

The Board of Retirement

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

***SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores**

Tuesday, May 24, 2011, at 1:00 p.m.

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

1. Call to Order, Roll Call and Miscellaneous Business
2. Oral Communications
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda

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

 - Disability Retirements
 - Liz Cervantes
 - Cathleen O'Brien
 - Neal Ferguson
 - 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
6. Investment Services (The Investment Committee will meet on May 24th at 9 a.m.)
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Quarterly Investment Performance Analysis for Period Ended March 31, 2011
 - 6.3 Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement
 - 6.4 Selection of Investment Manager Finalists for *SamCERA's* Commodities Mandate
 - 6.5 Approval of Action Regarding *SamCERA's* International Equity Structure
 - 6.6 Review of *SamCERA's* Private Equity Program and Most Current Investment
 - 6.7 Approval of Board Chair to Execute Alternative Investment Documentation
7. Board & Management Support Services
 - 7.1 Monthly Financial Report
 - 7.2 Approval of Contribution Rates for Newly Adopted Tiers
 - 7.3 Approval of Actuarial Audit Services Provider and Contract for Actuarial Audit Services
 - 7.4 Educational Presentation - Actuarial Audit Process
 - 7.5 Consideration and Adoption of Assumptions for June 30, 2011, Actuarial Valuation
 - 7.6 Acceptance of Report Regarding the Acquisition of Fiduciary Insurance Policy
 - 7.7 Approval of *SamCERA's* Strategic Plan
 - 7.8 Approval of *SamCERA's* Sources, Uses & Budget for Fiscal Year 2011/2012
 - 7.9 Approval to Reschedule the June 28th Board Meeting to June 21st
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 County 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

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

Notice of Public Meeting

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9. Report on Actions Taken in Closed Session

10. Adjournment in memory of the following deceased members:

Llantino, Adriano	April 1, 2011	Aging & Adult Services
Unger, Elsa	April 1, 2011	Superior Court
Ferrando, Richard	April 3, 2011	Superior Court
Brumm, Brian	April 6, 2011	Environmental Health Services
Pizarro, Dorothy	April 6, 2011	General Services
Darrough, Mary	April 16, 2011	District Attorney's Office
Irwin, Winifred	April 16, 2011	Probation Dept.
Leija, Dolores	April 20, 2011	San Mateo Medical Center
Corning, Melba	April 22, 2011	Beneficiary of Corning, Betram
Mendiola, Guadalupe	April 22, 2011	Beneficiary of Mendiola, Lorenzo
Crenshaw, Barbara	April 23, 2011	Probation Dept.
Birchess, Bernice	April 28, 2011	Mental Health
Newton, Mildred	April 30, 2011	San Mateo Medical Center

David Bailey, Chief Executive Officer

Printed: 5/18/11

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

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

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact *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.

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 125,
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.

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

May 24, 2011

Agenda Item 3.0

April 25 and 26, 2011 – Board Agenda

RETREAT DAY ONE

PUBLIC SESSION – The Board will meet in Public Session at 9 a.m. on April 25th

1. Call to Order, Roll Call and Miscellaneous Business
2. Retreat Activities
 - 2.1 Retreat Presentations and Discussions including:
 - Public Pension Investment Trends
 - *SamCERA's* Investment History and Hedge Fund Issues
(Please Note: Agenda item 6.2, Selection of Hedge Fund Implementation Strategy, and agenda item 6.3, Approval of Hedge Fund Provider (if required) may be considered at this point in the agenda, at the discretion of the Board Chair.)
 - Open Discussion
 - Fiduciary Duties
 - *SamCERA* Survey Results
 - Open Discussion
 - 2.2 Recess until 9 a.m., April 26th

RETREAT DAY TWO

PUBLIC SESSION – The Board will resume in Public Session at 9 a.m. on April 26th

1. Call to Order, Roll Call and Miscellaneous Business
2. Retreat Activities & Oral Communications
 - 2.1 Retreat Presentations and Discussions including:
 - Assumed Earnings Rates
 - Plan Changes
 - Open Discussion
 - Inflation vs. Deflation
 - 2.2 Oral Communications From the Board
 - 2.3 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda (Set for 2:30 p.m. April 26 time certain.)*
(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
 - Oscar Campos
 - Service Retirements
 - Continuances
 - Deferred Retirements
 - Member Account Refunds
 - Member Account Rollovers
 - SACRS Recommended Ballot -- 2011-12 Officers
5. Benefit & Actuarial Services
 - 5.1 Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda
6. Investment Services
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Selection of Hedge Fund Implementation Strategy
 - 6.3 Approval of Hedge Fund Provider (if required)
 - 6.4 Approval of Action Regarding *SamCERA's* International Equity Structure
7. Board & Management Support Services
 - 7.1 Monthly Financial Report
 - 7.2 Adoption of Section 31529.9 Regarding Provision of Legal Services

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- 7.3 Approval to Establish and Fill the Position of Chief Legal Counsel
 - 7.4 Approval of SACRS Voting Delegate and Alternates
 - 7.5 Reaffirmation and Approval of Conflict of Interest Policy
 - 7.6 Acceptance of Entrance Letter for the June 30, 2011, Financial Audit
 - 7.7 Quarterly Budget Report for Period Ended March 31, 2011
 - 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 County Counsel's Report
- CLOSED SESSION** – The board will 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

April 25 and 26, 2011 – Board Minutes

1104.1 **Call to Order:**

Retreat Day One: Ms. Kwan Lloyd, Secretary, called the Public Session of the Board of Retirement to order at 9:03 a.m. on April 25, 2011, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

Retreat Day Two: Ms. Arnott, Vice Chair, called the Public Session of the Board of Retirement to order at 9:05 a.m. on April 26, 2011, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

Roll Call:

Retreat Day One: Ms. Agnew, Ms. Arnott (arr. 3:20 p.m.), Mr. Bowler, Mr. Hackleman, Ms. Kwan Lloyd, Mr. Spinello and Mr. Tashman. *Excused:* Mr. David. *Other Board Members in Attendance:* Mr. Murphy. *Staff:* Mr. Bailey, Mr. Hood and Ms. Dames, Mr. Clifton. *Consultants:* Ms. Carlson, Mr. Masarik and Mr. Thomas. *Retirees:* 0, *Public:* 0.

Retreat Day Two: Ms. Agnew, Ms. Arnott, Mr. Bowler (arr. 2:30 p.m.), Mr. Hackleman, Ms. Kwan Lloyd, Mr. Spinello and Mr. Tashman. *Other Board Members in Attendance:* Mr. Murphy. *Staff:* Mr. Bailey, Mr. Hood, Ms. Dames, Mr. Clifton, Ms. Wong, Ms. LeBlanc and Ms. Smith. *Consultants:* Ms. Carlson, Dr. Fracchia, Mr. Brody and Mr. Thomas. *Retirees:* 0, *Public:* 1.

- 1104.2.1 **Retreat Presentations and Discussions:** The retirement board met on Monday, April 25th and Tuesday, April 26th for its 2011 board/staff retreat. The following individuals were present to conduct an educational workshop for trustees. Please note that the regular board meeting agenda was conducted at the conclusion of the board/staff retreat on April 26th.

Retreat Day One: April 25, 2011	
Topic	Speaker
Public Pension Plan Investment Trends	Mark Friebel, Head of Global Investment Strategies, Pyramis
<i>SamCERA's</i> Investment History/Hedge Fund	Patrick Thomas, Vice President, Strategic Investment Solutions

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Implementation Discussion	Gary Clifton, Chief Investment Officer, <i>SamCERA</i>
Fiduciary Duties	Brenda Carlson, Chief Deputy County Counsel, San Mateo County
Inflation v. Deflation	Scott Grannis, former Chief Economist, Western Asset Management
Open Discussion	

Retreat Day Two: April 26, 2011	
Topic	Speaker
Assumed Earnings Rates, Pension Liabilities and GASB Preliminary Views	Nick Collier, Principal, Consulting Actuary, Milliman, Inc.
Plan Changes	Gladys Smith, Retirement Benefits Manager, <i>SamCERA</i>
<i>SamCERA</i> Survey Results	Scott Hood, Assistant Executive Officer, <i>SamCERA</i> David Bailey, Chief Executive Officer, <i>SamCERA</i>
Open Discussion	
Regular Board Meeting Agenda	

1104.2.2 **Oral Communications From the Board:** Ms. Kwan Lloyd reported that she attended the Pension Bridge Annual Conference in San Francisco earlier in the month. Ms. Agnew, Ms. Arnott and Mr. Spinello also attended the conference. The trustees found the sessions very informative and educational. Ms. Agnew recommended that trustees attend the conference in the future.

1104.2.3 **Oral Communications From the Public:** None.

1104.3 **Approval of the Minutes:** Mr. Bailey said that the staff noticed that the October 25, 2010, minutes omitted the election of the current officers of the board as well as the appointment of one Investment Committee member. He submitted the minutes with the addition of those items. Ms. Arnott submitted the following correction to the October meeting minutes: 1010.1.2 ¶2 “Mr. David re-appointed Ms. Kwan Lloyd, Chair; Mr. Spinello, Ms. Arnott and Mr. Tashman to the Audit Committee...” **Motion** by Hackleman, second by Spinello, carried unanimously to approve the minutes from the October 25, 2010, board meeting, as amended.

Motion by Hackleman, second by Spinello, carried unanimously to approve the minutes from the March 29, 2011, board meeting, as submitted.

1104.4 **Approval of the Consent Agenda:** **Motion** by Hackleman, second by Bowler, carried unanimously to approve the day’s consent agenda, as submitted, as follows:

Disability Retirements:

The board finds that Oscar Campos is unable to perform his usual and customary duties as an Equipment Mechanic II and grants his application for a service-connected disability retirement.

Service Retirements:

Member Name	Effective Retirement Date	Department
Franklyn, Bernard	January 8, 2011	Aging & Adult Services

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Kamiya, Stanley	February 8, 2011	Mosquito Abatement
Keenan, Loretta	February 10, 2011	Behavioral Health Services
Reith, Sunia	February 12, 2011	San Mateo Medical Center
Street, Michael	February 16, 2011	Sheriff's Office
Pesso, Kenneth	February 19, 2011	Probation
Talcove, Davida	February 26, 2011	San Mateo Medical Center

Continuance of Benefits:

Member Name	Beneficiary of:
Panero, Anna	Panero, Joseph
Thomas, Lance	Thomas, Billie

Deferred Retirements:

Member Name	Retirement Plan Type
Yamani, David	G4 - Vested

Member Account Refunds:

Member Name	Retirement Plan Type
Cassin, Michael	G4 Non-vested
Gomez, Danielle	G4 Non-vested
Kerr, Valerie	G4 Non-vested
Magat, Maria	G4 Non-vested
Stuart, Elizabeth	G4 Non-vested

Member Account Rollovers:

Member Name	Retirement Plan Type
Bokser, Julie	G4 Non-vested
Hoang, Rosalind	G4 Vested
Morales, Anthony	G4 Non-vested

1103.5 **Benefit & Actuarial Services**

1103.5.1 **Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda:**
 None.

1103.6 **Investment Services**

1103.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* 0.74% Total Fund Return for the month slightly outperformed the Total Plan Policy Benchmark return of 0.65%.

The fund's return for the trailing twelve months and twenty-four months are 14.11% and 23.97% respectively. The twelve-month period is 636 basis points (bps) above the Actuarial Discount Rate of 7.75%. However, for the same period the total fund return is 86 basis points behind *SamCERA's* Total Plan Policy Benchmark of 14.97%. The outperformance is evenly attributed to the equity and fixed income portfolios. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark for some time while its alternative allocation is being fully implemented.

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Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$1,008,158,022	0.91%	18.28%	1.34%
<i>International Equity</i>	<u>447,665,408</u>	0.22%	10.37%	1.85%
Total Equity	1,455,823,430	0.70%	15.79%	1.42%
Private Equity	255,000	-53.69%	N/A	N/A
Risk Parity	140,894,740	0.65%	N/A	N/A
Fixed Income	584,010,470	0.25%	10.01%	5.98%
Real Estate Aggregate	126,673,968	3.62%	19.95%	-0.40%
Cash Equivalents	2,792,200	0.08%	1.06%	1.67%
TOTAL FUND	\$2,310,449,808	0.74%	14.11%	3.02%
<i>Benchmark</i>		0.65%	14.97%	4.43%

* Total Time-Weighted Rate of Return

1104.6.2 **Selection of Hedge Fund Implementation Strategy:** The board thoroughly discussed the pros and cons of implementing *SamCERA*'s hedge fund mandate through a Fund of Hedge Funds (FoHF) or a Hedge Fund Beta product. At the March board meeting, the board discussed Fund of Hedge Funds implementation with representatives from Aetos Capital and the use of a beta product to implement a hedge fund program with representatives from AQR Capital Management, LLC. Staff provided a side-by-side comparison chart of the two hedge fund implementation strategies. Mr. Masarik and Mr. Thomas reviewed the matrix with trustees and answered questions and concerns.

Motion by Hackleman, second by Kwan Lloyd, carried with five ayes and one no (Agnew), to select a hedge fund beta product as *SamCERA*'s hedge fund implementation strategy.

1104.6.3 **Approval of Hedge Fund Provider (if required):** Following the board's selection of a hedge fund beta product as the association's hedge fund implementation strategy under agenda item 6.2, Mr. Clifton recommended that the board direct staff to enter into an agreement with AQR Capital Management for that service. He said that SIS believes the beta product is sufficiently unique and AQR is currently the only provider of that strategy.

In terms of fees, Mr. Tashman requested that staff negotiate the incentive hurdle rate with AQR. Mr. Thomas said that there is typically no incentive hurdle rate for such products but will attempt to negotiate for a higher hurdle. Because of the low probability of successful negotiation, Mr. Hackleman expressed preference to approve the agreement even if negotiations of the hurdle rate are unsuccessful.

Motion by Hackleman, second by Spinello, carried with five ayes and one no (Tashman), to direct staff to negotiate the fee structure regarding the incentive hurdle rate and authorize staff to execute an agreement even if fee negotiations prove unsuccessful.

Pursuant to the board's direction, staff and consultant contacted AQR regarding the fee arrangement. Mr. Clifton then reported that AQR agreed to a higher hurdle rate but with an increased incentive fee. Mr. Thomas calculated that the proposed fee schedule benefits *SamCERA* relative to the original fee structure.

1104.6.4 **Approval of Action Regarding *SamCERA*'s International Equity Structure:** Mr. Thomas

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and Mr. Brody discussed *SamCERA*'s international equity structure and recent performance of the managers under that strategy. Artio Global Investors and Mondrian Investment Partners were both recently visited by SIS and trustees received due-diligence reports from both site visits.

SIS discussed Artio's underperformance with the board. Mr. Brody and Mr. Thomas also addressed trustees' questions and concerns regarding the portfolio. Following extensive discussion, Mr. Thomas and Mr. Brody recommended that the board conduct an international growth manager search for a possible replacement.

Regarding *SamCERA*'s international value equity manager, SIS said that the reasons for Mondrian's underperformance were primarily due to its defensive, value positioning. Mr. Thomas and Mr. Brody indicated that they still maintained trust in Mondrian's implementation of the strategy and that Mondrian's defensive characteristics position the portfolio to perform well in a weaker market, adding to *SamCERA*'s diversification.

Following discussion regarding *SamCERA*'s international equity managers, **motion** by Spinello, second by Agnew, carried unanimously to commence an international growth manager search and to reconsider Artio at the finals.

1104.7 **Board & Management Support Services**

1104.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA*'s Net Assets Held in Trust for Pension Benefits as of March 31, 2011, totaled \$2,303,596,550. Net assets increased slightly by approximately \$7.2 million, month over month. The increase is primarily due to market appreciation of assets.

1104.7.2 **Adoption of Section 31529.9 Regarding Provision of Legal Services:** Mr. Bailey said that the Board of Retirement may adopt Section 31529.9 of the 1937 Act which would grant the board authority to add staff or private sector sources of legal services. The 1937 Act originally designated county counsel as the sole source of legal services for retirement systems operating under the act. However, the code was amended to allow all 1937 Act retirement boards to adopt Section 31529.9 of the act, making it effective for their selection of legal services sources.

Motion by Spinello, second Tashman, carried unanimously to adopt **Resolution 10-11-19**, making Government Code Section 31529.9 effective in San Mateo County, as follows:

“WHEREAS, Government Code section 31529 provides that the County Counsel is the attorney for the board; and

“WHEREAS, Government Code §31529.9 provides that notwithstanding Government Code section 31529, this board may contract with attorneys in private practice or employ staff attorneys for legal services; and

“WHEREAS, this board has determined that the level of legal services required and the complexity of legal issues to be resolved are increasing for *SamCERA*; and

“WHEREAS, this board has determined that it would improve the governance structure for

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SamCERA to have its own independent counsel; therefore, be it

“**RESOLVED** that the board hereby adopts this resolution making Government Code section 31529.9 effective in San Mateo County.”

- 1104.7.3 **Approval to Establish and Fill the Position of Chief Legal Counsel:** Subsequent to the board’s adoption of Government Code Section 31529.9 under agenda item 7.2, Mr. Bailey said that the board can then request that the county amend its salary ordinance to include a *SamCERA* Chief Legal Counsel position and direct the CEO to fill that position. He said that because of the increasing level of legal complexity for *SamCERA*, staff believes the time has come for *SamCERA* to employ independent legal counsel. Mr. Bailey then discussed workload, governance, costs and other considerations regarding the position. He said that staff recommends that, if the Retirement Chief Legal Counsel position is established, the CEO should be authorized to directly appoint Brenda Carlson to fill that position. Ms. Carlson has consistently demonstrated her strong commitment to the interests of *SamCERA* and its members and staff does not believe there can be a better candidate for the position. Ms. Arnott agreed with Mr. Bailey and said that it would be a great opportunity for *SamCERA* to hire Ms. Carlson as in-house counsel.

Motion by Hackleman, second by Kwan Lloyd, carried unanimously to authorize staff to work with the county Human Resources Department to establish the position of Retirement Chief Legal Counsel, such position to be established at the same pay and benefits levels as that of Chief Deputy County Counsel in the San Mateo County salary ordinance, and that the Chief Executive Officer be authorized to directly appoint Brenda Carlson to the position.

- 1104.7.4 **Approval of SACRS Voting Delegate and Alternates:** Mr. Bailey reviewed the list of trustees and staff registered to attend the SACRS Spring 2011 Conference and made a recommendation regarding voting delegates and alternates.

Motion by Spinello, second by Kwan Lloyd, carried unanimously to authorize Mr. David as Voting Delegate, Ms. Arnott, as the First Delegate Alternate and Mr. Bailey as the Second Delegate Alternate, to cast *SamCERA*’s votes at the Spring 2011 SACRS Conference.

- 1104.7.5 **Reaffirmation and Approval of Conflict of Interest Policy:** This agenda item was deferred to a future board meeting.

- 1104.7.6 **Acceptance of Entrance Letter for the June 30, 2011, Financial Audit:** Mr. Clifton presented the auditor’s engagement letter from *SamCERA*’s auditor, Brown Armstrong, for the June 30, 2011, financial audit. The audit will examine, on a test basis, evidence supporting the amounts and disclosures in *SamCERA*’s financial statements. A Brown Armstrong audit team headed by Ms. Brooke DeCuir-Baird, Audit Manager, will be in *SamCERA*’s office to conduct interim work prior to the closing of *SamCERA*’s books. The gross base audit fee, including expenses, is not to exceed \$45,500. **Motion** by Spinello, second by Tashman, carried unanimously to approve Brown Armstrong’s entrance letter for the June 30, 2011, financial audit.

- 1104.7.7 **Quarterly Budget Report for Period Ended March 31, 2011:** Mr. Clifton reviewed the preliminary Third Quarter Budget Reports. He said that with 75% of the fiscal year completed, administrative expenditures to date represent only 50.1% of the appropriations. The Salaries & Benefits, Services & Supplies and Capital Assets are all under budget.

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SamCERA's Administrative Budget

	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$2,640,000	\$1,591,239
Services & Supplies	\$2,343,000	\$ 905,026
Capital Assets	<u>\$ 000</u>	<u>\$ 000</u>
Total	\$4,983,000	\$2,496,265

The Asset Management Budget encompasses *SamCERA's* in-house expenditures, which are incurred when managing the association's assets. It currently includes percentages of the salary and benefits and overhead costs of specific employees in relation to their job responsibilities supporting investment functions. The Asset Management Budget is as follows:

SamCERA's Asset Management Budget

	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$ 550,000	\$ 336,174
Services & Supplies	\$ 430,700	\$ 134,153
Capital Assets	<u>\$ 000</u>	<u>\$ 000</u>
Total	\$ 980,700	\$ 470,327

All professional expenditures are on target in accordance with the budget appropriations. As of March 31, 2011, the aggregate professional services fee was approximately 32.2 basis points, which is lower than the 39.7 basis points reported in September. The decrease is attributed to an increase in assets under management per manager. Contracts are written such as to reduce fees as assets under management grow.

1104.8 **Management Reports**

1104.8.1 **Chief Executive Officer's Report:** Mr. Bailey said that Colin Bishop, Retirement Communications Specialist, will start employment with *SamCERA* on May 9th and is looking forward to having him on board.

1104.8.2 **Assistant Executive Officer's Report:** Mr. Hood reiterated Mr. Bailey's report regarding Mr. Bishop. He added that Mr. Bishop is currently performing similar tasks and duties that the *SamCERA* position requires of him.

1104.8.3 **Chief Investment Officer's Report:** Mr. Clifton said that Michael Bowman of INVESCO has left employment with the firm. He also said that Mark Roberts of INVESCO Realty has moved on to RREEF. Mr. Roberts had been on the advisory committee of the INVESCO Core fund since its inception. As a founding investor of the fund, *SamCERA* is also a member of the advisory committee. Mr. Clifton then discussed topics discussed at the most recent INVESCO Core fund advisory committee meetings.

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Mr. Clifton said that Jennison Associates reported that it has introduced Global Equity capabilities. It also reported management structure changes effective January 2012. Mr. Clifton then said that DE Shaw has noted a couple staff changes. Those changes will have no impact on *SamCERA's* portfolio.

Mr. Clifton then discussed the various capital calls from two of *SamCERA's* private equity managers, Sheridan Production Partners and ABRY Advanced Securities Fund II, and *SamCERA's* PPIP manager, Angelo Gordon.

Lastly, Mr. Clifton said that the Audit Committee is scheduled to meet on May 4th to review the responses to *SamCERA's* actuarial audit RFP.

1104.8.4 **County Counsel's Report:** None.

1104.9 **Report on Actions Taken in Closed Session:** No closed session was held.

1104.10 **Adjournment in Memory of Deceased Members:** There being no further business, Ms. Arnott adjourned the meeting at 3:04 p.m., April 26, 2011, in memory of the following deceased members:

Plessner, Emma	March 2, 2011	Library
Gomes, Eltha	March 3, 2011	Superior Court
Scott, Anna	March 3, 2011	Library
Kinsey, Florence	March 5, 2011	Planning Department
Machado, Lawrence	March 5, 2011	General Services
Sevey, Arthur	March 7, 2011	Social Services
Scofield, Russell	March 13, 2011	Elections
Raynes, Katherine	March 14, 2011	Library
Lamb, Richard	March 20, 2011	Probation
Van Aken, Eileen	March 22, 2011	Chope Hospital
Glascok, Iris	March 23, 2011	General Services
Roa, Elizabeth	March 26, 2011	General Services
Roth, Barbara	March 26, 2011	Library

NATALIE KWAN LLOYD, SECRETARY
SANDIE ARNOTT, VICE CHAIR

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 4.0 (a)

To: Board of Retirement
From: Gladys Smith, Retirement Benefits Manager
Subject: Approval of Consent Agenda

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

Disability Retirements

1. Board finds that **Neal Ferguson** is (1) disabled from performing his usual and customary duties as a Forensic Specialist II, (2) deny his application for a service-connected disability retirement and (3) grant him a non-service connected disability retirement.
2. Board finds that **Liz Cervantes** is (1) not disabled from performing her usual and customary duties as a Legal Secretary II and (2) deny her application for a service-connected disability retirement.
3. Staff recommends that the Board (1) approves and adopts the proposed findings and the recommendation of the Hearing Officer, George Carmerlengo, (2) finds **Cathleen O'Brien** disabled from performing her usual and customary duties as a Deputy Public Administrator, (3) finds that her disability is service-connected and (4) grants her application for a service-connected disability retirement.

Service Retirements

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

Member Name	Effective Retirement Date	Department
Choy, Eugene	March 3, 2011	TNV from Health Services
Werner, Hans	March 3, 2011	Deferred from Human Services Agency
Patla, Robert	March 12, 2011	Behavioral Health
Kerrigan, Kelly	March 14, 2011	QDRO of John Beall
Stone, Louisa	March 15, 2011	Deferred from Behavioral Health
Botha-Harvey, Gillian	March 17, 2011	Deferred from San Mateo Medical Center
Dragonryder, Mary Lou	March 19, 2011	Superior Court
Gomes, John	March 19, 2011	Public Works

Gray, Irene	March 19, 2011	Superior Court
Murphy, Michael	March 20, 2011	County Counsel
Sugano, Brian	March 21, 2011	Deferred from Information Services
Paulin, Thomas	March 26, 2011	District Attorney
Spangler, Linda	March 26, 2011	San Mateo Medical Center
Calderhead, Charles	March 29, 2011	Sheriff's Office
McGlynn, Debora	March 29, 2011	Public Safety Commission
Belmont, Robert	March 30, 2011	Sheriff's Office
Burkhart, Timothy	March 31, 2011	Parks Department
Burkhart, Vilma	March 31, 2011	Superior Court
Charbakshi, Stella	March 31, 2011	Information Services
Colombet, Janet	March 31, 2011	Sheriff's Office
Dupre, Steve	March 31, 2011	Information Services
Gallant, Sharon	March 31, 2011	Superior Court
Li, Maria	March 31, 2011	Public Health
Loo, Rebecca	March 31, 2011	Superior Court
Luisotti, Kathleen	March 31, 2011	Information Services
MacDonald, Joanne	March 31, 2011	Public Health
Webb, Mary	March 31, 2011	San Mateo Medical Center
Bean, Roderick	April 1, 2011	Behavioral Health
Brown, Catherine	April 1, 2011	Behavioral Health
Butts, Georganna	April 1, 2011	Assessor
Cruz, Mel	April 1, 2011	Retirement
Estrada, Luz	April 1, 2011	San Mateo Medical Center
Good, Richard	April 1, 2011	District Attorney
Guidotti, Michael	April 1, 2011	Sheriff's Office
Lawson, Paula	April 1, 2011	San Mateo Medical Center
Lilles, Leonardo	April 1, 2011	Treasurer
Martin, Virginia	April 1, 2011	San Mateo Medical Center
Mills, Virginia	April 1, 2011	San Mateo Medical Center
Ratcliffe, James	April 1, 2011	Sheriff's Office
Swanson, Ruth	April 1, 2011	Human Services Agency
Tremaine, Laurel	April 1, 2011	Aging & Adult Services
Ventura, Shirley	April 1, 2011	Public Health

Weaver-Fritz, Lynn	April 1, 2011	Deferred from Parks Dept.
Wise, John	April 1, 2011	Public Works

Continuances

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

Member Name	Beneficiary of:
Brumm, Judith	Brumm, Brian
Ferrando, Orlene	Ferrando, Richard
Gagliani, Clarence	Gagliani, Josephine
Gomes, Donald	Gomes, Eltha
Lamb, Marguerite	Lamb, Richard
Llantino, Jovita	Llantino, Adriano
Lombardo, Joseph	Lombardo, Grace
Unger, William	Unger, Elsa

Deferred Retirements

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

Member Name	Retirement Plan Type
Orbeta, Jorge	G4-vested
Slone, Fred	G4-vested
Lopez, Visnja	G4 Non-vested Reciprocity
Wiggins, Vanessa	G4 Non-vested Reciprocity

Member Account Refunds

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

Member Name	Retirement Plan Type
Garcia, Kristoffer	G4 Non-vested
Sandoval, Lilia	G2 Non-vested

Member Account Rollovers

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

Member Name	Retirement Plan Type
Carlsen, Erika	Ben of Reeves, Claire
Joaquin, John	G4 Non-vested
Robles, Erwin	G2 Non-vested
Stevens, Gary	G4 Non-vested
Talkoff, Karla	G2 Vested

Notice of Public Meeting



Investment Committee

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

100 Marine Parkway, Suite 125, Redwood Shores

Tuesday, May 24, 2011, at 9:00 a.m.

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Approval of the Minutes
- 4.0 Oral Communications From the Committee
- 5.0 Oral Communications From the Public
- 6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Quarterly Investment Performance Analysis for Period Ended March 31, 2011
 - 6.3 Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement
 - 6.4 Selection of Investment Manager Finalists for *SamCERA*'s Commodities Mandate
 - 6.5 Approval of Action Regarding *SamCERA*'s International Equity Structure
 - 6.6 Review of *SamCERA*'s Private Equity Program and Most Current Investment
 - 6.7 Approval of Board Chair to Execute Alternative Investment Documentation
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

A handwritten signature in blue ink that reads "Gary Clifton".

Gary Clifton, Chief Investment Officer

Printed: 5/18/11

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

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

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

THE COMMITTEE MEETS IN 100 MARINE PARKWAY, SUITE 125,
WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.
Detailed directions are available on the “Contact Us” page of the website www.samcera.org
Free Parking is available in all lots in the vicinity of the building.

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

How to Find Us:

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

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

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

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

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

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

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

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

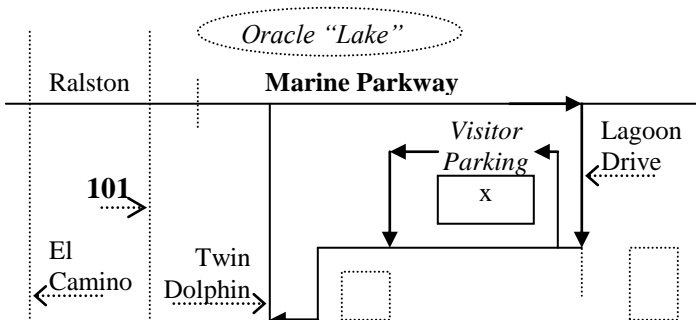
SamCERA’s Telephone Number: (650) 599-1234

From a County Extension: Dial 1234

From Outside the 650 Area Code: (800) 339-0761

Web Site: www.samcera.org

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



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 6.1

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

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

COMMENT: *SamCERA's* 2.72% Total Fund Return for the month slightly underperformed the Total Plan Policy Benchmark return of 2.85%.

The fund's return for the trailing twelve months and twenty-four months are 16.00% and 21.68% respectively. The twelve-month period is 825 basis points (bps) above the Actuarial Discount Rate of 7.75%. However, for the same period the total fund return is 72 basis points behind *SamCERA's* Total Plan Policy Benchmark of 16.72%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented. In addition, the above numbers do not reflect the performance of all portfolios in April. As of this writing, performance for Angelo Gordon's PPIP, AQR's risk parity, and Invesco's core real estate portfolios have not been reported.

Equities gained ground in April even as the U.S. dollar posted its longest losing streak versus the euro in almost two years and gold soared to more than \$1,500 an ounce. Yet as I write this in mid-May, a quick reversal has impacted many markets from equities to commodities to currencies and interest rates.

The Federal Reserve's trade-weighted dollar index, which measures the dollar against seven major currencies, stood at a record low after the Fed's announcement that it will leave its accommodative monetary policy in place.

An ominous warning from Standard & Poor's about the creditworthiness of U.S. Treasuries rattled the financial markets briefly during the month. The ratings agency affirmed its top AAA rating on Treasury securities but lowered its long-term outlook to "negative" from "stable" for the first time ever. The revised outlook raises the possibility of a credit downgrade within the next two years, a move that could increase borrowing costs and exacerbate the government's fiscal problems if U.S. policymakers fail to reach an agreement on an effective strategy to tackle mounting deficits.

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

Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	3.01%	6.88%	17.16%	18.10%
D.E. Shaw Investment Management, LLC	3.16%	6.26%	16.45%	14.68%
T. Rowe Price Associates	3.02%	6.41%	16.69%	16.17%
Barrow, Hanley, Mewhinney & Strauss	3.36%	7.59%	19.96%	18.41%
BlackRock Capital Management, Inc.	2.67%	5.76%	15.11%	22.35%
Large Cap Aggregate	3.04%	6.64%	17.13%	17.51%
The Boston Company	1.12%	9.00%	20.28%	12.71%
Chartwell Investment Partners	2.98%	15.54%	29.09%	35.62%
Jennison Associates	2.73%	11.61%	25.70%	29.14%
Small Cap Aggregate	2.44%	12.02%	25.33%	26.72%
Artio Global Investors	4.68%	7.70%	10.79%	16.85%
Mondrian Investment Partners	5.85%	7.28%	10.26%	18.32%
International Aggregate	5.26%	7.49%	10.52%	17.59%
Total Equity	3.62%	7.74%	16.26%	18.89%
Aberdeen Asset Management	1.48%	2.35%	1.81%	7.89%
Angelo Gordon	0.00%	0.72%	13.41%	31.58%
Brigade Capital Management	1.12%	3.14%	6.38%	N/A
Brown Brothers Harriman	2.28%	4.14%	0.84%	N/A
Franklin Templeton	3.36%	9.42%	N/A	N/A
Pyramis Global Advisors	1.53%	2.23%	1.36%	7.25%
Western Asset Management	1.45%	2.12%	2.10%	8.31%
Total Fixed Income	1.75%	3.51%	3.31%	10.00%
Private Equity ⁽¹⁾	0.00%	-53.69%	-53.69%	N/A
AQR's Risk Parity	0.00%	N/A	N/A	N/A
Hedge Funds	N/A	N/A	N/A	N/A
Commodities	N/A	N/A	N/A	N/A
Total Alternative Investments	0.00%	-53.69%	-53.69%	N/A
Invesco Realty Advisors	0.00%	3.83%	8.62%	20.84%
Cash	0.08%	0.18%	0.41%	1.07%
Total Portfolio	2.72%	6.06%	11.66%	16.00%

(1) As of April month end, SamCERA has committed to three private equity investments and is negotiating a fourth.

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 2011



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	194,909,636	3.01	6.88	17.16	35.79	18.10	28.73	2.39	0.60	3.37	3.38	8.68	04/01/1995
DE SHAW INVESTMENT MGT, LLC	114,376,732	3.16	6.26	16.45	33.22	14.68						22.85	08/01/2009
<i>RUSSELL 1000</i>		3.01	6.87	17.12	35.74	18.02	28.64	2.30	0.53	3.30	3.34		
T. ROWE PRICE ASSOCIATES	113,386,965	3.02	6.41	16.69	34.12	16.17						22.04	08/01/2009
<i>S&P 500</i>		2.96	6.53	16.36	34.43	17.22						22.71	
BARROW HANLEY	176,570,445	3.36	7.59	19.96	37.05	18.41						24.43	08/01/2009
<i>RUSSELL 1000 VALUE</i>		2.66	6.87	17.29	33.05	15.24						23.09	
BLACKROCK	178,886,408	2.67	5.76	15.11	39.78	22.35						25.51	08/01/2009
<i>RUSSELL 1000 GROWTH</i>		3.35	6.86	16.96	38.48	20.87						24.61	
LARGE CAP AGGREGATE	778,130,185	3.04	6.64	17.13	36.28	17.51	28.01	2.05	-0.66	2.12	3.04	8.48	04/01/1995
<i>RUSSELL 1000</i>		3.01	6.87	17.12	35.74	18.02	28.64	2.30	0.53	3.30	3.34	8.66	
BOSTON COMPANY ASSET MGT, LLC	52,638,880	1.12	9.00	20.28	33.27	12.71						26.30	08/01/2009
<i>RUSSELL 2000 VALUE</i>		1.62	8.27	20.31	37.12	14.57						27.89	
CHARTWELL INVESTMENT MGMT	63,270,085	2.98	15.54	29.09	56.64	35.62	42.16	7.00	5.20	4.62		8.14	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		3.60	13.81	27.07	49.55	30.29	37.54	9.62	5.29	5.14		7.40	
JENNISON ASSOCIATES	127,701,172	2.73	11.61	25.70	47.33	29.14	40.22	10.16				11.76	04/01/2008
SMALL CAP AGGREGATE	243,610,138	2.44	12.02	25.33	46.26	26.72	39.92	5.75	-0.11	0.83	5.64	5.87	07/01/1999
<i>RUSSELL 2000</i>		2.64	11.08	23.73	43.34	22.20	34.91	8.02	2.93	3.89	7.34	6.90	
DOMESTIC EQUITY AGGREGATE	1,021,740,323	2.89	7.82	18.89	38.41	19.47	30.37	2.88	-0.46	1.95	3.62	7.72	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMA</i>		2.92	7.83	18.49	37.33	18.94	29.97	3.51	1.07	3.48	4.21		

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 2011



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	235,083,338	4.68	7.70	10.79	31.19	16.85	24.56	-5.48	-4.10	0.79		6.85	12/01/2004
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		5.25	8.27	12.85	36.51	21.83	31.15	-0.91	1.10	4.24		8.87	
MONDRIAN INVESTMENT PARTNERS	236,119,607	5.85	7.28	10.26	32.40	18.32	25.69	-1.31	-1.07	3.51		8.01	12/01/2004
<i>MSCI ACWI EX US VALUE (GROSS)</i>		4.67	6.82	12.40	35.24	18.55	29.15	-0.66	-0.30	3.74		8.67	
TOTAL INTERNATIONAL EQUITY	471,202,944	5.26	7.49	10.52	31.79	17.59	25.13	-3.38	-2.57	2.16	5.38	6.75	10/01/1996
<i>MSCI AC WORLD ex US (GROSS)</i>		4.96	7.54	12.65	35.91	20.22	30.18	-0.76	0.43	4.01	7.66	6.66	
TOTAL EQUITY AGGREGATE	1,492,943,267	3.62	7.74	16.26	36.36	18.89	28.90	0.97	-1.02	1.98	4.02	7.65	04/01/1995
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		3.62	7.74	16.60	36.86	19.36	30.11	2.24	0.97	3.64	5.04		
PRIVATE EQUITY													
SHERIDAN PRODUCTION PARTNERS	1,555,000	0.00	-53.69	-53.69								-53.69	11/01/2010
TOTAL PRIVATE EQUITY	1,555,000	0.00	-53.69	-53.69								-53.69	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		3.22	7.98	19.36									
RISK PARITY													
AQR GLOBAL RISK PREM III LP	140,894,740	0.00										0.65	03/01/2011
TOTAL RISK PARITY	140,894,740	0.00										0.65	03/01/2011
<i>RISK PARITY BENCHMARK</i>		2.29	4.94	10.36									

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 2011



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 FIXED INCOME													
ABERDEEN ASSET MANAGEMENT	121,688,806	1.48	2.35	1.81	6.02	7.89	14.23	5.00	4.09	4.86	5.40	6.02	06/01/2000
WESTERN ASSET MGMT	115,493,642	1.45	2.12	2.10	7.12	8.31	14.86	7.80	6.23	6.61		5.73	11/01/2004
PYRAMIS GLOBAL ADVISORS	112,151,864	1.53	2.23	1.36	5.17	7.25	12.19	8.03	6.53	6.74		6.29	02/01/2006
ANGELO GORDON GECC PPI FUND	38,088,842	0.00	0.72	13.41	31.58	25.00						34.15	12/01/2009
<i>BC AGGREGATE</i>		1.27	1.58	0.02	2.86	5.36	6.82	5.81	6.08	6.33	5.74		
BROWN BROTHERS HARRIMAN & CO	47,877,297	2.28	4.14	0.84								5.90	08/01/2010
<i>BARCLAYS US TIPS INDEX</i>		2.57	4.53	1.26								6.45	
BRIGADE CAPITAL MANAGEMENT	49,958,730	1.12	3.14	6.38								11.02	08/01/2010
<i>BC BA INTERMEDIATE HIGH YIELD INDEX</i>		1.27	2.77	4.08								9.71	
INTERNATIONAL FIXED INCOME													
FRANKLIN TEMPLETON INVESTMENTS	106,852,299	3.36	9.42									6.89	01/01/2011
<i>BC MULTIVERSE</i>		3.07	4.21									4.47	
TOTAL FIXED INCOME													
TOTAL FIXED INCOME AGGREGATE	592,111,480	1.75	3.51	3.31	8.57	10.00	15.15	7.83	6.28	6.60	6.14	6.17	01/01/1996
<i>SAMCERA TOTAL FIXED INCOME BENCH</i>		1.91	2.71	0.78	4.19	6.72	7.50	6.27	6.42	6.60	5.88	5.86	
REAL ESTATE													
INVESCO REAL ESTATE	126,673,968	0.00	3.83	8.62	16.71	20.84	-4.54	-8.20	-3.80	0.15		4.68	10/01/2004
TOTAL REAL ESTATE AGGREGATE	126,673,968	0.00	3.83	8.62	16.71	20.84	-4.54	-8.20	-3.80	0.15	6.42	7.11	01/01/1997
<i>REAL ESTATE BENCHMARK</i>		0.00	4.01	9.07	15.10	19.95	-2.16	-8.30	-3.25	0.43	5.90	7.13	

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending April 30, 2011



STATE STREET

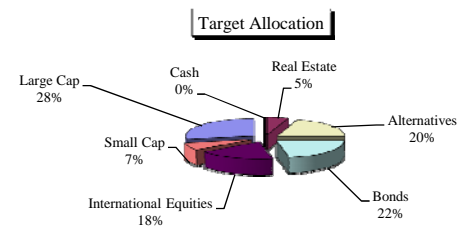
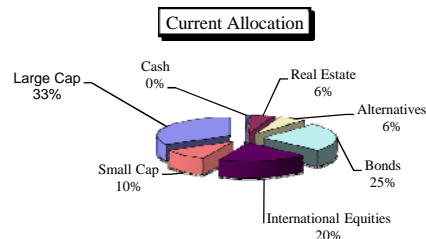
	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
CASH EQUIVALENTS													
SAMCERA GENERAL ACCOUNT	5,042,390	0.03	0.06	0.11	0.19	0.22	0.25	0.72	1.70	2.44	2.34	2.88	07/01/1999
SAMCERA TREASURY & LAIF	3,288,930	0.08	0.24	0.49	0.94	1.14	1.16	-0.43	0.75	1.32	2.31	3.50	07/01/1994
TOTAL CASH AGGREGATE	8,331,320	0.08	0.18	0.41	0.87	1.07	1.08	-0.15	0.89	1.62	2.26	2.77	07/01/1999
<i>91 DAY T-BILL</i>		<i>0.02</i>	<i>0.06</i>	<i>0.09</i>	<i>0.15</i>	<i>0.17</i>	<i>0.16</i>	<i>0.49</i>	<i>1.42</i>	<i>2.16</i>	<i>2.19</i>	<i>2.75</i>	
TOTAL FUND													
TOTAL FUND	2,362,509,775	2.72	6.06	11.66	25.81	16.00	21.68	2.52	1.05	3.33	5.16		10/01/1993
<i>SAMCERA TOTAL PLAN POLICY BENCHM</i>		<i>2.85</i>	<i>6.07</i>	<i>12.05</i>	<i>26.58</i>	<i>16.72</i>	<i>22.14</i>	<i>3.46</i>	<i>2.82</i>	<i>4.77</i>	<i>5.72</i>	<i>7.43</i>	
<i>ACTUARIAL DISCOUNT RATE</i>		<i>0.62</i>	<i>1.88</i>	<i>3.80</i>	<i>6.42</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.76</i>	<i>7.93</i>		

San Mateo County Employees' Retirement Association
 Monthly Performance Review
 Period Ending April 30, 2011

Actual versus Target Allocation

Portfolio	Market Value	Allocation		Percentage Off Target	Rebalance Range
		Current	Target *		
BlackRock Russell 1000	\$194,909,636	8.25%	6.50%	1.75%	±3%
D.E. Shaw Investment Management, LLC	\$114,376,732	4.84%	4.25%	0.59%	±3%
T. Rowe Price Associates	\$113,386,965	4.80%	4.25%	0.55%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$176,570,445	7.47%	6.50%	0.97%	±3%
BlackRock Capital Management, Inc.	\$178,886,408	7.57%	6.50%	1.07%	±3%
Large Cap Aggregate	\$778,130,185	32.94%	28.00%	4.94%	
The Boston Company	\$52,638,880	2.23%	1.75%	0.48%	±3%
Chartwell Investment Partners	\$63,270,085	2.68%	1.75%	0.93%	±3%
Jennison Associates	\$127,701,172	5.41%	3.50%	1.91%	±3%
Small Cap Aggregate	\$243,610,138	10.31%	7.00%	3.31%	
Artio Global Investors	\$235,083,338	9.95%	9.00%	0.95%	±3%
Mondrian Investment Partners	\$236,119,607	9.99%	9.00%	0.99%	±3%
International Aggregate	\$471,202,944	19.95%	18.00%	1.95%	±3%
Total Equity	\$1,492,943,267	63.19%	53.00%	10.19%	
Aberdeen Asset Management	\$121,688,806	5.15%	3.75%	1.40%	±2%
Angelo Gordon	\$38,088,842	1.61%	1.63%	-0.01%	±2%
Brigade Capital Management	\$49,958,730	2.11%	1.63%	0.49%	±2%
Brown Brothers Harriman	\$47,877,297	2.03%	3.00%	-0.97%	±2%
Franklin Templeton	\$106,852,299	4.52%	4.50%	0.02%	±2%
Pyramis Global Advisors	\$112,151,864	4.75%	3.75%	1.00%	±2%
Western Asset Management Company	\$115,493,642	4.89%	3.75%	1.14%	±2%
Total Fixed Income	\$592,111,480	25.06%	22.00%	3.06%	
Private Equity	\$1,555,000	0.07%	8.00%	-7.93%	N/A
Risk Parity	\$140,894,740	5.96%	6.00%	-0.04%	N/A
Hedge Funds	\$0	0.00%	3.00%	-3.00%	N/A
Comodities	\$0	0.00%	3.00%	-3.00%	N/A
Alternative Investments	\$142,449,740	6.03%	20.00%	-13.97%	
INVESCO Realty Advisors	\$126,673,968	5.36%	5.00%	0.36%	±2%
Cash	\$8,331,320	0.35%	0.00%	0.35%	
Total	\$2,362,509,775	100.00%	100.00%		

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



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Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	\$194,909,636	\$204,356,600	-4.6%	\$144,187,343	35.2%
AXA Rosenberg Investment Management, LLC	\$0	\$0	0.0%	\$97,820,624	-100.0%
D.E. Shaw Investment Management, LLC	\$114,376,732	\$110,874,516	3.2%	\$99,732,946	14.7%
T. Rowe Price Associates	\$113,386,965	\$110,065,166	3.0%	\$97,606,837	16.2%
Barrow, Hanley, Mewhinney & Strauss	\$176,570,445	\$170,829,084	3.4%	\$149,113,072	18.4%
BlackRock Capital Management, Inc.	\$178,886,408	\$174,226,422	2.7%	\$146,206,140	22.4%
Large Cap Aggregate	\$778,130,185	\$770,351,788	1.0%	\$734,666,962	5.9%
The Boston Company	\$52,638,880	\$52,057,956	1.1%	\$46,704,483	12.7%
Chartwell Investment Partners	\$63,270,085	\$61,441,791	3.0%	\$46,653,345	35.6%
Jennison Associates	\$127,701,172	\$124,306,487	2.7%	\$98,888,681	29.1%
Small Cap Aggregate	\$243,610,138	\$237,806,234	2.4%	\$192,246,509	26.7%
Artio Global Investors	\$235,083,338	\$224,593,167	4.7%	\$201,200,664	16.8%
Mondrian Investment Partners	\$236,119,607	\$223,072,241	5.8%	\$199,553,275	18.3%
International Aggregate	\$471,202,944	\$447,665,408	5.3%	\$400,753,939	17.6%
Total Equity	\$1,492,943,267	\$1,455,823,430	2.5%	\$1,327,667,410	12.4%
Aberdeen Asset Management	\$121,688,806	\$119,910,965	1.5%	\$163,943,255	-25.8%
Angelo Gordon	\$38,088,842	\$41,141,453	-7.4%	\$20,729,334	N/A
Brigade Capital Management	\$0	\$49,406,670	N/A	\$0	N/A
Brown Brothers Harriman	\$47,877,297	\$46,809,411	N/A	\$0	N/A
Franklin Templeton	\$106,852,299	\$103,382,627	N/A	\$0	N/A
Pyramis Global Advisors	\$112,151,864	\$110,460,660	1.5%	\$161,951,128	-30.7%
Western Asset Management Company	\$115,493,642	\$113,844,260	1.4%	\$168,512,938	-31.5%
Total Fixed Income	\$592,111,480	\$584,956,047	1.2%	\$515,136,655	14.9%
Private Equity	\$1,555,000	\$255,000	509.8%	\$0	N/A
Risk Parity	\$140,894,740	\$140,000,000	0.6%	\$0	N/A
Hedge Funds	\$0	\$0	N/A	\$0	N/A
Comodities	\$0	\$0	N/A	\$0	N/A
Alternative Investments	\$142,449,740	\$140,255,000	N/A	\$0	N/A
INVESCO Realty Advisors	\$126,673,968	\$122,302,877	3.6%	\$105,602,228	N/A
Cash	\$8,331,320	\$2,794,361	198.1%	\$30,530,622	-72.7%
Total	\$2,362,509,775	\$2,306,131,715	2.4%	\$1,978,936,915	19.4%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	63.2%	63.1%	0.1%	67.1%	-3.9%
Total Fixed Income	25.1%	25.4%	-0.3%	26.0%	-1.0%
Alternative Investments	6.0%	6.1%	-0.1%	0.0%	6.0%
Real Estate	5.4%	5.3%	0.1%	5.3%	0.0%
Cash	0.4%	0.1%	0.2%	1.5%	-1.2%
Total	100.0%	100.0%		100.0%	

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Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1)	Two Years	Three Years	Five Years	Ten Years
						Ten Months				
Equity Aggregate	\$1,492,943,267	3.62%	7.74%	16.26%	18.89%	36.36%	28.90%	0.97%	1.98%	4.02%
Equity Composite Benchmark		3.62%	7.74%	16.60%	19.36%	36.86%	30.11%	2.24%	3.64%	5.04%
Variance		0.00%	0.00%	-0.34%	-0.47%	-0.50%	-1.21%	-1.27%	-1.66%	-1.02%
Private Equity Aggregate	\$1,555,000	0.00%	-53.69%	-53.69%	N/A	N/A	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		3.22%	7.98%	19.36%	N/A	N/A	N/A	N/A	N/A	N/A
Variance		-3.22%	-61.67%	-73.05%	N/A	N/A	N/A	N/A	N/A	N/A
Fixed Income Aggregate	\$592,111,480	1.75%	3.51%	3.31%	10.00%	8.57%	15.15%	7.83%	6.60%	6.14%
Fixed Income Composite Benchmark		1.91%	2.71%	0.78%	6.72%	4.19%	7.50%	6.27%	6.60%	5.86%
Variance		-0.16%	0.80%	2.53%	3.28%	4.38%	7.65%	1.56%	0.00%	0.28%
Real Estate Aggregate (2)	\$126,673,968	0.00%	3.83%	8.62%	20.84%	16.71%	-4.54%	-8.20%	0.15%	6.42%
NCREIF NFI ODCE EW (Gross)		0.00%	4.01%	9.07%	19.95%	15.10%	-2.16%	-8.30%	0.43%	5.90%
Variance		0.00%	0.00%	-0.45%	0.89%	1.61%	-2.38%	0.10%	-0.28%	0.52%
Cash Aggregate	\$8,331,320	0.08%	0.18%	0.41%	1.07%	0.87%	1.08%	-0.15%	1.62%	2.26%
91 Day Treasury Bill		0.02%	0.06%	0.09%	0.17%	0.15%	0.16%	0.49%	2.16%	2.19%
Variance		0.06%	0.12%	0.32%	0.90%	0.72%	0.92%	-0.64%	-0.54%	0.07%
Risk Parity Aggregate	\$140,894,740	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity Composite Benchmark		2.29%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Variance		-2.29%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Fund Returns	\$2,362,509,775	2.72%	6.06%	11.66%	16.00%	25.81%	21.68%	2.52%	3.33%	5.16%
Total Plan Policy Benchmark		2.85%	6.07%	12.05%	16.72%	26.58%	22.14%	3.46%	4.77%	5.72%
Variance		-0.13%	-0.01%	-0.39%	-0.72%	-0.77%	-0.46%	-0.94%	-1.44%	-0.56%

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,362,509,775	2.72%	6.06%	11.66%	16.00%	25.81%	21.68%	2.52%	3.33%	5.16%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	6.42%	7.75%	7.75%	7.76%	7.93%
Variance		2.10%	4.18%	7.86%	8.25%	19.39%	13.93%	-5.23%	-4.43%	-2.77%

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

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

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Manager & Benchmark Performance

Manager Performance

(1)

Portfolio	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date Ten Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
BlackRock Russell 1000	3.01%	6.88%	17.16%	18.10%	35.79%	18.10%	28.73%	2.39%	0.60%	3.37%	3.38%
D.E. Shaw Investment Management, LLC	3.16%	6.26%	16.45%	14.68%	33.22%	14.68%	N/A	N/A	N/A	N/A	N/A
T. Rowe Price Associates	3.02%	6.41%	16.69%	16.17%	34.12%	16.17%	N/A	N/A	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	3.36%	7.59%	19.96%	18.41%	37.05%	18.41%	N/A	N/A	N/A	N/A	N/A
BlackRock Capital Management, Inc.	2.67%	5.76%	15.11%	22.35%	39.78%	22.35%	N/A	N/A	N/A	N/A	N/A
Large Cap Aggregate	3.04%	6.64%	17.13%	17.51%	36.28%	17.51%	28.01%	2.05%	-0.66%	2.12%	3.04%
The Boston Company	1.12%	9.00%	20.28%	12.71%	33.27%	12.71%	N/A	N/A	N/A	N/A	N/A
Chartwell Investment Partners	2.98%	15.54%	29.09%	35.62%	56.64%	35.62%	42.16%	7.00%	5.20%	4.62%	N/A
Jennison Associates	2.73%	11.61%	25.70%	29.14%	47.33%	29.14%	40.22%	10.16%	N/A	N/A	N/A
Small Cap Aggregate	2.44%	12.02%	25.33%	26.72%	46.26%	26.72%	39.92%	5.75%	-0.11%	0.83%	5.64%
Artio Global Investors	4.68%	7.70%	10.79%	16.85%	31.19%	16.85%	24.56%	-5.48%	-4.10%	0.79%	N/A
Mondrian Investment Partners	5.85%	7.28%	10.26%	18.32%	32.40%	18.32%	25.69%	-1.31%	-1.07%	3.51%	N/A
International Aggregate	5.26%	7.49%	10.52%	17.59%	31.79%	17.59%	25.13%	-3.38%	-2.57%	2.16%	5.38%
Total Equity	3.62%	7.74%	16.26%	18.89%	36.36%	18.89%	28.90%	0.97%	-1.02%	1.98%	4.02%
Aberdeen Asset Management	1.48%	2.35%	1.81%	7.89%	6.02%	7.89%	14.23%	5.00%	4.09%	4.86%	5.40%
Angelo Gordon	0.00%	0.72%	13.41%	31.58%	25.00%	31.58%	N/A	N/A	N/A	N/A	N/A
Brigade Capital Management	1.12%	3.14%	6.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brown Brothers Harriman	2.28%	4.14%	0.84%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Templeton	3.36%	9.42%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	1.53%	2.23%	1.36%	7.25%	5.17%	7.25%	12.19%	8.03%	6.53%	6.74%	N/A
Western Asset Management Company	1.45%	2.12%	2.10%	8.31%	7.12%	8.31%	14.86%	7.80%	6.23%	6.61%	N/A
Total Fixed Income	1.75%	3.51%	3.31%	10.00%	8.57%	10.00%	15.15%	7.83%	6.28%	6.60%	6.14%
Private Equity	0.00%	-53.69%	-53.69%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Comodities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alternative Investments	0.00%	-53.69%	-53.69%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO Realty Advisors	0.00%	3.83%	8.62%	20.84%	16.71%	20.84%	-4.54%	-8.20%	-3.80%	0.15%	6.42%
Cash	0.08%	0.18%	0.41%	1.07%	0.87%	1.07%	1.08%	-0.15%	0.89%	1.62%	2.26%
Total	2.72%	6.06%	11.66%	16.00%	25.81%	16.00%	21.68%	2.52%	1.05%	3.33%	5.16%

Benchmark Performance

Russell 1000	3.01%	6.87%	17.12%	18.02%	35.74%	18.02%	28.64%	2.30%	0.53%	3.30%	3.34%
S&P 500	2.96%	6.53%	16.36%	17.22%	34.43%	17.22%	N/A	N/A	N/A	N/A	N/A
Russell 1000 Value	2.66%	6.87%	17.29%	15.24%	33.05%	15.24%	N/A	N/A	N/A	N/A	N/A
Russell 1000 Growth	3.35%	6.86%	16.96%	20.87%	38.48%	20.87%	N/A	N/A	N/A	N/A	N/A
Russell 2000	2.64%	11.08%	23.73%	22.20%	43.34%	22.20%	34.91%	8.02%	2.93%	3.89%	7.34%
Russell 2000 Value	1.62%	8.27%	20.31%	14.57%	37.12%	14.57%	N/A	N/A	N/A	N/A	N/A
Russell 2000 Growth	3.60%	13.81%	27.07%	30.29%	49.55%	30.29%	37.54%	9.62%	5.29%	5.14%	N/A
MSCI ACWI ex US (Gross)	4.96%	7.54%	12.65%	20.22%	35.91%	20.22%	30.18%	-0.76%	0.43%	4.01%	7.66%
MSCI ACWI ex US Growth (Gross)	5.25%	8.27%	12.85%	21.83%	36.51%	21.83%	31.15%	-0.91%	1.10%	4.24%	N/A
MSCI ACWI ex US Value (Gross)	4.67%	6.82%	12.40%	18.55%	35.24%	18.55%	29.15%	-0.66%	-0.30%	3.74%	N/A
Barclays Capital Aggregate	1.27%	1.58%	0.02%	5.36%	2.86%	5.36%	6.82%	5.81%	6.08%	6.33%	5.74%
Barclays U.S. TIPS Index	2.57%	4.53%	1.26%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	1.27%	2.77%	4.08%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	3.07%	4.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	0.00%	4.01%	9.07%	19.95%	15.10%	19.95%	-2.16%	-8.30%	-3.25%	0.43%	5.90%
91 Day Treasury Bill	0.02%	0.06%	0.09%	0.17%	0.15%	0.17%	0.16%	0.49%	1.42%	2.16%	2.19%
SamCERA Plan Policy Benchmark	2.85%	6.07%	12.05%	16.72%	26.58%	16.72%	22.14%	3.46%	2.82%	4.77%	5.72%
SamCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	6.42%	7.75%	7.75%	7.75%	7.75%	7.76%	7.93%

(1) SamCERA's Fiscal Year is 7/1 through 6/30
 (2) Refer to page 13 for benchmark details

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Realized & Unrealized Gain / (Loss)

Portfolio	Beginning Book Balance As of 07/01/2010	(1) Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Book Balance As of 04/30/2011	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending Market Value As of 04/30/2011
BlackRock Russell 1000	\$227,158,749.62	12,906,900	(85,000,000)	\$155,065,649.66	(\$12,322,638)	\$52,166,624	\$194,909,636
D.E. Shaw Investment Management LLC	\$91,382,477.76	10,684,090		\$102,066,567.97	(\$5,529,724)	\$17,839,887	\$114,376,732
T. Rowe Price Associates	\$84,410,628.27	5,397,329		\$89,807,957.45	\$133,920	\$23,445,087	\$113,386,965
Barrow Hanley	\$125,717,857.93	8,770,747		\$134,488,604.65	\$3,115,310	\$38,966,530	\$176,570,445
BlackRock	\$120,628,030.67	12,215,554		\$132,843,584.78	\$7,352,352	\$38,690,471	\$178,886,408
The Boston Company	\$39,782,574.05	2,384,159		\$42,166,733.22	(\$285,918)	\$10,758,066	\$52,638,880
Chartwell Investment Partners	\$37,328,257.20	9,517,833		\$46,846,090.32	\$3,063,778	\$13,360,217	\$63,270,085
Jennison Associates	\$81,047,582.79	12,532,699		\$93,580,281.77	\$5,626,624	\$28,494,267	\$127,701,172
Artio Global Investors	\$185,960,389.43	6,153,216		\$192,113,605.31	(\$6,744,297)	\$49,714,029	\$235,083,338
Mondrian Investment Partners	\$213,442,132.16	2,867,996		\$216,310,127.98	(\$35,099,468)	\$54,908,946	\$236,119,606
Aberdeen Asset Management	\$163,766,449.61	8,954,048	(53,000,000)	\$119,720,497.75	\$3,066,904	(\$1,098,596)	\$121,688,806
Angelo Gordon	\$21,875,000.00		8,181,249	\$30,056,249.00	\$1,478,466	\$6,554,127	\$38,088,842
Bridage Capital Management	\$0.00		45,000,000	\$45,000,000.00		\$4,958,730	\$49,958,730
Brown Brothers Harriman	\$0.00	1,552,336	45,000,000	\$46,552,336.21	\$0	\$1,324,961	\$47,877,297
Franklin Templeton Investments	\$0.00	1,468,146	100,000,000	\$101,468,145.79		\$5,384,154	\$106,852,299
Pyramis Global Advisors	\$126,598,323.37	15,146,935	(60,000,000)	\$81,745,258.37	\$38,553,995	(\$8,147,389)	\$112,151,864
Western Asset Management Company	\$174,036,705.22	7,287,273	(65,000,000)	\$116,323,978.27	(\$3,645,689)	\$2,815,353	\$115,493,642
Private Equity (Sheridan)	\$0.00		1,700,000	\$1,700,000.00	\$0	(\$145,000)	\$1,555,000
AQR's Risk Parity	\$0.00		140,000,000	\$140,000,000.00	\$0	\$894,740	\$140,894,740
Hedge Funds	\$0.00			\$0.00	\$0	\$0	\$0
Comodities	\$0.00			\$0.00	\$0	\$0	\$0
INVESCO Core US Real Estate Fund	\$132,755,678.60	2,801,797		\$135,557,476.00	\$0	(\$8,883,508)	\$126,673,968
Cash	\$13,670,765.68			\$8,331,320.04	\$0	\$0	\$8,331,320
Total	\$1,839,561,602.36	\$120,641,058.82	\$76,881,249.00	\$2,031,744,464.54	-\$1,236,384.30	\$332,001,694.51	\$2,362,509,774.75

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

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Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning Market Value Balance As of 07/01/2010	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Market Value Balance As of 04/30/2011	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	\$227,158,750	\$12,906,900	-\$85,000,000	\$155,065,650	35.79%	35.74%
D.E. Shaw Investment Management, LLC	\$91,382,478	\$10,684,090	\$0	\$102,066,568	33.22%	35.74%
T. Rowe Price Associates	\$84,410,628	\$5,397,329	\$0	\$89,807,957	34.12%	34.43%
Barrow, Hanley, Mewhinney & Strauss	\$125,717,858	\$8,770,747	\$0	\$134,488,605	37.05%	33.05%
BlackRock Capital Management, Inc.	\$120,628,031	\$12,215,554	\$0	\$132,843,585	39.78%	38.48%
The Boston Company	\$39,782,574	\$2,384,159	\$0	\$42,166,733	33.27%	37.12%
Chartwell Investment Partners	\$37,328,257	\$9,517,833	\$0	\$46,846,090	56.64%	49.55%
Jennison Associates	\$81,047,583	\$12,532,699	\$0	\$93,580,282	47.33%	43.34%
Artio Global Investors	\$185,960,389	\$6,153,216	\$0	\$192,113,605	31.19%	36.51%
Mondrian Investment Partners	\$213,442,132	\$2,867,996	\$0	\$216,310,128	32.40%	35.24%
Aberdeen Asset Management	\$163,766,450	\$8,954,048	-\$53,000,000	\$119,720,498	6.02%	2.86%
Angelo Gordon	\$21,875,000	\$0	\$8,181,249	\$30,056,249	25.00%	N/A
Brigade Capital Management	\$0	\$0	\$45,000,000	\$45,000,000	N/A	N/A
Brown Brothers Harriman	\$0	\$1,552,336	\$45,000,000	\$46,552,336	N/A	N/A
Franklin Templeton	\$0	\$1,468,146	\$100,000,000	\$101,468,146	N/A	N/A
Pyramis Global Advisors	\$126,598,323	\$15,146,935	-\$60,000,000	\$81,745,258	5.17%	2.86%
Western Asset Management Company	\$174,036,705	\$7,287,273	-\$65,000,000	\$116,323,978	7.12%	2.86%
Private Equity	\$0	\$0	\$1,700,000	\$1,700,000	N/A	N/A
Risk Parity	\$0	\$0	\$140,000,000	\$140,000,000	N/A	N/A
Hedge Funds	\$0	\$0	\$0	\$0	N/A	N/A
Comodities	\$0	\$0	\$0	\$0	N/A	N/A
INVESCO Realty Advisors	\$132,755,679	\$2,801,797	\$0	\$135,557,476	16.71%	15.10%
Cash	\$13,670,766	\$0	\$0	\$13,670,766	0.87%	0.15%
Total	\$1,839,561,602	\$120,641,059	\$76,881,249	\$2,037,083,910	25.81%	26.58%

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

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending April 30, 2011

Professional Services Fees

Investment Management Fees	Market Value As of 04/30/2011	For the Quarter Ending				Fiscal Year 2010 / 2011	Estimated Annual Fee (1)
		Estimated 9/30/2010	12/31/2010	3/31/2011	6/30/2011		
BlackRock Russell 1000	\$ 194,909,635.78	\$22,800	\$23,400	\$31,500	\$8,100	\$85,800	\$95,000
D.E. Shaw Investment Management, LLC	\$ 114,376,731.72	\$115,900	\$128,400	\$138,700	\$48,000	\$431,000	\$475,000
T. Rowe Price Associates	\$ 113,386,965.17	\$84,900	\$93,300	\$89,600	\$33,100	\$300,900	\$350,000
Barrow, Hanley, Mewhinney & Strauss	\$ 176,570,444.57	\$158,900	\$170,100	\$186,800	\$64,400	\$580,200	\$650,000
BlackRock Capital Management, Inc.	\$ 178,886,408.23	\$162,600	\$185,500	\$197,200	\$68,000	\$613,300	\$675,000
The Boston Company	\$ 52,638,880.43	\$88,400	\$97,300	\$106,900	\$37,200	\$329,800	\$375,000
Chartwell Investment Partners	\$ 63,270,084.80	\$82,600	\$95,800	\$108,400	\$39,600	\$326,400	\$350,000
Jennison Associates	\$ 127,701,172.36	\$185,600	\$207,600	\$232,800	\$80,500	\$706,500	\$775,000
Artio Global Investors	\$ 235,083,337.85	\$242,100	\$263,200	\$263,000	\$93,100	\$861,400	\$975,000
Mondrian Investment Partners	\$ 236,119,606.53	\$136,700	\$118,700	\$88,600	\$40,500	\$384,500	\$50,000
Aberdeen Asset Management	\$ 121,688,805.78	\$90,800	\$90,800	\$80,400	\$27,200	\$289,200	\$375,000
Angelo Gordon	\$ 38,088,841.66	\$58,300	\$58,300	\$58,300		\$174,900	\$350,000
Brigade Capital Management	\$ 49,958,730.00	\$49,700	\$51,200	\$54,700	\$17,200	\$172,800	\$225,000
Brown Brothers Harriman	\$ 47,877,297.08	\$17,200	\$12,500	\$17,400	\$6,000	\$53,100	\$75,000
Franklin Templeton	\$ 106,852,299.40	\$0	\$5,400	\$100,300	\$35,000	\$140,700	N/A
Pyramis Global Advisors	\$ 112,151,863.88	\$64,200	\$61,000	\$53,400	\$16,600	\$195,200	\$275,000
Western Asset Management Company	\$ 115,493,641.83	\$103,400	\$98,500	\$82,600	\$27,000	\$311,500	\$425,000
Private Equity	\$ 1,555,000.02	\$0	\$0	\$0		\$0	N/A
Risk Parity	\$ 140,894,740.00	\$0	\$0	\$0		\$0	N/A
Hedge Funds	\$ -	\$0	\$0	\$0		\$0	N/A
Commodities	\$ -	\$0	\$0	\$0		\$0	N/A
INVESCO Realty Advisors	\$ 126,673,968.00	\$161,100	\$155,100	\$136,000	\$35,700	\$487,900	\$650,000
Sub-Total	\$2,354,178,455	\$1,825,200	\$1,916,100	\$2,026,600	\$677,200	\$6,445,100	\$7,145,000
Investment Consultant Fees							
Strategic Investment Solutions		\$50,000	\$116,600	\$100,100	\$16,600	\$283,300	\$400,000
Global Custodian Fees							
State Street Bank & Trust		\$35,700	\$81,600	\$75,400	\$18,000	\$210,700	\$125,000
Actuarial Consultant Fees							
Milliman, Inc.		\$35,900	\$4,200	\$2,600	\$800	\$43,500	\$60,000
Sub-Total		\$121,600	\$202,400	\$178,100	\$35,400	\$537,500	\$585,000
Total							
		\$1,946,800	\$2,118,500	\$2,204,700	\$712,600	\$6,982,600	\$7,730,000

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

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

May 24, 2011

Agenda Item 6.2

To: Board of Retirement

From: Gary Clifton, Chief Investment Officer

Subject: Quarterly Investment Performance Analysis for the period ended March 31, 2011

STAFF RECOMMENDATION: Staff recommends the board review and accept Strategic Investment Solutions' Quarterly Performance Report for the period ended March 31, 2011.

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

INVESTMENT PERFORMANCE SUMMARY

March 31, 2011

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<i>Composite Fund</i>	4.47%	23	14.46%	37	2.56%	81
<i>Policy Index</i>	4.34%	33	14.97%	27	3.67%	50
BlackRock Russell 1000 Index Fund	6.25%	36	16.77%	23	3.06%	37
D.E. Shaw	5.25%	85	13.93%	77	N/A	N/A
<i>Russell 1000 Index</i>	6.24%	36	16.69%	25	2.98%	39
T. Rowe Price	5.82%	77	14.61%	69	N/A	N/A
<i>S&P 500 Index</i>	5.92%	69	15.65%	52	N/A	N/A
Barrow Hanley	7.72%	28	16.54%	34	N/A	N/A
<i>Russell 1000 Value Index</i>	6.46%	62	15.15%	54	N/A	N/A
BlackRock	4.40%	84	20.84%	31	N/A	N/A
<i>Russell 1000 Growth Index</i>	6.03%	42	18.26%	56	N/A	N/A
<i>Large Cap Composite</i>	5.96%	54	16.08%	44	2.62%	55
<i>Russell 1000 Index</i>	6.24%	41	16.69%	39	2.98%	48
Jennison Associates	9.15%	32	30.41%	13	11.10%	30
<i>Russell 2000 Index</i>	7.94%	65	25.79%	66	8.56%	73
The Boston Company	7.71%	43	18.50%	82	N/A	N/A
<i>Russell 2000 Value Index</i>	6.60%	73	20.63%	67	N/A	N/A
Chartwell Investment Partners	14.11%	6	36.82%	22	7.80%	83
<i>Russell 2000 Growth Index</i>	9.24%	48	31.04%	52	10.16%	65
<i>Small Cap Composite</i>	10.06%	22	29.13%	39	6.61%	91
<i>Russell 2000 Index</i>	7.94%	65	25.79%	66	8.56%	73
<i>U.S. Equity Composite</i>	6.88%	46	18.80%	51	3.51%	62
Artio Global Investors	2.19%	78	11.00%	69	-5.68%	96
<i>MSCI ACWI-ex US Growth Index</i>	2.35%	76	15.06%	29	-0.75%	48
Mondrian Investment Partners	3.79%	31	10.55%	77	-1.90%	66
<i>MSCI ACWI-ex US Value Index</i>	4.65%	13	12.10%	62	-0.06%	39
<i>International Equity Composite</i>	2.98%	61	10.77%	73	-3.78%	85
<i>MSCI ACWI-ex US Index Free</i>	3.49%	44	13.61%	43	-.038%	43
<i>Total Equity Composite</i>	5.69%	N/A	16.27%	N/A	1.26%	N/A

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
Aberdeen Asset Management	1.53%	15	8.25%	10	4.44%	90
Angelo Gordon GECC PPI Fund	5.61%	N/A	32.27%	N/A	N/A	N/A
Pyramis Global Advisors	1.03%	32	7.14%	25	7.36%	26
Western Asset Management	1.40%	18	9.09%	7	7.60%	21
<i>BC Aggregate Index</i>	<i>0.42%</i>	<i>75</i>	<i>5.12%</i>	<i>74</i>	<i>5.30%</i>	<i>75</i>
Brigade Capital Management	4.36%	N/A	N/A	N/A	N/A	N/A
<i>BC BBB Credit</i>	<i>1.30%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Brown Brothers Harriman	1.99%	8	N/A	N/A	N/A	N/A
<i>BC U.S. TIPS</i>	<i>2.06%</i>	<i>7</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Franklin Templeton Investments	3.27%	13	N/A	N/A	N/A	N/A
<i>BC Multiverse</i>	<i>1.35%</i>	<i>56</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Total Fixed Income Composite</i>	<i>2.19%</i>	<i>4</i>	<i>10.19%</i>	<i>3</i>	<i>7.22%</i>	<i>29</i>
<i>Total Fixed Income Index</i>	<i>0.98%</i>	<i>35</i>	<i>5.81%</i>	<i>52</i>	<i>5.53%</i>	<i>65</i>
INVESCO Core Fund	3.83%	40	20.84%	25	-8.20%	41
<i>Real Estate Composite</i>	<i>3.83%</i>	<i>40</i>	<i>20.84%</i>	<i>25</i>	<i>-8.20%</i>	<i>41</i>
<i>NCREIF ODCE – Equal Weight</i>	<i>4.01%</i>	<i>37</i>	<i>19.95%</i>	<i>28</i>	<i>-8.30%</i>	<i>41</i>
State Street General Account	0.05%	35	0.20%	41	0.77%	49
San Mateo County Treasury Account	0.24%	14	1.13%	15	-0.37%	97
<i>Cash Composite</i>	<i>0.17%</i>	<i>16</i>	<i>1.06%</i>	<i>15</i>	<i>-0.10%</i>	<i>97</i>
<i>91 Day T-Bill Index</i>	<i>0.05%</i>	<i>36</i>	<i>0.16%</i>	<i>49</i>	<i>0.51%</i>	<i>81</i>

INVESTMENT PERFORMANCE SUMMARY

The composite fund returned 4.5% in the first quarter of 2011 and ranked 23rd among other public funds greater than \$100 million (median of 4.1%). It beat the policy index return of 4.3%. The one year return of 14.5% was behind the policy index return of 15.0% and ranked in the 37th percentile of the universe. Longer term, the three- and five-year returns of 2.6% (81st percentile) and 3.1% (94th percentile), respectively, were below median among large public plans (3.7% and 4.4%).

□ First quarter results were enhanced by the following factors:

1. The BlackRock Russell 1000 Index Fund, 6.2%, ranked in the 36th percentile among large cap core managers (median of 6.0%), and matched its benchmark.
2. Barrow Hanley's return of 7.7% was in front of the Russell 1000 Value Index (6.5%) and ranked in the second quartile among large cap value managers (median of 6.7%). The portfolio was primarily helped by its security selection in the Financials (Capital One Financial, SLM) and Healthcare (Service Corp, United Health Group, WellPoint) sectors.
3. Jennison (9.1%) ranked in the 32nd percentile among its small cap core peers (median of 8.2%) and led its benchmark. The Russell 2000 Index returned 7.9%. Above par Consumer Staples (B&G Foods) and Healthcare (AmeriGroup, Insulet, Centene) investments were contributors to relative performance.
4. The Boston Company returned 7.7%, versus 6.6% for the Russell 2000 Value Index, and ranked in the 44th percentile among its peers (median 7.5%). Attribution was derived from stock selection in the Info Tech (MKS Instruments, Avid Technology) and Industrials (RSC Holdings) sectors.

5. Chartwell gained more value, 14.1%, than the Russell 2000 Growth Index, 9.2%. Chartwell ranked in the 6th percentile among small cap growth managers (median of 9.2%). Positive alpha was mainly derived from its stock selection in the Healthcare (Accretive Health, AMN Healthcare Services), Financials (HFF Inc) and Industrials (RailAmerica) sectors, as well as its intra-quarter trading.
6. Aberdeen Asset (1.5%) led the Barclays Aggregate Index (0.4%) and ranked above the median core bond manager (0.7%). Its selection and overweight to the corporate sector, plus holdings in non-agency residential MBS, contributed to relative performance.
7. The Pyramis Broad Market Duration Fund gained 1.0% and ranked in the 32nd percentile among core bond managers (median of 0.7%). The Barclays Aggregate Index was up 0.4% for the quarter. Overweight to credit and CMBS were the most notable contributors; the portfolio also maintained a relatively higher exposure to U.S. Treasuries.
8. Western Asset Management's quarter was above par. It carried a return of 1.4% and ranked above the core bond manager median of 0.7%. The Barclays Aggregate Index returned 0.4%. Its non-agency MBS, investment grade credit, high yield and bank loan positions contributed to performance alpha.
9. The Angelo Gordon GECC PPIP Fund appreciated 5.6% while the Barclays Aggregate was 0.4%. The Fund carries approximately 50% RMBS and 50% CMBS assets.
10. The intermediate high yield manager, Brigade Capital, beat its benchmark, the Barclays BBB Credit Index (4.4% vs. 1.3%). The fund benefited from long positions in levered loans and high yields. A long credit position in Commerzbank and Cheniere Energy were significant contributors.
11. In its first full quarter, Franklin Templeton appreciated 3.3% and ranked in the top quartile among global bond managers. The Barclays Multiverse Index was up 1.4%. A net-negative exposure to the euro and the Japanese yen and exposure to Asian –ex Japan and Latin American currency was most beneficial to performance.
12. The Treasury and LAIF account added 0.2% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.

□ First quarter results were hindered by the following factors:

1. DE Shaw's return of 5.3% ranked in the bottom quartile among large cap core managers (median 6.0%), and was ahead of its benchmark, the Russell 1000 Index (6.2%). Investments in the Consumer Discretionary and Telecommunication sectors dampened quarterly results.
2. T Rowe Price (5.8%) slightly trailed the S&P 500 Index (5.9%) and its peer median of 6.0%. Security selection in the Consumer Discretionary sector and its portfolio turnover hurt performance.
3. BlackRock-US Equity (4.4%) lagged the Russell 1000 Growth Index (6.0%), and the median large growth manager (5.8%). It ranked in the bottom quartile among its peers. BlackRock was hurt by

its Consumer Discretionary (General Motors, Ford Motor) and Industrials (Delta Airlines) investments.

4. The Artio Global quarterly result of 2.2% was just below the MSCI ACWI -ex US Growth Index (2.3%), and ranked in the 78th percentile among international equity managers. Artio's stock selection in financial and consumer discretionary investments and cash positioning (hedge into Japanese yen, out of the euro) detracted.
5. Mondrian returned 3.8% and lagged the MSCI AC World -ex US Value Index (4.7%) and ranked in the 31st percentile among its peers. The portfolio was hindered by its underweights to Canada and Russia.
6. Brown Brothers Harriman gained 2.0% and lagged the Barclays US TIPS Index, 2.1%. A significant underweight to the short end of the yield curve and its non-US positions (UK, Germany) subtracted from performance.
7. The INVESCO Core Real Estate-USA Fund returned 3.8% for the quarter, positioned below the NCREIF ODCE (4.0%), and ranked in the second quartile among real estate investments. There was an overall unleveraged gross write up of \$65.7 million or 1.9%.
8. Private Equity was funded mid-October 2010. In its first full quarter, investments depreciated 111.5%. The Russell 3000 + 3% Index was up 7.2%. Risk parity manager AQR was funded March 1. Month-to-date performance was 0.7%.

GENERAL COMMENTS

- Headlines have been both shocking and devastating during the first quarter of the New Year. Political unrest in North Africa and the Middle East resulted in violence, regime changes, and a shutdown of Libyan oil exports. The most tangible result of these events has been higher oil prices: A barrel of oil reached \$107 as of March 31, 2011, the highest it has been since September 2008. In addition, Japan was hit by an earthquake and tsunami in March resulting in the worst nuclear accident since Chernobyl. Despite these events, worldwide stock markets have remained resilient.
- Following the strong 4th quarter performance, U.S. equity markets continued to post gains in the 1st quarter. The S&P 500 ended the first three months up 5.9% (15.7% for the year), which is the highest first quarter since 1999. The fixed income markets were slightly positive, with the Barclays Capital Aggregate up almost half a percent. The Barclays Capital Municipal Bond Index also was flat following last quarter's decline which highlighted investor concerns about the deteriorating financial condition of municipalities.
- In the US, while housing prices remained stagnant and home starts were at an all time low, employment numbers showed some life in the first quarter: The unemployment rate dropped to 8.8% as of March 31, 2011, down from 9.4% at year end.
- The Federal Reserve left the federal funds target rate unchanged at 0% to 0.25%, noting elevated rates of unemployment and a low inflation rate. The committee also intends to complete QE2, the

injection of funds into the marketplace through the purchase of \$600 billion of Treasury securities, on schedule by the end of the second quarter.

- Headline inflation continues to be buffeted by movements in oil prices, while core inflation appears to be trending higher. Consumer prices (CPI) rose 0.5% in March largely on food and energy.
- The State Street Investor Confidence Index was volatile this quarter, finishing at 98.3, slightly below the end of 2010 level. Investor confidence in Europe had a significant drop off from its highs in September 2010 to a disappointing 64.3 as of March 31, 2011, because of sovereign debt concerns that still plague the PIIGS countries. Confidence in North America and Asia both dropped off slightly since the end of 2010, ending the first quarter at 103.0 and 100.2 respectively.
- For the period ending 3/31/11, the one quarter return for the NAREIT index was 7.5%, the one-year return was 25.0%, and the three-year return was 2.6%. For NCREIF (one quarter lag), the one-quarter return was 4.6%, the one-year return was 13.1%, and the three-year return was -4.2%.
- In another sign of an improving real estate market, there is evidence that the once-dismal commercial real estate market is rebounding, with troubled loans falling, occupancy rising and office building sales increasing in the largest markets. According to Real Capital Analytics, while lenders were still saddled with \$181 billion in distressed loans in February of 2011, that is down from \$188 billion in September. Mortgage defaults for office, retail and industrial building loans dipped for the first time since 2005 in the fourth quarter, to 4.3% from 4.4%.
- As the rebound continues, many investors are seeking global real estate securities rather than using U.S.-specific strategies, in spite of the strong returns of U.S. REITs. Hot spots include the Asian markets.



SAN MATEO COUNTY EMPOLYEEES'
RETIREMENT ASSOCIATION

Monthly Performance Report

March 31, 2011

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

	SECTION (Page)
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D.E. Shaw	(23)
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Barrow Hanley.....	(30)
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Jennison	(41)
The Boston Company	(45)
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Western Asset	(79)
Brown Brothers Harriman.....	(81)
Real Estate.....	V
INVESCO Real Estate	(83)
Appendix	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Capital Market Review

> General Comments

- Headlines have been both shocking and devastating during the first quarter of the New Year. Political unrest in North Africa and the Middle East resulted in violence, regime changes, and a shutdown of Libyan oil exports. The most tangible result of these events has been higher oil prices: A barrel of oil reached \$107 as of March 31, 2011, the highest it has been since September 2008. In addition, Japan was hit by an earthquake and tsunami in March resulting in the worst nuclear accident since Chernobyl. Despite these events, worldwide stock markets have remained resilient.
- Following the strong 4th quarter performance, U.S. equity markets continued to post gains in the 1st quarter. The S&P 500 ended the first three months up 5.9% (15.7% for the year), which is the highest first quarter since 1999. The fixed income markets were slightly positive, with the Barclays Capital Aggregate up almost half a percent. The Barclays Capital Municipal Bond Index also was flat following last quarter's decline which highlighted investor concerns about the deteriorating financial condition of municipalities.
- In the US, while housing prices remained stagnant and home starts were at an all time low, employment numbers showed some life in the first quarter: The unemployment rate dropped to 8.8% as of March 31, 2011, down from 9.4% at year end.
- The Federal Reserve left the federal funds target rate unchanged at 0% to 0.25%, noting elevated rates of unemployment and a low inflation rate. The committee also intends to complete QE2, the injection of funds into the marketplace through the purchase of \$600 billion of Treasury securities, on schedule by the end of the second quarter.
- Headline inflation continues to be buffeted by movements in oil prices, while core inflation appears to be trending higher. Consumer prices (CPI) rose 0.5% in March largely on food and energy.
- The State Street Investor Confidence Index was volatile this quarter, finishing at 98.3, slightly below the end of 2010 level. Investor confidence in Europe had a significant drop off from its highs in September 2010 to a disappointing 64.3 as of March 31, 2011 because of sovereign debt concerns that still plague the PIIGS countries. Confidence in North America and Asia both dropped off slightly since the end of 2010, ending the first quarter at 10.30 and 100.2 respectively.
- For the period ending 3/31/11, the one quarter return for the NAREIT index was 7.5%, the one year return was 25.0%, and the three years return was 2.6%. For NCREIF (one quarter lag), the one quarter return was 4.6%, the one year return was 13.1%, and the three year return was -4.2%.
- In another sign of an improving real estate market, there is evidence that the once-dismal commercial real estate market is rebounding, with troubled loans falling, occupancy rising and office building sales increasing in the largest markets. According to Real Capital Analytics, while lenders were still saddled with \$181 billion in distressed loans in February of 2011, that is down from \$188 billion in September. Mortgage defaults for office, retail and industrial building loans dipped for the first time since 2005 in the fourth quarter, to 4.3% from 4.4%.
- As the rebound continues, many investors are seeking global real estate securities rather than using U.S.-specific strategies, in spite of the strong returns of U.S. REITs. Hot spots include the Asian markets.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Executive Performance Summary

- The composite fund returned 4.5% in the first quarter of 2011 and ranked 23rd among other public funds greater than \$100 million (median of 4.1%). It beat the policy index return of 4.3%. The one year return of 14.5% was behind the policy index return of 15.0% and ranked in 37th percentile of the universe. Longer term, the three and five-year returns of 2.6% (81st percentile) and 3.1% (94th percentile), respectively, were below median among large public plans (3.7% and 4.4%).
- First quarter results were enhanced by the following factors:
 1. The BlackRock Russell 1000 Index Fund, 6.2%, ranked in the 36th percentile among large cap core managers (median of 6.0%), and matched its benchmark.
 2. Barrow Hanley's return of 7.7% was in front of the Russell 1000 Value Index (6.5%) and ranked in the second quartile among large cap value managers (median of 6.7%). The portfolio was primarily helped by its security selection in the Financials (Capital One Financial, SLM) and Healthcare (Service Corp, United Health Group, WellPoint) sectors.
 3. Jennison (9.1%) ranked in the 32nd percentile among its small cap core peers (median of 8.2%) and led its benchmark. The Russell 2000 Index returned 7.9%. Above par Consumer Staples (B&G Foods) and Healthcare (AmeriGroup, Insulet, Centene) investments were contributors to relative performance.
 4. The Boston Company returned 7.7%, versus 6.6% for the Russell 2000 Value Index, and ranked in the 44th percentile among its peers (median 7.5%). Attribution was derived from stock selection in the Info Tech (MKS Instruments, Avid Technology) and Industrials (RSC Holdings) sectors.
 5. Chartwell gained more value, 14.1%, than the Russell 2000 Growth Index, 9.2%. Chartwell ranked in 6th percentile among small cap growth managers (median of 9.2%). Positive alpha was mainly derived from its stock selection in the Healthcare (Accretive Health, AMN Healthcare Services), Financials (HFF Inc) and Industrials (RailAmerica) sectors, as well as its intra-quarter trading.
 6. Aberdeen Asset (1.5%) led the Barclays Aggregate Index (0.4%) and ranked above the median core bond manager (0.7%). Its selection and overweight to the corporate sector, plus holdings in non-Agency residential MBS, contributed to relative performance.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Executive Performance Summary

7. The Pyramis Broad Market Duration Fund gained 1.0% and ranked in the 32nd percentile among core bond managers (median of 0.7%). The Barclays Aggregate Index was up 0.4% for the quarter. Overweight to credit and CMBS were the most notable contributors; the portfolio also maintained a relatively higher exposure to US Treasuries.
8. Western Asset Management's quarter was above par. It carried a return of 1.4% and ranked above the core bond manager median of 0.7%. The Barclays Aggregate Index returned 0.4%. Its non-agency MBS, investment grade credit, high yield and bank loan positions contributed to performance alpha.
9. The Angelo Gordon GECC PPIP Fund appreciated 5.6% while the Barclays Aggregate was 0.4%. The Fund carries approximately 50% RMBS and 50% CMBS assets.
10. The intermediate high yield manager, Brigade Capital, beat its benchmark, the Barclays BBB Credit Index (4.4% vs. 1.3%). The fund benefited from long positions in levered loans and high yields. A long credit position in Commerzbank and Cheniere Energy were significant contributors.
11. In its first full quarter, Franklin Templeton appreciated 3.3% and ranked in the top quartile among global bond managers. The Barclays Multiverse Index was up 1.4%. A net-negative exposure to the euro and the Japanese yen and exposure to Asian –ex Japan and Latin American currency was most beneficial to performance.
12. The Treasury and LAIF account added 0.2% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Executive Performance Summary

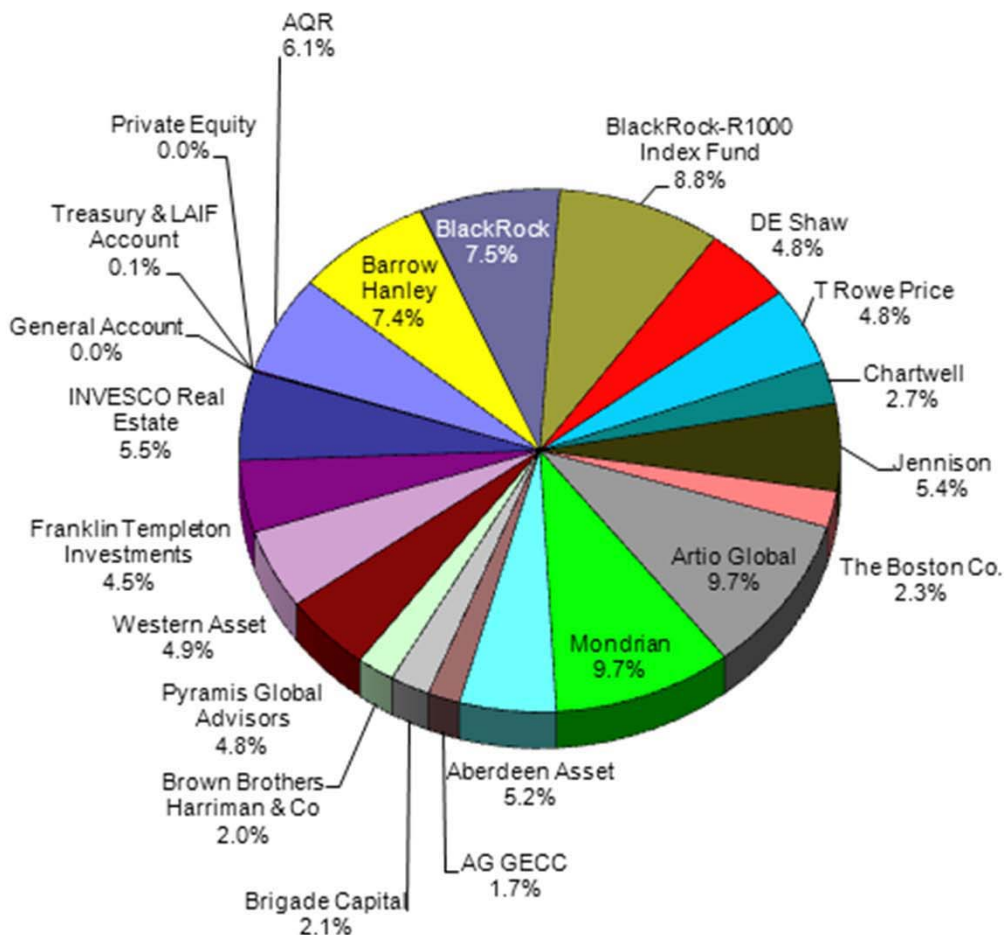
- First quarter results were hindered by the following factors:
 1. DE Shaw's return of 5.3% ranked in the bottom quartile among large cap core managers (median 6.0%), and was ahead of its benchmark, the Russell 1000 Index (6.2%). Investments in the Consumer Discretionary and Telecommunication sectors dampened quarterly results.
 2. T Rowe Price (5.8%) slightly trailed the S&P 500 Index (5.9%) and its peer median of 6.0%. Security selection in the Consumer Discretionary sector and its portfolio turnover hurt performance.
 3. BlackRock-US Equity (4.4%) lagged the Russell 1000 Growth Index (6.0%), and the median large growth manager (5.8%). It ranked in the bottom quartile among its peers. BlackRock was hurt by its Consumer Discretionary (General Motors, Ford Motor) and Industrials (Delta Airlines) investments.
 4. The Artio Global quarterly result of 2.2% was just below the MSCI ACWI -ex US Growth Index (2.3%), and ranked in the 78th percentile among international equity managers. Artio's stock selection in financial and consumer discretionary investments and cash positioning (hedge into Japanese yen, out of the euro) detracted..
 5. Mondrian returned 3.8% and lagged the MSCI AC World -ex US Value Index (4.7%) and ranked in the 31st percentile among its peers. The portfolio was hindered by its underweights to Canada and Russia.
 6. Brown Brothers Harriman gained 2.0% and lagged the Barclays US TIPS Index, 2.1%. A significant underweight to the short end of the yield curve and its non-US positions (UK, Germany) subtracted from performance.
 7. The INVESCO Core Real Estate-USA Fund returned 3.8% for the quarter, positioned below the NCREIF ODCE (4.0%), and ranked in the second quartile among real estate investments. There was an overall unleveraged gross write up of \$65.7 million or 1.9%.
 8. Private Equity was funded mid-October 2010. In its first full quarter, investments depreciated 111.5%. The Russell 3000 + 3% Index was up 7.2%. Risk parity manager AQR was funded March 1. Month-to-date performance was 0.7%.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Manager Allocation Analysis – Total Fund

CURRENT ALLOCATION BY MANAGER



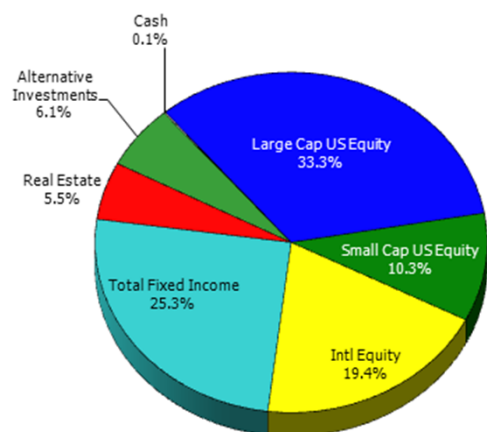
Manager	Market Value	%
Barrow Hanley	170,829,084	7.4%
BlackRock	174,226,422	7.5%
BlackRock-R1000 Index Fund	204,356,600	8.8%
DE Shaw	110,874,516	4.8%
T Rowe Price	110,065,166	4.8%
Chartwell	61,441,791	2.7%
Jennison	124,306,487	5.4%
The Boston Co.	52,057,956	2.3%
Artio Global	224,593,167	9.7%
Mondrian	223,072,241	9.7%
Aberdeen Asset	119,910,965	5.2%
AG GECC	40,195,877	1.7%
Brigade Capital	49,406,670	2.1%
Brown Brothers Harriman & Co	46,809,411	2.0%
Pyramis Global Advisors	110,460,660	4.8%
Western Asset	113,844,260	4.9%
Franklin Templeton Investments	103,382,628	4.5%
INVESCO Real Estate	126,673,968	5.5%
General Account	733,575	0.0%
Treasury & LAIF Account	2,058,625	0.1%
Private Equity	105,000	0.0%
AQR	140,894,792	6.1%
Total	2,310,299,861	100.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

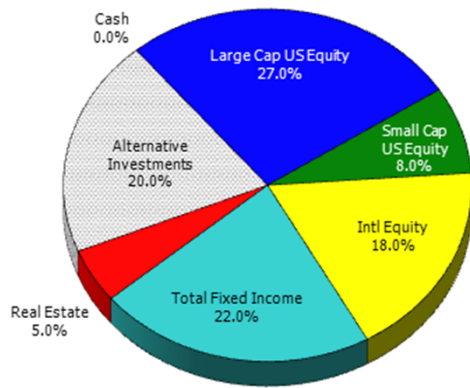
As of March 31, 2011

Allocation By Manager Type Analysis

CURRENT ALLOCATION BY MANAGER TYPE



TARGET ALLOCATION BY MANAGER TYPE



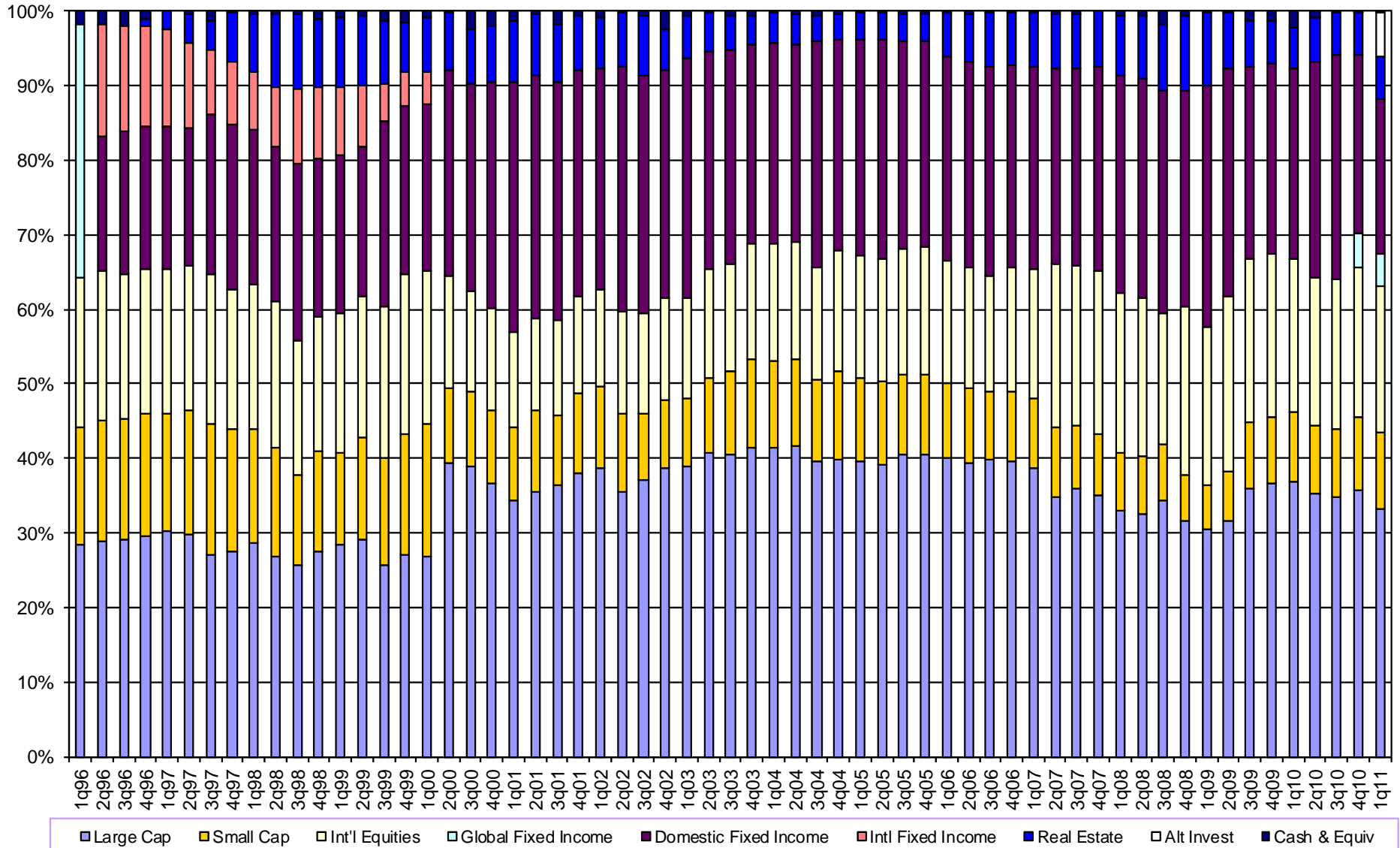
Asset Allocation	Market Value	%
Large Cap US Equity	770,351,788	33.3%
Small Cap US Equity	237,806,234	10.3%
Intl Equity	447,665,408	19.4%
Total Fixed Income	584,010,471	25.3%
Real Estate	126,673,968	5.5%
Alternative Investments	140,999,792	6.1%
Cash	2,792,200	0.1%
Total	2,310,299,861	100.0%

Asset Allocation	Target	Actual	Diff
Large Cap US Equity	27.0%	33.3%	6.3%
Small Cap US Equity	8.0%	10.3%	2.3%
Intl Equity	18.0%	19.4%	1.4%
Total Fixed Income	22.0%	25.3%	3.3%
Real Estate	5.0%	5.5%	0.5%
Alternative Investments	20.0%	6.1%	-13.9%
Cash	0.0%	0.1%	0.1%
Total	100.0%	100.0%	0.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2011

Actual Historical Quarterly Asset Allocation



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2011

Performance Summary

	1 QTR		FISCAL YTD		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
	RETURN	RANK*	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
TOTAL FUND												
SAMCERA COMPOSITE FUND	4.47	23	22.44	15	14.46	37	24.20	33	2.56	81	3.12	94
<i>Policy Index¹</i>	4.34	33	23.08	11	14.97	27	25.25	23	3.67	50	4.43	49
<i>Public Fund >\$100 Million Median</i>	4.08		20.06		13.99		22.73		3.66		4.42	
US EQUITY												
LARGE CAP												
BlackRock-R1000 Index Fund	6.25	36	31.80	23	16.77	23	33.10	33	3.06	37	3.00	40
D.E. Shaw	5.25	85	29.15	86	13.93	77						
<i>Russell 1000 Index</i>	6.24	36	31.77	23	16.69	25	33.01	34	2.98	39	2.93	44
T. Rowe Price	5.82	77	30.19	76	14.61	69						
<i>S&P 500 Index</i>	5.92	69	30.56	62	15.65	52						
Barrow Hanley	7.72	28	32.60	19	16.54	34						
<i>Russell 1000 Value Index</i>	6.46	62	29.60	70	15.15	54						
BlackRock	4.40	84	36.14	32	20.84	31						
<i>Russell 1000 Growth Index</i>	6.03	42	33.99	48	18.26	56						
LARGE CAP COMPOSITE	5.96	54	32.26	33	16.08	44	32.27	47	2.62	55	1.83	82
<i>Russell 1000 Index</i>	6.24	41	31.77	38	16.69	39	33.01	40	2.98	48	2.93	50
<i>Large Cap Median</i>	6.02		30.87		15.71		32.05		2.85		2.93	
SMALL CAP												
Jennison	9.15	32	43.42	15	30.41	13	47.16	26	11.10	30		
<i>Russell 2000 Index</i>	7.94	60	39.65	42	25.79	54	43.08	58	8.56	68		
The Boston Company	7.71	43	31.80	84	18.50	82						
<i>Russell 2000 Value Index</i>	6.60	73	34.93	57	20.63	67						
Chartwell	14.11	6	52.11	13	36.82	22	48.03	28	7.80	83	4.20	71
<i>Russell 2000 Growth Index</i>	9.24	48	44.35	39	31.04	52	44.94	50	10.16	65	4.34	68
SMALL CAP COMPOSITE	10.06	22	42.77	32	29.13	39	49.25	20	6.61	91	0.72	97
<i>Russell 2000 Index</i>	7.94	65	39.65	54	25.79	66	43.08	64	8.56	73	3.35	79
<i>Small Cap Median</i>	8.66		39.92		27.25		44.43		10.19		5.46	
US EQUITY COMPOSITE	6.88	46	34.51	45	18.80	51	35.46	50	3.51	62	1.70	89
<i>80% Russell 1000/20% Russell 2000²</i>	6.64	49	33.43	50	18.58	52	35.09	51	4.17	57	3.08	62
<i>US Equity Median</i>	6.56		33.16		18.90		35.19		5.24		3.74	

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

¹ As of 10/1/10, the Policy Index is 28% Russell 1000/7% Russell 2000/18% MSCI ACWI -ex US/12.9% BC Aggregate/1.6% BC BBB/3% BC Tips/4.5% BC Multiverse/5% NCREIF NFI ODCE EW/8% Russell 3000 + 3%/6% (60% Russell 3000/40% BC Aggregate)/3% Libor +4%/3% DJ UBS Commodity

² See Appendix for Benchmark History.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2011

Performance Summary

	1 QTR		FISCAL YTD		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
INTERNATIONAL EQUITY												
Artio Global	2.19	78	25.33	83	11.00	69	28.34	78	-5.68	96	0.96	91
MSCI ACWI -ex US Growth Index	2.35	76	29.70	33	15.06	29	34.26	33	-0.75	48	4.18	33
MSCI ACWI -ex US Index	3.49	44	29.48	36	13.61	43	35.53	27	-0.38	43	4.05	34
Mondrian	3.79	31	25.08	85	10.55	77	28.17	81	-1.90	66	3.47	42
MSCI ACWI -ex US Value Index	4.65	13	29.20	39	12.10	62	36.81	23	-0.06	39	3.87	36
MSCI ACWI -ex US Index	3.49	44	29.48	36	13.61	43	35.53	27	-0.38	43	4.05	34
INTERNATIONAL EQUITY COMPOSITE												
MSCI ACWI -ex US Index ²	3.49	44	29.48	36	13.61	43	35.52	27	-0.38	43	4.05	34
MSCI EAFE Before Tax Index	3.45	46	28.57	46	10.90	70	31.19	58	-2.53	72	1.78	75
International Equity Median	3.38		28.45		13.18		31.96		-0.90		3.03	
TOTAL EQUITY COMPOSITE												
Total Equity Index ²	5.69		31.60		16.27		33.35		1.26		1.78	
FIXED INCOME⁵												
CORE												
Aberdeen Asset	1.53	15	4.48	14	8.25	10	14.90	10	4.44	90	4.51	98
Pyramis Global Advisors	1.03	32	3.58	31	7.14	25	12.41	21	7.36	26	6.40	57
Western Asset	1.40	18	5.59	7	9.09	7	15.58	8	7.60	21	6.28	62
BC Aggregate Index	0.42	75	1.57	79	5.12	74	6.40	79	5.30	75	6.03	77
Core Fixed Income Median	0.75		2.59		5.90		9.08		6.16		6.51	
CREDIT												
Angelo Gordon GECC PPI Fund ³	5.61		31.58		32.27							
BC Aggregate Index	0.42		1.57		5.12							
Brigade Capital Management	4.36											
BC BBB Credit	1.30											
TIPS												
Brown Brothers Harriman	1.99	8										
BC U.S. Tips	2.06	7										
GLOBAL												
Franklin Templeton Investments ⁴	3.27	13										
BC Multiverse	1.35	56										
Global Fixed Income Median	1.75											

² See Appendix for Benchmark History.

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

⁴ Franklin Templeton Investments funded in December 2010

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2011

Performance Summary

	1 QTR		FISCAL YTD		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
	RETURN	RANK*	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
TOTAL FIXED INCOME COMPOSITE	2.19	4	6.66	4	10.19	3	15.49	9	7.22	29	6.18	67
<i>Total Fixed Index²</i>	0.98	35	2.24	59	5.81	52	6.75	72	5.53	65	6.16	68
<i>US Fixed Index²</i>	0.90	37	2.15	62	5.71	55	6.70	73	5.49	66	6.14	69
<i>Global Fixed Index²</i>	1.35	56										
<i>US Fixed Income Median</i>	0.75		2.59		5.90		9.08		6.16		6.51	
REAL ESTATE												
INVESCO Real Estate	3.83	40	16.71	32	20.84	25	-4.54	60	-8.20	41	0.15	42
REAL ESTATE COMPOSITE	3.83	40	16.71	32	20.84	25	-4.54	60	-8.20	41	0.15	42
<i>NCREIF NFI ODCE EW Index²</i>	4.01	37	15.10	38	19.95	28	-2.16	46	-8.30	41	0.43	42
<i>Real Estate Median</i>	3.35		12.90		14.85		-2.86		-9.80		-0.57	
PRIVATE EQUITY⁵	-111.52											
<i>Russell 3000 + 3%</i>	7.16											
RISK PARITY												
AQR ⁶												
CASH												
General Account	0.05	35	0.16	39	0.20	41	0.25	45	0.77	49	2.51	38
Treasury & LAIF	0.24	14	0.86	14	1.13	15	1.19	17	-0.37	97	1.38	97
CASH COMPOSITE	0.17	16	0.79	14	1.06	15	1.10	18	-0.10	97	1.67	94
<i>91 Day T-Bill</i>	0.05	36	0.13	48	0.16	49	0.17	64	0.51	81	2.23	72
<i>Cash Median</i>	0.03		0.12		0.15		0.23		0.76		2.41	

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

⁵ Private Equity funded in December 2010

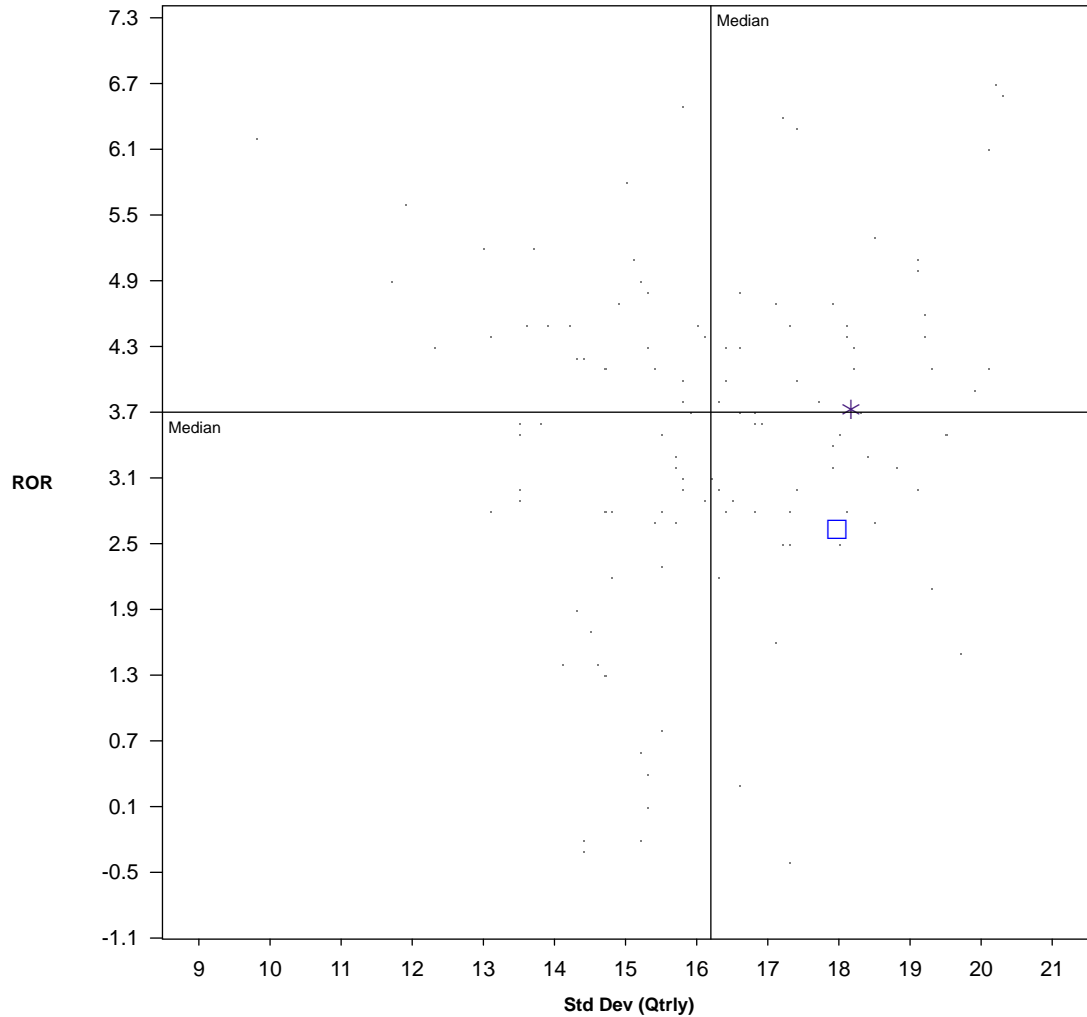
⁶ AQR funded in March 2011

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending March 31, 2011

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	2.6 81	18.0 78	0.1 81
* Plan Policy Index	3.7 50	18.2 82	0.2 59
Median	3.7	16.2	0.2

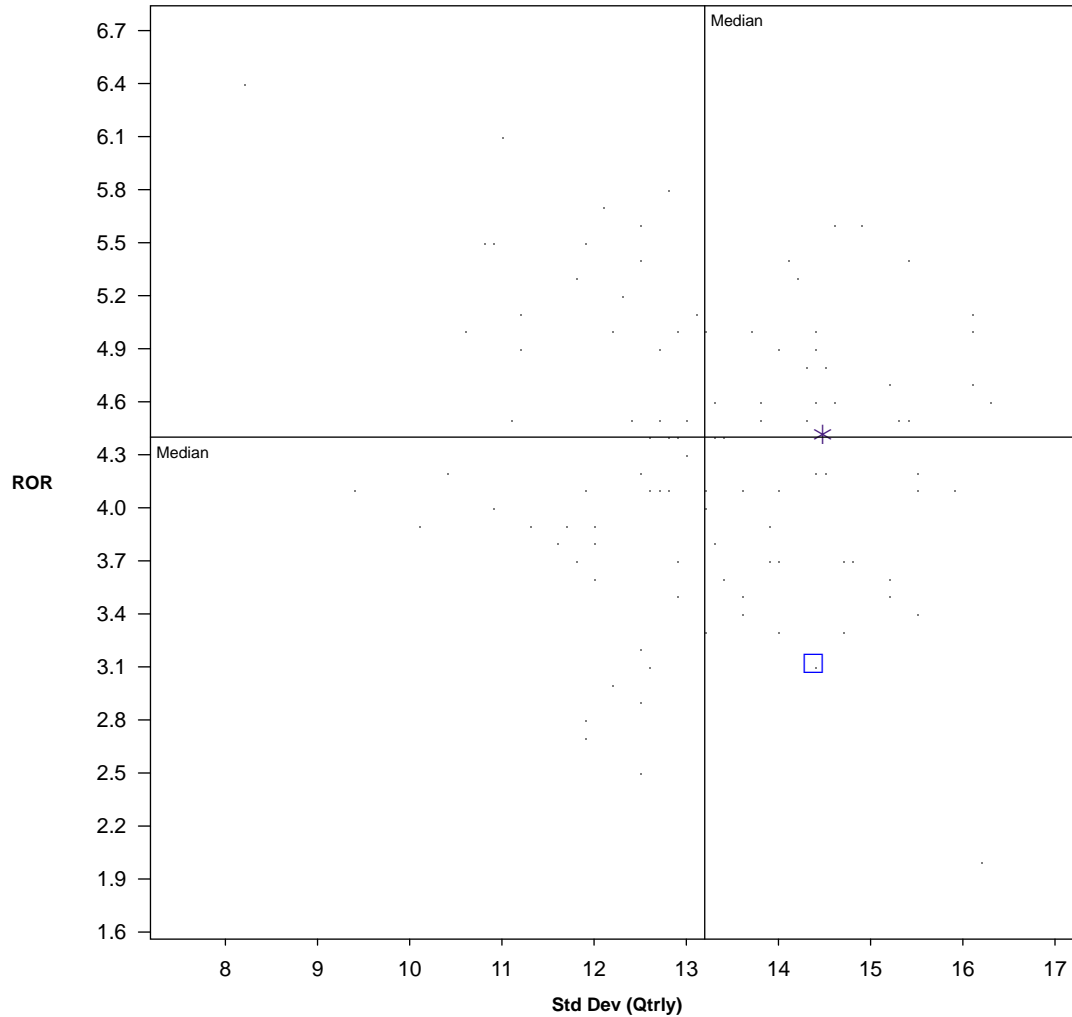
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending March 31, 2011

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	3.1 94	14.4 79	0.1 91
* Plan Policy Index	4.4 49	14.5 81	0.2 53
Median	4.4	13.2	0.2

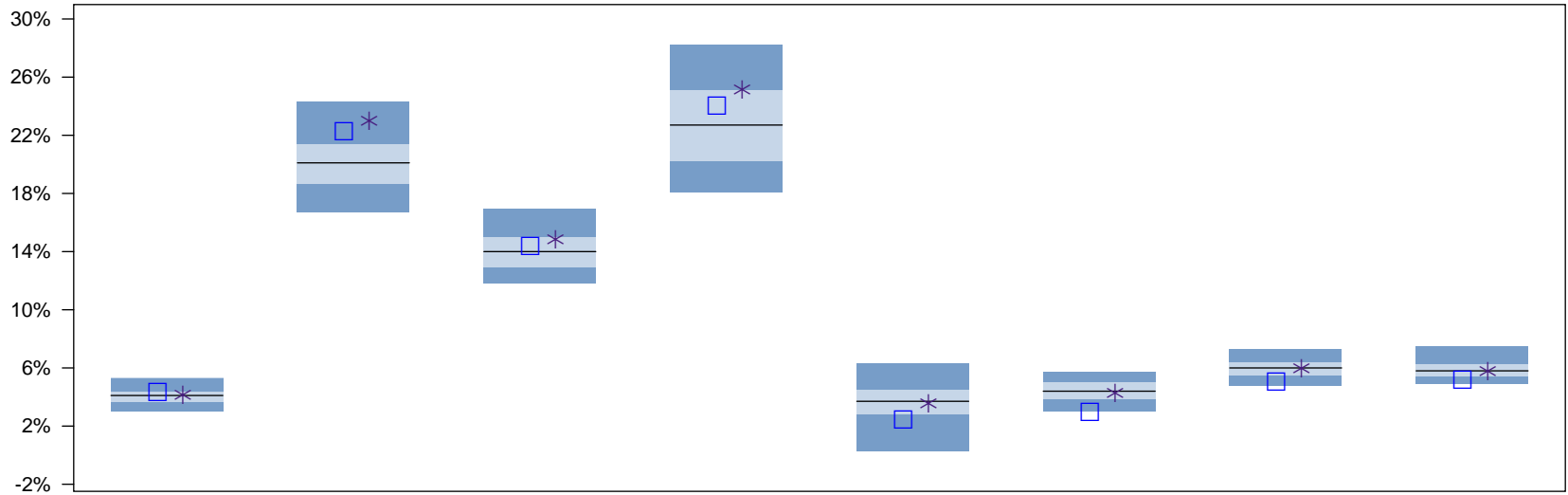
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Periods Ending March 31, 2011

Total Returns



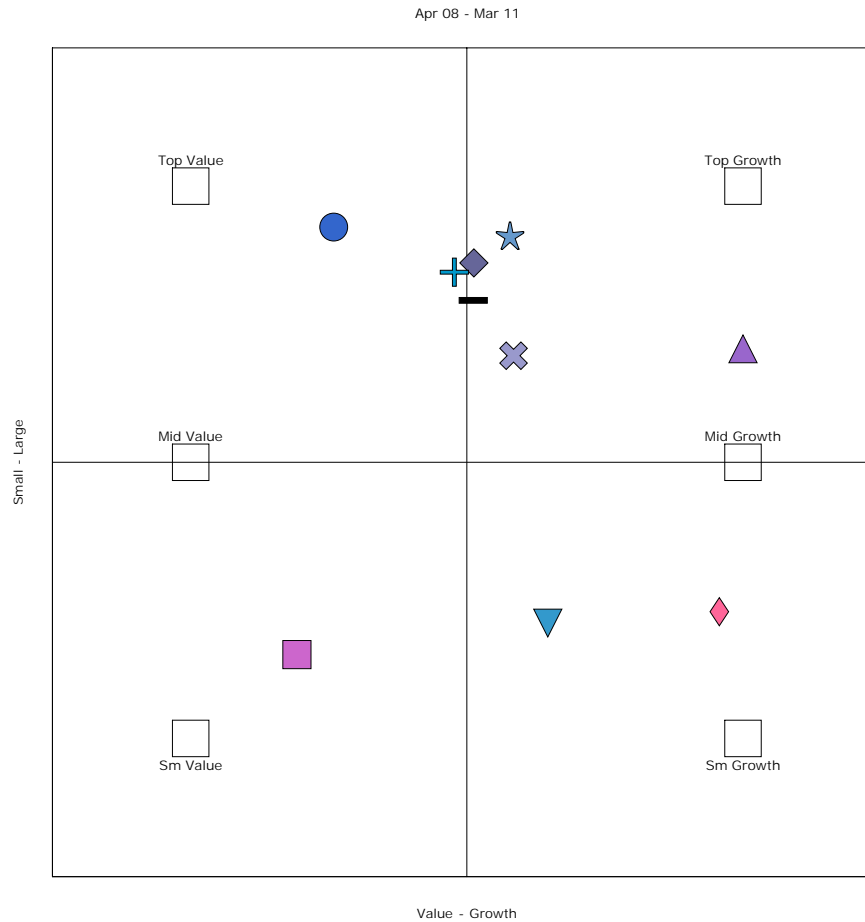
	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
□ SamCERA Composite	4.5	23	22.4	15	14.5	37	24.2	33	2.6	81	3.1	94	5.2	87	5.3	83
* Plan Policy Index	4.3	33	23.1	11	15.0	27	25.3	23	3.7	50	4.4	49	6.1	44	5.9	40
Median	4.1		20.1		14.0		22.7		3.7		4.4		6.0		5.8	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - US Equity Composite

US Equity Style Map



Legend

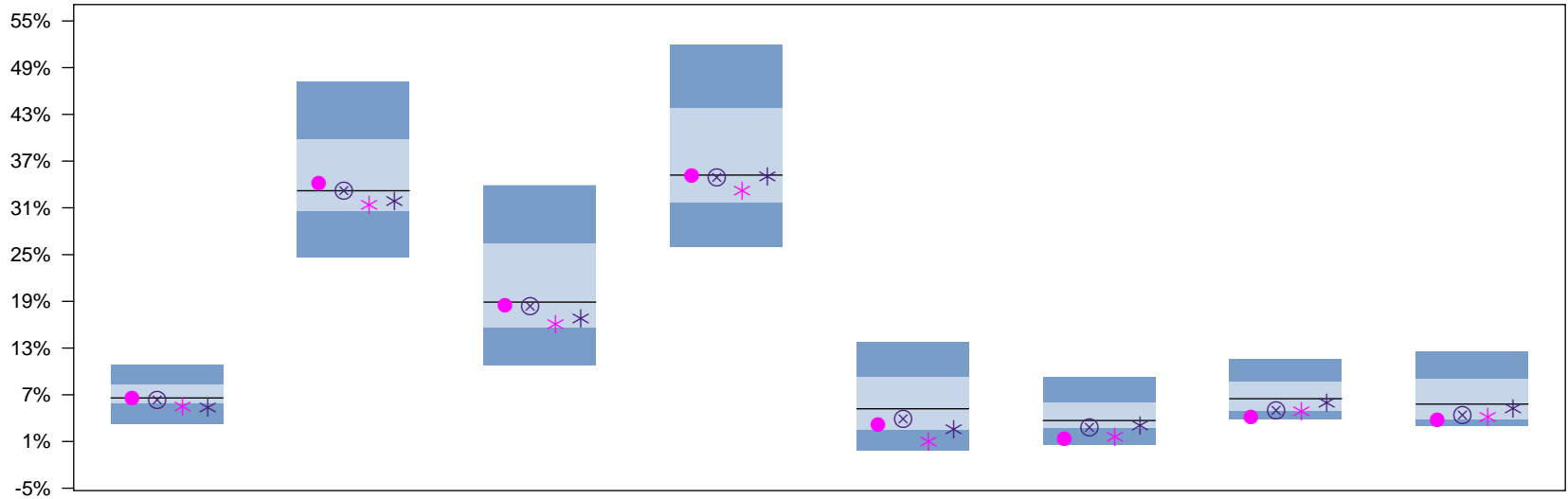
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|-------------------------------|------------------------------|-----------------------|----------------------|
| ● Barrow Hanley | ◆ BlackRock R1000 Index Fund | ▲ BlackRock | ■ The Boston Company |
| ◇ Chartwell | + D.E. Shaw | ▼ Jennison Associates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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds

Periods Ending March 31, 2011

Total Returns



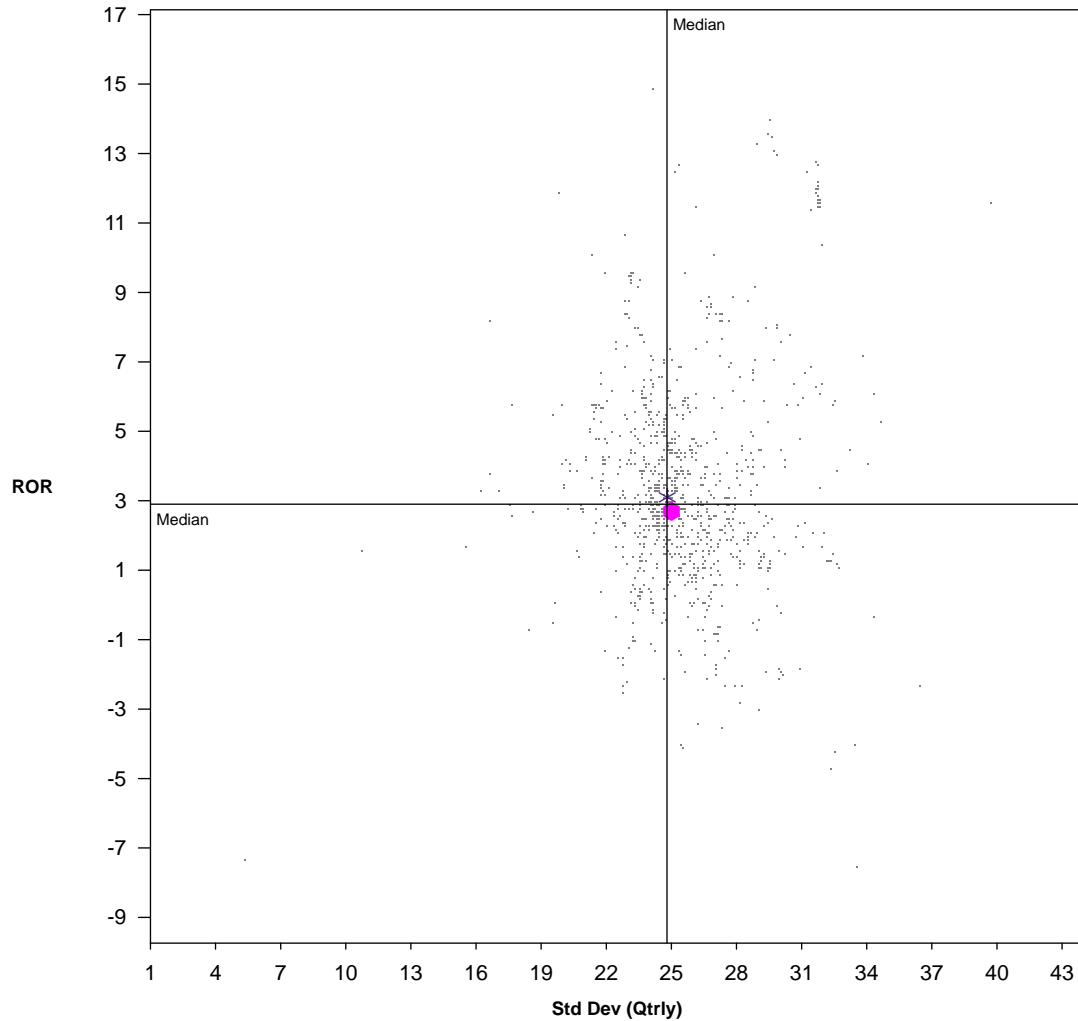
	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
● US Equity	6.9	46	34.5	45	18.8	51	35.5	50	3.5	62	1.7	89	4.5	87	4.1	71
⊗ US Equity Index	6.6	49	33.4	50	18.6	52	35.1	51	4.2	57	3.1	62	5.3	67	4.7	64
* Total Equity	5.7	79	31.6	61	16.3	65	33.4	60	1.3	89	1.8	88	5.1	71	4.4	68
* Total Equity Index	5.6	81	32.1	57	17.0	61	35.3	50	2.8	70	3.3	59	6.2	54	5.5	55
Median	6.6		33.2		18.9		35.2		5.2		3.7		6.5		5.8	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending March 31, 2011

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	2.6 55	25.1 58	0.1 54
* RUSSELL 1000	3.0 48	24.9 53	0.1 47
Median	2.9	24.8	0.1

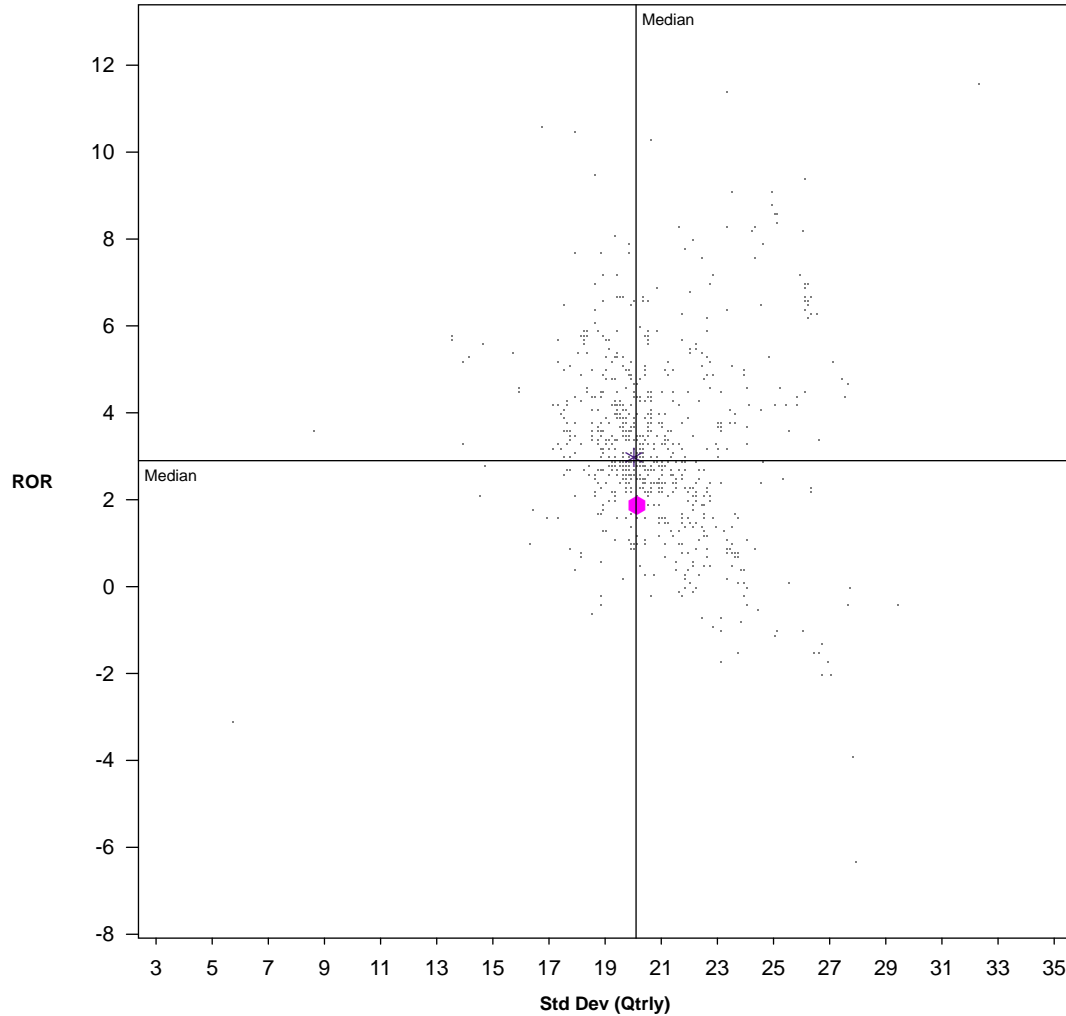
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending March 31, 2011

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	1.8 82	20.2 53	-0.0 82
* RUSSELL 1000	2.9 50	20.1 50	0.0 49
Median	2.9	20.1	0.0

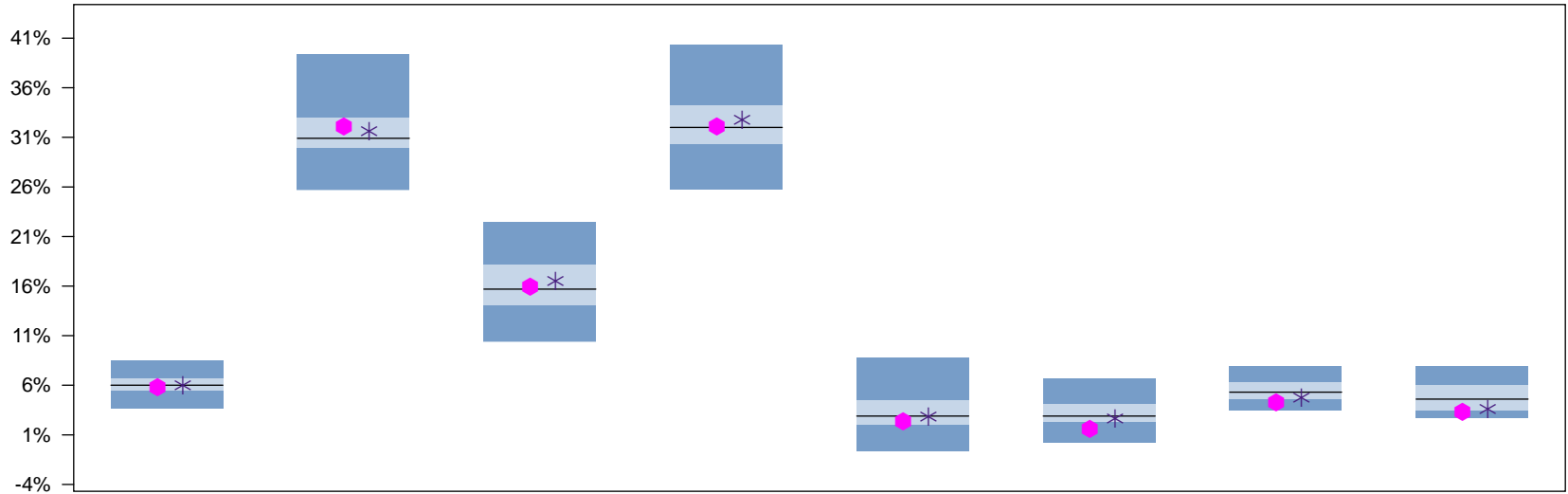
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Periods Ending March 31, 2011

Total Returns

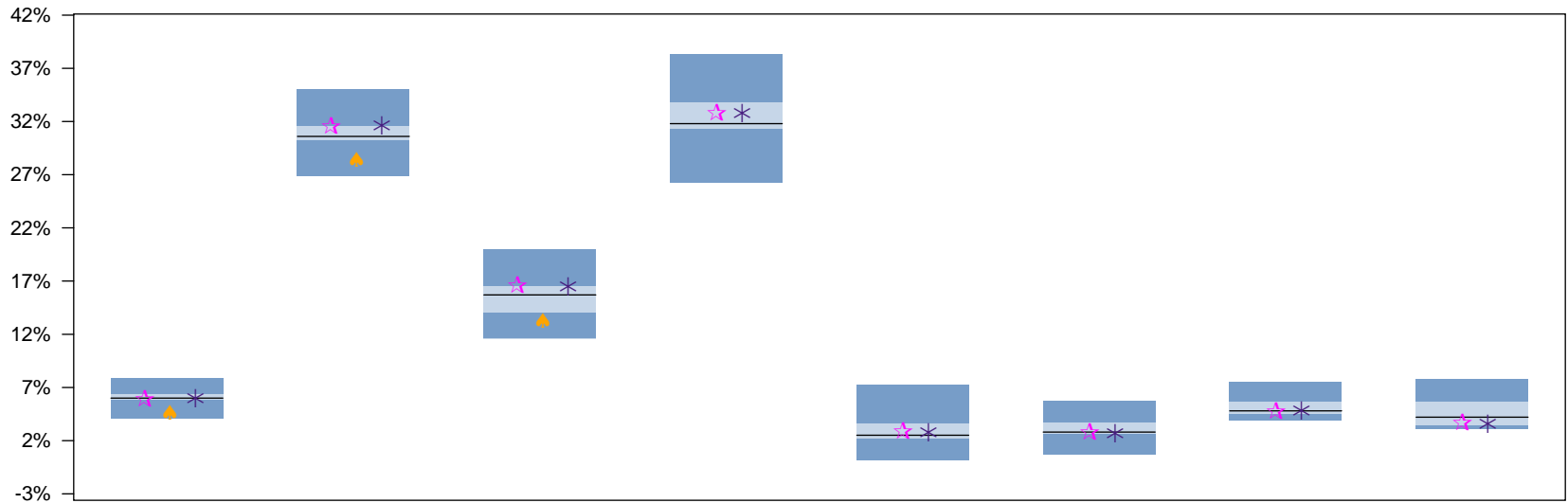


	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
● Large Cap	6.0	54	32.3	33	16.1	44	32.3	47	2.6	55	1.8	82	4.5	80	3.5	71
* RUSSELL 1000	6.2	41	31.8	38	16.7	39	33.0	40	3.0	48	2.9	50	5.0	60	3.8	65
Median	6.0		30.9		15.7		32.0		2.9		2.9		5.3		4.6	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core
 Periods Ending March 31, 2011

Total Returns



	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
☆ BlackRock-R1000 Index	6.2	36	31.8	23	16.8	23	33.1	33	3.1	37	3.0	40	5.0	44	3.9	58
▲ DE Shaw	5.3	85	29.1	86	13.9	77										
* RUSSELL 1000	6.2	36	31.8	23	16.7	25	33.0	34	3.0	39	2.9	44	5.0	46	3.8	60
Median	6.0		30.6		15.7		31.8		2.5		2.8		4.8		4.2	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – BlackRock-R1000 Index Fund

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	974	
Average Market Cap (000's)	81,378,613	81,393,097
Median Market Cap (000's)	5,757,055	5,721,310
P/E Ratio	16.96	16.96
Dividend Yield	1.74	1.74
Beta	1.01	1.01
Price/Book Ratio	3.46	3.47
Return on Equity	18.79	18.79
Earnings Growth - 5 Years	4.93	4.90

Ten Largest Holdings		
Name	\$	Weight
EXXON MOBIL CORP	6,352,081	3.1
APPLE INC	4,697,216	2.3
CHEVRON CORP	3,196,829	1.6
GENERAL ELECTRIC CO	3,171,286	1.6
INTL BUSINESS MACHINES C	3,097,930	1.5
MICROSOFTCORP	2,877,710	1.4
JPMORGAN CHASE + CO	2,717,279	1.3
AT+T INC	2,678,730	1.3
PROCTER +GAMBLE CO/THI	2,628,161	1.3
PFIZER INC	2,426,997	1.2

Ten Best Performers	
Name	Return
GREEN MOUNTAIN COFFEE ROASTE	96.6
WEIGHT WATCHERS INTL INC	87.5
SANDRIDGEENERGY INC	74.9
MANITOWOCCOMPANY INC	66.9
FRONTIER OIL CORP	64.8
EHOSTAR CORP A	51.6
LEVEL 3 COMMUNICATIONS INC	50.0
HOLLY CORP	49.4
TESORO CORP	44.7
MARATHON OIL CORP	44.7

Ten Worst Performers	
Name	Return
CENTRAL EURO DISTRIBUTION CP	-50.4
MONSTER WORLDWIDE INC	-32.7
CREE RESEARCH INC	-29.9
AMERICAN INTERNATIONAL GROUP	-27.3
DOLBY LABORATORIES INC CL A	-26.2
GREEN DOTCORP CLASS A	-24.4
HUDSON CITY BANCORP INC	-23.0
AMYLIN PHARMACEUTICALS INC	-22.7
TELLABS INC	-22.4
DELTA AIRLINES INC	-22.2

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock-R1000 Index Fund

Benchmark: RUSSELL 1000

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
BlackRock-R1000 Index									
CONSUMER DISCRETIONARY	11.5	11.5	0.0	4.7	4.8	-0.0	-0.00	-0.00	-0.00
CONSUMER STAPLES	9.4	9.4	0.0	3.0	3.0	0.1	-0.00	0.01	0.01
ENERGY	11.4	11.4	0.0	16.9	16.9	-0.0	0.00	-0.00	-0.00
FINANCIALS	16.2	16.2	-0.0	3.4	3.4	-0.0	0.00	-0.00	0.00
HEALTH CARE	10.9	10.9	0.0	6.3	6.2	0.1	-0.00	0.01	0.01
INDUSTRIALS	11.5	11.5	0.0	9.0	9.0	-0.0	0.00	-0.00	-0.00
INFORMATION TECHNOLOGY	18.2	18.2	0.0	3.7	3.7	0.0	-0.00	0.00	0.00
MATERIALS	4.3	4.3	0.0	5.5	5.5	0.0	-0.00	0.00	0.00
TELECOMMUNICATION SERVICES	3.0	3.0	0.0	4.6	4.6	-0.0	-0.00	-0.00	-0.00
UTILITIES	3.5	3.5	0.0	4.2	4.2	-0.0	-0.00	-0.00	-0.00
TOTAL	100.0	100.0	0.0	6.2	6.2	0.0	-0.00	0.01	0.01

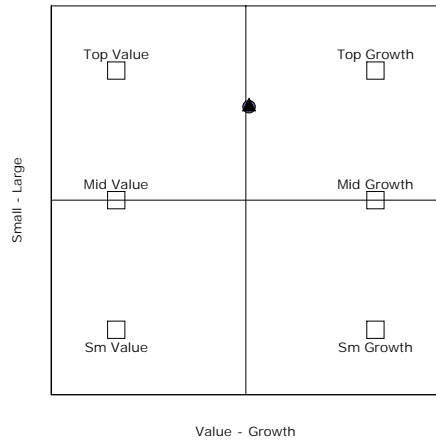
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - BlackRock R1000 Index Fund

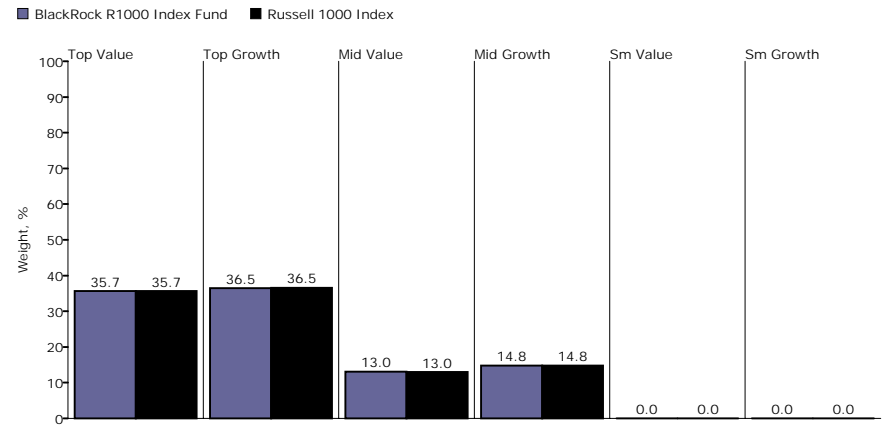
US Equity Style Map

Apr 08 - Mar 11



US Equity Style Exposures

Apr 08 - Mar 11

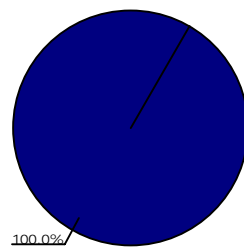
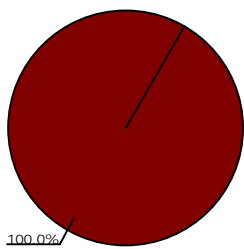


R-Squared (Style Analysis)

Apr 08 - Mar 11

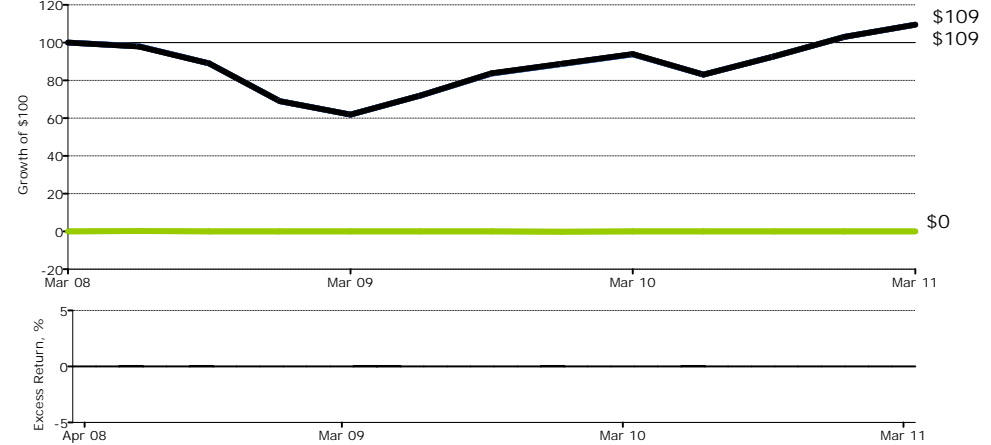
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



Legend

▲ Russell 1000 Index

● BlackRock R1000 Index Fund

■ Total

■ Style

■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – D.E. Shaw

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	503	
Average Market Cap (000's)	83,053,812	81,393,097
Median Market Cap (000's)	4,399,690	5,721,310
P/E Ratio	17.47	16.96
Dividend Yield	1.59	1.74
Beta	1.02	1.01
Price/Book Ratio	3.12	3.47
Return on Equity	16.90	18.79
Earnings Growth - 5 Years	3.16	4.90

Ten Largest Holdings		
Name	\$	Weight
EXXON MOBIL CORP	4,307,456	3.9
APPLE INC	3,589,035	3.2
GENERAL ELECTRIC CO	2,971,410	2.7
WELLS FARGO + CO	2,802,280	2.5
CONOCOPHILLIPS	2,659,338	2.4
CHEVRON CORP	2,041,170	1.8
DEVON ENERGY CORPORATION	2,009,763	1.8
JPMORGAN CHASE + CO	2,000,740	1.8
PHILIP MORRIS INTERNATIONAL	1,883,581	1.7
MICROSOFTCORP	1,869,032	1.7

Ten Best Performers	
Name	Return
HERCULES OFFSHORE INC	91.0
SAUER DANFOSS INC	80.3
VALEANT PHARMACEUTICALS INTE	76.1
MICROSTRATEGY INC CL A	57.3
INNOSPEC INC	56.6
LEVEL 3 COMMUNICATIONS INC	50.0
STONE ENERGY CORP	49.7
ION GEOPHYSICAL CORP	49.7
UNITED RENTALS INC	46.3
HYPERCOM CORP	43.7

Ten Worst Performers	
Name	Return
INSPIRE PHARMACEUTICALS INC	-52.9
PACIFIC SUNWEAR OF CALIF	-33.4
FARMER BROS CO	-31.6
TREADOR RESOURCES CORP	-30.5
XENOPORT INC	-30.4
LIZ CLAIBORNE INC	-24.7
ULTRALIFECORP	-23.5
AMYLIN PHARMACEUTICALS INC	-22.7
SPARTECH CORP	-22.5
SEQUENOM INC	-21.1

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

DE Shaw

Benchmark: RUSSELL 1000

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
DE Shaw									
COMMINGLED FUND	0.5	0.0	0.5	-	-	-	-0.03	0.00	-0.03
CONSUMER DISCRETIONARY	12.9	11.5	1.5	1.8	4.8	-2.9	-0.02	-0.38	-0.40
CONSUMER STAPLES	7.2	9.4	-2.1	1.8	3.0	-1.2	0.07	-0.08	-0.02
ENERGY	11.9	11.4	0.5	16.6	16.9	-0.3	0.05	-0.03	0.02
FINANCIALS	16.2	16.2	-0.0	2.4	3.4	-1.1	0.00	-0.17	-0.17
HEALTH CARE	13.0	10.9	2.1	8.1	6.2	1.9	-0.00	0.26	0.26
INDUSTRIALS	9.8	11.5	-1.7	6.8	9.0	-2.2	-0.04	-0.21	-0.25
INFORMATION TECHNOLOGY	19.7	18.2	1.4	2.8	3.7	-0.9	-0.03	-0.18	-0.22
MATERIALS	2.0	4.3	-2.3	9.2	5.5	3.7	0.02	0.09	0.10
TELECOMMUNICATION SERVICES	4.3	3.0	1.3	-1.4	4.6	-6.0	-0.02	-0.26	-0.28
UTILITIES	2.4	3.5	-1.1	6.2	4.2	2.0	0.02	0.06	0.08
TOTAL	100.0	100.0	0.0	5.3	6.2	-0.9	-0.00	-0.90	-0.90

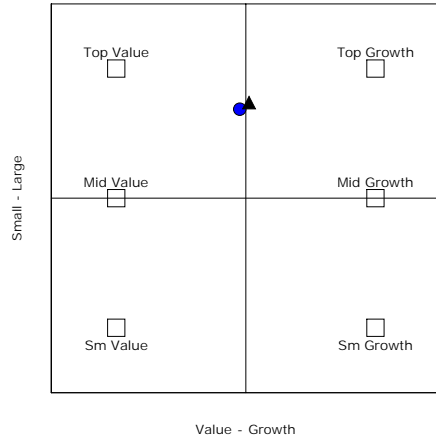
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - D.E. Shaw

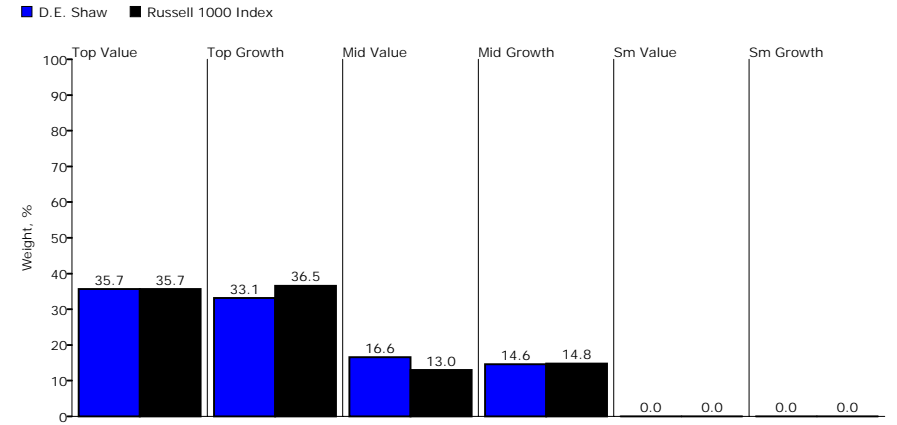
US Equity Style Map

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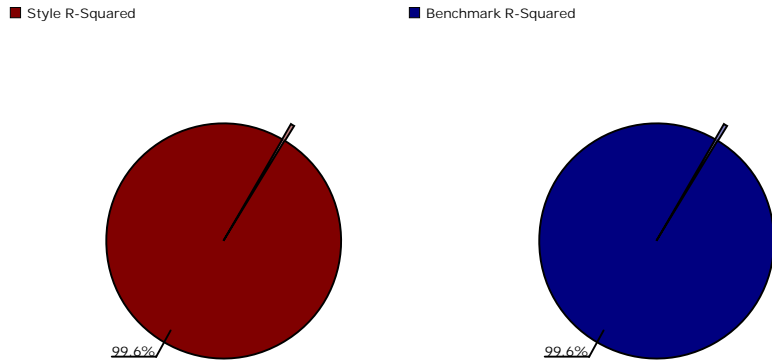
US Equity Style Exposures

Apr 08 - Mar 11



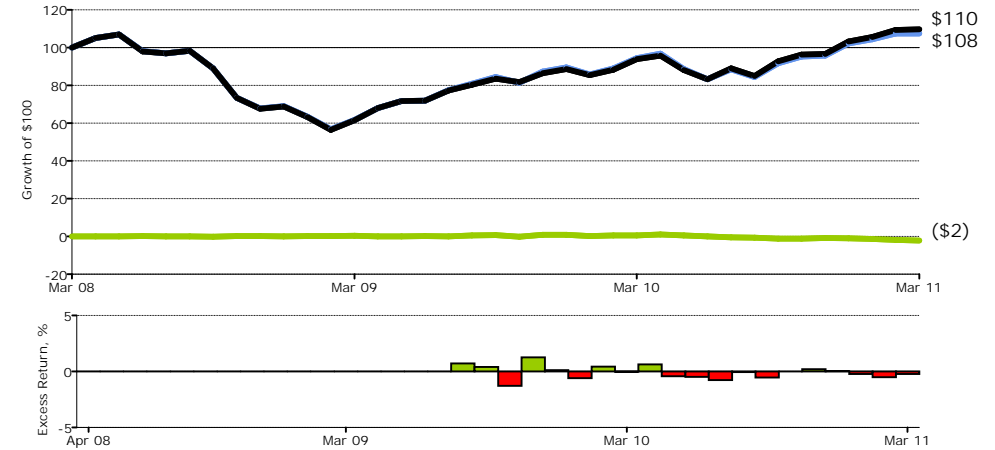
R-Squared (Style Analysis)

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Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



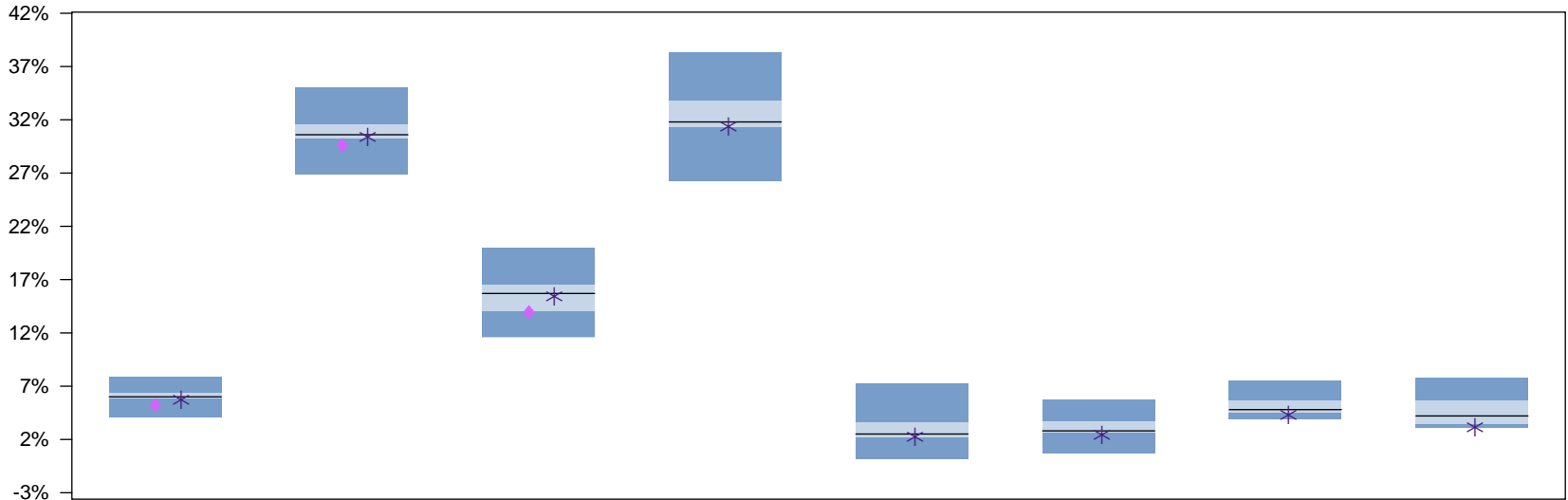
Legend

- ▲ Russell 1000 Index
- D.E. Shaw
- Total
- Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core
 Periods Ending March 31, 2011

Total Returns



	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
◆ T Rowe Price	5.8	77	30.2	76	14.6	69										
* S&P 500	5.9	69	30.6	62	15.6	52	31.6	68	2.4	69	2.6	72	4.5	85	3.3	89
Median	6.0		30.6		15.7		31.8		2.5		2.8		4.8		4.2	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – T. Rowe Price

Portfolio Characteristics		
	Portfolio	S&P 500
Total Number of Securities	288	
Average Market Cap (000's)	93,578,804	91,806,605
Median Market Cap (000's)	17,088,780	11,861,335
P/E Ratio	16.64	16.74
Dividend Yield	1.68	1.81
Beta	1.01	1.00
Price/Book Ratio	3.55	3.44
Return on Equity	19.68	19.39
Earnings Growth - 5 Years	4.47	4.36

Ten Largest Holdings		
Name	\$	Weight
EXXON MOBIL CORP	4,057,253	3.7
APPLE INC	3,066,360	2.8
MICROSOFTCORP	2,470,064	2.3
AT+T INC	2,337,840	2.1
CHEVRON CORP	2,180,829	2.0
PROCTER +GAMBLE CO/THI	1,915,760	1.8
JPMORGAN CHASE + CO	1,811,730	1.7
GENERAL ELECTRIC CO	1,782,445	1.6
PFIZER INC	1,662,719	1.5
INTL BUSINESS MACHINES C	1,647,007	1.5

Ten Best Performers	
Name	Return
MICRON TECHNOLOGY INC	42.9
H+R BLOCKINC	42.0
NETFLIX INC	35.1
ROCKWELL AUTOMATION INC	32.5
EL PASO CORP	30.9
WEYERHAEUSER CO	30.8
WHOLE FOODS MARKET INC	30.5
CB RICHARDELLIS GROUP INC A	30.4
DISCOVER FINANCIAL SERVICES	30.2
RANGE RESOURCES CORP	30.1

Ten Worst Performers	
Name	Return
AKAMAI TECHNOLOGIES INC	-19.2
TARGET CORP	-16.4
CARNIVAL CORP	-16.4
MARVELL TECHNOLOGY GROUP L	-16.2
GENERAL MOTORS CO	-15.8
CISCO SYSTEMS INC	-14.9
MARRIOTT INTERNATIONAL CL A	-14.2
FORD MOTORCO	-11.2
NIKE INCCL B	-11.1
CIT GROUPINC	-9.7

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

T Rowe Price

Benchmark: S&P 500

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
T Rowe Price									
CONSUMER DISCRETIONARY	12.2	10.9	1.3	2.7	4.5	-1.8	-0.02	-0.22	-0.24
CONSUMER STAPLES	9.6	10.4	-0.7	1.7	2.5	-0.8	0.02	-0.07	-0.05
ENERGY	12.2	11.9	0.3	15.5	16.8	-1.3	0.03	-0.16	-0.13
FINANCIALS	15.7	16.1	-0.4	3.1	2.9	0.2	0.01	0.02	0.04
HEALTH CARE	10.6	10.7	-0.1	6.5	5.6	0.9	0.00	0.10	0.10
INDUSTRIALS	11.7	11.1	0.6	9.2	8.8	0.4	0.02	0.04	0.06
INFORMATION TECHNOLOGY	18.3	18.6	-0.3	4.9	3.5	1.4	0.01	0.26	0.27
MATERIALS	3.7	3.9	-0.2	5.6	5.3	0.2	0.00	0.01	0.01
TELECOMMUNICATION SERVICES	3.0	3.1	-0.1	4.5	4.9	-0.4	0.00	-0.01	-0.01
UTILITIES	3.0	3.4	-0.4	4.2	3.0	1.2	0.01	0.04	0.05
TOTAL	100.0	100.0	0.0	6.0	5.9	0.1	0.08	0.01	0.09

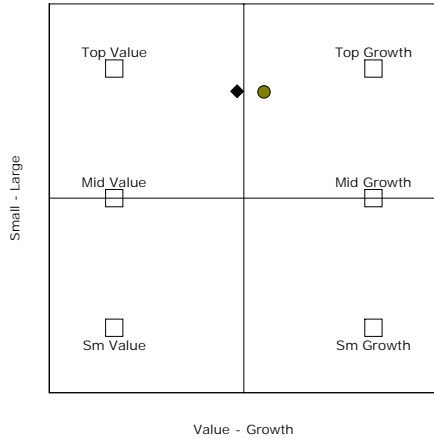
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - T. Rowe Price

US Equity Style Map

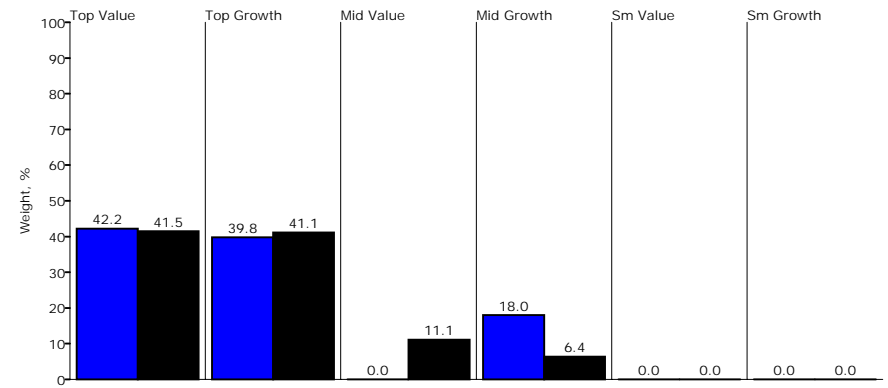
Apr 08 - Mar 11



US Equity Style Exposures

Apr 08 - Mar 11

■ T. Rowe Price ■ S&P 500 Index

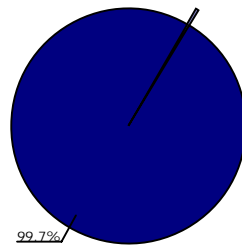
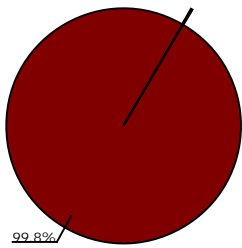


R-Squared (Style Analysis)

Apr 08 - Mar 11

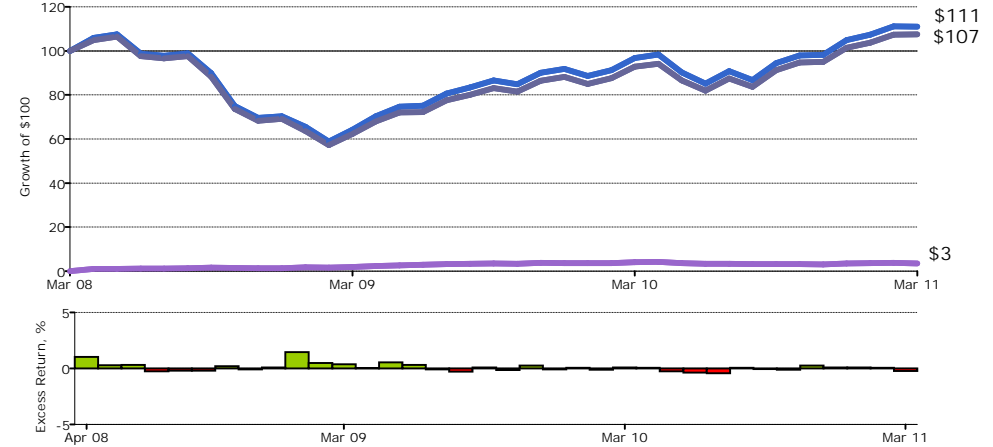
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



Legend

▲ S&P 500 Index ● T. Rowe Price

■ Total
■ Selection

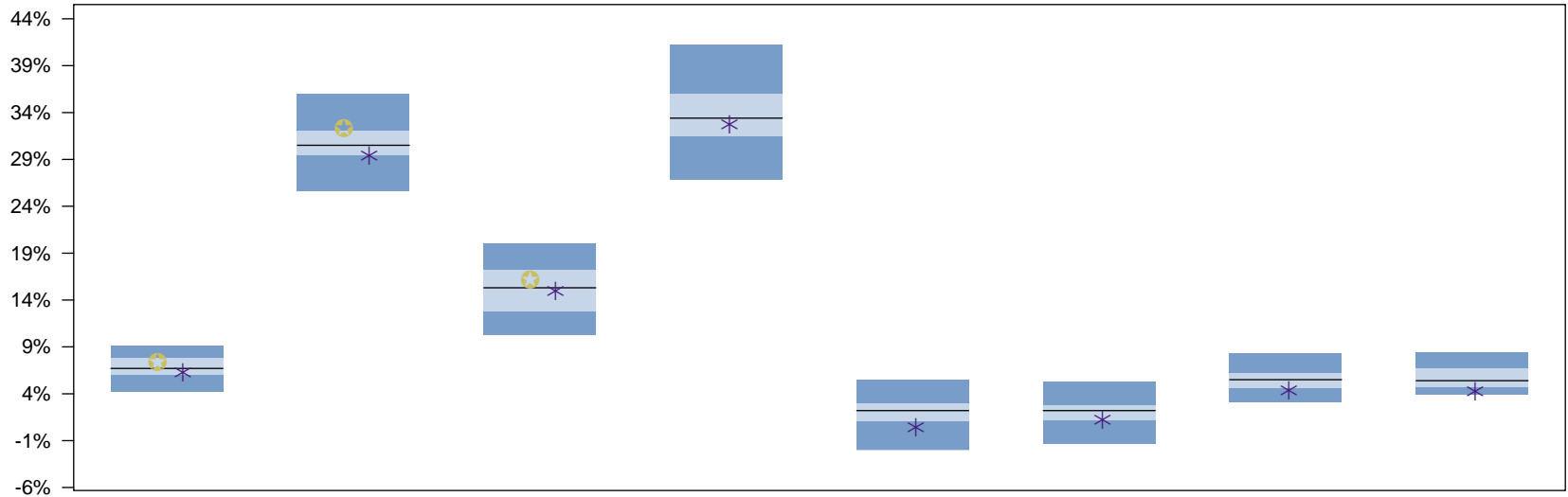
■ Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Value

Periods Ending March 31, 2011

Total Returns



	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
✦ Barrow Hanley	7.7	28	32.6	19	16.5	34										
* RUSSELL 1000 VALUE	6.5	62	29.6	70	15.2	54	33.0	58	0.6	81	1.4	73	4.6	75	4.5	85
Median	6.7		30.5		15.3		33.4		2.2		2.2		5.5		5.4	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – Barrow Hanley

Portfolio Characteristics		
	Portfolio	Russell 1000 Value
Total Number of Securities	94	
Average Market Cap (000's)	50,995,629	71,494,266
Median Market Cap (000's)	19,527,785	5,172,620
P/E Ratio	15.17	15.45
Dividend Yield	2.07	2.10
Beta	1.11	1.04
Price/Book Ratio	2.65	2.09
Return on Equity	17.10	12.90
Earnings Growth - 5 Years	(1.06)	(1.69)

Ten Largest Holdings

Name	\$	Weight
STANLEY BLACK + DECKER INC	5,545,840	3.3
CAPITAL ONE FINANCIAL CORP	5,460,996	3.3
PNC FINANCIAL SERVICES GROUP	3,943,174	2.4
CONOCOPHILLIPS	3,529,812	2.1
SLM CORP	3,387,420	2.0
WELLPOINTINC	3,301,067	2.0
UNITEDHEALTH GROUP INC	3,236,320	1.9
L 3 COMMUNICATIONS HOLDINGS	3,140,231	1.9
OCCIDENTALPETROLEUM CORP	3,092,904	1.9
MURPHY OILCORP	2,907,432	1.7

Ten Best Performers

Name	Return
MARATHON OIL CORP	44.7
SERVICE CORP INTERNATIONAL	34.7
UNITEDHEALTH GROUP INC	25.5
WELLPOINTINC	23.2
CAPITAL ONE FINANCIAL CORP	22.2
ONEOK INC	21.6
SLM CORP	21.5
ALLIANCE DATA SYSTEMS CORP	20.9
CIGNA CORP	20.9
COVENTRY HEALTH CARE INC	20.8

Ten Worst Performers

Name	Return
CARNIVAL CORP	-16.4
ROYAL CARIBBEAN CRUISES LTD	-12.2
MICROSOFTCORP	-8.6
INTL GAMETECHNOLOGY	-7.9
XEROX CORP	-7.2
NEW YORK COMMUNITY BANCORP	-7.2
CITIGROUPINC	-6.6
FIFTH THIRD BANCORP	-5.0
TEVA PHARMACEUTICAL INDS LTD	-3.4
JOHNSON +JOHNSON	-3.3

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Barrow Hanley

Benchmark: RUSSELL 1000 VALUE

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>Barrow Hanley</i>									
CONSUMER DISCRETIONARY	11.7	7.8	3.9	1.8	9.2	-7.3	0.10	-0.89	-0.79
CONSUMER STAPLES	8.9	9.8	-0.8	7.5	1.5	6.0	0.04	0.53	0.57
ENERGY	12.6	12.3	0.3	12.7	17.1	-4.5	0.03	-0.59	-0.56
FINANCIALS	21.4	27.6	-6.2	6.8	2.9	4.0	0.21	0.84	1.06
HEALTH CARE	13.9	12.4	1.5	14.0	6.2	7.8	-0.01	1.10	1.10
INDUSTRIALS	13.8	9.3	4.5	7.1	9.6	-2.5	0.13	-0.38	-0.25
INFORMATION TECHNOLOGY	10.1	5.4	4.7	4.8	2.5	2.3	-0.18	0.26	0.08
MATERIALS	1.2	3.4	-2.2	13.0	10.0	3.0	-0.08	0.04	-0.04
TELECOMMUNICATION SERVICES	1.7	5.2	-3.5	8.0	5.5	2.5	0.03	0.04	0.07
UTILITIES	4.7	6.9	-2.2	6.8	4.0	2.8	0.05	0.13	0.18
TOTAL	100.0	100.0	0.0	8.0	6.5	1.5	0.33	1.08	1.41

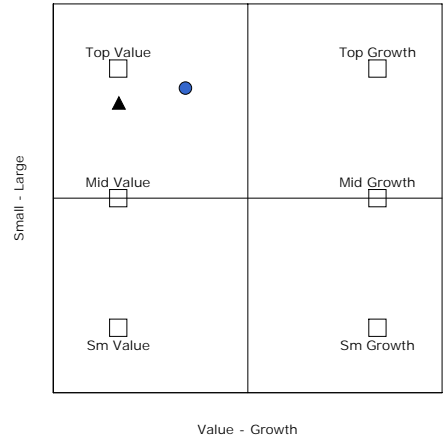
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - Barrow Hanley

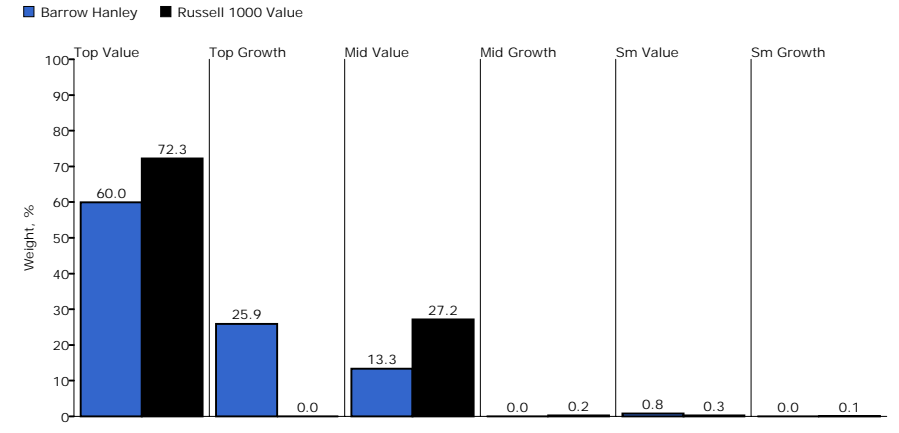
US Equity Style Map

Apr 08 - Mar 11



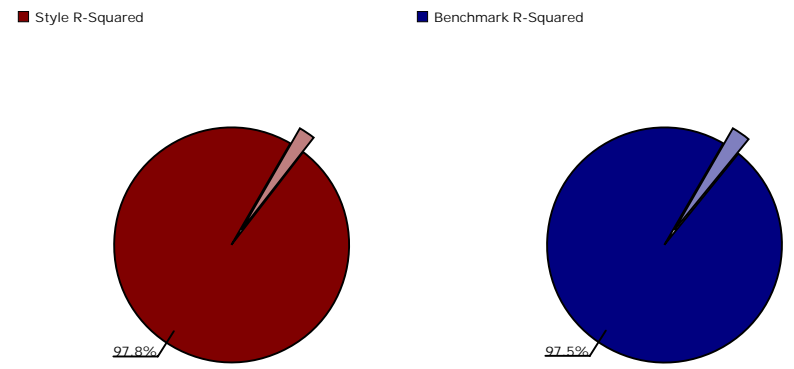
US Equity Style Exposures

Apr 08 - Mar 11



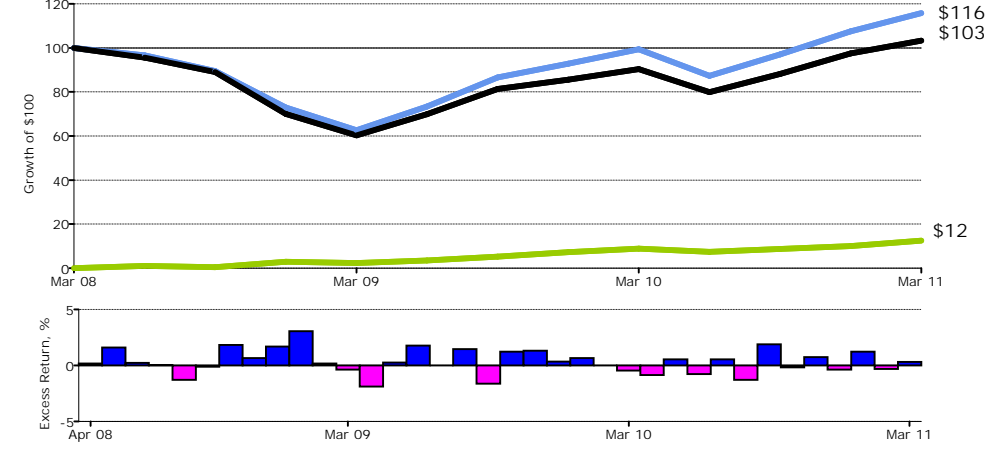
R-Squared (Style Analysis)

Apr 08 - Mar 11



Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



Legend

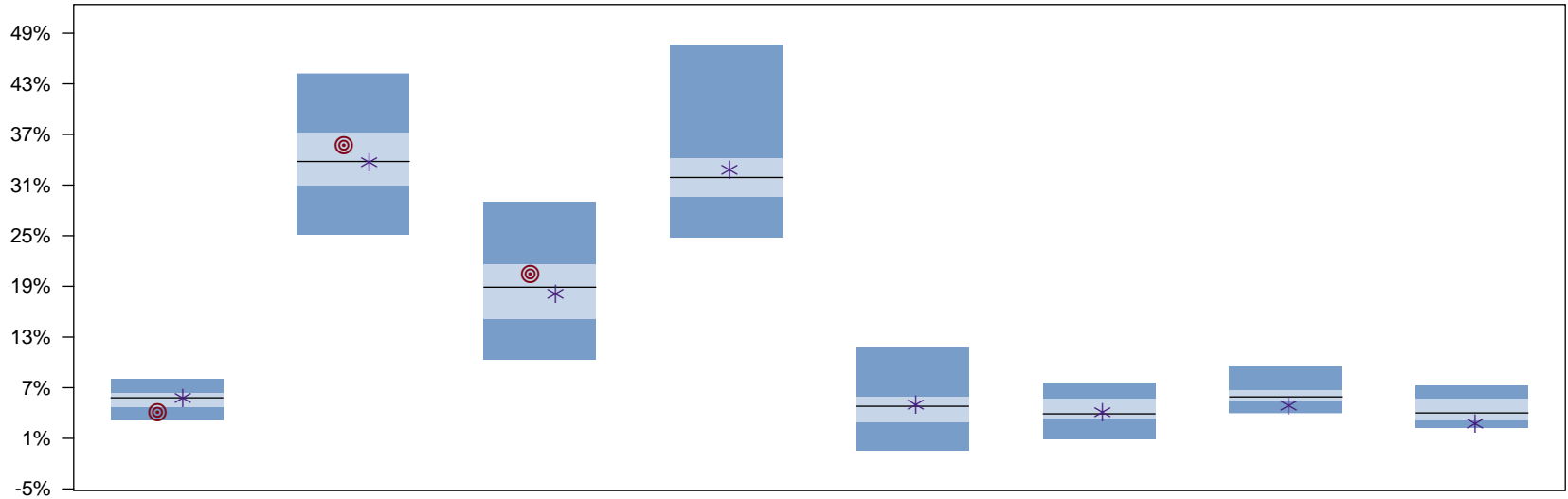
- ▲ Russell 1000 Value
- Barrow Hanley
- Total
- Style
- Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Growth

Periods Ending March 31, 2011

Total Returns



	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
⊙ BlackRock	4.4	84	36.1	32	20.8	31										
* RUSSELL 1000 GROWTH	6.0	42	34.0	48	18.3	56	33.1	39	5.2	45	4.3	44	5.1	82	3.0	81
Median	5.8		33.8		18.9		31.9		4.8		3.9		5.9		4.0	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – BlackRock

Portfolio Characteristics		
	Portfolio	Russell 1000 Growth
Total Number of Securities	68	
Average Market Cap (000's)	69,597,906	91,150,073
Median Market Cap (000's)	17,360,185	6,477,880
P/E Ratio	23.34	18.57
Dividend Yield	0.86	1.38
Beta	1.03	0.97
Price/Book Ratio	5.62	4.83
Return on Equity	19.52	24.57
Earnings Growth - 5 Years	14.63	11.26

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	11,150,400	6.4
QUALCOMM INC	6,853,750	4.0
BOEING CO	5,611,287	3.2
SCHLUMBERGER LTD	5,418,406	3.1
ORACLE CORP	5,175,687	3.0
GOOGLE INCCL A	5,158,648	3.0
PROCTER +GAMBLE CO/THE	4,897,200	2.8
DANAHER CORP	4,805,940	2.8
ANADARKO PETROLEUM CORP	4,308,992	2.5
AMAZON.COMINC	4,161,003	2.4

Ten Best Performers	
Name	Return
MICRON TECHNOLOGY INC	42.9
BAIDU COM INC	42.7
NETFLIX INC	35.1
WHOLE FOODS MARKET INC	30.5
MOODY S CORP	28.2
MASSEY ENERGY CO	27.6
ALEXION PHARMACEUTICALS INC	22.5
HALLIBURTON CO	22.3
CATERPILLAR INC	19.4
TEREX CORP	19.3

Ten Worst Performers	
Name	Return
DELTA AIRLINES INC	-22.2
GENERAL MOTORS CO	-15.8
NETAPP INC	-12.3
FORD MOTORCO	-11.2
BROADCOM CORP CL A	-9.4
MICROSOFTCORP	-8.6
VMWARE INCCLASS A	-8.3
LAS VEGASSANDS CORP	-8.1
FREEMPORT MCMORAN COPPER	-7.1
NII HOLDINGS INC	-6.7

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock

Benchmark: RUSSELL 1000 GROWTH

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
BlackRock									
CONSUMER DISCRETIONARY	18.1	15.1	3.0	1.0	2.5	-1.6	-0.10	-0.28	-0.38
CONSUMER STAPLES	6.8	9.0	-2.2	5.0	4.5	0.4	0.03	0.04	0.07
ENERGY	7.9	10.6	-2.8	16.0	16.7	-0.6	-0.28	-0.05	-0.32
FINANCIALS	2.1	5.0	-2.9	14.8	6.3	8.5	-0.01	0.19	0.18
HEALTH CARE	8.2	9.5	-1.3	8.5	6.2	2.3	-0.00	0.20	0.20
INDUSTRIALS	16.2	13.7	2.5	2.7	8.6	-5.9	0.06	-0.94	-0.88
INFORMATION TECHNOLOGY	35.0	30.9	4.1	3.2	3.9	-0.7	-0.08	-0.25	-0.33
MATERIALS	4.0	5.3	-1.3	-3.1	2.7	-5.8	0.04	-0.23	-0.19
TELECOMMUNICATION SERVICES	1.8	0.9	0.9	2.7	-0.7	3.5	-0.06	0.07	0.02
UTILITIES	0.0	0.2	-0.2	-	12.8	-	-0.01	0.00	-0.01
TOTAL	100.0	100.0	0.0	4.3	6.0	-1.7	-0.40	-1.24	-1.64

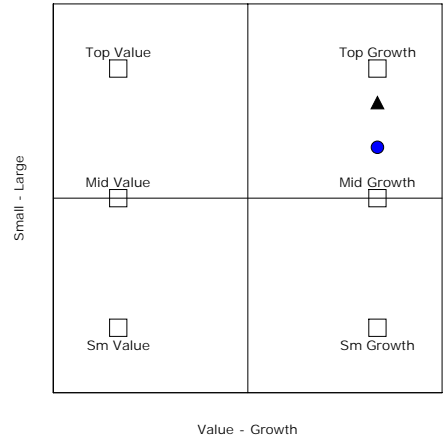
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - BlackRock

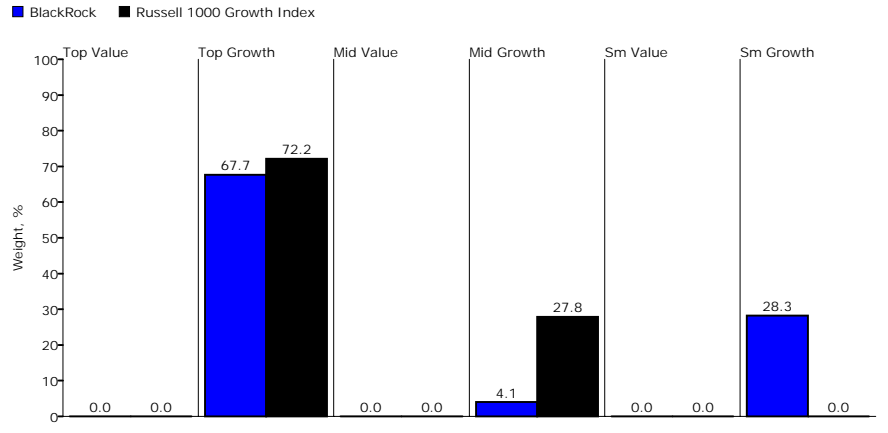
US Equity Style Map

Apr 08 - Mar 11



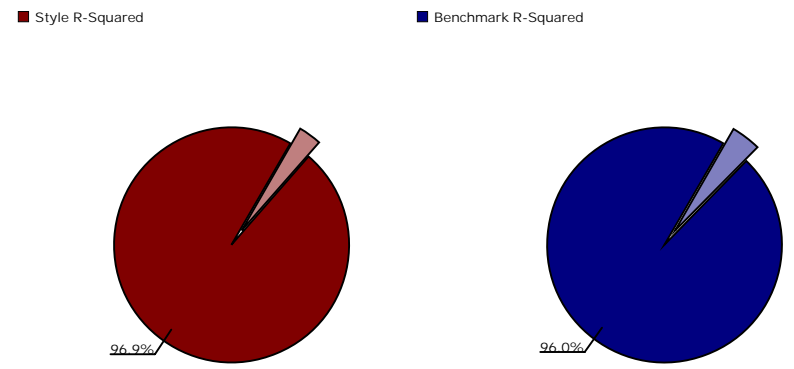
US Equity Style Exposures

Apr 08 - Mar 11



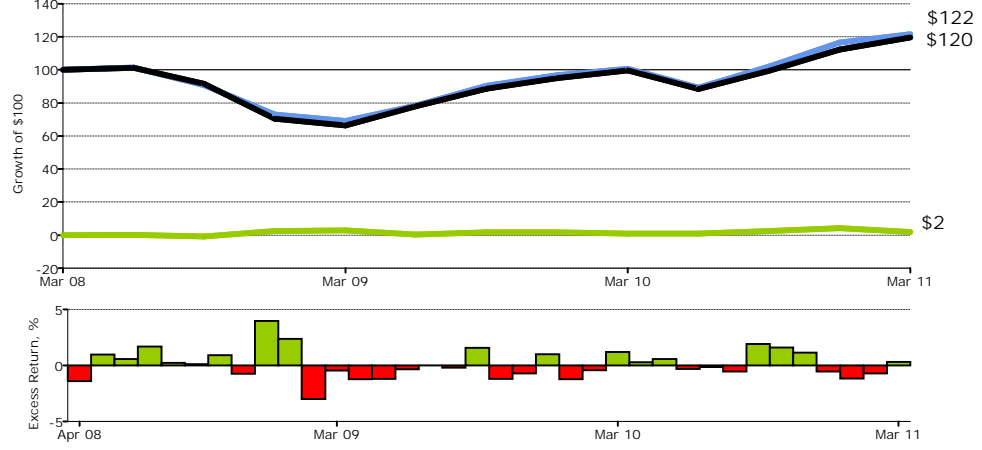
R-Squared (Style Analysis)

Apr 08 - Mar 11



Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



Legend

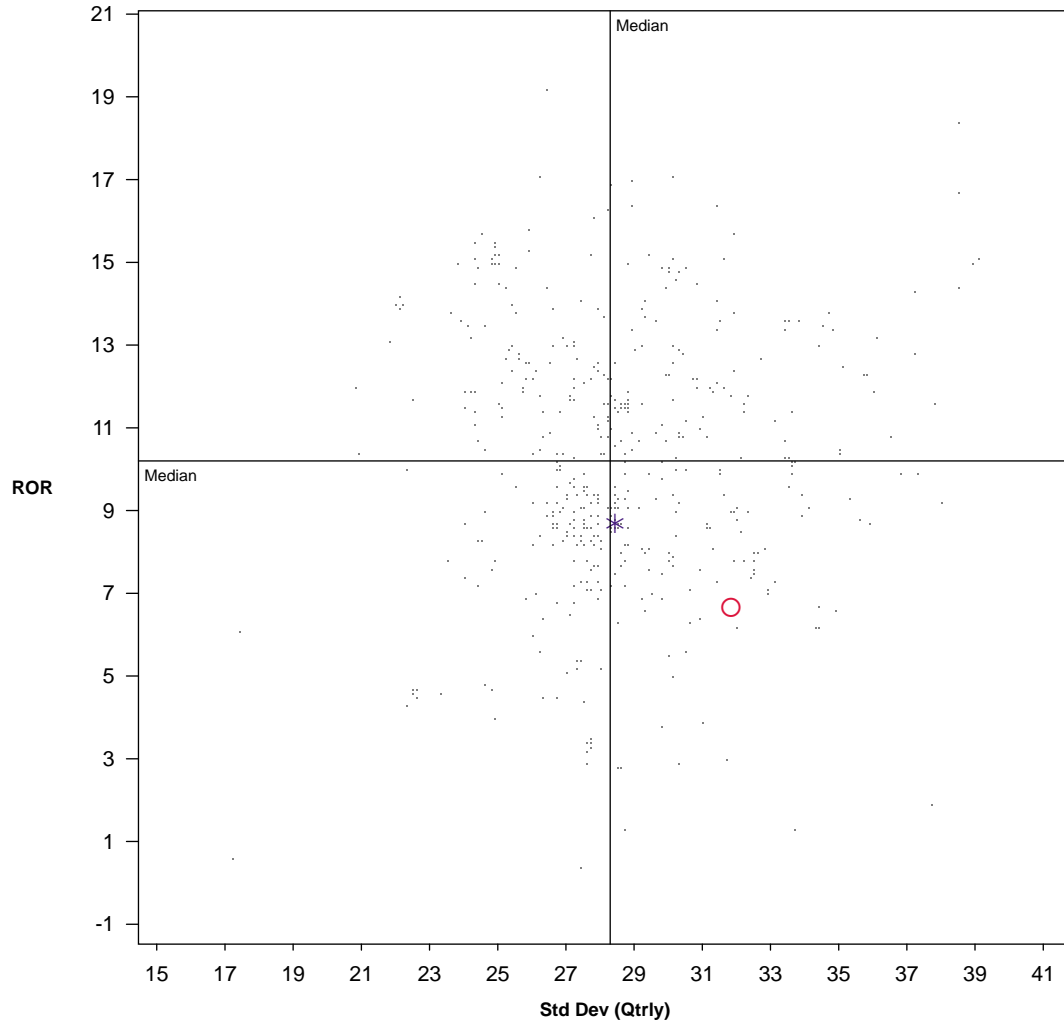
- ▲ Russell 1000 Growth Index
- BlackRock
- Total
- Style
- Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending March 31, 2011

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	6.6 91	31.9 85	0.2 91
* RUSSELL 2000	8.6 73	28.5 56	0.3 72
Median	10.2	28.3	0.3

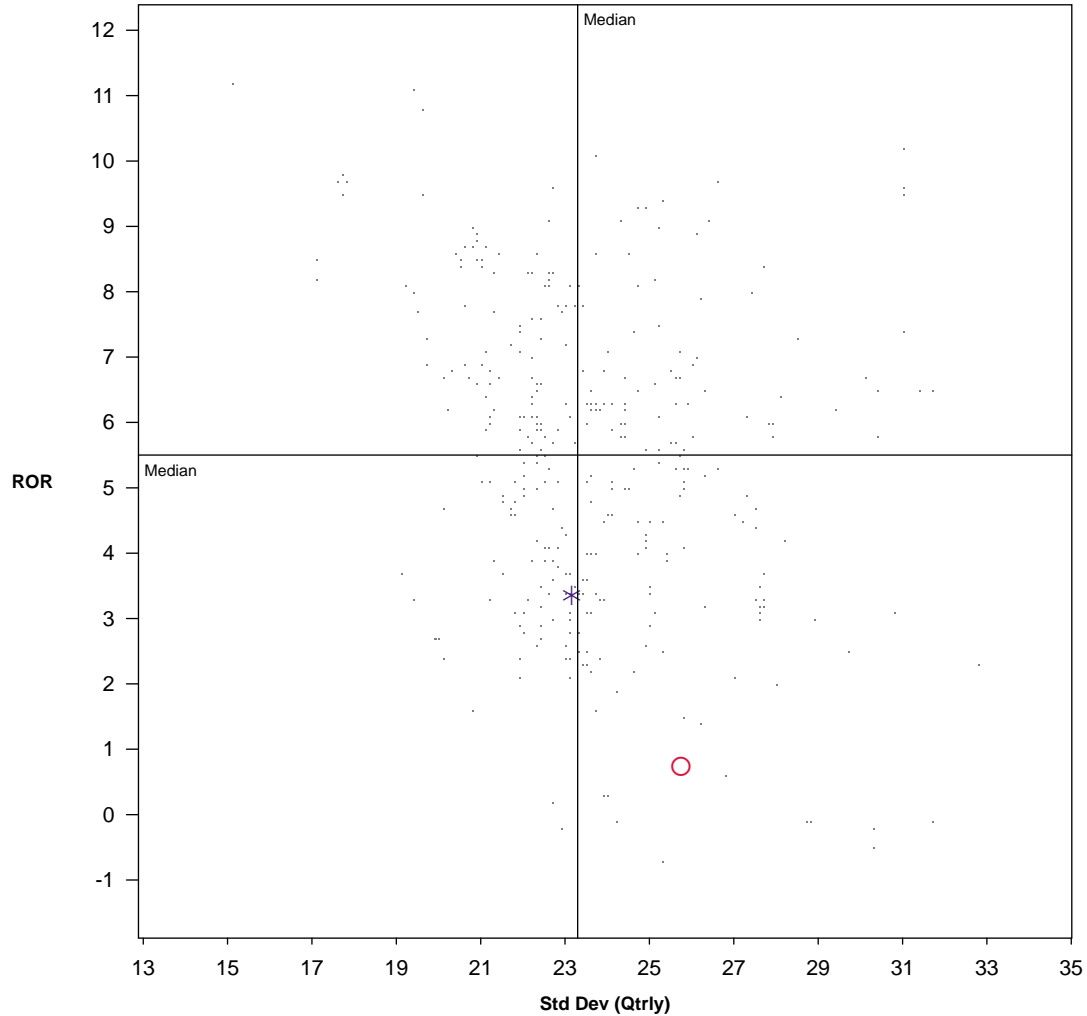
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending March 31, 2011

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	0.7 97	25.8 82	-0.1 97
* RUSSELL 2000	3.3 79	23.2 49	0.0 79
Median	5.5	23.3	0.1

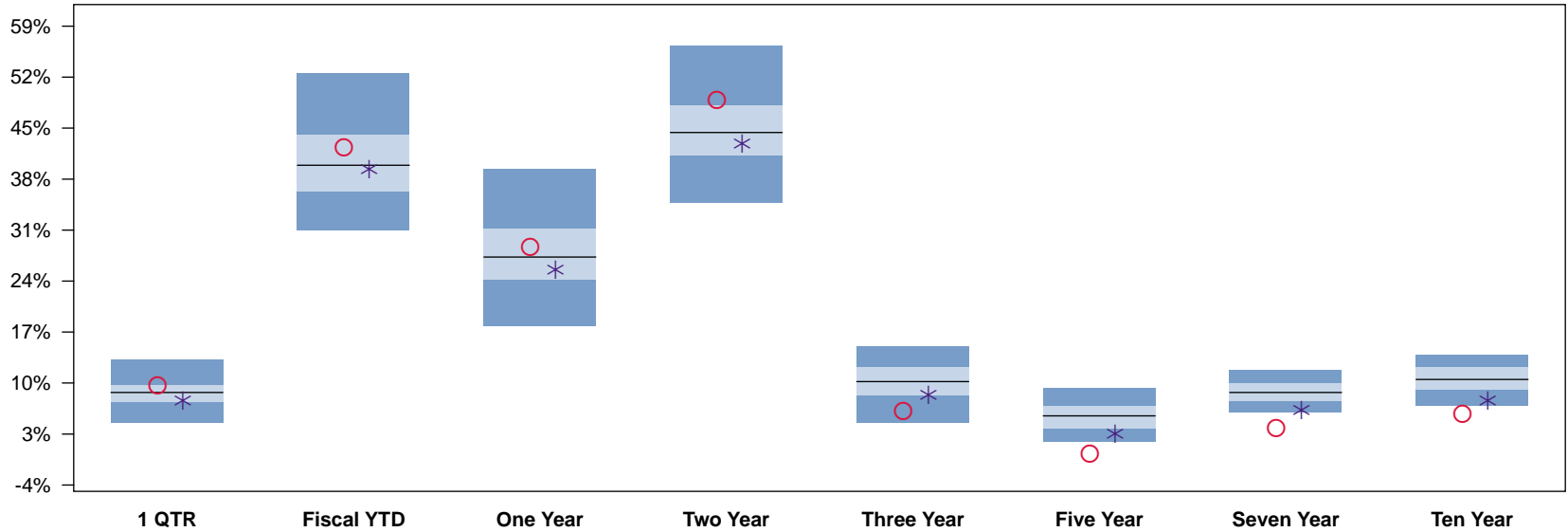
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Periods Ending March 31, 2011

Total Returns

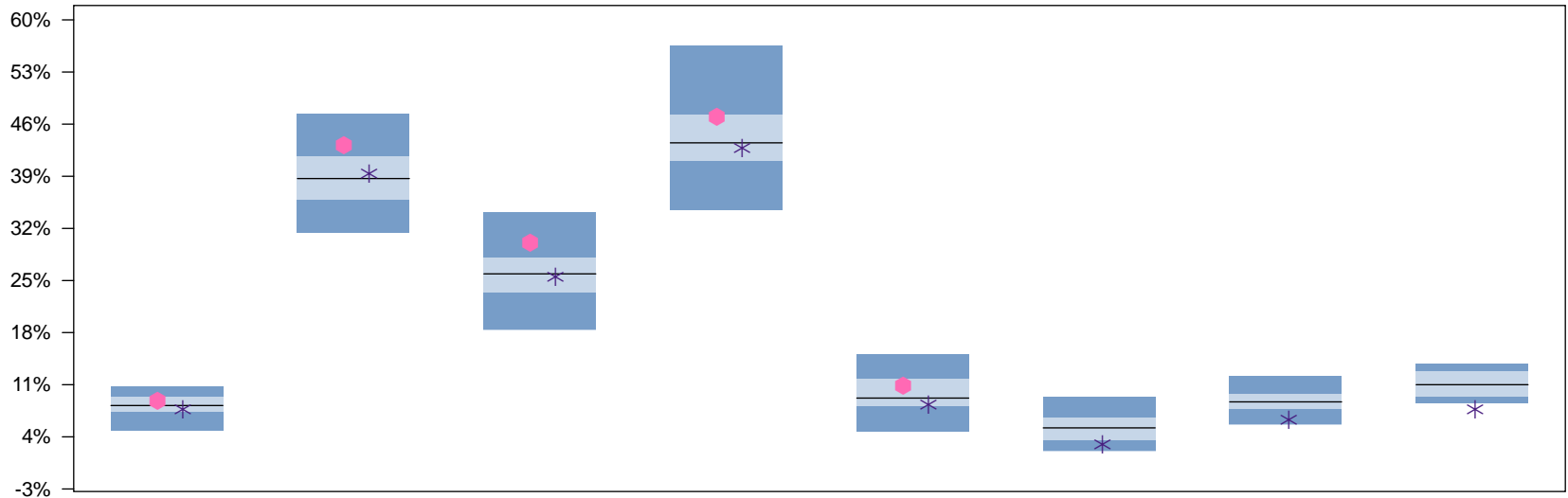


	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
○ Small Cap	10.1	22	42.8	32	29.1	39	49.3	20	6.6	91	0.7	97	4.2	99	6.2	98
* RUSSELL 2000	7.9	65	39.6	54	25.8	66	43.1	64	8.6	73	3.3	79	6.6	91	7.9	92
Median	8.7		39.9		27.3		44.4		10.2		5.5		8.7		10.5	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Core
 Periods Ending March 31, 2011

Total Returns



	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
● Jennison	9.1	32	43.4	15	30.4	13	47.2	26	11.1	30						
* RUSSELL 2000	7.9	60	39.6	42	25.8	54	43.1	58	8.6	68	3.3	78	6.6	91	7.9	100
Median	8.2		38.7		25.9		43.5		9.2		5.2		8.7		11.0	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – Jennison

Portfolio Characteristics		
	Portfolio	Russell 2000
Total Number of Securities	126	
Average Market Cap (000's)	1,988,672	1,442,545
Median Market Cap (000's)	1,824,080	548,885
P/E Ratio	21.50	19.31
Dividend Yield	0.82	1.12
Beta	1.13	1.13
Price/Book Ratio	3.88	3.31
Return on Equity	11.65	9.08
Earnings Growth - 5 Years	12.71	5.55

Ten Largest Holdings		
Name	\$	Weight
ANIXTER INTERNATIONAL INC	2,256,329	1.8
DRESSER RAND GROUP INC	2,148,982	1.8
RBC BEARINGS INC	1,966,972	1.6
CORPORATEEXECUTIVE BOARD CO	1,852,539	1.5
WARNACO GROUP INC/THE	1,735,545	1.4
HITTITE MICROWAVE CORP	1,698,259	1.4
CHICAGO BRIDGE + IRON NY SHR	1,687,390	1.4
WHITE MOUNTAINS INSURANCE GP	1,687,339	1.4
PROTECTIVELIFE CORP	1,668,641	1.4
TEXAS ROADHOUSE INC	1,661,945	1.4

Ten Best Performers	
Name	Return
AMERIGROUPCORP	46.3
SAVVIS INC	45.3
BIG LOTS INC	42.6
COMMAULTSYSTEMS INC	39.3
B+G FOODSINC	38.2
BRIGHAM EXPLORATION CO	36.5
PATRIOT COAL CORP	33.4
INSULET CORP	33.0
CENTENE CORP	30.1
MWI VETERINARY SUPPLY INC	27.8

Ten Worst Performers	
Name	Return
THOMAS PROPERTIES GROUP	-20.6
HECLA MINING CO	-19.4
MAP PHARMACEUTICALS INC	-17.6
FIRSTMERICORP	-13.0
CREXUS INVESTMENT CORP	-11.2
INTERLINEBRANDS INC	-10.4
HERSHA HOSPITALITY TRUST	-9.2
WOODWARD INC	-7.8
BIOMARIN PHARMACEUTICAL INC	-6.7
INTREPID POTASH INC	-6.6

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Jennison

Benchmark: RUSSELL 2000

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Jennison									
CONSUMER DISCRETIONARY	12.1	14.2	-2.2	6.2	4.2	2.1	0.08	0.24	0.32
CONSUMER STAPLES	4.8	3.0	1.8	17.0	3.7	13.3	-0.07	0.64	0.57
ENERGY	6.7	5.2	1.5	17.7	20.7	-3.0	0.17	-0.20	-0.03
FINANCIALS	20.6	21.7	-1.1	1.9	4.0	-2.1	0.04	-0.44	-0.40
HEALTH CARE	10.9	11.8	-0.8	13.8	9.4	4.3	-0.01	0.47	0.46
INDUSTRIALS	18.3	16.5	1.8	8.9	8.0	0.9	-0.00	0.17	0.17
INFORMATION TECHNOLOGY	15.5	17.0	-1.5	10.4	11.8	-1.4	-0.05	-0.21	-0.26
MATERIALS	6.5	6.1	0.4	6.3	10.2	-4.0	0.01	-0.26	-0.25
TELECOMMUNICATION SERVICES	4.6	1.3	3.3	11.8	13.0	-1.2	0.15	-0.06	0.09
UTILITIES	0.0	3.1	-3.1	-	5.3	-	0.08	0.00	0.08
TOTAL	100.0	100.0	0.0	8.8	8.0	0.8	0.40	0.34	0.74

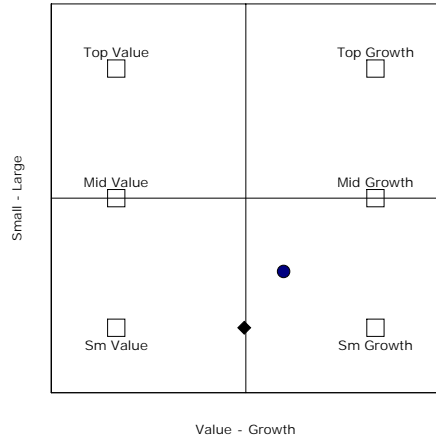
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - Jennison

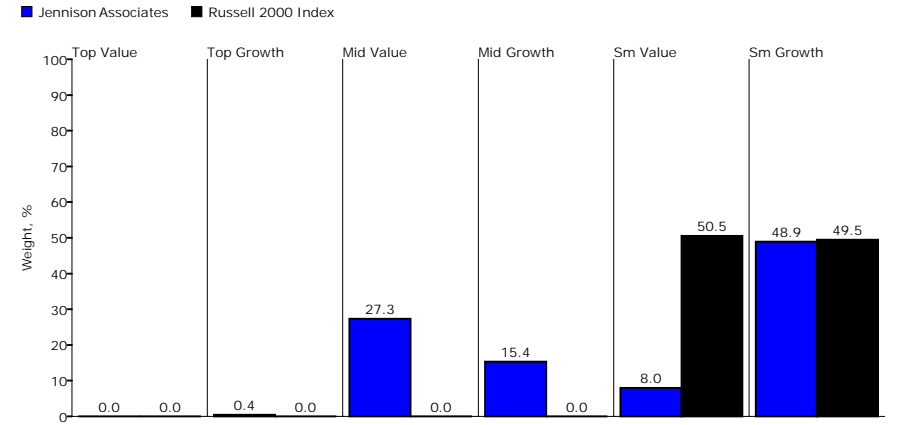
US Equity Style Map

Apr 08 - Mar 11



US Equity Style Exposures

Apr 08 - Mar 11

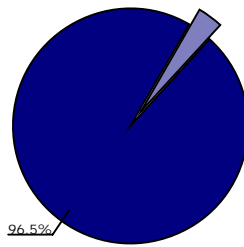
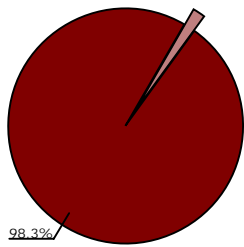


R-Squared (Style Analysis)

Apr 08 - Mar 11

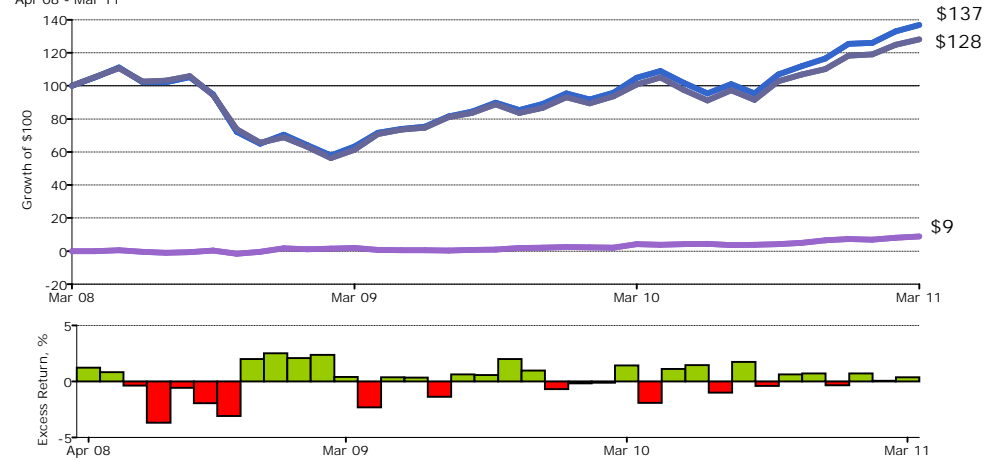
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



Legend

▲ Russell 2000 Index ● Jennison Associates

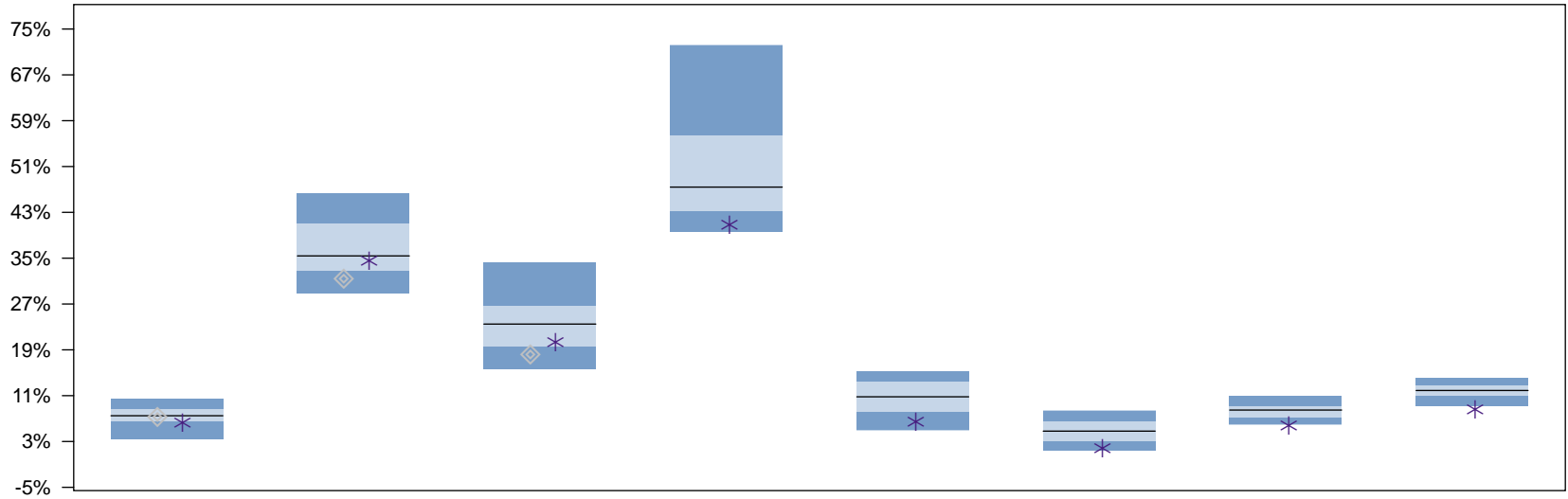
■ Total ■ Style

■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Value
 Periods Ending March 31, 2011

Total Returns



	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
◆ The Boston Co	7.7	44	31.8	85	18.5	83										
* RUSSELL 2000 VALUE	6.6	74	34.9	59	20.6	69	41.1	88	6.8	91	2.2	92	6.1	92	9.0	100
Median	7.5		35.4		23.5		47.4		10.8		4.8		8.5		11.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – The Boston Company

Portfolio Characteristics		
	Portfolio	Russell 2000 Value
Total Number of Securities	148	
Average Market Cap (000's)	1,704,213	1,256,946
Median Market Cap (000's)	1,306,020	500,675
P/E Ratio	19.33	16.78
Dividend Yield	1.14	1.83
Beta	1.16	1.21
Price/Book Ratio	2.01	1.66
Return on Equity	6.76	6.23
Earnings Growth - 5 Years	(6.95)	(2.78)

Ten Largest Holdings		
Name	\$	Weight
MGIC INVESTMENT CORP	1,103,249	2.1
UNIT CORP	864,203	1.7
BRINK S CO/THE	761,530	1.5
SVB FINANCIAL GROUP	679,175	1.3
STERIS CORP	652,461	1.3
FTI CONSULTING INC	625,929	1.2
CLEAN HARBORS INC	623,531	1.2
HAEMONETICS CORP/MASS	612,799	1.2
CADENCE DESIGN SYS INC	611,910	1.2
TIDEWATERINC	595,508	1.2

Ten Best Performers	
Name	Return
TIMBERLANDCO CLASS A	67.9
FRONTIER OIL CORP	64.8
RSC HOLDINGS INC	47.6
AMERIGROUPCORP	46.3
TESCO CORP	38.2
DAWSON GEOPHYSICAL CO	37.6
MKS INSTRUMENTS INC	36.7
UNIT CORP	33.3
AVID TECHNOLOGY INC	27.7
NEWPARK RESOURCES INC	27.6

Ten Worst Performers	
Name	Return
OFFICEMAXINC	-26.9
BIG 5 SPORTING GOODS CORP	-21.5
SNYDERS LANCE INC	-14.6
MGIC INVESTMENT CORP	-12.8
SPARTAN STORES INC	-12.5
JONES GROUP INC/THE	-11.2
WAUSAU PAPER CORP	-11.0
KENSEY NASH CORP	-10.5
COLUMBUS MCKINNON CORP/NY	-9.2
CASEY S GENERAL STORES INC	-8.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

The Boston Co

Benchmark: RUSSELL 2000 VALUE

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
The Boston Co									
CONSUMER DISCRETIONARY	15.8	10.7	5.1	-0.5	2.4	-2.8	-0.21	-0.46	-0.66
CONSUMER STAPLES	3.4	3.0	0.4	-3.0	5.5	-8.5	-0.00	-0.30	-0.30
ENERGY	7.2	6.3	0.9	26.7	20.0	6.7	0.12	0.47	0.60
FINANCIALS	29.7	37.3	-7.6	2.2	2.8	-0.6	0.28	-0.19	0.09
HEALTH CARE	9.3	5.4	3.9	13.6	17.3	-3.6	0.39	-0.34	0.05
INDUSTRIALS	15.9	14.2	1.7	11.4	8.1	3.2	0.03	0.51	0.54
INFORMATION TECHNOLOGY	10.5	9.1	1.4	15.3	8.6	6.7	0.03	0.70	0.73
MATERIALS	4.1	7.1	-3.1	14.7	10.1	4.6	-0.10	0.18	0.08
TELECOMMUNICATION SERVICES	0.2	0.7	-0.5	2.0	1.3	0.7	0.03	-0.00	0.03
UTILITIES	3.9	6.2	-2.3	11.0	5.9	5.1	0.02	0.20	0.22
TOTAL	100.0	100.0	0.0	8.1	6.7	1.5	0.60	0.78	1.38

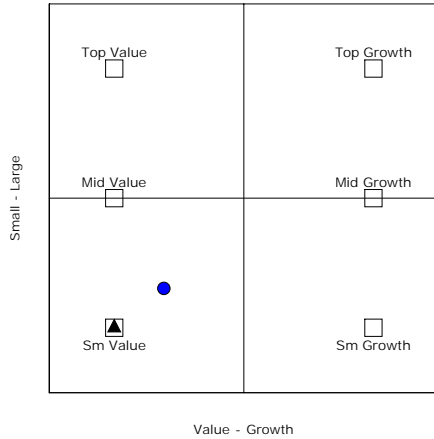
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - The Boston Company

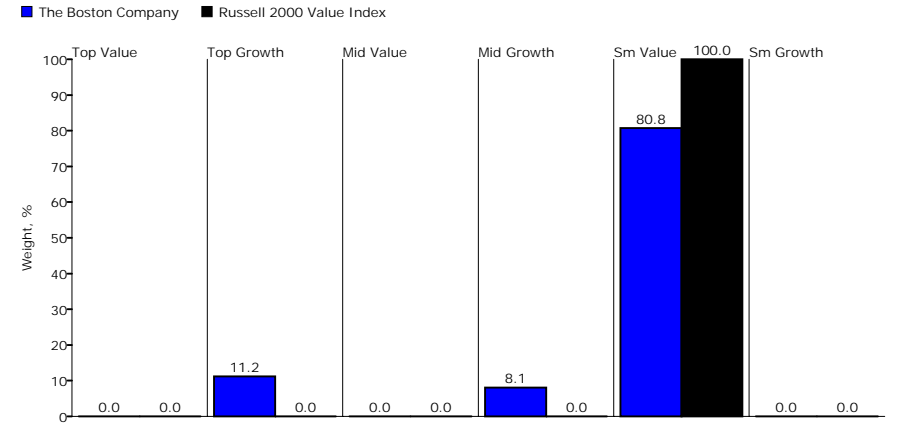
US Equity Style Map

Apr 08 - Mar 11



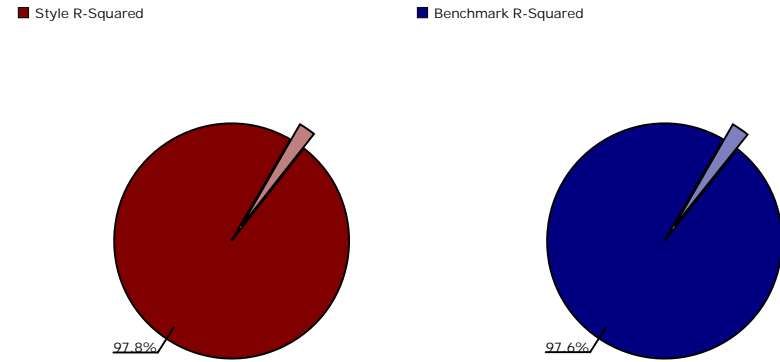
US Equity Style Exposures

Apr 08 - Mar 11



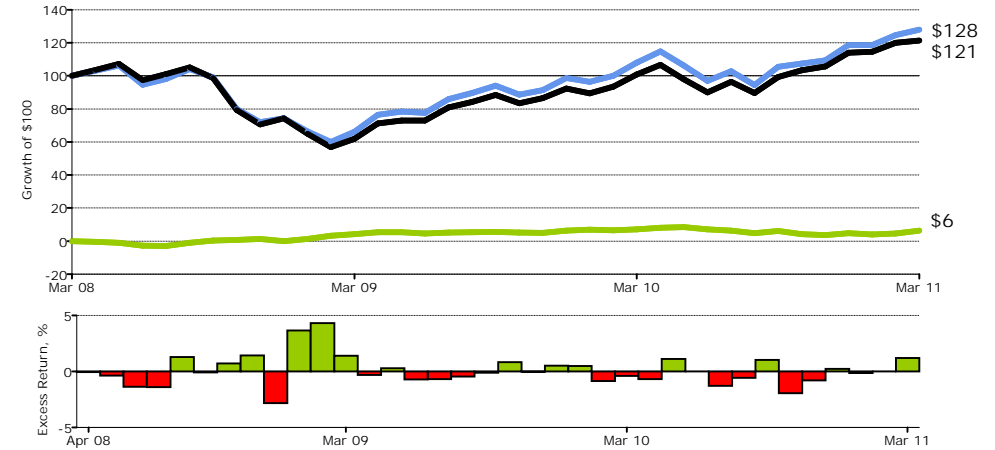
R-Squared (Style Analysis)

Apr 08 - Mar 11



Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



Legend

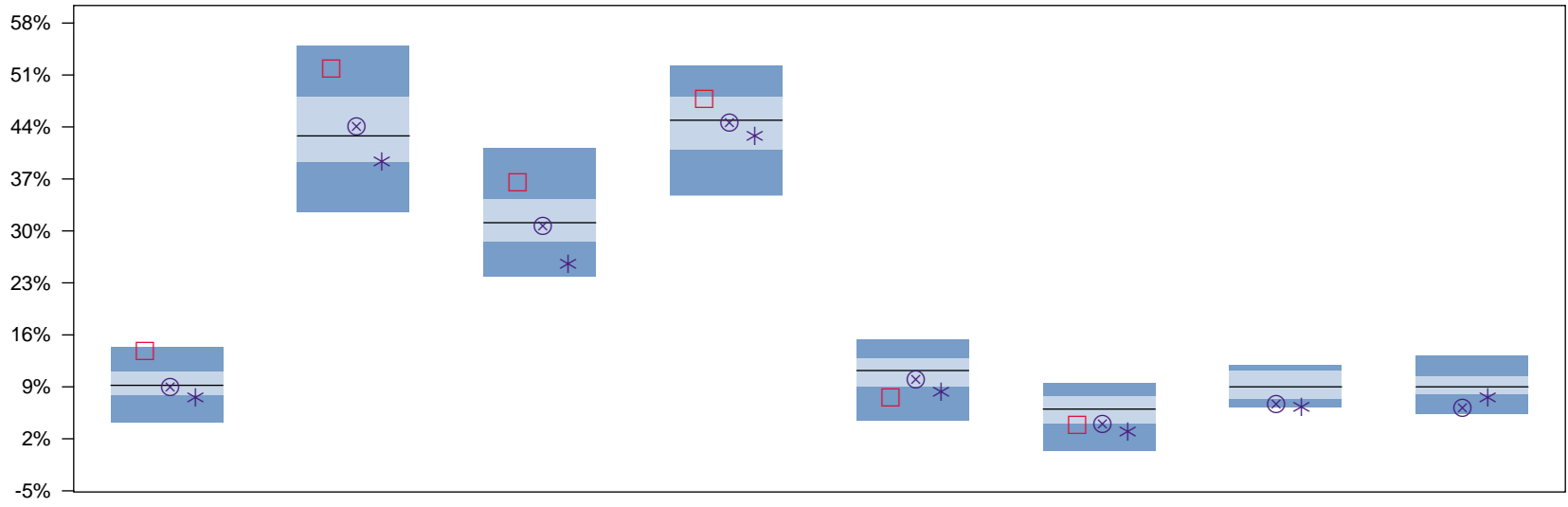
- ▲ Russell 2000 Index
- The Boston Company
- Total
- Selection
- Style

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Growth

Periods Ending March 31, 2011

Total Returns



	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
□ Chartwell	14.1	6	52.1	13	36.8	22	48.0	28	7.8	83	4.2	71				
⊗ RUSSELL 2000 GROWTH	9.2	48	44.3	39	31.0	52	44.9	50	10.2	65	4.3	68	6.9	86	6.4	92
* RUSSELL 2000	7.9	75	39.6	73	25.8	91	43.1	69	8.6	79	3.3	84	6.6	90	7.9	76
Median	9.2		42.8		31.1		44.9		11.2		6.0		9.0		9.0	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – Chartwell

Portfolio Characteristics		
	Portfolio	Russell 2000 Growth
Total Number of Securities	79	
Average Market Cap (000's)	1,917,239	1,618,244
Median Market Cap (000's)	1,587,320	603,000
P/E Ratio	31.02	22.25
Dividend Yield	0.11	0.45
Beta	1.02	1.05
Price/Book Ratio	5.22	4.86
Return on Equity	11.86	11.74
Earnings Growth - 5 Years	9.81	14.28

Ten Largest Holdings		
Name	\$	Weight
HFF INC CLASS A	1,747,242	2.9
KFORCE INC	1,737,585	2.9
UNITED RENTALS INC	1,567,488	2.6
GAYLORD ENTERTAINMENT CO	1,471,299	2.4
BRUKER CORP	1,304,793	2.1
ATLAS AIRWORLDWIDE HOLDINGS	1,226,863	2.0
ARIBA INC	1,174,382	1.9
SOLUTIA INC	1,168,146	1.9
ROBBINS +MYERS INC	1,109,509	1.8
SIRONA DENTAL SYSTEMS INC	1,067,154	1.8

Ten Best Performers	
Name	Return
ACCRETIVEHEALTH INC	70.8
ARUBA NETWORKS INC	62.1
HFF INC CLASS A	55.7
ARIBA INC	45.3
VERIFONE SYSTEMS INC	42.5
ULTA SALONCOSMETICS + FRAGR	41.6
AMN HEALTHCARE SERVICES INC	41.0
SUCCESSFACTORS INC	35.0
NETLOGIC MICROSYSTEMS INC	33.8
FOSSIL INC	32.9

Ten Worst Performers	
Name	Return
REX ENERGYCORP	-14.7
AERCAP HOLDINGS N V	-11.0
STONERIDGEINC	-7.4
GAYLORD ENTERTAINMENT CO	-3.5
PIER 1 IMPORTS INC	-3.3
PINNACLE ENTERTAINMENT INC	-2.9
QUESTCOR PHARMACEUTICALS	-2.2
MDC PARTNERS INC	-2.1
ADVENT SOFTWARE INC	-1.0
TEXAS ROADHOUSE INC	-0.6

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Chartwell

Benchmark: RUSSELL 2000 GROWTH

Quarter Ending March 31, 2011

Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Chartwell									
CONSUMER DISCRETIONARY	23.0	17.7	5.4	6.8	5.3	1.5	-0.20	0.35	0.14
CONSUMER STAPLES	0.0	3.1	-3.1	-	2.0	-	0.21	-0.06	0.15
ENERGY	3.6	4.2	-0.7	-9.2	21.6	-30.8	-0.07	-1.15	-1.22
FINANCIALS	6.3	6.8	-0.5	25.8	10.0	15.8	-0.00	0.99	0.98
HEALTH CARE	16.4	17.8	-1.4	19.5	7.2	12.3	0.03	2.00	2.03
INDUSTRIALS	14.3	18.7	-4.4	14.9	7.8	7.0	0.06	1.00	1.06
INFORMATION TECHNOLOGY	30.7	24.5	6.2	13.3	13.0	0.3	0.21	0.10	0.30
MATERIALS	2.0	5.1	-3.1	10.0	10.4	-0.4	-0.03	-0.07	-0.10
TELECOMMUNICATION SERVICES	3.7	1.9	1.8	7.6	17.9	-10.3	0.14	-0.44	-0.30
UTILITIES	0.0	0.2	-0.2	-	-12.4	-	0.04	0.00	0.04
TOTAL	100.0	100.0	0.0	12.8	9.4	3.4	0.37	2.72	3.10

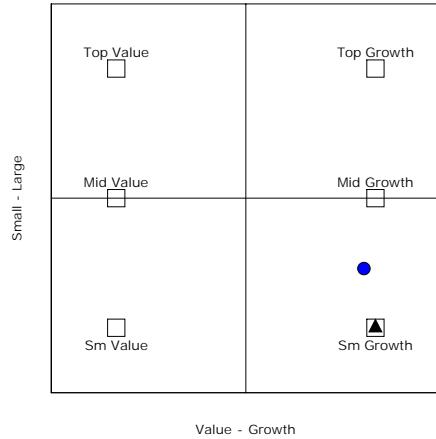
SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending March 31, 2011

Returns Based Style Analysis - Chartwell

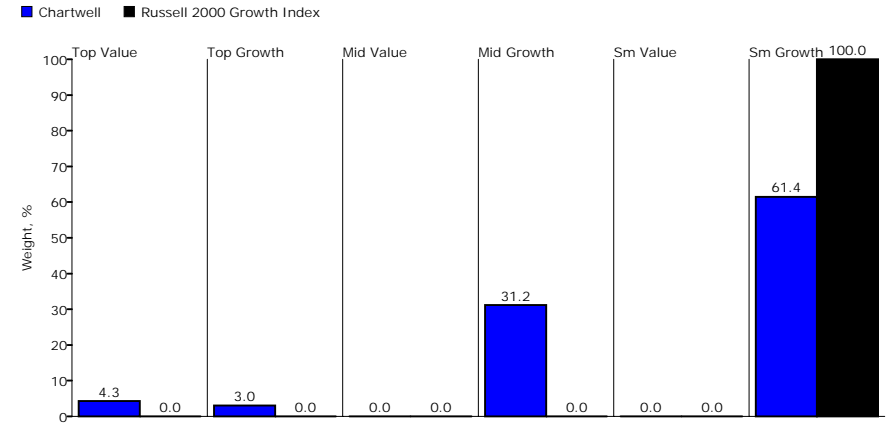
US Equity Style Map

Apr 08 - Mar 11



US Equity Style Exposures

Apr 08 - Mar 11

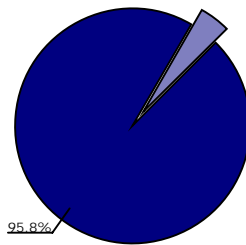
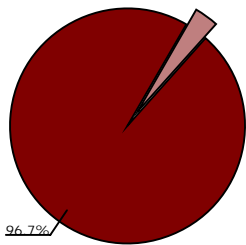


R-Squared (Style Analysis)

Apr 08 - Mar 11

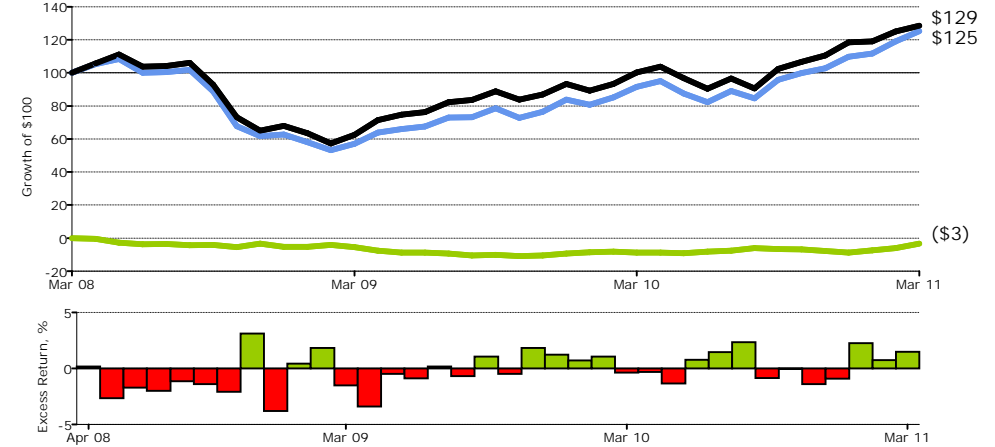
■ Style R-Squared

■ Benchmark R-Squared



Cumulative Total, Style & Selection Return

Apr 08 - Mar 11



Legend

▲ Russell 2000 Growth Index ● Chartwell

■ Total ■ Style

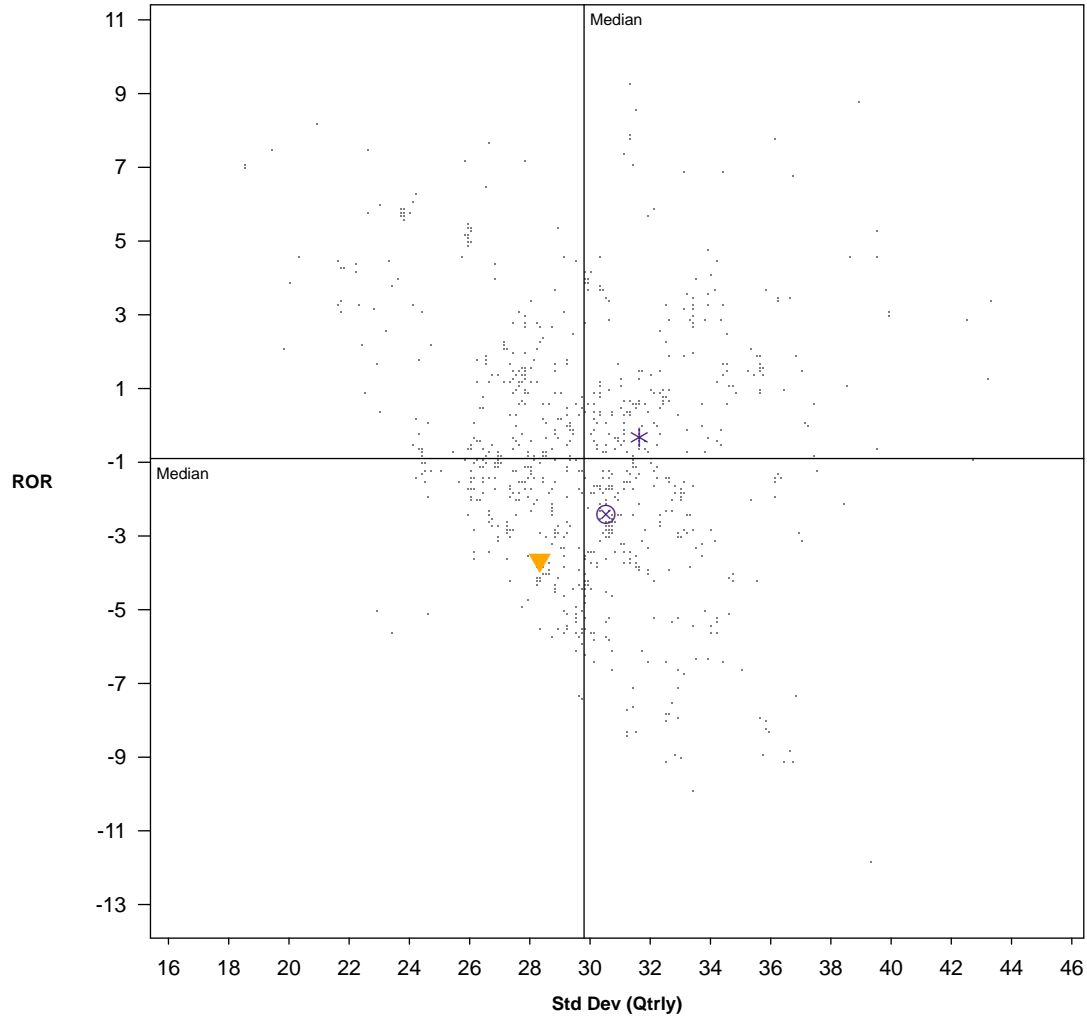
■ Selection

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds

Period Ending March 31, 2011

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	-3.8 85	28.4 35	-0.2 85
* Intl Equity Index	-0.4 43	31.7 76	-0.0 42
⊗ MSCI EAFE (GROSS)	-2.5 72	30.6 64	-0.1 71
Median	-0.9	29.8	-0.1

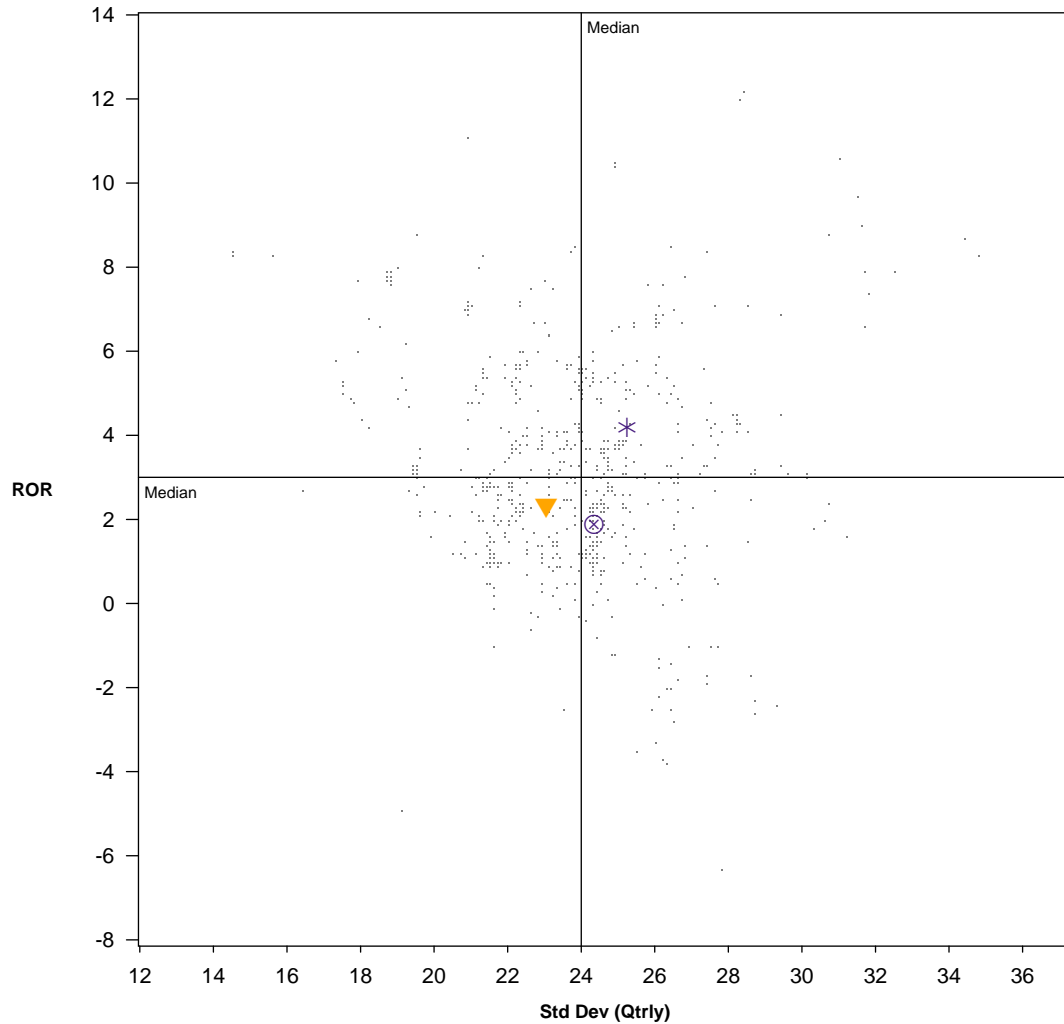
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds

Period Ending March 31, 2011

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	2.2 69	23.1 39	-0.0 72
* Intl Equity Index	4.1 34	25.3 78	0.1 35
⊗ MSCI EAFE (GROSS)	1.8 75	24.4 62	-0.0 77
Median	3.0	24.0	0.0

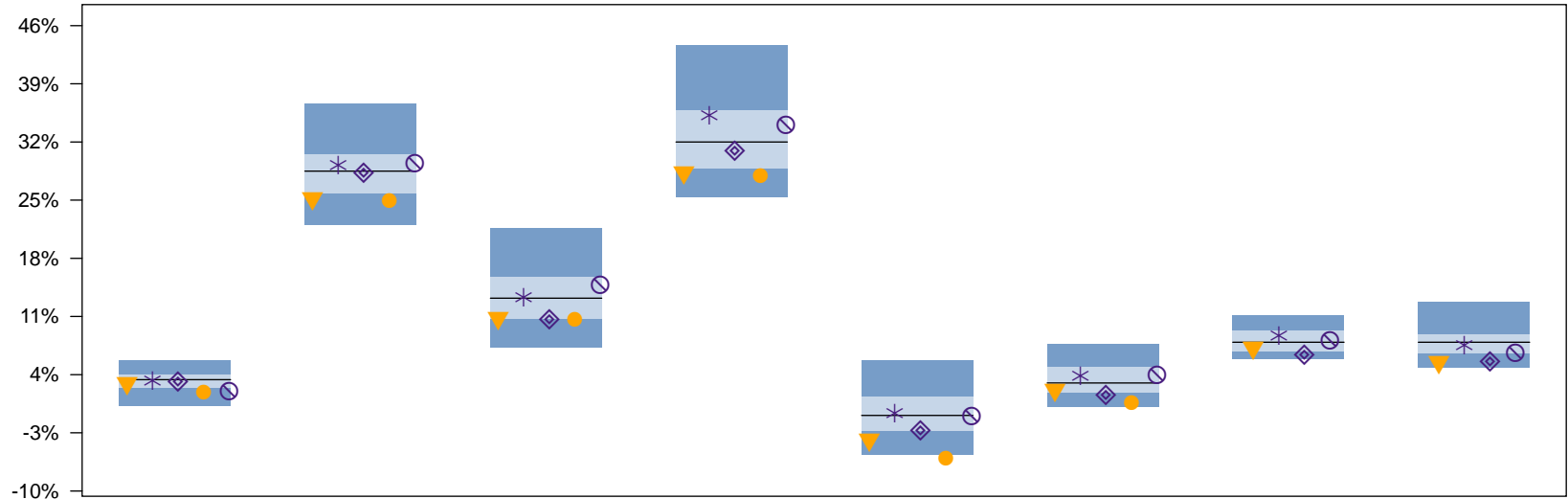
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds

Periods Ending March 31, 2011

Total Returns



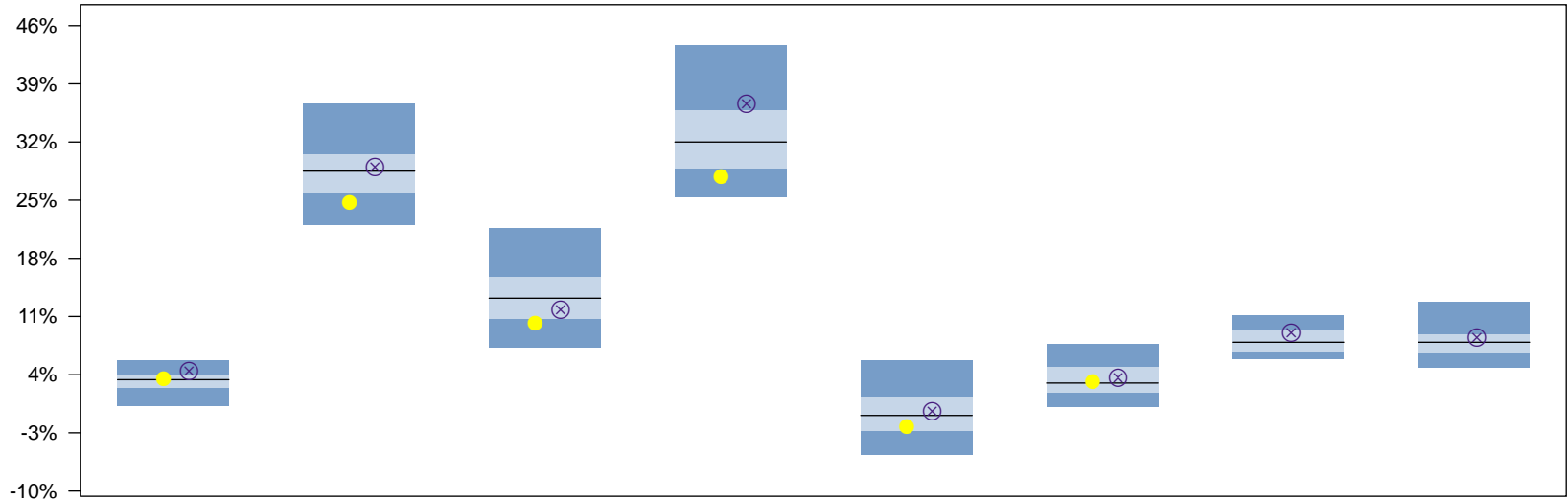
	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
▼ Intl Equity	3.0	61	25.2	85	10.8	73	28.3	79	-3.8	85	2.2	69	7.2	66	5.5	91
* Intl Equity Index	3.5	44	29.5	36	13.6	43	35.5	27	-0.4	43	4.1	34	8.9	31	7.8	51
◆ MSCI EAFE (GROSS)	3.4	46	28.6	46	10.9	70	31.2	58	-2.5	72	1.8	75	6.7	78	5.8	86
● Artio	2.2	78	25.3	83	11.0	69	28.3	78	-5.7	96	1.0	91				
○ MSCI ACWI XUS GROWTH	2.3	76	29.7	33	15.1	29	34.3	33	-0.7	48	4.2	33	8.4	40	6.9	72
Median	3.4		28.5		13.2		32.0		-0.9		3.0		7.9		7.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds

Periods Ending March 31, 2011

Total Returns



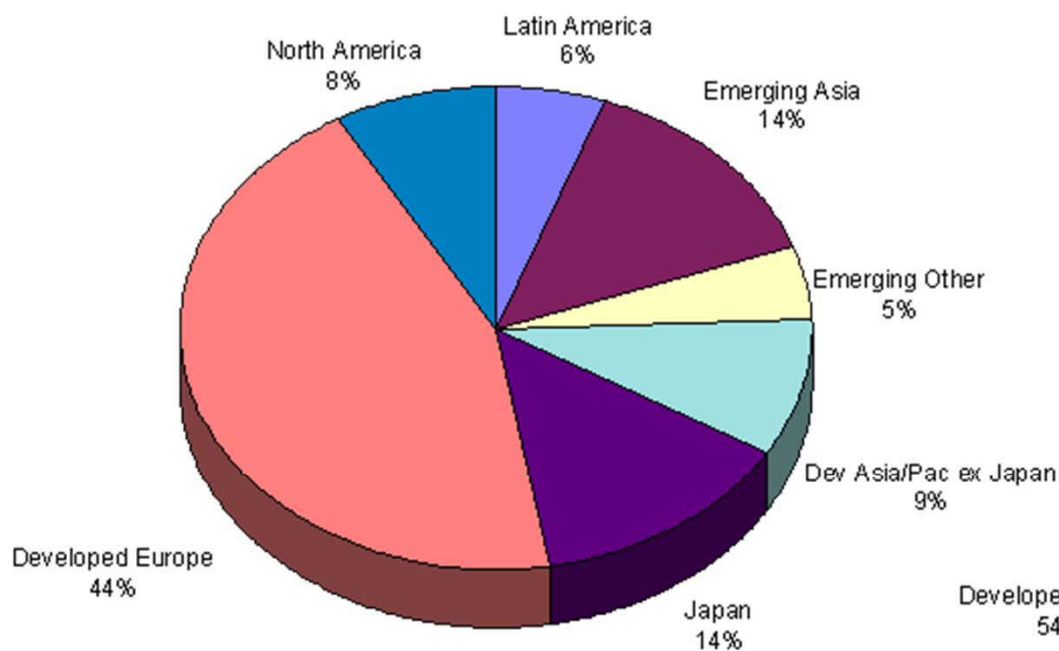
	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
● Mondrian	3.8	31	25.1	85	10.5	77	28.2	81	-1.9	66	3.5	42				
⊗ MSCI ACWI EX US VALUE (4.7	13	29.2	39	12.1	62	36.8	23	-0.1	39	3.9	36	9.3	26	8.7	30
Median	3.4		28.5		13.2		32.0		-0.9		3.0		7.9		7.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

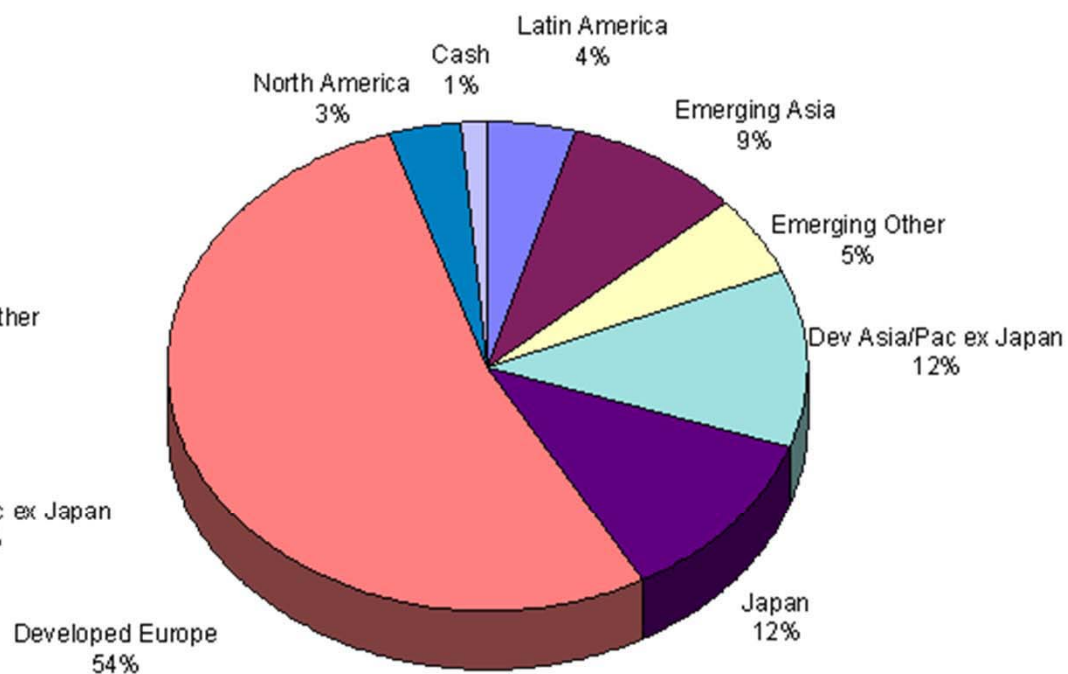
As of March 31, 2011

International Equity Portfolio Regional Weights

MSCI ACWI ex USA Index



INTERNATIONAL EQUITY COMPOSITE



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – Artio Global Investors

Portfolio Characteristics

	Portfolio	MSCI ACWI ex-US
No. of Securities	179	1,876
Wgt'd. Avg. Market Cap (billion)	43	53
Price to Book Ratio	2.1	1.7
Return on Equity	18.8%	17.8%

Ten Largest Holdings*

Name	Weight
HTC Corp.	2.8
Sberbank	2.6
Rio Tinto PLC	2.2
Hang Lung Properties Ltd.	2.2
BG Group PLC	1.8
Fraport AG	1.7
Lloyds Banking Group PLC	1.7
BHP Billiton PLC	1.5
Xstrata PLC	1.3
Jsc Vtb Bank Spon Gdr Reg S	1.3

Ten Best Performers

Name	Return
HTC Corp.	0.7
Baidu Inc. ADS	0.4
BG Group PLC	0.4
Sberbank	0.3
Fraport AG	0.3
ING Groep N.V.	0.2
Novo Nordisk A/S	0.1
Ojsc Oc Rosneft Spon Gdr Reg S	0.1
Gazprom OAO ADS	0.1
Ivanhoe Mines Ltd.	0.1

Ten Worst Performers

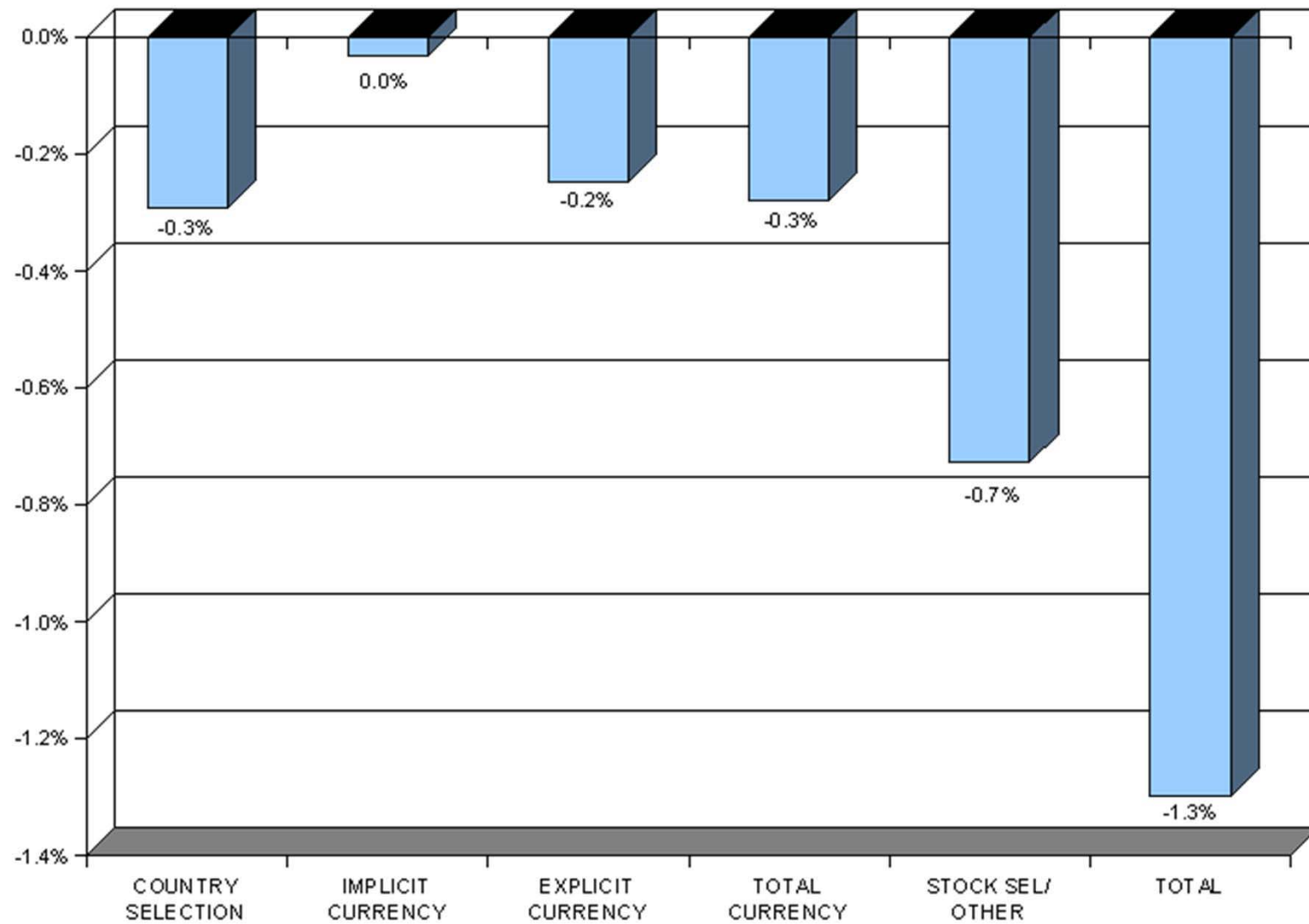
Name	Return
Market Vectors ETF Gold Miners	-0.3
Li & Fung Ltd.	-0.2
Larsen And Toubro Ltd Gdr Reg S	-0.2
Hang Lung Properties Ltd.	-0.2
Lloyds Banking Group PLC	-0.2
Silver Wheaton Corp.	-0.1
ICICI Bank Ltd. ADS	-0.1
Dufry AG	-0.1
Standard Bank Group Ltd.	-0.1
Aspen Pharmacare Holdings Ltd.	-0.1

* Excludes the following ETF and futures positions (if applicable) within top ten holdings: iShares MSCI India Index Fund1.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

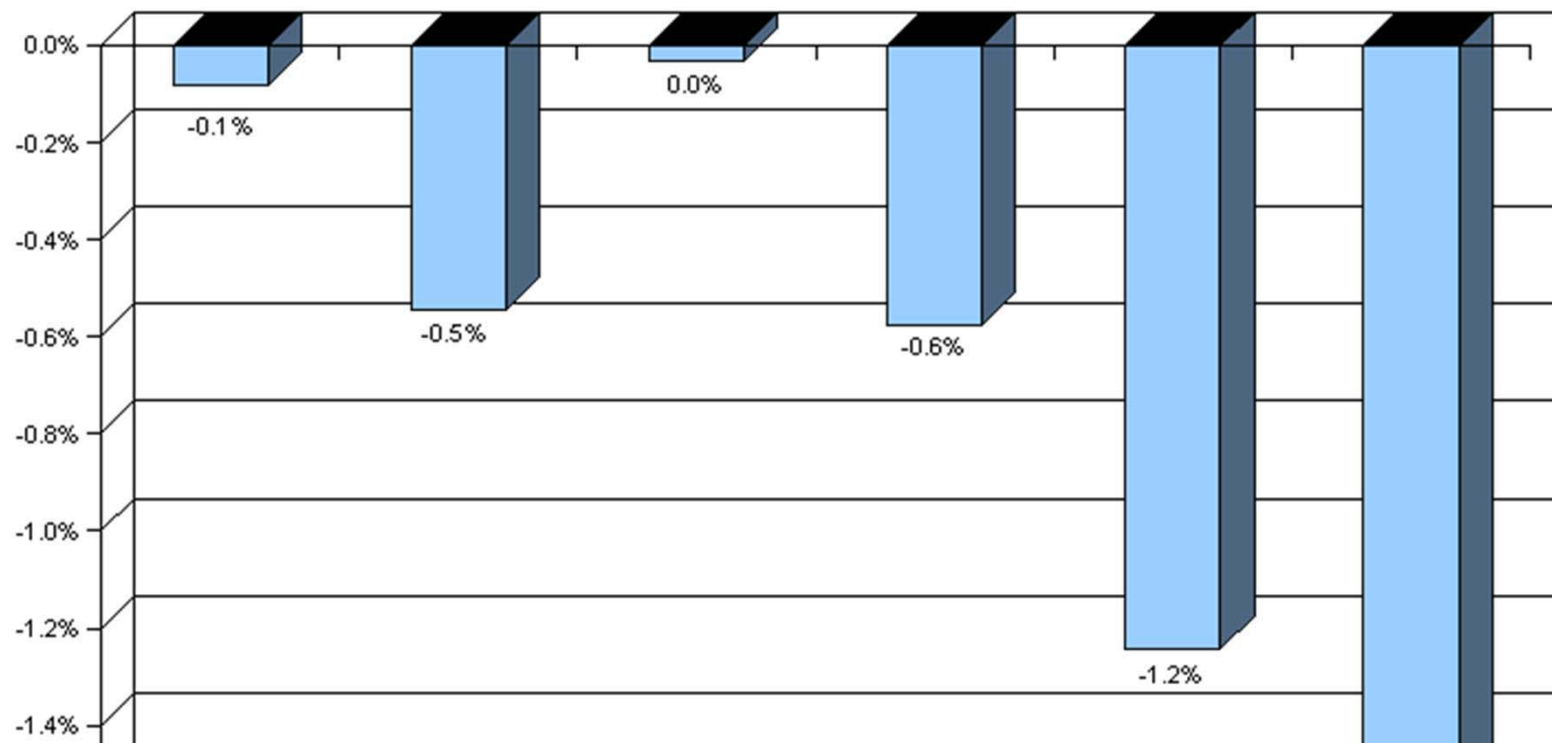
Summary Performance Attribution – Artio Global Investors



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

11/1/2004 to 3/31/2011 (Annualized)

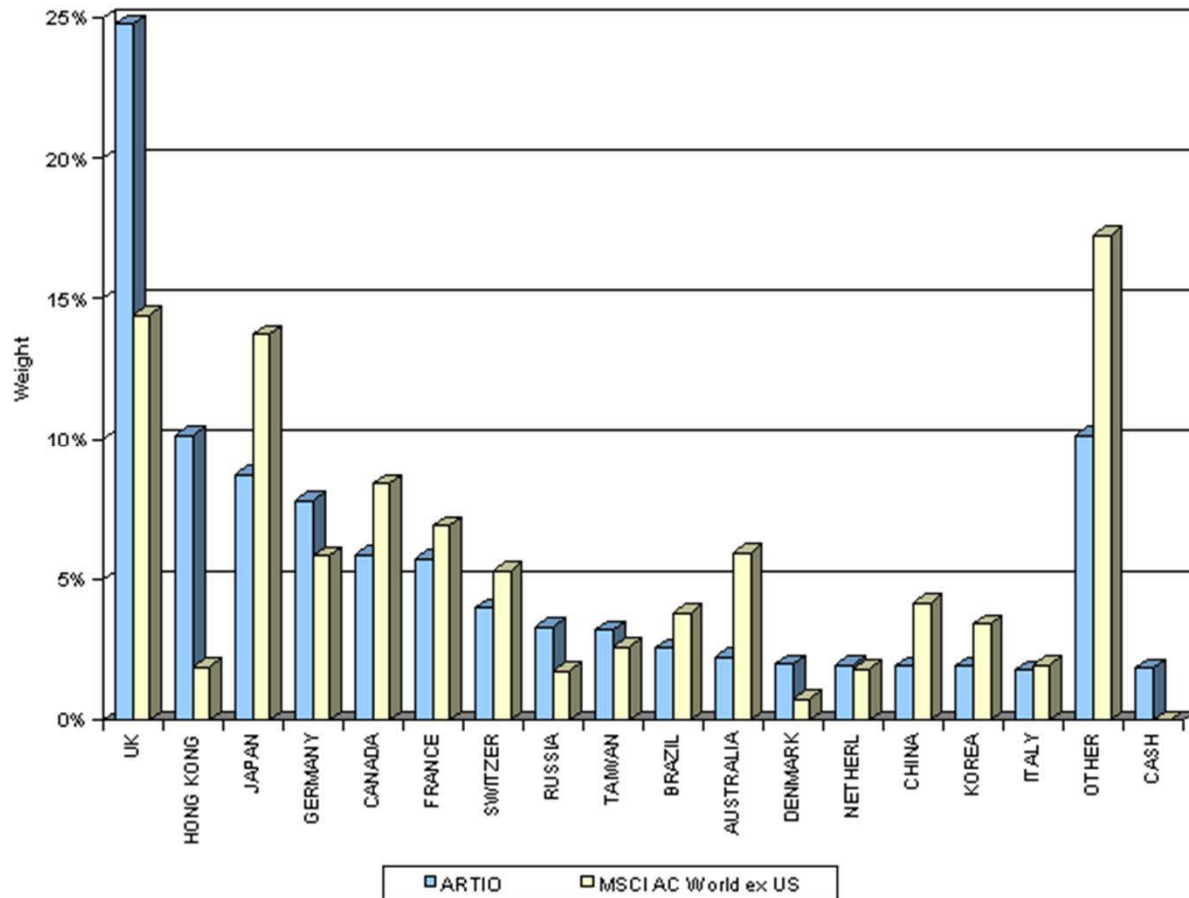
Summary Performance Attribution – Artio Global Investors



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Portfolio Country Weights – Artio Global Investors

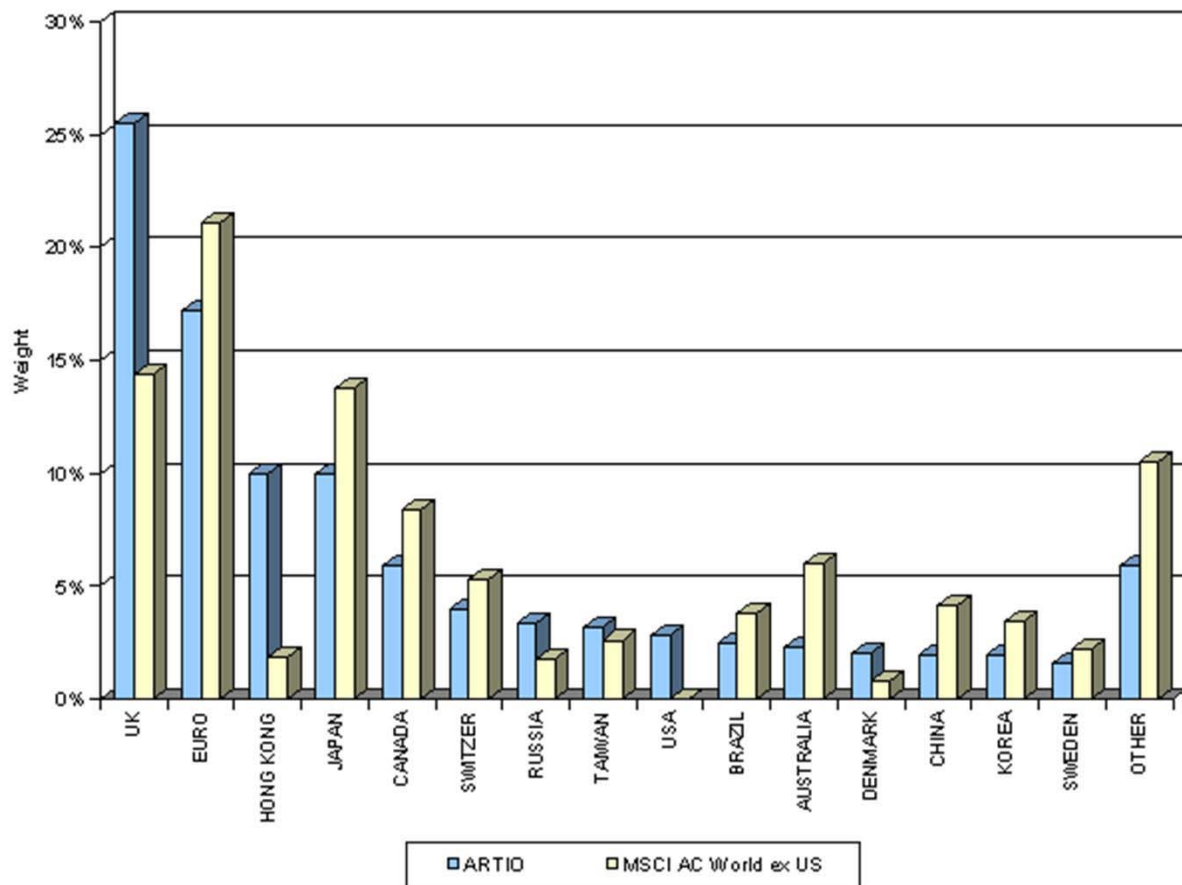


COUNTRY	MARKET VALUE	ARTIO	MSCI AC World ex US
UK	\$ 55,663	24.8%	14.4%
HONG KONG	\$ 22,756	10.1%	1.9%
JAPAN	\$ 19,607	8.7%	13.8%
GERMANY	\$ 17,518	7.8%	5.8%
CANADA	\$ 13,208	5.9%	8.4%
FRANCE	\$ 12,892	5.7%	6.9%
SWITZER	\$ 8,933	4.0%	5.3%
RUSSIA	\$ 7,436	3.3%	1.7%
TAIWAN	\$ 7,178	3.2%	2.6%
BRAZIL	\$ 5,751	2.6%	3.8%
AUSTRALIA	\$ 5,064	2.3%	6.0%
DENMARK	\$ 4,439	2.0%	0.8%
NETHERL	\$ 4,414	2.0%	1.8%
CHINA	\$ 4,382	2.0%	4.2%
KOREA	\$ 4,325	1.9%	3.4%
ITALY	\$ 4,053	1.8%	2.0%
OTHER	\$ 22,807	10.2%	17.3%
CASH	\$ 4,166	1.9%	0.0%
	\$ 224,593	100.0%	100.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Portfolio Currency Exposures – Artio Global Investors



CURRENCY	MARKET VALUE	ARTIO	MSCI AC World ex US
UK	\$ 57,243	25.5%	14.4%
EURO	\$ 38,687	17.2%	21.1%
HONG KONG	\$ 22,426	10.0%	1.9%
JAPAN	\$ 22,358	10.0%	13.8%
CANADA	\$ 13,294	5.9%	8.4%
SWITZER	\$ 8,933	4.0%	5.3%
RUSSIA	\$ 7,436	3.3%	1.7%
TAIWAN	\$ 7,178	3.2%	2.6%
USA	\$ 6,301	2.8%	-
BRAZIL	\$ 5,603	2.5%	3.8%
AUSTRALIA	\$ 5,067	2.3%	6.0%
DENMARK	\$ 4,558	2.0%	0.8%
CHINA	\$ 4,382	2.0%	4.2%
KOREA	\$ 4,333	1.9%	3.4%
SWEDEN	\$ 3,496	1.6%	2.2%
OTHER	\$ 13,300	5.9%	10.5%
	\$ 224,593	100.0%	100.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

Equity Only Summary Statistics – Mondrian

Portfolio Characteristics

	Portfolio	MSCI ACWI ex-US
No. of Securities	126 +	1,876
Wgt'd. Avg. Market Cap (billion)	34 ++	53
Price to Book Ratio	1.7	1.7
Return on Equity	12.1%	17.8%

+ Includes 75 stocks held in the DPT Emerging Markets Fund.

++ Including holdings within the DPT Emerging Markets Fund, the average for the developed market stocks only is 46.787 billion.

Ten Largest Holdings

Name	Weight
Unilever	2.7
Total	2.6
GlaxoSmithKline	2.6
Royal Dutch Shell A	2.5
Telefonica	2.5
Sanofi Aventis	2.5
Iberdrola	2.5
Novartis	2.5
Deutsche Telekom	2.3
Takeda Pharmaceutical	2.3

Ten Best Performers

Name	Return
ING Groep	29.8
BG Group	22.5
Societe Generale	20.6
Deutsche Telekom	19.1
Saint Gobain	18.7
Vinci	14.7
Total	14.6
Iberdrola	12.5
ENI	12.2
Royal Dutch Shell	11.0

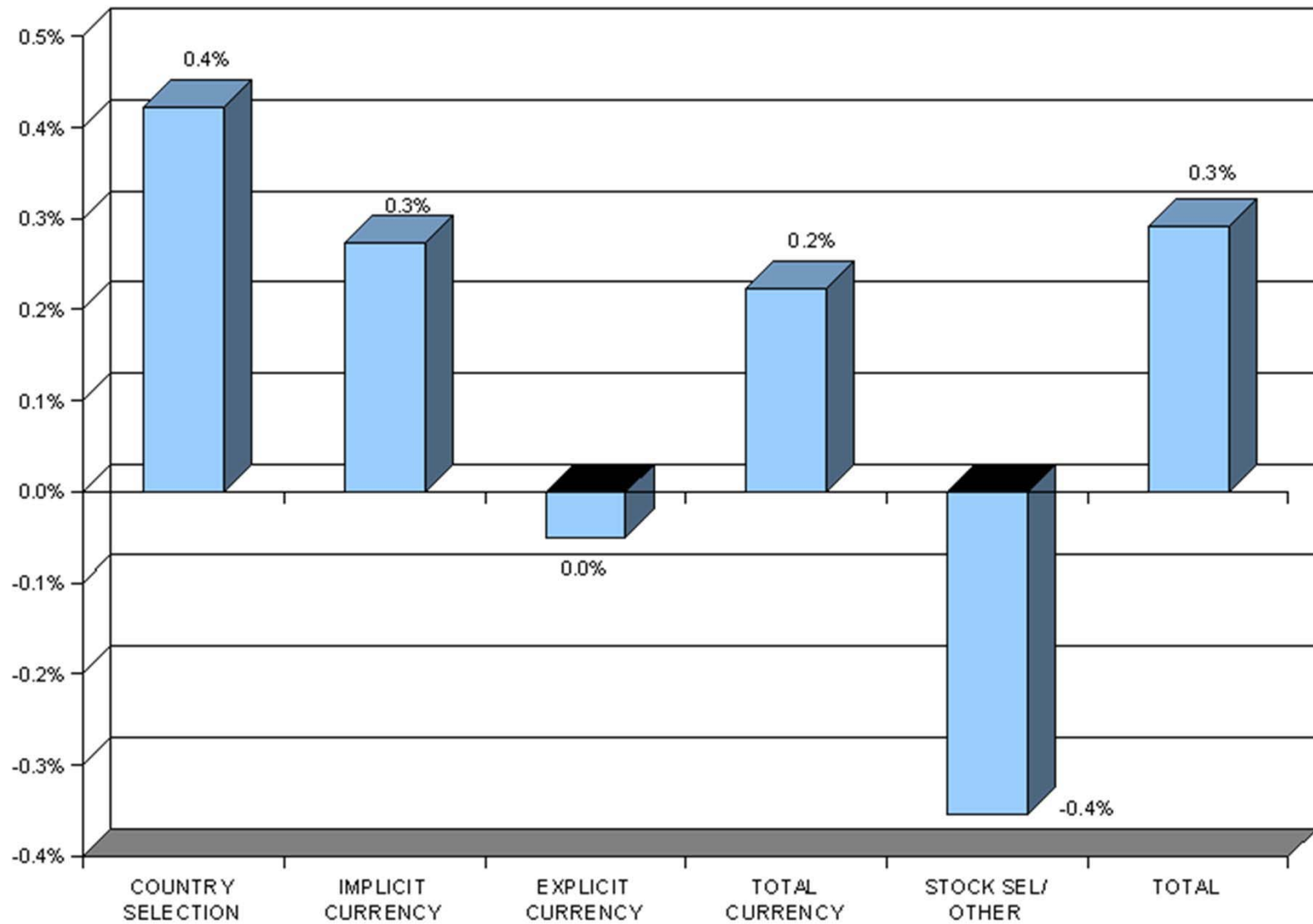
Ten Worst Performers

Name	Return
Canon Inc	-15.9
Tokio Marine	-9.3
Tesco PLC	-8.2
Telecom Corporation Of New Zealanc	-7.7
Shin-Etsu Chemical Co	-6.9
Kao Corporation	-5.9
RWE	-4.7
Novartis	-3.5
Seven & I Holdings Co	-3.0
Takeda Pharmaceutical Corp	-2.8

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending March 31, 2011

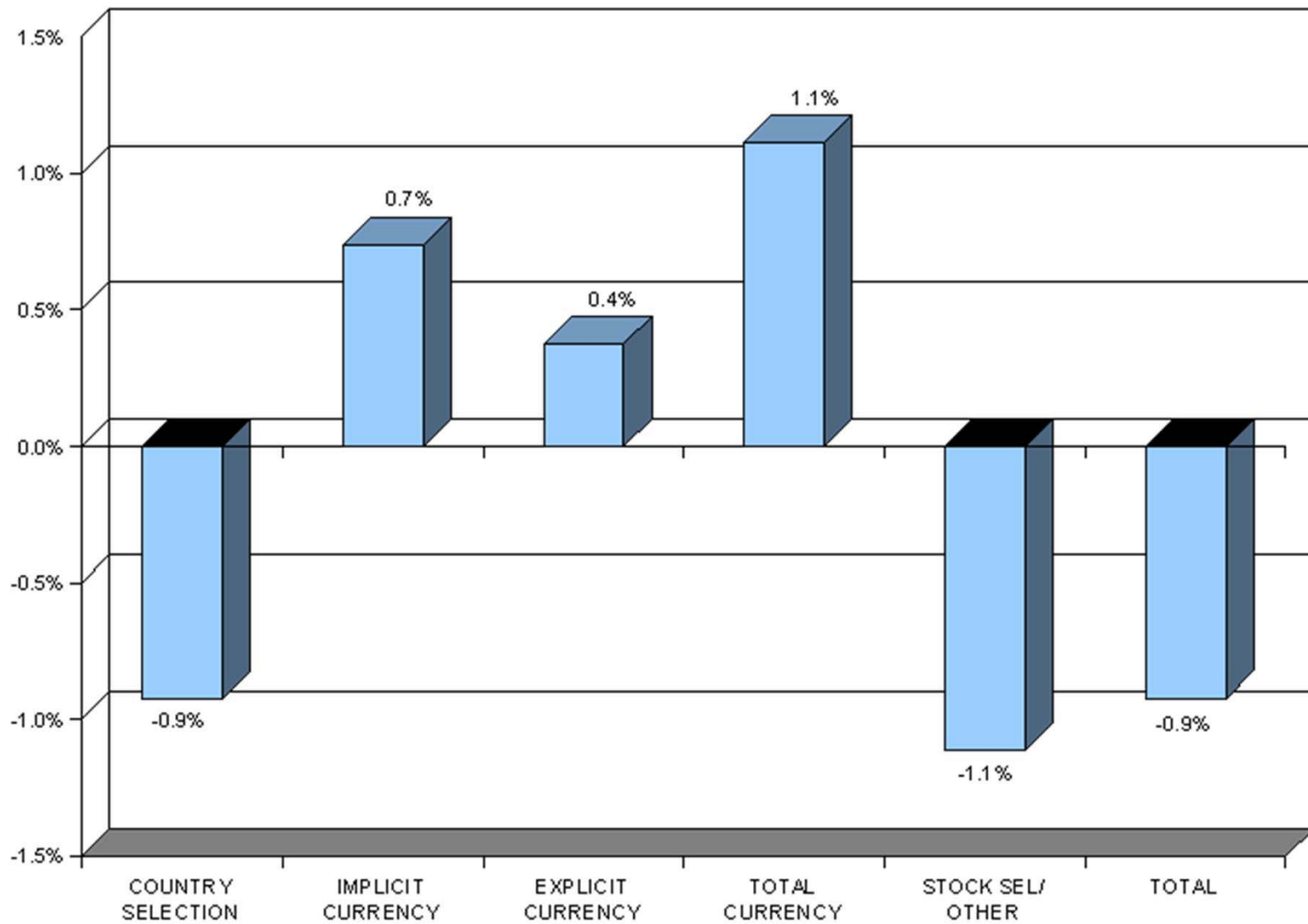
Summary Performance Attribution – Mondrian Investment Partners



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

12/1/2004 to 3/31/2011 (Annualized)

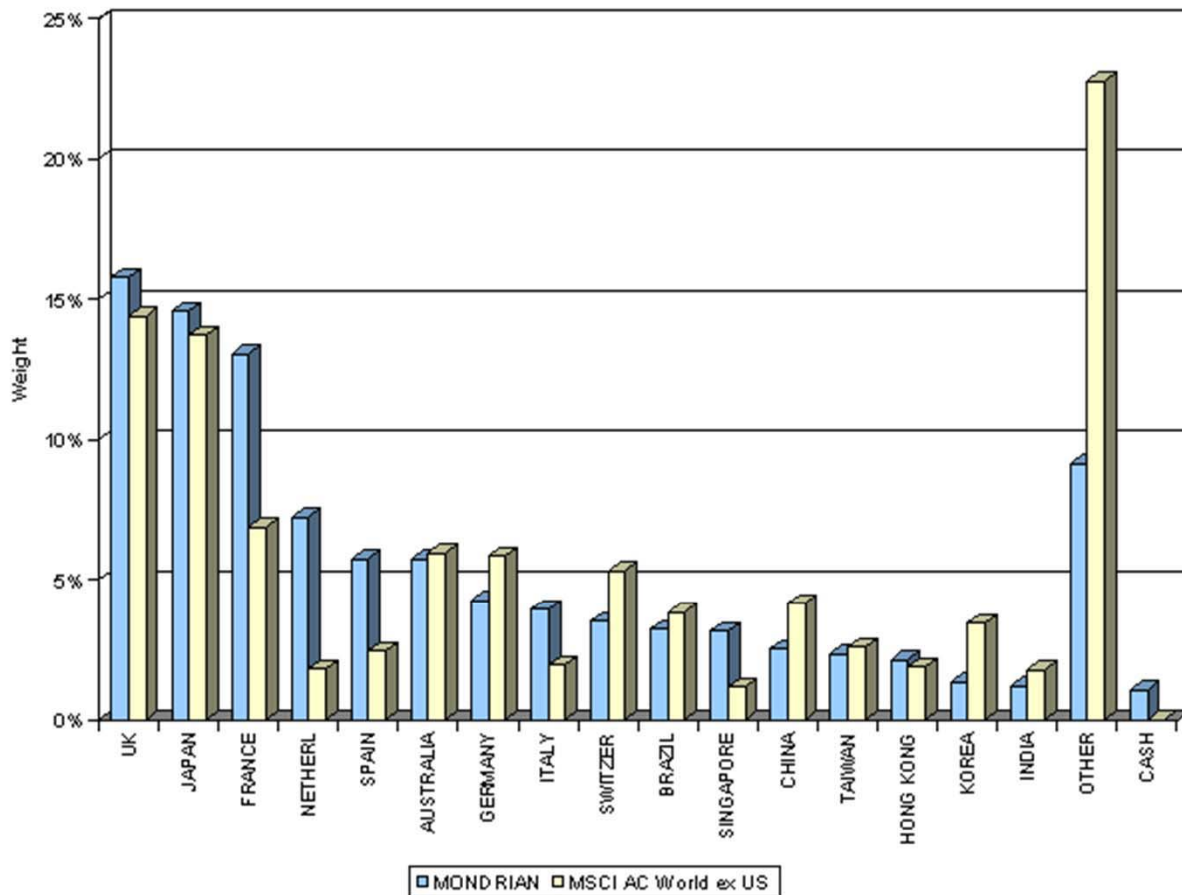
Summary Performance Attribution – Mondrian Investment Partners



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Portfolio Country Weights – Mondrian Investment Partners

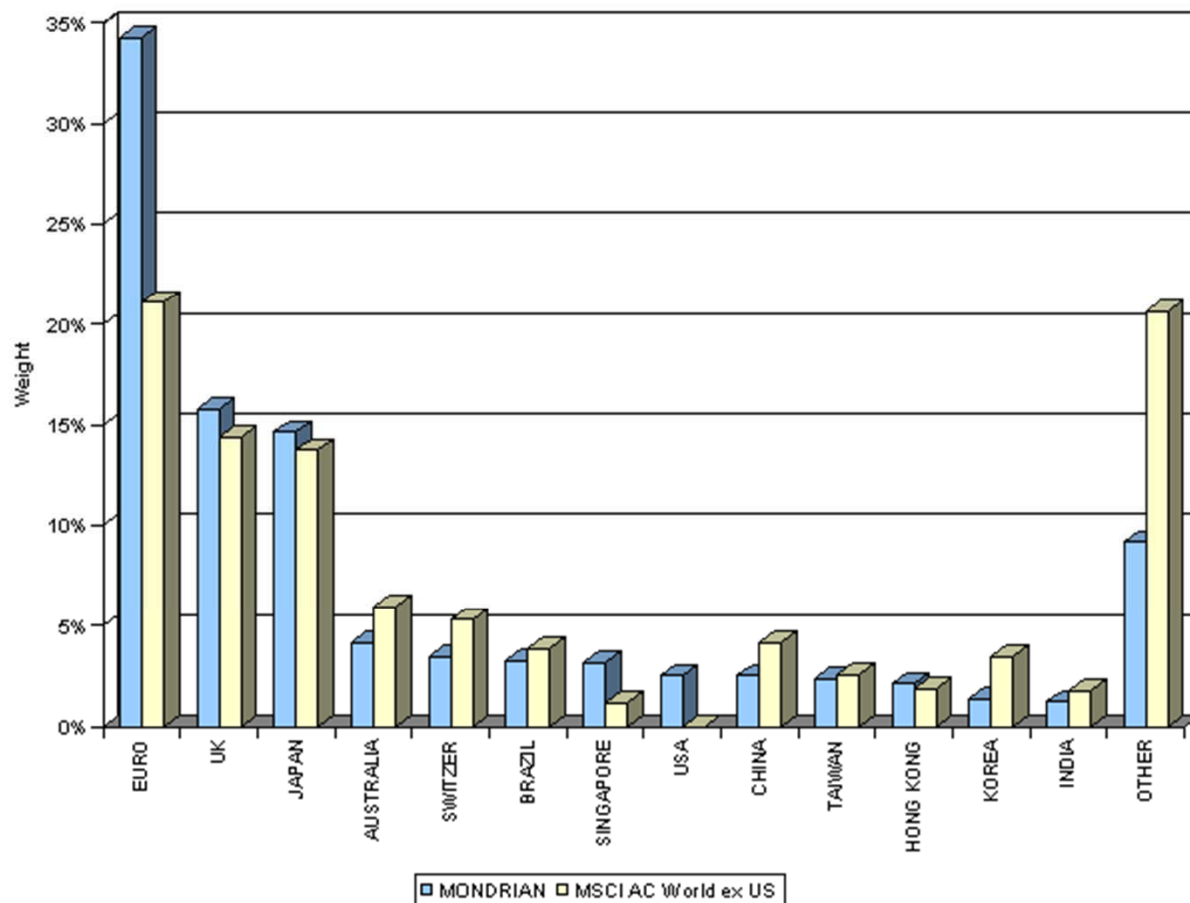


COUNTRY	MARKET VALUE	MONDRIAN	MSCI AC World ex US
UK	\$ 35,218	15.8%	14.4%
JAPAN	\$ 32,548	14.6%	13.8%
FRANCE	\$ 29,095	13.0%	6.9%
NETHERL	\$ 16,149	7.2%	1.8%
SPAIN	\$ 12,839	5.8%	2.4%
AUSTRALIA	\$ 12,798	5.7%	6.0%
GERMANY	\$ 9,522	4.3%	5.8%
ITALY	\$ 8,806	3.9%	2.0%
SWITZER	\$ 7,799	3.5%	5.3%
BRAZIL	\$ 7,193	3.2%	3.8%
SINGAPORE	\$ 7,060	3.2%	1.2%
CHINA	\$ 5,589	2.5%	4.2%
TAIWAN	\$ 5,189	2.3%	2.6%
HONG KONG	\$ 4,748	2.1%	1.9%
KOREA	\$ 3,027	1.4%	3.4%
INDIA	\$ 2,707	1.2%	1.8%
OTHER	\$ 20,441	9.2%	22.8%
CASH	\$ 2,347	1.1%	0.0%
	\$ 223,072	100.0%	100.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Portfolio Currency Exposures – Mondrian Investment Partners



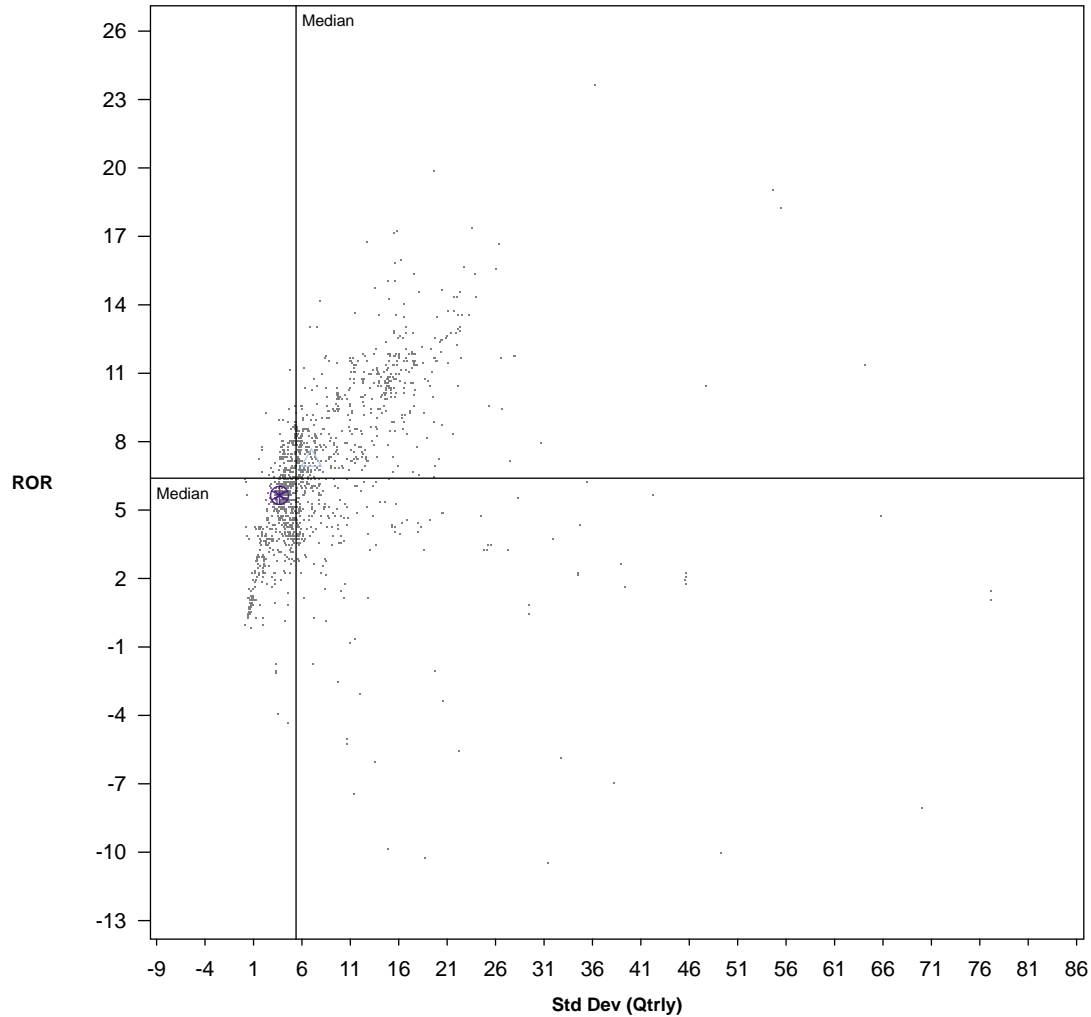
CURRENCY	MARKET VALUE	MONDRIAN	MSCI AC World ex US
EURO	\$ 76,411	34.3%	21.1%
UK	\$ 35,218	15.8%	14.4%
JAPAN	\$ 32,649	14.6%	13.8%
AUSTRALIA	\$ 9,279	4.2%	6.0%
SWITZER	\$ 7,799	3.5%	5.3%
BRAZIL	\$ 7,235	3.2%	3.8%
SINGAPORE	\$ 7,060	3.2%	1.2%
USA	\$ 5,601	2.5%	
CHINA	\$ 5,589	2.5%	4.2%
TAIWAN	\$ 5,249	2.4%	2.6%
HONG KONG	\$ 4,748	2.1%	1.9%
KOREA	\$ 3,080	1.4%	3.4%
INDIA	\$ 2,707	1.2%	1.8%
OTHER	\$ 20,448	9.2%	20.6%
	\$ 223,072	100.0%	100.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending March 31, 2011

Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	7.2 41	7.2 65	0.9 57
* Total Fixed Index	5.5 62	3.9 20	1.3 27
⊗ US Fixed Index	5.5 62	3.9 20	1.3 28
Median	6.4	5.4	1.0

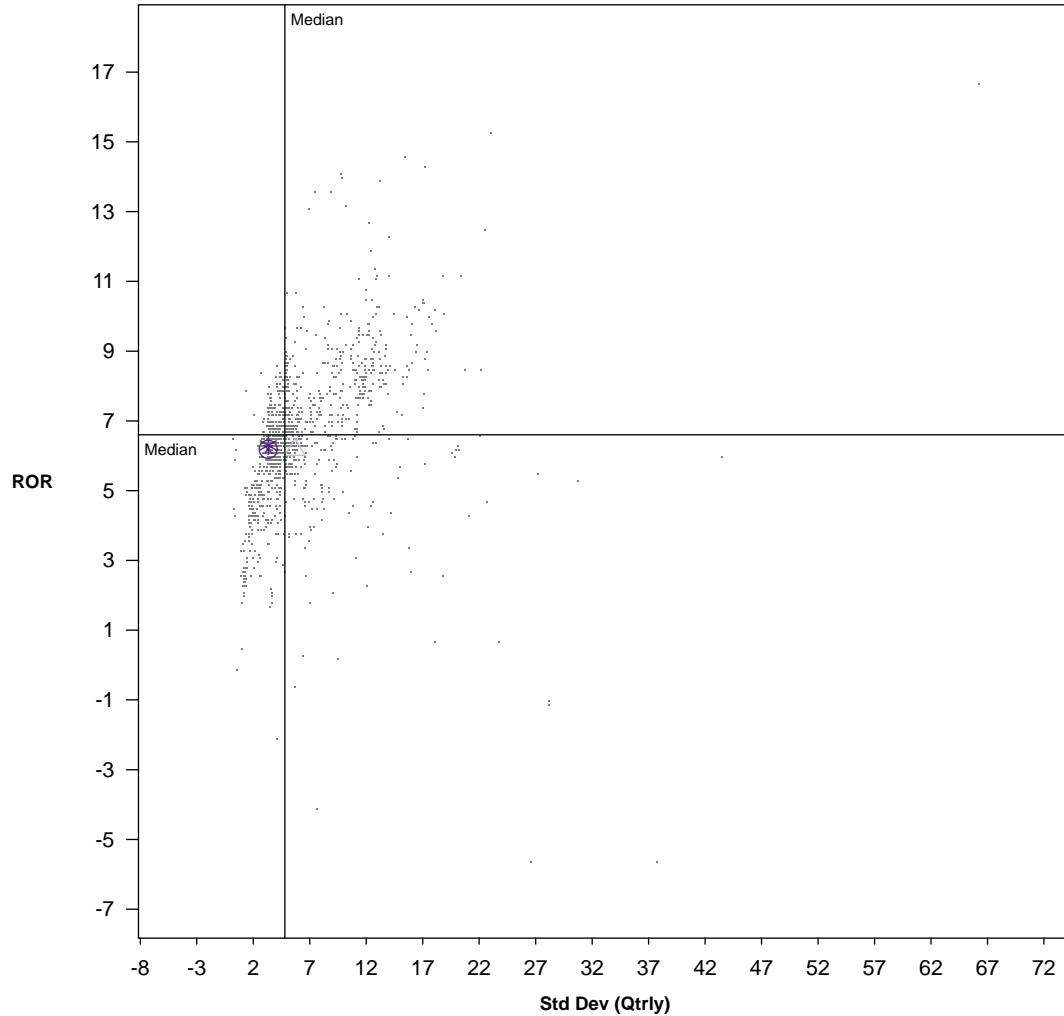
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending March 31, 2011

Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	6.2 62	5.9 68	0.7 69
* Total Fixed Index	6.2 63	3.5 22	1.1 31
⊗ US Fixed Index	6.1 64	3.5 22	1.1 32
Median	6.6	4.8	0.9

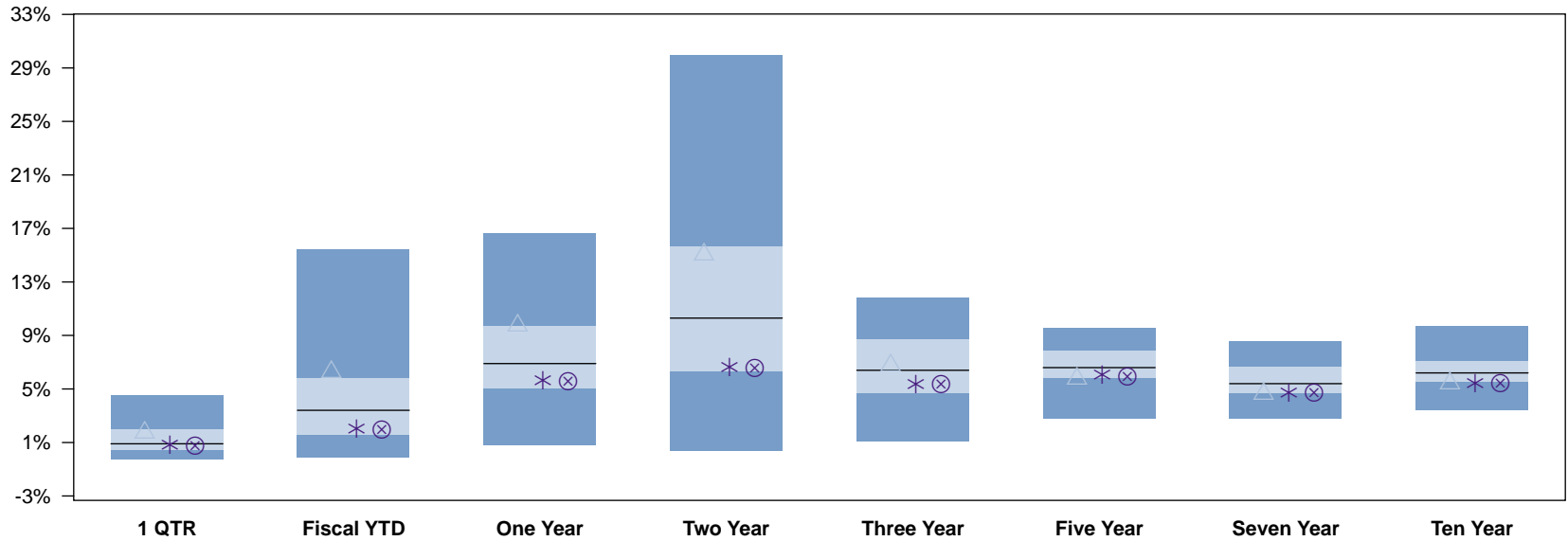
* Standard deviation is based on quarterly returns

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Periods Ending March 31, 2011

Total Returns

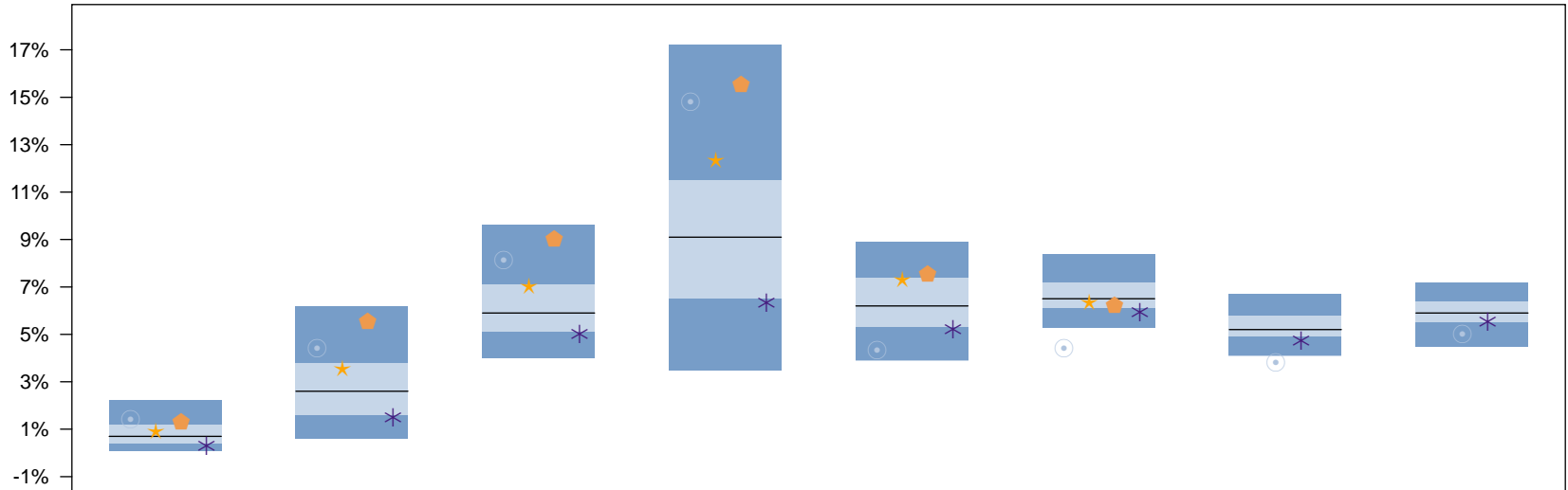


	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
△ Total Fixed Inc	2.2	22	6.7	23	10.2	23	15.5	26	7.2	41	6.2	62	5.1	59	5.9	59
* Total Fixed Index	1.0	48	2.2	63	5.8	63	6.8	70	5.5	62	6.2	63	4.9	69	5.6	68
⊗ US Fixed Index	0.9	51	2.1	65	5.7	64	6.7	70	5.5	62	6.1	64	4.9	69	5.6	68
Median	0.9		3.4		6.9		10.3		6.4		6.6		5.4		6.2	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds - Core
 Periods Ending March 31, 2011

Total Returns



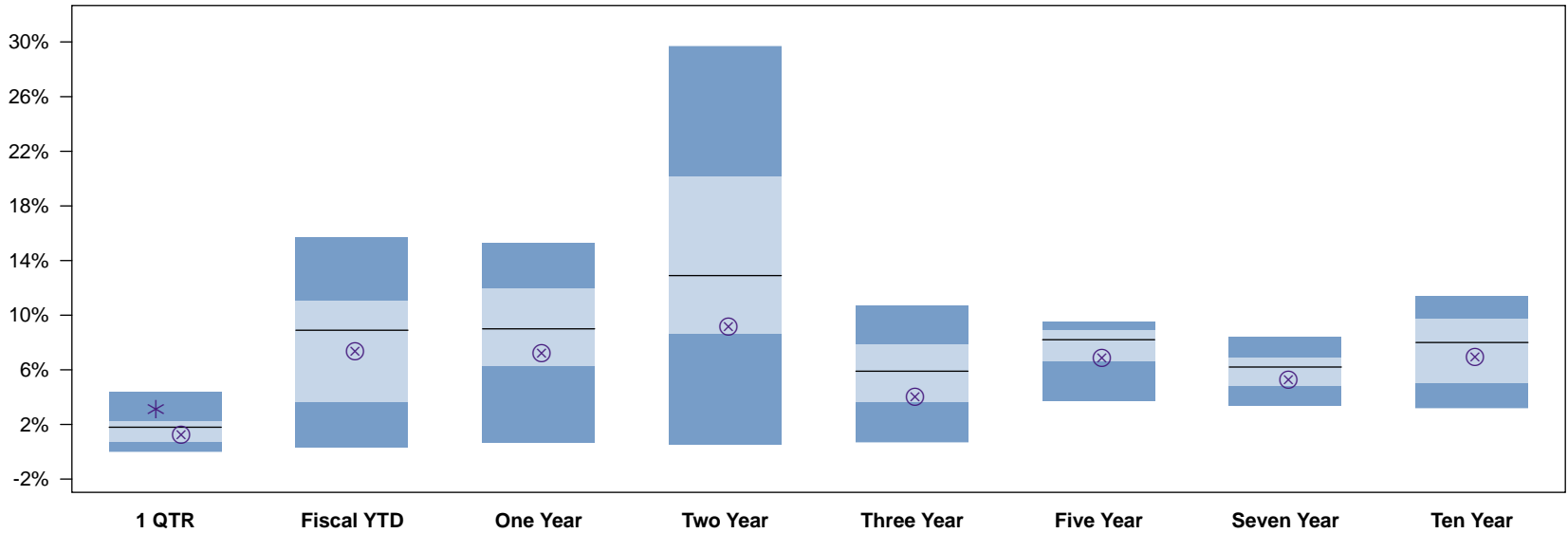
	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
○ Aberdeen	1.5	15	4.5	14	8.2	10	14.9	10	4.4	90	4.5	98	3.9	97	5.1	92
★ Pyramis	1.0	32	3.6	31	7.1	25	12.4	21	7.4	26	6.4	57				
◆ Western Asset	1.4	18	5.6	7	9.1	7	15.6	8	7.6	21	6.3	62				
* BC AGGREGATE	0.4	75	1.6	79	5.1	74	6.4	79	5.3	75	6.0	77	4.8	82	5.6	73
Median	0.7		2.6		5.9		9.1		6.2		6.5		5.2		5.9	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Global Fixed Income Funds

Periods Ending March 31, 2011

Total Returns

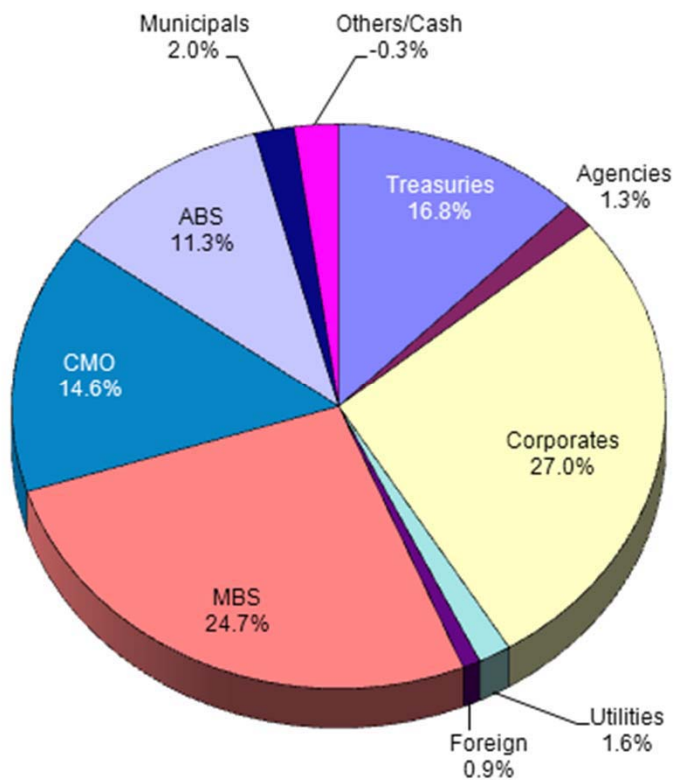


	1 QTR	Fiscal YTD	One Year	Two Year	Three Year	Five Year	Seven Year	Ten Year
* Franklin Templeton Investm	3.3 13							
⊗ BC MULTIVERSE	1.4 56	7.5 61	7.4 65	9.3 73	4.2 72	7.0 72	5.4 72	7.1 63
Median	1.8	8.9	9.0	12.9	5.9	8.2	6.2	8.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Fixed Income Sector Allocation – US Fixed Income Composite



Sector*	Account Weight	BC Aggregate Weight	Difference
Treasuries	12.4%	32.9%	-20.5%
Agencies	1.5%	7.0%	-5.5%
Corporates	27.4%	17.3%	10.1%
Utilities	1.6%	2.1%	-0.5%
Foreign	0.9%	5.0%	-4.1%
MBS	26.3%	33.0%	-6.6%
CMO	15.0%	0.0%	15.0%
ABS	10.8%	2.7%	8.1%
Municipals	2.0%	0.0%	2.0%
Others/Cash	2.2%	0.0%	2.2%
TOTAL	100.0%	100.0%	0.0%

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Bond Summary Statistics – US Fixed Income Composite

Portfolio Characteristics*		
	Portfolio	
Total Number of Securities		
Total Market Value	\$	344,215,885
Current Coupon		4.72
Yield to Maturity		4.75
Average Life		7.44
Duration		4.91
Quality		AA-

BC Aggregate
4.29
3.09
7.19
5.12
AA2

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

Average Life	
Range	% Held
0.0 - 1.0	2.9
1.0 - 3.0	10.5
3.0 - 5.0	28.0
5.0 - 10.0	35.7
10.0 - 20.0	8.7
20.0+	14.1
Unclassified	0.1

Duration	
Range	% Held
0.0 - 1.0	17.7
1.0 - 3.0	16.2
3.0 - 5.0	28.7
5.0 - 7.0	20.6
7.0 - 10.0	8.1
10.0+	10.3
Unclassified	-1.6

Quality	
Range	% Held
Govt (10)	35.9
Aaa (10)	23.5
Aa (9)	6.3
A (8)	10.8
Baa (7)	14.6
Below Baa (6-1)	6.9
Other	2.1

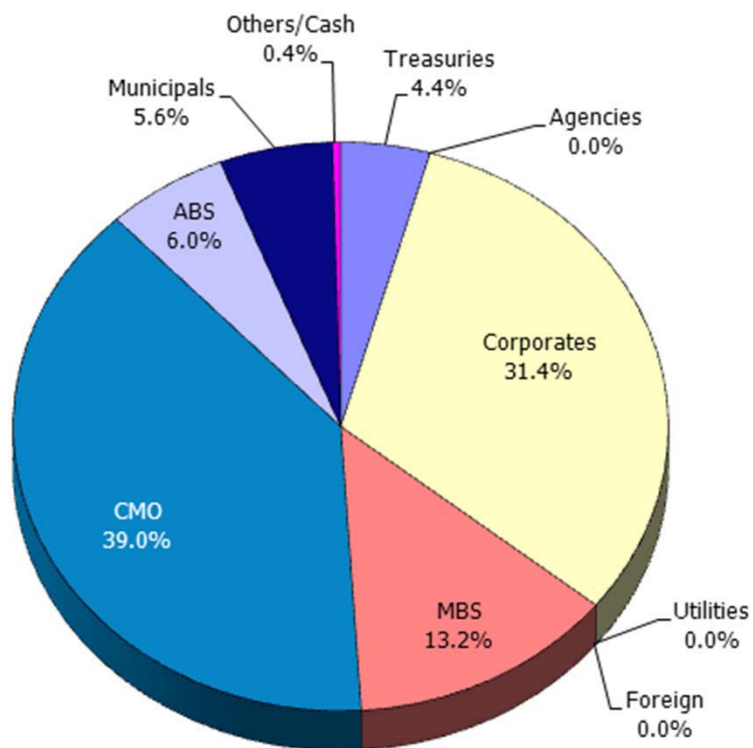
Coupon	
Range	% Held
0.0 - 5.0	57.8
5.0 - 7.0	33.2
7.0 - 9.0	7.2
9.0 - 11.0	1.5
11.0 - 13.0	0.3
13.0+	0.0
Unclassified	0.0

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Fixed Income Sector Allocation – Aberdeen Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	4.4%	32.9%	-28.5%
Agencies	0.0%	7.0%	-7.0%
Corporates	31.4%	17.3%	14.1%
Utilities	0.0%	2.1%	-2.1%
Foreign	0.0%	5.0%	-5.0%
MBS	13.2%	33.0%	-19.8%
CMO	39.0%	0.0%	39.0%
ABS	6.0%	2.7%	3.3%
Municipals	5.6%	0.0%	5.6%
Others/Cash	0.4%	0.0%	0.4%
TOTAL	100.0%	100.0%	0.0%

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Bond Summary Statistics – Aberdeen Asset

Portfolio Characteristics		Portfolio
Total Number of Securities		285
Total Market Value	\$	119,910,965
Current Coupon		5.10
Yield to Maturity		4.40
Average Life		7.50
Duration		4.90
Quality		AA-

BC Aggregate
4.29
3.09
7.19
5.12
AA2

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

Average Life	
Range	% Held
0.0 - 1.0	0.5
1.0 - 3.0	16.9
3.0 - 5.0	35.6
5.0 - 10.0	31.9
10.0 - 20.0	14.7
20.0+	0.0
Unclassified	0.4

Duration	
Range	% Held
0.0 - 1.0	16.3
1.0 - 3.0	15.2
3.0 - 5.0	27.1
5.0 - 7.0	18.3
7.0 - 10.0	11.9
10.0+	10.8
Unclassified	0.4

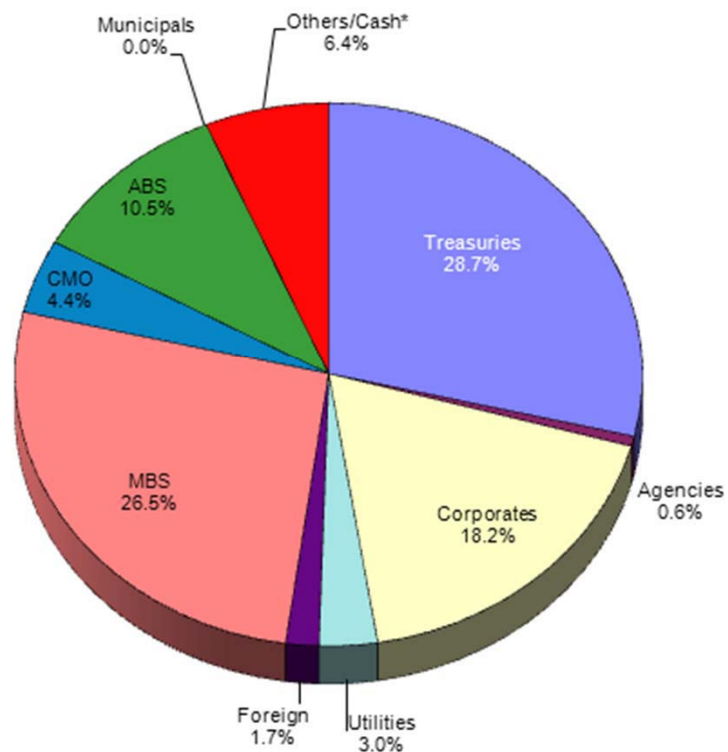
Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	54.0
Aa (9)	9.2
A (8)	13.1
Baa (7)	18.9
Below Baa (6-1)	4.8
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	74.4
5.0 - 7.0	16.1
7.0 - 9.0	7.8
9.0 - 11.0	1.7
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Fixed Income Sector Allocation – Pyramis Broad Market Duration Pool



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	28.7%	32.9%	-4.2%
Agencies	0.6%	7.0%	-6.4%
Corporates	18.2%	17.3%	0.9%
Utilities	3.0%	2.1%	0.9%
Foreign	1.7%	5.0%	-3.3%
MBS	26.5%	33.0%	-6.5%
CMO	4.4%	0.0%	4.4%
ABS	10.5%	2.7%	7.8%
Municipals	0.0%	0.0%	0.0%
Others/Cash*	6.4%	0.0%	6.4%
TOTAL	100.0%	100.0%	0.0%

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Bond Summary Statistics – Pyramis Broad Market Duration Pool

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities			
Total Market Value	\$	110,460,660	
Current Coupon		3.93	4.29
Yield to Maturity		4.82	3.09
Average Life		6.71	7.19
Duration		4.70	5.12
Quality		n/a	AA2

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

Average Life	
Range	% Held
0.0 - 1.0	8.5
1.0 - 3.0	6.1
3.0 - 5.0	19.3
5.0 - 10.0	26.4
10.0 - 20.0	4.2
20.0+	35.5
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	19.0
1.0 - 3.0	20.4
3.0 - 5.0	27.0
5.0 - 7.0	23.7
7.0 - 10.0	7.5
10.0+	7.9
Unclassified	-5.5

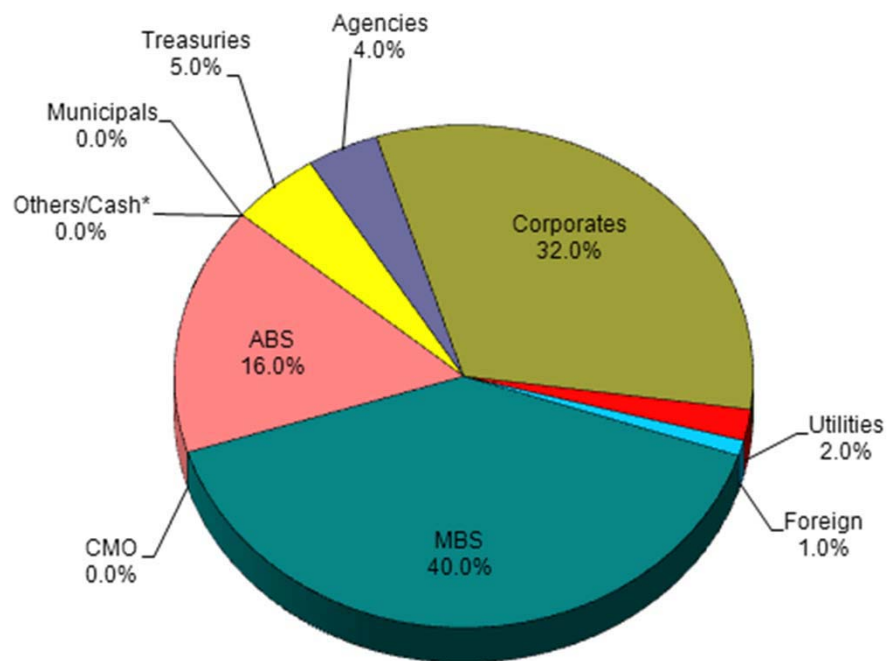
Quality	
Range	% Held
Govt (10)	58.3
Aaa (10)	8.3
Aa (9)	2.3
A (8)	7.1
Baa (7)	13.6
Below Baa (6-1)	3.9
Other	6.5

Coupon	
Range	% Held
0.0 - 5.0	59.7
5.0 - 7.0	36.2
7.0 - 9.0	3.6
9.0 - 11.0	0.5
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Fixed Income Sector Allocation – Western Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	5.0%	32.9%	-27.8%
Agencies	4.0%	7.0%	-3.0%
Corporates	32.0%	17.3%	14.7%
Utilities	2.0%	2.1%	-0.1%
Foreign	1.0%	5.0%	-4.0%
MBS	40.0%	33.0%	7.0%
CMO	0.0%	0.0%	0.0%
ABS	16.0%	2.7%	13.3%
Municipals	0.0%	0.0%	0.0%
Others/Cash*	0.0%	0.0%	0.0%
TOTAL	100.0%	100.0%	0.1%

* Commingled funds (2.3% Western Asset Floating Rate High Income Fund LLC, 2.0% Western Asset Opportunistic Intl Invest Grade Sec Portfolio LLC, 3.4% Western Asset Opportunistic US High Yield LLC, -1.8% Short Term Securities)

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Bond Summary Statistics – Western Asset

Portfolio Characteristics		
		Portfolio
Total Number of Securities		356
Total Market Value	\$	113,844,260
Current Coupon		5.09
Yield to Maturity		5.05
Average Life		8.08
Duration		5.11
Quality		A1/AA-

BC Aggregate	
	4.29
	3.09
	7.19
	5.12
	AA2

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

Average Life	
Range	% Held
0.0 - 1.0	0.0
1.0 - 3.0	8.0
3.0 - 5.0	28.4
5.0 - 10.0	48.6
10.0 - 20.0	6.8
20.0+	8.3
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	17.8
1.0 - 3.0	13.1
3.0 - 5.0	32.1
5.0 - 7.0	20.0
7.0 - 10.0	4.8
10.0+	12.2
Unclassified	0.0

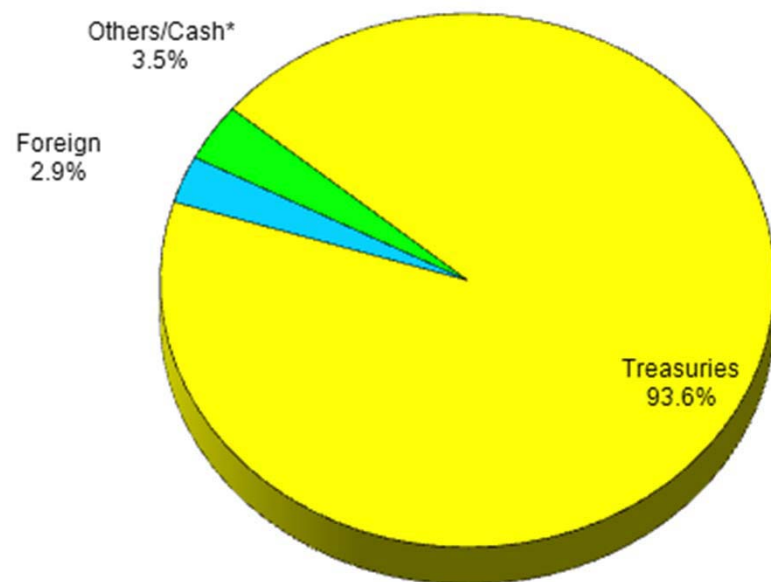
Quality	
Range	% Held
Govt (10)	52.0
Aaa (10)	6.0
Aa (9)	7.0
A (8)	12.0
Baa (7)	11.0
Below Baa (6-1)	12.0
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	38.5
5.0 - 7.0	48.2
7.0 - 9.0	10.1
9.0 - 10.0	2.2
10.0+	1.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Fixed Income Sector Allocation – Brown Brothers Harriman



Sector	Account Weight	ML TIPS INDEX	Difference
Treasuries	93.6%	100.0%	-6.3%
Agencies	0.0%	0.0%	0.0%
Corporates	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Foreign	2.9%	0.0%	2.9%
MBS	0.0%	0.0%	0.0%
CMO	0.0%	0.0%	0.0%
ABS	0.0%	0.0%	0.0%
Municipals	0.0%	0.0%	0.0%
Others/Cash*	3.5%	0.0%	3.5%
TOTAL	100.0%	100.0%	0.1%

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Bond Summary Statistics – Brown Brothers Harriman

Portfolio Characteristics		
	Portfolio	
Total Number of Securities		13
Total Market Value	\$	46,813,318
Current Coupon		
Yield to Maturity		0.18
Average Life		
Duration		7.37
Quality		AAA

ML TIPS	
	31
	2.10
	0.23
	6.04
	AAA

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

Average Life	
Range	% Held
0.0 - 3.0	17.5
3.0 - 5.0	21.7
5.0 - 8.0	19.6
8.0 - 10.0	6.1
10.0 - 15.0	20.7
15.0+	14.4
Unclassified	0.0

Duration	
Range	% Held
0.0 - 3.0	17.5
3.0 - 5.0	21.7
5.0 - 8.0	25.7
8.0 - 10.0	0.0
10.0 - 15.0	30.3
15.0+	4.8
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	100.0
Aaa (10)	0.0
Aa (9)	0.0
A (8)	0.0
Baa (7)	0.0
Below Baa (6-1)	0.0
Other	0.0

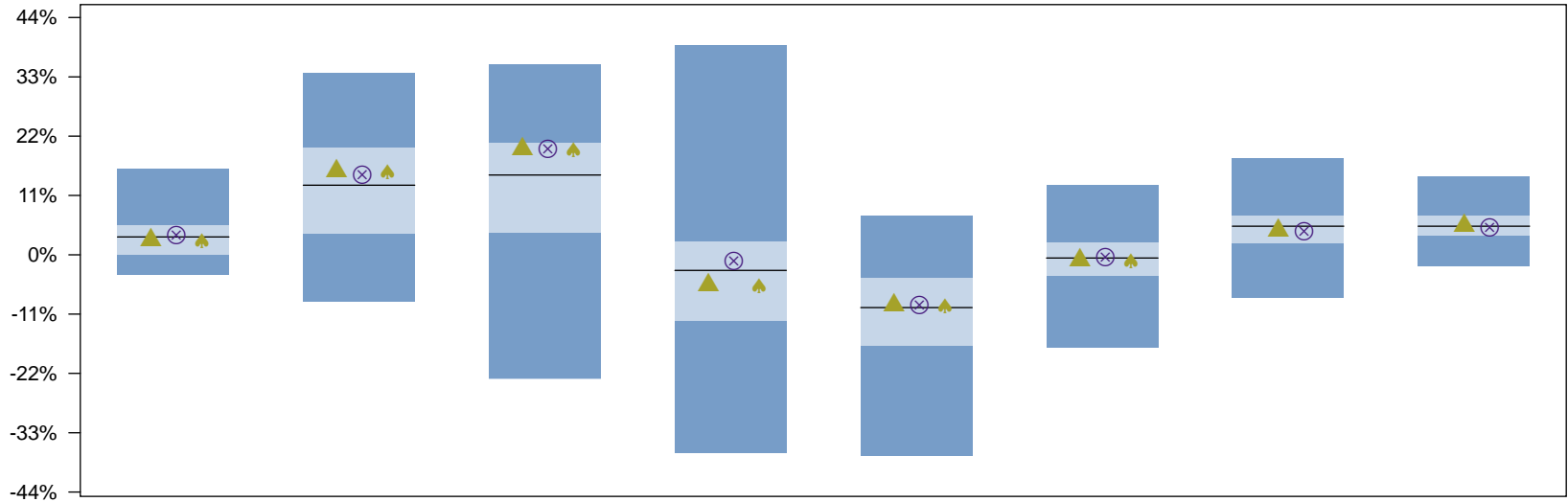
Coupon	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	0.0
7.0 - 9.0	0.0
9.0 - 11.0	0.0
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Real Estate Funds

Periods Ending March 31, 2011

Total Returns

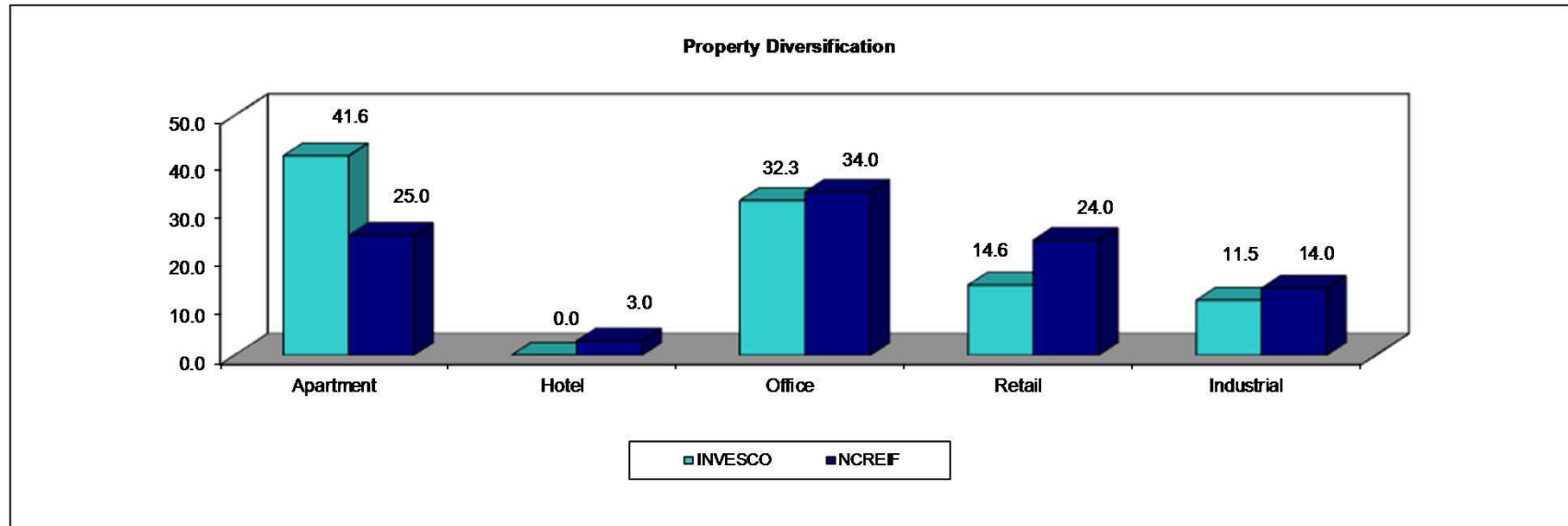
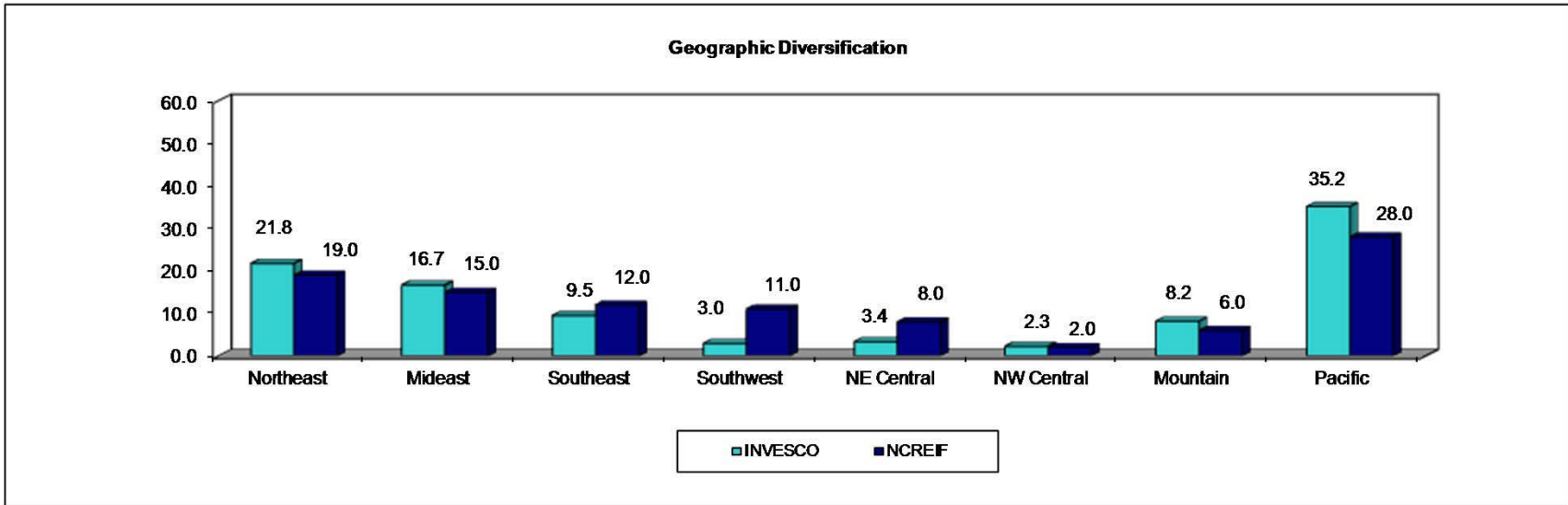


	1 QTR		Fiscal YTD		One Year		Two Year		Three Year		Five Year		Seven Year		Ten Year	
▲ Real Estate	3.8	40	16.7	32	20.8	25	-4.5	60	-8.2	41	0.1	42	5.7	48	6.5	31
⊗ NCREIF-ODCE	4.0	37	15.2	38	20.1	28	-0.8	41	-9.0	44	-0.1	46	4.8	55	5.4	49
◆ Invesco RE	3.8	40	16.7	32	20.8	25	-4.5	60	-8.2	41	0.1	42				
Median	3.3		12.9		14.8		-2.9		-9.8		-0.6		5.3		5.3	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Real Estate Diversification Analysis – INVESCO Core Real Estate



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Real Estate Valuation Analysis

Real Estate Valuation Analysis – INVESCO Core Real Estate

Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 03/31/2011 (4.39%)
APARTMENTS							
Boca Colony	W Palm Bch -Boca R FL	\$20,400,000	\$20,400,000	\$20,400,000	2Q04	March-11	\$895,688
Seneca Village	Portland-Vancv OR-WA	\$29,300,000	\$31,200,000	\$31,200,000	2Q04	March-11	\$1,369,875
Grandville at the Commons	South Kingstown, RI	\$39,700,000	\$39,700,000	\$39,700,000	3Q05	March-11	\$1,743,079
Village Place	Fl. Lauderdale, FL	\$0	\$0	\$0	3Q05	Sold 4Q10	\$0
Vinings at Palm Bay	Palm Bay, FL	\$0	\$0	\$0	3Q05	Sold 3Q10	\$0
Broadstone at Foothills	San Bernardino, CA	\$23,100,000	\$23,100,000	\$23,100,000	1Q06	March-11	\$1,014,235
Stoneridge	Pleasanton, CA	\$123,200,000	\$126,800,000	\$126,800,000	4Q06	March-11	\$5,567,314
Kimberly Woods	San Jose, CA	\$32,750,000	\$50,700,000	\$34,650,000	4Q06	March-11	\$1,521,352
Sterling Parc Apartments	Cedar Knolls, NJ	\$82,500,000	\$82,900,000	\$82,900,000	2Q07	March-11	\$3,639,829
Millington at Merrill Creek	Everett, WA	\$52,900,000	\$54,400,000	\$54,400,000	2Q07	March-11	\$2,388,501
The Residences at Stevens Pond	Boston MA - NH	\$69,300,000	\$72,600,000	\$72,600,000	4Q07	March-11	\$3,187,595
Milestone Apt. Portfolio	Various States - South	\$65,776,683	\$230,100,000	\$66,404,506	2Q06	March-11	\$2,915,574
Holland Portfolio	Seattle - Belle - Eve WA	\$76,540,918	\$247,244,183	\$78,804,029	4Q07	March-11	\$3,459,990
Village Crossing at Chino Hills	Riverside, CA	\$26,594,316	\$70,200,000	\$28,062,163	1Q08	March-11	\$1,232,105
Metropolitan at Pentagon City	Arlington, VA	\$74,500,000	\$134,500,000	\$74,500,000	3Q10	March-11	\$3,271,016
Ladd Tower	Portland, OR	\$79,261,591	\$86,900,000	\$86,900,000	4Q10	March-11	\$3,815,454
Legacy Fountain Plaza	San Jose, CA	\$0	\$92,000,000	\$92,000,000	1Q11	Acq. 1Q11	\$4,039,376
The Elektra	New York, NY	\$0	\$122,500,000	\$48,408,188	1Q11	Acq. 1Q11	\$2,125,423
		\$795,823,507	\$1,485,244,183	\$960,828,886			\$42,186,404
INDUSTRIAL							
018 Street	Boston MA - NH	\$14,100,000	\$13,600,000	\$13,600,000	2Q04	March-11	\$597,125
Arjps	San Diego CA	\$23,700,000	\$24,200,000	\$24,200,000	2Q04	March-11	\$1,062,532
Corland Gateway East	Dallas TX	\$8,300,000	\$9,000,000	\$9,000,000	2Q04	March-11	\$395,156
Gateway Business Park	Dallas TX	\$8,300,000	\$8,200,000	\$8,200,000	2Q04	March-11	\$360,031
Hayward A-E	Oakland CA	\$29,000,000	\$29,300,000	\$29,300,000	3Q07	March-11	\$1,286,453
Hayward F-K & M	Oakland CA	\$41,500,000	\$42,300,000	\$42,300,000	2Q04	March-11	\$1,857,235
Lackman	Kansas City MO-KS	\$17,900,000	\$17,900,000	\$17,900,000	3Q04	March-11	\$785,922
Auburn Warehouse	Auburn, WA	\$13,702,894	\$0	\$0	4Q05	Sold 1Q11	\$0
VIP Holdings II	Chicago, IL	\$0	\$0	\$0	2Q06	Sold 3Q10	\$0
Cross roads Industrial	Kansas City MO-KS	\$6,900,000	\$7,800,000	\$7,800,000	1Q06	March-11	\$342,469
Oakesdale Commerce Center	Seattle - Belle - Eve WA	\$28,100,000	\$31,100,000	\$31,100,000	1Q06	March-11	\$1,365,485
Patuxent & Larkin	Baltimore-Washington, D.C.	\$0	\$0	\$0	2Q06	Sold 2Q10	\$0
South Bay Industrial	Los Angeles, CA	\$65,100,000	\$65,700,000	\$65,700,000	4Q06	March-11	\$2,884,641
VIP Holdings I	Chicago, IL	\$10,510,166	\$69,791,312	\$17,771,325	2Q06	March-11	\$780,272
Tempe Commerce	Phoenix - Mesa AZ	\$43,500,000	\$43,500,000	\$43,500,000	4Q07	March-11	\$1,909,922
Steeplechase 95 International Business Park	Capitol Heights, MD	\$0	\$21,540,000	\$21,540,000	1Q11	Acq. 1Q11	\$945,741
Airport Trade Center III & V	Dallas, TX	\$0	\$26,200,000	\$26,200,000	1Q11	Acq. 1Q11	\$1,150,344
		\$310,613,060	\$410,131,312	\$358,111,325			\$15,723,330
OFFICE							
Boca Corporate Plaza	W Palm Bch -Boca R FL	\$0	\$0	\$0	2Q04	Sold 2Q10	\$0
Highland Bank Building	Minn - St Paul MN-WI	\$0	\$0	\$0	2Q04	Sold 4Q10	\$0
55 Cambridge	Boston MA - NH	\$51,153,173	\$110,700,000	\$54,282,512	4Q06	March-11	\$2,383,342
One Liberty	Boston MA - NH	\$34,600,000	\$36,100,000	\$36,100,000	2Q07	March-11	\$1,585,016
Gainey Center II	Scottsdale - AZ	\$23,100,000	\$24,400,000	\$24,400,000	3Q07	March-11	\$1,071,313
Valencia Town Center	Valencia, CA	\$125,500,000	\$125,500,000	\$125,500,000	3Q07	March-11	\$5,510,236
Park Ten Plaza	Houston, TX	\$24,900,000	\$24,300,000	\$24,300,000	1Q05	March-11	\$1,066,922
Westport Corporate Center	Fairfield County, CT	\$16,400,000	\$16,000,000	\$16,000,000	4Q07	March-11	\$702,500
Parkside Towers	San Francisco, CA	\$10,251,457	\$9,501,809	\$13,764,379	1Q08	March-11	\$604,342
The Executive Building	Washington DC	\$130,500,000	\$131,000,000	\$131,000,000	2Q08	March-11	\$5,751,720
Brill Building	New York, NY	\$21,573,353	\$62,370,000	\$22,658,185	4Q07	March-11	\$994,836
10 Brookline Place	Brookline, MA	\$111,000,000	\$114,500,000	\$114,500,000	2Q10	March-11	\$5,027,267
1111 Pennsylvania Avenue	Washington, D.C.	\$219,785,988	\$242,000,000	\$242,000,000	4Q10	March-11	\$10,625,315
1800 Larimer	Denver, CO	\$0	\$206,534,947	\$206,534,947	1Q11	Acq. 1Q11	\$9,068,177
		\$768,963,971	\$1,152,906,756	\$1,011,040,023			\$44,390,988
RETAIL							
Broadway at Surf	Chicago IL	\$23,500,000	\$22,900,000	\$22,900,000	2Q04	March-11	\$1,005,453
Carriagetown Marketplace	Boston MA - NH	\$19,500,000	\$19,500,000	\$19,500,000	2Q04	March-11	\$856,172
Chandler Pavilions	Phoenix - Mesa AZ	\$19,400,000	\$18,400,000	\$18,400,000	2Q04	March-11	\$807,875
Matthews Township	Charlotte - G - RH NC-SC	\$20,600,000	\$21,800,000	\$21,800,000	2Q04	March-11	\$957,157
Windward Commons	Atlanta GA	\$17,800,000	\$19,400,000	\$19,400,000	2Q04	March-11	\$851,781
Summit Heights	Fontana, CA	\$34,700,000	\$34,500,000	\$34,500,000	3Q05	March-11	\$1,514,766
Cityline at Tenley	Washington, D.C.	\$44,300,000	\$45,000,000	\$45,000,000	4Q05	March-11	\$1,975,782
Ridgehaven Mall	Minnetonka, MN	\$15,460,659	\$28,400,000	\$16,900,000	4Q05	March-11	\$742,016
The Beacon Retail	San Francisco, CA	\$35,500,000	\$35,500,000	\$35,500,000	1Q06	March-11	\$1,558,672
The Beacon Garage	San Francisco, CA	\$24,800,000	\$24,800,000	\$24,800,000	1Q06	March-11	\$1,088,875
Oak Brook Court	Chicago, IL	\$27,700,000	\$28,200,000	\$28,200,000	4Q07	March-11	\$1,238,157
Hawthorne Plaza	Overland Park, KS	\$14,419,542	\$27,400,000	\$15,913,649	4Q07	March-11	\$698,709
Sunshine State Portfolio	Various - FL	\$47,500,000	\$51,200,000	\$51,200,000	4Q07	March-11	\$2,248,001
The Loop	Boston MA - NH	\$86,000,000	\$87,000,000	\$87,000,000	1Q08	March-11	\$3,819,845
Westbank Marketplace	Austin, TX	\$16,332,822	\$42,200,000	\$17,530,215	3Q10	March-11	\$769,686
910 Lincoln Road	Miami, FL	\$15,800,000	\$15,900,000	\$15,900,000	4Q10	March-11	\$698,110
		\$463,313,023	\$522,100,000	\$474,443,864			\$20,831,056
Portfolio Total		\$2,338,713,561	\$3,570,382,251	\$2,804,424,098			\$123,131,778

Investment Strategy Summaries

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

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

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

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

[AQR – Risk Parity](#)

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

Investment Strategy Summaries

[Artio Global Investors – International Equity](#)

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

[Barrow Hanley – Diversified Large Cap Value](#)

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

[BlackRock – Russell 1000 Index](#)

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

[BlackRock – Fundamental Large Cap Growth](#)

BlackRock US Fundamental Large Cap Growth's investment philosophy is that fundamental research can generate stock specific insights that can be used to create alpha in client portfolios. The approach is to employ bottom-up stock selection to construct portfolios of two types of companies, those with stable growth and those with accelerating earnings. The universe is composed of stocks with market capitalizations above \$2 billion and daily trading volume above \$20 million. BlackRock describes this approach to large cap growth investing as disciplined but flexible. They do not employ a hard and fast mathematical formula or rigid set of criteria. Rather, the team focuses on developing an investment thesis for each stock that they purchase based on a catalyst and a fundamental assessment. Stable growth holdings exhibit the following characteristics: consistent earnings growth over 3- to 5-years, sustainable competitive advantages, strong management with proven ability to execute, and attractive relative and absolute valuation. Opportunistic holdings exhibit earnings momentum, above consensus earnings and a catalyst for a near term surprise. Risk monitoring is the responsibility of the

Investment Strategy Summaries

error. The portfolio holds 60-80 stocks with positions generally limited to 5% at cost unless they comprise more than 3% of the benchmark. Sectors are kept with 10 percentage points of the benchmark weighting.

[The Boston Company – Small Cap Index](#)

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

[Brigade – Opportunistic Credit](#)

Opportunistic Credit is a fundamental, bottom-up strategy focused on high yield corporate bonds and bank loans with tactical allocations to structured securities, convertibles and other sectors of the bond markets as they become attractive on a relative value basis. While performing credits represent the majority, Brigade will invest up to 35% of the portfolio in distressed securities and restructuring situations if these types of opportunities are attractive on a risk-adjusted basis and the timing is right with respect to the credit cycle. The portfolio is comprised of mostly North American issuers, but they are not restricted geographically and expect to have a moderate allocation to Europe over time. Although the portfolio is generally long-only, Brigade has the ability to implement a limited amount of tactical macro hedges.

[Brown Brothers Harriman – Inflation Indexed Securities](#)

BBH manages TIPS using three main types of strategies: Fundamental, Technical and Opportunistic. The Fundamental bucket has two sub-strategies, real yield duration and real yield curve slope vs. nominal yield curve slope. The Technical strategies consist of yield curve roll-down, auction cycle trading, seasonal vs. non-seasonal CPI and security selection/option value analysis. Finally, nominal Treasuries vs. TIPS, sector relative value (i.e., corporate or Agency inflation-linked bonds) and non-Dollar inflation-linked bonds make up the Opportunistic group. Real yield duration is held to +/- 1 year vs. the benchmark and the portfolio has a limited allocation to non-index securities, typically 5-10% with a maximum of 20% (including nominal Treasuries).

[Chartwell Investment Partners – Small Cap Growth](#)

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

Investment Strategy Summaries

[D.E. Shaw – Broad Market Core Enhanced Plus Strategy](#)

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

[Franklin Templeton Investments – Global Fixed Income](#)

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

[INVESCO Realty Advisors – INVESCO Core Equity, LLC](#)

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

[Jennison Associates – US Small Cap](#)

Jennison's approach is based on the premise that bottom up fundamental research can add significant value by uncovering inefficiencies in the small cap asset class. They seek out companies that they believe have attractive valuations, and should experience superior earnings growth on an intermediate term basis. In addition, Jennison looks for companies with the following attributes: strong competitive position, quality management team,

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Investment Strategy Summaries

2.5%. Industry weights are normally limited to 20% and sector weights are typically within 5%-7% of the benchmark, though they may be higher. Positions are scaled to reflect market cap and trading volume. According to Jennison, their expected tracking error is 6%-8%, but historically it has been lower. They seek to add 3%-4% of excess return over a market cycle.

[Mondrian Investment Partners – International Equity](#)

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

[Pyramis Global Advisors – Broad Market Duration Commingled Pool](#)

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

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

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

Investment Strategy Summaries

[Western Asset Management – U.S. Core Full Discretion](#)

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

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Policy Index History

Total Plan Policy Benchmark

As of:

	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Russell 1000	27.0%	28.0%	37.0%	37.0%	40.0%	22.0%	20.0%	20.0%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
Russell 1000 Value	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	0.0%
Russell 2000	8.0%	7.0%	9.0%	9.0%	10.0%	15.0%	15.0%	15.0%
MSCI AC World ex-US	18.0%	18.0%	21.0%	21.0%	15.0%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
Barclays Aggregate	11.0%	12.9%	27.0%	27.0%	29.0%	25.0%	21.0%	21.0%
Barclays BBB	3.3%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Tips	3.3%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Multiverse	4.4%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Citigroup Non-US WGBI unhedged	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	9.0%	9.0%
NCREIF NFI ODCE EW	5.0%	5.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCREIF Property	0.0%	0.0%	0.0%	0.0%	6.0%	0.0%	0.0%	0.0%
10 YR Treasury plus 200 basis points	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	10.0%	10.0%
Russell 3000 + 300 basis points	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
60% Russell 3000/40% BC Aggregate	6.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Libor + 400 basis points	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dow Jones UBS Commodity	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	100%	100%	100%	100%	100%	100%	100%	100%

Total Equity Benchmark

As of:

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

Domestic Equity Benchmark

As of:

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

International Equity Benchmark

As of:

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

Total Fixed Income Benchmark

As of:

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

Domestic Fixed Income Benchmark

As of:

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

International Fixed Income Benchmark

As of:

	10/1/2010
Barclays Multiverse	100.00%

SamCERA's Real Estate Benchmark

As of:

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

Alternative Investment Benchmark

As of:

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

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Fee Schedules

BlackRock-R1000 Index Fund

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

Marginal pricing will apply. The Board receives the benefit of asset aggregation across funds when invested in more than one commingled fund. The Board pays the top of the fee schedules on the first fund, moving down the graduated fee structure for additional funds.

Aberdeen Asset Management

First \$100 million:	0.30% per annum
Next \$100 million:	0.20% per annum
Balance of fund:	0.18% per annum

Chartwell Investment Partners

On all assets:	0.80% per annum
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Jennison Associates

First \$50 million:	0.90% per annum
Next \$50 million:	0.70% per annum
Balance of fund:	0.60% per annum

Artio Global Investors

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

Mondrian Investment Partners

First \$20 million:	1.00% per annum
Thereafter:	0.33% per annum
For Assets Over \$190 Million	
First \$50 million:	1.00% per annum
Next \$150 million:	0.19% per annum
Thereafter:	0.33% per annum

Fees received by Delaware Mgmt. Co. for the DPT Emerging Markets Fund in connection with SamCERA assets invested therein shall be deducted from the above schedule

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Fee Schedules

Western Asset Management

First \$100 million:	0.30% per annum
Balance of fund:	0.15% per annum

Barrow, Hanley, Mewhinney & Strauss

First \$15 million	0.75% per annum
Next \$10 million	0.55% per annum
Next \$75 million	0.45% per annum
Next \$100 million	0.35% per annum
Next \$800 million	0.25% per annum
Over \$1 billion	0.15% per annum

T. Rowe Price Associates

First \$50 million	0.40% per annum
Next \$50 million	0.35% per annum
When assets exceed \$100 million	0.35% on all assets
When assets exceed \$200 million	0.30% on all assets

The Boston Company Asset Management

First \$25 million	0.90% per annum
Thereafter:	0.80% per annum

Angelo Gordon

0.20% per annum of the lesser of (a) US Treasury's Capital Commitment as of the last day of the period and (b) the US Treasury Interest Value as of the last day of the period.

INVESCO

On Property Assets:	7.0% of NOI
The property portfolio is on a performance basis.	

BlackRock Capital Management

First \$50 million	0.55% per annum
Next \$50 million	0.45% per annum
Next \$100 million	0.40% per annum
Thereafter:	0.30% per annum

D.E. Shaw Investment Management

First \$100 million	0.51% per annum
Next \$100 million	0.46% per annum
Thereafter:	0.41% per annum

Brown Brother Harriman

On All Assets:	0.15% per annum
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Brigade Capital Management

On All Assets:	1.00% per annum
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Franklin Templeton Investment

First \$50 million	0.45% per annum
Next \$50 million	0.35% per annum
Thereafter	0.30% per annum

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2011

Performance Summary - Gross and Net of Fees

		<u>1 QTR</u>	<u>FISCAL</u> <u>YTD</u>	<u>1 YEAR</u>	<u>2 YEAR</u>	<u>3 YEAR</u>	<u>5 YEAR</u>
<u>US Equity</u>							
Large Cap							
BlackRock-R1000 Index Fund	gross	6.25%	31.80%	16.76%	33.11%	3.06%	3.00%
	net	6.24%	31.76%	16.72%	33.04%	3.01%	2.94%
D.E. Shaw	gross	5.25%	29.15%	13.93%			
	net	5.12%	28.67%	13.36%			
	<i>Russell 1000 Index</i>	<i>6.24%</i>	<i>31.77%</i>	<i>16.69%</i>	<i>33.01%</i>	<i>2.98%</i>	<i>2.93%</i>
T Rowe Price	gross	5.82%	30.19%	14.61%			
	net	5.73%	29.84%	14.18%			
	<i>S&P 500 Index</i>	<i>5.92%</i>	<i>30.56%</i>	<i>15.65%</i>			
Barrow Hanley	gross	7.72%	32.60%	16.54%			
	net	7.60%	32.16%	16.02%			
	<i>Russell 1000 Value Index</i>	<i>6.46%</i>	<i>29.60%</i>	<i>15.15%</i>			
BlackRock	gross	4.40%	36.14%	20.84%			
	net	4.28%	35.68%	20.28%			
	<i>Russell 1000 Growth Index</i>	<i>6.03%</i>	<i>33.99%</i>	<i>18.26%</i>			
Small Cap							
Jennison	gross	9.15%	43.42%	30.41%	47.15%	11.10%	
	net	8.94%	42.88%	29.64%	46.14%	10.26%	
	<i>Russell 2000 Index</i>	<i>7.94%</i>	<i>39.65%</i>	<i>25.79%</i>	<i>43.08%</i>	<i>8.56%</i>	
The Boston Company	gross	7.71%	31.80%	18.50%			
	net	7.48%	31.00%	17.50%			
	<i>Russell 2000 Value Index</i>	<i>6.60%</i>	<i>34.93%</i>	<i>20.63%</i>			
Chartwell	gross	14.11%	52.11%	36.82%	48.03%	7.80%	4.20%
	net	13.90%	51.30%	35.82%	46.97%	7.01%	3.42%
	<i>Russell 2000 Growth Index</i>	<i>9.24%</i>	<i>44.35%</i>	<i>31.04%</i>	<i>44.94%</i>	<i>10.16%</i>	<i>4.34%</i>

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2011

Performance Summary - Gross and Net of Fees

		<u>1 QTR</u>	<u>FISCAL</u> <u>YTD</u>	<u>1 YEAR</u>	<u>2 YEAR</u>	<u>3 YEAR</u>	<u>5 YEAR</u>
<u>International Equity</u>							
Artio Global	gross	2.19%	25.33%	11.00%	28.34%	-5.68%	0.96%
	net	2.06%	24.88%	10.46%	27.72%	-6.15%	0.46%
	<i>MSCI ACWI -ex US Growth Index</i>	<i>2.35%</i>	<i>29.70%</i>	<i>15.06%</i>	<i>34.26%</i>	<i>-0.75%</i>	<i>4.18%</i>
Mondrian	gross	3.79%	25.08%	10.55%	28.17%	-1.91%	3.47%
	net	3.74%	24.88%	10.30%	27.86%	-2.16%	3.18%
	<i>MSCI ACWI -ex US Value Index</i>	<i>4.65%</i>	<i>29.20%</i>	<i>12.10%</i>	<i>36.81%</i>	<i>-0.06%</i>	<i>3.87%</i>
<u>US Fixed Income</u>							
Aberdeen Asset	gross	1.53%	4.48%	8.25%	14.90%	4.44%	4.51%
	net	1.46%	4.26%	7.96%	14.60%	4.16%	4.25%
Pyramis	gross	1.03%	3.58%	7.14%	12.41%	7.36%	6.40%
	net	0.98%	3.46%	6.97%	12.24%	7.19%	6.23%
Western Asset	gross	1.40%	5.59%	9.09%	15.58%	7.60%	6.28%
	net	1.32%	5.39%	8.82%	15.31%	7.35%	6.03%
	<i>BC Aggregate Index</i>	<i>0.42%</i>	<i>1.57%</i>	<i>5.12%</i>	<i>6.40%</i>	<i>5.30%</i>	<i>6.03%</i>
AG GECC	net	5.61%	31.58%	32.27%			
Brigade Capital Management	gross	4.36%					
	net	4.25%					
	<i>BC BBB Credit</i>	<i>1.30%</i>					
Brown Brothers Harriman	gross	1.99%					
	net	1.96%					
	<i>BC U.S. Tips Index</i>	<i>2.06%</i>					
Franklin Templeton Investments	gross	3.27%					
	net	3.17%					
	<i>BC Multiverse</i>	<i>1.35%</i>					

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending March 31, 2011

Performance Summary - Gross and Net of Fees

		<u>1 QTR</u>	<u>FISCAL</u> <u>YTD</u>	<u>1 YEAR</u>	<u>2 YEAR</u>	<u>3 YEAR</u>	<u>5 YEAR</u>
<u>Real Estate</u>							
INVESCO Real Estate	gross	3.83%	16.71%	20.84%	-4.54%	-8.20%	0.15%
	net	3.71%	16.27%	20.21%	-5.08%	-8.68%	-0.37%
	<i>NCREIF NFI ODCE EW Index¹</i>	<i>4.01%</i>	<i>15.10%</i>	<i>19.95%</i>	<i>-2.16%</i>	<i>-8.30%</i>	<i>0.43%</i>
<u>Private Equity</u>							
Private Equity	net	-111.52%					
	<i>Russell 3000 + 3%</i>	<i>7.16%</i>					

¹ See Appendix for Benchmark History.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Manager Compliance Checklist

MANAGER	INDEX OUTPERFORMANCE						DATABASE BENCHMARK			MANAGER MEETING INVESTMENT PERFORMANCE EXPECTATIONS
	AFTER FEE VS. INDEX		BEFORE FEE VS. INDEX		RISK ADJUSTED (SHARPE RATIO)		MEDIAN			
	3 YEARS	5 YEARS	3 YEARS	5 YEARS	3 YEARS	5 YEARS	2 YEARS	3 YEARS	5 YEARS	
BLACKROCK- R1000 INDEX FUND Benchmark: R1000 Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
CHARTWELL Benchmark: R2000 Index	NO	NO	NO	NO	NO	NO	YES	NO	NO	NO
JENNISON Benchmark: R2000 Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
ARTIO GLOBAL Benchmark: MSCI ACWI -ex US Index	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
MONDRIAN Benchmark: MSCI ACWI -ex US Index	NO	NO	NO	NO	NO	NO	NO	NO	YES	YES
ABERDEEN ASSET Benchmark: BC Aggregate	NO	NO	NO	NO	NO	NO	YES	NO	NO	NO
PYRAMIS GLOBAL ADVISORS Benchmark: BC Aggregate	YES	YES	YES	YES	YES	NO	YES	YES	NO	YES
WESTERN ASSET Benchmark: BC Aggregate	YES	YES	YES	YES	NO	NO	YES	NO	NO	YES
INVESCO REAL ESTATE Benchmark: NCREIF Property Index	NO	NO	YES	NO	N/A	N/A	NO	NO	YES	YES

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Manager Performance Comparison

	Jan	Feb	Mar	1st Qtr. 2011	Difference	4th Qtr. 2010	Difference	3rd Qtr. 2010	Difference	2nd Qtr. 2010	Difference
SIS/SSB	2.41%	3.48%	0.26%	6.25%		11.20%		11.56%		-11.41%	
BlackRock-R1000 Fund	2.41%	3.48%	0.26%	6.25%	0.00%	11.20%	0.00%	11.56%	0.00%	-11.41%	0.00%
Russell 1000 Index	2.40%	3.48%	0.26%	6.24%		11.20%		11.56%		-11.45%	
SIS/SSB	2.18%	2.97%	0.04%	5.25%		11.43%		10.13%		-11.78%	
D.E. Shaw	2.20%	2.96%	0.03%	5.26%	0.00%	11.42%	0.01%	10.13%	0.00%	-11.79%	0.01%
Russell 1000 Index	2.40%	3.48%	0.26%	6.24%		11.20%		11.56%		-11.45%	
SIS/SSB	2.45%	3.49%	-0.19%	5.82%		10.99%		10.84%		-11.97%	
T. Rowe Price	2.45%	3.49%	-0.19%	5.81%	0.01%	10.99%	0.00%	10.84%	0.00%	-11.98%	0.01%
S&P 500 Index	2.37%	3.43%	0.04%	5.92%		10.74%		11.30%		-11.42%	
SIS/SSB	3.48%	3.38%	0.70%	7.72%		10.79%		11.11%		-12.11%	
Barrow Hanley	3.48%	3.38%	0.69%	7.72%	0.00%	10.77%	0.02%	11.13%	-0.02%	-12.07%	-0.05%
Russell 1000 Value Index	2.26%	3.69%	0.40%	6.46%		10.54%		10.13%		-11.14%	
SIS/SSB	1.36%	2.55%	0.44%	4.40%		14.25%		14.14%		-11.24%	
BlackRock	1.36%	2.55%	0.44%	4.40%	0.00%	14.25%	0.00%	14.14%	0.00%	-11.24%	0.00%
Russell 1000 Growth Index	2.54%	3.27%	0.12%	6.03%		11.84%		13.00%		-11.74%	
SIS/SSB	0.46%	5.53%	2.95%	9.15%		17.41%		11.92%		-9.07%	
Jennison	0.46%	5.54%	2.96%	9.16%	-0.02%	17.27%	0.14%	11.92%	0.00%	-9.15%	0.09%
Russell 2000 Index	-0.26%	5.48%	2.59%	7.94%		16.25%		11.29%		-9.93%	
SIS/SSB	-0.08%	5.08%	2.58%	7.71%		12.55%		8.71%		-10.10%	
The Boston Company	-0.08%	5.08%	2.58%	7.69%	0.02%	12.55%	0.00%	8.71%	0.00%	-10.10%	0.00%
Russell 2000 Value Index	0.05%	5.08%	1.39%	6.60%		15.36%		9.72%		-10.59%	
SIS/SSB	1.70%	6.61%	5.25%	14.11%		14.55%		16.39%		-10.05%	
Chartwell	1.69%	6.60%	5.25%	14.09%	0.02%	14.55%	0.00%	16.37%	0.02%	-10.07%	0.02%
Russell 2000 Growth Index	-0.56%	5.88%	3.75%	9.24%		17.11%		12.82%		-9.22%	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of March 31, 2011

Manager Performance Comparison

	Jan	Feb	Mar	1st Qtr. 2011	Difference	4th Qtr. 2010	Difference	3rd Qtr. 2010	Difference	2nd Qtr. 2010	Difference
SIS/SSB	-0.68%	1.65%	1.22%	2.19%		6.27%		15.41%		-11.43%	
Artio Global	-0.75%	1.59%	1.19%	2.03%	0.16%	6.37%	-0.10%	15.39%	0.02%	-11.42%	-0.01%
MSCI ACWI -ex US Growth Index	-0.51%	2.46%	0.40%	2.35%		8.18%		17.14%		-11.29%	
SIS/SSB	2.40%	1.97%	-0.61%	3.79%		3.69%		16.23%		-11.62%	
Mondrian	2.40%	1.90%	-0.53%	3.79%	-0.01%	1.89%	1.81%	16.25%	-0.02%	-11.68%	0.06%
MSCI ACWI -ex US Value Index	2.55%	2.85%	-0.78%	4.65%		6.26%		16.17%		-13.24%	
SIS/SSB	0.67%	0.66%	0.19%	1.53%		-0.55%		3.49%		3.61%	
Aberdeen Asset	0.68%	0.68%	0.20%	1.57%	-0.04%	-0.52%	-0.03%	3.50%	-0.01%	2.46%	1.14%
BC Aggregate Index	0.12%	0.25%	0.05%	0.42%		-1.29%		2.49%		3.49%	
SIS/SSB	4.86%	3.09%	-2.30%	5.61%		12.10%		11.15%		0.53%	
AG PPI Fund	4.86%	3.09%	-2.30%	5.61%	0.00%	12.10%	0.00%	11.15%	0.00%	0.53%	0.00%
BC Aggregate Index	0.12%	0.25%	0.05%	0.42%		-1.29%		2.49%		3.49%	
SIS/SSB	0.34%	0.57%	0.11%	1.03%		-0.53%		3.08%		3.43%	
Pyramis	0.34%	0.57%	0.11%	1.02%	0.01%	-0.53%	0.00%	3.08%	0.00%	3.43%	0.00%
BC Aggregate Index	0.12%	0.25%	0.05%	0.42%		-1.29%		2.49%		3.49%	
SIS/SSB	2.32%	1.36%	0.63%	4.36%		3.15%					
Brigade Capital	2.29%	1.17%	0.68%	4.19%	0.17%	3.36%	-0.21%				
BC BBB Credit	0.45%	0.75%	0.10%	1.30%		-1.62%					
SIS/SSB	0.18%	0.83%	0.98%	1.99%		-1.26%					
Brown Brothers Harriman	0.17%	0.83%	0.98%	1.99%	0.00%	-1.26%	0.00%				
BC U.S Tips	0.20%	0.84%	1.01%	2.06%		-0.65%					
SIS/SSB	0.73%	0.64%	0.02%	1.40%		-0.09%		4.22%		3.31%	
Western Asset	0.86%	0.61%	0.04%	1.52%	-0.12%	0.27%	-0.37%	4.00%	0.22%	3.32%	-0.01%
BC Aggregate Index	0.12%	0.25%	0.05%	0.42%		-1.29%		2.49%		3.49%	
SIS	-0.32%	1.83%	1.73%	3.26%							
Franklin Templeton Investments	-0.21%	1.70%	1.69%	3.20%	0.06%						
BC Multiverse	0.25%	0.62%	0.49%	1.37%							
SIS/SSB				3.83%		4.62%		7.44%		3.54%	
INVESCO Real Estate				3.83%	0.00%	4.62%	0.00%	7.44%	0.00%	3.54%	0.00%
NCREIF NFI ODCE EW Index				4.01%		4.86%		5.53%		4.21%	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Capital Market Review

MARKET SUMMARY

Equity Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
U.S.			
S&P 500	5.9	15.7	2.4
Dow Jones Industrial Average	7.1	16.5	3.1
NASDAQ	5.0	16.8	7.8
Russell 1000	6.2	16.7	3.0
Russell 2000	7.9	25.8	8.6
Russell 3000	6.4	17.4	3.4
Russell Micro Cap	6.8	25.3	6.7
Non-U.S.			
MSCI EAFE (Net)	3.4	10.4	-3.0
MSCI Emerging Markets (Net)	2.1	18.2	4.3
MSCI All Country World ex U.S.	3.4	13.1	-0.8

Bond Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
U.S.			
Barclays Capital Aggregate	0.4	5.1	5.3
Barclays Capital Gov/Credit	0.3	5.3	4.8
Barclays Capital Universal	0.1	5.7	5.7
Barclays Capital Corp. High Yield	3.9	14.3	12.9
Non-U.S.			
CG Non-U.S. World Govt.	1.0	8.5	3.3

Non-Public Markets

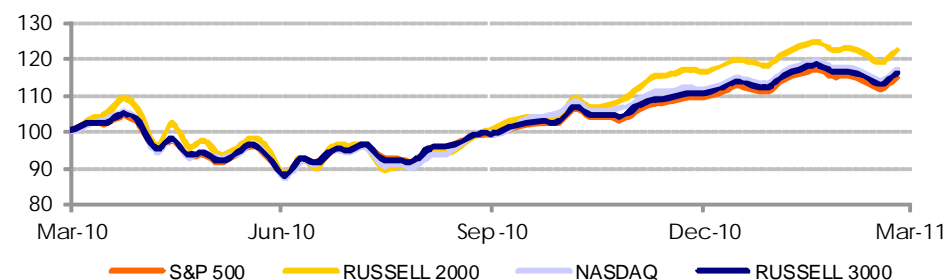
	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property (4Q10)	4.6	13.2	-12.4
State Street Private Equity Index(3Q10)	6.6	16.2	-2.1

Global Equity Markets

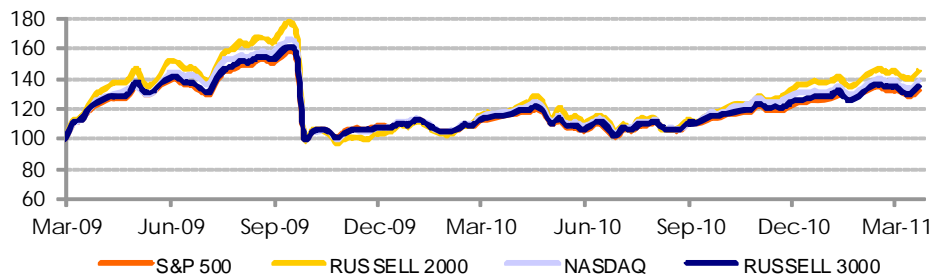
Global markets performed well in the first quarter of 2011. In the U.S., the broad S&P 500 Index returned 5.9%, and the NASDAQ gained 5.0%. Meanwhile, the Dow Jones Industrial Average led the way, gaining 7.1%. International markets, as represented by the MSCI EAFE Index, increased by 3.4%, a more modest increase compared to last quarter's gain of 6.6%, and the prior quarter jump of 16.5%. The MSCI Emerging Markets Index also increased by 2.1%, continuing its recent positive performance. Over the past 12 months, the MSCI Emerging Markets Index returned 18.2%, which outpaces the larger developed market indices.

Small cap indices continue to outperform their large cap counterparts as investors continue to favor riskier options. The Russell 2000 Index posted a 7.9% return for the quarter, and the Russell Microcap Index posted a return of 6.8%, outperforming the Russell 1000 Index (large cap) return by 170 and 60 basis points respectively.

Equity Index - 1 Year Growth Rate



Equity Index - 2-Year Growth Rate



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Capital Market Review

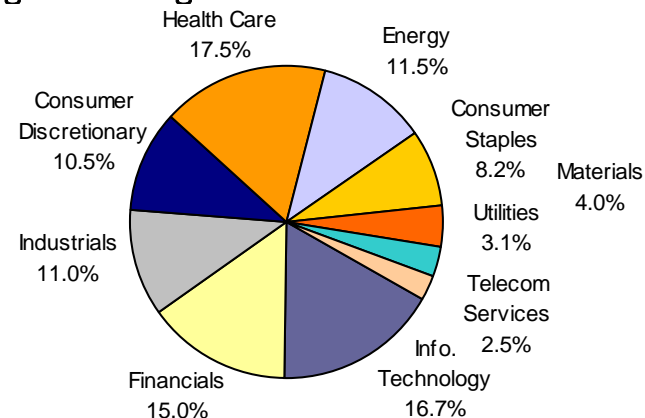
DOMESTIC MARKETS

Domestic Equity - Russell 3000

The Russell 3000 Index gained 6.4% during the first quarter of 2011. Every sector within the Russell Index posted positive returns. The greatest sector contributors to quarterly performance were Health Care, Industrials, and Energy. These sectors account for 40% of the index weight.

In a continuation of the 2010 success, all sectors reported positive returns over the trailing 12 months. The most influential sectors for the trailing one-year time frame were Consumer Discretionary, Energy, Industrials, Information Technology which make up just under half of index weight. They returned 21.7%, 41.1%, 24.1%, and 15.1%, respectively, and as a result, had the largest positive impact on returns.

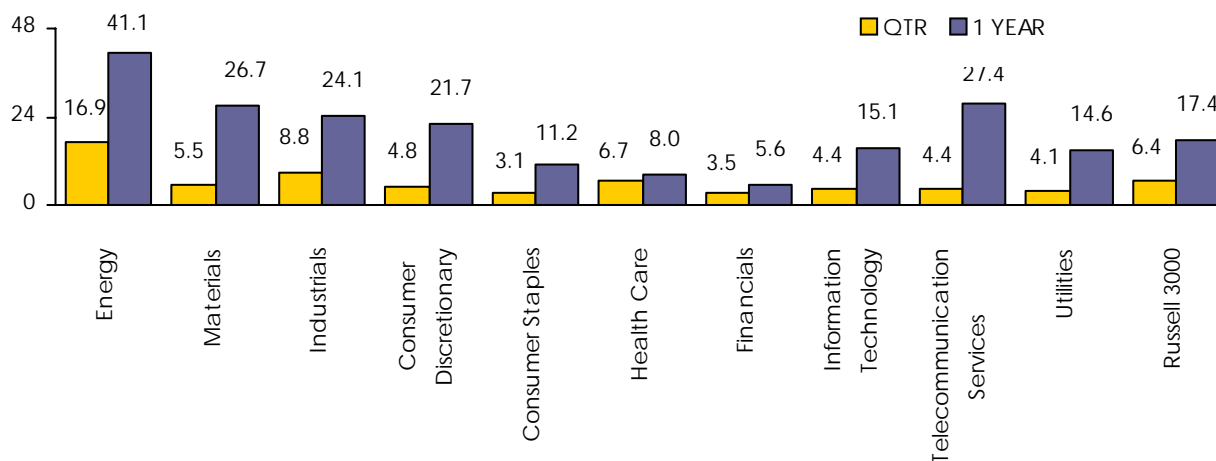
Ending Sector Weights



Characteristics

Div. Yield (%)	1.8
P/B Ratio	2.29
P/E Ratio	17.8
Fundamental Beta	1.25
Market Cap \$(MM)	76,470

Sector Returns (%)



Contribution to Return

Qtr.	0.8	0.2	1.0	0.5	0.3	1.0	0.6	0.8	0.1	0.1
1 Yr.	3.3	1.8	3.1	3.5	0.9	1.0	0.9	2.1	0.7	0.5

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Capital Market Review

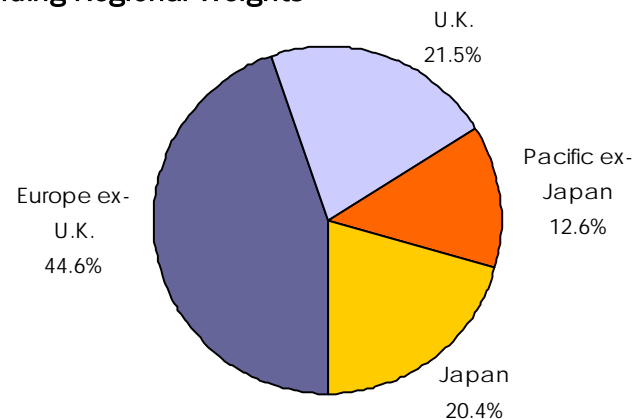
INTERNATIONAL MARKETS

International Equity—MSCI EAFE (Net)

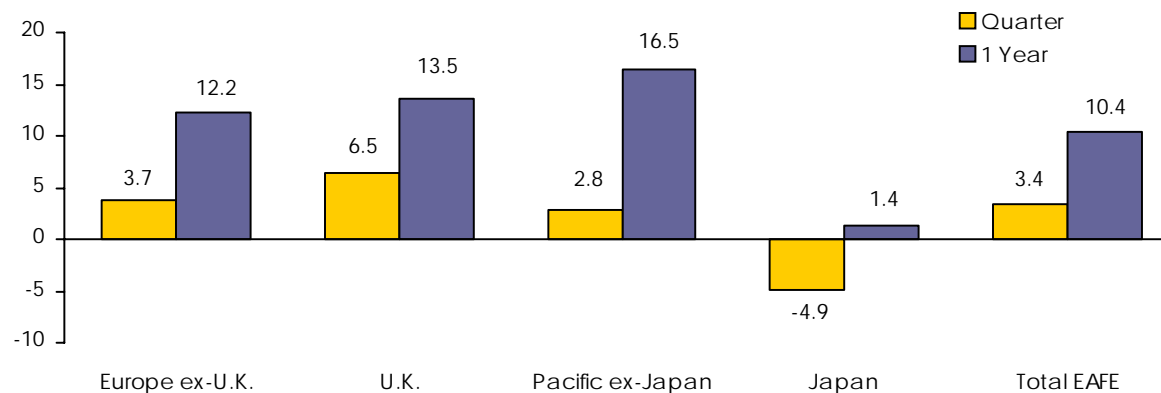
The MSCI EAFE Index posted positive returns for two out of the three months in the quarter; January returned 2.4%, February gained 3.3%, and March gave back 2.2%, totaling 3.4% return for the first quarter. After the rocky 2010 that the “PIIGS” countries had, they were able to bounce back to start off the New Year. Greece (15.2%), Italy (13.8%), and Spain (12.9%) all led the countries in the MSCI EAFE index.

One year returns were strong, as the EAFE Index returned 10.4%. Top performing countries in Europe were based in the Nordic region, especially Denmark (29.4%) and Sweden (28.3%). The one-year rolling return is closing the gap compared to that of emerging markets as the recent debt troubles within domestic markets begins to fade. Greece (-28.9%) and Ireland (-12.1) are significantly negative over the one year time period, while Spain is barely negative with a -0.2% loss.

Ending Regional Weights



Regional Returns (%)



Contribution to Return:

	Europe ex-U.K.	U.K.	Pacific ex-Japan	Japan	Total EAFE
Qtr.	3.4	0.8	0.4	-1.0	
1 Yr.	5.7	2.9	1.8	0.3	

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Capital Market Review

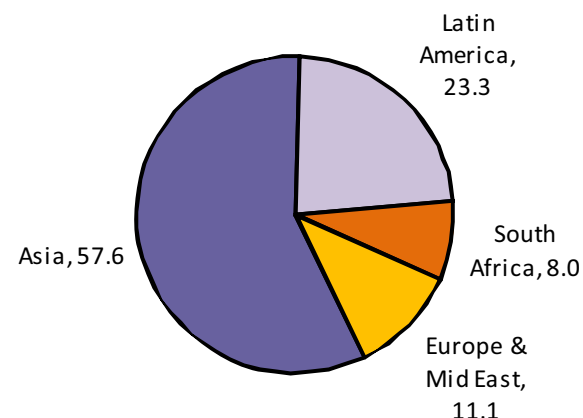
INTERNATIONAL MARKETS

Emerging Markets Equity - MSCI EM (Net)

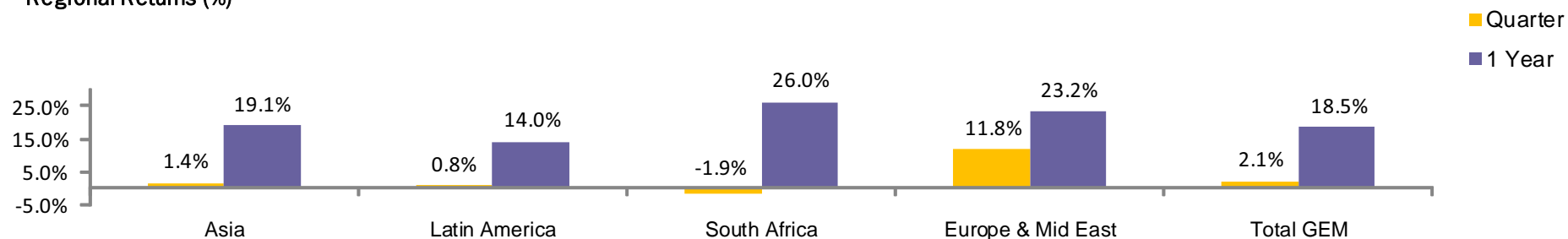
The MSCI Emerging Markets Index gained 2.1% in the first quarter, which brings its 12 month gain to 18.5%.

European based securities made the greatest contribution to return over the quarter, but over the one year time period, Asian based securities impacted positive performance the most. Over the quarter, the key contributors to performance within Europe were Hungary and the Czech Republic (20.2% and 16.3% respectively). Over the longer time period, key contributors in Asia included gains from securities domiciled in Thailand and Korea, each returning 38.6% and 29.8% respectively. The largest emerging markets, China and Brazil (which represent nearly a third of the index) cooled, while South Africa and Korea (which represents about a fifth of the index) picked up the slack returning 25.9% and 31.1% respectively.

Ending Regional Weights (%)



Regional Returns (%)



Contribution to Return:

Qtr.	0.8	0.2	-0.1	1.2
1 Yr.	11.0	3.3	2.1	2.6

Capital Market Review

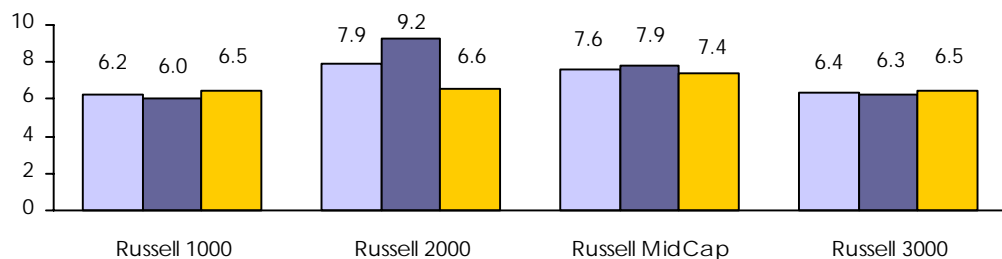
EQUITY BY STYLE & CAPITALIZATION

Style & Capitalization Returns

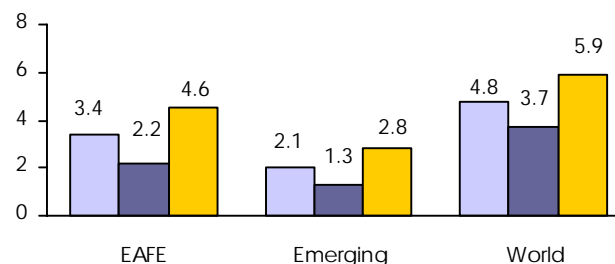
The major indices within the worldwide markets continued their upswing from the fourth quarter of 2010 through the first quarter of 2011. Growth indices within all of the cap spectrums of the domestic markets are adding value over their core and value counterparts over the trailing twelve months. The Russell 1000, 2000, 2500, and 3000 Growth Indices all outperformed their value counterparts by 310, 1040, 430, and 360 basis points respectively. In Cross-border mandates however, value indices are outperforming their growth counterparts. The MSCI EAFE, MSCI EM, and MSCI World Indices each outperformed their growth counterparts by 120, 150 and 220 basis points respectively.

Over the past 12 months, developed non-U.S. growth markets have experienced significant outperformance over value markets. The MSCI EAFE and World Growth Indices outperformed their value indices by 440 and 350 basis points, respectively. The MSCI EM Growth Index however, underperformed value counterpart, but by a more modest 100 basis points.

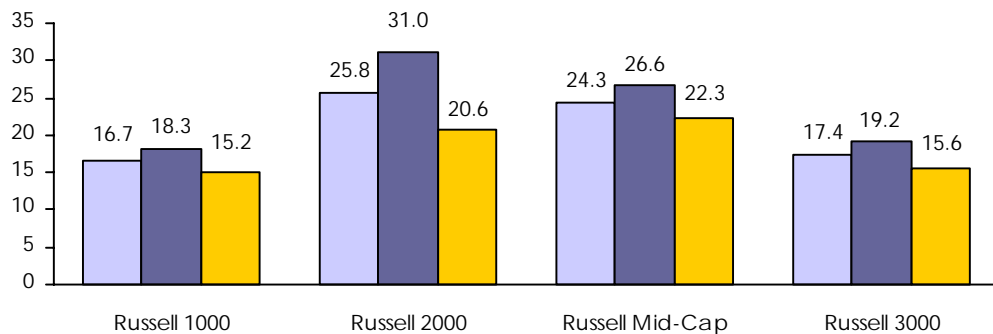
Russell U.S. Style Returns Quarter



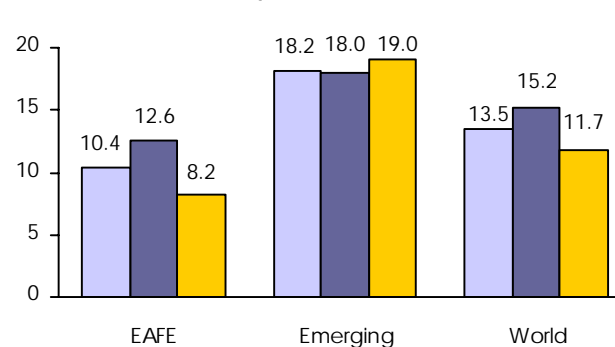
MSCI Non-U.S. Style Returns Quarter



Russell U.S. Style Returns - 1 Year



MSCI Non-U.S. Style Returns - 1 Year



□ Neutral ■ Growth ■ Value

Capital Market Review

CURRENCY AND BOND MARKETS

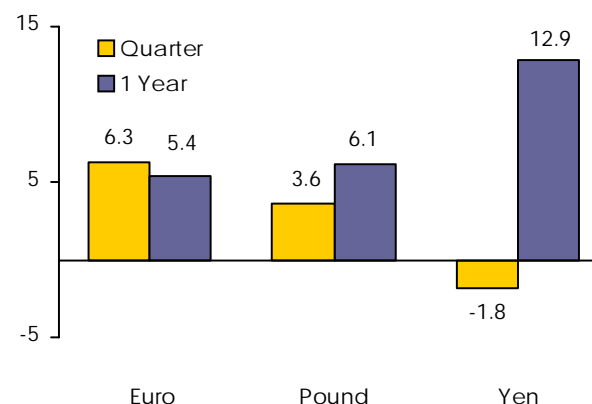
Currency Markets

In a March 3rd meeting in Frankfurt, the President of the ECB continued to hold key lending rates at historic lows of 1.0% for the first quarter 2011 but hinted at a possible change stating recent economic data “indicates a rise in inflation, largely reflecting higher commodity prices.” The economic analysis indicates that risks to the outlook for price developments are on the upside, while the underlying pace of monetary expansion remains moderate. Recent economic data confirm that the underlying momentum of economic activity in the euro area remains positive; however, uncertainty remains elevated. The current very accommodative stance of monetary policy lends considerable support to economic activity.

The U.S. Federal Reserve has also kept its key lending rates at historic lows to allow for further economic recovery.

The British Pound Sterling and the Euro both surged against the dollar in the first quarter gaining 3.6% and 6.3% respectively, while the Yen lost 1.8% to the dollar. Over the past year the Euro has risen 5.4% while the Pound Sterling has gained 6.1%. The dollar was weakest against the Yen in the past 12 months losing 12.9%.

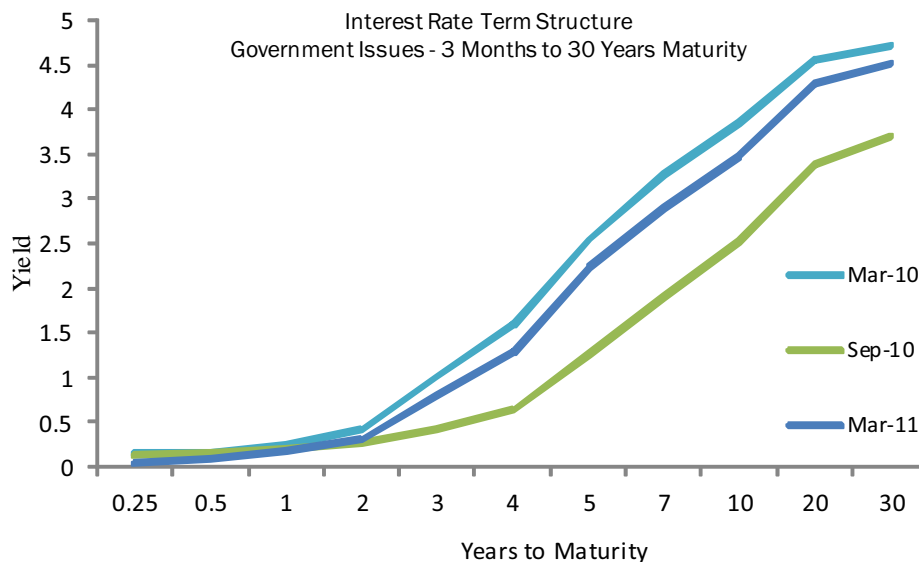
Currency Returns (%)



Yield Curve

Yields on nominal treasury securities increased again during the first quarter and are inching closer to the levels at which they started in the beginning of 2010.

In the March 15th press release, the Federal Open Market Committee indicated it “will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period.”



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

First Quarter 2011

Capital Market Review

BOND MARKETS

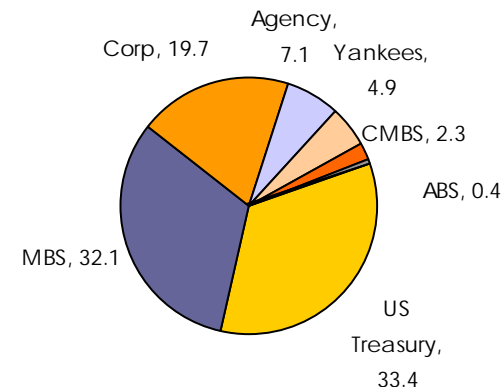
U.S. Bond Market Returns - Barclays Capital Aggregate

Bond markets edged into positive territory in the first quarter. The Barclays Capital Aggregate Bond Index gained 0.4% in the first quarter of 2011, and 5.1% over the past 12 months.

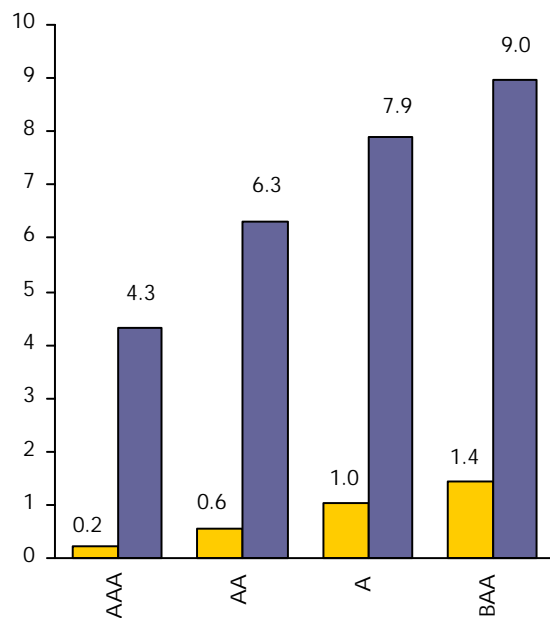
All sectors were positive this quarter, with the exception of US Treasuries. CMBS was the most successful in both the current quarter and over the last 12 months, returning 2.1% and 12.6%, respectively. Instruments with maturities of 5 to 7 years experienced the strongest performance during the quarter (0.7%), but over the longer 12 month trailing period, longer-dated bonds (7-10 years) were more successful, returning 7.9%.

Bonds across all quality spectrums experienced modest gains value during the first quarter. Lower rated BAA bonds gained the most in both the quarter and over the last 12 months, rising 1.4% and 9.0%, respectively.

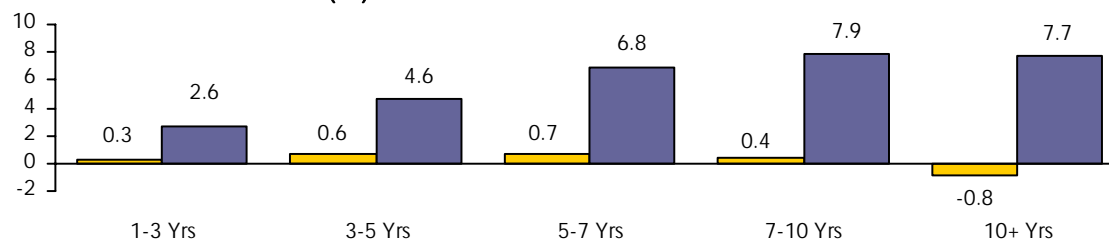
Sector Weights (%)



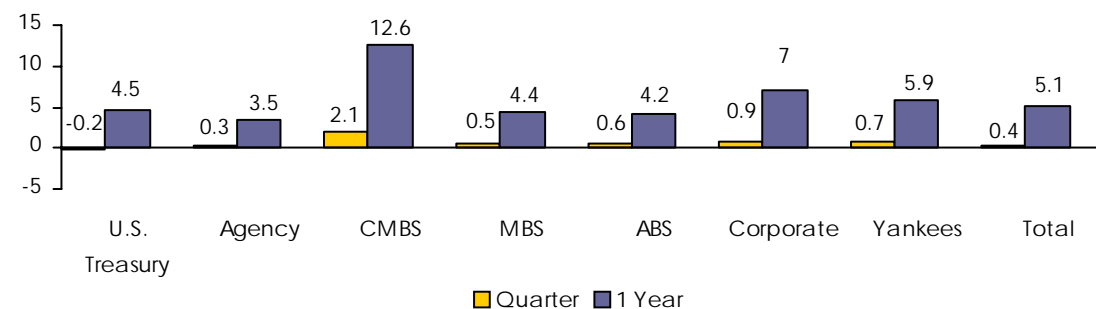
Quality Performance (%)



Duration Performance (%)



Sector Performance (%)



SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
91 Day T-Bill	Index	Composed of 91 day term treasury bills issued by the U.S. Government. Typically used as a benchmark for short-term investments.
Active Management Value Added	Equity	The value added to a portfolio by active management over a passive index investment. In equity performance attribution, it refers to the difference between the equity only and buy & hold return, representing the value added to the equity portfolio from the transactions occurring during the quarter.
Active Return	General	The difference between the manager's return and the benchmark's return. The active return reflects the manager's added value over the benchmark.
Allocation Index	General	Illustrates how the fund's actual asset allocation would have performed if it were invested in passive indices. The prior month's actual asset allocation from the composite fund is multiplied by the index returns for each manager's benchmark on a monthly basis to obtain the allocation index return for the quarter.
Alpha	General	The difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.
Annualized Rate of Return	General	The constant return needed each year of the period in question to provide the amount of wealth gained by the end of the period.
Average Market Capitalization	Equity	The position weighted average of all the securities' market capitalizations in the portfolio.
Average Maturity	Fixed Income	Market value-weighted average time to stated maturity for all securities in the portfolio.
Beta	Equity	The sensitivity of the rate of return of a portfolio or security to market fluctuations. A beta of .95 means that on average when the market moves X%, the portfolio (or security) will move X% * .95.
Buy & Hold Return	Equity	The return on the portfolio assuming the equity positions which were held at the beginning of the quarter were held throughout the quarter.
Citigroup Non-US World Gov't Bond Index	Index	This index is market value weighted and composed of the available market for domestic Government bonds in nine countries. It includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of US \$25 million.
Composite Fund	General	A composite consisting of all of the plan's portfolios. Returns are calculated by aggregating each manager's market value and transactions.
Core Fixed Income Manager	Fixed Income	Core fixed income managers have a duration ranging from 80-120% of the Lehman Aggregate and focus on sector or individual bond selection to create portfolios.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
Core Equity Managers	Equity	Core equity managers buy a mixture of value and growth stocks, without any strong style biases apparent. The most common benchmark is the S&P 500 Index.
Corporate Plan Universe	General	A total plan universe comprised of all Corporate Defined Benefit and VEBA plans in the ICC database. There are approximately 400 plans in this universe.
Country Selection	International	The excess performance that can be attributed to country allocation decisions.
Current Coupon	Fixed Income	Current annual income generated by the total portfolio.
Domestic Equity Composite	General	A composite consisting of all the fund's equity portfolios with U.S. equity mandates. Returns are calculated by aggregating each manager's market value and transactions.
Domestic Fixed Composite	General	A composite consisting of all the fund's fixed income portfolios with U.S. fixed income mandates. Returns are calculated by aggregating each manager's market value and transactions.
Duration	Fixed Income	A measure of a bond or bond portfolio's responsiveness to changes in interest rates, determined by the size and timing of future cash flows (interest, principal, and pre-payment of principal).
Endowment/Foundation Universe	General	A total plan universe comprised of all Endowment and Foundations in the ICC database. There are approximately 270 plans in this universe.
Equity Only Return	Equity	The total return of the equity positions in the portfolio.
Equity Segment Yield	Equity	The dividend yield of the entire equity portfolio.
Explicit Currency	International	The portion of the international portfolio performance attribution due to intentional currency hedging.
Five Year Earnings Growth	Equity	Represents the smoothed earnings growth rate of a firm (or portfolio) over the past 20 quarters.
Growth Equity Managers	Equity	Growth managers buy companies that are expected to have above average long-term growth earnings relative to the price of the stock. These stocks are usually selling at high price/book, high price/earning ratios.
High Yield Fixed Income Manager	Fixed Income	High yield managers invest in lower quality, higher yielding issues; generally companies who are experiencing financial difficulty or have limited financing means.
ICC	General	The State Street Bank/Independent Consultants Cooperative is formed by State Street Bank (formerly Deutsche Bank) and sixteen independent consulting firms. As a member of the SSB/ICC, SIS uses the SSB/ICC software and database to provide performance measurement and analytical service to plan sponsors.
Implicit Currency	International	The portion of the international portfolio performance attribution due to the currency implicit in the country allocation compared to the benchmark's currency allocation.
Interest Rate Anticipator Fixed Income Manager	Fixed Income	Interest rate anticipators attempt to add value primarily through interest rate forecasting and adjusting the duration of the portfolio to respond favorably to the expected change in interest rates.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
Intermediate Fixed Income Manager	Fixed Income	Intermediate fixed income managers invest in high quality issues with a duration that is 40-80% of the Lehman Aggregate.
International Equity Composite	International	A composite consists of all the fund's international equity managers. Returns are weighted by each manager's market value within the fund.
Lehman Aggregate Index	Index	Measures the total return of all major sectors of the domestic, taxable bond market (approx. 5400 fixed income securities). The index contains all the investment grade issues in the Lehman Brothers Government/Corporate and the Lehman Brothers Mortgage-Backed Securities Indexes.
Lehman Government/Credit Index	Index	A composite index consisting of all publicly issued, fixed rate, non-convertible, domestic debt of the U.S. government and domestic debt of the three major corporate classifications. The index is market capitalization weighted, and mortgages are excluded.
Long Fixed Income Manager	Fixed Income	Managers with portfolios having a duration greater than 120% of the Lehman Aggregate Bond Index.
Market Value	Equity	What the market is willing to pay for a specific amount of a security (or portfolio of securities). This is determined by multiplying the latest price of each stock (or bond) by the number of shares held.
Maturity - Return Decomposition	Fixed Income	Represents the amount of active return due to the spreads of different maturities of the same issue.
Median	General	Represents the fund (or manager) where half the universe has a higher return than the fund (or manager), and half has lower returns. By definition the median is the 50th percentile.
MSCI All Country World Index (ACWI) -ex US	Index	Composed of stocks of major non-US companies within the developed markets of Europe and Asia, 10% of the index is emerging markets. This index excludes all US issues.
MSCI EAFE	Index	Composed of approximately the top 60% of market capitalization of the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is market capitalization weighted using U.S. dollars.
NCREIF (National Council of Real Estate Investment Fiduciaries National Property index)	Index	Composed of 2,231 investment grade, non-agricultural properties, including wholly-owned and joint venture investment of existing properties. All properties have been acquired on behalf of tax-exempt institutions and are held in a fiduciary environment.
Price/Earnings Ratio	Equity	The dollar price of a company divided by annual earnings per common share. The P/E ratio reflects the anticipated future earnings growth and is market capitalization weighted.
Policy Index	General	Represents the fund's asset allocation policy. Returns are calculated using index returns weighted by policy allocations.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
Price/Book Ratio	Equity	The relationship between a security's valuation by the market and the book value of assets reported. In terms of a portfolio, it is the market capitalization weighted value of all the securities within the portfolio.
Public Funds Universe	General	A total plan universe comprised of all State and Local government run pension plans in the ICC database. There are approximately 250 plans in this universe.
Quality	Fixed Income	Measures the market value weighted credit quality of the portfolio.
R-Squared	General	Indicates the proportion of the portfolio's returns that can be explained by its beta.
Return on Equity (ROE)	Equity	The earnings per share of a firm divided by the firm's book value per share. It is the return on the equity capital of a business. In terms of a portfolio, it is the market capitalization weighted ROE of all the securities within the portfolio.
Return Ranking	General	The percentile ranking of the return. For example, if a fund's (manager's) return rank is 5 then 5% of the funds in the universe had higher returns and 95% of the funds had lower returns.
Russell 1000 Equity Index	Index	The largest 1000 stocks of the Russell 3000 Index, representing approximately 92% of the total market capitalization of the Russell 3000 Index. The average market capitalization is approximately \$3.8 billion. The smallest company in the index has an approximate market capitalization of \$1350.8 million.
Russell 2000 Equity Index	Index	The smallest 2000 stocks of the Russell 3000 Index. The average market capitalization for this index is approximately \$900 million.
Russell 3000 Equity Index	Index	The largest 3000 common stocks of U.S. domiciled companies, with market capitalization adjustments for cross ownership and large private holdings.
Sector - Risk Decomposition	Fixed Income	Represents the amount of active risk within the fixed income portfolio attributable to investments in different sectors.
Security Selection	International	The effect the actual securities (net of country and currency attribution) have on a manager's performance compared to its benchmark.
Sharpe Ratio (Reward/Variability Ratio)	General	Measures the added return per unit of risk. Mathematically, it is the excess return of a portfolio divided by the standard deviation of the portfolio returns.
Short Fixed Income Manager	Fixed Income	Usually "cash" managers, the portfolio duration should be 0-40% of the Lehman Aggregate Bond Index.
Specific - Return Decomposition	Fixed Income	Represents the active return of the portfolio that cannot be explained by sector, rating, maturity, time or term. This return is specific to the bond itself.
Specific - Risk Decomposition	Fixed Income	Represents the active risk of the portfolio that cannot be explained by sector, rating, or term. This risk is specific to the bond itself.

SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Performance Report Glossary

TERM	CATEGORY	DEFINITION
S&P 500 (Standard & Poor's 500 Index)	Index	A composite index of 400 industrial, 40 financial, 40 utility and 20 transportation common stocks. The index is capitalization-weighted, so larger companies have a greater impact on the index.
Standard Deviation (Risk) Ranking	General	The percentile ranking of the risk inherent in the funds returns (standard deviation of the returns). For example, if the fund's rank is 5 then 5% of the funds in the universe have higher standard deviations (less risk) than the fund and 95% have lower.
Standard Deviation of Return (Risk)	General	Measures the range within which an actual return may deviate from the expected rate of return over a defined time period, or the amount of risk that you incur to achieve the expected return.
Term - Return Decomposition	Fixed Income	Represents the active return due to the term structure of fixed income instruments. It looks at the active return gained due to the cash flow structure of the portfolio and any interest rate movements.
Term - Risk Decomposition	Fixed Income	Represents the risk inherent in the portfolio due to the term structure of the underlying fixed income instruments. It looks at the active risk exposure due to the cash flow structure of the portfolio and any interest rate movements.
Time-Return Decomposition	Fixed Income	Represents the active return due to cash flows at different points on the term structure of a fixed income instrument.
Total Currency	International	The portion of the international portfolio performance attribution due to the total currency effect (implicit and explicit) of the portfolio.
Total Performance Attribution	International	The difference between the portfolio total return and the benchmark total return. It is the sum of attribution due to country selection, implicit currency, explicit currency, security selection and other.
Total Fund	General	A plan sponsor's composite portfolio. A plan sponsor may be defined as a corporate plan, public fund, trust, endowment, foundation, 401(k), Taft-Hartley, health & welfare, etc.
Total Fund Universe	Total Fund	This universe is an aggregation of institutional custodial data submitted by the ICC, selected regional banks, and the ICC consulting firms. The total fund universe contains an estimated 1,550 accounts. Specialty total fund universes are subset universes containing a plan sponsor type and/or size.
Total Rate of Return	General	Incorporates both realized and unrealized capital gains and losses, as well as total earnings from interest and dividends on a fund or plan.
Value Equity Managers	Equity	Value managers buy companies that are under-priced relative to the equity market in general. These stocks usually sell at low price/book and low price/earning ratios.
Yield to Maturity	Fixed Income	The rate of return that would be earned if all coupon payments on a bond held to maturity could be reinvested at the same rate as the coupon of the bond.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 6.3

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

SUBJECT: Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement

STAFF RECOMMENDATION: Staff recommends that the board authorize the chair to execute a consent form, which consents to convert the fund from a limited liability company to a limited partnership and shorten the redemption period from 90 days to 45 days. It also notifies *SamCERA* that the name of the fund will change.

COMMENT: Pursuant to the current limited liability corporation agreement, fund management is coming to the beneficial ownership to approve two amendments to the plan documents.

The first of those changes is to convert the limited liability corporation (LLC) to a limited partnership (LP). That change is projected to have no impact, including financial, upon the existing investors. It will be beneficial to a category of potential investors, particularly non-U.S. clients. The end result will broaden the potential base and capital appeal of the fund.

The second amendment reduces the notice period for redemption from 90 days to 45 days.

The wording on the Member Consent appears below:

- consents to the conversion of the Fund from a limited liability company to a limited partnership and hereby approves and consents to the execution of the Agreement of Limited Partnership of the Fund in the form attached hereto as Exhibit A, (the "Partnership Agreement").*
- consents to the change of the Redemption Period from 90 days to 45 days, as described in Section 8.2(a) of the Partnership Agreement.*
- the Member is hereby notified by the Manager of its intent in accordance with Section 17.6(a)(v) of the Operating Agreement to change the name of the Fund from "INVESCO Core Real Estate – U.S.A., LLC" to "Invesco Core Real Estate – U.S.A., L.P." in all jurisdictions where applicable.*

Attached to this memorandum is a cover memorandum from Invesco, a summary (FAQ) from Baker & McKenzie detailing possible implications to investors, the Consent Form, and the red lined Limited partnership Agreement.

MEMORANDUM

TO: Valued Investors
INVESCO Core Real Estate – U.S.A.

FROM: Bill Grubbs, Portfolio Manager

DATE: May 4, 2011

RE: Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement

- Conversion of the Fund from a Limited Liability Company to a Limited Partnership
- Shortening of the required redemption notice period from 90 to 45 days

Conversion to a Limited Partnership

As discussed during the March 2011 Advisory Committee meeting and during recent quarterly investor calls, we are proposing a conversion of the Fund from a limited liability company (LLC) to a limited partnership (LP). While we believe this will have no impact on current existing investors, it is beneficial to a category of potential investors to the Fund, particularly non-U.S. clients. The end result will broaden the potential base and capital appeal of the Fund. Please note that Invesco Real Estate will be responsible for all costs related to the conversion.

Redemption Period

As also discussed during the March 2011 Advisory Committee meeting, we are proposing to reduce the required notice period for redemptions from 90 days to 45 days.

Information Included Herein

The following information is attached for review and consideration:

- A summary (FAQ) from Baker & McKenzie detailing possible implications to investors regarding the change from an LLC to an LP.
- The red lined Limited Partnership Agreement (as compared to the existing Fourth Amended and Restated Operating Agreement).
- Consent Form

A response in favor of the conversion and shortening of the redemption period is requested and would be evidenced by execution of the attached consent.

Per the Limited Liability Company Agreement, a lack of response within 30 days is deemed to be a vote in favor of any proposed modification. Please return your executed Consent to the

attention of Kris Iversen via email at kris_iversen@invesco.com or via fax at 415-445-7549 prior to June 3, 2011.

As always, if you should have any questions regarding this proposed modification, please feel free to contact Bill Grubbs at (415) 445-7523 or bill_grubbs@invesco.com or Max Swango at (972) 715-7431 or max.swango@invesco.com. For questions of a legal nature you may also contact Sarah Harris with Baker & McKenzie at (312) 861-8430 or Sarah.Harris@bakermckenzie.com.

Q&A on the Effects of Converting the Invesco Core Fund from a Delaware Limited Liability Company into a Delaware Limited Partnership

1. Will the Fund's duties and obligations to its Members change as a result of the conversion?

No, the conversion of a Delaware limited liability company to a Delaware limited partnership is considered under the Delaware Code to be, essentially, a change in name only. *See* Delaware Code § 17-217(e) and (f). Upon consummation of the conversion through the filing of forms with the Delaware Secretary of State, the limited liability company's rights, privileges, powers and interests, as well as its debts, liabilities, duties and obligations, will automatically become the rights, privileges, powers, interests, debts, liabilities, duties and obligations of the limited partnership.

2. Do existing side letters and subscription agreements that Members have entered into with the Fund need to be revised as a result of the conversion?

No, there is no need to amend and restate any existing side letters, subscription agreements or other existing contracts to which the Fund or the Manager is a party, because the Fund as a converted limited partnership will maintain all of the rights and obligations of the Fund as a limited liability company by operation of law. The existing contractual rights of the Fund shall remain in full force and effect.

3. Does the attached Limited Partnership Agreement contain materially different terms than the Operating Agreement under which the Fund is currently operating?

No, the only changes made to the Fourth Amended and Restated Operating Agreement of the Fund, as amended, to create the Limited Partnership Agreement are (i) changes necessary to reflect that the Fund will be a limited partnership (changing references to Members to Limited Partners, Manager to General Partner, Company to Partnership, etc.), and (ii) changes to reduce the required notice period for redemptions from 90 days to 45 days (if approved by a majority of current Members). The enclosed blackline shows each and every change made to turn the Fourth Amended and Restated Operating Agreement into the Limited Partnership Agreement.

4. How does the conversion impact treatment of the Fund and its investors for U.S. federal income tax purposes?

For U.S. federal income tax purposes, the conversion of the Fund into a limited partnership should be treated as if the Fund contributed its assets to the limited partnership in exchange for interests in the limited partnership, and then made a liquidating distribution to each of the Fund's Limited Partners (formerly

Members) of the interests in the limited partnership. The limited partnership should be treated as a continuation of the Fund for tax purposes, and its employer identification number will be the employer identification number of the Fund. Furthermore, the above deemed liquidation will not be required to be reported for U.S. federal income tax purposes. The deemed contribution by the Fund to the limited partnership should not be subject to U.S. tax pursuant to Section 721 of the Internal Revenue Code of 1986, as amended (the “Code”). The deemed distribution by the Fund of interests in the limited partnership to the Limited Partners (formerly Members) generally should not be subject to U.S. tax pursuant to Code Section 731. Members should speak to their own tax advisors with respect to their individual tax treatment considerations.

5. Will the Fund pay the costs of conversion?

No, Invesco, not the Fund, will bear the full cost of filing fees and attorneys’ fees associated with the conversion.

6. If a majority of the Fund’s Members approve the conversion, what steps will follow?

Invesco will file the certificate of conversion, certificate of limited partnership, statement of partnership existence and statement of qualification with the Secretary of State of the State of Delaware to effectuate the conversion. The General Partner, formerly Manager, will date and execute the enclosed Limited Partnership Agreement on behalf of Limited Partners (formerly Members). The General Partner will revise the private placement memorandum and form subscription agreement of the Fund (for use by future investors) to reflect the conversion and new entity name of “Invesco Core Real Estate – U.S.A., L.P.” The Fund will continue to operate as it has historically, and the Fund’s investment strategies will not change.

MEMBER CONSENT

The undersigned, a Member of INVESCO Core Real Estate - U.S.A., LLC (the “Fund”), pursuant to Section 17.6 of the Fourth Amended and Restated Liability Company Agreement of the Fund dated March 6, 2008, as amended (the “Operating Agreement”), hereby consents to the items listed below. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Operating Agreement.

(please check all that apply)

consents to the conversion of the Fund from a limited liability company to a limited partnership and hereby approves and consents to the execution of the Agreement of Limited Partnership of the Fund in the form attached hereto as Exhibit A, (the “Partnership Agreement”).

consents to the change of the Redemption Period from 90 days to 45 days, as described in Section 8.2(a) of the Partnership Agreement.

the Member is hereby notified by the Manager of its intent in accordance with Section 17.6(a)(v) of the Operating Agreement to change the name of the Fund from “INVESCO Core Real Estate – U.S.A., LLC” to “Invesco Core Real Estate – U.S.A., L.P.” in all jurisdictions where applicable.

Date: _____

(Print or Type Name of Member)

By: _____

Name:

Title:

Exhibit A

Form of Agreement of Limited Partnership of the Fund

(see attached)

~~FOURTH AMENDED AND RESTATED~~
LIMITED ~~LIABILITY COMPANY~~PARTNERSHIP AGREEMENT
OF
INVESCO CORE REAL ESTATE – U.S.A., ~~LLC~~L.P.
(a Delaware limited ~~liability company~~partnership)

~~Originally~~ Dated as of ~~September 30, 2004~~

~~Second Amendment Dated as of January 20, 2005~~

~~Third Amendment Dated as of April 6, 2006~~

~~Fourth Amendment Dated as of March 6, 2008~~ , 2011

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~~“prudent person” standard; (3) add certain obligations of the Manager in connection with ERISA matters, (4) clarify the fees charged on Excess Cash, (5) carve out governmental plans from the requirement of irrevocable submission to jurisdiction, (6) add certain provisions related to group trusts and (7) require the Manager to provide notice in the event more than 50% of the Units are subject to redemption requests;~~

~~**WHEREAS**, in April 2006 the Manager, pursuant to its authority provided in Section 17.6(a) hereof, amended and restated the Second Amended and Restated Limited Liability Company Agreement of the Fund to incorporate the changes of Amendment No. 1 and Amendment No. 2 to the Second Amended and Restated Limited Liability Company Agreement of the Fund.~~

~~**WHEREAS**, in February 2008, the Manager and the Members approved and executed Amendment No. 1 to the Third Amended and Restated Limited Liability Company Agreement to, among other things, (1) increase the single property, single metropolitan area diversification limitation, (2) increase the aggregate borrowing restriction, (2) extend the period of time the Manager has to meet investment restrictions, (3) delete the priority provision, (4) require Advisory Committee approval of termination of the Manager, and (5) provide the name of new fund counsel;~~

~~**WHEREAS**, in March 2008, the Manager, pursuant to its authority provided in Section 17.6(a) hereof, approved and executed Amendment No. 2 to the Third Amended and Restated Limited Liability Company Agreement of the Fund to, among other things, (1) decrease the single property, single metropolitan area diversification limitation, (2) remove the extended period of time the Manager had to meet investment restrictions, a benefit provided to the Manager in Amendment No. 1, and (3) clarify the language regarding new fund counsel; and **WHEREAS**, the Manager, pursuant to its authority provided in Section 17.6(a) hereof, is amending and restating the ~~Third~~Fourth Amended and Restated Limited Liability Company Agreement of the Fund to ~~incorporate the changes of Amendment No. 1 and Amendment No. 2 to the Third Amended and Restated Limited Liability Company Agreement of the Fund~~reflect the conversion of the Fund from a limited liability company to a limited partnership.~~

NOW, THEREFORE, in consideration of the mutual covenants and obligations set forth in this Agreement, and of other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending legally to be bound, hereby agree as follows:

ARTICLE 1

DEFINITIONS

Capitalized terms used in this Agreement (including exhibits, schedules and amendments) shall have the meanings set forth below, in Section 7.1 or in the Section of this Agreement referred to below, except as otherwise expressly indicated or limited by the context in which they appear in this Agreement. All terms defined in this Agreement in the singular have the same meanings when used in the plural and vice versa. Accounting terms used but not otherwise defined shall have the meanings given to them under generally accepted accounting principles. References to Sections, Articles, Exhibits and Schedules refer to the sections and

articles of, and the exhibits and schedules to, this Agreement, unless the context requires otherwise.

“3(c)(7) Exemption” has the meaning ascribed thereto in Section 6.1.

“Act” means the Delaware Revised Uniform Limited Liability Company Partnership Act, 6 Del. Code Ann. ~~tit. 6, §§ 18~~Section 17-101 et seq., as amended from time to time.

“Adjusted Capital Account Deficit” means with respect to any Member Limited Partner, the negative balance, if any, in such Member Limited Partner’s Capital Account as of the end of the relevant Fiscal Year, determined after giving effect to the following adjustments: (a) credit to such Capital Account any portion of such negative balance which such Member Limited Partner (i) is treated as obligated to restore to the Fund pursuant to the provisions of Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations, or (ii) is deemed to be obligated to restore to the Fund pursuant to the penultimate sentences of Section 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations; and (b) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations. This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

“Advisory Committee” has the meaning ascribed thereto in Section 12.1.

“Affiliate” means, with respect to a specified Person, any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the specified Person. For this purpose, the term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Affiliates of the Manager General Partner shall specifically include ~~INVESCO~~Invesco and the initial Investment Manager (if any), but shall not include “feeder funds” or similar investment structures where more than 80% of the capital is provided by non-Affiliates.

“Appraisal Advisory Firm” has the meaning ascribed thereto in Section 3.4(a).

“Appraised Value” has the meaning ascribed thereto in Section 3.4(a).

“Appraiser” has the meaning ascribed thereto in Section 3.4(a).

“Assignment Agreement” means the form Assignment and Assumption Agreement approved in the sole discretion of the Manager General Partner, as such may be amended from time to time, to be executed in connection with Transfers contemplated by Section 8.1.

“Book Gain” or “Book Loss” means the gain or loss recognized by the Fund for purpose of Section 704(b) of the Code in any Fiscal Year by reason of any sale or disposition with respect to any of the assets of the Fund. Such Book Gain or Book Loss shall be computed by reference to the Carrying Value of such property or assets as of the date of such sale or disposition (determined in accordance with the definition of Carrying Value in this Article 1), rather than by reference to the tax basis of such property or assets as of such date, and each and every reference

herein to “gain” or “loss” shall be deemed to refer to Book Gain or Book Loss, rather than to tax gain or tax loss, unless the context manifestly otherwise requires.

“Borrowing Restriction” has the meaning set forth in Section 2.7(c).

“Business Day” means any day on which commercial banking institutions in Dallas, Texas are not authorized or required to close.

“Capital Account” has the meaning ascribed thereto in Section 3.5.

“Capital Contribution” means the amount of cash and the fair market value of any Contributed Property as determined by the ~~Manager~~General Partner (reduced by any indebtedness or liabilities either assumed by the Fund upon contribution or to which such property is subject when contributed as determined by the ~~Manager~~General Partner in its sole discretion) contributed to the Fund by a ~~Member~~Partner as set forth on Exhibit A, together with such ~~Member~~Partner’s reinvested amounts pursuant to Section 5.3 (if any).

“Capital Transaction” means (a) any sale, exchange, taking by eminent domain, damage, destruction or other disposition of all or any part of the assets of the Fund, other than tangible personal property disposed of in the ordinary course of business; or (b) any financing or refinancing of any Fund indebtedness; provided, that the receipt by the Fund of Capital Contributions shall not constitute Capital Transactions.

“Carrying Value” means except as otherwise provided herein, (a) with respect to a Contributed Property, the fair market value of such Contributed Property as of the time of its contribution to the Fund, as determined by the ~~Manager~~General Partner, reduced (but not below zero) by all Depreciation with respect to such property charged to the ~~Members~~Limited Partners’ Capital Accounts and (b) with respect to any other Fund Asset, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted in accordance with Section 3.5(c) from time to time (including, without limitation, at such times provided in Section 3.5(c)(2)) to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Fund properties, as deemed appropriate by the ~~Manager~~General Partner. Such Carrying Value shall thereafter be adjusted by the Depreciation taken into account with respect to such property.

“Cash Management Fee” has the meaning ascribed thereto in Section 10.1(b).

“Certificate” means the “Certificate of Formation” of the Fund, as originally filed with the office of the Secretary of State of the State of Delaware on September 20, 2004, as amended, restated, supplemented or otherwise modified from time to time as herein provided.

“Closing” has the meaning ascribed thereto in Section 3.3.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any subsequent federal law of similar import, and, to the extent applicable, any Treasury Regulations promulgated thereunder.

“Consent” means either the consent given by vote at a duly called and held meeting or the written consent, as the case may be, of a Person to do the act or thing for which the consent is solicited, or the act of granting such consent, as the context may require.

“Contributed Property” means each property or other asset (but excluding cash and cash equivalents), in such form as may be contributed or deemed contributed to the Fund as permitted by the Act.

“Depreciation” means, for each Fiscal Year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period for federal income tax purposes; provided, that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of any such year or other period, Depreciation shall be an amount that bears the same relationship to the Carrying Value of such asset as the depreciation, amortization, or other cost recovery deduction computed for federal income tax purposes with respect to such asset for the applicable period bears to the adjusted tax basis of such asset at the beginning of such period, or if such asset has a zero adjusted tax basis, Depreciation shall be an amount determined under any reasonable method selected by the ~~Manager~~General Partner.

“Domestically-Controlled REIT” means a real estate investment trust that is “domestically controlled-REIT” as such term is defined in within the meaning of Section 897(h)(4)(B) of the Code.

“Entity” means any general partnership, limited partnership, proprietorship, corporation, joint venture, joint-stock company, limited liability company, limited liability partnership, business trust, firm, trust, estate, governmental entity, cooperative, association or other foreign or domestic enterprise.

“Excess Cash” has the meaning set forth in Section 10.1(b).

“Exchange Act” means the U.S. Securities Exchange Act of 1934, or any successor thereto, and the rules and regulations promulgated thereunder, as amended from time to time.

“Fiscal Year” means the fiscal year of the Fund and shall be the same as its taxable year, which shall be the calendar year unless otherwise determined by the ~~Manager~~General Partner in accordance with the Code.

“Founding Investors” has the meaning ascribed thereto in Section 3.2(a).

“Fund” has the meaning set forth in the preamble.

“Fund Asset” means the interest of the Fund in any entity or security (whether in corporate securities, equity, debt or hybrid securities, partnership or joint venture interests, other contractual rights or otherwise), and any Real Estate Assets and other assets owned by the Fund.

“Fund Counsel” has the meaning ascribed thereto in Section 17.11.

“General Partner” means IRI Core I, L.P., a Delaware limited partnership, or any other General Partner or General Partners of the Fund designated from time to time in accordance with Section 9.1, each which shall be deemed to be a “General Partner” within the meaning of the Act.

“Group Trust” means a ~~Member~~Limited Partner that is a trust formed for the purpose of investing as a ~~Member~~Limited Partner pursuant to a declaration of group trust. The obligation of the Participating Plans to contribute to a Group Trust in respect of the Group Trust’s Subscription Agreement(s) and related obligations to the Fund shall be several.

“Indemnified Person” has the meaning ascribed thereto in Section 13.2(a).

“Initial Closing” has the meaning ascribed thereto in Section 3.2.

“Interest” means an interest in the Fund, including the right to receive distributions of Fund Assets and the right to receive allocations of income, gain, loss, deduction or credit of the Fund.

“Investment Company Act” means the Investment Company Act of 1940, or any successor thereto, and the rules and regulations promulgated thereunder, as amended from time to time.

“Investment Manager” has the meaning ascribed thereto in Section 9.3.

“~~INVESCO~~Invesco” means ~~INVESCO Institutional (N.A.)~~Invesco Advisers, Inc. and its successors and assigns.

“Investor” means ~~Members~~Limited Partners other than the ~~Manager~~General Partner.

“Liquidator” has the meaning ascribed thereto in Section 14.2(a).

“Limited Partners” means all Persons, including, without limitation, any successor or assign of an existing Limited Partner in accordance with the terms of this Agreement, holding Interests whose Subscription Agreements or Assignment Agreements, as applicable, have been accepted by the Fund so long as such Persons’ capital is invested in the Fund, and including each Person admitted as an additional Limited Partner of the Fund, as listed from time to time on Exhibit A, or otherwise in the books and records of the Fund, in such Persons’ capacities as “Limited Partners” of the Fund within the meaning of the Act.

“Lock-out Expiration Date” means the earlier of: (a) the date when the Net Asset Value of the Fund reaches \$500 million and (b) the date upon which three (3) or more of the following individuals, who are Global Partners, are no longer employed by and associated with ~~INVESCO Institutional (N.A.)~~Invesco Advisers, Inc. and its Affiliates: David Ridley, David Farmer, Paul Michaels, Joe Rodriguez, Scott Dennis and Max Swango.

“Management Fee” means, as to the amount to be paid separately by each Investor pursuant to Section 10.1(a), the product of such Investor’s Percentage Interest times the Net Asset Value (less the Excess Cash, if any) times such Investor’s fee percentage calculated as

follows: for Investors whose aggregate Capital Contribution is up to and including fifteen million dollars (\$15,000,000), 1.1% per annum; for Investors whose aggregate Capital Contribution is in excess of fifteen million dollars (\$15,000,000) up to and including twenty-five million dollars (\$25,000,000), 1.0% per annum; and for Investors whose aggregate Capital Contribution is in excess of twenty-five million dollars (\$25,000,000), 0.9% per annum. The Management Fee for Investors with Capital Contributions in excess of seventy-five million dollars (\$75,000,000) and Founding Investors and, in certain instances, current clients of ~~INVESCO~~[Invesco](#) and certain Investors represented by a discretionary asset manager will be negotiated by the ~~Manager~~[General Partner](#) on an individual basis. The percentage used to calculate each Investor's Management Fee is based on the Investor's aggregate subscription to the Fund, as increased by reinvested amounts and additional subscription amounts (without double counting) and reduced by any redemptions the Investor may have received and ~~Units~~[Interests](#) that have been Transferred. The ~~Manager~~[General Partner](#) may unilaterally amend this definition of Management Fee as provided in Section 10.1(c).

~~“Manager” means IRI Core I, L.P., a Delaware limited partnership, or any other manager or managers of the Fund designated from time to time in accordance with Section 9.1, each which shall be deemed to be a “manager” within the meaning of the Act.~~

“Marked-to-Market Policy” means the marked to market policy of the Fund, as in effect on a given date, with respect to the indebtedness for borrowed money incurred by the Fund, the REIT Subsidiary or any subsidiaries of the Fund, as determined by the ~~Manager~~[General Partner](#) in its sole discretion.

~~“Members” means all Persons, including, without limitation, any successor or assign of an existing Member in accordance with the terms of this Agreement, holding Units whose Subscription Agreements or Assignment Agreements, as applicable, have been accepted by the Fund so long as such Persons' capital is invested in the Fund, and including each Person admitted as an additional Member of the Fund, as listed from time to time on Exhibit A in such Persons' capacities as “members” of the Fund within the meaning of the Act.~~

“Net Asset Value” means the Fund's net asset value, as determined by the ~~Manager~~[General Partner](#) as of the first Business Day following the end of each calendar quarter and at such other times as required herein based on (i) the last aggregate Appraised Values of the Real Estate Assets, as updated quarterly, (ii) plus capital expenditures made subsequent to the date of the applicable appraisal, (iii) plus the carrying value under generally accepted accounting principles of all other assets directly or indirectly owned by the Fund, and (iv) less the amount of the consolidated liabilities of the Fund and its direct and indirect subsidiaries determined under generally accepted accounting principles (provided, that the amount of indebtedness for borrowed money will be based upon the valuation of such indebtedness pursuant to the Marked-to-Market Policy). Any Real Estate Asset in which the Fund owns less than a 100% direct or indirect interest shall be valued by beginning with the value of the entire underlying Real Estate Asset (determined as described above) and reducing that value to equal what the Fund would receive in the event of a disposition of the entire underlying Real Estate Asset at that value.

“Net Capital Event Proceeds” means, with respect to any Fund Asset (or portion thereof), the proceeds, if any, with respect to the sale, refinancing or other disposition of such Fund Asset

(or portion thereof), net of any costs and expenses incurred in connection with such sale, refinancing or other disposition and any of such proceeds which are used to repay indebtedness and after setting aside appropriate reserves, as determined by the ~~Manager~~General Partner in its sole discretion.

“Net Operating Cash Flow” means, for any period, (i) all cash revenues and other funds received by the Fund during such period, but excluding Capital Contributions and Net Capital Event Proceeds, (ii) plus amounts released from reserves, (iii) less all sums paid to lenders, the Management Fees and Cash Management Fees and all cash expenses, costs and capital expenditures made during such period, and (iv) after setting aside appropriate reserves, as determined by the ~~Manager~~General Partner in its sole discretion.

“Nonrecourse Deductions” has the meaning set forth in Sections 1.704-2(b)(1) and 1.704-2(c) of the Treasury Regulations.

“Nonrecourse Liabilities” has the meaning set forth in Section 1.704-2(b)(3) of the Treasury Regulations.

“Partner” means the General Partner or a Limited Partner; “Partners” means the General Partner and the Limited Partner.

“Participant” means a ~~Member~~Limited Partner who participates in the Plan by electing to have all or a portion of the cash distributions paid on its ~~Units~~Interests automatically reinvested in additional ~~Units~~Interests when and as declared by the ~~Manager~~General Partner.

“Participating Plans” means certain plans or funds that have established a Group Trust through which investments by such plans are being made in the Fund.

“Partner Minimum Gain” means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Treasury Regulations Section 1.704-2(i)(3).

“Partner Nonrecourse Debt” has the meaning set forth in Treasury Regulations Section 1.704-2(b)(4).

“Partner Nonrecourse Deductions” has the meaning set forth in Treasury Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Fund taxable year shall be determined in accordance with the rules of Treasury Regulations Section 1.704-2(i)(2).

“Partnership Minimum Gain” has the meaning set forth in Treasury Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in a Partnership Minimum Gain, for a Fund taxable year shall be determined in accordance with the rules of Treasury Regulations.

“Percentage Interest” means ~~as to each Member, its interest in the Fund as determined by dividing the number of Units owned by such Member by the total number of Units then issued~~

~~and outstanding and~~ [a Partner's percentage interest in the Profits, Losses and distributions of the Fund resulting from its Interest](#), as set forth on [Exhibit A](#), as such exhibit may be amended from time to time.

“Person” means any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such Person where the context so admits.

“Plan” has the meaning ascribed thereto in [Section 5.3](#).

“Plan Asset Regulations” means regulations promulgated by the Department of Labor 29 C.F.R. Section 2520.3-101.

“Portfolio” means the aggregate of all the Real Estate Assets held by the Fund at any given point of time.

“Profits” and “Losses” have the meanings ascribed thereto in [Section 3.5\(b\)](#).

“Real Estate Assets” means all direct and indirect interests (including, without limitation, fee or leasehold title, mortgages, participating and convertible mortgages, options, leases, partnership and joint venture interests, equity and debt of entities that own real estate and other contractual rights in real estate) in unimproved and improved real property and real estate-related assets and businesses.

“Record Date” means, with respect to reinvestment of distributions, the date declared by the ~~Manager~~ [General Partner](#) for a distribution pursuant to Article 5.

“Redemption Notice” has the meaning ascribed thereto in [Section 8.2\(a\)](#).

“Redemption Price” has the meaning ascribed thereto in [Section 8.2\(c\)](#).

“REIT Subsidiary” means a subsidiary of the Fund that has elected or intends to elect to be treated as a real estate investment trust for U.S. federal income tax purposes.

“Securities Act” means the Securities Act of 1933, or any successor thereto, and the rules and regulations promulgated thereunder, as amended from time to time.

“Short-term Investment” means investments in (i) U.S. government and agency obligations with maturities of not more than one year and one day from the date of acquisition, (ii) commercial paper with maturities of not more than six months and one day from the date of acquisition and having a rating assigned to such commercial paper by Standard & Poor's Ratings Services or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at such time, by any nationally recognized rating organization in the United States of America) equal to one of the two highest commercial paper ratings assigned by such organization, it being understood that as of the date hereof such ratings by Standard and Poor's Rating Services are “P1” and “P2” and such ratings by Moody's Investors Service, Inc. are “A1” and “A2,” (iii) interest bearing deposits in U.S. banks with an unrestricted surplus of at least \$250 million, maturing within one year and (iv) money market mutual funds with assets of not

less than \$500 million, substantially all of which assets are believed by the ~~Manager~~General Partner to consist of items described in the foregoing clause (i), (ii) or (iii).

“Subscription Agreement” means, with respect to any ~~Member~~Limited Partner at any date, the Subscription Agreements for ~~Units~~Interests executed by such ~~Member~~Limited Partner and accepted by the Fund through such date.

“Tax Matters Partner” has the meaning ascribed thereto in Section 3.7.

“Taxed ~~Member~~Limited Partner” has the meaning ascribed thereto in Section 5.6.

“Transfer” means to give, sell, assign, pledge, hypothecate, devise, bequeath, or otherwise dispose of, transfer, or permit to be transferred, during life or at death. The word “Transfer,” when used as a noun, shall mean any Transfer transaction.

“Treasury Regulations” means the federal income tax regulations, including any temporary or proposed regulations, promulgated under the Code, as such Treasury Regulations may be amended from time to time (it being understood that all references herein to specific sections of the Treasury Regulations shall be deemed also to refer to any corresponding provisions of succeeding Treasury Regulations).

“UBIT” ~~as defined~~has the meaning ascribed thereto in Section 9.5.

“Unacceptable Investor” means any person who is a: (1) person or entity who is a “designated national,” “specially designated national,” “specially designated terrorist,” “specially designated global terrorist,” “foreign terrorist organization,” or “blocked person” within the definitions set forth in the Foreign Assets Control Regulations of the United States Treasury Department; (2) person acting on behalf of, or an entity owned or controlled by, any government against whom the United States maintains economic sanctions or embargoes under the Regulations of the United States Treasury Department—including, but not limited to—the “Government of Sudan,” the “Government of Iran,” the “Government of Libya” and the “Government of Iraq”; (3) person or entity who is within the scope of Executive Order 13224—Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001; or (4) person or entity subject to additional restrictions imposed by the following statutes or Regulations and Executive Orders issued thereunder: the Trading with the Enemy Act, the Iraq Sanctions Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran and Libya Sanctions Act of 1996, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act, and the Foreign Operations, Export Financing, and Related Programs Appropriations Act, or any other law of similar import as to any non-U.S. country, as each such Act or law has been or may be amended, supplemented, adjusted, modified, or reviewed from time to time.

~~“Unit” means ownership interests in the Fund designated as such with the rights, powers, and duties set forth herein, and expressed in the number set forth on Exhibit A, as such exhibit may be amended from time to time.~~

“Valuation Date” has the meaning ascribed thereto in Section 8.2(b).

“VCOC” has the meaning ascribed thereto in Section 9.6(a).

“Voting Power” means the total number of votes associated with the issued and outstanding UnitsInterests.

“Withdrawal Date” has the meaning ascribed thereto in Section 8.3(c).

ARTICLE 2

ORGANIZATION

2.1 Fund Name. The name of the Fund shall be “~~INVESCO CORE REAL ESTATE~~ Invesco Core Real Estate – U.S.A., ~~LLCLP~~”. The business of the Fund shall be conducted under such name or such other names as the ManagerGeneral Partner may from time to time designate.

2.2 The Certificate. The ManagerGeneral Partner, and any other Person designated as such by the ManagerGeneral Partner, shall be an “authorized person” within the meaning of Section 18-204 of the Act and is hereby authorized to execute, file and record all such certificates and documents, including amendments to the Certificate, and to do such other acts as may be appropriate to comply with all requirements for the formation, continuation and operation of a limited ~~liability company~~partnership, the ownership of property and the conduct of business under the laws of the State of Delaware and any other jurisdiction in which the Fund may own property or conduct business.

2.3 Principal Place of Business. The principal place of business shall be located at One Midtown Plaza, 1360 Peachtree Street, N.E., Atlanta, Georgia 30309, or such other location as may be designated by the ManagerGeneral Partner.

2.4 Registered Office and Registered Agent. The address of the registered office of the Fund in the State of Delaware shall be 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, or such other place as may be designated from time to time by the ManagerGeneral Partner. The name of the registered agent for service of process on the Fund in the State of Delaware at such address shall be The Corporation Trust Company, or such other Person as may be designated from time to time by the ManagerGeneral Partner.

2.5 Term of Fund. The term of the Fund commenced on the date of the filing of the Certificate and shall continue indefinitely until the Fund is dissolved pursuant to the provisions of Article 14.

2.6 Purposes. The purposes of the Fund are to, directly or indirectly through the REIT Subsidiary and other Entities, (a) acquire, own, hold for investment and ultimately dispose of or otherwise invest in or engage in activities related to investment in Real Estate Assets (including, without limitation, industrial, multifamily, retail and office Real Estate Assets), subject to the investment guidelines established by the ManagerGeneral Partner from time to time in its sole discretion; (b) acquire, own, hold for investment and ultimately dispose of

general and limited partner interests, and stock, warrants, options, ~~membership~~Limited Partnership interests or other equity and debt interests in Entities, and exercise all rights and powers granted to the owner of any such interests, in each case relating to Real Estate Assets; (c) invest in any type of investment and engage in any other lawful act or activity for which limited ~~liability companies~~partnerships may be formed under the Act, and by such statement all lawful acts and activities shall be within the purposes of the Fund, in each case relating to Real Estate Assets or Short-term Investments; (d) engage in any other activities relating to, and compatible with, the purposes set forth above; and (e) take such other actions, or do such other things, as are necessary or appropriate (in the sole discretion of the ~~Manager~~General Partner) to carry out the provisions of this Agreement.

2.7 Investment Restrictions.

(a) Diversification Limitations. The Fund shall not acquire any Fund Asset if the acquisition, at the time of acquisition, would cause the Fund to exceed 45% (based upon Appraisal Values) in any single property type or 25% (based upon Appraisal Values) in any single metropolitan statistical area.

(b) Value-added Restriction. The Fund shall invest primarily in Fund Assets that have been fully developed and are likely to generate steady cash flow as selected by the ~~Manager~~General Partner in its sole discretion. The maximum amount the Fund may invest in value-added opportunities (including, without limitation, development of adjacent parcels and significant reconfiguration or refurbishment of Real Estate Assets that are less than 80% leased) may not exceed 15% of the fair market value of the Fund Assets (as determined by the ~~Manager~~General Partner) determined as of the date of the investment.

(c) Borrowing Restriction. The Fund (including investment vehicles of the Fund) shall be permitted to finance any Fund Asset with debt, refinance any Fund Asset with debt, guarantee any Fund Asset's debt or incur other debt for Fund purposes including, without limitation, for fees, expenses or the establishment of reserves; provided, however, that the Fund shall not incur indebtedness for borrowed money (the "Borrowing Restriction") if the aggregate amount of such indebtedness outstanding (determined in accordance with GAAP) exceeds 35% of the fair market value of the Fund Assets (as determined by the ~~Manager~~General Partner) immediately following such incurrence; provided, further, that "indebtedness for borrowed money" shall not include short-term credit or revolving facility debt that the ~~Manager~~General Partner reasonably determines is equal to or less than the aggregate positive balance (if any) of all Subscription Agreements that have been accepted by the ~~Manager~~General Partner but for which funds have not yet been contributed.

(d) The foregoing limitations may be waived or modified by a vote of two-thirds of the Voting Power, not including the General Partner and its Affiliates.

2.8 Powers. In furtherance of its purposes, but subject to all of the provisions of this Agreement, the Fund shall have the power and is hereby authorized to, directly or indirectly through one or more Entities, (a) invest in interests in Real Estate Assets and in other assets which are designed to accomplish the purposes of the Fund in any manner consistent with the Fund's investment objectives and strategy, and reinvest any Net Capital Event Proceeds and Net

Operating Cash Flow (to the extent permitted by this Agreement); (b) act as general or limited partner, ~~member~~Limited Partner, joint venture, ~~manager~~General Partner or shareholder of any Entity, and to exercise all of the powers, duties, rights and responsibilities associated therewith; (c) take any and all actions necessary, convenient or appropriate as the holder of any such interests or positions; (d) make mortgage loans; (e) operate, purchase, maintain, finance, improve, own, sell, convey, assign, mortgage, lease, construct, demolish or otherwise dispose of any real property or personal property that may be necessary, convenient or incidental to the accomplishment of the purposes of the Fund; (f) subject to Section 2.7(c) (Borrowing Restriction), borrow money and issue evidences of indebtedness in furtherance of any or all of the purposes of the Fund, and secure the same by mortgage, pledge or other lien or encumbrance on any assets; (g) invest any funds pending distribution or payment of the same pursuant to the provisions of this Agreement; (h) prepay in whole or in part, refinance, recast, increase, modify or extend any indebtedness and, in connection therewith, execute any extensions, renewals or modifications of any mortgage or security agreement securing such indebtedness; (i) subject to Article 16, enter into, perform and carry out contracts of any kind, including, without limitation, contracts with a ~~Manager~~General Partner (or an Affiliate thereof) or Investor (or an Affiliate thereof), necessary to, in connection with, or incidental to the accomplishment of the purposes of the Fund; (j) establish reserves for capital expenditures, working capital, debt service taxes, assessments, insurance premiums, repairs, improvements, depreciation, depletion, obsolescence and general maintenance of buildings or other property out of the rents, profits or other income received; (k) employ or otherwise engage employees, ~~managers~~General Partners, contractors, advisors and consultants, and pay reasonable compensation for such services, and enter into employee benefit plans of any type; (l) purchase or repurchase ~~Units~~Interests from any Person for such consideration as the ~~Manager~~General Partner may determine in its reasonable discretion (whether more or less than the original issuance price of such ~~Units~~Interests or the then market value of such ~~Units~~Interests); (m) effect the registration of the securities of a subsidiary of the Fund under the Securities Act and any other securities laws in connection with an initial public offering; (n) create, and admit as a shareholder or ~~member~~Limited Partner or partner of any subsidiary of the Fund, any Entity that may be necessary, convenient or incidental to the accomplishment of the purposes of the Fund; (o) assist certain tax-exempt Persons in forming and maintaining a Group Trust or other entity for the purpose of making their investment in the Fund; and (p) do such other things and engage in such other activities as may be necessary, convenient or advisable with respect to the conduct of the business of the Fund, and have and exercise all of the powers and rights conferred upon limited ~~liability companies~~partnerships formed pursuant to the Act.

2.9 Effectiveness of this Agreement. This Agreement shall govern the operations of the Fund and the rights and restrictions applicable to the ~~Members~~Limited Partners, to the extent permitted by law. Pursuant to Section 18-101(7)(a) of the Act, all Persons who become holders of ~~Units~~Interests shall be bound by the provisions of this Agreement. The execution by a Person of its Subscription Agreement or Assignment Agreement, as the case may be, and acceptance thereof by the ~~Manager~~General Partner or the receipt of ~~Units~~Interests as a successor or assign of an existing ~~Member~~Limited Partner in accordance with the terms of this Agreement shall be deemed to constitute a request that the records of the Fund reflect such admission, and shall be deemed to be a sufficient act to comply with the requirements of Section 18-101(7)(a) of the Act and to so cause that Person to become a ~~Member~~Limited Partner and to bind that Person to the

terms and conditions of this Agreement (and to entitle that Person to the rights of a ~~Member~~Limited Partner hereunder).

ARTICLE 3

CAPITAL

3.1 Interests in the Fund.

(a) Subject to Article 7, the ~~Manager~~General Partner is authorized to cause the Fund to issue additional interests, including the issuance of such number of ~~Units~~Interests from time to time as the ~~Manager~~General Partner may determine in its sole discretion for a price which reflects the Net Asset Value of the Fund as determined by the ~~Manager~~General Partner in exchange for Capital Contributions.

(b) Each ~~Unit~~Interest shall have the rights and be governed by the provisions set forth in this Agreement; and none of such ~~Units~~Interests shall have any preemptive rights, or give the holders thereof any rights to convert into any other securities of the Fund, or give the holders thereof any cumulative voting rights. ~~Units~~Interests shall be evidenced by entries on the books of the Fund. Certificates representing ~~Units~~Interests shall not be issued; provided, however, that the ~~Manager~~General Partner may provide by resolution or resolutions that some or all of the ~~Units~~Interests shall be certificated.

(c) ~~Members~~Limited Partners shall only be entitled to vote pursuant to Section 2.7 (Investment Restrictions), Section 6.2 (Meetings of Investors) (including such matters presented in accordance therewith), Section 9.2 (~~Manager~~General Partner Removal), Section 12.1 (Formation of the Advisory Committee), Article 14 (Dissolution and Termination) and Section 17.6 (Amendments) or as otherwise required by applicable law. Each holder of ~~Units~~Interests shall be entitled to the number of votes that equal the number of ~~Units~~Interests held by such ~~Member~~Limited Partner, including fractional ~~Units~~Interests.

3.2 Initial Closing.

(a) The Fund will commence operations at such time as the ~~Manager~~General Partner initially accepts and counter-executes Subscription Agreements on behalf of the Fund (the “Initial Closing”). The Investors who are admitted at the Initial Closing (“Founding Investors”) shall be identified as such on Exhibit A.

(b) Prior to the Initial Closing, the subscription and purchase price will be one hundred thousand dollars (\$100,000) per ~~Unit~~Interest.

(c) Notwithstanding anything to the contrary in this Agreement, no ~~Member~~Limited Partner that is (i) an “employee benefit plan” (as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended “ERISA”), subject to ERISA, (ii) a plan described in Section 4975 of the Code, or (iii) any entity deemed to hold plan assets of the forgoing under the Plan Asset Regulations shall be required or permitted to fund any portion of its Capital Contribution, other than to an escrow arrangement complying with Department of Labor Advisory Opinion 95-04, prior to the date that the Fund has made its

initial investment permitting its qualification as either a venture capital operating company or a real estate operating company.

3.3 Subsequent Closings.

(a) After the Initial Closing, UnitsInterests will be offered to prospective Investors and existing MembersPartners desiring to increase their Capital Contributions, on subsequent offering dates as determined by the ManagerGeneral Partner in its sole discretion. The number of such UnitsInterests is not limited. The UnitsInterests will be issued at a price which reflects the Net Asset Value of the Fund as determined by the ManagerGeneral Partner in exchange for cash or Contributed Properties valued by the ManagerGeneral Partner in its sole discretion. The cash contributed may be invested in Short-term Investments until needed for new investments or working capital. The ManagerGeneral Partner reserves the right to reject, in its sole discretion, all or part of any subscription tendered to the Fund.

(b) Each such additional MemberInvestor shall be admitted as a MemberLimited Partner as of the date of acceptance of its Capital Contribution by the ManagerGeneral Partner (each a “Closing”). The ManagerGeneral Partner shall amend Exhibit A to reflect the admission of additional MembersLimited Partners and, if applicable, the increase in Capital Contributions from existing MembersPartners, and the ManagerGeneral Partner shall take any other appropriate action in connection therewith. Each MemberPartner hereby consents to any and all admissions of such additional MembersLimited Partners and the acceptance of any and all such additional Capital Contributions.

3.4 Appraisal.

(a) Real Estate Assets will be appraised by third-party appraisers (the “Appraisers”) selected by the ManagerGeneral Partner with the assistance of the Appraisal Advisory Firm (as defined below) not less frequently than annually (the value so reached, the “Appraised Value”). The ManagerGeneral Partner will retain a third-party firm (which may be the Fund’s auditor) to assist in the Fund’s administration of the quarterly valuation process (the “Appraisal Advisory Firm”). The quarterly valuation process will involve scheduling the third-party valuations, reviewing each appraisal, identifying and resolving issues, compiling valuation statistics and reporting final results in a uniform manner.

(b) Upward revaluations that reflect a higher value than the most recent Appraised Value or the purchase price (if there has been no Appraised Value) will not be used in calculating the Management Fee, except to the extent the upward revaluation reflects capital expenditures.

(c) The ManagerGeneral Partner may in its sole discretion write down the value of a property if it determines that the Appraised Value of the property is in excess of market value.

3.5 Capital Account.

(a) General. The Fund shall establish and maintain throughout the life of the Fund for each MemberPartner a separate capital account (“Capital Account”) in accordance with

Section 704(b) of the Code. Such Capital Account shall be increased by (a) the amount of all Capital Contributions made by such [MemberPartner](#) to the Fund pursuant to this Agreement, (b) all Profits allocated to such [MemberPartner](#) (or items of income and gain specifically allocated to such [MemberPartner](#)) pursuant to [Section 4.2](#) and (c) the amount of any Fund liabilities assumed by such [MemberPartner](#) or which are secured by any property distributed to such [MemberPartner](#), and decreased by (i) the amount of cash or Carrying Value of all actual and deemed distributions of cash or property made to such [MemberPartner](#) pursuant to this Agreement, (ii) all Losses allocated to such [MemberPartner](#) (or items of loss and deduction specifically allocated to such [MemberPartner](#)) pursuant to [Section 4.2](#) and (iii) the amount of any liabilities of such [MemberPartner](#) assumed by the Fund or which are secured by any Contributed Property contributed by such [MemberPartner](#). Any other Fund item which is required or authorized under Section 704(b) of the Code to be reflected in Capital Accounts shall be so reflected.

(b) Profits and Losses. “Profits” and “Losses” mean, for purposes of computing the amount of Profits or Losses to be reflected in the [MembersPartners](#)’ Capital Accounts, for each Fiscal Year or other period for which allocations to [MembersPartners](#) are made, an amount equal to the Fund’s taxable income or loss for such period determined in accordance with federal income tax principles with the following adjustments:

(1) any income of the Fund that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this provision shall be added to such taxable income or loss;

(2) any expenditure of the Fund described in Section 705(a)(2)(B) of the Code or treated as Code Section 705(a)(2)(B) expenditures pursuant to Section 1.704-1(b)(2)(iv)(i) of the Treasury Regulations, and not otherwise taken into account in computing Profits or Losses pursuant to this provision, shall be subtracted from such taxable income or loss;

(3) in the event the Carrying Value of any Fund Asset is adjusted pursuant to this Agreement, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses, and shall be allocated in accordance with the provisions of [Article 4](#);

(4) Book Gain or Book Loss from a Capital Transaction shall be taken into account in lieu of any tax gain or tax loss recognized by the Fund by reason of such Capital Transaction;

(5) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed as provided in this Agreement; and

(6) to the extent an adjustment to the adjusted tax basis of any Fund Asset pursuant to Section 734(b) or Section 743(b) of the Code is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a [MemberPartner](#)’s interest in

the Fund, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the Fund Asset) or loss (if the adjustment decreases the basis of the Fund Asset) from the disposition of the Fund Asset and shall be taken into account for purposes of computing Profits or Losses.

If the Fund's taxable income or loss for such Fiscal Year or other period, as adjusted in the manner provided above, is a positive amount, such amount shall be the Fund's Profits for such Fiscal Year or other period; and if a negative amount, such amount shall be the Fund's Losses for such Fiscal Year or other period.

(c) Adjustments to Carrying Values.

(1) Consistent with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv)(f), and as provided in Section 3.5(c)(2), the Carrying Values of all Fund Assets shall be adjusted upward or downward to reflect any Book Gains or Book Losses attributable to such Fund Asset, as of the times of the adjustments provided in Section 3.5(c)(2) hereof, as if such Book Gain or Book Loss had been recognized on an actual sale of each such Fund Asset and allocated pursuant to Section 4.2.

(2) Such adjustments shall be made as of the following times: (i) immediately prior to the acquisition of an additional interest in the Fund by any new or existing ~~Member~~Limited in exchange for more than a de minimis Capital Contribution; (ii) immediately prior to the distribution by the Fund to a ~~Member~~Partner of more than a de minimis amount of property as consideration for an interest in the Fund; and (iii) under generally accepted industry accounting practices within the meaning of Regulations Section 1.704-1(b)(2)(iv)(f)(5).

(3) In accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(e), the Carrying Values of Fund Assets distributed in kind shall be adjusted upward or downward to reflect any Book Gain or Book Loss attributable to such Fund Asset, as of the time any such asset is distributed.

(d) A ~~Member~~Partner shall not be entitled to withdraw any part of its Capital Account or to receive any distributions from the Fund, except as provided in Article 5 hereof, nor shall a ~~Member~~Partner be entitled to make any loan or Capital Contribution to the Fund other than as expressly provided herein. No loan made to the Fund by any ~~Member~~Partner shall constitute a Capital Contribution to the Fund.

(e) No ~~Member~~Partner shall have any liability for the return of the Capital Contribution of any other ~~Member~~Partner.

3.6 Transfer of Interests and Capital Accounts. The original Capital Account established for each transferee shall be in the same amount as the Capital Account or portion thereof of the ~~Member~~Partner which such transferee succeeds, at the time such transferee is admitted to the Fund. The Capital Account of any ~~Member~~Partner whose Percentage Interest shall be increased by means of the Transfer to it of all or part of the Units~~Interests~~ of another ~~Member~~Partner shall be appropriately adjusted to reflect such Transfer. Any reference in this Agreement to a Capital Contribution of, or distribution to, a then-~~Member~~Partner shall include a

Capital Contribution or distribution previously made by or to any prior ~~Member~~Limited Partner on account of the ~~Units~~Interests of such then-~~Member~~Partner.

3.7 Tax Matters Partner. The ~~Manager~~General Partner shall be the Fund's "Tax Matters Partner" (as such term is defined in Section 6231(a)(7) of the Code), with all of the powers that accompany such status. Promptly following the written request of the Tax Matters Partner, the Fund shall, to the fullest extent permitted by law, reimburse and indemnify the Tax Matters Partner for all reasonable expenses, including reasonable legal and accounting fees, claims, liabilities, losses and damages incurred by the Tax Matters Partner in connection with any administrative or judicial proceeding with respect to the tax liability of the ~~Members~~Limited Partners. The provisions of this Section 3.7 shall survive the termination of the Fund and shall remain binding on the ~~Members~~Partners for as long a period of time as is necessary to resolve with the Internal Revenue Service any and all matters regarding the federal income taxation of the Fund or the ~~Members~~Partners.

ARTICLE 4

ALLOCATIONS

4.1 General Rules Concerning Allocations. Within forty-five (45) days after the end of each calendar quarter, Profits and Losses for such quarter shall be determined in accordance with the accounting methods followed by the Fund for federal income tax purposes.

4.2 Allocations of Profits and Losses.

(a) Except as otherwise provided in this Article 4, Profits and Losses shall be allocated among the ~~Members~~Partners in accordance with their respective Percentage Interests.

(b) Qualified Income Offset. In the event a ~~Member~~Partner unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) that causes or increases an Adjusted Capital Account Deficit, items of Fund income and gain shall be specially allocated to such ~~Member~~Partner so as to eliminate such negative balance as quickly as possible. This subparagraph is intended to constitute a "qualified income offset" under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

(c) Minimum Gain Chargeback (Nonrecourse Liabilities). Except as otherwise provided in Section 1.704-2(f) of the Treasury Regulations, if there is a net decrease in Partnership Minimum Gain for any Fiscal Year, each ~~Member~~Partner shall be specially allocated items of Fund income and gain for such year (and, if necessary, subsequent years) in an amount equal to such ~~Member~~Partner's share of the net decrease in Partnership Minimum Gain to the extent required by Treasury Regulations Section 1.704-2(f). The items to be so allocated shall be determined in accordance with Sections 1.704-2(f) and (j)(2) of the Treasury Regulations. This subparagraph is intended to comply with the minimum gain chargeback requirement in said section of the Treasury Regulations and shall be interpreted consistently therewith. Allocations pursuant to this subparagraph shall be made in proportion to the respective amounts required to be allocated to each ~~Member~~Partner pursuant hereto.

(d) Partner Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Treasury Regulations, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Fiscal Year, each MemberPartner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Treasury Regulations, shall be specially allocated items of Fund income and gain for such year (and, if necessary, subsequent years) in an amount equal to that MemberPartner's share of the net decrease in the Partner Minimum Gain attributable to such Partner Nonrecourse Debt to the extent and in the manner required by Section 1.704-2(i) of the Treasury Regulations. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and (j)(2) of the Treasury Regulations. This subparagraph is intended to comply with the minimum gain chargeback requirement with respect to Partner Nonrecourse Debt contained in said section of the Treasury Regulations and shall be interpreted consistently therewith. Allocations pursuant to this subparagraph shall be made in proportion to the respective amounts to be allocated to each MemberPartner pursuant hereto.

(e) Nonrecourse Deductions. Partner Nonrecourse Deductions for any Fiscal Year or other applicable period with respect to a Partner Nonrecourse Debt shall be specially allocated to the MembersPartners that bear the economic risk of loss for such Partner Nonrecourse Debt (as determined under Sections 1.704-2(b)(4) and 1.704-2(i)(1) of the Treasury Regulations).

(f) For purposes of determining Profits, Losses, or any other items allocable to any period, Profits, Losses and any such other items shall be determined on a daily, monthly, or other basis, as determined by the ManagerGeneral Partner using any permissible method under Code Section 706 and the Treasury Regulations thereunder. In the event of a Transfer of any UnitsInterests, regardless of whether the transferee becomes a MemberLimited Partner, all items of income, gain, loss and deduction for the Fiscal Year in which the Transfer occurs shall be allocated in accordance with the preceding sentence, except to the extent required by Section 706(d) of the Code.

(g) Gross Income Allocation. If, following the tentative allocation of Profits or Losses pursuant to Section 4.2(a), any Partner would otherwise have a deficit balance in such Partner's Capital Account as of the last day of any Fiscal Year, which is in excess of the amount (if any) such Partner is obligated to restore (whether under this Agreement or otherwise, and including, for this purpose, without limitation, such Partner's exposure with respect to obligations or liabilities of the Fund), then items of income and gain (consisting of a pro rata portion of each item of income or gain) of the Fund shall be specially allocated to such Partner so as to eliminate such excess as quickly as possible.

(h) Limitation on Loss Allocations. To the extent that any allocation of Losses pursuant to Section 4.2(a) will cause or increase a deficit balance in a Partner's Capital Account, such portion of such Losses shall be allocated among the Partners with positive Capital Account balances, pro rata in accordance with their positive Capital Account balances. For purposes of this Section 4.2(h), a Partner's Capital Account shall be reduced for the items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

4.3 Tax Allocations.

(a) Except as otherwise provided in this Section 4.3, items of Fund taxable income, gain, loss and deduction shall be determined in accordance with Code Section 703, and the ~~Members~~Partners' distributive shares of such items for purposes of Code Section 702 shall be determined according to their respective shares of Profits or Losses to which such items relate.

(b) Subject to Section 4.3(e), items of Fund taxable income, gain, loss and deduction with respect to any Contributed Property shall be allocated among the ~~Members~~Partners in accordance with Code Section 704(c), as determined by the ~~Manager~~General Partner, so as to take account of any variation between the adjusted basis of such property to the Fund for federal income tax purposes and its Carrying Value.

(c) If the Carrying Value of any Fund Asset is adjusted pursuant to the Fund's maintenance of Capital Accounts under Section 3.5, subsequent allocations of items of income, gain, loss and deduction with respect to such property shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Carrying Value in the same manner as under Code Section 704(c), as determined by the ~~Manager~~General Partner.

(d) Allocations pursuant to this Section 4.3 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any ~~Member~~Partner's Capital Account or share of Profits, Losses, distributions or other Fund items pursuant to any provision of this Agreement.

(e) If the Carrying Value of any Fund Asset differs from its adjusted tax basis for federal income tax purposes, income, gain, loss and deduction with respect to such asset shall be allocated for federal income tax purposes as reasonably determined by the ~~Manager~~General Partner in accordance with Sections 704(b) and (c) of the Code so as to take account of the difference between such Carrying Value and adjusted basis of such Fund Asset.

ARTICLE 5

DISTRIBUTIONS

5.1 Cash Distributions.

(a) Net Operating Cash Flow. Subject to Section 5.2 and Section 5.3, Net Operating Cash Flow shall be distributed to ~~all Member~~the Partners in proportion to their respective Percentage Interests on a quarterly basis; provided, that the ~~Manager~~General Partner in its sole discretion may use up to 25% of Net Operating Cash Flow during any quarter to accommodate redemption requests and the purchase of Fund Assets.

(b) Net Capital Event Proceeds. Net Capital Event Proceeds are not expected to be distributed; provided, that in the event the ~~Manager~~General Partner decides otherwise, Net Capital Event Proceeds shall, subject to Section 5.2, be distributed (except as used by the ~~Manager~~General Partner in its sole discretion to pay the Redemption Price on UnitsInterests that are being redeemed) as determined by the ~~Manager~~General Partner in its sole discretion

(provided that such determination may take into account the Fund's ongoing expenses (including debt payments), anticipated investments or capital expenditures and reserves) to the holders of the [UnitsInterests](#) in proportion to their respective Percentage Interests.

(c) Tax Provisions. In the event the Fund is subject to any tax or other obligation that is attributable to the interest of one or more [MembersPartners](#) in the Fund, but fewer than all the [MembersPartners](#), such tax or other obligation shall be specially allocated to, and charged against the Capital Account of, such [MemberPartner](#) or [MembersPartners](#), and the amounts otherwise distributable to such [MemberPartner](#) or [MembersPartners](#) pursuant to this Agreement shall be reduced by such amount.

(d) Restricted Distributions. Notwithstanding any other provision of this Agreement, neither the Fund, nor the [ManagerGeneral Partner](#) on behalf of the Fund, shall make a distribution to any [MemberPartner](#) on account of its [UnitsInterests](#) if such distribution would violate the Act or other applicable law.

5.2 Payment of Fees from Distributions. Each [MemberLimited Partner](#) hereby authorizes the [ManagerGeneral Partner](#) to pay itself such [MemberLimited Partner](#)'s Management Fee and Cash Management Fee from such [MemberLimited Partner](#)'s distributable amount of Net Operating Cash Flow and/or Net Capital Event Proceeds. For purposes of this Agreement, any amount withheld from a distribution to a [MemberLimited Partner](#) and paid to the [ManagerGeneral Partner](#) shall be treated as if distributed to such [MemberLimited Partner](#).

5.3 Reinvestment of Distributions. Subject to [Section 5.3\(ii\)](#), [Section 5.3\(vi\)](#) and [Section 5.3\(ix\)](#), the [ManagerGeneral Partner](#) shall on behalf of each Participant reinvest such Participant's distributable amount of Net Operating Cash Flow in additional [UnitsInterests](#), to be issued by the Fund (the "Plan") unless the [ManagerGeneral Partner](#) determines to distribute all or any portion of such amount. [UnitsInterests](#) purchased pursuant to the Plan shall be purchased for a price that reflects the Net Asset Value as of the Record Date immediately preceding such purchase. For the avoidance of doubt, for purposes of this Agreement, any distribution reinvested in additional [UnitsInterests](#) as set forth in this [Section 5.3](#) shall be treated as if distributed to the applicable Participant and immediately contributed by such Participant to the Fund. In connection with this [Section 5.3](#), each [MemberLimited Partner](#) agrees and acknowledges as follows:

(i) The Fund has designated the [ManagerGeneral Partner](#) to administer the Plan and act as agent for the Participants. The [ManagerGeneral Partner](#) will purchase [UnitsInterests](#), as the case may be, for Participants, keep records and statements and perform other duties required by the Plan. The [ManagerGeneral Partner](#) will credit distributions to Participants' accounts on the basis of whole or fractional [UnitsInterests](#), as the case may be, held in such accounts, and will automatically reinvest such distributions in additional [UnitsInterests](#), as the case may be, according to the portion of the Participants' [UnitsInterests](#), as the case may be, designated to participate in the Plan.

(ii) A Participant shall remain in the Plan until such Participant withdraws from the Plan, the Fund terminates such Participant's participation in the Plan or the Fund terminates the Plan. With respect to a [MemberLimited Partner](#) who has withdrawn from

the Plan in accordance with Section 5.3(vi), such Member Limited Partner may reinstate its participation in the Plan by providing ninety (90) days' written notice in a form acceptable to the Manager General Partner, and the reinvestment of such Member Limited Partner's cash distributions will be effective as of the first calendar quarter that follows ninety (90) days after receipt of such notice.

(iii) Units Interests shall be allocated and credited to Participants' accounts on the appropriate Record Date. No interest will be paid on cash distributions pending reinvestment under the terms of the Plan.

(iv) No Participant shall have any authority or power to direct the time or price at which Units Interests will be purchased.

(v) A Participant's account in the Plan will be credited with the number of Units Interests, as the case may be, including fractions computed to four decimal places, to be invested on behalf of such Participant. The total amount to be invested will depend on the amount of any distributions paid on the number of Units Interests, as the case may be, owned by the Participant and designated for reinvestment. Participants will be credited with distributions on fractions of Units Interests, as the case may be. There is no total maximum number of Units Interests available for issuance pursuant to the reinvestment of distributions.

(vi) Participants may withdraw from the Plan with respect to all or a portion of the Units Interests held in their account in the Plan by providing ninety (90) days' written notice in a form acceptable to the Manager General Partner. The request will be processed as of the first Record Date following ninety (90) days after receipt of the request by the Manager General Partner. All distributions subsequent to the effective date of the withdrawal will be paid in cash unless a Member Limited Partner reenrolls in the Plan, which shall be done in accordance with Section 5.3(ii).

(vii) Each Participant in the Plan will receive a statement of its account following each purchase of additional Units Interests.

(viii) The Fund and the Manager General Partner will not be liable in administering the Plan for any act done in good faith or required by applicable law or for any good faith omission to act including, without limitation, with respect to the price at which Units Interests are purchased and/or the times when such purchases are made or with respect to any fluctuation in Net Asset Value before or after purchase or sale of Units Interests. The Fund and the Manager General Partner shall be entitled to rely on completed forms and the proof of due authority to participate in the Plan, without further responsibility of investigation or inquiry.

(ix) The Manager General Partner may suspend, terminate or amend the Plan at any time. Notice will be sent to Participants of any suspension or termination, or of any amendment that alters the Plan terms and conditions, as soon as practicable after such action by the Fund. The Manager General Partner may also substitute another administrator or agent in place of the Manager General Partner at any time. Participants will be promptly informed of any such substitution.

(x) Upon each reinvestment, each Participant shall automatically be deemed to have reaffirmed, restated and ~~reacknowledged~~re-acknowledged the agreements, acknowledgments, representations, warranties, and other obligations set forth in such Participant's Subscription Agreement or Assignment Agreement, as applicable.

(xi) Each Participant agrees to provide the ~~Manager~~General Partner with prompt written notice in the event that any representation or warranty of such Participant in its Subscription Agreement or Assignment Agreement, as applicable, is no longer true and correct in all material respects, including but not limited to, the representation that such Participant is a "qualified purchaser," as such term is defined in Section 2(51) of the Investment Company Act.

5.4 [Intentionally Omitted].

5.5 Payments to ~~Members~~Limited Partners for Services. Any payments by the Fund to a ~~Member~~Limited Partner or the ~~Manager~~General Partner for services rendered to or on behalf to the Fund shall be treated as guaranteed payments for services under Section 707(c) of the Code.

5.6 Withholding. Notwithstanding any other provision of this Agreement, the ~~Manager~~General Partner shall take any action that it determines to be necessary or appropriate to cause the Fund to comply with any withholding requirements established under any Federal, state or local tax law, including, without limitation, withholding amounts from any distribution to be made to any ~~Member~~Limited Partner. Any amounts required to be withheld under any such law by reason of the status of, or any action or failure to act (other than an action or failure to act pursuant to this Agreement) by, any ~~Member~~Limited Partner shall be withheld from distributions otherwise to be made to such ~~Member~~Limited Partner, and, to the extent such amounts exceed such distributions, such ~~Member~~Limited Partner shall pay the amount of such excess to the Fund in the manner and at the time or times required by the ~~Manager~~General Partner. For purposes of this Agreement, any amount withheld from a distribution to a ~~Member~~Limited Partner and paid to a governmental body shall be treated as if distributed to such ~~Member~~Limited Partner. In the event that any state, local or other income tax imposed on the Fund as an entity for any Fiscal Year is reduced by reason of the holding of ~~Units~~Interests by any ~~Member~~Limited Partner, an amount equal to the reduction attributable to such ~~Member~~Limited Partner shall be distributed to such ~~Member~~Limited Partner within sixty (60) days after the end of the Fiscal Year, and the expense relating to such tax shall be allocated among the other ~~Members~~Limited Partners. In the event that the Fund or the ~~Manager~~General Partner becomes liable as a result of a failure to withhold and remit taxes with respect to a distribution (or income allocable) to an Investor (the "Taxed ~~Member~~Limited Partner"), then, in addition to, and without limiting any indemnity for which the Taxed ~~Member~~Limited Partner otherwise may be liable under this Agreement, the Taxed ~~Member~~Limited Partner shall indemnify and hold harmless the Fund, the ~~Manager~~General Partner and the other ~~Members~~Limited Partners, as the case may be, in respect of all taxes, including, without limitation, interest and penalties and any expenses incurred in any examination, determination, resolution and payment of such liability. The provisions contained in this Section 5.6 shall survive termination of the Fund and the withdrawal of any ~~Member~~Limited Partner. Neither the Fund nor the General Partner shall be liable for any excess taxes withheld in respect of any Limited Partner's Interest, and in the event of overwithholding, a

Limited Partner's sole recourse shall be to apply for a refund from the appropriate governmental authority.

5.7 Illegal Distributions. If the ManagerGeneral Partner determines that an Investor is an Unacceptable Investor, the ManagerGeneral Partner may freeze the Investor's distributions and UnitsInterests, deny the Investor's redemption requests and take such other actions as may be desirable or necessary under the law.

ARTICLE 6

MEMBERS

LIMITED PARTNERS

6.1 Limited Liability of MembersLimited Partners. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Fund, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Fund, and the MembersLimited Partners shall not be obligated personally for any such debt, obligation or liability of the Fund solely by reason of being a MemberLimited Partner of the Fund. The MembersLimited Partners shall not be required to lend any funds to the Fund. Each of the MembersLimited Partners shall be liable to make payment of his, her or its respective Capital Contributions as and when due hereunder and other payments as expressly provided in this Agreement, Subscription Agreement and/or Assignment Agreement, as applicable. If and to the extent a MemberLimited Partner's contribution shall be fully paid, such MemberLimited Partner shall not, except as required by the express provisions of the Act regarding repayment of sums wrongfully distributed to MembersLimited Partners or its Subscription Agreement, be required to make any further contributions.

6.2 Meetings of Membersthe Partners.

(a) Time, Place, Purpose and Notice of Meetings. The ManagerGeneral Partner will hold an annual meeting offering MembersLimited Partners the opportunity to review and discuss the Fund's activities. In addition, special meetings of the Fund may be called by (i) the ManagerGeneral Partner or (ii) MembersLimited Partners holding a majority of the Voting Power. All meetings of the MembersPartners shall be held at such time and place, within or without the State of Delaware, as shall be designated by the ManagerGeneral Partner. Only those matters set forth in the notice of the meeting may be considered or acted upon at such meeting, unless otherwise provided by law. Written notice of each meeting of the MembersPartners stating the place, date and time of the meeting and the purpose or purposes for which the meeting is called shall be given, not less than ten (10) nor more than sixty (60) days before the date of the meeting, to the ManagerGeneral Partner and each Investor entitled to vote at such meeting. Business transacted at any meeting of the MembersPartners shall be limited to the purposes stated in the notice. Neither the business to be transacted at, nor the purpose of, a meeting of the MembersPartners need be specified in any written waiver of notice.

(b) Quorum. A majority of the Voting Power, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of

the MembersPartners, except as otherwise required by law. If a quorum is not represented, either (i) the MembersLimited Partners present in person or represented by proxy at the meeting, by the affirmative vote of the holders of a majority of the UnitsInterests held by such MembersLimited Partners, or (ii) the ManagerGeneral Partner, shall have the power to adjourn the meeting to another time and/or place, without notice other than announcement at the meeting, except as hereinafter provided, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the original meeting. If the adjournment is for more than (30) thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each MemberLimited Partner. Withdrawal of MembersLimited Partners from any meeting shall not cause the failure of a duly constituted quorum at such meeting.

(c) Voting/Consents. At all meetings of the MembersPartners, each MemberPartner shall be entitled to cast the number of votes provided for in Section 3.1(c), in person or by proxy, for each UnitInterest held by such MemberPartner on the record date for the meeting. Except as otherwise provided herein, all matters on which MembersPartners vote shall be decided by the Consent of a majority of the Voting Power. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the Voting Power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of law or this Agreement, a different vote is required, in which case such express provision shall govern and control the decision of such question. Any MemberPartner who is in attendance at a meeting of MembersPartners either in person or by proxy, but who abstains from the vote on any matter, shall not be deemed present or represented at such meeting for purposes of the preceding sentence with respect to such vote, but shall be deemed present or represented at such meeting for all other purposes.

(d) Informal Action by MembersLimited Partners. Any action of the MembersLimited Partners may be taken without a meeting, without prior notice and without a vote, upon the written request of the ManagerGeneral Partner if a consent in writing setting forth the action so taken shall be signed by the holders of UnitsInterests having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all UnitsInterests entitled to vote thereon were present and voted. Prompt notice of the taking of the action without a meeting by less than unanimous written consent shall be given to those MembersLimited Partners who have not consented in writing.

(e) Consent of Group Trust. Whenever under the terms of this Agreement the vote, consent or approval of a specified percentage of the Voting Power of the MembersLimited Partners is required for any action, forbearance, amendment hereof, consent or otherwise, the Group Trust may allocate its UnitsInterests for the purpose of casting such vote or giving such consent or approval in accordance with the respective directions of the Participating Plans in accordance with their relative interests in the Group Trust.

6.3 Confidentiality of Information.

(a) The ManagerGeneral Partner and the Fund shall use reasonable best efforts to keep confidential any confidential information obtained by such parties in such

capacities relating to any Investor (other than disclosure to the ~~Manager~~General Partner's employees, agents, advisors, or representatives responsible for matters relating to the Fund); provided, however, that the foregoing shall not prevent any such Person from complying with any legal requirements applicable to such Person; provided, further, that the foregoing shall in no way prevent the ~~Manager~~General Partner from conducting the affairs of the Fund in the ordinary course.

(b) Each Investor agrees to keep confidential, and not to make use of (other than for purposes reasonably related to its interest in the Fund or for purposes of filing such Investor's tax returns or for other routine matters required by law) or disclose to any Person, any information or matter received from or relating to the Fund and its affairs and any information or matter related to any Fund Asset (other than disclosure to such Investor's employees, agents, advisors, or representatives responsible for matters relating to the Fund); provided that a Investor may disclose any such information to the extent that (i) such information is or becomes generally available to the public through no act or omission of such Investor, (ii) such information otherwise is or becomes known to such Investor other than by disclosure by the Fund or the ~~Manager~~General Partner, provided that the source of such information is not bound by a confidentiality agreement or other contractual, legal or fiduciary obligation of confidentiality or (iii) such Investor is required by law to disclose such information.

(c) Notwithstanding the foregoing, each Investor (and each employee, agent or representative of each Investor) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the Fund and all materials of any kind (including opinions or other tax analyses) that are provided to the Fund or to such Investor relating to such tax treatment and tax structure except to the extent maintaining such confidentiality is necessary to comply with any applicable federal or state securities laws.

ARTICLE 7

EXCESS ~~UNITS~~INTERESTS PROVISIONS

7.1 Definitions. For purposes of this Article 7, the following terms shall have the following meanings:

“Beneficial Ownership” shall mean ownership of ~~Units~~Interests by a Person who would be treated as an owner of such ~~Units~~Interests either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms “Beneficial Owner,” “Beneficially Owns,” “Beneficially Own” and “Beneficially Owned” shall have correlative meanings.

“Charitable Beneficiary” shall mean an organization or organizations described in Sections 170(b)(1)(A) and 170(c) of the Code and identified by the ~~Manager~~General Partner as the beneficiary or beneficiaries of the Excess ~~Unit~~Interest Trust.

“Excess ~~Units~~Interests” shall have the meaning given to it in Section 7.3(a).

“Excess ~~Unit~~Interest Trust” shall mean the trust created pursuant to Section 7.13.

“Excess [UnitInterest](#) Trustee” shall mean a Person, who shall be unaffiliated with the Fund, any Purported Beneficial Transferee and any Purported Record Transferee, identified by the [ManagerGeneral Partner](#) as the trustee of the Excess [UnitInterest](#) Trust.

“Excess [UnitInterest](#) Price” has the meaning set forth in [Section 7.16](#).

“Ownership Limit” shall initially mean 9.8% in number of the outstanding [UnitsInterests](#) or value of the outstanding [UnitsInterests](#), and after any adjustment as set forth in [Section 7.9](#), shall mean such greater percentage of the outstanding [UnitsInterests](#) as so adjusted. The number and value of the outstanding [UnitsInterests](#) of the Fund shall be determined by the [ManagerGeneral Partner](#) in good faith, which determination shall be conclusive for all purposes hereof.

“Purported Beneficial Transferee” shall mean, with respect to any purported Transfer which results in Excess [UnitsInterests](#), the beneficial holder of the [UnitsInterests](#), if such Transfer had been valid under [Section 7.2](#).

“Purported Record Transferee” shall mean, with respect to any purported Transfer which results in Excess [UnitsInterests](#), the record holder of the [UnitsInterests](#), if such Transfer had been valid under [Section 7.2](#).

“Redemption Price” has the meaning provided in [Section 7.17](#).

“REIT” means a real estate investment trust as defined in Section 856-860 of the Code.

“Restriction Termination Date” shall mean the first day on which the Fund determines that it is no longer in the best interests of the REIT Subsidiary to attempt to, or continue to, qualify as a REIT under the Code.

7.2 [Ownership Limitation](#).

(a) Except as provided in [Section 7.11](#), until the Restriction Termination Date, no Person shall Beneficially Own [UnitsInterests](#) in excess of the Ownership Limit.

(b) Except as provided in [Section 7.11](#), until the Restriction Termination Date, any Transfer that, if effective, would result in any Person Beneficially Owning [UnitsInterests](#) in excess of the Ownership Limit shall be void *ab initio* as to the Transfer of the [UnitsInterests](#) which would otherwise be Beneficially Owned by such Person in excess of the Ownership Limit; and the intended transferee shall acquire no rights in such [UnitsInterests](#).

(c) Until the Restriction Termination Date, any Transfer that, if effective, would result in the Fund (treating the Fund as if it otherwise qualified as a REIT solely for this purpose) (i) being “closely held” within the meaning of Section 856(h) of the Code, (ii) otherwise failing to qualify as a REIT or (iii) becoming a “pension-held REIT” as defined in Section 856(h) of the Code, shall be void *ab initio* as to the Transfer of the [UnitsInterests](#) which would cause such result; and the intended transferee shall acquire no rights in such [UnitsInterests](#).

7.3 Excess UnitsInterests.

(a) If, notwithstanding the other provisions contained in this Article 7, at any time, until the Restriction Termination Date, there is a purported Transfer or other change in the capital structure of the Fund such that any Person would Beneficially Own UnitsInterests in excess of the Ownership Limit, then, except as otherwise provided in Section 7.9, the UnitsInterests Beneficially Owned in excess of the Ownership Limit (rounded up to the nearest whole UnitInterest) shall constitute “Excess UnitsInterests” and shall be treated as provided in this Article 7. Such designation and treatment shall be effective as of the close of business on the business day prior to the date of the purported Transfer or change in capital structure.

(b) If, notwithstanding the other provisions contained in this Article 7, at any time, until the Restriction Termination Date, there is a purported Transfer or other change in the capital structure of the Fund (as a result of a direct or indirect transfer or otherwise) which, if effective, would cause the Fund (treating the Fund as if it otherwise qualified as a REIT solely for this purpose) to (i) become “closely held” within the meaning of Section 856(h) of the Code, (ii) become a “pension-held REIT” within the meaning of Section 856(h) of the Code or (iii) otherwise fail to qualify as a REIT, then the UnitsInterests that are the subject of such Transfer or other event which would cause the Fund to fail such requirement shall constitute “Excess UnitsInterests” and shall be treated as provided in this Article 7. Such designation and treatment shall be effective as of the close of business on the business day prior to the date of the purported Transfer or change in capital structure.

(c) If, at any time prior to the Restriction Termination Date, notwithstanding the other provisions contained in this Article 7, there is an event (a “Prohibited Owner Event”) which would result in the disqualification of the Fund as a REIT (treating the Fund as if it otherwise qualified as a REIT solely for this purpose) by virtue of Beneficial Ownership or constructive ownership of UnitsInterests, then UnitsInterests which result in such disqualification shall be automatically exchanged for an equal number of Excess UnitsInterests to the extent necessary to avoid such disqualification. Such exchange shall be effective as of the close of business on the Business Day prior to the date of the Prohibited Owner Event. In determining which UnitsInterests are exchanged, UnitsInterests owned directly or indirectly by any Person who caused the Prohibited Owner Event to occur shall be exchanged before any UnitsInterests not so held are exchanged. If similarly situated Persons exist, such exchange shall be pro rata. If the Fund is still so disqualified as a REIT (treating the Fund as if it otherwise qualified as a REIT solely for this purpose), UnitsInterests owned directly or indirectly by Persons who did not cause the Prohibited Owner Event to occur shall be chosen by random lot and exchanged for Excess UnitsInterests until the Fund is no longer so disqualified as a REIT (treating the Fund as if it otherwise qualified as a REIT solely for this purpose).

7.4 Prevention of Transfer. If the ManagerGeneral Partner or its designee shall at any time determine in good faith that a Transfer has taken place in violation of Section 7.2 or that a Person intends to acquire or has attempted to acquire beneficial ownership (determined without reference to any rules of attribution) or Beneficial Ownership of any UnitsInterests in violation of Section 7.2, the ManagerGeneral Partner or its designee shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Fund or instituting proceedings to

enjoin such Transfer; provided, however, that, subject to the provisions of Section 7.11, any Transfers or attempted Transfers in violation of paragraph (b) or (c) of Section 7.2 shall automatically result in the designation and treatment described in Section 7.3, irrespective of any action (or non-action) by the ~~Manager~~General Partner.

7.5 Notice to Fund. Any Person who acquires or attempts to acquire ~~Units~~Interests in violation of Section 7.2, or any Person who is a transferee such that Excess ~~Units~~Interests result under Section 7.3, shall immediately give written notice or, in the event of a proposed or attempted Transfer, shall give at least fifteen (15) days prior written notice to the Fund of such event and shall provide to the Fund such other information as the Fund may request in order to determine the effect, if any, of such Transfer or attempted Transfer on the status of the REIT Subsidiary as a REIT.

7.6 Information for Fund. Until the Restriction Termination Date:

(a) Each such Beneficial Owner shall provide to the Fund such additional information as the Fund may reasonably request in order to determine the effect, if any, of such Beneficial Ownership on the status of the REIT Subsidiary as a REIT.

(b) Each Person who is a Beneficial Owner of ~~Units~~Interests and each Person who is holding ~~Units~~Interests for a Beneficial Owner shall provide to the Fund in writing such information with respect to direct, indirect and constructive ownership of ~~Units~~Interests as the ~~Manager~~General Partner deems reasonably necessary to comply with the provisions of the Code applicable to a REIT, to determine the status of the REIT Subsidiary as a REIT, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

7.7 Other Action by ~~Manager~~General Partner. Nothing contained in this Article 7 shall limit the authority of the ~~Manager~~General Partner to take such other action as it deems necessary or advisable to protect the Fund, the REIT Subsidiary and the interests of their respective ~~members~~partners by preservation of the REIT Subsidiary's status as a REIT.

7.8 Ambiguities. In the case of an ambiguity in the application of any of the provisions of this Article 7, including any definition contained in Article 1 and Section 7.1, the ~~Manager~~General Partner shall have the power to interpret and determine the application of the provisions of this Article 7 with respect to any situation based on the facts known to the ~~Manager~~General Partner.

7.9 Increase or Decrease in Ownership Limit. Subject to the limitations provided in Section 7.10, the ~~Manager~~General Partner may from time to time increase or decrease the Ownership Limit; provided, however, that any decrease may only be made prospectively as to subsequent holders (other than a decrease as a result of a retroactive change in existing law that would require a decrease to retain the status of the REIT Subsidiary as a REIT, in which case such decrease shall be effective immediately).

7.10 Limitations on Changes in Ownership Limit.

(a) The Ownership Limit may not be increased if, after giving effect to such increase, five Beneficial Owners of [Units/Interests](#) who are individuals (as determined by reference to Section 542(a)(2) of the Code) could Beneficially Own, in the aggregate, more than 49.9% in number or value of the outstanding [Units/Interests](#).

(b) Prior to the modification of the Ownership Limit pursuant to [Section 7.9](#), the [Manager/General Partner](#) may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the status of the REIT Subsidiary as a REIT.

7.11 [Waivers by Manager/General Partner](#). The [Manager/General Partner](#), upon receipt of a ruling from the Internal Revenue Service or an opinion of counsel or other evidence satisfactory to the [Manager/General Partner](#) and upon at least fifteen (15) calendar days written notice from a transferee prior to the proposed Transfer which, if consummated, would result in the intended transferee owning [Units/Interests](#) in excess of the Ownership Limit and upon such other conditions as the [Manager/General Partner](#) may direct, may waive the Ownership Limit with respect to such transferee.

7.12 [Trust for Excess Units/Interests](#). Upon any purported Transfer that results in Excess [Units/Interests](#) pursuant to [Section 7.3](#), such Excess [Units/Interests](#) shall be deemed to have been transferred to the Excess [Unit/Interest](#) Trustee, as trustee of the Excess [Unit/Interest](#) Trust for the exclusive benefit of the Charitable Beneficiary. Excess [Units/Interests](#) so held in trust shall be issued and outstanding [Units/Interests](#) of the Fund. The Purported Beneficial Transferee shall have no rights in such Excess [Units/Interests](#) except as provided in [Section 7.15](#).

7.13 [Distributions on Excess Units/Interests](#). Any distributions (whether as quarterly distributions, distributions upon liquidation, dissolution or winding-up or otherwise) on Excess [Units/Interests](#) shall be paid to the Excess [Unit/Interest](#) Trust for the benefit of the Charitable Beneficiary. Upon liquidation, dissolution or winding-up, the Purported Record Transferee shall receive the lesser of (a) the amount of any distribution made upon liquidation, dissolution or winding-up or (b) the price paid by the Purported Record Transferee for the [Units/Interests](#), or if the Purported Record Transferee did not give value for the [Units/Interests](#), the Excess [Unit/Interest](#) Price of the [Units/Interests](#) on the day of the event causing the [Units/Interests](#) to be held in trust. Any such distribution paid to the Purported Record Transferee in excess of the amount provided in the preceding sentence prior to the discovery by the Fund that the [Units/Interests](#) with respect to which the distribution was made had been exchanged for Excess [Units/Interests](#) shall be repaid by the Purported Record Transferee to the Excess [Unit/Interest](#) Trust for the benefit of the Charitable Beneficiary.

7.14 [Voting of Excess Units/Interests](#). The Excess [Unit/Interest](#) Trustee shall be entitled to vote the Excess [Units/Interests](#) for the benefit of the Charitable Beneficiary on any matter. Subject to Delaware law, any vote taken by a Purported Record Transferee prior to the discovery by the Fund that the Excess [Units/Interests](#) were held in trust shall be rescinded *ab initio*. The owner of the Excess [Units/Interests](#) shall be deemed to have given an irrevocable proxy to the Excess [Unit/Interest](#) Trustee to vote the Excess [Units/Interests](#) for the benefit of the Charitable Beneficiary.

7.15 Non-Transferability of Excess Units/Interests. Excess Units/Interests shall be transferable only as provided in this Section 7.15. At the direction of the Fund, the Excess Unit/Interest Trustee shall transfer the Units/Interests held in the Excess Unit/Interest Trust to a person whose ownership of the Units/Interests will not violate the Ownership Limit and for whom such transfer would not be wholly or partially void pursuant to Section 7.2. Such transfer shall be made within sixty (60) calendar days after the latest of (x) the date of the Transfer which resulted in such Excess Units/Interests and (y) the date the Manager/General Partner determines in good faith that a Transfer resulting in Excess Units/Interests has occurred, if the Fund does not receive a notice of such Transfer pursuant to Section 7.5. If such a transfer is made, the interest of the Charitable Beneficiary shall terminate and proceeds of the sale shall be payable to the Purported Record Transferee and to the Charitable Beneficiary. The Purported Record Transferee shall receive the lesser of the price paid by the Purported Record Transferee for the Units/Interests or, if the Purported Record Transferee did not give value for the Units/Interests, the Excess Unit/Interest Price of the Units/Interests on the day of the event causing the Units/Interests to be held in trust, and the price received by the Excess Unit/Interest Trust from the sale or other disposition of the Units/Interests. Any proceeds in excess of the amount payable to the Purported Record Transferee shall be paid to the Charitable Beneficiary. Prior to any transfer of any Excess Units/Interests by the Excess Unit/Interest Trustee, the Fund must have waived in writing its purchase rights under Section 7.16. It is expressly understood that the Purported Record Transferee may enforce the provisions of this Section 7.15 against the Charitable Beneficiary.

If any of the foregoing restrictions on transfer of Excess Units/Interests is determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the Purported Record Transferee may be deemed, at the option of the Fund, to have acted as an agent of the Fund in acquiring such Excess Units/Interests and to hold such Excess Units/Interests on behalf of the Fund.

7.16 Call by Fund on Excess Units/Interests. Excess Units/Interests shall be deemed to have been offered for sale to the Fund, or its designee, at a price per Unit/Interest equal to the lesser of (a) the price per Unit/Interest in the transaction that created such Excess Units/Interests (or, in the case of a devise, gift or other transaction in which no value was given for such Excess Units/Interests, a per-Unit/Interest price equal to the Net Asset Value of the Fund at the time of such devise, gift or other transaction as determined by the Manager/General Partner in its sole discretion, divided by the total number of outstanding Units/Interests at such time) and (b) a per-Unit/Interest price equal to the Net Asset Value of the Fund on the date the Fund, or its designee, accepts such offer as determined by the Manager/General Partner in its sole discretion, divided by the total number of outstanding Units/Interests at such time (the “Excess Unit/Interest Price”). The Fund shall have the right to accept such offer for a period of ninety (90) calendar days after the later of (x) the date of the Transfer which resulted in such Excess Units/Interests and (y) the date the Manager/General Partner determines in good faith that a Transfer resulting in Excess Units/Interests has occurred, if the Fund does not receive a notice of such Transfer pursuant to Section 7.5 but in no event later than a permitted Transfer pursuant to and in compliance with the terms of Section 7.15. Unless the Manager/General Partner determines that it is in the interests of the Fund to make earlier payments of all of the amount determined as the Redemption Price per Unit/Interest in accordance with the preceding sentence, the Redemption Price may be payable at the option of the Manager/General Partner at any time up to but not later than one year after the

date the Fund accepts the offer to purchase the Excess UnitsInterests. In no event shall the Fund have an obligation to pay interest to the Purported Record Transferee.

ARTICLE 8

TRANSFERS AND REDEMPTIONS

8.1 Transfers of UnitsInterests.

(a) A MemberLimited Partner may, with prior written consent of the ManagerGeneral Partner (such consent not to be unreasonably withheld), Transfer its interest to another Person in accordance with this Article 8. A MemberLimited Partner shall not Transfer all or any of its Units ~~or its~~Interests (or any economic interest in the Fund ~~(or any economic interest therein)~~, and no Transfer shall be registered by the Fund, if the ManagerGeneral Partner determines, based upon the advice of counsel, such Transfer would or may (i) violate, or require registration or qualification under, applicable federal, state or foreign securities laws, (ii) cause the Fund to be classified as an association taxable as a corporation for federal income tax purposes, (iii) result in noncompliance with Regulation S under the Securities Act (to the extent Regulation S is being relied upon), (iv) create a material risk of adverse tax consequences to any MemberLimited Partner (other than the transferor and transferee), including without limitation any material risk that the Fund will be treated as a “publicly traded partnership” taxed as a corporation under Section 7704 of the Code, (v) cause the UnitsInterests to be held of record, directly or indirectly, by 450 or more persons (within the meaning of Section 12(g) of the Exchange Act and Rule 12g-5 thereunder), (vi) cause any REIT Subsidiary to cease to qualify as a Domestically-Controlled REIT or (vii) result in the Fund holding “plan assets” (within the meaning of the Plan Asset Regulations) of any MemberLimited Partner that is subject to ERISA.

In addition, unless waived by ManagerGeneral Partner, (1) no Transfer shall be permitted if the same is effected through an established securities market or secondary market (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code or would make the Fund ineligible for “safe harbor” treatment under Section 7704 of the Code and the Regulations promulgated thereunder, (2) to the extent the Fund is then relying, or desires to preserve its ability to rely, on Section 3(c)(7) of the Investment Company Act, each transferee of a MemberLimited Partner’s interest shall be a “qualified purchaser,” as such term is defined in the Investment Company Act, (3) to the extent that the Fund is then relying, or desires to preserve its ability to rely, on Section 3(c)(1) of the Investment Company Act, no Transfer shall be permitted that would increase the number of the Fund’s beneficial owners under Section 3(c)(1) and (4) no Transfer shall be permitted if such Transfer would result in the Fund being considered to have terminated within the meaning of Section 708 of the Code.

(b) As a condition to any Transfer by a MemberLimited Partner of all or any part of its Units ~~or its~~Interests (or any economic interest in the Fund ~~(or any economic interest therein)~~, the transferor and the transferee shall execute an Assignment Agreement and provide such legal opinions, documentation and agreements as the ManagerGeneral Partner may reasonably request (including, without limitation, representations, undertakings, an agreement to be bound by the terms and conditions of this Agreement and, unless waived by the ManagerGeneral Partner, an opinion of counsel satisfactory to the ManagerGeneral Partner that

such Transfer is exempt from registration under the Securities Act and will not otherwise violate applicable federal, state or foreign law). Each ~~Member~~Limited Partner hereby consents to any and all Transfers to which the ~~Manager~~General Partner consents or for which such consent is not required.

(c) Any substituted ~~Member~~Limited Partner admitted to the Fund shall succeed to all rights and be subject to all the obligations of the transferring ~~Member~~Limited Partner with respect to the interest to which such ~~Member~~Limited Partner was substituted. Each ~~Member~~Limited Partner hereby consents to any and all admissions to which the ~~Manager~~General Partner consents. Any transferee of an interest in the Fund who is not admitted as a substituted ~~Member~~Limited Partner shall have the right to receive allocations pursuant to Article 4 and distributions pursuant to Article 5, but shall have no other rights hereunder.

(d) The transferor and transferee of a ~~Member's interest~~Limited Partner's Interests shall be jointly and severally obligated to reimburse the Fund and the ~~Manager~~General Partner for all expenses (including, without limitation, legal fees) incurred by or on behalf of the Fund and the ~~Manager~~General Partner in connection with any Transfer. If, under applicable law, a Transfer of an interest in the Fund that does not comply with this Section 8.1 is nevertheless legally effective, the transferor and transferee shall be jointly and severally liable to the Fund and the ~~Manager~~General Partner for, and shall indemnify and hold harmless the Fund and the ~~Manager~~General Partner against, any losses, damages or expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by them in connection with such Transfer.

(e) To the fullest extent permitted under applicable law, each ~~Member~~Limited Partner shall indemnify and hold harmless the Fund, the ~~Manager~~General Partner and all other ~~Members~~Limited Partners who were or are parties, or are threatened to be made parties, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of or arising from any actual or alleged misrepresentation, misstatement of facts or omission to state facts made (or omitted to be made), noncompliance with any agreement or failure to perform any covenant by such ~~Member~~Limited Partner in connection with any Transfer of all or any portion of such ~~Member's interest~~Limited Partner's Interests (or any economic interest ~~therein~~ in the Fund), against any losses, damages or expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by it or them in connection with such action, suit or proceeding and for which it or they have not otherwise been reimbursed.

(f) The General Partner shall also be a Limited Partner to the extent that it acquires by Transfer or otherwise all or any part of the interest of a Limited Partner, and to such extent shall be treated as a Limited Partner in all respects. The consent of Limited Partners to a Transfer of a Limited Partner interest to the General Partner need not be obtained.

8.2 Voluntary Redemptions.

(a) A Member Limited Partner may request redemption of some or all of its Units Interests by delivering a redemption notice (“Redemption Notice”) at least 90~~45~~ days in advance to the Manager General Partner. For Founding Investors only, until the Lock-out Expiration Date, redemptions will be subject to the following restrictions:

(i) no redemption of a Founding Investor’s Units Interests is available prior to twelve (12) months after the Founding Investor’s admission to the Fund;

(ii) the first 25% of a Founding Investor’s Units Interests may be redeemed after twelve (12) months after the Founding Investor’s admission to the Fund;

(iii) the next 25% of a Founding Investor’s Units Interests may be redeemed after eighteen (18) months after the Founding Investor’s admission to the Fund; and

(iv) the final 50% of a Founding Investor’s Units Interests may be redeemed after twenty-four (24) months after the Founding Investor’s admission to the Fund.

After the Lock-out Expiration Date, the above redemption restrictions will become inapplicable and Founding Investors will no longer be subject to such lock-out restrictions.

(b) A request for redemption will be effective on the first Business Day (“Valuation Date”) following the calendar quarter after the Redemption Notice is received by the Manager General Partner (e.g., a notice received on March 15 will be valued on the first Business Day after June 30). The Manager General Partner shall use its reasonable best efforts to cause the Fund to pay the Redemption Price (as defined below) as soon as practical after the effective date of redemption. The Manager General Partner, however, is not required to liquidate or encumber assets or defer investments in order to pay any Redemption Price. If substantial delays occur in payment of the Redemption Price, Units Interests subject to redemption that have not been redeemed will continue to participate in allocations of Profits and Losses and in distributions and will continue to be charged with a proportionate share of the Management Fee and the Cash Management Fee until such Units Interests are redeemed.

(c) The Redemption Price (“Redemption Price”) will be based upon the Net Asset Value per Unit Interest as determined as of the Valuation Date immediately preceding the payment of the Redemption Price and will be reduced by distributions that are made on the Units Interests that are redeemed as of or subsequent to such Valuation Date. After the Fund pays the Redemption Price on redeemed Units Interests, such Member Limited Partner shall not be treated as a Member Limited Partner with respect to such Units Interests, shall not be entitled to receive any additional distributions pursuant to Article 5 and shall not receive any additional allocations pursuant to Article 4 with respect to such redeemed Units Interests.

(d) As funds to pay the Redemption Price may become available at varying times, Units Interests subject to redemption may be redeemed in installments. If a Member Limited Partner shall give a Redemption Notice and before its Redemption Price has been paid in full one or more additional Members Limited Partners shall give a Redemption

Notice, redemptions will be completed on a pro rata basis, as determined in good faith by the [ManagerGeneral Partner](#), based on the total number of [UnitsInterests](#) for which redemption is sought. [MembersLimited Partners](#) may cancel their Redemption Notices upon written notice to the [ManagerGeneral Partner](#) at any time prior to redemption of their [UnitsInterests](#).

(e) The Manger shall provide prompt notice to all [MembersLimited Partners](#) in the event more than 50% of the Fund's [UnitsInterests](#) are subject to one or more Redemption Notices at any given time. After July 1, 2007, in the event more than 50% of the Fund's [UnitsInterests](#) are subject to one or more Redemption Notices at one time, the [ManagerGeneral Partner](#) shall promptly (and in no event later than ninety (90) days after such time) call for a vote to terminate the Fund pursuant to [Section 14.1\(a\)\(ii\)](#).

8.3 Mandatory Redemptions. (a) In the event that the [ManagerGeneral Partner](#) determines in its sole discretion that (i) the investment in the Fund by a [MemberLimited Partner](#) that is a governmental plan within the meaning of Section 3(32) of ERISA or other account or entity whose assets are deemed under applicable state law to be plan assets of one or more such plans might result in (A) any violation of any applicable provision of state law, (B) the treatment of the assets of the Fund as assets of such governmental plan or other entity or (C) the treatment of the Fund or the [ManagerGeneral Partner](#) as a fiduciary under such provisions of state law with respect to such governmental plan or other entity or the assets of the Fund and (ii) any of the foregoing conditions result in or may result in any adverse consequence to the Fund, the [ManagerGeneral Partner](#) or any [MemberLimited Partner](#), then the [ManagerGeneral Partner](#) may, in its sole discretion, cause the Fund to redeem such [Member's UnitsLimited Partner's Interests](#), in whole or in part in accordance with [Section 8.2](#). Such a redemption may occur at any time without regard to the Lock-out Expiration Date.

(b) In the event that the [ManagerGeneral Partner](#) determines, in its sole discretion, that (i) the investment in the Fund by a [MemberLimited Partner](#) that is either an employee benefit plan subject to Title I of ERISA or Section 4975 of the Code or an account or entity whose assets are deemed to be "plan assets" within the meaning of the Plan Asset Regulations of one or more such plans might result in (A) any violation of any applicable law, (B) the treatment of the assets of the Fund as assets of such employee benefit plan or other entity or (C) the treatment of the Fund or the [ManagerGeneral Partner](#) as a fiduciary under ERISA with respect to such employee benefit plan or other entity or the assets of the Fund and (ii) any of the foregoing conditions result in or may result in any adverse consequence to the Fund, the [ManagerGeneral Partner](#) or any [MemberLimited Partner](#), then the [ManagerGeneral Partner](#) may, in its sole discretion, cause the Fund to redeem such [Member's UnitsLimited Partner's Interests](#), in whole or in part in accordance with [Section 8.2](#). Such a redemption may occur at any time without regard to the Lock-out Expiration Date.

(c) The [UnitsInterests](#) of any Investor who has made any material misrepresentation in, or violated any covenant of, this Agreement or such Investor's Subscription Agreement or Assignment Agreement may be totally redeemed, in the sole discretion of the [ManagerGeneral Partner](#), by the Fund at any time upon written notice to such Investor. Upon the giving of such notice, the Investor will be required to withdraw as a [MemberLimited Partner](#) as of the date specified in such notice (the "Withdrawal Date"). The redemption price of each [UnitInterest](#) to be redeemed from any Investor pursuant to this [Section 8.3](#) shall be equal to the

Redemption Price as of the Valuation Date immediately preceding the date of the redemption; provided, however, that the redemption price shall be reduced to take into account any distributions on such ~~Units~~Interests, if any, as of or subsequent to such Valuation Date. Payment to the totally redeemed Investor shall be made upon the earlier of (i) the last day of the Fund's term pursuant to Section 14.1 or (ii) one year after the Withdrawal Date, in each case without any interest accruing thereon during such period. Notwithstanding any other provision of this Section 8.3, no payments to redeem ~~Units~~Interests shall be made if as a result thereof any REIT Subsidiary would cease to qualify as a Domestically-Controlled REIT.

8.4 No Termination. The death, retirement, resignation, expulsion, bankruptcy, dissolution or any other event that terminates the existence of a ~~Member~~Limited Partner shall not affect the existence of the Fund, and the Fund shall continue for the term of this Agreement until its existence is terminated as provided herein.

ARTICLE 9

MANAGER

GENERAL PARTNER

9.1 Rights, Duties and Powers of the ~~Manager~~General Partner.

(a) The ~~Manager~~General Partner will carry out its duties to the Fund with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims and shall discharge its duties with respect to the Fund and its ~~Members~~Limited Partners solely in the interest of the Fund and its ~~Members~~Limited Partners for the exclusive purpose of providing benefits to the Fund and its ~~Members~~Limited Partners and their beneficiaries and defraying reasonable expenses of administering the Fund. The ~~Manager~~General Partner shall not, however, be required to diversify investments of the Fund and shall be entitled to assume that Fund investments made in accordance with the terms of this Agreement are consistent with the investment objectives, including diversification requirements, of each ~~Member~~Limited Partner.

(b) The ~~Manager~~General Partner in its sole discretion shall have full, complete and exclusive right, power and authority to exercise all the powers of the Fund set forth in Section 2.8 and to do all things necessary to effectuate the purposes of the Fund as set forth in Section 2.6. The ~~Manager~~General Partner shall exercise on behalf of the Fund complete discretionary authority for the management and the conduct of the affairs of the Fund. In addition, the ~~Manager~~General Partner may enter into letters of intent, purchase agreements and other commitments relating to the acquisition of Real Estate Assets, on behalf of, and in anticipation of the purchase of such Real Estate Assets by the Fund and/or the direct or indirect subsidiaries of the Fund; it being acknowledged that any liability thereby incurred by the ~~Manager~~General Partner in connection therewith shall be subject to indemnification under Section 13.2.

(c) The ManagerGeneral Partner shall have the power and authority, on behalf of the Fund, to delegate to one or more Persons its rights and powers to manage and control the affairs of the Fund. Such delegation shall be by a management agreement or other agreement with such Persons and such delegation shall not cause the ManagerGeneral Partner to cease to be a “managergeneral partner” (within the meaning of the Act) of the Fund.

(d) It is understood and agreed that each managerGeneral Partner and officer of the ManagerGeneral Partner may act for and in the name of the ManagerGeneral Partner under this Agreement. In dealing with the ManagerGeneral Partner acting for or on behalf of the Fund, no Person shall be required to inquire into, and Persons dealing with the Fund are entitled to rely conclusively on, the right, power and authority of the ManagerGeneral Partner to bind the Fund.

(e) The Fund is intended to qualify as a venture capital operating company, a real estate operating company or otherwise so that the Fund does not hold “plan assets” within the meaning of the Plan Asset Regulations. The ManagerGeneral Partner has the authority to take any action to effectuate the intent expressed in the foregoing sentence.

(f) The ManagerGeneral Partner and its Affiliates shall not be obligated to do or perform any act or thing in connection with the business of the Fund not expressly set forth in this Agreement. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Fund, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Fund, and the ManagerGeneral Partner shall not be obligated personally for any such debt, obligation or liability of the Fund solely by reason of being a ManagerGeneral Partner of the Fund. The ManagerGeneral Partner shall not be required to lend any funds to the Fund.

9.2 ManagerGeneral Partner Removal. INVESCOInvesco shall have the authority to appoint or terminate the ManagerGeneral Partner (and any replacement managerGeneral Partner) of the Fund; provided, however, that any such termination by INVESCOInvesco shall require the consent of the Advisory Committee. The ManagerGeneral Partner may also be removed (a) for an uncured intentional and material breach of this Agreement, fraud, willful misconduct, bad faith or negligence (provided, the MembersLimited Partners acknowledge that the investment strategy of the Fund is to invest in Fund Assets that are by their nature subject to market uncertainty, risky and illiquid and therefore it is agreed that the performance of one or more Fund Assets shall not constitute *per se* negligence) upon written notice from Investors representing at least 60% of the Voting Power, not including the ManagerGeneral Partner and its Affiliates or (b) at any time after July 1, 2007, upon written notice from Investors representing at least 66 $\frac{2}{3}$ % of the Voting Power, not including the ManagerGeneral Partner and its Affiliates. Upon removal, the ManagerGeneral Partner may elect to be bought out in cash for the fair value of its Fund interest, including its earned but unpaid fees, or to convert such interest into UnitsInterests based on the Net Asset Value as of the most recent Valuation Date. The payment or conversion, as applicable, will occur upon removal and the Fund shall promptly cease using the name “INVESCOInvesco” and any variant thereof.

9.3 Investment Manager. The ManagerGeneral Partner may in its discretion appoint an INVESCOInvesco Affiliate that is registered as an investment adviser under the Investment Advisers Act of 1940 to perform one or more of the ManagerGeneral Partner’s responsibilities to

the Fund (the “Investment Manager”). Any change of the Investment Manager will require the approval of the Advisory Committee.

9.4 Investment Company Act. The Fund is being formed in such fashion as to be exempt from registration under the Investment Company Act. If changing laws, regulations and interpretations or other facts and circumstances make it necessary or advisable to register the Fund under the Investment Company Act, the ManagerGeneral Partner shall have the power to take such action as it may reasonably deem advisable in light of such changing regulatory conditions in order to permit the Fund to continue in existence and to carry on its activities as provided for herein, including, without limitation, registering the Fund under the Investment Company Act and taking any and all action necessary to secure such registration, and amending this Agreement as provided in Section 16.6.

9.5 UBIT. The ManagerGeneral Partner will use reasonable efforts to minimize the Fund’s income that is subject to “unrelated business income tax” under the Code (“UBIT”) to the extent reasonably practical and consistent with its objective of maximizing the pre-tax returns of all of the MembersLimited Partners; provided, however, that the ManagerGeneral Partner and its membersLimited Partners shall not be liable to any MemberLimited Partner in connection with any UBIT incurred by the Fund and paid, allocated to, or reported by such MemberLimited Partner.

9.6 ERISA Acknowledgement.

(a) The ManagerGeneral Partner shall use its reasonable best efforts to operate the Fund in such a way that the Fund qualifies as a venture capital operating company (“VCOC”) within the meaning of the Plan Asset Regulations, or otherwise so that the Fund Assets are not “plan assets” within the meaning of the Plan Asset Regulations.

(b) At least annually, the ManagerGeneral Partner will provide the MembersLimited Partners with a certificate as to the Fund’s continued qualification as a VCOC (or similar exemption such that the Fund Assets are not “plan assets” within the meaning of the Plan Asset Regulations).

(c) To the extent that the Fund Assets are deemed to be “plan assets” of one or more MembersLimited Partners subject to Title I of ERISA or Section 4975 of the Code pursuant to the Plan Asset Regulations, the ManagerGeneral Partner (a) acknowledges that it will be a fiduciary (as that term is defined in Section 3(21) of ERISA) with respect to such MemberLimited Partner(s) and will be subject to the applicable provisions of ERISA, (b) agrees that either the ManagerGeneral Partner or an affiliate of the ManagerGeneral Partner that is registered as an investment adviser under the Investment Adviser’s Act of 1940 will accept an appointment by such MemberLimited Partner(s) as an “investment manager” within the meaning of Section 3(38) of ERISA, and (c) during the time the Fund is holding plan assets (i) the ~~investment manager~~Investment Manager will be a “qualified professional asset manager” within the meaning of Prohibited Transaction Class Exemption 84-14 under ERISA and (ii) the ~~investment manager~~Investment Manager will provide prompt notice to such MemberLimited Partner(s) if the ~~investment manager~~Investment Manager ceases to qualify as a qualified professional asset manager.

ARTICLE 10

FEES AND EXPENSES

10.1 Fees.

(a) Subject to Section 10.1(c) and (d), each Investor is obligated to pay the ManagerGeneral Partner in arrears, on the last day of each calendar quarter, the Management Fee (calculated on a quarterly basis as of the first Business Day of such calendar quarter) applicable to such Investor. Under Section 5.2, the ManagerGeneral Partner may deduct the amount of the Management Fee from any cash distributions to which such Investor would otherwise be entitled (including the Redemption Price, if applicable), quarterly in arrears. If such amount is insufficient to cover the Management Fee in any quarter, the Investor must remit the difference to the ManagerGeneral Partner directly within five (5) Business Days upon receipt of written notice from the ManagerGeneral Partner. Any Investor that redeems all or a portion of its UnitsInterests shall pay that portion of such Investor's Management Fee attributable to the redeemed UnitsInterests for the period before such redemption date. In addition, there shall be an additional Management Fee payable with respect to any initial or additional Capital Contributions by an Investor during any calendar quarter, which shall be appropriately prorated (if the Capital Contribution is made on a day other than on the first day of a calendar quarter) to take into account the number of days remaining in such quarter, and shall be payable on the last day of such calendar quarter.

(b) Subject to Section 10.1(c) and (d), each Investor is obligated to pay the ManagerGeneral Partner in arrears, on the last day of each calendar quarter, a cash fee equal to its Percentage Interest of 0.15% (15 b.p.) per annum (the "Cash Management Fee") on cash and amounts in Short-term Investments that are in excess of 7.5% of the Fund's Net Asst Value ("Excess Cash"). For the avoidance of doubt, Excess Cash shall be excluded from the Net Asset Value in calculating Management Fees, and Investors are only obligated to pay the Cash Management Fee for the Excess Cash amount. Under Section 5.2, the ManagerGeneral Partner may deduct the amount of the Cash Management Fee from any cash distributions to which such Investor would otherwise be entitled (including the Redemption Price, if applicable), quarterly in arrears. If such amount is insufficient to cover the Cash Management Fee in any quarter, the Investor must remit the difference to the ManagerGeneral Partner directly within five (5) Business Days upon receipt of written notice from the ManagerGeneral Partner. Any Investor that redeems all or a portion of its UnitsInterests shall pay that portion of such Investor's Cash Management Fee attributable to the redeemed UnitsInterests for the period before such redemption date. In addition, there shall be an additional Cash Management Fee payable with respect to any initial or additional Capital Contributions by an Investor during any calendar quarter, which shall be appropriately prorated (if the Capital Contribution is made on a day other than on the first day of a calendar quarter) to take into account the number of days remaining in such quarter, and shall be payable on the last day of such calendar quarter. This Section 10.1(b) may be unilaterally amended by the ManagerGeneral Partner as provided in Section 10.1(c).

(c) Investors are entitled to ninety (90) days' advance written notice of any change in the schedules of the Management Fee (as described in the definition thereof) and the Cash Management Fee (as described in Section 10.1(b)); provided, however that any such

change will not apply to any Investor's ~~Units~~Interests that are the subject of a Redemption Notice prior to the effective date of such change.

(d) No Investor that is subject to ERISA or Section 4975 of the Code will be required to fund its Management Fee until the Fund qualifies as an "operating company" as such term is defined under the Plan Asset Regulations.

10.2 Expenses.

(a) Organizational Expenses. ~~INVESCO~~Invesco will be responsible for all the organizational expenses, including, but not limited to, legal, accounting, filing and other out-of-pocket expenses incurred in connection with organizing the Fund and the ~~Manager~~General Partner through the Initial Closing.

(b) Operation Expenses.

(i) After the Initial Closing, the Fund shall be responsible and reimburse the ~~Manager~~General Partner for all reasonable and direct expenses related to the Fund's operations, including, by way of illustration and without limitation thereto: (1) fees, costs, and expenses of Portfolio and property management, (2) costs and expenses of insurance, interest, maintenance, repair and leasing of properties held by the Fund, which may include fees for significant tenant improvement and construction management services; (3) fees, costs, and expenses incurred in connection with its investments, including the acquisition (whether or not consummated), financing, holding, improvement, disposition (whether or not consummated), or valuation of any investment, and the offering of ~~Units~~Interests; (4) fees, costs, and expenses paid to appraisers, independent accountants and auditors, contractors, engineers, brokers, other agents and consultants; (5) indemnification and legal-related expenses; (6) fees paid to legal counsel; (7) fees, costs and expenses relating to the REIT Subsidiary, Fund Assets, Real Estate Assets and Short-term Investments; (8) administrative expenses, taxes and assessments, and fees or other governmental charges levied against the Fund and its assets; (9) any other third-party expenses incurred with respect to the operation of the Fund and its investments.

(ii) If the ~~Manager~~General Partner provides services to the Fund that would otherwise be performed for the Fund by third parties, the Fund shall reimburse the ~~Manager~~General Partner's internal costs and related overhead expenses allocable to such services, provided that such reimbursements shall not exceed the amount that would be payable by the Fund if such services were provided by third parties on an arm's length basis. Details of any such reimbursements shall be provided to the Advisory Committee as provided in Section 12.5.

(c) Overhead Expenses. The ~~Manager~~General Partner and the Investment Manager, if one is appointed, shall pay all of their own internal "overhead" expenses, including, but not limited to, salaries and all other employment related expenses of their employees, rent, insurance, local telephone, facsimile and other communications expenses, utilities and office furniture and equipment.

ARTICLE 11

OFFICERS

11.1 Delegation of Power and Authority. The ManagerGeneral Partner may appoint officers of the Fund and its subsidiaries who shall have the power and authority to manage and control the business and affairs of the Fund and its subsidiaries on behalf of and subject to the control of the ManagerGeneral Partner. The officers of the Fund may include a President, Executive Vice President, Treasurer and Secretary. The ManagerGeneral Partner may also appoint one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers and such other officers and agents as it shall deem appropriate. Any number of offices may be held by the same person. The officers shall not be “managersGeneral Partners” of the Fund within the meaning of the Act.

11.2 Term of Office. The officers of the Fund and its subsidiaries shall hold office until their successors are appointed and qualified, or until their earlier death, termination, resignation or removal from office. Any officer or agent of the Fund and its subsidiaries may be removed at any time by the ManagerGeneral Partner, with or without cause. Any vacancy in any office because of death, resignation, termination, removal, disqualification or otherwise may be filled by the ManagerGeneral Partner for the unexpired portion of the term.

ARTICLE 12

ADVISORY COMMITTEE

12.1 Formation of the Advisory Committee. Promptly after the Initial Closing, the ManagerGeneral Partner will appoint not fewer than three members to the advisory committee (“Advisory Committee”), which shall consist of representatives of Investors; provided, however, that no member of the Advisory Committee may be an Affiliate of the ManagerGeneral Partner or INVESCOInvesco. Each member of the Advisory Committee will serve on a yearly basis with vacancies being appointed by the ManagerGeneral Partner and ratified at the annual meeting of MembersLimited Partners by a majority of the Voting Power, not including UnitsInterests held by the ManagerGeneral Partner and its Affiliates. Any member of the Advisory Committee may resign at any time upon written notice to the ManagerGeneral Partner. After December 31, 2004, the ManagerGeneral Partner may increase or decrease the size of the Advisory Committee; provided, however, that no decrease shall cause the Advisory Committee to have fewer than three members or cause a member to vacate his or her position before the expiration of such member’s annual term. The ManagerGeneral Partner shall have the right to remove members of the Advisory Committee at any time.

12.2 Functions of the Advisory Committee. The Advisory Committee shall meet with the ManagerGeneral Partner on at least an annual basis to consider and comment on such matters as the financial statements and appraisal reports of the Fund, any change of the Investment Manager, the status of outstanding investments, and the economics and financial trends and conditions affecting investments generally, certain investments, valuations, if any, and such other matters relating to the business of the Fund as the ManagerGeneral Partner may determine, or any member of the Advisory Committee may reasonably propose to the ManagerGeneral

Partner, from time to time. The Advisory Committee shall be entitled to waive conflicts of interest with respect to the ManagerGeneral Partner and its Affiliates, approve transactions not otherwise specifically authorized by this Agreement and provide consents as may be required or advisable under the Investment Advisers Act of 1940, in each case if requested by the ManagerGeneral Partner. Except as specifically provided herein, the Advisory Committee shall not participate in the management or control of the business or affairs of the Fund and shall have no right, power or authority to act for or on behalf of or otherwise to bind the Fund (including its direct and indirect subsidiaries), the ManagerGeneral Partner or any MemberLimited Partner. The ManagerGeneral Partner shall be given notice of, and shall have the right to attend, all meetings of the Advisory Committee.

12.3 Operation of the Advisory Committee.

(a) A majority of the members of the Advisory Committee shall constitute a quorum for the transaction of business. The vote of a majority of the members of the Advisory Committee present at a meeting at which a quorum is present shall be the act of the Advisory Committee.

(b) Any action required or permitted to be taken at any meeting of the Advisory Committee may be taken without a meeting upon the written request of the ManagerGeneral Partner if a majority of the members of the Advisory Committee consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Advisory Committee. Members of the Advisory Committee may participate in a meeting of the Advisory Committee by means of telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

12.4 Expenses. No fees will be paid to the members of the Advisory Committee, although the Fund will pay all reasonable, out-of-pocket expenses associated with the Advisory Committee's meetings and of the members and the ManagerGeneral Partner attending them.

12.5 Reports. The ManagerGeneral Partner shall use all commercially reasonable efforts to provide the members of the Advisory Committee with written notice of all matters to be discussed at each meeting of the Advisory Committee at least five (5) Business Days prior to such meeting. The ManagerGeneral Partner shall furnish to the Advisory Committee within 120 days after the end of each Fiscal Year a report summarizing all material transactions during such year between the Fund, on one hand, and the ManagerGeneral Partner or any of its Affiliates, on the other hand, and all fees and expenses paid in connection therewith. In addition, the ManagerGeneral Partner shall furnish to the Advisory Committee any other information reasonably requested by the Advisory Committee to enable it to be fully informed about the investments, business and affairs of the Fund.

12.6 Liability. To the maximum extent permitted by law, the Advisory Committee shall not owe any fiduciary duties to any MemberLimited Partner, the Fund, or any of their respective Affiliates in respect of the activities of the Advisory Committee. The participation by any Investor as a member of the Advisory Committee in the activities of the Advisory Committee shall not be construed to constitute participation by such Investor in the control of the

business of the Fund so as to make such Investor liable for the debts and obligations of the Fund. No Investor who has a representative serving on the Advisory Committee shall be deemed to be an Affiliate of the Fund or the ~~Manager~~General Partner solely by reason of such membership. To the maximum extent permitted under the Act in effect from time to time, no member of the Advisory Committee shall be liable to the Fund or to any ~~Member~~Limited Partner for money damages for any reason.

ARTICLE 13

LIMITATIONS ON LIABILITY AND INDEMNIFICATION

13.1 Limitation of Liability. To the maximum extent permitted under the Act in effect from time to time, (a) neither the ~~Manager~~General Partner nor any Indemnified Person shall be liable to the Fund or to any ~~Member~~Limited Partner for (i) any act or failure to act, except for any liability primarily attributable to such Person's uncured intentional and material breach of this Agreement, fraud, willful misconduct, bad faith, or a violation of the standard of care set forth in Section 9.1(a) (provided, the ~~Members~~Limited Partners acknowledge that the investment strategy of the Fund is to invest in Fund Assets that are by their nature subject to market uncertainty, risky and illiquid and therefore it is agreed that the performance of one or more Fund Assets shall not constitute a *per se* violation of such standard of care), (ii) any tax liability imposed on the Fund or (iii) any losses due to the negligence (gross or ordinary), dishonesty or bad faith of any agents of the Fund, as long as such persons are selected with reasonable care, and (b) no member of the Advisory Committee shall be liable to the Fund or to any ~~Member~~Limited Partner for money damages for any reason. Without limiting the generality of the foregoing, each such Person shall, in the performance of his, her or its duties, be fully protected in relying in good faith upon the records of the Fund and upon information, opinions, reports or statements presented to such Person by the ~~Manager~~General Partner or by any other Person as to matters such Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Fund. Any repeal or modification of this Section 13.1 shall not adversely affect any right or protection of a person existing at the time of such repeal or modification.

13.2 Indemnification.

(a) Advancement of Expenses. In the event that the ~~Manager~~General Partner, Investment Manager, ~~INVESCO~~Invesco, any member of the Advisory Committee (or any Investor of which any member of the Advisory Committee is a director, officer, member, partner, shareholder, employee, trustee, representative or agent), any of their respective Affiliates or any director, officer, member, partner, shareholder, employee, trustee, representative or agent of any of them (each, an "Indemnified Person" and collectively, the "Indemnified Persons") becomes involved in any capacity in any threatened, pending or completed action, proceeding or suit, whether civil, criminal, administrative or investigative, by reason of the fact that it, he or she was a manager, officer, employee, representative or agent of the Fund or member of the Advisory Committee or otherwise authorized to act hereunder or in connection herewith (including as an Investor) or otherwise failed to act in connection with the business or affairs of the Fund or one of its direct or indirect subsidiaries or otherwise is or was serving at the Fund's or one of the Fund's direct or indirect subsidiary's request as a director, trustee, officer, partner, employee or

agent of another foreign or domestic Entity or employee benefit plan, the Fund will periodically reimburse such Indemnified Person for its legal and other expenses (including the costs of any investigation and preparation) incurred in connection with such involvement, provided that such Indemnified Person shall promptly repay to the Fund the amount of any such reimbursed expenses paid to it if it is ultimately determined by a court having appropriate jurisdiction in a decision that is not subject to appeal, that such Indemnified Person is not entitled to be indemnified by the Fund under this Section 13.2.

(b) Indemnification. To the maximum extent permitted under the Act or any other applicable law in effect from time to time, the Fund will indemnify the ~~Manager~~General Partner and Indemnified Persons for any loss, damage or expense incurred by them in connection with a suit, action or proceeding arising from any act or omission (or alleged act or omission) by such person on behalf of the Fund or in furtherance of Fund interests, so long as the person did not act in a manner that constitutes fraud, willful misconduct, bad faith, continuing intentional and material breach of this Agreement or a violation of the standard of care set forth in Section 9.1(a) (provided, the ~~Members~~Limited Partners acknowledge that the investment strategy of the Fund is to invest in Fund Assets that are by their nature subject to market uncertainty, risky and illiquid and therefore it is agreed that the performance of one or more Fund Assets shall not constitute a *per se* violation of such standard of care). If for any reason (other than a violation of the standard of care set forth in Section 9.1(a), willful misconduct, bad faith, intentional and material breach of this Agreement, or fraud of such Indemnified Person) the foregoing indemnification is unavailable to such Indemnified Person, or is insufficient to hold it harmless, then the Fund shall contribute to the amount paid or payable to the Indemnified Person as a result of such loss, claim, cost, damage, or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Fund on the one hand and such Indemnified Person on the other hand but also the relative fault of the Fund and such Indemnified Person, as well as any relevant equitable considerations.

(c) Successors. The reimbursement, indemnity and contribution obligations of the Fund under this Section 13.2 shall be in addition to any liability which the Fund may otherwise have and shall be binding upon and inure to the benefit of any successors, assigns, heirs, and personal representatives of the Fund, the ~~Manager~~General Partner, the members of the Advisory Committee and any other Indemnified Person. The foregoing provisions shall survive any termination of this Agreement and any amendment to such provisions shall not reduce the Fund's indemnity obligation with respect to any act or omission occurring prior to the date of such amendment.

(d) Exclusivity. The indemnification provided by this Section 13.2 shall not be deemed to be exclusive of any other rights to which the Indemnified Person may be entitled under any agreement or as a matter of law, or otherwise, both as to action in an Indemnified Person's official capacity and to action in another capacity, and shall continue as to an Indemnified Person who has ceased to have an official capacity for acts or omissions during such official capacity or otherwise when acting at the request of the ~~Manager~~General Partner or its Affiliates and shall inure to the benefit of the heirs, successors and administrators of such Indemnified Person.

(e) Limitation. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 13.2 shall not be construed as to provide for the indemnification of any Indemnified Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 13.2 to the fullest extent permitted by law.

(f) Insurance. The ~~Manager~~General Partner shall have power to purchase and maintain insurance on behalf of the Indemnified Persons at the expense of the Fund, against any liability asserted against or incurred by them in any such capacity or arising out of the ~~Manager~~General Partner's status as such, whether or not the Fund would have the power to indemnify the Indemnified Persons against such liability under the provisions of this Agreement.

(g) Reliance. An Indemnified Person may rely upon and shall be protected in acting or refraining from action upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond debenture, or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(h) Consultation. An Indemnified Person may consult with counsel, accountants and other experts reasonably selected by it, and any opinion of an independent counsel, accountant or expert retained with reasonable care shall be full and complete protection in respect of any action taken or suffered or omitted by the Indemnified Person hereunder in good faith and in accordance with such opinion.

ARTICLE 14

DISSOLUTION AND TERMINATION

14.1 Events of Dissolution.

(a) In accordance with Section 18-801 of the Act, and the provisions therein permitting this Agreement to specify the events of the Fund's dissolution, the Fund has perpetual existence but shall be dissolved and the affairs of the Fund wound-up upon the occurrence of any of the following events:

(i) written notice to Investors from the ~~Manager~~General Partner at any time;

(ii) at any time after July 1, 2007, upon the vote of 66 $\frac{2}{3}$ % of the Voting Power, not including ~~Units~~Interests held by the ~~Manager~~General Partner and its Affiliates;

(iii) "bankruptcy" (as defined in Section 18-304 of the Act) or insolvency or dissolution of the ~~Manager~~General Partner, absent ~~INVESCO~~Invesco's decision to continue the Fund within ninety (90) days following such event, or;

(iv) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

Each ~~Member~~Limited Partner hereby irrevocably waives any and all rights it may have to obtain a dissolution of the Fund in any way other than as specified above.

(b) Dissolution of the Fund shall be effective on the day on which the event occurs which gives rise to the dissolution, but the Fund shall not terminate until the assets of the Fund shall have been distributed as provided herein and a certificate of cancellation of the Certificate has been filed with the Secretary of State of the State of Delaware.

14.2 Application of Assets.

(a) Upon dissolution of the Fund, the business and affairs of the Fund shall be wound up as provided in this Section 14.2. The ~~Manager~~General Partner shall act as the Liquidator (the “Liquidator”); provided, that if the Fund has been dissolved pursuant to Section 14.1(a)(iii) (i.e., bankruptcy), the Liquidator shall be a Person approved by ~~Members~~Partners holding at least a majority of the Voting Power. The Liquidator shall wind up the affairs of the Fund, shall dispose of such Fund Assets as it deems necessary or appropriate and shall pay and distribute the assets of the Fund, including the proceeds of any such disposition, as follows:

(i) first, to creditors, including ~~Members~~Partners who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Fund (whether by payment or by establishment of reserves as determined by the Liquidator in its sole discretion), other than distributions to ~~Members~~Partners pursuant to Article 5, and

(ii) second, to the ~~Members~~Partners in accordance with ~~their~~ Percentage InterestsSection 5.1(b).

Distributions may be made to a trust for the purposes of an orderly liquidation of the Fund by the trust in accordance with the Act.

(b) The Liquidator shall, in its sole discretion, determine whether to sell any Fund Assets, including, without limitation, Real Estate Assets, and if so, whether at a public or private sale, for what price and on what terms. If the Liquidator determines to sell or otherwise dispose of any Fund Asset or any interest therein, the Liquidator shall not be required to do so promptly but shall have full right and discretion to determine the time and manner of such sale or sales giving due regard to the activity and condition of the relevant market and general financial and economic conditions. If the Liquidator determines not to sell or otherwise dispose of any Fund Asset or any interest therein, the Liquidator shall not be required to distribute the same to the ~~Members~~Partners promptly but shall have full right and discretion to determine the time and manner of such distribution and distributions giving due regard to the interests of the ~~Members~~Partners.

(c) Each ~~Member~~Limited Partner shall look solely to the assets of the Fund for all distributions with respect to the Fund, its Capital Account and its share of Profits, Losses and other tax items, and shall have no recourse therefore (upon dissolution or otherwise) against

the ~~Manager~~General Partner, the Liquidator or any other ~~Member~~Limited Partner (or any of their Affiliates).

14.3 Procedural and Other Matters.

(a) Upon dissolution of the Fund and until the filing of a certificate of cancellation, the Persons winding up the affairs of the Fund may, in the name of, and for and on behalf of, the Fund, prosecute and defend suits, whether civil, criminal or administrative, settle and close the business of the Fund, dispose of and convey the property of the Fund, discharge or make reasonable provision for the liabilities of the Fund, and distribute to the ~~Members~~Partners any remaining assets of the Fund, in accordance with this Article 14 and all without affecting the liability of Investors, ~~Manager~~General Partner or members of the Advisory Committee and without imposing liability on the Liquidator.

(b) The Certificate may be canceled upon the dissolution and the completion of winding up of the Fund, by any Person authorized to cause such cancellation in connection with such dissolution and winding up.

ARTICLE 15

APPOINTMENT OF ATTORNEY-IN-FACT

15.1 Appointment and Powers.

(a) Each ~~Member~~Limited Partner hereby irrevocably constitutes and appoints the ~~Manager~~General Partner, with full power of substitution, as his, her or its true and lawful attorney-in-fact, with full power and authority in his, her or its name, place and stead to execute, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents, instruments and conveyances as may be necessary or appropriate to carry out the provisions or purposes of this Agreement, including, without limitation, the following: (i) the Certificate; (ii) all other certificates and instruments and amendments thereto that the ~~Manager~~General Partner deems appropriate to qualify or continue the Fund as a limited ~~liability company~~partnership in the jurisdiction in which the Fund may conduct business; (iii) all instruments that the ~~Manager~~General Partner deems appropriate to reflect a change or modification of this Agreement in accordance with the terms of this Agreement; (iv) all conveyances and other instruments that the ~~Manager~~General Partner deems appropriate to reflect the dissolution and termination of the Fund; (v) all fictitious or assumed name certificates required or permitted to be filed on behalf of the Fund; (vi) any and all documents necessary to admit ~~Members~~Limited Partners to the Fund, or to reflect any change or transfer of a ~~Member's Units~~Limited Partner's Interests, or relating to the admission or increased Capital Contribution of a ~~Member~~Limited Partner; (vii) any valid amendment or other document to be filed as provided in Section 17.6; and (viii) all other instruments that may be required or permitted by law to be filed on behalf of or relating to the Fund and that are not inconsistent with this Agreement.

(b) The authority granted by this Section 15.1 is a special power of attorney coupled with an interest, is irrevocable, and shall not be affected by the subsequent incapacity or disability of the ~~Member~~Limited Partner, may be exercised by a signature for each

~~Member~~Limited Partner or by a single signature of any such Person acting as attorney-in-fact for all of them, and shall survive the Transfer by a ~~Member~~Limited Partner of the whole or any portion of his, her or its ~~Units~~Interests.

15.2 Presumption of Authority. Any Person dealing with the Fund may conclusively presume and rely upon the fact that any instrument referred to above, executed by such Person acting as attorney-in-fact, is authorized, regular and binding, without further inquiry.

ARTICLE 16

RELATIONSHIPS AMONG THE FUND, ~~MANAGER~~GENERAL PARTNER AND THE INVESTORS

16.1 Transactions with Investors and the ~~Manager~~General Partner.

(a) Transactions with Investors. Any Investor, its Affiliates and any of their respective officers, directors, managers, employees, members, shareholders, partners and trustees (and any other Person to which any of the foregoing are related or in which any of the foregoing are interested), may be employed by or on behalf of the Fund or any of its Affiliates and may transact other business with the Fund or any of its Affiliates (whether as a buyer, seller, lessor, lessee, manager, broker, agent, trustee, provider of services, lender or otherwise) and shall, subject to applicable law, have the same rights and obligations to the Fund or any of its Affiliates as a Person who is not a Investor, including the right to receive from the Fund or any of its Affiliates a fair and reasonable compensation, price, fee, commission or other payment thereof. None of the Fund, any Investor or any of their respective Affiliates shall have, as a consequence of the relationships created hereby, any rights in or to any income or profits derived from such employment or other transactions or relationships.

(b) Transactions with the ~~Manager~~General Partner. The Fund, the ~~Manager~~General Partner or any of their respective Affiliates may, as necessary or appropriate, employ or retain the ~~Manager~~General Partner or any of its Affiliates or any other Person (and any other Person to which any of the foregoing are related or in which any of the foregoing are interested) to provide services (including, without limitation, property and construction management, development, leasing, mortgage financing, asset disposition and insurance brokerage services), and such Persons may receive from the Fund, the ~~Manager~~General Partner or any of their respective Affiliates compensation in addition to that expressly provided for in this Agreement; provided, that (i) the compensation and other terms and conditions under which services are to be rendered or the transaction is to be entered into are embodied in a written contract that describes such services or transaction and the compensation thereof and (ii) the compensation shall not exceed the amount that would be payable by the Fund if such services were provided by third parties on an arm's length basis.

16.2 Other Activities. Subject to Section 16.1 in the case of the ~~Manager~~, the ~~Manager~~General Partner, any Investor, any Affiliates of any of them and any of their respective officers, directors, managers, employees, members, shareholders, partners and trustees (and any other Person to which any of the foregoing are related or in which any of the foregoing are interested) and any member of the Advisory Committee, from time to time for its, his or her own

account or for the account of others, (i) may invest in or possess Real Estate Assets, may engage in other business ventures of any nature and may render services (including investment advisory and property management services) of any kind to other business ventures of any nature and (ii) may take advantage itself of opportunities to purchase, otherwise acquire, lease, sell or otherwise dispose of Real Estate Assets, other assets or other business ventures or introduce such opportunities to entities in which it has or does not have any interest and shall not be required to bring such opportunities to the Fund's attention and shall not be subject to liability to the Fund or to any of the other [Members Limited Partners](#) on account of the lost opportunity. Neither the Fund nor any [Member Limited Partner](#) shall, by virtue of this Agreement or the relationships created hereby, have any interest in or to such investments or ventures (or the income or profits derived therefrom) or be entitled to participate therein, and the pursuit of such investments and ventures, even though competitive with the business of the Fund, shall not be deemed wrongful or improper. Nothing in this Agreement shall be deemed to prohibit the [Manager General Partner](#), any Investor or any Affiliates of any of them from dealing with, or otherwise engaging in business with, any other [Member Limited Partner](#) or any Person transacting business with the Fund or any Persons or assets included in the Fund Assets.

ARTICLE 17

MISCELLANEOUS PROVISIONS

17.1 Notices. For purposes of this Agreement, a notice shall mean any writing containing the information required by this Agreement to be communicated to a Person and personally delivered to such Person or sent by facsimile or similar electronic means, overnight courier or registered or certified mail, postage prepaid, return receipt requested; (i) if to a [Member Limited Partner](#), to the address of such [Member Limited Partner](#) listed on [Exhibit A](#) or to such other address as has been indicated to the [Manager General Partner](#) in writing; and (ii) if to the Fund, to its principle place of business as set forth in [Section 2.3](#) or to such other address as has been indicated to the [Members Limited Partners](#) in writing. Any notice shall be deemed to have been duly given if personally delivered or sent by certified, registered or overnight mail or courier or by e-mail or facsimile transmission confirmed by letter, and shall be deemed received, unless earlier received, (a) three (3) Business Days after the date sent, if sent by certified or registered mail, return receipt requested, (b) one (1) Business Day after the date sent, if sent by overnight mail or courier, (c) on the date sent, if sent by e-mail or facsimile transmission, provided that confirmatory notice is sent promptly thereafter by first-class mail, postage prepaid, or (d) on the date of receipt, if delivered by hand.

17.2 Reports. (a) The books and records of the Fund shall be audited as of the end of each fiscal year by a firm of independent certified public accountants of national recognition and standing selected by the [Manager General Partner](#). Not later than 120 days after the end of each fiscal year, the [Manager General Partner](#) shall exercise reasonable efforts to cause the independent certified public accountants to prepare, and shall mail to each [Member Limited Partner](#), a report as of the end of such fiscal year prepared in accordance with accounting principles generally accepted in the United States consistently applied, setting forth (i) a statement of assets and liabilities of the Fund, (ii) a statement of operations and changes in net assets for such fiscal year, (iii) a statement of cash flows, (iv) a schedule of investments held by the Fund as of the end of such fiscal year, (v) the related footnote disclosures and (vi) a summary

of any conflicts of interest waived by the Advisory Committee during such year. The annual financial statements referred to in this Section 17.2(a) shall be accompanied by a report of the independent certified public accountants, stating the opinion of the accountants in respect of the financial statements and the accounting principles and practices reflected therein.

(b) After the end of each fiscal year, subject to the receipt of all necessary and appropriate information from investments in Fund Assets or other relevant Persons, the ManagerGeneral Partner shall exercise reasonable efforts to cause the independent certified public accountants to prepare within 120 days of the close of such fiscal year, a report setting forth in sufficient detail such transactions effected by the Fund during such fiscal year as shall enable each MemberLimited Partner to prepare its United States federal income tax return and shall mail such report to the ManagerGeneral Partner who will in turn send the appropriate information to (i) each MemberLimited Partner and (ii) each former MemberLimited Partner (or its successor or legal representative) who may require such information in preparing its federal income tax return.

(c) Not later than 60 days after the end of each fiscal quarter (other than the fourth quarter), the ManagerGeneral Partner shall exercise reasonable efforts to cause the Fund to prepare and mail to each MemberLimited Partner an unaudited report setting forth as of the end of such fiscal quarter (i) a statement of assets and liabilities of the Fund, (ii) a statement of operations and changes in net assets for such fiscal quarter and (iii) the balance in each MemberLimited Partner's Capital Account.

(d) Any allocations of unrelated business taxable income to any MemberLimited Partner shall be reported to such MemberLimited Partner in sufficient detail as shall enable such MemberLimited Partner to file its annual Form 5500 and Form 990 filings (or any successor forms).

17.3 Access to Information; Books and Records. A MemberLimited Partner may, subject to such reasonable standards as may be established from time to time by the ManagerGeneral Partner, obtain from the ManagerGeneral Partner, from time to time upon reasonable demand for any purpose reasonably related to such MemberLimited Partner's interest in the Fund as a MemberLimited Partner, such information (including that specified in Section 18-305 of the Act) regarding the affairs of the Fund as is just and reasonable. The books and records of the Fund shall be maintained by the ManagerGeneral Partner at its principal place of business and shall be available upon reasonable notice for inspection by the MembersLimited Partners at reasonable hours during any Business Day.

17.4 Word Meanings. The words such as “herein”, “hereinafter”, “hereof” and “hereunder” refer to this Agreement as a whole and not merely to the subdivision in which such words appear unless the context otherwise requires. The singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, unless the context otherwise requires. As used herein, the word “or” shall not be exclusive, and the terms “includes” and “including” and words of similar import shall be deemed to be followed by the words “without limitation” to the extent such words do not already follow any such term.

17.5 Successors. The covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the heirs, legal representatives, successors and permitted assigns of the respective parties hereto.

17.6 Amendments. (a) Except as required by law or for an amendment to Exhibit A hereto pursuant to Section 3.3 hereof or amendments to fees pursuant to Section 10.1(c) (each of which may be unilaterally effected by the ManagerGeneral Partner), this Agreement may be amended by the ManagerGeneral Partner only with the consent of a majority of the Voting Power; provided, however, that amendments may be made to this Agreement and the Certificate, from time to time, by the ManagerGeneral Partner, without the consent of any of the MembersLimited Partners, as the case may be, (i) to amend any provision of this Agreement and the Certificate that requires any action to be taken by or on behalf of the ManagerGeneral Partner pursuant to requirements of Delaware law if the provisions of Delaware law are amended, modified or revoked so that the taking of such action is no longer required, (ii) to take such action in light of changing regulatory conditions or of the then current ERISA regulations, as the case may be, as is necessary in order to permit the Fund to continue in existence, (iii) to add to the duties or obligations of the ManagerGeneral Partner, or to surrender any right granted to the ManagerGeneral Partner herein, for the benefit of the MembersLimited Partners, (iv) to correct any clerical mistake or to correct or supplement any immaterial provision herein or in the Certificate that may be inconsistent with any other provision herein or therein, or correct any printing, stenographic or clerical errors or omissions, that shall not be inconsistent with the provisions of this Agreement or the status of the Fund as a partnership for federal income tax purposes and (v) to change the name of the Fund or to make any other change that is for the benefit of, or not adverse to the interests of, the MembersLimited Partners or (vi) to allow, enable, supplement or otherwise cause the provisions of this Agreement to be consistent, and/or operate in accordance, with the provisions of the REIT Subsidiary's organizational documents (including any amendments hereto or thereto to facilitate direct investment by third-party investors in the REIT Subsidiary); provided, further, that no amendment shall (A) disproportionately alter the interest of an MemberLimited Partner in allocations under Section 4.2 or in distributions under Section 5.1 without the consent of such MemberLimited Partner, (B) increase or decrease the Capital Contributions of any MemberLimited Partner without the consent of each MemberLimited Partner so affected, or (C) reduce the percentage of MembersLimited Partners required to (1) approve amendments as provided in the other clauses of this Section 17.6 or (2) grant consents, waivers or take actions as otherwise provided in this Agreement without the consent of the percentage of MembersLimited Partners required by such clause prior to the effectiveness of reduction.

(b) Any amendment to this Agreement that may be made solely with the approval of the ManagerGeneral Partner and any amendment to Exhibit A hereto pursuant to Section 3.3 may be executed on behalf of each Investor by the ManagerGeneral Partner pursuant to the power of attorney given by the Investors under the Subscription Agreement. Each Investor hereby agrees that, upon the request of the ManagerGeneral Partner, it shall execute any amendment to this Agreement that has been duly authorized pursuant to Section 17.6(a).

(c) Any request for consent of the Investors in this Section 17.6 shall be made by written notification from the ManagerGeneral Partner to the Investor at the address listed on

Schedule A hereto. Failure of an Investor to respond within thirty (30) days after notification is sent shall be deemed a consent to the proposed amendment by such Investor.

17.7 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to such state's laws concerning conflicts of laws. In the event of a conflict between any provisions of this Agreement and any ~~nonmandatory~~non-mandatory provisions of the Act, the provision of this Agreement shall control and take precedence.

17.8 Jurisdiction; Venue. Any action or proceeding against the parties relating in any way to this Agreement may be brought and enforced, in the courts of the State of Texas to the extent subject matter jurisdiction exists therefore or the United States District Court for the Northern District of Texas, and the parties irrevocably submit to the jurisdiction of both such courts in respect of any such action or proceeding. The parties irrevocably waive, to the fullest extent permitted by law, any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in the courts of the State of Texas or the United States District Court for the Northern District of Texas and any claim that any such action or proceeding brought in any such court has been brought in any inconvenient forum. Notwithstanding the foregoing, a ~~Member~~Limited Partner that is a "governmental plan" within the meaning of Section 3(32) of ERISA and has provided the ~~Manager~~General Partner, prior to its admission to the Company, with a certificate of an officer of its plan administrator stating that such an irrevocable submission to jurisdiction or waiver, as the case may be, would constitute a violation of applicable law, regulation or established policy shall not be deemed to have made such an irrevocable submission or waiver, as the case may be.

17.9 Title to Fund Assets. All assets of the Fund shall be deemed to be owned by the Fund as an entity, and no ~~Member~~Limited Partner, individually or collectively, shall have any ownership interest therein. Each ~~Member~~Limited Partner hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Fund Assets. Legal title to any or all Fund Assets may be held in the name of the Fund, the REIT Subsidiary, the ~~Manager~~General Partner or one or more nominees or direct or indirect subsidiaries of any of them, as the ~~Manager~~General Partner shall determine. The ~~Manager~~General Partner hereby declares and warrants that any Fund Assets for which legal title is held in the name of the ~~Manager~~General Partner shall be held in trust by the ~~Manager~~General Partner for the use and benefit of the Fund in accordance with the provisions of this Agreement. All assets of the Fund shall be recorded as owned by the Fund on the Fund's books and records, irrespective of the name in which legal title to such assets is held.

17.10 Severability of Provisions. Each provision of this Agreement shall be deemed severable, and if any part of any provision is held to be illegal, void, voidable, invalid, nonbinding or unenforceable in its entirety or partially or as to any party, for any reason, such provision may be changed, consistent with the intent of the parties hereto, to the extent reasonably necessary to make the provision, as so changed, legal, valid, binding and enforceable. If any provision of this Agreement is held to be illegal, void, voidable, invalid, nonbinding or unenforceable in its entirety or partially or as to any party, for any reason, and if such provision cannot be changed consistent with the intent of the parties hereto to make it fully legal, valid, binding and enforceable, then such provision shall be stricken from this Agreement, and the

remaining provisions of this Agreement shall not in any way be affected or impaired, but shall remain in full force and effect.

17.11 Fund Counsel. The ~~Manager~~General Partner has retained Baker & McKenzie, LLP (“Fund Counsel”) in connection with the operation of the Fund, including, without limitation, making, holding and disposing of investments. Each Investor acknowledges that Fund Counsel does not represent any Investor (in its capacity as such) in the absence of a clear and explicit written agreement to such effect between such Investor and Fund Counsel (and then only to the extent specifically set forth in such agreement), and that in the absence of any such agreement, Fund Counsel shall owe no duties to any Investor (in such capacity) or to the Investors as a group, whether or not Fund Counsel has in the past represented or is currently representing such Investor with respect to other matters.

17.12 Headings. The headings contained in this Agreement have been inserted for the convenience of reference only, and neither such headings nor the placement of any term hereof under any particular heading shall in any way restrict or modify any of the terms or provisions hereof.

17.13 Further Assurances. The parties hereto shall execute and deliver all documents, provide all information and do or refrain from doing all such further acts and things as may be required to carry out the intent and purposes of the Fund.

17.14 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

17.15 Entire Agreement. This Agreement (including all exhibits and schedules hereto) and the Subscription Agreements (including all exhibits and schedules thereto) constitute the entire agreement between the parties hereto with respect to the transactions contemplated herein, and supersedes all prior understandings or agreements, oral or written, among the parties.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed and delivered this ~~Limited Liability Company~~ Agreement as of the day and year first-above written.

MANAGER:

GENERAL PARTNER:

IRI Core I L.P., a Delaware limited partnership

By: INVESCO Core-GP, LLC, its general partner

By: ~~INVESCO~~Invesco Realty Inc., its sole member

By: _____
Name: Ronald L. Ragsdale
Title: Vice President

MEMBERS:

LIMITED PARTNERS:

All ~~Members~~Limited Partners now and hereafter admitted as ~~members~~limited partners of the Fund pursuant to powers of attorney now and hereafter executed in favor of and delivered to the ~~Manager~~General Partner.

By: IRI Core I, L.P., as Attorney-in-Fact:

By: INVESCO Core-GP, LLC, its general partner

By: ~~INVESCO~~Invesco Realty Inc., its sole member

By: _____
Name: Ronald L. Ragsdale

Title: Vice President

EXHIBIT A

CONFIDENTIAL

MEMBERS PARTNERS OF THE FUND

INVESCO Core Real Estate – U.S.A., LLC
(as of December 31, 2007)

	NAME OF MEMBER	NAV	CURRENT OWNERSHIP	
			Number of Units	Percentage Interest
1.	Arkansas Public Employees' Retirement System ⁴	221,705,222.80	1,492.07	8.947%
2.	State — Boston Retirement System [*]	138,984,764.73	935.36	5.609%
3.	Los Angeles City Employees' Retirement System [*]	107,041,807.08	720.39	4.320%
4.	North Dakota State Investment Board [*]	150,952,126.40	1,015.90	6.092%
5.	San Mateo County Employees' Retirement Association [*]	164,558,416.91	1,107.47	6.641%
6.	Boy Scouts of America	20,566,133.53	138.41	0.830%
7.	NY State Nurses Association Pension Plan	24,108,642.00	162.25	0.973%
8.	Frank Russell Trust Co. Commingled Employee Benefit Funds Trust	219,466,935.65	1,477.00	8.856%
9.	Casey Family Programs	63,506,217.61	427.39	2.563%
10.	Russell Common Trust Real Estate Equity Fund	34,076,122.08	229.33	1.375%
11.	American Electric Power System Master Retirement Trust	39,647,045.23	266.82	1.600%
12.	New Jersey Carpenters Annuity Fund	62,793,437.07	422.60	2.534%
13.	Worcester Retirement System	16,636,962.58	111.97	0.671%
14.	Attleboro Contributory Retirement System	5,091,585.65	34.27	0.205%
15.	Taunton Retirement System	6,260,685.97	42.13	0.253%
16.	Order of St. Benedict — St. John's University	2,253,902.15	15.17	0.091%
17.	Order of St. Benedict — St. John's Abbey	341,621.70	2.30	0.014%
18.	Bricklayers Pension Trust Fund	9,764,966.22	65.72	0.394%
19.	Boy Scouts of America Retirement Benefit Trust	6,907,282.41	46.49	0.279%

⁴ Denotes a Founding Investor

	NAME OF MEMBER	NAV	CURRENT OWNERSHIP	
			Number of Units	Percentage Interest
20.	Guggenheim Plus Mezzanine Finance LP	84,487,697.60	568.60	3.409%
21.	Iron Workers Local 5—DC	8,648,082.45	58.20	0.349%
22.	Roger C. Peace Trust	12,699,736.58	85.47	0.512%
23.	Bakery Drivers and Salesmen Local 194 and Industry Pension Fund	5,878,699.51	39.56	0.237%
24.	Pompano Beach Fire & Police	4,527,415.69	30.47	0.183%
25.	Teamsters 83—Joint Council of Virginia	54,345,716.47	365.74	2.193%
26.	Texas Presbyterian Foundation	10,058,282.02	67.69	0.406%
27.	Burlington Northern Santa Fe Corporation Master Retirement Trust	77,323,997.79	520.39	3.120%
28.	IATSE Local #16 Pension Trust Fund	16,590,637.92	111.65	0.669%
29.	Plumbers & Steamfitters 146 Pension Plan Trust	2,682,208.54	18.05	0.108%
30.	GlaxoSmithKline Master Retirement Trust	56,786,316.06	382.17	2.292%
31.	Stichting Blue Sky Active Private Real Estate USA Fund	104,583,509.43	703.84	4.221%
32.	Automobile Mechanics 704	39,151,543.72	263.49	1.580%
33.	Bakery & Sales Drivers Local 33	3,350,907.40	22.55	0.135%
34.	Local 1199 Health Care Employees (NYC)	65,500,211.32	440.81	2.643%
35.	Holyoke Retirement Board	4,467,876.53	30.07	0.180%
36.	Duke Energy	33,558,461.01	225.85	1.354%
37.	Southbridge Retirement Board	2,233,938.27	15.03	0.090%
38.	City of Philadelphia Board of Pensions & Retirement	33,558,461.01	225.85	1.354%
39.	Iron Workers District Council of WNY Pension Fund	5,197,432.22	34.98	0.210%
40.	Montana Board of Investments	45,958,890.78	309.30	1.854%
41.	Whitworth College	4,053,997.13	27.28	0.164%
42.	Fresno County Employees Retirement Association	80,169,708.26	539.54	3.235%
43.	Plumbers & Pipefitters Local Union No. 123 Pension Fund	5,056,569.42	34.03	0.204%
44.	Hanford Multi-Employer Pension Trust	54,610,949.74	367.53	2.204%
45.	Ohio Police & Fire	296,202,930.45	1,993.43	11.953%
46.	Nuclear Electric Insurance Limited	25,000,000.00	168.25	1.009%

	NAME OF MEMBER	NAV	CURRENT OWNERSHIP	
			Number of Units	Percentage Interest
	-Irrevocable			
47.	North Broward Hospital District Pension Plan	16,725,000.00	112.56	0.675%
48.	North Broward Hospital District	16,000,000.00	107.68	0.646%
49.	Sign, Pictorial & Display Industry Pension Trust	5,000,000.00	33.65	0.202%
50.	Florida UBC Pension Fund	5,000,000.00	33.65	0.202%
51.	City of Riviera Beach General Employees Retirement System	4,000,000.00	26.92	0.161%
	NAV at 12/31/07	2,478,073,055	16,677.31	

Note: Number of ^{units} [Interests](#) and percentage interest do not reconcile with historical capital contributions due to reinvestment of dividends, valuation adjustments to assets and liabilities and other timing issues.

(As of March 31, 2011)

<u>General Partner:</u>	<u>Commitment</u>
<u>IRI Core I, L.P.</u>	<u>\$10,000.00</u>
<u>Three Galleria Tower, Suite 500</u>	
<u>13155 Noel Road</u>	
<u>Dallas, TX 75240</u>	

<u>Limited Partner:</u>	<u>NAV</u>	<u>Interests</u>	<u>% Own Interests</u>
<u>OP&F</u>	<u>210,847,172.34</u>	<u>1993.73</u>	<u>7.308%</u>
<u>Arkansas Public Employees' Retirement System</u>	<u>200,379,545.98</u>	<u>1894.75</u>	<u>6.945%</u>
<u>Frank Russell Trust Co. Commingled Employee Benefit Funds Trust</u>	<u>131,160,975.36</u>	<u>1240.23</u>	<u>4.546%</u>
<u>San Mateo County Employees' Retirement Association</u>	<u>126,673,967.21</u>	<u>1197.81</u>	<u>4.391%</u>
<u>Sovereign Wealth Fund</u>	<u>126,049,362.86</u>	<u>1191.90</u>	<u>4.369%</u>
<u>Stitching Blue Sky Active Private Real Estate USA Fund</u>	<u>117,778,430.84</u>	<u>1113.69</u>	<u>4.082%</u>
<u>Texas Education Agency</u>	<u>111,072,079.57</u>	<u>1050.28</u>	<u>3.850%</u>
<u>North Dakota State Investment Board</u>	<u>107,700,681.99</u>	<u>1018.40</u>	<u>3.733%</u>
<u>Employees' Retirement System of Texas</u>	<u>102,703,535.79</u>	<u>971.15</u>	<u>3.560%</u>
<u>State-Boston Retirement System</u>	<u>93,486,738.50</u>	<u>883.99</u>	<u>3.240%</u>
<u>ATP Real Estate Partners I K/S</u>	<u>90,755,541.26</u>	<u>858.17</u>	<u>3.146%</u>
<u>Johnson Controls Master Pension Trust</u>	<u>82,953,355.20</u>	<u>784.39</u>	<u>2.875%</u>

<u>Employees' Retirement Fund of the City of Dallas</u>	<u>80,402,002.40</u>	<u>760.27</u>	<u>2.787%</u>
<u>Los Angeles City Employees' Retirement System</u>	<u>78,469,231.24</u>	<u>741.99</u>	<u>2.720%</u>
<u>Duke Energy</u>	<u>71,723,822.50</u>	<u>678.21</u>	<u>2.486%</u>
<u>Fresno County Employee Retirement Association</u>	<u>57,167,785.61</u>	<u>540.57</u>	<u>1.981%</u>
<u>Burlington Northern Santa Fe Corporation Master Retirement Trust</u>	<u>55,146,318.55</u>	<u>521.45</u>	<u>1.911%</u>
<u>New Jersey Carpenters Annuity Fund</u>	<u>47,215,645.41</u>	<u>446.46</u>	<u>1.637%</u>
<u>Local 1199 Health Care Employees (NYC)</u>	<u>47,066,800.66</u>	<u>445.06</u>	<u>1.631%</u>
<u>American Honda Master Retirement Trust</u>	<u>42,881,067.95</u>	<u>405.48</u>	<u>1.486%</u>
<u>Tacoma Employees' Retirement System</u>	<u>42,881,067.95</u>	<u>405.48</u>	<u>1.486%</u>
<u>Hanford Multi-Employer Pension Trust</u>	<u>41,503,890.52</u>	<u>392.45</u>	<u>1.439%</u>
<u>Teamsters 83 - Joint Council of Virginia</u>	<u>40,210,772.47</u>	<u>380.23</u>	<u>1.394%</u>
<u>GlaxoSmithKline Master Retirement Trust</u>	<u>39,099,327.02</u>	<u>369.72</u>	<u>1.355%</u>
<u>Regions Financial Corporation Pension Plan</u>	<u>37,486,790.56</u>	<u>354.47</u>	<u>1.299%</u>
<u>Employees' Retirement System of the Puerto Rico Electric Power Authority</u>	<u>37,328,582.97</u>	<u>352.97</u>	<u>1.294%</u>
<u>Nuclear Electric Insurance Limited</u>	<u>35,360,772.55</u>	<u>334.37</u>	<u>1.226%</u>
<u>West Virginia Investment Management Board</u>	<u>34,477,303.84</u>	<u>326.01</u>	<u>1.195%</u>
<u>Casey Family Programs</u>	<u>33,522,651.24</u>	<u>316.98</u>	<u>1.162%</u>
<u>Montana Board of Investments</u>	<u>32,775,335.47</u>	<u>309.92</u>	<u>1.136%</u>
<u>American Electric Power System Master Retirement Trust</u>	<u>30,134,470.84</u>	<u>284.95</u>	<u>1.044%</u>
<u>Automobile Mechanics 701</u>	<u>28,899,990.23</u>	<u>273.27</u>	<u>1.002%</u>
<u>Employees' Pension Plan of Credit Suisse</u>	<u>27,691,184.67</u>	<u>261.84</u>	<u>0.960%</u>
<u>City of Philadelphia Board of Pensions & Retirement</u>	<u>25,507,231.39</u>	<u>241.19</u>	<u>0.884%</u>
<u>Global Property Portfolio U.S. Income Fund, L.P.</u>	<u>22,854,973.77</u>	<u>216.11</u>	<u>0.792%</u>
<u>Boy Scouts of America Commingled Endowment Fund</u>	<u>21,570,930.15</u>	<u>203.97</u>	<u>0.748%</u>
<u>Guggenheim PLUS II LP</u>	<u>20,756,072.14</u>	<u>196.27</u>	<u>0.719%</u>
<u>Cambridge Retirement Board</u>	<u>20,167,898.06</u>	<u>190.70</u>	<u>0.699%</u>
<u>Toyota Motor Sales, U.S.A. Inc. Pension Plan</u>	<u>19,294,341.44</u>	<u>182.44</u>	<u>0.669%</u>
<u>Guide Dogs For The Blind, Inc</u>	<u>16,072,342.15</u>	<u>151.98</u>	<u>0.557%</u>
<u>Boilermakers National Health and Welfare Fund</u>	<u>16,033,607.82</u>	<u>151.61</u>	<u>0.556%</u>
<u>UBS (Lux) Real Estate Funds Selection - Global</u>	<u>15,962,192.05</u>	<u>150.94</u>	<u>0.553%</u>
<u>Hess Corporation</u>	<u>14,890,638.34</u>	<u>140.80</u>	<u>0.516%</u>
<u>Russell Common Trust Real Estate Equity Fund</u>	<u>14,433,753.46</u>	<u>136.48</u>	<u>0.500%</u>
<u>Worcester Retirement System</u>	<u>12,597,879.51</u>	<u>119.12</u>	<u>0.437%</u>
<u>North Broward Hospital District Pension Plan</u>	<u>12,585,039.68</u>	<u>119.00</u>	<u>0.436%</u>
<u>North Broward Hospital District</u>	<u>12,039,499.87</u>	<u>113.84</u>	<u>0.417%</u>

NY State Nurses Association Pension Plan	11,740,798.20	111.02	0.407%
IATSE Local #16 Pension Trust Fund	11,614,815.67	109.83	0.403%
Hamilton Health Care System, Inc.	11,342,116.12	107.25	0.393%
Iron Workers Local 5 - DC	10,363,662.62	98.00	0.359%
United Food & Commercial Workers International Union	10,270,353.58	97.11	0.356%
Boy Scouts of America Retirement Benefit Trust	10,001,417.79	94.57	0.347%
Terrebonne Investments L.P.	9,645,822.79	91.21	0.334%
Roger C. Peace Trust	8,108,890.70	76.68	0.281%
Texas Presbyterian Foundation	7,599,094.61	71.86	0.263%
Sign, Pictorial & Display Industry Pension Trust	7,500,919.32	70.93	0.260%
Southern California Floor Covering Pension Trust	7,424,679.30	70.21	0.257%
Paso Del Norte Health Foundation	6,964,681.59	65.86	0.241%
Bricklayers Pension Trust Fund - Metropolitan Area	6,251,715.05	59.12	0.217%
Cardinal Fund I L.P.	5,787,493.67	54.73	0.201%
Investor's Diversified Realty	5,041,974.51	47.68	0.175%
Taunton Retirement System	4,727,651.85	44.70	0.164%
Bakery Drivers and Salesmen Local 194 and Industry Pension Fund	4,439,202.22	41.98	0.154%
Pompano Beach Fire & Police	4,361,345.62	41.24	0.151%
Attleboro Contributory Retirement System	3,962,652.84	37.47	0.137%
Iron Workers Dist. Council of WNY Pension Fund	3,924,356.29	37.11	0.136%
Florida Carpenters Regional Council Pension Fund	3,750,706.16	35.47	0.130%
Whitworth College	3,736,705.60	35.33	0.130%
Gustavus Adolphus College Endowment	3,547,319.43	33.54	0.123%
OHIM Strategic Partners L.P.	3,536,801.69	33.44	0.123%
Holyoke Retirement Board	3,373,838.21	31.90	0.117%
Plumbers & Pipefitters Local 123 Pension Fund	3,304,479.20	31.25	0.115%
City of Riviera Beach General Employees Retirement System	3,000,564.92	28.37	0.104%
Guggenheim PLUS LP	2,928,140.29	27.69	0.101%
Pere Ubu Investments L.P.	2,679,395.22	25.34	0.093%
Bakery & Sales Drivers Local 33	2,439,856.30	23.07	0.085%
Plumbers & Steamfitters 146 Pension Plan Trust	1,939,315.00	18.34	0.067%
Order of St. Benedict - St. John's University Filament LLC	1,405,005.79	13.29	0.049%
Jean Schuler	2,054,070.72	19.42	0.071%
Richard and Lily Garfield	1,866,193.07	17.65	0.065%
J.D. Klein Family Settlement Trust	1,145,825.90	10.83	0.040%

<u>Amended & Restated Jolley Living Trust</u>	<u>1,034,168.90</u>	<u>9.78</u>	<u>0.036%</u>
<u>Infinity Spiral</u>	<u>1,027,035.36</u>	<u>9.71</u>	<u>0.036%</u>
<u>Linda R. Breneman</u>	<u>999,226.78</u>	<u>9.45</u>	<u>0.035%</u>
<u>Robert L. Richmond</u>	<u>742,467.94</u>	<u>7.02</u>	<u>0.026%</u>
<u>Michael R. Murray</u>	<u>742,467.94</u>	<u>7.02</u>	<u>0.026%</u>
<u>J NAB Limited Partnership</u>	<u>742,467.94</u>	<u>7.02</u>	<u>0.026%</u>
<u>Order of St. Benedict - St. John's Abbey</u>	<u>257,971.93</u>	<u>2.44</u>	<u>0.009%</u>
<u>TOTAL AS OF 3/31/2011</u>	<u>2,885,100,270.00</u>	<u>27,281</u>	<u>100.000%</u>

Document comparison by Workshare Professional on Friday, April 29, 2011
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Insertion	
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Style change	
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Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

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Moved to	8
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Total changes	2320

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 6.4

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Selection of Investment Manager Finalists for *SamCERA*'s Commodities Mandate

STAFF RECOMMENDATION: Staff recommends that the board review the qualifications of the semi-finalists for *SamCERA*'s commodity mandate and select four firms to invite for interviews before the board at the July meeting.

BACKGROUND: At the August 24, 2010, board meeting the trustees concluded an asset liability modeling study. The outcome was to further diversify *SamCERA*'s overall portfolio by adding a 20% allocation to alternative investments. The alternatives would be 8% private equity, 6% risk parity, 3% hedge funds and 3% commodities. This additional allocation comes from reducing equities from 67% to 53%, fixed income from 27% to 22% and real estate from 6% to 5%.

In September 2010, the board, with the assistance of Strategic Investment Solutions (SIS), mapped out an implementation strategy for the alternative allocations. Implementation of the private equity mandate began the same month, when the association made its first commitment. However, in consideration of vintage years and sourcing investments, full implementation of private equity will occur over three to four years. Risk parity was fully implemented in March of 2011 with a \$140 million allocation. The hedge fund mandate should be fully implemented with \$70 million next month. Today the board will select finalists for a commodities mandate. The finalist interviews will take place in June. The commodities manager should be funded with \$70 million in August.

COMMENT: At the January 25th board meeting, the board discussed details of *SamCERA*'s proposed commodity search. SIS was directed to use the following screening criteria to develop a long list of candidates for the mandate:

***SamCERA*: Commodity Futures Manager Search**

INITIAL SCREENING CRITERIA:

The goal of this search is to find an active commodity futures manager that offers market exposure to the asset class. The starting universe has approximately 65 strategies.

1. Starting Universe: Combined eVestment Alliance and Internal SIS Databases.
2. Product must possess demonstrable live performance record with institutional clients.
3. Product must be open to new accounts.
4. Product must have minimum notional assets of \$100 million as of September 30, 2010.
5. Strategy should provide broad beta exposure to a diversified set of commodity futures (specifically exclude Commodity Trading Advisors (CTA), natural resource equity products and purely skill-based trading strategies).
6. Passive or index replication strategies will be removed from the universe (specifically exclude portable alpha or collateral alpha strategies).

What Does *Commodity Trading Advisor - CTA Mean?*

An individual or a firm, registered with the Commodity Futures Trading Commission, that receives compensation for giving people advice on options, futures and the actual trading of managed futures accounts. Registration for CTAs is done through the National Futures Association, a self-regulated organization responsible for reviewing and accepting registrations.

This set of screens produced eleven products managed by ten firms, which were approved as candidates to receive a Request for Information (RFI.)

The approved candidates are:

- Cargill Risk Management: ProAlpha Index
- Deutsche Asset Management: DWS Enhanced Commodity Strategy
- GE Asset Management: Active Commodities
- Gresham Investment Management: Enhanced Tangible Asset Program
- Hermes Fund Managers: Hermes Commodities Index Plus Fund
- INVESCO: Balanced Risk Commodities
- Macquarie Group: Macquarie Commodities Fund
- Prudential/Bache Asset Management: Bache Commodity Index
- Schroders: Commodities
- Schroders: NFC Relative Return Commodities
- State Street Global Advisors: Multisource Active Commodity Strategy

The RFI was issued on Thursday, February 24, 2011, with a due date of Thursday, March 17, 2011.

Based on the information gathered from the RFI responses, SIS evaluated and scored the candidates based on the following main criteria:

- Organization (25%)
 - Organizational Structure/Ownership
 - Organizational Stability
 - Staff: Experience, Turnover, Succession Plans
 - Pending Investigations or Litigation
 - Compensation/Incentives/Equity Ownership
 - Assets/Clients/Account Growth/Account Losses
- Investment Process (30%)
 - Resources/Team Size and Experience
 - Research Process/Due Diligence/Commodity Selection
 - Philosophy/Style
 - Buy/Sell Discipline
 - Portfolio Construction/Rebalancing
 - Risk Management
 - Guidelines
- Performance History (20%)
 - Return Premiums
 - Consistency
 - Attribution
 - Risk Adjusted
 - Composite Quality

- Fees (12.5%)
 - Competitive Fee Level
- Additional Information (12.5%)
 - Capacity
 - Separate vs. Commingled
 - Custody/Reporting
 - Ethics/Compliance Processes
 - Trading Practices

Subject to discussion and approval at today's board meeting, SIS recommends that the following firms be invited to present their capabilities at the July board meeting:

- Gresham Investment Management: Tangible Asset Program
- Cargill Risk Management: ProAlpha Index
- INVESCO: Balanced- Risk Commodities
- State Street Global Advisors: Multisource Active Commodity Strategy

TIMELINE:

- | | |
|------------|--|
| May 2011: | <p>Finish reading RFI responses and prepare summary material.</p> <p>Deliverables: SIS produces statistics sheet and pros and cons (bullet points) for semi finalists based on RFI responses.</p> <p>Desired Output from the Meeting: Select finalists for interviews.</p> |
| June 2011: | <p>Nothing Scheduled</p> |
| July 2011: | <p>Prepare for interviews</p> <p>Deliverables: Search book with comparative analysis and statistics for finalist candidates.</p> <p>Desired Output from the Meeting: Interview finalists in San Mateo. Select manager.</p> |

SAMCERA

Commodity Futures Search

May 2011

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MEMORANDUM

To: SAMCERA Investment Committee
Cc: Gary Clifton, CIO
From: SIS
Date: May 9, 2011
Subject: Commodity Futures Search

Overview

Following discussion of the criteria and initial screening process for the commodity futures search at the February 22nd, 2010 Board meeting, the following firms/strategies were approved to receive a Request for Information (RFI):

- Cargill Risk Management: ProAlpha Index
- Deutsche Asset Management: DWS Enhanced Commodity Strategy
- GE Asset Management: Active Commodities
- Gresham Investment Management: Tangible Asset Program
- Hermes Fund Managers: Hermes Commodities Index Plus Fund
- INVESCO: Balanced-Risk Commodities
- Macquarie Group: Macquarie Commodities Fund
- Prudential/Bache Asset Management: Bache Commodity Index
- Schroders: Commodities
- Schroders: NFC Relative Return Commodities
- State Street Global Advisors: Multisource Active Commodity Strategy

The RFI was issued on Thursday, February 24, 2011 with a due date of Thursday, March 17, 2011.

A couple firms were either unable to participate or chose not to for various reasons.

- Macquarie Group – Chose not to participate in the search. Substantial asset inflows was cited as a reason.
- Schroders: Commodities – Decided to only submit one strategy.

Based on the information gathered from the RFI responses, SIS evaluated and scored the candidates based on the following main criteria:

- *Organization (25%)*
 - Organizational Structure/Ownership
 - Organizational Stability
 - Staff - Experience, Turnover, Succession Plans
 - Pending Investigations or Litigation
 - Compensation/Incentives/Equity Ownership

- Assets/Clients/Account Growth/Account Losses
- *Investment Process (30%)*
 - Resources/Team Size and Experience
 - Research Process/Due Diligence/Commodity Selection
 - Philosophy/Style
 - Buy/Sell Discipline
 - Portfolio Construction/Rebalancing
 - Risk Management
 - Guidelines
- *Performance History (20%)*
 - Return Premiums
 - Consistency
 - Attribution
 - Risk Adjusted
 - Composite Quality
- *Fees (12.5%)*
 - Competitive Fee Level
- *Additional Information (12.5%)*
 - Capacity
 - Separate vs. Commingled
 - Custody/Reporting
 - Ethics/Compliance Processes
 - Trading Practices

Subject to discussion and approval at the upcoming Board meeting, SIS recommends that the following firms be invited to present their capabilities at the July Board meeting:

- **Gresham Investment Management: Tangible Asset Program**
- **Cargill Risk Management: ProAlpha Index**
- **INVESCO: Balanced-Risk Commodities**
- **State Street Global Advisors: Multisource Active Commodity Strategy**

Section 1 summarizes our scoring of each proposed strategy. Section 2 contains performance information for each of the strategies.

Section 1

Firm/Product Summaries

SamCERA

Commodity Futures Search

RFP EVALUATION SHEET

<i>Firm Name:</i>	Cargill	<i>Strategy Name:</i>	ProAlpha Index
<i>Firm Inception:</i>	1879	<i>Strategy Inception:</i>	Mar 2008
<i>Firm AUM (mm):</i>	N/A	<i>Strategy AUM (mm):</i>	\$975
<i>Asset Class:</i>	Real Assets	<i>Structure:</i>	Single Manager
<i>Geographic Focus:</i>	Global	<i>Type:</i>	Commodities
<i>Geographic Sub-Focus:</i>	Developed		
<i>Reviewer:</i>	JN	<i>Fee Proposed (\$50 mm):</i>	0.5% + 20% Performance Fee
		<i>Appropriate Benchmark:</i>	DJ UBS Commodity Index
<i>Aggregate Score:</i>	70	<i>Max Sector Exposure:</i>	None
		<i>Tracking Error Range:</i>	2-3% vs. DJ UBS Commodity Index

Category	Score	Notes/Comments
Organization: (max points 25)	22	
<ul style="list-style-type: none"> - Organizational Structure/Ownership - Organizational Stability - Staff - Experience, Turnover, Succession Plans - Pending Investigations or Litigation - Compensation/Incentives/Equity Ownership - Assets/Clients/Account Growth/Account Losses 		<p>~ Cargill is a privately held corporation, 90% owned by founding family and related entities. The remainder is held by employee stock purchasing plan. The Cargill Risk Management (CRM) group is a subsidiary of Cargill and operates this strategy.</p> <p>~ CRM does not operate in a traditional asset management group with a PM and analyst team. There are a series of traders that operate out of 6 business units that offer up ideas for the Alpha strategy. Very little turnover in the trading operations.</p> <p>~ The trading teams at Cargill have been stable. It's difficult to compare this group structure with most asset managers. Overall it appears to be a stable organization.</p> <p>~ Cargill does not have a large presence in buy-side asset management but there have been no issues reported by Cargill.</p> <p>~ Compensation is salary and bonus. No major equity ownership is available to traders but the company does have an employee stock ownership plan.</p> <p>~ The RFP does not provide account losses and gains. It appears they are very selective about clients and have retained the few large accounts they manage.</p>
Investment Process: (max points 30)	24	
<ul style="list-style-type: none"> - Resources/Team Size and Experience - Research Process/Due Diligence/Commodity Selection - Philosophy/Style - Buy/Sell Discipline - Portfolio Construction/Rebalancing - Risk Management - Guidelines 		<p>~ Cargill has a vast commodities trading operation with very deep resources. The strategy is a little complex to understand as there is not a clear path of investment ideas. Idea generation can come from various business units and it's up to the Alpha Investment Committee (AIC) to make the ultimate decision. 4 members make up AIC group.</p> <p>~ ProAlpha utilizes an enhanced beta portfolio and an alpha overlay that buys and shorts commodity positions based on trader recommendations. Product is an OTC Swap so not a traditional commodity futures-only strategy. Can go net short a commodity but tracking error is fairly low and risk is well managed. Impressive resources within Cargill.</p> <p>~ Combination of an enhanced beta with alpha overlay provides benchmark beta with possible excess performance from trading and roll management. There is not a long history on the strategy but has an attractive investment process and available resources.</p> <p>~ Utilizes a swap so less of an issue on the daily buy/sell discipline. Swap prices could deviate from underlying hedge and there is counterparty risk on a swap.</p> <p>~ OTC Swap tracks the ProAlpha Index. Enhanced beta portfolio and an alpha overlay combine to form the Index. Rebalancing on the beta portion occurs with the appropriate index.</p> <p>~ Utilizes a series of VAR risk measurements and loss tolerance levels to mitigate large losses and keep tracking error in check.</p> <p>~ No formal guidelines on the strategy but risk mitigation prevents large bets on individual securities.</p>
Performance History: (max points 20)	13	
<ul style="list-style-type: none"> - Return Premiums - Consistency - Attribution - Risk Adjusted - Composite Quality 		<p>~ The history of the strategy is compelling but is discounted for its brevity. Targeting 3-5% excess performance.</p> <p>~ There will be some consistency to the index provided by the beta strategy but the alpha overlay can alter commodity exposures far from the index. Lack of history makes it hard to judge return consistency.</p> <p>~ The strategy has a short history of live performance but 25-35% of excess performance derived from trading decisions. The remainder from roll and contract decisions.</p> <p>~ The risk adjusted performance is compelling as volatility is below the index and it has provided better downside performance. Short history is a drawback.</p> <p>~ No GIPS compliance on the track record. All accounts are included in composite.</p>
Fees: (max points 12.5)	4	
<ul style="list-style-type: none"> - Competitive Fee Level 		<p>~ The fee is above average. Base fee is reasonable but has an additional performance fee with an index hurdle.</p>
Additional Information: (max points 12.5)	7	
<ul style="list-style-type: none"> - Capacity - Separate vs. Commingled - Custody/Reporting - Ethics/Compliance Processes - Trading Practices 		<p>~ Strategy has approximately \$1B in assets with \$2B in capacity.</p> <p>~ Utilizes an OTC Swap. No commingled option.</p> <p>~ Has counterparty exposure through swaps. Daily settlement positions are sent to clients.</p> <p>~ Appears to have a clean compliance and ethics record. Short history in the space but no reason to believe there will be issues.</p> <p>~ Possible conflicts with the internal trading department at Cargill. A revenue sharing model is in place so internal traders are paid for their research to CRM/ProAlpha strategy.</p>

AGGREGATE SCORE: 70

RFP EVALUATION SHEET

<i>Firm Name:</i> DB Advisors (Deutsche Bank)	<i>Strategy Name:</i> Active Commodities
<i>Firm Inception:</i> 1870	<i>Strategy Inception:</i> Jun 2006
<i>Firm AUM (mm):</i> 232,00	<i>Strategy AUM (mm):</i> \$687
<i>Asset Class:</i> Real Assets	<i>Structure:</i> Single Manager
<i>Geographic Focus:</i> Global	<i>Type:</i> Commodities
<i>Geographic Sub-Focus:</i> Developed	
<i>Reviewer:</i> JN	<i>Fee Proposed (\$50 mm):</i> 0.75%
	<i>Appropriate Benchmark:</i> DJ UBS Commodity Index
<i>Aggregate Score:</i> 56	<i>Max Sector Exposure:</i> N/A
	<i>Tracking Error Range:</i> 2-4% vs. DJ UBS Commodity Index

Category	Score	Notes/Comments
Organization: (max points 25)	20	
- Organizational Structure/Ownership		~ DB Advisors is a wholly owned subsidiary of Deutsche Bank. Deutsche Bank is a publicly traded entity based in Germany. Employees are able to buy equity shares but do not make up a significant portion of outstanding ownership.
- Organizational Stability		~ As with other large organizations such as Deutsche, there has been turnover in the executive level; however, the firm does not track management turnover. There has been turnover on the commodity strategy in the last 5 years.
- Staff - Experience, Turnover, Succession Plans		~ The team is led by Theresa Gusman and Terence Brennan with several support analysts. The team conducts commodity related equity research in addition to commodity futures. Not clear how their time is broken down
- Pending Investigations or Litigation		~ The RFP did not disclose any pending issues but instead referred the reader to an ADV document. No disclosures on personnel either.
- Compensation/Incentives/Equity Ownership		~ Compensation is a mix of salary and bonus. Ownership is not a key source of compensation. No employee contracts are utilized.
- Assets/Clients/Account Growth/Account Losses		~ The strategy has 9 accounts with about \$687 mm in assets. Several accounts were added in 2010.
Investment Process: (max points 30)	11	
- Resources/Team Size and Experience		~ Theresa and Terence are responsible for all final investment decisions. They are supported by 7 analysts that cover various commodity-related industries. The PM's and analysts have dual responsibilities in equities and commodity derivatives. Not much direct commodity futures trading and investing experience on the team.
- Research Process/Due Diligence/Commodity Selection		~ The investment team focuses on fundamental factors to choose attractive commodities. The process starts with a top-down view of the market which establishes a basis for asset allocation. Changes in supply/demand and relative value will determine which commodities are bought and sold. Traditionally the team ran its product as a mix of commodity-related equities and futures. This strategy is a commodity-only version so much of the teams equity research and ideas are not utilized.
- Philosophy/Style		~ The team believes that fundamental research is the best way to exploit price inefficiencies. It would appear to incorporate equity style fundamental research principles in the commodity markets. Given the teams lack of experience in the commodity futures space, this strategy is of concern.
- Buy/Sell Discipline		~ The investment team members are broken down into commodity-related sectors whereby they make recommendations on investment ideas. Theresa and Terence are ultimately responsible for the buy and sell decisions. Not clear if there is a systematic way in which buys/sells are handled.
- Portfolio Construction/Rebalancing		~ The portfolio will be developed with highest expected return positions receiving the largest allocation. The fairly low tracking error goal should keep the portfolio rigidly aligned with the index. No rebalancing guidelines were given but buys/sells will be driven by conviction in the underlying investments.
- Risk Management		~The strategy will stress test and conduct scenario analysis on investment themes at the portfolio construction level. Ongoing monitoring of positions will occur in order to ensure compliance with strict guidelines around size and tracking error constraints.
- Guidelines		~ This is a long-only strategy with constraints around position sizes and tracking error. Not much in the way of additional guidelines.
Performance History: (max points 20)	8	
- Return Premiums		~ The history of the strategy is quite brief but it has outperformed the strategies benchmark since inception. Targeting 1.25-3% excess performance.
- Consistency		~ Given the short history, it's hard to determine consistency but it has performed as expected in relation to achieving excess returns.
- Attribution		~ According to the team, most of the excess performance derives from commodity selection. No measurement of value-added is conducted to determine where alpha is derived from.
- Risk Adjusted		~ The strategy has better risk-adjusted performance than the benchmark. Short history is a drawback. Performance is not as impressive as some of its peers.
- Composite Quality		~ Strategy is GIPS compliant.
Fees: (max points 12.5)	11	
- Competitive Fee Level		~ The fee is slightly better than average at .75%.
Additional Information: (max points 12.5)	6	
- Capacity		~ Strategy has approximately \$687 mm in assets with no limit on capacity in place.
- Separate vs. Commingled		~ Separate account option.
- Custody/Reporting		~ The strategy may utilize OTC securities so counterparty exposure is monitored through a counterparty risk
- Ethics/Compliance Processes		~ No conflicts at DB Advisors are apparent. Other strategies running similar portfolios are treated equally in terms of trade allocation and resources.
- Trading Practices		~ Trading is handled internally. Given the size of the organization, trading should be robust.

AGGREGATE SCORE: 56

RFP EVALUATION SHEET

Firm Name:	GE Asset Management (GEAM)	Strategy Name:	Active Commodities
Firm Inception:	1988	Strategy Inception:	Jun 2006
Firm AUM (mm):	\$119,451	Strategy AUM (mm):	\$391
Asset Class:	Real Assets	Structure:	Single Manager
Geographic Focus:	Global	Type:	Commodities
Geographic Sub-Focus:	Developed		
Reviewer:	JN	Fee Proposed (\$50 mm):	1.00%
		Appropriate Benchmark:	DJ UBS Commodity Index
Aggregate Score:	60	Max Sector Exposure:	45%
		Tracking Error Range:	3-5% vs. DJ UBS Commodity Index

Category	Score	Notes/Comments
Organization: (max points 25)	20	
<ul style="list-style-type: none"> - Organizational Structure/Ownership - Organizational Stability - Staff - Experience, Turnover, Succession Plans - Pending Investigations or Litigation - Compensation/Incentives/Equity Ownership - Assets/Clients/Account Growth/Account Losses 		<p>~ GEAM is a wholly owned subsidiary of GE. GE is a publicly traded company. Employees do not hold a material portion of GE's shares.</p> <p>~ As with other large organizations such as GE, there has been turnover in the executive level. The investment arm of GE has been stable over time.</p> <p>~ There are two investment professionals on the team currently. The investment team recently lost an assistant-PM, Geoff Fila. It would appear understaffed given the research process that this strategy lays out. Succession plan was not clear or detailed if the lead PM was to depart suddenly.</p> <p>~ GE does not appear to have any litigation or regulatory issues related to this strategy. There are other suits related to other GEAM activities.</p> <p>~ Compensation is a mix of salary and bonus. Ownership is not a key source of compensation. No employee contracts are utilized with US-based GE employees.</p> <p>~ The strategy has 4 accounts with about \$391 mm in assets. Appears to be growing slowly with no major wins or losses at the account level.</p>
Investment Process: (max points 30)	12	
<ul style="list-style-type: none"> - Resources/Team Size and Experience - Research Process/Due Diligence/Commodity Selection - Philosophy/Style - Buy/Sell Discipline - Portfolio Construction/Rebalancing - Risk Management - Guidelines 		<p>~ Nick Koutsaftas leads the strategy and has done so since inception. Supporting him is Ben Ross. Prior to assuming portfolio management responsibilities, Nick was an equity research analyst in the energy and materials sector. In addition, Nick and Ben spend 75% of their time on this strategy. Ben is also head of the international equity trading desk. Not clear they have the proper resources devoted to this strategy.</p> <p>~ The team intends to use fundamental research to try and exploit inefficiencies in the commodities market. The portfolio will over and underweight commodities based on attractive fundamentals. The strategy can go short up to 30% but is expected to offer high beta exposure to the market with limited tracking error. Trend following or mean reversion do not appear to be utilized.</p> <p>~ The team believes that fundamental research is the best way to exploit price inefficiencies. It would appear to incorporate equity style fundamental research principles in the commodity markets. Given the teams lack of experience in the commodity futures space, this strategy is of concern.</p> <p>~ The investment team members act as generalists in finding investment ideas. Not clear if anyone has ultimate authority on making buy/sell decisions but presumably Nick would have the final decision as lead PM.</p> <p>~ The portfolio construction is determined by which investment ideas the team has the most conviction in. Rebalancing decisions do not appear to be systematic but buys and sells will occur as the investment teams ideas change.</p> <p>~ The strategy has established a series of risk guidelines that help the team monitor the portfolios exposures. Tracking error is targeted to be 3-5% and there are guidelines in place that limit sector and security exposure.</p> <p>~ There is short selling in the strategy but limited to 30% exposure. Sector and individual commodity concentration limits are in place. The strategy seeks to be at least 95% invested at all times.</p>
Performance History: (max points 20)	13	
<ul style="list-style-type: none"> - Return Premiums - Consistency - Attribution - Risk Adjusted - Composite Quality 		<p>~ The history of the strategy is quite brief but it has outperformed the strategies benchmark since inception. Targeting 3% excess performance. Against some of the peers, the strategies performance is less impressive.</p> <p>~ Given the short history, it's hard to determine consistency but it has performed as expected in relation to achieving excess returns.</p> <p>~ According to the team, most of the excess performance derives from commodity selection. Commodity spread trades and curve structure provide 40-50% of the excess returns.</p> <p>~ The strategy has better risk-adjusted performance than the benchmark. Short history is a drawback. Performance is not as impressive as some of its peers.</p> <p>~ Strategy is GIPS compliant. Good composite quality.</p>
Fees: (max points 12.5)	7	
<ul style="list-style-type: none"> - Competitive Fee Level 		~ The fee is about average at 1.00%.
Additional Information: (max points 12.5)	8	
<ul style="list-style-type: none"> - Capacity - Separate vs. Commingled - Custody/Reporting - Ethics/Compliance Processes - Trading Practices 		<p>~ Strategy has approximately \$391 mm in assets with \$3-5B in capacity.</p> <p>~ Separate account option. Commingled fund option.</p> <p>~ The strategy does not utilize OTC securities so there is little counterparty exposure. Monthly reports are available to clients.</p> <p>~ No major conflicts at GE. The money run internally at GE is mirrored against this strategy so neither benefits at the expense of the other.</p> <p>~ Trading is handled by GE. Appears to have operated smoothly since inception.</p>

AGGREGATE SCORE: 60

RFP EVALUATION SHEET

<i>Firm Name:</i>	Gresham Investment Management	<i>Strategy Name:</i>	Tangible Asset Program (TAP)
<i>Firm Inception:</i>	1992	<i>Strategy Inception:</i>	Jan 1987
<i>Firm AUM (mm):</i>	\$14,000	<i>Strategy AUM (mm):</i>	\$2,250
<i>Asset Class:</i>	Real Assets	<i>Structure:</i>	Single Manager
<i>Geographic Focus:</i>	Global	<i>Type:</i>	Commodities
<i>Geographic Sub-Focus:</i>	Developed		
<i>Reviewer:</i>	JN	<i>Fee Proposed (\$50 mm):</i>	0.75%
		<i>Appropriate Benchmark:</i>	Custom Benchmark
<i>Aggregate Score:</i>	80	<i>Max Sector Exposure:</i>	35%
		<i>Tracking Error Range:</i>	N/A

Category	Score	Notes/Comments
Organization: (max points 25)	23	
<ul style="list-style-type: none"> - Organizational Structure/Ownership - Organizational Stability - Staff - Experience, Turnover, Succession Plans - Pending Investigations or Litigation - Compensation/Incentives/Equity Ownership - Assets/Clients/Account Growth/Account Losses 		<ul style="list-style-type: none"> ~ Gresham is a privately held corporation with ownership held by active employees. Henry Jarecki, the firm's founder, owns the majority of the firm. ~ The organization is relatively small for the assets they manage but the team has been stable over time. ~ Senior management at Gresham have been together for most of the firms history. Henry Jarecki founded the firm and continues to be active in day-to-day operations. Jonathan Spencer is acting president and lead PM on the TAP strategy. ~ There are no pending litigation or regulatory issues outstanding with the firm. ~ Compensation is salary and bonus in addition to equity ownership in the firm. ~ The TAP strategy and Gresham have experienced significant inflows in the last few years. Growth could be a concern if it continues in this manner.
Investment Process: (max points 30)	23	
<ul style="list-style-type: none"> - Resources/Team Size and Experience - Research Process/Due Diligence/Commodity Selection - Philosophy/Style - Buy/Sell Discipline - Portfolio Construction/Rebalancing - Risk Management - Guidelines 		<ul style="list-style-type: none"> ~ Gresham's strategy is led by Henry Jarecki, Jonathan Spencer and Douglas Hepworth. The team is supported by a number of analysts that assist in providing quantitative and fundamental research. ~ A systematic rules-based active approach is implemented, and the methodology is designed to maximize invest ability, scalability, and transparency. TAP at the beginning of each year selects up to the top four commodities from each of six commodity sectors (Energy, Industrial Metals, Livestock, Agricultural, Precious Metals and Foods & Fibers) based on world production, volume (world consumption), and dollar volume of exchange traded futures (liquidity). Commodities are ranked according to a formula of 2/3 Production * 1/3 Liquidity and up to four commodities are selected from each of the six sectors. Rebalancing occurs as sectors deviate from predetermined weights. Roll yield is also managed as an additional source of alpha. ~ Gresham developed a custom "index" that utilizes the methodology Henry Jarecki created to provide long-only exposure to commodity futures. The strategy is expected to provide better risk-adjusted returns than the current widely followed GSCI and DJ-UBS indices. ~ There is a systematic process in place to buy/sell contracts in commodity futures. ~ Rebalancing will occur when sector and commodities deviate from pre-determined weights. Roll yield will be managed by utilizing the 4 front month contracts on each commodity. ~ Utilizes a series of VAR risk measurements and loss tolerance levels to mitigate large losses and keep tracking error in check. ~ No sector can represent more than 35% of the portfolio and no individual commodity can represent more than 70% of its sector.
Performance History: (max points 20)	15	
<ul style="list-style-type: none"> - Return Premiums - Consistency - Attribution - Risk Adjusted - Composite Quality 		<ul style="list-style-type: none"> ~ The strategy has a lengthy history and has outperformed the index since inception. The strategy should provide 1-3% excess returns over time. ~ Strategy is long-only and provides diversified exposure to commodity futures. Returns should be directionally consistent with the benchmark. ~ Excess returns from the strategy have come from commodity selection and roll yield enhancements. ~ The risk adjusted performance is better than the benchmark but it has experienced more downside risk than the DJ-UBS. ~ Strategy includes all fee paying accounts in the TAP strategy.
Fees: (max points 12.5)	10	
<ul style="list-style-type: none"> - Competitive Fee Level 		<ul style="list-style-type: none"> ~ The fee is about average.
Additional Information: (max points 12.5)	9	
<ul style="list-style-type: none"> - Capacity - Separate vs. Commingled - Custody/Reporting - Ethics/Compliance Processes - Trading Practices 		<ul style="list-style-type: none"> ~ Strategy has approximately \$2.2B in assets with \$10B in capacity. ~ Separate account option. Commingled Fund option. ~ The strategy has very little counterparty exposure. Trades exclusively in commodity futures. ~ Appears to have a clean compliance and ethics record. ~ Few conflicts exist at the firm. There are processes in place to address trading with other strategies at Gresham.

AGGREGATE SCORE: 80

RFP EVALUATION SHEET

<i>Firm Name:</i> Hermes Fund Managers	<i>Strategy Name:</i> Hermes Commodities Index Plus
<i>Firm Inception:</i> 1983	<i>Strategy Inception:</i> Apr 2008
<i>Firm AUM (mm):</i> \$40,117	<i>Strategy AUM (mm):</i> \$1,010
<i>Asset Class:</i> Real Assets	<i>Structure:</i> Single Manager
<i>Geographic Focus:</i> Global	<i>Type:</i> Commodities
<i>Geographic Sub-Focus:</i> Developed	
<i>Reviewer:</i> JN	<i>Fee Proposed (\$50 mm):</i> 0.60%
	<i>Appropriate Benchmark:</i> DJ UBS Commodity Index
<i>Aggregate Score:</i> 63	<i>Max Sector Exposure:</i> 5% +/- vs. index sectors
	<i>Tracking Error Range:</i> 3-5% vs. DJ UBS Commodity Index

Category	Score	Notes/Comments
Organization: (max points 25)	20	
<ul style="list-style-type: none"> - Organizational Structure/Ownership - Organizational Stability - Staff - Experience, Turnover, Succession Plans - Pending Investigations or Litigation - Compensation/Incentives/Equity Ownership - Assets/Clients/Account Growth/Account Losses 		<ul style="list-style-type: none"> ~ Hermes is 99.9% owned by the BT Pension system in United Kingdom. The remaining .01% is held by Hermes Employee Benefit Trust. The commodities team operates as a boutique in the larger Hermes organization. ~ Team is small but there has been very little turnover. One analyst left recently. Not a very deep team. ~ It does not appear the portfolio managers have much experience in commodities and futures trading. Not a deep commodities team below them. ~ Hermes does not appear to have any litigation or regulatory issues. ~ Compensation is a mix of salary, bonus and deferred income. Ownership is unavailable to employees as the firm is 99.9% held by the pension scheme. ~ The strategy has 2 accounts with about \$1B in assets. Appears to be growing slowly with no major wins or losses at the account level.
Investment Process: (max points 30)	12	
<ul style="list-style-type: none"> - Resources/Team Size and Experience - Research Process/Due Diligence/Commodity Selection - Philosophy/Style - Buy/Sell Discipline - Portfolio Construction/Rebalancing - Risk Management - Guidelines 		<ul style="list-style-type: none"> ~ Colin O'Shea and David Hemming lead the commodities strategy with support from 2 research analysts. It does not appear the team has an extensive background in commodities and futures trading. ~ Strategy seeks to utilize fundamental, technical and quantitative investment approaches. The strategy will weight individual commodities based on various factors including supply/demand, macro variables, technical analysis and futures curve analysis. Does not appear to be a distinguishing strategy from many index plus managers. ~ The team believes that commodities are inefficient due to the increasing use of indexing. There are natural risk premiums in commodity futures that the group hopes to capture. Most of the excess performance relates to curve and time trades. ~ All investment decisions are approved by an investment committee that meet on a monthly basis. There are 4 voting members with the 2 PM's consisting of 2 of the 4 votes. Buy and sells are given to traders to transact. ~ The strategy seeks to maintain benchmark weights in sectors and manage collateral conservatively. Curve trades will be a dominate source of positioning. The strategy will monitor risk and rebalance based on market moves. Utilizes swaps on futures ~ The strategy monitors risk in a number of ways. Tracking error is targeted to be 3-5%. Additionally, the team utilizes a third party risk measurement system, Algorithmics to test different risk scenarios. ~ No short selling in the strategy and very little use of leverage. The strategy has limits on sector exposure and position size. Counterparty exposure is constrained as well.
Performance History: (max points 20)	13	
<ul style="list-style-type: none"> - Return Premiums - Consistency - Attribution - Risk Adjusted - Composite Quality 		<ul style="list-style-type: none"> ~ The history of the strategy is quite brief but it has outperformed the strategies benchmark. Targeting 3% excess performance. ~ Given the short history, it's hard to determine consistency but it has performed as expected in relation to achieving excess returns utilizing curve trades. ~ Most of the excess returns come from curve trade exposure. Small outperformance in collateral and rebalancing. ~ The strategy has better risk-adjusted performance than the benchmark. Short history is a drawback. ~ Strategy is GIPS compliant. All accounts are included in composite.
Fees: (max points 12.5)	11	
<ul style="list-style-type: none"> - Competitive Fee Level 		<ul style="list-style-type: none"> ~ The fee is better than average. Simple base fee of .60% that goes down to .50% based on account size.
Additional Information: (max points 12.5)	8	
<ul style="list-style-type: none"> - Capacity - Separate vs. Commingled - Custody/Reporting - Ethics/Compliance Processes - Trading Practices 		<ul style="list-style-type: none"> ~ Strategy has approximately \$1B in assets with \$5B in capacity. ~ Separate account option. Commingled fund option. ~ Hermes has several outsourcing options for custody and reporting. Swap counterparties are reviewed by a credit risk committee. ~ No major conflicts at Hermes. There are two other strategies similar to this one run at Hermes. ~ Trading is handled by experienced traders. Appears to have operated smoothly since inception.

AGGREGATE SCORE: 63

RFP EVALUATION SHEET

Firm Name: Invesco Advisors (Invesco)	Strategy Name: Balanced-Risk Commodity
Firm Inception: 1935	Strategy Inception: Oct 2008
Firm AUM (mm): \$616,500	Strategy AUM (mm): \$579
Asset Class: Real Assets	Structure: Single Manager
Geographic Focus: Global	Type: Commodities
Geographic Sub-Focus: Developed	
Reviewer: JN	Fee Proposed (\$50 mm): 0.70%
	Appropriate Benchmark: DJ UBS Commodity Index
Aggregate Score: 71	Max Sector Exposure: N/A
	Tracking Error Range: N/A

Category	Score	Notes/Comments
Organization: (max points 25)	21	
<ul style="list-style-type: none"> - Organizational Structure/Ownership - Organizational Stability - Staff - Experience, Turnover, Succession Plans - Pending Investigations or Litigation - Compensation/Incentives/Equity Ownership - Assets/Clients/Account Growth/Account Losses 		<p>~ Invesco Advisors is a wholly-owned subsidiary of Invesco, a publicly traded company. Ownership is largely held by outside investors with employees of Invesco holding around 8% of the outstanding shares.</p> <p>~ As with other large organizations, such as Invesco, there will be turnover in senior management. However, over the last 3 years, Invesco reports that there has been no turnover in senior staff. There has been some turnover on the commodity strategy in the last 5 years.</p> <p>~ Invesco is a large organization with experienced senior management. Historically, the firm has had issues with turnover in personnel but it appears to be relatively stable in the last 3 years. There are succession plans in place for upper management.</p> <p>~ The RFP did not disclose any pending issues but did note that there were none affecting this strategy or team. No regulatory or litigation issues with the investment team that Invesco is aware of.</p> <p>~ Compensation is a mix of salary and bonus. Ownership is not a key source of compensation. No employee contracts are utilized. There is a deferred compensation plan with attractive provisions.</p> <p>~ The strategy has 4 accounts with about \$579 mm in assets. Slow growth since the recent inception date.</p>
Investment Process: (max points 30)	20	
<ul style="list-style-type: none"> - Resources/Team Size and Experience - Research Process/Due Diligence/Commodity Selection - Philosophy/Style - Buy/Sell Discipline - Portfolio Construction/Rebalancing - Risk Management - Guidelines 		<p>~ Scott Wolle leads the Global Asset Allocation team with 6 individuals beneath him. The team runs a number of different alternative and asset allocation strategies. Most of the groups prior experience is asset allocation work so there is some concern with specific commodity futures experience. Also, given the number of other mandates, how the team balances work-load is a concern.</p> <p>~ This is a unique spin on commodity futures investing. The team starts with redefining risk in the commodities space whereby allocations are broken down into risk budgets and equally weighting sectors based on how risky they are. The team focuses on the following return drivers, storage difficulty, rebalancing, optimal roll and tactical allocation. Active positioning at the individual commodity level is the final step in the process. Process is largely model driven that runs monthly.</p> <p>~ The team follows a balanced risk approach whereby asset allocation is first determined by risk factors, not return. Positioning after this is done using a number of variables including supply/demand, macro environment and investor positioning. Most of the excess returns are expected to come from risk balancing.</p> <p>~ The process is largely model driven that runs monthly and will determine the allocations to each of the commodity securities. There is constant monitoring and changes being made to the model as market forces vary. However, once the model determines the investment decisions, the team will implement the trades.</p> <p>~ The process will seek to keep a static exposure to commodity sectors based on risk by equally weighting each of the 4 sectors 25%. The active positioning process may deviate the portfolio from there depending on the attractiveness of other variables. The strategy can use leverage and go short unattractive commodities.</p> <p>~ Risk is the starting point for this strategy as it seeks to better budget risk factors than standard portfolios and indices. Should result in a better balanced portfolio in terms of risk. Tracking error may be high as it does not measure against benchmarks.</p> <p>~ The strategy seeks to maintain equally weighted exposures to commodity sectors risk factors. The actual weightings of the sectors will differ but shouldn't change dramatically over time. The strategy can short but net exposure will be long. Leverage is allowed up to 1.5x.</p>
Performance History: (max points 20)	11	
<ul style="list-style-type: none"> - Return Premiums - Consistency - Attribution - Risk Adjusted - Composite Quality 		<p>~ The actual history of the strategy is quite brief but it has outperformed the strategies benchmark since inception. The simulated performance is quite attractive but we do not view that as valuable as the live performance. Targeting 5% excess performance.</p> <p>~ Given the short history, it's hard to determine consistency but it has performed as expected in relation to achieving excess returns. The risk profile is more attractive than the benchmark giving some evidence that the strategy works.</p> <p>~ According to the attribution, most of the excess performance is derived from commodity selection and roll management. Active positioning based on a quantitative model is expected to add 15-20% of excess performance.</p> <p>~ The strategy has much better risk-adjusted performance than the benchmark. Short history is a drawback.</p> <p>~ Strategy is GIPS compliant. The simulated returns are a drawback.</p>
Fees: (max points 12.5)	11	
<ul style="list-style-type: none"> - Competitive Fee Level 		~ The fee is better than average at .70%.
Additional Information: (max points 12.5)	8	
<ul style="list-style-type: none"> - Capacity - Separate vs. Commingled - Custody/Reporting - Ethics/Compliance Processes - Trading Practices 		<p>~ Strategy has approximately \$579 mm in assets with no limit on capacity in place.</p> <p>~ Separate account option. Commingled option. Mutual Fund option</p> <p>~ The strategy may utilize OTC securities so counterparty exposure is monitored through a counterparty risk management group. Custom reports are available to clients, as well as, quarterly reports.</p> <p>~ Invesco does run a similar strategy for another product but there are guidelines in place to prevent conflicts.</p> <p>~ Trading is handled internally. Given the size of the organization, trading should be robust.</p>

AGGREGATE SCORE: 71

RFP EVALUATION SHEET

<i>Firm Name:</i>	Prudential/Bache	<i>Strategy Name:</i>	Bache Commodity Index
<i>Firm Inception:</i>	1879	<i>Strategy Inception:</i>	Sep 2008
<i>Firm AUM (mm):</i>	\$550	<i>Strategy AUM (mm):</i>	\$500
<i>Asset Class:</i>	Real Assets	<i>Structure:</i>	Single Manager
<i>Geographic Focus:</i>	Global	<i>Type:</i>	Commodities
<i>Geographic Sub-Focus:</i>	Developed		
<i>Reviewer:</i>	JN	<i>Fee Proposed (\$50 mm):</i>	0.75%
		<i>Appropriate Benchmark:</i>	Bache Commodity Index
<i>Aggregate Score:</i>	62	<i>Max Sector Exposure:</i>	40%
		<i>Tracking Error Range:</i>	0% vs. Bache Commodity Index

Category	Score	Notes/Comments
Organization: (max points 25)	13	
<ul style="list-style-type: none"> - Organizational Structure/Ownership - Organizational Stability - Staff - Experience, Turnover, Succession Plans - Pending Investigations or Litigation - Compensation/Incentives/Equity Ownership - Assets/Clients/Account Growth/Account Losses 		<ul style="list-style-type: none"> ~ Prudential is a publicly traded entity. The Prudential commodities group purchased the intellectual property of the Bache Commodity Index and utilizes the founders of the intellectual property on a consulting basis. Bache Commodity Group is a subsidiary of Prudential. The group was sold to Jeffries Group recently. Ownership status is unknown. ~ Bache & Company was purchased in 1981 by Prudential. The commodities group within Prudential has changed overtime and remains a small portion of the Prudential asset base. Prudential just sold the group to Jeffries. ~ The previous PM on the strategy, Steve Ilnitzki was terminated in 2009 following some internal reviews on the strategy. A new president of the commodities group was hired and the previous president moved into the PM position. ~ Following the departure of Steve Ilnitzki for internal client investment violations, the group hired Rupert Allan who brings some legal baggage associated with his prior job at Tremont Group. Rupert is the subject of numerous lawsuits related to Tremont's investment in Madoff Securities. ~ Compensation is salary, bonus and possible stock options in Prudential. No major equity ownership available to investment team members given Prudential's size. ~ There has been some large client accounts lost in 2010 but for the most part has been stable in the strategies short history.
Investment Process: (max points 30)	21	
<ul style="list-style-type: none"> - Resources/Team Size and Experience - Research Process/Due Diligence/Commodity Selection - Philosophy/Style - Buy/Sell Discipline - Portfolio Construction/Rebalancing - Risk Management - Guidelines 		<ul style="list-style-type: none"> ~ The team relies on signals from the Alternatives Investment Analytics group to assist in operating the Bache Index and conducting analysis. A traditional PM and research staff is not needed since the portfolio replicates the index. ~ The Bache Index utilizes momentum factors, roll return factors, a beta factor and some collateral management. The index has a good history of protecting downside movements in commodity futures by moving to cash. Compelling process overall. ~ Tracks the Bache Commodity Index which is a more active index that looks at various factors to weight individual commodities and the level of exposure to commodities futures overall. Will deviate from UBS DJ Index substantially as it has little relation to the makeup of that benchmark. ~ The trades are based solely on what the Bache model dictates. Utilizes some roll techniques to mitigate contango and transaction costs. ~ Tracks the Bache Commodity Index. Utilizes mean reversion and rebalancing to attempt to capture additional return. ~ Will seek to protect against losses in commodity futures by reducing exposure to commodities when momentum signals dictate negative momentum. ~ The portfolio has sector and security restrictions guidelines.
Performance History: (max points 20)	12	
<ul style="list-style-type: none"> - Return Premiums - Consistency - Attribution - Risk Adjusted - Composite Quality 		<ul style="list-style-type: none"> ~ The returns are compelling, especially in down markets, for the Bache Index. However, a lack of live history on the strategy is a drawback. Portfolio returns do a good job of tracking the index in the few years we have actual data. ~ The strategy will have sizable allocations to cash (averaging 30%) in its history so returns can be quite divergent vs. the commodity futures market. Consistency in returns vs. the benchmark are low for this strategy. ~ The strategy has a short history of live performance but the bulk of excess performance derived from the asset allocation decisions. Collateral and roll had less of an impact. ~ The risk adjusted performance is compelling as volatility is well below the index and downside protection is high. Short history is a drawback. ~ The composite includes all institutional accounts and is expected to receive GIPS compliance in 2011.
Fees: (max points 12.5)	9	
<ul style="list-style-type: none"> - Competitive Fee Level 		<ul style="list-style-type: none"> ~ The fee is slightly better than average for the universe.
Additional Information: (max points 12.5)	7	
<ul style="list-style-type: none"> - Capacity - Separate vs. Commingled - Custody/Reporting - Ethics/Compliance Processes - Trading Practices 		<ul style="list-style-type: none"> ~ Strategy has approximately \$500 mm in assets with \$6B in capacity. ~ Separate accounts are available but not a commingled option. ~ There is a sizable back office operation available to the portfolio ~ The departure of the PM over client issues and hiring a president with ongoing litigation are detractors to this strategy. No other compliance issues. ~ Trades are reconciled daily and reviewed by management periodically.

AGGREGATE SCORE: 62

RFP EVALUATION SHEET

Firm Name: Schroders NewFinance Capital (SNFC)	Strategy Name: Opus Commodities Core Plus
Firm Inception: 2002	Strategy Inception: Oct 2007
Firm AUM (mm): \$3,700	Strategy AUM (mm): \$277
Asset Class: Real Assets	Structure: Multi-Manager
Geographic Focus: Global	Type: Commodities
Geographic Sub-Focus: Developed	
Reviewer: JN	Fee Proposed (\$50 mm): 1.25% + external funds
	Appropriate Benchmark: DJ UBS Commodity Index
Aggregate Score: 65	Max Sector Exposure: N/A
	Tracking Error Range: 5% vs. DJ UBS Commodity Index

Category	Score	Notes/Comments
Organization: (max points 25)	18	
- Organizational Structure/Ownership		~ SNFC is a wholly owned subsidiary of Schroders plc. Schroders is a publicly traded corporation with significant shares held by the Schroder family. Employees at Schroder have around 5.5% of the outstanding shares in the company.
- Organizational Stability		~ SNFC was bought by Schroders in 2006 so there isn't a lengthy history since the transaction but thus far has relatively stable. One founder left in 2008. A new CEO and CFO joined Schroders in 2010.
- Staff - Experience, Turnover, Succession Plans		~SNFC has extensive experience managing hedge funds and the investment team has experience in commodity trading. One analyst left in 2009 and another joined in 2010. David Mooney is the lead PM and has been there since inception.
- Pending Investigations or Litigation		~ SNFC does not appear to have any litigation or regulatory issues.
- Compensation/Incentives/Equity Ownership		~ Compensation is a mix of salary, bonus and some equity interests for key individuals. Ownership in SNFC is unavailable but some employees have equity in Schroder's plc. David Mooney, portfolio manager, has a performance based compensation arrangement.
- Assets/Clients/Account Growth/Account Losses		~ The strategy has 3 accounts with about \$277 mm in assets. Appears to be growing slowly with no major wins or losses at the account level.
Investment Process: (max points 30)	22	
- Resources/Team Size and Experience		~ David Mooney is the lead PM with 2 direct analysts beneath him. In addition, the team has a number of research staff helping to source external managers. David has extensive experience in commodities and hedge funds. Good experience at the broader firm level.
- Research Process/Due Diligence/Commodity Selection		~ Unique strategy that utilizes external funds for alpha and an internally managed pool for capturing beta and keeping tracking error inline. Typically 8-12 hedge fund managers are chosen for alpha generation with constraints on size and risk. In order to keep a beta close to 1 and net long exposure. The beta portion will manage against the index to keep a desired tracking error at 5%.
- Philosophy/Style		~The team believes that superior manager selection will enable the team to generate significant alpha while also delivering near 1 beta exposure to the index through the use of internal long commodity exposure. Most of the alpha the product expects to generate will come from the external managers. Most of the tracking error will also derive from those managers. The beta component will seek to dampen risk and provide the desired asset class exposure.
- Buy/Sell Discipline		~ External managers are chosen by the investment team with the help of SNFC staff. The internal strategy is managed against the external pool of funds in order to maintain a tracking error to the benchmark and provide some alpha when available. David Mooney is the primary decision maker.
- Portfolio Construction/Rebalancing		~ External managers are chosen and monitored in order to achieve a diversified set of alpha returns. Through position aggregation of underlying managers, the internal portfolio is then managed to provide the necessary beta and tracking error exposure.
- Risk Management		~ The strategy monitors risk in a number of ways. Tracking error is targeted to be 5%. Additionally, the team will stress test positions held by external managers and internal positions. Operational due diligence teams must approve outside managers and monitor them going forward. VAR and stress risk measures are used on a regular basis at the portfolio level.
- Guidelines		~ Short selling by the external managers and leverage are allowed. Internal money is long-only. No swaps or OTC products are used in either pool of money. Limits on manager exposure are in place.
Performance History: (max points 20)	13	
- Return Premiums		~ The history of the strategy is quite brief but it has outperformed the strategies benchmark significantly. Targeting 6-9% excess performance.
- Consistency		~ Given the short history, it's hard to determine consistency but it has performed as expected in relation to achieving excess returns utilizing the external managers.
- Attribution		~ Most of the excess returns come from external managers. Small outperformance in the internal managed pool.
- Risk Adjusted		~ The strategy has better risk-adjusted performance than the benchmark. Short history is a drawback.
- Composite Quality		~ Strategy is not GIPS compliant. Performance is less transparent due to use of hedge funds.
Fees: (max points 12.5)	4	
- Competitive Fee Level		~ The fee is well above average when you consider the underlying funds fees as well. Base fee of 1.25% and typical hedge fund fees on the external managers.
Additional Information: (max points 12.5)	8	
- Capacity		~ Strategy has approximately \$277 mm in assets with \$4B in capacity.
- Separate vs. Commingled		~ Separate account option but high minimum. Commingled fund option.
- Custody/Reporting		~ The strategy does not utilize OTC securities so there is little counterparty exposure. External custody and trading done by ABN AMRO. Weekly and monthly reports are available to clients.
- Ethics/Compliance Processes		~ No major conflicts at SNFC. There are other fund of fund strategies run at the firm with overlapping managers.
- Trading Practices		~ Trading is handled by ABN AMRO. Appears to have operated smoothly since inception.

AGGREGATE SCORE: 65

RFP EVALUATION SHEET

Firm Name: State Street (SSGA)	Strategy Name: Multisource Active Commodity (MAC)
Firm Inception: 1978	Strategy Inception: Nov 2007
Firm AUM (mm): \$2,000,000	Strategy AUM (mm): \$35
Asset Class: Real Assets	Structure: Single Manager
Geographic Focus: Global	Type: Commodities
Geographic Sub-Focus: Developed	
Reviewer: JN	Fee Proposed (\$50 mm): 0.75%
	Appropriate Benchmark: DJ UBS Commodity Index
Aggregate Score: 70	Max Sector Exposure: 55% relative to index
	Tracking Error Range: 8-10% vs. DJ UBS Commodity Index

Category	Score	Notes/Comments
Organization: (max points 25)	20	
- Organizational Structure/Ownership		~ SSARIS operates the Multisource Commodity strategy. SSARIS is a joint venture between SSgA and the executive team of SSARIS. SSgA owns 60% of the venture with the remaining 40% held by executives. SSARIS as a majority owned subsidiary of SSgA operates a series of hedge fund and alternative strategies for SSgA. SSgA is a publicly traded entity. RXR Capital is the firm that manages SSARIS, owns the remaining 40% of the joint venture and is privately held.
- Organizational Stability		~ SSARIS operates the Multisource Commodity strategy. SSARIS is a joint venture between SSgA and the executive team of SSARIS. SSgA owns 60% of the venture with the remaining 40% held by executives. SSARIS as a majority owned subsidiary of SSgA and operates this strategy. The team has had a few investment departures but top personnel are still in place.
- Staff - Experience, Turnover, Succession Plans		~ It's not clear that the two lead PM's, Mark Rosenberg and Paul Lucek spend enough time managing the strategy. Mark lists 10% of his time devoted to the strategy and Paul lists 50%. Not a deep commodities team below them.
- Pending Investigations or Litigation		~ SSgA has some litigation related to other areas of its business. None related to this strategy. Does not disclose specific employee litigation or violations.
- Compensation/Incentives/Equity Ownership		~ Compensation is a mix of salary, bonus and possible equity stakes at SSARIS level. Most of the SSARIS ownership is held by top management. A plan is in place to distribute more equity to other investment professionals.
- Assets/Clients/Account Growth/Account Losses		~ The strategy has a small asset base with 8 accounts in the strategy. Appears to be growing slowly with no major wins or losses at the account level.
Investment Process: (max points 30)	20	
- Resources/Team Size and Experience		~ Mark and Paul, lead PM's, have experience in futures and commodities but don't appear to spend the majority of their time on this strategy. There are several people listed as members of the Multisource Commodity team but few have direct experience in commodities. SSgA has some oversight on the strategy through Dan Farley.
- Research Process/Due Diligence/Commodity Selection		~ Attractive strategy that combines a core pool of positions in benchmark commodities with certain overweights and underweights based on attractiveness in each commodity. In addition, there is a tactical pool of capital that weights commodities based on trend following models.
- Philosophy/Style		~ The strategy seeks to exploit three variables in commodity futures, backwardation, mean reversion and trend following. Two pools of capital utilizing different strategies seek to exploit these three inefficiencies in the market.
- Buy/Sell Discipline		~ The strategy is quantitative and makes use of commodity futures and cash. The models will dictate which commodities to overweight and underweight. Systematic buying and selling based on signals from the model.
- Portfolio Construction/Rebalancing		~ The two pools of capital are equally weighted and rebalancing occurs at the end of each month. SSARIS maintains the models and determines which commodities to buy/sell. Utilizes commodity futures. May implement swaps in the future.
- Risk Management		~ MAC utilizes two measurements of risk - tracking error and drawdown. The strategy seeks to achieve tracking error to the benchmark of 8-10% and a maximum drawdown less than that of the benchmark. Through the use of volatility measurements and trend following, the strategy will reduce positions in those commodities poised to fall and also taking profits and buying cash as volatility picks up.
- Guidelines		~ Short selling is permitted but a maximum of 10% per commodity and a maximum of 55% relative exposure to a sector level.
Performance History: (max points 20)	15	
- Return Premiums		~ The history of the strategy is compelling but is discounted for its briefness. Targeting 5-7% excess performance.
- Consistency		~ The short history of the strategy makes long term consistency immeasurable but given the core portfolio's structure it should exhibit similar return patterns to that of the index. The tactical pool of assets can deviate markedly depending on the level of cash being utilized. We expect less drawdown in MAC than the benchmark which has occurred since 2008.
- Attribution		~ Attribution is broken down by core and tactical pools. Both strategies are expected to add equal amounts of alpha. Since inception, the tactical pool has added about 60-70% of the alpha with the remaining being from core.
- Risk Adjusted		~ The risk adjusted performance is compelling as volatility is below the index and it has provided better downside performance. Short history is a drawback.
- Composite Quality		~ Strategy is GIPS compliant. All accounts are included in composite.
Fees: (max points 12.5)	11	
- Competitive Fee Level		~ The fee is below average. Simple base fee of .60% if accounts are opened prior to June 30th, 2011. Fee goes up to .75% after that.
Additional Information: (max points 12.5)	5	
- Capacity		~ Strategy has approximately \$35 mm in assets with \$1.5B in capacity.
- Separate vs. Commingled		~ Separate account option. Commingled fund option.
- Custody/Reporting		~ Has extensive resources for custody and reporting. Any swap usage will reviewed by a credit risk management team for counterparty issues.
- Ethics/Compliance Processes		~ No major conflicts at SSgA. SSARIS does run a hedge fund type commodity product
- Trading Practices		~ Good back office staffing and trading practices.

AGGREGATE SCORE: 70

Section 2

Performance Exhibits

SamCERA

Commodity Futures Search

SamCERA - Commodity Futures Search

Periods ending March 31, 2011

Performance Summary Tables All Strategies

Cargill, Inc: ProAlpha-DJUBS		DB Adv.: Gbl Cmnty w/eq*		GEAM: Active Commodities		Gresham: TAP		Hermes: Cmnty Index Plus		Invesco: Balanced-Risk Cmnty		PBAM - BCL: Bache Index		Schroders: NFC Rlt Rtr Cmnty		SSgA: MAC		DJ-UBS US Commodity		eA Commodities Median	Commodities Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

Total Return

3 Mos.	6.4	55	8.5	24	4.5	77	7.4	34	11.4	10	3.1	89	8.8	22	5.0	74	7.9	31	4.5	79	6.6	43
1 Yr.	31.7	35	21.9	90	29.3	60	31.5	43	35.3	22	37.1	15	24.0	80	24.1	80	31.1	45	28.5	65	30.7	41
3 Yrs.	-2.8	48	-4.2	67	-3.2	53	-3.6	56	-2.5	47	n/a	n/a	n/a	n/a	2.2	21	2.5	20	-5.2	75	-3.1	37
5 Yrs.	n/a	n/a	3.9	61	n/a	n/a	3.8	66	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.6	79	4.6	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	6.5	62	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.0	87	10.6	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	8.0	67	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7.1	85	8.0	7

Excess Return

3 Mos.	1.9		4.0		0.1		2.9		6.9		-1.3		4.3		0.6		3.5				2.1	43
1 Yr.	3.3		-6.6		0.8		3.0		6.8		8.7		-4.5		-4.4		2.7				2.2	41
3 Yrs.	2.4		1.0		2.0		1.7		2.8		n/a	n/a	n/a	n/a	7.4		7.7				2.1	37
5 Yrs.	n/a	n/a	1.3		n/a	n/a	1.2		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			2.0	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	2.6		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			6.6	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	0.9		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			0.9	7

Excess Return vs. Universe Median

3 Mos.	-0.2		1.9		-2.1		0.8		4.8		-3.5		2.2		-1.6		1.3		-2.1			43
1 Yr.	1.0		-8.8		-1.5		0.8		4.6		6.4		-6.8		-6.7		0.4		-2.2			41
3 Yrs.	0.3		-1.1		-0.1		-0.5		0.7		n/a	n/a	n/a	n/a	5.3		5.6		-2.1			37
5 Yrs.	n/a	n/a	-0.7		n/a	n/a	-0.8		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-2.0			24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	-4.1		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-6.6			14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	0.0		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-0.9			7

Standard Deviation

3 Yrs.	23.2	20	27.4	70	23.1	17	24.5	56	24.4	51	n/a	n/a	n/a	n/a	23.4	29	21.3	6	23.4	29	24.3	37
5 Yrs.	n/a	n/a	23.4	61	n/a	n/a	21.1	22	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	20.8	15	22.0	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	19.1	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19.1	3	20.2	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	17.4	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17.6	5	18.4	7

Tracking Error

3 Yrs.	1.5	14	8.5	59	2.7	20	4.2	39	4.8	50	n/a	n/a	n/a	n/a	5.4	52	8.2	56			4.9	37
5 Yrs.	n/a	n/a	9.1	66	n/a	n/a	4.4	31	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			6.5	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	4.4	24	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			6.3	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	5.2	34	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			9.6	7

Information Ratio

3 Yrs.	1.6	14	0.1	73	0.7	39	0.4	59	0.6	51	n/a	n/a	n/a	n/a	1.4	18	0.9	25			0.6	37
5 Yrs.	n/a	n/a	0.1	74	n/a	n/a	0.3	57	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			0.6	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	0.6	47	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			0.6	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	0.2	67	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			0.4	7

Universe: eA Commodities

*DB Advisors performance includes equity positions. Proposed strategy is commodity-only.

Universe Rank: Green = Top Quartile Red = Bottom Quartile

SamCERA - Commodity Futures Search

Periods ending March 31, 2011

Performance Summary Tables

All Strategies

Cargill, Inc: ProAlpha-DJUBS		DB Adv.: Gbl Cmnty w/eq*		GEAM: Active Commodities		Gresham: TAP		Hermes: Cmnty Index Plus		Invesco: Balanced-Risk Cmnty		PBAM - BCL: Bache Index		Schroders: NFC Rlt Rtr Cmnty		SSgA: MAC		DJ-UBS US Commodity		eA Commodities Median	Commodities Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

Beta

3 Yrs.	1.0	78	1.1	28	1.0	81	1.0	45	1.0	50	n/a	n/a	n/a	n/a	1.0	82	0.9	95			1.0	37
5 Yrs.	n/a	n/a	1.0	53	n/a	n/a	1.0	83	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			1.0	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	1.0	93	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			1.1	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	1.0	84	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			1.0	7

Alpha (CAPM)

3 Yrs.	2.4	53	1.7	62	1.9	56	1.8	59	2.9	47	n/a	n/a	n/a	n/a	7.2	18	6.9	20			2.5	37
5 Yrs.	n/a	n/a	1.3	61	n/a	n/a	1.2	66	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			2.0	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	2.6	62	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			6.3	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	1.2	50	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			1.2	7

Sharpe Ratio

3 Yrs.	-0.1	48	-0.2	62	-0.2	56	-0.2	59	-0.1	47	n/a	n/a	n/a	n/a	0.1	21	0.1	17	-0.2	81	-0.1	37
5 Yrs.	n/a	n/a	0.1	66	n/a	n/a	0.1	61	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	79	0.1	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	0.2	54	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.1	87	0.3	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	0.3	50	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.3	82	0.3	7

Upside Capture Ratio

3 Yrs.	104.8	64	120.2	34	101.3	75	106.2	62	110.7	49	n/a	n/a	n/a	n/a	112.1	44	91.1	95			109.9	37
5 Yrs.	n/a	n/a	105.1	79	n/a	n/a	100.2	92	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			110.0	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	102.8	100	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			123.4	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	96.1	100	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			124.0	7

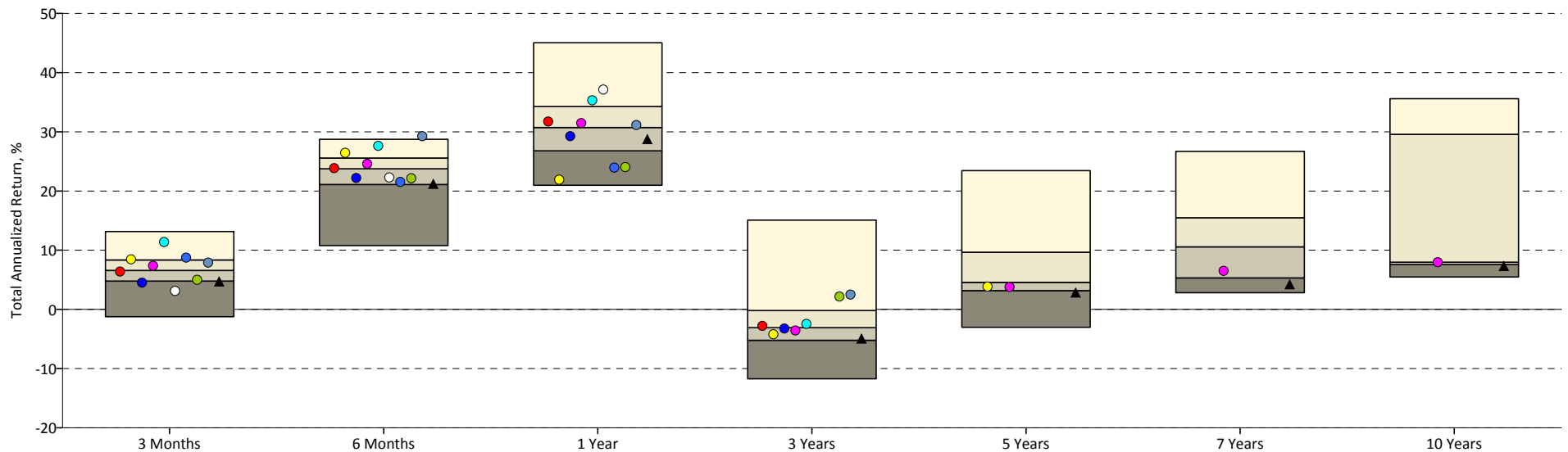
Downside Capture Ratio

3 Yrs.	96.6	39	109.3	76	95.6	34	99.4	53	99.3	49	n/a	n/a	n/a	n/a	88.1	22	73.3	14			99.4	37
5 Yrs.	n/a	n/a	100.1	48	n/a	n/a	96.2	40	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			100.5	24
7 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	93.3	47	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			97.4	14
10 Yrs.	n/a	n/a	n/a	n/a	n/a	n/a	91.9	51	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			91.9	7

Universe: eA Commodities

Universe Rank: Green = Top Quartile Red = Bottom Quartile

Total Return: Trailing Periods

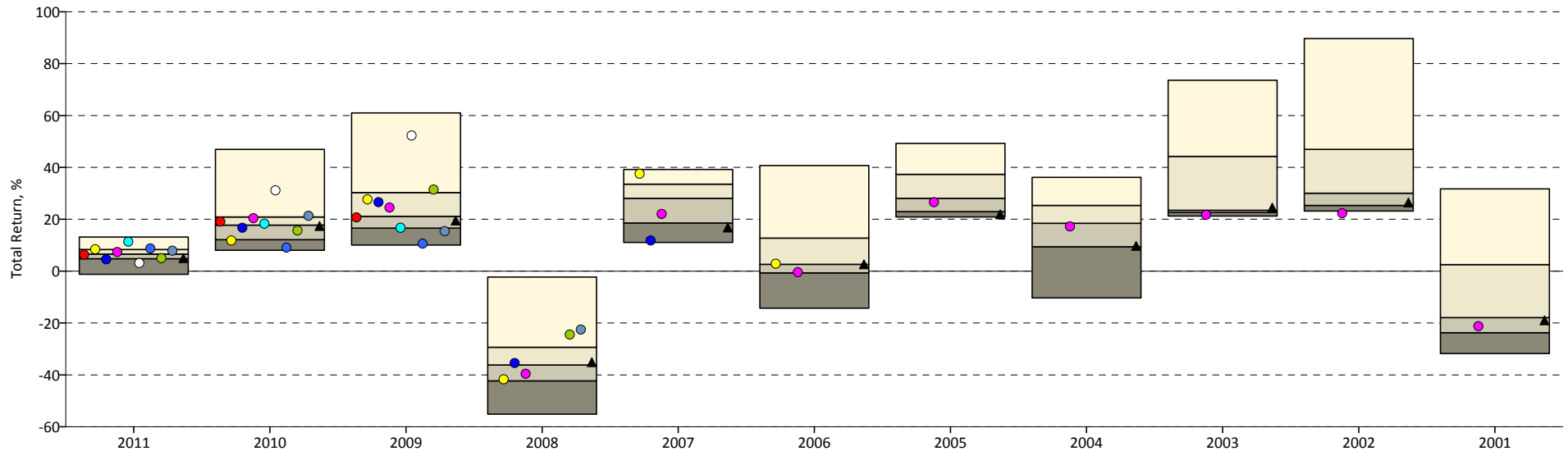


	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Cargill, Inc: ProAlpha-DJUBS	6.4	55	23.9	43	31.7	35	-2.8	48	n/a	n/a	n/a	n/a	n/a	n/a
DB Adv.: Gbl Cmdty w/eq*	8.5	24	26.5	15	21.9	90	-4.2	67	3.9	61	n/a	n/a	n/a	n/a
GEAM: Active Commodities	4.5	77	22.2	60	29.3	60	-3.2	53	n/a	n/a	n/a	n/a	n/a	n/a
Gresham: TAP	7.4	34	24.6	36	31.5	43	-3.6	56	3.8	66	6.5	62	8.0	67
Hermes: Cmdty Index Plus	11.4	10	27.6	10	35.3	22	-2.5	47	n/a	n/a	n/a	n/a	n/a	n/a
Invesco: Balanced-Risk Cmdty	3.1	89	22.3	58	37.1	15	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PBAM - BCL: Bache Index	8.8	22	21.5	70	24.0	80	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Schroders: NFC Rlt Rtr Cmdty	5.0	74	22.2	60	24.1	80	2.2	21	n/a	n/a	n/a	n/a	n/a	n/a
SSgA: MAC	7.9	31	29.3	1	31.1	45	2.5	20	n/a	n/a	n/a	n/a	n/a	n/a
DJ-UBS US Commodity	4.5	79	20.9	77	28.5	65	-5.2	75	2.6	79	4.0	87	7.1	85
eA Commodities Median	6.6		23.7		30.7		-3.1		4.6		10.6		8.0	
eA Commodities Size	43		43		41		37		24		14		7	

Legend

- 5th to 25th Percentile
 25th Percentile to Median
 Median to 75th Percentile
 75th to 95th Percentile
- Cargill, Inc: ProAlpha-DJUBS
 ● DB Adv.: Gbl Cmdty w/eq*
 ● GEAM: Active Commodities
 ● Gresham: TAP
 Universe: eA Commodities
- Hermes: Cmdty Index Plus
 ○ Invesco: Balanced-Risk Cmdty
 ● PBAM - BCL: Bache Index
 ● Schroders: NFC Rlt Rtr Cmdty
 Universe Rank: Green = Top Quartile Red = Bottom Quartile
- SSgA: MAC
 ▲ DJ-UBS US Commodity

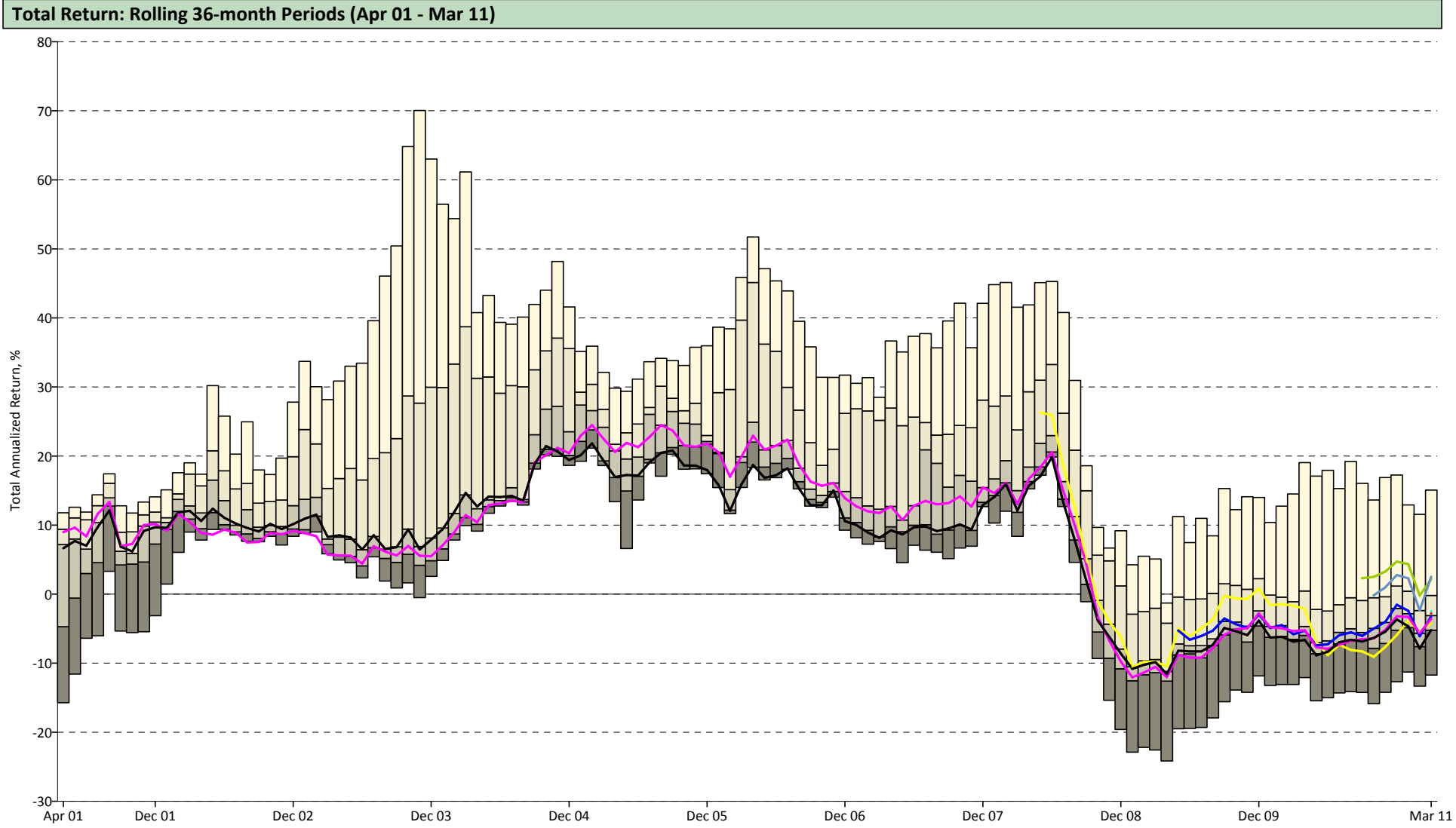
Total Return: Calendar Years



	Total Return																						
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	
Cargill, Inc: ProAlpha-DJUBS	6.4	55	19.1	42	20.7	55	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
DB Adv.: Gbl Cmdty w/eq*	8.5	24	11.9	79	27.7	29	-41.7	74	37.6	7	2.9	43	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GEAM: Active Commodities	4.5	77	16.8	59	26.6	31	-35.4	46	11.8	94	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gresham: TAP	7.4	34	20.4	27	24.5	40	-39.6	62	22.0	69	-0.4	74	26.6	62	17.2	58	21.7	88	22.3	100	-21.2	72	
Hermes: Cmdty Index Plus	11.4	10	18.3	47	16.8	74	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Invesco: Balanced-Risk Cmdty	3.1	89	31.2	9	52.3	9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PBAM - BCL: Bache Index	8.8	22	9.1	90	10.6	92	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Schroders: NFC Rlt Rtr Cmdty	5.0	74	15.7	69	31.5	19	-24.5	13	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SSgA: MAC	7.9	31	21.3	24	15.4	81	-22.5	12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
DJ-UBS US Commodity	4.5	79	16.8	59	18.9	64	-35.7	49	16.2	89	2.1	66	21.4	86	9.2	80	23.9	49	25.9	69	-19.5	64	
eA Commodities Median	6.6		17.7		21.1		-36.2		28.1		2.6		28.1		18.5		23.5		30.0		-17.9		
eA Commodities Size	43		47		47		43		30		27		22		15		9		8		8		

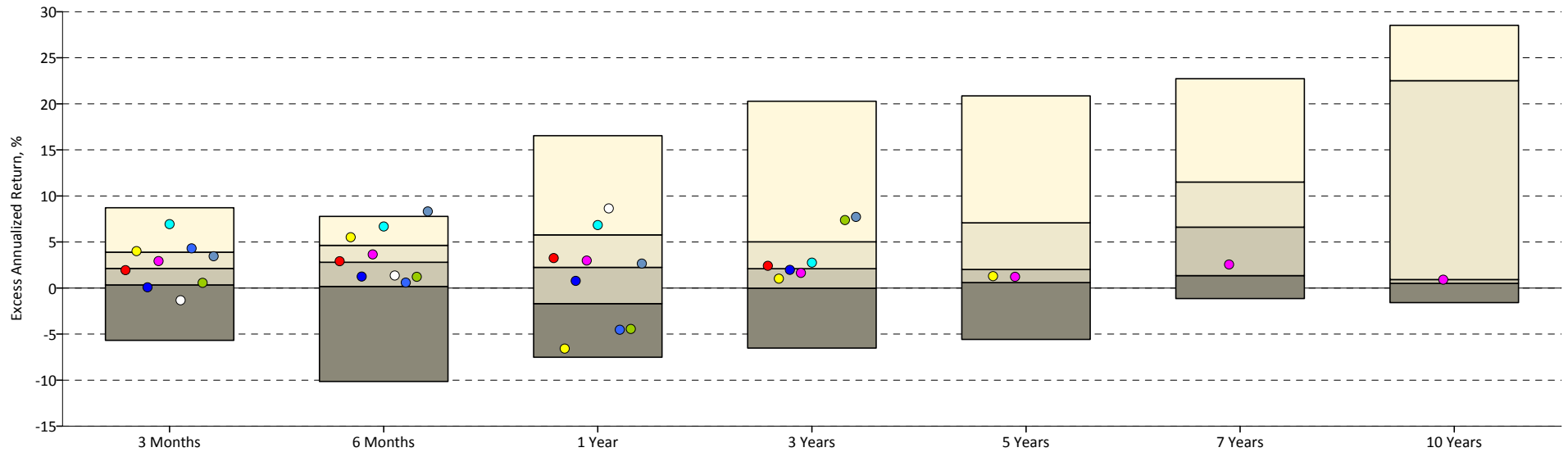
Legend

- 5th to 25th Percentile
 - 25th Percentile to Median
 - Median to 75th Percentile
 - 75th to 95th Percentile
 - Universe: eA Commodities
 - Cargill, Inc: ProAlpha-DJUBS
 - DB Adv.: Gbl Cmdty w/eq*
 - GEAM: Active Commodities
 - Gresham: TAP
 - Hermes: Cmdty Index Plus
 - Invesco: Balanced-Risk Cmdty
 - PBAM - BCL: Bache Index
 - Schroders: NFC Rlt Rtr Cmdty
 - SSGA: MAC
 - ▲ DJ-UBS US Commodity
- Universe Rank:
Green = Top Quartile Red = Bottom Quartile



Legend				
5th to 25th Percentile	25th Percentile to Median	Median to 75th Percentile	75th to 95th Percentile	Universe: eA Commodities
Cargill, Inc.: ProAlpha-DJUBS	DB Adv.: Gbl Cmdty w/eq*	GEAM: Active Commodities	Gresham: TAP	
Hermes: Cmdty Index Plus	Invesco: Balanced-Risk Cmdty	PBAM - BCL: Bache Index	Schroders: NFC Rlt Rtr Cmdty	
SSgA: MAC	DJ-UBS US Commodity			

Excess Return: Trailing Periods

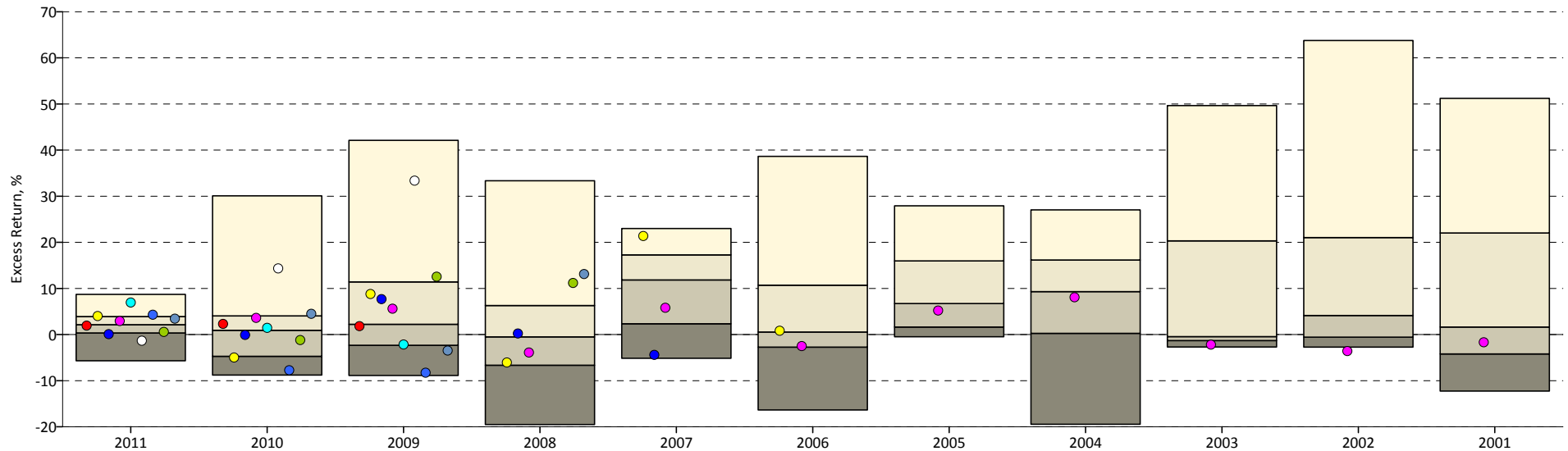


	Excess Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Cargill, Inc: ProAlpha-DJUBS	1.9	55	2.9	43	3.3	35	2.4	48	n/a	n/a	n/a	n/a	n/a	n/a
DB Adv.: Gbl Cmdty w/eq*	4.0	24	5.5	15	-6.6	90	1.0	67	1.3	61	n/a	n/a	n/a	n/a
GEAM: Active Commodities	0.1	77	1.3	60	0.8	60	2.0	53	n/a	n/a	n/a	n/a	n/a	n/a
Gresham: TAP	2.9	34	3.7	36	3.0	43	1.7	56	1.2	66	2.6	62	0.9	67
Hermes: Cmdty Index Plus	6.9	10	6.7	10	6.8	22	2.8	47	n/a	n/a	n/a	n/a	n/a	n/a
Invesco: Balanced-Risk Cmdty	-1.3	89	1.4	58	8.7	15	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PBAM - BCL: Bache Index	4.3	22	0.6	70	-4.5	80	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Schroders: NFC Rlt Rtr Cmdty	0.6	74	1.2	60	-4.4	80	7.4	21	n/a	n/a	n/a	n/a	n/a	n/a
SSgA: MAC	3.5	31	8.3	1	2.7	45	7.7	20	n/a	n/a	n/a	n/a	n/a	n/a
eA Commodities Median	2.1		2.8		2.2		2.1		2.0		6.6		0.9	
eA Commodities Size	43		43		41		37		24		14		7	

Legend

- 5th to 25th Percentile
 25th Percentile to Median
 Median to 75th Percentile
 75th to 95th Percentile
 Universe: eA Commodities
- Cargill, Inc: ProAlpha-DJUBS
 ● DB Adv.: Gbl Cmdty w/eq*
 ● GEAM: Active Commodities
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- Hermes: Cmdty Index Plus
 ○ Invesco: Balanced-Risk Cmdty
 ● PBAM - BCL: Bache Index
 ● Schroders: NFC Rlt Rtr Cmdty
- SSgA: MAC

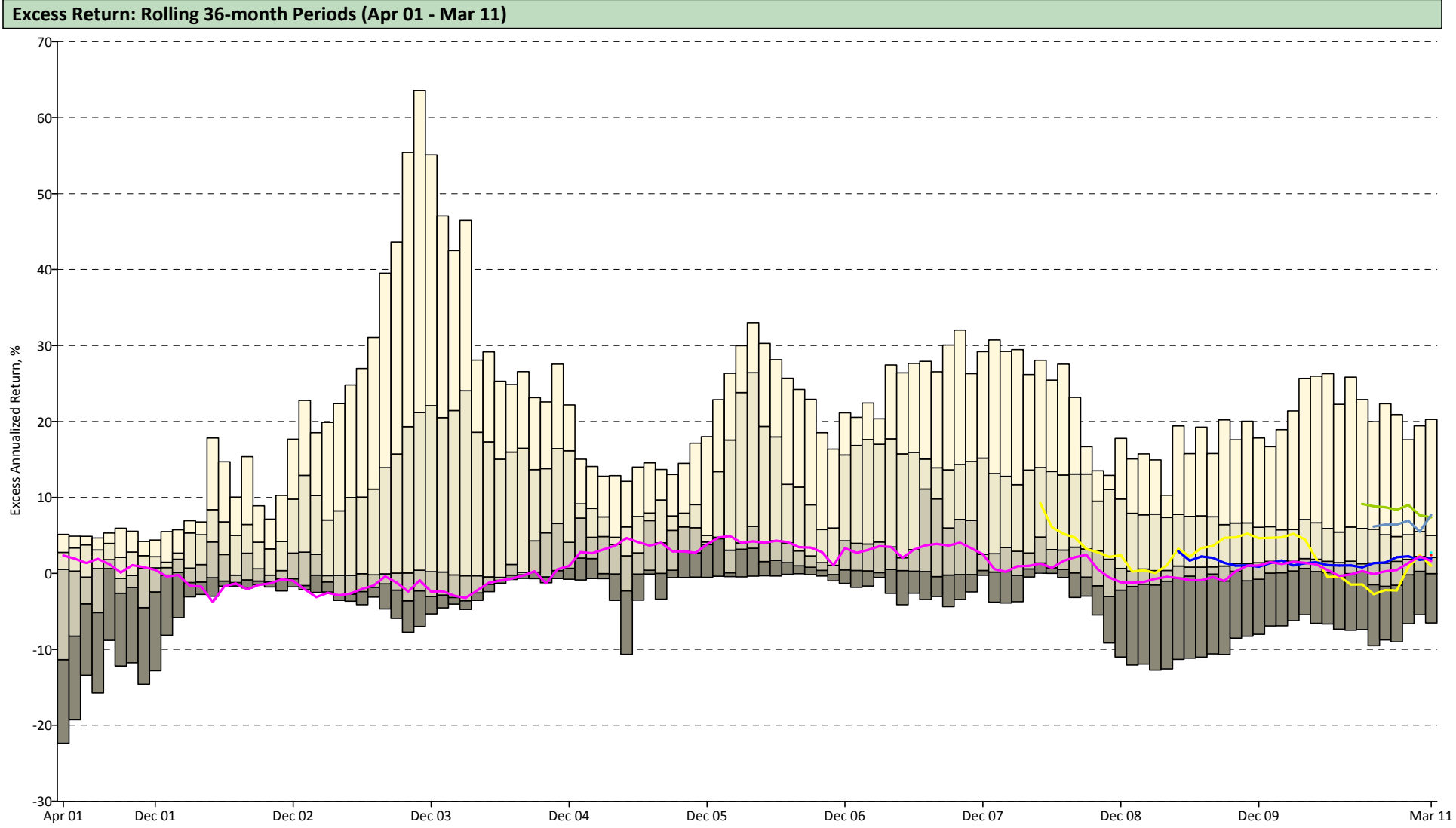
Excess Return: Calendar Years



	Excess Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Cargill, Inc: ProAlpha-DJUBS	1.9	55	2.3	42	1.8	55	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
DB Adv.: Gbl Cmdty w/eq*	4.0	24	-5.0	79	8.8	29	-6.1	74	21.4	7	0.8	43	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GEAM: Active Commodities	0.1	77	-0.1	59	7.7	31	0.2	46	-4.4	94	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gresham: TAP	2.9	34	3.6	27	5.6	40	-3.9	62	5.8	69	-2.5	74	5.2	62	8.1	58	-2.2	88	-3.6	100	-1.7	72
Hermes: Cmdty Index Plus	6.9	10	1.5	47	-2.2	74	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Invesco: Balanced-Risk Cmdty	-1.3	89	14.4	9	33.4	9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PBAM - BCL: Bache Index	4.3	22	-7.8	90	-8.3	92	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Schroders: NFC Rlt Rtr Cmdty	0.6	74	-1.2	69	12.5	19	11.2	13	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SSgA: MAC	3.5	31	4.5	24	-3.5	81	13.1	12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
eA Commodities Median	2.1		0.9		2.2		-0.5		11.8		0.6		6.7		9.3		-0.5		4.1		1.6	
eA Commodities Size	43		47		47		43		30		27		22		15		9		8		8	

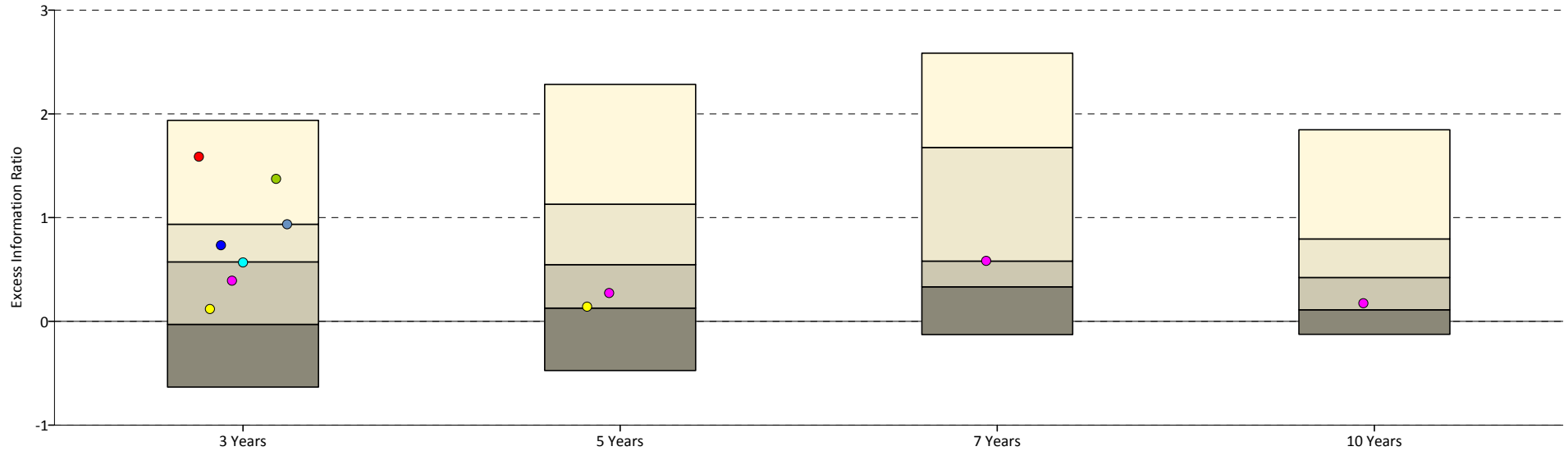
Legend

- 5th to 25th Percentile
 25th Percentile to Median
 Median to 75th Percentile
 75th to 95th Percentile
 Universe:
eA Commodities
- Cargill, Inc: ProAlpha-DJUBS
 ● DB Adv.: Gbl Cmdty w/eq*
 ● GEAM: Active Commodities
 ● Gresham: TAP
 Universe Rank:
Green = Top Quartile Red = Bottom Quartile
- Hermes: Cmdty Index Plus
 ○ Invesco: Balanced-Risk Cmdty
 ● PBAM - BCL: Bache Index
 ● Schroders: NFC Rlt Rtr Cmdty
- SSgA: MAC



Legend				
5th to 25th Percentile	25th Percentile to Median	Median to 75th Percentile	75th to 95th Percentile	Universe: eA Commodities
Cargill, Inc.: ProAlpha-DJUBS	DB Adv.: Gbl Comdty w/eq*	GEAM: Active Commodities	Gresham: TAP	
Hermes: Comdty Index Plus	Invesco: Balanced-Risk Comdty	PBAM - BCL: Bache Index	Schrodgers: NFC Rlt Rtr Comdty	
SSgA: MAC				

Information Ratio: Trailing Periods

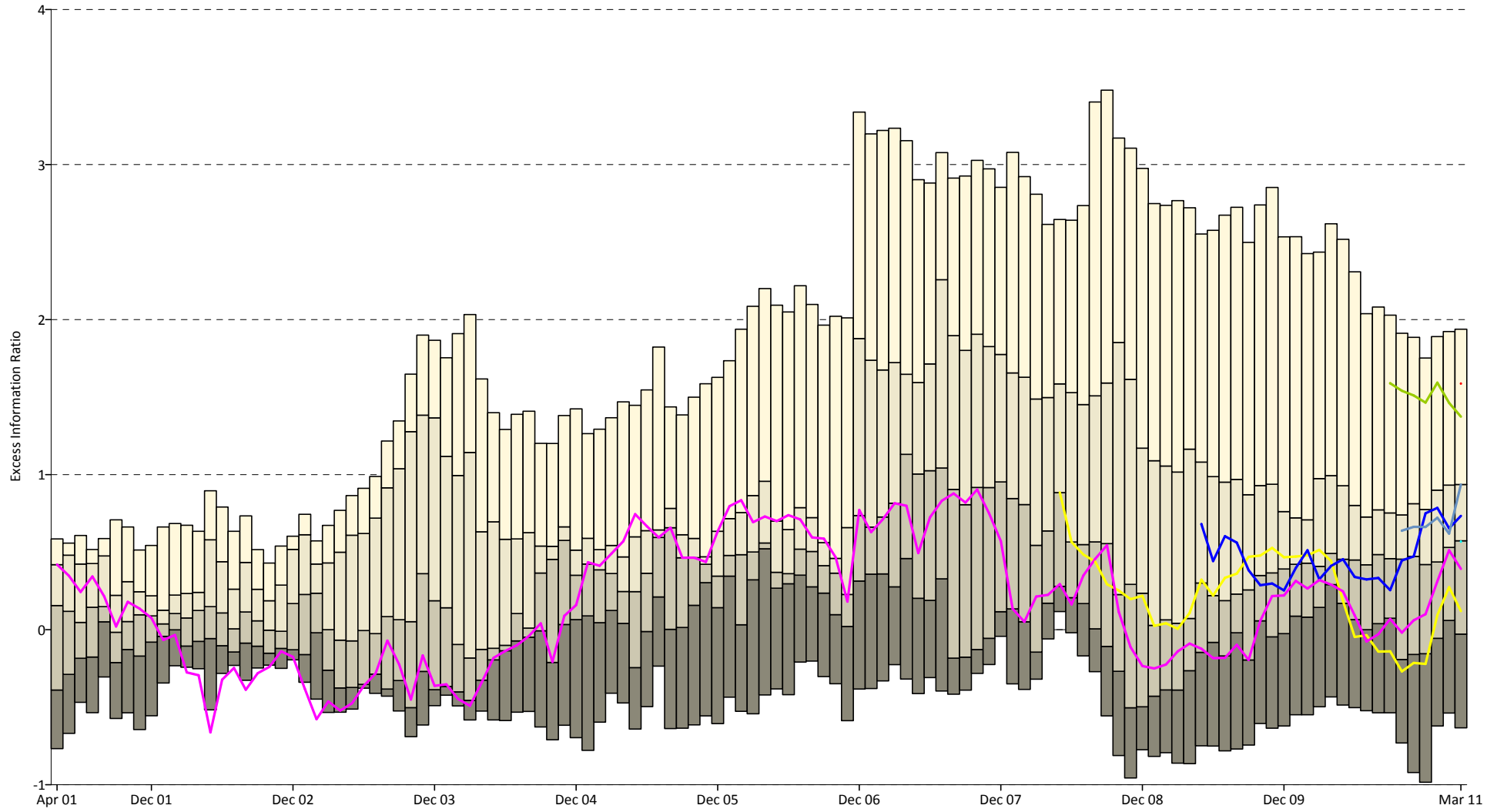


	Information Ratio							
	3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Cargill, Inc: ProAlpha-DJUBS	1.6	14	n/a	n/a	n/a	n/a	n/a	n/a
DB Adv.: Gbl Cmdty w/eq*	0.1	73	0.1	74	n/a	n/a	n/a	n/a
GEAM: Active Commodities	0.7	39	n/a	n/a	n/a	n/a	n/a	n/a
Gresham: TAP	0.4	59	0.3	57	0.6	47	0.2	67
Hermes: Cmdty Index Plus	0.6	51	n/a	n/a	n/a	n/a	n/a	n/a
Invesco: Balanced-Risk Cmdty	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PBAM - BCL: Bache Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Schroders: NFC Rlt Rtr Cmdty	1.4	18	n/a	n/a	n/a	n/a	n/a	n/a
SSgA: MAC	0.9	25	n/a	n/a	n/a	n/a	n/a	n/a
eA Commodities Median	0.6		0.6		0.6		0.4	
eA Commodities Size		37		24		14		7

Legend

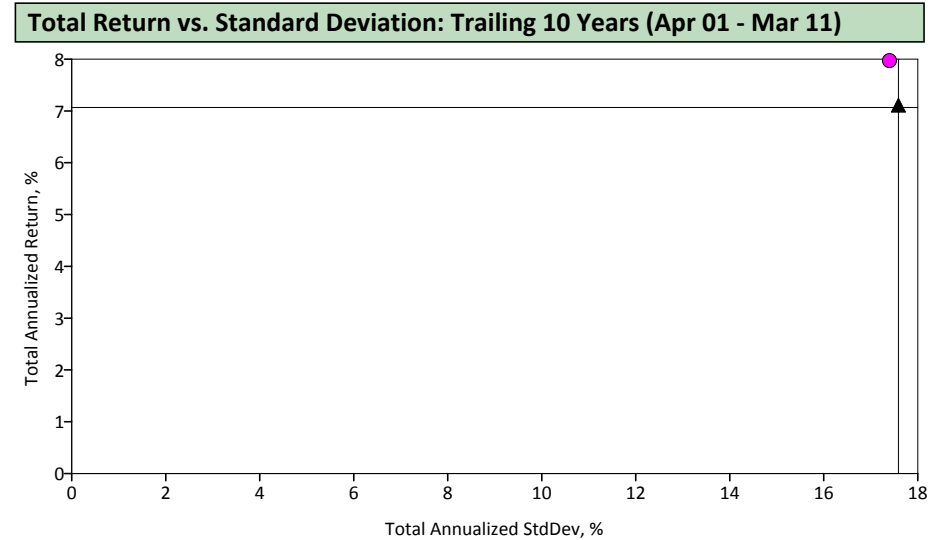
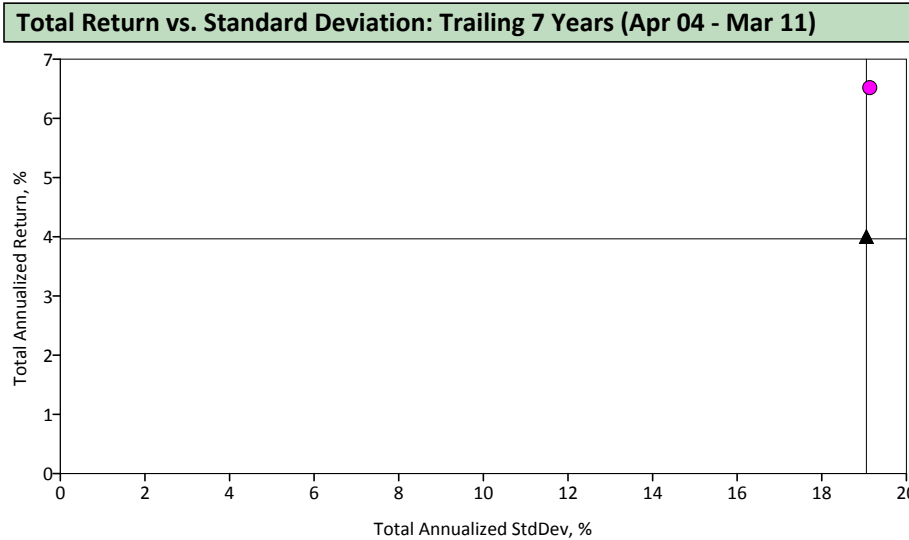
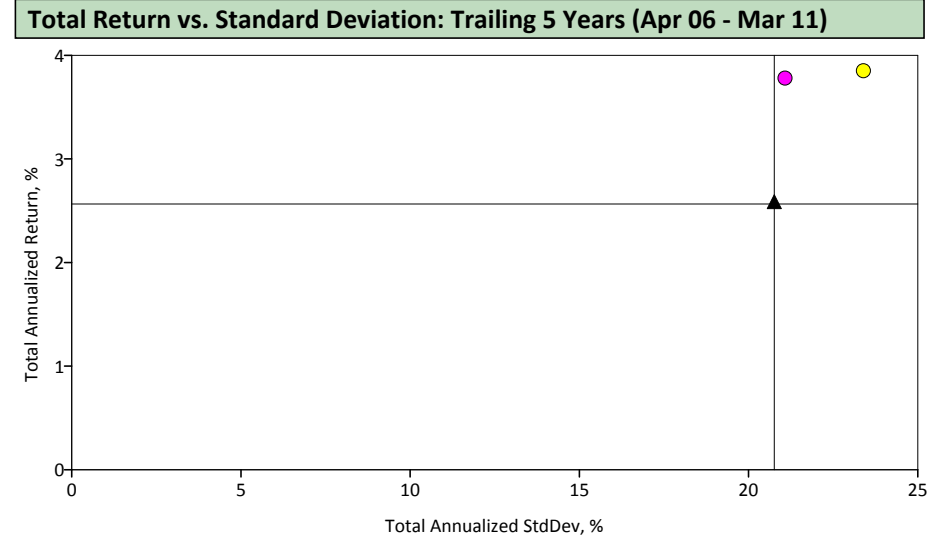
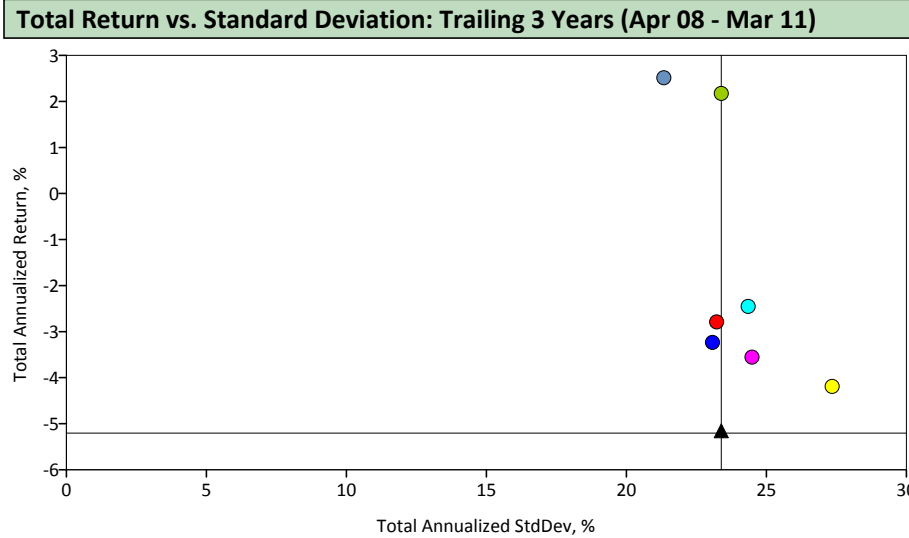
- 5th to 25th Percentile
 - 25th Percentile to Median
 - Median to 75th Percentile
 - 75th to 95th Percentile
 - Cargill, Inc: ProAlpha-DJUBS
 - DB Adv.: Gbl Cmdty w/eq*
 - GEAM: Active Commodities
 - Gresham: TAP
 - Hermes: Cmdty Index Plus
 - Invesco: Balanced-Risk Cmdty
 - PBAM - BCL: Bache Index
 - Schroders: NFC Rlt Rtr Cmdty
 - SSgA: MAC
- Universe: eA Commodities
Universe Rank: Green = Top Quartile Red = Bottom Quartile

Information Ratio: Rolling 36-month Periods (Apr 01 - Mar 11)



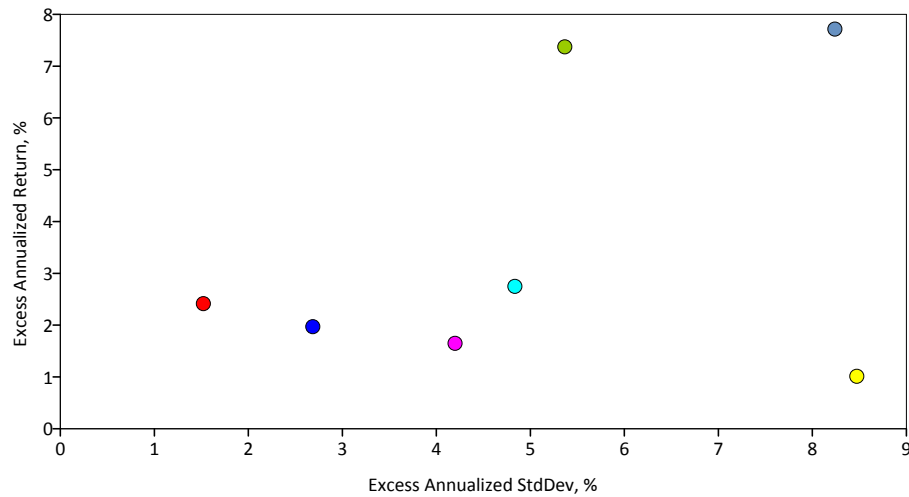
Legend

- | | | | | |
|--------------------------------|--------------------------------|-----------------------------|---------------------------------|-----------------------|
| □ 5th to 25th Percentile | □ 25th Percentile to Median | □ Median to 75th Percentile | ■ 75th to 95th Percentile | <i>Universe:</i> |
| ■ Cargill, Inc: ProAlpha-DJUBS | ■ DB Adv.: Gbl Cmnty w/eq* | ■ GEAM: Active Commodities | ■ Gresham: TAP | eA Commodities |
| ■ Hermes: Cmnty Index Plus | ■ Invesco: Balanced-Risk Cmnty | ■ PBAM - BCL: Bache Index | ■ Schrodgers: NFC Rlt Rtr Cmnty | |
| ■ SSgA: MAC | | | | |

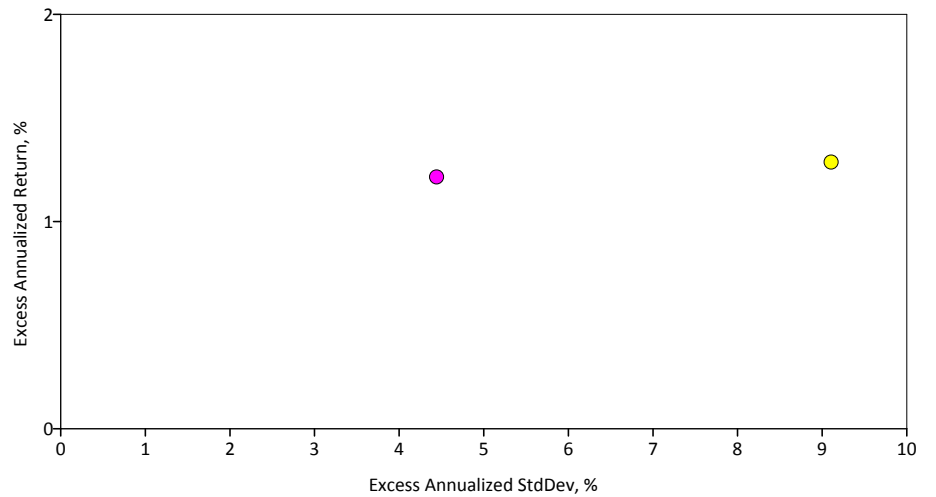


Legend			
● Cargill, Inc: ProAlpha-DJUBS	● DB Adv.: Gbl Cmdty w/eq*	● GEAM: Active Commodities	● Gresham: TAP
● Hermes: Cmdty Index Plus	○ Invesco: Balanced-Risk Cmdty	● PBAM - BCL: Bache Index	● Schroders: NFC Rlt Rtr Cmdty
● SSgA: MAC	▲ DJ-UBS US Commodity		

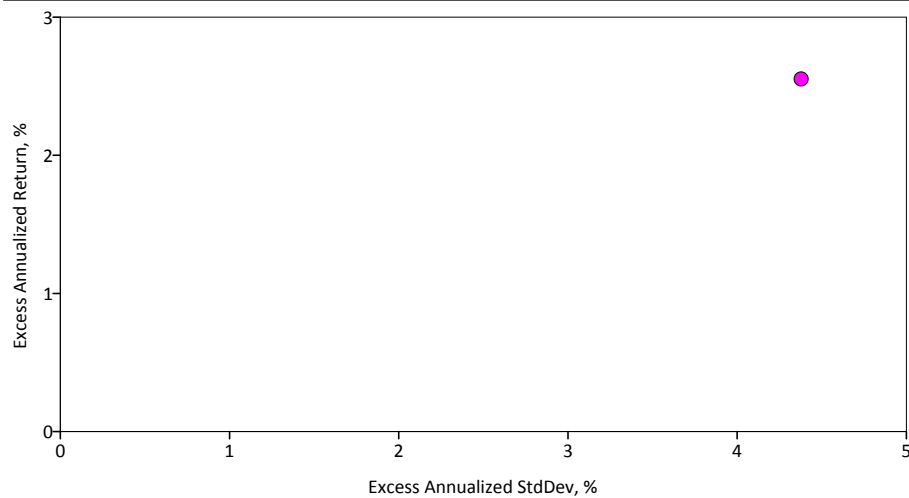
Excess Return vs. Tracking Error: Trailing 3 Years (Apr 08 - Mar 11)



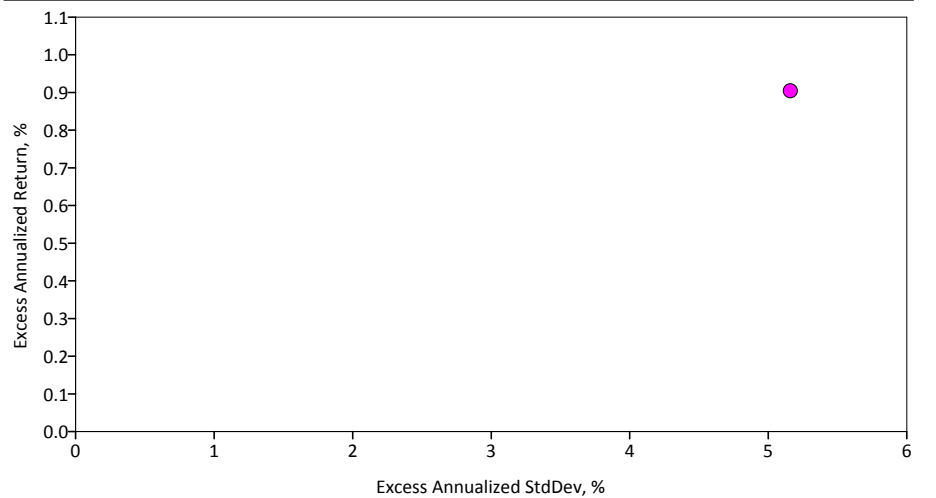
Excess Return vs. Tracking Error: Trailing 5 Years (Apr 06 - Mar 11)



Excess Return vs. Tracking Error: Trailing 7 Years (Apr 04 - Mar 11)

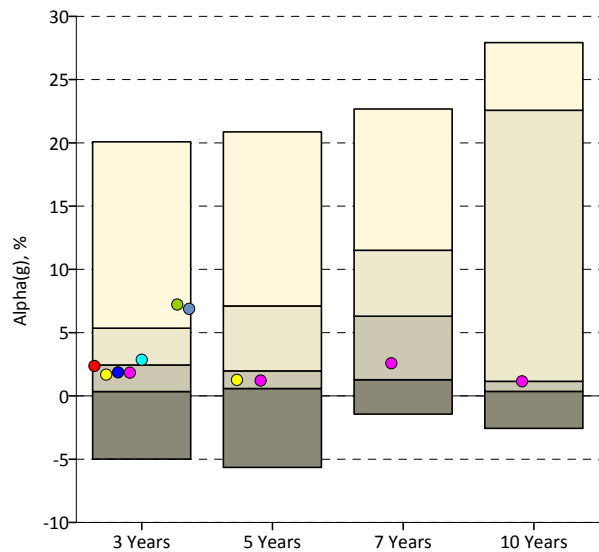


Excess Return vs. Tracking Error: Trailing 10 Years (Apr 01 - Mar 11)

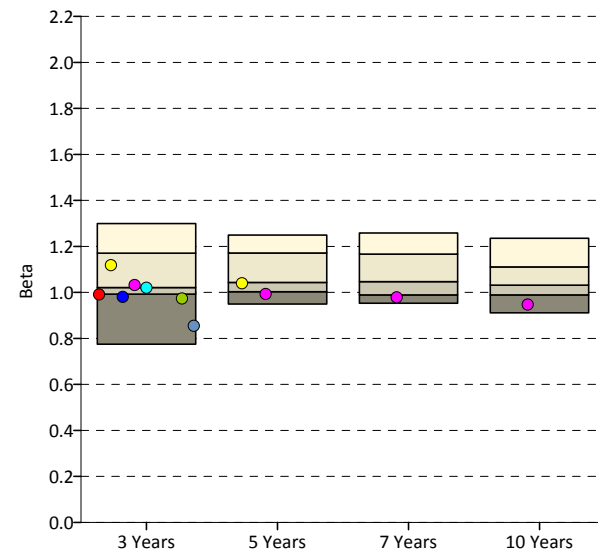


Legend			
● Cargill, Inc: ProAlpha-DJUBS	● DB Adv.: Gbl Cmdty w/eq*	● GEAM: Active Commodities	● Gresham: TAP
● Hermes: Cmdty Index Plus	○ Invesco: Balanced-Risk Cmdty	● PBAM - BCL: Bache Index	● Schroders: NFC RIt Rtr Cmdty
● SSgA: MAC			

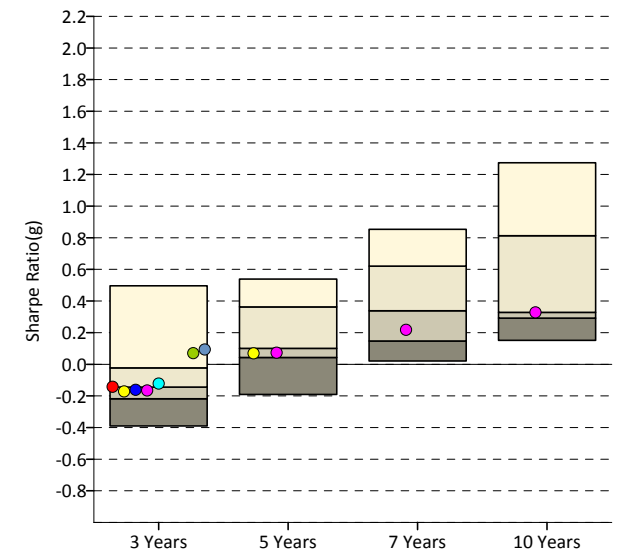
Alpha: Trailing Periods (Apr 01 - Mar 11)



Beta: Trailing Periods (Apr 01 - Mar 11)



Sharpe Ratio: Trailing Periods (Apr 01 - Mar 11)

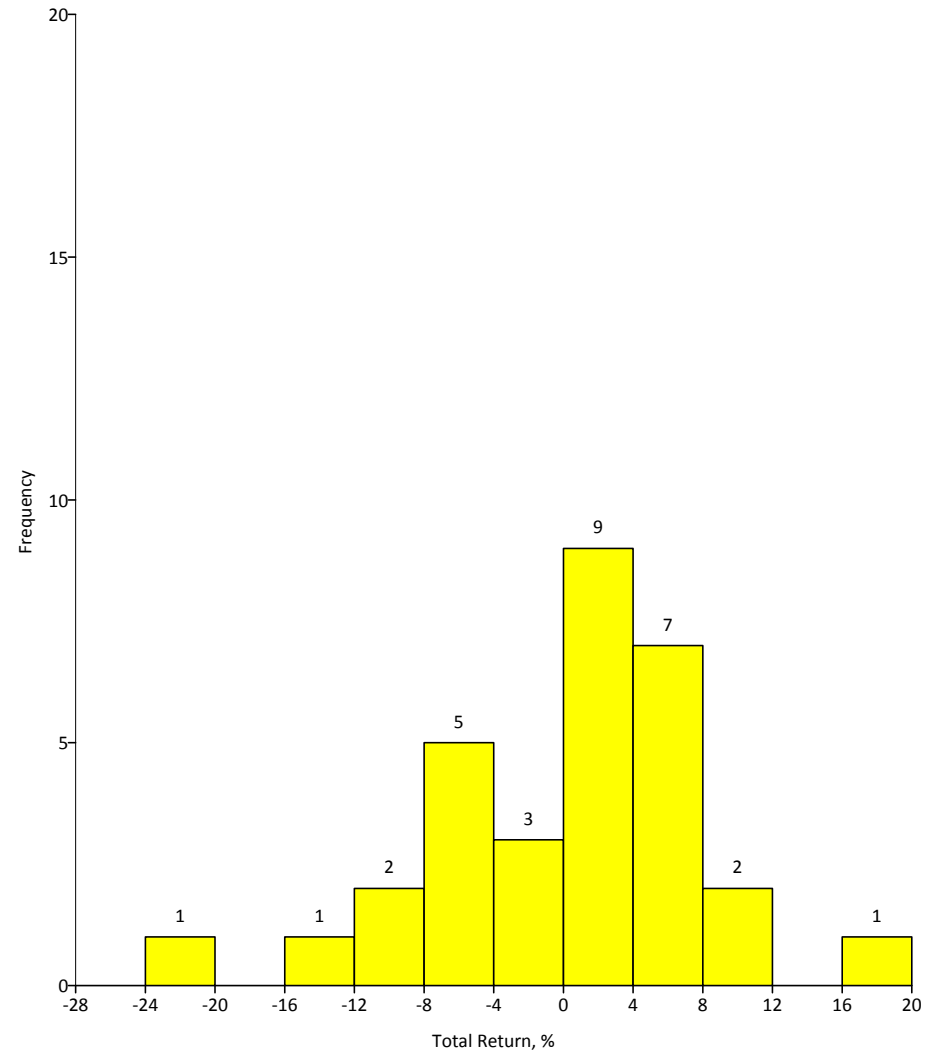
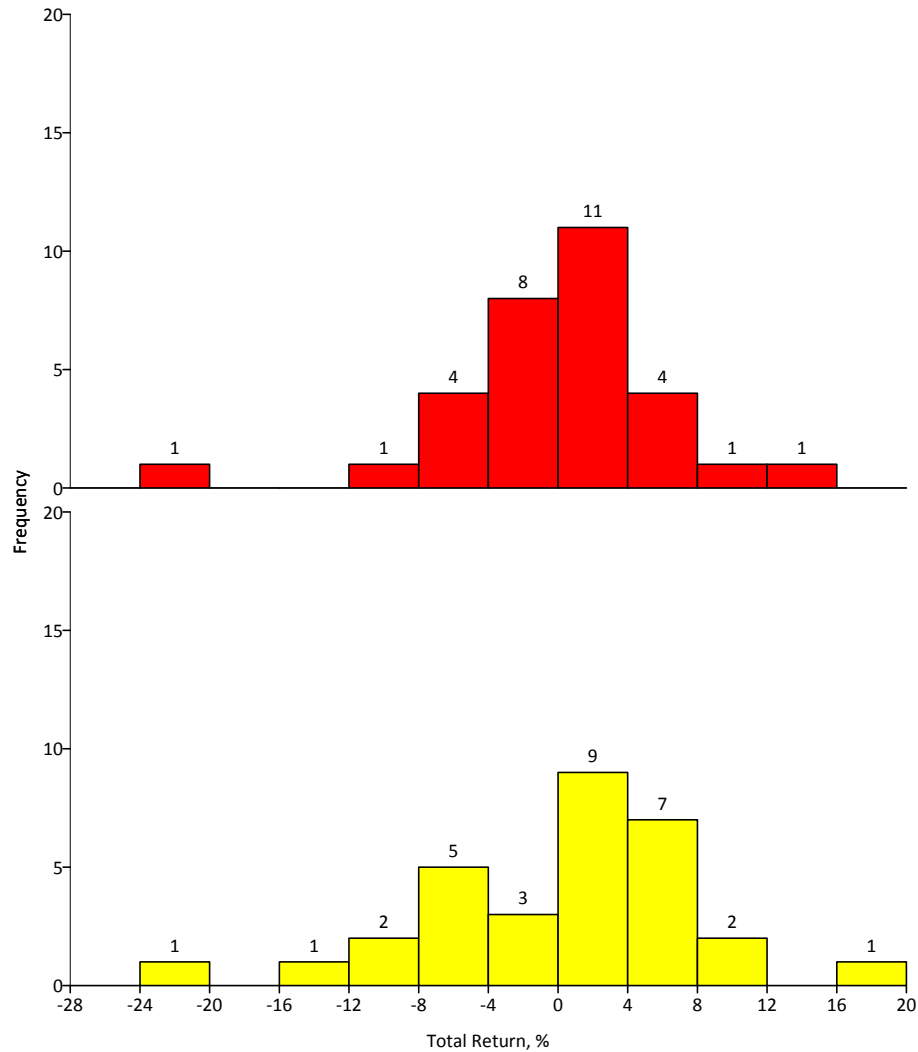


	3 Yrs			5 Yrs			7 Yrs.			10 Yrs.		
	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]
Cargill, Inc: ProAlpha-DJUBS	2.4 [53]	1.0 [78]	-0.1 [48]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
DB Adv.: Gbl Cmdty w/eq*	1.7 [62]	1.1 [28]	-0.2 [62]	1.3 [61]	1.0 [53]	0.1 [66]	n/a	n/a	n/a	n/a	n/a	n/a
GEAM: Active Commodities	1.9 [56]	1.0 [81]	-0.2 [56]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gresham: TAP	1.8 [59]	1.0 [45]	-0.2 [59]	1.2 [66]	1.0 [83]	0.1 [61]	2.6 [62]	1.0 [93]	0.2 [54]	1.2 [50]	1.0 [84]	0.3 [50]
Hermes: Cmdty Index Plus	2.9 [47]	1.0 [50]	-0.1 [47]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Invesco: Balanced-Risk Cmdty	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PBAM - BCL: Bache Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Schroders: NFC Rlt Rtr Cmdty	7.2 [18]	1.0 [82]	0.1 [21]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SSgA: MAC	6.9 [20]	0.9 [95]	0.1 [17]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
eA Commodities Median	2.5	1.0	-0.1	2.0	1.0	0.1	6.3	1.1	0.3	1.2	1.0	0.3
eA Commodities Size	37			24			14			7		

Legend

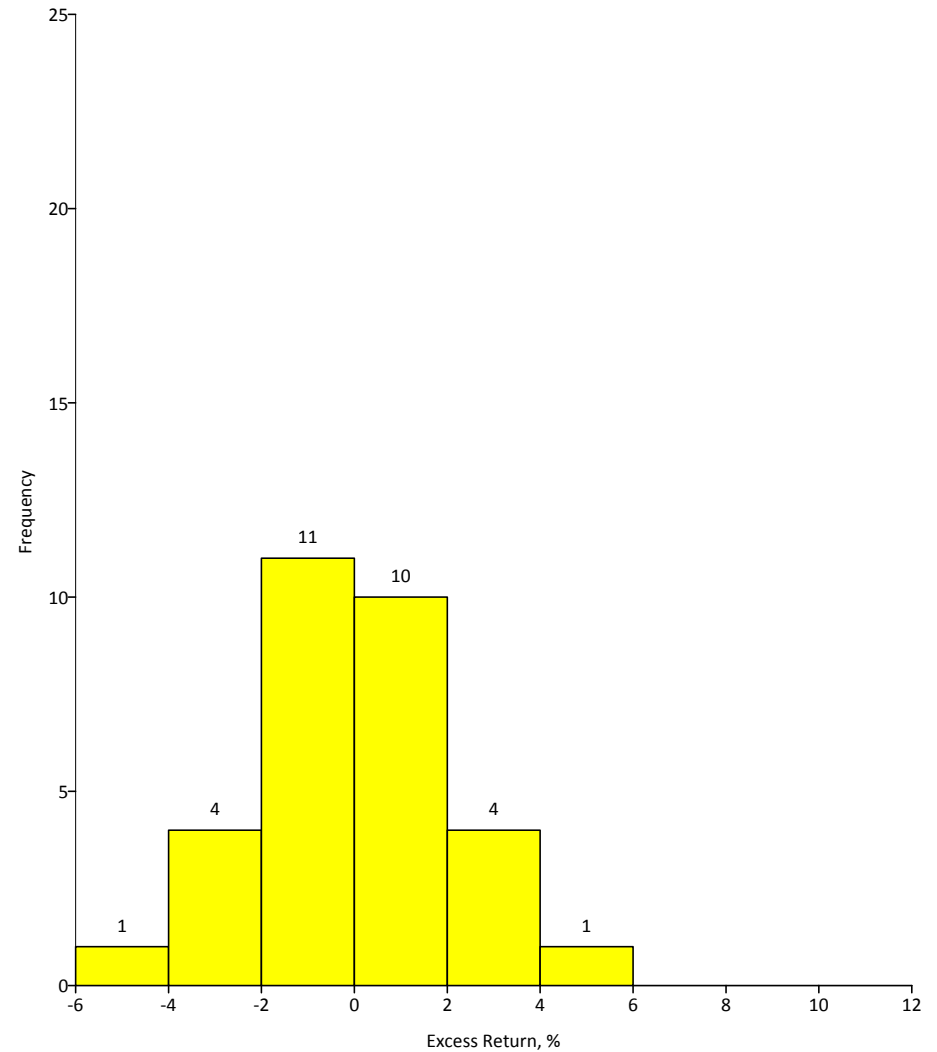
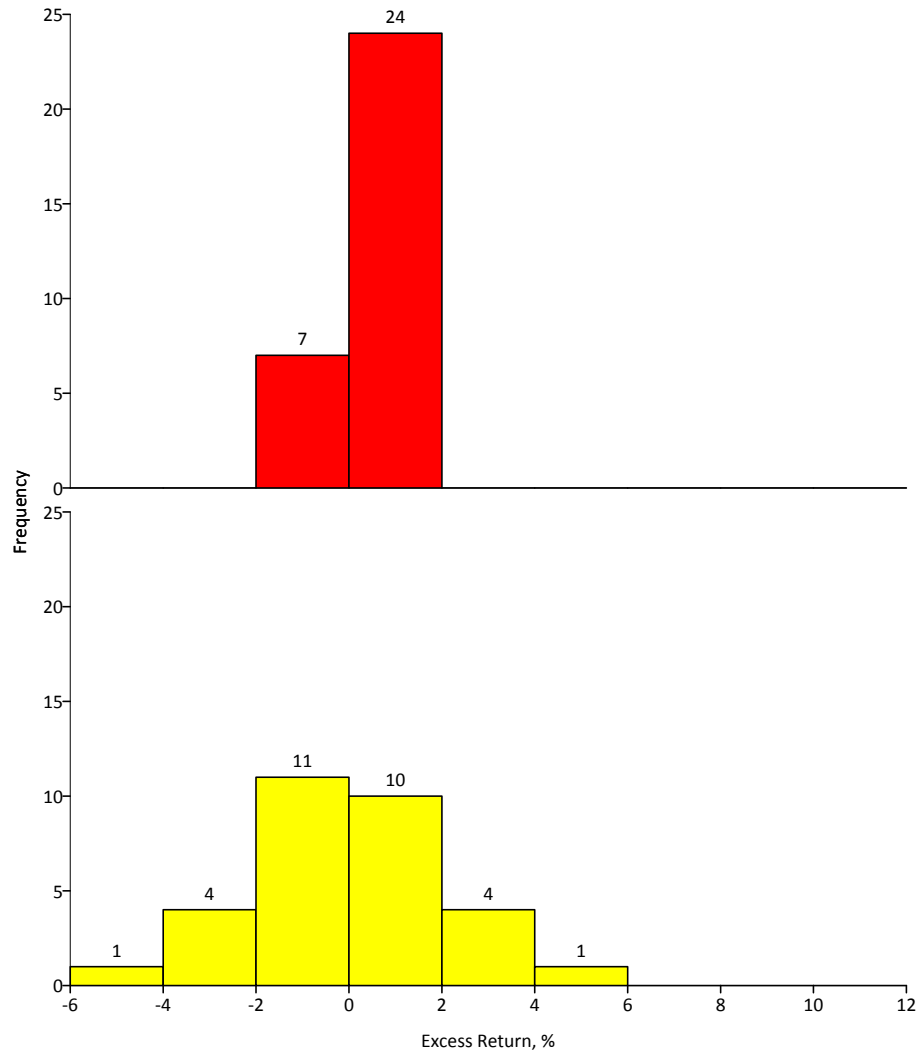
□ 5th to 25th Percentile	□ 25th Percentile to Median	□ Median to 75th Percentile	□ 75th to 95th Percentile	Universe:
● Cargill, Inc: ProAlpha-DJUBS	● DB Adv.: Gbl Cmdty w/eq*	● GEAM: Active Commodities	● Gresham: TAP	eA Commodities
● Hermes: Cmdty Index Plus	○ Invesco: Balanced-Risk Cmdty	● PBAM - BCL: Bache Index	● Schroders: NFC Rlt Rtr Cmdty	Universe Rank:
● SSgA: MAC				Green = Top Quartile Red = Bottom Quartile

Distribution of Total Returns: Common Period (Sep 08 - Mar 11)



Legend			
■ Cargill, Inc.: ProAlpha-DJUBS	■ DB Adv.: Gbl Cmdty w/eq*	■ GEAM: Active Commodities	■ Gresham: TAP
■ Hermes: Cmdty Index Plus	■ Invesco: Balanced-Risk Cmdty	■ PBAM - BCL: Bache Index	■ Schroders: NFC RIt Rtr Cmdty
■ SSgA: MAC			

Distribution of Excess Returns: Common Period (Sep 08 - Mar 11)



Legend

- | | | | |
|---|---|---|--|
| ■ Cargill, Inc: ProAlpha-DJUBS | ■ DB Adv.: Gbl Cmdty w/eq* | ■ GEAM: Active Commodities | ■ Gresham: TAP |
| ■ Hermes: Cmdty Index Plus | ■ Invesco: Balanced-Risk Cmdty | ■ PBAM - BCL: Bache Index | ■ Schrodgers: NFC Rlt Rtr Cmdty |
| ■ SSgA: MAC | | | |

Alpha (Jenson's Alpha) – a manager's *Total Return* in excess of that which can be explained by its systematic risk, or *Beta*. Alpha is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the “market”). Alpha is the intercept term in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A positive Alpha implies that a manager has added value relative to the benchmark on a *Beta*- or risk-adjusted basis.

Batting Average – the percentage frequency a manager's periodic *Total Return* exceeds the benchmark. A manager that outperforms the benchmark in 15 out of 20 months will have a *Batting Average* of 0.75.

Benchmark R-Squared – a statistical measure that represents the percentage of volatility in a manager's returns which can be explained by the volatility of the benchmark. Benchmark R-Squared can range from 0-100%. See also *R-Squared*.

Best/Worst Quarter – the maximum/minimum *Total Return* or *Excess Return* over any rolling 3-month period (when monthly returns are used). Note that the term “quarter” in this calculation does not refer to calendar quarters (unless the periodicity is quarterly), but rather 3-month windows.

Best/Worst Year – the maximum/minimum *Total Return* or *Excess Return* over any rolling 12-month period (when monthly returns are used). Note that the term “year” in this calculation does not refer to calendar years, but rather 12-month (or 4-quarter) windows.

Beta – a measure of a manager's sensitivity to systematic, or market risk. Beta is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the “market”). Beta is the slope coefficient in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A manager with a Beta of 1 has a systematic volatility equal to that of the benchmark, while a Beta less than 1 implies lower systematic volatility than the benchmark and a Beta greater than 1 indicates that a manager exhibits more systematic volatility than the benchmark.

Calmar Ratio – a risk/return measure that is calculated by dividing a manager's *Total Return* or *Excess Return* by the respective *Maximum Drawdown*. A higher Calmar Ratio implies greater manager efficiency in generating *Total Returns* or *Excess Returns* without experiencing correspondingly high *Maximum Drawdowns*.

Capture Ratio – the ratio of a manager's average *Total Return* to the benchmark's average *Total Return*. Up Market Capture Ratio refers to relative performance in periods where the benchmark *Total Return* is greater than 0 (i.e., positive) and Down Market Capture Ratio is calculated over those periods where the benchmark *Total Return* is less than 0 (i.e., negative).

Correlation – a standardized measure of *Covariance* scaled to a range of -1 to 1. Correlations close to 1 suggest that two *Return Series* move together very closely while Correlations close to -1 indicate that two *Return Series* tend to move opposite of one another.

Covariance – a measure of the co-movement of two variables, *Return Series* for these purposes. When two *Return Series* tend to deviate in the same direction they will exhibit positive Covariance and if they tend to deviate in opposite directions they will exhibit negative Covariance.

Excess Correlation – the *Correlation* between two sets of *Excess Return Series*.

Excess Information Ratio – a measure of a manager's active return per unit of active risk. Excess Information Ratio (commonly referred to as *Information Ratio*) is calculated by dividing a manager's *Excess Return* by the *Tracking Error*. A higher Excess Information Ratio implies greater manager efficiency in terms of the active risk taken versus the benchmark.

Excess Loss Ratio – a measure of a manager's active return per unit of downside active risk. Excess Loss Ratio is calculated by dividing a manager's *Excess Return* by the *Semi-Standard Deviation of Excess Returns*. A higher Excess Loss Ratio implies greater manager efficiency.

Excess Omega Ratio – a measure of a manager's active return versus active risk that uses the cumulative probability distribution function (CDF) of *Excess Returns* and assigns a return threshold (0 in this case), with part of the distribution on each side. Excess Omega Ratio is calculated by dividing the area above the CDF curve to the right of the threshold by the area below the CDF curve to the left of the threshold. Excess Omega Ratio is useful in that it incorporates the full distribution of *Excess Returns*, not just the mean and standard deviation (i.e., tracking error), and does not rely on a normally-distributed return series as many other risk-adjusted measures such as the *Sharpe Ratio* and *Information Ratio* implicitly do. As with other risk-adjusted measures, a higher Excess Omega Ratio implies greater manager efficiency in terms of active risk and return.

Excess Return – a manager's return in excess of the benchmark's *Total Return*.

Excess Style Weights – a manager's style weights in excess of the benchmark's style weights for a given period. This measures a manager's style deviations, or bets, versus the benchmark.

Information Ratio – a measure of a manager's return per unit of risk. Information Ratio is calculated by dividing a manager's *Total Return* by the *Standard Deviation*. A higher Information Ratio implies greater manager efficiency. To avoid confusion and conform to industry standards, the term “Information Ratio” is used throughout the study when referencing the *Excess Information Ratio* statistic.

Maximum Drawdown – a drawdown is any losing period during a *Return Series* (either *Total Return* or *Excess Return*) and the Maximum Drawdown measures the cumulative return during the worst “peak to trough” period for the *Return Series*. The Maximum Drawdown does not necessarily occur over consecutive months (or quarters) of negative performance and can be interrupted by periods of positive performance as long as this does not cause full recovery of the initial value prior to the drawdown.

Recovery Duration – the number of months (or quarters) from trough to full recovery after the *Maximum Drawdown*. If the full amount of the initial value has not been recovered, Recovery Duration will display “N/A”.

Recovery Percent – where the full amount of the initial value has not been recovered after the *Maximum Drawdown*, Recovery Percent represents the partial percent of peak to trough loss that has been regained to date. If the initial value has been re-achieved, Recovery Percent will display “100%”.

Recovery Period – the range of months (or quarters) to regain the value before the *Maximum Drawdown* occurred, starting from the first month (or quarter) after a trough. When the full amount of the initial value has not been recovered the date range shown is from the trough to the highest subsequent cumulative value.

Return Series – a set of *Returns* over a range of time periods.

Risk – see *Standard Deviation*.

R-Squared – within the context of regression analysis, R-Squared represents the portion of the variation of a dependent variable (e.g., a manager's *Return Series*) that can be explained by the variation of the independent variable(s) (e.g., a benchmark index or set of *Style Indices*). R-squared values range from 0 to 100. An R-squared of 100 indicates that all movements of the dependent variable are completely explained by movements of the independent variable(s). In addition, R-Squared provides a measure of the goodness of fit, or validity, of the regression model.

Selection Return – a manager's *Total Return* in excess of the *Style Return*. A positive Selection Return implies that a manager has added value relative to the *Style Benchmark* through security selection.

Semi-Standard Deviation – a measure of downside risk similar to Standard Deviation, except that it is calculated using only the variance of returns below a target rate (0 by default, but can also be set to a Minimum Accepted Return or MAR, the risk-free rate or the benchmark's return). A high Semi-Standard Deviation represents a wide range of returns below the target rate and therefore implies a higher level of downside risk. Semi-Standard Deviation is useful in that it penalizes managers only for volatile returns below the target rate, unlike the full Standard Deviation calculation which does not distinguish between upside (good) and downside (bad) volatility.

Sharpe Ratio – a manager's *Excess Return* over the risk-free rate divided by the *Standard Deviation*. Sharpe Ratio measures a manager's return per unit of risk. A higher Sharpe Ratio implies greater manager efficiency.

Standard Deviation – a measure of the extent to which observations in a series vary from the arithmetic mean of the series. Standard Deviation (also referred to as *Volatility* or *Risk*) provides an indication of the dispersion of periodic returns. A high Standard Deviation represents a wide range of returns and therefore implies a higher level of risk.

Style Benchmark – a blended index of *Style Indices* combined at the corresponding *Style Weights*. The *Style Return* represents the *Total Return* of the Style Benchmark.

Style Indices – independent (or explanatory) variables used in the *Style Regression*. Style Indices can also be interpreted as the manager's *Betas* or risk factors within the context of the *Style Regression*.

Style Map – a specialized form of scatter plot used to show where a manager lies in relation to a set of *Style Indices* on a two-dimensional plane. A Style Map is simply a different way of viewing the *Style Weights*. The x and y co-ordinates are calculated by rescaling the *Style Weights* to a range of -1 to 1 on each axis.

Style Regression – a constrained quadratic regression of a manager or benchmark return series against a set of *Style Indices*. Style Regression calculates a series of *Betas* that collectively seek to explain as much of a return series as possible.

Style Return – calculated by multiplying a manager's (or benchmark's) *Style Weights* by the corresponding returns of the Style Indices and summing the resulting weighted component returns.

Style R-Squared – a statistical measure that represents the percentage of volatility in a manager's returns which can be explained by the volatility of the *Style Indices* (or collectively, the *Style Benchmark*). Style R-Squared can range from 0-100%. See also *R-Squared*.

Style Weights – represent the periodic exposure of a manager (or benchmark) to various explanatory variables, also referred to as *Style Indices*. Style Weights are returns-based, i.e. they are calculated through the *Style Regression*.

Timing Return – a manager's *Style Return* in excess of the benchmark's *Style Return*¹. A positive Timing Return implies that a manager has added value relative to the benchmark through asset allocation decisions, i.e., over/underweight “positions” in the *Style Indices* versus those of the benchmark.

1) If the market benchmark used in the study is not also one of the *Style Indices* then it too will have *Style Weights*, a *Style Return* and a *Style Benchmark*. If the benchmark is one of the *Style Indices*, its *Style Return* will equal the benchmark's *Total Return*.

Total Return – a measure of the appreciation or depreciation in the price of an investment over a given time period.

Tracking Error – the *Standard Deviation* of a manager's *Excess Return* series. Tracking Error measures the extent to which a manager's returns diverge from the benchmark's returns. A low Tracking Error indicates that the manager closely tracks the benchmark.

Volatility – see *Standard Deviation*.

Note: All calculations use geometrically annualized returns except for cumulative returns and those that cover periods less than one year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 6.5

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of Action Regarding *SamCERA's* International Equity Structure

STAFF RECOMMENDATION: Staff recommends that the board review Strategic Investment Solutions' (SIS) proposed international equity structure then direct staff to initiate the appropriate searches to implement the approved structure.

BACKGROUND: At the April 2011 board meeting, the trustees initiated a high level review of *SamCERA's* international equity structure. The impetus for the review was the board's concern regarding performance of *SamCERA's* international equity managers. The concern more specifically was with the international growth manager, Artio Global Investors. The board directed staff to initiate an international growth manager search.

During the search discussion, SIS noted that there would be a limited number of qualified international growth managers. The growth manager opportunity set would be increased if the board constrained the growth manager search to developed markets. Upon further discussion staff determined that a more detailed review of the international equity structure may be warranted.

DISCUSSION: Strategic Investment Solutions has provided a draft proposal for restructuring *SamCERA's* international equity portfolio. A booklet outlining the structure is attached to this agenda item. Patrick Thomas and Jonathan Brody will present the proposed structure to the board. Should the board wish to adopt the entire structure or a portion, staff will recommend a time line for developing criteria and initiating the required searches.

SAMCERA International Equity: Current Targets

	ASSET CLASS	TARGET	CURRENT	MER		TARGET STYLE	PORTFOLIO
MONDRIAN	50.0%	\$224	\$225	27.0	MSLCG	31.6%	27.4%
ARTIO	50.0%	\$224	\$223	22.3	MSLCV	31.6%	35.1%
					MSMCG	6.9%	5.0%
					MSMCV	6.9%	9.5%
					MSSCG	0.0%	0.0%
					MSSCV	0.0%	0.0%
					EMMKT	23.0%	23.0%
<hr/>							
TOTAL		\$448	\$448	49.3	STYLE RISK		0.61%
					ACTIVE RISK		4.71%
					RISK TO BENCH		4.75%
					ALPHA		1.65%
					IR		0.35%
	TARGET	PORTFOLIO					
% VALUE	50.0%	56.1%					
% LARGE	77.0%	77.0%					

Proposed Alternative: Adopt Index Inclusive of Small Cap as the Asset Class Benchmark, Hire Dedicated Small Cap Manager & EM Manager

	ASSET CLASS	TARGET	CURRENT	MER	TARGET STYLE	PORTFOLIO
MONDRIAN	44.0%	\$197	\$224	23.6	MSLCG	32.5%
ARTIO	0.0%	\$0	\$224	0.0	MSLCV	25.9%
INTL GR	33.0%	\$148		17.7	MSMCG	3.3%
INT'L SC	10.0%	\$45		3.6	MSMCV	5.3%
EM	13.0%	\$58		7.0	MSSCG	5.0%
					MSSCV	5.0%
					EMMKT ¹	23.1%
<hr/>						
TOTAL		\$448	\$448	51.9	STYLE RISK	0.31%
					ACTIVE RISK	3.70%
					RISK TO BENCH	3.72%
					ALPHA	1.74%
					IR	0.47%
	TARGET	PORTFOLIO				
% VALUE	50.0%	47.7%				
% LARGE	67.8%	66.9%				

¹ Under this proposed alternative the 23% EM exposure would come from both Mondrian and the EM manager.

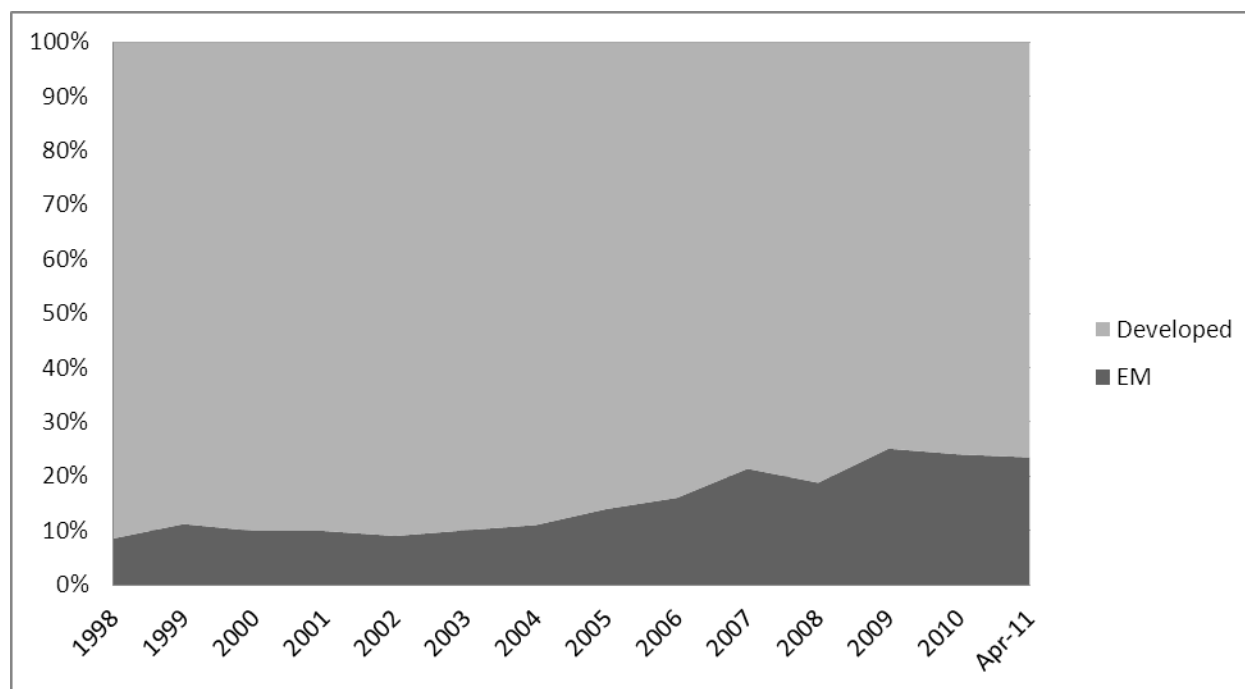
SAMCERA International Equity Manager Structure (MARCH 2011)

	MSLCG	MSLCV	MSMCG	MSMCV	MSSCG	MSSCV	EMMKT	IR	ALPHA	TE
MONDRIAN	10.0%	55.0%	0.0%	12.0%	0.0%	0.0%	23.0%	0.30	1.8%	6.0%
ARTIO	45.0%	15.0%	10.0%	7.0%	0.0%	0.0%	23.0%	.30	1.5%	5.0%
INTL GROWTH	85.0%	5.0%	10.0%	0.0%	0.0%	0.0%	0.0%	.30	1.8	6.0%
INTL SMALL	0.0%	0.0%	0.0%	0.0%	50.0%	50.0%	0.0%	0.30	1.2%	4.0%
EM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.30	1.8%	6.0%

DISCUSSION

MSCI ACWI ex US and the Emerging Markets

The weighting of the emerging markets in the ACWI ex US index has essentially doubled in the past six years, and as of the end of April 2011 was 23.5%.



Currently SamCERA has exposure to international equities via two managers, Mondrian and Artio. Both of these strategies are suitable against an ACWI ex US benchmark. The important point here is that both strategies provide exposure to developed non-US markets and the emerging markets. From the perspective of style, the two strategies are complementary: Mondrian is value tilted, and Artio's style is core/growth. This structure has several virtues:

- It is simple, involving only two managers
- The managers can, in principle, add value by over- or underweighting emerging markets

SamCERA has now decided to conduct a search for a potential replacement for Artio. The most straightforward course of action is to maintain the current structure and conduct a search for another growth-tilted ACWI ex US manager.

But it is important to understand that the universe of such managers is not large. When one takes the eVestmentAlliance ACWI ex US Growth Universe, screens out closed products, ADR products, small cap products, and products with assets below \$500 mm, one is left with 23 firms and 27 products. Screening on excess returns over 3- or 5-years reduces this list to approximately 12 products. To some degree, this probably understates the opportunity set. There are no doubt appropriate strategies for replacing Artio that, for various reasons, are not included in the eVestmentAlliance ACWI ex US Growth universe. They may be classified as core rather than growth, for example. Or they may be classified in the EAFE universe. But even taking this into account, the opportunity set is limited.

One consideration, in selecting an ACWI ex US manager, is breadth and diversification in the emerging markets. The concern is that a 40-70 stock ACWI ex US portfolio, probably holds fewer than 15 emerging markets stocks. And in many cases these are likely to be large cap names from larger markets, e.g. Petrobras (Brazil), Gazprom (Russia), Samsung (South Korea), Infosys (India), Taiwan Semiconductor (Taiwan) and China Mobile (China). On a market cap basis, these essentially global companies are the most significant emerging markets names in the MSCI ACWI ex US index. But there are many smaller markets and thousands of emerging markets companies. This number only increases as one moves down the market cap spectrum or begins to include non-benchmark or frontier market markets countries.

Both of SamCERA's current international equity managers, Mondrian and Artio, do, in fact, provide adequate breadth and diversification in the emerging markets. Mondrian accomplishes this in their ACWI ex US strategy, by allocating to one of the firm's diversified emerging markets strategies. Artio is able to provide relatively broad emerging markets exposure because the portfolio generally holds 200-450 names.

In summary, from an implementation standpoint, we see two potential difficulties with the current structure:

- Limited universe of ACWI ex US Growth managers
- Candidates in this universe, that are otherwise attractive, may not offer the desired breadth and diversification in the emerging markets

An alternative potential structure would be to replace Artio with two strategies: an international growth strategy and a pure emerging markets strategy. The international manager could be either EAFE-only (meaning no emerging markets exposure) or EAFE Plus (emerging markets exposure of up to 10%). And the emerging markets strategy would essentially fill the gap.

This structure has several virtues:

- Larger opportunity set for international manager selection
- Potentially broader and more diverse emerging markets exposure

But, unsurprisingly, it some disadvantages:

- Adds another manager to the portfolio
- Fees would probably be higher because of smaller account sizes and generally higher fees of pure emerging markets strategies

Our view is that the potential benefits of this alternative structure outweigh the disadvantages. SIS proposes to conduct a search for an EAFE/EAFE plus strategy and also a search for an emerging markets equity strategy.

MSCI ACWI ex US IMI and International Small Cap

Some SIS clients have changed their international benchmark from the ACWI ex US to the ACWI ex US IMI (“Investable Market Index”). In addition to large- and midcaps, the ACWI ex US IMI includes international small cap stocks. The change to the IMI index usually entails introducing a stand-alone international small- or smid-cap strategy to portfolio. The number of international small cap strategies has grown substantially in the past few years. The eVestmentAlliance Non-US Diversified Small Cap Universe includes 71 firms and 88 products. This is a capacity constrained asset class and some of the strategies with longer performance records are now closed. Nevertheless, we believe there are attractive international small cap options that remain open.

The performance of this asset class has been quite strong in recent years.

Annualize Returns as of 3/31/2011	1 Year	3 Years	5 Years	7 Years	10 Years
MSCI EAFE Small Cap	20.29	1.75	1.7	8.57	10.96
MSCI EAFE	10.9	-2.53	1.78	6.71	5.83
MSCI World ex USA Small Cap	22.39	2.91	2.72	9.17	11.58
MSCI World ex USA	12.11	-1.72	2.48	7.38	6.41
MSCI AC World Index ex USA Small Cap	21.45	4.29	5.72	11.35	12.7
MSCI AC World Index ex USA	13.61	-0.38	4.05	8.89	7.85
MSCI EM (Emerging Markets) Small Cap	18.02	8.98	13.57	18.15	18.69
MSCI EM (Emerging Markets)	18.78	4.62	11.01	16.54	17.12

Switching to the ACWI ex US IMI and adding an international small cap strategy to the portfolio has potential benefits:

- Provides exposure to a potentially high returning asset class
- Increases plan’s asset class diversification

And some costs:

- Adds another manager to portfolio and increases complexity
- International small cap strategies are generally higher fee and therefore will increase the plan's overall costs.

Our view is that the potential benefits of switching to the MSCI ACWI ex US IMI and making an explicit allocation to international small cap, outweigh the costs. If the SamCERA Board is interested in this, we would suggest conducting an international small cap search after the international growth and emerging markets searches.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 6.6

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Review of *SamCERA's* Private Equity Program and Most Current Investment

STAFF RECOMMENDATION: Staff recommends that the board review with Strategic Investment Solutions' **Faraz Shooshani** the current status and future plans for *SamCERA's* private equity allocation.

BACKGROUND: In July and August of 2010, Faraz Shooshani of Strategic Investment Solutions provided presentations on the implementation of private equity. In July Mr. Shooshani thoroughly reviewed private equity asset classes and reiterated that the primary reason to invest in the asset class is for the return enhancement with diversification benefits. He then reviewed a proposed private equity strategy and implementation approach, including a preliminary roadmap through 2014, which is when he believes the initial implementation of *SamCERA's* private equity allocation will be completed. The board delegated authority to SIS for sourcing and timing of product to build out the private equity allocation.

Documentation for *SamCERA's* first private equity investment, Sheridan Production Partners II, was executed in August 2010. The Sheridan investments will buyout income producing oil and gas properties. The investments strategy is to pursue (i) acquiring a portfolio of currently producing oil properties characterized by proven reserves and a balance between oil and gas in geographically diverse areas onshore in the United States and on the Gulf of Mexico shelf; (ii) optimizing the operation of those properties through production acceleration and recovery enhancement, appropriate use of capital reinvestment and aggressive cost control; and (iii) providing investors with relatively low risk, long-term cash distributions through prudent hedging and leverage strategies.

Commitment to the second investment was made in early April. It was with **ABRY Partners VII, L.P.** an investment with a focus on buyouts of media, communications and business services. The fund will invest in privately negotiated equity and related investments primarily in the media, communications, and business services industries and related companies. A variety of transaction types may be targeted, including leveraged acquisitions, growth investments, consolidation strategies, and cost reductions and turnarounds. Investments will be based in North America primarily, but up to 10% of the Fund may be invested outside this region. Not more than 20% of aggregate commitments (excluding interim Bridge Financing) will be invested in any portfolio company.

The third investment was committed to with **ABRY Advanced Securities Fund II, L.P.** in late April. The strategy is to build a diversified portfolio of performing floating rate senior debt securities issued primarily by high quality, non-investment grade companies in the firm's

target sectors – media, communications, business services and related businesses; and to finance these investments through a combination of fund capital and external financing, usually in the form of total return swaps (“TRS”) with one or more creditworthy banks and financial institutions.

The investment that will be discussed today is **Khosla Ventures IV, L.P.**, which has a strategy of investing primarily in Cleantech and Information Technology (“IT”) startups. The fund will invest in a mix of early-stage through late-stage startups, generally seeking value in early-stage companies and to fund growth of existing portfolio companies as they mature through the late-stage. Emphasis will be placed on investments in new technologies that have the potential to disrupt multi-billion dollar markets. Depending on the requirements of each opportunity, the GP may remain active in the formation / oversight of companies, often formulating and driving the company strategy and assembling or augmenting the management through exit, typically via IPO or sale to strategic acquirers.

COMMENT: Strategic Investment Solutions’ Faraz Shooshani will discuss with the board the review and analysis that SIS has performed on Khosla. The executive summary for Khosla Ventures IV, L.P. is attached to this agenda item.

Mr. Shooshani will also review where *SamCERA* is in the implementation of the private equity allocation and where the association is headed regarding future investments. The original implementation strategy and schedule is attached to this item.

Preliminary Roadmap

Key Assumptions:

- **Plan Size:** \$1.7 billion
- **PE Target:** 7%
- **Process:** Streamlined

Projected Commitments

PE category	2009	2010	2011	2012	2013	2014
	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)
Buyouts		\$ 20,000,000	\$ 45,000,000	\$ 35,000,000	\$ 30,000,000	\$ 30,000,000
Venture Capital		\$ 20,000,000	\$ 20,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Debt-related		\$ 60,000,000	\$ 20,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Total		\$ 100,000,000	\$ 85,000,000	\$ 65,000,000	\$ 60,000,000	\$ 60,000,000
	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)
Buyouts		1	2	2	2	2
Venture Capital		2	2	2	2	2
Debt-Related		3	1	1	1	1
Total		6	5	5	5	5

Projected Allocation

TOTAL PROJECTED ALLOCATIONS	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Buyouts	\$ -	\$ 3,799,332	\$ 16,598,815	\$ 35,932,701	\$ 57,717,394	\$ 78,645,180
Venture Capital	\$ -	\$ 3,302,372	\$ 9,687,655	\$ 18,612,142	\$ 27,851,811	\$ 36,101,624
Debt-Related/Special Situations	\$ -	\$ 15,844,058	\$ 36,589,746	\$ 51,109,966	\$ 58,229,601	\$ 59,954,078
Total Private Equity	\$ -	\$ 22,945,763	\$ 62,876,216	\$ 105,654,808	\$ 143,798,806	\$ 174,700,883
Approximate Plan Value - Beginning of Year		\$ 1,700,000,000	\$ 1,838,040,000	\$ 1,987,288,848	\$ 2,148,656,702	\$ 2,323,127,627
+ SIS Long-Term Growth Assumption (8.12% per year)	\$ -	\$ 138,040,000	\$ 149,248,848	\$ 161,367,854	\$ 174,470,924	\$ 188,637,963
- Net Distributions/Contributions	\$ -					
= Plan Value - End of Year	\$ 1,700,000,000	\$ 1,838,040,000	\$ 1,987,288,848	\$ 2,148,656,702	\$ 2,323,127,627	\$ 2,511,765,590
Private Equity as a % of Plan (Target ~7%)	0.00%	1.25%	3.16%	4.92%	6.19%	6.96%

Executive Summary
Khosla Ventures (the "Firm" or "KV")
May 2011

Fund Name	Khosla Ventures IV, L.P. ("KV IV")
Fund Size Target	\$1.05 billion
Previous Fund Size	\$1.0 billion
Fund Focus	Venture Capital – Cleantech and IT

FUND STRATEGY

- Will continue prior funds' strategy of investing primarily in Cleantech and Information Technology ("IT") startups. The Fund will invest in a mix of early- through late-stage startups, generally seeking value in early-stage companies and to fund growth of existing portfolio companies as they mature through the late-stage.
- Emphasis will be placed on investments in new technologies that have the potential to disrupt multi-billion dollar markets. Depending on the requirements of each opportunity, the GP may remain active in the formation / oversight of companies, often formulating and driving the company strategy and assembling or augmenting the management through exit, typically via IPO or sale to strategic acquirers.
- Will seek to assemble a portfolio of 35-40 companies, two-thirds of which are anticipated to be in the Cleantech space and one-third in IT. The initial commitment to each company will be a minimum of \$10 million (those below \$10 million are allocated to a separate fund typically targeting higher risk, concept stage opportunities). While each investment will average roughly \$25 million, actual dollars invested per company will vary depending on the stage, traction, and the needs of each opportunity.
- The Firm's leadership, Messrs. Vinod Khosla and Pierre Lamond, hails from the highly respected venture firms of Kleiner Perkins and Sequoia Capital. A more recent mid-level addition includes Mr. Shirish Sathaye, an experienced, proven VC from Matrix Partners.

INVESTMENT RATIONALE

- **Highly Respected Leadership, Proven in Early-Stage Investing:** Messrs. Khosla and Lamond have co-founded and backed a number of prominent companies, including Sun Microsystems, Nexgen/AMD, Juniper, Cerent, National Semiconductor, and a number of other semiconductor companies. With technical backgrounds and experience as both company operators and successful VCs at prominent firms like Kleiner Perkins and Sequoia, the Firm is generally highly respected by entrepreneurs and scientists – especially those with innovative technologies. Based on our calls, KV is recognized as one of very few venture firms that can effectively take technology projects from the lab and turn them into game changing companies. This positioning and the Firm's capabilities allows the Fund to gain access to often proprietary deals, enabling the GP to make high potential investments at particularly attractive terms.
- **Team Additions:** Since the last fund, KV has built out and further refined its team, adding a number of investment professionals to its ranks, including a proven VC, Mr. Shirish Sathaye from Matrix Partners, where he was a general partner for ten years and led investments in successful companies like Aruba Networks; Mr. Alex Kinnier, previously founder of a startup and a product manager at Google and Procter & Gamble; and Mr. Ramy Adeeb, with experience at Microsoft and Tellme Networks. Although two junior individuals – Messrs. Gideon Yu who played an instrumental role in KV's investment in Square (a rapidly growing, credit card payment processing company) and Mr. Jim Kim – are due to pursue other opportunities, the existing team appears to be cohesive, and the Firm has proven its capabilities in attracting investment talent. Of note, the Firm added former British prime minister, Tony Blair as senior advisor in 2010, in part to help portfolio companies with business development initiatives internationally.

- **Alignment of Interests:** Mr. Khosla has been an early investor in the Cleantech space, funding Funds I and II almost entirely with his own capital, and contributing substantially to the institutional funds. The GP Commitment to the Fund remains at a minimum of \$100 million (10% of the Fund assuming a \$1.0 billion fund size), but the GP, through the contribution of more junior partners as they realize carry from prior funds, may contribute more, up to \$150 million (14.3% of the Fund assuming a \$1.05 billion fund size). These levels of contribution are substantially higher than the norm, typically 1-2% in other venture capital funds; thus further aligning the GP's interests with those of the LPs. Additionally, we note, that compensation via salary has remained low relative to other VCs, according to the GP - in order to align the interests of the junior partners with a view towards earning carried interest, which is "back-ended" and net of aggregate profits (profits net of all losses, expenses, and management fees), thus structurally aligned with the interest of the LPs.
- **Value Orientation:** In contrast to some VCs who are willing to "pay the price" to participate in the hottest deals of the day, KV appreciates the fact that all investments, notwithstanding their upside, should ideally be made with a view towards value. Thus in all of its early-stage investments, the Firm seeks to secure high levels of ownership with preferential rights for follow-on investments - a goal which has been achieved based on our conversations with some portfolio company CEOs, and a further proof that the GP remains in high regard with entrepreneurs. Provided its orientation towards value and its ability to execute, the Fund should be able to maintain its edge over competing offerings.
- **Performance - Early Indication of Top-Quartile Returns:** As further described below, KV has generated returns which compare very favorably (top-quartile) relative to other funds in the Venture Economics universe. KV's track record and hit rate in aggregate across all funds, inclusive of recent IPOs and unrealized holdings, supports the early indication of "top-quartile" performance versus peers.

While it is still too early to assess KV III's performance, we highlight this portfolio more closely as its strategy of investing in a mix of early- to late-stage startups more closely resembles that of KV IV. With the recent opening of the IPO market, KV III has already exited from and IPOed some of its late-stage investments - more than 6.4% of the invested capital, with another 6.4% currently in IPO registration. Thus KV III is positioned to provide significant distributions earlier than the seed-stage funds - at favorable multiples provided their stage and lower levels of risk. We would normally expect top-quartile funds at this stage to be breaking even, just above the "J-Curve," as evidenced by the top-quartile Venture Economics TVPI. While still early, KV III appears to be performing significantly better than the top-quartile VC.

INVESTMENT CONCERNS

- **Risks Associated with Venture Investments:** In our view, in addition to more general investment risks, the key risks associated with investing in startup companies include technology risk, management risk, and market risk; and the earlier the stage of investment, the higher each risk. Furthermore, while the IPO environment has improved markedly of late, we believe that on average, exits from venture investments occur more than six years after startups receive initial equity funding from institutional investors. Notwithstanding some later-stage investments by the Fund and the recent realizations by the Fund's predecessor, KV III, we caution that any commitment to venture capital funds, including one to KV IV, be viewed with appropriate expectations on the horizon for liquidity.
- **Cleantech:** In contrast to typical investments in IT, Cleantech companies generally require more capital investment to reach profitability or to develop to a stage appropriate for VC exit. In the past, many VCs have relied on government funding, as one example, to fuel the capital requirements of these companies. Provided the higher level of capital intensity and the public market appetite, it is difficult to conceive a highly capital intensive play realizing "Google-like" returns. However, with some Cleantech IPOs having achieved returns of more than 10x, we believe that Cleantech fund-level returns above 2-3x may prove to be quite possible. We take further comfort in the fact that KV evaluates all of its Cleantech investments with a view towards long-term profitability absent government subsidies, which can generally wane. Furthermore provided the longstanding experience of its senior partners investing in other industries, the Firm is well aware of the risks associated with capital intensive plays - thus while open to such investments, capital intensive investments are considered on a more limited basis. Moreover, KV's value orientation appears to mitigate this risk to some degree as its preference for value-oriented early-stage deals allows the GP to secure preferential rights in follow-on investments.

Lastly, the markets targeted by Cleantech companies tend to be substantially larger than those targeted by traditional IT companies, so a big win, should it materialize, can be orders of magnitude larger than the average successful investment in IT.

- **Substantial Unrealized Investments:** We note that consistent with the longer holding periods experienced by all VCs, prior KV funds remain largely unrealized. Generally, we would prefer to see more realizations in prior funds as a large number of existing portfolio companies could limit the GP's bandwidth for adding value to new investments. However, our calls with prior CEOs indicate that the partners remain highly responsive to the portfolio company management, inclusive of Mr. Khosla even in situations in which he is not the primary Board representative.
- **Potential Conflicts of Interest:** Similar to its predecessor institutional funds (KV Seed and KV III), KV IV will have the right to invest in follow-on financings of prior KV funds. To ensure there is no potential conflict, KV IV will have a Conflicts Committee consisting of at least two but not more than four representatives of the LPs and one third party industry practitioner selected by the general partner and approved by the limited partner representatives. The Conflicts Committee will act by affirmative vote of a majority of its members. As evidenced by the same process in place for the prior institutional funds, and our review of prior cross-fund investments made by KV Seed and KV III, we believe that potential conflicts can be mitigated adequately.
- **Partnership Terms:** We highlight the following legal terms of the KV IV partnership:
 - **No Preferred Return to LPs:** Similar to many venture capital funds, KV IV does not provide a preferred return to LPs prior to the distribution of the GP carried interest.
 - **GP Carried Interest at 30%:** KV IV GPs will own 30% of the profits generated by the Fund's investments. While significant and similar to other venture capital funds sponsored by top-tier firms, we note that the carry is calculated based on net aggregate profits of all investments and net of all expenses and management fees – structurally, the distribution of carried interest effectively aligns the interest of the GP with those of the LPs.

PERFORMANCE

The table below presents KV's investment performance versus those of the universe of all U.S. Venture Capital funds of the same vintage years in the Venture Economics database, as of the latest dates available.

KV Fund	Vintage	Size	Capital Invested	Realized	Unrealized	Total Value	Net IRR	TV/ Invested	Realized/ Invested	Net IRR (TopQ)	TVPI (TopQ)	DPI (TopQ)	DPI (Med)
"Fund I"	2004		\$ 141.5	\$ 35.9	\$ 263.5	\$ 299.4	N/A	2.12x	0.25x	5.1%	1.19x	0.39x	0.17x
"Fund II"	2006		\$ 410.9	\$ 66.5	\$ 1,004.7	\$ 1,071.2	N/A	2.61x	0.16x	2.0%	1.05x	0.15x	0.08x
Fund III	2009	\$ 1,000.0	\$ 476.0	\$ 14.1	\$ 571.3	\$ 585.5	13.3%	1.22x	0.03x	6.0%	1.05x	0.00x	0.00x
KV Seed	2009	\$ 200.0	\$ 78.9	\$ -	\$ 101.5	\$ 101.5	6.2%	1.07x	0.00x	6.0%	1.05x	0.00x	0.00x
All	2004-09	\$ 1,200.0	\$ 1,107.2	\$ 116.5	\$ 1,940.9	\$ 2,057.5	N/A	1.86x	0.11x	3.7%	1.07x	0.20x	0.06x

*All KV Fund data are derived based on GP estimates as of Feb. 28, 2011, except for Net IRR and TV/Invested ratios for Fund III and KV Seed, based on audited financials and management reports as of Dec. 31, 2010. KV Seed data does not include GP's side fund which invests on pro-rata basis. Funds "I" and "II" data are gross of any fees or carry as they represent the partners' own capital. Latest available Venture Economics data on universe of U.S. VCs as of Dec. 31, 2010.

As noted above, Funds "I" and "II" were funded primarily by the GP's capital, with Fund III and KV Seed backed primarily by institutional investors. In aggregate across all funds, KV has invested \$1.1 billion in capital and produced \$116.5 million in realizations. Together with \$1.9 billion in unrealized value, the total value of the \$1.1 billion invested capital stands at \$2.1 billion – a multiple of 1.86x vs. a multiple of 1.07x generated by top-quartile VCs in the same vintage years. The audited results of the two 2009 vintage institutional funds, with net IRRs of 13.3% (Fund III) and 6.2% (KV Seed) compare to 6.0% net IRR for top-quartile 2009 VC peers. In aggregate across all funds, KV's realizations at 0.11x rank above the 0.06x distribution by the median VCs; with recent and pending IPOs expected to further boost KV's distributions.

Notwithstanding the early indications of top-quartile performance, we note that the vast majority of value remains unrealized. Provided the lack of significant revenues and cash flows, venture capital investments are typically held at the last valuation round, with any change in valuations beyond the last round generally reflecting a company's ability to successfully meet critical milestones.

Vintage 2009, Fund III and KV Seed are still too young to adequately assess. Reviewing the more mature funds, Funds "I" and "II" have thus far exited from 25% and 18% of their respective invested capital - generating realized multiples of 1.0x and 0.9x, respectively, as a number of early losses have offset the modest winners. However, importantly, we highlight that Gevo and Amyris have gone public, thus contributing \$103.8 million and \$109.6 million in marketable value to Funds "I" and "II," respectively, albeit still in "lock-up." Other unrealized companies that show gains in value - LS9, Aliph/Jawbone, Lookout, and YuMe - all appear to have significant promise. We note that Funds "I" and "II" took more seed-stage risk, thus more akin to KV Seed, than to KV III. Nonetheless, reviewing KV's track record and hit rate in aggregate, inclusive of unrealized holdings, supports the early indication of "top-quartile" performance as suggested by the comparison of KV's performance to peers.

While it is still too early to assess KV III's performance, we highlight this portfolio more closely as its strategy of investing in a mix of early- to late-stage startups more closely resembles that of KV IV. With the recent opening of the IPO market, KV III has already exited from and IPOed some of its late-stage investments - more than 6.4% of the invested capital, with another 6.4% currently in IPO registration. Thus KV III is positioned to provide significant distributions earlier than the seed-stage funds - at favorable multiples provided their stage and lower levels of risk. We would normally expect top-quartile funds at this stage to be breaking even, just above the "J-Curve," as evidenced by the top-quartile Venture Economics TVPI. While still early, KV III appears to be performing significantly better than the top-quartile VC.

LIST OF EXISTING INVESTORS

Some of the LPs represented on prior funds include Alberta, CalPERS, University of Michigan, University of California Regents, and Pantheon. KV expects most, if not all, substantial prior investor to make a commitment to KV IV. Despite continued interest, provides KV, CalPERS may prove to be an exception due to recent internal staff turnover.

FUND TERMS

Fund Term	10 years, subject to three 1-year extensions by the GP, and beyond three years with the approval of a Majority in Interest of the LPs, in all cases if more than 10% of asset value consists of Nonmarketable Securities.
Investment Period	6 years.
Management Fee	2.0% of Capital Commitments per year during the Investment Period, and reduced thereafter by 0.25% per year until a minimum of 1.0% of Capital Commitments per year.
Other Fees	100% of all fee income (including, without limitation, directors' fees; investment banking and transaction fees; break-up, topping and similar fees; and advisory, consulting or similar fees, net of unreimbursed expenses) to reduce the Management Fee. Offering and Organizational expenses up to \$750,000.
LP Preferred Return	None.
General Partner Carry	30% of net aggregate profits (profits net of all losses, expenses, and management fees) to be distributed to the GP.
General Partner Commitment	Minimum of \$100 million.
Advisory Committee	The GP shall establish an Advisory Committee consisting of representatives of the LPs chosen by the GP in its reasonable judgment to meet at least once a year or more often at the request of any two members to render advice and counsel as requested by the GP in connection with the Fund's investments or other Fund matters, including the review of certain valuations.

Conflicts Committee	The GP shall establish a Conflicts Committee consisting of at least 2, but no more than 4, representatives of the LPs that are unaffiliated with members of the GP, and 1 third-party industry practitioner selected by the GP and approved by the representatives of the LPs to review Conflict Transactions (investments in companies held by other KV funds or the sale by other KV funds of a different security than the Fund holds where the underlying terms of different securities are amended as part of the sale transaction) and investment opportunities proposed to be waived, in whole or in part, and offered to another KV Fund Entity.
Clawback	Yes. After final distribution, the GP shall be obligated to return the excess of distributions made to it with respect to the GP's 30% interest in an amount equal to the Excess Distribution Amount, reduced by the federal, state and local income taxes payable on the Excess Distribution Amount by members of the GP.
No-Fault Divorce	Removal of the GP for cause by a vote of least 2/3 in interest of the LPs.
Key-Man Events	Termination of the Investment Period in the event Mr. Vinod Khosla ceases to devote substantially all of his business time to the affairs of the Fund.

RECOMMENDATION

The Fund offers clients the prospect to gain exposure to Cleantech and IT startup companies with disruptive technologies targeting multi-billion dollar industries. The sponsoring Firm, significantly aligned with the Fund's LPs provided the substantial GP capital commitment to the Fund, is headed by top-tier VC luminaries with longstanding ties in Silicon Valley and teamed with a promising next generation of investors with early indications of success. Notwithstanding the issues raised above, in view of the opportunity and the GP's strengths, we believe that SIS clients can benefit from a commitment to the Fund.

Khosla Ventures Biographies of Investment Professionals

General Partners:

Vinod Khosla. Upon graduating with a Bachelors in Electrical Engineering from the Indian Institute of Technology, Delhi, he failed, at age 20, to start a soy milk company to service the many people in India who did not have refrigerators. He came to the US and got his Masters in Biomedical Engineering at Carnegie-Mellon University. His startup dreams attracted him to Silicon Valley where he got an MBA at Stanford University in 1980.

Upon graduation he was one of the three founders of Daisy Systems, which was the first significant computer aided design system for electrical engineers. The company went on to significant revenue, profits and an IPO, but Khosla, driven by the frustration of having to design the computer hardware on which the Daisy software needed to be built, started the standards based Sun Microsystems in 1982 to build workstations for software developers. At Sun he pioneered "open systems" and RISC processors. Sun was funded by long time friend and board member John Doerr of Kleiner Perkins Caufield & Byers.

In 1986 he switched sides and joined Kleiner Perkins where he was and continues to be a general partner of KPCB funds through KP X. There, through the years, with other partners, he took on Intel's monopoly with Nexgen/AMD (the only microprocessor to have significant success against Intel, sold to AMD for 28% of AMD), incubated the idea and business plan for Juniper to take on Cisco's dominance of the router market, formulated the very early advertising based search strategy for Excite, and transformed the moribund telecommunications business and its archaic SONET implementations with Cerent (sold to Cisco for \$7B), and many other ventures. He helped in creating value, having fun, succeeding, failing (remember Dynabook?) and driving impact in partnership with entrepreneur, and the partners at KPCB.

Vinod's greatest passion is being a mentor to entrepreneurs, assisting entrepreneurs and helping them build technology based businesses. Vinod assists or serves on the boards of a number of the companies including MokaFive Skybox Imaging, Spatial Photonics, and Transonic Combustion, among others; but he generally meets directly with most of the portfolio companies as they face transitions or key decisions.

Pierre Lamond. Pierre Lamond is a pioneer of the semiconductor industry. He started his career in 1957 as an engineer at Transitron Electronics before joining Dr. Gordon E. Moore's R&D team at Fairchild Semiconductor. While at Fairchild, Pierre oversaw the development of advanced high-frequency transistors and the first generation of digital integrated circuits.

Pierre left Fairchild in 1967 to co-found the National Semiconductor Corporation, where he was vice president and general manager, Integrated Circuits. Following CEO roles at Coherent Radiation and Advent, Pierre returned to National Semiconductor in 1977 to assume the role of chief technology officer and VP, general manager of Advanced Products.

In 1981, Pierre joined Sequoia Capital as a general partner, where he played a pivotal role in the expansion of the semiconductor, systems, and software portfolios. While at Sequoia, Pierre was chairman of the board at Cypress Semiconductor, Microchip Semiconductor, Vitesse Semiconductor, Open-Silicon Inc., Redback Networks, Verisity, and Plumtree. He was also a director at Mellanox Technologies and Xoom. Pierre ran, on a temporary basis, engineering departments at Cisco Systems and C-Cube.

For the past two years Pierre has been a general partner at Khosla Ventures, and he serves on the boards of Skybox Imaging, Point Source Power, Cogenra, SEEO, and Soladigm. He also acts as an

observer on the boards of Nordic Windpower, SeaMicro, Danotek Motion Technologies, Touchstone Semiconductor, and Rayspan Corp.

Pierre is a native of France. He graduated with a BSEE and MS in physics from Toulouse University. He and his wife are long-term residents of the San Francisco Peninsula and supporters of several Bay Area nonprofits.

Samir Kaul. Samir grew up in a family of engineers and doctors. Both his father and uncle were early engineers in a pioneering satellite communications company where he worked during his high school and college summer breaks. However, it became clear during high school that it was biology rather than engineering which was his true passion. This led him to attend the University of Michigan where he majored in Biology and taught undergraduate Biochemistry. He then continued on to graduate school to study Biochemistry at the University of Maryland.

While at Maryland, he had heard Craig Venter speak about the genomics revolution. Venter's Institute for Genomic Research (TIGR) had recently sequenced the first complete genome, a bacterium frequently associated with influenza infections, in record time using automated, state of the art technology. What would have taken weeks in graduate school was now taking minutes at TIGR. Venter had also signed a historic deal with Smith Kline Beecham to identify the important genes responsible for human disease. Sensing a paradigm shift in the making, Samir joined TIGR to work on the genome of *Arabidopsis thaliana*, a mustard seed, which was a model organism for agricultural staples such as rice, corn and wheat. Soon, he was promoted to run the project both within TIGR and internationally as the Chairperson of the Arabidopsis Genome Initiative (AGI). Under his direction, the project was completed years before schedule and well under budget, culminating in a historic publication in Nature magazine December of 2000.

It was once again time for a change, as sequencing a genome no longer a rare event, so Samir went to Harvard Business School to pursue an MBA. With a strong scientific background and experience running large project teams, this would provide the business training needed to enter industry. Upon graduating, he joined Flagship Ventures to start and invest in early stage biotechnology companies. During his five years there, he was involved in starting and investing in a number of companies including Helicos BioSciences (NASDAQ: HLCS), Epitome Biosystems, Codon Devices, LS9, and Morphotek (acquired by Eisai). Helicos, co-founded with Stan Lapidus and Steve Quake from Stanford, is developing single molecule sequencing instruments to revolutionize personalized medicine. As CEO for the first 18 months of Codon Devices, Samir raised the Series A Financing, built the technical and advisory team, and booked significant revenues in the company first year of operations.

Vinod was a seed investor in Codon, and it was there their relationship began. Khosla had been researching ethanol and biorefineries since 2004 and was convinced that this was the next revolution in technology. Samir soon was persuaded and in early 2006 left Flagship to become a founding general partner at Khosla Ventures focusing primarily on renewable energy, clean technologies, and life sciences investing. Since joining forces with Khosla, Samir has been a co-founder/founding investor in Calera, CoSkata, Mascoma, Range Fuels, Seo and led the firms investments in Amyris, Ausra, Great Point Energy, PRAJ Industries (BSE:PRAJ), Stion, Transonic Combustion, Segetis, NanoH20, Soladigm, and a number of early stage science projects.

David Weiden. Beginning in door-to-door sales in high school, David has learned the value of closing the sale. One pitch led to a full-time job at McCaw Cellular, now AT&T. In the mid-1990's at Morgan Stanley he helped finance the buildout of nationwide mobile networks working with what is now T-Mobile and Verizon, and later researching the emerging Mobile Internet.

After receiving a stern reprimand in 1995 from Morgan Stanley for using Internet email, David jumped at the chance to join Netscape where he learned from some great leaders and managers. After pitching in on strategy, he led the Directory & Security division that offered among the first commercial products supporting Linux and open source. Later David led AOL's Communications, Community & Instant Messaging product divisions as they surpassed 50MM users worldwide. David then joined Tellme Networks as SVP Marketing & Business Development. Using a quantitative framework called Rifle, his team helped grow the company's revenue beyond \$100M in revenue and to profitability. Microsoft subsequently acquired Tellme.

David's investments have focused on Internet software, services and communications. A number of David's investments have been significant acquisitions or had IPOs including Bitfone (HPQ), Good Technology (MOT), Ingenio (T), LogMeIn (LOGM), Opsware (HPQ), Slide (GOOG), and Tellme (MSFT). He has been recognized by Fortune and Forbes as one of the top investors under 40.

David grew up in Seattle and graduated from Harvard magna cum laude with highest honors in the special major Organizational Behavior and Economics, with additional coursework at MIT and NYU in engineering.

Other Investment Professionals:

Ramy Adeb. Ramy loves building things—almost as much as he loves breaking them. At the age of 14, he developed a database solution to manage employee records for a large organization in Egypt. But when the number of records reached the tens of thousands, the program came to a halt—thanks to hand-coded bubble sort running on an IBM XT—providing Ramy with an early lesson on the importance of scale.

At age 16, Ramy was awarded a full scholarship to attend Lester B. Pearson United World College, an international school in British Columbia where students from each country live together for the sake of promoting international understanding and tolerance. Ramy installed the first Mosaic browser in the Pearson computer lab, replacing its antiquated Gopher terminals.

After graduating from high school, Ramy was awarded a full scholarship to Harvard, where he pursued his passion for computer science, focusing on algorithmic performance and compilers. During his summer internships, Ramy worked for Microsoft building games for the Dreamcast, the company's first foray into the game console business. After obtaining his graduate degrees in computer science, Ramy joined Tellme Networks, a voice application start-up, in 2000. There he led the enterprise engineering group and oversaw the development and launch of more than 30 products, including the first voice-activated phone brokerage application. His favorite project was managing the building and operations of the first centralized ordering system for pizza delivery. The project required maintaining 99.9 percent service availability through integrating three geographically redundant data centers with a few thousand pizza stores that were connected to the Internet over DSL modems.

In 2007, Ramy was the senior manager of Tellme's enterprise engineering group, with products generating more than \$100M in revenue, when Microsoft acquired the company for \$800M. Ramy also had a brief stint at McKinsey & Company, advising clients in the Persian Gulf on sustainable real estate development.

Ramy holds a bachelor's and master's in computer science from Harvard and an MBA from Stanford, where he was an Arjay Miller Scholar. He is the author of a number of patents in VoiceXML application development and the co-founder of the Harvard Arab Alumni Association. When not working with start-ups, Ramy tries to keep busy by sailing in the San Francisco Bay.

Alex Kinnier. Alex is working to speed up the next industrial revolution, focusing on solar energy use, thermal and mechanical efficiency, energy conversion devices, energy storage, and biofuels. Alex is either a director or works closely with the management teams of Pellion, Reluceo, Skybox, Solum, and several science projects.

Over the past 10 years, Alex has successfully created, launched, and grown a variety of technology and household products. As a group product manager at Google, Alex built the Agency display advertising team and created Google's next-generation third-party serving and targeting system. As part of this effort he was a leader of the \$3.1 billion acquisition of DoubleClick. On the consumer side of Google's business, Alex earned an Executive Management Group award for leading the product response to Microsoft's IE7 browser launch, which significantly increased Google's search share. In brand management at Procter & Gamble, Alex leveraged a forgotten technology and led two award-winning marketing campaigns to build his brand to \$80 million in sales. In product development at Procter & Gamble, Alex led the development and launch of three new-to-the-world Febreze products that helped the brand achieve sales of more than \$400 million in 50 countries in 24 months.

Alex also knows the joy and pain associated with starting a venture from scratch. In 2002, he began in Cleantech, founding Ocular Technologies to commercialize enhanced efficiency evaporators using a proprietary monolayer coating that improved air conditioning performance. The challenges of commercializing components of a larger system controlled by an entrenched industry provided Alex with a learning experience that informs his investing.

Growing up outside of Philadelphia, Alex earned a BS in chemical engineering with honors from Lehigh University and later an MBA with distinction from the Harvard Business School.

Shirish Sathaye. Shirish has a passion for building technology businesses. Earlier in his career, he held leadership roles in a number of start-ups, including FORE Systems (NASDAQ:FORE) and Alteon WebSystems (NASDAQ:ATON), where he was the vice president of engineering and chief technology officer. He comes to Khosla Ventures from Matrix Partners, where he spent a decade as a general partner investing in companies as diverse as Aruba Networks (NASDAQ:ARUN), Tigo Energy, Grandis, Inc., and Solidcore Systems.

Shirish's love for physics is at the root of his love of technology businesses. When Shirish was 10, he visited an oil tanker docked near Mumbai, India, where he grew up. He peppered the crew with questions, such as how an enormous ship could float on water even when fully loaded. Shirish's cousin, a submarine commander, later took him on a tour of a sub. Those two incidents prompted Shirish to learn about Archimedes' principle of buoyancy. From there, Shirish was hooked on studying physics. "I was always curious about the way things worked," he says. "Physics allows me to understand the world around me."

He attended the Institute of Technology in Varanasi, where he studied electrical engineering and interned at Siemens AG, one of the world's largest engineering conglomerates. After graduation, Shirish flew to the U.S. with the dream of becoming an entrepreneur. He arrived on the campus of Virginia Polytechnic Institute in 1984. Shirish obtained a master's degree in engineering in 1986 and later joined Digital Equipment Corporation. Four years later, while still working at DEC, Shirish began his doctorate in electrical and computer engineering at Carnegie Mellon, finishing the PhD program in less than three years. He worked at DEC for a total of eight years, earning experience in networking ASICs, network protocols, and routing software.

Shirish moved on to FORE Systems, where he ran the ATM switch group, the largest part of FORE's product line. FORE Systems went public in 1994 and was the market leader in ATM networking for several years. In 1997, Shirish noticed a fundamental shift: Ethernet connections were gaining speed, eclipsing ATM. He left FORE to join Alteon WebSystems, a young Ethernet

switch maker backed by Matrix Partners. He started as the company's vice president of engineering and later became its chief technology officer. As the promise of the Web unfolded, Alteon began to load-balance Web servers for Internet companies. Alteon went public in 1999 and the next year was bought by Nortel for \$7.8 billion. After this huge exit, Alteon's lead investor, Matrix Partners, hired Shirish as a general partner in 2001.

Shirish's first investment at Matrix was a wireless enterprise networking company called Aruba Networks, which he helped incubate in Matrix Partners' Silicon Valley office during the last economic down turn. The company went public in March 2007 and has a market cap of around \$2 billion (NASDAQ:ARUN). In almost a decade as a general partner at Matrix, Shirish has invested in networking, storage, software, clean-tech, and semiconductor companies. He was heavily involved in recruiting partners and fund-raising to form Matrix India, Matrix Partners' first international fund.

As a venture capitalist, Shirish works closely with entrepreneurs to develop and refine concepts and strategies and assemble strong teams. In some cases, as with Aruba Networks and Panzura, Inc., Shirish will get involved early, before the idea for the company has been fully formed.

Senior Adviser:

Tony Blair. Since leaving Downing Street, Tony Blair has served as the Quartet Representative to the Middle East. He represents the U.S.A., UN, Russia and the EU, working with the Palestinians to prepare for statehood as part of the international community's effort to secure peace.

The Tony Blair Faith Foundation promotes respect and understanding between the major religions and makes the case for faith as a force for good in the modern world. Faith is vitally important to hundreds of millions of people. But religious faith can also be used to divide. The Tony Blair Faith Foundation is a response to these opportunities and challenges.

The Africa Governance Initiative delivers projects in Rwanda, Sierra Leone and Liberia, advising President Kagame, President Koroma and President Johnson-Sirleaf respectively on policy delivery and attracting investment, with a team of his staff working full time at the centre of all three governments.

As the first major head of government to bring climate change to the top of the international political agenda at the 2005 Gleneagles G8 summit, Tony Blair now leads the Breaking the Climate Deadlock initiative, working with world leaders to build consensus on a new comprehensive international climate policy framework.

In recognition of his debt to the North East of England, he has launched the Tony Blair Sports Foundation, to increase opportunities for young people to participate in sport.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 6.7

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of Board Chair to Execute Alternative Investment Documentation

STAFF RECOMMENDATION: Staff recommends that the board review and approve the attached resolution that authorizes execution of alternative investment documentation based upon staff and counsel approval.

COMMENT: The board has determined that the time between sourcing alternative investments and the need to execute a commitment, including all documentation, cannot be achieved within the board's meeting schedule. The board opined that it is in the best interest of the fund for documents on alternative investment opportunities to be executed in a timely manner. Therefore, the board has routinely authorized the board chair to execute alternative investment documentation based upon review and approval of staff and counsel. The attached resolution formally delegates the authorities required to facilitate the board's desire to timely execute documentation and take advantage of investment opportunities.

The resolution is on the following page.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
**Authorization to Execute Documentation On behalf of the Board,
As Required, For Alternative Investment Agreements**

RESOLUTION 10-11-

THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), authorizes the Board Chair, Vice Chair and Chief Executive Officer to execute investment documentation subject to staff and counsel approval

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

WHEREAS, Government Code §31595 vests in the Board *" . . . exclusive control of the investment of the employees retirement fund."*; and

WHEREAS, Government Code §31596.1 (d) authorizes the Board to retain investment managers *" . . . in connection with administration of the Board's investment program . . . "*; and

WHEREAS, in August, 2010, the Board completed an asset-liability study, which designated 20.0% of the total portfolio to be allocated to alternative investments; and

WHEREAS, the Board's agreement with Strategic Investment Solutions (SIS) delegates to SIS discretion to source private equity investments; and

WHEREAS, the Board has determined that the time between sourcing alternative investments and the need to execute a commitment, including all documentation, cannot be achieved in the Board's meeting schedule and often would not allow for the board to notice a meeting and approve the documentation and further that it is in the best interest of the fund for such documents to be executed in a timely manner; Therefore, be it

RESOLVED that the Board hereby delegates to staff and legal counsel full discretionary authority for all tasks relevant to the approval of documents necessary to effectuate the alternative investment. Be it further

RESOLVED that the Board hereby authorizes the board chair, vice-chair or if neither is available, the chief executive officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

RESOLVED that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 7.1

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Preliminary Monthly Financial Report for the Period Ending April 30, 2011

STAFF RECOMMENDATION: Staff recommends that the board review the attached preliminary financial statements.

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

Statement of Fiduciary Net Assets

SamCERA's Net Assets Held in Trust for Pension Benefits as of month end, totaled \$2,359,079,088.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits increased by approximately \$50.5 million, month over month. The increase is primarily due to an appreciation in assets.

The following reports are attached to this agenda item:

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Statement of Fiduciary Net Assets (Year to Year YTD Comparative)	2
Statement of Changes in Fiduciary Net Assets (Year to Year YTD Comparative)	3
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San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
April 2011
PRELIMINARY

	April 2011	April 2010
ASSETS		
CASH AND CASH EQUIVALENTS	57,920,303	89,563,262
SECURITIES LENDING CASH COLLATERAL	152,331,041	299,144,114
TOTAL CASH	210,251,345	388,707,376
RECEIVABLES		
Contributions	0	0
Due from Broker for Investments Sold	133,047,238	87,643,714
Investment Income	5,716,693	4,640,829
Securities Lending Income	80,487	91,324
Other Receivable	113,000	114,044
TOTAL ACCOUNTS RECEIVABLES	138,957,418	92,489,911
PREPAID EXPENSE	7,669	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	587,733,576	507,148,673
Domestic Equities	1,010,950,642	916,277,585
International Equities	459,651,018	390,246,050
Real Estate	126,673,968	105,602,228
Private Equities	1,555,000	0
Risk Parity	140,894,740	0
	2,327,458,944	1,919,274,536
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	2,676,675,376	2,400,479,492
LIABILITIES		
Investment Management Fees	2,913,042	2,159,248
Due to Broker for Investments Purchased	161,699,170	121,448,472
Collateral Payable for Securities Lending	152,331,041	299,144,114
Other	653,034	538,885
TOTAL LIABILITIES	317,596,287	423,290,718
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,359,079,088	1,977,188,774

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
April 2011
Preliminary

	April 2011	April 2010	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	144,047,777	99,927,632	44,120,145
Employee Contribution	38,797,412	40,026,674	(1,229,262)
TOTAL CONTRIBUTIONS	182,845,189	139,954,306	42,890,883
INVESTMENT INCOME			
Interest and Dividends	32,184,235	31,424,768	759,467
Net Appreciation (Depreciation) in fair value of investments	449,581,930	326,627,285	122,954,645
Less Investment Expense	(8,974,201)	(6,148,542)	(2,825,659)
Less Asset Management Expense	(541,793)	(418,403)	(123,390)
NET INVESTMENT INCOME	472,250,171	351,485,107	120,765,064
SECURITIES LENDING INCOME			
Earnings	476,998	841,891	(364,893)
Less: Securities Lending Expenses	(125,733)	(270,876)	145,143
NET SECURITIES LENDING INCOME	351,265	571,015	(219,750)
OTHER ADDITIONS	60,834	32,597	28,237
TOTAL ADDITIONS	655,507,459	492,043,025	163,464,434
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	94,570,945	88,300,248	6,270,697
Disability Retirement Allowance	12,097,932	12,178,439	(80,507)
Survivor, Death and Other Benefits	655,910	673,977	(18,067)
TOTAL ASSOCIATION BENEFITS	107,324,787	101,152,664	6,172,123
REFUND OF MEMBER CONTRIBUTIONS	2,172,044	2,420,650	(248,606)
ADMINISTRATIVE EXPENSE	2,838,004	2,666,904	171,100
OTHER EXPENSE	(10,008)	13,591	(23,599)
TOTAL DEDUCTIONS	112,324,827	106,253,810	6,071,017
NET INCREASE	543,182,633	385,789,216	157,393,417
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	1,815,896,455	1,591,399,558	
End of Period	2,359,079,088	1,977,188,774	

San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET ASSETS - TRAILING TEN MONTHS
For the Month Ending April 30, 2011
PRELIMINARY

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	YTD
ADDITIONS							
CONTRIBUTIONS							
Employee Contribution	3,019,936	3,655,943	3,594,335	3,642,307	3,931,107	5,744,046	23,587,673
Employer Contributions - Regular	5,407,157	7,251,548	7,302,907	7,314,517	7,373,448	11,260,294	45,909,870
Employer Contributions - COLA	3,047,757	4,080,356	4,106,941	4,109,218	4,138,857	6,315,925	25,799,055
Employer Prefunded Contribution	68,411,230	(11,274,407)	(11,390,665)	(11,385,369)	(11,454,658)	(15,713,522)	7,192,610
TOTAL CONTRIBUTIONS	79,886,080	3,713,440	3,613,518	3,680,673	3,988,754	7,606,743	102,489,208
INVESTMENT INCOME							
Interest and Dividends	2,228,528	3,312,853	3,275,168	2,196,872	2,999,996	4,821,615	18,835,032
Net Appreciation (Depreciation) in fair value of investments	87,400,814	(43,766,849)	127,340,342	56,496,595	(9,582,182)	85,376,887	303,265,608
Securities Lending Income	45,487	50,647	58,657	56,343	55,461	56,056	322,650
Other Additions	0	0	0	0	0	0	0
Asset Management Expense	(34,874)	(48,180)	(45,105)	(56,665)	(69,170)	(68,573)	(322,568)
Other Investment Related Expense	(54,893)	(21,994)	(28,660)	(16,428)	(60,565)	(50,291)	(232,830)
Securities Lending Expense	(18,072)	(17,797)	(6,250)	(20,480)	(1,432)	(14,372)	(78,403)
TOTAL ADDITIONS	169,453,071	(36,777,881)	134,207,670	62,336,911	(2,669,137)	97,728,065	424,278,699
DEDUCTIONS							
ASSOCIATION BENEFITS							
Retiree Annuity	2,369,716	2,389,206	2,405,091	2,402,821	2,430,529	2,422,802	14,420,165
Retiree Pension	5,649,275	5,673,987	5,713,621	5,694,015	5,746,049	5,743,755	34,220,701
Retiree COLA	2,514,530	2,506,061	2,503,348	2,492,815	2,488,067	2,481,293	14,986,114
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	492	0	0	0	0	0	492
TOTAL ASSOCIATION BENEFITS	10,537,591	10,572,833	10,625,639	10,593,230	10,668,223	10,651,429	63,648,946
REFUND OF MEMBER CONTRIBUTIONS	110,411	290,928	163,314	170,084	414,929	26,231	1,175,896
ACTUARIAL FEES	16,083	19,083	750	750	2,667	833	40,167
CONSULTANT FEES - INVESTMENT (SIS)	16,667	16,667	16,667	33,333	33,333	50,000	166,667
CUSTODIAN FEES - STATE STREET	11,800	12,057	11,800	11,705	11,800	58,136	117,298
INVESTMENT MANAGEMENT FEE - R1000 INDEX	7,601	7,361	7,835	7,939	7,601	7,953	46,291
INVESTMENT MANAGEMENT FEE - ABERDEEN	29,975	30,448	30,368	30,622	30,622	28,031	180,066
INVESTMENT MANAGEMENT FEE - PYRAMIS	21,220	21,489	21,411	21,572	21,475	18,080	125,248
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	5,651	5,814	5,770	5,935	744	5,770	29,683
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	18,265	18,265	13,122	17,156	16,987	17,071	100,865
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	0	0	0	0	0	5,407	5,407
INVESTMENT MANAGEMENT FEE - CHARTWELL	27,285	25,486	29,832	30,634	31,847	33,350	178,434
INVESTMENT MANAGEMENT FEE - D E SHAW	38,742	36,395	40,770	41,744	42,032	44,604	244,287
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	28,364	26,801	29,807	30,424	30,525	32,394	178,315
INVESTMENT MANAGEMENT FEE - BLACKROCK	53,979	50,802	57,819	60,137	61,723	63,563	348,022
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	53,239	50,247	55,417	55,847	54,720	59,454	328,924
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	29,952	26,946	31,460	31,259	31,937	34,136	185,690
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	61,867	57,824	65,932	67,596	70,895	72,168	396,283
INVESTMENT MANAGEMENT FEE - MONDRIAN	53,376	40,166	43,103	43,995	26,437	48,337	255,414
INVESTMENT MANAGEMENT FEE - ARTIO	81,045	76,961	84,099	86,442	87,385	89,412	505,344
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	34,141	34,643	34,573	34,846	34,723	29,035	201,962
INVESTMENT MANAGEMENT FEE - INVESCO CORE	53,711	53,711	50,725	52,715	52,715	41,566	305,143
TOTAL PROFESSIONAL FEE	642,963	611,167	631,257	664,651	650,168	739,303	3,939,509
ADMIN EXPENSE - SALARIES & BENEFITS	99,487	168,819	170,584	171,415	174,710	258,847	1,043,860
ADMIN EXPENSE - SERVICES & SUPPLIES	33,996	55,862	124,612	150,416	105,433	112,074	582,393
TOTAL ADMINISTRATIVE EXPENSES	133,483	224,680	295,196	321,830	280,143	370,920	1,626,253
INTEREST FOR PREPAID CONTRIBUTION	0	0	0	0	0	1,804,884	1,804,884
OTHER DEDUCTIONS	919	4,096	4,593	12,505	7,962	10,075	40,149
TOTAL DEDUCTIONS	11,425,368	11,703,704	11,719,999	11,762,300	12,021,425	13,602,843	72,235,638
NET INCREASE	158,027,703	(48,481,584)	122,487,671	50,574,610	(14,690,562)	84,125,222	352,043,061

San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET ASSETS - TRAILING NINE MONTHS
For the Month Ending April 30, 2011
PRELIMINARY

	December YTD 2010	January 2011	February 2011	March 2011	April 2011	YTD
ADDITIONS						
CONTRIBUTIONS						
Employee Contribution	23,587,673	3,734,419	3,948,453	3,601,493	3,925,374	38,797,412
Employer Contributions - Regular	45,909,870	7,652,176	7,460,233	7,390,652	7,825,727	76,238,657
Employer Contributions - COLA	25,799,055	4,292,459	4,173,675	4,131,189	4,397,122	42,793,499
Employer Prefunded Contribution	7,192,610	53,074,415	(11,595,294)	(11,503,337)	(12,152,773)	25,015,620
TOTAL CONTRIBUTIONS	102,489,208	68,753,468	3,987,066	3,619,996	3,995,449	182,845,189
INVESTMENT INCOME						
Interest and Dividends	18,835,032	1,999,124	3,622,609	4,346,612	3,380,857	32,184,235
Net Appreciation (Depreciation) in fair value of investments	303,265,608	22,650,174	51,815,603	16,355,785	55,555,594	449,642,764
Securities Lending Income	322,650	43,061	33,846	40,392	37,048	476,998
Other Additions	0	0	0	0	0	0
Asset Management Expense	(322,568)	(44,618)	(46,577)	(56,564)	(71,466)	(541,793)
Other Investment Related Expense	(232,830)	(38,041)	(3,683)	(19,886)	(76,258)	(370,699)
Securities Lending Expense	(78,403)	(16,677)	(12,252)	(16,499)	(1,902)	(125,733)
TOTAL ADDITIONS	424,278,699	93,346,492	59,396,612	24,269,836	62,819,322	664,110,961
DEDUCTIONS						
ASSOCIATION BENEFITS						
Retiree Annuity	14,420,165	2,455,713	2,477,318	2,487,046	2,539,302	24,379,543
Retiree Pension	34,220,701	5,825,447	5,869,498	5,904,613	6,054,657	57,874,917
Retiree COLA	14,986,114	2,474,478	2,471,993	2,458,332	2,615,219	25,006,137
Retiree Death and Modified Work Benefit	21,475	3,579	31,487	3,579	3,579	63,699
Active Member Death Benefit	0	0	0	0	0	0
Voids and Reissue	492	(6,887)	6,887	0	0	492
TOTAL ASSOCIATION BENEFITS	63,648,946	10,752,331	10,857,183	10,853,570	11,212,758	107,324,787
REFUND OF MEMBER CONTRIBUTIONS	1,175,896	170,704	521,840	181,415	122,188	2,172,044
ACTUARIAL FEES						
CONSULTANT FEES - INVESTMENT (SIS)	166,667	16,667	50,000	33,333	16,667	283,333
CUSTODIAN FEES - STATE STREET	117,298	28,689	31,302	15,355	18,000	210,644
INVESTMENT MANAGEMENT FEE - R1000 INDEX	46,291	7,972	9,371	5,988	7,064	76,686
INVESTMENT MANAGEMENT FEE - ABERDEEN	180,066	28,231	26,401	27,351	27,160	289,208
INVESTMENT MANAGEMENT FEE - PYRAMIS	125,248	18,093	15,951	19,290	16,638	195,220
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	29,683	5,747	6,644	5,002	5,985	53,061
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	100,865	17,694	18,015	17,968	18,250	172,792
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	5,407	81,162	(14,815)	33,931	35,046	140,732
INVESTMENT MANAGEMENT FEE - CHARTWELL	178,434	34,224	37,239	36,927	39,544	326,368
INVESTMENT MANAGEMENT FEE - D E SHAW	244,287	45,429	47,062	46,259	48,011	431,048
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	178,315	31,080	32,526	25,898	33,071	300,890
INVESTMENT MANAGEMENT FEE - BLACKROCK	348,022	64,716	66,636	65,929	67,962	613,266
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	328,924	60,782	62,936	63,145	64,416	580,203
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	185,690	34,280	36,460	36,244	37,176	329,849
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	396,283	73,876	78,093	77,766	80,517	706,535
INVESTMENT MANAGEMENT FEE - MONDRIAN	255,414	38,236	42,018	8,327	40,503	384,499
INVESTMENT MANAGEMENT FEE - ARTIO	505,344	86,562	88,141	88,239	93,105	861,391
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	201,962	29,125	25,929	27,530	26,937	311,482
INVESTMENT MANAGEMENT FEE - INVESCO CORE	305,143	48,999	48,999	39,079	45,692	487,912
TOTAL PROFESSIONAL FEE	3,939,509	752,399	709,739	674,393	722,578	6,798,618
ADMIN EXPENSE - SALARIES & BENEFITS						
ADMIN EXPENSE - SERVICES & SUPPLIES	1,043,860	184,241	182,148	180,989	249,190	1,840,429
TOTAL ADMINISTRATIVE EXPENSES	1,626,253	263,359	280,245	326,408	341,739	2,838,004
INTEREST FOR PREPAID CONTRIBUTION	1,804,884	0	0	0	0	1,804,884
OTHER DEDUCTIONS	40,149	2,780	9,298	2,071	(64,307)	(10,008)
TOTAL DEDUCTIONS	72,235,638	11,941,573	12,378,305	12,037,857	12,334,955	120,928,329
NET INCREASE	352,043,061	81,404,919	47,018,307	12,231,979	50,484,366	543,182,632

**San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending April 30, 2011**

	April 2011	March 2011	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	57,920,303	44,300,302	13,620,001	30.74%
SECURITIES LENDING CASH COLLATERAL	152,331,041	142,597,377	9,733,664	6.83%
TOTAL CASH	210,251,345	186,897,680	23,353,665	0
RECEIVABLES				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	133,047,238	144,299,181	(11,251,943)	-7.80%
Investment Income	5,716,693	5,383,157	333,536	6.20%
Securities Lending Income	80,487	69,235	11,252	16.25%
Other Receivable	113,000	113,078	(79)	-0.07%
TOTAL ACCOUNTS RECEIVABLES	138,957,418	149,864,651	(10,907,233)	-7.28%
PREPAID EXPENSE	7,669	7,669	0	0.00%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	587,733,576	580,952,807	6,780,769	1.17%
Domestic Equities	1,010,950,642	1,000,472,187	10,478,455	1.05%
International Equities	459,651,018	440,242,012	19,409,006	4.41%
Real Estate	126,673,968	126,673,968	0	0.00%
Private Equity	1,555,000	255,000	1,300,000	509.80%
Risk Parity	140,894,740	140,894,740	0	N/A
	2,327,458,944	2,289,490,714	37,968,231	1.66%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	2,676,675,376	2,626,260,713	50,414,662	1.92%
LIABILITIES				
Investment Management Fees	2,913,042	2,232,173	680,869	30.50%
Due to Broker for Investments Purchased	161,699,170	172,157,019	(10,457,849)	-6.07%
Collateral Payable for Securities Lending	152,331,041	142,597,377	9,733,664	6.83%
Other	653,034	679,423	(26,388)	-3.88%
TOTAL LIABILITIES	317,596,287	317,665,992	(69,705)	-0.02%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,359,079,088	2,308,594,721	50,484,367	2.19%

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending April 2011
Preliminary

	April 2011	March 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	144,047,777	143,977,701	70,075
Employee Contribution	38,797,412	34,872,038	3,925,374
TOTAL CONTRIBUTIONS	<u>182,845,189</u>	<u>178,849,740</u>	<u>3,995,449</u>
INVESTMENT INCOME			
Interest and Dividends	32,184,235	28,803,378	3,380,857
Net Appreciation (Depreciation) in fair value of investments	449,581,930	394,026,681	55,555,249
Less Investment Expense	(8,974,201)	(8,175,365)	(798,836)
Less Asset Management Expense	(541,793)	(470,327)	(71,466)
NET INVESTMENT INCOME	<u>472,250,171</u>	<u>414,184,366</u>	<u>58,065,805</u>
SECURITIES LENDING INCOME			
Earnings	476,998	439,950	37,048
Less: Securities Lending Expenses	(125,733)	(123,831)	(1,902)
NET SECURITIES LENDING INCOME	<u>351,265</u>	<u>316,119</u>	<u>35,145</u>
OTHER ADDITIONS	<u>60,834</u>	<u>60,490</u>	<u>344</u>
TOTAL ADDITIONS	<u>655,507,459</u>	<u>593,410,715</u>	<u>62,096,744</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	94,570,945	84,688,665	9,882,281
Disability Retirement Allowance	12,097,932	10,831,004	1,266,928
Survivor, Death and Other Benefits	655,910	592,361	63,549
TOTAL ASSOCIATION BENEFITS	<u>107,324,787</u>	<u>96,112,030</u>	<u>11,212,758</u>
REFUND OF MEMBER CONTRIBUTIONS	2,172,044	2,049,856	122,188
ADMINISTRATIVE EXPENSE	2,838,004	2,496,265	341,739
OTHER EXPENSE	(10,008)	54,299	(64,307)
TOTAL DEDUCTIONS	<u>112,324,827</u>	<u>100,712,449</u>	<u>11,612,378</u>
NET INCREASE	543,182,633	492,698,266	50,484,366
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,308,594,721	2,296,362,742	
End of Period	2,359,079,088	2,308,594,721	

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 7.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval of Contribution Rates for Newly Adopted Plans

Issue

Employees hired in the next fiscal year will earn service credit under new benefit plans. Because the new plans have benefit formulas that differ from those of current members, employee and employer contribution rates must differ as well.

Background

The county has approved agreements with bargaining units representing the vast majority of its employees. These agreements include changes to benefit formulas and place additional contribution requirements on employees. Nearly all the retirement benefit and contribution changes will be only for those employees hired on or after July 10, 2011. That date was chosen because it is the first day of the first pay period in the next fiscal year.

The Board of Retirement accepted fiscal year 2011-12 contribution rates for current employees at its September 2010 meeting. Milliman, Inc. has provided recommended new contribution rates to be applied for members of the new plans. The attached letter from Milliman's Nick Collier details these rates.

Some unions representing smaller groups of employees have yet to reach agreement. However, *SamCERA* needs to have rates accepted and ready for implementation for those unions that have already reached agreement. In the event that inconsistent benefit formulas or other changes are brought forth, staff will return to the Board of Retirement for acceptance of additional contribution rates.

Staff Recommendation

Staff recommends that the board accept the attached resolution adopting employer and employee contribution rates for fiscal year 2011-12 for employees hired on or after the effective date of new benefit plans.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

**Fiscal Year 2011-2012 Contribution Rates for Members Hired After
Implementation of New Benefit Tiers**

RESOLUTION 10-11-__

*THIS RESOLUTION, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA),
recommends contribution rates to the Board of Supervisors, effective for the 2011-
2012 fiscal year.*

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board shall..."... *recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...*" and

WHEREAS, the County of San Mateo and its bargaining units have entered into agreements to make certain benefit formulas and contribution options of the 1937 Act effective for new employees hired on or after June 10, 2011, or when administratively feasible if later, and

WHEREAS, these agreements create additional plans of benefits and contributions that differ from the benefit and contribution plans in effect for the County and its employees hired prior to the effective hiring date of these new plans, and

WHEREAS, contribution rates should be consistent with the actuarial assumptions regarding the accrual of benefits and assets, and

WHEREAS, the Board has received the recommended employer and employee contribution rates for members hired on or after the effective date of the new plans from its actuarial firm, Milliman, Inc., and

WHEREAS, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the contribution rates necessary to assure the actuarial soundness of the Retirement Fund.

Therefore, be it

RESOLVED that the Board hereby accepts the employer and employee contribution rates as set forth below for the specified plans and entry ages for the fiscal year 2011-2012;

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended contribution rates for the county of San Mateo and the member contribution rates for members of General Member Plan 5, Safety/non-PDA Plan 5, PDA Plan 5 and PDA Plan 6 for

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

employee members of the County of San Mateo hired on or after July 10, 2011, or the date administratively feasible if later, in accordance with tables and exhibits set forth in the attached letter dated May 18, 2011, from Nick Collier, Consulting Actuary, Milliman, Inc., to David Bailey, Chief Executive Officer, San Mateo County Employees Retirement Association;

Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation.



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May 18, 2011

Mr. David Bailey
Chief Executive Officer
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Re: Fiscal Year Beginning 2011 Contribution Rates

Dear David:

The Board of Retirement of the San Mateo County Employees' Retirement Association (*SamCERA*) adopts contribution rates each year to be paid by its employers. These rates are generally based on the prior year's actuarial valuation. For the fiscal year beginning July 1, 2011, there are expected to be new benefit provisions that were not included in the June 30, 2010 actuarial valuation. The purpose of this letter is to provide contribution rates for future members who may join under the approved new provisions. If additional new benefit provisions are finalized later, we will provide additional calculations.

Background

The County has discussed a number of potential new plans for new hires. These involve changes in the benefits provided as well as changes in the member rates. It is our understanding that agreements have been reached with most of the unions, but the County is still in discussion with others. We have shown the estimated employer contribution rates assuming:

- Effective July 10, 2011, all General member new hires are eligible to participate in the existing Plan 3 or the new Plan 5 (1.725% @ 58)
- Effective July 10, 2011, all Safety and Probation member new hires are eligible to participate in the new Plan 5 (3% @ 55) or the new Plan 6 (2% @ 50).

For each scenario, we have shown the rates with and without the members contributing one-half of the COLA costs.

Employer Contribution Rates

Employer contribution rates are shown in the following table for each class of member and plan. We have also included the expected aggregate member contribution rate for each class and plan. In addition to the members paying a portion of the COLA cost, members participating in some of the new plans may pay some cost sharing.

This work product was prepared solely for *SamCERA* for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.



Member Pays Half of the COLA Cost

Class / Plan	Employer Normal Cost Rate	UAAL Rate	Total Employer Rate	Aggregate Member Rate
General Plan 5 (1.725% @ 58)	8.96%	18.42%	27.38%	7.31%
Safety/non-PDA Plan 5 (3% @ 55)	15.46%	52.03%	67.49%	15.24%
PDA Plan 5 (3% @ 55)	14.16%	23.86%	38.02%	12.60%
PDA Plan 6 (2% @ 50)	14.56%	23.86%	38.42%	8.89%

Member Does Not Pay Any of the COLA Cost

Class / Plan	Employer Normal Cost Rate	UAAL Rate	Total Employer Rate	Aggregate Member Rate
General Plan 5 (1.725% @ 58)	10.04%	18.42%	28.46%	6.01%
Safety/non-PDA Plan 5 (3% @ 55)	18.08%	52.03%	70.11%	12.41%
PDA Plan 5 (3% @ 55)	16.50%	23.86%	40.36%	10.08%
PDA Plan 6 (2% @ 50)	16.62%	23.86%	40.48%	6.67%

The ultimate cost of each plan will depend on several factors, including the demographic make-up (primarily number of new hires at each entry age) of the group that selects each plan. Since it is not known what the new hire demography will be, we have assumed it will be the same as that of the existing population. To the extent that new hires selecting each plan are demographically different from the existing population, the employer Normal Cost rate will change.

In addition, we expect that over the next several years the demography of new hires will evolve until a somewhat stable population demographic is reached. Until that time, we expect that the aggregate employer Normal Cost may be subject to fluctuations from year to year that are greater than those of the current *SamCERA* plans.

The rates shown here are based on the assumptions and methods described in the June 30, 2010, actuarial valuation, dated September 13, 2010. Prior to completion of the June 30, 2011 actuarial valuation, we will be conducting an Investigation of Experience. The employer Normal Cost and member contribution rates effective July 1, 2012 will be determined based on the results of that study and, therefore, may change from the rates shown below.

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Member Contribution Rates

Member contribution rates are shown in the attached Exhibits 1 - 4. The exhibits show both the basic rate and the additional piece if members share in the cost of COLA provision at a rate of 50%, as specified under Section 31873 of the CERL.

Exhibit 1 shows rates for General Plan 5. Basic member rates are based on Section 31621 of the CERL. The aggregate member rate is 7.31%, including the COLA portion.

Safety/non-PDA Plan 5 member contribution rates are shown in Exhibit 2. Basic member rates are based on Section 31639.25 of the CERL. It is our understanding that members will also pay up to 4.5% cost sharing under Section 31678.2 of the CERL. The aggregate member rate is 15.24%, including the COLA portion and cost sharing.

PDA Plan 5 member contribution rates are shown in Exhibit 3. Basic member rates are based on Section 31639.25 of the CERL and reflect a 20% employer pick-up in the basic rates. It is our understanding that members will also pay 3.5% cost sharing under Section 31678.2 of the CERL. The aggregate member rate is 12.60%, including the COLA portion and cost sharing.

PDA Plan 6 member contribution rates are shown in Exhibit 4. Basic member rates are based on Section 31639.25 of the CERL and reflect a 20% employer pick-up in the basic rates. The aggregate member rate is 8.89%, including the COLA portion.

Certification

This report reflects the data, methods and assumptions used for the June 30, 2008, actuarial valuation report of San Mateo County Employees' Retirement Association dated September 15, 2008, except where noted. We have completed a valuation for June 30, 2009, and June 30, 2010, but we have used the 2008 valuation as our basis for consistency with prior studies. Methods and assumptions are consistent for all three valuations.

Unless noted otherwise, all results are based on plan provisions described in the June 30, 2010, valuation report dated September 13, 2010.

In preparing this analysis and the June 30, 2008, and 2010, valuations we relied, without audit, on information (some oral and some in writing) supplied by the *SamCERA* staff. This information includes, but is not limited to, asset information, statutory provisions, and employee data. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since these results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations), and which, in combination,



Mr. David Bailey
May 18, 2011
Page 4

offer a reasonable estimate of anticipated experience affecting the System. We will next be reviewing the assumptions in 2011 as part of our triennial investigation of experience. The analysis in this letter is subject to the uncertainties of a regular actuarial valuation; it is inexact because it is based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging costs will vary from those presented in this letter to the extent actual experience differs from that projected by the actuarial assumptions. The actuarial assumptions themselves are also subject to change during the triennial investigation of experience.

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

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
- (b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. *SamCERA* should have the proposed approach reviewed by qualified legal counsel.

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

Sincerely,

A handwritten signature in black ink that reads "Nick Collier".

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

NJC/nlo

Enclosures

cc: Mr. Craig Glyde

This work product was prepared solely for *SamCERA* for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

San Mateo County Employees' Retirement Association
General Member Rates
Plan 5, 1.725% @ 58
Effective July 10, 2011

Exhibit 1

Entry Age	Basic Member Rates	COLA Member Rates	Total Member Rates
16	4.22%	0.91%	5.13%
17	4.30%	0.93%	5.23%
18	4.38%	0.95%	5.33%
19	4.46%	0.97%	5.43%
20	4.54%	0.98%	5.52%
21	4.63%	1.00%	5.63%
22	4.71%	1.02%	5.73%
23	4.80%	1.04%	5.84%
24	4.89%	1.06%	5.95%
25	4.98%	1.08%	6.06%
26	5.07%	1.10%	6.17%
27	5.17%	1.12%	6.29%
28	5.26%	1.14%	6.40%
29	5.36%	1.16%	6.52%
30	5.45%	1.18%	6.63%
31	5.55%	1.20%	6.75%
32	5.65%	1.22%	6.87%
33	5.76%	1.25%	7.01%
34	5.86%	1.27%	7.13%
35	5.97%	1.29%	7.26%
36	6.08%	1.32%	7.40%
37	6.19%	1.34%	7.53%
38	6.30%	1.37%	7.67%
39	6.41%	1.39%	7.80%
40	6.53%	1.42%	7.95%
41	6.65%	1.44%	8.09%
42	6.77%	1.47%	8.24%
43	6.90%	1.50%	8.40%
44	7.03%	1.52%	8.55%
45	7.16%	1.55%	8.71%
46	7.29%	1.58%	8.87%
47	7.42%	1.61%	9.03%
48	7.55%	1.64%	9.19%
49	7.68%	1.66%	9.34%
50	7.80%	1.69%	9.49%
51	7.92%	1.72%	9.64%
52	8.03%	1.74%	9.77%
53	8.12%	1.76%	9.88%
54	8.21%	1.78%	9.99%
55	8.27%	1.79%	10.06%
56	8.31%	1.80%	10.11%
57	8.31%	1.80%	10.11%
58	8.60%	1.86%	10.46%
59	8.92%	1.93%	10.85%
60	8.92%	1.93%	10.85%

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**San Mateo County Employees' Retirement Association
Safety Member Rates
Plan 5, 3% @ 55
Effective July 10, 2011**

Exhibit 2

Entry Age	Basic Member	COLA Member	Total Member		Total Member
	Rates	Rates	Rates (w/o cost share)	Cost Share*	Rates
16	6.64%	2.03%	8.67%	3.00%	11.67%
17	6.76%	2.06%	8.82%	3.00%	11.82%
18	6.88%	2.10%	8.98%	3.00%	11.98%
19	7.01%	2.14%	9.15%	3.00%	12.15%
20	7.14%	2.18%	9.32%	3.00%	12.32%
21	7.27%	2.22%	9.49%	3.00%	12.49%
22	7.40%	2.26%	9.66%	3.00%	12.66%
23	7.53%	2.30%	9.83%	3.00%	12.83%
24	7.67%	2.34%	10.01%	3.00%	13.01%
25	7.81%	2.38%	10.19%	3.00%	13.19%
26	7.95%	2.42%	10.37%	3.00%	13.37%
27	8.10%	2.47%	10.57%	3.00%	13.57%
28	8.24%	2.51%	10.75%	3.00%	13.75%
29	8.39%	2.56%	10.95%	3.00%	13.95%
30	8.55%	2.61%	11.16%	3.00%	14.16%
31	8.70%	2.65%	11.35%	3.00%	14.35%
32	8.86%	2.70%	11.56%	3.00%	14.56%
33	9.03%	2.75%	11.78%	3.00%	14.78%
34	9.19%	2.80%	11.99%	3.00%	14.99%
35	9.37%	2.86%	12.23%	3.00%	15.23%
36	9.54%	2.91%	12.45%	3.00%	15.45%
37	9.71%	2.96%	12.67%	3.00%	15.67%
38	9.88%	3.01%	12.89%	3.00%	15.89%
39	10.05%	3.07%	13.12%	3.00%	16.12%
40	10.21%	3.11%	13.32%	3.00%	16.32%
41	10.36%	3.16%	13.52%	3.00%	16.52%
42	10.50%	3.20%	13.70%	3.00%	16.70%
43	10.63%	3.24%	13.87%	3.00%	16.87%
44	10.74%	3.28%	14.02%	3.00%	17.02%
45	10.83%	3.30%	14.13%	3.00%	17.13%
46	10.88%	3.32%	14.20%	3.00%	17.20%
47	10.88%	3.32%	14.20%	3.00%	17.20%
48	11.26%	3.43%	14.69%	3.00%	17.69%
49	11.68%	3.56%	15.24%	3.00%	18.24%
50	11.68%	3.56%	15.24%	3.00%	18.24%
51	11.68%	3.56%	15.24%	3.00%	18.24%
52	11.68%	3.56%	15.24%	3.00%	18.24%
53	11.68%	3.56%	15.24%	3.00%	18.24%
54	11.68%	3.56%	15.24%	3.00%	18.24%
55	11.68%	3.56%	15.24%	3.00%	18.24%
56	11.68%	3.56%	15.24%	3.00%	18.24%
57	11.68%	3.56%	15.24%	3.00%	18.24%
58	11.68%	3.56%	15.24%	3.00%	18.24%
59	11.68%	3.56%	15.24%	3.00%	18.24%
60	11.68%	3.56%	15.24%	3.00%	18.24%

* Cost share varies by service. For service less than five years, 3.00% is used.

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San Mateo County Employees' Retirement Association
Probation Member Rates
Plan 5, 3% @ 55, 20% employer pick-up reflected in basic member rates
Effective July 10, 2011

Exhibit 3

Entry Age	Basic Member	COLA Member	Total Member		Total Member
	Rates	Rates	Rates (w/o cost share)	Cost Share	Rates
16	5.31%	2.00%	7.31%	3.50%	10.81%
17	5.41%	2.04%	7.45%	3.50%	10.95%
18	5.50%	2.07%	7.57%	3.50%	11.07%
19	5.61%	2.11%	7.72%	3.50%	11.22%
20	5.71%	2.15%	7.86%	3.50%	11.36%
21	5.82%	2.19%	8.01%	3.50%	11.51%
22	5.92%	2.23%	8.15%	3.50%	11.65%
23	6.02%	2.27%	8.29%	3.50%	11.79%
24	6.14%	2.31%	8.45%	3.50%	11.95%
25	6.25%	2.36%	8.61%	3.50%	12.11%
26	6.36%	2.40%	8.76%	3.50%	12.26%
27	6.48%	2.44%	8.92%	3.50%	12.42%
28	6.59%	2.48%	9.07%	3.50%	12.57%
29	6.71%	2.53%	9.24%	3.50%	12.74%
30	6.84%	2.58%	9.42%	3.50%	12.92%
31	6.96%	2.62%	9.58%	3.50%	13.08%
32	7.09%	2.67%	9.76%	3.50%	13.26%
33	7.22%	2.72%	9.94%	3.50%	13.44%
34	7.35%	2.77%	10.12%	3.50%	13.62%
35	7.50%	2.83%	10.33%	3.50%	13.83%
36	7.63%	2.88%	10.51%	3.50%	14.01%
37	7.77%	2.93%	10.70%	3.50%	14.20%
38	7.90%	2.98%	10.88%	3.50%	14.38%
39	8.04%	3.03%	11.07%	3.50%	14.57%
40	8.17%	3.08%	11.25%	3.50%	14.75%
41	8.29%	3.13%	11.42%	3.50%	14.92%
42	8.40%	3.17%	11.57%	3.50%	15.07%
43	8.50%	3.20%	11.70%	3.50%	15.20%
44	8.59%	3.24%	11.83%	3.50%	15.33%
45	8.66%	3.26%	11.92%	3.50%	15.42%
46	8.70%	3.28%	11.98%	3.50%	15.48%
47	8.70%	3.28%	11.98%	3.50%	15.48%
48	9.01%	3.40%	12.41%	3.50%	15.91%
49	9.34%	3.52%	12.86%	3.50%	16.36%
50	9.34%	3.52%	12.86%	3.50%	16.36%
51	9.34%	3.52%	12.86%	3.50%	16.36%
52	9.34%	3.52%	12.86%	3.50%	16.36%
53	9.34%	3.52%	12.86%	3.50%	16.36%
54	9.34%	3.52%	12.86%	3.50%	16.36%
55	9.34%	3.52%	12.86%	3.50%	16.36%
56	9.34%	3.52%	12.86%	3.50%	16.36%
57	9.34%	3.52%	12.86%	3.50%	16.36%
58	9.34%	3.52%	12.86%	3.50%	16.36%
59	9.34%	3.52%	12.86%	3.50%	16.36%
60	9.34%	3.52%	12.86%	3.50%	16.36%

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San Mateo County Employees' Retirement Association
Probation Member Rates
Plan 6, 2% @ 50, 20% employer pick-up reflected in basic member rates
Effective July 10, 2011

Exhibit 4

Entry Age	Basic Member Rates	COLA Member Rates	Total Member Rates
16	5.31%	1.76%	7.07%
17	5.41%	1.80%	7.21%
18	5.50%	1.82%	7.32%
19	5.61%	1.86%	7.47%
20	5.71%	1.89%	7.60%
21	5.82%	1.93%	7.75%
22	5.92%	1.96%	7.88%
23	6.02%	2.00%	8.02%
24	6.14%	2.04%	8.18%
25	6.25%	2.07%	8.32%
26	6.36%	2.11%	8.47%
27	6.48%	2.15%	8.63%
28	6.59%	2.19%	8.78%
29	6.71%	2.23%	8.94%
30	6.84%	2.27%	9.11%
31	6.96%	2.31%	9.27%
32	7.09%	2.35%	9.44%
33	7.22%	2.40%	9.62%
34	7.35%	2.44%	9.79%
35	7.50%	2.49%	9.99%
36	7.63%	2.53%	10.16%
37	7.77%	2.58%	10.35%
38	7.90%	2.62%	10.52%
39	8.04%	2.67%	10.71%
40	8.17%	2.71%	10.88%
41	8.29%	2.75%	11.04%
42	8.40%	2.79%	11.19%
43	8.50%	2.82%	11.32%
44	8.59%	2.85%	11.44%
45	8.66%	2.87%	11.53%
46	8.70%	2.89%	11.59%
47	8.70%	2.89%	11.59%
48	9.01%	2.99%	12.00%
49	9.34%	3.10%	12.44%
50	9.34%	3.10%	12.44%
51	9.34%	3.10%	12.44%
52	9.34%	3.10%	12.44%
53	9.34%	3.10%	12.44%
54	9.34%	3.10%	12.44%
55	9.34%	3.10%	12.44%
56	9.34%	3.10%	12.44%
57	9.34%	3.10%	12.44%
58	9.34%	3.10%	12.44%
59	9.34%	3.10%	12.44%
60	9.34%	3.10%	12.44%

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

March 24, 2011

Agenda Item 7.3

To: Board of Retirement



From: Mabel Wong, Retirement Finance Officer



Gary Clifton, Chief Investment Officer

Subject: Approval of Actuarial Audit Services Provider and Contract for Actuarial Audit Services

STAFF RECOMMENDATION: Staff recommends that the board accept the Audit Committee's recommendation to engage Segal for actuarial audit services and authorize the board chair to execute an agreement with Segal for actuarial audit services.

BACKGROUND: Article XVI, §17 (e) of the Constitution of the State of California vests the Board of Retirement with "*The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system.*" Government Code §31453 requires periodic valuations of *SamCERA's* actuarial soundness.

The board opined it is prudent from time to time to issue a Request for Proposal to conduct an independent audit to validate the appropriateness of the actuarial assumptions and methodologies employed by the board's actuary. The first actuarial audit was performed in 1999. In 2004 *SamCERA* selected Public Pension Professionals (PPP) to replace Mercer for actuarial services. At that time the board reasoned that a change in actuary, and that firm's review of the prior actuary's work, would suffice for an audit. That last actuarial audit was performed in 2005. Milliman was hired to replace PPP and perform an actuarial audit valuation of PPP's work.

On March 29th the board directed staff to issue a Request for Proposal (RFP) to seek a provider of actuarial audit services to audit the June 30, 2011, Triennial Experience Study and Actuarial Valuation Report compiled by Milliman, Inc. The RFP was sent to seven firms. Those firms were Buck Consultants, CHEIRON, EFI Actuaries, Gabriel, Roeder, Smith & Co., Mercer Human Resource Consulting, The Segal Company and Towers Perrin.

The association received responses from CHEIRON, EFI Actuaries, Gabriel, Roeder, Smith & Co. and The Segal Company. On May 5th the Audit Committee and staff evaluated their proposals. The result was the committee decided unanimously to recommend to the board that *SamCERA* engage The Segal Company to perform the audits.

DISCUSSION: The Audit Committee is bringing The Segal Company to the board for approval to perform actuarial audit services. Attached to this agenda item is The Segal Company's RFP submission, a resolution authorizing the board chair to execute an agreement with The Segal Company and an agreement for actuarial services that covers the period from May 24, 2011, through December 31, 2011, at a cost not to exceed \$85,000.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Contract for Actuarial Audit Services
RESOLUTION 10-11-

*THIS RESOLUTION, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA), approves
an Agreement between the Board and The Segal Company*

WHEREAS, Article XVI, §17 (e) of the Constitution of the State of California vests the Board with “*The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system*”; and

WHEREAS, Government Code §31453 requires periodic valuations of *SamCERA's* actuarial soundness and §31596.1(a) provides for the payment of “*the costs, as approved by the Board, of actuarial valuations and services rendered pursuant to §31453*”; and

WHEREAS, on March 29, 2011, the Board opined it is prudent to issue a Request for Proposal to conduct an independent audit to validate the appropriateness of the actuarial assumptions and methodologies employed by the Board's actuary; and.

WHEREAS, CHEIRON, EFI Actuaries, Gabriel, Roeder, Smith & Co. and The Segal Company responded to the RFP; and

WHEREAS, the Board opined that The Segal Company best met the criteria of the Request for Proposal. Now, therefore, be it

RESOLVED, that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

RESOLVED, that the Board hereby authorizes the Chair, to execute the contract on behalf of the Board. Be it further

RESOLVED, that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the contract and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement entered into by San Mateo County Employees' Retirement Association (“*SamCERA*”), (hereinafter referred to as the "Board") having its principal office at 100 Marine Parkway, Suite 125, Redwood City, California 94065-5802 and Consultant, Name with its principal address at address (hereinafter referred to as “Consultant”).

WITNESSETH

WHEREAS, it is necessary and desirable that CONSULTANT be engaged by BOARD for the purpose of performing services hereinafter described:

NOW, THEREFORE, IT IS AGREED by the parties as follows:

1. **DESCRIPTION OF PROFESSIONAL SERVICES.**

The Board hereby delegates to Consultant the duties and Consultant hereby accepts and assumes responsibility to provide the professional services described below.

TO BE INSERTED DURING CONTRACT NEGOTIATIONS

2. **INDEPENDENT CONSULTANT STATUS.**

In performing under this Agreement, Consultant is at all times acting in the capacity of independent Consultant. This Agreement is not intended, and shall not be construed, to create the relationship of agent, servant, employee, partnership, joint venture, or association as between *SamCERA* and Consultant. The employees and agents of one party shall not be, or be construed to be, the employees or agents of the other party for any purpose whatsoever. Consultant shall be solely liable and responsible for providing to, or on behalf of, all persons performing work pursuant to this Agreement all compensation and benefits. *SamCERA* shall have no liability or responsibility for the payment of any salaries, wages, unemployment benefits, disability benefits, federal, state, or local taxes, or other compensation, benefits, or taxes for any personnel provided by or on behalf of Consultant. Consultant understands and agrees that all persons furnishing services pursuant to this Agreement are, for purposes of workers' compensation liability, employees solely of Consultant and not employees of *SamCERA*.

3. **COMPENSATION AND PAYMENT.**

A. Compensation. In consideration of the services provided by Consultant in accordance with all terms, conditions and specifications set forth herein, *SamCERA* shall make payment to Consultant based on the rates and in the manner set forth below. *SamCERA* reserves the right to withhold payment if the *SamCERA* determines that the quantity or quality of the work performed is unacceptable. In no event shall *SamCERA*'s total fiscal obligation under this Agreement exceed \$85,000.

TO BE INSERTED DURING CONTRACT NEGOTIATIONS

- B. Expenses. Consultant's expenses are included in the compensation described in Section 4.A and therefore Consultant is not entitled to any separate reimbursement for any expenses incurred by it in discharging its duties under this Agreement, unless otherwise agreed by *SamCERA*.
- C. Invoices and Payment.
- (1) Consultant will submit to *SamCERA*'s Project Manager invoices either monthly or quarterly, or at the end of the project at Consultant's option.
 - (2) All invoices shall clearly reflect and provide reasonable detail of the services and other sources of payment for which claim is made, and shall be sent to *SamCERA*'s Project Manager for review. Approved invoices will be paid within thirty (30) days of approval.
- D. Non-Compensable Services. Consultant agrees that should work be performed outside the scope of the work described in this Agreement, without the prior written consent of *SamCERA*, and necessary amendment to this Agreement, such work will be deemed to be a gratuitous effort on the part of Consultant, and Consultant will have no claim against *SamCERA* for such work, and *SamCERA* will have no obligation to pay for such work.

4. STANDARD OF CARE COMPLIANCE WITH LAWS.

The Consultant shall discharge its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

All services to be performed by Consultant pursuant to this Agreement shall be performed in accordance with all applicable Federal, State, County, and municipal laws, including, but not limited to, Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended, and the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended and attached hereto and incorporated by reference herein as Attachment "I," which prohibits discrimination on the basis of handicap in programs and activities receiving any Federal financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including, but not limited to, appropriate licensure, certification regulations, provisions pertaining to confidentiality of records, and applicable quality assurance regulations. In the event of a conflict between the terms of this agreement and State, Federal, County, or municipal law or regulations, the requirements of the applicable law will take precedence over the requirements set forth in this Agreement.

Consultant will timely and accurately complete, sign, and submit all necessary documentation of compliance.

5. INDEMNIFICATION AND INSURANCE.

A. Indemnification of SamCERA.

Consultant shall indemnify and save harmless *SamCERA*, its officers, agents, employees, and servants from all claims, suits, or actions of every name, kind, and description, brought for, or on account of: (A) injuries to or death of any person, including Consultant, or (B) damage to any property whatsoever and to whomsoever belonging, in each case that result from the negligence or willful misconduct of Consultant, or any person employed by Consultant, in connection with the performance of Consultant's obligations under this Agreement.

The duty of Consultant to indemnify and save harmless as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

B. Insurance. Without limiting Consultant's obligations under this Agreement, Consultant will provide and maintain at its own expense during the term of this Agreement the following programs of insurance covering its operations, from insurers rated at least A- X by A.M. Best & Consultant or otherwise approved in writing by *SamCERA*. Such insurance will be primary to and not contributing with any other insurance or self-insurance programs maintained by *SamCERA*. None of the policies may be modified or terminated (other than for failure to pay the premium) without the insurer endeavoring to provide at least thirty (30) days prior written notice to *SamCERA* and at least ten (10) days notice of termination for failure to pay the premium. On or before the commencement date of this Agreement, Consultant will provide *SamCERA's* Project Manager with certificates of insurance reflecting such insurance. Such evidence shall specify this Agreement and describe the nature, amount and term of the insurance provided.

(1) Liability. Such insurance will be endorsed naming San Mateo County Employees Retirement Association as an additional insured, and will include:

(a) General Liability. General liability insurance written on a commercial general liability form or a comprehensive general liability form covering the hazards of premises/operations, contractual, independent Consultants, products/completed operations, broad form property damage, and personal and advertising injury with a combined single limit of not less than \$1,000,000 per occurrence.

(i) If written with an annual aggregate limit, the policy limit should be two times the required occurrence limit.

(ii) If written on claims made form, Consultant will purchase renewal or replacement coverage that includes a "full prior acts" clause. Said coverage shall be in effect for not less than five years from the expiration and/or termination of this Agreement.

(b) Auto. Comprehensive auto liability insurance endorsed for all non-owned and hired vehicles with a combined single limit of not less than \$1,000,000 per occurrence.

(2) Workers' Compensation. Workers' Compensation and Employer's Liability insurance, in an amount and form to meet all applicable statutory requirements, including Employers

Liability with a \$1,000,000 limit, covering all persons who provide services for Consultant.

- (3) Professional Liability. Errors and omissions professional liability insurance with a limit of at least \$10,000,000 in the aggregate, for errors and omissions losses arising from the services that Consultant provides pursuant to this Agreement.
- (4) Failure to Procure and Maintain Insurance. Consultant's failure to procure and maintain the insurance required by Section 8.B constitutes a material breach of contract upon which *SamCERA* may immediately terminate this Agreement for default.

6. MERGER CLAUSE.

This Agreement, including the Exhibits, if any, attached hereto and incorporated herein by reference, constitutes the sole Agreement of the parties hereto and correctly states the rights, duties, and obligations of each party as of this document's date. In the event that any term, condition, provision, requirement or specification set forth in this body of the agreement conflicts with or is inconsistent with any term, condition, provision, requirement or specification in any exhibit and/or attachment to this agreement, the provisions of this body of the agreement shall prevail. Any prior agreement, promises, negotiations, or representations between the parties not expressly stated in this document are not binding. All subsequent modifications shall be in writing and signed by the parties.

7. TERM AND TERMINATION.

- a) Subject to compliance with all terms and conditions, the term of this Agreement shall be from May 24, 2011 through December 31, 2011 unless terminated earlier.
- b) The Board reserves the right to terminate the Agreement with or without cause at any time by giving the Consultant written notice by registered mail sent at least thirty (30) calendar days prior to the date on which termination is to become effective.

c) Following notice of termination of this agreement by *SamCERA*, and to the extent directed by *SamCERA*, Consultant will cooperate with *SamCERA* (at *SaCERA's sole cost and expense*) in good faith to effect a smooth and orderly transfer of such services and all applicable records to a successor designated by *SamCERA*. Consultant will respond promptly to reasonable inquires of such successor Consultant with respect to the matters of significance to *SamCERA*. Upon termination of this agreement, Consultant will retain all records according to the record retention provisions set forth in this Agreement.

8. ASSIGNABILITY AND SUBCONTRACTING.

Consultant shall not assign this Agreement or any portion thereof to a third party or subcontract with a third party to provide services required by Consultant under this Agreement without the prior written consent of *SamCERA*. Any such assignment or subcontract without *SamCERA's* prior written consent shall give *SamCERA* the right to automatically and immediately terminate this Agreement

9. NOTICES.

Any notice, request, demand, or other communication required or permitted hereunder shall be deemed to be properly given when both (1) either electronic mail to the electronic email address below or transmitted via facsimile to the telephone number listed below and (2) either deposited in the United States mail, postage prepaid, or when deposited for overnight delivery with an established overnight courier that provides a tracking number showing confirmation of receipt for transmittal, charges prepaid, addressed to::

(a) To the Board:

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 100
Redwood Shores, California 94065
Attention: Chief Executive Officer
Email: samcera@samcera.org
Telephone No. 650 599 1234
Facsimile No. 650 591 1488

(b) To the Consultant:

or to such other addresses as either of the parties shall subsequently furnish in writing by notice to the other party.

10. CONSTRUCTION AND INTERPRETATION.

This Agreement contains the entire agreement of the parties. No other agreement, statement, or promise made on or before the effective date of this agreement will be binding on the parties. This agreement may be modified by subsequent agreement of the parties only by an instrument in writing signed by both of them. If any provision of this agreement is held in whole or in part to be unenforceable for any reason, the remainder of that provision and of the entire Agreement will be severable and remain in effect.

11. TITLES.

The titles set forth in the Agreement are for convenience only and shall not be considered as part of the Agreement in any respect, nor shall they in any way affect the substance of any provisions contained in the Agreement.

12. APPLICABLE LAW.

This Agreement shall be governed by, construed, regulated and administered in accordance with the applicable Federal laws and, to the extent that Federal laws are not applicable, the laws of the State of California. Any action brought to enforce the terms of this Agreement shall be brought in United States District Court located in the County of San Francisco or Superior Court of the State of California located in the County of San Mateo.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hands.

for San Mateo County Employees' Retirement Association:

By: _____
Board Chair

Date: _____

for Consultant

By: _____
Consultant's Signature

Date: _____

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

March 24, 2011

Agenda Item 7.4

To: Board of Retirement



From: Mabel Wong, Retirement Finance Officer



Gary Clifton, Chief Investment Officer

Subject: Educational Presentation – Actuarial Audit Process

STAFF RECOMMENDATION: Staff recommends that the board review Segal's presentation of the actuarial audit process.

BACKGROUND: Article XVI, §17 (e) of the Constitution of the State of California vests the Board of Retirement with *"The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system."* Government Code §31453 requires periodic valuations of *SamCERA's* actuarial soundness.

The board opined it is prudent from time to time to issue a Request for Proposal to conduct an independent audit to validate the appropriateness of the actuarial assumptions and methodologies employed by the board's actuary. The first actuarial audit was performed in 1999. In 2004 *SamCERA* selected Public Pension Professionals (PPP) to replace Mercer for actuarial services. At that time the board reasoned that a change in actuary, and that firm's review of the prior actuary's work, would suffice for an audit. That last actuarial audit was performed in 2005. Milliman was hired to replace PPP and perform an actuarial audit valuation of PPP's work.

On May 5th the Audit Committee and staff reviewed proposals from several providers of actuarial audit services. The committee unanimously decided to recommend to the board that *SamCERA* engage Segal to perform an audit of the June 30, 2011, Triennial Experience Study and Actuarial Valuation Report compiled by Milliman.

DISCUSSION: Since the committee was unanimous in its recommendation, the trustees opined to invite Segal to provide an educational presentation rather than a recap of their actuarial audit proposal. The trustees suggested the following topics:

- the basics of how the audit process will work
- any expectations regarding variations in methodologies with other actuary's systems
- issues that have come up in other recent audits
- anything else you think might assist the board in its pending actuarial decisions

Paul Angelo, FSA, MAAA, EA, FCA and **Andy Yeung**, ASA, MAAA, EA, FCA will facilitate the presentation and be receptive to an interactive session with the board.

San Mateo County Employees' Retirement Association (SamCERA)

Educational Presentation On Actuarial Audit Process

May 24, 2011

Presented By:

Paul Angelo, FSA, MAAA, EA, FCA
Senior Vice President & Actuary

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Today's presentation

- Segal's SamCERA Team
- California Public Retirement Actuarial Audit Experience
- Services for SamCERA
 - Process Outline
- Variations in Methods and Results
 - Milliman (LACERA) Audits
 - Other Audits and Reviews
- Possible SamCERA Decisions
- Questions?



Segal's SamCERA Team

➤ Principal Actuary:

- Paul Angelo, FSA, MAAA, FCA, EA
 - Statewide reputation as communicator.
 - Front line action: OCERS, SDCERA
 - Strategic advisor

➤ Support Actuary:

- Anna Buzueva, ASA
 - Supporting Actuary: Alameda CERA, Ventura CERA, Los Angeles F&P

➤ Supervising Actuary:

- Andy Yeung, ASA, MAAA, FCA, EA
 - 37 Act, City and Large Public System Experience
 - Prior Experience as SamCERA's actuary

➤ Support Actuary :

- Molly Miller
 - Supporting Actuary: Fresno CERA, Sonoma CERA, Sacramento CERS

California Public Retirement Actuarial Audit Experience

➤ 1937 CERL System Audit

- Los Angeles CERA (current Milliman client)
- Fresno CERA
- Sonoma CERA
- Stanislaus CERS (retained by employer)

➤ Los Angeles CERA Audit

- Milliman is LACERA's actuary
- Audit of both Pension and OPEB valuations
- Segal has been retained auditing actuary for LACERA for over 10 years

Services for SamCERA



- Peer Review and Audit of Triennial (2008-2011) Experience Study
- Parallel June 30, 2011 Valuation

Process Outline

- Prepare data requests for SamCERA and current actuary
 - Review data validity
- Peer review development of actuarial assumptions
 - Prepare report on actuarial assumptions
 - Present findings on actuarial assumptions to Board
- Review actuarial valuation methods, procedures and results
 - Check test lives
 - Reproduce actuarial valuation results
 - Review actuarial report
- Prepare draft report
 - Discuss preliminary report with SamCERA and Milliman
- Prepare final report
 - Present final report to Board

Variations In Methods and Results

➤ Milliman (LACERA Audit)

- Actuarial Assumptions:
 - Generally reasonable
 - In accordance with accepted actuarial standards and practices
 - Minor difference in opinion on how to set disability and merit and promotional assumptions
- Actuarial Valuation Methods and Results:
 - Minor difference in present value of benefits and resulting contribution rates
 - Some of that difference can be explained by difference in timing on when terminations, retirements and deaths are expected to take place

➤ Other Audits and Reviews

- Assumptions applied differ from those adopted by the retirement system
- Methods applied not in accordance with generally accepted actuarial practices
- Contribution rates not calculated in conformance with Segal's understanding of the 1937 Act

Possible SamCERA Decisions

➤ For Most Actuarial Assumptions:

- There is usually a range of reasonable assumptions
- Are the adopted assumptions within the range?
- Consistent with SamCERA's risk tolerance?

➤ For Actuarial Methods:

- Application of different methods may not result in material difference in contribution rates

➤ Possible Actions from Segal's Audit Findings:

- SamCERA and/or Milliman may decide to incorporate those findings immediately in the June 30, 2011 valuation
- Milliman may take Segal's findings "under advisement" for possible inclusions in future valuations



Questions?



For More Information



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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 7.5

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Consideration and Adoption of Assumptions for June 30, 2011,
Actuarial Valuation

Issue

This agenda item is to preview the economic assumptions that Milliman plans to use in its June 30, 2011, experience study and actuarial valuation. The final assumptions will come before the board for adoption at the July meeting.

Background

Nick Collier, Milliman, Inc., discussed *economic* assumption at the board's April retreat in preparation for the firm's work for the association this year. The attached memo from Milliman puts in writing the key assumptions that were discussed at the board's retreat in April.

These assumptions will come before the board for adoption at the July board meeting. At that time, Milliman will also present *demographic* assumptions for the board's approval. The demographic assumptions will be based on the results of the Experience Study, which will look at the status of *SamCERA's* member population and how it has changed demographically over the last three years.

At the July meeting, the board will also have the opinions of its auditing actuarial firm on all the economic and demographic assumptions to be adopted. Staff will encourage labor organization leadership and representatives from the county manager's office to attend the July meeting if they wish to provide input.

Staff Recommendation

Staff recommends the board review and discuss the attached memo from Milliman, Inc. No formal board action is recommended at this time.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May24, 2011

Agenda Item 7.6

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Acceptance of Report Regarding the Acquisition of Fiduciary

STAFF RECOMMENDATION: Staff recommends that the board approve payment of \$60,778 for fiduciary liability insurance coverage for the one-year period beginning at 12:01 a.m. on May 27, 2011.

BACKGROUND: In early 1998 County Counsel was asked to provide an analysis of *SamCERA's* insurance coverage. In the analysis she noted that the Government Code requires *SamCERA* to defend trustees and staff against claims and litigation which results from the performance of their duties. She noted that the assets of the retirement fund would be used to provide such defense. She indicated that the board could purchase fiduciary liability insurance to help protect the assets of the fund from the expenses and awards resulting from such litigation. The board unanimously passed a motion to acquire insurance coverage to protect *SamCERA's* assets. The audit committee was directed to bring a recommendation to the board for insurance coverage.

The audit committee reviewed counsel's memorandum regarding the role that fiduciary liability insurance could serve in indemnifying the retirement fund from bearing the cost of potential litigation and judgments. The committee then instructed staff to solicit proposals for insurance. On the basis of coverage, exclusions and cost, the committee recommended that the board purchase a 3-year prepaid \$10,000,000 policy, with a \$50,000 deductible and waiver of recourse. It has been continuously renewed since 1998.

DISCUSSION: Staff, with the assistance of the County Risk Manager and James and Gable Insurance Brokers, solicited a proposed renewal of *SamCERA's* fiduciary liability insurance. The proposal comes from Travelers Insurance Company, the holder of the current policy. This year the proposal is to increase the deductible from \$50,000 to \$100,000. This results in a savings of approximately \$5,000. The premium is \$60,778. The insurance will be in effect from May 27, 2011, until May 27, 2012.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 7.7

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval of *SamCERA's* Strategic Plan

Issue

The draft 2011-12 Strategic Plan is presented for the board's approval.

Background

The *SamCERA* staff adopted a strategic planning process in 2005 to identify, prioritize and plan for projects the staff believes they should undertake to achieve the board-established mission and goals of the association. Since then, the staff has met each year to discuss internal strengths and weaknesses, external threats and opportunities, stakeholder concerns, needs and priorities, and to review workload statistics, customer services survey results, and other information.

The process generates a report including an Action Plan. The Action Plan is essentially a list of projects the staff believes must or should be accomplished. The report which follows summarizes the discussions and information considered by staff, and lays out the Action Plan that resulted.

The process is consistent with the Government Finance Officers' Association recommendations for the steps that should make up a strategic planning process.

Major projects in the Action Plan for 2011-12 include: building out the fund's alternatives portfolio, taking the next steps to upgrade *SamCERA's* core technologies, and developing a Comprehensive Communications Plan.

During the previous plan year, the staff completed 14 projects. Projects that were not completed but still relevant were moved to the 2011-12 Action Plan. In the previous five years staff has completed a total of 106 projects, all over and above their regular duties.

Staff Recommendation

Review and approve the 2011-12 Strategic Plan.



San Mateo County Employees' Retirement Association

STRATEGIC PLAN

2011-12

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Executive Summary

During the 2011-12 fiscal year *SamCERA* will pursue three major goals, all of which are derived from and consistent with *SamCERA*'s mission statement:

Operations Goal

Constantly improve the effectiveness and efficiency of SamCERA's operations.

This will include assuring that *SamCERA* is ready to serve new employees under four new benefit tiers, addressing expanding needs for legal services, and taking the next steps to upgrade *SamCERA*'s core technologies.

Asset Management Goal - Finance

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement association.

Major projects under this goal include building out the alternatives portfolio, assessing the results of the 2011 actuarial valuation, experience study and actuarial audit, and considering commission recapture.

Customer Services Goal

Provide caring, fair, accurate, timely and knowledgeable professional services to SamCERA's clients and the public. Constantly improve the effectiveness of SamCERA's services.

This goal will include the development of a Comprehensive Communications Plan to take into account increasing member needs for education and new technologies available to help members make informed decisions about their benefits.

Each goal has a number of specific projects designed to help achieve it. The projects incorporate ideas generated during all six staff retreats beginning in 2005. The 2011-12 plan is *SamCERA*'s most ambitious. There are now 51 projects for the staff to initiate and/or complete during the 2011-12 fiscal year. During the previous plan year, the staff completed 14 projects. Projects that were not completed but still relevant were moved to the 2011-12 Action Plan. In the previous five years staff have completed a total of 106 projects, all over and above their regular duties.

Introduction

The *SamCERA* strategic planning process is designed to assess the needs of the organization and develop initial strategies to address those needs including strategies to achieve the board-established mission and goals of the association. At an offsite retreat held February 9 and 10, 2011, the staff began working through the steps in a strategic planning process as recommended by the Government Finance Officers' Association. Staff discussed stakeholder concerns, needs and priorities and reviewed the association's mission statement. They assessed the progress on the strategies identified in the 2010 Strategic Plan adding new critical issues and strategies to the Action Plan and removing those that were completed.

The report which follows summarizes the discussions and information considered by staff, and lays out the Action Plan that resulted.

The organization of this report follows the *Steps in the Strategic Planning Process* (see box).

Steps in the Strategic Planning Process

1. Review the Mission Statement.
2. Assess Environmental Factors.
 - a. Identify stakeholder concerns, needs, and priorities.
3. Identify Critical Issues.
4. Agree on a Small Number of Broad Goals.
5. Develop Strategies to Achieve Broad Goals.
6. Develop an Action Plan.
7. Obtain Approval of the Plan.
8. Implement the Plan.
9. Monitor Progress.
10. Reassess the Strategic Plan.

Strategic Planning Step 1
Review the Mission Statement

The *SamCERA* mission statement was first adopted on August 25, 1995. It was amended by the *SamCERA* Board of Retirement on February 26, 2002, February 27, 2007, and February 26, 2008. Finally, on February 24, 2009, the board again amended the statement based on staff recommendations from the 2008 staff retreat. All the changes were made for clarity and to improve grammar. The meaning of the mission statement has not changed.

Mission

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

Goals

Provide caring, fair, accurate, timely and knowledgeable professional service to SamCERA's clients and the public.

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

Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

Strategic Planning Step 2

Assess Environmental Factors

Staff discussed stakeholder concerns, needs and priorities, and considered *SamCERA*'s internal strengths and weaknesses and external threats and opportunities in line with recommendations for strategic planning provided by the Government Finance Officers' Association.

Each staff member brought their experiences with *SamCERA* and other employers to the discussions. In addition the staff reviewed data and written comments from the annual *SamCERA* Customer Services Survey and discussed year-end performance statistics. New for the 2011 Staff Retreat was discussion of the results of the Cost Effectiveness Management study, a comparative analysis of performance statistics from seven California retirement systems that operate under the 1937 Act. Also new was a review of time-weighted workload data. Whereas past data merely totaled the numbers of several key tasks, the new information weighted each task based on the time needed to complete it. The result was a more accurate picture of *SamCERA*'s workload.

Strategic Planning Step 2.a

Identify Stakeholder Concerns, Needs and Priorities

In strategic planning, nothing is more important than understanding the concerns, needs and priorities of one's customers, clients and/or stakeholders.

In October 2010, *SamCERA* sent out its sixth annual **Customer Services Survey**. It was an online survey that went to all county employees. At the same time staff sent postcards to all retirees and directed them to either go to the *SamCERA* website to take the survey or to call for a hard copy.

The survey asked about the performance of the staff in relation to performance standards and *SamCERA*'s mission statement. It included an additional focus on member publications and online services.

By the date it closed, a total of 938 active members and 411 retired members had taken the survey. This total of 1,349 was up 70% from the 2009 total of 792.

Nearly 18 percent of active members and about 10 percent of retired members responded.

The significant increase in participation can only be attributed to the offering of an official *SamCERA* mug to 50 lucky takers of the survey. Nothing else about the survey was changed.

For 2010, the survey covered the same subjects as in past years, including the addition in 2007 of 13 questions regarding 13 services *SamCERA* offers as well as 2 questions about the Additional Retirement Credit (ARC) benefit.

The overall results were essentially unchanged from the prior year although some differences are worth noting. The survey scores are all on a scale of 1 through 4, where 1 is poor, 2 is fair, 3 is good and 4 is excellent. **The average score from all ratings was 3.33. This was 0.07 points better than the prior year, and *SamCERA*'s highest score ever.** As the summary sheet shows, some ratings

went up and some went down, but all the changes were small.

It is worth noting that the ratings for *SamCERA's* First Things First booklet for General Members and the Termination pamphlet both had improved scores. Both were redesigned by Barbara Edwards of the *SamCERA* staff, which may account for the better scores, since the content did not change.

The scores for all workshop categories were also consistently higher. This may be due to the high-level presenters (Elizabeth LeNguyen of the *SamCERA* staff, and the professional financial educators from Financial Knowledge Network). Comments also show that attendees appreciate the cooperation between *SamCERA* and the county's Benefits Division. Today, all retirement benefit workshops are attended by a member of the Benefits Division to answer questions about retiree health insurance.

For 2010, the survey prompted more than 1,560 individual comments in response to the survey's essay questions. These comments provided insight into the respondents' scoring. They also provided an opportunity for individuals to address their personal issues. **Staff responded to each personal request for information or service.**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

2010 SamCERA Customer Services Survey		2006	2007	2008	2009	2010	2010	Change vs.
		Ave.	Ave.	Ave.	Ave.	Ave.	Respondents	Last Survey
		Score	Score	Score	Score	Score	Per Question	
1	SamCERA Staff is:							
1A	Fair	3.26	3.28	3.26	3.33	3.33	1210	0.00
1B	Accurate	3.27	3.28	3.28	3.33	3.31	1236	-0.01
1C	Timely	3.16	3.19	3.17	3.29	3.27	1243	-0.02
1D	Knowledgeable	3.32	3.33	3.32	3.37	3.34	1243	-0.03
1E	Professional	3.39	3.38	3.37	3.44	3.41	1247	-0.03
1F	Caring	3.21	3.25	3.22	3.31	3.28	1227	-0.03
1G	Communicates Clearly	3.22	3.24	3.24	3.34	3.30	1242	-0.04
2	How would you rate the last service you received from SamCERA?	3.30	3.32	3.45	3.47	3.35	1185	-0.12
4	What SamCERA publications have you received and how would you rate them?							
4A	SamCERA's semi-annual newsletter	3.34	3.34	3.38	3.38	3.38	1177	0.00
4B	First Things First – General Members	3.24	3.26	3.24	3.19	3.25	790	0.06
4C	First Things First – Safety Members	3.29	3.32	3.21	3.04	3.05	775	0.01
4D	Ready to Retire	3.35	3.18	3.30	3.26	3.36	1121	0.10
4E	Disability Retirement	3.09	3.02	3.22	3.18	3.08	1119	-0.10
4F	Dissolution of Marriage	2.97	3.08	3.09	3.07	2.93	787	-0.14
4G	Termination	3.10	3.03	3.03	2.81	2.95	782	0.14
4H	Understanding Reciprocity	3.11	2.97	3.06	3.10	3.03	788	-0.07
4I	Survivor Benefits Booklet	3.30	3.26	3.31	3.23	3.17	787	-0.06
4J	Summary Annual Financial Report	3.36	3.24	3.38	3.37	3.33	1145	-0.04
4K	FAQ on ARC		3.22	3.19	3.20	3.19	794	-0.01
6	How would you rate the following online services?							
6A	SamCERA website	3.31	3.29	3.23	3.33	3.29	1161	-0.04
6B	Generic benefits estimate calculator on the website:	3.28	3.24	3.22	3.31	3.26	1160	-0.05
6C	Personal benefits estimator on county's Intranet:	3.38	3.30	3.27	3.36	3.33	1165	-0.03
6D	Online ARC Estimator		3.20	3.20	3.28	3.24	1155	-0.04
8	How would you rate the retirement classes?							
	I'm Eligible to Retire, Now What?				3.28	3.44	586	0.16
	Retirement Workshop				3.28	3.45	715	0.17
	SamCERA sponsored Financial Courses				3.20	3.41	422	0.21
	OVERALL AVERAGES	3.25	3.23	3.25	3.26	3.33	1104	0.07
	NOTES:							
	December 07 and October 08 and October 09 data for Question 2 is the average of responses to 13 questions on 13 SamCERA services.							
	Question numbering on this sheet is not consecutive because essay questions are not included.							

CEM SURVEY RESULTS

In 2010 *SamCERA* took part in a service level assessment provided by CEM Benchmarking, Inc. Only 7 of the 20 county retirement systems operating under the 1937 Act took part, and there was a wide size range of system sizes involved, from Sonoma CERA with 7,500 total participants to Los Angeles CERA with 150,000. *SamCERA* was the second smallest system in the comparison with about 9,300 participants.

CEM's methodology tends to provide higher scores where economies of scale exist. As one of the smaller systems in the survey, *SamCERA* was at a disadvantage. Nevertheless, *SamCERA's* score (72) was about average (75).

The value of the survey is that it prompts systems to think about why they provide services in the manner that they do. As CEM noted in its report, "High service scores are not necessarily better..." since the costs of the services do not impact the scores.

Key takeaways for the *SamCERA* staff, where a change in service will be considered, were the following:

Member Statements. CEM believes that members benefit from having benefit estimates included on their annual member statements.

SamCERA will consider including this additional information on member statements when it upgrades its technical abilities within the next couple of years.

Disabilities. *SamCERA's* score was poor for the speed at which it processes disabilities. However, most

of the other systems in the survey require members to provide medical documentation at the time they submit their applications. *SamCERA* takes the lead in acquiring medical information and does so after the application is received. Is there value to the member in requiring more preparatory work on their part before submitting a disability application?

Customer Services Survey. *SamCERA* conducts an annual Customer Services Survey. However, CEM provides higher scores for systems that use point-of-service surveys. Point-of-service surveys are short, 2-3 question surveys aimed at determining the effectiveness of the customer service interaction. CEM's scoring is based on input regarding best practices from retirement systems worldwide. Considering that *SamCERA's* Customer Services Survey scores have been relatively stable (3.33 out of a possible 4.00) for the last few years, it may be time to convert to point-of-service surveying.

Workload Statistics

Among other information staff considered at the retreat were workload statistics. Staff collects monthly data on 16 services and processes performed by the agency.

New for 2010's analysis was the addition of workload factors for each tracked service. The factors are based on the average time required to perform each service and provide a better indication of actual workload.

Tracked activities include:

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Retirements

Deaths

Continuances (continuing benefits provided to the beneficiary of a deceased member)

New Hires

Terminations

Deferrals (members who terminate but are vested and eligible for a future benefit)

Rollovers (transfers of member accounts to other tax qualified plans)

Refunds (withdrawals of member accounts-checks to members)

Disability Applications Submitted

Disability Applications Approved

DROs Identified

(Domestic Relations Orders)

DROs Completed

Benefit Estimate Requests

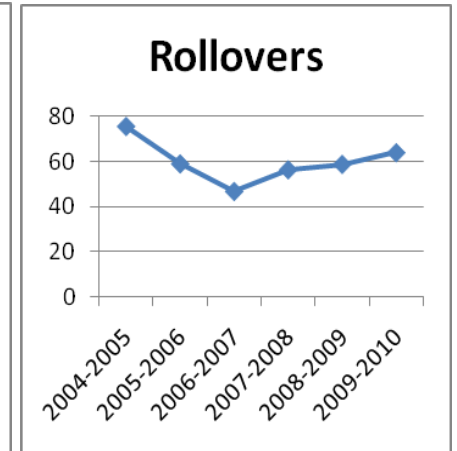
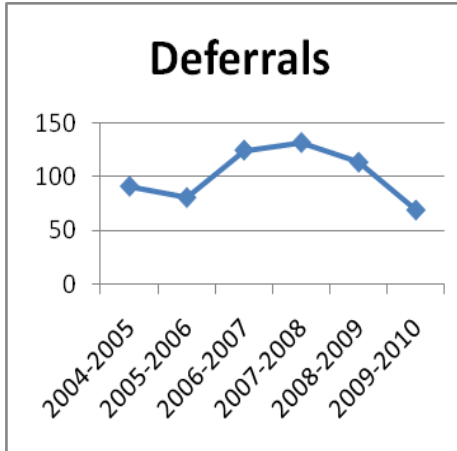
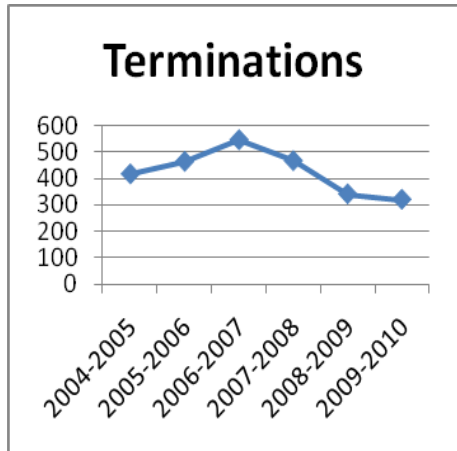
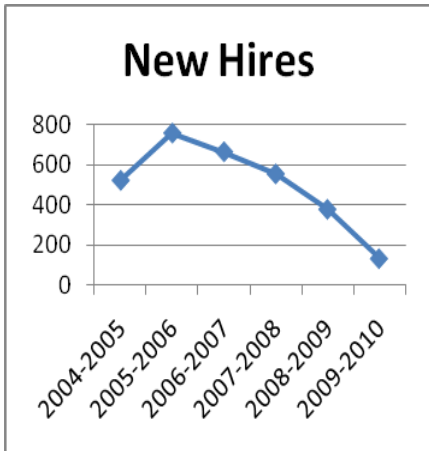
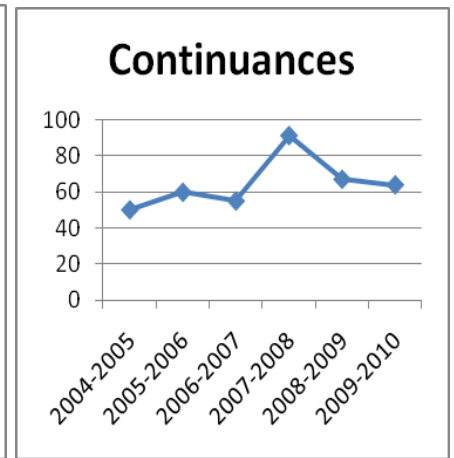
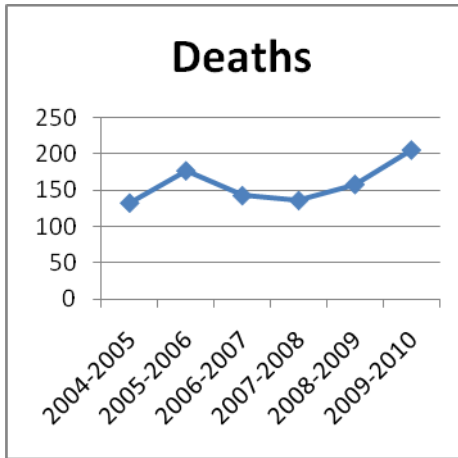
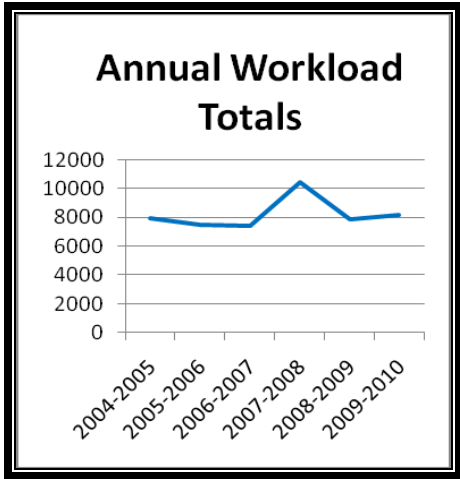
Benefit Estimates Completed

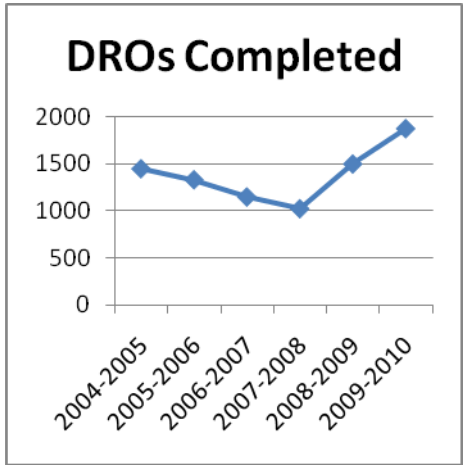
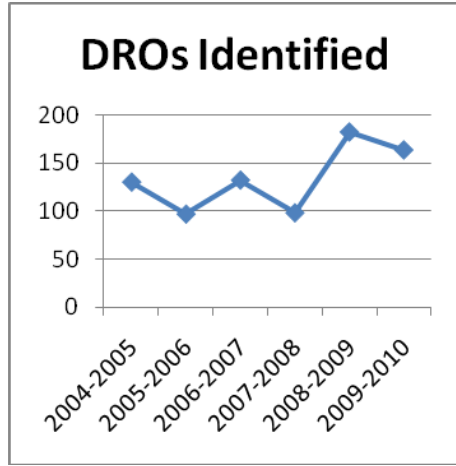
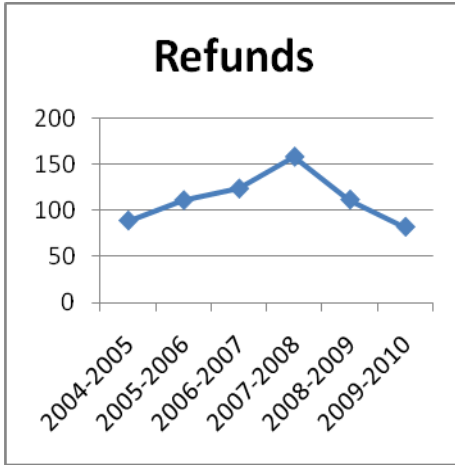
Purchase Plans Started (Installments)

Lump Sum Purchases

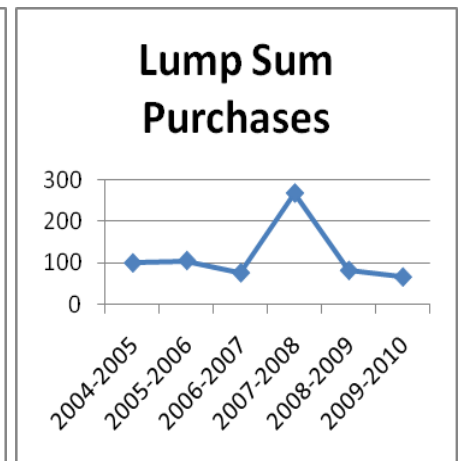
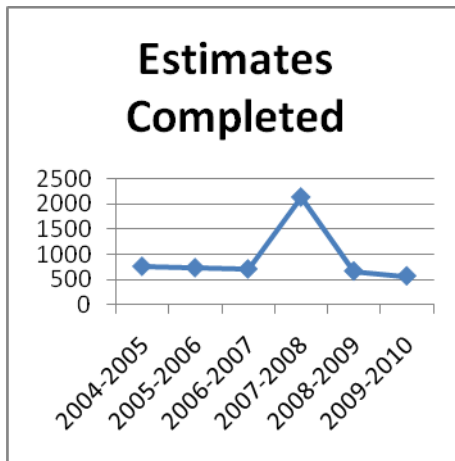
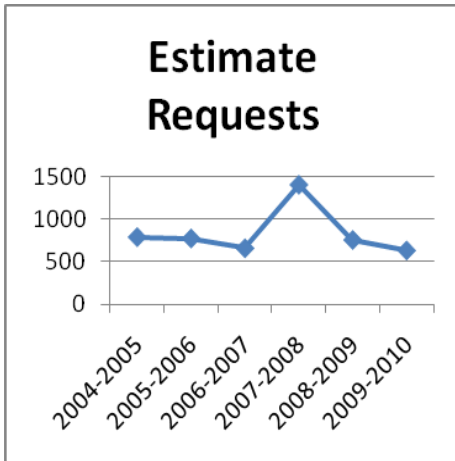
The information that follows summarizes the workload statistics. Numbers shown are on a monthly basis.

SamCERA 2010 Workload Calculations (Task Minutes/Month)





DROs=Domestic Relations Orders



Workload Statistics (continued)

The *SamCERA* annual workload data for 2010 is beginning to track upward after a lag due to the recession that began in 2008. Longer term predictions, as developed for *SamCERA* by the actuarial consulting firm, Milliman, Inc., call for significant increases in the number of retirements as baby boomers reach retirement age.

The recession has had a more significant impact in delaying retirements in the private sector, where most retirement accounts are defined contribution funds. Most accounts in these funds experienced significant declines as the U.S. stock market lost more value than at any other time since the Great Depression.

Public sector retirement systems' members, including *SamCERA's* members, have also been affected, although to a lesser extent. Staff believes there are two main reasons:

- Most public sector workers also have defined contribution accounts (*SamCERA* members have 457 accounts), and these accounts and their values impact the timing of their holders' retirement decisions.
- The recession has brought great uncertainty to the global economy and having a job is a valuable thing. An eligible member can retire at any time. But a worker who gives up their job may not be able to get it back or have difficulty finding another. Thus, many people have delayed their

retirement decisions until more certainty returns to the economy.

The number of annual retirements is something *SamCERA* watches carefully because it is a major driver of workload, affecting a cascade of other tasks such as enrollment of new members, service purchases and upgrades, rollovers, and other tasks.

An increase or decrease in retirements, even over a number of years, does not necessarily indicate a trend. 100% of members who have become vested are expected to request a benefit someday. Even those vested members who leave the employment of San Mateo County before the end of their careers are expected to return to the retirement system when their age makes them eligible and request the benefit to which they are entitled.

As a result, and because *SamCERA* knows the ages and likely retirement dates of its members, the long term workload is predictable. And the dip in workload from the recession is just a delayed workload that will show up in future years. It appears that some of those who had delayed retiring over the last couple of years chose to go forward with the process in 2010.

As part of the June 30, 2005, Actuarial Valuation, Milliman, Inc. was asked to include a projection of retirements in its report. Based on Milliman's work, and mainly due to the large number of baby boomer generation employees in the county workforce, retirements and other workload indicators should continue

to increase over the next several years.

two years, which indicates an increasing workload in waiting.

Milliman repeated the process of projecting retirements as part of the June 30, 2008, actuarial valuation.

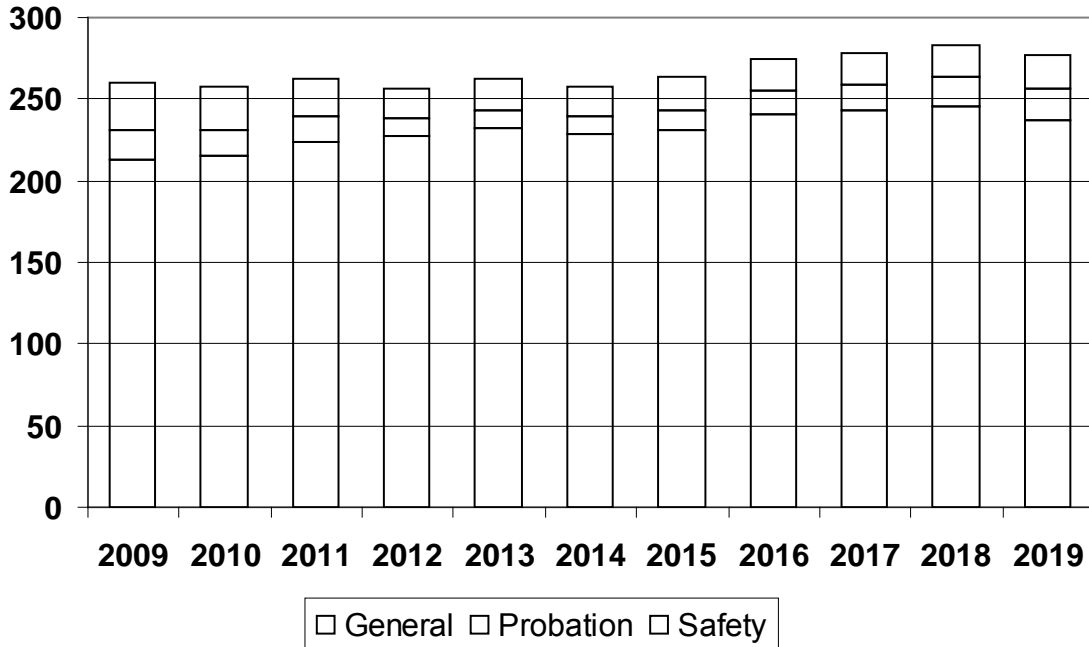
The charts produced by Milliman are shown below. They indicate a gradual rise in retirements through the next ten years. Retirements have been below predictions for the last

**San Mateo County Employees'
Retirement Association**

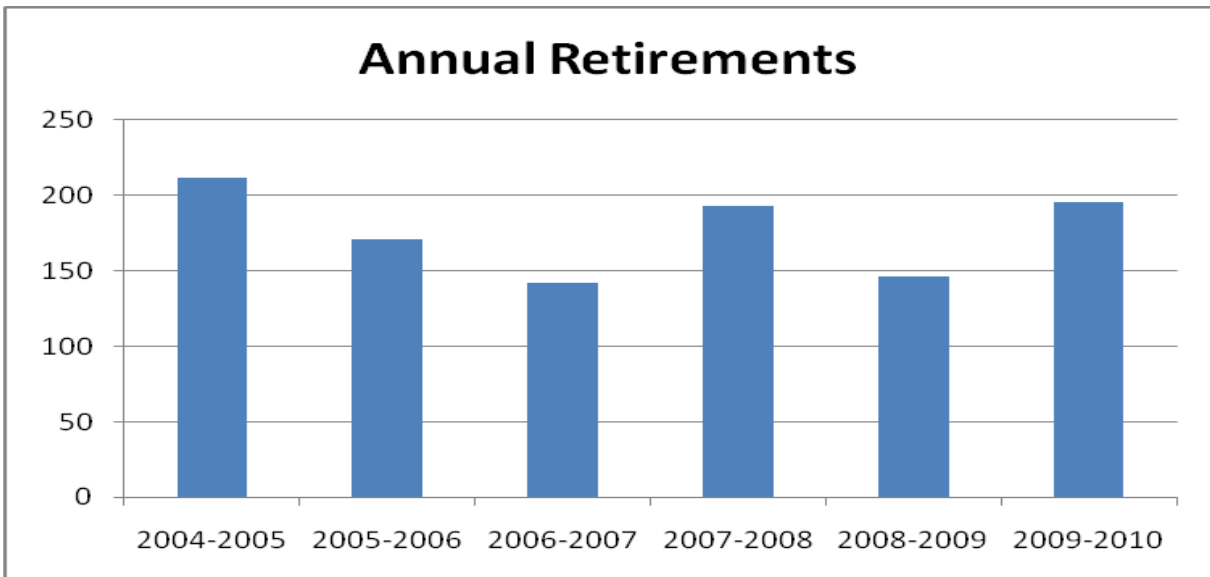
Exhibit 25 Projection of Service Retirements

Projection of Service Retirements				
Year				
Ending	General	Safety	Probation	Total
2009	213	30	17	261
2010	216	27	15	258
2011	223	22	17	262
2012	228	19	10	257
2013	232	20	11	263
2014	228	18	12	258
2015	231	21	12	264
2016	241	19	15	274
2017	243	19	16	278
2018	245	19	19	283
2019	237	20	20	277

Projected Service Retirements by Class



This work product was prepared solely for SamCERA. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.



Assessment of Environmental Factors Matrix

In developing this strategic plan, staff considered the internal strengths and weaknesses of the organization as well as the external opportunities and threats in the context of sub-areas as shown in the matrix below. Each sub-area column is a goal in the *SamCERA* Mission and Goals Statement.

GOALS →	Provide caring, fair, accurate, timely & knowledgeable professional service to <i>SamCERA's</i> Clients and the public. [CUSTOMER SERVICES]	Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system and assure the ability to pay all earned benefits while minimizing the cost to its employers. [INVESTMENTS AND ACCOUNTING]	Constantly improve the effectiveness of <i>SamCERA's</i> services and the efficiency of its operations. [INFORMATION TECHNOLOGY, ADMINISTRATION]
Strengths			
Weaknesses			
Opportunities			
Threats			

The discussions that took place among staff in working through this matrix were the basis for completing the following four steps in the strategic planning process.

Strategic Planning Steps

3, 4, 5 & 6.

(3) Identify Critical Issues

(4) Agree on a Small Number of Broad Goals

(5) Develop Strategies to Achieve Broad Goals

(6) Develop an Action Plan

These four steps in the strategic planning process are summarized in the **Action Plan Matrix** which follows.

The plan includes three broad goals with critical issues and strategies to achieve them grouped under each goal. Responsible divisions and target dates have been assigned for each issue.

Each task has been given a priority of either A, B, or C.

- ✓ Priority A tasks **must** be done.
- ✓ Priority B tasks **should** be done.
- ✓ Priority C tasks are those the board and **staff would like to be done.**

2010 ACTION PLAN

The *SamCERA* staff's three main goals during the 2010-11 fiscal year, and their corresponding three-letter abbreviation in the Action Plan Matrix, are the following:

Operations Goal [OPS]

Constantly improve the effectiveness and efficiency of SamCERA's operations.

Significant projects under this goal include assuring that *SamCERA* is ready to serve new employees under four new benefit tiers, addressing expanding needs for legal services, and taking the next steps to upgrade *SamCERA's* core technologies.

The new benefits tiers will require some reprogramming of *SamCERA's* core processing system and development of new member communications, most of which must be ready shortly after the start of the 2011-12 fiscal year, when new members of these new tiers will be hired.

The new fiscal year will also see the hiring of *SamCERA's* first ever in-house legal counsel. The Chief Legal Counsel is needed to meet a growing legal workload.

SamCERA will hire a project management firm to help guide the system through the adoption of a new line of business software program and the implementation of an electronic document management system (EDMS). In 2010 *SamCERA* completed substantial technical preparatory work for these projects and in later 2011 will be ready to move forward.

SamCERA's PensionGold system is requiring more and more maintenance and should be replaced before confidence in its outputs declines. EDMS includes a variety of software and hardware elements, including digital document scanning (or imaging). An imaging system would provide backup or replacement of *SamCERA's* paper member files, facilitate workflow, reduce space needs, allow duplicate use of files, and make files easier to access.

Asset Management Goal – Finance [FIN]

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement association.

The world economy is changing and the projects under this goal seek to assure that *SamCERA* is well-positioned to earn sufficient returns for the long term.

A major project under this goal is to build out the alternatives portfolio. The Retirement Board spent the better part of the last two years positioning the fund to take full advantage of the recovering economy by improving the diversification of the fund and adding top tier fund managers.

To meet this challenge, the trustees embarked on a study to restructure the fixed income portfolio and reassess the mix of investment categories for the total portfolio.

The fixed income restructuring resulted in the addition of a Public-Private Investment Program (PPIP) mandate, a U.S. Treasury Inflation Protected Securities (TIPS) mandate, a Credit Opportunities mandate and a Global Bond mandate.

SamCERA completed the asset allocation study in August 2010. The study resulted in a total portfolio allocation that adds alternative investments. The new allocation is 53% equities, 22% fixed income, 20% alternatives and 5% real estate. The new alternatives portfolio will be constructed with 40% private equity,

30% risk parity, 15% hedge funds and 15% commodities. It will take a couple of years to fully implement some of the alternative strategies. *SamCERA* believes the portfolio changes will reduce risk and increase returns.

SamCERA will receive four significant actuarial reports in early 2011-12:

- Actuarial Valuation
- Actuarial Experience Study
- Audit of the Actuarial Valuation
- Audit of the Experience Study

Today there is wide debate about the appropriate assumptions to use in valuing the assets and liabilities of retirement systems. The decisions the Retirement Board makes regarding these matters can have a significant impact on the employer and employee contribution rates.

As usual, *SamCERA* will provide opportunities for all stakeholders to provide input before any decisions are made.

Customer Services Goal [SER]

Provide caring, fair, accurate, timely and knowledgeable professional services to SamCERA's clients and the public. Constantly improve the effectiveness of SamCERA's services.

A broad project that will touch most aspects of *SamCERA's* business will be development of a Comprehensive Communications Plan to take into account increasing member needs for education and new technologies available to help members make informed decisions about their benefits.

6.b. Develop an Action Plan

2011 Action Plan Matrix

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
1	FIN	A	<i>SamCERA</i> will receive an actuarial valuation, experience study and an actuarial audit of both these reports in September 2011. The reports will provide valuable input for the Board of Retirement decisions on actuarial assumptions that can impact member and employer contributions rates.	<i>Work with system actuary and auditing actuary to present results in clear and understandable manner. Promote collaboration by all parties/stakeholders regarding assumption decisions.</i>	Finance /Admin	Audit firm hired May 24, 2011. Schedule set.
2	FIN	A	Actuarial assumptions for ARC may need adjustment due to changes in member demographics.	<i>Review ARC assumptions with actuary</i>	Admin	Review during 2011 experience study.
3	FIN	A	Actuarial assumptions for early retirement calculations may need adjustment due to changes in member demographics.	<i>Review early retirement calc assumptions with actuary</i>	Admin	Review during 2011 experience study.

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS TO ADDRESS ISSUES</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
4	FIN	B	Some <i>SamCERA</i> Regulations may need to be changed to comply with federal tax law.	<i>Bring "Model Regs" of Hanson-Bridgett to the board based on IRS input on tax determination letter submission.</i>	Admin/ Legal	Awaiting feedback from IRS.
5	FIN	B	Fed and State differ in treatment of domestic partners medical benefits.	<i>Develop policy and procedure on imputed income for retirees.</i>	Admin / Fin/Leg al	Study issue in more detail
6	FIN	B	Staff occasionally is suspicious of the authenticity of signatures on <i>SamCERA</i> forms, particularly those that authorize the release of funds.	<i>Schedule a discussion(s) on signatures and forms authenticity.</i>	All/ Legal	Obtain legal opinion; then execute an implementation plan.
7	FIN	B	The design quality of the annual financial reports could be improved.	<i>Improve design quality of CAFR and PAFR to project the professionalism of the organization.</i>	Fin/Co mmunic ations	CAFR FY '12 PAFR FY '11
8	FIN	A	GASB pronouncements are more frequent and complex.	<i>Share the responsibility for review of GASB publications.</i>	Finance	CIO and Finance Officer will review GASB pronouncements and statements on an ongoing basis. Retirement Finance Officer attended Brown Armstrong training.

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS TO ADDRESS ISSUES</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
9	FIN	B	<i>SamCERA is investing in alternative and illiquid assets with low transparency. How can we assure that all assets are managed properly?</i>	<i>Consider use of independent outside auditors to audit investment managers, value illiquid assets and assist with due diligence or outsource to SIS.</i>	Finance	Pursue in June 30, 2010, year-end audit.
10	FIN	B	<i>SamCERA's auditing of county payroll data may not be sufficient to satisfy the IRS that it is accurate.</i>	<i>Begin auditing county payroll data at a deeper level including membership eligibility.</i>	Finance	Make this effective with the June 30, 2010, year-end audit. Work with county and its independent auditor to verify data.
11	FIN	B	<i>SamCERA could lower its cost of providing retiree payroll advices.</i>	<i>Consider issuing advices less frequently than monthly and/or providing online access to advices.</i>	Finance	Make effective when web member services are available through Internet.
12	FIN	B	<i>The fund is now of a size that it may be appropriate to consider commission recapture (i.e. demanding a return of part of commission from broker).</i>	<i>Investigate options to institute a program</i>	Invest	<i>Pursue in 2nd Quarter 2011.</i>
13	FIN	C	<i>Staff can improve its reporting to the board regarding the securities lending program.</i>	<i>Develop a monthly Securities Lending Report for the board.</i>	Invest	<i>Report now in draft form; pursue in 2nd Quarter 2011.</i>

ID#	GOAL	RANK	ISSUES	ACTIONS TO ADDRESS ISSUES	LEAD DIV	TIMING / STATUS
14	OPS	B	In FY 10-11 SamCERA staff acquired electronic copies of all Board of Supervisors' and Mosquito resolutions and made them readily available. Now as new resolutions from these entities are passed, SamCERA needs access to them as well.	<i>Develop an ongoing procedure to keep copies of employer resolutions up to date and readily available.</i>	Admin	Visits completed. Copies being scanned. Ongoing procedure to be developed in fall 2011.
15	OPS	C	The national date for the Take Our Daughters And Sons To Work® program is the fourth Thursday in April. Staff would like to participate in order to give their children a better understanding of what they do.	<i>Plan a program to allow staff to bring their children to work.</i>	Admin	Organize a staff volunteer committee in January 2012.
16	OPS	B	No building handicap door.	<i>Remind building of their plans to improve handicap access.</i>	Admin	Pursue in fall 2011.
17	OPS	B	No barrier to deter non-staff from walking into office.	<i>Swing gate at front to deter walk ins? Sign on middle doors "Restricted Area"?</i>	Admin	Scott to pursue research in fall 2011.
18	OPS	A	Incorporate case law into disability process.	<i>Develop/utilize database of disability case law.</i>	Admin/ Legal	Review with counsel

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS TO ADDRESS ISSUES</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
19	OPS	B	<i>SamCERA's</i> legal services workload is on the rise as is the complexity of services required.	<i>Create staff legal counsel position.</i>	Admin	Approved by retirement board in April 2011. Pending approval by the Board of Supervisors.
20	OPS	B	'37 ACT was amended to allow for adjusting outgoing dates for reciprocity and now differs from the board's regulations.	<i>Bring changes to regulations for reciprocity before the Retirement Board.</i>	Admin/ Legal	Add proposed regs to Board agenda at next opportunity.
21	OPS	B	The legal status of the county court employees and Mosquito Abatement District employees should be firmly established.	<i>Legal counsel should opine.</i>	Admin/ Legal	Address in First Quarter 2011-12.
22	OPS	A	<i>SamCERA's</i> model domestic relations orders need updating.	<i>Legal counsel should opine.</i>	Admin/ Legal	First Quarter
23	OPS	A	<i>SamCERA</i> is acquiring additional space to house new employees, provide an appropriate-sized boardroom and to take advantage of the availability of space and lock in a reasonable lease rate.	<i>The space must be designed and built out.</i>	Admin	Construction underway as of May 2011.
24	OPS	C	Office HVAC not working properly.	<i>Continue to work with building maintenance.</i>	Admin	Meeting with new manager end of May.
25	OPS	A	The management updates on division information are very helpful communications to all staff.	<i>Continue updates on management meetings.</i>	Admin	Every 2 weeks

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS TO ADDRESS ISSUES</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
26	OPS	A	<i>SamCERA's CIO may retire within 24 months or more.</i>	<i>Prepare a succession plan for CIO.</i>	Admin	Completion by 8/13
27	OPS	A	<i>SamCERA's AEO will be called to active military duty in mid-2012.</i>	<i>Benefits manager should be cross trained with the AEO.</i>	Admin	Completion by 6/12
28	OPS	C	<i>PIPS is converting to PeopleSoft and being hosted by Santa Clara County. SamCERA needs to assure that data from the new payroll system is timely and accurate.</i>	<i>Stay informed on progress.</i>	Admin / IT	County is still exploring options.
29	OPS	B	<i>All staff benefits when procedural issues and problems are shared with the entire staff.</i>	<i>Share meeting notes (finance and benefits); Help each other come to a resolutions.</i>	All	Implement at scheduled staff meetings.
30	OPS	A	<i>All staff meetings could be more beneficial if more operational and more focused.</i>	<i>Prepare agendas for all staff meetings. Make sure to discuss procedure topics (i.e. PIPS meeting topics, updates on internal projects.)</i>	All	Implement at scheduled staff meetings
31	OPS	B	<i>Staff procedure manuals would benefit from setting aside time to work only on updating the procedure manuals.</i>	<i>Schedule manual update periods once a year, half-day, after conversion to Confluence wiki server</i>	All	Schedule day after 7/1/11.
32	OPS	B	<i>It is important to preserve and have the ability to access and transfer institutional knowledge.</i>	<i>Implement and train on using Confluence as a database.</i>	IT/Benefits	1 st Quarter

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS TO ADDRESS ISSUES</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
33	OPS	A	Employees of <i>SamCERA</i> believe that <i>SamCERA</i> is a very good place to work.	<i>Staff should define the aspects of SamCERA's culture and work environment that make it a good place to work.</i>	All	Schedule discussions at all-staff meetings in fall 2011.
34	OPS	A	Staff is very complimentary of <i>SamCERA's</i> managers.	<i>All employees should define the aspects of SamCERA management that they think lead to a positive staff/management work relationship.</i>	All	Schedule discussions at all-staff meetings in fall 2011.
35	OPS	A	Will we need extra help when we start the pension system upgrade?	<i>Make this a key issue to determine after hiring Project Management firm.</i>	Benefits / IT	Place into project plan.
36	OPS	A	<i>SamCERA's</i> major technological tools need updating as confirmed by its 2007 IT Study.	<i>Prepare budget for 2011-12 to include hiring of Project Management firm encompassing EDMS and Pension Management System, workflow, and data cleansing projects.</i>	IT	Develop Project Management RFP and begin hiring in 2011.

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS TO ADDRESS ISSUES</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
37	OPS	B	<i>SamCERA's Website is well appreciated by members, but could be improved.</i>	<i>Create new website with Web Member Services integrated. Add site map to website (during website redesign). Work on technology and procedures to allow web updates from staff.</i>	IT/Communications	Chris Hawkins will work with staff to develop new website for a fiscal 2011-12 launch.
38	OPS	A	<i>Security of SamCERA member data and software systems is essential.</i>	<i>Test the web member services system against hackers by hiring a company to try and break in before deploying to the Internet.</i>	IT	Perform penetration testing on Web Member Services after integration with new website, before going live.
39	SER	A	<i>Steps by the county to address its structural budget deficit (new benefits tier, employee contribution to COLA costs, layoffs, retirement incentives) will impact the SamCERA workload.</i>	<i>Work with county and bargaining unit representatives to serve as an objective information source on SamCERA issues. Project workload, procedure and software changes that may be required and plan for them.</i>	Admin	Staff began working with LRS, its PensionGold software vendor, and its actuarial firm, Milliman, Inc., to implement four new benefit tiers in April 2011. Most work must be tested and in place by July 10, 2011.
40	SER	A	<i>All staff should have basic retirement benefits knowledge.</i>	<i>Sue and Elizabeth to give their presentations for all staff. Schedule educational presentations by each staff member at all-staff meetings.</i>	Benefits	Schedule topics for all-staff meetings.

ID#	GOAL	RANK	ISSUES	ACTIONS TO ADDRESS ISSUES	LEAD DIV	TIMING / STATUS
41	SER	B	Member education is a key to successful retirement planning and the most effective use of <i>SamCERA</i> benefits. Many members are without financial management knowledge.	<i>Develop Member Education Master Plan to continue strengthening member education programs. Include: Regular attendance at training/meetings of payroll clerks, use of website and advices to notify members of new information, update of the Survivor Handbook, use of more focus groups for publications, web site, etc.</i>	Communication/Benefits	Complete the Member Education Master Plan by start of 2012.
42	SER	A	It is important that <i>SamCERA</i> assess each application for disability retirement thoroughly in order to make appropriate recommendations to the Board of Retirement. At the same time, the assessment process can be lengthy and frustrating for members.	<i>Continue to work to improve the accuracy and speed of the disability application process.</i>	Benefits	Pursue with Benefits Staff

ID#	GOAL	RANK	ISSUES	ACTIONS TO ADDRESS ISSUES	LEAD DIV	TIMING / STATUS
43	SER	B	The County Benefits Office and SamCERA serve the same clientele.	<i>SamCERA and the county Benefits Office agree that we should pursue ways to provide services efficiently to members. The Benefits Office in 2010 began sending a staff person to SamCERA retirement presentations. Other steps should be pursued such as having a Benefits staffer in the SamCERA office on certain days to provide one-stop-shopping or installation of web cams.</i>	Benefits	Re-establish quarterly meetings with the Benefits Office.
44	SER	A	Members want classes at other locations/times.	<i>Offer classes offsite. Create a vesting kit. Create a training checklist for different points in a career. Consider more website training.</i>	Benefits /Communications	Review opportunities for offsite classes being scheduled in fall of 2011. Monthly sessions at medical center.
45	SER	A	After several months at high levels, the attendance at financial planning sessions has declined.	<i>Staff has discussed with county HR the possibility of opening financial workshops to other government entities in the county. Continue to pursue this option.</i>	Benefits	Discuss with county HR the progress on consolidating training opportunities with cities in the county.

ID#	GOAL	RANK	ISSUES	ACTIONS TO ADDRESS ISSUES	LEAD DIV	TIMING / STATUS
46	SER	A	<p>Members learn and communication through different methods and technologies. Their availability for education varies depending on their work schedules and work locations. And they need to be aware of different issues at different points in their careers.</p>	<p><i>SamCERA should educate and communicate with its members in multiple ways that address those factors that affect a member's ability to receive and use SamCERA training. SamCERA should develop a Comprehensive Communications Plan that incorporates multiple approaches to delivering information.</i></p> <p><i>Consider:</i></p> <ul style="list-style-type: none"> • <i>incorporating targeted communications to actives, retirees, age groups, vested/non vested members, plan 3, etc.</i> • <i>social media, ESP and drumming.</i> • <i>offering classes offsite.</i> • <i>creating a vesting kit.</i> • <i>creating a training checklist for different points in a career.</i> • <i>Adding more website training including written, video, and web-seminar training.</i> 	Communication/Benefits	<p>Begin the work to develop a Comprehensive Communications Plan after the orientation period for the Communications Specialist has ended.</p>

<i>ID#</i>	<i>GOAL</i>	<i>RANK</i>	<i>ISSUES</i>	<i>ACTIONS TO ADDRESS ISSUES</i>	<i>LEAD DIV</i>	<i>TIMING / STATUS</i>
47	SER	A	The <i>SamCERA</i> Customer Services Survey has revealed much about what <i>SamCERA</i> members think of the services provided, but has not yielded much new information for the last few years.	<i>Consider adding to or replacing the CS Survey with targeted surveys – point of service, type of service, etc.</i>	Communication s/Benefi ts	Establish new survey protocol as part of Comprehensive Communications Plan.
48	SER	C	Each Option 4 retiree calculation must be sent to actuary.	<i>Work with actuary to develop Option 4 calc for PG.</i>	Benefits	Discuss with Actuary/LRS
49	SER	A	Offer off site consultations for members (i.e. going to the hospital)	<i>Identify demand. Include in Communications Plan.</i>	Benefits	Discuss at benefits meeting.
50	SER	C	Providing simple benefit estimates on annual member statements is considered a best practice.	<i>Consider adding the capability to provide benefit estimates with SamCERA's new pension administration software system. Consider in Communications Plan.</i>	Benefit/ IT	Will be included in RFP for new pension system.
51	SER	A	How can <i>SamCERA</i> best utilize the lessons learned from the CEM report and the Alameda county '37 act survey?	<i>Consider point of service surveys, benefits estimates on member annual statements, changes to member requirements for disability processing.</i>	Communi cation s/Benefi ts	1 st Quarter

6.b Completed Items- 2010 Action Plan Matrix

<i>ID #</i>	<i>GOAL</i>	<i>RANK (ABC)</i>	<i>ISSUES</i>	<i>✓ ACTIONS</i>	<i>LEAD DIV</i>	<i>TIMING/ STATUS</i>
4	SER	A	Member statements for 2009 had problems with some pages miss matched.	<i>Solution for 2010 is to put all data on one page.</i>	Benefits Finance	COMPLETED. Member Statement redesigned as of 09/2010
5	SER	A	IRS rules require distribution of a benefit to termed members at or over age 70 & ½ if they are no longer working.	<i>Identify termed members over age 70.5 and initiate process to provide them a benefit.</i>	Benefits	COMPLETED. Procedure being written for inclusion in Retirement Analyst manual (Liz). Age list should be reviewed quarterly or semi-annually? Payments should begin before each member reaches 70.5. Ask Blum if we should set up accounts to pay those we can't fund.
6	SER	B	Turnout for Trustee Elections is low, around 20%.	<i>Research the use of Internet Elections. Revise board regulations if approved by board.</i>	Admin	COMPLETED. Board approved use of internet for 6/10 elections.
13	OPS	B	Board of Supervisors' and Mosquito resolutions on <i>SamCERA</i> not readily available.	<i>Visit county and Mosquito offices to locate and copy resos.</i>	Admin	COMPLETED. Visits completed. Copies being scanned.

<i>ID #</i>	<i>GOAL</i>	<i>RANK (ABC)</i>	<i>ISSUES</i>	<i>✓ ACTIONS</i>	<i>LEAD DIV</i>	<i>TIMING/ STATUS</i>
15	OPS	B	A service is available to assist pension plans in determining the cost effectiveness of their operations.	<i>Consider working with the Cost Effectiveness Management (CEM) firm to assess SamCERA services.</i>	Admin	COMPLETED. CEM agreement approved by board. Survey data due Sept. 1. Will also take part in Alameda Survey.
20	OPS	C	Hard to keep boardroom door into offices open.	<i>Research alternative methods.</i>	Admin	COMPLETED. Gladys purchased new doorstop.
23	OPS	B	Board packets are often too large to carry	<i>Research and acquire eBook Readers for board members who want them.</i>	IT	COMPLETED. Research completed. Apple iPad recommended to Board. Policy for use being developed.
26	FIN	A	Passage of AB1584 requires <i>SamCERA</i> to adopt a Placement Agency policy by June 30, 2010.	<i>Staff will work with County Counsel to draft a policy for review by the board. Policy must be adopted by June 30, 2010.</i>	Finance	COMPLETED. Policy adopted by board in May 2010.

ID #	GOAL	RANK (ABC)	ISSUES	✓ ACTIONS	LEAD DIV	TIMING/ STATUS
27	FIN	A	IRS Tax determination letter due in 2011.	<p><i>Plan is to work with Hanson-Bridget and County Counsel to meet the Cycle E (January 2011) deadline. Identify changes to complete prior to submission of letter request. Hyperlink all key documents to review document. Determine submission packet process. Determine Voluntary Compliance Program needs and process.</i></p>	Admin	<p>COMPLETED. Review process substantially complete as of 8/17/10. Meeting held with Judy Boyette held to discuss issues on 8/17/10. Focus now in on application packet. County Counsel putting “plan document” draft together.</p>
28	FIN	A	It is prudent from time to time to open consultant contracts to proposals from others in the marketplace. The process allows the staff and board to learn what services are available and compare companies. SIS has been SamCERA’s investments consultant for several years.	<p><i>Issue an RFP for Investment Consultant Providers.</i></p>	Finance	<p>COMPLETED. RFP issued and responses received. Four candidates interviewed by the board at the Feb. 23, 2010 meeting. SIS retained.</p>

<i>ID #</i>	<i>GOAL</i>	<i>RANK (ABC)</i>	<i>ISSUES</i>	<i>✓ ACTIONS</i>	<i>LEAD DIV</i>	<i>TIMING/ STATUS</i>
29	FIN	A	The high correlation in recent years between traditional investment classes raises the question of whether a traditional asset allocation will yield sufficient diversification long term.	<i>Schedule a board-staff-consultant educational review/discussion of asset allocation and the addition of alternatives. Conduct an asset allocation study.</i>	Finance	COMPLETED. Conduct asset liability study in summer/fall 2010. Schedule educational presentations as needed. Plan March 2011 board retreat.
32	FIN	B	<i>SamCERA</i> relies on its custodian to track securities litigation. This provides a limited service and means no one is monitoring the custodial activities.	<i>Issue an RFP for securities litigation firm.</i>	Finance	COMPLETED. Final agreements with Berman DeValario, Grant & Eisenhofer, and Bernstein Litowitz approved at 8/24/10 board meeting.
37	FIN	A	Mosquito Abatement District board has requested the cost of adopting the current county formulas.	<i>Provide cost of higher formulas to the district.</i>	Admin	COMPLETED. Cost letter from actuary provided in January 2010. Mosq. Board passed reso in July 2010 adopting higher formulas, effective July 1.

ID #	GOAL	RANK (ABC)	ISSUES	✓ ACTIONS	LEAD DIV	TIMING/ STATUS
	FIN	B	As a result of an asset/liability study and in order to further diversify the fund's investments, over the last two years the Retirement Board has more than doubled the number of investment managers. This change puts time pressure on the board's current approach to annual review of investment managers. Staff needs to work with the board to develop a revised strategy for review.	<i>Consider delegating annual investment manager reviews to staff and consultant other than those managers who are underperforming or for other reasons the board chooses to review.</i>	Invest	COMPLETE. <i>The board approved delegation of investment managers to staff at the March 2011 meeting.</i>

Strategic Planning Step 7
Obtain Approval of the Plan

The plan was approved by the SamCERA Board of Trustees at its _____ 2011, board meeting.

Strategic Planning Step 8
Implement the Plan

Full implementation of the various components of the plan will take place according to the schedule in the Action Plan.

Strategic Planning Step 9
Monitor Progress

The association management staff will review the progress toward achievement of all the objectives of the plan at its regular weekly planning meetings. Adjustments to the plan will be made as needed.

Strategic Planning Step 10
Reassess the Strategic Plan

The plan will be reassessed each year as the initial step in the budget development process. The process is continuous in that, rather than starting anew each year, it includes an assessment of what was accomplished the year before and what remains to be done.

Conclusion

This version of the *SamCERA* Strategic Plan builds on the work of past plans beginning in 2005 and continues the efforts to improve operations, financial management, and customer services.

By pursuing the tasks summarized in this plan, *SamCERA* will move forward with its need to modernize its technology, further diversify its assets, and improve communications and services to members.

By achieving the goals of this plan, *SamCERA* will continue to fulfill its mission:

To serve as loyal fiduciary for its members, retirees and beneficiaries and as prudent administrator of the retirement system.

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 7.8

To: Board of Retirement



From: Mabel Wong, Retirement Finance Officer



Gary Clifton, Chief Investment Officer

Subject: Approval of *SamCERA's Sources, Uses, and Budget Report* for Fiscal year 2011/2012.

COMMENT: Staff is finalizing several budget line items. This includes accounting for the addition and filling of positions under Salaries and Benefits. It also includes contemplation of additional line items under Services and Supplies.

The final iteration of *SamCERA's draft Sources, Uses, and Budget Report* for Fiscal year 2011/2012 will be available via e-mail and drop box on Monday afternoon. Staff will provide a detailed overview of the budget at the board meeting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

May 24, 2011

Agenda Item 7.9

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval to Reschedule the June 28th Board Meeting to June 21st

Issue

Staff is asking that the board change the date of the June 2011 meeting of the Board of Retirement to June 21st.

BACKGROUND

Per Article II, Regulation 2.4 of the Regulations of the Board of Retirement:

“...The Board may cancel and or approve a change in the date, time and/or location of meetings within the County, if the proposed change is included on the agenda of a regular meeting.”

The board frequently cancels the June meeting. However, in order to continue progress on pending projects, staff believes a June meeting should be held. Some of these issues include: the commodities manager search, continuation of restructuring the international portfolio, and 2011-12 budget approval.

The board meeting is currently set for the fourth Tuesday of June. Staff is requesting that the meeting be held on the third Tuesday in June, which would be June 21. The meeting would begin at 1 p.m. The change is requested because of proximity of the original date to the July 4th holiday weekend and a scheduling conflict for the Chief Investment Officer.

The Investment Committee would also meet on that day at 10 a.m.

STAFF RECOMMENDATION

Staff recommends the date of the June meeting of the Board of Retirement be changed to June 21, 2011.