| | |
|-------------------------|------|
| EXPRESS SCRIPTS HOLDING | 4.7% |
| VISA 'A' | 4.6% |
| GOOGLE 'A' | 4.5% |
| QUALCOMM | 4.3% |
| SCHLUMBERGER | 4.2% |
| CHARLES SCHWAB | 4.0% |
| INTUITIVE SURGICAL | 4.0% |
| MEAD JOHNSON NUTRITION | 3.8% |
| STARBUCKS | 3.7% |
| DANAHER | 3.5% |

Best Performers

| | Return % |
|--------------------------------|----------|
| COVANCE (CVD) | 18.0% |
| INTUITIVE SURGICAL (ISRG) | 14.0% |
| SCHLUMBERGER (SLB) | 8.7% |
| DAVITA HEALTHCARE PTNS. (DVA) | 8.6% |
| EXPRESS SCRIPTS HOLDING (ESRX) | 6.9% |
| QUALCOMM (QCOM) | 6.7% |
| CHARLES SCHWAB (SCHW) | 5.4% |
| CORE LABORATORIES (CLB) | 4.2% |
| ECOLAB (ECL) | 3.8% |
| SALESFORCE.COM (CRM) | 3.4% |

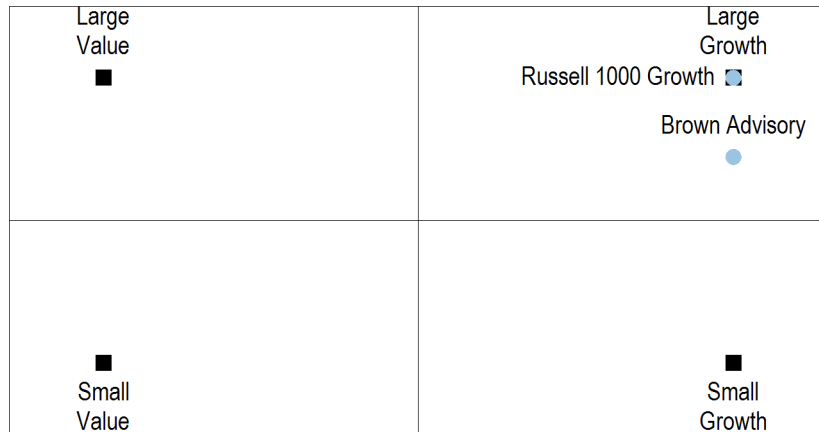
Worst Performers

| | Return % |
|---------------------------|----------|
| WHOLE FOODS MARKET (WFM) | -12.1% |
| ANSYS (ANSS) | -11.7% |
| ESTEE LAUDER COS.'A' (EL) | -10.9% |
| NETAPP (NTAP) | -10.0% |
| NATIONAL INSTS. (NATI) | -9.9% |
| STARBUCKS (SBUX) | -6.0% |
| COSTCO WHOLESALE (COST) | -5.9% |
| GILEAD SCIENCES (GILD) | -5.6% |
| GENPACT (G) | -5.2% |
| APPLE (AAPL) | -3.8% |

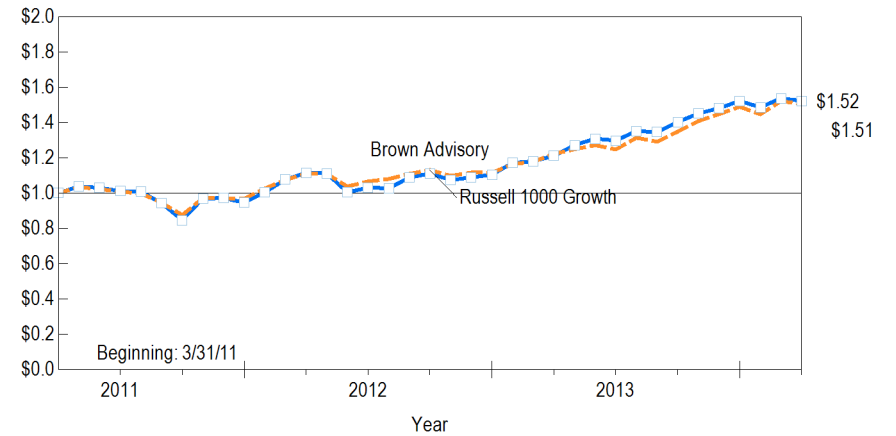
Brown Advisory Performance Attribution vs. Russell 1000 Growth

| | Attribution Effects | | | | Returns | | Sector Weights | | | | |
|------------------|---------------------|---------------------|----------------------|------------------------|-------------|-----------|----------------|--------------|-------------|---------------|---------------|
| | Total Effects | Selection Effect | Allocation Effect | Interaction Effects | Portfolio | Benchmark | Portfolio | Benchmark | | | |
| Energy | 0.1% | -0.1% | 0.3% | -0.1% | 4.8% | 6.7% | 9.5% | 4.6% | | | |
| Materials | 0.0% | 0.0% | 0.0% | 0.0% | 3.8% | 3.2% | 2.9% | 4.5% | | | |
| Industrials | -0.5% | -0.5% | 0.0% | 0.0% | -2.9% | 0.9% | 13.3% | 12.4% | | | |
| Cons. Disc. | 0.3% | -0.6% | 0.4% | 0.4% | -4.8% | -2.0% | 5.7% | 19.9% | | | |
| Cons. Staples | -0.9% | -0.9% | 0.0% | 0.0% | -7.2% | 0.0% | 12.4% | 11.9% | | | |
| Health Care | 0.8% | 0.6% | 0.1% | 0.1% | 8.5% | 3.6% | 14.9% | 12.1% | | | |
| Financials | 0.2% | 0.3% | 0.0% | -0.1% | 5.4% | 0.2% | 3.7% | 5.6% | | | |
| Info. Tech | -1.2% | -1.0% | 0.1% | -0.3% | -1.8% | 1.9% | 35.0% | 27.1% | | | |
| Telecomm. | 0.0% | -- | 0.0% | -- | -- | -1.4% | 0.0% | 1.7% | | | |
| Utilities | 0.0% | -- | 0.0% | -- | -- | 12.5% | 0.0% | 0.1% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 2.6% | 0.0% | | | |
| Portfolio | -1.3% | = | -2.1% | + | 0.8% | + | 0.0% | -0.2% | 1.1% | 100.0% | 100.0% |

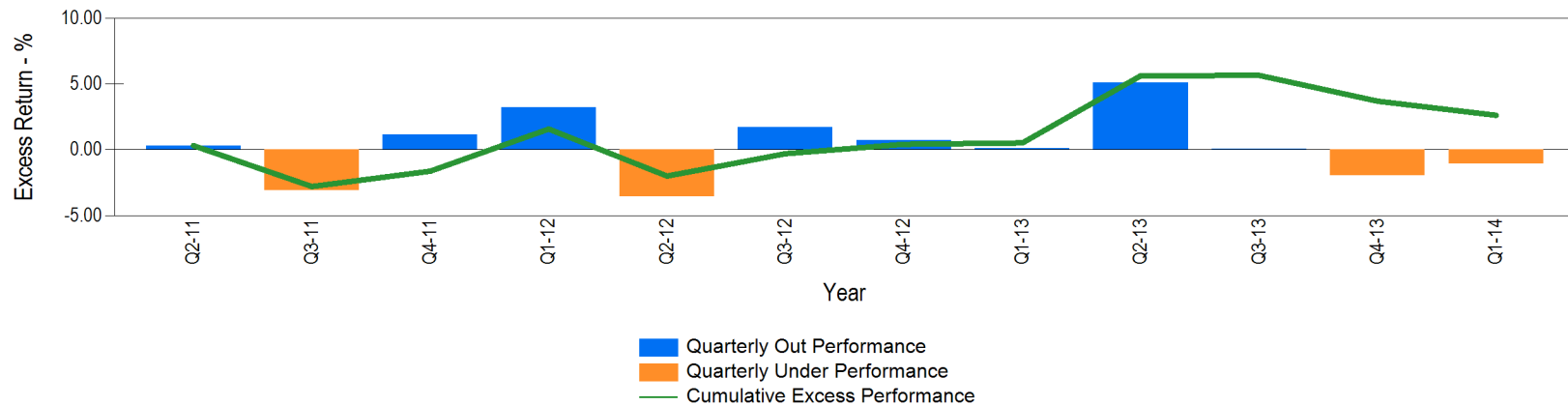
US Effective Style Map



Growth of a Dollar



Quarterly and Cumulative Excess Performance



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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 2000 |
|---------------------------------|-----------|--------------|
| Number of Holdings | 219 | 1,976 |
| Weighted Avg. Market Cap. (\$B) | 2.2 | 1.9 |
| Median Market Cap. (\$B) | 1.6 | 0.7 |
| Price To Earnings | 26.0 | 23.8 |
| Price To Book | 3.6 | 3.0 |
| Price To Sales | 2.8 | 2.7 |
| Return on Equity (%) | 13.7 | 11.0 |
| Yield (%) | 0.8 | 1.1 |
| Beta (holdings; domestic) | 1.5 | 1.4 |

Top Holdings

| | |
|--------------------|------|
| SYNOVUS FINL. | 2.3% |
| RADIAN GP. | 1.3% |
| STEVEN MADDEN | 1.3% |
| SIX FLAGS ENTM. | 1.3% |
| WNS HDG.ADR 1:1 | 1.1% |
| HFF CLASS A | 1.1% |
| CAPITAL SEN.LIVING | 1.1% |
| FINISAR | 1.1% |
| AVIS BUDGET GROUP | 1.0% |
| TORNIER NV | 1.0% |

Best Performers

| | Return % |
|-------------------------------|----------|
| GT ADVANCED TECHS. (GTAT) | 95.6% |
| HELEN OF TROY (HELE) | 40.2% |
| AEROVIRONMENT (AVAV) | 38.1% |
| H&E EQUIPMENT SERVICES (HEES) | 36.5% |
| AMCOL INTL. (ACO) | 35.3% |
| HFF CLASS A (HF) | 33.4% |
| GLOBUS MEDICAL CL.A (GMED) | 31.8% |
| VEECO INSTRUMENTS (VECO) | 27.4% |
| NETSCOUT SYS. (NTCT) | 27.0% |
| SPANSION 'A' (CODE) | 25.4% |

Worst Performers

| | Return % |
|-------------------------------|----------|
| AEGERION PHARMS. (AEGR) | -34.9% |
| GLOBAL CASH ACCESS HDG. (GCA) | -31.3% |
| GEOSPACE TECHNOLOGIES (GEOS) | -30.1% |
| GREEN DOT CLASS A (GDOT) | -22.3% |
| OFFICE DEPOT (ODP) | -21.9% |
| COMFORT SYS.USA (FIX) | -21.1% |
| SCRIPPS E W 'A' (SSP) | -18.4% |
| PIER 1 IMPORTS (PIR) | -18.0% |
| WNS HDG.ADR 1:1 (WNS) | -17.8% |
| TRIMAS (TRS) | -16.8% |

Equity Sector Attribution - Small Cap Equity

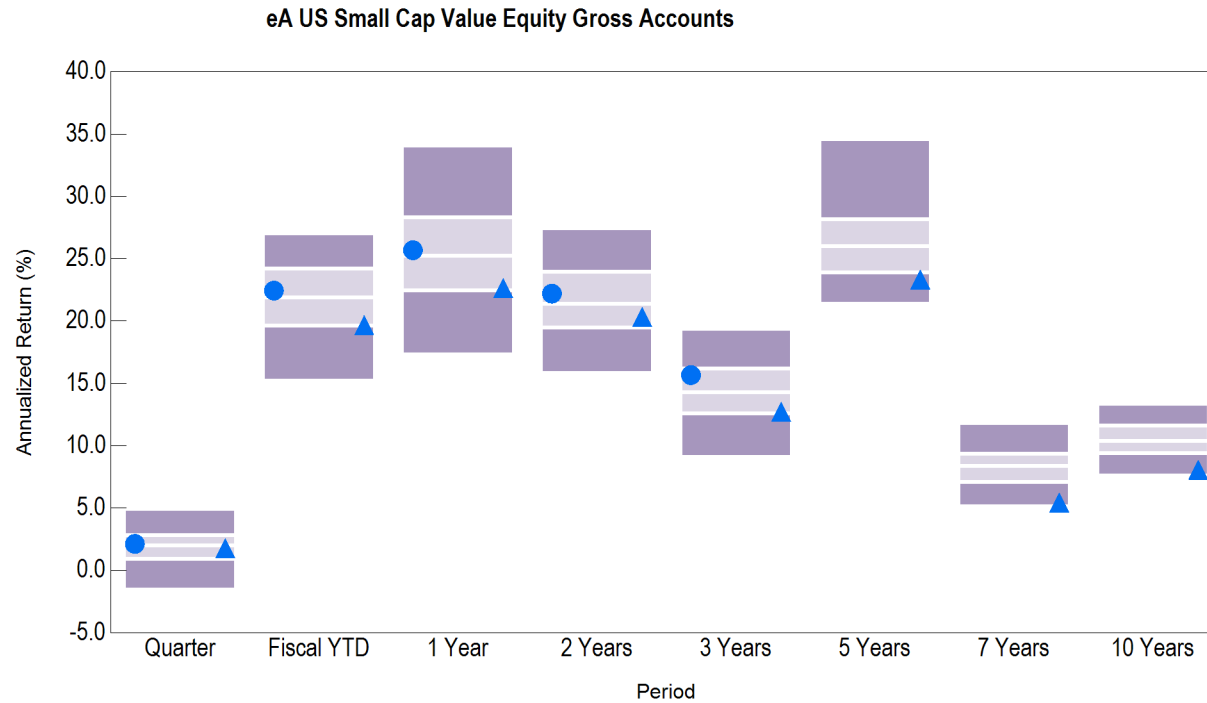
Quarter Ending March 31, 2014

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 | -0.3% | -0.3% | 0.0% | 0.0% | 0.3% | 5.0% | 5.6% | 5.4% | | | |
| Materials | 0.2% | 0.3% | 0.0% | -0.1% | 6.5% | 0.8% | 2.6% | 4.9% | | | |
| Industrials | 0.5% | 0.5% | 0.0% | 0.0% | 4.1% | 0.9% | 15.5% | 14.6% | | | |
| Cons. Disc. | 0.3% | 0.4% | -0.3% | 0.2% | -0.5% | -3.3% | 19.8% | 13.7% | | | |
| Cons. Staples | -0.1% | -0.2% | 0.0% | 0.2% | -4.8% | 1.7% | 1.2% | 3.7% | | | |
| Health Care | 0.2% | 0.3% | 0.0% | -0.1% | 5.1% | 3.0% | 10.5% | 13.0% | | | |
| Financials | 0.3% | 0.3% | 0.0% | 0.0% | 2.8% | 1.4% | 20.5% | 22.9% | | | |
| Info. Tech | 0.4% | 0.4% | 0.0% | 0.1% | 2.3% | 0.4% | 21.1% | 18.0% | | | |
| Telecomm. | 0.0% | -- | 0.0% | -- | -- | 3.0% | 0.0% | 0.7% | | | |
| Utilities | -0.1% | 0.0% | 0.0% | 0.0% | 4.0% | 5.4% | 2.1% | 3.0% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.1% | 0.0% | | | |
| Portfolio | 1.3% | = | 1.5% | + | -0.4% | + | 0.2% | 2.3% | 1.0% | 100.0% | 100.0% |

Total Returns - Small Cap Value Equity

Periods Ending March 31, 2014



| | Return (Rank) | | | | | | | |
|-----------------------------|---------------|------------|-----------|-----------|-----------|-----------|----------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 4.9 | 27.0 | 34.0 | 27.4 | 19.4 | 34.6 | 11.8 | 13.4 |
| 25th Percentile | 2.8 | 24.3 | 28.3 | 24.0 | 16.2 | 28.2 | 9.4 | 11.7 |
| Median | 2.0 | 21.9 | 25.2 | 21.4 | 14.3 | 26.1 | 8.4 | 10.4 |
| 75th Percentile | 0.9 | 19.7 | 22.5 | 19.5 | 12.6 | 23.9 | 7.1 | 9.4 |
| 95th Percentile | -1.5 | 15.2 | 17.3 | 15.8 | 9.1 | 21.4 | 5.2 | 7.7 |
| # of Portfolios | 192 | 192 | 192 | 191 | 189 | 181 | 161 | 144 |
| ● The Boston Co | 2.1 (46) | 22.4 (44) | 25.7 (45) | 22.2 (43) | 15.7 (33) | -- (--) | -- (--) | -- (--) |
| ▲ Russell 2000 Value | 1.8 (56) | 19.7 (75) | 22.6 (75) | 20.3 (66) | 12.7 (74) | 23.3 (81) | 5.4 (93) | 8.1 (94) |

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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 2000 Value |
|---------------------------------|-----------|--------------------|
| Number of Holdings | 142 | 1,374 |
| Weighted Avg. Market Cap. (\$B) | 1.9 | 1.7 |
| Median Market Cap. (\$B) | 1.5 | 0.6 |
| Price To Earnings | 24.0 | 20.3 |
| Price To Book | 2.7 | 1.8 |
| Price To Sales | 2.4 | 2.4 |
| Return on Equity (%) | 11.7 | 7.7 |
| Yield (%) | 1.2 | 1.7 |
| Beta (holdings; domestic) | 1.4 | 1.4 |

Top Holdings

| | |
|------------------------|------|
| NEW YORK TIMES 'A' | 1.8% |
| CORELOGIC | 1.6% |
| SYNOVUS FINL. | 1.5% |
| ALSP.HLTHCR.SLTN. | 1.4% |
| GT ADVANCED TECHS. | 1.3% |
| UMB FINL. | 1.3% |
| HANCOCK HOLDING | 1.3% |
| FIRST HORIZON NATIONAL | 1.3% |
| TERADYNE | 1.2% |
| BOSTON PRIV.FINL.HDG. | 1.2% |

Best Performers

| | Return % |
|----------------------------|----------|
| GT ADVANCED TECHS. (GTAT) | 95.6% |
| AEROVIRONMENT (AVAV) | 38.1% |
| AMCOL INTL. (ACO) | 35.3% |
| HFF CLASS A (HF) | 33.4% |
| GLOBUS MEDICAL CL.A (GMED) | 31.8% |
| VEECO INSTRUMENTS (VECO) | 27.4% |
| NETSCOUT SYS. (NTCT) | 27.0% |
| ALLIED NEVADA GOLD (ANV) | 21.4% |
| BROCADE COMMS.SYS. (BRCD) | 19.7% |
| DANA HOLDING (DAN) | 18.9% |

Worst Performers

| | Return % |
|------------------------------|----------|
| GEOSPACE TECHNOLOGIES (GEOS) | -30.1% |
| OFFICE DEPOT (ODP) | -21.9% |
| COMFORT SYS.USA (FIX) | -21.1% |
| SCRIPPS E W 'A' (SSP) | -18.4% |
| ETHAN ALLEN INTERIORS (ETH) | -16.1% |
| CORELOGIC (CLGX) | -15.5% |
| EXPRESS (EXPR) | -14.9% |
| AMER.WOODMARK (AMWD) | -14.8% |
| MCDERMOTT INTL. (MDR) | -14.6% |
| HANGER (HGR) | -14.4% |

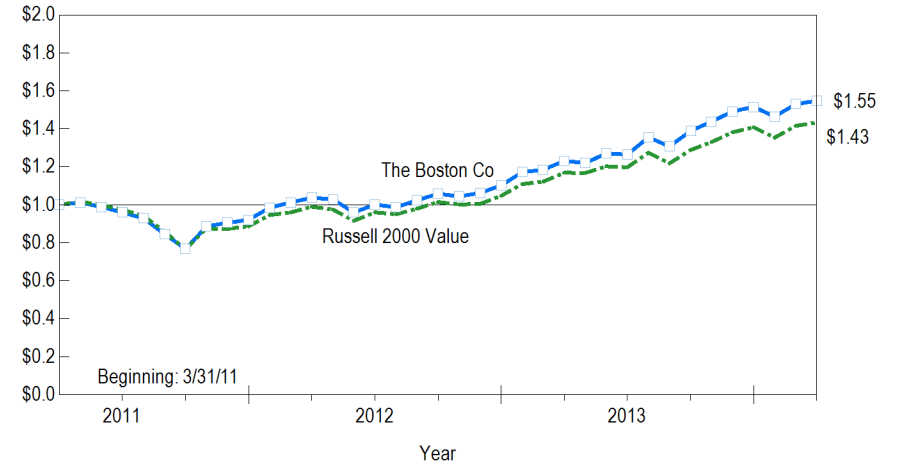
The Boston Co Performance Attribution vs. Russell 2000 Value

| | Attribution Effects | | | | Returns | | Sector Weights | | | | |
|------------------|---------------------|------------------|-------------------|---------------------|--------------|-----------|----------------|-------------|-------------|---------------|---------------|
| | Total Effects | Selection Effect | Allocation Effect | Interaction Effects | Portfolio | Benchmark | Portfolio | Benchmark | | | |
| Energy | -0.7% | -0.7% | 0.0% | 0.0% | -3.6% | 6.1% | 7.0% | 7.3% | | | |
| Materials | 0.3% | 0.2% | 0.0% | 0.0% | 6.5% | 1.1% | 5.3% | 4.7% | | | |
| Industrials | 0.3% | 0.3% | 0.0% | 0.0% | 2.1% | 0.0% | 13.1% | 13.5% | | | |
| Cons. Disc. | -0.6% | -0.2% | -0.2% | -0.1% | -2.6% | -0.9% | 19.1% | 10.5% | | | |
| Cons. Staples | -0.2% | -0.2% | 0.0% | 0.0% | -4.8% | 1.9% | 2.4% | 2.5% | | | |
| Health Care | 0.3% | 0.1% | 0.0% | 0.1% | 4.7% | 2.2% | 9.6% | 4.7% | | | |
| Financials | 0.4% | 0.7% | 0.0% | -0.3% | 3.6% | 1.9% | 24.0% | 39.4% | | | |
| Info. Tech | 1.2% | 0.9% | 0.0% | 0.3% | 10.1% | 1.5% | 14.1% | 10.7% | | | |
| Telecomm. | 0.0% | -- | 0.0% | -- | -- | 5.2% | 0.0% | 0.5% | | | |
| Utilities | -0.1% | -0.1% | -0.1% | 0.0% | 4.0% | 5.5% | 4.3% | 6.1% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.0% | 0.0% | | | |
| Portfolio | 0.9% | = | 1.1% | + | -0.3% | + | 0.1% | 2.7% | 1.8% | 100.0% | 100.0% |

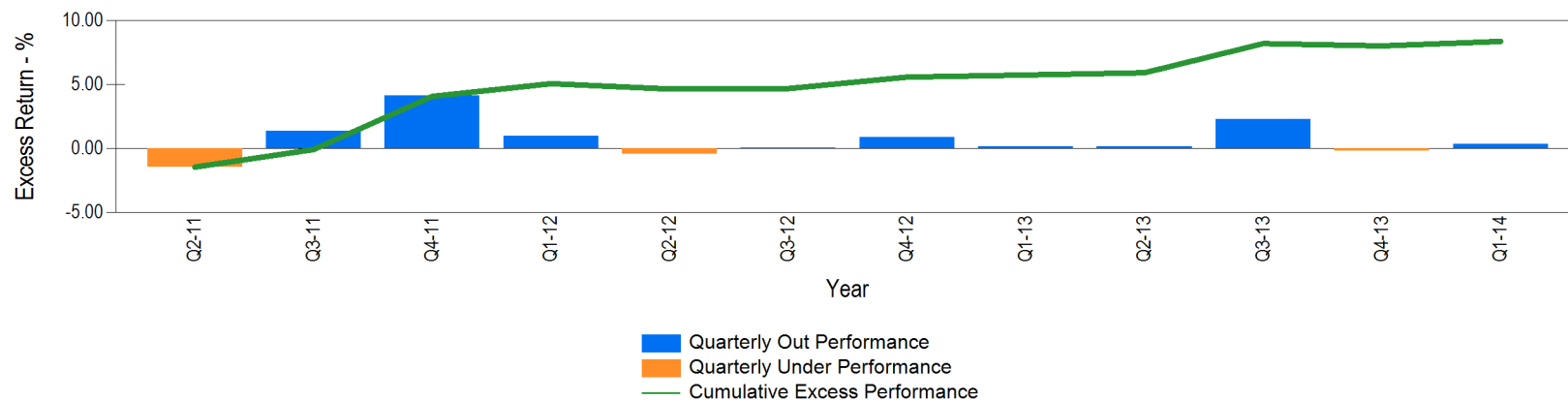
US Effective Style Map



Growth of a Dollar

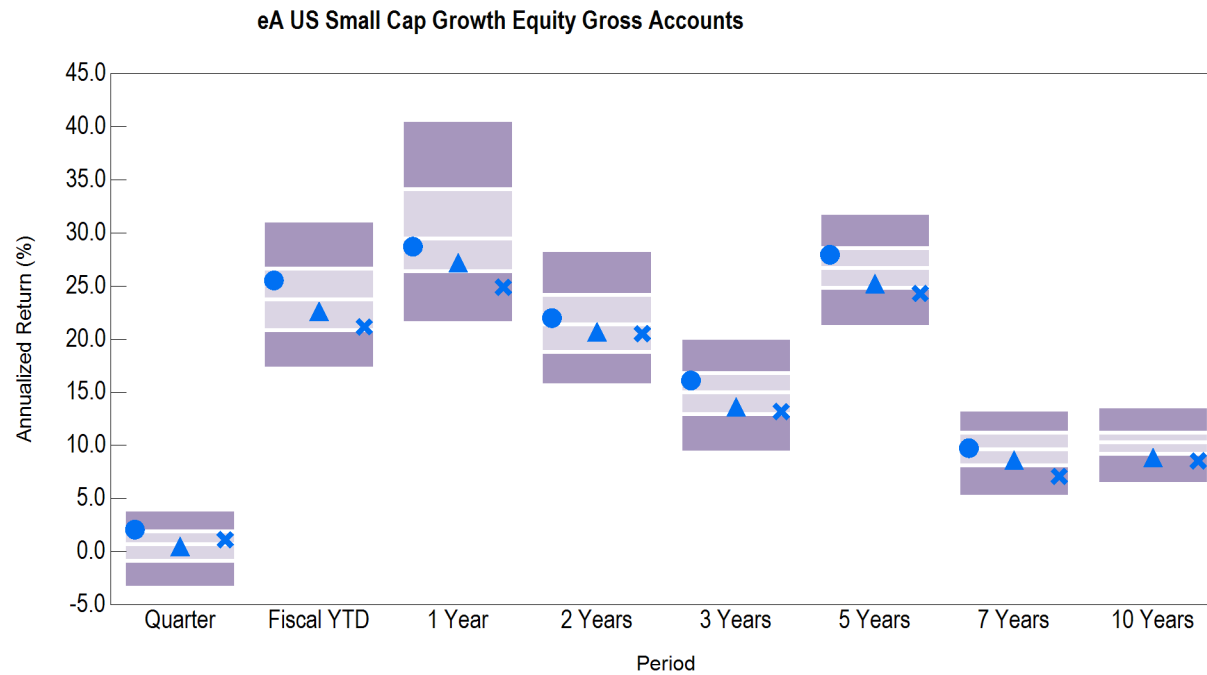


Quarterly and Cumulative Excess Performance



Total Returns - Small Cap Growth Equity

Periods Ending March 31, 2014



| | Return (Rank) | | | | | | | |
|-----------------------|---------------|-----------|-----------|-----------|-----------|-----------|----------|----------|
| 5th Percentile | 3.9 | 31.2 | 40.6 | 28.4 | 20.1 | 31.9 | 13.3 | 13.6 |
| 25th Percentile | 1.9 | 26.7 | 34.1 | 24.2 | 16.9 | 28.6 | 11.2 | 11.2 |
| Median | 0.7 | 23.8 | 29.5 | 21.4 | 15.0 | 26.7 | 9.7 | 10.4 |
| 75th Percentile | -0.9 | 20.9 | 26.4 | 18.9 | 13.0 | 24.8 | 8.2 | 9.2 |
| 95th Percentile | -3.4 | 17.3 | 21.5 | 15.7 | 9.4 | 21.2 | 5.2 | 6.4 |
| # of Portfolios | 156 | 156 | 156 | 155 | 152 | 147 | 128 | 113 |
| ● Chartwell | 2.1 (22) | 25.5 (37) | 28.7 (57) | 22.0 (45) | 16.1 (37) | 28.0 (30) | 9.7 (50) | -- (--) |
| ▲ Russell 2000 Growth | 0.5 (54) | 22.6 (60) | 27.2 (71) | 20.7 (59) | 13.6 (69) | 25.2 (69) | 8.6 (68) | 8.9 (80) |
| × Russell 2000 | 1.1 (43) | 21.2 (74) | 24.9 (83) | 20.5 (63) | 13.2 (74) | 24.3 (80) | 7.1 (86) | 8.5 (85) |

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | Russell 2000 Growth |
|---------------------------------|-----------|---------------------|
| Number of Holdings | 83 | 1,156 |
| Weighted Avg. Market Cap. (\$B) | 2.4 | 2.1 |
| Median Market Cap. (\$B) | 1.9 | 0.9 |
| Price To Earnings | 28.0 | 27.3 |
| Price To Book | 4.5 | 5.1 |
| Price To Sales | 3.2 | 3.2 |
| Return on Equity (%) | 15.9 | 15.1 |
| Yield (%) | 0.4 | 0.4 |
| Beta (holdings; domestic) | 1.7 | 1.4 |

Top Holdings

| | |
|--------------------|------|
| SYNOVUS FINL. | 3.0% |
| RADIAN GP. | 2.7% |
| STEVEN MADDEN | 2.5% |
| SIX FLAGS ENTM. | 2.5% |
| WNS HDG.ADR 1:1 | 2.2% |
| HFF CLASS A | 2.1% |
| CAPITAL SEN.LIVING | 2.1% |
| FINISAR | 2.1% |
| AVIS BUDGET GROUP | 2.0% |
| TORNIER NV | 2.0% |

Best Performers

| | Return % |
|-------------------------------|----------|
| HELEN OF TROY (HELE) | 40.2% |
| H&E EQUIPMENT SERVICES (HEES) | 36.5% |
| HFF CLASS A (HF) | 33.4% |
| GLOBUS MEDICAL CL.A (GMED) | 31.8% |
| VEECO INSTRUMENTS (VECO) | 27.4% |
| NETSCOUT SYS. (NTCT) | 27.0% |
| SPANSION 'A' (CODE) | 25.4% |
| ACUITY BRANDS (AYI) | 21.4% |
| AVIS BUDGET GROUP (CAR) | 20.5% |
| MANHATTAN ASSOCS. (MANH) | 19.3% |

Worst Performers

| | Return % |
|-------------------------------|----------|
| AEGERION PHARMS. (AEGR) | -34.9% |
| GLOBAL CASH ACCESS HDG. (GCA) | -31.3% |
| GREEN DOT CLASS A (GDOT) | -22.3% |
| PIER 1 IMPORTS (PIR) | -18.0% |
| WNS HDG.ADR 1:1 (WNS) | -17.8% |
| TRIMAS (TRS) | -16.8% |
| HEARTLAND PAYMENT SYS. (HPY) | -16.7% |
| EXPRESS (EXPR) | -14.9% |
| EURONET WWD. (EFT) | -13.1% |
| AKORN (AKRX) | -10.6% |

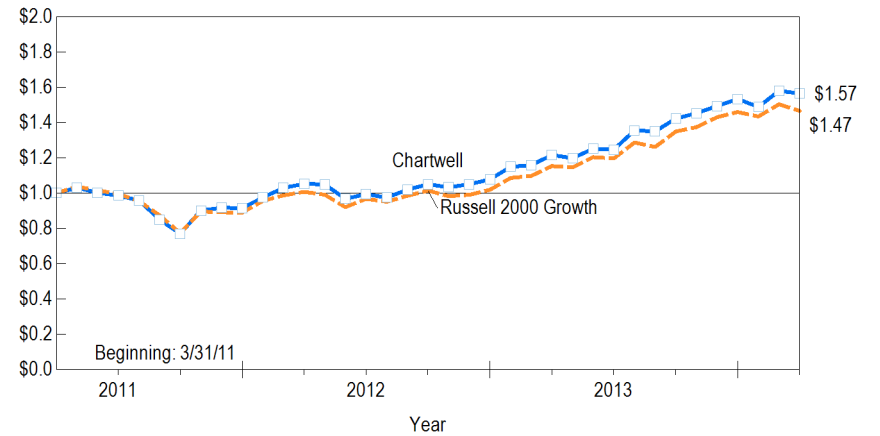
Chartwell Performance Attribution vs. Russell 2000 Growth

| | Total Effects | Attribution Effects | | | Returns | | Sector Weights | | | | |
|------------------|------------------|---------------------|----------------------|------------------------|--------------|-----------|----------------|-------------|-------------|---------------|---------------|
| | | Selection Effect | Allocation Effect | Interaction Effects | Portfolio | Benchmark | Portfolio | Benchmark | | | |
| Energy | 0.2% | 0.1% | 0.0% | 0.0% | 6.7% | 3.0% | 4.2% | 3.7% | | | |
| Materials | 0.0% | -- | 0.0% | -- | -- | 0.4% | 0.0% | 5.2% | | | |
| Industrials | 0.7% | 0.6% | 0.0% | 0.1% | 5.4% | 1.6% | 17.8% | 15.5% | | | |
| Cons. Disc. | 1.1% | 1.0% | -0.2% | 0.2% | 1.4% | -4.8% | 20.6% | 16.8% | | | |
| Cons. Staples | -0.1% | -- | -0.1% | -- | -- | 1.7% | 0.0% | 4.8% | | | |
| Health Care | 0.0% | 0.5% | -0.3% | -0.2% | 5.4% | 3.1% | 11.4% | 20.8% | | | |
| Financials | 0.3% | 0.2% | -0.1% | 0.3% | 1.7% | -0.9% | 17.1% | 7.4% | | | |
| Info. Tech | -0.4% | -0.4% | 0.0% | 0.0% | -1.5% | -0.1% | 27.9% | 24.8% | | | |
| Telecomm. | 0.0% | -- | 0.0% | -- | -- | 1.8% | 0.0% | 0.9% | | | |
| Utilities | 0.0% | -- | 0.0% | -- | -- | 0.9% | 0.0% | 0.1% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.1% | 0.0% | | | |
| Portfolio | 1.8% | = | 2.1% | + | -0.6% | + | 0.3% | 2.0% | 0.2% | 100.0% | 100.0% |

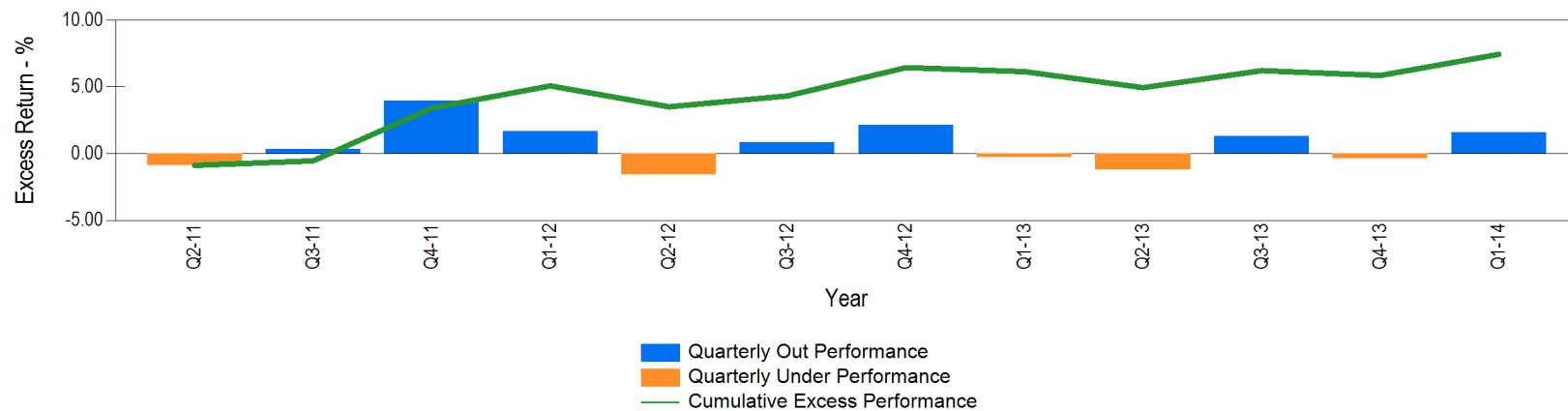
US Effective Style Map



Growth of a Dollar

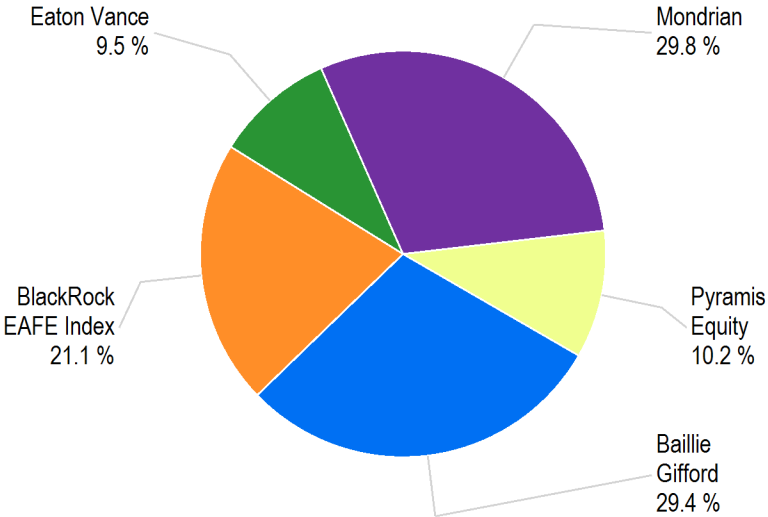


Quarterly and Cumulative Excess Performance



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

As of March 31, 2014



| | Actual \$ | Actual % | Manager Contribution to Excess Return % |
|-------------------------------------|----------------------|---------------|---|
| Artio | \$98,171 | 0.0% | 0.0% |
| Baillie Gifford | \$185,381,288 | 29.4% | 0.6% |
| BlackRock EAFE Index | \$132,748,182 | 21.1% | 0.0% |
| Eaton Vance | \$59,983,384 | 9.5% | 0.1% |
| Mondrian | \$187,501,225 | 29.8% | 0.8% |
| Pyramis Int'l Equity | \$64,124,268 | 10.2% | -0.2% |
| Actual vs. Policy Weight Difference | | | -0.2% |
| Total | \$629,836,518 | 100.0% | 1.2% |

Statistics Summary**3 Years**

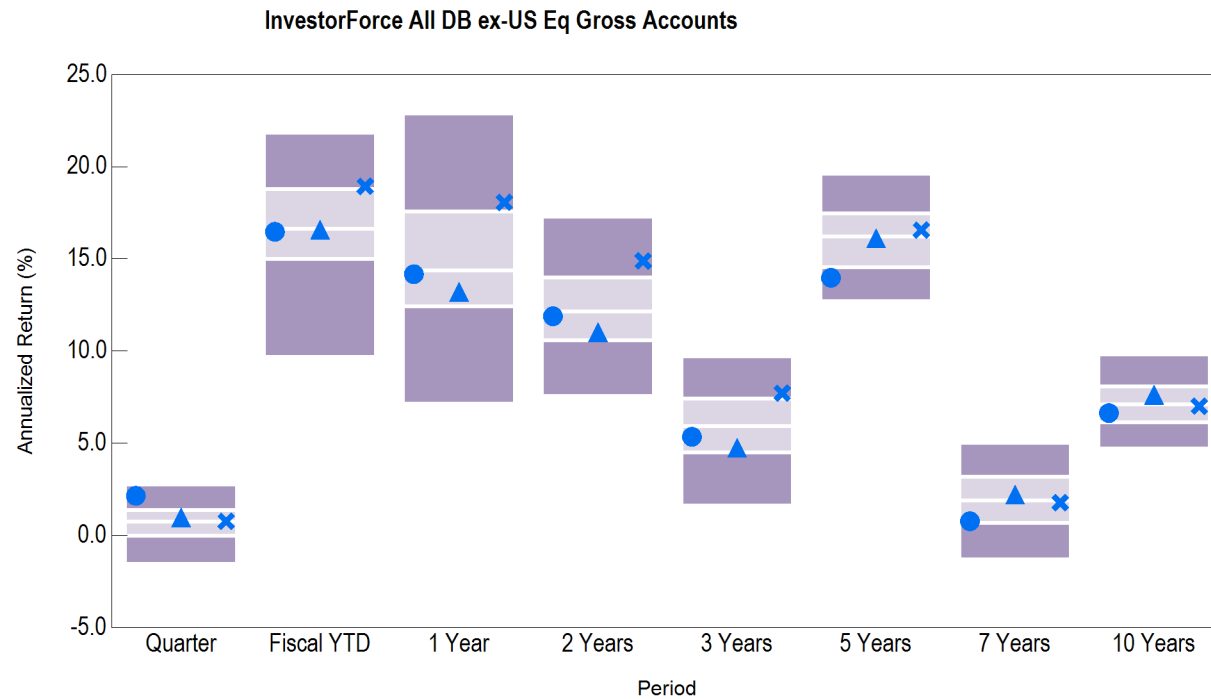
| | Anlzd Return | Anlzd Standard Deviation | Sharpe Ratio | Information Ratio | Tracking Error |
|------------------------------|--------------|-----------------------------|--------------|-------------------|----------------|
| International Equity | 5.3% | 15.8% | 0.3 | 0.3 | 2.2% |
| MSCI ACWI ex US IMI | 4.8% | 16.8% | 0.3 | -- | 0.0% |
| Mondrian | 7.1% | 14.8% | 0.5 | 0.5 | 4.7% |
| MSCI ACWI ex USA Value Gross | 4.6% | 17.2% | 0.3 | -- | 0.0% |

Statistics Summary**5 Years**

| | Anlzd Return | Anlzd Standard Deviation | Sharpe Ratio | Information Ratio | Tracking Error |
|------------------------------|--------------|-----------------------------|--------------|-------------------|----------------|
| International Equity | 14.0% | 17.0% | 0.8 | -0.8 | 2.8% |
| MSCI ACWI ex US IMI | 16.1% | 18.7% | 0.9 | -- | 0.0% |
| Mondrian | 15.1% | 16.5% | 0.9 | -0.3 | 5.4% |
| MSCI ACWI ex USA Value Gross | 16.5% | 19.8% | 0.8 | -- | 0.0% |

Total Returns - International Equity

Periods Ending March 31, 2014



| | Return (Rank) | | | | | | | |
|-------------------------------|---------------|------------|-----------|-----------|----------|-----------|----------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 2.8 | 21.8 | 22.9 | 17.3 | 9.7 | 19.6 | 5.0 | 9.8 |
| 25th Percentile | 1.4 | 18.8 | 17.6 | 14.0 | 7.5 | 17.5 | 3.2 | 8.1 |
| Median | 0.8 | 16.7 | 14.4 | 12.2 | 5.9 | 16.2 | 1.9 | 7.1 |
| 75th Percentile | 0.0 | 15.0 | 12.4 | 10.6 | 4.5 | 14.5 | 0.7 | 6.2 |
| 95th Percentile | -1.5 | 9.7 | 7.2 | 7.6 | 1.6 | 12.7 | -1.3 | 4.7 |
| # of Portfolios | 426 | 425 | 420 | 401 | 377 | 296 | 264 | 170 |
| ● International Equity | 2.1 (10) | 16.5 (56) | 14.2 (53) | 11.9 (55) | 5.3 (65) | 14.0 (82) | 0.8 (71) | 6.6 (64) |
| ▲ MSCI ACWI ex US IMI | 1.0 (39) | 16.6 (52) | 13.2 (63) | 11.0 (68) | 4.8 (73) | 16.1 (52) | 2.2 (42) | 7.6 (40) |
| ✕ MSCI EAFE Gross | 0.8 (50) | 18.9 (24) | 18.1 (22) | 14.9 (18) | 7.7 (21) | 16.6 (44) | 1.8 (54) | 7.0 (55) |

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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | MSCI ACWI ex USA IMI Gross |
|---------------------------------|-----------|----------------------------|
| Number of Holdings | 2,342 | 6,019 |
| Weighted Avg. Market Cap. (\$B) | 49.3 | 47.5 |
| Median Market Cap. (\$B) | 5.7 | 1.1 |
| Price To Earnings | 19.9 | 17.8 |
| Price To Book | 3.3 | 2.3 |
| Price To Sales | 2.4 | 1.9 |
| Return on Equity (%) | 17.9 | 14.5 |
| Yield (%) | 2.9 | 2.9 |
| Beta | 0.9 | 1.0 |

Top Holdings

| | |
|-----------------|------|
| UNILEVER (UK) | 1.8% |
| NESTLE 'R' | 1.7% |
| BG GROUP | 1.4% |
| ROCHE HOLDING | 1.4% |
| TOTAL | 1.4% |
| NOVARTIS 'R' | 1.2% |
| KAO | 1.2% |
| SANOFI | 1.1% |
| IBERDROLA | 1.0% |
| GLAXOSMITHKLINE | 1.0% |

Best Performers

| | Return % |
|-----------------------------------|----------|
| DETOUR GOLD (C:DGC) | 124.7% |
| PIONEERS HOLDING (EG:PIO) | 110.6% |
| ARABTEC HOLDING (DU:ART) | 108.7% |
| SIBANYE GOLD (R:SGLJ) | 90.0% |
| SURYA SEMESTA INTERNUSA (ID:RYA) | 82.7% |
| ORASCOM TELC.& MDA.COS. (EG:OTM) | 67.6% |
| WIJAYA KARYA (ID:WKP) | 62.1% |
| AL SALAM BK.BAHRAIN(DFM) (DU:ASB) | 60.1% |
| ZUMTOBEL (O:ZUS) | 58.6% |
| DUBAI INVESTMENT (DU:DUB) | 51.8% |

Worst Performers

| | Return % |
|--|----------|
| NEW WORLD RES. (PRA) (CZ:NWR) | -52.3% |
| NUFLARE TECHNOLOGY (J:NUFL) | -45.9% |
| ENEVA ON (BR:MPX) | -43.2% |
| DIXY GROUP (RS:DIX) | -38.9% |
| PINNACLE (R:PNCJ) | -38.5% |
| RUSSIAN GRIDS (RS:RST) | -36.3% |
| OANDO (NG:OAN) | -34.8% |
| ASTARTA HOLDING (PO:AST) | -34.3% |
| LSR GP.OJSC SPN.GDR 144A (REG S) (UKIR:LSRG) | -34.3% |
| INTERCONTINENTAL WAPIC INSURANCE (NG:WAI) | -32.7% |

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

Equity Sector Attribution - International Equity

Quarter Ending March 31, 2014

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

| | Attribution Effects | | | | Returns | | Sector Weights | | | | |
|------------------|---------------------|---------------------|----------------------|------------------------|-------------|-----------|----------------|-------------|-------------|---------------|---------------|
| | Total Effects | Selection Effect | Allocation Effect | Interaction Effects | Portfolio | Benchmark | Portfolio | Benchmark | | | |
| Energy | 0.0% | -0.1% | 0.0% | 0.1% | 0.7% | 0.8% | 8.9% | 8.6% | | | |
| Materials | 0.0% | 0.0% | 0.0% | 0.0% | 1.1% | 0.7% | 5.1% | 9.0% | | | |
| Industrials | 0.6% | 0.5% | 0.0% | 0.1% | 5.3% | 1.0% | 14.2% | 12.3% | | | |
| Cons. Disc. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -0.5% | 12.9% | 11.8% | | | |
| Cons. Staples | 0.1% | 0.1% | 0.0% | 0.0% | 1.1% | 0.5% | 13.0% | 9.4% | | | |
| Health Care | 0.3% | 0.1% | 0.1% | 0.1% | 7.5% | 5.8% | 10.5% | 7.5% | | | |
| Financials | 0.2% | 0.1% | 0.1% | 0.0% | 0.7% | 0.1% | 18.0% | 25.9% | | | |
| Info. Tech | 0.0% | -0.1% | 0.0% | 0.0% | 2.1% | 2.4% | 6.4% | 7.1% | | | |
| Telecomm. | 0.0% | 0.1% | 0.0% | 0.0% | -1.7% | -2.9% | 6.4% | 5.3% | | | |
| Utilities | 0.1% | 0.1% | 0.0% | 0.0% | 8.1% | 6.1% | 3.5% | 3.2% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.2% | 0.0% | | | |
| Portfolio | 1.3% | = | 0.8% | + | 0.1% | + | 0.4% | 2.2% | 0.9% | 100.0% | 100.0% |

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

Equity Performance Attribution - International Equity

Quarter Ending March 31, 2014

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

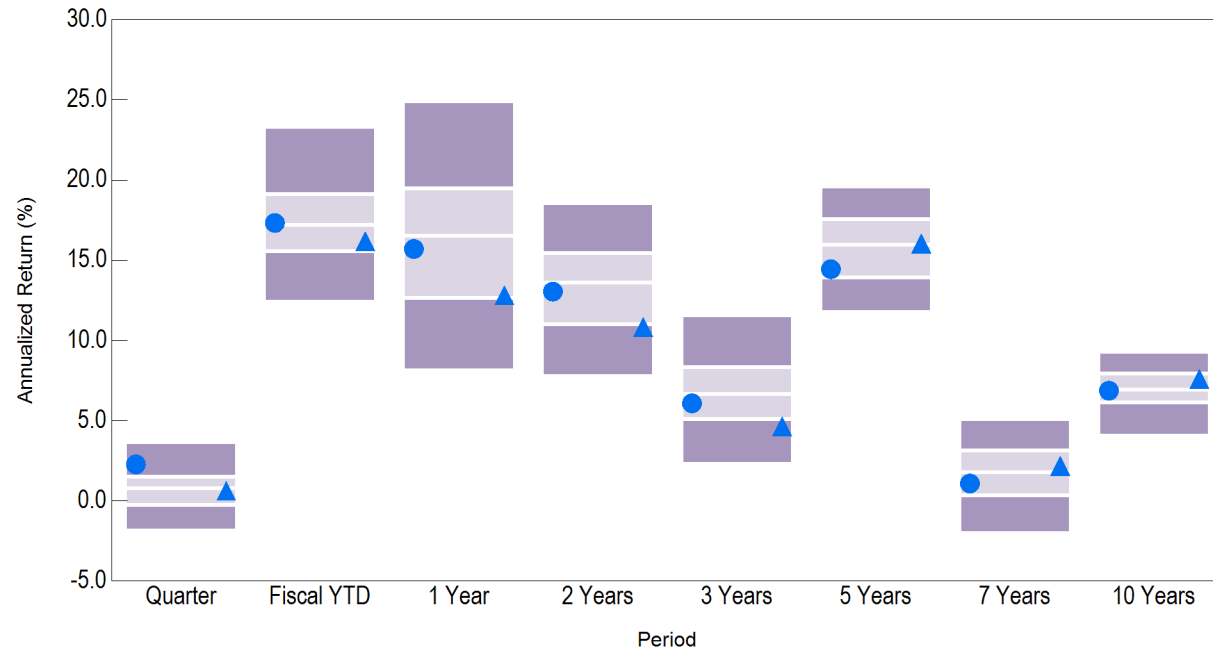
| | Returns and Weights | | | | Attribution Effects | | | | Total Effects |
|---------------|---------------------|--------------|----------------|---------------|---------------------|-------------------|-----------------|--------------------|---------------|
| | Manager Return | Index Return | Manager Weight | Index Weight | Selection Effect | Allocation Effect | Currency Effect | Interaction Effect | |
| Totals | | | | | | | | | |
| Americas | 0.8% | 1.9% | 6.6% | 100.0% | -0.8% | 0.0% | 0.0% | 0.8% | -0.1% |
| Europe | 2.3% | -- | 54.5% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% | 0.3% |
| Asia/Pacific | 1.4% | -- | 32.8% | 0.0% | 0.0% | 0.0% | 0.5% | -0.7% | -0.2% |
| Other | 9.5% | -- | 4.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.4% | 0.4% |
| Cash | 0.0% | -- | 1.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 2.2% | 1.9% | 100.0% | 100.0% | -0.8% | 0.0% | 0.6% | 0.6% | 0.4% |
| Totals | | | | | | | | | |
| Developed | 2.7% | 1.9% | 78.4% | 100.0% | 0.2% | 0.0% | 0.6% | 0.0% | 0.7% |
| Emerging* | 0.1% | -- | 19.0% | 0.0% | 0.0% | 0.0% | 0.1% | -0.4% | -0.3% |
| Frontier** | 6.9% | -- | 1.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| Cash | 0.0% | -- | 1.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

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

Total Returns - Developed Markets

Periods Ending March 31, 2014

InvestorForce 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) | | | | | | | | |
| 5th Percentile | 3.6 | 23.3 | 24.9 | 18.5 | 11.6 | 19.6 | 5.1 | 9.3 |
| 25th Percentile | 1.5 | 19.2 | 19.5 | 15.5 | 8.4 | 17.6 | 3.2 | 8.0 |
| Median | 0.8 | 17.2 | 16.5 | 13.6 | 6.7 | 16.0 | 1.8 | 7.0 |
| 75th Percentile | -0.2 | 15.6 | 12.7 | 11.0 | 5.1 | 13.9 | 0.3 | 6.2 |
| 95th Percentile | -1.9 | 12.4 | 8.1 | 7.8 | 2.3 | 11.8 | -2.0 | 4.1 |
| # of Portfolios | 139 | 138 | 138 | 133 | 116 | 101 | 85 | 59 |
| ● Developed Markets | 2.3 (16) | 17.3 (49) | 15.7 (60) | 13.0 (57) | 6.1 (66) | 14.4 (70) | 1.1 (65) | 6.9 (53) |
| ▲ MSCI ACWI ex USA Gross | 0.6 (55) | 16.2 (65) | 12.8 (75) | 10.8 (82) | 4.6 (79) | 16.0 (48) | 2.2 (45) | 7.6 (37) |

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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | MSCI ACWI ex USA Gross |
|---------------------------------|-----------|------------------------|
| Number of Holdings | 1,035 | 1,824 |
| Weighted Avg. Market Cap. (\$B) | 52.7 | 54.2 |
| Median Market Cap. (\$B) | 9.8 | 6.8 |
| Price To Earnings | 20.1 | 17.6 |
| Price To Book | 3.4 | 2.3 |
| Price To Sales | 2.4 | 1.9 |
| Return on Equity (%) | 17.9 | 14.7 |
| Yield (%) | 2.9 | 2.9 |
| Beta | 0.9 | 1.0 |

Top Holdings

| | |
|-----------------|------|
| UNILEVER (UK) | 2.0% |
| NESTLE 'R' | 1.9% |
| BG GROUP | 1.5% |
| ROCHE HOLDING | 1.5% |
| TOTAL | 1.5% |
| NOVARTIS 'R' | 1.4% |
| KAO | 1.3% |
| SANOFI | 1.2% |
| IBERDROLA | 1.2% |
| GLAXOSMITHKLINE | 1.1% |

Best Performers

| | Return % | | Return % |
|---------------------------------|----------|---------------------------------|----------|
| DETOUR GOLD (C:DGC) | 124.7% | NUFLARE TECHNOLOGY (J:NUFL) | -45.9% |
| ZUMTOBEL (O:ZUS) | 58.6% | DIXY GROUP (RS:DIX) | -38.9% |
| BANCA MONTE DEI PASCHI (I:BMPS) | 51.1% | PINNACLE (R:PNCJ) | -38.5% |
| SCANIA 'B' (W:SCVB) | 49.7% | IIDA GROUP HOLDINGS (J:IIGH) | -29.8% |
| OLAM INTERNATIONAL (T:OLAM) | 45.2% | OXFORD INSTRUMENTS (UKIR:OXFD) | -27.6% |
| FIAT (I:F) | 42.2% | HOKKAIDO ELEC.POWER (J:HY@N) | -26.4% |
| NAGAILEBEN (J:AGAI) | 41.6% | ALAMOS GOLD (C:AGI) | -25.3% |
| BANK RAKYAT INDONESIA (ID:BRI) | 41.5% | ALSTOM (F:ALO) | -25.1% |
| AURORA OIL & GAS (A:AUTX) | 40.6% | GUNGHO ONLINE ENTM. (J:GHOE) | -24.1% |
| ILIAD (F:ILD) | 40.6% | TOYO SEIKAN GROUP HDG. (J:TOYS) | -24.0% |

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

Equity Sector Attribution - Developed Markets

Quarter Ending March 31, 2014

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 | 0.1% | 0.0% | 0.0% | 0.1% | 1.3% | 0.7% | 8.7% | 9.1% | | | |
| Materials | 0.1% | 0.1% | 0.0% | -0.1% | 1.6% | 0.3% | 4.6% | 8.7% | | | |
| Industrials | 0.8% | 0.5% | 0.0% | 0.2% | 5.5% | 0.4% | 14.7% | 11.2% | | | |
| Cons. Disc. | 0.1% | 0.0% | 0.0% | 0.1% | -0.2% | -0.9% | 13.3% | 10.8% | | | |
| Cons. Staples | 0.1% | 0.1% | 0.0% | 0.1% | 1.4% | 0.4% | 13.4% | 9.9% | | | |
| Health Care | 0.4% | 0.1% | 0.2% | 0.1% | 7.6% | 6.0% | 11.3% | 7.8% | | | |
| Financials | 0.2% | 0.1% | 0.1% | 0.0% | 0.4% | -0.4% | 17.1% | 26.8% | | | |
| Info. Tech | 0.0% | 0.0% | 0.0% | 0.0% | 2.5% | 1.6% | 6.1% | 6.6% | | | |
| Telecomm. | 0.1% | 0.1% | 0.0% | 0.0% | -1.4% | -3.4% | 6.0% | 5.8% | | | |
| Utilities | 0.1% | 0.1% | 0.0% | 0.0% | 8.8% | 6.1% | 3.4% | 3.3% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.3% | 0.0% | | | |
| Portfolio | 1.9% | = | 1.2% | + | 0.2% | + | 0.5% | 2.5% | 0.5% | 100.0% | 100.0% |

Equity Performance Attribution - Developed Markets

Quarter Ending March 31, 2014

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 | 24.0% | 19.2% | 0.1% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Belgium | 5.4% | 13.6% | 0.3% | 0.8% | -0.1% | 0.0% | 0.0% | 0.0% | -0.1% |
| Czech Republic* | -- | 13.3% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Denmark | 15.0% | 13.7% | 1.7% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% |
| Finland | 15.0% | 26.6% | 0.8% | 0.5% | -0.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| France | 18.8% | 15.6% | 8.7% | 6.7% | 0.2% | 0.1% | 0.1% | 0.1% | 0.4% |
| Germany | 17.2% | 12.5% | 4.5% | 6.1% | 0.3% | 0.0% | -0.1% | -0.1% | 0.1% |
| Greece* | -- | 33.6% | 0.0% | 0.0% | -- | 0.0% | 0.0% | -- | 0.0% |
| Hungary* | -- | -4.9% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Ireland | 4.9% | 17.0% | 0.1% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Italy | 18.0% | 20.0% | 1.7% | 1.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Netherlands | 14.7% | 15.0% | 3.6% | 1.8% | 0.0% | 0.1% | 0.1% | 0.0% | 0.1% |
| Norway | 4.8% | 9.2% | 0.2% | 0.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Poland* | 10.0% | 17.8% | 0.0% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Portugal | -- | 11.1% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Russia* | -2.1% | 13.5% | 0.1% | 1.3% | -0.2% | -0.1% | 0.0% | 0.2% | -0.1% |
| Spain | 18.8% | 25.6% | 3.7% | 2.0% | -0.1% | 0.2% | 0.1% | -0.1% | 0.1% |
| Sweden | 16.0% | 15.2% | 3.3% | 2.2% | 0.0% | 0.0% | 0.1% | 0.0% | 0.1% |
| Switzerland | 8.1% | 9.5% | 7.7% | 6.5% | -0.1% | 0.0% | 0.1% | 0.0% | -0.1% |
| United Kingdom | 12.4% | 12.0% | 21.1% | 15.3% | 0.1% | -0.1% | 0.4% | 0.0% | 0.4% |

Equity Performance Attribution - Developed Markets

Quarter Ending March 31, 2014

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 | 10.0% | 6.0% | 4.7% | 5.4% | 0.2% | 0.0% | 0.0% | 0.0% | 0.1% |
| China* | -10.2% | -5.9% | 3.2% | 4.1% | -0.2% | 0.1% | 0.0% | 0.0% | -0.1% |
| Hong Kong | -1.8% | -3.4% | 1.9% | 2.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| India* | 13.9% | 8.2% | 0.9% | 1.3% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| Indonesia* | 27.6% | 21.2% | 0.5% | 0.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Japan | -1.0% | -5.6% | 14.6% | 15.1% | 0.7% | 0.0% | 0.0% | 0.0% | 0.7% |
| Korea* | -0.5% | -2.9% | 1.4% | 3.3% | 0.1% | 0.0% | 0.0% | 0.0% | 0.1% |
| Malaysia* | 0.2% | -0.3% | 0.3% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| New Zealand | 9.5% | 16.8% | 0.4% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Philippines* | 3.7% | 10.5% | 0.2% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Singapore | 3.3% | -0.9% | 2.4% | 1.1% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| Taiwan* | 8.5% | 1.1% | 1.5% | 2.4% | 0.2% | 0.0% | 0.0% | -0.1% | 0.1% |
| Thailand* | 6.5% | 7.5% | 0.3% | 0.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Americas | | | | | | | | | |
| Brazil* | 0.5% | 2.8% | 1.1% | 2.2% | 0.0% | 0.0% | -0.1% | 0.0% | -0.1% |
| Canada | 5.3% | 1.8% | 1.3% | 7.1% | 0.3% | -0.3% | 0.2% | -0.2% | -0.1% |
| Chile* | 2.0% | -1.9% | 0.3% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Colombia* | 16.0% | 5.2% | 0.0% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Mexico* | -3.1% | -5.0% | 0.7% | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Peru* | 3.9% | 4.4% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| United States | 4.2% | 1.7% | 1.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% |

Equity Performance Attribution - Developed Markets

Quarter Ending March 31, 2014

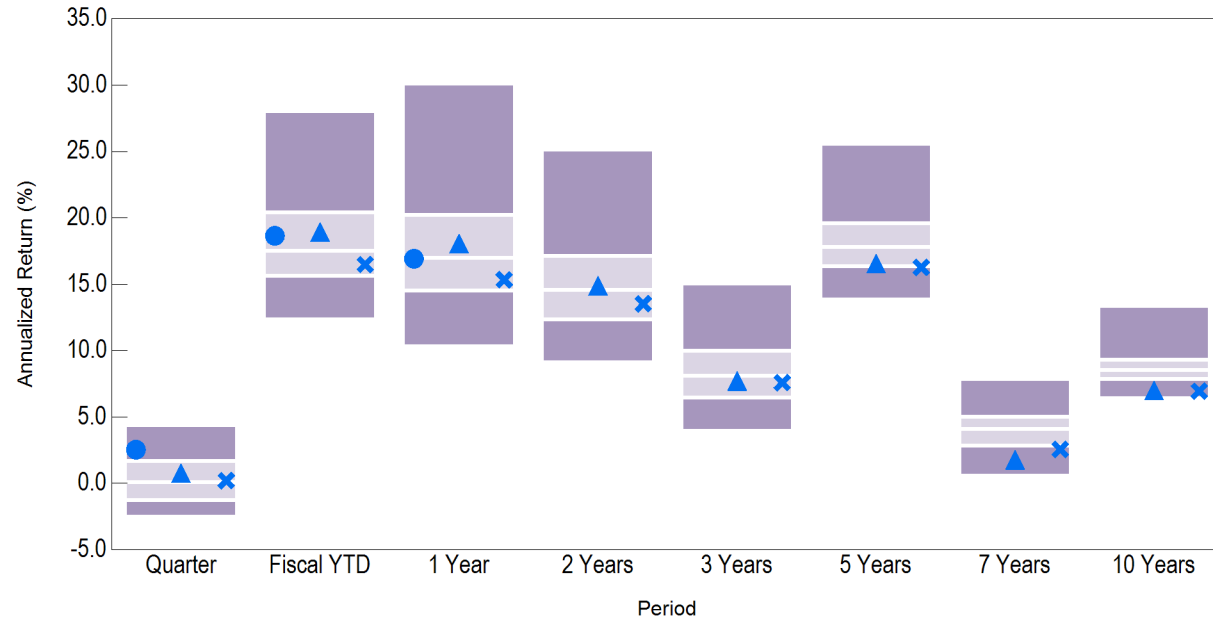
Developed Markets w/o Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

| | Returns and Weights | | | | Attribution Effects | | | | Total Effects |
|---------------|---------------------|--------------|----------------|---------------|---------------------|-------------------|-----------------|--------------------|---------------|
| | Manager Return | Index Return | Manager Weight | Index Weight | Selection Effect | Allocation Effect | Currency Effect | Interaction Effect | |
| Other | | | | | | | | | |
| Bulgaria** | 0.0% | 22.7% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Egypt* | -- | 9.2% | 0.0% | 0.0% | -- | 0.0% | 0.0% | -- | 0.0% |
| Israel | 28.3% | 18.7% | 1.0% | 0.3% | 0.0% | 0.1% | 0.0% | 0.1% | 0.2% |
| Kazakhstan** | -10.8% | -14.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Luxembourg | 3.6% | 0.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Romania** | -1.5% | -2.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| South Africa* | 2.7% | 4.9% | 1.1% | 1.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Turkey* | 3.2% | 4.8% | 0.7% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Totals | | | | | | | | | |
| Americas | 2.5% | 1.3% | 5.0% | 11.1% | 0.0% | -0.2% | 0.2% | 0.0% | 0.0% |
| Europe | 2.6% | 1.8% | 58.4% | 50.0% | 0.3% | 0.1% | 0.1% | 0.1% | 0.6% |
| Asia/Pacific | 1.5% | -1.8% | 32.3% | 36.7% | 1.1% | 0.1% | 0.0% | -0.1% | 1.1% |
| Other | 11.5% | 7.0% | 3.0% | 2.2% | 0.1% | 0.1% | 0.0% | 0.0% | 0.2% |
| Cash | 0.0% | -- | 1.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 2.5% | 0.5% | 100.0% | 100.0% | 1.5% | 0.1% | 0.3% | 0.0% | 1.9% |
| Totals | | | | | | | | | |
| Developed | 2.8% | 0.8% | 85.8% | 79.3% | 1.4% | 0.0% | 0.3% | 0.1% | 1.7% |
| Emerging* | 0.6% | -0.5% | 12.8% | 20.7% | 0.1% | 0.1% | 0.0% | 0.0% | 0.2% |
| Frontier** | -7.5% | -- | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cash | 0.0% | -- | 1.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Total Returns - EAFE Growth Equity

Periods Ending March 31, 2014

eA EAFE Growth Equity Gross Accounts



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|---------------------------------|----------|------------|-----------|-----------|----------|-----------|----------|----------|
| 5th Percentile | 4.4 | 28.0 | 30.1 | 25.1 | 15.0 | 25.6 | 7.8 | 13.4 |
| 25th Percentile | 1.7 | 20.5 | 20.3 | 17.2 | 10.0 | 19.6 | 5.0 | 9.3 |
| Median | 0.1 | 17.5 | 17.0 | 14.6 | 8.1 | 17.8 | 4.1 | 8.6 |
| 75th Percentile | -1.2 | 15.6 | 14.6 | 12.4 | 6.5 | 16.4 | 2.8 | 7.9 |
| 95th Percentile | -2.5 | 12.4 | 10.3 | 9.1 | 4.0 | 13.9 | 0.6 | 6.4 |
| # of Portfolios | 58 | 58 | 58 | 57 | 55 | 52 | 48 | 38 |
| ● Baillie Gifford | 2.5 (13) | 18.6 (37) | 16.9 (51) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) |
| ▲ MSCI EAFE Gross | 0.8 (38) | 18.9 (35) | 18.1 (39) | 14.9 (49) | 7.7 (56) | 16.6 (73) | 1.8 (91) | 7.0 (89) |
| ✕ MSCI EAFE Growth Gross | 0.2 (47) | 16.5 (68) | 15.3 (64) | 13.5 (58) | 7.6 (58) | 16.3 (76) | 2.6 (84) | 6.9 (90) |

Characteristics

| | Portfolio | MSCI EAFE Gross |
|---------------------------------|-----------|-----------------|
| Number of Holdings | 82 | 906 |
| Weighted Avg. Market Cap. (\$B) | 36.0 | 61.6 |
| Median Market Cap. (\$B) | 11.7 | 9.0 |
| Price To Earnings | 23.1 | 17.8 |
| Price To Book | 4.4 | 2.3 |
| Price To Sales | 3.5 | 1.9 |
| Return on Equity (%) | 23.2 | 13.6 |
| Yield (%) | 2.0 | 3.0 |
| Beta (holdings; global) | 1.0 | 1.0 |

Top Holdings

| | |
|---------------------|------|
| ROCHE HOLDING | 3.1% |
| SVENSKA HANDBKN.'A' | 2.4% |
| KINNEVIK 'B' | 2.4% |
| NOVO NORDISK 'B' | 2.3% |
| HARGREAVES LANSDOWN | 2.3% |
| BG GROUP | 2.3% |
| UNILEVER (UK) | 2.2% |
| ATLAS COPCO 'B' | 2.2% |
| ASOS | 2.0% |
| SHIMANO | 1.9% |

Best Performers

| | Return % |
|---|----------|
| SCANIA 'B' (W:SCVB) | 49.7% |
| SEEK (A:SEXX) | 35.7% |
| NOVO NORDISK 'B' (DK:NON) | 26.4% |
| KAZAKHMYS (UKIR:KAZ) | 21.6% |
| WEIR GROUP (UKIR:WEIR) | 19.7% |
| ARISTOCRAT LEISURE (A:ALLX) | 18.8% |
| RECALL HOLDINGS (A:RECX) | 18.7% |
| PROTALIX BIOTH. (PLX) | 17.7% |
| SHIMANO (J:SHMO) | 17.2% |
| MAHINDRA & MAHINDRA GDR REG 'S' (UKIR:MHID) | 16.4% |

Worst Performers

| | Return % |
|----------------------------------|----------|
| TREASURY WINE ESTATES (A:TWEX) | -23.0% |
| KINNEVIK 'B' (W:KIVB) | -20.5% |
| ADIDAS (D:ADS) | -14.9% |
| ASOS (UKIR:ASC) | -14.8% |
| BAIDU 'A' ADR 10:1 (BIDU) | -14.4% |
| TSINGTAO BREWERY 'H' (K:TSIN) | -13.5% |
| MS&AD INSURANCE GP.HDG. (J:MSAD) | -13.5% |
| BG GROUP (UKIR:BG.) | -13.3% |
| BOC HONG KONG (HDG.) (K:BOC) | -11.1% |
| RAKUTEN (J:RAKT) | -10.1% |

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 | -0.2% | -0.2% | 0.0% | 0.0% | -0.8% | 1.7% | 6.0% | 6.8% | | | |
| Materials | 0.1% | 0.3% | 0.0% | -0.2% | 3.5% | 1.0% | 4.9% | 8.1% | | | |
| Industrials | 1.7% | 1.2% | 0.0% | 0.5% | 9.7% | 0.6% | 18.1% | 12.9% | | | |
| Cons. Disc. | 0.2% | 0.2% | -0.2% | 0.2% | 0.0% | -1.9% | 17.8% | 11.9% | | | |
| Cons. Staples | 0.1% | 0.0% | 0.0% | 0.0% | 0.8% | 0.7% | 16.7% | 10.9% | | | |
| Health Care | 0.1% | 0.0% | 0.1% | 0.1% | 6.2% | 6.1% | 11.6% | 10.0% | | | |
| Financials | -0.2% | 0.0% | 0.1% | -0.2% | -1.4% | -0.3% | 19.1% | 25.6% | | | |
| Info. Tech | 0.1% | 0.1% | 0.0% | 0.0% | 2.0% | -0.5% | 4.6% | 4.5% | | | |
| Telecomm. | 0.1% | -- | 0.2% | -- | -- | -2.6% | 0.0% | 5.7% | | | |
| Utilities | -0.3% | -- | -0.2% | -- | -- | 7.1% | 0.0% | 3.5% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.1% | 0.0% | | | |
| Portfolio | 1.8% | = | 1.5% | + | 0.0% | + | 0.3% | 2.5% | 0.7% | 100.0% | 100.0% |

Equity Performance Attribution - Baillie Gifford

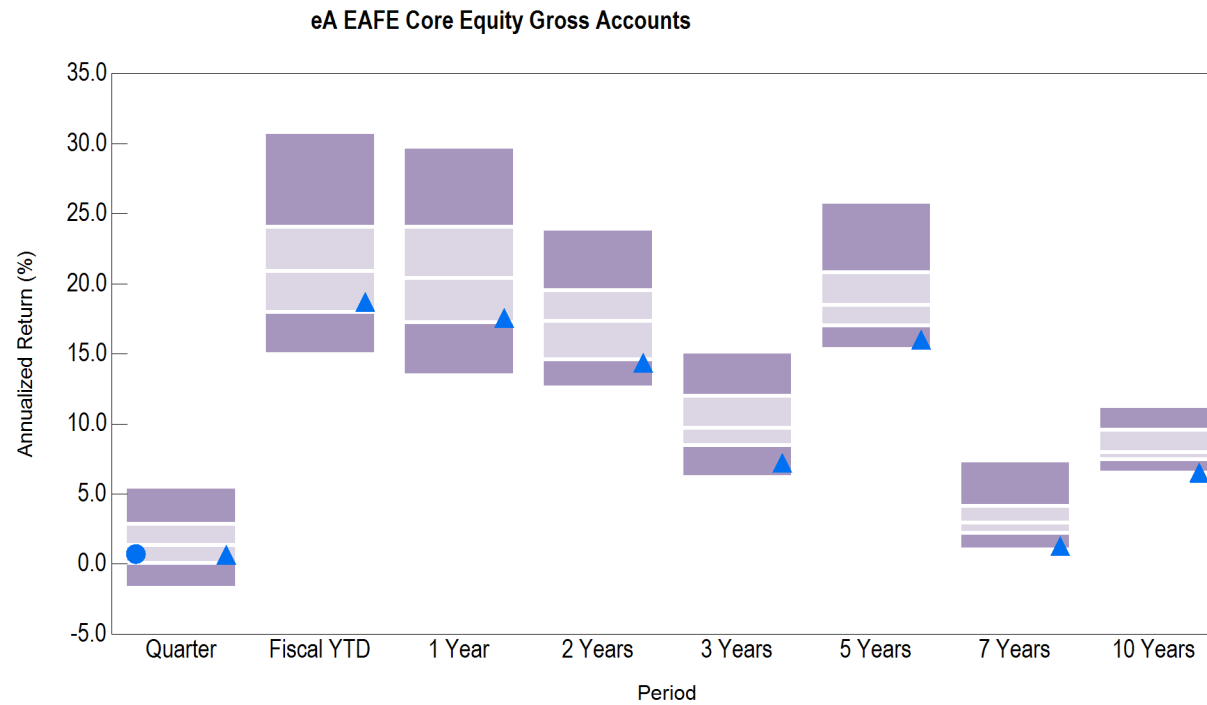
Quarter Ending March 31, 2014

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 | -- | -1.5% | 0.0% | 0.3% | -- | 0.0% | 0.0% | -- | 0.0% |
| Belgium | -1.4% | 2.4% | 0.6% | 1.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Denmark | 4.0% | 16.5% | 4.6% | 1.2% | -0.1% | 0.6% | 0.0% | -0.4% | 0.0% |
| Finland | -4.1% | 0.2% | 1.5% | 0.9% | 0.0% | 0.0% | 0.0% | 0.0% | -0.1% |
| France | 9.0% | 3.0% | 3.2% | 10.1% | 0.6% | -0.2% | 0.0% | -0.4% | 0.0% |
| Germany | -14.9% | -0.3% | 1.2% | 9.5% | -1.4% | 0.0% | 0.0% | 1.2% | -0.2% |
| Ireland | -- | 14.2% | 0.0% | 0.3% | -- | 0.0% | 0.0% | -- | 0.0% |
| Italy | 6.9% | 14.6% | 2.7% | 2.2% | -0.2% | 0.1% | 0.0% | 0.0% | -0.1% |
| Netherlands | -- | 1.1% | 0.0% | 2.7% | -- | 0.0% | 0.0% | -- | 0.0% |
| Norway | -- | 2.2% | 0.0% | 0.8% | -- | 0.0% | 0.0% | -- | 0.0% |
| Portugal | -- | 9.7% | 0.0% | 0.2% | -- | 0.0% | 0.0% | -- | 0.0% |
| Spain | -1.1% | 4.8% | 3.6% | 3.4% | -0.2% | 0.0% | 0.0% | 0.0% | -0.2% |
| Sweden | 3.8% | 3.0% | 9.9% | 3.2% | 0.0% | 0.3% | -0.1% | 0.1% | 0.3% |
| Switzerland | 6.8% | 5.1% | 9.5% | 8.9% | 0.1% | 0.0% | 0.0% | 0.0% | 0.2% |
| United Kingdom | 0.6% | -0.9% | 22.6% | 21.9% | 0.3% | 0.0% | 0.0% | 0.0% | 0.3% |
| AsiaPacific | | | | | | | | | |
| Australia | 10.8% | 6.0% | 7.2% | 7.5% | 0.3% | 0.0% | 0.0% | 0.0% | 0.3% |
| China* | -12.7% | -5.9% | 3.4% | 0.0% | 0.0% | -0.2% | 0.0% | -0.2% | -0.4% |
| Hong Kong | -0.6% | -3.4% | 2.5% | 2.8% | 0.1% | 0.0% | 0.0% | 0.0% | 0.1% |
| India* | 16.4% | 8.2% | 0.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| Japan | -1.7% | -5.6% | 13.0% | 20.9% | 0.8% | 0.6% | -0.1% | -0.3% | 0.9% |
| Korea* | -3.7% | -2.2% | 1.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| New Zealand | 9.3% | 16.8% | 1.1% | 0.1% | 0.0% | 0.1% | 0.1% | -0.1% | 0.1% |
| Singapore | 6.6% | -0.9% | 2.8% | 1.5% | 0.1% | 0.0% | 0.0% | 0.1% | 0.2% |
| Taiwan* | 11.2% | 1.1% | 1.9% | 0.0% | 0.0% | 0.1% | 0.0% | 0.2% | 0.2% |

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* | 9.7% | 2.8% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| United States | 5.1% | 1.7% | 3.0% | 0.0% | 0.0% | 0.1% | 0.0% | 0.1% | 0.2% |
| Other | | | | | | | | | |
| Israel | -- | 18.7% | 0.0% | 0.4% | -- | -0.1% | 0.0% | -- | -0.1% |
| South Africa* | 5.8% | 4.7% | 1.9% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | 0.1% |
| Turkey* | 5.6% | 4.8% | 0.7% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Totals | | | | | | | | | |
| Americas | 5.5% | -- | 3.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.2% |
| Europe | 2.6% | 2.2% | 59.4% | 66.8% | 0.3% | -0.1% | -0.1% | 0.0% | 0.1% |
| Asia/Pacific | 2.0% | -2.5% | 33.5% | 32.8% | 1.6% | 0.0% | -0.1% | 0.0% | 1.5% |
| Other | 5.7% | 18.7% | 2.6% | 0.4% | -0.1% | 0.4% | 0.0% | -0.3% | 0.1% |
| Cash | 0.0% | -- | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 2.5% | 0.7% | 100.0% | 100.0% | 1.8% | 0.3% | -0.2% | -0.1% | 1.8% |
| Totals | | | | | | | | | |
| Developed | 2.8% | 0.7% | 89.1% | 100.0% | 2.2% | 0.0% | -0.1% | -0.2% | 1.8% |
| Emerging* | 0.3% | -- | 9.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cash | 0.0% | -- | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |



| | Return (Rank) | | | | | | | | | | | | | |
|------------------------|---------------|-----------|-----------|-----------|----------|-----------|----------|----------|--|--|--|--|--|--|
| 5th Percentile | 5.5 | 30.8 | 29.7 | 23.9 | 15.1 | 25.8 | 7.4 | 11.2 | | | | | | |
| 25th Percentile | 2.9 | 24.1 | 24.1 | 19.6 | 12.0 | 20.8 | 4.2 | 9.6 | | | | | | |
| Median | 1.4 | 20.9 | 20.5 | 17.4 | 9.8 | 18.5 | 3.0 | 8.0 | | | | | | |
| 75th Percentile | 0.1 | 18.0 | 17.3 | 14.7 | 8.5 | 17.1 | 2.2 | 7.5 | | | | | | |
| 95th Percentile | -1.7 | 15.0 | 13.5 | 12.6 | 6.2 | 15.4 | 1.1 | 6.6 | | | | | | |
| # of Portfolios | 112 | 112 | 112 | 111 | 104 | 93 | 83 | 59 | | | | | | |
| ● BlackRock EAFE Index | 0.7 (65) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | | | | | | |
| ▲ MSCI EAFE | 0.7 (66) | 18.7 (69) | 17.6 (74) | 14.4 (81) | 7.2 (88) | 16.0 (91) | 1.3 (93) | 6.5 (96) | | | | | | |

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

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | MSCI EAFE |
|---------------------------------|-----------|-----------|
| Number of Holdings | 917 | 906 |
| Weighted Avg. Market Cap. (\$B) | 61.4 | 61.6 |
| Median Market Cap. (\$B) | 8.9 | 9.0 |
| Price To Earnings | 18.9 | 17.8 |
| Price To Book | 2.8 | 2.3 |
| Price To Sales | 2.0 | 1.9 |
| Return on Equity (%) | 15.6 | 13.6 |
| Yield (%) | 3.0 | 3.0 |
| Beta (holdings; global) | 1.0 | 1.0 |

Top Holdings

| | |
|--------------------------|------|
| NESTLE 'R' | 1.8% |
| ROCHE HOLDING | 1.6% |
| NOVARTIS 'R' | 1.5% |
| HSBC HDG. (ORD \$0.50) | 1.4% |
| TOYOTA MOTOR | 1.2% |
| BP | 1.1% |
| TOTAL | 1.1% |
| ROYAL DUTCH SHELL A(LON) | 1.1% |
| GLAXOSMITHKLINE | 1.0% |
| SANOFI | 0.9% |

Best Performers

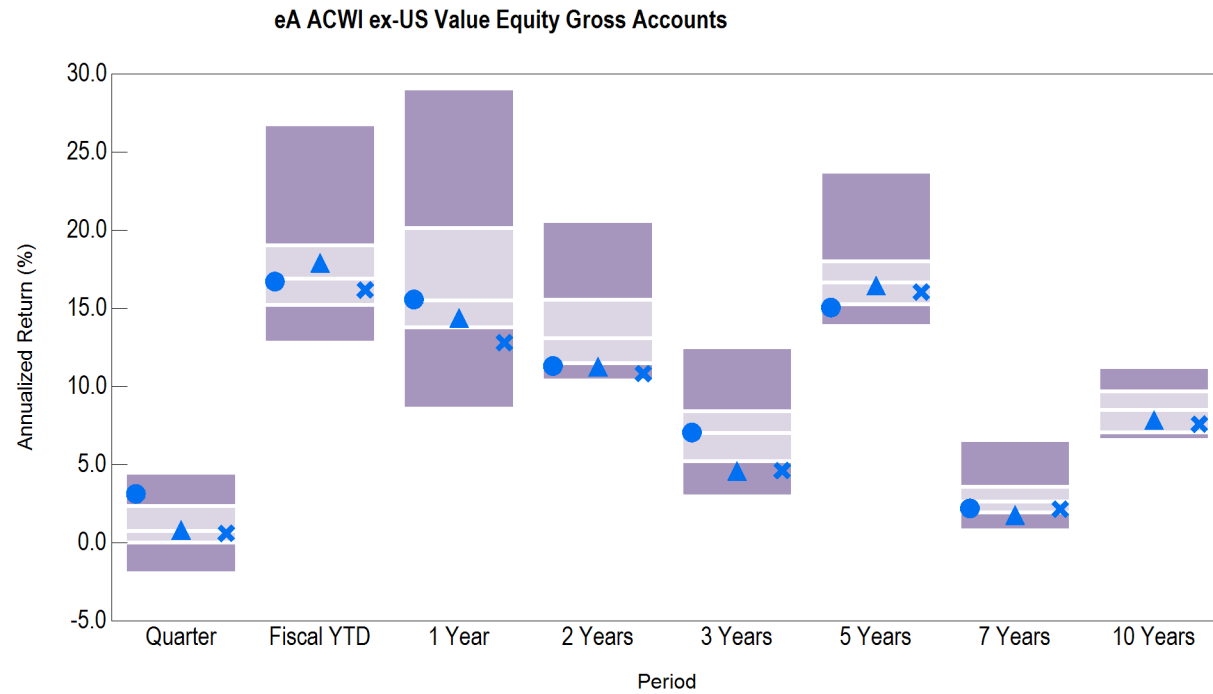
| | Return % |
|----------------------------------|----------|
| BANCA MONTE DEI PASCHI (I:BMPS) | 51.1% |
| SCANIA 'B' (W:SCVB) | 49.7% |
| OLAM INTERNATIONAL (T:OLAM) | 45.2% |
| FIAT (I:F) | 42.2% |
| ILIAD (F:ILD) | 40.6% |
| LEIGHTON HOLDINGS (A:LEIX) | 39.7% |
| UNIONE DI BANCHE ITALIAN (I:UBI) | 38.6% |
| NEC (J:NJ@N) | 38.2% |
| INTESA SANPAOLO (I:ISP) | 37.1% |
| SEEK (A:SEKX) | 35.7% |

Worst Performers

| | Return % |
|---------------------------------|----------|
| IIDA GROUP HOLDINGS (J:IIGH) | -29.8% |
| HOKKAIDO ELEC.POWER (J:HY@N) | -26.4% |
| ALSTOM (F:ALO) | -25.1% |
| GUNGHO ONLINE ENTM. (J:GHOE) | -24.1% |
| TOYO SEIKAN GROUP HDG. (J:TOYS) | -24.0% |
| CREDIT SAISON (J:SECR) | -23.1% |
| TREASURY WINE ESTATES (A:TWEX) | -23.0% |
| TOKYO TATEMONO (J:JQ@N) | -22.7% |
| MITSUBISHI GAS CHM. (J:JS@N) | -22.5% |
| SKY DEUTSCHLAND (D:PRE) | -22.0% |

Total Returns - ACWI ex-US Value Equity

Periods Ending March 31, 2014



| | Return (Rank) | | | | | | | |
|---------------------------------------|---------------|------------|-----------|-----------|----------|-----------|----------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 4.5 | 26.8 | 29.0 | 20.6 | 12.5 | 23.7 | 6.6 | 11.2 |
| 25th Percentile | 2.4 | 19.1 | 20.1 | 15.6 | 8.4 | 18.0 | 3.6 | 9.7 |
| Median | 0.8 | 16.9 | 15.5 | 13.1 | 7.1 | 16.7 | 2.7 | 8.5 |
| 75th Percentile | 0.1 | 15.2 | 13.8 | 11.5 | 5.2 | 15.3 | 2.0 | 7.1 |
| 95th Percentile | -1.9 | 12.8 | 8.6 | 10.4 | 3.0 | 13.9 | 0.8 | 6.6 |
| # of Portfolios | 32 | 32 | 32 | 32 | 29 | 26 | 24 | 18 |
| ● Mondrian | 3.1 (17) | 16.7 (56) | 15.6 (50) | 11.3 (82) | 7.1 (51) | 15.1 (81) | 2.2 (72) | -- (--) |
| ▲ MSCI ACWI ex USA Value Gross | 0.8 (49) | 17.9 (43) | 14.4 (71) | 11.3 (82) | 4.6 (79) | 16.5 (54) | 1.8 (77) | 7.9 (66) |
| ✕ MSCI ACWI ex USA Gross | 0.6 (57) | 16.2 (65) | 12.8 (80) | 10.8 (89) | 4.6 (79) | 16.0 (57) | 2.2 (73) | 7.6 (68) |

Characteristics

| | Portfolio | MSCI ACWI ex USA Value Gross |
|---------------------------------|-----------|---------------------------------|
| Number of Holdings | 128 | 996 |
| Weighted Avg. Market Cap. (\$B) | 62.7 | 55.8 |
| Median Market Cap. (\$B) | 15.2 | 6.7 |
| Price To Earnings | 18.2 | 14.2 |
| Price To Book | 2.7 | 1.6 |
| Price To Sales | 1.6 | 1.5 |
| Return on Equity (%) | 14.8 | 12.0 |
| Yield (%) | 3.6 | 3.7 |
| Beta (holdings: global) | 0.8 | 1.1 |

Top Holdings

| | |
|-------------------------|------|
| UNILEVER (UK) | 3.0% |
| IBERDROLA | 3.0% |
| NOVARTIS 'R' | 2.7% |
| AHOLD KON. | 2.7% |
| TOTAL | 2.6% |
| SANOFI | 2.6% |
| TELEFONICA | 2.4% |
| TEVA PHARM.INDS.ADR 1:1 | 2.4% |
| GLAXOSMITHKLINE | 2.2% |
| NATIONAL GRID | 2.2% |

Best Performers

| | Return % |
|--------------------------------|----------|
| BANK RAKYAT INDONESIA (ID:BRI) | 41.5% |
| TEVA PHARM.INDS.ADR 1:1 (TEVA) | 32.8% |
| BANK MANDIRI (ID:BKM) | 32.2% |
| LARSEN & TOUBRO (IN:LST) | 23.1% |
| PERUSAHAAN GAS NEGARA (ID:PGN) | 22.7% |
| AMP (A:AMPX) | 20.4% |
| ORANGE (F:ORA) | 19.1% |
| KASIKORNBANK FB (Q:TFBF) | 18.2% |
| CIELO ON NM (BR:VIS) | 17.3% |
| QBE INSURANCE GROUP (A:QBEX) | 16.5% |

Worst Performers

| | Return % |
|---|----------|
| SBERBANK RUSSIA ADR 1:4 (SBRZY) | -22.3% |
| CHINA BLUE CHEMICAL 'H' (K:CHBC) | -17.6% |
| AMERICA MOVIL SAB DE CV SPN.ADR 'L' 1:20 (AMX) | -14.9% |
| HUABAO INTL.HDG. (K:SILV) | -14.6% |
| BELLE INTERNATIONAL HDG. (K:BIHL) | -13.9% |
| BG GROUP (UKIR:BG.) | -13.3% |
| HENGAN INTL.GP. (K:HENG) | -12.3% |
| CHINA MOBILE (K:CHT) | -11.7% |
| VALE PREFERRED ADR 1:1 (VALE.P) | -11.1% |
| TESCO (UKIR:TSCO) | -11.1% |

Mondrian Performance Attribution vs. MSCI ACWI ex USA Value 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% | 1.3% | 1.8% | 13.1% | 13.1% | | | |
| Materials | 0.0% | -1.2% | 0.1% | 1.0% | -12.6% | -0.6% | 0.9% | 10.1% | | | |
| Industrials | 0.1% | 0.1% | 0.0% | 0.0% | 2.3% | 1.6% | 10.3% | 7.8% | | | |
| Cons. Disc. | 0.0% | 0.0% | 0.0% | 0.0% | 1.6% | 1.6% | 7.7% | 6.7% | | | |
| Cons. Staples | 0.4% | 0.1% | -0.1% | 0.4% | 2.7% | -0.2% | 13.7% | 4.3% | | | |
| Health Care | 0.7% | 0.1% | 0.3% | 0.2% | 7.6% | 5.2% | 13.5% | 5.8% | | | |
| Financials | 0.9% | 1.6% | 0.4% | -1.1% | 5.1% | -0.8% | 11.0% | 35.8% | | | |
| Info. Tech | 0.1% | 0.0% | 0.0% | 0.1% | 3.1% | 2.0% | 7.1% | 3.5% | | | |
| Telecomm. | 0.0% | 0.1% | -0.2% | 0.1% | -1.4% | -2.7% | 13.4% | 7.7% | | | |
| Utilities | 0.3% | 0.1% | 0.2% | 0.1% | 9.3% | 8.0% | 7.3% | 5.2% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 1.9% | 0.0% | | | |
| Portfolio | 2.4% | = | 0.8% | + | 0.7% | + | 0.9% | 3.1% | 0.7% | 100.0% | 100.0% |

Equity Performance Attribution - Mondrian

Quarter Ending March 31, 2014

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 | -- | -3.8% | 0.0% | 0.3% | -- | 0.0% | 0.0% | -- | 0.0% |
| Belgium | -- | 9.3% | 0.0% | 0.5% | -- | 0.0% | 0.0% | -- | 0.0% |
| Czech Republic* | -- | 9.1% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Denmark | -- | 6.9% | 0.0% | 0.3% | -- | 0.0% | 0.0% | -- | 0.0% |
| Finland | -- | 2.3% | 0.0% | 0.7% | -- | 0.0% | 0.0% | -- | 0.0% |
| France | 7.5% | 4.5% | 11.6% | 7.8% | 0.2% | 0.2% | 0.0% | 0.1% | 0.5% |
| Germany | -0.7% | 1.3% | 6.7% | 7.6% | -0.1% | 0.0% | 0.0% | 0.0% | -0.1% |
| Greece* | -- | 22.0% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Hungary* | -- | -2.6% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Ireland | -- | 12.7% | 0.0% | 0.2% | -- | 0.0% | 0.0% | -- | 0.0% |
| Italy | 4.1% | 13.3% | 1.9% | 2.1% | -0.2% | 0.0% | 0.0% | 0.0% | -0.2% |
| Netherlands | 6.8% | 1.7% | 5.9% | 1.3% | 0.1% | 0.1% | 0.0% | 0.2% | 0.4% |
| Norway | -- | 1.8% | 0.0% | 1.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Poland* | -- | 2.2% | 0.0% | 0.4% | -- | 0.0% | 0.0% | -- | 0.0% |
| Portugal | -- | 18.6% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Russia* | -15.8% | -8.8% | 0.9% | 1.2% | -0.2% | 0.0% | 0.1% | 0.0% | 0.0% |
| Spain | 5.4% | 9.5% | 5.0% | 2.1% | -0.1% | 0.3% | 0.0% | -0.1% | 0.1% |
| Sweden | -- | 4.0% | 0.0% | 2.0% | -- | -0.1% | 0.0% | -- | -0.1% |
| Switzerland | 4.5% | 5.0% | 7.7% | 3.3% | 0.0% | 0.2% | 0.0% | 0.0% | 0.2% |
| United Kingdom | -2.4% | -0.5% | 19.6% | 19.2% | -0.4% | 0.0% | 0.0% | 0.0% | -0.4% |

Equity Performance Attribution - Mondrian

Quarter Ending March 31, 2014

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 | 18.2% | 6.8% | 1.4% | 5.4% | 0.6% | -0.1% | -0.1% | -0.4% | -0.1% |
| China* | -7.7% | -6.6% | 3.6% | 4.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Hong Kong | -6.0% | -0.8% | 0.3% | 2.0% | -0.1% | 0.0% | 0.0% | 0.1% | 0.0% |
| India* | 15.9% | 7.5% | 1.4% | 1.3% | 0.1% | 0.0% | 0.0% | 0.0% | 0.1% |
| Indonesia* | 29.4% | 19.8% | 1.2% | 0.5% | 0.0% | 0.1% | 0.1% | 0.1% | 0.2% |
| Japan | 2.6% | -5.2% | 12.7% | 14.9% | 1.1% | 0.2% | 0.0% | -0.2% | 1.1% |
| Korea* | 3.2% | -3.4% | 1.8% | 3.2% | 0.2% | 0.0% | 0.0% | -0.1% | 0.2% |
| Malaysia* | -2.1% | 0.0% | 0.6% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| New Zealand | -- | 14.5% | 0.0% | 0.1% | -- | 0.0% | 0.0% | -- | 0.0% |
| Philippines* | 6.0% | 11.0% | 0.4% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Singapore | 1.1% | -0.1% | 3.1% | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Taiwan* | 6.3% | -0.4% | 1.1% | 2.4% | 0.2% | 0.0% | 0.0% | -0.1% | 0.1% |
| Thailand* | 7.3% | 3.5% | 0.6% | 0.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Americas | | | | | | | | | |
| Brazil* | 0.1% | -1.0% | 2.2% | 2.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Canada | 1.0% | 0.0% | 1.1% | 7.2% | 0.1% | -0.2% | 0.2% | -0.1% | 0.0% |
| Chile* | 1.3% | -2.2% | 0.7% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Colombia* | 16.0% | 4.9% | 0.1% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Mexico* | -4.6% | -5.0% | 1.5% | 1.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Peru* | 3.9% | 4.9% | 0.4% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| United States | 1.0% | 1.9% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Equity Performance Attribution - Mondrian

Quarter Ending March 31, 2014

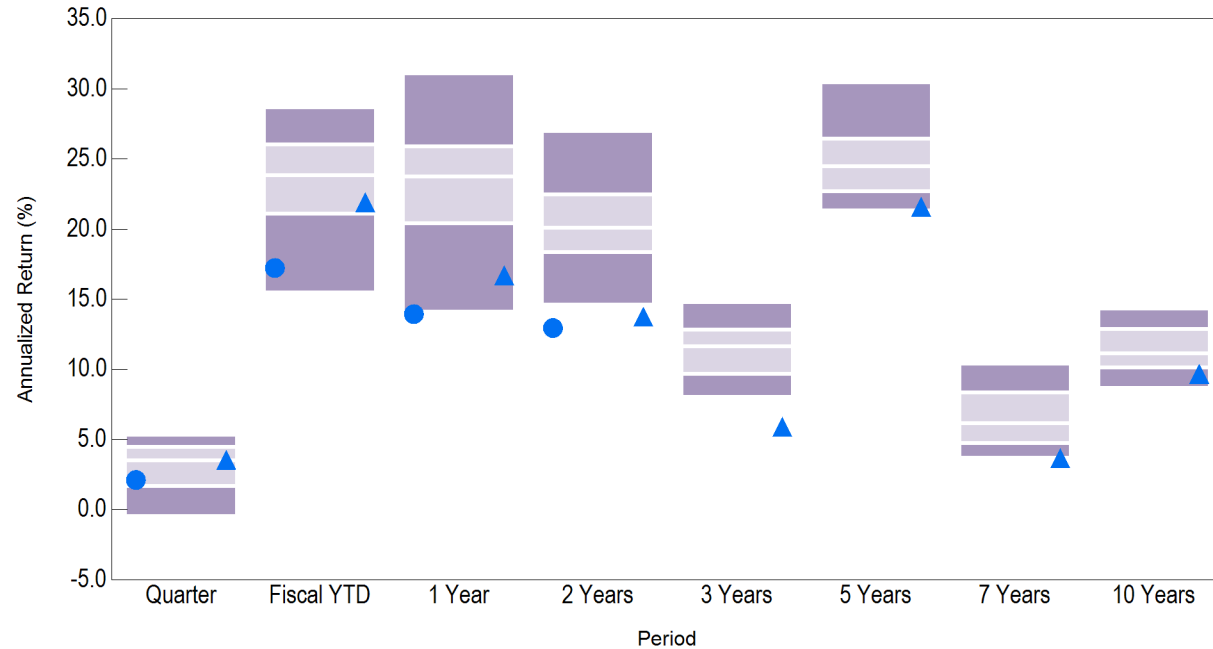
Mondrian Performance Attribution vs. MSCI ACWI ex USA Value Gross

| | 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* | -- | 6.2% | 0.0% | 0.0% | -- | 0.0% | 0.0% | -- | 0.0% |
| Israel | 32.8% | 24.3% | 2.2% | 0.3% | 0.0% | 0.5% | 0.0% | 0.1% | 0.6% |
| Kazakhstan** | -10.8% | 0.7% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Romania** | -1.5% | 0.7% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| South Africa* | 2.0% | 6.0% | 0.5% | 1.6% | -0.1% | -0.1% | 0.0% | 0.0% | -0.1% |
| Turkey* | 2.7% | 3.9% | 1.0% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Totals | | | | | | | | | |
| Americas | -0.2% | -0.6% | 6.8% | 11.2% | -0.2% | 0.0% | 0.2% | 0.1% | 0.1% |
| Europe | 2.2% | 2.3% | 59.4% | 50.4% | -0.1% | 0.2% | 0.1% | 0.0% | 0.1% |
| Asia/Pacific | 3.8% | -1.6% | 28.0% | 36.2% | 1.9% | 0.3% | -0.1% | -0.4% | 1.7% |
| Other | 19.1% | 8.4% | 3.9% | 2.2% | 0.2% | 0.1% | 0.0% | 0.2% | 0.6% |
| Cash | 0.0% | -- | 1.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 3.1% | 0.7% | 100.0% | 100.0% | 1.7% | 0.5% | 0.3% | -0.2% | 2.4% |
| Totals | | | | | | | | | |
| Developed | 3.5% | 1.1% | 80.1% | 79.6% | 1.8% | 0.0% | 0.1% | 0.0% | 1.9% |
| Emerging* | 1.8% | -0.9% | 17.7% | 20.4% | 0.3% | 0.0% | 0.2% | 0.0% | 0.5% |
| Frontier** | -7.5% | -- | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cash | 0.0% | -- | 1.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Total Returns - ACWI ex-US Small Cap Equity

Periods Ending March 31, 2014

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 | 5.3 | 28.7 | 31.1 | 27.0 | 14.8 | 30.4 | 10.4 | 14.3 |
| 25th Percentile | 4.5 | 26.1 | 25.9 | 22.5 | 12.9 | 26.5 | 8.4 | 12.9 |
| Median | 3.5 | 23.9 | 23.8 | 20.1 | 11.7 | 24.5 | 6.2 | 11.2 |
| 75th Percentile | 1.7 | 21.1 | 20.4 | 18.4 | 9.7 | 22.7 | 4.8 | 10.2 |
| 95th Percentile | -0.5 | 15.5 | 14.1 | 14.6 | 8.1 | 21.4 | 3.7 | 8.7 |
| # of Portfolios | 25 | 25 | 25 | 25 | 22 | 21 | 17 | 12 |
| ● Pyramis Equity | 2.1 (72) | 17.2 (88) | 13.9 (97) | 12.9 (99) | -- (--) | -- (--) | -- (--) | -- (--) |
| ▲ MSCI ACWI ex US Small Cap Gross | 3.6 (43) | 21.9 (72) | 16.7 (82) | 13.8 (99) | 5.9 (99) | 21.6 (93) | 3.7 (96) | 9.7 (85) |

Equity Only Summary Statistics – Pyramis Global Advisors

Quarter Ending March 31, 2014

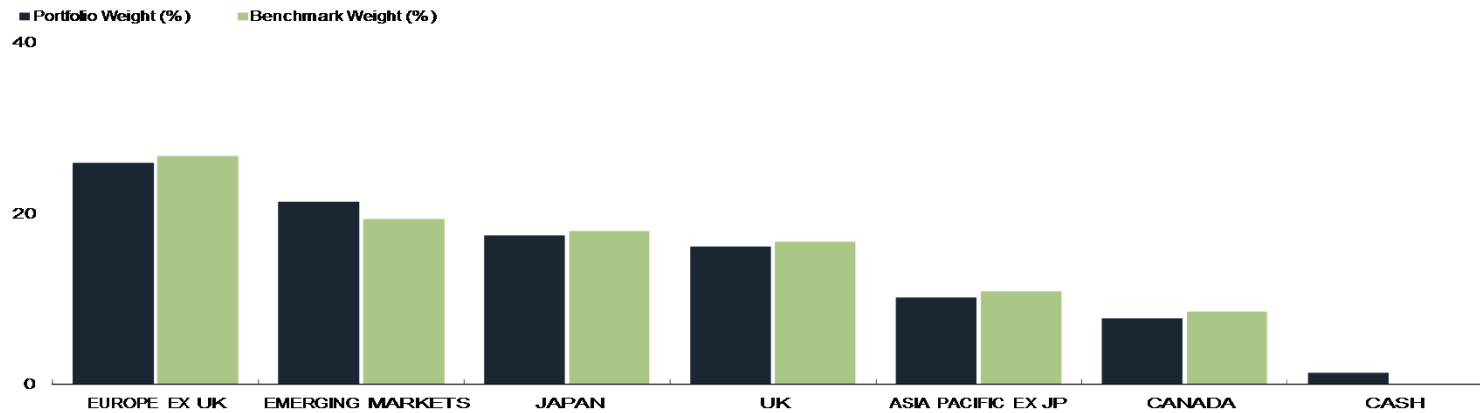
| Characteristics | Portfolio | MSCI ACWI ex-US Small Cap |
|--------------------------------|-----------|---------------------------|
| No. of Securities | 222 | 4,177 |
| Wgt'd. Avg. Market Cap (000's) | 2,749 | 2,181 |
| Price to Book Ratio | 1.8 | 1.5 |
| Return on Equity | 12.2% | 10.2% |

| Ten Holdings | | Best Performers | | Worst Performers | |
|------------------------------|-----|-------------------------------|-------|------------------------------|-------|
| HIKMAPHARMACEUTICALS PLC | 1.9 | DETOUR GOLD CORP | 124.7 | NUFLARE TECHNOLOGY INC | -45.9 |
| NIHON PARKERIZING CO LTD | 1.5 | TROYRESOURCES LTD | 88.9 | PINNACLE HOLDINGS LTD | -38.5 |
| TECHTRONIC INDUSTRIES CO LTD | 1.2 | ZUMTOBEL AG | 58.6 | DIXY GROUP (USD) | -38.2 |
| KINTETSU WORLD EXPRESS INC | 1.2 | BHARAT PETROLEUM CORP (DEMAT) | 43.6 | IIDA GROUP HOLDINGS CO LTD | -29.8 |
| REGUS PLC | 1.1 | NAGAILEBEN CO LTD | 41.6 | OXFORD INSTRUMENTS GROUP PLC | -27.8 |
| METHANEX CORP | 1.1 | HAULOTTE GROUP | 40.3 | ALAMOS GOLD INC | -25.3 |
| AKER SOLUTIONS ASA | 1.0 | HIKMAPHARMACEUTICALS PLC | 39.2 | TREASURY WINE ESTATES LTD | -23.0 |
| JOHN WOOD GROUP PLC | 1.0 | DE LONGHI SPA | 37.8 | SINOFERT HOLDINGS LTD | -20.7 |
| CHIYODA CORP | 0.9 | AURORA OIL AND GAS LTD | 35.6 | MINERAL DEPOSITS LTD | -19.7 |
| QUEBECOR INC CL B SUB VTG | 0.9 | BANCA POP DELL'EMILIA ROMAGNA | 32.0 | RICOH LEASING CO LTD | -18.9 |

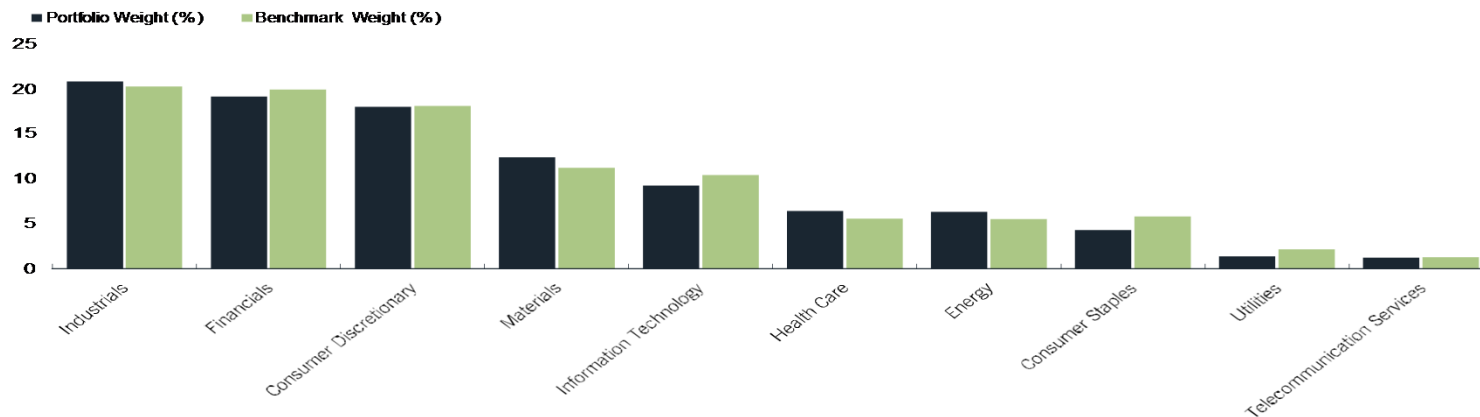
Regional and Sector Weights – Pyramis Global Advisors

Quarter Ending March 31, 2014

Regional Weights



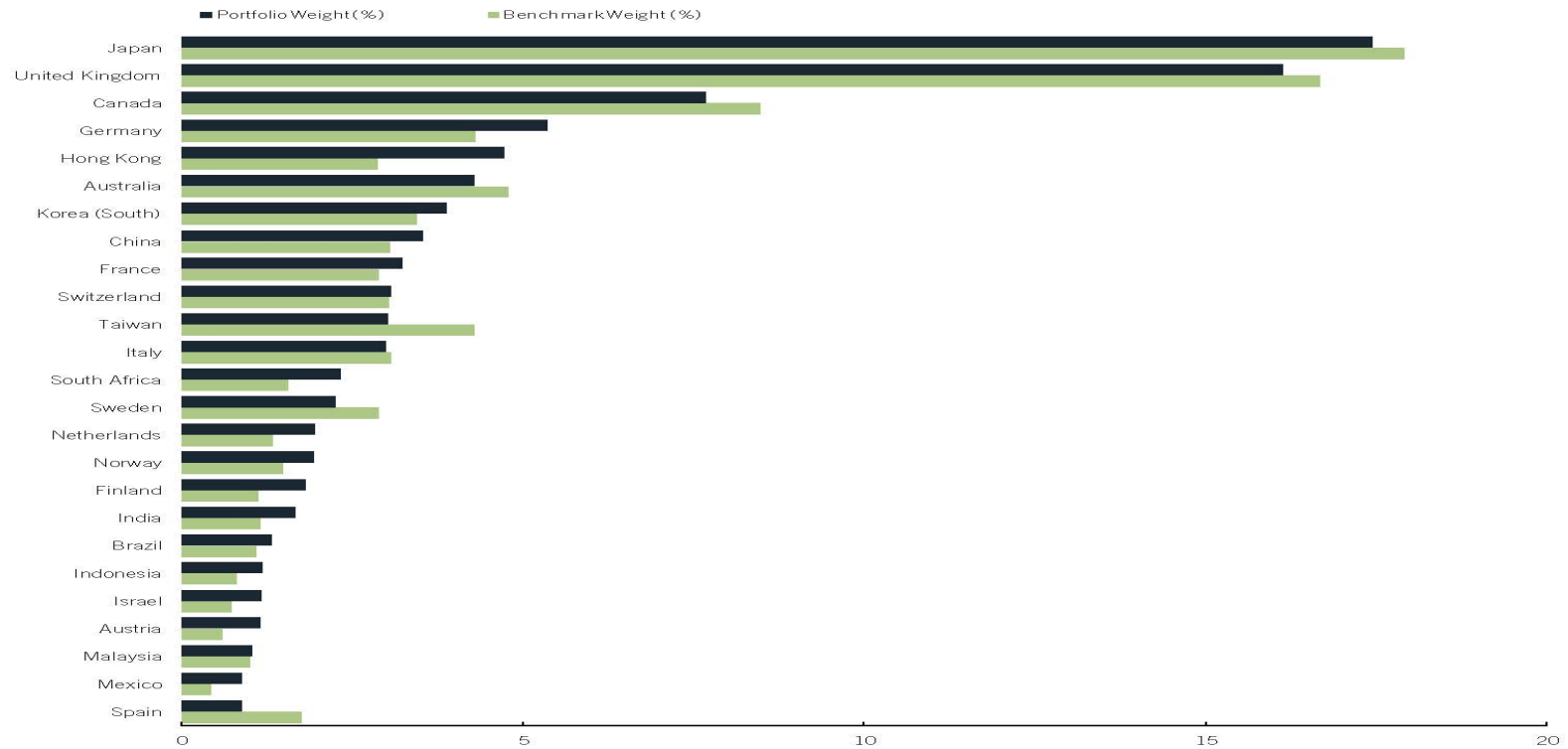
Sector Weights



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

Benchmark: MSCI AC Wid Sm Cap xUS(N)

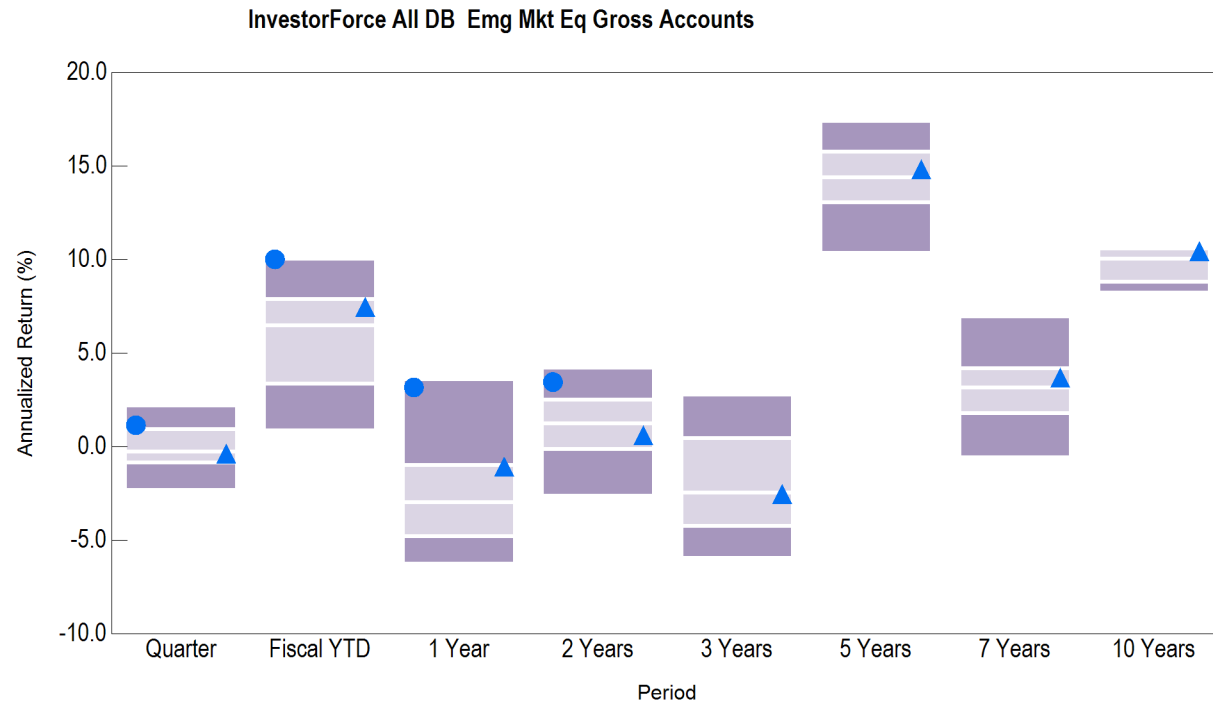
Top 25 Country Weights



Benchmark: MSCI AC Wid Sm Cap xUS(N)

Total Returns - Emerging Markets Equity

Periods Ending March 31, 2014



| | Return (Rank) | | | | | | | | | | | | | | | |
|-------------------------------|---------------|------------|-----------|----------|-----------|-----------|----------|-----------|---------|------------|--------|---------|---------|---------|---------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 2.2 | 10.0 | 3.6 | 4.2 | 2.8 | 17.4 | 7.0 | 10.7 | | | | | | | | |
| 25th Percentile | 1.0 | 7.9 | -0.9 | 2.5 | 0.5 | 15.8 | 4.2 | 10.6 | | | | | | | | |
| Median | -0.2 | 6.5 | -2.9 | 1.3 | -2.4 | 14.4 | 3.2 | 10.1 | | | | | | | | |
| 75th Percentile | -0.8 | 3.4 | -4.8 | -0.1 | -4.2 | 13.1 | 1.8 | 8.9 | | | | | | | | |
| 95th Percentile | -2.3 | 0.9 | -6.2 | -2.6 | -5.9 | 10.4 | -0.5 | 8.3 | | | | | | | | |
| # of Portfolios | 72 | 72 | 71 | 62 | 47 | 23 | 18 | 13 | | | | | | | | |
| ● Emerging Markets | 1.1 (22) | 10.0 (6) | 3.2 (9) | 3.5 (9) | -- (--) | -- (--) | -- (--) | -- (--) | | | | | | | | |
| ▲ MSCI Emerging Markets Gross | -0.4 (54) | 7.5 (42) | -1.1 (28) | 0.6 (62) | -2.5 (53) | 14.8 (38) | 3.7 (41) | 10.5 (44) | | | | | | | | |

Total Returns - Emerging Markets Equity

Periods Ending March 31, 2014

eA Emg Mkts Equity Gross Accounts



| | Return (Rank) | | | | | | | |
|-------------------------------|---------------|------------|-----------|----------|-----------|-----------|----------|-----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 3.5 | 13.9 | 8.3 | 11.4 | 5.3 | 24.2 | 8.9 | 15.3 |
| 25th Percentile | 0.5 | 10.2 | 3.5 | 5.0 | 1.5 | 18.6 | 6.1 | 13.3 |
| Median | -0.6 | 8.0 | -0.4 | 2.7 | -0.8 | 16.8 | 4.6 | 11.5 |
| 75th Percentile | -1.6 | 5.6 | -2.7 | 0.4 | -2.5 | 14.9 | 2.9 | 10.3 |
| 95th Percentile | -3.4 | 1.9 | -7.1 | -2.4 | -5.8 | 12.0 | 1.0 | 9.0 |
| # of Portfolios | 199 | 198 | 198 | 185 | 164 | 128 | 98 | 74 |
| ● Eaton Vance | 1.1 (15) | 10.0 (27) | 3.2 (26) | 3.5 (41) | -- (--) | -- (--) | -- (--) | -- (--) |
| ▲ MSCI Emerging Markets Gross | -0.4 (46) | 7.5 (58) | -1.1 (58) | 0.6 (73) | -2.5 (76) | 14.8 (77) | 3.7 (67) | 10.5 (72) |

Equity Only Summary Statistics - Eaton Vance

Quarter Ending March 31, 2014

Characteristics

| | Portfolio | MSCI Emerging Markets Gross |
|---------------------------------|-----------|--------------------------------|
| Number of Holdings | 1,375 | 822 |
| Weighted Avg. Market Cap. (\$B) | 20.8 | 34.8 |
| Median Market Cap. (\$B) | 2.8 | 4.8 |
| Price To Earnings | 17.7 | 16.1 |
| Price To Book | 2.9 | 2.4 |
| Price To Sales | 2.4 | 2.0 |
| Return on Equity (%) | 17.6 | 17.6 |
| Yield (%) | 2.8 | 2.7 |
| Beta (holdings: global) | 1.1 | 1.0 |

Top Holdings

| | |
|-------------------------|------|
| MTN GROUP | 1.2% |
| SAMSUNG ELECTRONICS | 1.1% |
| OAO GAZPROM SPN.ADR 1:2 | 1.0% |
| AMX 'L' | 1.0% |
| TENCENT HOLDINGS | 0.8% |
| HSBC HDG.ADR 1:5 | 0.8% |
| CHINA MOBILE | 0.8% |
| NASPERS | 0.7% |
| TAIWAN SEMICON.MNFG. | 0.6% |
| LUKOIL OAO SPN.ADR 1:1 | 0.6% |

Best Performers

| | Return % |
|-----------------------------------|----------|
| PIONEERS HOLDING (EG:PIO) | 110.6% |
| ARABTEC HOLDING (DU:ART) | 108.7% |
| SIBANYE GOLD (R:SGLJ) | 90.0% |
| SURYA SEMESTA INTERNUSA (ID:RYA) | 82.7% |
| ORASCOM TELC.& MDA.COS. (EG:OTM) | 67.6% |
| WIJAYA KARYA (ID:WKP) | 62.1% |
| AL SALAM BK.BAHRAIN(DFM) (DU:ASB) | 60.1% |
| DUBAI INVESTMENT (DU:DUB) | 51.8% |
| ANGLOGOLD ASHANTI (R:ANGJ) | 48.2% |
| EASTERN TOBACCO (EG:EAS) | 46.2% |

Worst Performers

| | Return % |
|---|----------|
| NEW WORLD RES. (PRA) (CZ:NWR) | -52.3% |
| ENEVA ON (BR:MPX) | -43.2% |
| RUSSIAN GRIDS (RS:RST) | -36.3% |
| OANDO (NG:OAN) | -34.8% |
| ASTARTA HOLDING (PO:AST) | -34.3% |
| LSR GP.OJSC SPN.GDR 144A (REG S) (UKIR:LSRG) | -34.3% |
| INTERCONTINENTAL WAPIC INSURANCE (NG:WAI) | -32.7% |
| CTC MEDIA (CTCM) | -32.5% |
| INNER MONGOLIA YITAI COAL 'B' (CN:YIO) | -31.8% |
| DRYSHIPS (DRYS) | -31.3% |

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 | 0.0% | -0.1% | 0.0% | 0.1% | -4.6% | -4.5% | 10.2% | 11.3% | | | |
| Materials | 0.3% | 0.3% | 0.0% | 0.0% | -1.0% | -3.6% | 10.0% | 9.7% | | | |
| Industrials | 0.2% | 0.1% | 0.0% | 0.1% | 2.1% | -0.2% | 9.6% | 6.5% | | | |
| Cons. Disc. | -0.2% | -0.1% | 0.0% | 0.0% | 2.0% | 3.7% | 8.3% | 8.9% | | | |
| Cons. Staples | -0.2% | 0.0% | 0.0% | -0.1% | -3.7% | -1.5% | 9.1% | 8.6% | | | |
| Health Care | 0.0% | 0.0% | 0.0% | 0.0% | -1.0% | 1.6% | 1.9% | 1.7% | | | |
| Financials | 0.9% | 1.0% | 0.0% | -0.1% | 2.9% | -0.4% | 27.0% | 26.7% | | | |
| Info. Tech | -0.7% | -0.7% | -0.4% | 0.4% | -0.8% | 3.7% | 8.7% | 15.9% | | | |
| Telecomm. | 0.1% | 0.2% | -0.2% | 0.0% | -3.6% | -5.8% | 10.2% | 7.4% | | | |
| Utilities | 0.1% | 0.0% | 0.0% | 0.0% | 3.3% | 2.8% | 4.6% | 3.4% | | | |
| Cash | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -- | 0.2% | 0.0% | | | |
| Unclassified | 0.0% | 0.0% | 0.0% | 0.0% | -1.8% | -- | 0.3% | 0.0% | | | |
| Portfolio | 0.4% | = | 0.6% | + | -0.5% | + | 0.3% | -0.1% | -0.5% | 100.0% | 100.0% |

Equity Performance Attribution - Eaton Vance

Quarter Ending March 31, 2014

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 | | | | | | | | | |
| Belgium | 27.0% | 2.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Czech Republic* | 5.0% | 7.6% | 1.6% | 0.2% | 0.0% | 0.1% | 0.0% | 0.0% | 0.1% |
| Greece* | 17.7% | 18.1% | 1.5% | 0.5% | 0.0% | 0.2% | 0.0% | 0.0% | 0.2% |
| Hungary* | -9.9% | -8.7% | 1.7% | 0.3% | 0.0% | -0.1% | 0.0% | 0.0% | -0.1% |
| Netherlands | -30.2% | 1.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Poland* | 3.0% | 3.4% | 3.5% | 1.7% | 0.0% | 0.1% | 0.0% | 0.0% | 0.1% |
| Russia* | -16.2% | -14.4% | 5.9% | 6.1% | -0.3% | 0.0% | 0.2% | 0.0% | -0.1% |
| Sweden | -25.2% | 2.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| United Kingdom | -10.7% | -0.8% | 1.6% | 0.0% | 0.0% | 0.0% | 0.0% | -0.2% | -0.2% |
| AsiaPacific | | | | | | | | | |
| China* | -6.0% | -5.9% | 10.2% | 19.8% | 0.0% | 0.5% | 0.0% | 0.0% | 0.5% |
| India* | 7.3% | 8.2% | 1.7% | 6.3% | 0.2% | -0.2% | -0.2% | -0.1% | -0.4% |
| Indonesia* | 20.4% | 21.2% | 2.9% | 2.2% | 0.0% | 0.1% | 0.0% | 0.0% | 0.1% |
| Korea* | -5.3% | -2.9% | 7.1% | 16.1% | -0.4% | 0.1% | 0.1% | 0.2% | 0.0% |
| Malaysia* | -0.4% | -0.3% | 3.3% | 3.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Pakistan** | 10.0% | 7.0% | 1.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% | 0.1% |
| Philippines* | 11.5% | 10.5% | 1.5% | 0.9% | 0.0% | 0.1% | 0.0% | 0.0% | 0.1% |
| Singapore | 7.2% | -0.9% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Taiwan* | -1.2% | 1.1% | 6.7% | 11.6% | -0.3% | -0.2% | 0.1% | 0.1% | -0.2% |
| Thailand* | -0.3% | 7.5% | 2.7% | 2.2% | -0.2% | 0.0% | 0.0% | 0.0% | -0.2% |
| Americas | | | | | | | | | |
| Argentina** | 6.8% | 5.9% | 0.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Brazil* | 1.4% | 2.8% | 6.0% | 10.7% | 0.1% | 0.0% | -0.3% | 0.0% | -0.2% |
| Chile* | -2.9% | -1.9% | 3.4% | 1.6% | 0.0% | 0.1% | 0.0% | 0.0% | -0.1% |
| Colombia* | 3.0% | 5.2% | 1.4% | 1.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Mexico* | -6.0% | -5.0% | 6.5% | 5.4% | -0.1% | -0.1% | 0.0% | 0.0% | -0.1% |
| Peru* | -4.5% | 4.4% | 1.6% | 0.4% | 0.0% | 0.1% | 0.0% | -0.1% | -0.1% |
| United States | -10.5% | 1.7% | 2.8% | 0.0% | 0.0% | 0.1% | 0.0% | -0.3% | -0.3% |

Equity Performance Attribution - Eaton Vance

Quarter Ending March 31, 2014

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 | | | | | | | | | |
| Bahrain** | 11.8% | -4.1% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% |
| Bangladesh** | 4.2% | 17.9% | 0.8% | 0.0% | 0.0% | 0.2% | 0.0% | -0.1% | 0.0% |
| Bulgaria** | 28.0% | 22.7% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Croatia** | 0.9% | -6.4% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% |
| Egypt* | 14.2% | 9.2% | 1.8% | 0.2% | 0.0% | 0.2% | 0.0% | 0.1% | 0.2% |
| Estonia** | 5.9% | -8.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Jordan** | 8.6% | 11.5% | 0.8% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | 0.1% |
| Kazakhstan** | -15.7% | -14.1% | 0.5% | 0.0% | 0.0% | -0.1% | 0.0% | 0.0% | -0.1% |
| Kenya** | 2.2% | 2.9% | 0.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Kuwait** | 7.8% | 11.2% | 1.6% | 0.0% | 0.0% | 0.2% | 0.0% | -0.1% | 0.1% |
| Lebanon** | 7.3% | 10.3% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Lithuania** | 12.8% | 5.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Luxembourg | -22.9% | -0.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Morocco* | 4.9% | 5.6% | 0.9% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% |
| Nigeria** | -17.2% | -14.1% | 0.9% | 0.0% | 0.0% | -0.1% | 0.0% | 0.0% | -0.1% |
| Oman** | 2.5% | 2.9% | 0.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Qatar** | -2.1% | 15.0% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Romania** | -1.6% | -2.0% | 0.9% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Slovenia** | 8.4% | 0.3% | 1.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| South Africa* | 4.9% | 4.9% | 6.4% | 7.4% | 0.0% | -0.1% | 0.0% | 0.0% | -0.1% |
| Tunisia** | 9.3% | 8.6% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Turkey* | 3.8% | 4.8% | 2.9% | 1.5% | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% |
| United Arab Emirates** | 36.4% | 24.9% | 2.0% | 0.0% | 0.0% | 0.5% | 0.0% | 0.2% | 0.7% |

Equity Performance Attribution - Eaton Vance

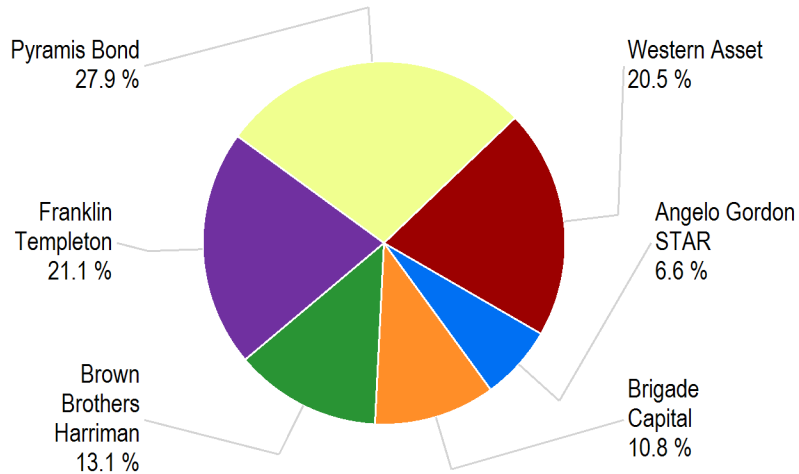
Quarter Ending March 31, 2014

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 | -3.1% | 0.4% | 22.2% | 19.1% | -0.3% | 0.0% | -0.4% | 0.0% | -0.8% |
| Europe | -5.6% | -8.4% | 16.0% | 8.8% | 0.0% | -0.3% | 0.2% | 0.0% | -0.1% |
| Asia/Pacific | -0.1% | -0.4% | 38.2% | 63.0% | 0.0% | 0.0% | 0.1% | 0.0% | 0.1% |
| Other | 7.0% | 5.0% | 23.3% | 9.1% | 0.2% | 0.8% | 0.0% | 0.3% | 1.3% |
| Cash | 0.0% | -- | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 0.0% | -0.5% | 100.0% | 100.0% | -0.1% | 0.5% | -0.2% | 0.2% | 0.5% |
| Totals | | | | | | | | | |
| Developed | -10.5% | -- | 4.9% | 0.0% | 0.0% | 0.0% | 0.0% | -0.5% | -0.5% |
| Emerging* | -0.7% | -0.5% | 81.2% | 100.0% | 0.0% | 0.0% | -0.2% | 0.0% | -0.2% |
| Frontier** | 7.9% | -- | 13.7% | 0.0% | 0.0% | 0.0% | 0.1% | 1.1% | 1.2% |
| Cash | 0.0% | -- | 0.2% | 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 March 31, 2014



| | Actual \$ | Actual % | Manager Contribution to Excess Return % |
|-------------------------------------|----------------------|---------------|---|
| Angelo Gordon PPIP | \$19,342 | 0.0% | 0.0% |
| Angelo Gordon STAR | \$39,436,049 | 6.6% | 0.2% |
| Brigade Capital | \$64,185,030 | 10.8% | -0.0% |
| Brown Brother Harriman | \$77,723,321 | 13.1% | -0.1% |
| Franklin Templeton | \$125,395,820 | 21.1% | -0.4% |
| Pyramis Bond | \$165,310,171 | 27.9% | 0.1% |
| Western Asset | \$121,409,766 | 20.5% | 0.2% |
| Actual vs. Policy Weight Difference | | | -0.1% |
| Total | \$593,479,499 | 100.0% | -0.3% |

Statistics Summary

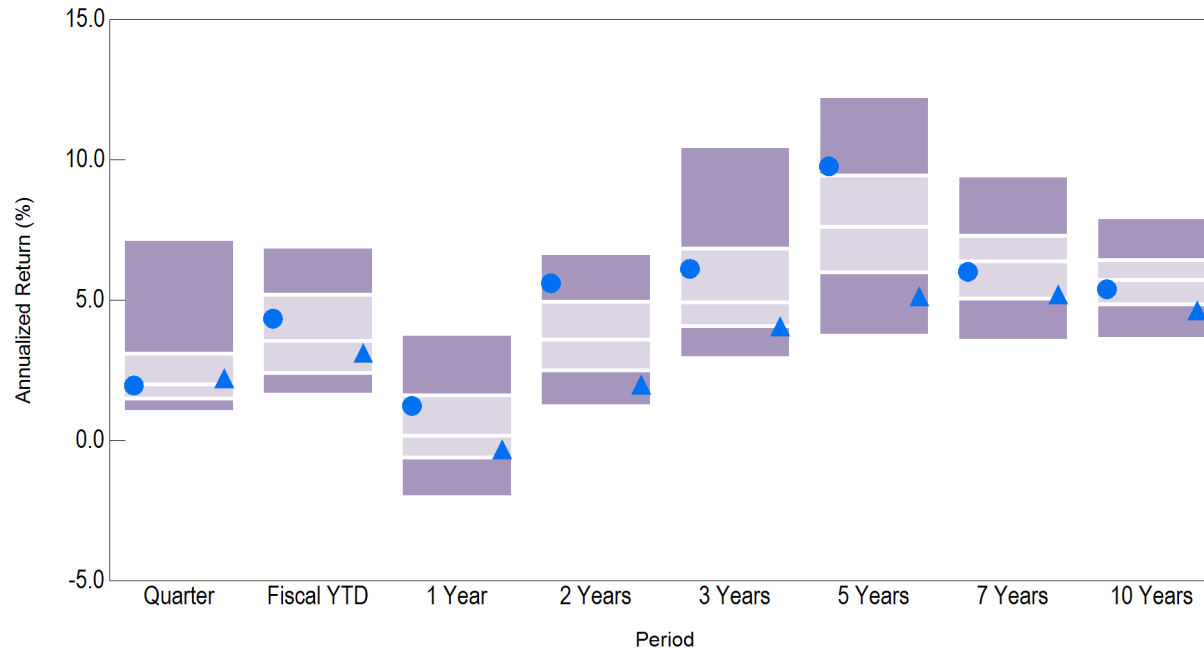
3 Years

| | Anlzd Return | Anlzd Standard Deviation | Sharpe Ratio | Information Ratio | Tracking Error |
|-----------------------------|--------------|-----------------------------|--------------|-------------------|----------------|
| Total Fixed Income | 6.1% | 3.9% | 1.5 | 0.8 | 2.5% |
| Blended Fixed Index | 4.1% | 3.5% | 1.1 | -- | 0.0% |
| US Fixed Income | 5.9% | 3.1% | 1.9 | 0.9 | 1.7% |
| Blended US Fixed Index | 4.3% | 3.5% | 1.2 | -- | 0.0% |
| Pyramis Bond | 4.7% | 3.0% | 1.6 | 1.5 | 0.7% |
| Barclays Aggregate | 3.7% | 2.8% | 1.3 | -- | 0.0% |
| Western Asset | 5.5% | 4.0% | 1.4 | 0.6 | 3.2% |
| Barclays Aggregate | 3.7% | 2.8% | 1.3 | -- | 0.0% |
| Brown Brothers Harriman | 3.8% | 5.5% | 0.7 | 0.4 | 0.7% |
| Barclays US TIPS | 3.5% | 5.5% | 0.6 | -- | 0.0% |
| Brigade Capital | 9.1% | 4.2% | 2.2 | 0.6 | 4.0% |
| Barclays BA Intermediate HY | 6.6% | 5.1% | 1.3 | -- | 0.0% |
| Franklin Templeton | 6.6% | 11.0% | 0.6 | 0.4 | 8.6% |
| Barclays Multi-verse | 3.0% | 4.5% | 0.7 | -- | 0.0% |

Statistics Summary**5 Years**

| | Anlzd Return | Anlzd Standard Deviation | Sharpe Ratio | Information Ratio | Tracking Error |
|------------------------|--------------|-----------------------------|--------------|-------------------|----------------|
| Total Fixed Income | 9.8% | 4.0% | 2.5 | 1.8 | 2.6% |
| Blended Fixed Index | 5.1% | 3.3% | 1.5 | -- | 0.0% |
| US Fixed Income | 9.6% | 3.5% | 2.7 | 2.0 | 2.2% |
| Blended US Fixed Index | 5.3% | 3.2% | 1.6 | -- | 0.0% |
| Pyramis Bond | 7.7% | 3.4% | 2.3 | 2.0 | 1.4% |
| Barclays Aggregate | 4.8% | 2.8% | 1.7 | -- | 0.0% |
| Western Asset | 9.4% | 4.1% | 2.3 | 1.5 | 3.1% |
| Barclays Aggregate | 4.8% | 2.8% | 1.7 | -- | 0.0% |

InvestorForce All DB Total Fix Inc Gross Accounts



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|------------------------------|----------|------------|-----------|----------|----------|----------|----------|----------|
| 5th Percentile | 7.2 | 6.9 | 3.8 | 6.7 | 10.5 | 12.3 | 9.4 | 7.9 |
| 25th Percentile | 3.1 | 5.2 | 1.6 | 5.0 | 6.9 | 9.5 | 7.3 | 6.5 |
| Median | 2.0 | 3.6 | 0.2 | 3.6 | 4.9 | 7.6 | 6.4 | 5.7 |
| 75th Percentile | 1.5 | 2.4 | -0.6 | 2.5 | 4.1 | 6.0 | 5.1 | 4.9 |
| 95th Percentile | 1.0 | 1.6 | -2.0 | 1.2 | 3.0 | 3.7 | 3.6 | 3.6 |
| # of Portfolios | 281 | 278 | 276 | 263 | 233 | 188 | 166 | 116 |
| ● Total Fixed Income | 2.0 (55) | 4.3 (41) | 1.2 (30) | 5.6 (14) | 6.1 (33) | 9.8 (22) | 6.0 (57) | 5.4 (63) |
| ▲ Blended Fixed Index | 2.2 (44) | 3.1 (58) | -0.3 (69) | 2.0 (84) | 4.1 (77) | 5.1 (83) | 5.2 (72) | 4.6 (79) |

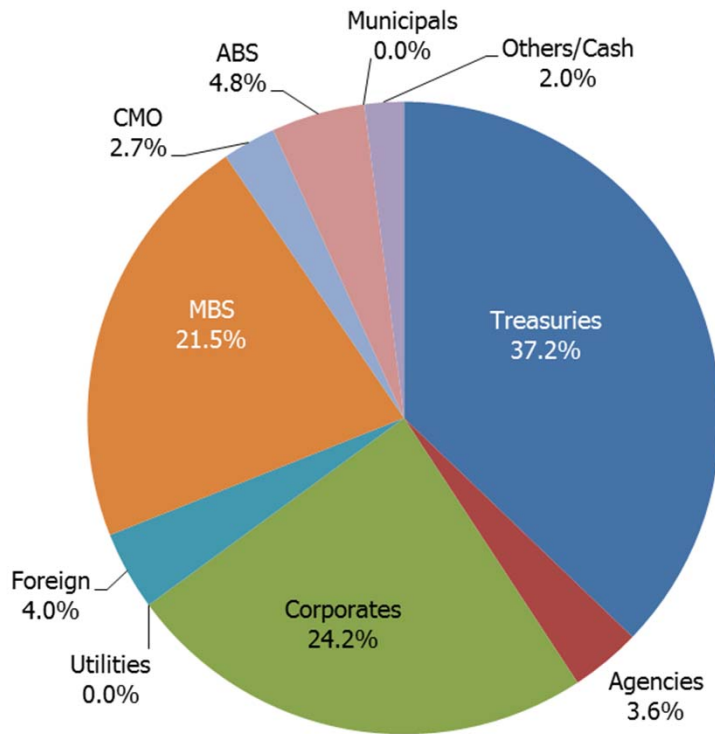
InvestorForce All DB US Fix Inc Gross Accounts



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|--------------------------|----------|------------|-----------|----------|----------|----------|----------|----------|
| Return (Rank) | | | | | | | | |
| 5th Percentile | 6.9 | 7.7 | 4.5 | 6.9 | 9.8 | 11.7 | 8.7 | 7.2 |
| 25th Percentile | 3.0 | 5.3 | 1.8 | 4.9 | 6.5 | 9.3 | 7.0 | 6.2 |
| Median | 2.1 | 3.4 | 0.4 | 3.6 | 5.0 | 7.2 | 5.9 | 5.3 |
| 75th Percentile | 1.5 | 2.4 | -0.3 | 2.4 | 4.1 | 5.6 | 5.0 | 4.7 |
| 95th Percentile | 0.9 | 1.4 | -1.5 | 1.3 | 3.0 | 3.3 | 4.0 | 3.7 |
| # of Portfolios | 454 | 454 | 454 | 443 | 410 | 316 | 279 | 227 |
| ● US Fixed Income | 2.4 (38) | 4.1 (41) | 1.2 (31) | 5.0 (23) | 5.9 (34) | 9.6 (24) | 5.9 (48) | 5.3 (51) |
| ▲ Blended US Fixed Index | 2.2 (49) | 2.6 (69) | -0.9 (89) | 2.0 (84) | 4.3 (67) | 5.3 (80) | 5.3 (69) | 4.7 (74) |

Fixed Income Sector Allocation – US Fixed Income

As of March 31, 2014



| Sector* | Account Weight | BC Aggregate Weight | Difference |
|--------------|----------------|---------------------|-------------|
| Treasuries | 37.2% | 37.3% | -0.1% |
| Agencies | 3.6% | 5.6% | -2.0% |
| Corporates | 24.2% | 20.4% | 3.8% |
| Utilities | 0.0% | 2.6% | -2.6% |
| Foreign | 4.0% | 1.5% | 2.5% |
| MBS | 21.5% | 30.9% | -9.4% |
| CMO | 2.7% | 0.0% | 2.7% |
| ABS | 4.8% | 0.5% | 4.3% |
| Municipals | 0.0% | 1.4% | -1.4% |
| Others/Cash | 2.0% | 0.0% | 2.0% |
| 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 March 31, 2014

| Portfolio Characteristics* | | Portfolio |
|----------------------------|----|-------------|
| Total Number of Securities | | |
| Total Market Value | \$ | 364,443,258 |
| Current Coupon | | 3.25 |
| Yield to Maturity | | 2.33 |
| Average Life | | 6.22 |
| Duration | | 6.06 |
| Quality | | AA- |

| BC Aggregate |
|--------------|
| 3.31 |
| 2.39 |
| 7.70 |
| 5.65 |
| 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 |

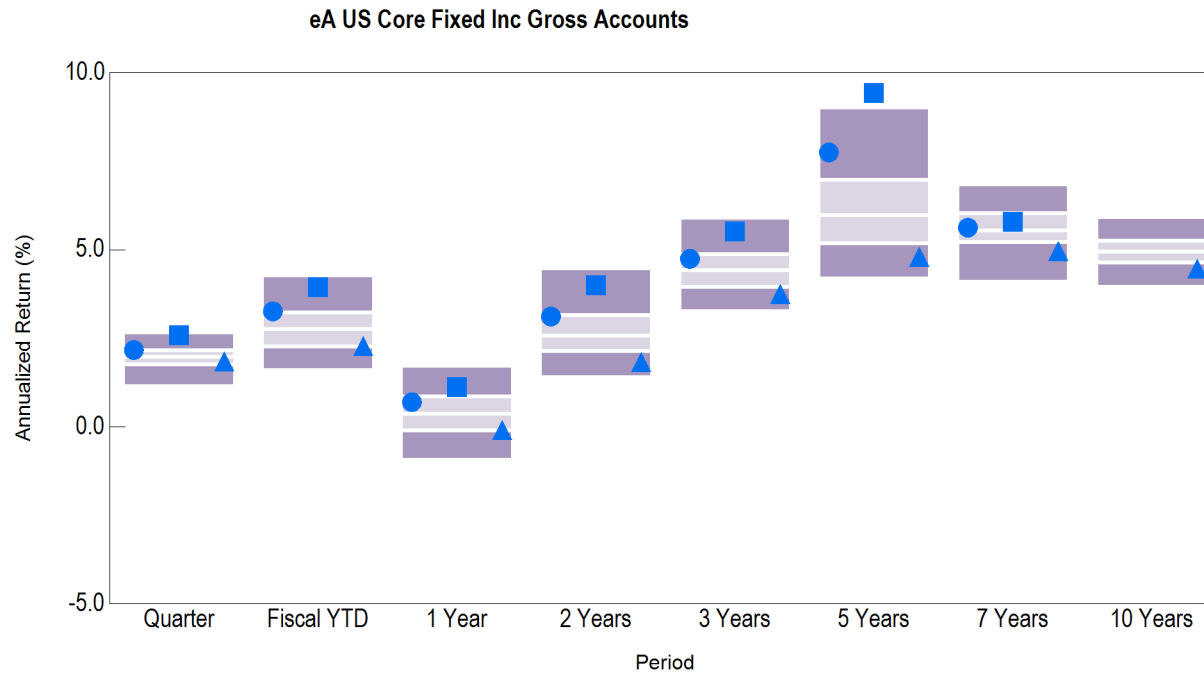
| Average Life | |
|--------------|--------|
| Range | % Held |
| 0.0 - 1.0 | 6.0 |
| 1.0 - 3.0 | 10.3 |
| 3.0 - 5.0 | 33.1 |
| 5.0 - 10.0 | 37.7 |
| 10.0 - 20.0 | 6.1 |
| 20.0+ | 6.9 |
| Unclassified | 0.0 |

| Duration | |
|--------------|--------|
| Range | % Held |
| 0.0 - 1.0 | 12.9 |
| 1.0 - 3.0 | 12.5 |
| 3.0 - 5.0 | 36.2 |
| 5.0 - 7.0 | 22.6 |
| 7.0 - 10.0 | 9.4 |
| 10.0+ | 8.1 |
| Unclassified | -1.7 |

| Quality | |
|-----------------|--------|
| Range | % Held |
| Govt (10) | 18.9 |
| Aaa (10) | 45.2 |
| Aa (9) | 3.4 |
| A (8) | 10.8 |
| Baa (7) | 17.9 |
| Below Baa (6-1) | 2.4 |
| Other | 1.3 |

| Coupon | |
|--------------|--------|
| Range | % Held |
| 0.0 - 5.0 | 75.8 |
| 5.0 - 7.0 | 14.8 |
| 7.0 - 9.0 | 9.0 |
| 9.0 - 11.0 | 0.3 |
| 11.0 - 13.0 | 0.0 |
| 13.0+ | 0.0 |
| Unclassified | 0.0 |

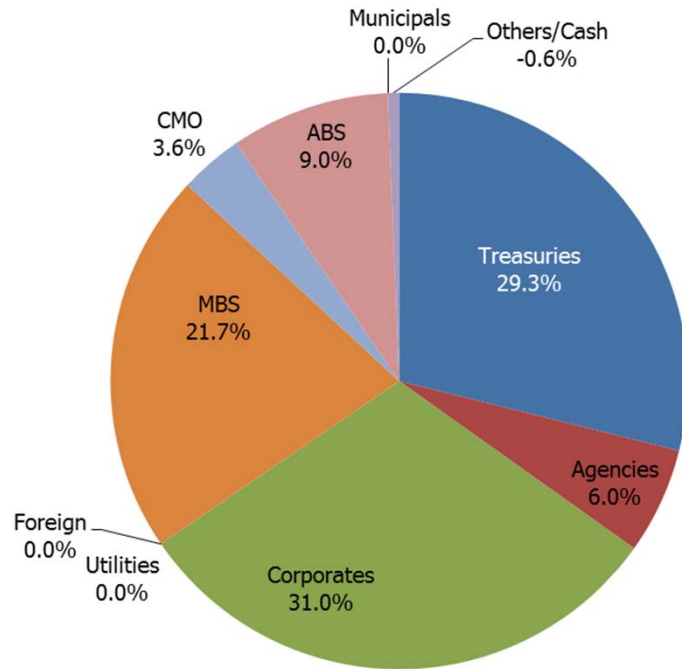
* Characteristics excludes Angelo Gordon STAR Fund and Brigade Capital Management.



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|-----------------------------|----------|------------|-----------|----------|----------|----------|----------|----------|
| 5th Percentile | 2.7 | 4.3 | 1.7 | 4.5 | 5.9 | 9.0 | 6.8 | 5.9 |
| 25th Percentile | 2.2 | 3.2 | 0.9 | 3.2 | 4.9 | 7.0 | 6.0 | 5.3 |
| Median | 2.0 | 2.8 | 0.4 | 2.6 | 4.4 | 6.0 | 5.6 | 4.9 |
| 75th Percentile | 1.8 | 2.3 | -0.1 | 2.1 | 4.0 | 5.2 | 5.2 | 4.7 |
| 95th Percentile | 1.2 | 1.6 | -0.9 | 1.4 | 3.3 | 4.2 | 4.1 | 4.0 |
| # of Portfolios | 211 | 211 | 211 | 211 | 209 | 202 | 194 | 179 |
| ● Pyramis Bond | 2.2 (27) | 3.3 (25) | 0.7 (33) | 3.1 (29) | 4.7 (34) | 7.7 (13) | 5.6 (45) | -- (--) |
| ■ Western Asset | 2.6 (6) | 3.9 (9) | 1.1 (18) | 4.0 (8) | 5.5 (8) | 9.4 (3) | 5.8 (37) | -- (--) |
| ▲ Barclays Aggregate | 1.8 (67) | 2.3 (75) | -0.1 (75) | 1.8 (85) | 3.7 (85) | 4.8 (85) | 5.0 (85) | 4.5 (86) |

Fixed Income Sector Allocation – Pyramis Broad Market Duration Pool

As of March 31, 2014



| Sector | Account Weight | BC Aggregate Weight | Difference |
|--------------|----------------|---------------------|-------------|
| Treasuries | 29.3% | 37.3% | -8.0% |
| Agencies | 6.0% | 5.6% | 0.5% |
| Corporates | 31.0% | 20.4% | 10.6% |
| Utilities | 0.0% | 2.6% | -2.6% |
| Foreign | 0.0% | 1.5% | -1.5% |
| MBS | 21.7% | 30.9% | -9.2% |
| CMO | 3.6% | 0.0% | 3.6% |
| ABS | 9.0% | 0.5% | 8.5% |
| Municipals | 0.0% | 1.4% | -1.4% |
| Others/Cash | -0.6% | 0.0% | -0.6% |
| TOTAL | 100.0% | 100.0% | 0.0% |

Bond Summary Statistics – Pyramis Broad Market Duration Pool

As of March 31, 2014

| Portfolio Characteristics | | |
|----------------------------|-----------|-------------|
| | Portfolio | |
| Total Number of Securities | | |
| Total Market Value | \$ | 165,310,171 |
| Current Coupon | | 3.45 |
| Yield to Maturity | | 2.65 |
| Average Life | | 7.38 |
| Duration | | 5.48 |
| Quality | | AA- |

| BC Aggregate | |
|--------------|------|
| | |
| | 3.31 |
| | 2.39 |
| | 7.70 |
| | 5.65 |
| | 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 | 0.5 |
| 1.0 - 3.0 | 12.3 |
| 3.0 - 5.0 | 36.0 |
| 5.0 - 10.0 | 38.1 |
| 10.0 - 20.0 | 5.1 |
| 20.0+ | 8.2 |
| Unclassified | 0.0 |

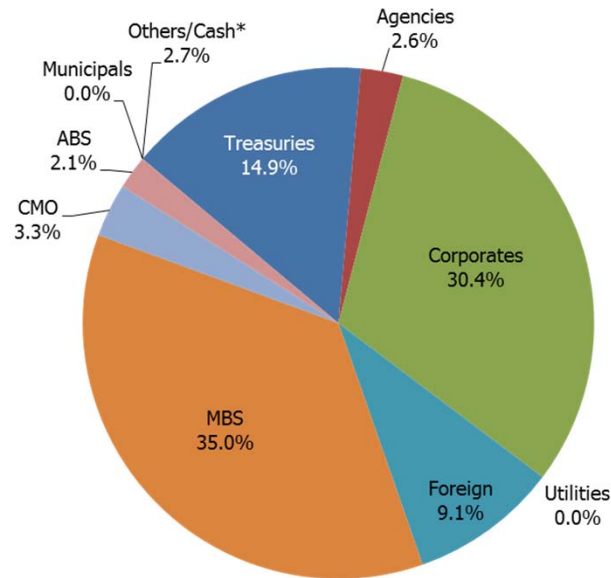
| Duration | |
|--------------|--------|
| Range | % Held |
| 0.0 - 1.0 | 8.4 |
| 1.0 - 3.0 | 17.5 |
| 3.0 - 5.0 | 35.2 |
| 5.0 - 7.0 | 26.8 |
| 7.0 - 10.0 | 7.1 |
| 10.0+ | 8.7 |
| Unclassified | -3.7 |

| Quality | |
|-----------------|--------|
| Range | % Held |
| Govt (10) | 0.0 |
| Aaa (10) | 59.9 |
| Aa (9) | 2.3 |
| A (8) | 15.5 |
| Baa (7) | 21.5 |
| Below Baa (6-1) | 0.0 |
| Other | 0.9 |

| Coupon | |
|--------------|--------|
| Range | % Held |
| 0.0 - 5.0 | 70.4 |
| 5.0 - 7.0 | 25.9 |
| 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 March 31, 2014



| Sector | Account Weight | BC Aggregate Weight | Difference |
|--------------|----------------|---------------------|-------------|
| Treasuries | 14.9% | 37.3% | -22.4% |
| Agencies | 2.6% | 5.6% | -3.0% |
| Corporates | 30.4% | 20.4% | 10.0% |
| Utilities | 0.0% | 2.6% | -2.6% |
| Foreign | 9.1% | 1.5% | 7.6% |
| MBS | 35.0% | 30.9% | 4.1% |
| CMO | 3.3% | 0.0% | 3.3% |
| ABS | 2.1% | 0.5% | 1.6% |
| Municipals | 0.0% | 1.4% | -1.4% |
| Others/Cash* | 2.7% | 0.0% | 2.7% |
| TOTAL | 100.0% | 100.0% | 0.0% |

* 2.0% Western Asset Opportunistic Invest Grade, -2.9% Short Term Securities

San Mateo County Employees' Retirement Association

Bond Summary Statistics – Western Asset

As of March 31, 2014

| Portfolio Characteristics | | |
|----------------------------|----|-------------|
| | | Portfolio |
| Total Number of Securities | | 609 |
| Total Market Value | \$ | 121,409,766 |
| Current Coupon | | 4.02 |
| Yield to Maturity | | 3.42 |
| Average Life | | 8.63 |
| Duration | | 6.19 |
| Quality | | A+ |

| BC Aggregate | |
|--------------|------|
| | 3.31 |
| | 2.39 |
| | 7.70 |
| | 5.65 |
| | Aa2 |

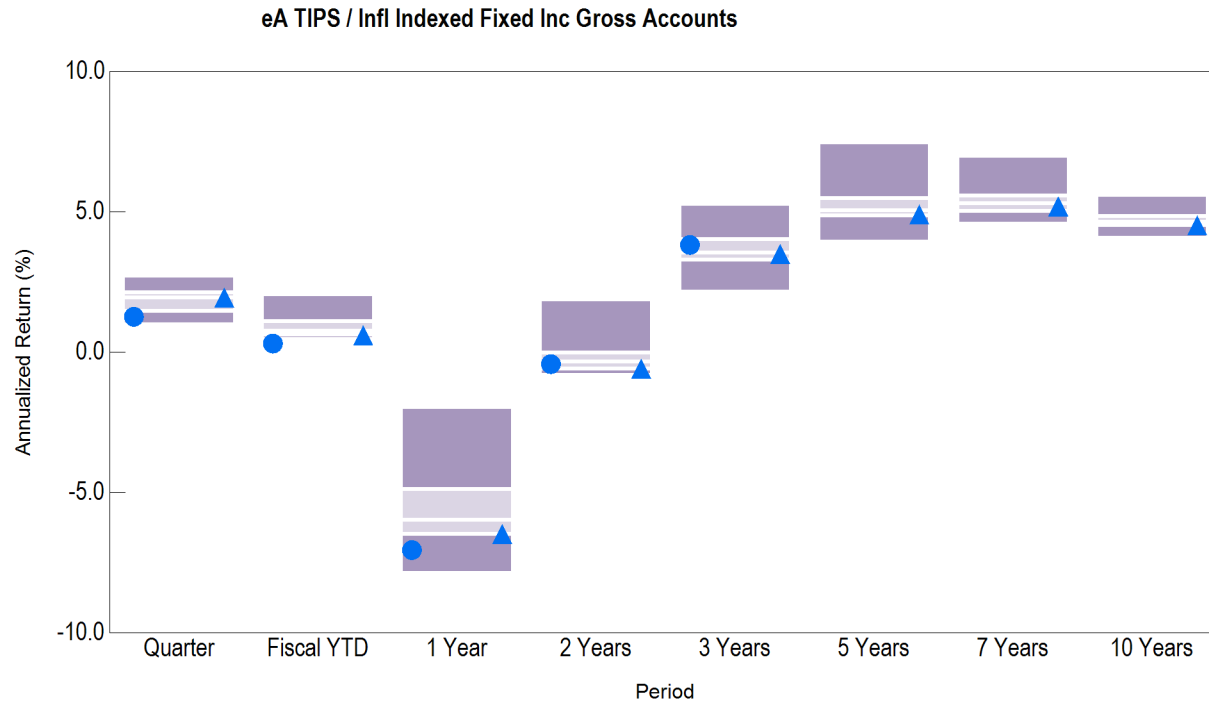
| Yield to Maturity | |
|-------------------|--------|
| Range | % Held |
| 0.0 - 5.0 | n/a |
| 5.0 - 7.0 | n/a |
| 7.0 - 9.0 | n/a |
| 9.0 - 11.0 | n/a |
| 11.0 - 13.0 | n/a |
| 13.0+ | n/a |
| Unclassified | n/a |

| Average Life | |
|--------------|--------|
| Range | % Held |
| 0.0 - 1.0 | 0.4 |
| 1.0 - 3.0 | 14.1 |
| 3.0 - 5.0 | 22.2 |
| 5.0 - 10.0 | 47.1 |
| 10.0 - 20.0 | 6.8 |
| 20.0+ | 9.5 |
| Unclassified | 0.0 |

| Duration | |
|--------------|--------|
| Range | % Held |
| 0.0 - 1.0 | 10.6 |
| 1.0 - 3.0 | 13.7 |
| 3.0 - 5.0 | 27.6 |
| 5.0 - 7.0 | 22.0 |
| 7.0 - 10.0 | 13.8 |
| 10.0+ | 12.4 |
| Unclassified | 0.0 |

| Quality | |
|-----------------|--------|
| Range | % Held |
| Govt (10) | 0.0 |
| Aaa (10) | 48.1 |
| Aa (9) | 6.1 |
| A (8) | 11.4 |
| Baa (7) | 24.4 |
| Below Baa (6-1) | 7.3 |
| Other | 2.7 |

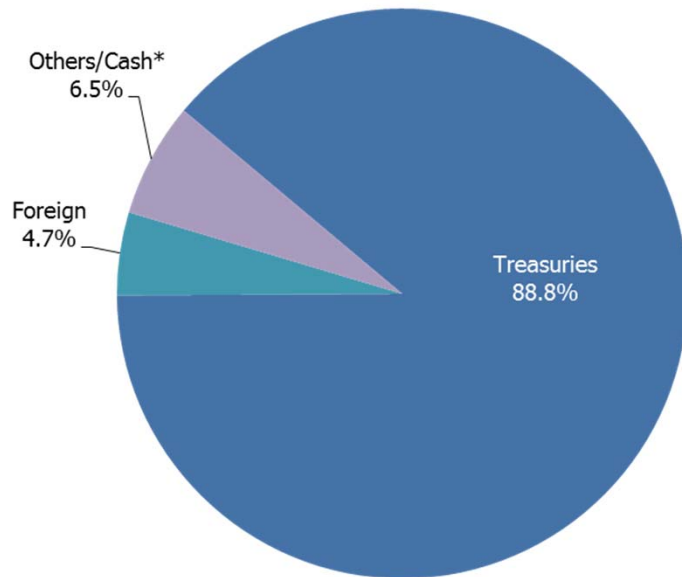
| Coupon | |
|--------------|--------|
| Range | % Held |
| 0.0 - 5.0 | 67.7 |
| 5.0 - 7.0 | 25.6 |
| 7.0 - 9.0 | 6.3 |
| 9.0 - 10.0 | 0.4 |
| 10.0+ | 0.0 |
| Unclassified | 0.0 |



| | Return (Rank) | | | | | | | |
|----------------------------------|---------------|------------|-----------|-----------|----------|----------|----------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 2.7 | 2.1 | -2.0 | 1.9 | 5.3 | 7.5 | 7.0 | 5.6 |
| 25th Percentile | 2.1 | 1.1 | -4.9 | 0.0 | 4.1 | 5.5 | 5.6 | 4.9 |
| Median | 2.0 | 0.8 | -6.0 | -0.3 | 3.6 | 5.1 | 5.3 | 4.7 |
| 75th Percentile | 1.5 | 0.6 | -6.5 | -0.6 | 3.3 | 4.9 | 5.0 | 4.5 |
| 95th Percentile | 1.0 | 0.5 | -7.9 | -0.8 | 2.2 | 4.0 | 4.6 | 4.1 |
| # of Portfolios | 44 | 44 | 44 | 43 | 42 | 37 | 34 | 23 |
| ● Brown Brothers Harriman | 1.3 (77) | 0.3 (98) | -7.1 (91) | -0.4 (58) | 3.8 (34) | -- (--) | -- (--) | -- (--) |
| ▲ Barclays US TIPS | 1.9 (53) | 0.6 (84) | -6.5 (76) | -0.6 (82) | 3.5 (68) | 4.9 (72) | 5.2 (67) | 4.5 (82) |

Fixed Income Sector Allocation – Brown Brothers Harriman

As of March 31, 2014



| Sector | Account Weight | ML TIPS Index | Difference |
|--------------|----------------|---------------|-------------|
| Treasuries | 88.8% | 100.0% | -11.2% |
| Agencies | 0.0% | 0.0% | 0.0% |
| Corporates | 0.0% | 0.0% | 0.0% |
| Utilities | 0.0% | 0.0% | 0.0% |
| Foreign | 4.7% | 0.0% | 4.7% |
| 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* | 6.5% | 0.0% | 6.5% |
| 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 March 31, 2014

| Portfolio Characteristics | | Portfolio |
|----------------------------|----|------------|
| Total Number of Securities | | 12 |
| Total Market Value | \$ | 77,723,321 |
| Current Coupon | | 1.62 |
| Yield to Maturity | | -0.03 |
| Average Life | | |
| Duration | | 7.11 |
| Quality | | AAA |

| ML TIPS | |
|----------------------------|------|
| Total Number of Securities | 35 |
| Total Market Value | N/A |
| Current Coupon | 1.36 |
| Yield to Maturity | 0.10 |
| Average Life | |
| Duration | 7.67 |
| 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 | 26.3 |
| 3.0 - 5.0 | 0.0 |
| 5.0 - 10.0 | 43.9 |
| 10.0- 15.0 | 22.5 |
| 15.0+ | 7.2 |
| Unclassified | 0.0 |

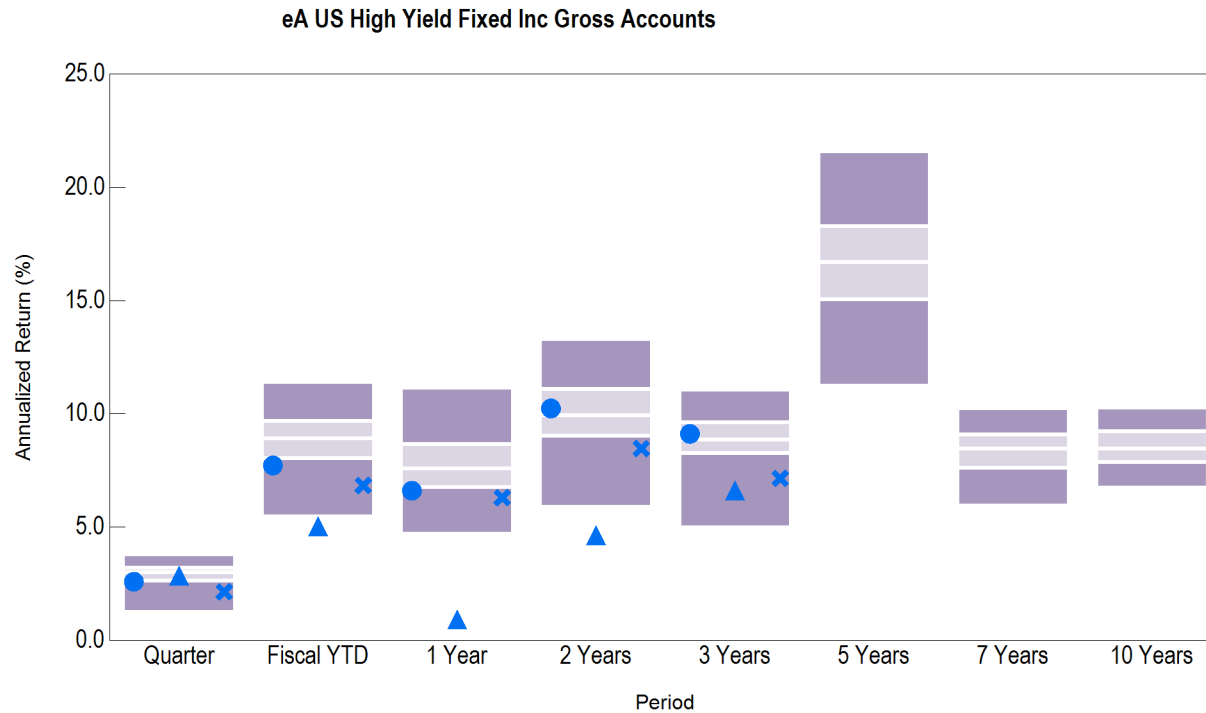
| Duration | |
|--------------|--------|
| Range | % Held |
| 0.0 - 3.0 | 26.3 |
| 3.0 - 5.0 | 0.0 |
| 5.0 - 10.0 | 51.8 |
| 10.0- 15.0 | 14.6 |
| 15.0+ | 7.2 |
| Unclassified | 0.0 |

| Quality | |
|-----------------|--------|
| Range | % Held |
| Govt (10) | 88.8 |
| Aaa (10) | 9.4 |
| Aa (9) | 1.8 |
| A (8) | 0.0 |
| Baa (7) | 0.0 |
| Below Baa (6-1) | 0.0 |
| Other | 0.0 |

| 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

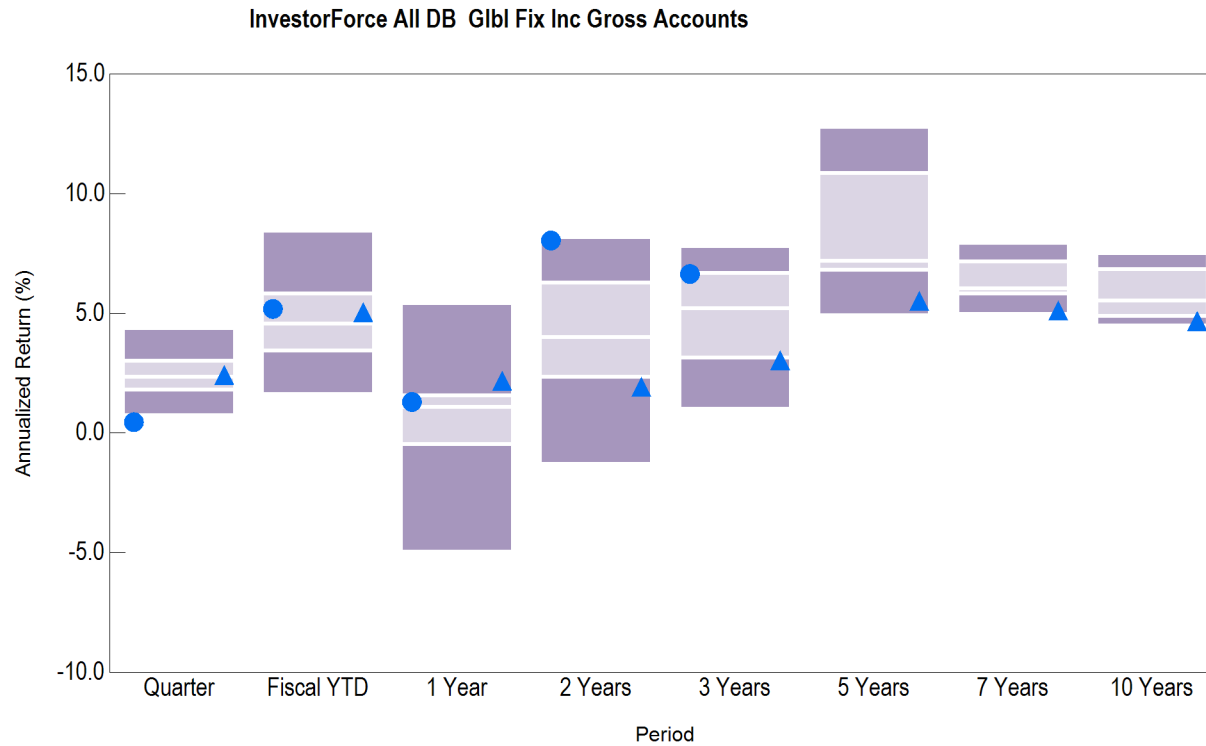
Periods Ending March 31, 2014



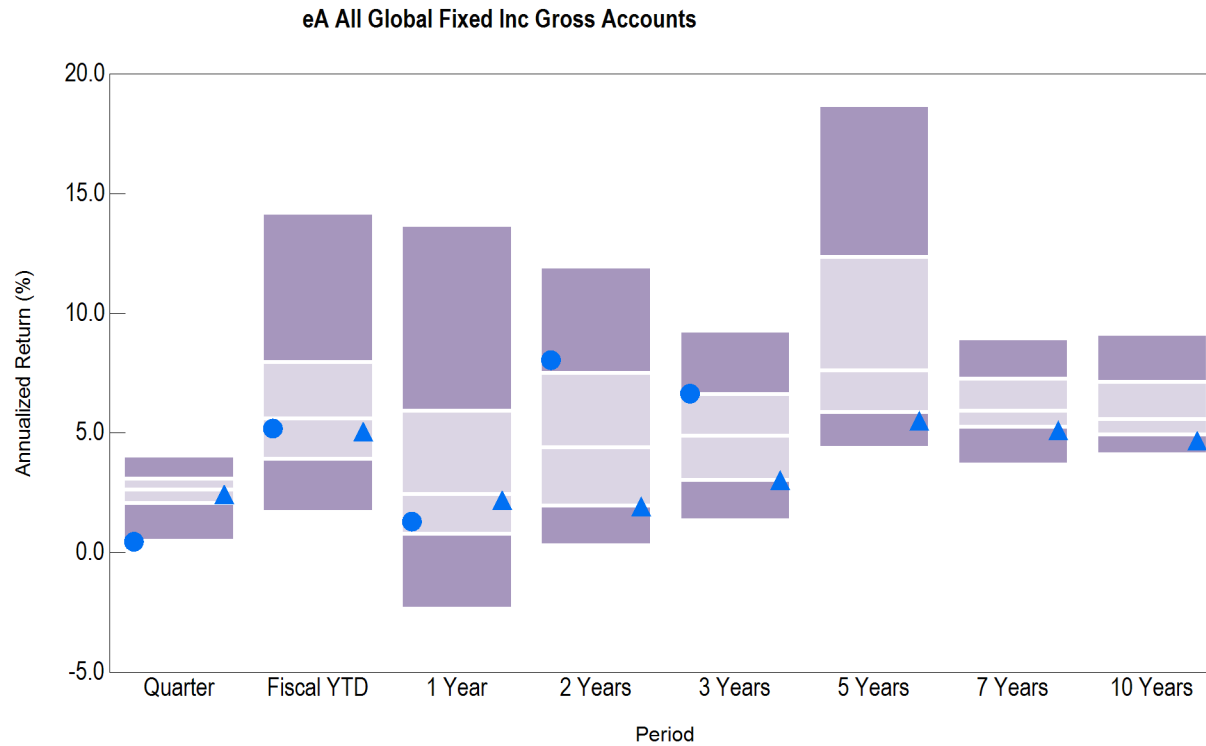
| | Return (Rank) | | | | | | | |
|---|---------------|------------|----------|-----------|----------|---------|---------|----------|
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
| 5th Percentile | 3.8 | 11.4 | 11.1 | 13.3 | 11.0 | 21.6 | 10.2 | 10.3 |
| 25th Percentile | 3.2 | 9.7 | 8.7 | 11.1 | 9.7 | 18.3 | 9.1 | 9.2 |
| Median | 3.0 | 8.9 | 7.6 | 10.0 | 8.9 | 16.7 | 8.5 | 8.5 |
| 75th Percentile | 2.6 | 8.1 | 6.8 | 9.0 | 8.3 | 15.1 | 7.6 | 7.9 |
| 95th Percentile | 1.3 | 5.5 | 4.7 | 5.9 | 5.0 | 11.2 | 6.0 | 6.7 |
| # of Portfolios | 135 | 135 | 135 | 131 | 124 | 112 | 101 | 89 |
| ● Brigade Capital | 2.6 (78) | 7.7 (81) | 6.6 (80) | 10.2 (47) | 9.1 (43) | -- (--) | -- (--) | -- (--) |
| ▲ Barclays BA Intermediate HY | 2.8 (64) | 5.0 (97) | 0.9 (99) | 4.6 (98) | 6.6 (92) | -- (--) | -- (--) | -- (--) |
| × 50% Barclays HY/ 50% Bank Loan | 2.1 (86) | 6.8 (89) | 6.3 (83) | 8.5 (84) | 7.2 (90) | -- (--) | -- (--) | -- (--) |

Total Returns - Global Fixed Income

Periods Ending March 31, 2014



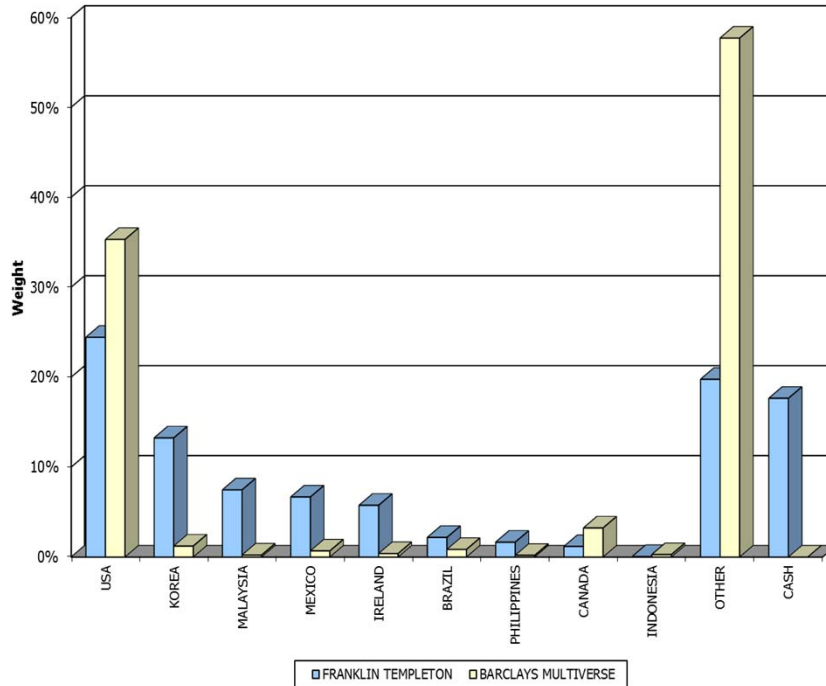
| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|------------------------|----------|------------|----------|----------|----------|----------|----------|----------|
| Return (Rank) | | | | | | | | |
| 5th Percentile | 4.4 | 8.4 | 5.4 | 8.2 | 7.8 | 12.8 | 7.9 | 7.5 |
| 25th Percentile | 3.0 | 5.9 | 1.6 | 6.3 | 6.7 | 10.9 | 7.2 | 6.9 |
| Median | 2.4 | 4.6 | 1.1 | 4.0 | 5.2 | 7.2 | 6.1 | 5.5 |
| 75th Percentile | 1.8 | 3.5 | -0.4 | 2.4 | 3.2 | 6.8 | 5.8 | 4.9 |
| 95th Percentile | 0.8 | 1.6 | -5.0 | -1.3 | 1.0 | 4.9 | 5.0 | 4.5 |
| # of Portfolios | 38 | 38 | 37 | 33 | 32 | 24 | 20 | 11 |
| ● Global Fixed Income | 0.5 (99) | 5.2 (38) | 1.3 (37) | 8.0 (7) | 6.6 (26) | -- (--) | -- (--) | -- (--) |
| ▲ Barclays Multi-verse | 2.4 (43) | 5.1 (44) | 2.2 (21) | 1.9 (77) | 3.0 (77) | 5.5 (92) | 5.1 (90) | 4.7 (84) |



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|-----------------------------|----------|------------|----------|----------|----------|----------|----------|----------|
| Return (Rank) | | | | | | | | |
| 5th Percentile | 4.1 | 14.2 | 13.7 | 11.9 | 9.3 | 18.7 | 8.9 | 9.1 |
| 25th Percentile | 3.1 | 8.0 | 5.9 | 7.5 | 6.6 | 12.4 | 7.3 | 7.1 |
| Median | 2.7 | 5.6 | 2.5 | 4.4 | 4.9 | 7.6 | 6.0 | 5.6 |
| 75th Percentile | 2.1 | 3.9 | 0.8 | 2.0 | 3.0 | 5.9 | 5.3 | 4.9 |
| 95th Percentile | 0.5 | 1.7 | -2.3 | 0.3 | 1.4 | 4.4 | 3.7 | 4.1 |
| # of Portfolios | 233 | 232 | 232 | 226 | 207 | 166 | 135 | 99 |
| Franklin Templeton | 0.5 (96) | 5.2 (58) | 1.3 (68) | 8.0 (24) | 6.6 (25) | -- (--) | -- (--) | -- (--) |
| Barclays Multi-verse | 2.4 (63) | 5.1 (61) | 2.2 (54) | 1.9 (76) | 3.0 (76) | 5.5 (83) | 5.1 (79) | 4.7 (86) |

Portfolio Country Weights – Franklin Templeton

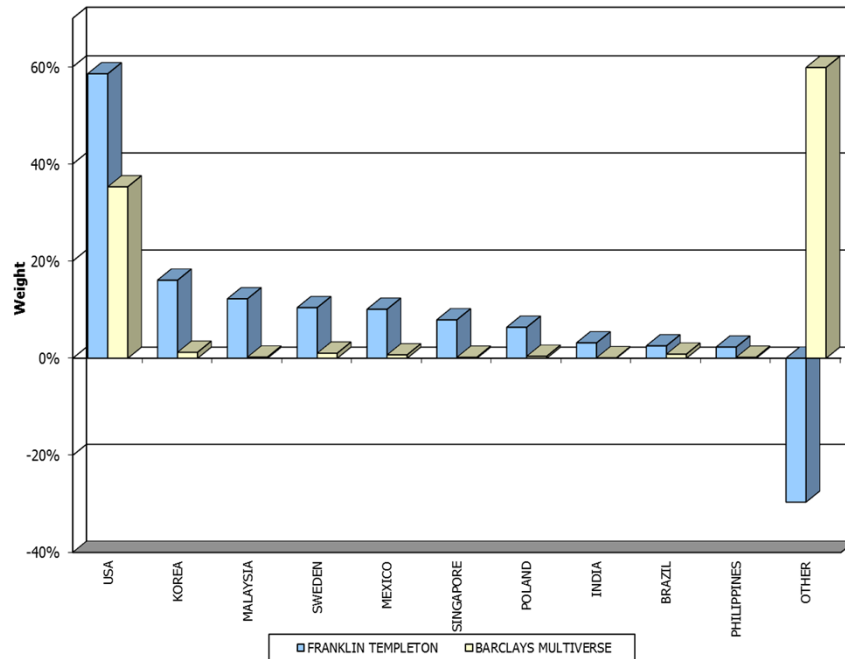
As of March 31, 2014



| COUNTRY | MARKET VALUE | FRANKLIN TEMPLETON | BARCLAYS MULTIVERSE | DIFF |
|-------------|--------------|--------------------|---------------------|--------|
| USA | \$ 30,624 | 24.4% | 35.3% | -10.9% |
| KOREA | \$ 16,599 | 13.2% | 1.2% | +12.0% |
| MALAYSIA | \$ 9,361 | 7.5% | 0.2% | +7.2% |
| MEXICO | \$ 8,365 | 6.7% | 0.7% | +6.0% |
| IRELAND | \$ 7,210 | 5.7% | 0.4% | +5.4% |
| BRAZIL | \$ 2,733 | 2.2% | 0.8% | +1.3% |
| PHILIPPINES | \$ 2,070 | 1.7% | 0.2% | +1.5% |
| CANADA | \$ 1,473 | 1.2% | 3.2% | -2.1% |
| INDONESIA | \$ 72 | 0.1% | 0.3% | -0.2% |
| OTHER | \$ 24,769 | 19.8% | 57.7% | -37.9% |
| CASH | \$ 22,120 | 17.6% | 0.0% | +17.6% |
| | \$ 125,396 | 100.0% | 100.0% | 0.0% |

Portfolio Currency Exposures – Franklin Templeton

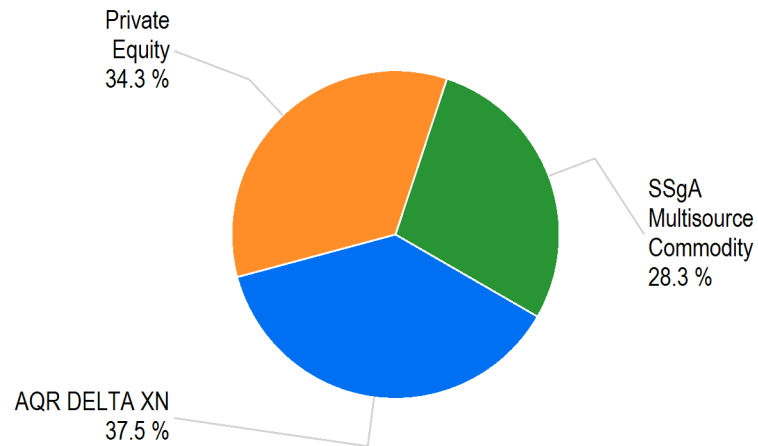
As of March 31, 2014



| CURRENCY | MARKET VALUE | FRANKLIN TEMPLETON | BARCLAYS MULTIVERSE | DIFF |
|-------------|--------------|--------------------|---------------------|--------|
| USA | \$ 73,440 | 58.6% | 35.3% | +23.3% |
| KOREA | \$ 20,151 | 16.1% | 1.2% | +14.8% |
| MALAYSIA | \$ 15,332 | 12.2% | 0.2% | +12.0% |
| SWEDEN | \$ 13,057 | 10.4% | 1.0% | +9.4% |
| MEXICO | \$ 12,638 | 10.1% | 0.7% | +9.4% |
| SINGAPORE | \$ 9,917 | 7.9% | 0.2% | +7.7% |
| POLAND | \$ 7,987 | 6.4% | 0.4% | +6.0% |
| INDIA | \$ 3,956 | 3.2% | 0.1% | +3.1% |
| BRAZIL | \$ 3,181 | 2.5% | 0.8% | +1.7% |
| PHILIPPINES | \$ 2,876 | 2.3% | 0.2% | +2.1% |
| OTHER | \$ (37,137) | -29.6% | 59.9% | -89.5% |
| | \$ 125,396 | 100.0% | 100.0% | 0.0% |

Manager Allocation Analysis - Alternatives

As of March 31, 2014



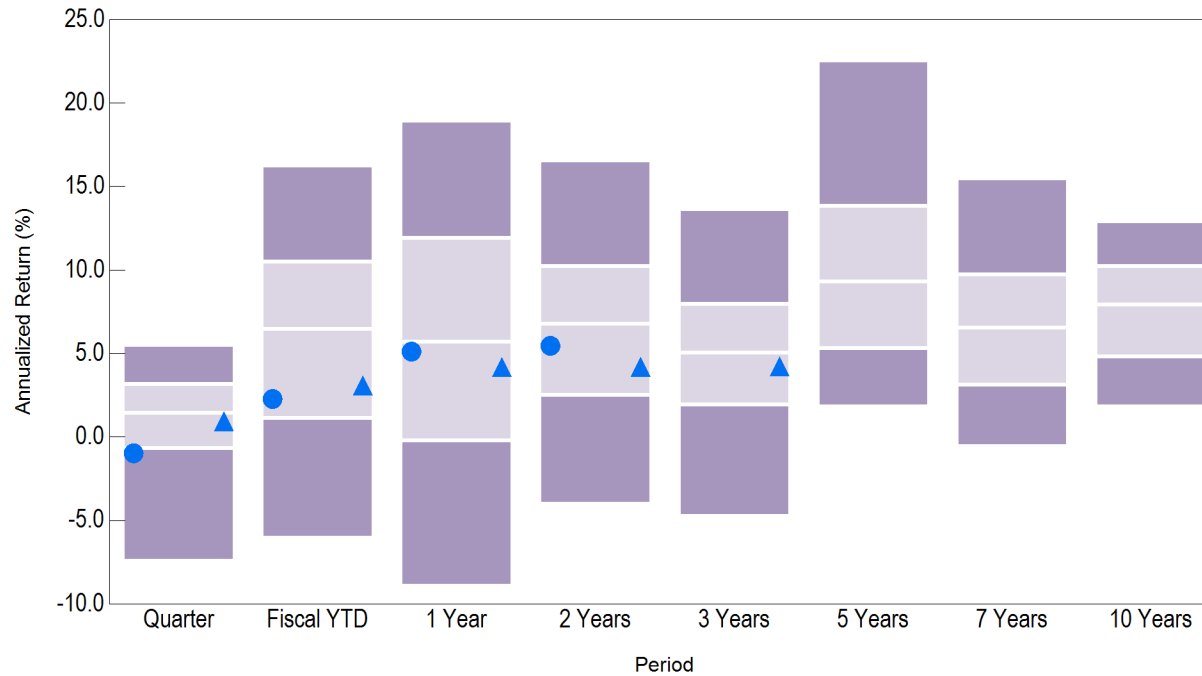
| | Actual \$ | Actual % | Manager Contribution to Excess Return % |
|-------------------------------------|----------------------|---------------|---|
| AQR DELTA II | \$116,642,569 | 37.5% | -0.6% |
| Private Equity | \$106,560,801 | 34.3% | -0.2% |
| SSgA Mutisource Commodity | \$87,922,223 | 28.3% | -1.1% |
| Actual vs. Policy Weight Difference | | | 1.3% |
| Total | \$311,125,593 | 100.0% | -0.6% |

InvestorForce 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 | 3.2 | 11.9 | 14.5 | 11.5 | 7.6 | 13.0 | 6.3 | 15.0 |
| 25th Percentile | 2.0 | 9.4 | 11.0 | 10.0 | 6.2 | 9.2 | 3.7 | 6.3 |
| Median | 1.6 | 8.2 | 9.4 | 8.6 | 5.3 | 7.4 | 2.9 | 5.1 |
| 75th Percentile | 0.9 | 6.8 | 7.8 | 7.0 | 4.1 | 5.8 | 1.8 | 4.3 |
| 95th Percentile | -0.3 | 2.2 | 3.3 | 2.9 | 1.4 | 3.7 | 0.6 | 3.6 |
| # of Portfolios | 217 | 214 | 212 | 208 | 184 | 125 | 85 | 23 |
| ● Hedge Fund | -0.8 (97) | 3.0 (95) | 6.1 (86) | 6.5 (82) | -- (--) | -- (--) | -- (--) | -- (--) |
| ▲ Libor 1 month +4% | 0.9 (74) | 3.1 (95) | 4.2 (93) | 4.2 (93) | 4.2 (74) | -- (--) | -- (--) | -- (--) |

eA|HFN Multi-Strategy Net Accounts

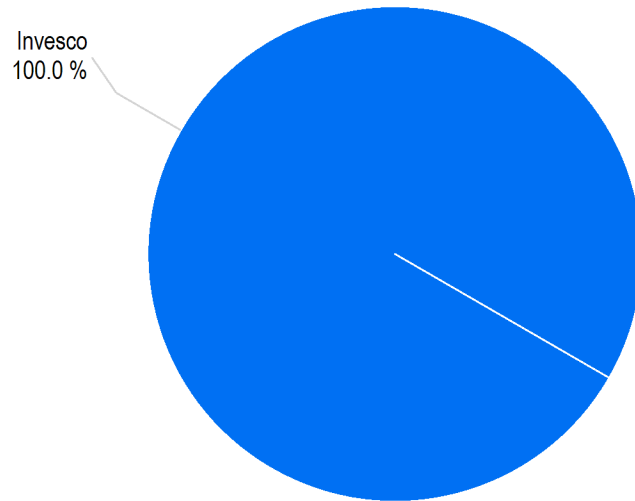


| | Return (Rank) | | | | | | | | | | | | |
|---------------------|---------------|----------|----------|----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 5th Percentile | 5.5 | 16.2 | 18.9 | 16.6 | 13.6 | 22.5 | 15.5 | 12.9 | | | | | |
| 25th Percentile | 3.2 | 10.5 | 11.9 | 10.3 | 8.0 | 13.9 | 9.8 | 10.2 | | | | | |
| Median | 1.5 | 6.5 | 5.7 | 6.8 | 5.1 | 9.3 | 6.6 | 8.0 | | | | | |
| 75th Percentile | -0.7 | 1.2 | -0.2 | 2.5 | 2.0 | 5.3 | 3.1 | 4.8 | | | | | |
| 95th Percentile | -7.4 | -6.0 | -8.9 | -4.0 | -4.7 | 1.9 | -0.5 | 1.8 | | | | | |
| # of Portfolios | 122 | 121 | 118 | 109 | 100 | 81 | 55 | 31 | | | | | |
| ● AQR DELTA XN | -1.0 (78) | 2.3 (72) | 5.1 (54) | 5.5 (58) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) |
| ▲ Libor 1 month +4% | 0.9 (60) | 3.1 (67) | 4.2 (58) | 4.2 (64) | 4.2 (55) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) | -- (--) |

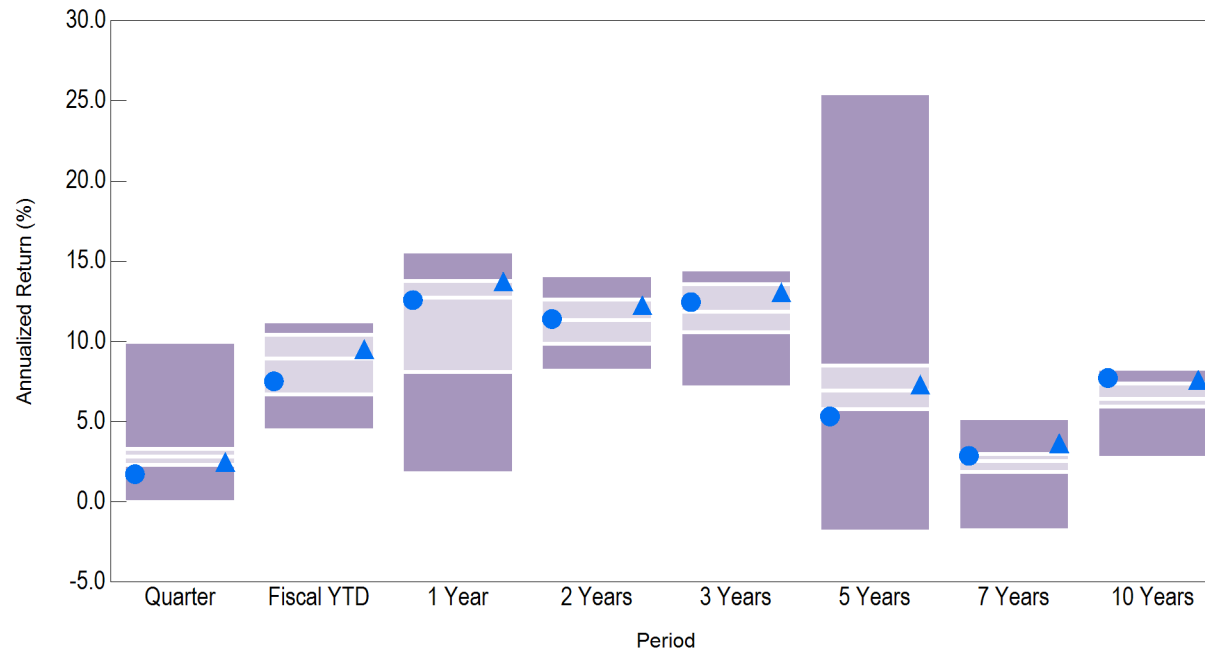
Manager Allocation Analysis - Real Estate

As of March 31, 2014

| | Actual \$ | Actual % |
|---------|---------------|----------|
| Invesco | \$178,084,212 | 100.0% |
| Total | \$178,084,212 | |



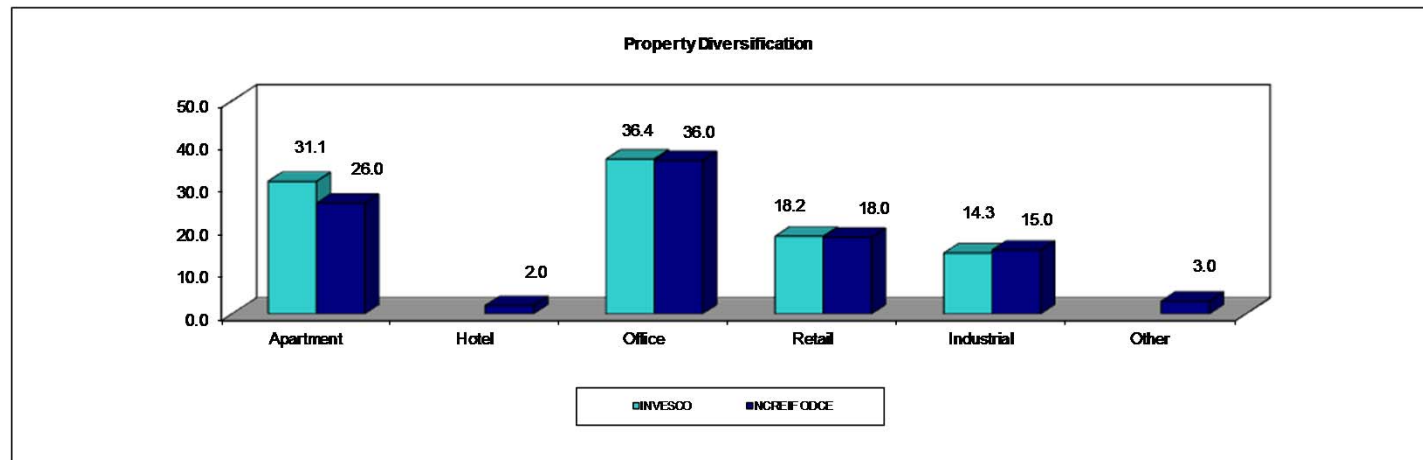
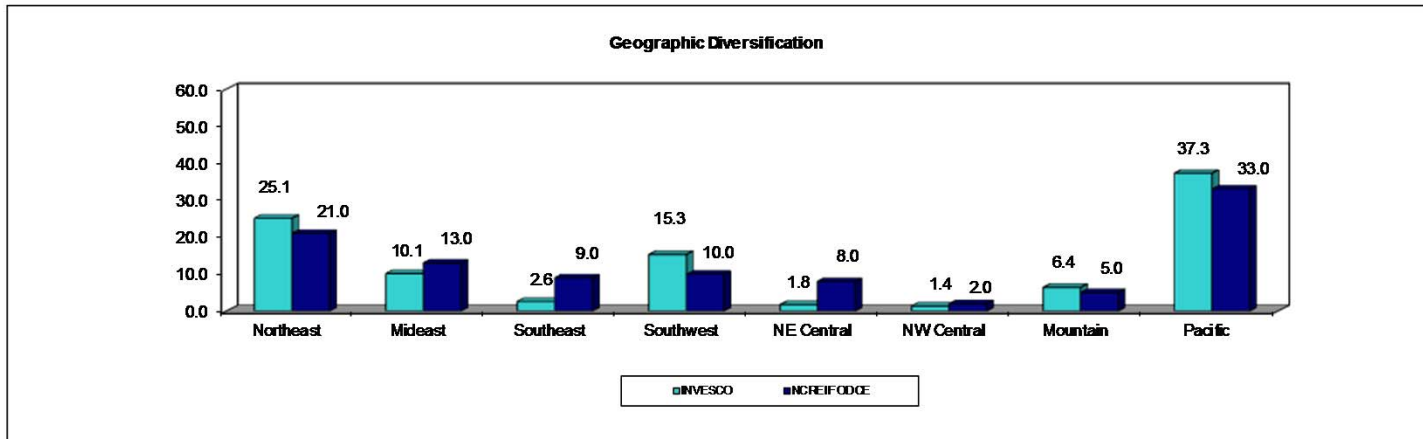
InvestorForce All DB Real Estate Gross Accounts



| | Quarter | Fiscal YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|------------------------|----------|------------|-----------|-----------|-----------|----------|----------|----------|
| 5th Percentile | 10.0 | 11.2 | 15.6 | 14.1 | 14.5 | 25.5 | 5.2 | 8.3 |
| 25th Percentile | 3.3 | 10.4 | 13.8 | 12.6 | 13.6 | 8.5 | 3.0 | 7.4 |
| Median | 2.8 | 8.9 | 12.7 | 11.3 | 11.9 | 6.9 | 2.5 | 6.4 |
| 75th Percentile | 2.3 | 6.7 | 8.1 | 9.8 | 10.6 | 5.8 | 1.9 | 6.0 |
| 95th Percentile | 0.0 | 4.5 | 1.8 | 8.2 | 7.1 | -1.9 | -1.8 | 2.8 |
| # of Portfolios | 101 | 101 | 100 | 96 | 89 | 84 | 74 | 45 |
| ● Real Estate | 1.7 (82) | 7.5 (65) | 12.6 (53) | 11.4 (50) | 12.4 (38) | 5.3 (82) | 2.9 (37) | 7.7 (19) |
| ▲ NCREIF ODCE | 2.5 (66) | 9.5 (36) | 13.7 (28) | 12.3 (31) | 13.0 (33) | 7.3 (45) | 3.6 (17) | 7.6 (22) |

Real Estate Diversification Analysis – INVESCO Core Real Estate

As of March 31, 2014



Real Estate Valuation Analysis – INVESCO Core Real Estate

First Quarter 2014

| Property Name | MSA | Prior Quarter Carry Value | Current Quarter Carry Value | Net Market Value | Added to Fund | Last Valuation Date | SamCERA ownership as of 3/31/2014 3.33% |
|---|--------------------------|---------------------------|-----------------------------|------------------------|---------------|---------------------|--|
| APARTMENTS | | | | | | | |
| Seneca Village | Portland-Vancouver OR-WA | \$43,200,000 | \$46,000,000 | \$46,000,000 | 2Q04 | March-14 | \$1,533,532 |
| Grandeville at the Commons | South Kingstown, RI | \$43,600,000 | \$43,600,000 | \$43,600,000 | 3Q05 | March-14 | \$1,453,521 |
| Milestone Apt. Portfolio | Various States - South | \$51,447,676 | \$53,201,065 | \$53,201,065 | 2Q06 | N/A | \$1,773,598 |
| Stoneridge | Pleasanton, CA | \$173,000,000 | \$173,000,000 | \$173,000,000 | 4Q06 | March-14 | \$5,767,413 |
| Sterling Parc Apartments | Cedar Knolls, NJ | \$92,000,000 | \$92,000,000 | \$92,000,000 | 2Q07 | March-14 | \$3,067,064 |
| Millington at Merrill Creek | Everett, WA | \$64,800,000 | \$63,300,000 | \$63,300,000 | 2Q07 | March-14 | \$2,110,273 |
| The Residences at Stevens Pond | Boston MA - NH | \$93,800,000 | \$93,800,000 | \$93,800,000 | 4Q07 | March-14 | \$3,127,071 |
| Holland Portfolio | Seattle - Belle - Eve WA | \$111,744,488 | \$112,789,717 | \$29,698,295 | 4Q07 | March-14 | \$990,071 |
| Village Crossing at Chino Hills | Riverside, CA | \$79,500,000 | \$80,500,000 | \$80,500,000 | 1Q08 | March-14 | \$2,683,681 |
| Metropolitan at Pentagon City | Arlington, VA | \$151,000,000 | \$151,000,000 | \$90,086,264 | 3Q10 | March-14 | \$3,003,264 |
| Ladd Tower | Portland, OR | \$112,000,000 | \$114,000,000 | \$114,000,000 | 4Q10 | March-14 | \$3,800,492 |
| Legacy Fountain Plaza | San Jose, CA | \$118,000,000 | \$117,000,000 | \$117,000,000 | 1Q11 | March-14 | \$3,900,505 |
| The Elektra | New York, NY | \$158,000,000 | \$158,000,000 | \$87,710,845 | 1Q11 | March-14 | \$2,924,073 |
| 75 Clinton Street | Brooklyn, NY | \$64,400,000 | \$64,400,000 | \$64,400,000 | 1Q12 | March-14 | \$2,146,944 |
| Club Laguna | Orange County, CA | \$127,000,000 | \$128,000,000 | \$128,000,000 | 3Q12 | March-14 | \$4,267,219 |
| Goodwynn | Atlanta, GA | \$78,800,000 | \$78,800,000 | \$42,179,824 | 4Q12 | March-14 | \$1,406,176 |
| Mercedes House | New York, NY | \$210,000,000 | \$210,000,000 | \$140,000,000 | 1Q13 | March-14 | \$4,667,271 |
| Sunset Vine Tower | Los Angeles, CA | \$75,300,000 | \$73,400,000 | \$73,400,000 | 2Q13 | March-14 | \$2,446,983 |
| The Ashton | Dallas, TX | \$112,500,000 | \$112,000,000 | \$112,000,000 | 4Q13 | March-14 | \$3,733,816 |
| The Pointe at West Chester | West Chester, PA | \$62,400,000 | \$62,400,000 | \$62,400,000 | 4Q13 | March-14 | \$2,080,269 |
| 206 Bell | Seattle, WA | \$41,500,000 | \$41,500,000 | \$41,500,000 | 4Q13 | March-14 | \$1,383,512 |
| Cadence Union Station | Denver, CO | \$0 | \$69,266,140 | \$69,266,140 | 1Q14 | ACQ 1Q14 | \$2,309,170 |
| | | \$2,063,992,164 | \$2,137,956,922 | \$1,817,042,433 | | | \$60,575,919 |
| INDUSTRIAL | | | | | | | |
| Arjons | San Diego CA | \$27,500,000 | \$26,700,000 | \$26,700,000 | 2Q04 | March-14 | \$890,115 |
| Garland Gateway East | Dallas TX | \$10,300,000 | \$10,500,000 | \$10,500,000 | 2Q04 | March-14 | \$350,045 |
| Gateway Business Park | Dallas TX | \$9,900,000 | \$10,900,000 | \$10,900,000 | 2Q04 | March-14 | \$363,380 |
| Hayward Industrial | Oakland CA | \$96,900,000 | \$97,800,000 | \$97,800,000 | 3Q04-3Q07 | March-14 | \$3,260,422 |
| Lackman | Kansas City MO-KS | \$20,800,000 | \$20,800,000 | \$20,800,000 | 2Q04 | March-14 | \$693,423 |
| Crossroads Industrial | Kansas City MO-KS | \$8,000,000 | \$8,000,000 | \$8,000,000 | 1Q06 | March-14 | \$266,701 |
| Oakesdale Commerce Center | Seattle - Belle - Eve WA | \$39,500,000 | \$40,600,000 | \$40,600,000 | 1Q06 | March-14 | \$1,353,508 |
| South Bay Industrial | Los Angeles, CA | \$56,400,000 | \$56,200,000 | \$56,200,000 | 4Q06 | March-14 | \$1,873,576 |
| VIP Holdings I | Chicago, IL | \$75,016,120 | \$71,452,352 | \$26,766,601 | 2Q06 | March-14 | \$892,335 |
| Tempe Commerce | Phoenix - Mesa AZ | \$53,900,000 | \$54,200,000 | \$54,200,000 | 4Q07 | March-14 | \$1,806,900 |
| Steeplechase 95 International Business Park | Capitol Heights, MD | \$24,000,000 | \$23,800,000 | \$23,800,000 | 1Q11 | March-14 | \$793,436 |
| Airport Trade Center III & V | Dallas, TX | \$32,900,000 | \$34,000,000 | \$34,000,000 | 1Q11 | March-14 | \$1,133,480 |
| IE Logistics | San Bernardino, CA | \$113,200,000 | \$116,500,000 | \$116,500,000 | 3Q11 | March-14 | \$3,883,836 |
| Railhead Drive Industrial | Dallas, TX | \$60,200,000 | \$60,100,000 | \$60,100,000 | 4Q11 | March-14 | \$2,003,593 |
| 16400 Knott Ave | Los Angeles, CA | \$30,900,000 | \$31,100,000 | \$31,100,000 | 3Q12 | March-14 | \$1,036,801 |
| Chino South Logistics Center | Chino, CA | \$117,000,000 | \$131,000,000 | \$131,000,000 | 4Q12 | March-14 | \$4,367,232 |
| Airport Trade Center I | Dallas, TX | \$29,100,000 | \$41,200,000 | \$41,200,000 | 1Q13 | March-14 | \$1,373,511 |
| Airport Trade Center II & IV | Dallas, TX | \$41,700,000 | \$29,400,000 | \$29,400,000 | 1Q13 | March-14 | \$980,127 |
| SFF Logistics Center | San Francisco, CA | \$118,100,000 | \$118,000,000 | \$118,000,000 | 4Q13 | March-14 | \$3,933,842 |
| | | \$965,316,120 | \$982,252,352 | \$937,566,601 | | | \$31,256,264 |

Real Estate Valuation Analysis – INVESCO Core Real Estate

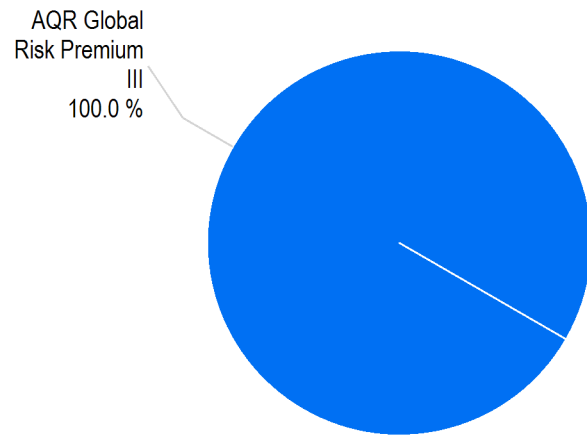
First Quarter 2014

| 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 3/31/2014 3.33% |
|---------------------------|--------------------------|---------------------------|-----------------------------|------------------------|--------------------|---------------------|--|
| OFFICE | | | | | | | |
| 55 Cambridge | Boston MA - NH | \$173,000,000 | \$184,000,000 | \$184,000,000 | 4Q06 | March-14 | \$6,134,127 |
| Gainey Center II | Scottsdale - AZ | \$30,400,000 | \$31,700,000 | \$31,700,000 | 3Q07 | March-14 | \$1,056,803 |
| Valencia Town Center | Valencia, CA | \$160,000,000 | \$160,000,000 | \$160,000,000 | 3Q07 | March-14 | \$5,334,024 |
| Westport Corporate Center | Fairfield County, CT | \$14,500,000 | \$14,800,000 | \$14,800,000 | 4Q07 | March-14 | \$493,397 |
| Parkside Towers | San Francisco, CA | \$100,808,850 | \$0 | \$0 | 1Q08 | Sold 1Q14 | \$0 |
| The Executive Building | Washington DC | \$191,000,000 | \$206,000,000 | \$206,000,000 | 2Q08 | March-14 | \$6,867,555 |
| 1111 Pennsylvania Avenue | Washington, D.C. | \$247,000,000 | \$245,000,000 | \$245,000,000 | 4Q10 | March-14 | \$8,167,723 |
| 1800 Larimer | Denver, CO | \$265,000,000 | \$266,000,000 | \$266,000,000 | 1Q11 | March-14 | \$8,867,814 |
| 230 Park Avenue | New York, NY | \$440,130,000 | \$446,250,000 | \$262,520,208 | 2Q11 | March-14 | \$8,751,806 |
| 3450 & 3460 Hillview Ave | San Jose, CA | \$60,700,000 | \$63,500,000 | \$63,500,000 | 3Q12 | March-14 | \$2,116,941 |
| Williams Tower | Houston, TX | \$469,000,000 | \$484,000,000 | \$304,472,566 | 1Q13 | March-14 | \$10,150,399 |
| Westlake Park Place | Westlake Village, CA | \$97,974,950 | \$99,200,000 | \$99,200,000 | 4Q13 | March-14 | \$3,307,095 |
| 101 Second Street | San Francisco, CA | \$0 | \$298,000,000 | \$298,000,000 | 1Q14 | March-14 | \$9,934,619 |
| | | \$2,249,513,800 | \$2,498,450,000 | \$2,135,192,774 | | | \$71,182,303 |
| RETAIL | | | | | | | |
| Broadway at Surf | Chicago IL | \$32,500,000 | \$33,600,000 | \$33,600,000 | 2Q04 | March-14 | \$1,120,145 |
| Carriagetown Marketplace | Boston MA - NH | \$22,500,000 | \$22,500,000 | \$22,500,000 | 2Q04 | March-14 | \$750,097 |
| Chandler Pavilions | Phoenix - Mesa AZ | \$19,500,000 | \$19,400,000 | \$19,400,000 | 2Q04 | March-14 | \$646,750 |
| Matthews Township | Charlotte - G - RH NC-SC | \$23,900,000 | \$23,900,000 | \$23,900,000 | 2Q04 | March-14 | \$796,770 |
| Windward Commons | Atlanta GA | \$22,000,000 | \$22,000,000 | \$22,000,000 | 2Q04 | March-14 | \$733,428 |
| Cityline at Tenley | Washington, D.C. | \$46,600,000 | \$46,800,000 | \$46,800,000 | 4Q05 | March-14 | \$1,560,202 |
| Ridgehaven Mall | Minnetonka, MN | \$34,500,000 | \$34,700,000 | \$34,700,000 | 4Q05 | March-14 | \$1,156,816 |
| The Beacon Retail | San Francisco, CA | \$50,600,000 | \$50,600,000 | \$50,600,000 | 1Q06 | March-14 | \$1,686,885 |
| The Beacon Garage | San Francisco, CA | \$29,800,000 | \$29,800,000 | \$29,800,000 | 1Q06 | March-14 | \$993,462 |
| Oak Brook Court | Chicago, IL | \$14,000,000 | \$16,000,000 | \$16,000,000 | 4Q07 | March-14 | \$533,402 |
| Hawthorne Plaza | Overland Park, KS | \$32,100,000 | \$32,300,000 | \$32,300,000 | 4Q07 | March-14 | \$1,076,806 |
| Deerwood Lake Commons | Jacksonville, FL | \$10,500,000 | \$11,100,000 | \$11,100,000 | 4Q07 | March-14 | \$370,048 |
| Heath Brook Commons | Ocala, FL | \$10,900,000 | \$11,000,000 | \$11,000,000 | 4Q07 | March-14 | \$366,714 |
| Park View Square | Miramar, FL | \$13,100,000 | \$12,900,000 | \$12,900,000 | 4Q07 | March-14 | \$430,056 |
| St. John's Commons | Jacksonville, FL | \$10,400,000 | \$10,900,000 | \$10,900,000 | 4Q07 | March-14 | \$363,380 |
| West Creek Commons | Coconut Creek, FL | \$11,000,000 | \$11,300,000 | \$11,300,000 | 4Q07 | March-14 | \$376,715 |
| The Loop | Boston MA - NH | \$97,000,000 | \$94,000,000 | \$94,000,000 | 1Q08 | March-14 | \$3,133,739 |
| Westbank Marketplace | Austin, TX | \$47,900,000 | \$47,900,000 | \$25,793,151 | 3Q10 | March-14 | \$859,883 |
| 910 Lincoln Road | Miami, FL | \$22,600,000 | \$22,900,000 | \$22,900,000 | 4Q10 | March-14 | \$763,432 |
| Lake Pointe Village | Houston, TX | \$67,000,000 | \$67,100,000 | \$67,100,000 | 4Q11 | March-14 | \$2,236,956 |
| Safeway Kapahulu | Hawaii | \$85,500,000 | \$85,500,000 | \$49,726,576 | 4Q11 | March-14 | \$1,657,767 |
| Safeway Burlingame | San Francisco, CA | \$47,600,000 | \$47,600,000 | \$25,134,007 | 4Q11 | March-14 | \$837,909 |
| Shamrock Plaza | Oakland, CA | \$34,500,000 | \$34,700,000 | \$18,617,516 | 4Q11 | March-14 | \$620,664 |
| Pavilions Marketplace | West Hollywood, CA | \$51,400,000 | \$51,500,000 | \$27,079,367 | 1Q12 | March-14 | \$902,762 |
| 130 Prince | New York, NY | \$154,000,000 | \$165,000,000 | \$165,000,000 | 2Q12 | March-14 | \$5,500,712 |
| Pleasanton Gateway | Pleasanton, CA | \$71,600,000 | \$71,500,000 | \$71,500,000 | 4Q12 | March-14 | \$2,383,642 |
| Liberty Wharf | Boston, MA | \$75,500,000 | \$75,100,000 | \$40,103,555 | 4Q12 | March-14 | \$1,336,958 |
| Shops at Legacy | Plano, TX | \$101,000,000 | \$101,000,000 | \$101,000,000 | 3Q13 | March-14 | \$3,367,102 |
| | | \$1,239,500,000 | \$1,252,600,000 | \$1,096,754,172 | | | \$36,563,203 |
| Portfolio Total | | \$6,518,322,084 | \$6,871,259,274 | \$5,986,555,980 | | | \$199,577,690 |

Manager Allocation Analysis - Risk Parity

As of March 31, 2014

| | Actual \$ | Actual % |
|-----------------------------|----------------------|----------|
| AQR Global Risk Premium III | \$183,132,544 | 100.0% |
| Total | \$183,132,544 | |



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: | | | | | | | | | |
|-----------------------------------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| | 1/1/2014 | 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 | 24.0% | 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% | 0.0% | 5.0% |
| Russell 1000 Value | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 5.0% | 5.0% | 0.0% |
| Russell 2000 | 6.0% | 7.0% | 7.0% | 7.0% | 9.0% | 9.0% | 10.0% | 15.0% | 15.0% | 15.0% |
| MSCI AC World ex-US | 0.0% | 18.0% | 18.0% | 18.0% | 21.0% | 21.0% | 15.0% | 0.0% | 0.0% | 0.0% |
| MSCI ACWI ex-US IMI | 20.0% | | | | | | | | | |
| MSCI EAFE | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 20.0% | 20.0% | 20.0% |
| Bardays Aggregate | 9.25% | 11.0% | 11.0% | 12.9% | 27.0% | 27.0% | 29.0% | 25.0% | 21.0% | 21.0% |
| Bardays BA Intermediate HY | 5.0% | | | | | | | | | |
| Bardays BBB | 0.0% | 3.5% | 3.3% | 1.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Bardays Tips | 2.0% | 3.1% | 3.3% | 3.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Bardays Multiverse | 3.75% | 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% | 0.0% | 5.0% | 9.0% | 9.0% |
| NCREIF NFI ODCE | 6.0% | 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% | 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% | 0.0% | 8.0% | 10.0% | 10.0% |
| Russell 3000 + 300 basis points | 7.0% | 8.0% | 8.0% | 8.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 60% Russell 3000/40% BC Aggregate | 8.0% | 6.0% | 6.0% | 6.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Libor + 4% | 4.0% | 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% | 3.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| CPI + 5% | 2.0% | | | | | | | | | |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Total Equity Benchmark

| | As of: | | | | | | |
|---------------------|----------|-----------|----------|----------|----------|----------|----------|
| | 1/1/2014 | 10/1/2010 | 5/1/2007 | 6/1/2000 | 3/1/1999 | 9/1/1998 | 1/1/1996 |
| Russell 1000 | 48.0% | 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% | 0.0% | 8.4% |
| Russell 1000 Value | 0.0% | 0.0% | 0.0% | 0.0% | 8.0% | 8.3% | 0.0% |
| Russell 2000 | 12.0% | 13.2% | 13.5% | 15.4% | 24.2% | 25.0% | 25.0% |
| MSCI AC World ex-US | 0.0% | 34.0% | 31.3% | 23.1% | 0.0% | 0.0% | 0.0% |
| MSCI EAFE | 0.0% | 0.0% | 0.0% | 0.0% | 32.3% | 33.3% | 33.3% |
| MSCI ACWI ex-US IMI | 40.0% | | | | | | |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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: | | |
|---------------------|----------|----------|----------|
| | 1/1/2014 | 6/1/2000 | 1/1/1996 |
| MSCI ACWI ex-US IMI | 100.0% | | |
| MSCI AC World ex-US | 0.0% | 100% | 0.0% |
| MSCI EAFE | 0.0% | 0.0% | 100% |
| | 100% | 100% | 100% |

Total Fixed Income Benchmark

| | As of: | | | | | | |
|--------------------------------|----------|----------|----------|-----------|----------|----------|----------|
| | 1/1/2014 | 2/1/2013 | 1/1/2011 | 10/1/2010 | 6/1/2000 | 3/1/1999 | 7/1/1996 |
| Barclays Aggregate | 46.3% | 50.0% | 50.0% | 58.6% | 100.0% | 83.3% | 70.0% |
| Barclays BBB | 0.0% | 16.0% | 15.0% | 7.3% | 0.0% | 0.0% | 0.0% |
| Barclays Tips | 10.0% | 14.0% | 15.0% | 13.6% | 0.0% | 0.0% | 0.0% |
| Barclays Multiverse | 18.8% | 20.0% | 20.0% | 20.5% | 0.0% | 0.0% | 0.0% |
| Barclays BA Intermediate HY | 25.0% | | | | | | |
| Citigroup Non-US WGBI unhedged | 0.0% | 0.0% | 0% | 0.0% | 0.0% | 17% | 30.0% |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Domestic Fixed Income Benchmark

| | As of: | | | | |
|-----------------------------|----------|----------|----------|-----------|----------|
| | 1/1/2014 | 2/1/2013 | 1/1/2011 | 10/1/2010 | 7/1/1996 |
| Barclays Aggregate | 56.92% | 62.50% | 62.40% | 73.70% | 100.00% |
| Barclays BBB | | 20.00% | 18.80% | 9.10% | 0.00% |
| Barclays Tips | 12.31% | 17.50% | 18.80% | 17.20% | 0.00% |
| Barclays BA Intermediate HY | 30.77% | | | | |
| | 100.0% | 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 | 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% |
| | 100.0% |

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% |
| Private Real Assets | 1/1/2014 |
| CPI + 5% | 100% |
| | 100% |

FEE SCHEDULES

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 |

BlackRock-EAFE Equity Index Fund

| | |
|----------------------|-----------------|
| First \$100 million: | 0.06% per annum |
| Thereafter: | 0.04% 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 | NO | 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 | NO | 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 March 31, 2014

| | Jan | Feb | Mar | 1th Qtr. 2014 | Difference | 4th Qtr. 2013 | Difference | 3rd Qtr. 2013 | Difference | 2nd Qtr. 2013 | Difference |
|---------------------------|--------|-------|--------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| SIS | -3.46% | 4.58% | 0.84% | 1.81% | | 10.53% | | 5.26% | | 2.92% | |
| BlackRock S&P 500 Fund | -3.46% | 4.58% | 0.84% | 1.81% | 0.00% | 10.52% | 0.01% | 5.27% | -0.01% | 2.92% | 0.00% |
| S&P 500 Index | -3.46% | 4.57% | 0.84% | 1.80% | | 10.52% | | 5.25% | | 2.92% | |
| SIS | -3.21% | 4.50% | -0.29% | 0.85% | | 9.62% | | 6.60% | | 3.37% | |
| D.E. Shaw | -3.21% | 4.50% | -0.29% | 0.85% | 0.00% | 9.63% | 0.00% | 6.60% | 0.00% | 3.37% | 0.00% |
| Russell 1000 Index | -3.19% | 4.75% | 0.64% | 2.05% | | 10.23% | | 6.02% | | 2.65% | |
| SIS | -2.33% | 3.44% | -0.93% | 0.09% | | 8.13% | | 8.13% | | | |
| BrownAdvisory | -2.29% | 3.39% | -0.94% | 0.07% | 0.01% | 8.12% | -0.01% | 8.12% | 0.01% | | |
| Russell 1000 Growth Index | -2.85% | 5.15% | -1.01% | 1.12% | | 8.12% | | 8.12% | | | |
| SIS | -3.87% | 4.58% | 1.28% | 1.82% | | 9.77% | | 7.40% | | 5.99% | |
| Barrow Hanley | -3.86% | 4.59% | 1.27% | 1.83% | -0.01% | 9.77% | 0.01% | 7.40% | 0.00% | 5.97% | 0.02% |
| Russell 1000 Value Index | -3.55% | 4.32% | 2.39% | 3.02% | | 10.01% | | 3.95% | | 3.20% | |
| SIS | -3.35% | 4.46% | 1.15% | 2.12% | | 9.12% | | 9.87% | | 2.65% | |
| The Boston Company | -3.35% | 4.46% | 1.15% | 2.12% | 0.00% | 9.12% | 0.00% | 9.86% | 0.01% | 2.64% | 0.01% |
| Russell 2000 Value Index | -3.87% | 4.58% | 1.24% | 1.78% | | 9.30% | | 7.60% | | 2.47% | |
| SIS | -2.92% | 6.12% | -0.92% | 2.07% | | 7.81% | | 14.08% | | 2.54% | |
| Chartwell | -2.94% | 6.12% | -0.92% | 2.05% | 0.02% | 7.81% | 0.00% | 14.07% | 0.01% | 2.51% | 0.02% |
| Russell 2000 Growth Index | -1.73% | 4.83% | -2.46% | 0.48% | | 8.18% | | 12.80% | | 3.74% | |
| SIS | -4.59% | 6.91% | 0.52% | 2.53% | | 4.56% | | 10.66% | | -1.46% | |
| Baillie Gifford | -4.59% | 6.90% | 0.51% | 2.51% | 0.02% | 4.59% | -0.02% | 10.63% | 0.03% | -1.43% | -0.02% |
| MSCI EAFE | -4.02% | 5.59% | -0.57% | 0.77% | | 5.74% | | 11.61% | | -0.74% | |
| MSCI EAFE Growth Index | -4.48% | 5.51% | -0.58% | 0.20% | | 5.18% | | 10.53% | | -0.98% | |

San Mateo County Employees' Retirement Association

Manager Performance Comparison

As of March 31, 2014

| | Jan | Feb | Mar | 1th Qtr. 2014 | Difference | 4th Qtr. 2013 | Difference | 3rd Qtr. 2013 | Difference | 2nd Qtr. 2013 | Difference |
|----------------------------------|--------|-------|--------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| SIS | -4.02% | 5.58% | -0.58% | 0.74% | | | | | | -6.23% | |
| BlackRock EAFE Equity | -4.02% | 5.58% | -0.58% | 0.75% | 0.00% | | | | | -6.23% | |
| MSCI EAFE (Net) | -4.03% | 5.56% | -0.64% | 0.66% | | | | | | | |
| MSCI EAFE (Gross) | -4.02% | 5.59% | -0.57% | 0.77% | | | | | | -7.96% | |
| SIS | -5.04% | 3.49% | 2.93% | 1.15% | | 2.83% | | 5.78% | | -6.23% | |
| Eaton Vance Management | -5.04% | 3.48% | 2.93% | 1.14% | 0.01% | 2.83% | 0.00% | 5.78% | 0.00% | -6.23% | 0.00% |
| MSCI EM Market Index | -6.47% | 3.33% | 3.09% | -0.37% | | 1.86% | | 5.89% | | -7.96% | |
| SIS | -4.18% | 6.00% | 1.55% | 3.13% | | 5.42% | | 7.35% | | -0.98% | |
| Mondrian | -4.12% | 5.99% | 1.56% | 3.21% | -0.07% | 5.50% | -0.08% | 7.32% | 0.03% | -0.98% | 0.00% |
| MSCI ACWI -ex US Value Index | -4.29% | 4.82% | 0.51% | 0.84% | | 4.93% | | 11.46% | | -2.97% | |
| MSCI ACWI -ex US | -4.53% | 5.05% | 0.32% | 0.61% | | 4.81% | | 10.17% | | -2.90% | |
| SIS | -3.33% | 5.29% | 0.32% | 2.11% | | 4.76% | | 9.59% | | -2.80% | |
| Pyramis Int'l Equity | -3.33% | 5.29% | 0.32% | 2.11% | 0.00% | 4.75% | 0.00% | 9.58% | 0.01% | -2.81% | 0.00% |
| MSCI ACWI -ex US Small Cap Index | -1.91% | 5.39% | 0.18% | 3.56% | | 4.67% | | 12.46% | | -4.27% | |
| SIS | | | | 4.77% | | 3.80% | | 2.00% | | 10.71% | |
| Angel Gordon STAR Fund (Net) | | | | 4.77% | 0.00% | 3.80% | 0.00% | 2.00% | 0.00% | 10.71% | 0.00% |
| BC Aggregate Index | | | | -0.20% | | -0.20% | | -0.20% | | -2.33% | |
| SIS | 1.61% | 0.72% | -0.17% | 2.17% | | 0.15% | | 0.91% | | -2.48% | |
| Pyramis Bond | 1.61% | 0.72% | -0.17% | 2.17% | 0.00% | 0.14% | 0.01% | 0.91% | 0.00% | -2.49% | 0.00% |
| BC Aggregate Index | 1.48% | 0.53% | -0.17% | 1.84% | | -0.14% | | 0.58% | | -2.33% | |
| SIS | 0.54% | 1.38% | 0.65% | 2.59% | | 2.49% | | 2.45% | | -1.03% | |
| Brigade Capital | 0.50% | 1.35% | 0.62% | 2.49% | 0.10% | 2.44% | 0.05% | 2.36% | 0.09% | -1.11% | 0.08% |
| BC BBB Credit | 1.68% | 1.49% | 0.41% | 3.62% | | 1.34% | | 0.77% | | -3.93% | |
| SIS | 1.25% | 0.39% | -0.37% | 1.26% | | -1.65% | | 0.72% | | -7.34% | |
| Brown Brothers Hariman | 1.23% | 0.42% | -0.37% | 1.28% | -0.01% | -1.66% | 0.01% | 0.59% | 0.13% | -7.35% | 0.01% |
| BC U.S Tips | 1.98% | 0.45% | -0.47% | 1.95% | | -2.01% | | 0.71% | | -7.05% | |

San Mateo County Employees' Retirement Association

Manager Performance Comparison

As of March 31, 2014

| | Jan | Feb | Mar | 1th Qtr. 2014 | Difference | 4th Qtr. 2013 | Difference | 3rd Qtr. 2013 | Difference | 2nd Qtr. 2013 | Difference |
|-----------------------------------|--------|--------|--------|------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| SIS | 1.39% | 0.97% | 0.22% | 2.60% | | 0.49% | | 0.82% | | -2.73% | |
| Western Asset | 1.47% | 0.95% | 0.21% | 2.65% | -0.05% | 0.52% | -0.03% | 0.76% | 0.06% | -2.71% | -0.03% |
| BC Aggregate Index | 1.48% | 0.53% | -0.17% | 1.84% | | -0.14% | | 0.58% | | -2.33% | |
| SIS | -2.33% | 1.39% | 1.44% | 0.46% | | 3.56% | | 1.11% | | -3.70% | |
| Franklin Templeton Investments | -2.69% | 1.81% | 1.40% | 0.46% | 0.00% | 3.56% | 0.00% | 1.10% | 0.01% | -3.42% | -0.27% |
| BC Multiverse | 1.00% | 1.46% | -0.04% | 2.44% | | -0.26% | | 2.82% | | -2.73% | |
| SIS | 0.24% | 4.72% | 0.70% | 5.70% | | 1.76% | | 2.31% | | -10.01% | |
| AQR Global Risk Premium III (Net) | 0.21% | 4.69% | 0.66% | 5.60% | 0.10% | 1.66% | 0.10% | 2.21% | 0.10% | -10.10% | 0.09% |
| 40% R3000/ 60% BC Agg | -1.30% | 3.06% | 0.25% | 1.97% | | 5.93% | | 4.04% | | 0.67% | |
| SIS | -1.10% | -0.34% | 0.68% | -0.76% | | 5.06% | | -1.21% | | 3.03% | |
| AQR DELTA Fund II (Net) | -1.17% | -0.41% | 0.61% | -0.97% | 0.22% | 4.81% | 0.25% | -1.46% | 0.24% | 2.78% | 0.26% |
| Libor + 4% | 0.26% | 0.33% | 0.00% | 0.59% | | 0.70% | | 1.06% | | 1.06% | |
| SIS | -2.34% | 5.36% | 0.08% | 2.98% | | -0.78% | | 2.65% | | -6.78% | |
| SSgA Multisource Commodity | -2.34% | 5.36% | 0.08% | 2.98% | 0.00% | -0.78% | 0.01% | 2.65% | 0.00% | -6.78% | 0.00% |
| DJ UBS Commodity | 0.30% | 6.24% | 0.41% | 7.00% | | -1.06% | | 2.13% | | -9.44% | |
| S&P Goldman Sachs Commodity | -1.64% | 4.51% | 0.14% | 2.94% | | -0.32% | | 4.78% | | -5.93% | |
| SIS | | | | 1.71% | | 3.37% | | 2.25% | | 4.71% | |
| INVESCO Real Estate | | | | 1.71% | 0.00% | 3.37% | 0.00% | 2.25% | 0.00% | 4.69% | 0.02% |
| NCREIF NFI ODCE Index | | | | 2.47% | | 3.19% | | 3.56% | | 3.86% | |

Market Capitalization Breakpoints

Updated November, 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 |
|----------|-----------|------------------|------------|------------------|-----------|
| 3/31/14 | 76.77 | 23.15 | 7.83 | 3.06 | 0 |
| 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 |
| 06/30/12 | 55.65 | 16.13 | 5.14 | 1.99 | 0 |
| 03/31/12 | 57.58 | 16.43 | 5.55 | 2.13 | 0 |
| 12/31/11 | 51.97 | 14.66 | 4.93 | 1.93 | 0 |
| 09/30/11 | 45.35 | 13.88 | 4.38 | 1.66 | 0 |
| 06/30/11 | 54.25 | 15.95 | 5.66 | 2.16 | 0 |
| 03/31/11 | 52.22 | 15.69 | 5.70 | 2.16 | 0 |
| 12/31/10 | 49.54 | 14.80 | 5.16 | 2.04 | 0 |
| 11/30/10 | 47.21 | 13.64 | 4.88 | 1.90 | 0 |
| 10/31/10 | 46.35 | 13.49 | 4.74 | 1.85 | 0 |
| 09/30/10 | 42.83 | 13.13 | 4.64 | 1.80 | 0 |
| 08/31/10 | 39.87 | 12.16 | 4.17 | 1.60 | 0 |
| 07/31/10 | 43.50 | 12.49 | 4.49 | 1.72 | 0 |
| 06/30/10 | 39.95 | 11.58 | 4.10 | 1.59 | 0 |

MARKET SUMMARY

Equity Markets

| | <u>QTR</u> | <u>1 Year</u> | <u>3 Year</u> |
|------------------------------|------------|---------------|---------------|
| S&P 500 | 1.8 | 21.9 | 14.7 |
| Dow Jones Industrial Average | -0.2 | 15.7 | 13.0 |
| NASDAQ | 0.5 | 28.5 | 14.7 |
| Russell 1000 | 2.0 | 22.4 | 14.7 |
| Russell 2000 | 1.1 | 24.9 | 13.2 |
| Russell 3000 | 2.0 | 22.6 | 14.6 |
| MSCI EAFE (Net) | 0.7 | 17.6 | 7.2 |
| MSCI Emerging Markets (Net) | -0.4 | -1.4 | -2.9 |
| MSCI All Country World ex US | 0.5 | 12.3 | 4.1 |

Bond Markets

| | <u>QTR</u> | <u>1 Year</u> | <u>3 Year</u> |
|-----------------------------------|------------|---------------|---------------|
| Barclays Capital Aggregate | 1.8 | -0.1 | 3.7 |
| Barclays Capital Gov/Credit | 2.0 | -0.3 | 4.2 |
| Barclays Capital Universal | 2.0 | 0.5 | 4.2 |
| Barclays Capital Corp. High Yield | 3.0 | 7.5 | 9.0 |
| CG Non-US World Govt. | 3.2 | 2.4 | 1.4 |

Non-Public Markets

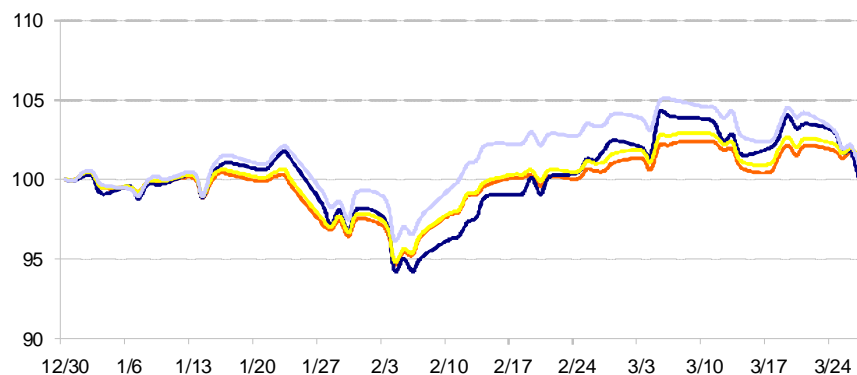
lagged quarterly

| | <u>QTR</u> | <u>1 Year</u> | <u>3 Year</u> |
|-----------------------------------|------------|---------------|---------------|
| NCREIF Property | 2.5 | 11.0 | 11.9 |
| State Street Private Equity Index | N/A | N/A | N/A |

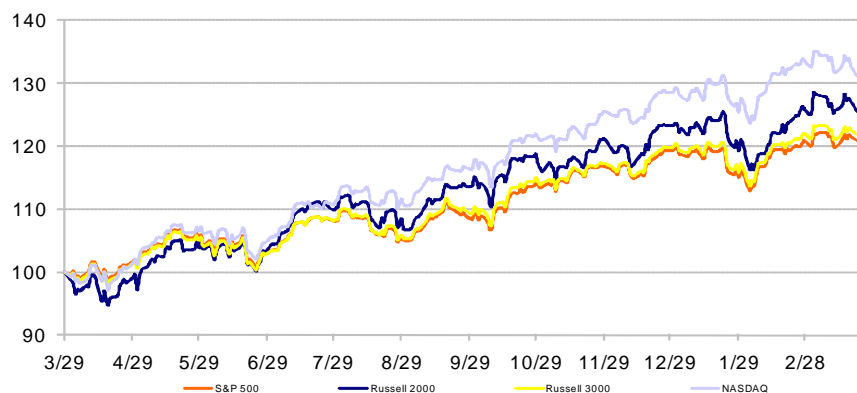
U.S. Equity Market

- U.S. equities, as measured by the S&P 500 total return index, rose 1.8% during the quarter as geopolitical risk offset improved fundamentals.
- Technology stock performance was subdued, with the NASDAQ returning 0.5% in Q1.
- Small caps, as measured by the Russell 2000 index, rose 1.1%.

Equity Index – Quarterly Growth Rate



Equity Index – 1-Year Growth Rate

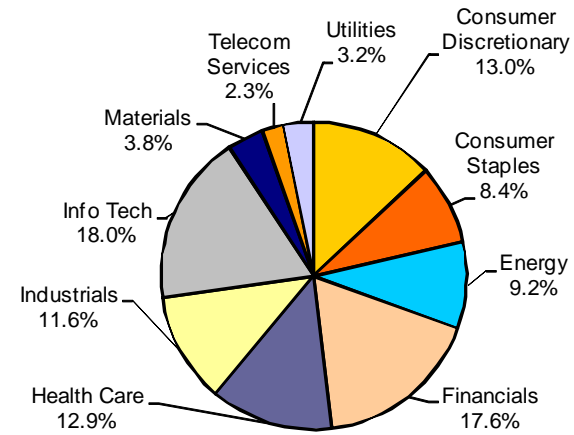


U.S. MARKETS

U.S. Equity – Russell 3000

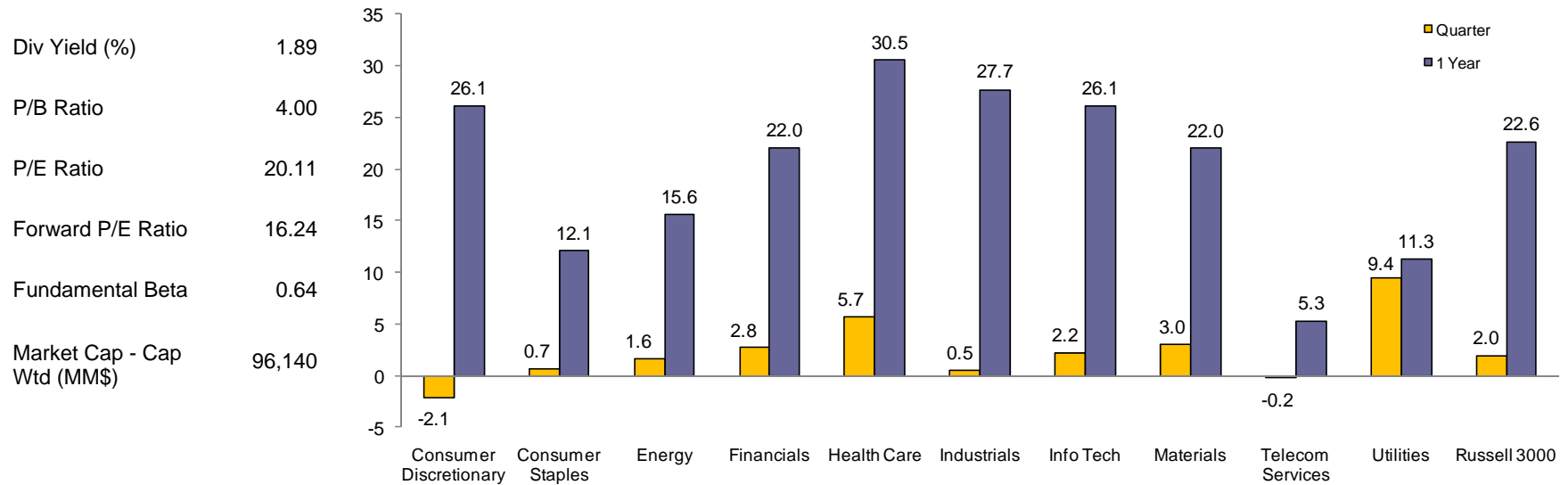
- Geopolitical risk and valuation concerns led to the outperformance of defensive sectors; utilities rose 9.4% in the first quarter, while healthcare stocks rose 5.7%.
- Consumer discretionary stocks fell 2.1% during the quarter.
- Overall, the Russell 3000 index returned 2.0% during the first quarter; the yearly return was 22.6%.

Ending Sector Weights



Characteristics

Sector Returns (%)



Contribution to Return:

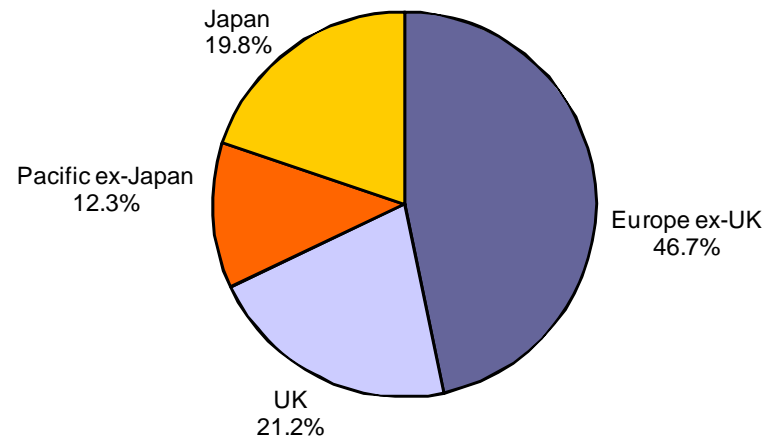
| | Consumer Discretionary | Consumer Staples | Energy | Financials | Health Care | Industrials | Info Tech | Materials | Telecom Services | Utilities | Russell 3000 |
|--------|------------------------|------------------|--------|------------|-------------|-------------|-----------|-----------|------------------|-----------|--------------|
| Qtr | -0.3 | 0.1 | 0.1 | 0.5 | 0.7 | 0.1 | 0.4 | 0.1 | 0.0 | 0.3 | 2.0 |
| 1 Year | 3.3 | 1.1 | 1.5 | 3.8 | 3.7 | 3.1 | 4.5 | 0.9 | 0.1 | 0.4 | 22.6 |

NON-U.S. MARKETS

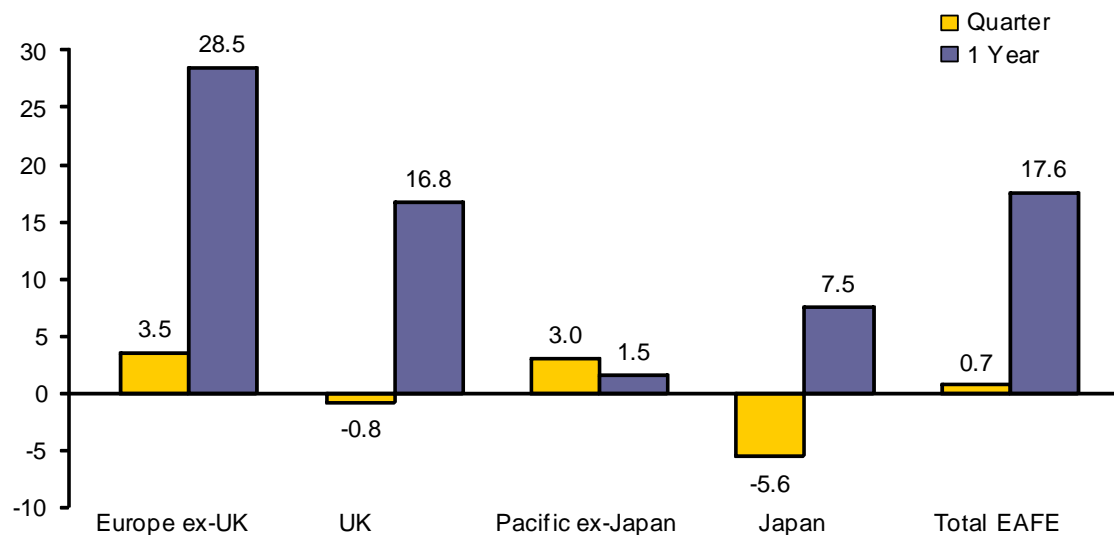
Developed Equity – MSCI EAFE (Net)

- The potential for quantitative easing from the European Central Bank and reforms by Italian Prime Minister Matteo Renzi helped boost Europe ex-UK in the first quarter, where equities rose 3.5%.
- Japanese equities fell 5.6% during the first quarter on concerns over the effects of the consumption tax and the efficacy of Abenomics. However, Pacific ex-Japan rose 3.0% in the first quarter on stronger regional growth prospects.
- Overall, the MSCI EAFE index rose 0.7% in the first quarter.

Ending Regional Weights



Regional Returns (%)



Contribution to Return:

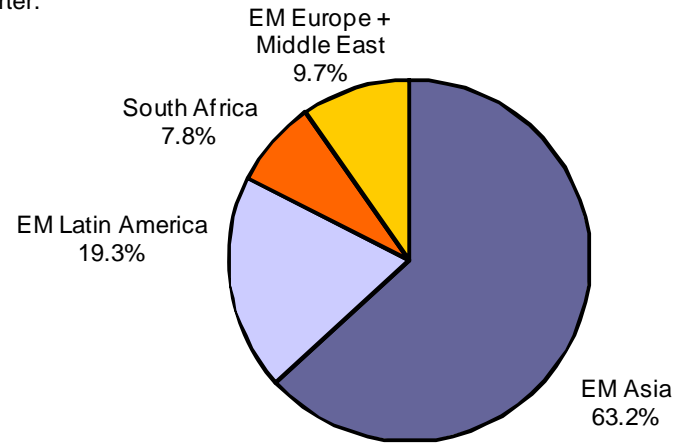
| | | | | | |
|------|------|------|-----|------|------|
| Qtr | 1.6 | -0.2 | 0.4 | -1.1 | 0.7 |
| 1 Yr | 13.3 | 3.6 | 0.2 | 1.5 | 17.6 |

NON-U.S. MARKETS

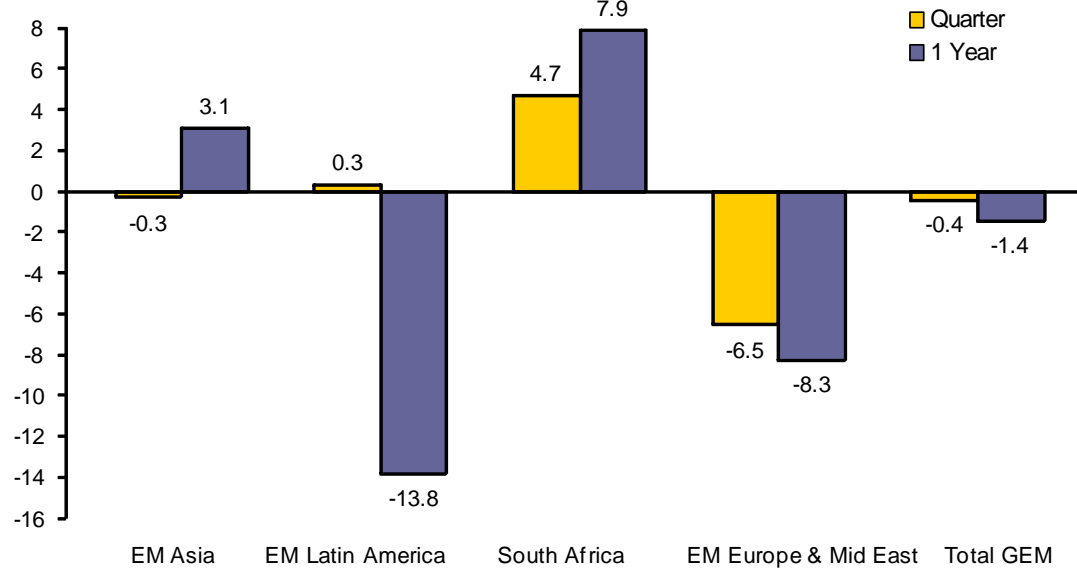
Emerging Markets Equity – MSCI EM (Net)

- Rising geopolitical tensions between Russia and Ukraine provided headwinds to emerging market equities. The EM Europe and the Mid East index was hit the hardest, falling 6.5% in the first quarter.
- Improved metal exports helped boost South African equities by 4.7% in the first quarter.
- Overall, the MSCI EM index fell 0.4% in the first quarter.

Ending Regional Weights



Regional Returns (%)



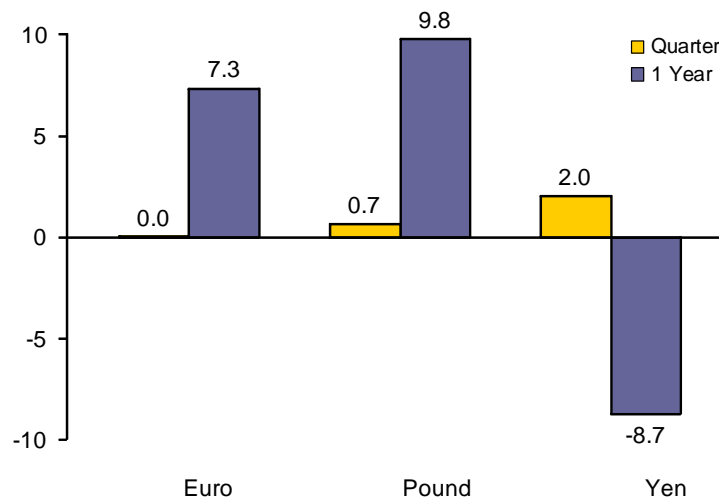
Contribution to Return:

| | | | | | |
|------|------|------|-----|------|------|
| Qtr | -0.2 | 0.1 | 0.4 | -0.6 | -0.4 |
| 1 Yr | 1.9 | -2.7 | 0.6 | -0.8 | -1.4 |

Currency Markets

- The euro was flat against the dollar in the first quarter.
- The U.S. dollar trade-weighted index, which measures the dollar's movement against a basket of currencies, fell 0.12% in the first quarter.
- The yen rose 2.0% in the first quarter as demand for safe-haven assets increased.

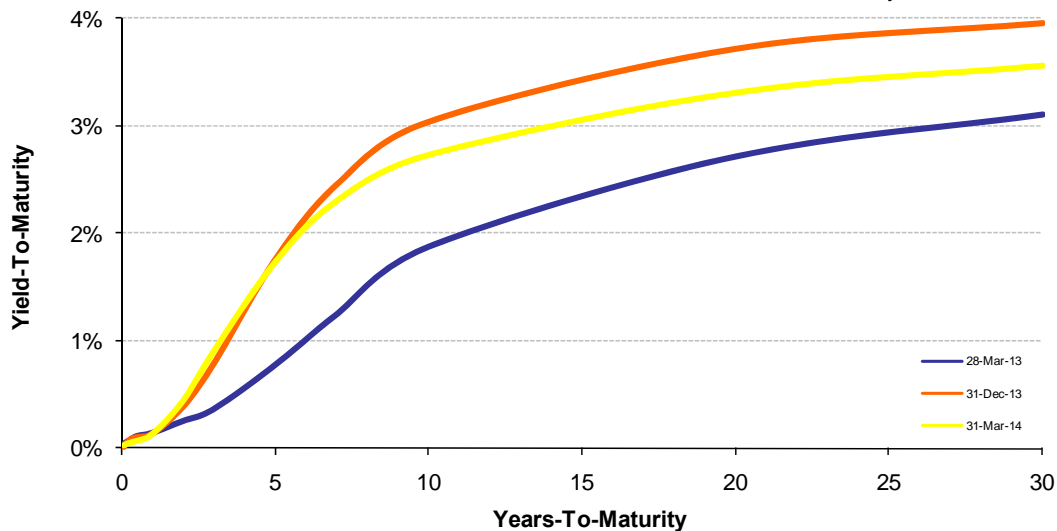
Currency Returns (%)



Yield Curve

- The long-end of the U.S. yield curve fell on a quarterly basis and Treasury bonds rallied after subdued economic data in the U.S and rising geopolitical tensions.
- Ten-year yields fell 31 basis points during the first quarter.

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

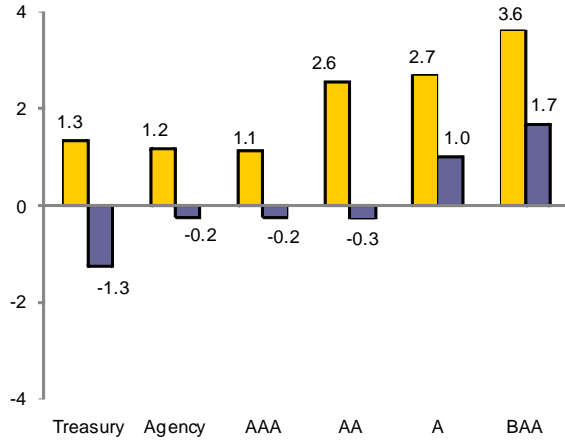


BOND MARKETS

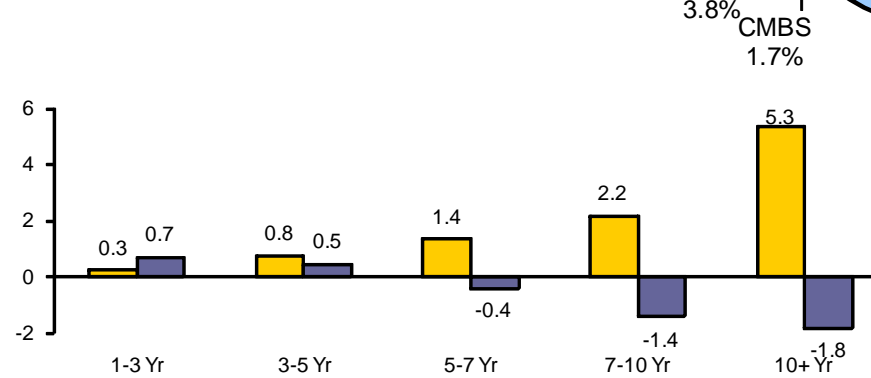
U.S. Bond Market Returns – Barclays Capital Aggregate

- Geopolitical risk and global growth concerns helped boost demand for U.S. Treasuries, which rose by 1.3% in the first quarter.
- Lower-rated corporate bonds outperformed during the first quarter, with BAA rated securities returning 3.6%.

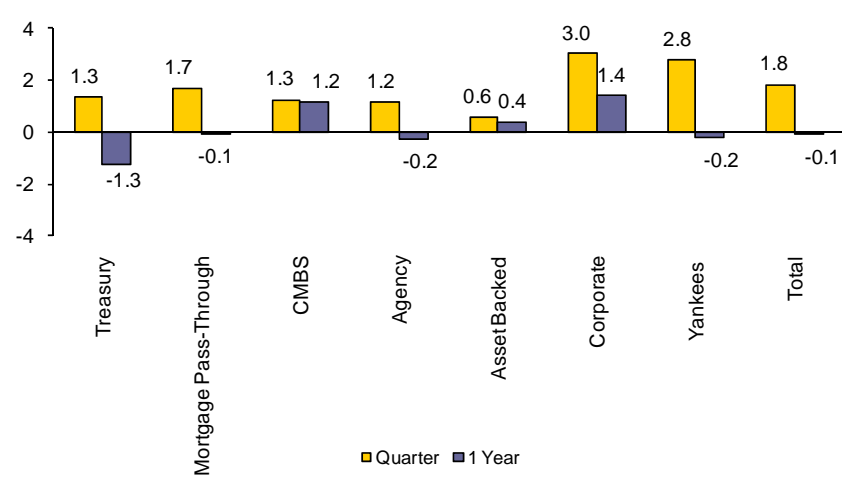
Quality Performance (%)



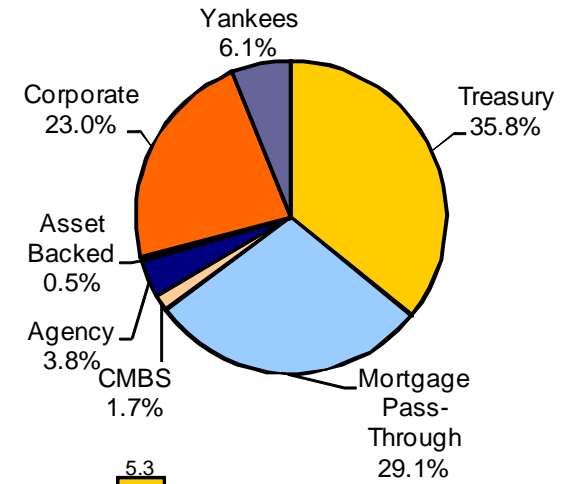
Duration Performance (%)



Sector Performance (%)



Sector Weights

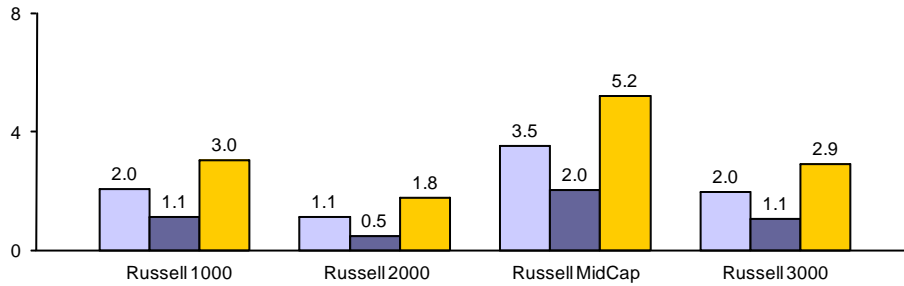


STYLE & CAPITALIZATION

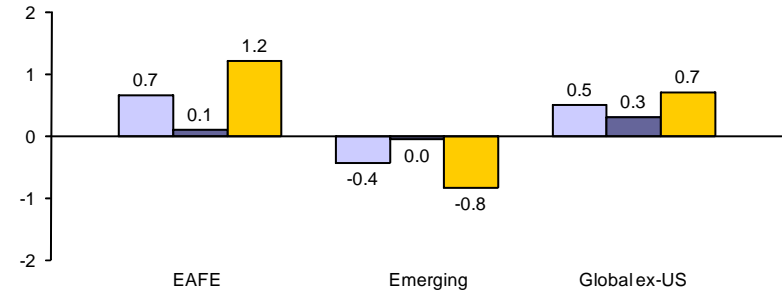
Style & Capitalization Returns

- On a global basis, equities in EAFE outperformed, rising 0.7% during the quarter. Emerging market equities were the relative underperformers in the first quarter as geopolitical risk and China credit concerns came to the fore of investors' minds.
- Mid cap equities and value outperformed in the U.S. The Russell Mid Cap index rose 3.5% in the first quarter.
- Overall, non-U.S. equities rose 0.5% in the first quarter.

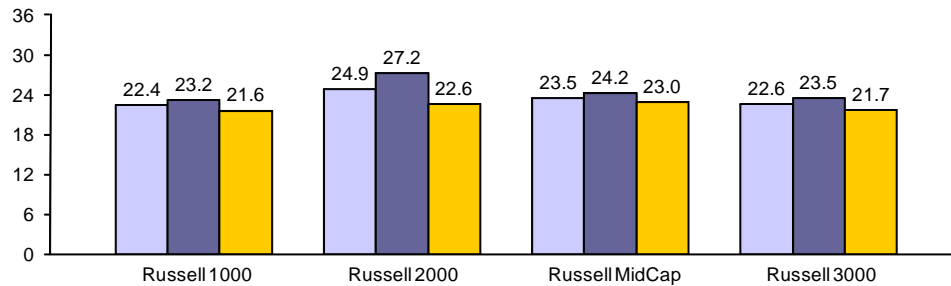
Russell US Style Returns (%) – Quarter



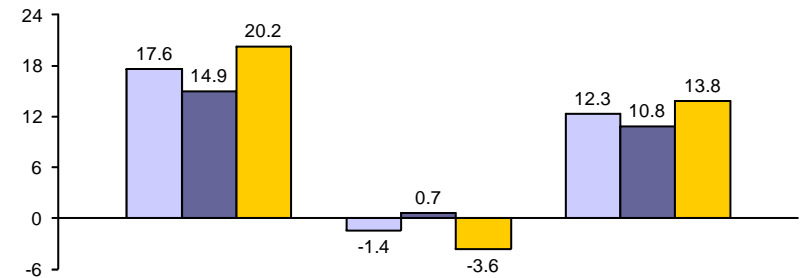
MSCI Non-US Style Returns (%) – Quarter



Russell US Style Returns (%) – 1 Year



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



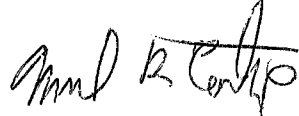
□ Neutral ■ Growth ■ Value

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 6.3

TO: Board of Retirement



FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Discussion and Selection of Risk Parity Manager

Staff Recommendation

Discuss the merits of the two risk parity finalist candidates and then select one to manage a portion of our risk parity allocation as a complement to AQR. Furthermore, authorize the Chief Executive Officer to enter into an agreement with the manager upon completion of Staff's due diligence and finalization of the terms of the agreement.

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. During the March meeting, the Board approved inviting Bridgewater and PanAgora to present their capabilities at the June Board meeting as finalist candidates.

Discussion

Each manager will have 45 minutes allotted in the interview schedule, which will include their presentation and Q&A. The interview schedule will be as follows:

10 a.m. Bridgewater – Joel Whidden, Senior Relationship Manager

11 a.m. PanAgora – Eric Sorensen, Ph.D - President and CEO, Bryan Belton, CFA - Director, Multi Asset, Michael Anderson – Director, Relationship Management

Presentations from both firms are attached. Also, two documents that were previously shared with the Board in March are attached. First, a supporting recommendation memo from SIS summarizing each of the three risk parity short-list candidates (Bridgewater and PanAgora are the finalists being interviewed), and second, a performance summary of the short-list risk parity candidates.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Attachments

- A. *BW Risk Parity Presentation*
- B. *PanAgora Risk Parity Presentation*
- C. *SIS Risk Parity Finalists Recommendation*
- D. *Short-list Candidate Risk Parity Performance Summary*



Presented to:



Bridgewater All Weather Review

June 3, 2014

One Glendinning Place
Westport, CT 06880
(203) 226-3030
www.bwater.com

AGENDA

- I. Bridgewater Overview
- II. All Weather Principles
- III. All Weather Performance

I. Bridgewater Overview

BRIDGEWATER OVERVIEW

- ◆ Institutional investment manager
- ◆ Founded in 1975
- ◆ Deep fundamental understanding of markets
- ◆ Founded on the principle of separating alpha and beta
 - Managing Pure Alpha accounts for 23 years
 - Managing All Weather accounts for 18 years
- ◆ Manage approximately \$157 billion in assets
 - \$81bln in Pure Alpha strategies*
 - \$76bln in All Weather strategy
- ◆ Employee controlled

Figures estimated as of 04/14

* \$81bln is equivalent to \$83bln in 12% return-adjusted terms or equivalent to \$55bln in 18% return-adjusted terms

COMMITMENT TO WHAT IS ESSENTIAL

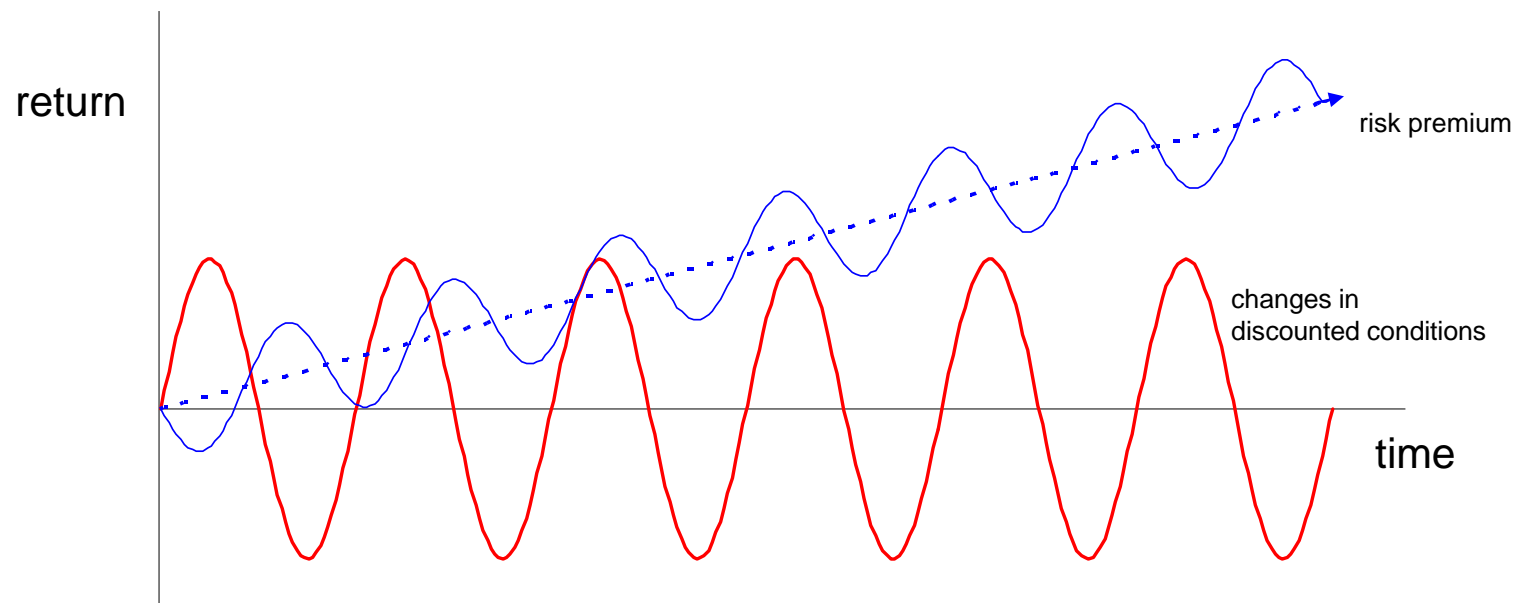
- ◆ **Culture** – shared values
- ◆ **Focus** – on markets and clients
- ◆ **Consistency** – of people and process
- ◆ **Risk Controls** – in all aspects



II. All Weather Principles

TWO TIMELESS DRIVERS OF ANY ASSET CLASS INVESTMENT

- ◆ An exchange of money today for money tomorrow.
- ◆ Terms of the deal:
 - Discounted future conditions.
 - Required compensation.



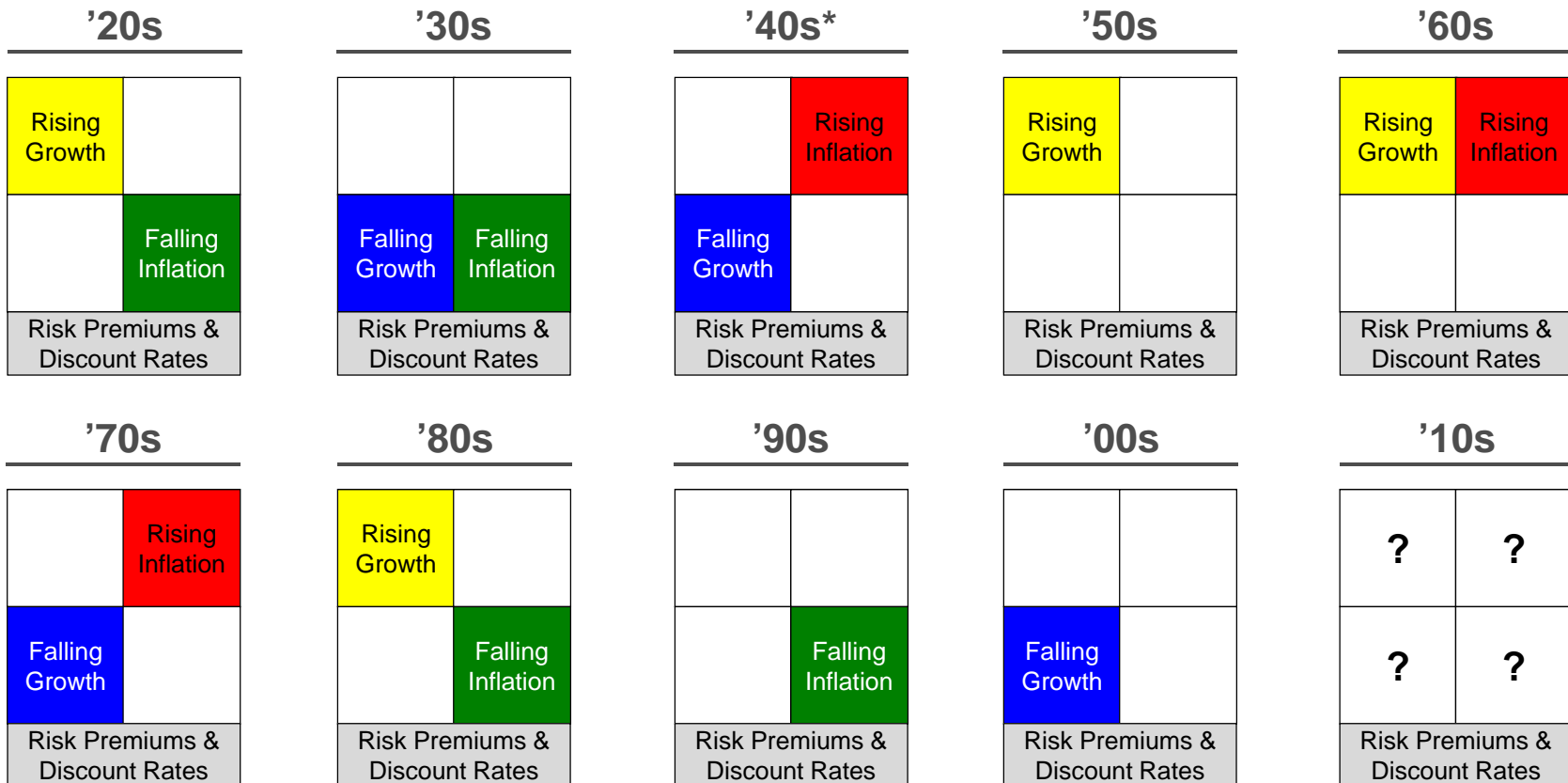
UNANTICIPATED SHIFTS IN ECONOMIC ENVIRONMENTS DRIVE ASSET CLASS PERFORMANCE

- ◆ Balance risk (not capital) equally across economic environments

| | Growth | Inflation |
|--------------------------------|----------|-----------|
| Rising | 25% Risk | 25% Risk |
| Falling | 25% Risk | 25% Risk |
| Risk Premiums & Discount Rates | | |

CLASSIFYING DECADES BY ENVIRONMENT

- ◆ A shift in either direction (rising or falling) relative to expectations is equally likely, as is growth and/or inflation being the dominant surprise.



*Market conditions were war-dominated for most of this decade. The war distorted economic and market movements and makes attributing drivers over the period particularly difficult.

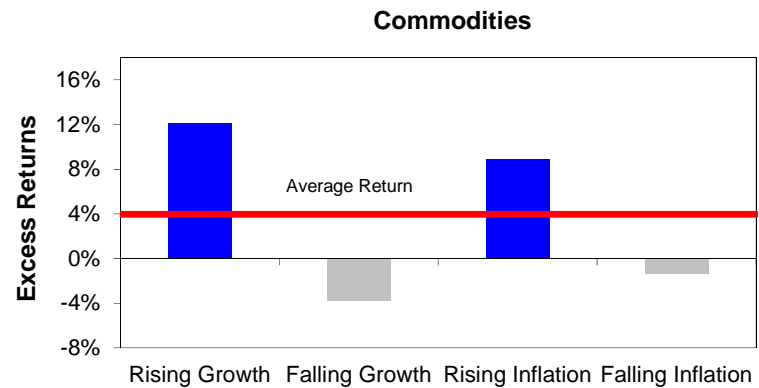
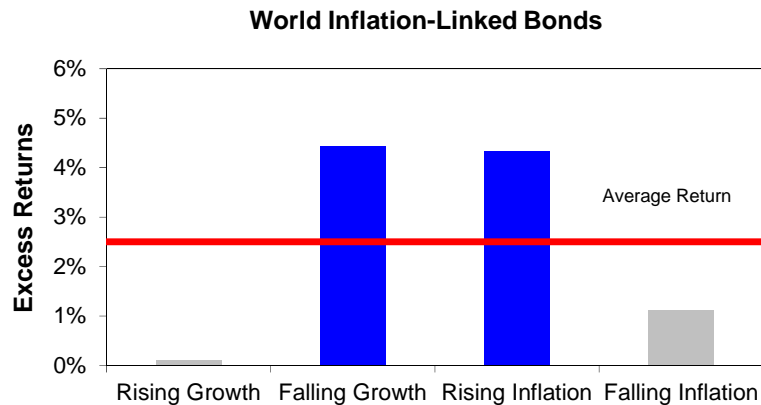
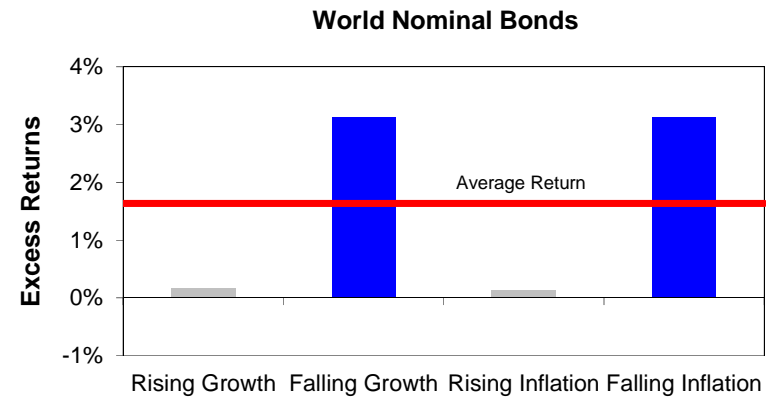
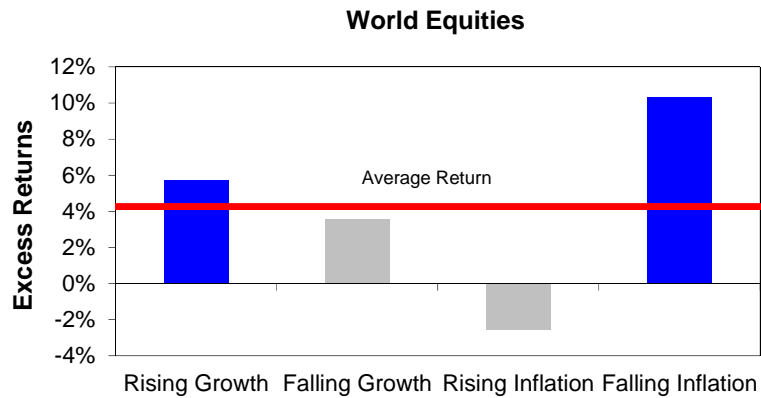
Environmental classification based on relative performance of rising vs. falling growth asset and rising vs. falling inflation assets and Bridgewater analysis of economic and market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation. Source: Global Financial Data, Inc and Bridgewater analysis

ASSIGN ASSET CLASSES TO ECONOMIC ENVIRONMENTS

| | Growth | Inflation |
|---|---|---|
| Rising | 25% of Risk Equities Commodities | 25% of Risk Inflation-Linked Bonds Commodities |
| Falling | 25% of Risk Nominal Bonds Inflation-Linked Bonds | 25% of Risk Nominal Bonds Equities |
| Risk Premiums & Discount Rates | | |

HISTORICAL EVIDENCE: ASSET CLASSES ARE DRIVEN BY ECONOMIC ENVIRONMENTS

**Annual Asset Class Excess Returns
in Economic Environments (1970 – Present)**



A rising (falling) inflation month is defined as a month in which the current rate of inflation is greater (lower) than the 12-month moving average rate of inflation. A rising (falling) growth month is defined as a month in which the current rate of real GDP growth is greater (lower) than the 12-month moving average rate of real GDP growth. Data shown as of Mar-2014. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ALL WEATHER PORTFOLIO RISK ALLOCATION

| | Growth | Inflation |
|---|--|--|
| Rising | 25% of Risk Equities hedged w/ int. rates Commodities Corporate Credit Emerging Market Credit | 25% of Risk Breakeven Inflation Inflation-Linked Bonds Commodities Emerging Market Credit |
| Falling | 25% of Risk Nominal Bonds Inflation-Linked Bonds | 25% of Risk Nominal Bonds Equities hedged w/ int. rates |
| Risk Premiums & Discount Rates | | |

Markets Used in All Weather:

- ◆ The risk weights given to each market are a function of the benefits of regional diversification and market liquidity
- ◆ Positions implemented through cost-effective instruments (e.g. physicals, plain-vanilla futures and swaps)

Global Nominal Interest Rates

- . Australia
- . Germany
- . Japan
- . UK
- . US
- . Canada
- . Sweden
- . Norway

Global IL Bonds

- . Australia
- . Canada
- . France
- . Germany
- . Sweden
- . UK
- . US

Corporate Credit Spreads

- . North America
- . Europe

Global Equities

- . Australia
- . Canada
- . Germany
- . France
- . Hong Kong
- . Japan
- . UK
- . US
- . Eurozone
- . Emerging Markets

EM Credit Spreads

- . Argentina
- . Brazil
- . Indonesia
- . Mexico
- . Peru
- . Philippines
- . Russia
- . South Africa
- . Turkey
- . Venezuela

Commodities

- . Aluminum
- . Copper
- . Gold
- . Corn
- . Natural Gas
- . Nickel
- . Crude Oil
- . Live Cattle
- . Zinc
- . Sugar
- . Soybeans
- . Soybean Meal
- . Soybean Oil
- . Lean Hogs
- . Wheat
- . Coffee
- . Cotton

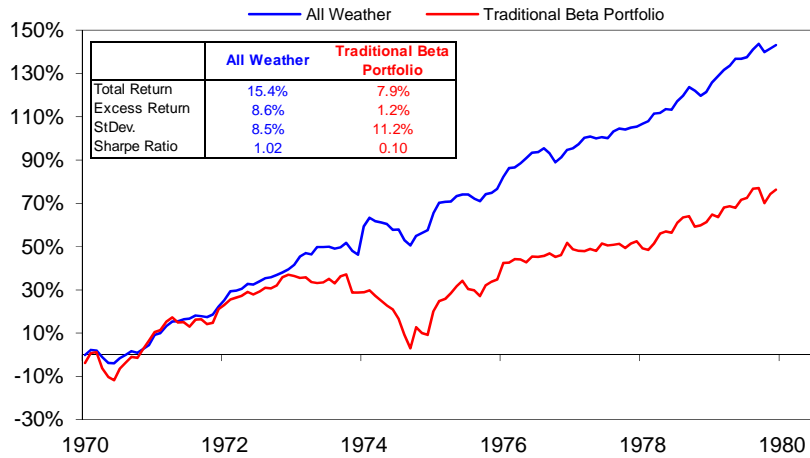
THE BENEFITS OF BALANCE

| 01/1970 to 04/2014 | Traditional Beta Portfolio | All Weather at Same Return | All Weather at Same Volatility |
|---|-------------------------------|-------------------------------|-----------------------------------|
| Annualized Total Return (Gross of Fees) | 9.9% | 9.9% | 12.7% |
| Annualized Excess Return (Gross of Fees) | 4.4% | 4.4% | 7.2% |
| Annualized Volatility | 10.6% | 6.3% | 10.6% |
| Sharpe Ratio | 0.41 | 0.70 | 0.68 |
| Worst 1 Year Return | -34.1% | -15.3% | -26.8% |
| | Mar-08 to Feb-09 | Nov-07 to Oct-08 | Nov-07 to Oct-08 |
| Worst 2 Year Return | -34.4% | -8.4% | -19.2% |
| | Mar-07 to Feb-09 | Dec-06 to Nov-08 | Nov-06 to Oct-08 |
| Value of a \$100 Invested in 1970 (Gross of Fees) | \$6,500 | \$6,490 | \$17,890 |

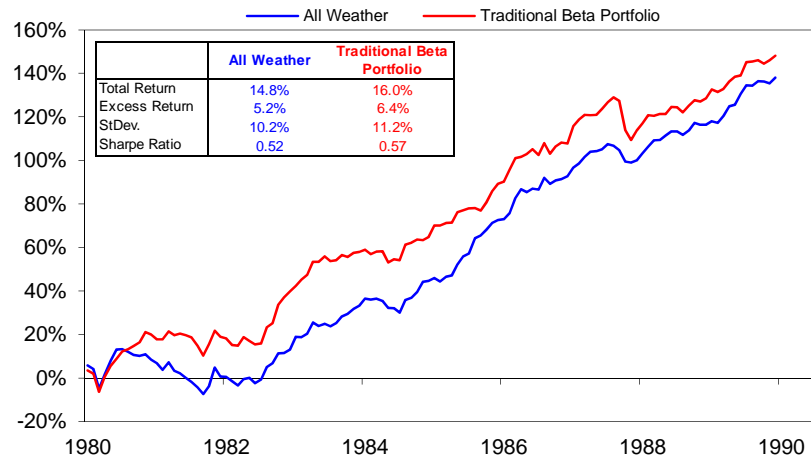
Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ALL WEATHER DECADE ANALYSIS

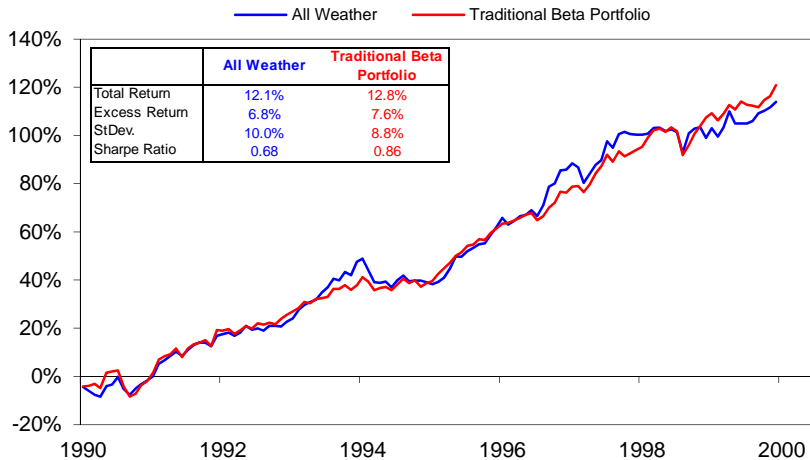
1970s
Cumulative Total Gross of Fees Returns (In)



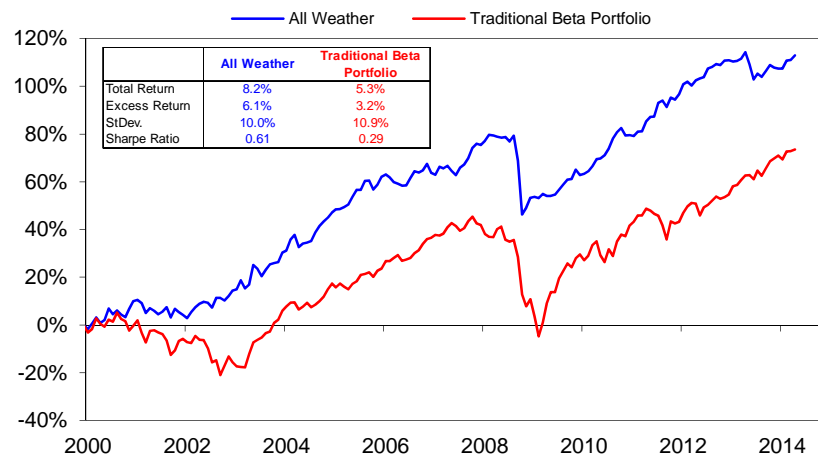
1980s
Cumulative Total Gross of Fees Returns (In)



1990s
Cumulative Total Gross of Fees Returns (In)

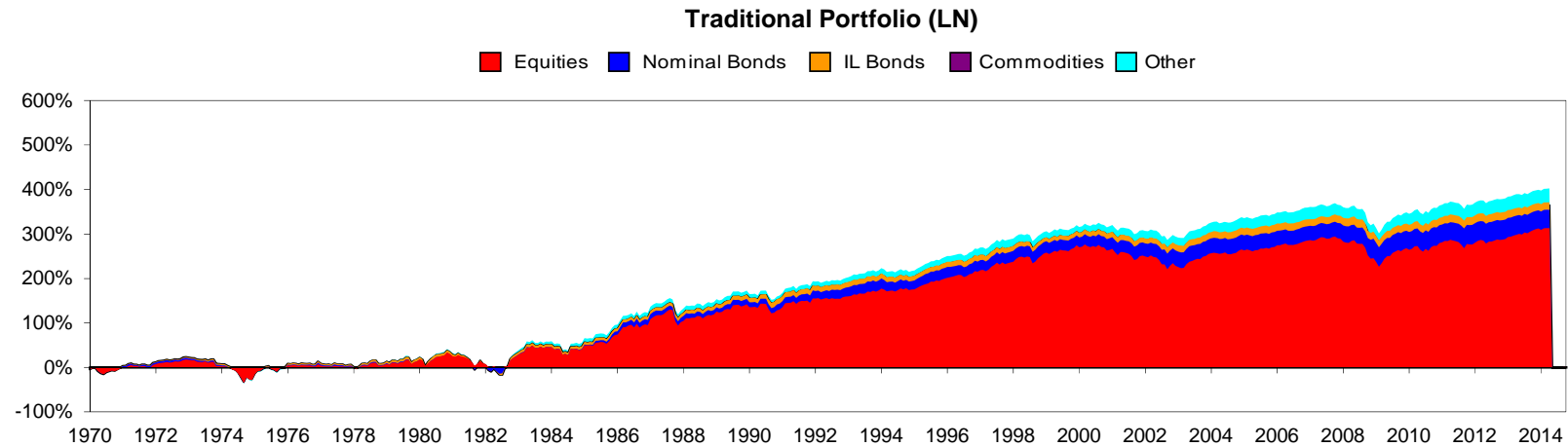
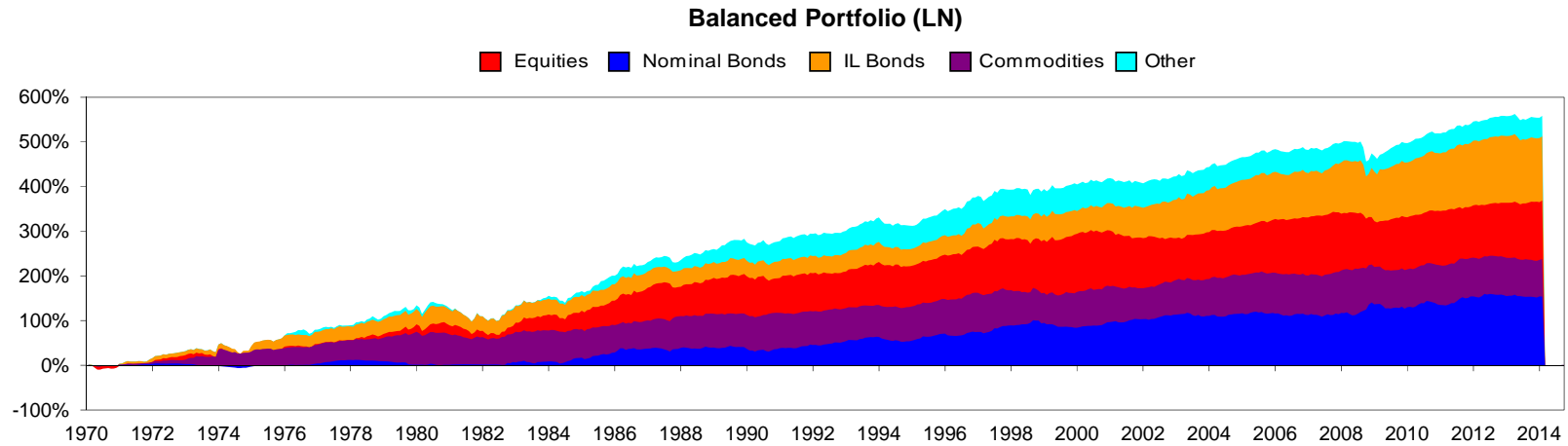


2000s To Present
Cumulative Total Gross of Fees Returns (In)



All Weather refers to the All Weather 10% Strategy. "Traditional Beta Portfolio" refers to the USD Traditional Portfolio. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

CUMULATIVE PERFORMANCE ATTRIBUTION



Balanced Portfolio returns prior to June 2006 and during the SAFE portfolio period (between October 2008 and April 2010) are attributed to each economic environment using gross excess returns of the AWII strategy scaled by 1.2x. "Traditional Portfolio" refers to the USD Traditional Portfolio. Returns are cumulative excess returns above cash, shown gross of fees. Prior to 2002, Balanced Portfolio returns are based on All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. From 2002 to present, Balanced Portfolio returns are based on All Weather II Strategy. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

III. All Weather Performance

PERFORMANCE SUMMARY

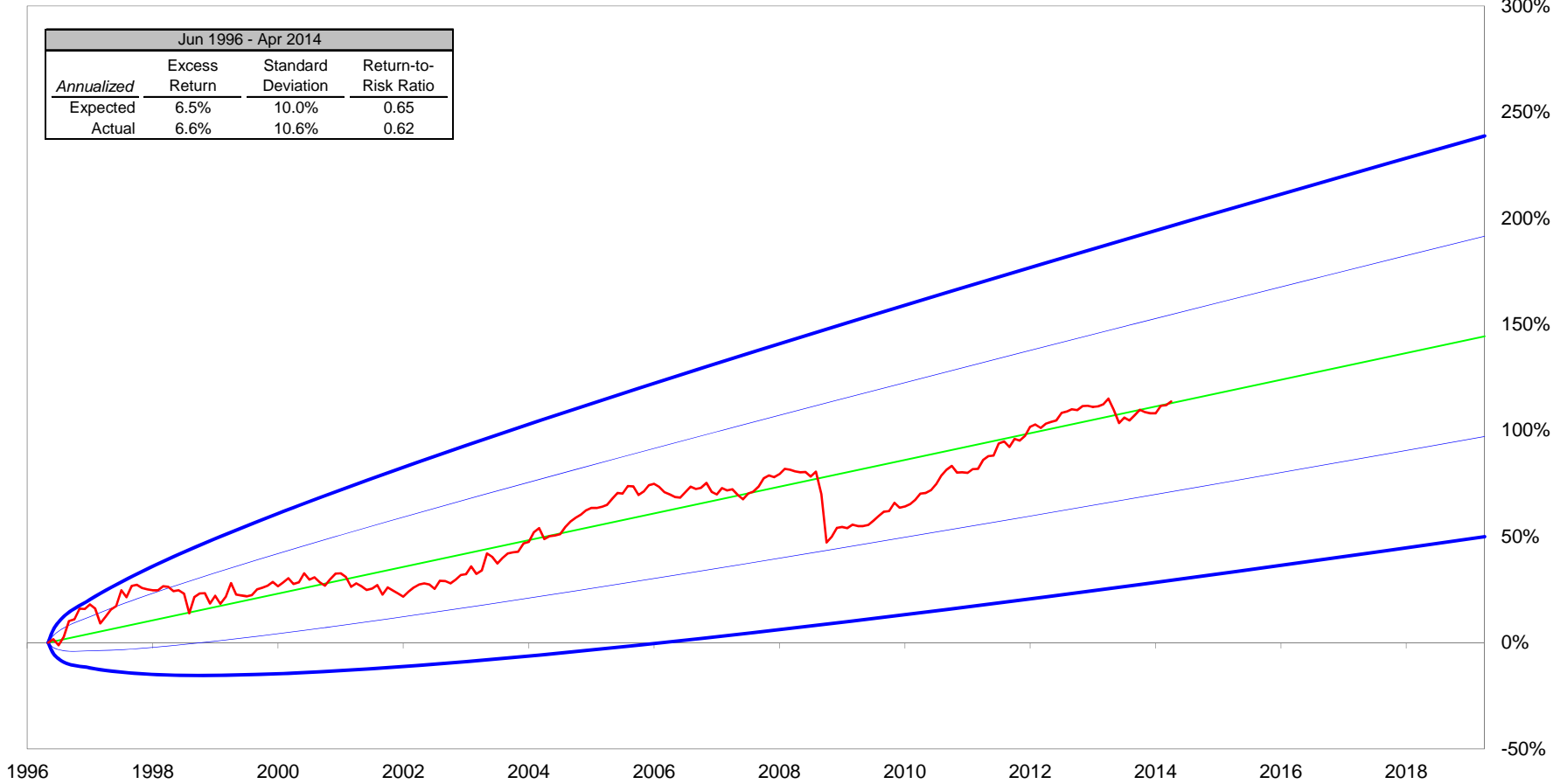
| All Weather Strategy | |
|---------------------------------|----------|
| Net of Fees Total Return | |
| 1996* | 20.4 % |
| 1997 | 15.0 % |
| 1998 | - 1.8 % |
| 1999 | 15.6 % |
| 2000 | 9.9 % |
| 2001 | - 6.0 % |
| 2002 | 10.2 % |
| 2003 | 16.7 % |
| 2004 | 17.7 % |
| 2005 | 15.5 % |
| 2006 | 1.2 % |
| 2007 | 11.8 % |
| 2008 | - 20.2 % |
| 2009 | 9.4 % |
| 2010 | 17.6 % |
| 2011 | 18.1 % |
| 2012 | 14.7 % |
| 2013 | - 3.9 % |
| 2014+ | 5.5 % |
| Annualized Total Return | 8.8 % |
| Annualized Excess Return | 6.1 % |
| Standard Deviation | 10.6 % |

** 1996 performance is cumulative performance from Jun. 1996 to Dec. 1996
 2014+ performance is cumulative YTD performance through Apr 2014. Apr 2014 is preliminary.*

PERFORMANCE VS. EXPECTATIONS

Bridgewater All Weather Strategy Gross Cumulative Excess Return vs. Expectations (In)

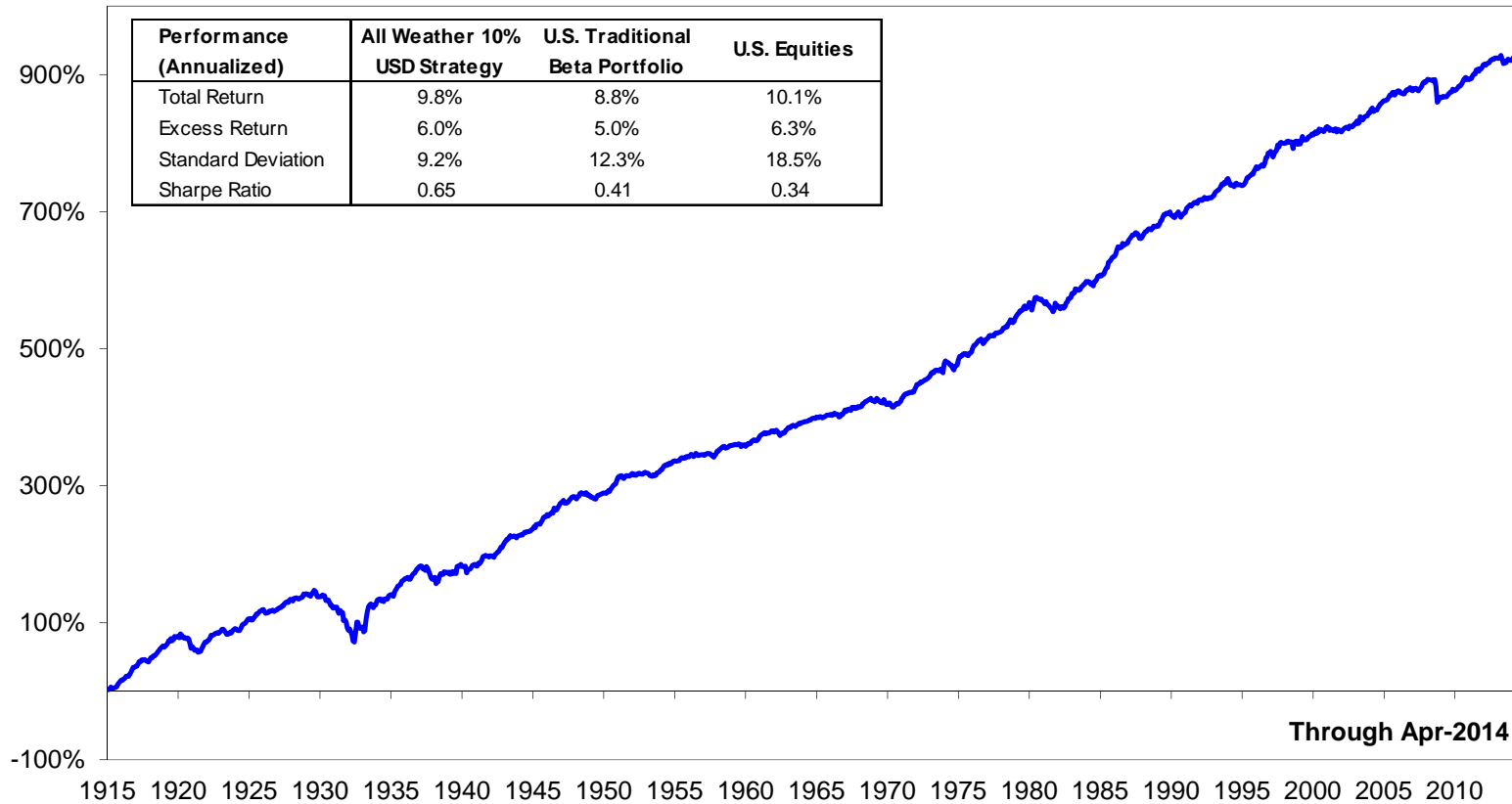
Expected Return 2 Standard Deviation 1 Standard Deviation Cumulative Excess Return



PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.
Please review the "Important Disclosures and Other Information" located at the end of this presentation.

HISTORICAL PERFORMANCE

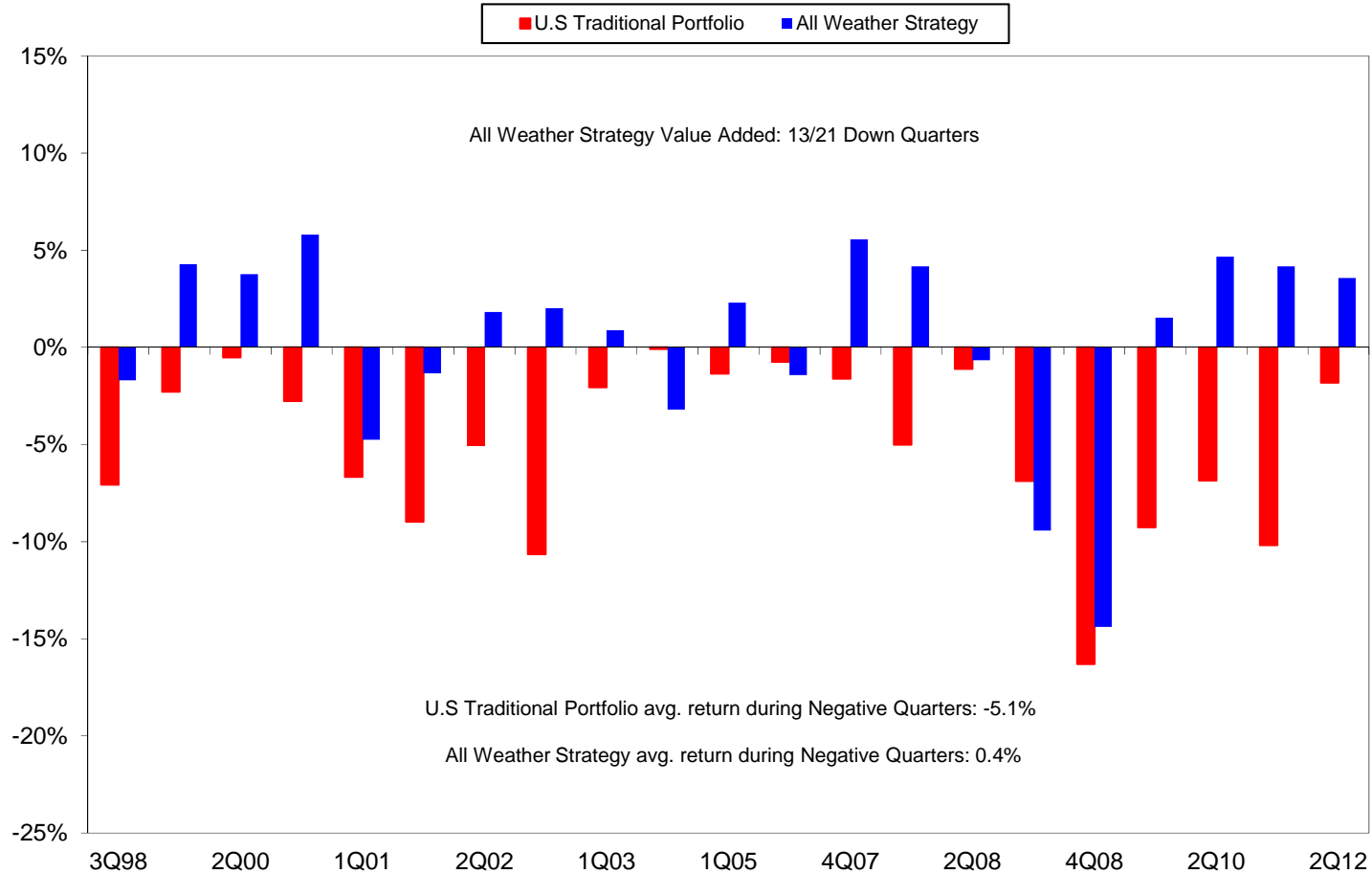
— All Weather 10% USD Strategy Cumulative Total Return (Gross of Fees, In)



Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation. Source: Global Financial Data Inc. and Bridgewater Analysis.

ALL WEATHER DURING PERIODS OF POOR TRADITIONAL PORTFOLIO PERFORMANCE

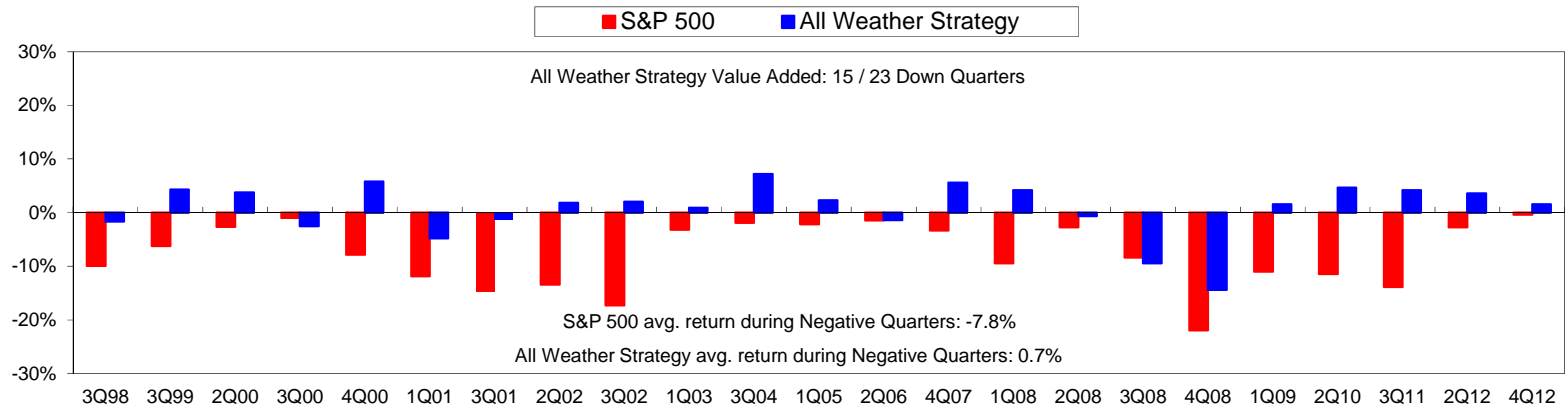
All Weather Strategy Performance During Quarters of Negative Traditional Portfolio Returns (3Q96 through 1Q14)
(Gross of Fees Total Return)



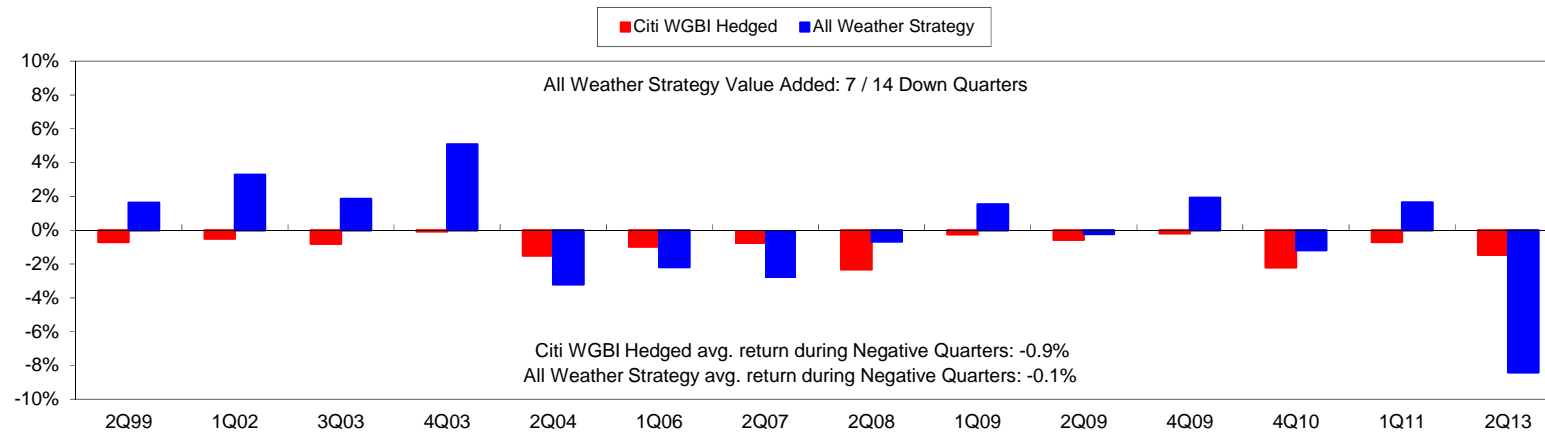
HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

BALANCE REDUCES VULNERABILITY TO DOWN MARKETS

All Weather Strategy Performance During Quarters of Negative Equity Market Returns (3Q96 through 1Q14)
(Gross of Fees Total Return)



All Weather Strategy Performance During Quarters of Negative Bond Market Returns (3Q96 through 1Q14)
(Gross of Fees Total Return)

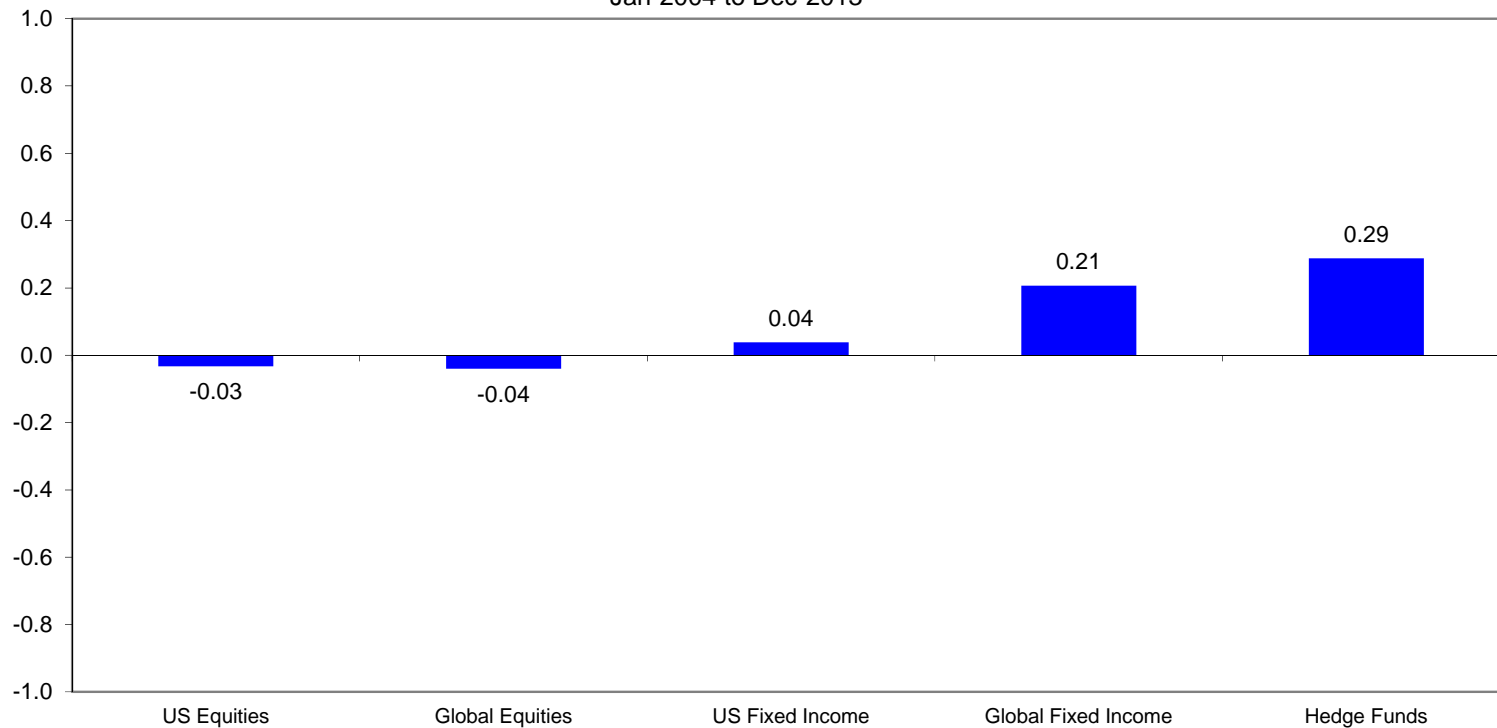


Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

LOW CORRELATION TO ALPHA MANAGERS

Monthly Correlation of All Weather Strategy to Other Managers Net of Fees Excess Return

Jan-2004 to Dec-2013

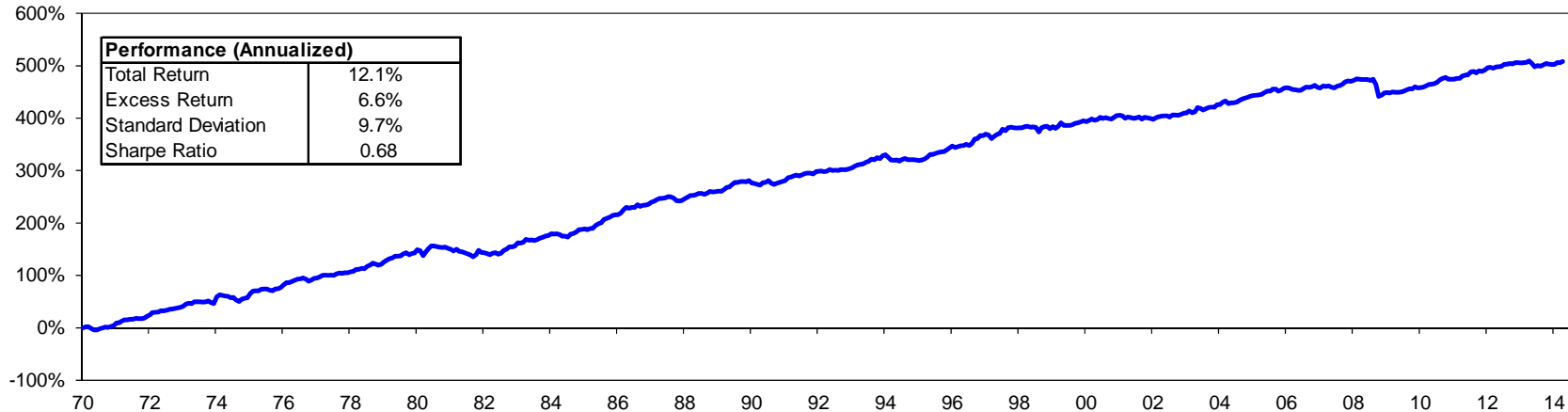


Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation. Traditional manager correlations are monthly vs. the average excess return of managers in eVestment Alliance's database. Alternative manager returns based on the average from the Lipper Tass Hedge Fund Manager Database. Lipper is a Thomson Reuters Company. Copyright 2014 © Thomson Reuters.

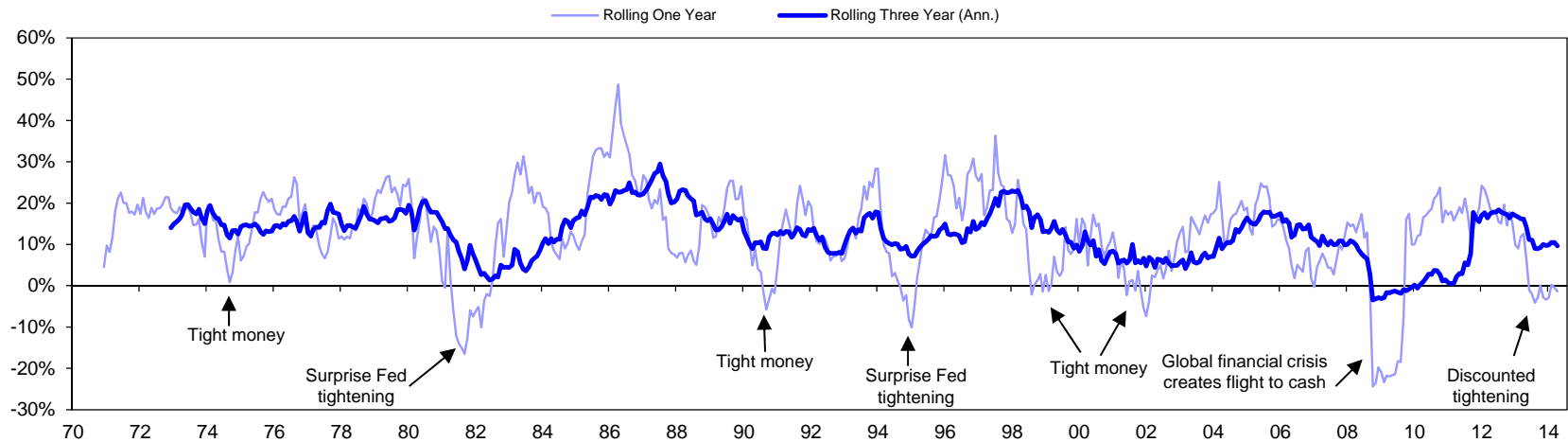
STRESS-TESTED PERFORMANCE

IMPACT OF TIGHT MONEY IS UNDIVERSIFIABLE BUT SHORT-LIVED

All Weather Strategy Cumulative Total Returns (Gross of Fees, In)



All Weather Strategy Total Returns (Gross of Fees)

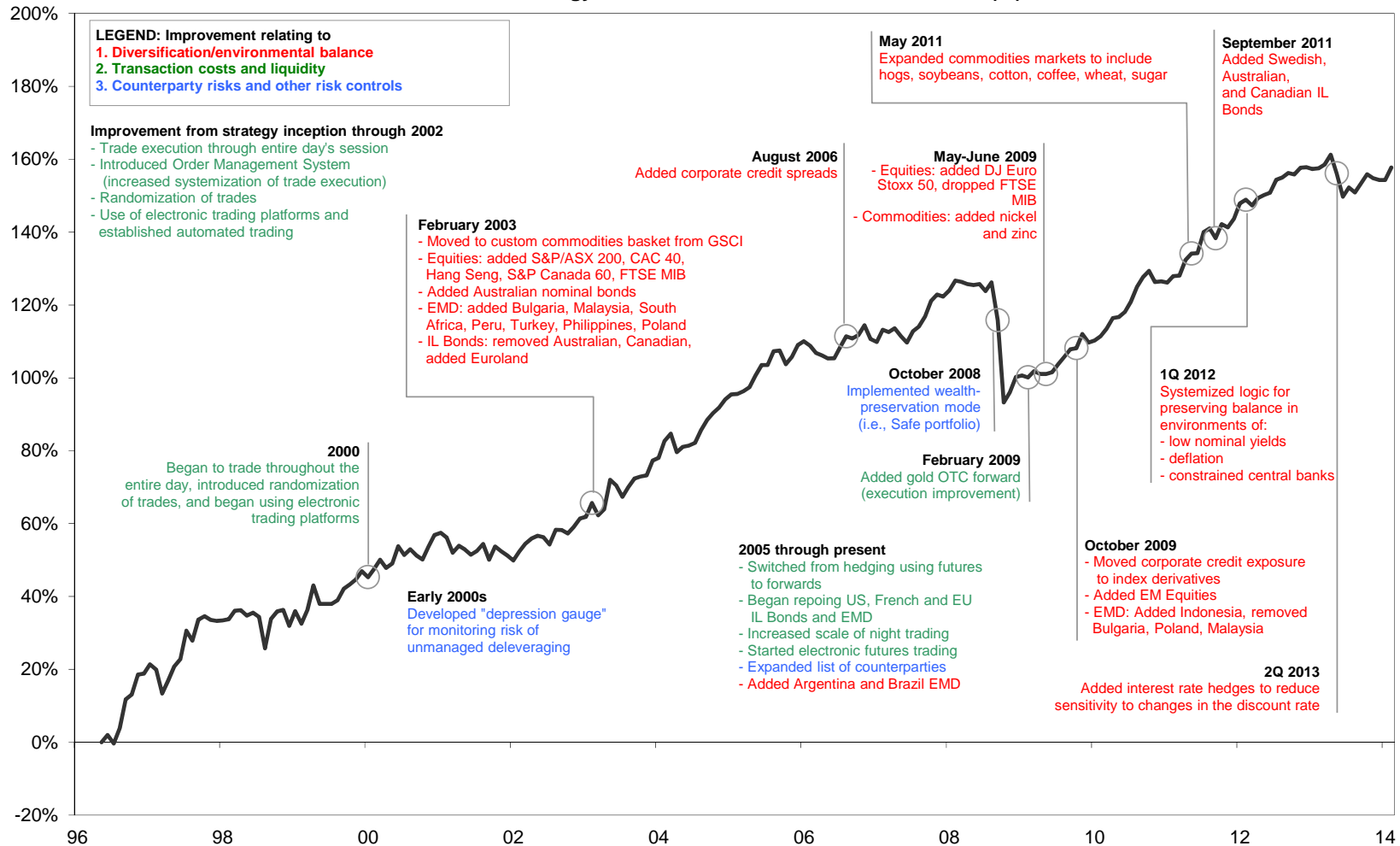


Returns are shown through April 30, 2014. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

All Weather Appendix

ALL WEATHER STRATEGY ENHANCEMENTS

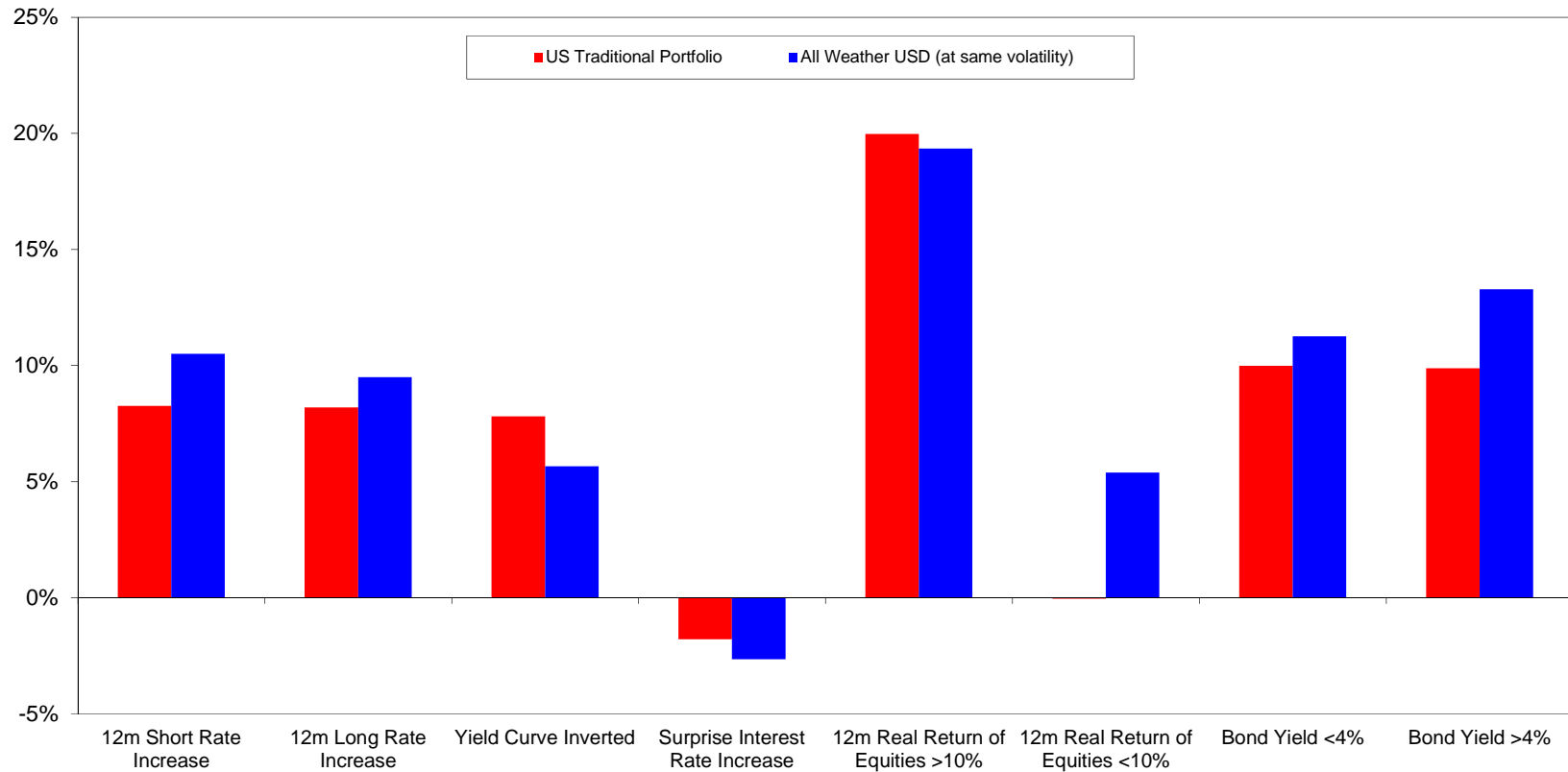
Timeline of Markets Additions and Process Improvements
All Weather Strategy Cumulative Gross of Fees Total Return (In)



Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation

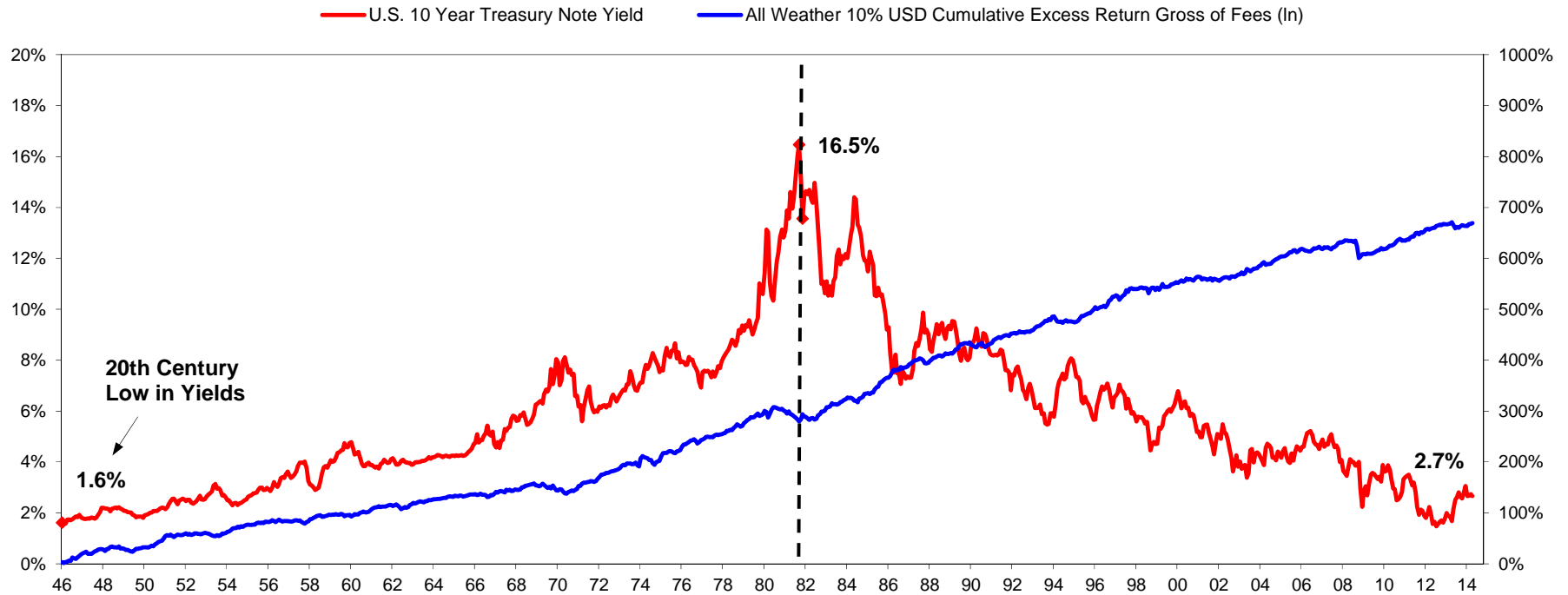
ALL WEATHER IN DIFFERENT ENVIRONMENTS

Average Annual Gross of Fees Total Return of Portfolio in Different Environments



Return comparisons are shown from January 1920 to March 2014. "Interest Rate Surprise" comparison uses return histories from January 1970 to March 2014. All Weather returns hedged to USD. "Traditional Portfolio" refers to the USD Traditional Portfolio. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ALL WEATHER'S SENSITIVITY TO SECULAR MOVES IN YIELDS



All Weather Strategy Historical Performance

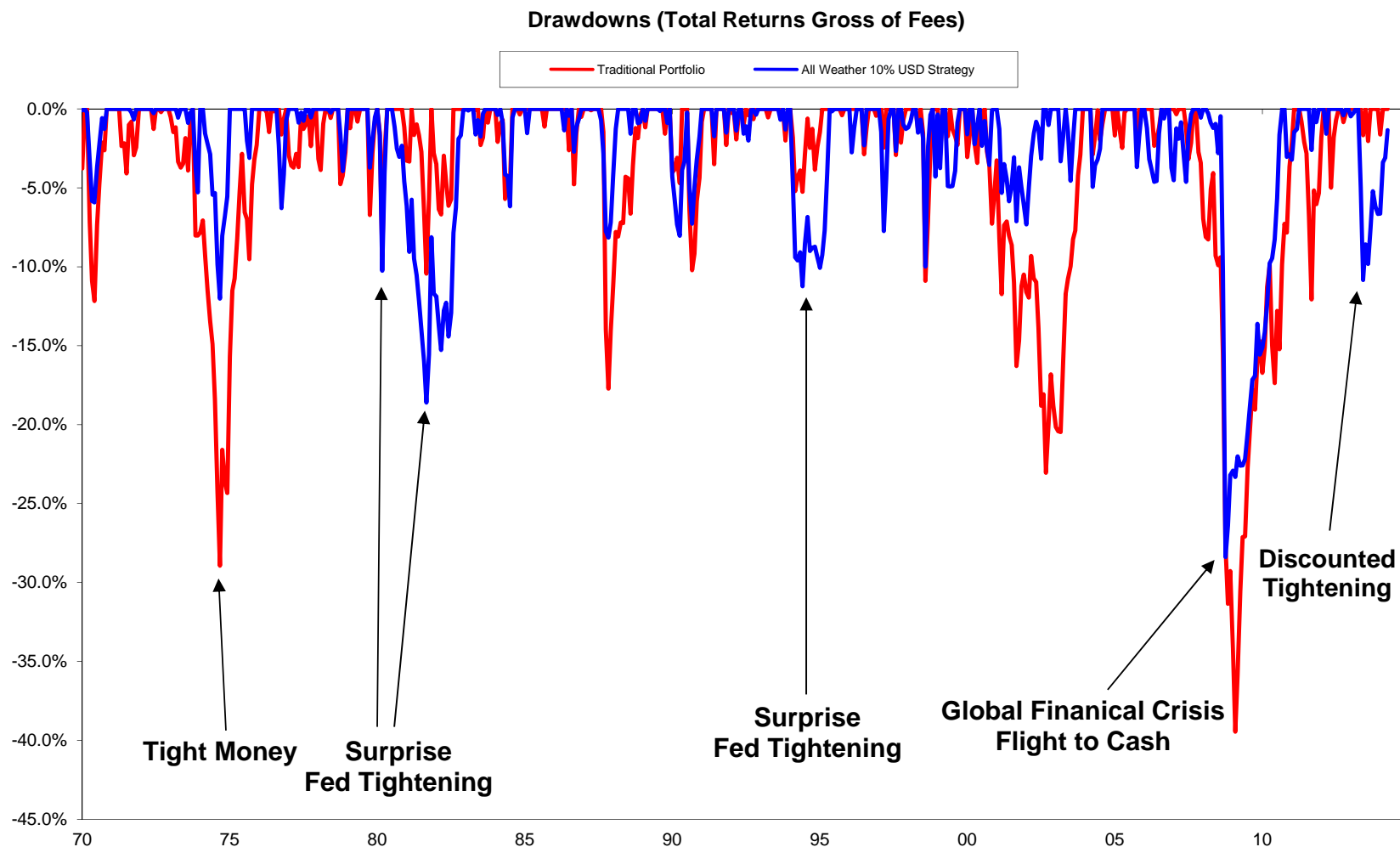
| Annualized Gross of Fees | 1946 - Sep. 1981 |
|--------------------------|------------------|
| Total Return | 8.7% |
| Excess Return | 4.4% |
| Standard Deviation | 7.5% |
| Sharpe Ratio | 0.59 |

| Annualized Gross of Fees | Whole Period |
|--------------------------|--------------|
| Total Return | 10.3% |
| Excess Return | 5.8% |
| Standard Deviation | 8.6% |
| Sharpe Ratio | 0.68 |

| Annualized Gross of Fees | Oct. 1981 - Present |
|--------------------------|---------------------|
| Total Return | 12.1% |
| Excess Return | 7.4% |
| Standard Deviation | 9.7% |
| Sharpe Ratio | 0.77 |

Data through Apr 2014. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

THE DRAWDOWNS OF ALL WEATHER ARE DRIVEN BY TIGHT MONEY BECAUSE TIGHT MONEY HURTS ALL ASSETS



Data through Apr 2014. "Traditional Portfolio" refers to the USD Traditional Portfolio. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ALL WEATHER PERFORMANCE IN TROUGH TO PEAK RISES IN YIELDS

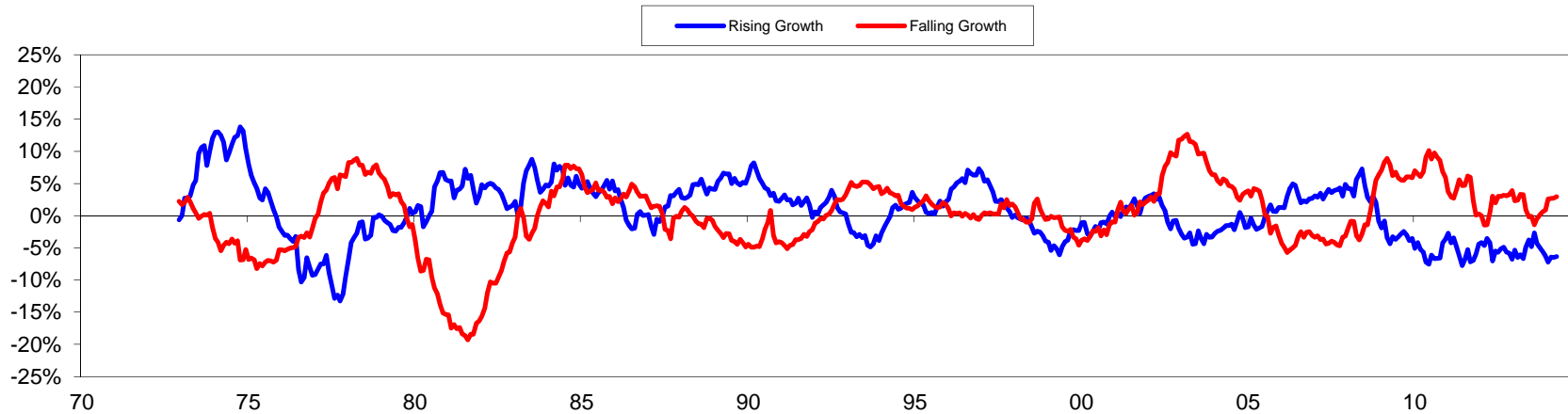
| PERIOD OF RISING YIELDS | | YIELD | | ALL WEATHER 10% STRATEGY |
|----------------------------|--------|-------|-------|--------------------------|
| Start | End | Start | End | Gross Total Return |
| Apr-71 | Sep-75 | 5.6% | 8.7% | 78% |
| Jan-77 | Feb-80 | 6.9% | 13.1% | 69% |
| Jul-80 | Sep-81 | 10.3% | 16.5% | -19% |
| Mar-83 | May-84 | 10.5% | 14.4% | 14% |
| Sep-86 | Sep-87 | 7.1% | 9.9% | 13% |
| Oct-93 | Nov-94 | 5.5% | 8.1% | 0% |
| Jan-96 | Aug-96 | 5.7% | 7.1% | 9% |
| Oct-98 | Jan-00 | 4.5% | 6.8% | 12% |
| Jun-03 | Jun-06 | 3.4% | 5.2% | 40% |
| Jan-09 | Dec-09 | 2.2% | 3.9% | 10% |
| Sep-12 | Apr-14 | 1.6% | 2.7% | 5% |
| Average Annualized Return: | | | | 10% |

Since 1970

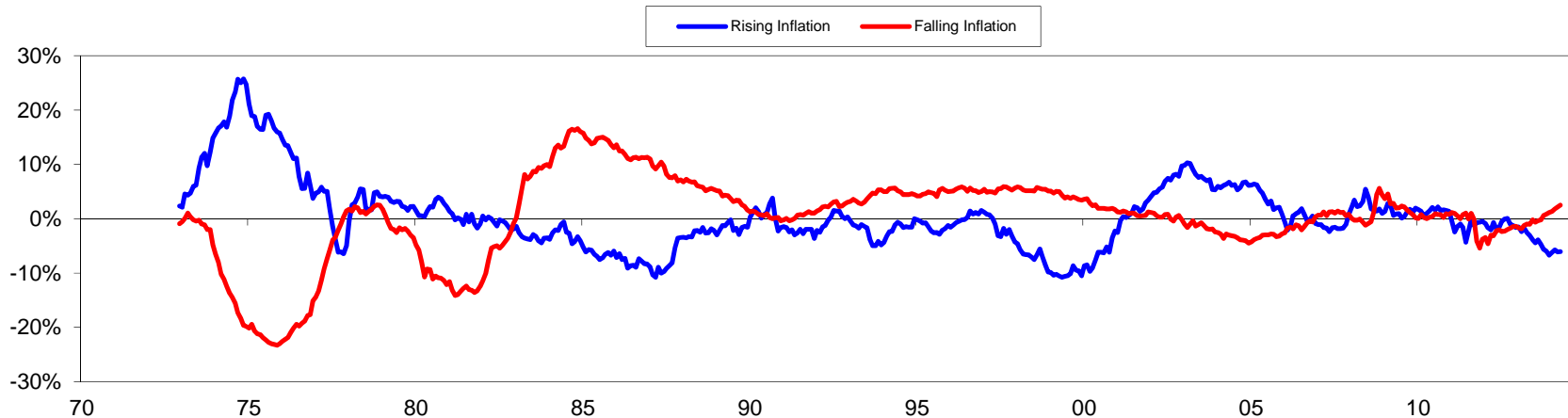
Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ENVIRONMENTAL BALANCE IS A NATURAL HEDGE

Rolling 3 Year Returns (Without Risk Premium)



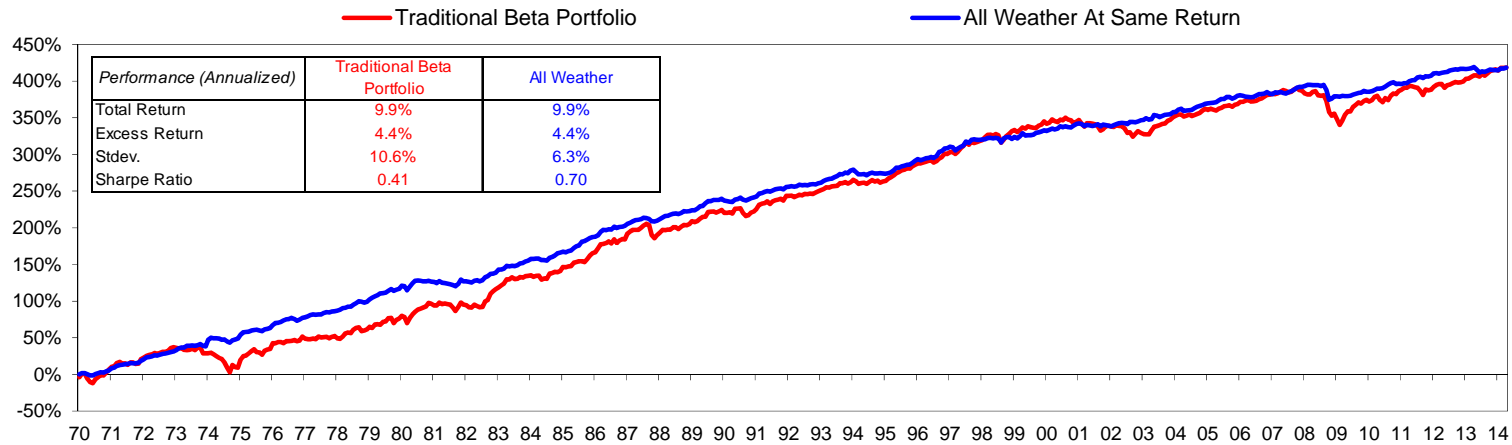
Rolling 3 Year Returns (Without Risk Premium)



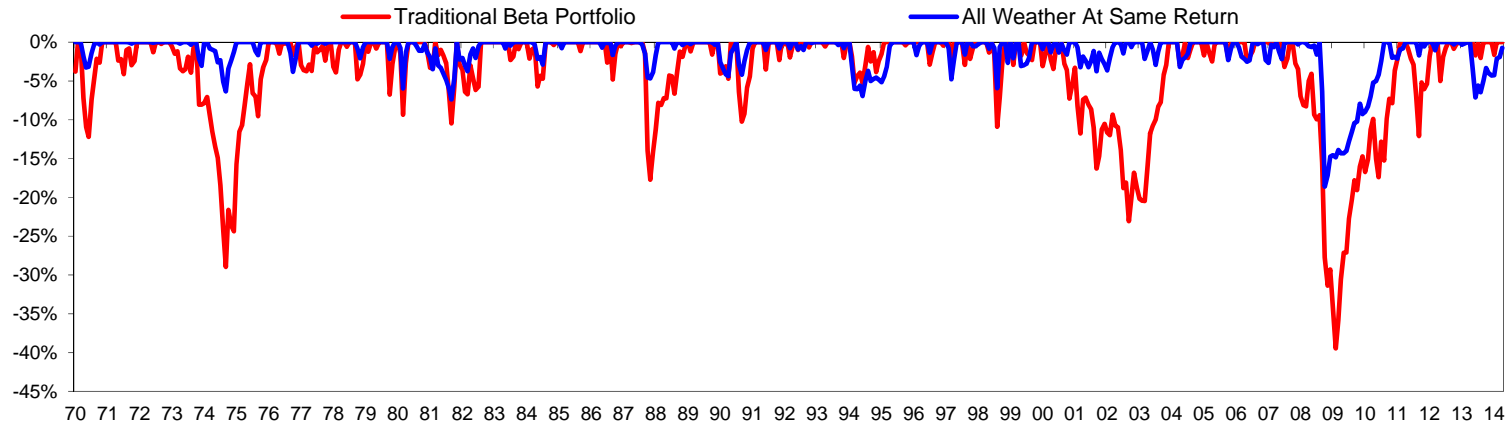
Returns as of April 2014. Rising growth represented by volatility-matched commodities minus IL bonds, falling growth represented by volatility-matched nominal bonds minus stocks, rising inflation represented by volatility-matched commodities minus stocks, falling inflation represented by volatility-matched nominal bonds minus IL bonds. For illustrative purposes only. The example does not necessarily indicate the actual historical or current implementation of Bridgewater's strategies. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ALL WEATHER VS. TRADITIONAL PORTFOLIO AT SAME RETURN

Cumulative Gross of Fees Total Return (In)



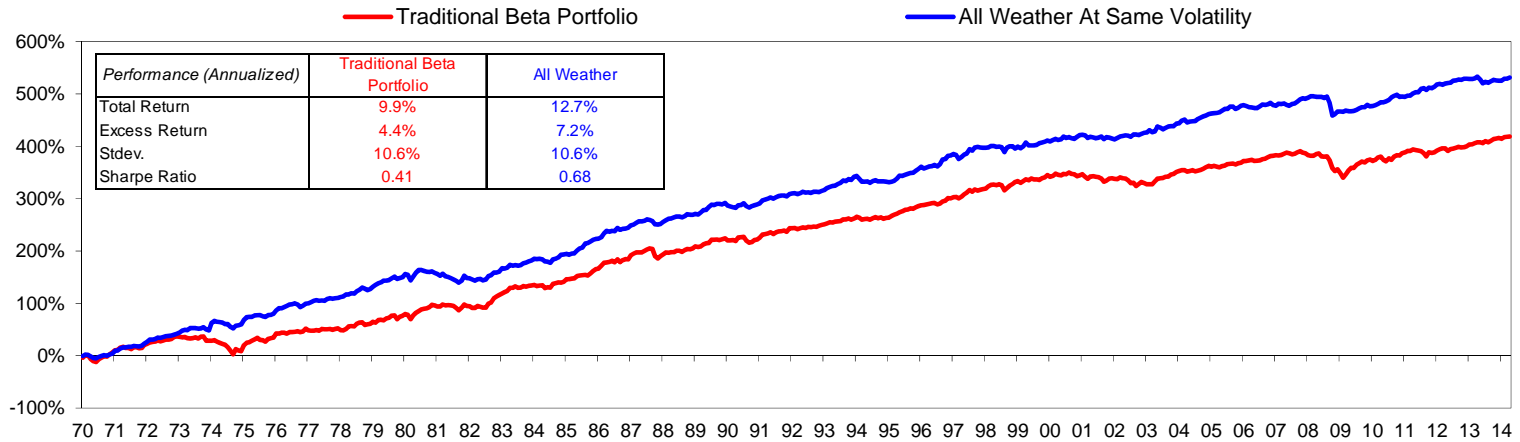
Drawdowns (Gross of Fees Total Return)



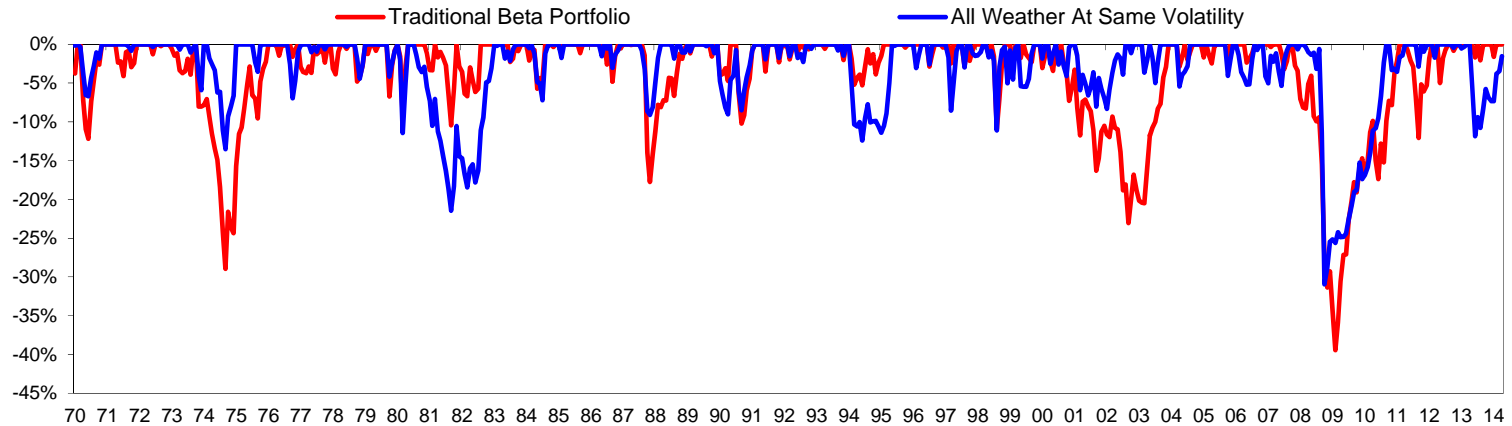
Data through Apr-14 . "Traditional Beta Portfolio" refers to the USD Traditional Portfolio. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ALL WEATHER VS. TRADITIONAL PORTFOLIO AT SAME VOLATILITY

Cumulative Gross of Fees Total Return (In)



Drawdowns (Gross of Fees Total Return)



Data through Apr-14. "Traditional Beta Portfolio" refers to the USD Traditional Portfolio. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. Past performance is not indicative of future results. WHERE SHOWN, HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

All Weather at 12% Performance Appendix

PERFORMANCE SUMMARY

| All Weather 12% Strategy | |
|---------------------------------|----------|
| Net of Fees Total Return | |
| 1996* | 21.5 % |
| 1997 | 14.9 % |
| 1998 | - 3.4 % |
| 1999 | 16.6 % |
| 2000 | 9.6 % |
| 2001 | - 7.9 % |
| 2002 | 11.7 % |
| 2003 | 17.9 % |
| 2004 | 19.0 % |
| 2005 | 16.3 % |
| 2006 | - 0.2 % |
| 2007 | 11.8 % |
| 2008 | - 24.1 % |
| 2009 | 11.3 % |
| 2010 | 21.1 % |
| 2011 | 19.5 % |
| 2012 | 16.5 % |
| 2013 | - 4.6 % |
| 2014+ | 6.7 % |
| | |
| Annualized Total Return | 9.0 % |
| Annualized Excess Return | 6.3 % |
| Standard Deviation | 12.5 % |

** 1996 performance is cumulative performance from Jun. 1996 to Dec. 1996*

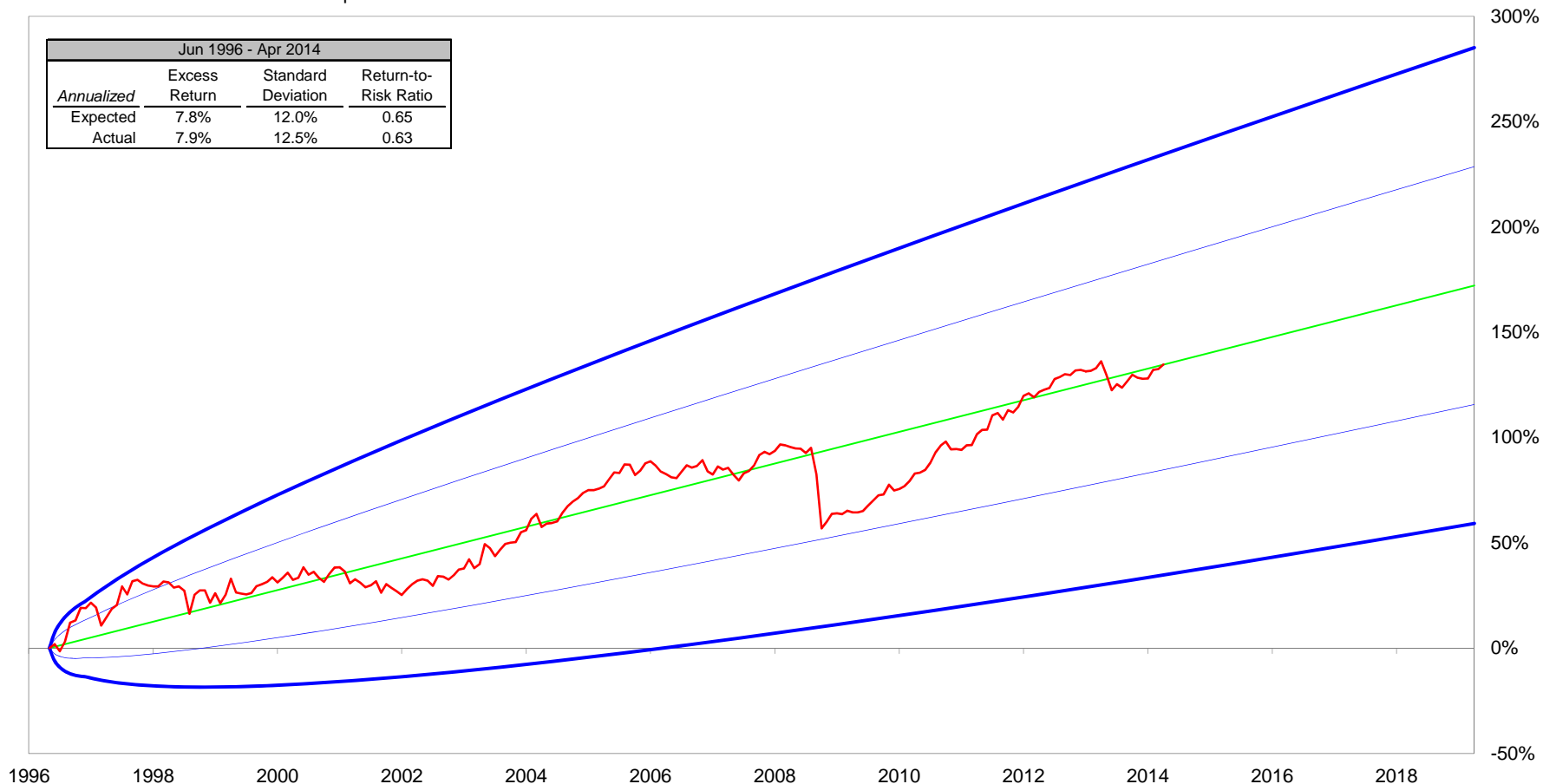
2014+ performance is cumulative YTD performance through Apr 2014. Apr 2014 is preliminary.

WHERE SHOWN, HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Standard deviation is calculated using gross of fees performance. Past results are not necessarily indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

PERFORMANCE VS. EXPECTATIONS

Bridgewater All Weather Strategy 12% Volatility Gross Cumulative Excess Return vs. Expectations (In)

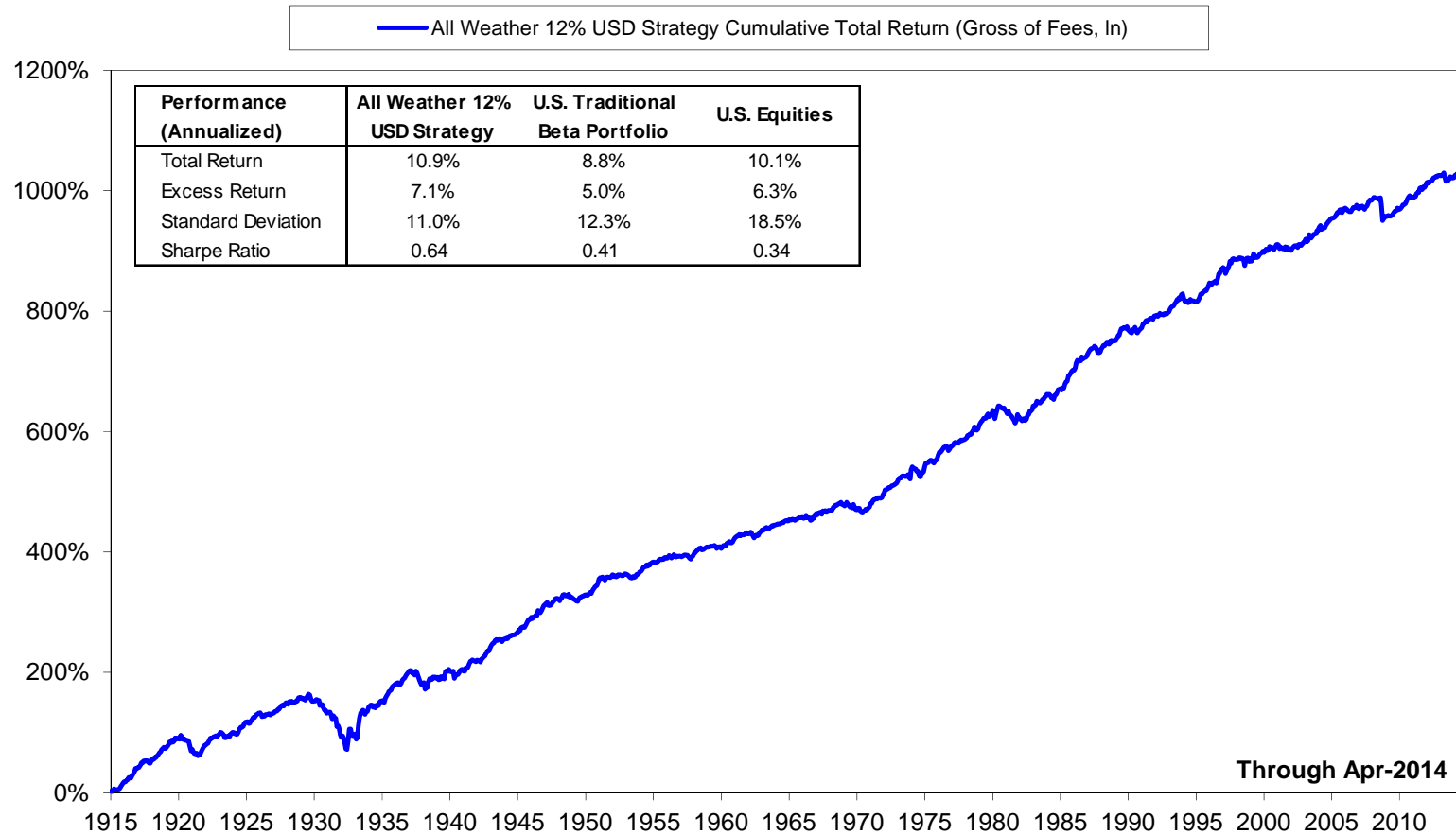
Expected Return 2 Standard Deviation 1 Standard Deviation Cumulative Excess Return



PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

Please review the "Important Disclosures and Other Information" located at the end of this presentation.

HISTORICAL PERFORMANCE

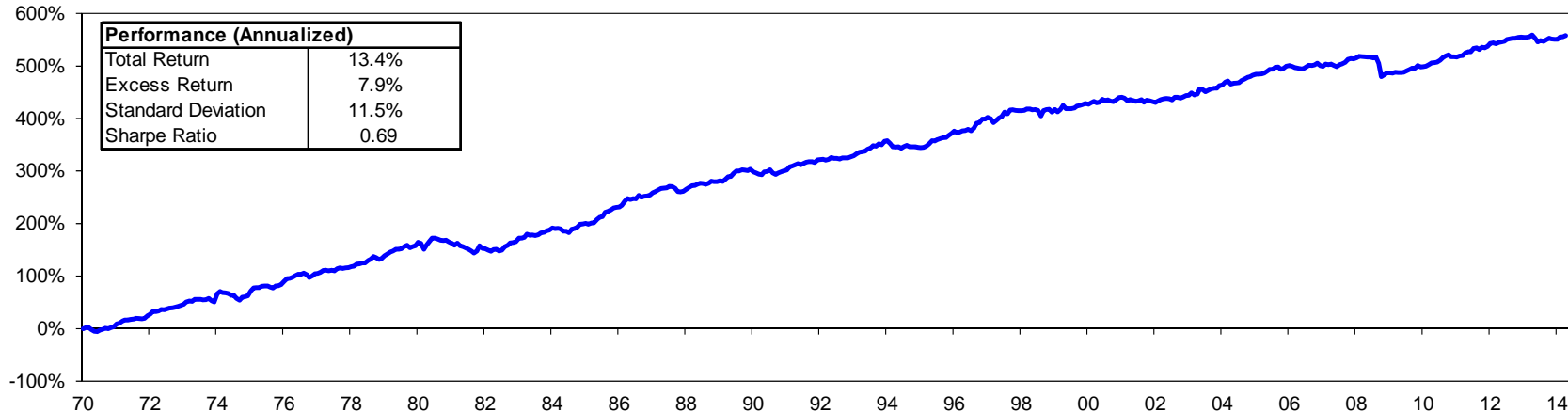


Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation. Source: Global Financial Data Inc. and Bridgewater Analysis.

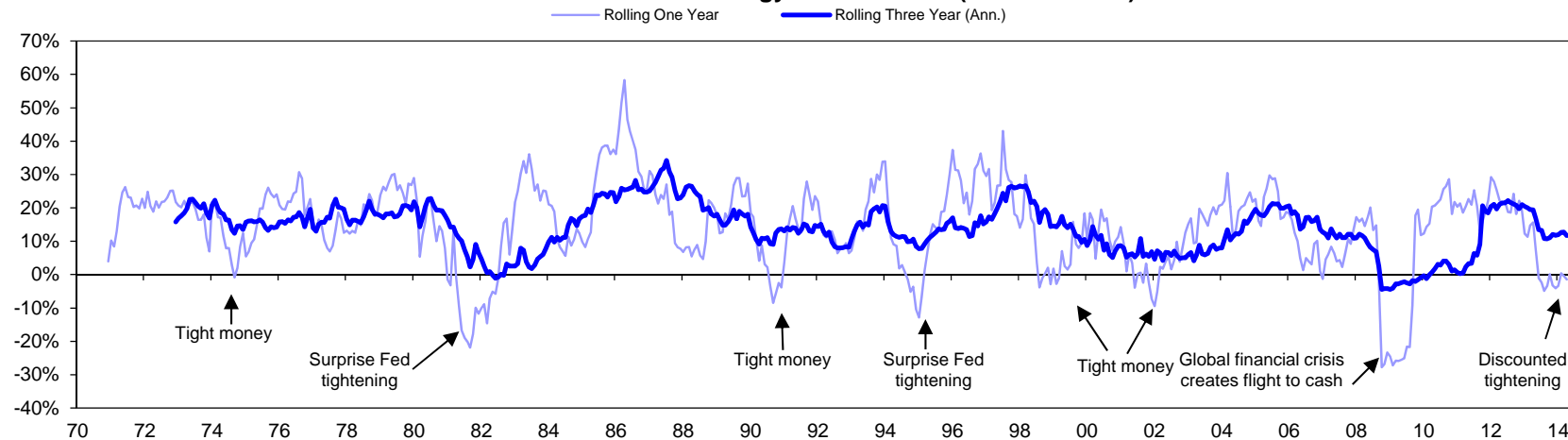
STRESS-TESTED PERFORMANCE

IMPACT OF TIGHT MONEY IS UNDIVERSIFIABLE BUT SHORT-LIVED

All Weather 12% Strategy Cumulative Total Returns (Gross of Fees, In)



All Weather 12% Strategy Total Returns (Gross of Fees)



Returns are shown through April 30, 2014. Please note the returns shown for All Weather are simulated prior to June 1996 using the All Weather Asset Mix (see All Weather Asset Mix Disclosure). It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data. Standard deviation is calculated using gross of fees performance. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

Important Disclosures and Other Information

Please read carefully the following important disclosures and other information as they provide additional information relevant to understanding the assumptions, research and performance information presented herein. Additional information is available upon request except where the proprietary nature of the information precludes its dissemination.

IMPORTANT DISCLOSURES

This presentation contains proprietary information regarding Bridgewater Associates, LP (“Bridgewater”) and the strategies Bridgewater manages and is being furnished on a confidential basis to a limited number of sophisticated prospective investors for the purpose of evaluating an investment with Bridgewater. By accepting this presentation, the prospective investor agrees that it (and each employee, representative or other agent of such prospective investor) will use the information only to evaluate its potential interest in a fund or strategy described herein and for no other purpose and will not divulge any such information to any other party. No part of this presentation may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Bridgewater. Notwithstanding anything to the contrary, a prospective investor, and each employee, representative or other agent of such prospective investor, may disclose to any and all persons, without limitation of any kind, the U.S. federal and state income tax treatment and tax structure of a fund described herein (and any of the transactions contemplated hereby) and all materials of any kind (including opinions or other tax analyses) that are provided to a prospective investor relating to such U.S. federal and state income tax treatment and tax structure.

This presentation has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or to participate in any trading strategy. Any such offering, will be made pursuant to a definitive offering memorandum (the “OM”) which will contain the terms and risks of making an investment with Bridgewater in the relevant fund and other material information not contained herein and which will supersede this information in its entirety. In the event of any discrepancy between the information shown in this presentation and the OM, the OM will prevail. Investors should not construe the contents of this presentation as legal, tax, accounting, investment or other advice. Any decision to invest in a Bridgewater fund or strategy described herein should be made after carefully reviewing the OM (including the risks described therein) and all other related documents, conducting such investigations as the prospective investor deems necessary and consulting such investor’s own investment, legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in such fund or strategy.

An investment in any Bridgewater fund or strategy involves significant risks and there can be no assurance that any fund or strategy will achieve its investment objective or any targets or that investors will receive any return of their capital. An investment in any Bridgewater fund or strategy is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks inherent in such an investment (including the risk of loss of their entire investment) for an indefinite period of time. **Past performance is not indicative of future results.**

This presentation and the OM will only be made available to persons or entities who are “accredited investors” under the Securities Act of 1933, as amended, and “qualified purchasers” under the Investment Company Act of 1940, as amended.

The distribution of this presentation and the OM may be restricted by law in certain jurisdictions, and it is the responsibility of persons into whose possession this presentation or the OM comes to inform themselves about, and observe, any such restrictions.

Certain information contained herein constitutes forward-looking statements (including projections, targets, hypotheticals, ratios, estimates, returns, performance, opinions, activity and other events contained or referenced herein), which can be identified by the use of terms such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or other variations (or the negatives thereof) thereof. Due to various risks, assumptions, uncertainties and actual events, including those discussed herein and in the OM, actual results, returns or performance may differ materially from those reflected or contemplated in such forward-looking statements. As a result, prospective investors should not rely on such forward-looking statements in making their investment decisions. Any forward-looking statements contained herein reflect Bridgewater’s current judgment and assumptions which may change in the future, and Bridgewater has no obligation to update or amend such forward-looking statements.

HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.

Any tables, graphs or charts relating to past performance, whether hypothetical, simulated or actual, included in this presentation are intended only to illustrate the performance of indices, strategies, or specific accounts for the historical periods shown. When creating such tables, graphs and charts, Bridgewater may incorporate assumptions on trading, positions, transactions costs, market impact estimations and the benefit of hindsight. For example, transaction cost estimates used in simulations are based on historical measured costs and/or modeled costs. Such tables, graphs and charts are not intended to predict future performance and should not be used as a basis for making any investment decision. Bridgewater has no obligation to update or amend such tables, graphs or charts.

Statements regarding target performance or target ratios related to assumed risk budgets, liabilities, volatility, target volatility, tracking error or other targets should not be considered a guarantee that such results can or will be achieved. For example, Bridgewater may adjust returns to match, for instance, the annualized standard deviation of two or more return series but this adjustment does not suggest that the returns or assets are similar with respect to other aspects of the risk such as liquidity risk. Any statements with respect to the ability to risk match or risk adjust in the future are not a guarantee that the realized risks will be similar and material divergences could occur. All performance and risk targets contained herein are subject to revision by Bridgewater and are provided solely as a guide to current targets.

IMPORTANT DISCLOSURES

Discussions related to the risk controlling capabilities of low risk portfolios, diversification, passive investing, risk management, risk adjusting, and any other risk control theories, statements, measures, calculations and policies contained herein should not be construed as a statement that Bridgewater has the ability to control risk or that the investments or instruments discussed are low risk. Active trading comes with a monetary cost and high risk and there is no guarantee the cost of trading will not have a materially adverse impact on any account, fund, portfolio or other structure. Bridgewater manages accounts, funds and strategies not referred to herein. Additionally, even where accounts, funds or strategies are traded similarly, performance may materially diverge based on, among other factors, timing, the approved instruments, markets, and target risk for each strategy or market. The price and value of the investments referred to in this presentation and the income, if any, derived therefrom may fluctuate.

Statistical and mathematical measures of performance and risk measures based on past performance, market assumptions or any other input should not be relied upon as indicators of future results. While Bridgewater believes the assumptions and possible adjustments it may make in making the underlying calculations are reasonable, other assumptions, methodologies and adjustments could have been made that are reasonable and would result in materially different results, including materially lower results. Where shown, targeted performance and the abilities and capabilities of the active and passive management approaches discussed herein are based on Bridgewater's analysis of market data, quantitative research of the underlying forces that influence asset classes as well as management policies and objectives, all of which are subject to change. The material contained herein may exhibit the potential for attractive returns, however it also involves a corresponding high degree of risk. Targeted performance, whether mathematically based or theoretical, is considered hypothetical and is subject to inherent limitations such as the impact of concurrent economic or geo-political elements, forces of nature, war and other factors not addressed in the analysis, such as lack of liquidity. There is no guarantee that the targeted performance for any fund or strategy shown herein can or will be achieved. A broad range of risk factors, individually or collectively, could cause a fund or strategy to fail to meet its investment objectives and/or targeted returns, volatilities or correlations.

Where shown, information related to markets traded may not necessarily indicate the actual historical or current strategies of Bridgewater. Markets listed may or may not be currently traded and are subject to change without notice. Markets used for illustrative purposes may not represent the universe of markets traded or results available and may not include actual trading results of Bridgewater. Other markets or trading, not shown herein, may have had materially different results. Attribution of performance or designation of markets and the analysis of performance or other performance with respect to scenario analysis or the determination of biases is based on Bridgewater's analysis. Statements made with respect to the ability of Bridgewater, a fund, a strategy, a market or instrument to perform in relation to any other market, instrument or manager in absolute terms or in any specific manner in the future or any specified time period are not a guarantee of the desired or targeted result.

Bridgewater research utilizes data and information from public, private and internal sources, including data from actual Bridgewater trades. External sources include the Australian Bureau of Statistics, Center for Research in Security Prices, International Energy Agency, Investment Management Association, International Monetary Fund, National Bureau of Economic Research, Organisation for Economic Co-operation and Development, United Nations, US Department of Commerce, World Bureau of Metal Statistics, World Economic Forum, as well as information companies such as Altos Research LLC, AME Mineral Economics (Asia) Limited, Asset International, Inc., BBA Libor Limited, Bloomberg Finance L.P., CEIC Data Company Ltd., Consensus Economics Inc., Credit Market Analysis Ltd., Crimson Hexagon, Inc., Dealogic LLC, Ecoanalitica, Emerging Portfolio Fund Research, Inc., GaveKal Research Ltd., Global Financial Data, Inc., Global Trade Information Services, Inc., Haver Analytics, Inc., Markit Economics Limited, Mergent, Inc., Moody's Analytics, Inc., MSCI, Paramita Tecnologia Consultoria Financeira LTDA, Property and Portfolio Research, Inc., RealtyTrac, Inc., RP Data Ltd., Sentix GmbH, SNL Financial LC, Standard and Poor's, Thomson Reuters, TrimTabs Investment Research, Inc., WIND Information (Hong Kong) Co., Ltd. and Wood Mackenzie Limited. While we consider information from external sources to be reliable, we do not independently verify information obtained from external sources and we make no representation or warranty as to the accuracy, completeness or reliability of such information.

None of the information related to a fund or strategy that Bridgewater may provide is intended to form the basis for any investment decision with respect to any retirement plan's assets. Any information Bridgewater provides should be independently and critically evaluated based on whatever other sources deemed appropriate, including legal and tax advice; it is also not intended to be impartial investment information or advice as Bridgewater may recommend one or more Bridgewater products in connection with such information, which would result in additional fees being paid to Bridgewater. Bridgewater's status as an ERISA fiduciary with respect to the management of any existing or future Bridgewater product(s) in which you invest would be (or continue to be) set forth in that product's applicable governing instruments. You are responsible for ensuring that your decision to invest in any Bridgewater product does not violate the fiduciary or prohibited transaction rules of ERISA, the U.S. Internal Revenue Code or any applicable laws or regulations that are similar.

This presentation was written in connection with the promotion or marketing of a Bridgewater fund or strategy, and it was not intended or written to be used and cannot be used by any person for the purpose of avoiding penalties that may be asserted under the U.S. Internal Revenue Code.

All amounts and percentages in this presentation are approximate and have been rounded for presentation purposes.

Statements in this presentation are made as of the date appearing on this presentation. Neither the delivery of this presentation or the OM shall at any time under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such date. Bridgewater has no obligation to inform potential or existing investors when information herein is stale, deleted, modified or changed.

ALL WEATHER STRATEGY DISCLOSURE

All Weather Strategy Performance (Net of Fees)

| | All Weather Total Return in USD |
|----------------------|------------------------------------|
| Last 1 Year | -1.8% |
| Last 3 Years | 9.1% |
| Last 5 Years | 11.9% |
| Last 10 Years | 7.8% |

Annualized Returns (Jun-96 through Apr-14)

Net Since Inception Jun-96 through Apr-14

| | |
|---------------------------|-------|
| | |
| Annualized Return | 8.8% |
| Standard Deviation | 10.6% |
| Sharpe Ratio | 0.57 |

Past results are not necessarily indicative of future results.

Bridgewater All Weather Strategy Performance Disclosure:

For the period June 1996 (the inception of the strategy) through August 2001 the performance is based on the total return of the Bridgewater All Weather strategy as implemented for Bridgewater's principals and their affiliates and was not fully hedged to the US Dollar. The All Weather strategy is structured to be fully hedged, and the performance reflected after August 2001 includes these hedging transactions. For the period of August 2001 through present the performance shown is the actual total returns of the longest running fully funded All Weather account. For the entire history excess returns are calculated by subtracting the cash return of the US repo rate from the total returns described above. Of note, the All Weather strategy's target leverage, volatility and return, as well as the asset mix varied from June 1996 to July 2005. From August 2005 through the present the strategy has targeted 10% volatility. Bridgewater manages additional All Weather portfolios not included in this performance history.

Gross of fees performance is gross of management fees and includes the reinvestment of interest, gains, and losses. Returns will be reduced by the investment advisory fees and any other expenses that may be incurred in the management of the account.

Net of fees performance has been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A.

No representation is being made that any account will or is likely to achieve returns similar to those shown. Trading in futures is risky and can result in losses as well as profits. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Performance as of the current month is estimated and subject to change.

ALL WEATHER II STRATEGY DISCLOSURE

All Weather II Strategy Performance (Net of Fees)

| | All Weather Total Return in USD |
|----------------------|------------------------------------|
| Last 1 Year | -1.4% |
| Last 3 Years | 9.4% |
| Last 5 Years | 14.6% |
| Last 10 Years | 9.6% |

Annualized Returns (Jun-96 through Apr-14)

Net Since Inception Jun-96 through Apr-14

| | |
|---------------------------|-------|
| | |
| Annualized Return | 9.8% |
| Standard Deviation | 11.3% |
| Sharpe Ratio | 0.63 |

Past results are not necessarily indicative of future results. WHERE SHOWN, HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

Bridgewater All Weather II Strategy Performance Disclosure:

For the period June 1996 (the inception of the strategy) through August 2001 the performance is based on the total return of the Bridgewater All Weather strategy as implemented for Bridgewater's principals and their affiliates and was not fully hedged to the US Dollar. The All Weather strategy is structured to be fully hedged, and the performance reflected after August 2001 includes these hedging transactions. For the period of August 2001 through September 2008 the performance shown is the actual total returns of the longest running fully funded All Weather account. Of note, the All Weather strategy's target leverage, volatility and return, as well as the asset mix varied from June 1996 to July 2005. From August 2005 through present the strategy has targeted 10% volatility. From October 2008 through September 2009 returns are simulated based on the All Weather target allocations constrained from shifts based on Bridgewater's depression gauge (i.e. not shifting the allocations based on the recognition of a potential extreme recessionary or depressionary economic environment for the purposes of capital preservation). From October 2009 through present the performance shown is the actual returns of the fully funded All Weather II Account (which is similarly constrained from shifts based on Bridgewater's depression gauge). For the entire history excess returns are calculated by subtracting the cash return of the US repo rate from the total returns described above. Bridgewater manages additional All Weather portfolios not included in this performance history.

Gross of fees performance is gross of management fees and includes the reinvestment of interest, gains, and losses. Returns will be reduced by the investment advisory fees and any other expenses that may be incurred in the management of the account.

Net of fees performance has been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A.

No representation is being made that any account will or is likely to achieve returns similar to those shown. Trading in futures is risky and can result in losses as well as profits. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Performance as of the current month is estimated and subject to change.

ALL WEATHER 12% STRATEGY DISCLOSURE

All Weather 12% Strategy Performance (Net of Fees)

| | All Weather Total Return in USD |
|----------------------|------------------------------------|
| Last 1 Year | -1.7% |
| Last 3 Years | 10.0% |
| Last 5 Years | 13.7% |
| Last 10 Years | 8.2% |

Annualized Returns (Jun-96 through Apr-14)

Net Since Inception Jun-96 through Apr-14

| | |
|---------------------------|-------|
| Annualized Return | 9.0% |
| Standard Deviation | 12.5% |
| Sharpe Ratio | 0.50 |

Past results are not necessarily indicative of future results. WHERE SHOWN, HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Standard deviation is calculated using gross of fees performance. Sharpe ratio is calculated using the annualized standard deviation of gross of fees performance.

Bridgewater All Weather Strategy 12% Volatility Performance Disclosure:

Returns from June 1996 (All Weather's inception) through June 2006 are based on the gross returns of the Bridgewater All Weather strategy, scaled by a factor of 1.2. Monthly excess returns of the Bridgewater All Weather strategy are scaled linearly by a factor of 1.2. The scaling results in the 12% strategy being 20% more aggressive than the All Weather Strategy. Due to the effects of compounding, annualized historical returns, volatilities, and information ratios will not scale linearly. Because the returns are scaled, they are simulated or hypothetical. For the period from July 2006 through the present, the performance shown is the actual returns of the longest running fully funded All Weather account run at 12% volatility, albeit adjusting target leverage, volatility, return and the asset mix during extreme recessionary or depressionary economic environments.

Bridgewater All Weather Strategy Gross Performance Disclosure:

For the period June 1996 (the inception of the strategy) through August 2001 the performance is based on the total return of the Bridgewater All Weather strategy as implemented for Bridgewater's principals and their affiliates and was not fully hedged to the US Dollar. The All Weather strategy is structured to be fully hedged, and the performance reflected after August 2001 includes these hedging transactions. For the period of August 2001 through present the performance shown is the actual total returns of the longest running fully funded All Weather account. For the entire history excess returns are calculated by subtracting the cash return of the US repo rate from the total returns described above. Of note, the All Weather strategy's target leverage, volatility and return, as well as the asset mix varied from June 1996 to July 2005. From August 2005 through the present the strategy has targeted 10% volatility. Bridgewater manages additional All Weather portfolios not included in this performance history.

Gross of fees performance is gross of management and performance fees and includes the reinvestment of interest, gains, and losses. Returns will be reduced by the investment advisory fees and any other expenses that may be incurred in the management of the account.

Net of fees performance has been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A.

No representation is being made that any account will or is likely to achieve returns similar to those shown. Trading in futures is risky and can result in losses as well as profits. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. Performance as of the current month is estimated and subject to change.

POSITION NOTES

ALL WEATHER@12% FUND, LTD.

1. "Exposure as a % of Portfolio" represents the notional value of portfolio holdings divided by the total portfolio value.
2. The exposures shown in this report are based on estimates of the values of the portfolio holdings as of the date shown on the report.

ALL WEATHER ASSET MIX DISCLOSURE

All Weather Asset Mix Performance (Net of Fees)

| | All Weather Total Return in USD |
|----------------------|------------------------------------|
| Last 1 Year | 0.9% |
| Last 3 Years | 6.7% |
| Last 5 Years | 13.1% |
| Last 10 Years | 9.3% |

Annualized Returns (Jun-96 through Apr-14)

Net Since Inception Jun-96 through Apr-14

| | |
|---------------------------|------|
| Annualized Return | 9.9% |
| Standard Deviation | 9.7% |
| Sharpe Ratio | 0.74 |

Past results are not necessarily indicative of future results. WHERE SHOWN, HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

All Weather Asset Mix Disclosure:

Where shown, simulated returns for All Weather are created using the All Weather asset mix. The All Weather asset mix performance is simulated by applying All Weather asset mix weights, which are determined by Bridgewater's proprietary process for building an environmentally balanced portfolio, to historical market returns. We use actual market returns when available and otherwise use Bridgewater Associates' proprietary estimates, based on other available data and our fundamental understanding of asset classes. In certain cases, market data for an exposure which otherwise would exist in the simulation may be omitted if the relevant data is unavailable, deemed unreliable, immaterial or accounted for using proxies. In the case of omitted markets, other markets in the same asset class, which represent the vast majority of our positions in each asset class, are scaled to represent the full asset class position. Examples of omitted markets include, but are not limited to, non-U.S. markets prior to 1970, emerging market equities, some inflation-linked bond markets and certain commodities.

Simulated asset returns are subject to considerable uncertainty and potential error, as there is a great deal that cannot be known about how assets would have performed in the absence of actual market returns. The All Weather asset mix simulation is an approximation of our actual process but not an exact replication, and may have differences including but not limited to the precise mix of markets used and the weights applied to those markets. It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology (including the addition/removal of asset classes) and the underlying market data. There is no guarantee that previous results would not be materially different. Future strategy changes could materially change previous simulated return in order to reflect the changes accurately across time.

Transaction costs are accounted for and are estimates themselves based on historical measured costs and/or modeled costs. Actual transaction costs experienced could have been higher or lower than those reflected in the simulation. Where noted, the All Weather Asset Mix Net of Fees returns have been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A. No claim is being made of the All Weather Asset Mix's ability to perform in absolute terms or relative to any market return in the future, during market events not represented or during market events occurring in the future. Market conditions and events vary considerably, are unpredictable and can have unforeseen impacts resulting in materially adverse performance results.

ALL WEATHER 12% STRATEGY DISCLOSURE

All Weather 12% Strategy Performance (Net of Fees)

| | All Weather Total Return in USD |
|----------------------|------------------------------------|
| Last 1 Year | -1.7% |
| Last 3 Years | 10.0% |
| Last 5 Years | 13.7% |
| Last 10 Years | 8.2% |

Annualized Returns (Jun-96 through Apr-14)

Net Since Inception Jun-96 through Apr-14

| | |
|---------------------------|-------|
| Annualized Return | 9.0% |
| Standard Deviation | 12.5% |
| Sharpe Ratio | 0.50 |

Past results are not necessarily indicative of future results. WHERE SHOWN, HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Standard deviation is calculated using gross of fees performance. Sharpe ratio is calculated using the annualized standard deviation of gross of fees performance.

All Weather Actual and Simulated Returns vs. USD Traditional Portfolio

| | | Historical Performance | | | |
|--|---------------------------|------------------------|---------|--------|--------|
| | | Since June 1996 | 10 Year | 5 Year | 1 Year |
| USD Traditional Portfolio | Ann. Excess Return | 4.2% | 5.5% | 4.1% | 18.1% |
| | Ann. SD (monthly) | 11.0% | 11.1% | 14.5% | 4.3% |
| | Sharpe Ratio (monthly SD) | 0.38 | 0.50 | 0.28 | 4.20 |
| Previous Simulation Implementation (At Same Volatility) | Ann. Excess Return | 10.4% | 10.4% | 12.4% | 11.6% |
| | Ann. SD (monthly) | 11.0% | 11.9% | 14.8% | 8.3% |
| | Sharpe Ratio (monthly SD) | 0.95 | 0.87 | 0.84 | 1.39 |
| Current Simulation Implementation (At Same Volatility) | Ann. Excess Return | 8.5% | 9.4% | 8.6% | 15.7% |
| | Ann. SD (monthly) | 11.0% | 11.6% | 15.1% | 6.4% |
| | Sharpe Ratio (monthly SD) | 0.77 | 0.81 | 0.57 | 2.46 |
| All Weather 12% Strategy (At Same Volatility) | Ann. Excess Return | 7.1% | 7.4% | 6.4% | 6.4% |
| | Ann. SD (monthly) | 11.0% | 10.5% | 12.7% | 7.7% |
| | Sharpe Ratio (monthly SD) | 0.65 | 0.70 | 0.50 | 0.83 |

Return data from June 1996 through May 2013.

All Weather simulations performance and All Weather Strategy performance are estimated through May 2013 and are volatility matched to the USD Traditional Portfolio from June 1996 through May 2013. "Previous Simulation Implementation" refers to static All Weather position weights derived from fundamental All Weather concepts applied through time to historical market returns and do not include recent interest rate hedges. "Current Simulation Implementation" refers to static All Weather position weights derived from the fundamental All Weather concepts applied through time to historical market returns and include recent interest rate hedges. It is expected that the simulated performance will periodically change as a function of both refinements to our simulation methodology and the underlying market data.

Bridgewater All Weather Strategy 12% Volatility Performance Disclosure:

Returns from June 1996 (All Weather's inception) through June 2006 are based on the gross returns of the Bridgewater All Weather strategy, scaled by a factor of 1.2. Monthly excess returns of the Bridgewater All Weather strategy are scaled linearly by a factor of 1.2. The scaling results in the 12% strategy being 20% more aggressive than the All Weather Strategy. Due to the effects of compounding, annualized historical returns, volatilities, and information ratios will not scale linearly. Because the returns are scaled, they are simulated or hypothetical. For the period from July 2006 through the present, the performance shown is the actual returns of the longest running fully funded All Weather account run at 12% volatility, albeit adjusting target leverage, volatility, return and the asset mix during extreme recessionary or depressionary economic environments.

Bridgewater All Weather Strategy Gross Performance Disclosure:

For the period June 1996 (the inception of the strategy) through August 2001 the performance is based on the total return of the Bridgewater All Weather strategy as implemented for Bridgewater's principals and their affiliates and was not fully hedged to the US Dollar. The All Weather strategy is structured to be fully hedged, and the performance reflected after August 2001 includes these hedging transactions. For the period of August 2001 through present the performance shown is the actual total returns of the longest running fully funded All Weather account. For the entire history excess returns are calculated by subtracting the cash return of the US repo rate from the total returns described above. Of note, the All Weather strategy's target leverage, volatility and return, as well as the asset mix varied from June 1996 to July 2005. From August 2005 through the present the strategy has targeted 10% volatility. Bridgewater manages additional All Weather portfolios not included in this performance history.

Gross of fees performance is gross of management and performance fees and includes the reinvestment of interest, gains, and losses. Returns will be reduced by the investment advisory fees and any other expenses that may be incurred in the management of the account.

Net of fees performance has been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A.

No representation is being made that any account will or is likely to achieve returns similar to those shown. Trading in futures is risky and can result in losses as well as profits. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. Performance as of the current month is estimated and subject to change.

San Mateo County Employees' Retirement Association

1. PanAgora Overview
2. Risk Parity Multi Asset
3. Appendix
4. Performance Disclosures

PanAgora Risk Parity Multi Asset Strategy Overview

June 3, 2014

Disclosures



This presentation is provided for limited purposes, is not definitive investment advice, and should not be relied on as such. PanAgora does not guarantee any minimum level of investment performance or the success of any investment strategy. As with any investment there is a potential for profit as well as the possibility of loss. PanAgora cannot guarantee the accuracy or completeness of any statements or data contained in the presentation. Past performance is not a guarantee of future results.

This material is directed exclusively at investment professionals. Any investments to which this material relates are available only to or will be engaged in only with investment professionals.

The performance shown is for the stated time period only; due to market volatility, each account's performance may be different. The returns shown assume the reinvestment of dividends and other income. The information in this presentation may contain projections or other forward-looking statements regarding future events, or expectations, and is only current as of the date indicated. No assurance can be given that the investment objective or expected return will be achieved or that an investor will receive a return of all or part of his or her initial investment.

The securities presented are intended to demonstrate the application of the investment strategy and do not constitute a representative list of all securities bought or sold during any time period. These recommendations should not be considered to be a pattern of success or a guarantee of positive performance. Not all of PanAgora's recommendations have been or will be profitable.

International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging market securities, including illiquidity and volatility. Active currency management, like any other investment strategy, involves risk, including market risk and event risk, and the risk of loss of principal amount invested. Derivative instruments may at times be illiquid, subject to wide swings in prices, difficult to value accurately and subject to default by the issuer. Strategies that use leverage extensively to gain exposure to various markets may not be suitable for all investors. Any use of leverage exposes the strategy to risk of loss. In some cases the risk may be substantial.

PanAgora is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 in respect of the financial services. PanAgora is regulated by the SEC under US laws, which differ from Australian laws.

FOR ONE-ON-ONE USE ONLY. NOT FOR PUBLIC DISTRIBUTION.

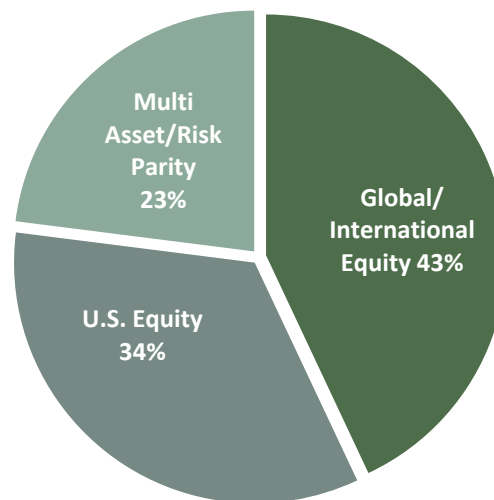
PanAgora Overview



PanAgora at a glance

- » A leader in quantitative investment strategies since 1989
- » Approximately \$40 billion in assets under management
- » Innovative research and intellectual capital
- » Over 100 institutional clients worldwide
- » Broad investment capabilities across global regions, risk levels, and asset classes
 - » Risk Efficient Strategies
 - » Multi Alpha Strategies
 - » Absolute Return
 - » Active Equity
- » Strong track records since inception*

Asset Breakdown



AUM and asset breakdown as of March 31, 2014 *Past performance is not a guarantee of future results.

Source: PanAgora

PanAgora Overview



Ownership

- » PanAgora Employees
 - PanAgora employees own a portion of the company through restricted stock and options, under the provisions of the PanAgora Management Equity Plan.
- » Power Financial Corporation
 - Power Financial Corporation is a company with interests in companies that are active in the financial services sector in Canada, the United States, and Europe. Power Financial Corporation and its affiliates oversee more than \$650 billion worldwide.
- » Nippon Life Insurance Company
 - Nippon Life Insurance Company (NLI) is the second largest life insurance company in Japan and has been a corporate owner of PanAgora since the firm's inception in 1989.



**Power Financial Corporation's legal interest is held through its subsidiaries Great-West Lifeco Inc. and Putnam Investments*

Why PanAgora? Our clients' interests come first

» **Corporate Plans**

- Boeing Corporation
- Southern California Edison Company
- PG&E Corporation
- Marsh & McLennan Companies, Inc.
- John Lewis Partnership Pensions Trust Limited

» **Public Plans**

- Tennessee Consolidated Retirement System
- New South Wales Treasury Corporation
- Iowa Public Employees' Retirement System
- New Mexico State Permanent Fund
- Missouri LAGERS
- Government Superannuation Fund Authority
- Boston Retirement Board
- Florida Prepaid
- United Nations Food and Agriculture Organization
- Statewide Superannuation Fund

» **Endowments & Foundations**

- *Buffalo Fine Arts Academy**
- Cornerstone Foundation of Northeastern Wisconsin
- *Statler Foundation**

» **Sub-advisory**

- Strategic Investment Group
- Russell Investment Group
- *SEI Investment Management Corporation**
- *Pear Tree Funds**
- Sciens Capital Limited

» **Multi-Employer Plans**

- Laerernes Pension
- *UFCW Local No. 919**
- *IBEW Local 332**



**PanAgora Risk Parity clients. The list of clients presented above is based upon client type, domicile, account size, and diverse selection of investment management strategies as of March 2014 and is provided for informational purposes only. It is not known whether the listed clients approve or disapprove of PanAgora or the advisory services provided.*

PanAgora Overview



Eric H. Sorensen, Ph.D.
President and Chief Executive Officer

EQUITY

George Mussalli, CFA
Chief Investment Officer and Head of Equity Research

Research/Implementation
 Dominique Abdi
 Jonathan Birtwell
 Jason Cheung
 Anthony DeLisle
 Ding Ding - *Director*
 Edward Eagan, M.D.
 Joel Feinberg - *Director*
 Nicholas Gagnon
 Jason Gaunt
 Dmitri Kantsyrev, Ph.D., CFA - *Director*
 Brice Lemke
 Weidong Li, CFA, CMT
 Jianghui Liu, Ph.D., CFA
 Lei Liu
 Olexiy Melychev, CFA
 Mark Nappari, Ph.D.
 Oleg Nusinzon, CFA
 Wayne Qian, CFA
 Thomas Scott-Kunkel
 Clare Sun, Ph.D., CFA
 Richard Tan, CFA - *Director*
 Yu Wei, Ph.D.
 Jane Zhao, Ph.D. - *Director*
 Alexei Zhdanov, Ph.D.

MULTI ASSET

Edward Qian, Ph.D., CFA
Chief Investment Officer and Head of Multi Asset Research

Research/Implementation
 James Alberto
 Nicholas Alonso, CFA
 Mark Barnes, Ph.D. - *Director*
 Jonathan Beaulieu, CFA
 Bryan Belton, CFA - *Director*
 Anthony Borthwick, CFA, CMT
 David Liddell - *Director*
 Justin Neal
 Kun Yang, Ph.D., CFA
 Randall Yarlas
 William Zink - *Director*

BUSINESS DEVELOPMENT AND CLIENT SERVICE

Robert Job, CFA
Head of Business Development & Client Solutions

Relationship Management
 Michael Anderson - *Director*
 Julie Cobis
 Jesse Huang, CFA - *Director*
 Lisa Mahoney - *Director*
 William Manthorne

Client & Portfolio Support
 Wilson Berglund, CFA - *Manager*
 Paul Damplo
 Paul Giacoia

Client Service Managers
 Kevin Dowie - *Director*
 William Bardeen
 Katrina Hanson, CFA
 Allison Kiely

Marketing and Client Service Communications
 Alicia McSweeney - *Manager*
 Jeffrey Brown
 Christine Jaeger
 Jenna Kim

Business Information Technology
 Brenda Borowski - *Manager*

ADMINISTRATION

Michael Turpin, CFA
Chief Operating Officer

Louis Iglesias, CFA
Chief Compliance Officer

Sean Collins
Compliance Manager

M. Elizabeth Williams
Director, Operations

Christopher Ballum
Manager, Operations

Melanie Batstone, CFA
Manager, Performance

Eric Mathieu
Manager, Corporate Actions

Steven Breitenfeld
Director, Chief Technology Officer

Thomas Smith
Sr. Investment Application Developers

Brian Lewis
Systems & Networking

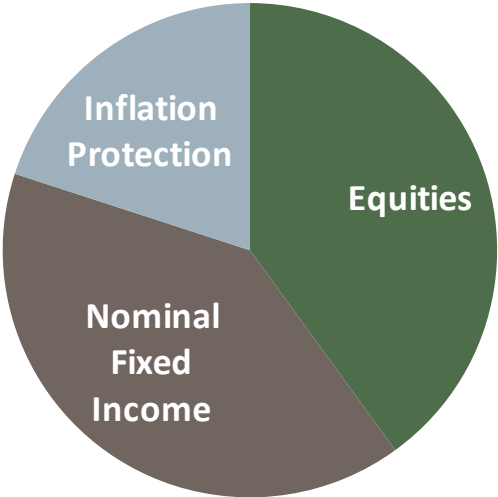
Lisa Kalogeropoulos
Office Manager

Source: PanAgora.

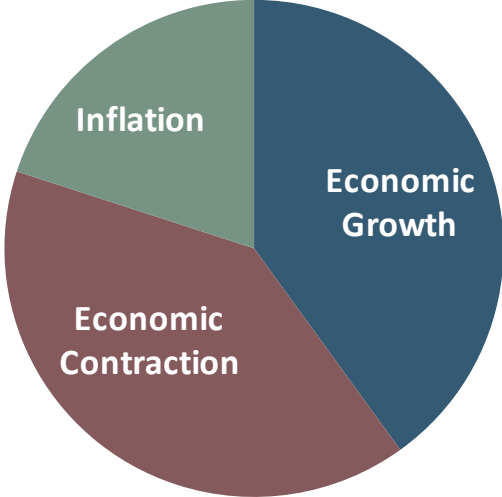
The keys to stable wealth creation

- » Build portfolios that perform well across various economic environments
- » Participate on the upside in periods of market growth
- » Control portfolio drawdowns in periods of market dislocation

Balanced Risk Allocation



Balanced Risk Exposure

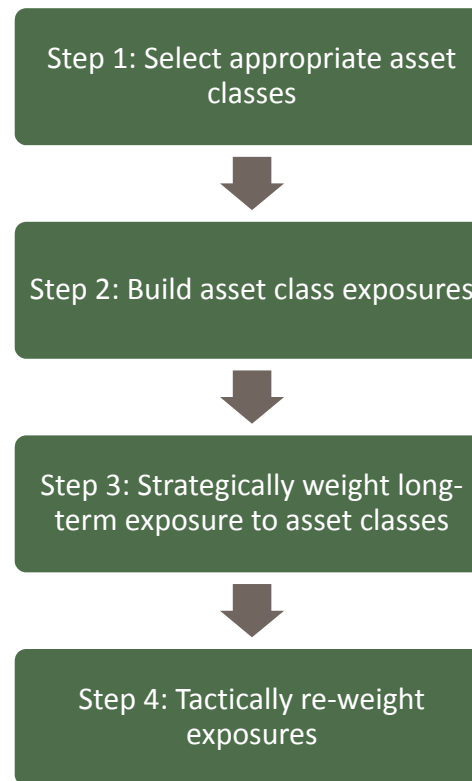


Differentiators

- » Uses Strategic Risk Allocation which diversifies the portfolio across various economic environments with a strategic emphasis on growth shocks
- » Deploys Bottom-up Risk Parity across and within asset classes with the goal of minimizing risk concentration across multiple dimensions
- » Incorporates Dynamic Risk Allocation (DRA) an innovative approach which tactically adjusts risk-exposures to capture changing market conditions
- » Benefits from innovative research and continuous effort to enhance the investment process

Investment process focused on diversification of risk

- » Strategic emphasis on minimizing risk concentration in multiple dimensions to generate better long-term risk-adjusted returns
- » Tactical emphasis on capitalizing intermediate-term investment opportunities to generate additional value-added



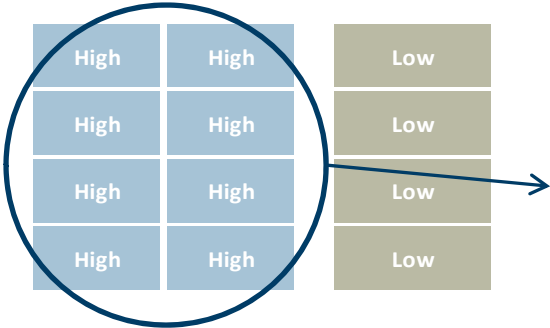
Risk Parity Multi Asset



Step 1: Select appropriate asset classes

» Diversification can be achieved without introducing undue liquidity and tail risk

| | Correlation to Capital Growth | Correlation to Capital Protection | Correlation to Inflation Protection | Liquidity Risk | Tail Risk | Diversification Benefit | | |
|--|-------------------------------|-----------------------------------|-------------------------------------|----------------|-----------|-------------------------|------|-----|
| PANAGORA DIVERSIFIED RISK ASSET CLASSES | Global Equity | High | Low | Medium | Low | Medium | High | |
| | U.S. Small Cap Equity | High | Low | Medium | Low | Medium | High | |
| | Emerging Markets Equity | High | Low | Medium | Medium | Medium | High | |
| | Term Structure | Low | High | Low | Low | Low | High | |
| | Sovereign Fixed Income | Low | High | Low | Low | Low | High | |
| | Investment Grade Credit | Low | High | Low | Low | Low | High | |
| | Inflation-linked Global | Low | High | High | Low | Low | High | |
| | Commodities | Medium | Low | High | Low | Medium | High | |
| | OTHER ASSET CLASSES | High Yield Fixed Income | High | Low | Low | High | High | Low |
| | | Emerging Markets Debt | High | Low | Low | High | High | Low |
| Private Equity | | High | Low | Medium | High | High | Low | |
| Real Estate | | High | Low | Medium | High | High | Low | |



Marginal diversification benefit, but high liquidity and tail risk

For illustrative purposes only. Source: PanAgora.

Risk Parity Multi Asset



Step 1: Select appropriate asset classes

» Risk Parity is applied across and within asset classes

Equities

Diversified Risk Global Equity
 Diversified Risk U.S. Small Cap Equity
 Diversified Risk Emerging Markets Equity

Fixed Income

Diversified Risk Term Structure
 Diversified Risk Investment Grade Credit
 Diversified Risk Non-U.S. Sovereign
 Diversified Risk Inflation-linked Global

Commodities

Diversified Risk Commodities

Equities

Sectors

Consumer Discretionary
 Consumer Staples
 Energy
 Financials
 Healthcare
 Industrials
 Materials
 Technology
 Telecomm
 Utilities

Countries

Australia Brazil
 Austria Chile
 Belgium China
 Canada Colombia
 Denmark Czech Republic
 Finland Egypt
 France Hungary
 Germany India
 Greece Indonesia
 Hong Kong Korea
 Ireland Malaysia
 Israel Mexico
 Italy Morocco
 Japan Peru
 Netherlands Philippines
 New Zealand Poland
 Norway Russia
 Portugal South Africa
 Singapore Taiwan
 Spain Thailand
 Sweden Turkey
 Switzerland
 United Kingdom
 United States

Fixed Income

Credit

AAA
 AA
 A
 BAA

Non-U.S. Sovereign

UK Gilts
 German Bunds
 Canadian Gov't
 Australia Gov't
 Japanese Gov't

U.S. Term Structure

2 Year
 5 Year
 10 Year
 30 Year

Inflation-linked Global

UK
 US
 Europe

Commodities

Energy
 Precious Metals
 Industrial Metals
 Agriculture
 Livestock

Step 2: Build asset class exposures

Diversified Risk Equity

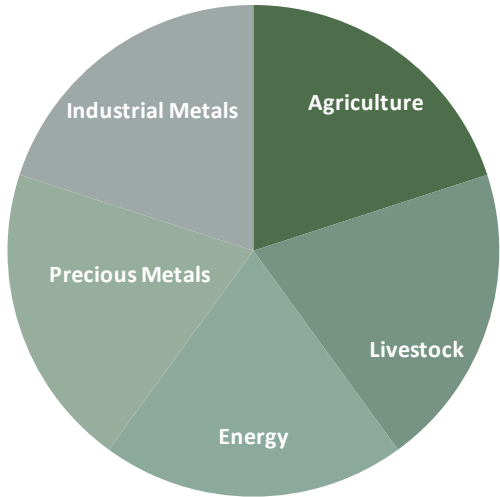
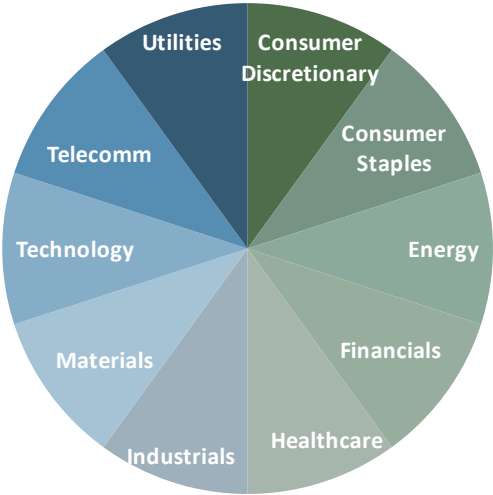
- Sector concentration
- Country concentration
- Stock concentration

Diversified Risk Fixed Income

- Credit concentration
- Term structure concentration
- Sovereign concentration
- Real Interest rate concentration

Diversified Risk Commodities

- Sector concentration
- Security concentration



PanAgora accounts may have exposure to some or all of the markets and asset classes discussed herein.

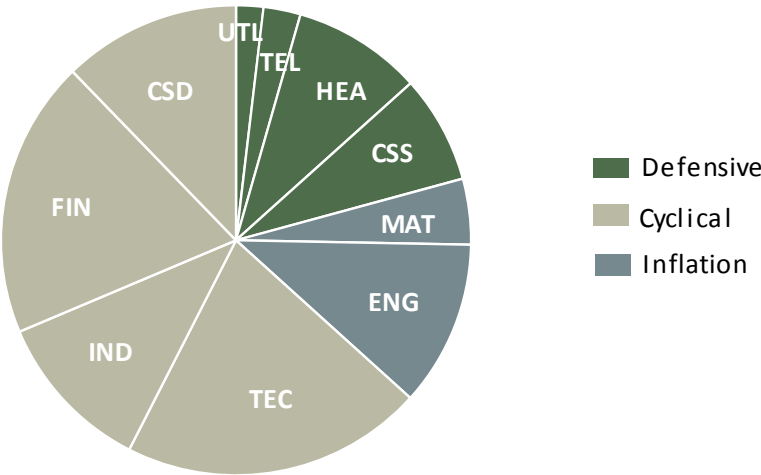
Risk Parity Multi Asset



Step 2: Build asset class exposures

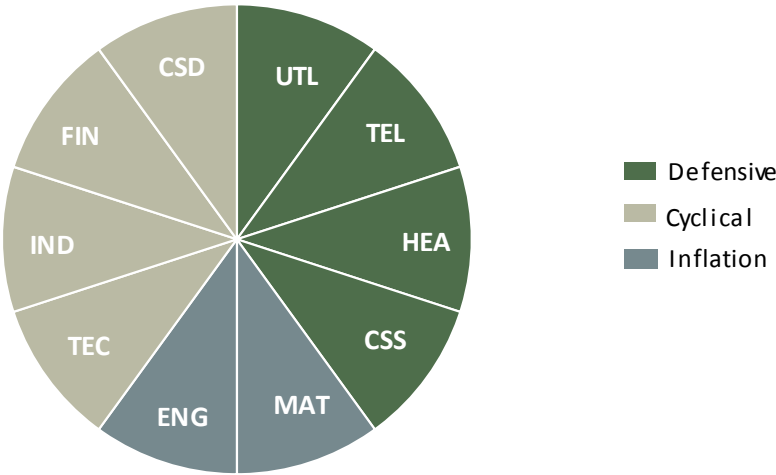
» A deeper application of Risk Parity results in better portfolio building blocks

**S&P 500 Index
Sector Contribution to Risk**



» Risk concentration in Cyclical sectors

**PanAgora Diversified Risk U.S. Large Cap
Sector Contribution to Risk**



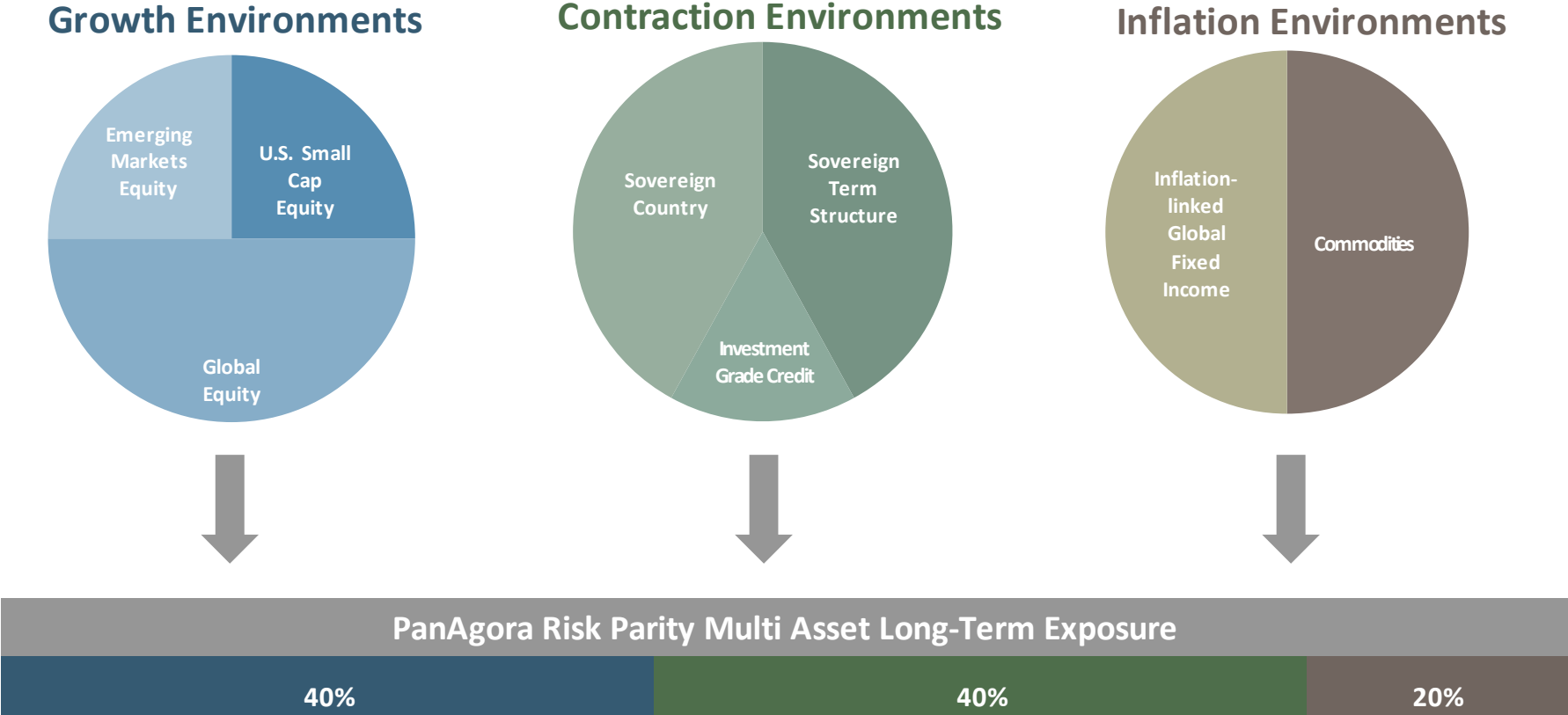
» Balanced from the bottom-up

For illustrative purposes only. Source: PanAgora

Risk Parity Multi Asset



Step 3: Strategically weight long-term exposure to asset classes

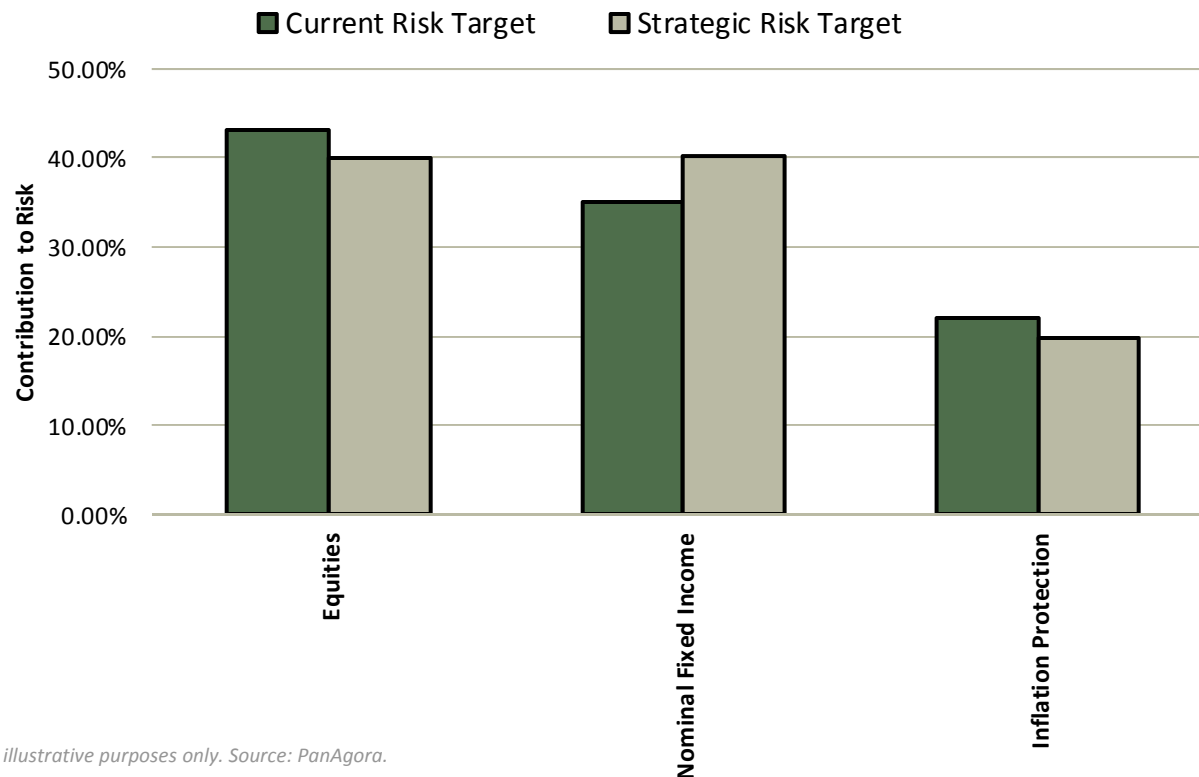


Portfolio construction is subject to change. No assurance can be given that the investment objective or expected allocations will be achieved or that an investor will receive a return of all or part of his or her initial investment. As with any investment there is a potential for profit as well as the possibility of loss. PanAgora accounts may have exposure to some or all of the markets and asset classes discussed herein.

Source: PanAgora.

Step 4: Tactically re-weight exposures

- » Dynamic Risk Allocation (“DRA”) is designed to improve risk management and exploit changes in market conditions
- » DRA also seeks to manage downside risk due to the changing market environments
- » By tactically re-weighting risk exposures DRA seeks to further enhance portfolio returns

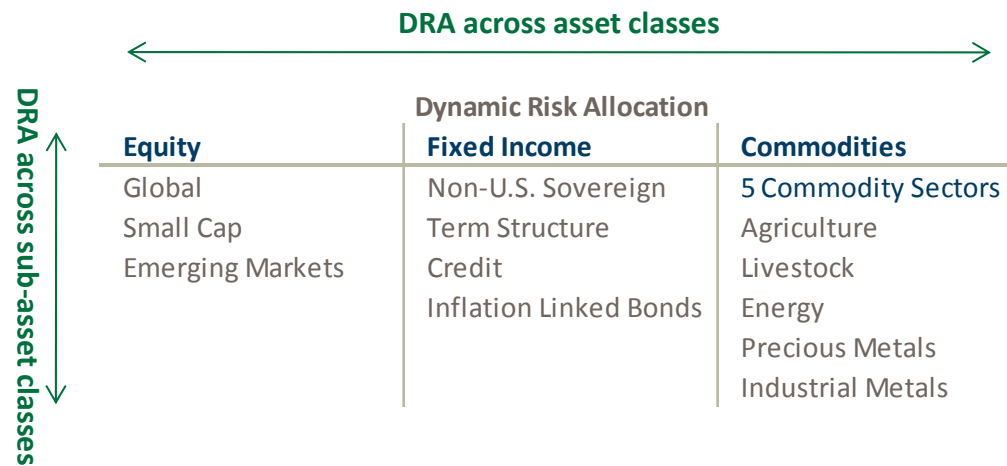


Risk Parity Multi Asset

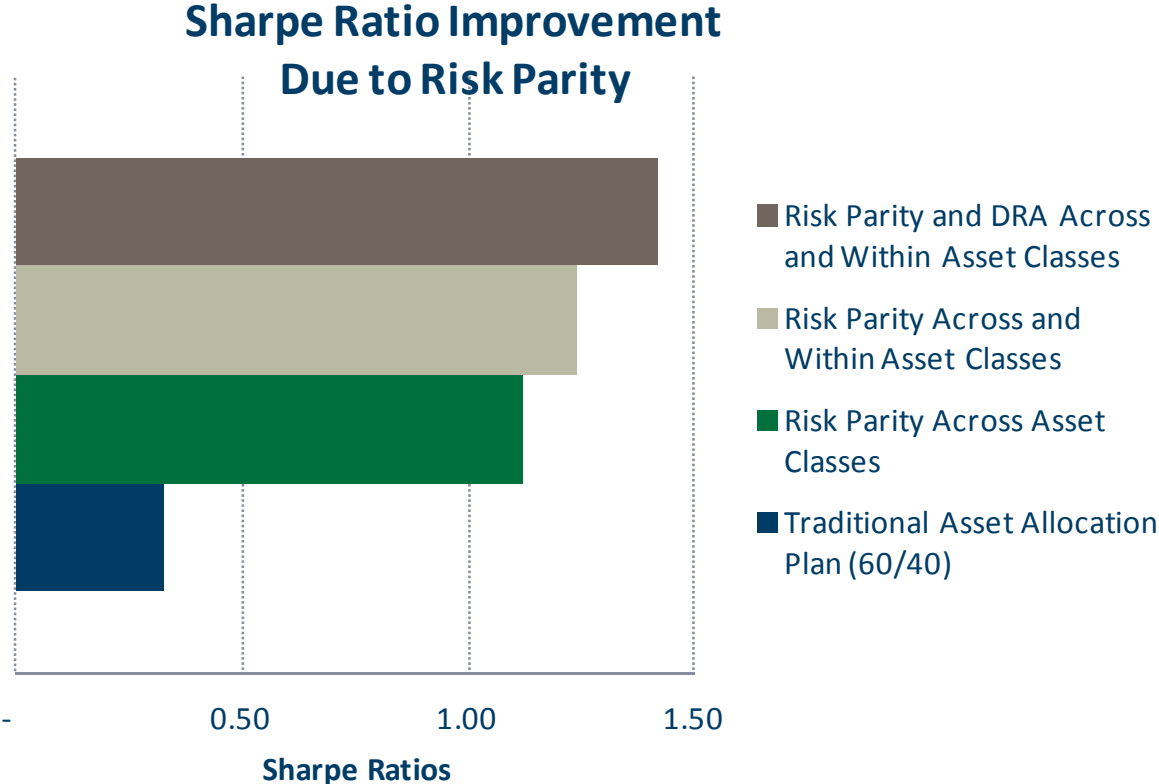


Step 4: Tactically re-weight exposures

- » DRA is applied across equities, fixed income, and commodities
- » DRA is applied across sub-asset classes
- » DRA is applied within certain asset classes



Improvements in Sharpe Ratios



Shown for illustrative purposes only. Source: PanAgora.

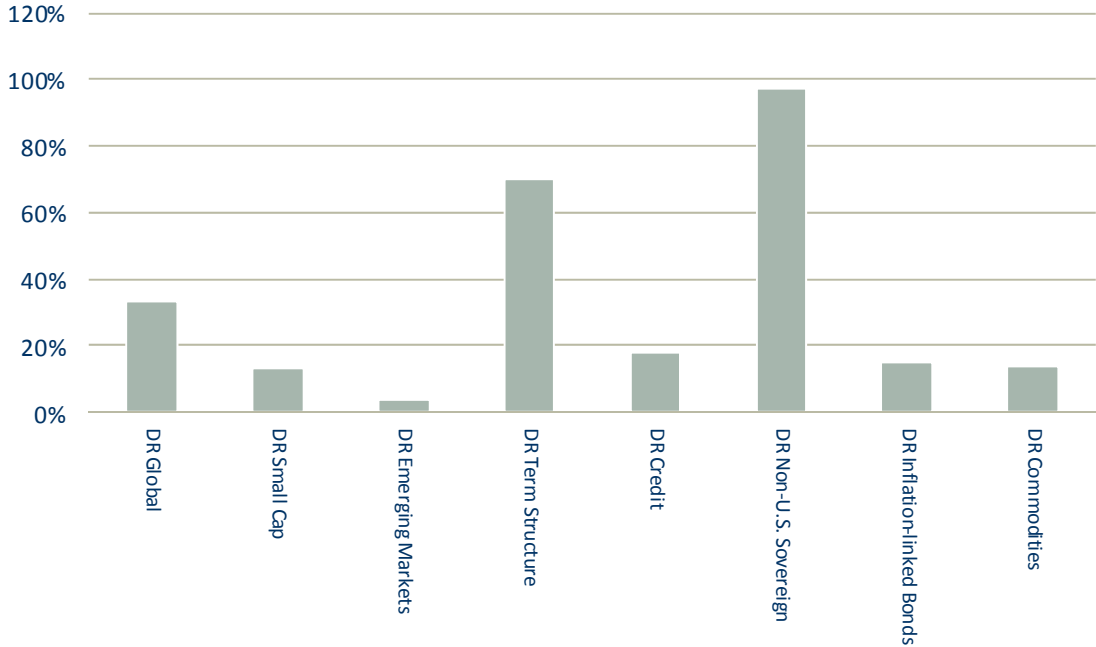
Risk Parity Multi Asset



Portfolio weights and exposures

| | DR Global | DR Small Cap | DR Emerging Markets | DR Term Structure | DR Credit | DR Non-U.S. Sovereign | DR Inflation-linked Bonds | DR Commodities |
|----------------------------------|-------------------|-------------------|---------------------|-------------------|-----------|-----------------------|---------------------------|----------------|
| Target Risk Weights | 22% | 11% | 11% | 16% | 4% | 16% | 9% | 11% |
| Notional Market Exposures | 33% | 13% | 4% | 70% | 18% | 97% | 15% | 14% |
| Instruments | Physicals/Futures | Physicals/Futures | Physicals/Futures | Futures | Physicals | Futures | Physicals | Futures |

Notional Market Exposures



Data shown is as of 3/1/14. The model allocation presented is supplemental to the Risk Parity Multi Asset GIPS-compliant presentation included as part of this presentation. PanAgora accounts may have exposure to some or all of the markets and asset classes discussed herein. Source: PanAgora

Risk Parity Multi Asset



Composite performance summary (gross of fees, in USD)

| | Returns (Gross of Fee, USD) | | | | | Standard Deviation | | Sharpe Ratio | |
|--------------------------------|-----------------------------|--------------|----------|-------------|------------|--------------------|------------|--------------|------------|
| | Inception Date | Year to Date | One Year | Three Years | Five Years | Three Years | Five Years | Three Years | Five Years |
| April 30, 2014 | | | | | | | | | |
| Risk Parity Multi Asset | 1-Jan-06 | 7.33 | 3.58 | 9.39 | 13.01 | 8.14 | 7.68 | 1.14 | 1.62 |

| Annual Performance | | | | | | | |
|--------------------|-------|-------|-------|------|--------|-------|-------|
| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| 3.58 | 14.68 | 11.30 | 18.80 | 7.16 | -13.39 | 14.43 | -1.22 |

- » PanAgora Risk Parity Multi Asset management fee offered:
 - 0.35% (35 basis points) on all assets

Performance is shown gross of fees and does not include the deduction of management fees and other expenses that may be incurred in managing an investment account. A portfolio's return will be reduced by advisory and other fees. Please see Appendix for full GIPS composite performance presentation. Data is historical. Past performance is not a guarantee of future results. As with any investment there is a potential for profit as well as the possibility of loss. Source: PanAgora.

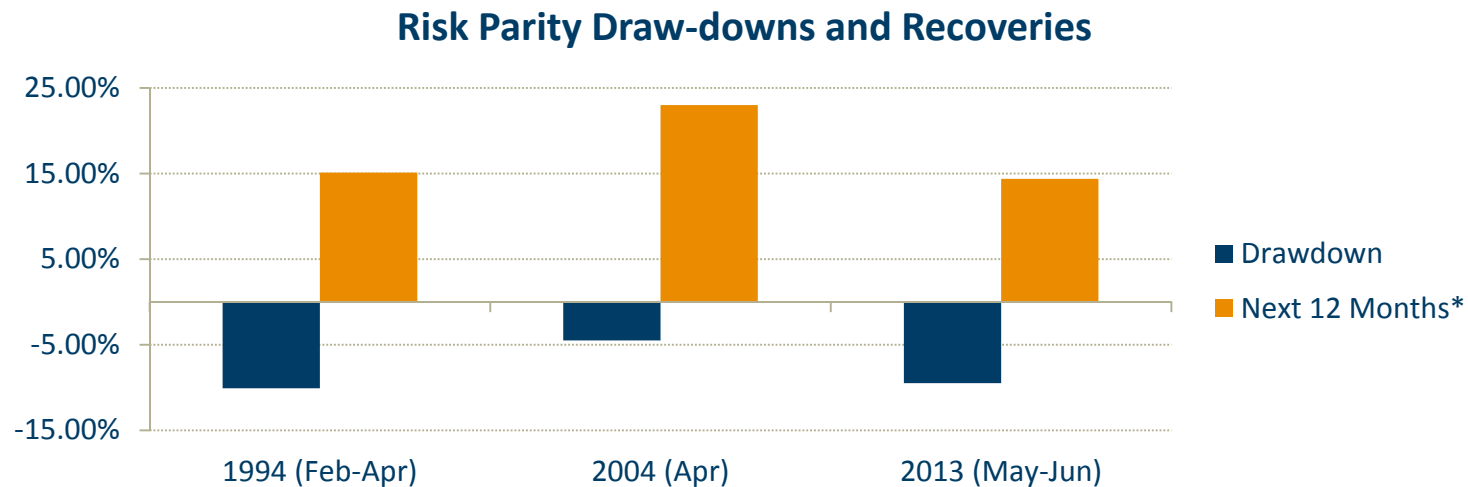
Conclusion: Why PanAgora?

- » Institutionally focused
- » Risk Parity Multi Asset takes a more thoughtful approach to achieving balance across macroeconomic and inflationary shocks
 - How we choose asset classes
 - How we build exposures
 - How we shift exposures
- » Value-added fee structure

APPENDIX

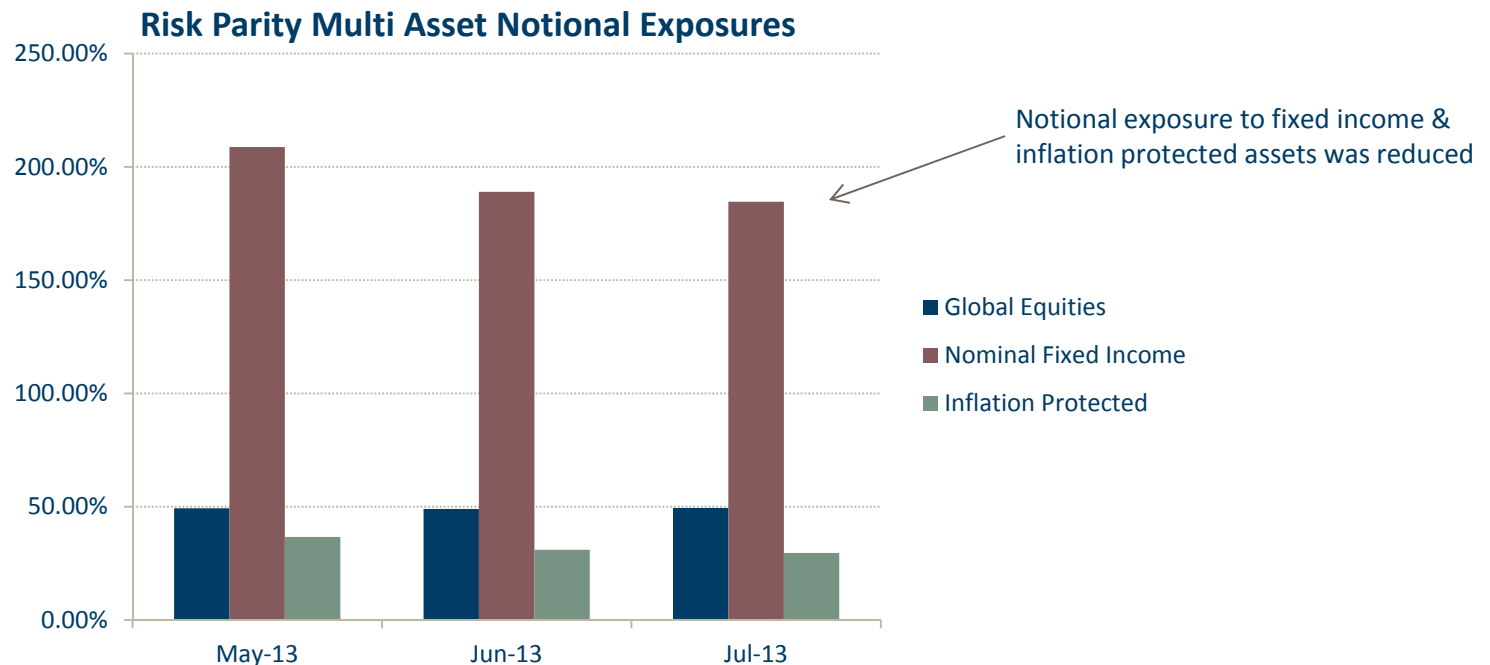
Risk Parity is vulnerable when diversification temporarily disappears

- » Exogenous shocks can cause a one-time re-pricing of risk premia
 - Re-pricing of Fed expectations in 1994, 2004, and 2013 resulted in losses for all major asset classes used by the strategy
 - Events are typically short lived and followed by a strong recovery
- » Risk management (re-estimation of risk, DRA, and portfolio rebalancing) is important to control drawdowns



**Recovery reflects the ten month period from July 2013 – April 2014.*

Allocation changes made during the period between May – July 2013



Risk Parity Multi Asset Contribution to Return

| Month | Global Equities | Nominal Fixed Income | Inflation Protected | Total Return |
|--------------|-----------------|----------------------|---------------------|---------------|
| May-13 | -0.06% | -3.91% | -0.98% | -4.95% |
| Jun-13 | -1.43% | -2.59% | -1.37% | -5.39% |
| Jul-13 | 2.04% | 0.45% | 0.31% | 2.80% |
| Total | 0.56% | -6.06% | -2.03% | -7.53% |

Multi Asset research bibliography

» Research Notes

- PanAgora Investment Insight: A January Puzzle. Research Notes (2014). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Do Currencies Have Risk Premiums? Research Notes (2014). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Nobel Prize in Economics, Physics Envy, and Quant Investing. Research Notes (2013). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Are Risk Parity Managers Risk Parity (Continued). Research Notes (2013). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: An Improved Outlook for Risk Parity. Research Notes (2013). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Diversified Factor Premia. Research Notes (2013). Edward Qian, Ph.D., CFA, Bryan Belton, CFA, and Kun Yang, PhD., CFA
- PanAgora Investment Insight: The Value of Stop-Loss Investment Policies. Research Notes (2013). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Risk Parity Equity With Flexible Risk Targets. Research Notes (2013). Nicholas Alonso, CFA & Edward Qian PhD, CFA
- PanAgora Investment Insight: Reaching for Yield: The Risk Parity Way. Research Notes (2013). Bryan Belton, CFA, Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Risk Parity Global Treasury. Research Notes (2013). Bryan Belton, CFA, Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: 1994. Research Notes (2013). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: The Other News and Stories about Japan. Research Notes (2013). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Benchmarking Risk Parity. Research Notes (2013). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Duration, Yield Volatility, and Bond Exposures. Research Notes (2012). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Are Risk Parity Managers Risk Parity? Research Notes (2012). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Risk Parity and Global Macro Hedge Funds. Research Notes (2012). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: The Risk Parity Conundrum: Rising Interest Rates and Rising Returns. Research Notes (2012). Bryan Belton, CFA, Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: See the Forest for the Trees. Research Notes (2012). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: “Go the Distance” - A More Granular Application of Risk Parity. Research Notes (2012). Edward Qian PhD, CFA, Bryan Belton, CFA, and Nicholas Alonso, CFA

Multi Asset research bibliography

» Research Notes (Continued)

- PanAgora Investment Insight: Hedging, Beta, and Treasury Yields. Research Notes (2012). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Risk on/Risk off and Asset Allocation. Research Notes (2012). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: A New Paradigm for Tactical Asset Allocation. Research Notes (2012). Bryan Belton, CFA, Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: High Yield as an Asset Class: Equity in Bond's Clothing. Research Notes (2012). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Rebalance and Diversification Returns of Leveraged Portfolios. Research Notes (2011). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Roll Yields, Prices and Commodity Returns. Research Notes (2011). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Capitalization weighted Indices as Optimal Portfolios: Maximum Growth and Maximum Risk? Research Notes (2011). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: Is US Becoming Japan? Research Notes (2011). Edward Qian, Ph.D., CFA
- PanAgora Investment Insight: A Case for Maintaining a Flattening Bias in Your Investment Portfolio. Research Notes (2011). Bryan Belton, CFA
- PanAgora Investment Insight: Are Bond Yields too Low? Research Notes (2011). Edward Qian, Ph.D., CFA

» Published Articles*

- Risk Parity Equity Strategy with Flexible Risk Targets. Journal of Investing. 22.3 (2013). Nicholas Alonso, CFA & Edward Qian PhD, CFA
- Diversification Return and Leveraged Portfolios. The Journal of Portfolio Management, (Summer 2012): pp 14 – 25. Edward Qian, Ph.D., CFA
- Pension Liabilities and Risk Parity. The Journal of Investing. 21.3 (2012). Edward Qian, Ph.D., CFA
- Risk Parity and Diversification. The Journal of Investing, 20.1 (2011). Edward Qian, Ph.D., CFA
- Active Equity Management for the Future. The Journal of Portfolio Management, (Fall 2009): pp 60-68. Eric H. Sorensen, Ph.D.
- On the Financial Interpretation of Risk Contribution: Risk Budgets do Add Up. The Journal of Investment Management, 4.4 (2006): pp 41-51. Edward Qian, Ph.D., CFA

Multi Asset research bibliography

» White Papers*

- Risk Parity: The Solution to Unbalanced Portfolios. White Paper (2010). Edward Qian, Ph.D., CFA
- Risk Parity Still Makes Sense. White Paper (2010). Edward Qian, Ph.D., CFA., Bryan Belton, CFA
- Risk Parity Global Equity Strategy. White Paper (2010). Edward Qian, Ph.D., CFA
- Risk Parity and Inflation. White Paper (2010). Edward Qian, Ph.D., CFA
- Risk Parity Portfolios: The Next Generation. White Paper (2009). Edward Qian, Ph.D., CFA
- Risk Parity Portfolios: Efficient Portfolios Through True Diversification. White Paper (2005). Edward Qian, Ph.D., CFA

* Additional Published Articles and White Papers are available at www.panagora.com

Biographies

Eric Sorensen, Ph.D.

President and Chief Executive Officer

Dr. Sorensen is the President and Chief Executive Officer of PanAgora, and a member of the firm's Investment, Operating, and Risk Committees. He is responsible for PanAgora's business and investment activities.

He took over leadership of PanAgora in 2004, and established a new research and investment direction for the firm. Prior to joining PanAgora, Dr. Sorensen was Director of Quantitative Research at Putnam Investments, overseeing the activities of several quantitative teams including equity, fixed income, asset allocation and financial engineering. He was also Chief Investment Officer of Structured Equity, that which managed institutional portfolios using advanced quantitative approaches.

Between 1986 and 2000 Dr. Sorensen was the Global Head of Quantitative Research at Salomon Brothers (now Citigroup). At the end of his 14 years on Wall Street, he led a group of 55 quantitative analysts comprising teams in New York, London, Singapore, Tokyo and Australia. During that time he published extensively, and consulted with institutional investor clients around the world. His honors include many years on the Institutional Investor All American Research Team, and several Graham and Dodd awards for excellence in financial writing.

Prior to Wall Street, he was a professor with a productive academic career from 1974 to 1986. For a decade he was Professor of Finance and Department Head at the University of Arizona. He has published over 50 journal articles and served on the editorial boards of several academic Finance journals. He is also co-author of the recent book, *Quantitative Equity Portfolio Management*.

Between 1969 and 1974 he served the country as a United States Air Force Officer and jet pilot. His primary mission was instructor pilot in high-performance jet aircraft.

With over 35 years of quantitative research and investment experience, Dr. Sorensen is a leading expert in the industry. He continues to maintain affiliations in both the industry and academia.

Education:

University of Oregon, Ph.D.

Oklahoma City University, M.B.A.

University of Oregon, A.B.

Biographies

Edward Qian, Ph.D., CFA

Chief Investment Officer and Head of Research, Multi Asset

Dr. Qian is the Chief Investment Officer of Multi Asset and Head of Multi Asset Research for the firm. His primary responsibilities include investment research and portfolio management in PanAgora's Multi Asset group. He is also a member of the firm's Investment, Operating, and Directors Committees.

Dr. Qian has a distinguished career in investment management as well as academia. A renowned researcher, Eddie's pioneering work, "On the Financial Interpretation of Risk Contribution: Risk Budgets do add up", became a cornerstone for what is commonly referred to as "Risk Parity" type investment strategies today. Dr. Qian's research has helped PanAgora become a leader in the area of risk budgeting strategies by launching the first Risk Parity Portfolios in January 2006. He is also the co-author of many articles regarding quantitative investment techniques as well as co-author of the recently published book, *Quantitative Equity Portfolio Management: Modern Techniques and Applications*.

Prior to joining PanAgora, Dr. Qian was a Portfolio Manager and part of the Asset Allocation team at 2100 Capital, an alternative investments firm. His prior experience includes a role as Senior Asset Allocation Analyst on Putnam Investments' Global Asset Allocation team. Before joining Putnam, he was a fixed-income Quantitative Analyst at Back Bay Advisors.

Dr. Qian is a CFA charterholder and additionally, he was a National Science Foundation Research Fellow at MIT.

Education:

Florida State University, Ph.D.

The Chinese Science Academy, M.S.

Peking University, B.S.

Biographies

Mark A. Barnes, Ph.D.

Director, Multi Asset

Dr. Barnes is a Director within the Multi Asset group. He is responsible for quantitative model research, development, and enhancements for PanAgora's emerging, developed markets and Diversified Risk Equity strategies. Prior to joining PanAgora, he worked for Manhattan Funds (now Weiss Asset Management) which specialized in emerging markets investments.

Education:

Boston University, M.A., Ph.D.

University of Texas, M.A.

Johns Hopkins University, B.A.

Bryan Belton, CFA

Director, Multi Asset

Mr. Belton is a Director within the Multi Asset group. Mr. Belton is responsible for the daily management of the firm's Risk Parity Multi Asset, global fixed income, currency, and commodity portfolios. Mr. Belton is a member of the firm's Directors Committee.

Prior to joining PanAgora, Mr. Belton was the Investment Portfolio Officer at the Federal Home Loan Bank of Boston. In that role, he was responsible for actively managing and hedging all of the Bank's long-term investment portfolios. Before joining Federal Home Loan Bank of Boston, Mr. Belton was a Senior Manager at Investors Bank & Trust Company.

Mr. Belton is a CFA charterholder.

Education:

Northeastern University, M.S.F.

Boston College, A.B.

Biographies

David B. Liddell

Director, Multi Asset

Mr. Liddell is a Director of Multi Asset. His primary responsibility is for the management of the firm's emerging markets equity strategies. He shares his economic and political knowledge of these diverse and dynamic markets with colleagues and clients alike. Mr. Liddell's prior responsibilities include management of PanAgora's Global Equity, U.S. Small Cap, and U.S. Asset Allocation products. Mr. Liddell is a member of PanAgora's Directors Committee as well as the firm's Trading and Investment Practices Committee.

Prior to joining PanAgora, Mr. Liddell worked in the domestic custody fixed income division at The Boston Company.

Education:

Boston College, M.B.A.

St. Lawrence University, B.A.

William G. Zink

Director, Multi Asset

Mr. Zink is a Director of Multi Asset. He is responsible for developing and evaluating trading strategies and has over 15 years experience trading derivative securities, including financial futures and exchange traded funds. In addition to his product development and portfolio management responsibilities, Mr. Zink provides strategic guidance as a member of the Investment and Directors Committees.

Prior to joining PanAgora, Mr. Zink was Vice President in charge of portfolio management and mutual fund pricing businesses at Interactive Data Corporation.

Education:

Massachusetts Institute of Technology, S.B., S.M.

Biographies

Jonathan Beaulieu, CFA

Portfolio Manager, Multi Asset

Mr. Beaulieu is a Portfolio Manager within the Multi Asset group. He is responsible for the daily management of the firm's Risk Parity Multi Asset Portfolios. He also assists with the management of the firm's domestic and global fixed income portfolios.

Prior to joining PanAgora, Mr. Beaulieu was responsible for actively managing and hedging fixed income portfolios at the Federal Home Loan Bank of Boston. Before joining the Federal Home Loan Bank of Boston, Mr. Beaulieu was a Quantitative Analyst at MFS Investment Management.

Mr. Beaulieu is a CFA Charterholder.

Education:

Northeastern University, M.B.A.

Boston College, A.B.

Anthony N. Borthwick, CFA, CMT

Portfolio Manager, Multi Asset

Mr. Borthwick is a Portfolio Manager within the Multi Asset group focusing on the firm's currency and fixed income portfolios. Prior to joining PanAgora, Mr. Borthwick was a Portfolio Manager at the International Investment Department of Nippon Life Insurance Company (Tokyo).

Mr. Borthwick is a CFA charterholder, a CMT (Chartered Market Technician), and a Chartered Member of the Securities Analysts Association of Japan.

Education:

University of Warwick, M.B.A.

University of London, MSc (Financial Economics)

University of Oregon, B.S.

Biographies

Kun Yang, Ph.D., CFA

Portfolio Manager, Multi Asset

Dr. Yang is a Portfolio Manager within the Multi Asset group. He is responsible for quantitative model research and portfolio management for PanAgora's Multi Asset products. Dr. Yang joined PanAgora from Vanderbilt University where he studied International Economics and Finance. His research has been published in several economics and financial journals.

Dr. Yang is a CFA charterholder.

Education:

Vanderbilt University, Ph.D. (Economics)

Wuhan University, M.S. (Finance)

Hubei University, B.A. (Economics)

Nicholas Alonso, CFA

Portfolio Manager, Multi Asset

Mr. Alonso is a Portfolio Manager within the Multi Asset group. He is responsible for quantitative model research, development and enhancements for PanAgora's Multi Asset strategies. Mr. Alonso joined PanAgora from Mellon Capital Management (formerly Franklin Portfolio) where he was a Quantitative Analyst primarily responsible for research and management of Market Neutral Equity portfolios.

Mr. Alonso is a CFA Charterholder.

Education:

University of Chicago, M.B.A.

University of Florida, B.S. (Physics), B.A. (Mathematics)

Biographies

Randall A. Yaras

Portfolio Manager, Multi Asset

Mr. Yaras is a Portfolio Manager within the Multi Asset group, responsible for the daily management of PanAgora's developed and emerging equity strategies. Before assuming this role, he managed PanAgora's Investment Operations group. Prior to joining PanAgora, Mr. Yaras worked at Brown Brothers Harriman & Co.

Education:

Suffolk University, M.S.F.
Colby College, B.A.

Jim Alberto

Analyst, Multi Asset

Since April 2008, Mr. Alberto has been the lead software application developer for the Multi Asset group. He is responsible for the implementation of the valuation, optimization, and risk reporting apparatus. Mr. Alberto manages the data and technical aspects related to research and model development.

Formerly a senior member of PanAgora's central Information Technology unit, he originally joined the firm in April 2004. Prior to joining PanAgora, Mr. Alberto was a Vice President of Application Development at Independence Investments, where he developed accounting, valuation, and performance measurement applications.

Mr. Alberto also has portfolio accounting and application development experience from his years at State Street Bank and Trust.

Education:

Bryant College, B.S. in Finance

Biographies

Justin Neal

Analyst, Multi Asset

Mr. Neal joined PanAgora as a software application developer in June 2012. He is responsible for the implementation of the valuation, optimization and risk reporting apparatus.

Prior to joining PanAgora, Mr. Neal worked as a financial software engineer for Arrowstreet Capital, MFS Investment Management, and Investors Bank and Trust, where he developed trading, portfolio attribution, accounting, and portfolio modeling applications. He also worked as portfolio accountant at State Street Bank.

Education:

St. Anselm College, B.S. in Accounting

Michael W. Anderson

Director, Strategic Relations

Mr. Anderson is Director, Strategic Relations responsible for business development and client relationships for PanAgora Asset Management's investment strategies in the Americas and the Middle East. Mr. Anderson is also a member of the firm's Directors Committee.

Prior to joining PanAgora, Mr. Anderson was Senior Business Development Officer for fixed income investments at Standish Asset Management. He has also held executive sales and sales management roles at New York Life Asset Management, Mercer Global Investments and Putnam Investments. His career experience includes working with corporate, municipal, endowments and sovereign wealth funds globally.

Education

College of the Holy Cross, B.A.

Performance Disclosures



MSCI Disclosure

Certain information included herein is derived by PanAgora Asset Management, Inc in part from MSCI's Index (the "Index Data"). However, MSCI has not reviewed this product or report, and does not endorse or express any opinion regarding this product or report or any analysis or other information contained herein or the author or source of any such information or analysis. Neither MSCI nor any third party involved in or related to the computing or compiling of the Index Data makes any express or implied warranties, representations or guarantees concerning the Index Data or any information or data derived therefrom, and in no event will MSCI or any third party have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information. Any use of MSCI data requires a license from MSCI. None of the Index Data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msclub.com)

Risk Parity Multi-Asset Master Composite

Composite: Risk Parity Multi-Asset Master (As of 12/31/2013)

Benchmark: 60% MSCI World / 40% Citigroup World Government Bond Index

| Year | One Year Performance | | | Internal Dispersion | | External Dispersion | | | |
|------|------------------------------------|----------------------------------|------------------|---------------------|----------|-------------------------------|---------------------------------------|---------------------------|-----------------------------------|
| | Composite Gross of Fees Return (%) | Composite Net of Fees Return (%) | Index Return (%) | High (%)* | Low (%)* | 3 Yr. Composite Return (%)*** | 3 Yr. Composite Standard Deviation*** | 3 Yr. Index Return (%)*** | 3 Yr. Index Standard Deviation*** |
| 2013 | 3.57 | 3.23 | 13.54 | 4.09 | 3.30 | 9.75 | 8.19 | 7.51 | 8.74 |
| 2012 | 14.68 | 14.33 | 10.15 | 14.11 | 13.99 | 14.89 | 7.09 | 6.22 | 10.96 |
| 2011 | 11.30 | 10.92 | -0.63 | 11.72 | 10.17 | 12.32 | 8.68 | 8.91 | 13.85 |
| 2010 | 18.80 | 18.40 | 9.50 | 19.15 | 17.79 | 3.31 | 12.62 | 0.05 | 15.87 |
| 2009 | 7.16 | 6.79 | 18.72 | 7.27 | 7.23 | 2.03 | 12.33 | 0.19 | 14.22 |
| 2008 | -13.39 | -13.69 | -22.97 | -13.13 | -14.38 | -0.71 | 11.33 | -1.04 | 10.80 |
| 2007 | 14.43 | 14.03 | 9.98 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 2006 | -1.22 | -1.57 | 14.39 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |

Assets Under Management

| Year | Composite Assets (\$Millions) | Percentage of Firm Assets (%) | Number of Accounts | Firm Assets (\$Millions) | Non-fee paying and/or Proprietary Assets (%) |
|------|-------------------------------|-------------------------------|--------------------|--------------------------|--|
| 2013 | \$1,520.33 | 3.85 | 3 | \$39,533 | 0.00 |
| 2012 | \$777.78 | 2.55 | 4 | \$30,524 | 0.00 |
| 2011 | \$249.36 | 1.11 | 2 | \$22,401 | 0.00 |
| 2010 | \$195.59 | 0.98 | 2 | \$19,914 | 0.00 |
| 2009 | \$134.30 | 0.83 | 2 | \$16,084 | 0.00 |
| 2008 | \$55.32 | 0.43 | 3 | \$12,778 | 4.46 |
| 2007 | \$56.02 | 0.24 | 2 | \$25,480 | 10.55 |
| 2006 | \$5.29 | 0.03 | 1 | \$22,615 | 100.00 |

*High/Low Returns have not been provided for composites with less than two accounts in the composite for the entire year.

***Three year returns and standard deviations have not been provided for composites with fewer than 36 months of monthly returns

Firm Overview

PanAgora Asset Management, Inc. (the "Firm") claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS Standards. PanAgora Asset Management, Inc. has been independently verified for the periods 1993-2012. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

For the purposes of compliance with GIPS, the Firm is defined as a broad based investment management organization that provides investment services to institutions through separately managed accounts, pooled funds and mutual funds. The Firm is an independent investment advisor registered under the Investment Advisers Act of 1940 specializing in quantitative investment strategies and includes all assets under management.

Composition of Composite

The accounts within the Risk Parity Multi-Asset Master Composite seek to generate competitive returns for long-term investors via efficient beta allocation. The strategy seeks to deliver true diversification through balanced risk budgeting between equities, bonds and commodities. The Composite consists of portfolios deploying a Risk Parity Multi Asset approach to asset allocation that seeks an expected annualized volatility between 8% and 12%. The inception date for the Composite was January 1, 2006. The Composite is comprised of all discretionary institutional accounts managed by the Firm in this investment style. The creation date for the Composite was February 15, 2012. There is a minimum of \$2 million in assets for inclusion in this composite.

PanAgora's Risk Parity Multi Asset strategy employs leverage in its risk efficient asset allocation portfolios in order to achieve the expected risk levels. The Risk Parity Multi Asset strategy predominantly uses exchange traded, CFTC approved futures to achieve portfolio leverage. In some instances swaps may be utilized. An important component of leverage management is adhering to strict boundary constraints around portfolio leverage. The portfolio management team monitors investment exposures daily and rebalances the portfolios as necessary to ensure adherence to the portfolio's leverage guidelines.

New portfolios are included in a GIPS composite beginning the first complete month of performance in the strategy. Terminated portfolios are included through the final full month of management. Composites may include portfolios with certain existing investment restrictions that the Company believes do not materially impact the investment strategy.

A list of composite descriptions is available upon request.

Calculation of Composite

A composite's monthly return is computed by asset weighting the portfolio returns within the composite, using the beginning of period market values. The quarterly return of a composite is computed by geometrically linking the returns of each month within the calendar quarter. The annual return of a composite is computed by geometrically linking the returns of each quarter within the calendar year.

Investments held by all portfolios are valued on a trade-date basis using accrual accounting. Individual portfolio returns are calculated using the daily time-weighted rate of return (TWRR) methodology. Performance is expressed in U.S. dollars. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Returns are net of foreign withholding taxes on dividends, interest, and capital gains. Equity benchmark returns assume dividends are reinvested monthly. MSCI benchmarks are presented net after withholding taxes by applying the maximum rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. Returns from other benchmark providers are presented gross of any tax withholding.

Index Disclosure

The benchmark for this Composite is comprised of 60% of the MSCI World and 40% of the Citigroup World Bond Index. The 60% MSCI World and 40% Citigroup WGBI is a blended benchmark. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of November 2013 the MSCI World Index consisted of 23 developed market country indices. The Citigroup World Government Bond Index (WGBI) includes the 23 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Singapore, South Africa, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Benchmarks are generally taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the Composite. The effect of those differences is deemed to be immaterial. The securities holdings of the composite may differ materially from those of the index used for comparative purposes. Indexes are unmanaged and do not incur expenses. You cannot invest directly in an index.

Gross and Net of Fees Disclosure

Gross of Fee returns are net of transaction costs but do not include the deduction of management fees and other expenses that may be incurred in managing an investment account. A portfolio's return will be reduced by management and other fees. The impact of management fees can be material. Investment returns are reduced by advisory fees as in the following example: Over a five year period, if a \$100 portfolio had an annual return of 10% it would grow to \$161.05. The net compounded effect of a 35 basis point annual investment management fee (without custody charges) would total \$2.55 and result in a portfolio value of \$158.51.

Net of Fee Return results are calculated as the Gross of Fee Returns minus a model fee equal to the highest standard Separate Account Management Fee and includes a performance fee incentive, if applicable, that a client invested in this strategy would have paid during the performance period.

Fee Schedule

The below is the standard fee schedule based on the market value of an account's assets under management and stated on an annual basis. Separate account fees are for investment management services only. Custodial fees, which are not charged to an account, are not included in the Net of Fee Returns.

Separate Account Management:

0.35 of 1% of assets under management.

The minimum annual fee is \$100,000.

This fee schedule has been prepared for informational purposes for the purpose of the Firm's global compliance with GIPS and should not be construed as an offer or solicitation. Actual fees may vary by client.

Past Performance is not a guarantee of future performance. No assurance can be given as to future performance.

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

TEL 415/362-3484 ■ FAX 415/362-2752

MEMORANDUM

DATE: March 17, 2014
TO: San Mateo County Employees' Retirement Association
FROM: SIS
SUBJECT: Risk Parity Candidates

These are the summary pros and cons of the three risk parity candidates for San Mateo County Employees' Retirement Association's search.

BRIDGEWATER

Pros

- With an inception date of 1996, Bridgewater All Weather strategy has a much longer track record than any other risk parity manager peers.
- Bridgewater's investment team is large and deep, with strong research expertise. Its investors may also benefit from the manager's expertise by subscribing to Bridgewater's daily research report.
- By imposing large minimum investments, Bridgewater focuses exclusively on large institutional investors, with no mutual funds offering for its risk parity strategy.
- Bridgewater's approach targets equal risk exposures to four economic environments, which are characterized by surprises of rising/falling inflations combined with surprises in rising/falling economic growth rates. This approach makes economic sense because surprises can be both positive and negative, and they tend to be equally possible on an ex-ante basis.
- Bridgewater All Weather has fairly broad risk exposures compared with other peer managers' risk parity products, such as exposure to emerging market debt spreads, etc.

Cons

- Bridgewater's proposed fee is higher than other candidate managers (50 bps on the first \$100 million).
- Bridgewater sometimes changes its strategy implementation based on the team's assessment of financial markets, making it more difficult for investors to monitor the strategy (for example, Bridgewater significantly changed the portfolio composition in 2008 due to its concerns about a potential depression. It also changed exposures along the Treasury yield curve based on subjective assessment of U.S. monetary policy).

INVESCO

Pros

- The strategy is simple and easy to understand because it utilizes only a limited number of asset types.
- The strategy only invests in the most liquid asset classes, making it less susceptible to the impact of liquidity squeeze under stressful market environments.
- With \$779 billion assets under management, Invesco has large investment team, strong infrastructure, and deep resources.

Cons

- Invesco's Balanced-Risk Allocation strategy was launched in late 2008, so it has the shortest real track record among our risk parity managers under consideration. Its real track record also doesn't cover the entire period of 2008's financial crisis.
- Invesco as a firm has a strong retail focus (as of December 31, 2013, \$605 billion out of \$779 billion are in mutual funds, which accounts for 77.7% of the firm's total AUM. Also, out of the \$21.87 billion AUM in Balanced-Risk Allocation strategy, mutual funds' AUM is \$17.8 billion, which accounts for 81.4% of the strategy's AUM).
- Strategy is relatively new and is still undergoing meaningful changes. For example, commodity exposures were limited to very few commodities at the inception of the strategy, but were later expanded to include more commodities.
- Invesco's Balanced-Risk Allocation strategy only invests in a limited number of asset types. As a result, it does not give investors exposures to certain investments such as investment grade corporate bonds and inflation-linked bonds. As a result, investors will not benefit from capturing these risk premiums that are not included in the strategy.
- Invesco uses a quantitative overlay to tactically shift the strategy's risk allocations away from its strategic allocation. This quantitative overlay adds complexity to the strategy, making it more difficult for investors to understand and monitor the strategy.

PANAGORA

Pros

- Like Bridgewater, PanAgora also has strong institutional focus. There is no mutual fund offering for its Risk Parity Multi-Asset strategy.
- PanAgora's investment team puts a lot of effort researching the concept of risk parity, and their research was reflected in the implementation of their strategy. One unique aspect of their strategy is that PanAgora strives to achieve risk parity within individual asset classes (e.g., it targets risk parity among individual stocks and risk parity across the U.S. treasury yield curve). Not only does this implementation make economic sense based on the firm's proprietary research, the implementation also offers a broader and more balanced risk exposures. For example, it captures risk premiums across multiple durations of the yield curve, which may not be the case in other managers' strategies.
- PanAgora's proposed fee (35 bps) is the lowest among all our candidate managers.
- PanAgora uses a dynamic risk allocation approach to adjust risks. This approach uses quantitative techniques to forecast relative return/risk ratios across financial assets. While this approach also adds a level of complexity in the risk monitoring process, PanAgora's approach is more straightforward than other candidate managers' and has proven to be effective in helping control the overall portfolio risks in the long run.

Cons

- Because PanAgora's risk parity approach entails higher asset turnover, it will also incur higher transaction costs that are likely to reduce the overall returns of the strategy. However, the manager has done extensive research and believes the benefits of its approach outweigh its costs.
- PanAgora also offers another risk parity strategy called "Risk Parity Multi-Asset Plus," which includes more tactical components in its investment process and charges a higher fee. It is possible that higher fee strategy might divert the manager's resources and attention from its other risk parity strategy under consideration.

SUMMARY

It is worth noting that risk parity is, by and large, a beta strategy. Therefore, the skills of managers play a less important role in the overall return of the strategy. Over time, beta returns tend to be mean reverting, so those strategies with recent strong performances are less likely to continue its strong performances in the near future. Invesco's strategy has enjoyed the strongest annualized return over the past five years among all our three candidate strategies, so we suspect it's less likely for the strategy to continue to be the strongest performer over the next five to seven years. Additionally, Invesco's Balanced-Risk Allocation strategy does not offer its investors the exposures to various types of assets as compared with other risk parity offerings—for example, it does not invest in inflation-linked bonds, investment-grade corporate bonds, emerging market debt, etc. As a result, Invesco's investors won't capture long-term risk premiums from exposures to these asset types, thus we feel that over time, Invesco's strategy would not benefit as much from diversification returns when compared with other risk parity strategies under consideration. While we continue to believe that Invesco's Balanced-Risk Allocation strategy is a solid risk parity offering with proven track record, on the margin, we still prefer Bridgewater and PanAgora to Invesco due the above considerations. We therefore recommend Bridgewater and PanAgora for further consideration.

San Mateo County Employees' Retirement Association

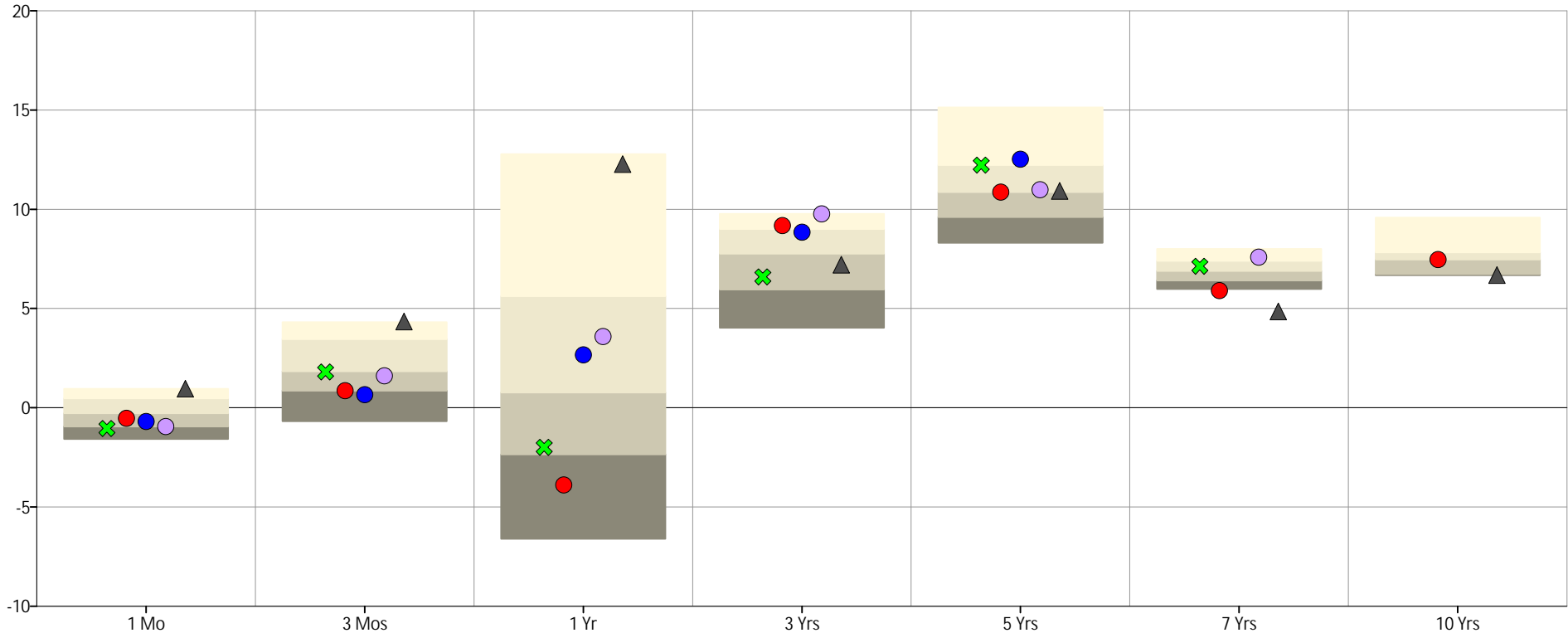
Risk Parity

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Total Return: Trailing Periods

- 5th to 25th Percentile
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate
- 25th to Median
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- Median to 75th Percentile
- PanAgora: Risk Parity Multi Asset
- 75th to 95th Percentile



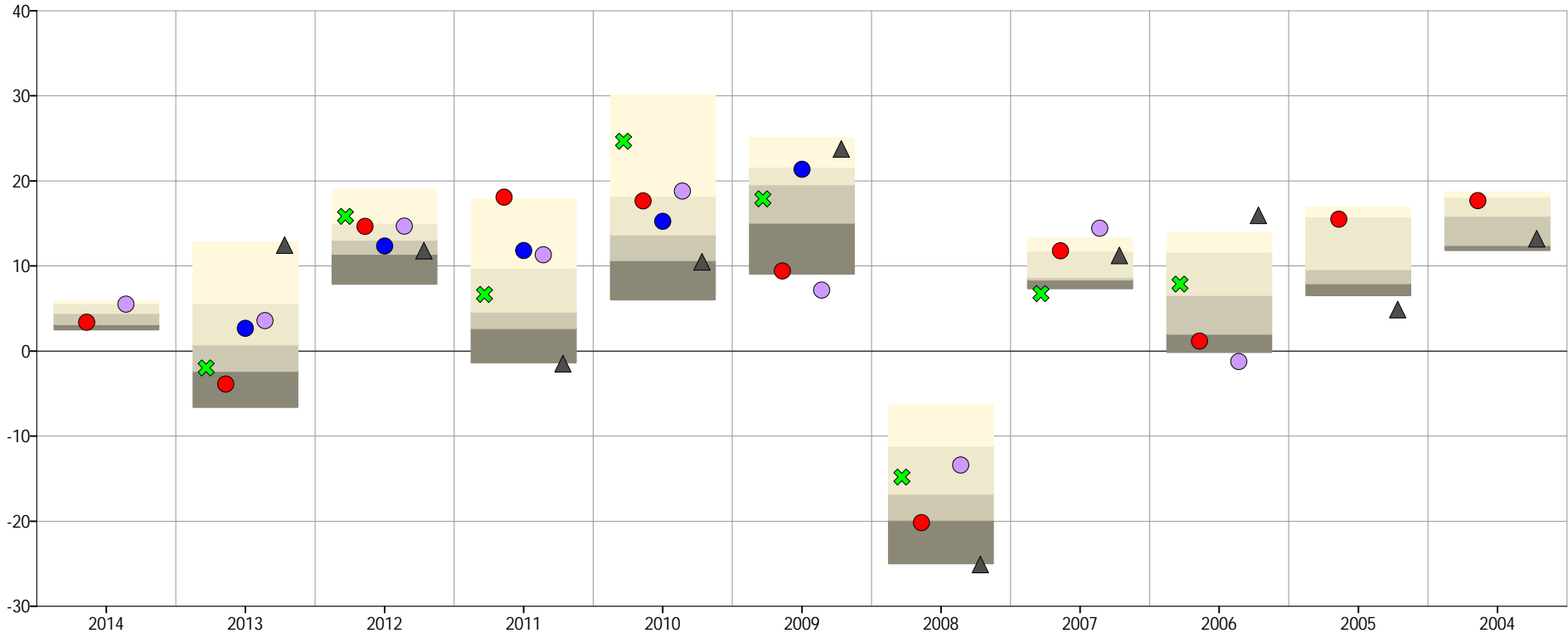
| [Rank] | 1 Mo | 3 Mos | 1 Yr | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|--|------------|-----------|------------|-----------|------------|------------|------------|
| AQR: Global Risk Premium Fund - 10% Volatility | -1.04 [80] | 1.82 [55] | -1.98 [71] | 6.59 [55] | 12.23 [25] | 7.13 [37] | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | -0.53 [67] | 0.87 [75] | -3.89 [84] | 9.18 [20] | 10.87 [50] | 5.91 [100] | 7.47 [50] |
| Invesco: Balanced-Risk Allocation | -0.69 [71] | 0.65 [80] | 2.66 [42] | 8.85 [35] | 12.52 [19] | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | -0.94 [75] | 1.60 [59] | 3.59 [38] | 9.76 [5] | 10.98 [44] | 7.59 [19] | n/a |
| 60% MSCI ACWI / 40% BC Global Aggregate | 0.82 [9] | 4.21 [10] | 12.14 [9] | 7.07 [53] | 10.79 [55] | 4.72 [100] | 6.54 [100] |
| eA Risk Parity (CUSTOM) Median | -0.28 | 1.84 | 0.76 | 7.76 | 10.87 | 6.89 | 7.47 |
| <i>eA Risk Parity (CUSTOM) Size</i> | <i>25</i> | <i>25</i> | <i>25</i> | <i>21</i> | <i>17</i> | <i>12</i> | <i>5</i> |

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Total Return: Calendar Years (2004 - 2013)

- 5th to 25th Percentile
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate
- 25th to Median
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- Median to 75th Percentile
- PanAgora: Risk Parity Multi Asset
- 75th to 95th Percentile



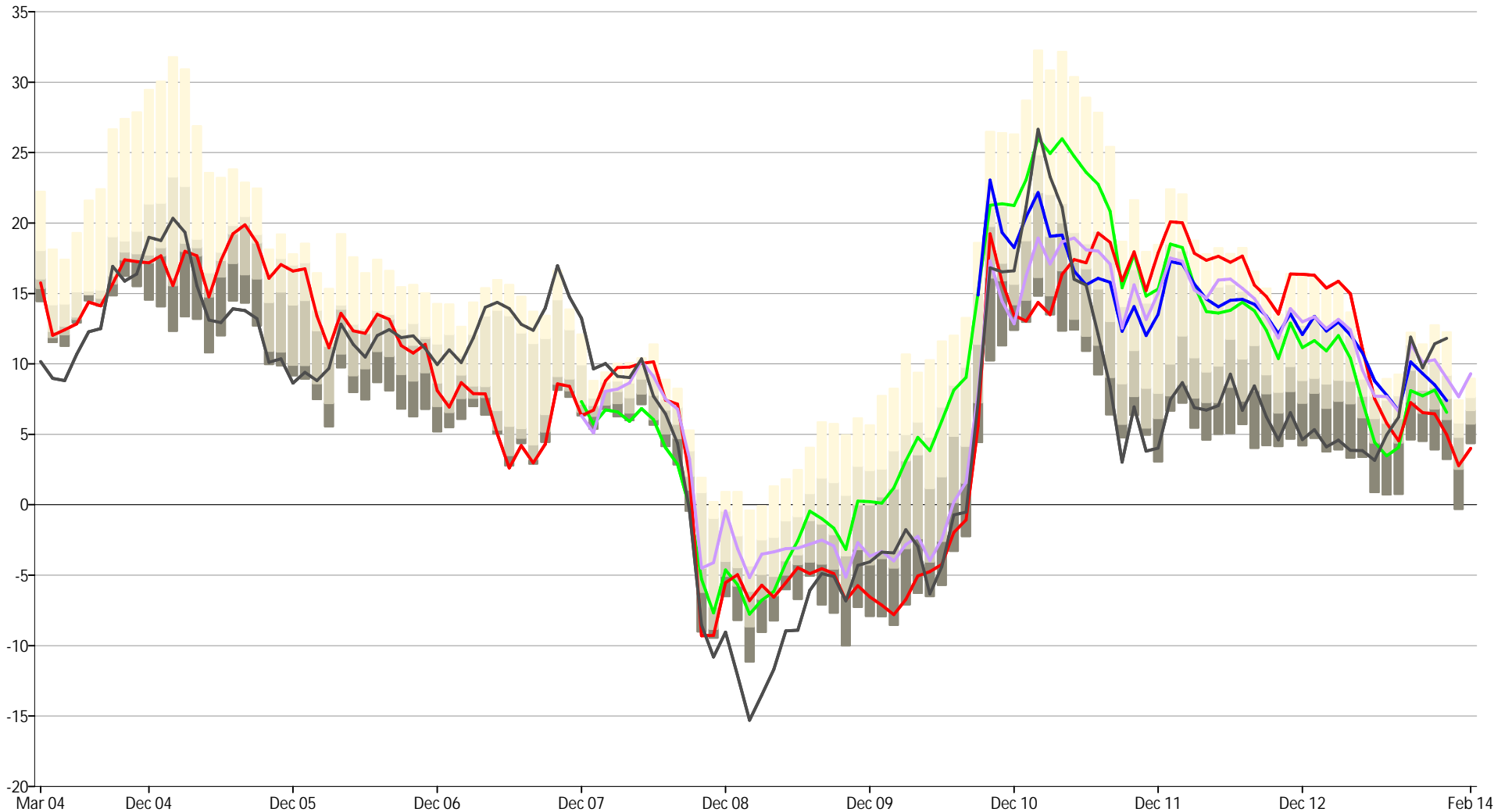
| [Rank] | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|-----------|------------|------------|------------|------------|------------|-------------|------------|-------------|------------|------------|
| AQR: Global Risk Premium Fund - 10% Volatility | n/a | -1.98 [71] | 15.85 [14] | 6.65 [43] | 24.67 [10] | 17.91 [71] | -14.80 [40] | 6.75 [100] | 7.89 [45] | n/a | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | 3.40 [67] | -3.89 [84] | 14.67 [32] | 18.08 [5] | 17.64 [35] | 9.40 [95] | -20.17 [80] | 11.78 [34] | 1.16 [89] | 15.51 [34] | 17.68 [40] |
| Invesco: Balanced-Risk Allocation | n/a | 2.66 [42] | 12.34 [60] | 11.81 [15] | 15.24 [40] | 21.36 [30] | n/a | n/a | n/a | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | 5.52 [34] | 3.59 [38] | 14.69 [28] | 11.31 [20] | 18.82 [20] | 7.17 [100] | -13.38 [34] | 14.43 [1] | -1.22 [100] | n/a | n/a |
| 60% MSCI ACWI / 40% BC Global Aggregate | n/a | 12.14 [9] | 11.48 [75] | -1.81 [97] | 10.18 [79] | 23.42 [16] | -25.41 [96] | 10.91 [38] | 15.63 [1] | 4.54 [100] | 12.88 [71] |
| eA Risk Parity (CUSTOM) Median | 4.46 | 0.76 | 13.08 | 4.62 | 13.68 | 19.60 | -16.79 | 8.67 | 6.58 | 9.59 | 15.88 |
| eA Risk Parity (CUSTOM) Size | 4 | 25 | 23 | 22 | 21 | 18 | 16 | 13 | 10 | 7 | 6 |

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Rolling 24-Month Total Returns (Mar 04 - Feb 14)

- 5th to 25th Percentile
- 25th to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- AQR: Global Risk Premium Fund - 10% Volatility
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- PanAgora: Risk Parity Multi Asset
- 60% MSCI ACWI / 40% BC Global Aggregate

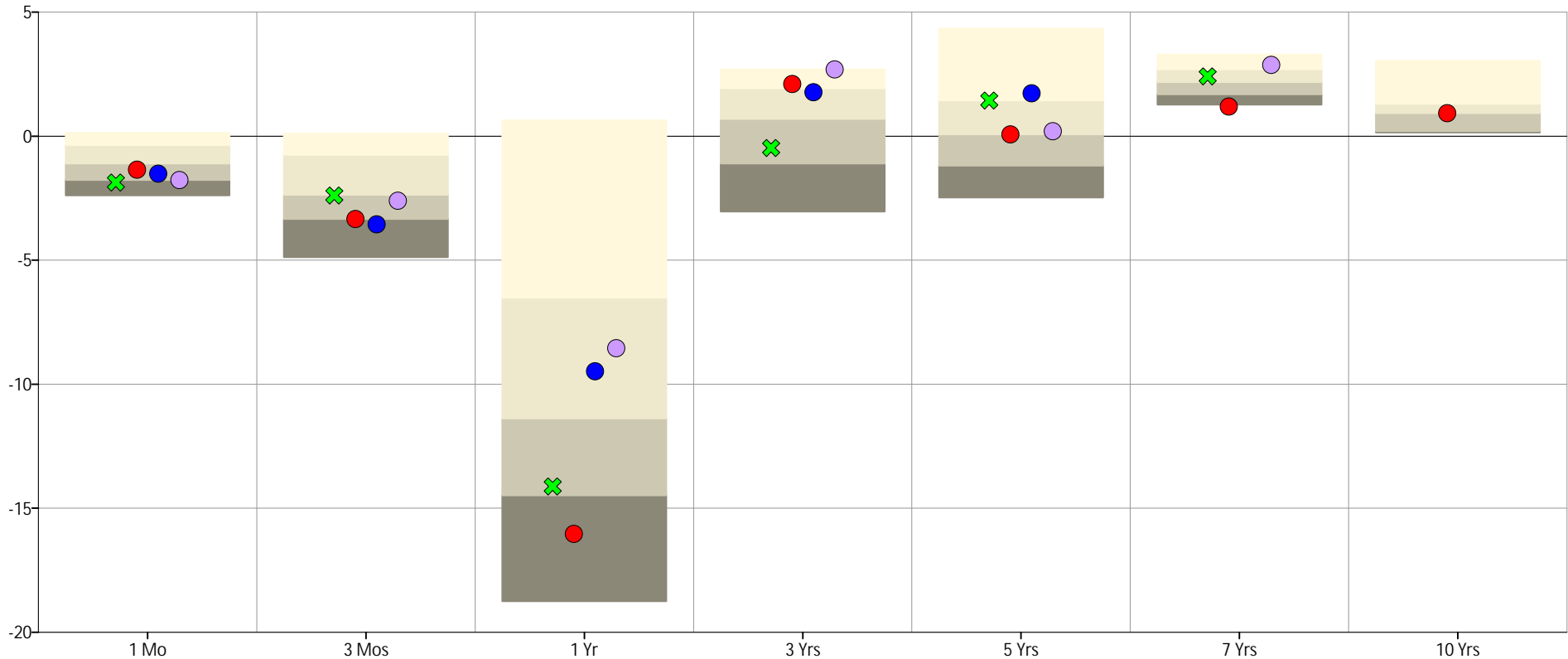


Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Excess Return: Trailing Periods

- 5th to 25th Percentile
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- 25th to Median
- Bridgewater: All Weather 10% Volatility Strategy
- Median to 75th Percentile
- Invesco: Balanced-Risk Allocation
- 75th to 95th Percentile
- PanAgora: Risk Parity Multi Asset

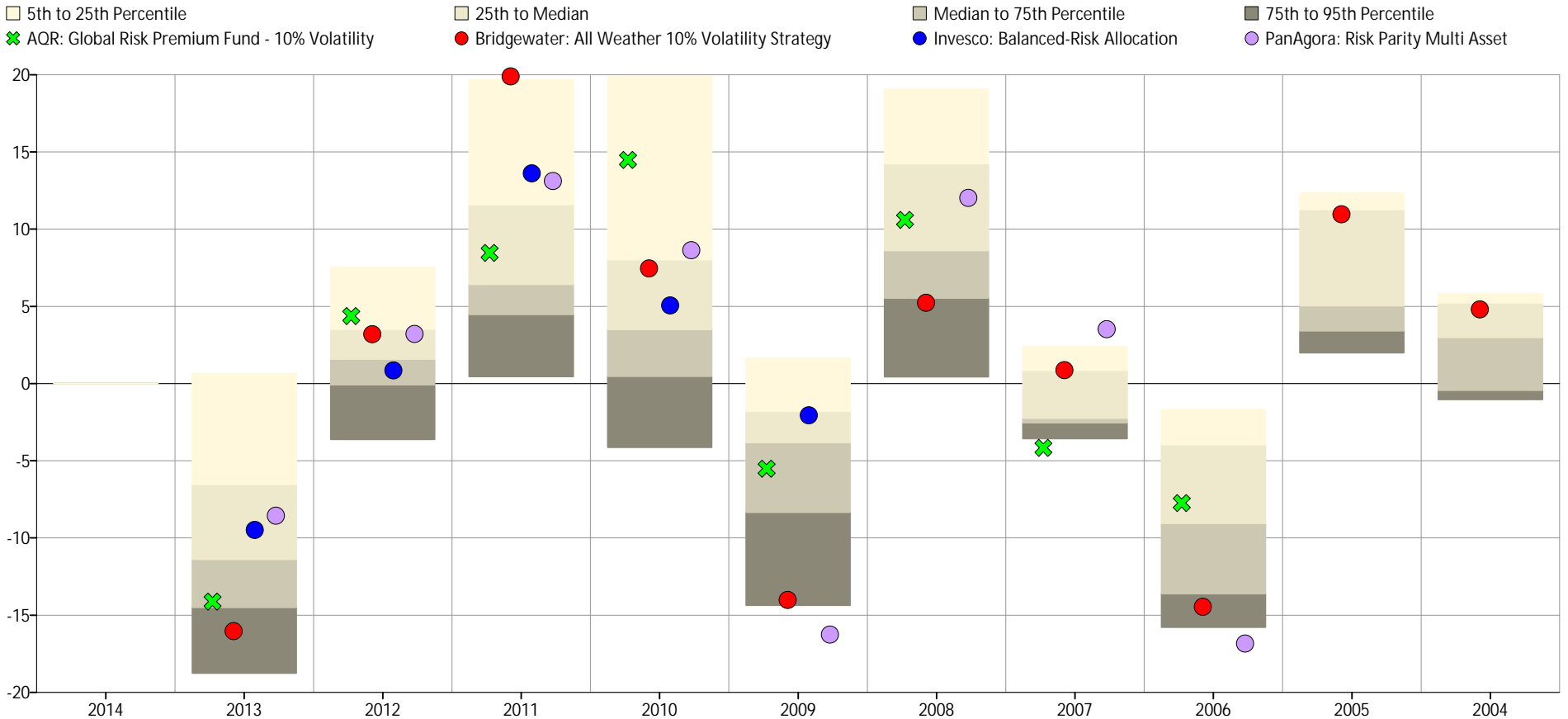


| [Rank] | 1 Mo | 3 Mos | 1 Yr | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|--|------------|------------|-------------|------------|-----------|------------|-----------|
| AQR: Global Risk Premium Fund - 10% Volatility | -1.86 [80] | -2.39 [55] | -14.12 [71] | -0.48 [55] | 1.44 [25] | 2.41 [37] | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | -1.35 [67] | -3.34 [75] | -16.03 [84] | 2.10 [20] | 0.08 [50] | 1.19 [100] | 0.93 [50] |
| Invesco: Balanced-Risk Allocation | -1.51 [71] | -3.55 [80] | -9.48 [42] | 1.77 [35] | 1.73 [19] | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | -1.76 [75] | -2.60 [59] | -8.55 [38] | 2.69 [5] | 0.19 [44] | 2.87 [19] | n/a |
| eA Risk Parity (CUSTOM) Median | -1.10 | -2.36 | -11.38 | 0.69 | 0.08 | 2.17 | 0.93 |
| <i>eA Risk Parity (CUSTOM) Size</i> | <i>25</i> | <i>25</i> | <i>25</i> | <i>21</i> | <i>17</i> | <i>12</i> | <i>5</i> |

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Excess Return: Calendar Years (2004 - 2013)

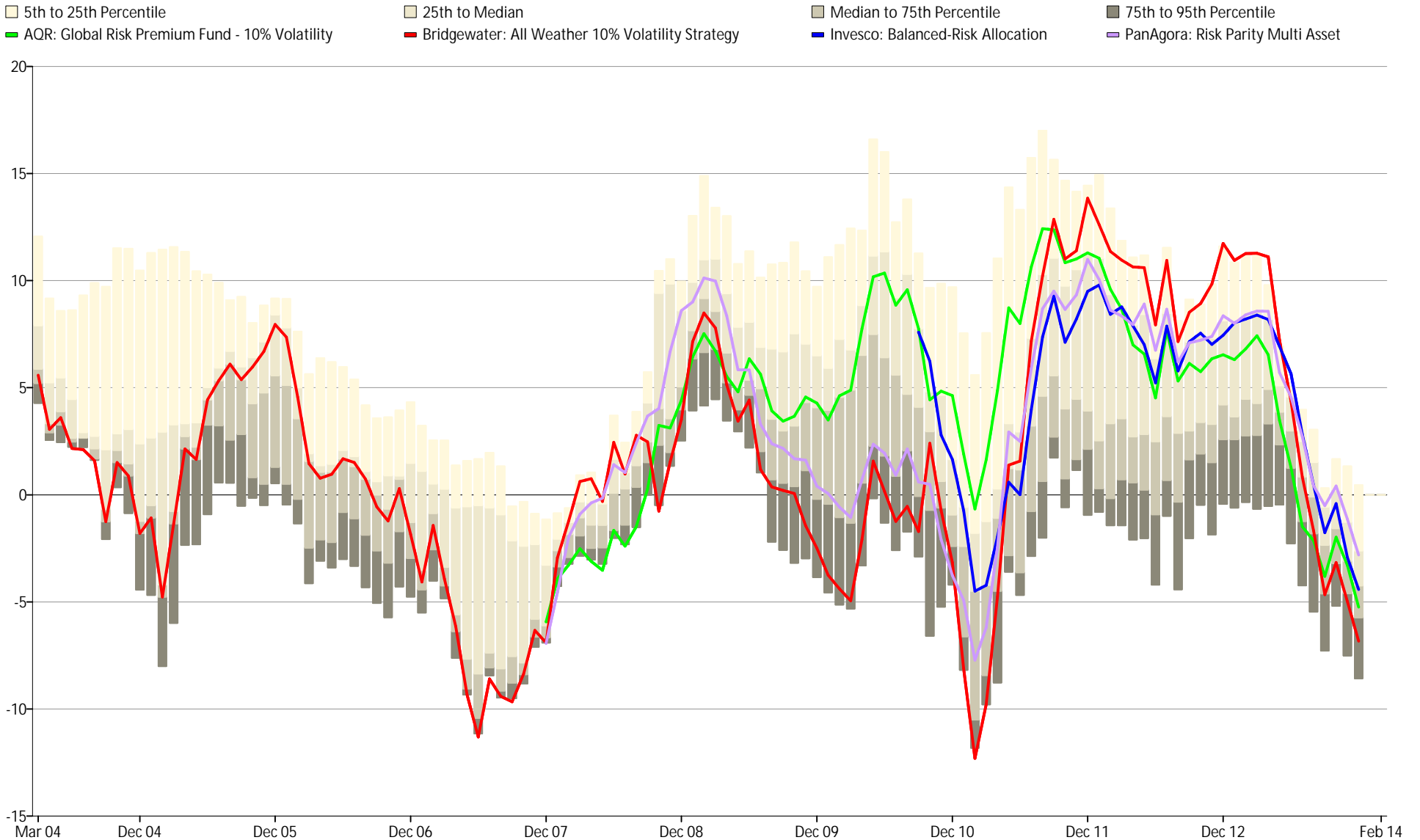


| [Rank] | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|------|-------------|-----------|------------|------------|--------------|------------|-------------|--------------|------------|-----------|
| AQR: Global Risk Premium Fund - 10% Volatility | n/a | -14.12 [71] | 4.38 [14] | 8.46 [43] | 14.50 [10] | -5.50 [71] | 10.61 [40] | -4.15 [100] | -7.74 [45] | n/a | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | n/a | -16.03 [84] | 3.19 [32] | 19.89 [5] | 7.46 [35] | -14.01 [95] | 5.24 [80] | 0.87 [34] | -14.46 [89] | 10.97 [34] | 4.80 [40] |
| Invesco: Balanced-Risk Allocation | n/a | -9.48 [42] | 0.86 [60] | 13.62 [15] | 5.06 [40] | -2.06 [30] | n/a | n/a | n/a | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | n/a | -8.55 [38] | 3.21 [28] | 13.11 [20] | 8.64 [20] | -16.25 [100] | 12.03 [34] | 3.52 [1] | -16.84 [100] | n/a | n/a |
| eA Risk Parity (CUSTOM) Median | n/a | -11.38 | 1.60 | 6.43 | 3.50 | -3.81 | 8.62 | -2.24 | -9.05 | 5.05 | 3.00 |
| <i>eA Risk Parity (CUSTOM) Size</i> | 0 | 25 | 23 | 22 | 21 | 18 | 16 | 13 | 10 | 7 | 6 |

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Rolling 24-Month Excess Returns (Mar 04 - Feb 14)

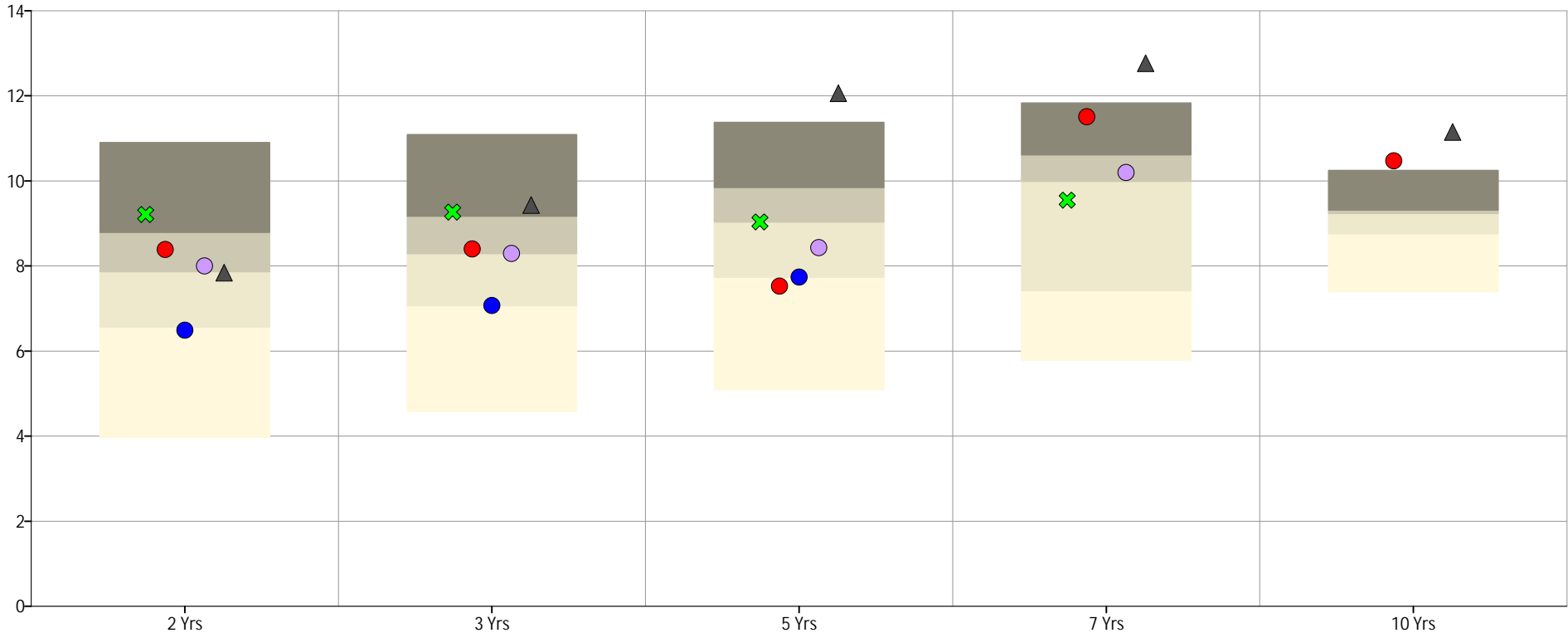


Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Standard Deviation: Trailing Periods

- 5th to 25th Percentile
- 25th to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- PanAgora: Risk Parity Multi Asset
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate



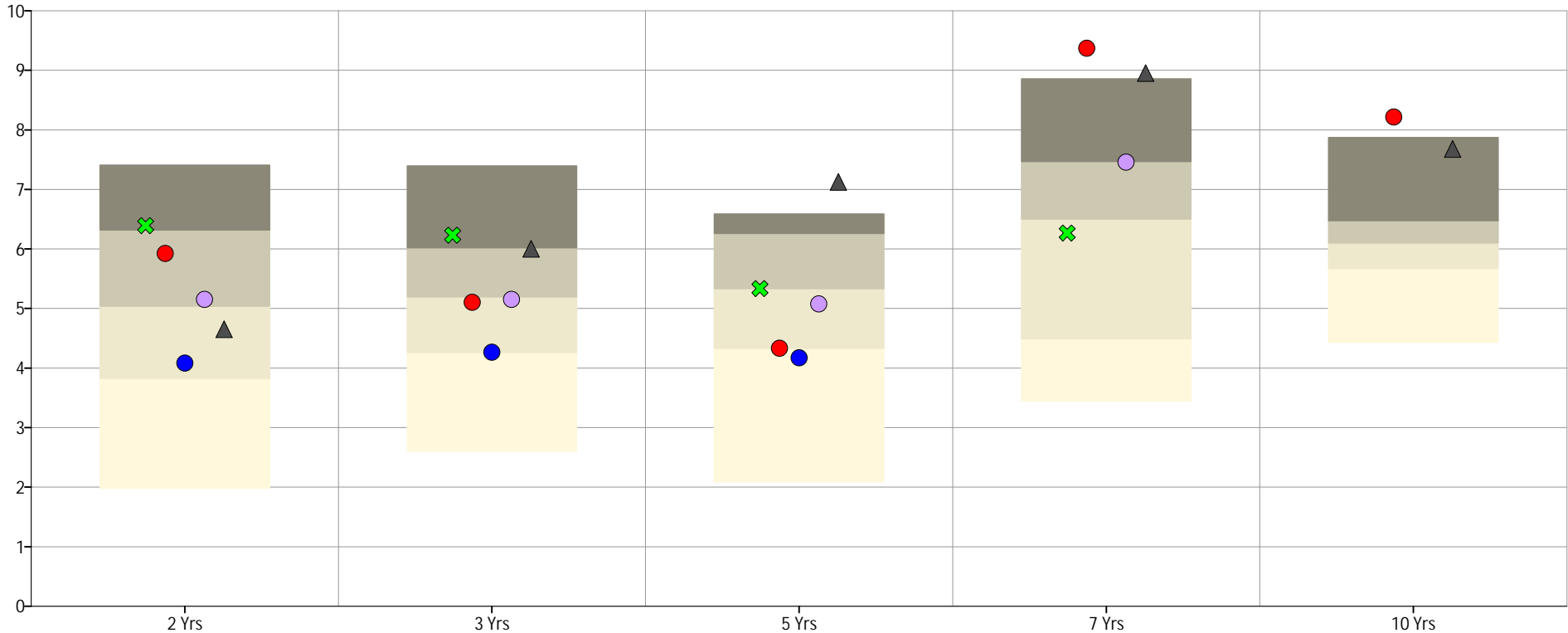
| [Inverse Rank] | 2 Yrs | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|--|-----------|-----------|-------------|-------------|-------------|
| AQR: Global Risk Premium Fund - 10% Volatility | 9.21 [86] | 9.27 [81] | 9.04 [51] | 9.55 [37] | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | 8.39 [67] | 8.40 [61] | 7.53 [19] | 11.51 [91] | 10.48 [100] |
| Invesco: Balanced-Risk Allocation | 6.49 [24] | 7.07 [26] | 7.74 [26] | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | 8.00 [53] | 8.30 [51] | 8.43 [38] | 10.20 [64] | n/a |
| 60% MSCI ACWI / 40% BC Global Aggregate | 7.78 [49] | 9.37 [86] | 12.00 [100] | 12.70 [100] | 11.08 [100] |
| eA Risk Parity (CUSTOM) Median | 7.87 | 8.30 | 9.04 | 9.99 | 9.23 |
| eA Risk Parity (CUSTOM) Size | 22 | 21 | 17 | 12 | 5 |

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Semi-Standard Deviation: Trailing Periods

- 5th to 25th Percentile
- 25th to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- PanAgora: Risk Parity Multi Asset
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate



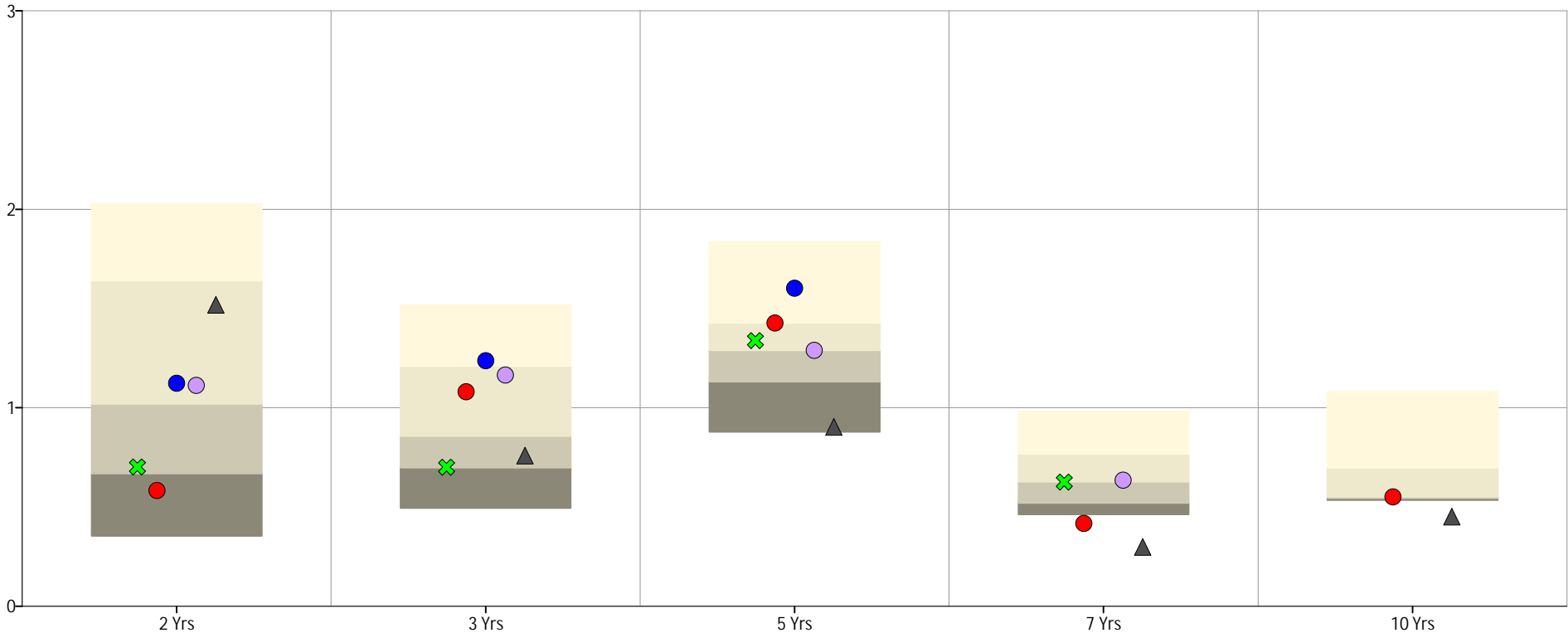
| [Inverse Rank] | 2 Yrs | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|--|-----------|-----------|------------|------------|------------|
| AQR: Global Risk Premium Fund - 10% Volatility | 6.39 [81] | 6.23 [81] | 5.34 [51] | 6.27 [37] | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | 5.93 [67] | 5.11 [41] | 4.33 [26] | 9.37 [100] | 8.22 [100] |
| Invesco: Balanced-Risk Allocation | 4.08 [29] | 4.27 [31] | 4.17 [19] | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | 5.15 [53] | 5.15 [46] | 5.08 [44] | 7.46 [73] | n/a |
| 60% MSCI ACWI / 40% BC Global Aggregate | 4.61 [43] | 5.96 [74] | 7.08 [100] | 8.91 [96] | 7.63 [92] |
| eA Risk Parity (CUSTOM) Median | 5.04 | 5.20 | 5.34 | 6.51 | 6.10 |
| <i>eA Risk Parity (CUSTOM) Size</i> | 22 | 21 | 17 | 12 | 5 |

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Sharpe Ratio: Trailing Periods

- 5th to 25th Percentile
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate
- 25th to Median
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- Median to 75th Percentile
- PanAgora: Risk Parity Multi Asset
- 75th to 95th Percentile



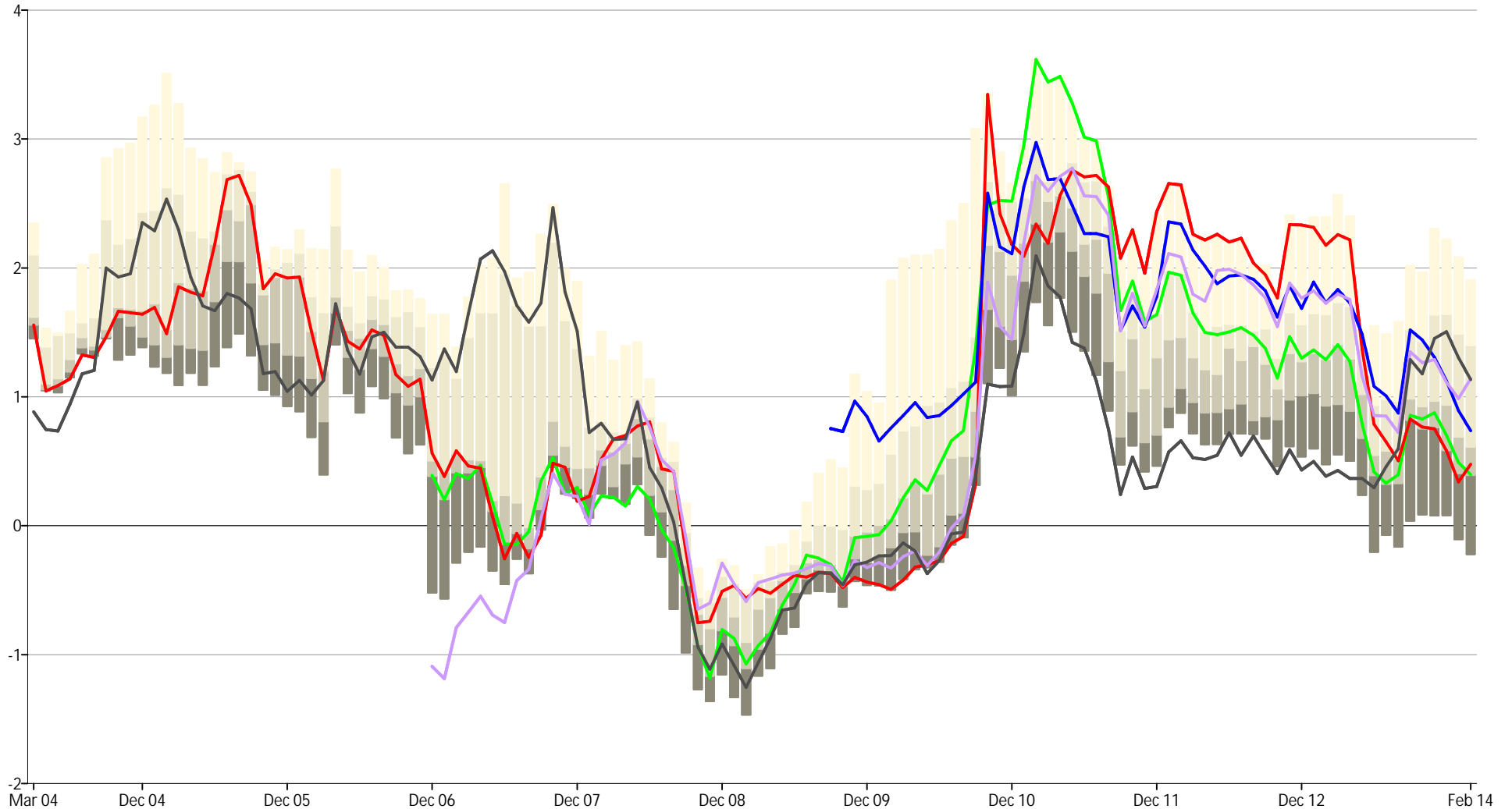
| [Rank] | 2 Yrs | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|--|-----------|-----------|-----------|------------|------------|
| AQR: Global Risk Premium Fund - 10% Volatility | 0.70 [67] | 0.70 [70] | 1.34 [44] | 0.63 [55] | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | 0.58 [86] | 1.08 [35] | 1.43 [25] | 0.42 [100] | 0.55 [50] |
| Invesco: Balanced-Risk Allocation | 1.12 [39] | 1.24 [20] | 1.60 [13] | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | 1.11 [43] | 1.16 [30] | 1.29 [50] | 0.63 [37] | n/a |
| 60% MSCI ACWI / 40% BC Global Aggregate | 1.50 [26] | 0.74 [64] | 0.89 [95] | 0.28 [100] | 0.44 [100] |
| eA Risk Parity (CUSTOM) Median | 1.02 | 0.86 | 1.29 | 0.63 | 0.55 |
| <i>eA Risk Parity (CUSTOM) Size</i> | 22 | 21 | 17 | 12 | 5 |

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Rolling 24-Month Sharpe Ratio (Mar 04 - Feb 14)

- 5th to 25th Percentile
- 25th to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- AQR: Global Risk Premium Fund - 10% Volatility
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- PanAgora: Risk Parity Multi Asset
- 60% MSCI ACWI / 40% BC Global Aggregate

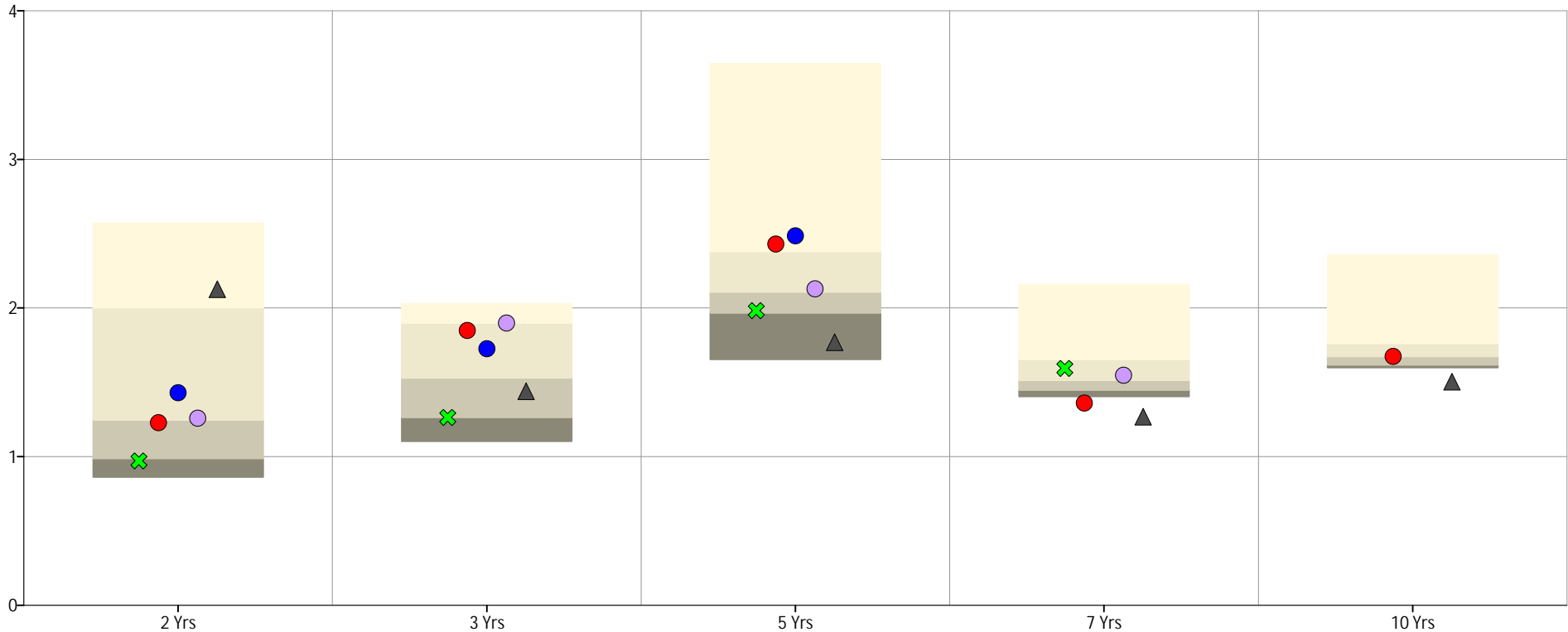


Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Omega Ratio: Trailing Periods

- 5th to 25th Percentile
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate
- 25th to Median
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation
- Median to 75th Percentile
- PanAgora: Risk Parity Multi Asset
- 75th to 95th Percentile

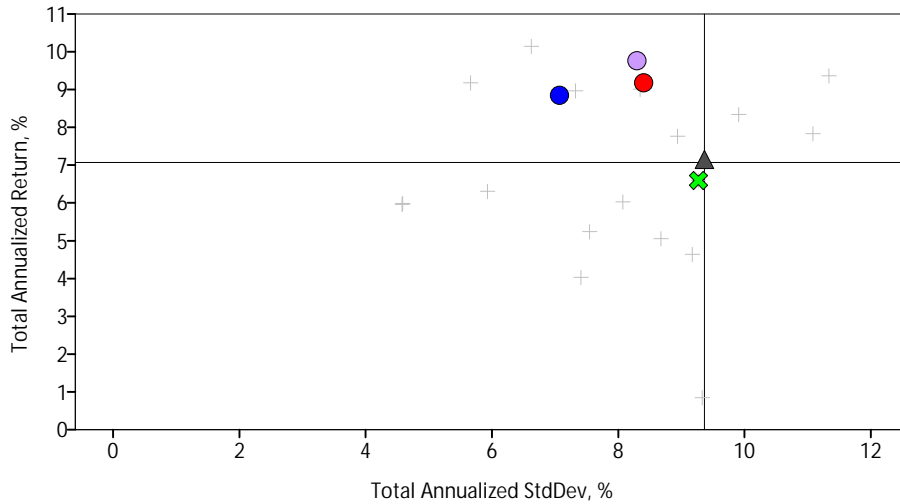


| [Rank] | 2 Yrs | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|--|-----------|-----------|-----------|------------|------------|
| AQR: Global Risk Premium Fund - 10% Volatility | 0.97 [81] | 1.26 [75] | 1.98 [63] | 1.59 [28] | n/a |
| Bridgewater: All Weather 10% Volatility Strategy | 1.23 [58] | 1.85 [30] | 2.43 [19] | 1.36 [100] | 1.68 [50] |
| Invesco: Balanced-Risk Allocation | 1.43 [43] | 1.73 [40] | 2.49 [13] | n/a | n/a |
| PanAgora: Risk Parity Multi Asset | 1.26 [48] | 1.90 [25] | 2.13 [44] | 1.55 [46] | n/a |
| 60% MSCI ACWI / 40% BC Global Aggregate | 2.11 [24] | 1.42 [60] | 1.75 [82] | 1.25 [100] | 1.49 [100] |
| eA Risk Parity (CUSTOM) Median | 1.25 | 1.53 | 2.11 | 1.51 | 1.68 |
| <i>eA Risk Parity (CUSTOM) Size</i> | <i>22</i> | <i>21</i> | <i>17</i> | <i>12</i> | <i>5</i> |

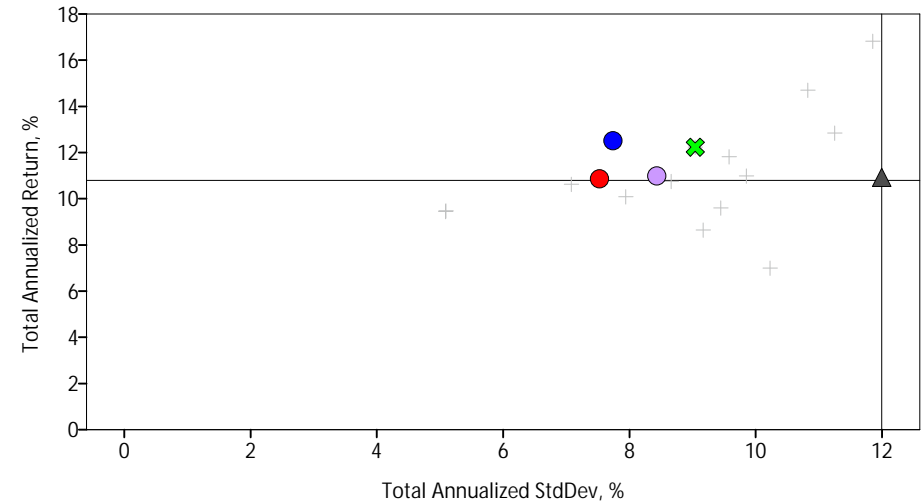
Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

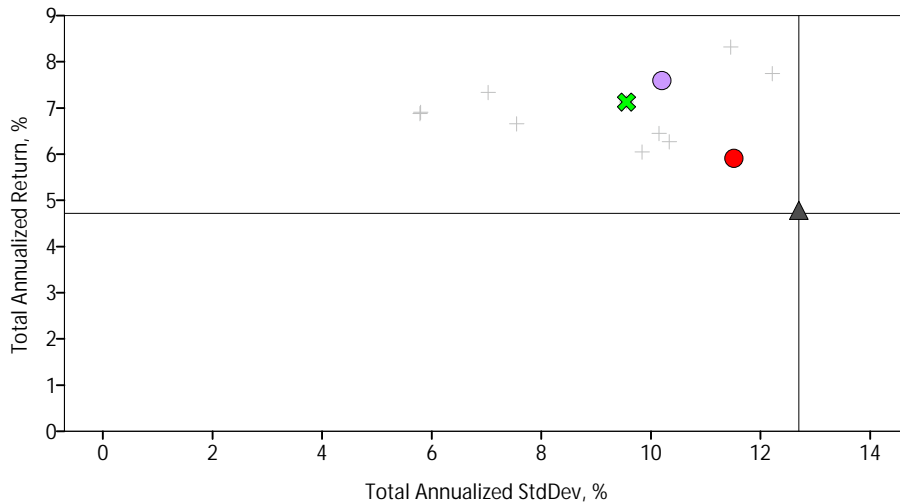
Total Return vs. Standard Deviation: Trailing 3 Years



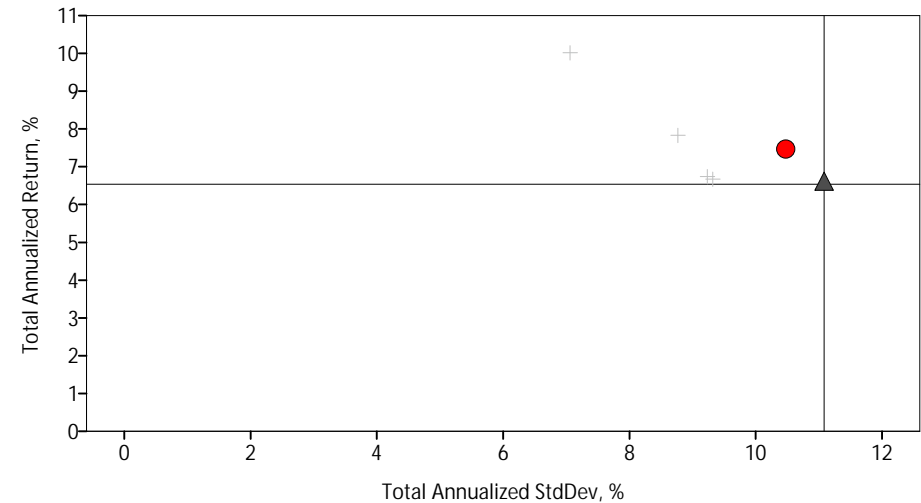
Total Return vs. Standard Deviation: Trailing 5 Years



Total Return vs. Standard Deviation: Trailing 7 Years



Total Return vs. Standard Deviation: Trailing 10 Years

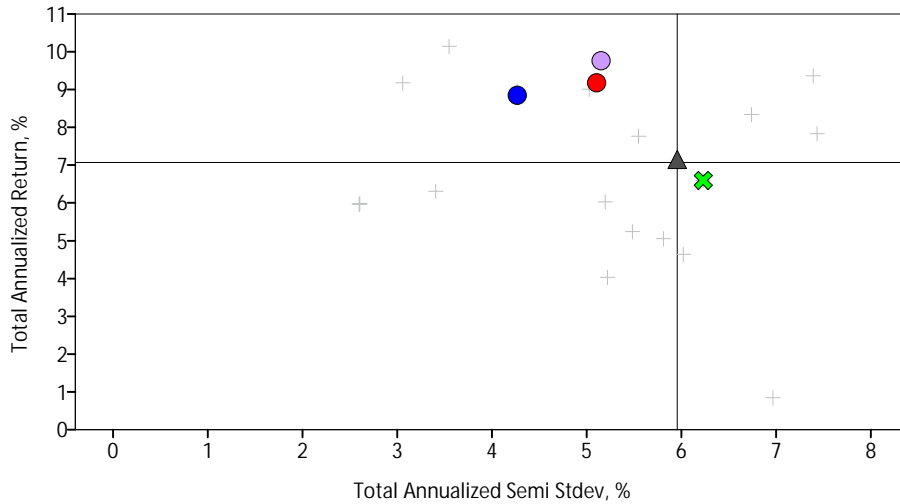


- + eA Risk Parity (CUSTOM)
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- PanAgora: Risk Parity Multi Asset
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation

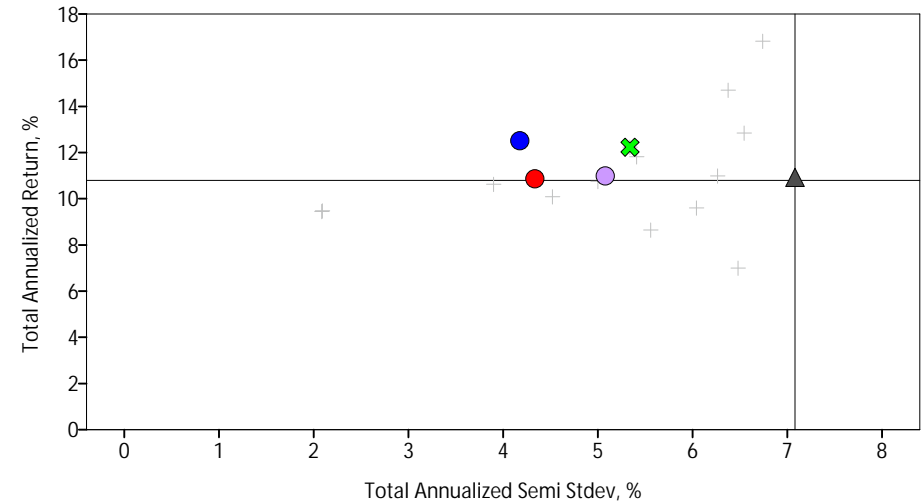
Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

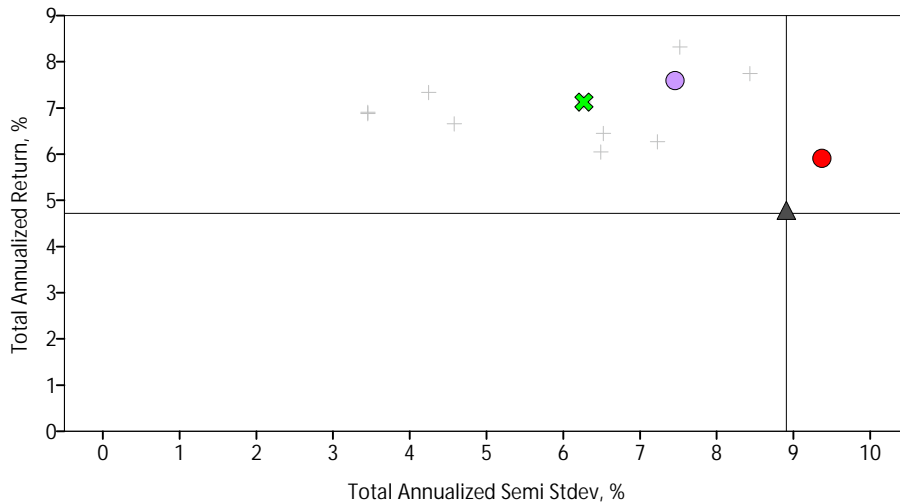
Total Return vs. Semi-Standard Deviation: Trailing 3 Years



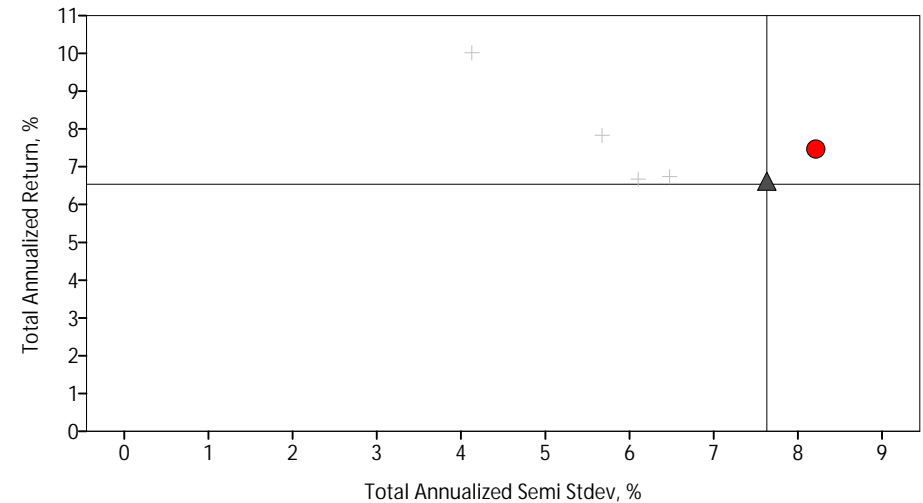
Total Return vs. Semi-Standard Deviation: Trailing 5 Years



Total Return vs. Semi-Standard Deviation: Trailing 7 Years



Total Return vs. Semi-Standard Deviation: Trailing 10 Years



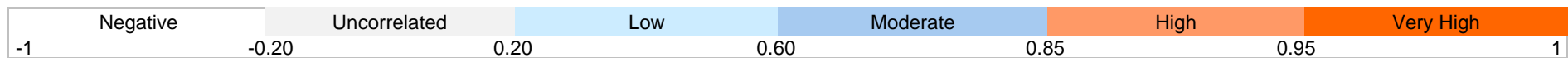
- + eA Risk Parity (CUSTOM)
- ✕ AQR: Global Risk Premium Fund - 10% Volatility
- PanAgora: Risk Parity Multi Asset
- ▲ 60% MSCI ACWI / 40% BC Global Aggregate
- Bridgewater: All Weather 10% Volatility Strategy
- Invesco: Balanced-Risk Allocation

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Correlation Matrix: Pairwise Common Periods

| | | | | | |
|--|---|------|------|------|---|
| | | 1 | | | |
| AQR: Global Risk Premium Fund - 10% Volatility | 1 | | 2 | | |
| Bridgewater: All Weather 10% Volatility Strategy | 2 | 0.74 | | 3 | |
| Invesco: Balanced-Risk Allocation | 3 | 0.80 | 0.82 | | 4 |
| PanAgora: Risk Parity Multi Asset | 4 | 0.86 | 0.88 | 0.90 | |



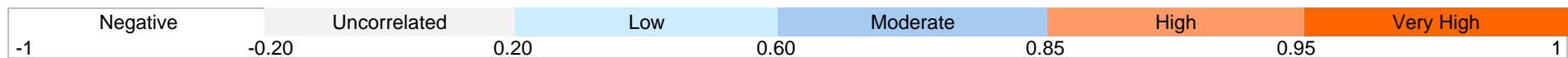
The Correlation Matrix reveals the strength of return relationships between investments. A perfect linear relationship is represented by a correlation of 1, while a perfect negative relationship has a correlation of -1. A correlation of 0 indicates no relationship between the investments. Correlation is a critical component to asset allocation and can be a useful way to measure the diversity of a combined plan portfolio.

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

Universe
eA Risk Parity (CUSTOM)

Correlation Matrix (Excess Returns): Pairwise Common Periods

| | | | | | |
|--|---|------|------|------|---|
| | | 1 | | | |
| AQR: Global Risk Premium Fund - 10% Volatility | 1 | | 2 | | |
| Bridgewater: All Weather 10% Volatility Strategy | 2 | 0.72 | | 3 | |
| Invesco: Balanced-Risk Allocation | 3 | 0.71 | 0.82 | | 4 |
| PanAgora: Risk Parity Multi Asset | 4 | 0.77 | 0.89 | 0.84 | |



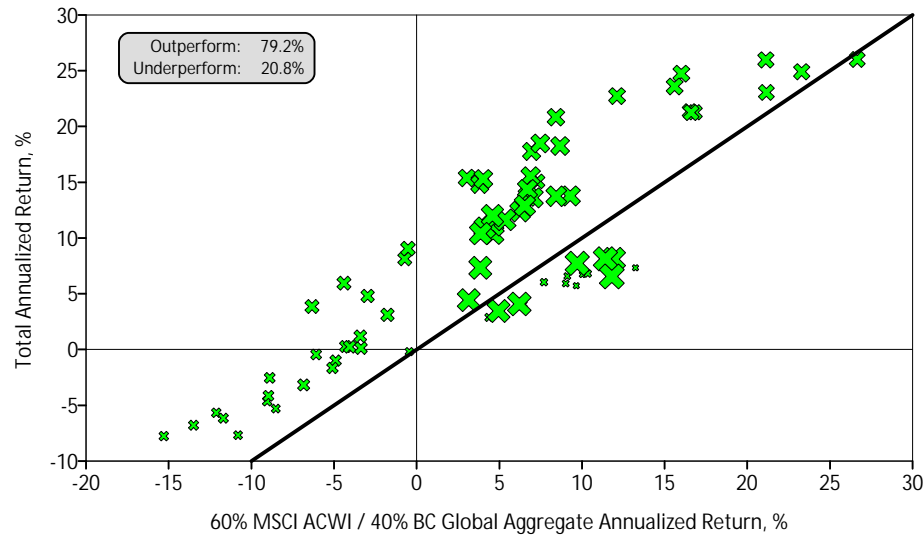
The Correlation Matrix reveals the strength of return relationships between investments. A perfect linear relationship is represented by a correlation of 1, while a perfect negative relationship has a correlation of -1. A correlation of 0 indicates no relationship between the investments. Correlation is a critical component to asset allocation and can be a useful way to measure the diversity of a combined plan portfolio.

Benchmark
60% MSCI ACWI / 40% BC Global Aggregate

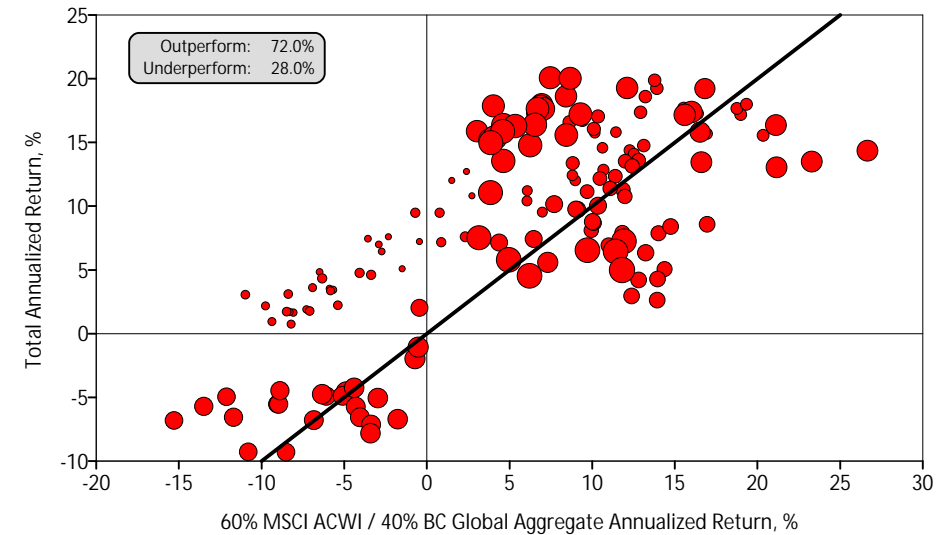
Universe
eA Risk Parity (CUSTOM)

Rolling 24-Month Returns vs. 60% MSCI ACWI / 40% BC Global Aggregate

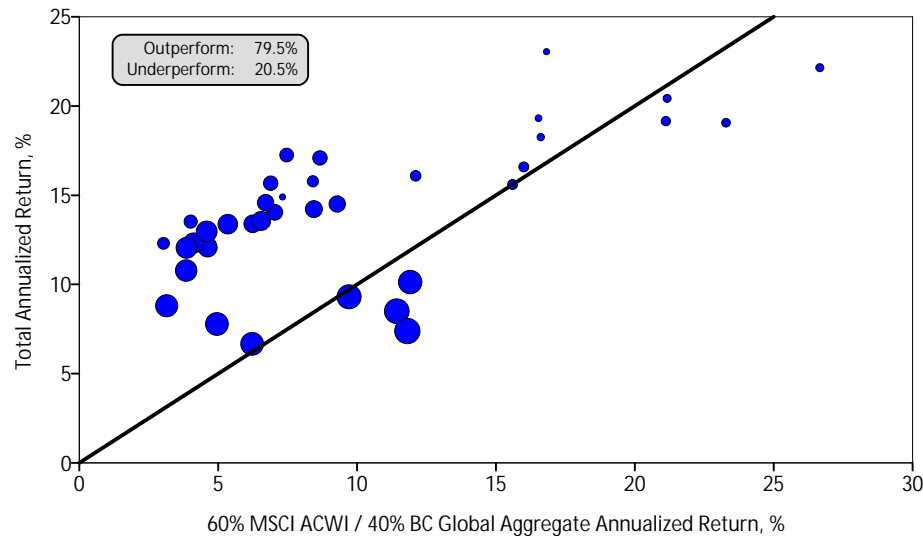
✕ AQR: Global Risk Premium Fund - 10% Volatility (Jan 2006 - Dec 2013)



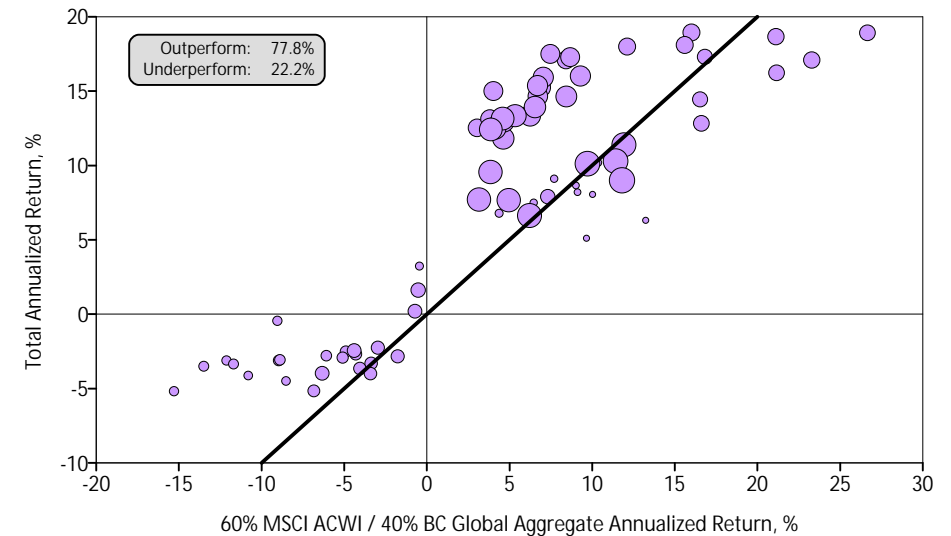
● Bridgewater: All Weather 10% Volatility Strategy (Jun 1996 - Feb 2014)



● Invesco: Balanced-Risk Allocation (Oct 2008 - Dec 2013)



● PanAgora: Risk Parity Multi Asset (Jan 2006 - Feb 2014)



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 6.4 & Closed Session C2

TO: Board of Retirement

Lilibeth Dames

FROM: Lilibeth Dames, Investment Analyst

SUBJECT: Due Diligence Report Concerning Certain Existing Alternative Investments
(Confidential Under Gov. Code §6254.26, to be heard in Closed Session, C2)

Staff Recommendation

Accept and review the due diligence report concerning certain existing alternative investments as of December 31, 2013.

Background

In August 2010, the Board of Retirement approved the implementation of SamCERA's private equity program. SIS provides a semi-annual performance report as of 6/30 and 12/31 each year. Today, Mr. Shooshani will be present to provide a confidential due diligence report of these assets as of December 31, 2013.

Discussion

As of December 31, 2013, SamCERA's private equity portfolio had a total market value of \$107.8 million. For the six months ending December 31, 2013, SamCERA committed to two new funds for a total of \$45 million. This brought the sum of private equity funds in the portfolio to thirteen with \$208 million in committed capital.

Mr. Shooshani will review the due diligence report concerning certain existing alternative investments under closed session, which will be provided to the Board under a separate confidential memo.

CONFIDENTIAL

ALTERNATIVE INVESTMENTS RECORDS EXEMPTION FROM PUBLIC DISCLOSURE

Presentation of Due Diligence Report Concerning
Certain Existing
Alternative Investments.

Confidential

Under Gov. Code §54956.81 and §6254.2

**DO NOT DUPLICATE
DO NOT DISTRIBUTE**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 6.5

TO: Board of Retirement



FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Report on Core Equity Manager and Barrow Hanley Annual Reviews

Staff Recommendation

Review the report on the annual reviews of SamCERA's Core Equity Managers and Barrow Hanley.

Background

On May 1st, SamCERA staff held annual review meetings in SamCERA's office for our core equity (D.E. Shaw and Blackrock) managers. In addition, the annual review of our large-cap value manager, Barrow Hanley, was also held on May 1st. Our value equity annual reviews will be held on June 5th, but due to scheduling conflicts at Barrow Hanley, we held their review in May as well.

Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

The Blackrock S&P 500 and EAFE Index Funds were reviewed first. Next, the D.E. Shaw Broad Market Core Enhanced Plus product, which is a large-cap core strategy that seeks to identify market inefficiencies through quantitative analysis, was reviewed. Lastly, the Barrow Hanley Diversified Large-Cap Value Equity product, which employs a bottom-up value investment strategy, was reviewed.

There were no major concerns identified during the reviews. Meeting notes are attached to this memo summarizing the findings from these annual reviews.

Attachments

- A. *Blackrock S&P 500 and EAFE Index Fund Annual Review Meeting Notes*
- B. *D.E. Shaw Broad Market Core Enhanced Plus Annual Review Meeting Notes*
- C. *Barrow Hanley Diversified Large Cap Value Annual Review Meeting Notes*

SAMCERA AUM S&P: \$536,998,170
SAMCERA AUM EAFE: \$132,759,467

Date of meeting: 5/1/2014
Location: SamCERA Office

Manager Representative(s)

Tony Freitas, Client Service; Sarah Shores, PM

SIS Representative(s)

Matt Silva, Analyst

Client Representative(s)

Mike Coultrip, CIO; David Bailey, CEO; Lilibeth Dames, Analyst; and Scott Hood, Assistant Executive Officer

Product Description

BlackRock uses a full replication approach. They hold each stock in the same proportion in which it is represented in the S&P 500 Index and the EAFE Index. BlackRock monitors the fund daily to ensure that additions and deletions to the S&P 500, mergers and acquisitions, restructurings, and other capitalization changes are made to the fund in such a way to minimize tracking error and transactions costs.

Organization

BlackRock, founded in 1988, has risen to become the largest asset manager in the world through the growth of its legacy products as well as a series of strategic acquisitions. The two most significant deals were the mergers with Merrill Lynch Investment Managers (MLIM) in 2006 and Barclays Global Investors (BGI) in 2009. MLIM began managing assets in the UK in 1946 as part of S.G. Warburg & Co. (later known as Mercury Asset Management), and in the U.S. in 1976 under the Merrill Lynch name. BGI traces its roots back to 1922, when its predecessor organizations, Wells Fargo Investment Advisors and Wells Fargo Bank, began managing U.S. institutional assets. BGI was formed in 1995 from the merger of Barclays de Zoete Wedd Investment Management and Wells Fargo Nikko Investment Advisors. Other notable acquisitions include State Street Research & Management (2005), Quellos Group (2007), and R3 Capital Partners (2009). In addition to its asset management business, BlackRock provides risk management and advisory services to \$4.32 trillion in assets through its BlackRock Solutions (BRS) arm.

Investment Team

BlackRock employs approximately 120 people on its index team, which includes both institutional and iShares. Most of these employees are located in San Francisco.

Investment Strategy

BlackRock focuses on three objectives in the management of all of its index funds: minimizing tracking error, minimizing transaction costs, and minimizing investment and operational risks. BlackRock believe that superior investment outcomes can be most reliably achieved through Total Performance Management—the management of return, risk, and cost. Blackrock employs quantitative management techniques through the use of sophisticated computer-driven models to ensure all ideas are theoretically sound and empirically valid.

Performance & Positioning

The S&P 500 strategy successfully replicates the returns of the S&P 500 Index. The EAFE Index successfully replicates the EAFE index. We consider Blackrock a top tier Index provider.

SAMCERA AUM: \$142,447,945

Date of meeting: 5/1/2014

Location: SamCERA Office

Manager Representative(s)

Letitia Yang, Client Service; Phillip Kearns, Director

SIS Representative(s)

Matt Silva, Analyst

Client Representative(s)

Mike Coultrip, CIO; David Bailey, CEO; Lilibeth Dames, Analyst; and Scott Hood, Assistant Executive Officer

Product Description

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 two decades 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.

Organization

The D. E. Shaw group is a global investment and technology development firm with more than 1,100 employees; approximately \$32 billion in investment capital as of April 1, 2014; and offices in North America, Europe, and Asia. The firm's activities include alternative investment strategies focused on the delivery of absolute returns, with low targeted correlation to traditional assets like equities. The D. E. Shaw group's investment capital as of April 1, 2014 included approximately US \$9.3 billion managed by D. E. Shaw Investment Management, L.L.C. ("DESIM"). DESIM applies the D. E. Shaw group's quantitative models and computational techniques, based on the D. E. Shaw group's 25 years of experience in managing alternative investment strategies, to construct benchmark-relative long-only and "130/30" U.S. and non-U.S.

Investment Team

The investment team is led by Anne Dinning who is in her second stint as CIO after taking over for Tony Foley over a year ago. There are 45 investment professionals directly responsible for quantitative research and 40 investment professionals that contribute to the systematic macro efforts. The team also leverages a 425 employee information technology group that oversees and maintains the information systems, proprietary modeling, portfolio optimization, and trading systems.

Performance & Positioning

In 2013 DESIM outperformed the Russell 1000 Benchmark by 170bps while maintaining the target tracking error of 200bps. Trailing performance in the short and long term suggests a well disciplined approach that consistently generates alpha on a superior risk adjusted basis.

SAMCERA and DESIM discussed increasing the tracking error in the future in an effort to achieve more returns. DESIM is confident that their information ratio will remain despite increasing the tracking error. The portfolio remains underweight yielding stocks and in particular REITs as DESIM believes institutional investors drove the prices up on yield in the equity markets because of the lack of yield in the fixed income markets.

SAMCERA AUM: \$143,479,332

Date of meeting: 5/1/2014

Location: SamCERA Office

Manager Representative(s)

Mark Giambrone, Client Service; Matt Egenes, PM

SIS Representative(s)

Matt Silva, Analyst

Client Representative(s)

Mike Coultrip, CIO; David Bailey, CEO;
Lilibeth Dames, Analyst; and Scott Hood,
Assistant Executive Officer

Organization

Barrow, Hanley, MeWhinney & Strauss (BHMS) was founded in 1979 to manage large cap value assets. The firm expanded over the years to include several domestic and international equity strategies, in addition to fixed income. BHMS operates as a majority owned subsidiary of Old Mutual, a financial services company based in London. In 2010, Old Mutual began offering employees of BHMS an indirect non-voting interest in the company not to exceed 24.9%. BHMS manages in excess of \$93 billion and is based in Dallas, TX and the Diversified Large Value strategy at BHMS currently has \$2.5 billion invested in the strategy.

BHMS employees continued to repurchase equity from its parent company as their ownership increased by 3% over the past year to 24.9%. BHMS would like to continue the trend of purchasing equity despite achieving the target ownership outlined by Old Mutual.

Investment Team

Bob Chambers, one of the firm's portfolio managers, retired at the start of 2014. In anticipation of his retirement BHMS allocated three new analysts to the Large Value team—two internal and one external. BHMS is already preparing for Jim Barrow, a founder and portfolio manager, to retire sometime within the next two years. There is no defined date for his retirement but BHMS has been preparing for it for quite some time as Barrow is over 70 years old. Despite being a wholly-owned subsidiary for many years, the firm has done a better job than most in retaining its investment professionals. The value team consists of 29 investment professionals.

Investment Strategy

The firm's approach to the equity market is based on the underlying philosophy that markets are inefficient. These inefficiencies can be best exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. Diversified large cap value decision-making process involves quantitative and qualitative analysis and analytical tools to ensure adherence to the value discipline. Those companies which meet the three-pronged definition of value (price/earnings and price/book ratios below the market and dividend yields above the market) and are projected to achieve earnings growth above that of the market are registered on the firm's Security Guidance List. The list averages 250 companies and summarizes the historical data and financial forecasts for each entry. As a starting point in their fundamental analysis, BHMS first looks at the profitability of a business and calculates what the company is earning on its equity capital. The team believes that a good long-term business is one that earns a high ROE and the firm, therefore, wants to own equity interests in companies with high or improving ROE's. The goal of the fundamental analysis is to produce reliable 5-year projections for ROE which the firm then uses to forecast earnings per share, book value, and dividend yield for the same 5-year period. BHMS' investment professionals utilize the Security Guidance List to

identify candidates for purchase. Once identified as a candidate, an individual security then undergoes a process of fundamental analysis, including an assessment of the company's valuation, as well as prospects for improvement in operating fundamentals. At this final stage, the portfolio management team makes a determination as to whether the security is appropriate for inclusion in the portfolio.

When a stock returns to fair valuation, the liquidation process begins. A stock may also be sold if BHMS determines that the company's fundamentals are deteriorating. The sell decision is initiated by the portfolio management team with input from the analyst staff. The portfolio will typically hold 80–90 stocks with some modest guidelines around position and sector exposure.

Performance & Positioning

Barrow Hanley is a familiar name in the value space and we think highly of the organization. Across the equity spectrum the strategies there is notable outperformance and consistency to the returns which gives us comfort that they are following a disciplined process.

BHMS outperformed the benchmark by 610 basis points in 2013 which ranks in the top 15th percentile of the large cap value universe. The large value universe has been a hard space to outperform as the benchmark ranks in the top 40th percentile. The 3-, 5-, 7-, and 10-year information ratio has never been below 0.35.


Our only concern will be growth in assets. BHMS has a substantial asset base in large value (\$54 billion across the large value spectrum) which can become increasingly difficult to provide excess returns. Despite our concern BHMS proved last year that they have the skill to generate alpha even with a large asset base.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 6.6

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer 

SUBJECT: Discussion and Approval of Proposed Changes to the Investment Policy

Staff Recommendation

Review the attached Investment Policy documents, and be prepared to discuss and potentially approve the changes during the June 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 formally 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. 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.

Discussion

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 review process. As a result, Sections 1 through 7 were reviewed during the February and March Board meetings, and the rest of the sections, starting with Section 8, were reviewed in April.

A clean version of the IPS incorporating the proposed changes from the last two Board meetings is attached; along with two redline documents. The first contains the redline version of the IPS for Sections 1-7, while the second contains the redline version of the IPS beginning with Section 8.

Attachments

- A. *Clean Draft SamCERA Investment Policy*
- B. *Redline Investment Policy Sections 1-7*
- C. *Redline Investment Policy Beginning with Section 8*

Draft of SamCERA's Investment Policy

June 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.

2.0 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.

3.0 INVESTMENT OBJECTIVES

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, in order to meet the following objectives:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Move 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.

4.0 INVESTMENT BELIEFS

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.

- 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 may favor the employment of passive strategies.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- 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.

5.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in **Section 4**, it is the Investment Policy of the Board to:

- A. Consistent with fiduciary standards, always act in the best economic interests of SamCERA’s plan beneficiaries and plan sponsors, and refrain from making investment decisions for political, social, or other non-economic reasons.
- B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in **Section 6** of this Investment Policy.
- C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in **Section 6**, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Delegate full discretion to each investment manager to the extent authorized in their IMA.
- G. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- H. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the fund’s best interest to do so.
- I. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in **Section 7**.

6.0 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. Public Equity Assets shall be allocated to managers within the following sub-asset classes:

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

B. Fixed Income Assets shall be allocated to managers within the following sub-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. Alternative Assets shall be allocated to managers within the following sub-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. 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. 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% | |

F. Asset Allocation Policy Benchmark

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6A through 6E and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant, Strategic Investment Solutions.

| Benchmark | Asset Allocation Policy Benchmark |
|-------------------------------------|--|
| Domestic Equity | 50% |
| Russell 1000 Index | 24% |
| Russell 2000 Index | 6% |
| MSCI ACWI x US IMI Index | 20% |
| Fixed Income | 20% |
| BC Aggregate Index | 9% |
| BC BA Intermediate High Yield Index | 5% |
| BC Capital US TIPS Index | 2% |
| BC Multiverse Index | 4% |

| | |
|---------------------------|------------|
| Risk Parity | 8% |
| 60% Russell 3000 / 40% BC | |
| Aggregate | 8% |
| Alternatives | 16% |
| Russell 3000 +3% | 7% |
| LIBOR + 4% | 4% |
| DJ UBS Commodity Index | 3% |
| CPI + 5% | 2% |
| Real Estate | 6% |
| NCREIF ODCE | 6% |

7.0 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 6.
- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established Rebalance Ranges specified in Section 6.
- C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy 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.

8.0 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.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as either:

- (a) Cumulative annualized performance (net of fees) over a three-year period below a broad market based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return, And / Or
- (b) Performance will be evaluated in light of the manager's stated style and discipline.

9.0 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. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA's rebalancing ranges for small-cap and emerging market equities will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

| 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 |

10.0 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. SamCERA will take into account these unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

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 |

11.0 REAL ESTATE INVESTMENT POLICIES

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

REAL ESTATE PERFORMANCE OBJECTIVE:

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

REAL ESTATE RISK EXPOSURES AND RISK MITIGATION:

Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate investments. Value-add and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA’s real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties. Opportunistic-oriented strategies will reside in our Private Equity portfolio due to their higher risk profile. In addition, SamCERA’s core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund’s Advisory Committee.

| | |
|--------------------|------------------------|
| ASSET CLASS | BENCHMARK INDEX |
| Real Estate | NCREIF ODCE |

12.0 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 and not in separate accounts so that *SamCERA's* investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

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 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.

13. 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 |

14.0 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.

15.0 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.

(g) Compare each investment manager's fees to their respective peer universe.

16.0 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.

17.0 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 A or higher by Moodys or Standard & Poors.

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

DRAFT

APPENDIX A

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

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

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

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

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

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

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

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

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

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

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

holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

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

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

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

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

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

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

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

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

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

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

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow *SamCERA's* separate account 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* separate account 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 this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

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 and *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 Policy*. 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)
- d. Interest rate swaps

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
- e. Credit Default Swaps (CDS)

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, and CDS 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 separate account 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 this 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 and available Board members to make on-site visitations to the investment consultant's and investment managers' offices on an as-needed basis.

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. When appropriate to better understand an investment strategy, staff, and investment consultant may 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.

Draft of SamCERA's Investment Policy

MayFebruary 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.

23.0 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.

34.0 INVESTMENT OBJECTIVES

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, in order to meet the following objectives: ~~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 Policy~~portfolio B~~ benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Move~~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.

45.0 INVESTMENT BELIEFS 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 may favor the employment of passive strategies.
- Diversification is fundamental, balance, and patience are key across many dimensions.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- 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."~~

56.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in the Investment Philosophy Section 45, it is the Investment Policy of the Board to:

A. Consistent with fiduciary standards, always act in the best economic interests of SamCERA's plan beneficiaries and plan sponsors, and refrain from making investment decisions for political, social, or other non-economic reasons.

BA. Pursue an investment strategy that reduces the 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.

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

DC. 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.

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

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

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

~~HF.~~ Refrain from ~~drastically~~~~amatically~~ shifting asset class allocations over short time spans, unless it is in the fund's best interest to do so.

~~IG.~~ Rebalance the portfolio in accordance to the Rebalancing Policy set forth in **Section 78.**

67.0 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 within~~reflecting~~ the following sub- investment asset classes:

| PUBLIC EQUITY ASSET CLASSES | TARGET ALLOCATION | REBALANCE RANGE |
|-------------------------------|-------------------|-----------------|
| Large Capitalization Domestic | 24.00% | ±2% |
| Passive Core | 10.50% | <u>±2%</u> |
| Active Core | 4.50% | <u>±2%</u> |
| Growth | 4.50% | <u>±2%</u> |
| Value | 4.50% | <u>±2%</u> |
| Small Capitalization Domestic | 6.00% | ±2% |
| Growth | 3.00% | <u>±2%</u> |
| Value | 3.00% | <u>±2%</u> |
| International | 20.00% | ±2% |

| | | |
|----------------------------|---------------|------------|
| Passive EAFE | 4.00% | <u>±2%</u> |
| Growth | 6.00% | <u>±2%</u> |
| Value | 6.00% | <u>±2%</u> |
| Small Capitalization | 2.00% | <u>±2%</u> |
| Emerging Market | 2.00% | <u>±2%</u> |
| TOTAL PUBLIC EQUITY | 50.00% | |

B. ~~The~~ Fixed Income Assets shall be allocated to managers withinreflecting the following sub-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 withinreflecting the following sub-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% | |

F. Asset Allocation Policy Benchmark

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6A through 6E and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant, Strategic Investment Solutions.

| <u>Benchmark</u> | <u>Asset Allocation Policy Benchmark</u> |
|--|--|
| <u>Domestic Equity</u> | <u>50%</u> |
| <u>Russell 1000 Index</u> | <u>24%</u> |
| <u>Russell 2000 Index</u> | <u>6%</u> |
| <u>MSCI ACWI x US IMI Index</u> | <u>20%</u> |
| <u>Fixed Income</u> | <u>20%</u> |
| <u>BC Aggregate Index</u> | <u>9%</u> |
| <u>BC BA Intermediate High Yield Index</u> | <u>5%</u> |
| <u>BC Capital US TIPS Index</u> | <u>2%</u> |
| <u>BC Multiverse Index</u> | <u>4%</u> |
| <u>Risk Parity</u> | <u>8%</u> |
| <u>60% Russell 3000 / 40% BC Aggregate</u> | <u>8%</u> |
| <u>Alternatives</u> | <u>16%</u> |
| <u>Russell 3000 +3%</u> | <u>7%</u> |
| <u>LIBOR + 4%</u> | <u>4%</u> |
| <u>DJ UBS Commodity Index</u> | <u>3%</u> |
| <u>CPI + 5%</u> | <u>2%</u> |
| <u>Real Estate</u> | <u>6%</u> |
| <u>NCREIF ODCE</u> | <u>6%</u> |

78.0 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 67.

- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established Rebalance Ranges specified in Section [67](#).
- C. The CIO will have discretion ~~regarding whether~~ to rebalance to Target or [to](#) some other allocation, as long as it is within ~~said parameter~~[policy](#) 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.

DRAFT

8.0 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.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as either:

- (a) Cumulative annualized performance (net of fees) over a three-year period below a broad market based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return, And / Or
- (b) Performance will be evaluated in light of the manager's stated style and discipline.

9.0 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. [SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA's rebalancing ranges for small-cap and emerging market equities will help ensure adequate diversification within the equity portion of the SamCERA portfolio.](#)

| 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 |

10.0 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. [SamCERA will take into account these unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.](#)

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 |

11.0 REAL ESTATE INVESTMENT POLICIES

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

REAL ESTATE PERFORMANCE OBJECTIVE:

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

REAL ESTATE RISK EXPOSURES AND RISK MITIGATION:

Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate investments. Value-add and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA's real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties. Opportunistic-oriented strategies will reside in our Private Equity portfolio due to their higher risk profile. In addition, SamCERA's core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund's Advisory Committee.

| ASSET CLASS | BENCHMARK INDEX |
|-------------|-----------------|
| Real Estate | NCREIF ODCE |

12.0 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 so that *SamCERA's* investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

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 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.

13. 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 |

14.0 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.

15.0 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.

[\(g\) Compare each investment manager's fees to their respective peer universe.](#)

16.0 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.

17.0 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* [separate account](#) 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* [separate account](#) 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*~~ [this policy](#). Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this [policy investment process](#)?

Formatted: Font: Not Italic

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 and *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 Policy*. 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)
- ~~e.~~d. [Interest rate swaps](#)

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
- ~~d-e.~~ [Credit Default Swaps \(CDS\)](#)

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, [and CDS](#) 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* [separate account](#) 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 [this 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 [and available Board members](#) to make on-site visitations to the investment consultant's and investment managers' offices [on an as-needed basis](#).

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. When appropriate to better understand an investment strategy, staff, and investment consultant~~The investment consultant and staff may~~will perform on-site due diligence on the final candidate prior to signing the investment agreement.

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

Appendix D

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

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

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

I. PURPOSE

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

II. APPLICATION

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

IV. RESPONSIBILITIES

A. The Board is responsible for:

1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be

reduced by a majority vote of the board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Providing a statement in writing that the External Manager will comply with this policy.
2. Providing the following information to the *SAMCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SAMCERA* investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SAMCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to *SAMCERA* or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.

- g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
 - h. The names of any current or former *SAMCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.
 4. Representing and warranting the accuracy of the information described in section B.2 above.
 5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SAMCERA*,
 - a. all campaign contributions made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 - b. prior to acting as a Placement Agent to *SAMCERA* all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.
 6. *SAMCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

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

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager

in the final written agreement between SAMCERA and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SAMCERA is entitled to the greater of the reimbursement of any management or advisory fees paid by SAMCERA for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the SAMCERA investment; and

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SAMCERA for five years after they have committed a material violation of this Policy; *provided, however*, that SAMCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

DEFINITIONS:

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

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

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

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

As defined in section 7513.8, "**Investment Vehicle**" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, constituting or managed by an External Manager in which a board is the majority investor and that

is organized in order to invest with, or retain the investment management services of, other External Managers.

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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 6.7

TO: Board of Retirement



FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Educational Presentation Regarding Fixed Income Direct Lending

Staff Recommendation

Review the attached educational presentation from SIS regarding fixed income direct lending.

Background

During the October 2013 meeting, the Board approved a new asset allocation policy that included a 2% increase (from 3% to 5%) to the Opportunistic Credit category within Fixed Income. Subsequently, during the January 2014 meeting, the Board approved a fixed income manager structure that incorporated this higher Opportunistic Credit allocation by increasing the target allocation to our two existing Opportunistic Credit managers (Brigade and Angelo Gordon) from 8% to 10% each, as a percent of Fixed Income. In addition, a 5% allocation to a new strategy was approved as a placeholder until additional research could be performed identifying attractive market opportunities.

Discussion

SIS believes that direct lending strategies offer attractive investment characteristics, especially in light of the current fixed income environment. Patrick Thomas from SIS will present this topic during the Board meeting.

Attachments

- A. *SIS Educational Presentation Introduction to Fixed Income Direct Lending*



SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

INTRODUCTION TO MIDDLE MARKET DIRECT LENDING

June 3, 2014

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

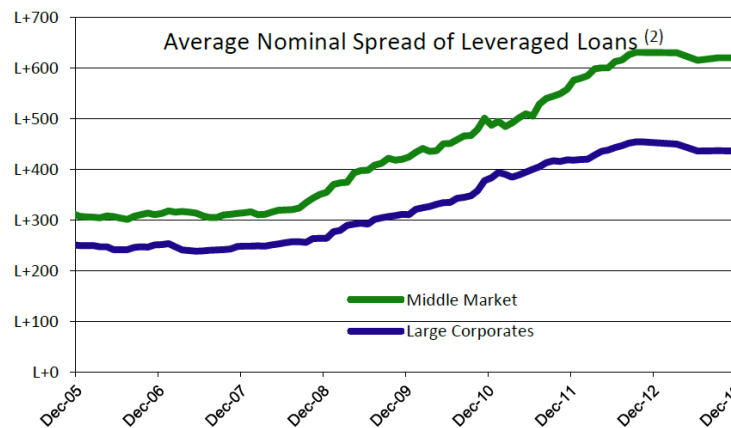
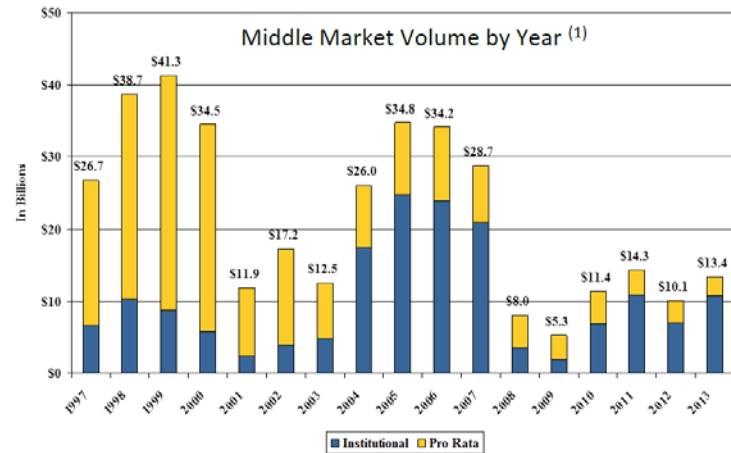
Middle Market Direct Lending

- Form of private funding for middle market corporations
- Middle market corporate borrowers typically less than \$500 million in annual revenue
- Lending terms negotiated directly with borrower by limited number of lenders
- Both floating and fixed rate loans —→ primarily floating
- Total loan size usually less than \$100 million
- Loan typically held to maturity by lenders
- Senior secured position in capital structure —→ asset backed
- Typically include equity “kickers” to enhance return to investor
- Traditional bank lender have exited business in recent years, creating market opportunity

Market Overview

Market fundamentals and trends are generally quite favorable for middle market leveraged lending

- **Defined as companies with less than \$50 million in EBITDA**
- **\$10–\$15 billion annual market post financial crisis⁽¹⁾**
- **Attractiveness of floating rate loans has brought increased capital into the sector**
 - Capital structures have become more aggressive while pricing has tightened—but still within acceptable ranges
 - Middle market loans offered on average a 180 basis points premium over the BSL market in 2013⁽¹⁾
- **Underlying drivers remain favorable and should drive further long-term volume growth**
 - M&A activity has returned to more normalized levels away from the high percentage of dividends, re-pricings and refinances seen in 2013
 - Per Pitchbook’s 2014 Annual PE Report, PE firms still have significant dry powder and the fund raising market has improved, reaching its highest point since 2008
 - PE sponsors continue to pay full multiples
 - General economic outlook continues to improve increasing buyer confidence



(1) S&P Capital IQ 4Q 2013 High-End Middle Market Lending Review
 (2) Standard & Poor’s LCD and LSTA Leveraged Loan Index; excludes all facilities in default

Typical Loan Attributes

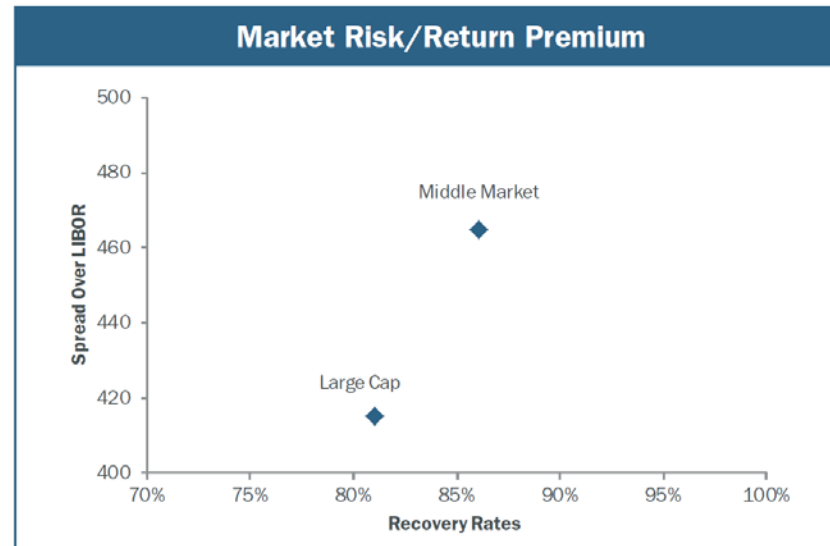
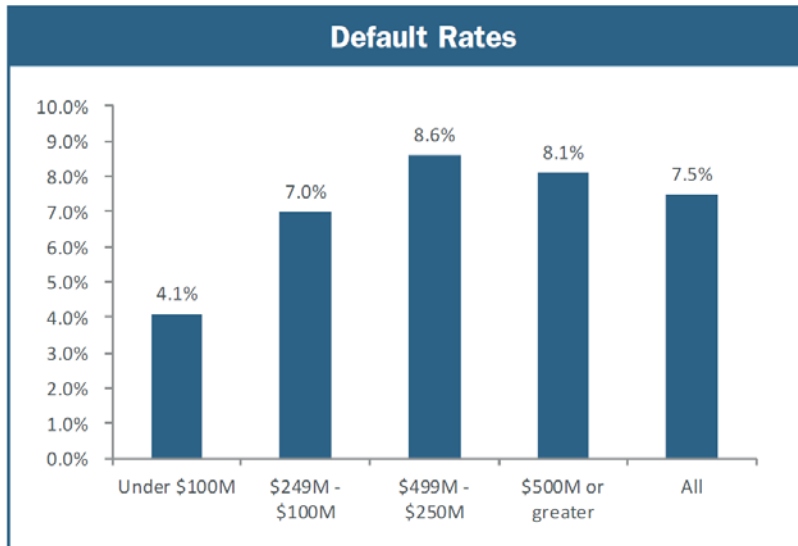
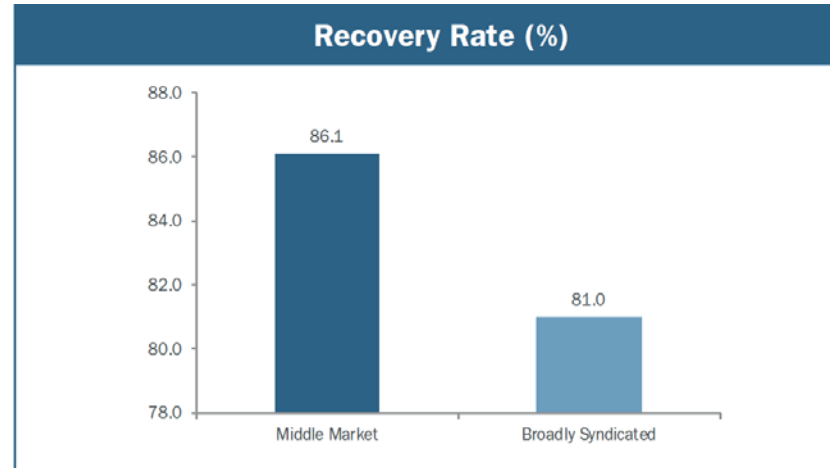
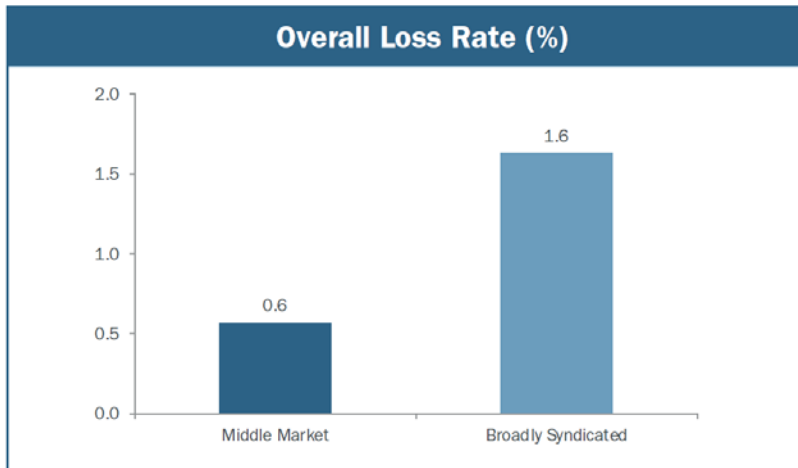
Middle Market Loans share many structural similarities with Broadly Syndicated Loans (senior secured, similar tenor, floating rate), but there are some key differences:

| Attributes | Middle Market | Broadly Syndicated |
|------------------------------|----------------------------------|---|
| Facility Size | < \$150 million | > \$150 million |
| EBITDA | < \$50 million | > \$50 million |
| # of Lenders in Facility | < 15 | 15+ |
| Rating | Unrated (Est. "B" area) | Rated "B" or higher |
| Deal Sourcing | Historical Relationships | Bank Syndication Platforms |
| Market Liquidity | Limited | Established Trading Market (Will slow in soft markets) |
| Risk Retention | Originate to Hold | Originate to Distribute |
| Access to Company Management | Direct | Passive |
| Capital Structure | Lower leveraged and less complex | Higher leverage and more complex |
| Covenant Packages | 1–3 Covenants/Tight Cushions | 0–3 Covenants/Wider Cushions |
| Financial Reporting | Monthly/Robust | Quarterly/Limited MD&A |

Why Middle Market Direct Credit?

Historical Performance

The Middle Market Exhibited Strong Relative Performance During Last Cycle

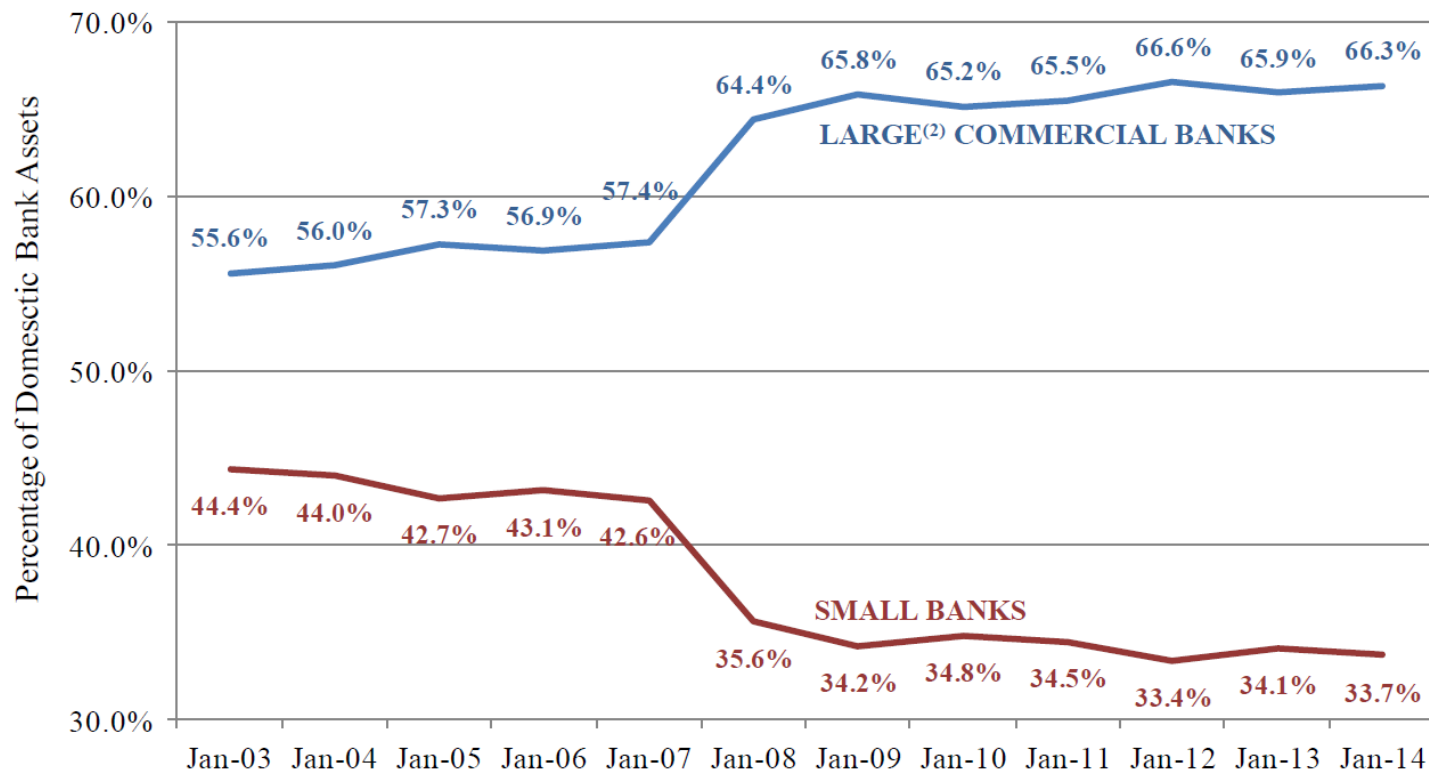


Source: S&P LCD and On The Left Publication.
Represents over 3,554 loans (including 913 middle market loans) from 1995 –2010.

Small Bank⁽¹⁾ Share of U.S. Bank Assets Has Decreased

Small and regional banks, traditionally the primary lenders to middle market companies, have lost a significant share of U.S. banking assets since 2006

Share of Total U.S. Domestic Bank Assets



(1) Small domestically chartered commercial banks are defined as all domestically chartered commercial banks not included in the top 25

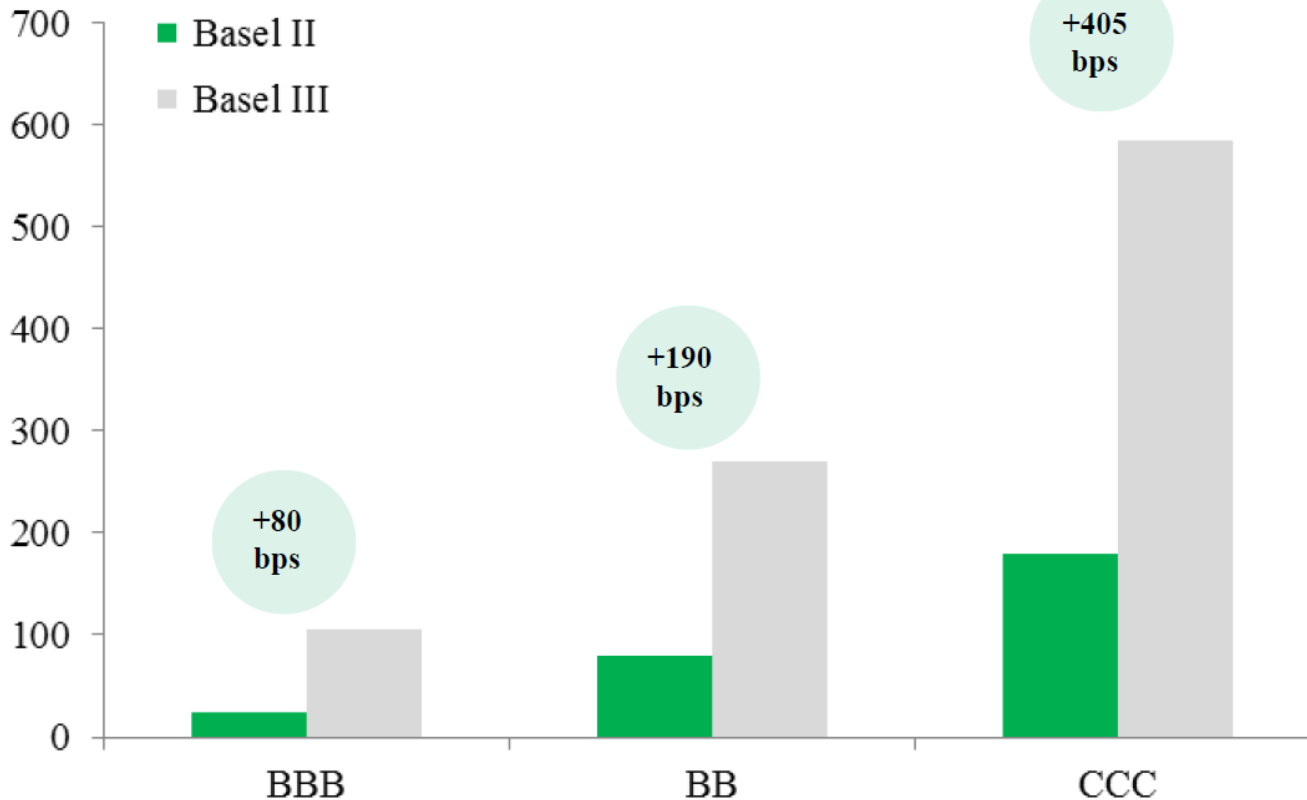
(2) Large domestically chartered commercial banks are defined as the top 25 domestically chartered commercial banks, ranked by domestic assets

Basel III Will Increase Capital Requirements for Commercial Banks

International regulatory standards for reserving against loans will make middle market lending more costly for banks

Estimated Increase in Lending Cost by Credit Rating

(bps of capital change)



Source: Rocaton Investment Advisors; Oliver Wyman, January 2013

Potential Manager Candidates

| | Audax | Kayne Anderson | MC Credit |
|--|--|---|---|
| Firm Inception Date | 1999 | 1984 | 2013 |
| Strategy Inception | 2007 | 2011 | 2008 |
| Strategy AUM | \$1.9 billion | \$1.4 billion | \$650 million |
| Team Headquarters | New York | Chicago | New York |
| Final Close Estimate Date | N/A. Propose a separately managed account | Third quarter of 2014 | September 30, 2014 |
| Final Close Target Size | \$50 million minimum for separately managed account | seeking \$500 million commitments | \$1 billion |
| Asset Allocation | Customized across various dimensions (the allocation to first or second lien loans, the use of portfolio leverage, the liquidity profile of the underlying loans, and the vehicle structure) | 100% senior secured | First lien senior secured |
| Sponsored or Not? | 100% sponsored | 70% sponsored + 30% non-sponsored | Direct corporate loans; non-sponsored |
| Club Deal vs. Origination | 100% club deal participations | Originate majority of deals. Also participate in club transactions but will seek to hold a lead agent role in the majority of its investments | 100% origination |
| Equity Participation | No | No | Maybe (case by case) |
| Borrower Size (EBITDA) | \$10–\$75 million | \$10–\$50 million | \$15–\$75 million |
| Expected # of Positions | 35–45 loans | 20–30 transactions | 25–30 loans |
| Fund-Level Leverage | Customizable (zero to 2.25x) | Yes, but no greater than 1:1 leverage on a deal by deal basis | No |
| Transaction Size | \$50–\$300 million | range from \$25–\$100 million | \$40–\$250 million |
| Investment Size Per Transaction | \$0.5–\$2 million for each transaction for a \$50 million account | \$10–\$40 million | between \$25–\$75 million |
| Unlevered Gross Return Target and Its Break Down | 5.5%–6.5% | 9%–10% | 12.5%–15% |
| Expected Gross and Net Return After Leverage | 11%–14% gross levered return with 2.0x leverage and 8%–11% net levered return | 12%–14% gross return after leverage and 10%–12% net return | Target net return 8.5%–11% |
| Fees | 90 bps based on AUM (including levered assets) No performance fee | 1% of aggregate cost (including cost funded by leverage) plus 10% with 6% hurdle (deal closing fee: 80% to the fund, 20% to the GP) | 1.5% (on capital commitments during investment period and AUM thereafter) plus a 20% performance fee after an 8% preferred return |
| Fund Life | Open-ended or closed-ended (based on client preference) | Two-year investment period plus four-years harvest, subject to two one-year extensions | Four-year investment period and four-year harvest period |

Potential Manager Candidates – continued


| | NXT | White Oak | TCW/Regiment |
|--|---|--|--|
| Firm Inception Date | 2010 | 2005 | 2000 |
| Strategy Inception | 2010 | 2007 | 2000 |
| Strategy AUM | \$4.3 billion | \$1.3 billion | \$3.86 billion |
| Team Headquarters | Chicago | San Francisco | Boston |
| Final Close Estimate Date | Target July/August 2014 | N/A. Propose a separately managed account | N/A |
| Final Close Target Size | Equity: \$200 million, hard cap at \$250 million; Total Fund Size: \$500 million+, hard cap at \$650 million | N/A | \$1,683 million was raised for Fund V |
| Asset Allocation | 75% first lien senior debt; 20% first lien stretch senior/uni-tranche; and 5% second lien | 100% senior secured | 100% senior secured investments: 42% first lien; 31% bifurcated first lien; and 27% first lien-last out |
| Sponsored or Not? | 80% sponsored plus 20% non-sponsored | 20% sponsored plus 80% non-sponsored | 77% sponsored plus 23% non-sponsored |
| Club Deal vs. Origination | 85% directly originated (45% lead lender/co-lead/sole lender; 40% titled agent/club) plus 15% participant/co-lender | 100% deals are directly originated; sole lender for about 80% of portfolio investments | In Fund V, was the sole lender in 36% of the deals. The remainders are club transactions |
| Equity Participation | No | Warrants may be occasionally structured | No |
| Borrower Size (EBITDA) | \$5–\$75 million | Enterprise values between \$50 million–\$1 billion | Typical borrower EBITDA is between \$50–\$60 million; the Fund will invest in companies with a minimum of \$15 million in EBITDA and higher. |
| Expected # of Positions | 50–70 positions | 30–35 positions | 35 investments to date. Expect to be 40 investments in total |
| Fund-Level Leverage | Yes, expected to be levered 2:1 | No leverage | Yes, up to 1:1 |
| Transaction Size | \$20–\$150 million | \$10–\$70 million | \$15–\$300 million |
| Investment Size Per Transaction | \$3–\$20 million | 3%–7% positions | \$15–\$165 million |
| Unlevered Gross Return Target and Its Break Down | target 5.5%–6.5% unlevered gross return | target 13%–15% unlevered gross return | The Fund V range of gross IRRs per deal: 12.5%–22.0% |
| Expected Gross and Net Return After Leverage | 11.5%–13.5% expected gross return after leverage and 9.5%–11.5% net return | 10%–12% net return | Targeting a net IRR of 10.0%–12.0% |
| Fees | 0.75% on the aggregate outstanding balance of loans | 1.25% on invested capital plus 15% performance fee with a 7% hurdle | 1.50% on committed capital during three-year investment period, 0.75% on outstanding capital during three-year wind-down period. 20% incentive fee with 9% hurdle rate |
| Fund Life | Two-year investment period plus three-year harvest period, with-certain optional extensions | Approximately seven years for future fund | Three-year investment period plus a three-year wind-down period, with two one-year optional extensions |

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 6, 2014

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 March 31, 2014

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 March 31, 2014 totaled \$3,151,298,167.

Statement of Changes in Fiduciary Net Position

Net position restricted for pensions increased by approximately \$104.9 million in comparison to the net position for December 2013 of \$3.05 billion. The increase is due to the receipt of the second half of the county prepayment in January 2014 in the amount of \$76 million and to the market appreciation of assets during the quarter.

The following reports are attached to this agenda item:

| Table of Contents | Page |
|---|------|
| Statement of Fiduciary Net Position (Year to Year YTD Comparative) | 2 |
| Statement of Changes in Fiduciary Net Position (Year to Year YTD Comparative) | 3 |
| Cash Flow Statements | 4-5 |
| Statement of Fiduciary Net Position (YTD Quarterly Comparative) | 6 |
| Statement of Changes in Fiduciary Net Position (YTD Quarterly Comparative) | 7 |

6/3/2014

**San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Position - YTD Comparative
March 2014
PRELIMINARY**

| | March 2014 | March 2013 |
|---|----------------------|----------------------|
| ASSETS | | |
| CASH AND CASH EQUIVALENTS | 68,721,662 | 49,666,214 |
| CASH MANAGEMENT OVERLAY | 19,457,374 | 0 |
| SECURITIES LENDING CASH COLLATERAL | 234,108,584 | 141,501,006 |
| TOTAL CASH | 322,287,621 | 191,167,219 |
| RECEIVABLES | | |
| Contributions | 0 | 0 |
| Due from Broker for Investments Sold | 161,889,024 | 140,225,653 |
| Investment Income | 5,616,062 | 4,411,344 |
| Securities Lending Income | 44,862 | 35,437 |
| Other Receivable | 112,993 | 113,627 |
| TOTAL ACCOUNTS RECEIVABLES | 167,662,941 | 144,786,060 |
| PREPAID EXPENSE | 7,669 | 7,669 |
| INVESTMENTS AT FAIR VALUE | | |
| Domestic Fixed Income Securities | 465,817,847 | 438,748,447 |
| International Fixed Income Securities | 109,540,209 | 112,673,321 |
| Domestic Equities | 1,202,484,459 | 1,120,440,476 |
| International Equities | 621,030,295 | 507,237,696 |
| Real Estate | 175,269,752 | 158,833,035 |
| Private Equities | 110,194,315 | 59,352,269 |
| Risk Parity | 183,143,763 | 175,129,772 |
| Hedge Funds | 116,837,997 | 71,725,783 |
| Commodities | 87,922,223 | 74,105,579 |
| Held for Securities Lending | 0 | 0 |
| Other Investment | 0 | 0 |
| | 3,072,240,861 | 2,718,246,378 |
| FIXED ASSETS | 0 | 0 |
| LESS ACCUMULATED DEPRECIATION | 0 | 0 |
| | 0 | 0 |
| TOTAL ASSETS | 3,562,199,091 | 3,054,207,327 |
| LIABILITIES | | |
| Investment Management Fees | 2,987,326 | 2,491,004 |
| Due to Broker for Investments Purchased | 172,926,674 | 146,490,054 |
| Collateral Payable for Securities Lending | 234,108,584 | 141,501,006 |
| Other | 878,340 | 643,127 |
| TOTAL LIABILITIES | 410,900,924 | 291,125,191 |
| NET POSITION RESTRICTED FOR PENSIONS | 3,151,298,167 | 2,763,082,136 |

6/3/2014

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Position - YTD Comparative
March 2014
Preliminary

| | March 2014 | March 2013 | |
|--|--------------------|--------------------|--------------------|
| ADDITIONS | | | |
| CONTRIBUTIONS | | | |
| Employer Contribution | 150,045,909 | 144,625,182 | 5,420,727 |
| Employee Contribution | 32,741,386 | 42,354,416 | (9,613,030) |
| TOTAL CONTRIBUTIONS | <u>182,787,296</u> | <u>186,979,598</u> | <u>(4,192,302)</u> |
| INVESTMENT INCOME | | | |
| Interest and Dividends | 31,208,400 | 41,419,237 | (10,210,837) |
| Net Appreciation (Depreciation) in fair value of investments | 350,948,490 | 307,880,204 | 43,068,286 |
| Less Investment Expense | (17,288,995) | (15,806,318) | (1,482,677) |
| Less Asset Management Expense | 0 | 0 | 0 |
| NET INVESTMENT INCOME | <u>364,867,894</u> | <u>333,493,122</u> | <u>31,374,772</u> |
| SECURITIES LENDING INCOME | | | |
| Earnings | 192,449 | 334,309 | (141,860) |
| Less: Securities Lending Expenses | 108,668 | 135,829 | (27,160) |
| NET SECURITIES LENDING INCOME | <u>301,118</u> | <u>470,138</u> | <u>(169,020)</u> |
| OTHER ADDITIONS | <u>147,994</u> | <u>165,998</u> | <u>(18,004)</u> |
| TOTAL ADDITIONS | <u>548,104,302</u> | <u>521,108,856</u> | <u>26,995,446</u> |
| DEDUCTIONS | | | |
| ASSOCIATION BENEFITS | | | |
| Service Retirement Allowance | 103,131,476 | 97,328,212 | 5,803,264 |
| Disability Retirement Allowance | 14,427,864 | 12,351,401 | 2,076,463 |
| Survivor, Death and Other Benefits | 678,916 | 747,643 | (68,726) |
| TOTAL ASSOCIATION BENEFITS | <u>118,238,257</u> | <u>110,427,256</u> | <u>7,811,001</u> |
| REFUND OF MEMBER CONTRIBUTIONS | <u>2,321,578</u> | <u>4,508,087</u> | <u>(2,186,510)</u> |
| ADMINISTRATIVE EXPENSE | <u>3,966,458</u> | <u>3,328,287</u> | <u>638,171</u> |
| OTHER EXPENSE | <u>105,175</u> | <u>66,744</u> | <u>38,431</u> |
| TOTAL DEDUCTIONS | <u>124,631,467</u> | <u>118,330,374</u> | <u>6,301,093</u> |
| NET INCREASE | <u>423,472,835</u> | <u>402,778,482</u> | <u>20,694,353</u> |
| Net Position Restricted for Pensions | | | |
| Beginning of Period | 2,727,825,332 | 2,360,303,654 | |
| End of Period | 3,151,298,167 | 2,763,082,136 | |

6/3/2014

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET POSITION - TRAILING NINE MONTHS
 For the Month Ending March 31, 2014
 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 | 7,207,749 | 3,142,406 | 3,055,120 | (1,622,294) | 18,116,400 |
| Net Appreciation (Depreciation) in fair value of investments | 89,392,866 | (48,253,760) | 96,771,789 | 83,660,378 | 36,873,411 | 40,466,238 | 298,910,922 |
| 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) | (803,602) | (230,343) | (194,468) | (1,086,457) | (3,119,225) |
| 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) | 106,698,365 | 90,206,357 | 45,273,565 | 42,874,881 | 410,183,069 |
| 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 Reissue | 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 | 19,562 | 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 - BRONW 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 | 238,898 |
| 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 | 458,461 |
| 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 | 75,021 | 225,037 |
| INVESTMENT MANAGEMENT FEE - ABRY ADVANCED | | | | | | | |
| | 108,477 | 0 | (21,607) | 81,343 | 0 | 71,970 | 240,183 |
| INVESTMENT MANAGEMENT FEE - ABRY PARTNERS | | | | | | | |
| | 0 | 0 | 73,941 | 0 | 0 | 81,217 | 155,158 |
| 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 | 50,000 | 89,020 |
| 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 | 43,632 | 145,863 |
| INVESTMENT MANAGEMENT FEE - THIRD ROCK VENTURES | | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 | 1,684,893 | 7,757,003 |
| ADMIN EXPENSE - SALARIES & BENEFITS | | | | | | | |
| | 217,918 | 257,422 | 270,513 | 263,379 | 400,997 | 283,840 | 1,694,070 |
| ADMIN EXPENSE - SERVICES & SUPPLIES | | | | | | | |
| | 142,768 | 118,115 | 114,993 | 190,201 | 104,590 | 297,402 | 968,069 |
| 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 | 16,763,418 | 91,625,287 |
| NET INCREASE | 151,880,475 | (56,250,108) | 91,195,637 | 75,096,429 | 30,523,886 | 26,111,463 | 318,557,783 |

6/3/2014

San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET POSITION - TRAILING NINE MONTH
For the Month Ending March 31, 2014
PRELIMINARY

| | December YTD 2013 | January 2014 | February 2014 | March 2014 | YTD |
|--|--------------------|-------------------|--------------------|-------------------|--------------------|
| ADDITIONS | | | | | |
| CONTRIBUTIONS | | | | | |
| Employee Contribution | 22,145,845 | 3,577,624 | 3,507,106 | 3,510,812 | 32,741,386 |
| Employer Contributions - Regular | 46,134,402 | 7,768,578 | 7,679,453 | 7,612,631 | 69,195,063 |
| Employer Contributions - COLA | 25,814,753 | 4,294,564 | 4,231,862 | 4,179,811 | 38,520,991 |
| Employer Prefunded Contribution | 1,992,010 | 63,970,616 | (11,877,466) | (11,755,304) | 42,329,856 |
| TOTAL CONTRIBUTIONS | 96,087,010 | 79,611,382 | 3,540,954 | 3,547,950 | 182,787,296 |
| INVESTMENT INCOME | | | | | |
| Interest and Dividends | 18,116,040 | 1,663,483 | 5,525,114 | 5,903,762 | 31,208,400 |
| Net Appreciation (Depreciation) in fair value of investments | 298,910,922 | (66,479,181) | 101,638,451 | 17,026,292 | 351,096,484 |
| Securities Lending Income | 118,476 | 18,827 | 22,259 | 32,888 | 192,449 |
| Other Additions | 0 | 0 | 0 | 0 | 0 |
| Other Investment Related Expense | (3,119,225) | (18,268) | (447,863) | (1,232,128) | (4,817,484) |
| Securities Lending Expense | 69,846 | 12,079 | 12,494 | 14,249 | 108,668 |
| TOTAL ADDITIONS | 410,183,069 | 14,808,323 | 110,291,409 | 25,293,013 | 560,575,813 |
| DEDUCTIONS | | | | | |
| ASSOCIATION BENEFITS | | | | | |
| Retiree Annuity | 18,280,840 | 3,106,632 | 3,107,738 | 3,111,286 | 27,606,496 |
| Retiree Pension | 42,442,216 | 7,182,621 | 7,212,922 | 7,349,099 | 64,186,858 |
| Retiree COLA | 17,581,684 | 2,902,836 | 2,887,761 | 2,883,010 | 26,255,290 |
| Retiree Death and Modified Work Benefit | 17,315 | 2,886 | 2,886 | 2,357 | 25,444 |
| Active Member Death Benefit | 0 | 0 | 0 | 0 | 0 |
| VOIDS AND REISSUE | 0 | 0 | 0 | 30 | 30 |
| TOTAL ASSOCIATION BENEFITS | 78,322,054 | 13,194,975 | 13,211,306 | 13,345,782 | 118,074,117 |
| REFUND OF MEMBER CONTRIBUTIONS | 1,446,507 | 627,210 | 197,379 | 214,622 | 2,485,717 |
| ACTUARIAL FEES | 65,631 | 5,000 | (2,500) | 1,250 | 69,381 |
| CONSULTANT FEES - INVESTMENT (SIS) | 200,000 | 33,333 | 33,333 | 33,333 | 300,000 |
| CUSTODIAN FEES - STATE STREET | 91,445 | 14,347 | 10,072 | 14,127 | 129,991 |
| CASH OVERLAY MANAGEMENT FEE - CLIFTON GROUP | 34,663 | 7,750 | 7,750 | 9,478 | 59,641 |
| OTHER PROFESSIONAL FEES | 16,500 | 7,500 | 0 | 0 | 24,000 |
| INVESTMENT MANAGEMENT FEE - R1000 INDEX | 65,889 | 9,595 | 10,053 | 9,477 | 95,015 |
| INVESTMENT MANAGEMENT FEE - PYRAMIS | 117,184 | 19,752 | 21,538 | 19,460 | 177,934 |
| INVESTMENT MANAGEMENT FEE - ANGELO GORDON STAR | 328,680 | 0 | 0 | 126,585 | 455,265 |
| INVESTMENT MANAGEMENT FEE - BROWN BROTHERS | 58,236 | 9,714 | 9,764 | 9,703 | 87,417 |
| INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL | 236,898 | 40,009 | 41,722 | 40,450 | 359,080 |
| INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON | 232,215 | 38,812 | 39,406 | 39,534 | 349,966 |
| INVESTMENT MANAGEMENT FEE - CHARTWELL | 429,408 | 74,259 | 80,322 | 76,562 | 660,551 |
| INVESTMENT MANAGEMENT FEE - D E SHAW | 372,612 | 61,069 | 59,606 | 57,878 | 551,165 |
| INVESTMENT MANAGEMENT FEE - T ROWE PRICE | 0 | 0 | 0 | 0 | 0 |
| INVESTMENT MANAGEMENT FEE - BLACKROCK | 0 | 5,850 | 6,211 | 8,560 | 20,621 |
| INVESTMENT MANAGEMENT FEE - BARROW HANLEY | 358,625 | 52,552 | 54,973 | 54,292 | 520,441 |
| INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY | 458,461 | 78,965 | 83,534 | 82,175 | 703,135 |
| INVESTMENT MANAGEMENT FEE - BROWN ADVISORY | 340,684 | 50,956 | 53,063 | 51,569 | 496,272 |
| INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES | 0 | 0 | 0 | 0 | 0 |
| INVESTMENT MANAGEMENT FEE - MONDRIAN | 299,976 | (15,523) | 43,614 | 30,475 | 358,542 |
| INVESTMENT MANAGEMENT FEE - ARTIO | 0 | 0 | 0 | 0 | 0 |
| INVESTMENT MANAGEMENT FEE - PYRAMIS SELECT INTL | 269,803 | 45,534 | 48,743 | 47,291 | 411,371 |
| INVESTMENT MANAGEMENT FEE - EATON VANCE | 337,443 | 49,274 | 51,564 | 51,913 | 490,195 |
| INVESTMENT MANAGEMENT FEE - BAILLIE GIFFORD | 445,940 | 67,917 | 73,215 | 70,886 | 657,958 |
| INVESTMENT MANAGEMENT FEE - WESTERN ASSET | 155,271 | 27,498 | 27,692 | 27,628 | 238,089 |
| INVESTMENT MANAGEMENT FEE - INVESCO CORE | 334,182 | 58,639 | 55,085 | 65,480 | 513,385 |
| INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS | 225,037 | 0 | 0 | 0 | 225,037 |
| INVESTMENT MANAGEMENT FEE - ABRY ADVANCED | 240,183 | 0 | 0 | 88,117 | 328,300 |
| INVESTMENT MANAGEMENT FEE - ABRY PARTNERS | 155,558 | 0 | 0 | 32,984 | 188,142 |
| INVESTMENT MANAGEMENT FEE - REGIMENT CAPITAL | 139,896 | 0 | 0 | 75,000 | 214,896 |
| INVESTMENT MANAGEMENT FEE - GENERAL CATALYST | 119,780 | 0 | 0 | 0 | 119,780 |
| INVESTMENT MANAGEMENT FEE - EMERGENCE CAPITAL | 89,020 | 0 | 0 | 0 | 89,020 |
| INVESTMENT MANAGEMENT FEE - NEW ENTERPRISE | 58,514 | 0 | 0 | 26,884 | 85,398 |
| INVESTMENT MANAGEMENT FEE - SYCAMORE PARTNERS | 141,083 | 187,500 | 0 | 0 | 328,583 |
| INVESTMENT MANAGEMENT FEE - SYCAMORE SIDECAR | 0 | 6,817 | 0 | 0 | 6,817 |
| INVESTMENT MANAGEMENT FEE - ENCAP | 75,000 | 0 | 0 | 37,500 | 112,500 |
| INVESTMENT MANAGEMENT FEE - CEVIAN CAPITAL | 206,841 | (206,841) | 0 | 0 | 0 |
| INVESTMENT MANAGEMENT FEE - WARBURG PINCUS | 145,863 | 0 | 0 | 111,998 | 257,861 |
| INVESTMENT MANAGEMENT FEE - THIRD ROCK VENTURES | 0 | 0 | 0 | 0 | 0 |
| INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY | 328,831 | 57,807 | 57,926 | 49,412 | 493,975 |
| INVESTMENT MANAGEMENT FEE - AQR DELTA FUND | 392,957 | 69,191 | 56,974 | 88,623 | 607,745 |
| INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE | 189,092 | 53,048 | 52,287 | 43,216 | 337,643 |
| TOTAL PROFESSIONAL FEE | 7,757,003 | 910,325 | 975,945 | 1,481,839 | 11,125,112 |
| ADMIN EXPENSE - SALARIES & BENEFITS | 1,694,070 | 272,055 | 284,561 | 275,946 | 2,526,632 |
| ADMIN EXPENSE - SERVICES & SUPPLIES | 968,069 | 180,479 | 124,363 | 166,914 | 1,439,826 |
| TOTAL ADMINISTRATIVE EXPENSES | 2,662,139 | 452,534 | 408,925 | 442,860 | 3,966,458 |
| INTEREST FOR PREPAID CONTRIBUTION | 1,346,400 | 0 | 0 | 0 | 1,346,400 |
| OTHER DEDUCTIONS | 91,185 | (9,182) | 12,011 | 11,162 | 105,175 |
| TOTAL DEDUCTIONS | 91,625,287 | 15,175,862 | 14,805,565 | 15,496,265 | 137,102,979 |
| NET INCREASE | 318,557,783 | (367,539) | 95,485,843 | 9,796,748 | 423,472,835 |

6/3/2014

**San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Position - Quarterly Comparative
For the Quarter Ending March 31, 2014**

| | March 2014 | December 2013 | Increase/(Decrease) | % of Incr/Decr |
|---|----------------------|----------------------|---------------------|----------------|
| ASSETS | | | | |
| CASH AND CASH EQUIVALENTS | 68,721,662 | 51,297,206 | 17,424,456 | 33.97% |
| CASH MANAGEMENT OVERLAY | 19,457,374 | 14,377,888 | 5,079,486 | 35.33% |
| SECURITIES LENDING CASH COLLATERAL | 234,108,584 | 145,631,450 | 88,477,134 | 60.75% |
| TOTAL CASH | 322,287,621 | 211,306,544 | 110,981,076 | 52.52% |
| RECEIVABLES | | | | |
| Contributions | 0 | 0 | 0 | N/A |
| Due from Broker for Investments Sold | 161,889,024 | 132,024,343 | 29,864,681 | 22.62% |
| Investment Income | 5,616,062 | 5,460,684 | 155,378 | 2.85% |
| Securities Lending Income | 44,862 | 42,848 | 2,014 | 4.70% |
| Other Receivable | 112,993 | 194,529 | (81,536) | -41.91% |
| TOTAL ACCOUNTS RECEIVABLES | 167,662,941 | 137,722,404 | 29,940,537 | 21.74% |
| PREPAID EXPENSE | 7,669 | 7,669 | 0 | 0.00% |
| INVESTMENTS AT FAIR VALUE | | | | |
| Domestic Fixed Income Securities | 465,817,847 | 437,427,876 | 28,389,972 | 6.49% |
| International Fixed Income Securities | 109,540,209 | 109,852,954 | (312,745) | -0.28% |
| Domestic Equities | 1,202,484,459 | 1,185,067,360 | 17,417,099 | 1.47% |
| International Equities | 621,030,295 | 600,461,281 | 20,569,014 | 3.43% |
| Real Estate | 175,269,752 | 175,269,752 | 0 | 0.00% |
| Private Equity | 110,194,315 | 104,067,826 | 6,126,489 | 5.89% |
| Risk Parity | 183,143,763 | 173,421,324 | 9,722,439 | 5.61% |
| Hedge Funds | 116,837,997 | 117,794,861 | (956,864) | -0.81% |
| Commodities | 87,922,223 | 85,379,583 | 2,542,640 | 2.98% |
| Held for Securities Lending | 0 | 0 | 0 | N/A |
| Other Investment | 0 | 0 | 0 | N/A |
| | 3,072,240,861 | 2,988,742,816 | 83,498,044 | 2.79% |
| FIXED ASSETS | 0 | 0 | 0 | N/A |
| LESS ACCUMULATED DEPRECIATION | 0 | 0 | 0 | N/A |
| | 0 | 0 | 0 | 0.00% |
| TOTAL ASSETS | 3,562,199,091 | 3,337,779,434 | 224,419,657 | 6.72% |
| LIABILITIES | | | | |
| Investment Management Fees | 2,987,326 | 2,846,182 | 141,144 | 4.96% |
| Due to Broker for Investments Purchased | 172,926,674 | 142,206,154 | 30,720,520 | 21.60% |
| Collateral Payable for Securities Lending | 234,108,584 | 145,631,450 | 88,477,134 | 60.75% |
| Other | 878,340 | 712,533 | 165,807 | 23.27% |
| TOTAL LIABILITIES | 410,900,924 | 291,396,319 | 119,504,605 | 41.01% |
| NET POSITION RESTRICTED FOR PENSIONS | 3,151,298,167 | 3,046,383,115 | 104,915,052 | 3.44% |

6/3/2014

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Position - Quarterly Comparative
For the Quarter Ending March 31, 2014

| | March 2014 | December 2013 | Increase/Decrease |
|---|--------------------|--------------------|--------------------|
| ADDITIONS | | | |
| CONTRIBUTIONS | | | |
| Employer Contribution | 150,045,909 | 73,941,165 | 76,104,744 |
| Employee Contribution | 32,741,386 | 22,145,845 | 10,595,542 |
| TOTAL CONTRIBUTIONS | <u>182,787,296</u> | <u>96,087,010</u> | <u>86,700,286</u> |
| INVESTMENT INCOME | | | |
| Interest and Dividends | 31,208,400 | 18,116,040 | 13,092,360 |
| Net Appreciation (Depreciation) in fair value of investments | 350,948,490 | 298,763,559 | 52,184,931 |
| Less Investment Expense | (17,288,995) | (12,222,627) | (5,066,368) |
| Less Asset Management Expense | 0 | 0 | 0 |
| NET INVESTMENT INCOME | <u>364,867,894</u> | <u>304,656,972</u> | <u>60,210,922</u> |
| SECURITIES LENDING INCOME | | | |
| Earnings | 192,449 | 118,476 | 73,974 |
| Less: Securities Lending Expenses | 108,668 | 69,846 | 38,822 |
| NET SECURITIES LENDING INCOME | <u>301,118</u> | <u>188,322</u> | <u>112,796</u> |
| | | | |
| OTHER ADDITIONS | 147,994 | 147,363 | 631 |
| TOTAL ADDITIONS | <u>548,104,302</u> | <u>401,079,667</u> | <u>147,024,635</u> |
| | | | |
| DEDUCTIONS | | | |
| ASSOCIATION BENEFITS | | | |
| Service Retirement Allowance | 103,131,476 | 68,531,188 | 34,600,287 |
| Disability Retirement Allowance | 14,427,864 | 9,446,667 | 4,981,198 |
| Survivor, Death and Other Benefits | 678,916 | 344,199 | 334,718 |
| TOTAL ASSOCIATION BENEFITS | <u>118,238,257</u> | <u>78,322,054</u> | <u>39,916,202</u> |
| REFUND OF MEMBER CONTRIBUTIONS | 2,321,578 | 1,446,507 | 875,071 |
| ADMINISTRATIVE EXPENSE | 3,966,458 | 2,662,139 | 1,304,319 |
| OTHER EXPENSE | 105,175 | 91,185 | 13,991 |
| TOTAL DEDUCTIONS | <u>124,631,467</u> | <u>82,521,884</u> | <u>42,109,583</u> |
| NET INCREASE | 423,472,835 | 318,557,783 | 104,915,052 |
| | | | |
| Net Position Restricted for Pensions | | | |
| Beginning of Period | 3,046,383,115 | 2,727,825,332 | |
| End of Period | 3,151,298,167 | 3,046,383,115 | |

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 7.2

TO: Board of Retirement

FROM: Scott Hood, Assistant Executive Officer

A handwritten signature in blue ink, appearing to read "Scott Hood", is positioned above the "FROM:" line. A horizontal line is drawn across the page, passing through the signature.

SUBJECT: Update on Progress of SamCERA's Technology Modernization Project

Discussion

SamCERA's Project Manager, Will Morrow from LRWL, Inc. and Tariq Ali will provide an update of SamCERA's Technology Modernization project per the attached slides.



Moving Retirement Systems Forward

SamCERA PASS Project Status

June 3, 2014

PASS Project Initiation

Launch

- Project kickoff – May 5
- Establish project team space
- Develop planning documents

Requirements Confirmation

- 36 sessions through mid-July to validate and schedule PASS requirements

Conference Room Pilot

IT Infrastructure

- Test and training environments
- SharePoint project portal

Preliminary PASS Project Schedule

| ID | Task Name | Start | Finish | Duration | 2014 | | | 2015 | | | | 2016 | | | | |
|----|-------------------------------------|------------|------------|----------|--------------------------------|----|----|------|----|----|----|------|----|----|----|--|
| | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| 1 | Phase 1: Initiate Project | 4/28/2014 | 8/15/2014 | 16w | [Gantt bar: Q2 2014] | | | | | | | | | | | |
| 2 | Phase 2: Develop PASS Solution | 5/5/2014 | 2/19/2016 | 94w | [Gantt bar: Q2 2014 - Q3 2015] | | | | | | | | | | | |
| 3 | ECM & Workflow | 6/30/2014 | 12/12/2014 | 24w | [Gantt bar: Q3 2014] | | | | | | | | | | | |
| 4 | Enrollment & Employer Reporting | 6/30/2014 | 9/4/2015 | 62w | [Gantt bar: Q3 2014 - Q1 2015] | | | | | | | | | | | |
| 5 | Pension & Benefits | 3/2/2015 | 4/15/2016 | 59w | [Gantt bar: Q1 2015 - Q2 2016] | | | | | | | | | | | |
| 6 | Documents, Reports, Data Conversion | 6/30/2014 | 4/15/2016 | 94w | [Gantt bar: Q3 2014 - Q1 2016] | | | | | | | | | | | |
| 7 | Phase 3: Implement PASS Solution | 12/14/2015 | 12/30/2016 | 55w | [Gantt bar: Q4 2015 - Q4 2016] | | | | | | | | | | | |

Future Updates

- Dashboard Style
 - Schedule, Budget, Scope, Overall
- Major Deliverables
- Status by Phase, Segment, and Sprint
- Project Risks and Issues
- LRWL Recommendations

Questions



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 7.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval of Resolution Revising the Board's Education Policy

Staff Recommendation

Approve a resolution amending the list of approved providers in the Board's Education Policy.

Summary

As requested at the last Board meeting, staff is bringing back the Education Policy with changes to the list of approved providers. Board member attendance at the educational events of approved providers does not need additional Board approval. Also, attendance at such events qualifies for educational credit to satisfy the requirements of the 1937 Act and Board policy.

Below is the list of approved providers from Section B of the policy, showing changes:

State Association of County Retirement Systems (SACRS)
California Association of Public Retirement Systems (CALAPRS)
Government Finance Officers Association (GFOA)
~~Institute for Fiduciary Education (IFE)~~
International Foundation of Employee Benefit Plans (IFEBP)
California Retired County Employees' Association
~~Pacific Pension Institute (PPI)~~
Pension Real Estate Association (PREA)
Wharton investment management programs
CFA Institute
Institute for International Research
~~Public Pension Fund Forum~~
~~Investors Press~~
~~Investment Risk Institute~~
Institutional Investor Institute
Information Management Network,
Opal Financial Group
~~Frank Russell Company~~
Pension Bridge
National Conference of Public Employees Retirement Systems
[Public Funds Forum – The Future of Corporate Reform](#)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Institute for Fiduciary Education is recommended for deletion. A search of its website showed no conferences currently scheduled. Through 2010 the Institute presented an annual award to pension leaders, but no award has been presented since that year. Other information indicates the provider may be inactive. Staff believes that if the Institute offers a future conference, attendance should be approved on a per-event basis.

Pacific Pension Institute is recommended for deletion. It focuses only on investments in the Pacific Rim. No staff or Board member has attended for more than a decade. Some of its conferences are overseas and attendance should be approved specifically by the Board.

Public Pension Fund Forum, Investors Press and Investment Risk Institute are all recommended for deletion. None can be found through a Google search so staff cannot verify what organization sponsors them or if they continue to be offered.

Frank Russell Company is recommended for deletion. While the company likely provides some valuable investor educational events, it also is in the business of selling investment products. As such, staff believes attendance at educational events from this company should be approved on a per-event basis.

Public Funds Forum – The Future of Corporate Reform is added at the request of trustees who have attended the conference and found it beneficial.

BOARD EDUCATION POLICY

SECTION 1. BOARD MEMBER EDUCATION IS REQUIRED

- A. **Fiduciary Duty.** Consistent with the Board's fiduciary responsibility to discharge their duties with respect to the system with care, skill, prudence, and diligence, the Board acknowledges the vital importance of making informed judgments on all matters which come before it and has determined that educational activities help provide the Board with knowledge and skills to make such informed decisions.

- B. **Minimum Required Hours of Training.** Each Board member shall receive a minimum of 24 hours of Board member education in the topics listed in Section 3 (A) within the first two years of assuming office and for every subsequent two-year period the Board member continues to hold membership, in accordance with Government Code §31522.8.

- C. **Posting of Policy and Board Member Compliance.** Staff shall maintain a record of Board member compliance with this policy and this policy and an annual report on Board member compliance will be posted on the Board's website which shall reflect the education completed for the prior fiscal year or calendar, depending upon when the Board member's term commences, in accordance with Government Code §31522.8.

- D. **Timely Report by Board Member of Educational Participation.** At the next regularly scheduled meeting of the Board following the Board member's participation in an educational activity, the Board member shall provide the Board with a summary oral report on the content of educational activities, including a recommendation regarding SamCERA's participation in future activities offered by the same sponsor.

SECTION 2 COST EFFECTIVE EDUCATION

- A. **Limit for Attendance at Overnight Out-Of-Bay Area Educational Events.** The Board desires that Board member education be obtained in a cost efficient manner and, as such, every Board member is authorized to attend up to eight (8) approved out-of-Bay Area educational events requiring overnight stays per fiscal year. Travel expenses incurred by a Board member for these eight approved events are subject to reimbursement by SamCERA in accordance with this policy. Any international travel by a Board member must be placed on the Board's regular agenda for the Board's pre-approval. Costs for attendance at educational events that are not consistent with this policy will not be subject to reimbursement without Board approval.

- B. **Education through Electronic Means.** The Board further encourages members to participate to the fullest extent possible in approved electronic delivery of educational opportunities.

- C. **Education Given By SamCERA Staff and Consultants.** Training provided by the Chief Executive Officer, Chief Investment Officer, Chief Legal Counsel, and other SamCERA staff, the Board's Medical Advisor, Actuary, Investment Consultant, Investment Managers shall satisfy the required education for the subject matters

presented at such training and the required educational hours for the length of the training.

D. Education from Publications. A Board member may count up to three hours towards his or her biannual education requirement by reading Pensions & Investments, the Public Retirement Journal, and/or the Wall Street Journal.

E. Education from On Site Visits. A Board member may count up to three hours towards his or her biannual education requirement by accompanying staff on an onsite visit to a potential or existing investment consultant, manager or other SamCERA provider. Visits outside of the Bay Area requiring an overnight stay will count as an approved trip in accordance with Section 2 (A).

SECTION 3. APPROVED EDUCATIONAL TOPIC AREAS AND PROGRAMS

A. Educational Topic Areas. In accordance with Government Code §31522.8, appropriate topics for Board member education, may include, but are not limited to, the following:

- (1) Fiduciary responsibilities
- (2) Ethics
- (3) Pension fund investments and investment program management
- (4) Actuarial matters
- (5) Pension funding
- (6) Benefits administration
- (7) Disability evaluation
- (8) Fair hearings
- (9) Pension fund governance
- (10) New board member orientation

B. Approved Educational Programs and Activities. A Board member's attendance at and/or viewing of recordings of one or more programs listed below shall satisfy the required education for the subject matters presented at such programs and the required educational hours for the length of the program.

- (1) State Association of County Retirement Systems (SACRS)
- (2) California Association of Public Retirement Systems (CALAPRS)
- (3) Government Finance Officers Association (GFOA)
- (4) International Foundation of Employee Benefit Plans (IFEBP)
- (5) California Retired County Employees' Association
- (6) Pension Real Estate Association (PREA)
- (7) Wharton investment management programs
- (8) CFA Institute
- (9) Institute for International Research
- (10) Institutional Investor Institute
- (11) Information Management Network,
- (12) Opal Financial Group
- (13) Pension Bridge
- (14) National Conference of Public Employees Retirement Systems
- (15) Public Funds Forum – The Future of Corporate Reform

C. **Recommended Education For New Trustees.** The recommended courses for new trustees to complete within their first three-year term are: (1) SACRS Fall or Spring Conference &/or CALAPRS General Assembly, (2) CALAPRS' Trustee Roundtables, (3) CALAPRS @ Stanford Principles of Pension Management, (4) SACRS Public Pensions Investment Management Program (5) IFEBP Certificates of Achievement in Public Plan Policy and (6) Wharton Pension Fund and Investment Management Program.

D. **Recommended Progression of Education.** It is recommended that Board members complete the programs listed in Section 3 (C) prior to participation in the following: Fiduciary Institute @ Stanford, IFEBP Public Funds Annual Conference, GFOA Annual Conference, Pension Real Estate Association Annual Conference and US-based programs of IFEBP & PPI.

SECTION 4. EDUCATIONAL EXPENSES FOR STAFF

The Chief Executive Officer is authorized to approve the participation and associated travel of the Chief Executive Officer and staff in educational activities to the extent that the Chief Executive Officer finds that such participation will contribute to the staff member's ability to perform her or his duties and the budget provides funds for such activities.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 13-14-___

**RESOLUTION ~~REVISING~~ AMENDING THE BOARD OF RETIREMENT'S
EDUCATION POLICY ~~AND RECINDING THE PRIOR POLICY~~**

WHEREAS, Government Code §31520 vests the management of *SamCERA* in the Board; and

WHEREAS, the Board acknowledges the vital importance of making informed judgments on all matters which come before it and has adopted a *Code of Fiduciary Conduct* and an *Educational Policy* to guide its actions; and

WHEREAS, Government Code §31522.8, requires that the Board's Education Policy set forth a minimum number of required hours of requisite training and that policy provides that all Board members receive a minimum of 24 hours of board member education within the first two years of assuming office and for every subsequent two-year period the Board member continues to hold membership on the Board; and

WHEREAS, consistent with its fiduciary duties, the Board wishes to encourage Board members and staff to receive education from the best quality providers; and

WHEREAS, the Board desires that its Education Policy be reviewed regularly so as to remain up to date; and

WHEREAS, ~~the~~ Board has reviewed the proposed amendments to the Education Policy updating the list of approved education providers and believes that such amendments are in the best interest of the Board and SamCERA;

Now, therefore, be it

RESOLVED, that the Board of Retirement hereby approves ~~the list of approved education providers shown below for inclusion in the attached amended~~ Board of Retirement Education Policy reflecting the changes to the list of approved education providers.

~~State Association of County Retirement Systems (SACRS)
California Association of Public Retirement Systems (CALAPRS)
Government Finance Officers Association (GFOA)
International Foundation of Employee Benefit Plans (IFEBP)
California Retired County Employees' Association
Pension Real Estate Association (PREA)
Wharton investment management programs
CFA Institute
Institute for International Research
Institutional Investor Institute
Information Management Network,
Opal Financial Group
Pension Bridge~~

~~National Conference of Public Employees Retirement Systems~~
~~Public Funds Forum—The Future of Corporate Reform~~

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 7.4

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval to Reschedule the July Meeting of the Board of Retirement

Staff Recommendation

Approve a change to the meeting date and time for the July meeting of the Board as follows:

- Cancel the meeting set for 1 p.m., July 22, 2014, and
- Reschedule the meeting to 10 a.m., July 29, 2014.

Background

At the April meeting the Board members present opined that it would be acceptable to hold the July meeting on the 29th. In line with the Board's desire to see the results from starting meetings at an earlier hour than the regular 1 p.m. start time, staff recommends a 10 a.m. start for the July meeting.

The Board of Retirement is authorized by Article 2, Section 2.4 of the Regulations of the Board of Retirement to change meeting times and dates.


“Regular Meetings: Regular meetings of the Board shall be held on the Fourth Tuesday of each month. Meetings shall begin at 1:00 p.m. Meetings shall be held in *SamCERA's* offices. The Board may cancel and or approve a change in the date, time and/or location of meetings within the County, if the proposed change is included on the agenda of a regular meeting.”

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

June 3, 2014

Agenda Item 7.5

TO: Board of Retirement
FROM: Scott Hood, Assistant Executive Officer
SUBJECT: Approval SamCERA's 2014-15 Strategic Plan Update



Staff Recommendation

Staff recommends the Board approve the attached update to the SamCERA Strategic Plan.

Background

The Strategic Plan is the product of staff's annual retreat and subsequent discussions. It represents the best thinking of staff regarding those tasks that staff should undertake during the 2014-15 fiscal year in order to fulfill the mission and goals of SamCERA.

There were no recommended changes to SamCERA's Mission and Goals:

Mission:

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

Goals:

- Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.
- 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.
- Constantly improve the effectiveness and efficiency of SamCERA's operations.

Again this year's document is an update to the Strategic Plan, rather than a full redraft. The update mainly concerns the Action Matrix, which is a list of the tasks to be undertaken.

Each of the tasks in the SamCERA Action Matrix is tied to the achievement of one of the above goals. Please see the Executive Summary in the attached Strategic Plan Update for a summary of the major tasks today associated with these goals. This year the matrix was amended to add a 'Lead' and an 'End State' column to help keep staff focused on the desired results of the identified tasks.



San Mateo County Employees' Retirement Association

Strategic Plan

2014-15 UPDATE

Executive Summary

This is an update of SamCERA's Strategic Plan, which covers the fiscal year 2014-15.

Some projects identified in this plan will extend beyond that time period. The update includes this summary and the Action Plan Matrix, which lists and describes the projects staff will pursue during the year. All the steps in the Strategic Planning process leading up to the writing of the report were conducted as usual this year. All staff held a retreat in April 2014 and discussed the strengths, weaknesses, opportunities and threats facing SamCERA. The result of these discussions is the Action Plan Matrix below.

This year's Action Plan Matrix also includes two new categories: (1) "Lead," which identifies the individual responsible for coordinating that particular action item, and (2) "End State," which describes the conditions which must be met before that action item can be considered "done."

Staff will provide a full review and rewrite the plan for the 2015-16 fiscal year.

During the 2014-15 fiscal year SamCERA will continue to pursue its three major goals, all of which are derived from and consistent with SamCERA's mission statement.

SamCERA Mission

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

Asset Management Goal

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.

Major projects under this goal include transitioning to a new custodial bank, revising the Investment Policy, building a risk dashboard to better understand the risks in SamCERA's portfolio, and ensuring that SamCERA properly implements new Government Accounting Standards Board (GASB) statements.

Customer Services Goal

Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.

Over the coming years, meeting this goal will involve providing input to the Enterprise Content Management (ECM) and Pension Administration Software System (PASS) vendors in order to assure that the new systems provide users and members with new tools that improve efficiency, accuracy and customer service.

Operations Goal

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

This will involve updates to some of SamCERA's core technologies, including the creation of a new SamCERA website with integrated Web Member Services. It will also include filing a new tax determination letter with the IRS, to ensure that the laws governing SamCERA are consistent with federal guidelines.

Each goal has a number of specific projects designed to help achieve it. The projects incorporate ideas generated during all staff retreats beginning in 2005. The 2014-15 plan

is SamCERA's ninth under the Government Finance Officers' Association (GFOA) Strategic Planning approach. There are now 32 projects for the staff to initiate and/or complete during the 2014-15 fiscal year. That said, the count of 32 tasks broadly understates the tasks ahead for the staff during the next few years as SamCERA continues with its Technology Modernization Project.

During the previous plan year, the staff completed 27 projects. Projects that were not completed but still relevant are continued on this current plan. In the previous 9 years, staff has completed a total of 178 projects, all over and above their regular duties.

2014-15 Action Plan Matrix

Ranking: A=Must be started and/or completed in FY. B=Should be completed in FY. C=Should be started in FY.

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|------|------------------|------|--|--|--------------------|--------|---|--|
| 14-1 | Ops. | B | SamCERA's Website is well appreciated by members, but could be improved. Website data is hard to update and design is out of date. Navigation could be improved. | <p>Create new website with Web Member Services integrated. Add site map to website (during website redesign). Use focus group to inform design? Work on technology and procedures to allow web updates from staff.</p> <p>Next Event: Select vendor to implement new website.</p> | IT/Comm./Legal | Tariq | Continue in FY 14-15. Colin Bishop and Darius Nagal met regarding design, look and feel. Proposal evaluation is underway. | New website is live and integrated with Web Member Services. |
| 14-2 | Ops./Cust. Serv. | B | Today, SamCERA retirees receive paper advices each month with the amount of their monthly payment and deductions. This is a costly method of supplying this information. | <p>Consider methods to convert to provision of monthly payment information via an electronic method. Will look at putting advice information on web member services. Plan is that after implementation:</p> <ul style="list-style-type: none"> • Current retirees will opt in; • New retirees will opt out; • Each retiree will receive a minimum of one paper advice per year at year end and whenever a change takes place <p>Next Event: Develop timeline, including communication plan, for implementation.</p> | Ben./Admin. | Gladys | <p>Continue in 14-15. LRS has been asked to create an on-screen pay advice that looks like a typical pay advice.</p> <p>Estimate from LRS received in August 2013. Make e-advice the default. Opt in for paper. Plan for notice in newsletter.</p> | Members can get their advices online. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|------|-------------|------|--|--|----------------------|-------|--|--|
| 14-3 | Ops. | A | SamCERA must be prepared to react to all types of emergencies that might affect the ability of the association to fulfill its responsibilities. | <p>Staff will:</p> <ul style="list-style-type: none"> Create a committee to meet every two months to review and recommend steps to improve safety and emergency preparedness. Annually review and update the Safety and Emergency Plans. Continue to hold table-top exercises at Staff Meetings. Document the technology emergency plan (for PensionGold, backups, etc.). Document the retiree payroll plan (PensionGold, moving funds, creating and sending files). Keep the emergency contacts information up to date. <p>Next Event: Committee to develop task list/milestones for coming year.</p> | Admin./All Divisions | Scott | <p>Continue in FY 14-15. Created a Safety and Emergency Planning Committee in fall 2012.</p> <p>Committee is updating plan. All should update phone with contact numbers.</p> | SamCERA is prepared to react to all emergencies. |
| 14-4 | Cust. Serv. | A | Web Member Services allows members with access to the County Intranet to view information about their accounts. To date, security concerns have prevented SamCERA from making this information also available to retired members via the Internet. | <p>Proceed with tests of security protections for WMS provided via the Internet.</p> <p>Next Event: Rollout, with communication plan, and develop penetration testing plan (post production)</p> | IT | Tariq | <p>Continue in FY 14-15. Updated WMS was rolled-out in June. Member response has been strong, with a nearly 20-fold increase in hits to the WMS site. Security testing set for spring 2014 prior to allowing to web access.</p> | WMS is available on the Internet. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|------|-------------|------|--|---|--------------------|--------|---|--|
| 14-5 | Cust. Serv. | A | Disability forms and pamphlet are not current. | <p>Review and update board disability regulations (COMPLETE), application forms and form letters. Identify which steps in the process take the most time. The new PASS will support this effort. Update the Disability pamphlet. Use workflow as tool to facilitate processing. [consider breaking this into smaller tasks – we may have BPR workflow for this, per Tariq ... additionally, we need to add other elements under the Technology Modernization Project umbrella, including SharePoint, Office 365, and board packet software]</p> <p>Next Event: Update Disability Pamphlet and Disability Forms. Integrate disability workflow into the PASS.</p> | Ben./Legal/Comm. | Gladys | <p>Some parts COMPLETE, others Continue in FY 14-15. Backlog has been reduced and processing more streamlined. Additional work continuing and will include tools in PASS to assist these efforts. Updated disability pamphlet is pending. Regulation change approved by Board to delete active member death provision and revise wording of right to a hearing.</p> | Disability forms and pamphlet are published. |
| 14-6 | Cust. Serv. | A | With new plans and tiers of members, the complexity of benefits processing has increased significantly. Forms used for benefits processing is one area where better form control will be needed. | <p>All correspondence is to have bar codes. 60 forms have been included in the PASS project.</p> <p>Next Event: Work with LRWL to prioritize this list early in the process.</p> | Comm./Ben./Legal | Gladys | <p>Continue in FY 14-15. Bar coding added to process of scanning all member documents. Progress being made putting forms on website.</p> | Finalize list of forms to be integrated into PASS. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|------|-------------|------|--|---|--------------------|------|--|---|
| 14-7 | Asset Mgmt. | A | SamCERA has significantly increased the diversification of its fund resulting in an increase in investment management firms from 10 in 2009 to 33 as of 2012. Additional firms will be added as SamCERA builds out its private equity portfolio. The addition of firms and the introduction of private equity firms has increased the need for staff interaction, monitoring and review of each firm's activities. | Staff will analyze the staffing of the Investment Division and make a recommendation to the Board. Determine job description for new position. [add BPR discussion] Next Event: Meet with HR to develop job description and timeline for implementation. | Inv./Admin. | Mike | Continue in FY 14-15. Funds for an additional position are included in the 2014-15 budget. Likely implementation in first half of FY 14-15. | Hire additional investment staff. |
| 14-8 | Asset Mgmt. | A | SamCERA's Investment Policy has not had a significant review for several years. | The CIO is working with the Retirement Board to review the Investment Policy. Next Event: Agendize and discuss at subsequent Board meetings. | Inv. | Mike | Continue in FY 14-15. CIO working with Board to revise policy. | Board approves revised investment policy. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|-------|------------------|------|---|---|--------------------|-------|---|---|
| 14-9 | Asset Mgmt./Ops. | A | The Government Accounting Standards Board has issued new statements that affect retirement plans including SamCERA. Statement No. 67, Financial Reporting for Pension Plans, revises existing guidance for the financial reports of most pension plans. | <p>Implementation date: July 1, 2014. Per GASB, "The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014."</p> <p>SamCERA must work with its actuarial and auditing firms, as well as the County of San Mateo, Superior Courts of San Mateo, and Mosquito District to make sure that implementation of these new rules is performed in an accurate and timely manner.</p> <p>Next Event: Task Force meeting to discuss results of Dry Run.</p> | Fin. | Mabel | Continue in FY 14-15. SamCERA is leading a working group of employers and actuarial and financial auditing consultants to conduct a "dry run" of the new GASB processes. | SamCERA complies with implementation date and GASB 67 is implemented. |
| 14-10 | Asset Mgmt./Ops. | B | Statement No. 68, Accounting and Financial Reporting for Pensions, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. | <p>Implementation date: July 1, 2015. SamCERA must work with its actuarial and auditing firms, as well as the County of San Mateo, Superior Courts of San Mateo, and Mosquito District to make sure that implementation of these new rules is performed in an accurate and timely manner.</p> <p>Next Event: Task Force meeting to discuss results of Dry Run.</p> | Fin. | Mabel | Continue in FY 14-15. SamCERA is leading a working group of employers and actuarial and financial auditing consultants to conduct a "dry run" of the new GASB processes. | SamCERA complies with implementation date and GASB 67 is implemented. Information needed for Employer Reporting in GASB 68 will be available from the plan's valuation and Comprehensive Annual Financial Report. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|-------|-------------|------|---|--|--------------------|--------|---|--|
| 14-11 | Asset Mgmt. | A | San Mateo County is implementing a new payroll system. SamCERA receives data from the system with each bi-weekly payroll issuance. It is important that the new payroll system integrate well with SamCERA's current and future technology. | <p>Ensure SamCERA is kept in the loop regarding the implementation of the new payroll system.</p> <p>Ensure that programming rules are kept intact.</p> <p>Ensure existing files don't change.</p> <p>Continue discussion with County regarding PIPS.</p> <p>Next Event: PIPS Solutions Committee Meeting.</p> | IT/Fin. | Tariq | <p>Continue in FY 14-15. SamCERA is included in bi-weekly PIPS Solution Committee meetings. Staff will continue to monitor until new payroll system is implemented.</p> <p>In Oct. staff asked Controller for payroll reports for SamCERA to be included in Workday project scope.</p> | Import file from Workday will be transformed to work with Pension Gold, and also be directly imported into PASS. |
| 14-12 | Cust. Serv. | C | We don't know if our forms are user-friendly. | <p>Make it a practice to review forms with staff after new forms have been in use for some time to see if there are frequent errors. Change forms accordingly. Ultimately want PASS to audit forms as the member fills them out.</p> <p>Next Event: Determine prioritized forms list.</p> | Comm./Ben./Legal | Gladys | <p>Continue in FY 14-15. A survey of retirees, actives and staff who have used forms is in the works as of July 2013.</p> <p>As of Sept. 2013, survey being distributed as Point of Service survey.</p> | We have survey results to determine if forms are user-friendly. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|-------|-------------|------|--|--|--------------------|--------|---|---|
| 14-13 | Cust. Serv. | C | We need more opportunities to provide counseling to members. | <ul style="list-style-type: none"> • Set-up Offsite Drop-In <ul style="list-style-type: none"> - Locations <ul style="list-style-type: none"> County Campus Medical Center Health Services Alameda de las Pulgas (Family Health) Fair Oaks HSA – 1 Davis Dr. Courts location • Article in newsletter about Drop-Ins for departments • Wellness/Safety – Inform group about availability to do presentation at departments ➤ Every other month in a different location [do we want to break this category down in smaller components?] ➤ Additional ideas: (1) we can provide attendees at drop-in session with fliers for upcoming SamCERA classes; (2) we should be more clear about what members will get at drop-in sessions (better info in fliers, etc) <p>Next Event: Develop drop-in schedule and incorporate into newsletter and website.</p> | Ben./Comm. | Gladys | COMPLETED but Continue in FY 14-15. Projects begun in July 2013. Drop-ins and off-sites held at Medical Center, HSA offices, and Mosquito District. Planning to visit Fair Oaks. Will also plan for orientations when new hiring for new jail occurs. | We have increased and improved the quality of contact with members. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|-------|-------------|------|---|---|--------------------|--------|---|---|
| 14-14 | Cust. Serv. | B | Member education is a key to successful retirement planning and the most effective use of SamCERA benefits. Many members are without financial management knowledge. We should provide different types of education to members. | Continue strengthening member education programs. Include: Regular attendance at training/meetings of payroll clerks, use of website and advices to notify members of new information, update of the Survivor Handbook, use of more focus groups for publications, web site, etc. Next Event: Develop plan and timeline. | Ben./Comm. | Scott | Continue in FY 14-15. Progress made. | Develop Member Education Master Plan. |
| 14-15 | Ops. | B | SamCERA needs a procedure to update the website when policies are adopted or revised. | Post our governing documents to website. Next Event: Identify current list of policies. Create web page and links. | Legal | Brenda | Continue in 14-15. In progress. | All current policies posted to website. |
| 14-16 | Cust. Serv. | A | No counseling room; privacy needed for counseling. | Work on overall configuration of office, including adding counseling room. Next Event: Complete plan for converting old kitchen into copier room. Meet with KRJ to design and furnish new space, develop plan to relocate existing furnishings. | Ben./Admin. | Gladys | In progress. | Counseling room complete. |
| 14-17 | | A | Upgrade Great Plains and reporting tools. | Next Event: Select vendor and ensure implementation minimizes disruption with year-end closing activities. | IT/Fin. | Tariq | In progress. | Great Plains is upgraded. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|-------|------------------|------|---|--|------------------------|--------|---|--|
| 14-18 | Ops./Cust. Serv. | A | San Mateo County is making plans to become an "Agile Organization." Clarify that a 'Term' employee is a temporary employee. | SamCERA needs to clarify that a 'Term' employee is a temporary employee. ... involve Mosquito and Courts in this discussion. Next Event: Introduce Board Regulations that make this clear. | Legal/Ben. | Scott | Continue in 14-15. Some discussions with County HR already held. Working to schedule another meeting with HR, Courts and Mosquito. | Board approves regulation change defining term employee. |
| 14-19 | Ops. | C | Staff salary growth is limited due to the absence of COLA increases and the limited career progression paths available at SamCERA. | Look at salaries and job descriptions in other systems to determine if SamCERA remains competitive. Are there additional benefits to offer employees? Discuss special district option. Look at other ways to make the work environment pleasant. Include evaluations of how much complexity has been added to each position since the last salary survey. Next Event: On hold until HR completes CEO salary study. | Admin. | Scott | Continue in 14-15 if economy continues to improve. AEO will lead salary research. Initial survey showed SamCERA is not out of line with sister systems in the Bay Area. | HR provides results of salary survey. |
| 14-20 | Ops. | B | Past MOUs have contained provisions that have been difficult for SamCERA to implement or administer. AFSCME, SEIU, CNA are being negotiated this FY. | SamCERA should work with negotiators and get information early in the process to help avoid mistakes in new MOUs and allow SamCERA to properly advise negotiators. Work with County HR and Courts to set a process going forward. Suggest a Technical Committee to include SamCERA representation. Next Event: Develop meeting schedule with HR for negotiations. Continue educational meetings with employee groups. | Admin./Legal/Ben./Fin. | Gladys | Continue in 14-15. Initial meeting held in April 2014 with HR and County Counsel. SamCERA is participating in meetings with employee groups. | Contracts have been signed with input from SamCERA. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|------|-------------|------|---|--|--------------------|--------|--|--|
| 15-1 | Ops. | A | No offsite disaster recovery location for critical technology. | Next Event: Consider options then develop plan. | IT | Tariq | Edward Ick is developing a replication and recovery plan. First phase will be to replicate to the County data center, second phase will be to replicate elsewhere. | Thorough disaster recovery and business continuance plan for critical technology is operational at another site. |
| 15-2 | Cust. Serv. | B | Releasing POS survey results | Next Event: Develop a plan to release results. | Ben./Comm. | Gladys | | We release survey results. |
| 15-3 | Ops. | B | SamCERA should be aware of pension legislation. | Next Event: Determine reliable sources of pension-related information | Legal | Brenda | | Staff is aware of pending legislation and laws that may impact the fund and members. |
| 15-4 | Asset Mgmt. | A | Medicare Part B is not included in the Interest Crediting Policy. | Discussed at Board meeting 4/30. Next Event: Updating of Interest Crediting Policy will form the baseline for the next discussion with the Board. | Admin./Legal | David | | Investment Crediting Policy addresses Medicare Part B. |
| 15-5 | Ops. | A | Potentially new board members in coming FY | Update trustee manual. Next Event: Review current manual, prioritize items for updating. | Admin./Legal | Scott | | SamCERA trustee manual is updated. |
| 15-6 | Ops. | A | Tax determination letter needs to be filed | Next Event: Team needs to develop a plan and timeline. | Legal/Fin./Admin. | Scott | | SamCERA files its tax determination letter. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|-------|------------------|------|---|--|--------------------|-------|---|--|
| 15-7 | Asset Mgmt./Ops. | A | Actuarial audit | Next Event: Provide data files and financial information to Milliman and Segal on target dates; respond to questions and request from Milliman and Segal in a timely manner. Ensure movement of data from Milliman to Segal. | Fin./Inv. | Mabel | In progress, from May to September. | Actuarial audit findings reported to Board of Retirement. |
| 15-8 | Cust. Serv./Ops. | B | Procedure for Deductions Not Taken needs to be updated | Next Event: Schedule meeting to review and amend existing underpayment and overpayment regulations and staff procedures. | Fin./Ben./Legal | Mabel | | Board approves over/under payments with a resolution or amendment. |
| 15-9 | Asset Mgmt./Ops. | A | Custodial bank transition | Next Event: Negotiate contract, publish plan. | Inv./Fin./ Legal | Mike | | Northern Trust is SamCERA's custodial bank. |
| 15-10 | Asset Mgmt. | B | We need to better understand the risks in our portfolio | We are building a risk dashboard. Next Event: Review examples, develop an implementation plan and timeline. | Inv. | Mike | Shared with Board risk dashboard prototype during April 2014 Retreat. Board requested receiving risk metrics annually during future retreats. In addition, staff will get risk data semi-annually from SIS for monitoring purposes. Working with SIS to finalize data points to be included in Risk Dashboard. | SIS will provide risk dashboard data on semi-annual basis ending 6/30 and 12/31. |

| ID# | GOAL | RANK | TOPIC | PLANNED ACTIONS | DIVISIONS INVOLVED | LEAD | TIMING / STATUS | END STATE |
|-------|-------------|------|---|--|--------------------|------|---|---|
| 15-11 | Asset Mgmt. | B | Finish ALM Implementation | Next Event: Search for Risk Parity strategy to complement AQR; Search for Opportunistic Credit strategy; Search for Hedge Fund strategy to complement AQR Delta | Inv. | Mike | <p>Risk Parity Finalist will be selected during June Board meeting.</p> <p>During June Board meeting an educational session on Fixed Income Direct Lending will be provided.</p> <p>HF search will be conducted in the 2nd half of the year.</p> | Implementation of risk parity, opportunistic credit, and hedge fund strategies. |
| 15-12 | Asset Mgmt. | B | SamCERA's new target policy has a higher allocation to international equity, increasing the plan's potential exposure to currency fluctuations. | <p>Next Event: SIS will present an educational session on currency risks and hedging during a future Board meeting.</p> <p>SIS and staff will analyze SamCERA's currency exposure and inherent risks to determine whether to recommend a currency hedging policy be implemented.</p> | Inv. | Mike | During Q3. | Analyze need for currency hedging program. |