

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

Tuesday, July 24, 2012 at 1:00 P.M.

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

1. Call to Order, Roll Call and Miscellaneous Business

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

2. Oral Communications

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

3. Approval of the Minutes

4. Approval of the Consent Agenda

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

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

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Approval of Questions for Annual Review of *SamCERA's* Actuarial Firm – Milliman Inc
- 5.3 Consideration of the Board's Authority to Decide Application for Disability Retirement

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

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

7. Board & Management Support Services

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

8. Management Reports

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

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

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

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

David Bailey, Chief Executive Officer

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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.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 1.1

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Administration of the Oath of Office to Newly Elected and Reappointed Trustees

In this agenda item, the Trustee Oath of Office will be given to:

- Second Member, **Al David**, reelected by the General Membership;
- Fourth Member, **Eric Tashman**, reappointed by the Board of Supervisors;
- Sixth Member **Lauryn Agnew**, reappointed by the Board of Supervisors;
- Seventh Member, **David Spinello**, reelected by the Safety Membership;
- Seventh Member Alternate, **Christopher Miller**, Newly Elected by the Safety Membership.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 1.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Presentation of Certificate of Appreciation to Alma Salas

During this agenda item, on behalf of the board, staff and membership, I will present a certificate of appreciation to former board member Alma Salas.

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

July 24, 2012

Agenda Item 3.0

May 22, 2012 – Board Agenda

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

1. Call to Order, Roll Call and Miscellaneous Business
2. Oral Communications
 2. Oral Communications From the Board
 - 1
 2. Oral Communications From the Public
 - 2
3. Approval of the Minutes
4. Approval of the Consent Agenda
 - 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 at 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
 - 7.2 Review of Financial Audit Structure

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

- 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 Deceased Members

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

May 22, 2012 – Board Minutes

- 0512.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:00 p.m.
- 0512.1 **Roll Call:** *Present:* Sandie Arnott, Al David, Natalie Kwan Lloyd, Lauryn Agnew, David Spinello, Paul Hackleman, and Michal Settles.
Excused: Ben Bowler and Eric Tashman *Alternates Present:* Alma Salas and John Murphy
Staff: David Bailey, Scott Hood, Gary Clifton, Brenda Carlson, Gladys Smith, Mabel Wong and Kristina Perez.
Consultants: Mr. Thomas and Mr. Shooshani from Strategic Investment Solutions.
- Miscellaneous Business:** Per Government Code 54954.2, Mr. Bailey requested that urgent additional matters, that came to the attention of staff after the agenda had been printed, be added to the agenda. Item 7.8 regarding transfer categories, and a closed session item regarding the Chief Investment Officer position would be added to the end of the agenda. Mr. Hackleman moved to add the items to the agenda as per Government Code Section 54954.2. The motion was seconded by Ms. Settles and carried unanimously.
- 0512.2.1 **Oral Communications From the Board:** Mr. Spinello reported on his attendance at the SACRS Spring Assembly. Ms. Agnew stated that she was currently attending Impact Investing. Ms. Settles noted her attendance at SACRS also.
- 0512.2.2 **Oral Communications From the Public:** Ms. Salas reported on her attendance at SACRS, and her participation in the safety roundtable. She welcomed Jim Saco and Reyna Farrales, from the County Manager's Office, to the board meeting.
- 0512.3 **Approval of the Minutes:** Ms. Arnott noted minor corrections to the minutes.
Action: Ms. Arnott moved to approve the minutes from the special meeting (retreat) held on April 24 and 25, 2012 with the noted corrections. The motion was seconded by Ms. Agnew, and carried unanimously.
- 0512.4 **Approval of the Consent Agenda:** Mr. David asked if there were any items to be removed from the consent agenda, there were none.
Action: Ms. Agnew moved to approve the following items listed on the consent agenda. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.
- 0512.4 **Disability Retirements**
The board found Heikoti Fakava permanently disabled from the duties of a Deputy Sheriff and granted survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Kaufoon Fakava.
- The board found that Enrique Marin is (1) disabled from performing his usual and customary duties as a Road Maintenance Worker I, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.
- The board found that Raymond Ojeda is (1) disabled from performing his usual and customary duties as a Deputy Probation Officer III, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

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

0512.4

Disability Retirements (con't)

The board found that Candido Robert Ruiz-Delgado is (1) disabled from performing his usual and customary duties as a Utility Worker II, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

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

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

0512.4

Service Retirements (con't)

Member Name	Effective Retirement Date	Department
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 Office
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 Admin & Emerg 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

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

0512.4

Service Retirements (con't)

Member Name	Effective Retirement Date	Department
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

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

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

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

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

0512.5

Benefit & Actuarial Service

0512.5.1

Consideration of Agenda Items, if any, removed from the Consent Agenda: No items were removed from the consent agenda.

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

0.512.5.2 **Consideration and Direction to Milliman Inc. Regarding Assumptions to be used in the June 30, 2012, Actuarial Valuation:** Nick Collier presented the report and discussed lowering the assumed investment return rate from 7.75% to 7.5% with the board. Several scenarios were analyzed. Board members discussed impacts of a reduction of the assumption to 7.5% or lower, applying no changes to the assumption rate or gradually lowering the assumption rate over time. The relationship between a lowered return assumption and an increased member rate were discussed. Other topics of discussion by the Board included the effects of a one-time lump sum payment from the County; the amortization rate for reduction of unfunded liability; impact of all scenarios on members; and comparison to other systems' assumed rates. It was noted for the record that Reyna Farrales and Jim Saco from the County Manager's Office were present; as well as Michael Barber from Supervisor Pine's office, and representatives from County employees' bargaining units. Mr. Bailey stated that staff's recommendation was to approve all the assumptions, and to reduce the assumed investment return rate to 7.5%.

Action: Mr. Hackleman moved to accept staff's recommendation and approve the assumptions, with the investment return rate assumption reduced to 7.5%. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.

Mr. David adjourned the meeting for a short break at 2:10 p.m., reconvening at 2:20 p.m. Upon reconvening the board heard item 7.7, followed by item 6.1, and continuing in order of the agenda.

0512.7.7 **Approval to Renew Fiduciary Liability Insurance Policy** - Mr. Hood introduced a representative from Travelers Insurance Company who talked about *SamCERA's* current fiduciary liability insurance policy. The board discussed the \$10 million dollar limit of coverage and concluded it was a sufficient level of coverage. It was noted that \$25 from each trustee and manager would be collected for non-recourse coverage for individuals. **Action:** Ms. Settles moved to authorize the renewal of the current fiduciary liability insurance policy with Travelers Insurance. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.

0512.6 **Investment Services**

0512.6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Clifton presented the monthly performance report to the Board. With no objections noted, the report was accepted.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	959,588,154	-0.84	1.87	-0.00
International Equity	441,687,897	-1.34	-12.46	-4.63
Total Equity	1,401,246,052	-1.00	-2.73	-1.37
Private Equity	13,889,016	-1.50	-14.46	
Risk Parity	152,686,940	-0.00	4.07	
Hedge Fund	67,793,530	0.00		
Fixed Income	564,693,137	1.20	6.48	6.34
Real Estate	144,721,125	0.00	14.59	-0.38
Aggregate				
Commodities	72,523,142	0.92		
Cash Equivalents	15,117,567	0.07	0.75	0.87
TOTAL FUND	2,432,670,509	-0.19	0.49	0.98
Benchmark		-0.29	1.40	2.53

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

0512.6.2 **Acceptance of the Quarterly Investment Performance Analysis for Period Ended March 31, 2012** - Patrick Thomas presented the quarterly investment report from SIS. He reported that the first quarter was good, but relief was short-lived, as April showed a big drop. Topics of low and high performing managers, benchmarks, investment return assumptions and diversifying elements were all discussed. With no objections noted, the report was accepted.

0512.6.3 **Report on the Annual Review of SamCERA's Core Equity Portfolios**

6.3 a **BlackRock Capital Management - Russell 1000 Index Fund**

6.3b **D.E. Shaw Investment Management**

6.3c **T. Rowe Price Associates**

6.3d **Jennison Associates**

Mr. Clifton and Mr. Thomas gave an update and comments on each of the listed managers. Board members also asked about the performance of managers that were not selected at the same time, to gauge the success of SamCERA's selections. It was noted that D.E. Shaw and Jennison performed well, and Blackrock was a low performer.

0512.6.4 **Renewal of Various Investment Management Agreements** – Ms. Carlson reviewed the changes made in the agreements presented for renewal. She explained the new agreements were updated to reflect the deletion of the unrelated business taxable income (UBTI) clause; they contained clarification of “additionally insured” requirements, and included more clearly understood terms. It was stated that the new investment manager agreement template would be coming to the board for review soon. The board voted on each of the agreements as follows:

Aberdeen Asset Management Inc.

Action: Ms. Agnew moved to adopt a resolution approving the agreement with Aberdeen Asset Management Inc., and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Mr. Spinello and carried unanimously.

Barrow, Hanley, Mewhinney, & Strauss, Inc.

Action: Mr. Hackleman moved to adopt a resolution approving the agreement with Barrow, Hanley, Mewhinney & Strauss, Inc., and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.

Blackrock Capital Management, Inc.

Action: Ms. Kwan Lloyd moved to adopt a resolution approving the agreement with Blackrock Capital Management, Inc., and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Mr. Spinello and carried unanimously.

D. E. Shaw Investment Management L.L.C.

Action: Ms. Settles moved to adopt a resolution approving the agreement with D.E. Shaw Investment Management, L.L.C., and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Mr. Hackleman and carried unanimously.

T. Rowe Price Associates, Inc.

Action: Ms. Agnew moved to adopt a resolution approving the agreement with T. Rowe Price Associates, Inc., and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Settles and carried unanimously.

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

The Boston Company Asset Management, L.L.C.

Action: Ms. Settles moved to adopt a resolution approving the agreement with The Boston Company Asset Management, L.L.C., 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.

- 0512.6.5 **Agreement to Provide Trading Costs Analysis for Equity Investments** – Mr. Bailey gave an overview of the process used for selection of a trading cost analyst company and how Zeno Consulting Group was chosen as the staff's recommendation. Board members discussed the frequency of reports; the number of accounts and options for reporting; possible cost reductions, and the usefulness of this service to provide further due diligence.
Action: Mr. Hackleman moved to adopt a resolution approving the agreement with Zeno Consulting Group to provide an analysis of trading performance and broker utilization, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Settles and carried unanimously.
- 0512.7 **Board & Management Support Services**
- 0512.7.1 **Acceptance of the Monthly Financial Report** – Mabel Wong presented the monthly financial report, and with no objections noted, the report was accepted.
- 0512.7.2 **Review of Financial Audit Structure** – Ms. Wong reviewed the schedule and structure of the financial audit. She let the board know audit work has begun and the auditors would be on site in June. She informed the board the auditor would be at the October board meeting, and the CAFR would be presented at that time.
- 0512.7.3 **Approval of Entrance Letter for the June 30, 2012, Financial Audit** – Ms. Wong presented the staff report and recommended board approval to execute the audit engagement letter. It was noted this is the third year of the contract with Brown Armstrong, which expires in April 2013.
Action: Mr. Hackleman moved to authorize the Audit Committee Chair, Ms. Kwan Lloyd, to execute the Audit Engagement letter for the June 30, 2012 Financial Statement Audit. The motion was seconded by Ms. Arnott and carried unanimously.
- 0512.7.4 **Discussion of Board Committee Structure and Direction to Staff** – The board members discussed the composition of members on the investment committee and the history of the practice and policies regarding committees. No change will be pursued at this time to the existing structure.
- 0512.7.5 **Appointment of Ad Hoc Nominating Committee for Board Officers** – Mr. David stated that new board officers are elected each year and a nominating committee is appointed. He appointed Mr. Hackleman, Ms. Agnew, Mr. Spinello and Ms. Settles to the nomination committee and they will set up a conference call date after the meeting.
- 0512.7.6 **Approval to Cancel the June 26 Meeting of the Board of Retirement** - Mr. Bailey stated that cancellation of the June meeting was typical and requested the board approve the cancellation of the this meeting.
Action: Ms. Kwan Lloyd moved to cancel the June 26, 2012 meeting of the Board of Retirement. The motion was seconded by Ms. Arnott and carried unanimously.
- 0512.7.8 **Transfer Categories (added item)** - This item was added per Government Code 54954.2, regarding transfer categories. Mr. Bailey explained this item authorizes staff to transfer funds

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

from one budget category to another without changing the total budget.

Action: Ms. Settles moved to authorize staff to transfer money between budget categories. The motion was seconded by Ms. Agnew and carried unanimously.

0512.8 **Management Reports**

0512.8.1 **Chief Executive Officer** – Mr. Bailey discussed the travel policy with the board members and clarified language about mileage reimbursement limits. He stated staff is working on travel guidelines, to assist board members and staff in understanding travel expense reimbursements. He notified the board a public records request was received regarding travel costs. Mr. Bailey let the board know he would be speaking at the SCORPA meeting the following day.

0512.8.2 **Assistant Executive Officer** – Mr. Hood updated the board on the status of trustee appointments and announced Mr. Tashman and Ms. Agnew had each been re-appointed by the Board of Supervisors for a three-year term. Mr. Hood discussed the need for extra help in the Investment Division and said staff was looking to retain temporary personnel to assist. He reminded board members of upcoming events. Mr. Hackleman thanked Mr. Hood for filling in for Mr. Bailey and wished him well on his deployment.

0512.8.3 **Chief Investment Officer's Report:** Mr. Clifton let the board know a long time executive employee of Aberdeen was retiring, but there were no changes expected during the transition.

0512.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported the July agenda may include several unique benefit issues coming to the board.

CLOSED SESSION

C1 **Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session:** None

C2 **Public Employment – Chief Investment Officer** – Under Government Code 54957(b), the board adjourned into a closed session at 3:56 pm.

0512.9 **Report on Actions Taken in Closed Session:** The board reconvened in open session at 4:23 pm and Ms. Carlson reported that no action was taken during the closed session.

0512.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 4:25 pm, 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
Wolf, 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

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

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

Kristina Perez
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Acting Assistant Executive Officer



Subject: Approval of Consent Agenda

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

Disability Retirements

1. The Board find that **Yolanda Ayala** is (1) disabled from performing her usual and customary duties as a Licensed Vocational Nurse, (2) find that her disability is service-connected and (3) grant her application for a service-connected disability retirement.
2. The Board find that **Elly Damian** is (1) disabled from performing her usual and customary duties as an Office Assistant II, (2) find that her disability is service-connected and (3) grant her application for a service-connected disability retirement.
3. The Board find **Anne Garrett** permanently disabled from the duties of a Senior Community Program Specialist and grant survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Shellie Garrett.
4. The Board find **Mohammad Rafiq** permanently disabled from the duties of a Cook II and grant survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Famida Rafiq.
5. The Board find that **Maybelline Sharpe** is (1) not disabled from performing her usual and customary duties as a Benefits Analyst II and (2) deny her application for a service-connected disability retirement.
6. The Board determine that it lacks the authority to decide the June 9, 2011 disability application filed by **Loretta Keenan**.

Service Retirements

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

Member Name	Effective Retirement Date	Department
Thornton, Leon	March 13, 2012	Def'd from Probation
Witjman, David	March 22, 2012	Def'd from Environmental Health

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

Continuances

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

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

Deferred Retirements

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

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

Member Account Refunds

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

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

Member Account Rollovers

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

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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 4.0

TO: Board of Retirement
FROM: David Bailey, Chief Executive Officer
SUBJECT: Trustee Request for Conference Approval



Staff Recommendation

Staff recommends approval of attendance at the below-mentioned educational event.

Background

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

Trustee Lauryn Agnew would like to attend SOCAP12 (Social Capital Markets 12), which will be held at Fort Mason Center in San Francisco, CA from October 1-4. SOCAP, “recognizes our ability to direct the power and efficiency of market systems toward social impact. Social Capital Markets is dedicated to supporting the growth of this market.”

Due to early registration, SamCERA will receive a 40% discount on the conference price. The cost is within the trustee’s educational budget.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval of Questions for Annual Review of *SamCERA*'s Actuarial Firm –
Milliman, Inc.

Staff Recommendation

Staff recommends the board review, suggest changes, then approve the questions in the attached document entitled, "Questions for Annual Actuarial Consultant Evaluation."

Summary

The questions in the attached document will be submitted to *SamCERA*'s actuary, Milliman Inc., prior to the annual review, which will be scheduled for the September 25, 2012, board meeting.

An additional part of the annual review will be the result of a survey of trustees, staff and actuary regarding the performance of the actuarial firm. This year the survey will be in electronic form. You will receive an email with a link to complete the survey. We hope this will make completion more convenient. If you'd like a hard copy of the survey, please let us know.

Staff will provide Milliman's responses to the questionnaire as well as the survey results at the September meeting.

Questions for Annual Actuarial Consultant Evaluation Fiscal Year 2011-12

Organizational Update

- 1) What is the ownership structure of your firm? Identify all owners with 5% ownership or more.
- 2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.
- 3) Provide a list of services available through your firm, including the number of staff supporting those services.
- 4) What are your firm's philosophy and current policy regarding new business?
- 5) Specify separately the individuals (up to five) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).
- 6) Update all significant personnel changes or expected changes to the "SamCERA Team".
- 7) Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months?
- 8) Has an actuarial audit been performed on any of your firm's actuarial products in the past eighteen months? If yes, discuss the audit and the findings. Any material findings or recommendations must be accompanied by an explanation.
- 9) Describe the levels of insurance coverage maintained by your firm. E-mail a current certification of insurance to mwong@samcera.org.
- 10) Do you have a written policy on ethics? If so, please e-mail the policy to mwong@samera.org.
- 11) Describe the relative strength and longevity of your staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.
- 12) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?
- 13) Provide an overview of your firm's business continuity plan.

Actuarial Process

- 14) Provide a description, in detail, of your actuarial process.
- 15) Describe your peer review procedures in detail.
- 16) Does your firm engage in peer review with other actuarial firms?

Outlook

- 17) What issues are other clients concerned with in regards to products, services, education and governance?
- 18) Describe your assessment of the relationship between your firm and *SamCERA*. How can *SamCERA* better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?
- 19) What is your firm's position on Liability Driven Investments, or matching asset and liability duration?
- 20) What is your firm's position on recording liabilities at market value?
- 21) What is your firm's outlook and position regarding the current enacted or proposed changes in GASB accounting standards relative to the pension industry? Please list and discuss each proposal separately.

Conclusion

- 22) Is there any information that would be timely pursuant to *SamCERA*'s contract and this annual review?
- 23) Are your clients making significant changes in their asset mixes or economic and non-economic assumptions or other structural changes to the actuarial overview of their plans? Describe these changes.
- 24) What actuarial related changes should *SamCERA* consider?
- 25) Relative to your expertise, what trends are occurring in the retirement industry that *SamCERA* should be tracking?

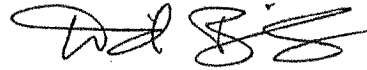
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 5.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Consideration of Member's Request to Reconsider a Non-Service Disability

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

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

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

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

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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 6.1

To: Board of Retirement

From: David Bailey, Chief Executive Officer



Subject: Preliminary Monthly Portfolio Performance Report for the Period Ending **June 30, 2012**

COMMENT: The fund's preliminary return for the trailing twelve months is -0.18%. The twelve-month return is below the Actuarial Discount Rate of 7.75% and SamCERA's Total Plan Policy Benchmark rate of 1.42%. As a reminder, SamCERA should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

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.

	<u>Report Details</u>	<u>Page</u>
Executive Summary – Market Update		2 -5
Return Flash Report		6
State Street Performance Report		7 -11
Portfolio Summary		12
Change in Portfolio & Asset Allocation		13
Aggregate Performance		14
Manager Performance		15
Realized & Unrealized Gain / (Loss)		16
Cash Flows		17
Professional Services Fees		18
Blended Benchmark Detail		19

U.S. EQUITY

June was a better month for equities as Non-U.S. stocks outperformed U.S. stocks. Within the U.S. markets, Value for the month outperformed growth and small caps outperformed large caps. The Russell 1000 Growth Index was up +2.7% for the month and the Russell 1000 Value Index was up +5.0%. The Russell 2000 Growth Index was up +5.2% and the Russell 2000 Value was up +4.8%. The S&P 500 Index ended the month up +4.1%.

The S&P 500 Index has a trailing 12-month P/E ratio of 15.2 (estimated P/E ratio of 12.9 on forward looking twelve-month operating earnings) and a dividend yield of 2.1%.

Analysts have lowered their 2nd quarter revenue and profit estimates for large U.S. companies. Collectively, they look for members of the S&P 500 to report 1.5% revenue growth, down from the 4.7% they had previously expected in early April.

Corporate merger highlights for the month included: Thomas H. Lee Partners is in final discussions to buy Party City for \$2.7 billion; Salesforce.com will buy Buddy Media, a social media marketing company, for \$745 million; Chesapeake Energy will sell its pipeline and related assets to Global Infrastructure Partners for over \$4 billion; Apax Partners and JMI Equity will pay \$1 billion to buy Paradigm, a private software vendor specializing in oil and gas exploration; EQT, the private equity vehicle of Sweden's Investor AB, will buy medical supplies manufacturer BSN Medical for \$2.3 billion; J Sainsbury, Britain's 3rd largest supermarket group, acquired HMV Group's 64% stake in online e-book retailer Anobii for \$1.55 billion; The Hong Kong stock exchange will pay \$2.2 billion to buy the London Metal Exchange, the world's largest marketplace for industrial metals; Microsoft reportedly signed a deal to acquire Yammer, a social network for businesses, for \$1.2 billion; Walgreen will buy a 45% stake in Alliance Boots for \$6.7 billion, a deal that will bring together the 2nd largest pharmacy chains in the U.S. and Europe; Julius Baer Group, a Swiss wealth manager, is in talks with Bank of America about acquiring its Merrill Lynch wealth management business; Chemical and specialty products maker Cabot is buying Dutch company Norit NV for \$1.1 billion to strengthen its specialty chemicals portfolio; Quest Software received an improved bid from Dell of about \$2.32 billion; SBA Communications will

acquire the 3,252 tower sites for wireless communications from TowerCo in a deal valued at \$1.45 billion; Malaysia's state-owned oil and gas company Petroliam National will buy Canada's Progress Energy Resources for about \$5.4 billion; and, Anheuser-Busch InBev will buy the half of Corona it doesn't already own for \$20.1 billion.

FIXED INCOME

The Labor Dept. reported that the unemployment rate rose slightly to 8.2% in May from 8.1% in April.

The Commerce Dept. reported that the economy grew at a revised 1.9% annual pace in the first quarter. Consumer spending, which accounts for about 70% of U.S. economic activity, rose at a 2.5% rate in the 1st quarter. The Federal Reserve's Beige Book report suggested that overall economic activity expanded at a moderate pace from early April to late May. The Federal Reserve sharply lowered its outlook for U.S. growth this year to 2.4%, down from an April forecast that projected growth as fast as 2.9%.

The Federal Reserve left the federal funds target unchanged in June at 0-25 basis points and maintained the forward guidance that conditions "are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014."

The Federal Reserve reported that the median U.S. household lost nearly 39% of its wealth from 2007 to 2010 as net worth fell to \$77,300 from \$126,400.

Long-term interest rates rose in the month of June. The bellwether 10-year Treasury note ended the month yielding 1.67% up from 1.57% at the close of May. At month-end, the 30-year bond yield was 2.76% with the 3-month T-bill at 0.09%. The Barclays Capital US Aggregate Index was unchanged (+0.04%) in June with high yield corporate bonds, the strongest sector, up +2.0% as measured by the BofA Merrill Lynch US High Yield Master II Index.

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

THE GOOD

- *The Institute for Supply Management's index of non-manufacturing activity edged up to 53.7 in May, marking the 29th consecutive straight month of expansion.
- *U.S. household debt fell by a seasonally adjusted 0.4% in the 1st quarter to mark the 15th straight decline.
- *Household net worth climbed by \$2.8 trillion in the 1st quarter to \$62.9 trillion.
- *The Commerce Dept. reported that the U.S. trade deficit shrank 4.9% to \$50.1 billion, as imports of goods and services dropped 1.7% to \$233.0 billion.
- *The producer price index declined 1.0% in May, the largest since a 1.2% drop in July 2009.
- *The Bureau of Labor Statistics reported that the Consumer Price Index declined 0.3% in May after being unchanged in April.
- *The NAHB/Wells Fargo Housing Market index inched one point higher to 29 in June, a sign that the housing market may be slowly heading into recovery.
- *New construction of single-family homes, which account for three-quarters of the housing market, climbed 3.2% in May to an annual rate of 494,000, the highest level in over two years.
- *The Commerce Dept. reported that new single family home sales jumped 7.6% to a seasonally adjusted 369,000 unit annual rate, the fastest pace since April 2010.
- *The index of leading economic indicators continues to trend modestly higher. The index rebounded +0.3% in May, following a -0.1% drop in April.
- *The Commerce Dept. reported that durable goods orders increased a greater-than-expected 1.1% in May.

THE NOT SO GOOD

- *Automakers' annual selling rate in May finished at 13.8 million vehicles, the first month this year under the 14 million pace and far short of estimates.
- *The personal savings rate continued a recent downward trajectory, dipping to 3.4% in April.
- *Orders for manufactured goods fell 0.6% in April following a 2.0% decline in March, the first consecutive decrease in factory orders in more than three years.
- *The Congressional Budget office reported that the U.S. federal debt will exceed 70% of gross domestic product by the end of 2012, the highest percentage since shortly after World War II.

*Productivity slipped at a 0.9% annual rate in the 1st quarter.

*The U.S. posted a deficit of \$125 billion in May to bring the total federal shortfall to \$845 billion through the first eight months of fiscal 2012.

*The Federal Reserve reported that consumer credit rose \$6.5 billion in April following a \$12.4 billion gain in March.

*The Federal Reserve reported that industrial production slipped a seasonally adjusted 0.1% in May after gaining 1% in April.

*The Commerce Dept. reported that retail sales dipped 0.2% in May following a revised 0.2% decline in April and the first back-to-back declines in two years.

*The Philadelphia Federal Reserve Bank said its business activity index dropped to minus 16.6 from minus 5.8 in May, far below economists' expectations for a reading of zero and more evidence of a faltering economy.

*Sales of previously occupied homes fell 1.5% in May from April.

*Consumer spending was unchanged in May, failing to rise for the first time since November.

Consumer confidence eroded in June. The Conference Board index fell 2.4 points to 62.0, the fourth consecutive decline. As recently as February the index was almost 10.0 points higher and closing in on its best level in this recovery. Meanwhile, the Univ. of Michigan index fell 6.1 points to 73.2, the lowest since December.

The U.S. economy has clearly slowed down these past couple of months and the Fed is at the end of their latest monetary stimulation. The U.S. financial system's ability to produce a sustainable economic expansion supported by private sector credit creation is now being tested. The Fed reacted to this slowdown by continuing to stimulate - extending Operation Twist to year-end 2012.

NON-U.S. MARKETS

Lenders of Germany, Italy, France and Spain agreed on a \$156 billion package to revive growth in Europe. Independent auditors report that up to \$78 billion dollars are needed to bail out Spain's crippled banks. Cyprus became the latest victim of Europe's debt crisis by requesting aid from its euro-zone partners.

The Bank of England left monetary policy unchanged in June with the bank rate held at 0.50%. The services PMI

was unchanged at 53.3 in May, signaling that moderate growth is being sustained in that key segment of the economy. Inflation pressures eased as the PPI fell 0.2% in May. Retail sales continue to trend higher up 0.9% in May.

The ECB kept policy rates unchanged in June keeping the key minimum bid rate at 1.00% and the deposit rate at 0.25%. Overall euro zone GDP was unchanged in the first quarter of 2012 and fell -0.1% over the past twelve months. Manufacturing data continues to deteriorate with the purchasing managers' indexes falling 0.3 point to 44.8.

German factory orders fell 1.9% in April. However, the weakness was concentrated in the volatile "other vehicles" component. Abstracting from that, orders slipped 0.1%. German investor confidence is collapsing as the headline expectations of the Zew index plunged 27.7 points in June, bringing the cumulative decline over the last two months to more than 40 points. Italian industrial production is trending lower as output fell 1.9% in May.

Japanese GDP jumped 1.2% (4.7% annualized) in the first quarter of 2012. Consumer spending contributed 0.7 percentage point to growth, government 0.3, net exports 0.1 and inventories 0.3, while business investment subtracted 0.3. GDP has risen 2.8% over the past twelve months.

The Reserve Bank of Australia continued to ease, cutting its policy rate a quarter of a point. The Bank has now cut a cumulative 125 points since November, lowering the cash rate target to 3.5%. The first quarter GDP was a positive surprise as the economy expanded 1.3% quarter-to-quarter.

Non-U.S. equities were up for the month of June. The MSCI ACWI Ex-U.S. was up +5.9% (US dollars) in June. Developed stocks (EAFE) were up +7.0% while Emerging Markets gained +3.4% for the month.

CONCLUSION

When countries become too deeply indebted, they are headed for trouble.

The European Central Bank (ECB) is governed by a board and is somewhat like the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve. The

ECB meets and sets policy, and then policy is acted upon by the various central banks of the member nations. So, when the ECB decides to authorize euros to be made available to banks in Europe, such as the recent long-term refinancing operation (LTRO), it is the various national central banks that perform the transactions for their country banks. The ECB takes the risk of any loan that it authorizes rather than the national central banks. The recent LTRO interest rate was set very low, and the recipient banks could turn around and lend money to customers or buy government bonds.

Spain was by far the country whose banks took the greatest advantage of this cheap money with Italy coming in second. The banks of Spain and Italy borrowed at 1% and bought their own government bonds. The ECB thus utilized this LTRO as a way of injecting necessary liquidity into the system. Spain formally requested in mid-June a 100 billion euro aid package for its banking system.

Confidence, especially when large short-term debts need to be rolled over continuously, can quickly erode as has been the case in Europe. As soon as confidence collapses, lenders disappear and a crisis hits or worsens. We have recently seen money flying out of Greece and the periphery countries to Germany, and funds are also beginning to leave the euro zone. Each country in Europe is responsible for regulating and guaranteeing its own banks.

Government officials in Europe created the Emergency Lending Assistance (ELA) to prevent a "bank run" at the country level. The ELA funds appear on the ECB balance sheet. *The Financial Times* recently reported that over 200 billion euros has been lent as the debt crisis deepens. The various national governments are authorized to create euro loans to their banks in times of emergency. The irony is that Greece's ELA cash will end up going abroad and the collateral turning out to be pretty much worthless. ELA loans are guaranteed by the Greek central bank which is in turn guaranteed by the Greek government which already can't pay its debts without the help of the rest of Europe. The inability to date on how to resolve the inevitable losses of the debt bubble within Europe contributes to confidence eroding.

Greece is going to need additional massive amounts of aid, bailouts and loan forgiveness. Spain, Portugal, and Italy may not be that far behind. Europe is down to two choices. The first choice is to allow the Eurozone to

break up and the second choice is to go for a full fiscal union with central budget controls. The second option equates to the issuance of Eurobonds and a central taxing authority.

The European Union summit at the end of June seemed to temporarily calm the financial markets. Leaders of the 17 countries that use the euro agreed to:

- Allow two European bailout funds to inject money directly into troubled European banks, rather than make loans to governments to bail out the banks. The move attempts to rescue banks without placing strapped countries deeper into debt.
- Use bailout money “in a flexible and efficient manner to stabilize” European government bond markets.
- Let countries that have made economic reforms as required by EU authorities to tap the European rescue funds without submitting to stringent (austerity) bailout programs.
- Tie their budgets, currency and governments even tighter in a vast new economic union down the line.

Global stock markets and the euro rallied following these announcements but concerns still remain. The 500 billion euro permanent bailout fund may not be enough. On July 9th, euro zone countries will agree to give Spanish banks rescue loans and allow the temporary European bailout fund to directly purchase Spanish government bonds.

This decision is seen as helpful to Spain and Italy, whose borrowing costs have risen to near unsustainable levels. In Germany, Chancellor Angela Merkel is likely to face skepticism from her country regarding bailing out the periphery countries without changing their behavior. It appears that leaders are moving towards the second option listed above.

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

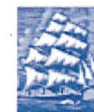
Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	3.83%	-3.10%	9.41%	4.43%
D.E. Shaw Investment Management, LLC	4.11%	-3.50%	11.82%	7.07%
T. Rowe Price Associates	4.01%	-3.32%	9.86%	5.70%
Barrow, Hanley, Mewhinney & Strauss	4.04%	-3.86%	7.35%	0.14%
BlackRock Capital Management, Inc.	2.27%	-7.10%	7.52%	-3.88%
Large Cap Aggregate	3.59%	-4.31%	8.97%	1.92%
The Boston Company	4.35%	-3.43%	8.73%	4.35%
Chartwell Investment Partners	2.79%	-5.51%	8.61%	0.88%
Jennison Associates	4.06%	-4.63%	5.40%	-3.38%
Small Cap Aggregate	3.74%	-4.59%	7.12%	-0.37%
Artio Global Investors	N/A	N/A	N/A	N/A
Baillie Gifford	5.09%	N/A	N/A	N/A
Eaton Vance - Parametric	4.94%	-7.57%	N/A	N/A
Mondrian Investment Partners	7.36%	-6.25%	1.21%	-9.81%
Pyramis Global Advisors -	2.85%	-8.61%	N/A	N/A
International Aggregate	5.78%	-6.58%	2.40%	-13.85%
Total Equity	4.29%	-5.06%	6.69%	-3.53%
Aberdeen Asset Management	0.30%	2.33%	4.37%	8.87%
Angelo Gordon	-0.00%	-1.60%	13.20%	1.62%
Brigade Capital Management	0.00%	0.60%	5.85%	5.97%
Brown Brothers Harriman	-0.67%	3.44%	4.31%	12.58%
Franklin Templeton	5.10%	-1.34%	7.29%	-0.06%
Pyramis Global Advisors	0.15%	2.49%	3.69%	8.20%
Western Asset Management	0.68%	2.28%	4.81%	8.71%
Total Fixed Income	1.02%	1.40%	5.39%	6.64%
Private Equity (1)	0.00%	6.29%	12.37%	1.29%
AQR's Global Risk Premium (Risk Parity)	-0.00%	-1.38%	3.64%	3.72%
AQR's Delta Fund (Hedge Fund)	0.00%	2.86%	2.85%	0.39%
SSgA/SSARIS Commodity	3.93%	-2.72%	6.05%	N/A
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	0.00%	0.00%	1.77%	7.16%
Cash	0.03%	0.17%	0.37%	0.67%
Total Portfolio	2.75%	-2.57%	5.39%	-0.18%

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 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	153,943,277	3.83	-3.10	9.41	4.43	4.43	17.41	16.71	3.93	0.46	5.76	8.16	04/01/1995
DE SHAW INVESTMENT MGT, LLC	119,924,431	4.11	-3.50	11.82	7.07	7.07	18.19					15.00	08/01/2009
<i>RUSSELL 1000</i>		3.83	-3.12	9.38	4.37	4.37	17.35	16.64	3.85	0.39	5.72		
T. ROWE PRICE ASSOCIATES	116,549,589	4.01	-3.32	9.86	5.70	5.70	17.41					13.76	08/01/2009
<i>S&P 500</i>		4.12	-2.75	9.49	5.45	5.45	17.39					14.03	
BARROW HANLEY	162,168,131	4.04	-3.86	7.35	0.14	0.14	15.83					13.18	08/01/2009
<i>Russell 1000 Value Index</i>		4.96	-2.20	8.68	3.01	3.01	15.25					13.21	
BLACKROCK	164,790,584	2.27	-7.10	7.52	-3.88	-3.88	13.47					11.42	08/01/2009
<i>Russell 1000 Growth Index</i>		2.72	-4.02	10.08	5.76	5.76	19.49					15.32	
LARGE CAP AGGREGATE	717,376,012	3.59	-4.31	8.97	1.92	1.92	16.14	15.27	2.55	-0.92	5.15	7.82	04/01/1995
<i>RUSSELL 1000</i>		3.83	-3.12	9.38	4.37	4.37	17.35	16.64	3.85	0.39	5.72	8.14	
BOSTON COMPANY ASSET MGT, LLC	52,097,130	4.35	-3.43	8.73	4.35	4.35	14.85					14.63	08/01/2009
<i>RUSSELL 2000 VALUE</i>		4.82	-3.01	8.23	-1.44	-1.44	13.78					13.64	
CHARTWELL INVESTMENT MGMT	61,065,540	2.79	-5.51	8.61	0.88	0.88	22.96	22.61	5.59	2.20		6.35	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		5.16	-3.94	8.81	-2.71	-2.71	18.16	18.09	5.47	1.99		5.27	
JENNISON ASSOCIATES	84,679,437	4.06	-4.63	5.40	-3.38	-3.38	17.60	20.58	6.66			6.80	04/01/2008
SMALL CAP AGGREGATE	197,842,108	3.74	-4.59	7.12	-0.37	-0.37	18.44	20.80	5.09	-1.32	5.50	4.99	07/01/1999
<i>RUSSELL 2000</i>		4.99	-3.47	8.53	-2.08	-2.08	16.00	17.80	5.22	0.54	7.00	5.75	
DOMESTIC EQUITY AGGREGATE	915,218,120	3.62	-4.37	8.57	1.37	1.37	16.61	16.35	3.09	-0.95	5.23	7.06	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMA</i>		4.10	-3.20	9.20	2.90	2.90	17.01	16.85	4.14	0.44	6.02		

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 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	3,832,423												12/01/2004
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		4.77	-7.29	3.70	-13.71	-13.71	6.35	8.19	-4.19	-3.57		4.82	
BAILLIE GIFFORD OVERSEAS LIMITED	139,386,629	5.09										-6.36	05/01/2012
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		4.77										-6.78	
EATON VANCE MANAGEMENT	50,987,331	4.94	-7.57									-7.57	04/01/2012
<i>MSCI Em Markets (USD) GDR</i>		3.91	-8.77									-8.77	
MONDRIAN INVESTMENT PARTNERS	182,935,474	7.36	-6.25	1.21	-9.81	-9.81	7.76	7.60	-2.32	-3.87		4.91	12/01/2004
<i>MSCI ACWI EX US VALUE (GROSS)</i>		7.13	-7.49	2.53	-14.61	-14.61	5.11	6.63	-3.17	-4.84		4.47	
PYRAMIS	41,081,381	2.85	-8.61									-8.61	04/01/2012
<i>MSCI ACWI ex US Small Cap Gross</i>		3.39	-8.78									-8.78	
TOTAL INTERNATIONAL EQUITY	418,223,239	5.78	-6.58	2.40	-13.85	-13.85	4.52	5.67	-5.47	-6.16	4.93	4.98	10/01/1996
<i>MSCI AC WORLD ex US (GROSS)</i>		5.94	-7.38	3.13	-14.15	-14.15	5.75	7.43	-3.67	-4.18	7.20	4.84	
TOTAL EQUITY AGGREGATE	1,333,441,358	4.29	-5.06	6.69	-3.53	-3.53	12.78	12.97	0.44	-2.51	5.04	6.69	04/01/1995
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		4.72	-4.60	7.16	-3.13	-3.13	13.13	13.69	1.60	-1.03	6.12		
PRIVATE EQUITY													
ABRY ADVANCED SEC II LP	8,152,985	-0.00	12.72	27.67	6.66	6.66						-5.98	06/01/2011
ABRY PARTNERS VII LP	2,235,148	0.00	6.73	11.71								12.21	09/01/2011
EMERGENCE CAPITAL PARTNERS III, LP	240,000												06/01/2012
GENERAL CATALYST GROUP	308,871	0.00	-91.13									-91.13	02/01/2012
NEW ENTERPRISE ASSOCIATES 14, LP	900,000	0.00										0.00	06/01/2012
REGIMENT CAPITAL FUND	5,356,363	0.00	0.87	4.49								3.84	08/01/2011
SHERIDAN PRODUCTION PARTNERS	2,094,001	0.00	2.06	-5.64	-0.09	-0.09						-75.62	11/01/2010

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 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
<i>RUSSELL 3000 + 3%</i>		4.16	-2.42	10.92	6.95	6.95						14.13	
TOTAL PRIVATE EQUITY	19,287,369	0.00	6.29	12.37	1.29	1.29						-76.00	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		4.16	-2.42	10.92	6.95	6.95							
RISK PARITY													
AQR GLOBAL RISK PREM III LP	150,483,687	-0.00	-1.38	3.64	3.72	3.72						5.96	03/01/2011
TOTAL RISK PARITY	150,483,687	-0.00	-1.38	3.64	3.72	3.72						5.96	03/01/2011
<i>RISK PARITY BENCHMARK</i>		2.37	-1.01	6.63	5.77	5.77							
HEDGE FUND													
AQR DELTA FUND II, L.P.	69,730,131	0.00	2.86	2.85	0.39	0.39						0.42	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.05	2.10	4.25	4.25						4.26	
HEDGE FUND COMPOSITE	69,730,131	0.00	2.86	2.85	0.39	0.39						0.42	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.05	2.10	4.25	4.25						4.26	
COMMODITIES													
SSGA MULTISOURCE ACT COMM NL	69,902,427	3.93	-2.72	6.05								-6.80	08/01/2011
TOTAL COMMODITIES	69,902,427	3.93	-2.72	6.05								-6.80	08/01/2011
<i>DJ-UBS COMMODITY</i>		5.49	-4.57	-3.74								-16.82	
DOMESTIC FIXED INCOME													
ABERDEEN ASSET MANAGEMENT	111,920,128	0.30	2.33	4.37	8.87	8.87	7.73	10.99	6.04	5.35	5.25	6.21	06/01/2000
ANGELO GORDON GECC PPI FUND	30,071,839	-0.00	-1.60	13.20	1.62	1.62	13.12					16.20	12/01/2009
PYRAMIS GLOBAL ADVISORS	91,338,815	0.15	2.49	3.69	8.20	8.20	7.12	9.52	8.40	7.31		6.55	02/01/2006

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 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
WESTERN ASSET MGMT	90,089,574	0.68	2.28	4.81	8.71	8.71	8.32	11.58	8.64	7.21		6.09	11/01/2004
<i>Barclays Aggregate Bond</i>		0.04	2.06	2.37	7.47	7.47	5.67	6.93	6.71	6.79	5.63		
BRIGADE CAPITAL MANAGEMENT	53,135,865	0.00	0.60	5.85	5.97	5.97						9.08	08/01/2010
<i>Barclays BA Intermediate HY Index</i>		2.01	2.15	6.41	8.39	8.39						9.49	
BROWN BROTHERS HARRIMAN & CO	81,078,362	-0.67	3.44	4.31	12.58	12.58						10.42	08/01/2010
<i>Barclays US TIPS Index</i>		-0.59	3.39	4.23	12.24	12.24						10.39	
INTERNATIONAL FIXED INCOME													
FRANKLIN TEMPLETON INVESTMENTS	106,075,069	5.10	-1.34	7.29	-0.06	-0.06						4.05	01/01/2011
<i>Barclays Multiverse</i>		0.56	0.61	1.71	2.79	2.79						4.86	
TOTAL FIXED INCOME													
TOTAL FIXED INCOME AGGREGATE	563,709,652	1.02	1.40	5.39	6.64	6.64	7.68	10.71	7.72	6.65	5.79	6.15	01/01/1996
<i>SAMCERA TOTAL FIXED INCOME BENCH</i>		0.11	2.03	2.90	7.67	7.67	6.34	7.38	7.05	7.06	5.76	5.96	
REAL ESTATE													
INVESCO REAL ESTATE	144,721,125	0.00	0.00	1.77	7.16	7.16	15.64	7.43	-3.42	-1.12		5.81	10/01/2004
TOTAL REAL ESTATE AGGREGATE	144,721,125	0.00	0.00	1.77	7.16	7.16	15.64	7.43	-3.42	-1.12	7.52	7.50	01/01/1997
<i>SAMCERA NCREIF NFI ODCE EW (Gross)</i>		0.00	0.00	2.82	9.42	9.42	14.41	6.52	-3.36	-0.97	6.44	7.46	
CASH EQUIVALENTS													
SAMCERA GENERAL ACCOUNT	3,433,761	0.01	0.05	0.09	0.14	0.14	0.30	0.27	0.54	1.26	2.04	2.65	07/01/1999
SAMCERA TREASURY & LAIF	1,900,833	0.07	0.21	0.42	0.93	0.93	1.05	1.01	-0.17	0.68	1.95	3.34	07/01/1994
TOTAL CASH AGGREGATE	5,334,594	0.03	0.17	0.37	0.67	0.67	0.86	0.85	-0.01	0.77	1.96	2.58	07/01/1999

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending June 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
<i>91 DAY T-BILL</i>		<i>0.01</i>	<i>0.03</i>	<i>0.04</i>	<i>0.05</i>	<i>0.05</i>	<i>0.11</i>	<i>0.12</i>	<i>0.33</i>	<i>0.98</i>	<i>1.87</i>	<i>2.51</i>	
TOTAL FUND													
TOTAL FUND	2,356,610,343	2.75	-2.57	5.39	-0.18	-0.18	11.23	11.75	2.38	0.29	5.64	6.08	01/01/1996
<i>SAMCERA TOTAL PLAN POLICY BENCHM</i>		<i>3.18</i>	<i>-2.29</i>	<i>5.92</i>	<i>1.42</i>	<i>1.42</i>	<i>12.15</i>	<i>12.21</i>	<i>3.55</i>	<i>1.80</i>	<i>6.44</i>	<i>6.39</i>	
<i>ACTUARIAL DISCOUNT RATE</i>		<i>0.62</i>	<i>1.88</i>	<i>3.80</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.87</i>		

San Mateo County Employees' Retirement Association

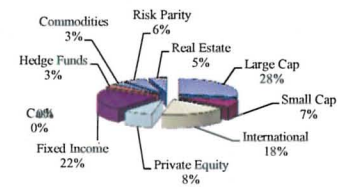
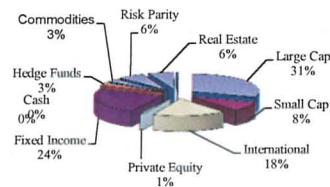
Monthly Performance Review

Period Ending June 30, 2012

Actual versus Target Allocation

Portfolio	Market Value	Allocation		Percentage Off Target	Rebalance Range
		Current	Target *		
BlackRock Russell 1000	\$153,943,277	6.53%	6.50%	0.03%	±3%
D.E. Shaw Investment Management, LLC	\$119,924,431	5.09%	4.25%	0.84%	±3%
T. Rowe Price Associates	\$116,549,589	4.95%	4.25%	0.70%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$162,168,131	6.88%	6.50%	0.38%	±3%
BlackRock Capital Management, Inc.	\$164,790,584	6.99%	6.50%	0.49%	±3%
Large Cap Aggregate	\$717,376,012	30.44%	28.00%	2.44%	
The Boston Company	\$52,097,130	2.21%	1.75%	0.46%	±3%
Chartwell Investment Partners	\$61,065,540	2.59%	1.75%	0.84%	±3%
Jennison Associates	\$84,679,437	3.59%	3.50%	0.09%	±3%
Small Cap Aggregate	\$197,842,107	8.40%	7.00%	1.40%	
Artio Global	\$3,832,423	0.16%	0.00%	0.16%	±3%
Baillie Gifford	\$139,386,629	5.91%	6.00%	-0.09%	±3%
Eaton Vance - Parametrics Emerging Markets	\$50,987,331	2.16%	2.25%	-0.09%	±3%
Mondrian Investment Partners	\$182,935,474	7.76%	8.00%	-0.24%	±3%
Pyramis Global Advisors - Int'l. Small Cap	\$41,081,381	1.74%	1.75%	-0.01%	±3%
International Aggregate	\$418,223,238	17.75%	18.00%	1.14%	±3%
Total Equity	\$1,333,441,357	56.58%	53.00%	3.58%	
Aberdeen Asset Management	\$111,920,128	4.75%	3.75%	1.00%	±2%
Angelo Gordon	\$30,071,839	1.28%	1.63%	-0.35%	±2%
Brigade Capital Management	\$53,135,865	2.25%	1.63%	0.63%	±2%
Brown Brothers Harriman	\$81,078,362	3.44%	3.00%	0.44%	±2%
Franklin Templeton	\$106,075,069	4.50%	4.50%	0.00%	±2%
Pyramis Global Advisors	\$91,338,815	3.88%	3.75%	0.13%	±2%
Western Asset Management Company	\$90,089,574	3.82%	3.75%	0.07%	±2%
Total Fixed Income	\$563,709,652	23.92%	22.00%	1.92%	
Private Equity	\$19,287,369	0.82%	8.00%	-7.18%	N/A
AQR Global Risk Premium	\$150,483,687	6.39%	6.00%	0.39%	N/A
AQR Delta Fund (Hedge Fund)	\$69,730,131	2.96%	3.00%	-0.04%	N/A
SSGA/SSARIS Multisource Commodities	\$69,902,427	2.97%	3.00%	-0.03%	N/A
Alternative Investments	\$309,403,614	13.13%	20.00%	-6.87%	
INVESCO Realty Advisors	\$144,721,125	6.14%	5.00%	1.14%	±2%
Cash	\$5,334,595	0.23%	0.00%	0.23%	
Total	\$2,356,610,343	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 June 30, 2012

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	\$153,943,277	\$158,108,576	-2.6%	\$142,028,817	8.4%
D.E. Shaw Investment Management, LLC	\$119,924,431	\$115,190,869	4.1%	\$112,003,896	7.1%
T. Rowe Price Associates	\$116,549,589	\$112,051,367	4.0%	\$110,260,680	5.7%
Barrow, Hanley, Mewhinney & Strauss	\$162,168,131	\$155,872,217	4.0%	\$172,604,722	-6.0%
BlackRock Capital Management, Inc.	\$164,790,584	\$161,139,378	2.3%	\$171,445,737	-3.9%
Large Cap Aggregate	\$717,376,012	\$702,362,407	2.1%	\$708,343,852	1.3%
The Boston Company	\$52,097,130	\$49,925,308	4.4%	\$49,925,577	4.3%
Chartwell Investment Partners	\$61,065,540	\$59,405,803	2.8%	\$60,535,796	0.9%
Jennison Associates	\$84,679,437	\$81,376,778	4.1%	\$124,060,920	-31.7%
Small Cap Aggregate	\$197,842,107	\$190,707,889	3.7%	\$234,522,293	-15.6%
Baillie Gifford funded on April 3rd	\$139,386,629	\$132,637,699	N/A	\$0	N/A
Eaton Vance - Parametrics Emerging Markets	\$50,987,331	\$48,589,162	N/A	\$0	N/A
Mondrian Investment Partners	\$182,935,474	\$170,395,358	7.4%	\$209,864,143	-12.8%
Artio Global Investor	\$3,832,423	\$3,793,016	1.0%	\$203,962,765	-98.1%
Pyramis Global Advisors - Int'l. Small Cap	\$41,081,381	\$39,942,762	N/A	\$0	N/A
International Aggregate	\$418,223,238	\$395,357,997	5.8%	\$413,826,908	1.1%
Total Equity	\$1,333,441,357	\$1,288,428,293	3.5%	\$1,356,693,053	-1.7%
Aberdeen Asset Management	\$111,920,128	\$111,580,608	0.3%	\$122,345,881	-8.5%
Angelo Gordon	\$30,071,839	\$30,071,884	0.0%	\$38,865,345	-22.6%
Brigade Capital Management	\$53,135,865	\$53,135,865	0.0%	\$50,141,745	6.0%
Brown Brothers Harriman	\$81,078,362	\$81,624,851	-0.7%	\$48,545,233	67.0%
Franklin Templeton	\$106,075,069	\$100,929,731	5.1%	\$106,143,892	-0.1%
Pyramis Global Advisors	\$91,338,815	\$91,198,545	0.2%	\$113,091,422	-19.2%
Western Asset Management Company	\$90,089,574	\$89,478,590	0.7%	\$116,373,486	-22.6%
Total Fixed Income	\$563,709,652	\$558,020,074	1.0%	\$595,507,004	-5.3%
Private Equity	\$19,287,369	\$16,711,683	15.4%	\$3,383,419	470.1%
Risk Parity	\$150,483,687	\$150,483,699	0.0%	\$145,620,720	3.3%
Hedge Funds	\$69,730,131	\$69,730,103	0.0%	\$69,986,280	N/A
Comodities	\$69,902,427	\$67,256,693	3.9%	\$0	N/A
Alternative Investments	\$309,403,614	\$304,182,178	1.7%	\$218,990,419	N/A
INVESCO Realty Advisors	\$144,721,125	\$144,721,125	0.0%	\$135,475,106	6.8%
Cash	\$5,334,595	\$6,107,946	-12.7%	\$5,477,734	-2.6%
Total	\$2,356,610,343	\$2,301,459,616	2.4%	\$2,312,143,316	1.9%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	56.6%	56.0%	0.6%	58.7%	-2.1%
Total Fixed Income	23.9%	24.2%	-0.3%	25.8%	-1.8%
Alternative Investments	13.1%	13.2%	-0.1%	9.5%	3.7%
Real Estate	6.1%	6.3%	-0.1%	5.9%	0.3%
Cash	0.2%	0.3%	0.0%	0.2%	0.0%
Total	100.0%	100.0%		100.0%	

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

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1)	Two Years	Three Years	Five Years	Ten Years
						Twelve Months				
Equity Aggregate	\$1,333,441,357	4.29%	-5.06%	6.69%	-3.53%	-3.53%	12.78%	12.97%	-2.51%	5.04%
Equity Composite Benchmark		4.72%	-4.60%	7.16%	-3.13%	-3.13%	13.13%	13.69%	-1.03%	6.12%
Variance		-0.43%	-0.46%	-0.47%	-0.40%	-0.40%	-0.35%	-0.72%	-1.48%	-1.08%
Private Equity Aggregate	\$19,287,369	0.00%	6.29%	12.37%	1.29%	1.29%	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		4.16%	-2.42%	10.92%	6.95%	6.95%	N/A	N/A	N/A	N/A
Variance		-4.16%	8.71%	1.45%	-5.66%	-5.66%	N/A	N/A	N/A	N/A
Risk Parity Aggregate	\$150,483,687	0.00%	-1.38%	3.64%	3.72%	3.72%	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		2.37%	-1.01%	6.63%	5.77%	5.77%	N/A	N/A	N/A	N/A
Variance		-2.37%	-0.37%	-2.99%	-2.05%	-2.05%	N/A	N/A	N/A	N/A
Hedge Fund Aggregate	\$69,730,131	0.00%	2.86%	2.85%	0.39%	0.39%	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.05%	2.10%	4.25%	4.25%	N/A	N/A	N/A	N/A
Variance		-0.35%	1.81%	0.75%	-3.86%	-3.86%	N/A	N/A	N/A	N/A
Commodities	\$69,902,427	3.93%	-2.72%	6.05%	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		5.49%	-4.57%	-3.74%	N/A	N/A	N/A	N/A	N/A	N/A
Variance		-1.56%	1.85%	9.79%	N/A	N/A	N/A	N/A	N/A	N/A
Fixed Income Aggregate	\$563,709,652	1.02%	1.40%	5.39%	6.64%	6.64%	7.68%	10.71%	6.65%	5.79%
Fixed Income Composite Benchmark		0.11%	2.03%	2.90%	7.67%	7.67%	6.34%	7.38%	7.06%	5.76%
Variance		0.91%	-0.63%	2.49%	-1.03%	-1.03%	1.34%	3.33%	-0.41%	0.03%
Real Estate Aggregate (2)	\$144,721,125	0.00%	0.00%	1.77%	7.16%	7.16%	15.64%	7.43%	-1.12%	7.52%
NCREIF NFI ODCE EW (Gross)		0.00%	0.00%	2.82%	9.42%	9.42%	14.41%	6.52%	-0.97%	6.44%
Variance		0.00%	0.00%	-1.05%	-2.26%	-2.26%	1.23%	0.91%	-0.15%	1.08%
Cash Aggregate	\$5,334,595	0.03%	0.17%	0.37%	0.67%	0.67%	0.86%	0.85%	0.77%	1.96%
91 Day Treasury Bill		0.01%	0.03%	0.04%	0.05%	0.05%	0.11%	0.12%	0.98%	1.87%
Variance		0.02%	0.14%	0.33%	0.62%	0.62%	0.75%	0.73%	-0.21%	0.09%
Total Fund Returns	\$2,356,610,343	2.75%	-2.57%	5.39%	-0.18%	-0.18%	11.23%	11.75%	0.29%	5.64%
Total Plan Policy Benchmark		3.18%	-2.29%	5.92%	1.42%	1.42%	12.15%	12.21%	1.80%	6.44%
Variance		-0.43%	-0.28%	-0.53%	-1.60%	-1.60%	-0.92%	-0.46%	-1.51%	-0.80%

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,356,610,343	2.75%	-2.57%	5.39%	-0.18%	-0.18%	11.23%	11.75%	0.29%	5.64%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	7.75%	7.75%	7.75%	7.75%	7.87%
Variance		2.13%	-4.45%	1.59%	-7.93%	-7.93%	3.48%	4.00%	-7.46%	-2.23%

(1) SamCERA'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 June 30, 2012

Manager & Benchmark Performance

Manager Performance

(1)

Portfolio	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date Twelve Months	One	Two	Three	Four	Five	Ten
						Year	Years	Years	Years	Years	Years
BlackRock Russell 1000	3.83%	-3.10%	9.41%	4.43%	4.43%	4.43%	17.41%	16.71%	3.93%	0.46%	5.76%
D.E. Shaw Investment Management, LLC	4.11%	-3.50%	11.82%	7.07%	7.07%	7.07%	18.19%	N/A	N/A	N/A	N/A
T. Rowe Price Associates	4.01%	-3.32%	9.86%	5.70%	5.70%	5.70%	17.41%	N/A	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	4.04%	-3.86%	7.35%	0.14%	0.14%	0.14%	15.83%	N/A	N/A	N/A	N/A
BlackRock Capital Management, Inc.	2.27%	-7.10%	7.52%	-3.88%	-3.88%	-3.88%	13.47%	N/A	N/A	N/A	N/A
Large Cap Aggregate	3.59%	-4.31%	8.97%	1.92%	1.92%	1.92%	16.14%	15.27%	2.55%	-0.92%	5.15%
The Boston Company	4.35%	-3.43%	8.73%	4.35%	4.35%	4.35%	14.85%	N/A	N/A	N/A	N/A
Chartwell Investment Partners	2.79%	-5.51%	8.61%	0.88%	0.88%	0.88%	22.96%	22.61%	5.59%	2.20%	N/A
Jemison Associates	4.06%	-4.63%	5.40%	-3.38%	-3.38%	-3.38%	17.60%	20.58%	6.66%	N/A	N/A
Small Cap Aggregate	3.74%	-4.59%	7.12%	-0.37%	-0.37%	-0.37%	18.44%	20.80%	5.09%	-1.32%	5.50%
Artio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
Baillie Gifford	5.09%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eaton Vance - Parametrics Emerging Markets	4.94%	-7.57%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mondrian Investment Partners	7.36%	-6.25%	1.21%	-9.81%	-9.81%	-9.81%	7.76%	7.60%	-2.32%	-3.87%	N/A
Pyramis Global Advisors - Int'l. Small Cap	2.85%	-8.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
International Aggregate	5.78%	-6.58%	2.40%	-13.85%	-13.85%	-13.85%	4.52%	5.67%	-5.47%	-6.16%	4.93%
Total Equity	4.29%	-5.06%	6.69%	-3.53%	-3.53%	-3.53%	12.78%	12.97%	0.44%	-2.51%	5.04%
Aberdeen Asset Management	0.30%	2.33%	4.37%	8.87%	8.87%	8.87%	7.73%	10.99%	6.04%	5.35%	5.25%
Angelo Gordon	0.00%	-1.60%	13.20%	1.62%	1.62%	1.62%	13.12%	N/A	N/A	N/A	N/A
Brigade Capital Management	0.00%	0.60%	5.85%	5.97%	5.97%	5.97%	N/A	N/A	N/A	N/A	N/A
Brown Brothers Harriman	-0.67%	3.44%	4.31%	12.58%	12.58%	12.58%	N/A	N/A	N/A	N/A	N/A
Franklin Templeton	5.10%	-1.34%	7.29%	-0.06%	-0.06%	-0.06%	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	0.15%	2.49%	3.69%	8.20%	8.20%	8.20%	7.12%	9.52%	8.40%	7.31%	N/A
Western Asset Management Company	0.68%	2.28%	4.81%	8.71%	8.71%	8.71%	8.32%	11.58%	8.64%	7.21%	N/A
Total Fixed Income	1.02%	1.40%	5.39%	6.64%	6.64%	6.64%	7.68%	10.71%	7.72%	6.65%	5.79%
Private Equity	0.00%	6.29%	12.37%	1.29%	1.29%	1.29%	N/A	N/A	N/A	N/A	N/A
Risk Parity	0.00%	-1.38%	3.64%	3.72%	3.72%	3.72%	N/A	N/A	N/A	N/A	N/A
Hedge Funds	0.00%	2.86%	2.85%	0.39%	0.39%	0.39%	N/A	N/A	N/A	N/A	N/A
SSgA	3.93%	-2.72%	6.05%	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
INVESCO Realty Advisors	0.00%	0.00%	1.77%	7.16%	7.16%	7.16%	15.64%	7.43%	-3.42%	-1.12%	N/A
Cash	0.03%	0.17%	0.37%	0.67%	0.67%	0.67%	0.86%	0.85%	-0.01%	0.77%	1.96%
Total	2.75%	-2.57%	5.39%	-0.18%	-0.18%	-0.18%	11.23%	11.75%	2.38%	0.29%	5.64%

Benchmark Performance

Russell 1000	3.83%	-3.12%	9.38%	4.37%	4.37%	4.37%	17.35%	16.64%	3.85%	0.39%	5.72%
S&P 500	4.12%	-2.75%	9.49%	5.45%	5.45%	5.45%	17.39%	N/A	N/A	N/A	N/A
Russell 1000 Value	4.96%	-2.20%	8.68%	3.01%	3.01%	3.01%	15.25%	N/A	N/A	N/A	N/A
Russell 1000 Growth	2.72%	-4.02%	10.08%	5.76%	5.76%	5.76%	19.49%	N/A	N/A	N/A	N/A
Russell 2000	4.99%	-3.47%	8.53%	-2.08%	-2.08%	-2.08%	16.00%	17.80%	5.22%	0.54%	7.00%
Russell 2000 Value	4.82%	-3.01%	8.23%	-1.44%	-1.44%	-1.44%	13.78%	N/A	N/A	N/A	N/A
Russell 2000 Growth	5.16%	-3.94%	8.81%	-2.71%	-2.71%	-2.71%	18.16%	18.09%	5.47%	1.99%	N/A
MSCI ACWI ex US (Gross)	5.94%	-7.38%	3.13%	-14.15%	-14.15%	-14.15%	5.75%	7.43%	-3.67%	-4.18%	7.20%
MSCI ACWI ex US Growth (Gross)	4.77%	-7.29%	3.70%	-13.71%	-13.71%	-13.71%	6.35%	8.19%	-4.19%	-3.57%	N/A
MSCI ACWI ex US Value (Gross)	7.13%	-7.49%	2.53%	-14.61%	-14.61%	-14.61%	5.11%	6.63%	-3.17%	-4.84%	N/A
Russell 3000 + 3% (Private Equity)	4.16%	-2.42%	10.92%	6.95%	6.95%	6.95%	N/A	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	2.37%	-1.01%	6.63%	5.77%	5.77%	5.77%	N/A	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.35%	1.05%	2.10%	4.25%	4.25%	4.25%	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	5.49%	-4.57%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	0.04%	2.06%	2.37%	7.47%	7.47%	7.47%	5.67%	6.93%	6.71%	6.79%	5.63%
Barclays U.S. TIPS Index	-0.59%	3.39%	4.23%	12.24%	12.24%	12.24%	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	2.01%	2.15%	6.41%	8.39%	8.39%	8.39%	N/A	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	0.56%	0.61%	1.71%	2.79%	2.79%	2.79%	N/A	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	0.00%	0.00%	2.82%	9.42%	9.42%	9.42%	14.41%	6.52%	-3.36%	-0.97%	6.44%
91 Day Treasury Bill	0.01%	0.03%	0.04%	0.05%	0.05%	0.05%	0.11%	0.12%	0.33%	0.98%	1.87%
SamCERA Plan Policy Benchmark	3.18%	-2.29%	5.92%	1.42%	1.42%	1.42%	12.15%	12.21%	3.55%	1.80%	6.44%
SamCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.87%

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

(2) Refer to page 13 for benchmark details

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

Realized & Unrealized Gain / (Loss)

Portfolio	Beginning Book Balance As of 07/01/2011	(1) Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Book Balance As of 06/30/2012	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending Market Value As of 06/30/2012
BlackRock Russell 1000	\$116,239,675.50	6,282,328	5,000,000	\$127,522,003.09	\$25,789,141	\$632,132	\$153,943,277
D.E. Shaw Investment Management LLC	\$104,437,429.03	7,159,335		\$111,596,763.76	\$7,566,467	\$761,200	\$119,924,431
T. Rowe Price Associates	\$90,671,733.96	5,609,094		\$96,280,828.30	\$19,588,947	\$679,814	\$116,549,589
Barrow Hanley	\$137,062,910.95	5,871,903	(10,000,000)	\$132,934,814.16	\$35,541,811	(\$6,308,494)	\$162,168,131
BlackRock	\$137,507,026.05	2,703,498		\$140,210,523.86	\$33,938,711	(\$9,358,651)	\$164,790,584
The Boston Company	\$42,422,535.09	4,734,856		\$47,157,390.99	\$7,503,042	(\$2,563,303)	\$52,097,130
Chartwell Investment Partners	\$49,714,955.60	3,638,725		\$53,353,681.05	\$10,820,841	(\$3,108,982)	\$61,065,540
Jennison Associates	\$96,873,436.26	9,568,623	(33,000,000)	\$73,442,059.06	\$27,187,483	(\$15,950,105)	\$84,679,437
Artio Global Investors	\$176,118,388.40	5,052,792	(177,289,705)	\$3,881,475.35	\$27,844,377	(\$27,893,429)	\$3,832,423
Baillie Gifford	\$0.00	717,404	150,000,763	\$150,718,166.74	\$0	(\$11,331,537)	\$139,386,629
Eaton Vance - Parametrics	\$0.00		55,000,000	\$55,000,000.00	\$0	(\$4,012,669)	\$50,987,331
Mondrian Investment Partners	\$199,643,052.53	12,082,675	(6,769,058)	\$204,956,669.00	\$10,221,090	(\$32,242,285)	\$182,935,474
Pyramis Global Advisors - Int'l Small Cap	\$0.00		45,000,000	\$45,000,000.00	\$0	(\$3,918,619)	\$41,081,381
Aberdeen Asset Management	\$121,263,066.81	9,609,412	(20,000,000)	\$110,872,478.55	\$1,082,815	(\$35,165)	\$111,920,128
Angelo Gordon	\$30,056,249.00		(9,250,500)	\$20,805,749.00	\$8,809,096	\$456,994	\$30,071,839
Brigade Capital Management	\$45,000,000.00	0	0	\$45,000,000.00	\$5,141,745	\$2,994,120	\$53,135,865
Brown Brothers Harriman	\$47,586,488.24	5,025,391	25,000,000	\$77,611,879.07	\$958,745	\$2,507,738	\$81,078,362
Franklin Templeton Investments	\$102,493,815.00	4,790,423		\$107,284,238.06	\$3,650,077	(\$4,859,246)	\$106,075,069
Pyramis Global Advisors - Core Bond	\$81,745,258.37	9,274,763	(30,000,000)	\$61,020,021.70	\$31,162,641	(\$843,848)	\$91,338,815
Western Asset Management Company	\$116,975,047.04	6,287,250	(35,000,000)	\$88,262,296.60	(\$601,561)	\$2,428,839	\$90,089,574
Private Equity	\$3,327,419.00	(227,610)	15,618,153	\$18,717,962.60	\$0	\$569,406	\$19,287,369
AQR's Global Risk Premium	\$140,000,000.00	11,925,153		\$151,925,153.00	\$0	(\$1,441,466)	\$150,483,687
AQR's Delta Fund (Hedge Fund)	\$70,000,000.00	577,270		\$70,577,270.00	\$0	(\$847,139)	\$69,730,131
SSGA/SSARIS Multisource Commodities	\$0.00		75,000,000	\$75,000,000.00	\$0	-\$5,097,573.18	\$69,902,427
INVESCO Core US Real Estate Fund	\$136,831,829.92	3,363,511		\$140,195,340.86	\$0	\$4,525,784	\$144,721,125
Cash	\$5,477,147.42	(4,330,461)	4,187,475	\$5,334,160.73	\$0	\$433	\$5,334,594
Total	\$2,051,447,464.17	\$109,716,333.25	\$53,497,128.11	\$2,214,660,925.53	\$256,205,466.60	-\$114,256,048.70	\$2,356,610,343.43

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

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending June 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 06/30/2012	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	\$116,239,676	\$6,282,328	\$5,000,000	\$153,943,277	4.43%	4.37%
D.E. Shaw Investment Management, LLC	\$104,437,429	\$7,159,335	\$0	\$119,924,431	7.07%	4.37%
T. Rowe Price Associates	\$90,671,734	\$5,609,094	\$0	\$116,549,589	5.70%	5.45%
Barrow, Hanley, Mewhinney & Strauss	\$137,062,911	\$5,871,903	-\$10,000,000	\$162,168,131	0.14%	3.01%
BlackRock Capital Management, Inc.	\$137,507,026	\$2,703,498	\$0	\$164,790,584	-3.88%	5.76%
The Boston Company	\$42,422,535	\$4,734,856	\$0	\$52,097,130	4.35%	-1.44%
Chartwell Investment Partners	\$49,714,956	\$3,638,725	\$0	\$61,065,540	0.88%	-2.71%
Jennison Associates	\$96,873,436	\$9,568,623	-\$33,000,000	\$84,679,437	-3.38%	-2.08%
Artion Global	\$176,118,388	\$5,052,792	-\$177,289,705	\$3,832,423	0.00%	-14.15%
Baillie Gifford (Funded Aril 3rd)	\$0	\$717,404	\$150,000,763	\$139,386,629	N/A	-14.61%
Eaton Vance - Parametrics Emerging Markets	\$0	\$0	\$55,000,000	\$50,987,331	N/A	-14.61%
Mondrian Investment Partners	\$199,643,053	\$12,082,675	-\$6,769,058	\$182,935,474	-9.81%	6.95%
Pyramis Global Advisors - Int'l. Small Cap	\$0	\$0	\$45,000,000	\$41,081,381	N/A	5.77%
Aberdeen Asset Management	\$121,263,067	\$9,609,412	-\$20,000,000	\$111,920,128	8.87%	7.47%
Angelo Gordon	\$30,056,249	\$0	-\$9,250,500	\$30,071,839	1.62%	7.47%
Brigade Capital Management	\$45,000,000	\$0	\$0	\$53,135,865	5.97%	16.78%
Brown Brothers Harriman	\$47,586,488	\$5,025,391	\$25,000,000	\$81,078,362	12.58%	12.24%
Franklin Templeton	\$102,493,815	\$4,790,423	\$0	\$106,075,069	-0.06%	2.79%
Pyramis Global Advisors	\$81,745,258	\$9,274,763	-\$30,000,000	\$91,338,815	8.20%	7.47%
Western Asset Management Company	\$116,975,047	\$6,287,250	-\$35,000,000	\$90,089,574	8.71%	7.47%
Private Equity	\$3,327,419	-\$227,610	\$15,618,153	\$19,287,369	1.29%	6.95%
AQR Global Risk Premium	\$140,000,000	\$11,925,153	\$0	\$150,483,687	3.72%	3.72%
AQR Delta Fund (Hedge Fund)	\$70,000,000	\$577,270	\$0	\$69,730,131	0.39%	0.39%
SSGA/SSARIS Multisource Commodities	\$0	\$0	\$75,000,000	\$69,902,427	N/A	N/A
INVESCO Realty Advisors	\$136,831,830	\$3,363,511	\$0	\$144,721,125	7.16%	9.42%
Cash	\$5,477,147	-\$4,330,461	\$4,187,475	\$5,334,594	0.67%	0.05%
Total	\$2,051,447,464	\$109,716,333	\$53,497,128	\$2,356,610,343	-0.18%	1.42%

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

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending June 30, 2012

Professional Services Fees

Investment Management Fees	Market Value As of 06/30/2012	09/30/2011	12/31/2011	03/31/2012	Estimated 06/30/2012	Fiscal Year 2011 / 2012	Estimated Annual Fee (1)
BlackRock Russell 1000	\$ 153,943,277.00	\$16,503	\$16,705	\$19,514	\$19,325	\$72,047	\$95,000
D.E. Shaw Investment Management, LLC	\$ 119,924,431.00	\$131,080	\$134,773	\$149,342	\$150,057	\$565,252	\$475,000
T. Rowe Price Associates	\$ 116,549,589.00	\$89,054	\$92,431	\$101,758	\$101,566	\$384,809	\$350,000
Barrow, Hanley, Mewhinney & Strauss	\$ 162,168,131.00	\$167,545	\$169,720	\$181,142	\$179,994	\$698,400	\$650,000
BlackRock Capital Management, Inc.	\$ 164,790,584.00	\$180,723	\$180,381	\$195,155	\$192,340	\$748,599	\$675,000
The Boston Company	\$ 52,097,130.00	\$94,433	\$100,342	\$111,514	\$109,962	\$416,251	\$375,000
Chartwell Investment Partners	\$ 61,065,540.00	\$98,948	\$104,919	\$117,341	\$115,593	\$436,802	\$350,000
Jennison Associates	\$ 84,679,437.00	\$197,808	\$195,111	\$198,153	\$172,863	\$763,935	\$775,000
Baillie Gifford	\$ 139,386,629.00	\$0	\$0	\$0	\$171,543	\$171,543	\$975,000
Artio Global	\$ 3,832,423.00	\$225,366	\$216,236	\$212,014	-\$16,634	\$636,982	\$0
Eaton Vance - Parametrics Emerging Markets	\$ 50,987,331.00	\$0	\$0	\$0	\$0	\$0	\$0
Mondrian Investment Partners	\$ 182,935,474.00	\$90,923	\$94,088	\$81,033	\$83,913	\$349,957	\$375,000
Pyramis Global Advisors - Int'l. Small Cap	\$ 41,081,381.00	\$0	\$0	\$0	\$107,769	\$107,769	\$0
Aberdeen Asset Management	\$ 111,920,128.00	\$76,973	\$74,590	\$75,900	\$76,845	\$304,308	\$375,000
Angelo Gordon	\$ 30,071,839.00	\$0	\$0	\$262,500	\$0	\$262,500	\$350,000
Brigade Capital Management	\$ 53,135,865.00	\$0	\$0	\$297,858	\$96,298	\$394,157	\$225,000
Brown Brothers Harriman	\$ 81,078,362.00	\$25,228	\$29,043	\$29,629	\$30,355	\$114,254	\$75,000
Franklin Templeton	\$ 106,075,069.00	\$102,674	\$100,137	\$105,428	\$103,902	\$412,142	N/A
Pyramis Global Advisors	\$ 91,338,815.00	\$49,158	\$48,643	\$47,526	\$44,081	\$189,408	\$275,000
Western Asset Management Company	\$ 90,089,574.00	\$78,392	\$76,804	\$74,953	\$67,131	\$297,280	\$425,000
Private Equity	\$ 19,287,369.00	\$0	\$150,000	\$602,782	\$496,334	\$1,249,116	N/A
AQR' Global Risk Premium (Risk Parity)	\$ 150,483,687.00	\$147,407	\$142,084	\$150,513	\$153,728	\$593,732	N/A
AQR's Delta Fund (Hedge Fund)	\$ 69,730,131.00	\$173,861	\$168,650	\$172,194	\$172,553	\$687,258	N/A
Ssga/SSARIS Commodities	\$ 69,902,427.00	\$74,815	\$70,651	\$137,227	\$83,540	\$366,233	N/A
INVESCO Realty Advisors	\$ 144,721,125.00	\$155,810	\$145,246	\$173,453	\$112,319	\$586,828	\$650,000
Sub-Total	\$2,351,275,748	\$2,176,701	\$2,310,554	\$3,496,927	\$2,825,378	\$10,809,561	\$7,470,000
Investment Consultant Fees							
Strategic Investment Solutions		\$100,000	\$100,000	\$100,000	\$100,000	\$400,000	\$400,000
Global Custodian Fees							
State Street Bank & Trust		\$54,000	\$62,836	\$64,593	\$45,093	\$226,523	\$125,000
Actuarial Consultant Fees							
Milliman, Inc.		\$141,500	\$6,750	\$4,393	\$4,167	\$156,810	\$175,000
Sub-Total		\$295,500	\$169,586	\$168,987	\$149,259	\$783,333	\$700,000
Other Professional Fees							
					\$15,000	\$15,000	
Total		\$2,472,201	\$2,480,140	\$3,665,914	\$2,974,638	\$11,607,893	\$8,170,000

**San Mateo County
Benchmark History**

	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Total Plan Policy								
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								
NCREIF ODCE	5.0%	5.0%	6%			5%	9%	9%
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	6.0%	6.0%						
LIBOR + 4%	3.0%	3.0%						
DJ UBS Commodity	3.0%	3.0%						
	100.0%	100.0%	100%	100%	100%	100%	100%	100%
US Equity	1/1/2011	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995		
Russell 1000	77%	80%	52%	50.0%	50.0%	69%		
Russell 2000	23%	20%	36%	37.5%	37.5%	14%		
S&P 500					12.5%	17%		
Russell 1000 Value			12%	12.5%				
	100%	100%	100%	100.0%	100.0%	100%		
International Equity	6/1/2000	1/1/1996						
MSCI ACWI -ex US	100%							
MSCI EAFE		100%						
		100%						
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

July 24, 2012

Agenda Item 6.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Report on Annual Review of *SamCERA's* Domestic and International Equity Value Portfolios

A report from SIS is attached to this memo summarizing the recent annual reviews conducted for the domestic and international equity value portfolio managers.

Strategy: Diversified Large Cap Value Equity

Meeting

On June 7, 2012, SamCERA and SIS met with Barrow Hanley for a regular review of SamCERA's Diversified Large Cap Value account. In attendance for SamCERA were Board member Lauryn Agnew and Chief Investment Officer Gary Clifton. Patrick Thomas represented SIS. Portfolio Manager Mark Giambrone and Client Service professional Matt Egenes presented for Barrow Hanley.

Organization

Barrow, Hanley, Mewhinney & Strauss (BHMS) was founded in 1979 to manage large cap value assets. The firm expanded over the years to include several domestic and international equity strategies, in addition to fixed income. BHMS operates as a majority owned subsidiary of Old Mutual, a financial services company based in London. In 2010, Old Mutual began offering employees of BHMS an indirect non-voting interest in the company not to exceed 24.9%. BHMS manages in excess of \$66B and is based in Dallas, TX.

Investment Team

Diversified large cap value is managed by a team of portfolio managers including Jim Barrow, Robert Chambers, Tim Culler, Mark Giambrone and Ray Nixon. In addition, there are nine equity analysts broken down by sector coverage that assist the portfolio managers with idea generation and risk management.

Investment Strategy

The firm's approach to the equity market is based on the underlying philosophy that markets are inefficient. These inefficiencies can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. Diversified large cap value decision-making process involves quantitative and qualitative analysis and analytical tools to ensure adherence to the value discipline. Those companies which meet the three-pronged definition of value (price/earnings and price/book ratios below the market and dividend yields above the market) and are projected to achieve earnings growth above that of the market are registered on the firm's Security Guidance List. The list averages 250 companies and summarizes the historical data and financial forecasts for each entry. As a starting point in their fundamental analysis, BHMS first looks at the profitability of a business and calculates what the company is earning on its equity capital. The team believes that a good long-term business is one that earns a high ROE and the firm, therefore, wants to own equity interests in companies with high or improving ROE's. The goal of the fundamental analysis is to produce reliable 5-year projections for ROE which the firm then uses to forecast earnings per share, book value, and dividend yield for the same 5-year period. BHMS' investment professionals utilize the Security Guidance List to identify candidates for purchase. Once identified as a candidate, an individual security then undergoes a process of fundamental analysis, including an assessment of the company's valuation, as well as prospects for improvement in operating fundamentals. At this final stage, the portfolio management team makes a determination as to

whether the security is appropriate for inclusion in the portfolio.

When a stock returns to fair valuation, the liquidation process begins. A stock may also be sold if BHMS determines that the company's fundamentals are deteriorating. The sell decision is initiated by the portfolio management team with input from the analyst staff. The portfolio will typically hold 80-90 stocks with some modest guidelines around position and sector exposure.

Key Considerations

Barrow Hanley is a respected name in the value space and we think the organization has several attractive attributes. Despite being a wholly-owned subsidiary for many years, the firm has done a better job than most in retaining its investment professionals. Performance across most of the firm's equity strategies have been notable which gives us comfort they are following a disciplined process and executing consistently. Performance in diversified large cap value is no exception, having outperformed on a calendar year basis in 10 out of the last 11 years. Our only concern will be growth in assets. BHMS has a substantial asset base in large cap value and it becomes increasingly difficult to provide excess returns when assets reach higher levels.

Strategy: International Equity

Meeting

On June 7, 2012, SamCERA met with Mondrian Investment Partners for a regular review of SamCERA's International Equity account. In attendance for SamCERA were Board member Lauryn Agnew and Chief Investment Officer Gary Clifton. SIS was represented by Jonathan Brody via telephone. Senior Portfolio Manager Andrew Porter and Client Service professional James Brecker presented for Mondrian.

Investment Team

Mondrian, which was founded in 1990 as Delaware International Advisors, became independent from Delaware in 2004. The firm is now 100% employee owned after a recent purchase of the minority interest held by private equity firm Hellman & Friedman. Mondrian manages assets of approximately \$70 billion. The business mix, which is currently 70% equity and 30% fixed income, has become increasingly diversified. A number of the firm's products have closed to new accounts. Mondrian believes they still have room to grow their Focus strategies, which are concentrated strategies that invest primarily in the higher range of the market cap spectrum. In meetings members of the sr. staff have indicated that there is no longer any economic necessity for the firm to attract new business.

Although Mondrian has announced a few senior level departures in recent years, including Fiona Barwick (Deputy Head, International Equities), turnover among staff has generally been low. Going forward, it would be reasonable to expect some retirements among the first generation of leadership. David Tilles (Executive Chairman), for example, has reached Mondrian's retirement age and is now working a three-day week. With 54 investment professionals, and a well-developed and documented investment process, we do not anticipate that this sort of turnover will be disruptive.

Investment Strategy

Mondrian is an active, value-oriented, defensive manager. In the management of international/global equity assets, they invest in securities where dividend discount analysis identifies value in terms of the long term flow of income. Dividend yield and future real growth play a central role in the decision making process and over time the dividend component is expected to be a meaningful portion of the expected total return.

Mondrian's investment approach seeks to generate three specific investment benefits. These benefits are:

- Provide a rate of return meaningfully greater than the client's domestic rate of inflation.
- Structure client portfolios that preserve capital during protracted international market declines.
- Provide portfolio performance that is less volatile than both benchmark indices and other

managers.

The investment process begins with portfolio managers/analysts researching ideas in the areas/sectors they cover. They provide input to their respective Regional Research Director, and the Director then presents that input along with the portfolio managers'/analysts' recommendations, to the Equity Strategy Committee, where it is reviewed and critiqued. All final decisions at Mondrian are made by the Equity Strategy Committee which meets every two weeks. The portfolio generally contains 35-55 names.

Key Considerations

Mondrian is now 100% employee owned after the recent employee purchase of the minority interest that had been held by Hellman & Friedman. This firm has been quite stable and employee turnover generally quite low since the firm's founding in 2004. Mondrian is a well-resourced firm focused primarily on non-US value equity investing. This strategy uses the same dividend discount value approach used in all of the firm's equity strategies. The approach produces a portfolio with a conservative risk profile that tends to add value in down and flat markets and is likely to underperform in strong up markets. SIS believes that the Mondrian team is one of the top value-oriented international equity managers available in the institutional market.

Strategy: US Small Cap Value Equity

Meeting

On June 7, 2012, SamCERA and SIS met with The Boston Company for a regular review of SamCERA's US Small Value Equity account. In attendance for SamCERA were Board member Lauryn Agnew and Chief Investment Officer Gary Clifton. Patrick Thomas represented SIS. Senior Portfolio Manager Ed Walter and Relationship Manager Paul Leahy presented for The Boston Company.

Organization

The Boston Company was founded in 1970 as a subsidiary of the Boston Safe Deposit & Trust Company. In 1993, The Boston Company was acquired by Mellon Bank to continue managing institutional assets. Mellon Bank merged with Bank of New York in 2007 creating the entity that serves as Boston Company's parent today, The Bank of New York Mellon Corporation (NYSE: BK). The Boston Company manages \$43B in assets, mostly in public equity strategies.

Investment Team

Small cap value is led by Joe Corrado and Ed Walter, who started in the strategy in 1999. Supporting Joe and Ed are four analysts broken down by sector coverage. In addition to small cap value, the team manages a diversified SMID and concentrated SMID strategy.

Investment Strategy

The investment process seeks to identify the stocks of companies that have compelling combinations of valuation, strong business franchises and a catalyst for change. The team seeks to add value through security selection. Securities are selected based upon fundamental analysis which takes a bottom-up approach.

Investment ideas come from a number of sources, including meetings with company management, business and industry contacts and the team's own in-house research. The universe of domestic small cap equity securities is quantitatively screened based on a specific set of criteria developed by the investment team over the last 20 years. The range of securities typically screened is from market caps of \$100 million to \$2 billion. The screens will look at environmental factors, such as credit cycle, macro impacts, secular trends, and sector/industry health. Additionally, they screen on measures of valuation, earnings, balance sheet quality, cash flow, capital, and debt. They also take a fundamental look at evaluating the universe, focusing on factors such as debt, cash flow, business position, margins, and revenue. Each security in the portfolio must meet three criteria: valuation (the stock has been unfairly valued by the marketplace), strong fundamentals, typically with a solid franchise and a temporary controversy, and the presence of a catalyst for change. In order for a name to be included, it must meet all three criteria of the investment process (valuation, fundamentals, and catalyst). Once identified, individual stock weights are determined by portfolio risk, liquidity and analyst conviction. Analysts make buy and sell recommendations; however lead portfolio manager, Joe Corrado, has ultimate decision-making authority.

A stock is sold when any one of the three investment criteria deteriorates (valuation, fundamentals or catalyst). Price targets are established for each holding and utilized in portfolio analysis and evaluation. The portfolio will typically hold 120-150 names with sector weights constrained by no more than .5x to 2x the weight of the sector in the Russell 2000 Value.

Key Considerations

Performance has been attractive both short and longer term with fairly consistent levels of excess return. The two portfolio managers have been managing the strategy since inception but have more recently broadened the investment team to include three additional research analysts. The strategy runs a highly diversified portfolio with tight guidelines around the index. Constraints on management's ability to find value often lead to reduced excess return but the team appears to navigate the handicap well. One concern is asset growth. The team manages close to \$2B in small cap and plans to add another \$1B before considering the product at capacity. We think this is a difficult load for small cap managers to effectively manage. On top of that already high capacity is the SMID product with substantial overlap in names.

San Mateo County Employees' Retirement Association
Board of Retirement

July 24, 2012

Agenda Item 6.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Semi-Annual Report on the Strategic Investment Solutions' Capital Market & Inflation Outlook

Patrick Thomas, SIS, will discuss the firm's semi-annual expectations on capital markets performance and inflation. A report is attached.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION

Capital Markets Expectations Update

July, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

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



SIS Capital Markets Expectations Process

- Strategic Purpose – Horizon = 2 to 3 Market Cycles
- Building-Block Approach
- Based on CAPM – Investor Must Be Compensated for Taking Higher Risk
- Long-Term Real Return Corridors, Combined with Mean Reversion
- Data Sources/Return
 - Blue Chip Economic Forecast (Inflation, GDP Growth Estimates)
 - Global Manager and “Sell-Side” Forecasts
 - CAPM (Equity Asset Classes
 - Historical Data
- Correlations – Most Stable (90-Month Half- Life, 1985 to Present)
- Risks- Stable; Two-Factor Model



Building Block Approach to Assumptions

Inflation	Consensus of economists' forecasts, TIPS
Cash	Inflation + 1% to 2% premium
US Large Cap	CAPM, 3% to 6% equity premium, macroeconomic DDM
US Small Cap	CAPM, (beta of ~1.2)
Private Equity	CAPM, (beta of ~1.6)
US Fixed	Yield to Worst on Aggregate Index (compare to historic bond risk premium); adjusted for client's duration target and unique sector allocations
International Equity	Weighted sum of local market premium + local risk free rate
International Bond	US fixed return, adjusted for Quality and Duration (currency effects based on PPP)
Real Estate	Historical behavior of equity REITs; current appraisal cap rates; CAPM; adjusted for client's portfolio structure (core/value added/opportunistic)
Hedge Funds	Expected net premium to LIBOR (3-4%); 0.40 Sharpe Ratio
High Yield	Historical ratio: spread of High Yield over US Fixed Income divided by spread of Large Cap over US Fixed Income
Commodities	Cash equivalents + 300-400 bps for rebalancing premium and roll yield
Diversified Real Assets	Based on a portfolio consisting 20% Timberland and Farmland, 40% Industrial Commodity producers (Energy, Metals and Mining), 20% Infrastructure (UBS Index) and 20% direct investing represented by spot (not futures based) commodity price movements.
Opportunity Portfolio	Depends on role of portfolio; may use Total Fund covariance matrix.



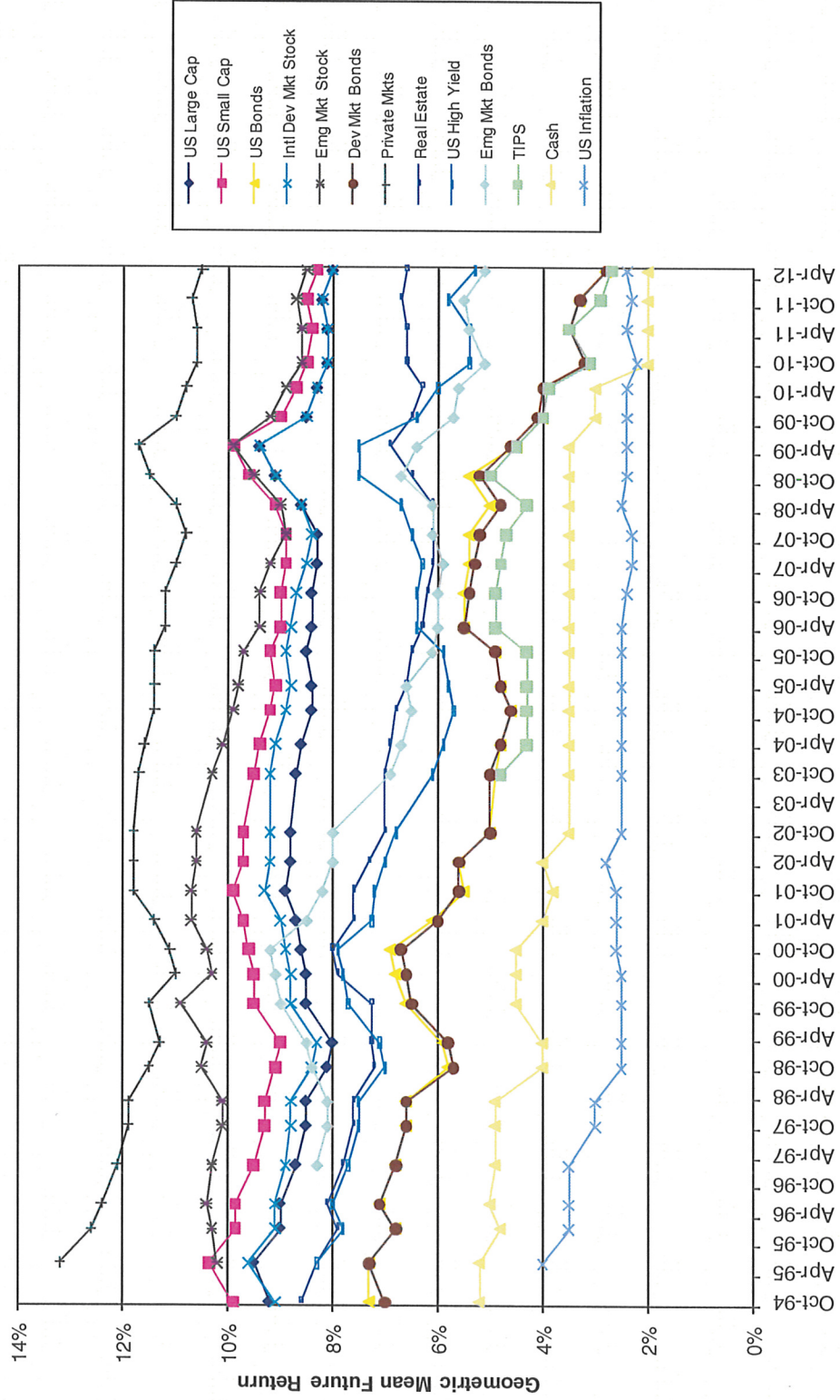
SIS Basic Capital Market Expectations (5/2012)

	Return	Risk	Sharpe Ratio
US Inflation	2.4%		
US Large Cap	8.0%	18.0%	0.333
US Small Cap	8.3%	21.0%	0.300
US Bonds	2.8%	4.5%	0.178
Intl Dev Mkt Stock	8.0%	18.5%	0.324
Emg Mkt Stock	8.5%	27.5%	0.236
Dev Mkt Bonds	2.8%	11.0%	0.073
Private Mkts	10.5%	33.0%	0.258
Real Estate	6.6%	18.5%	0.249
US High Yield	5.3%	10.0%	0.330
Emg Mkt Bonds	5.1%	11.0%	0.282
TIPS	2.7%	4.5%	0.156
Intl Inflation-Linked	2.8%	4.0%	0.200
Bank Loans	4.8%	8.0%	0.350
Infrastructure	7.1%	25.0%	0.204
Hard Asset Equity	7.6%	28.0%	0.200
Commodities	4.3%	30.0%	0.077
Hedge Funds	5.3%	10.0%	0.330
Cash	2.0%	1.0%	



SIS Capital Market Expectations (History)

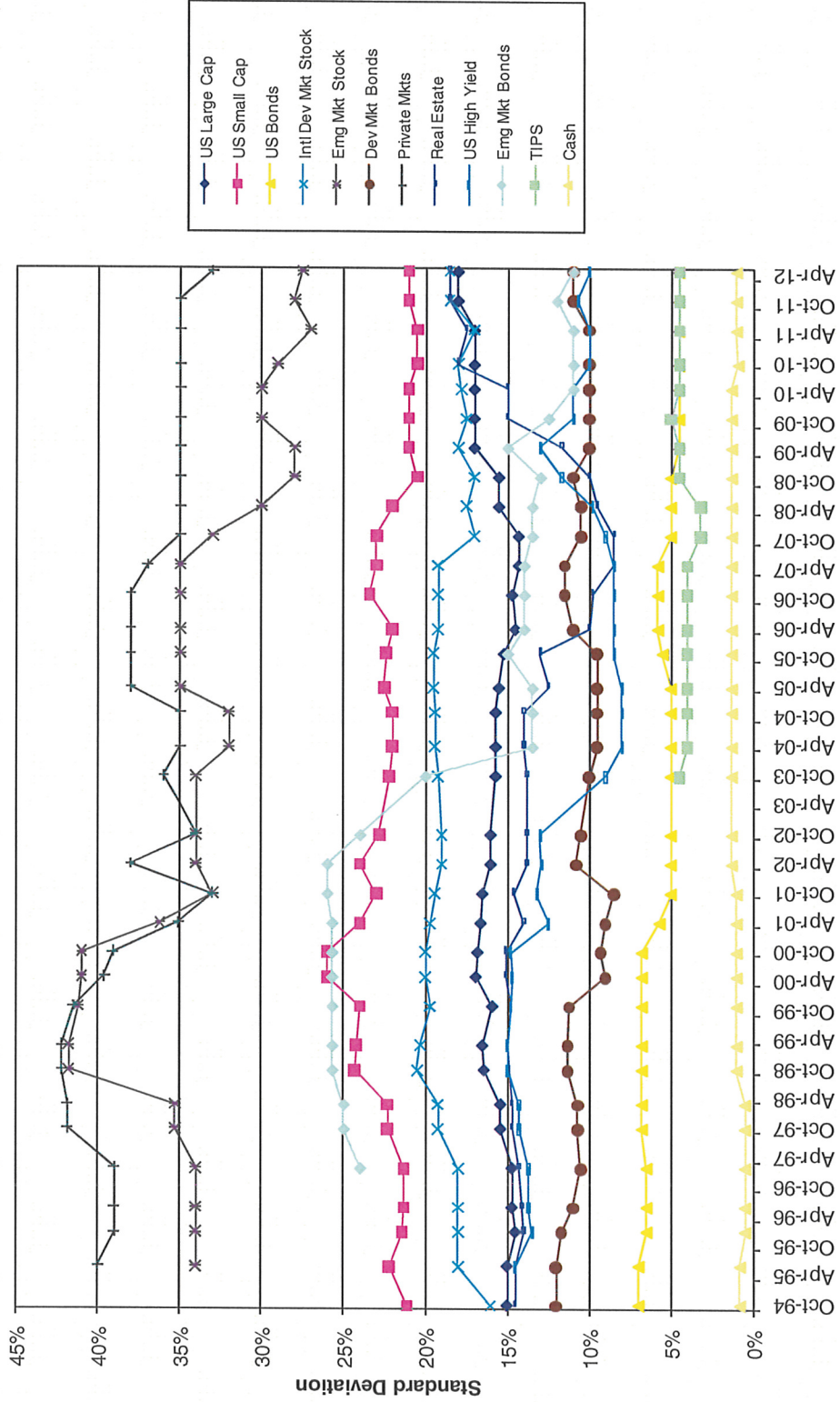
Expected Returns





SIS Capital Market Expectations (History)

Expected Risks



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 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 June 30, 2012

COMMENT: The attached preliminary statements fairly represent *SamCERA's* Financial Statements.

Statement of Fiduciary Net Assets

SamCERA's Net Assets Held in Trust for Pension Benefits as of month end, totaled \$2,357,755,960.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits increased by approximately \$57 million, month over month. The increase is primarily due to market appreciation in assets.

The following reports are attached to this agenda item:

Table of Contents	Page
Statement of Fiduciary Net Assets (Year to Year YTD Comparative)	2
Statement of Changes in Fiduciary Net Assets (Year to Year YTD Comparative)	3
Cash Flow Statements	4-5
Statement of Fiduciary Net Assets (YTD Monthly Comparative)	6
Statement of Changes in Fiduciary Net Assets (YTD Monthly Comparative)	7

7/24/2012

**San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
June 2012
PRELIMINARY**

	June 2012	June 2011
ASSETS		
CASH AND CASH EQUIVALENTS	51,625,219	62,694,785
SECURITIES LENDING CASH COLLATERAL	181,616,278	199,438,881
TOTAL CASH	233,241,497	262,133,666
RECEIVABLES		
Contributions	3,663,336	10,470,382
Due from Broker for Investments Sold	125,066,558	148,074,596
Investment Income	5,394,184	5,800,573
Securities Lending Income	92,345	67,915
Other Receivable	113,496	113,735
TOTAL ACCOUNTS RECEIVABLES	134,329,919	164,527,200
PREPAID EXPENSE	7,669	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	555,055,483	585,292,402
Domestic Equities	902,422,473	932,277,233
International Equities	408,827,734	398,753,172
Real Estate	144,721,125	135,475,106
Private Equities	18,108,696	3,740,976
Risk Parity	150,483,697	145,620,699
Hedge Funds	69,730,103	69,986,272
Commodities	69,902,427	0
Held for Securities Lending	0	0
Other Investment	0	0
	2,319,251,738	2,271,145,860
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	2,686,830,822	2,697,814,396
LIABILITIES		
Investment Management Fees	2,564,595	1,869,336
Due to Broker for Investments Purchased	141,487,676	175,192,142
Collateral Payable for Securities Lending	181,616,278	199,438,881
Other	3,406,314	3,538,208
TOTAL LIABILITIES	329,074,863	380,038,567
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,357,755,960	2,317,775,829

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
June 2012
Preliminary

	June 2012	June 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	150,988,825	150,474,872	513,953
Employee Contribution	49,680,940	49,013,027	667,914
TOTAL CONTRIBUTIONS	<u>200,669,766</u>	<u>199,487,899</u>	<u>1,181,867</u>
INVESTMENT INCOME			
Interest and Dividends	60,234,455	50,758,044	9,476,412
Net Appreciation (Depreciation) in fair value of investments	(54,044,671)	403,496,528	(457,541,200)
Less Investment Expense	(19,953,494)	(15,906,365)	(4,047,129)
Less Asset Management Expense	0	(690,236)	690,236
NET INVESTMENT INCOME	<u>(13,763,710)</u>	<u>437,657,971</u>	<u>(451,421,681)</u>
SECURITIES LENDING INCOME			
Earnings	452,442	558,768	(106,326)
Less: Securities Lending Expenses	283,587	(28,457)	312,044
NET SECURITIES LENDING INCOME	<u>736,029</u>	<u>530,311</u>	<u>205,718</u>
OTHER ADDITIONS	104,907	73,305	31,602
TOTAL ADDITIONS	<u>187,746,991</u>	<u>637,749,486</u>	<u>(450,002,494)</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	122,541,648	114,422,667	8,118,980
Disability Retirement Allowance	15,532,365	14,552,927	979,438
Survivor, Death and Other Benefits	680,763	858,946	(178,183)
TOTAL ASSOCIATION BENEFITS	<u>138,754,775</u>	<u>129,834,541</u>	<u>8,920,235</u>
REFUND OF MEMBER CONTRIBUTIONS	4,083,054	2,474,445	1,608,609
ADMINISTRATIVE EXPENSE	4,962,387	3,551,598	1,410,789
OTHER EXPENSE	(33,356)	9,529	(42,885)
TOTAL DEDUCTIONS	<u>147,766,860</u>	<u>135,870,112</u>	<u>11,896,748</u>
NET INCREASE	39,980,131	501,879,374	(461,899,242)
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,317,775,829	1,815,896,455	
End of Period	2,357,755,960	2,317,775,829	

7/24/2012

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING TWELVE MONTHS
 For the Month Ending June 30, 2012
 PRELIMINARY

	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	5,653,099	22,944,450
Employer Contributions - Regular	5,859,439	7,315,021	7,338,753	7,336,610	7,360,524	11,055,264	46,264,611
Employer Contributions - COLA	3,261,580	4,069,393	4,080,186	4,079,143	4,087,841	6,138,083	25,716,225
Employer Refunded Contribution	60,704,948	(11,323,486)	(11,387,916)	(11,389,786)	(11,399,337)	61,841,085	77,039,499
TOTAL CONTRIBUTIONS	72,621,842	3,563,141	3,705,046	3,674,930	3,706,296	84,687,530	171,960,784
INVESTMENT INCOME							
Interest and Dividends	2,674,939	4,171,591	4,363,867	3,980,798	4,299,476	5,651,802	25,142,476
Net Appreciation (Depreciation) in fair value of investments	(16,965,881)	(110,856,042)	(135,778,761)	141,339,198	(28,574,223)	(2,336,682)	(153,172,391)
Securities Lending Income	36,093	29,250	32,457	35,914	39,947	35,107	208,767
Other Additions	(465,397)	(474,387)	(270,222)	(197,381)	(513,027)	(433,638)	(2,354,254)
Other Investment Related Expense	3,410	(4,030)	17,788	3,166	26,387	35,196	81,918
Securities Lending Expense	57,995,005	(103,570,478)	(127,929,824)	148,836,624	(21,013,145)	87,639,118	41,867,301
TOTAL ADDITIONS	11,246,618	11,387,685	11,314,854	11,346,211	11,367,035	11,253,462	67,915,665
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	6,213,436	6,141,097	6,173,786	6,206,238	6,119,178	36,935,482
Retiree COLA	2,583,422	2,567,502	2,563,624	2,561,767	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
Voids and Reissue	0	0	0	0	0	0	0
TOTAL ASSOCIATION BENEFITS	11,246,618	11,387,685	11,314,854	11,346,211	11,367,035	11,253,462	67,915,665
REFUND OF MEMBER CONTRIBUTIONS	193,618	323,124	398,836	314,565	159,181	372,822	1,762,145
ACTUARIAL FEES	32,750	111,250	(2,600)	2,250	2,250	2,250	148,250
CONSULTANT FEES - INVESTMENT (SIS)	33,333	33,333	(2,600)	33,333	33,333	33,333	199,999
CUSTODIAN FEES - STATE STREET	18,000	18,000	18,000	18,000	26,836	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 - PYRAMIS	16,867	16,879	16,411	16,195	16,324	16,124	97,801
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	6,306	10,512	8,411	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	35,092	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	46,529	42,946	41,605	44,717	44,797	45,259	265,853
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	31,601	29,143	29,143	30,810	30,634	30,986	181,485
INVESTMENT MANAGEMENT FEE - BLACKROCK	64,729	58,521	57,473	60,958	59,684	59,739	361,104
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	60,870	53,054	53,621	56,364	56,386	56,970	337,265
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	34,303	30,503	29,627	32,840	33,686	33,816	194,775
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	76,350	58,429	63,029	64,851	65,953	64,307	392,919
INVESTMENT MANAGEMENT FEE - MONDRIAN	32,441	30,065	28,417	35,043	29,561	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	24,934	26,191	25,598	25,490	25,716	155,196
INVESTMENT MANAGEMENT FEE - INVESCO CORE	51,937	51,937	51,937	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 - ACRY ADVANCED	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - ACRY PARTNERS	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - ACRY GLOBAL RISK PARITY	48,540	50,082	48,785	46,317	48,177	47,590	289,491
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK FUND	58,322	58,004	57,535	55,371	56,331	56,948	342,511
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	26,087	23,200	23,529	24,114	23,444	23,093	145,466
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	853,543	870,856	747,804	934,345	785,707	760,086	4,952,341
ADMIN EXPENSE - SALARIES & BENEFITS	151,218	236,478	239,549	240,481	243,659	362,097	1,473,481
ADMIN EXPENSE - SERVICES & SUPPLIES	155,314	109,526	194,865	177,895	191,007	180,387	1,008,995
TOTAL ADMINISTRATIVE EXPENSES	306,532	346,004	434,415	418,376	434,666	542,483	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	12,898,945	13,023,469	12,764,555	14,442,391	78,702,163
NET INCREASE	45,273,023	(116,511,298)	(140,828,770)	135,813,155	(33,777,699)	73,196,727	(36,834,862)

7/24/2012

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING TWELVE MONTHS
 For the Month Ending June 30, 2012
 PRELIMINARY

	December YTD 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	YTD
ADDITIONS								
CONTRIBUTIONS								
Employee Contribution	22,944,450	3,853,189	3,805,165	3,845,425	4,293,144	3,779,919	7,259,649	49,680,940
Employer Contributions - Regular	46,264,611	7,724,967	7,370,689	7,410,529	7,740,612	7,178,529	13,898,452	97,588,389
Employer Contributions - COLA	25,716,225	4,290,785	4,091,409	4,104,357	4,318,250	3,855,596	6,923,813	53,400,436
Employer-Preferred Contribution	77,035,498	(11,983,093)	(11,429,133)	(11,475,040)	(12,027,659)	(11,098,610)	(19,021,662)	0
TOTAL CONTRIBUTIONS	171,960,784	3,885,848	3,838,131	3,895,271	4,324,046	3,815,433	9,060,251	200,669,766
INVESTMENT INCOME								
Interest and Dividends	25,142,476	8,348,862	4,403,911	6,395,303	5,855,384	5,934,085	4,164,434	60,234,455
Net Appreciation (Depreciation) in Fair Value of Investments	(153,172,391)	79,542,961	74,056,486	22,286,086	(6,021,290)	(130,719,312)	60,087,696	(53,939,764)
Securities Lending Income	208,767	31,519	38,902	46,649	38,791	39,973	47,841	452,442
Other Additions	0	0	0	0	0	0	0	0
Other Investment Related Expense	(2,354,254)	453,211	(304,297)	(1,857,072)	(366,881)	(588,894)	(160,258)	(6,178,435)
Securities Lending Expense	81,918	28,837	6,475	(15,588)	30,746	68,454	51,569	283,587
TOTAL ADDITIONS	41,867,301	92,091,237	82,039,608	30,861,825	3,860,797	(121,450,251)	73,251,534	202,522,051
DEDUCTIONS								
ASSOCIATION BENEFITS								
Retiree Annuity	15,613,966	2,635,642	2,661,917	2,650,230	2,797,664	2,780,027	2,790,854	31,948,300
Retiree Pension	36,935,482	6,220,540	6,281,472	6,367,215	6,577,883	6,550,453	6,595,836	75,530,680
Retiree COLA	15,344,942	2,524,335	2,526,501	2,514,025	2,782,800	2,776,963	2,773,461	31,253,067
Retiree Death and Modified Work Benefit	21,475	3,579	3,579	3,579	3,579	3,579	3,579	42,949
Active Member Death Benefit	0	0	0	0	0	0	0	0
Voids and Release	0	0	0	0	0	0	0	0
TOTAL ASSOCIATION BENEFITS	67,915,865	11,386,096	11,473,469	11,544,049	12,171,825	12,128,962	(29,221)	(29,221)
REFUND OF MEMBER CONTRIBUTIONS	1,702,145	73,928	610,964	436,870	353,421	415,754	429,873	4,083,054
ACTUARIAL FEES	148,250	2,250	1,310	833	833	833	2,500	156,810
CONSULTANT FEES - INVESTMENT (SIS)	199,999	33,333	33,333	33,333	33,333	33,333	33,333	399,999
CUSTODIAN FEES - STATE STREET	116,836	17,574	31,072	15,947	15,936	15,715	13,442	226,523
OTHER PROFESSIONAL FEES	0	0	0	0	0	15,000	0	15,000
INVESTMENT MANAGEMENT FEE - R1000 INDEX	33,208	6,391	6,557	6,566	6,590	6,343	6,392	72,047
INVESTMENT MANAGEMENT FEE - ABERDEEN	151,563	25,244	25,379	25,277	25,508	25,689	25,649	304,308
INVESTMENT MANAGEMENT FEE - PYRAMIS	97,801	16,396	16,418	14,713	14,195	15,573	14,313	189,408
INVESTMENT MANAGEMENT FEE - ANGELO GORDON	0	0	0	87,500	0	0	0	87,500
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	54,271	9,924	9,900	9,804	10,017	10,265	10,073	114,254
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	202,811	230,924	33,467	33,467	35,213	25,872	35,213	394,157
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	203,867	34,480	36,154	34,795	35,484	32,926	35,492	412,142
INVESTMENT MANAGEMENT FEE - CHARTWELL	265,853	37,414	40,246	39,682	40,299	36,072	39,223	436,802
INVESTMENT MANAGEMENT FEE - D E SHAW	181,485	47,601	50,712	51,029	51,596	47,232	51,229	565,252
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	337,104	32,566	34,521	34,671	34,891	31,945	34,730	394,809
INVESTMENT MANAGEMENT FEE - BLACKROCK	361,004	66,372	66,372	66,452	67,030	60,385	64,925	748,599
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	337,265	58,507	61,189	61,445	61,399	61,398	57,107	698,400
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	194,775	36,246	37,548	37,722	37,781	37,819	37,819	416,251
INVESTMENT MANAGEMENT FEE - JENNISSON ASSOCIATES	362,019	68,021	69,981	69,251	69,330	69,005	69,005	763,035
INVESTMENT MANAGEMENT FEE - MONDRIAN	185,011	26,094	22,810	32,168	27,315	28,510	28,088	349,857
INVESTMENT MANAGEMENT FEE - ARTIO	441,002	73,046	76,899	62,068	2,398	(15,520)	(3,702)	630,862
INVESTMENT MANAGEMENT FEE - PYRAMIS SELECT INTL	0	0	0	0	33,712	40,344	33,712	107,769
INVESTMENT MANAGEMENT FEE - BAILLIE GIFFORD	0	0	0	0	60,035	52,827	58,681	171,543
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	155,196	25,457	26,193	23,302	22,240	22,413	22,479	297,280
INVESTMENT MANAGEMENT FEE - INVESCO CORE	301,056	68,007	52,723	52,723	17,062	47,629	47,629	586,828
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	150,000	0	0	0	0	0	0	150,000
INVESTMENT MANAGEMENT FEE - ACRY ADVANCED	0	133,599	0	72,660	0	0	0	206,259
INVESTMENT MANAGEMENT FEE - ACRY PARTNERS	0	96,621	0	35,121	0	0	0	131,742
INVESTMENT MANAGEMENT FEE - REGIMENT CAPITAL	0	190,385	0	74,396	0	0	74,396	339,177
INVESTMENT MANAGEMENT FEE - GENERAL CATALYST	0	0	0	0	0	0	0	57,000
INVESTMENT MANAGEMENT FEE - SYCAMORE PARTNERS	0	0	0	0	0	0	0	363,542
INVESTMENT MANAGEMENT FEE - SYCAMORE IDECAR	0	0	0	0	0	0	0	1,396
INVESTMENT MANAGEMENT FEE - ACR GLOBAL RISK PARTY	289,491	48,480	50,576	51,457	50,896	51,416	51,416	593,732
INVESTMENT MANAGEMENT FEE - ACR DELTA FUND	342,511	56,639	57,893	57,672	57,672	57,893	57,893	687,258
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	145,468	65,311	36,515	35,402	35,439	34,074	34,074	366,233
TOTAL PROFESSIONAL FEES	4,952,341	1,677,801	877,657	1,110,457	835,439	807,312	1,346,838	11,607,893
ADMIN EXPENSE - SALARIES & BENEFITS	1,473,481	261,951	273,319	266,334	408,102	247,564	398,376	3,329,128
ADMIN EXPENSE - SERVICES & SUPPLIES	1,008,995	82,446	88,122	115,011	56,047	86,746	195,893	1,633,258
TOTAL ADMINISTRATIVE EXPENSES	2,482,476	344,397	361,441	381,345	464,149	334,310	594,269	4,962,387
INTEREST FOR PREPAID CONTRIBUTION	1,502,700	0	4	0	0	0	1,664,461	3,167,166
OTHER DEDUCTIONS	86,636	(10,576)	(1,921)	(1,156)	(127,059)	10,298	10,420	(33,356)
TOTAL DEDUCTIONS	78,702,163	13,471,644	13,321,614	13,471,565	13,697,826	13,696,636	16,180,471	162,541,919
NET CHANGES	(36,834,862)	78,619,593	68,717,994	17,390,260	(9,837,029)	(135,146,887)	57,071,063	39,960,131

7/24/2012

**San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending June 30, 2012**

	June 2012	May 2012	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	51,625,219	49,019,649	2,605,570	5.32%
SECURITIES LENDING CASH COLLATERAL	181,616,278	181,616,278	0	0.00%
TOTAL CASH	233,241,497	230,635,927	2,605,570	0
RECEIVABLES				
Contributions	3,663,336	0	3,663,336	N/A
Due from Broker for Investments Sold	125,066,558	138,131,054	(13,064,495)	-9.46%
Investment Income	5,394,184	6,448,102	(1,053,918)	-16.34%
Securities Lending Income	92,345	101,362	(9,017)	-8.90%
Other Receivable	113,496	113,496	0	0.00%
TOTAL ACCOUNTS RECEIVABLES	134,329,919	144,794,013	(10,464,095)	-7.23%
PREPAID EXPENSE	7,669	169,565	(161,896)	-95.48%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	555,055,483	548,579,570	6,475,913	1.18%
Domestic Equities	902,422,473	879,730,022	22,692,451	2.58%
International Equities	408,827,734	386,156,111	22,671,623	5.87%
Real Estate	144,721,125	144,721,125	0	0.00%
Private Equity	18,108,696	16,471,074	1,637,622	9.94%
Risk Parity	150,483,697	150,483,697	0	N/A
Hedge Funds	69,730,103	69,730,103	0	N/A
Commodities	69,902,427	67,256,693	2,645,734	3.93%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	2,319,251,738	2,263,128,395	56,123,343	2.48%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	2,686,830,822	2,638,727,900	48,102,922	1.82%
LIABILITIES				
Investment Management Fees	2,564,595	2,297,348	267,247	11.63%
Due to Broker for Investments Purchased	141,487,676	153,521,646	(12,033,970)	-7.84%
Collateral Payable for Securities Lending	181,616,278	181,616,278	0	0.00%
Other	3,406,314	607,732	2,798,582	460.50%
TOTAL LIABILITIES	329,074,863	338,043,003	(8,968,141)	-2.65%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,357,755,960	2,300,684,897	57,071,063	2.48%

7/24/2012

**San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending June 30, 2012**

	June 2012	May 2012	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	150,988,825	149,188,222	1,800,603
Employee Contribution	49,680,940	42,421,292	7,259,649
TOTAL CONTRIBUTIONS	<u>200,669,766</u>	<u>191,609,514</u>	<u>9,060,251</u>
INVESTMENT INCOME			
Interest and Dividends	60,234,455	56,070,021	4,164,434
Net Appreciation (Depreciation) in fair value of investments	(54,044,671)	(114,056,486)	60,011,815
Less Investment Expense	(19,953,494)	(16,781,937)	(3,171,557)
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	<u>(13,763,710)</u>	<u>(74,768,402)</u>	<u>61,004,692</u>
SECURITIES LENDING INCOME			
Earnings	452,442	404,601	47,841
Less: Securities Lending Expenses	283,587	232,018	51,569
NET SECURITIES LENDING INCOME	<u>736,029</u>	<u>636,619</u>	<u>99,410</u>
OTHER ADDITIONS	104,907	29,025	75,881
TOTAL ADDITIONS	<u>187,746,991</u>	<u>117,506,756</u>	<u>70,240,235</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	122,541,648	111,811,214	10,730,434
Disability Retirement Allowance	15,532,365	14,156,474	1,375,891
Survivor, Death and Other Benefits	680,763	652,577	28,185
TOTAL ASSOCIATION BENEFITS	<u>138,754,775</u>	<u>126,620,266</u>	<u>12,134,510</u>
REFUND OF MEMBER CONTRIBUTIONS	4,083,054	3,653,081	429,973
ADMINISTRATIVE EXPENSE	4,962,387	4,368,118	594,269
OTHER EXPENSE	(33,356)	(43,776)	10,420
TOTAL DEDUCTIONS	<u>147,766,860</u>	<u>134,597,688</u>	<u>13,169,172</u>
NET INCREASE	39,980,131	(17,090,932)	57,071,063
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,300,684,897	2,317,775,829	
End of Period	2,357,755,960	2,300,684,897	

San Mateo County Employees' Retirement Association
Board of Retirement

July 24, 2012

Agenda Item 7.2

To: Board of Retirement



From: Chezelle Milan, Retirement Senior Accountant
Mabel Wong, Finance Officer

Subject: Preliminary Fourth Quarter Budget Report

DISCUSSION: *SamCERA's* budget consists of three components, an administrative budget and a technology budget authorized by Government Code §31580.2, and a professional services budget authorized by Government Code §31596.1.

Professional Services Budget - Attachment One provides an overview of the accrued professional services expenditures. Investment management fees are driven by contractual agreements and based on total assets under management. Fees for the actuarial services, investment consulting services and global custodian services are based on services detailed in the contractual agreements. The preliminary annualized aggregate professional services fee as of June 30, 2012, is approximately 44.60 basis points versus the expected fee of 38.04 basis points. The increase is due primarily to private equity fees and alternative investment fees which were not originally budgeted. Due to the nature of private equity investments, fees are difficult to budget because there is no set schedule for capital calls.

SamCERA's Administrative Budget –The adopted administrative budget by category, versus the preliminary fiscal expenditures is shown in the table below.

Attachment Two provides a review of the line item administrative appropriations versus the preliminary expenditures. Through the fourth quarter, *SamCERA* expended 99.2% of the approved appropriations. Under **Salaries & Benefits** *SamCERA* budgets all positions and benefits. Those expenditures are on pace with expectations. Under **Services & Supplies** the association budgets all overhead and operational expenditures. The Medical Evaluations, Member Education, and Leased Facilities expenditures are over their appropriation. The need for medical evaluations varies from year to year and the original appropriation is an estimate based on prior experience. In fiscal year 2011-2012 *SamCERA* experienced a higher than average need for evaluations. Member Education expense was higher than expected due to an increase in the number of classes offered by Financial Knowledge Network this fiscal year versus last fiscal year. The overage in Leased Facilities is a result of the acquisition of additional space. It includes the preparation of the new space and reconfiguration of existing space. Regarding **Capital Assets**, *SamCERA* prefers to expense as much of its expenditures as possible. Therefore, there has not been an allocation for **Capital Assets** in this fiscal year's budget.

SamCERA's Administrative Budget

	Adopted Budget	YTD Preliminary
Salaries & Benefits	\$3,493,963	\$3,329,128
Services & Supplies	\$1,240,237	\$ 1,368,327
Capital Assets	<u>\$ 0</u>	<u>\$ 0</u>
Total	\$4,734,200	\$4,697,456

Attachment Three provides a review of the line item technology appropriations versus the preliminary expenditures. Staff has selected LRWL, Inc as the consultant to assist *SamCERA* in its information technology modernization project. Work has begun on this project and expenses will be realized on appropriations that fall under IT Infrastructure.

SamCERA's Technology Budget

	Adopted Budget	YTD Preliminary
Property & Equipment	\$60,000	\$42,443
IT Infrastructure	\$1,806,000	\$222,487
IT Total	\$1,866,000	\$264,931

San Mateo County Employees' Retirement Association
Board of Retirement

July 24, 2012
 Attachment One

Fourth Quarter Analysis
 06-30-2012

Agenda Item 7.2

PROFESSIONAL SERVICES BUDGET: Government Code §31596.1 states that, *“The expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:*

- (a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.*
- (b) The compensation of any bank or trust company performing custodial services.*
- (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.*
- (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.*
- (e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1.”*

The board has entered into the following contracts pursuant to §31596.1:

CONTRACTOR	SERVICE	FEE (1)	2011-2012 YTD EXPENSE (ACCRUED)	2011-2012 ESTIMATE
Milliman (3)	Actuarial Consulting	0.1 bp	\$156,810	\$75,000
Strategic Investment Solutions	Investment Consulting	0.4 bp	\$400,000	\$400,000
State Street Bank & Trust	Global Custody	0.1 bp	\$226,523	\$130,000
SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES			\$783,333	\$605,000
<i>Estimated Market Value 06-30-2012</i>			\$2.6 Billion	\$2.6 Billion
Average Basis Points (2)			3.3 bp	2.9 bp

- (1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.
- (2) The calculation utilizes a market value of \$2.6 billion
- (3) The YTD expenses for Milliman included charges from Segal Company for actuarial audit.

The contractual fee schedule for investment managers appears on the following page.

CONTRACTOR	SERVICE	FEE	2011-2012 YTD EXPENSE (ACCRUED)	2011-2012 ESTIMATE
BlackRock – Russell 1000 Index Fund	Domestic Large Cap Equity	4.1 bp	72,047	\$90,000
D.E. Shaw Investment Management,	Domestic Large Cap Enhanced	49.5 bp	565,252	\$705,000
T. Rowe Price Associates	Domestic Large Cap Enhanced	35.0 bp	384,809	\$500,000
Barrow, Hanley, Mewhinney & Strauss	Domestic Large Cap Value	43.0 bp	698,400	\$830,000
BlackRock Capital Management	Domestic Large Cap Growth	45.1 bp	748,599	\$890,000
The Boston Company	Domestic Small Cap Equity	84.4 bp	416,251	\$485,000
Chartwell Investment Partners	Domestic Small Cap Equity	75.0 bp	436,802	\$495,000
Jennison Associates	Domestic Small Cap Equity	75.0 bp	763,935	\$1,020,000
Artio Global Investors	International Equity	47.2 bp	636,982	\$1,165,000
Baillie Gifford	International Equity	N/A	171,543	N/A
Eaton Vance – Parametric	International Equity	N/A	N/A	N/A
Mondrian Investment Partners	International Equity	27.0 bp	349,957	\$580,000
Pyramis Global Advisors	International Equity	N/A	N/A	N/A
ABRY II	Private Equity	N/A	206,259	N/A
ABRY VII	Private Equity	N/A	131,742	N/A
General Catalyst Group	Private Equity	N/A	57,000	N/A
Regiment Capital Fund IV	Private Equity	N/A	339,177	N/A
Sheridan Production Partners	Private Equity	N/A	150,000	N/A
Sycamore Partners	Private Equity	N/A	363,542	N/A
Sycamore SideCar	Private Equity	N/A	1,396	N/A
AQR Risk Parity	Risk Parity Portfolio	N/A	593,732	N/A
AQR Delta Hedge Fund	Hedge Fund	N/A	687,258	N/A
SSgA/SSARIS Commodities	Commodities	N/A	366,233	N/A
Aberdeen Asset Management	Domestic Fixed Income	24.3 bp	304,308	\$315,000
Angelo Gordon (PIIP)	Domestic Fixed Income	N/A	262,500	\$350,000
Brigade Capital Management	Domestic Credit Opportunity Fixed Income	43.8 bp	394,157	\$235,000
Brown Brothers Harriman	Treasury Inflation Protection Securities	15.0 bp	114,254	\$75,000
Franklin Templeton	Global Fixed Income	39.3 bp	412,142	\$425,000
Pyramis Global Advisors	Domestic Fixed Income	17.6 bp	189,408	\$205,000
Pyramis Select International	International Equity	N/A	107,769	N/A
Western Asset Management	Domestic Fixed Income	27.6 bp	297,280	\$330,000
INVESCO Realty Advisors	Real Estate Management	14.3 bp	586,828	\$590,000
SUB-TOTAL INVESTMENT MANAGERS			\$10,809,562	\$9,285,000
Average Basis Points (1)			51.5 bp	38.4 bp
SUB-TOTAL NON- INVESTMENT MANAGERS (FROM PREVIOUS PAGE)			\$783,333	\$605,000
Average Basis Points (2)			3.3 bp	2.9 bp
TOTAL ESTIMATED CONTRACT FEES			\$11,592,895	\$9,890,000
<i>Estimated Market Value 06-30-2012</i>			\$2.6 billion	\$2.6 billion
Average Basis Points (2)			37.8 bp	36.3 bp

(1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.

(2) The calculation utilizes a market value of \$2.6 billion

SamCERA's
Administrative Budget
Fiscal Year 2011-2012
4th Quarter
as of June 30, 2012
PRELIMINARY

	Budget Allotment (as Amended)	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Salaries	\$2,341,000	\$2,174,982	92.9%	\$166,018	7.1%
Benefits	\$1,152,963	\$1,154,147	100.1%	-\$1,184	-0.1%
Salaries & Benefits	\$3,493,963	\$3,329,128	95.3%	\$164,835	4.7%
Board Expense	\$10,500	\$7,600	72.4%	\$2,900	27.6%
Insurance	\$77,000	\$64,168	83.3%	\$12,832	16.7%
Medical Evaluation	\$45,000	\$104,725	232.7%	-\$59,725	-132.7%
Member Education	\$45,000	\$53,280	118.4%	-\$8,280	-18.4%
Education & Conference	\$148,700	\$73,647	49.5%	\$75,053	50.5%
Transportation and Lodging	\$126,500	\$89,107	70.4%	\$37,393	29.6%
Property & Equipment	\$0	\$3,545	0.0%	-\$3,545	0.0%
General Office Supplies	\$25,000	\$24,471	97.9%	\$529	2.1%
Postage & Printing	\$75,000	\$59,846	79.8%	\$15,154	20.2%
Leased Facilities	\$295,000	\$512,736	173.8%	-\$217,736	-73.8%
County Services	\$347,037	\$312,711	90.1%	\$34,326	9.9%
Audit Services	\$45,500	\$44,229	97.2%	\$1,271	2.8%
Other Administration	\$0	\$18,264	0.0%	-\$18,264	0.0%
Services & Supplies	\$1,240,237	\$1,368,327	110.3%	-\$128,090	-10.3%
Capital Assets	\$0	\$0	0.0%	\$0	0.0%
Depreciation		\$0			
Grand Total	\$4,734,200	\$4,697,456	99.2%	\$36,744	0.8%

SamCERA's
 Information Technology Budget
 Fiscal Year 2011-2012
 4th Quarter
 as of June 30, 2012
 PRELIMINARY

	Budget Allotment (as Amended)	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Property & Equipment	\$60,000	\$42,443	70.7%	\$17,557	29.3%
IT Infrastructure	\$1,806,000	\$222,487	12.3%	\$1,583,513	87.7%
IT Total	\$1,866,000	\$264,931	14.2%	\$1,601,069	85.8%

San Mateo County Employees' Retirement Association
The Board of Retirement

July 24, 2012

Agenda Item 7.3

To: Board of Retirement



From: Mabel Wong, Retirement Finance Officer

Subject: Approval of Questions for Annual Review of *SamCERA*'s Independent Financial Auditor – Brown Armstrong Accountancy Corporation

Staff Recommendation

Staff recommends the board review, suggest changes, then approve the questions in the attached document entitled, "Questions for Annual Independent Auditor Evaluation."

Summary

The questions in the attached document will be submitted to *SamCERA*'s independent auditor, Brown Armstrong Accountancy Corporation, prior to the annual review, which will be scheduled for the October 23, 2012, board meeting.

An additional part of the annual review will be the result of a survey of trustees, staff and auditor regarding the performance of the audit firm. This year the survey will be in electronic form. You will receive an email with a link to complete the survey. We hope this will make completion more convenient. If you'd like a hard copy of the survey, please let us know.

Staff will provide Brown Armstrong's responses to the questionnaire as well as the survey results at the October meeting.

San Mateo County Employees' Retirement Association
The Board of Retirement

**Questions for Annual Independent Auditor Evaluation
Fiscal Year 2011-2012**

Organizational Update

- 1) What is the ownership structure of your firm? Identify all owners with 5% ownership or more.
- 2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) public clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.
- 3) Provide a list of services available through your firm, including the number of staff supporting those services.
- 4) What are your firm's philosophy and current policy regarding new business?
- 5) Specify separately the individuals (up to five) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).
- 6) Update all significant personnel changes to the "*SamCERA* Team."
- 7) Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months?
- 8) Has a peer review been performed on any of your firm's audit products? If yes, discuss the review and the findings. Any material findings or recommendations must be accompanied by an explanation.
- 9) Describe the levels of insurance coverage maintained by your firm. E-mail a current certification of insurance to mwong@samcera.org.
- 10) Do you have a written policy on ethics? If so, please e-mail the policy to mwong@samera.org.
- 11) Describe the relative strength and longevity of your staff. Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.
- 12) What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?
- 13) Provide an overview of your firm's business continuity plan.

San Mateo County Employees' Retirement Association
The Board of Retirement

Audit Process

- 14) Provide a description, in detail, of your audit process.
- 15) What changes to the process resulted from going paperless?
- 16) Describe your internal peer review procedures in detail.
- 17) Does your firm engage in peer review with other audit firm? Please provide details.

Outlook

- 18) What issues are other clients concerned with in regards to products, services, education and governance?
- 19) What is your firm's outlook and position regarding the current enacted or proposed changes in accounting standards relative to the pension industry? Please list and discuss each proposal separately.
- 20) Describe your assessment of the relationship between your firm and *SamCERA*. How can *SamCERA* better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?

Conclusion

- 21) Is there any information that would be timely pursuant to *SamCERA*'s contract and this annual review?
- 22) Are your clients making significant changes in their asset mixes or economic and non-economic assumptions? Describe these changes.
- 23) What audit related changes should *SamCERA* consider?
- 24) Relative to your expertise, what trends are occurring in the retirement industry that *SamCERA* should be tracking?

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 7.4

To: Board of Retirement


From: Mabel Wong, Retirement Finance Office

Subject: Report on Status of the Financial Audit for the Period Ended June 30, 2012

STAFF RECOMMENDATION: Staff recommends that the board accept staff's oral report on the interim field work and current status for the June 30, 2012, Financial Statement Audit conducted by *SamCERA's* auditor, Brown Armstrong Accountancy Corporation.

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 on internal controls related to the financial statements and compliance with laws, regulations, and the provisions of contractual agreements.

DISCUSSION: A Brown Armstrong audit team headed by Ms. Brooke DeCuir-Baird & Ms. Ashley Casey conducted interim audit work in *SamCERA's* office the week of June 25th and will return the week of August 27th. The audit is ongoing with the audit team completing the review from Brown Armstrong's offices in Bakersfield and Stockton.

Staff will provide an oral report on the interim work, open items, potential findings and possible discussion items.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

July 24, 2012

Agenda Item 7.5

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Ad Hoc Nominating Committee Report and Election of 2012-2013
Board Officers

Staff Recommendation

Staff recommends that under this agenda item the board chair:

- Ask for a report from the chair of the ad hoc committee, and a motion and a second to place its slate of candidates in nomination,
- Open the floor to additional nominations,
- Conduct a vote for the officer positions.

Background

Pursuant to the Regulations of the Board of Retirement, an election of board officers is to be held at the first meeting of each fiscal year. The board regulations regarding the election of officers are reprinted on the following page.

At the May 22, 2012, meeting, Board Chair Al David appointed the following committee:

Ad Hoc Nominating Committee for Board Officers

Chair, Paul Hackleman,

Lauryn Agnew

Michal Settles

David Spinello

At the July 24, 2012, meeting, the committee chair will report on the recommendations of the committee and place in nomination the names of the trustees the committee recommends for the three board officer positions.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

**EXCERPT FROM THE
REGULATIONS OF THE BOARD OF RETIREMENT**

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.