

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

Tuesday, May 22, 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
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
 - Heikoti Fakava
 - Enrique Marin
 - Raymond Ojeda
 - Candido Roberto Ruiz-Delgado
 - 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 and Direction to Milliman Inc. Regarding Assumptions To Be Used In The June 30, 2012, Actuarial Valuation
6. Investment Services (The Investment Committee will meet on May 22 at 10:00 AM)
 - 6.1 Acceptance of the Preliminary Monthly Portfolio Performance Report
 - 6.2 Acceptance of the Quarterly Investment Performance Analysis for Period Ended March 31, 2012
 - 6.3 Report on the Annual Review of SamCERA's Core Equity Portfolios
 - 6.3 a BlackRock Capital Management - Russell 1000 Index Fund
 - 6.3 b D.E. Shaw Investment Management
 - 6.3 c T. Rowe Price Associates
 - 6.3 d Jennison Associates
 - 6.4 Renewal of Various Investment Management Agreements
 - 6.4 a Aberdeen Asset Management Inc.
 - 6.4 b Barrow, Hanley, Mewhinney, & Strauss, Inc.
 - 6.4 c Blackrock Capital Management, Inc.
 - 6.4 d D. E. Shaw Investment Management L.L.C.
 - 6.4 e T. Rowe Price Associates, Inc.
 - 6.4 f The Boston Company Asset Management, L.L.C.
 - 6.5 Agreement to Provide Trading Costs Analysis for Equity Investments
7. Board & Management Support Services
 - 7.1 Acceptance of the Monthly Financial Report

[Continued on page 2 – Printed 05/16/12]

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

- 7.2 Review of Financial Audit Structure
- 7.3 Approval of Entrance Letter for the June 30, 2012, Financial Audit
- 7.4 Discussion of Board Committee Structure and Direction to Staff
- 7.5 Appointment of Ad Hoc Nominating Committee for Board Officers
- 7.6 Approval to Cancel the June 26 Meeting of the Board of Retirement
- 7.7 Approval to Renew Fiduciary Liability Insurance Policy

- 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:

Louie, Brad	March 25, 2012	Information Services
Bonner, James	April 1, 2012	Appraiser
Mau, Kenneth	April 3, 2012	Beneficiary of Mau, Ellen
West, Kathleen	April 4, 2012	Mental Health Services
Traves, Mark	April 6, 2012	Public Health
Woolf, Isabel	April 6, 2012	Social Services
Jensen, Jim	April 11, 2012	Public Works
White, Aileen	April 11, 2012	General Hospital
Simmen, John	April 12, 2012	Agriculture
Talley, Dovie	April 13, 2012	Public Health
Weston, Elaine	April 16, 2012	Social Services
Hoover, Mary	April 18, 2012	Beneficiary of Hoover, Fred
Hull, Cathella	April 18, 2012	Library
Ward, Edward	April 18, 2012	Probation
Rich, Grace	April 19, 2012	Mental Health Services
Lee, Richard W.	April 21, 2012	Building & Planning
Alizah, Jordana	April 24, 2012	Human Services Agency
Roach, Thomas	April 27, 2012	Building & Planning
Fakava, Heikoti	May 1, 2012	Sheriff's Office



David Bailey, Chief Executive Officer

Printed: 5/16/12

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:

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

Investment Committee

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

100 Marine Parkway, Suite 160, Redwood Shores

Tuesday, May 22, 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 Acceptance of the Preliminary Monthly Portfolio Performance Report
 - 6.2 Acceptance of the Quarterly Investment Performance Analysis for Period Ended March 31, 2012
 - 6.3 Report on the Annual Review of *SamCERA's* Core Equity Portfolios
 - 6.3 a BlackRock Capital Management - Russell 1000 Index Fund
 - 6.3 b D.E. Shaw Investment Management
 - 6.3 c T. Rowe Price Associates
 - 6.3 d Jennison Associates
 - 6.4 Renewal of Various Investment Management Agreements
 - 6.4 a Aberdeen Asset Management Inc.
 - 6.4 b Barrow, Hanley, Mewhinney, & Strauss, Inc.
 - 6.4 c Blackrock Capital Management, Inc.
 - 6.4 d D. E. Shaw Investment Management L.L.C.
 - 6.4 e T. Rowe Price Associates, Inc.
 - 6.4 f The Boston Company Asset Management, L.L.C.
 - 6.5 Agreement to Provide Trading Costs Analysis for Equity Investments
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment



Gary Clifton, Chief Investment Officer

Printed: 5/16/12

**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

Notice of a Public Meetings



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.

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.

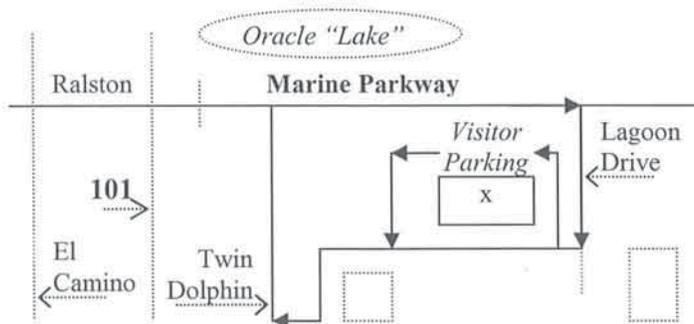
From Marine Parkway turn Right on Lagoon Drive and then immediately take the next two Right turns into our parking lot.

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.



San Mateo County Employees' Retirement Association
Minutes of the Special (Retreat) Meeting of the Board of Retirement

May 22, 2012

Agenda Item 3.0

April 24 -25, 2012 – Special Board Meeting Agenda – RETREAT

Day 1: Agenda for Tuesday April 24, 2012

PUBLIC SESSION – The Board will meet in Public Session at 9 a.m.

1. Call to Order and Roll Call
2. Oral Communications
 - 2.1 Communication from the Board
 - 2.2 Communication from the Public
3. Retreat Activities
 - 3.1 Retreat Presentations and Discussions including:
 - *SamCERA* Portfolio Update
 - Assumed Earnings Rates
 - How GASB Changes will Affect *SamCERA* and Its Employers
 - Open Discussion
4. Approval of the Minutes
5. Approval of the Consent Agenda (**Set for 3:15 p.m. time certain.***)

<ul style="list-style-type: none">○ Applications for Disability Retirement<ul style="list-style-type: none">• Sadesh Majarah- service connected• Demetric Coleman- service connected○ Service Retirements○ Continuances○ Deferred Retirements	<ul style="list-style-type: none">○ Member Account Refunds○ Member Account Rollovers○ Trustee Conference Request○ SACRS Recommended Ballot -- 2012-13 Officers○ Approval of SACRS Voting Delegates
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- 5.1 Consideration of Items, if any, removed from the Consent Agenda
6. Investment Services (**The Investment Committee will not meet in April.**)
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Approval of Private Equity Investment Opportunity (**may be heard with Portfolio Update**)
 - 6.3 Approval of Agreement with Mondrian to Manage Vivacom Stock
 - 6.4 Report on Annual Manager Review - Franklin Templeton - Global Bonds
7. Board & Management Support Services
 - 7.1 Preliminary Monthly Financial Report for the Period Ending March 31, 2012
 - 7.2 Quarterly Budget Report
 - 7.3 Approval of Sources and Uses Budget

CLOSED SESSION - The board may meet in closed session prior to recess.

- C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
- C2 Public Employee Performance Evaluation in accordance with Government Code §54957
Title: Chief Executive Officer
9. Report on Actions Taken in Closed Session
10. Recess until 9:00 a.m. Wednesday, April 25, 2012 - **End of Day One – approximate end time 5:00 p.m.**

San Mateo County Employees' Retirement Association
Minutes of the Special (Retreat) Meeting of the Board of Retirement

Day 2: Agenda For Wednesday, April 25, 2012

PUBLIC SESSION – The Board will reconvene and meet in Public Session at 9 a.m.

1. Call to Order and Roll Call

2. Oral Communications
 - 2.1 Communication from the Board
 - 2.2 Communication from the Public

3. Retreat Activities
 - 3.1 Retreat Presentations and Discussions including:
 - Trading Costs Report
 - Infrastructure Investing
 - Open Discussion

12 NOON - BOARD AND STAFF LUNCHEON

- Determining Permanent Disability
 - New FPPC Regulations Regarding Gifts
 - Status of *SamCERA's* Technology Transitions
 - Open Discussion
4. Management Reports
 - 4.1 Chief Executive Officer's Report
 - 4.2 Assistant Executive Officer's Report
 - 4.3 Chief Investment Officer's Report
 - 4.4 County Counsel's Report

 5. Adjournment

San Mateo County Employees' Retirement Association
Minutes of the Special (Retreat) Meeting of the Board of Retirement

April 24- 25, 2012 – Board Minutes

Day 1: Minutes for Tuesday April 24, 2012

0412.1 **Call to Order:** Mr. David, Chair, called the Special Meeting of the Board of Retirement to order at 9:04 a.m.

0412.1 **Roll Call:**

Present: Ms. Agnew, Ms. Arnott, Mr. David, Mr. Hackleman, Mr. Murphy, Mr. Spinello, Ms. Salas, Ms. Settles and Mr. Tashman. Ms. Kwan Lloyd arrived after the roll was called.

Excused: Mr. Bowler.

Staff: Mr. Bailey, Mr. Hood, Mr. Clifton, Ms. Carlson and Ms. Perez.

Consultants: Mr. Thomas, Mr. Brody and Mr. Shooshani from Strategic Investment Solutions.

0412.2.1 **Oral Communications From the Board:** Ms. Agnew reported her attendance at the Pension Bridge Conference and the Investors Institute. Mr. Hackleman reported on his attendance at Pension Bridge, as did Ms. Settles.

0412.2.2 **Oral Communications from the Public:** None.

0412.3 **Retreat Activities**

0412.3.1 **Retreat Presentations and Discussions**

SamCERA Portfolio Update: Mr. Bailey turned over this portion of the retreat to Mr. Clifton, and SIS Consultants Patrick Thomas and Jonathan Brody. Mr. Brody and Mr. Thomas presented SamCERA's portfolio update; a copy of the report was included in the agenda packet.

Mr. Thomas went over the history of SamCERA's portfolio and changing strategies, noting that SamCERA has broad asset class exposure and has added more diversification with global bonds and private equity over the years.

The Board adjourned for a break at 10:25 a.m. and reconvened at 10:40 a.m.

Discussion on SamCERA's portfolio continued between board members, Mr. Thomas and Mr. Brody. Conversation topics included TIPS, fixed income percentage, leverage, "chasing yields", and the European markets' influence, as well as specific questions to Mr. Thomas about the SamCERA portfolio structure. Mr. Thomas went over the "Ten Commandments of Strategic Planning" from page 22 of the report.

Mr. Faraz Shooshani discussed the history of SamCERA's involvement in private equity beginning in Q4 2010. He talked about manager selection and went through the Q4 2011 Private Equity Update page by page with the Board.

0412.6.2 **Approval of Private Equity Investment Opportunity:** Mr. Shooshani then presented the staff report for Agenda Item 6.2, which included due diligence materials. He discussed two opportunities with the Board. The first of which was Sycamore Partners. Members asked questions regarding amount of the recommendation, fund terms, legacy responsibilities, management fees and the team structure.

Action: Ms. Kwan Lloyd moved to adopt a resolution ratifying the execution of an agreement with Sycamore Partners for private equity investment management services, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. Spinello, and discussion continued. The motion carried with a vote of 6-2-1. AYES: David, Arnott, Kwan Lloyd, Hackleman, Settles, Spinello; NOES: Agnew, Tashman; ABSENT: Bowler. After a short break Mr. Shooshani continued his presentation of the second private equity opportunity with NEA 14. Mr. Shooshani described the company and discussed specifics of the fund with the board

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members. Members asked questions regarding the fund size, closing dates, management fees and status of the existing, fully deployed funds from NEA.

Action: Ms. Agnew moved to adopt a resolution ratifying the execution of an agreement with NEA 14 for private equity investment management services, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded Ms. Kwan Lloyd. The motion carried unanimously.

AYES: David, Arnott, Kwan Lloyd, Agnew, Hackleman, Settles, Spinello, Tashman; ABSENT: Bowler
Chair David adjourned the meeting for lunch at 12:31 p.m.

Vice Chair Arnott reconvened the meeting at 1:15 p.m.

Mr. David was excused for the remainder of the day.

- 0412.3.1 **Assumed Earnings Rates:** Mr. Nick Collier presented the Investment Return Assumption report to the board members, this report was included in their "Day of Meeting" folders. Mr. Collier went through the report page by page and answered questions from board members. Topics of discussion included the amortization rate and date of payoff for the unfunded liability, current assumptions, contributory rates and the county contribution.

How GASB Changes will Affect SamCERA and Its Employers: Mr. Collier discussed the impact of proposed GASB changes on pension accounting, net pension liability, and new disclosure requirements.

Board members took a break at 2:33 p.m. The meeting resumed at 2:44 p.m.

- 0412.4 **Approval of March 27, 2012 Board Meeting Minutes:** Ms. Arnott asked if there were any corrections to the minutes and none were noted.

Action: Mr. Hackleman moved to approve the minutes of the Regular board meeting held on March 27, 2012. The motion was seconded by Ms. Kwan Lloyd, and carried with the following vote:

AYES: Arnott, Agnew, Kwan Lloyd, Hackleman, Spinello, Tashman; NOES: None

ABSENT: Bowler, David ABSTAIN: Settles

The following items (6.0 and 7.0) were taken out of order to accommodate the time certain of 3:15 p.m. for the Consent Agenda and expected appearance from an applicant.

- 0412.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton presented this informational report. There was discussion about lagging performance of a manager. With no stated objections, the report was accepted.
- 0412.6.3 **Approval of Agreement with Mondrian to Manage Vivacom Stock:** Mr. Clifton explained that Vivacom is an illiquid equity that was part of the terminated Artio Investment portfolio. This agreement will authorize one of SamCERA's current investment managers to oversee this equity and liquidate it when appropriate.
Action: Ms. Settles moved to adopt a resolution authorizing the chair to execute an agreement with Mondrian Investment Partners for management of Vivacom, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. Tashman and carried unanimously, with the following vote:
AYES: Arnott, Agnew, Kwan Lloyd, Hackleman, Settles, Spinello, Tashman; NOES: None
ABSENT: Bowler, David
- 0412.6.4 **Report on Annual Manager Review – Franklin Templeton – Global Bonds:** Mr. Clifton reported on SamCERA's annual review with Franklin Templeton. Mr. Clifton, Ms. Agnew met with representatives from Franklin on April 5, 2012. The review included discussion about general economic issues and global outcomes. Ms. Agnew commented that Franklin had good insight. This item was informational and no action was taken.

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0412.7 **Board & Management Support Services**

- 0412.7.1 **Preliminary Monthly Financial Report for the Period Ending March 31, 2012:** Mr. Clifton presented the preliminary monthly financial report and noted that assets have increased a small amount. This item was informational and no action was taken.
- 0412.7.2 **Quarterly Budget Report:** Mr. Clifton discussed the budget report with the board. He noted that the budget items are on track with the exception of lease expenditures and medical evaluations. This item was informational only and no action was taken.
- 0412.7.3 **Approval of Sources and Uses Budget:** Mr. Clifton presented the staff report and discussed the additional funds proposed for medical evaluation, office space and funding of three new positions. He explained that the funds are set aside but not expended until needed. Mr. Bailey confirmed that the staffing study from the IT project would assist in identifying the staffing needs. The final proposed budget will go to the County Board of Supervisors for approval. There was further discussion about the positions to be added, the IT project and budget, the layoffs within the county, and the county hiring freeze.
Action: Mr. Hackleman moved to approve the Sources and Uses Budget, the motion was seconded by Ms. Settles and carried unanimously.

The consent agenda was heard next at the time certain of 3:15 p.m.

- 0412.5 **Approval of the Consent Agenda:** Ms. Arnott asked if there were any items to be removed from the Consent Agenda, and consideration of the disability retirement application of Mr. Coleman was removed.
Action: Mr. Hackleman moved to approve the Consent Agenda items, with the consideration of Mr. Coleman's disability application removed. The motion was seconded by Ms. Settles and carried unanimously with Mr. David and Mr. Bowler absent.

Consent Agenda

Disability Retirements

The Board found that Sadesh Maharaj is (1) disabled from performing her usual and customary duties as a Patient Services Assistant II, (2) and further found her disability is service-connected and (3) granted her application for a service-connected disability retirement.

Service Retirements

Member Name	Effective Retirement Date	Department
Hunter, Angelina	January 20, 2011	Assessor
Scholle, Gavin	October 21, 2011	QDRO of Scholle, Lynn
Szentkuti, Katherine	February 4, 2012	Library
Tyler, Eldoretha	February 9, 2012	Def'd from San Mateo Medical Center
Counts, James	February 11, 2012	Mosquito and Vector Control District
Fasshauer, Nora	February 11, 2012	District Attorney
Amideo, William	February 15, 2012	Def'd from District Attorney
Henkin-Haas, Susan	February 15, 2012	Def'd from Human Services Agency
Galindo, Paul	February 18, 2012	Public Health
Dhingra, Shashi	February 20, 2012	Def'd from San Mateo Medical Center
Addis, Jean	February 24, 2012	Def'd from San Mateo Medical Center
Bello, Carol	March 1, 2012	Sheriff's Office
Cooper, Brenda	March 1, 2012	Def'd from Behavioral Health
Curran, Donald	March 1, 2012	Parks

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0412.5 **Continuances**

Survivor's Name	Beneficiary of
Alaimo, Loralynn	Alaimo, Robert
Andersen, Barbara	Andersen, John
De La Vega, Catalina	De La Vega, Bruno
Nelson, Thomas	Nelson, Janet

Deferred Retirements

Member Name	Retirement Plan Type
Day, Christopher	G2 Vested - Reciprocity
Schofield, Lani	G4 Vested - Reciprocity
Lenz, Sarah	G4 Vested - Reciprocity
MeKee-Parks, Craig	S4 Vested

Member Account Refunds

Member Name	Retirement Plan Type
Billingsley, Janon	G4 Non-vested
Contreras, Nancy	G5 Non-vested
Cortes, Cynthia	G5 Non-vested
Dela Vega, Marie	G4 Vested
Lodge, Adam	G4 Non-vested
McLane, Jeffrey	G4 Non-vested
Salada, Claudia	G4 Non-vested

Member Account Rollovers

Member Name	Retirement Plan Type
Brennan, Robert	S4 Non-vested
Dunham, Allan	3/ G2 Vested
Villegas-Hernandez, Cristina	G4 Non-vested

Administrative Matters

The board approved of a board member's attendance at the Take Action 2012 Impact Investing Summit Conference.

The board designated Al David, Board Chair, as the Voting Delegate, David Spinello, Safety Board Member, as the First Delegate Alternate, and David Bailey, CEO, as the Second Delegate Alternate to cast *SamCERA's* votes at the Spring 2012 SACRS Conference.

CLOSED SESSION

- C1 **Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session:** The application for service connected disability retirement of Mr. Demetric Coleman was considered in closed session. The board adjourned into closed session at 3:18 p.m., and reconvened at 3:21 p.m.
Action: Ms. Carlson reported there was a motion and second to approve the staff recommendation to grant a non-service connected disability retirement. The vote was recorded as follows:
AYES: Arnott, Agnew, Kwan Lloyd, Settles, Spinello, Tashman
NOES: Hackleman ABSENT: Bowler and David
- C2 **Public Employee Performance Evaluation in accordance with Government Code §54957**
Title: Chief Executive Officer: The board adjourned into closed session at 3:24p.m. to discuss the performance evaluation of David Bailey. No action was taken.

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0412.9 **Report on Actions Taken in Closed Session** – See page 5.

0412.10 **Adjournment:** Mr. David adjourned the meeting at 3:50 p.m., scheduled to reconvene at 9:00 a.m. on Wednesday, April 25, 2012.

Day 2: Minutes For Wednesday, April 25, 2012

0412.1 **Call to Order:** Mr. David, Chair, called the Special Meeting of the Board of Retirement to order at 9:02 a.m.

Roll Call: *Present:* Ms. Agnew, Ms. Arnott, Mr. Bowler, Mr. David, Mr. Hackleman, Ms. Kwan Lloyd, Mr. Spinello, Ms. Salas, Ms. Settles and Mr. Tashman.

0412.2 **Oral Communications**

0412.2.1 **Communication from the Board:** Ms. Agnew said she would share a graph she created with the board members at the lunch break. She inquired about a news report regarding San Mateo County's offering of service credit and compensation to employees who voluntarily quit, and it was affirmed that these amounts do not impact final employee compensation formulas.

0412.2.2 **Communication from the Public:** None

0412.3 **Retreat Activities**

0412.3.1 **Trading Costs Report:** Mr. Clifton introduced Brian Greene and Vinod Pakianathan and reminded board members Mr. Greene and Mr. Pakianathan had previously presented an overview of trading costs analysis to the Board, and today's presentation is more in depth. Mr. Clifton noted due to the increase in active managers, staff is recommending using trading costs analysis for the next one to two years. Mr. Greene and Mr. Pakianathan presented a summary of trading costs, and discussed with Board members the process of calculating the costs, and how the analysis reports are used as part of an oversight program.

Mr. David adjourned the meeting at 10:18 a.m., reconvening at 10:30 a.m.

Infrastructure Investing: Mr. Clifton introduced Joel Damon and Steve Weddle from J.P. Morgan who discussed infrastructure investments with the board. Mr. Damon and Mr. Weddle presented their report and gave an overview of infrastructure opportunities. They discussed the addition of infrastructure investments as a component of a real asset profile. Discussion topics also included the volatility and risk of infrastructure investments, use of leverage and long term value of such investments.

Mr. David adjourned the meeting for lunch at 12:30 p.m. The Board reconvened at 1:20 p.m. Mr. Bowler was excused for the remainder of the day.

Determining Permanent Disability: Dr. Henry Brodtkin, medical advisor for *SamCERA*, presented his report to the board and discussed common job related injuries that can result in disability, their treatments and outcomes.

New FPPC Regulations Regarding Gifts: Ms. Carlson reviewed gift policies and reporting requirements with board members, and provided one hour of public service ethics education to those present.

The record indicates that Mr. Spinello and Mr. Tashman were excused after the FPPC discussion.

Status of *SamCERA's* Technology Transitions: Mr. Will Morrow, of L.R. Wechsler, Ltd. (LRWL), presented an outline of the IT project and business process re-engineering. He explained various components of the project and went over timelines and expected impacts to service. There was discussion concerning the

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creation of the RFP and the need to include performance standards, contingencies, and support.

Open Discussion: The floor was open for discussion of any topic. A question was asked about the composition of the Investment Committee and the process by which the committee makes recommendations to the full board. There were comments and questions about the number of board members seated on the Investment Committee and if the number can be increased. It was suggested that this topic be revisited when there is more information at a future board meeting. Open discussion continued. Topics brought up by board members included setting time aside for study sessions or special meetings where the schedule is lighter and subjects such as investment strategies can be discussed in more depth and detail.

0412.4 Management Reports

0412.4.1 **Chief Executive Officer's Report :** None

0412.4.2 **Assistant Executive Officer's Report:** None

0412.4.3 **Chief Investment Officer's Report:** None

0412.4.4 **County Counsel's Report:** Ms. Carlson discussed the current news on pension reform with the board, and provided a list of pending legislation potentially effecting *SamCERA*.

0412.5 Ms. Arnott adjourned the meeting at 4:42 p.m. The meeting was closed in memory of the following deceased members:

Hallock, James	February 8, 2012	Beneficiary of Hallock, Maria
Cerelli, Renata	February 19, 2012	Library
Demps, Bernice	February 20, 2012	San Mateo Medical Center
McPartland, Adele	March 2, 2012	Library
McClelland, Jeanne	March 5, 2012	Social Services
Smith, Beverly	March 5, 2012	Beneficiary of Smith, Earl
Stone, William F	March 8, 2012	Beneficiary of Stone, Estelle
Carlson, Robert	March 10, 2012	Beneficiary of Carlson, Elfrieda
Rucker-Jackson, Gerladine	March 10, 2012	Crystal Springs
Saq, Ekulalilit	March 10, 2012	Probation
Reyna, Ambiro	March 14, 2012	Human Services Agency
Lindner, Cecilia	March 23, 2012	San Mateo Medical Center
Tovar, Guillermo	March 24, 2012	District Attorney's Office
McGinty, Yva Jean	March 29, 2012	San Mateo Medical Center
De Lario, Dorothy	March 30, 2012	District Attorney's Office

San Mateo County Employees' Retirement Association
Minutes of the Meeting of the Investment Committee

May 22, 2012

Agenda Item 5.0

February 28, 2012 – Investment Committee Agenda

PUBLIC SESSION

- 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 Acceptance of the Preliminary Monthly Portfolio Performance Report
 - 6.2 Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011
 - 6.3 Approval of Investment Management Agreement International Large Cap Growth Manager: Baillie Gifford & Company – EAFE Plus Focus
 - 6.4 Approval of Investment Management Agreement International Small Cap Core Manager: Pyramis Global Advisors – Select International Small Cap
 - 6.5 Approval of Investment Management Agreement International Large Cap Growth Manager: Eaton Vance Management (Parametric) – Structures Emerging Markets Equity
 - 6.6 Approval of the Investment Committee's Work Plan for Fiscal Year 2012/2013
 - 6.7 Discussion and Approval of Potential Alternative Investment
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

MINUTES OF SAMCERA's Investment Committee Meeting - February 28, 2012

- 1.0 **Call to Order:** Mr. Bowler called the Public Session of the Investment Committee of the Board of Retirement to order at 10:04 a.m. February 28, 2012, in SamCERA's Board Room, Suite 160, 100 Marine Parkway, Redwood Shores, California.
- 2.0 **Roll Call:**

Present: Ms. Lauryn Agnew, Mr. Ben Bowler, Mr. Al David, and Mr. Paul Hackleman.
Staff: Mr. Scott Hood, Mr. Gary Clifton, Ms. Brenda Carlson, Ms. Lilibeth Dames and Ms. Kristina Perez.
Consultants: Mr. Jonathan Brody and Mr. Patrick Thomas, of Strategic Investment Solutions.

Miscellaneous Business: Per Government Code 54954.2, Ms. Carlson requested that an urgent additional matter, that came to the attention of staff after the agenda had been printed, be added to the agenda. Mr. David moved that Item 6.8 regarding transition management be added to the agenda as per Government Code Section 54954.2. The motion was seconded by Mr. Hackleman and carried unanimously.
- 3.0 **Oral Communications From the Committee:** Ms. Agnew offered to share articles with other trustees, and will provide those to staff for placement in DropBox.
- 4.0 **Oral Communications From the Public:** None.
- 5.0 **Approval of the Minutes:** Mr. Bowler asked if there were any corrections to the Investment Committee minutes of January 24, 2012, none were noted.

Action: Mr. David moved to approve the committee minutes of January 24, 2012; the motion was

San Mateo County Employees' Retirement Association
Minutes of the Meeting of the Investment Committee

seconded by Mr. Hackleman and carried unanimously.

- 6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Clifton presented the Preliminary Monthly Portfolio Performance report and noted no outstanding issues.

Action: This agenda item was informational. It did not require committee action.

- 6.2 **Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011:**

Mr. Brody and Mr. Thomas presented the Quarterly Investment Performance report. Mr. Thomas reviewed the report page by page with the Board members and answered questions. Board members discussed the returns, noted fourth quarter rebounds, and Blackrock's performance. With no objections noted, the committee accepted this report.

Mr. Clifton requested that the committee hear the agenda items out of order and asked the chair to continue with agenda item 6.7.

- 6.7 **Discussion and Approval of Potential Alternative Investment:** Mr. Faraz Shooshani from Strategic Investment Solutions presented the staff report for the potential private equity opportunities to the Investment Committee. Committee members asked questions about out-of-country investment risks and benefits and discussed legal issues with Ms. Carlson prior to voting. There were two actions taken on this item.

Action: Mr. Bowler moved to recommend board approval of a resolution authorizing the execution of an agreement with ChrysCapital, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. Hackleman and carried unanimously.

Action: Mr. Hackleman moved to recommend board approval of a resolution ratifying the agreement with General Catalyst, subject to approval of counsel and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. David and carried unanimously.

- 6.3 **Approval of Investment Management Agreement International Large Cap Growth Manager: Baillie Gifford & Company – EAFE Plus Focus:**

Mr. Clifton explained that the investment management agreements presented to the Committee for approval in items 6.3, 6.4 and 6.5 have been revised to include the placement agent language. Committee members discussed the changes in *SamCERA's* Investment Management Agreements.

Action: Mr. Hackleman moved to recommended that the board adopt a resolution approving the agreement with Baillie Gifford and Company, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Agnew and carried unanimously.

- 6.4 **Approval of Investment Management Agreement International Small Cap Core Manager: Pyramis Global Advisors – Select International Small Cap:** Mr. Clifton reported that he and Mr. Thomas had conducted a site visit at Pyramis and they were left with a good impression. Based on the site visit and documentation, Mr. Clifton requested the committee recommend board approval to move forward with this manager.

Action: Mr. Hackleman moved to recommended that the board adopt a resolution approving the agreement with Pyramis Global Advisors, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Mr. David and carried unanimously.

San Mateo County Employees' Retirement Association
Minutes of the Meeting of the Investment Committee

- 6.5 **Approval of Investment Management Agreement International Large Cap Growth Manager: Eaton Vance Management (Parametric) – Structures Emerging Markets Equity:** Mr. Clifton answered questions about this agreement and requested the committee recommend board approval pending approval by counsel.
Action: Mr. David moved to recommended that the board adopt a resolution approving the agreement with Eaton Vance Management (Parametric), and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Agnew and carried unanimously.
- 6.6 **Approval of the Investment Committee’s Work Plan for Fiscal Year 2012/2013:** Mr. Clifton reviewed the proposed work plan with the committee members and noted that the new Chief Investment Officer may have additional items to add to the agenda. The change from last year is the inclusion of the manager interview schedule. Committee members requested the addition of a placeholder for further discussion of *SamCERA’s* investment policy.
Action: Ms. Agnew moved to recommend board approval of the Investment Committee’s work plan for 2012/2013 with the added date for discussion of the investment policy. The motion was seconded by Mr. David and carried unanimously.
- 6.2 **Transition of International Portfolio (item added to agenda per Government code 54954.2 (b) 2)**
Ms. Carlson explained the addition of this item to the agenda was necessary due to time considerations, and to allow the transition management of the international portfolio to move forward. Ms. Carlson stated there is an existing agreement with BNY ConvergeEx, and board authorization is required to execute an amendment, a new agreement, and/or additional documents that may be needed. Ms. Carlson and Mr. Clifton answered questions from committee members.
Action: Mr. Hackleman moved to recommend board approval to authorize the Board Chair, the Vice Chair and the Chief Executive Officer, to take all actions necessary to execute, amend, initiate, implement and monitor the agreement with BNY ConvergeEx, and to provide any documents required to proceed with the execution of this agreement. The motion was seconded by Ms. Agnew and carried unanimously.
- 7.0 **Other Business:** None
- 8.0 **Chief Investment Officer’s Report:** Mr. Clifton reported that he attended the luncheon sponsored by the Clifton Group with Ms. Agnew and Mr. Bowler and cash overlay and risk parity was discussed. He noted a recent Bloomberg article reported on Franklin Templeton’s Global Bond Portfolio comeback. Mr. Clifton provided copies of Invesco’s “flash report” to the committee. He reported that he attended Aubry Partners annual meeting and noted upcoming personnel changes occurring at this company. Mr. Clifton reconfirmed SamCERA’s commitment to engage in fund advisory committees whenever possible.
- 9.0 **Adjournment:** There being no further business, Mr. Bowler adjourned the committee meeting at 12:03 p.m.

BENEDICT J. BOWLER

INVESTMENT COMMITTEE CHAIR

KRISTINA PEREZ

RETIREMENT EXECUTIVE SECRETARY

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager



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 **Heikoti Fakava** permanently disabled from the duties of a Deputy Sheriff and grant survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Kaufoon Fakava.
2. The Board find that **Enrique Marin** is (1) disabled from performing his usual and customary duties as a Road Maintenance Worker I, (2) find that his disability is service-connected and (3) grant his application for a service-connected disability retirement.
3. The Board find that **Raymond Ojeda** is (1) disabled from performing his usual and customary duties as a Deputy Probation Officer III, (2) find that his disability is service-connected and (3) grant his application for a service-connected disability retirement.
4. The Board find that **Candido Robert Ruiz-Delgado** is (1) disabled from performing his usual and customary duties as a Utility Worker II, (2) find that his disability is service-connected and (3) grant his 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
Goldstein, Alicia	March 3, 2012	Family Health
Dondershine, Harvey	March 9, 2012	Def'd from Behavioral Health
Lilles, Daisy	March 15, 2012	Admin & Emergency Med Svcs
Carter, Cedric	March 17, 2012	Superior Court
Cheng, Dennis	March 17, 2012	Superior Court

King, Martin	March 17, 2012	Superior Court
Placito- Chan, Gloria	March 17, 2012	Aging & Adult Services
Stafford, Carol	March 17, 2012	San Mateo Medical Center
Batlin, Wright	March 20, 2012	Ag Commissioner Sealer
Walia, Kulwinder	March 20, 2012	San Mateo Medical Center
Sullivan, Adrienne	March 24, 2012	Superior Court
Lopez,Sergio	March 28, 2012	Sheriff's Office
Semeit, Mary	March 28, 2012	District Attorney
Arida, Ana	March 29, 2012	Superior Court
Branshaw, Cindy	March 29, 2012	Superior Court
Corrales, Maria	March 29, 2012	Superior Court
Dakis, Alice	March 29, 2012	Superior Court
Dipratna, Sarocha	March 29, 2012	Superior Court
Goff, Linda	March 29, 2012	Superior Court
Gutierrez, Indiana	March 29, 2012	Superior Court
Henry, Mary	March 29, 2012	Superior Court
Hoss, Gregory	March 29, 2012	Sheriff's Office
Lufkins, Linda	March 29, 2012	Superior Court
Martin, Dolores	March 29, 2012	Superior Court
Montes, Socorro	March 29, 2012	Superior Court
Ochoa, Gloria	March 29, 2012	Superior Court
Rodriguez, Carmen	March 29, 2012	Superior Court
Salazar, Maria	March 29, 2012	Superior Court
Tameifuna, Maopa	March 29, 2012	Superior Court
Toomer, Melvin	March 29, 2012	Superior Court
Wilson, Diane	March 29, 2012	Def'd from Aging & Adult Services
Wise, Leslie	March 29, 2012	Superior Court
Yenkanna, Ram	March 29, 2012	Superior Court
Alvarenga, Antonio	March 30, 2012	Probation
Chong, Jacqueline	March 30, 2012	Sheriff's Office
Clifton, Gary	March 30, 2012	Retirement
Ferrier, Dennis	March 30, 2012	Def'd from Environmental Health
Kuhli, Linda	March 30, 2012	Behavioral Health

Muniz, Robert	March 30, 2012	Human Services Agency
Nowicki, Teresa	March 30, 2012	Sheriff's Office
Oliva, Pedro	March 30, 2012	Public Works
Pagmanua, Roberto	March 30, 2012	Planning and Building
Raffaeilli, Bryan	March 30, 2012	Sheriff's Office
Alcantara, Marc	March 31, 2012	Sheriff's Office
Alms, Steven	March 31, 2012	County Manager's
Alzugary, Pilar	March 30, 2012	Human Services Agency
Asche, Jeanine	March 31, 2012	Library
Atwood, Korin	March 31, 2012	Human Services Agency
Barber, Catherine	March 31, 2012	Human Services Agency
Berndtson, Ted	March 31, 2012	Sheriff's Office
Bigelow, Jacqueline	March 31, 2012	Human Services Agency
Capacillo, Ester	March 31, 2012	San Mateo Medical Center
Carpio, Rosalia	March 31, 2012	Probation
Chan, Carol	March 31, 2012	San Mateo Medical Center
Chang, Dorcas	March 31, 2012	San Mateo Medical Center
Chau, Teresa	March 31, 2012	San Mateo Medical Center
Derheim, Leroy	March 31, 2012	Sheriff's Office
Durling, Susan	March 31, 2012	Public Works
Escoto, Ron	March 31, 2012	Public Works
Farrell, James	March 31, 2012	Sheriff's Office
Gunn, Linda	March 31, 2012	Behavioral Health
Hagen, Kyle	March 31, 2012	Sheriff's Office
Hardeman, Ramona	March 31, 2012	Sheriff's Office
Huening, Tom	March 31, 2012	Controller
Joos, Barbara	March 31, 2012	Human Services Agency
Lacey, Grace	March 31, 2012	Superior Court
Lamadrid, Alex	March 31, 2012	Def'd from Admin & Emergency Med Svcs
Lanza, Stephen	March 31, 2012	Public Works
Larson, Mark	March 31, 2012	Public Works
Lucas, Esther	March 31, 2012	Behavioral Health
Lulay, William	March 31, 2012	Library
Maher, Robert	March 31, 2012	Information Services

McVay, Michael	March 31, 2012	Sheriff's Office
Minahan, John	March 31, 2012	District Attorney
Mulato, Yolanda	March 31, 2012	San Mateo Medical Center
Quijano, Luz	March 31, 2012	San Mateo Medical Center
Rodiles, Lilia	March 31, 2012	Tax Collector/Treasurer
Romine, Patricia	March 31, 2012	Behavioral Health
Rosenthal, Stephen	March 31, 2012	Library
Sabala, Romeo	March 31, 2012	San Mateo Medical Center
Salud, Editha	March 31, 2012	San Mateo Medical Center
Smith, Felice	March 31, 2012	Probation
Smith, Michael	March 31, 2012	Admin & Emergency Med Svcs
Sonnenschein, Gregg	March 31, 2012	Probation
Tilman, Nomalee	March 31, 2012	Public Health
Wei, Margaret	March 31, 2012	San Mateo Medical Center
Chaput, Stephen	April 1, 2012	Sheriff's Office
Johnson, Ronald	April 1, 2012	Sheriff's Office
McGrath, Lorraine	April 1, 2012	Sheriff's Office
Stroppini, Jack	April 1, 2012	Def'd from Social Services
Wallace, David	April 1, 2012	Sheriff's Office

Continuances

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

Survivor's Name	Beneficiary of:
Durling, Susan	Reyna, Ambiro
Tovar, Nancy	Tovar, Guillermo

Deferred Retirements

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

Member Name	Retirement Plan Type
Biear, Cathrina	G4 Vested
Haro, Fernando	G2 Vested

Loesch, Susan	G2 Vested
Nguyen, Meriam	G4 Vested

Member Account Refunds

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

Member Name	Retirement Plan Type
Barberena, Nestor	G4 Vested
Donovan, Carmelita	G2 Vested
Espinoza, Peggy	G4 Vested
Hester, Sylvia	G4 Vested
Jones, Sharon	G4 Vested
Moralez, Celestina	Beneficiary of Leija, Dolores
Nagarajan, Padmakumar	G4 Non-vested
Nieblas, Maria	Beneficiary of Leija, Dolores
Orozco, Margarito	Beneficiary of Leija, Dolores
Placido, Liberato	G4 Non-vested
Regala, Josie	G4 Non-vested
Sala, Siolo	G4 Vested
Wilson, Marjorie	Beneficiary of Price, Barbara

Member Account Rollovers

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

Member Name	Retirement Plan Type
Barreto, Giuseppina	G4 Vested
Lopez, Mekila	G4 Vested
Wright, Andrew	G4 Non-vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Consideration and Direction to Milliman Inc. Regarding Assumptions To Be Used In The June 30, 2012, Actuarial Valuation

Staff Recommendation

Staff recommends that the board review, discuss and provide direction to Milliman, Inc regarding the economic and demographic actuarial assumptions to be used in the June 30, 2012, actuarial valuation.

Issue

This agenda item is to provide guidance to Milliman, Inc. regarding the demographic and economic assumptions that Milliman will use in its June 30, 2012, actuarial valuation of the system. No change is recommended to any of the assumptions that were used in the last valuation except for the assumed investment return rate. For that assumption, Milliman has provided the attached slides, which will be presented at the May 22, 2012, meeting by Milliman lead actuary, Nick Collier. Staff will present a recommendation regarding the assumed investment return rate at that time.

Background

Nick Collier, Milliman, Inc., discussed economic assumptions, particularly the assumed investment return rate and its components (the inflation and real return assumptions), at the board's April retreat.

These assumptions will come before the board for final adoption at the July board meeting. However, Milliman needs direction from the board as to the assumptions which will form the basis of its preliminary work in preparing the 2012 actuarial valuation.

The attached slides discuss the impact of lowering the assumed investment return rate from 7.75% to 7.50% or a lower rate.



Valuation Preview

Discussion of Assumptions to be Used in June 30, 2012 Actuarial Valuation

presented by

Nick Collier, ASA, EA, MAAA

May 22, 2012



Overview

- Follow-up to discussion at Board Retreat
 - Recap of Economic Assumptions
 - New Projection Scenarios
 - Additional Discussion
- Discussion of assumptions to be used in 2012 valuation



Demographic Assumptions

- Recommendation: Retain prior assumptions
 - Studied in detail in 2011
 - Includes modified retirement rates for Plans 5 & 6 from Addendum to the valuation

Economic Assumptions

■ Inflation

- Currently 3.5% -- Our recommendation to other clients has been to move toward 3.0%

■ Investment Return

- Currently 7.75% -- Our recommendation to other clients has been to move lower
- Capital Market Assumptions generally predict lower returns, but there is a wide range



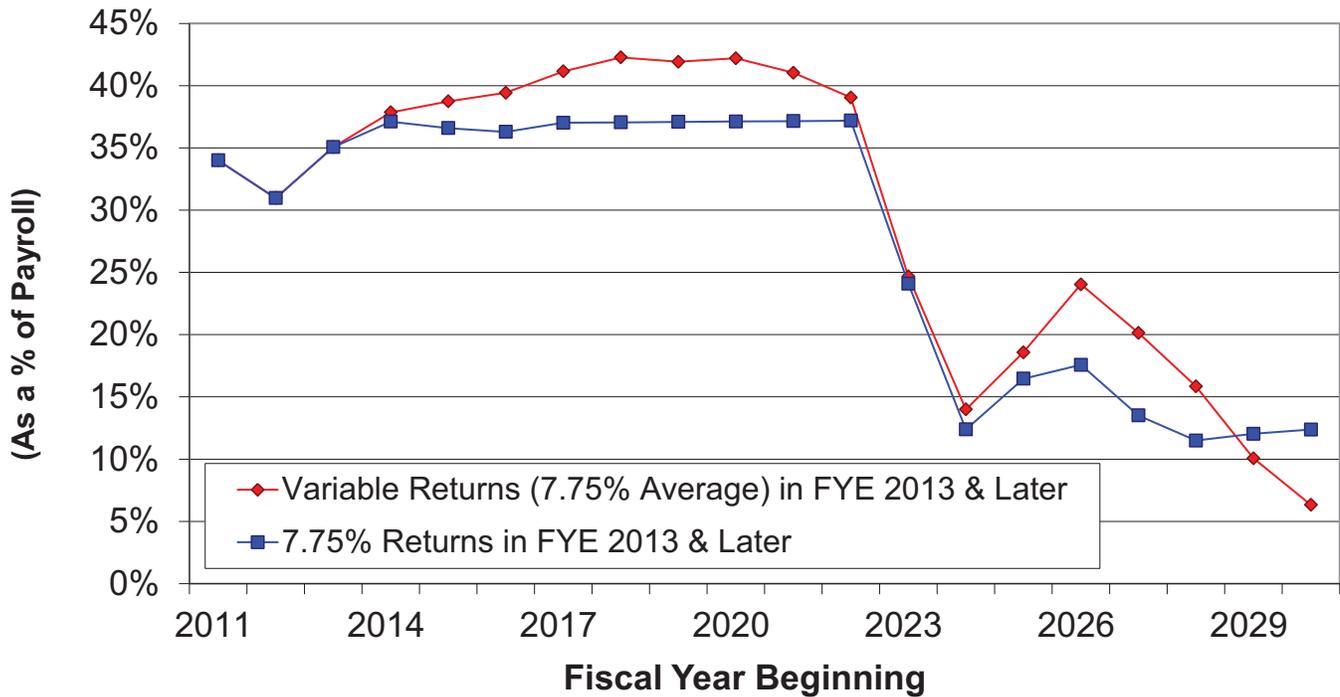
Step 2 – Selecting a Specific Assumption

- Many factors to be considered
 - Conservatism
 - What happens if assumption is not met?
 - Financial impact
 - County
 - Members
 - What are other systems doing?



What Happens if Assumptions are Met

Projected County Contribution Rate
No Change in Assumptions and 0% Return in FYE 2012

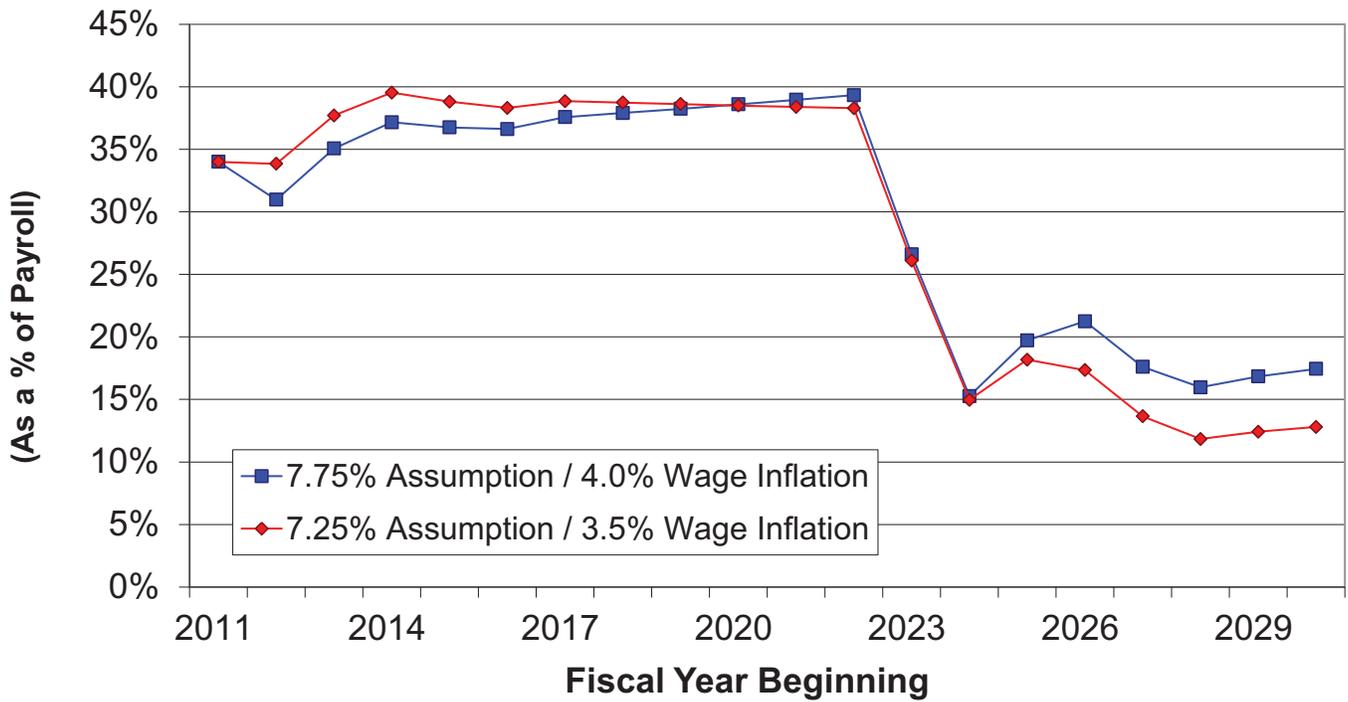


Assumptions are Met (continued)

- FYB 2013 Employer rate is still projected to increase
 - Calculated rate goes from about 31% of pay to 35% of pay
 - Preliminary estimate prior to valuation
 - Primarily due to recognition of prior assets losses
 - County is currently contributing at 34% of pay
 - Increase of 1% of pay = \$4.0M (approx.)
 - Relative to rate County is currently paying
 - Assumes 0% return for FYE 2012
 - Assumes County payroll = \$400M
 - Other factors will impact final result, including:
 - Actual investment return
 - Changes in payroll (layoffs, salaries, etc.)
 - Assumption changes

What Happens if Assumption is not Met

Projected County Contribution Rate
0% Return in FYE 2012 and 7.25% Returns Thereafter



Additional Impact of Lower Return Assumption

- Members
 - Increase in member contribution rates
 - Increase in service purchase (ARC) cost
 - Small reduction in optional forms of benefit generally

Alternatives

- Stay the Course
- Small Change (0.25% reduction)
 - Inv. Ret = 7.5% / CPI = 3.25% / Wage = 3.75%
 - Assumed COLA increases also reduced (0.1% for Plans 2 & 4)
- Medium Change (Additional 0.25% reduction from Small)
- Large Change
 - Inv. Ret = 7.0% / CPI = 3.0% / Wage = 3.5%
 - Assumed COLA increases also reduced (0.1% for Plans 2 & 4)
 - Would cause large increase in County rate
 - Could consider change in amortization (20 Years)

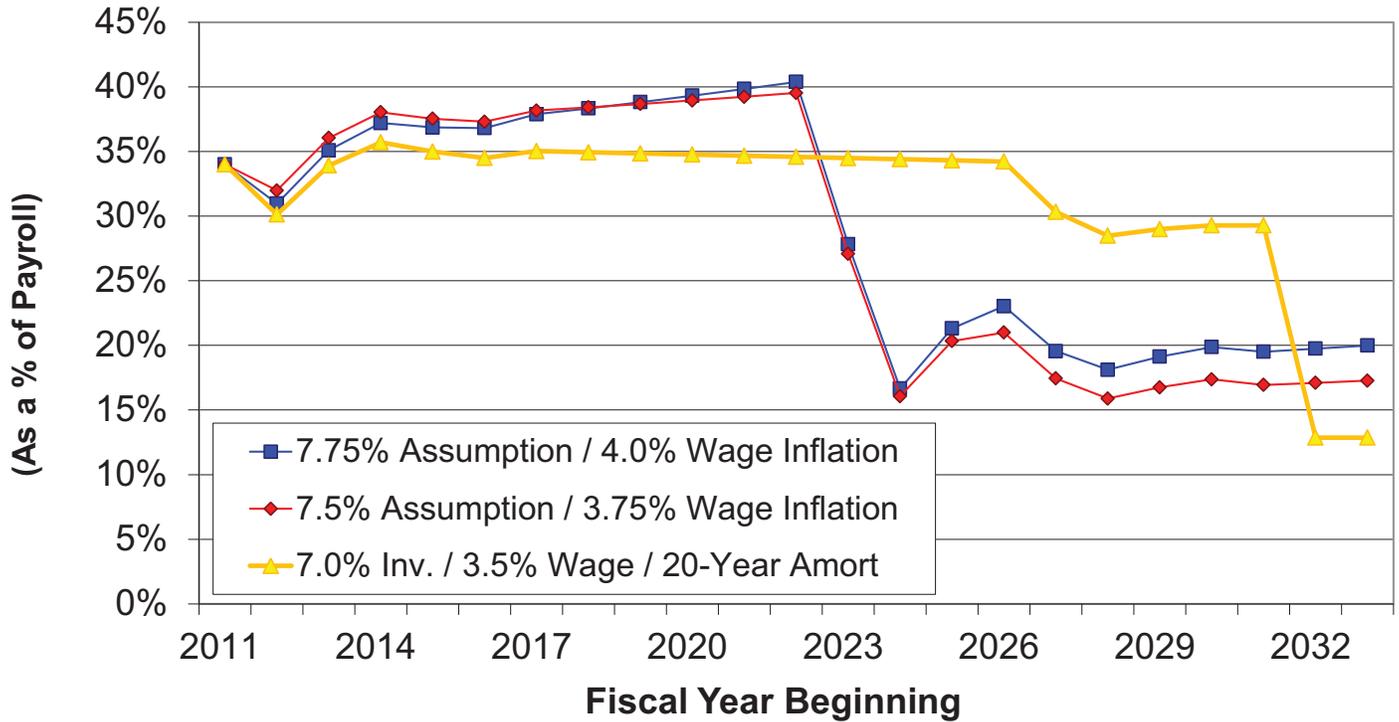
Alternatives – Financial Impact

- If Applied to June 30, 2011 valuation
 - For comparison only

	No Change	Small	Medium	Large
<i>Assumptions and Methods</i>				
Investment Return	7.75%	7.50%	7.25%	7.00%
Wage Inflation	4.00%	3.75%	3.50%	3.50%
Amortization of Current UAAL	No Change	No Change	No Change	20 Years
<i>Average Contribution Rate</i>				
Member	10.3%	10.5%	10.7%	11.0%
Employer	31.0%	32.1%	33.2%	30.1%

Alternatives – Projection

Projected County Contribution Rate
0% Return in FYE 2012 and 7.00% Returns Thereafter



Alternatives – Financial Impact

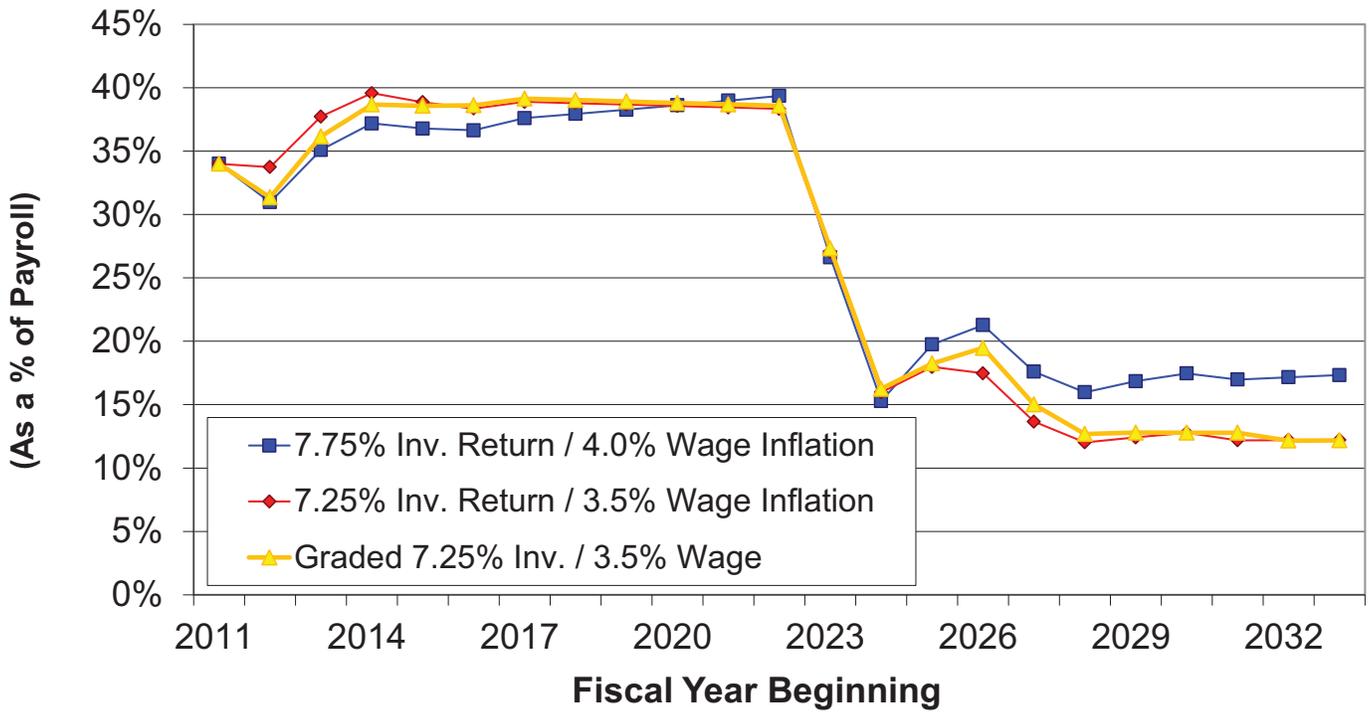
- \$ Impact of Small Change – Members
 - General Plan 4 member earning \$65,000 a year
 - (Entry age = 35)
 - Increase in bi-weekly contribution from \$248.50 to \$253.00
- \$ Impact of Small Change – County
 - Increase of 1.1% of pay = \$4.4M (approx.)
 - Relative to staying at 7.75%
 - Assumes County payroll = \$400M

Other Retirement Systems

- Majority of systems use very similar approach to *SamCERA*
- Nationally
 - Large statewide systems are gradually moving below 8%
- '37 Act Systems
 - Majority at 7.75% -- A few more and a few less
- California Systems (Statewide)
 - All at 7.5% (CalPERS, CalSTRS and UC)
- Graded decreases in investment return assumption
 - LACERA, LACERS, SBCERS (Santa Barbara), WA State

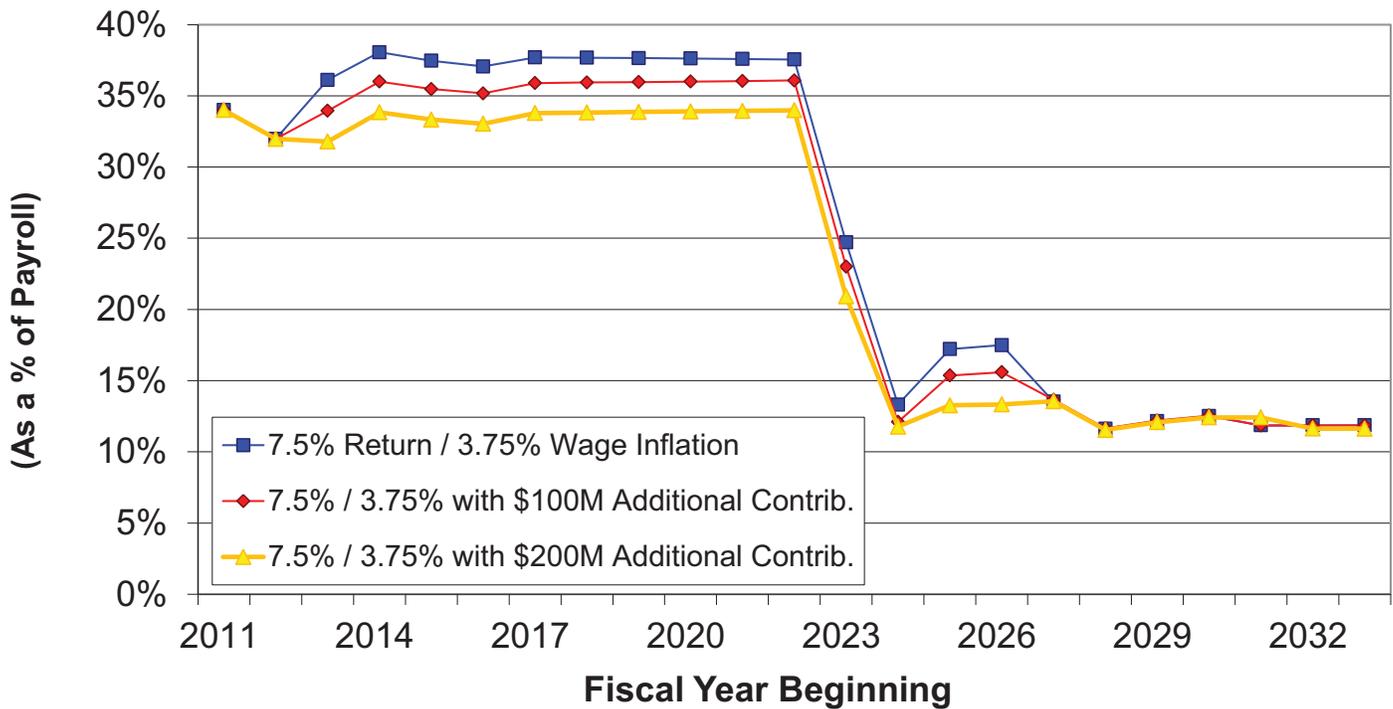
Additional Alternatives – Graded Assumptions

**Projected County Contribution Rate
0% Return in FYE 2012 and 7.25% Returns Thereafter**



Additional Alternatives – Lump Sum

**Projected County Contribution Rate
0% Return in FYE 2012 and 7.5% Returns Thereafter**



Conclusion

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

Questions

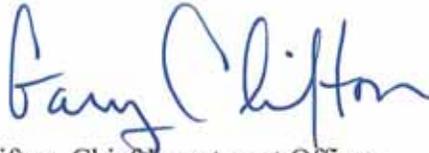


SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.1

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Preliminary Monthly Portfolio Performance Report for the Period Ending **April 30, 2011**

COMMENT: 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.

The fund's preliminary return for the trailing twelve months is 0.49%. The twelve-month period is 726 basis points (bps) below the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 91 basis point behind *SamCERA's* Total Plan Policy Benchmark of 1.40%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

Most U.S. stock indexes moved modestly lower in April as global economic worries outweighed generally positive first-quarter earnings reports. China announced that its growth was slowing, raising concerns about the health of the global economy and whether U.S. firms would lose some of the export momentum they have enjoyed in recent quarters. Investors appeared particularly worried that Spain and Italy might not be able to keep borrowing rates at manageable levels once European banks stop purchasing their bonds with funds from a European Central Bank loan program. A worsening financial crisis and recession in Europe might threaten U.S. credit growth and hurt U.S. firms operating in the region. Some signs that the U.S. economy was experiencing a third consecutive springtime slowdown also weighed on sentiment.

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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	-0.57%	7.04%	12.92%	4.16%
D.E. Shaw Investment Management, LLC	-0.44%	9.20%	16.96%	8.18%
T. Rowe Price Associates	-0.77%	7.14%	13.24%	5.50%
Barrow, Hanley, Mewhinney & Strauss	-1.46%	6.34%	11.59%	0.34%
BlackRock Capital Management, Inc.	-0.73%	8.70%	11.54%	-1.56%
Large Cap Aggregate	-0.82%	7.63%	12.95%	2.60%
The Boston Company	-0.74%	4.49%	16.06%	1.72%
Chartwell Investment Partners	-0.22%	7.71%	16.50%	1.91%
Jennison Associates	-1.54%	2.31%	9.04%	-3.09%
Small Cap Aggregate	-0.92%	4.41%	12.84%	-0.40%
Artio Global Investors	N/A	N/A	N/A	N/A
Baillie Gifford	N/A	N/A	N/A	N/A
Eaton Vance - Parametric	-1.42%	N/A	N/A	N/A
Mondrian Investment Partners	-2.80%	1.81%	0.70%	-9.09%
Pyramis Global Advisors -	-0.79%	N/A	N/A	N/A
International Aggregate	-1.34%	3.12%	1.98%	-12.46%
Total Equity	-1.00%	5.77%	9.57%	-2.73%
Aberdeen Asset Management	1.20%	1.61%	4.36%	8.24%
Angelo Gordon	0.00%	7.45%	17.42%	-2.49%
Brigade Capital Management	1.15%	3.90%	7.01%	6.95%
Brown Brothers Harriman	2.23%	0.93%	4.11%	12.82%
Franklin Templeton	1.01%	3.84%	4.99%	1.64%
Pyramis Global Advisors	1.21%	1.10%	3.38%	7.74%
Western Asset Management	0.99%	5.35%	4.21%	8.16%
Total Fixed Income	1.20%	3.02%	5.19%	6.48%
Private Equity (1)	-1.50%	3.34%	-7.00%	-14.46%
AQR's Global Risk Premium (Risk Parity)	0.00%	0.70%	5.82%	4.07%
AQR's Delta Fund (Hedge Fund)	0.00%	-1.97%	0.71%	N/A
SSgA/SSARIS Commodity	0.92%	5.41%	4.61%	N/A
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	0.00%	1.77%	4.93%	14.59%
Cash	0.07%	0.21%	0.36%	0.75%
Total Portfolio	-0.19%	4.12%	7.15%	0.49%

(1) As month end, SamCERA has committed to five private equity investments totaling \$80 million.

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 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	168,444,026	-0.57	7.04	12.92	7.15	4.16	10.91	19.95	2.83	1.31	5.13	8.41	04/01/1995
DE SHAW INVESTMENT MGT, LLC	123,728,388	-0.44	9.20	16.96	10.47	8.18	11.38					17.30	08/01/2009
<i>RUSSELL 1000</i>		-0.58	7.03	12.89	7.11	4.11	10.84	19.88	2.75	1.23	5.09		
T. ROWE PRICE ASSOCIATES	119,624,632	-0.77	7.14	13.24	8.49	5.50	10.71					15.75	08/01/2009
<i>S&P 500</i>		-0.63	7.08	12.77	7.75	4.76	10.81					15.85	
BARROW HANLEY	166,223,326	-1.46	6.34	11.59	2.64	0.34	9.00					15.06	08/01/2009
<i>RUSSELL 1000 VALUE</i>		-1.02	5.98	11.62	4.25	1.03	7.90					14.56	
BLACKROCK	176,090,832	-0.73	8.70	11.54	2.71	-1.56	9.75					14.90	08/01/2009
<i>RUSSELL 1000 GROWTH</i>		-0.15	8.06	14.13	10.02	7.28	13.86					18.00	
LARGE CAP AGGREGATE	754,111,203	-0.82	7.63	12.95	5.64	2.60	9.80	18.91	2.19	-0.02	4.63	8.13	04/01/1995
<i>RUSSELL 1000</i>		-0.58	7.03	12.89	7.11	4.11	10.84	19.88	2.75	1.23	5.09	8.39	
BOSTON COMPANY ASSET MGT, LLC	53,545,940	-0.74	4.49	16.06	7.25	1.72	7.07					16.74	08/01/2009
<i>RUSSELL 2000 VALUE</i>		-1.45	3.12	11.47	0.15	-4.06	4.84					15.19	
CHARTWELL INVESTMENT MGMT	64,478,111	-0.22	7.71	16.50	6.51	1.91	17.56	27.23	5.70	4.54		7.28	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		-1.64	3.66	10.58	-0.39	-4.42	11.60	21.83	5.93	3.28		5.73	
JENNISON ASSOCIATES	87,422,899	-1.54	2.31	9.04	-0.25	-3.09	11.87	23.97	6.69			7.92	04/01/2008
SMALL CAP AGGREGATE	205,446,951	-0.92	4.41	12.84	3.46	-0.40	12.34	24.93	4.18	-0.17	4.89	5.37	07/01/1999
<i>RUSSELL 2000</i>		-1.54	3.39	11.02	-0.12	-4.25	8.17	20.34	4.81	1.45	6.19	5.99	
DOMESTIC EQUITY AGGREGATE	959,558,154	-0.84	6.89	12.97	5.12	1.87	10.32	20.08	2.62	-0.00	4.69	7.37	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMA</i>		-0.80	6.19	12.47	5.45	2.17	10.23	19.95	3.17	1.29	5.35		

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 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
INTERNATIONAL EQUITY													
ARTIO GLOBAL INVESTOR	3,881,655												12/01/2004
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		-0.54	4.50	4.26	-7.43	-11.12	4.06	15.20	-3.56	-1.47		5.93	
BAILLIE GIFFORD OVERSEAS LIMITED	148,855,751												04/01/2012
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		-0.54										-0.54	
EATON VANCE MANAGEMENT	54,379,528												04/01/2012
<i>MSCI Em Markets (USD) GDR</i>		-1.17										-1.17	
MONDRIAN INVESTMENT PARTNERS	189,663,823												12/01/2004
<i>MSCI ACWI EX US VALUE (GROSS)</i>		-2.80	1.81	0.70	-6.49	-9.06	3.73	12.84	-3.31	-2.73		5.54	
<i>MSCI ACWI EX US VALUE (GROSS)</i>		-2.45	0.89	1.67	-9.95	-13.84	1.06	12.85	-4.13	-3.17		5.32	
PYRAMIS	44,907,141												04/01/2012
<i>MSCI ACWI ex US Small Cap Gross</i>		-0.09										-0.09	
<i>MSCI ACWI ex US Small Cap Gross</i>		-0.79										-0.79	
TOTAL INTERNATIONAL EQUITY	441,687,897												10/01/1996
<i>MSCI AC WORLD ex US (GROSS)</i>		-1.34	3.12	1.98	-9.02	-12.46	1.46	11.08	-5.74	-4.63	5.13	5.40	
<i>MSCI AC WORLD ex US (GROSS)</i>		-1.49	2.70	2.97	-8.69	-12.48	2.58	14.04	-3.83	-2.30	7.50	5.31	
TOTAL EQUITY AGGREGATE	1,401,246,052												04/01/1995
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		-1.00	5.77	9.57	0.60	-2.73	7.54	17.35	0.03	-1.37	4.68	7.02	
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		-1.04	5.02	9.21	0.49	-2.98	7.61	17.98	0.91	0.17	5.71		
PRIVATE EQUITY													
ABRY ADVANCED SEC II LP	6,092,447												06/01/2011
<i>ABRY ADVANCED SEC II LP</i>		-0.00	13.26	-5.56	-5.38							-17.02	
ABRY PARTNERS VII LP	2,094,275												09/01/2011
<i>ABRY PARTNERS VII LP</i>		0.00	4.67	-5.36								5.14	
GENERAL CATALYST GROUP	8,871												02/01/2012
<i>GENERAL CATALYST GROUP</i>		-91.13	-91.13									-91.13	
REGIMENT CAPITAL FUND	3,792,423												08/01/2011
<i>REGIMENT CAPITAL FUND</i>		0.87	0.87	1.57								3.84	
SHERIDAN PRODUCTION PARTNERS	1,901,000												11/01/2010
<i>SHERIDAN PRODUCTION PARTNERS</i>		-7.35	-14.33	-21.05	-9.30	-13.97						-80.47	
<i>RUSSELL 3000 + 3%</i>		-0.41	7.52	14.39	9.15	6.50						17.41	

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 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 PRIVATE EQUITY	13,889,016	-1.50	3.34	-7.00	-6.13	-14.46						-80.55	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		-0.41	7.52	14.39	9.15	6.50							
RISK PARITY													
AQR GLOBAL RISK PREM III LP	152,686,940	-0.00	0.70	5.82	5.17	4.07						8.12	03/01/2011
TOTAL RISK PARITY	152,686,940	-0.00	0.70	5.82	5.17	4.07						8.12	03/01/2011
<i>RISK PARITY BENCHMARK</i>		0.05	4.25	8.57	6.90	5.45							
HEDGE FUND													
AQR DELTA FUND II, L.P.	67,793,530	0.00	-1.97	0.71	-2.40							-2.34	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.04	2.11	3.53							3.89	
HEDGE FUND COMPOSITE	67,793,530	0.00	-1.97	0.71	-2.40							-2.34	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.04	2.11	3.53							3.89	
COMMODITIES													
SSGA MULTISOURCE ACT COMM NL	72,523,142	0.92	5.41	4.61								-3.30	08/01/2011
TOTAL COMMODITIES	72,523,142	0.92	5.41	4.61								-3.30	08/01/2011
<i>DJ-UBS COMMODITY</i>		-0.43	-1.99	-5.48								-13.22	
DOMESTIC FIXED INCOME													
ABERDEEN ASSET MANAGEMENT	110,675,191	1.20	1.61	4.36	7.66	8.24	8.07	12.20	5.80	4.91	5.33	6.20	06/01/2000
ANGELO GORDON GECC PPI FUND	32,698,737	-0.00	7.45	17.42	3.28	-2.49	11.15					18.20	12/01/2009
PYRAMIS GLOBAL ADVISORS	90,193,281	1.21	1.10	3.38	6.84	7.74	7.49	10.69	7.96	6.77		6.52	02/01/2006
WESTERN ASSET MGMT	88,957,390	0.99	5.35	4.21	7.34	8.16	8.24	12.58	7.89	6.62		6.05	11/01/2004
<i>BARCLAYS AGGREGATE BOND</i>		1.11	0.53	2.44	6.47	7.54	6.44	7.06	6.24	6.37	5.71		

San Mateo County

Summary of Fund Performance With 4 Years

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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
BRIGADE CAPITAL MANAGEMENT	53,429,625	1.15	3.90	7.01	6.56	6.95						10.33	08/01/2010
<i>BC BA INTERMEDIATE HIGH YIELD INDEX</i>		1.05	2.79	6.02	7.23	7.25						9.77	
BROWN BROTHERS HARRIMAN & CO	80,134,297	2.23	0.93	4.11	11.27	12.82						10.73	08/01/2010
<i>BARCLAYS US TIPS INDEX</i>		2.12	0.58	3.83	10.86	12.09						10.65	
INTERNATIONAL FIXED INCOME													
FRANKLIN TEMPLETON INVESTMENTS	108,604,616	1.01	3.84	4.99	2.32	1.64						6.44	01/01/2011
<i>BC MULTIVERSE</i>		1.17	0.52	1.16	3.36	3.33						5.93	
TOTAL FIXED INCOME													
TOTAL FIXED INCOME AGGREGATE	564,693,137	1.20	3.02	5.19	6.43	6.48	8.28	12.22	7.51	6.34	5.96	6.20	01/01/1996
<i>SAMCERA TOTAL FIXED INCOME BENCH</i>		1.33	0.73	2.69	6.94	7.80	7.26	7.60	6.65	6.69	5.87	5.98	
REAL ESTATE													
INVESCO REAL ESTATE	144,721,125	0.00	1.77	4.93	7.16	14.59	17.67	1.45	-2.97	-0.38		5.94	10/01/2004
TOTAL REAL ESTATE AGGREGATE	144,721,125	0.00	1.77	4.93	7.16	14.59	17.67	1.45	-2.97	-0.38	7.71	7.59	01/01/1997
<i>SAMCERA NCREIF NFI ODCE EW (Gross)</i>		0.00	2.82	5.92	9.42	13.72	16.79	2.87	-3.23	-0.07	6.61	7.55	
CASH EQUIVALENTS													
SAMCERA GENERAL ACCOUNT	11,482,076	0.02	0.05	0.08	0.11	0.38	0.30	0.29	0.63	1.43	2.07	2.68	07/01/1999
SAMCERA TREASURY & LAIF	3,635,491	0.07	0.21	0.44	0.79	1.01	1.08	1.11	-0.07	0.81	1.99	3.36	07/01/1994
TOTAL CASH AGGREGATE	15,117,567	0.07	0.21	0.36	0.57	0.75	0.91	0.97	0.07	0.87	2.01	2.61	07/01/1999
<i>91 DAY T-BILL</i>		0.00	0.02	0.01	0.03	0.05	0.11	0.12	0.38	1.14	1.89	2.54	

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 2012



STATE STREET

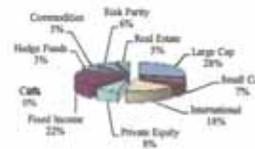
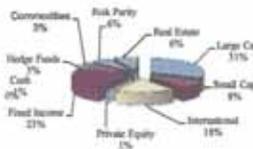
	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
TOTAL FUND													
TOTAL FUND	2,432,670,509	-0.19	4.12	7.15	2.26	0.49	8.10	14.25	2.07	0.98	5.48	6.30	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		-0.29	3.80	7.33	3.50	1.40	8.79	14.79	2.94	2.53	6.21	6.59	
ACTUARIAL DISCOUNT RATE		0.62	1.88	3.80	6.42	7.75	7.75	7.75	7.75	7.75	7.88		

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending April 30, 2012

Actual versus Target Allocation

Portfolio	Market Value	Allocation		Percentage Off Target	Rebalance Range
		Current	Target *		
BlackRock Russell 1000	\$168,444,026	6.92%	6.50%	0.42%	±3%
D.E. Shaw Investment Management, LLC	\$123,728,388	5.09%	4.25%	0.84%	±3%
T. Rowe Price Associates	\$119,624,632	4.92%	4.25%	0.67%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$166,223,326	6.83%	6.50%	0.33%	±3%
BlackRock Capital Management, Inc.	\$176,090,832	7.24%	6.50%	0.74%	±3%
Large Cap Aggregate	\$754,111,203	31.00%	28.00%	3.00%	
The Boston Company	\$53,545,940	2.20%	1.75%	0.45%	±3%
Chartwell Investment Partners	\$64,478,111	2.65%	1.75%	0.90%	±3%
Jennison Associates	\$87,422,899	3.59%	3.50%	0.09%	±3%
Small Cap Aggregate	\$205,446,951	8.44%	7.00%	1.44%	
Baillie Gifford	\$148,855,751	6.12%	6.00%	0.12%	±3%
Eaton Vance - Parametrics Emerging Markets	\$54,379,528	2.24%	2.25%	-0.01%	±3%
Moodian Investment Partners	\$189,663,823	7.80%	8.00%	-0.20%	±3%
Pyramis Global Advisors - Intl. Small Cap	\$44,907,141	1.85%	1.75%	0.10%	±3%
International Aggregate	\$437,806,243	18.00%	18.00%	1.44%	±3%
Total Equity	\$1,397,364,397	57.44%	53.00%	4.44%	
Aberdeen Asset Management	\$110,675,191	4.55%	3.75%	0.80%	±2%
Angelo Gordon	\$32,698,737	1.34%	1.63%	-0.28%	±2%
Brigade Capital Management	\$53,429,625	2.20%	1.63%	0.57%	±2%
Brown Brothers Harriman	\$80,134,297	3.29%	3.00%	0.29%	±2%
Franklin Templeton	\$108,604,616	4.46%	4.50%	-0.04%	±2%
Pyramis Global Advisors	\$90,193,281	3.71%	3.75%	-0.04%	±2%
Western Asset Management Company	\$88,957,390	3.66%	3.75%	-0.09%	±2%
Total Fixed Income	\$564,693,137	23.21%	22.00%	1.21%	
Private Equity	\$14,039,016	0.58%	8.00%	-7.42%	N/A
AQR Global Risk Premium	\$152,686,940	6.28%	6.00%	0.28%	N/A
AQR Delta Fund (Hedge Fund)	\$67,793,530	2.79%	3.00%	-0.21%	N/A
SSGA/SSARIS Multisource Commodities	\$72,523,142	2.98%	3.00%	-0.02%	N/A
Alternative Investments	\$307,042,629	12.62%	20.00%	-7.38%	
INVESCO Realty Advisors	\$144,721,125	5.95%	5.00%	0.95%	±2%
Cash	\$18,999,222	0.78%	0.00%	0.78%	
Total	\$2,432,820,509	100.00%	100.00%		

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



San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending April 30, 2012

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	\$168,444,026	\$169,417,443	-0.6%	\$194,909,636	-13.6%
D.E. Shaw Investment Management, LLC	\$123,728,388	\$124,279,598	-0.4%	\$114,376,732	8.2%
T. Rowe Price Associates	\$119,624,632	\$120,547,158	-0.8%	\$113,386,965	5.5%
Barrow, Hanley, Mewhinney & Strauss	\$166,223,326	\$168,680,817	-1.5%	\$176,570,445	-5.9%
BlackRock Capital Management, Inc.	\$176,090,832	\$177,386,052	-0.7%	\$178,886,408	-1.6%
Large Cap Aggregate	\$754,111,203	\$760,311,068	-0.8%	\$778,130,185	-3.1%
The Boston Company	\$53,545,940	\$53,944,781	-0.7%	\$52,638,880	1.7%
Chartwell Investment Partners	\$64,478,111	\$64,623,155	-0.2%	\$63,270,085	1.9%
Jennison Associates	\$87,422,899	\$88,788,195	-1.5%	\$127,701,172	-31.5%
Small Cap Aggregate	\$205,446,951	\$207,356,131	-0.9%	\$243,610,138	-15.7%
Artio	\$148,855,751	\$151,233,129	-1.6%	\$235,083,338	N/A
Baillie Gifford funded on April 3rd	\$0	\$0	N/A	\$0	N/A
Eaton Vance - Parametrics Emerging Markets	\$54,379,528	\$55,161,079	N/A	\$0	N/A
Mondrian Investment Partners	\$189,663,823	\$194,894,333	-2.7%	\$236,119,607	-19.7%
Pyramis Global Advisors - Int'l. Small Cap	\$44,907,141	\$44,949,735	N/A	\$0	N/A
International Aggregate	\$437,806,243	\$446,238,276	-1.9%	\$471,202,944	-7.1%
Total Equity	\$1,397,364,397	\$1,413,905,475	-1.2%	\$1,492,943,267	-6.4%
Aberdeen Asset Management	\$110,675,191	\$109,366,835	1.2%	\$121,688,806	-9.1%
Angelo Gordon	\$32,698,737	\$32,407,568	0.9%	\$38,088,842	-14.2%
Brigade Capital Management	\$53,429,625	\$52,819,965	1.2%	\$49,958,730	6.9%
Brown Brothers Harriman	\$80,134,297	\$78,385,561	2.2%	\$47,877,297	67.4%
Franklin Templeton	\$108,604,616	\$107,520,771	1.0%	\$106,852,299	1.6%
Pyramis Global Advisors	\$90,193,281	\$89,117,881	1.2%	\$112,151,864	-19.6%
Western Asset Management Company	\$88,957,390	\$88,082,404	1.0%	\$115,493,642	-23.0%
Total Fixed Income	\$564,693,137	\$557,700,985	1.3%	\$592,111,480	-4.6%
Private Equity	\$14,039,016	\$13,776,619	1.9%	\$1,555,000	802.8%
Risk Parity	\$152,686,940	\$154,371,700	-1.1%	\$140,894,740	8.4%
Hedge Funds	\$67,793,530	\$69,636,840	-2.6%	\$0	N/A
Comodities	\$72,523,142	\$71,860,145	0.9%	\$0	N/A
Alternative Investments	\$307,042,629	\$309,645,304	-0.8%	\$142,449,740	N/A
INVESCO Realty Advisors	\$144,721,125	\$142,552,672	1.5%	\$126,673,968	14.2%
Cash	\$18,999,222	\$26,077,544	-27.1%	\$8,331,320	128.0%
Total	\$2,432,820,509	\$2,449,881,980	-0.7%	\$2,362,509,775	3.0%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	57.4%	57.7%	-0.3%	63.2%	-5.8%
Total Fixed Income	23.2%	22.8%	0.4%	25.1%	-1.9%
Alternative Investments	12.6%	12.6%	0.0%	6.0%	6.6%
Real Estate	5.9%	5.8%	0.1%	5.4%	0.6%
Cash	0.8%	1.1%	-0.3%	0.4%	0.4%
Total	100.0%	100.0%		100.0%	

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending April 30, 2012

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1) Ten Months	Two Years	Three Years	Five Years	Ten Years
Equity Aggregate	\$1,397,364,397	-1.00%	5.77%	9.57%	-2.73%	0.60%	7.54%	17.35%	-1.37%	4.68%
Equity Composite Benchmark		1.04%	5.02%	9.21%	-2.98%	0.49%	7.61%	17.98%	0.17%	5.71%
Variance		-2.04%	0.75%	0.36%	0.25%	0.11%	-0.07%	-0.63%	-1.54%	-1.03%
Private Equity Aggregate	\$14,039,016	-1.50%	3.34%	-7.00%	-14.16%	-6.13%	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		-0.41%	7.52%	14.39%	6.50%	9.15%	N/A	N/A	N/A	N/A
Variance		-1.09%	-4.18%	-21.39%	-20.66%	-15.28%	N/A	N/A	N/A	N/A
Risk Parity Aggregate	\$152,686,940	0.00%	0.70%	5.82%	4.07%	5.17%	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		0.05%	4.25%	8.57%	5.45%	6.90%	N/A	N/A	N/A	N/A
Variance		-0.05%	-3.55%	-2.75%	N/A	-1.73%	N/A	N/A	N/A	N/A
Hedge Fund Aggregate	\$67,793,530	0.00%	-1.97%	0.71%	N/A	-2.40%	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.04%	2.11%	N/A	3.53%	N/A	N/A	N/A	N/A
Variance		-0.35%	-3.01%	-1.40%	N/A	-5.93%	N/A	N/A	N/A	N/A
Commodities	\$72,523,142	0.92%	5.41%	4.61%	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		-0.43%	-1.99%	-5.48%	N/A	N/A	N/A	N/A	N/A	N/A
Variance		1.35%	7.40%	10.09%	N/A	N/A	N/A	N/A	N/A	N/A
Fixed Income Aggregate	\$564,693,137	1.20%	3.02%	5.19%	6.48%	6.43%	8.28%	12.22%	6.34%	5.96%
Fixed Income Composite Benchmark		1.33%	0.73%	2.69%	7.80%	6.94%	7.26%	7.60%	6.69%	5.87%
Variance		-0.13%	2.29%	2.50%	-1.32%	-0.51%	1.02%	4.62%	-0.35%	0.09%
Real Estate Aggregate (2)	\$144,721,125	0.00%	1.77%	4.93%	14.59%	7.16%	17.67%	1.45%	-0.38%	7.71%
NCREIF NFI ODCE EW (Gross)		0.00%	2.82%	5.92%	13.72%	9.42%	16.79%	2.87%	-0.07%	6.61%
Variance		0.00%	0.00%	-0.99%	0.87%	-2.26%	0.88%	-1.42%	-0.31%	1.10%
Cash Aggregate	\$18,999,222	0.07%	0.21%	0.36%	0.75%	0.57%	0.91%	0.97%	0.87%	2.01%
91 Day Treasury Bill		0.00%	0.02%	0.01%	0.05%	0.03%	0.11%	0.12%	1.14%	1.89%
Variance		0.07%	0.19%	0.35%	0.70%	0.54%	0.80%	0.85%	-0.27%	0.12%
Total Fund Returns	\$2,432,820,509	-0.19%	4.12%	7.15%	0.49%	2.26%	8.10%	14.25%	0.98%	5.48%
Total Plan Policy Benchmark		0.29%	3.80%	7.33%	1.40%	3.50%	8.79%	14.79%	2.53%	6.21%
Variance		-0.48%	0.32%	-0.18%	-0.91%	-1.24%	-0.69%	-0.54%	-1.55%	-0.73%

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,432,820,509	-0.19%	4.12%	7.15%	0.49%	2.26%	8.10%	14.25%	0.98%	5.48%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	6.42%	7.75%	7.75%	7.75%	7.88%
Variance		-0.81%	2.24%	3.35%	-7.26%	-4.16%	0.35%	6.50%	-6.77%	-2.40%

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

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

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending April 30, 2012

Manager & Benchmark Performance

Manager Performance

Portfolio	Trailing					Fixed Year to Date Ten Months	One Year	Two Year	Three Year	Four Year	Five Year	Ten Year
	One Month	Three Months	Six Months	Nine Months	Twelve Months							
BlackRock Russell 1000	-0.7%	7.0%	12.9%	4.3%	7.1%	4.1%	10.9%	19.9%	2.0%	1.1%	3.1%	
D.E. Shaw Investment Management, LLC	-0.4%	8.2%	16.9%	8.1%	10.4%	8.1%	11.3%	N/A	N/A	N/A	N/A	
T. Rowe Price Associates	-0.7%	7.4%	12.2%	5.0%	8.4%	5.3%	10.7%	N/A	N/A	N/A	N/A	
Barron, Hanley, Mowbray & Strauss	-1.4%	6.5%	11.5%	0.5%	2.5%	0.3%	9.0%	N/A	N/A	N/A	N/A	
BlackRock Capital Management, Inc.	-0.7%	8.3%	11.5%	-1.5%	2.7%	-1.5%	9.7%	N/A	N/A	N/A	N/A	
Large Cap Aggregate	-0.5%	7.0%	12.0%	2.0%	5.0%	2.0%	9.0%	18.0%	1.0%	-0.5%	4.0%	
The Boston Company	-0.2%	4.4%	10.0%	1.0%	2.0%	1.0%	7.0%	N/A	N/A	N/A	N/A	
Charwell Investment Partners	-0.2%	7.7%	16.5%	1.1%	6.1%	1.0%	17.0%	22.0%	0.5%	4.5%	N/A	
Janison Associates	-1.5%	2.7%	9.4%	-3.0%	-0.2%	-1.0%	11.8%	21.9%	0.8%	N/A	N/A	
Small Cap Aggregate	-0.9%	4.4%	13.8%	-0.4%	1.6%	-0.4%	12.2%	24.9%	4.1%	-0.1%	6.0%	
Arts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Belle Gifford	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Stone Vector - Parametrica Emerging Markets	-1.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mutual Investment Partners	-2.8%	1.1%	0.7%	-0.9%	-4.4%	-0.9%	3.7%	12.8%	-1.1%	-2.7%	N/A	
Praxis Global Advisors - Int'l. Small Cap	-0.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
International Aggregate	-1.3%	1.3%	1.9%	-1.4%	-0.2%	-1.4%	1.6%	11.0%	-5.5%	-4.3%	5.1%	
Total Equity	-1.0%	5.7%	9.3%	-1.1%	1.6%	-1.1%	7.4%	17.1%	0.0%	-1.7%	4.6%	
Aberdeen Asset Management	1.2%	1.6%	4.3%	8.3%	7.6%	8.2%	6.0%	12.3%	3.8%	4.9%	3.7%	
Anglo Gordon	0.0%	7.4%	17.4%	-2.4%	1.2%	-2.4%	11.1%	N/A	N/A	N/A	N/A	
Regade Capital Management	1.1%	3.9%	7.0%	6.7%	6.9%	6.9%	N/A	N/A	N/A	N/A	N/A	
Brown Brothers Harriman	2.2%	0.0%	4.1%	12.4%	11.2%	11.2%	N/A	N/A	N/A	N/A	N/A	
Franklin Templeton	1.0%	3.8%	4.9%	1.4%	2.2%	1.4%	N/A	N/A	N/A	N/A	N/A	
Praxis Global Advisors	1.2%	1.1%	3.3%	7.5%	6.8%	7.5%	7.4%	10.6%	5.9%	6.7%	N/A	
Western Asset Management Company	0.9%	5.1%	4.1%	8.1%	7.5%	8.1%	8.2%	12.5%	7.9%	6.2%	N/A	
Total Fixed Income	1.2%	3.0%	3.9%	4.4%	6.3%	6.4%	8.2%	12.2%	7.1%	6.3%	5.9%	
Private Equity	-1.5%	1.3%	-7.0%	-14.4%	-1.1%	-14.4%	N/A	N/A	N/A	N/A	N/A	
Risk Parity	0.0%	0.7%	3.8%	4.7%	3.1%	4.0%	N/A	N/A	N/A	N/A	N/A	
Hedge Funds	0.0%	-1.9%	0.7%	N/A	-2.4%	N/A	N/A	N/A	N/A	N/A	N/A	
SLGA	0.0%	5.4%	6.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Alternative Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
INVERCO Realty Advisors	0.0%	1.7%	4.9%	14.0%	1.0%	14.0%	17.4%	1.4%	-2.4%	-0.1%	2.7%	
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total	-0.1%	4.1%	7.1%	0.4%	1.3%	0.4%	8.1%	14.2%	2.0%	0.9%	1.4%	

Benchmark Performance

Russell 1000	-0.5%	7.0%	12.8%	4.1%	7.1%	4.1%	10.8%	19.8%	2.0%	1.2%	3.0%
S&P 500	-0.5%	7.0%	12.7%	4.0%	7.0%	4.0%	10.8%	N/A	N/A	N/A	N/A
Russell 1000 Value	-1.0%	5.9%	11.6%	1.0%	4.2%	1.0%	10.0%	N/A	N/A	N/A	N/A
Russell 1000 Growth	-0.1%	8.0%	14.1%	7.9%	10.0%	7.9%	11.8%	N/A	N/A	N/A	N/A
Russell 2000	-1.2%	3.9%	11.0%	-4.2%	-0.2%	-4.2%	8.1%	20.3%	4.1%	1.0%	6.1%
Russell 2000 Value	-1.5%	3.1%	11.7%	-4.0%	0.1%	-4.0%	4.8%	N/A	N/A	N/A	N/A
Russell 2000 Growth	-1.6%	3.6%	10.8%	-4.2%	-0.3%	-4.2%	11.6%	21.8%	5.0%	2.8%	N/A
S&P 500 ex US (Gross)	-1.4%	2.7%	2.9%	-12.4%	-6.4%	-12.4%	2.8%	14.0%	-3.3%	-2.3%	5.5%
S&P 500 ex US Value (Gross)	-0.5%	4.5%	4.2%	-11.1%	-7.4%	-11.1%	4.0%	11.2%	-1.3%	-1.7%	N/A
S&P 500 ex US Growth (Gross)	-2.4%	6.8%	1.8%	-11.8%	-6.9%	-11.8%	1.0%	12.8%	-4.1%	-3.1%	N/A
Russell 2000 + 3% (Private Equity)	-0.4%	7.2%	14.3%	8.9%	9.1%	8.9%	N/A	N/A	N/A	N/A	N/A
60% Russell 2000 / 40% Barclays Aggregate (Risk Parity)	0.0%	4.2%	9.7%	5.4%	6.9%	5.4%	N/A	N/A	N/A	N/A	N/A
LDQR +4% (Hedge Fund)	0.3%	1.0%	2.1%	N/A	3.5%	N/A	N/A	N/A	N/A	N/A	N/A
DJ - US Composite Index	-0.4%	-1.9%	-0.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	1.1%	0.7%	2.4%	7.5%	6.7%	7.4%	6.4%	7.6%	6.2%	6.7%	5.7%
Barclays U.S. TIPS Index	2.1%	2.9%	3.0%	12.8%	10.6%	12.9%	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	1.0%	2.7%	6.0%	2.2%	2.2%	2.2%	N/A	N/A	N/A	N/A	N/A
Barclays Capital Midterm Index	1.7%	0.2%	1.1%	3.2%	3.2%	3.2%	N/A	N/A	N/A	N/A	N/A
WCEIF NY OCEX EW (Gross)	0.0%	2.6%	5.0%	11.7%	6.2%	11.7%	10.2%	2.6%	-2.7%	-0.7%	6.1%
91 Day Treasury Bill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	1.8%	1.8%
SanCEJA Plan Policy Benchmark	0.2%	3.0%	7.7%	1.6%	3.0%	1.6%	8.7%	14.7%	2.5%	2.0%	6.2%
SanCEJA Actuarial Discount Rate	0.6%	1.8%	1.8%	7.5%	6.4%	7.5%	7.5%	7.5%	7.5%	7.5%	7.8%

(1) SanCEJA Fund Flow to 11/30/2011
 (2) Refer to page 11 for benchmark details.

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending April 30, 2012

Realized & Unrealized Gain / (Loss)

Portfolio	Beginning	(1)	Contributions/ (Withdrawals) for the FYTD	Ending	Prior Years	FYTD	Ending
	Book Balance As of 07/01/2011	Realized Gain / (Loss) for the FYTD		Book Balance As of 04/30/2012	Accumulated Unrealized Gains / (Loss)	Unrealized Gains / (Loss)	Market Value As of 04/30/2012
BlackRock Russell 1000	\$116,239,675.42	4,747,118	15,000,000	\$135,986,793.01	\$25,789,141	\$6,668,091	\$168,444,025
D.E. Shaw Investment Management LLC	\$104,437,429.03	5,873,800		\$110,311,229.07	\$7,566,467	\$5,850,693	\$123,728,388
T. Rowe Price Associates	\$90,671,733.96	4,585,034		\$95,256,768.39	\$19,588,947	\$4,778,917	\$119,624,632
Barrow Hanley	\$137,062,910.95	5,437,858	(10,000,000)	\$132,500,768.76	\$35,541,811	(\$1,819,254)	\$166,223,326
BlackRock	\$137,507,026.05	2,695,172		\$140,202,198.50	\$33,938,711	\$1,949,922	\$176,090,832
The Boston Company	\$42,422,535.09	4,038,385		\$46,460,919.74	\$7,503,042	(\$418,021)	\$53,545,940
Chartwell Investment Partners	\$49,714,955.60	3,821,830		\$53,536,785.80	\$10,820,841	\$120,485	\$64,478,111
Jennison Associates	\$96,873,436.26	8,504,251	(33,000,000)	\$72,377,686.99	\$27,187,483	(\$12,142,271)	\$87,422,899
Artio Global Investors	\$176,118,388.40	5,004,738	(181,171,360)	-\$48,233.52	\$27,844,377	(\$27,796,144)	\$0
Baillie Gifford	\$0.00	596,898	150,000,763	\$150,597,661.13	\$0	(\$1,741,911)	\$148,855,751
Eaton Vance - Parametrics	\$0.00	\$0.00	55,000,000	\$55,000,000.00	\$0	(\$620,472)	\$54,379,528
Mondrian Investment Partners	\$199,643,052.53	9,597,227	(6,769,058)	\$202,471,221.33	\$10,221,090	(\$23,028,489)	\$189,663,823
Pyramis Global Advisors - Int'l Small Cap	\$0.00	\$0.00	45,000,000	\$45,000,000.00	\$0	(\$92,859)	\$44,907,141
Aberdeen Asset Management	\$121,263,066.81	8,263,568	(20,000,000)	\$109,526,635.22	\$1,082,815	\$65,741	\$110,675,191
Angelo Gordon	\$30,056,249.00	\$0.00	(7,140,000)	\$22,916,249.00	\$8,809,096	\$973,393	\$32,698,737
Bridge Capital Management	\$45,000,000.00	\$0.00	\$0.00	\$45,000,000.00	\$5,141,745	\$3,287,880	\$53,429,625
Brown Brothers Harriman	\$47,586,488.24	3,212,718	25,000,000	\$75,799,206.16	\$958,745	\$3,376,346	\$80,134,297
Franklin Templeton Investments	\$102,493,815.00	4,165,039	\$0.00	\$106,658,853.91	\$3,650,077	(\$1,704,314)	\$108,604,616
Pyramis Global Advisors - Core Bond	\$81,745,258.37	9,274,763	(30,000,000)	\$61,020,021.70	\$31,162,641	(\$1,989,382)	\$90,193,281
Western Asset Management Company	\$116,975,047.04	6,051,100	(35,000,000)	\$88,026,147.28	(\$601,561)	\$1,532,804	\$88,957,390
Private Equity (Sheridan & ABRY)	\$3,327,419.00	(320,428)	11,032,025	\$14,039,016.39	\$0	\$0	\$14,039,016
AQR's Global Risk Premium	\$140,000,000.00	\$0.00	\$0.00	\$140,000,000.00	\$0	\$12,686,940	\$152,686,940
AQR's Delta Fund (Hedge Fund)	\$70,000,000.00	\$0.00	\$0.00	\$70,000,000.00	\$0	(\$2,206,470)	\$67,793,530
SSGA/SSARIS Multisource Commodities	\$0.00	\$0.00	75,000,000	\$75,000,000.00	\$0	-\$2,476,857.65	\$72,523,142
INVESCO Core US Real Estate Fund	\$136,831,829.92	3,363,511	\$0.00	\$140,195,340.86	\$0	\$4,525,784	\$144,721,125
Cash	\$5,273,627.54	\$0.00	\$0.00	\$18,999,221.67	\$0	\$0	\$18,999,222
Total	\$2,051,243,944.21	\$88,912,582.34	\$52,952,370.71	\$2,206,834,491.39	\$256,205,466.60	-\$30,219,448.61	\$2,432,820,509.38

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

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending April 30, 2012

Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning Market Value Balance As of 07/01/2011	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Market Value Balance As of 04/30/2012	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	\$116,239,675	\$4,747,118	\$15,000,000	\$168,444,025	7.15%	7.11%
D.E. Shaw Investment Management, LLC	\$104,437,429	\$5,873,800	\$0	\$123,728,388	10.47%	7.11%
T. Rowe Price Associates	\$90,671,734	\$4,585,034	\$0	\$119,624,632	8.49%	7.75%
Barrow, Hanley, Mewhinney & Strauss	\$137,062,911	\$5,437,858	-\$10,000,000	\$166,223,326	2.64%	4.25%
BlackRock Capital Management, Inc.	\$137,507,026	\$2,695,172	\$0	\$176,090,832	2.71%	10.02%
The Boston Company	\$42,422,535	\$4,038,385	\$0	\$53,545,940	7.25%	-0.15%
Chartwell Investment Partners	\$49,714,956	\$3,821,830	\$0	\$64,478,111	6.51%	-0.39%
Jennison Associates	\$96,873,436	\$8,504,251	-\$33,000,000	\$87,422,899	-0.25%	-0.12%
Baillie Gifford	\$176,118,388	\$5,004,738	-\$181,171,360	\$0	N/A	-8.69%
Baillie Gifford (Funded Aril 3rd)	\$0	\$596,898	\$150,000,763	\$150,597,661	N/A	-9.95%
Eaton Vance - Parametrics Emerging Markets	\$0	\$0	\$55,000,000	\$54,379,528	N/A	-9.95%
Mondrian Investment Partners	\$199,643,053	\$9,597,227	-\$6,769,058	\$189,663,823	-6.49%	9.15%
Pyramis Global Advisors - Int'l. Small Cap	\$0	\$0	\$45,000,000	\$44,907,141	N/A	6.90%
Aberdeen Asset Management	\$121,263,067	\$8,263,568	-\$20,000,000	\$110,675,191	7.66%	6.47%
Angelo Gordon	\$30,056,249	\$0	-\$7,140,000	\$32,698,737	3.28%	6.47%
Brigade Capital Management	\$45,000,000	\$0	\$0	\$53,429,625	6.56%	14.46%
Brown Brothers Harriman	\$47,586,488	\$3,212,718	\$25,000,000	\$80,134,297	11.27%	10.86%
Franklin Templeton	\$102,493,815	\$4,165,039	\$0	\$108,604,616	2.32%	3.36%
Pyramis Global Advisors	\$81,745,258	\$9,274,763	-\$30,000,000	\$90,193,281	6.84%	6.47%
Western Asset Management Company	\$116,975,047	\$6,051,100	-\$35,000,000	\$88,957,390	7.34%	6.47%
Private Equity	\$3,327,419	-\$320,428	\$11,032,025	\$14,039,016	-6.13%	9.15%
AQR Global Risk Premium	\$140,000,000	\$0	\$0	\$152,686,940	5.17%	5.17%
AQR Delta Fund (Hedge Fund)	\$70,000,000	\$0	\$0	\$67,793,530	-2.40%	-2.40%
SSGA/SSARIS Multisource Commodities	\$0	\$0	\$75,000,000	\$72,523,142	N/A	N/A
INVESCO Realty Advisors	\$136,831,830	\$3,363,511	\$0	\$144,721,125	7.16%	9.42%
Cash	\$5,273,628	-\$3,553,325	\$13,193,745	\$18,999,222	0.57%	0.03%
Total	\$2,051,243,944	\$85,359,257	\$66,146,115	\$2,434,562,420	2.26%	3.50%

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

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending April 30, 2012

Professional Services Fees

Investment Management Fees	Market Value As of 04/30/2012	Estimated 09/30/2010	For the Quarter Ending			Fiscal Year 2011 / 2012	Estimated Annual Fee (1)
			12/31/2010	03/31/2011	06/30/2011		
BlackRock Russell 1000	\$ 168,444,025.54	\$16,500	\$16,700	\$19,500	\$6,500	\$59,200	\$95,000
D.E. Shaw Investment Management, LLC	\$ 123,728,388.40	\$131,000	\$134,900	\$149,300	\$49,767	\$464,967	\$475,000
T. Rowe Price Associates	\$ 119,624,631.57	\$89,000	\$92,500	\$101,800	\$33,933	\$317,233	\$350,000
Barrow, Hanley, Mewhinney & Strauss	\$ 166,223,326.11	\$167,500	\$169,800	\$181,100	\$60,367	\$578,767	\$650,000
BlackRock Capital Management, Inc.	\$ 176,090,831.69	\$180,700	\$180,400	\$195,200	\$65,067	\$621,367	\$675,000
The Boston Company	\$ 53,545,940.42	\$94,400	\$100,400	\$111,500	\$37,167	\$343,467	\$375,000
Chartwell Investment Partners	\$ 64,478,111.44	\$98,900	\$105,000	\$117,300	\$39,100	\$360,300	\$350,000
Jennison Associates	\$ 87,422,899.08	\$197,800	\$195,100	\$198,400	\$66,133	\$657,433	\$775,000
Baillie Gifford	\$ 148,855,750.50	\$225,400	\$216,200	\$212,000	\$70,667	\$724,267	\$975,000
Baillie Gifford	\$ -	\$0	\$0	\$0	\$0	\$0	\$0
Eaton Vance - Parametrics Emerging Markets	\$ 54,379,527.93	\$0	\$0	\$0	\$0	\$0	\$0
Mondrian Investment Partners	\$ 189,663,822.94	\$90,900	\$94,100	\$73,600	\$24,533	\$283,133	\$375,000
Pyramis Global Advisors - Int'l. Small Cap	\$ 44,907,141.38	\$0	\$0	\$0	\$0	\$0	\$0
Aberdeen Asset Management	\$ 110,675,191.00	\$77,000	\$74,600	\$75,900	\$25,300	\$252,800	\$375,000
Angelo Gordon	\$ 32,698,737.37	N/A	N/A	N/A	N/A	N/A	\$350,000
Brigade Capital Management	\$ 53,429,625.00	\$100,000	\$100,000	\$97,900	\$32,633	\$330,533	\$225,000
Brown Brothers Harriman	\$ 80,134,296.93	\$25,200	\$29,100	\$29,600	\$9,867	\$93,767	\$75,000
Franklin Templeton	\$ 108,604,616.29	\$102,700	\$100,100	\$105,500	\$35,167	\$343,467	N/A
Pyramis Global Advisors	\$ 90,193,280.82	\$49,200	\$48,600	\$47,500	\$15,833	\$161,133	\$275,000
Western Asset Management Company	\$ 88,957,389.64	\$78,400	\$76,800	\$75,000	\$25,000	\$255,200	\$425,000
Private Equity	\$ 14,039,016.39	\$0	\$180,000	\$200,200	\$66,733	\$446,933	N/A
AQR' Global Risk Premium (Risk Parity)	\$ 152,686,940.00	\$144,000	\$145,500	\$149,600	\$49,867	\$488,967	N/A
AQR's Delta Fund (Hedge Fund)	\$ 67,793,530.00	\$170,300	\$172,200	\$172,400	\$57,467	\$572,367	N/A
Ssga/SSARIS Commodities	\$ 72,523,142.35	\$93,800	\$93,700	\$95,200	\$31,733	\$314,433	N/A
INVESCO Realty Advisors	\$ 144,721,125.00	\$155,800	\$160,500	\$158,200	\$52,733	\$527,233	\$650,000
Sub-Total	\$2,413,821,288	\$2,288,500	\$2,486,200	\$2,566,700	\$855,567	\$8,196,967	\$7,470,000
Investment Consultant Fees							
Strategic Investment Solutions		\$100,000	\$100,000	\$100,000	\$33,333	\$333,333	\$400,000
Global Custodian Fees							
State Street Bank & Trust		\$54,000	\$62,800	\$64,600	\$21,533	\$202,933	\$125,000
Actuarial Consultant Fees							
Milliman, Inc.		\$141,500	\$6,750	\$4,400	\$1,467	\$154,117	\$175,000
Sub-Total		\$295,500	\$169,550	\$169,000	\$56,333	\$690,383	\$700,000
Total		\$2,584,000	\$2,655,750	\$2,735,700	\$911,900	\$8,887,350	\$8,170,000

**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								
Citigroup 10 Yr Treasury + 2%				6%	6%			
Russell 3000 + 3%	8.0%	8.0%				8%	10%	10%
60% Russell 3000/40% Barclays Agg	8.0%	8.0%						
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

May 22, 2012

Agenda Item 6.2

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Quarterly Investment Performance Analysis for the period ended March 31, 2012

STAFF RECOMMENDATION: Staff recommends the board review and accept Strategic Investment Solutions' Quarterly Performance Report for the period ended March 31, 2012.

COMMENT: Below are selected summary details from Strategic Investment Solutions' Quarterly Performance Report. **Patrick Thomas & Jonathan Brody** will present the entire report to the board and will be available for questions.

INVESTMENT PERFORMANCE SUMMARY
March 31, 2012

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<i>Composite Fund</i>	8.20%	27	3.70%	76	16.95%	40
<i>Policy Index</i>	8.41%	22	4.62%	41	17.96%	23
BlackRock Russell 1000 Index Fund	12.92%	33	7.92%	52	24.11%	29
D.E. Shaw	15.88%	4	12.08%	3	N/A	N/A
<i>Russell 1000 Index</i>	12.90%	35	7.86%	53	24.03%	31
T. Rowe Price	13.63%	18	9.52%	13	N/A	N/A
<i>S&P 500 Index</i>	12.59%	63	8.54%	38	N/A	N/A
Barrow Hanley	11.67%	65	5.24%	44	N/A	N/A
<i>Russell 1000 Value Index</i>	11.12%	77	4.79%	57	N/A	N/A
BlackRock	15.74%	49	1.81%	93	N/A	N/A
<i>Russell 1000 Growth Index</i>	14.69%	68	11.02%	36	N/A	N/A
<i>Large Cap Composite</i>	13.87%	36	6.59%	61	23.09%	63
<i>Russell 1000 Index</i>	12.90%	50	7.86%	50	24.03%	36
Jennison Associates	10.51%	79	1.11%	53	29.85%	34
<i>Russell 2000 Index</i>	12.44%	54	-0.18%	68	26.90%	67
The Boston Company	12.58%	60	3.62%	15	N/A	N/A
<i>Russell 2000 Value Index</i>	11.59%	76	-1.07%	63	N/A	N/A
Chartwell Investment Partners	14.93%	24	5.18%	26	32.09%	20
<i>Russell 2000 Growth Index</i>	13.28%	45	0.68%	62	28.36%	60
<i>Small Cap Composite</i>	12.27%	58	2.98%	34	31.89%	19
<i>Russell 2000 Index</i>	12.44%	56	-0.18%	65	26.90%	69
<i>U.S. Equity Composite</i>	13.52%	31	5.70%	56	24.72%	49
Baillie Gifford	N/A	N/A	N/A	N/A	N/A	N/A
<i>MSCI ACWI-ex US Growth Index</i>	N/A	N/A	N/A	N/A	N/A	N/A
Eaton Vance – Parametric	N/A	N/A	N/A	N/A	N/A	N/A
<i>MSCI-Emerging Markets GD</i>	N/A	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors – Int'l SC	N/A	N/A	N/A	N/A	N/A	N/A
<i>MSCI ACWI Ex US Small Cap</i>	N/A	N/A	N/A	N/A	N/A	N/A
Mondrian Investment Partners	7.96%	95	-0.97%	15	17.61%	56
<i>MSCI ACWI-ex US Value Index</i>	10.84%	74	-7.55%	67	20.06%	34
<i>International Equity Composite</i>	9.61%	94	-6.61%	69	15.38%	92
<i>MSCI ACWI-ex US Index Free</i>	11.34%	74	-6.75%	71	19.65%	44
<i>Total Equity Composite</i>	12.37%	N/A	1.78%	N/A	21.88%	N/A

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
Aberdeen Asset Management	1.99%	20	8.54%	20	12.74%	8
Angelo Gordon GECC PPI Fund	15.05%	N/A	-1.16%	N/A	N/A	N/A
Pyramis Global Advisors	1.17%	46	8.08%	38	10.96%	18
Western Asset Management	2.43%	17	8.61%	18	13.21%	6
<i>BC Aggregate Index</i>	<i>0.30%</i>	<i>89</i>	<i>7.71%</i>	<i>56</i>	<i>6.83%</i>	<i>80</i>
Brigade Capital Management	5.22%	N/A	6.91%	N/A	N/A	N/A
<i>BC BBB Credit</i>	<i>2.42%</i>	<i>N/A</i>	<i>10.69%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Brown Brothers Harriman	0.85%	43	12.88%	10	N/A	N/A
<i>BC U.S. TIPS</i>	<i>0.86%</i>	<i>41</i>	<i>12.20%</i>	<i>46</i>	<i>N/A</i>	<i>N/A</i>
Franklin Templeton Investments	8.65%	4	3.90%	70	N/A	N/A
<i>BC Multiverse</i>	<i>1.09%</i>	<i>71</i>	<i>5.28%</i>	<i>60</i>	<i>N/A</i>	<i>N/A</i>
<i>Total Fixed Income Composite</i>	<i>3.65%</i>	<i>20</i>	<i>6.87%</i>	<i>54</i>	<i>12.54%</i>	<i>32</i>
<i>Total Fixed Income Index</i>	<i>0.86%</i>	<i>62</i>	<i>8.36%</i>	<i>27</i>	<i>7.28%</i>	<i>71</i>
<i>INVESCO Core Fund</i>	<i>1.77%</i>	<i>58</i>	<i>14.59%</i>	<i>38</i>	<i>1.45%</i>	<i>51</i>
<i>Real Estate Composite</i>	<i>1.77%</i>	<i>58</i>	<i>14.59%</i>	<i>38</i>	<i>1.45%</i>	<i>51</i>
<i>NCREIF ODCE – Equal Weight</i>	<i>2.82%</i>	<i>41</i>	<i>14.63%</i>	<i>37</i>	<i>3.15%</i>	<i>42</i>

ABRY II	N/A	N/A	N/A	N/A	N/A	N/A
ABRY VII	N/A	N/A	N/A	N/A	N/A	N/A
General Catalyst Group VI	N/A	N/A	N/A	N/A	N/A	N/A
Regiment Capital	N/A	N/A	N/A	N/A	N/A	N/A
Sheridan Partners	N/A	N/A	N/A	N/A	N/A	N/A
<i>Total Private Equity Composite</i>	<i>2.92%</i>	<i>N/A</i>	<i>-18.57%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Total Private Equity Index</i>	<i>13.67%</i>	<i>N/A</i>	<i>10.39%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

AQR Delta Fund	-0.01%	85	N/A	N/A	N/A	N/A
<i>Libor +4% Benchmark</i>	<i>1.05%</i>	<i>77</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

AQR Risk Parity	5.09%	N/A	8.81%	N/A	N/A	N/A
<i>Total Risk Parity Index(60-40 portfolio)</i>	<i>7.72%</i>	<i>N/A</i>	<i>7.82%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

SSgA Multisource	9.02%	3	N/A	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	<i>0.89%</i>	<i>76</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

State Street General Account	0.05%	28	0.40%	19	0.31%	36
San Mateo County Treasury Account	0.21%	12	1.00%	12	1.11%	14
<i>Cash Composite</i>	<i>0.20%</i>	<i>13</i>	<i>0.76%</i>	<i>13</i>	<i>0.97%</i>	<i>15</i>
<i>91 Day T-Bill Index</i>	<i>0.01%</i>	<i>53</i>	<i>0.06%</i>	<i>54</i>	<i>0.13%</i>	<i>67</i>

INVESTMENT PERFORMANCE SUMMARY

- The composite fund returned 8.2% in the first quarter of 2012 and ranked 27th among other public funds greater than \$100 million (median of 7.5%). It lagged the policy index return of 8.4%. The one year return of 3.7% was behind the policy index return of 4.6% and ranked in 76th percentile of the universe. Longer term, the three and five-year returns of 17.0% (40th percentile) and 1.6% (90th percentile), respectively, were below median among large public plans (16.2% and 3.1%).

□ First quarter results were enhanced by the following factors:

1. The BlackRock Russell 1000 Index Fund, 12.9%, ranked in the 33rd percentile among large cap core managers (median of 12.6%), and matched its benchmark.
2. DE Shaw's return of 15.9% ranked in the top quartile among large cap core managers (median 12.6%), and was ahead of its benchmark, the Russell 1000 Index (12.9%). Investments in the Consumer Discretionary, Energy and Info Tech sectors supported quarterly results.
3. T Rowe Price (13.6%) led the S&P 500 Index (12.6%) and its peer median return of 12.6%. Security selection in the Consumer Discretionary and Info Tech sectors boosted performance.
4. Barrow Hanley's return of 11.7% was ahead of the Russell 1000 Value Index (11.1%) and ranked in the third quartile among large cap value managers (median of 12.3%). The portfolio was primarily driven by its security selection in the Industrials (SPX, Masco) and Healthcare (Baxter International) and underweight to the Utilities sectors.
5. BlackRock-US Equity (15.7%) beat the Russell 1000 Growth Index (14.7%), and the median large growth manager (15.7%). It ranked in the second quartile among its peers. BlackRock was helped by its stock selection in Info Tech (NXP Semiconductors, Salesforce.com, Apple) and Consumer Discretionary (Michael Kors, Las Vegas Sands) investments.
6. The Boston Company returned 12.6%, versus 11.6% for the Russell 2000 Value Index, and ranked in the 60th percentile among its peers (median 13.0%). Positive attribution was derived from stock selection in the Info Tech (Vishay Intertechnology) and Financials (SVB Financial, Protective Life, First American Financial) sectors, plus its portfolio turnover.
7. Chartwell gained more value, 14.9%, than the Russell 2000 Growth Index, 13.3%. Chartwell ranked in 24th percentile among small cap growth managers (median of 12.8%). Positive alpha was mainly derived from its relative Consumer Discretionary overweight and Financials (HFF Inc) and Info Tech (Informatica, Parametric Technology) stock selection.
8. Aberdeen Asset (2.0%) out-performed the Barclays Aggregate Index (0.3%) and ranked above the median core bond manager (1.1%). Aberdeen holdings in corporate and securitized bonds and municipal securities added to relative performance.
9. The Pyramis Broad Market Duration Fund gained 1.2% and ranked in the 46th percentile among core bond agers (median of 1.1%). The Barclays Aggregate Index was up 0.3% for the quarter. Sector overweight to financial corporate bonds, mortgages and CMBS proved positive.
10. Western Asset Management's quarter was above par. It carried a return of 2.4% and ranked above the core bond manager median of 1.1%. The Barclays Aggregate Index returned 0.3%. Its overweight to investment-grade credit and exposure to TIPS, non-agency MBS and high yield created performance alpha.
11. The Angelo Gordon GECC PPIP Fund appreciated 15.0% while the Barclays Aggregate was up 0.3%. The Fund carries approximately 43% RMBS and 57% CMBS assets.

12. The intermediate high yield manager, Brigade Capital, beat its benchmark, the Barclays BBB Credit Index (5.2% vs. 2.4%). Long positions in high yield bonds and investment grade structured credit were contributors during the quarter.
13. Franklin Templeton appreciated 8.6% and ranked in the top quartile among global bond managers. The Barclays Multiverse Index was up 1.1%. Asian –ex Japan and Latin American currencies, plus European interest-rate, high yield and sovereign credit exposures, added to absolute results.
14. Commodities manager SSgA Multisource beat its benchmark, DJ UBS Commodities Index (9.0% vs. 0.9%). It ranked in the top quartile among commodity funds (median of 3.7%).
15. The Treasury and LAIF account added 0.2% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.

□ First quarter results were hindered by the following factors:

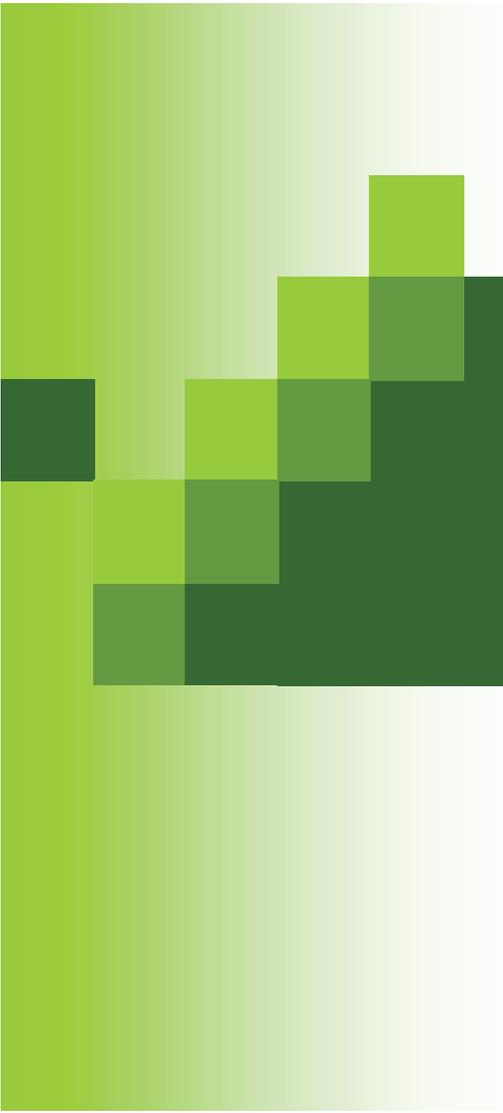
1. Jennison (10.5%) ranked in the 79th percentile among its small cap core peers (median of 12.5%) and trailed its benchmark. The Russell 2000 Index returned 12.4%. Below par Consumer Discretionary (Deckers Outdoor, Vera Bradley) and Industrials (FTI Consulting) investments, plus its intra-period trading, were detractors of relative performance.
2. Mondrian returned 8.0% and lagged the MSCI AC World -ex US Value Index (10.8%) and ranked in the 95th percentile among its peers. Its overweight position in Spain and underweight in Germany, as well as stock selection in the UK and France, held back investment returns. Growth manager Artio was terminated in March with its proceeds to be managed by Baillie Gifford beginning the second quarter. Its benchmark will be the MSCI ACWI –ex US Growth. Pyramis and Eaton were also funded in mid-March. They will be benchmarked to the MSCI ACWI –ex US Value and MSCI Emerging Markets Index, respectively.
3. Brown Brothers Harriman gained 0.8%, edged out by the Barclays US TIPS Index (0.9%) and ranked in the second quartile among Inflation Linked Bond accounts (median of 0.8%). The portfolio was fully invested in TIPS.
4. The INVESCO Core Real Estate-USA Fund returned 1.8% for the quarter, positioned below the NCREIF ODCE (2.8%), and ranked in the third quartile among real estate investments. There was an overall unleveraged gross write up of \$29.8 million or 0.64%.
5. Private Equity investments appreciated 2.9% for the quarter. The Russell 3000 + 3% Index was up 13.7%.
6. Risk parity manager AQR was up 5.1% while its custom benchmark was 7.7%. First quarter gross return attribution is as follows: equity (2.0%), nominal interest rate (-0.4%), inflation (1.2%) and credit/default (2.3%).
7. Hedge fund strategy AQR DELTA Fund II trailed the LIBOR + 4% (-0.0% vs. 1.1%). It ranked in the bottom quartile among hedge fund strategies (median of 3.4%). The managed futures (bond and currency positions), dedicated short bias and global macro (valuation themes) sub-strategies were the main detractors to performance.

GENERAL COMMENTS

- The massive injection of global liquidity supplied by major central banks, supplemented by the continuation in positive U.S. economic surprises, had a marked effect on risk appetite. This led to global equities outperforming global bonds by a wide margin, with renewed asset purchases by the Bank of Japan pushing the annualized returns of Japanese equities into positive territory.
- Improving economic data in the U.S. and European policy moves managed to buoy equity and fixed income markets. Indeed, investors tilted their portfolios away from treasuries this quarter and towards lower quality credits. Aligned with higher growth prospects, the U.S. yield curve steepened in the first quarter.
- Aggregate commodity prices initially reacted favorably to the surge in market liquidity with commodity indices rising more than 6 percent at their peak in Q1. However, prices pulled back towards quarter end, holding flat versus Q4. Oil prices remained resilient, continuing to weigh on the outlook for global growth.

Emerging markets fared better than their developed counterparts. In the U.S., blue chip stocks of the Dow Jones Industrial Average lagged the higher beta NASDAQ and Russell indices. By sector, information technology, financial stocks and consumer discretionary provided the strongest performance while utilities slipped into the negative.

- The second round of the Long Term Refinancing Operations, compounded by the successful resolution of the Greek debt exchange, helped lift demand for the euro in the first quarter as well as appetite for the carry strategy. Consequently, demand for funding currencies deteriorated, illustrated by the sharp decline in the Japanese yen this quarter.
- The State Street Investor Confidence Index® measures risk appetite by analyzing buying and selling patterns of institutional investors. Firmer confidence was evident in Asia this quarter, however, the improvement in sentiment for Europe was most pronounced.
- For the period ending 3/31/12, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 10.79% and 2.96%; one year, 12.83% and 14.26%; three years, 42.34% and 2.43%; and five years, -0.06% and 3.09%.
- The first quarter of 2012 continues to be dominated by the overhang of macro-level factors, including European Union and US debt and a potential China slowdown. However, if some of these risks lessen, there may be multiple expansion for real estate assets even with slowing earnings and GDP growth as investors deal with a paucity of alternatives.
- A large continuing concern is the state of the US housing market. US home equity values have been a drag on recovery since the Great Recession. If housing is close to a bottom (or at a bottom) then a recovery will have a positive impact on the US economy going forward, with the real estate markets benefiting from any housing recovery.



**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

Quarterly Performance Report

March 31, 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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Fixed Income.....	IV
Alternative Investments.....	V
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SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

First Quarter 2012

Capital Market Review

- The massive injection of global liquidity supplied by major central banks, supplemented by the continuation in positive U.S. economic surprises, had a marked effect on risk appetite. This led to global equities outperforming global bonds by a wide margin, with renewed asset purchases by the Bank of Japan pushing the annualized returns of Japanese equities into positive territory.
- Improving economic data in the U.S. and European policy moves managed to buoy equity and fixed income markets. Indeed, investors tilted their portfolios away from treasuries this quarter and towards lower quality credits. Aligned with higher growth prospects, the U.S. yield curve steepened in the first quarter.
- Aggregate commodity prices initially reacted favorably to the surge in market liquidity with commodity indices rising more than 6 percent at their peak in Q1. However, prices pulled back towards quarter end, holding flat versus Q4. Oil prices remained resilient, continuing to weigh on the outlook for global growth.
- Emerging markets fared better than their developed counterparts. In the U.S., blue chip stocks of the Dow Jones Industrial Average lagged the higher beta NASDAQ and Russell indices. By sector, information technology, financial stocks and consumer discretionary provided the strongest performance while utilities slipped into the negative.
- The second round of the Long Term Refinancing Operations, compounded by the successful resolution of the Greek debt exchange, helped lift demand for the euro in the first quarter as well as appetite for the carry strategy. Consequently, demand for funding currencies deteriorated, illustrated by the sharp decline in the Japanese yen this quarter.
- The State Street Investor Confidence Index[®] measures risk appetite by analyzing buying and selling patterns of institutional investors. Firmer confidence was evident in Asia this quarter, however, the improvement in sentiment for Europe was most pronounced.
- For the period ending 3/31/12, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 10.79% and 2.96%; one year, 12.83% and 14.26%; three years, 42.34% and 2.43%; and five years, -0.06% and 3.09%.
- The first quarter of 2012 continues to be dominated by the overhang of macro-level factors, including European Union and US debt and a potential China slowdown. However, if some of these risks lessen, there may be multiple expansion for real estate assets even with slowing earnings and GDP growth as investors deal with a paucity of alternatives.
- A large continuing concern is the state of the US housing market. US home equity values have been a drag on recovery since the Great Recession. If housing is close to a bottom (or at a bottom) then a recovery will have a positive impact on the US economy going forward, with the real estate markets benefiting from any housing recovery.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2012

Executive Performance Summary

- The composite fund returned 8.2% in the first quarter of 2012 and ranked 27th among other public funds greater than \$100 million (median of 7.5%). It lagged the policy index return of 8.4%. The one year return of 3.7% was behind the policy index return of 4.6% and ranked in 76th percentile of the universe. Longer term, the three and five-year returns of 17.0% (40th percentile) and 1.6% (90th percentile), respectively, were below median among large public plans (16.2% and 3.1%).
- First quarter results were enhanced by the following factors:
 1. The BlackRock Russell 1000 Index Fund, 12.9%, ranked in the 33rd percentile among large cap core managers (median of 12.6%), and matched its benchmark.
 2. DE Shaw's return of 15.9% ranked in the top quartile among large cap core managers (median 12.6%), and was ahead of its benchmark, the Russell 1000 Index (12.9%). Investments in the Consumer Discretionary, Energy and Info Tech sectors supported quarterly results.
 3. T Rowe Price (13.6%) led the S&P 500 Index (12.6%) and its peer median return of 12.6%. Security selection in the Consumer Discretionary and Info Tech sectors boosted performance.
 4. Barrow Hanley's return of 11.7% was ahead of the Russell 1000 Value Index (11.1%) and ranked in the third quartile among large cap value managers (median of 12.3%). The portfolio was primarily driven by its security selection in the Industrials (SPX, Masco) and Healthcare (Baxter International) and underweight to the Utilities sectors.
 5. BlackRock-US Equity (15.7%) beat the Russell 1000 Growth Index (14.7%), and the median large growth manager (15.7%). It ranked in the second quartile among its peers. BlackRock was helped by its stock selection in Info Tech (NXP Semiconductors, Salesforce.com, Apple) and Consumer Discretionary (Michael Kors, Las Vegas Sands) investments.
 6. The Boston Company returned 12.6%, versus 11.6% for the Russell 2000 Value Index, and ranked in the 60th percentile among its peers (median 13.0%). Positive attribution was derived from stock selection in the Info Tech (Vishay Intertechnology) and Financials (SVB Financial, Protective Life, First American Financial) sectors, plus its portfolio turnover.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2012

Executive Performance Summary

7. Chartwell gained more value, 14.9%, than the Russell 2000 Growth Index, 13.3%. Chartwell ranked in 24th percentile among small cap growth managers (median of 12.8%). Positive alpha was mainly derived from its relative Consumer Discretionary overweight and Financials (HFF Inc) and Info Tech (Informatica, Parametric Technology) stock selection.
8. Aberdeen Asset (2.0%) out-performed the Barclays Aggregate Index (0.3%) and ranked above the median core bond manager (1.1%). Aberdeen holdings in corporate and securitized bonds and municipal securities added to relative performance.
9. The Pyramis Broad Market Duration Fund gained 1.2% and ranked in the 46th percentile among core bond managers (median of 1.1%). The Barclays Aggregate Index was up 0.3% for the quarter. Sector overweight to financial corporate bonds, mortgages and CMBS proved positive.
10. Western Asset Management's quarter was above par. It carried a return of 2.4% and ranked above the core bond manager median of 1.1%. The Barclays Aggregate Index returned 0.3%. Its overweight to investment-grade credit and exposure to TIPS, non-agency MBS and high yield created performance alpha.
11. The Angelo Gordon GECC PPIP Fund appreciated 15.0% while the Barclays Aggregate was up 0.3%. The Fund carries approximately 43% RMBS and 57% CMBS assets.
12. The intermediate high yield manager, Brigade Capital, beat its benchmark, the Barclays BBB Credit Index (5.2% vs. 2.4%). Long positions in high yield bonds and investment grade structured credit were contributors during the quarter.
13. Franklin Templeton appreciated 8.6% and ranked in the top quartile among global bond managers. The Barclays Multiverse Index was up 1.1%. Asian –ex Japan and Latin American currencies, plus European interest-rate, high yield and sovereign credit exposures, added to absolute results.
14. Commodities manager SSgA Multisource beat its benchmark, DJ UBS Commodities Index (9.0% vs. 0.9%). It ranked in the top quartile among commodity funds (median of 3.7%).
15. The Treasury and LAIF account added 0.2% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2012

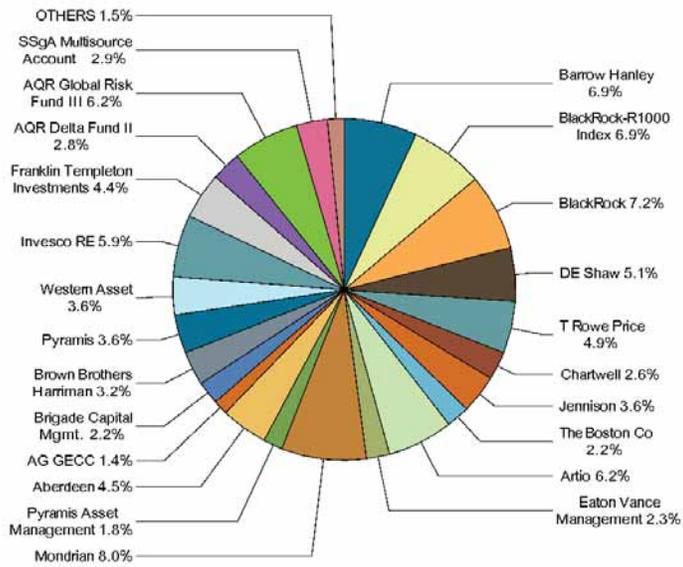
Executive Performance Summary

- First quarter results were hindered by the following factors:
 1. Jennison (10.5%) ranked in the 79th percentile among its small cap core peers (median of 12.5%) and trailed its benchmark. The Russell 2000 Index returned 12.4%. Below par Consumer Discretionary (Deckers Outdoor, Vera Bradley) and Industrials (FTI Consulting) investments, plus its intra-period trading, were detractors of relative performance.
 2. Mondrian returned 8.0% and lagged the MSCI AC World -ex US Value Index (10.8%) and ranked in the 95th percentile among its peers. Its overweight position in Spain and underweight in Germany, as well as stock selection in the UK and France, held back investment returns. Growth manager Artio was terminated in March with its proceeds to be managed by Baillie Gifford beginning the second quarter. Its benchmark will be the MSCI ACWI -ex US Growth. Pyramis and Eaton were also funded in mid-March. They will be benchmarked to the MSCI ACWI -ex US Value and MSCI Emerging Markets Index, respectively.
 3. Brown Brothers Harriman gained 0.8%, edged out by the Barclays US TIPS Index (0.9%) and ranked in the second quartile among Inflation Linked Bond accounts (median of 0.8%). The portfolio was fully invested in TIPS.
 4. The INVESCO Core Real Estate-USA Fund returned 1.8% for the quarter, positioned below the NCREIF ODCE (2.8%), and ranked in the third quartile among real estate investments. There was an overall unleveraged gross write up of \$29.8 million or 0.64%.
 5. Private Equity investments appreciated 2.9% for the quarter. The Russell 3000 + 3% Index was up 13.7%.
 6. Risk parity manager AQR was up 5.1% while its custom benchmark was 7.7%. First quarter gross return attribution is as follows: equity (2.0%), nominal interest rate (-0.4%), inflation (1.2%) and credit/default (2.3%).
 7. Hedge fund strategy AQR DELTA Fund II trailed the LIBOR + 4% (-0.0% vs. 1.1%). It ranked in the bottom quartile among hedge fund strategies (median of 3.4%). The managed futures (bond and currency positions), dedicated short bias and global macro (valuation themes) sub-strategies were the main detractors to performance.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Manager Allocation Analysis - Total Plan

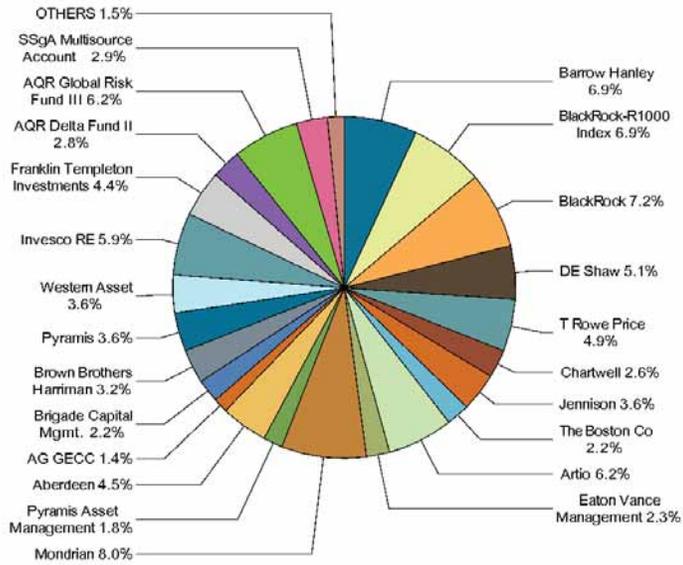


FUND	Ending Market Value	Current %
Barrow Hanley	168,680,817	6.9
BlackRock-R1000 Index	169,417,443	6.9
BlackRock	177,386,052	7.2
DE Shaw	124,279,598	5.1
T Rowe Price	120,547,158	4.9
Chartwell	64,623,155	2.6
Jennison	88,788,195	3.6
The Boston Co	53,944,781	2.2
Artio Transition	151,233,129	6.2
Eaton Vance Management	55,161,079	2.3
Mondrian	194,894,333	8.0
Pyramis Asset Management	44,949,735	1.8
Aberdeen	109,366,835	4.5
AG GECC	33,171,246	1.4
Brigade Capital Mgmt.	52,819,965	2.2
Brown Brothers Harriman	78,385,561	3.2
Pyramis	89,117,881	3.6
Western Asset	88,082,404	3.6
Invesco RE	144,721,125	5.9
General Account	12,708,349	0.5
Treasury & LAIF	13,219,195	0.5

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Manager Allocation Analysis - Total Plan



FUND	Ending Market Value	Current %
Private Equity	13,068,444	0.5
Franklin Templeton Investments	107,414,555	4.4
AQR Delta Fund II	67,793,530	2.8
AQR Global Risk Fund III	152,686,981	6.2
SSGA Multisource Account	71,860,145	2.9
TOTAL	2,448,321,691	100.0

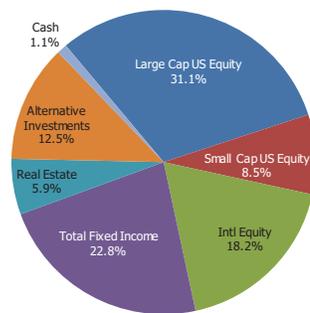
OTHERS category includes managers with less than 1% of Total Ending Market Value.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

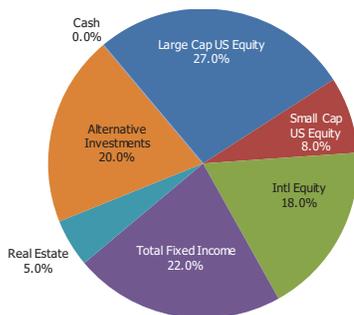
Allocation By Manager Type Analysis

CURRENT ALLOCATION BY MANAGER TYPE



Asset Allocation	Market Value	%
Large Cap US Equity	760,311,068	31.1%
Small Cap US Equity	207,356,131	8.5%
Intl Equity	446,238,276	18.2%
Total Fixed Income	558,358,447	22.8%
Real Estate	144,721,125	5.9%
Alternative Investments	305,409,100	12.5%
Cash	25,927,544	1.1%
Total	2,448,321,691	100.0%

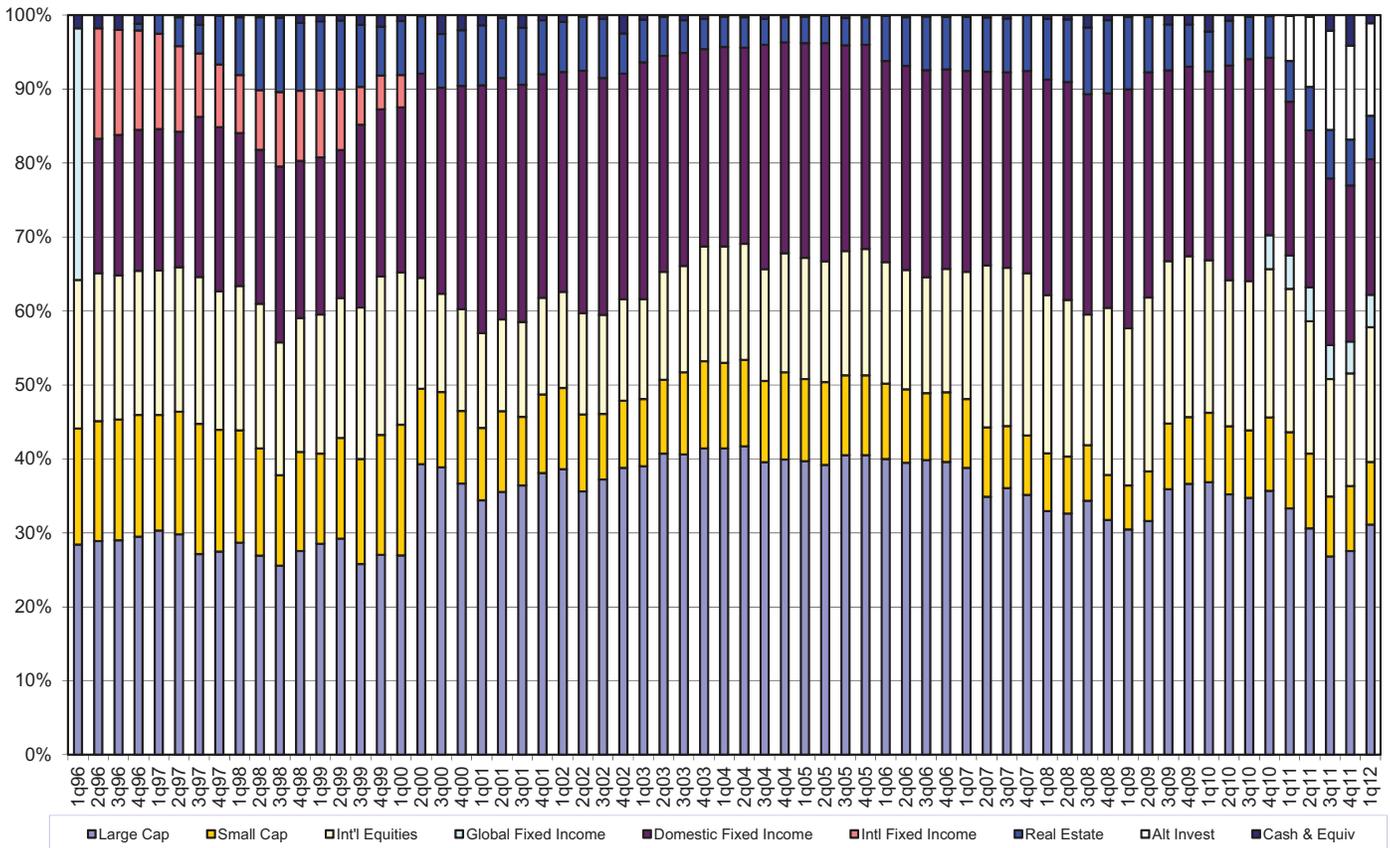
TARGET ALLOCATION BY MANAGER TYPE



Asset Allocation	Target	Actual	Diff
Large Cap US Equity	27.0%	31.1%	4.1%
Small Cap US Equity	8.0%	8.5%	0.5%
Intl Equity	18.0%	18.2%	0.2%
Total Fixed Income	22.0%	22.8%	0.8%
Real Estate	5.0%	5.9%	0.9%
Alternative Investments	20.0%	12.5%	-7.5%
Cash	0.0%	1.1%	1.1%
Total	100.0%	100.0%	0.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
 Periods Ending March 31, 2012

Actual Historical Quarterly Asset Allocation



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2012

Performance Summary

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
TOTAL FUND												
SAMCERA COMPOSITE FUND	8.20	27	2.49	72	3.70	76	8.95	60	16.95	40	1.59	90
<i>Policy Index</i> ¹	8.41	22	3.80	22	4.62	41	9.67	32	17.96	23	3.15	47
<i>Public Fund >\$100 Million Median</i>	7.54		3.08		4.39		9.17		16.16		3.08	
US EQUITY												
LARGE CAP												
BlackRock-R1000 Index Fund	12.92	33	7.77	47	7.92	52	12.25	24	24.11	29	2.26	37
D.E. Shaw	15.88	4	10.96	3	12.08	3	13.00	11				
<i>Russell 1000 Index</i>	12.90	35	7.73	49	7.86	53	12.19	27	24.03	31	2.19	43
T. Rowe Price	13.63	18	9.33	10	9.52	13	12.04	46				
<i>S&P 500 Index</i>	12.59	63	8.43	34	8.54	38	12.04	46				
Barrow Hanley	11.67	65	4.16	74	5.24	44	10.75	31				
<i>Russell 1000 Value Index</i>	11.12	77	5.32	52	4.79	57	9.85	55				
BlackRock	15.74	49	3.46	90	1.81	93	10.92	81				
<i>Russell 1000 Growth Index</i>	14.69	68	10.19	36	11.02	36	14.58	39				
LARGE CAP COMPOSITE	13.87	36	6.51	58	6.59	61	11.24	61	23.09	63	0.95	78
<i>Russell 1000 Index</i>	12.90	50	7.73	44	7.86	50	12.19	37	24.03	36	2.19	52
<i>Large Cap Median</i>	12.88		7.21		7.79		11.98		23.50		2.21	
SMALL CAP												
Jennison	10.51	79	1.31	74	1.11	53	14.83	18	29.85	34		
<i>Russell 2000 Index</i>	12.44	54	1.45	72	-0.18	68	12.05	59	26.90	67		
The Boston Company	12.58	60	8.05	8	3.62	15	10.81	52				
<i>Russell 2000 Value Index</i>	11.59	76	1.62	67	-1.07	63	9.24	72				
Chartwell	14.93	24	6.75	11	5.18	26	19.96	18	32.09	20	5.19	64
<i>Russell 2000 Growth Index</i>	13.28	45	1.28	54	0.68	62	14.86	60	28.36	60	4.16	79
SMALL CAP COMPOSITE	12.27	58	4.42	24	2.98	34	15.32	29	31.89	19	0.39	97
<i>Russell 2000 Index</i>	12.44	56	1.45	63	-0.18	65	12.05	67	26.90	69	2.13	83
<i>Small Cap Median</i>	12.61		2.28		1.27		13.56		28.65		4.50	
US EQUITY COMPOSITE	13.52	31	6.00	51	5.70	56	12.06	58	24.72	49	0.89	90
<i>80% Russell 1000/20% Russell 2000</i> ²	12.80	56	6.30	45	6.01	51	12.12	56	24.60	52	2.20	60
<i>US Equity Median</i>	12.93		6.00		6.04		12.28		24.69		2.55	

* 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%/8% (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 March 31, 2012

Performance Summary

	1 Qtr		Fiscal YTD		1 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												
MSCI EM Markets Index												
Mondrian	7.96	95	-3.80	20	-0.97	15	4.63	38	17.61	56	-1.23	37
Pyramis Global Advisors ⁴												
MSCI ACWI -ex US Value Index	10.84	74	-7.69	54	-7.55	67	1.80	74	20.06	34	-1.79	39
MSCI ACWI -ex US Index	11.34	62	-7.31	42	-6.75	49	2.93	57	19.65	39	-1.11	37
INTERNATIONAL EQUITY COMPOSITE	9.61	94	-7.79	78	-6.61	69	1.71	85	15.38	92	-3.36	83
MSCI ACWI -ex US Index ²	11.34	74	-7.31	68	-6.75	71	2.93	65	19.65	44	-1.11	49
MSCI EAFE Before Tax Index	10.98	81	-7.01	60	-5.31	49	2.47	74	17.68	69	-3.04	79
International Equity Median	12.23		-6.28		-5.46		3.82		19.01		-1.21	
TOTAL EQUITY COMPOSITE	12.37		1.60		1.78		8.79		21.88		-0.37	
Total Equity Index ²	12.33		1.55		1.58		9.00		22.95		1.15	
FIXED INCOME⁵												
CORE												
Aberdeen Asset	1.99	20	6.38	16	8.54	20	8.39	14	12.74	8	4.77	99
Pyramis Global Advisors	1.17	46	5.57	45	8.08	38	7.61	24	10.96	18	6.64	59
Western Asset	2.43	17	6.25	19	8.61	18	8.85	10	13.21	6	6.50	66
BC Aggregate Index	0.30	89	5.30	60	7.71	56	6.41	77	6.83	80	6.25	78
Core Fixed Income Median	1.06		5.48		7.79		6.91		8.92		6.77	
CREDIT												
Angelo Gordon GECC PPI Fund ³	15.05		3.28		-1.16		14.34					
BC Aggregate Index	0.30		5.30		7.71		6.41					
Brigade Capital Management	5.22		5.34		6.91							
BC BBB Credit	2.42		7.74		10.69							
TIPS												
Brown Brothers Harriman	0.85	43	8.84	6	12.88	10						
BC U.S. Tips	0.86	41	8.25	44	12.20	46						
TIPS Median	0.84		8.22		12.17							
GLOBAL												
Franklin Templeton Investments	8.65	4	1.20	68	3.90	70						
BC Multiverse	1.09	71	2.17	57	5.28	60						
Global Fixed Income Median	3.18		3.81		6.16							

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 March 31, 2012

Performance Summary

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
TOTAL FIXED INCOME COMPOSITE	3.65	20	4.88	56	6.87	54	8.51	36	12.54	32	6.12	71
Total Fixed Index ²	0.86	62	5.49	41	8.36	27	7.08	51	7.28	71	6.51	60
US Fixed Index ²	0.81	65	6.33	24	9.13	20	7.40	47	7.50	70	6.64	56
Global Fixed Index ²	1.09	56	2.17	80	5.28	73						
US Fixed Income Median	1.37		5.18		7.20		7.14		9.76		6.94	
REAL ESTATE												
INVESCO Real Estate	1.77	58	7.16	51	14.59	38	17.67	29	1.45	51	-0.38	40
REAL ESTATE COMPOSITE	1.77	58	7.16	51	14.59	38	17.67	29	1.45	51	-0.38	40
NCREIF NFI ODCE EW Index ²	2.82	41	9.61	31	14.63	37	17.26	30	3.15	42	0.08	37
Real Estate Median	2.51		7.23		12.42		13.76		1.53		-1.26	
PRIVATE EQUITY⁵	2.92		-11.40		-18.57							
Russell 3000 + 3%	13.67		9.60		10.39							
RISK PARITY												
AQR Global Risk Premium Fund III ⁵	5.09		5.17		8.81							
Risk Parity Index ²	7.72		6.85		7.82							
HEDGE												
AQR Delta Fund II ⁵	-0.01	85	-2.40	73								
LIBOR + 4%	1.05	77	3.18	18								
Hedge Median	3.43		-0.47									
COMMODITY												
SSgA Multisource ⁵	9.02	3										
Dow Jones UBS Commodity	0.89	76										
Commodity Median	3.66											
CASH												
General Account	0.05	28	0.10	33	0.40	19	0.30	28	0.31	36	1.52	37
Treasury & LAIF	0.21	12	0.70	11	1.00	12	1.04	13	1.11	14	0.86	96
CASH COMPOSITE	0.20	13	0.50	13	0.76	13	0.88	14	0.97	15	0.92	95
91 Day T-Bill	0.01	53	0.03	58	0.06	54	0.11	54	0.13	67	1.23	79
Cash Median	0.01		0.04		0.07		0.13		0.21		1.44	

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.

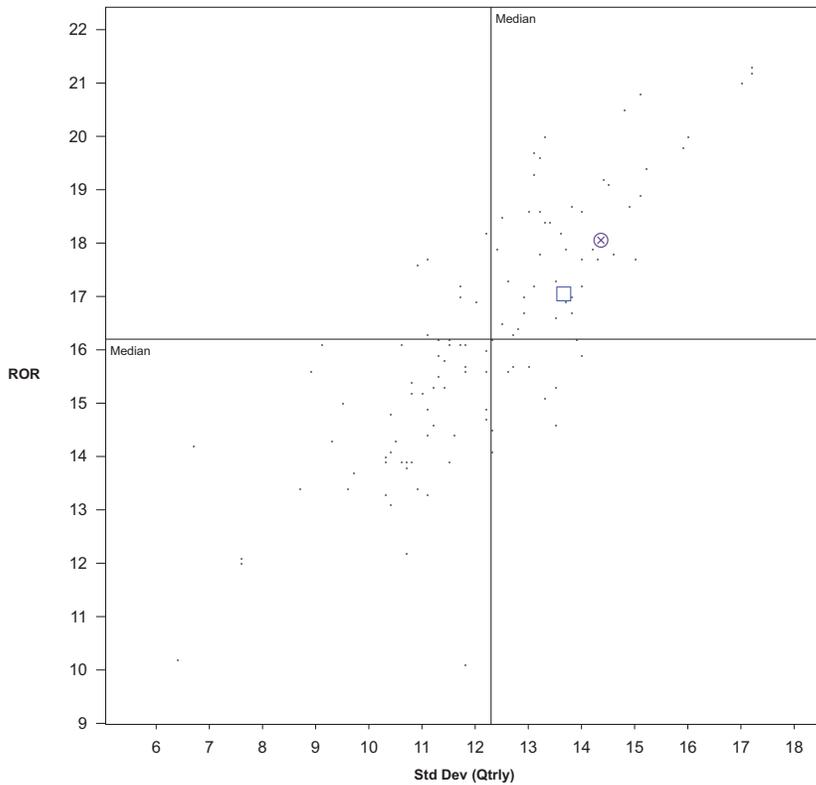
⁵ Private Equity funded in December 2010. AQR Global Risk Premium Fund III funded in March 2011. AQR Delta Fund II funded in May 2011. SSgA Multisource funded in July 2011.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending March 31, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	17.0 40	13.7 79	1.2 79
⊗ Plan Policy Index	18.0 23	14.4 88	1.2 75
Median	16.2	12.3	1.3

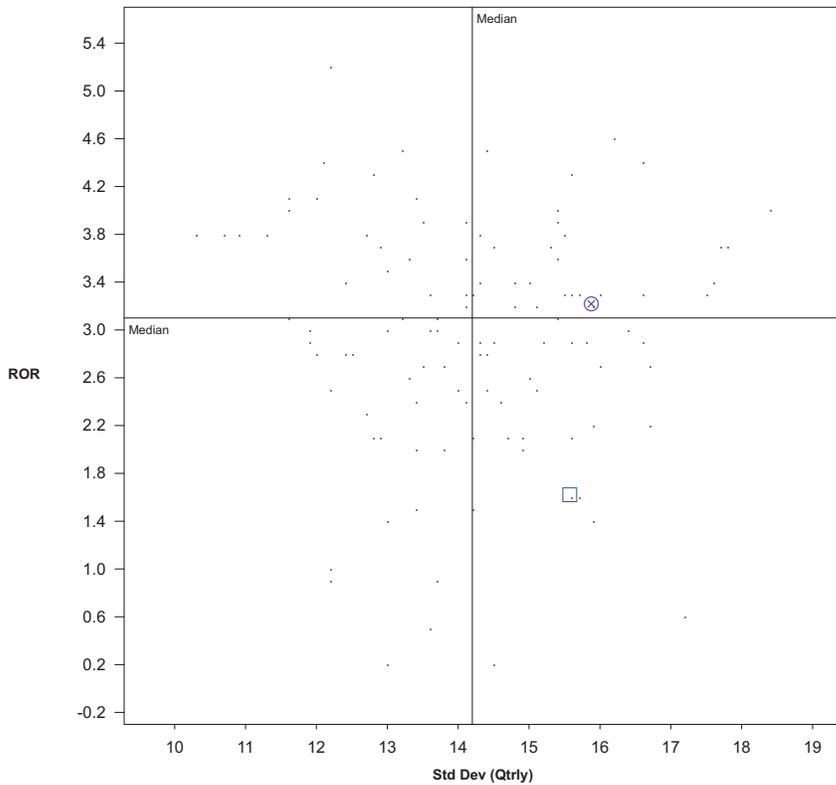
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending March 31, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	1.6 90	15.6 82	0.0 88
⊗ Plan Policy Index	3.2 47	15.9 84	0.1 62
Median	3.1	14.2	0.1

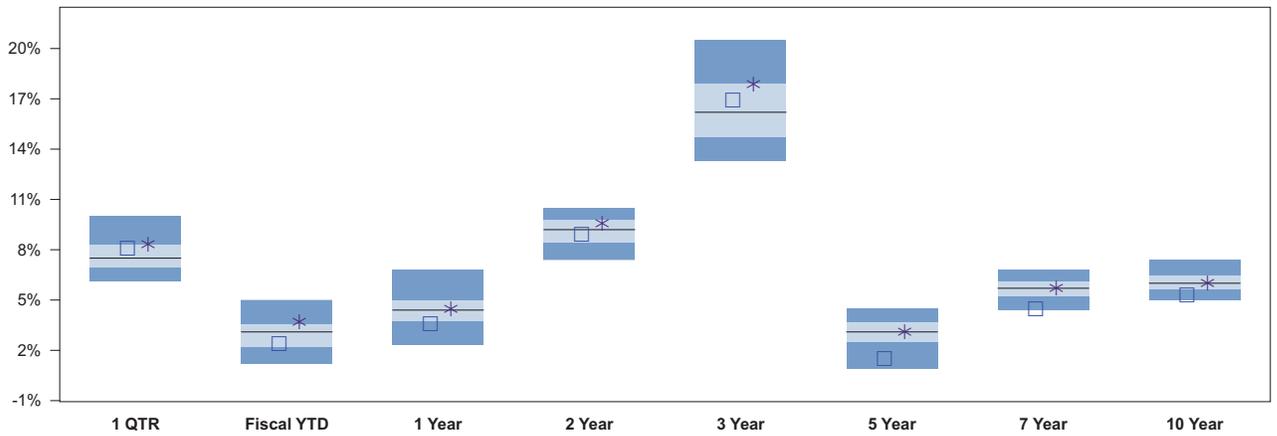
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Periods Ending March 31, 2012

Total Returns



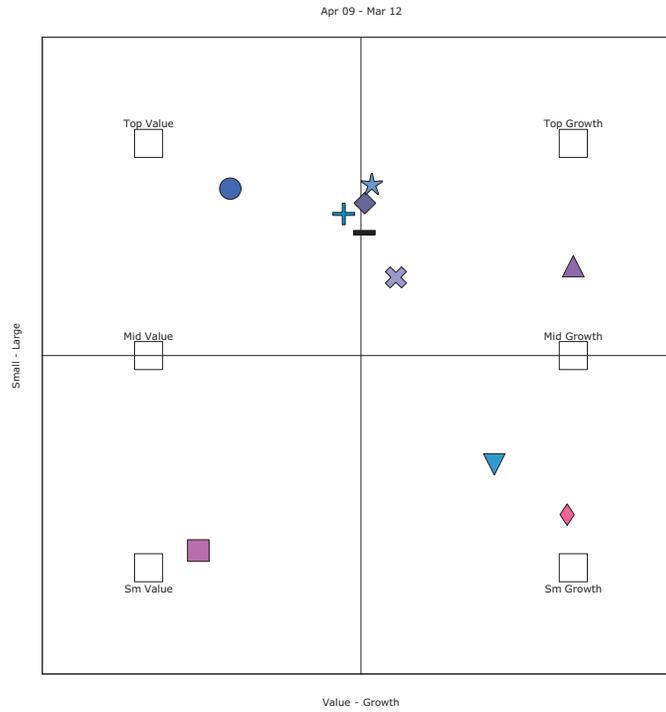
	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
□ SamCERA Composite	8.2 27	2.5 72	3.7 76	9.0 60	17.0 40	1.6 90	4.6 94	5.4 86
* Plan Policy Index	8.4 22	3.8 22	4.6 41	9.7 32	18.0 23	3.2 47	5.8 44	6.1 44
Median	7.5	3.1	4.4	9.2	16.2	3.1	5.7	6.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2012

Returns Based Style Analysis - US Equity Composite

US Equity Style Map



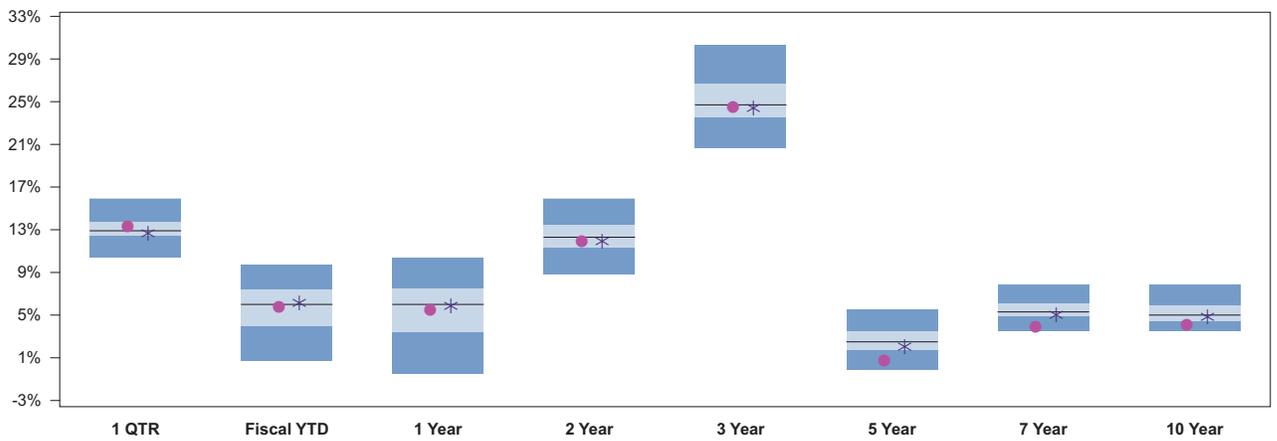
Legend			
● Barrow Hanley	◆ BlackRock R1000 Index Fund	▲ BlackRock	■ The Boston Company
◇ Chartwell	+ D.E. Shaw	▼ Jennison Associates	★ T. Rowe Price
⊗ SamCERA US Equity Composite	■ Russell 3000 Index		

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Pools

Periods Ending March 31, 2012

Total Returns



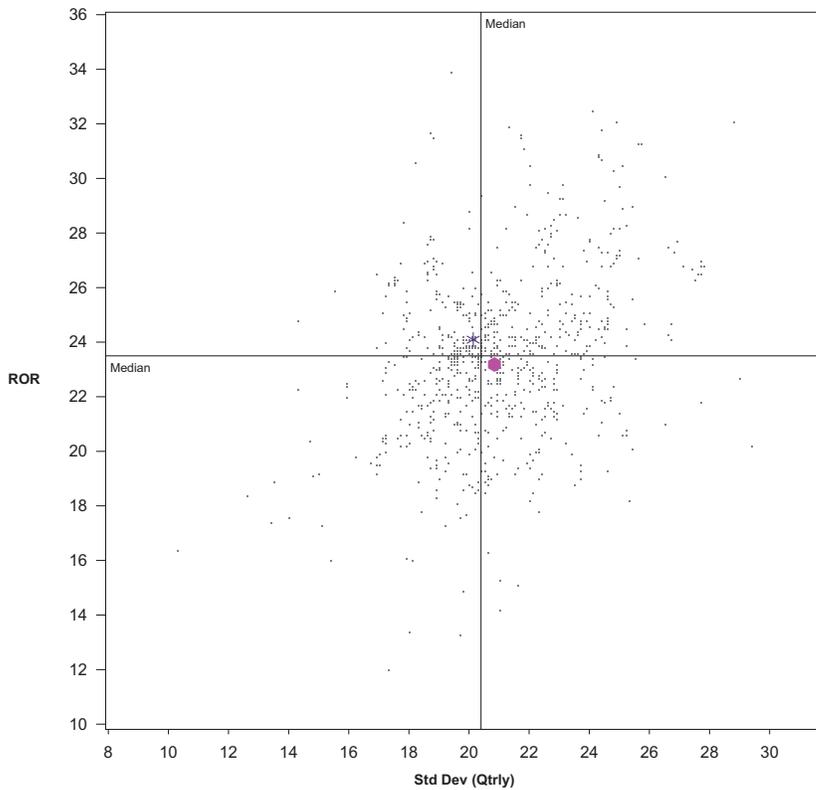
	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
● US Equity	13.5 31	6.0 51	5.7 56	12.1 58	24.7 49	0.9 90	4.1 91	4.3 80
* US Equity Index Median	12.8 56	6.3 45	6.0 51	12.1 56	24.6 52	2.2 60	5.2 54	5.0 53
Median	12.9	6.0	6.0	12.3	24.7	2.5	5.3	5.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending March 31, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	23.1 63	20.9 58	1.1 64
* RUSSELL 1000	24.0 36	20.2 45	1.2 44
Median	23.5	20.4	1.2

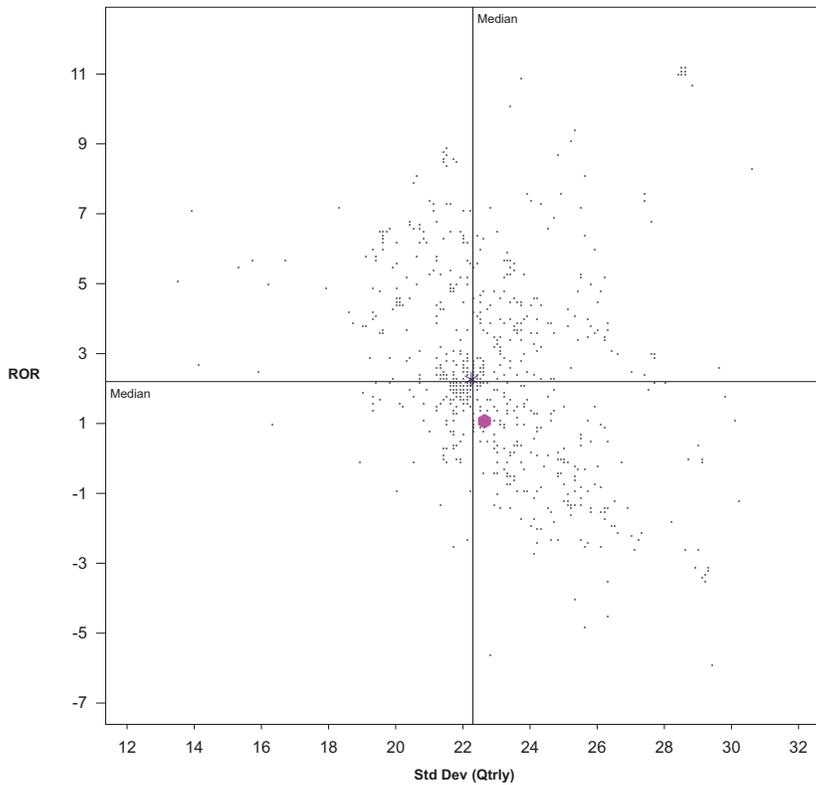
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending March 31, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	1.0 78	22.7 57	-0.0 78
* RUSSELL 1000	2.2 52	22.3 50	0.0 52
Median	2.2	22.3	0.0

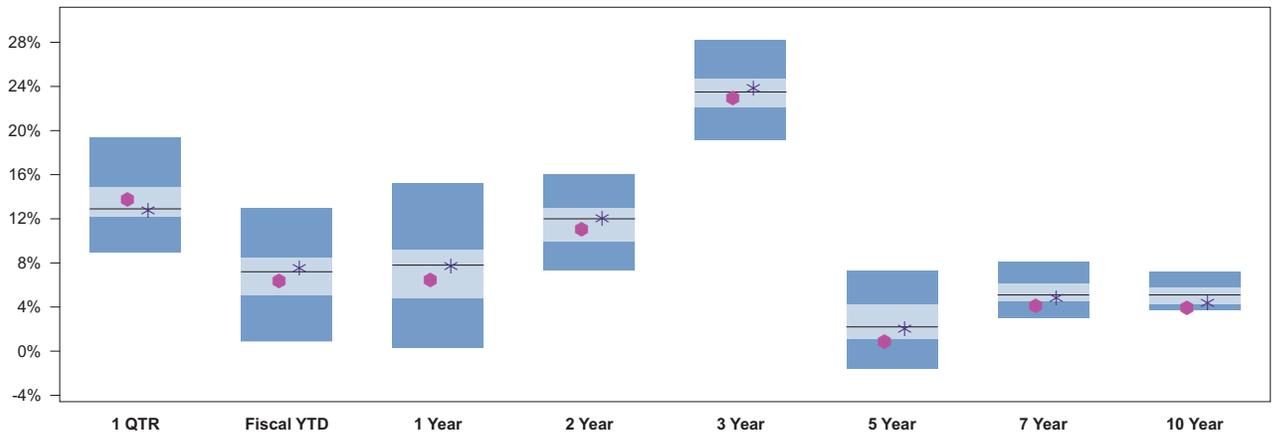
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Periods Ending March 31, 2012

Total Returns



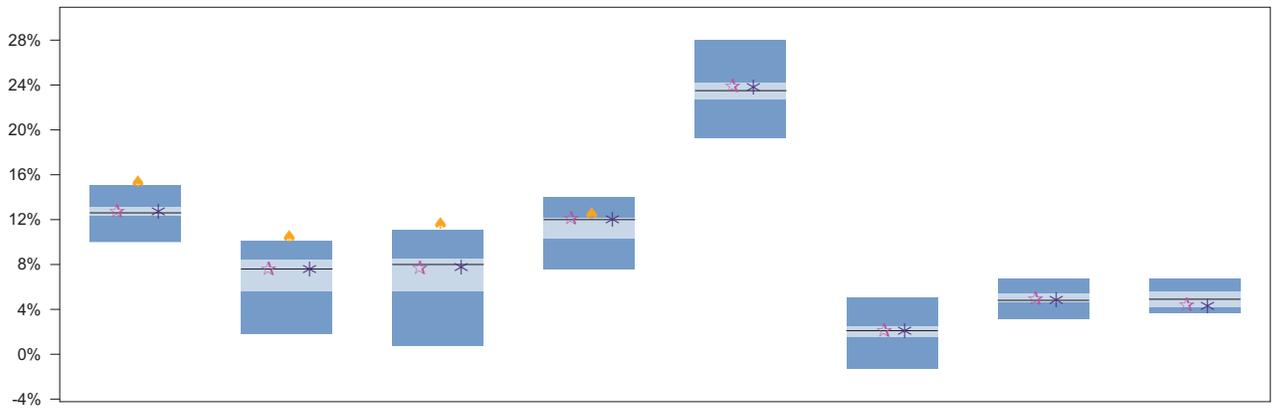
	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
● Large Cap	13.9 36	6.5 58	6.6 61	11.2 61	23.1 63	1.0 78	4.3 83	4.1 87
* RUSSELL 1000	12.9 50	7.7 44	7.9 50	12.2 37	24.0 36	2.2 52	5.0 51	4.5 64
Median	12.9	7.2	7.8	12.0	23.5	2.2	5.1	5.1

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending March 31, 2012

Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
☆ BlackRock-R1000 Index	12.9	33	7.8	47	7.9	52	12.3	24	24.1	29	2.3	37	5.1	36	4.6	57
▲ DE Shaw	15.9	4	11.0	3	12.1	3	13.0	11								
* RUSSELL 1000	12.9	35	7.7	49	7.9	53	12.2	27	24.0	31	2.2	43	5.0	38	4.5	59
Median	12.6		7.6		8.0		12.0		23.5		2.1		4.8		4.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – BlackRock-R1000 Index Fund

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	976	
Average Market Cap (000's)	98,346,097	98,352,155
Median Market Cap (000's)	5,692,480	5,688,540
P/E Ratio	16.60	16.60
Dividend Yield	1.95	1.95
Beta	1.02	1.02
Price/Book Ratio	3.77	3.77
Return on Equity	21.48	21.48
Earnings Growth - 5 Years	8.77	8.76

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	6,434,844	3.8
EXXON MOBIL CORP	4,959,244	3.0
INTL BUSINESS MACHINES CORP	2,933,466	1.8
MICROSOFTCORP	2,777,980	1.7
CHEVRON CORP	2,502,373	1.5
GENERAL ELECTRIC CO	2,470,723	1.5
PROCTER +GAMBLE CO/THE	2,176,864	1.3
AT+T INC	2,146,787	1.3
JPMORGAN CHASE + CO	2,120,861	1.3
JOHNSON + JOHNSON	2,098,751	1.3

Ten Best Performers	
Name	Return
AMYLIN PHARMACEUTICALS INC	119.3
REGENERONPHARMACEUTICALS	110.4
SEARS HOLDINGS CORP	108.5
COBALT INTERNATIONAL ENERGY	93.5
LENDER PROCESSING SERVICES	73.3
ILLUMINA INC	72.6
BANK OF AMERICA CORP	72.3
SKYWORKS SOLUTIONS INC	70.5
TEREX CORP	66.5
FOSSIL INC	66.3

Ten Worst Performers	
Name	Return
EDUCATIONMANAGEMENT CORP	-51.1
EXCO RESOURCES INC	-36.2
RADIOSHACKCORP	-34.7
WEBMD HEALTH CORP	-31.9
SUPERVALUINC	-28.7
APOLLO GROUP INC CL A	-28.3
FIRST SOLAR INC	-25.8
ARCH COALINC	-25.6
ALPHA NATURAL RESOURCES INC	-25.6
QUICKSILVER RESOURCES INC	-24.9

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock-R1000 Index Fund

Benchmark: RUSSELL 1000

Quarter Ending March 31, 2012

Equity Performance Attribution

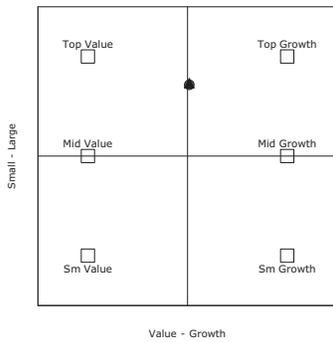
	BEGINNING WTS			BASE RETURNS			VALUE ADDED			
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total	
BlackRock-R1000 Index										
CONSUMER DISCRETIONARY	11.5	11.6	-0.0	16.9	16.8	0.1	-0.01	0.01	0.00	
CONSUMER STAPLES	10.5	10.4	0.0	5.7	5.7	0.0	-0.01	0.02	0.01	
ENERGY	11.6	11.7	-0.0	4.1	4.1	0.0	0.00	0.00	0.00	
FINANCIALS	14.2	14.2	0.0	20.7	20.7	-0.0	0.00	-0.01	-0.01	
HEALTH CARE	11.7	11.7	-0.0	10.0	10.0	0.0	0.00	0.00	0.00	
INDUSTRIALS	11.1	11.1	-0.0	11.8	11.8	0.0	0.00	0.00	0.00	
INFORMATION TECHNOLOGY	18.4	18.3	0.0	21.3	21.3	-0.0	0.00	-0.01	-0.01	
MATERIALS	4.0	4.0	0.0	12.5	12.6	-0.1	-0.01	-0.01	-0.02	
PREFERRED STOCK	0.0	0.0	0.0	-	-	-	-0.01	0.00	-0.01	
TELECOMMUNICATION SERVICES	3.0	3.0	0.0	3.2	3.2	0.0	-0.01	0.02	0.01	
UTILITIES	4.0	4.0	0.0	-1.6	-1.5	-0.1	-0.01	-0.01	-0.02	
TOTAL	100.0	100.0	-0.0	12.9	12.9	-0.0	-0.04	-0.00	-0.04	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - BlackRock R1000 Index Fund

US Equity Style Map

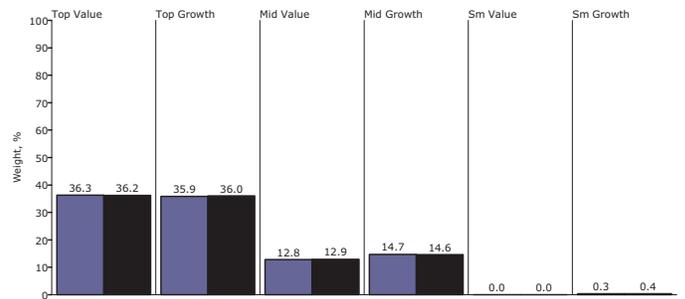
Apr 09 - Mar 12



US Equity Style Exposures

Apr 09 - Mar 12

■ BlackRock R1000 Index Fund ■ Russell 1000 Index

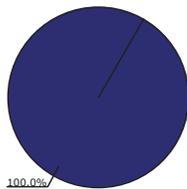
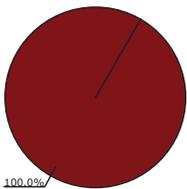


R-Squared (Style Analysis)

Apr 09 - Mar 12

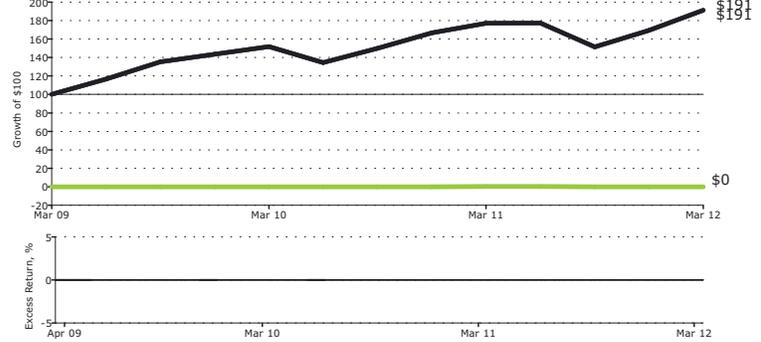
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

▲ Russell 1000 Index

● BlackRock R1000 Index Fund

■ Total

■ Style

■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – D.E. Shaw

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	876	
Average Market Cap (000's)	91,243,631	98,352,155
Median Market Cap (000's)	6,147,150	5,688,540
P/E Ratio	17.11	16.60
Dividend Yield	1.62	1.95
Beta	1.01	1.02
Price/Book Ratio	3.38	3.77
Return on Equity	19.23	21.48
Earnings Growth - 5 Years	9.80	8.76

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	6,650,355	5.4
JPMORGAN CHASE + CO	3,466,144	2.8
PFIZER INC	3,386,714	2.7
PROCTER +GAMBLE CO/THE	3,365,667	2.7
INTL BUSINESS MACHINES CORP	2,674,157	2.2
QUALCOMM INC	2,643,939	2.1
VISA INC CLASS A SHARES	2,365,901	1.9
WELLS FARGO + CO	2,363,515	1.9
PRICELINE.COM INC	2,156,092	1.7
MICROSOFTCORP	1,907,610	1.5

Ten Best Performers	
Name	Return
AMYLIN PHARMACEUTICALS INC	119.3
GEORGIA GULF CORP	79.0
GLOBAL CASH ACCESS HOLDINGS	75.3
LENDER PROCESSING SERVICES	73.3
ILLUMINA INC	72.6
CHENIERE ENERGY INC	72.4
BANK OF AMERICA CORP	72.3
FOSSIL INC	66.3
NETFLIX INC	66.0
SEAGATE TECHNOLOGY	65.9

Ten Worst Performers	
Name	Return
DYNEGY INC	-79.8
RADIOSHACKCORP	-34.7
WEBMD HEALTH CORP	-31.9
APOLLO GROUP INC CL A	-28.3
RICHMONT MINES INC	-27.7
JAGUAR MINING INC	-26.8
ELECTRONICARTS INC	-20.0
GARDNER DENVER INC	-18.2
CABOT OIL+ GAS CORP	-17.8
FRONTIER COMMUNICATIONS CORP	-17.2

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

DE Shaw

Benchmark: RUSSELL 1000

Quarter Ending March 31, 2012

Equity Performance Attribution

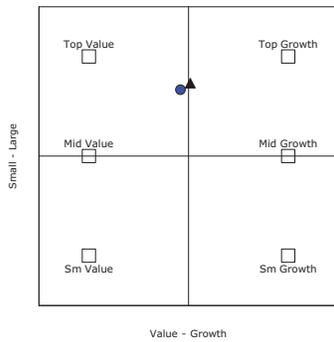
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
DE Shaw									
COMMINGLED FUND	0.5	0.0	0.5	-	-	-	-0.07	0.00	-0.07
CONSUMER DISCRETIONARY	14.5	11.6	2.9	22.5	16.8	5.7	0.10	0.80	0.91
CONSUMER STAPLES	8.6	10.4	-1.9	5.6	5.7	-0.1	0.12	-0.24	-0.11
ENERGY	9.2	11.7	-2.4	6.6	4.1	2.5	0.19	0.23	0.42
FINANCIALS	14.5	14.2	0.3	21.0	20.7	0.3	0.02	0.04	0.06
HEALTH CARE	10.7	11.7	-1.0	11.8	10.0	1.8	0.03	0.19	0.21
INDUSTRIALS	10.1	11.1	-1.0	11.9	11.8	0.2	0.01	0.02	0.03
INFORMATION TECHNOLOGY	21.6	18.3	3.3	22.4	21.3	1.1	0.24	0.24	0.48
MATERIALS	3.2	4.0	-0.7	17.7	12.6	5.1	0.00	0.17	0.17
RIGHTS / WARRANTS	0.0	0.0	0.0	-	-	-	-0.01	0.00	-0.01
TELECOMMUNICATION SERVICES	1.7	3.0	-1.3	4.3	3.2	1.1	0.11	0.02	0.13
UTILITIES	5.3	4.0	1.3	4.2	-1.5	5.7	-0.18	0.30	0.13
TOTAL	100.0	100.0	0.0	15.7	12.9	2.7	0.57	1.77	2.35

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - D.E. Shaw

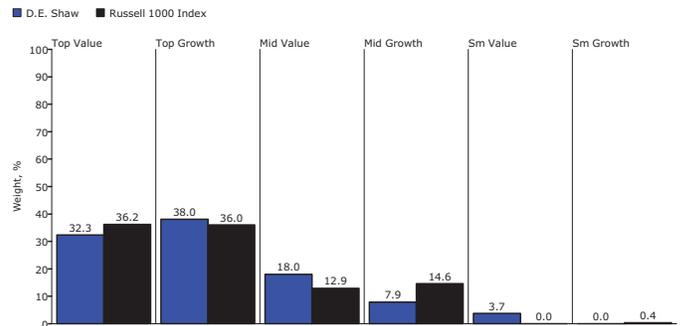
US Equity Style Map

Apr 09 - Mar 12



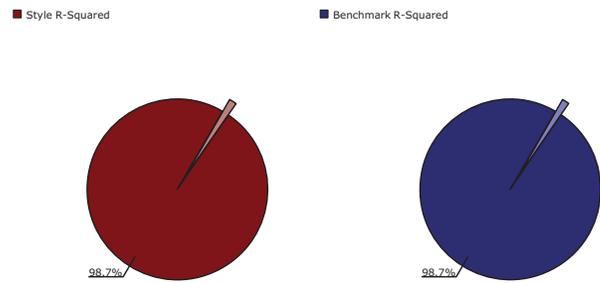
US Equity Style Exposures

Apr 09 - Mar 12



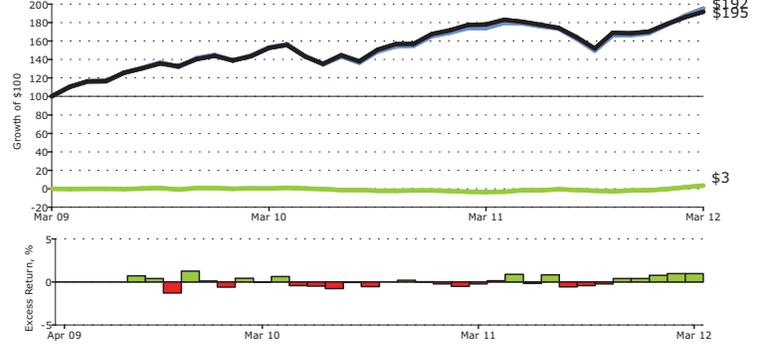
R-Squared (Style Analysis)

Apr 09 - Mar 12



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

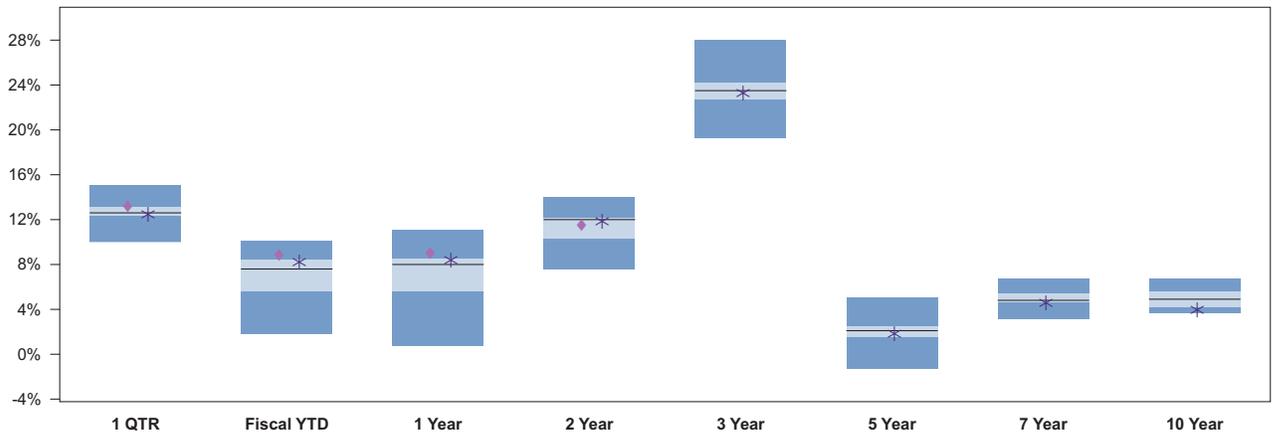
- ▲ Russell 1000 Index ● D.E. Shaw
- Total ■ Style
- Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending March 31, 2012

Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ T Rowe Price	13.6	18	9.3	10	9.5	13	12.0	46								
* S&P 500	12.6	63	8.4	34	8.5	38	12.0	46	23.4	62	2.0	65	4.7	70	4.1	89
Median	12.6		7.6		8.0		12.0		23.5		2.1		4.8		4.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – T. Rowe Price

Portfolio Characteristics		
	Portfolio	S&P 500
Total Number of Securities	274	
Average Market Cap (000's)	110,650,091	110,204,188
Median Market Cap (000's)	16,597,715	12,425,760
P/E Ratio	16.69	16.43
Dividend Yield	1.86	2.03
Beta	1.01	1.00
Price/Book Ratio	3.89	3.83
Return on Equity	22.13	22.42
Earnings Growth - 5 Years	8.99	8.54

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	5,395,230	4.5
EXXON MOBIL CORP	4,078,565	3.4
MICROSOFTCORP	2,718,675	2.3
CHEVRON CORP	2,262,764	1.9
AT+T INC	2,236,068	1.9
JPMORGAN CHASE + CO	1,995,532	1.7
PROCTER +GAMBLE CO/THE	1,949,090	1.6
INTL BUSINESS MACHINES CORP	1,836,120	1.5
GOOGLE INCL A	1,795,472	1.5
GENERAL ELECTRIC CO	1,792,251	1.5

Ten Best Performers	
Name	Return
BANK OF AMERICA CORP	72.3
NETFLIX INC	66.0
PRICELINE.COM INC	53.4
TEXTRON INC	50.6
APPLE INC	48.0
RED HAT INC	45.0
TRW AUTOMOTIVE HOLDINGS CORP	42.5
DENDREON CORP	40.2
AUTODESK INC	39.5
JPMORGAN CHASE + CO	39.3

Ten Worst Performers	
Name	Return
ARCH COALINC	-25.6
ELECTRONICARTS INC	-20.0
NEWMONT MINING CORP	-14.0
BAKER HUGHES INC	-13.5
PEABODY ENERGY CORP	-12.3
EQT CORP	-11.6
GROUPON INC	-10.9
NEWFIELD EXPLORATION CO	-8.1
EXELON CORP	-8.0
TECO ENERGY INC	-7.2

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

T Rowe Price

Benchmark: S&P 500

Quarter Ending March 31, 2012

Equity Performance Attribution

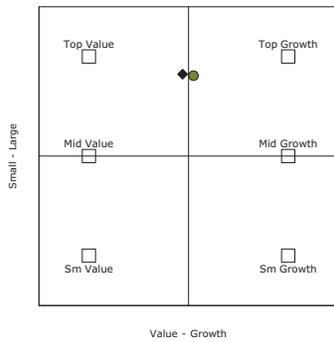
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>T Rowe Price</i>									
CONSUMER DISCRETIONARY	12.1	10.7	1.4	17.6	16.3	1.3	0.05	0.15	0.20
CONSUMER STAPLES	10.2	11.4	-1.2	5.4	5.6	-0.2	0.08	-0.05	0.02
ENERGY	13.0	12.5	0.5	3.6	3.9	-0.3	-0.04	-0.08	-0.13
FINANCIALS	13.3	13.3	-0.0	21.7	22.3	-0.6	-0.01	-0.11	-0.11
HEALTH CARE	11.8	11.6	0.2	10.5	9.2	1.3	-0.01	0.16	0.14
INDUSTRIALS	11.4	10.7	0.7	12.6	11.0	1.6	-0.01	0.19	0.17
INFORMATION TECHNOLOGY	18.5	19.3	-0.8	23.3	21.3	2.0	-0.06	0.35	0.29
MATERIALS	3.4	3.6	-0.3	11.3	10.9	0.4	0.00	0.01	0.02
TELECOMMUNICATION SERVICES	3.1	3.1	0.0	6.8	2.1	4.7	-0.00	0.15	0.14
UTILITIES	3.2	3.8	-0.6	0.7	-1.6	2.3	0.08	0.07	0.15
TOTAL	100.0	100.0	0.0	13.7	12.6	1.0	0.06	0.84	0.90

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - T. Rowe Price

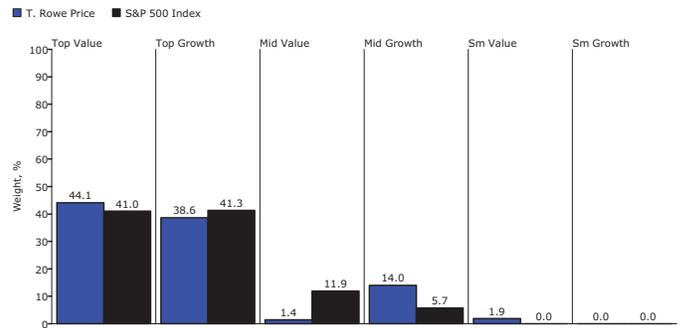
US Equity Style Map

Apr 09 - Mar 12



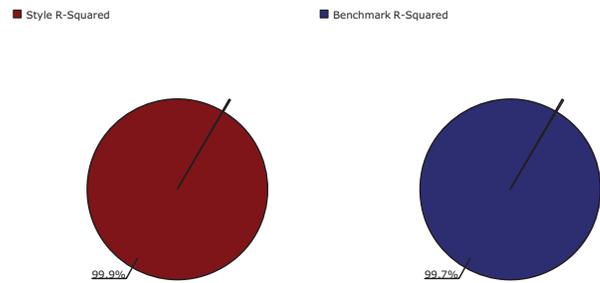
US Equity Style Exposures

Apr 09 - Mar 12



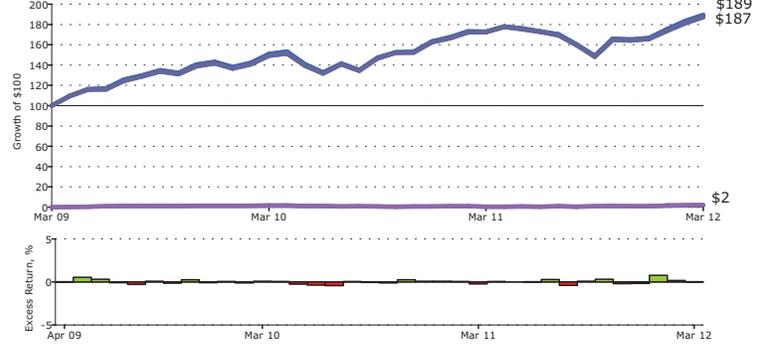
R-Squared (Style Analysis)

Apr 09 - Mar 12



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

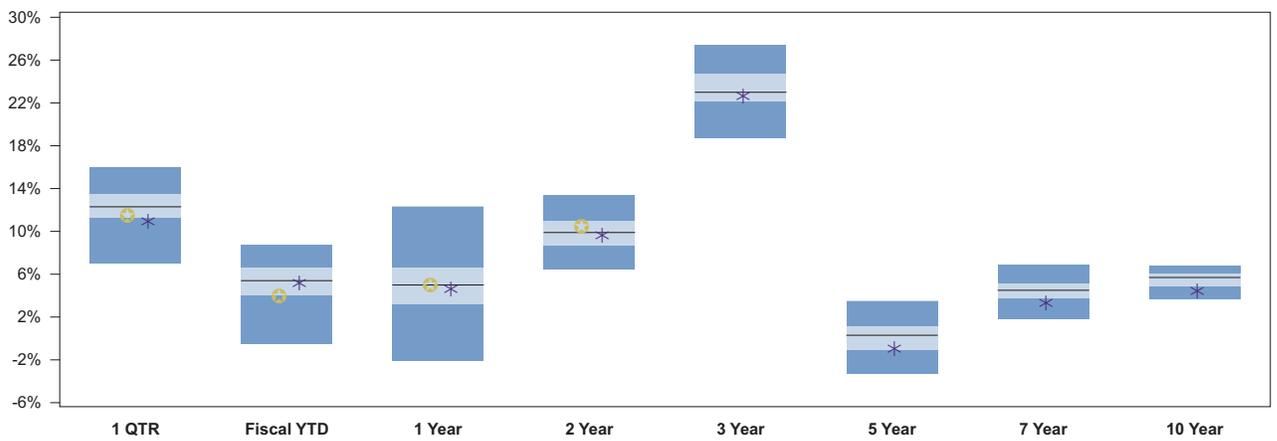
- ▲ S&P 500 Index
- T. Rowe Price
- Total
- Style
- Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Value

Periods Ending March 31, 2012

Total Returns



	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
⊕ Barrow Hanley	11.7 65	4.2 74	5.2 44	10.7 31				
* RUSSELL 1000 VALUE	11.1 77	5.3 52	4.8 57	9.8 55	22.8 57	-0.8 73	3.5 79	4.6 84
Median	12.3	5.4	5.0	9.9	23.0	0.3	4.5	5.7

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – Barrow Hanley

Portfolio Characteristics		
	Portfolio	Russell 1000 Value
Total Number of Securities	88	
Average Market Cap (000's)	56,205,027	76,680,613
Median Market Cap (000's)	18,313,415	4,987,625
P/E Ratio	13.56	15.11
Dividend Yield	2.67	2.45
Beta	1.10	1.06
Price/Book Ratio	2.59	1.95
Return on Equity	17.94	13.17
Earnings Growth - 5 Years	2.37	0.89

Ten Largest Holdings		
Name	\$	Weight
CAPITAL ONE FINANCIAL CORP	5,412,354	3.3
STANLEY BLACK + DECKER INC	5,117,840	3.1
SLM CORP	3,870,656	2.3
UNITEDHEALTH GROUP INC	3,748,584	2.3
PNC FINANCIAL SERVICES GROUP	3,282,541	2.0
CONOCOPHILLIPS	3,124,011	1.9
PFIZER INC	3,057,174	1.8
PHILIP MORRIS INTERNATIONAL	3,012,740	1.8
WELLPOINTINC	2,892,960	1.7
BP PLC	2,880,000	1.7

Ten Best Performers	
Name	Return
BANK OF AMERICA CORP	72.3
EXELIS INC	39.5
JPMORGAN CHASE + CO	39.3
CITIGROUP INC	39.0
DISCOVER FINANCIAL SERVICES	38.9
HANESBRANDS INC	35.1
CAPITAL ONE FINANCIAL CORP	31.9
SPX CORP	29.1
MASCO CORP	28.4
MICROSOFTCORP	25.0

Ten Worst Performers	
Name	Return
WILLIS GROUP HOLDINGS PLC	-9.2
ONEOK INC	-5.1
VERIZON COMMUNICATIONS INC	-3.5
XCEL ENERGY INC	-3.3
WESTERN UNION CO	-3.1
ROYAL DUTCH SHELL PLC ADR	-2.9
INTL GAMETECHNOLOGY	-2.0
VODAFONE GROUP PLC SP ADR	-1.3
CARNIVAL CORP	-0.9
CENTERPOINT ENERGY INC	-0.8

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Barrow Hanley

Benchmark: RUSSELL 1000 VALUE

Quarter Ending March 31, 2012

Equity Performance Attribution

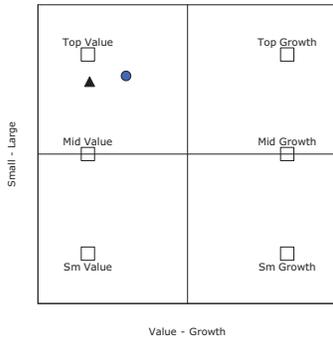
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Barrow Hanley									
CONSUMER DISCRETIONARY	9.6	9.0	0.6	10.9	16.5	-5.5	0.03	-0.54	-0.51
CONSUMER STAPLES	8.4	8.1	0.4	8.5	4.7	3.8	-0.03	0.32	0.29
ENERGY	12.3	12.3	0.1	4.9	5.1	-0.2	-0.01	-0.03	-0.04
FINANCIALS	22.9	24.4	-1.5	19.7	21.4	-1.6	-0.14	-0.36	-0.50
HEALTH CARE	16.4	12.8	3.5	9.9	6.8	3.2	-0.14	0.51	0.37
INDUSTRIALS	14.6	9.3	5.3	15.1	10.9	4.2	-0.01	0.60	0.58
INFORMATION TECHNOLOGY	8.2	8.8	-0.6	11.7	13.4	-1.7	-0.02	-0.14	-0.16
MATERIALS	0.9	2.6	-1.7	1.6	12.3	-10.7	-0.02	-0.10	-0.12
TELECOMMUNICATION SERVICES	3.0	4.8	-1.8	1.2	2.9	-1.7	0.13	-0.05	0.08
UTILITIES	3.6	7.9	-4.3	-1.9	-1.5	-0.4	0.49	-0.02	0.47
TOTAL	100.0	100.0	0.0	11.7	11.1	0.5	0.28	0.19	0.47

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - Barrow Hanley

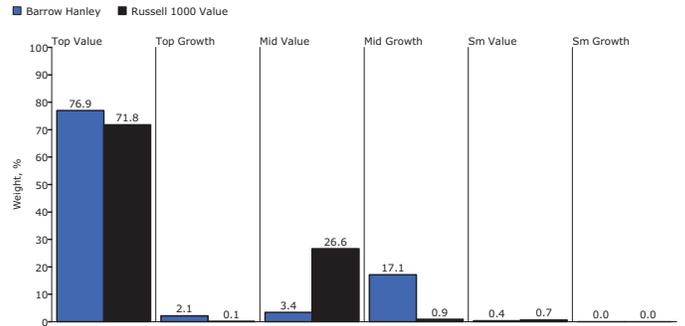
US Equity Style Map

Apr 09 - Mar 12



US Equity Style Exposures

Apr 09 - Mar 12

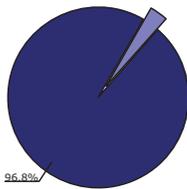
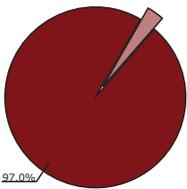


R-Squared (Style Analysis)

Apr 09 - Mar 12

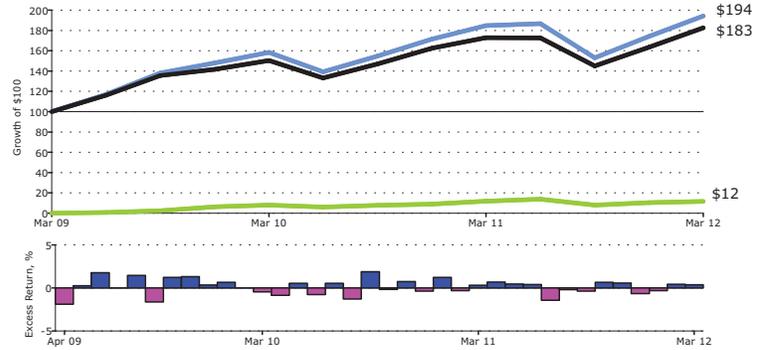
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

▲ Russell 1000 Value ● Barrow Hanley

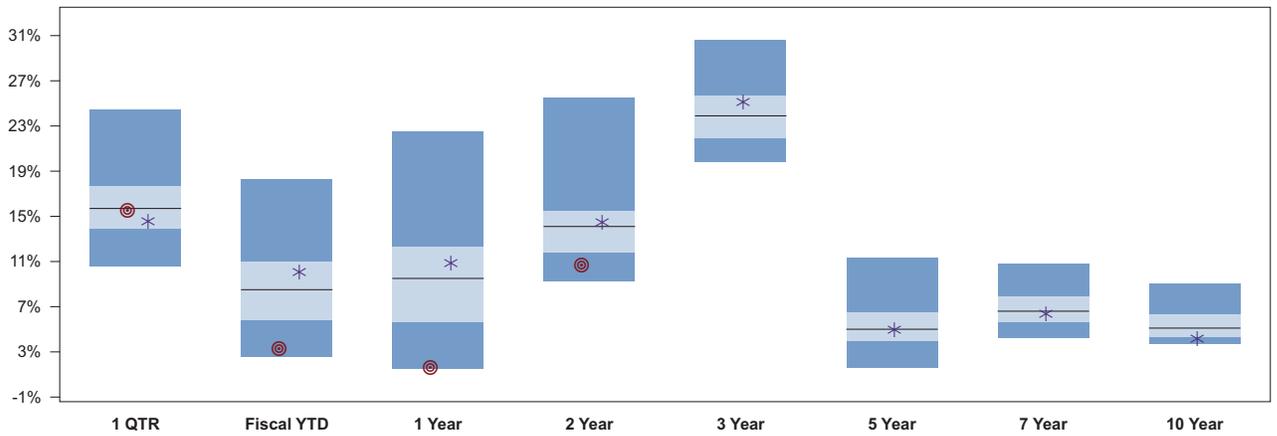
■ Total ■ Style ■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Growth

Periods Ending March 31, 2012

Total Returns



	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
● BlackRock	15.7 49	3.5 90	1.8 93	10.9 81				
* RUSSELL 1000 GROWTH	14.7 68	10.2 36	11.0 36	14.6 39	25.3 33	5.1 49	6.5 54	4.3 77
Median	15.7	8.5	9.5	14.1	23.9	5.0	6.6	5.1

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – BlackRock

Portfolio Characteristics		
	Portfolio	Russell 1000 Growth
Total Number of Securities	77	
Average Market Cap (000's)	115,532,508	119,351,164
Median Market Cap (000's)	21,466,840	6,503,930
P/E Ratio	22.23	18.33
Dividend Yield	1.00	1.47
Beta	1.04	0.97
Price/Book Ratio	5.52	5.54
Return on Equity	21.97	29.52
Earnings Growth - 5 Years	17.95	16.24

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	16,245,637	9.2
QUALCOMM INC	7,060,476	4.0
BOEING CO/THE	6,559,434	3.7
MICROSOFTCORP	5,476,050	3.1
AMAZON.COMINC	5,346,264	3.0
GOOGLE INCL A	5,001,672	2.9
DANAHER CORP	4,765,600	2.7
COCA COLACO/THE	4,662,630	2.7
EXXON MOBIL CORP	4,067,637	2.3
SALESFORCE.COM INC	3,203,301	1.8

Ten Best Performers	
Name	Return
NXP SEMICONDUCTORS NV	73.1
MICHAEL KORS HOLDINGS LTD	71.0
TEREX CORP	66.5
SALESFORCE.COM INC	52.3
APPLE INC	48.0
VERIFONE SYSTEMS INC	46.0
RED HAT INC	45.0
JEFFERIESGROUP INC	37.7
AVAGO TECHNOLOGIES LTD	35.5
LAS VEGASSANDS CORP	35.3

Ten Worst Performers	
Name	Return
ALPHA NATURAL RESOURCES INC	-25.6
RANGE RESOURCES CORP	-6.1
VERIZON COMMUNICATIONS INC	-3.5
GOOGLE INCL A	-0.7
PEPSICO INC	0.8
PROCTER +GAMBLE CO/THE	1.6
BOEING CO/THE	2.0
SCHLUMBERGER LTD	2.7
ANADARKO PETROLEUM CORP	2.7
EXXON MOBIL CORP	2.9

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock

Benchmark: RUSSELL 1000 GROWTH

Quarter Ending March 31, 2012

Equity Performance Attribution

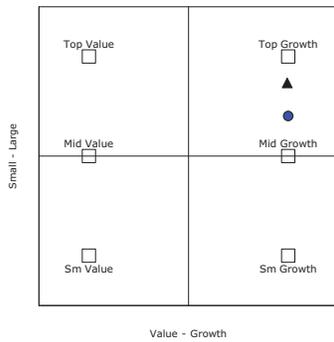
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
BlackRock									
CONSUMER DISCRETIONARY	13.9	14.1	-0.2	21.3	17.0	4.2	-0.01	0.57	0.56
CONSUMER STAPLES	10.8	12.8	-2.0	4.8	6.4	-1.5	0.15	-0.16	-0.01
ENERGY	10.5	11.1	-0.5	0.8	3.0	-2.2	0.05	-0.22	-0.17
FINANCIALS	2.8	3.9	-1.1	30.0	16.3	13.7	-0.02	0.38	0.35
HEALTH CARE	10.2	10.6	-0.4	10.9	14.0	-3.2	0.00	-0.32	-0.31
INDUSTRIALS	13.9	12.9	1.0	7.5	12.4	-4.8	-0.03	-0.67	-0.69
INFORMATION TECHNOLOGY	32.1	27.9	4.2	29.0	23.8	5.2	0.33	1.57	1.90
MATERIALS	2.8	5.3	-2.5	8.0	12.8	-4.7	0.04	-0.13	-0.09
TELECOMMUNICATION SERVICES	2.9	1.2	1.7	-4.7	5.0	-9.7	-0.15	-0.29	-0.44
UTILITIES	0.0	0.1	-0.1	-	-0.8	-	0.01	0.00	0.01
TOTAL	100.0	100.0	0.0	16.1	14.7	1.4	0.37	0.73	1.10

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - BlackRock

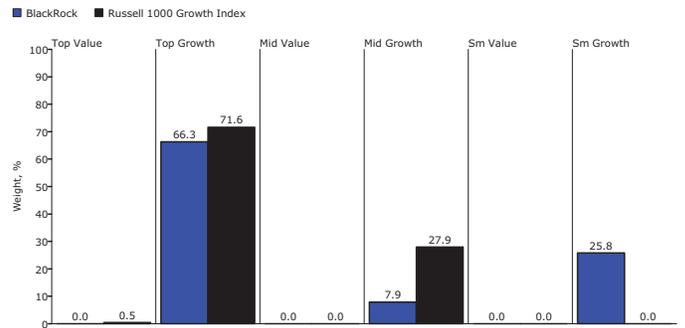
US Equity Style Map

Apr 09 - Mar 12



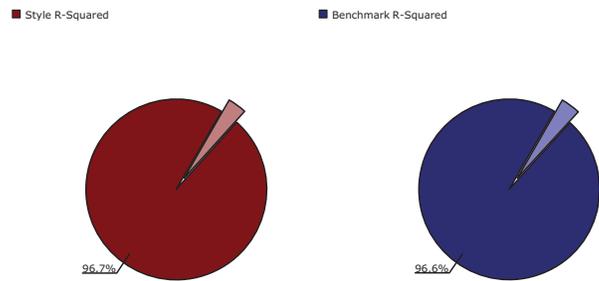
US Equity Style Exposures

Apr 09 - Mar 12



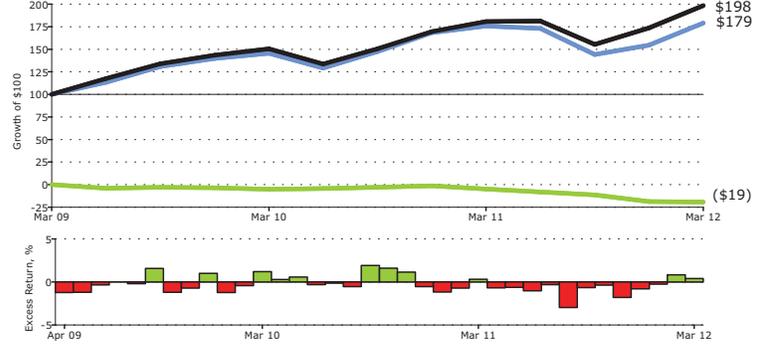
R-Squared (Style Analysis)

Apr 09 - Mar 12



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

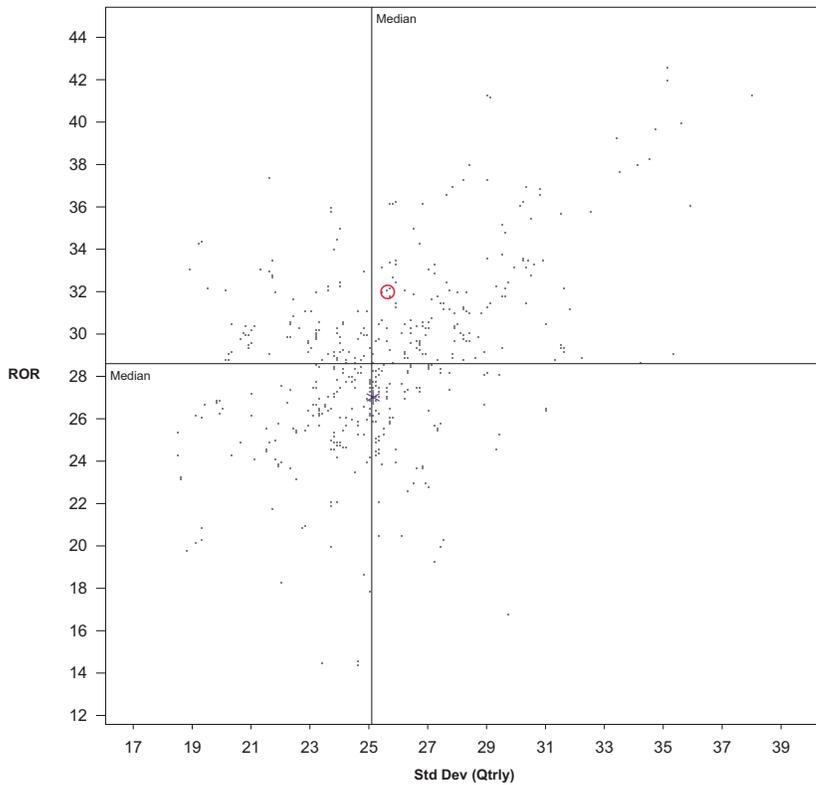
- ▲ Russell 1000 Growth Index
- BlackRock
- Total
- Style
- Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending March 31, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	31.9 19	25.7 61	1.2 24
* RUSSELL 2000	26.9 69	25.2 53	1.1 71
Median	28.6	25.1	1.1

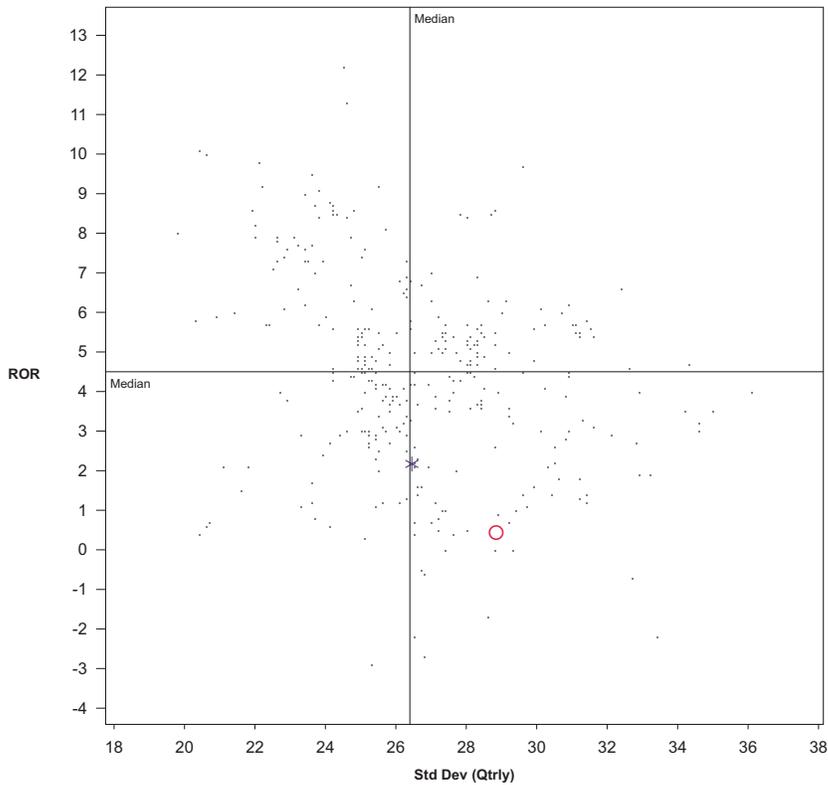
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending March 31, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	0.4 97	28.9 82	-0.0 96
* RUSSELL 2000	2.1 83	26.5 52	0.0 82
Median	4.5	26.4	0.1

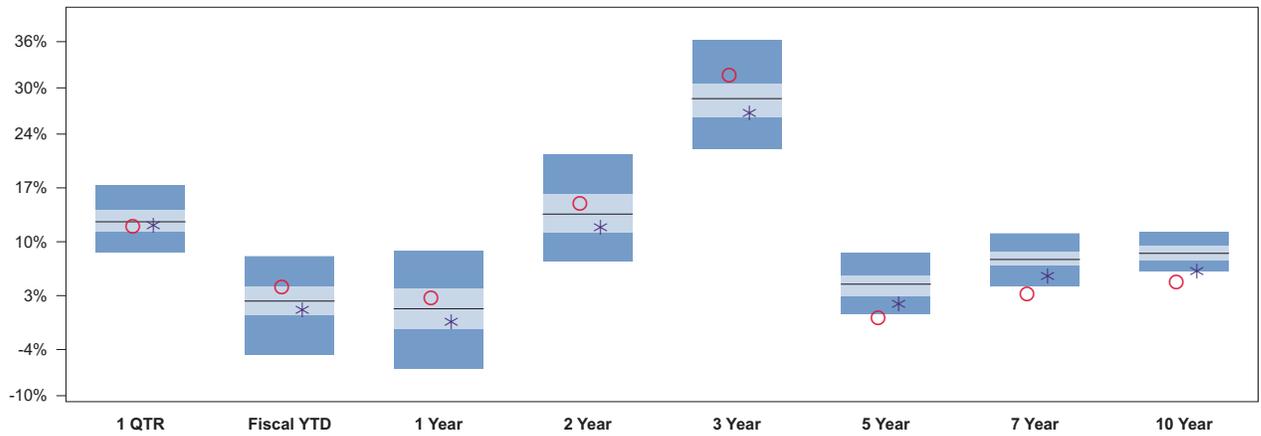
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Periods Ending March 31, 2012

Total Returns



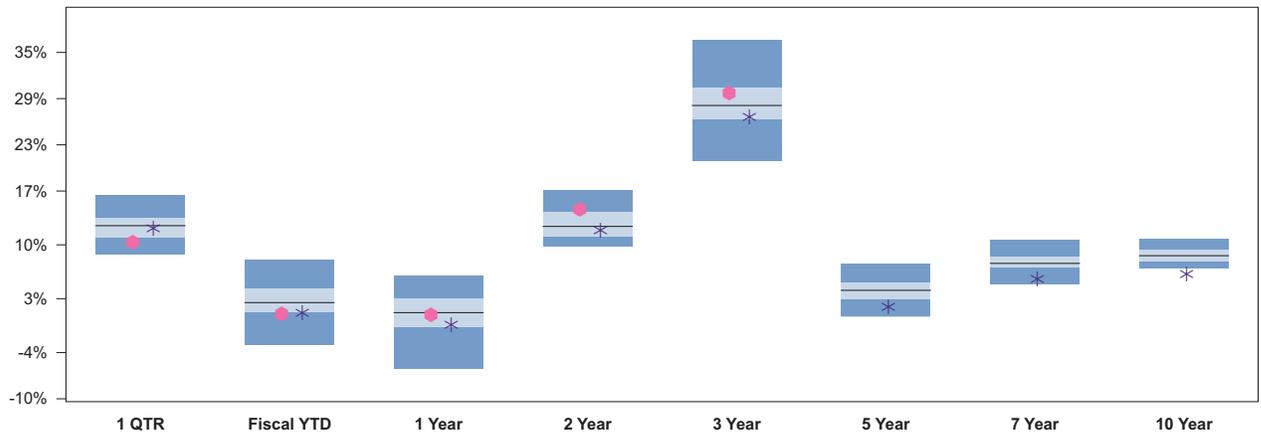
	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
○ Small Cap	12.3 58	4.4 24	3.0 34	15.3 29	31.9 19	0.4 97	3.5 98	5.1 99
* RUSSELL 2000	12.4 56	1.4 63	-0.2 65	12.1 67	26.9 69	2.1 83	5.8 85	6.4 93
Median	12.6	2.3	1.3	13.6	28.6	4.5	7.7	8.5

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Core

Periods Ending March 31, 2012

Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● Jennison	10.5	79	1.3	74	1.1	53	14.8	18	29.9	34						
* RUSSELL 2000	12.4	54	1.4	72	-0.2	68	12.1	59	26.9	67	2.1	87	5.8	87	6.4	98
Median	12.5		2.5		1.2		12.4		28.1		4.1		7.6		8.6	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – Jennison

Portfolio Characteristics		
	Portfolio	Russell 2000
Total Number of Securities	123	
Average Market Cap (000's)	2,080,630	1,371,161
Median Market Cap (000's)	1,605,720	517,290
P/E Ratio	18.60	17.80
Dividend Yield	0.98	1.40
Beta	1.20	1.18
Price/Book Ratio	3.34	3.02
Return on Equity	13.41	11.42
Earnings Growth - 5 Years	11.31	5.85

Ten Largest Holdings			Ten Best Performers		Ten Worst Performers	
Name	\$	Weight	Name	Return	Name	Return
WHITE MOUNTAINS INSURANCE GP	2,005,375	2.3	ACADIA HEALTHCARE CO INC	63.5	LUMOS NETWORKS CORP WI	-29.0
RBC BEARINGS INC	1,885,702	2.2	OMNOVA SOLUTIONS INC	46.4	PATRIOT COAL CORP	-26.3
HEARTLANDEXPRESS INC	1,523,824	1.8	BIO REFERENCE LABS INC	44.5	BILL BARRETT CORP	-23.7
AIR METHODS CORP	1,484,733	1.7	OCLARO INC	39.7	SAGENT PHARMACEUTICALS INC	-14.9
ROSETTA RESOURCES INC	1,393,463	1.6	EXELIS INC	39.5	FTI CONSULTING INC	-11.5
TW TELECOMINC	1,280,937	1.5	THOMAS PROPERTIES GROUP	38.3	HECLA MINING CO	-11.4
PROTECTIVELIFE CORP	1,277,185	1.5	SOLARWINDSINC	38.3	GENESEE +WYOMING INC CL A	-9.9
CHICAGO BRIDGE + IRON NY SHR	1,276,524	1.5	CASTLE (A.M.) + CO	33.7	DRESSER RAND GROUP INC	-7.1
ANIXTER INTERNATIONAL INC	1,263,980	1.5	MWI VETERINARY SUPPLY INC	32.5	VERA BRADLEY INC	-6.4
POWER INTEGRATIONS INC	1,256,252	1.5	PROTECTIVELIFE CORP	32.1	FIRST POTOMAC REALTY TRUST	-6.1

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Jennison

Benchmark: RUSSELL 2000

Quarter Ending March 31, 2012

Equity Performance Attribution

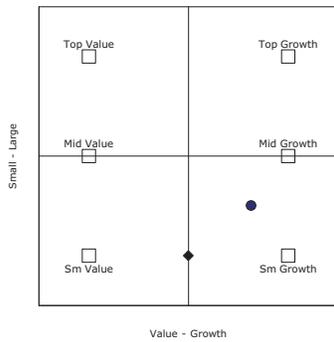
	BEGINNING WTS			BASE RETURNS			VALUE ADDED			
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total	
Jennison										
CONSUMER DISCRETIONARY	10.4	13.4	-3.0	8.9	18.2	-9.3	-0.15	-0.94	-1.09	
CONSUMER STAPLES	5.6	3.6	1.9	7.0	9.3	-2.4	-0.05	-0.13	-0.19	
ENERGY	6.9	5.5	1.4	3.4	7.8	-4.4	-0.06	-0.30	-0.36	
FINANCIALS	19.2	23.3	-4.1	13.9	11.8	2.1	0.03	0.45	0.48	
HEALTH CARE	12.6	12.0	0.6	13.4	14.1	-0.7	0.01	-0.09	-0.07	
INDUSTRIALS	23.1	16.6	6.5	9.0	10.9	-1.9	-0.09	-0.43	-0.52	
INFORMATION TECHNOLOGY	15.4	16.1	-0.7	16.0	15.0	1.0	-0.02	0.21	0.19	
MATERIALS	2.8	4.8	-2.0	8.4	12.4	-4.0	0.01	-0.11	-0.11	
TELECOMMUNICATION SERVICES	4.0	0.8	3.2	9.1	12.8	-3.7	0.01	-0.15	-0.13	
UTILITIES	0.0	3.7	-3.7	-	-2.0	-	0.49	0.05	0.54	
TOTAL	100.0	100.0	-0.0	11.0	12.5	-1.4	0.18	-1.43	-1.26	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - Jennison

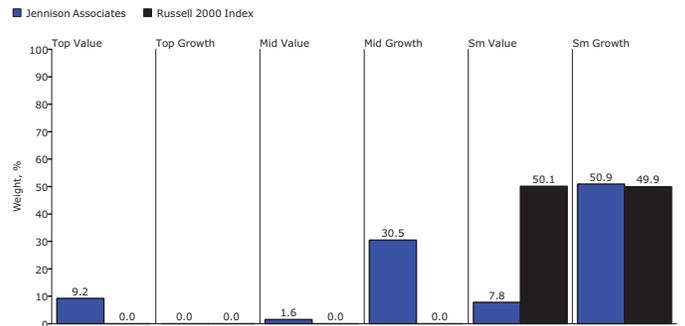
US Equity Style Map

Apr 09 - Mar 12



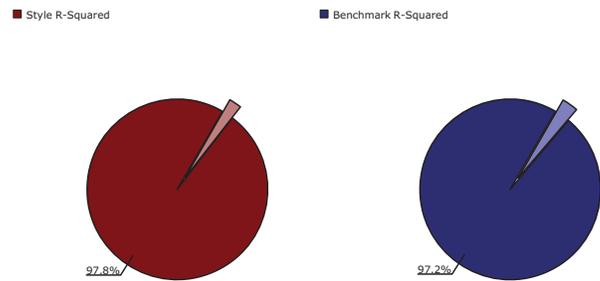
US Equity Style Exposures

Apr 09 - Mar 12



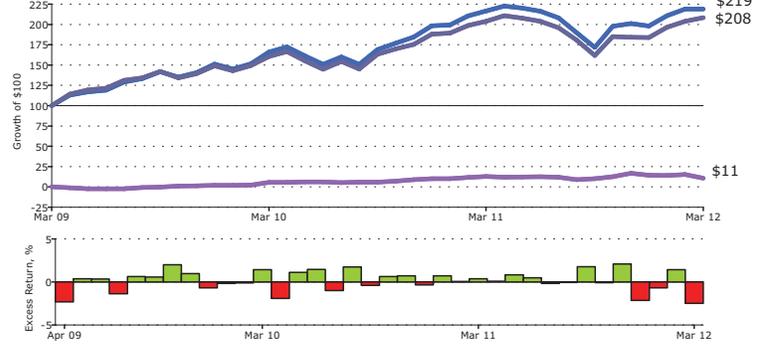
R-Squared (Style Analysis)

Apr 09 - Mar 12



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

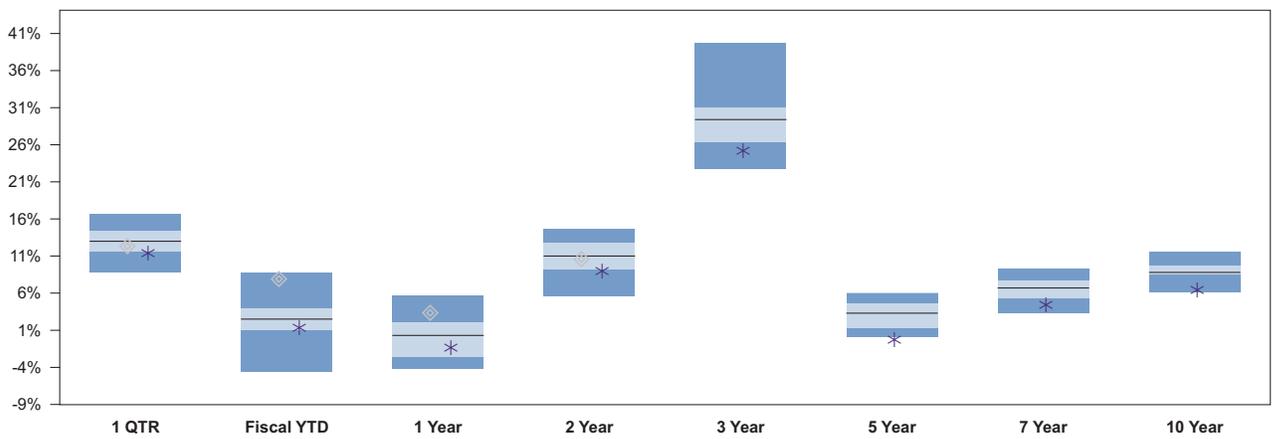
- ▲ Russell 2000 Index
- Jennison Associates
- Total
- Style
- Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Value

Periods Ending March 31, 2012

Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ The Boston Co	12.6	60	8.1	8	3.6	15	10.8	52								
* RUSSELL 2000 VALUE	11.6	76	1.6	67	-1.1	63	9.2	72	25.4	85	0.0	96	4.6	83	6.6	93
Median	13.0		2.5		0.3		11.0		29.4		3.3		6.7		8.8	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – The Boston Company

Portfolio Characteristics		
	Portfolio	Russell 2000 Value
Total Number of Securities	141	
Average Market Cap (000's)	1,550,390	1,186,409
Median Market Cap (000's)	1,294,320	457,190
P/E Ratio	17.89	15.67
Dividend Yield	1.28	2.09
Beta	1.23	1.24
Price/Book Ratio	2.10	1.59
Return on Equity	9.32	7.67
Earnings Growth - 5 Years	(2.42)	(2.59)

Ten Largest Holdings		
Name	\$	Weight
FIRST HORIZON NATIONAL CORP	765,110	1.4
WEBSTER FINANCIAL CORP	734,735	1.4
SVB FINANCIAL GROUP	669,779	1.3
CYTEC INDUSTRIES INC	635,863	1.2
DIAMONDROCK HOSPITALITY C	634,173	1.2
EXPRESS INC	622,502	1.2
GRANITE CONSTRUCTION INC	619,922	1.2
JACK IN THE BOX INC	597,812	1.1
MEREDITH CORP	595,641	1.1
SANDERSONFARMS INC	594,997	1.1

Ten Best Performers	
Name	Return
MATRIX SERVICE CO	48.4
BRUNSWICKCORP	42.6
AEROPOSTALE INC	41.8
CYTEC INDUSTRIES INC	36.4
CHICO S FAS INC	36.0
VISHAY INTERTECHNOLOGY INC	35.3
SVB FINANCIAL GROUP	34.9
PROTECTIVELIFE CORP	32.1
FIRST AMERICAN FINANCIAL	31.9
PIPER JAFFRAY COS	31.8

Ten Worst Performers	
Name	Return
BIG 5 SPORTING GOODS CORP	-24.1
CLOUD PEAKENERGY INC	-17.5
DAWSON GEOPHYSICAL CO	-13.1
FTI CONSULTING INC	-11.5
BRINK S CO/THE	-10.9
OMNICELL INC	-7.9
UNIT CORP	-7.8
WGL HOLDINGS INC	-7.1
FIRST POTOMAC REALTY TRUST	-6.1
EL PASO ELECTRIC CO	-5.6

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

The Boston Co

Benchmark: RUSSELL 2000 VALUE

Quarter Ending March 31, 2012

Equity Performance Attribution

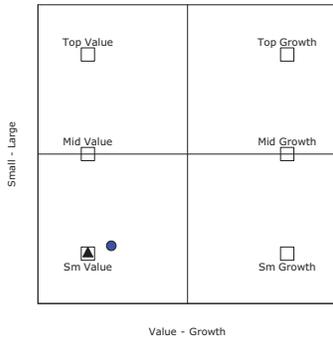
	BEGINNING WTS			BASE RETURNS			VALUE ADDED			
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total	
The Boston Co										
CONSUMER DISCRETIONARY	17.4	12.8	4.6	14.2	18.0	-3.8	0.26	-0.67	-0.41	
CONSUMER STAPLES	4.8	3.1	1.8	7.0	9.4	-2.4	-0.03	-0.14	-0.17	
ENERGY	5.3	3.9	1.4	4.3	6.9	-2.6	-0.06	-0.16	-0.22	
FINANCIALS	27.0	36.9	-9.9	17.0	11.8	5.3	-0.02	1.37	1.35	
HEALTH CARE	6.8	5.3	1.5	8.6	11.3	-2.7	-0.00	-0.20	-0.21	
INDUSTRIALS	17.6	14.9	2.7	12.6	12.6	0.0	0.03	0.01	0.04	
INFORMATION TECHNOLOGY	10.0	9.9	0.1	19.6	12.8	6.8	0.00	0.68	0.68	
MATERIALS	5.2	5.2	-0.1	15.3	12.9	2.3	-0.00	0.12	0.12	
TELECOMMUNICATION SERVICES	0.8	0.8	0.0	27.4	14.1	13.3	0.00	0.11	0.11	
UTILITIES	5.2	7.3	-2.1	-3.1	-2.2	-1.0	0.27	-0.07	0.20	
TOTAL	100.0	100.0	0.0	13.2	11.6	1.7	0.44	1.06	1.50	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - The Boston Company

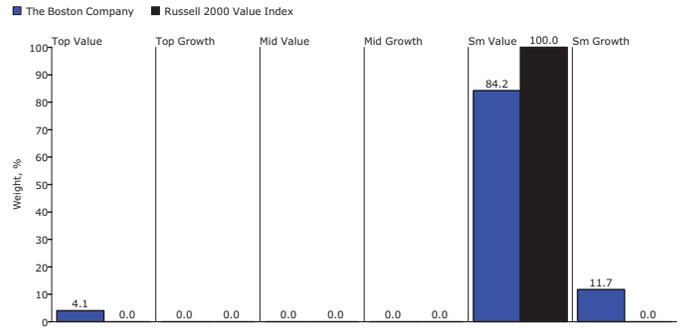
US Equity Style Map

Apr 09 - Mar 12



US Equity Style Exposures

Apr 09 - Mar 12

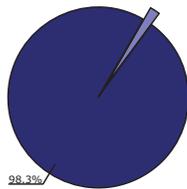
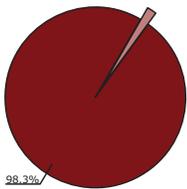


R-Squared (Style Analysis)

Apr 09 - Mar 12

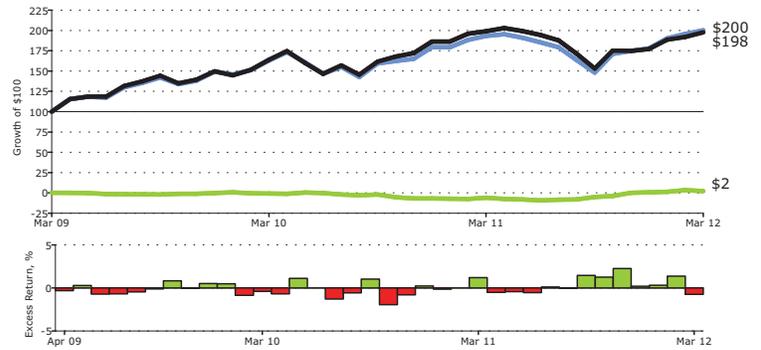
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

▲ Russell 2000 Index ● The Boston Company

■ Total
■ Selection

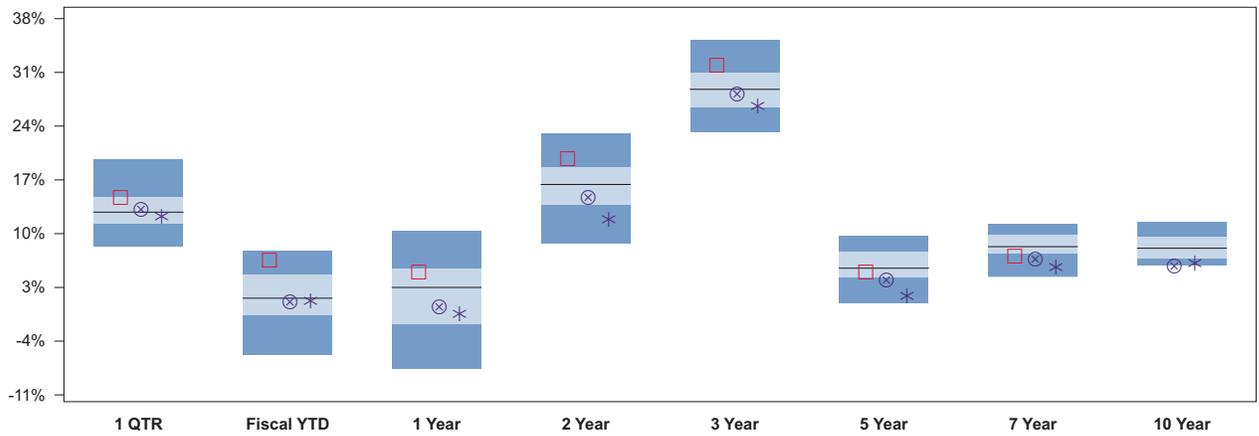
■ Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Growth

Periods Ending March 31, 2012

Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
□ Chartwell	14.9	24	6.8	11	5.2	26	20.0	18	32.1	20	5.2	64	7.3	77		
⊗ RUSSELL 2000 GROWTH	13.3	45	1.3	54	0.7	62	14.9	60	28.4	60	4.2	79	6.9	86	6.0	94
* RUSSELL 2000	12.4	57	1.4	52	-0.2	65	12.1	91	26.9	71	2.1	90	5.8	91	6.4	87
Median	12.8		1.6		3.0		16.4		28.8		5.5		8.3		8.1	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – Chartwell

Portfolio Characteristics		
	Portfolio	Russell 2000 Growth
Total Number of Securities	90	
Average Market Cap (000's)	1,963,128	1,554,599
Median Market Cap (000's)	1,612,700	597,880
P/E Ratio	22.80	20.44
Dividend Yield	0.21	0.72
Beta	1.13	1.13
Price/Book Ratio	4.74	4.44
Return on Equity	20.41	15.13
Earnings Growth - 5 Years	10.90	14.98

Ten Largest Holdings		
Name	\$	Weight
HFF INC CLASS A	1,909,993	3.0
UNITED RENTALS INC	1,844,913	2.9
HEARTLANDPAYMENT SYSTEMS IN	1,696,744	2.7
PARAMETRICTECHNOLOGY CORP	1,634,211	2.6
EXPRESS INC	1,624,449	2.6
KODIAK OIL+ GAS CORP	1,597,385	2.6
WESCO INTERNATIONAL INC	1,456,413	2.3
FEI COMPANY	1,350,525	2.2
CLEAN HARBORS INC	1,261,428	2.0
GULFPORT ENERGY CORP	1,195,376	1.9

Ten Best Performers	
Name	Return
HFF INC CLASS A	59.4
PARAMETRICTECHNOLOGY CORP	53.0
UNITED RENTALS INC	45.1
INFORMATICA CORP	43.2
TORNIER NV	42.8
BRUNSWICKCORP	42.6
LENNAR CORP A	38.6
VOLTERRA SEMICONDUCTOR CORP	34.4
INTERACTIVE INTELLIGENCE GROUP	33.1
MWI VETERINARY SUPPLY INC	32.5

Ten Worst Performers	
Name	Return
REX ENERGYCORP	-27.6
MDC PARTNERS INC	-16.9
KIT DIGITAL INC	-14.8
HEICO CORP	-11.7
GENESEEE +WYOMING INC CL A	-9.9
ALASKA AIRGROUP INC	-4.6
CARDTRONICS INC	-3.0
GULFPORT ENERGY CORP	-1.1
HILL ROM HOLDINGS INC	-0.5
KEY ENERGYSERVICES INC	-0.1

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Chartwell

Benchmark: RUSSELL 2000 GROWTH

Quarter Ending March 31, 2012

Equity Performance Attribution

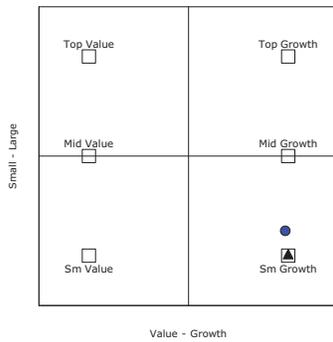
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Chartwell									
CONSUMER DISCRETIONARY	23.5	14.0	9.5	18.7	18.3	0.3	0.42	0.08	0.50
CONSUMER STAPLES	1.3	4.2	-2.9	19.7	9.3	10.4	0.11	0.11	0.22
ENERGY	8.5	7.1	1.4	-3.9	8.3	-12.1	-0.06	-1.05	-1.11
FINANCIALS	11.0	9.8	1.2	17.8	11.6	6.2	-0.02	0.67	0.65
HEALTH CARE	14.3	18.7	-4.4	14.7	14.8	-0.2	-0.06	-0.02	-0.08
INDUSTRIALS	18.7	18.4	0.3	9.6	9.5	0.1	-0.01	0.01	0.00
INFORMATION TECHNOLOGY	20.5	22.3	-1.7	20.2	16.0	4.2	-0.04	0.82	0.78
MATERIALS	0.0	4.4	-4.4	-	11.8	-	0.07	-0.00	0.07
TELECOMMUNICATION SERVICES	2.2	0.8	1.3	22.9	11.6	11.4	-0.02	0.25	0.23
UTILITIES	0.0	0.2	-0.2	-	3.5	-	0.03	-0.00	0.03
TOTAL	100.0	100.0	0.0	14.8	13.3	1.5	0.42	0.85	1.28

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
3 Years Ending March 31, 2012

Returns Based Style Analysis - Chartwell

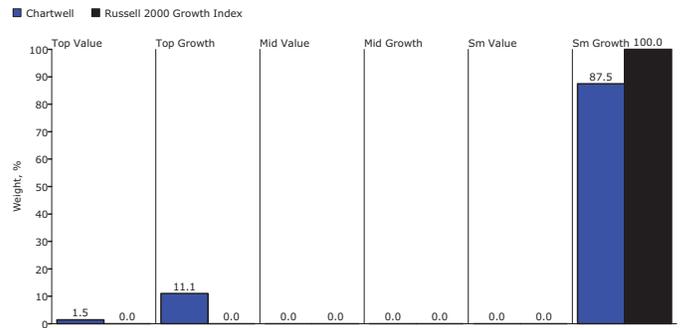
US Equity Style Map

Apr 09 - Mar 12



US Equity Style Exposures

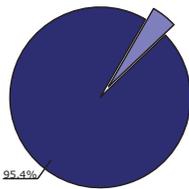
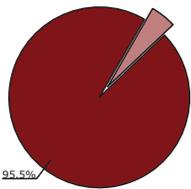
Apr 09 - Mar 12



R-Squared (Style Analysis)

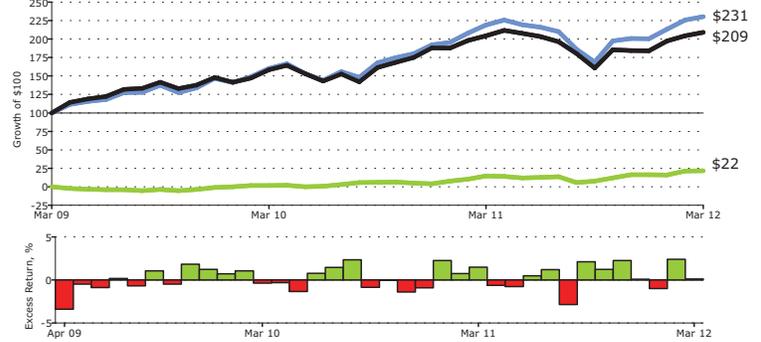
Apr 09 - Mar 12

■ Style R-Squared ■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 09 - Mar 12



Legend

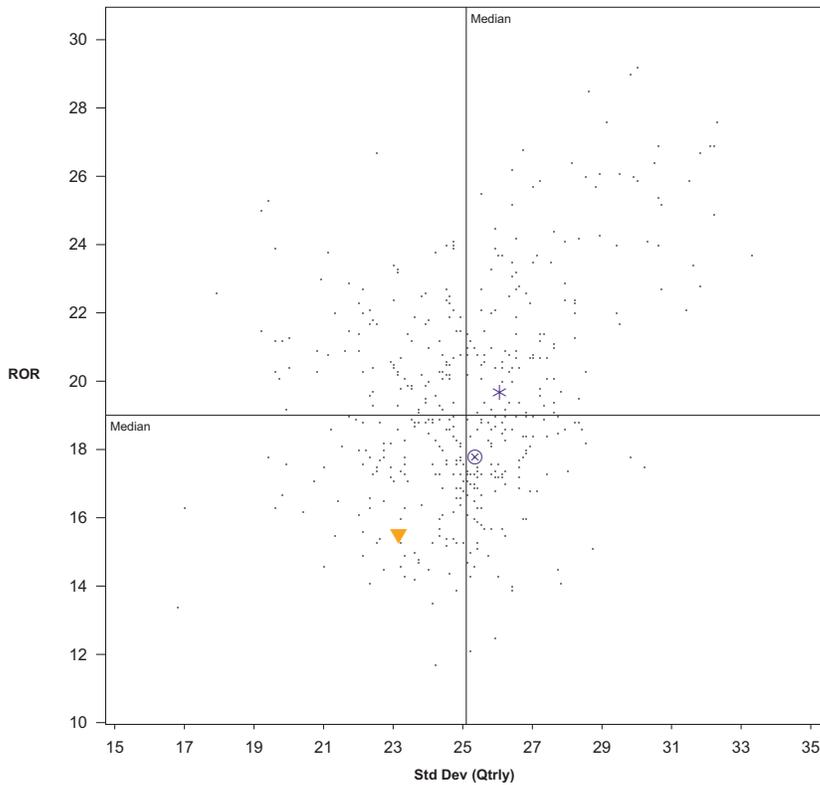
- ▲ Russell 2000 Growth Index
- Chartwell
- Total
- Selection
- Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Period Ending March 31, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	15.4 92	23.2 22	0.7 84
* Intl Equity Index	19.6 44	26.1 67	0.7 52
⊗ MSCI EAFE (GROSS)	17.7 69	25.4 57	0.7 71
Median	19.0	25.1	0.8

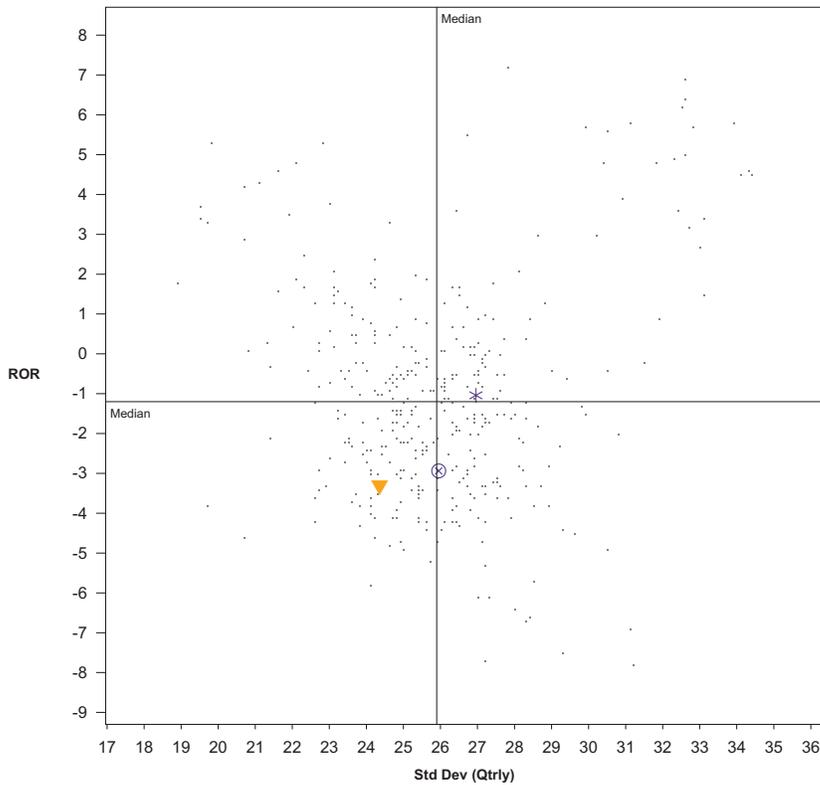
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Period Ending March 31, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	-3.4 83	24.4 25	-0.2 90
* Intl Equity Index	-1.1 49	27.0 71	-0.1 47
⊗ MSCI EAFE (GROSS)	-3.0 79	26.0 52	-0.2 79
Median	-1.2	25.9	-0.1

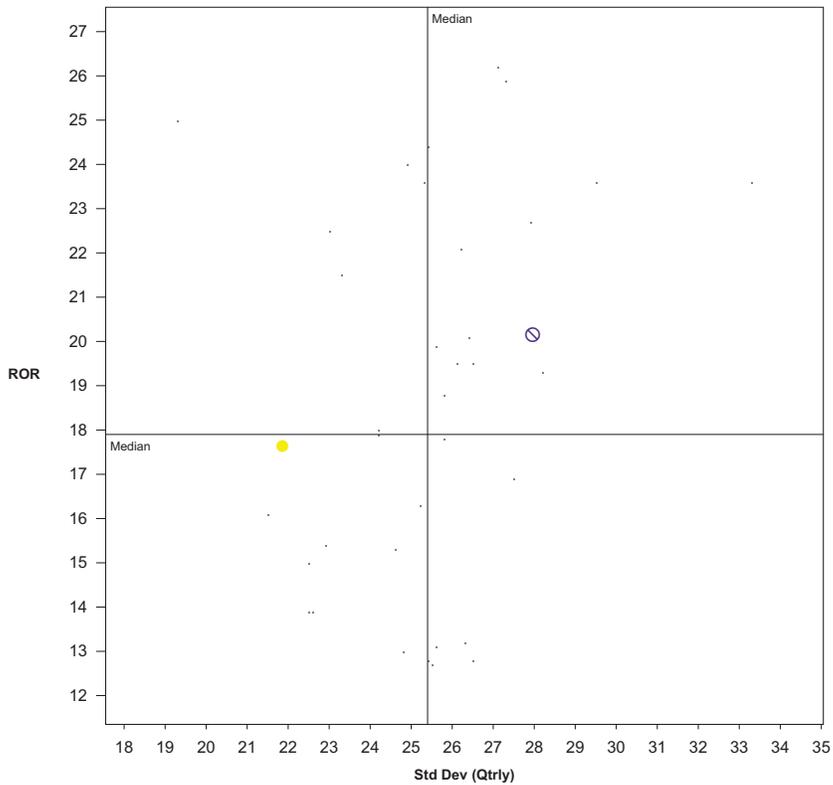
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US

Period Ending March 31, 2012

Risk vs. Return - 3 Year



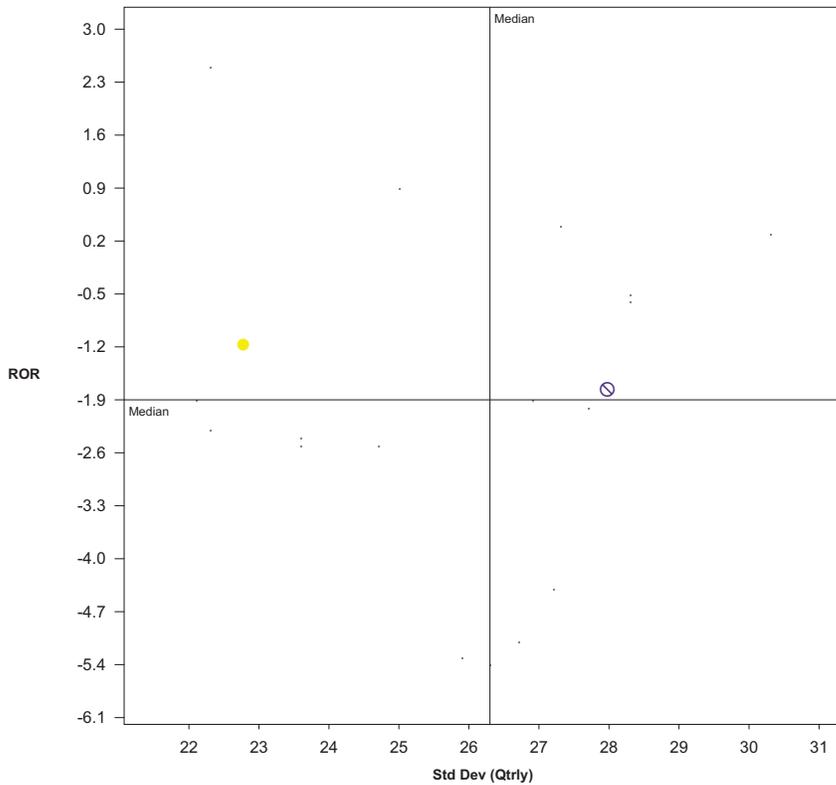
NAME	Return	Standard Deviation	Sharpe Ratio
● Mondrian	17.6 56	21.9 8	0.8 35
○ MSCI ACWI EX US VALUE (GROSS)	20.1 34	28.0 91	0.7 61
Median	17.9	25.4	0.7

* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US
 Period Ending March 31, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Mondrian	-1.2 37	22.8 19	
⊙ MSCI ACWI EX US VALUE (GROSS)	-1.8 39	28.0 81	
Median	-1.9	26.3	

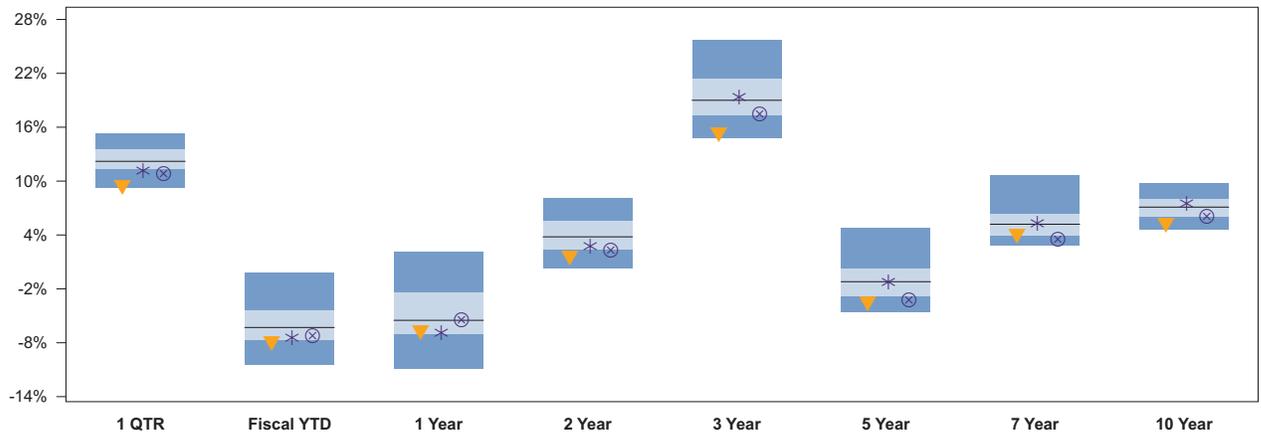
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Periods Ending March 31, 2012

Total Returns



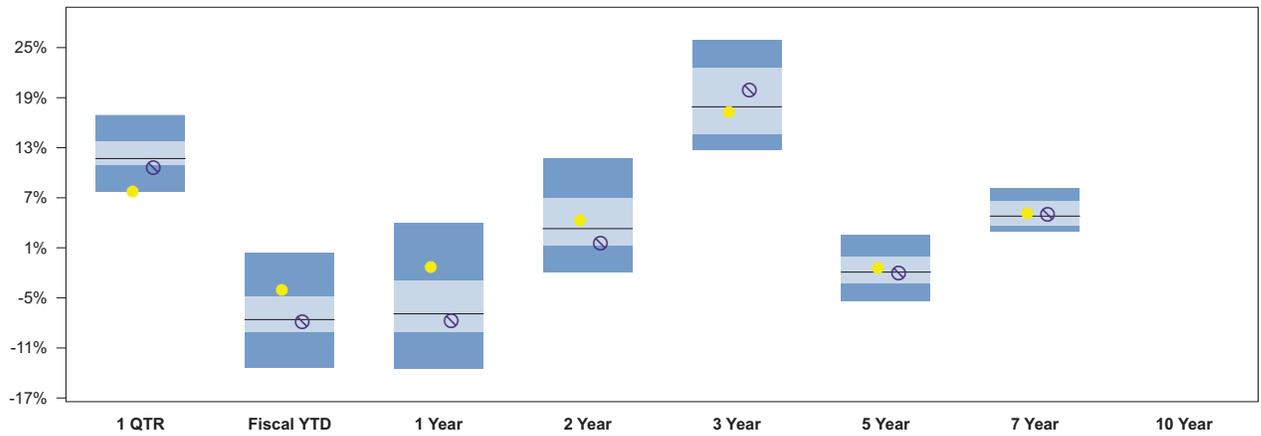
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
▼ Intl Equity	9.6	94	-7.8	78	-6.6	69	1.7	85	15.4	92	-3.4	83	4.1	72	5.4	85
* Intl Equity Index	11.3	74	-7.3	68	-6.7	71	2.9	65	19.6	44	-1.1	49	5.5	44	7.7	30
⊗ MSCI EAFE (GROSS)	11.0	81	-7.0	60	-5.3	49	2.5	74	17.7	69	-3.0	79	3.7	81	6.2	73
Median	12.2		-6.3		-5.5		3.8		19.0		-1.2		5.2		7.1	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US

Periods Ending March 31, 2012

Total Returns

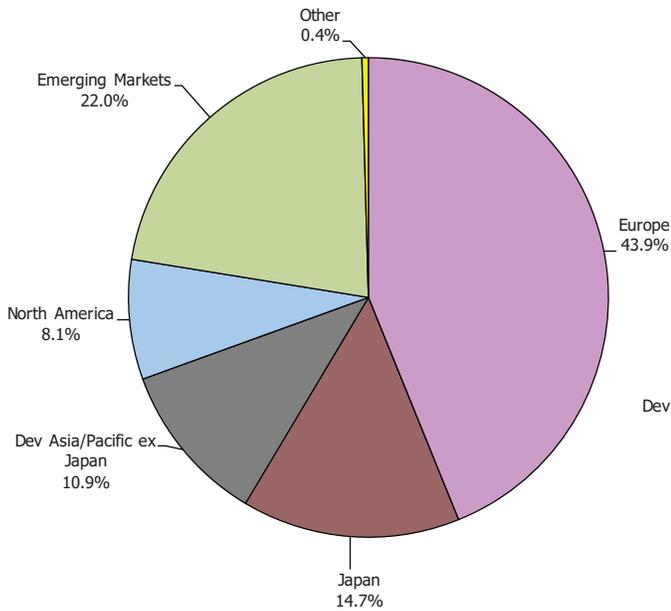


	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
● Mondrian	8.0 95	-3.8 20	-1.0 15	4.6 38	17.6 56	-1.2 37	5.4 36	
○ MSCI ACWI EX US VALUE (Median)	10.8 74	-7.7 54	-7.5 67	1.8 74	20.1 34	-1.8 39	5.2 37	
Median	11.7	-7.6	-6.9	3.3	17.9	-1.9	4.8	

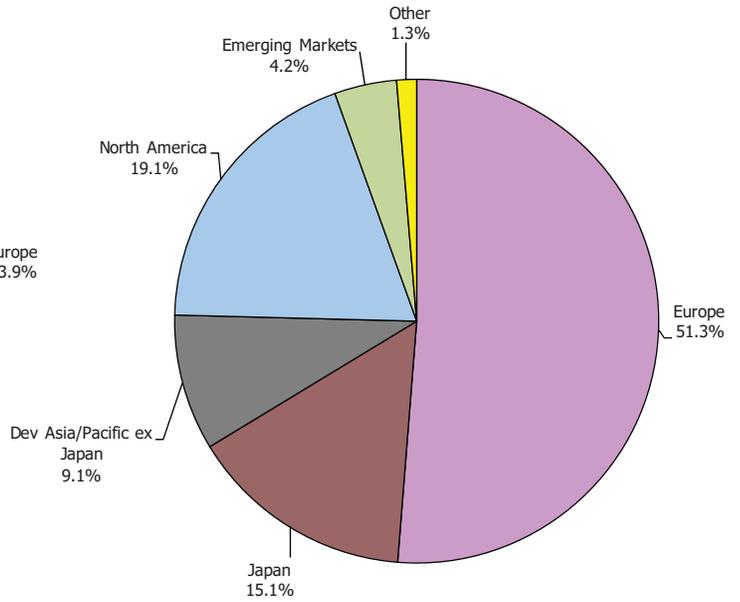
SAN MATEO COUNTY EMPLOYEES' RET ASSOC
 As of March 31, 2012

International Equity Portfolio Regional Weights

MSCI ACWI ex USA INDEX



INTERNATIONAL EQUITY COMPOSITE *



*Manager assets in transition

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2012

Equity Only Summary Statistics – Mondrian

Portfolio Characteristics		
	Portfolio	MSCI ACWI ex-US
No. of Securities	121 +	1,844
Wgt'd. Avg. Market Cap (billion)	34 ++	12
Price to Book Ratio	1.6	1.5
Return on Equity	12.9%	10.9%

+ Includes 73 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 47,074.9

Ten Largest Holdings		Ten Best Performers		Ten Worst Performers	
Name	Weight	Name	Return	Name	Return
RWE	2.8	RWE	35.3	Tesco	-15.9
Unilever	2.5	Toyota	31.2	France Telecom	-6.1
Canon	2.4	Societe Generale	31.0	Telefonica	-5.8
Sanofi	2.4	Tokio Marine	25.9	Iberdrola	-4.5
Seven & I	2.4	United Overseas Bank	23.9	Royal Dutch Shell	-3.2
Tesco	2.4	SGS	21.2	Vallourec	-2.9
Royal Dutch Shell A	2.3	Shin-Etsu	19.1	Kao	-2.2
Novartis	2.2	Vinci	18.8	Vodafone	-1.0
Total	2.2	Zurich Financial Services	18.1	Unilever	-1.0
BP	2.1	Saint Gobain	15.8	GlaxoSmithKline	-0.6

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE SECURITY LEVEL

March 31, 2012

GLOBAL EQUITY SECTOR ALLOCATION

	BEGINNING WTS			ENDING WTS		
	Fund	Index	Difference	Fund	Index	Difference
Mondrian						
COMMINGLED FUND	0.0	0.0	0.0	23.2	0.0	23.2
CONSUMER DISCRETIONARY	6.3	6.2	0.1	4.5	6.6	-2.1
CONSUMER STAPLES	16.3	2.7	13.6	13.9	2.7	11.3
ENERGY	13.9	15.6	-1.7	10.3	14.6	-4.3
FINANCIALS	13.7	33.7	-20.0	10.1	35.4	-25.3
HEALTH CARE	13.7	7.2	6.5	12.9	6.6	6.4
INDUSTRIALS	7.3	7.7	-0.4	4.5	7.9	-3.4
INFORMATION TECHNOLOGY	6.4	3.6	2.8	4.3	3.7	0.6
MATERIALS	2.1	8.5	-6.5	0.6	8.7	-8.1
PRIVATE PLACEMENT				0.0	0.0	0.0
TELECOMMUNICATION SERVICES	13.9	9.0	4.8	11.1	8.3	2.8
UTILITIES	6.3	5.7	0.6	4.6	5.5	-0.9
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 (GROSS)

Quarter Ending March 31, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED			
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total	
Mondrian										
EUROPE	50.9	43.7	7.1	2.1	8.9	-6.2	-0.13	-3.35	-3.47	
AUSTRIA	0.0	0.3	-0.3		16.0		-0.01	0.00	-0.01	
BELGIUM	0.0	0.4	-0.4	0.0	19.6	-16.4	-0.03	-0.00	-0.03	
DENMARK	0.0	0.2	-0.2		16.7		-0.01	0.00	-0.01	
EURO	0.0	0.0	0.0				-0.00	0.00	-0.00	
FINLAND	0.0	0.7	-0.7		14.6		-0.02	0.00	-0.02	
FRANCE	11.7	7.3	4.4	3.6	8.6	-4.7	-0.09	-0.64	-0.73	
GERMANY	4.1	5.5	-1.4	18.2	20.2	-1.7	-0.12	-0.08	-0.20	
GREECE	0.0	0.1	-0.1		13.4		-0.00	0.00	-0.00	
IRELAND	0.0	0.2	-0.2		5.2		0.01	0.00	0.01	
ITALY	3.0	2.1	1.0	7.8	7.6	0.2	-0.03	0.13	0.10	
NETHERLANDS	4.2	1.7	2.6	4.6	9.2	-4.2	-0.04	-0.25	-0.29	
NORWAY	0.0	0.7	-0.7		11.5		-0.00	0.00	-0.00	
PORTUGAL	0.0	0.2	-0.2		-5.0		0.02	0.07	0.09	
SPAIN	3.8	3.2	0.6	-8.7	-4.4	-4.6	-0.09	-0.22	-0.31	
SWEDEN	0.0	1.7	-1.7		14.7		-0.06	0.00	-0.06	
SWITZERLAND	4.7	4.4	0.3	5.7	8.5	-2.6	-0.01	-0.19	-0.20	
UNITED KINGDOM	19.3	15.4	4.0	-2.3	6.6	-8.4	-0.15	-1.76	-1.91	
PACIFIC	26.7	24.0	2.7	13.3	11.7	1.5	0.02	0.56	0.58	
AUSTRALIA	5.0	6.0	-1.1	7.1	9.8	-2.4	0.01	-0.13	-0.12	
HONG KONG	2.6	1.9	0.8	8.6	12.4	-3.4	0.01	-0.16	-0.15	
JAPAN	16.1	14.9	1.2	16.8	11.5	4.7	0.01	0.96	0.97	
NEW ZEALAND	0.0	0.1	-0.1		24.3		-0.01	0.00	-0.01	
SINGAPORE	3.0	1.1	1.8	9.2	22.1	-10.6	0.19	-0.44	-0.25	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE (GROSS)

Quarter Ending March 31, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
NORTH AMERICA	2.5	8.4	-5.9	-4.7	8.9	-12.5	0.10	-0.35	-0.24
CANADA	1.3	8.4	-7.1	-4.7	8.9	-12.5	0.12	-0.18	-0.06
UNITED STATES	1.2	0.0	1.2				-0.12	0.00	-0.12
EMERGING MARKETS	18.1	23.3	-5.2	13.5	14.4	-0.8	-0.17	-0.16	-0.33
BRAZIL	3.9	3.5	0.4	11.7	13.0	-1.2	0.01	-0.11	-0.10
CHILE	0.7	0.4	0.3	14.8	19.0	-3.6	0.02	-0.09	-0.06
CHINA	2.4	4.2	-1.8	5.5	10.3	-4.4	0.01	-0.11	-0.10
COLOMBIA	0.1	0.2	-0.1	9.2	18.3	-7.7	-0.01	-0.01	-0.02
CZECH REPUBLIC	0.0	0.1	-0.1		7.0		0.00	0.00	0.00
EGYPT	0.0	0.1	-0.1		52.7		-0.03	0.00	-0.03
HUNGARY	0.0	0.1	-0.1		28.3		-0.01	0.00	-0.01
INDIA	1.9	1.4	0.5	35.9	23.0	10.5	0.05	0.36	0.42
INDONESIA	0.9	0.7	0.2	9.9	3.8	5.8	-0.01	0.18	0.17
KAZAKHSTAN	0.2	0.0	0.2	31.9			-0.02	0.05	0.04
KOREA, REPUBLIC OF	1.3	3.5	-2.1	14.8	15.0	-0.2	-0.08	-0.00	-0.08
MALAYSIA	0.2	0.8	-0.6	12.6	8.4	3.9	0.01	0.08	0.09
MEXICO	0.9	1.0	-0.1	4.2	17.1	-11.0	-0.01	-0.12	-0.13
MOROCCO	0.0	0.0	-0.0		2.6		0.00	0.00	0.00
PERU	0.5	0.2	0.3	20.4	17.8	2.2	0.02	0.14	0.16
PHILIPPINES	0.4	0.2	0.2	12.4	17.7	-4.5	0.01	-0.08	-0.06
POLAND	0.1	0.3	-0.2	-6.8	20.4	-22.6	-0.02	-0.02	-0.04
RUSSIA	0.7	1.6	-0.9	12.8	17.7	-4.2	-0.06	-0.03	-0.09
SOUTH AFRICA	1.1	1.8	-0.7	4.9	14.3	-8.2	-0.02	-0.10	-0.13
TAIWAN	1.3	2.6	-1.2	9.1	13.7	-4.0	-0.03	-0.06	-0.09
THAILAND	0.9	0.5	0.4	16.2	20.3	-3.4	0.04	-0.09	-0.06
TURKEY	0.7	0.3	0.4	18.2	28.5	-8.0	0.07	-0.13	-0.06

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE (GROSS)

Quarter Ending March 31, 2012

GLOBAL ATTRIBUTION - BASE RETURNS

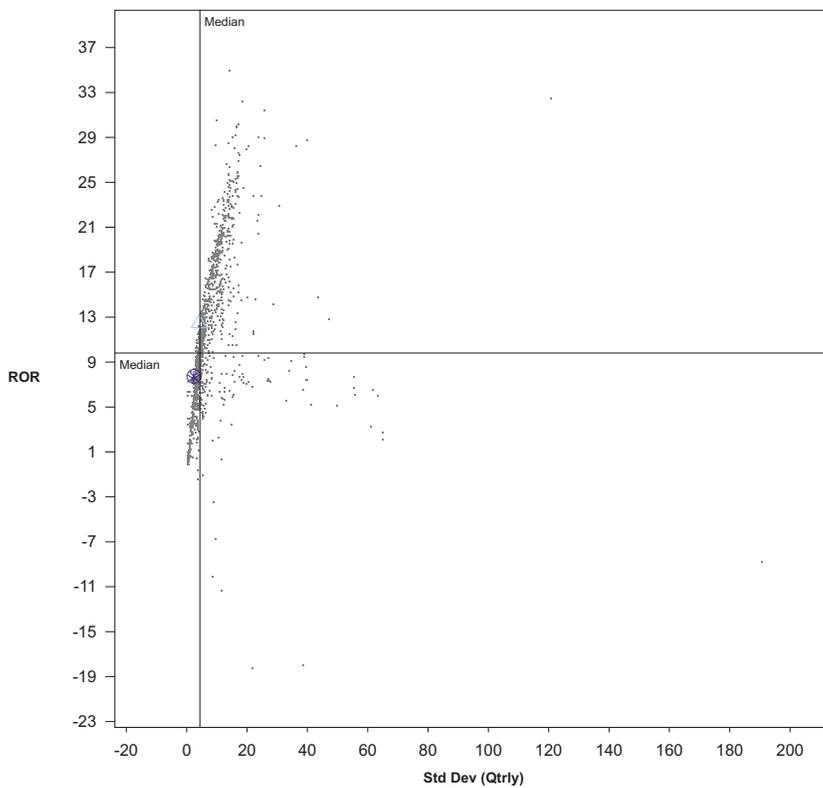
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
OTHER	1.8	0.5	1.3	12.3	7.2	4.8	-0.04	0.22	0.17
ISRAEL	1.8	0.5	1.3	12.3	7.2	4.8	-0.04	0.22	0.17
TOTAL	100.0	100.0	-0.0	7.3	10.8	-3.2	-0.22	-3.10	-3.31

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending March 31, 2012

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	12.5 32	4.7 56	2.7 13
* Total Fixed Index	7.3 71	2.9 18	2.5 21
⊗ US Fixed Index	7.5 70	3.0 20	2.5 23
Median	9.8	4.4	2.1

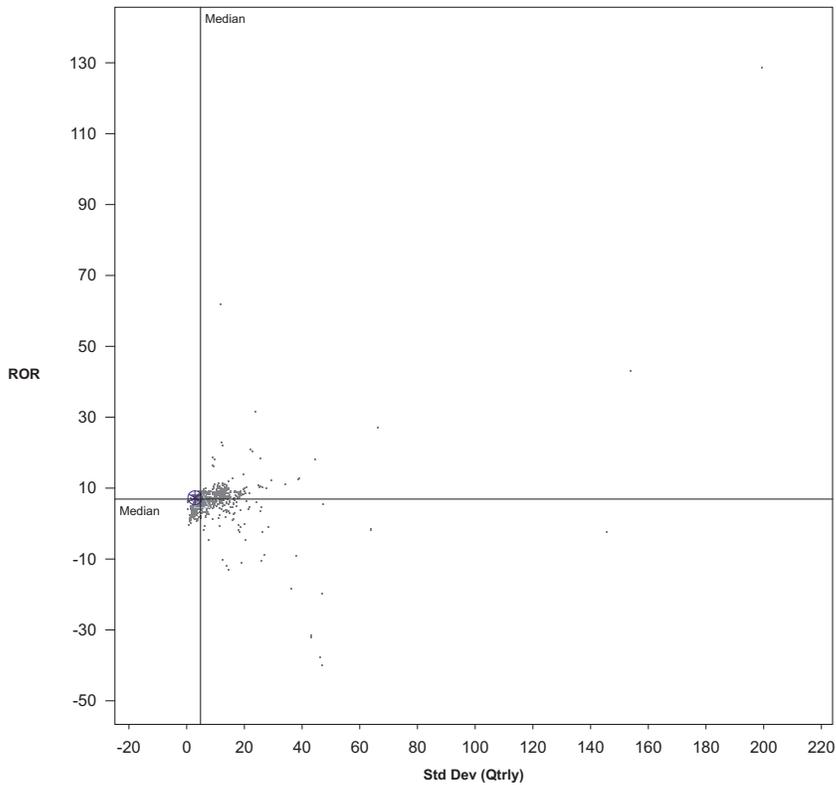
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending March 31, 2012

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	6.1 71	5.9 64	0.8 64
* Total Fixed Index	6.5 60	3.4 19	1.6 17
⊗ US Fixed Index	6.6 56	3.4 22	1.6 16
Median	6.9	4.8	1.1

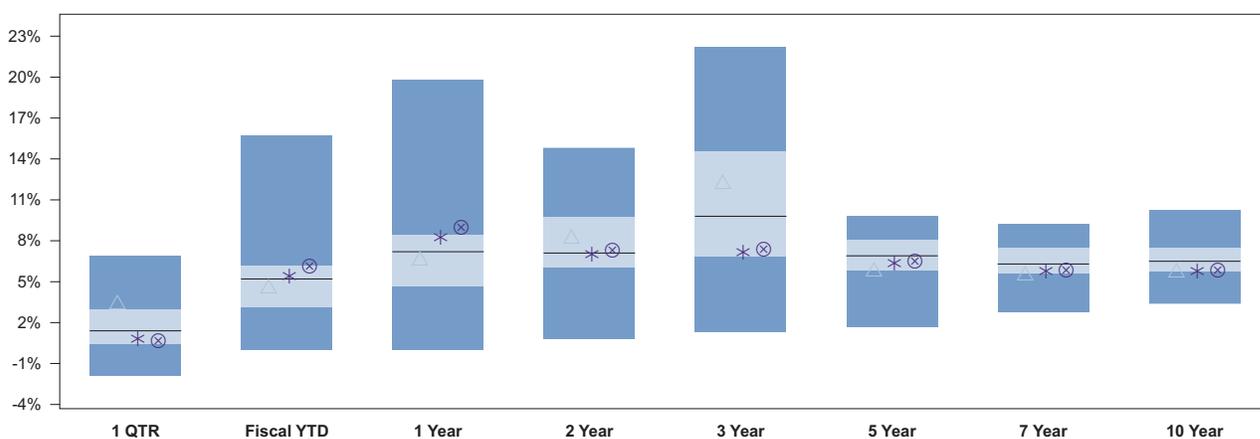
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Periods Ending March 31, 2012

Total Returns

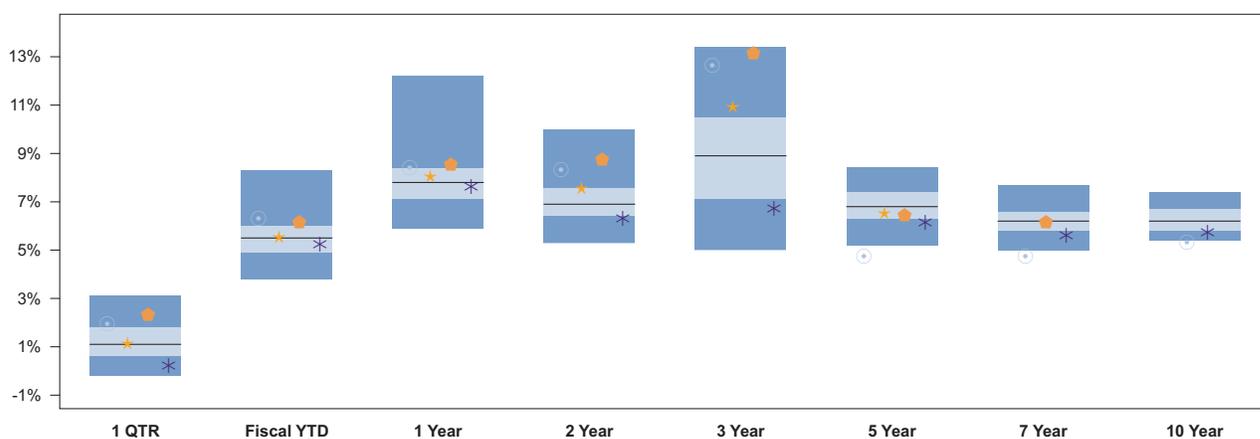


	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
△ Total Fixed Inc	3.7	20	4.9	56	6.9	54	8.5	36	12.5	32	6.1	71	5.8	68	6.0	65
* Total Fixed Index	0.9	62	5.5	41	8.4	27	7.1	51	7.3	71	6.5	60	5.9	64	5.9	67
⊗ US Fixed Index	0.8	65	6.3	24	9.1	20	7.4	47	7.5	70	6.6	56	6.0	62	6.0	65
Median	1.4		5.2		7.2		7.1		9.8		6.9		6.3		6.5	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds - Core
 Periods Ending March 31, 2012

Total Returns



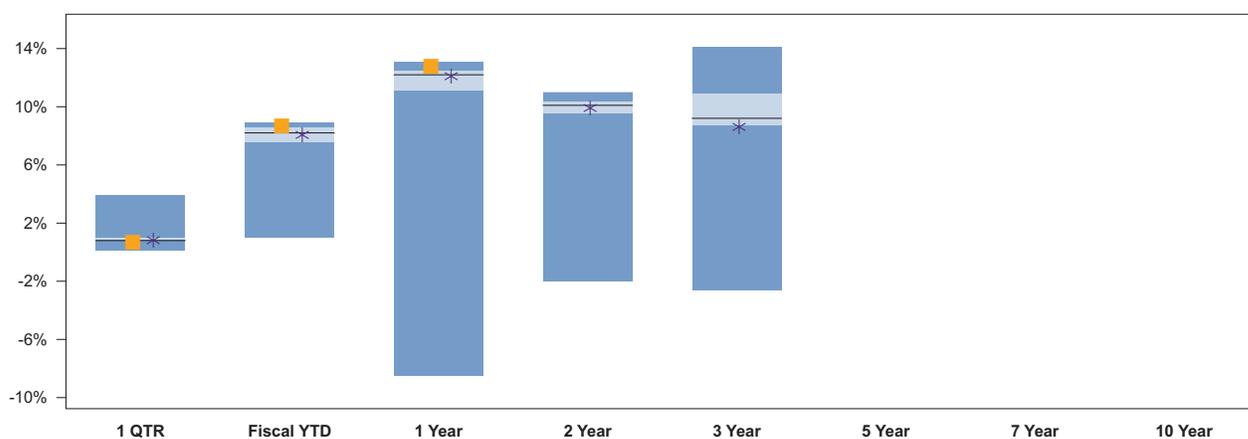
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
○ Aberdeen	2.0	20	6.4	16	8.5	20	8.4	14	12.7	8	4.8	99	4.8	98	5.4	94
★ Pyramis	1.2	46	5.6	45	8.1	38	7.6	24	11.0	18	6.6	59				
◆ Western Asset	2.4	17	6.2	19	8.6	18	8.8	10	13.2	6	6.5	66	6.2	51		
* BARCLAYS AGGREGATE	0.3	89	5.3	60	7.7	56	6.4	77	6.8	80	6.2	78	5.7	82	5.8	76
Median	1.1		5.5		7.8		6.9		8.9		6.8		6.2		6.2	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Inflation Linked Bond Funds

Periods Ending March 31, 2012

Total Returns



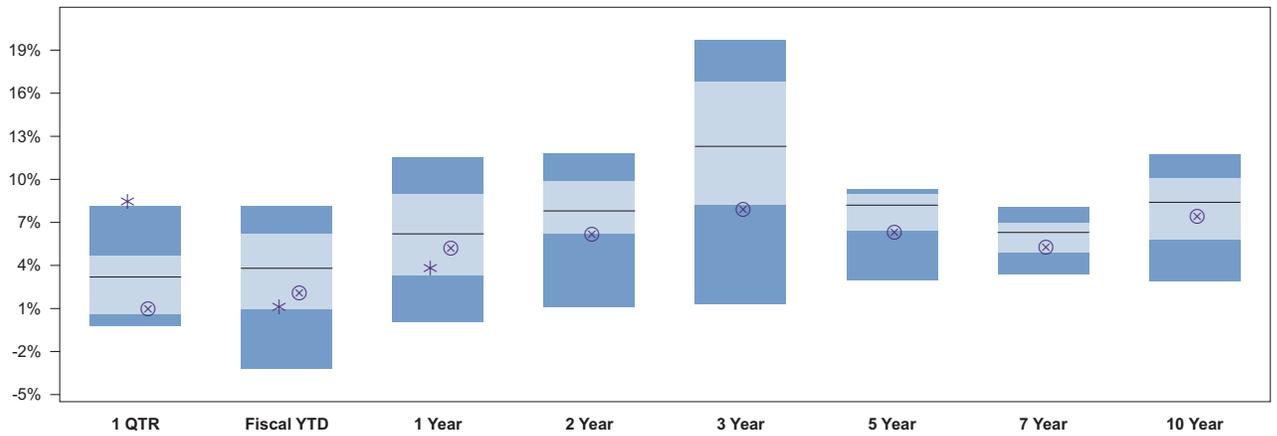
	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
■ Brown Brothers Harriman	0.8	8.8	12.9	10.0	8.7			
* BARCLAYS GLOBAL INFLAT	0.9	8.2	12.2	10.0	8.7			
Median	0.8	8.2	12.2	10.1	9.2			

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Global Fixed Income Funds

Periods Ending March 31, 2012

Total Returns

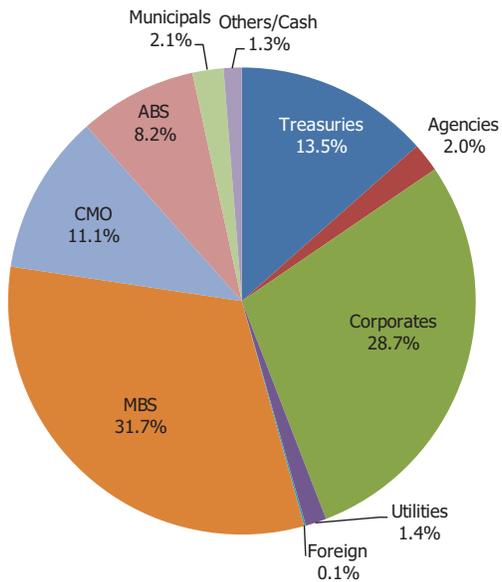


	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
* Franklin Templeton Investm	8.6	1.2	3.9	6.3	8.0	6.4	5.4	7.5
⊗ BC MULTIVERSE	1.1	2.2	5.3	6.3	8.0	6.4	5.4	7.5
Median	3.2	3.8	6.2	7.8	12.3	8.2	6.3	8.4

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Fixed Income Sector Allocation – US Fixed Income Composite



Sector*	Account Weight	BC Aggregate Weight	Difference
Treasuries	13.5%	35.1%	-21.7%
Agencies	2.0%	5.5%	-3.5%
Corporates	28.7%	18.1%	10.6%
Utilities	1.4%	2.3%	-0.8%
Foreign	0.1%	4.5%	-4.4%
MBS	31.7%	33.3%	-1.6%
CMO	11.1%	0.0%	11.1%
ABS	8.2%	0.3%	7.9%
Municipals	2.1%	1.0%	1.2%
Others/Cash	1.3%	0.0%	1.3%
TOTAL	100.0%	100.0%	0.0%

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Bond Summary Statistics – US Fixed Income Composite

Portfolio Characteristics*		Portfolio	BC Aggregate
Total Number of Securities			
Total Market Value	\$	320,620,528	
Current Coupon		4.46	3.92
Yield to Maturity		3.21	1.82
Average Life		7.55	6.24
Duration		4.81	4.37
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	1.9
1.0 - 3.0	13.9
3.0 - 5.0	23.3
5.0 - 10.0	35.1
10.0 - 20.0	8.2
20.0+	17.4
Unclassified	0.2

Duration	
Range	% Held
0.0 - 1.0	16.5
1.0 - 3.0	24.3
3.0 - 5.0	26.8
5.0 - 7.0	12.4
7.0 - 10.0	8.7
10.0+	11.6
Unclassified	-0.4

Quality	
Range	% Held
Govt (10)	18.3
Aaa (10)	42.2
Aa (9)	8.1
A (8)	8.4
Baa (7)	15.3
Below Baa (6-1)	7.6
Other	0.0

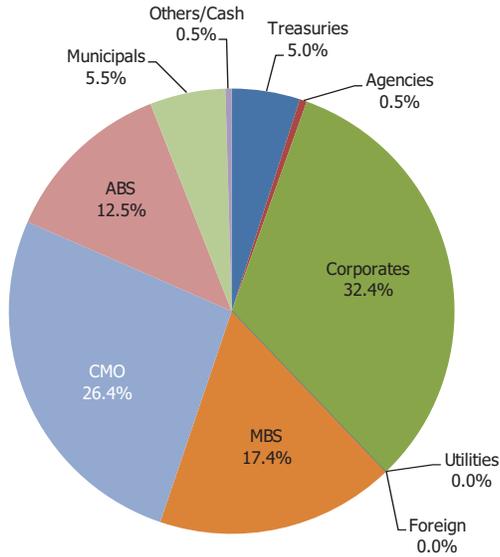
Coupon	
Range	% Held
0.0 - 5.0	62.5
5.0 - 7.0	28.3
7.0 - 9.0	6.0
9.0 - 11.0	1.3
11.0 - 13.0	0.5
13.0+	0.0
Unclassified	1.4

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Fixed Income Sector Allocation – Aberdeen Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	5.0%	35.1%	-30.2%
Agencies	0.5%	5.5%	-5.0%
Corporates	32.4%	18.1%	14.3%
Utilities	0.0%	2.3%	-2.3%
Foreign	0.0%	4.5%	-4.5%
MBS	17.4%	33.3%	-15.9%
CMO	26.4%	0.0%	26.4%
ABS	12.5%	0.3%	12.3%
Municipals	5.5%	1.0%	4.5%
Others/Cash	0.5%	0.0%	0.5%
TOTAL	100.0%	100.0%	0.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Bond Summary Statistics – Aberdeen Asset

Portfolio Characteristics		Portfolio
Total Number of Securities		309
Total Market Value	\$	109,366,835
Current Coupon		4.70
Yield to Maturity		3.38
Average Life		7.67
Duration		4.95
Quality		AA-

BC Aggregate
3.92
1.82
6.24
4.37
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	1.9
1.0 - 3.0	16.7
3.0 - 5.0	32.2
5.0 - 10.0	34.1
10.0 - 20.0	14.7
20.0+	0.0
Unclassified	0.5

Duration	
Range	% Held
0.0 - 1.0	18.3
1.0 - 3.0	18.2
3.0 - 5.0	27.7
5.0 - 7.0	13.4
7.0 - 10.0	11.0
10.0+	11.0
Unclassified	0.5

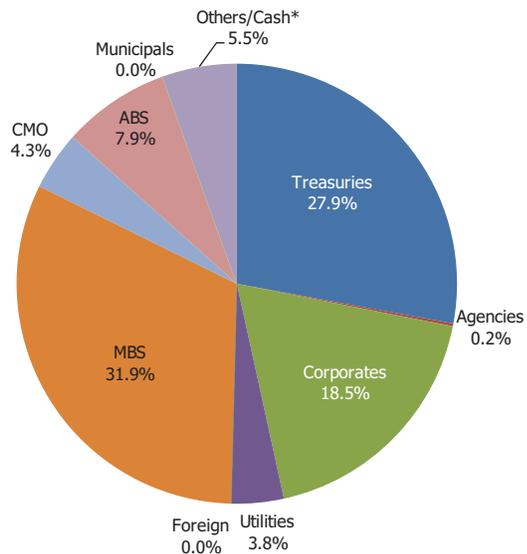
Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	46.5
Aa (9)	13.9
A (8)	14.9
Baa (7)	18.7
Below Baa (6-1)	5.9
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	77.3
5.0 - 7.0	17.0
7.0 - 9.0	4.3
9.0 - 11.0	1.5
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Fixed Income Sector Allocation – Pyramis Broad Market Duration Pool



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	27.9%	35.1%	-7.2%
Agencies	0.2%	5.5%	-5.3%
Corporates	18.5%	18.1%	0.4%
Utilities	3.8%	2.3%	1.6%
Foreign	0.0%	4.5%	-4.5%
MBS	31.9%	33.3%	-1.4%
CMO	4.3%	0.0%	4.3%
ABS	7.9%	0.3%	7.7%
Municipals	0.0%	1.0%	-1.0%
Others/Cash*	5.5%	0.0%	5.5%
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 March 31, 2012

Bond Summary Statistics – Pyramis Broad Market Duration Pool

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities			
Total Market Value	\$	89,117,881	
Current Coupon		3.90	3.92
Yield to Maturity		2.78	1.82
Average Life		6.73	6.24
Duration		4.98	4.37
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	6.4
1.0 - 3.0	15.4
3.0 - 5.0	9.1
5.0 - 10.0	21.6
10.0 - 20.0	6.9
20.0+	40.6
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	12.9
1.0 - 3.0	35.2
3.0 - 5.0	23.7
5.0 - 7.0	11.6
7.0 - 10.0	7.7
10.0+	10.6
Unclassified	-1.5

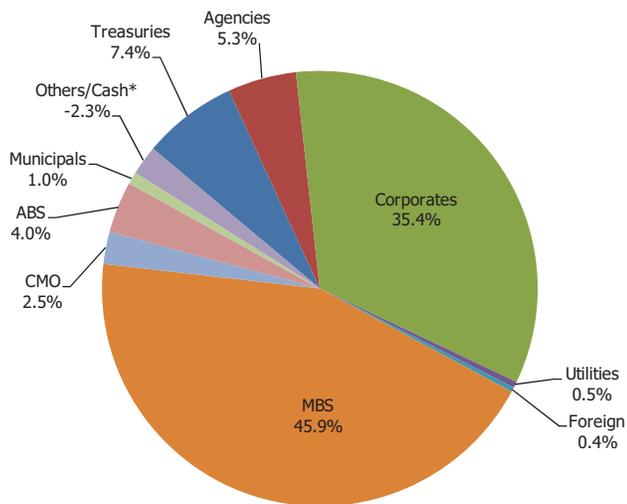
Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	72.6
Aa (9)	2.5
A (8)	5.4
Baa (7)	15.9
Below Baa (6-1)	3.6
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	59.5
5.0 - 7.0	32.4
7.0 - 9.0	3.1
9.0 - 11.0	0.8
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	4.2

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Fixed Income Sector Allocation – Western Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	7.4%	35.1%	-27.7%
Agencies	5.3%	5.5%	-0.2%
Corporates	35.4%	18.1%	17.3%
Utilities	0.5%	2.3%	-1.8%
Foreign	0.4%	4.5%	-4.2%
MBS	45.9%	33.3%	12.7%
CMO	2.5%	0.0%	2.5%
ABS	4.0%	0.3%	3.7%
Municipals	1.0%	1.0%	0.0%
Others/Cash*	-2.3%	0.0%	-2.3%
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, -4.3% Short Term Securities)

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Bond Summary Statistics – Western Asset

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities		423	
Total Market Value	\$	88,082,404	
Current Coupon		4.79	3.92
Yield to Maturity		3.47	1.82
Average Life		8.27	6.24
Duration		4.49	4.37
Quality		A1/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	-2.5
1.0 - 3.0	9.6
3.0 - 5.0	28.8
5.0 - 10.0	49.8
10.0 - 20.0	3.0
20.0+	11.4
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	18.4
1.0 - 3.0	19.4
3.0 - 5.0	29.1
5.0 - 7.0	12.2
7.0 - 10.0	7.5
10.0+	13.3
Unclassified	0.0

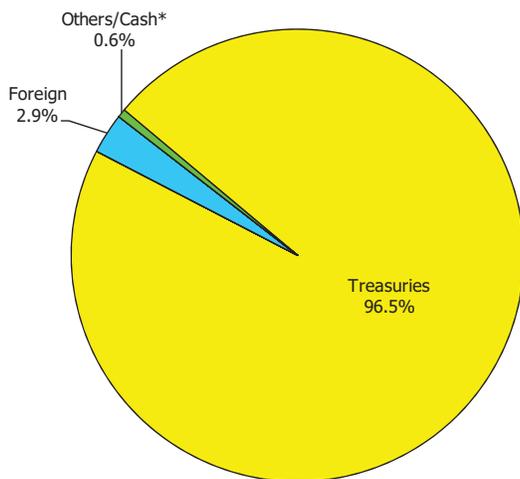
Quality	
Range	% Held
Govt (10)	55.7
Aaa (10)	6.8
Aa (9)	7.9
A (8)	4.9
Baa (7)	11.4
Below Baa (6-1)	13.3
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	50.6
5.0 - 7.0	35.7
7.0 - 9.0	10.7
9.0 - 10.0	1.8
10.0+	1.4
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Fixed Income Sector Allocation – Brown Brothers Harriman



Sector	Account Weight	ML TIPS INDEX	Difference
Treasuries	96.5%	100.0%	-3.5%
Agencies	0.0%	0.0%	0.0%
Corporates	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Foreign	2.9%	0.0%	2.9%
MBS	0.0%	0.0%	0.0%
CMO	0.0%	0.0%	0.0%
ABS	0.0%	0.0%	0.0%
Municipals	0.0%	0.0%	0.0%
Others/Cash*	0.6%	0.0%	0.6%
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 March 31, 2012

Bond Summary Statistics – Brown Brothers Harriman

Portfolio Characteristics		Portfolio
Total Number of Securities		11
Total Market Value	\$	78,404,253
Current Coupon		2.12
Yield to Maturity		-0.43
Average Life		
Duration		8.75
Quality		AAA

ML TIPS
33
1.83
-0.59
8.42
AAA

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

Average Life	
Range	% Held
0.0 - 3.0	5.8
3.0 - 5.0	29.7
5.0 - 8.0	23.4
8.0 - 10.0	0.0
10.0 - 15.0	26.0
15.0+	15.0
Unclassified	0.0

Duration	
Range	% Held
0.0 - 3.0	5.8
3.0 - 5.0	29.7
5.0 - 8.0	23.4
8.0 - 10.0	0.0
10.0 - 15.0	32.3
15.0+	8.7
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	96.5
Aaa (10)	2.9
Aa (9)	0.0
A (8)	0.0
Baa (7)	0.0
Below Baa (6-1)	0.0
Other	0.6

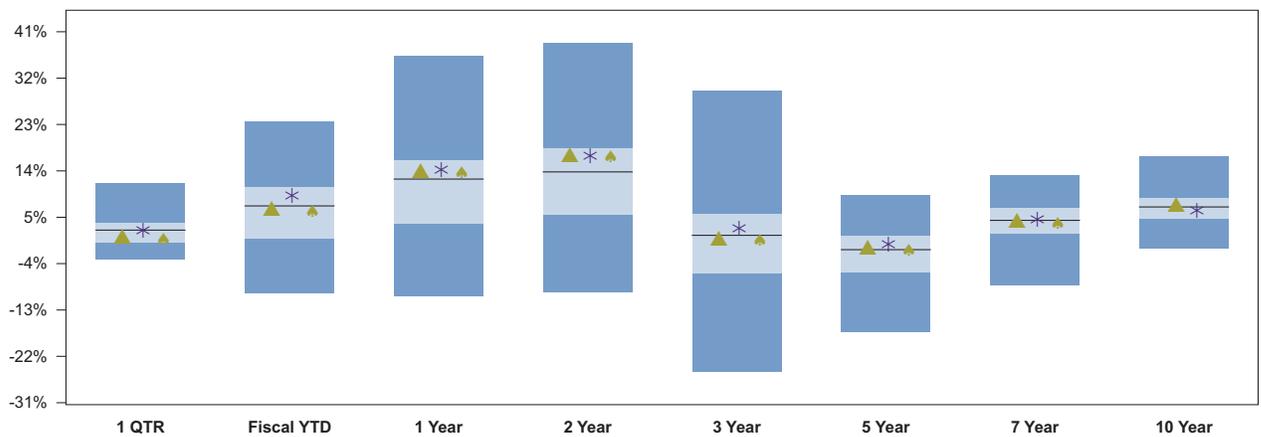
Coupon	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	0.0
7.0 - 9.0	0.0
9.0 - 11.0	0.0
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Real Estate Funds

Periods Ending March 31, 2012

Total Returns

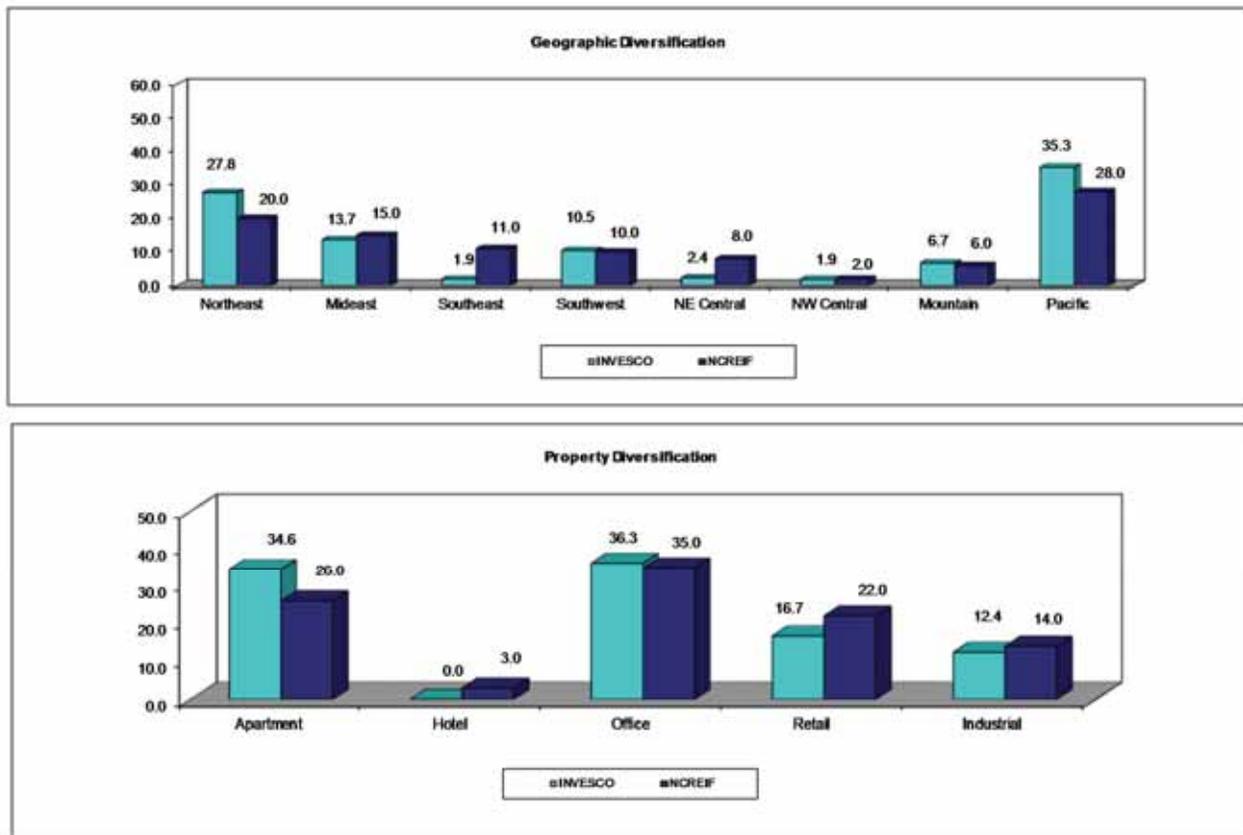


	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
▲ Real Estate	1.8 58	7.2 51	14.6 38	17.7 29	1.5 51	-0.4 40	4.9 45	7.9 34
* Real Estate Index	2.8 41	9.6 31	14.6 37	17.3 30	3.1 42	0.1 37	5.0 44	6.7 54
◆ Invesco RE	1.8 58	7.2 51	14.6 38	17.7 29	1.5 51	-0.4 40	4.9 45	
Median	2.5	7.2	12.4	13.8	1.5	-1.3	4.4	7.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Real Estate Diversification Analysis – INVESCO Core Real Estate



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First 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 03/31/2012 (3.89%)
APARTMENTS							
Seneca Village	Portland-Vancv OR-WA	\$38,900,000	\$37,300,000	\$37,300,000	2Q04	March-12	\$1,449,881
Grandeville at the Commons	South Kingstown, RI	\$43,600,000	\$43,800,000	\$43,800,000	3Q05	March-12	\$1,702,541
Broadstone at Foothills	San Bernardino, CA	\$25,200,000	\$25,200,000	\$25,200,000	1Q06	March-12	\$979,544
Milestone Apt. Portfolio	Various States - South	\$258,280,000	\$259,250,000	\$95,712,321	2Q06	March-12	\$3,720,415
Stoneridge	Pleasanton, CA	\$142,400,000	\$147,200,000	\$147,200,000	4Q06	March-12	\$5,721,783
Kimberly Woods	San Jose, CA	\$55,600,000	\$56,500,000	\$40,450,000	4Q06	March-12	\$1,572,324
Sterling Parc Apartments	Cedar Knolls, NJ	\$87,300,000	\$84,300,000	\$84,300,000	2Q07	March-12	\$3,276,809
Millington at Merrill Creek	Everett, WA	\$59,700,000	\$62,100,000	\$62,100,000	2Q07	March-12	\$2,413,877
The Residences at Stevens Pond	Boston MA - NH	\$80,000,000	\$80,000,000	\$80,000,000	4Q07	March-12	\$3,109,665
Holland Portfolio	Seattle - Belle - Eve WA	\$250,189,830	\$235,271,558	\$80,243,656	4Q07	March-12	\$3,119,136
Village Crossing at Chino Hills	Riverside, CA	\$71,800,000	\$71,800,000	\$29,141,105	1Q08	March-12	\$1,132,738
Metropolitan at Pentagon City	Arlington, VA	\$150,700,000	\$151,300,000	\$90,293,307	3Q10	March-12	\$3,509,774
Ladd Tower	Portland, OR	\$95,200,000	\$92,400,000	\$92,400,000	4Q10	March-12	\$3,591,663
Legacy Fountain Plaza	San Jose, CA	\$98,700,000	\$102,000,000	\$102,000,000	1Q11	March-12	\$3,964,823
The Elektra	New York, NY	\$129,500,000	\$135,300,000	\$65,300,000	1Q11	March-12	\$2,538,264
75 Clinton Street	Brooklyn, NY	\$0	\$52,400,000	\$52,400,000	1Q12	March-12	\$2,036,830
		\$1,587,069,830	\$1,636,121,558	\$1,127,840,389			\$43,840,070
INDUSTRIAL							
Arjns	San Diego CA	\$26,500,000	\$26,800,000	\$26,800,000	2Q04	March-12	\$1,041,738
Garland Gateway East	Dallas TX	\$10,200,000	\$9,700,000	\$9,700,000	2Q04	March-12	\$377,047
Gateway Business Park	Dallas TX	\$8,600,000	\$8,700,000	\$8,700,000	2Q04	March-12	\$338,176
Hayward Industrial	Oakland CA	\$79,200,000	\$83,900,000	\$83,900,000	3Q04-3Q07	March-12	\$3,261,261
Lackman	Kansas City MO-KS	\$19,800,000	\$19,900,000	\$19,900,000	2Q04	March-12	\$773,529
Crossroads Industrial	Kansas City MO-KS	\$7,900,000	\$8,000,000	\$8,000,000	1Q06	March-12	\$310,966
Oakesdale Commerce Center	Seattle - Belle - Eve WA	\$33,600,000	\$34,000,000	\$34,000,000	1Q06	March-12	\$1,321,608
South Bay Industrial	Los Angeles, CA	\$67,300,000	\$67,600,000	\$67,600,000	4Q06	March-12	\$2,627,667
VIP Holdings I	Chicago, IL	\$69,967,446	\$71,356,573	\$22,164,376	2Q06	March-12	\$861,547
Tempe Commerce	Phoenix - Mesa AZ	\$50,400,000	\$51,000,000	\$51,000,000	4Q07	March-12	\$1,982,411
Steeplechase 95 International Business Park	Capitol Heights, MD	\$21,700,000	\$21,700,000	\$21,700,000	1Q11	March-12	\$843,497
Airport Trade Center III & V	Dallas, TX	\$28,500,000	\$28,800,000	\$28,800,000	1Q11	March-12	\$1,119,479
IE Logistics	San Bernardino, CA	\$96,700,000	\$97,700,000	\$97,700,000	3Q11	March-12	\$3,797,678
Railhead Drive Industrial	Dallas, TX	\$58,325,000	\$58,900,000	\$58,900,000	4Q11	March-12	\$2,289,491
		\$578,692,446	\$588,056,573	\$538,864,376			\$20,946,095

SAN MATEO COUNTY EMPLOYEES' RET ASSOC
First Quarter 2012

Real Estate Valuation Analysis

Real Estate Valuation Analysis – INVESCO Core Real Estate

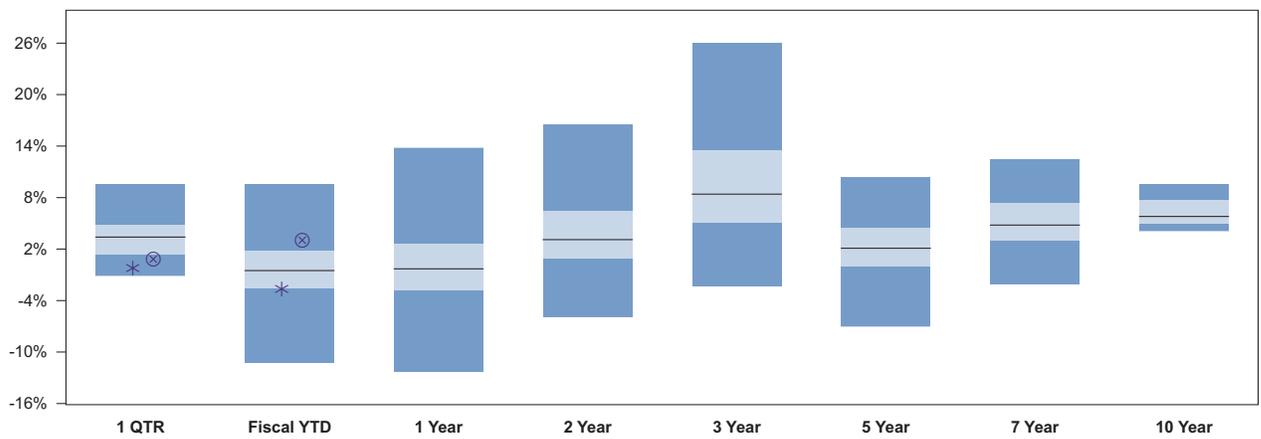
Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 03/31/2012 (3.89%)
OFFICE							
55 Cambridge	Boston MA - NH	\$132,700,000	\$138,100,000	\$84,548,926	4Q06	March-12	\$3,286,485
One Liberty	Boston MA - NH	\$43,200,000	\$43,200,000	\$43,200,000	2Q07	March-12	\$1,679,219
Gainey Center II	Scottsdale - AZ	\$28,300,000	\$28,800,000	\$28,800,000	3Q07	March-12	\$1,119,479
Valencia Town Center	Valencia, CA	\$142,000,000	\$145,100,000	\$145,100,000	3Q07	March-12	\$5,640,155
Park Ten Plaza	Houston, TX	\$27,200,000	\$29,000,000	\$29,000,000	1Q05	March-12	\$1,127,254
Westport Corporate Center	Fairfield County, CT	\$15,900,000	\$16,300,000	\$16,300,000	4Q07	March-12	\$633,594
Parkside Towers	San Francisco, CA	\$82,116,899	\$85,559,604	\$41,583,341	1Q08	March-12	\$1,616,378
The Executive Building	Washington DC	\$151,000,000	\$152,000,000	\$152,000,000	2Q08	March-12	\$5,908,363
Brill Building	New York, NY	\$69,498,000	\$69,646,500	\$29,790,582	4Q07	March-12	\$1,157,984
10 Brookline Place	Brookline, MA	\$120,000,000	\$126,000,000	\$126,000,000	2Q10	March-12	\$4,897,722
1111 Pennsylvania Avenue	Washington, D.C.	\$255,500,000	\$253,000,000	\$253,000,000	4Q10	March-12	\$9,834,315
1800 Larimer	Denver, CO	\$216,100,000	\$218,700,000	\$218,700,000	1Q11	March-12	\$8,501,046
230 Park Avenue	New York, NY	\$413,100,000	\$410,806,114	\$225,581,420	2Q11	March-12	\$8,768,533
		\$1,696,614,899	\$1,716,212,218	\$1,393,604,268			\$54,170,527
RETAIL							
Broadway at Surf	Chicago IL	\$22,200,000	\$23,200,000	\$23,200,000	2Q04	March-12	\$901,803
Carragettown Marketplace	Boston MA - NH	\$20,100,000	\$20,900,000	\$20,900,000	2Q04	March-12	\$812,400
Chandler Pavilions	Phoenix - Mesa AZ	\$18,300,000	\$18,000,000	\$18,000,000	2Q04	March-12	\$699,675
Matthews Township	Charlotte - G - RH NC-SC	\$22,000,000	\$22,100,000	\$22,100,000	2Q04	March-12	\$859,045
Windward Commons	Atlanta GA	\$20,800,000	\$20,800,000	\$20,800,000	2Q04	March-12	\$808,513
Summit Heights	Fontana, CA	\$33,100,000	\$32,900,000	\$32,900,000	3Q05	March-12	\$1,278,850
Cityline at Tenley	Washington, D.C.	\$45,400,000	\$45,600,000	\$45,600,000	4Q05	March-12	\$1,772,509
Ridgehaven Mall	Minnetonka, MN	\$30,600,000	\$32,200,000	\$20,700,000	4Q05	March-12	\$804,626
The Beacon Retail	San Francisco, CA	\$42,800,000	\$43,800,000	\$43,800,000	1Q06	March-12	\$1,702,541
The Beacon Garage	San Francisco, CA	\$23,400,000	\$23,500,000	\$23,500,000	1Q06	March-12	\$913,464
Oak Brook Court	Chicago, IL	\$18,400,000	\$51,600,000	\$51,600,000	4Q07	March-12	\$2,005,734
Hawthorne Plaza	Overland Park, KS	\$29,100,000	\$29,100,000	\$29,100,000	4Q07	March-12	\$1,131,141
Sunshine State Portfolio	Various - FL	\$51,800,000	\$18,400,000	\$18,400,000	4Q07	March-12	\$715,223
The Loop	Boston MA - NH	\$88,600,000	\$92,300,000	\$92,300,000	1Q08	March-12	\$3,587,776
Westbank Marketplace	Austin, TX	\$44,300,000	\$44,300,000	\$19,670,006	3Q10	March-12	\$764,589
910 Lincoln Road	Miami, FL	\$16,700,000	\$16,800,000	\$16,800,000	4Q10	March-12	\$653,030
Lake Pointe Village	Houston, TX	\$55,900,000	\$56,100,000	\$56,100,000	4Q11	March-12	\$2,180,652
Safeway Kapahulu	Hawaii	\$72,200,000	\$73,100,000	\$73,100,000	4Q11	March-12	\$2,841,456
Safeway Burlingame	San Francisco, CA	\$44,442,315	\$44,600,000	\$44,600,000	4Q11	March-12	\$1,733,638
Shamrock Plaza	Oakland, CA	\$32,300,000	\$32,400,000	\$32,400,000	4Q11	March-12	\$1,259,414
Pavilions Marketplace	West Hollywood, CA	\$0	\$49,128,859	\$49,128,859	1Q12	acquired 1Q12	\$1,909,679
		\$732,442,315	\$790,828,859	\$754,698,865			\$29,335,757

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Hedge Funds

Periods Ending March 31, 2012

Total Returns



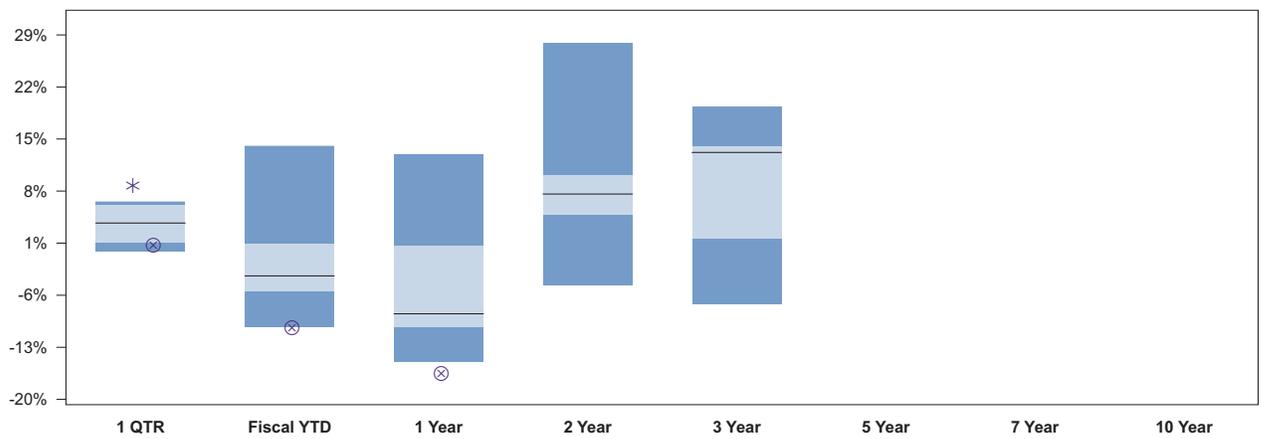
	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
* AQR Delta Fund II	-0.0	85	-2.4	73				
⊗ Hedge Fund Index	1.0	77	3.2	18				
Median	3.4	-0.5	-0.3	3.1	8.4	2.1	4.8	5.8

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Commodity Funds

Periods Ending March 31, 2012

Total Returns



	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
* SSqA Multisource Account	9.0	3						
⊗ Commodities Index	0.9	76	-10.2	96	-16.3	98		
Median	3.7	-3.4	-8.5	7.6	13.2			

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.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

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.

Artio Global Investors – International Equity

Artio's investment philosophy is that a well diversified international equity portfolio provides better risk-adjusted returns than a concentrated portfolio. Overall, the approach can be characterized as flexible with regard to style, market cap, country and sector weightings, and cash exposure; but disciplined with regard to security diversification. The investment process is based on fundamental assessment of companies, sectors and macroeconomic influences on regions and countries. The process is both top down and bottom up. In emerging countries and, to some degree in Japan, investment ideas are driven by the team's view of factors such as GDP growth rates, political issues, interest rates and currencies. However, in the developed markets, traditional fundamental security analysis and industry analysis are the primary drivers of stock selection. The analysts employ multiple valuation metrics depending on what is most appropriate for a given sector. They also consider growth factors at a country, industry and stock level. The portfolio typically invests 5%-15% in emerging markets and 10% in smaller capitalization stocks but at any given time the exposure to these asset classes can vary substantially. While the managers do not entirely ignore the benchmark, country and sector weightings can also diverge quite sharply from the index. The main risk control is diversification at the security level with the number of portfolio holdings at approximately 300 names. This product is closed to new investors.

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%.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

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.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

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.

[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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Investment Strategy Summaries

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 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.

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Investment Strategy Summaries

SSgA Global Multisector Plus – Commodities

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

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

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 EW	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 EW (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

Artio Global Investors

First \$20 million:	0.80% per annum
Next \$20 million:	0.60% per annum
Next \$60 million:	0.50% per annum
Thereafter:	0.40% 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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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

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 March 31, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	One Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
US Equity - Large Cap								
BlackRock-R1000 Index								
TOTAL - Total	12.9	12.9	7.9	12.3	24.1	2.3	5.1	4.6
TOTAL - Net Mgr	12.9	12.9	7.8	12.2	24.1	2.2	5.0	4.5
RUSSELL 1000	12.9	12.9	7.9	12.2	24.0	2.2	5.0	4.5
DE Shaw								
TOTAL - Total	15.9	15.9	12.1	13.0				
TOTAL - Net Mgr	15.7	15.7	11.5	12.4				
RUSSELL 1000	12.9	12.9	7.9	12.2				
T Rowe Price								
TOTAL - Total	13.6	13.6	9.5	12.0				
TOTAL - Net Mgr	13.5	13.5	9.1	11.6				
S&P 500	12.6	12.6	8.5	12.0				
Barrow Hanley								
TOTAL - Total	11.7	11.7	5.2	10.7				
TOTAL - Net Mgr	11.5	11.5	4.8	10.2				
RUSSELL 1000 VALUE	11.1	11.1	4.8	9.8				
BlackRock								
TOTAL - Total	15.7	15.7	1.8	10.9				
TOTAL - Net Mgr	15.6	15.6	1.3	10.4				
RUSSELL 1000 GROWTH	14.7	14.7	11.0	14.6				
US Equity - Small Cap								
Jennison								
TOTAL - Total	10.5	10.5	1.1	14.8	29.9			
TOTAL - Net Mgr	10.3	10.3	0.3	14.0	28.9			
RUSSELL 2000	12.4	12.4	-0.2	12.1	26.9			

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	One Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
The Boston Co								
TOTAL - Total	12.6	12.6	3.6	10.8				
TOTAL - Net Mgr	12.3	12.3	2.7	9.9				
RUSSELL 2000 VALUE	11.6	11.6	-1.1	9.2				
Chartwell								
TOTAL - Total	14.9	14.9	5.2	20.0	32.1	5.2	7.3	
TOTAL - Net Mgr	14.7	14.7	4.4	19.1	31.1	4.4	6.5	
RUSSELL 2000 GROWTH	13.3	13.3	0.7	14.9	28.4	4.2	6.9	
Mondrian								
TOTAL - Total	8.0	8.0	-1.0	4.6	17.6	-1.2	5.4	
TOTAL - Net Mgr	7.9	7.9	-1.1	4.4	17.4	-1.5	5.1	
MSCI ACWI EX US VALUE (GROSS)	10.8	10.8	-7.5	1.8	20.1	-1.8	5.2	
Fixed Income								
Aberdeen								
TOTAL - Total	2.0	2.0	8.5	8.4	12.7	4.8	4.8	5.4
TOTAL - Net Mgr	1.9	1.9	8.2	8.1	12.4	4.5	4.6	5.1
BARCLAYS AGGREGATE BOND	0.3	0.3	7.7	6.4	6.8	6.2	5.7	5.8
Pyramis								
TOTAL - Total	1.2	1.2	8.1	7.6	11.0	6.6		
TOTAL - Net Mgr	1.1	1.1	7.9	7.4	10.8	6.5		
BARCLAYS AGGREGATE BOND	0.3	0.3	7.7	6.4	6.8	6.2		
Western Asset								
TOTAL - Total	2.4	2.4	8.6	8.8	13.2	6.5	6.2	
TOTAL - Net Mgr	2.4	2.4	8.3	8.6	12.9	6.2	6.0	
BARCLAYS AGGREGATE BOND	0.3	0.3	7.7	6.4	6.8	6.2	5.7	
AG GECC								

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	One Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
TOTAL - Total	15.0	15.0	-1.2	14.3				
TOTAL - Net Mgr	15.0	15.0	-1.2	14.3				
Brigade Capital Mgmt.								
TOTAL - Total	5.2	5.2	6.9					
TOTAL - Net Mgr	5.0	5.0	6.1					
BC BAA CREDIT	2.4	2.4	10.7					
Brown Brothers Harriman								
TOTAL - Total	0.8	0.8	12.9					
TOTAL - Net Mgr	0.8	0.8	12.7					
BARCLAYS GLOBAL INFLATIONLINKED:U.S.TI	0.9	0.9	12.2					
Franklin Templeton Investments								
TOTAL - Total	8.6	8.6	3.9					
TOTAL - Net Mgr	8.5	8.5	3.5					
BC MULTIVERSE	1.1	1.1	5.3					
Real Estate								
Invesco RE								
TOTAL - Total	1.8	1.8	14.6	17.7	1.5	-0.4	4.9	
TOTAL - Net Mgr	1.7	1.7	14.1	17.1	0.9	-0.9	4.4	
NCREIF NFI ODCE EW (Gross)	2.8	2.8	14.6	17.3	3.1	-0.8	4.3	6.0
Private Equity								
Private Equity								
TOTAL - Total	2.9	2.9	-18.6					
TOTAL - Net Mgr	2.9	2.9	-18.6					
Private Eq Index	13.7	13.7	10.4					
Risk Parity								
AQR Global Risk Fund III								

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2012

Performance Summary - Gross and Net of Manager Fees

	One Quarter	Calendar YTD	One Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
TOTAL - Total	5.1	5.1	8.8					
TOTAL - Net Mgr	5.0	5.0	8.4					
Risk Parity Index	7.7	7.7	7.8					
Hedge Fund								
AQR Delta Fund II								
TOTAL - Total	-0.0	-0.0						
TOTAL - Net Mgr	-0.3	-0.3						
Hedge Fund Index	1.0	1.0						
Commodity								
SSgA Multisource Account								
TOTAL - Total	9.0	9.0						
TOTAL - Net Mgr	8.9	8.9						
Commodities Index	0.9	0.9	-16.3					

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 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	YES	YES	YES	YES	YES	YES	YES	YES	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	NO	YES	NO	YES	YES	YES	YES	NO	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	YES	YES
INVESCO REAL ESTATE Benchmark: NCREIF Property Index	NO	NO	NO	YES	N/A	N/A	YES	NO	NO	YES

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Manager Performance Comparison

	Jan	Feb	Mar	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference	2nd Qtr. 2011	Difference
SIS	4.88%	4.39%	3.13%	12.91%		11.85%		-14.75%		0.13%	
BlackRock-R1000 Fund	4.88%	4.39%	3.13%	12.91%	0.00%	11.85%	0.00%	-14.75%	0.00%	0.13%	0.00%
Russell 1000 Index	4.87%	4.39%	3.13%	12.90%		11.85%		-14.68%		0.12%	
SIS	5.65%	5.37%	4.09%	15.88%		12.51%		-14.88%		1.02%	
D.E. Shaw	5.65%	5.37%	4.09%	15.88%	0.00%	12.50%	0.01%	-14.89%	0.00%	1.02%	0.00%
Russell 1000 Index	4.87%	4.39%	3.13%	12.90%		11.85%		-14.68%		0.12%	
SIS	5.25%	4.50%	3.31%	13.63%		11.71%		-13.88%		0.18%	
T. Rowe Price	5.25%	4.51%	3.31%	13.64%	-0.01%	11.70%	0.01%	-13.89%	0.01%	0.17%	0.01%
S&P 500 Index	4.48%	4.32%	3.29%	12.58%		11.81%		-13.86%		0.10%	
SIS	3.47%	4.41%	3.35%	11.65%		13.70%		-17.96%		1.03%	
Barrow Hanley	3.49%	4.40%	3.35%	11.66%	-0.01%	13.70%	0.00%	-18.00%	0.04%	1.05%	-0.01%
Russell 1000 Value Index	3.78%	3.99%	2.96%	11.12%		13.11%		-16.21%		-0.51%	
SIS	5.70%	5.61%	3.68%	15.74%		7.35%		-10.44%		-1.60%	
BlackRock	5.70%	5.61%	3.68%	15.74%	0.00%	7.35%	0.00%	-10.44%	0.00%	-1.60%	0.00%
Russell 1000 Growth Index	5.97%	4.78%	3.29%	14.69%		10.60%		-13.14%		0.76%	
SIS	6.37%	3.82%	0.08%	10.52%		15.29%		-20.48%		-0.20%	
Jennison	6.36%	3.82%	0.04%	10.47%	0.05%	15.28%	0.00%	-20.48%	0.00%	-0.10%	-0.10%
Russell 2000 Index	7.07%	2.39%	2.56%	12.44%		15.48%		-21.86%		-1.61%	
SIS	6.95%	2.85%	2.35%	12.58%		20.12%		-20.10%		-4.09%	
The Boston Company	6.95%	2.85%	2.35%	12.57%	0.01%	20.11%	0.01%	-20.11%	0.02%	-4.10%	0.01%
Russell 2000 Value Index	6.65%	1.49%	3.10%	11.59%		15.97%		-21.47%		-2.65%	
SIS	6.47%	5.68%	2.15%	14.94%		18.95%		-21.92%		-1.46%	
Chartwell	6.46%	5.68%	2.15%	14.93%	0.01%	18.95%	0.00%	-21.92%	0.00%	-1.44%	-0.02%
Russell 2000 Growth Index	7.48%	3.29%	2.03%	13.27%		14.99%		-22.26%		-0.59%	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Manager Performance Comparison

	Jan	Feb	Mar	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference	2nd Qtr. 2011	Difference
SIS	4.88%	4.39%	3.13%	12.91%		11.85%		-14.75%		0.13%	
BlackRock-R1000 Fund	4.88%	4.39%	3.13%	12.91%	0.00%	11.85%	0.00%	-14.75%	0.00%	0.13%	0.00%
Russell 1000 Index	4.87%	4.39%	3.13%	12.90%		11.85%		-14.68%		0.12%	
SIS	5.65%	5.37%	4.09%	15.88%		12.51%		-14.88%		1.02%	
D.E. Shaw	5.65%	5.37%	4.09%	15.88%	0.00%	12.50%	0.01%	-14.89%	0.00%	1.02%	0.00%
Russell 1000 Index	4.87%	4.39%	3.13%	12.90%		11.85%		-14.68%		0.12%	
SIS	5.25%	4.50%	3.31%	13.63%		11.71%		-13.88%		0.18%	
T. Rowe Price	5.25%	4.51%	3.31%	13.64%	-0.01%	11.70%	0.01%	-13.89%	0.01%	0.17%	0.01%
S&P 500 Index	4.48%	4.32%	3.29%	12.58%		11.81%		-13.86%		0.10%	
SIS	3.47%	4.41%	3.35%	11.65%		13.70%		-17.96%		1.03%	
Barrow Hanley	3.49%	4.40%	3.35%	11.66%	-0.01%	13.70%	0.00%	-18.00%	0.04%	1.05%	-0.01%
Russell 1000 Value Index	3.78%	3.99%	2.96%	11.12%		13.11%		-16.21%		-0.51%	
SIS	5.70%	5.61%	3.68%	15.74%		7.35%		-10.44%		-1.60%	
BlackRock	5.70%	5.61%	3.68%	15.74%	0.00%	7.35%	0.00%	-10.44%	0.00%	-1.60%	0.00%
Russell 1000 Growth Index	5.97%	4.78%	3.29%	14.69%		10.60%		-13.14%		0.76%	
SIS	6.37%	3.82%	0.08%	10.52%		15.29%		-20.48%		-0.20%	
Jennison	6.36%	3.82%	0.04%	10.47%	0.05%	15.28%	0.00%	-20.48%	0.00%	-0.10%	-0.10%
Russell 2000 Index	7.07%	2.39%	2.56%	12.44%		15.48%		-21.86%		-1.61%	
SIS	6.95%	2.85%	2.35%	12.58%		20.12%		-20.10%		-4.09%	
The Boston Company	6.95%	2.85%	2.35%	12.57%	0.01%	20.11%	0.01%	-20.11%	0.02%	-4.10%	0.01%
Russell 2000 Value Index	6.65%	1.49%	3.10%	11.59%		15.97%		-21.47%		-2.65%	
SIS	6.47%	5.68%	2.15%	14.94%		18.95%		-21.92%		-1.46%	
Chartwell	6.46%	5.68%	2.15%	14.93%	0.01%	18.95%	0.00%	-21.92%	0.00%	-1.44%	-0.02%
Russell 2000 Growth Index	7.48%	3.29%	2.03%	13.27%		14.99%		-22.26%		-0.59%	
SIS	3.07%	4.72%	0.02%	7.96%		4.39%		-14.64%		2.94%	
Mondrian	3.16%	4.73%	-0.03%	8.01%	-0.05%	4.37%	0.02%	-14.62%	-0.01%	2.89%	0.05%
MSCI ACWI -ex US Value Index	7.16%	5.45%	-1.92%	10.83%		3.39%		-19.46%		0.15%	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2012

Manager Performance Comparison

	Jan	Feb	Mar	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference	2nd Qtr. 2011	Difference
SIS	1.57%	0.62%	-0.21%	1.99%		1.55%		2.71%		2.03%	
Aberdeen Asset	1.57%	0.63%	-0.22%	1.99%	0.00%	1.55%	0.00%	2.71%	0.00%	2.02%	0.01%
BC Aggregate Index	0.88%	-0.02%	-0.55%	0.31%		1.12%		3.83%		2.30%	
SIS	7.07%	5.07%	2.26%	15.04%		1.58%		-11.62%		-4.30%	
AG PPI Fund	7.07%	5.07%	2.26%	15.04%	0.00%	1.58%	0.00%	-11.62%	0.00%	-4.30%	0.00%
BC Aggregate Index	0.88%	-0.02%	-0.55%	0.31%		1.12%		3.83%		2.30%	
SIS	1.27%	0.18%	-0.29%	1.16%		1.32%		3.00%		2.39%	
Pyramis	1.27%	0.18%	-0.29%	1.16%	0.00%	1.32%	0.00%	3.00%	0.00%	2.39%	0.00%
BC Aggregate Index	0.88%	-0.02%	-0.55%	0.31%		1.12%		3.83%		2.30%	
SIS	2.44%	2.13%	0.57%	5.22%		3.32%		-3.11%		1.49%	
Brigade Capital	2.39%	2.09%	0.55%	5.10%	0.11%	3.53%	-0.20%	-3.35%	0.24%	1.44%	0.05%
BC BBB Credit	2.12%	1.21%	-0.90%	2.43%		2.71%		2.42%		2.73%	
SIS	2.15%	-0.18%	-1.09%	0.85%		2.68%		5.11%		3.71%	
Brown Brothers Harriman	2.15%	-0.17%	-1.06%	0.90%	-0.05%	2.66%	0.02%	5.09%	0.01%	3.72%	-0.01%
BC U.S Tips	2.29%	-0.33%	-1.07%	0.86%		6.75%		4.51%		3.66%	
SIS	-1.76%	4.26%	0.01%	2.44%		1.40%		2.30%		2.22%	
Western Asset	1.65%	0.69%	0.03%	2.38%	0.05%	1.58%	-0.18%	2.15%	0.15%	2.18%	0.03%
BC Aggregate Index	0.88%	-0.02%	-0.55%	0.31%		1.12%		3.83%		2.30%	

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

First Quarter 2012

Capital Market Review

MARKET SUMMARY

Equity Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
S&P 500	12.6	8.5	23.4
Dow Jones Industrial Average	8.8	10.2	23.5
NASDAQ	18.7	11.2	26.5
Russell 1000	12.9	7.9	24.0
Russell 2000	12.4	-0.2	26.9
Russell 3000	12.9	7.2	24.3
MSCI EAFE (Net)	10.9	-5.8	17.1
MSCI Emerging Markets (Net)	14.1	-8.8	25.1
MSCI All Country World ex US	11.2	-7.2	19.1

Bond Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
Barclays Capital Aggregate	0.3	7.7	6.8
Barclays Capital Gov/Credit	0.1	8.5	7.1
Barclays Capital Universal	0.9	7.6	7.9
Barclays Capital Corp. High Yield	5.3	6.5	23.9
CG Non-US World Govt.	-0.2	3.9	6.9

Non-Public Markets

lagged quarterly

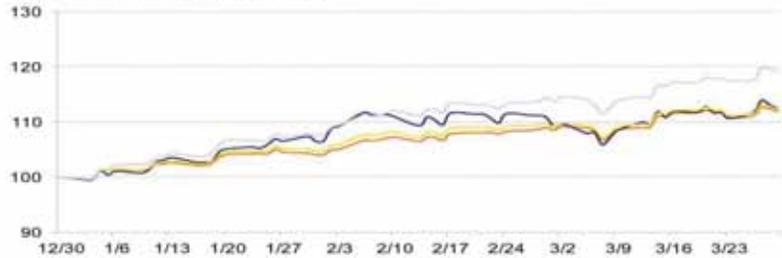
	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property	3.0	14.3	2.4
State Street Private Equity Index	*	*	*

*SSPEI unavailable until May 15th due to year-end partnership reporting requirements.

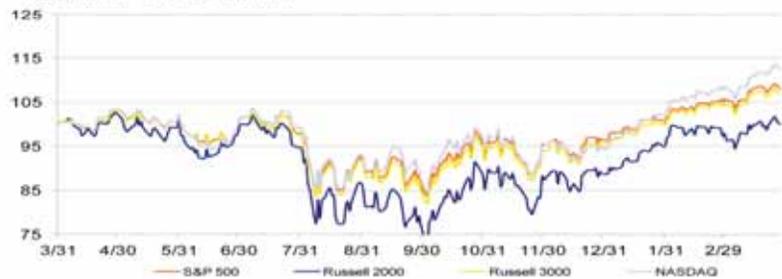
U.S. Equity Market

- In aggregate, U.S. equities generated another quarter of double-digit returns as additional liquidity-boosting measures from global central banks and improving U.S. economics strengthened risk appetite. The NASDAQ witnessed the greatest uptick in sentiment across U.S. markets, gaining 18.7% in the first quarter alone. The 10 percent differential versus last quarter propelled annualized returns into positive territory.
- Interestingly, the blue chip stocks of the Dow Jones Industrial Average slipped slightly behind other markets as investors tilted portfolios towards the higher risk profiles.

Equity Index – Quarterly Growth Rate



Equity Index – 1-Year Growth Rate



SAN MATEO COUNTY EMPLOYEE'S RET ASSOC
 First Quarter 2012

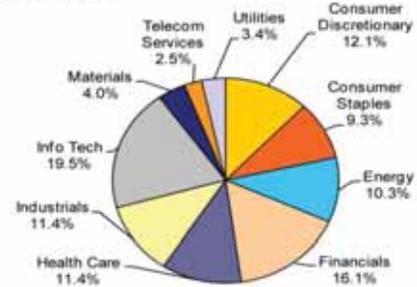
Capital Market Review

U.S. MARKETS

U.S. Equity – Russell 3000

- The positive trend of economic surprises continued to support U.S. stocks this year. The broad-based U.S. equity aggregate registered an impressive 12.9 percent gain in the first quarter. Outperformers included information technology, consumer discretionary and financials sectors, which all surpassed the aggregate index.
- Consistent with diminished enthusiasm for safer investments, utilities posted a negative quarter while consumer staples also lagged the broad index.
- Equity valuations in the fourth quarter were slightly richer relative to longer term trends, with the aggregate market price-to-earnings ratio recording above its trailing five-year average of 17.21.

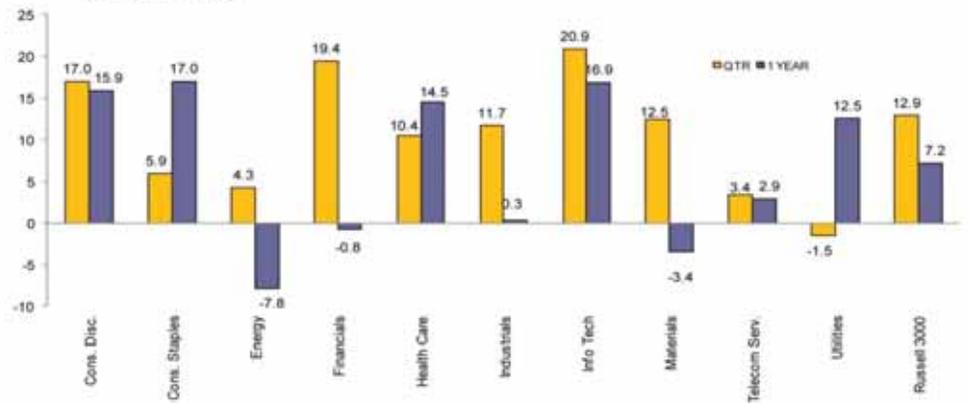
Ending Sector Weights



Characteristics

Div Yield (%)	1.91
P/B Ratio	3.71
P/E Ratio	18.46
Forward P/E Ratio	13.52
Fundamental Beta	1.03
Market Cap - Cap Wtd (MMS)	90,802

Sector Returns (%)



Contribution to Return:

Qtr	2.0	0.6	0.5	2.9	1.2	1.3	3.8	0.5	0.1	-0.1	12.9
1 Year	1.8	1.5	-1.0	-0.1	1.6	0.0	3.0	-0.1	0.1	0.4	7.2

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

First Quarter 2012

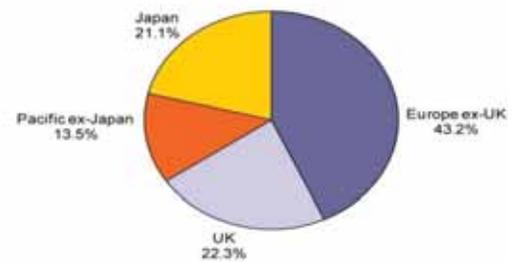
Capital Market Review

NON-U.S. MARKETS

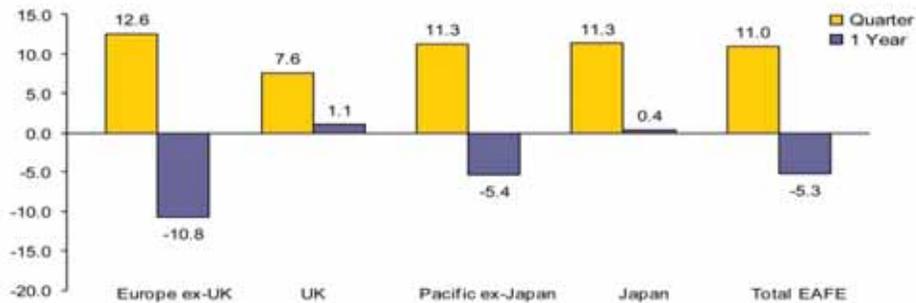
Developed Equity – MSCI EAFE (Net)

- Amid rising investor sentiment and firmer risk appetite, the MSCI EAFE index delivered double-digit returns in the first quarter, paring yearly losses to 5.3%, compared to the 11.7% deficit three months prior.
- Regionally, Europe ex-U.K. equities took the lead as the outlook for the periphery Europe showed signs of stability, appreciating 12.6%. By contrast, appetite for the U.K. lagged other developed markets, a potential consequence of higher valuations and increased concerns over higher inflation pressures.
- Strong performance of Japanese equities in the first quarter lifted the trailing year into positive territory, a likely endorsement of the increased asset purchases administered by the central bank.

Ending Regional Weights



Regional Returns (%)



Contribution to Return:

	Europe ex-UK	UK	Pacific ex-Japan	Japan	Total EAFE
Qtr	5.3	1.7	1.5	2.5	11.0
1 Yr	-4.6	0.2	-0.7	0.1	-5.3

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

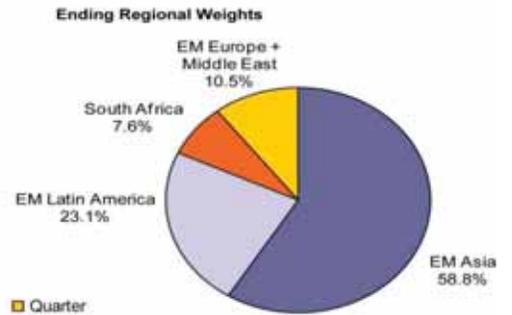
First Quarter 2012

Capital Market Review

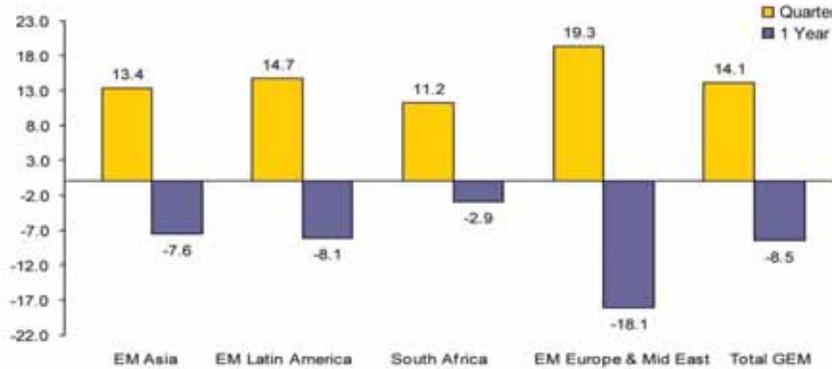
NON-U.S. MARKETS

Emerging Markets Equity – MSCI EM (Net)

- In tandem with their developed market peers, high beta emerging markets posted solid gains across the board in the first quarter of 2012. MSCI EM equities rose 14.1 percent on aggregate, compared to the 11.0 percent yielded in developed markets.
- On a regional basis, EM Europe & Mid East outperformed, yielding an impressive 19.3 percent return and partially reversing the significant losses endured over the past 12 months. By comparison, the more defensive South Africa market trailed other emerging regions with domestic equities earning 11.2 percent for the quarter.
- Accommodative monetary conditions in EM Latin America continue to underpin domestic demand and support growth, a positive for local equity markets which strengthened 14.7 percent this quarter.



Regional Returns (%)



Contribution to Return:

	EM Asia	EM Latin America	South Africa	EM Europe & Mid East	Total GEM
Qtr	7.9	3.4	0.9	2.0	14.1
1 Yr	-4.5	-1.9	-0.2	-1.8	-8.5

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC
 First Quarter 2012

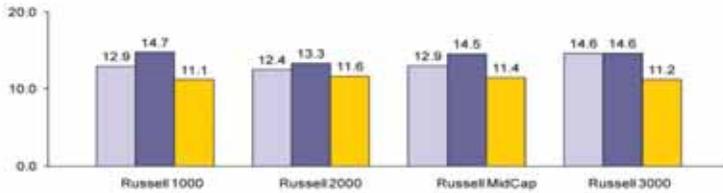
Capital Market Review

STYLE & CAPITALIZATION

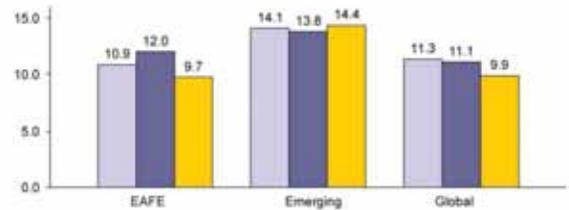
Style & Capitalization Returns

- The rally of emerging market stocks this quarter came as little surprise as aforementioned progress in Europe and U.S. improved outlook for a range of higher beta assets, reversing a part of the losses sustained in 2011. Nevertheless, on an annualized basis, U.S. large-caps continue to display higher returns relative to both smaller cap and EM counterparts, highlighted by a differential in returns of 13 percent between U.S. large cap and Non-U.S. emerging value stocks.
- Growth stocks embraced a similarly rosy first quarter, reflected through an aggregate outperformance across the style spectrum. Comparatively, demand for value stocks was slightly more restrained, particularly in the U.S. markets.

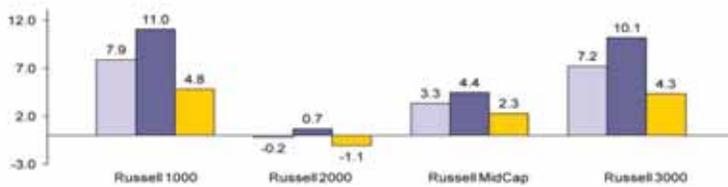
Russell U.S. Style Returns (%) – Quarter



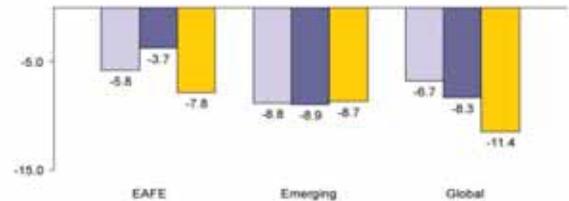
MSCI Non-U.S. Style Returns (%) – Quarter



Russell U.S. Style Returns (%) – 1 Year



MSCI Non-U.S. Style Returns (%) – 1 Year



□ Neutral ■ Growth ■ Value

SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

First Quarter 2012

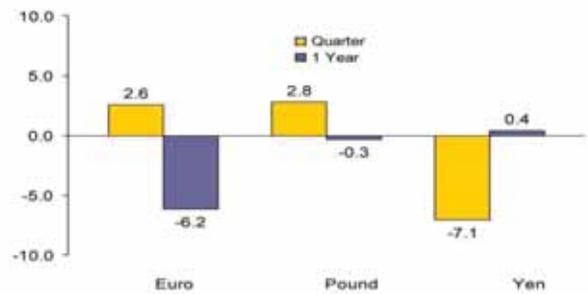
Capital Market Review

CURRENCY AND BOND MARKETS

Currency Markets

- The European Central Bank (ECB) injected further liquidity (€529.53 billion Euros) into the financial system through a second round of Long Term Refinancing Operations this February, in the process solidifying both risk engagement and the euro by association. Indeed, the euro strengthened 2.6 percent in the first quarter, buoyed by the resolution of Greece's bailout impasse. Higher demand for riskier assets also elevated the British pound a further 2.8 percent in Q1.
- Not surprisingly, the yen weakened sharply relative to dollar in the first quarter on the back of renewed interest in carry trade. The carry strategy yielded close to 3 percent this quarter, highlighting increased selling of funding currencies.
- Decreased appetite for safe-haven currencies negatively impacted the U.S. dollar in Q1. The U.S. dollar trade-weighted index, which measures the dollar's movement against a basket of currencies, weakened 1.5% in Q1.

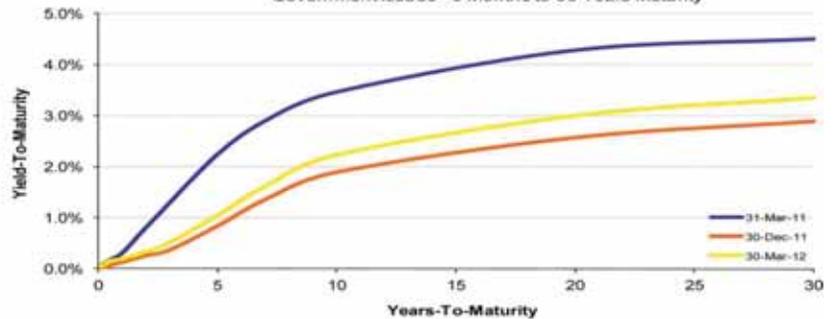
Currency Returns (%)



Yield Curve

- The first quarter in 2012 noted a higher degree of optimism in the US and the Europe. While the employment conditions and growth data in the U.S. improved, the dollar swap arrangement by the ECB continued to lift investor sentiment.
- Consequently, the U.S. yield curve steepened in the first quarter, with yields on longer term notes rising close to 0.5 percent relative to shorter maturities, consistent with the more confident U.S. economic outlook.

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



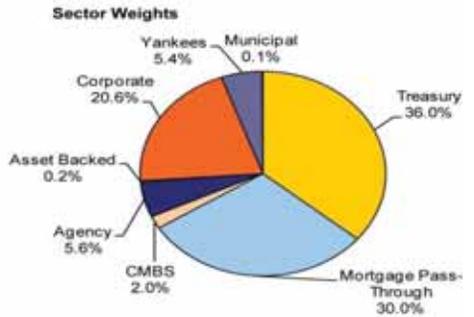
SAN MATEO COUNTY EMPLOYEE'S RET ASSOC
 First Quarter 2012

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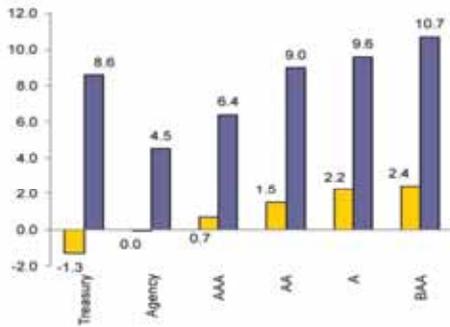
BOND MARKETS

U.S. Bond Market Returns – Barclays Capital Aggregate

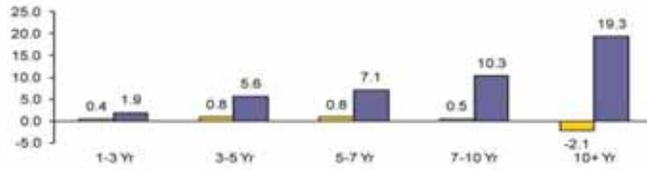
- The higher degree of investor confidence translated into greater desire for lower quality credits. While demand for investable grade bonds remained intact, returns on BAA rated securities surpassed their higher-quality peers over the last three months, appreciating 2.4 percent in the quarter and 10.7 percent over the past year. Conversely, consistent with lower appeal of safe-havens, U.S. treasuries noted outflows over the same period with returns falling into the red.
- Sector-wise, Municipals drove aggregate performance, gaining 5.7 percent. CMBS bonds gained 3.3 percent on expectations of slower pace in defaults. Corporates earned 2.1 percent while interest in asset backed securities lagged other sectors, with prices rising only 0.4 percent in the first quarter.
- Interestingly, investors sold longer-term durations, particularly in the +10 year duration category, which sustained a 2.1 percent loss in Q1.



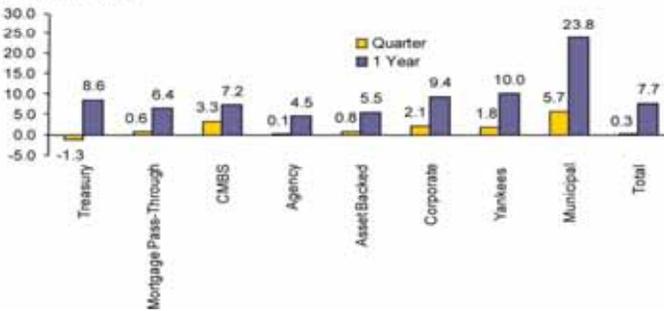
Quality Performance (%)



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

May 22, 2012

Agenda Item 6.3 a

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Annual Investment Manager Review – BlackRock Capital Management – Russell 1000 Index Fund

Staff Comments: The Board of Retirement delegated the annual review of *SamCERA's* investment managers to the staff and investment consultant. Staff is charged with providing the board with a report covering that review.

On May 15, 2012, staff interviewed *SamCERA's* core equity managers in *SamCERA's* board room.

BlackRock Capital Management was interviewed at approximately 8:00 a.m. Those present were:

Patrick Thomas – Strategic Investment Solutions' Investment Consultant

Gary Clifton – *SamCERA's* Acting Chief Investment Officer

Marco Merz – BlackRock Capital Management – CFA, Director

Anthony Freitas – BlackRock Capital Management – CFA, Managing Director

The presentation materials used for the review are attached to this agenda item.

BACKGROUND: The board first executed a three-year Investment Management and Custody Agreement with Barclays Global Investors (BGI), then known as Wells Fargo Institutional Trust Company, on February 12, 1995, as a passive manager of indexed funds. On November 28, 2006, *SamCERA* renewed the agreement for the fifth time.

In mid-June 2009, BlackRock, Inc. and Barclays Global Investors announced that BlackRock, Inc. executed a purchase agreement to acquire Barclays Global Investors, including its market-leading ETF platform, iShares, from Barclays PLC. The combination of BlackRock and BGI brought together market leaders in active and index strategies. The transaction created an independent and fully integrated asset management firm with combined assets under management of over \$2.7 trillion. This combination significantly extended the range and depth of investment capabilities of both firms. BGI's record of product innovation, risk management, and its leadership in scientific investing, indexing and retirement solutions complemented BlackRock's expertise in active fund management, tailored solutions and risk analytics. The combined firm will have more than 9,000 employees in 24 countries and have a meaningful presence in all major markets around the world.

Under the terms of the transaction, BlackRock acquired BGI in exchange for 37.8 million shares of common stock and common equivalents in BlackRock and \$6.6 billion of cash. The shares represent a 4.9% voting interest and an aggregate 19.9% economic interest in the combined firm. Barclays PLC has certain restrictions on the sale or acquisition of shares in BlackRock, but has the right to maintain its ownership percentage if BlackRock issues additional shares in the future. The cash portion of the purchase price will be funded through a mix of existing cash, committed debt facilities and proceeds from the issuance of equity securities to a group of institutional investors.

This review is only for the BlackRock Russell 1000 Index Fund.

A review of performance follows:

Performance & Values As Of 03/31/2012	Book Value	Market Value	Trailing One Year	Trailing Three Years	Trailing Five Years	Trailing Ten Years
	(Unit Million)					
BlackRock Russell 1000 Index Fund	\$136.0	\$164.3	17.92%	24.12%	2.26%	4.57%
Russell 1000 Index			17.86%	24.03%	2.19%	4.53%
<i>Return Variance</i>			<i>0.06%</i>	<i>0.09%</i>	<i>0.07%</i>	<i>0.04%</i>

The management fee is marginally priced and is currently approximately 4.1 basis points.

Below are excerpts from the eVestment Alliance - eASE Analytical Systems and presentation materials from Jennison Associates

BlackRock Capital Management

General Firm Information

Firm Legal Name: BlackRock

Firm Headquarters: 55 East 52nd Street
New York, New York 10055
United States

Main Phone: 212.810.5300

Firm Website Address: www.blackrock.com

Geographic Areas of Interest: United States, Canada, United Kingdom, Eurozone,
Australia, China, Japan, Africa/Middle East, India, Other

Year Firm Founded: 1988

Registered Investment Advisor: Yes

Firm Background

BlackRock A® is a premier provider of global investment management services. As of 31 December 2011, BlackRock managed \$3.51 trillion across equity, fixed income, real estate, liquidity, alternatives, and asset allocation/balanced strategies for institutional and retail clients. Through BlackRock Solutions A® (BRS), the firm provides risk management and advisory services that combine capital markets expertise with internally-developed systems and technology. Substantial resources are allocated to ongoing development of technology and analytical capabilities for internal users and external clients. BRS provided risk management and enterprise investment services for \$10 trillion in assets as of 31 December 2011.

BlackRock was founded in 1988 on the belief that experienced professionals using a disciplined investment process and sophisticated analytical tools can consistently add value to client portfolios. Within this framework, the firm has assembled teams of experienced investment professionals. The "One BlackRock" approach enables these teams to leverage resources of the organization worldwide

to meet our clients' objectives. Investment capabilities are complemented by senior-level commitment to client service.

Since its founding, BlackRock has sought to better serve clients by anticipating and responding to changes and advances in the investment industry, and we continually seek to broaden and deepen the firm's investment and risk management capabilities. The two most significant steps in this process have been the mergers with Merrill Lynch Investment Managers (MLIM) in 2006 and Barclays Global Investors (BGI) in 2009. Today's BlackRock combines the history, experience, and innovation of each of these firms. MLIM began managing assets in the UK in 1946 as part of S.G. Warburg & Co. (later known as Mercury Asset Management), and in the US in 1976 under the Merrill Lynch name. BGI traces its roots back to 1922, when its predecessor organizations, Wells Fargo Investment Advisors and Wells Fargo Bank, began managing US institutional assets. BGI was formed in 1995 from the merger of Barclays de Zoete Wedd Investment Management and Wells Fargo Nikko Investment Advisors.

Other key events that have shaped BlackRock's current capabilities and structure have been our affiliation with The PNC Financial Services Group (PNC), beginning in 1994; our acquisition of State Street Research & Management in 2005; our 2007 acquisition of the fund of funds business of Quellos Group, LLC, which established the BlackRock Alternative Advisors platform; and the addition of a team of seasoned professionals from R3 Capital Partners, who joined BlackRock's Fixed Income Portfolio Management Group in 2009 to enhance our credit, leveraged finance, and distressed capabilities.

Joint Ventures

Affiliations

As of 31 December 2011, the PNC Financial Services Group, Inc. ("PNC"), which owned approximately 21.0% of BlackRock's capital stock, is one of the largest diversified financial services companies in the United States and is engaged in retail and commercial banking, asset management and brokerage.

Barclays Plc ("Barclays"), which owned approximately 19.7% of BlackRock's capital stock, is a major global financial services provider engaged in retail and corporate banking, credit cards, investment banking, wealth management and investment management services.

Joint Venture

Private National Mortgage Acceptance Corporation ("PNMAC") was formed in 2008 to manage distressed residential US mortgages in whole loan form. PNMAC is a joint venture owned by BlackRock, Highfields Capital, a private investment firm, and PNMAC management. PNMAC's management is dedicated to PNMAC and separate from BlackRock or Highfields.

In addition, BlackRock has strategic interests in the following non-US entities:

- Bank of China Investment Management Co., Limited (BOCIM) - joint venture with BlackRock holding a 16.5% stake

- KASB Funds Limited in Pakistan - a domestic fund management business in which BlackRock holds a 5% interest
- DSP BlackRock Investment Managers in India - DSP BlackRock offers a variety of strategies to Indian investors through the DSP BlackRock mutual funds. BlackRock holds a 40% stake.

Prior or Pending Ownership Changes

Prior to the June 2011 repurchase of Bank of America Corporation's ("Bank of America") ownership interest in BlackRock, the PNC Financial Services Group, Inc. ("PNC") owned 20.2% of BlackRock, Barclays Plc ("Barclays") owned 19.5%, Bank of America owned 7.1%, and institutional investors, employees and the public held economic interest of 53.2%.

Prior to the November 2010 secondary stock offering, Bank of America owned approximately 33.9% of BlackRock, PNC owned approximately 24.3%, Barclays owned approximately 19.7%, and institutional investors, employees and the public owned approximately 22.1%.

Prior to the Barclays transaction on 1 December 2009, Bank of America and PNC owned approximately 47.4% and 31.5% of BlackRock's capital stock on a fully diluted basis, respectively.

The remaining approximately 21.1% of the capital stock was held by employees and the public. Prior to Bank of America acquiring Merrill Lynch & Co., Inc (Merrill Lynch) on 1 January 2009, Merrill Lynch owned approximately 48.2% of BlackRock's capital stock on a fully diluted basis.

PNC held approximately 32.1% of the firm's capital stock on a fully diluted basis. The remaining approximately 19.7% was held by employees and the public.

In 2006 BlackRock merged with Merrill Lynch Investment Managers (MLIM). Following the merger, Merrill Lynch held approximately a 49% interest in BlackRock, PNC held approximately a 34% stake and BlackRock employees and the public owned the remaining approximately 17%.

Prior or Pending Litigation Yes

Explanation of Litigation

From time to time, BlackRock and its affiliates (collectively, "BlackRock") are subject to examinations and inspections by the SEC, DOL, FINRA and the CFTC, among others. Our regulators routinely provide us with comment letters as a result of these examinations in which they request that BlackRock correct or modify certain of our practices. In all such instances, BlackRock has addressed these requests promptly to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

Additionally, from time to time, BlackRock receives subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators, some of which is ongoing. Other than as noted below or as disclosed in the applicable Form ADVs of our various U.S.-registered advisers, none of these regulatory matters has resulted in any formal proceedings, fines or any other sort of discipline against BlackRock that has had any adverse impact on our ability to manage our clients' assets.

On 20 January 2012, BlackRock Institutional Trust Company, N.A. (“BTC”), without admitting or denying wrongdoing entered into an Offer of Settlement with the CFTC under which BTC agreed to the imposition of a \$250,000 penalty and the entry of an order to resolve allegations by the CFTC that two trades by BTC violated Section 4c(a)(1) of the Commodity Exchange Act and CFTC Regulation 1.38(a). BTC also agreed to refrain from any further violations of these statutes. The CFTC did not allege, nor find, that any clients of BTC, BlackRock or any related affiliate were harmed in any way in the execution of these two trades.

BlackRock is also subject to certain business litigation arising in the normal course of its business, some of which is ongoing. None of BlackRock's prior litigation has been, and none of its pending litigation currently is expected to be, material to BlackRock's business.

In January 2005, September 2006, October 2007 and December 2009, BlackRock acquired State Street Research & Management Company, Merrill Lynch Investment Managers, the fund of funds business of Quellos Group, LLC, and Barclays Global Investors, respectively. This response does not address regulatory or litigation matters that arose within those organizations prior to their acquisition by BlackRock.

Additional Comments

BlackRock's sustainable long-term competitive advantages as an investment manager include:

Ability to partner with our clients to deliver investment solutions: BlackRock prides itself on the dynamic nature of its business environment and its senior commitment to delivering a high level of service that is tailored to the needs of each client. BlackRock seeks to gain deep understanding of our clients to apply our investment expertise to meet their needs. Our goal is to form long-term relationships by understanding fully the needs of our clients.

Applying knowledge to meet client needs: BlackRock's collaborative culture fosters innovation and creativity in our approach to providing solutions for our clients. Our expertise is gained through participating in all major capital markets, coupled with our culture of sharing investment insights across regions and asset classes. Our investment professionals share insights in real time across 27 countries and more than 69 cities, which helps us to make informed investment decisions.

Risk management ingrained in the BlackRock culture: BlackRock's commitment to risk management is illustrated by our people and processes, as well as our proprietary analytical systems that strongly differentiate our firm. BlackRock's investment technology includes an integrated, on-line automated transaction processing and risk management analytics system. Transaction processing components facilitate operating efficiency, linking together trade information, security data, account compliance and portfolio operations. The analytics provide valuable information to portfolio managers for their use in making investment decisions and calibrating risk positions. We strive for every risk position to be deliberate, diversified, and scaled appropriately to the overall risk within our portfolios.

Comprehensive quantitative analytical systems, software and technology: BlackRock has over 1,600 professionals dedicated to developing proprietary risk management systems and analytics that are

integrated into the portfolio management process. In addition, in 1995 BlackRock began offering clients access to their proprietary portfolio information via the Internet.

Currently, over 1,250 clients obtain their proprietary portfolio reports and analytics as needed using individual, password-protected access.

Product Overview – Russell 1000 Index Fund

Product Narratives

Research & Screening Process

A fully replicating approach ensures close tracking relative to benchmark and minimizes transaction costs. By holding every stock in the index at its market capitalization weight, the fund is “self-rebalancing,” reducing trading and transaction costs. Trading is necessary only for dividend reinvestments, index changes and to implement client contributions and redemptions.

Portfolio Construction & Risk Control Methodology

This three-pronged philosophy is utilized across all BlackRock Index strategies. We systematically analyze index composition, changes and transaction costs through our Index Research groups and integrate those insights into our portfolio construction process. Our rigorous research and investment process ensures that index equity strategies deliver "performance as planned."

The portfolio construction techniques that BlackRock employs are tailored to the specific benchmark and are designed to deliver a high level of diversification within and across markets, close benchmark tracking, low turnover, and minimal transactions costs. These techniques include full replication and optimization. In short, our approach to index management is to create the best possible index portfolio, taking into account the costs and risks associated with implementing the strategy.

In strategies benchmarked to highly liquid benchmark indexes, we can use a full replication technique without incurring excessive costs. The strategies monitored on a daily basis to ensure tracking of the respective index. Trading occurs as often as necessary to reinvest dividends, tender proceeds, and accommodate changes in the composition of the index.

The vast majority of our Index Equity strategies are managed on a fully replicating basis, where a portfolio's exposure to each security in the index is in line with its weight in the underlying index. A fully replicating approach ensures close tracking and minimizes transaction costs. By holding every stock in the index at its market capitalization weight, the fund is “self-rebalancing,” and transaction costs to the client are minimized. Trading is necessary only for dividend reinvestments, index changes, and to manage client contributions and redemptions. Optimization is used for some Broad Cap and Small Cap strategies where limited liquidity and higher transactions costs make full replication less effective.

Buy/Sell Discipline

All buys and sells match the index.

Trading Strategy

BlackRock considers trading to be an integral part of our investment management process. Unlike most investment managers who develop a buy/sell list and then seek best execution as a second step, BlackRock's stock selection process factors trading costs directly into the buy/sell decision. Given this unique and proprietary process, it is not possible to separate trading execution from portfolio management without compromising the integrity of the strategy.

External trading through brokers is done strictly on a best execution basis. The volume of our trading activities has allowed us to build good working relationships with the world's leading brokers, and ensures that they provide us with the lowest trading rates possible. When trading equities, we make use of a full range of trading techniques, including program trading where advantageous.

In addition, BlackRock is able to provide our clients access to our "internal marketplace". Through this marketplace we are able to undertake internal trading among clients and portfolios at zero or near-zero transaction cost. Clients invested in commingled funds enjoy the advantage of being able to participate in "unit exchanges" with other clients in the fund. Both commingled and separate accounts may participate in internal securities-level crossing. Such trades incur no commission, no bid-offer spread or market impact.

BTC N.A. does not engage in commission recapture or soft dollar programs.

Additional Comments

Benchmark characteristics and sector allocations provided as proxy for index funds.

The Russell 1000 Index Fund is available to trade on a daily basis with notifications due by 9:30 AM (PST) T-1 and settlements by 9:30 AM (PST) T 3

BLACKROCK



BlackRock Annual Review – Russell 1000 Index Fund

15 May 2012

Anthony Freitas, CFA, Managing Director
Stephanie Hill, Director

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BLACKROCK

BlackRock Update

For use with institutional and professional investors only — proprietary and confidential

BlackRock: Built for these times

Many institutional investors are asking: “How do I achieve the outcomes I need?”

BlackRock’s capabilities are built around our clients’ greatest needs:

Client focus

- We partner with clients and their advisers to build portfolios that reflect their objectives, risk tolerance and time horizons

Broader capabilities for better outcomes

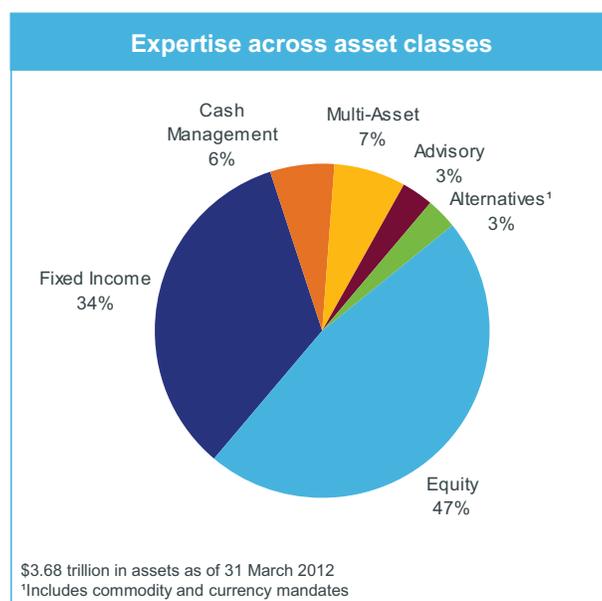
- We provide an industry-leading breadth of investment solutions across active management, quantitative, and index strategies, including our iShares® ETFs
- A dedicated group—BMACS—creates customized, multi-asset solutions to address specialized needs

Global insights to uncover opportunities

- Some 100 investment teams in 27 countries share their best thinking to gain the insights that can change outcomes

Culture of risk management

- BlackRock’s risk management team works with portfolio managers while remaining truly independent, so their recommendations are unbiased and portfolio managers can make more informed decisions



* Assets as of 31 March 2012

BlackRock corporate governance

BlackRock is a public company

- Established in 1988 and public since 1999 (NYSE: BLK)

Independent ownership structure

- Board composed of 17 Directors: 10 independents, 2 BlackRock, 1 Bank of America, 2 Barclays, and 2 PNC
- No majority shareholder: 19.7% Barclays PLC; 21.7% the PNC Financial Services Group, Inc.; 58.6% institutional investors, employees, and the public¹

Board Members

Abdlatif Al-Hamad*	Robert Kapito
Mathis Cabiallavetta*	David Komansky*
Dennis Dammerman*	Sir Deryck Maughan*
Bill Demchak	Thomas Montag
Robert Diamond	Thomas O'Brien*
Laurence Fink	James Rohr
Murry Gerber*	Ivan Seidenberg*
James Grosfeld*	John Varley
Marco Antonio Slim Domit*	

*Independent

Global Executive Committee (GEC)

Laurence Fink	<i>Chairman & Chief Executive Officer</i>
Robert Kapito	<i>President</i>
Mark McCombe	<i>Head of Asia Pacific</i>
James Charrington	<i>Head of Europe, Middle East, and Africa</i>
Matt Mallow**	<i>General Counsel</i>
Robert Fairbairn	<i>Head of Global Client Group</i>
Ben Golub	<i>Chief Risk Officer</i>
Charles Hallac	<i>Chief Operating Officer</i>
Richard Kushel	<i>Head of Portfolio Management Group</i>
Ann Marie Petach	<i>Chief Financial Officer</i>
Linda Robinson	<i>Head of Marketing and Communications</i>
Jeff Smith	<i>Head of Human Resources</i>
Susan Wagner	<i>Vice Chairman</i>
Kendrick Wilson	<i>Vice Chairman</i>

**Interim

¹ Denotes approximate economic ownership interest as of 1 June 2011, based on total shares outstanding at 30 April 2011. The approximate breakdown for voting common stock is as follows: PNC Bancorp and its affiliates owns 24.6%, Barclays owns 2.2%, and institutional investors, employees and the public own 73.2%.

BLACKROCK®

BlackRock Equity Index

For use with institutional and professional investors only — proprietary and confidential

Business Update and Indexing Trends

Global Index Equity AUM of \$1.44 trillion

- \$971 billion in institutional assets
- \$467 billion in iShares assets

- US Equities: 50%
- Developed Non-US: 38%
- Emerging Markets: 11%
- Commodities: 1%

Reduction in home equity bias among institutional clients continues to drive secular shifts in asset allocation

- Increasing allocations to non-US equities
- Increasing adoption of “IMI” strategies
- Increasing allocations to Emerging Markets

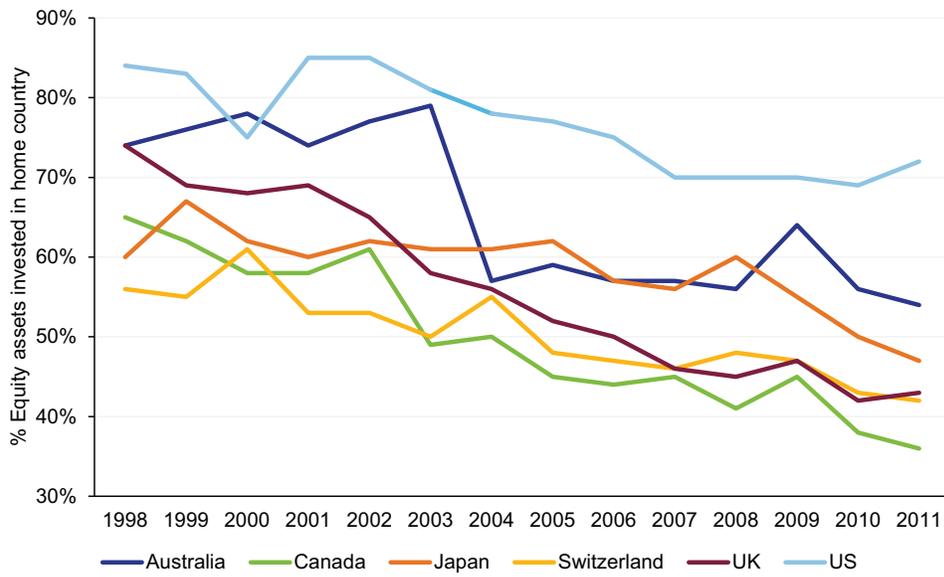
Growing interest in Alternatively Weighted strategies

- BlackRock now manages over \$10 billion in non-cap weighted strategies
 - MSCI Minimum Volatility and Russell Defensive
 - Fundamentally Weighted
 - GDP-weighted, Equal-weighted
 - Income focused

Data as of 3/31/2012

Evolution of equity benchmarks

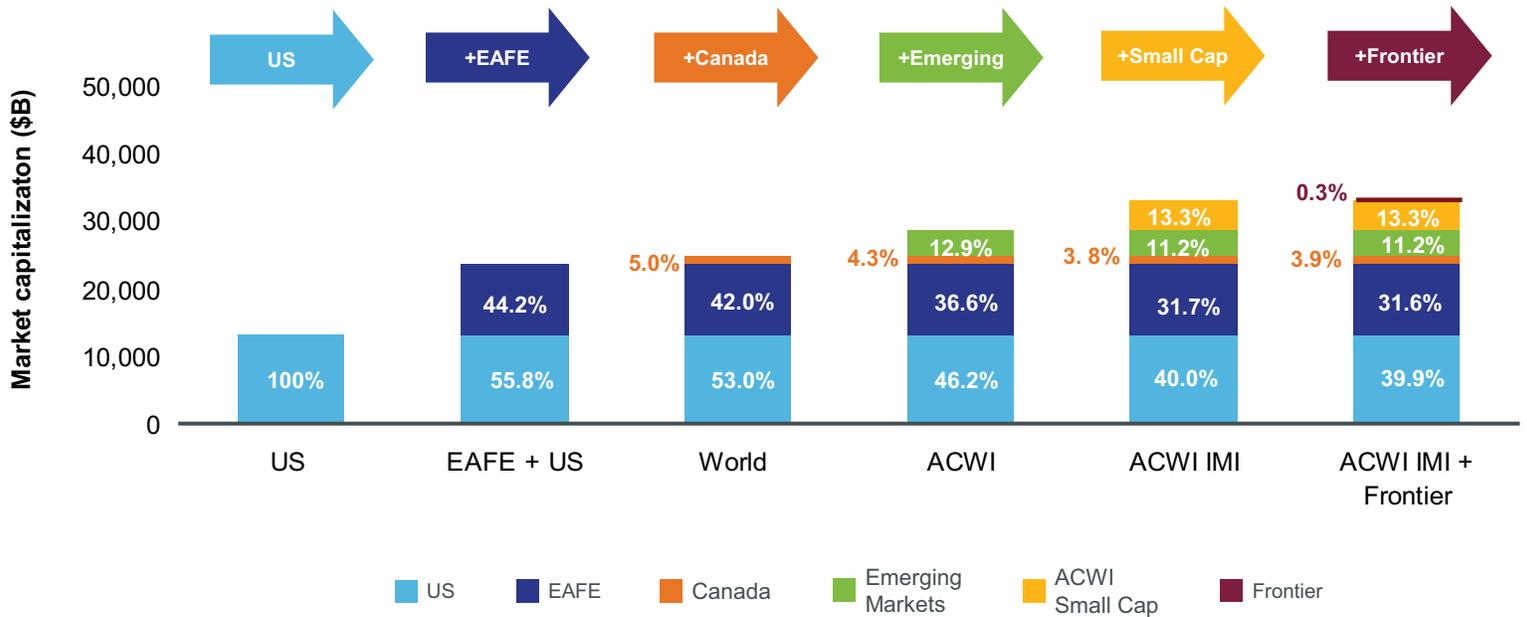
% Equity assets invested in home country*



Plans are moving towards a more global benchmark

*Source: Towers Watson.

A continued evolution in benchmarks toward full globalization



	US ¹	EAFE+US	World	ACWI	ACWI IMI	ACWI IMI + Frontier
Total market cap (USD, \$B)	13,200	23,650	24,887	28,578	32,972	33,077
# of securities	586	1,509	1,611	2,430	8,835	8,990

Sources: BlackRock, FactSet. MSCI Weightings as of March 31, 2012
¹ US Assets shown above reflect MSCI US

BlackRock has 40 years of success in index management

Performance-focused culture leads to superior results

- Attention to the many complexities of index management results in consistently superior performance relative to competitors
- Size and diversity of our business translates directly into lower costs for clients

A fiduciary to our clients in every aspect of our relationship

- All trades seek best execution, including FX
- No hidden fees or cross subsidization from other businesses
- No custody business frees us from conflict of interest, perceived or otherwise

Research & technology dedicated to indexing

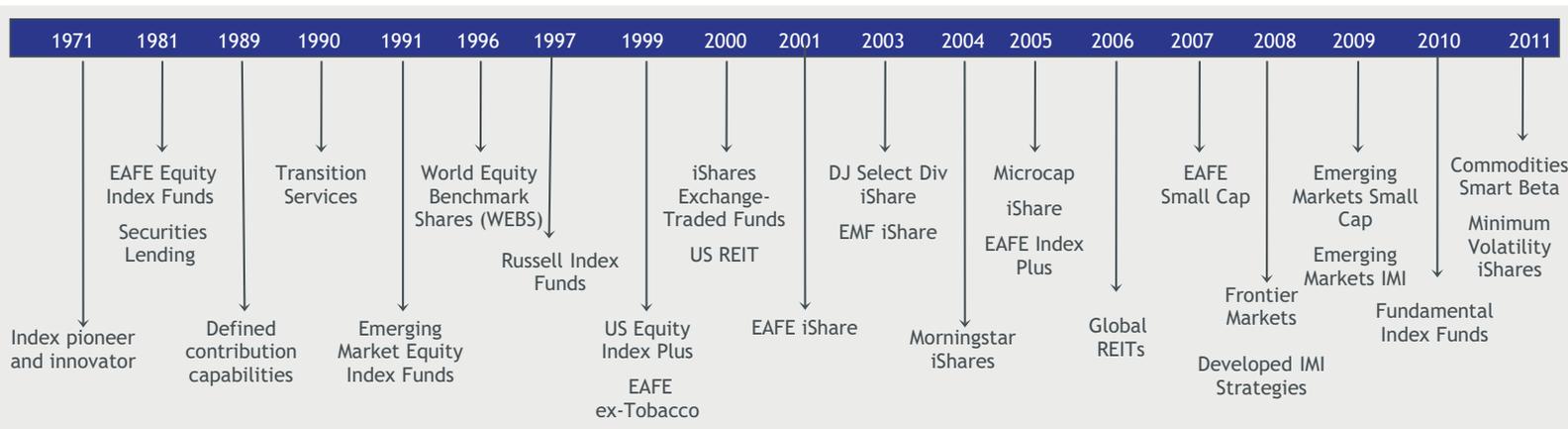
- Experienced portfolio managers partner with industry leading risk models and technology
- Dedicated index research teams focus on index methodology, projection of index changes and value-added trading strategies
- Proprietary transaction cost model is explicitly incorporated into portfolio construction process, resulting in lower costs

Leveraging the BlackRock organization

- Best in class teams specialize in risk oversight, compliance monitoring, corporate actions, securities lending, tax reclaims, corporate governance, counterparty evaluation...

Longevity of indexing business

With over 40 years of indexing experience, BlackRock is a thought leader in strategy innovation and index advocacy



Americas Index Equity Portfolio Management

Richard Kushel
Head of Portfolio Management Group

Amy Schioldager
Global Head of Index Equity

Edward Corallo
Head of Americas Index Equity

Corin Frost, CFA
Global Head of Index Strategy

Debbie Jelilian
Chief Operating Officer

Christopher Bliss, CFA
Head of Institutional Portfolio Management

Greg Savage, CFA
Head of iShares Portfolio Management

Creighton Jue, CFA
Head of Alternative Beta

Matthew Lee, Ph.D.
Head of Research

Stephanie Allen
Head of Index Research

Karen Kraut
Global Platform Officer

North America
Peter Sietsema, CFA
Senior Portfolio Manager

International Developed
Rachel Aguirre
Senior Portfolio Manager

International Emerging
Timothy Murray, CFA
Senior Portfolio Manager

North America
Rene Casis
Senior Portfolio Manager

International Developed
Diane Hsiung
Senior Portfolio Manager

International Emerging
Jennifer Hsui, CFA
Senior Portfolio Manager

Ali El-Annan
Portfolio Manager

Mike Bradford
Portfolio Manager

Holly Framsted, CFA
Portfolio Manager

Mariela Jobson, CFA
Portfolio Manager

Gabriel Gusan*
Portfolio Manager

Mike Gallagher, CFA
Portfolio Manager

Andrew Essig, CFA
Senior Portfolio Manager

Yuying Gao, Ph.D.
Research Officer

Derek Dei
Index Analyst

Heather Apperson
Investment Analyst

Suzanne Henige
Portfolio Manager

Haroldo Daltin
Portfolio Manager

Rodolfo Galgana
Portfolio Manager

Tracy McCay, CFA
Portfolio Manager

Thomas Quinby
Portfolio Manager

Matt Goff
Portfolio Manager

Shaun Ong, CFA
Portfolio Manager

John Scruggs, Ph.D.
Research Officer

Jason Holt*
Index Analyst

Ben Garland, CFA*
Investment Strategist

Louis Hsu
Portfolio Manager

Joselle Duncan, CFA
Portfolio Manager

Stan Kiang
Portfolio Manager

John Sun, CFA
Portfolio Manager

Tom McCutchen
Senior Portfolio Manager

Dina Ting, CFA
Portfolio Manager

Lei Zhang, Ph.D.
Research Officer

John Hurabiell, CFA
Index Analyst

Andrew Graver*
Investment Strategist

Marsha Jong, CFA
Portfolio Manager

Kate Morgan, CFA
Portfolio Manager

Eunie Chung
Portfolio Manager

Ryan Szakacs
Portfolio Manager

Ernesto Tong, CFA
Portfolio Manager

Neil Vassar, CFA
Portfolio Manager

Jim Millard
Index Analyst

Corette Pinaroc
Index Analyst

Stephanie Hill
Investment Strategist

Angela Liu
Portfolio Manager

Hien Tran
Portfolio Manager

Tim Wong, CFA
Portfolio Manager

Ryan Szakacs
Portfolio Manager

Ernesto Tong, CFA
Portfolio Manager

Neil Vassar, CFA
Portfolio Manager

Jim Millard
Index Analyst

Corette Pinaroc
Index Analyst

Marco Merz, CFA
Investment Strategist

Dayton Lonsdale
Portfolio Manager

Hien Tran
Portfolio Manager

Tim Wong, CFA
Portfolio Manager

Ryan Szakacs
Portfolio Manager

Ernesto Tong, CFA
Portfolio Manager

Neil Vassar, CFA
Portfolio Manager

Jim Millard
Index Analyst

Corette Pinaroc
Index Analyst

Marco Merz, CFA
Investment Strategist

Chris Tachiki, CFA
Portfolio Manager

Hien Tran
Portfolio Manager

Tim Wong, CFA
Portfolio Manager

Ryan Szakacs
Portfolio Manager

Ernesto Tong, CFA
Portfolio Manager

Neil Vassar, CFA
Portfolio Manager

Jim Millard
Index Analyst

Corette Pinaroc
Index Analyst

Timothy Parsons*
Investment Strategist

Sara Shores, CFA
Investment Strategist

*Located outside of the US As of February 2012

BLACKROCK

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BlackRock's Core investment philosophy

Total performance management

We believe that superior investment outcomes are best achieved through a disciplined, objective process to managing return, risk and cost

Return

- Performance as planned with value added portfolio management
- Flexible strategies and solutions

Risk

- Proprietary portfolio & risk management systems controls investment and operational risk

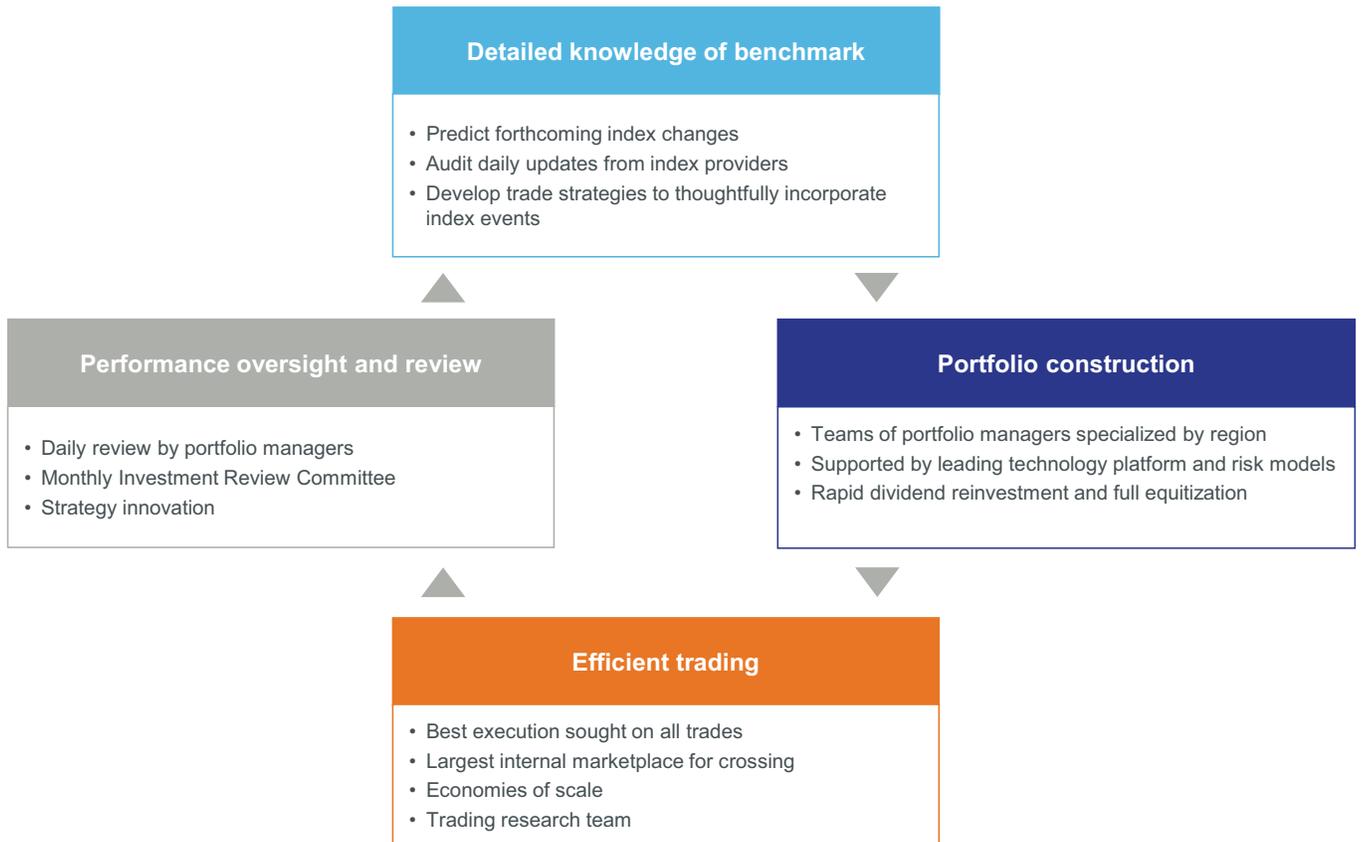
Cost

- Trading costs integrated into portfolio construction using proprietary transaction cost models
- Transaction costs minimized through use of internal crossing network
- For all external trading including FX, focus on best execution

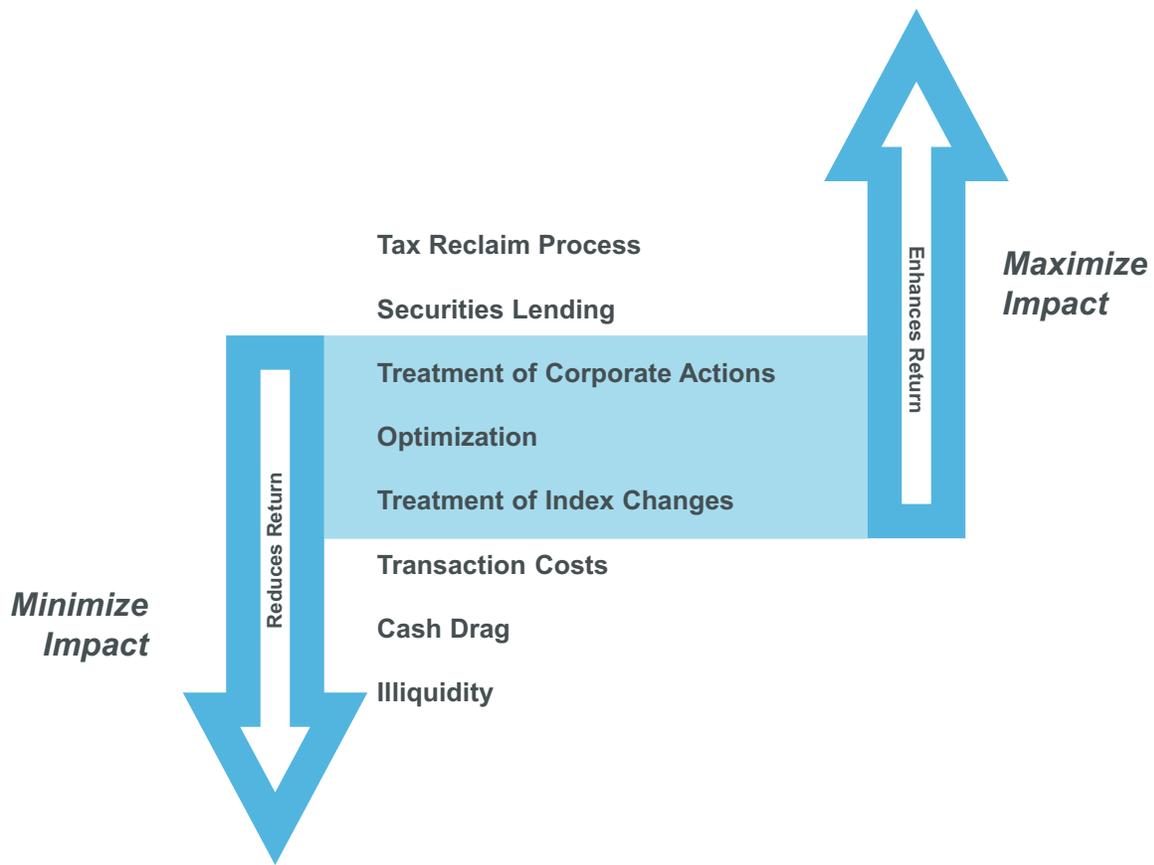


The investment management cycle

Specialized expertise and resources



Major sources of tracking error Global & Domestic index funds



BlackRock's risk control A multi-dimensional approach

Portfolio management process

- Dedicated Index Research Team
- Order limits for each Portfolio Manager
- Peer Review for every trade
- Separation of duties between PM and Trading
- Value at Risk calculation on all trade strategies
- Limits/Stop-Loss in place for all trade strategies
- Full cash equitization
- PM specialize in a specific region
- Daily performance monitoring

Down stream process

- Restrictions are IT based with no manual intervention required
- Integrated Portfolio Management and Trading platforms
- Straight through processing from order to execution
- Monthly performance review (Investment Review Committee)

Firm-wide risk control

- Firm-wide compliance programs
- Code of conduct
- Code of ethics
- Personal securities trading rules
- Extensive business continuity planning
- Daily firm-wide performance monitoring

Benefits of BlackRock's approach to index management

Our approach delivers consistently superior performance

Better returns

- Global insight into index changes, corporate actions and index flows
- Value-added trading strategies
- Transaction costs incorporated into portfolio construction
- Global securities lending relationships

Less risk

- Leading risk models and technology reduce tracking error
- Integrated trading and portfolio management platforms provide speed and consistency
- Straight through processing — no manual intervention, avoiding unintentional risk

Lower cost

- All trades, including FX, seek best execution
- Diverse client base affords significant crossing opportunities
- Scale and leverage in negotiating rates on market trades
- Dedicated transition services for index portfolios

Russell 1000 Portfolio Performance & Characteristics

Russell Reconstitution – June 24, 2011

Small changes to methodology with the 2011 reconstitution

- Adjustment in the determination of Growth/Value
- Minor changes to country assignment determination
- Few pure adds/deletes and lower turnover compared to 2010
 - 14 adds to the Russell 1000, with the largest two being General Motors and LyondellBasell Industries, both of which exited bankruptcy last year
 - 2 deletions from Russell 1000 (Weatherford International & Seagate Technology) due to changes in country classification

Effective Date Performance

- Performance of the indices on June 24th was mixed as R1 & R2 adds and migrations moved against indexer flows, while the R1 deletes moved in line with indexer flows
- Going into the close, the baskets generally performed against indexer flows

BlackRock Fund performance

- Careful trade strategies and risk management added \$2.6 million in value to the Funds (appx 1 bp on average to each fund)
- Crossed \$10.7 billion in orders, 68% of rebalance trades

Market Cap Cutoff (in millions)					
	2011	2010	2009	2008	2007
Russell 1000 Recon	2,200	1,700	1,200	2,000	2,500
Russell 2000 Recon	130	112	75	165	262

Turnover					
	2011	2010	2009	2008	2007
Russell 1000	2.7%	3.9%	2.0%	2.3%	4.5%
Russell 2000	10.5%	9.5%	12.3%	15.5%	9.9%
Russell 3000	2.5%	3.7%	1.7%	1.9%	4.6%

Spreads	June 24, 2011 Return
R1 Adds vs R1	-0.20%
R1 Deletes vs R1	-0.52%
Stay in R1 buys vs Stay in R1 sells *	0.19%
R2 Adds vs R2	-0.83%
R2 Deletes vs R2	1.63%
Stay in R2 buys vs Stay in R2 sells *	0.33%
R1 to R2 (buy) vs. R2 to R1 (sell)	-0.72%

* Spreads are weighted by the net value to trade with the imbalances invested in the index

Russell 1000[®] Equity Index Fund Characteristics

As of 31 March 2012

Characteristics

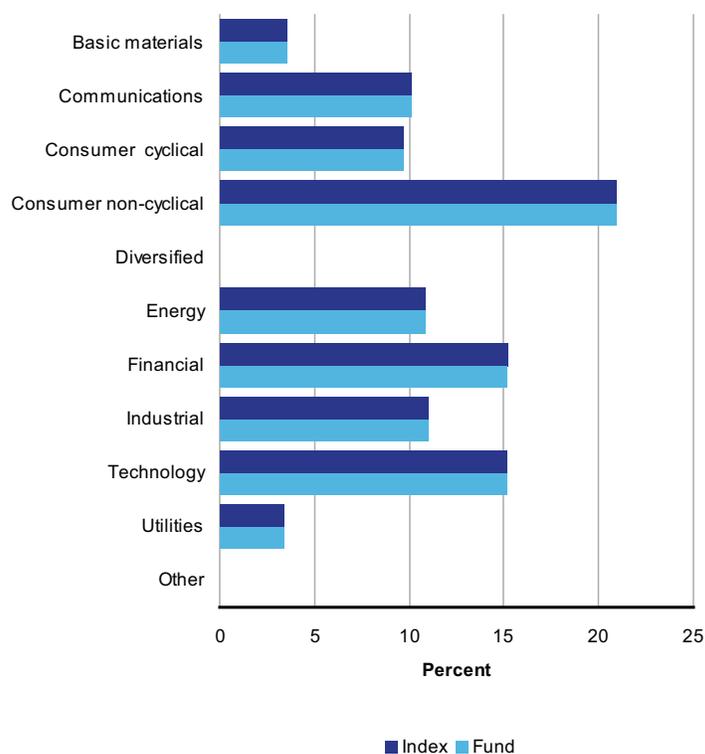
Strategy	Russell 1000 [®] Index
Beta vs. S&P 500 [®]	1.00
Yield	1.95%
Total fund assets	\$21.80B
Number of holdings	975

Top 10 holdings

	Fund %	Index %
Apple Inc	3.84	3.84
Exxon Mobil Corp	2.96	2.96
Intl Business Machines Corp	1.75	1.75
Microsoft Corp	1.66	1.66
Chevron Corp	1.49	1.49
General Electric Co	1.47	1.47
Procter & Gamble Co/The	1.30	1.30
AT&T Inc	1.28	1.28
JPMorgan Chase & Co	1.26	1.26
Johnson & Johnson	1.25	1.25

Rur-1K-idx-A-Ch

Sector diversification



This information is unaudited and intended for analytical purposes only
Sources: BlackRock, Bloomberg, Frank Russell Company

Russell 1000 Index Fund

SamCERA

	Fund	Russell 1000 Index	Tracking Difference
2002	-21.63%	-21.65%	0.02%
2003	29.90	29.89	0.01
2004	11.45	11.40	0.05
2005	6.31	6.27	0.04
2006	15.62	15.46	0.06
2007	5.86	5.77	0.09
2008	-37.55	-37.60	0.05
2009	28.56	28.43	0.13
2010	16.17	16.10	0.07
2011	1.56	1.50	0.06
1 Yr ¹	7.92	7.86	0.06
3 Yrs Annualized	24.12	24.03	0.09
5 Yrs Annualized	2.26	2.19	0.07
7 Yrs Annualized	5.11	5.04	0.07
10 Yrs Annualized	4.59	4.53	0.06
15 Yrs Annualized	6.47	6.42	0.05
2012			
Jan	4.88%	4.87%	0.01%
Feb	4.39	4.39	0.00
Mar	3.13	3.13	0.00
1st Qtr.	12.91%	12.90%	0.01%
Apr			
May			
Jun			
2nd Qtr.			
Jul			
Aug			
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	12.91%	12.90%	0.01%
Last 3 months	12.91%	12.90%	0.01%
Last 6 months	26.30	26.27	0.03
Last 9 months	7.77	7.73	0.04
Last 12 months	7.92	7.86	0.06
Cumulative Since Inception²	310.70%	307.95%	2.75%
Annualized Since Inception	8.62%	8.58%	0.04%

The Fund is managed by BTC. The information disclosed herein is for informational purposes only and may not be compliant with the reporting requirements of Department of Labor Rule 404a-5. Plan sponsors and/or administrators seeking the requisite information to comply with Rule 404a-5 should contact their Account Manager.

¹ Performance figures are annualized as of period end.

² Account Inception 02/28/95

Index strategies

Equity

US Equity Index Funds

S&P Indexes
 S&P 500
 S&P/Citigroup Value
 S&P/Citigroup Growth
 S&P 400 Mid Cap
 S&P 500 Dividend Aristocrats
 Dow Jones Indexes
 US Equity Market (DJ Total Stock Market)
 Extended Market (DJ Completion Total Sk Mkt)
 Russell Indexes
 Russell 3000
 Russell 2500
 Russell 1000
 Russell 1000 Value
 Russell 1000 Growth
 Russell 2000
 Russell 2000 Value
 Russell 2000 Growth
 MSCI Indexes
 MSCI US

Developed International Index Funds

MSCI Canada Index
 MSCI EAFE ex-Japan
 MSCI EMU and EMU IMI
 MSCI EAFE Hedged
 MSCI Europe
 MSCI Pac Rim
 MSCI World
 MSCI World ex-US
 Russell Developed ex-US Large Cap

Developed International Index Funds (cont.)

MSCI EAFE Index
 Australia Hong Kong Portugal
 Austria Ireland Singapore
 Belgium Italy Spain
 Denmark Israel Sweden
 Finland Japan Switzerland
 France Netherlands UK
 Germany New Zealand
 Greece Norway

Integrated International Broad and Small Cap Index Strategies

MSCI ACWI and ACWI IMI
 MSCI ACWI ex-US & ACWI ex US IMI
 MSCI Global Investable Market Indices
 MSCI EAFE Small Cap
 MSCI Canada Small Cap
 MSCI World Small Cap
 World ex-US Small Cap
 MSCI Emerging Markets Small Cap
 MSCI ACWI ex US Small Cap

Emerging Markets Index Funds

MSCI EM Index
 Brazil India Russia
 Chile Indonesia South Africa
 China Malaysia South Korea
 Colombia Morocco Taiwan
 Czech Rep. Peru Thailand
 Egypt Philippines Turkey
 Hungary Poland

BlackRock Frontier Markets Fund (countries included)

Argentina	Kazakhstan	Romania
Bahrain	Kenya	Slovenia
Bangladesh	Kuwait	Sri Lanka
Botswana	Lebanon	Tunisia
Bulgaria	Lithuania	UAE
Croatia	Mauritius	Vietnam
Estonia	Nigeria	
Ghana	Oman	
Jordan	Qatar	

Frontier Markets ex-GCC Fund

Index Plus Strategies

S&P 500	World ex-US Small
Russell 1000	Cap
EAFE	ACWI ex-US
World ex-US,	ACWI ex-US IMI
World ex-US IMI	
EM	

Non-Lending Funds

S&P 500	EM
S&P 400	EM IMI
Russell 1000, V, G	EM Small Cap
Russell 2000	ACWI
Russell 3000	ACWI ex-US
EAFE	ACWI ex-US IMI
EAFE Small Cap	World
Canada	World ex-US
Canada Small Cap	World ex-US Small
Russell Developed	Cap
ex-US Lg Cap	

Alternatives

US Commodity Funds

S&P GSCI Total Return Indexes
 S&P GSCI Reduced Energy
 S&P GSCI Light Energy
 S&P GSCI Ultra-Light Energy
 Dow Jones-UBS Total Return
 Commodity Smart Beta

Real Estate Investment Trust (REITs) Indices

DJ US Real Estate Securities Index (RESI)
 MSCI US REIT Index
 FTSE EPRA/NAREIT Developed ex-US Index
 FTSE EPRA/NAREIT Developed Index

Developed REIT — Non-lending
 Global Real Estate — Non-lending

Alternative Beta

Russell 1000 Defensive Index Plus
 FTSE RAFI All World 3000
 MSCI Minimum Volatility Indices
 Equal and GDP-Weighted Indices

Custom Strategies available

As of 31 December 2011

BLACKROCK

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.3 b

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Annual Investment Manager Review – D.E. Shaw Investment Management – Broad Market Core Enhanced Plus Strategy

Staff Comments: The Board of Retirement delegated the annual review of *SamCERA's* investment managers to the staff and investment consultant. Staff is charged with providing the board with a report covering that review. On May 15, 2012, staff interviewed *SamCERA's* core equity managers in *SamCERA's* board room.

D.E. Shaw Investment Management was interviewed at approximately 9:00 a.m. Those present were:

Patrick Thomas – Strategic Investment Solutions' Investment Consultant

Gary Clifton – *SamCERA's* Acting Chief Investment Officer

Anthony Foley – D.E. Shaw – Managing Director, CIO & Head of Quantitative Research (via telephone)

Letitia Yang – D.E. Shaw – Vice President Relationship Manager

The presentation materials used for the review are attached to this agenda item.

BACKGROUND: During the August 2007 turmoil in the domestic equity markets, the board became concerned that there may be greater risk associated with its large cap domestic equity structure than originally anticipated. Specifically, the proliferation and duplication of quantitative strategies made products such as Barclays Global Investors' Alpha Tilts product appear to have a greater risk than stated. At the board's request, Strategic Investment Solutions' provided a study of alternate structures for *SamCERA's* U.S. equity structure.

The board then instructed Strategic Investment Solutions (SIS) to initiate a review of *SamCERA's* U.S. Equity Investment Manager Structure. The study focused on *SamCERA's* large cap equity structure and made the following points: The U.S. equity structure is intended to be low risk. The BGI Alpha Tilts exposure is more risky than originally thought, and the quantitative model risk must be addressed going forward. The goal is to maintain moderate risk and implement a process for diversification.

As a reminder, the guiding principles of the manager structure review are: i) implementation of asset allocation, ii) objectives: diversification and risk control, iii) combination of active and passive styles, iv) index funds will generally be median performers in appropriate peer groups, v) diversify managers across investment styles, vi) maintain style neutrality, vii) alpha from active risk, not style risk, and viii) minimize risks taken to achieve fund performance objectives. Following those principles should allow the board to determine an optimal allocation among managers

In October, the board reviewed fifteen semi-finalists. They invited the five investment managers listed on the following page to attend the November 2008 meeting to participate in finalist interviews.

Investment Manager	Product
1) AXA Rosenberg Investment Management	U.S. Enhanced Index
2) D.E. Shaw	Broad Market Core Enhanced (Plus) Strategy
3) Enhanced Investment Technologies (INTECH)	INTECH Broad Enhanced Plus
4) QMA (Quantitative Management Associates)	Quantitative Core Equity
5) T. Rowe Price	U.S. Structured Research Strategy

In the discussion following the interviews, the board found the differences in investment strategies and lack of correlation between AXA Rosenberg, D.E. Shaw and T. Rowe Price compelling. Subject to further due diligence and investment management agreement (IMA) negotiations, the board opined to offer all three a portion of *SamCERA's* large cap enhanced equity mandate.

DISCUSSION: On April 15th staff and SIS completed a site visit at D.E. Shaw's office. Based on the visit staff recommended that the board authorize the Chair to execute an investment management agreement with D.E. Shaw.

Below is a review of performance:

Performance & Values As Of 03/31/2012	Book Value	Market Value	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Trailing Twenty-Four Months
	(Unit Million)					
D.E. Shaw	\$90.6	\$87.0	15.88%	30.37%	12.09%	13.01%
Russell 1000 Index			12.90%	26.27%	7.86%	12.19%
<i>Return Variance</i>			<i>2.98%</i>	<i>4.10%</i>	<i>4.23%</i>	<i>0.82%</i>

The management fee is marginally priced and is currently approximately 49.5 basis points.

Below are excerpts from eVestment Alliance - eASE Analytical Systems and presentation materials from D.E. Shaw.

D.E. Shaw Investment Management

General Firm Information

Firm Legal Name: D. E. Shaw Investment Management, L.L.C.

Firm Headquarters: 1166 Avenue of the Americas
Ninth Floor
New York, New York 10036
United States

Main Telephone: 212.478.0890

Firm Website Address: www.deshaw.com

Geographic Areas of Interest: United States

Year Firm Founded: 2005

Registered Investment Advisor: Yes

Firm Background

The D. E. Shaw group is a global investment and technology development firm with more than 1,100 employees; approximately US \$23 billion in investment capital as of January 1, 2012; and offices in North America, Europe, and Asia. Since its organization in 1988, the firm has earned an international reputation for financial innovation, technological leadership, and an extraordinarily distinguished staff. The firm has a significant presence in many of the world's capital markets, investing in a wide range of companies and financial instruments within both the major industrialized nations and a number of emerging markets. Its activities range from the deployment of investment strategies based on either mathematical models or human expertise to the acquisition of existing companies and the financing or development of new ones. The firm's investment capital as of January 1, 2012 included approximately US \$6.6 deployed in benchmark-relative long-only and "130/30" equity strategies for public and private pension plans, endowments, foundations, and private wealth management firms. These strategies apply the D. E. Shaw group's quantitative models and computational techniques, which are based on the group's twenty-three years of experience in managing alternative investment strategies.

The following is a brief chronology of the D. E. Shaw group's institutional asset management business. In 2000, the D. E. Shaw group established this business with the initiation of its first portfolio using one of its long-only Structured Equity strategies. In 2005, DESIM was formed, registered with the U.S. Securities and Exchange Commission as an investment adviser, and commenced operations to assume responsibility for operating this business. In 2006, DESIM began deploying the D. E. Shaw Alpha Extension strategies, a suite of "130/30" strategies in which the portfolio under management is allowed to hold short positions. In 2008, DESIM began marketing long-only and 130/30 equity strategies benchmarked to non-U.S. indexes such as the MSCI EAFE Index and the MSCI World Index. DESIM began managing its first portfolio benchmarked to a non-U.S. equity index in 2009.

D. E. Shaw & Co., L.P. ("DESCO LP") is DESIM's sole and managing member and owns 100% of DESIM. The general partner of DESCO LP is D. E. Shaw & Co., Inc. David E. Shaw is the chairman, president, and sole stockholder of D. E. Shaw & Co., Inc.

Joint Ventures None

Prior or Pending Ownership Changes None

Prior or Pending Litigation No

Additional Comments

DESIM is covered by an errors and omissions/professional liability insurance policy in an amount that exceeds US \$25 million and a fidelity bond in the amount of US \$100 million. DESIM also maintains an ERISA fidelity bond in the statutorily-required amount.

D.E. Shaw: Broad Market Core Enhanced Plus Strategy

Product Narratives

DESIM's U.S. Structured Equity strategies typically are applied to a trading universe of approximately 3,500 stocks and a handful of exchange-traded funds listed on U.S. exchanges that is defined, and periodically updated, on the basis of considerations such as instrument liquidity and degree of perceived profit opportunity. (Exchange-traded funds are generally used for purposes of "equitizing" cash.)

DESIM's Structured Equity strategies seek to generate risk-controlled outperformance relative to a given equity benchmark by means of a highly systematic, predominantly "bottom-up" approach to investing in equity securities. The engine of this attempted outperformance is a suite of proprietary quantitative models designed to exploit multiple independent sources of market inefficiency.

Each model is designed to capitalize on a particular market inefficiency and may rely on one or multiple variables in its operation. These models may be divided into three broad categories:

Technical: models that involve price and volume inputs relating to a particular instrument or class of instruments;

Fundamental: models that rely on fundamental data, such as figures gleaned from a corporate balance sheet or income statement; and

Event-driven: models that anticipate or react to a particular corporate event or set of events.

In some cases, a given quantitative model might have elements characterized by more than one of these technical, fundamental, or event rubrics.

The D. E. Shaw group makes an effort in both the model development phase and actual production trading to ensure that the individual market anomalies being targeted are independent of each other. Models related to orthogonal market phenomena reduce the chance that a "bet" on a security's price movement is inadvertently made more than once.

Each model produces a "forecast" of a particular stock's price over some future time horizon based on currently available data, and the magnitude of such a forecast may later change (sometimes materially) with the arrival of new data. The models themselves incorporate confidence values (in Bayesian statistical parlance, "beliefs") that are determined by the D. E. Shaw group based on quantitative and subjective considerations. For example, a model A that the firm believes may be more susceptible than a model B to dissipation of alpha due to competitive pressure may have a lower belief associated with it, while a model C that has the benefit of more historical data for evaluation than a model D might have a higher belief. These confidence values in turn partly inform the ultimate strength of the forecasts generated by the models in question. The firm periodically re-evaluates these confidence values.

These models typically operate with forecast horizons of a few days to several years. The forecasts for a given stock generally are combined into a single, aggregate forecast for each forecast horizon. Importantly, because these models attempt to capture distinct, orthogonal sources of market inefficiency, the corresponding price forecasts are additive. As a simple example, a five basis point positive forecast on

XYZ stock produced by model A and a seven basis point positive forecast on XYZ produced by model B generally would sum to an aggregate forecast on XYZ of twelve basis points. This summing of forecasts is critical to the D. E. Shaw group's investment process, as the forecasts of individual models frequently are too small to offset the costs of transacting.

No assurances can be given that any aims, assumptions, expectations, and/or goals described in this document will be realized.

Portfolio Construction & Risk Control Methodology

DESIM employs sophisticated proprietary software that serves as an "optimizer" to construct and modify portfolios using its Structured Equity strategies with the aim of maximizing portfolio outperformance, net of various forms of transaction costs, relative to a given equity benchmark while attempting to maintain a client-specified tracking error relative to such a benchmark.

Risk monitoring and management occur in two dimensions, one automated and the other qualitative.

While a significant amount of the D. E. Shaw group's research resources is devoted to the deployment and refinement of this risk-management technology, a second, more human-oriented dimension of risk monitoring is also important and applies in various respects to all of the investment strategies managed by the D. E. Shaw group. Examples of human involvement in risk analysis include the (relatively infrequent) overriding of suggested trade orders made by the optimization software in light of recent market events of which the software may not be "aware" and the updating of dollar position limits designed to constrain concentrations in particular issuers, industry groups, or other groups of instruments. Human involvement in the risk monitoring process is generally intended to limit, rather than increase, exposure to certain risk factors that the D. E. Shaw group's optimization software might otherwise be willing to assume.

Certain features of the D. E. Shaw group's proprietary risk-management software enable DESIM to monitor risk, in an automated fashion and on a virtually real-time basis, that a human generally would be unable to manage given the complexity of the portfolios managed by DESIM using its Structured Equity strategies and the speed with which new market data impact these portfolios. This optimization software attempts to measure and manage deviations from the benchmark, both at the instrument-specific level and across the entirety of the portfolio, in both absolute and risk-weighted terms. DESIM incorporates a number of proprietary quantitative models of various forms of risk into this automated risk-management platform. DESIM generally does not rely on third-party risk-management software, and believes that a strong emphasis on proprietary systems enhances its ability to adapt to rapidly changing market conditions and also facilitates a better understanding of the relationship between alpha models and risk models in the portfolio management process.

No assurances can be given that any aims, assumptions, expectations, and/or goals described in this document will be realized.

Buy/Sell Discipline

While more traditional active equity approaches might independently consider the merit of each distinct investment decision, DESIM's Structured Equity investment process seeks to build an aggregate portfolio with the combination of positions and weightings that has the greatest expected likelihood of maximizing a portfolio's expected information ratio relative to its benchmark at a given level of targeted tracking error. The optimization process associated with DESIM's Structured Equity strategies is highly dynamic—the optimizer cycles throughout the trading day to take into account newly available market information—and provides advanced support for automated planning across multiple time horizons. Factors considered by the optimizer when constructing such a portfolio include forecasts of expected return, risk, and transaction costs associated with a universe of a few thousand stocks. The optimizer evaluates each instrument in this eligible universe to identify potential trades of a given size in that instrument that would enhance (or, alternatively, degrade) the overall “utility” of the portfolio. The optimizer evaluates each transaction in relation to other instruments in the portfolio and other possible trades involving names in the broader investment universe. Positive portfolio utility roughly may be defined as either an increase in anticipated profit (based on price forecasts generated by the D. E. Shaw group's proprietary models, and, very importantly, net of expected transaction costs) or a reduction in expected tracking error (based on estimates derived from proprietary risk models). The optimizer then compares the theoretically optimal position in a given instrument with the portfolio's current position, if any, in that instrument, and then proposes highly specific transactions designed to eliminate any difference between the two. Importantly, the optimizer conducts this overall evaluation of expected utility across several timeframes. As a simple example, the optimizer may perceive today that a trade with positive expected utility is likely to be significantly cheaper to execute tomorrow, resulting in even greater marginal portfolio utility if the trade is delayed by a day.

Trading Strategy

Once the D. E. Shaw group's proprietary portfolio optimization software determines the particular trade (whether a buy or sell) needed to reach the current theoretically optimal position for a given name, the trading system linked to this optimizer follows a complex set of rules, the product of hundreds of rigorous empirical tests conducted during the twenty-three years of the D. E. Shaw group's production trading, in an effort to decide the most cost-effective means of executing that trade. Trades may be carried out on an automated basis, manually by DESIM's traders, or through some combination of these two means, in each case according to which of the available methods is forecast, based on the D. E. Shaw group's research, to produce the most favorable expected outcome under the circumstances. The investment process deployed by DESIM takes transaction costs into account when constructing theoretically optimal portfolios and seeks to minimize transaction costs in implementing those investment decisions, making it possible to extract profit from an expanded universe of investment opportunities.

DESIM currently does not have and does not expect to have soft dollar arrangements with any of its executing brokers. However, subject to DESIM's duties under the express terms of any applicable agreement and under applicable law, DESIM may pay commissions to certain financial institutions and/or counterparties (or their affiliates) that may be willing to furnish services for the benefit of DESIM or a related party. Such services would include only research and brokerage services that fall within the safe harbor provided by Section 28(e) of the U.S. Securities and Exchange Act of 1934 or any amendment or successor to such provision. Research or other services obtained in this manner may be used in servicing any or all advisory clients of DESIM and may be used in connection with advisory accounts other than those that pay commissions and commission equivalents to the financial institution relating to the research or other service arrangements. The appropriateness of brokerage commissions is evaluated by DESIM on an ongoing basis.

No assurances can be given that any aims, assumptions, expectations, and/or goals described in this document will be realized.

Additional Comments

The D. E. Shaw Broad Market Core Active Strategy (the “BMCA Strategy”) seeks to generate risk-controlled outperformance relative to the Russell 1000® Index by means of a highly systematic, predominantly “bottom-up” approach to investing in equity securities. The engine of this attempted outperformance is a suite of proprietary quantitative models designed to exploit multiple independent sources of market inefficiency. The price forecasts generated by these models, along with estimates of various forms of risk and the costs of transacting, are considered by an optimizer throughout the trading day in order to construct a portfolio with the highest expected risk-adjusted return, net of trading costs, relative to the Russell 1000® Index.

The BMCA Strategy is benchmarked to the Russell 1000® Index and managed with the long-term objective of a realized annualized tracking error from that index of 300 basis points. There can be no assurance that DESIM’s expectations will be realized or its objectives met.

Use Of Derivatives

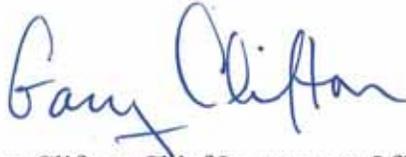
Derivatives Used in Managing This Product: No

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.3 c

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Investment Manager Review – T. Rowe Price – U.S. Structured Research Strategy

Staff Comments: The Board of Retirement delegated the annual review of *SamCERA's* investment managers to the staff and investment consultant. Staff is charged with providing the board with a report covering that review.

On May 15, 2012, staff interviewed *SamCERA's* core equity managers in *SamCERA's* board room.

T. Rowe Price was interviewed at approximately 10:30 a.m. Those present were:

Gary Clifton – *SamCERA's* Acting Chief Investment Officer

John Plowright – T. Rowe Price – CFA, Institutional Client service Executive

The presentation materials used for the review are attached to this agenda item.

BACKGROUND: During the August 2007 turmoil in the domestic equity markets, the board became concerned that there may be greater risk associated with its large cap domestic equity structure than originally anticipated. Specifically, the proliferation and duplication of quantitative strategies made products such as Barclays Global Investors' Alpha Tilts product appear to have a greater risk than stated. At the board's request, Strategic Investment Solutions' provided a study of alternate structures for *SamCERA's* U.S. equity structure.

The board then instructed Strategic Investment Solutions (SIS) to initiate a review of *SamCERA's* U.S. Equity Investment Manager Structure. The study focused on *SamCERA's* large cap equity structure and made the following points: The U.S. equity structure is intended to be low risk. The BGI Alpha Tilts exposure is more risky than originally thought, and the quantitative model risk must be addressed going forward. The goal is to maintain moderate risk and implement a process for diversification.

As a reminder, the guiding principles of the manager structure review are: i) implementation of asset allocation, ii) objectives: diversification and risk control, iii) combination of active and passive styles, iv) index funds will generally be median performers in appropriate peer groups, v) diversify managers across investment styles, vi) maintain style neutrality, vii) alpha from active risk, not style risk, and viii) minimize risks taken to achieve fund performance objectives. Following those principles should allow the board to determine an optimal allocation among managers

In October, the board reviewed fifteen semi-finalists. They invited the following five investment managers to attend the November 2008 meeting to participate in finalist interviews.

Investment Manager	Product
1) AXA Rosenberg Investment Management	U.S. Enhanced Index
2) D.E. Shaw	Broad Market Core Enhanced (Plus) Strategy
3) Enhanced Investment Technologies (INTECH)	INTECH Broad Enhanced Plus
4) QMA (Quantitative Management Associates)	Quantitative Core Equity
5) T. Rowe Price	U.S. Structured Research Strategy

In the discussion following the interviews, the board found the differences in investment strategies and lack of correlation between AXA Rosenberg, D.E. Shaw and T. Rowe Price compelling. Subject to further due diligence and investment management agreement (IMA) negotiations, the board opined to offer all three a portion of *SamCERA's* large cap enhanced equity mandate.

DISCUSSION: On April 14th staff and SIS completed a site visit at T. Rowe Price's office. Based on the visit staff recommended that the board authorize the Chair to execute an investment management agreement with T. Rowe Price.

Below is a review of performance:

Performance & Values As Of 03/31/2012	Book Value	Market Value	Trailing Three Months	Trailing Twelve Months	Since Inception (08/3/2009)
	(Unit Million)				
T. Rowe Price	\$93.9	\$116.7	13.64%	9.53%	16.65%
S&P 500 Index			12.59%	8.54%	16.68%
<i>Return Variance</i>			<i>1.05%</i>	<i>0.99%</i>	<i>-0.03%</i>

The management fee is marginally priced and is currently approximately 35 basis points.

Below are excerpts from the eVestment Alliance - eASE Analytical Systems and presentation materials from T. Rowe Price.

T. Rowe Price

General Firm Information

Firm Legal Name: T. Rowe Price Group, Inc.

Firm Headquarters: 100 E Pratt Street
Baltimore, Maryland 21202
United States

Main Phone: 410.345.2000

Firm Website Address: www.troweprice.com

Geographic Areas of Interest: United States

Year Firm Founded: 1937

Registered Investment Advisor: Yes

Firm Background

T. Rowe Price has a rich history spanning more than seven decades. Over the years, they have successfully navigated market cycles and secular shifts in the economy. They have worked to develop innovative investment products in anticipation of changes in investors' needs and preferences. They are proud of the organization they have built and the clients they have the opportunity to serve. The following outlines key dates in the history of the organization:

- 1937 T. Rowe Price founded in Baltimore, Maryland, USA.
- 1947 T. Rowe Price is incorporated in the State of Maryland. T. Rowe Price registers with the SEC under the Investment Advisers Act of 1940.
- 1950 Launches first U.S.-registered mutual fund - the T. Rowe Price Growth Stock Fund.
- 1951 First institutional segregated account client.
- 1960 Launches dedicated small-cap stock mutual fund, the T. Rowe Price New Horizons Fund, one of the first in the U.S.
- 1969 Launches dedicated natural resources fund, today the oldest and largest in the U.S.
- 1971 T. Rowe Price establishes the Fixed Income Division to complement its well-known equity management capabilities.
- 1974 T. Rowe Price Retirement Plan Services pioneers defined contribution plan management with inception of first retirement accounts.
- 1979 Launches Rowe Price-Fleming International, Inc., a joint venture between T. Rowe Price and Robert Fleming Holdings that achieves premier status as a non-U.S. asset manager for US-domiciled investors.
- 1982 T. Rowe Price is the first investment firm to provide full-service, defined contribution plan services.
- 1984 T. Rowe Price establishes a management committee to run the firm.
- 1986 T. Rowe Price initial public offering, trading on the NASDAQ Stock Market under the symbol "TROW" .
- 1992 Launches a dedicated mid-cap fund, the first in the U.S.
- 1996 Achieves \$100 billion* in assets under management.
- 1999 T. Rowe Price shares are added to the S&P 500 Equity Index.
 - Establishes joint venture with Robert Fleming Holdings to form T. Rowe Fleming Asset Management (now T. Rowe Price International Ltd) in Japan.
- 2000 Acquires 100% of Rowe Price-Fleming International, Inc. and rename it T. Rowe Price International Ltd. Price Associates reorganizes its operations into a holding company structure through an exchange of shares. Price Associates becomes a subsidiary of T. Rowe Price Group, Inc. ("Price Group"). After the share exchange, all of the business and operations previously conducted by Price Associates and its subsidiaries were and continue to be conducted by entities within the Price Group.
 - T. Rowe Price establishes a dedicated marketing and service company for non-U.S. investors, T. Rowe Price International Ltd (formerly Global Investment Services Limited), which is registered as an investment adviser with the United Kingdom's regulatory authority (the FSA) in January 2001.
- 2001 Launches the T. Rowe Price Funds SICAV, domiciled in Luxembourg, for institutional investors and financial intermediaries outside the U.S.
- 2004 Achieves \$200 billion* in assets under management.
- 2006 Achieves \$300 billion* in assets under management.

2006 T. Rowe Price raises quarterly dividend for 20th consecutive year.

As planned, James Kennedy elected president and chief executive officer of the firm. Also as planned, the Board of Directors elects Brian Rogers chairman of the Board and Edward Bernard vice chairman. The election of Messrs. Kennedy, Rogers, and Bernard becomes effective on 1 January 2007, following the retirement of chairman and President George A. Roche on 31 December 2006.

2007 Achieves \$400 billion* in assets under management.*

2010 T. Rowe Price purchases a 26% stake in UTI Asset Management Company, the fourth largest asset manager in India, and in 2009 signs a master agent agreement with Marbo SICE in Taiwan. UTI serves more than 10 million individual and institutional investor accounts in India through its 74 domestic fixed-income and equity mutual fund strategies.

2010 In July 2010, T. Rowe Price announces that it is adding equity investment management and research capabilities in its Sydney office to enhance local coverage of Australian equities. T. Rowe Price has been operating an institutional sales and client service office in Sydney since 2004.

2010 T. Rowe Price opens a sales and client service office in Dubai in response to growing demand from clients based in the Middle East and business development opportunities in Africa. *Represents the combined assets of the T. Rowe Price Group, Inc. affiliated companies, which includes T. Rowe Price Associates, Inc., T. Rowe Price International Ltd, T. Rowe Price Hong Kong Limited, T. Rowe Price Singapore Private Ltd., and T. Rowe Price (Canada), Inc.

Joint Ventures

T. Rowe Price Group, Inc. owns 10% of Daiwa SB Investments Ltd., a joint venture with Daiwa Securities Group, Inc. and Sumitomo Mitsui Financial Group, Inc. since 1999. Daiwa SB Investments Limited is an investment manager that delegates certain of its investment management responsibilities to T. Rowe Price International Ltd.

T. Rowe Price International Ltd, a subsidiary of T. Rowe Price Group, Inc., owns 26% of UTI Asset Management Company Limited and 26% of UTI Trustee Company Private Limited. As of December 2009, UTI Asset Management Company is the fourth largest asset manager in India with more than 10 million individual and institutional accounts invested in the UTI Mutual Fund comprised of more than 70 India domiciled fixed-income and equity mutual funds. UTI Trustee Company Private Limited serves as Trustee for the UTI Mutual Fund and its underlying funds.

TRPH Corporation, a subsidiary of T. Rowe Price Associates, Inc., is a 9.9% non-controlling shareholder of Altius Associates Limited, a London-based independent private equity placement firm. Altius Associates Limited, a 1940 Act investment adviser registered with the U.S. Securities and Exchange Commission and the UK Financial Services Authority, provides discretionary private equity management for European and U.S. institutions. R. Todd Ruppert, President-International Investment Services, T. Rowe Price International Ltd, is on the Altius board of directors.

T. Rowe Price does not have any affiliations with other financial institutions.

Prior or Pending Ownership Changes None

Prior or Pending Litigation

Explanation of Litigation

From time to time in the normal course of business, T. Rowe Price Associates, Inc., its subsidiaries, affiliates, officers, and employees (collectively the "Company") are named as parties to minor litigation matters involving the accounts of Price mutual fund shareholders, retirement plan participants, or of retail customers in the Company's brokerage unit. Often, the Company is named as a stakeholder and, therefore, these minor litigation matters are not disclosed herein. Further, the Company has not been involved in any notable litigation matter relating to any business practice or relating to services rendered to the firm's clients during the past five years, with the following exceptions:

Pending Case:

Tribune Company Bankruptcy Proceeding

We have received notice that several of the T. Rowe Price Funds, sub advised clients, and institutional clients may be included in a class of defendants in connection with a lawsuit that the Unsecured Creditors Committee (the "Committee") of the Tribune Company filed in Delaware bankruptcy court. We have not been formally served with that lawsuit. However, various T. Rowe Price entities and certain of the T. Rowe Price Funds, institutional clients, and sub advised clients have been sued in a number of federal and state courts in various states in connection with receipt of proceeds from a leveraged buyout ("LBO") through which Tribune converted to a privately owned company in 2007. These lawsuits allege constructive fraudulent transfer claims in an attempt to recover payments made to shareholders at the time of the LBO. There are similar cases naming hundreds of defendants in many states, and these cases appear to be coordinated, in that plaintiffs, who are serving in a representative capacity, are Deutsche Bank Trust Co. Americas, Law Debenture Trust Co., and Wilmington Trust Company, each in its capacity as successor indenture trustee for certain debt instruments. The lawsuits do not allege that any of the T. Rowe Price defendants engaged in wrongful conduct.

Closed Case:

T.K. Parthasarathy, et al. (incl. Woodbury) v. T. Rowe Price International Funds, Inc., et al.

On September 16, 2003, a purported class action (Woodbury v. T. Rowe Price International Funds, Inc.) was filed in the Circuit Court, Third Judicial Circuit, Madison County, Illinois, against T. Rowe Price International, Inc. and the T. Rowe Price International Funds, Inc. Two unrelated fund groups were also named as defendants. The basic allegations in the complaint were that the T. Rowe Price defendants did not make appropriate value adjustments to the foreign securities of the T. Rowe Price International Stock Fund prior to calculating the Fund's daily share prices, thereby allegedly enabling market timing traders to trade the Fund at the expense of long-term shareholders.

The case against the T. Rowe Price defendants was resolved, and it was dismissed with prejudice on February 15, 2008.

Additional Comments

It is the long-term goal of T. Rowe Price to grow in three major lines of business: institutional separate account management, defined contribution retirement plan management, and retail investment management. At the same time, we aim to provide consistently high levels of client service to all of our investors. We believe it is important to maintain a diversified client base, to manage asset growth in a disciplined and consistent manner, and to develop a highly skilled staff of professionals through careful recruiting and internal mentoring. A well-balanced approach is essential for organizational and financial stability and healthy long-term growth. We are committed to disciplined management of growth, and will not compromise our high standards of client service as we grow.

Errors & Omissions/Directors & Officers

T. Rowe Price Group, Inc., its subsidiaries and affiliates, as well as the T. Rowe Price Funds (collectively "T. Rowe Price"), maintain Errors & Omissions/Directors & Officers insurance coverage in the aggregate amount of \$125,000,000 through ICI Mutual Insurance Company, Arch Insurance Company, and Axis Insurance Company. These policies are designed to cover losses due to certain errors and omissions, misstatements and other actions of the insureds. Also, these are "claims made" policies that provide coverage based on the policies in effect when the claim is made, regardless of when the event occurred. All claims submitted by corporate insureds are subject to a \$1,000,000 deductible. The policies cover the period August 31, 2010 - August 31, 2011.

Fidelity Bond

T. Rowe Price Group, Inc., its subsidiaries and affiliates, as well as the T. Rowe Price Funds (collectively "T. Rowe Price"), currently carries a \$110,000,000 Fidelity Bond through ICI Mutual Insurance Company to protect against certain employee and third-party dishonest or fraudulent acts. The \$110,000,000 coverage limit is applied "per occurrence". This is an "event occurrence" policy that provides coverage based on the policy in effect when the event occurs. There is a \$250,000 deductible for most claims. There is no deductible for employee fraud in the Price Funds. The policy period is August 31, 2010 - August 31, 2011.

Product Overview - U.S. Structured Research Strategy

Research & Screening Process

The T. Rowe Price U.S. Large-Cap Core Equity Strategy is a measured balance between established practice and relevant innovation. The process is influenced heavily by their longstanding research and asset management heritage.

Investment Process

Define the Universe: The universe is composed of primarily U.S. companies with market capitalizations in excess of \$5 billion held in the analyst-managed U.S. Structured Research Strategy (approximately 300 companies).

Screening to Identify Opportunities: A proprietary screening process distills the most attractive buy-rated opportunities and overweights within the analyst-managed U.S. Structured Research Strategy to between 150 and 200 companies. The broad network of 100+ equity investment professionals is leveraged to focus on the most compelling opportunities.

Stock Selection: Results of the screening process are assessed on a market-wide context and influenced by industry structure, management team, and valuation. The portfolio manager collaborates with their deep pool of U.S. equity analysts and sector specialists using intellectual rigor to find a compelling reason to invest in a company. From the analysts' investment theses, the portfolio manager identifies the highest-conviction ideas (80 to 100 companies) incorporating:

- Qualitative evaluation of the company's business model, market position, management quality, and research and development initiatives.
- Analysis of the company's financial position, including free cash flow generation, balance sheet strength, return on capital, earnings per share, and margins.
- Valuation assessment using measures such as price-to-earnings (P/E), price-to-book, price-to-cash flow, P/E-to-growth rate, price-to-sales, and enterprise value-to-sales.
- Independent stress testing where the portfolio manager and analysts collaborate to analyze prospective scenarios and their potential impact on a company or industry.

Portfolio Construction & Risk Control Methodology

A more concentrated portfolio of 50 to 60 stocks provides the potential to achieve higher alpha than more diversified approaches and adheres to the following parameters:

- Includes the firm's highest-conviction ideas with typically over a two-year time horizon
- Individual position sizes range +/- 4% relative to the S&P 500 Index
- Sector weightings are limited to +/- 10% relative to the S&P 500 Index weights
- Predicted tracking error of 400 basis points relative to the S&P 500 Index

The fund is fully invested, with cash reserves generally 5% or less of total market value

To further strengthen risk restraints, the portfolio manager employs an active risk management process to eliminate any unintended bets or unconscious exposure. The portfolio's risk characteristics are also reviewed on an ongoing basis by the portfolio manager and the Equity Steering Committee.

Buy/Sell Discipline

Buy Disciplines

The portfolio manager includes the highest-conviction "buy" rated ideas generated by the firm's research team. These ideas have the most compelling combination of attractive characteristics appropriate for a more concentrated portfolio with no style bias. Some of these are:

Company

Compelling company business model and strategy

- High-quality focus
 - Attractive market positioning
 - Market share takers
 - Operating in a business with significant barriers to entry
 - Potential for secular growth
- Cyclically depressed
 - Expected winner when cycle turns
- Improving company fundamentals
 - Pricing power
 - Product cycle
 - Margins
 - Income and balance sheet quality
- Return on investment capital

Company Management

Management team with compelling strategic vision

- Successful business plan execution
- Prudent deployment of capital
 - Reinvest when attractive returns exist
 - Return capital to shareholders

Industry

Attractive industry structure

- Favorable near- and long-term fundamental outlook
- High barriers to entry
- Rational competitive practices

Valuation

Reasonable stock price valuation

- Attractive valuation multiples relative to the company's history
- Relative valuation compared with markets and other compelling opportunities
- Adjust position size according to confidence in investment thesis

Sell Disciplines

Although a two-year time horizon is generally the intended holding period, continued attractiveness of certain characteristics or deterioration thereof as determined by the assessment of certain criteria and reasonable valuations underlie the divestment decision on a security. One of the following drives the decision:

Analyst Downgrade The fundamental view on the company may change as a result of deterioration in company fundamentals—such as a decline in market share, deterioration in earnings quality, or an increase in financial leverage—or the stock's relative valuation is no longer attractive.

Forced Displacement by a Better Opportunity A new investment candidate is identified with potentially more upside than an existing holding in the same industry.

Deterioration in Company Management Team The firm's view of company management or their strategic vision changes for the worse.

Change in business strategy undermines investment thesis. The company makes fundamental changes to its business strategy that they believe may challenge its strategic position.

Investment thesis fully reflected in the stock price. A security may have limited appreciation potential above its current stock price based on their fundamental analysis.

Trading Strategy

The trading process is an important part of the firm's investment strategy. They realize that efficient trading can lower transaction costs and, therefore, add value to portfolios. Their experienced traders are able to exploit inefficiencies created by supply and demand, seasonal factors, and differences between retail and institutional buyers.

Once the investment decision has been made and the portfolio manager communicates trades to the trading desk, they perform a series of pre-trade compliance checks when the order is entered into the Macgregor Financial Trading Platform (MFTP), their order management system. The trade is placed with a broker by telephone or through the one of the 180 Macgregor FIX connections on the Macgregor network, an electronic means of communicating trades to brokers. The broker executes the trades and sends the execution prices back to the traders either by telephone or via FIX. For the trades that are communicated by telephone, the prices are entered into MFTP.

The MFTP system electronically communicates trades to the recordkeeping system for overnight processing. In-house matching processes provide a comparison of broker information to the recordkeeping/trading platform information and highlight exceptions, which the appropriate staff researches and resolves. Custodians are notified of all trades, through the DTC ID System, the DTC Bank Report, and trade tickets or SWIFT messages for non-dollar denominated trades. The trading support staff corrects and reprocesses rejected trades.

T. Rowe Price reconciles the details of cash available for investment between its internal records and the custodian on a daily basis. Once cash is reconciled, short-term investments will be made in accordance with the portfolio's investment guidelines. Any discrepancies detected during the reconciliation process will be researched before the cash is invested to avoid overdrafts or uninvested balances.

Warnings detected in the batch process are communicated to the investment staff in an attempt to prevent future compliance breaches. If an actual violation is believed to have occurred, a detailed set of procedures, including notification to relevant parties, is followed to bring the account back into compliance in a timely manner. The Legal department and the investment staff are integrally involved in the resolution process.

The Investment Compliance team meets regularly with the investment staff, Legal, and other senior management to maintain an effective and efficient investment compliance-monitoring program.

T. Rowe Price currently uses full service broker-dealers that provide "bundled" proprietary research, subject to Price's best execution obligations; lower commissions may be available from other brokers that do not provide research.

Proprietary research services provided by broker-dealers or their affiliated entities (or through step-out arrangements with other brokers) include the following: information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk management analysis, performance analysis and analysis of corporate responsibility issues. These services provide both domestic and international perspectives. The services may also include the provision of access to unaffiliated individuals with expertise in various industries, businesses, or other related areas. Research services are received primarily in the form of written reports, computer generated services, telephone contacts, and personal meetings with security analysts, corporate and industry executives, and other persons.

T. Rowe Price anticipates entering into commission-sharing arrangements, effective January 1, 2009, for the receipt of independent third-party vendor research.

Additional Comments

Use Of Derivatives Yes

Below are select data from the large cap enhanced equity manager search process used to select T. Rowe Price.

INITIAL SCREENING CRITERIA:

1. Starting Universe: eVestment Alliance All US Equity Universe
2. Product's track record must have a minimum length of three years.

3. Product's average tracking error relative to the Russell 1000 Index must be less than or equal to 2.5% over the trailing 3- and 5-year periods.
4. Performance: Product must out-perform Russell 1000 index in at least 50% of available time periods (1-, 3-, 5-, 7-, and 10-years and rolling three-year time periods (three-year window, rolling back one year at a time, going back ten years).
5. Product must be open to new accounts.
6. Product must have minimum assets of \$1 billion as of the end of Q2 2008.
7. Products may be eliminated if their investment processes are not appropriate to the mandate. In particular, we will exclude a product if its low tracking error appears to be incidental rather resulting from an investment process structured around the benchmark.
8. Products may be eliminated for being tax managed, being open only in mutual funds, having many small accounts, and for various other qualitative reasons.

The list of semi-finalists that passed the screening criteria is listed in the table below:

Investment Manager	Product
1) AXA Rosenberg Investment Management	U.S. Enhanced Index
2) BlackRock	Quantitative Large Cap Core Equity
3) D.E. Shaw	Broad Market Core Enhanced (Plus)
4) Enhanced Investment Technologies	INTECH Broad Enhanced Plus
5) Evergreen Investment Management	Disciplined Large Cap Core
6) Franklin Portfolio Associates	Large Cap Core (Russell 1000)
7) MFS	Blended Research – U.S. Core Equity
8) PIMCO (Pacific Investment Management	Stocks Plus (Russell 1000)
9) QMA (Quantitative Management	Quantitative Core Equity
10) T. Rowe Price	U.S. Structured Research Strategy
11) Wellington Management Company	Enhanced Index U.S. Intersection

Below the pros and cons that surfaced through the vetting process:

T. Rowe Price U.S. Structured Research Strategy

Pros and Cons

Pros

- Pure fundamental research approach to security selection, no methodological overlap with BGI
- Stable high quality organization
- Deep research team of 30+ analysts
- Consistently low tracking error and high information ratio

Cons

- Only one Russell 1000 account incepted in June of 2008
- Manage vs. Russell 1000 using a swap
- Fees on the higher end for the group and non-negotiable

Presentation To:



U.S. Structured Research Strategy

15 May 2012

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T. Rowe Price — Presenter



Client Service

John Plowright, CFA

Vice President — Institutional Client Service Executive

- 20 years investment experience;
- 7 years with T. Rowe Price.

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 - Your Institutional Team
 - Biographical Background
- 6 Full Portfolio Holdings**

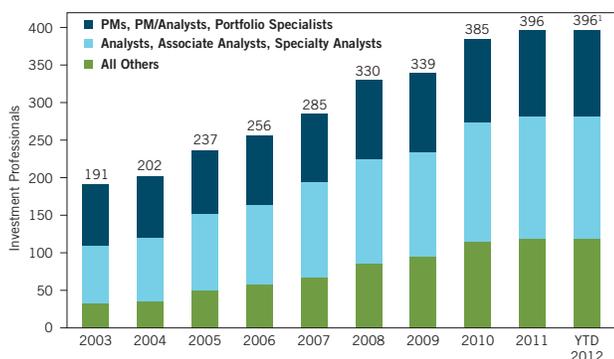


Overview

T. Rowe Price Update

As of 31 Mar 2012

Continued Investment in Our Global Research Team



Long Tenure Perpetuates Our Philosophy and Investment Approach



• Financial Strength and Strategic Investment:

- Strong balance sheet with \$1.9 billion in cash and mutual fund investment holdings and no outstanding long-term debt
- Steady growth in firm-wide assets to \$554.8 billion under management, with a compound annual growth rate of 13.3% in total AUM over 10 years
- Diversity of assets:
 - U.S. Equity 60.2%, Non-U.S. Equity 13.5%, U.S. Fixed Income 19.8%, and Non-U.S. Fixed Income 6.5%²
 - Institutional accounts represent over 50% of the firm's assets under management

• 2012 Summer MBA Intern Class:

- Fixed Income is slated to have 2 in Baltimore
- Equity is slated to have 3 in Baltimore, 1 in Hong Kong and 1 in London

¹ 73 portfolio managers, 5 portfolio manager/analysts, 8 associate portfolio managers, 2 regional portfolio managers, 9 sector portfolio managers, 129 research analysts/credit analysts, 25 quantitative analysts, 11 asset allocation analysts, 2 distribution management specialist/analysts, 21 associate analysts, 18 portfolio specialists/generalists, 3 specialty analysts, 42 traders, 13 trading assistants, 2 economists, 22 portfolio modeling associates, and 11 management associates.

² Equity includes balanced/Asset Allocation assets; Non-U.S. includes Global assets in addition to Non-U.S. assets.

T. Rowe Price Perspectives and Research

As of 31 Mar 2012

Topical Perspectives

- Continued build out of our Fixed Income Solutions Research.
 - **Applying Liability-Driven Investing in a Low Interest Rate Environment**, by Peter Austin, Head of Fixed Income Solutions.
 - **A New Perspective on Long Duration Investing**, by Martin Lee, Director of Fixed Income Quantitative Research Group, and Yongheon Lee, Ph.D., Director of Fixed Income Quantitative Research Group.
- **Emerging Market Equities: The Case Continues** — In this paper, Portfolio Manager Scott Berg addresses the need for investors to consider the full potential of emerging markets within their global opportunity set.

Investment Commentary, Insights and Upcoming Events

- Weekly U.S. economic analysis from T. Rowe Price's Chief Economist, Alan Levenson.
- Monthly fixed income perspectives via The T. Rowe Price Fixed Income Sector Pulse.
- Quarterly Capital Markets Reports provide a detailed update on factors impacting the performance of the global capital markets.
- Quarterly Asset Allocation Viewpoints reflecting our assessment of the relative attractiveness of asset classes and subclasses over a 6 to 18 month time horizon.
- Join us for the Oliver Bell webinar **Emerging Trends in Africa and the Middle East: Is Now the Time to Invest?** on May 11th, or view the replay during the 30 days after the webinar.



Early Highlights from T. Rowe Price's 75 Year History

- 1937, Thomas Rowe Price starts the firm
- 1950, Launches its first growth stock fund
- 1951, Introduces first segregated institutional client account
- 1960, Expands into U.S. small-cap equity investments
- 1969, Launches the natural resources strategy



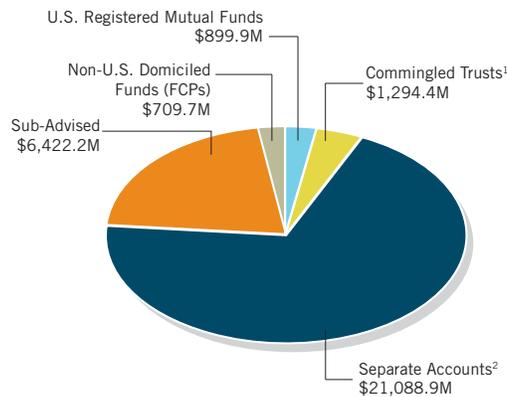
Visit the *Perspectives & Research* tab of troweprice.com/institutional for our latest insights.

Assets Under Management

U.S. Structured Research Strategy: \$30.4 Billion

As of 31 Mar 2012

Figures Shown in U.S. Dollars



Structured Research investing is a significant business for T. Rowe Price.

¹ Figures represent assets of the T. Rowe Price Structured Research Common Trust Fund and assets of the structured research portion of the T. Rowe Price U.S. Equities Trust. These commingled trusts are offered by T. Rowe Price Trust Company to qualified U.S. retirement plans.

² Corporate, Public, Non-Profit, Taft-Hartley clients, and Endowments/Foundations.

This information is not intended to be an offer or solicitation of the sale of any product to any investor in which distribution or purchase is not authorized based on the investor's domicile. The T. Rowe Price Mutual Funds are not registered for sale outside of the U.S. The T. Rowe Price Funds SICAV are Luxembourg registered funds available to non-U.S. institutions domiciled in qualifying jurisdictions. The T. Rowe Price Common Trust Funds are Maryland-registered common trust funds available to ERISA qualified retirement plans and certain governmental and church retirement plans.

Client Objective

San Mateo County Employees' Retirement Association

Total Assets = \$120,552,995

Inception Date: 3 Aug 2009

As of 31 Mar 2012

Figures Shown in U.S. Dollars

- **Objectives**

- Produce consistent excess return through the use of proprietary, fundamental research combined with rules-based portfolio construction.

- **Mandate**

- U.S. Structured Research Strategy: Separately Managed Portfolio
Strategy Assets as of 31 March 2012: \$30.4 Billion

- **Benchmark**

- S&P 500 Index

- **Investment Guidelines**

- The portfolio shall be invested in equity securities, including ADR's, listed or traded on a major U.S. exchange
- No individual security shall constitute more than 10% of portfolio
- The portfolio may hold 144A securities.



Investment Team and Process

U.S. Structured Research Strategy Highlights

- **Core equity strategy benchmarked against the S&P 500 Index**
 - Goal is consistent outperformance with benchmark volatility and characteristics
- **T. Rowe Price industry analysts make buy and sell decisions**
 - 30+ independent decision-makers
 - Focused industry assignments designed to produce higher success rates
- **Straightforward methodology to manage risk**
 - Expected tracking error of <1.75%
 - Rules-based portfolio construction
 - Avoids biases of optimizer-driven strategies

Stock selection drives alpha...portfolio construction rules facilitate effective risk management process.

U.S. Structured Research Strategy Investment Process



Fundamental bottom-up approach to stock selection — focused industry analysts make buy and sell decisions.

Portfolio Construction Principles

- **Stock selection-focused**
 - Analysts only invest in companies in their coverage universe
 - Each analyst must be fully invested
- **Industry and sector neutral**
 - S&P 500 industry weights range: +/- 100 basis points
 - S&P 500 sector weights range: +/- 150 basis points
- **Controlled active position size**
 - +/- 100 basis points for S&P 500 stocks
 - Maximum position size for non-S&P stocks is 0.5%
 - 10% aggregate limit for non-S&P 500 stocks

Equity Research Team

As of 31 Mar 2012

DIRECTOR OF GLOBAL EQUITY HEAD OF EQUITY RESEARCH		DIRECTORS OF EQUITY RESEARCH						ASSOCIATE DIRECTORS OF EQUITY RESEARCH	
William J. Stromberg, CFA BAL		Kamran Baig LON EMEA and Latin America Anna M. Dopkin, CFA BAL North America		Charles G. Pepin BAL North America Jason B. Polun, CFA BAL North America		Kes Visuvalingam, CFA SGP Asia		Viral Patel SYD Australia	Eric C. Moffett HKG Asia
HEALTH CARE	FINANCIAL SERVICES	TECHNOLOGY	CONSUMER/RETAIL	INDUSTRIALS	NATURAL RESOURCES	REGIONAL GENERALISTS			
Ziad Bakri BAL U.S. Biotech Mark Bussard, MD BAL Medtech, Dental, Orthopedic Simon Cheng, CFA HKG Asia Ex-Japan HC Services Melissa Gallagher, Ph.D. LON O.U.S. Pharma Kris H. Jenner, MD, D. Phil ¹ BAL U.S. Pharma & Biotech Graham M. McPhail BAL HC Services Paul O'Sullivan SYD Hospital Supply, Pharma, HC Services Taymour R. Tamaddon, CFA BAL Hospital Supply, Life Sciences and Ophthalmology Jean-Pierre Thibaud LON LatAm HC Rouven Wool-Lewis, Ph.D. BAL HC Services	Hari Balkrishna LON Canada, Scandinavian, UK Banks Jon Friar BAL Regional Banks Christopher T. Fortune, CFA BAL Banks (Smaller)/Thrifts Nina Jones, CPA BAL Real Estate Yoichiro Kai, CMA TOK Japan Financials/Real Estate David M. Lee, CFA ¹ BAL Real Estate Ian C. McDonald, CFA BAL Canadian Ins Companies, Exchanges, Life Ins Eric C. Moffett HKG Asia Ex-Japan Real Estate Kathryn Mongelli BAL Credit Card Processors Sridhar Nishtala SGP Asia Ex-Japan Ins Paul O'Sullivan SYD Major & Regional Banks, Asset Managers, P&C & Specialty Ins, Specialty Finance Viral Patel SYD Australian REITS Jason Polun, CFA BAL Money Center Banks, Specialty Finance Frederick Rizzo, CFA LON European Banks Matt Snowling, CFA BAL Financial Services Companies Gabriel Solomon BAL Multi-line P&C Ins Mitchell Todd, CA LON Europe Ins/Financials Eric L. Veiel, CFA ¹ BAL Life Ins, Asset Managers, Investment Banks, Money Center Banks Marta Yago LON European Real Estate, Asset Managers and Brokerage Firms, Rating Agencies	Kennard W. Allen ¹ BAL Hardware, Software David J. Eiswert, CFA ¹ BAL U.S. & Europe Communications Equipment Rhett K. Hunter BAL Smid-Cap Generalist Jai Kapadia HKG Asia Ex-Japan Tech Materials Shalin Mody, CFA BAL Smid-Cap Generalist Tobias Mueller LON Europe Semiconductors, Software Hiroaki Owaki, CFA TOK Japan Generalist Joshua K. Spencer, CFA BAL Semiconductors & Equipment Thomas H. Watson, CFA BAL Software Nalin Yogasundram BAL Alt Energy Alison Yip HKG Asia Ex-Japan Generalist	Paulina Amieva LON Latin America & South Africa Retail Francisco M. Alonso BAL Soft Goods, Hard Goods, Discount Stores, Textiles, Apparel Ira W. Carnahan, CFA BAL Soft Goods, Toys, Nutrition, Diet and Direct Sellers, Outdoor Equipment Archibald Ciganer, CFA TOK Japan Consumer Jessie Ding HKG Consumer Discretionary Barry Henderson BAL Hard Goods, Discount Stores, Gaming Randal Jenneke ¹ SYD Australia Gaming Michael Lasota BAL Cruise Lines, Commercial Brokers, Lodging Ian C. McDonald, CFA BAL Housing Sridhar Nishtala SGP Retail, Consumer Products, Leisure Paul O'Sullivan SYD Apparel & Footwear, Specialty Retail Viral Patel SYD Australia Food & Beverage Retailers Robert T. Quinn, Jr. BAL Food, Beverage, Tobacco, Personal Care, Cosmetics, Conglomerates (Multi-Cap) Sebastian Schrott LON European Retail and Luxury Goods Amit Seth BAL Branded Apparel, Footwear Jonny Starbuck, CFA LON Europe Food, Beverage, Tobacco, Personal Care, Gaming, Lodging Ashley R. Woodruff, CFA BAL Restaurants, Supermarkets	Paulina Amieva LON Latin America Airlines Hari Balkrishna LON Europe Autos Sheena Barbosa, CFA SGP Asia Ex-Japan Utilities Ryan N. Burgess, CFA BAL Chemicals, Utilities Peter J. Bates, CFA BAL Manufacturing, Agriculture Jonathan Chou, CFA BAL Auto Manufacturers, Distributors, Rental Cars Archibald Ciganer, CFA TOK Japan Transport Andrew Davis BAL Airlines, Railroads Jin Jeong, CPA LON Europe Capital Goods, Auto Jai Kapadia HKG Asia Ex-Japan Conglomerates Ryan Martyn SYD Australia Building Materials Susanta Mazumdar ¹ SGP Asia Ex-Japan Infrastructure Sridhar Nishtala SGP Airlines Curt J. Organt, CFA BAL Smid-Cap Generalist, Distribution Austin M. Powell, CFA TOK Japan Ind Manufacturing David L. Rowlett, CFA BAL Aerospace and Defense Jeneiv Shah, CFA LON Eastern Europe Autos, Transport, Airlines John C. A. Sherman LON Aerospace and Defense, Transport, Logistics Clark R. Shields BAL Air Freight, Logistics Eunbin Song, CFA SGP Steel, Shipbuilding, E&C Christopher Yip, CFA HKG Asia Ex-Japan Ind Manufacturing Wenli Zheng HKG Asia Ex-Japan Power Equipment	Haider Ali SGP Asia Ex-Japan Oil and Gas, Mining, Non-ferrous Metals Sheena Barbosa, CFA SGP Asia Ex-Japan Utilities Ryan N. Burgess, CFA BAL Chemicals, Utilities Archibald Ciganer, CFA TOK Japan Utilities Shawn T. Driscoll BAL E&P, Coal, E&C Shinwoo Kim BAL Energy Services Jeremy Kokemor, CFA BAL Smid-Cap Metals Steven D. Krichbaum, CFA BAL Small-Cap Utilities Ben Landy BAL E&C, Fertilizer, Ind Gases Ryan Martyn SYD Australia Energy, Chemicals, E&P Susanta Mazumdar ¹ SGP Asia Ex-Japan Utilities, Energy Heather K. McPherson ¹ BAL Paper, Forest Products Timothy E. Parker, CFA ¹ BAL Energy Service, E&P, Global Energy Majors Craig Pennington, CFA LON Global Energy Majors, E&P, Refining Rick de los Reyes ¹ BAL Metals & Mining Naoto Saito TOK E&C, Japan Energy, Chemicals, Trading Companies Ami Shah LON Europe Utilities Jeneiv Shah, CFA LON Eastern Europe Mid-Cap Oils Thomas Shelmardine SYD Australia Metals & Mining John C. A. Sherman LON Chemicals John Williams, CFA BAL Energy Nalin Yogasundram BAL Alt Energy	Uille Adamson, CFA LON EMEA Martin Baylac BA Latin America Jose Costa Buck ¹ BA Latin America Simon Cheng, CFA HKG Greater China Small-Cap Vishnu Gopal HKG Asia Ex-Japan Small-Cap Ben Griffiths, CFA LON Europe Small-Cap Leigh Innes, CFA ¹ LON EMEA Generalist Jai Kapadia HKG India Small-Cap Mark Lawrence, CFA LON Middle East and Africa Francisco Sersale BA Latin America Miki Takeyama, CMA TOK Japan Smid-Cap Sin Dee Tan, CFA LON Europe Small-Cap Verena Wachnitz, CFA BA Latin America Hirosi Watanabe, CFA TOK Japan Smid-Cap			
BUSINESS SERVICES									
Andrew Fones BAL IT Consulting, Payroll Processors, Staffing, Education Kathryn Mongelli BAL Information Companies Clark R. Shields BAL Transaction Processors, Financial Services Related, Other									
MEDIA/TELECOM									
Archibald Ciganer, CFA TOK Japan Media, Telecom Services Paul D. Greene BAL Adv, Diversified Media, Radio, TV Randal Jenneke ¹ SYD Australia Media Ryan Martyn SYD Australia/New Zealand Telecom Daniel Martino, CFA ¹ BAL Telecom Services & Cable Corey Shull, CFA BAL Media, Internet Justin P. White BAL Internet Infrastructure, Cable, Canadian Telecom Services Christopher Whitehouse LON Europe Media, Telecom Services Wenli Zheng HKG Asia Telecom, Internet									

BAL Baltimore
BA Buenos Aires
LON London
SYD Sydney
SGP Singapore
HKG Hong Kong
TOK Tokyo

122 Equity Research Professionals worldwide.²

¹ Also has portfolio management responsibilities.

² 8 sector portfolio managers, 87 research analysts, 21 associate research analysts, 3 quantitative analysts, and 3 specialty analysts as of 31 March 2012. Highlighted names reflect analysts with coverage responsibility for the U.S. Structured Research Strategy.

Fundamental Bottom-Up Approach to Company Research

- **Common research effort supports all equity strategies at T. Rowe Price**
 - Analysts are industry specialists across capitalization and investment styles
 - Analyst industry coverage is aligned with their interest and experience
- **Analyst compensation is closely linked to investment performance**
 - Emphasis is on consistent value-added results over multi-year time periods
- **Well-honed system for developing research talent**
 - Collaborative culture and promotion from within provide continuity

Over 30 analysts contribute to the success of our U.S. Structured Research Strategy.

Portfolio Oversight

As of 31 Mar 2012

U.S. Structured Research Strategy Portfolio Oversight Team Stability | Depth | Collaboration



Anna M. Dopkin, CFA
Portfolio Manager

- 23 years of investment experience;
- 16 years with T. Rowe Price.
- BS, The Wharton School, University of Pennsylvania



Ann M. Holcomb, CFA
Portfolio Manager/
Quantitative Analyst

- 14 years of investment experience;
- 16 years with T. Rowe Price.
- BA, Goucher College
- MS, Loyola University



Jennifer O'Hara Martin
Portfolio Specialist

- 16 years of investment experience;
- 7 years with T. Rowe Price.
- BS, University of Illinois at Urbana-Champaign
- MBA, Kellogg School of Management, Northwestern University

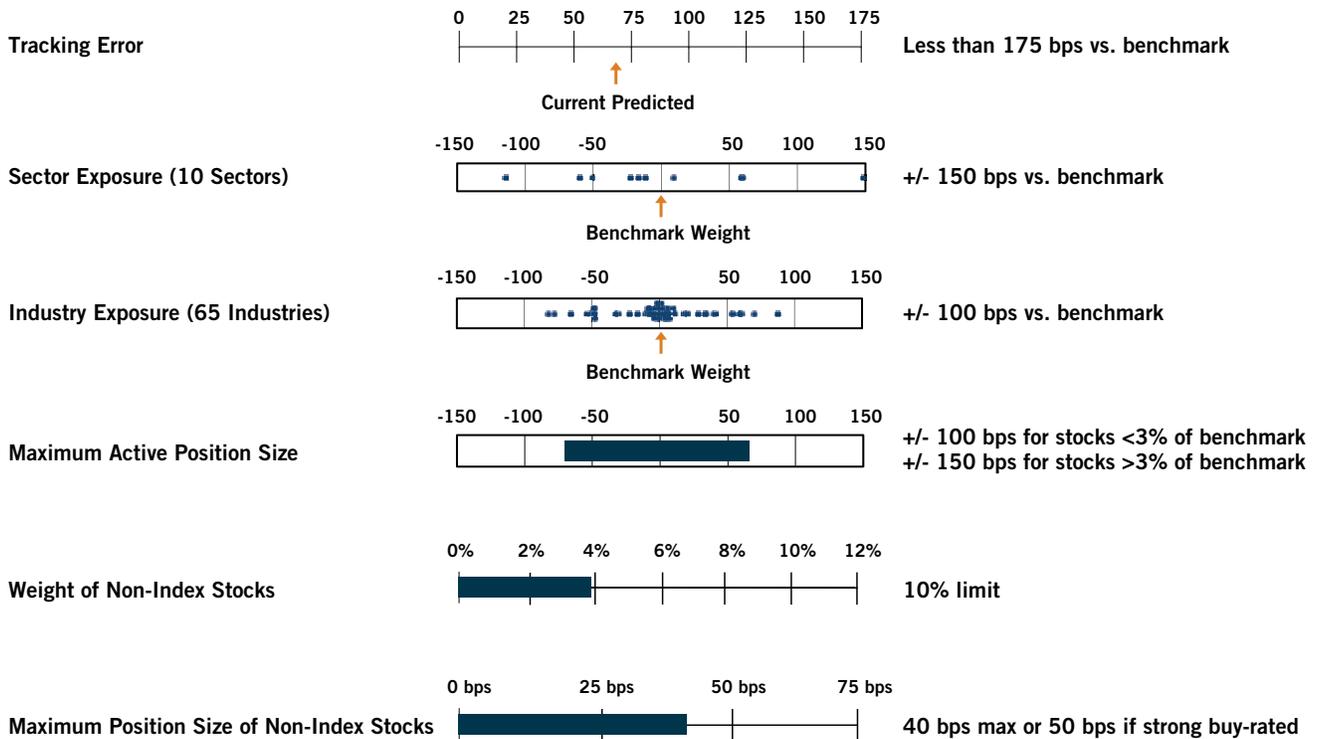
Equity Research Team
122 Research Analysts | Industry Specialists¹

All security selections are made by analysts.

¹ 8 portfolio managers/analysts, 87 research analysts, 21 associate research analysts, 3 quantitative analysts, and 3 specialty analysts.

Portfolio Construction Risk Management Targets

San Mateo County Employees' Retirement Association vs. S&P 500 Index
As of 31 Mar 2012





Performance Review

Performance Summary

As of 31 Mar 2012
 Figures Shown in U.S. Dollars

I. Market Overview

	First Quarter	One Year
S&P 500 Index	12.59%	8.54%
Russell 1000 Growth Index	14.69	11.02
Russell 1000 Value Index	11.12	4.79
Nasdaq	18.67	11.16
Russell 2000 Index	12.44	-0.18

- **Markets rallied on improving economic data and solid earnings.**
- **Orderly default in Greece improved investor sentiment.**
- **Growth stocks outperformed value stocks.**

Past performance cannot guarantee future results.

II. Sector Performance S&P 500 Index

First Quarter	
Top Three Performers	Bottom Three Performers
Financials	Utilities
Information Technology	Telecommunication Services
Consumer Discretionary	Energy
One Year	
Top Three Performers	Bottom Three Performers
Information Technology	Energy
Consumer Discretionary	Materials
Consumer Staples	Financials

Total Return Performance

San Mateo County Employees' Retirement Association

Periods Ended 31 Mar 2012

Figures Shown in U.S. Dollars

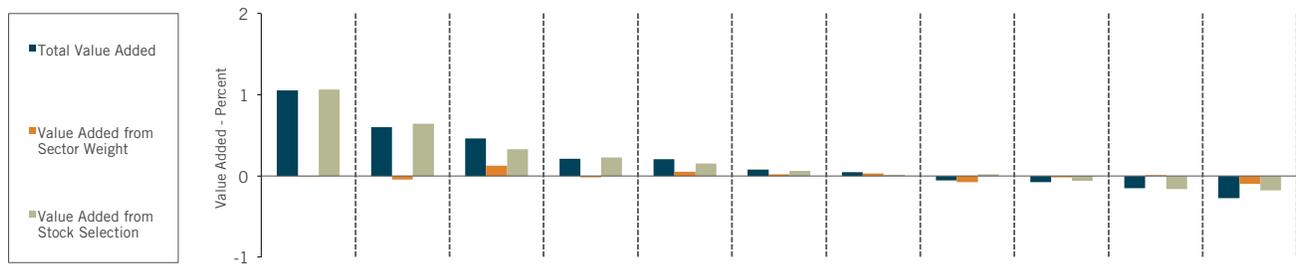
	Three Months	One Year	Annualized Since Inception 3 Aug 2009
San Mateo County Employees' Retirement Association (Gross of Fees)	13.64%	9.53%	16.65%
San Mateo County Employees' Retirement Association (Net of Fees)	13.54	9.14	16.23
S&P 500 Index	12.59	8.54	16.68
Value Added (Net of Fees)	0.95	0.60	-0.45

Attribution Analysis

San Mateo County Employees' Retirement Association vs. S&P 500 Index

One Year Ended 31 Mar 2012

Figures Shown in U.S. Dollars



	Total	Information Technology	Consumer Discretionary	Industrials & Bus. Servs.	Financials	Telecom Services	Materials	Energy	Utilities	Health Care	Consumer Staples
Over (Under) Weight	--	-0.5	1.5	0.6	-0.2	-0.1	-0.2	0.6	-0.6	0.1	-1.1
Portfolio Weight (Ending)	100.0	20.0	12.4	11.1	14.7	2.7	3.3	11.8	2.8	11.5	9.6
Index Weight (Ending)	100.0	20.5	10.9	10.6	14.9	2.8	3.5	11.2	3.4	11.4	10.8
Portfolio Performance	9.6	24.2	20.4	3.6	-0.8	6.1	-3.6	-6.7	13.3	14.9	15.4
Index Performance	8.5	20.3	17.5	1.7	-1.8	3.5	-4.0	-6.9	14.9	16.4	17.3

Numbers may not add to 100% due to rounding; all numbers are percentages.

Analysis represents the equity-only performance of the portfolio as calculated by the Wilshire Atlas attribution model, and is exclusive of cash, trusts, mutual funds, de-listed securities and other non-equity holdings. Returns will not match official TRP performance because Wilshire uses different pricing and exchange rate sources and does not capture intra-day trading or fair-value pricing. Performance for each security is obtained in the local currency and, if necessary, is converted using an exchange rate determined by an independent third party.

Source: Wilshire Atlas, MSCI/S&P GICS Sectors; Analysis by T. Rowe Price Associates, Inc. T. Rowe Price uses the MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. Each year, MSCI and S&P make changes to the GICS structure. The last change occurred on 1 July 2010. T. Rowe Price will adhere to all future updates to GICS for prospective reporting.

Figures are shown gross of fees.

Past performance cannot guarantee future results.

Performance Attribution

San Mateo County Employees' Retirement Association — Significant Contributors Relative to the S&P 500 Index

One Year Ended 31 Mar 2012

Figures shown in U.S. Dollars

Stock	Ending Over/ Underweight	Net Contribution	Stock Return ¹	Industry	Company Descriptions ²
Oracle	27 bps	16 bps	-11.90%	Software	Oracle Corporation supplies software for enterprise information management.
Las Vegas Sands	39	14	36.95	Hotels, Restaurants and Leisure	Las Vegas Sands Corp. owns and operates casino resorts and convention centers.
Netflix	12	14	-51.53	Internet and Catalog Retail	Netflix Inc. is an online movie rental service.
Microsoft	37	12	30.01	Software	Microsoft Corporation develops, manufactures, licenses, sells, and supports software products.
Dollar General	31	10	47.37	Multiline Retail	Dollar General Corp. operates a chain of discount retail stores located primarily in the southern, southwestern, midwestern and eastern United States.

San Mateo County Employees' Retirement Association — Significant Detractors Relative to the S&P 500 Index

One Year Ended 31 Mar 2012

Figures shown in U.S. Dollars

Stock	Ending Over/ Underweight	Net Contribution	Stock Return ¹	Industry	Company Descriptions ²
Intel	-66 bps	-26 bps	43.39%	Semiconductors and Semiconductor Equipment	Intel Corporation designs, manufactures, and sells computer components and related products.
Wal-Mart	-41	-10	20.45	Food and Staples Retailing	Wal-Mart Stores, Inc. operates discount stores, supercenters, and neighborhood markets.
Baker Hughes	15	-10	-42.07	Energy Equipment and Services	Baker Hughes Incorporated supplies reservoir-centered products, services, and systems to the worldwide oil and gas industry.
Newfield Exploration	13	-10	-54.37	Oil, Gas, and Consumable Fuels	Newfield Exploration Company is an independent oil and gas company which explores, develops, and acquires oil and natural gas properties.
TJX	-24	-10	61.23	Specialty Retail	The TJX Companies, Inc. is an off-price apparel and home fashion retailer in the United States and worldwide.

¹ Source: T. Rowe Price.

² Source: Bloomberg.

Source: Wilshire.

The specific securities identified and described above do not represent all of the securities purchased, sold, or recommended for the portfolio, and no assumptions should be made that the securities identified and discussed were or will be profitable.

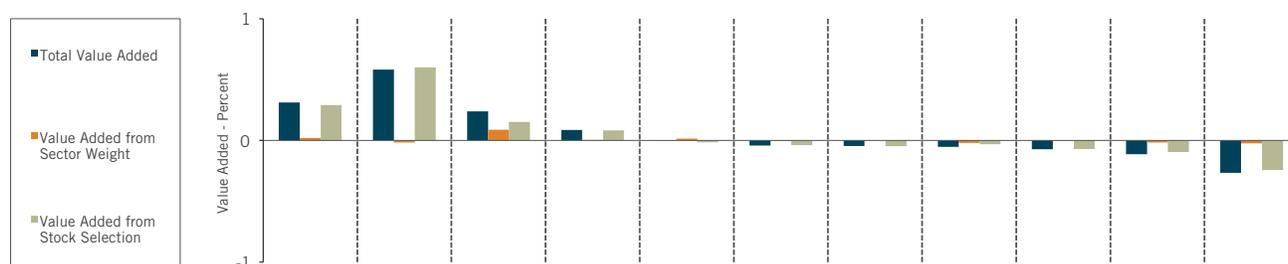
The information shown does not reflect any ETFs that may be held in the portfolio.

Attribution Analysis

U.S. Structured Research Representative Portfolio¹ vs. S&P 500 Index

Three Years Ended 31 Mar 2012

Figures Shown in U.S. Dollars



	Total	Information Technology	Consumer Discretionary	Industrials & Bus. Servs.	Utilities	Health Care	Materials	Energy	Telecom Services	Consumer Staples	Financials
Over (Under) Weight	--	-0.6	1.5	0.5	-0.6	0.1	-0.1	0.6	-0.1	-1.1	-0.2
Portfolio Weight (Ending)	100.0	19.9	12.4	11.1	2.8	11.5	3.3	11.8	2.7	9.6	14.7
Index Weight (Ending)	100.0	20.5	10.9	10.6	3.4	11.4	3.5	11.2	2.8	10.8	14.9
Portfolio Performance	23.7	31.9	35.7	29.6	15.1	17.7	21.2	18.8	12.9	19.7	21.3
Index Performance	23.4	28.5	34.2	28.9	16.0	18.1	23.0	19.0	14.8	20.8	23.2

¹ The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

Supplemental information.

Numbers may not add to 100% due to rounding; all numbers are percentages.

Analysis represents the equity-only performance of the portfolio as calculated by the Wilshire Atlas attribution model, and is exclusive of cash, trusts, mutual funds, de-listed securities and other non-equity holdings. Returns will not match official TRP performance because Wilshire uses different pricing and exchange rate sources and does not capture intra-day trading or fair-value pricing. Performance for each security is obtained in the local currency and, if necessary, is converted using an exchange rate determined by an independent third party.

Source: Wilshire Atlas, MSCI/S&P GICS Sectors; Analysis by T. Rowe Price Associates, Inc. T. Rowe Price uses the MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. Each year, MSCI and S&P make changes to the GICS structure. The last change occurred on 1 July 2010. T. Rowe Price will adhere to all future updates to GICS for prospective reporting.

Figures are shown gross of fees.

Past performance cannot guarantee future results.



Portfolio Review

Portfolio Characteristics

San Mateo County Employees' Retirement Association

As of 31 Mar 2012

Market Capitalization Shown in U.S. Dollars

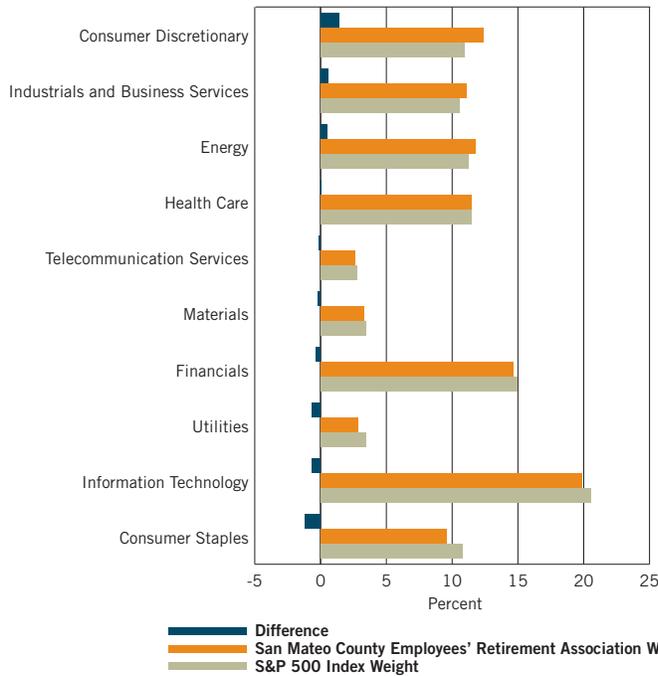
	San Mateo County Employees' Retirement Association	S&P 500 Index
Projected Earnings Growth Rate ¹	10.9%	10.8%
Price to Earnings (12 Months Forward) ¹	13.5X	13.5X
Relative to S&P 500 Index	1.00	1.00
Return on Equity (Last 12 Months)	19.7%	19.8%
Price to Book	2.9X	2.9X
Long-Term Debt as % of Capitalization	28.4%	29.8%
Unweighted Median Market Capitalization (Millions)	\$16,626	\$12,616
Investment Weighted Median Market Capitalization	\$55,459	\$56,974
Investment Weighted Average Market Capitalization	\$112,129	\$111,893
Number of Holdings	274	500
20 Largest Holdings	33.1%	31.9%
Turnover (12 Months)	30.5%	N/A

Close alignment of portfolio and benchmark characteristics.

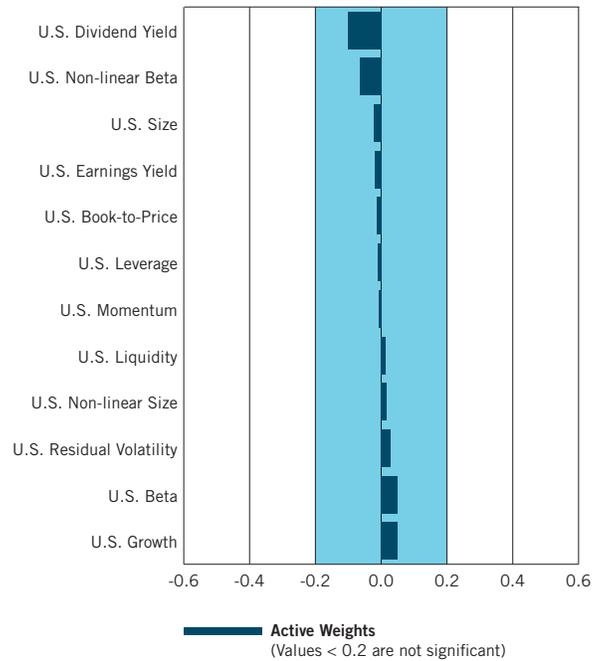
Neutralize Sector Weights and Style Characteristics

As of 31 Mar 2012

San Mateo County Employees' Retirement Association vs. S&P 500 Index



Barra Risk¹ Factors for San Mateo County Employees' Retirement Association — Active Weights



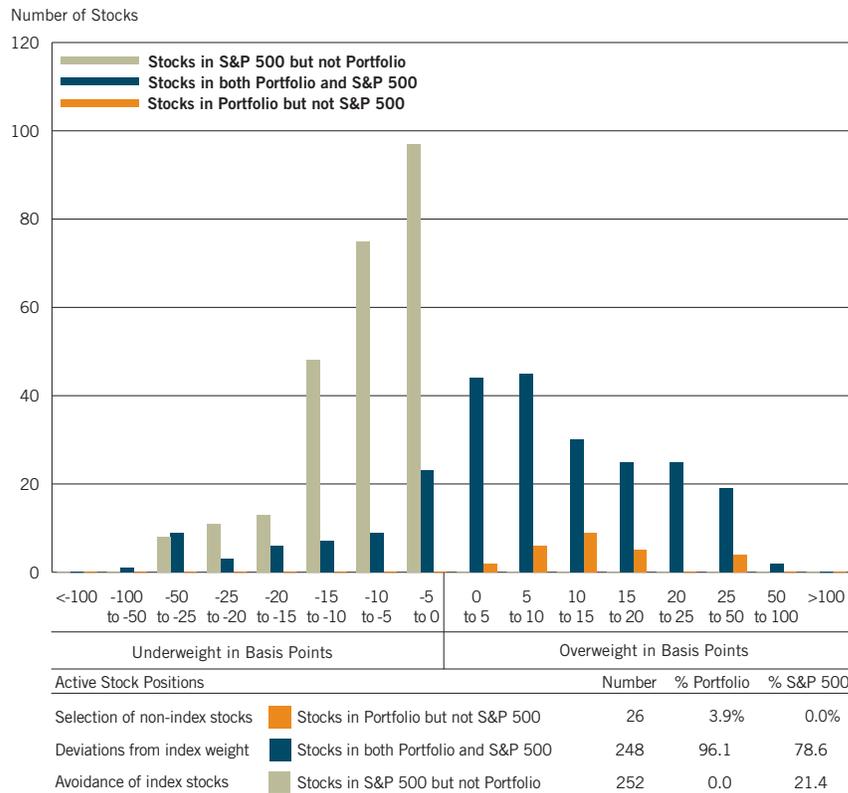
Sector-neutral and style-neutral portfolio structure.

¹ Barra, Inc.'s analytics and data (www.msicibarra.com) were used in the preparation of this report. Copyright © 2012, BARRA, Inc. All rights reserved. Source: T. Rowe Price.

T. Rowe Price uses the MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. Each year, MSCI and S&P make changes to the GICS structure. The last change occurred on 1 July 2010. T. Rowe Price will adhere to all future updates to GICS for prospective reporting.

Active Stock Positions

San Mateo County Employees' Retirement Association
As of 31 Mar 2012



Significant Portfolio Overweights

San Mateo County Employees' Retirement Association vs. S&P 500 Index

As of 31 Mar 2012

Largest Overweights	% of Portfolio	% of Index	Difference	Company Description ¹
Danaher	0.9%	0.3%	0.6%	Danaher Corporation designs, manufactures, and markets professional instrumentation, medical technologies, industrial technologies, and tools and components.
Dell	0.7	0.2	0.5	Dell Inc. offers a wide range of computers and related products.
AES	0.5	0.1	0.4	The AES Corporation acquires, develops, owns, and operates generation plants and distribution businesses in several countries.
PepsiCo	1.2	0.8	0.4	PepsiCo, Inc. operates worldwide beverage, snack and food businesses.
AT&T	1.9	1.5	0.4	AT&T Inc. is a communications holding company.
Las Vegas Sands	0.4	0.0	0.4	Las Vegas Sands Corp. owns and operates casino resorts and convention centers.
Kohl's	0.5	0.1	0.4	Kohl's Corporation operates a chain of family-oriented department stores.
Microsoft	2.3	1.9	0.4	Microsoft Corporation develops, manufactures, licenses, sells, and supports software products.
CarMax	0.4	0.1	0.3	CarMax, Inc. sells at retail new and used cars and light trucks.
Ingersoll-Rand	0.4	0.1	0.3	Ingersoll-Rand PLC is a diversified, global company that provides a diverse range of products and services for a wide range of industries.

¹ Source: Bloomberg.

The specific securities identified and described above do not represent all of the securities purchased, sold, or recommended for the portfolio, and no assumptions should be made that the securities identified and discussed were or will be profitable.

The information shown does not reflect any ETFs that may be held in the portfolio.

Numbers may not total due to rounding.

Significant Portfolio Underweights

San Mateo County Employees' Retirement Association vs. S&P 500 Index

As of 31 Mar 2012

Largest Underweights	% of Portfolio	% of Index	Difference	Company Description ¹
Intel	0.4%	1.1%	-0.7%	Intel Corporation designs, manufactures, and sells computer components and related products.
Verizon Communications	0.4	0.9	-0.5	Verizon Communications Inc. is an integrated telecommunications company that provides wire line voice and data services, wireless services, Internet services, and published directory information.
Berkshire Hathaway	0.7	1.1	-0.4	Berkshire Hathaway Inc. is a holding company owning subsidiaries in a variety of business sectors.
Wal-Mart	0.4	0.8	-0.4	Wal-Mart Stores, Inc. operates discount stores, supercenters, and neighborhood markets.
IBM	1.5	1.9	-0.4	International Business Machines Corporation (IBM) provides computer solutions through the use of advanced information technology.
News Corp.	0.0	0.3	-0.3	News Corporation is a diversified global media company.
Eli Lilly	0.0	0.3	-0.3	Eli Lilly and Company discovers, develops, manufactures, and sells pharmaceutical products for humans and animals.
Medtronic	0.0	0.3	-0.3	Medtronic, Inc. develops therapeutic and diagnostic medical products.
Anadarko Petroleum	0.0	0.3	-0.3	Anadarko Petroleum Corporation is an independent oil and gas exploration and production company with international operations.
Costco Wholesale	0.0	0.3	-0.3	Costco Wholesale Corporation operates wholesale membership warehouses in multiple countries.

¹ Source: Bloomberg.

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Major Position Changes

San Mateo County Employees' Retirement Association

Three Months Ended 31 Mar 2012

Major Position Size Increases	31 Mar 2012 % of Portfolio	31 Dec 2011 % of Portfolio	Difference	Company Description ¹
Oracle	1.2%	0.5%	0.7%	Oracle Corporation supplies software for enterprise information management.
XL Group ²	0.3	0.0	0.3	XL Group PLC, through its subsidiaries, provides global insurance and reinsurance coverages to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis.
SanDisk ²	0.3	0.0	0.3	SanDisk Corporation supplies flash data storage products.
Coach	0.4	0.2	0.2	Coach, Inc. designs, produces, and markets primarily leather goods.
PG&E	0.3	0.1	0.2	PG&E Corporation is a holding company that holds interests in energy based businesses.

Major Position Size Decreases	31 Mar 2012 % of Portfolio	31 Dec 2011 % of Portfolio	Difference	Company Description ¹
AON ³	0.0%	0.4%	-0.4%	Aon Corporation is an insurance services holding company
Exelon	0.3	0.7	-0.4	Exelon Corporation is a utility services holding company.
Adobe Systems ³	0.0	0.4	-0.4	Adobe Systems Incorporated develops, markets, and supports computer software products and technologies.
Hewlett-Packard	0.1	0.4	-0.3	Hewlett-Packard Company provides imaging and printing systems, computing systems, and information technology services for business and home.
State Street ³	0.0	0.2	-0.2	State Street Corporation services institutional investors and manages financial assets worldwide.

¹ Source: Bloomberg.

² New holding.

³ Eliminated.

Major position changes are based on security purchases and sales, as well as fluctuations in market value.

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Portfolio Example for a Financials Analyst

As of 31 Mar 2012

	% of San Mateo County Employees' Retirement Association	% of S&P 500 Index	Active Weight (Total Portfolio)	% of Analyst Portfolio	% of S&P 500 Industry	Active Weight (Analyst Portfolio)
JPMorgan Chase	1.67%	1.38%	0.29%	36.58%	29.63%	6.95%
TD Ameritrade Holding	0.13	0.00	0.13	2.93	0.00	2.93
Morgan Stanley	0.35	0.24	0.12	7.71	5.05	2.65
Invesco	0.20	0.09	0.11	4.45	2.01	2.44
Franklin Resources	0.21	0.14	0.07	4.55	2.98	1.56
Goldman Sachs Group	0.54	0.48	0.06	11.86	10.39	1.46
Aflac	0.20	0.17	0.03	4.38	3.63	0.76
Legg Mason	0.05	0.03	0.02	1.08	0.59	0.49
Federated Investors	0.00	0.02	-0.02	0.00	0.35	-0.35
E*Trade Financial	0.00	0.02	-0.02	0.00	0.47	-0.47
Assurant	0.00	0.03	-0.03	0.00	0.60	-0.60
Charles Schwab	0.00	0.12	-0.12	0.00	2.62	-2.62
T Rowe Price Group	0.00	0.13	-0.13	0.00	2.79	-2.79
Blackrock	0.00	0.16	-0.16	0.00	3.47	-3.47
Citigroup	0.68	0.84	-0.16	14.92	18.07	-3.15
Bank of America	0.53	0.81	-0.28	11.54	17.34	-5.80
Totals	4.55%	4.65%		100.00%	100.00%	

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Exhibits

- Additional Information
- Performance Statistics Glossary
- GIPS® Disclosure
- Fee Schedule
- Your Institutional Team
- Biographical Background

Historical Characteristics

Historical Strategy Sector Weights of U.S. Structured Research Representative Portfolio¹ Relative to S&P 500 Index 30 Jun 2006 through 31 Mar 2012

	2006		2007		2008		2009		2010		2011		2012
	30 Jun	31 Dec	31 Mar										
Consumer Discretionary	-0.5%	-0.7%	-0.4%	0.4%	1.0%	0.4%	0.4%	0.3%	0.8%	1.5%	1.4%	1.4%	1.4%
Consumer Staples	0.1	-0.3	-0.6	-0.8	-0.9	-0.3	-0.1	-0.2	-0.2	-1.1	-0.9	-1.3	-1.2
Energy	0.2	0.4	0.6	0.2	0.4	0.1	0.2	0.6	0.6	0.4	0.3	0.6	0.5
Financials	0.0	-0.1	-0.7	-0.6	-0.6	-0.4	-0.5	-0.4	-0.9	-0.3	-0.4	-0.1	-0.2
Health Care	-0.1	0.0	0.1	0.3	0.4	0.1	0.1	0.1	0.3	-0.1	0.0	-0.1	0.0
Industrials and Business Services	0.4	0.6	0.2	-0.5	-1.2	-0.8	-0.3	0.1	0.5	0.3	0.1	0.6	0.5
Information Technology	-0.1	0.4	0.8	0.3	0.6	0.3	-0.1	-0.1	0.2	-0.2	-0.2	-0.5	-0.7
Materials	-0.5	-0.4	-0.2	-0.4	0.0	0.0	-0.2	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2
Telecommunication Services	0.0	-0.1	0.0	0.0	0.1	0.0	-0.1	-0.2	-0.3	-0.1	0.0	-0.2	-0.1
Utilities	0.0	-0.5	-0.2	0.5	0.0	-0.1	-0.2	-0.4	-1.0	-0.4	-0.5	-0.7	-0.6
Reserves	0.5	0.6	0.4	0.6	0.4	0.6	0.7	0.5	0.5	0.5	0.4	0.5	0.5

¹ The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

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Historical Characteristics

Historical Barra Risk Characteristics for U.S. Structured Research Representative Portfolio¹ — Active Weights 31 Dec 2006 through 31 Mar 2012

	2006		2007		2008		2009		2010		2011		2012	High	Low
	31 Dec	30 Jun	31 Dec	31 Mar											
U.S. Beta	0.06	0.06	0.02	0.01	0.00	0.00	0.01	0.05	0.05	0.02	0.06	0.05	0.06	0.00	
U.S. Book-to-Price	-0.10	-0.09	-0.04	-0.03	-0.02	-0.04	-0.03	-0.04	-0.03	-0.03	-0.01	-0.01	-0.01	-0.10	
U.S. Dividend Yield	-0.12	-0.15	-0.12	-0.10	-0.08	-0.07	-0.07	-0.08	-0.08	-0.09	-0.10	-0.10	-0.07	-0.15	
U.S. Earnings Yield	-0.12	-0.12	-0.05	-0.08	-0.04	-0.03	-0.04	-0.03	-0.01	-0.01	0.00	-0.02	0.00	-0.12	
U.S. Growth	0.16	0.14	0.10	0.07	0.06	0.08	0.07	0.03	0.05	0.04	0.06	0.05	0.16	0.03	
U.S. Leverage	-0.04	-0.04	0.00	0.00	-0.02	-0.01	-0.01	-0.01	-0.01	-0.01	0.00	-0.01	0.00	-0.04	
U.S. Liquidity	0.03	0.03	0.00	-0.02	-0.02	0.00	-0.02	-0.01	-0.01	-0.01	0.01	0.01	0.03	-0.02	
U.S. Momentum	0.02	0.00	-0.04	-0.02	-0.02	0.01	0.00	-0.04	-0.03	-0.04	-0.06	-0.01	0.02	-0.05	
U.S. Non-linear Beta	-0.05	-0.04	0.01	-0.02	-0.01	0.01	0.00	-0.02	-0.03	-0.01	-0.06	-0.07	0.01	-0.06	
U.S. Non-linear Size	0.02	0.04	0.05	0.03	0.02	0.00	0.00	0.00	0.00	-0.01	0.02	0.02	0.05	-0.01	
U.S. Residual Volatility	0.06	0.08	0.07	0.07	0.05	0.05	0.03	0.03	0.00	0.02	0.01	0.03	0.08	0.00	
U.S. Size	-0.03	-0.06	-0.08	-0.05	-0.03	-0.01	0.01	0.00	0.00	0.01	-0.02	-0.02	0.01	-0.08	
Barra Predicted Tracking Error (%)	0.86	0.84	0.94	1.06	1.31	1.38	0.92	0.91	0.65	0.54	0.81	0.69	1.38	0.54	

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Total Return Performance

U.S. Structured Research Composite

Periods Ended 31 Mar 2012

Figures Shown in U.S. Dollars

	Three Months	One Year	Annualized					Ten Years
			Two Years	Three Years	Four Years	Five Years		
U.S. Structured Research Composite (Gross of Fees)	13.67%	9.56%	12.06%	23.72%	5.01%	3.13%	5.39%	
U.S. Structured Research Composite (Net of Fees) ¹	13.56	9.12	11.61	23.24	4.59	2.72	4.97	
S&P 500 Index	12.59	8.54	12.04	23.42	3.87	2.01	4.12	
Value Added (Gross of Fees)	1.08	1.02	0.02	0.30	1.14	1.12	1.27	

Calendar Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD 2012
U.S. Structured Research Composite (Gross of Fees)	-21.26%	32.51%	12.38%	5.61%	16.66%	6.42%	-35.98%	30.52%	14.16%	1.99%	13.67%
U.S. Structured Research Composite (Net of Fees) ¹	-21.58	31.99	11.94	5.19	16.20	6.00	-36.25	30.01	13.71	1.59	13.56
S&P 500 Index	-22.10	28.68	10.88	4.91	15.79	5.49	-37.00	26.46	15.06	2.11	12.59
Value Added (Gross of Fees)	0.84	3.83	1.50	0.70	0.87	0.93	1.02	4.06	-0.90	-0.12	1.08

¹ Net of fees performance reflects the deduction of the highest applicable management fee ("Model Net Fee") that would be charged based on the fee schedule appropriate to you for this mandate, without the benefit of breakpoints. Please be advised that the composite may include other investment products that are subject to management fees that are inapplicable to you but are in excess of the Model Net Fee. Therefore, the actual performance of all the portfolios in the composite on a net fee basis will be different and may be lower than the Model Net Fee performance. However, such Model Net Fee performance is intended to provide the most appropriate example of the impact management fees would have by applying management fees relevant to you to the gross performance of the composite. Past performance cannot guarantee future results.

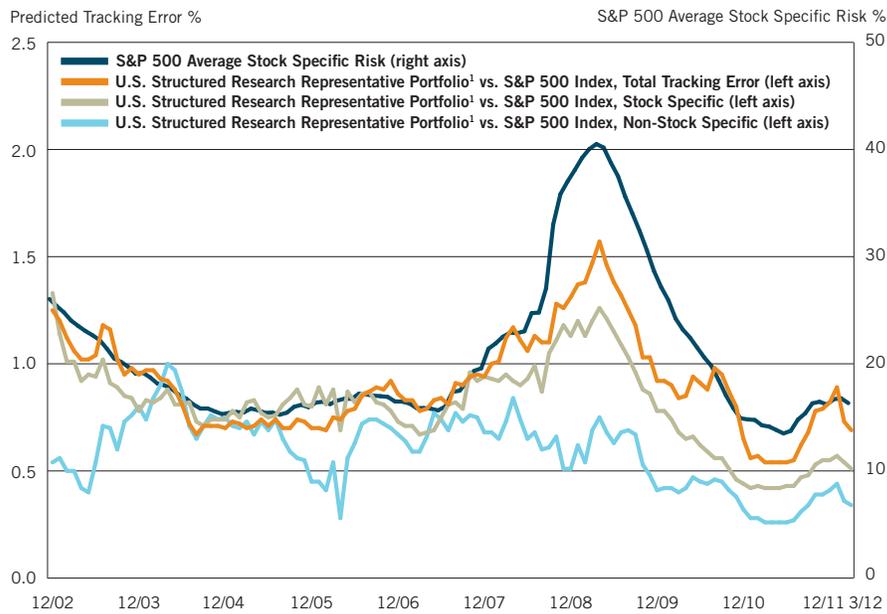
Supplemental information. See "GIPS® Disclosure" for additional performance information.

The Value Added is shown as U.S. Structured Research Composite (Gross of Fees) minus S&P 500 Index.

Tracking Error

U.S. Structured Research Representative Portfolio¹

As of 31 Mar 2012

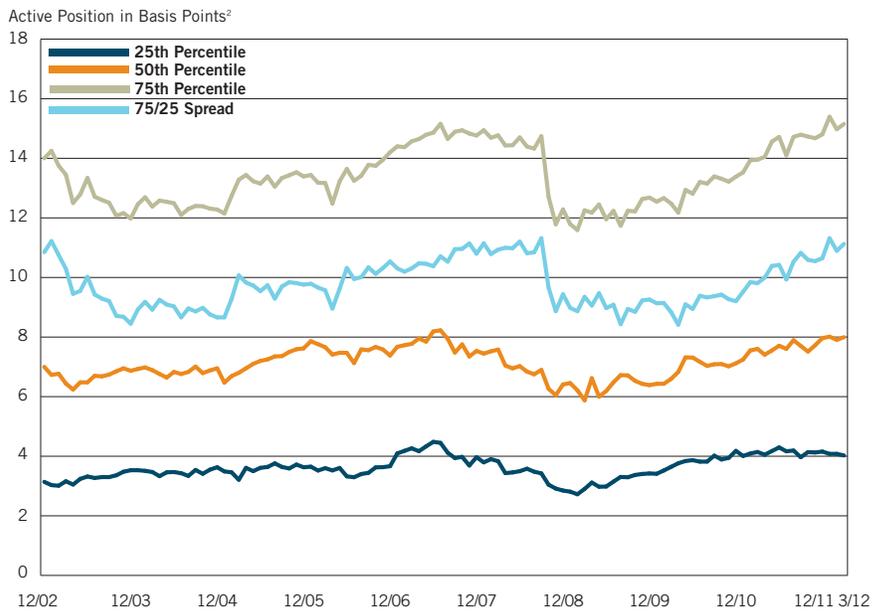


¹ The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

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Historical Active Position Size

U.S. Structured Research Representative Portfolio¹ As of 31 Mar 2012



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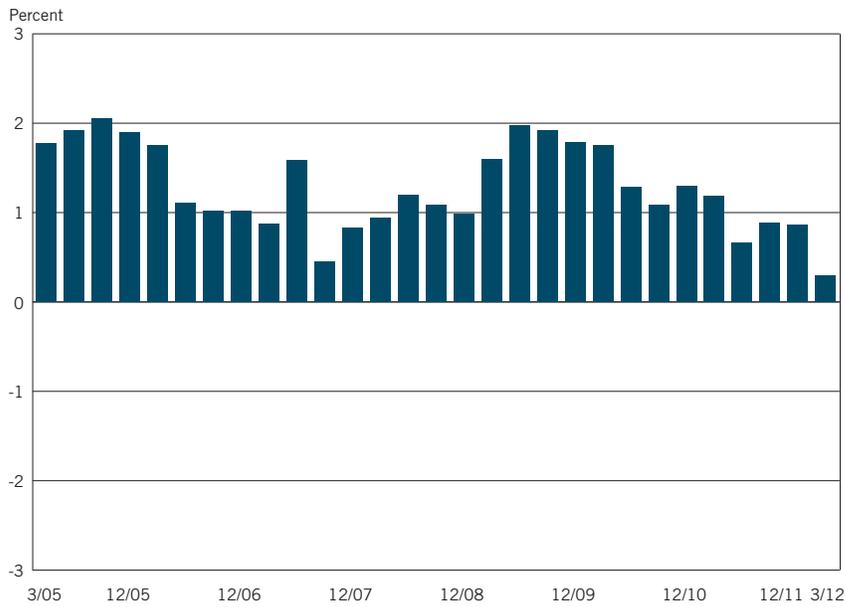
The current representative portfolio is an account that was designated as such on 30 June 2007. The representative portfolio for this composite previously changed on 30 April 2006 and 9 November 2006. Data for prior periods represents the account that was the representative portfolio at that time.

² Active position sizes for each time period are calculated as the absolute value of the difference between the portfolio's weight and the benchmark's weight. Percentile groupings are created to contain an approximately equal number of holdings in each. We then select and display the largest value within each relevant percentile grouping (25, 50, 75).
Supplemental information.

Total Relative Performance

Value Added in U.S. Structured Research Composite vs. S&P 500 Index — Rolling Three-Year Periods (Annualized Gross of Fees)

Calculated Quarterly from 31 Mar 2002 through 31 Mar 2012
Figures Shown in U.S. Dollars



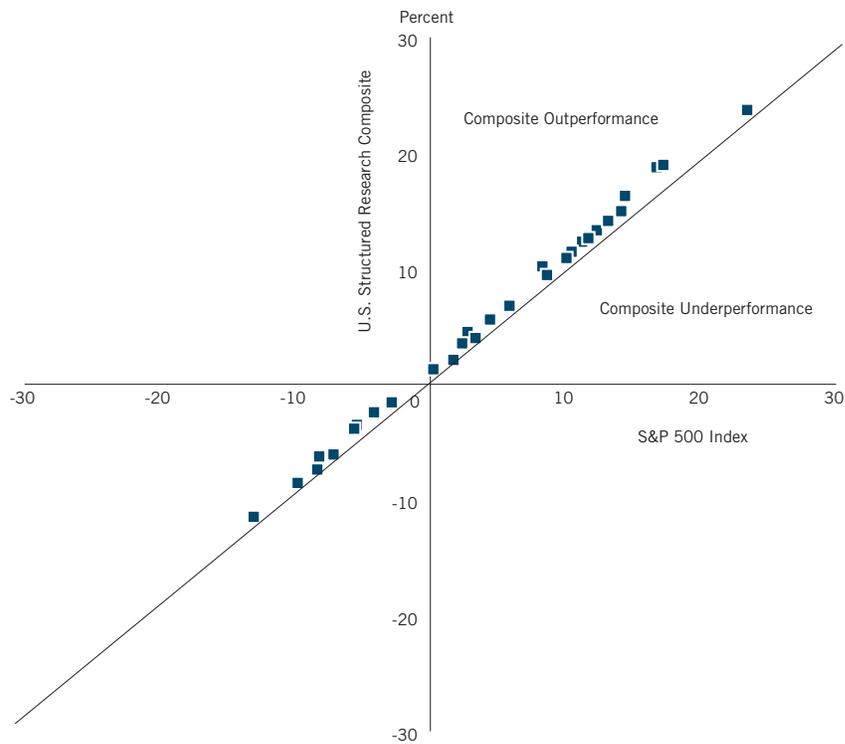
Each bar measures the difference in performance between the composite and the benchmark for a three-year annualized period.
Figures shown gross of fees. Returns would have been lower as the result of the deduction of applicable fees. Past performance cannot guarantee future results.
Supplemental information.

Total Relative Performance

Three-Year Rolling Returns (Annualized Gross of Fees) — U.S. Structured Research Composite (Gross of Fees) vs. S&P 500 Index

Calculated Quarterly from 31 Mar 2002 through 31 Mar 2012

Figures Shown in U.S. Dollars

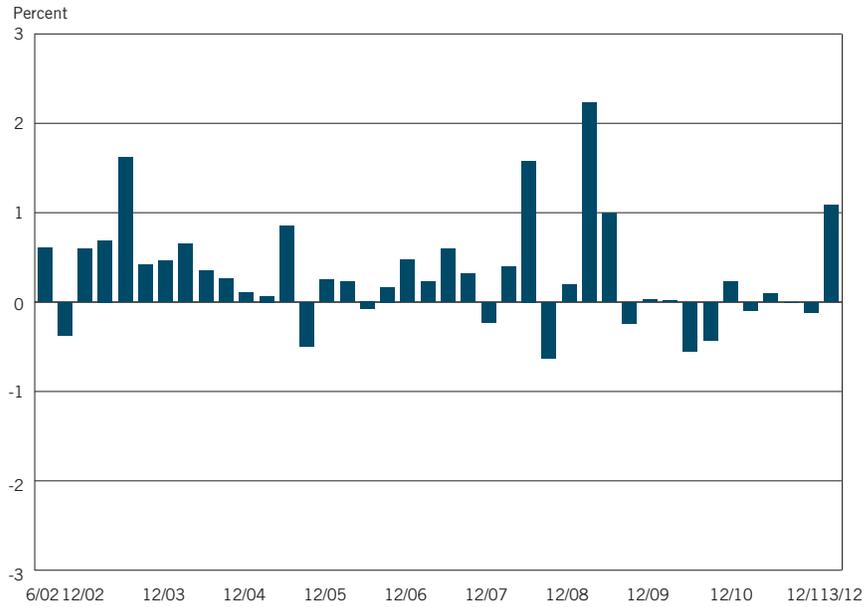


Each point represents the performance of the composite and its benchmark for a three-year annualized period. Points above the diagonal represent outperformance relative to the benchmark. Points below the diagonal represent relative underperformance. Figures shown gross of fees. Returns would have been lower as the result of the deduction of applicable fees. Past performance cannot guarantee future results. Supplemental information.

Total Relative Performance

Value Added in U.S. Structured Research Composite vs. S&P 500 Index — Three-Month Periods (Annualized Gross of Fees)

Calculated Quarterly from 31 Mar 2002 through 31 Mar 2012
Figures Shown in U.S. Dollars



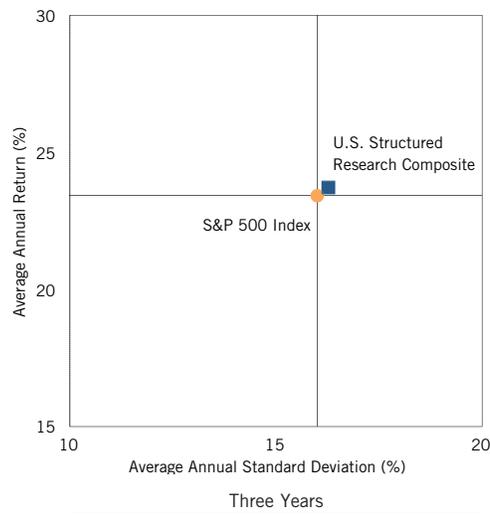
Demonstrated history of generating consistent, value-added results.

Each bar measures the difference in performance between the composite and the benchmark for a three month period.
Figures shown gross of fees. Returns would have been lower as the result of the deduction of applicable fees. Past performance cannot guarantee future results.
Supplemental information.

Performance Statistics

Risk/Return Characteristics (Gross of Fees)

Three Years Ended 31 Mar 2012
 Figures Shown in U.S. Dollars



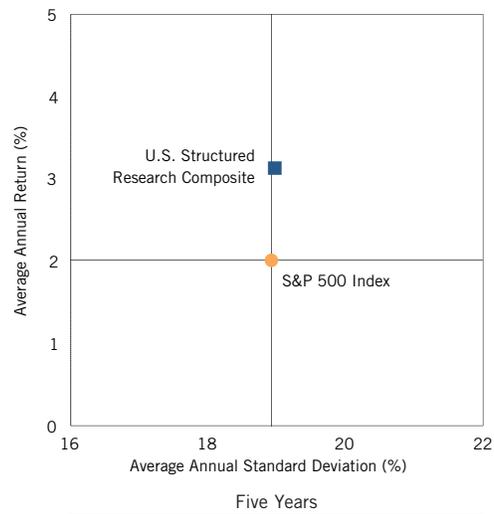
	U.S. Structured Research Composite	S&P 500 Index
Annualized Total Return	23.72%	23.42%
Annualized Standard Deviation	16.27%	16.00%
Historical Tracking Error	0.87%	0.00%
Beta	1.02	1.00
R-Squared	1.00	1.00
Alpha	-0.05%	0.00%
Sharpe Ratio	1.43	1.44
Information Ratio	-0.08	0.00

Statistics based on monthly gross returns. Returns would have been lower as the result of the deduction of applicable fees. Past performance cannot guarantee future results.
 Supplemental information.

Performance Statistics

Risk/Return Characteristics (Gross of Fees)

Five Years Ended 31 Mar 2012
 Figures Shown in U.S. Dollars

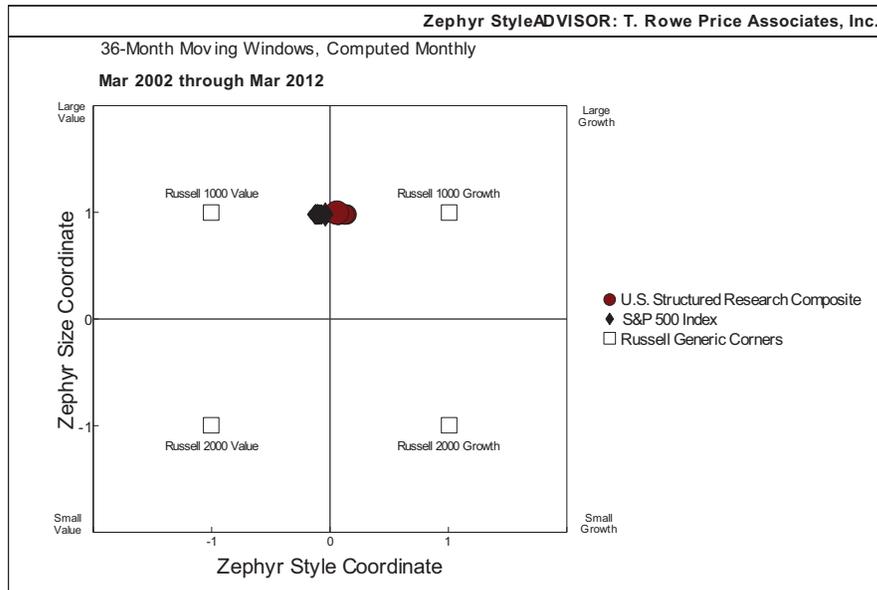


	U.S. Structured Research Composite	S&P 500 Index
Annualized Total Return	3.13%	2.01%
Annualized Standard Deviation	18.97%	18.92%
Historical Tracking Error	1.14%	0.00%
Beta	1.00	1.00
R-Squared	1.00	1.00
Alpha	1.10%	0.00%
Sharpe Ratio	0.11	0.05
Information Ratio	0.98	0.00

Statistics based on monthly gross returns. Returns would have been lower as the result of the deduction of applicable fees. Past performance cannot guarantee future results.
 Supplemental information.

Style Consistency

Zephyr StyleADVISOR: T. Rowe Price Associates, Inc.



Zephyr StyleADVISOR performs a constrained quadratic optimization to determine the portfolio's (style, size) coordinate relative to the indices shown. This rolling window analysis displays the smaller data points to represent the oldest time period and larger data points to represent the most recent time period. T. Rowe Price Associates, Inc., and Zephyr Associates, Inc., are not affiliated companies. Supplemental information.

Performance Statistics Glossary

Alpha – A measure of a strategy's risk-adjusted performance. Alpha represents the difference between a strategy's actual returns and its expected performance, given its level of risk as measured by beta. The difference is expressed as an annualized percentage.

Beta – A measure of the market risk of a strategy showing how responsive the strategy is to a given market index, such as the S&P 500 Index (an index for equity strategies) or the Barclays Capital Government/Corporate Bond Index (an index for fixed income strategies). By definition, the beta of the benchmark index is 1.00. A strategy with a 1.10 beta is expected to perform 10% better than the index in up markets and 10% worse in down markets. Usually, higher betas represent riskier investments.

Earnings Growth Rate (Current Fiscal Year) – Measures the annualized percent change in earnings per share from the prior fiscal year to the current fiscal year.

Historical Tracking Error – Standard deviation of the strategy's excess return over the market benchmark.

Information Ratio – A measure of the significance or quality of alpha. It is defined as the ratio of alpha to the standard deviation of alpha. A larger number is better – either a very strong alpha score or a consistent alpha with low standard deviation.

Market Capitalization – A measure of a company's total value and is equal to the total dollar value of all outstanding shares.

Median – Represents the midpoint of market capitalization of stocks in a portfolio where 50% of holdings are above the value.

Investment-Weighted Median – Represents the breakpoint where 50% of the weights are above the value.

Investment-Weighted Average – Sum of each holding's market capitalization multiplied by its weight in the portfolio.

Price to Book Ratio – Used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value (book value is simply total assets minus intangible assets and liabilities).

Price-to-Earnings Ratio (12 Months Forward) – P/E is a valuation measure calculated by dividing the price of a stock by the analysts' forecast of the next 12 months expected earnings. The ratio is a measure of how much investors are willing to pay for the company's future earnings. The higher the P/E, the more investors are paying for a company's earnings growth in the next 12 months.

Price-to-Earnings Ratio (Current Fiscal Year) – P/E is a valuation measure calculated by dividing the price of a stock by its reported earnings per share from the latest fiscal year. The ratio is a measure of how much investors are willing to pay for the company's earnings. The higher the P/E, the more investors are paying for a company's current earnings.

Price-to-Earnings Ratio (Next Fiscal Year) – P/E is a valuation measure calculated by dividing the price of a stock by its estimated earnings for the next fiscal year. The ratio is a measure of how much investors are willing to pay for the company's future earnings. The higher the P/E, the more investors are paying for the company's expected earnings growth in the next fiscal year.

Projected Earnings Growth Rate (IBES) – A company's expected earnings per share growth rate for a given time period based on the forecast from the Institutional Broker's Estimate System, which is commonly referred to as IBES.

Return on Equity (Current Fiscal Year) – ROE is a valuation measure calculated by dividing the company's current fiscal year net income by shareholders' equity (i.e., the company's book value). Return on equity measures how much a company earns on each dollar that common stock investors have put into the company. It indicates how effectively and efficiently a company and its management are using stockholder investments.

R-Squared – Measures the percentage of a strategy's movement that is explained by movements in the benchmark index. R-Squared helps indicate the accuracy of a strategy's alpha and beta.

Sharpe Ratio – A risk-adjusted measure, which is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the strategy's historical risk-adjusted performance.

Standard Deviation – Indicates the volatility of a strategy's total returns as measured against its mean performance. Unlike alpha, beta, and R-Squared, which are compared with a benchmark index, standard deviation is strategy-specific. In general, the higher the standard deviation, the greater the volatility or risk.

Turnover – A measurement of how frequently assets within a fund are bought and sold by the managers.

GIPS® Disclosure

U.S. Structured Research Composite

Period Ended March 31, 2012

Figures Shown in U.S. dollar

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD 2012
Gross Annual Returns (%)	-21.26	32.51	12.38	5.61	16.66	6.42	-35.98	30.52	14.16	1.99	13.67
Net Annual Returns (%) ¹	-21.58	31.99	11.94	5.19	16.20	6.00	-36.25	30.01	13.71	1.59	13.56
S&P 500 Index (%)	-22.10	28.68	10.88	4.91	15.79	5.49	-37.00	26.46	15.06	2.11	12.59
Composite 3-Yr St. Dev.	19.28	18.44	15.15	9.18	6.86	7.81	15.28	19.60	21.74	18.59	16.27
S&P 500 Index 3-Yr St. Dev.	18.55	18.07	14.86	9.04	6.82	7.68	15.08	19.63	21.85	18.71	16.00
Composite Dispersion	N/A	N/A	N/A	0.08	0.10	0.14	0.18	0.46	0.19	0.13	N/A
Comp. Assets (Millions)	57.3	393.7	3,910.0	4,418.5	11,446.3	17,704.2	13,848.6	20,046.9	26,831.9	23,635.8	25,661.5
# of Accts. in Comp.	1	3	13	17	36	42	53	59	70	67	66
Total Firm Assets (Billions)	138.6	188.0	234.7	268.9	333.8	397.5	275.7	395.2	485.0	493.1	560.3

¹Reflects deduction of highest applicable fee schedule without benefit of breakpoints. Investment return and principal value will vary. Past performance cannot guarantee future results. **See below for further information related to net of fee calculations.**

Effective January 1, 2011, the GIPS firms known as T. Rowe Price Associates, Inc. ("TRPA") and T. Rowe Price International, Inc. ("TRPI") were merged into a single GIPS firm and redefined to now be known as T. Rowe Price ("TRP"). TRP has prepared and presented this report in compliance with Global Investment Performance Standards (GIPS®). TRP has been independently verified for the 10-year period ended June 30, 2011 by KPMG LLP. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

TRP is a U.S. investment management firm with various investment advisers registered with the U.S. Securities and Exchange Commission, the U.K. Financial Services Authority, and other regulatory bodies in various countries and holds itself out as such to potential clients for GIPS purposes. TRP further defines itself under GIPS as a discretionary investment manager providing services primarily to institutional clients with regard to various mandates, which include U.S., international, and global strategies but excluding the services of the Private Asset Management group. The minimum asset level for equity portfolios to be included in composites is \$5 million and prior to January 2002 the minimum was \$1 million. The minimum asset level for fixed income and asset allocation portfolios to be included in composites is \$10 million; prior to October 2004 the minimum was \$5 million; and prior to January 2002 the minimum was \$1 million. Valuations are computed and performance reported in U.S. dollars.

Gross performance returns are presented before management fees and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee ("Model Net Fee") that would be charged based on the fee schedule appropriate to you for this mandate, without the benefit of breakpoints. Please be advised that the composite may include other investment products that are subject to management fees that are inapplicable to you but are in excess of the Model Net Fee. Therefore, the actual performance of all the portfolios in the composite on a net fee basis will be different, and may be lower than, the Model Net Fee performance. However, such Model Net Fee performance is intended to provide the most appropriate example of the impact management fees would have by applying management fees relevant to you to the gross performance of the composite. Gross and net performance returns are presented gross of withholding taxes on dividends, interest income, and capital gains. Please be advised if a client is subject to withholding taxes the actual performance of all other portfolios in the composite subject to withholding may be lower than the composite returns presented gross of withholding taxes. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within a composite for the full year. Dispersion is not calculated for composites in which there are five or fewer portfolios.

Some portfolios may trade futures, options, and other potentially high-risk derivatives which generally represent less than 10% of a portfolio.

Benchmarks are taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the composite.

Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow greater than or equal to 10% of portfolio assets. The temporary removal of such an account occurs at the beginning of the measurement period in which the significant cash flow occurs and the account re-enters the composite on the last day of the current month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

The firm's list of composite descriptions and/or a presentation that adheres to the GIPS® standards are available upon request.

A portfolio management change occurred effective April 1, 2007. There were no changes to the investment program or strategy related to this composite.

Fee Schedule

San Mateo County Employees' Retirement Association — U.S. Structured Research Strategy

First \$50 million	75 basis points
Next \$50 million	55 basis points
When assets exceed \$100 million, the fee is a flat 35 basis points on all assets ¹	
When assets exceed \$200 million, the fee is a flat 30 basis points on all assets ¹	

¹ A transitional credit is applied to the Fee Schedule as assets approach or fall below these breakpoints.

Your Institutional Team

San Mateo County Employees' Retirement Association



Primary Contact:

John D. Plowright, CFA
Institutional Client Service Executive
Phone: 415-772-1117 Fax: 415-772-1111
E-mail: john_plowright@troweprice.com

Serves as your main point of contact and provides a link to the resources of T. Rowe Price. Conducts portfolio reviews, coordinates reporting, and gets answers to your questions.



Secondary Contact:

David B. Orlando
Institutional Client Service Executive
Phone: 415-772-1103 Fax: 415-772-1111
E-mail: david_orlando@troweprice.com

Available to address your questions and concerns when your primary contact is unavailable.



Operations:

Anne Momberger
Institutional Client Operations Manager
Phone: 410-345-2268 Fax: 410-345-2829
E-mail: anne_momberger@troweprice.com

Addresses contributions and distributions to and from your account, works closely with your primary client service contact and investment support to resolve operational issues, and coordinates review of legal agreements.

Your client service team is your partner in getting you the information you need.

Biographical Background

T. Rowe Price — Presenter

John D. Plowright, CFA

John Plowright is a vice president of T. Rowe Price Group, Inc., and T. Rowe Price Associates, Inc. He is a client service executive for Global Investment Services, the organization responsible for the firm's institutional business worldwide.

John has 20 years of investment experience, seven of which have been at T. Rowe Price. Before joining T. Rowe Price in 2004, he was a director of client services with RCM Capital Management, and prior to that, he was a director and fixed-income specialist with RCM Capital Management.

John earned a B.A. in religion from the Earlham College, cum laude, and a master's degree in international management from American Graduate School of International Management. John has earned the Chartered Financial Analyst designation and is a Series 7 and 63 registered representative.

Full Portfolio Holdings

As of 31 Mar 2012

Security Name		%Assets +Accrd	Security Name		%Assets +Accrd
CONSUMER DISCRETIONARY		12.35 %	MCD	McDonald's	0.69
Auto Components		0.33 %	SBUX	Starbucks	0.50
JCI	Johnson Controls	0.20	WYNN	Wynn Resorts	0.04
TRW	TRW	0.12	YUM	Yum! Brands	0.36
Automobiles		0.50 %	Household Durables		0.22 %
F	Ford Motor	0.08	HAR	Harman International	0.12
GM	General Motors	0.25	LEN	Lennar	0.09
HOG	Harley-Davidson	0.17	Internet & Catalog Retail		1.65 %
Diversified Consumer Services		0.08 %	AMZN	Amazon.com	0.74
HRB	H&R Block	0.08	GRPN	Groupon	0.07
Hotels Restaurants & Leisure		2.84 %	LINTA	Liberty Interactive	0.14
CCL	Carnival	0.32	NFLX	Netflix	0.17
CMG	Chipotle Mexican Grill	0.24	PCLN	priceline.com	0.54
HOT	Starwood Hotels & Resorts Worldwide	0.13	Leisure Equipment & Products		0.17 %
IGT	International Game Technology	0.04	HAS	Hasbro	0.17
LVS	Las Vegas Sands	0.39	Media		2.68 %
MAR	Marriott	0.13			

Rounding may cause figures to vary from 100.00%.

Full Portfolio Holdings

As of 31 Mar 2012

Security Name		%Assets +Accrd	Security Name		%Assets +Accrd
CVS	CVS Caremark	0.35	FTI	FMC Technologies	0.18
KR	Kroger	0.27	HAL	Halliburton	0.17
WFM	Whole Foods Market	0.37	NE	Noble	0.18
WMT	Wal-Mart	0.43	SLB	Schlumberger	0.93
Household Products		2.13 %	Oil, Gas & Consumable Fuels		9.91 %
CL	Colgate-Palmolive	0.36	ACI	Arch Coal	0.03
ENR	Energizer	0.15	APA	Apache	0.27
PG	Procter & Gamble	1.62	BTU	Peabody Energy	0.11
Personal Products		0.22 %	CNX	CONSOL Energy	0.11
AVP	Avon	0.22	COP	ConocoPhillips	0.47
Tobacco		1.44 %	CVX	Chevron	1.88
MO	Altria Group	0.39	CXO	Concho Resources	0.07
PM	Philip Morris International	1.04	DVN	Devon Energy	0.42
ENERGY		11.76 %	EOG	EOG Resources	0.12
Energy Equipment & Services		1.85 %	EP	El Paso Corporation	0.16
BHI	Baker Hughes	0.29	EQT	EQT	0.09
CAM	Cameron International	0.11	HES	Hess	0.28
			MPC	Marathon Petroleum	0.17
			MUR	Murphy Oil	0.23
			NFX	Newfield Exploration	0.17

Rounding may cause figures to vary from 100.00%.

Full Portfolio Holdings

As of 31 Mar 2012

Security Name		%Assets +Accrd	Security Name		%Assets +Accrd
ICE	IntercontinentalExchange	0.11	PSA	Public Storage	0.24
JPM	JPMorgan Chase	1.66	SPG	Simon Property Group	0.50
MCO	Moody's	0.31	VNO	Vornado Realty Trust	0.29
			WY	Weyerhaeuser	0.16
Insurance		3.47 %	HEALTH CARE		11.45 %
AFL	Aflac	0.20	Biotechnology		1.63 %
ALL	Allstate	0.45	AMGN	Amgen	0.47
BRK/B	Berkshire Hathaway	0.70	BIIB	Biogen Idec	0.24
CB	Chubb	0.38	CELG	Celgene	0.39
L	Loews	0.13	DNDN	Dendreon	0.05
MET	MetLife	0.48	GILD	Gilead Sciences	0.47
MMC	Marsh & McLennan	0.32	Health Care Equipment & Supplies		1.95 %
SLF	Sun Life Financial	0.09	BAX	Baxter International	0.32
TRV	The Travelers Companies	0.28	BCR	C. R. Bard	0.11
WSH	Willis Group Holdings	0.10	COV	Covidien	0.34
XL	XL Group	0.34	EW	Edwards Lifesciences	0.12
Real Estate Investment Trusts (reits)		1.88 %	STJ	St. Jude Medical	0.17
AMT	American Tower	0.35	SYK	Stryker	0.37
GGP	General Growth Properties	0.15	XRAY	DENTSPLY International	0.32
PLD	Prologis	0.19			

Rounding may cause figures to vary from 100.00%.

Full Portfolio Holdings

As of 31 Mar 2012

Security Name	%Assets +Accrd	Security Name	%Assets +Accrd		
ZMH	Zimmer Holdings	0.19	AGN	Allergan	0.25
			BMJ	Bristol Myers Squibb	0.41
Health Care Providers & Services		2.44 %	HSP	Hospira	0.04
ABC	AmerisourceBergen	0.10	JNJ	Johnson & Johnson	1.36
DGX	Quest Diagnostics	0.14	MRK	Merck	0.98
DVA	DaVita	0.11	PFE	Pfizer	1.45
ESRX	Express Scripts Holding	0.30	INDUSTRIALS & BUSINESS SERVICES		11.08 %
HCA	HCA Holdings	0.12	Aerospace & Defense		2.68 %
HUM	Humana	0.09	BA	Boeing	0.75
MCK	McKesson	0.30	HON	Honeywell International	0.56
MHS	Medco	0.24	PCP	Precision Castparts	0.27
UNH	UnitedHealth Group	0.69	RTN	Raytheon	0.12
WLP	WellPoint	0.36	TXT	Textron	0.24
Life Sciences Tools & Services		0.46 %	UTX	United Technologies	0.74
A	Agilent Technologies	0.15	Air Freight & Logistics		1.06 %
LIFE	Life Technologies	0.05	CHRW	C.H. Robinson Worldwide	0.09
TMO	Thermo Fisher Scientific	0.27	EXPD	Expeditors International of Washington	0.04
Pharmaceuticals		4.97 %	FDX	FedEx	0.33
ABT	Abbott Laboratories	0.48	UPS	UPS	0.60

Full Portfolio Holdings

As of 31 Mar 2012

Security Name	%Assets +Accrd	Security Name	%Assets +Accrd		
Airlines 0.07 %		Machinery 1.55 %			
LUV	Southwest Airlines	0.07	CAT	Caterpillar	0.51
			CMI	Cummins	0.42
Commercial Services & Supplies 0.41 %			IR	Ingersoll-Rand	0.43
CTAS	Cintas	0.09	PLL	Pall	0.12
SRCL	Stericycle	0.33	SWK	Stanley Black & Decker	0.07
Construction & Engineering 0.12 %		Professional Services 0.11 %			
FLR	Fluor	0.12	RHI	Robert Half International	0.11
Electrical Equipment 0.83 %		Road & Rail 0.87 %			
CBE	Cooper Industries	0.31	CSX	CSX	0.34
EMR	Emerson Electric	0.52	R	Ryder System	0.10
Industrial Conglomerates 3.20 %			UNP	Union Pacific	0.44
DHR	Danaher	0.85	Trading Companies & Distributors 0.16 %		
GE	GE	1.49	FAST	Fastenal	0.16
MDR	McDermott International	0.04	INFORMATION TECHNOLOGY 19.87 %		
MMM	3M	0.70	Communications Equipment 2.31 %		
TYC	Tyco International	0.12			

Rounding may cause figures to vary from 100.00%.

Full Portfolio Holdings

As of 31 Mar 2012

Security Name		%Assets +Accrd	Security Name		%Assets +Accrd
CSCO	Cisco Systems	1.01	MA	MasterCard	0.45
JNPR	Juniper Networks	0.39	PAYX	Paychex	0.04
QCOM	Qualcomm	0.90	V	Visa	0.43
			WU	Western Union	0.16
Computers & Peripherals		6.07 %	Office Electronics		0.10 %
AAPL	Apple	4.48	XRX	Xerox	0.10
DELL	Dell	0.71	Semiconductor And Semiconductor Equipment		2.23 %
EMC	EMC	0.46	ADI	Analog Devices	0.04
HPQ	Hewlett-Packard	0.12	AMAT	Applied Materials	0.22
SNDK	SanDisk	0.30	ATML	Atmel	0.30
Internet Software & Services		1.75 %	BRCM	Broadcom	0.20
AKAM	Akamai Technologies	0.13	INTC	Intel	0.44
EBAY	eBay	0.14	KLAC	KLA-Tencor	0.12
GOOG	Google	1.49	LRCX	Lam Research	0.16
It Services		3.25 %	MRVL	Marvell Technology Group	0.15
ACN	Accenture	0.32	MU	Micron Technology	0.22
ADP	Automatic Data Processing	0.26	NVDA	NVIDIA	0.23
FIS	Fidelity National Information	0.07	TXN	Texas Instruments	0.08
IBM	IBM	1.52	XLNX	Xilinx	0.08

Full Portfolio Holdings

As of 31 Mar 2012

Security Name		%Assets +Accrd	Security Name		%Assets +Accrd
Software		4.16 %	Construction Materials		0.24 %
ADSK	Autodesk	0.29	MLM	Martin Marietta Materials	0.14
CHKP	Check Point Software Technologies	0.10	VMC	Vulcan Materials	0.10
CRM	Salesforce.com	0.03	Containers & Packaging		0.06 %
EA	Electronic Arts	0.05	BLL	Ball	0.06
MSFT	Microsoft	2.26	Metals & Mining		0.81 %
ORCL	Oracle	1.17	FCX	Freeport-McMoRan Copper & Gold	0.33
RHT	Red Hat	0.28	NEM	Newmont Mining	0.20
MATERIALS		3.27 %	NUE	Nucor	0.17
Chemicals		1.95 %	X	U.S. Steel	0.11
APD	Air Products & Chemicals	0.06	Paper & Forest Products		0.20 %
DD	DuPont	0.12	IP	International Paper	0.20
DOW	Dow Chemical	0.17	OTHER RESERVES		0.60 %
LYB	Lyondellbasell Industries	0.16	Cash		0.02 %
MON	Monsanto	0.47		U S Dollars	0.02
POT	Potash Corporation of Saskatchewan	0.18	Short Term Obligations		0.59 %
PPG	PPG Industries	0.25			
PX	Praxair	0.33			
SHW	Sherwin-Williams	0.20			

Rounding may cause figures to vary from 100.00%.

Full Portfolio Holdings

As of 31 Mar 2012

Security Name	%Assets +Accrd	Security Name	%Assets +Accrd
State Street Bank	0.59	NRG	NRG Energy 0.07
TELECOMMUNICATION SERVICES	2.64 %	Multi-utilities	0.79 %
Diversified Telecommunication Services	2.24 %	CNP	CenterPoint Energy 0.14
T	AT&T 1.85	PCG	PG&E 0.28
VZ	Verizon Communications 0.38	SRE	Sempra Energy 0.28
Wireless Telecommunication Services	0.40 %	TE	Teco Energy 0.09
CCI	Crown Castle International 0.24	Total Mkt Val+Accrd (USD):	120,552,995.21
S	Sprint Nextel 0.16		
UTILITIES	2.80 %		
Electric Utilities	1.32 %		
AEP	American Electric Power 0.05		
EIX	Edison International 0.31		
ETR	Entergy 0.27		
EXC	Exelon 0.31		
FE	FirstEnergy 0.37		
Independent Power Producers & Energy Traders	0.69 %		
AES	AES 0.47		
CPN	Calpine 0.14		

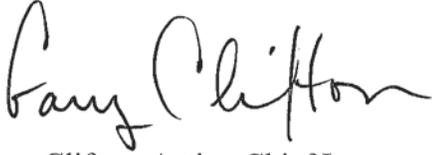
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

May 22, 2012

Agenda Item 6.3 d

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Investment Manager Review – Jennison Associates LLC – Small Cap Core Equity

Staff Comments: The Board of Retirement delegated the annual review of *SamCERA's* investment managers to the staff and investment consultant. Staff is charged with providing the board with a report covering that review.

On May 15, 2012, staff interviewed *SamCERA's* core equity managers in *SamCERA's* board room.

Jennison Associates LLC was interviewed at approximately 1:00 p.m. Those present were:

Gary Clifton – *SamCERA's* Acting Chief Investment Officer
Jason Swiatek - Jennison Associates LLC – CFA, Managing Director (via telephone)
Anthony Foley – Jennison Associates LLC – Managing Director

The presentation materials used for the review are attached to this agenda item.

BACKGROUND: At the November 2007 board meeting, the board terminated the IMA (Investment Management Agreement) between *SamCERA* and Goldman Sachs Asset Management (GSAM) for reasons of performance and lack of transparency. *SamCERA* utilized the services of State Street Global Markets (SSGM) to transition the GSAM assets to a Russell 2000 Index Fund at State Street Global Advisors while a search for a new manager was undertaken.

Strategic Investment Solutions was directed to initiate a small cap core search and provide eight or fewer semi-finalists for consideration. The board met on December 13, 2007, and narrowed the list of eight small cap core managers to four finalists. Those four firms, Clarivest Asset Management, Jennison Associates, Quantitative Management Associates and TAMRO Capital Partners were interviewed on January 22, 2008.

Following a thorough vetting of the four finalists, the board directed staff to begin investment management agreement negotiations and to conduct a due diligence visit with Jennison Associates. The site visit was conducted the morning of February 20, 2008, in Jennison's office at 466 Lexington Avenue, New York, New York by Mr. Thomas and Mr. Clifton. Upon completion of the successful due diligence and IMA negotiations the board authorized the chair to execute an Investment Management Agreement with Jennison Associates at the February 26, 2008, board meeting. Jennison was funded with \$75 million on March 31, 2008.

A review of performance follows:

Performance & Values As Of 03/31/2012	Book Value	Market Value	Trailing Three Months	2011	2010	Since Inception (04/1/2008)
	(Unit Million)					
Jennison Associates LLC	\$85.3	\$106.6	10.0%	0.0%	31.2%	8.4%
Russell 2000 Index			12.4%	-4.2%	26.9%	6.3%
<i>Return Variance</i>			<i>-2.4%</i>	<i>4.20%</i>	<i>4.3%</i>	<i>2.1%</i>

The management fee is marginally priced and is currently approximately 75 basis points.

Below are excerpts from the eVestment Alliance - eASE Analytical Systems and presentation materials from Jennison Associates

Jennison Associates LLC

General Firm Information

Firm Legal Name: Jennison Associates LLC

Firm Headquarters: 466 Lexington Avenue
New York, New York 10017
United States

Main Phone: 212.421.1000

Firm Website Address: www.jennison.com

Geographic Areas of Interest: United States

Year Firm Founded: 1969

Registered Investment Advisor: yes

Firm Background

Jennison Associates was founded in 1969 by seven investment professionals, including Sig Segalas, who continues to serve as Jennison's President and Chief Investment Officer as well as a Large Cap Growth portfolio manager.

The company was established as an SEC-registered investment advisor for tax-free, domestic large cap growth equity accounts, primarily for large institutions.

In 1975, the firm broadened its money management capabilities through the acquisition of Boston-based fixed income manager Carter, Doyle & Co. from Standard & Poor's Corp.

In 1980, Jennison expanded its existing capabilities by offering opportunistic equity (multicap value equity) and multi-asset strategy account management.

In 1985, the company became a wholly owned subsidiary of The Prudential Insurance Company of America. In 1998, Jennison Associates Capital Corp. ("JACC") was reorganized as a limited

liability company organized under the laws of the state of Delaware. Jennison Associates LLC, as the firm is now known, assumed all of the assets and liabilities of JACC.

In 2000, Prudential moved its public active equity asset management capabilities to Jennison. The action combined Jennison's strengths in growth, opportunistic, multi-asset strategy, and fixed income management with Prudential's strengths in small cap, value, and mid-cap growth equity management.

As part of its demutualization in December 2001, Prudential reorganized the ownership of its various subsidiaries, making them direct or indirect subsidiaries of Prudential Financial, Inc.

In April 2011, Jennison expanded its existing capabilities and global research coverage by adding a Global Equity investment strategy.

Jennison is organized under the laws of Delaware as a single member limited liability company whose sole member is Prudential Investment Management, Inc. Prudential Investment

Management, Inc. is owned by Prudential Asset Management Holding Company LLC which is owned by Prudential Financial, Inc. Prudential Financial, directly and indirectly through its numerous affiliates, engages in many different financial and other activities, including brokerage activities and investment advisory activities.

Joint Ventures

Prudential Financial, Inc. directly and indirectly through its numerous affiliates, engages in many different financial and other activities, including without limitation, brokerage activities and investment advisory activities. For a list of Prudential Financial, Inc. subsidiaries, please refer to Exhibit 21.1 to its Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission available on Prudential Financial Inc.'s website at www.investor.prudential.com.

Prior or Pending Ownership Changes

Jennison is organized under the laws of Delaware as a single member limited liability company whose sole member is Prudential Investment Management, Inc., which is owned by Prudential Asset Management Holding Company, Inc., which is owned by Prudential Financial, Inc.

As part of the demutualization of the Prudential in December 2001, Prudential reorganized the ownership of its various subsidiaries so that they became direct or indirect subsidiaries of Prudential Financial Inc. rather than Prudential. Jennison is now an indirect subsidiary of Prudential Financial Inc. In connection with the demutualization, Prudential Financial Inc. completed its initial public offering. The changes in the ownership structure notwithstanding, the demutualization and related transactions did not have the effect of changing or influencing the control of Prudential and its affiliates.

Ownership Changes

There are no pending ownership changes.

Prior or Pending Litigation

No

Additional Comments

Jennison is organized under the laws of Delaware as a single member limited liability company whose sole member is Prudential Investment Management, Inc. Prudential Investment Management, Inc. is owned by Prudential Asset Management Holding Company, Inc. which is owned by Prudential Financial Inc.

Product Review – Small Cap Core Equity

Research & Screening Process

Jennison's Small Cap team consists of two portfolio managers, John Mullman and Jason Swiatek and five research analysts. The small cap equity universe is divided by sectors and/or industries, with each team member having responsibility within their area of expertise. The team conducts comprehensive fundamental analysis across a wide variety of industries to identify investment potential. Original, fundamental bottom-up company research is the basis of the small cap investment process, and the team primarily relies on its own analysis of companies and industry dynamics to make buy/sell decisions. The combination of internal research, a wide-ranging Jennison research staff and an extensive network of Wall Street analysts provide a strong capability for the identification of outstanding stock candidates.

Each member of the team is responsible for recommending purchases and sales within his or her respective areas of expertise. Analyst recommendations are communicated in daily morning meetings or through a continuous dialogue with the portfolio managers throughout the day. All of Jennison's analysts and portfolio managers are within close proximity, which encourages the ongoing, sharing of ideas. The small cap investment professionals discuss the merits and risk of each security, reviewing the fundamental outlook and stock valuation. The discussion also includes a review of the opportunity in the context of the overall portfolio structure and risk profile.

Portfolio Construction & Risk Control Methodology

- Based on fundamental company research and individual stock selection
- 110 to 135 securities with a maximum position size of typically 4% of the portfolio. On average, the largest position is below 2.5%.
- Sector and industry allocations are a residual of the bottom-up stock selection process.
- Jennison's Small Cap Core portfolios are typically fully invested. Over the past few years, cash has typically ranged from 0% to 5%.
- Annual turnover is moderate, with an average of approximately 50 - 65%.

Buy/Sell Discipline

Buy Discipline

Jennison defines its small cap universe as U.S. – based companies with market capitalizations typically between \$150 million and \$2 billion. The team maintains a dynamic database of approximately 500 companies to focus additional research efforts. We select companies for our focus list from several sources including on-site visits, meetings with competitors, suppliers and customers, sell-side research and existing investments. Most importantly, this list incorporates the team's 100+ years of combined research experience.

These companies should be able to generate attractive absolute and relative revenue and earnings growth while remaining reasonably valued relative to expectations. The strategy is to focus on the companies that we believe are most likely to produce superior investment performance for our clients over the intermediate-to-longer term. The small cap core team shares an investment philosophy based on the idea of buying businesses rather than just stocks. The team focuses on business evaluation to identify companies with the majority of the following criteria:

- Strong competitive position
- Quality management team
- Demonstrated growth in sales and earnings
- Balance sheet flexibility and strength
- Strong earnings growth prospects

The team typically holds more than 800 meetings with company managements per year. Frequent meetings allow us to retest our assumptions, gain insights into investment considerations and generate earnings estimates, which help determine our conviction in the company's growth. Our analysts typically speak with a company's competitors, suppliers and customers, as well as with other industry experts to develop a deep understanding of the business.

If our initial criteria are met and company meetings satisfy our requirements, we then perform detailed financial analysis. This includes internal earnings estimates and 3-year earnings/cash flow projections. We then assign a target price derived from these estimates along with a qualitative assessment and finally we project/rank each stock's appreciation potential. A written summary of our Investment Thesis is prepared for all proposed investments. This summary is used as a basis for team discussion as the final step in our buy decision.

Sell Discipline

Our holdings are monitored daily to ensure that our investment thesis is still relevant. A stock may be sold for any of the following reasons:

- There is a fundamental change in the earnings prospects or long-term trend in growth of the enterprise value.
- The company exceeds our price target.
- There is an increase in risk associated with the investment due to changes in company fundamentals or industry trends.

- A more attractive holding candidate is uncovered through our research.

Trading Strategy

Jennison views trade execution as a critical factor in our ability to achieve best execution for our clients. Jennison believes that its significant trading resources and experience, combined with the breadth of capabilities is a differentiating quality. Jennison consistently ranks highly on independent external trading evaluations that are conducted quarterly.

Jennison utilizes a proprietary trading system to handle trading, portfolio accounting and record keeping. The system is designed to verify accuracy and provide quality control, while ensuring adherence to our compliance standards.

Jennison's policies and procedures are intended to produce fairness over time but may not produce mathematical precision in the allocation of individual purchases and sales of securities because of the transaction costs that may be incurred to do so. Jennison's policies and procedures are also intended to be consistent with its duty to seek best execution and best price obtainable under the circumstances for all accounts under its management.

Generally, the trading departments consider the following factors in the allocation of trades for equity accounts: The account's investment guidelines, restrictions and investment strategy, the availability of cash for investment, the instructions of the portfolio manager (e.g., limit orders, percent weighting in the portfolio, etc.), whether an account is a new account or whether an account has received a cash flow or needs to raise funds for withdrawal.

In the absence of specific portfolio manager instructions, aggregated trades are normally allocated at average prices pro-rata in proportion to the size of the order place among all participating eligible accounts. Security amounts allocated to each account may be increased or decreased in order to avoid allocations of odd-lots or small number of shares.

Additional Comments

The portfolio managers regularly evaluate several sources of risk in the portfolio and have safeguards to ensure that these risks do not exceed certain limits. For instance, sector/industry risk is managed by maintaining a broadly diversified portfolio with representation across all major sectors. The industry weights are normally limited to 20% and sector bets are typically within 5-7% of the benchmark weight, although they may be as high as +/- 15%. Security risk is controlled by not having any position typically exceed 4%, although it is rare that the largest position exceeds 2.5%. Liquidity risk is limited by adjusting the size of the positions to reflect the market cap and trading volumes of each security. On a weekly basis, the portfolio managers review a report which shows each of the holdings (on a firm-wide basis if applicable) as a percent of total shares outstanding and as a multiple of average daily trading volume. The number of names where there is more than 5 days of average trading volume is restricted to about 10, usually representing about 7-8% of the portfolio. Lastly, market risk is limited by tracking the beta, although the portfolio managers do not specifically manage to a certain number. Over the past few years, this has trended below 1.0, which emphasizes the focus on outperforming by generating alpha through what Jennison believes is superior stock selection.

Jennison's Small Cap Core portfolios are monitored with a number of analytical tools, which includes performance attribution, evaluation of aggregate portfolio characteristics, price change of individual securities, etc. The team also receives BARRA multifactor risk reports from the Applied Research Group to monitor BARRA risk factor and BARRA sector exposures to the benchmark.

Use Of Derivatives None

Below are select data from the small cap core process used to select Jennison Associates LLC.

INITIAL SCREENING CRITERIA:

1. Starting Universe: The union of the eVestment Alliance Small Cap Core Universe, SIS Small Core RFL, all products in eVestment Alliance US Equity Universe classified by market cap as "small" and by style as "core."
2. Product's track record must have a minimum length of three years.
3. Performance: Product must out-perform Russell 2000 index in at least 50% of available time periods (1-, 3-, 5-, 7-, and 10-years) and out-perform the eA Small Cap Core universe median in at least 50% of available time periods (1-, 3-, 5-, 7-, and 10-years). (The universe median presented a higher hurdle than the benchmark for every performance period.)
4. Product must be open to new accounts.
5. Product must have minimum assets of \$500 million as of the end of Q2 2007.
6. Product must be approximately style neutral with some flexibility about either a growth or value tilt.
7. Products eliminated for being tax managed, being open only in mutual fund, having many small accounts, and for various other qualitative reasons.
8. Eliminated certain firms for the various reasons:
9. Added back products that had been screened out in previous steps.

Below are the small cap value managers, which were semi-finalists in the search process:

Investment Manager	Product
1) Clarivest Asset Management	Small Cap Core
2) Jennison Associates	Small Cap Equity
3) Quantitative Management Associates	Small Cap Quantitative Equity
4) TAMRO Capital Partners	Small Cap

Below are some of Jennison's pros and cons that came out through the vetting process

Pros

- Well respected active management sub of Prudential with institutional focus
- Deep, experienced team of two portfolio managers and five analysts
- Lead portfolio manager in place since inception in 1998
- Strong relative returns since inception using fundamental analysis

Cons

- Assets currently at \$1.75 billion with plans for an additional \$300-\$500 million
- Discuss targeting tracking error of 6-8%, though actual has been lower
- Insurance company subsidiary

JENNISON ASSOCIATES

INVESTMENT PRESENTATION TO

San Mateo County Employees' Retirement Association

Jason M. Swiatek, CFA
Managing Director

Daniel J. Nichols
Managing Director

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Not for redistribution.

May 15, 2012

Jennison Associates

Commitment to Performance:

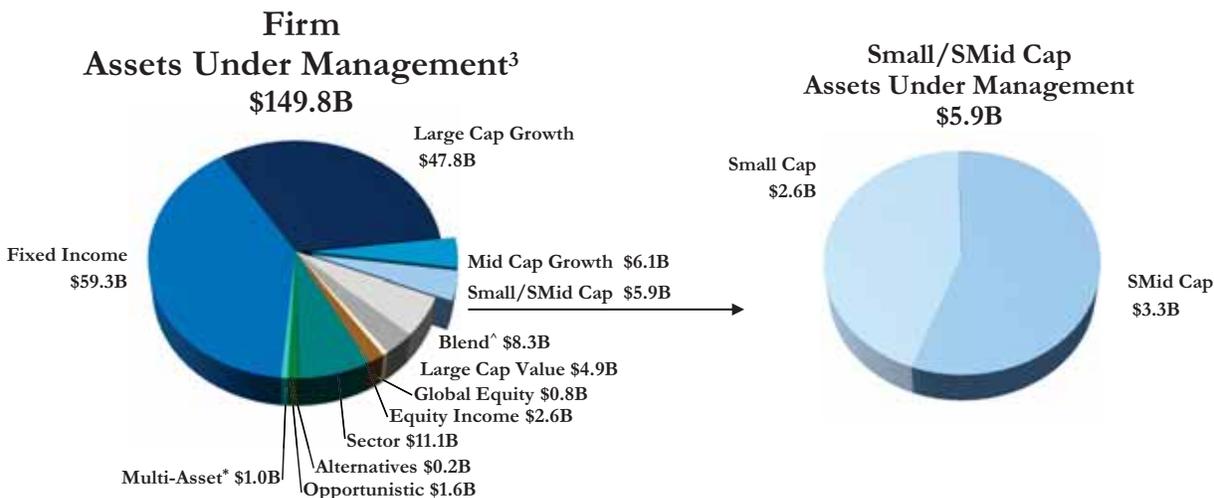
- Investment excellence across our capabilities¹
- Superior long-term investment returns for over 42 years²

Investment Culture:

- Singular focus on delivering results for clients
- Success measured as investment outperformance
- Team-based approach with benefit of individual accountability

Investment Objective:

- Long-term outperformance of relevant benchmarks driven by fundamental research and security selection



Assets under management (AUM) are as of March 31, 2012.

^{*}Multi-Asset AUM also includes Balanced AUM.

[^]Blend Equity AUM includes Large Cap Blend Equity and All Cap Blend Equity AUM.

Footnotes 1, 2 & 3: See Notes 1, 2 & 3 in the Appendix.

Past performance does not guarantee future results.

Objectives and Strategy

Objectives

- Outperform Russell 2000[®] Index over intermediate/long term
- Be the best performing manager among our peers

Strategy

- Use a bottom-up, research-intensive approach to build diversified portfolios of companies with attractive valuations and with projected strong earnings growth on an intermediate-term basis

*There is no guarantee these objectives will be met.
See Note 4 in the Appendix.*

JENNISON ASSOCIATES

Performance Evaluation

As of March 31, 2012

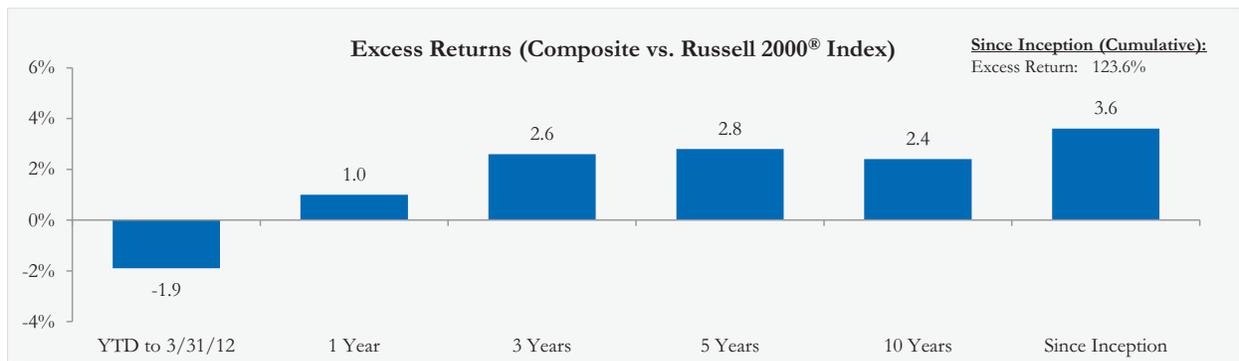
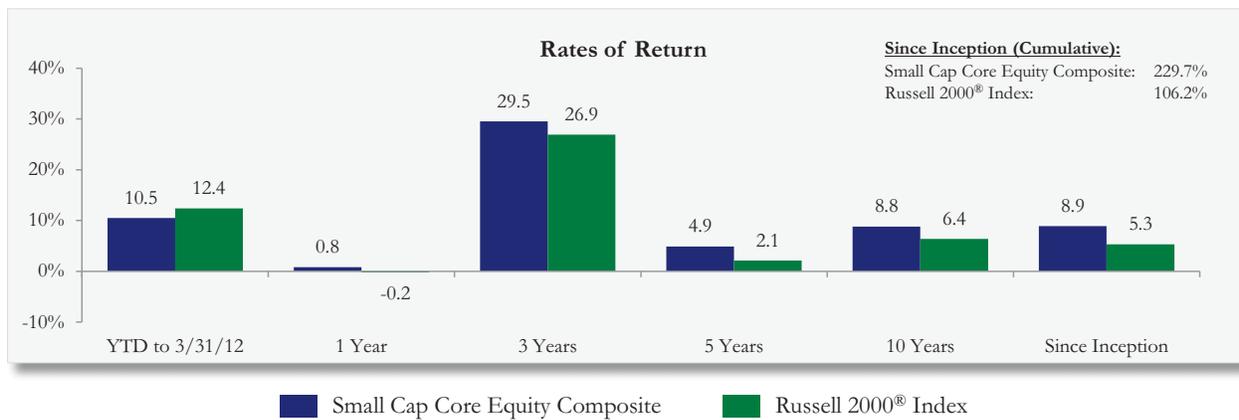
	SamCERA		Russell 2000®	Portfolio vs. Russell 2000® Index	
	Gross	Net	Index	-- Excess Returns --	
First Quarter 2012	10.5%	10.3%	12.4%	-2.0%	-2.2%
Full Year 2011	0.0	-0.8	-4.2	4.1	3.4
Full Year 2010	31.2	30.2	26.9	4.4	3.3
Full Year 2009	35.2	34.0	27.2	8.0	6.8
4/1/08 to 12/31/08	-29.4	-29.9	-26.5	-2.9	-3.4
Since Inception (4.0 years)					
Cumulative	38.3%	33.8%	27.7%	10.6%	6.1%
Annualized	8.4	7.5	6.3	2.1	1.2

*Inception of SamCERA portfolio: 4/1/08.
 Net of fee returns are preliminary.
 See Notes 4, 5, 6 & 7 in the Appendix.
 Past performance does not guarantee future results.*

JENNISON ASSOCIATES

Performance Evaluation

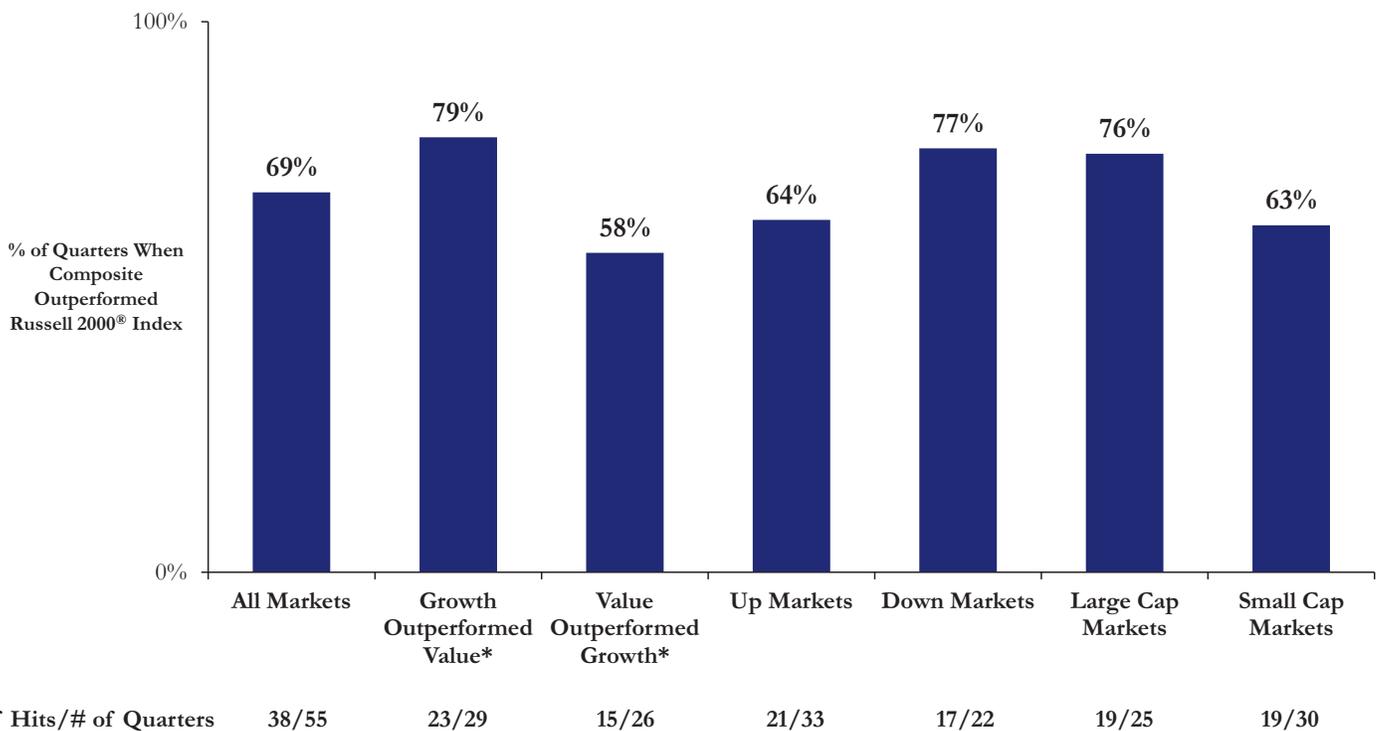
As of March 31, 2012, Gross of Fee



Inception of Small Cap Core Equity: 4/30/98. Periods greater than 1 year are annualized unless otherwise noted.
 See Small Cap Core Equity presentation and Notes 5, 6 & 7 in the Appendix.
 Past performance does not guarantee future results.

Performance In Different Market Conditions

*Small Cap Core Equity Composite, Gross of Fee
Since Inception to March 31, 2012*



Inception of Small Cap Core Equity Composite: 4/30/98.

**Growth is measured by the Russell 2000® Growth Index. Value is measured by the Russell 2000® Value Index.*

See Small Cap Core Equity Composite presentation and Notes 4, 5, 6 & 8 in the Appendix.

Past performance does not guarantee future results.

JENNISON ASSOCIATES

Focused Small and Mid Cap Team

Jennison Small and Mid Cap Team	Years of Investment Experience	Research Coverage
John P. Mullman, CFA <i>Portfolio Manager</i>	25	Special Situations
Jason M. Swiatek, CFA <i>Portfolio Manager</i>	17	Financials, Real Estate
Benjamin F. Bryan, CFA <i>Research Analyst</i>	17	Business Services, Internet, Technology, Telecommunications
Hilary Frisch, CFA <i>Research Analyst</i>	19	Technology: Semiconductors, Capital Equipment, Communications, Electronics, Software, Storage
Jodi I. Love <i>Research Analyst</i>	10	Consumer Discretionary, Retail, Restaurants, and Apparel
Steven P. McNeil, CPA <i>Research Analyst</i>	16	Capital Goods & Industrials, Basic Materials, Autos & Auto Parts
Sheetal M. Prasad, CFA <i>Research Analyst</i>	12	Health Care
Jonathan M. Shapiro <i>Research Analyst</i>	15	Consumer Discretionary, Education, Gaming & Lodging
Kelly Thomas <i>Research Analyst</i>	5	Consumer Staples, Health Care, Software, REITs

John P. Mullman, CFA, Head of Small and Mid Cap Equity Investment Team

- A decade of private investing with Prudential's private asset management group
- Experience in a wide range of industries and types of financings with various intermediaries
- Managed workouts of over 20 distressed investments

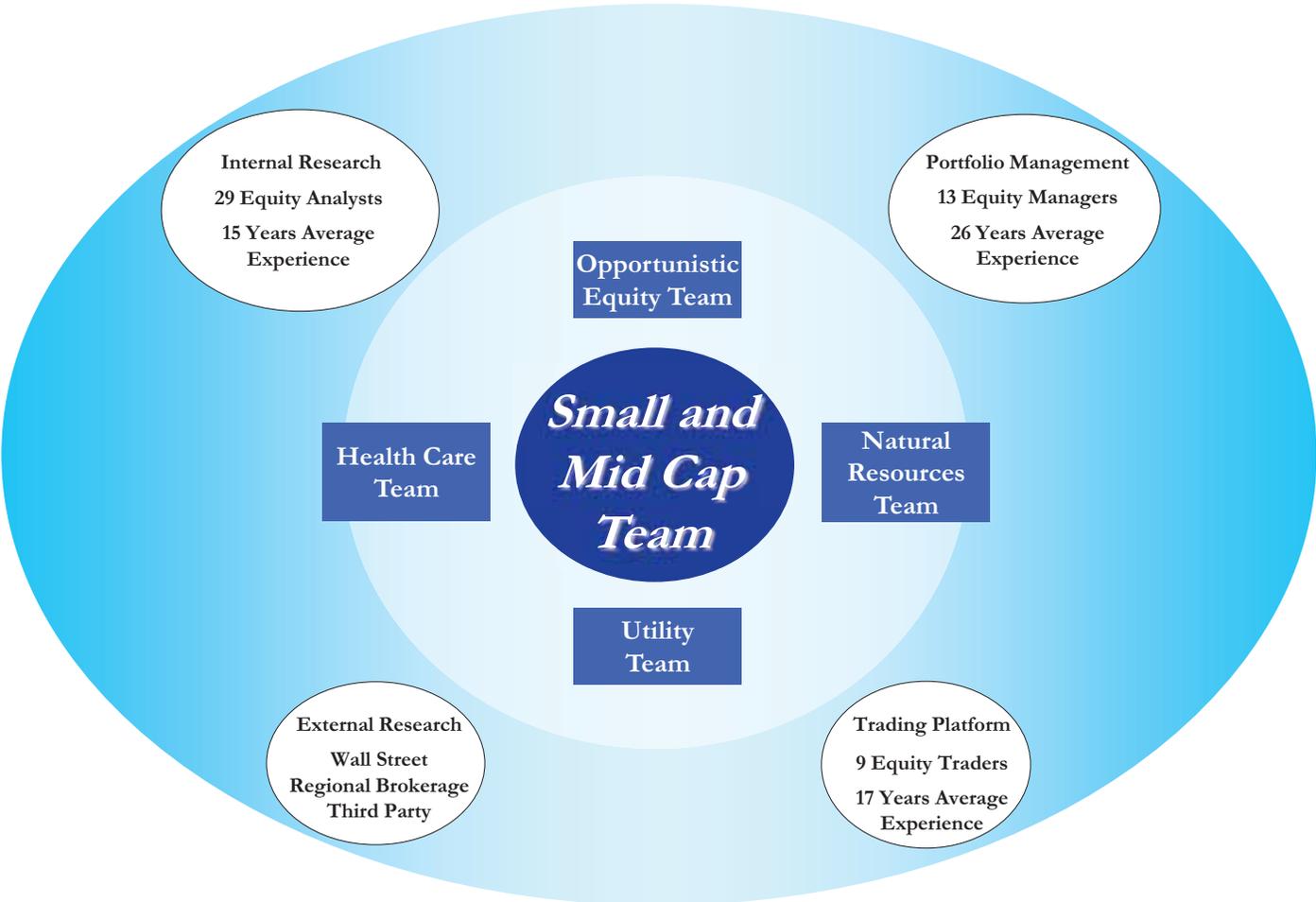
Dedicated team of 9 with an average of 15 years experience

- Well rounded skill set, solid sector coverage and diverse backgrounds

Portfolio managers and analysts support multiple products.

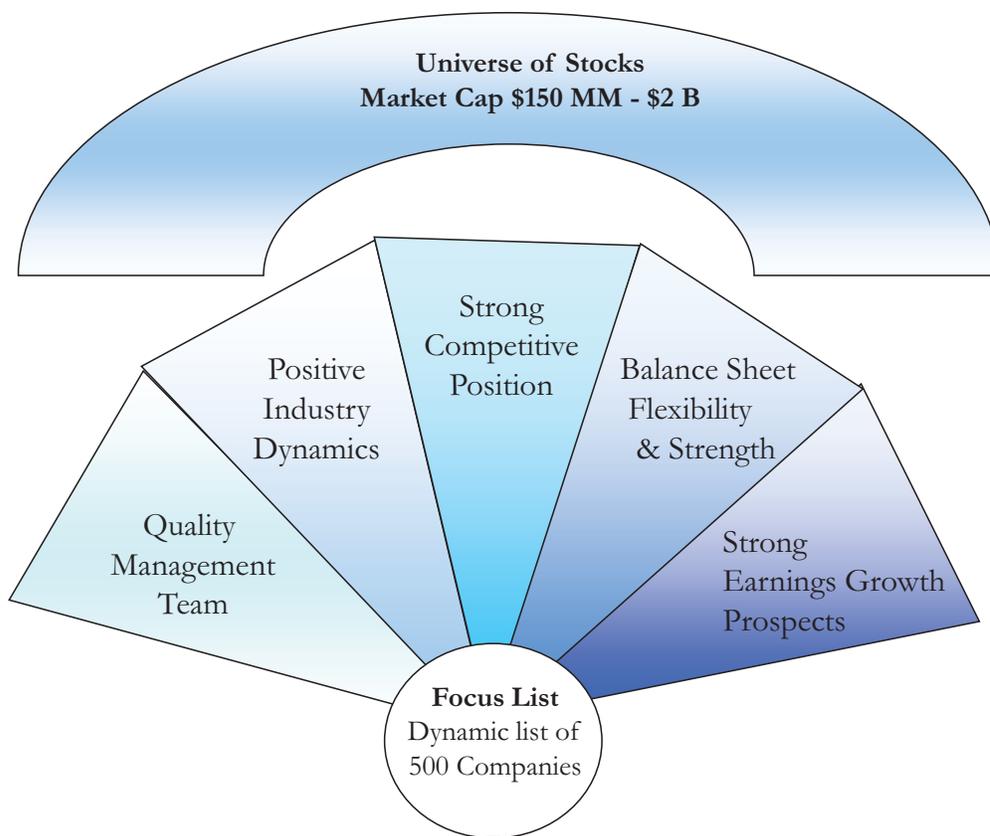
JENNISON ASSOCIATES

Investment Team Draws on Multiple Resources



Portfolio managers and analysts support multiple products.

Narrowing the Universe: Buy Businesses Rather Than Just Stocks



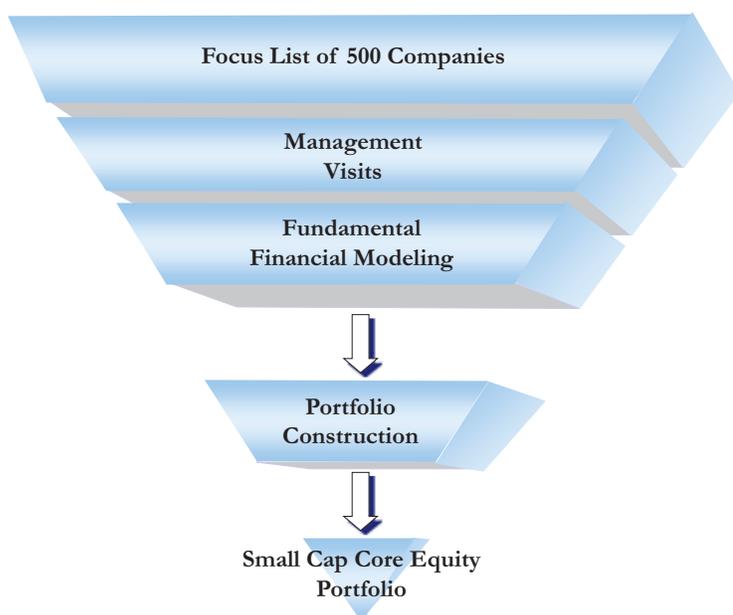
Idea Generation

- 136 years combined research experience
- Strength & stability of growth profile
- Company meetings
- Industry conferences
- Sell-side research
- Existing investments

Focus on

- Business evaluation
- Identifying catalysts

Fundamental Research and Disciplined Financial Analysis Drive Bottom-Up Investment Process



- Intensive Fundamental Research
 - In-depth coverage across wide variety of industries
- Financial Analysis
 - Internal earnings estimates
 - 3 year earnings/cashflow projections
- Portfolio Construction
 - Project/rank each stock's appreciation potential
 - Target prices derived from earnings estimates and qualitative assessment
 - Size of position reflects balance of appreciation potential, sector exposure, liquidity risk, etc.
 - Typically own 110 - 135 companies
- Sell discipline
 - We typically sell a security when one or more of the following occurs:
 - Holding exceeds the target price
 - Fundamental change in earnings growth or company dynamics that alters our view of appreciation potential
 - Increase in risk characteristics due to changes in company fundamentals or industry trends
 - A more attractive holding candidate is uncovered

Performance Attribution

*SamCERA vs. Russell 2000® Index, Gross of Fee
January 1, 2011 to December 31, 2011*

GICS Sector	SamCERA			Russell 2000® Index			Attribution Analysis Portfolio vs. Russell 2000® Index		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Sector Allocation Effect	Selection & Interaction Effect	Total Effect
Consumer Disc.	10.7%	-8%	0.80%	13.3%	-7%	-0.96%	0.14%	-0.09%	0.04%
Consumer Staples	5.4	17	0.84	3.2	8	0.21	0.26	0.48	0.74
Energy	7.5	-1	-0.43	6.9	-8	-0.87	0.03	0.59	0.62
Financials	18.4	-8	-1.48	20.9	-4	-0.78	-0.06	-0.79	-0.85
Health Care	11.8	11	1.27	12.6	2	0.21	-0.04	0.91	0.87
Industrials	19.0	4	1.15	15.4	-5	-0.63	0.19	1.57	1.76
Information Tech.	17.2	-1	0.25	18.3	-7	-1.10	0.01	1.21	1.23
Materials	3.8	-37	-1.64	5.2	-12	-0.68	0.13	-1.11	-0.98
Telecomm. Services	3.7	2	0.06	0.9	-7	-0.11	-0.07	0.34	0.27
Utilities	0.2	8	0.04	3.4	17	0.54	-0.52	0.03	-0.49
Cash	2.3	0	0.00	--	--	--	0.20	--	0.20
Total	100.0%	-1%	-0.73%	100.0%	-4%	-4.18%	0.29%	3.15%	3.44%

*Source for data: FactSet.
See Notes 4, 6, 9 & 10 in the Appendix.
Past performance does not guarantee future results.*

JENNISON ASSOCIATES

Performance Summary

January 1, 2011 to December 31, 2011, Gross of Fee

- The Portfolio declined modestly, but significantly outperformed the Russell 2000® Index. The index fell 4.2%.
- Strong stock selection in Health Care, Industrials, and Consumer Staples made the largest contributions to positive return. Stock selection in Information Technology and Energy benefited relative return.
- Stock selection in Materials and Financials detracted from absolute and relative returns.
- An underweight position in Utilities detracted from relative returns.

Largest Absolute Impact		SamCERA		
		Average Weight	Total Return	Contribution to Return
Top Five		Sector		
Air Methods Corporation	Health Care	1.4%	50%	0.62%
B&G Foods Inc.	Consumer Staples	0.9	83	0.62
Statoil ASA	Energy	0.9	34	0.58
White Mountains Insurance Group Ltd.	Financials	1.7	36	0.51
CenturyLink Inc.	Information Technology	0.5	54	0.48
Bottom Five		Sector		
Hecla Mining Company	Materials	0.8%	-53%	-0.61%
Waddell & Reed Financial, Inc.	Financials	0.9	-28	-0.53
James River Coal Company	Energy	0.3	-72	-0.49
Digital River, Inc.	Information Technology	0.6	-56	-0.43
McEwen Mining Inc.	Materials	0.4	-55	-0.41

Source for commentary data and table data: FactSet. The holdings identified do not represent all of the securities purchased, sold or recommended by Jennison.

The information contained herein is based on Jennison's calculations and records of the SamCERA portfolio, not the portfolio's official records.

See Note 9 in the Appendix for how the contribution to return was calculated.

A complete list of holdings and how each contributed to the portfolio's return is available upon request.

See Notes 4, 6, 10, 11 & 12 in the Appendix.

Past performance does not guarantee future results.

JENNISON ASSOCIATES

Performance Attribution

*SamCERA vs. Russell 2000® Index, Gross of Fee
January 1, 2012 to March 31, 2012*

GICS Sector	SamCERA			Russell 2000® Index			Attribution Analysis Portfolio vs. Russell 2000® Index		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Sector Allocation Effect	Selection & Interaction Effect	Total Effect
Consumer Disc.	10.0%	9%	0.93%	13.4%	18%	2.28%	-0.16%	-0.79%	-0.96%
Consumer Staples	4.9	9	0.42	3.5	9	0.31	-0.08	0.00	-0.08
Energy	7.5	2	0.06	6.7	7	0.49	-0.09	-0.37	-0.46
Financials	16.0	14	2.14	22.1	12	2.61	0.02	0.24	0.26
Health Care	12.7	13	1.57	12.6	15	1.89	0.00	-0.29	-0.29
Industrials	21.0	8	1.86	15.8	11	1.80	-0.04	-0.60	-0.64
Information Tech.	16.5	16	2.41	17.1	14	2.41	-0.04	0.21	0.17
Materials	3.8	15	0.56	4.7	13	0.62	-0.02	0.06	0.04
Telecomm. Services	3.8	9	0.35	0.8	13	0.10	0.00	-0.13	-0.13
Utilities	--	--	--	3.3	-2	-0.07	0.49	--	0.49
Cash	3.8	0	0.00	--	--	--	-0.52	--	-0.52
Total	100.0%	10%	10.31%	100.0%	12%	12.44%	-0.44%	-1.69%	-2.13%

*Source for data: FactSet.
See Notes 4, 6, 9 & 10 in the Appendix.
Past performance does not guarantee future results.*

JENNISON ASSOCIATES

Performance Summary

January 1, 2012 to March 31, 2012, Gross of Fee

- The Portfolio advanced strongly but underperformed the Russell 2000[®] Index, which gained 12.4%.
- All sectors had strong positive returns in the index, except for Utilities, which declined.
- Stock selection in Consumer Discretionary, Industrials, Energy, and Health Care detracted most from relative returns.
- Stock selection in Financials and Information Technology and an underweight position in Utilities benefited relative returns.

Largest Absolute Impact		SamCERA		
		Average Weight	Total Return	Contribution to Return
Top Five		Sector		
Protective Life Corporation	Financials	1.3%	32%	0.37%
MWI Veterinary Supply, Inc.	Health Care	1.2	32	0.34
Bio-Reference Laboratories, Inc.	Health Care	0.8	44	0.31
Darling International Inc.	Consumer Staples	1.0	31	0.28
Anixter International Inc.	Information Technology	1.4	22	0.27
Bottom Five		Sector		
FTI Consulting, Inc.	Industrials	1.1%	-12%	-0.13%
Lumos Networks Corp.	Telecommunication Services	0.4	-29	-0.12
Bill Barrett Corporation	Energy	0.3	-24	-0.10
Sagent Pharmaceuticals Inc.	Health Care	0.5	-15	-0.09
Diamond Foods, Inc.	Consumer Staples	0.1	-28	-0.08

Source for commentary data and table data: FactSet. The holdings identified do not represent all of the securities purchased, sold or recommended by Jennison.

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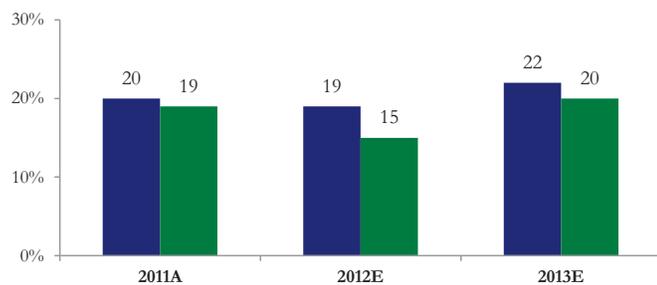
Past performance does not guarantee future results.

JENNISON ASSOCIATES

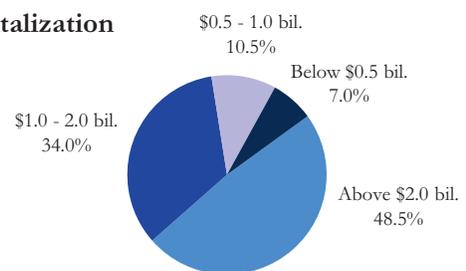
Portfolio Characteristics

As of March 31, 2012

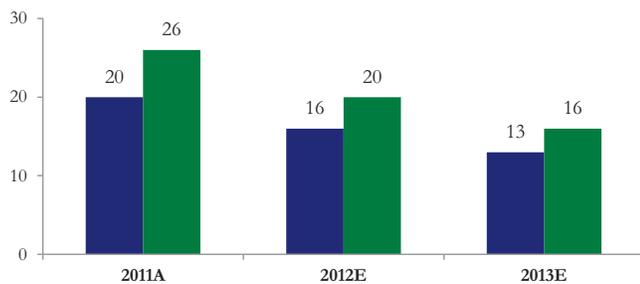
EPS Growth



Market Capitalization



P/E



■ SamCERA

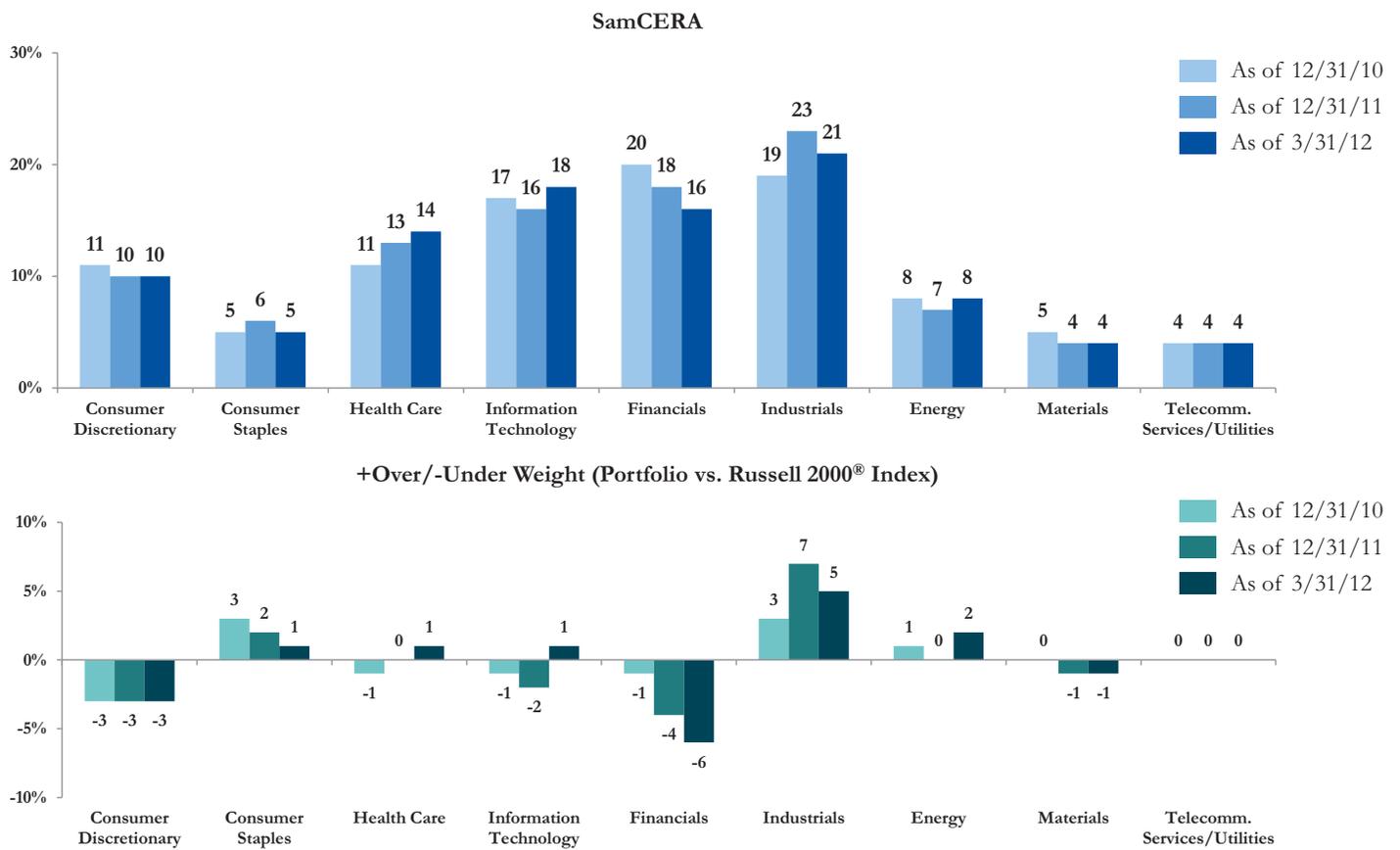
■ Russell 2000® Index

Other Characteristics

	SamCERA	Russell 2000® Index
Weighted Average Market Capitalization -	\$2.08 bil.	\$1.36 bil.
Performance-Based Historical Beta (vs. R2000®) -	0.95 [^]	
Number of Holdings -	123	
Estimated Annual Turnover -	40 - 60%	

[^]Performance-Based Historical Beta is based on the annualized (Gross of Fee) 5 year performance returns of the Small Cap Core Equity Composite. See Small Cap Core Equity Composite presentation and Notes 4, 5, 6 & 13 in the Appendix.

Portfolio Sector Allocation



Data shown above represents % of Equity.
 For ease of reference, certain similar GICS sectors have been grouped together.
 See Notes 4, 5, 6 & 10 in the Appendix.

Largest Equity Holdings

San Mateo County Employees Retirement Association portfolio as of March 31, 2012

<u>Security</u>	<u>% of Portfolio</u>	<u>Sector</u>	<u>P/E Cal Yr. 2012E</u>	<u>P/E Cal Yr. 2013E</u>	<u>Est. 3 Yr. Normalized Growth Rates</u>
White Mountains Insurance Group Ltd.	2.3%	Financials	13x	11x	12%
RBC Bearings, Inc.	2.1	Industrials	18	16	20
Heartland Express, Inc.	1.7	Industrials	19	17	15
Air Methods Corporation	1.7	Health Care	16	14	14
Rosetta Resources, Inc.	1.6	Energy	16	12	23
tw telecom inc.	1.4	Telecommunication Services	40	28	9
Protective Life Corporation	1.4	Financials	8	8	10
Chicago Bridge & Iron Company N.V.	1.4	Industrials	14	12	12
Anixter International Inc.	1.4	Information Technology	11	10	23
Power Integrations, Inc.	1.4	Information Technology	17	15	18
Woodward, Inc.	1.4	Industrials	17	15	20
NETGEAR, Inc.	1.4	Information Technology	12	11	30
The Cheesecake Factory Incorporated	1.4	Consumer Discretionary	16	13	15
MFA Financial, Inc.	1.3	Financials	8	8	8
Teledyne Technologies Incorporated	1.3	Industrials	15	14	15
Dresser-Rand Group, Inc.	1.3	Energy	14	12	12
Reliance Steel & Aluminum Company	1.3	Materials	10	8	12
MWI Veterinary Supply, Inc.	1.3	Health Care	21	17	20
Colfax Corporation	1.2	Industrials	21	15	15
ATMI, Inc.	1.2	Information Technology	16	12	14

NM: Not Meaningful and applies to securities with P/Es greater than 50 or less than 0.
See Notes 10, 11, 12, 14 & 15 in the Appendix.

JENNISON ASSOCIATES

Portfolio Outlook

- After a strong start to 2012, we have tempered our expectations for equity returns for the remainder of the year.
 - We anticipate steady but not robust earnings growth from a tepid economic recovery, without meaningful changes in unemployment or inflation.
 - Some renewed activity in depressed sectors, such as construction, appears likely.
 - This environment should enable companies to sustain and potentially expand operating margins.
- While the Federal Reserve has held interest rates at or near zero, only modest economic growth is likely.
 - We expect commodity prices to remain near current levels, but global economic or geo-political risks could create volatility.
 - The price of crude oil has risen, in part, due to an increase in global tensions in the Middle East. The impact on gasoline prices, and in turn consumer behavior, bears monitoring.
- We expect ongoing budget deliberations in Congress to result in tighter fiscal policy.
 - Investors will monitor federal and state debt, which could dampen corporate revenue growth.
 - The upcoming Supreme Court decision on health care, pre-election political rhetoric, and rising rates also present risks.
- Cash levels on corporate balance sheets remain at historically high levels.
 - Companies are likely to increase cash deployment through capital investment, share buybacks/dividends, and mergers and acquisitions.
 - We expect the portfolio to continue to benefit from an acceleration of M&A activity.
- Industry weightings in the portfolio are balanced as we continue to find attractive investments across all industry groups.
 - In our view, companies that are benefiting from strong secular trends and can demonstrate pricing power should prosper in the current environment.

*As of March 31, 2012.
See Note 16 in the Appendix.*

Appendix

Performance Analysis

*Small Cap Core Equity Composite Net of Fee vs. Russell 2000® Index
As of March 31, 2012*

Annualized Performance and Statistics

<i>Based on Monthly Returns</i>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Annualized Returns				
Small Cap Core Equity Composite	0.2%	28.7%	4.3%	8.2%
Russell 2000® Index	-0.2	26.9	2.1	6.4
Excess Returns	0.4	1.8	2.2	1.8
Annualized Standard Deviation (Composite)	22.2%	20.5%	23.8%	20.2%
Annualized Standard Deviation (Russell 2000® Index)	22.8	22.3	24.5	20.9
Sharpe Ratio (Composite)	0.01	1.4	0.1	0.3
Sharpe Ratio (Russell 2000® Index)	-0.01	1.2	0.04	0.2
Composite vs. Russell 2000® Index				
Annualized Tracking Error	4.7%	4.1%	4.8%	4.5%
Information Ratio	0.1	0.5	0.4	0.4
Annualized Alpha	0.34%	3.60%	2.24%	2.04%
Performance-Based Historical Beta	---	0.91	0.95	0.94
R Squared	96%	97%	96%	95%

Inception of Small Cap Core Equity Composite: 4/30/98.

See Small Cap Core Equity Composite presentation and Notes 5, 6, 7 & 17 in the Appendix.

Past performance does not guarantee future results.

JENNISON ASSOCIATES

Biographies - Small and Mid Cap Investment Team

John P. Mullman, CFA, Managing Director, Head of Small and Mid Cap Equity, & Small, SMid, and Mid Cap Equity Portfolio Manager ♦ John Mullman joined Jennison Associates in August 2000 when Prudential's public equity asset management capabilities merged into Jennison. John has been managing institutional small cap portfolios since 1996 and was named the portfolio manager of the Prudential Jennison Small Company Fund in May 2000. He was also named portfolio manager for the Prudential Jennison Mid-Cap Growth Fund in 2005. *Barron's* magazine has named John as one of the top 100 mutual fund managers in 2006, 2007 and 2008. John joined Prudential in 1987 as an associate in the corporate finance group, where he originated a variety of private placement investments, including fixed rate debt securities, leverage buyouts, ESOP financings and asset-backed investments. From 1991 to 1995, John served as a vice president in Prudential's financial restructuring group, where he managed a \$500 million portfolio of privately-placed debt and equity securities in financially troubled or over-leveraged companies. He managed the workouts of over 20 distressed investments through a variety of out-of-court restructurings, bankruptcies and complex recapitalizations. The bulk of the investments were in companies with market capitalizations below \$1 billion. Through his private equity and workout experience, John has served on the boards of directors of three public and private firms and has worked closely with management in developing and implementing strategic growth plans for several small cap companies. Over the course of his career, John has worked with a wide variety of small companies, industries, LBO sponsors and financial intermediaries and has developed an in-depth knowledge of business assessment and valuation methodologies. John received a B.A. in economics from the College of the Holy Cross and an M.B.A. from Yale University. He is also a member of the New York Society of Security Analysts and CFA Institute.

Jason M. Swiatek, CFA, Managing Director & Small Cap Equity Portfolio Manager ♦ Jason Swiatek joined Jennison Associates in August 2000 when Prudential's public equity asset management capabilities merged into Jennison, and was officially named co-manager of small cap portfolios in September 2005. Jason joined Prudential in 1995 as a financial reviewer for the asset management group. He then moved to Prudential's global growth equities team in 1996 before joining the small cap equity team in January 1999. Prior to Prudential, Jason worked at Munistat/PFA, Inc. and the Center for Entrepreneurship. Jason received a B.S., *summa cum laude*, in finance from Canisius College. He is a member of the New York Society of Security Analysts and CFA Institute.

Benjamin F. Bryan, CFA, Managing Director & Equity Research Analyst ♦ Benjamin Bryan joined Jennison Associates in August 2000 when Prudential's public equity asset management team merged into Jennison. Ben was a broker in the retail division of Waterhouse Securities before joining Prudential as a trader for the Prudential individually managed accounts group in 1997. He moved to Prudential's U.S. emerging growth equity team in November 1999. Currently, as a member of Jennison's equity research team, Ben focuses primarily on small to mid-cap growth stocks. Ben received his B.S. from the State University of New York College at Oswego and is a member of the New York Society of Security Analysts.

Hilary Frisch, CFA, Managing Director & Equity Research Analyst ♦ Hilary Frisch joined Jennison Associates in August 2008. She came to Jennison after being with Neuberger Berman/Lehman Brothers since 2000, where she was a portfolio manager and portfolio analyst for the company's top performing mid-cap and large cap value funds. From 1997 to 2000, Hilary was an equity research associate at Donaldson, Lufkin & Jenrette covering internet and software industries. Hilary also worked for Dean Witter Reynolds as an associate technology analyst and Merrill Lynch & Co, Inc. from 1993 to 1996 completing a two-year investment banking analyst program and then as an associate analyst researching the Latin American telecom industry. Hilary received her B.A., *cum laude*, in international studies from the University of North Carolina at Chapel Hill. She is a member of the New York Society of Security Analysts and CFA Institute.

Jodi I. Love, *Managing Director & Equity Research Analyst* ♦ Jodi Love joined Jennison Associates in April 2012 as an analyst covering consumer stocks with a focus on retail, restaurants, and apparel companies for the small and midcap team. She came to Jennison after being with Balyasny Asset Management since 2008, where she was a senior equity analyst for consumer retail. From 2005 to 2008, she was a director, equity research for retail softlines at Oppenheimer & Co. Prior to that, she was an equity research associate, covering retail softlines, for Lehman Brothers. She has also been a merchandise analyst for Saks Fifth Avenue Enterprises. She began her career as an investment banking analyst for global real estate and lodging at J.P. Morgan Securities. Jodi received her B.A. with first class honors from McGill University. She received an associate's degree in applied science and fashion merchandising management with highest honors from the Fashion Institute of Technology.

Steven P. McNeil, *Managing Director & Equity Research Analyst* ♦ Steve McNeil joined Jennison Associates in June 2004. Prior to Jennison, Steve was an equity research analyst at State Street Research and Management for three years. His responsibilities included coverage of the multi-industry, electrical equipment, airline and aerospace/defense industries. During the summer of 2000, Steve was with Wellington Management Company, where he was an analyst covering the Internet travel industry. Prior to that, he was with Midtown Research Group as an equity analyst covering the media/broadcasting, retail, health care, and technology sectors. Steve was also a financial analyst in the health care group at Salomon Smith Barney from 1996 to 1998. He received a B.S. in finance and accounting, *cum laude*, from Northeastern University. Steve received an M.B.A. from the Tuck School of Business at Dartmouth and is also a certified public accountant.

Sheetal M. Prasad, CFA, *Managing Director & Equity Research Analyst* ♦ Sheetal Prasad joined Jennison in October 2007. Prior to Jennison, Sheetal was a small and mid-cap healthcare equity research analyst at DWS Scudder Investments, a division of Deutsche Bank. Her equity research career began in 2000 as an associate at Bear Stearns & Co., where she worked with the medical device research team. Sheetal received a B.S. in biology from Georgetown University. She is a member of the New York Society of Security Analysts and CFA Institute.

Jonathan M. Shapiro, *Managing Director & Equity Research Analyst* ♦ Jonathan Shapiro joined Jennison Associates in June 2006. Prior to Jennison, Jonathan worked at Goldman Sachs & Co. as a vice president, and was head of the small companies/special situations research group, where he actively covered a group of small and mid-cap stocks in multiple industries, including consumer, industrial and business services companies. Jonathan started as an associate with Goldman in 2001 and spent his entire tenure within the small companies/special situations research group. From 1997 to 1999 Jonathan worked at KPMG Consulting as a senior consultant for the real estate and hospitality group. Jonathan also worked with Jones Lang Wootton Realty Advisors (now ING Clarion) from 1995 to 1997 as a senior analyst. Jonathan received his B.A. with high honors in history from Dartmouth College. He received an M.B.A. from The Wharton School at the University of Pennsylvania.

Kelly Thomas, *Principal & Equity Research Analyst* ♦ Kelly Thomas joined Jennison in November 2006 as a research assistant on the Small/Mid Cap team. She was promoted to principal in December 2009 and research analyst in December 2011. She covers primarily the consumer staples, health care, and software industries as well as real estate investment trusts (REITs). Prior to Jennison, Kelly worked at Metro International as a traffic coordinator, with advertising sales and production layout responsibilities. She received her B.A. in studio art from Dartmouth College.

Biographies - Client Relationship Management

Joseph M. Carrabes, *Managing Director, Head of Institutional Sales & Client Service* ♦ Joseph Carrabes joined Jennison Associates in March 2006. Prior to joining Jennison, Joe was managing director and director of institutional sales and relationship management at Putnam Investments. While managing Putnam's Global Institutional Management sales effort, he was responsible for the management of all sales and client service professionals in the U.S. and worked with Putnam's largest clients. He joined Putnam in 1993 as a client service associate serving as a liaison between institutional clients and Putnam Institutional Management. Prior to Putnam, Joe was a senior financial services officer and senior financial analyst for The Boston Company/Boston Safe Deposit and Trust Company. Joe graduated from Villanova University with a B.S. in business administration.

Karen E. McQuiston, CFA, *Managing Director, Head of Global Strategic Advisory* ♦ Karen McQuiston joined Jennison Associates in May 2010. Prior to joining Jennison, Karen was vice president of the Pensions, Endowments and Foundations Group at Goldman Sachs where she was responsible for developing and managing relationships with major US corporate and public pension plans. Previously, Karen headed the Strategic Investment Advisory Group at JPMorgan Investment Management. She started her investment management career at Salomon Brothers Asset Management in the Quantitative Research Group developing customized asset allocation and asset/liability studies for institutional clients. Karen received a B.S. in agricultural economics from Cornell University and an M.A. in biology from the University of California, Santa Cruz. She is a member of the CFA Institute.

Peter L. Clark, *Managing Director, Global Client and Product Specialist* ♦ Peter Clark joined Jennison Associates in December 2011. He is a product specialist currently responsible for the Global Equity product and Jennison's international sales and client service. Peter has 25 years of experience in financial markets. Before joining Jennison, he was a partner and the head of distribution and product development at The Rohatyn Group (TRG). Prior to TRG, he served as head of emerging market equity at Schroders Investment Management in London before becoming the chief executive officer and chairman of Schroders' Americas business. Peter started his career at JP Morgan, where he held positions that spanned sell-side and buy-side groups in fixed income, sovereign advisory, capital markets, and proprietary trading. In his final role at JPMorgan, he headed the emerging markets strategies at JPMorgan Investment Management. Peter earned an A.B. in history and government from Harvard College.

James L. Haggerty, CFA, *Managing Director, Consultant Relationship Management* ♦ Jim Haggerty joined Jennison Associates in October 2005. Prior to joining Jennison, Jim was a vice president at Ariel Capital Management, LLC, where he was responsible for east coast sales and client service to financial intermediaries. From 1995 to 2003, Jim was with Harbor Fund/HCA Securities, Inc., where he most recently held the position of vice president and treasurer. His responsibilities included consultant communications and institutional client service. From 1988 until 1995, Jim held positions at various companies including Dean Witter Reynolds, Inc. and Marathon Oil Company/USX Corporation. Jim received his B.A. in psychology with a concentration in industrial psychology from Bowling Green State University. He received an M.B.A. with a concentration in finance and marketing, also from Bowling Green State University. Jim was president of the Financial Analysts Society of Toledo from 1999 to 2000 and vice president from 1998 to 1999. He is a member of CFA Institute and Association of Investment Management Sales Executives.

Richard K. Mastain, *Managing Director, Client Relationship Management* ♦ Rick Mastain joined Jennison Associates in November 2000. He is a product specialist currently responsible for institutional client service. He began his career as a marketing officer at IBM in 1977. In 1981, he joined Scudder, Stevens & Clark, Inc. as a portfolio manager and marketing officer for the fixed income group responsible for short term fixed income instruments serving corporate clients. From 1983 to 1986, Rick was a regional vice president at The Pacific Century Group responsible for developing plan sponsor relationships in the Midwest. From 1986 to 1993, he was at Prudential Asset Management Company as co-managing director of national sales & marketing and in 1993, he joined Dreman Value Advisor/Zurich Investment Management as a managing director and partner. At Dreman, Rick served on the investment committee and managed value equity portfolios for clients in addition to being responsible for client service and marketing. Rick received his B.A. in American history and minor in economics from Bowdoin College. Rick was a board member of Noble International from 1997 to 2001.

Daniel J. Nichols, *Managing Director, Client Relationship Management* ♦ Dan Nichols joined Jennison in August 2004. He joined the institutional client relationship management team in January 2006 and is a product specialist responsible for client service. Before joining the institutional team at Jennison, Dan was responsible for relationships with subadvisory clients, managed account and mutual fund platforms, and retail distribution channels with respect to Jennison's Large Cap Growth, Mid-Cap Growth, Small/Mid Cap Core, Technology, and Health Sciences capabilities. Prior to Jennison, he was director of portfolio management at NetBank, Inc. His responsibilities have included corporate finance, derivatives, capital markets, institutional and retail product sales, balance sheet and portfolio management, trading and risk management. Dan also served in the US Navy for nine years as a Surface Warfare Officer. Dan graduated, *summa cum laude*, from the University of Pennsylvania with a B.S. in systems engineering and received his M.B.A. from the University of Arizona.

Peter H. Reinemann, CFA, *Managing Director, Client Relationship Management* ♦ Peter Reinemann joined Jennison Associates in 1992 as a member of the opportunistic equity and balanced portfolio management group. He was named Associate Portfolio Manager of the Prudential Jennison Growth Fund in 1995. In 2000, Peter was made responsible for client relationship management and added institutional equity marketing for both Jennison Associates and Quantitative Management Associates to his duties. Prior to joining Jennison, Peter held the title of vice president at Paribas Asset Management where he was responsible for developing the firm's global asset allocation, global fixed income and regional equity asset management activities in North America. Peter also served with Contravisory Research Corp., an institutional equity research and investment management firm. He received his B.A., *cum laude*, from Boston University. Peter is a member of the New York Society of Security Analysts, CFA Institute, and the Association of Investment Management Sales Executives. He is also a member of the Parents Council at the University of Richmond.

Kerry Ann Shanley, CFA, *Managing Director, Client Relationship Management* ♦ Kerry Shanley joined Jennison Associates in June 1988. She is head of consultant relations and responsible for institutional client service and new business activities. Kerry graduated from Mary Washington College with a B.S., *magna cum laude*, in business administration. She received an M.B.A. with honors from Columbia University. She is a member of the New York Society of Security Analysts, CFA Institute, and Association of Investment Management Sales Executives.

Notes

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These materials do not purport to provide any legal, tax or accounting advice.

- 1 Jennison's core capabilities (Large Cap Growth Equity Composite - Russell 1000[®] Growth Index, Opportunistic Equity Composite - Russell 3000[®] Index, Utility Equity Composite - S&P Composite 1500 Utilities Index, Small Cap Core Equity Composite - Russell 2000[®] Index, Large Cap Value Equity Composite - Russell 1000[®] Value Index, Global Equity Opportunities Composite - MSCI All Country World Index, Active Long Treasury/Agency Fixed Composite - Active Long Treasury/Agency Custom Benchmark) have outperformed their relevant benchmark since their respective inception dates as of March 31, 2012.
- 2 Jennison Associates LLC began offering its Large Cap Growth Equity strategy to institutional clients in July of 1969. Since the firm's inception, the Large Cap Growth Equity institutional composite has outperformed the S&P 500 Index and the Russell 1000[®] Growth Index (since the index's inception) through March 31, 2012.
- 3 Due to rounding, individual product assets may not sum to total AUM shown.
- 4 The **Russell 2000[®] Index** measures the performance of the 2,000 smallest companies in the Russell 3000[®] Index, which represents approximately 8% of the total market capitalization of the Russell 3000[®] Index. The **Russell 1000[®] Index** measures the performance of the 1,000 largest companies in the Russell 3000[®] Index, which represents approximately 92% of the total market capitalization of the Russell 3000[®] Index. The **Russell 2000[®] Growth Index** measures the performance of those Russell 2000[®] companies with higher price-to-book ratios and higher forecasted growth values. The **Russell 2000[®] Value Index** measures the performance of those Russell 2000[®] companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap[®] Index measures the performance of the mid-cap segment of the U.S. equity universe. The financial indices referenced herein are provided for informational purposes only. When comparing the performance of a manager to its benchmark(s), please note that the manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices assume reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown. Indices referenced in this presentation are registered trade names or trademark/service marks of third parties. References to such trade names or trademark/service marks and data is proprietary and confidential and cannot be redistributed without Jennison's prior consent. Investors cannot directly invest in an index.
- 5 Unless otherwise noted, source for Russell[®] Index data: Mellon Analytical Solutions or Standard & Poor's Compustat[®] & FactSet.
- 6 Certain information in this document has been obtained from sources that Jennison believes to be reliable as of the date presented; however, Jennison cannot guarantee the accuracy of such information, assure its completeness, or warrant such information will not be changed. The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. Jennison has no obligation to update any or all such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy.
- 7 Due to rounding, calculations based on the returns provided may not result exactly in Excess Returns shown. Excess Return is the additional return generated by the Portfolio or Composite relative to the market index.
- 8 A **Hit Rate** represents periods in which the Small Cap Core Equity Composite outperformed the Russell 2000[®] Index within each market segment. A **Growth Market** is when the Russell 2000[®] Growth Index outperforms the Russell 2000[®] Value Index. A **Value Market** is when the Russell 2000[®] Value Index outperforms the Russell 2000[®] Growth Index. An **Up Market** is when the Russell 2000[®] Index return is positive. A **Down Market** is when the Russell 2000[®] Index return is negative. A **Large Cap Market** is when the Russell 1000[®] Index outperforms the Russell 2000[®] Index. A **Small Cap Market** is when the Russell 2000[®] Index outperforms the Russell 1000[®] Index.

Notes

- 9 **Average Weight** is the dollar value (price times the shares held) of the security or group, divided by the total dollar value of the entire portfolio displayed as a percentage. It is calculated as the simple arithmetic average of daily values. **Total Return** is the price change of a security or group including dividends accrued over the report period or the "in-portfolio return" which includes only the time period that each security was in the portfolio. **Contribution to Return** is the contribution of a security or group to the overall portfolio return. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period. **Allocation Effect** is the portion of portfolio excess return that is attributable to taking different group bets from the benchmark. (If either the portfolio or the benchmark has no position in a given group, allocation effect is the lone effect.) A group's allocation effect equals the average percent capitalization of the portfolio's group minus the average percent cap of the benchmark's group times the total return of the benchmark group minus the total return of the benchmark. **Stock Selection** is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group's security selection effect equals the average weight of the benchmark's group times the total return of the portfolio's group minus the total return of the benchmark's group. There is a third component called the Interaction Effect that is added to the Stock Selection. **Interaction Effect** is the portion of the portfolio excess return attributable to combining allocation decisions with stock selection. This effect is often thought of as measuring the strength of the manager's convictions. The interaction effect is the weight differential times the return differential. A group's interaction effect equals the average percent cap of the portfolio's group minus the average percent cap of the benchmark's group times the total return of the portfolio's group minus the total return of the benchmark's group. **Total Effect** is the sum of Allocation Effect and Stock Selection. The total effect represents the opportunity cost of what was done in a group relative to the overall portfolio. It is not just the difference between percent contribution in the portfolio and benchmark. At the overall portfolio level, the two numbers are equal. At the group level, they can be different. This information should not be considered as a recommendation to purchase or sell a particular security and there is no assurance that certain securities will remain in or out of the portfolio. These sectors, stock selections and holdings may change at any time and may not represent current or future sectors or stock selections.
- 10 The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by Jennison Associates LLC "as is". As of October 1, 2009, Jennison Associates LLC ("Jennison") does not reclassify securities classified by S&P/MSCI GICS. Only securities not classified by S&P/MSCI GICS will be classified by Jennison. Therefore, this report may include companies that have been classified by S&P/MSCI GICS or classified by Jennison. Companies classified by Jennison are not sponsored by the S&P/MSCI GICS classification system. Due to rounding, percentages may not sum to 100% or totals shown. If shown, the cash percentage represents trade date cash and cash equivalents.
- 11 These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services. These materials do not constitute investment advice and should not be used as the basis for any investment decision. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.
- 12 The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.
- 13 **Beta** measures the volatility of the composite relative to the chosen risk market index. Portfolio **EPS Growth** and **P/E** are based on estimates determined by Jennison investment professionals. They are based on operating earnings per share and are subject to periodic change without prior notice. Although Jennison believes that the expectations reflected in such forward looking statements are based on reasonable assumptions it can give no assurance that its expectations will be achieved and actual results may differ materially from those projected. Portfolio EPS Growth is calculated considering the effect of stock option expenses. In cases where Jennison's investment professionals believe it is inappropriate to include stock option expenses, the earnings estimates used in the calculation would not be adjusted for stock option expenses. EPS estimates used to calculate portfolio P/E will include the effect of stock option expenses, except in cases where Jennison's investment professionals believe it is inappropriate to include stock option expenses. Index EPS Growth and P/E are calculated by Jennison using estimates from I/B/E/S. Portfolio and index EPS Growth are calculated using weighted average interquartile methodology. Portfolio and index P/E is calculated using harmonic mean methodology. The cash percentage represents trade date cash and cash equivalents. Market Capitalization ranges are determined by Jennison investment professionals.

Notes

- 14 The characteristics of the individual securities in the portfolio are available upon request. The **P/E** and **EPS Growth** are estimates determined by Jennison investment professionals. They are based on operating earnings per share and are subject to periodic change without prior notice. Although Jennison believes that the expectations reflected in such forward looking statements are based on reasonable assumptions, it can give no assurance that its expectation will be achieved and actual results may differ materially from those projected. Portfolio EPS Growth is calculated considering the effect of stock option expenses. In cases where Jennison's investment professionals believe it is inappropriate to include stock option expenses, the earnings estimates used in the calculation would not be adjusted for stock option expenses. EPS estimates used to calculate portfolio P/E will include the effect of stock option expenses, except in cases where Jennison's investment professionals believe it is inappropriate to include stock option expenses.
- 15 The Estimated 3 Yr Normalized Growth Rates are determined by Jennison investment professionals and are subject to periodic change.
- 16 The views expressed herein are those of Jennison investment professionals at the time the comments were made. They may not be reflective of their current opinions, are subject to change without prior notice, and should not be considered investment advice.
- 17 All statistics are based on monthly net of fee returns. **Annualized Return** is a compounded annualized total return based upon geometrically linking a return series. $((1 + \text{rate of return}) * (1 + \text{rate of return}) \dots \text{etc.})$. **Annualized Standard Deviation** is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The annualized standard deviation shows how far away numbers on a list are from their averages and takes that number and multiplies it by the square root of the frequency. For example, monthly frequency would multiply the standard deviation * the square root of 12 (3.4641). The greater degree of dispersion, the greater degree of risk. **Sharpe Ratio** is the measure of risk adjusted returns. It is a risk-adjusted measure developed by Professor William F. Sharpe, which measures reward per unit of risk. The higher the Sharpe Ratio, the better. The numerator is the difference between the portfolio's annualized return and the annualized return of the risk-free instrument (T-Bills). The denominator is the portfolio's annualized standard deviation. It is the performance of the Composite less the performance of the risk-free instrument divided by the standard deviation of the Composite. **Excess Return** is the additional return provided by the composite over the relative market index. **Tracking Error** is the standard deviation of the difference in monthly returns between the composite and the market index. **Information Ratio** is the excess return of the composite over the market index divided by the Tracking Error. **Alpha** is a risk (beta-adjusted) return measurement. If two managers had the same return, but one had a lower beta, that manager would have a higher alpha. **Beta** measures the volatility of the composite relative to the chosen risk market index. **R Squared** is used in style analysis to determine how much information about the composite return series the style benchmark has been able to capture. The higher the R-squared, the better the benchmark.

Small Cap Core Equity Composite
April 30, 1998 to December 31, 2011

Year Ended	Composite Gross of Fee Returns	Composite Net of Fee Returns	Russell 2000® Index Returns	Composite Assets (\$ in Millions)	# of Accounts	Standard Deviation (Equal- Weighted)	Total Firm Assets (\$ in Millions)
Since Inception to 12/31/98	-16.61%	-17.17%	-11.94%	\$ 96.1	3	N/A	\$ 46,357.8 ¹
1999	40.57	39.18	21.26	149.1	4	0.79	58,765.7 ¹
2000	0.62	-0.27	-3.02	1,132.3	7	N/A	80,264.2
2001	17.87	17.35	2.49	1,236.8	7	0.24	61,606.1
2002	-23.96	-24.30	-20.48	947.5	7	0.19	47,386.2
2003	47.26	46.59	47.25	1,344.3	7	0.50	58,056.0
2004	21.63	21.07	18.33	959.9	6	0.48	63,488.1
2005	11.08	10.51	4.55	1,342.4	10	0.49	71,278.1
2006	19.24	18.60	18.37	1,571.4	10	0.53	77,665.6
2007	6.93	6.36	-1.57	1,646.3	10	0.25	86,478.1
2008	-36.98	-37.35	-33.79	1,291.5	16	0.33	62,155.3
2009	35.32	34.50	27.17	1,546.3	11	0.43	93,316.5
2010	31.08	30.29	26.85	2,706.9	15	0.15	123,901.0
2011	-0.50	-1.09	-4.18	2,333.5	15	0.23	135,729.3

¹ This Composite was transferred to Jennison in August of 2000 as part of a merger of certain active public equity management strategies as described below. Therefore this Composite was not part of Jennison's historical assets under management. Total Firm Assets for 1998 and 1999 represents the assets under management of Jennison and does not include assets transferred from the Predecessor.

- Jennison Associates LLC (Jennison or the Firm) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Jennison has been independently verified for the period from January 1, 1993 through December 31, 2010. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Core Equity Composite ("Composite") has been examined for the period from May 1, 1998 through December 31, 2010. Gross and net of fee performance for periods after 2010 is preliminary and may change as a result of our independent verifier's annual examination. The verification and performance examination reports are available upon request.
- Jennison Associates LLC is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and an indirect wholly owned subsidiary of Prudential Financial, Inc. ("Parent"). Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom. In 2000, the Parent's predecessor ("Predecessor") reorganized and transferred certain active public equity asset management capabilities and personnel to Jennison Associates LLC resulting in the transfer of approximately \$27 billion in assets. Prior to January 1, 2006, the Firm assets of Jennison did not include assets managed through wrap fee programs (Jennison Managed Accounts or JMA). On January 1, 2006, Jennison redefined the Firm to include JMA assets, for all periods after January 1, 2006.
- The Composite contains assets that were transferred from the Predecessor. Jennison did not previously manage assets with a style similar to that of the Composite. The Composite inception date was April 30, 1998 and the Composite creation date under the GIPS standards was November 2000. The Small Cap Core Equity Strategy seeks to buy both growth and value stocks using a research-intensive process that uses both fundamental research and a disciplined portfolio construction process. A list of Jennison's composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- Performance results are calculated in US dollars and reflect reinvestment of dividends and other earnings. Performance returns for periods prior to August 24, 2000 were achieved at and calculated by the Predecessor. All institutional account returns were calculated using a Modified Dietz methodology. The net of fee performance was calculated using the highest fee charged by the accounts' previous investment adviser, which was 100 basis points. Subsequently, net of fee performance is presented net of Jennison's actual advisory fees and transaction costs. Since August 24, 2000, gross of fee performance is presented before custodial and Jennison's actual advisory fees but after transaction costs. Returns are gross of reclaimable withholding taxes, if any, and net of non-reclaimable withholding taxes. For a small cap core equity separate account the fee schedule offered to US-based institutional clients is as follows: 0.90% on first \$50 million of assets managed; 0.70% on next \$50 million; 0.60% on next \$100 million; 0.50% on next \$200 million; 0.45% on the balance. Actual advisory fees charged and actual account minimum size may vary by account due to various conditions described in Jennison Associates LLC's Form ADV.

JENNISON ASSOCIATES

Small Cap Core Equity Composite
April 30, 1998 to December 31, 2011

5. The data presented represents past performance and does not guarantee future results. Performance results fluctuate, and there can be no assurances that objectives will be achieved. Client's principal may be at risk under certain market conditions.
6. The equal-weighted standard deviation of individual account returns within a composite is a measure of how consistently a strategy has been applied across accounts within a composite (Dispersion). The dispersion is calculated when there are at least two accounts in the Composite for a full year and is based on the Gross of fee annual returns of accounts in the Composite for the full year. For those periods where less than 2 accounts are in the Composite for a full year, or where the period is less than a full year, "N/A" is presented.
7. The three-year annualized standard deviation measures the variability of the composite and the benchmark over the preceding 36-month period.

Year	Composite Gross of Fee 3-Yr St Dev (%)	Russell 2000® Index 3-Yr St Dev (%)
2009	24.54	24.83
2010	27.22	27.69
2011	22.80	24.99

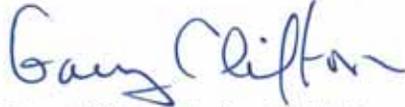
8. The **Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000® Index. Index returns are not covered by the report of the independent verifier. The financial indices referenced herein are provided for informational purposes only. When comparing the performance of a manager to its benchmark(s), please note that the manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices assume reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown. All indices referenced in this presentation are registered trade names or trademark/service marks of third parties. References to such trade names or trademark/service marks and data is proprietary and confidential and cannot be redistributed without Jennison's prior consent. Investors cannot directly invest in an index.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.4 a

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Approval of Investment Management Agreement with Aberdeen Asset Management, Inc.

STAFF RECOMMENDATION: Staff recommends that the board authorize the chair to execute the Investment Management Agreement between *SamCERA* and Aberdeen Asset Management Inc.

BACKGROUND: On February 23, 1995, the board selected Deutsche Asset Management Investment Services Limited (DeAM) then known as Morgan Grenfell Investment Services Limited (MGIS) to manage \$50 million under a global fixed income mandate. In June of 1996 the board allocated an additional \$50 million to DeAM and customized the mandate to 70% domestic and 30% international. Four years later on April 25, 2000, the board instructed DeAM to consolidate assets under a domestic mandate benchmarked against the Lehman Aggregate Bond Index. Management of those assets was by DeAM's Philadelphia subsidiary, Deutsche Asset Management, Inc. (DAMI). On March 23, 2004, the board authorized entering its fourth three-year agreement with the Deutsche Group. An agreement with DAMI, DeAM's Philadelphia subsidiary, was executed effective March 31, 2004. On July 7, 2005, Deutsche Bank and Aberdeen Asset Management announced an agreement whereby Aberdeen was buying the U.S. active fixed income business in Philadelphia and the global fixed income team in London, as well as much of the rest of Deutsche Bank's U.K. based advisory business. The purchase transaction occurred on November 30, 2005. Subsequent to that announcement, Deutsche Bank sent *SamCERA* a letter dated August 19, 2005, notifying *SamCERA* that the termination of the advisory contract will become effective on the closing date.

SamCERA and Aberdeen Asset Management, Inc. reviewed the *SamCERA*/Deutsche Asset Management investment management agreement. Minor changes were made to the agreement. Most Favored Nation language was added to Exhibit C, "*The Investment Manager will not offer any new, similarly situated client a lower fee than that offered to SamCERA. A similarly situated client is defined as a client that is in, or intended to be in, the same composite as SamCERA and has a beginning net portfolio value within 10% of the then current SamCERA portfolio value.*" A new fee structure resulted from that language. It immediately saved *SamCERA* approximately \$30,000 per year.

SamCERA recently developed a new investment management agreement (IMA.) Staff is in the process of converting all prior IMAs to the new template.

Staff believes the template is in a more user-friendly format. It contains the following notable new provisions:

- An “evergreen term”, subject to termination by the Board or the Manager, rather than the set 3 year term.
- Sets forth the initial investment amount in the agreement.
- Contains a certification regarding Placement Agent Disclosure and prohibits gratuities
- Contains a refined and more detailed prohibition relating to Financial Conflicts of Interest
- Incorporates ERISA fiduciary definitions as a standard of care
- Specifies that seminars, training programs and client conferences are included in the fees.

The remainder of the IMA is very similar to language approved in the previous agreement, although the placement of the language may have been rearranged.

DISCUSSION: Attached to this agenda item is a resolution authorizing the Board Chair to execute the new IMA with Aberdeen Asset Management. The base of the IMA is *SamCERA's* new template. The template incorporates amendments for language negotiated between *SamCERA* and Aberdeen Asset Management in previous agreements.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Contract for Investment Management Services
RESOLUTION 11-12-

*THIS RESOLUTION, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA), approves
the contract between the Board and Deutsche Asset Management, Inc. (DAMI)*

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and

WHEREAS, Government Code §31595 vests in the Board ". . . *exclusive control of the investment of the employees retirement fund.*"; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers ". . . *in connection with administration of the Board's investment program . . .*"; and

WHEREAS, on February 23, 1995, the Board reviewed proposals and interviewed representatives from five firms proposing to perform fixed income investment management services for the Board, and the Board selected the firm of Deutsche Asset Management Investment Services (*DeAM*) then known as Morgan Grenfell Investment Services Limited (MGIS); and

WHEREAS, Board Resolution 94-95-25 approved the contract between the Board and DeAM for an initial term of three-years, effective March 31, 1995, and Board Resolution 97-98-19 extended the Agreement for an additional three-year term, effective April 28, 1998; and

WHEREAS, on June 1, 2000 the Board executed a letter of sub-delegation that permits Deutsche Asset Management Investment Services Ltd. to appoint Deutsche Asset Management, Inc.(DAMI) to manage a portion of the San Mateo County Employees' Retirement Association account; and

WHEREAS, Board Resolution 00-01-04 approved the contract extension between the Board and DAMI for a term of three-years, effective March 31, 2001; and

WHEREAS, on July 7, 2005, DAMI and Aberdeen Asset Management PLC ("Aberdeen") announced that Aberdeen is buying DAMI and the closure of that transaction is November 30,2005; and

WHEREAS, *SamCERA* desired to assign its March 31, 2004 agreement with DAMI to AAM and both DAMI and AAM consent to said assignment; and

WHEREAS, In December of 2005 and again on May 31, 2009, the Board approved contract extensions between the Board and AAM; and

WHEREAS, the board wishes to continue the relationship with AAM under *SamCERA's* new investment management agreement template, which incorporates language previous negotiate with AAM and

WHEREAS, the agreement has been approved by *SamCERA's* Chief Counsel as to form and recommended for approval by the Chief Investment Officer. Therefore, be it

RESOLVED that the Board hereby approves the agreement between the Board and Aberdeen Asset Management PLC for an indefinite term, the Board may cancel the agreement on thirty days written notice. Be it further

RESOLVED that the Board hereby delegates full discretionary authority to Investment Managers to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the contract, the *Investment Policy* (as incorporated into the contract), and applicable law governing

the conduct of fiduciaries entrusted with the management of public employees' retirement funds. Be it further

RESOLVED that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

RESOLVED that the Board hereby authorizes the Chair, to execute the contract on behalf of the Board. Be it further

RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the contract and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.



SamCERA

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION'S
AMENDED AND RESTATED AGREEMENT**

WITH

ABERDEEN ASSET MANAGEMENT, INC.

FOR

INVESTMENT MANAGEMENT SERVICES

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EXHIBITS

EXHIBIT "A"	-	Investment Policy
EXHIBIT "B"	-	Investment Objectives, Guidelines. and Restrictions
EXHIBIT "C"	-	Placement Agent Disclosure Policy

INVESTMENT MANAGER AGREEMENT

This Agreement is made and entered into as of May 31, 2012, in Redwood City, California, by and between the Board of Trustees of the San Mateo County Employees' Retirement Association (hereinafter referred to as the "*SamCERA*") and Aberdeen Asset Management Inc. (hereinafter referred to as "*MANAGER*").

WHEREAS, *SamCERA* was created pursuant to the County Employees Retirement Law of 1937 (hereinafter referred to as the "37 ACT") and is administered by the Board of Trustees (hereinafter referred to as the "*BOARD*"); and

WHEREAS, pursuant to California Government Code Section 31595, 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 . . . 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." (California Government Code Section 31595 combined with the California Constitution, Section XVI, § 17 and California Government Code Section 31594, shall hereinafter be referred to as the "Standard of Care"); and

WHEREAS, *MANAGER* is qualified to be an "investment manager" as that term is defined in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended (hereinafter referred to as "*ERISA*") and is an investment advisor registered under the Investment Advisers Act of 1940, as amended (hereinafter referred to as the "40 ACT"), has held itself out to the *BOARD* as experienced in the matters charged to its care under this Agreement, and has undertaken to provide the services contemplated by this Agreement as a fiduciary of the *SamCERA* and in accordance with the Standard of Care; and

NOW, THEREFORE, in consideration of the premises, the mutual covenants and conditions hereinafter set forth, and other good and valuable consideration, the parties hereby do agree as follows:

SECTION 1

MANAGEMENT OF THE PORTFOLIO ACCOUNT

1.1 Delegation and Acceptance of Authority. The BOARD hereby delegates to MANAGER the authority and MANAGER hereby accepts and assumes responsibility to invest the assets assigned to the management of MANAGER under this Agreement as an investment manager to *SamCERA* consistent with *SamCERA's* investment policy as set forth in Exhibit "A", herein after referred to as the "Investment Policy". In performing its management services, MANAGER will act as *SamCERA's* fiduciary; will exercise at all times a standard of care no less stringent than the Standard of Care as defined on page 1; and will at all times act in compliance with *SamCERA's* Investment Policy, and any laws and regulations applicable to the services provided by MANAGER to *SamCERA*. Notwithstanding, *SamCERA* acknowledges that MANAGER is not responsible for determining whether *SamCERA's* Investment Policy is in compliance with *SamCERA's* operational documents and any applicable laws and regulations to which *SamCERA* is subject, including the '37 Act. *SamCERA* will notify MANAGER if changes to Exhibit A or Exhibit B become necessary for the Investment Policy to remain in compliance with such laws and regulations or *SamCERA's* operational documents.

1.2 Assets Under Management; Custodians. The initial amount allocated to the MANAGER was one hundred seventy million dollars (\$170,000,000.00); provided however, that the BOARD may increase or decrease the amount of Assets Under Management at any time. *SamCERA* will place such assets in an account in *SamCERA's* designated custodian bank (hereinafter referred to as "custodian") under the management and investment authority of MANAGER. Such sum, as well as any earnings and capital growth thereon, is referred to herein as the "Assets Under Management" or "Assets." *SamCERA* shall at all times be maintained as the owner of

the Assets Under Management, but management and investment authority over the Assets Under Management will be vested in MANAGER, in accordance with the terms of this Agreement. MANAGER shall not take possession, title or ownership of any of the Assets Under Management. *SamCERA* shall have sole discretion to designate the custodian bank and all accounts set up to hold the Assets Under Management shall be established and maintained in the name of *SamCERA*. The initial custodian for the Assets Under Management shall be State Street Bank and Trust Company. *SamCERA* may from time to time replace custodian and shall give notice of such change to MANAGER.

1.3 Compliance with Exhibits A and B. MANAGER shall have full authority and discretion to purchase, sell or exchange the Assets Under Management, except as limited by the terms of this Agreement including Exhibit "A", "Investment Policy", and Exhibit "B", "Investment Objectives, Guidelines and Restrictions." MANAGER understands that *SamCERA* may, from time to time, revise Exhibit A and Exhibit B which revisions shall be effective upon receipt by MANAGER, unless otherwise specified by *SamCERA* in writing.

1.4 Placing of Orders. MANAGER shall place all orders for the Assets Under Management with such brokers/dealers and at such prices and commission rates as, in the good faith judgment of MANAGER, are prudent and consistent with the Agreement, applicable securities laws, and the U.S. Securities and Exchange Commission rules and regulations. In exercising such authority, MANAGER shall take reasonable care to ensure that orders are placed with reputable and qualified brokers/dealers, taking into consideration such matters as, among other things, the brokers/dealers' credit worthiness and execution capabilities. Such brokers or dealers shall be duly licensed under the laws of the jurisdiction in which such brokers or dealers perform services and, with respect to United States brokers and dealers, shall be duly registered pursuant to all applicable United States laws and U.S. Department of Labor and Securities and Exchange Commission rules. MANAGER shall not place *SamCERA's* orders with any broker/dealer affiliated with MANAGER, or with any broker/dealer, which *SamCERA* has by written notification instructed MANAGER to not

utilize for SamCERA trades. All orders shall be based upon "best execution." SamCERA acknowledges that to extent it instructs MANAGER not to utilize certain broker/dealers, such restriction may limit MANAGER's ability to achieve best execution. MANAGER shall report all details regarding trades executed for the Assets Under Management to SamCERA in the format, manner and time frame mutually agreed upon by SamCERA and MANAGER.

1.5 Acting as Principal. MANAGER shall not act as principal in sales and/or purchases regarding the Assets Under Management, unless MANAGER has received prior written approval from the Chief Investment Officer ("CIO") or his or her designee for each such transaction.

1.6 Acting on Illegal Information. MANAGER shall not place orders to purchase and/or sell any of the Assets Under Management on the basis of any material non-public information obtained or utilized by MANAGER in violation of the securities laws of the United States or other international regulatory agency regulating securities of any country in which MANAGER is doing business.

1.7 Seminars, Training Programs and Client Conferences. As part of the fees paid for the investment services, in the event MANAGER conducts seminars, training sessions, client conferences or similar events, which are generally made available to MANAGER's customers, SamCERA shall be invited to attend upon the same terms and conditions as such other public pension plan customers subject to applicable law. In the event MANAGER offers to pay the cost of such events and/or the travel or lodging expenses incurred by its customers in connection with attending such events, MANAGER shall cover the cost or reimburse SamCERA for such expenses on the same basis as MANAGER reimburses the expenses of its customers. Any such invitation to SamCERA shall be addressed to "SamCERA" and sent to the attention of the SamCERA Chief Executive Officer. It shall not be addressed to any individual member of the BOARD or SamCERA staff member.

1.8 Proxy Voting and Consents. MANAGER shall provide to the BOARD every quarter, a written report with respect to the voting of proxies by the MANAGER on behalf of the BOARD. MANAGER shall provide such additional reports

to the BOARD concerning the voting of proxies as shall be reasonably requested. Proxies shall in all instances be voted in accordance with *SamCERA's* Investment Policy. Proxy votes for commingled assets are subject to the written policy governing those assets.

SECTION 2

INVESTMENT MANAGEMENT FEES

2.1 Investment Management Fees. The fees shall be payable to MANAGER at the completion of each calendar quarter. Such fees will be one-quarter of the annual management fee schedule (or pro-rated portion for a period of time less than a calendar quarter) computed on the market value of the Assets Under Management as determined by the custodian as of the end of the each quarter for which such fee is paid, using an average of the end of month values for the three months comprising the quarter. The annual management fee schedule is as follows:

Value of Securities and Cash	Fee Schedule
On the first \$ 25 million	0.375% per annum
On the next \$ 75 million	0.300% per annum
On the next \$400 million	0.200% per annum
On the remaining amount	0.175% per annum

A discount of 10% will be added to the above annualized fee rate.

SECTION 3

INFORMATION AND REPORTS

3.1 Information and Reports. Within ten (10) calendar days from month end, the MANAGER shall provide the BOARD with reports concerning the status of Assets Under Management. Reports shall include, but not be limited to, a daily acquisition and disposition report, a monthly transaction summary, a monthly statement of changes to cash, a monthly statement of changes to net assets, a monthly statement of assets as of month end reflecting cost and fair market value, and monthly and quarterly statements of asset performance. The performance reports shall provide

performance over various standard periods, attribution analysis, and a commentary. Also by the tenth calendar day the MANAGER shall reconcile the monthly asset holding statement from the custodian and resolve all discrepancies. A report reconciling the MANAGER'S accounting record to those of the custodian shall be forwarded to the BOARD monthly. All accounting type reports shall use historic average cost as a basis for carrying value. All reports submitted shall be certified as to accuracy and consistency with this Agreement and *SamCERA's* Investment Policy. Each of these reports must be signed by a responsible executive officer of the MANAGER.

The BOARD and representatives of the MANAGER shall meet at such times as the BOARD may reasonably request to present MANAGER'S opinions and advice concerning the economic and investment outlook and to update the BOARD as to the MANAGER'S current and future investment strategy. MANAGER shall be available to answer questions by the BOARD from time to time as needed, without charge.

The BOARD shall instruct the custodian to provide the Manager with periodic reports concerning the status of the Assets Under Management, and with such information as the MANAGER may reasonably request from time to time.

SECTION 4

COMPLIANCE WITH GOVERNMENTAL REGULATIONS AND FIDUCIARY RESPONSIBILITY

4.1 Manager's Representations, Warranties and Covenants.

MANAGER acknowledges, represents, warrants, and agrees that:

4.1.1 It is qualified to be an "investment manager," as that term is defined in Section 3(38) of ERISA, and acknowledges that it is a fiduciary with respect to the Assets Under Management hereunder, and that it will maintain that status as long as this Agreement remains in effect;

4.1.2 It has complied with and, when required, will comply with, all regulations, registrations, filings, approvals, authorizations, consents or examinations required by any governmental authority having jurisdiction over its

activities hereunder or the acts contemplated by this Agreement, including, without limitation, any applicable state securities commissions, the United States Securities and Exchange Commission (hereinafter referred to as the "SEC") and the United States Department of Labor and applicable international regulatory agencies.

4.1.3 The personnel of MANAGER who will be responsible for carrying out this Agreement are individuals experienced in the performance of the various functions contemplated by this Agreement and have not, to the best knowledge of the MANAGER, been convicted of any crime or found liable in a civil or administrative proceeding or pleaded nolo contendere or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, bankruptcy law regulations or any act or omission involving moral turpitude.

4.1.4 To the best knowledge of the MANAGER, there are no complaints, disciplinary actions, or investigations filed or pending against MANAGER or any investment professional employed by it who had performed any service with respect to *SamCERA's* account in the twenty-four (24) preceding months by the SEC, the New York Stock Exchange the American Stock Exchange, the Financial Industry Regulatory Authority (hereinafter referred to as "FINRA"), any Attorney General or any regulatory agency of any state of the United States, any department or agency of the government of the United States, or any governmental agency regulating securities or transactions in real property of any country in which MANAGER is doing business;

4.1.5 MANAGER will promptly notify *SamCERA* in the event that any of the foregoing acknowledgments, representations, warranties or agreements has been breached or is no longer true.

4.1.6 MANAGER shall promptly notify *SamCERA* in writing of any investigation (but only to the extent the MANAGER has knowledge of it), non-routine examination, complaint, disciplinary action or other proceeding relating to or affecting MANAGER's ability to perform its duties under this Agreement or involving any investment professional employed by MANAGER who has performed any service with respect to *SamCERA's* account in the twenty-four (24) preceding months, which is

commenced by any of the following: (A) the SEC, (B) the New York Stock Exchange, (C) the American Stock Exchange, (D) FINRA, (E) any Attorney General or any regulatory agency of any state of the United States, (F) any U.S. Government department or agency, or (G) any governmental agency regulating securities of any country in which MANAGER is doing business. Except as otherwise required by law, *SamCERA* will maintain the confidentiality of all such information until the investigating entity makes the information public.

4.1.7 The foregoing acknowledgments, representations, warranties and agreements are understood to be relied upon by *SamCERA* and the BOARD and to constitute a material inducement to the decision of *SamCERA* and the BOARD to enter into this Agreement.

4.2 Services To Other Clients. It is understood that MANAGER performs investment advisory services for various other clients. MANAGER and its officers may act and continue to act as an investment manager for other clients, and nothing in this Agreement shall in any way be deemed to restrict the right of MANAGER to perform investment management or other services for any other client. *SamCERA* further acknowledges and understands the risks and conflicts of interest disclosures related to the foregoing as well as MANAGER's other activities as a registered investment advisor, as more fully described in MANAGER's Form ADV. However, nothing in this section shall be construed to relieve MANAGER of any of its Standard of Care, fiduciary duties or obligations as set forth in or arising under the other provisions of this Agreement.

4.3 Permitted Dealings. There shall be no dealings between MANAGER and its affiliates and associates, including, without limitation, the purchase of securities from and/or the sale of securities to affiliates or associates or to other accounts managed by MANAGER, with respect to the Assets Under Management without the prior written consent of *SamCERA* given after full written disclosure of the nature of the affiliation and the facts and circumstances of the transaction. For avoidance of doubt, this shall not be construed to prohibit MANAGER from engaging its affiliates to perform certain non-advisory services hereunder. In addition, MANAGER

may not act in any capacity in any transaction involving *SamCERA* on behalf of any person whose interests are reasonably known by MANAGER to be adverse to *SamCERA*, or receive any consideration from any party in connection with a transaction involving *SamCERA*'s assets.

4.4 Gratuities. MANAGER warrants that no gratuities in the form of entertainment, gifts, or otherwise, were offered or given by MANAGER, or any agent or representative of MANAGER, to any officer, fiduciary, advisor, or employee of *SamCERA* or the County of San Mateo with a view toward securing this Agreement or securing favorable treatment with respect to the awarding or the making of any determination with respect to this Agreement. MANAGER covenants that no such gratuities will be given to any such person with a view towards securing favorable treatment with respect to the making of any determination with respect to the performance, termination and/or continuation of this Agreement. MANAGER shall review and become familiar with the conflict of interest and reporting provisions applicable to *SamCERA*, contained in California Government Code Sections 1090 to 1097 inclusive, 31528, 82030, 87100 to 87103.

4.5 Certification Concerning Placement Agent Policy. MANAGER acknowledges that it has received *SamCERA*'s Placement Agent Disclosure Policy, adopted pursuant to the California Government Code, and attached hereto as Exhibit C and agrees to comply with this policy. MANAGER further acknowledges that it has completed *SamCERA*'s Placement Agent Information Disclosure Form (the "Form"), and represents and warrants to the accuracy of the information that MANAGER has provided on the Form. If any information provided by MANAGER on the Form changes, MANAGER agrees to update *SamCERA* within 14 calendar days of the date that MANAGER knew or should have known of the change in information.

4.6 Certification Concerning Financial Contacts or Solicitation. MANAGER represents and warrants that to the best of its knowledge no employee of *SamCERA* or fiduciary whose position in *SamCERA* enables such person to influence the award of this Agreement or any competing agreement, and no spouse or economic

dependent of such person is or will be employed in any capacity by MANAGER herein. MANAGER further represents and warrants that, to its actual knowledge, neither it nor any of its members, affiliates, officers, employees, agents (including any placement agent) or representatives has paid or will pay, has given or will give, any remuneration or things of value directly or indirectly to *SamCERA* or any of its members, officers, employees or agents in connection with *SamCERA's* allocation to MANAGER or otherwise, including finder's fee, cash solicitation fee, or a fee for consulting, lobbying or otherwise.

4.7 Warranty regarding Contingent Fees. MANAGER warrants that no person or selling agency has been employed or retained directly or indirectly by MANAGER to solicit or secure this Agreement upon any agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by MANAGER for the purpose of securing business. If MANAGER maintains a relationship with such commercial or selling agencies, then MANAGER shall disclose the name of such agency or agencies and if MANAGER pays a commission, percentage, brokerage, or contingency fee, then such fee shall not be paid from *SamCERA's* allocation to MANAGER.

SECTION 5

TERM AND TERMINATION

5.1 Term. Subject to the termination provisions set forth herein, the term of this Agreement will commence on the date first set forth above and will continue in full force and effect until terminated.

5.2 Termination By Board. The BOARD reserves the right to terminate the Agreement without cause at any time by giving MANAGER written notice, as detailed below in Section 7.10 Notices, sent at least thirty (30) calendar days prior to the date on which termination is to become effective.

5.3 Termination By Manager. MANAGER reserves the right to

terminate the Agreement without cause at any time by giving the BOARD written notice as detailed below in Section 7.10 Notices, sent at least one hundred twenty (120) days prior to the date on which termination is to become effective.

5.4 Consummation of Transactions. Any termination notice given by either party shall not affect or preclude the consummation of any transaction initiated prior to the receipt by one party of the other's termination notice, or, if MANAGER continues to act in accordance with its fiduciary obligations under this Agreement, any transaction initiated during the period during which MANAGER so continues to act.

5.5 Duty to Cooperate. Following notice of termination, MANAGER shall (i) cooperate fully with the BOARD in securing the Assets Under Management; (ii) deliver all funds, property, books, records, and documents of *SamCERA* in MANAGER's safekeeping to third parties designated by the BOARD and after such delivery, MANAGER shall have no further investment management responsibility for the Assets Under Management; (iii) submit a full accounting of the Assets Under Management within forty-five days of the effective date of termination; and (iv) make all employees of affiliates of MANAGER available for interviews by *SamCERA*.

: **SECTION 6**

INSURANCE AND INDEMNIFICATION

6.1 Insurance. Without in any way affecting the indemnity sections herein provided and in addition thereto, MANAGER will provide and maintain at its own expense during the term of this Agreement the following program(s) of insurance, enumerated within, covering its operations hereunder against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by MANAGER, its agents, representatives or employees. Such insurance will, in each case set forth in this Section 6.1, be primary to and not contributing with any other insurance maintained by *SamCERA* and/or the County of San Mateo. Such insurance will be provided by insurer(s) rated A or better

by an industry recognized rating agency or otherwise approved in writing by *SamCERA*, and evidence of such insurance, in a form satisfactory to *SamCERA*, will be delivered to *SamCERA* on or before the effective date of this Agreement. Such evidence will be accompanied by a written statement from MANAGER that *SamCERA* is to be given prompt written notice of any material modification or termination of any policy of insurance. MANAGER has supplied certificates of insurance which substantially comply with the requirements of this section. *SamCERA* retains the right at any time to review the coverage, form, and amount of the insurance required hereby. If in the opinion of *SamCERA* the insurance provisions in these requirements do not provide adequate protection for *SamCERA* and its members, *SamCERA* and MANAGER shall meet to discuss insurance coverage, sufficient in form and amount to provide adequate protection.

6.1.1 Commercial General Liability. MANAGER shall maintain a policy of commercial general liability for bodily injury and property damage arising out of MANAGER's services under this Agreement. Such policy shall include endorsements for property damage, premises-operations, products/completed operations, contractual, and personal injury with a limit of two million dollars (\$2,000,000) per occurrence and an annual aggregate of five million dollars (\$5,000,000).

6.1.2 Workers' Compensation. MANAGER shall bear sole responsibility and liability for furnishing Workers' Compensation benefits to MANAGER's employees for injuries arising from or connected with any services provided to *SamCERA* under this Agreement. MANAGER shall provide and maintain a program of Workers' Compensation and Employer's Liability insurance, in an amount and form to meet all applicable statutory requirements, to cover all of MANAGER's employees.

6.1.3 Errors and Omissions, Directors' and Officers' Liability. MANAGER shall maintain insurance to cover MANAGER and its directors, officers, employees, agents, representatives, or subcontractors for errors and omissions losses arising from the services provided under this Agreement. Such policy shall have

a limit of seventy-five million dollars (\$75,000,000) per occurrence and an annual aggregate of seventy-five million dollars (\$75,000,000).

6.1.4 Fraud and Dishonesty. MANAGER shall maintain throughout the term of this Agreement a fidelity or financial institution bond policy with at least the following insuring agreements: (1) Employee Dishonesty Coverage - Form 24 - Ten Million Dollars and (2) Computer Theft Coverage - One Million Dollars. Such policy shall provide protection to *SamCERA* against loss by reason of fraud or dishonesty on the part of MANAGER, and shall be in an amount meeting the bonding requirements of Section 412(a) of ERISA, or in an amount of one hundred and fifty million dollars (\$150,000,000), whichever is greater. Coverage is to be fixed at the effective date of this Agreement and at the anniversary of the effective date of this Agreement for each successive one- year period that this agreement remains in effect.

6.1.5 Claims Made Professional Liability Insurance. If professional liability coverage is written on a Claims Made form: (1) the "Retro Date" must be shown, and must be on or before the date of the contract or the beginning of contract work; (2) if coverage is canceled or non-renewed, and not replaced with another Claims Made policy form with a "Retro Date" prior to the contract effective date, MANAGER must purchase "extended reporting" coverage for a minimum of five (5) years after termination of this Agreement; and (3) a copy of the claims reporting requirements must be submitted to *SamCERA* for review.

6.1.6 Waiver and Subrogation. Except with respect to the Workers' Compensation policy described in Section 6.1.2 above, MANAGER shall cause each insurance policy obtained by it affording bodily injury or property coverage with respect to this Agreement to provide that the insurer waives all right of recovery by way of subrogation against *SamCERA* and against the trustees, officers, and employees of *SamCERA*, in connection with any claims of bodily injury or property damage covered under such policy, and such waiver shall be indicated in any insurance certificate to be provided pursuant to this Agreement. If any insurance policy required under this Agreement is obtainable only by the payment of an additional premium charge (i.e., above that charged by the insurer for such policy without a waiver of

subrogation), MANAGER shall have the option to either pay the additional premium for a waiver of subrogation from such insurer or to place the insurance with another insurance company that meets the requirements set forth in this section and will issue the aforementioned waiver of subrogation free of charge.

6.2 Indemnification. MANAGER shall defend and hold the BOARD, *SamCERA* and its employees harmless from and indemnify the BOARD, *SamCERA* and its employees against any and all liability, loss, damages, court costs and reasonable expenses (including reasonable attorneys' fees) which the BOARD, *SamCERA* and its employees may incur or suffer under applicable law as a direct result of any breach by MANAGER of its fiduciary responsibility with respect to the Assets Under Management or the breach by MANAGER of any of the acknowledgments, representations, warranties or agreements made in this Agreement or as otherwise provided herein. MANAGER shall have no obligation to indemnify the BOARD arising out of any action of any person or entity other than MANAGER (including any custodian, broker-dealer or other agent of *SamCERA* or the BOARD.)

SECTION 7

MISCELLANEOUS

7.1 Governing Law and Venue. This Agreement shall be governed by, construed, regulated and administered in accordance with the applicable Federal laws and, to the extent that Federal laws are not applicable, the laws of the State of California. Any action brought to enforce the terms of this Agreement shall be brought in United States District Court located in the County of San Francisco or Superior Court of the State of California located in the County of San Mateo.

7.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

7.3 Successors and Assigns. Neither this Agreement nor MANAGER's rights or duties hereunder may be assigned by MANAGER without the prior written consent of *SamCERA*, which may be withheld for any reason or no reason at all in the sole and absolute discretion of *SamCERA*.

7.4 Resignation of Key Personnel, Commitment and Other Changes. After the date hereof, if any portfolio manager or investment analyst of MANAGER that works on *SamCERA*'s account should be released from the employment of MANAGER, or for any reason terminates his investment responsibilities for MANAGER or becomes unable to maintain his investment responsibilities for MANAGER, *SamCERA* shall (a) be promptly notified by MANAGER of such release and (b) be provided the right to redeem all of its allocation to MANAGER as promptly as reasonably possible without any payment of penalty, subject to MANAGER'S fiduciary obligations to other investors.

MANAGER acknowledges that the key personnel relating to services provided by MANAGER to *SamCERA* will devote a substantial portion of their time to the investment of *SamCERA*'s allocation to MANAGER.

In the event that there is any material change to (a) the back-office operations personnel or (b) third-party service providers contracted by MANAGER, and such material change could reasonably be expected to have an impact on the services MANAGER provides to *SamCERA*, MANAGER hereby agrees that *SamCERA* shall be promptly notified of such changes.

7.5 Public Information: The BOARD and its investments are subject to the provisions of California's Public Records Act. Requests from third parties for information relating to this Agreement or the Assets Under Management should be promptly forwarded to *SamCERA*'s Chief Executive Officer for response.

7.6 Section and Paragraph Headings. The section and paragraph titles of this Agreement are inserted for convenience of reference. They constitute no part of this Agreement and are not to be considered in its construction.

7.7 Independent Contractor. MANAGER will at all times be acting in the capacity of independent contractor. MANAGER will be considered to be

representing *SamCERA* to the extent it is acting within the scope of this Agreement, but this Agreement is not intended, and will not be construed, to create the relationship of agent, servant, employee, partner, joint venturer, or association, as between *SamCERA* and MANAGER. MANAGER understands and agrees that all persons furnishing services to *SamCERA* pursuant to this Agreement are employees solely of MANAGER and not of *SamCERA*.

All services performed with respect to the work will be performed by MANAGER or its affiliates, except with the written approval of the CIO. Except for broker/dealers utilized in accordance with this Agreement, no performance of this Agreement or any portion thereof may be contracted by MANAGER without the express written consent of the CIO. Except for broker/dealers utilized in accordance with this Agreement, MANAGER will be solely liable and responsible for any and all payments and other compensation to any contractor, and *SamCERA* will have no direct liability to any contractor.

7.8 Record Retention and Inspection of Manager's Records.

MANAGER will furnish to *SamCERA* and its authorized representatives, on reasonable notice and during ordinary business hours, full access to the records maintained by MANAGER with respect to this Agreement. MANAGER will retain any and all ledgers, books of account, invoices, vouchers and canceled checks, as well as other records or documents evidencing or relating to charges for services, expenditures or disbursements charged to *SamCERA*, in its possession with respect to this Agreement for a minimum period of five (5) years, or any longer period required by law, from the date the records were created. MANAGER will retain any and all documents and records in its possession, which demonstrate performance under this Agreement for a minimum period of five (5) years, or any longer period required by law, from the date of termination or completion of this Agreement.

7.9 Authorized Personnel. *SamCERA* shall give MANAGER a

list of persons, with specimen signatures, authorized to give instructions and notices, and otherwise act on *SamCERA's* behalf under this Agreement. Any changes to the list shall be made in writing to MANAGER and signed by the CIO. Until receipt of notice of

any such change, MANAGER, without liability, may rely upon and act in accordance with instructions and notices received from authorized persons identified on the current list furnished by *SamCERA*.

7.10 Notices. Notices provided pursuant to this Agreement shall be in writing and may be delivered personally or by registered, certified mail or any acceptable overnight carrier. In the event a notice is given by facsimile or e-mail it must be followed by a written notice delivered pursuant to the above means. Notices will be effective upon receipt or rejection thereof, to the following addresses:

- (A) To BOARD:
BOARD of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood City, California 94065-5802
Attention: Chief Investment Officer samcera@samcera.org
Attention: Chief Executive Officer samcera@samcera.org

- (B) To MANAGER:
Aberdeen Asset Management Inc.
1735 Market Street, 32nd Floor
Philadelphia, PA 19103
Attention: Christopher Gagnier

Telephone No. 215-405-5704
Facsimile No. 215-405-5972
E-mail: christopher.gagnier@aberdeem-asset.com

7.11 Assurance of Compliance Equal Opportunity Laws. MANAGER hereby agrees and represents that it is an equal opportunity employer. All employment decisions and personnel actions of MANAGER are administered without regard to race, color, religion, creed, national origin, ancestry, sex, age (40 and above),

qualified mental or physical disability, sexual orientation, genetic carrier status, any veteran status, any military service, any application for any military service, or any other category or class protected by federal, state or local laws. All employment decisions and personnel actions, such as hiring, promotion, compensation, benefits, and termination, are and will continue to be administered in accordance with, and to further the principle of, equal employment opportunity.

7.12 Validity. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision

7.13 Waiver. No waiver of a breach of any provision of this Agreement by either party shall constitute a waiver of any other breach of said provision or any other provision of this Agreement. No waiver will be enforceable unless it is a written agreement executed by the party granting the waiver, making specific reference to this Agreement and reciting the parties' intention that it constitutes a waiver. Failure of either party to enforce at any time, or from time to time, any provisions of this Agreement shall not be construed as a waiver thereof. The remedies herein reserved shall be cumulative and additional to any other remedies in law or equity.

7.14 Attorney Fees. In the event of any litigation regarding this Agreement, the prevailing party as determined by the appropriate court shall be entitled to recover reasonable attorney's fees.

7.15 Consultants. MANAGER agrees to cooperate with such consultants and advisors as *SamCERA* may retain from time to time to assist *SamCERA* in the administration of this Agreement.

7.16 Merger. This Agreement, and the Exhibits attached hereto, will constitute the complete and exclusive statement of understanding between the parties, superseding all previous agreements, written or oral, and all other previous communication between the parties relating to the subject matter of this Agreement.

7.17 Changes and Amendments. *SamCERA* and MANAGER reserve the right to amend any such terms and conditions of this Agreement, which may become necessary. Any revisions hereto will be accomplished by written agreement

executed by both of the parties making specific reference to this Agreement and reciting the parties' intention that it constitutes an amendment.

EXECUTED AND AGREED TO by the parties as of the date first written above by their duly authorized representatives:

SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

ABERDEEN ASSET MANAGEMENT INC.

Al David
Chair, Board of Retirement

Date: May 22, 2012

Name:
Title:

Date:_____

Exhibit A

SamCERA's Investment Policy

Approved By the BOARD of Retirement

Date

As Attached

Exhibit B

Investment Objectives, Guidelines, and Restrictions

The following investment objectives, guidelines, and restrictions shall apply to the portfolio (the "Portfolio") of the San Mateo County Employees' Retirement Association (hereinafter referred to as the "BOARD") that is managed by Aberdeen Asset Management ("IM" or "Investment Manager")

Pursuant to the provisions of the *Investment Policy* (the "*Policy*") as incorporated as Exhibit A the BOARD will, from time to time, allocate Assets to the Investment Manager for investment in a Portfolio of domestic fixed income securities. The Investment Manager shall invest and reinvest such Assets within the Portfolio to which they were allocated and will segregate each allocation into individual accounts for reporting purposes. The Investment Manager may allocate any or all of the Assets to commingled funds, when it determines that it is prudent to do so. The BOARD, from time to time, may direct the Investment Manager to rebalance the allocations in accordance with applicable provisions of the *Plan*.

Investment Objectives

The Portfolio shall be treated as a tax-exempt portfolio. As a result, the tax consequences of individual transactions shall not be considered as part of the Investment Manager's purchase and sales decisions.

The primary objective of the portfolio will be current income and growth through moderate capital appreciation. Acceptable risk levels will be maintained through the use of mainly high-quality securities. Additional considerations governing investments shall include:

- A. The Portfolio shall be invested and reinvested with the objective of performing better than the total rate of return of the Barclays Aggregate Bond Index.
- B. Reasonable diversification should be maintained subject to reasonable limitations on the number of total holdings.

EXHIBIT C
SamCERA's PLACEMENT AGENT POLICY



SamCERA Policy

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

*Adopted by the Board of Retirement
December 14, 2010, last amended October 25, 2011*

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

I. PURPOSE

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

II. APPLICATION

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

III. RESPONSIBILITIES

- A. The Board is responsible for:
1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
 2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.
- B. Each External Manager is responsible for:
1. Providing a statement in writing that the External Manager will comply with this policy.
 2. Providing the following information to the *SamCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SamCERA* investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SamCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to *SamCERA* or who are paid based upon

investment commitments secured by such employees.

- d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
 - h. The names of any current or former *SamCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.
 4. Representing and warranting the accuracy of the information described in section B.2 above.
 5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SamCERA*,
 - a. all campaign contributions made by the Placement Agent to any publicly elected *SamCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SamCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SamCERA* investment shall also be disclosed.

b. all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SamCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SamCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SamCERA* investment shall also be disclosed.

6. *SamCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

C. *SamCERA* Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between *SamCERA* and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, *SamCERA* is entitled to the greater of the reimbursement of any management or advisory fees paid by *SamCERA* for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the *SamCERA* investment; and
4. Prohibiting any External Manager or Placement Agent from soliciting new investments from *SamCERA* for five years after they have committed a material violation of this Policy; *provided, however,* that *SamCERA’s* Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each

Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

IV. DEFINITIONS:

The following definitions are current as of October 9, 2011. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8 “**External Manager**” means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

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

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

As defined in section 7513.8, “**Investment Fund**” means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

As defined in section 7513.8, “**Placement Agent**” means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of

the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.



SAN MATEO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
PLACEMENT AGENT DISCLOSURE AND SEC COMPLIANCE FORM

The Board of Retirement (“Board”) of the San Mateo County Employees Retirement Association (“*SamCERA*”) has adopted a Placement Agent Policy (“Policy”), a copy of which is attached as Attachment No.1. For the purposes of compliance with the Policy and the proper completion of this form, please refer to the definitions of “*External Manager*”, “*Person*”, “*Placement Agent*”, “*Investment Fund*”, “*Investment Vehicle*”, and “*Compensation*” as set forth in California Government Code section 7513.8 and reflected in the attached Policy. Under the Policy, each External Manager must complete and deliver this Disclosure Form to *SamCERA* prior to *SamCERA* investing any money with that manager.

For purposes of this disclosure, “you” means the External Manager identified below and its affiliates, including the External Manager’s and affiliates’ respective officers, directors, partners, members, employees, contractors, and agents.

Name of External Manager: _____

Contact information for External Manager:

Address: _____

Contact Person: _____

Contact Information: _____
(email/phone/fax) _____

PART ONE: USE OF PLACEMENT AGENTS

1. Have you used a Placement Agent in connection with the Proposed Investment?

Yes _____ No _____

2. Will a Placement Agent receive compensation from you if *SamCERA* invests in the Proposed Investment?

Yes _____ No _____

If you answer “Yes” to either question, complete the remainder of the Disclosure Form. If you answer “No” to both questions, go to directly to PART TWO.

3. The name of the Placement Agent is:

_____.

4. Please describe the relationship between you and the Placement Agent.

_____.

5. Please attach a resume for each officer, partner, or principal of the Placement Agent detailing the person’s education, professional designations, regulatory licenses, and investment and work experience. Please identify below all persons whose resumes are attached.

_____.

6. Please describe any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent or to a third party at the behest of the Placement Agent, in connection with the Placement Agent’s work for the External Manager on the Proposed Investment or as a result of *SamCERA* investing in the Proposed Investment.

_____.

7. Please describe in detail the services to be performed by the Placement Agent in connection with the Proposed Investment.

_____.

8. a. Is the External Manager solely responsible for payment of the Placement Agent’s fee, or providing the compensation if not a monetary fee?

Yes _____ No _____

If “No”, explain:

_____.

b. Will any part of the fee or other compensation be paid or provided directly or indirectly by *SamCERA*, the Investment Vehicle, the Investment Fund, or any investor(s) in the Investment Vehicle or in the Investment Fund?

Yes _____ No _____

If “Yes”, explain:

_____.

9. Please list the name(s) of all current and former Board members, employees, and consultants and member(s) of the immediate family of any such person that are either employed or receiving compensation of any kind provided, or agreed to be provided, directly or indirectly from the Placement Agent in connection with the Proposed Investment or as a result of *SamCERA* investing in the Proposed Investment. If none, enter “none” below.

_____.

10. Please list the name(s) of any current or former Board members, employees, and consultants who suggested the retention of the Placement Agent in connection with the Proposed Investment. If none, enter “none” below.

_____.

11. Please confirm that the Placement Agent, and any affiliates, as applicable, is/are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar state regulatory agency, or any similar regulatory agency in a country other than the United States. Please describe the details of each registration. If the Placement Agent is not registered with any regulatory agency, please explain why no registration is required.

Any External Manager or Placement Agent that violates the Policy shall not solicit new investments from *SamCERA* for five years after the violation was committed. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

Your attention is drawn to Sections 7513.87 and 7513.9 of the California Government Code relating to Placement Agents. Please note, there may be other laws relevant to Placement Agents, and you and any Placement Agent you engage with respect to managing or seeking to manage *SamCERA* assets are strongly encouraged to consult your own legal counsel. *Please note that San Mateo County does not have a policy or ordinance regarding lobbyist registration.*

Please further note that these statutes may be amended from time to time and the language below is law as it reads as of October 9, 2011.

California Government Code section 7513.87:

(a) A person acting as a placement agent in connection with any potential system investment made by a local public retirement system shall file any applicable reports with a local government agency that requires lobbyists to register and file reports and shall comply with any applicable requirements imposed by a local government agency pursuant to Section 81013.

(b) This section does not apply to either of the following:

(1) An individual who is an employee, officer, director, equity holder, partner, member, or trustee of an external manager who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the external manager.

(2) An employee, officer, or director of an external manager, or of an affiliate of an external manager, if all of the following apply:

(A) The external manager is registered as an investment adviser or a broker-dealer with the Securities and Exchange Commission or, if exempt from or not subject to registration with the Securities and Exchange Commission, any appropriate state securities regulator.

(B) The external manager is participating in a competitive bidding process, such as a request for proposals, or has been selected through that process and is providing services pursuant to a contract executed as a result of that competitive bidding process.

(C) The external manager, if selected through a competitive bidding process described in subparagraph (B), has agreed to a fiduciary standard of care, as defined by the standards of conduct applicable to the retirement board of a public pension or retirement system and set forth in Section 17 of Article XVI of the California Constitution, when managing a portfolio of assets of a public retirement system in California
California Government Code section 7513.89:

(a) Any placement agent, prior to acting as a placement agent in connection with any potential system investment, shall disclose to the board all campaign contributions made by the placement agent to any elected member of the board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the placement agent to an elected member of the board during the time the placement agent is receiving compensation in connection with a system investment shall also be disclosed.

(b) Any placement agent, prior to acting as a placement agent in connection with any potential system investment, shall disclose to the board all gifts, as defined in Section 82028, given by the placement agent to any member of the board during the prior 24-month period. Additionally, any subsequent gift given by the placement agent to any member of the board during the time the placement agent is receiving compensation in connection with a system investment shall also be disclosed.

PART TWO: SEC COMPLIANCE

You are expected to comply with all applicable laws, ordinances, rules, and regulations pertaining to investment advisers and the use of placement agents.

The U.S. Securities and Exchange Commission (“SEC”) has adopted rules governing political contributions by certain investment advisors to certain officials”. “Official” is defined in 17 CFR 275.206(4)-5 as “any person (including any election committee for the person) who was, at the time of the contribution, an incumbent, candidate or successful candidate for elective office of a government entity, if the office: (i) is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser by a government entity; or (ii) has authority to appoint any person who is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser by a government entity.”¹

Six members of *SamCERA*’s Board are elected by various member constituencies (two by general members, one by safety members, one alternate for safety members, one by retired member and one retiree alternate).

The San Mateo County Board of Supervisors, who are elected by the electorate of the County of San Mateo, appoints four members of the Board. The County Treasurer Tax Collector is elected by the electorate of the County of San Mateo.

¹ 17 CFR 275.206(4)-5(f)(6)

Generally, investment advisers are prohibited from providing investment advisory services for compensation within two years after making a political contribution to an official in violation of the SEC rule. *SamCERA* could be adversely affected if you or a covered associate made a prohibited political contribution.

1. Have you or a “covered associate” made a political “contribution” to an “official”, as the quoted terms are defined in 17 CFR 205.206(4)-5 (the “Regulation”) that would make it unlawful under the Regulation for you to provide investment advisory services for compensation to *SamCERA*?

Yes _____ No _____

If “Yes”, explain:

Please note, there are other relevant SEC compliance issues apart from political contributions. You are encouraged to consult your own legal counsel.

By signing below, you are certifying you are in compliance with all SEC rules and regulations relating to investment advisers and placement agents.

PART THREE: CERTIFICATION

This form, completed and signed by you, will be incorporated into and made a part of any contract or other agreement pursuant to which you manage assets for *SamCERA*.

By signing below, you represent and warrant that the information set forth herein, and attached hereto, is true and correct. Furthermore, you understand that *SamCERA* is relying upon your representations and warranties in determining whether to engage you to provide investment advisory services to *SamCERA*. You agree to update this information in writing within ten days of any happenings that render your responses untrue or inaccurate.

The execution and delivery of this form has been duly authorized by all necessary action by the undersigned.

Name of External Manager: _____

By: _____
Name: _____
Title: _____
Date: _____

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.4 b

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Approval of Investment Manager Agreement Between the Board of Retirement and Barrow, Hanley, Mewhinney & Strauss

STAFF RECOMMENDATION: Staff recommends that the board review and approve the attached resolution, which authorizes the chair to execute the investment management agreement with Barrow, Hanley, Mewhinney & Strauss

BACKGROUND: During the August 2007 turmoil in the domestic equity markets, the board became concerned that there may be greater risk associated with its large cap domestic equity structure than originally anticipated. Specifically, the proliferation and duplication of quantitative strategies made products such as Barclays Global Investors' Alpha Tilts product appear to have a greater risk than stated. At the board's request, Strategic Investment Solutions' provided a study of alternate structures for *SamCERA's* U.S. equity structure.

The board then instructed Strategic Investment Solutions (SIS) to initiate a review of *SamCERA's* U.S. Equity Investment Manager Structure. The study focused on *SamCERA's* large cap equity structure and made the following points: The U.S. equity structure is intended to be low risk. The BGI Alpha Tilts exposure is more risky than originally thought, and the quantitative model risk must be addressed going forward. The goal is to maintain moderate risk and implement a process for diversification. The board opined to increase diversity through active managed portfolios.

On November 25, 2008 the board reviewed fifteen semi-finalist for the large cap value mandate. From those fifteen the following four were invited to interview before the board. The following firms were invited to interview before the board on April 28, 2009.

Firm Name	Product Name
Barrow, Hanley, Mewhinney & Strauss	Diversified Large Cap Value Equity
Cohen & Steers Capital Management	Large Cap Value
Evergreen Investment Management	MWCM Large Cap Intrinsic Value Equity
Wellington Management Company	Large Cap Value

The board found Barrow, Hanley, Mewhinney & Strauss and Cohen & Steers Capital Management equally compelling and charged staff with conducting further due diligence then reporting back to the board.

On April 23rd and 24th Patrick Thomas and Gary Clifton visited the offices of Barrow, Handley, Mewhinney & Strauss and Cohen & Steers Capital Management. They conducted interviews with several key individuals. Their conclusion was that Barrow Hanley was the best fit for *SamCERA's* portfolio. On May 26, 2009 the board authorized the Chair to execute an IMA with Barrow Hanley for a large cap value mandate.

SamCERA recently developed a new investment management agreement (IMA.) Staff is in the process of converting all prior IMAs to the new template.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Staff believes the template is in a more user-friendly format. It contains the following notable new provisions:

- An “evergreen term”, subject to termination by the Board or the Manager, rather than the set 3 year term.
- Sets forth the initial investment amount in the agreement.
- Contains a certification regarding Placement Agent Disclosure and prohibits gratuities
- Contains a refined and more detailed prohibition relating to Financial Conflicts of Interest
- Incorporates ERISA fiduciary definitions as a standard of care
- Specifies that seminars, training programs and client conferences are included in the fees.

The remainder of the IMA is very similar to language approved in the previous agreement, although the placement of the language may have been rearranged.

DISCUSSION: Attached to this agenda item is a resolution authorizing the Board Chair to execute the new IMA with Barrow, Hanley, Mewhinney & Strauss. The base of the IMA is *SamCERA*'s new template. The template incorporates amendments for language negotiated between *SamCERA* and Barrow, Hanley, Mewhinney & Strauss in previous agreements.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

**San Mateo County Employees' Retirement Association
Contract for Investment Management Services**

RESOLUTION 08-09-

*THIS RESOLUTION, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA), approves
the contract between the Board and Barrow, Hanley, Mewhinney & Strauss.*

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and

WHEREAS, Government Code §31595 vests in the Board ". . . *exclusive control of the investment of the employees retirement fund.*"; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers ". . . *in connection with administration of the Board's investment program . . .*"; and

WHEREAS, on November 25, 2008, the Board considered proposals from fifteen firms for investment management services under a large cap value mandate. Barrow, Hanley, Mewhinney & Strauss, Cohen & Steers Capital Management, Evergreen Investment Management, and Wellington Management Company were invited to participate in interview at the April 2009 board meeting; and

WHEREAS, on April 28, 2009, the Board interviewed representatives from the four finalists, Barrow, Hanley, Mewhinney & Strauss and Cohen & Steers Capital Management equally compelling and charged staff with conducting further due diligence then reporting back to the board; and

WHEREAS, on May 26, 2009, the Board selected Barrow, Hanley, Mewhinney & Strauss for a large cap value mandate to be funded with approximately \$125 million each; Therefore, be it

RESOLVED that the Board hereby approves the contract between the Board and Barrow, Hanley, Mewhinney & Strauss for an indefinite term, which the Board may terminate on thirty days written notice. Be it further

RESOLVED that the Board hereby delegates full discretionary authority to Barrow, Hanley, Mewhinney & Strauss to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Policy* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. Be it further

RESOLVED that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

RESOLVED that the Board hereby authorizes the Chair, to execute the agreement on behalf of the Board. Be it further

RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the Agreement and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.



SamCERA

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION'S
AGREEMENT**

WITH

BARROW, HANLEY, MEWHINNEY, & STRAUSS, LLC

FOR

INVESTMENT MANAGEMENT SERVICES

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INVESTMENT MANAGER AGREEMENT

This Agreement is made and entered into as of May 31, 2012, in Redwood City, California, by and between the Board of Trustees of the San Mateo County Employees' Retirement Association (hereinafter referred to as the "*SamCERA*") and Barrow, Hanley, Mewhinney, & Strauss, LLC (hereinafter referred to as "MANAGER").

WHEREAS, *SamCERA* was created pursuant to the County Employees Retirement Law of 1937 (hereinafter referred to as the "37 ACT") and is administered by the Board of Trustees (hereinafter referred to as the "BOARD"); and

WHEREAS, pursuant to California Government Code Section 31595, 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 . . . 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." (California Government Code Section 31595 combined with the California Constitution, Section XVI, § 17 and California Government Code Section 31594, shall hereinafter be referred to as the "Standard of Care"); and

WHEREAS, MANAGER is qualified to be an "investment manager" as that term is defined in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended (hereinafter referred to as "ERISA") and is an investment advisor registered under the Investment Advisers Act of 1940, as amended (hereinafter referred to as the "40 ACT"), has held itself out to the BOARD as experienced in the matters charged to its care under this Agreement, and has undertaken to provide the services contemplated by this Agreement as a fiduciary of the *SamCERA* and in accordance with the Standard of Care; and

NOW, THEREFORE, in consideration of the premises, the mutual covenants and conditions hereinafter set forth, and other good and valuable consideration, the parties hereby do agree as follows:

SECTION 1

MANAGEMENT OF THE PORTFOLIO ACCOUNT

1.1 Delegation and Acceptance of Authority. The BOARD hereby delegates to MANAGER the authority and MANAGER hereby accepts and assumes responsibility to invest the assets assigned to the management of MANAGER under this Agreement as an investment manager to *SamCERA* consistent with *SamCERA's* investment policy as set forth Exhibit "A", herein after referred to as the "Investment Policy". In performing its management services, MANAGER will act as *SamCERA's* fiduciary; will exercise at all times a standard of care no less stringent than the Standard of Care as defined on page 1; and will at all times act in compliance with *SamCERA's* Investment Policy, the '37 Act and all other applicable laws and regulations. *SamCERA* will notify MANAGER if there are amendments to its Investment Policy or to applicable provisions of the '37 Act

1.2 Assets Under Management; Custodians. The initial amount allocated to the MANAGER was one hundred fifteen million dollars (\$115,000,000.00); provided however, that the BOARD may increase or decrease the amount of Assets Under Management at any time. *SamCERA* will place such assets in an account in *SamCERA's* designated custodian bank (hereinafter referred to as "custodian") under the management and investment authority of MANAGER. Such sum, as well as any earnings and capital growth thereon, is referred to herein as the "Assets Under Management" or "Assets." *SamCERA* shall at all times be maintained as the owner of the Assets Under Management, but management and investment authority over the Assets Under Management will be vested in MANAGER, in accordance with the terms of this Agreement. MANAGER shall not take possession, title or ownership of any of the Assets Under Management. *SamCERA* shall have sole discretion to designate the custodian bank and all accounts set up to hold the Assets Under Management shall be established and maintained in the name of *SamCERA*. The initial custodian for the Assets Under Management shall be State Street Bank and Trust Company. *SamCERA* may from time to time replace custodian and shall give notice of such change to MANAGER.

1.3 Compliance with Exhibits A and B. MANAGER shall have full authority and discretion to purchase, sell or exchange the Assets Under

Management, except as limited by the terms of this Agreement including Exhibit "A", "Investment Policy", and Exhibit "B", "Investment Objectives, Guidelines and Restrictions." MANAGER understands that *SamCERA* may, from time to time, revise Exhibit A and Exhibit B which revisions shall be effective upon receipt by MANAGER, unless otherwise specified by *SamCERA* in writing.

1.4 Placing of Orders. MANAGER shall place all orders for the Assets Under Management. In exercising such authority, MANAGER shall take reasonable care to ensure that orders are placed with reputable and qualified brokers/dealers, taking into consideration such matters as brokers/dealers' credit worthiness and execution capabilities. Such brokers or dealers shall be duly licensed under the laws of the jurisdiction in which such brokers or dealers perform services and, with respect to United States brokers and dealers, shall be duly registered pursuant to all applicable United States laws and U.S. Department of Labor and Securities and Exchange Commission rules. MANAGER shall not place *SamCERA's* orders with any broker/dealer affiliated with MANAGER, or with any broker/dealer, which *SamCERA* has by written notification instructed MANAGER to not utilize for *SamCERA* trades. All orders shall be based upon "best execution"; provided, however, that the Manager may consider the full range of a broker's services that are directly applicable to the *SamCERA* trade when determining whether such broker is providing "best execution." MANAGER shall report all details regarding trades executed for the Assets Under Management to *SamCERA* in the format, manner and time frame mutually agreed upon by *SamCERA* and MANAGER.

1.5 Acting as Principal. MANAGER shall not act as principal in sales and/or purchases regarding the Assets Under Management, unless MANAGER has received prior written approval from the Chief Investment Officer ("CIO") or his or her designee for each such transaction.

1.6 Acting on Illegal Information. MANAGER shall not place orders to purchase and/or sell any of the Assets Under Management on the basis of any material non-public information obtained or utilized by MANAGER in violation of the securities laws of the United States or other international regulatory agency regulating securities of any country in which MANAGER is doing business.

1.7 Seminars, Training Programs and Client Conferences. As part of the fees paid for the investment services, in the event MANAGER conducts seminars,

training sessions, client conferences or similar events, which are generally made available to MANAGER's customers, *SamCERA* shall be invited to attend upon the same terms and conditions as such other public pension plan customers subject to applicable law. In the event MANAGER offers to pay the cost of such events and/or the travel or lodging expenses incurred by its customers in connection with attending such events, MANAGER shall cover the cost or reimburse *SamCERA* for such expenses on the same basis as MANAGER reimburses the expenses of its customers. Any such invitation to *SamCERA* shall be addressed to "*SamCERA*" and sent to the attention of the *SamCERA* Chief Executive Officer. It shall not be addressed to any individual member of the BOARD or *SamCERA* staff member.

1.8 Proxy Voting and Consents. MANAGER shall provide to the BOARD every quarter, a written report with respect to the voting of proxies by the MANAGER on behalf of the BOARD. MANAGER shall provide such additional reports to the BOARD concerning the voting of proxies as shall be reasonably requested. Proxies shall in all instances be voted in accordance with MANAGER's "Proxy Voting Policies and Procedures", a copy of which has been provided to the BOARD. BOARD agrees to forward, or instruct the Custodian to forward, all proxy materials to MANAGER upon receipt. MANAGER shall not be liable with regard to voting of proxies in the event proxy materials are not received by MANAGER in a timely manner. Proxy votes for commingled assets are subject to the written policy governing those assets. MANAGER shall not be obligated to take any action or render advice involving legal action on BOARD's behalf with respect to the Assets that become subject to any legal notices or proceedings, including securities class actions and bankruptcies. The BOARD retains the right to proceed directly as a security holder against the issuer of any of the Assets.

SECTION 2

INVESTMENT MANAGEMENT FEES

2.1 Investment Management Fees. The fees shall be payable to MANAGER at the completion of each calendar quarter. Such fees will be one-quarter of the annual management fee schedule (or pro-rated portion for a period of time less than a calendar quarter) computed on the market value of the Assets Under Management as determined by the custodian as of the end of the each quarter for

which such fee is paid, using an average of the end of month values for the three months comprising the quarter. The annual management fee schedule is as follows:

Value of Securities and Cash	Fee Schedule
On the first \$ 15 million	0.75% per annum
On the next \$ 10 million	0.55% per annum
On the next \$ 75 million	0.45% per annum
On the next \$100 million	0.35% per annum
On the next \$800 million	0.25% per annum
Over \$1,000,000,000	0.15% per annum

SECTION 3

INFORMATION AND REPORTS

3.1 Information and Reports. Within ten (10) calendar days from month end, the MANAGER shall provide the BOARD with reports concerning the status of Assets Under Management. Reports shall include, but not be limited to, a daily acquisition and disposition report, a monthly transaction summary, a monthly statement of changes to cash, a monthly statement of changes to net assets, a monthly statement of assets as of month end reflecting cost and fair market value, and monthly and quarterly statements of asset performance. The performance reports shall provide performance over various standard periods, attribution analysis, and a commentary. Also by the tenth calendar day the MANAGER shall reconcile the monthly asset holding statement from the custodian and resolve all discrepancies. A report reconciling the MANAGER'S accounting record to those of the custodian shall be forwarded to the BOARD monthly. All accounting type reports shall use historic average cost as a basis for carrying value. All reports submitted shall be certified as to accuracy and consistency with this Agreement and *SamCERA's* Investment Policy. Each of these reports must be signed by a responsible executive officer of the MANAGER.

The BOARD and representatives of the MANAGER shall meet at such times as the BOARD may reasonably request to present MANAGER'S opinions and advice concerning the economic and investment outlook and to update the BOARD as to the MANAGER'S current and future investment strategy. MANAGER shall be available to

answer questions by the BOARD from time to time as reasonably needed, without charge.

The BOARD shall instruct the custodian to provide the Manager with periodic reports concerning the status of the Assets Under Management, and with such information as the MANAGER may reasonably request from time to time.

SECTION 4

COMPLIANCE WITH GOVERNMENTAL REGULATIONS AND FIDUCIARY RESPONSIBILITY

4.1 Manager's Representations, Warranties and Covenants.

MANAGER acknowledges, represents, warrants, and agrees that:

4.1.1 It is qualified to be an "investment manager," as that term is defined in Section 3(38) of ERISA, and acknowledges that it is a fiduciary with respect to the Assets Under Management hereunder, and that it will maintain that status as long as this Agreement remains in effect;

4.1.2 It has complied with and, when required, will comply with, all regulations, registrations, filings, approvals, authorizations, consents or examinations required by any governmental authority having jurisdiction over its activities hereunder or the acts contemplated by this Agreement, including, without limitation, any applicable state securities commissions, the United States Securities and Exchange Commission (hereinafter referred to as the "SEC") and the United States Department of Labor and applicable international regulatory agencies.

MANAGER agrees to comply with all applicable state and federal tax laws in relation to the performance of this Agreement and the receipt of compensation under this Agreement. MANAGER represents that it is a limited liability company organized and existing under the laws of the State of Delaware. In the event of any change in that status during the term of this Agreement, MANAGER shall promptly notify the BOARD of such change in status. MANAGER's current status as a limited liability company, to the best of MANAGER's knowledge, does not impact the tax filings of the BOARD; MANAGER agrees to inform the BOARD of any changes in the foregoing.

4.1.3 The personnel of MANAGER who will be responsible for carrying out this Agreement are individuals experienced in the performance of the various functions contemplated by this Agreement and have not been convicted of any

crime or found liable in a civil or administrative proceeding or pleaded nolo contendere or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, bankruptcy law regulations or any act or omission involving moral turpitude.

4.1.4 There are no complaints, disciplinary actions, or investigations filed or pending against MANAGER or any investment professional employed by it who had performed any service with respect to *SamCERA*'s account in the twenty-four (24) preceding months by the SEC, the New York Stock Exchange the American Stock Exchange, the Financial Industry Regulatory Authority (hereinafter referred to as "FINRA"), any Attorney General or any regulatory agency of any state of the United States, any department or agency of the government of the United States, or any governmental agency regulating securities or transactions in real property of any country in which MANAGER is doing business;

4.1.5 MANAGER will promptly notify *SamCERA* in the event that any of the foregoing acknowledgments, representations, warranties or agreements has been breached or is no longer true.

4.1.6 MANAGER shall promptly notify *SamCERA* in writing of any investigation, examination, complaint, disciplinary action or other proceeding relating to or affecting MANAGER's ability to perform its duties under this Agreement or involving any investment professional employed by MANAGER who has performed any service with respect to *SamCERA*'s account in the twenty-four (24) preceding months, which is commenced by any of the following: (A) the SEC, (B) the New York Stock Exchange, (C) the American Stock Exchange, (D) FINRA, (E) any Attorney General or any regulatory agency of any state of the United States, (F) any U.S. Government department or agency, or (G) any governmental agency regulating securities of any country in which MANAGER is doing business. Except as otherwise required by law, *SamCERA* will maintain the confidentiality of all such information until the investigating entity makes the information public.

4.1.7 The foregoing acknowledgments, representations, warranties and agreements are understood to be relied upon by *SamCERA* and the BOARD and to constitute a material inducement to the decision of *SamCERA* and the BOARD to enter into this Agreement.

4.2 Services To Other Clients. It is understood that MANAGER performs investment advisory services for various other clients. MANAGER and its officers may act and continue to act as an investment manager for other clients, and nothing in this Agreement shall in any way be deemed to restrict the right of MANAGER to perform investment management or other services for any other client. *SamCERA* further acknowledges and understands the risks and conflicts of interest disclosures related to the foregoing as well as MANAGER's other activities as a registered investment advisor, as more fully described in MANAGER's Form ADV. However, nothing in this section shall be construed to relieve MANAGER of any of its Standard of Care, fiduciary duties or obligations as set forth in or arising under the other provisions of this Agreement.

4.3 Permitted Dealings. There shall be no dealings between MANAGER and its affiliates and associates with respect to the Assets Under Management, including, without limitation, the purchase of securities from and/or the sale of securities to affiliates or associates or to other accounts managed by MANAGER, will be permitted with respect to the Assets Under Management without the prior written consent of *SamCERA* given after full written disclosure of the nature of the affiliation and the facts and circumstances of the transaction. In addition, MANAGER may not act in any capacity in any transaction involving *SamCERA* on behalf of any person whose interests are known by MANAGER to be adverse to *SamCERA*, or receive any consideration from any party in connection with a transaction involving *SamCERA's* assets.

4.4 Gratuities. MANAGER warrants that no gratuities in the form of entertainment, gifts, or otherwise, were offered or given by MANAGER, or any agent or representative of MANAGER, to any officer, fiduciary, advisor, or employee of *SamCERA* or the County of San Mateo with a view toward securing this Agreement or securing favorable treatment with respect to the awarding or the making of any determination with respect to this Agreement. MANAGER covenants that no such gratuities will be given to any such person with a view towards securing favorable treatment with respect to the making of any determination with respect to the performance, termination and/or continuation of this Agreement. MANAGER shall review and become familiar with the conflict of interest and reporting provisions applicable to *SamCERA*, contained in California Government Code Sections 1090 to

1097 inclusive, 31528, 82030, 87100 to 87103.

4.5 Certification Concerning Placement Agent Policy.

MANAGER acknowledges that it has received *SamCERA's* Placement Agent Disclosure Policy, adopted pursuant to the California Government Code, and attached hereto as Exhibit C and agrees to comply with this policy. MANAGER further acknowledges that it has completed *SamCERA's* Placement Agent Information Disclosure Form (the "Form"), and represents and warrants to the accuracy of the information that MANAGER has provided on the Form. If any information provided by MANAGER on the Form changes, MANAGER agrees to update *SamCERA* within 14 calendar days of the date that MANAGER knew or should have known of the change in information.

4.6 Certification Concerning Financial Contacts or Solicitation.

MANAGER represents and warrants that to the best of its knowledge no employee of *SamCERA* or fiduciary whose position in *SamCERA* enables such person to influence the award of this Agreement or any competing agreement, and no spouse or economic dependent of such person is or will be employed in any capacity by MANAGER herein. MANAGER further represents and warrants that, to its actual knowledge, neither it nor any of its members, affiliates, officers, employees, agents (including any placement agent) or representatives has paid or will pay, has given or will give, any remuneration or things of value directly or indirectly to *SamCERA* or any of its members, officers, employees or agents in connection with *SamCERA's* allocation to MANAGER or otherwise, including finder's fee, cash solicitation fee, or a fee for consulting, lobbying or otherwise.

4.7 Warranty regarding Contingent Fees. MANAGER warrants

that no person or selling agency has been employed or retained directly or indirectly by MANAGER to solicit or secure this Agreement upon any agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by MANAGER for the purpose of securing business. If MANAGER maintains a relationship with such commercial or selling agencies, then MANAGER shall disclose the name of such agency or agencies and if MANAGER pays a commission, percentage, brokerage, or contingency fee, then such fee shall not be paid from *SamCERA's* allocation to MANAGER.

SECTION 5
TERM AND TERMINATION

5.1 Term. Subject to the termination provisions set forth herein, the term of this Agreement will commence on the date first set forth above and will continue in full force and effect until terminated.

5.2 Termination By Board. The BOARD reserves the right to terminate the Agreement without cause at any time by giving MANAGER written notice, as detailed below in Section 7.10 Notices, sent at least thirty (30) calendar days prior to the date on which termination is to become effective.

5.3 Termination By Manager. MANAGER reserves the right to terminate the Agreement without cause at any time by giving the BOARD written notice as detailed below in Section 7.10 Notices, sent at least one hundred twenty (120) days prior to the date on which termination is to become effective.

5.4 Consummation of Transactions. Any termination notice given by either party shall not affect or preclude the consummation of any transaction initiated prior to the receipt by one party of the other's termination notice, or, if MANAGER continues to act in accordance with its fiduciary obligations under this Agreement, any transaction initiated during the period during which MANAGER so continues to act.

5.5 Duty to Cooperate. Following notice of termination, MANAGER shall (i) cooperate fully with the BOARD in securing the Assets Under Management; (ii) deliver all funds, property, books, records, and documents of *SamCERA* in MANAGER's safekeeping to third parties designated by the BOARD and after such delivery, MANAGER shall have no further investment management responsibility for the Assets Under Management; (iii) submit a full accounting of the Assets Under Management within forty-five days of the effective date of termination; and (iv) make all employees of affiliates of MANAGER available for interviews by *SamCERA* as reasonably requested.

:

SECTION 6

INSURANCE AND INDEMNIFICATION

6.1 Insurance. Without in any way affecting the indemnity sections herein provided and in addition thereto, MANAGER will provide and maintain at its own expense during the term of this Agreement the following program(s) of insurance, enumerated within, covering its operations hereunder against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by MANAGER, its agents, representatives or employees. Such insurance will, in each case set forth in this Section 6.1, be primary to and not contributing with any other insurance maintained by *SamCERA* and/or the County of San Mateo. Such insurance will be provided by insurer(s) rated A or better by an industry recognized rating agency or otherwise approved in writing by *SamCERA*, and evidence of such insurance, in a form satisfactory to *SamCERA*, will be delivered to *SamCERA* on or before the effective date of this Agreement. Such evidence will be accompanied by a written statement from MANAGER that *SamCERA* is to be given at least thirty (30) days written notice in advance of any material modification or termination of any policy of insurance. MANAGER has supplied certificates of insurance which substantially comply with the requirements of this section. *SamCERA* retains the right at any time to review the coverage, form, and amount of the insurance required hereby. If in the opinion of *SamCERA* the insurance provisions in these requirements do not provide adequate protection for *SamCERA* and its members, *SamCERA* and MANAGER shall meet to discuss insurance coverage.

6.1.1 Commercial General Liability. MANAGER shall maintain a policy of commercial general liability for bodily injury and property damage arising out of MANAGER's services under this Agreement. Such policy shall include endorsements for property damage, premises-operations, products/completed operations, contractual, and personal injury with a limit of two million dollars (\$2,000,000) per occurrence and an annual aggregate of five million dollars (\$5,000,000)

6.1.2 Workers' Compensation. MANAGER shall bear sole responsibility and liability for furnishing Workers' Compensation benefits, or similar coverage to MANAGER's employees for injuries arising from or connected with any

services provided to *SamCERA* under this Agreement. MANAGER shall provide and maintain a program of Workers' Compensation and Employer's Liability insurance, in an amount and form to meet all applicable statutory requirements, to cover all of MANAGER's employees.

6.1.3 Errors and Omissions, Directors' and Officers' Liability. MANAGER shall maintain insurance to cover MANAGER and its directors, officers and employees for errors and omissions losses arising from the services provided under this Agreement. Such policy shall have a limit of seventy million dollars (\$70,000,000) per occurrence and an annual aggregate of seventy million dollars (\$70,000,000).

6.1.4 Fraud and Dishonesty. MANAGER shall maintain throughout the term of this Agreement a fidelity or financial institution bond policy with at least the following insuring agreements: (1) Employee Dishonesty Coverage - Form 14 - Ten Million Dollars and (2) Computer Theft Coverage - One Million Dollars. Such policy shall provide protection to *SamCERA* against loss by reason of fraud or dishonesty on the part of MANAGER, and shall be in an amount of seventy million dollars (\$70,000,000). Coverage is to be fixed at the effective date of this Agreement and at the anniversary of the effective date of this Agreement for each successive one-year period that this agreement remains in effect.

6.1.5 Claims Made Professional Liability Insurance. If professional liability coverage is written on a Claims Made form: (1) the "Retro Date" must be shown, and must be on or before the date of the contract or the beginning of contract work; (2) if coverage is canceled or non-renewed, and not replaced with another Claims Made policy form with a "Retro Date" prior to the contract effective date, MANAGER must purchase "extended reporting" coverage for a minimum of five (5) years after termination of this Agreement; and (3) a copy of the claims reporting requirements must be submitted to *SamCERA* for review.

6.2 Indemnification. MANAGER shall defend and hold the BOARD, *SamCERA* and its employees harmless from and indemnify the BOARD, *SamCERA* and its employees against any and all liability, loss, damages, court costs and reasonable expenses (including reasonable attorneys' fees) which the BOARD, *SamCERA* and its employees may incur or suffer under applicable law as a direct result

of any breach by MANAGER of its fiduciary responsibility with respect to the Assets Under Management or the breach by MANAGER of any of the acknowledgments, representations, warranties or agreements made in this Agreement or as otherwise provided herein. MANAGER shall have no obligation to indemnify the BOARD arising out of any action of any person or entity other than MANAGER (including any custodian, broker-dealer or other agent of *SamCERA* or the BOARD.)

SECTION 7

MISCELLANEOUS

7.1 Governing Law and Venue. This Agreement shall be governed by, construed, regulated and administered in accordance with the applicable Federal laws and, to the extent that Federal laws are not applicable, the laws of the State of California. Any action brought to enforce the terms of this Agreement shall be brought in United States District Court located in the County of San Francisco or Superior Court of the State of California located in the County of San Mateo.

7.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

7.3 Successors and Assigns. Neither this Agreement nor MANAGER's rights or duties hereunder may be assigned by MANAGER without the prior written consent of *SamCERA*, which may be withheld for any reason or no reason at all in the sole and absolute discretion of *SamCERA*.

7.4 Resignation of Key Personnel, Commitment and Other Changes. After the date hereof, if any portfolio manager of the MANAGER that is directly responsible for *SamCERA*'s account should be released from the employment of MANAGER, or for any reason terminates his investment responsibilities for MANAGER or becomes unable to maintain his investment responsibilities for MANAGER, *SamCERA* shall (a) be notified by MANAGER in no event more than three (3) business days from the date of such release and (b) be provided the right to redeem all of its allocation to MANAGER as promptly as reasonably possible without any payment of penalty, subject to MANAGER'S fiduciary obligations to other investors.

MANAGER acknowledges that the key personnel will devote a sufficient portion

of their time to the investment of *SamCERA's* allocation to MANAGER.

In the event that there is any material change in the management of the back-office operations personnel, MANAGER hereby agrees that *SamCERA* shall be notified of such changes within twenty (20) Business Days.

7.5 Public Information: The BOARD and its investments are subject to the provisions of California's Public Records Act. Requests from third parties for information relating to this Agreement or the Assets Under Management should be immediately forwarded to *SamCERA's* Chief Executive Officer for response.

7.6 Section and Paragraph Headings. The section and paragraph titles of this Agreement are inserted for convenience of reference. They constitute no part of this Agreement and are not to be considered in its construction.

7.7 Independent Contractor. MANAGER will at all times be acting in the capacity of independent contractor. MANAGER will be considered to be representing *SamCERA* to the extent it is acting within the scope of this Agreement, but this Agreement is not intended, and will not be construed, to create the relationship of agent, servant, employee, partner, joint venturer, or association, as between *SamCERA* and MANAGER. MANAGER understands and agrees that all persons furnishing services to *SamCERA* pursuant to this Agreement are employees solely of MANAGER and not of *SamCERA*.

All services performed with respect to the work will be performed by MANAGER with its own forces, except with the written approval of the CIO. Except for broker/dealers utilized in accordance with this Agreement who are not contractors of MANAGER, no performance of this Agreement or any portion thereof may be contracted by MANAGER without the express written consent of the CIO. Except for broker/dealers utilized in accordance with this Agreement who are not contractors of MANAGER, MANAGER will be solely liable and responsible for any and all payments and other compensation to any contractor, and *SamCERA* will have no direct liability to any contractor.

7.8 Record Retention and Inspection of Manager's Records. MANAGER will furnish to *SamCERA* and its authorized representatives, on reasonable notice (which in no event need ever be more than five (5) business days) and during ordinary business hours, full access to these records maintained by MANAGER with respect to this Agreement. MANAGER will retain any and all ledgers, books of account,

invoices, vouchers and canceled checks, as well as other records or documents evidencing or relating to charges for services, expenditures or disbursements charged to *SamCERA*, in its possession with respect to this Agreement for a minimum period of seven (7) calendar years, or any longer period required by law, from the date the records were created. MANAGER will retain any and all documents and records in its possession, which demonstrate performance under this Agreement for a minimum period of seven (7) calendar years, or any longer period required by law, from the date of termination or completion of this Agreement.

7.9 Authorized Personnel. *SamCERA* shall give MANAGER a list of persons, with specimen signatures, authorized to give instructions and notices, and otherwise act on *SamCERA's* behalf under this Agreement. Any changes to the list shall be made in writing to MANAGER and signed by the CIO. Until receipt of notice of any such change, MANAGER, without liability, may rely upon and act in accordance with instructions and notices received from authorized persons identified on the current list furnished by *SamCERA*.

7.10 Notices. Notices provided pursuant to this Agreement shall be in writing and may be delivered personally or by registered, certified mail or any acceptable overnight carrier. In the event a notice is given by facsimile or e-mail it must be followed by a written notice delivered pursuant to the above means. Notices will be effective upon receipt or rejection thereof, to the following addresses:

(A) To BOARD:

BOARD of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood City, California 94065-5802
Attention: Chief Investment Officer samcera@samcera.org
Attention: Chief Executive Officer samcera@samcera.org

(B) To MANAGER:

Barrow, Hanley, Mewhinney & Strauss, LLC
2200 Ross Avenue, 31st Floor
Dallas, Texas 75201

Attention: Director of Operations

Telephone Number: 214-665-1900

Facsimile Number: 214-665-1936

E-mail Address: clientservices@barrowhanley.com

7.11 Assurance of Compliance Equal Opportunity Laws.

MANAGER hereby agrees and represents that it is an equal opportunity employer. All employment decisions and personnel actions of MANAGER are administered without regard to race, color, religion, creed, national origin, ancestry, sex, age (40 and above), qualified mental or physical disability, sexual orientation, genetic carrier status, any veteran status, any military service, any application for any military service, or any other category or class protected by federal, state or local laws. All employment decisions and personnel actions, such as hiring, promotion, compensation, benefits, and termination, are and will continue to be administered in accordance with, and to further the principle of, equal employment opportunity.

7.12 Validity. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision

7.13 Waiver. No waiver of a breach of any provision of this Agreement by either party shall constitute a waiver of any other breach of said provision or any other provision of this Agreement. No waiver will be enforceable unless it is a written agreement executed by the party granting the waiver, making specific reference to this Agreement and reciting the parties' intention that it constitutes a waiver. Failure of either party to enforce at any time, or from time to time, any provisions of this Agreement shall not be construed as a waiver thereof. The remedies herein reserved shall be cumulative and additional to any other remedies in law or equity.

7.14 Attorney Fees. In the event of any litigation regarding this Agreement, the prevailing party as determined by the appropriate court shall be entitled to recover reasonable attorney's fees.

7.15 Avoidance of Unrelated Business Taxable Income. MANAGER acknowledges that *SamCERA* under Section 501(c)(25) of the Internal Revenue Code and Section 23701u of the California Revenue & Taxation Code could be adversely affected by the receipt of income not permitted by those sections, and endeavors:

(i) to exercise its duties and responsibilities under this Agreement so as to not cause *SamCERA*, without the prior written consent of *SamCERA*, to realize any income not permitted under such sections; and

(ii) not to take or refrain from taking any action which would cause *SamCERA*, without the prior written consent of *SamCERA*, to lose or fail to qualify for exemption from taxation under such sections, or any successor sections thereto of which notice is provided by *SamCERA* to MANAGER; provided, however, that MANAGER *shall be permitted to rely upon the written advice of tax counsel acceptable to SamCERA* as to whether any action proposed to be taken or omitted would be likely to result in the realization of any income not permitted under such sections or the loss or failure to qualify for such exemption from taxation, and may proceed with such proposed activity in reliance on such opinion where such tax counsel opines that it is not likely that such results would occur. *SamCERA* will have responsibility for the making of any elections or filings required to bring about and maintain such tax exempt status.

Notwithstanding the foregoing, Manager shall not be liable to *SamCERA* for any violation of this Section 7.15 if Manager is in compliance with the “Investment Policy” attached hereto as Exhibit A and the “Investment Objective, Guidelines and Restrictions” attached hereto as Exhibit B, to the extent that said Investment Policy and Investment Objective, Guidelines and Restrictions address the taxation of investments.

7.16 Consultants. MANAGER agrees to cooperate with such consultants and advisors as *SamCERA* may retain from time to time to assist *SamCERA* in the administration of this Agreement.

7.17 Securities Class Action Claims. *SamCERA* acknowledges that *SamCERA*’s custodian will be responsible for evaluating and making all decisions regarding securities litigation claims involving securities presently or formerly held in the Investment Account. MANAGER shall assist the custodian in evaluating such securities litigation claims, as reasonably requested in writing, but MANAGER will not be responsible for filing claims.

7.18 Merger. This Agreement, and the Exhibits attached hereto, will constitute the complete and exclusive statement of understanding between the parties, superseding all previous agreements, written or oral, and all other previous communication between the parties relating to the subject matter of this Agreement.

7.19 Changes and Amendments. *SamCERA* and MANAGER reserve the right to amend any such terms and conditions of this Agreement, which may become necessary. Any revisions hereto will be accomplished by written agreement executed by both of the parties making specific reference to this Agreement and reciting the parties' intention that it constitutes an amendment.

EXECUTED AND AGREED TO by the parties as of the date first written above by their duly authorized representatives:

SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

BARROW, HANLEY, MCWHINNEY, &
STRAUSS, LLC

Al David
Chair, Board of Retirement

James P. Barrow
President, Secretary & Treasurer

Date: May22, 2012

Date: _____

Exhibit A

SamCERA's Investment Policy

Approved By the BOARD of Retirement

Date

As Attached

Exhibit B

Investment Objectives, Guidelines, and Restrictions

The following investment objectives, guidelines, and restrictions shall apply to the portfolio (the "Portfolio") of the San Mateo County Employees' Retirement Association (hereinafter referred to as the "BOARD") that is managed by Barrow, Hanley, Mewhinney, & Strauss, LLC ("IM" or "Investment Manager")

Investment Objectives

The Portfolio shall be treated as a tax-exempt portfolio. As a result, the tax consequences of individual transactions shall not be considered as part of IM's purchase and sales decisions.

The primary objective of the portfolio will be growth through long-term capital appreciation. Current income will be considered only as part of total return, and will not be emphasized. Acceptable risk levels will be maintained through the use of mainly high-quality equity securities. Within the parameters of the Investment objectives, the allocation of funds between equities and the equity reserve shall be determined by the judgment of the investment manager after taking into consideration the fundamental economic and investment environment, an appraisal of individual company prospects, and relative stock valuation levels which would pertain to these prospects. IM may make changes in equity allocation if it thinks it is prudent to reduce exposure. Additional considerations governing equity investments shall include:

A. Exceed the Appropriate Benchmark over a market cycle. *SamCERA's Investment Plan* defines underperformance as:

(1) 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

(2) 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

(3) 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

(4) Performance will be evaluated in light of the manager's

stated style and discipline.

- B. Reasonable diversification among industries and companies should be maintained, subject to reasonable limitations on the number of total holdings.
- C. Investments in the following types of securities are specifically permitted:
 - 1. Domestic equity securities that are publicly traded;
 - 2. Securities of foreign issuers that are traded publicly in the United States, either on an exchange or over-the-counter;
 - 3. Securities issued in initial public offerings;
 - 4. 144A securities (to the extent permitted by Rule 144A);
 - 5. American Depository Receipts (listed and unlisted); and
 - 6. To the extent that IM believes a cash reserve is appropriate, Treasuries and other high quality debt instruments that have an expected maturity of five years or less.

EQUITY INVESTMENT OBJECTIVES, GUIDELINES, RESTRICTIONS AND FEE AGREEMENT

Specific Restrictions

- A. Investment Activity in the following is prohibited:
 - 1. Short sales;
 - 2. Letter stock or private placements (except to the extent permitted above);
 - 3. Margin purchases; and
 - 4. Commodities

EXHIBIT C
SamCERA's PLACEMENT AGENT POLICY



SamCERA Policy

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

*Adopted by the Board of Retirement
December 14, 2010, last amended October 25, 2011*

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

I. PURPOSE

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

II. APPLICATION

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

III. RESPONSIBILITIES

- A. The Board is responsible for:
1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
 2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.
- B. Each External Manager is responsible for:
1. Providing a statement in writing that the External Manager will comply with this policy.
 2. Providing the following information to the *SamCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SamCERA* investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SamCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to *SamCERA* or who are paid based upon

investment commitments secured by such employees.

- d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.
 - h. The names of any current or former *SamCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.
3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.
 4. Representing and warranting the accuracy of the information described in section B.2 above.
 5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SamCERA*,
 - a. all campaign contributions made by the Placement Agent to any publicly elected *SamCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SamCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SamCERA* investment shall also be disclosed.

b. all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SamCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SamCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SamCERA* investment shall also be disclosed.

6. *SamCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

C. *SamCERA* Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between *SamCERA* and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, *SamCERA* is entitled to the greater of the reimbursement of any management or advisory fees paid by *SamCERA* for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the *SamCERA* investment; and
4. Prohibiting any External Manager or Placement Agent from soliciting new investments from *SamCERA* for five years after they have committed a material violation of this Policy; *provided, however,* that *SamCERA’s* Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each

Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

IV. DEFINITIONS:

The following definitions are current as of October 9, 2011. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8 “**External Manager**” means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

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

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

As defined in section 7513.8, “**Investment Fund**” means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

As defined in section 7513.8, “**Placement Agent**” means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of

the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.



SAN MATEO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
PLACEMENT AGENT DISCLOSURE AND SEC COMPLIANCE FORM

The Board of Retirement (“Board”) of the San Mateo County Employees Retirement Association (“*SamCERA*”) has adopted a Placement Agent Policy (“Policy”), a copy of which is attached as Attachment No.1. For the purposes of compliance with the Policy and the proper completion of this form, please refer to the definitions of “*External Manager*”, “*Person*”, “*Placement Agent*”, “*Investment Fund*”, “*Investment Vehicle*”, and “*Compensation*” as set forth in California Government Code section 7513.8 and reflected in the attached Policy. Under the Policy, each External Manager must complete and deliver this Disclosure Form to *SamCERA* prior to *SamCERA* investing any money with that manager.

For purposes of this disclosure, “you” means the External Manager identified below and its affiliates, including the External Manager’s and affiliates’ respective officers, directors, partners, members, employees, contractors, and agents.

Name of External Manager: _____

Contact information for External Manager:

Address: _____

Contact Person: _____

Contact Information: _____
(email/phone/fax) _____

PART ONE: USE OF PLACEMENT AGENTS

1. Have you used a Placement Agent in connection with the Proposed Investment?

Yes _____ No _____

2. Will a Placement Agent receive compensation from you if *SamCERA* invests in the Proposed Investment?

Yes _____ No _____

If you answer “Yes” to either question, complete the remainder of the Disclosure Form. If you answer “No” to both questions, go to directly to PART TWO.

3. The name of the Placement Agent is:

_____.

4. Please describe the relationship between you and the Placement Agent.

_____.

5. Please attach a resume for each officer, partner, or principal of the Placement Agent detailing the person’s education, professional designations, regulatory licenses, and investment and work experience. Please identify below all persons whose resumes are attached.

_____.

6. Please describe any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent or to a third party at the behest of the Placement Agent, in connection with the Placement Agent’s work for the External Manager on the Proposed Investment or as a result of *SamCERA* investing in the Proposed Investment.

_____.

7. Please describe in detail the services to be performed by the Placement Agent in connection with the Proposed Investment.

_____.

8. a. Is the External Manager solely responsible for payment of the Placement Agent’s fee, or providing the compensation if not a monetary fee?

Yes _____ No _____

If “No”, explain:

b. Will any part of the fee or other compensation be paid or provided directly or indirectly by *SamCERA*, the Investment Vehicle, the Investment Fund, or any investor(s) in the Investment Vehicle or in the Investment Fund?

Yes _____ No _____

If “Yes”, explain:

9. Please list the name(s) of all current and former Board members, employees, and consultants and member(s) of the immediate family of any such person that are either employed or receiving compensation of any kind provided, or agreed to be provided, directly or indirectly from the Placement Agent in connection with the Proposed Investment or as a result of *SamCERA* investing in the Proposed Investment. If none, enter “none” below.

10. Please list the name(s) of any current or former Board members, employees, and consultants who suggested the retention of the Placement Agent in connection with the Proposed Investment. If none, enter “none” below.

11. Please confirm that the Placement Agent, and any affiliates, as applicable, is/are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar state regulatory agency, or any similar regulatory agency in a country other than the United States. Please describe the details of each registration. If the Placement Agent is not registered with any regulatory agency, please explain why no registration is required.

Any External Manager or Placement Agent that violates the Policy shall not solicit new investments from *SamCERA* for five years after the violation was committed. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

Your attention is drawn to Sections 7513.87 and 7513.9 of the California Government Code relating to Placement Agents. Please note, there may be other laws relevant to Placement Agents, and you and any Placement Agent you engage with respect to managing or seeking to manage *SamCERA* assets are strongly encouraged to consult your own legal counsel. *Please note that San Mateo County does not have a policy or ordinance regarding lobbyist registration.*

Please further note that these statutes may be amended from time to time and the language below is law as it reads as of October 9, 2011.

California Government Code section 7513.87:

(a) A person acting as a placement agent in connection with any potential system investment made by a local public retirement system shall file any applicable reports with a local government agency that requires lobbyists to register and file reports and shall comply with any applicable requirements imposed by a local government agency pursuant to Section 81013.

(b) This section does not apply to either of the following:

(1) An individual who is an employee, officer, director, equity holder, partner, member, or trustee of an external manager who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the external manager.

(2) An employee, officer, or director of an external manager, or of an affiliate of an external manager, if all of the following apply:

(A) The external manager is registered as an investment adviser or a broker-dealer with the Securities and Exchange Commission or, if exempt from or not subject to registration with the Securities and Exchange Commission, any appropriate state securities regulator.

(B) The external manager is participating in a competitive bidding process, such as a request for proposals, or has been selected through that process and is providing services pursuant to a contract executed as a result of that competitive bidding process.

(C) The external manager, if selected through a competitive bidding process described in subparagraph (B), has agreed to a fiduciary standard of care, as defined by the standards of conduct applicable to the retirement board of a public pension or retirement system and set forth in Section 17 of Article XVI of the California Constitution, when managing a portfolio of assets of a public retirement system in California

California Government Code section 7513.89:

(a) Any placement agent, prior to acting as a placement agent in connection with any potential system investment, shall disclose to the board all campaign contributions made by the placement agent to any elected member of the board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the placement agent to an elected member of the board during the time the placement agent is receiving compensation in connection with a system investment shall also be disclosed.

(b) Any placement agent, prior to acting as a placement agent in connection with any potential system investment, shall disclose to the board all gifts, as defined in Section 82028, given by the placement agent to any member of the board during the prior 24-month period. Additionally, any subsequent gift given by the placement agent to any member of the board during the time the placement agent is receiving compensation in connection with a system investment shall also be disclosed.

PART TWO: SEC COMPLIANCE

You are expected to comply with all applicable laws, ordinances, rules, and regulations pertaining to investment advisers and the use of placement agents.

The U.S. Securities and Exchange Commission (“SEC”) has adopted rules governing political contributions by certain investment advisors to certain officials”. “Official” is defined in 17 CFR 275.206(4)-5 as “any person (including any election committee for the person) who was, at the time of the contribution, an incumbent, candidate or successful candidate for elective office of a government entity, if the office: (i) is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser by a government entity; or (ii) has authority to appoint any person who is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser by a government entity.”¹

Six members of *SamCERA*’s Board are elected by various member constituencies (two by general members, one by safety members, one alternate for safety members, one by retired member and one retiree alternate).

The San Mateo County Board of Supervisors, who are elected by the electorate of the County of San Mateo, appoints four members of the Board. The County Treasurer Tax Collector is elected by the electorate of the County of San Mateo.

Generally, investment advisers are prohibited from providing investment advisory services for compensation within two years after making a political contribution to an official in violation of the SEC rule. *SamCERA* could be adversely affected if you or a covered associate made a prohibited political contribution.

¹ 17 CFR 275.206(4)-5(f)(6)

1. Have you or a “covered associate” made a political “contribution” to an “official”, as the quoted terms are defined in 17 CFR 205.206(4)-5 (the “Regulation”) that would make it unlawful under the Regulation for you to provide investment advisory services for compensation to *SamCERA*?

Yes _____ No _____

If “Yes”, explain:

Please note, there are other relevant SEC compliance issues apart from political contributions. You are encouraged to consult your own legal counsel.

By signing below, you are certifying you are in compliance with all SEC rules and regulations relating to investment advisers and placement agents.

PART THREE: CERTIFICATION

This form, completed and signed by you, will be incorporated into and made a part of any contract or other agreement pursuant to which you manage assets for *SamCERA*.

By signing below, you represent and warrant that the information set forth herein, and attached hereto, is true and correct. Furthermore, you understand that *SamCERA* is relying upon your representations and warranties in determining whether to engage you to provide investment advisory services to *SamCERA*. You agree to update this information in writing within ten days of any happenings that render your responses untrue or inaccurate.

The execution and delivery of this form has been duly authorized by all necessary action by the undersigned.

Name of External Manager: _____

By: _____
Name: _____
Title: _____
Date: _____

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.4 c

To: Board of Retirement



From: Gary Clifton, Acting Investment & Finance Manager

Subject: Approval of Investment Manager Agreement Between the Board of Retirement and BlackRock.

STAFF RECOMMENDATION: Staff recommends that the board review and approve the attached resolution, which authorizes the chair to execute the investment management agreement with BlackRock subject to final approval of counsel and staff.

BACKGROUND: During the August 2007 turmoil in the domestic equity markets, the board became concerned that there may be greater risk associated with its large cap domestic equity structure than originally anticipated. Specifically, the proliferation and duplication of quantitative strategies made products such as Barclays Global Investors' Alpha Tilts product appear to have a greater risk than stated. At the board's request, Strategic Investment Solutions' provided a study of alternate structures for *SamCERA*'s U.S. equity structure.

The board then instructed Strategic Investment Solutions (SIS) to initiate a review of *SamCERA*'s U.S. Equity Investment Manager Structure. The study focused on *SamCERA*'s large cap equity structure and made the following points: The U.S. equity structure is intended to be low risk. The BGI Alpha Tilts exposure is more risky than originally thought, and the quantitative model risk must be addressed going forward. The goal is to maintain moderate risk and implement a process for diversification.

As a reminder, the guiding principles of the manager structure review are: i) implementation of asset allocation, ii) objectives: diversification and risk control, iii) combination of active and passive styles, iv) index funds will generally be median performers in appropriate peer groups, v) diversify managers across investment styles, vi) maintain style neutrality, vii) alpha from active risk, not style risk, and viii) minimize risks taken to achieve fund performance objectives. Following those principles should allow the board to determine an optimal allocation among managers

On October 28, 2008, the board reviewed eleven semi-finalists. BlackRock, Inc., Delaware Investments, Waddell & Reed Investment Management Company, and Wells Capital Management, Inc. were invited to participate in interview at the February 2009 board meeting. The board offered the mandate to BlackRock, Inc.

SamCERA recently developed a new investment management agreement (IMA.) Staff is in the process of converting all prior IMAs to the new template.

Staff believes the template is in a more user-friendly format. It contains the following notable new provisions:

- An “evergreen term”, subject to termination by the Board or the Manager, rather than the set 3 year term.
- Sets forth the initial investment amount in the agreement.
- Contains a certification regarding Placement Agent Disclosure and prohibits gratuities
- Contains a refined and more detailed prohibition relating to Financial Conflicts of Interest
- Incorporates ERISA fiduciary definitions as a standard of care
- Specifies that seminars, training programs and client conferences are included in the fees.

The remainder of the IMA is very similar to language approved in the previous agreement, although the placement of the language may have been rearranged.

DISCUSSION: Attached to this agenda item is a resolution authorizing the Board Chair to execute the new IMA with BlackRock. The base of the IMA is *SamCERA*'s new template. The template incorporates amendments for language negotiated between *SamCERA* and BlackRock in previous agreements.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Contract for Investment Management Services
RESOLUTION 11-12-

*THIS RESOLUTION, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA), approves
the contract between the Board and BlackRock, Inc.*

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and

WHEREAS, Government Code §31595 vests in the Board ". . . *exclusive control of the investment of the employees retirement fund.*"; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers ". . . *in connection with administration of the Board's investment program . . .*"; and

WHEREAS, on October 28, 2008, the Board considered proposals from eleven firms for investment management services under a large cap Growth mandate. BlackRock, Inc., Delaware Investments, Waddell & Reed Investment Management Company, and Wells Capital Management, Inc. were invited to participate in interview at the February 2009 board meeting; and

WHEREAS, on February 24, 2009, the Board interviewed representatives from the four finalist, selecting BlackRock, Inc for a large cap growth mandate to be funded with approximately \$115 million each; and

WHEREAS, the Board wishes to enter into an agreement with BlackRock under *SamCERA's* new template.; Therefore, be it

RESOLVED that the Board, subject to final approval of counsel and staff hereby approves the agreement between the Board and BlackRock, Inc. for an indefinite term, which the Board may terminate on thirty days written notice. Be it further

RESOLVED that the Board hereby delegates full discretionary authority to BlackRock, Inc. to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Policy* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. Be it further

RESOLVED that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

RESOLVED that the Board hereby authorizes the Chair, to execute the agreement on behalf of the Board. Be it further

RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the Agreement and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.4 d

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Approval of Investment Manager Agreement Between the Board of Retirement and D. E. Shaw.

STAFF RECOMMENDATION: Staff recommends that the board approve the attached resolution, which authorizes the chair to execute the investment management agreement with D.E. Shaw subject to final approval of counsel and staff.

BACKGROUND: During the August 2007 turmoil in the domestic equity markets, the board became concerned that there may be greater risk associated with its large cap domestic equity structure than originally anticipated. Specifically, the proliferation and duplication of quantitative strategies made products such as Barclays Global Investors' Alpha Tilts product appear to have a greater risk than stated. At the board's request, Strategic Investment Solutions' provided a study of alternate structures for *SamCERA's* U.S. equity structure.

The board then instructed Strategic Investment Solutions (SIS) to initiate a review of *SamCERA's* U.S. Equity Investment Manager Structure. The study focused on *SamCERA's* large cap equity structure and made the following points: The U.S. equity structure is intended to be low risk. The BGI Alpha Tilts exposure is more risky than originally thought, and the quantitative model risk must be addressed going forward. The goal is to maintain moderate risk and implement a process for diversification.

As a reminder, the guiding principles of the manager structure review are: i) implementation of asset allocation, ii) objectives: diversification and risk control, iii) combination of active and passive styles, iv) index funds will generally be median performers in appropriate peer groups, v) diversify managers across investment styles, vi) maintain style neutrality, vii) alpha from active risk, not style risk, and viii) minimize risks taken to achieve fund performance objectives. Following those principles should allow the board to determine an optimal allocation among managers

In October, the board reviewed fifteen semi-finalists. They invited the five investment managers listed on the following page to attend the November 2008 meeting to participate in finalist interviews.

Investment Manager	Product
1) AXA Rosenberg Investment Management	U.S. Enhanced Index
2) D.E. Shaw	Broad Market Core Enhanced (Plus) Strategy
3) Enhanced Investment Technologies (INTECH)	INTECH Broad Enhanced Plus
4) QMA (Quantitative Management Associates)	Quantitative Core Equity
5) T. Rowe Price	U.S. Structured Research Strategy

In the discussion following the interviews, the board found the differences in investment strategies and lack of correlation between AXA Rosenberg, D.E. Shaw and T. Rowe Price compelling. Subject to further due diligence and investment management agreement (IMA) negotiations, the board opined to offer all three a portion of *SamCERA*'s large cap enhanced equity mandate.

On April 15th staff and SIS completed a site visit at D.E. Shaw's office. Based on the visit staff recommended moving forward with IMA negotiations. Those negotiations are ongoing. A draft IMA will be forwarded via e-mail as soon as possible.

SamCERA recently developed a new investment management agreement (IMA.) Staff is in the process of converting all prior IMAs to the new template.

Staff believes the template is in a more user-friendly format. It contains the following notable new provisions:

- An "evergreen term", subject to termination by the Board or the Manager, rather than the set 3 year term.
- Sets forth the initial investment amount in the agreement.
- Contains a certification regarding Placement Agent Disclosure and prohibits gratuities
- Contains a refined and more detailed prohibition relating to Financial Conflicts of Interest
- Incorporates ERISA fiduciary definitions as a standard of care
- Specifies that seminars, training programs and client conferences are included in the fees.

The remainder of the IMA is very similar to language approved in the previous agreement, although the placement of the language may have been rearranged.

DISCUSSION: Attached to this agenda item is a resolution authorizing the Board Chair to execute the new IMA with D.E. Shaw subject to final approval of counsel and staff. The base of the IMA is *SamCERA*'s new template. The template incorporates amendments for language negotiated between *SamCERA* and Shaw in previous agreements.

This negotiation is ongoing.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Contract for Investment Management Services
RESOLUTION 11-12-

*THIS RESOLUTION, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA), approves
the contract between the Board and D.E.Shaw*

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and

WHEREAS, Government Code §31595 vests in the Board ". . . *exclusive control of the investment of the employees retirement fund.*"; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers ". . . *in connection with administration of the Board's investment program . . .*"; and

WHEREAS, on October 28, 2008, the Board considered proposals from fifteen firms for investment management services under a large cap enhanced mandate. AXA Rosenberg, D.E. Shaw, Advanced Investment Technologies (Intech), Quantitative Management Associates (QMA), and T. Rowe Price were invited to participate in interviews at the November board meeting; and

WHEREAS, on November 25, 2008, the Board interviewed representatives from the five finalist, selecting AXA Rosenberg, D.E. Shaw and T. Rowe Price for a large cap enhanced mandate to be funded with approximately \$75 million each; and

WHEREAS, the Board wishes to enter into an agreement with BlackRock under *SamCERA's* new template.; Therefore, be it

RESOLVED that subject to final approval of counsel and staff the Board hereby approves the contract between the Board and D.E. Shaw for an indefinite term, which the Board may terminate on thirty days written notice. Be it further

RESOLVED that the Board hereby delegates full discretionary authority to D. E. Shaw to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Policy* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. Be it further

RESOLVED that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

RESOLVED that the Board hereby authorizes the Chair, to execute the agreement on behalf of the Board. Be it further

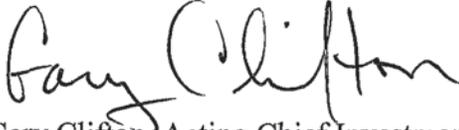
RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the Agreement and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.4 e

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Approval of Investment Manager Agreement Between the Board of Retirement and T. Rowe Price Group, Inc.

STAFF RECOMMENDATION: Staff recommends that the board approve the attached resolution, which authorizes the chair to execute the investment management agreement with D.E. Shaw subject to final approval of counsel and staff.

BACKGROUND: During the August 2007 turmoil in the domestic equity markets, the board became concerned that there may be greater risk associated with its large cap domestic equity structure than originally anticipated. Specifically, the proliferation and duplication of quantitative strategies made products such as Barclays Global Investors' Alpha Tilts product appear to have a greater risk than stated. At the board's request, Strategic Investment Solutions' provided a study of alternate structures for *SamCERA's* U.S. equity structure.

The board then instructed Strategic Investment Solutions (SIS) to initiate a review of *SamCERA's* U.S. Equity Investment Manager Structure. The study focused on *SamCERA's* large cap equity structure and made the following points: The U.S. equity structure in intended to be low risk. The BGI Alpha Tilts exposure is more risky than originally thought, and the quantitative model risk must be addressed going forward. The goal is to maintain moderate risk and implement a process for diversification.

As a reminder, the guiding principles of the manager structure review are: i) implementation of asset allocation, ii) objectives: diversification and risk control, iii) combination of active and passive styles, iv) index funds will generally be median performers in appropriate peer groups, v) diversify managers across investment styles, vi) maintain style neutrality, vii) alpha from active risk, not style risk, and viii) minimize risks taken to achieve fund performance objectives. Following those principles should allow the board to determine an optimal allocation among managers

In October, the board reviewed fifteen semi-finalists. They invited the following five investment managers to attend the November 2008 meeting to participate in finalist interviews.

Investment Manager	Product
1) AXA Rosenberg Investment Management	U.S. Enhanced Index
2) D.E. Shaw	Broad Market Core Enhanced (Plus) Strategy
3) Enhanced Investment Technologies (INTECH)	INTECH Broad Enhanced Plus
4) QMA (Quantitative Management Associates)	Quantitative Core Equity
5) T. Rowe Price	U.S. Structured Research Strategy

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

In the discussion following the interviews, the board found the differences in investment strategies and lack of correlation between AXA Rosenberg, D.E. Shaw and T. Rowe Price compelling. Subject to further due diligence and investment management agreement (IMA) negotiations, the board opined to offer all three a portion of *SamCERA*'s large cap enhanced equity mandate.

SamCERA recently developed a new investment management agreement (IMA.) Staff is in the process of converting all prior IMAs to the new template.

Staff believes the template is in a more user-friendly format. It contains the following notable new provisions:

- An "evergreen term", subject to termination by the Board or the Manager, rather than the set 3 year term.
- Sets forth the initial investment amount in the agreement.
- Contains a certification regarding Placement Agent Disclosure and prohibits gratuities
- Contains a refined and more detailed prohibition relating to Financial Conflicts of Interest
- Incorporates ERISA fiduciary definitions as a standard of care
- Specifies that seminars, training programs and client conferences are included in the fees.

The remainder of the IMA is very similar to language approved in the previous agreement, although the placement of the language may have been rearranged.

DISCUSSION: Attached to this agenda item is a resolution authorizing the Board Chair to execute the new IMA with T. Rowe Price subject to final approval of counsel and staff. The base of the IMA is *SamCERA*'s new template. The template incorporates amendments for language negotiated between *SamCERA* and Price in previous agreements.

This negotiation is ongoing.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

San Mateo County Employees' Retirement Association
Contract for Investment Management Services
RESOLUTION 11-12-

THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), approves the contract between the Board and T. Rowe Price Group, Inc.

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and

WHEREAS, Government Code §31595 vests in the Board ". . . *exclusive control of the investment of the employees retirement fund.*"; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers ". . . *in connection with administration of the Board's investment program . . .*"; and

WHEREAS, on October 28, 2008, the Board considered proposals from fifteen firms for investment management services under a large cap enhanced mandate. AXA Rosenberg, D.E. Shaw, Advanced Investment Technologies (Intech), Quantitative Management Associates (QMA), and T. Rowe Price were invited to participate in interview at the November board meeting; and

WHEREAS, on November 25, 2008, the Board interviewed representatives from the five finalist, selecting AXA Rosenberg, D.E. Shaw and T. Rowe Price for a large cap enhanced mandate to be funded with approximately \$75 million each; and

WHEREAS, the Board wishes to enter into an agreement with T. Rowe Price under *SamCERA's* new template.; Therefore, be it

RESOLVED that subject to final approval of counsel and staff the Board hereby approves the contract between the Board and T. Rowe Price Group, Inc. for an indefinite term, which the Board may terminate on thirty days written notice. Be it further

RESOLVED that the Board hereby delegates full discretionary authority to T. Rowe Price Group, Inc. to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Policy* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. Be it further

RESOLVED that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

RESOLVED that the Board hereby authorizes the Chair, to execute the agreement on behalf of the Board. Be it further

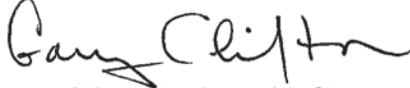
RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the Agreement and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 6.4 f

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Approval of Investment Manager Agreement Between the Board of Retirement and The Boston Company (TBC.)

STAFF RECOMMENDATION: Staff recommends that the board review and approve the attached resolution, which authorizes the chair to execute the investment management agreement with The Boston Company subject to the final due diligence visit.

BACKGROUND: The board has been disappointed with the performance of *SamCERA*'s small cap value manager, Brandes Investment Partners. The board instructed Strategic Investment Solutions (SIS) to initiate a search for a small cap value manager.

In November 2008, the board reviewed the following twelve semi-finalists.

Firm Name	Product Name
Cramer Rosenthal McGlynn, LLC	CRM Small Cap Value
Denver Investment Advisors, LLC	Small Cap Value
DePrince, Race, & Zollo, Inc.	Small Cap Value
Evergreen Investment Management	MWCM Small Cap Intrinsic Value Equity
Integrity Asset Management, LLC	Small Cap Value Equity
Mesirow Financial Investment Management	Small Cap Value Equity
Netols Asset Management, Inc.	Small Cap Value
Phocas Financial Corporation	Phocas Small Cap Value Equity
Pzena Investment Management, LLC	Pzena Small Cap Value Service
Signia Capital, LLC	Small Cap Value Fully Invested
The Boston Company Asset Management	US Small Cap Value Equity
Vaughan Nelson Investment Management	Small Cap Value

In March 2009 the board interviewed the following four managers.

Firm Name	Product Name
Denver Investment Advisors	Small Cap Value
Mesirow Financial Investment Management, Inc.	Small Cap Value Equity
Netols Asset Management, Inc.	Small Cap Value
The Boston Company	U.S. Small Cap Value

The Board selected The Boston Company for the small cap value mandate. The portfolio was funded with approximately \$35 million.

SamCERA recently developed a new investment management agreement (IMA.) Staff is in the process of converting all prior IMAs to the new template.

Staff believes the template is in a more user-friendly format. It contains the following notable new provisions:

- An “evergreen term”, subject to termination by the Board or the Manager, rather than the set 3 year term.
- Sets forth the initial investment amount in the agreement.
- Contains a certification regarding Placement Agent Disclosure and prohibits gratuities
- Contains a refined and more detailed prohibition relating to Financial Conflicts of Interest
- Incorporates ERISA fiduciary definitions as a standard of care
- Specifies that seminars, training programs and client conferences are included in the fees.

The remainder of the IMA is very similar to language approved in the previous agreement, although the placement of the language may have been rearranged.

DISCUSSION: Attached to this agenda item is a resolution authorizing the Board Chair to execute the new IMA with The Boston Company subject to final approval of counsel and staff. The base of the IMA is *SamCERA's* new template. The template incorporates amendments for language negotiated between *SamCERA* and The Boston Company in previous agreements.

This negotiation is ongoing.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Contract for Investment Management Services
RESOLUTION 11-12-

*THIS RESOLUTION, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA), approves
the contract between the Board and The Boston Company*

- WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with "plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"; and
- WHEREAS**, Government Code §31595 vests in the Board ". . . exclusive control of the investment of the employees retirement fund."; and
- WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers ". . . in connection with administration of the Board's investment program . . . "; and
- WHEREAS**, on November 25, 2008, the Board considered proposals from twelve firms for investment management services under a small cap value mandate, and Denver Investment Advisors, Mesirov Financial Investment Management, Inc., Netols Asset Management, Inc., and The Boston Company were invited to participate in interviews at the March 2009 board meeting; and
- WHEREAS**, in March 2009, the Board interviewed representatives from the four finalists, selecting The Boston Company for a small cap value mandate to be funded with approximately \$35 million; and
- WHEREAS**, Board approved the first investment management agreement (IMA) between the Board and The Boston Company for a term of three-years, effective May 31, 2009; and
- WHEREAS**, the board wishes to continue the relationship with The Boston Company under *SamCERA's* new IMA template, which contains amendments negotiate with The Boston Company and approved by County Counsel as to form and recommended for approval by the Chief Investment Officer. Therefore, be it
- RESOLVED** that subject to final approval of counsel and staff the Board hereby approves the IMA between the Board and The Boston Company for an indefinite term, the Board may terminate the agreement on thirty days written notice. Be it further
- RESOLVED** that the Board hereby delegates full discretionary authority to The Boston Company to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Policy* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. Be it further
- RESOLVED** that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further
- RESOLVED** that the Board hereby authorizes the Chair, to execute the agreement on behalf of the Board. Be it further
- RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the Agreement and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item: 6.5

To: Board of Retirement

From: David Bailey, Chief Executive Officer



Subject: Agreement to Provide Trading Costs Analysis for Equity Investments

STAFF RECOMMENDATION:

Adopt a resolution authorizing the Chief Executive Officer to execute an agreement to provide an analysis of trading performance and broker utilization for an amount not to exceed \$40,000 and to execute subsequent amendments and minor modifications in an amount not to exceed \$10,000.

BACKGROUND: At last month's meeting, the Zeno Consulting Group provided an analysis of the trading costs incurred by *SamCERA's* equity managers in 2011. Zeno's presentation noted that trading costs can be a potential drag on performance in our external manager's day-to-day trading activity, manager transitions and foreign exchange through its trade settlement and currency repatriation.

After the presentation, the board directed staff to agendize approval of a trading costs agreement for the May 22, 2012, board meeting.

DISCUSSION: This is a complex area because of the different trading methodologies used by our various external managers. After the board meeting, staff issued a Request For Proposal (RFP) to three firms for services to monitor investment trading costs incurred in relation to *SamCERA's* equity investments. Each company was to submit a proposal delineating the types of trade monitoring services that they provide and the prices associated with such services. The firms that received an RFP were Abel/Noser Corporation, Elkins/McSherry LLC, and Zeno Consulting Group, LLC. All three firms responded to the RFP.

Based primarily on reporting quality and work already completed staff recommends that the board engage Zeno Consulting Group, LLC for this service.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AGREEMENT TO PROVIDE AN ANALYSIS OF TRADING PERFORMANCE AND BROKER UTILIZATION FOR AN AMOUNT NOT TO EXCEED \$40,000 AND TO EXECUTE SUBSEQUENT AMENDMENTS AND MINOR MODIFICATIONS IN AN AMOUNT NOT TO EXCEED \$10,000.

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with "plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"; and

WHEREAS, Government Code §31595 vests in the Board ". . . exclusive control of the investment of the employees retirement fund"; and

WHEREAS, as prudent fiduciaries, the Board should be aware of its managers' trading process, what the managers pay to execute trades, whether the managers obtained best execution, and the impact of the trading process on the managers' performance; and

WHEREAS, staff issued a request for proposal to certain companies that provide analysis of trading performance and broker utilization and has presented its recommendation to the Board; and

WHEREAS, the Board has determined that it is in the best interest of *SamCERA* to enter into an agreement with a provider to prepare an analysis of trading performance and broker utilization, therefore, be it

RESOLVED, that the Chief Executive Officer is authorized to execute an agreement to provide an analysis of trading performance and broker utilization for an amount not to exceed \$40,000 and to execute subsequent amendments and minor modifications in an amount not to exceed \$10,000.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 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 April 30, 2012

STAFF RECOMMENDATION: Staff recommends that the board review the attached preliminary financial statements.

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 \$2,430,881,223.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits decreased by approximately \$12.8 million, month over month. The increase is primarily due to market depreciation in assets.

The following reports are attached to this agenda item:

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Statement of Fiduciary Net Assets (Year to Year YTD Comparative)	2
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San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
April 2012
PRELIMINARY

	April 2012	April 2011
ASSETS		
CASH AND CASH EQUIVALENTS	57,683,791	57,920,302
SECURITIES LENDING CASH COLLATERAL	156,398,457	152,331,041
TOTAL CASH	214,082,248	210,251,344
RECEIVABLES		
Contributions	0	0
Due from Broker for Investments Sold	141,485,898	133,047,238
Investment Income	5,549,322	5,716,693
Securities Lending Income	62,472	80,487
Other Receivable	113,596	113,000
TOTAL ACCOUNTS RECEIVABLES	147,211,289	138,957,418
PREPAID EXPENSE	82,065	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	555,389,185	587,733,576
Domestic Equities	948,646,490	1,010,950,642
International Equities	432,094,365	459,651,018
Real Estate	144,721,125	126,673,968
Private Equities	13,992,289	1,555,000
Risk Parity	152,686,980	147,250,040
Hedge Funds	67,793,530	0
Commodities	72,523,142	0
Held for Securities Lending	0	0
Other Investment	0	0
	2,387,847,106	2,333,814,244
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	2,749,222,707	2,683,030,675
LIABILITIES		
Investment Management Fees	2,249,288	2,913,042
Due to Broker for Investments Purchased	159,151,353	161,699,170
Collateral Payable for Securities Lending	156,398,457	152,331,041
Other	542,386	547,808
TOTAL LIABILITIES	318,341,484	317,491,061
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,430,881,223	2,365,539,614

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
April 2012
Preliminary

	April 2012	April 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	149,152,703	144,153,003	4,999,700
Employee Contribution	38,641,373	38,797,412	(156,039)
TOTAL CONTRIBUTIONS	<u>187,794,076</u>	<u>182,950,416</u>	<u>4,843,661</u>
INVESTMENT INCOME			
Interest and Dividends	45,464,256	32,184,235	13,280,021
Net Appreciation (Depreciation) in fair value of investments	14,770,510	455,937,230	(441,166,720)
Less Investment Expense	(13,772,298)	(8,974,201)	(4,798,096)
Less Asset Management Expense	0	(539,408)	539,408
NET INVESTMENT INCOME	<u>46,462,468</u>	<u>478,607,856</u>	<u>(432,145,387)</u>
SECURITIES LENDING INCOME			
Earnings	364,627	476,998	(112,370)
Less: Securities Lending Expenses	163,565	(125,733)	289,297
NET SECURITIES LENDING INCOME	<u>528,192</u>	<u>351,265</u>	<u>176,927</u>
OTHER ADDITIONS	<u>29,011</u>	<u>60,834</u>	<u>(31,823)</u>
TOTAL ADDITIONS	<u>234,813,748</u>	<u>661,970,371</u>	<u>(427,156,623)</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	101,060,470	94,570,945	6,489,524
Disability Retirement Allowance	12,835,663	12,097,932	737,730
Survivor, Death and Other Benefits	595,171	655,910	(60,739)
TOTAL ASSOCIATION BENEFITS	<u>114,491,303</u>	<u>107,324,787</u>	<u>7,166,516</u>
REFUND OF MEMBER CONTRIBUTIONS	<u>3,237,327</u>	<u>2,172,044</u>	<u>1,065,284</u>
ADMINISTRATIVE EXPENSE	<u>4,033,807</u>	<u>2,840,388</u>	<u>1,193,419</u>
OTHER EXPENSE	<u>(54,085)</u>	<u>(10,008)</u>	<u>(44,077)</u>
TOTAL DEDUCTIONS	<u>121,708,353</u>	<u>112,327,211</u>	<u>9,381,142</u>
NET INCREASE	<u>113,105,394</u>	<u>549,643,159</u>	<u>(436,537,765)</u>
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,317,775,829	1,815,896,455	
End of Period	2,430,881,223	2,365,539,614	

5/22/2012

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING TEN MONTHS
 For the Month Ending April 30, 2012
 PRELIMINARY

Agenda Item 7.1

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	YTD
ADDITIONS							
CONTRIBUTIONS							
Employee Contribution	2,796,875	3,502,213	3,674,023	3,658,973	3,659,268	5,853,099	22,944,450
Employer Contributions - Regular	5,358,439	7,315,021	7,238,753	7,336,610	7,280,524	11,055,264	46,264,611
Employer Contributions - COLA	3,261,580	4,065,393	4,080,186	4,079,143	4,587,841	6,138,083	25,716,225
Employer Prerefunded Contribution	60,794,948	(11,323,488)	(11,387,918)	(11,389,790)	(11,399,337)	61,841,085	77,038,498
TOTAL CONTRIBUTIONS	72,621,842	3,953,141	3,705,046	3,674,936	3,768,296	64,687,530	171,960,784
INVESTMENT INCOME							
Interest and Dividends	2,674,539	4,171,591	4,363,867	3,980,798	4,299,476	5,651,805	25,142,476
Net Appreciation (Depreciation) in fair value of investments	(18,945,881)	(110,656,042)	(155,778,761)	141,339,198	(28,574,223)	(2,336,682)	(153,172,381)
Securities Lending Income	36,093	29,250	32,457	35,914	39,947	35,107	208,767
Other Additions							0
Other Investment Related Expense	(465,397)	(474,387)	(270,222)	(197,391)	(513,027)	(433,838)	(2,354,254)
Securities Lending Expense	3,410	(4,030)	17,788	3,166	26,387	35,198	81,918
TOTAL ADDITIONS	97,965,665	(83,876,478)	(127,926,824)	148,836,624	(21,613,143)	87,639,116	41,867,381
DEDUCTIONS							
ASSOCIATION BENEFITS							
Retiree Annuity	2,577,870	2,603,168	2,606,554	2,607,079	2,615,376	2,603,919	15,613,966
Retiree Pension	6,081,746	6,213,426	6,141,097	6,173,780	6,208,238	6,119,178	36,935,462
Retiree COLA	2,583,422	2,567,552	2,565,624	2,561,787	2,541,841	2,526,785	15,344,942
Retiree Death and Modified Work Benefit	3,579	3,579	3,579	3,579	3,579	3,579	21,475
Active Member Death Benefit	0	0	0	0	0	0	0
Volts and Release	0	0	0	0	0	0	0
TOTAL ASSOCIATION BENEFITS	11,246,618	11,387,685	11,314,854	11,348,211	11,367,035	11,253,462	67,915,865
REFUND OF MEMBER CONTRIBUTIONS	193,618	323,124	398,826	314,585	159,181	372,822	1,762,145
ACTUARIAL FEES	32,750	111,250	(2,000)	2,250	2,250	2,250	148,250
CONSULTANT FEES - INVESTMENT (SIS)	33,333	33,333	33,333	33,333	33,333	33,333	199,999
CUSTODIAN FEES - STATE STREET	18,000	18,000	18,000	18,000	18,000	18,000	116,836
INVESTMENT MANAGEMENT FEE - R1000 INDEX	5,628	5,470	5,405	5,566	5,569	5,579	33,208
INVESTMENT MANAGEMENT FEE - ABERDEEN	27,574	23,680	25,719	24,813	24,776	25,000	151,563
INVESTMENT MANAGEMENT FEE - PYRAMS	16,867	15,879	16,411	16,195	16,324	16,124	97,801
INVESTMENT MANAGEMENT FEE - SROWIN BROTHERS	6,306	10,512	6,411	9,622	9,733	9,688	54,271
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	35,052	34,924	32,659	34,194	32,460	33,483	202,811
INVESTMENT MANAGEMENT FEE - CHARTWELL	36,804	31,200	30,945	34,590	35,387	34,942	203,867
INVESTMENT MANAGEMENT FEE - D E SHAW	40,529	42,546	41,605	44,717	44,797	45,259	265,853
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	31,601	29,143	29,311	30,810	30,834	30,989	181,489
INVESTMENT MANAGEMENT FEE - BLACKROCK	64,729	58,521	57,473	60,958	69,684	59,739	361,104
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	60,870	53,054	53,621	56,364	56,586	56,970	337,285
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	34,303	30,503	29,627	32,840	33,686	33,816	194,775
INVESTMENT MANAGEMENT FEE - JENKINSON ASSOCIATES	76,350	58,429	63,029	64,851	65,553	64,307	392,919
INVESTMENT MANAGEMENT FEE - MONDRIAN	32,441	30,065	28,417	35,043	29,484	29,561	185,011
INVESTMENT MANAGEMENT FEE - ARTIO	82,213	73,789	69,364	73,716	72,260	70,261	441,602
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	27,267	24,504	26,191	25,598	25,490	25,718	155,198
INVESTMENT MANAGEMENT FEE - WIVESCO CORE	51,537	51,597	51,537	55,082	52,723	37,440	301,056
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	0	0	0	150,000	0	0	150,000
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - ABRY PARTNERS	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - ADR GLOBAL RISK PARITY	48,540	50,082	48,785	46,317	48,177	47,090	289,491
INVESTMENT MANAGEMENT FEE - ADR DELTA FUND	58,322	58,004	57,535	55,371	56,301	56,948	342,511
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	26,687	25,200	23,525	24,114	23,444	23,953	145,486
TOTAL PROFESSIONAL FEE	653,543	670,656	747,604	934,345	782,707	750,086	4,852,341
ADMIN EXPENSE - SALARIES & BENEFITS	151,218	236,478	230,549	240,481	243,859	360,097	1,473,481
ADMIN EXPENSE - SERVICES & SUPPLIES	155,314	109,526	194,865	177,855	191,007	180,387	1,008,995
TOTAL ADMINISTRATIVE EXPENSES	306,532	346,004	425,415	418,336	434,866	540,484	2,482,476
INTEREST FOR PREPAID CONTRIBUTION	0	0	0	0	0	1,502,700	1,502,700
OTHER DEDUCTIONS	31,671	13,151	3,037	9,973	17,966	10,837	86,636
TOTAL DEDUCTIONS	12,631,982	12,940,820	12,998,945	13,023,489	12,764,555	14,442,391	78,792,163
NET INCREASE	45,273,823	(116,311,298)	(140,928,770)	135,813,155	(33,777,699)	73,196,727	(36,834,862)

5/22/2012

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING TEN MONTHS
 For the Month Ending April 30, 2012
 PRELIMINARY

Agenda Item 7.1

	December YTD 2011	January 2012	February 2012	March 2012	April 2012	YTD
ADDITIONS						
CONTRIBUTIONS						
Employee Contribution	22,944,450	3,653,189	3,805,165	3,945,435	4,293,144	38,641,373
Employer Contributions - Regular	46,264,611	7,724,967	7,370,689	7,410,529	7,740,612	76,511,408
Employer Contributions - COLA	25,716,225	4,390,785	4,091,409	4,104,357	4,318,250	42,621,027
Employer Prorated Contribution	77,035,498	(11,983,098)	(11,425,133)	(11,474,916)	(12,028,084)	30,120,268
TOTAL CONTRIBUTIONS	171,960,784	3,685,843	3,838,131	3,965,396	4,323,922	187,794,078
INVESTMENT INCOME						
Interest and Dividends	25,142,476	5,547,234	4,403,911	4,854,271	8,516,264	45,464,256
Net Appreciation (Depreciation) in fair value of investments	(153,172,391)	82,407,070	76,445,194	18,066,529	(8,936,891)	14,799,521
Securities Lending Income	208,767	31,519	38,902	46,649	38,791	364,627
Other Additions	0	0	0	0	0	0
Other Investment Related Expense	(2,354,254)	(33,169)	(304,297)	(475,307)	(77,706)	(3,289,752)
Securities Lending Expense	81,918	28,837	6,475	15,569	30,746	163,565
TOTAL ADDITIONS	41,867,301	91,647,414	84,428,319	26,485,126	885,136	245,326,293
DEDUCTIONS						
ASSOCIATION BENEFITS						
Retiree Annuity	15,613,966	2,635,642	2,561,917	2,659,230	2,797,664	26,368,419
Retiree Pension	38,935,462	6,222,540	6,291,472	6,267,215	6,577,683	62,384,391
Retiree COLA	15,344,942	2,524,335	2,506,501	2,514,026	2,792,900	25,792,702
Retiree Death and Modified Work Benefit	21,475	3,579	3,579	3,579	3,579	35,791
Active Member Death Benefit	0	0	0	0	0	0
Volts and Release	0	0	0	0	0	0
TOTAL ASSOCIATION BENEFITS	67,915,865	11,386,096	11,473,489	11,544,045	12,171,826	114,491,303
REFUND OF MEMBER CONTRIBUTIONS						
	1,762,145	73,926	610,964	436,870	363,421	3,237,327
ACTUARIAL FEES						
	148,250	2,250	1,310	833	833	153,477
CONSULTANT FEES - INVESTMENT (SIS)						
	199,999	33,333	33,333	33,333	33,333	333,333
CUSTODIAN FEES - STATE STREET						
	116,836	17,574	31,072	15,947	15,936	197,366
INVESTMENT MANAGEMENT FEE - R1000 INDEX						
	33,298	6,351	8,557	6,566	6,590	69,312
INVESTMENT MANAGEMENT FEE - ABERDEEN						
	151,563	25,244	25,379	25,277	25,508	252,971
INVESTMENT MANAGEMENT FEE - PYRAMS						
	87,801	16,398	16,418	14,713	14,195	159,522
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS						
	54,271	9,924	9,900	8,804	10,017	83,916
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL						
	0	230,524	33,467	33,467	35,213	333,072
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON						
	202,817	34,480	36,154	34,795	36,484	343,724
INVESTMENT MANAGEMENT FEE - CHARTWELL						
	203,867	37,414	40,246	39,662	40,299	361,507
INVESTMENT MANAGEMENT FEE - D E SHAW						
	245,853	47,601	50,712	51,029	51,596	466,791
INVESTMENT MANAGEMENT FEE - ABERDEEN						
	151,405	32,566	34,021	34,671	34,891	318,134
INVESTMENT MANAGEMENT FEE - SALAMON BROS						
	361,104	62,331	66,375	66,452	67,030	623,289
INVESTMENT MANAGEMENT FEE - BARROW HANLEY						
	337,205	58,507	61,189	61,445	61,399	579,825
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY						
	194,775	36,246	37,546	37,722	37,781	344,069
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES						
	392,919	68,021	69,881	60,261	59,330	650,402
INVESTMENT MANAGEMENT FEE - MONDRIAN						
	185,011	26,054	22,810	32,168	26,627	292,671
INVESTMENT MANAGEMENT FEE - ARTKO						
	441,802	73,046	78,899	62,968	2,588	656,204
INVESTMENT MANAGEMENT FEE - PYRAMS SELECT INTL						
	0	0	0	0	33,712	33,712
INVESTMENT MANAGEMENT FEE - BALLIE GIFFORD						
	0	0	0	0	60,036	60,036
INVESTMENT MANAGEMENT FEE - WESTERN ASSET						
	155,196	25,457	26,193	23,302	22,340	252,388
INVESTMENT MANAGEMENT FEE - INVESCO CORE						
	301,026	68,007	52,723	52,723	17,082	491,570
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS						
	150,000	0	0	0	0	150,000
INVESTMENT MANAGEMENT FEE - ABBY ADVANCED						
	0	133,599	0	0	0	133,599
INVESTMENT MANAGEMENT FEE - ABBY PARTNERS						
	0	96,621	0	0	0	96,621
INVESTMENT MANAGEMENT FEE - REGIMENT CAPITAL						
	0	190,385	0	0	0	190,385
INVESTMENT MANAGEMENT FEE - AGR GLOBAL RISK PARTY						
	289,491	48,480	50,576	51,457	51,457	491,461
INVESTMENT MANAGEMENT FEE - AGR DELTA FUND						
	342,511	56,639	57,883	57,672	57,672	572,377
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE						
	145,466	65,311	36,515	35,402	35,439	318,132
TOTAL PROFESSIONAL FEE	4,352,341	1,502,801	877,657	840,760	836,267	9,009,845
ADMIN EXPENSE - SALARIES & BENEFITS						
	1,473,481	261,951	273,319	266,534	408,102	2,683,187
ADMIN EXPENSE - SERVICES & SUPPLIES						
	1,058,895	82,446	88,122	115,011	56,047	1,390,521
TOTAL ADMINISTRATIVE EXPENSES	2,462,476	344,397	361,441	381,545	464,149	4,033,807
INTEREST FOR PREPAID CONTRIBUTION						
	1,502,700	0	0	0	0	1,502,700
OTHER DEDUCTIONS						
	86,636	(10,885)	(1,321)	(1,156)	(127,055)	(54,085)
TOTAL DEDUCTIONS	78,702,163	13,294,634	13,321,609	13,201,888	13,698,604	132,220,888
NET INCREASE	(36,834,862)	78,350,788	71,106,706	13,286,238	(12,813,468)	113,105,395

April 2012 Financials.xls

**San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending April 30, 2012**

	April 2012	March 2012	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	57,683,791	56,993,075	690,716	1.21%
SECURITIES LENDING CASH COLLATERAL	156,398,457	156,398,457	0	0.00%
TOTAL CASH	214,082,248	213,391,532	690,716	0
RECEIVABLES				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	141,485,898	153,423,806	(11,937,908)	-7.78%
Investment Income	5,549,322	5,838,371	(289,048)	-4.95%
Securities Lending Income	62,472	55,172	7,300	13.23%
Other Receivable	113,596	113,646	(50)	-0.04%
TOTAL ACCOUNTS RECEIVABLES	147,211,289	159,430,995	(12,219,706)	-7.66%
PREPAID EXPENSE	82,065	82,065	0	0.00%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	555,389,185	551,890,120	3,499,065	0.63%
Domestic Equities	948,646,490	957,950,599	(9,304,109)	-0.97%
International Equities	432,094,365	438,432,810	(6,338,445)	-1.45%
Real Estate	144,721,125	142,552,672	2,168,453	1.52%
Private Equity	13,992,289	14,083,418	(91,129)	-0.65%
Risk Parity	152,686,980	152,686,980	0	N/A
Hedge Funds	67,793,530	67,793,530	0	N/A
Commodities	72,523,142	71,860,145	662,997	0.92%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	2,387,847,106	2,397,250,275	(9,403,169)	-0.39%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	2,749,222,707	2,770,154,866	(20,932,159)	-0.76%
LIABILITIES				
Investment Management Fees	2,249,288	2,639,927	(390,638)	-14.80%
Due to Broker for Investments Purchased	159,151,353	166,639,369	(7,488,016)	-4.49%
Collateral Payable for Securities Lending	156,398,457	156,398,457	0	0.00%
Other	542,386	792,423	(250,037)	-31.55%
TOTAL LIABILITIES	318,341,484	326,470,176	(8,128,691)	-2.49%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,430,881,223	2,443,684,691	(12,803,468)	-0.52%

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending April 30, 2012

	April 2012	March 2012	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	149,152,703	149,121,925	30,778
Employee Contribution	38,641,373	34,348,230	4,293,144
TOTAL CONTRIBUTIONS	<u>187,794,076</u>	<u>183,470,155</u>	<u>4,323,922</u>
INVESTMENT INCOME			
Interest and Dividends	45,464,256	39,947,992	5,516,264
Net Appreciation (Depreciation) in fair value of investments	14,770,510	23,707,636	(8,937,126)
Less Investment Expense	(13,772,298)	(12,858,325)	(913,972)
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	<u>46,462,468</u>	<u>50,797,302</u>	<u>(4,334,834)</u>
SECURITIES LENDING INCOME			
Earnings	364,627	325,836	38,791
Less: Securities Lending Expenses	163,565	132,818	30,746
NET SECURITIES LENDING INCOME	<u>528,192</u>	<u>458,655</u>	<u>69,537</u>
OTHER ADDITIONS			
	29,011	28,766	244
TOTAL ADDITIONS	<u>234,813,748</u>	<u>234,754,878</u>	<u>58,869</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	101,060,470	90,282,824	10,777,646
Disability Retirement Allowance	12,835,663	11,500,529	1,335,134
Survivor, Death and Other Benefits	595,171	536,125	59,046
TOTAL ASSOCIATION BENEFITS	<u>114,491,303</u>	<u>102,319,478</u>	<u>12,171,825</u>
REFUND OF MEMBER CONTRIBUTIONS	3,237,327	2,883,906	353,421
ADMINISTRATIVE EXPENSE	4,033,807	3,569,658	464,149
OTHER EXPENSE	(54,085)	72,974	(127,059)
TOTAL DEDUCTIONS	<u>121,708,353</u>	<u>108,846,016</u>	<u>12,862,337</u>
NET INCREASE	113,105,394	125,908,862	(12,803,468)
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,443,684,691	2,317,775,829	
End of Period	2,430,881,223	2,443,684,691	

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 7.2

To: Board of Retirement



From: Mabel Wong, Retirement Finance Officer

Subject: Review of Financial Audit Structure

STAFF RECOMMENDATION: Staff recommends that the board review the schedule and structure of the financial audit process, as described below.

BACKGROUND: Government Code Section 31593 mandates that *"The retirement board shall conduct an audit of the retirement system at least once every 12 months and report upon its financial condition."* SamCERA's fiscal year is from July 1st through June 30th. The Board of retirement believes that to make informed decisions financial and actuarial data should be made available as promptly as possible. In that vein, the board attempts to approve the Comprehensive Annual Financial Report no later than the end of September.

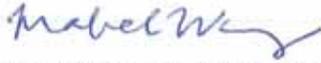
DISCUSSION: With the implementation of alternative investment asset classes in the last fiscal year, staff will need additional time to receive and verify financial information. Information for alternative managers will be reported based on best estimates of year-end values. The audit fieldwork started this month with staff providing population information to the auditor. The auditor will be on site in June and August to perform fieldwork. The results of the audit will be presented to the board for approval on October 23, 2012.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 7.3

To: Board of Retirement



From: Mabel Wong, Retirement Finance Officer

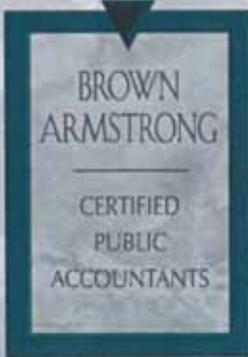
Subject: Approval of Auditor's Engagement Letter for the June 30, 2012, Financial Audit

STAFF RECOMMENDATION: Staff recommends that the board authorize the Audit Committee Chair, Ms. Kwan Lloyd, to execute the Audit Engagement Letter for the June 30, 2011, Financial Statement Audit. The Engagement Letter is attached to this agenda item.

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

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

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



BROWN ARMSTRONG

Certified Public Accountants

May 8, 2012

Ms. Natalie Kwan Lloyd, Audit Committee Chair
San Mateo County Employees' Retirement Association
100 Marine World Parkway, Suite 125
Redwood Shores, California 94065

Dear Ms. Lloyd:

We are pleased to confirm our understanding of the services we are to provide San Mateo County Employees' Retirement Association for the year ended June 30, 2012. We will audit the financial statements of San Mateo County Employees' Retirement Association as of and for the year ended June 30, 2012. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement San Mateo County Employees' Retirement Association's financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to San Mateo County Employees' Retirement Association's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Funding Progress
- 3) Schedule of Employer Contributions

We have also been engaged to report on supplementary information other than RSI that accompanies San Mateo County Employees' Retirement Association's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

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FAX. 626.240.0922



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

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

San Mateo County Employees' Retirement Association will be issuing a Comprehensive Annual Financial Report (CAFR). The following other components of the CAFR will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will not provide an opinion or any assurance.

- 1) Investment Section
- 2) Actuarial Section
- 3) Statistical Section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with standards generally accepted by the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of San Mateo County Employees' Retirement Association and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide reports (that do not include opinions) on internal control related to the financial statements and compliance with laws, regulations, and the provisions or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance will include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies, and is not intended to be, and should not be used by anyone other than the specified parties. If during the audit we become aware that San Mateo County Employees' Retirement Association is subject to an audit requirement that is not encompassed in the terms of this engagement letter, we will communicate to management, and those charged with governance, that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the basic financial statements of the San Mateo County Employees' Retirement Association in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that San Mateo County Employees' Retirement Association complies with applicable laws, regulations, contracts, and agreements for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts, or abuse that we may report. You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

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

Ms. Natalie Kwan Lloyd, Audit Committee Chair
San Mateo County Employees' Retirement Association
May 8, 2012
Page Four

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

Audit Procedures—General

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

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

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

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of San Mateo County Employees' Retirement Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

Ms. Natalie Kwan Lloyd, Audit Committee Chair
San Mateo County Employees' Retirement Association
May 8, 2012
Page Five

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

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

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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

We will provide copies of our reports to San Mateo County Employees' Retirement Association; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a Cognizant Agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

Ms. Natalie Kwan Lloyd, Audit Committee Chair
San Mateo County Employees' Retirement Association
May 8, 2012
Page Six

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the a Cognizant Agency. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately June 25, 2012, and to issue our reports no later than October 15, 2012. Andrew J. Paulden is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. In accordance with our proposal, we agree that our gross base audit fee, including expenses, will not exceed \$45,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

All disputes under this agreement shall be submitted to mediation. Each party shall designate an executive officer empowered to attempt to resolve the dispute. Should the designated representatives be unable to agree on a resolution, a competent and impartial third party acceptable to both parties shall be appointed to mediate. Each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. In the event that the dispute is required to be litigated, the court shall be authorized to assess litigation costs against any party found not to have participated in the mediation process in good faith.

Government Auditing Standards require that our peer review letter be made publically available and our report is available upon request.

Ms. Natalie Kwan Lloyd, Audit Committee Chair
San Mateo County Employees' Retirement Association
May 8, 2012
Page Seven

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

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



By: Andrew J. Paulden

AJP:bnd:jam
Enclosure
Pfx Engagement/74015 06/30/12 Audit/PSR-02-2 Draft Engagement Letter

RESPONSE:

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

By: _____

Title: _____

Date: _____

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 7.4

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer 

SUBJECT: Discussion of Board of Retirement Committee Structure

STAFF RECOMMENDATION: Staff recommends that the board discuss and determine if staff should prepare a resolution to change the structure and charge of the Board of Retirement committees.

BACKGROUND: Currently, there are two standing committees, the Audit Committee and the Investment Committee. The Audit Committee was created in April of 1998, to, among other things, recommend an auditor, review and comment on the work of the auditor, and monitor the implementation of the auditor's recommendations regarding *SamCERA's* internal controls. The Audit Committee meets on an as-needed basis before, during and after the audit.

In January of 2000, the board created the Investment Committee to, among other things, help facilitate the review, adoption, implementation and monitoring of all elements of *SamCERA's* Investment Plan. This committee meets almost every month in the morning prior to the board meetings. In regards to the creation of the Investment Committee, staff's memo to the board noted:

“Many boards use the Investment Committee as a forum for in depth analysis of key elements of their fund's investment program and as a means to maintain momentum and oversight. *SamCERA's* Board opted [to date] to deal with all investment matters at the board level after observing that all trustees attended the meetings of the Finance Committee. As the complexity of the Board's agendas increases, it may be time to re-evaluate the earlier decision not to have a special committee for investments.”

Because five members of the board constitute a quorum, board committees are comprised of no more than four trustees. Consistent with the Brown Act, other trustees may attend committee meetings but cannot participate in the discussion.

DISCUSSION: At the board's retreat in April, staff was requested to agendize a discussion regarding a possible restructuring of the committees of the board. The main concern voiced was the desire for trustees who are not named to the Investment Committee to participate in Investment Committee meetings. As the fund's investments have become more diversified and the economic climate unsettled, the investment matters have been more complex.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Consequently, the majority of the board's discussions and meeting time has often been dedicated to these matters.

Due to statutory constraints the options of the board are limited. Possible changes include the following:

- Eliminate the Investment Committee and have all investment matters discussed only at full board meetings. This would give all board members the same opportunity to discuss investment matters at the same time.
 - This may inhibit the “in depth analysis of key elements” of the fund’s investment program” or oversight activities.
 - The chair could appoint specific and varying ad hoc committees to work on certain issues or projects and report back to the board with recommendations.
- Institute a staggered one-year rotating appointment to the committee to give more board members a chance of serving on the committee but allowing for enough continuity so that the entire committee is not turning over each year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 7.5

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Appointment of Ad Hoc Nominating Committee for Board Officers

Staff Recommendation

Staff recommends that:

- the board members share their thoughts regarding officers for the next fiscal year, and
- the chair appoint an ad hoc committee to nominate officers for the 2012-13 fiscal year, the committee to place its recommended trustees' names in nomination at the July 24 meeting.

Issue

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

Background

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

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

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

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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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SamCERA's board officers traditionally serve one-year terms. Also by tradition, the board attempts to alternate appointed and elected trustees in each officer position. The officers tend to move up "through the steps" to eventually become Board Chair. These traditions cannot always be adhered to since trustees come and go. Trustees also don't always begin or end their terms on the scheduled dates. (See the table below.)

In the case of the current officers, they have each served more than one year in their officer roles. The prior board chair and ninth member determined to end their terms on the board early, so the current officers began their terms in October 2010.

11-Year *SamCERA* Board Officer History

	<u>Chair</u>	<u>Vice-Chair</u>	<u>Secretary</u>
2001-02	Bill Cottle	Tom Bryan	Bette Stuart
2002-03	Tom Bryan	Donna Colson	Alma Salas
2003-04	Donna Colson	Alma Salas	Bette Stuart
2004-05	Alma Salas	Ken Lewis	Tom Bryan
2005-06	Ken Lewis	Tom Bryan	Emily Tashman
2006-07	Tom Bryan	Emily Tashman	Bette Stuart
2007-08	Tom Bryan	Emily Tashman	Jim Hooley
2008-09	Emily Tashman	David Wozniak	Sandie Arnott
2009-10	Margaret Jadallah	Al David	Sandie Arnott
2010-11*	Al David	Sandie Arnott	Natalie Kwan Lloyd
2011-12	Al David	Sandie Arnott	Natalie Kwan Lloyd

*beginning October 2010

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 22, 2012

Agenda Item 7.6

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval to Cancel the June 26 Meeting of the Board of Retirement

Staff Recommendation

Staff recommends cancellation of the June 26, 2012, meeting of the Board of Retirement.

Background

The Board of Retirement does not normally meet in June, although for the past two years a June meeting has been held to continue progress on manager searches.

Per Article II, Regulation 2.4 of the Regulations of the Board of Retirement:

“...The Board may cancel and or approve a change in the date, time and/or location of meetings within the County, if the proposed change is included on the agenda of a regular meeting.”

Staff expects that the agenda for a June meeting this year would be light. Other than regularly scheduled items*, which normally go quickly, the agenda would include:

- Report on Annual Reviews of *SamCERA*'s Domestic and International Value Equity Portfolios
- Review of *SamCERA*'s Security Lending Program
- Report on the Status of Trustee Elections and Appointments.
 - *(The terms of the following board members will end on June 30, 2012. All are eligible to run for reelection or to be reappointed:*
 - *Second Member-Elected, Al David;*
 - *Fourth Member-Appointed, Eric Tashman;*
 - *Sixth Member-Appointed, Lauryn Agnew;*
 - *Seventh Member-Elected, David Spinello; and*
 - *Safety Alternate-Elected, Alma Salas.)*

Regular investment and financial reports can be placed in Dropbox, emailed or sent through postal mail. The other reports can be provided at the July meeting.

*Approval of Minutes, Oral Communications from the Board, Oral Communications from the Public, Adoption of the Consent Agenda, Consideration of Items Removed from the Consent Agenda, Monthly Portfolio Performance Report, Monthly Financial Report, Chief Executive Officer's Report, Assistant Executive Officer's Report, Investment & Finance Officer's Report, Chief Legal Counsel's Report.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

May 22, 2012

Agenda Item 7.7

To: Board of Retirement

From: 
Scott Hood, Assistant Executive Officer

Subject: Approval to Renew Fiduciary Liability Insurance Policy

STAFF RECOMMENDATION: Staff recommends that the board authorize the County's Risk Manager to renew fiduciary liability insurance coverage with Traveler's Insurance Company through May 27, 2013, and to discuss and, if so determined by the board, approve an increase in the level of coverage premium cost.

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

DISCUSSION: Last year, the policy deductible amount was raised from \$50,000 to \$100,000 which resulted in a savings of approximately \$5,000, for a premium of \$60,778. Staff, with the assistance of the County Risk Manager and James and Gable Insurance Brokers, Inc., solicited a proposed renewal of *SamCERA's* fiduciary liability insurance with Traveler's Insurance Company. This year's premium is \$64,593 for \$10 million in coverage during the time May 27, 2012 through May 27, 2013.

Traveler's Insurance Company provided quotes, based on the size of *SamCERA's* assets, for options to increase the coverage to add an additional \$5 million or \$10 million worth of coverage. The annual premiums for the additional coverage are \$27,491 and \$54,069, respectively.

The county's Risk Manager, Scott Johnson, will be present during this agenda item to respond to any questions from the board.