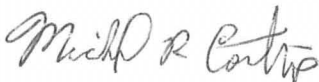


Investment Committee

of the San Mateo County Employees' Retirement Association will meet in
100 Marine Parkway, Suite 160, Redwood Shores

Tuesday, August 28, 2012, at 10:00 a.m.

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Oral Communications From the Committee
- 4.0 Oral Communications From the Public
- 5.0 Approval of the Minutes
- 6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
 - 6.1 Preliminary Monthly Portfolio Performance Report
 - 6.2 Annual Review, Revision & Reaffirmation of the Investment Committee Charter
 - 6.3 Discussion of SamCERA's Investment Policy Redraft Process
 - 6.4 Quarterly Investment Performance Report for the Period Ending June 30, 2012
 - 6.5 Report on the Annual Review of SamCERA's Core Bond Portfolio Managers (Aberdeen Asset Management, Pyramis Global Advisors, Western Asset Management)
 - 6.6 Approval of Private Equity Investment Opportunity
 - 6.7 Discussion of Delegation of Authority to Execute Documents and Take Certain Actions In Relation to Agreements on Behalf of the Board
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment



Michael Coultrip, Chief Investment Officer

Printed: 8/22/12

**Be advised that the committees of the Board of Retirement
are forums in which consensus may emerge.
If you have an interest in a matter before a committee,
you are advised to attend the committee meeting.
Committee meeting times are noted on the board agenda.**

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 David Bailey at (650) 363-4930 at least three business days prior to the meeting, if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable *SamCERA* to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

Notice of a Public Meetings

Page 2 of 2



THE COMMITTEE MEETS IN 100 MARINE PARKWAY, SUITE 160,
WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.
Detailed directions are available on the "Contact Us" page of the website www.samcera.org
Free Parking is available in all lots in the vicinity of the building.

SamCERA
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065

How to Find Us:

From Northbound 101 take the Ralston/ Marine World Parkway exit. Drive East on Marine Parkway toward the Bay.

From Southbound 101 take the Ralston/ Marine World Parkway exit. Drive East over the freeway on Marine Parkway toward the Bay.

From El Camino Real, turn East toward the Bay on Ralston and drive over the freeway on Marine Parkway. (Ralston becomes Marine Parkway at 101.)

Twin Dolphin Drive is two stoplights beyond the freeway. The "Shores Center" sign on the lawn is located in front of our new home.

Continue on Marine Parkway one block beyond Twin Dolphin to Lagoon Drive. Note the 100 Marine granite monument with SamCERA logo near curb as you approach Lagoon Drive.

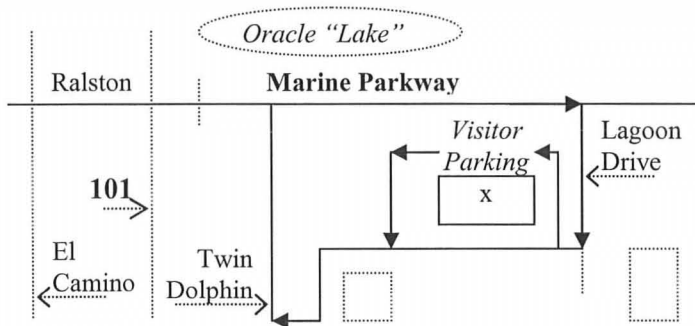
From Marine Parkway turn Right on Lagoon Drive and then immediately take the next two Right turns into our parking lot.

Park in the **Visitor spaces** on the Marine Parkway side of our building near the North Entrance.

SamCERA is in Suite 125 on the first floor, on your left just inside the North Entrance on the Marine Parkway side of the building.

SamCERA's Telephone Number:	(650) 599-1234
From a County Extension:	Dial 1234
From Outside the 650 Area Code:	(800) 339-0761
Web Site:	www.samcera.org

Our Office is Open Monday thru Thursday from 7:00 a.m. until 6:00 p.m.



The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, August 28, 2012, at 1:00 P.M.**

PUBLIC SESSION – The Board will meet in Public Session at 1:00 P.M.

1. Call to Order, Roll Call and Miscellaneous Business

- 1.1 Administration of the Oath of Office to Newly Reappointed Trustee
- 1.2 Announcement of Committee Appointments
- 1.3 Introduction and Welcome of SamCERA's New Chief Investment Officer

2. Oral Communications

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

3. Approval of the Minutes

4. Approval of the Consent Agenda

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

- Disability Retirement Applications
 - Lydia Brosamle
 - Ester Capacillo
 - Liz Cervantes
 - Celia Driscoll
 - Randolph Evans
 - Richard Good
 - Nena Najdawi
- Service Retirements
- Continuances Deferred Retirements
- Member Account Refunds
- Member Account Rollovers

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Consideration of Member's Request to Reconsider a Non-Service Disability (Set for 2 p.m. time certain.)*

6. Investment Services (The Investment Committee will meet at 10 a.m.)

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Annual Review, Revision & Reaffirmation of the Investment Committee Charter
- 6.3 Discussion of SamCERA's Investment Policy Redraft Process
- 6.4 Quarterly Investment Performance Report for the Period Ending June 30, 2012
- 6.5 Report on the Annual Review of SamCERA's Core Bond Portfolio Managers (Aberdeen Asset Management, Pyramis Global Advisors, Western Asset Management)
- 6.6 Approval of Private Equity Investment Opportunity
- 6.7 Discussion of Authority to Execute Documents and Take Certain Actions In Relation to Agreements on Behalf of the Board

[Continued on page 2 – Printed 08/22/12]

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

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Update on Information Technology Project Progress

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 Initiation of Litigation Pursuant to Subdivision (c) of Government Code Section 54956.9:
One matter

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Quinn, Diane	July 6, 2012	Public Health
Smylie, Alice	July 6, 2012	Deferred from Human Services
Moran, Nancy	July 15, 2012	Human Services
Gaddini, John	July 17, 2012	Sheriff's Office
Vincent, John	July 18, 2012	Probation
Hatfield, John	July 19, 2012	Mental Health
Watters, Mary	July 22, 2012	Library
Rodriguez, Rose	July 23, 2012	Health Services
Dorow, Willi	July 24, 2012	Engineer-Road
Stivala, Mary	July 28, 2012	Probation
Remedios, Roy	July 30, 2012	Controller
Stafford, Arlene	July 30, 2012	Aging and Adult Services

Printed: 8/22/12

David Bailey, Chief Executive Officer

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,

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

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

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

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

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

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 1.1

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Administration of the Oath of Office to Newly Reappointed Trustee

Under this agenda item, the Trustee Oath of Office will be administered to newly reappointed trustee Lauryn Agnew.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 1.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Announcement of the Appointment of Committees

Staff Recommendation

Staff recommends the Chair announce appointments to the Investment Committee and the Audit Committee, as the Chair deems appropriate.

Background

At the July 24 meeting of the Board of Retirement, board officers were elected as follows:

- Sandie Arnott, Chair
- Natalie Kwan Lloyd, Vice Chair
- Lauryn Agnew, Secretary

The Board Chair is authorized by the Regulations of the Board of Retirement to appoint all committees.

“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** (*emphasis added*) and shall perform all duties incidental to that office.”

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 1.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Introduction and Welcome of SamCERA's New Chief Investment Officer

Formal introduction and welcome of Michael Coultrip, who started work as SamCERA's new Chief Investment Officer, August 6.

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

August 28, 2012

Agenda Item 3.0

July 24, 2012 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 1:00 P.M.

1. Call to Order, Roll Call and Miscellaneous Business

- 1.1 Administration of the Oath of Office to Newly Elected and Reappointed Trustees
- 1.2 Presentation of Certificate of Appreciation to Alma Salas

2. Oral Communications

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

3. Approval of the Minutes

4. Approval of the Consent Agenda

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

- Disability Retirements
 - Yolanda Ayala
 - Elly Damian
 - Anne Garrett
 - Richard Good - Continued until August Board Meeting
 - Mohammad Rafiq
 - Maybelline Sharpe
 - Consideration of the Board's Authority to Decide Application for Non-Service Disability Retirement (Montesano)
- Service Retirements
- Continuances
- Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Trustee Conference Request
- Ratification of Authorization and Power of Attorney Issued to Franklin Advisors to Take Certain Actions on SamCERA's Behalf
- Ratification of Consent to Amend a Limited Partnership Agreement for an Alternative Investment

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Approval of Questions for Annual Review of SamCERA's Actuarial Firm – Milliman Inc.
- 5.3 Consideration of Member's Request to Reconsider a Service Disability Retirement (Keenan)

6. Investment Services (No Investment Committee meeting is scheduled.)

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Report on the Annual Review of SamCERA's Domestic and International Equity Value Portfolios
- 6.3 Strategic Investment Solutions' Semi-Annual Report on Capital Markets Expectations Update

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Quarterly Budget Report for Period Ended June 30, 2012
- 7.3 Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong
- 7.4 Status of Annual Financial Audit
- 7.5 Ad Hoc Nominating Committee Report and Election of 2012-2013 Board Officers

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 and Appropriate for Closed Session

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Fakava, Heikoti	May 1, 2012	Deputy Sheriff
Devitt, Edward	May 4, 2012	Beneficiary of Devitt, Ana
Swindell, Vera	May 8, 2012	Economic Development Dept.
Evans, Mary	May 22, 2012	Public Guardian Office
Williams, Jan	May 23, 2012	Beneficiary of Williams, Marvin
Bettencourt, Ida	May 28, 2012	Chope Hospital
Scott, Dennison	June 3, 2012	Sheriff's Office
Boyle, Myrteze	June 4, 2012	Social Services
Sampson, Floyd	June 5, 2012	Ag Commission Sealer
Collazo, Nereida	June 8, 2012	Public Health
Gordon, Mary	June 10, 2012	Beneficiary of Gordon, Leonard
Gonsalves, Fernanda	June 15, 2012	Social Services
Solari, Norman	June 16, 2012	Sheriff's Office
Rafiq, Mohammed	June 19, 2012	Cook
Coggeshall, Charles	June 19, 2012	Probation
Estes, Norma	June 20, 2012	Controller
Van Kirk, Doloris	June 22, 2012	Elections
Sanders, Ruth	June 23, 2012	Beneficiary of Sanders, Vernon
Garrett, Anne	July 6, 2012	Family Health

David Bailey, Chief Executive Officer

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

July 24, 2012 – Board Minutes

0712.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:03 p.m.

Roll Call:

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

Excused: Sandie Arnott, Lauryn Agnew

Alternates Present: Christopher Miller and John Murphy

Staff: David Bailey, Brenda Carlson, Gladys Smith, Mabel Wong and Kristina Perez.

Consultants: Patrick Thomas, Strategic Investment Solutions.

0712.1.1 **Administration of the Oath of Office to Newly Elected and Reappointed Trustees:** Sergeant John Flahavan of the San Mateo County Sheriff's Office administered the Oath of Office to: newly elected trustee Christopher Miller, who serves as the Safety Alternate; re-elected trustees David Spinello and Al David; and reappointed trustee Eric Tashman.

0712.1.2 **Presentation of Certificate of Appreciation to Alma Salas:** David Bailey and Mr. David presented Alma Salas with a certificate of appreciation for her service on the Board of Retirement. Ms. Salas also received flowers from the SamCERA staff. Ms. Salas noted how much she appreciated the work of the Board and staff.

0712.2.1 **Oral Communications From the Board:** Mr. Hackleman reported on his attendance at the Wharton Executive Education class regarding hedge funds held in San Francisco. Ms. Settles reported on her attendance at the GFOA conference in Chicago, and her attendance at the IFEBP CAPP II class in Boston. Mr. David also reported on his attendance at the GFOA conference.

0712.2.2 **Oral Communications From the Public:** There were no comments from the public.

0712.3 **Approval of the Minutes:** Mr. David asked if there were any corrections to the minutes. None were noted.

Action: Mr. Hackleman moved to approve the minutes from the regular meeting held on July 24, 2012. The motion was seconded by Ms. Settles, and carried unanimously.

At this time, Mr. Tashman made comments on the assumed earning rate considered at the July 24th meeting. Mr. Tashman was not in attendance at the meeting but had concerns after reading the minutes. He stated for the record that he would have supported a lower assumption rate than the 7.50% approved by the Board.

0712.4 **Approval of the Consent Agenda:** Mr. David asked if there were any items to be removed from the Consent Agenda. The disability application for Maybelline Sharpe was removed from the Consent Agenda to a time certain of 2:30 p.m. The item to consider the Board's authority to decide an application for non-service disability retirement (Montisano), was removed, as the applicant and his legal counsel were unable to attend.

Action: Mr. Spinello moved to approve all remaining Consent Agenda items as listed below. The motion was seconded by Ms. Settles and carried unanimously.

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

0712.4

Consent Agenda

Disability Retirements

The Board found that Yolanda Ayala is (1) disabled from performing her usual and customary duties as a Licensed Vocational Nurse, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board found that Elly Damian is (1) disabled from performing her usual and customary duties as an Office Assistant II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board found Anne Garrett permanently disabled from the duties of a Senior Community Program Specialist and granted survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Shellie Garrett.

The Board found Mohammad Rafiq permanently disabled from the duties of a Cook II and granted survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Famida Rafiq.

Service Retirements

Member Name	Effective Retirement Date	Department
Thornton, Leon	March 13, 2012	Def'd from Probation
Witjman, David	March 22, 2012	Def'd from Environmental Health
Lewis, Jeffrey	March 24, 2012	Def'd from Aging & Adult Services
Heiliger, Maxine	March 31, 2012	Def'd from Public Health
Kato, Diana	March 31, 2012	Def'd from Environmental Health
Lee, Richard	March 31, 2012	Def'd from Public Health
Starmer, George	March 31, 2012	Def'd from Housing Dept.
Sowels, Dennis	April 12, 2012	Def'd from Aging & Adult Services
Grandsaert, John	April 18, 2012	Def'd from District Attorney
LaHaie, Keith	April 18, 2012	Def'd from Public Works
Sykes-Miessi, Joan	April 18, 2012	Def'd from Library
O'Callahan, William	April 28, 2012	Sheriff's Office
Atwood, Kathleen	May 1, 2012	Def'd from Building & Planning
Babwin, Richard	May 1, 2012	Def'd from Sheriff's Office
Mulgrew, Mark	May 1, 2012	Def'd from San Mateo Medical Center
Ellington, Hillarie	May 4, 2012	Public Health
Danese, Karen	May 5, 2012	Def'd from Library
Allen, Hellen	May 17, 2012	Probation
Driscoll, Celia	May 31, 2012	Sheriff's Office
Zapata, Elia	June 1, 2012	Behavioral Health

Continuances

Survivor's Name	Beneficiary of:
Bankord, Beja	Lindner, Cecilia
Bonner, Natasha	Bonner, James
Fakava, Kaufoon	Fakava, Heikoti
Jensen, Judith	Jensen, Jim
Ward, Joanne	Ward, Edward
Weston, John	Weston, Elaine

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

0712.4

Consent Agenda (continued)

Deferred Retirements

Member Name	Retirement Plan Type
Vong, Kathy	G4 Vested
Baker, James	S4 Vested
Conway, Terese	G4 Vested
Chong, Wei	G4 Vested
Vasquez, Kristy	G4 Vested
Humphrey, Sharon	G4 Non Vested – Reciprocity
Introcaso, Denice	S2 QDRO
Hong, Margaret	G4 Vested – Reciprocity

Member Account Refunds

Member Name	Retirement Plan Type
Birkby, Patricia	G4 Vested
Clemente, Marie	G4 Vested
Dodge-Navarrete, Sarah	G4 Non-vested
Feldcamp, Melissa	G4 Non-vested
Flatmoe, Chris	G4 Non-vested
Frei, Lukas	G4 Non-vested
Hernandez, Marcela	G4 Non-vested
Nikkel, John	G4 Vested
Papi, Tammy	G4 Non-vested
Partin, Marie	G4 Non-vested
Pene, Garrett	S5 Non-vested
Phillips, Lyndale	G5 Non-vested
Rodriguez, Renee	Ben. Of Avila, Jacklyn
San Mames, Juan	G4 Vested

Member Account Rollovers

Member Name	Retirement Plan Type
Cross, Heather	G4 Vested
Dawkins, Michael	G2/3 Vested
Mar, May	G2 Non-vested
Nordhausen, Sarah	G4 Non-vested

0712.4

Trustee Training Request

The Board approved the request for trustee educational training, for Trustee Lauryn Agnew to attend SOCAP12 (Social Capital Markets 12), which will be held at Fort Mason Center in San Francisco, CA from October 1-4.

0712.4

Ratification of Authorization and Power of Attorney Issued to Franklin Advisors to Take Certain Actions on SamCERA's Behalf

The Board approved a resolution ratifying the Chair's July 9, 2012, execution of the "Legal Proceedings Authorization" and authorized the Chief Executive Officer to execute any necessary documents and take all actions to perfect the recovery of the 7.5% Senior Secured Notes issued by AMR.

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

0712.4 **Ratification of Consent to Amend a Limited Partnership Agreement for an Alternative Investment**

The Board approved a resolution ratifying the Chair's consent for the general partner to execute the first amendment to the second amended and restated partnership agreements of Sycamore Partners, L.P., and Sycamore Partners A, L.P.

0712.5 **Benefit & Actuarial Service**

0712.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** The consideration of Maybelline Sharpe's disability application was moved until a time certain of 2:30 pm, and heard later in the meeting in closed session.

0712.5.2 **Approval of Questions for Annual Review of SamCERA's Actuarial Firm – Milliman Inc.:** Mr. Bailey presented the staff report. He discussed the procedure for determining actuarial questions and explained that Board members and staff would receive an email link to an online performance survey. Results from the survey and responses from Milliman will be presented to the Board in September.

Action: It was moved by the Chair to approve the questions for the annual review and the motion carried unanimously.

0712.5.3 **Consideration of Member's Request to Reconsider a Service Disability Retirement –** This item was postponed and taken up later in the meeting, as the member was not present. (See page 8.)

0712.6 **Investment Services**

0712.6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Bailey presented the monthly performance report to the Board.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	915,218,120	3.62	1.37	-0.95
International Equity	418,223,239	5.78	-13.85	-6.16
Total Equity	1,333,441,358	4.29	-3.53	-2.51
Private Equity	19,287,369	0.00	1.29	
Risk Parity	150,483,687	-0.00	3.72	
Hedge Fund	69,730,131	0.00	0.39	
Fixed Income	563,709,652	1.02	6.64	6.65
Real Estate	144,721,125	0.00	7.16	-1.12
Aggregate				
Commodities	69,902,427	3.93		
Cash Equivalents	5,334,594	0.03	0.67	0.77
TOTAL FUND	2,356,610,343	2.75	-0.18	0.29
Benchmark		3.18	1.42	1.80

Mr. David asked for the Sectopm 8.0 Management Reports next, and heard the remainder of the agenda items in the order they appear below.

0712.8 **Management Reports**

0712.8.1 **Chief Executive Officer's Report:** Mr. Bailey discussed a San Mateo County Civil Grand Jury report regarding SamCERA and a related newspaper article. He explained the Grand Jury recommendations. The report was included in the day-of-meeting folder for the Board members. Mr. Bailey talked to the Board about his appearances before the Board of Supervisors, SCORPA, SEIU, ASFME and CALAPRS to give presentations and speeches about

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

SamCERA and other retirement related topics. Mr. Bailey updated the Board about current staffing vacancies, noting the under-staffing in the investment area, and stating that LRWL would present a staffing study shortly. He announced that Mr. Michael Coultrip will start as CIO on August 6. Mr. Bailey discussed an issue in Contra Costa County regarding optional payment methods, stating that Ms. Carlson was working on this and all systems are monitoring this situation and the outcome.

- 0712.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that staff would be sending point-of-service surveys to members coming into the office, as opposed to the yearly member survey done previously. Ms. Smith stated the new survey is more detailed and would provide specific tracking information; she also noted a future survey would target customers who call SamCERA.
- 0712.8.3 **Chief Investment Officer's Report:** Mr. Bailey reiterated that Michael Coultrip will be starting on August 6, and noted that the Coultrip family visited SamCERA in June. Mr. Bailey informed the Board that Anthony Foley, who manages SamCERA's portfolio at DE Shaw, is now on medical leave.
- 0712.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board about new statutes in place regarding electronic signatures and education policies.
- 0712.7.1 **Monthly Financial Report:** Ms. Wong presented the Monthly Financial Report.
- 0712.7.2 **Quarterly Budget Report for Period Ended June 30, 2012:** Ms. Wong presented the staff report and called the Board's attention to the Professional Budget (attachment 1), stating that the Professional Budget was slightly over budget due to higher than anticipated investment fees. She also noted on the Administrative Budget (attachment 2), expenditures were slightly below anticipated; while medical evaluation costs, member education expenses and leased facilities outlays were higher. This item was informational only and no action was taken.
- 0712.7.3 **Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong:** Ms. Wong presented the staff report and reviewed the "Questions for Annual Independent Auditor Evaluation" with the Board. An online survey regarding the audit firm's performance will be emailed to Board members, and the annual audit review is scheduled for the October Board meeting.
- Action:** Mr. Hackleman moved to approve the questions for the annual independent auditor evaluation. The motion was seconded by Mr. Bowler and carried unanimously.
- 0712.7.4 **Status of Annual Financial Audit:** Ms. Wong updated the Board on the financial audit and went over issues found during the process. She explained that samples of members' files were audited and problems discovered were resolved. The audit findings included a missing birth certificate; a final average salary miscalculation; time allowed between a member applying for retirement and actually retiring will be limited to 60 days to comply with the 1937 Act; and there were "pick up" amounts not calculated correctly for a small group of managers. Ms. Wong reported that the auditors would be returning in the final week of August to conclude their work.
- Mr. David adjourned the meeting for a short break at 2:08 p.m. The meeting reconvened at 2:25 p.m. and item 5.3 was heard next.

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

- 0715.5.3 **Consideration of Member's Request to Reconsider a Service Disability Retirement (Keenan):** Ms. Carlson recused herself and exited the Board room. Mr. Dan McGuire served as legal counsel in this matter. Mr. McGuire explained that this was not a consideration of whether the member's June 9, 2011 application should be granted or denied; but a determination of whether the Board has authority to consider the new application. Mr. McGuire went over the staff report and attachments, noting that the injuries were the same as documented in the member's 2001 and 2009 applications. Mr. McGuire discussed the chronology of this file and previous determinations from the hearing officer and superior court. Mr. McGuire recommended that the Board determine it lacks the authority to consider the member's June 9, 2011 application for disability retirement for injuries that resulted from events, which were the subject of prior applications that have been denied by the Board and were adjudicated.
- Action:** Mr. Tashman moved to accept the staff recommendation and agreed that the Board lacks authority to consider the June 9, 2011 application. The motion was seconded by Mr. Spinello and carried with a vote of 6-0-1, with Mr. Hackleman abstaining.
- It was further noted the time was 2:30 p.m. and the applicant was not in attendance. Ms. Carlson returned to the Board room.
- 0712 C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session:** Mr. David adjourned the meeting into closed session at 2:30 p.m. to hear the disability application of Maybelline Sharpe.
- 0712.9 **Report on Actions Taken in Closed Session:** The meeting was reconvened at 2:53 p.m. Ms. Carlson reported that the Board had met in closed session to consider the service-connected disability retirement application of Maybelline Sharpe.
- Action:** Ms. Carlson reported the Board unanimously acted to approve the staff recommendation, and to deny the service-connected disability retirement application of Maybelline Sharpe.
- 0712.6.2 **Report on the Annual Review of SamCERA's Domestic and International Equity Value Portfolios:** Mr. Patrick Thomas presented the staff report and reviewed the reports on meetings held with Barrow Hanley, The Boston Company and Mondrian. He stated that all managers were performing well and discussed specific details about each manger with the Board. Mr. Thomas and the Board discussed the performance of the Blackrock Growth Equity allocation. This item was informational only and no action was taken.
- 0712.6.3 **Strategic Investment Solutions' Semi-Annual Report on Capital Markets Expectations Update:** Mr. Thomas reviewed SIS's twice-yearly report with the Board. He discussed the changing risk levels and historical experience in the markets. Mr. Bailey congratulated Mr. Thomas on his appointment to the SIS Board of Directors. This was an informational item and no action was taken.
- 0712.7.5 **Ad Hoc Nominating Committee Report and Election of 2012-2013 Board Officers:** Mr. Hackleman updated the Board on the formation and activity of the Ad Hoc Nominating Committee. He reported that the committee met on June 6, via teleconference and that the recommendation of the committee was to nominate Sandie Arnott as Chair, Natalie Kwan Lloyd as Vice Chair and Lauryn Agnew as Secretary of the Board of Retirement. Mr. David asked if there were any other nominees, and there were none.
- Action:** Mr. Tashman moved to approve the nominations as recommended by the Ad Hoc Nominating Committee, and to elect those nominees as Board Officers for 2012-2013. The motion was seconded by Mr. Spinello, and passed unanimously.

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

With no further business, Mr. David adjourned the meeting at 3:21 p.m. in memory of the following deceased members:

Fakava, Heikoti	May 1, 2012	Deputy Sheriff
Devitt, Edward	May 4, 2012	Beneficiary of Devitt, Ana
Swindell, Vera	May 8, 2012	Economic Development Dept.
Evans, Mary	May 22, 2012	Public Guardian Office
Williams, Jan	May 23, 2012	Beneficiary of Williams, Marvin
Bettencourt, Ida	May 28, 2012	Chope Hospital
Scott, Dennison	June 3, 2012	Sheriff's Office
Boyle, Myrteze	June 4, 2012	Social Services
Sampson, Floyd	June 5, 2012	Ag Commission Sealer
Collazo, Nereida	June 8, 2012	Public Health
Gordon, Mary	June 10, 2012	Beneficiary of Gordon, Leonard
Gonsalves, Fernanda	June 15, 2012	Social Services
Solari, Norman	June 16, 2012	Sheriff's Office
Rafiq, Mohammed	June 19, 2012	Cook
Coggeshall, Charles	June 19, 2012	Probation
Estes, Norma	June 20, 2012	Controller
Van Kirk, Doloris	June 22, 2012	Elections
Sanders, Ruth	June 23, 2012	Beneficiary of Sanders, Vernon
Garrett, Anne	July 6, 2012	Family Health

David Bailey
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Acting Assistant Executive Officer



Subject: Approval of Consent Agenda

ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA.

Disability Retirements

1. The Board find that **Lydia Brosamle** is (1) is not permanently incapacitated for the performance of her duties as a Fiscal Office Specialist and (2) deny her application for a service-connected disability retirement.
2. The Board find that **Ester Capacillo** is (1) disabled from performing her usual and customary duties as Medical Services Assistant II, (2) find that her disability is service-connected and (3) grant her application for a service-connected disability retirement.
3. The Board (1) approve and adopt the proposed findings and recommendations of the Hearing Officer, John Simonson and (2) deny **Liz Cervantes'** application for a service-connected disability retirement.
4. The Board find that **Celia Driscoll** is (1) disabled from performing her usual and customary duties as Correctional Officer, (2) find that her disability is service-connected and (3) grant her application for a service-connected disability retirement.
5. The Board find that **Randolph Evans** is (1) disabled from performing his usual and customary duties as Custodian, (2) find that his disability is service-connected and (3) grant his application for a service-connected disability retirement.
6. The Board find that **Richard Good** is (1) disabled from performing his usual and customary duties as Deputy District Attorney IV, (2) find that his disability is not service-connected and (3) deny his application for a service-connected disability and (4) grant him a non-service-connected disability retirement.
7. The Board find that **Nena Najdawi** is (1) disabled from performing her usual and customary duties as Medical Office Assistant II, (2) find that her disability is service-connected and (3) grant her application for a service-connected disability retirement.

Service Retirements

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

Member Name	Effective Retirement Date	Department
Ashcraft, Mark	May 23, 2012	Def'd from Ag Commission Sealer
Soher, Donald	June 2, 2012	Public Safety Comm
Ferrick, George	June 6, 2012	Def'd from Superior Court
McColgan, Edward	June 13, 2012	Def'd from Controller
Charan, Kanchan	June 15, 2012	Controller
Coppola, Christine	June 16, 2012	Behavioral Health
Fountain, Joan	June 20, 2012	Treasurer
Shah, Jayesh	June 21, 2012	Def'd from Superior Court
Byrne, Flor	June 23, 2012	San Mateo Medical Center
Casco-Abuan, Remedios	June 23, 2012	San Mateo Medical Center
Cook, Victoria	June 23, 2012	San Mateo Medical Center
Edmondson, Ana	June 23, 2012	San Mateo Medical Center
Gomez, Oscar	June 23, 2012	San Mateo Medical Center
Jones, Doris	June 23, 2012	Human Services Agency
Shu, Chien	June 23, 2012	San Mateo Medical Center
Dunn, Felton	June 26, 2012	Def'd from San Mateo Medical Center
Mack, Shirley	June 29, 2012	Def'd from Lirbary
Ferguson, Ellis	June 30, 2012	San Mateo Medical Center
Hogg, Vicky	June 30, 2012	Human Services Agency
Jester, Mary	June 30, 2012	San Mateo Medical Center
Paton, Laura	June 30, 2012	Human Services Agency
Echeverria, Gay	July 1, 2012	Behavioral Health
Keller, Kaylene	July 1, 2012	Assessor

Continuances

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

Survivor's Name	Beneficiary of:
Collazo, Edmundo	Collazo, Nereida
Escapite, Rafael	Carlson, Richard

Rafiq, Famida	Rafiq, Mohammed
Sampson, Shirley	Sampson, Floyd
Solari, Janet	Solari, Norman
Whitehead, Robert	Whitehead, Mary

Deferred Retirements

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

Member Name	Retirement Plan Type
Rosete, Edna	G4 Vested
Semenenko, Nina	G4 Vested
Quizon, Katrina	G4 Vested
Uygur, Reyhan	G4 Vested
Abadilla, Angela	G4 Vested
Cachuela, Honorata	G4 Vested
Ho, Justine	G4 Vested
Cruz, Carmelita	G4 Vested
Puapuaga, Alofaaga	G4 Vested
Rulloda, Pacita	G4 Vested
Raihman, Jaibul	G4 Vested
Fernandez, Gloria	G4 Vested
Palomaria, Abema	G4 Vested
Reyes, Samuel	G4 Vested
Tolentino, Diosado	G4 Vested
Catalon, Joel	G4 Vested
Lavilla, Dorina	G4 Vested
Noguchi, Laura	G4 Vested
Holcomb, Vaisioa	G4 Vested
De Guzman, Tedora	G4 Vested
Romero, Elisa	G4 Vested
Cabotaje, Rosenda	G4 Vested

Vunipola, Ana	G4 Vested
Utumporn, Igesias	G4 Vested
Dogelio, Thelma	G4 Vested
Tayo, Elna	G4 Vested
Perez, Lizette	G4 Vested
Corona, Catalina	G4 Vested
Linaja, Violeta	G4 Vested
Biag, Maria	G4 Vested
Villanueva, Virginia	G4 Vested
Doreza, Mae	G4 Vested
Villar, Edizalyn	G4 Vested
Rimon, Rolindy	G4 Vested
Ignancio, Miguel	G4 Vested
Wong, Shwu	G4 Vested
Espiritu, Catalina	G4 Vested
Crocket, Jack	G4 Vested
Rosario, Flordeliza	G4 Vested
Banal, Caroline	G4 Vested
Kiser, Marilee	G4 Vested
Chua, Doris	G4 Vested
Ruiz, Milton	G4 Vested
Rami, Purvi	G4 Vested
Iverson, Rita	G4 Vested
Mariano, Josefina	G4 Vested
Munoz, Anna-Maria	G4 Vested
Cabe, Agustina	G4 Vested
Yap, Cirilo Ramon	G4 Vested
Cauyong, Consolacion	G4 Vested
Chou, Mei	G4 Vested
Pefley, Pushpa	G4 Vested
Gloria, Emilia	G4 Vested
Calderon, Luna	G4 Vested

Kamal, Mohammed	G4 Vested
Narayan, Yattra	G4 Vested
Perez, Antonio	G4 Vested
Theisen, Linda	G4 Vested
Chiang, William	G4 Vested - Reciprocity
Bazo, Eve	G4 Vested - Reciprocity
Wong-Sing, Douglas	G2 Vested - Reciprocity
Trujillo, Miguel	G2 Vested - Reciprocity
Alvarez, Rhonda	G4 Vested - Reciprocity
Gontenas, Carmencita	G4 Vested - Reciprocity
Gajunia, Florabel	G4 Vested - Reciprocity
Moreno, Patricia	G4 Vested - Reciprocity

Member Account Refunds

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

Member Name	Retirement Plan Type
Calderon, Lupita	G4 Vested
Castillo, Ana	G4 Non-vested
Chaingan, Fernando	G4 Non-vested
Cook, Esalina	G4 Non-vested
Coons, Claudia	G4 Non-vested
Dela Cuesta, Reuben	G4 Non-vested
Dumaraos, Dominique	G4 Vested
Feliciano, Lorenzo	G5 Non-vested
Fizulic, Gina	G4 Vested
Gibson, n Tina	G4 Vested
Gonzales, Carmelita	G4 Non-vested
Guisadio, Katherine	G4 Vested
Llerena Pajuela, Betty	G4 Vested
Moala, Eseta	G4 Vested
Mobo, Simeon	G4 Vested

Penate, Kina	G4 Non-vested
Shuhendler, Karen	G5 Non-vested
Stephenson, Kenneth	G4 Non-vested
Vera, Carmencita	G4 Vested

Member Account Rollovers

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

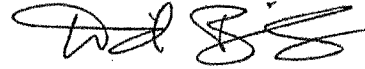
Member Name	Retirement Plan Type
Dawkins, Michael	3/G2 Vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012 **CONTINUED TO AUGUST 28, 2012**

Agenda Item 5.3

TO: Board of Retirement
FROM: David Bailey, Chief Executive Officer
SUBJECT: **Consideration of Member's Request to Reconsider a Non-Service Disability**



STAFF RECOMMENDATION: Staff recommends that the Board determine that it lacks the authority to reconsider its 1988 decision to grant Mr. Montisano a non-service-connected disability.

ISSUE: The Board must determine whether it has the authority to reconsider its 1988 decision to grant a non-service-connected disability to Albert Montisano.

BACKGROUND: Albert Montisano was granted a non-service-connected disability on March 17, 1988. Today, he is requesting the Board to reconsider that decision and allow him, at a separate hearing, to again present his application for disability retirement. The issue for today is not whether Mr. Montisano should be granted a service-connected disability or whether the Board in 1988 should have granted him a service-connected disability. The issue presented for the Board's determination is whether this Board has the authority to reconsider its final decision to grant a non-service-connected disability.

DISCUSSION: If the Board grants his request to reconsider, the hearing on the disability would occur at a later date, after an application for service-connected retirement has been received and processed by staff. If the Board denies his request on the basis that it lacks the authority to reconsider the matter, or any other basis, Mr. Montisano can seek a writ of mandate requesting the Court to order *SamCERA* to process his service-connected disability application and the Board to reconsider its 1988 decision.

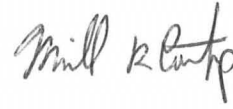
Mr. Montisano, and his attorney, Thomas J. Wicke, will address the board. Upon agreement with Mr. Wicke and staff, Mr. Wicke's letters to *SamCERA*, staff's responses, and a summary of the contentions set forth in those letters can be found in the confidential board member packet pursuant to Government Code section 31532.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

To: Board of Retirement

Agenda Item 6.1



From: Michael Coultrip, Chief Investment Officer

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

COMMENT: The fund's preliminary return for the trailing twelve months is 1.8%. The twelve-month return is below the Actuarial Discount Rate of 7.50% and *SamCERA's* Total Plan Policy Benchmark rate of 3.5%. 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.

July was mostly a 'risk-on' month as the markets reacted to the latest bailout announcement in Europe, this time a \$122 billion bailout loan for Spanish banks. However, domestic economic reports suggest economic growth slowing from already low levels. Most of the benchmarks that *SamCERA* tracks posted strong returns of above 1%. The exception to this was U.S. small-cap stocks, which were negative across the style spectrum. Commodities led the pack with the DJ-UBS Commodity index up over 6%. Long-term interest rates fell in the U.S., with the 10 year note yield declining 20bps. The BC Aggregate Index was up 1.4% with high yield and longer-duration indices providing higher returns.

This preliminary report is intended to provide the reader with a high level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the board would act. Due to the timing of certain portfolio performance statements, this agenda item does not reflect the monthly performance of all portfolios. As of this writing, monthly performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, most private equity and Invesco's core real estate portfolios have not been reported.

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U.S. EQUITY

Gross domestic product expanded at a +1.5% annual rate between April and June down from +2.0% in the first quarter. Consumer spending rose 1.5% and government purchases fell 1.4%. Year-over-year GDP rose a moderate 2.2% in Q2. Economic concerns in the European Union persist and have clearly affected sentiment in the U.S. economy and influenced growth trajectories in emerging market economies as well.

July was a mixed bag for equities as U.S. stocks and Non-US stocks were up about 1% for the month. Within the U.S. markets, Value performed in-line with growth and large caps outperformed small caps. The Russell 1000 Growth Index was up +1.3% for the month and the Russell 1000 Value Index was up +1.0%. The Russell 2000 Growth Index was down -1.7% and the Russell 2000 Value was down -1.0%. The S&P 500 Index ended the month up +1.4%.

The S&P 500 Index has a trailing 12-month P/E ratio of 15.6 (estimated P/E ratio of 13.3 on forward looking twelve-month operating earnings) and a dividend yield of 2.1%.

According to Thomson Reuters data, of the 294 companies in the S&P 500 that reported 2nd quarter earnings to date, 67% reported earnings above analyst expectations. However, on the revenue side, only 42% of companies beat revenue estimates so far, well below an average of 60% from the last four years. Exxon Mobil reported a quarterly profit of nearly \$16 billion, the highest ever for a U.S. corporation.

Corporate merger highlights for the month included: Anheuser-Busch InBev will buy the half of Corona it doesn't already own for \$20.1 billion; Centerbridge Partners extended its \$1.09 billion tender offer to buy all outstanding shares of P.F. Chang's; Dell will buy Quest Software for \$2.4 billion; Micron Technology will buy Elpida Memory of Japan for \$2.5 billion; German gas and engineering company Linde made a \$4.6 billion offer to acquire U.S.-based homecare health company Lincare; MModal, the largest provider of medical transcription services agreed to be acquired by a JPMorgan Chase unit for about \$1.1 billion; VW announced a deal to complete the takeover of Porsche buy the end of July; Campbell Soup will buy Bolthouse Farms for \$1.55 billion; Comcast's NBCUniversal will sell its stake in A&E Television Networks to Disney and Hearst for \$3.0

billion; China's aerospace manufacturer Superior Aviation Beijing will buy Hawker Beechcraft's business jet and general aviation operations for \$1.8 billion; Dentsu, a Japanese advertising company, will acquire Britain's Aegis Group for \$4.9 billion; Darden Restaurants will acquire casual dining chain Yard House USA for \$585 million; GlaxoSmithKline will buy Human Genome Sciences for about \$3 billion; TPG will acquire Par Pharmaceutical for \$1.9 billion; Thermo Fisher will buy transplant diagnostics test provider One Lambda for \$925 million; Ryanair submitted an \$854 million takeover bid for Air Lingus Group; State Street will purchase Goldman Sachs Administration Services for \$550 million; Cogeco Cable, a Montreal-based cable-television company, will buy Atlantic Broadband for \$1.36 billion; PPG Industries plans to merge its chemicals business with Georgia Gulf in a deal worth \$2.1 billion; Heineken made a \$4.06 billion offer to acquire Singapore beverage maker Fraser & Neave's entire stake in Asia Pacific Breweries; Nexen, a Canadian oil producer, agreed to be acquired by China's CNOOC for \$15.1 billion; Peet's Coffee & Tea is being taken private for approximately \$977 million; Genesee & Wyoming will buy Rail America for \$1.4 billion; NRG Energy and GenOn Energy announced a \$1.7 billion merger deal; Talisman will sell a 49% stake in the North Sea to Sinopec for \$1.5 billion; United Technologies closed its largest acquisition ever, buying aircraft equipment maker Goodrich for \$16.5 billion; Chicago Bridge & Iron, an energy infrastructure construction company, will acquire Shaw Group for \$3.04 billion; and, Roper Industries will buy Sunquest Information Systems for \$1.42 billion.

FIXED INCOME

The unemployment rate in the U.S. edged higher in May to 8.2% from 8.1%, the first increase in a year. U.S. employers added only 80,000 jobs in June, a third straight month of weak hiring that shows the economy is still struggling three years after the recession officially ended.

The IMF trimmed its world economic outlook by 0.1 % to 3.5% growth in 2012.

The FOMC minutes of its June 19-20 meeting reveal: "several (members) noted that additional policy action could be warranted if the economic recovery were to lose momentum, if the downside risks to the forecast became sufficiently pronounced, or if inflation seemed likely to run persistently below the Committee's (target)." These

minutes suggest QE3 sometime later this year is an option, however it is not a foregone conclusion or even the most likely based case.

Long-term interest rates fell in the month of July. The bellwether 10-year Treasury note ended the month yielding 1.47% down from 1.67% at the close of June. At month-end, the 30-year bond yield was 2.55% with the 3-month T-bill at 0.01%. The Barclays Capital US Aggregate Index was up by 1.4% in July with long credit the strongest sector up by a strong 5.4% for the month.

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

THE GOOD

*Personal income increased 0.2% in May and the personal savings rate rose to 3.9% from 3.7%.

*The Commerce Dept. reported that construction spending rose 0.9% in May, following a 0.6% rise in April.

*The Commerce Dept. reported that factory orders increased a better-than-expected 0.7% in May following 2 months of decline.

*Chrysler's U.S. auto sales rose 20% in June, GM's increased 16%, Ford's climbed 7%, Nissan's jumped 28% and Toyota's surged 60%.

*U.S. businesses and consumers filing for bankruptcy fell 14% in the first half of 2012 to 632,132, the lowest total since before the financial crisis in 2008.

*The Commerce Dept. reported that the U.S. trade deficit shrank 3.8% to \$48.7 billion in May.

*The Labor Dept. reported that its producer price index increased a slight 0.1% in June following a steep drop of 1.0% in May.

*The Federal Reserve reported that industrial production increased 0.4% in June boosted by output at factories, especially automakers.

*Housing starts rose 6.9% in June from May to a seasonally adjusted annual rate of 760,000 the highest October 2008.

*Median prices of existing homes jumped for the third month, rising 7.9% in June to \$189,400.

THE NOT SO GOOD

*Consumer spending was unchanged in May, failing to rise for the first time since November, after nudging up 0.1% the prior month.

*The U.S. Manufacturing Purchasing Managers Index stood at 52.5 in June, down from May's reading of 54.0 and the lowest reading since December.

*Nearly 3 in 10 U.S. homeowners with mortgages have no equity in their homes or less than 5%.

*June retail sales were slow as the Thomson Reuters index rose just 0.1%, less than the 0.5% analysts expected.

*The U.S. government ran a budget deficit of \$60 billion in June, pushing the deficit to \$904 billion for the first nine months of fiscal 2012.

*The Commerce Dept. reported that retail sales slipped 0.5% in June, the 3rd consecutive month of decline.

*The Philadelphia Federal Reserve Bank reported that its business activity index rose to minus 12.9 from minus 16.6 in June, missing economists' expectations for a stronger rebound to minus 8.0.

*The Conference Board reported that its Leading Economic Index fell 0.3% to 95.6 in June after rising 0.4% in May.

*Sales of existing homes dropped 5.4% in June to a seasonally adjusted annual rate of 4.37 million.

*The Markit Flash U.S. manufacturing purchasing managers' index dropped to 51.8 in July from 52.5 in June, marking the 4th straight month of slower growth and its weakest showing since December, 2010.

*The Commerce Dept. reported that new single-family home sales tumbled 8.4% to a seasonally adjusted 350,000-unit annual rate, the lowest rate in five months.

*The Commerce Dept. reported that durable goods orders excluding transportation dropped 1.1%, the biggest decline since January, after rising 0.8% in May.

*Consumer spending, which makes up about 70% of economic activity, fell 0.1% in June.

Consumer confidence was mixed in July. The Univ. of Michigan index fell in July to 72.3 from 73.2 in June, the lowest since December. However, the Conference Board's index of consumer attitudes climbed to 65.9 from an upwardly revised 62.7 in June.

NON-U.S. MARKETS

The European Central Bank (ECB) cut all three administered rates by 25 basis points, thereby leaving the key policy rate – the minimum bid rate – at a record low 75 basis points, the marginal lending rate at 1.50%, and the deposit rate at zero. Cutting the minimum bid rate will help the banks in the periphery because they are heavy borrowers from the ECB.

The news on the labor market conditions in the euro zone continues to be grim. The overall euro zone unemployment rate rose to 11.1% in May, leaving it at the highest ever recorded since Economic and Monetary Union in 1999.

Spain unveiled new austerity measures designed to slash 65 billion euros from the public deficit by 2014. Finance ministers from the 17 countries that use the euro unanimously approved the terms for a bailout loan for Spanish banks of up to \$122 billion. Spanish unemployment hit 24.6% in the 2nd quarter, the highest level since the Franco dictatorship ended in the mid-1970s.

U.K. GDP contracted a much greater than expected 0.7% in Q2, its third consecutive decline; by far the most severe so far. U.K. May industrial production was a positive surprise as output rose 1.0%, the strongest reading since March 2010. Retail sales came in weaker than expected in June, edging up just 0.1%.

The Bank of Japan eased its monetary stance in July. It left its policy rate target range unchanged at 0.00% to 0.10% and expanded its asset purchase program by 5 trillion yen to 45 trillion yen to maintain the downward pressure on yields. Retail sales were a disappointment in June, dropping 1.2%.

China's economic growth cooled to 7.6% in the 2nd quarter, this is roughly in line with market expectations and consistent with the consensus base view of a soft landing. The CPI inflation rate fell eight ticks in June to 2.2% year-over-year, its lowest level since January 2010. Inflation peaked at 6.5% last July.

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

CONCLUSION

The record low in yields across developed countries has left investors continuing to search for higher yielding instruments. Investors continue to discuss allocating funds away from core fixed income, particularly Treasuries, into higher yielding strategies such as Corporates (including High Yield and Bank Loans), Emerging Markets Debt, and other more illiquid strategies such as Direct Lending, Credit Opportunistic (such as non-Agency RMBS), Distressed Debt and Rescue Finance, and Mezzanine Debt.

The actions of reaching for yield often have negative consequences and the potential movement of funds becomes a somewhat delicate balancing act of reaching for yield but not overreaching. Also, the type of spread products outside of sovereign debt are starting to see meaningful flows which has the effect of compressing spreads and making them less attractive.

Pension funds realize that having a meaningful allocation to core fixed income type of instruments will make it difficult to reach their actuary assumed rates unless equities perform above double-digit types of returns. The 10-year U.S. Treasury once again dipped below 1.40% in July and so far the allocation by pension plans within the Core Fixed Income space has not hurt them as returns for the past 1 and 5 years are +7.3% and +6.9% respectively. In addition, the majority of core fixed income managers are underweight treasuries and overweight credit and mortgages giving them a yield advantage over the benchmark.

Another issue is that when volatility spikes up, and risk is “off” in the markets, treasuries are one of the few assets that rise in value. Something for investors to consider as they analyze their overall fixed income structure.

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Jul-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	0.99	-1.54	10.40	7.33	13.93	14.22	1.29	3.84	6.80
Russell TOP 200 Index	1.58	-0.38	11.69	10.41	14.67	13.53	1.05	3.57	5.61
Russell TOP 200 Growth Index	1.91	-1.32	12.99	11.53	17.27	15.25	4.02	5.09	6.06
Russell TOP 200 Value Index	1.25	0.63	10.39	9.30	12.11	11.82	-1.92	2.05	5.18
S&P 500 Index	1.39	-0.78	11.01	9.13	14.27	14.13	1.13	3.76	6.34
Russell 1000 Index	1.19	-1.40	10.68	7.96	14.14	14.26	1.26	3.87	6.66
Russell 1000 Growth Index	1.34	-2.58	11.55	8.26	16.22	15.35	3.46	4.99	6.77
Russell 1000 Value Index	1.03	-0.17	9.80	7.64	12.11	13.19	-1.06	2.65	6.42
Russell Mid-Cap Index	0.23	-3.86	8.22	2.28	12.85	16.20	1.87	4.69	9.60
Russell Mid-Cap Growth Index	-0.13	-5.72	7.96	0.67	13.95	15.99	2.34	4.96	9.57
Russell Mid-Cap Value Index	0.55	-2.08	8.38	3.81	11.89	16.45	1.13	4.16	9.35
Russell 2000 Index	-1.38	-3.31	7.03	0.19	11.43	13.71	1.69	3.48	8.62
Russell 2000 Growth Index	-1.74	-4.04	6.92	-0.51	13.43	14.51	2.72	4.45	9.01
Russell 2000 Value Index	-1.02	-2.59	7.13	0.89	9.36	12.83	0.52	2.41	8.11
DJ US REIT Index	1.90	2.63	17.09	13.38	19.07	29.99	4.04	5.16	11.09
DJ-UBS US Commodity Index TR	6.47	2.06	2.53	-11.40	3.72	4.56	-2.84	0.40	5.68
DJ-UBS US Gold Index TR	0.36	-3.39	2.30	-1.86	15.98	18.27	18.03	19.57	17.20

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Jul-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	1.44	-4.62	4.62	-11.73	2.00	4.63	-3.85	4.05	8.46
MSCI AC World Index	1.40	-2.99	7.49	-3.10	7.37	8.77	-1.60	3.90	7.35
MSCI EAFE Index	1.15	-4.02	4.56	-10.99	2.35	3.79	-5.14	2.52	6.84
MSCI Emerging Markets index	2.02	-5.83	6.22	-13.64	0.86	6.94	-0.43	9.63	15.56
ML Global Government Bond Ex. U.S. Index	1.85	1.40	1.11	1.10	7.03	7.41	8.94	6.90	7.46
Euro	-2.95	-6.95	-5.13	-14.30	-2.77	-4.58	-2.09	0.20	2.31
Japanese Yen	2.16	2.23	-1.49	-1.17	5.34	6.82	8.80	5.30	4.37
UK Pound Sterling	-0.10	-3.51	0.82	-4.55	0.02	-1.87	-5.07	-1.65	0.03

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Jul-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.03	0.05	0.07	0.10	0.12	0.90	1.97	1.85
BarCap Aggregate Bond Index	1.38	2.34	3.78	7.25	5.84	6.85	6.91	5.92	5.65
ML U.S. Corp/Govt Master Index	1.65	2.92	4.49	8.47	6.53	7.45	7.00	5.94	5.81
ML U.S. Corporate Master Index	2.81	3.92	7.81	9.70	8.28	10.22	7.95	6.51	6.88
BarCap Mortgage Backed Securities Index	0.80	1.24	2.47	4.84	4.34	5.39	6.69	5.91	5.36
ML U.S. High Yield Master Index	1.93	2.79	9.09	7.37	10.06	14.51	9.18	8.13	10.42
JPM EMBI Global	4.00	4.73	11.75	13.13	11.26	13.81	10.50	9.70	12.70

Below is an overview of the investment manager performance for selected periods:

Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	1.19%	-1.38%	5.56%	8.01%
D.E. Shaw Investment Management, LLC	1.69%	-1.43%	7.63%	10.36%
T. Rowe Price Associates	1.34%	-1.26%	5.79%	9.02%
Barrow, Hanley, Mewhinney & Strauss	0.68%	-1.77%	4.46%	5.85%
BlackRock Capital Management, Inc.	1.06%	-5.42%	2.81%	-1.57%
Large Cap Aggregate	1.15%	-2.41%	5.05%	5.62%
The Boston Company	-1.42%	-4.09%	0.22%	6.26%
Chartwell Investment Partners	-2.00%	-7.19%	-0.03%	1.63%
Jennison Associates	-1.46%	-4.55%	-2.35%	-1.04%
Small Cap Aggregate	-1.62%	-5.26%	-1.08%	1.45%
Artio Global Investors	N/A	N/A	N/A	N/A
Baillie Gifford	2.25%	-4.26%	N/A	N/A
Eaton Vance - Parametric	0.21%	-6.05%	N/A	N/A
Mondrian Investment Partners	0.18%	-3.37%	-1.62%	-8.69%
Pyramis Global Advisors -	0.89%	-7.71%	N/A	N/A
International Aggregate	0.94%	-4.42%	-1.44%	-12.23%
Total Equity	0.67%	-3.46%	2.11%	-0.78%
Aberdeen Asset Management	1.67%	2.81%	4.47%	8.81%
Angelo Gordon	N/A	2.82%	9.76%	7.13%
Brigade Capital Management	1.67%	2.31%	6.30%	7.97%
Brown Brothers Harriman	2.05%	3.25%	4.21%	10.56%
Franklin Templeton	2.48%	0.09%	3.94%	1.56%
Pyramis Global Advisors	1.66%	2.95%	4.09%	8.26%
Western Asset Management	2.05%	3.35%	8.88%	9.28%
Total Fixed Income	1.84%	2.41%	5.46%	7.44%
Private Equity (1)	N/A	7.61%	11.20%	3.50%
AQR's Global Risk Premium (Risk Parity)	N/A	-0.98%	0.76%	1.96%
AQR's Delta Fund (Hedge Fund)	N/A	0.03%	0.02%	0.04%
SSgA/SSARIS Commodity	6.60%	2.75%	8.31%	-0.64%
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	N/A	1.70%	3.50%	8.98%
Cash	0.05%	0.15%	0.37%	0.66%
Total Portfolio	1.09%	-1.29%	2.93%	1.78%

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending July 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
DOMESTIC EQUITY													
BLACKROCK RUSSELL 1000 INDEX FUND	145,654,149	1.19	-1.38	5.56	1.19	8.01	14.20	14.33	4.54	1.33	6.70	8.20	04/01/1995
DE SHAW INVESTMENT MGT, LLC	121,955,364	1.69	-1.43	7.63	1.69	10.36	15.66	15.18				15.18	08/01/2009
<i>RUSSELL 1000</i>		1.19	-1.40	5.54	1.19	7.96	14.14	14.26	4.47	1.26	6.66		
T. ROWE PRICE ASSOCIATES	118,115,906	1.34	-1.26	5.79	1.34	9.02	14.49	13.84				13.84	08/01/2009
<i>S&P 500</i>		1.39	-0.78	6.25	1.39	9.13	14.27	14.13				14.13	
BARROW HANLEY	163,277,421	0.68	-1.77	4.46	0.68	5.85	12.20	13.03				13.03	08/01/2009
<i>Russell 1000 Value Index</i>		1.03	-0.17	5.80	1.03	7.64	12.11	13.19				13.19	
BLACKROCK	166,539,803	1.06	-5.42	2.81	1.06	-1.57	10.28	11.47				11.47	08/01/2009
<i>Russell 1000 Growth Index</i>		1.34	-2.58	5.27	1.34	8.26	16.22	15.35				15.35	
LARGE CAP AGGREGATE	715,542,643	1.15	-2.41	5.05	1.15	5.62	12.99	13.08	3.07	0.13	6.08	7.85	04/01/1995
<i>RUSSELL 1000</i>		1.19	-1.40	5.54	1.19	7.96	14.14	14.26	4.47	1.26	6.66	8.17	
BOSTON COMPANY ASSET MGT, LLC	51,355,715	-1.42	-4.09	0.22	-1.42	6.26	10.84	13.63				13.63	08/01/2009
<i>RUSSELL 2000 VALUE</i>		-1.02	-2.59	0.45	-1.02	0.89	9.36	12.83				12.83	
CHARTWELL INVESTMENT MGMT	59,843,616	-2.00	-7.19	-0.03	-2.00	1.63	17.08	18.73	4.97	2.85		6.00	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		-1.74	-4.04	-0.52	-1.74	-0.51	13.43	14.51	4.41	2.72		4.97	
JENNISON ASSOCIATES	83,446,978	-1.46	-4.55	-2.35	-1.46	-1.04	13.45	16.87	6.27			6.30	04/01/2008
SMALL CAP AGGREGATE	194,646,309	-1.62	-5.26	-1.08	-1.62	1.45	13.89	16.66	4.51	0.11	7.05	4.83	07/01/1999
<i>RUSSELL 2000</i>		-1.38	-3.31	-0.03	-1.38	0.19	11.43	13.71	3.90	1.69	8.62	5.60	
DOMESTIC EQUITY AGGREGATE	910,188,953	0.55	-3.03	3.65	0.55	4.70	13.16	13.78	3.39	0.16	6.30	7.06	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMA</i>		0.60	-1.83	4.24	0.60	6.17	13.49	14.11	4.35	1.35	7.08		

San Mateo County

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STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
INTERNATIONAL EQUITY													
ARTIO GLOBAL INVESTOR	3,819,128												12/01/2004
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		1.86	-5.05	-0.78	1.86	-11.61	3.14	5.74	-2.72	-3.26		5.01	
BAILLIE GIFFORD OVERSEAS LIMITED	142,519,600	2.25	-4.26		2.25							-4.26	05/01/2012
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		1.86	-5.05		1.86							-5.05	
EATON VANCE MANAGEMENT	51,092,245	0.21	-6.05		0.21							-7.38	04/01/2012
<i>MSCI Em Markets (USD) GDR</i>		2.02	-5.83		2.02							-6.92	
MONDRIAN INVESTMENT PARTNERS	183,268,077	0.18	-3.37	-1.62	0.18	-8.69	3.18	4.88	-1.78	-3.46		4.88	12/01/2004
<i>MSCI ACWI EX US VALUE (GROSS)</i>		1.03	-4.19	-3.34	1.03	-11.87	0.81	3.49	-2.19	-4.49		4.55	
PYRAMIS	41,445,739	0.89	-7.71		0.89							-7.80	04/01/2012
<i>MSCI ACWI ex US Small Cap Gross</i>		0.59	-7.51		0.59							-8.24	
TOTAL INTERNATIONAL EQUITY	422,144,788	0.94	-4.42	-1.44	0.94	-12.23	1.06	3.02	-4.49	-5.73	6.10	5.01	10/01/1996
<i>MSCI AC WORLD ex US (GROSS)</i>		1.44	-4.62	-2.05	1.44	-11.73	2.00	4.63	-2.44	-3.85	8.46	4.91	
TOTAL EQUITY AGGREGATE	1,332,333,741	0.67	-3.46	2.11	0.67	-0.78	9.32	10.34	0.98	-1.62	6.13	6.69	04/01/1995
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		0.89	-2.75	2.12	0.89	-0.17	9.54	10.94	2.15	-0.31	7.23		
PRIVATE EQUITY													
ABRY ADVANCED SEC II LP	8,243,028	0.00	12.72	27.67	0.00	6.72						-5.56	06/01/2011
ABRY PARTNERS VII LP	2,235,148	0.00	6.73	11.71	0.00							12.21	09/01/2011
EMERGENCE CAPITAL PARTNERS III, LP	174,721	-27.20			-27.20							-27.20	07/01/2012
GENERAL CATALYST GROUP	244,214	-20.93	-20.93	-92.99	-20.93							-92.99	02/01/2012
NEW ENTERPRISE ASSOCIATES 14, LP	900,000	0.00			0.00							0.00	06/01/2012
REGIMENT CAPITAL FUND	5,413,547	1.07	1.07	1.94	1.07	4.95						4.95	08/01/2011
SYCAMORE PARTNERS LP	8,257,334												07/01/2012

San Mateo County

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STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
SHERIDAN PRODUCTION PARTNERS	2,094,001	0.00	10.15	-5.64	0.00	-0.09						-73.89	11/01/2010
<i>RUSSELL 3000 + 3%</i>		<i>1.24</i>	<i>-0.81</i>	<i>6.65</i>	<i>1.24</i>	<i>10.53</i>						<i>14.20</i>	
TOTAL PRIVATE EQUITY	27,561,993	-0.28	7.61	11.20	-0.28	3.50						-74.32	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		<i>1.24</i>	<i>-0.81</i>	<i>6.65</i>	<i>1.24</i>	<i>10.53</i>							
RISK PARITY													
AQR GLOBAL RISK PREM III LP	152,629,042	0.00	-0.98	0.76	0.00	1.96						6.68	03/01/2011
TOTAL RISK PARITY	152,629,042	0.00	-0.98	0.76	0.00	1.96						6.68	03/01/2011
<i>RISK PARITY BENCHMARK</i>		<i>1.15</i>	<i>0.07</i>	<i>4.33</i>	<i>1.15</i>	<i>7.77</i>							
HEDGE FUND													
AQR DELTA FUND II, L.P.	68,994,735	-0.00	0.03	0.02	-0.00	0.04						-0.31	06/01/2011
<i>LIBOR + 4%</i>		<i>0.35</i>	<i>1.05</i>	<i>2.10</i>	<i>0.35</i>	<i>4.26</i>						<i>4.25</i>	
HEDGE FUND COMPOSITE	68,994,735	-0.00	0.03	0.02	-0.00	0.04						-0.31	06/01/2011
<i>LIBOR + 4%</i>		<i>0.35</i>	<i>1.05</i>	<i>2.10</i>	<i>0.35</i>	<i>4.26</i>						<i>4.25</i>	
COMMODITIES													
SSGA MULTISOURCE ACT COMM NL	74,518,389	6.60	2.75	8.31	6.60	-0.64						-0.64	08/01/2011
TOTAL COMMODITIES	74,518,389	6.60	2.75	8.31	6.60	-0.64						-0.64	08/01/2011
<i>DJ-UBS COMMODITY</i>		<i>6.46</i>	<i>2.04</i>	<i>0.01</i>	<i>6.46</i>	<i>-11.45</i>						<i>-11.45</i>	
DOMESTIC FIXED INCOME													
ABERDEEN ASSET MANAGEMENT	113,787,291	1.67	2.81	4.47	1.67	8.81	8.06	10.15	6.97	5.53	5.24	6.31	06/01/2000
ANGELO GORDON GECC PPI FUND	30,212,117	0.00	2.82	9.76	0.00	7.13	14.25					17.29	12/01/2009

San Mateo County

Summary of Fund Performance With 4 Years

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Periods Ending July 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
PYRAMIS GLOBAL ADVISORS	92,858,401	1.66	2.95	4.09	1.66	8.26	7.36	9.13	8.91	7.55		6.74	02/01/2006
WESTERN ASSET MGMT	91,938,436	2.05	3.35	8.88	2.05	9.28	8.56	10.97	9.71	7.58		6.30	11/01/2004
<i>Barclays Aggregate Bond</i>		1.38	2.34	2.88	1.38	7.25	5.84	6.85	7.10	6.91	5.65		
BRIGADE CAPITAL MANAGEMENT	54,664,785	1.67	2.31	6.30	1.67	7.97	10.22					10.22	08/01/2010
<i>Barclays BA Intermediate HY Index</i>		1.99	3.09	5.97	1.99	9.04	10.14					10.14	
BROWN BROTHERS HARRIMAN & CO	82,739,951	2.05	3.25	4.21	2.05	10.56	11.07					11.07	08/01/2010
<i>Barclays US TIPS Index</i>		2.02	3.29	3.89	2.02	10.06	11.02					11.02	
INTERNATIONAL FIXED INCOME													
FRANKLIN TEMPLETON INVESTMENTS	108,702,671	2.48	0.09	3.94	2.48	1.56						5.45	01/01/2011
<i>Barclays Multiverse</i>		1.18	0.62	1.14	1.18	1.94						5.37	
TOTAL FIXED INCOME													
TOTAL FIXED INCOME AGGREGATE	574,903,652	1.84	2.41	5.46	1.84	7.44	8.13	10.23	8.65	6.98	5.86	6.25	01/01/1996
<i>SAMCERA TOTAL FIXED INCOME BENCH</i>		1.69	2.39	3.13	1.69	7.12	6.67	7.41	7.52	7.24	5.82	6.04	
REAL ESTATE													
INVESCO REAL ESTATE	146,917,122	0.00	1.70	3.50	0.00	8.98	16.62	8.03	-3.02	-0.79		5.97	10/01/2004
TOTAL REAL ESTATE AGGREGATE	146,917,122	0.00	1.70	3.50	0.00	8.98	16.62	8.03	-3.02	-0.79	7.63	7.58	01/01/1997
<i>SAMCERA NCREIF NFI ODCE EW (Gross)</i>		0.00	2.66	5.55	0.00	12.32	15.92	7.45	-2.73	-0.44	6.72	7.60	
CASH EQUIVALENTS													
SAMCERA GENERAL ACCOUNT	6,194,721	0.02	0.04	0.09	0.02	0.16	0.30	0.27	0.49	1.18	2.03	2.64	07/01/1999
SAMCERA TREASURY & LAIF	64,003,758	0.05	0.19	0.41	0.05	0.91	1.03	1.00	-0.21	0.62	1.92	3.32	07/01/1994

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending July 31, 2012



STATE STREET

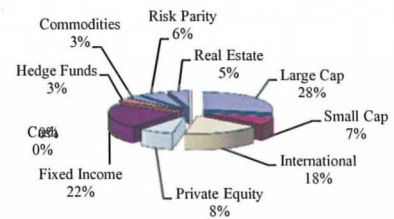
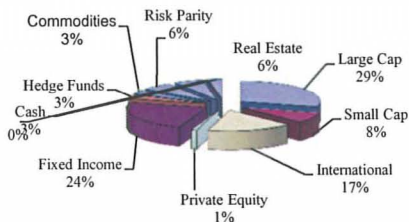
	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
TOTAL CASH AGGREGATE	70,198,479	0.05	0.15	0.37	0.05	0.66	0.84	0.85	-0.06	0.71	1.93	2.57	07/01/1999
91 DAY T-BILL		0.01	0.03	0.05	0.01	0.07	0.10	0.12	0.29	0.90	1.85	2.49	
TOTAL FUND													
TOTAL FUND	2,448,057,153	1.09	-1.29	2.93	1.09	1.78	9.36	10.08	3.01	1.02	6.30	6.13	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		1.21	-0.69	3.08	1.21	3.54	9.98	10.48	4.12	2.40	7.19	6.44	
ACTUARIAL DISCOUNT RATE		0.60	1.86	3.78	0.60	7.73	7.74	7.74	7.74	7.75	7.87		

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

Actual versus Target Allocation

Portfolio	Market Value	Allocation Current	Allocation Target *	Percentage Off Target	Rebalance Range
BlackRock Russell 1000	\$145,654,149	5.95%	6.50%	-0.55%	±3%
D.E. Shaw Investment Management, LLC	\$121,955,364	4.98%	4.25%	0.73%	±3%
T. Rowe Price Associates	\$118,115,906	4.82%	4.25%	0.57%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$163,277,421	6.67%	6.50%	0.17%	±3%
BlackRock Capital Management, Inc.	\$166,539,803	6.80%	6.50%	0.30%	±3%
Large Cap Aggregate	\$715,542,643	29.23%	28.00%	1.23%	
The Boston Company	\$51,355,715	2.10%	1.75%	0.35%	±3%
Chartwell Investment Partners	\$59,843,616	2.44%	1.75%	0.69%	±3%
Jennison Associates	\$83,446,978	3.41%	3.50%	-0.09%	±3%
Small Cap Aggregate	\$194,646,309	7.95%	7.00%	0.95%	
Artio Global	\$3,819,128	0.16%	0.00%	0.16%	±3%
Baillie Gifford	\$142,519,600	5.82%	6.00%	-0.18%	±3%
Eaton Vance - Parametrics Emerging Markets	\$51,092,245	2.09%	2.25%	-0.16%	±3%
Mondrian Investment Partners	\$183,268,077	7.49%	8.00%	-0.51%	±3%
Pyramis Global Advisors - Int'l. Small Cap	\$41,445,739	1.69%	1.75%	-0.06%	±3%
International Aggregate	\$422,144,789	17.24%	18.00%	-0.76%	±3%
Total Equity	\$1,332,333,741	54.42%	53.00%	1.42%	
Aberdeen Asset Management	\$113,787,291	4.65%	3.75%	0.90%	±2%
Angelo Gordon	\$30,212,117	1.23%	1.63%	-0.39%	±2%
Brigade Capital Management	\$54,664,785	2.23%	1.63%	0.61%	±2%
Brown Brothers Harriman	\$82,739,951	3.38%	3.00%	0.38%	±2%
Franklin Templeton	\$108,702,671	4.44%	4.50%	-0.06%	±2%
Pyramis Global Advisors	\$92,858,401	3.79%	3.75%	0.04%	±2%
Western Asset Management Company	\$91,938,436	3.76%	3.75%	0.01%	±2%
Total Fixed Income	\$574,903,652	23.48%	22.00%	1.48%	
Private Equity	\$27,711,993	1.13%	8.00%	-6.87%	N/A
AQR Global Risk Premium	\$152,629,042	6.23%	6.00%	0.23%	N/A
AQR Delta Fund (Hedge Fund)	\$68,994,735	2.82%	3.00%	-0.18%	N/A
SSGA/SSARIS Multisource Commodities	\$74,518,389	3.04%	3.00%	0.04%	N/A
Alternative Investments	\$323,854,159	13.23%	20.00%	-6.77%	
INVESCO Realty Advisors	\$146,917,122	6.00%	5.00%	1.00%	±2%
Cash	\$70,198,479	2.87%	0.00%	2.87%	
Total	\$2,448,207,153	100.00%	100.00%		

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



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Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change One Month	Prior Year	% Change One Year
BlackRock Russell 1000	\$145,654,149	\$153,943,277	-5.4%	\$108,140,565	34.7%
D.E. Shaw Investment Management, LLC	\$121,955,364	\$119,924,431	1.7%	\$103,500,280	17.8%
T. Rowe Price Associates	\$118,115,906	\$116,549,589	1.3%	\$102,025,057	15.8%
Barrow, Hanley, Mewhinney & Strauss	\$163,277,421	\$162,168,131	0.7%	\$144,314,087	13.1%
BlackRock Capital Management, Inc.	\$166,539,803	\$164,790,584	1.1%	\$155,220,030	7.3%
Large Cap Aggregate	\$715,542,643	\$717,376,012	-0.3%	\$613,200,018	16.7%
The Boston Company	\$51,355,715	\$52,097,130	-1.4%	\$44,054,415	16.6%
Chartwell Investment Partners	\$59,843,616	\$61,065,540	-2.0%	\$52,161,671	14.7%
Jennison Associates	\$83,446,978	\$84,679,437	-1.5%	\$92,484,975	-9.8%
Small Cap Aggregate	\$194,646,309	\$197,842,107	-1.6%	\$188,701,061	3.2%
Baillie Gifford - Funded on April 3rd	\$142,519,600	\$139,386,629	2.2%	\$0	N/A
Eaton Vance - Parametrics Emerging Markets	\$51,092,245	\$50,987,331	0.2%	\$0	N/A
Mondrian Investment Partners	\$182,940,496	\$182,935,474	0.0%	\$192,011,447	-4.7%
Artio Global Investor- Mgr Terminated 3-20-2012	\$3,819,128	\$3,832,423	-0.3%	\$183,313,991	-97.9%
Pyramis Global Advisors - Int'l. Small Cap	\$41,445,739	\$41,081,381	N/A	\$0	N/A
International Aggregate	\$422,144,789	\$418,223,238	0.9%	\$375,325,437	12.5%
Total Equity	\$1,332,333,741	\$1,333,441,357	-0.1%	\$1,177,226,516	13.2%
Aberdeen Asset Management	\$113,787,291	\$111,920,128	1.7%	\$104,983,039	8.4%
Angelo Gordon	\$30,212,117	\$30,071,839	0.5%	\$37,803,179	-20.1%
Brigade Capital Management	\$54,664,785	\$53,135,865	2.9%	\$49,134,510	11.3%
Brown Brothers Harriman	\$82,739,951	\$81,078,362	2.0%	\$75,682,202	9.3%
Franklin Templeton	\$108,702,671	\$106,075,069	2.5%	\$106,530,860	2.0%
Pyramis Global Advisors	\$92,858,401	\$91,338,815	1.7%	\$106,013,076	-12.4%
Western Asset Management Company	\$91,938,436	\$90,089,574	2.1%	\$104,138,931	-11.7%
Total Fixed Income	\$574,903,652	\$563,709,652	2.0%	\$584,285,796	-1.6%
Private Equity	\$27,711,993	\$19,287,369	43.7%	\$8,928,175	210.4%
Risk Parity	\$152,629,042	\$150,483,687	1.4%	\$150,245,200	1.6%
Hedge Funds	\$68,994,735	\$69,730,131	-1.1%	\$69,604,360	-0.9%
Commodities	\$74,518,389	\$69,902,427	6.6%	\$73,086,065	2.0%
Alternative Investments	\$323,854,159	\$309,403,614	4.7%	\$301,863,799	7.3%
INVESCO Realty Advisors	\$146,917,122	\$144,721,125	1.5%	\$126,673,968	16.0%
Cash	\$70,198,479	\$5,334,594	1215.9%	\$8,283,950	747.4%
Total	\$2,448,207,153	\$2,356,610,342	3.9%	\$2,198,334,030	11.4%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	54.4%	56.6%	-2.2%	53.6%	0.9%
Total Fixed Income	23.5%	23.9%	-0.4%	26.6%	-3.1%
Alternative Investments	13.2%	13.1%	0.1%	13.7%	-0.5%
Real Estate	6.0%	6.1%	-0.1%	5.8%	0.2%
Cash	2.9%	0.2%	2.6%	0.4%	2.5%
Total	100.0%	100.0%		100.0%	

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Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1)	Two Years	Three Years	Five Years	Ten Years
						One Month				
Equity Aggregate	\$1,332,333,741	0.67%	-3.46%	2.11%	-0.78%	0.67%	9.32%	10.34%	-1.62%	6.13%
Equity Composite Benchmark		0.89%	-2.75%	2.12%	-0.17%	0.89%	9.54%	10.94%	-0.31%	7.23%
Variance		-0.22%	-0.71%	-0.01%	-0.61%	-0.22%	-0.22%	-0.60%	-1.31%	-1.10%
Private Equity Aggregate	\$27,711,993	N/A	7.61%	11.20%	3.50%	N/A	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		N/A	-0.81%	6.65%	10.53%	N/A	N/A	N/A	N/A	N/A
Variance		N/A	8.42%	4.55%	-7.03%	N/A	N/A	N/A	N/A	N/A
Risk Parity Aggregate	\$152,629,042	N/A	-0.98%	0.76%	1.96%	N/A	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		N/A	0.07%	4.33%	7.77%	N/A	N/A	N/A	N/A	N/A
Variance		N/A	-1.05%	-3.57%	-5.81%	N/A	N/A	N/A	N/A	N/A
Hedge Fund Aggregate	\$68,994,735	N/A	0.03%	0.02%	0.04%	N/A	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		N/A	1.05%	2.10%	4.26%	N/A	N/A	N/A	N/A	N/A
Variance		N/A	-1.02%	-2.08%	-4.22%	N/A	N/A	N/A	N/A	N/A
Commodities	\$74,518,389	6.60%	2.75%	8.31%	-0.64%	6.60%	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		6.46%	2.04%	0.01%	-11.45%	6.46%	N/A	N/A	N/A	N/A
Variance		0.14%	0.71%	8.30%	10.81%	0.14%	N/A	N/A	N/A	N/A
Fixed Income Aggregate	\$574,903,652	1.84%	2.41%	5.46%	7.44%	1.84%	8.13%	10.23%	6.98%	5.86%
Fixed Income Composite Benchmark		1.69%	2.39%	3.13%	7.12%	1.69%	6.67%	7.41%	7.24%	5.82%
Variance		0.15%	0.02%	2.33%	0.32%	0.15%	1.46%	2.82%	-0.26%	0.04%
Real Estate Aggregate (2)	\$146,917,122	N/A	1.70%	3.50%	8.98%	N/A	16.62%	8.03%	-0.79%	7.63%
NCREIF NFI ODCE EW (Gross)		N/A	2.66%	5.55%	12.32%	N/A	15.92%	7.45%	-0.44%	6.72%
Variance		N/A	-0.96%	-2.05%	-3.34%	N/A	0.70%	0.58%	-0.35%	0.91%
Cash Aggregate	\$70,198,479	0.05%	0.15%	0.37%	0.66%	0.05%	0.84%	0.85%	0.71%	1.93%
91 Day Treasury Bill		0.01%	0.03%	0.05%	0.07%	0.01%	0.10%	0.12%	0.90%	1.85%
Variance		0.04%	0.12%	0.32%	0.59%	0.04%	0.74%	0.73%	-0.19%	0.08%
Total Fund Returns	\$2,448,207,153	1.09%	-1.29%	2.93%	1.78%	1.09%	9.36%	10.08%	1.02%	6.30%
Total Plan Policy Benchmark		1.21%	-0.69%	3.08%	3.54%	1.21%	9.98%	10.48%	2.40%	7.19%
Variance		-0.12%	-0.60%	-0.15%	-1.76%	-0.12%	-0.62%	-0.40%	-1.38%	-0.89%

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,448,207,153	1.09%	-1.29%	2.93%	1.78%	1.09%	9.36%	10.08%	1.02%	6.30%
Actuarial Discount Rate		0.60%	1.86%	3.78%	7.73%	0.60%	7.74%	7.74%	7.75%	7.87%
Variance		0.49%	-3.15%	-0.85%	-5.95%	0.49%	1.62%	2.34%	-6.73%	-1.57%

(1) SanCERAS Fiscal Year is 7/1 through 6/30

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

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Manager & Benchmark Performance

Manager Performance

Portfolio	(1)									
	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date One Month	One Year	Two Years	Three Years	Five Years	Ten Years
BlackRock Russell 1000	1.19%	-1.38%	5.56%	8.01%	1.19%	8.01%	14.20%	14.33%	1.33%	6.70%
D.E. Shaw Investment Management, LLC	1.69%	-1.43%	7.63%	10.36%	1.69%	10.36%	15.66%	15.18%	N/A	N/A
T. Rowe Price Associates	1.34%	-1.26%	5.79%	9.02%	1.34%	9.02%	14.49%	13.84%	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	0.68%	-1.77%	4.46%	5.85%	0.68%	5.85%	12.20%	13.03%	N/A	N/A
BlackRock Capital Management, Inc.	1.06%	-5.42%	2.81%	-1.57%	1.06%	-1.57%	10.28%	11.47%	N/A	N/A
Large Cap Aggregate	1.15%	-2.41%	5.05%	5.62%	1.15%	5.62%	12.99%	13.08%	0.13%	6.08%
The Boston Company	-1.42%	-4.09%	0.22%	6.26%	-1.42%	6.26%	10.84%	13.63%	N/A	N/A
Chartwell Investment Partners	-2.00%	-7.19%	-0.03%	1.63%	-2.00%	1.63%	17.08%	18.73%	2.85%	N/A
Jennison Associates	-1.46%	-4.55%	-2.35%	-1.04%	-1.46%	-1.04%	13.45%	16.87%	N/A	N/A
Small Cap Aggregate	-1.62%	-5.26%	-1.08%	1.45%	-1.62%	1.45%	13.89%	16.66%	0.11%	7.05%
Baillie Gifford	2.25%	-4.26%	N/A	N/A	2.25%	N/A	N/A	N/A	N/A	N/A
Eaton Vance - Parametrics Emerging Markets	0.21%	-6.05%	N/A	N/A	0.21%	N/A	N/A	N/A	N/A	N/A
Mondrian Investment Partners	0.18%	-3.37%	-1.62%	-8.69%	0.18%	-8.69%	3.18%	4.88%	-3.46%	N/A
Pyramis Global Advisors - Int'l. Small Cap	0.89%	-7.71%	N/A	N/A	0.89%	N/A	N/A	N/A	N/A	N/A
International Aggregate	0.94%	-4.42%	-1.44%	-12.23%	0.94%	-12.23%	1.06%	3.02%	-5.73%	6.10%
Total Equity	0.67%	-3.46%	2.11%	-0.78%	0.67%	-0.78%	9.32%	10.34%	-1.62%	6.13%
Aberdeen Asset Management	1.67%	2.81%	4.47%	8.81%	1.67%	8.81%	8.06%	10.15%	5.53%	5.24%
Angelo Gordon	N/A	2.82%	9.76%	7.13%	N/A	7.13%	14.25%	N/A	N/A	N/A
Brigade Capital Management	1.67%	2.31%	6.30%	7.97%	1.67%	7.97%	10.22%	N/A	N/A	N/A
Brown Brothers Harriman	2.05%	3.25%	4.21%	10.56%	2.05%	10.56%	11.07%	N/A	N/A	N/A
Franklin Templeton	2.48%	0.09%	3.94%	1.56%	2.48%	1.56%	N/A	N/A	N/A	N/A
Pyramis Global Advisors	1.66%	2.95%	4.09%	8.26%	1.66%	8.26%	7.36%	9.13%	7.55%	N/A
Western Asset Management Company	2.05%	3.35%	8.88%	9.28%	2.05%	9.28%	8.56%	10.97%	7.58%	N/A
Total Fixed Income	1.84%	2.41%	5.46%	7.44%	1.84%	7.44%	8.13%	10.23%	6.98%	5.86%
Private Equity	N/A	7.61%	11.20%	3.50%	N/A	3.50%	N/A	N/A	N/A	N/A
Risk Parity	N/A	-0.98%	0.76%	1.96%	N/A	1.96%	N/A	N/A	N/A	N/A
Hedge Funds	N/A	0.03%	0.02%	0.04%	N/A	0.04%	N/A	N/A	N/A	N/A
Commodities	6.60%	2.75%	8.31%	-0.64%	6.60%	-0.64%	N/A	N/A	N/A	N/A
Alternative Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO Realty Advisors	N/A	1.70%	3.50%	7.73%	N/A	7.73%	16.62%	8.03%	-0.79%	6.59%
Cash	0.05%	0.15%	0.37%	0.66%	0.05%	0.66%	0.84%	0.85%	0.71%	1.93%
Total	1.09%	-1.29%	2.93%	1.78%	1.09%	1.78%	9.36%	10.08%	1.02%	6.30%

Benchmark Performance

Russell 1000	1.19%	-1.40%	5.54%	7.96%	1.19%	7.96%	14.14%	14.26%	1.26%	6.66%
S&P 500	1.39%	-0.78%	6.25%	9.13%	1.39%	9.13%	14.27%	14.13%	N/A	N/A
Russell 1000 Value	1.03%	-0.17%	5.80%	7.64%	1.03%	7.64%	12.11%	13.19%	N/A	N/A
Russell 1000 Growth	1.34%	-2.58%	5.27%	8.26%	1.34%	8.26%	16.22%	15.35%	N/A	N/A
Russell 2000	-1.38%	-3.31%	-0.03%	0.19%	-1.38%	0.19%	11.43%	13.71%	1.69%	8.62%
Russell 2000 Value	-1.02%	-2.59%	0.45%	0.89%	-1.02%	0.89%	9.36%	12.83%	N/A	N/A
Russell 2000 Growth	-1.74%	-4.04%	-0.52%	-0.51%	-1.74%	-0.51%	13.43%	14.51%	2.72%	N/A
MSCI ACWI ex US (Gross)	1.44%	-4.62%	-2.05%	-11.73%	1.44%	-11.73%	2.00%	4.63%	-3.85%	8.46%
MSCI ACWI ex US Growth (Gross)	1.86%	-5.05%	N/A	N/A	1.86%	N/A	N/A	N/A	N/A	N/A
MSCI ACWI ex US Value (Gross)	1.03%	-4.19%	-3.34%	-11.87%	1.03%	-11.87%	0.81%	3.49%	-4.49%	N/A
MSCI Em Markets (USD)	2.02%	-5.83%	N/A	N/A	2.02%	N/A	N/A	N/A	N/A	N/A
MSCI ACWI ex US Small Cap Gross	0.59%	-7.51%	N/A	N/A	0.59%	N/A	N/A	N/A	N/A	N/A
Russell 3000 + 3% (Private Equity)	N/A	-0.81%	6.65%	10.53%	N/A	10.53%	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	N/A	0.07%	4.43%	7.77%	N/A	7.77%	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	N/A	1.05%	2.10%	4.26%	N/A	4.26%	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	6.46%	2.04%	0.01%	-11.45%	6.46%	-11.45%	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	1.38%	2.34%	2.88%	7.25%	1.38%	7.25%	5.84%	6.85%	6.91%	5.65%
Barclays U.S. TIPS Index	2.02%	3.29%	3.89%	10.06%	2.02%	10.06%	11.02%	N/A	N/A	N/A
BC BA Intermediate High Yield Index	1.99%	3.09%	5.97%	9.04%	1.99%	9.04%	10.14%	N/A	N/A	N/A
Barclays Capital Multiverse Index	1.18%	0.62%	1.14%	1.94%	1.18%	1.94%	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	N/A	2.66%	5.55%	12.32%	N/A	12.32%	15.92%	7.45%	-0.44%	6.72%
91 Day Treasury Bill	0.01%	0.03%	0.05%	0.07%	0.01%	0.07%	0.10%	0.12%	0.90%	1.85%
SamCERA Plan Policy Benchmark	1.21%	-0.69%	3.08%	3.54%	1.21%	3.54%	9.98%	10.48%	2.40%	7.19%
SamCERA Actuarial Discount Rate	0.60%	1.86%	3.78%	7.73%	0.60%	7.73%	7.74%	7.74%	7.75%	7.87%

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

(2) Refer to page 13 for benchmark details

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Realized & Unrealized Gain / (Loss)

Portfolio	Beginning Book Balance As of 07/01/2012	(1) Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Book Balance As of 07/31/2012	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending Market Value As of 07/31/2012
BlackRock Russell 1000	\$127,522,003.00	1,716,299	(10,000,000)	\$119,238,302.43	\$26,421,273	(\$5,427)	\$145,654,149
D.E. Shaw Investment Management LLC	\$111,596,763.76	641,686		\$112,238,449.58	\$8,327,667	\$1,389,247	\$121,955,364
T. Rowe Price Associates	\$96,280,828.30	188,336		\$96,469,163.88	\$20,268,761	\$1,377,981	\$118,115,906
Barrow Hanley	\$132,934,814.16	294,227		\$133,229,041.42	\$29,233,317	\$815,062	\$163,277,421
BlackRock	\$140,210,523.86	(575,574)		\$139,634,949.38	\$24,580,061	\$2,324,794	\$166,539,804
The Boston Company	\$47,157,390.99	(61,927)		\$47,095,463.65	\$4,939,739	(\$679,488)	\$51,355,715
Chartwell Investment Partners	\$53,353,681.05	1,293,024		\$54,646,704.93	\$7,711,859	(\$2,514,948)	\$59,843,616
Jennison Associates	\$73,442,059.06	941,814		\$74,383,873.22	\$11,237,378	(\$2,174,273)	\$83,446,978
Artio Global Investors	\$3,881,475.33	60		\$3,881,535.09	(\$49,052)	(\$13,355)	\$3,819,128
Baillie Gifford	\$150,718,166.74	(1,125,393)		\$149,592,773.92	(\$11,331,537)	\$4,258,364	\$142,519,600
Eaton Vance - Parametrics	\$55,000,000.00			\$55,000,000.00	(\$4,012,669)	\$104,913	\$51,092,245
Mondrian Investment Partners	\$204,956,669.00	300,449	2,069	\$205,259,186.43	(\$22,016,173)	\$25,063	\$183,268,077
Pyramis Global Advisors - Int'l Small Cap	\$45,000,000.00			\$45,000,000.00	(\$3,918,618)	\$364,358	\$41,445,740
Aberdeen Asset Management	\$110,872,478.55	628,711		\$111,501,189.21	\$1,047,650	\$1,238,452	\$113,787,291
Angelo Gordon	\$20,805,749.00		(1,008,000)	\$19,797,749.00	\$9,266,090	\$1,148,278	\$30,212,117
Bridage Capital Management	\$45,000,000.00	0		\$45,000,000.00	\$8,766,675	\$898,110	\$54,664,785
Brown Brothers Harriman	\$77,611,879.07	190,285		\$77,802,164.55	\$3,466,483	\$1,471,304	\$82,739,951
Franklin Templeton Investments	\$107,284,238.06	707,342		\$107,991,580.00	(\$1,209,169)	\$1,920,260	\$108,702,671
Pyramis Global Advisors - Core Bond	\$61,020,021.70			\$61,020,021.70	\$30,318,793	\$1,519,586	\$92,858,401
Western Asset Management Company	\$88,241,048.16	499,506		\$88,740,554.30	\$1,827,278	\$1,370,604	\$91,938,436
Private Equity	\$18,717,962.60	499,506	8,347,273	\$26,992,415.85	\$0	\$719,577	\$27,711,993
AQR's Global Risk Premium	\$151,925,153.00	(163,429)		\$151,761,724.00	(\$1,441,466)	\$2,308,784	\$152,629,042
AQR's Delta Fund (Hedge Fund)	\$70,577,270.00	(735,282)		\$69,841,988.00	(\$847,139)	(\$114)	\$68,994,735
SSGA/SSARIS Multisource Commodities	\$75,000,000.00			\$75,000,000.00	(5,097,573)	\$4,615,961.97	\$74,518,389
INVESCO Core US Real Estate Fund	\$140,195,340.86	1,264,750		\$141,460,090.58	\$4,525,784	\$931,247	\$146,917,122
Cash	\$5,986,311.18	(361,339)	64,573,121	\$70,198,093.95	\$0	\$385	\$70,198,479
Total	\$2,215,291,827.43	\$6,143,050.17	\$61,914,463.22	\$2,282,777,015.07	\$142,015,411.52	\$23,414,727.53	\$2,448,207,154.12

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

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

Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning Market Value Balance As of 07/01/2012	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Market Value Balance As of 07/31/2012	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	\$127,522,003	\$1,716,299	-\$10,000,000	\$145,654,149	1.19%	1.19%
D.E. Shaw Investment Management, LLC	\$111,596,764	\$641,686	\$0	\$121,955,364	1.69%	1.19%
T. Rowe Price Associates	\$96,280,828	\$188,336	\$0	\$118,115,906	1.34%	1.39%
Barrow, Hanley, Mewhinney & Strauss	\$132,934,814	\$294,227	\$0	\$163,277,421	0.68%	1.03%
BlackRock Capital Management, Inc.	\$140,210,524	-\$575,574	\$0	\$166,539,804	1.06%	1.34%
The Boston Company	\$47,157,391	-\$61,927	\$0	\$51,355,715	-1.42%	-1.02%
Chartwell Investment Partners	\$53,353,681	\$1,293,024	\$0	\$59,843,616	-2.00%	-1.74%
Jennison Associates	\$73,442,059	\$941,814	\$0	\$83,446,978	-1.46%	-1.38%
Artio Global	\$3,881,475	\$60	\$0	\$3,819,128	N/A	N/A
Baillie Gifford (Funded Aril 3rd)	\$150,718,167	-\$1,125,393	\$0	\$142,519,600	2.25%	1.86%
Eaton Vance - Parametrics Emerging Markets	\$55,000,000	\$0	\$0	\$51,092,245	0.21%	2.02%
Mondrian Investment Partners	\$204,956,669	\$300,449	\$2,069	\$183,268,077	0.18%	1.03%
Pyramis Global Advisors - Int'l. Small Cap	\$45,000,000	\$0	\$0	\$41,445,740	0.89%	0.59%
Aberdeen Asset Management	\$110,872,479	\$628,711	\$0	\$113,787,291	1.67%	1.38%
Angelo Gordon	\$20,805,749	\$0	-\$1,008,000	\$30,212,117	N/A	1.38%
Brigade Capital Management	\$45,000,000	\$0	\$0	\$54,664,785	1.67%	1.99%
Brown Brothers Harriman	\$77,611,879	\$190,285	\$0	\$82,739,951	2.05%	2.02%
Franklin Templeton	\$107,284,238	\$707,342	\$0	\$108,702,671	2.48%	1.18%
Pyramis Global Advisors	\$61,020,022	\$0	\$0	\$92,858,401	1.66%	1.38%
Western Asset Management Company	\$88,241,048	\$499,506	\$0	\$91,938,436	2.05%	1.38%
Private Equity	\$18,717,963	\$499,506	\$8,347,273	\$27,711,993	N/A	N/A
AQR Global Risk Premium	\$151,925,153	-\$163,429	\$0	\$152,629,042	N/A	N/A
AQR Delta Fund (Hedge Fund)	\$70,577,270	-\$735,282	\$0	\$68,994,735	N/A	N/A
SSGA/SSARIS Multisource Commodities	\$27,711,993	\$0	\$0	\$74,518,389	6.60%	6.46%
INVESCO Realty Advisors	\$140,195,341	\$1,264,750	\$0	\$146,917,122	N/A	N/A
Cash	\$5,986,311	-\$361,339	\$64,573,121	\$70,198,479	0.05%	0.01%
Total	\$2,168,003,820	\$6,143,050	\$61,914,463	\$2,448,207,154	1.09%	1.21%

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

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending July 31, 2012

Professional Services Fees

Investment Management Fees	Market Value As of 07/31/2012	Actual 7/31/2012	Estimated 9/30/2012	12/31/2012	3/31/2013	6/30/2013	Actual Fiscal Year 2012/2013	Estimated Annual Fee
BlackRock Russell 1000	\$ 145,654,149.00	\$6,182	\$18,545				\$6,182	\$80,000
D.E. Shaw Investment Management, LLC	\$ 121,955,364.00	\$50,916	\$152,749				\$50,916	\$700,000
T. Rowe Price Associates	\$ 118,115,906.00	\$34,450	\$103,351				\$34,450	\$480,000
Barrow, Hanley, Mewhinney & Strauss	\$ 163,277,421.00	\$60,540	\$181,619				\$60,540	\$820,000
BlackRock Capital Management, Inc.	\$ 166,539,803.00	\$63,847	\$191,540				\$63,847	\$880,000
The Boston Company	\$ 51,355,715.00	\$36,320	\$108,961				\$36,320	\$500,000
Chartwell Investment Partners	\$ 59,843,616.00	\$37,402	\$112,207				\$37,402	\$540,000
Jennison Associates	\$ 83,446,978.00	\$57,011	\$171,032				\$57,011	\$800,000
Baillie Gifford	\$ 142,519,600.00	\$57,923	\$173,770				\$57,923	\$800,000
Eaton Vance - Parametrics Emerging Markets	\$ 51,092,245.00	\$45,207	\$135,620				\$45,207	\$640,000
Mondrian Investment Partners	\$ 183,268,077.00	\$28,186	\$84,559				\$28,186	\$400,000
Pyramis Global Advisors - Int'l. Small Cap	\$ 41,445,739.00	\$24,396	\$73,188				\$24,396	\$440,000
Aberdeen Asset Management	\$ 113,787,291.00	\$25,974	\$77,923				\$25,974	\$360,000
Angelo Gordon	\$ 30,212,117.00	\$29,167	\$87,500				\$29,167	\$340,000
Brigade Capital Management	\$ 54,664,785.00	\$35,844	\$107,533				\$35,844	\$460,000
Brown Brothers Harriman	\$ 82,739,951.00	\$10,342	\$31,027				\$10,342	\$120,000
Franklin Templeton	\$ 108,702,671.00	\$35,509	\$106,527				\$35,509	\$440,000
Pyramis Global Advisors	\$ 92,858,401.00	\$14,584	\$43,751				\$14,584	\$180,000
Western Asset Management Company	\$ 91,938,436.00	\$22,985	\$68,954				\$22,985	\$280,000
Private Equity	\$ 27,711,993.00	\$0	\$0				\$0	N/A
AQR' Global Risk Premium (Risk Parity)	\$ 152,629,042.00	\$50,161	\$150,483				\$50,161	N/A
AQR's Delta Fund (Hedge Fund)	\$ 68,994,735.00	\$57,968	\$173,904				\$57,968	N/A
Ssga/SSARIS Commodities	\$ 74,518,389.00	\$32,976	\$98,927				\$32,976	N/A
INVESCO Realty Advisors	\$ 146,917,122.00	\$51,345	\$154,035				\$51,345	\$700,000
Sub-Total	\$27,711,993	\$869,235	\$2,607,705		\$0	\$0	\$869,235	\$9,960,000
Investment Consultant Fees								
Strategic Investment Solutions		\$33,333	\$100,000				\$33,333	\$400,000
Global Custodian Fees								
State Street Bank & Trust		\$54,000	\$54,000				\$54,000	\$200,000
Actuarial Consultant Fees								
Milliman, Inc.		\$1,250	\$3,750				\$1,250	\$74,000
Sub-Total		\$88,583	\$157,750		\$0	\$0	\$88,583	\$674,000
Total		\$957,818	\$2,765,455		\$0	\$0	\$957,818	\$10,634,000

**San Mateo County
Benchmark History**

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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 6.2

To: Board of Retirement



From: Michael Coultrip, Chief Investment Officer

Subject: Annual Review, Revision & Reaffirmation of the Investment Committee Charter

STAFF RECOMMENDATION: Staff recommends that the Investment Committee review its charter and make revisions as necessary. Should the committee reaffirm its commitment to RESOLUTION 99-00-09 (as amended), it should recommend that the board do the same.

STAFF COMMENTS: The Board of Retirement 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 do to amendments to the board's regulations.

The Investment Committee Charter is attached to this agenda item.

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

August 28, 2012

Agenda Item 6.3

To: Board of Retirement



From: Michael Coultrip, Chief Investment Officer

Subject: Discussion of SamCERA's Investment Policy Redraft Process

STAFF RECOMMENDATION: Staff recommends that the Investment Committee discuss the preferred approach for reviewing and updating the Investment Policy. Staff also recommends that the Committee begin with the Investment Philosophy and Investment Objectives sections first as these will set the stage for updating the rest of the Policy. The current versions of both of these sections are copied below for your convenience.

COMMENT: The Investment Committee's work plan calls for an annual review of *SamCERA's* Investment Policy. That annual review was suspended due to multiple changes to the portfolio structure that the board has undertaken. *SamCERA's* Investment Policy was last reviewed in January 2012. Today's agenda item is intended to begin the process of developing a new investment policy that incorporates those changes.

Attached to this agenda item is *SamCERA's* current Investment Policy.

4.0 INVESTMENT PHILOSOPHY

4.1 The board acknowledges the historical data demonstrating that the most successful strategy for minimizing risk, while capturing market returns, is a prudently diversified portfolio.

4.2 Therefore, the retirement fund should be invested across the spectrum of institutional grade Asset Classes.

4.3 The board acknowledges that the asset allocation targets reflect a long-term view of the market.

4.4 The board acknowledges that professional management of the retirement fund is expected to add value to the portfolio, by capitalizing on inefficiencies in the markets.

4.5 The board takes responsibility for allocating across asset classes and across styles within asset classes, but does not substitute its judgment for the professional judgment of those managers it retains.

4.6 The board believes that interest, dividends and capital appreciation must be pursued and captured, if the actuarial funding objectives of the retirement fund are to be achieved.

4.7 The board is not a market-timer (shifting asset class allocations dramatically over short time spans), because it realizes this strategy is seldom successful and has the potential for dramatic losses and opportunity costs.

4.8 The board views short-term cash equivalents as insignificant contributors to real returns in the long run.

4.9 The board is responsible for keeping the lines of communication open and the *Investment Policy* on target.

4.10 The board recognizes the need for manager investment guidelines will be somewhere along a line from specific to general depending upon the asset class and investment style.

6.0 INVESTMENT OBJECTIVES

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

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

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

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

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

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

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

SamCERA's Investment Policy

as revised
January 2012

SamCERA

San Mateo County Employees' Retirement Association



SamCERA's Investment Policy

Part One

POLICY PERSPECTIVES

1.0 INTRODUCTION

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944.

The nine-member Board of Retirement is composed of the County Treasurer, four trustees appointed by the Board of Supervisors and four trustees elected from the membership. The trustees' three-year terms are staggered to provide for continuity in the management of the association.

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

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

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

Appendix A is a chronological account of *SamCERA's* investment program since 1981.

2.0 ACTUARIAL LIABILITIES

- Under GASB 25, investments are stated at fair market value instead of cost and include the recognition of unrealized gains and losses in the current period. These gains and losses are held in the Market Stabilization Account, an account established in 1996, as recommended by William M. Mercer, *SamCERA's* actuary. Initially, these gains and losses were only allocated to the Market Stabilization Account until the actual gains and losses were realized by the sale of the investment asset. However, with the implementation of the five-year smoothing methodology, a portion of these unrealized gains and losses is recognized and allocated to all other reserves.

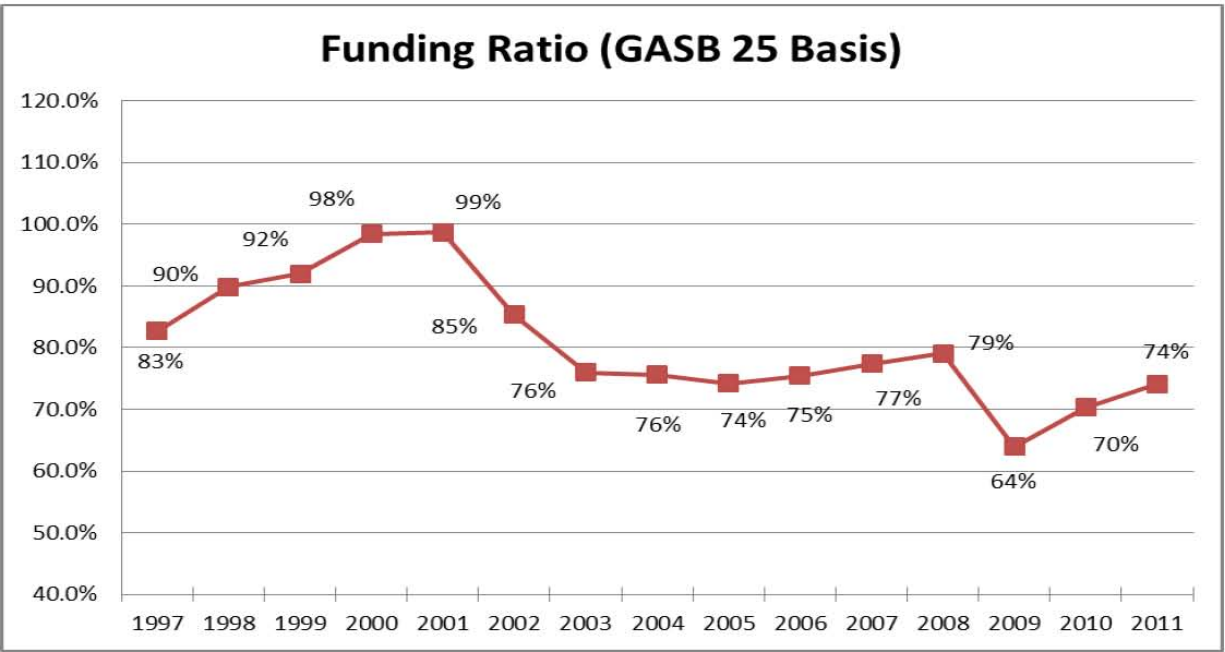
To prevent the smoothed value from deviating significantly from the actual market value, the Board of Retirement adopted a policy in 2002 that the smoothed value cannot be less than 80% nor greater than 120% of market value. If the smoothed value is greater than 120%, then the market losses (or market gain if less than 80%) have to be recognized immediately.

- A schedule of funding progress presents a consolidated snapshot of a retirement system's ability to meet current and future liabilities with the assets of the plan. Of particular interest to most is the funded status ratio. This ratio quickly conveys a retirement system's level of assets to liabilities, which is important in determining the financial health of a retirement system. The closer a retirement system is to a 100% funded status, the better position it will be in to meet all of its future liabilities. *SamCERA* currently has an unfunded actuarial accrued liability (UAAL), resulting from actuarial accrued liabilities (AAL) exceeding the actuarially determined value of assets. *SamCERA* is funding the UAAL over a moving 15-year amortization period.

- In this environment, it is essential that the retirement fund be fully diversified across the full-range of institutional investment grade assets and that opportunities to achieve capital appreciation be pursued and captured. It continues to be critical for the board to focus on optimizing investment return vs. risk.

SamCERA's Funding Ratio History

June 30 th	Actuarial Value of Assets/ Actuarial Accrued Liability (GASB 25)
2011	74.1%
2010	70.3%
2009	63.9%
2008	79.1%
2007	77.4%
2006	75.4%
2005	74.2%
2004	75.6%
2003	76.0%
2002	85.3%
2001	98.6%
2000	98.4%
1999	92.0%
1998	89.9%
1997	82.6%
1996	75.6%
1995	68.9%
1994	67.3%



3.0 ACCEPTABLE RISK

SamCERA adheres to the twenty recommendations of the Risk Standards Working Group (See Appendix B) that are appropriate for a pension fund with *SamCERA*'s profile.

A prudent fiduciary wants to sleep well at night. "Sleeping well" can be articulated as one's comfort level in the face of an uncertain future. The board has defined its comfort level as an annualized tracking error of $\pm 3\%$ around the aggregate target rate of return. "Tracking error" means the excess standard deviation of return between the actual performance of the fund and the performance of the aggregate target benchmark. This level of conservatism is in line with other public pension plans of comparable size. *SamCERA*'s actuarial realities require that the board confront the challenges before it. To the fullest extent possible, this investment policy incorporates the concerns of each of *SamCERA*'s nine trustees. The risk-adjusted return assumptions behind this investment policy represent the best thinking of experts in the various asset classes, tempered by the trustees' contributions to each element of the policy.

The adopted asset allocation set forth in Section 8.0 encompasses the board's conclusions regarding the proper mix of assets to minimize risk for the targeted rate of expected returns. The mix of asset classes and styles outlined in the asset allocation defines the aggregate target benchmark for the entire plan. This "aggregate target" has its own risk/return profile, which over the long run is appropriate for the San Mateo County Employees' Retirement Association.

Historical analysis indicates that for the vast majority of pension funds, the asset allocation decision is the single most important decision that trustees can make. The asset allocation decision is likely to predetermine as much as 90% of a portfolio's real return.*

Consequently, the board conducts periodic asset liability modeling studies, which evaluate the expected returns vs. expected risk of each asset class and then generate a series of potential optimum portfolios along the efficient risk/return frontier. The most recent study was accepted by the board in August 24, 2010.

STRATEGIC INVESTMENT SOLUTIONS PROJECTED PORTFOLIO EXPECTATIONS

Portfolio	Return	Standard Deviation	Cash	Large Stocks	Small Stocks	Int'l Stocks	Real Estate	US Bonds	Global Bonds	Private Equity	Commodities	Hedge Fund	Risk Parity
<i>Prior</i>	7.6	12.3	0	37	9	21	6	27	0	0	0	0	0
CURRENT	8.0	13.8	0	28	7	18	5	17.5	4.5	8	3	3	6
Return			2.0	8.2	8.5	8.7	6.7	3.3	3.4	10.7	4.3	6.0	8.4
Standard Deviation			1.0	18.0	21.0	18.5	18.5	4.5	7.6	35.0	30.0	12.0	14.4

* *Determinants of Portfolio Performance II: An Update*, Gary P. Brinson, Brian D. Singer and Gilbert Beebower, *Financial Analysts Journal*, May/June 1991. The article is an update of an earlier study by Gary P. Brinson, L. Randolph Hood and Gilbert Beebower that was published in the July/August 1986 issue of the same journal.

Reverse Optimization Allocation Analysis

SamCERA's Portfolio Asset Allocation
Accepted August 24, 2010

Asset Class	Former	Current
Large Cap Equity	37.0	28.0
Small Cap Equity	9.0	7.0
International Equity	21.0	18.0
Domestic Bonds	27.0	17.5
Global Bonds	0.0	4.5
Private Equity	0.0	8.0
Commodities	0.0	3.0
Hedge Funds	0.0	3.0
Risk Parity	0.0	6.0
Real Estate	6.0	5.0
Cash	0.0	0.0
Expected Return	7.6	8.13
Expected Risk	12.3	11.24

4.0 INVESTMENT PHILOSOPHY

4.1 The board acknowledges the historical data demonstrating that the most successful strategy for minimizing risk, while capturing market returns, is a prudently diversified portfolio.

4.2 Therefore, the retirement fund should be invested across the spectrum of institutional grade Asset Classes.

4.3 The board acknowledges that the asset allocation targets reflect a long-term view of the market.

4.4 The board acknowledges that professional management of the retirement fund is expected to add value to the portfolio, by capitalizing on inefficiencies in the markets.

4.5 The board takes responsibility for allocating across asset classes and across styles within asset classes, but does not substitute its judgment for the professional judgment of those managers it retains.

4.6 The board believes that interest, dividends and capital appreciation must be pursued and captured, if the actuarial funding objectives of the retirement fund are to be achieved.

4.7 The board is not a market-timer (shifting asset class allocations dramatically over short time spans), because it realizes this strategy is seldom successful and has the potential for dramatic losses and opportunity costs.

4.8 The board views short-term cash equivalents as insignificant contributors to real returns in the long run.

4.9 The board is responsible for keeping the lines of communication open and the *Investment Policy* on target.

4.10 The board recognizes the need for manager investment guidelines will be somewhere along a line from specific to general depending upon the asset class and investment style.

Part Two

PORTFOLIO MANAGEMENT

5.0 INVESTMENT POLICY

It is the Investment Policy of the Board of Retirement to:

- 5.1 Pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 7 of this Investment Plan.
- 5.2 Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 8.
- 5.3 Reevaluate the asset allocation study at least once every three-years, except as provided for in Section 17.
- 5.4 Retain the most qualified investment managers with demonstrated expertise in the management of institutional pension funds, as provided for in Part Three.
- 5.5 Delegate full discretion to each investment manager, to the extent authorized in Parts Three & Four.
- 5.6 Adopt objectives which encourage the investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark, as set forth in Part Three.
- 5.7 Refrain from dramatically shifting asset class allocations over short time spans.
- 5.8 Discourage the use of cash equivalents, except for liquidity purposes, as provided for in Part Three.
- 5.9 Monitor the performance of its investment managers, relative to their assigned custom benchmarks to assure their conformance with the provisions of the board's investment policy, as provided for in Section 20.

6.0 INVESTMENT OBJECTIVES

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

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

- 6.1.1 Generate portfolio returns that, over the long-term, exceed the actuarial interest assumption of 7.75%, net of fees.
- 6.1.2 Generate a total fund return equal to or greater than the aggregate return of the asset allocation Target benchmarks.
- 6.1.3 Provide for moving toward full funding of the Pension Benefit Obligation based on GASB 25 and the boards policy of a moving fifteen year funding period.
- 6.2 It is the **Secondary Investment Objective** of the board to stabilize the employer contribution rate, as a percentage of payroll for the present configuration of benefits.
- 6.3 It is the **Tertiary Investment Objective** of the board to generate total time-weighted rates of return which equal or exceed the benchmark indices, for the asset class assigned to the individual manager, as specified in the contract (net of fees in the case of active managers):

ASSET CLASS	BENCHMARK INDEX	
Large Capitalization Domestic Equity	Russell 1000	
	Russell 1000 Growth	
	Russell 1000 Value	
	S&P 500	
Small Capitalization Domestic Equity	Russell 2000	
	Russell 2000 Growth	
	Russell 2000 Value	
International Equity	MSCI All Country World ex US	
	MSCI ACWI Free ex US Growth	
	MSCI ACWI Free ex US Value	
Private Equity	Russell 3000 + 3.0%	
Domestic Fixed Income - Core & Core-Plus	Barclays Capital (BC) Aggregate Bond Index	
	- Opportunistic	BC BA Intermediate High Yield Index
	- Inflation Protection	BC US TIPS Index
Global Fixed Income	Barclays Capital Multiverse Index	
Commodities	DJ-UBS Commodity	
Hedge Funds	LIBOR + 4.0%	
Risk Parity	60% Russell 3000 & 40% BC Aggregate	
Real Estate	NCREIF ODCE	
Cash	91 Day T-Bill	

6.4 The board's policy regarding investment benchmarks and investment benchmark modifications appears in Appendix E.

7.0 INVESTMENT STRATEGY

The investment strategy of the Board of Retirement seeks to:

7.1 Diversify the fund in a manner which minimizes the risk of loss and maximizes the probability of achieving the investment objective;

7.2 Structure an asset allocation based on the long-term historical behavior of asset classes coupled with assumptions regarding the next three to five years.

7.3 Allocate the assets of the fund cost-efficiently by distinguishing a "passive" and an "active" component, as set forth in Section 8.

7.4 Establish performance objectives (specifically tailored benchmarks) & Guidelines for each investment management style, as set forth in Part Three.

7.5 Retain investment managers representative of the relevant and distinct investment management styles within each asset class, as set forth in Part Three.

7.6 Delegate responsibility for attaining the investment performance objectives to investment managers.

7.7 Monitor the performance of the investment managers to assure compliance with the Investment Policy and attainment of their performance objectives, as set forth in Section 20.

7.8 Rebalance the component portfolios, as set forth in Section 24.

7.9 Evaluate the asset allocation target at least once every three years, except that the board may adopt an annual investment strategy, as set forth in Section 21.

8.0 ASSET ALLOCATION

In the overall development of the asset allocation and manager structure policies of the investment plan, the Board of Retirement shall follow these philosophies:

- The overall active manager structure for domestic equities will not possess any significant biases in terms of investment style, and
- For those asset classes evidencing market efficiencies, the manager structure will favor the employment of passive strategies

8.1 The Assets of the Fund shall be allocated, as follows:

ASSET CLASS	ALLOCATION	REBALANCE RANGE
Equity	53%	±3%
Fixed Income	22%	±2%
Alternative Assets * (includes Private Equity)	20%	±2%
Real Estate *	5%	±2%

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

8.2 The Equity Assets shall be allocated to managers reflecting the following investment styles:

EQUITY MANAGEMENT STYLE	ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	28.00%	
Passive Core	6.50%	±3%
Active Core	8.50%	±3%
Growth	6.50%	±3%
Value	6.50%	±3%
Small Capitalization Domestic	7.00%	
Core	3.50%	±3%
Growth	1.75%	±3%

Value	1.75%	±3%
International	18.00%	
Growth	6.00%	±3%
Value	7.75%	±3%
Small Capitalization	2.00%	±3%
Emerging Market	2.25%	±3%
TOTAL EQUITY (EXCLUDING PE)	53.00%	±3%

8.3 The Fixed Income Assets shall be allocated to managers reflecting the following investment styles:

FIXED INCOME MANAGEMENT STYLE	ALLOCATION	REBALANCE RANGE
Domestic Core	7.50%	±2%
Domestic Core Plus	3.75%	±2%
Domestic Opportunistic	3.25%	±2%
Domestic Inflation Protection	3.00%	±2%
Global Bonds	4.50%	±2%
TOTAL FIXED INCOME	22.00%	±2%

8.4 The Alternative Assets shall be allocated to managers reflecting the following investment styles:

ALTERNATIVE ASSET MANAGEMENT STYLE	ALLOCATION	REBALANCE RANGE
Private Equity	8.00%	±2%
Hedge Fund	3.00%	±2%
Commodities	3.00%	±2%
Risk Parity	6.00%	±2%
TOTAL ALTERNATIVE ASSETS *	20.00%	±2%

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

8.5 The Real Estate Assets shall be allocated to managers reflecting the following investment styles:

REAL ESTATE MANAGEMENT STYLE	ALLOCATION	REBALANCE RANGE
Core Separate Account	5.00%	±2%
TOTAL REAL ESTATE *	5.00%	±2%

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

Part Three

INVESTMENT GUIDELINES

9.0 GENERAL INVESTMENT PERFORMANCE GUIDELINES

The overall performance objectives for the various asset classes are set forth in Section 6.3 of this document. The individual performance objectives for each investment manager will be established within the investment management agreement (IMA) with each firm.

The Board of Retirement 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. Investment managers are advised that the board intends to track the interim progress toward multi-year goals. If there is a clear indication that performance is so substandard and severe that reasonable hope of recovery to the Plan's target performance level in the remaining time horizon period would require either high risk or good fortune, then the board will not feel constrained by this policy to avoid an "early" decision to take corrective action.

9.1 MANAGER'S ADHERENCE TO ITS PUBLISHED INVESTING STYLE

As stated in other parts of this *Investment Plan*, the board will have little or no tolerance for an inconsistent investment approach. Therefore, the board will carefully monitor their investment managers on several key indicators of possible inconsistency, such as:

- (a) Changes in portfolio managers, and general personnel turnover.
- (b) Surges in portfolio trading volume.
- (c) Evidence that actual portfolio characteristics deviate from the published investing style.
- (d) Performance patterns not logically explainable in terms of the published style, or performance out-of-step with manager's style peer group. This situation would cover significant performance deviation from the benchmark.
- (e) Material *Investment Plan* or guideline exceptions.

None of these indicators will be taken as conclusive evidence of inconsistency. Such a finding would be based upon the facts and circumstances of each situation.

9.2 UNDERPERFORMANCE IS DEFINED AS EITHER:

- (a) Four cumulative quarters in which the manager's performance (gross of fees) falls below the style based benchmark return times 0.8 (for example, if the benchmark return is 10%, the manager's return would be less than 8.0%). Or
- (b) Performance (gross of fees) below the 50th percentile for equity managers and 60th percentile for fixed income managers in a universe of the managers' peers over any consecutive 8-quarter period. Below median performance on a risk adjusted basis will also be a guiding tool in the evaluation of the investment manager. Or
- (c) 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, subject to the paragraph above which discusses interim progress toward multi-year objectives. Or
- (d) Performance will be evaluated in light of the manager's stated style and discipline.

9.3 THE BOARD'S EVALUATION

The board will evaluate any manager who fails to comply with the general terms and conditions of this Investment Plan and specifically the above issues. The board understands that the dynamics of the markets can render a portfolio to be non-compliant with these investment guidelines. In such cases, the manager will be given 30 days to bring the portfolio back into compliance. In the case of underperformance and non-compliance an extensive review of the manager and its performance will be conducted. Expectations on the future likelihood of the manager's ability to meet the terms and performance goals will be determined. If the board determines the manager is unlikely (without undue risk or style drift) to meet the requirements, the manager will be terminated.

In the case of material guideline exceptions, each occurrence will be evaluated on the merits. In most cases, the manager will be required to bring the portfolio into immediate compliance. However, the board is cognizant of those situations where, in the judgment of the investment manager, immediate compliance could prove detrimental to the return of the portfolio.

In the case of key professional turnover, the firm must show a depth of staff within the organization and be prepared to demonstrate the sustainability of their track record.

9.4 ACTION STEPS BY BOARD

The board may decide to review an investment manager or place same on the "watch list" for a number of reasons including but not limited to:

- (a) Sustained underperformance of any of the manager's goals;
- (b) Deviation from stated investment approach;
- (c) Failure to comply with all investment guidelines; or
- (d) Turnover of key professionals.

When a firm is reviewed, an intensive review of their process and approach will occur. The firm will be required to explain to the board or the board's representative reasons for such occurrences and be available for meetings with the board.

10.0 EQUITY

10.1 EQUITY PERFORMANCE OBJECTIVES: As set forth in Section 6.3 and within the individual investment manager's contract.

10.2 ACTIVE EQUITY INFORMATION RATIOS: The investment manager(s) retained for each active management style shall be accountable for maintaining positive information ratios consistent with their investment management style, as shall be defined in their individual contracts.

10.3 EQUITY GUIDELINES: The responsibility for securities selection and purchase and sale decisions is delegated to the equity investment managers in Section 15.4, *et seq.* Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:

(a) Diversification:

10.3.a.1: No individual security shall constitute more than 10% of the market value of *SamCERA's* assets under a manager's supervision, nor shall *SamCERA's* investment constitute more than 5% of the

company's outstanding equity. When measuring this aspect of compliance the board will consider its ownership in relation to the “free float” of a particular security.

10.3.a.2: In evaluating the industry risk component of individual manager portfolios, the board will be cognizant of the industry structure of same. With the exception of any special equity portfolios, the board expects active managers to maintain a reasonable degree of portfolio diversification. Extreme industry deviations from a manager’s benchmark are subject to inquiry. Industry groups are defined by the North American Industry Classification System (NAICS).

(b) Quality

10.3.b.1: Securities must be traded on a major stock exchange or listed on the NASDAQ.

10.3.b.2: Securities in the international portfolio must be included within the Morgan Stanley Capital International database, or the *Financial Times* database.

(c) Restricted Transactions:

10.3.c.1: All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 14 and the Delegation of Authority to Investment Managers as set forth in Section 15.3.

10.3.c.2: No funds shall be borrowed.

10.3.c.3: No short sales or margin sales shall be made.

10.3.c.4: No letter stock shall be purchased.

10.3.c.5: Futures and options may be utilized only as specified in the investment manager's contract.

10.3.c.6: Currency forward contracts, futures and options may be used to hedge an equity or fixed income portfolio as specified in the investment manager's contract and Appendix C.

(d) Exemptions: The investment manager must request prior approval from the Board of Retirement for permission to deviate from the provisions of these guidelines.

11.0 FIXED INCOME

11.1 FIXED INCOME PERFORMANCE OBJECTIVES: As set forth in Section 6.3.

11.2 ACTIVE FIXED INCOME INFORMATION RATIOS: The investment manager(s) retained for each active management style shall be accountable for maintaining positive information ratios consistent with their investment management style, as shall be defined in their individual contracts.

11.3 FIXED INCOME GUIDELINES: The responsibility for fixed income securities selection and purchase and sale decisions is delegated to the fixed income investment managers in Section 15.4, *et seq.* Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:

(a) Diversification:

11.3.a.1: No individual security shall constitute more than 5% of the market value of *SamCERA's* assets under a manager's supervision, with the following exceptions: (1) no individual securities issued or guaranteed by a sovereign government included in the Barclays Capital Aggregate or Barclays Capital Global Aggregate Index or issued or guaranteed by such sovereign government's agencies or instrumentalities shall constitute more than 10% of the market value of the portfolio; (2) there are no limits on the use of securities issued or guaranteed by the United States government or its agencies or instrumentalities.

(b) Quality:

11.3.b.1: The minimum average rating of the total portfolio of fixed income assets under a manager's supervision must be "A" or better (Standard & Poor's or Moody equivalent), dollar weighted at market value.

11.3.b.2: The minimum quality rating eligible for the portfolio is "B" or better (as rated by Standard & Poor's or Moody's equivalent)

11.3.b.3: No more than 10% of *SamCERA's* fixed income assets under a manager's supervision shall be invested in securities with a rating below Baa3, BBB-, P-1 or A-1.

11.3.b.4: Eligible non-US fixed income securities are limited to those issued in countries utilized in the Salomon Brothers World Government Bond Index, with the following exception for emerging markets:

11.3.b.5: If a security is downgraded below Baa or BBB, the manager must notify the Chief Investment Officer.

(c) Restricted Transactions:

11.3.c.1: All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 14 and the Delegation of Authority to Investment Managers as set forth in Section 15.4, *et seq.*

11.3.c.2: No funds shall be borrowed.

11.3.c.3: No short sales or margin sales shall be made.

11.3.c.4: No tax-exempt security shall be purchased or retained, unless, on a comparable quality basis, it provides a return superior to that of a like taxable security.

11.3.c.5: No private placements shall be purchased without the prior notification of the Chief Investment Officer & the Chair, with the exception of Rule 144(a) securities.

11.3.c.6: Currency forward contracts, futures and options may be used to hedge the non-US dollar fixed income securities as specified in the investment manager's contract and Appendix C.

(d) Exemptions: The investment manager must request prior written approval from the Board of Retirement for permission to deviate from the provisions of these guidelines.

12.0 REAL ESTATE PROPOSED

12.1 INVESTMENT OBJECTIVES: *SamCERA* has determined that over the long term, inclusion of equity real estate investments will enhance the risk/return characteristics of its portfolio. Real estate investments occur in an inefficient market and will be designed to provide returns in excess of the industry benchmarks. Active management, value creation and opportunistic strategies, as well as prudent use of third party debt, are approved methods of generating excess return. A secondary objective will be to improve the diversification of the overall investment portfolio.

12.1.a: Completion of due diligence entails staff, consultant, and counsel to review the investment structure and associated legal documents.

12.1.b: Investment structures will be monitored quarterly to evaluate investment performance and to ensure compliance with vehicle documents.

12.2 REAL ESTATE PERFORMANCE OBJECTIVES: The investment manager(s) retained by *SamCERA* shall be accountable for generating total time-weighted rates of return (TTWRR), net of fees, which equal or exceed, the NPI ("NCREIF Property Index").

12.3 REAL ESTATE GUIDELINES: The responsibility for real estate selection and purchase and sale decisions is delegated to the real estate manager(s) in Section 15.4, *et seq.* The manager, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions, (d) leverage, (e) special conditions, (f) annual plan and (g) exemptions.

(a) Diversification:

12.3.a.1: The board will employ a commingled fund vehicles account investment structure.

12.3.a.2: The commingled fund vehicle may not exceed a concentration of 40% (by value) in any single property type or 25% in any single metropolitan statistical area, determined as of the date of the acquisition of a property.

12.3.a.3: Commingled fund vehicles shall be diversified as to region, property type, industry and economic base.

(b) Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar properties, high quality construction and design, a market with underlying fundamental strengths and a strong location.

(c) Restricted Transactions:

12.3.c.1: All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 14 and the Delegation of Authority to Investment Managers as set forth in Section 15.4, *et seq.*

12.3.c.2: No properties shall be purchased outside of the boundaries of the United States.

12.3.c.3: No single-purpose, specialized properties (e.g. hotels, medical facilities, land, etc.) shall be purchased unless the criteria are specified in the investment manager's contract.

(d) Leverage: The use of leverage is permitted only for the purpose of enhancing returns and is limited to no more than 30% of overall loan to value, with a target of 15% of the aggregate portfolio.

(e) Special Conditions:

12.3.e.1: The commingled fund vehicles shall include specific provisions governing reporting, due diligence, property valuations, property management, insurance, unrelated business income tax and property specific environmental evaluations and environmental liabilities.

12.3.e.2: No transaction shall be entered into that does not meet the unique compliance requirements outlined in the collective vehicle's private placement memorandum.

(f) Exemptions: The commingled fund vehicle manager(s) must request prior written approval from the Board for permission to deviate from the provisions of these guidelines.

(g) Annual Plan: The commingled fund vehicle manager(s) must provide the board with a strategic plan review on an annual basis. Some of the items to be provided in the annual plan include: (1) Organizational Review, (2) Leasing Status, (3) Operating Income, (4) Distributed Income, (5) Operating Expenses, (6) Capital Expenses, (7) Fees, (8) Buy/Sell Analysis by Property and (9) Strategy for Coming Year.

12.4 COMMINGLED FUND VEHICLE OVERSITE: The board has determined that engagement is the best course to implement change.

12.4.a. Whenever possible, *SamCERA's* Chief Executive Officer or delegate will secure a seat on the commingled fund vehicle's advisory committee and attend its meetings.

12.4.b. Whenever possible, *SamCERA's* Chief Executive Officer or delegate will attend the commingled fund vehicle's annual meeting.

13.0 ALTERNATIVE ASSETS

13.1 ALTERNATIVE ASSET PERFORMANCE OBJECTIVES: As set forth in Section 6.3.

13.2 ACTIVE INFORMATION RATIOS: The investment manager(s) retained for each active management style shall be accountable for maintaining positive information ratios consistent with their investment management style, as shall be defined in their individual contracts.

13.3 ALTERNATIVE ASSET GUIDELINES: The responsibility for alternative asset securities selection and purchase and sale decisions is delegated to the alternative asset investment managers in Section 15.4, *et seq.*

Alternative investment managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers, beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.

Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:

(a) Diversification:

13.3.a. Any alternative investment portfolio shall be expected to be well diversified with a minimum of five investments to be made in five different companies, ventures or investments.

(b) Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar investment opportunities. Investments must provide exposure consistent with the stated goal of the alternatives sub-asset class. All categories of alternatives must contribute meaningful return-enhancing or diversifying properties to the overall *SamCERA* portfolio.

(c) Restricted Transactions:

13.3.c.1: All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 22 and the Delegation of Authority to Investment Managers as set forth in Section 23.4, *et seq.*

(d) Exemptions: The investment manager must request prior written approval from the Board of Retirement for permission to deviate from the provisions of these guidelines.

14.0 PRIVATE EQUITY ASSETS

14.1 PRIVATE EQUITY PERFORMANCE OBJECTIVES: As set forth in Section 6.3.

14.2 ACTIVE INFORMATION RATIOS: The investment manager(s) retained for each sub-asset class shall be accountable for producing favorable returns (both as compared to their peers in similar vintage years and on an absolute level) in a manner consistent with their investment mandate. Returns will be evaluated once the investment manager's fund portfolio is sufficiently mature.

14.3 PRIVATE EQUITY GUIDELINES: The responsibility for private equity sourcing is delegated to *SamCERA's* investment consultant. The investment opportunity selection and purchase and sale decisions are delegated to the private equity investment managers in Section 15.4, *et seq.*

Private equity managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers, beyond the guidelines and restrictions delineated in the offering memorandum and limited partnership agreements of each fund.

While *SamCERA's* commitments to private equity funds are generally expected to last over the entire term of each fund's life, typically 7-13 years, the board may choose to terminate a manager, subject to each fund's terms of termination and transfer, if they are dissatisfied with the manager and/or the fund portfolio.

The private equity portfolio, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions (d) and public disclosures:

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

14.3.a.1. Sub-Asset Class: Among buyouts, venture capital, and debt-related / special situations investments, including the purchase of secondaries in the aforementioned sub-asset classes.

14.3.a.2. 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.

14.3.a.3. Investment Manager: No more than twenty (20) percent of the private equity portfolio's target allocation to may be committed to any one investment vehicle.

14.3.a.4. Geography: Through commitments to funds located and/or investing both in and outside of the United States.

14.3.a.5. Industry: As fallout of diversified commitments outlined above, 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.

(c) Restricted Transactions:

14.3.c.1: : All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 22 and the Delegation of Authority to Investment Managers as set forth in Section 23.4, *et seq.*

14.3.c.2: Fund managers are expected to comply with *SamCERA's* private placement disclosure rules.

(d) Exemptions: The investment manager must request prior written approval from the Board of Retirement for permission to deviate from the provisions of these guidelines.

15.0 HEDGE FUND Assets

15.1 HEDGE FUND PERFORMANCE OBJECTIVES: As set forth in Section 6.3.

15.2 ACTIVE INFORMATION RATIOS: The investment manager(s) retained for each active management style shall be accountable for maintaining positive information ratios consistent with their investment management style, as shall be defined in their individual contracts.

15.3 HEDGE FUND GUIDELINES: The board will determine which strategy(s) the hedge fund manager will pursue. The investment opportunity selection and purchase and sale decisions are delegated to the hedge fund investment managers in Section 15.4, *et seq.*

Once a hedge fund strategy and a manager is selected, that manager must adhere to the strategy(s) they were selected to manage. The board may choose to terminate a manager, subject to the manager's liquidation policy, if they are dissatisfied with the manager and/or the strategy(s).

Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:

(a) Diversification:

15.3.a. Any hedge fund investment shall be well diversified.

15.3.b Any hedge fund investment shall have a maximum position size portfolio limit, which is to be determined on a manager-specific basis

15.3.c Any hedge fund investment shall have a maximum industry concentration limit, which is to be determined on a manager-specific basis

15.3.d Any hedge fund strategy is intended to be uncorrelated with traditional asset classes.

(b) Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar investment opportunities.

15.3.b.1: Any hedge fund investment shall have an economically intuitive approach and the portfolio managers require a rational economic explanation for why returns they deliver should persist over time

15.3.b.2: Any hedge fund investment shall consist of a portfolio of generally liquid trading instruments;

15.3.b.3: Any hedge fund investment is intended to be highly transparent both in terms of investment rationale and portfolio characteristics

15.3.b.4: Counterparties for OTC derivatives must either (1) have a long-term rating from S&P 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.

15.3.b.5 Any hedge fund investment shall have a maximum portfolio level leverage limit, to be determined on a manager-specific basis

15.3.b.6: Any hedge fund investment shall utilize moderate leverage and the portfolio managers should avoid strategies which might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 800 to 1,000 for funds that target 12% annualized volatility.

(c) Restricted Transactions:

15.3.c.1: : All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 18 and the Delegation of Authority to Investment Managers as set forth in Section 19.4, *et seq.*

11.3.c.2: Any hedge fund investment shall not make investments in illiquid securities. Rule 144A securities and convertible securities determined in good faith by the manager to be liquid are not subject to this limitation.

15.3.c.3: Any hedge fund investment shall not make investments in private equity or venture capital funds or individual private investments

(d) Exemptions: The investment manager must request prior written approval from the Board of Retirement for permission to deviate from the provisions of these guidelines.

16.0 COMMODITY ASSETS

16.1 COMMODITY ASSET PERFORMANCE OBJECTIVES: As set forth in Section 6.3.

16.2 ACTIVE INFORMATION RATIOS: The investment manager(s) retained for each active management style shall be accountable for maintaining positive information ratios consistent with their investment management style, as shall be defined in their individual contracts.

16.3 COMMODITY ASSET GUIDELINES: The responsibility for commodity investment opportunity selection and purchase and sale decisions is delegated to the commodity asset investment managers in Section 15.4, *et seq.*

Once a commodity manager is selected, that manager must adhere to the investment style they were selected to manage. The board may choose to terminate a manager, subject to the manager's liquidation policy, if they are dissatisfied with the manager, the investment style and/or the strategy(s) to employ that style.

Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:

(a) Diversification:

16.3.a. Any commodity portfolio shall be well diversified.

(b) Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar investment opportunities.

16.3.b.1: In the US, commodity futures contracts are traded on exchanges regulated by the US Commodity Futures Trading Commission (CFTC). However, commodity strategies may also make use of swaps, options, swaptions, forwards and or other investment products.

(c) Restricted Transactions:

16.3.c.1: : All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 18 and the Delegation of Authority to Investment Managers as set forth in Section 19.4, *et seq.*

(d) Exemptions: The investment manager must request prior written approval from the Board of Retirement for permission to deviate from the provisions of these guidelines.

17.0 RISK PARITY STRATEGIES

17.1 RISK PARITY PERFORMANCE OBJECTIVES: As set forth in Section 6.3.

17.2 ACTIVE INFORMATION RATIOS: The investment manager(s) retained for this management style shall be accountable for maintaining positive information ratios consistent with their investment management style, as shall be defined in their individual contracts.

17.3 RISK PARITY GUIDELINES: The responsibility for risk parity asset mix and investment selection and purchase and sale decisions is delegated to the risk parity investment managers in Section 15.4, *et seq.*

Risk parity managers typically must have significant latitude in the strategies and investments they make and the leverage they introduce into a portfolio. As a result, it is generally not feasible to impose guidelines and restrictions on such managers. Instead, the board may choose to terminate a manager, subject to the manager's liquidation policy, if they are dissatisfied with the manager and/or the strategy.

Those managers, however, shall adhere to the following investment guidelines covering (a) diversification, (b) quality, (c) restricted transactions and (d) exemptions:

(a) Diversification:

17.3.a. Any risk parity portfolio shall be well diversified.

17.3.b Any risk parity portfolio shall maintain balanced risk exposures to asset classes at all times, without putting limits on the maximum or minimum exposure to any one instruments or any one asset class.

17.3.c Any risk parity portfolio shall hold a portfolio diversified by geography and by asset class

(b) Quality: All assets must be of institutional quality as evidenced by tax-exempt institutional investment in similar investment opportunities.

17.3.b.1: Any risk parity portfolio shall consist of a portfolio of generally liquid trading instruments;

17.3.b.2: 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.

17.3.b.3: . Any risk parity portfolio shall target an annualized volatility of 10% (or as otherwise outlined within the investment management agreement). The board realizes that the portfolio's targeted annualized forecasted volatility may typically range between 7% and 13%; however, the actual or realized volatility level for longer or shorter periods may be materially higher or lower depending on market conditions. Actual or realized volatility can and will differ from the forecasted or target volatility described above.

17.3.b.4: Any risk parity portfolio shall utilize moderate leverage and the portfolio managers should avoid strategies which might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350%.

(c) Restricted Transactions:

17.3.c.1: : All transactions shall be consistent with the provisions of the Code of Fiduciary Conduct as set forth in Section 18 and the Delegation of Authority to Investment Managers as set forth in Section 19.4, *et seq.*

17.3.c.2: Any risk parity portfolio shall not generally make investments in illiquid securities.

(d) Exemptions: The investment manager must request prior written approval from the Board of Retirement for permission to deviate from the provisions of these guidelines.

Part Four

CONTROLS

18.0 CODE OF FIDUCIARY CONDUCT

CODE OF FIDUCIARY CONDUCT

RESOLUTION 96-97-02, as amended February 22, 2011

*This Resolution, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA),
sets forth the Board's Code of Fiduciary Conduct.*

WHEREAS Article XVI, §17 of the Constitution of the State of California was amended by the electorate 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 .. ; &

RESOLVED that the Board hereby adopts the following Code of Fiduciary Conduct:

PREAMBLE

The San Mateo County Employees Retirement Association (*SamCERA*) is a public pension plan organized under the County Employees Retirement Law of 1937. (California Government Code Section 31450, et seq.)

The management of *SamCERA* is vested in the Board of Retirement.

Members of the Board hold positions of public trust. Article XVI, Section 17 of the California Constitution charges *SamCERA* Board members with the responsibility of administering the affairs of *SamCERA* “in a manner that will assure prompt delivery of benefits and related services to *SamCERA*’s participants and their beneficiaries,” and further mandates *SamCERA* Board members to “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.”

The members of *SamCERA*’s Board are mindful of the positions of trust and confidence held by them. They adopt this Code to ensure the proper administration of *SamCERA*, and to foster unquestioned public confidence in *SamCERA*’s institutional integrity as a prudently managed and fiduciarily governed public pension system, operated for the sole and exclusive purpose of providing benefits to *SamCERA*’s participants and beneficiaries.

SamCERA’s Code of Fiduciary Conduct, Educational Policy, and Conflict of Interest Code provide a comprehensive fiduciary framework for the proper conduct of *SamCERA*’s affairs.

1. Fiduciary Duty:

Pursuant to Article XVI, Section 17 of the California Constitution, state statutes, and case law , the Board members are fiduciaries and have special duties to the system and its members, their survivors and beneficiaries.

A Board member’s duty to its participants and their beneficiaries shall take precedence over any other duty. Board members must act exclusively in the interest of the participants and their beneficiaries, as opposed to the Board member’s own interests or those of a third party. This duty includes the obligation to put aside the interests of the party responsible for a Board member’s appointment. It also includes the duty to be impartial towards differing interests of participants.

2. Adherence to *SamCERA*’s Investment Policy:

Board members shall not authorize the making of any investment which is not contemplated in *SamCERA*’s Investment Policy. *SamCERA*’s Investment Policy may be amended at any properly noticed meeting of the Board, but only after considering the recommendations and comments of the Chief Executive Officer, Consultants and Investment Managers, which shall be promptly submitted upon request of the trustees.

3. Investment Authority:

The investment authority vested in the Board shall not be delegated to any committees of the Board, except by formal resolution. Such resolutions shall specify the limits of the authority delegated and require that all actions be reported to the Board for approval.

4. Investment Signature Authority:

Investment Signature Authority shall be limited to individuals identified by formal resolution which shall specify the limits of the authority delegated and require that all actions be reported to the Board for ratification.

5. Due Diligence Mandatory:

Due diligence shall be completed prior to the execution of any Board-initiated investment transaction. Due diligence will be performed in accordance with established guidelines and procedures by persons with expertise relevant to the transaction under evaluation.

6. Adherence to Related Laws:

Board members are responsible for conducting public business for *SamCERA* and are subject to all provisions of the Ralph M. Brown Act, California Government Code §54950 et seq., which Act mandates open meetings for local legislative bodies.

Board members conducting public business for *SamCERA* are subject to applicable California laws regarding conflicts of interests. Board members shall avoid impropriety and the appearance of impropriety, and shall not use their position to further their own pecuniary gain or for any other purpose not directly related to the duties of their Board position.

In accordance with state law, Board member shall refrain from attempting in any way to influence a *SamCERA* decision in which the Board member has a financial interest.

Board members shall not engage in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, in conflict with, or inimical to their duties as members of *SamCERA's* Board, or with the duties, functions, or responsibilities of the *SamCERA* Board as a whole.

7. Limitation on the Acceptance of Gifts:

Board members shall comply with the gift limitation as set forth in state laws and regulations. Board members employees designated on *SamCERA's* Conflict of Interest Code employees are prohibited from receiving a gift or gifts totaling more than the dollar limit stated on the Fair Political Practices Commission (FPPC) website.

8. Prohibition on Acceptance of Honoraria:

Board members shall refrain from accepting any honoraria. An honorarium is a payment received for making a speech, publishing an article, or attending any public or private conference, convention, meeting, social event, meal or similar gathering, unless the payment is income earned from a bona fide business or profession.

9. Public Disclosure of Economic Interests:

Board members shall comply with the disclosure of economic interests and related filing requirements as set forth in the Political Reform Act and the regulations promulgated thereunder.

10. Communications with Service Providers and Other Non-SamCERA Persons and Entities:

Board members shall not correspond with a non-*SamCERA* person or entity using *SamCERA* letterhead unless the communication is authorized by the Board. Copies of all written communications from a Board member to a current service provider, or person or entity related to a current service provider, relating to *SamCERA's* business (other than purely personal or social correspondence) shall be provided to the Chief Executive Officer for subsequent distribution to all members of the Board.

A copy of any written communication (other than purely personal or social correspondence, routine announcements, generally distributed newsletters, and the like) received by a Board member from a current *SamCERA* service provider, or person or entity related to a current service provider, shall be forwarded to the Chief Executive Officer for subsequent distribution to all members of the Board.

11. Training on Laws Related to Ethics and this Code of Conduct:

Board members shall receive periodic training on ethics principles and laws. This training shall cover ethics laws, and include, but not be limited to: laws relating to personal financial gain by public servants, including laws prohibiting conflicts of interest and bribery; laws relating to claiming prerequisites of office such as gifts and travel, use of public resources or gifts of public funds, mass mailing restrictions, and prohibitions on the receipt of free or discounted transportation; government transparency laws such as financial interest disclosure requirements, the Brown Act, and the Public Records Act; and laws relating to fair processes including those covering bias, due process, incompatible offices, competitive bidding, and nepotism.

ADOPTED by unanimous vote August 25, 1995

AMENDED July 27, 2004

AMENDED February 24, 2009

AMENDED February 23, 2010

AMENDED February 22, 2011

19.0 DELEGATION OF AUTHORITY

19.1 THE BOARD SHALL:

- (a) Discharge its duties in conformance with the Code of Fiduciary Conduct.
- (b) Make investment decisions in accordance with the adopted Investment Plan, or make properly noticed revisions thereto; and may adopt an annual investment strategy to amplify or clarify progress towards the attainment of the investment objectives, as set forth in Section 21.
- (c) Employ investment consultants and investment manager services, as needed, to ensure that the retirement fund is invested effectively and to safeguard the assets of the retirement fund; and may enter into agreements setting forth management and performance expectations.
- (d) Delegate to its investment managers full discretionary investment authority consistent with the provisions of the Investment Plan and the individual investment manager contracts.
- (e) Monitor the performance of its investment managers at least quarterly, as set forth Section 20.
- (f) Meet with its investment managers annually to review performance in accordance with the criteria set forth in Section 19 and manager specific issues identified by the board.
- (g) Dismiss investment managers who fail to perform acceptably in accordance with the terms of the contract or the applicable provisions of Sections 9 through 15 and 19.4. The decision to retain or dismiss a manager shall consider the evaluation criteria set forth in Section 9 and the recommendations of the investment consultant and the Chief Investment officer.

19.2 THE CHIEF EXECUTIVE OFFICER SHALL:

- (a) Discharge his duties in conformance with the Code of Fiduciary Conduct.
- (b) (i) Support the board in the development & approval of the Investment Plan, (ii) implement & monitor the Plan & (iii) report monthly on investment activity & other matters of significance.
- (c) Provide for the collection & investment of contributions & investment income, the disbursement of benefits & refunds, the payment of budgeted expenditures, the maintenance of accounting & internal control systems, the estimating & monitoring of retirement fund cash flows (including the management of all float & daily cash sweep accounts) & report on matters of significance.
- (d) Ensure that investment managers conform to the terms of their contracts and that the performance monitoring systems are sufficient to provide the board with timely, accurate and useful information.
- (e) (i) Provide for the voting of proxies, (ii) seek board guidance on nonfinancial issues & (iii) report on matters of significance.

19.3 THE INVESTMENT CONSULTANT SHALL:

Provide the board with relevant and timely information with respect to the total portfolio and the investment managers. Generally, the investment consultant will provide the following services for the board:

- (a) Assist the board in the development of the Investment Plan
- (b) Assist the board in the oversight, monitoring and selection of investment managers
- (c) Provide educational sessions and insights into recent developments within the financial markets
- (d) Provide quarterly investment performance reports

19.4 THE INVESTMENT MANAGERS SHALL:

- (a) Discharge their duties in conformance with the Code of Fiduciary Conduct, the Investment Plan and their individual contracts and be liable for any investment decision not made in accordance therewith. The members of the investment management firm's research and portfolio teams are expected to comply with the Global Investment Performance Standards (GIPS®). Any industry or regulatory disciplinary action taken against members of the firm's investment staff must be immediately reported in writing to the Board.
- (b) Provide the board with written agreement to invest within the guidelines established in the Investment Plan.
- (c) Provide the board with proof of liability and fiduciary insurance coverage upon the inception of the investment management agreement and annually thereafter.
- (d) Be SEC Registered Investment Advisors recognized by the Chief Investment Officer as providing substantial years of demonstrated expertise in (i) the management of pension funds and (ii) an investment specialty.
- (e) Adhere to the investment management style concepts and principles for which they were retained, including, but not limited to, (i) develop portfolio strategy; (ii) perform research; (iii) develop buy, hold, and sell lists; (iv) purchase and sell securities; and (v) vote proxies as set forth in Section 22.

- (f) Execute all transactions for the benefit of the retirement fund with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the retirement fund.
- (g) Facilitate the recapture of commissions, on a best execution basis, on behalf of the fund when provided for in the contract. Managers are expected to exercise diligence when trading for the portfolio. The board will authorize any directed trading for the portfolio and such should not occur without the board's consent in writing. Managers are expected to follow the principles of best price and execution when conducting trades within the portfolio.
- (h) Define and adhere to a dollar-value or percent-of-market limit to the amount of assets the firm will manage under the investment style specified in the contract.
- (i) Provide a semi-annual compliance checklist to staff and the investment consultant that sets forth the status of all pertinent policy and guideline issues.
- (j) Maintain frequent and open communication with the Board of Retirement, through the Chief Investment Officer, on all significant matters pertaining to the Investment Plan, including, but not limited to the following: (i) Inform the board of major changes in the investment manager's investment outlook, investment strategy and portfolio structure; (ii) inform the board of any significant changes in ownership, organizational structure, financial condition or senior personnel; (iii) inform the board of any changes in the portfolio manager assigned to the retirement fund; (v) inform the board of all pertinent issues which the investment manager deems to be of significant interest or material importance; (vi) provide the board with monthly transaction and valuation reports and quarterly performance reports, as specified in Section 19; (vii) meet with the board as specified in the contract. The investment manager is generally expected to inform the board, in writing, of any significant changes discussed above and any other changes that might impact the portfolio or the manager's ability to manage the portfolio. Such notification shall be done no later than 30 days from the date of the change or from the date of the manager's knowledge of the impending change and shall be submitted to Chief Investment Officer and the board's consultant; (viii) report any discrepancies between the manager's portfolio accounting records and those received by the manager from the board's custodian.

19.5 THE GLOBAL CUSTODIAN SHALL:

- (a) Provide Global Custody Services.
- (b) Provide safekeeping for securities purchased by managers on behalf of the board.
- (c) Provide for timely settlement of securities transactions.
- (d) Maintain short-term investment vehicles for investment of cash not invested by the managers and sweep all manager accounts daily to ensure that all available cash is invested.
- (e) Collect interest, dividend and principal payments as soon as they become available.
- (f) Price all securities regularly and post transactions daily.
- (g) Pursuant to authority and direction from the board, manage a securities lending program to enhance income
- (h) Provide electronic access to accounting and performance reporting systems.
- (i) Provide monthly, quarterly and annual accounting reports for posting to the retirement fund's general ledger.

(j) Provide other services, as required, that assist with the monitoring of managers and investments.

20.0 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:

20.1 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 and year, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;

20.2 Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;

20.3 Growth in assets under management and how the firm plans to minimize the adverse impact which the additional assets will have on its investment discipline relative to the depth of the investment team and professionals, including updates from previous quarterly reports regarding assets under management;

20.4 Client retention, in terms of the names of tax-exempt clients, which terminate their relationship with the investment manager and the reasons given;

20.5 Changes in senior investment professional staff and how the firm plans to minimize the adverse impact the changes will have on its investment discipline, including updates from previous quarterly reports regarding personnel;

20.6 Quarterly, annual, three-and-five-year total time-weighted returns relative to the specified performance benchmark;

20.7 Performance attribution, direct and indirect transaction costs, and turnover;

20.8 Items which the manager has brought to the board's attention pursuant to Section 19.4(j).

21.0 ANNUAL INVESTMENT STRATEGY

20.1 Annually, the board shall convene an investment strategy session with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement funds. 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 9 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.

(b) Compare each investment manager's actual investment performance for the prior fiscal year against the performance criteria set forth in the applicable sections of Part III and their individual contracts, and evaluate the relative success or failure of their prior year's performance;

- (c) Compare the fund's actual investment performance for the prior ten fiscal years against the actuarial assumptions and other actuarial expectations and evaluate the relative success or failure of the investment performance and the appropriateness of maintaining or altering the current actuarial assumptions and other actuarial expectations;
- (d) Compare the market-value-weighted percentages of the assets invested in each class of assets against the asset allocation targets set forth in Section 8 and evaluate the appropriateness of maintaining or altering the current allocation;
- (e) Evaluate the appropriateness of allocating additional assets to managers who have demonstrated rigid adherence to the investment discipline for which they were retained, but whose sector has lagged the market during the prior fiscal year;
- (f) Evaluate the fund's liquidity requirements for the current and next fiscal years;
- (g) Authorize the Chief Investment Officer to prepare an annual investment strategy to implement the changes proposed by the board during its deliberations on Sections (a) through (f), for formal approval at a regularly scheduled meeting of the board.

21.2 The board may review and amend the annual investment strategy during its quarterly monitoring deliberations, as set forth in Section 20, so long as the amendments are approved during a regularly scheduled meeting of the board.

21.3 The Chief Investment officer shall inform all investment managers of actions taken by the board in connection with the annual investment strategy, and shall implement all necessary changes.

22.0 PROXIES

The Chief Investment Officer shall provide for the voting of proxies by the investment managers, as set forth in Sections 19.2(e)(i) and 19.4(e)(v), subject to the following guidelines:

22.1 All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement fund be subordinated to any other interest.

22.2 The investment managers shall be accountable for alerting, in a timely manner, the Chief Investment officer to proxy issues that have aroused concern among institutional investors. The Chief Investment Officer shall solicit advice and recommendations from institutional investors and proxy advisory services and request direction from the board at its next regularly scheduled meeting.

22.3 Unless the board provides specific direction, proxies concerning the election of directors, ratification of auditors, amendments to the articles of incorporation, name changes, employee stock purchase or ownership plans, stock option plans, incentive plans and increases in the number of authorized shares of common stock, shall be voted with management.

22.4 Unless the board provides specific direction, proxies concerning mergers, acquisitions, restructuring, reincorporation and changes in capitalization shall be voted as provided for in Section 22.1.

22.5 Unless the board provides specific direction, proxies concerning social, environmental, and political issues shall be voted as provided for in Section 22.1.

22.6 Unless the board provides specific direction, votes shall be cast against proxies which would limit management's accountability to the shareholders or otherwise restrict shareholder's ability to realize the full value of their investment, such as proposals creating super-majorities, elimination of cumulative or

preemptive rights, creation of dual-class voting rights, greenmail, poison pills, golden parachutes, and excessive compensation for management when earnings are declining.

22.7 Investment managers shall provide the board with quarterly reports on all proxies cast, in a mutually acceptable format.

23.0 SECURITIES LENDING

SamCERA reinstated a securities lending program Effective July 1, 2007, for the actively managed component of the portfolio. The board's standards with respect to this type of program are hereby promulgated within this document.

23.1 Pursuant to Section 19.5(g), the master custodian(s) 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.

23.2 The board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

23.3 Unless otherwise specified in the agreement(s),

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

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

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

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

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

24.0 REBALANCING

24.1 The Chief Investment Officer shall rebalance the portfolio quarterly or as needed in conformance with the asset allocation tactical ranges set forth in Section 8. All rebalancing activity shall be reported to the board in writing at the next scheduled meeting.

24.2 The Chief Investment Officer shall issue instructions to managers to sell or transfer securities for reallocation to other managers or other asset classes when necessary to rebalance the portfolio.

24.3 All interest, dividends, net operating revenue and capital gains shall be reinvested by the investment manager accountable for the underlying investment.

24.4 On a monthly basis, the Chief Investment Officer shall prorate net positive cash flows, in increments of not less than \$1 million, to asset classes that are below the target allocation. The proration

shall take into account the asset class' percentage of the total portfolio and the magnitude of the deviation from the target.

24.5 When all asset classes are within their target allocation, the Chief Investment Officer shall prorate net positive cash flows, in increments of not less than \$1 million, to each asset class on a rotating basis in order of the asset class' percentage of the total portfolio.

24.6 Pursuant to Section 17.1 (d), the board shall review the allocation of assets to each investment manager as part of the board's annual investment strategy.

APPENDIX A

SamCERA Investment Policy Chronology

1981: Three decades ago, *SamCERA's* investment portfolio consisted of stocks, bonds and short-term securities. Changes in the board's membership, coupled with a decade of below average returns for the stock market, led to a decision to abandon the stock market in 1981. At that time, the board apparently determined that the securities of the United States Government were the only prudent investment. Consequently, *SamCERA* did not participate in the significant returns captured by most pension funds during that decade.

1992: With the assistance of a pension consultant, the Board of Retirement approved an asset allocation target and implemented a \$10 million per month investment in a commingled fund which mirrored the performance of the S&P 500 Index.

1994: The board adopted *SamCERA's Investment Plan* and launched the implementation of its new asset allocation program.

1996: The board accepted Wyatt Investment Consulting's *Asset Liability Modeling Study* which provided the basis for the asset allocation in the first revision to *SamCERA's Investment Plan*.

1997: The board revised the active:passive ratio from 40:60 to 60:40 for those asset classes where perceived market inefficiencies provided opportunities for successful active management.

1998: The board eliminated two of its passive allocations and replaced them with active allocations where new investment managers were hired for small cap value domestic equity and for international equity assignments. In addition, the board replaced its active large cap core equity allocation and manager with a large cap value equity allocation and manager.

1999: The board collaborated with Watson Wyatt Investment Consulting to reevaluate the *Asset Liability Modeling Study*. The resulting asset allocation reduced the real estate allocation, increased the equities allocation, restated the proportion of international versus domestic fixed income and added emerging markets as an asset class. The board opined to delay implementation of the emerging market allocation. Following a thorough review process, the board selected State Street Bank & Trust Company as its Global Custodian transferring assets on July 1, 1999.

2000: Following a two-day planning retreat, the board established an investment committee charged with evaluating *SamCERA's Investment Plan*. The committee undertook a reverse optimization analysis that led the committee to recommend and the board to approve a new allocation closer to the "median" corporate fund. Consequently the board reduced its allocation to small cap and international stocks and eliminated its allocation to international fixed income. The board also decided to embrace emerging market investing within the risk controlled limitations pertinent to its overall international equity portfolio. The board's overall fixed income portfolio will have the authority to encompass country, currency, and credit quality diversification in a risk-controlled fashion. The board also increased its use of passive index funds and terminated its contracts with four active investment managers.

2001: Strategic Investment Solutions was selected to succeed Gray & Co as *SamCERA's* investment consultant.

2002: *SamCERA* established a process of investment manager due diligence that includes monthly, quarterly, semi-annually and annually review and reporting.

2003: San Mateo County granted an enriched benefit structure for *SamCERA's* Tiers One, Two, and Four. The board accepted Strategic Investment Solutions' *Asset Liability Modeling Study* which reaffirmed *SamCERA's* asset allocation. *SamCERA's* due diligence policy was formalized

2004: The board collaborated with Strategic Investment Solutions' to complete a study of *SamCERA's* manager structure. Consequently, the board increased the plan's allocation to active management from 32% to 50%.

2005: The board approved a futures agreement with Goldman Sachs Asset Management (GSAM) to allow GSAM to equitize the cash position of their small cap enhanced index mandate.

2006: The board with Strategic Investment Solutions' assistance reviewed *SamCERA's* fixed income manager structure, which was mandated as follows: 1/3 in a passively managed Lehman Brothers Aggregate Bond Index Fund (now known as the Barclays Capital Bond Index), 1/3 active core management and 1/3 active core plus management. The passive 1/3 was replaced by an active enhance index fund. Fidelity Trust Management Company (later renamed Pyramis Global Advisors) was hired in February 2006 to manage the enhanced index mandate.

2007: The board collaborated with Strategic Investment Solutions' to complete an asset liability study in January. The asset allocation was amended as noted in the table below. The study was followed by a review of *SamCERA's* manager structure, which was completed in April. The large cap equity mandate was amended from a 50%/50% split to a split of 80% in the Russell 1000 Alpha Tilts Fund and 20% in the Russell 1000 Index Fund both still managed by Barclay's Global Index.

SamCERA's Portfolio Asset Allocation
Accepted January 23, 2007

Asset Class	Former	Adopted
Large Cap Equity	40	37
Small Cap Equity	10	9
International Equity	15	21
Domestic Bonds	29	27
Real Estate	6	6
Expected Return	8.23	8.13
Expected Risk	11.74	11.24

2008: There were no significant structural changes to *SamCERA's* portfolio in 2008. However the year saw the beginning of a deep and prolonged recession.

The financial crises started early in the year. We saw the Federal Deposit Insurance Corporation (FDIC) took over the failed IndyMac Bank. The Treasury and Federal Reserve took steps to rescue Fannie Mae and Freddie Mac. Foreclosures reached record levels and home prices fell dramatically. Crude oil prices were near a record-setting \$140 a barrel. Consumer confidence dropped to a 16-year low.

The following events occurred in rapid chronological order in late August through mid-October. Commerzbank AG agrees to purchase Allianz SE's Dresdner Bank in Germany's biggest banking takeover in three years. The U.S. government seizes control of Fannie Mae and Freddie Mac. Lehman Brothers Holdings Inc. files for bankruptcy. Bank of America agrees to acquire Merrill Lynch. AIG (American International Group, Inc.) accepts an \$85 billion loan from the Federal Reserve to avert the worst financial collapse in history, and the government

takes over the company. Lloyds TSB Group Plc. agrees to buy HBOS Plc., Britain's largest mortgage lender. Goldman Sachs Group Inc. and Morgan Stanley receive approval to become commercial banks regulated by the Federal Reserve. Washington Mutual Inc. is seized by government regulators and its branches and assets sold to JPMorgan Chase in the biggest U.S. bank failure in history. Fortis, the largest Belgian financial-services firm, receives an 11.2 billion-euro rescue from Belgium, the Netherlands, and Luxembourg. The House of Representatives rejects a \$700 billion plan to rescue the U.S. financial system causing the Dow Jones Industrial Average to plunge. Citigroup agrees to acquire the banking operations of Wachovia Corporation. The House and Senate pass a revised version of the rescue plan. Wells Fargo agrees to buy all of Wachovia trumping Citigroup's government-assisted offer. BNP Paribas SA will take control of Fortis's units after an earlier government rescue failed. U.S. Treasury Secretary, Henry Paulson, indicates that pumping funds into banks is a priority. European leaders agree to guarantee bank borrowing trying to stop the financial hemorrhage and stave off a recession. The Federal Reserve leads an unprecedented push by central banks to flood the financial system with dollars. Fear, panic, depression and distrust are four emotions that are quite evident amongst participants in that market environment. Against this backdrop *SamCERA's* portfolio returned -20.9% for the first four months of fiscal year 2008-2009, which is very much in line with its peers.

2009: The last calendar year was unprecedented for the global economy and global capital markets, which resulted in negative trailing returns for most plan sponsors, including *SamCERA*.

As a first step to reduce portfolio risk, the Board of Retirement moved in a methodical manner to initiate a program to diversify *SamCERA's* large cap equity portfolio. The board also opined to begin measuring the large and small cap growth and value mandates against the Russell 1000 or 2000 Growth or Value Indexes.

Next, a study of the fixed income structure was completed. The board opined to add a Public-Private Investment Program (PPIP) mandate, a U.S. Treasury Inflation Protected Securities (TIPS) mandate, a Credit Opportunities mandate and a Global Bond mandated, all of which nicely added to the diversification of the fixed income portfolio.

2010: The board reaffirmed its best practices procedure of periodically testing the market for service providers when it issued an Investment Consultant Request for Proposal late in 2009. The process concluded in May 2010 with retaining Strategic Investment Solutions (SIS) as the general investment consultant and expanding their duties to include alternative investments.

The board commissioned an asset liability modeling study in August. The study resulted in an asset allocation which adds alternative investments to the portfolio.

Asset Class	Former	Current
Large Cap Equity	37.0	28.0
Small Cap Equity	9.0	7.0
International Equity	21.0	18.0
Domestic Bonds	27.0	17.5
Global Bonds	0.0	4.5
Private Equity	0.0	8.0
Commodities	0.0	3.0
Hedge Funds	0.0	3.0
Risk Parity	0.0	6.0
Real Estate	6.0	5.0
Cash	0.0	0.0
Expected Return	7.6	8.13
Expected Risk	12.3	11.24

The board approved an implementation plan for the private equity mandate. The first two private equity managers were engaged.

2011: The Board of Retirement entered into agreement with managers for the recently approved hedge fund mandate, risk parity mandate, and commodities mandate. The board reaffirmed the private equity implementation process and approved two additional private equity investment opportunities.

The board reviewed the structure of its international equity portfolio, which comprises 18% of the total portfolio. The current structure of 9% international value and 9% international growth was diversified. Two new mandates were added and managers selected. As a percentage of the total portfolio, the new mandates are 2.25% in a dedicated emerging markets mandate and 1.75% in an international small cap mandate. The existing mandate and manager for international value was reduced to 8.0%. The international growth manager and mandate were replaced. The new manager is given the mandate of international develop markets growth with 6.0% of the total portfolio.

APPENDIX B

Evaluation of SamCERA's Risk Management Practices as Promulgated by the Risk Standards Working Group

(As amended January 2008)

RISK STANDARD		CURRENT STATUS	NEXT STEPS	DANGERS
Management				
1	Acknowledgment of Fiduciary Responsibility	<ul style="list-style-type: none"> • Board Identification of Fiduciary Duties & Delegations are Well Documented • Staff Delegations & Code implemented 	<ul style="list-style-type: none"> • Review Investment Guidelines & Contracts • Continue Board & Staff Annual Acknowledgment of Fiduciary Duty 	<ul style="list-style-type: none"> • Failure to Define & Communicate Risk Controls
2	Approved Written Policies, Definitions, Guidelines & Investment Documentation	<ul style="list-style-type: none"> • Board Policies & Guidelines are Well Documented • Investment Contracts are explicit • Staff procedures are well documented 	<ul style="list-style-type: none"> • CIO continues review of definitions of permitted & prohibited transactions • CEO directs staff in continual updating of Procedure manuals • CIO & CEO continue review of internal procedures for compliance with Board Policies & Guidelines 	<ul style="list-style-type: none"> • Unauthorized investment or benefit transaction due to ambiguity in Policies & Guidelines
3	Independent Risk Oversight, Checks & Balances, Written Procedures and Controls	<ul style="list-style-type: none"> • Managers & Staff must further document internal controls • Audit Committee & Auditor provide opportunity for a fresh perspectives 	<ul style="list-style-type: none"> • CEO conducts formal Inventory of Critical Investment, Benefit & Financial Procedures • CEO continues Checks & Balances Reviews • Sarbanes Oxley will provide guidance to attest <i>SamCERA's</i> risk oversight or internal controls 	<ul style="list-style-type: none"> • Internal Controls difficult in small organization; errors & fraud may go undetected
4	Clearly Defined Organizational Structure & Key Roles	<ul style="list-style-type: none"> • Human Resources Plan & Delegations implemented • Manager Structure not yet systematically analyzed by risk standards 	<ul style="list-style-type: none"> • Board & CEO continue to Monitor Staff Performance • CIO continues to refine due diligence regarding service providers 	<ul style="list-style-type: none"> • Inadequate checks & balances to insure compliance with risk standards, policies and procedures
5	Consistent Application of Risk Policies	<ul style="list-style-type: none"> • Cross checks have worked well • HR Plan resolved most issues • All Positions Filled & In Training AEO is currently mobilized on military leave 	<ul style="list-style-type: none"> • CEO continues to schedule quarterly staff reviews of internal control practices 	<ul style="list-style-type: none"> • Inadequate checks & balances to insure compliance with risk standards, policies and procedures

RISK STANDARD	CURRENT STATUS	NEXT STEPS	DANGERS	
	<ul style="list-style-type: none"> • CEO set <i>PensionGold</i> security levels 			
6	<p>Adequate Education, Systems & Resources, Back-up & Disaster Recovery Plans</p>	<ul style="list-style-type: none"> • Trustees & Staff have access to full range of relevant educational forums • Budget provides sufficient resources for optimal cost-effective risk control operations • Informal Disaster Recovery Plans 	<ul style="list-style-type: none"> • CEO issues formal Disaster Recovery Plan • CEO conducts test of DRP within next 12 months 	<ul style="list-style-type: none"> • Excessive risk accepted as a result of inadequate education • Disaster results in failure to perform fiduciary duties
7	<p>Identification and Understanding of Key Risks</p>	<ul style="list-style-type: none"> • Board Regulations, Plans and Policy Resolutions address all identified traditional risks 	<ul style="list-style-type: none"> • CEO conducts regular reviews of each staff procedure to ascertain that all essential functions are being performed and that all procedures are executed in conformance with sound internal control practices 	<ul style="list-style-type: none"> • Failure to realize that an essential function is not being performed. • Failure to realize that an unidentified risk exists.
8	<p>Setting Risk Limits</p>	<ul style="list-style-type: none"> • <i>Investment Plan, Regulations, Contracts, Budget and Policies</i> define current limits 	<ul style="list-style-type: none"> • Audit Committee monitors CEO's & CIO's efforts to identify, define and recommend limits for each risk identified per Standard #7 	<ul style="list-style-type: none"> • Failure to take reasonable steps to manage individual risks in a timely manner.
9	<p>Routine Reporting, Exception Reporting & Escalation Procedures</p>	<ul style="list-style-type: none"> • Monthly portfolio report provides performance and asset allocation check • Quarterly performance reports include essential risk characteristics of portfolio • Annual Manager Compliance Certification Statement attests adherence to the Investment Plan • Managers provide exception reports to the IMF 	<ul style="list-style-type: none"> • Board & CEO increases scrutiny of overall risk measures • CIO expands monthly portfolio report to include measures of risk • Consultant focuses on assessment of risks in quarterly reports and annual reviews. 	<ul style="list-style-type: none"> • Failure to initiate appropriate action when risk levels are approaching unacceptable range

Measurement				
10	Valuation Procedures	<ul style="list-style-type: none"> • Current securities valuation by Custodian is adequate for pension assets • Valuation triggers Rebalancing • Actuarial Valuation & Experience Study is adequate for pension liabilities 	<ul style="list-style-type: none"> • CIO determines if any additional valuation techniques are advisable for investment portfolios [This is a more significant issue for securities firms with leveraged capital at risk on a daily basis] • Board will review the actuarial valuation & experience study process. 	<ul style="list-style-type: none"> • Incorrect information leads to Asset Allocation imbalance and opportunity costs • Incorrect information leads to incorrect contribution rates
11	Valuation Reconciliation, Bid/Offer Adjustments & Overrides	<ul style="list-style-type: none"> • Managers reconcile to Custodian records 	<ul style="list-style-type: none"> • CIO reviews all exceptions & reports behavior outside of the norm to CEO & Board 	<ul style="list-style-type: none"> • Risk characteristics and return of securities in portfolio differ from manager's representations
12	Risk Measurement & Risk/Return Attribution Analysis	<ul style="list-style-type: none"> • <i>Investment Plan</i> & contracts set forth key investment risk concerns 	<ul style="list-style-type: none"> • Custodian reports on all exceptions • Consultant expands risk analysis in quarterly performance reports 	<ul style="list-style-type: none"> • Manager's build portfolios inconsistent with <i>Investment Plan</i> & alter total Fund exposure
13	Risk-Adjusted Return Measures	<ul style="list-style-type: none"> • Consultant provides quarterly risk-adjusted return analysis 	<ul style="list-style-type: none"> • Board and staff devote additional time to reviewing and understanding the analysis 	<ul style="list-style-type: none"> • Style drift alters asset allocation and generates more volatility than expected
14	Stress Testing	<ul style="list-style-type: none"> • Integral to Asset Liability Modeling Study • Integral to Actuarial Assumptions 	<ul style="list-style-type: none"> • Board continuing to critique Consultant's model • Review Actuarial Assumptions during current fiscal year 	<ul style="list-style-type: none"> • Asset allocation generates more volatility than expected
15	Back Testing			
16	Assessing Model Risk	<ul style="list-style-type: none"> • Triennial Experience Study (2005) • Asset Liability Modeling Study (2003) • Annual Valuations (annual) • Actuarial Audit (1999) 	<ul style="list-style-type: none"> • Compare results of Actuarial studies with comparable plans • IMF compares results of Asset Liability Modeling Study with comparable plans' asset allocation & assumptions 	<ul style="list-style-type: none"> • Asset allocation generates more volatility than expected • Incorrect information leads to incorrect contribution rates

Oversight				
17	Due Diligence, Policy Compliance & Guideline Monitoring	<ul style="list-style-type: none"> • Board reviews all policies & guidelines annually. • Staff & managers review quarterly 	<ul style="list-style-type: none"> • Board reviews its due diligence monitoring procedures for managers, consultants & staff • 	<ul style="list-style-type: none"> • Non compliance activities resulting in direct losses or opportunity costs
18	Comparison of Manager Strategies to Compensation and Investment Activity	<ul style="list-style-type: none"> • Manager stipulates to compliance with contract 	<ul style="list-style-type: none"> • Strengthen holdings-based Risk/Return Attribution Analysis program to evaluate stated strategy, results and compensation 	<ul style="list-style-type: none"> • Style drift or unearned compensation result in under performance & Asset Allocation discontinuities
19	Independent Review of Methodologies, Models & Systems	<ul style="list-style-type: none"> • Independent Actuary ['99 Audit] • Independent Consultant [2003 ALM Study] • Independent Counsel • Independent Auditor • Independent Investment Managers • Independent Global Custodian • Participate in Kuhn & CEM data bases 	<ul style="list-style-type: none"> • Evaluate Actuarial Triennial Experience Study & Valuation • Ongoing review of all benefit policies & procedures with other '37 Act Systems • Continue to evaluate Asset Liability Modeling Study comparisons 	<ul style="list-style-type: none"> • Perpetuation of policies or practices which are inconsistent with generally accepted fiduciary standards
20	Review Process for New Activities	<ul style="list-style-type: none"> • Board, Consultant, or Staff proposes new activity • Consultant or Staff evaluates proposal • Board approves new activity based on all relevant considerations 	<ul style="list-style-type: none"> • Maintain adherence to current process for initiating new activities in accordance with <i>Code of Fiduciary Conduct</i> Resolution 	<ul style="list-style-type: none"> • Initiating an activity which falls outside of the Board's normal risk parameters, without assessment of risk-return tradeoffs

APPENDIX C

Derivatives Investment Policy

1) Introduction

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

2) Derivative Definition

"A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities)." (1)

3) Types of Securities Included or Excluded

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

4) Approach to Policy

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

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

5) Counter-Party Evaluation

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

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

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

(1)"Investments in Derivatives by Registered Investment Companies", August, 1994, Investment Company Institute, page 2. This document states the requirements of mutual funds regarding the investment in and oversight of derivative securities.

f) Other fundamental investment and risk characteristics.

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

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

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

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

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

6) Purposes for Derivatives

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

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

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

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

7) Investment Restrictions and Derivatives Policy

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

Allowable derivative investments

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

Derivative investments with allocation limits

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

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

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

Restricted derivative investments

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

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

8) Risk Analysis and Monitoring of Derivatives

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

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

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

9) Derivative Investment Process

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

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.

- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

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

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

APPENDIX D

Compliance Certification Statement San Mateo County Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office and investment consultant no later than 10 days after the end of each reporting period. (15.3(i))

General Compliance Issues

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

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.

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

Investment Manager Guidelines

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

Cash & Equivalents

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

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (Section 19.4 j)
2. What is the firm's market value allocation to large, mid and small stocks? (Section 19.4 j) Please specify percentages.
3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.
4. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) If any securities were above 5% at the time of purchase, please list and explain why.
5. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Please specify all industries above 15%.

International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (Section 19.4 j)
2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)
3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: ___ If no, please explain.
4. Does the portfolio currently employ a currency hedging strategy? Yes/No: ___ Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C) Yes/No: ___ If no, please explain.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and Agency securities; corporate bonds; mortgage- and asset-backed securities; and, Yankee bond securities. (Section 11.3)

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: ___ If no, please explain.
3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: ___ If no, please explain.
4. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: ___ If no, please explain.
5. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio?
6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: ___ (Section 11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify.
7. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

Separate Property Real Estate Portfolios

1. What is the current product type and geographic diversification of the portfolio?
2. Is the portfolio achieving a TTWRR equal to the specified NCREIF benchmark? Yes/No: ___ If no, please explain
3. Does any individual asset constitute more than 20% of the market value in the real estate portfolio?
4. Is the portfolio leverage within the 30% guideline?

Signed by:

Dated:

Name of Firm

APPENDIX E

The purpose of a benchmark is “To facilitate the periodic reporting to the Investment Committee and to provide a relative measure to gauge success, custom performance benchmarks are approved by the Board.”

BENCHMARK POLICY

1. The investment Committee approved performance benchmarks are used in the asset allocation process for modeling purposes. The approved benchmarks are contained in the Investment Plan.
2. There are four characteristics identified as desirable in the selection of an appropriate benchmark.
 - (A) Unambiguous – The names and weights of the securities in the benchmark should be clearly defined.
 - (B) Investable – The securities contained in the benchmark should represent tradable positions. Ideally, the benchmark should be constructed with low turnover (companies should not change too much over time) to minimize transactions costs.
 - (C) Measurable – The pricing of the benchmark should be transparent making it possible to track the benchmark’s performance. The benchmark will, whenever practical, be calculated independently and available to the public on a daily basis (applies to public traded asset classes only)
 - (D) Appropriate – As part of the investment planning/policy process the Investment Committee will adopt an asset class benchmark (reference portfolio) that reflects the board risk and return characteristics of the asset class. The benchmark will be the reference portfolio against which the aggregate active and passive portfolios within the asset class will be measured.
3. As a matter of practice the approved benchmark will be reviewed by the Investment Committee on an annual basis to assure that it continues to reflect the risk/return characteristics of the asset class in a cost-effective manner. Strategic asset allocation assumptions will be based upon expected risk, return, and correlation coefficients of the approved benchmark.

BENCHMARK MODIFICATION POLICY

1. Asset class benchmarks may be modified when it is in the economic interest of the System.
2. Benchmark modification indicators are identified as:
 - A. When a more cost efficient (expenses such as trading costs or transaction fees) alternative is available that captures the risk return characteristics of the asset class.
 - B. When an industry or sector (component) of the benchmark is exposed to economic risks that are of such a degree that the future economic viability of that industry or sector is in doubt. Specific indicators are:

- (1) The industry, not an individual company, shares common exposure to product liability judgments (including, but not, limited to, potential judgments involving overwhelming punitive damage awards), settlements and ongoing litigation that have the potential to exceed the industry's net worth.
 - (2) Significant threat of industry-wide bankruptcy filings.
 - (3) Regulatory and/or legislative actions that have the potential to substantially impair industry-wide earnings.
 - (4) Policy actions in the institutional investor community that, in aggregate, have the potential to have a deleterious effect on industry-wide share prices.
- C. In the event that 2A or at least three of the indicators referenced in 2B are evidenced the staff or a member of the Investment Committee may bring the matter before the Investment Committee for due diligence and consideration. This due diligence will include:
- (1) Analysis by the staff and/or third-party experts that the indicators are evidenced and have the potential to adversely impact the specific industry.
 - (2) Identification and listing of the individual companies in the specific industry based upon the definition adopted by the Investment Committee.
 - (3) Analysis of the impact the benchmark modification is expected to have upon total portfolio risk/return characteristics.
 - (4) Analysis of the expected costs associated with implementation of the benchmark modification.
 - (5) A timetable for review of the benchmark modification.

APPENDIX F

DUE DILIGENCE POLICY

MANUAL

AUTHORITY

The San Mateo County Employees' Retirement Association (*SamCERA*) Board of Retirement (Board) is responsible for the management of the Association's assets under authority granted by Article XVI, Section 17 of the California Constitution.

Article XVI, Section 17(c) of the California Constitution provides that "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 aim."

POLICY

SamCERA's due diligence process requires (i) staff to perform regular due diligence monitoring and report on same, (ii) investment consultants and managers to make regularly scheduled due diligence presentations to the Board and staff in *SamCERA's* offices, (iii) the board and staff to make on-site visitations to the investment consultant's and investment managers' offices and (iv) to attend client conferences that discuss the consultant's and managers' business plans, investment processes and practices.

PURPOSE

To discharge the fiduciary responsibilities of the Board of Retirement and staff, regular due diligence with the San Mateo County Employees' Retirement Association investment managers and real estate properties are essential to the Board of Retirement'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 (CIO) will prepare a monthly investment activity and compliance report. The report will note individual investment manager statistical compliance to their investment guidelines, objectives and portfolio restrictions. The CIO will review the investment managers' purchases and sales for each month, and note in the report any deviations from the investment guidelines and restrictions, as outlined by the investment manager agreement. The report will also note any significant changes in the following:

- ✱ portfolio composition
- ✱ portfolio turnover
- ✱ changes in market value
- ✱ sector weights
- ✱ general trading activity
- ✱ changes in cash position

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 16.0 Quarterly Investment Performance Reporting. Performance will be measured for the total portfolio as well as individual components such as equities, fixed income and real estate portfolios. In addition, the performance of each component will be broken down into individual portfolios.

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

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

Every six months, the Chief Investment Officer, with the assistance of the investment consultant, will provide the board with a review of one of the three major asset categories of the total investment portfolio in detail. Therefore, during a eighteen-month period the CIO and the investment consultant will conduct a detailed review of each of the three asset categories in which *SamCERA* invests.

Annually, the Chief Investment Officer 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 the CIO will request an annual insurance certification from each professional service provider. Where appropriate a Statement of Auditing Standards #70 will be obtained and reviewed. (The SAS-70 audit report describes the control structure as it relates to its fiduciary and custodial activities and is prepared in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards Number 70, entitled "Reports on the Processing of Transactions by Service Organizations" as amended by AICPA Statement on Auditing Standards Number 78, entitled "Consideration of Internal Control in a Financial Statement Audit.")

F.02 – Due Diligence Presentations

SamCERA's Investment consultants and investment managers that are under contract with the board to provide services will make a presentation to the board at a public board meeting 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. The board may request presentations more frequently as circumstances demand. The investment managers will provide on a semi-annual basis a completed Compliance Certification Statement (Appendix D) and in depth response to a list of questions submitted by the board.

F.03 – Evaluation and Education

On-site meetings provide board and staff with opportunities to:

1. Evaluate an investment manager's staff and observe how they jointly carry out their fiduciary responsibility to *SamCERA*.
2. Interview individuals who directly manage *SamCERA's* account.
3. Evaluate the significance of personnel shifts or other organizational changes that may affect *SamCERA's* portfolio.
4. Observe the systems and controls utilized to handle *SamCERA's* investments.
5. Hold in-depth reviews regarding an investment manager's philosophy, style and approach to investing *SamCERA's* assets.
6. Develop a better understanding of the significance of short-term periods of good or bad performance.

F.04 – Asset Categories

On-site meetings will be grouped by asset categories. This approach enables the board and 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.05 – Domestic – International Investment Managers

Regular due diligence evaluations shall be scheduled with traditional domestic and international equity and fixed income managers on a three-year rotational basis. Evaluations may be necessary on a more frequent basis if there have been significant personnel changes, a deterioration of returns, or unresolved issues relating to the style drift with a manager.

F.06 – Real Estate Managers

Regular due diligence evaluations with real estate managers shall be scheduled on at least a three-year rotational basis. These due diligence evaluations shall include on-site inspections of properties held in *SamCERA's* portfolio. The investment manager and the individual property manager will accompany staff and board members on these visits.

F.07–Investment Committee Chair Responsibilities

The Investment Committee chair shall, at the first meeting of the committee in each calendar year, place before the committee a proposed outline of all due diligence trips to be performed in the following fiscal year. Once voted on by the committee, that schedule will be placed on the Board of Retirement’s agenda for approval at the next regular meeting.

F.08 - Official Due Diligence Trip

An official due diligence trip shall consist of at least two members of the Investment Committee or in the event committee members are not available, two board members who are available; along with the Chief Investment Officer or his/her designee and the investment consultant. When deemed necessary by the Chief Executive Officer the CIO and investment consultant may meet with an investment manager on an interim basis.

F.09 – Coordination of Due Diligence

The Investment Committee will coordinate with the Chief Executive Officer and the Chief Investment Officer on all planned due diligence. The CIO will be responsible for coordinating each scheduled evaluation visit with the appropriate investment manager.

F.10– Chief Executive Officer

The Chief Executive Officer, at the discretion or direction of the board chair or the Investment Committee Chair, may be directed to accompany an official *SamCERA* due diligence evaluation visit. The Chief Executive Officer may decline to accompany an official *SamCERA* due diligence trip for good cause. Nothing in this section is intended to prevent the Chief Executive Officer from participating in any due diligence performed by the Board of Retirement or any of its committees.

F.11 – Manager Selection Due Diligence

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

The board will require any 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) the consultant’s or manager’s organization and its staff, (ii) investment philosophy and process, (iii) the resources available to provide the service, (iv) proposed fees and (iv) if an investment manager, their performance.

F.12 – Limitation on Board Due Diligence

The Board of Retirement will not participate in any due diligence trip being conducted on any new service provider, investment manager, or others.

F.13 – Policy Review

The Due Diligence Policy Manual shall be reviewed every three years and updated as necessary.

Glossary

Active Information Ratio	<i>Active Information Ratio</i> means the monthly difference between the gross return and the benchmark return divided by the standard deviation of the monthly differences. If considered over rolling three to five year periods, the ratio provides an indication of the success or failure of "Active Management". See "Information Ratio".
Active Management	<i>Active management</i> means that the investment manager uses various disciplines and strategies to select securities to buy and sell in a manner intended to add active returns over those which will be produced by the benchmark. See "Alpha".
Active Return	<i>Active return</i> equals a portfolio's return minus its benchmark's return.
Actuarial Funding Objectives	The <i>Actuarial Funding Objectives</i> for <i>SamCERA</i> are to fully fund the Pension Benefit Obligation by the Year 2022, to stabilize the employer contribution rate, and to minimize employer contributions to the extent it is prudent to do so.
Actuarial Accrued Liability	The <i>Actuarial Accrued Liability</i> is an estimate of the amount of money that should be on deposit today which, when combined with future investment earnings, should be sufficient to pay for a member's retirements benefits for life, based upon service credit up to this point in time.
Actuarial Value of Assets	The <i>Actuarial Value of Assets</i> for <i>SamCERA</i> is computed using a five-year weighted smoothing of market values. It is used to dampen the impact of market price swings on the annual actuarial valuation.
Actuary	An <i>actuary</i> is a mathematician who is specially trained to evaluate member experience (deaths, terminations, disabilities & retirements at various ages, etc.), recommend economic assumptions (inflation, investment returns, salary and payroll increases, etc.), calculate actuarial liabilities (forecast of how much will have to be paid out in benefits in future years, etc.) and rates (such as contribution, pension, annuity, <i>et al</i>).
Aggregate Target Benchmark	The <i>Aggregate target benchmark</i> represents the cumulative sum of the returns generated by the performance benchmark for each investment style multiplied by the percentage of the portfolio which has been invested in each style.
Alpha	<i>Alpha</i> is the portfolio's risk-adjusted return. <i>Alpha</i> is the active return in excess of what would be expected from a diversified portfolio with the same exposure to fluctuations in market prices. A stock with a positive alpha is undervalued relative to other stocks with the same systematic risk. A portfolio with a positive <i>alpha</i> is one which has reaped an extraordinary reward through successful active management.
Alternate Asset	<i>Alternate Asset</i> is a term used to define special situation investments which pension funds utilize to add incremental return to a portfolio which has already been well diversified across the other asset classes. <i>Alternate Assets</i> are characterized as private placements having low liquidity, requiring intense due diligence and monitoring and significant active returns if and when the investment matures. Management buy outs, corporate restructuring and venture capital are examples of alternate assets.
AIMR Compliant	The Association for Investment Management and Research (AIMR) is the outgrowth of the merger of the two associations representing financial analysts. AIMR provides professional

Returns	certification programs and promulgates standards and guidelines for professional conduct. AIMR's standards for the measurement of investment returns are considered the most stringent of the cost-effective means for evaluating portfolio performance. In essence, the extensive standards strive to produce (1) full disclosure, (2) fair representations and (3) comparable performance results. The standards dictate the methods to be employed and the data to be included in the analysis, as well as the disclosures which must be detailed.
Annualized Rate of Return	The <i>annualized rate of return</i> is similar to the compound rate of interest which would have produced the same increase (or decrease) in the value of an asset over the course of one year, including unrealized capital gains (or losses) and investment income, but excluding any additional contributions or withdrawals.
Appreciation	<i>Appreciation</i> is any increase in the value of an asset.
Asset Allocation	<i>Asset allocation</i> is the process of assigning investments across broad categories of investments. Categories typically include stocks, bonds, real estate and international investments. The <i>asset allocation</i> process usually sets percentage targets for each category of investment in an effort to position the portfolio on the "efficient frontier".
Asset	An asset is anything having commercial or exchange value that is owned by a business, institution or individual.
Asset Class	An <i>asset class</i> is a broadly defined generic group of financial assets, such as stocks, bonds, or real estate. Each broad class may be subdivided into subclasses which share identifiable characteristics, such as large capitalization vs. small capitalization stocks.
Baa, BBB, P-1, A-1	See "Bond Rating". P-1, A-1 are "Commercial Paper" ratings.
Basis Point	A <i>basis point</i> is one one-hundredth of one percent (0.0001 or 0.01%).
Bear Market	A <i>bear market</i> is a prolonged period of falling prices. A bear market in stocks is usually brought on by the anticipation of declining economic activity, and a bear market in bonds is caused by rising interest rates.
Benchmark	A <i>benchmark</i> is a standard against which to judge the performance of an investment manager or portfolio. Typical <i>benchmarks</i> are the S&P 500 Index for U.S. stocks and the Barclays Capital Corporate-Government Bond Index for U.S. bonds.
Beta	<i>Beta</i> measures the systematic risk of the portfolio. It indicates how much the value of the portfolio can be expected to increase or decrease as the value of a given market portfolio changes. For example, if the S&P 500 is assigned the Beta coefficient of 1, then a portfolio with a Beta of 1.2 will be expected to increase or decrease in value 20% more than any given increase or decrease in the value of the S&P 500 (If the portfolio = 100; then, when S&P=110, portfolio=112; when S&P=90, portfolio=88).
Bond Rating	A <i>bond rating</i> is a method for evaluating the probability of default by the issuer of a bond. Standard & Poor's and Moody's Investors Services are two firms which analyze the financial strength of each bond's issuer. For example, S&P rates bonds from AAA, if they are very unlikely to default, to D, if they are in default. A bond with a rating of BB, Ba, or below is considered to be below investment grade by most institutional investors.
Bond	A <i>bond</i> is any interest-bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specified intervals, and to repay the principal amount of the loan at maturity. Bondholders have an IOU from

the issuer, but they have no corporate ownership privileges. A convertible bond entitles the bondholder to exchange the bond for other securities of the issuer at some future date and under prescribed conditions.

Book Value	<i>Book value</i> is the value at which an asset is carried on the balance sheet. It reflects the price paid for a security adjusted for the amortization of any premiums or the accretion of any discounts included in the purchase price.
Bull Market	A <i>bull market</i> reflects a prolonged rise in the prices of stocks, bonds, or commodities. Bull markets usually last several months and are characterized by high trading volume.
Business Cycle	A <i>business cycle</i> is a recurrence of periods of expansion and contraction in economic activity which have effects on inflation, growth and employment. One cycle extends from a low point, as measured by Gross National Product, through the next high point and the subsequent decline to the next low point.
Capital Markets	The <i>capital markets</i> are where debt and equity funds are traded. The definition includes organized markets and exchanges, over-the-counter markets and sources of private placement financing.
Capital Appreciation	<i>Capital Appreciation</i> is any increase in the market value of the amount invested in an asset.
Capital Loss	<i>Capital loss</i> is the negative difference between an asset's purchase and selling prices. An <i>unrealized capital loss</i> means that the market value is lower than the book value, but that the asset is still held in the portfolio.
Capital Asset Pricing Model	The <i>CAPM</i> seeks to define the relationship between expected risk and expected return. It breaks return down into a risk-free return plus a risk premium return. <i>CAPM</i> implies that an asset's total return should equal the risk-free return plus the product of <i>beta</i> times the expected market excess return.
Capital Gain	<i>Capital gain</i> is the positive difference between an asset's purchase and selling prices. It does not include dividends, coupons, or the amortization of discounts, which are treated as investment income in the year in which they are accrued. An <i>unrealized capital gain</i> means that the market value is higher than the book value, but that the asset is still held in the portfolio.
Cash Equivalents	The Financial Accounting Standards Board defines <i>Cash equivalents</i> as all highly liquid securities with a known market value and a maturity-at-acquisition of less than three months.
Collateral	<i>Collateral</i> is any asset pledged to a lender until a loan is repaid.
Commercial Paper	Commercial paper encompasses short-term obligations of banks, corporations and other borrowers with maturities of 2 to 270 days.
Commingled Fund	A <i>commingled fund</i> is essentially a mutual fund for institutional investors, in which each institution owns a share of the total fund.
Commission Recapture	<i>Commission recapture</i> refers to programs offered by certain brokers. In return for the broker being given an opportunity to make an offer on individual transactions, commission recapture programs turn back (to the investment portfolio) an agreed upon percentage of the commission dollars which are generated from the purchase and sale of stocks for the portfolio,

Commitment-Weighted Aggregate	The <i>commitment-weighted aggregate</i> represents the cumulative sum of the returns from each asset class multiplied by the percentage of the portfolio which has been invested in each of the classes.
Common Stock	<i>Common stock</i> reflect units, or shares, of ownership in a public corporation. The price is usually determined in the capital markets and increases or decreases in value based upon investor perceptions and the ability of buyers and sellers to agree upon a value for the stock. Owners are typically entitled to vote for directors and to receive dividends on their investment. In the event of liquidation, common stock claims are settled after the claims of creditors, bondholders and preferred stockholders.
Consultant	A <i>consultant</i> , as used in the <i>Investment Plan</i> , is a firm with professionals who specialize in providing pension fiduciaries with background, research, advice, recommendations, due diligence and monitoring services regarding the management of pension assets.
Consumer Price Index	The <i>Consumer Price Index</i> , or <i>CPI</i> is the measure of the rate of changes in prices which are used by pension funds to measure inflation. CPI is based on a U.S. Department of Labor Statistics monthly survey of consumer goods and services, including housing costs, food, transportation, electricity, <i>et al.</i>
Core	See "Passive Management".
Correlation	<i>Correlation</i> is a statistical term explaining the strength of the relationship between two variables. Values can range from +1, meaning that every change in the first variable produces a predictable equivalent change in the second variable; to -1, meaning that every change in the first variable produces a predictable opposite change in the second variable. A correlation of 0 means that the two variables have no linear relationship. Correlation is used to measure relationships between price movements in the various categories of assets.
Currency Futures	A <i>currency future</i> is a contract for delivery of a major currency of a specified amount on a specified date and is used by pension funds to reduce the volatility of international investments. See "Futures".
Current Yield	<i>Current yield</i> equals the annual interest receivable on a bond divided by its market price.
Custodian	A <i>custodian</i> is a depository for the safekeeping of securities. The custodian may collect income and dividends and do simple reporting on the assets.
Custom Benchmarks	A <i>custom benchmark</i> is designed to reflect as accurately as possible the unique performance objectives of a specific pension fund or investment portfolio. It can be as simple as the blending of two or more common indices, or as complex as a proprietary computer simulation.
Debt Service	<i>Debt service</i> is the cash required in a given period for payments of interest and current maturities of principal on outstanding debt.
Debt Instrument	A <i>debt instrument</i> is a written promise to repay a debt; such as a bill, note, bond, banker's acceptance, certificate of deposit, or commercial paper.
Deep Discount	A <i>deep discount</i> bond typically sells for more than 20% below its face value, with a below market coupon. Deep discount bonds are expected to appreciate rapidly as interest rates fall, or drop in value faster as interest rates rise.
Depression	A <i>depression</i> in an economic condition characterized by falling prices, reduced purchasing power, an excess of supply over demand, rising unemployment, accumulating inventories,

deflation, plant contraction, public fear and caution, and a general decrease in business activity.

- Derivative A *derivative* is any financial instrument whose value is based on another security. For example, an option is a derivative whose value derives from an underlying stock, stock index, or future.
- Devaluation *Devaluation* is the lowering of the value of a country's currency relative to the currencies of other nations.
- Diligence *Diligence* characterizes the act of being persevering and careful in work; hardworking; done with careful, steady effort; painstaking. A fiduciary is responsible for exercising prudent due diligence in all trust duties.
- Discount The *discount* is the negative difference between a debt security's current market price and its redemption value, and typically represents the adjustment in price necessary to compensate for the difference between current market interest rates and the security's coupon rate.
- Disinflation *Disinflation* is the slowing down of the rate at which prices increase--usually during a recession, when sales drop and retailers are not able to pass on higher prices. [Prices actually drop during *deflation*.]
- Disinvestment *Disinvestment* is the reduction in capital investment which may result from closing or disposing of plants, equipment and other facilities, or the failure to replace capital assets as they are consumed or depleted, or become obsolete.
- Diversification *Diversification* is the spreading of risk among a number of different investment opportunities. *Diversification* is the reduction in risk that is obtained by investing wealth in assets which are not perfectly positively correlated. Since the assets are not perfectly correlated, losses in any one asset may be offset by gains on other assets. In this manner, the risk of a portfolio will be less than the risk of its individual assets.
- Dividend A *dividend* is a distribution of earnings to shareholders by a corporation. A dividend may be paid in cash, stock or other form. Dividends are set by the corporation's board of directors and are usually paid quarterly.
- Domestic *Domestic* refers to a U.S. based company or capital market. However, many companies with foreign headquarters are now traded in the U.S. capital markets. Consequently, they may be included in domestic portfolios if they are included in the S&P 500, R 1000, et al.
- Dual Class Voting Rights *Dual class voting rights* refers to a strategy employed by the board of directors of certain corporations to deny shareholders full participation in shareholder votes. Typically one class of stock with voting rights is issued in small amounts to corporate insiders. A second class of stock without voting rights is issued in abundant amounts for the public. The strategy usually requires an amendment to the bylaws of the corporation and, therefore, usually requires ratification by the shareholders.
- Due Diligence *Due Diligence* is the process used to ascertain that things are as they appear to be. For example, *due diligence* is performed on prospective investment managers to make certain that they are who they say they are; that their client's report that they have fulfilled their commitments; that their disciplines, procedures & internal controls are well documented and are monitored for compliance. See "Diligence".
- Econometrics *Econometrics* is the use of computer analysis and modeling techniques to describe in

mathematical terms the relationship between key variables and to test their relationships under various economic scenarios.

Efficient Market	The <i>efficient market</i> theory states that capital market prices reflect the knowledge and expectations of all investors; therefore, one is unlikely to be able to consistently outperform the market. This is one of the theories used by those who support "passive management".
Efficient Frontier	The <i>efficient frontier</i> describes a set of optimal portfolios which balance returns with various levels of tolerance for risk. The portfolios on the efficient <i>frontier</i> offer the highest possible expected return at each specific level of risk, and conversely, the lowest level of risk for each expected level of return.
Entry Normal Funding Method	The <i>Entry Age Normal Funding Method</i> is an actuarial technique which projects an estimate of future benefit payments to a member (based on numerous actuarial probabilities) and then calculates a level percentage of payroll which (if paid in regularly over the member's career as salaries increase) should fully fund the present value of the future benefit payments by the time of retirement.
Equity	<i>Equity</i> is a general term for instruments which are highly sensitive to the total value of a business enterprise. Common stock is one form of equity.
ERISA	The <i>Employee Retirement Income Security Act</i> of 1974 governs private sector and Taft-Hartley pension plans. While it does not apply to government sponsored pension plans, its fiduciary standards are regularly cited as the guiding principles for the administration of public pension plans.
Event Risk	<i>Event risk</i> is the possibility that a bond will suddenly decline in credit quality and warrant a lower rating.
Excess Return	<i>Excess return</i> is that over a risk-free rate, such as a 90-day T-bill.
Expected Return	The <i>expected return</i> is the average (mean of the probability distribution) investment return.
Fiduciary Responsibility	The California Constitution defines the Fiduciary responsibility of the board members as follows: "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 purpose 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."
Financial Times Data Base	Great Britain's <i>Financial Times Data Base</i> includes information on most investment grade equities in the world. If a security is not included in the data base it suffers from at least one of the following conditions: too small an issue, too illiquid, too risky, too small a capital market, et al.
Free Float	<i>Free Float</i> is the amount of outstanding shares available for public trading with due consideration to shares held in cross-ownership and shares held or subject to employee benefit, and other employee compensation schemes. A small float implies stock price will be more volatile.
Full Discretion	<i>Full discretion</i> means that the investment manager does not have to check back with the pension fund before making investment decisions, so long as the pension fund's investment guidelines are followed. The manager reports on all investment transactions after the fact.

Futures	<i>Futures</i> contracts are agreements to buy or sell a specific amount of a commodity or financial instrument at a specific price on a specific future date.
GIC	A <i>GIC</i> or <i>Guaranteed Income Contract</i> is an agreement, usually issued by an insurance company, which guarantees a specific rate of return for a specific period of time. While the insurance company assumes all risk on the underlying portfolio of securities, it also keeps all returns in excess of the guaranteed rate.
Global	<i>Global</i> is an all inclusive term which covers all of the world's major capital markets. It usually excludes emerging markets in third world countries.
Hedge	A <i>hedge</i> is a strategy used to offset investment risk. A <i>hedge</i> is a form of insurance. Futures contracts are frequently used as <i>hedgies</i> to protect against significant market volatility.
High Yield	<i>High yield</i> usually refers to below investment grade bonds selling at a significant discount. Also called "junk bonds". See "Deep Discount" & "Bond Rating".
Index	An <i>Index</i> is a statistical composite that measures changes in the economy or the capital markets. See Barclays Capital Aggregate, S&P 500, R1000, R2000, MSCI..., & SB World.
Indexed	See "Passive Management"
Industry Group	See "Sector"
Inefficiencies	<i>Inefficiencies</i> is used to describe opportunities to find mispriced securities in the capital markets. See "Efficient Market". If the market as a whole is efficient, then the active investor must be on the lookout for temporary or dynamic inefficiencies which have the potential to produce active returns.
Inflation	<i>Inflation</i> reflects a rise in the prices of goods and services, as happens when demand increases faster than supply. See "Consumer Price Index".
Information Ratios	The <i>information ratio</i> is a measure of risk-adjusted portfolio returns. It is equal to "active return" divided by the "active risk", where active risk equals the standard deviation of the active return.
Institutional Grade Investment	An <i>institutional grade investment</i> refers to assets suitable for inclusion in any institutional portfolio. Such investments are generally recognized as being of sufficiently high quality as to minimize the likelihood of catastrophic loss or default. <i>Investment grade</i> bonds are those rated BBB and higher.
Institutional Pension Funds	<i>Institutional pension funds</i> refers to tax exempt pension plans with a long-term funding horizon and a statistically significant membership. Their investment objectives and funding requirements differ from those of an individual or taxable entity.
International	<i>International</i> refers to securities and capital markets which are not part of the U.S. capital markets.
Investment Discipline	<i>Investment discipline</i> refers to an investment manager's explicit mission statement, philosophy, goals, objectives, policies, procedures and controls which are used to research, select, purchase, retain and sell securities for inclusion in portfolios which reflect the investment manager's style(s).

Investment Manager	An <i>investment manager</i> is a firm with professionals who specialize in making investment decisions for pension funds. Those decisions must be consistent with the terms and conditions of their contract. They are fiduciaries for the assets under their control.
Large Capitalization	<i>Large capitalization</i> refers to stocks issued by the largest corporations in a specific market. For instance, the S&P 500 index includes the 500 largest corporations in the domestic stock market.
Barclays Capital Aggregate	The <i>Barclays Capital Aggregate</i> refers to the index which measures the composite return of all investment grade domestic fixed income securities.
Liquidity	<i>Liquidity</i> is a relative measure of the ease with which a willing seller can find a willing buyer. The more liquid a security, the easier it is to execute significant transaction volumes without significantly impacting the price.
Margin Sales	A <i>margin sale</i> is one in which the purchaser is permitted to buy securities with the equivalent of a down payment. The <i>Investment Plan</i> prohibits <i>margin sales</i> .
Marked-to-Market	<i>Marked-to-Market</i> refers to the process of determining the current value of individual assets in the capital markets and then recording those values for the individual assets held in a portfolio, in order to establish the current market value of the portfolio.
Market Returns	<i>Market returns</i> are the total returns generated by all of the securities in a particular sector of the market; for example, the capital appreciation and reinvested dividends for all domestic large capitalization stocks as measured by the S&P 500 during the past three months.
Market-Timers	<i>Market-timers</i> are investors who actively seek to anticipate the highs and lows of prices for individual securities, sectors, or asset classes and to buy and sell securities at the most opportune time to capture active returns.
Monitor	<i>Monitor</i> is the process whereby fiduciaries periodically review the actions of those to whom they have delegated authority to insure that the terms of the delegation have been fulfilled and that all fiduciary obligations are being faithfully executed. <i>Monitoring</i> provides assurance that all parties are adhering to the provisions of the Investment Plan and individual contracts.
MSCI Data Base	The <i>MSCI Data Base</i> refers to the Morgan Stanley Capital International data bases which includes information on most investment grade equity securities in the world.
MSCI World ex US Unhedged	The <i>MSCI World ex US Unhedged</i> refers to Morgan Stanley Capital International which measures the composite returns of all relatively liquid stocks worldwide. It does not include U.S. stocks. <i>Unhedged</i> means that the total return of the index (in \$ terms) is fully exposed to currency fluctuations.
NASDAQ	<i>NASDAQ</i> refers to the National Association of Securities Dealers Automated Quotation System which is the over-the-counter market place for the trading of more than 5,000 securities listed on the system.
Net Cost	<i>Best net cost</i> , as used in the Investment Plan, means that investment managers are expected to execute transactions that are as favorable for the Retirement Fund as is prudent. Commissions and spreads should be less than the average for similar transactions. Soft dollar relationships should not be used as excuses for not obtaining best execution.
Net Operating	<i>Net operating revenue</i> , as used in the Investment Plan, refers to income on real estate and

Revenue	alternate asset investments generated in the course of business through the active management of the asset.
Objectives	<i>Objectives</i> , as used in the <i>Investment Plan</i> , refers to specific performance targets which can be used by the Board of Retirement to monitor the relative success of the <i>Investment Plan</i> and investment managers in making progress towards the funding target.
Options	<i>Options</i> are contracts between two investors in which one grants the other the right to buy (or sell) a specific asset at a specific price within a specified time period. Whereas as a "future" includes a commitment to execute the transaction, an <i>option</i> does not have to be exercised (though a fee will be forfeited by the purchaser of the option).
Passive Management	<i>Passive Management</i> refers to the investment of assets in a pool of securities designed to replicate the characteristics of all of the securities included in a specified universe (such as the "R1000"). The passive manager is not expected to attempt to outperform the index which measures the return on the specified universe. <i>Passive management</i> reflects the most common technique for the implementation of the "Efficient Market" theory.
Pension Benefit Obligation	The <i>Pension Benefit Obligation</i> is an accounting standard used to characterize and compare the strength of the actuarial funding of two or more pension plans. The pension benefit obligation is the present value of the theoretical amount which should be on deposit today to pay for all service rendered to date. It includes factors for future salary increases up to the date of retirement and cost-of-living allowances thereafter. See "Unfunded Actuarial Liability".
Performance Attribution	<i>Performance attribution</i> refers to the techniques used to break down an investment manager's or portfolio's return into component parts. Through the use of computer models and actual market data, the return is dissected. Portions of the return will result from the overall direction of the market, individual asset classes (<i>i.e.</i> : stocks vs. bonds), asset subclasses (<i>i.e.</i> : domestic large capitalization growth stocks), sectors (<i>i.e.</i> : automotive stocks) and security selection (<i>i.e.</i> : General Motors). Consultants find performance attribution useful in tracking a manager's adherence to a specific investment discipline; while, investment managers often view it as a way to validate backtested strategies.
Plenary	<i>Plenary</i> authority is granted to the Board of Retirement by the State Constitution. <i>Plenary</i> means complete, entire, perfect, not deficient in any element or respect, absolute, unqualified.
Portfolio	A <i>portfolio</i> is the combined holding of more than one stock, bond, and/or other assets to reduce the investor's risk through diversification.
Private Placement	A <i>private placement</i> is an investment which is not traded in the security markets. Returns are expected to be higher to compensate for the lack of liquidity.
Proxy	A <i>proxy</i> is a written power of attorney given by shareholders of a corporation authorizing a specific vote on their behalf at a corporate meeting. A <i>proxy</i> usually identifies a slate of candidates for the board of directors and resolutions submitted to the shareholders for action.
Prudence	<i>Prudence</i> is the practice of acting wisely in the handling of practical matters and the exercising of good judgment or common sense; possessing sufficient knowledge of a matter and discerning the most appropriate course of action.
Punctilio	<i>Punctilio</i> , as used by Chief Judge Cardozo, means the highest point or apex of a standard of honor and the strictest observance of the highest standard of performance.

R-Squared	"R-Squared" (r^2) is the square of the correlation coefficient. r^2 describes the percentage of the change in a dependent variable that is related to a change in the independent variable in a simple linear regression model. For example, an r^2 of .85 for Mutual Fund A would indicate that 85% of the excess return of Mutual Fund A could be explained by movement in the excess return of the S&P 500. Conversely, 15% of the excess return for Mutual Fund A could not be explained away by changes in the S&P 500.
R1000	<i>R1000</i> standards for the Russell 1000 stock index which measures the composite returns of the 1,000 largest market capitalization domestic stocks.
R2000	<i>R2000</i> stands for the Russell 2000 stock index which measures the composite returns of the 2,000 next largest market capitalization domestic stocks which are not included in the R1000. (The Russell 3000 equals the R1000 plus the R2000.) See "Small Capitalization".
Real Return	<i>Real return</i> equals total return less an adjustment for inflation.
Rebalance	<i>Rebalance</i> is the term used to describe the process of bringing a portfolio back into conformance with its asset allocation targets. When an asset class exceeds its "tactical range", assets must be sold and the proceeds redeployed to other asset classes; conversely, if an asset class falls below its "tactical range", other assets must be sold and the proceeds redeployed to the class which is out of conformance.
REIT	<i>REIT</i> stands for Real Estate Investment Trust. <i>REIT</i> 's are typically publicly traded securities whose underlying assets are invested in real estate. Shareholders participate in the income stream of the underlying real estate portfolio.
Return	<i>Return</i> means the increase (or decrease) in the market value of an asset plus income (such as coupons or dividends) divided by its cost. <i>Return</i> is measured over a period of time, such as one month, last quarter, last year; and annualized three, five and ten years.
Risk	<i>Risk</i> is the uncertainty that an investment will produce the expected return. In pension portfolios <i>risk</i> is measured by the "volatility" of the returns expected from each of the separate asset classes which make up the diversified portfolio. Individual securities have a wide range of specific risk exposures. By combining a mix of securities which different risk profiles into a portfolio, the overall risk to the total portfolio is significantly reduced.
Risk-Adjusted Return	<i>Risk-adjusted return</i> refers to techniques used to determine if a portfolio or investment manager is producing active returns commensurate with the associated risk profile. A manager with exceptional returns may be taking exceptional risks. By adjusting returns to reflect risk, a fiduciary can judge the effectiveness of the investment strategy.
S&P 500	<i>S&P 500</i> stands for the Standard & Poors 500 stock index which measures the composite returns of the 500 largest market capitalization domestic stocks. (Most of the S&P 500 stocks are included in the "R1000".)
SB World Unhedged	<i>SB World Unhedged</i> stands for the Salomon Brothers World Bond Index which measures the composite returns of most relatively liquid government bonds in the world. <i>Unhedged</i> means that the total return of the index (in \$ terms) is fully exposed to currency fluctuations.
SEC Registered Investment Advisors	The Securities and Exchange Commission serves as a registry of investment advisors. The principal value of the registration process is the extensive disclosure requirements imposed by the SEC. Pension funds frequently require that their "investment managers" be SEC Registered Investment Advisors as the first step in the due diligence process.
Sector	<i>Sector</i> refers to a group of stocks identified with a particular industry. Portfolio managers

tend to classify stocks by industry and use those classifications as one of the factors in assembling portfolios. A well diversified portfolio is invested across many *sectors*.

Security Lending	<i>Security lending</i> refers to the practice of loaning assets under the custodian's care to brokers for a fee. The loan is secured by collateral provided to the custodian by the borrower.
Short Sales	<i>Short sales</i> refers to the sale of a security which the seller does not own. The <i>Investment Plan</i> prohibits <i>short sales</i> .
Small Capitalization	<i>Small capitalization</i> refers to stocks issued by corporations which are excluded by size from being considered as large capitalization stocks in a specific market. For instance, the "R2000" index encompasses the 2,000 smallest corporations in the R3000 list of domestic stocks. Smaller capitalization stocks are typically less liquid than large capitalization stocks.
Special Situations	See "Alternate Assets".
Standard Deviation	<i>Standard deviation</i> is the statistical measurement of dispersion around the Mean. For instance, if a series of active returns have a normal (bell-shaped) distribution, they will be spread out such that 68.26% of the occurrences will fall within 1 <i>Standard Deviation</i> of the Mean; 95.46% within 2 <i>Standard Deviations</i> ; and 99.73% within 3 <i>Standard Deviations</i> .
Styles	<i>Styles</i> is a term used to describe the investment discipline adhered to by an investment manager. Consultants classify investment managers by their style. Typical classifications for stock managers include growth style vs. value style broken down by large capitalization vs. small capitalization styles.
Tactical Range	<i>Tactical range</i> defines the upper and lower limits which the current market value of an individual asset class must not exceed, in terms of its percentage of the total portfolio. Once the percentage falls outside of the limits, the portfolio is to be "rebalanced".
Tax exempt security	A <i>tax exempt security</i> is an obligation whose interest is exempt from taxation by one or more taxing authorities. Tax exempt securities provide tax free income to an investor and, therefore, usually provide lower interest coupons than a comparable taxable security. Pension funds do not pay taxes. Consequently such securities are not usually attractive to pension funds.
Total Time-Weighted Rate of Return	<i>Total time-weighted rate of return</i> is the most common measurement used to compare the performance of one investment manager or portfolio against another. <i>TTWRR</i> calculates investment performance (income and price changes) as a percentage of capital invested over a specific period of time. <i>TTWRR</i> eliminates the effects of additions and withdrawals of capital and their timing (factors which distort comparisons based on dollar-weighted rates of return).
Tracking Error	<i>Tracking error</i> is a statistical measure of how closely an investment manager or portfolio adhere to a specific performance objective. Specifically, <i>tracking error</i> is the standard deviation of the difference between actual performance and the performance of a specified benchmark. Tracking error is a synonym for "active risk".
Trustee	A <i>trustee</i> is one who is responsible for the stewardship of another's assets, including the responsibility for collecting contributions, safekeeping the assets, investing the assets productively, paying earned benefits in a timely fashion and other acts expected of a prudent fiduciary.

TUCS	<i>TUCS</i> stands for the Trust Universe Comparison Service which provides comparative analysis of total time-weighted rates of return for approximately 286 master trust portfolios, including approximately 38 state and local government pension portfolios.
Unfunded Actuarial Liability	The <i>Unfunded Actuarial Liability</i> is the difference between the assets on hand today and the present value of earned benefit payments which are projected to be payable in the future. There are as many measures of the unfunded actuarial liability as there are actuarial funding methods. <i>SamCERA</i> utilizes the "Entry Age Normal Funding Method". Utilizing that method, the appropriate calculation is to subtract the "Actuarial Accrued Liability" from the "Actuarial Value of Assets".
Volatility	<i>Volatility</i> is a measure of fluctuations in returns. <i>Volatility</i> is one standard deviation of the dispersion of returns around the average return. Pension funds use <i>volatility</i> as a proxy for "risk".

Sources: The entries have been generated by *SamCERA* staff. Many of the entries are based on definitions offered in the following sources: BARRA's *Glossary, Investment and Portfolio Theory*; Barron's *Dictionary of Finance and Investment Terms*; Sharpe & Alexander's *Investments, Fourth Edition*; Winklevoss' *Pension Mathematics*; Ibbotson & Brinson's *Global Investing*; Arnott & Fabozzi's *Asset Allocation, A Handbook of Portfolio Policies, Strategies & Tactics*. Recommended additions, changes and corrections should be submitted to the Retirement Administrator for inclusion in the next edition of *SamCERA's Investment Policy*.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 6.4

To: Board of Retirement

Michael R Coultrip

From: Michael Coultrip, Chief Investment Officer

Subject: Quarterly Investment Performance Report for the period ended June 30, 2012

STAFF RECOMMENDATION: Staff recommends the board review and accept Strategic Investment Solutions' Quarterly Performance Report for the period ended June 30, 2012.

COMMENT: Below is a summary performance table from Strategic Investment Solutions' Quarterly Performance Report. Patrick Thomas will present the entire report to the board and will be available for questions.

INVESTMENT PERFORMANCE SUMMARY
June 30, 2012

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<i>Composite Fund</i>	-2.43%	80	0.03%	82	11.81%	42
<i>Policy Index</i>	-2.17%	68	1.54%	35	12.27%	34
BlackRock Russell 1000 Index Fund	-3.10%	52	4.43%	49	16.70%	26
D.E. Shaw	-3.50%	66	7.07%	6	N/A	N/A
<i>Russell 1000 Index</i>	-3.12%	53	4.37%	52	16.64%	27
T. Rowe Price	-3.32%	63	5.70%	15	N/A	N/A
<i>S&P 500 Index</i>	-2.75%	39	5.45%	36	N/A	N/A
Barrow Hanley	-3.86%	48	0.14%	63	N/A	N/A
<i>Russell 1000 Value Index</i>	-2.20%	19	3.01%	29	N/A	N/A
BlackRock	-7.10%	81	-3.88%	92	N/A	N/A
<i>Russell 1000 Growth Index</i>	-4.02%	25	5.76%	30	N/A	N/A
<i>Large Cap Composite</i>	-4.30%	57	1.93%	63	15.28%	67
<i>Russell 1000 Index</i>	-3.12%	36	4.37%	41	16.64%	33
Jennison Associates	-4.63%	53	-3.38%	67	20.58%	15
<i>Russell 2000 Index</i>	-3.47%	30	-2.08%	47	17.80%	61
The Boston Company	-3.43%	21	4.35%	7	N/A	N/A
<i>Russell 2000 Value Index</i>	-3.01%	17	-1.44%	38	N/A	N/A
Chartwell Investment Partners	-5.51%	70	0.88%	22	22.61%	14
<i>Russell 2000 Growth Index</i>	-3.94%	36	-2.71%	49	18.09%	65
<i>Small Cap Composite</i>	-4.59%	51	-0.37%	28	20.80%	23
<i>Russell 2000 Index</i>	-3.47%	29	-2.08%	48	17.80%	63
<i>U.S. Equity Composite</i>	-4.37%	59	1.37%	52	16.36%	59
<i>U.S. Equity Benchmark</i>	-3.20%	25	2.90%	34	16.85%	45

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
Eaton Vance Management	-7.57%	45	N/A	N/A	N/A	N/A
<i>MSCI EM Markets Index</i>	-8.77%	73	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Mondrian Investment Partners	-6.25%	34	-9.81%	28	7.60%	47
<i>MSCI ACWI-ex US Value Index</i>	-7.49%	64	-14.61%	65	6.63%	69
Pyramis Global Advisors	-8.61%	56	N/A	N/A	N/A	N/A
<i>MSCI ACWI – ex US Small Cap Index</i>	-8.78%	57	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>International Equity Composite</i>	-6.58%	39	-13.85%	65	5.67%	90
<i>MSCI ACWI-ex US Index Free</i>	-7.38%	64	-14.15%	69	7.44%	65
<i>Total Equity Composite</i>	-5.06%		-3.54%		12.97%	
<i>Total Equity Index</i>	-4.60%		-3.13%		13.69%	
Aberdeen Asset Management	2.33%	29	8.87%	17	10.99%	6
Angelo Gordon GECC PPI Fund	2.15%	N/A	5.51%	N/A	N/A	N/A
Pyramis Global Advisors	2.49%	18	8.20%	34	9.53%	24
Western Asset Management	2.28%	34	8.67%	21	11.57%	4
<i>BC Aggregate Index</i>	2.06%	51	7.47%	60	6.93%	80
Brigade Capital Management	1.79%	N/A	7.23	N/A	N/A	N/A
<i>BC BBB Credit</i>	2.41%	<i>N/A</i>	<i>10.33</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Brown Brothers Harriman	3.44%	12	12.58%	10	N/A	N/A
<i>BC U.S. TIPS</i>	3.15%	51	11.66%	43	<i>N/A</i>	<i>N/A</i>
Franklin Templeton Investments	-1.34%	94	-0.06%	88	N/A	N/A
<i>BC Multiverse</i>	0.61%	60	2.79%	58	<i>N/A</i>	<i>N/A</i>
<i>Total Fixed Income Composite</i>	1.72%	58	6.97%	56	10.80%	32
<i>Total Fixed Income Index</i>	1.99%	52	7.59%	42	7.36%	69
<i>Total Private Equity Composite</i>	7.98%	<i>N/A</i>	0.92%	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Total Private Equity Index</i>	-2.42%	<i>N/A</i>	6.95%	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
AQR Delta Fund	2.03%	12	-0.43%	47	N/A	N/A
<i>Total Hedge Fund Index</i>	1.05%	19	4.25%	16	<i>N/A</i>	<i>N/A</i>
AQR Risk Parity	0.06%	N/A	5.24%	N/A	N/A	N/A
<i>Total Risk Parity Index</i>	-1.01%	<i>N/A</i>	5.77%	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
INVESCO Core Fund	1.70%	55	8.98%	58	8.03%	37
<i>NCREIF ODCE – Equal Weight</i>	2.58%	34	12.42%	36	8.39%	34
SSgA Commodity	-2.72%	31	N/A	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	-4.55%	37	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
State Street General Account	0.04%	32	0.14%	37	0.28%	36
San Mateo County Treasury Account	0.21%	11	0.91%	14	0.98%	16
<i>Cash Composite</i>	0.17%	12	0.67%	15	0.84%	18
<i>91 Day T-Bill Index</i>	0.03%	46	0.05%	56	0.12%	62



**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

Quarterly Performance Report

June 30, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC



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SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Second Quarter 2011

Capital Market Review

- As the European crisis entered a crucial phase and growth prospects diminished throughout the developed world and in China, risk aversion increased, pushing up risk premiums across the developed and emerging markets.
- Fears of a Greek exit and Eurozone collapse led to rising risk premiums. However, despite the relatively benign outcome in the Greek elections, heightened risk aversion persisted. Fears of a systemic bank collapse led to a €100Bn European Financial Stability Fund loan made to the Spanish government to assist in bank recapitalization. However, Spanish sovereign yields spiked in the aftermath of the bailout, given that the loan would boost the country's debt ratio.
- The hope for policy action came to the fore of investors' minds. European leaders at the EU Summit at the end of June agreed to allow the European Stability Mechanism to directly recapitalize failing banks and to create a single banking supervisor run by the ECB.
- The final trading days of the quarter saw rebounds across global equity markets as policy action led to hopes for a Eurozone banking union. As a result, the MSCI Europe ex UK total return index rose 8.5% percent in June.
- Safe-haven demand was on the rise, which led to Treasuries returning 2.8% in Q2. Meanwhile, in the currency markets, the flight to safety led to a quarterly increase in the yen of 3.8%.
- The State Street Investor Confidence Index® measures risk appetite by analyzing buying and selling patterns of institutional investors. The index reached its highest level this year, rising to 93.5 by the end of June from 91.6 at the close of the second quarter, but still remains firmly below neutral level of 100. The increase in confidence was most pronounced in Northern America, while European institutional investors' appetite for equities is the strongest, at 102.5, above the 100 threshold marking a neutral risk appetite.
- For the period ending 6/30/12, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 3.71% and 2.59%; one year, 12.92% and 13.41%; three years, 32.41% and 5.96%; and five years, 2.60% and 2.88%.
- The global economic growth outlook has soften over the second quarter. However real estate as an asset class continues to attract capital as opportunities persist for those investors with the capacity for illiquidity. According to Prequin, 27 closed-end private real estate funds reached a final close having raised an aggregate \$7.5 billion from investors. While the number of funds reaching a final close in Q2 2012 was similar to the previous year, the aggregate capital raised decreased slightly from the \$10.8 billion raised during Q1 2012. The amount of capital raised in Q2 was also considerably lower than in the same period in 2011, when 34 private real estate funds closed on an aggregate \$13.9 billion.
- The desire for yield has continued to support demand for commercial real estate investments, as evidenced by the Federal Reserve Bank of New York's auction of its Maiden Lane III portfolio, announced in April.
- Commercial real estate valuations show that the market is stabilizing if not improving. The NCREIF National Property Index registered a 2.68% positive gain according to the latest release. While this is slightly less than the 3.0% to 4.0% increases that were achieved quarterly since the second quarter 2010, it was nonetheless the ninth consecutive quarterly increase.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Second Quarter 2012

Executive Performance Summary

- The composite fund returned -2.4% in the second quarter of 2012 and ranked 80th among other public funds greater than \$100 million (median of -1.9%). It lagged the policy index return of -2.2%. The one year return of 0.0% was behind the policy index return of 1.5% and ranked in 82nd percentile of the universe. The two and three-year returns of 11.3% (46th percentile) and 11.8% (42nd percentile), respectively, were above median among large public plans (11.1% and 11.7%).
- Second quarter results were enhanced by the following factors:
 1. The BlackRock Russell 1000 Index Fund, -3.1%, ranked in the 52nd percentile among large cap core managers (median of -3.1%), and matched its benchmark.
 2. Mondrian returned -6.2% and led the MSCI AC World -ex US Value Index (-7.5%) and ranked in the 34th percentile among its peers. The portfolio was helped by its strong stock selection in Japan and the UK. New manager Baillie Gifford completed its funding in April. In its first two months, the portfolio beat its benchmark, the MSCI ACWI -ex US Growth (-6.4% vs. -6.8%).
 3. In its first full quarter, the Pyramis Select International Small Cap Plus Fund result of -8.6% was above the MSCI ACWI -ex US Small Cap Index (-8.8%), and ranked in the 56th percentile among international equity developed market small cap managers. Artio's stock selection in the consumer staples and financial sectors, plus its emerging markets exposure, contributed to performance. Its holdings in France and Japan lifted relative performance. Consumer staples (Eurocash) and industrials (Sho-Bond) were two of the primary sector contributors.
 4. In its first full quarter, emerging manager Eaton Vance beat the MSCI Emerging Markets Index and ranked in the second quartile among its peers (-7.9% median). Contributing to outperformance were the portfolio's structural underweight to Brazil and overweights to Thailand and Mexico.
 5. Aberdeen Asset (2.3%) out-performed the Barclays Aggregate Index (2.1%) and ranked above the median core bond manager (2.1%). Aberdeen holdings in corporate bonds (financials, TMS), RMSB, ABS and taxable municipal securities added to relative performance.
 6. The Pyramis Broad Market Duration Fund gained 2.5% and ranked in the 18th percentile among core bond managers (median of 2.1%). The Barclays Aggregate Index was up 2.1% for the quarter. Sector overweight to financial corporate bonds, agency MBS and ABS proved positive.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Second Quarter 2012

Executive Performance Summary

7. Western Asset Management's quarter was above par. It carried a return of 2.3% and ranked above the core bond manager median of 2.1%. The Barclays Aggregate Index returned 2.1%. Its underweight exposure to the short end of the yield curve and HARP-eligible mortgages and overweight to non-agency MBS and non-dollar bonds generated performance alpha.
 8. The Angelo Gordon GECC PPIP Fund appreciated 2.2% while the Barclays Aggregate was up 2.1%. The Fund carries approximately 38% RMBS and 62% CMBS assets.
 9. Brown Brothers Harriman gained 3.4%, edged out by the Barclays US TIPS Index (3.2%) and ranked in the top quartile among Inflation Linked Bond accounts (median of 3.2%). Its positions favoring longer maturity TIPS and tactical holdings of nominal US Treasuries added to performance.
 10. Private Equity investments appreciated 8.0% for the quarter. The Russell 3000 + 3% Index was down 2.4%.
 11. Risk parity manager AQR was up 0.1% while its custom benchmark was -1.0%. Second quarter gross return attribution is as follows: equity (-1.2%), nominal interest rate (3.3%), inflation (-1.3%) and credit/default (-0.7%).
 12. Hedge fund strategy AQR DELTA Fund II led the LIBOR + 4% (2.0% vs. 1.1%). It ranked in the top quartile among hedge fund strategies (median of -0.9%). Seven of the nine strategies had positive results for the quarter. The three largest contributors are Dedicated Short Bias (+1.4%), Managed Futures (+0.6%) and Fixed Income Relative Value (+0.5%).
 13. Commodities manager SSgA Multisource beat its benchmark, DJ UBS Commodities Index (-2.7% vs. -4.5%). It ranked in the second quartile among commodity funds (median of -7.0%).
 14. The Treasury and LAIF account added 0.2% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.
- Second quarter results were hindered by the following factors:
 1. DE Shaw's return of -3.5% ranked in the third quartile among large cap core managers (median -3.1%), and was behind its benchmark, the Russell 1000 Index (-3.1%). Investments in the Consumer Staples and Healthcare sectors dampened quarterly results.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Second Quarter 2012

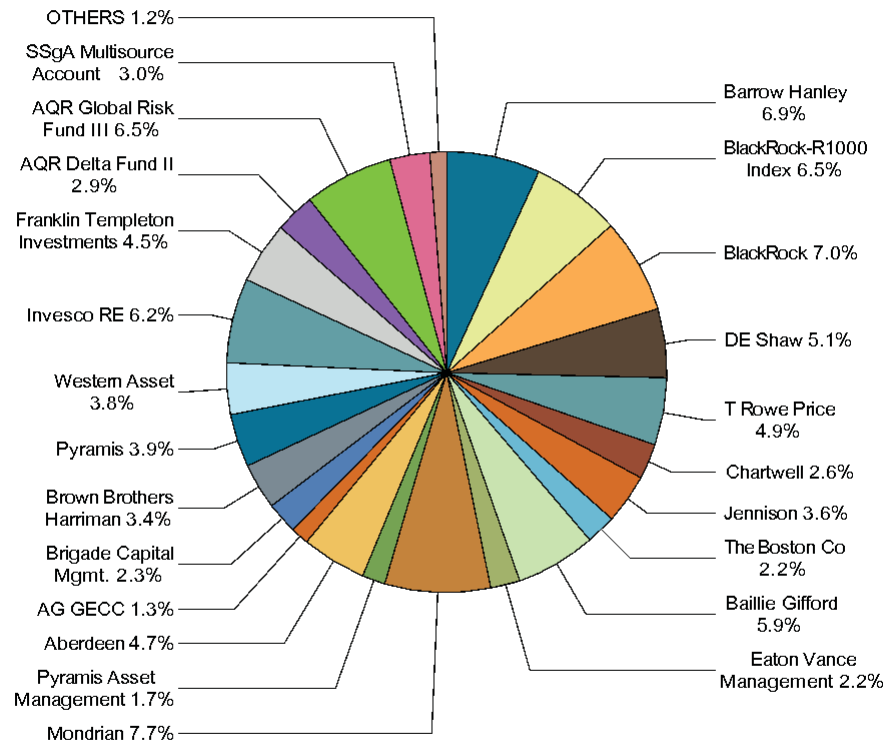
Executive Performance Summary

2. T Rowe Price (-3.3%) lagged the S&P 500 Index (-2.8%) and its peer median return of -3.1%. Security selection in the Consumer Discretionary and Info Tech sectors hampered performance.
3. Barrow Hanley's return of -3.9% was behind the Russell 1000 Value Index (-2.2%) and ranked in the second quartile among large cap value managers (median of -4.0%). The portfolio was primarily driven down by its security selection in the Industrials (ITT, Exelis, Eaton), Consumer Discretionary (Stanley Black + Decker) and Healthcare (Wellpoint) and underweight to the Utilities sectors.
5. BlackRock-US Equity (-7.1%) trailed the Russell 1000 Growth Index (-4.0%), and the median large growth manager (-5.5%). It ranked in the bottom quartile among its peers. BlackRock was hurt by its stock selection in Info Tech (Verifone Systems, Fushion, F5 Networks) and Financials (Jefferies Group, Goldman Sachs) investments and underweight to Consumer Staples.
6. Jennison (-4.6%) ranked in the 53rd percentile among its small cap core peers (median of -4.4%) and trailed its benchmark. The Russell 2000 Index returned -3.5%. Below par Energy (Key Energy, Basic Energy Services) and Industrials (Mobile Mini) investments were detractors of relative performance.
7. The Boston Company returned -3.4%, versus -3.0% for the Russell 2000 Value Index, and ranked in the 21st percentile among its peers (median -4.4%). Negative attribution was derived from stock selection and underweight in the Financials sector (First Horizon, Hancock Holdings), plus its portfolio turnover.
8. Chartwell lost more value, -5.5%, than the Russell 2000 Growth Index, -3.9%. Chartwell ranked in 70th percentile among small cap growth managers (median of -4.6%). Negative alpha was mainly derived from its portfolio turnover and Industrials (Finisar, United Rentals, Robbins + Myers) and Info Tech (Synchronoss Technologies, Quality Systems, Volterra Semiconductor, Parametric Technology) stock selection.
9. The opportunistic credit high yield manager, Brigade Capital, lagged its benchmark, the Barclays BBB Credit Index (1.8% vs. 2.4%). Hedges via short credit index positions were hindrances to performance during the quarter.
10. Franklin Templeton depreciated 1.3% and ranked in the bottom quartile among global bond managers. The Barclays Multiverse Index was up 0.6%. Net-negative exposure to the Japanese yen, plus overall currency exposures in Latin America and Asia –ex Japan, reduced positive results.
11. The INVESCO Core Real Estate-USA Fund returned 1.7% for the quarter, positioned below the NCREIF ODCE (2.6%), and ranked in the third quartile among real estate investments. There was an overall unleveraged gross write up of 0.32% and was negatively impacted by the sale of Holland apartment in the Seattle MSA.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Manager Allocation Analysis - Total Plan



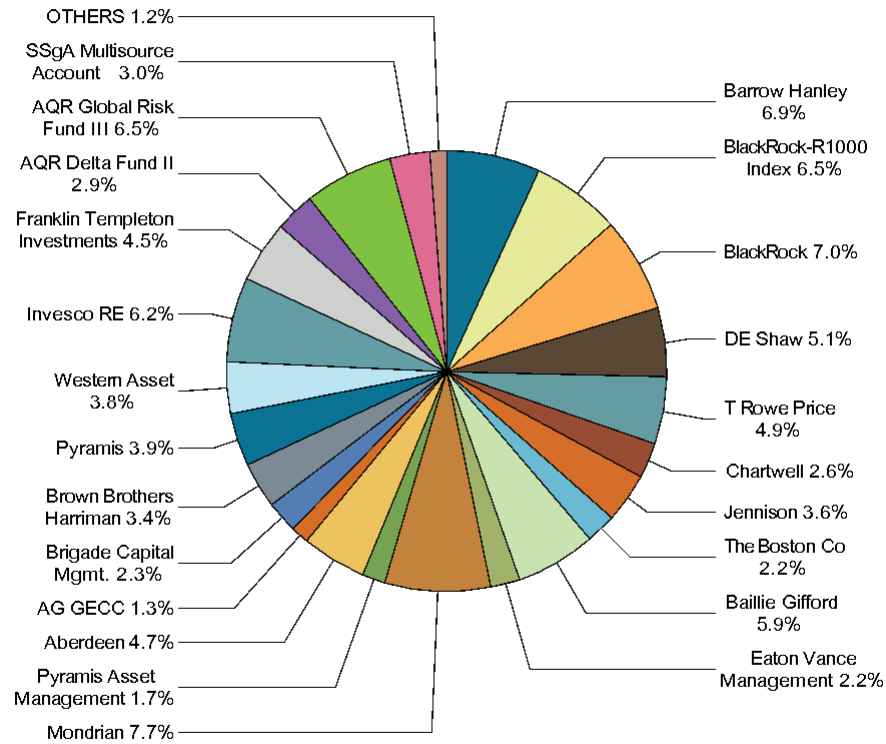
FUND	Ending Market Value	Current %
Barrow Hanley	162,168,131	6.9
BlackRock-R1000 Index	153,943,277	6.5
BlackRock	164,790,584	7.0
DE Shaw	119,924,431	5.1
T Rowe Price	116,549,589	4.9
Chartwell	61,065,540	2.6
Jennison	84,679,437	3.6
The Boston Co	52,097,130	2.2
Artio	3,832,423	0.2
Baillie Gifford	139,386,629	5.9
Eaton Vance Management	50,987,331	2.2
Mondrian	182,940,496	7.7
Pyramis Asset Management	41,081,381	1.7
Aberdeen	111,920,128	4.7
AG GECC	31,220,114	1.3
Brigade Capital Mgmt.	53,766,675	2.3
Brown Brothers Harriman	81,078,362	3.4
Pyramis	91,338,815	3.9
Western Asset	90,089,574	3.8
Invesco RE	146,917,122	6.2
General Account	3,433,761	0.1

OTHERS category includes managers with less than 1% of Total Ending Market Value.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Manager Allocation Analysis - Total Plan



FUND	Ending Market Value	Current %
Treasury & LAIF	2,552,983	0.1
Private Equity	19,428,494	0.8
Franklin Templeton Investments	106,075,069	4.5
AQR Delta Fund II	68,994,759	2.9
AQR Global Risk Fund III	152,628,993	6.5
SSgA Multisource Account	69,902,427	3.0
TOTAL	2,362,793,657	100.0

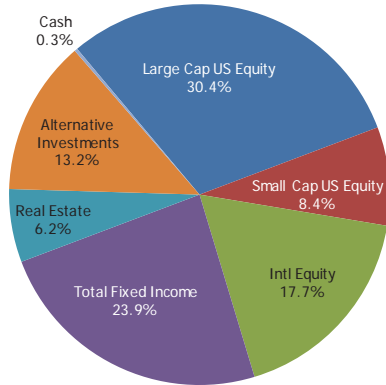
OTHERS category includes managers with less than 1% of Total Ending Market Value.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

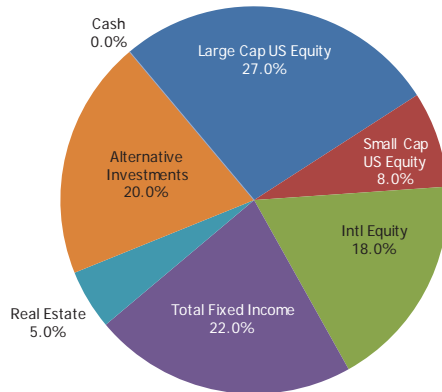
Allocation By Manager Type Analysis

CURRENT ALLOCATION BY MANAGER TYPE



Asset Allocation	Market Value	%
Large Cap US Equity	717,376,012	30.4%
Small Cap US Equity	197,842,108	8.4%
Intl Equity	418,228,261	17.7%
Total Fixed Income	565,488,737	23.9%
Real Estate	146,917,122	6.2%
Alternative Investments	310,954,673	13.2%
Cash	5,986,744	0.3%
Total	2,362,793,657	100.0%

TARGET ALLOCATION BY MANAGER TYPE

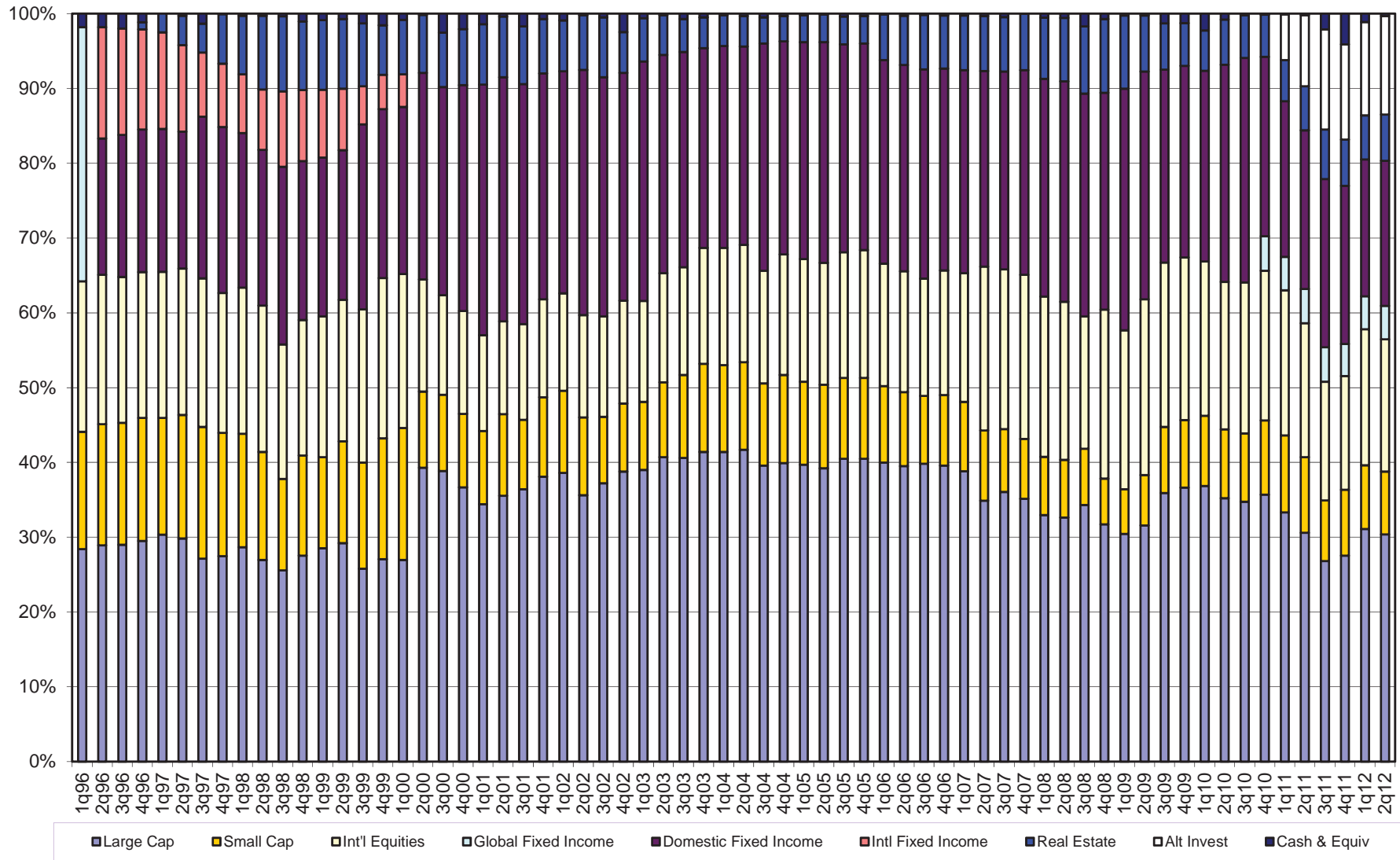


Asset Allocation	Target	Actual	Diff
Large Cap US Equity	27.0%	30.4%	3.4%
Small Cap US Equity	8.0%	8.4%	0.4%
Intl Equity	18.0%	17.7%	-0.3%
Total Fixed Income	22.0%	23.9%	1.9%
Real Estate	5.0%	6.2%	1.2%
Alternative Investments	20.0%	13.2%	-6.8%
Cash	0.0%	0.3%	0.3%
Total	100.0%	100.0%	0.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Actual Historical Quarterly Asset Allocation



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Performance Summary

	1 Qtr		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
TOTAL FUND												
SAMCERA COMPOSITE FUND	-2.43	80	5.61	62	0.03	82	11.32	46	11.81	42	0.33	88
<i>Policy Index¹</i>	-2.17	68	6.05	36	1.54	35	12.24	15	12.27	34	1.83	47
<i>Public Fund >\$100 Million Median</i>	-1.93		5.86		1.06		11.14		11.66		1.76	
US EQUITY												
LARGE CAP												
BlackRock-R1000 Index Fund	-3.10	52	9.42	53	4.43	49	17.40	41	16.70	26	0.46	35
D.E. Shaw	-3.50	66	11.82	3	7.07	6	18.18	12				
<i>Russell 1000 Index</i>	-3.12	53	9.38	57	4.37	52	17.35	45	16.64	27	0.39	39
T. Rowe Price	-3.32	63	9.86	21	5.70	15	17.41	38				
<i>S&P 500 Index</i>	-2.75	39	9.49	47	5.45	36	17.39	42				
Barrow Hanley	-3.86	48	7.35	54	0.14	63	15.83	33				
<i>Russell 1000 Value Index</i>	-2.20	19	8.68	31	3.01	29	15.25	44				
BlackRock	-7.10	81	7.52	85	-3.88	92	13.47	96				
<i>Russell 1000 Growth Index</i>	-4.02	25	10.08	44	5.76	30	19.49	26				
LARGE CAP COMPOSITE	-4.30	57	8.97	57	1.93	63	16.16	59	15.28	67	-0.90	73
<i>Russell 1000 Index</i>	-3.12	36	9.38	48	4.37	41	17.35	42	16.64	33	0.39	48
<i>Large Cap Median</i>	-3.83		9.30		3.21		16.91		16.19		0.34	
SMALL CAP												
Jennison	-4.63	53	5.40	74	-3.38	67	17.60	25	20.58	15		
<i>Russell 2000 Index</i>	-3.47	30	8.53	31	-2.08	47	16.00	41	17.80	61		
The Boston Company	-3.43	21	8.73	31	4.35	7	14.85	44				
<i>Russell 2000 Value Index</i>	-3.01	17	8.23	39	-1.44	38	13.78	58				
Chartwell	-5.51	70	8.61	41	0.88	22	22.96	16	22.61	14	2.20	65
<i>Russell 2000 Growth Index</i>	-3.94	36	8.81	39	-2.71	49	18.16	54	18.09	65	1.99	69
SMALL CAP COMPOSITE	-4.59	51	7.12	58	-0.37	28	18.44	28	20.80	23	-1.32	93
<i>Russell 2000 Index</i>	-3.47	29	8.53	36	-2.08	48	16.00	52	17.80	63	0.54	77
<i>Small Cap Median</i>	-4.51		7.59		-2.35		16.07		18.66		2.10	
US EQUITY COMPOSITE	-4.37	59	8.56	53	1.37	52	16.61	49	16.36	59	-0.95	87
<i>80% Russell 1000/20% Russell 2000²</i>	-3.20	25	9.20	31	2.90	34	17.01	43	16.85	45	0.44	52
<i>US Equity Median</i>	-4.09		8.67		1.49		16.55		16.67		0.46	

* Ranking: 1 is best, 100 is worst. Total Fund and US Managers are ranked against their appropriate peer (style) group. Asset Class composites are ranked against asset class universes.

¹ As of 11/1/11, the Policy Index is 27% Russell 1000/7% Russell 2000/18% MSCI ACWI -ex US/11% BC Aggregate/3.3% BC BBB/3.3% BC Tips/4.4% BC Multiverse/5% NCREIF NFI ODCE EW/8% Russell 3000 + 3%/6% (60% Russell 3000/40% BC Aggregate)/

3% Libor +4%/3% DJ UBS Commodity

² See Appendix for Benchmark History.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Performance Summary

	1 Qtr		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
INTERNATIONAL EQUITY												
Baillie Gifford ⁴												
MSCI EAFE Growth Index												
MSCI EAFE Index												
Eaton Vance Management ⁴	-7.57	45										
MSCI EM Markets Index	-8.77	73										
Mondrian	-6.25	34	1.21	93	-9.81	28	7.76	43	7.60	47	-3.87	33
MSCI ACWI -ex US Value Index	-7.49	64	2.53	88	-14.61	65	5.11	70	6.63	69	-4.84	47
MSCI ACWI -ex US Index	-7.38	58	3.13	71	-14.15	52	5.76	61	7.44	49	-4.18	38
Pyramis Global Advisors ⁴	-8.61	56										
MSCI ACWI -ex US Small Cap Index	-8.78	57										
INTERNATIONAL EQUITY COMPOSITE	-6.58	39	2.40	88	-13.85	65	4.52	82	5.67	90	-6.16	86
MSCI ACWI -ex US Index ²	-7.38	64	3.13	79	-14.15	69	5.76	65	7.44	65	-4.18	54
MSCI EAFE Before Tax Index	-6.85	46	3.38	75	-13.38	59	6.49	52	6.45	80	-5.63	80
International Equity Median	-6.98		4.32		-12.56		6.59		8.31		-3.93	
TOTAL EQUITY COMPOSITE	-5.06		6.68		-3.54		12.77		12.97		-2.51	
Total Equity Index ²	-4.60		7.16		-3.13		13.13		13.69		-1.03	
FIXED INCOME⁵												
CORE												
Aberdeen Asset	2.33	29	4.37	19	8.87	17	7.72	13	10.99	6	5.35	98
Pyramis Global Advisors	2.49	18	3.69	37	8.20	34	7.12	24	9.53	24	7.32	53
Western Asset	2.28	34	4.77	12	8.67	21	8.30	9	11.57	4	7.20	60
BC Aggregate Index	2.06	51	2.37	85	7.47	60	5.67	77	6.93	80	6.79	79
Core Fixed Income Median	2.07		3.30		7.76		6.37		8.40		7.35	
CREDIT												
Angelo Gordon GECC PPI Fund ³	2.15		17.52		5.51		15.26					
BC Aggregate Index	2.06		2.37		7.47		5.67					
Brigade Capital Management	1.79		7.10		7.23							
BC BBB Credit	2.41		4.88		10.33							
TIPS												
Brown Brothers Harriman	3.44	12	4.31	14	12.58	10						
BC U.S. Tips	3.15	51	4.04	50	11.66	43						
TIPS Median	3.15		4.04		11.64							
GLOBAL												
Franklin Templeton Investments	-1.34	94	7.29	13	-0.06	88						
BC Multiverse	0.61	60	1.71	79	2.79	58						
Global Fixed Income Median	1.13		4.82		4.49							

² See Appendix for Benchmark History.

³ Funded 11/6/09, return reported net of management fees.

⁴ Eaton Vance Management and Pyramis Global Advisor funded in March 2012. Artio Global transition to Baillie Gifford in March 2012

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Performance Summary

	1 Qtr		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year	
	Return	Rank ⁺	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
TOTAL FIXED INCOME COMPOSITE	1.72	58	5.71	31	6.97	56	7.82	37	10.80	32	6.70	70
<i>Total Fixed Index²</i>	1.99	52	2.87	67	7.59	42	6.30	60	7.36	69	7.05	60
<i>US Fixed Index²</i>	2.33	37	3.16	64	8.81	23	6.80	51	7.69	65	7.25	55
<i>Global Fixed Index²</i>	0.61	81	1.71	84	2.79	83						
<i>US Fixed Income Median</i>	2.03		4.05		7.37		6.85		8.86		7.45	
REAL ESTATE												
INVESCO Real Estate	1.70	55	3.50	64	8.98	58	16.62	37	8.03	37	-0.79	41
REAL ESTATE COMPOSITE	1.70	55	3.50	64	8.98	58	16.62	37	8.03	37	-0.79	41
<i>NCREIF NFI ODCE EW Index²</i>	2.58	34	5.47	43	12.42	36	16.38	39	8.39	34	-0.01	36
<i>Real Estate Median</i>	1.96		5.27		10.71		14.57		5.49		-2.21	
PRIVATE EQUITY⁵	7.98		17.22		0.92							
<i>Russell 3000 + 3%</i>	-2.42		10.92		6.95							
RISK PARITY												
AQR Global Risk Premium Fund III ⁵	0.06		5.15		5.24							
<i>Risk Parity Index²</i>	-1.01		6.63		5.77							
HEDGE												
AQR Delta Fund II ⁵	2.03	12	2.02	60	-0.43	47						
<i>LIBOR + 4%</i>	1.05	19	2.10	60	4.25	16						
<i>Hedge Median</i>	-0.91		2.74		-0.93							
COMMODITY												
SSgA Multisource ⁵	-2.72	31	6.05	8								
<i>Dow Jones UBS Commodity</i>	-4.55	37	-3.70	65								
<i>Commodity Median</i>	-6.97		-3.63									
CASH												
General Account	0.04	32	0.09	34	0.14	37	0.31	28	0.28	36	1.27	39
<i>Treasury & LAIF</i>	0.21	11	0.42	15	0.91	14	1.03	14	0.98	16	0.67	94
CASH COMPOSITE	0.17	12	0.37	15	0.67	15	0.85	16	0.84	18	0.77	92
<i>91 Day T-Bill</i>	0.03	46	0.04	54	0.05	56	0.11	58	0.12	62	0.98	79
<i>Cash Median</i>	0.02		0.04		0.07		0.13		0.17		1.19	

² See Appendix for Benchmark History. As of 10/1/10 the benchmark is NCREIF NFI ODCE EW, benchmark is linked to NCREIF Property Index.

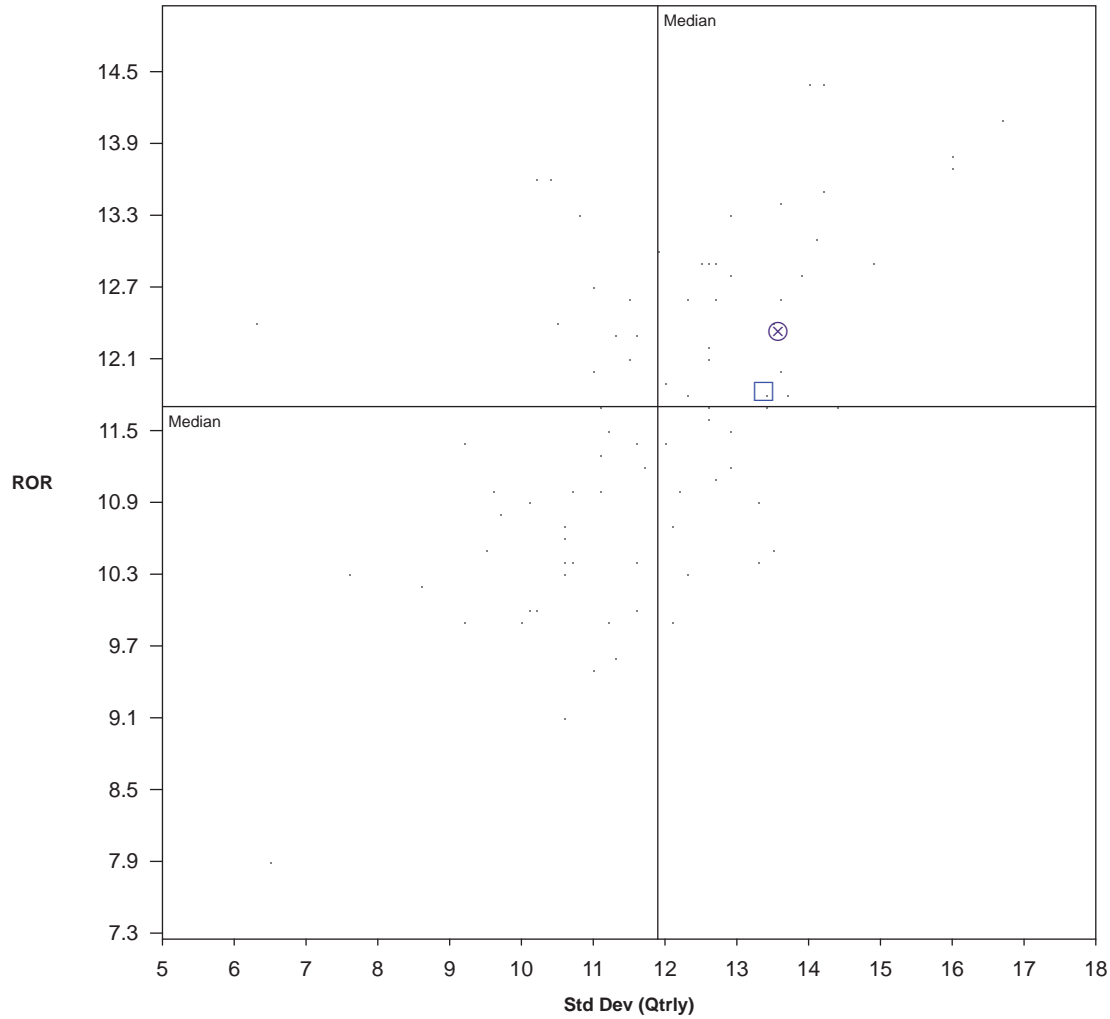
⁵ Private Equity funded in December 2010. AQR Global Risk Premium Fund III funded in March 2011. AQR Delta Fund II funded in May 2011. SSgA Multisource funded in July 2011.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending June 30, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	11.8 42	13.4 78	0.9 75
⊗ Plan Policy Index	12.3 35	13.6 85	0.9 73
Median	11.7	11.9	1.0

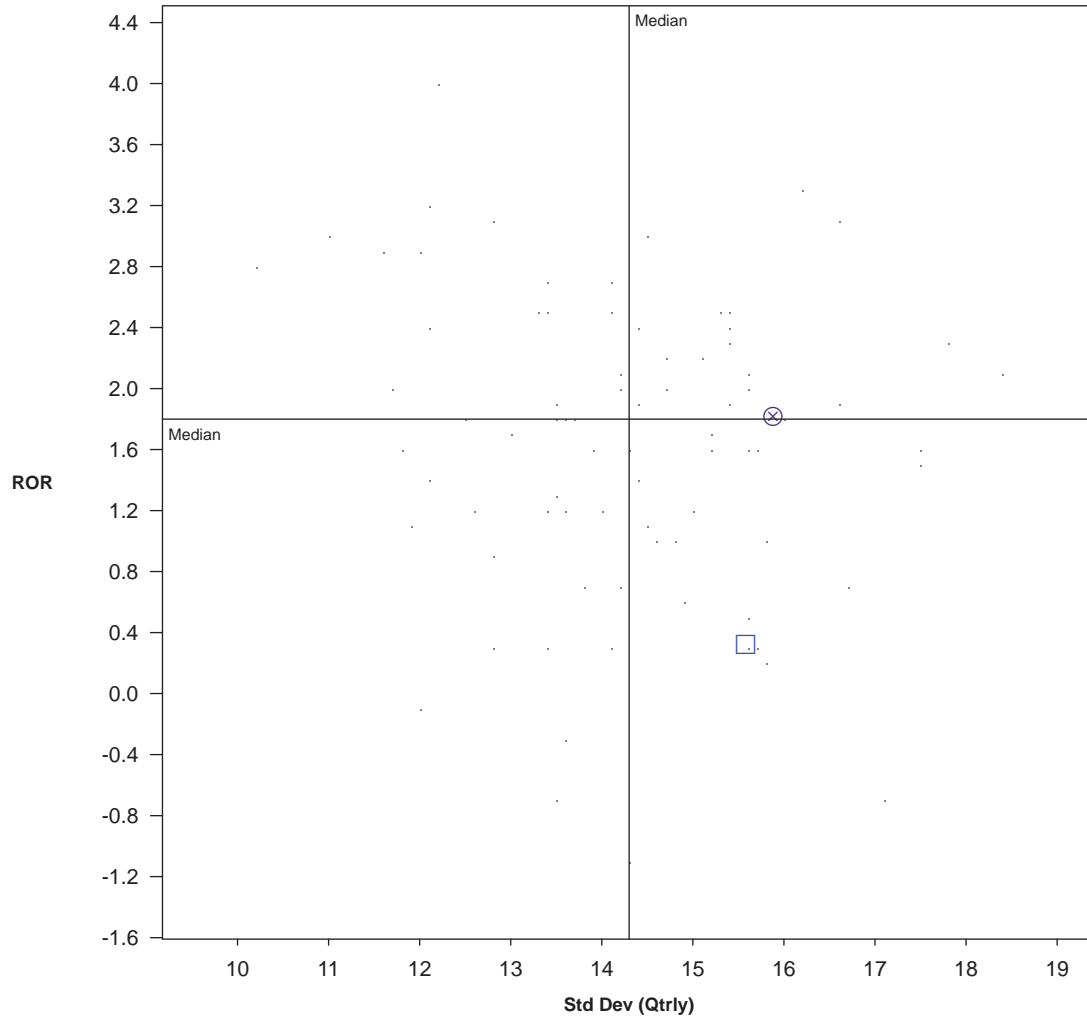
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending June 30, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	0.3 88	15.6 80	-0.0 88
⊗ Plan Policy Index	1.8 47	15.9 86	0.1 58
Median	1.8	14.3	0.1

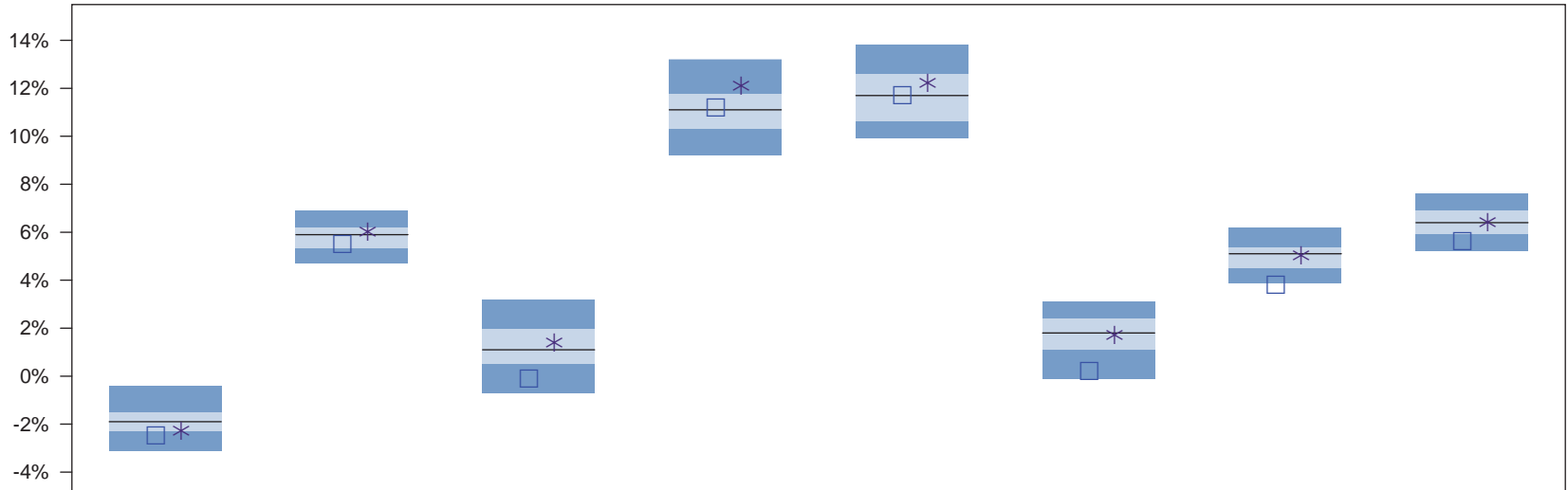
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Periods Ending June 30, 2012

Total Returns



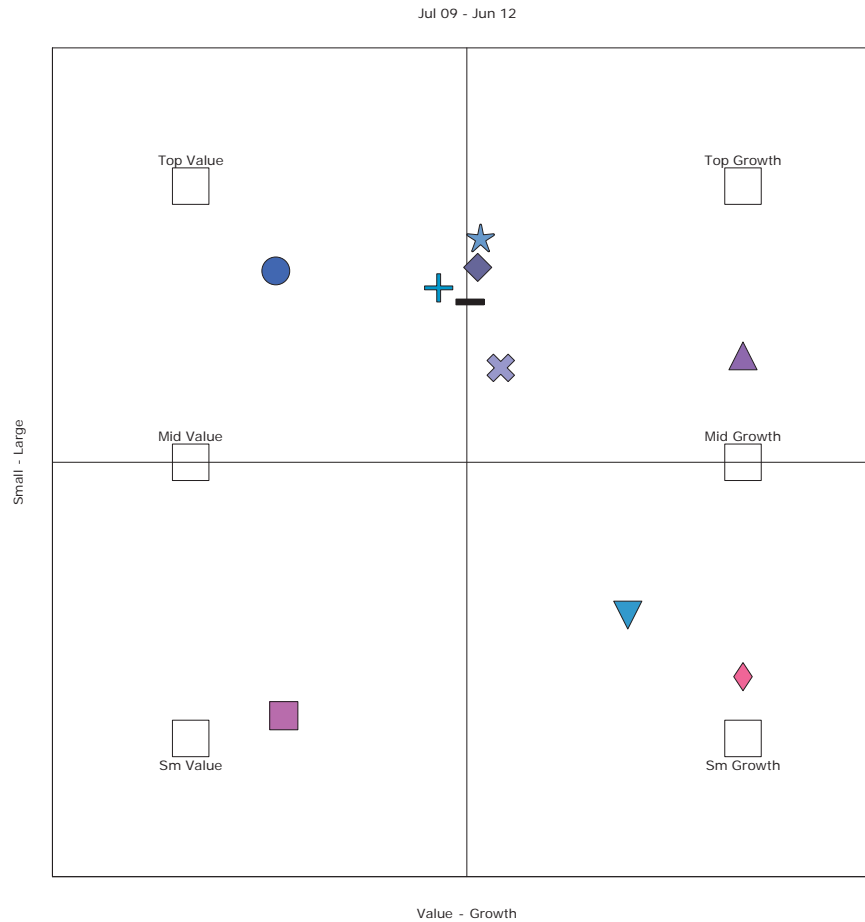
	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
□ SamCERA Composite	-2.4	80	5.6	62	0.0	82	11.3	46	11.8	42	0.3	88	3.9	93	5.7	85
* Plan Policy Index	-2.2	68	6.1	36	1.5	35	12.2	15	12.3	34	1.8	47	5.1	52	6.5	48
Median	-1.9		5.9		1.1		11.1		11.7		1.8		5.1		6.4	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - US Equity Composite

US Equity Style Map



Legend

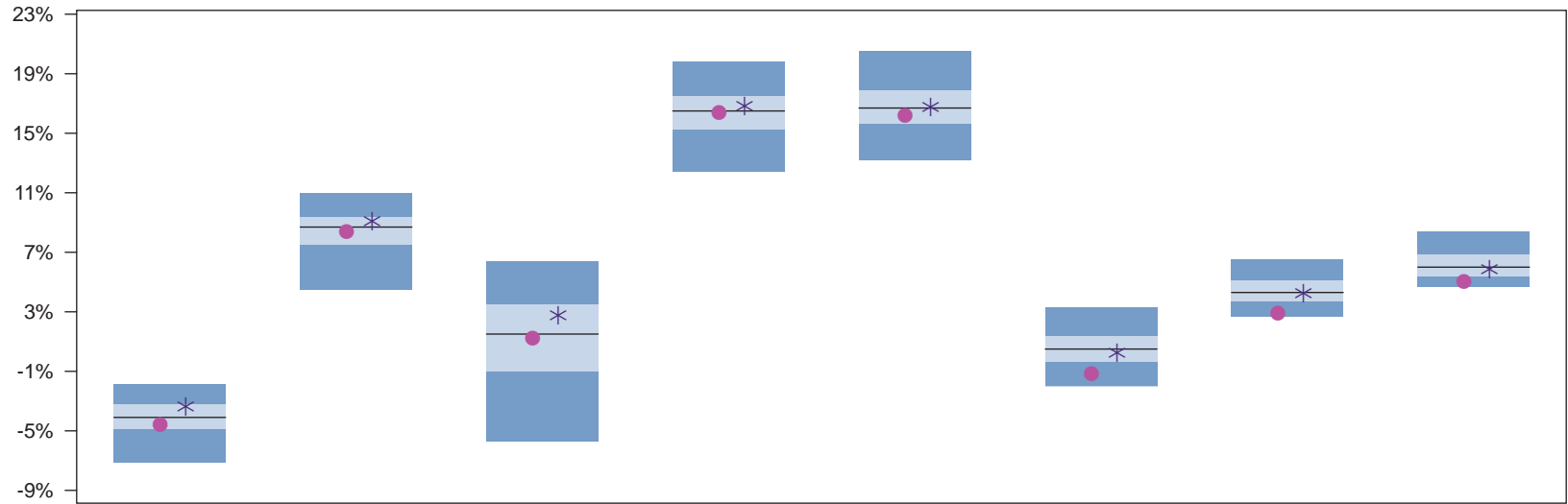
- | | | | |
|-------------------------------|------------------------------|-----------------------|----------------------|
| ● Barrow Hanley | ◆ BlackRock R1000 Index Fund | ▲ BlackRock | ■ The Boston Company |
| ◇ Chartwell | + D.E. Shaw | ▼ Jennison Associates | ★ T. Rowe Price |
| ⊗ SamCERA US Equity Composite | — Russell 3000 Index | | |

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Pools

Periods Ending June 30, 2012

Total Returns



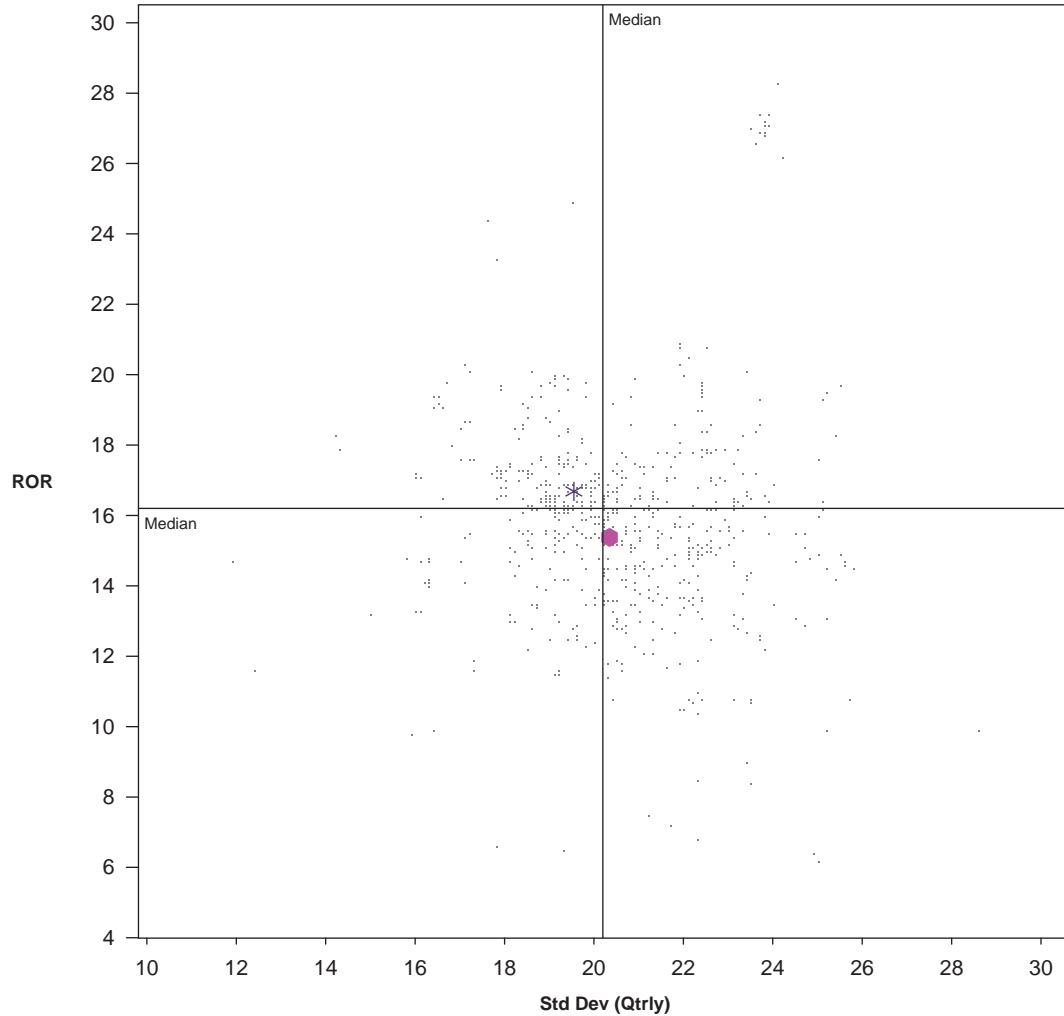
	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● US Equity	-4.4	59	8.6	53	1.4	52	16.6	49	16.4	59	-1.0	87	3.1	92	5.2	84
* US Equity Index	-3.2	25	9.2	31	2.9	34	17.0	43	16.9	45	0.4	52	4.4	49	6.0	48
Median	-4.1		8.7		1.5		16.5		16.7		0.5		4.3		6.0	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending June 30, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	15.3 67	20.4 56	0.7 64
* RUSSELL 1000	16.6 33	19.6 42	0.8 40
Median	16.2	20.2	0.8

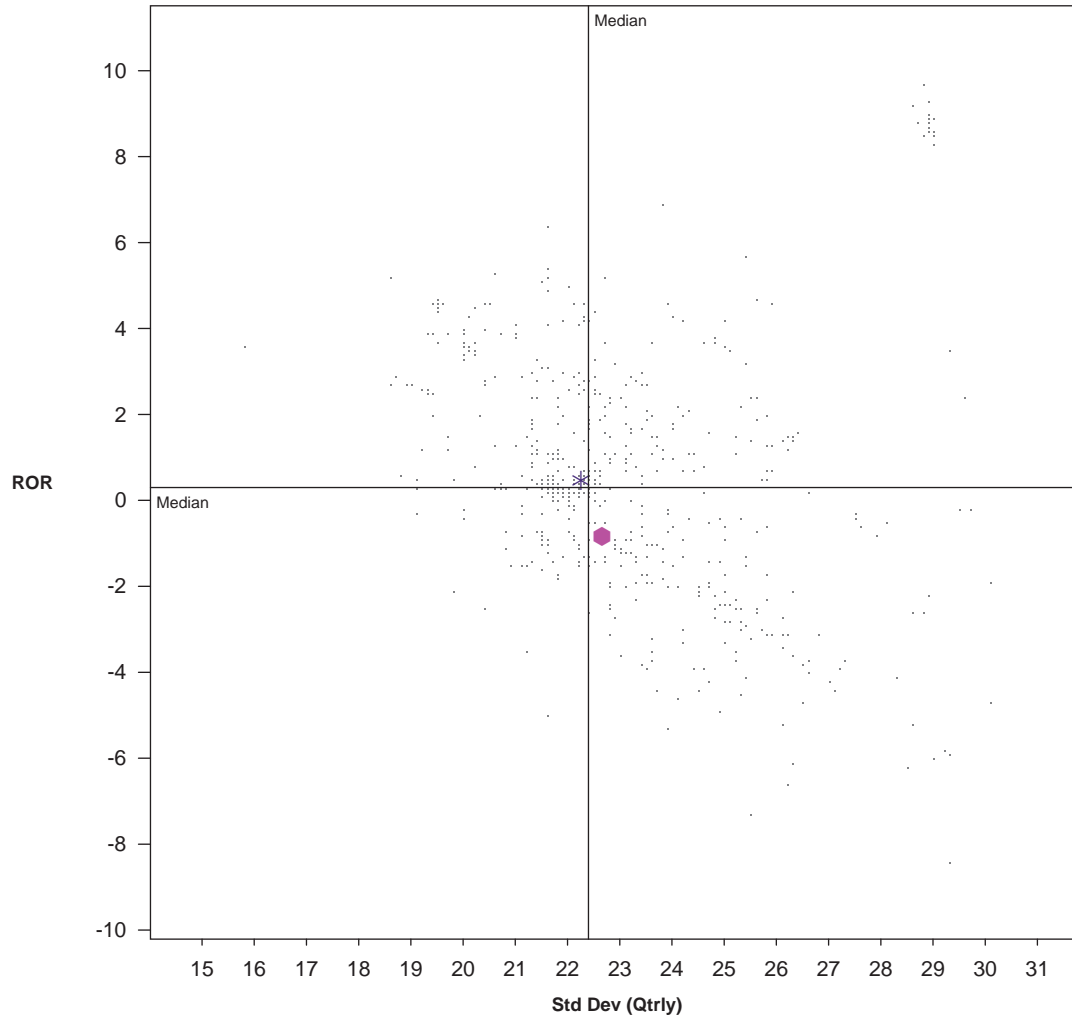
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending June 30, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	-0.9 73	22.7 56	-0.1 73
* RUSSELL 1000	0.4 48	22.3 46	-0.0 45
Median	0.3	22.4	-0.0

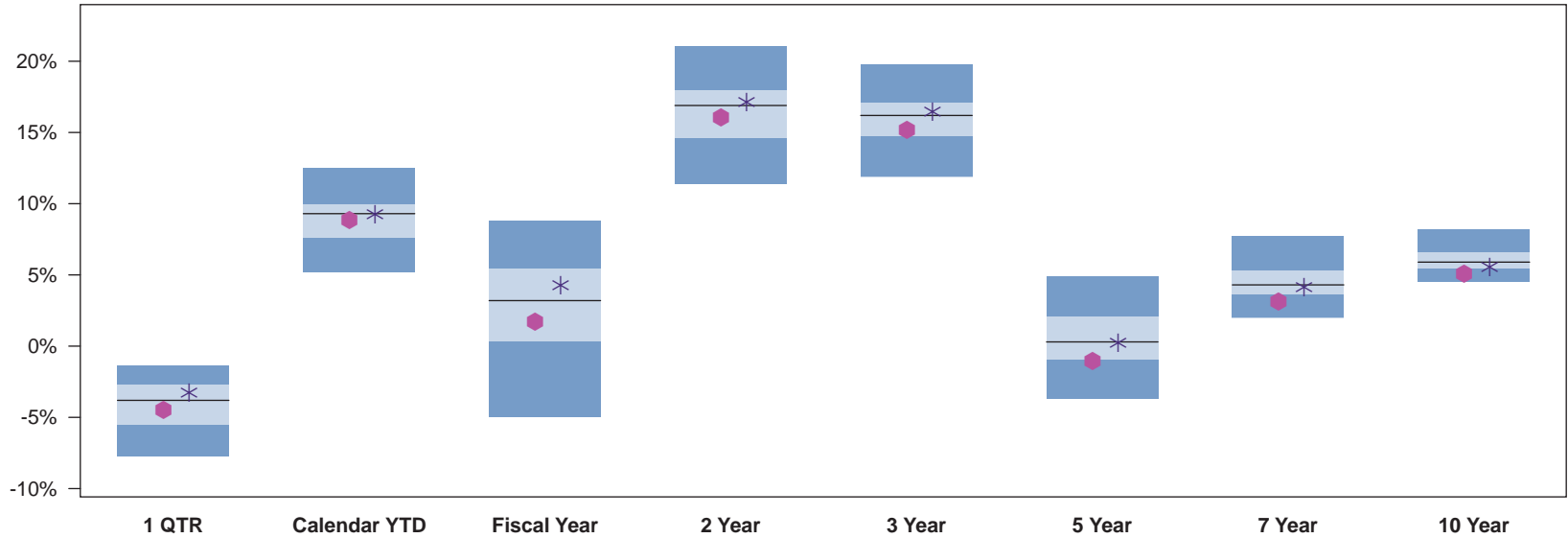
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Periods Ending June 30, 2012

Total Returns



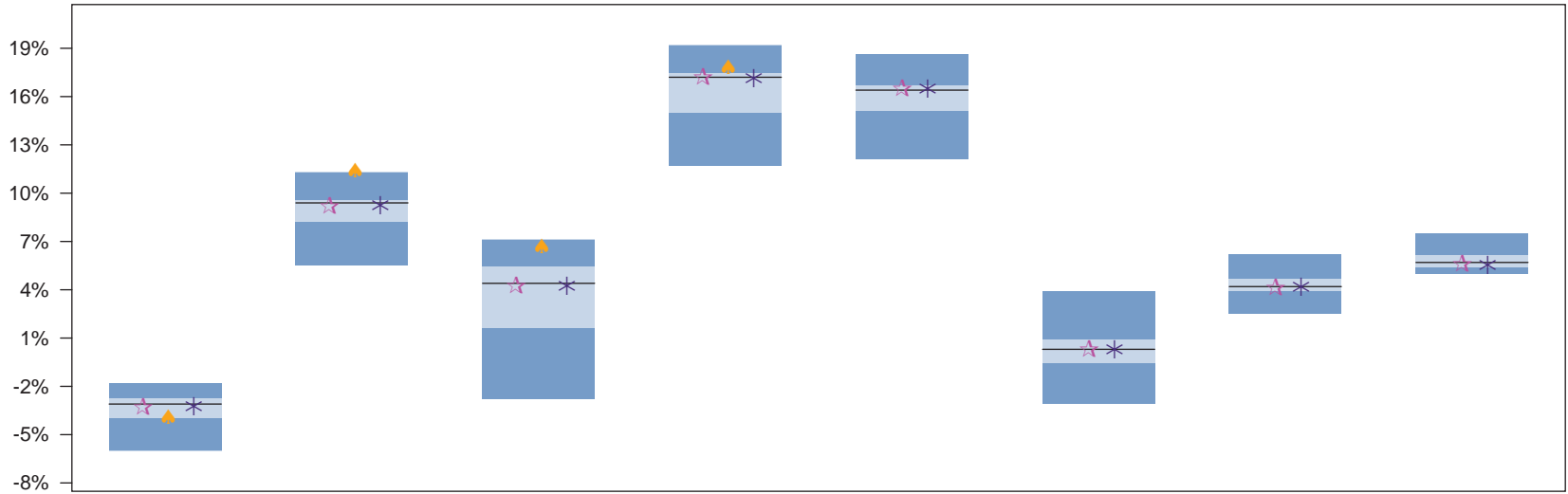
	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ Large Cap	-4.3	57	9.0	57	1.9	63	16.2	59	15.3	67	-0.9	73	3.3	82	5.2	87
* RUSSELL 1000	-3.1	36	9.4	48	4.4	41	17.3	42	16.6	33	0.4	48	4.3	52	5.7	58
Median	-3.8		9.3		3.2		16.9		16.2		0.3		4.3		5.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending June 30, 2012

Total Returns



	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
☆ BlackRock-R1000 Index	-3.1	52	9.4	53	4.4	49	17.4	41	16.7	26	0.5	35	4.3	41	5.8	47
▲ DE Shaw	-3.5	66	11.8	3	7.1	6	18.2	12								
* RUSSELL 1000	-3.1	53	9.4	57	4.4	52	17.3	45	16.6	27	0.4	39	4.3	43	5.7	53
Median	-3.1		9.4		4.4		17.2		16.4		0.3		4.2		5.7	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – BlackRock-R1000 Index Fund

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	990	
Average Market Cap (000's)	96,438,601	96,436,399
Median Market Cap (000's)	5,231,580	5,216,920
P/E Ratio	16.31	16.31
Dividend Yield	2.10	2.10
Beta	1.03	1.03
Price/Book Ratio	3.74	3.74
Return on Equity	21.33	21.33
Earnings Growth - 5 Years	9.65	9.65

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	5,955,558	3.9
EXXON MOBIL CORP	4,363,879	2.9
MICROSOFT CORP	2,511,260	1.7
GENERAL ELECTRIC CO	2,408,090	1.6
INTL BUSINESS MACHINES CORP	2,325,032	1.5
AT+T INC	2,280,146	1.5
CHEVRON CORP	2,269,703	1.5
JOHNSON + JOHNSON	2,023,533	1.3
PFIZER INC	1,878,291	1.2
PROCTER + GAMBLE CO	1,830,353	1.2

Ten Best Performers	
Name	Return
HUMAN GENOME SCIENCES INC	59.3
AOL INC	48.0
CATALYST HEALTH SOLUTIONS INC	46.6
EXPEDIA INC	44.0
EDWARDS LIFESCIENCES CORP	42.0
DEAN FOODS CO	40.6
ARIBA INC	36.8
VERTEX PHARMACEUTICALS INC	36.4
LINCARE HOLDINGS INC	32.5
SXC HEALTH SOLUTIONS CORP	32.4

Ten Worst Performers	
Name	Return
TEMPUR PEDIC INTERNATIONAL	-72.3
GREEN MOUNTAIN COFFEE ROASTE	-53.5
CLEARWIRE CORP CLASS A	-50.9
POLYCOM INC	-44.8
NII HOLDINGS INC	-44.1
ALPHA NATURAL RESOURCES INC	-42.7
RIVERBED TECHNOLOGY INC	-42.5
GROUPON INC	-42.2
FOSSIL INC	-42.0
NETFLIX INC	-40.5

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock-R1000 Index Fund

Benchmark: RUSSELL 1000

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>BlackRock-R1000 Index</i>									
CONSUMER DISCRETIONARY	11.9	11.9	0.0	-3.7	-3.6	-0.1	-0.00	-0.01	-0.01
CONSUMER STAPLES	9.8	9.8	0.0	2.3	2.5	-0.2	0.00	-0.02	-0.02
ENERGY	10.8	10.8	0.0	-6.5	-6.4	-0.1	-0.00	-0.02	-0.02
FINANCIALS	15.4	15.4	-0.0	-5.8	-5.8	-0.0	0.00	-0.00	0.00
HEALTH CARE	11.4	11.4	0.0	1.7	1.7	-0.1	0.00	-0.01	-0.00
INDUSTRIALS	10.9	10.9	0.0	-4.1	-4.1	-0.0	-0.00	-0.00	-0.00
INFORMATION TECHNOLOGY	19.8	19.8	0.0	-7.0	-7.0	-0.0	-0.00	-0.00	-0.00
MATERIALS	4.0	4.0	0.0	-5.0	-4.9	-0.1	-0.00	-0.00	-0.00
TELECOMMUNICATION SERVICES	2.6	2.6	0.0	13.1	13.1	-0.0	0.00	-0.00	0.00
UTILITIES	3.5	3.5	0.0	6.0	6.1	-0.1	0.00	-0.00	-0.00
TOTAL	100.0	100.0	0.0	-3.1	-3.1	-0.1	0.01	-0.07	-0.06

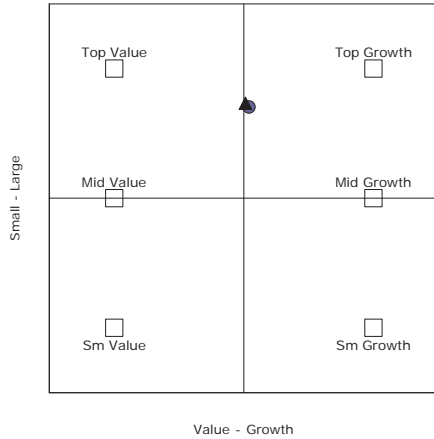
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - BlackRock R1000 Index Fund

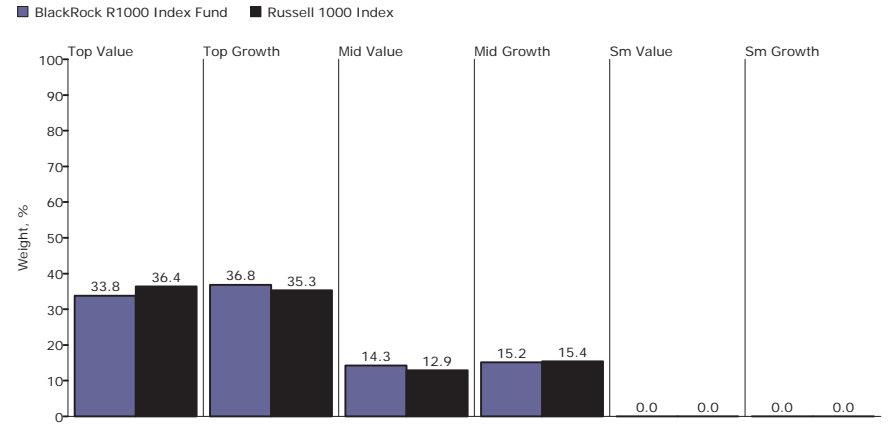
US Equity Style Map

Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

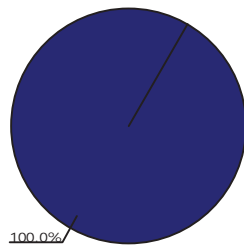
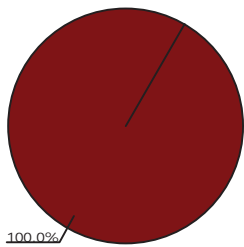


R-Squared (Style Analysis)

Jul 09 - Jun 12

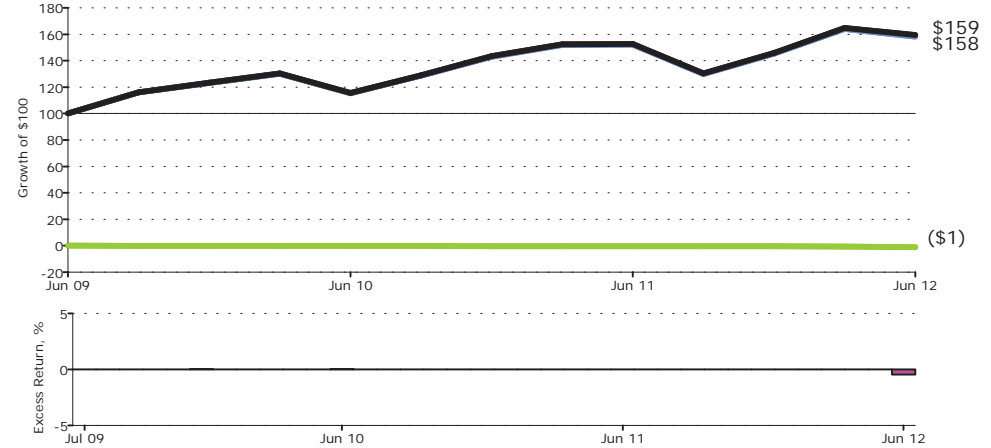
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ Russell 1000 Index ● BlackRock R1000 Index Fund

■ Total ■ Style
■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – D.E. Shaw

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	553	
Average Market Cap (000's)	88,588,021	96,436,399
Median Market Cap (000's)	4,299,860	5,216,920
P/E Ratio	16.43	16.31
Dividend Yield	1.87	2.10
Beta	1.02	1.03
Price/Book Ratio	3.33	3.74
Return on Equity	18.60	21.33
Earnings Growth - 5 Years	9.70	9.65

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	4,555,200	3.8
PFIZER INC	2,974,130	2.5
INTL BUSINESS MACHINES CORP	2,972,816	2.5
EXXON MOBIL CORP	2,729,683	2.3
WELLS FARGO + CO	2,588,256	2.2
GENERAL ELECTRIC CO	2,575,824	2.2
PHILIP MORRIS INTERNATIONAL	2,434,554	2.1
PROCTER + GAMBLE CO	2,364,250	2.0
QUALCOMM INC	2,188,224	1.8
VISA INC CLASS A SHARES	2,089,347	1.8

Ten Best Performers	
Name	Return
PHARMACYCLICS INC	96.7
AOL INC	48.0
EXPEDIA INC	44.0
ARIBA INC	36.8
XENOPORT INC	34.2
PAIN THERAPEUTICS INC	30.6
FELCOR LODGING TRUST INC	30.5
ALLEGiant TRAVEL CO	27.9
MULTIMEDIA GAMES HOLDING CO	27.7
TOLL BROTHERS INC	23.9

Ten Worst Performers	
Name	Return
LODGENET INTERACTIVE CORP	-62.6
LONE PINE RESOURCES INC	-57.7
ATP OIL + GAS CORPORATION	-54.0
CLEARWIRE CORP CLASS A	-50.9
POLYCOM INC	-44.8
LATTICE SEMICONDUCTOR CORP	-41.4
FOREST OIL CORP	-39.5
HEALTH NET INC	-38.9
KRONOS WORLDWIDE INC	-36.1
WABASH NATIONAL CORP	-36.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

DE Shaw

Benchmark: RUSSELL 1000

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
DE Shaw									
COMMINGLED FUND	0.0	0.0	0.0	-	-	-	0.00	0.00	0.00
CONSUMER DISCRETIONARY	14.4	11.9	2.5	-3.7	-3.6	-0.1	-0.02	-0.02	-0.03
CONSUMER STAPLES	8.5	9.8	-1.3	-1.5	2.5	-4.0	-0.07	-0.35	-0.42
ENERGY	8.6	10.8	-2.2	-7.5	-6.4	-1.1	0.08	-0.10	-0.02
FINANCIALS	16.5	15.4	1.0	-5.6	-5.8	0.2	-0.03	0.03	0.01
HEALTH CARE	9.5	11.4	-1.8	-1.6	1.7	-3.3	-0.09	-0.32	-0.41
INDUSTRIALS	9.3	10.9	-1.6	-3.0	-4.1	1.1	0.02	0.10	0.12
INFORMATION TECHNOLOGY	24.6	19.8	4.8	-6.4	-7.0	0.6	-0.19	0.15	-0.04
MATERIALS	3.1	4.0	-0.9	-1.1	-4.9	3.8	0.02	0.12	0.14
RIGHTS / WARRANTS	0.0	0.0	0.0	-	-	-	0.00	0.00	0.00
TELECOMMUNICATION SERVICES	1.2	2.6	-1.4	5.7	13.1	-7.3	-0.22	-0.09	-0.32
UTILITIES	4.3	3.5	0.8	3.8	6.1	-2.3	0.08	-0.10	-0.02
TOTAL	100.0	100.0	0.0	-4.0	-3.1	-1.0	-0.42	-0.58	-1.00

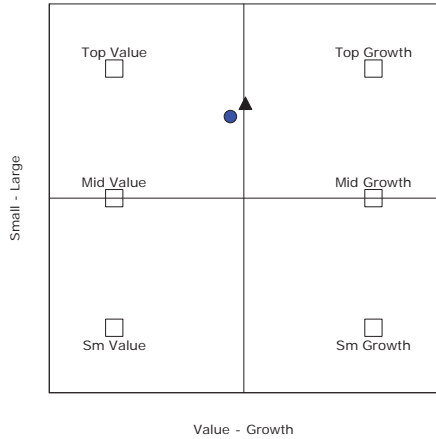
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - D.E. Shaw

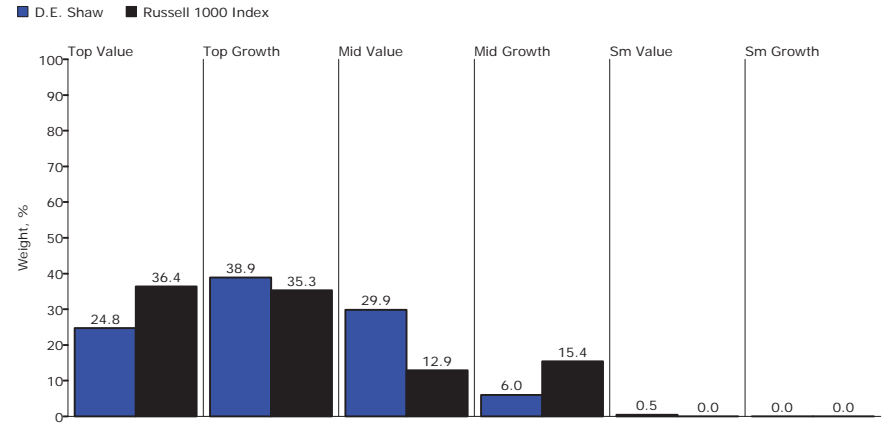
US Equity Style Map

Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

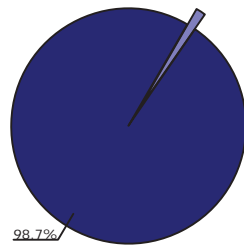
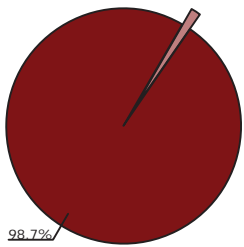


R-Squared (Style Analysis)

Jul 09 - Jun 12

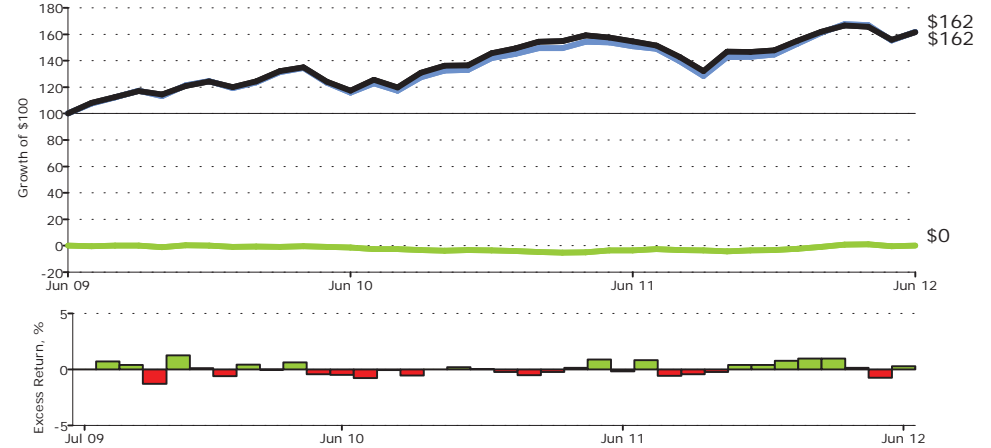
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ Russell 1000 Index ● D.E. Shaw

■ Total
■ Selection

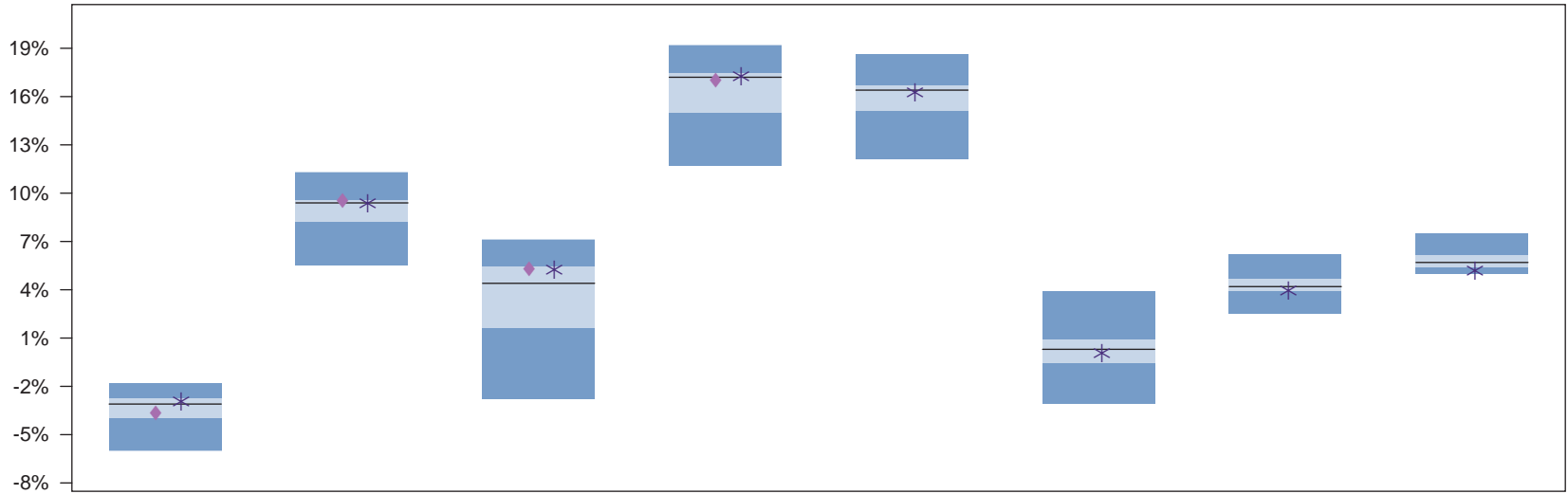
■ Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending June 30, 2012

Total Returns



	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ T Rowe Price	-3.3	63	9.9	21	5.7	15	17.4	38								
* S&P 500	-2.8	39	9.5	47	5.4	36	17.4	42	16.4	50	0.2	61	4.1	68	5.3	85
Median	-3.1		9.4		4.4		17.2		16.4		0.3		4.2		5.7	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – T. Rowe Price

Portfolio Characteristics		
	Portfolio	S&P 500
Total Number of Securities	269	
Average Market Cap (000's)	107,864,029	108,835,978
Median Market Cap (000's)	16,966,300	11,975,200
P/E Ratio	16.17	16.17
Dividend Yield	1.96	2.19
Beta	1.03	1.00
Price/Book Ratio	3.86	3.82
Return on Equity	21.74	22.45
Earnings Growth - 5 Years	9.70	9.50

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	5,314,400	4.6
EXXON MOBIL CORP	3,998,344	3.5
MICROSOFT CORP	2,609,327	2.3
AT+T INC	2,439,144	2.1
CHEVRON CORP	2,226,050	1.9
PROCTER + GAMBLE CO	1,874,250	1.6
GENERAL ELECTRIC CO	1,810,996	1.6
JOHNSON + JOHNSON	1,749,804	1.5
PFIZER INC	1,749,541	1.5
GOOGLE INC CL A	1,624,196	1.4

Ten Best Performers	
Name	Return
EDWARDS LIFESCIENCES CORP	42.0
HCA HOLDINGS INC	23.0
SHERWIN WILLIAMS CO	22.2
VERIZON COMMUNICATIONS INC	17.8
DOLLAR GENERAL CORP	17.7
SEMPRA ENERGY	15.9
AT+T INC	15.8
WHOLE FOODS MARKET INC	14.9
WAL MART STORES INC	14.7
BIOGEN IDEC INC	14.6

Ten Worst Performers	
Name	Return
GROUPON INC	-42.2
NETFLIX INC	-40.5
ATMEL CORP	-32.0
DENDREON CORP	-30.5
UNITED STATES STEEL CORP	-29.7
JUNIPER NETWORKS INC	-28.7
MARVELL TECHNOLOGY GROUP LTD	-27.9
CIMAREX ENERGY CO	-26.8
SANDISK CORP	-26.4
HESS CORP	-26.1

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

T Rowe Price

Benchmark: S&P 500

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
T Rowe Price									
CONSUMER DISCRETIONARY	12.4	11.0	1.4	-4.6	-2.5	-2.1	0.01	-0.26	-0.26
CONSUMER STAPLES	9.5	10.8	-1.3	1.7	3.0	-1.4	-0.07	-0.13	-0.20
ENERGY	11.9	11.2	0.6	-5.7	-6.0	0.2	-0.02	0.03	0.00
FINANCIALS	14.8	15.0	-0.2	-6.2	-6.8	0.7	0.01	0.10	0.11
HEALTH CARE	11.5	11.4	0.1	1.7	1.6	0.0	0.01	0.00	0.01
INDUSTRIALS	11.2	10.5	0.7	-3.1	-3.5	0.4	-0.01	0.05	0.04
INFORMATION TECHNOLOGY	20.0	20.5	-0.5	-8.2	-6.7	-1.5	0.02	-0.31	-0.29
MATERIALS	3.3	3.5	-0.2	-3.5	-4.2	0.7	0.00	0.02	0.02
TELECOMMUNICATION SERVICES	2.7	2.8	-0.1	15.5	14.2	1.3	-0.02	0.03	0.01
UTILITIES	2.8	3.4	-0.6	4.6	6.6	-2.0	-0.05	-0.06	-0.11
TOTAL	100.0	100.0	0.0	-3.4	-2.7	-0.7	-0.12	-0.53	-0.66

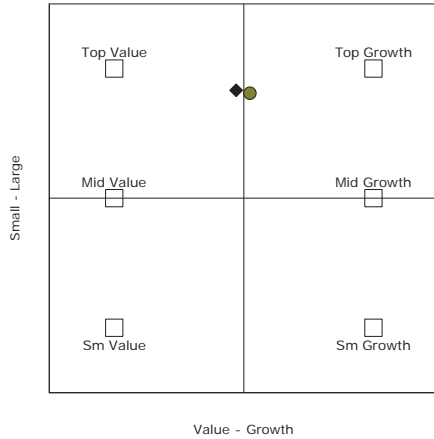
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - T. Rowe Price

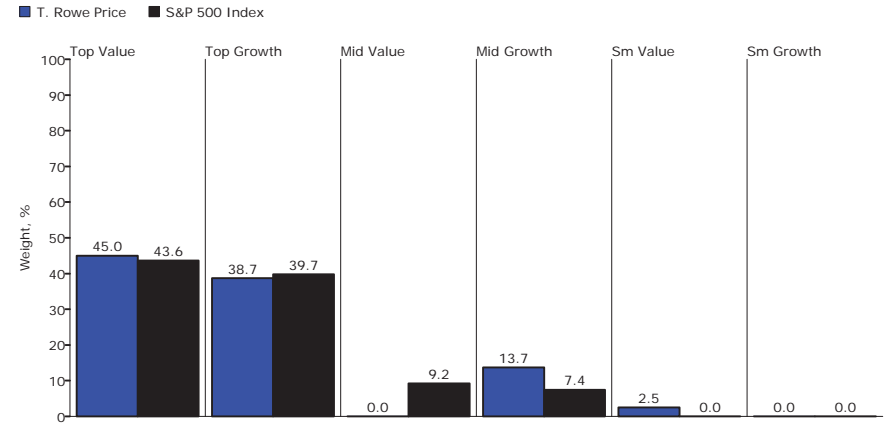
US Equity Style Map

Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

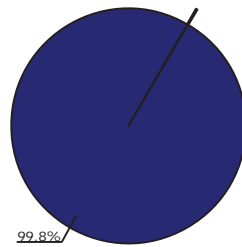
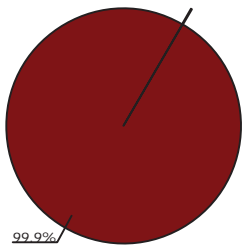


R-Squared (Style Analysis)

Jul 09 - Jun 12

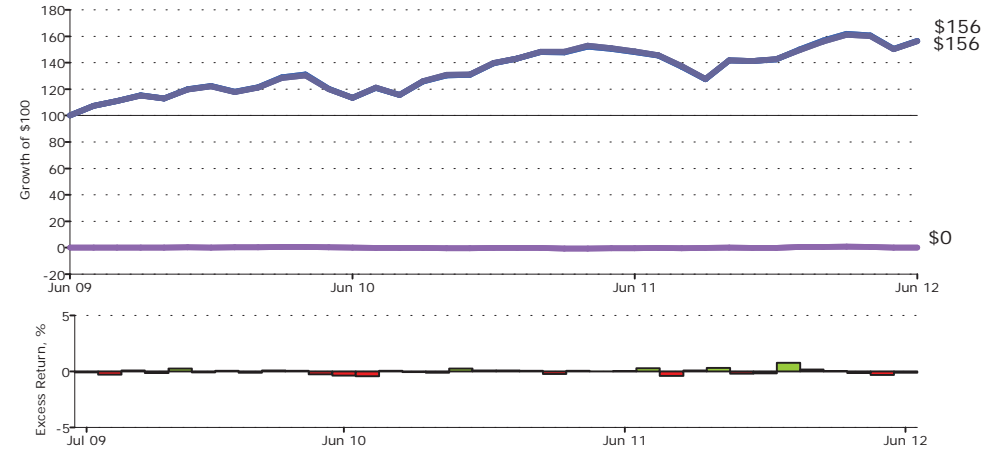
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ S&P 500 Index ● T. Rowe Price

■ Total
■ Selection

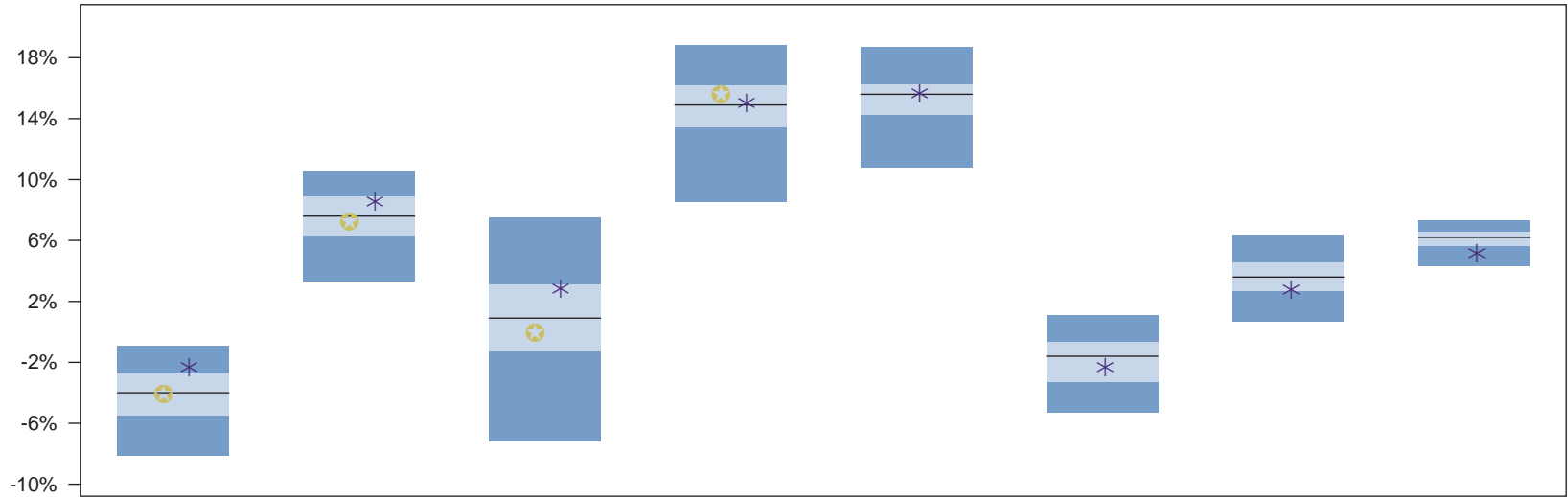
■ Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Value

Periods Ending June 30, 2012

Total Returns



	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
✦ Barrow Hanley	-3.9	48	7.4	54	0.1	63	15.8	33								
* Russell 1000 Value Index	-2.2	19	8.7	31	3.0	29	15.2	44	15.8	44	-2.2	60	2.9	72	5.3	85
Median	-4.0		7.6		0.9		14.9		15.6		-1.6		3.6		6.2	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – Barrow Hanley

Portfolio Characteristics		
	Portfolio	Russell 1000 Value
Total Number of Securities	88	
Average Market Cap (000's)	54,509,966	85,147,552
Median Market Cap (000's)	18,913,455	4,670,450
P/E Ratio	12.88	13.75
Dividend Yield	2.95	2.57
Beta	1.13	1.11
Price/Book Ratio	2.60	1.87
Return on Equity	18.40	13.86
Earnings Growth - 5 Years	3.14	1.30

Ten Largest Holdings		
Name	\$	Weight
CAPITAL ONE FINANCIAL CORP	5,307,486	3.4
STANLEY BLACK + DECKER INC	4,279,940	2.7
SLM CORP	3,858,376	2.4
UNITEDHEALTH GROUP INC	3,357,900	2.1
PFIZER INC	3,103,045	2.0
PHILIP MORRIS INTERNATIONAL	2,966,840	1.9
AMERICAN EXPRESS CO	2,846,469	1.8
CVS CAREMARK CORP	2,785,108	1.8
PNC FINANCIAL SERVICES GROUP	2,707,173	1.7
MEDTRONIC INC	2,695,608	1.7

Ten Best Performers	
Name	Return
VERIZON COMMUNICATIONS INC	17.8
AT+T INC	15.8
ALTRIA GROUP INC	13.3
SERVICE CORP INTERNATIONAL	10.4
REYNOLDS AMERICAN INC	9.8
ANNALY CAPITAL MANAGEMENT INC	9.6
PINNACLE WEST CAPITAL	9.2
TRAVELERS COS INC	8.6
XCEL ENERGY INC	8.3
RAYTHEON COMPANY	8.2

Ten Worst Performers	
Name	Return
CITIGROUP INC	-25.0
ITT CORP	-22.9
JPMORGAN CHASE + CO	-21.8
EXELIS INC	-20.5
EATON CORP	-19.8
MARATHON OIL CORP	-18.8
STANLEY BLACK + DECKER INC	-15.8
SPX CORP	-15.4
BANK OF AMERICA CORP	-14.4
TEXAS INSTRUMENTS INC	-14.2

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Barrow Hanley

Benchmark: Russell 1000 Value Index

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>Barrow Hanley</i>									
CONSUMER DISCRETIONARY	9.8	9.4	0.5	-7.0	-1.9	-5.2	0.03	-0.54	-0.51
CONSUMER STAPLES	8.1	7.6	0.5	3.5	-0.6	4.1	0.03	0.36	0.40
ENERGY	11.5	11.6	-0.1	-7.3	-6.7	-0.6	0.02	-0.07	-0.05
FINANCIALS	24.8	26.9	-2.1	-3.4	-6.8	3.4	0.10	0.86	0.96
HEALTH CARE	16.5	12.3	4.2	-4.6	1.2	-5.8	0.21	-0.99	-0.78
INDUSTRIALS	13.9	9.2	4.7	-5.5	-1.3	-4.2	0.11	-0.61	-0.50
INFORMATION TECHNOLOGY	8.6	9.0	-0.5	-6.9	-10.7	3.7	0.06	0.32	0.38
MATERIALS	0.9	2.6	-1.7	-8.3	-8.3	-0.0	0.11	-0.00	0.11
TELECOMMUNICATION SERVICES	2.7	4.4	-1.7	13.4	12.9	0.5	-0.28	0.02	-0.27
UTILITIES	3.1	6.9	-3.8	7.2	6.2	1.0	-0.36	0.04	-0.33
TOTAL	100.0	100.0	0.0	-3.7	-3.1	-0.6	0.01	-0.62	-0.61

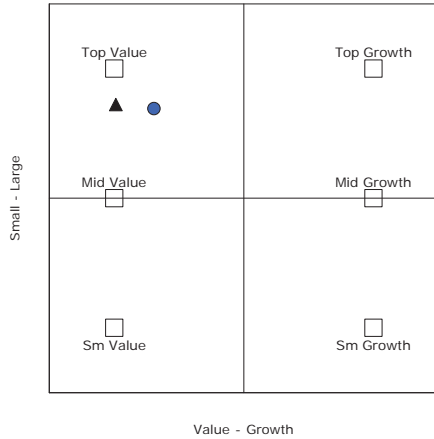
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - Barrow Hanley

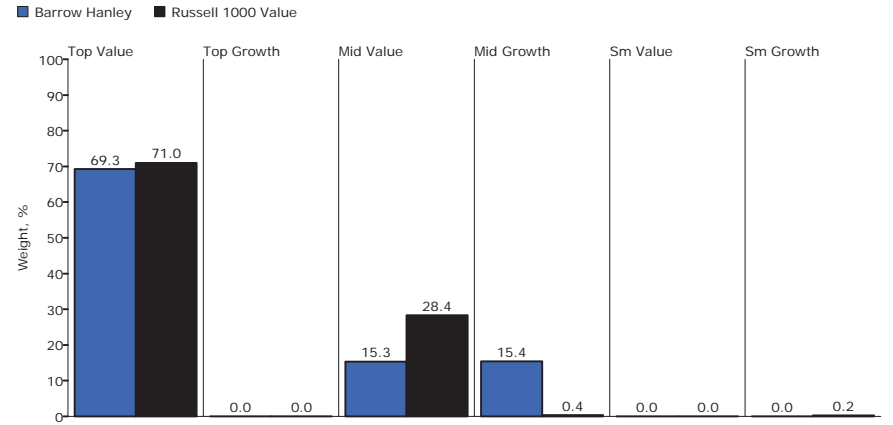
US Equity Style Map

Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

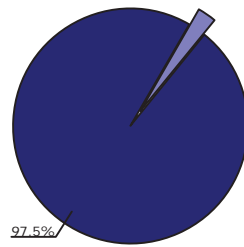
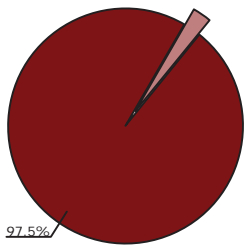


R-Squared (Style Analysis)

Jul 09 - Jun 12

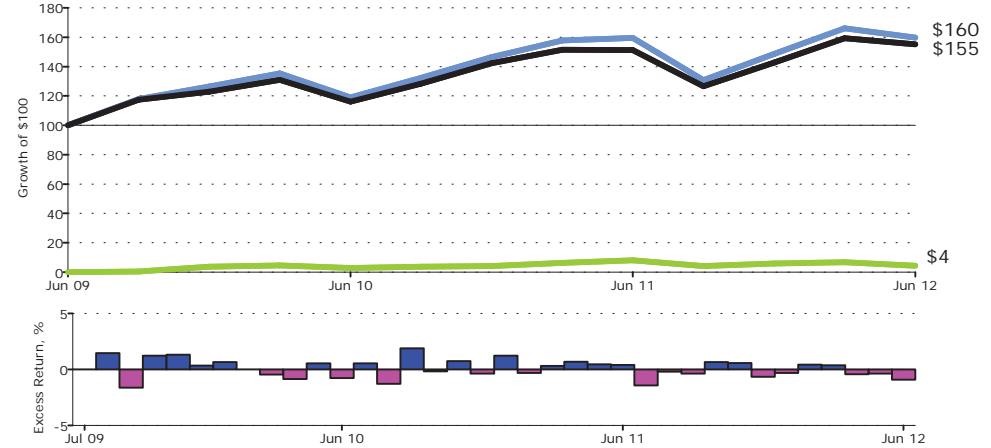
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ Russell 1000 Value ● Barrow Hanley

■ Total ■ Style

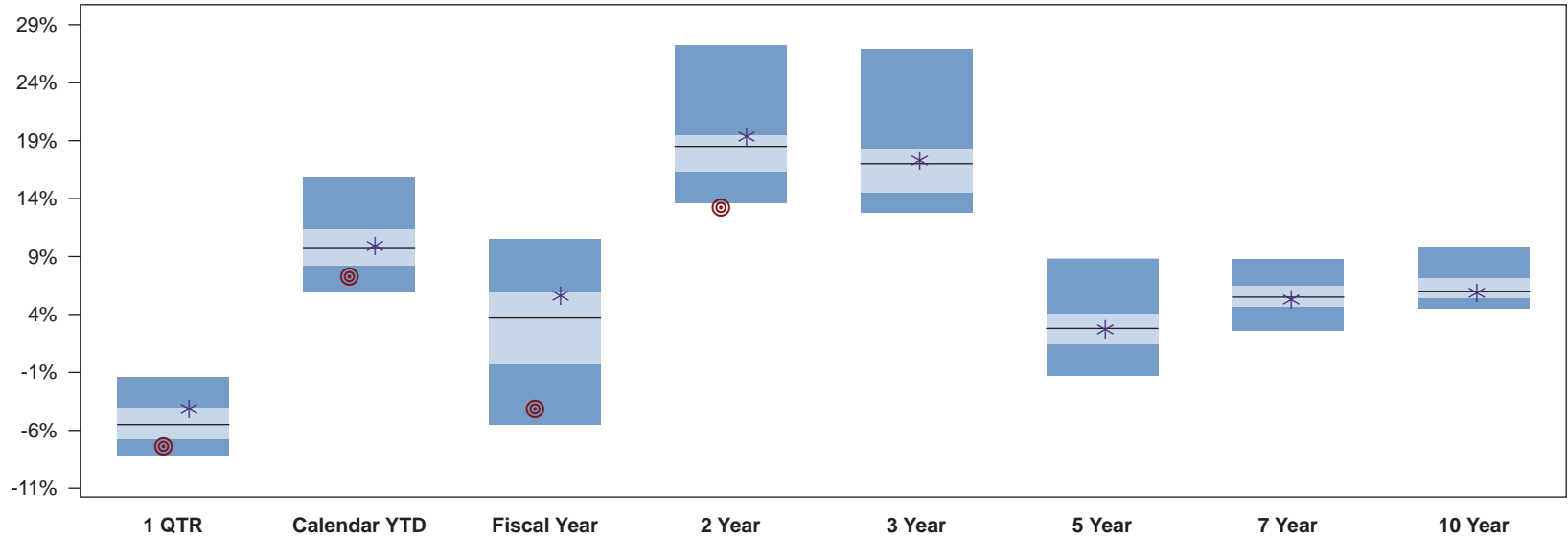
■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Growth

Periods Ending June 30, 2012

Total Returns



	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
⊙ BlackRock	-7.1	81	7.5	85	-3.9	92	13.5	96								
* Russell 1000 Growth Index	-4.0	25	10.1	44	5.8	30	19.5	26	17.5	38	2.9	48	5.5	51	6.0	51
Median	-5.5		9.7		3.7		18.5		17.0		2.8		5.5		6.0	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – BlackRock

Portfolio Characteristics		
	Portfolio	Russell 1000 Growth
Total Number of Securities	72	
Average Market Cap (000's)	106,900,310	107,941,362
Median Market Cap (000's)	27,525,305	5,877,520
P/E Ratio	21.97	20.10
Dividend Yield	1.25	1.62
Beta	1.04	0.94
Price/Book Ratio	5.72	5.65
Return on Equity	23.00	28.94
Earnings Growth - 5 Years	18.40	18.04

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	14,308,000	8.8
BOEING CO	7,065,930	4.4
QUALCOMM INC	6,375,360	3.9
AMAZON.COM INC	6,028,440	3.7
MICROSOFT CORP	5,545,967	3.4
COCA COLA CO	4,925,970	3.1
DANAHER CORP	4,432,008	2.7
COSTCO WHOLESALE CORP	4,256,000	2.6
VERIZON COMMUNICATIONS INC	3,119,688	1.9
CERNER CORP	3,008,824	1.9

Ten Best Performers	
Name	Return
VERIZON COMMUNICATIONS INC	17.8
WHOLE FOODS MARKET INC	14.9
BIOGEN IDEC INC	14.6
EBAY INC	13.9
AMAZON.COM INC	12.8
AMERICAN TOWER CORP	11.6
CERNER CORP	8.5
COMCAST CORP CLASS A	7.7
PEPSICO INC	7.3
COCA COLA CO	6.4

Ten Worst Performers	
Name	Return
VERIFONE SYSTEMS INC	-36.2
JEFFERIES GROUP INC	-30.8
HERBALIFE LTD	-29.3
NETAPP INC	-28.9
MARVELL TECHNOLOGY GROUP LTD	-27.9
FUSION IO INC	-26.5
F5 NETWORKS INC	-26.2
CELANESE CORP SERIES A	-24.9
LAS VEGAS SANDS CORP	-24.0
COACH INC	-24.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock

Benchmark: Russell 1000 Growth Index

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
BlackRock									
CONSUMER DISCRETIONARY	15.3	14.3	1.0	-4.6	-4.5	-0.2	-0.09	-0.10	-0.19
CONSUMER STAPLES	7.2	11.9	-4.7	-0.3	5.0	-5.2	-0.47	-0.31	-0.78
ENERGY	8.6	10.0	-1.4	-8.8	-11.2	2.4	0.12	0.20	0.32
FINANCIALS	4.6	4.3	0.2	-10.5	0.3	-10.8	0.01	-0.57	-0.56
HEALTH CARE	10.8	10.5	0.3	0.9	2.1	-1.1	0.01	-0.20	-0.18
INDUSTRIALS	12.9	12.6	0.3	-7.9	-6.3	-1.5	-0.09	-0.28	-0.37
INFORMATION TECHNOLOGY	35.9	30.3	5.7	-10.7	-6.0	-4.7	-0.25	-1.81	-2.05
MATERIALS	3.0	5.2	-2.3	-11.4	-0.6	-10.7	-0.14	-0.26	-0.39
TELECOMMUNICATION SERVICES	1.8	0.8	1.0	13.3	12.1	1.2	0.15	0.16	0.31
UTILITIES	0.0	0.1	-0.1	-	-6.6	-	0.00	0.00	0.00
TOTAL	100.0	100.0	0.0	-6.9	-3.1	-3.8	-0.74	-3.12	-3.84

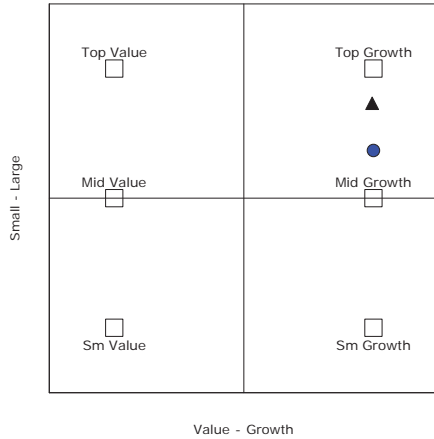
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - BlackRock

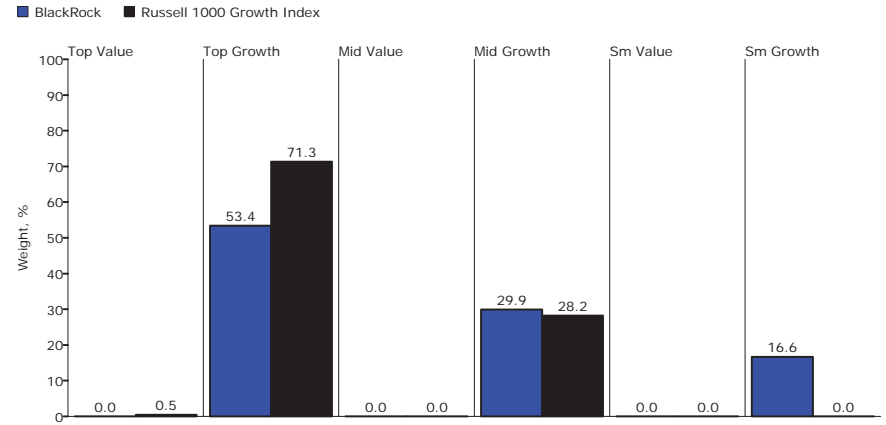
US Equity Style Map

Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

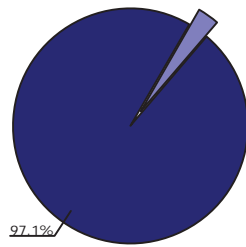
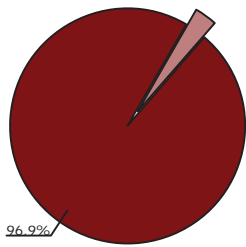


R-Squared (Style Analysis)

Jul 09 - Jun 12

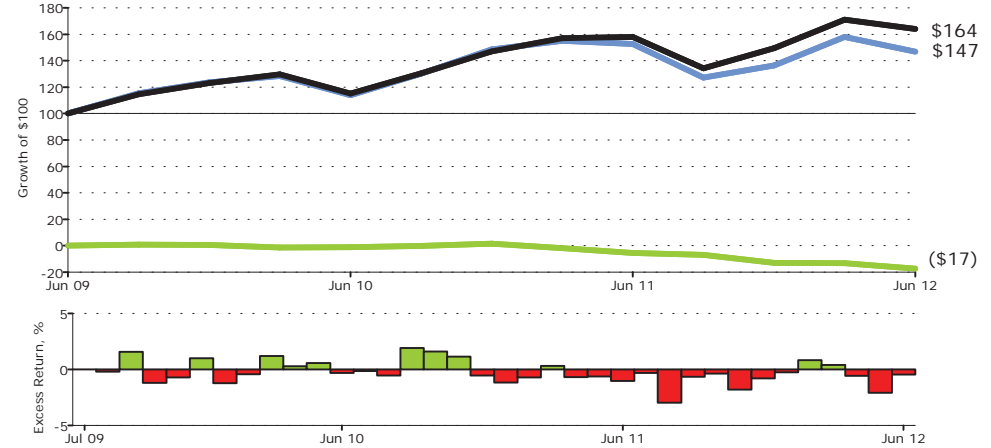
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ Russell 1000 Growth Index ● BlackRock

■ Total ■ Style

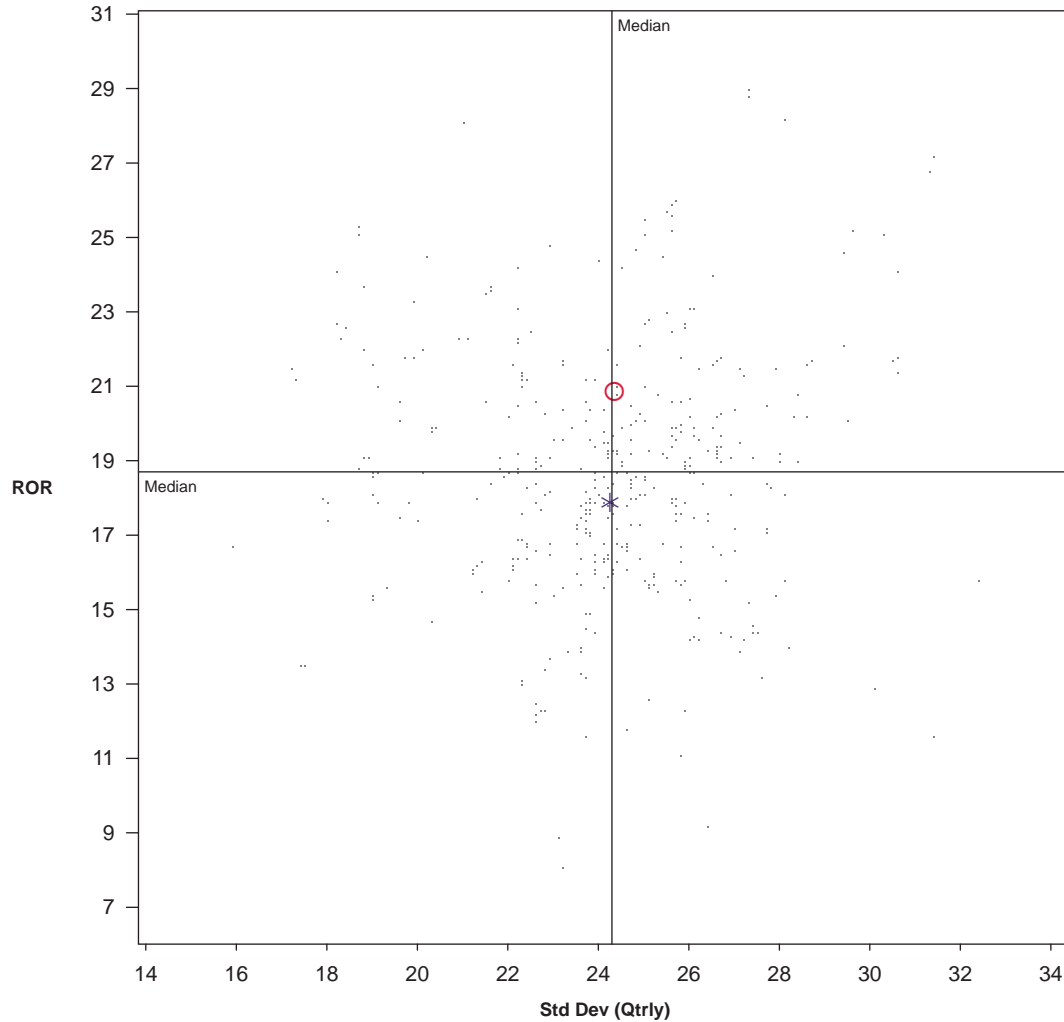
■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending June 30, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	20.8 23	24.4 53	0.8 26
* RUSSELL 2000	17.8 63	24.3 50	0.7 58
Median	18.7	24.3	0.7

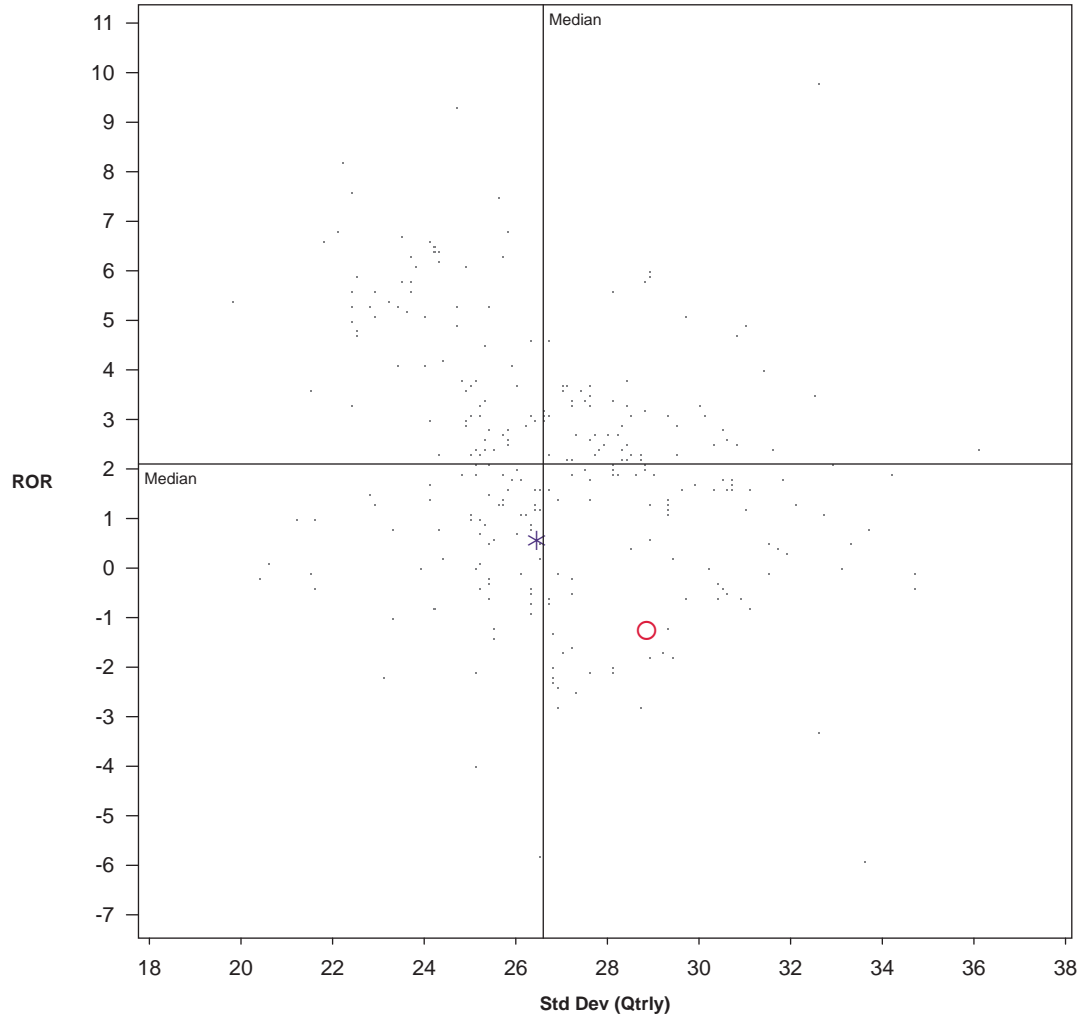
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending June 30, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	-1.3 93	28.9 79	-0.1 91
* RUSSELL 2000	0.5 77	26.5 50	-0.0 77
Median	2.1	26.6	0.0

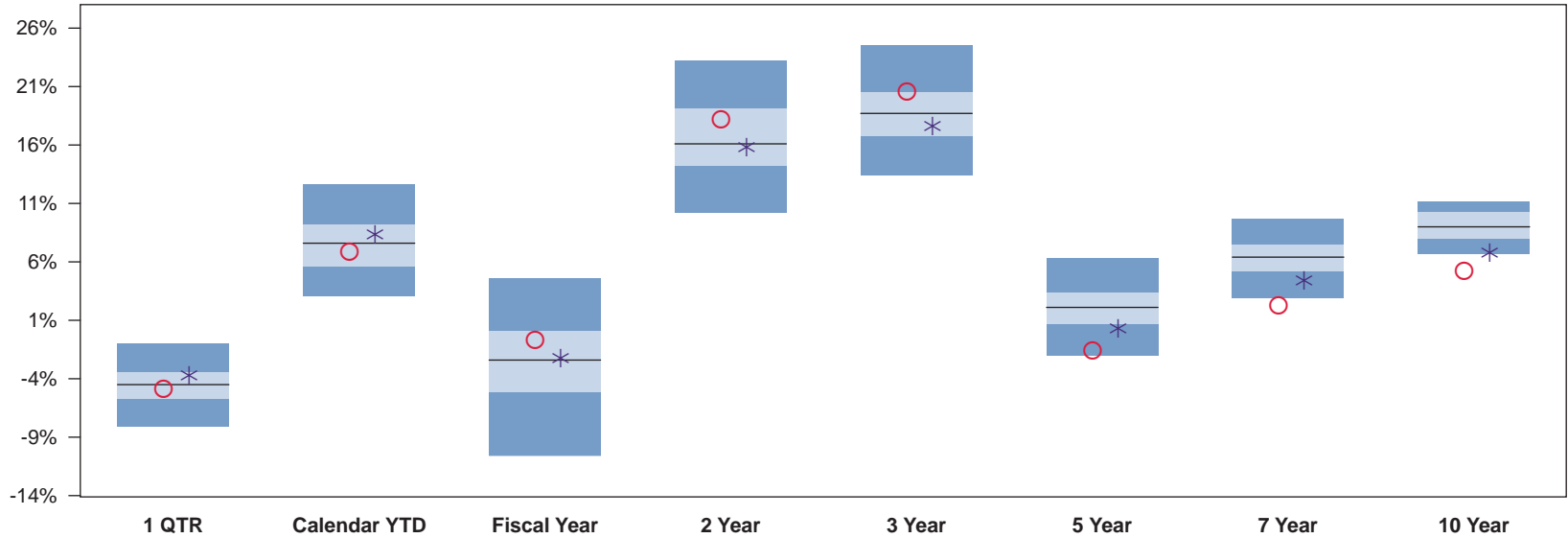
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Periods Ending June 30, 2012

Total Returns



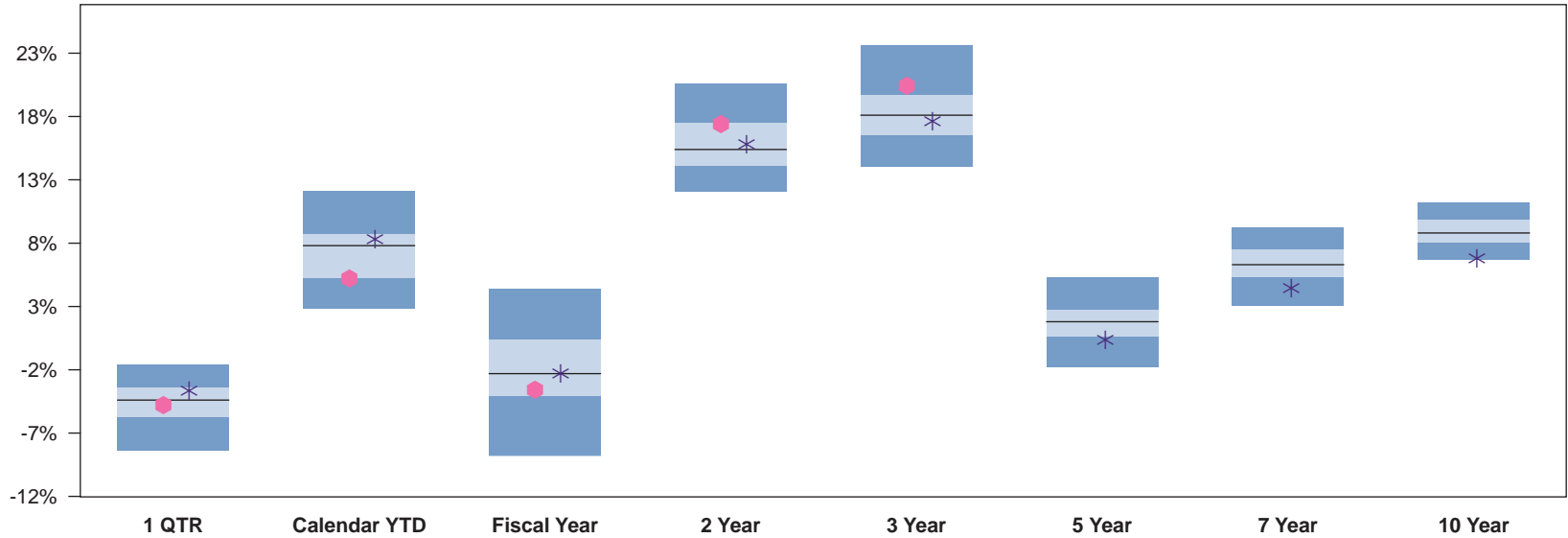
	1 QTR	Calendar YTD	Fiscal Year	2 Year	3 Year	5 Year	7 Year	10 Year
○ Small Cap	-4.6 51	7.1 58	-0.4 28	18.4 28	20.8 23	-1.3 93	2.5 98	5.5 99
* RUSSELL 2000	-3.5 29	8.5 36	-2.1 48	16.0 52	17.8 63	0.5 77	4.6 83	7.0 93
Median	-4.5	7.6	-2.4	16.1	18.7	2.1	6.4	9.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Core

Periods Ending June 30, 2012

Total Returns



	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● Jennison	-4.6	53	5.4	74	-3.4	67	17.6	25	20.6	15						
* RUSSELL 2000	-3.5	30	8.5	31	-2.1	47	16.0	41	17.8	61	0.5	77	4.6	82	7.0	93
Median	-4.4		7.8		-2.3		15.4		18.1		1.8		6.3		8.8	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – Jennison

Portfolio Characteristics		
	Portfolio	Russell 2000
Total Number of Securities	128	
Average Market Cap (000's)	2,007,145	1,196,838
Median Market Cap (000's)	1,447,515	473,160
P/E Ratio	17.21	16.98
Dividend Yield	1.07	1.43
Beta	1.25	1.22
Price/Book Ratio	3.27	3.09
Return on Equity	14.09	9.79
Earnings Growth - 5 Years	12.27	6.11

Ten Largest Holdings		
Name	\$	Weight
RBC BEARINGS INC	1,933,529	2.4
WHITE MOUNTAINS INSURANCE	1,735,862	2.1
AIR METHODS CORP	1,600,198	1.9
HEARTLAND EXPRESS INC	1,508,016	1.8
TW TELECOM INC	1,435,549	1.7
ROSETTA RESOURCES INC	1,434,346	1.7
BIOMARIN PHARMACEUTICAL INC	1,341,010	1.6
MFA FINANCIAL INC	1,340,724	1.6
CHEESECAKE FACTORY INC	1,309,593	1.6
WOODWARD INC	1,308,106	1.6

Ten Best Performers	
Name	Return
CATALYST HEALTH SOLUTIONS INC	46.6
ARIBA INC	36.8
B+G FOODS INC	19.4
THOMAS PROPERTIES GROUP	18.9
UNITED NATURAL FOODS INC	17.6
MWI VETERINARY SUPPLY INC	16.8
VAIL RESORTS INC	16.3
TW TELECOM INC	15.8
BIOMARIN PHARMACEUTICAL INC	15.6
CHATHAM LODGING TRUST REIT	14.1

Ten Worst Performers	
Name	Return
KEY ENERGY SERVICES INC	-50.8
LATTICE SEMICONDUCTOR CORP	-41.4
BASIC ENERGY SERVICES INC	-40.5
CENTENE CORP	-38.4
MCEWEN MINING INC	-32.2
MOBILE MINI INC	-31.8
VERA BRADLEY INC	-30.2
EXPRESS INC	-27.3
WARNACO GROUP INC	-27.1
VITACOST.COM INC	-25.9

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Jennison

Benchmark: RUSSELL 2000

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Jennison									
CONSUMER DISCRETIONARY	9.9	13.9	-4.0	-8.7	-5.8	-2.9	0.12	-0.29	-0.17
CONSUMER STAPLES	4.6	3.5	1.1	5.0	2.7	2.3	0.11	0.14	0.25
ENERGY	7.5	5.3	2.2	-19.0	-15.6	-3.5	-0.27	-0.31	-0.57
FINANCIALS	17.3	23.7	-6.4	-0.3	0.2	-0.5	-0.26	-0.09	-0.34
HEALTH CARE	14.0	12.0	2.0	7.1	4.2	2.9	0.20	0.43	0.63
INDUSTRIALS	24.6	17.0	7.6	-9.8	-5.4	-4.4	-0.14	-1.14	-1.27
INFORMATION TECHNOLOGY	14.9	15.4	-0.5	-7.5	-8.4	0.9	0.06	0.13	0.18
MATERIALS	2.9	4.9	-2.0	-11.7	-7.7	-4.0	0.12	-0.12	0.00
TELECOMMUNICATION SERVICES	3.8	0.8	2.9	5.8	-6.1	11.9	-0.07	0.48	0.41
UTILITIES	0.4	3.3	-2.9	-5.3	2.9	-8.2	-0.20	-0.03	-0.23
TOTAL	100.0	100.0	0.0	-4.8	-3.7	-1.1	-0.33	-0.80	-1.12

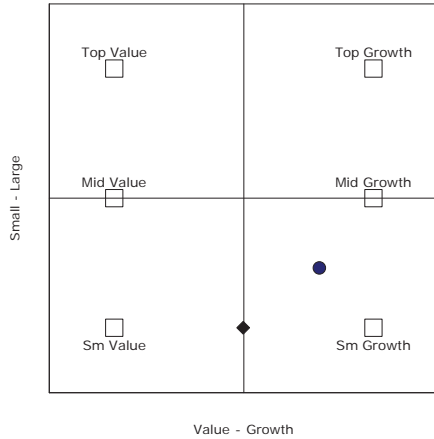
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - Jennison

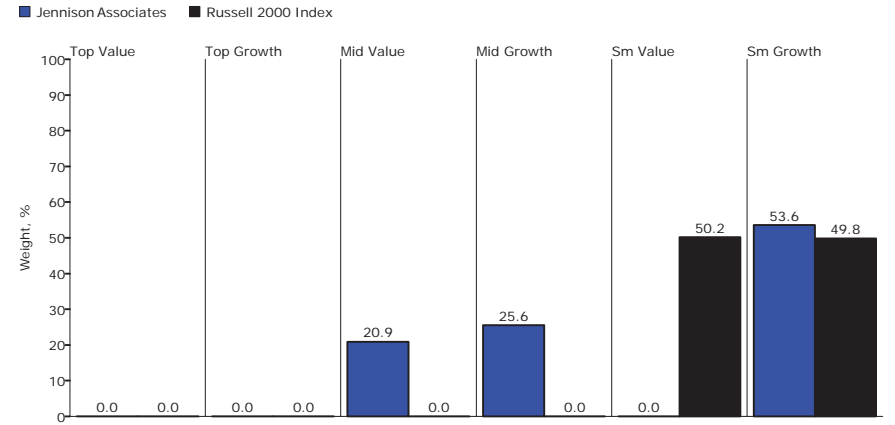
US Equity Style Map

Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

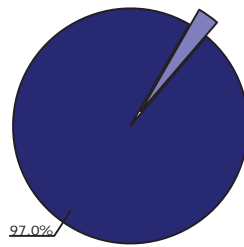
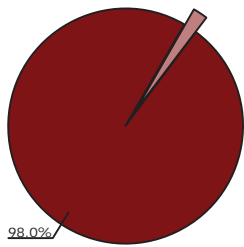


R-Squared (Style Analysis)

Jul 09 - Jun 12

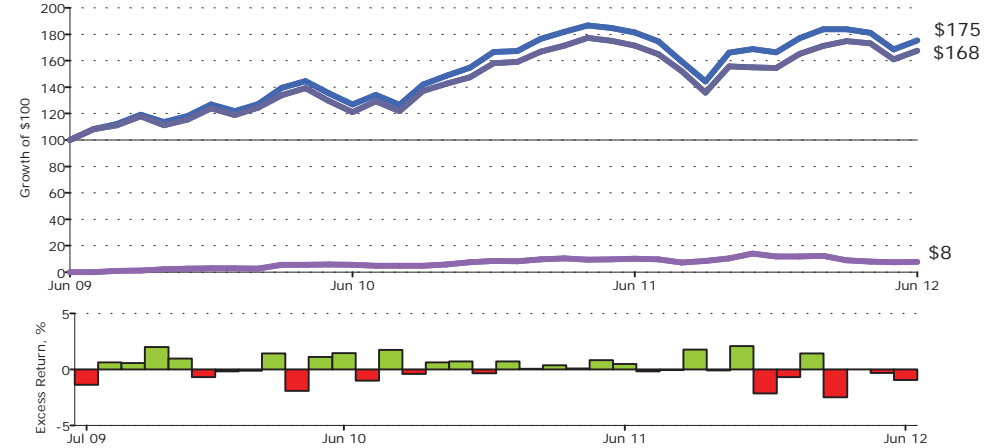
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ Russell 2000 Index ● Jennison Associates

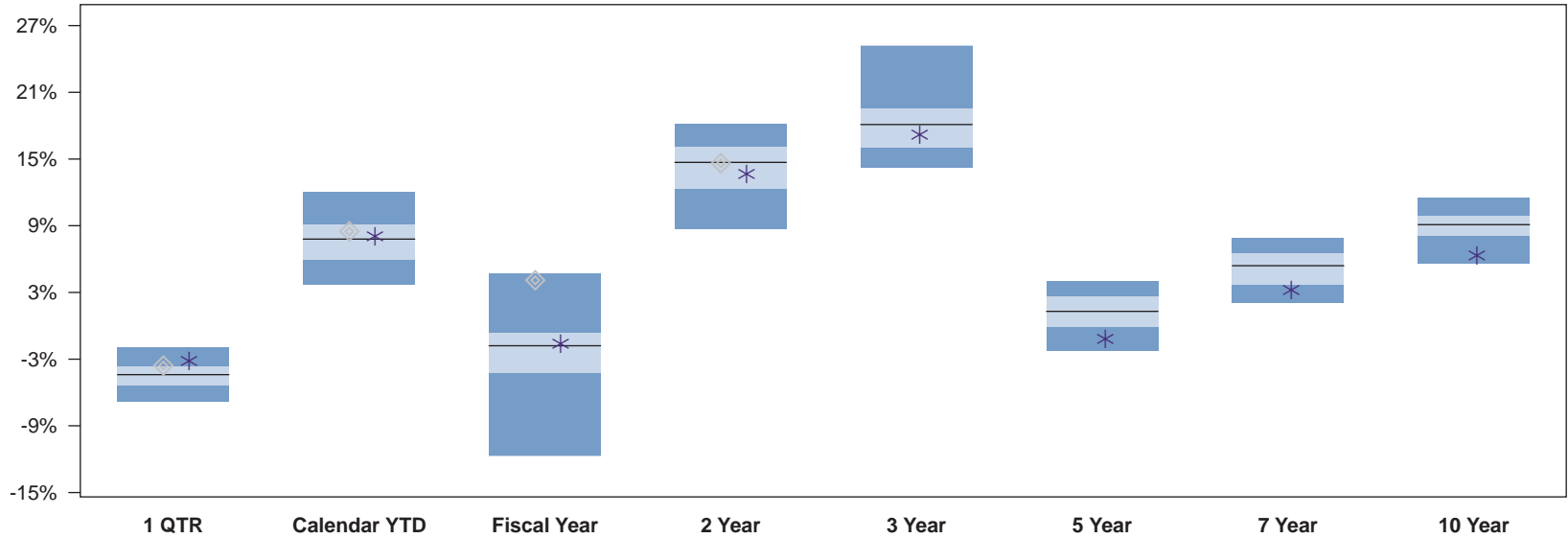
■ Total ■ Style ■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Value

Periods Ending June 30, 2012

Total Returns



	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ The Boston Co	-3.4	21	8.7	31	4.3	7	14.8	44								
* RUSSELL 2000 VALUE	-3.0	17	8.2	39	-1.4	38	13.8	58	17.4	62	-1.0	85	3.4	81	6.5	91
Median	-4.4		7.8		-1.8		14.7		18.1		1.3		5.4		9.1	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – The Boston Company

Portfolio Characteristics		
	Portfolio	Russell 2000 Value
Total Number of Securities	138	
Average Market Cap (000's)	1,452,433	1,033,815
Median Market Cap (000's)	1,208,020	420,105
P/E Ratio	17.21	14.10
Dividend Yield	1.32	2.15
Beta	1.30	1.32
Price/Book Ratio	2.00	1.36
Return on Equity	9.39	6.82
Earnings Growth - 5 Years	0.03	(1.05)

Ten Largest Holdings		
Name	\$	Weight
FIRST HORIZON NATIONAL CORP	693,384	1.3
CORELOGIC INC	661,723	1.3
CYTEC INDUSTRIES INC	623,930	1.2
LIFEPOINT HOSPITALS INC	605,684	1.2
MEREDITH CORP	592,487	1.2
WINTRUST FINANCIAL CORP	586,815	1.1
DCT INDUSTRIAL TRUST INC	571,725	1.1
WMS INDUSTRIES INC	568,775	1.1
KB HOME	564,480	1.1
PROTECTIVE LIFE CORP	564,378	1.1

Ten Best Performers	
Name	Return
SKECHERS USA INC CL A	60.1
MI HOMES INC	40.1
MAXIMUS INC	27.5
MERITAGE HOMES	25.4
APOGEE ENTERPRISES INC	24.8
GRAND CANYON EDUCATION INC	17.9
UNITED NATURAL FOODS INC	17.6
HANGER INC	17.3
LOUISIANA PACIFIC CORP	16.4
JACK IN THE BOX INC	16.3

Ten Worst Performers	
Name	Return
TAKE TWO INTERACTIVE SOFTWARE	-38.5
DAWSON GEOPHYSICAL CO	-30.7
II VI INC COMMON STOCK NPV	-29.5
ROFIN SINAR TECHNOLOGIES INC	-28.2
EXPRESS INC	-27.3
WARNACO GROUP INC	-27.1
COEUR D ALENE MINES CORP	-26.0
TETRA TECHNOLOGIES INC	-24.3
FTI CONSULTING INC	-23.4
VISHAY INTERTECHNOLOGY INC	-22.5

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

The Boston Co

Benchmark: RUSSELL 2000 VALUE

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>The Boston Co</i>									
CONSUMER DISCRETIONARY	20.2	13.1	7.2	-1.3	-4.4	3.1	-0.10	0.64	0.54
CONSUMER STAPLES	4.8	2.9	1.8	3.6	-4.0	7.7	-0.02	0.38	0.35
ENERGY	6.0	3.8	2.2	-17.4	-12.1	-5.2	-0.21	-0.32	-0.53
FINANCIALS	27.4	37.6	-10.2	-1.4	0.6	-2.0	-0.39	-0.55	-0.93
HEALTH CARE	5.7	4.9	0.8	6.9	3.3	3.6	0.05	0.21	0.26
INDUSTRIALS	14.4	15.6	-1.2	-6.8	-7.4	0.6	0.05	0.08	0.14
INFORMATION TECHNOLOGY	10.6	9.5	1.2	-10.0	-9.5	-0.5	-0.08	-0.06	-0.15
MATERIALS	5.6	5.4	0.2	-2.1	-8.7	6.6	-0.02	0.38	0.36
TELECOMMUNICATION SERVICES	0.9	0.8	0.1	1.5	-6.0	7.5	-0.01	0.08	0.07
UTILITIES	4.4	6.4	-2.0	5.9	3.2	2.7	-0.14	0.12	-0.02
TOTAL	100.0	100.0	0.0	-3.0	-3.1	0.1	-0.86	0.95	0.08

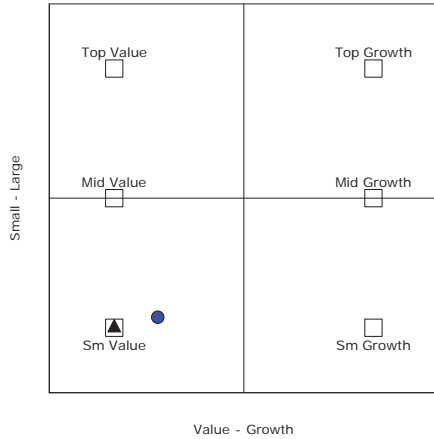
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - The Boston Company

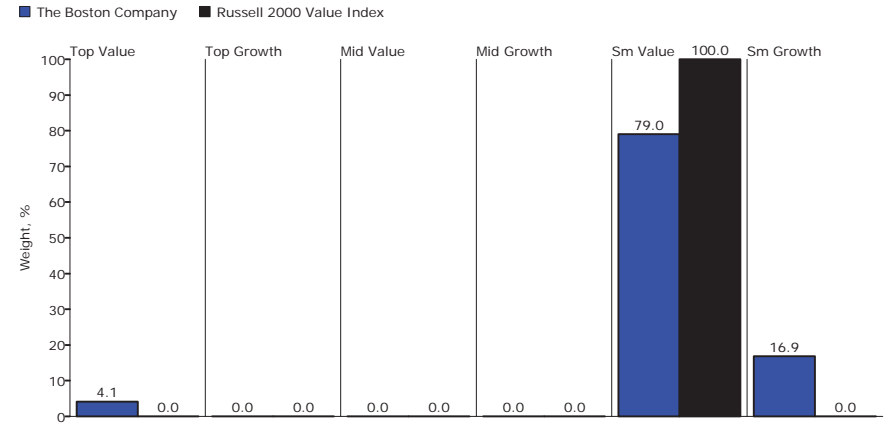
US Equity Style Map

Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

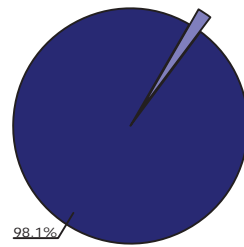
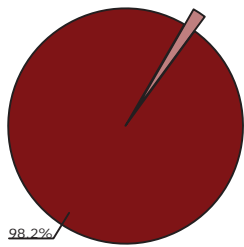


R-Squared (Style Analysis)

Jul 09 - Jun 12

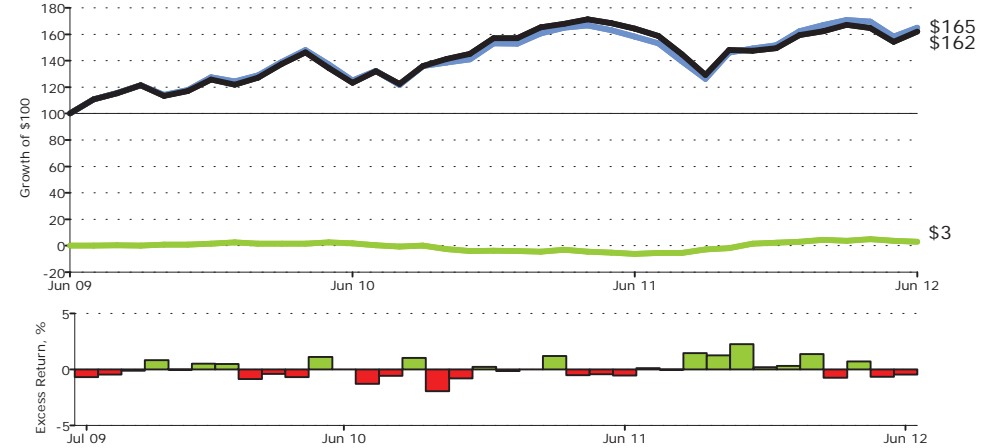
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ Russell 2000 Index ● The Boston Company

■ Total
■ Selection

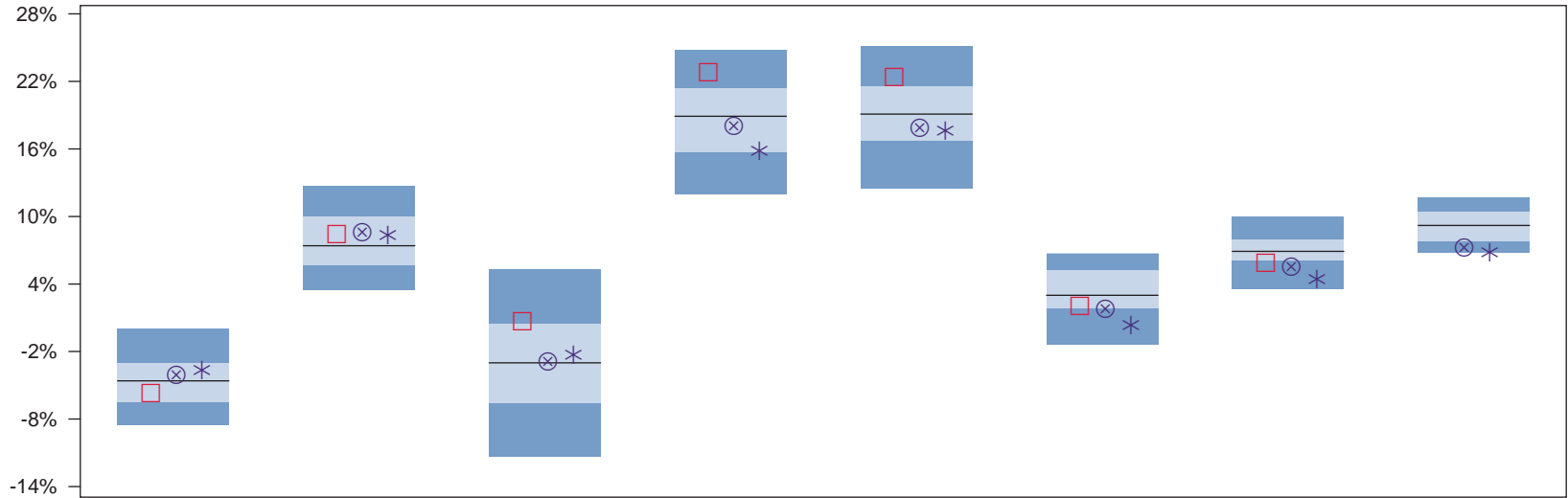
■ Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Growth

Periods Ending June 30, 2012

Total Returns



	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
□ Chartwell	-5.5	70	8.6	41	0.9	22	23.0	16	22.6	14	2.2	65	6.1	72		
⊗ RUSSELL 2000 GROWTH	-3.9	36	8.8	39	-2.7	49	18.2	54	18.1	65	2.0	69	5.7	82	7.4	89
* RUSSELL 2000	-3.5	31	8.5	41	-2.1	44	16.0	73	17.8	67	0.5	86	4.6	92	7.0	95
Median	-4.6		7.4		-3.0		18.9		19.1		3.0		6.9		9.2	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – Chartwell

Portfolio Characteristics		
	Portfolio	Russell 2000 Growth
Total Number of Securities	90	
Average Market Cap (000's)	1,821,697	1,359,858
Median Market Cap (000's)	1,420,510	593,265
P/E Ratio	21.88	21.19
Dividend Yield	0.19	0.71
Beta	1.19	1.12
Price/Book Ratio	4.13	4.78
Return on Equity	14.87	12.75
Earnings Growth - 5 Years	12.53	13.84

Ten Largest Holdings		
Name	\$	Weight
HEARTLAND PAYMENT SYSTEMS IN	1,769,697	3.0
WESCO INTERNATIONAL INC	1,676,144	2.9
HFF INC CLASS A	1,456,981	2.5
FEI COMPANY	1,408,649	2.4
CATHAY GENERAL BANCORP	1,252,696	2.1
TRIMAS CORP	1,193,438	2.0
CARDINAL FINANCIAL CORP	1,092,920	1.9
CARDTRONICS INC	1,090,581	1.9
ARIBA INC	1,066,362	1.8
AKORN INC	1,065,027	1.8

Ten Best Performers	
Name	Return
CATALYST HEALTH SOLUTIONS INC	46.6
ARIBA INC	36.8
AKORN INC	34.8
NPS PHARMACEUTICALS INC	25.9
IPC THE HOSPITALIST CO	22.8
DR HORTON INC	21.4
OCWEN FINANCIAL CORP	20.2
CYBERONICS INC	17.9
INCYTE CORP	17.6
MWI VETERINARY SUPPLY INC	16.8

Ten Worst Performers	
Name	Return
SYNCHRONOSS TECHNOLOGIES INC	-42.1
QUALITY SYSTEMS INC	-36.7
VOLTERRA SEMICONDUCTOR CORP	-31.9
EXPRESS INC	-27.3
FINISAR CORPORATION	-25.8
PARAMETRIC TECHNOLOGY CORP	-25.0
COMSCORE INC	-23.0
RUSH ENTERPRISES INC CL A	-23.0
UNITED RENTALS INC	-20.6
ROBBINS + MYERS INC	-19.6

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Chartwell

Benchmark: RUSSELL 2000 GROWTH

Quarter Ending June 30, 2012

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Chartwell									
CONSUMER DISCRETIONARY	18.0	14.7	3.2	-6.1	-6.8	0.6	-0.10	0.12	0.01
CONSUMER STAPLES	0.5	4.1	-3.6	-18.6	6.8	-25.5	-0.39	-0.13	-0.52
ENERGY	6.4	6.8	-0.4	-25.0	-17.4	-7.6	0.06	-0.49	-0.44
FINANCIALS	11.6	9.9	1.7	-0.4	-1.9	1.5	0.03	0.18	0.22
HEALTH CARE	21.6	19.1	2.5	10.7	5.0	5.7	0.23	1.23	1.46
INDUSTRIALS	20.3	18.5	1.8	-10.2	-3.9	-6.3	-0.00	-1.29	-1.29
INFORMATION TECHNOLOGY	21.6	21.3	0.3	-9.7	-7.3	-2.4	-0.01	-0.53	-0.54
MATERIALS	0.0	4.5	-4.5	-	-4.3	-	0.04	0.00	0.04
TELECOMMUNICATION SERVICES	0.0	0.8	-0.8	-	-4.8	-	0.01	0.00	0.01
UTILITIES	0.0	0.2	-0.2	-	-2.9	-	-0.00	0.00	-0.00
TOTAL	100.0	100.0	0.0	-4.7	-3.7	-1.0	-0.15	-0.91	-1.06

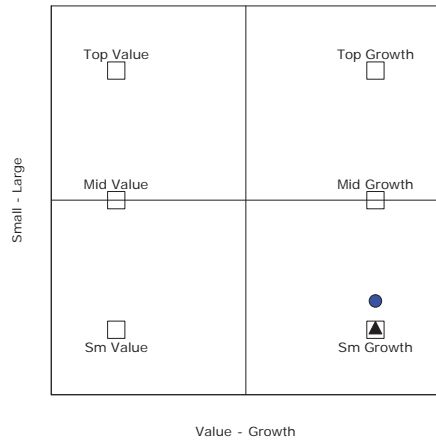
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending June 30, 2012

Returns Based Style Analysis - Chartwell

US Equity Style Map

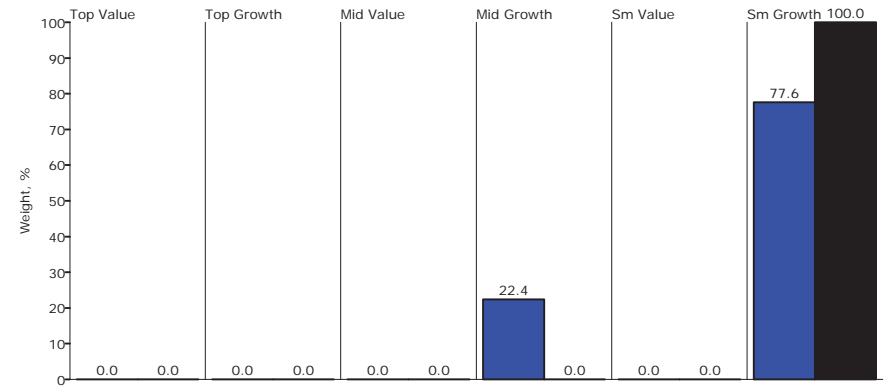
Jul 09 - Jun 12



US Equity Style Exposures

Jul 09 - Jun 12

■ Chartwell ■ Russell 2000 Growth Index

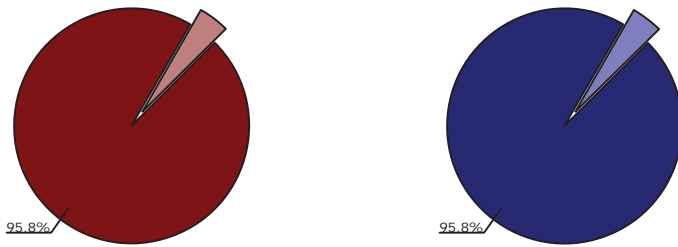


R-Squared (Style Analysis)

Jul 09 - Jun 12

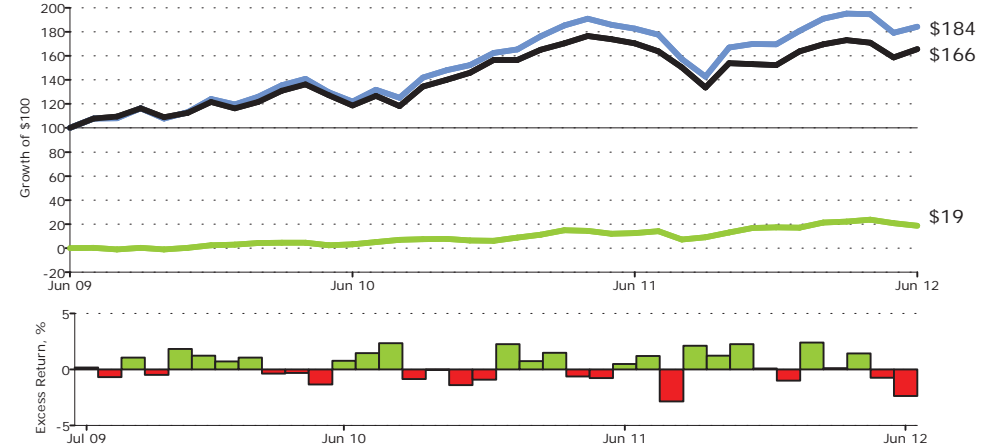
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Jul 09 - Jun 12



Legend

▲ Russell 2000 Growth Index ● Chartwell

■ Total
■ Selection

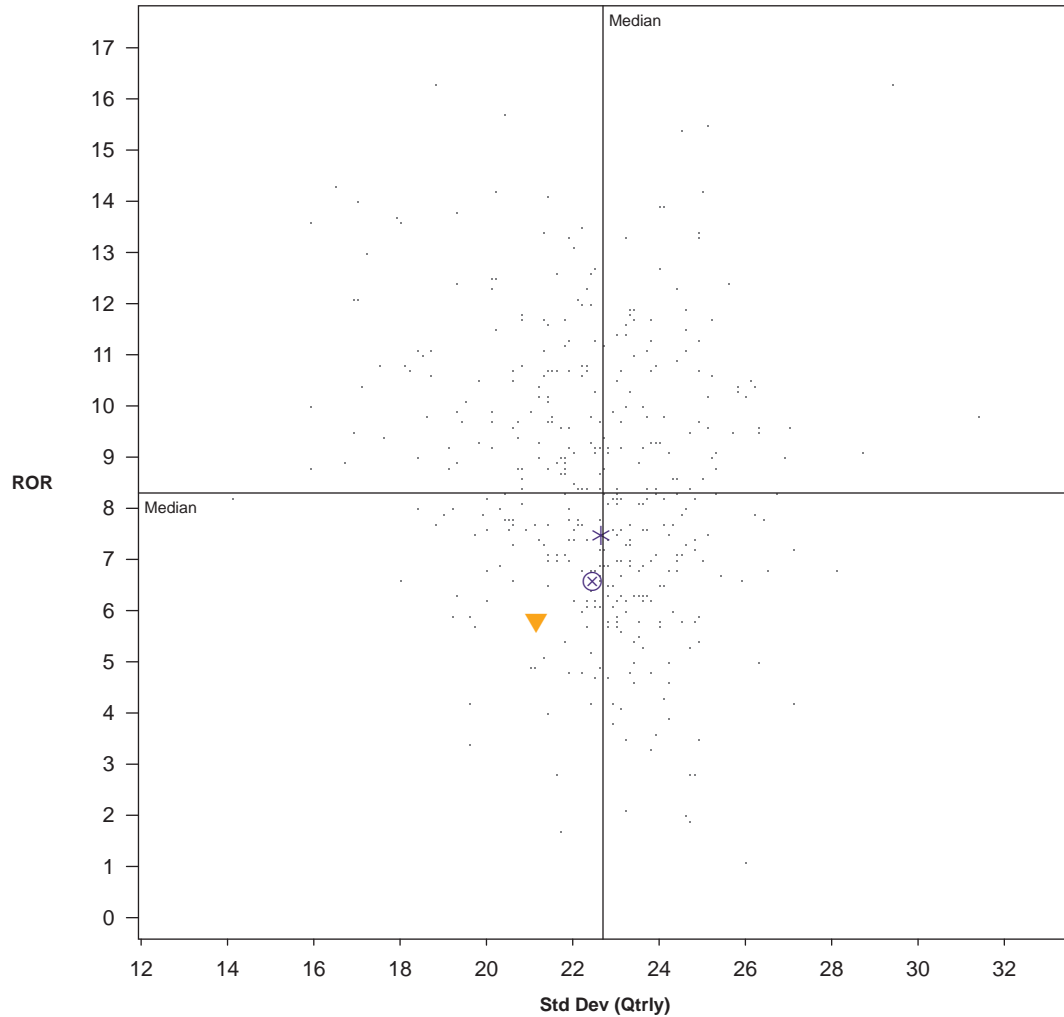
■ Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Period Ending June 30, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	5.7 90	21.2 24	0.3 82
* Intl Equity Index	7.4 65	22.7 51	0.3 58
⊗ MSCI EAFE (GROSS)	6.5 80	22.5 47	0.3 75
Median	8.3	22.7	0.3

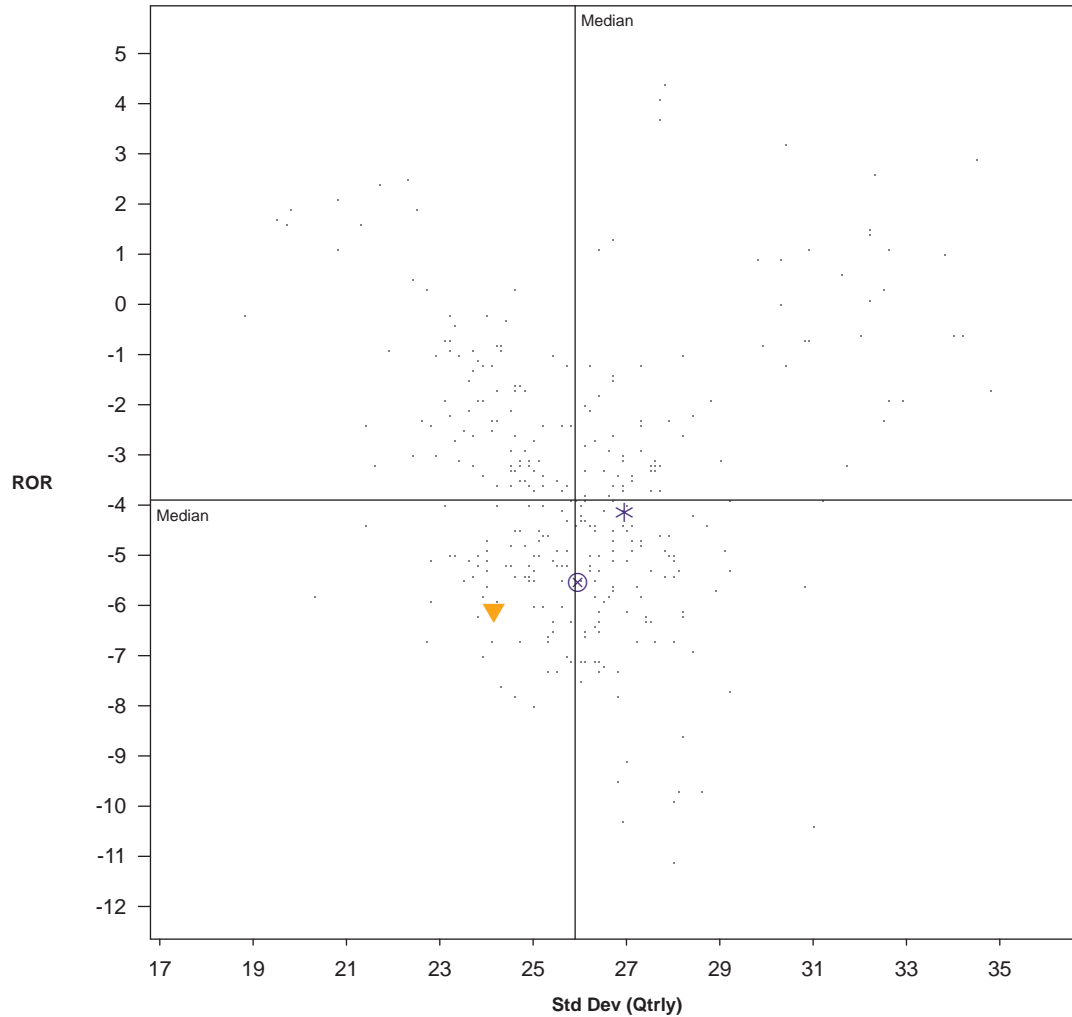
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Period Ending June 30, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	-6.2 86	24.2 23	-0.3 87
* Intl Equity Index	-4.2 54	27.0 71	-0.2 48
⊗ MSCI EAFE (GROSS)	-5.6 80	26.0 51	-0.3 74
Median	-3.9	25.9	-0.2

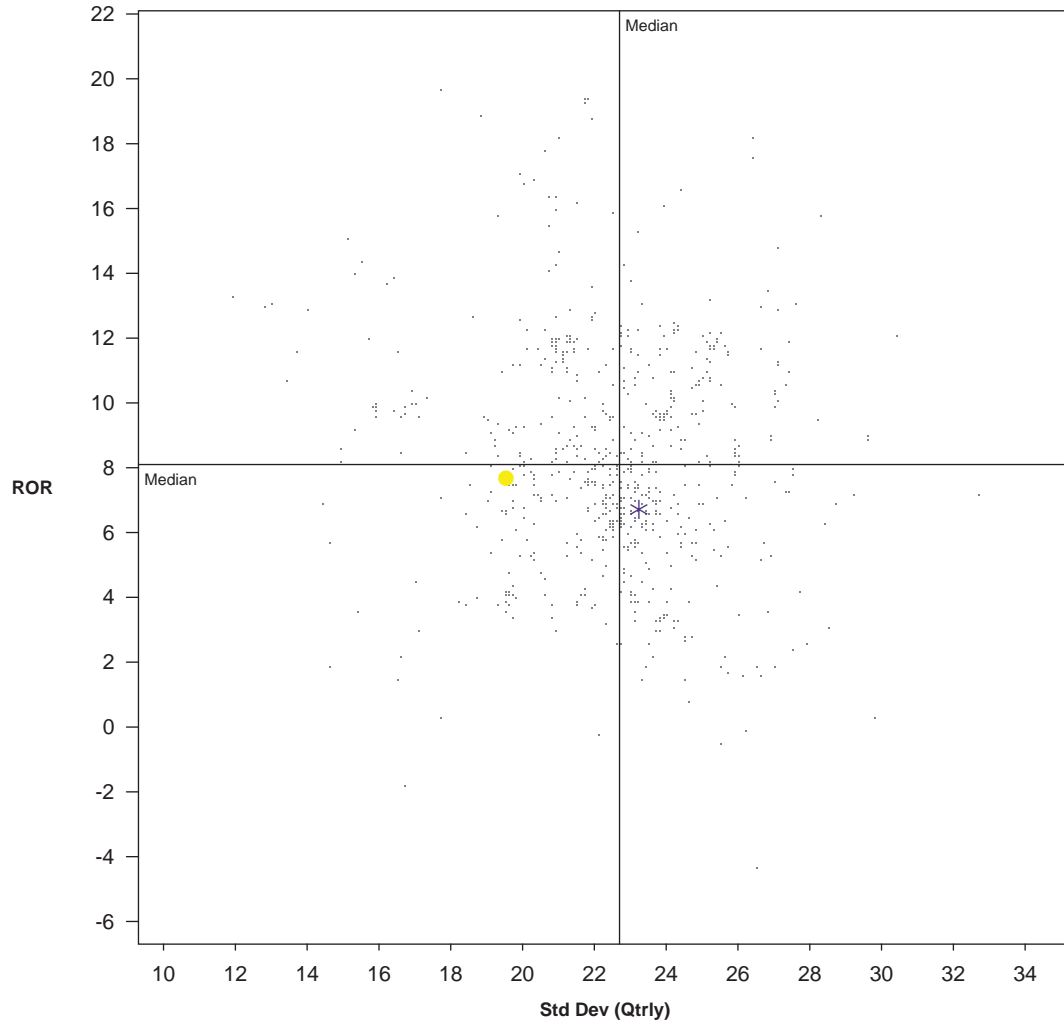
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds

Period Ending June 30, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Mondrian	7.6 57	19.6 14	0.4 46
* MSCI ACWI EX US VALUE (GROSS)	6.6 70	23.3 65	0.3 72
Median	8.1	22.7	0.4

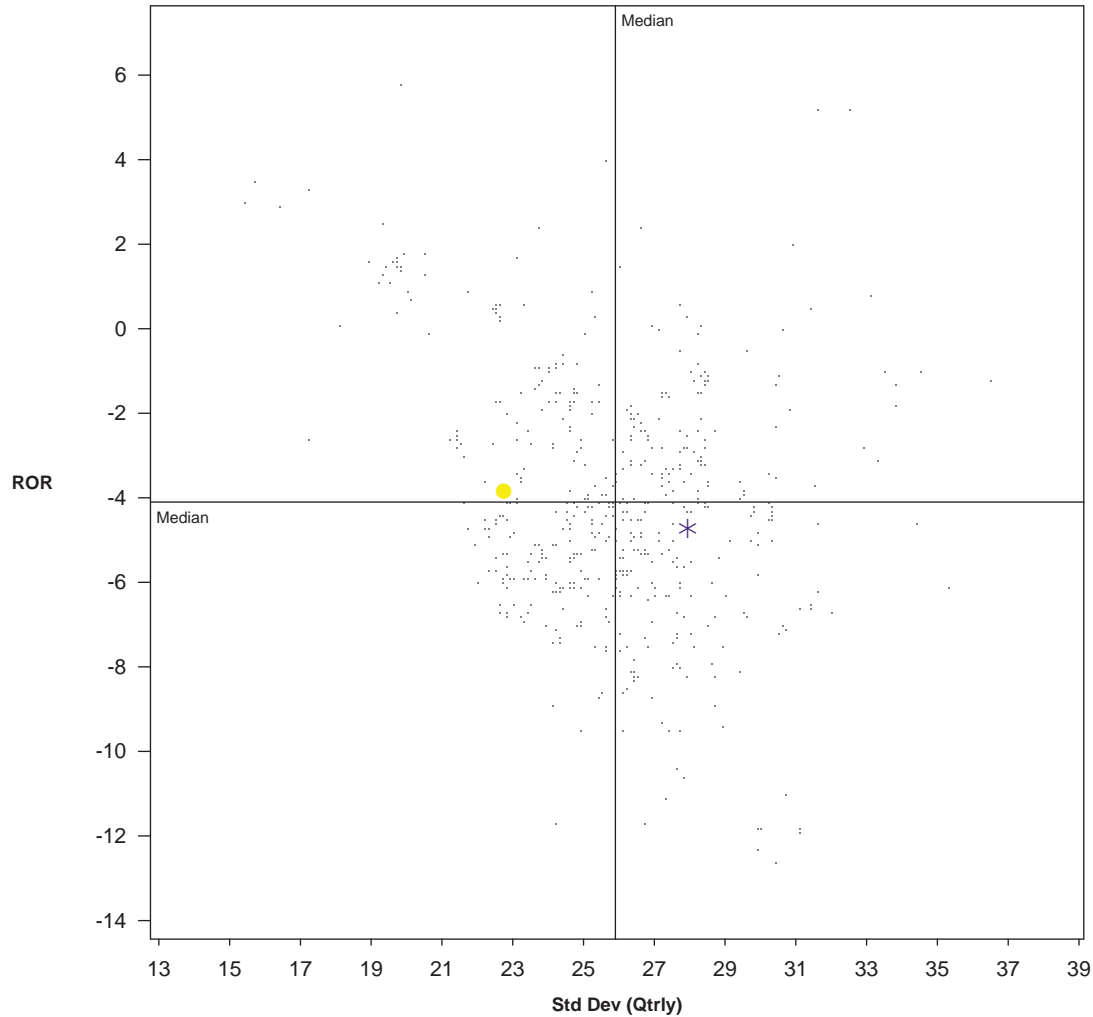
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds

Period Ending June 30, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Mondrian	-3.9 48	22.8 18	-0.2 63
* MSCI ACWI EX US VALUE (GROSS)	-4.8 65	28.0 79	-0.2 62
Median	-4.1	25.9	-0.2

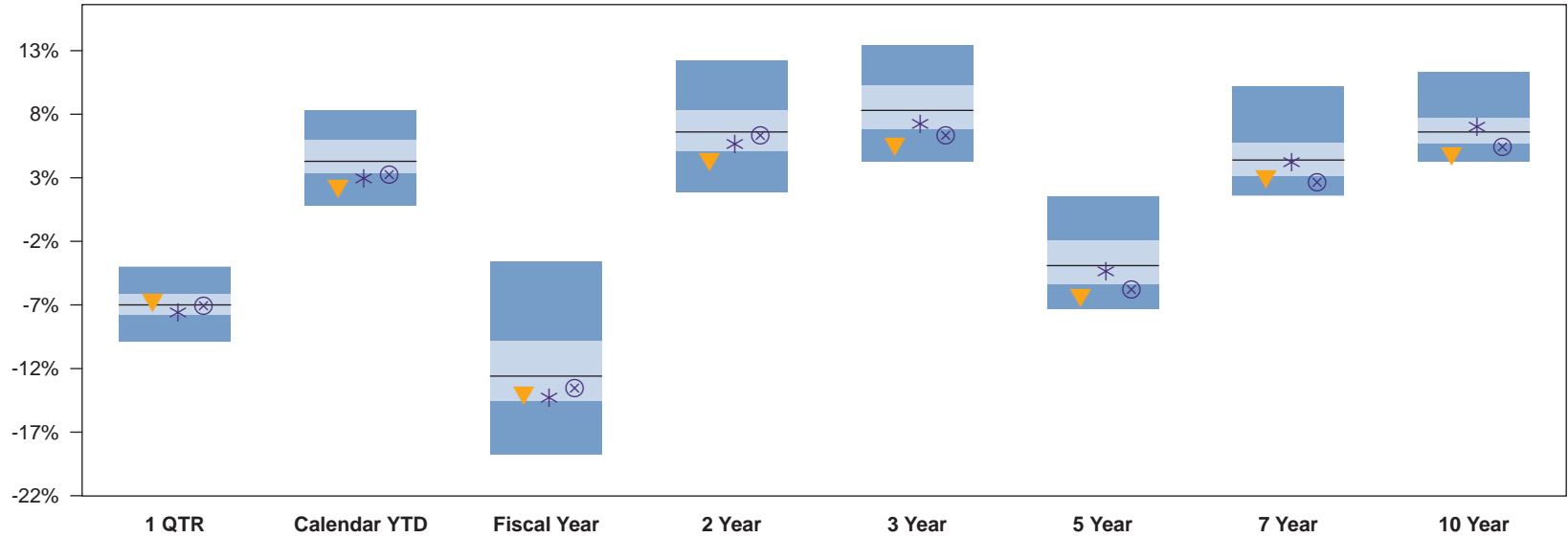
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Periods Ending June 30, 2012

Total Returns



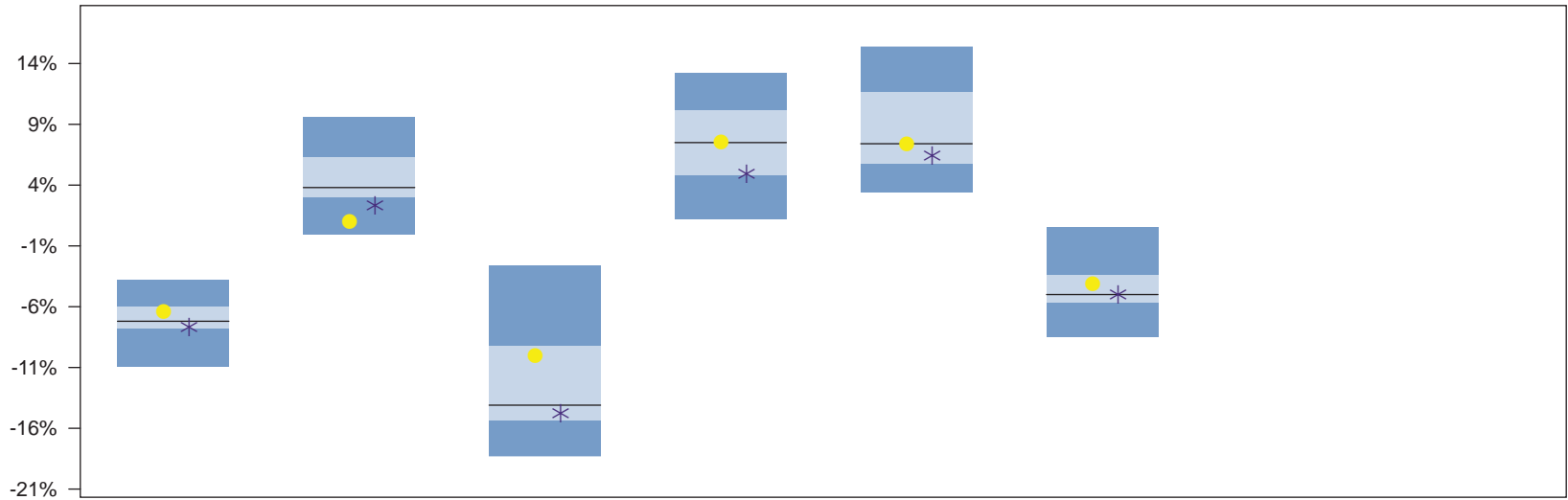
	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
▼ Intl Equity	-6.6	39	2.4	88	-13.9	65	4.5	82	5.7	90	-6.2	86	3.1	77	4.9	88
* Intl Equity Index	-7.4	64	3.1	79	-14.1	69	5.8	65	7.4	65	-4.2	54	4.4	49	7.2	34
⊗ MSCI EAFE (GROSS)	-6.9	46	3.4	75	-13.4	59	6.5	52	6.5	80	-5.6	80	2.8	81	5.6	77
Median	-7.0		4.3		-12.6		6.6		8.3		-3.9		4.4		6.6	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US

Periods Ending June 30, 2012

Total Returns



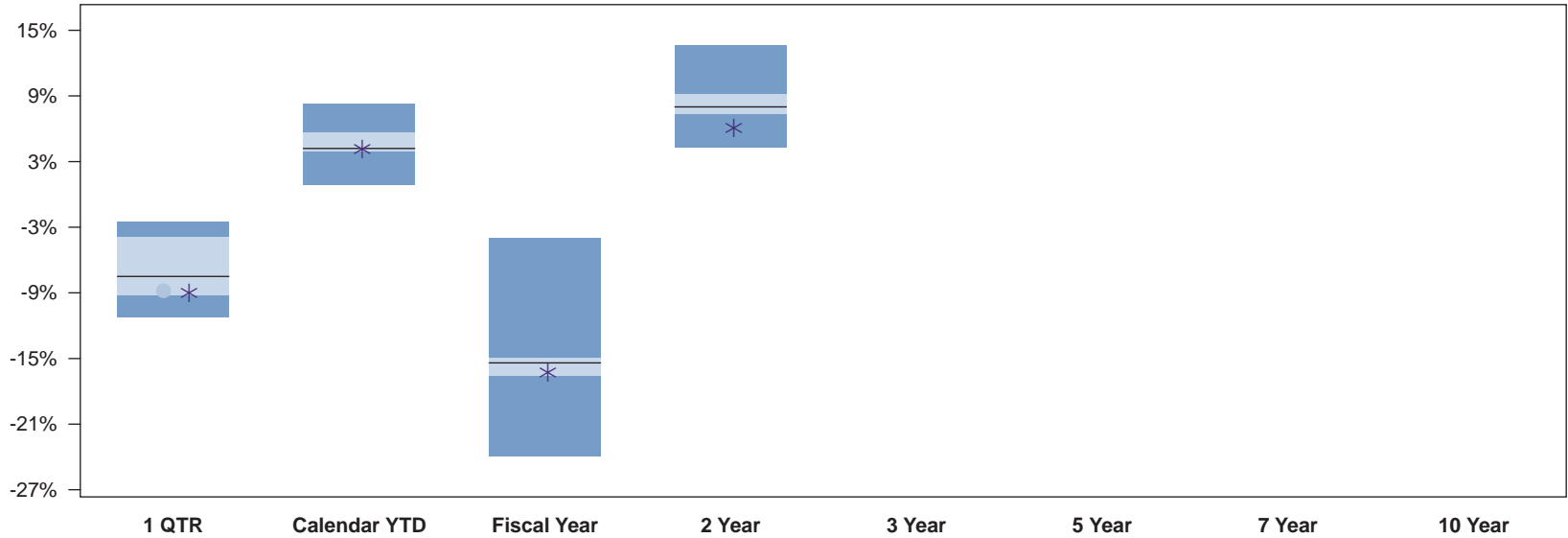
	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year	10 Year
● Mondrian	-6.2	34	1.2	93	-9.8	28	7.8	43	7.6	47	-3.9	33		
* MSCI ACWI EX US VALUE (Median)	-7.5	64	2.5	88	-14.6	65	5.1	70	6.6	69	-4.8	47		

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds (Active) - Small Cap

Periods Ending June 30, 2012

Total Returns



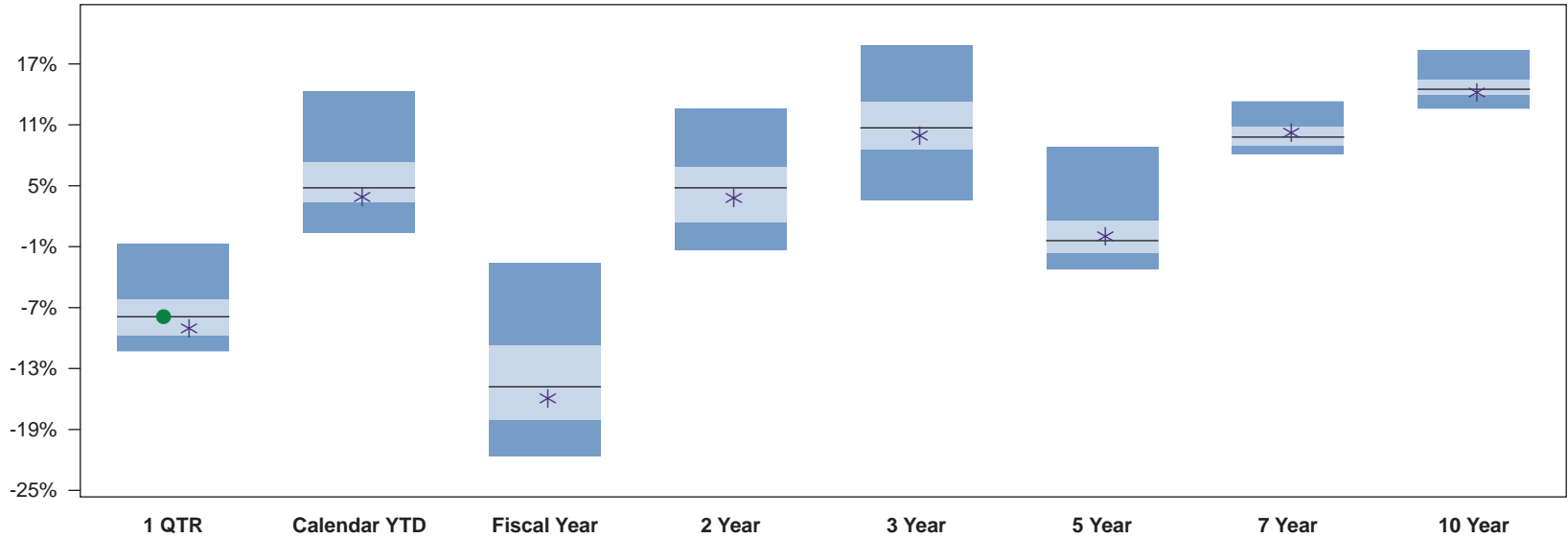
	1 QTR	Calendar YTD	Fiscal Year	2 Year	3 Year	5 Year	7 Year	10 Year
● Pyramis Asset Management	-8.6	56						
* MSCI ACWI ex US Small Ca	-8.8	57	4.3	46	-16.1	68	6.3	88
Median	-7.5	4.2	-15.4	8.0				

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Emerging Mkt Funds

Periods Ending June 30, 2012

Total Returns



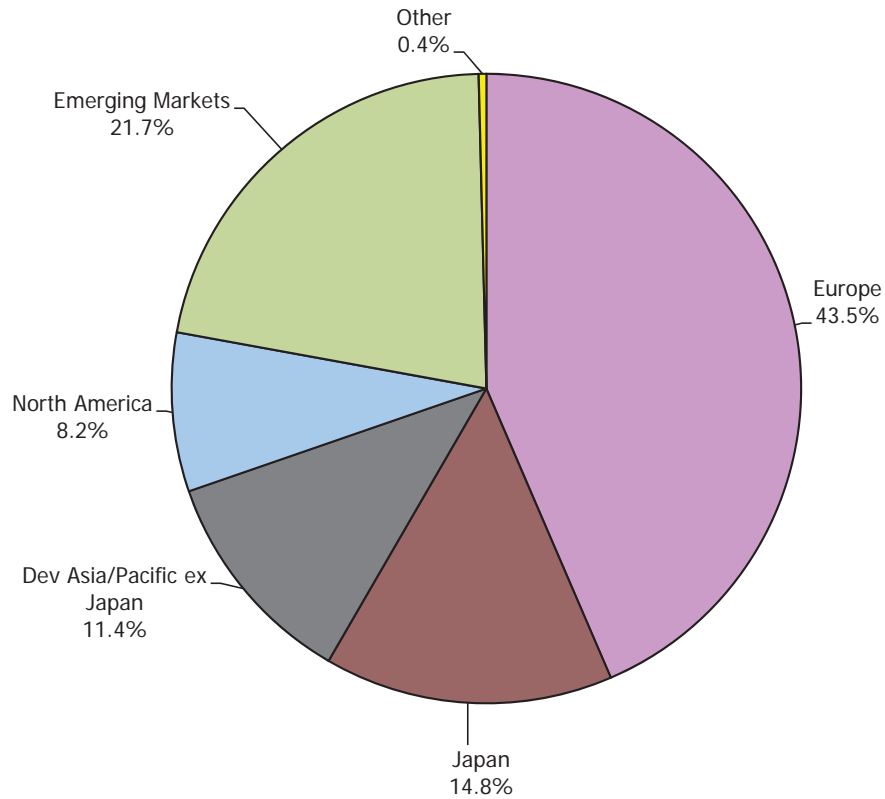
	1 QTR	Calendar YTD	Fiscal Year	2 Year	3 Year	5 Year	7 Year	10 Year								
● Eaton Vance Management	-7.6	45														
* MSCI EMF	-8.8	63	4.1	63	-15.7	55	4.0	60	10.1	61	0.2	43	10.4	39	14.4	52
Median	-7.9	4.8	-14.8	4.8	10.7	-0.4	9.8	14.5								

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

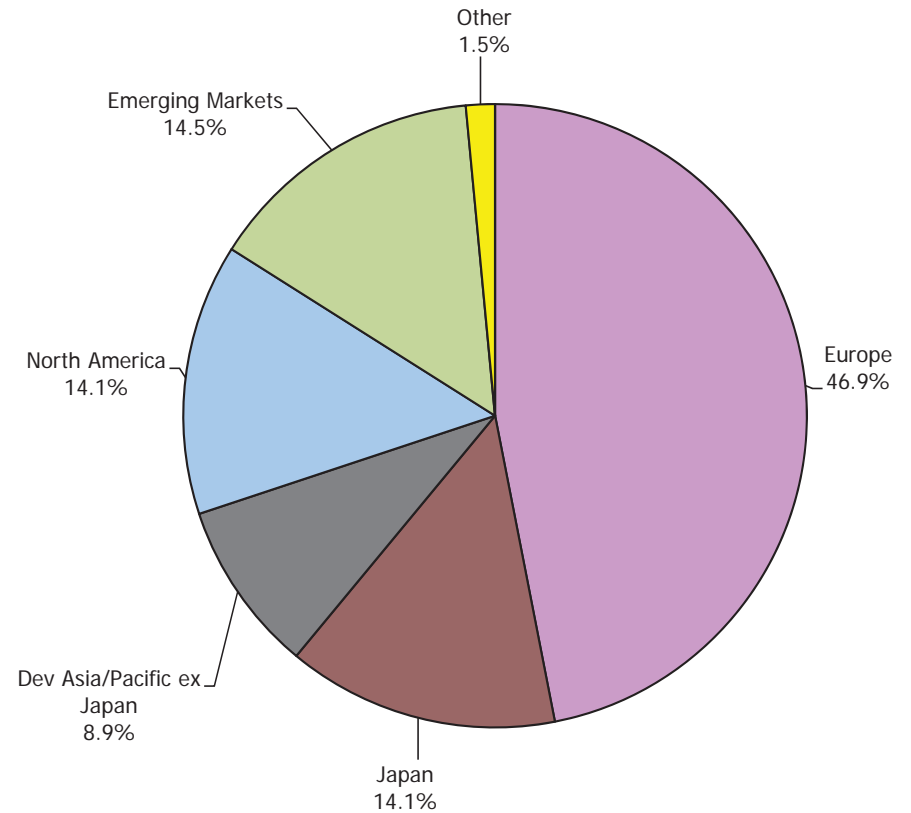
As of June 30, 2012

International Equity Portfolio Regional Weights

MSCI ACWI ex USA INDEX



INTERNATIONAL EQUITY COMPOSITE



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – Mondrian

Portfolio Characteristics

	Portfolio	MSCI ACWI ex-US
No. of Securities	123 +	1,840
Wgt'd. Avg. Market Cap (000's)	31,680 ++	11,121
Price to Book Ratio	1.4	1.4
Return on Equity	11.9%	10.8%

+ Includes 74 stocks held in the DPT Emerging Markets Fund.

++Including holdings within the DPT Emerging Markets Fund, the average for the developed market stocks only is 43,625

Ten Largest Holdings

Name	Weight
RWE	2.5
Sanofi	2.4
Novartis	2.4
Astellas Pharmaceutical	2.4
France Telecom	2.4
Tesco	2.3
Unilever	2.3
Iberdrola	2.3
Seven & I	2.3
Takeda Pharmaceutical	2.2

Ten Best Performers

Name	Return
Vodafone	5.9
Astellas Pharmaceutical	5.1
Kao	4.2
Singapore Telecommunications	4.0
United Overseas Bank	3.1
Unilever	2.9
GlaxoSmithKline	2.9
Takeda Pharmaceutical	2.3
Sanofi	2.1
Compass Group	1.3

Ten Worst Performers

Name	Return
Vallourec	-32.9
Nintendo	-23.4
Carrefour	-22.9
Daimler	-20.9
Societe Generale	-20.1
ING Groep	-19.7
Tokyo Electron	-19.5
Intesa Sanpaolo	-17.2
ABB	-17.0
Iberdrola	-16.7

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE SECURITY LEVEL

June 30, 2012

GLOBAL EQUITY SECTOR ALLOCATION

	BEGINNING WTS			ENDING WTS		
	Fund	Index	Difference	Fund	Index	Difference
Mondrian						
COMMINGLED FUND	23.2	0.0	23.2	22.8	0.0	22.8
CONSUMER DISCRETIONARY	4.5	6.6	-2.1	4.7	6.3	-1.5
CONSUMER STAPLES	13.9	2.7	11.3	13.4	2.7	10.7
ENERGY	10.3	14.6	-4.3	9.6	13.7	-4.1
FINANCIALS	10.1	35.4	-25.3	9.4	35.8	-26.5
HEALTH CARE	12.9	6.6	6.4	13.4	6.2	7.3
INDUSTRIALS	4.5	7.9	-3.4	5.5	8.9	-3.4
INFORMATION TECHNOLOGY	4.3	3.7	0.6	4.7	3.3	1.4
MATERIALS	0.6	8.7	-8.1	0.5	9.0	-8.5
RIGHTS / WARRANTS				0.0	0.0	0.0
TELECOMMUNICATION SERVICES	11.1	8.3	2.8	11.1	8.4	2.8
UTILITIES	4.6	5.5	-0.9	4.8	5.8	-1.0
TOTAL	100.0	100.0	0.0	100.0	100.0	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE SECURITY LEVEL

Quarter Ending June 30, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
Mondrian									
EUROPE	49.7	42.9	6.8	-2.6	-7.6	5.4	-0.02	2.61	2.59
AUSTRIA	0.0	0.3	-0.3		-11.6		0.01	0.04	0.06
BELGIUM	0.0	0.4	-0.4	0.0	-11.7	13.2	0.02	0.04	0.06
DENMARK	0.0	0.2	-0.2		-12.9		0.01	0.04	0.05
EURO	0.0	0.0	0.0				0.00	0.00	0.00
FINLAND	0.0	0.7	-0.7		-27.5		0.16	0.04	0.20
FRANCE	12.0	6.9	5.1	-5.0	-8.2	3.5	-0.05	0.43	0.38
GERMANY	4.8	6.0	-1.1	-1.0	-10.0	10.0	0.03	0.48	0.51
GREECE	0.0	0.1	-0.1		-22.3		0.01	0.04	0.05
IRELAND	0.0	0.2	-0.2		-5.9		-0.01	0.04	0.03
ITALY	3.0	2.1	0.9	-5.2	-11.1	6.6	-0.04	0.22	0.18
LUXEMBOURG	0.0	0.2	-0.2		-18.4		0.03	0.04	0.07
NETHERLANDS	4.2	1.7	2.5	-5.4	-11.8	7.3	-0.12	0.32	0.20
NORWAY	0.0	0.7	-0.7		-16.4		0.07	0.04	0.11
PORTUGAL	0.0	0.1	-0.1		-14.4		0.01	0.04	0.05
SPAIN	3.7	2.8	0.9	-10.5	-12.9	2.7	-0.06	0.14	0.08
SWEDEN	0.0	1.7	-1.7		-6.2		-0.03	0.04	0.01
SWITZERLAND	4.7	4.2	0.4	1.2	-5.3	6.9	0.01	0.35	0.36
UNITED KINGDOM	17.3	14.6	2.7	0.3	-3.1	3.5	0.13	0.64	0.77
PACIFIC	23.0	25.8	-2.8	-5.5	-4.6	-0.9	-0.09	-0.19	-0.29
AUSTRALIA	4.2	6.0	-1.8	-4.7	-1.0	-3.7	-0.13	-0.15	-0.28
HONG KONG	0.0	3.6	-3.6		-0.7		-0.27	0.04	-0.23
JAPAN	16.5	14.9	1.5	-7.1	-7.4	0.3	0.00	0.10	0.10
NEW ZEALAND	0.0	0.1	-0.1		-7.7		0.00	0.04	0.04
SINGAPORE	2.4	1.2	1.2	4.3	-0.6	4.9	0.09	0.17	0.25

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE SECURITY LEVEL

Quarter Ending June 30, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
NORTH AMERICA	25.4	8.3	17.1	6.5	-8.2	16.0	-0.14	3.86	3.71
CANADA	1.2	8.3	-7.1	6.5	-8.2	16.0	0.05	0.22	0.27
UNITED STATES	24.3	0.0	24.3				1.96	0.00	1.96
EMERGING MARKETS	0.0	22.5	-22.5		-10.2		0.67	0.04	0.72
BRAZIL	0.0	3.6	-3.6		-21.4		0.54	0.04	0.58
CHILE	0.0	0.5	-0.5		-8.8		0.01	0.04	0.05
CHINA	0.0	2.5	-2.5		-9.0		0.04	0.04	0.08
COLOMBIA	0.0	0.3	-0.3		-3.4		-0.02	0.04	0.02
CZECH REPUBLIC	0.0	0.1	-0.1		-8.4		0.00	0.04	0.04
EGYPT	0.0	0.1	-0.1		-4.8		-0.01	0.04	0.03
HUNGARY	0.0	0.1	-0.1		-8.1		0.00	0.04	0.04
INDIA	0.0	1.5	-1.5		-10.1		0.04	0.04	0.09
INDONESIA	0.0	0.6	-0.6		-0.3		-0.06	0.04	-0.01
KOREA, REPUBLIC OF	0.0	3.6	-3.6		-12.2		0.18	0.04	0.23
MALAYSIA	0.0	0.8	-0.8		-2.1		-0.06	0.04	-0.01
MEXICO	0.0	1.1	-1.1		3.0		-0.13	0.01	-0.13
MOROCCO	0.0	0.0	-0.0		-15.2		0.00	0.04	0.05
PERU	0.0	0.2	-0.2		-7.2		-0.01	0.04	0.04
PHILIPPINES	0.0	0.2	-0.2		4.7		-0.03	0.01	-0.03
POLAND	0.0	0.3	-0.3		-5.5		-0.02	0.04	0.03
RUSSIA	0.0	1.7	-1.7		-14.0		0.12	0.04	0.16
SOUTH AFRICA	0.0	1.8	-1.8		-6.5		-0.03	0.04	0.02
TAIWAN	0.0	2.6	-2.6		-8.5		0.03	0.04	0.07
THAILAND	0.0	0.5	-0.5		-8.4		0.00	0.04	0.05
TURKEY	0.0	0.3	-0.3		0.4		-0.04	0.01	-0.03

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE SECURITY LEVEL

Quarter Ending June 30, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
OTHER	1.8	0.4	1.4	-11.9	-15.4	4.1	-0.13	0.11	-0.01
ISRAEL	1.8	0.4	1.4	-11.9	-15.4	4.1	-0.13	0.11	-0.01
TOTAL	100.0	100.0	0.0	-3.6	-7.5	4.2	0.30	6.53	6.84

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – Pyramis Global Advisors

Portfolio Characteristics

	Portfolio	MSCI ACWI ex-US Small Cap
No. of Securities	218	4,341
Wgt'd. Avg. Market Cap (000's)	1,919	1,366
Price to Book Ratio	1.4	1.1
Return on Equity	11.9%	5.6%

Ten Largest Holdings

Name	Weight
NIHON PARKERI	1.4
CHIYODA CORP	1.3
INFORMA GROUP PLC (T&F)	1.3
INGENICO	1.3
GEMALTO NV (AXALTO)	1.3
EUROCASH S A	1.2
HIKMA PHARMACEUTICALS PLI	1.2
NIPPON SHOKUBAI K K	1.1
TRAVIS PERKINS	1.1
KINTETSU WORLD EXPRESS	1.1

Ten Best Performers

Name	Return
ALIMENTATION COUCH CL B	32.8
EUROCASH S A	9.6
GEMALTO NV	9.5
SHO-BOND HOLDINGS CO LTD	18.3
NIHON PARKERIZING CO LTD	3.7
MULTIPLUS SA	11.6
CLICKS GROUP LTD	14.1
ORION CORP	17.3
INGENICO	1.6
NIPPON SHOKUBAI CO LTD	3.2

Ten Worst Performers

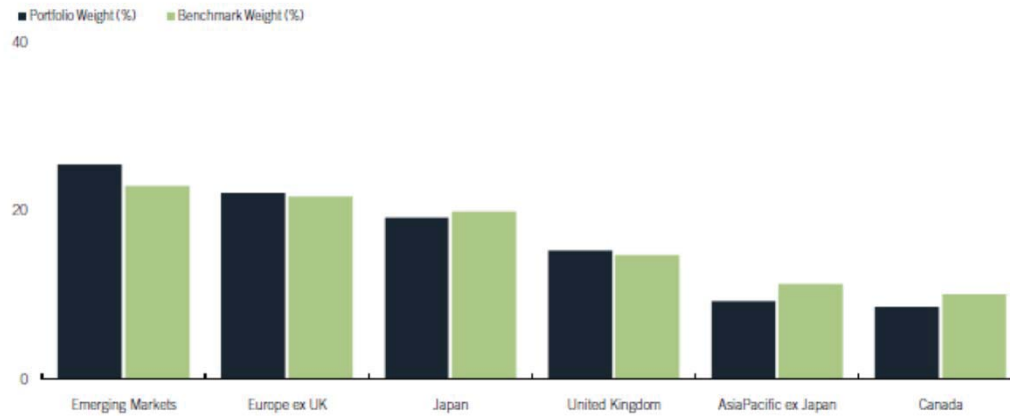
Name	Return
AFRICAN MINERALS LTD (UK)	-44.0
EXEDY CORPORATION	-24.8
BRADKEN LTD	-39.8
ILUKA RESOURCES LIMITED	-36.9
TAHOE RESOURCES INC	-34.5
SUPERGROUP PLC	-47.1
MINERAL DEPOSITS LTD	-31.7
NVC LIGHTING HOLDINGS LTD	-48.9
AQUARIUS PLATINUM LTD (ASTL)	-68.9
CHINA METAL RECYCL (HLDGS) LT	-37.2

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

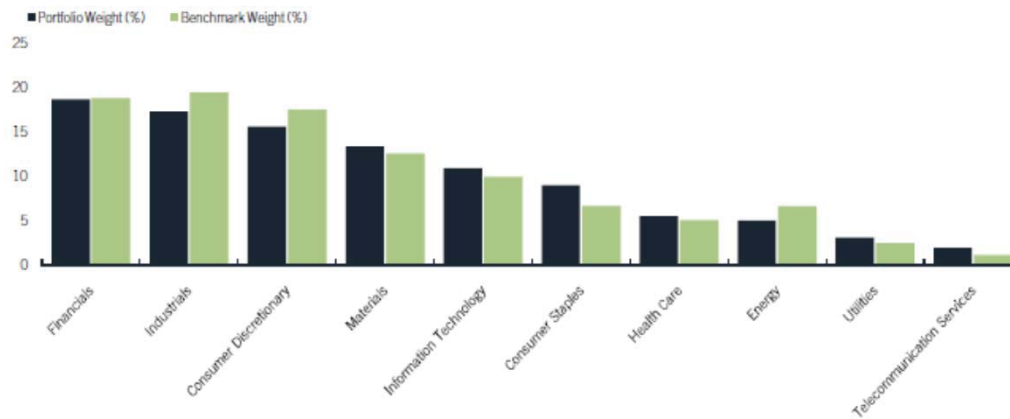
Quarter Ending June 30, 2012

Regional and Sector Weights – Pyramis Global Advisors

Regional Weights



Sector Weights



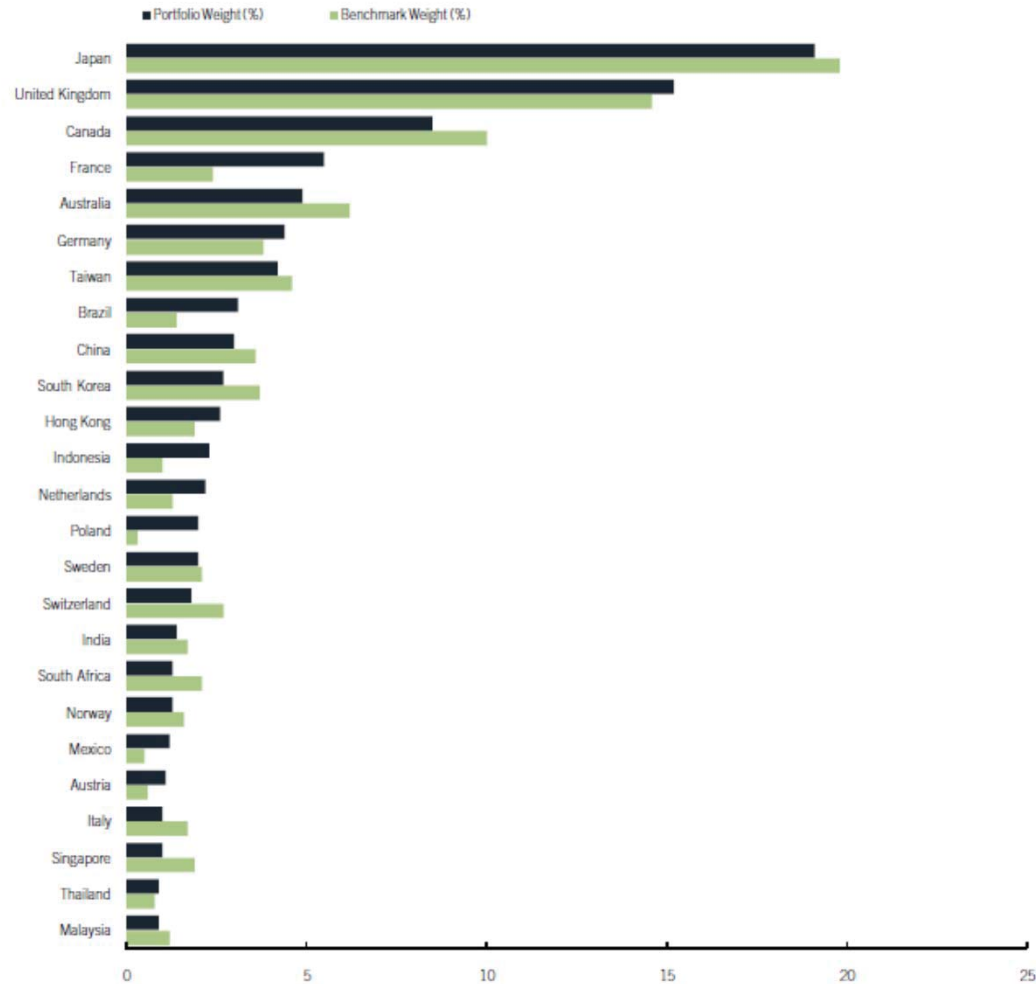
Sector breakdowns are only applied to equities and convertibles and the allocation percentages may not add to 100%.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Country Weights – Pyramis Global Advisors

Top 25 Country Weights



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending June 30, 2012

Equity Only Summary Statistics – Eaton Vance Management

Portfolio Characteristics		
	Portfolio	MSCI EM Markets Index
No. of Securities	1,351	819
Wgtd. Avg. Market Cap (000's)	19,345	7,390
Price to Book Ratio	1.6	2.9
Return on Equity	17.7%	20.1%

Ten Largest Holdings*	
Name	Weight
AMERICA MOVIL SAB DE C SER L	1.7
SAMSUNG ELECTRONICS	1.3
MTN GROUP LTD	1.2
CHINA MOBILE LTD	1.1
GAZPROM OAO	1.1
TAIWAN SEMICONDUCTOR	0.7
GRUPO FINANCIERO BANORTE	0.7
PETROBRAS PETROLEO BRAS	0.7
VALE SA	0.6
LUKOIL OAO	0.6

Ten Best Performers	
Name	Return
THAI UNION FROZEN PROD FOREI	49.1
RAYSUT CEMENT CO	44.1
UNITED BANK FOR AFRICA PLC	43.0
PTT EXPLORATION + PROD	41.7
ULKER BISKUVI SANAYI AS	41.3
HUANENG POWER INTL INC H	39.4
GRUPO MODELO S.A.B. SER C	38.4
GUINNESS GHANA BREWERIES	37.7
SINO BIOPHARMACEUTICAL	35.2
BIG C SUPERCENTER PCL	33.7

Ten Worst Performers	
Name	Return
AQUARIUS PLATINUM LTD	-67.8
OGX PETROLEO E GAS PARTICIPA	-63.6
GRUPO ELEKTRA SA	-55.2
BUMI RESOURCES TBK PT	-52.2
PAMPA ENERGIA	-51.7
FOXCONN INTERNATIONAL HLDGS	-49.2
ROSSI RESIDENCIAL S.A.	-48.1
USINAS SIDER MINAS GER PF A	-47.4
CHINA DONGXIANG GROUP CO	-45.3
POLIMEX MOSTOSTAL	-45.3

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Eaton Vance Management

Index: MSCI EMF SECURITY LEVEL

June 30, 2012

GLOBAL EQUITY SECTOR ALLOCATION

	BEGINNING WTS			ENDING WTS		
	Fund	Index	Difference	Fund	Index	Difference
Eaton Vance Management						
COMMINGLED FUND	0.0	0.0	0.0	0.0	0.0	0.0
CONSUMER DISCRETIONARY	8.1	8.9	-0.8	7.7	8.9	-1.2
CONSUMER STAPLES	6.3	6.4	-0.1	6.6	6.9	-0.3
ENERGY	9.5	13.0	-3.5	9.3	11.7	-2.4
FINANCIALS	24.2	24.3	-0.1	23.7	25.2	-1.5
HEALTH CARE	1.5	1.0	0.5	1.8	1.1	0.7
INDUSTRIALS	10.6	7.8	2.8	9.8	8.1	1.8
INFORMATION TECHNOLOGY	7.3	13.6	-6.3	7.4	13.4	-6.1
MATERIALS	11.6	13.6	-2.0	11.6	13.0	-1.4
PREFERRED STOCK	0.0	0.0	0.0	0.0	0.0	0.0
PRIVATE PLACEMENT	5.8	0.0	5.8	6.3	0.0	6.3
RIGHTS / WARRANTS	0.4	0.0	0.4	0.9	0.0	0.9
TELECOMMUNICATION SERVICES	10.1	7.9	2.2	10.1	8.0	2.1
UNCLASSIFIED	0.0	0.0	0.0	0.0	0.0	0.0
UNCLASSIFIED				0.1	0.0	0.1
UTILITIES	4.4	3.5	0.9	4.6	3.7	0.9
TOTAL	100.0	100.0	0.0	100.0	100.0	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Eaton Vance Management

Index: MSCI EMF

Quarter Ending June 30, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
Eaton Vance Management									
EUROPE	1.0	0.0	1.0	-18.6			0.10	-0.19	-0.10
IRELAND	0.0	0.0	0.0	5.4			0.00	0.00	0.00
NETHERLANDS	0.3	0.0	0.3	-11.2			0.02	-0.04	-0.01
UNITED KINGDOM	0.7	0.0	0.7	-22.1			0.07	-0.17	-0.10
PACIFIC	3.7	0.0	3.7	-2.4			0.36	-0.10	0.26
HONG KONG	3.7	0.0	3.7	-2.2			0.35	-0.09	0.26
SINGAPORE	0.1	0.0	0.1	-20.7			0.01	-0.02	-0.02
NORTH AMERICA	6.1	0.0	6.1	-12.4			0.59	-0.76	-0.18
UNITED STATES	6.1	0.0	6.1	-12.4			0.59	-0.76	-0.18
EMERGING MARKETS	86.9	100.0	-13.1	-4.4	-8.8	4.8	0.00	4.13	4.13
ARGENTINA	0.7	0.2	0.5	-33.1	-42.6	16.7	-0.19	0.06	-0.13
BRAZIL	6.3	14.8	-8.5	-8.9	-18.8	12.2	0.94	0.62	1.57
BULGARIA	0.0	0.0	0.0	-16.9			0.00	-0.01	-0.01
CHILE	2.8	1.8	1.0	-5.6	-8.7	3.4	0.00	0.09	0.09
CHINA	5.9	17.2	-11.2	-10.7	-5.3	-5.8	-0.44	-0.32	-0.76
COLOMBIA	1.5	1.1	0.4	-0.1	-0.1	-0.0	0.04	-0.01	0.03
CROATIA	0.6	0.0	0.6	-3.7			0.06	-0.03	0.02
CZECH REPUBLIC	1.3	0.3	1.0	-3.2	-11.4	9.2	-0.03	0.11	0.08
EGYPT	1.7	0.4	1.4	-4.2	-4.7	0.5	0.06	0.01	0.07
ESTONIA	0.0	0.0	0.0	2.3			0.00	0.00	0.01
HUNGARY	1.6	0.3	1.3	-6.2	-7.3	1.2	0.02	0.02	0.04
INDIA	5.9	6.5	-0.6	-3.4	-9.5	6.8	0.00	0.35	0.36
INDONESIA	3.3	2.7	0.6	-5.9	-7.0	1.2	0.01	0.04	0.05

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Eaton Vance Management

Index: MSCI EMF

Quarter Ending June 30, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
JORDAN	0.7	0.0	0.7	-8.1	-8.3	0.2	0.00	0.00	0.01
KAZAKHSTAN	0.2	0.0	0.2	-7.8			0.02	-0.03	-0.01
KOREA, REPUBLIC OF	5.9	15.0	-9.1	-7.7	-8.6	1.0	-0.02	0.04	0.02
KUWAIT	1.5	0.0	1.5	-5.0			0.15	-0.09	0.06
MALAYSIA	3.3	3.4	-0.1	0.4	-3.6	4.2	-0.01	0.12	0.12
MAURITIUS	0.3	0.0	0.3	-0.7			0.03	-0.01	0.01
MEXICO	6.3	4.7	1.5	5.7	-1.1	6.9	0.13	0.43	0.56
MOROCCO	1.5	0.1	1.4	-6.2	-13.1	8.0	-0.07	0.11	0.04
OMAN	0.7	0.0	0.7	0.9			0.07	0.01	0.08
PAKISTAN	0.8	0.1	0.7	-0.6	-6.3	6.1	0.02	0.05	0.07
PERU	1.3	0.7	0.7	-5.6	-3.3	-2.4	0.04	-0.04	0.00
PHILIPPINES	1.5	0.8	0.7	4.1	4.1	-0.0	0.10	-0.01	0.09
POLAND	3.1	1.4	1.7	-0.9	-5.2	4.5	0.07	0.13	0.20
QATAR	1.5	0.0	1.5	-5.8			0.15	-0.10	0.05
ROMANIA	0.6	0.0	0.6	-8.2			0.06	-0.06	-0.00
RUSSIA	5.4	6.6	-1.2	-14.6	-14.0	-0.7	0.07	-0.03	0.04
SOUTH AFRICA	5.8	7.6	-1.7	0.2	-5.6	6.2	-0.06	0.33	0.27
TAIWAN	6.4	11.0	-4.5	-7.1	-9.5	2.6	0.03	0.14	0.18
THAILAND	3.2	2.1	1.1	4.1	-5.4	10.1	0.04	0.30	0.35
TUNISIA	0.2	0.0	0.2	2.3			0.02	0.00	0.02
TURKEY	3.2	1.4	1.8	2.7	1.3	1.4	0.20	0.05	0.25
UNITED ARAB EMIRATES	1.6	0.0	1.6	-7.5			0.16	-0.13	0.02
VIET NAM	0.0	0.0	0.0				0.00	0.00	0.00
OTHER	1.0	0.0	1.0	3.6			0.10	0.04	0.13
GHANA	0.1	0.0	0.1	2.3			0.01	0.00	0.01
LEBANON	0.2	0.0	0.2	-4.7			0.02	-0.02	-0.00

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Eaton Vance Management

Index: MSCI EMF

Quarter Ending June 30, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

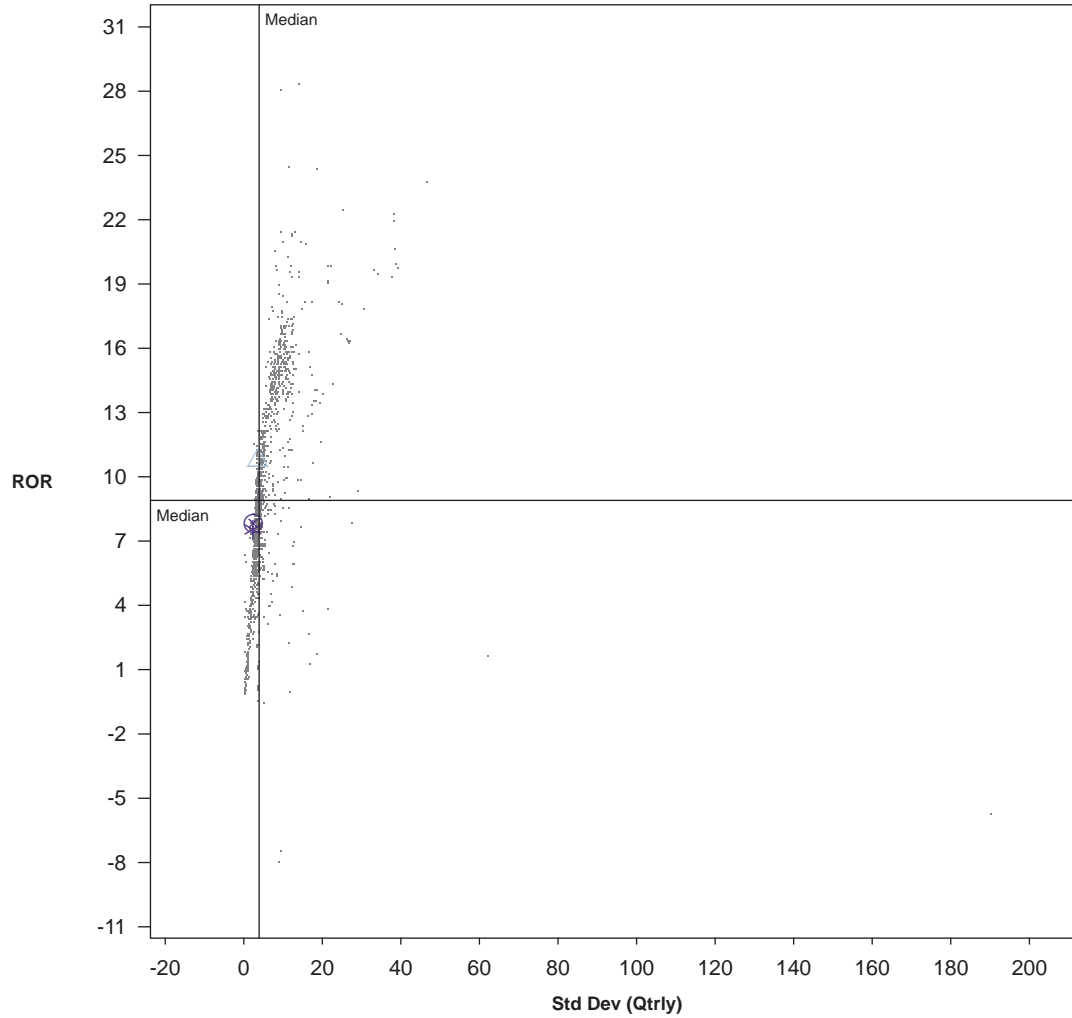
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
NIGERIA	0.7	0.0	0.7	5.8			0.07	0.04	0.11
PANAMA	0.0	0.0	0.0	-3.3			0.00	-0.01	-0.01
Unclassified	1.3	0.0	1.3	3.0			0.13	0.04	0.16
BANGLADESH	0.3	0.0	0.3	-8.9			0.03	-0.03	-0.01
BOTSWANA	0.1	0.0	0.1	1.6			0.01	0.00	0.02
KENYA	0.8	0.0	0.8	10.8			0.07	0.08	0.16
Unclassified	0.1	0.0	0.1	-17.7			0.01	-0.03	-0.02
TOTAL	100.0	100.0	0.0	-4.4	-8.8	4.9	1.27	3.11	4.42

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending June 30, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	10.8 32	4.1 58	2.6 20
* Total Fixed Index	7.4 69	2.9 22	2.5 25
⊗ US Fixed Index	7.7 65	3.0 26	2.5 25
Median	8.9	3.9	2.2

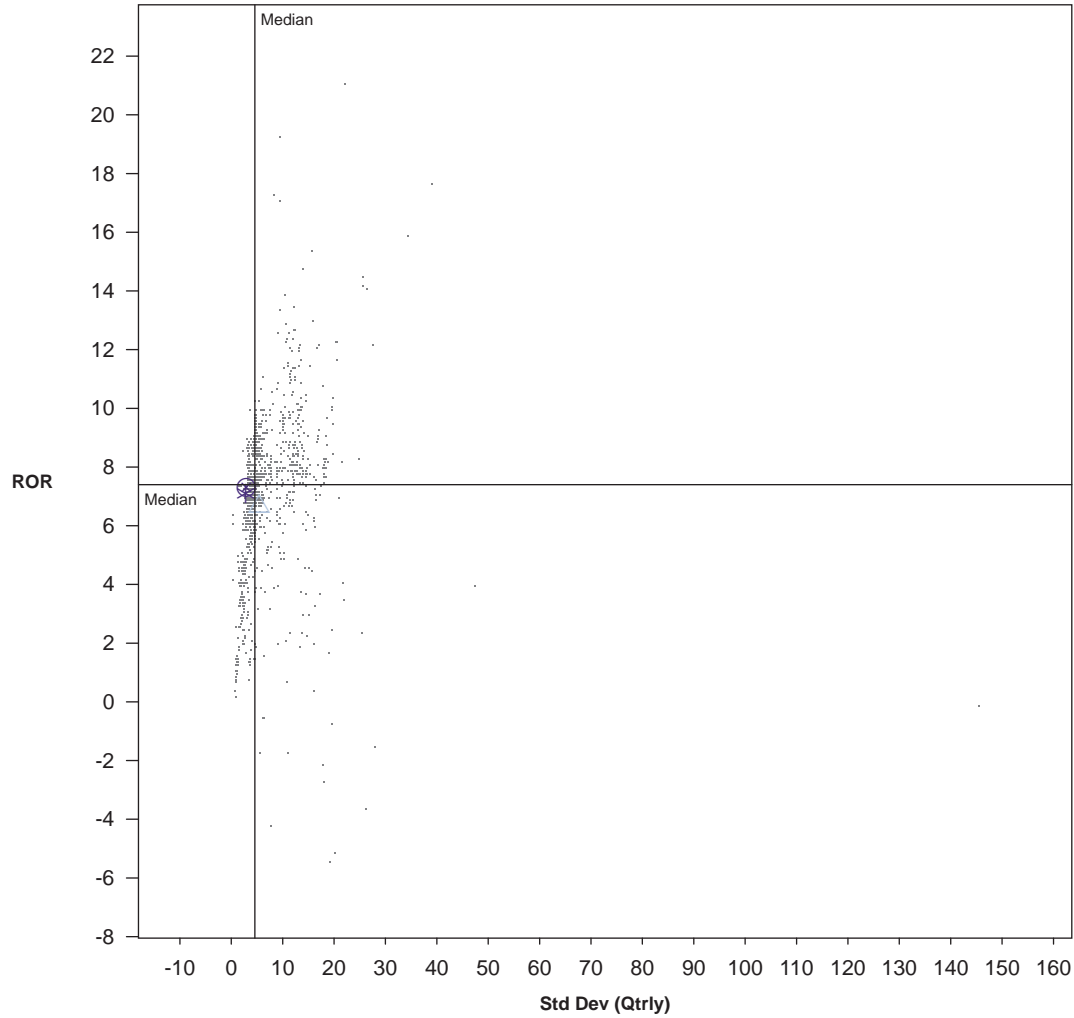
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending June 30, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	6.7 70	5.8 64	1.0 64
* Total Fixed Index	7.0 60	3.2 19	1.9 19
⊗ US Fixed Index	7.2 55	3.3 21	1.9 18
Median	7.4	4.6	1.3

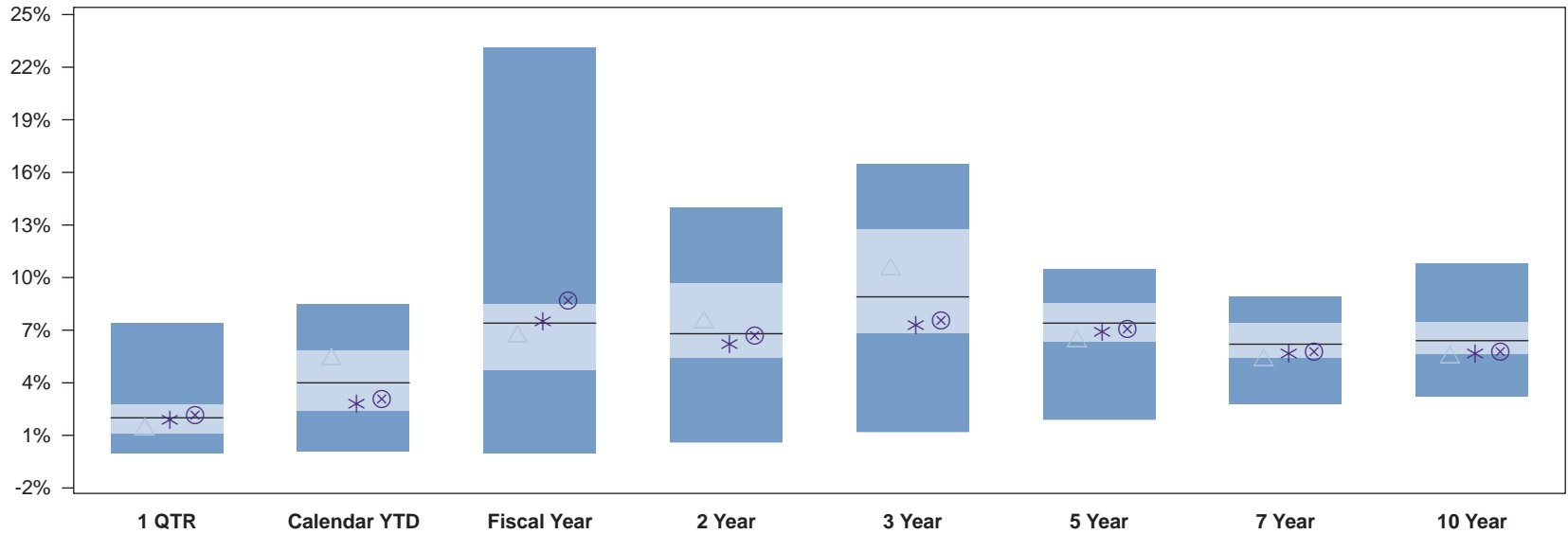
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Periods Ending June 30, 2012

Total Returns



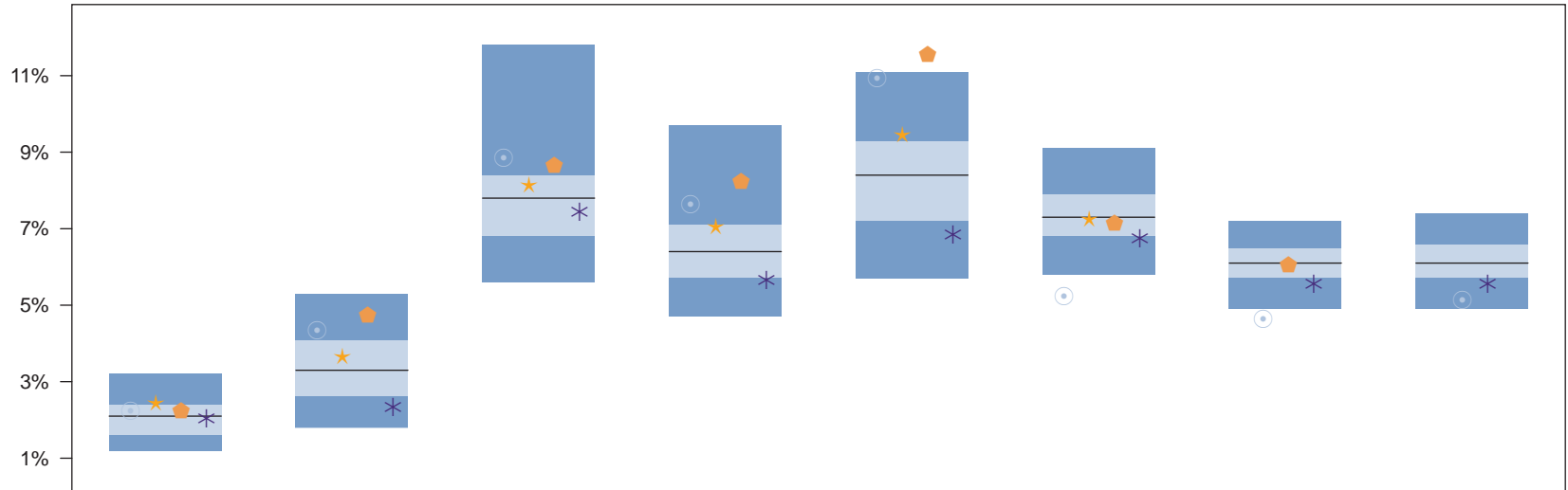
	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
△ Total Fixed Inc	1.7	58	5.7	31	7.0	56	7.8	37	10.8	32	6.7	70	5.6	69	5.8	66
* Total Fixed Index	2.0	52	2.9	67	7.6	42	6.3	60	7.4	69	7.0	60	5.8	66	5.8	67
⊗ US Fixed Index	2.3	37	3.2	64	8.8	23	6.8	51	7.7	65	7.2	55	5.9	63	5.9	65
Median	2.0		4.0		7.4		6.8		8.9		7.4		6.2		6.4	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds - Core

Periods Ending June 30, 2012

Total Returns



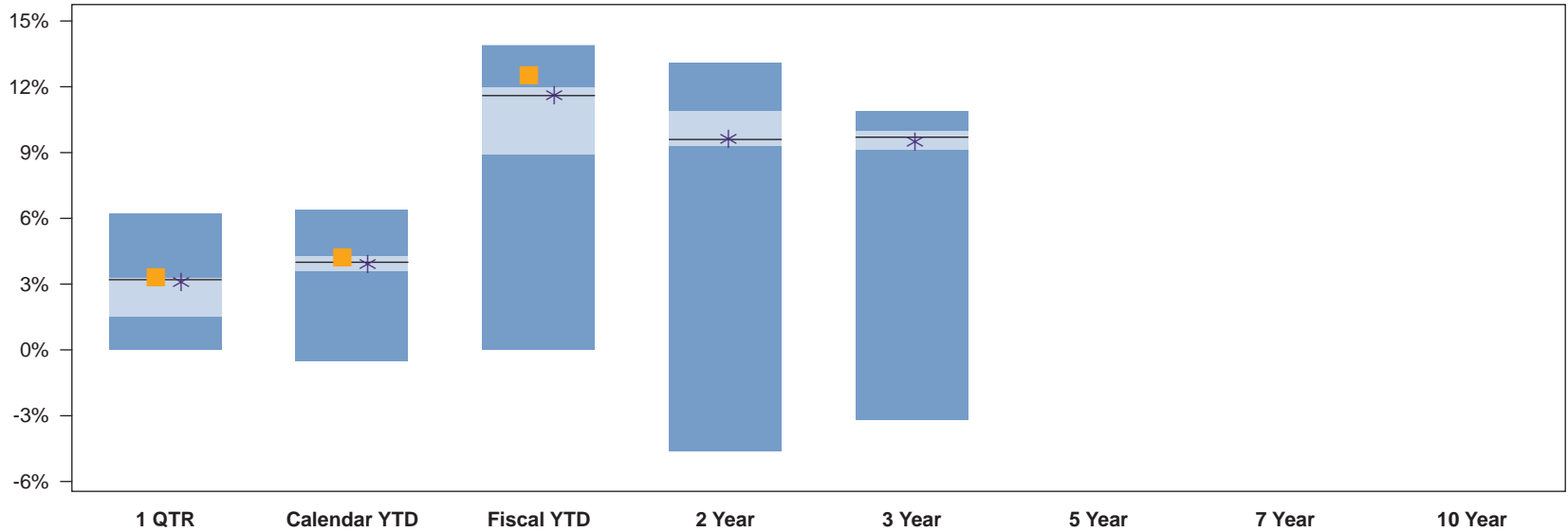
	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
○ Aberdeen	2.3	29	4.4	19	8.9	17	7.7	13	11.0	6	5.3	98	4.7	97	5.2	93
★ Pyramis	2.5	18	3.7	37	8.2	34	7.1	24	9.5	24	7.3	53				
◆ Western Asset	2.3	34	4.8	12	8.7	21	8.3	9	11.6	4	7.2	60	6.1	54		
* Barclays Aggregate Bond	2.1	51	2.4	85	7.5	60	5.7	77	6.9	80	6.8	79	5.6	83	5.6	79
Median	2.1		3.3		7.8		6.4		8.4		7.3		6.1		6.1	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Inflation Linked Bond Funds

Periods Ending June 30, 2012

Total Returns



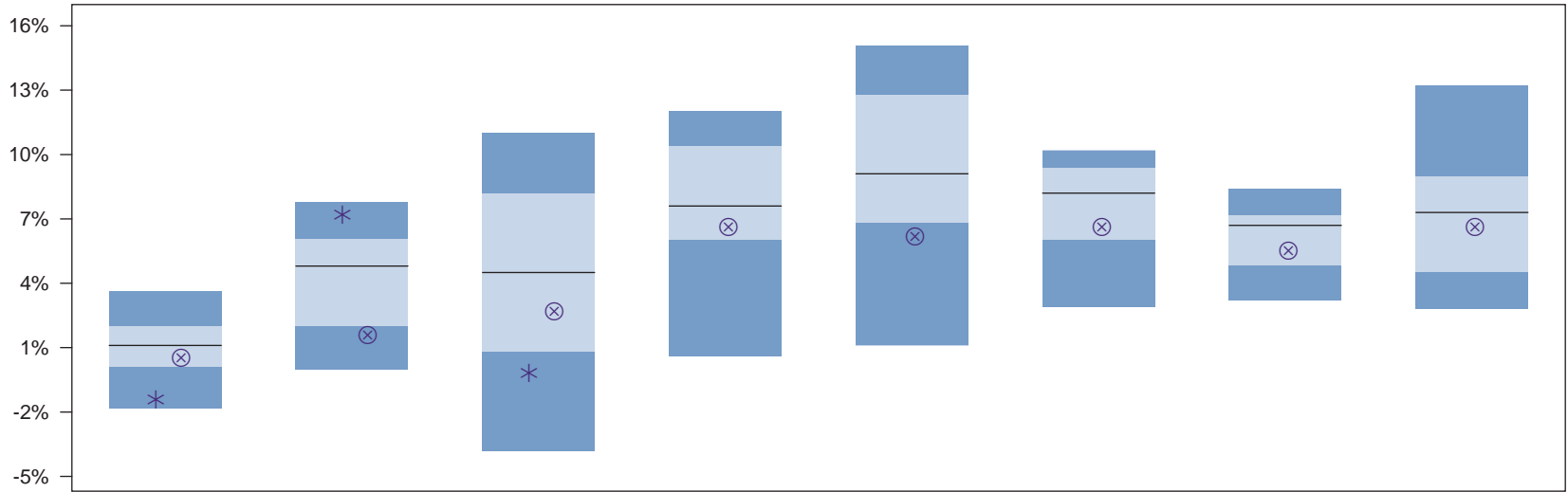
	1 QTR		Calendar YTD		Fiscal YTD		2 Year		3 Year		5 Year	7 Year	10 Year
■ Brown Brothers Harriman	3.4	12	4.3	14	12.6	10							
* Barclays Global Inflation Lin	3.2	51	4.0	50	11.7	43	9.7	49	9.6	59			
Median	3.2		4.0		11.6		9.6		9.7				

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Global Fixed Income Funds

Periods Ending June 30, 2012

Total Returns

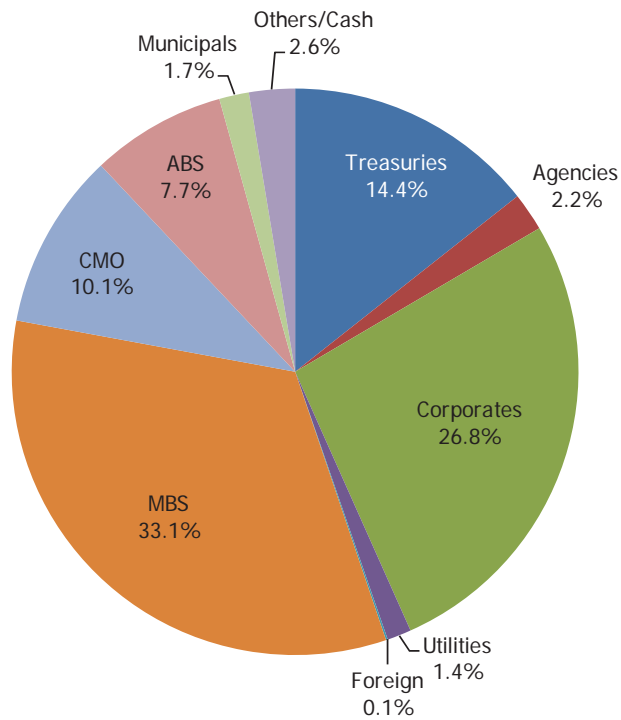


	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
* Franklin Templeton Investm	-1.3	94	7.3	13	-0.1	88										
⊗ Barclays Multiverse	0.6	60	1.7	79	2.8	58	6.7	64	6.3	76	6.7	69	5.6	65	6.7	56
Median	1.1		4.8		4.5		7.6		9.1		8.2		6.7		7.3	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Fixed Income Sector Allocation – US Fixed Income Composite



Sector*	Account Weight	BC Aggregate Weight	Difference
Treasuries	14.4%	36.0%	-21.6%
Agencies	2.2%	5.2%	-3.0%
Corporates	26.8%	18.2%	8.6%
Utilities	1.4%	2.3%	-0.9%
Foreign	0.1%	4.5%	-4.4%
MBS	33.1%	32.5%	0.6%
CMO	10.1%	0.0%	10.1%
ABS	7.7%	0.3%	7.5%
Municipals	1.7%	1.0%	0.7%
Others/Cash	2.6%	0.0%	2.6%
TOTAL	100.0%	100.0%	0.0%

* Sector excludes Angelo Gordon GECC PPI Fund, Brigade Capital Management, Brown Brothers Harriman

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Bond Summary Statistics – US Fixed Income Composite

Portfolio Characteristics*		Portfolio
Total Number of Securities		
Total Market Value	\$	320,620,528
Current Coupon		4.20
Yield to Maturity		2.86
Average Life		7.14
Duration		4.78
Quality		AA-

BC Aggregate
3.81
1.66
6.35
4.41
Aa1

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	4.0
1.0 - 3.0	13.5
3.0 - 5.0	28.0
5.0 - 10.0	31.1
10.0 - 20.0	7.1
20.0+	18.5
Unclassified	0.3

Duration	
Range	% Held
0.0 - 1.0	17.9
1.0 - 3.0	28.2
3.0 - 5.0	25.1
5.0 - 7.0	11.6
7.0 - 10.0	7.1
10.0+	12.0
Unclassified	-1.9

Quality	
Range	% Held
Govt (10)	17.7
Aaa (10)	43.0
Aa (9)	8.2
A (8)	9.2
Baa (7)	15.7
Below Baa (6-1)	6.1
Other	0.0

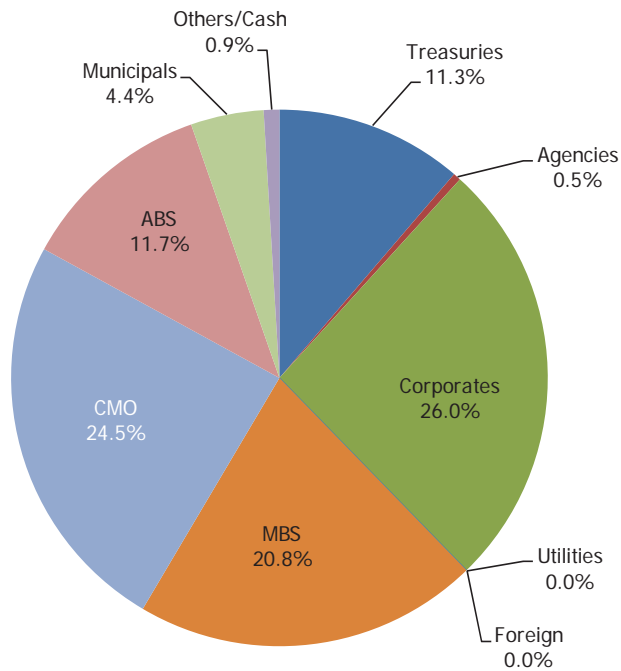
Coupon	
Range	% Held
0.0 - 5.0	66.0
5.0 - 7.0	27.1
7.0 - 9.0	5.7
9.0 - 11.0	1.0
11.0 - 13.0	0.1
13.0+	0.0
Unclassified	0.0

* Characteristics excludes Angelo Gordon GECC PPI Fund, Brigade Capital Management, Brown Brothers Harriman

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Fixed Income Sector Allocation – Aberdeen Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	11.3%	36.0%	-24.7%
Agencies	0.5%	5.2%	-4.7%
Corporates	26.0%	18.2%	7.8%
Utilities	0.0%	2.3%	-2.3%
Foreign	0.0%	4.5%	-4.5%
MBS	20.8%	32.5%	-11.7%
CMO	24.5%	0.0%	24.5%
ABS	11.7%	0.3%	11.5%
Municipals	4.4%	1.0%	3.4%
Others/Cash	0.9%	0.0%	0.9%
TOTAL	100.0%	100.0%	0.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Bond Summary Statistics – Aberdeen Asset

Portfolio Characteristics		Portfolio
Total Number of Securities		305
Total Market Value	\$	111,920,128
Current Coupon		4.26
Yield to Maturity		2.90
Average Life		7.24
Duration		4.68
Quality		AA-

BC Aggregate
3.81
1.66
6.35
4.41
Aa1

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

Average Life	
Range	% Held
0.0 - 1.0	3.0
1.0 - 3.0	21.5
3.0 - 5.0	34.1
5.0 - 10.0	30.2
10.0 - 20.0	10.3
20.0+	0.0
Unclassified	0.9

Duration	
Range	% Held
0.0 - 1.0	17.2
1.0 - 3.0	27.6
3.0 - 5.0	27.1
5.0 - 7.0	9.4
7.0 - 10.0	7.5
10.0+	10.3
Unclassified	0.9

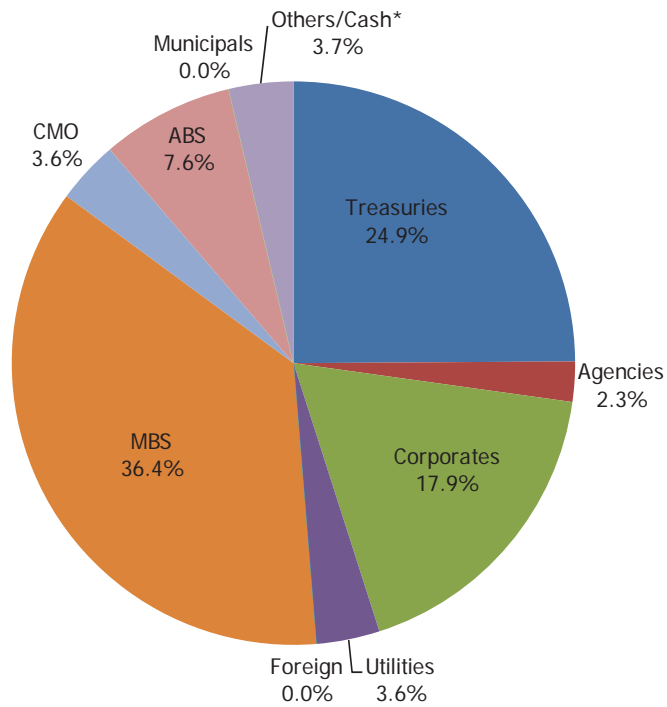
Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	46.5
Aa (9)	13.9
A (8)	14.9
Baa (7)	18.7
Below Baa (6-1)	5.9
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	80.9
5.0 - 7.0	14.6
7.0 - 9.0	3.7
9.0 - 11.0	0.9
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Fixed Income Sector Allocation – Pyramid Broad Market Duration Pool



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	24.9%	36.0%	-11.1%
Agencies	2.3%	5.2%	-2.9%
Corporates	17.9%	18.2%	-0.4%
Utilities	3.6%	2.3%	1.3%
Foreign	0.0%	4.5%	-4.5%
MBS	36.4%	32.5%	3.9%
CMO	3.6%	0.0%	3.6%
ABS	7.6%	0.3%	7.4%
Municipals	0.0%	1.0%	-1.0%
Others/Cash*	3.7%	0.0%	3.7%
TOTAL	100.0%	100.0%	0.0%

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Bond Summary Statistics – Pyramis Broad Market Duration Pool

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities			
Total Market Value	\$	91,338,815	
Current Coupon		3.94	3.81
Yield to Maturity		2.28	1.66
Average Life		6.16	6.35
Duration		5.02	4.41
Quality		AA	Aa1

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	7.1
1.0 - 3.0	7.4
3.0 - 5.0	20.4
5.0 - 10.0	21.9
10.0 - 20.0	7.5
20.0+	43.1
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	18.6
1.0 - 3.0	36.4
3.0 - 5.0	22.5
5.0 - 7.0	11.5
7.0 - 10.0	6.6
10.0+	11.0
Unclassified	-6.5

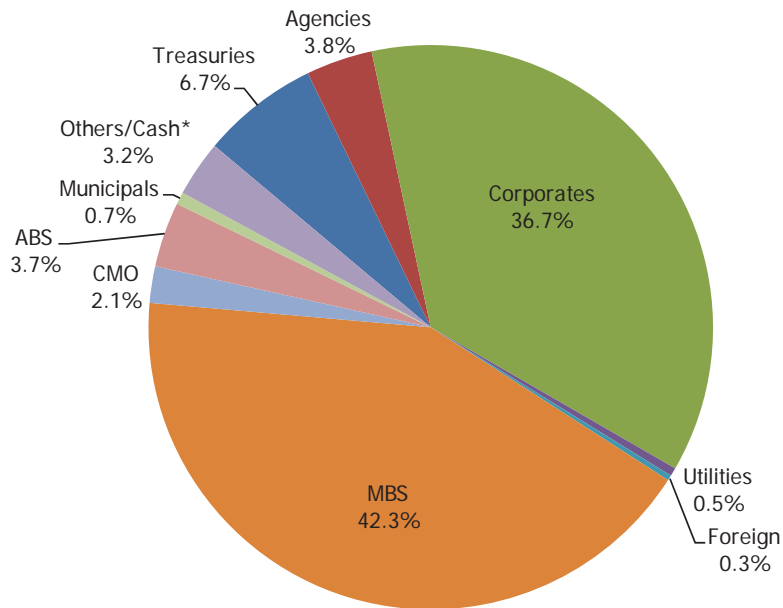
Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	73.6
Aa (9)	1.9
A (8)	7.4
Baa (7)	16.0
Below Baa (6-1)	1.1
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	61.8
5.0 - 7.0	34.4
7.0 - 9.0	3.1
9.0 - 11.0	0.5
11.0 - 13.0	0.1
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Fixed Income Sector Allocation – Western Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	6.7%	36.0%	-29.2%
Agencies	3.8%	5.2%	-1.4%
Corporates	36.7%	18.2%	18.5%
Utilities	0.5%	2.3%	-1.8%
Foreign	0.3%	4.5%	-4.2%
MBS	42.3%	32.5%	9.8%
CMO	2.1%	0.0%	2.1%
ABS	3.7%	0.3%	3.5%
Municipals	0.7%	1.0%	-0.3%
Others/Cash*	3.2%	0.0%	3.2%
TOTAL	100.0%	100.0%	0.1%

* Commingled funds (2.5% Western Asset Floating Rate High Income Fund LLC, 2.0% Western Asset Opportunistic Intl Invest Grade Sec Portfolio LLC, 3.2% Western Asset Opportunistic US High Yield LLC, 1.3% Short Term Securities)

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Bond Summary Statistics – Western Asset

Portfolio Characteristics		Portfolio
Total Number of Securities		451
Total Market Value	\$	90,089,574
Current Coupon		4.39
Yield to Maturity		3.40
Average Life		8.05
Duration		4.64
Quality		A1/AA-

BC Aggregate	
Current Coupon	3.81
Yield to Maturity	1.66
Average Life	6.35
Duration	4.41
Quality	Aa1

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	2.0
1.0 - 3.0	11.6
3.0 - 5.0	29.5
5.0 - 10.0	41.5
10.0 - 20.0	3.3
20.0+	12.1
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	17.8
1.0 - 3.0	20.4
3.0 - 5.0	25.8
5.0 - 7.0	14.1
7.0 - 10.0	7.2
10.0+	14.7
Unclassified	0.0

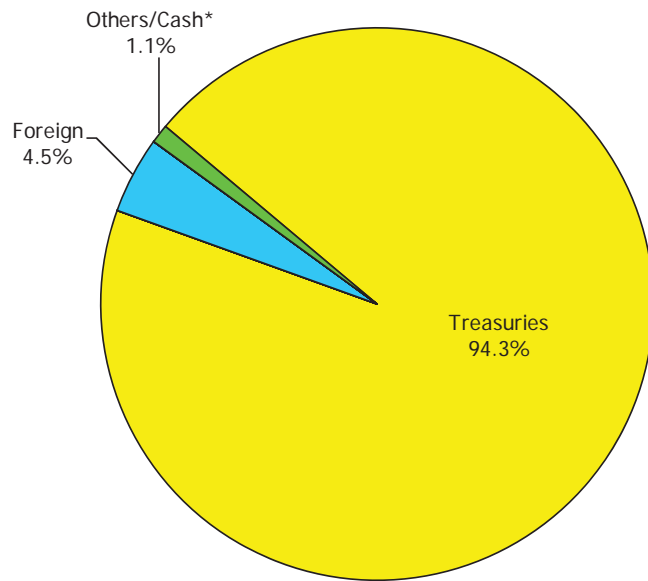
Quality	
Range	% Held
Govt (10)	53.8
Aaa (10)	8.3
Aa (9)	8.9
A (8)	5.3
Baa (7)	12.4
Below Baa (6-1)	11.4
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	55.3
5.0 - 7.0	32.5
7.0 - 9.0	10.4
9.0 - 10.0	1.7
10.0+	0.2
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Fixed Income Sector Allocation – Brown Brothers Harriman



Sector	Account Weight	ML TIPS INDEX	Difference
Treasuries	94.3%	100.0%	-5.7%
Agencies	0.0%	0.0%	0.0%
Corporates	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Foreign	4.5%	0.0%	4.5%
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*	1.1%	0.0%	1.1%
TOTAL	100.0%	100.0%	-0.1%

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Bond Summary Statistics – Brown Brothers Harriman

Portfolio Characteristics		Portfolio
Total Number of Securities		13
Total Market Value	\$	81,078,362
Current Coupon		2.08
Yield to Maturity		-0.45
Average Life		
Duration		8.84
Quality		AAA

ML TIPS	
Total Number of Securities	33
Total Market Value	N/A
Current Coupon	1.78
Yield to Maturity	-0.49
Average Life	
Duration	8.65
Quality	AAA

Yield to Maturity	
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

Average Life	
Range	% Held
0.0 - 3.0	16.1
3.0 - 5.0	19.6
5.0 - 8.0	19.6
8.0 - 10.0	5.0
10.0 - 15.0	29.1
15.0+	10.7
Unclassified	0.0

Duration	
Range	% Held
0.0 - 3.0	16.2
3.0 - 5.0	19.6
5.0 - 8.0	19.6
8.0 - 10.0	5.0
10.0 - 15.0	29.0
15.0+	10.6
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	94.3
Aaa (10)	4.5
Aa (9)	0.0
A (8)	0.0
Baa (7)	0.0
Below Baa (6-1)	0.0
Other	1.1

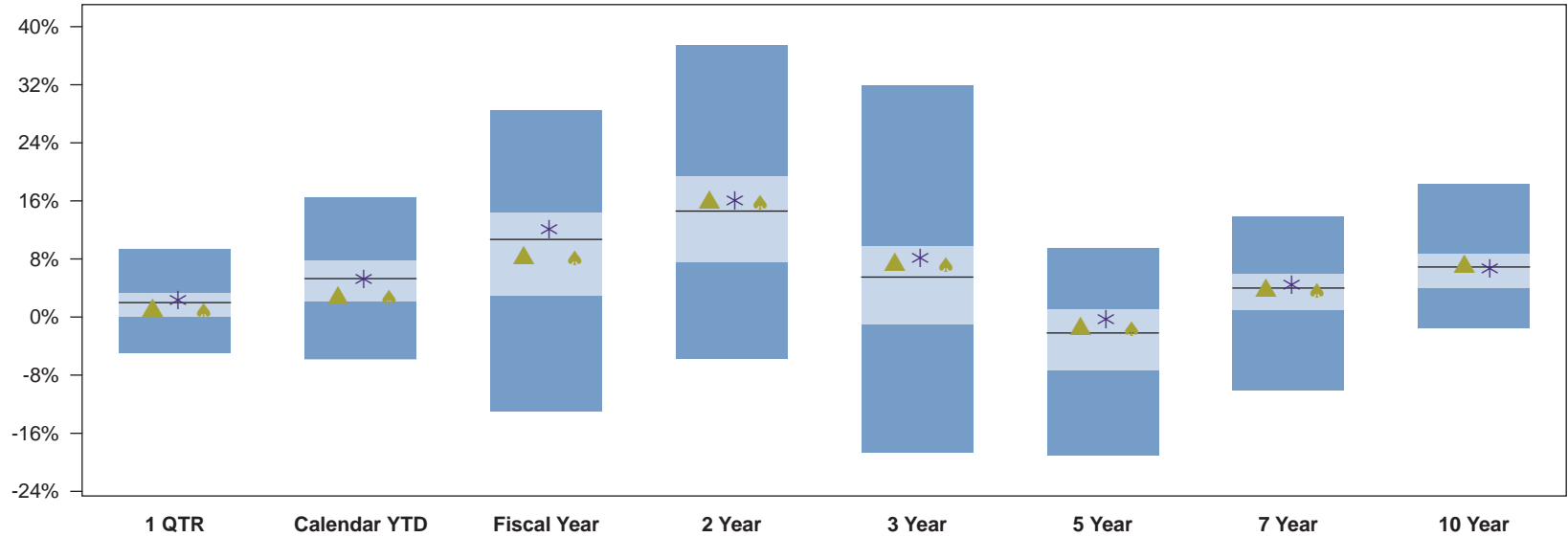
Coupon	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	0.0
7.0 - 9.0	0.0
9.0 - 11.0	0.0
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Real Estate Funds

Periods Ending June 30, 2012

Total Returns

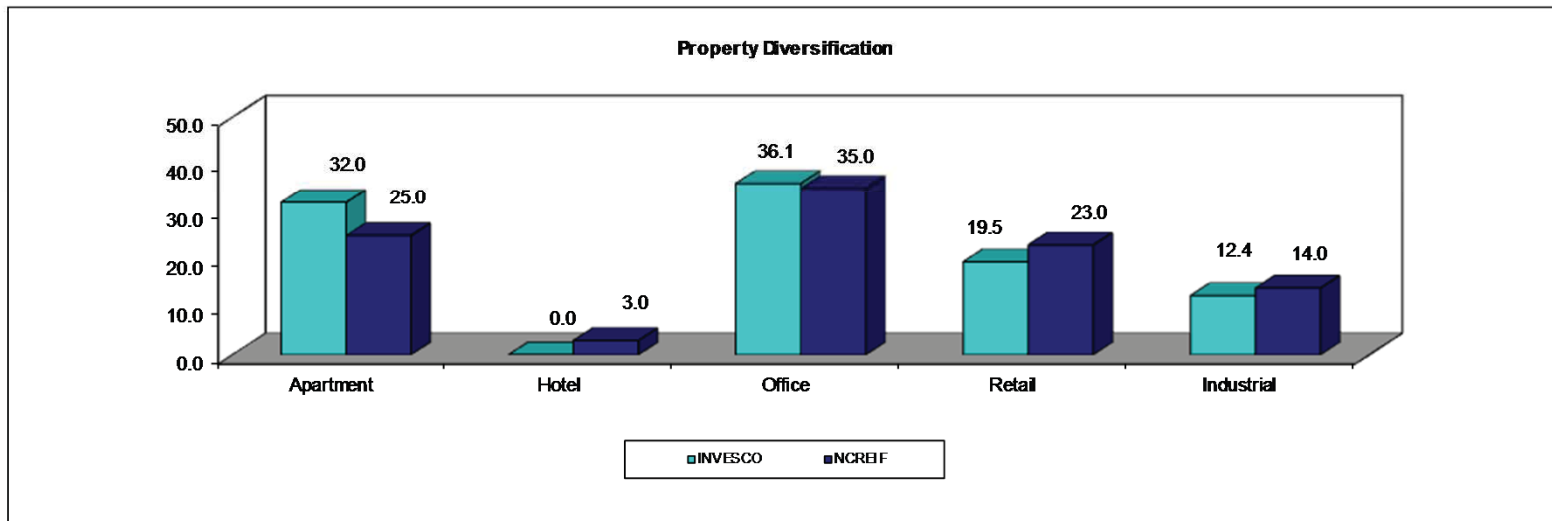
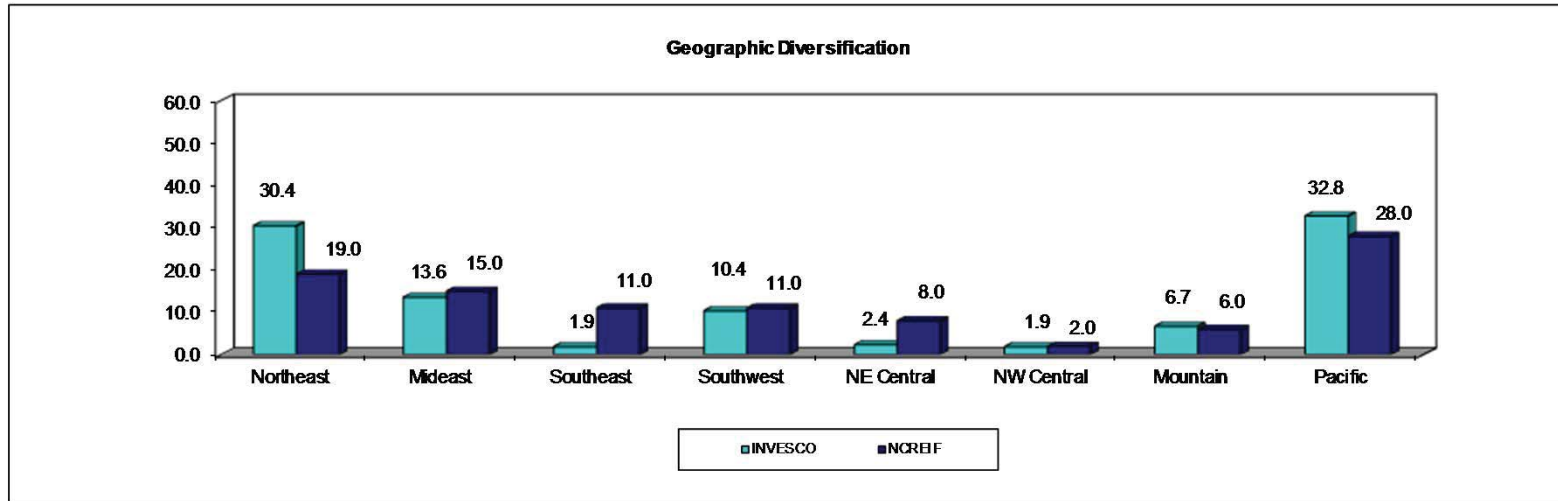


	1 QTR		Calendar YTD		Fiscal Year		2 Year		3 Year		5 Year		7 Year		10 Year	
▲ Real Estate	1.7	55	3.5	64	9.0	58	16.6	37	8.0	37	-0.8	41	4.5	46	7.8	40
* Real Estate Index	2.6	34	5.5	43	12.4	36	16.4	39	8.4	34	-0.0	36	4.8	42	7.0	50
▲ Invesco RE	1.7	55	3.5	64	9.0	58	16.6	37	8.0	37	-0.8	41	4.5	46		
Median	2.0		5.3		10.7		14.6		5.5		-2.2		4.0		6.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Real Estate Diversification Analysis – INVESCO Core Real Estate



SAN MATEO COUNTY EMPLOYEES' RET ASSOC
 Second Quarter 2012

Real Estate Valuation Analysis

Real Estate Valuation Analysis – INVESCO Core Real Estate

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 06/30/2012 (3.86%)
APARTMENTS							
Seneca Village	Portland-Vancv OR-WA	\$37,300,000	\$39,700,000	\$39,700,000	2Q04	June-12	\$1,532,427
Grandville at the Commons	South Kingstown, RI	\$43,800,000	\$45,000,000	\$45,000,000	3Q05	June-12	\$1,737,007
Broadstone at Foothills	San Bernardino, CA	\$25,200,000	\$26,300,000	\$26,300,000	1Q06	June-12	\$1,015,184
Milestone Apt. Portfolio	Various States - South	\$259,250,000	\$259,525,000	\$91,846,278	2Q06	June-12	\$3,545,281
Stoneridge	Pleasanton, CA	\$147,200,000	\$150,000,000	\$150,000,000	4Q06	June-12	\$5,790,025
Kimberly Woods	San Jose, CA	\$56,500,000	\$58,000,000	\$41,950,000	4Q06	June-12	\$1,619,277
Sterling Parc Apartments	Cedar Knolls, NJ	\$84,300,000	\$84,400,000	\$84,400,000	2Q07	June-12	\$3,257,854
Millington at Merrill Creek	Everett, WA	\$62,100,000	\$65,400,000	\$65,400,000	2Q07	June-12	\$2,524,451
The Residences at Stevens Pond	Boston MA - NH	\$80,000,000	\$81,000,000	\$81,000,000	4Q07	June-12	\$3,126,613
Holland Portfolio	Seattle - Belle - Eve WA	\$235,271,558	\$111,364,404	\$24,550,025	4Q07	June-12	\$947,635
Village Crossing at Chino Hills	Riverside, CA	\$71,800,000	\$71,800,000	\$28,971,970	1Q08	June-12	\$1,118,323
Metropolitan at Pentagon City	Arlington, VA	\$151,300,000	\$153,500,000	\$91,721,679	3Q10	June-12	\$3,540,472
Ladd Tower	Portland, OR	\$92,400,000	\$92,400,000	\$92,400,000	4Q10	June-12	\$3,566,655
Legacy Fountain Plaza	San Jose, CA	\$102,000,000	\$105,600,000	\$105,600,000	1Q11	June-12	\$4,076,177
The Elektra	New York, NY	\$135,300,000	\$139,000,000	\$69,000,000	1Q11	June-12	\$2,663,411
75 Clinton Street	Brooklyn, NY	\$52,400,000	\$54,200,000	\$54,200,000	1Q12	June-12	\$2,092,129
		\$1,636,121,558	\$1,537,189,404	\$1,092,039,952			\$42,152,922
INDUSTRIAL							
Arjons	San Diego CA	\$26,800,000	\$28,000,000	\$28,000,000	2Q04	June-12	\$1,080,805
Garland Gateway East	Dallas TX	\$9,700,000	\$9,900,000	\$9,900,000	2Q04	June-12	\$382,142
Gateway Business Park	Dallas TX	\$8,700,000	\$8,700,000	\$8,700,000	2Q04	June-12	\$335,821
Hayward Industrial	Oakland CA	\$83,900,000	\$84,200,000	\$84,200,000	3Q04-3Q07	June-12	\$3,250,134
Lackman	Kansas City MO-KS	\$19,900,000	\$21,100,000	\$21,100,000	2Q04	June-12	\$814,463
Crossroads Industrial	Kansas City MO-KS	\$8,000,000	\$8,300,000	\$8,300,000	1Q06	June-12	\$320,381
Oakesdale Commerce Center	Seattle - Belle - Eve WA	\$34,000,000	\$34,600,000	\$34,600,000	1Q06	June-12	\$1,335,566
South Bay Industrial	Los Angeles, CA	\$67,600,000	\$67,100,000	\$67,100,000	4Q06	June-12	\$2,590,071
VIP Holdings I	Chicago, IL	\$71,356,573	\$71,801,856	\$23,158,248	2Q06	June-12	\$893,912
Tempe Commerce	Phoenix - Mesa AZ	\$51,000,000	\$50,900,000	\$50,900,000	4Q07	June-12	\$1,964,748
Steeplechase 95 International Business Park	Capitol Heights, MD	\$21,700,000	\$21,700,000	\$21,700,000	1Q11	June-12	\$837,624
Airport Trade Center III & V	Dallas, TX	\$28,800,000	\$29,100,000	\$29,100,000	1Q11	June-12	\$1,123,265
IE Logistics	San Bernardino, CA	\$97,700,000	\$101,100,000	\$101,100,000	3Q11	June-12	\$3,902,477
Railhead Drive Industrial	Dallas, TX	\$58,900,000	\$59,700,000	\$59,700,000	4Q11	June-12	\$2,304,430
		\$588,056,573	\$596,201,856	\$547,558,248			\$21,135,839

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
Second Quarter 2012

Real Estate Valuation Analysis

Real Estate Valuation Analysis – INVESCO Core Real Estate

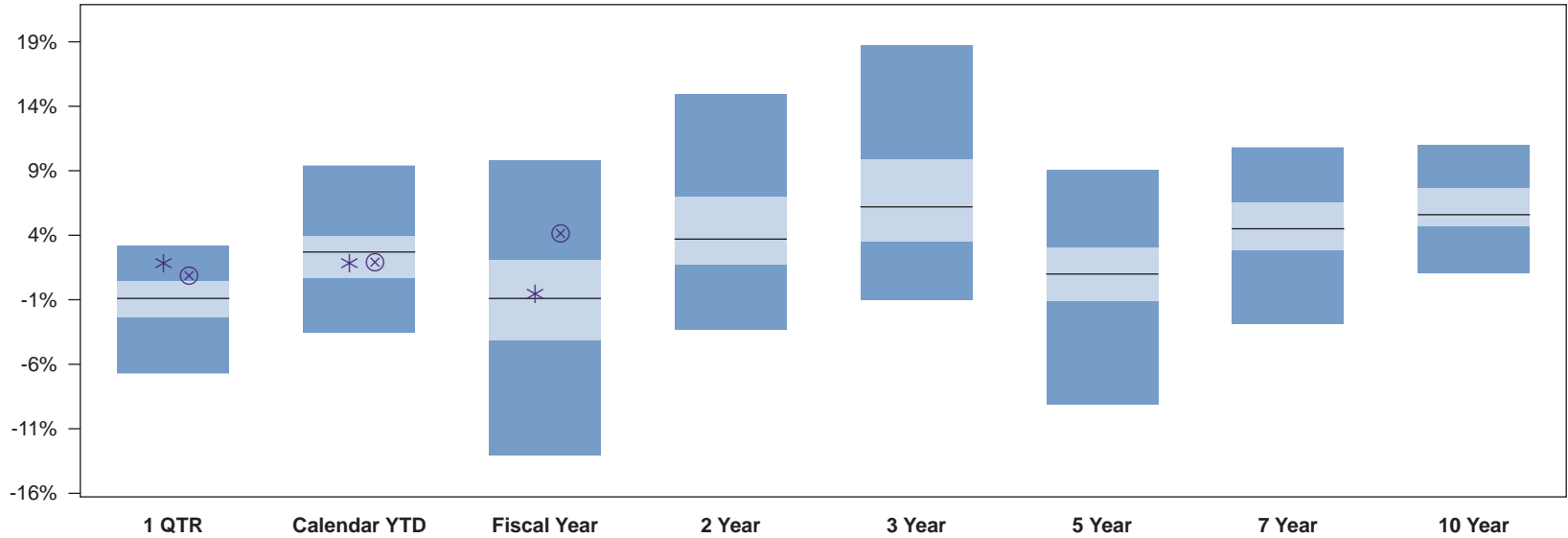
Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 06/30/2012 (3.86%)
OFFICE							
55 Cambridge	Boston MA - NH	\$138,100,000	\$137,800,000	\$84,248,926	4Q06	June-12	\$3,252,022
One Liberty	Boston MA - NH	\$43,200,000	\$43,000,000	\$43,000,000	2Q07	June-12	\$1,659,807
Gainey Center II	Scottsdale - AZ	\$28,800,000	\$30,300,000	\$30,300,000	3Q07	June-12	\$1,169,585
Valencia Town Center	Valencia, CA	\$145,100,000	\$145,900,000	\$145,900,000	3Q07	June-12	\$5,631,764
Park Ten Plaza	Houston, TX	\$29,000,000	\$29,000,000	\$29,000,000	1Q05	June-12	\$1,119,405
Westport Corporate Center	Fairfield County, CT	\$16,300,000	\$16,000,000	\$16,000,000	4Q07	June-12	\$617,603
Parkside Towers	San Francisco, CA	\$85,559,604	\$92,444,521	\$48,635,531	1Q08	June-12	\$1,877,340
The Executive Building	Washington DC	\$152,000,000	\$153,000,000	\$153,000,000	2Q08	June-12	\$5,905,825
Brill Building	New York, NY	\$69,646,500	\$69,349,500	\$29,515,460	4Q07	June-12	\$1,139,302
10 Brookline Place	Brookline, MA	\$126,000,000	\$126,000,000	\$126,000,000	2Q10	June-12	\$4,863,621
1111 Pennsylvania Avenue	Washington, D.C.	\$253,000,000	\$254,500,000	\$254,500,000	4Q10	June-12	\$9,823,742
1800 Larimer	Denver, CO	\$218,700,000	\$224,000,000	\$224,000,000	1Q11	June-12	\$8,646,437
230 Park Avenue	New York, NY	\$410,806,114	\$413,040,058	\$227,301,148	2Q11	June-12	\$8,773,862
		\$1,716,212,218	\$1,734,334,080	\$1,411,401,066			\$54,480,314
RETAIL							
Broadway at Surf	Chicago IL	\$23,200,000	\$23,600,000	\$23,600,000	2Q04	June-12	\$910,964
Carriagetown Marketplace	Boston MA - NH	\$20,900,000	\$20,900,000	\$20,900,000	2Q04	June-12	\$806,743
Chandler Pavilions	Phoenix - Mesa AZ	\$18,000,000	\$18,000,000	\$18,000,000	2Q04	June-12	\$694,803
Matthews Township	Charlotte - G - RH NC-SC	\$22,100,000	\$22,100,000	\$22,100,000	2Q04	June-12	\$853,064
Windward Commons	Atlanta GA	\$20,800,000	\$20,500,000	\$20,500,000	2Q04	June-12	\$791,303
Summit Heights	Fontana, CA	\$32,900,000	\$31,000,000	\$31,000,000	3Q05	June-12	\$1,196,605
Cityline at Tenley	Washington, D.C.	\$45,600,000	\$47,100,000	\$47,100,000	4Q05	June-12	\$1,818,068
Ridgehaven Mall	Minnetonka, MN	\$32,200,000	\$32,200,000	\$20,700,000	4Q05	June-12	\$799,023
The Beacon Retail	San Francisco, CA	\$43,800,000	\$44,200,000	\$44,200,000	1Q06	June-12	\$1,706,127
The Beacon Garage	San Francisco, CA	\$23,500,000	\$24,400,000	\$24,400,000	1Q06	June-12	\$941,844
Oak Brook Court	Chicago, IL	\$18,400,000	\$18,400,000	\$18,400,000	4Q07	June-12	\$710,243
Hawthorne Plaza	Overland Park, KS	\$29,100,000	\$28,200,000	\$28,200,000	4Q07	June-12	\$1,088,525
Deerwood Lake Commons	Jacksonville, FL	\$10,400,000	\$10,200,000	\$10,200,000	4Q07	June-12	\$393,722
Heath Brook Commons	Ocala, FL	\$10,800,000	\$11,000,000	\$11,000,000	4Q07	June-12	\$424,602
Park View Square	Miramar, FL	\$10,500,000	\$11,000,000	\$11,000,000	4Q07	June-12	\$424,602
St. John's Commons	Jacksonville, FL	\$10,000,000	\$10,300,000	\$10,300,000	4Q07	June-12	\$397,582
West Creek Commons	Coconut Creek, FL	\$9,900,000	\$10,300,000	\$10,300,000	4Q07	June-12	\$397,582
The Loop	Boston MA - NH	\$92,300,000	\$92,500,000	\$92,500,000	1Q08	June-12	\$3,570,515
Westbank Marketplace	Austin, TX	\$44,300,000	\$44,500,000	\$20,074,079	3Q10	June-12	\$774,863
910 Lincoln Road	Miami, FL	\$16,800,000	\$16,900,000	\$16,900,000	4Q10	June-12	\$652,343
Lake Pointe Village	Houston, TX	\$56,100,000	\$57,000,000	\$57,000,000	4Q11	June-12	\$2,200,209
Safeway Kapahulu	Hawaii	\$73,100,000	\$75,400,000	\$75,400,000	4Q11	June-12	\$2,910,452
Safeway Burlingame	San Francisco, CA	\$44,600,000	\$44,600,000	\$44,600,000	4Q11	June-12	\$1,721,567
Shamrock Plaza	Oakland, CA	\$32,400,000	\$32,500,000	\$32,500,000	4Q11	June-12	\$1,254,505
Pavilions Marketplace	West Hollywood, CA	\$49,128,859	\$50,000,000	\$50,000,000	1Q12	June-12	\$1,930,008
130 Prince	New York, NY	\$0	\$139,946,333	\$139,946,333	2Q12	acquired Q2-12	\$5,401,952
		\$790,828,859	\$936,746,333	\$900,820,412			\$34,771,817
Portfolio Total		\$4,731,219,208	\$4,804,471,673	\$3,951,819,678			\$152,540,892

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Hedge Funds

Periods Ending June 30, 2012

Total Returns



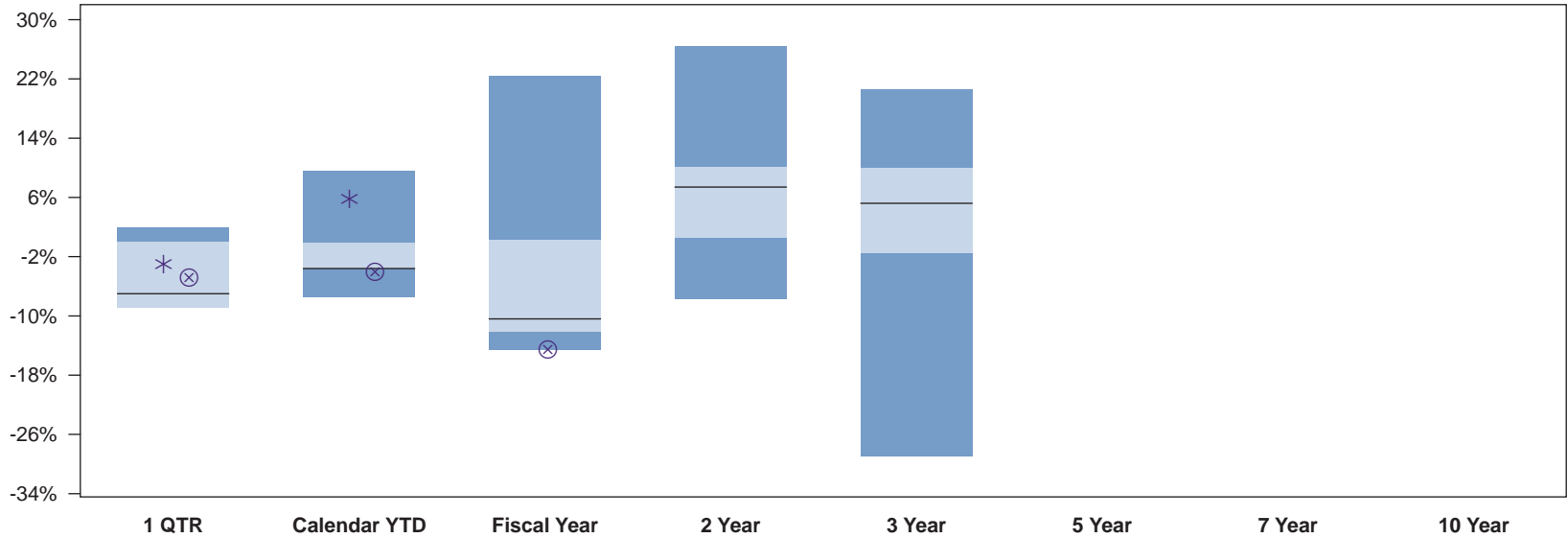
	1 QTR		Calendar YTD		Fiscal Year		2 Year	3 Year	5 Year	7 Year	10 Year
* AQR Delta Fund II	2.0	12	2.0	60	-0.4	47					
⊗ Hedge Fund Index	1.0	19	2.1	60	4.3	16					
Median	-0.9		2.7		-0.9		3.7	6.2	1.0	4.5	5.6

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Commodity Funds

Periods Ending June 30, 2012

Total Returns



	1 QTR	Calendar YTD	Fiscal Year	2 Year	3 Year	5 Year	7 Year	10 Year
* SSqA Multisource Account	-2.7	31	6.1	8				
⊗ Commodities Index	-4.5	37	-3.7	65	-14.3	95		
Median	-7.0	-3.6	-10.4	7.4	5.2			

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Investment Strategy Summaries

[Aberdeen Asset Management – Core Fixed Income](#)

Aberdeen Asset Management's approach is bottom up, looking for relative value among specific issues. The Core Fixed Income investment process is duration neutral and relies on credit exposure as the primary means of adding value. Fundamental credit research requires knowledge of the underlying credit and identification of pricing inefficiencies uncovered through proprietary research. They focus on high quality issues, maintaining an average AA quality in the portfolio. The investment process also stresses a detailed knowledge of a bond's structure, in particular options and prepayment characteristics. The bond selection process typically identifies securities with more predictable cash flows. Yield curve positioning is diversified, and bets along the yield curve tend to be modest. The bottom up process can lead to heavy sector concentrations, particularly in corporates. The process incorporates the use of taxable municipal securities which is unusual among US fixed income managers.

[Angelo, Gordon & Co. – AG GECC Public-Private Investment Fund, L.P. \(PPIP\)](#)

Angelo, Gordon (AG) and GE Capital Corporation (GECC) jointly manage this fund, which targets investments in legacy non-Agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) originally rated AAA. The strategy is primarily long-term buy-and-hold, although tactical trading based on more short-term technical factors is also incorporated. The allocation between RMBS and CMBS is flexible and will be managed opportunistically, although the initial focus is expected to be on RMBS. The fund utilizes up to 2:1 leverage (i.e., assets: equity) provided by the US Treasury under the Public-Private Investment Program (PPIP). The fund, structured as a closed-end private partnership, has a term of 8 years with two potential 1-year extensions and no early withdrawal rights. Annual distributions of up to 8% may be made, pending cash flow realizations from the underlying securities and scheduled repayment of the UST leverage facility. AG/GECC's approach utilizes top-down analysis to project macroeconomic factors (e.g., unemployment, interest rates), real estate prices and trends, default frequencies, recovery rates, etc. In addition, detailed bottom-up analysis covering the underlying collateral, loan originator, loan servicer and structural features (e.g., cash flow hierarchy, covenants) is conducted on each individual security in the investment universe. In addition to absolute value considerations, an assessment of relative value is made between the various sectors (e.g., RMBS vs. CMBS, Alt-A RMBS vs. Subprime RMBS) as well as individual securities within the same sector. Extensive stress testing and scenario analysis is also performed to determine worst-case loss if the underlying collateral pool (i.e., mortgages) suffers a high number of defaults and/or severe loss severities, the goal being to purchase securities with a significant margin of safety.

[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.

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Investment Strategy Summaries

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%.

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Investment Strategy Summaries

[BlackRock – Russell 1000 Index](#)

BlackRock uses a full replication approach. They hold each stock in the same proportion in which it is represented in the Russell 1000 Index. BGI monitors the funds daily to ensure that additions and deletions to the Russell 1000, mergers and acquisitions, restructurings and other capitalization changes are made to the fund in such a way to minimize tracking error and transactions costs.

[BlackRock – Fundamental Large Cap Growth](#)

BlackRock US Fundamental Large Cap Growth's investment philosophy is that fundamental research can generate stock specific insights that can be used to create alpha in client portfolios. The approach is to employ bottom-up stock selection to construct portfolios of two types of companies, those with stable growth and those with accelerating earnings. The universe is composed of stocks with market capitalizations above \$2 billion and daily trading volume above \$20 million. BlackRock describes this approach to large cap growth investing as disciplined but flexible. They do not employ a hard and fast mathematical formula or rigid set of criteria. Rather, the team focuses on developing an investment thesis for each stock that they purchase based on a catalyst and a fundamental assessment. Stable growth holdings exhibit the following characteristics: consistent earnings growth over 3- to 5-years, sustainable competitive advantages, strong management with proven ability to execute, and attractive relative and absolute valuation. Opportunistic holdings exhibit earnings momentum, above consensus earnings and a catalyst for a near term surprise. Risk monitoring is the responsibility of the investment team and also BlackRock's Risk & Quantitative analysis group, which leverages BlackRock Solutions, the firm's risk analytics platform. At the portfolio level, risk is viewed as deviation from the benchmark, i.e. tracking error. The portfolio holds 60-80 stocks with positions generally limited to 5% at cost unless they comprise more than 3% of the benchmark. Sectors are kept with 10 percentage points of the benchmark weighting.

[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.

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Investment Strategy Summaries

[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.

[D.E. 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

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Investment Strategy Summaries

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.

Jennison Associates – US Small Cap

Jennison's approach is based on the premise that bottom up fundamental research can add significant value by uncovering inefficiencies in the small cap asset class. They seek out companies that they believe have attractive valuations, and should experience superior earnings growth on an intermediate term basis. In addition, Jennison looks for companies with the following attributes: strong competitive position, quality management team, demonstrated growth in sales and earnings, balance sheet flexibility and strength. The portfolio contains 110-135 stocks with a maximum position size of 4%, with actual positions rarely exceeding 2.5%. Industry weights are normally limited to 20% and sector weights are typically within 5%-7% of the benchmark, though they may be higher. Positions are scaled to reflect market cap and trading volume. According to Jennison, their expected tracking error is 6%-8%, but historically it has been lower. They seek to add 3%-4% of excess return over a market cycle.

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

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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

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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.

[T. Rowe Price – U.S. Structured Research Strategy](#)

T. Rowe Price believes that fundamental, bottom-up stock selection performed by specialized research analysts can produce more consistent alpha than quantitative approaches using computer models. T. Rowe Price's U.S. Structured Research Strategy is an enhanced index strategy that combines fundamental security selection with risk controls designed to neutralize sector and industry bets relative to the S&P 500 Index. As a low tracking error enhanced index strategy, U.S. Structured Research is relatively unusual in relying exclusively on fundamental analyst research and employing neither a quantitative model nor an optimization process. The portfolio is managed by 30+ sector analysts responsible for selecting stocks within their areas of expertise. Each analyst determines relative industry weights and timing of trades within their coverage universe. They seek to add value through deviations from index weights, stock avoidance, and selecting stocks not held in the index. The analysts' aggregate buy and sell decisions result in a 250- to 300-stock portfolio with industry-, sector-, style-, and capitalization-characteristics quite close to the benchmark. Relative to the S&P 500, sector exposures range +/- 150 basis points, industry exposures range +/- 100 basis points, and the maximum active position size will typically range +/- 100 basis points around the benchmark weight. For stocks representing more than 3% of the S&P 500 Index, active position sizes can range +/- 150 basis points.

[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.

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Policy Index History

Total Plan Policy Benchmark

	As of:							
	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Russell 1000	27.0%	28.0%	37.0%	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%	5.0%
Russell 1000 Value	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	0.0%
Russell 2000	8.0%	7.0%	9.0%	9.0%	10.0%	15.0%	15.0%	15.0%
MSCI AC World ex-US	18.0%	18.0%	21.0%	21.0%	15.0%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
Barclays Aggregate	11.0%	12.9%	27.0%	27.0%	29.0%	25.0%	21.0%	21.0%
Barclays BBB	3.3%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Tips	3.3%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Multiverse	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%	5.0%	9.0%	9.0%
NCREIF NFI ODCE	5.0%	5.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCREIF Property	0.0%	0.0%	0.0%	6.0%	6.0%	0.0%	0.0%	0.0%
10 YR Treasury plus 200 basis points	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	10.0%	10.0%
Russell 3000 + 300 basis points	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
60% Russell 3000/40% BC Aggregate	6.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Libor + 400 basis points	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dow Jones UBS Commodity	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	100%	100%	100%	100%	100%	100%	100%	100%

Total Equity Benchmark

	As of:					
	10/1/2010	5/1/2007	6/1/2000	3/1/1999	9/1/1998	1/1/1996
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%
Russell 1000 Value	0.0%	0.0%	0.0%	8.0%	8.3%	0.0%
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%
MSCI AC World ex-US	34.0%	31.3%	23.1%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	32.3%	33.3%	33.3%
	100%	100%	100%	100%	100%	100%

Domestic Equity Benchmark

	As of:					
	1/1/2011	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995
Russell 1000	77.00%	80.00%	52.00%	50.00%	50.00%	69.00%
S & P 500	0.00%	0.00%	0.00%	0.00%	12.50%	17.00%
Russell 1000 Value	0.00%	0.00%	12.00%	12.50%	0.00%	0.00%
Russell 2000	23.00%	20.00%	36.00%	37.50%	37.50%	14.00%
	100%	100%	100%	100%	100%	100%

International Equity Benchmark

	As of:	
	6/1/2000	1/1/1996
MSCI AC World ex-US	100%	0%
MSCI EAFE	0%	100%

Total Fixed Income Benchmark

	As of:				
	1/1/2011	10/1/2010	6/1/2000	3/1/1999	7/1/1996
Barclays Aggregate	50.00%	58.60%	100.00%	83.33%	70.00%
Barclays BBB	15.00%	7.30%	0.00%	0.00%	0.00%
Barclays Tips	15.00%	13.60%	0.00%	0.00%	0.00%
Barclays Multiverse	20.00%	20.50%	0.00%	0.00%	0.00%
Citigroup Non-US WGBI unhedged	0.00%	0.00%	0.00%	16.67%	30.00%
	100.0%	100.0%	100.0%	100.0%	100.0%

Domestic Fixed Income Benchmark

	As of:		
	1/1/2011	10/1/2010	7/1/1996
Barclays Aggregate	62.40%	73.70%	100.00%
Barclays BBB	18.80%	9.10%	0.00%
Barclays Tips	18.80%	17.20%	0.00%
	100.0%	100.0%	100.0%

International Fixed Income Benchmark

	As of:
	10/1/2010
Barclays Multiverse	100.00%

SamCERA's Real Estate Benchmark

	As of:		
	1/1/2009	6/1/2000	7/1/1996
NCREIF NFI ODCE (Gross)	100%	0%	0%
NCREIF Property Index	0%	100%	0%
10 YR Treasury plus 200 basis points	0%	0%	100%

Alternative Investment Benchmark

	As of:
	10/1/2010
Russell 3000 + 300 basis points	100%
60% Russell 3000/40% BC Aggregate	100%
Libor + 400 basis points	100%
Dow Jones UBS Commodity	100%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Fee Schedules

BlackRock-R1000 Index Fund

First \$1 million:	0.324% per annum
Next \$1 million:	0.288% per annum
Next \$3 million:	0.0865% per annum
Next \$45 million:	0.072% per annum
Next \$50 million:	0.0465% per annum
Balance of fund:	0.0215% per annum

Marginal pricing will apply. The Board receives the benefit of asset aggregation across funds when invested in more than one commingled fund. The Board pays the top of the fee schedules on the first fund, moving down the graduated fee structure for additional funds.

Aberdeen Asset Management

First \$25 million:	0.38% per annum
Next \$100 million:	0.30% per annum
Next \$500 million:	0.20% per annum
Thereafter:	0.18% 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

Chartwell Investment Partners

On all assets:	0.75% per annum
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Jennison Associates

First \$50 million:	0.90% per annum
Next \$50 million:	0.70% per annum
Balance of fund:	0.60% 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

Mondrian Investment Partners

First \$20 million:	1.00% per annum
Thereafter:	0.33% per annum
For Assets Over \$190 Million	
First \$50 million:	1.00% per annum
Next \$150 million:	0.19% per annum
Thereafter	0.33% per annum

Fees received by Delaware Mgmt. Co. for the DPT Emerging Markets Fund in connection with SamCERA assets invested therein shall be deducted from the above schedule

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Fee Schedules

Western Asset Management

First \$100 million:	0.30% per annum
Balance of fund:	0.15% per annum

Barrow, Hanley, Mewhinney & Strauss

First \$15 million	0.75% per annum
Next \$10 million	0.55% per annum
Next \$75 million	0.45% per annum
Next \$100 million	0.35% per annum
Next \$800 million	0.25% per annum
Over \$1 billion	0.15% per annum

T. Rowe Price Associates

First \$50 million	0.40% per annum
Next \$50 million	0.35% per annum
When assets exceed \$100 million	0.35% on all assets
When assets exceed \$200 million	0.30% on all assets

The Boston Company Asset Management

First \$25 million	0.90% per annum
Thereafter:	0.80% per annum

Angelo Gordon

0.20% per annum of the lesser of (a) US Treasury's Capital Commitment as of the last day of the period and (b) the US Treasury Interest Value as of the last day of the period.	
Thereafter:	0.30% per annum

Pyramis Select International

On All Assets:	0.90% per annum
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INVESCO

On Property Assets:	7.0% of NOI
The property portfolio is on a performance basis.	

BlackRock Capital Management

First \$50 million	0.55% per annum
Next \$50 million	0.45% per annum
Next \$100 million	0.40% per annum
Thereafter:	0.30% per annum

D.E. Shaw Investment Management

First \$100 million	0.51% per annum
Next \$100 million	0.46% per annum
Thereafter:	0.41% per annum

Brown Brother Harriman

On All Assets:	0.15% per annum
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Brigade Capital Management

On All Assets:	0.80% per annum
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Franklin Templeton Investment

First \$50 million	0.45% per annum
Next \$50 million	0.35% per annum
Thereafter	0.30% per annum

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	Fiscal Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
US Equity - Large Cap								
BlackRock-R1000 Index								
TOTAL - Total	-3.1	9.4	4.4	17.4	16.7	0.5	4.3	5.8
TOTAL - Net Mgr	-3.1	9.4	4.4	17.3	16.7	0.4	4.3	5.7
RUSSELL 1000	-3.1	9.4	4.4	17.3	16.6	0.4	4.3	5.7
DE Shaw								
TOTAL - Total	-3.5	11.8	7.1	18.2				
TOTAL - Net Mgr	-3.6	11.5	6.5	17.6				
RUSSELL 1000	-3.1	9.4	4.4	17.3				
T Rowe Price								
TOTAL - Total	-3.3	9.9	5.7	17.4				
TOTAL - Net Mgr	-3.4	9.7	5.3	17.0				
S&P 500	-2.8	9.5	5.4	17.4				
Barrow Hanley								
TOTAL - Total	-3.9	7.4	0.1	15.8				
TOTAL - Net Mgr	-4.0	7.1	-0.3	15.3				
Russell 1000 Value Index	-2.2	8.7	3.0	15.2				
BlackRock								
TOTAL - Total	-7.1	7.5	-3.9	13.5				
TOTAL - Net Mgr	-7.2	7.3	-4.3	13.0				
Russell 1000 Growth Index	-4.0	10.1	5.8	19.5				
US Equity - Small Cap								
Jennison								
TOTAL - Total	-4.6	5.4	-3.4	17.6	20.6			
TOTAL - Net Mgr	-4.8	5.0	-4.2	16.8	19.7			
RUSSELL 2000	-3.5	8.5	-2.1	16.0	17.8			

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	Fiscal Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
The Boston Co								
TOTAL - Total	-3.4	8.7	4.3	14.8				
TOTAL - Net Mgr	-3.6	8.3	3.5	13.9				
RUSSELL 2000 VALUE	-3.0	8.2	-1.4	13.8				
Chartwell								
TOTAL - Total	-5.5	8.6	0.9	23.0	22.6	2.2	6.1	
TOTAL - Net Mgr	-5.7	8.2	0.1	22.0	21.7	1.4	5.3	
RUSSELL 2000 GROWTH	-3.9	8.8	-2.7	18.2	18.1	2.0	5.7	
International Equity								
Eaton Vance Management								
TOTAL - Total	-7.6							
TOTAL - Net Mgr	-7.6							
MSCI EMF	-8.8							
Mondrian								
TOTAL - Total	-6.2	1.2	-9.8	7.8	7.6	-3.9	4.3	
TOTAL - Net Mgr	-6.3	1.1	-10.0	7.6	7.4	-4.1	4.0	
MSCI ACWI EX US VALUE (GROSS)	-7.5	2.5	-14.6	5.1	6.6	-4.8	4.1	
Pyramis Asset Management								
TOTAL - Total	-8.6							
TOTAL - Net Mgr	-8.8							
MSCI ACWI ex US Small Cap Gross	-8.8							
Fixed Income								
Aberdeen								
TOTAL - Total	2.3	4.4	8.9	7.7	11.0	5.3	4.7	5.2
TOTAL - Net Mgr	2.3	4.2	8.6	7.4	10.7	5.1	4.5	5.0
Barclays Aggregate Bond	2.1	2.4	7.5	5.7	6.9	6.8	5.6	5.6

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	Fiscal Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
Pyramis								
TOTAL - Total	2.5	3.7	8.2	7.1	9.5	7.3		
TOTAL - Net Mgr	2.4	3.6	8.0	6.9	9.3	7.1		
Barclays Aggregate Bond	2.1	2.4	7.5	5.7	6.9	6.8		
Western Asset								
TOTAL - Total	2.3	4.8	8.7	8.3	11.6	7.2	6.1	
TOTAL - Net Mgr	2.2	4.6	8.3	8.0	11.3	6.9	5.8	
Barclays Aggregate Bond	2.1	2.4	7.5	5.7	6.9	6.8	5.6	
AG GECC								
TOTAL - Total	2.2	17.5	5.5	15.3				
TOTAL - Net Mgr	2.2	17.5	5.5	15.3				
Brigade Capital Mgmt.								
TOTAL - Total	1.8	7.1	7.2					
TOTAL - Net Mgr	1.8	6.9	6.7					
Barclays BAA Credit	2.4	4.9	10.3	9.1				
Brown Brothers Harriman								
TOTAL - Total	3.4	4.3	12.6					
TOTAL - Net Mgr	3.4	4.2	12.4					
Barclays Global Inflation Linked:US TIPS	3.2	4.0	11.7	9.7				
Franklin Templeton Investments								
TOTAL - Total	-1.3	7.3	-0.1					
TOTAL - Net Mgr	-1.4	7.1	-0.5					
Barclays Multiverse	0.6	1.7	2.8					
Real Estate								
Invesco RE								
TOTAL - Total	1.7	3.5	9.0	16.6	8.0	-0.8	4.5	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending June 30, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	Fiscal Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
TOTAL - Net Mgr	1.6	3.3	8.5	16.1	7.5	-1.3	4.0	
NCREIF ODCE	2.6	5.5	12.4	16.4	8.4	-0.9	4.3	6.6
Private Equity								
Private Equity								
TOTAL - Total	8.0	17.2	0.9					
TOTAL - Net Mgr	8.0	17.2	0.9					
Private Eq Index	-2.4	10.9	6.9					
Risk Parity								
AQR Global Risk Fund III								
TOTAL - Total	0.1	5.2	5.2					
TOTAL - Net Mgr	-0.0	4.9	4.8					
Risk Parity Index	-1.0	6.6	5.8					
Hedge Fund								
AQR Delta Fund II								
TOTAL - Total	2.0	2.0	-0.4					
TOTAL - Net Mgr	1.8	1.5	-1.4					
Hedge Fund Index	1.0	2.1	4.3					
Commodity								
SSgA Multisource Account								
TOTAL - Total	-2.7	6.1						
TOTAL - Net Mgr	-2.9	5.7						
Commodities Index	-4.5	-3.7	-14.3					

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

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	
BLACKROCK- R1000 INDEX FUND Benchmark: R1000 Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
CHARTWELL Benchmark: R2000 Index	YES	NO	YES	YES	YES	YES	YES	YES	NO	NO
JENNISON Benchmark: R2000 Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
MONDRIAN Benchmark: MSCI ACWI -ex US Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
ABERDEEN ASSET Benchmark: BC Aggregate	YES	NO	YES	NO	YES	NO	YES	YES	NO	NO
PYRAMIS GLOBAL ADVISORS Benchmark: BC Aggregate	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES
WESTERN ASSET Benchmark: BC Aggregate	YES	YES	YES	YES	YES	NO	YES	YES	NO	YES
INVESCO REAL ESTATE Benchmark: NCREIF Property Index	NO	NO	NO	YES	N/A	N/A	YES	YES	YES	YES

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Manager Performance Comparison

	Apr	May	Jun	2nd Qtr. 2012	Difference	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference
SIS	-0.57%	-6.14%	3.83%	-3.10%		12.91%		11.85%		-14.75%	
BlackRock-R1000 Fund	-0.57%	-6.14%	3.83%	-3.10%	0.00%	12.91%	0.00%	11.85%	0.00%	-14.75%	0.00%
Russell 1000 Index	-0.58%	-6.15%	3.83%	-3.12%		12.90%		11.85%		-14.68%	
SIS	-0.44%	-6.90%	4.11%	-3.50%		15.88%		12.51%		-14.88%	
D.E. Shaw	-0.44%	-6.90%	4.11%	-3.50%	0.00%	15.88%	0.00%	12.50%	0.01%	-14.89%	0.00%
Russell 1000 Index	-0.58%	-6.15%	3.83%	-3.12%		12.90%		11.85%		-14.68%	
SIS	-0.77%	-6.33%	4.01%	-3.32%		13.63%		11.71%		-13.88%	
T. Rowe Price	-0.77%	-6.34%	4.01%	-3.33%	0.02%	13.64%	-0.01%	11.70%	0.01%	-13.89%	0.01%
S&P 500 Index	-0.63%	-6.01%	4.12%	-2.75%		12.58%		11.81%		-13.86%	
SIS	-1.46%	-6.23%	4.04%	-3.86%		11.65%		13.70%		-17.96%	
Barrow Hanley	-1.46%	-6.23%	4.05%	-3.86%	0.00%	11.66%	-0.01%	13.70%	0.00%	-18.00%	0.04%
Russell 1000 Value Index	-1.02%	-5.86%	4.96%	-2.20%		11.12%		13.11%		-16.21%	
SIS	-0.73%	-8.49%	2.27%	-7.10%		15.74%		7.35%		-10.44%	
BlackRock	-0.73%	-8.49%	2.27%	-7.10%	0.00%	15.74%	0.00%	7.35%	0.00%	-10.44%	0.00%
Russell 1000 Growth Index	-0.15%	-6.41%	2.72%	-4.01%		14.69%		10.60%		-13.14%	
SIS	-1.54%	-6.92%	4.06%	-4.63%		10.52%		15.29%		-20.48%	
Jennison	-1.54%	-6.92%	4.06%	-4.63%	0.00%	10.47%	0.05%	15.28%	0.00%	-20.48%	0.00%
Russell 2000 Index	-1.54%	-6.62%	4.99%	-3.47%		12.44%		15.48%		-21.86%	
SIS	-0.74%	-6.76%	4.35%	-3.42%		12.58%		20.12%		-20.10%	
The Boston Company	-0.74%	-6.76%	4.35%	-3.42%	0.00%	12.57%	0.01%	20.11%	0.01%	-20.11%	0.02%
Russell 2000 Value Index	-1.45%	-6.11%	4.82%	-3.01%		11.59%		15.97%		-21.47%	
SIS	-0.22%	-7.87%	2.79%	-5.50%		14.94%		18.95%		-21.92%	
Chartwell	-0.23%	-7.86%	2.79%	-5.51%	0.00%	14.93%	0.01%	18.95%	0.00%	-21.92%	0.00%
Russell 2000 Growth Index	-1.64%	-7.13%	5.16%	-3.94%		13.27%		14.99%		-22.26%	
SIS	-1.42%	-10.65%	4.94%	-7.57%							
Eaton Vance Management	-1.34%	-10.57%	5.01%	-7.35%	-0.22%						
MSCI EM Market Index	-1.17%	-11.16%	3.91%	-8.77%							

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Manager Performance Comparison

	Apr	May	Jun	2nd Qtr. 2012	Difference	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference
SIS	-2.80%	-10.16%	7.36%	-6.25%		7.96%		4.39%		-14.64%	
Mondrian	-2.77%	-10.16%	7.29%	-6.28%	0.03%	8.01%	-0.05%	4.37%	0.02%	-14.62%	-0.01%
MSCI ACWI -ex US Value Index	-2.45%	-11.49%	7.13%	-7.50%		10.83%		3.39%		-19.46%	
SIS	-0.09%	-11.05%	2.85%	-8.60%							
Pyramis Global Advisors	-0.09%	-11.05%	2.85%	-8.60%	0.00%						
MSCI ACWI -ex US Small Cap Index	-0.79%	-11.07%	3.39%	-8.78%							
SIS	1.20%	0.82%	0.30%	2.34%		1.99%		1.55%		2.71%	
Aberdeen Asset	1.22%	0.83%	0.31%	2.38%	-0.04%	1.99%	0.00%	1.55%	0.00%	2.71%	0.00%
BC Aggregate Index	1.11%	0.90%	0.04%	2.06%		0.31%		1.12%		3.83%	
SIS	-0.64%	-0.97%	3.82%	2.16%		15.04%		1.58%		-11.62%	
AG PPI Fund	-0.64%	-0.97%	3.82%	2.15%	0.00%	15.04%	0.00%	1.58%	0.00%	-11.62%	0.00%
BC Aggregate Index	1.11%	0.90%	0.04%	2.06%		0.31%		1.12%		3.83%	
SIS	1.21%	1.11%	0.15%	2.49%		1.16%		1.32%		3.00%	
Pyramis	1.21%	1.11%	0.15%	2.49%	0.00%	1.16%	0.00%	1.32%	0.00%	3.00%	0.00%
BC Aggregate Index	1.11%	0.90%	0.04%	2.06%		0.31%		1.12%		3.83%	
SIS	1.15%	-0.55%	1.19%	1.79%		5.22%		3.32%		-3.11%	
Brigade Capital	1.19%	-0.57%	1.23%	1.85%	-0.06%	5.10%	0.11%	3.53%	-0.20%	-3.35%	0.24%
BC BBB Credit	1.51%	0.44%	0.44%	2.41%		2.43%		2.71%		2.42%	
SIS	2.23%	1.86%	-0.67%	3.43%		0.85%		2.68%		5.11%	
Brown Brothers Harriman	2.22%	1.86%	-0.66%	3.43%	0.00%	0.90%	-0.05%	2.66%	0.02%	5.09%	0.01%
BC U.S Tips	2.02%	1.67%	-0.56%	3.14%		0.86%		6.75%		4.51%	
SIS	0.99%	0.59%	0.68%	2.28%		2.44%		1.40%		2.30%	
Western Asset	1.11%	0.66%	0.71%	2.50%	-0.22%	2.38%	0.05%	1.58%	-0.18%	2.15%	0.15%
BC Aggregate Index	1.11%	0.90%	0.04%	2.06%		0.31%		1.12%		3.83%	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of June 30, 2012

Manager Performance Comparison

	Apr	May	Jun	2nd Qtr. 2012	Difference	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference
SIS	1.01%	-7.07%	5.10%	-1.34%		8.65%		1.78%		-8.49%	
Franklin Templeton Investments	0.51%	-6.69%	5.20%	-1.34%	-0.01%	8.76%	-0.11%	1.83%	-0.05%	-8.42%	-0.07%
BC Multiverse	1.17%	-1.11%	0.56%	0.61%		1.09%		0.41%		0.66%	
SIS				1.70%		1.77%		3.11%		2.12%	
INVESCO Real Estate				1.70%	0.00%	1.77%	0.00%	3.11%	0.00%	2.12%	0.00%
NCREIF NFI ODCE Index				2.66%		2.82%		3.02%		3.48%	
SIS	1.06%	-2.41%	1.46%	0.06%		5.08%		4.78%		-4.48%	
AQR Global Risk Premium III (Net)	1.02%	-2.44%	1.43%	-0.04%	0.10%	4.98%	0.11%	4.67%	0.10%	-4.58%	0.09%
40% R3000/ 60% BC Agg	-3.35%	2.37%	1.15%	0.08%		7.72%		7.73%		-7.93%	
SIS	2.00%	1.01%	-0.97%	2.03%		0.00%		2.55%		-4.82%	
AQR Delta Fund II (Net)	1.91%	0.93%	-1.05%	1.78%	0.25%	-0.26%	0.25%	2.29%	0.25%	2.35%	-7.17%
Libor + 4%	0.37%	0.37%	0.37%	1.11%		1.05%		1.05%		1.04%	
SIS	0.92%	-7.26%	3.93%	-2.73%		9.02%		-1.63%			
SSgA Multisource Commodity	0.92%	-7.26%	3.93%	-2.73%	0.00%	9.02%	0.00%	-1.63%	0.00%		
DJ UBS Commodity	-9.13%	5.49%	6.47%	2.06%		0.88%		0.34%			

MARKET SUMMARY

Equity Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
S&P 500	-2.8	5.4	16.4
Dow Jones Industrial Average	-1.8	6.6	18.2
NASDAQ	-5.1	5.8	16.9
Russell 1000	-3.1	4.4	16.6
Russell 2000	-3.5	-2.1	17.8
Russell 3000	-3.1	3.8	16.7
MSCI EAFE (Net)	-7.1	-13.8	6.0
MSCI Emerging Markets (Net)	-8.9	-16.0	9.8
MSCI All Country World ex US	-7.6	-14.6	7.0

Bond Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
Barclays Capital Aggregate	2.1	7.5	6.9
Barclays Capital Gov/Credit	2.6	8.8	7.3
Barclays Capital Universal	2.0	7.4	7.6
Barclays Capital Corp. High Yield	1.8	7.3	16.3
CG Non-US World Govt.	0.2	0.4	5.1

Non-Public Markets

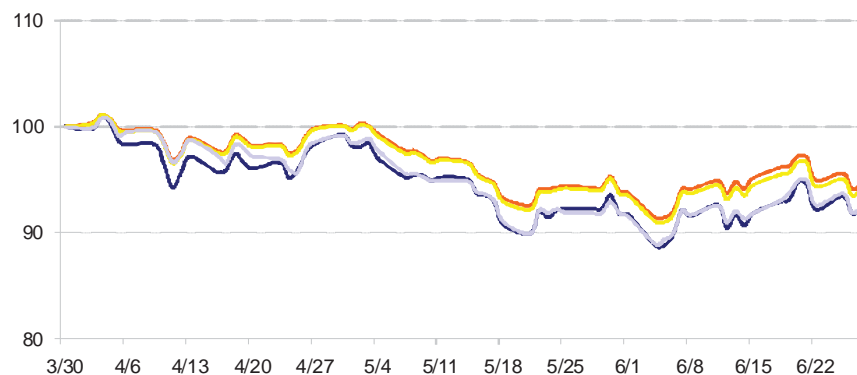
lagged quarterly

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property	2.6	13.4	6.0
State Street Private Equity Index	6.6	7.3	16.5

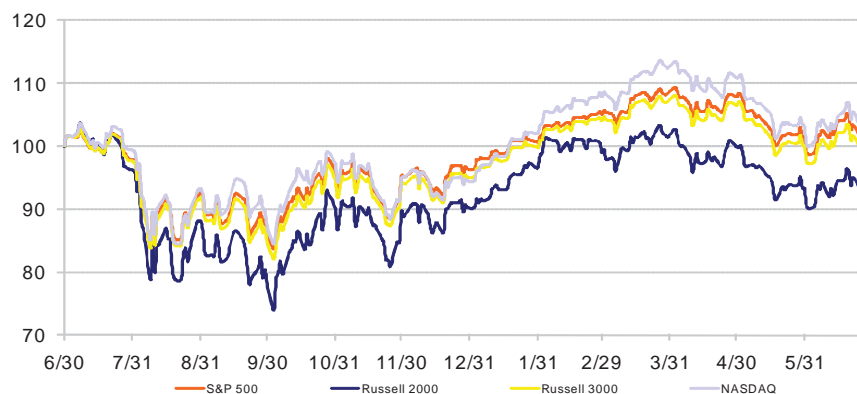
U.S. Equity Market

- U.S. equities declined during the quarter as slowing growth in China and sovereign bond market funding stress in peripheral Europe dampened investor sentiment. Weak economic data led to declines in the Citigroup Economic Surprise Index, which measures the extent to which data deviate from forecasts. The blue chip DJIA outperformed other domestic equity indices in Q2, falling 1.8% on a quarterly basis.
- A weak May nonfarm payrolls report added to fears of a slowdown in the economic recovery, while May retail sales fell 0.2% on a monthly basis, the second straight monthly decline. Excluding autos, sales fell 0.4%, the fastest rate in two years.
- The NASDAQ led declines in the U.S., falling 5.1% in Q2.

Equity Index – Quarterly Growth Rate



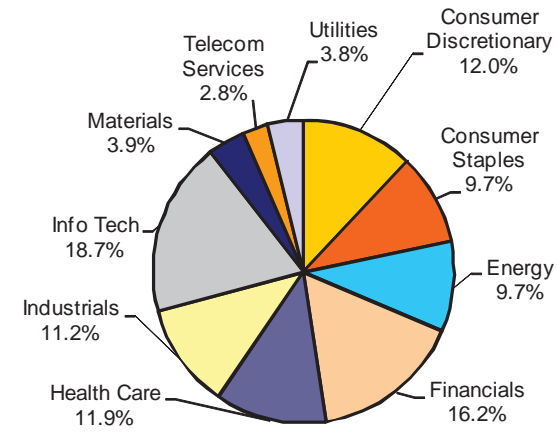
Equity Index – 1-Year Growth Rate



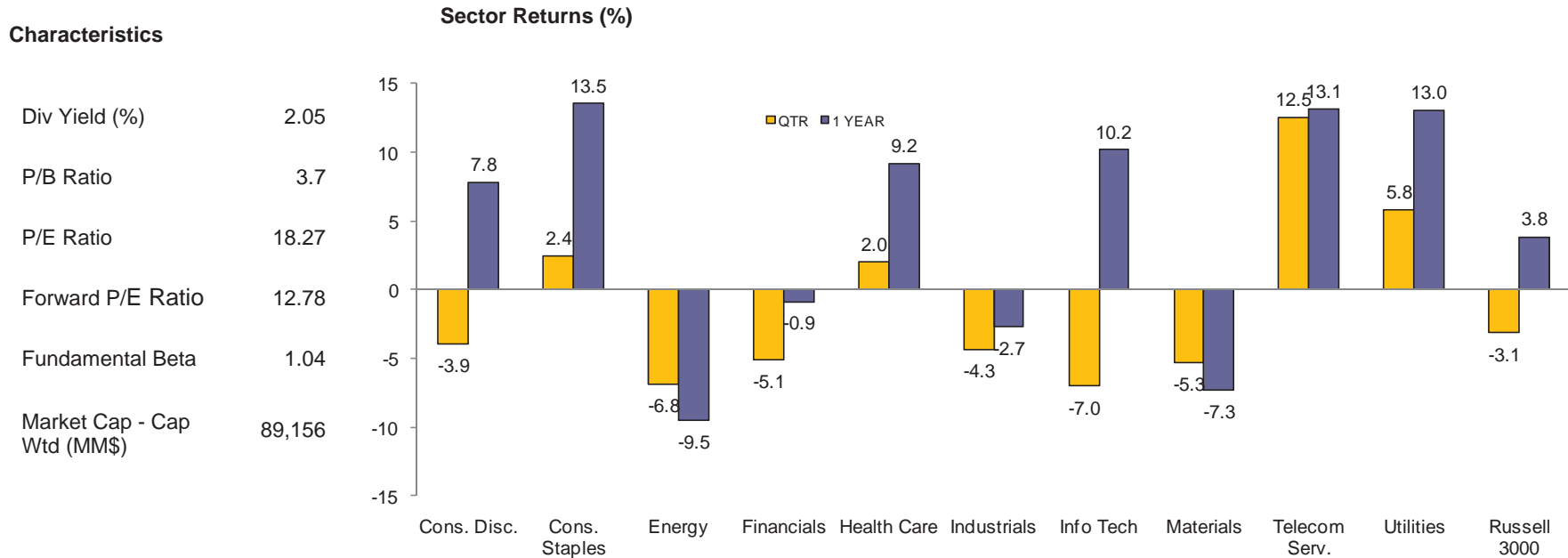
U.S. Equity – Russell 3000

- As a result of the flight to safety, the broad-based U.S. equity aggregate fell 3.1 percent in the second quarter. Investors revealed a defensive pattern, with outperformers including telecoms, utilities, consumer staples, and healthcare.
- Energy, information technology, and materials declined as growth prospects diminished. The sectors declined 6.8%, 7%, and 5.3%, respectively, on a quarterly basis.
- Equity valuations in the second quarter remained relatively robust, with the aggregate market price-to-earnings ratio at 18.27.

Ending Sector Weights



Characteristics



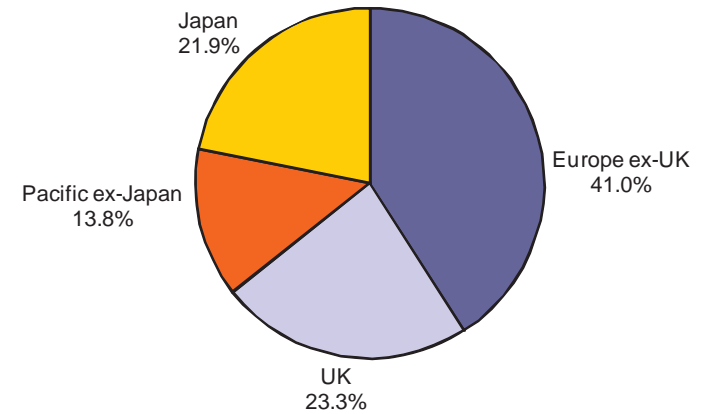
Contribution to Return:

	Cons. Disc.	Cons. Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Telecom Serv.	Utilities	Russell 3000
Qtr	-0.5	0.2	-0.7	-0.8	0.2	-0.5	-1.4	-0.2	0.3	0.2	-3.1
1 Year	0.9	1.2	-1.1	-0.1	1.1	-0.3	1.8	-0.3	0.4	0.5	3.8

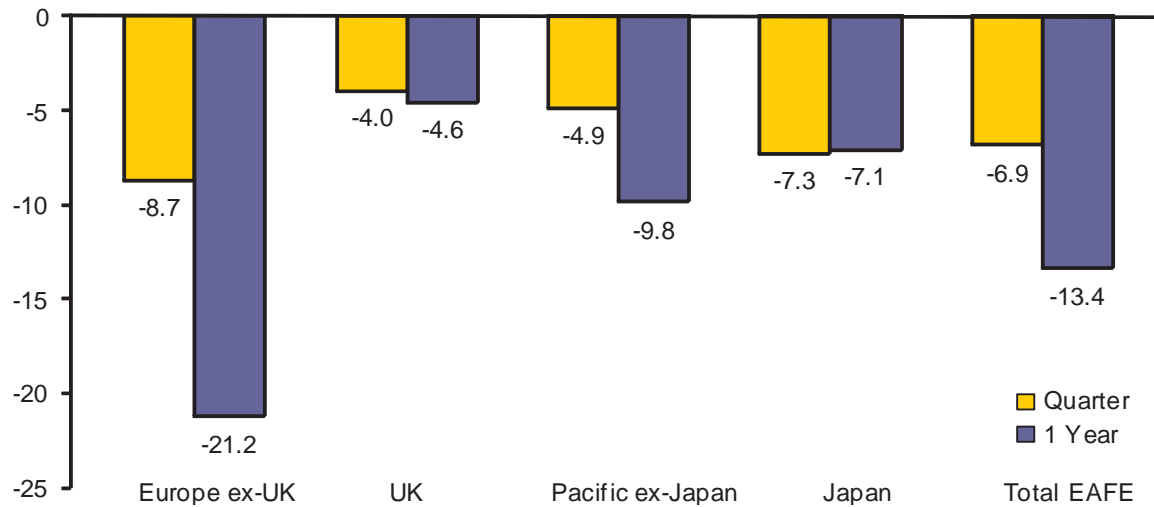
Developed Equity – MSCI EAFE (Net)

- With the European crisis entering a crucial phase and growth prospects diminishing throughout the developed world and in China, risk aversion increased, pushing up risk premiums. As a result, the MSCI EAFE index declined a further 6.9% in the 2nd quarter, with the yearly loss standing at 13.4%.
- Europe ex-UK equities was the laggard out of the regional aggregates, declining 8.7% in the second quarter as fears of a Greek exit from the Eurozone and Spanish sovereign funding stress fueled a sell-off across the region. Spanish 10-year government bond yields reached a Euro-era high above 7%.
- Slowing Chinese growth was reflected in the weak performance of Pacific ex-Japan, where equities declined 4.9% during Q2. Meanwhile, Japanese equities fell 7.3% on a quarterly basis as growth slowed throughout the developed world and emerging Asian markets.

Ending Regional Weights



Regional Returns (%)



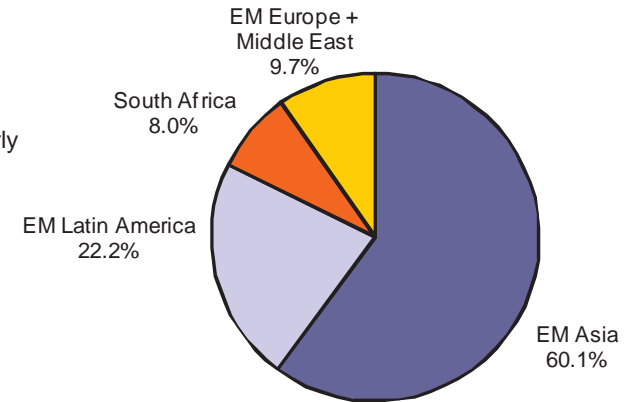
Contribution to Return:

	Europe ex-UK	UK	Pacific ex-Japan	Japan	Total EAFE
Qtr	-3.6	-0.9	-0.7	-1.6	-6.9
1 Yr	-8.7	-1.1	-1.4	-1.5	-13.4

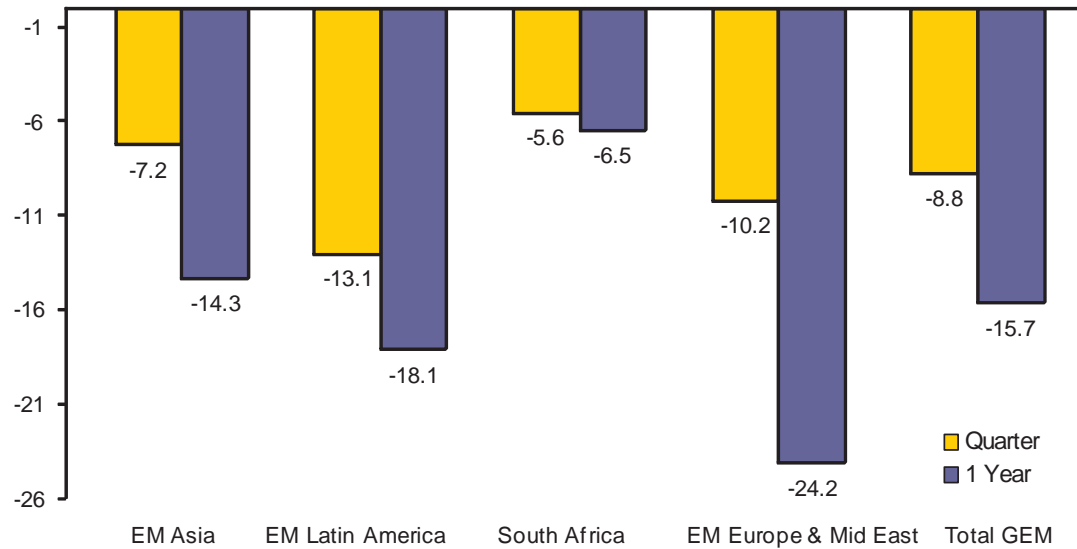
Emerging Markets Equity – MSCI EM (Net)

- Risk aversion was exhibited across emerging markets, as MSCI EM equities declined 8.8 percent on aggregate, compared to the 6.9 percent decline across the developed markets. Fears of European contagion led to a broad retrenchment of cross-border equity investment.
- First-quarter GDP growth in China was 8.1%, below analyst expectations and amplifying fears of a potential hard landing, while Indian Q1 growth slowed to 5.3% YoY. EM Asia declined 7.2% on a quarterly basis on global slowdown worries.
- On a regional basis, EM Europe & Mid East underperformed, declining 10.2% on a quarterly basis as peripheral Eurozone bank deleveraging and sovereign stresses impacted the region.
- EM Latin America fell 13.1% on a quarterly basis as slowing growth momentum in Brazil led to increased risk aversion and capital outflows.

Ending Regional Weights



Regional Returns (%)



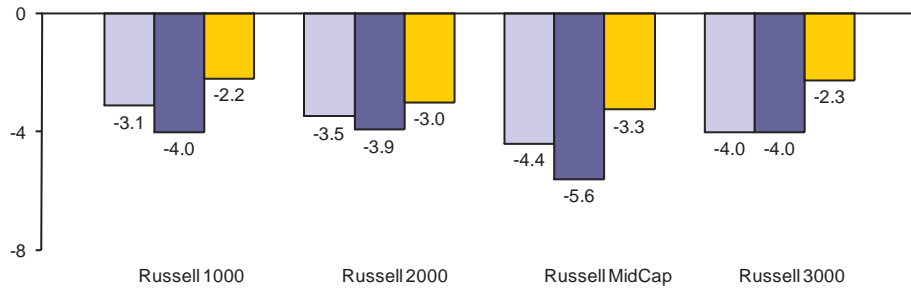
Contribution to Return:

	EM Asia	EM Latin America	South Africa	EM Europe & Mid East	Total GEM
Qtr	-4.4	-2.9	-0.4	-1.0	-8.8
1 Yr	-8.6	-4.0	-0.5	-2.3	-15.7

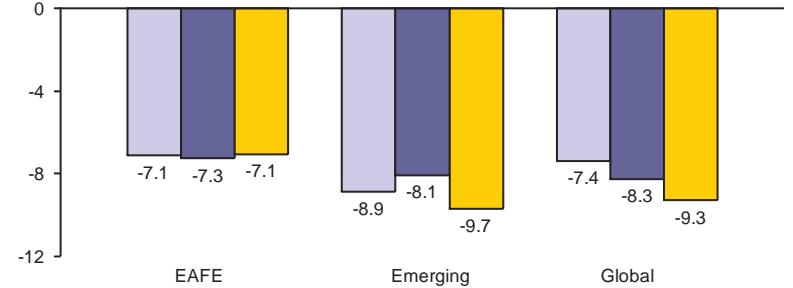
Style & Capitalization Returns

- Emerging market equities declined as the weakening outlook for global growth continued to soften demand for higher beta assets. The flight to safety can be seen in US large-caps, which display higher returns relative to both smaller cap and EM counterparts.
- Growth stocks in the US declined during the quarter, reflected through an aggregate underperformance across the style spectrum. Comparatively, demand for value stocks was slightly more restrained, particularly in the U.S. markets.

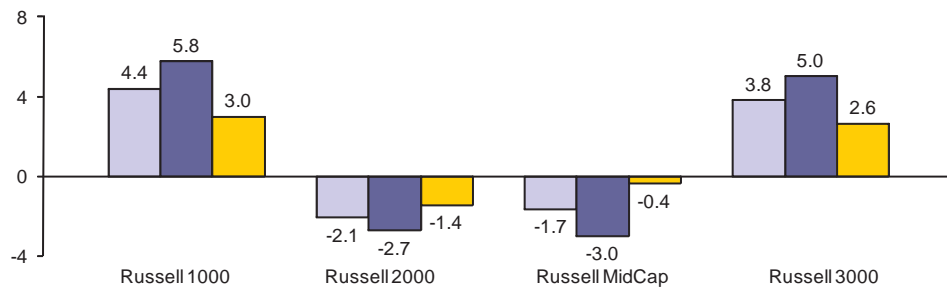
Russell US Style Returns (%) – Quarter



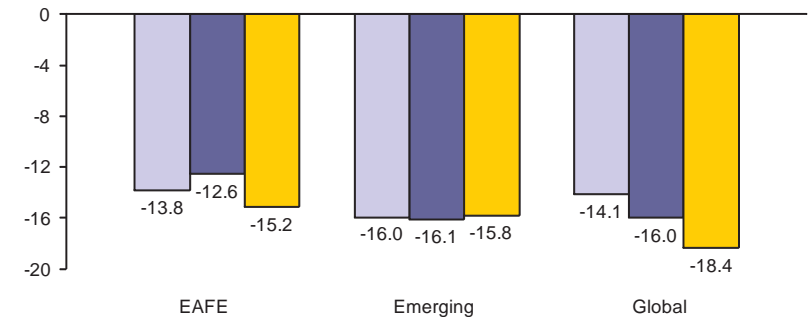
MSCI Non-US Style Returns (%) – Quarter



Russell US Style Returns (%) – 1 Year



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

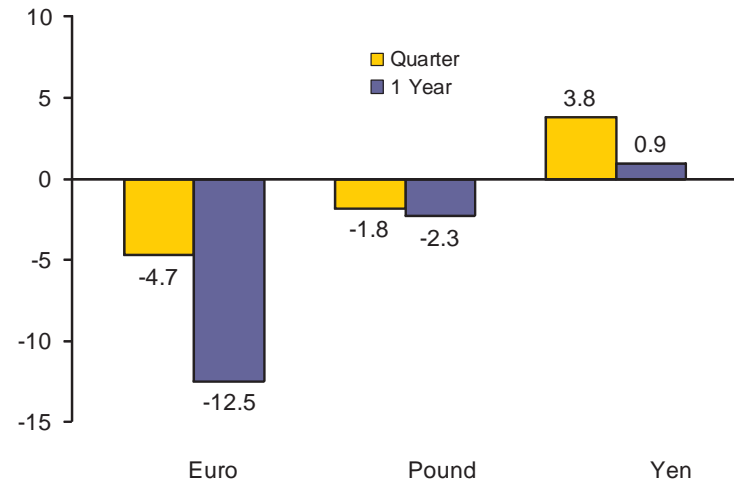


□ Neutral ■ Growth ■ Value

Currency Markets

- The euro weakened 4.7 percent in the second quarter as worries over a Greek exit from the Eurozone and a feedback loop between Spanish banks and the Spanish sovereign balance sheet exacerbated fears of a bank run across peripheral Europe.
- Decreased risk appetite led to a preference for safe-haven currencies. The flight to safety led to a quarterly increase in the yen of 3.8%.
- The US dollar trade-weighted index, which measures dollar's movement against basket of currencies, rose about 3.5% in Q2 as investors sought the safe haven of the world's reserve currency.

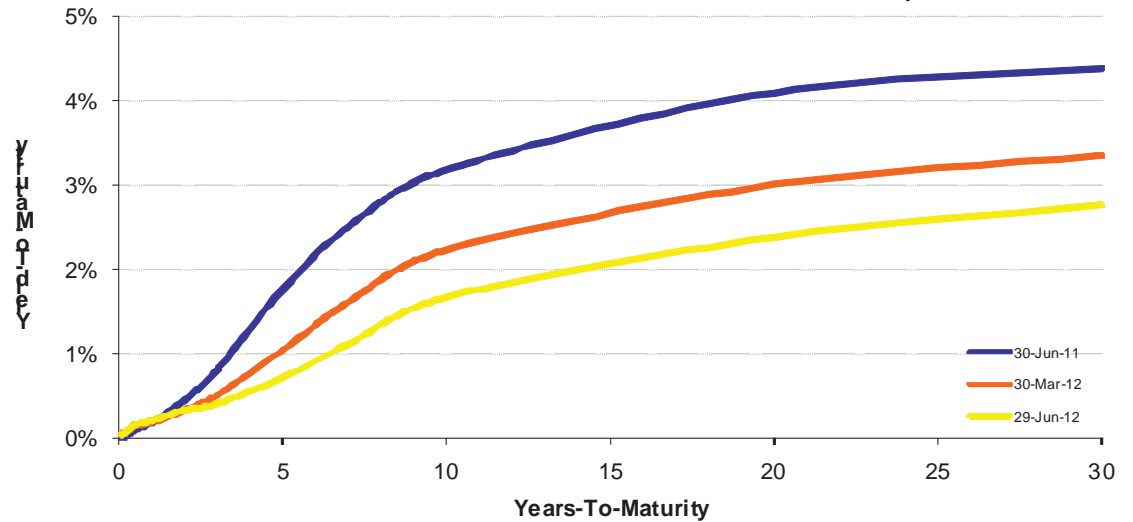
Currency Returns (%)



Yield Curve

- The second quarter in 2012 saw a flight to safety. As the situation in Europe deteriorated and growth slowed in the U.S., sentiment deteriorated and investors sought the safety of U.S. Treasuries, pushing yields to record lows.
- Consequently, the U.S. yield curve flattened in the second quarter, with yields on longer term notes falling close to 60bps relative to shorter maturities.

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

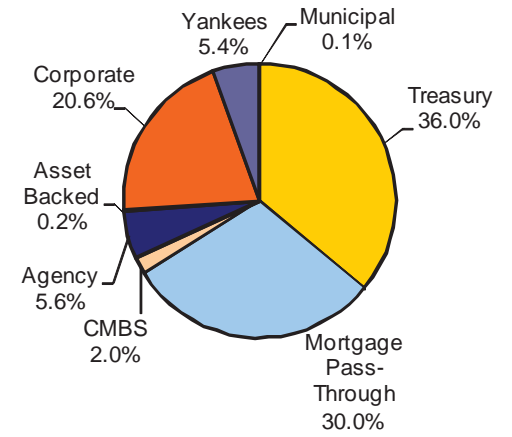


BOND MARKETS

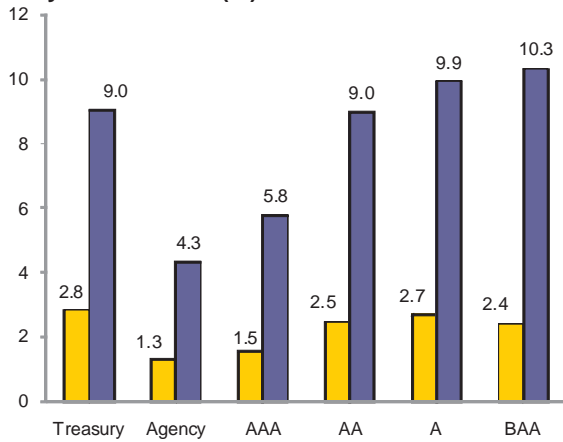
U.S. Bond Market Returns – Barclays Capital Aggregate

- Safe haven demand was on the rise, which led to Treasuries returning 2.8% in Q2. Consequently, the Barclays Capital Aggregate gained 2.1 percent in the second quarter. Of note, within investable grade bonds, A rated issues outperformed, rising 2.7% in Q2.
- With fears of an economic slowdown rising, CMBS underperformed, rising 1.1% in Q2.
- Interestingly, investors purchased longer term durations, particularly in the +10 year duration category, which rose 7.3 percent in Q2, pushing yearly returns to 24.1% at the end of Q2.

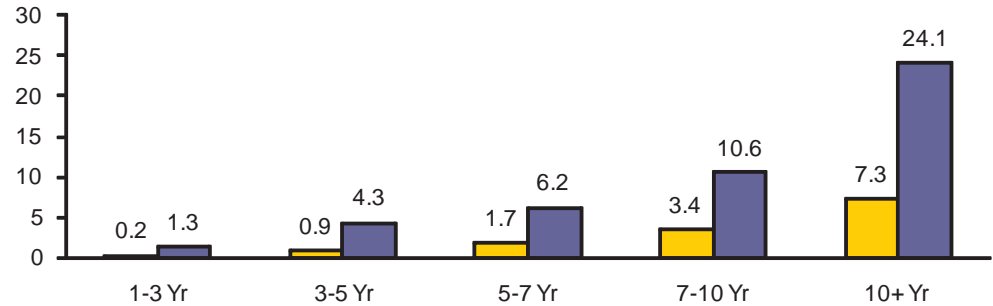
Sector Weights



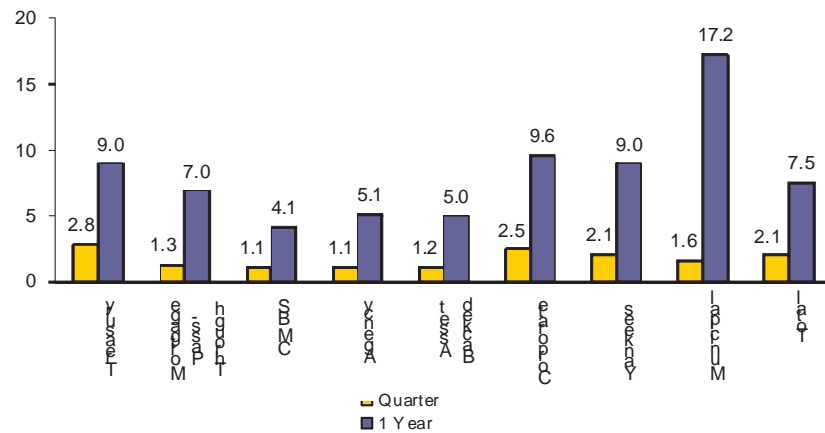
Quality Performance (%)



Duration Performance (%)



Sector Performance (%)



SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
91 Day T-Bill	Index	Composed of 91 day term treasury bills issued by the U.S. Government. Typically used as a benchmark for short-term investments.
Active Management Value Added	Equity	The value added to a portfolio by active management over a passive index investment. In equity performance attribution, it refers to the difference between the equity only and buy & hold return, representing the value added to the equity portfolio from the transactions occurring during the quarter.
Active Return	General	The difference between the manager's return and the benchmark's return. The active return reflects the manager's added value over the benchmark.
Allocation Index	General	Illustrates how the fund's actual asset allocation would have performed if it were invested in passive indices. The prior month's actual asset allocation from the composite fund is multiplied by the index returns for each manager's benchmark on a monthly basis to obtain the allocation index return for the quarter.
Alpha	General	The difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.
Annualized Rate of Return	General	The constant return needed each year of the period in question to provide the amount of wealth gained by the end of the period.
Average Market Capitalization	Equity	The position weighted average of all the securities' market capitalizations in the portfolio.
Average Life	Fixed Income	Market value-weighted average time to stated maturity for all securities in the portfolio.
Beta	Equity	The sensitivity of the rate of return of a portfolio or security to market fluctuations. A beta of .95 means that on average when the market moves X%, the portfolio (or security) will move X% * .95.
Buy & Hold Return	Equity	The return on the portfolio assuming the equity positions which were held at the beginning of the quarter were held throughout the quarter.
Citigroup Non-US World Gov't Bond Index	Index	This index is market value weighted and composed of the available market for domestic Government bonds in nine countries. It includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of US \$25 million.
Composite Fund	General	A composite consisting of all of the plan's portfolios. Returns are calculated by aggregating each manager's market value and transactions.
Core Fixed Income Manager	Fixed Income	Core fixed income managers have a duration ranging from 80-120% of the Barclays Aggregate and focus on sector or individual bond selection to create portfolios.

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
Core Equity Managers	Equity	Core equity managers buy a mixture of value and growth stocks, without any strong style biases apparent. The most common benchmark is the S&P 500 Index.
Corporate Plan Universe	General	A total plan universe comprised of all Corporate Defined Benefit and VEBA plans in the ICC database. There are approximately 400 plans in this universe.
Country Selection	International	The excess performance that can be attributed to country allocation decisions.
Current Coupon	Fixed Income	Current annual income generated by the total portfolio.
Domestic Equity Composite	General	A composite consisting of all the fund's equity portfolios with U.S. equity mandates. Returns are calculated by aggregating each manager's market value and transactions.
Domestic Fixed Composite	General	A composite consisting of all the fund's fixed income portfolios with U.S. fixed income mandates. Returns are calculated by aggregating each manager's market value and transactions.
Duration	Fixed Income	A measure of a bond or bond portfolio's responsiveness to changes in interest rates, determined by the size and timing of future cash flows (interest, principal, and pre-payment of principal).
Endowment/Foundation Universe	General	A total plan universe comprised of all Endowment and Foundations in the ICC database. There are approximately 270 plans in this universe.
Equity Only Return	Equity	The total return of the equity positions in the portfolio.
Equity Segment Yield	Equity	The dividend yield of the entire equity portfolio.
Explicit Currency	International	The portion of the international portfolio performance attribution due to intentional currency hedging.
Five Year Earnings Growth	Equity	Represents the smoothed earnings growth rate of a firm (or portfolio) over the past 20 quarters.
Growth Equity Managers	Equity	Growth managers buy companies that are expected to have above average long-term growth earnings relative to the price of the stock. These stocks are usually selling at high price/book, high price/earning ratios.
High Yield Fixed Income Manager	Fixed Income	High yield managers invest in lower quality, higher yielding issues; generally companies who are experiencing financial difficulty or have limited financing means.
ICC	General	The State Street Bank/Independent Consultants Cooperative is formed by State Street Bank (formerly Deutsche Bank) and twelve independent consulting firms. As a member of the SSB/ICC, SIS uses the SSB/ICC software and database to provide performance measurement and analytical service to plan sponsors.
Implicit Currency	International	The portion of the international portfolio performance attribution due to the currency implicit in the country allocation compared to the benchmark's currency allocation.
Interest Rate Anticipator Fixed Income Manager	Fixed Income	Interest rate anticipators attempt to add value primarily through interest rate forecasting and adjusting the duration of the portfolio to respond favorably to the expected change in interest rates.

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
Intermediate Fixed Income Manager	Fixed Income	Intermediate fixed income managers invest in high quality issues with a duration that is 40-80% of the Barclays Aggregate.
International Equity Composite	International	A composite consists of all the fund's international equity managers. Returns are weighted by each manager's market value within the fund.
Barclays Aggregate Index	Index	Measures the total return of all major sectors of the domestic, taxable bond market (approx. 5400 fixed income securities). The index contains all the investment grade issues in the Barclays Capital Government/Corporate and the Barclays Capital Mortgage-Backed Securities Indexes.
Barclays Government/Credit Index	Index	A composite index consisting of all publicly issued, fixed rate, non-convertible, domestic debt of the U.S. government and domestic debt of the three major corporate classifications. The index is market capitalization weighted, and mortgages are excluded.
Long Fixed Income Manager	Fixed Income	Managers with portfolios having a duration greater than 120% of the Barclays Aggregate Bond Index.
Market Value	Equity	What the market is willing to pay for a specific amount of a security (or portfolio of securities). This is determined by multiplying the latest price of each stock (or bond) by the number of shares held.
Maturity - Return Decomposition	Fixed Income	Represents the amount of active return due to the spreads of different maturities of the same issue.
Median	General	Represents the fund (or manager) where half the universe has a higher return than the fund (or manager), and half has lower returns. By definition the median is the 50th percentile.
MSCI All Country World Index (ACWI) -ex US	Index	Composed of stocks of major non-US companies within the developed markets of Europe and Asia, 10% of the index is emerging markets. This index excludes all US issues.
MSCI EAFE	Index	Composed of approximately the top 60% of market capitalization of the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is market capitalization weighted using U.S. dollars.
NCREIF (National Council of Real Estate Investment Fiduciaries National Property index)	Index	Composed of 2,231 investment grade, non-agricultural properties, including wholly-owned and joint venture investment of existing properties. All properties have been acquired on behalf of tax-exempt institutions and are held in a fiduciary environment.
Price/Earnings Ratio	Equity	The dollar price of a company divided by annual earnings per common share. The P/E ratio reflects the anticipated future earnings growth and is market capitalization weighted.
Policy Index	General	Represents the fund's asset allocation policy. Returns are calculated using index returns weighted by policy allocations.

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
Price/Book Ratio	Equity	The relationship between a security's valuation by the market and the book value of assets reported. In terms of a portfolio, it is the market capitalization weighted value of all the securities within the portfolio.
Public Funds Universe	General	A total plan universe comprised of all State and Local government run pension plans in the ICC database. There are approximately 250 plans in this universe.
Quality	Fixed Income	Measures the market value weighted credit quality of the portfolio.
R-Squared	General	Indicates the proportion of the portfolio's returns that can be explained by its beta.
Return on Equity (ROE)	Equity	The earnings per share of a firm divided by the firm's book value per share. It is the return on the equity capital of a business. In terms of a portfolio, it is the market capitalization weighted ROE of all the securities within the portfolio.
Return Ranking	General	The percentile ranking of the return. For example, if a fund's (manager's) return rank is 5 then 5% of the funds in the universe had higher returns and 95% of the funds had lower returns.
Russell 1000 Equity Index	Index	The largest 1000 stocks of the Russell 3000 Index, representing approximately 92% of the total market capitalization of the Russell 3000 Index. The average market capitalization is approximately \$3.8 billion. The smallest company in the index has an approximate market capitalization of \$1350.8 million.
Russell 2000 Equity Index	Index	The smallest 2000 stocks of the Russell 3000 Index. The average market capitalization for this index is approximately \$900 million.
Russell 3000 Equity Index	Index	The largest 3000 common stocks of U.S. domiciled companies, with market capitalization adjustments for cross ownership and large private holdings.
Sector - Risk Decomposition	Fixed Income	Represents the amount of active risk within the fixed income portfolio attributable to investments in different sectors.
Security Selection	International	The effect the actual securities (net of country and currency attribution) have on a manager's performance compared to its benchmark.
Sharpe Ratio (Reward/Variability Ratio)	General	Measures the added return per unit of risk. Mathematically, it is the excess return of a portfolio divided by the standard deviation of the portfolio returns.
Short Fixed Income Manager	Fixed Income	Usually "cash" managers, the portfolio duration should be 0-40% of the Barclays Aggregate Bond Index.
Specific - Return Decomposition	Fixed Income	Represents the active return of the portfolio that cannot be explained by sector, rating, maturity, time or term. This return is specific to the bond itself.
Specific - Risk Decomposition	Fixed Income	Represents the active risk of the portfolio that cannot be explained by sector, rating, or term. This risk is specific to the bond itself.

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC


Performance Report Glossary

TERM	CATEGORY	DEFINITION
S&P 500 (Standard & Poor's 500 Index)	Index	A composite index of 400 industrial, 40 financial, 40 utility and 20 transportation common stocks. The index is capitalization-weighted, so larger companies have a greater impact on the index.
Standard Deviation (Risk) Ranking	General	The percentile ranking of the risk inherent in the funds returns (standard deviation of the returns). For example, if the fund's rank is 5 then 5% of the funds in the universe have lower standard deviations (less risk) than the fund and 95% have higher.
Standard Deviation of Return (Risk)	General	Measures the range within which an actual return may deviate from the expected rate of return over a defined time period, or the amount of risk that you incur to achieve the expected return.
Term - Return Decomposition	Fixed Income	Represents the active return due to the term structure of fixed income instruments. It looks at the active return gained due to the cash flow structure of the portfolio and any interest rate movements.
Term - Risk Decomposition	Fixed Income	Represents the risk inherent in the portfolio due to the term structure of the underlying fixed income instruments. It looks at the active risk exposure due to the cash flow structure of the portfolio and any interest rate movements.
Time-Return Decomposition	Fixed Income	Represents the active return due to cash flows at different points on the term structure of a fixed income instrument.
Total Currency	International	The portion of the international portfolio performance attribution due to the total currency effect (implicit and explicit) of the portfolio.
Total Performance Attribution	International	The difference between the portfolio total return and the benchmark total return. It is the sum of attribution due to country selection, implicit currency, explicit currency, security selection and other.
Total Fund	General	A plan sponsor's composite portfolio. A plan sponsor may be defined as a corporate plan, public fund, trust, endowment, foundation, 401(k), Taft-Hartley, health & welfare, etc.
Total Fund Universe	Total Fund	This universe is an aggregation of institutional custodial data submitted by the ICC, selected regional banks, and the ICC consulting firms. The total fund universe contains an estimated 1,550 accounts. Specialty total fund universes are subset universes containing a plan sponsor type and/or size.
Total Rate of Return	General	Incorporates both realized and unrealized capital gains and losses, as well as total earnings from interest and dividends on a fund or plan.
Value Equity Managers	Equity	Value managers buy companies that are under-priced relative to the equity market in general. These stocks usually sell at low price/book and low price/earning ratios.
Yield to Maturity	Fixed Income	The rate of return that would be earned if all coupon payments on a bond held to maturity could be reinvested at the same rate as the coupon of the bond.

San Mateo County Employees' Retirement Association
Board of Retirement

August 28, 2012

Agenda Item 6.5



TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Report on the Annual Review of *SamCERA's* Core Bond Portfolio Managers
(Aberdeen Asset Management, Pyramis Global Advisors, Western Asset
Management)

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

In summary, the Pyramis broad market duration strategy is a solid and straightforward offering with a modest level of tracking error. The Western Asset Management offering is a more aggressive strategy that focuses on spread sectors while combining top-down and bottom-up analysis. Aberdeen's offering is a bottom-up strategy that also focuses on spread sectors.

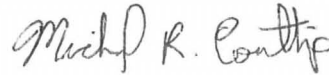
Staff and consultant will discuss at the board meeting in more detail the various roles each manager plays in the fixed income portfolio.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 6.6

To: Board of Retirement



From: Michael Coultrip, Chief Investment Officer

Subject: Presentation of Private Equity Investment Opportunity

STAFF RECOMMENDATION: Staff recommends that the board consider the private equity investment opportunity and if approved, adopt a resolution authorizing the Chair to execute all necessary paperwork to perfect the investment and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the investment.

BACKGROUND: The Board has received a confidential due diligence report concerning a private equity investment opportunity. The information contained in this report is confidential pursuant to Government Code section 6254.26.


DISCUSSION: The investment would offer the opportunity to participate in a broadly diversified portfolio of growth-oriented investments across investment stage, sector, and region with a longstanding General Partner. Faraz Shooshani (SIS) will present this agenda item including an oral review of the firm and investment focus.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 6.7

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer 

SUBJECT: Discussion of Authority to Execute Documents and Take Certain Actions In Relation to Investment Agreements on Behalf of the Board

STAFF RECOMMENDATION

Staff recommends the Board discuss whether staff should prepare a resolution to clarify the approval authority to execute investment documents and take certain actions on behalf of the Board.

BACKGROUND

As SamCERA has increased the number of investment managers and moved to build out its private equity allocation, the volume of investment management document approvals has also increased. Such approvals include the signing of initial agreements as well as review and signature approval of changes to the agreements requested by investment managers. Also, with increasing frequency, SamCERA is asked to vote on certain issues arising out of limited partnerships that may or may not require a contract amendment. Often such requests have a deadline for voting that is prior to the scheduled date of the next Board meeting.

Additionally, because the investment manager agreements are "evergreen" and are no longer brought to the Board every three years, they will need to be amended to reflect current fees or investment policies.

SamCERA's current approach on matters with deadlines that occur prior to the next Board meeting is to ask for the Board Chair's signature followed by ratification of the approval at the next Board meeting. This approach carries the risk that on some future issue the Board may not ratify the actions of the staff and Chair. In such case, SamCERA may or may not be able to unwind the approval.

Despite this risk, the current approach has worked well, partly because the immediate past chair worked close by the SamCERA office. The current chair also works close by. But at some point SamCERA will have a chair that is not so accessible.

Staff has checked with a few other '37 Act retirement systems regarding how they manage these matters. With all those we contacted, management of all document approvals is delegated to staff.

Staff would like to discuss and receive guidance from the Board on these and other matters related to the approval and execution of documents involved in managing investment relationships.

Attached is a matrix that summarizes how the staff believes such matters should be managed. Staff will talk through the matrix at the August 28 board meeting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

SamCERA Investment Manager Selection and Document Approval Authority

- *all non-private equity manager selections approved by Board*
- *all private equity manager selections above \$ __ million approved by board*
- *all private equity selections less than \$ __ million approved by staff & consultant only if timing is an issue*
- *all investment agreements (and other documents executed by staff)*
- *all housekeeping matters approved by staff*

INVESTMENT TYPE ↓	APPROVAL AUTHORITY	IMA /CONTRACT SIGNATURE APPROVAL	DAY TO DAY OPERATIONAL DOCUMENTS /HOUSEKEEPING APPROVAL & SIGNATURE AUTHORITY	REPORTING APPROVALS TO BOARD and PUBLIC
ALL NON-PRIVATE EQUITY	BOARD	CEO <i>[in consultation with CLC, CIO and Investment Consultant.]</i>	CEO <i>[in consultation with CIO, CLC and Investment Consultant.]</i>	Approval reported in board minutes.
PRIVATE EQUITY GREATER THAN \$ __ MILLION	BOARD <i>[If timing is an issue, special meeting will be called.]</i>	CEO <i>[in consultation with CLC, CIO and Investment Consultant.]</i>	CEO <i>[in consultation with CIO, CLC and Investment Consultant.]</i>	Approval reported in board minutes.
PRIVATE EQUITY LESS THAN \$ __ MILLION	CEO <i>[in consultation with CIO, CLC and Investment Consultant.]</i> <i>[If no timing issue, decision brought to Board for approval.]</i>	CEO <i>[in consultation with CLC, CIO and Investment Consultant.]</i>	CEO <i>[in consultation with CIO, CLC and Investment Consultant.]</i>	Investment Consultant to Report at Next Board meeting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 7.1

To: Board of Retirement



From: Chezelle Milan, Retirement Senior Accountant
Mabel Wong, Finance Officer

Subject: Preliminary Monthly Financial Report for the Period Ending July 31, 2012

COMMENT: The attached preliminary statements fairly represent *SamCERA's* Financial Statements.

Statement of Fiduciary Net Assets

SamCERA's Net Assets Held in Trust for Pension Benefits as of month end, totaled \$2,444,437,122.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits increased by approximately \$84 million, month over month. The increase is due to the semi-annual pre-payment of contributions of \$71.5 million received from the county in July 2012.

The following reports are attached to this agenda item:

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San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
July 2012
PRELIMINARY

	July 2012	July 2011
ASSETS		
CASH AND CASH EQUIVALENTS	117,952,260	78,983,780
SECURITIES LENDING CASH COLLATERAL	195,852,114	163,204,374
TOTAL CASH	313,804,374	242,188,154
RECEIVABLES		
Contributions	0	0
Due from Broker for Investments Sold	138,294,196	168,799,220
Investment Income	4,068,888	5,165,260
Securities Lending Income	57,803	32,438
Other Receivable	113,437	113,657
TOTAL ACCOUNTS RECEIVABLES	142,534,323	174,110,574
PREPAID EXPENSE	327,590	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	563,571,025	594,907,778
Domestic Equities	894,779,990	879,367,914
International Equities	414,750,864	398,170,534
Real Estate	146,917,122	135,475,106
Private Equities	27,040,310	7,198,250
Risk Parity	152,628,991	150,245,211
Hedge Funds	68,994,760	69,604,345
Commodities	74,518,389	75,000,000
Held for Securities Lending	0	0
Other Investment	0	0
	2,343,201,451	2,309,969,137
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	2,799,867,737	2,726,275,534
LIABILITIES		
Investment Management Fees	2,300,472	2,526,080
Due to Broker for Investments Purchased	156,730,982	196,890,166
Collateral Payable for Securities Lending	195,852,114	163,204,374
Other	547,049	606,062
TOTAL LIABILITIES	355,430,616	363,226,682
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,444,437,122	2,363,048,852

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
July 2012
Preliminary

	July 2012	July 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	71,461,889	69,824,967	1,636,922
Employee Contribution	2,820,513	2,796,875	23,638
TOTAL CONTRIBUTIONS	<u>74,282,402</u>	<u>72,621,842</u>	<u>1,660,560</u>
INVESTMENT INCOME			
Interest and Dividends	2,252,319	2,674,939	(422,620)
Net Appreciation (Depreciation) in fair value of investments	21,792,593	(16,965,881)	38,758,473
Less Investment Expense	(1,130,124)	(1,318,941)	188,817
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	<u>22,914,788</u>	<u>(15,609,883)</u>	<u>38,524,671</u>
SECURITIES LENDING INCOME			
Earnings	46,312	36,093	10,219
Less: Securities Lending Expenses	13,766	3,410	10,356
NET SECURITIES LENDING INCOME	<u>60,078</u>	<u>39,503</u>	<u>20,575</u>
OTHER ADDITIONS			
	1,644	0	1,644
TOTAL ADDITIONS	<u>97,258,912</u>	<u>57,051,462</u>	<u>40,207,450</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	10,792,477	9,958,402	834,075
Disability Retirement Allowance	1,309,902	1,227,092	82,810
Survivor, Death and Other Benefits	57,406	61,124	(3,718)
TOTAL ASSOCIATION BENEFITS	<u>12,159,785</u>	<u>11,246,618</u>	<u>913,167</u>
REFUND OF MEMBER CONTRIBUTIONS	360,892	193,618	167,274
ADMINISTRATIVE EXPENSE	311,384	306,532	4,852
OTHER EXPENSE	6,067	31,671	(25,604)
TOTAL DEDUCTIONS	<u>12,838,129</u>	<u>11,778,439</u>	<u>1,059,690</u>
NET INCREASE	84,420,783	45,273,023	39,147,760
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,360,016,338	2,317,775,829	
End of Period	2,444,437,122	2,363,048,852	

8/28/2012

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING ONE MONTH
 For the Month Ending July 31, 2012
 PRELIMINARY

	July 2012	YTD
ADDITIONS		
CONTRIBUTIONS		
Employee Contribution	2,820,513	2,820,513
Employer Contributions - Regular	5,227,912	5,227,912
Employer Contributions - COLA	3,066,756	3,066,756
Employer Prefunded Contribution	63,167,221	63,167,221
TOTAL CONTRIBUTIONS	<u>74,282,402</u>	<u>74,282,402</u>
INVESTMENT INCOME		
Interest and Dividends	2,252,319	2,252,319
Net Appreciation (Depreciation) in fair value of investments	21,794,237	21,794,237
Securities Lending Income	46,312	46,312
Other Additions	0	0
Other Investment Related Expense	(193,067)	(193,067)
Securities Lending Expense	13,766	13,766
TOTAL ADDITIONS	<u>98,195,969</u>	<u>98,195,969</u>
DEDUCTIONS		
ASSOCIATION BENEFITS		
Retiree Annuity	2,806,579	2,806,579
Retiree Pension	6,585,517	6,585,517
Retiree COLA	2,764,110	2,764,110
Retiree Death and Modified Work Benefit	3,579	3,579
Active Member Death Benefit	0	0
Voids and Reissue	0	0
TOTAL ASSOCIATION BENEFITS	<u>12,159,785</u>	<u>12,159,785</u>
REFUND OF MEMBER CONTRIBUTIONS	360,892	360,892
ACTUARIAL FEES	1,250	1,250
CONSULTANT FEES - INVESTMENT (SIS)	33,333	33,333
CUSTODIAN FEES - STATE STREET	14,968	14,968
OTHER PROFESSIONAL FEES	0	0
INVESTMENT MANAGEMENT FEE - R1000 INDEX	6,182	6,182
INVESTMENT MANAGEMENT FEE - ABERDEEN	25,974	25,974
INVESTMENT MANAGEMENT FEE - PYRAMIS	14,584	14,584
INVESTMENT MANAGEMENT FEE - ANGELO GORDON	29,167	29,167
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	10,342	10,342
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	35,844	35,844
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	35,509	35,509
INVESTMENT MANAGEMENT FEE - CHARTWELL	37,402	37,402
INVESTMENT MANAGEMENT FEE - D E SHAW	50,916	50,916
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	34,450	34,450
INVESTMENT MANAGEMENT FEE - BLACKROCK	63,847	63,847
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	60,540	60,540
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	36,320	36,320
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	57,011	57,011
INVESTMENT MANAGEMENT FEE - MONDRIAN	28,186	28,186
INVESTMENT MANAGEMENT FEE - ARTIO	(369)	(369)
INVESTMENT MANAGEMENT FEE - PYRAMIS SELECT	24,396	24,396
INVESTMENT MANAGEMENT FEE - BAILLIE GIFFORD	57,923	57,923
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	22,985	22,985
INVESTMENT MANAGEMENT FEE - INVESCO CORE	51,345	51,345
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	25,000	25,000
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	28,630	28,630
INVESTMENT MANAGEMENT FEE - ABRY PARTNERS	10,216	10,216
INVESTMENT MANAGEMENT FEE - REGIMENT	0	0
INVESTMENT MANAGEMENT FEE - GENERAL CATALYST	0	0
INVESTMENT MANAGEMENT FEE - SYCAMORE PARTNERS	0	0
INVESTMENT MANAGEMENT FEE - SYCAMORE SIDECAR	0	0
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	50,161	50,161
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	57,968	57,968
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	32,976	32,976
TOTAL PROFESSIONAL FEE	<u>937,057</u>	<u>937,057</u>
ADMIN EXPENSE - SALARIES & BENEFITS	162,722	162,722
ADMIN EXPENSE - SERVICES & SUPPLIES	148,663	148,663
TOTAL ADMINISTRATIVE EXPENSES	<u>311,384</u>	<u>311,384</u>
INTEREST FOR PREPAID CONTRIBUTION	0	0
OTHER DEDUCTIONS	6,067	6,067
TOTAL DEDUCTIONS	<u>13,775,185</u>	<u>13,775,185</u>
NET INCREASE	<u>84,420,783</u>	<u>84,420,783</u>

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending July 31, 2012

	July 2012	June 2012	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	117,952,260	46,865,659	71,086,601	151.68%
SECURITIES LENDING CASH COLLATERAL	195,852,114	199,380,508	(3,528,394)	-1.77%
TOTAL CASH	313,804,374	246,246,167	67,558,207	0
RECEIVABLES				
Contributions	0	3,702,233	(3,702,233)	N/A
Due from Broker for Investments Sold	138,294,196	125,066,558	13,227,638	10.58%
Investment Income	4,068,888	5,414,934	(1,346,046)	-24.86%
Securities Lending Income	57,803	97,138	(39,335)	-40.49%
Other Receivable	113,437	113,496	(59)	-0.05%
TOTAL ACCOUNTS RECEIVABLES	142,534,323	134,394,359	8,139,964	6.06%
PREPAID EXPENSE	327,590	7,669	319,921	4171.68%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	563,571,025	557,087,406	6,483,619	1.16%
Domestic Equities	894,779,990	902,422,401	(7,642,411)	-0.85%
International Equities	414,750,864	408,832,756	5,918,108	1.45%
Real Estate	146,917,122	146,917,122	0	0.00%
Private Equity	27,040,310	19,479,901	7,560,409	38.81%
Risk Parity	152,628,991	152,628,991	0	N/A
Hedge Funds	68,994,760	68,994,760	0	N/A
Commodities	74,518,389	69,902,427	4,615,962	6.60%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	2,343,201,451	2,326,265,764	16,935,687	0.73%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	2,799,867,737	2,706,913,958	92,953,779	3.43%
LIABILITIES				
Investment Management Fees	2,300,472	2,608,960	(308,488)	-11.82%
Due to Broker for Investments Purchased	156,730,982	141,487,676	15,243,306	10.77%
Collateral Payable for Securities Lending	195,852,114	199,380,508	(3,528,394)	-1.77%
Other	547,049	3,420,476	(2,873,428)	-84.01%
TOTAL LIABILITIES	355,430,616	346,897,620	8,532,996	2.46%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,444,437,122	2,360,016,338	84,420,783	3.58%

8/28/2012

**San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending July 31, 2012**

	July 2012	June 2012	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	71,461,889	150,949,761	(79,487,872)
Employee Contribution	2,820,513	49,687,136	(46,866,623)
TOTAL CONTRIBUTIONS	<u>74,282,402</u>	<u>200,636,897</u>	<u>(126,354,495)</u>
INVESTMENT INCOME			
Interest and Dividends	2,252,319	61,653,951	(59,401,632)
Net Appreciation (Depreciation) in fair value of investments	21,792,593	(52,162,834)	73,955,426
Less Investment Expense	(1,130,124)	(20,800,204)	19,670,080
Less Asset Management Expense	<u>0</u>	<u>0</u>	<u>0</u>
NET INVESTMENT INCOME	22,914,788	(11,309,087)	34,223,875
SECURITIES LENDING INCOME			
Earnings	46,312	452,442	(406,130)
Less: Securities Lending Expenses	<u>13,766</u>	<u>268,777</u>	<u>(255,011)</u>
NET SECURITIES LENDING INCOME	60,078	721,219	(661,141)
OTHER ADDITIONS			
	1,644	29,025	(27,381)
TOTAL ADDITIONS	<u>97,258,912</u>	<u>190,078,054</u>	<u>(92,819,143)</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	10,792,477	122,541,648	(111,749,171)
Disability Retirement Allowance	1,309,902	15,532,365	(14,222,463)
Survivor, Death and Other Benefits	57,406	1,123,837	(1,066,431)
TOTAL ASSOCIATION BENEFITS	<u>12,159,785</u>	<u>139,197,850</u>	<u>(127,038,065)</u>
REFUND OF MEMBER CONTRIBUTIONS	360,892	3,639,980	(3,279,088)
ADMINISTRATIVE EXPENSE	311,384	5,033,047	(4,721,662)
OTHER EXPENSE	6,067	(33,331)	39,399
TOTAL DEDUCTIONS	<u>12,838,129</u>	<u>147,837,545</u>	<u>(134,999,416)</u>
NET INCREASE	84,420,783	42,240,510	42,180,274
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,360,016,338	2,317,775,829	
End of Period	2,444,437,122	2,360,016,338	

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

August 28, 2012

Agenda Item 7.2

TO: Board of Retirement



FROM: Tariq Ali, Chief Technology Officer

SUBJECT: Update on Information Technology Project Progress

At the August 28 board meeting, I will review with you the current status of SamCERA's technology projects including the information below and in the attached summary from SamCERA's project management firm, LRWL, Inc.

Highlights as of August 15th 2012:

- 4.5 months into the project (20 months for entire project) 22.5% of schedule
- 24% of budgeted time used
- 23% of budget invoiced

Major tasks completed:

- 20 of 34 As-Is session draft documents delivered
- Business Process Re-engineering (BPR) To-Be Sessions
- Delivered vendor demonstration invitations
- Prepared reciprocity White Paper for CALAPRS presentation

Tasks to be completed in August:

- Remaining 14 BPR As-Is session documents
- Draft Data Quality Analysis
- Staffing Study interviews
- Prepare Reciprocity Presentation Slides

Major deliverable documents to be produced by third week of September will include:

- Final BPR As-Is Analysis
- Draft Documents:
 - To-Be Analysis
 - Electronic Content Management (ECM) Analysis
 - Data Quality Analysis
 - Overall Staffing Study

Overall the project is progressing well; it is on time, and on budget.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement



Status Report for the Period Ending 7/31/2012
San Mateo County Employees' Retirement Association (SamCERA)

Project Status Dashboard

PROJECT DIMENSION	RATING	TREND	LRWL COMMENT
OVERALL	GREEN	=	The BPR task has resulted in an achievable vision for significantly improved business processes and technology for SamCERA.
Schedule	GREEN	=	The overall project is on schedule.
Budget	GREEN	=	The LRWL invoices and hours are within budget.
Scope	GREEN	=	No change orders have been requested.

KEY:

OVERALL RATING = the lowest rating for all dimensions

OVERALL TREND = LRWL judgment based on trends for each project dimension

RATING: Green = within 2% of target

Yellow = within 10% of target

Red = more than 10% away from target

TREND: + means the Rating has moved closer to target in this period

= means the Rating has not changed since last period

- means the Rating has moved farther from the target in this period

PROJECT TASK STATUS (as of July 31, 2012)	
TASK	% COMPLETE
Project Management	18%
BPR	82%
Data Cleansing	7%
ECM	11%
PASS	
Staffing Study	10%
Oversight Project Management	
TOTAL PROJECT	13%

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Progress July 2012

1. Completed Vision and BPR To-Be Sessions (9)
2. Delivered BPR As-Is Session Draft Documents (20 of 34)
3. Delivered draft vendor demonstration invitation
4. Prepared Reciprocity White Paper

Planned Progress August 2012

1. Complete BPR As-Is Session Documents (34)
2. Complete Initial Data Quality Analysis
3. Conduct Staffing Study Interviews (12)
4. Prepare Reciprocity Presentation Slides