



**INVESTING IN
YOUR**

Future

SACRS FALL CONFERENCE WHAT'S *new*

ALAMEDA	LOS ANGELES	SACRAMENTO	SANTA BARBARA
CONTRA COSTA	MARIN	SAN BERNARDINO	SONOMA
FRESNO	MENDOCINO	SAN DIEGO	STANISLAUS
IMPERIAL	MERCED	SAN JOAQUIN	TULARE
KERN	ORANGE	SAN MATEO	VENTURA

ALAMEDA COUNTY

ADMINISTRATION

Actuarial Audit

ACERA staff and the Board of Trustees are committed to adopting the best fiduciary practices. Toward this end, Milliman Consultants and Actuaries audited ACERA's December 31, 2005 actuarial valuation conducted by the Segal Company, ACERA's actuarial firm, and found consistent results.

Total Fund

ACERA's total fund, for the second quarter of 2007, returned 5.5%. It was ranked in the upper 5th percentile among public funds greater than \$100 million. The fund outperformed its Policy Index and the median public fund by 1.1% and 1.2%, respectively. Longer term, the three-year and five-year gross returns of 13.5% and 12.8% beat their policy indexes by 0.4% and 0.7%, and ranked in the upper 18th and 8th percentiles, respectively. The market value of the total fund, as of June 30, 2007, was \$5,541,653,153.

ACERA's Funded Status of the Pension Fund at December 31, 2006 was 85.5%, up from 83.2% at December 31, 2005, with an interest rate assumption of 8% and 7.9%, respectively.

ACERA's Funded Status of the OPEB Plan under GASB 43 was 83.9% and 79.1% in December 31, 2006 and 2005, respectively.

INVESTMENT

The Board has approved the following investments in order to bring the allocation of the real estate asset class closer to its 9% target: 1) an additional \$25 million (maximum) allocation to Prudential Real Estate Investors' PRISA II, an open-end Enhanced commingled fund, and 2) \$50 million each in BlackRock Granite Property Fund, JPMorgan Strategic Property Fund, and PRISA, open-end Stable commingled funds.

The Board decided to add a quantitative manager to complement the two existing managers in the international equity manager portfolio. After an extensive RFP search process, the Board selected AQR Capital Management LLC as ACERA's quantitative international equity manager.

The Board also moved forward with the ACERA Emerging Investment Manager Program by adopting an Initial Project Outline. The Outline mandates ACERA to undertake a search to identify a Manager of Manager (MoM) who will undertake an initial allocation of 1% of the ACERA total portfolio in a broad U.S. equity mandate.

BENEFITS

Reorganization

The Benefits Department reorganized to include a Call Center lead, staff mentors, and four assistant benefits managers over distinct units.

Retirement Seminars

Pre- and Mid-career retirement seminars are being revised to include the latest policy and legislative developments and improve the structure.

Sequential, peer-led constructive feedback practice sessions are available for improving staff's public speaking skills. ACERA is also updating information provided at Alameda County's new employee orientation and will provide on-location seminars, upon request.

Membership

ACERA's membership increased by 3%, from 18,646 to 19,226, in December 31, 2005 and 2006, respectively.

ACCOUNTING

Implementation of New Accounting Principle

For the year ended December 31, 2006, ACERA implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 43, Financial Reporting for Post Employment Benefit Plans other than Pension Plans, and GASB Statement No 44, Economic Condition Reporting: The Statistical Section.

OPERATIONS

Board Election

ACERA Board of Retirement Trustee seats are up for election from November 30, 2007 through December 19, 2007 to elect the Third Member (represents General Members), Seventh Member and Alternate Seventh Member (represents Safety Members), and Eighth Member and Alternate Eighth Member (represents Retired Members) Board members. Elected Trustees will serve from 2008 through 2010.

Space Build Out

The partial 12th floor space build-out has begun. It will allow the fund to maintain the current staff/member ratio that contributes to the high level of service members expect. It will be completed by the end of 2007.

Website Evaluation

The redesign and implementation of a new interactive website has begun with phase one: an ACERA website evaluation. An Alameda County-based firm will assess the site for navigability and user friendliness. The long-term goal is for acera.org to provide users with real-time pension information.

Communications Plan

ACERA's strategic communications plan is complete.

Internal Newsletter

ACERA's internal staff-led e-newsletter, *Our Space*, has begun production. It contains staff-written articles and announcements.

Internal Auditor

ACERA has hired an internal auditor to assist management function more efficiently and effectively. The internal auditor will play a vital role in helping management establish and maintain a comprehensive framework of internal control.

CONTRA COSTA COUNTY**BOARD**

County Board of Supervisors appointed member, Maria Theresa Viramontes, returned to the Board for another 3 year term. Educational seminars were presented on the disability process and 130/30 investments. Another seminar is scheduled in November with our actuaries, on the issues that create contribution rate variability.

ACCOUNTING

Gayle Cruz was hired as Retirement Supervising Accountant, replacing Sheila Wendler, who retired in the spring. Brown Armstrong CPAs concluded their annual audit of CCCERA with no reportable conditions. The Accounting department made further progress on selecting a new accounting system package, which we plan to implement and integrate with our new pension administration system in 2008. Extensive work continues on design and integration of the new pension administration system with accounting functions.

BENEFITS

"CORE 1" design functions were completed for the new pension administration system. We are currently in the User Acceptance Testing phase of this implementation. Service credit audits continue, as we work to cleanse data migrating to the new system. Staff has maintained standard "turn-around time" on routine tasks, while incorporating a user testing schedule that is taking substantial commitment in time and energy.

Retiree and Active member counselors are being cross-trained due to prospective changes in data management and the estimate process. The Retiree payroll process and COLA calculations now function completely on the new system.

The next modules scheduled for implementation are terminations, purchases and estimates, to be followed by new hires, disabilities and divorces. Soon we will begin testing with automatic employer imports via the vpn connections.

BUILDING SECURITY

CCCERA has installed security cameras in key spots for the protection of our personnel. The cameras are motion-activated, and feature night vision, but no sound capabilities. We have remodeled our existing front desk area and our counseling rooms to be more secure, with glass barriers and a secure doorway into the back office. It's an unfortunate "sign of the times" that we must balance member accessibility with consideration for the safety of our employees.

ADMINISTRATION

The move toward paperless record keeping continues with imaging of all files, including archival documents, such as minutes from 1945 through 1983. Processes are being designed for front end imaging and integration into the work flow portion of the new system.

At the time of this writing, we are still in the recruitment process for the General Counsel position.



CONTRA COSTA COUNTY *CONTINUED*

COMMUNICATIONS

CCCERA developed our first edition of *Spectrum*, our newsletter for employers. In addition to our CAFR, we provided a mini-annual report for members. Our newsletter for both retirees and active members, *Vista*, is in production. The original, separate publications, *New Roads* for retirees, and *FYI* for active members, continue to be produced. We are now printing in full color to improve readability for our members.

INVESTMENTS

CCCERA recently hired Lazard Asset Management to manage a global fixed income portfolio, pending final contract negotiations. This mandate is the result of changing an international fixed income mandate to a global fixed income mandate. We expect this portfolio to be transitioned during the fourth quarter of 2007.

In regards to our alternative investment allocation, we increased a commitment to Energy Investor Funds United States Power Fund III from \$50 million to \$65 million. Additionally, we made a commitment of \$25 million to Paladin Fund III, pending final contract negotiations. This fund is a private equity partnership with primary focus in the area of homeland security. We are continuing to evaluate additional opportunities to further diversify our alternative investment allocation.

There has been continued activity with regards to our real estate allocation. In May of 2007 we increased our commitment to INVESCO Real Estate Fund II from \$75 million to \$85 million. In June of 2007 we made a capital of commitment of \$100 million to Credit Suisse DLJ Real Estate Capital Partners Fund IV. These commitments bring the total commitments made to private real estate funds in 2007 to \$260 million. After analyzing international REITs as an investment opportunity, we made the decision to add an international REIT mandate to complement our domestic REIT portfolio managed by Adelante Capital Management. We are currently in the process of conducting a search for an international REIT manager, and expect the search to be complete in early 2008.

Recently we made the decision to commit \$50 million to Collateral Loan Obligation Fund II managed by Nicholas Applegate, pending legal review and further due diligence. This allocation is part of CCCERA's total domestic fixed income allocation. Given the recent changes in the fixed income credit markets, we are in the process of re-evaluating this opportunity.

After thorough education and analysis, the Board decided not to proceed with a 2% allocation to commodities, and we are in the process of determining the prudent way to reallocate the 2%, which has been temporarily invested in our fixed income allocation.

FRESNO COUNTY

The current Trustees of the Fresno County Board of Retirement include:

Steve J. Jolly, Chair	Eulalio Gomez
Michael Cardenas, Vice Chair	Phil Larson
Alan Cade, Jr.	Stephanie Savrnock
Nick Cornacchia	John P. Souza
Vicki Crow	Ronald S. Frye, Retired Alternate

The Board welcomed two new Trustees Eulalio Gomez, Safety, and Nick Cornacchia, appointed. In addition, an election for the General Member seat will be held in November. Nominations closed in September to elect a Retiree Trustee and Alternate Retiree Trustee. As only one candidate ran unop-

posed in each category, a request will be forwarded to the Board of Supervisors to cancel the elections and to appoint John Souza, Retiree candidate, and Ronald S. Frye, Alternate Retiree candidate, to the Board of Retirement.

In May 2007, FCERA issued an RFP for Custodial and Benefit Disbursement Services. FCERA performed due diligence on State Street, JPMorgan, and Mellon/BNY. State Street was selected and has begun the conversion process with an effective date of January 1, 2008.

In June 2007, FCERA issued an RFP for Actuarial Services and received responses from Cheiron, Inc. and The Segal Com-

FRESNO COUNTY *CONTINUED*

pany (FCERA's current interim actuary). The Board selected The Segal Company for a three year contract and will perform FCERA's June 30, 2007 Valuation as well as the Triennial Experience Study.

The Board held its annual two day Retreat October 17-18, 2007 in Coalinga, CA with a primary focus on Strategic Planning. Mr. Tom Iannucci was present to discuss the framework of the Strategic Planning processes.

The Fifth District Court of Appeals affirmed the trial court ruling which found that the now-abandoned "Fresno Method"

of aggregating 26 pay periods to create one year's worth of final compensation was impermissible under the "37 Act. Although, we are a little behind schedule with the recalculations due to delays in hiring, training, and learning curves, staff is moving forward with a goal of completing the final compensation project by years' end. The Final Compensation Project is close to 90% complete, with 3,710 of the 4,268 calculations completed as of August 31, 2007. Of the 558 calculations remaining to be completed, Phase I is nearly 98% complete with only 29 files remaining; Phase II is 96% complete with 20 files remaining; and Phase III is 80% complete with 509 files remaining.

IMPERIAL COUNTY

BOARD MEMBERS

In June of this year an election was held for the General Member (seat #2) Board position. Elected to this seat was Pat Yarnall, who has previously served on the ICERS Board. Leaving the Board (seat#2) was Jurg Heuberger. Board Member Julie Villeneuve was elected Chairman of the Board in June.

STAFF

In September the County Board of Supervisors approved the staff re-organization that was approved by the Retirement Board earlier this year. The hiring of additional staff and an "at will" Retirement Administrator is currently in progress.

INVESTMENTS

During the summer the retirement Board conducted interviews for an Investment Consulting firm and an Actuarial firm which resulted in the hiring of Wurts Associates as our new Investment Consulting firm and Segal as our new Actuarial firm. Currently the Board has authorized a search for a Small Cap International manager. Interviews of the finalists for this search will be conducted at the October Board meeting.

BENEFIT NEWS

The new supplemental benefit that was scheduled for the retired members in January has been delayed due to legal review. In response to this development the ICERS Retirement Board requested that Senator Decheny office introduce leg-

islation to amend Government Code Section 31874.6 which would add Imperial County to this section. Senator Decheny complied with the Board's request and introduced SB 392. If this legislation were to pass it would enable the ICERS Board to accomplish their goal of giving our very oldest retirees a supplement benefit.

BENEFIT NEWS

Retirees

The Retirement Board is reviewing several options in their attempt to provide a new supplemental benefit for approximately 200 of our oldest retirees. One of the options to accomplish this goal was for the ICERS Retirement Board, to request that Senator Decheny introduce legislation to amend Government Code section 31874.6. This amendment would add Imperial County to this section. Senator Decheny complied with the Board request and introduced SB 392.

Safety

In January of this year the ICERS Board of Retirement responded to the safety members request for some relief in their contribution rate, which has increased dramatically over the last several years. The Board offered to pick up one third (1/3) of the unfunded liability for the 3%@50 benefit if the Safety employees and the County would agree to pick up their one third (1/3) share. In July the County and the Safety members agreed to a new contract that included the split in cost of the 3%@50 benefit cost that was proposed by ICERS.

KERN COUNTY

ELECTIONS IN NOVEMBER

An election for the Kern County Board of Retirement will be held in November 2007. Kern County Employees' Retirement Association (KCERA) members will cast their ballots to fill the Third, Eighth and Eighth Alternate seats.

The Third member is elected by KCERA's general members, while the Eighth and Eighth Alternate members are elected by KCERA's retirees. Terms for newly elected Board members will begin January 1, 2008 and expire December 31, 2010.

PENSION ADMINISTRATION SYSTEM RFP READY

In January 2007, L. R. Weschler (LRW) was selected as KCERA's pension administration system consultant to assist KCERA in the development of a Request for Proposal (RFP) and in successful procurement of a new, comprehensive benefits system. Since hiring, LRW has been working with KCERA staff to compile business requirements in conjunction with developing the RFP, which is due to be released by year-end. The integrated retirement system solution will significantly improve member services and operational efficiency.

DISASTER RECOVERY PLAN DEVELOPED

KCERA has finalized its Disaster Recovery Plan (DRP) Manual. As a key component of KCERA's 2007-08 Business Plan, the manual will provide staff with the practical guidance for restoring critical operations in the event of an emergency. Next steps include staff training and conducting a live test to evaluate the plan's effectiveness.

FACILITY ASSESSMENT PROJECT PROGRESSING

Los Angeles-based American Realty Advisors was hired to provide services related to facility needs assessment and market analysis for the future relocation of the KCERA office. Due to a lack of adequate lease space in Bakersfield, American has recommended the Board consider a build-to-suit development purchase. Evaluation of potential land purchase sites in Bakersfield is under deliberation.

GOVERNANCE REPORT

The 2006 Governance Report was recently presented to the Board by Cortex Applied Research Inc. This year's assessment examined KCERA's adherence to its governance policies across 10 different areas of oversight. With only three minor exceptions, the report found the KCERA Board to be in compliance with the spirit and letter of all policies. The Report also reviewed KCERA's governance policies, which include monitoring and reporting, conflict of interest, due diligence, Board operations, trustee communications, trustee compliance, trustee education, Board policy development, trustee travel and executive director performance evaluation.

BOARD EDUCATION NEEDS ASSESSMENT

In September, the Board received the results of an education-focused survey completed by KCERA trustees. The Board Education Needs Assessment, conducted entirely online, was developed by Cortex Applied Research Inc. The survey was designed to evaluate the educational preferences of the Board of Retirement and the adequacy and effectiveness of the current education program. The survey has provided KCERA staff with specific topics on which it can develop future educational programs. Expanding the number of retirement systems participating in this new assessment process will enable Cortex to provide all participating systems with comparative best practices data on Board training.

NEW FINANCIAL SOFTWARE PACKAGE IMPLEMENTED

After a thorough search that began in April 2006, Microsoft GP® (Great Plains) financial software was acquired as KCERA's new integrated financial software application, along with implementation support services from Sikich Inc. Implementation of the new application was completed in May 2007. The technology incorporated all accounting functions, which has significantly enhanced KCERA's reporting capabilities and improved efficiency in its Financial Department.

LOS ANGELES COUNTY

BOARD NEWS

Over the summer elections were held for our Safety Member and Alternate Member 2008-2010 board seats. We are pleased to report Mr. Pryor successfully sought reelection to both the Board of Retirement and the Board of Investments as our Safety Member representative. JP Harris will begin his inaugural term as our Alternate Member on the Board of Retirement. It is with regret we will say goodbye to Armando Macias at the close of his Alternate Member term in December 2007.

INVESTMENT NEWS

For the fiscal calendar year ending June 30, 2007, the total fund surpassed its benchmark by 290 basis points and finished the year at 19.1%. This was driven by solid returns in International and Domestic Equity, Private Equity, and Real Estate. This marks the fourth straight year of double digit returns far exceeding the plan's 7.75% actuarial return assumption.

Approved an allocation to collateralized commodity futures. The 3% allocation will be funded by reducing the equity allocation. Selected two commodities managers—Lehman Brothers and PIMCO.

Recent investment manager changes include the hiring of two active emerging markets equity managers—Genesis Investment Management and Batterymarch Financial Management.

Reviewed the Investment Policy Statement. Key changes included establishing specific minimum qualification criteria for public market investment manager searches, further define responsibility and duties of investment staff and consultants, clarify private equity return objectives, and expand the minimum qualification definition for an emerging manager.

Increased the allocation range for passive equity mandates to 35%—75% and decreased the allocation range for moderate/high risk equity mandates to 10%—30%. The US equity passive portfolios will be transitioned to a BGI Russell 1000 Index fund and will utilize a BGI Russell 2000 Index fund to adjust the small capitalization exposure.

The Board of Investments selected Credit Suisse to provide non-discretionary private equity advisor services.

Established a Sudan Divestment policy.

Discontinued the Member Home Loan program due to declining program participation and increased competition from on-line mortgage providers.

BENEFIT NEWS

Health Fair Workshops

We have a new format for our retiree health and wellness outreach. Previously, the LACERA Retiree Health Care team would sponsor an annual day long health fair featuring health and wellness education sessions, a healthy lunch and vendor exhibits. While these annual fairs benefited those attending we found they did not serve a significant portion of our retiree population and tended to reoccur in the same geographic areas. In an effort to bring our health and wellness message to a greater number of retirees over a broader geographic area, we have evolved our health and wellness outreach to be a ½ day regional workshop program with a focus on the wellness workshops. Our hope is that this year's "Nutrition and Healthy Activity" campaign will encourage our retirees to make healthy choices and live a healthier life style. And of course, should healthier retirees have lower healthcare utilization rates that would be nice too.

Public Protection Act of 2006

Previous Public Protection Act of 2006 updates included our successful efforts to allow employees to use 457 transfers to complete service credit purchase for the enhancement of pension benefits and implementing year-end tax reporting for retired safety member's pre-tax health insurance premium payments. Our remaining efforts are focused on integrating Long-Term Care insurance premium payments in the year end tax reporting process. To date we have included the County sponsored LTC plans and are now adding "third party" LTC plans as our members bring forth these deduction requests.

Disability Case Review

In 2005, the Los Angeles County Board of Supervisors adopted a motion that the County perform a "case-by-case investigation of all active recipients of County of Los Angeles Service Connected Disability Retirement (SCDR) benefits to identify whether or not any SCDR fraud or abuse exists." Fortunately, this request was tempered through a Memorandum of Understanding between LACERA and the Los Angeles County's Chief Administrative Office and the Auditor-Controller for a "performance review" of 35 SCDR

LOS ANGELES COUNTY *CONTINUED*

cases that resulted in granting service-connected disability benefits to safety members during calendar year 2004. While the majority of the review work was performed during 1996, the final report was not released until 2007. The final report found no evidence of fraud or abuse in either the SCDR application process or approval of SCDR benefits. LACERA's application and approval procedures for SCDRs are currently followed. The auditor asserted that California case law allows more employees to qualify for SCDRs than originally intended by the 1937 Act. Not surprisingly, the auditor concluded that employees applying for SCDRs attempt to maximize legally-available benefits and only changes to the 1937 Act's SCDR eligibility standards and/or the benefit levels will reduce the number of SCDR applications. On a proactive note, LACERA's independent external auditor will include sample testing of disability case files to ensure compliance with established rules, regulations and procedures during their annual financial statement audit.

LACERA.com

The LACERA.com website includes a secure member portal where members may view their individual retirement information. Beginning in October 2007, the member portal was enhanced to allow members to generate on-line retirement estimates using production quality data. This is our first step into making our web site a customer service portal where the members may make on-line plan elections and perform account maintenance.

Emergency Line of Credit

Following the tragic events of September 11, 2001, and the realization that financial markets could close while the banking system remained open, thus, potentially placing LACERA in a position of being unable to fund retiree benefit payments, the Board of Investments established an emergency line of credit with Mellon Bank at a level to fund one month of organizational and retiree payroll expense.

MARIN COUNTY

BOARD

Sandy White has announced that she is planning to step down as Board Chair effective November 2007. Sandy has served MCERA well and wisely for three full terms and her strong leadership will be missed. Fortunately she is planning to continue on with her board duties as an elected trustee representing miscellaneous employees.

Jim Hufford and Maya Gladstern were both re-elected to three year terms as the Safety and Miscellaneous trustees, respectively. In addition, Karen Wofford was elected Safety Alternate. Karen will join the board officially at our upcoming meeting at the end of November.

ADMINISTRATION

MCERA recently completed RFPs for General Counsel, Actuarial Consulting and Global Custody Services. These searches resulted in the appointment of Ashley Dunning, Steefel Levitt and Weiss as our new General Counsel, replacing County Counsel, Pat Faulkner who had expressed concern over the increasing number of opportunities for conflict of interest in his dual role as County as well as Retirement Board counsel.

The Board also appointed EFI Actuaries as our new actuarial consultant and State Street Bank and Trust as global custodian. Earlier in the year Morgan Stanley was appointed Prime Broker for the fund.

SOFTWARE AND TECHNOLOGY

After struggling with an antiquated benefits administration system for years, we are pleased to report completion of Phase I (development of business rules) and the kickoff of Phase II (search, configuration and implementation) of a next-generation Benefits Administration System.

Linea Solutions of Los Angeles is the consultant on this important project and we are on schedule, on budget, and on the glide path to issue our vendor RFQ in November. System implementation should be completed in late 2009. We are all excited about this important step toward better improved customer service, self-service and benefits delivery to our members.

STAFFING

Since 2005, MCERA's seven person staff has seen the retirement of three of its most senior statesmen, and the resigna-

MARIN COUNTY *CONTINUED*

tion of one of its newer additions. We have since added ten new employees, bringing our total staff to an all time high of thirteen employees, the newest of which joined us during November. With all of these changes comes the need for training and documentation and we're up to our ears in both.

Please join us in welcoming the latest additions to the MCERA family: Accounting Assistant, Lorna "Cookie" Shamrock; Senior Clerk Typist, Sydney Fowler; Senior Secretary Dawn Carlson; Retirement Member Benefits Technicians Jackie Bamford and Sandy Ardiaz; and Retirement Benefits Specialist, Rene Goncalves.

To help capture institutional knowledge and document procedures and processes, MCERA has engaged a consultant who has written procedure manuals for several of our sister systems. Mary Ann Guttoff is making great progress on developing documentation for MCERA which, once completed, will help us train our new hires as well as make us the ONLY department to have fully documented its operating procedures in the entire county.

CIVIL GRAND JURY

The 2006-07 Civil Grand Jury recently completed their investigation into MCERA's operations, focusing this year on disability retirement processing. With the muckraking and mis-information that is disseminated by the local press, it's no wonder the Grand Jury can't seem to leave us alone, but this year we are very proud to report that following an exhaustive review of our policies and procedures MCERA received a highly favorable report. Maybe now they'll find someone new to pick on for a while!!

INVESTMENTS

MCERA's assets surpassed the \$1.5Billion mark for the first time in late 2006. The fund reported a +18.75% return for the twelve months ending 6/30/07 versus an 8.0% actuarial assumption rate.

The quarter ending 6/30/07 showed an increase of +5.79% versus the prior quarter, placing us in the upper 5% amongst public funds with \$100MM or more of assets.

FINANCIAL

Marin County's implementation of the SAP accounting module in July, 2006, and the subsequent installation of the HRIS and Payroll modules on January 1, 2007 has caused more than a few headaches for the entire County, but especially for the Retirement Department. As a result of these problems we have not been able to close our books for the 06-07 year, delaying our annual audit, our annual valuation, and issuance of our annual benefit statements. We hope that we get past these difficulties soon, as the last year has been an extraordinarily stressful time for staff and management alike.

LOCATION, LOCATION, LOCATION

We are proud to announce that MCERA recently acquired a 40,000sf Class A office property in San Rafael, bringing our allocation to real estate to 16% of the portfolio.

In addition to being an excellent complement to our existing real estate portfolio, early next summer the building will become MCERA's new headquarters. The Association plans to occupy approximately 11,000sf on the first floor that is currently leased to Morgan Stanley. AutoDesk is our second floor tenant, and the County may lease the remaining 7500sf from us on the first floor. This is especially likely since the 3 acre property is immediately adjacent to the County's 140 acre Marin Civic Center campus.

MENDOCINO COUNTY

No new news to report.

MERCED COUNTY

RETIREMENT BOARD

MCERA welcomed a new appointed Trustee to the Board of Retirement. David W. Ness was appointed by the Board of Supervisors to the Retirement Board in June 2007. Mr. Ness has been employed for seven years with the Merco Credit Union as its Chief Financial Officer and Vice President of Financial and Information Systems. Mr. Ness has been a resident of Merced County since 1999 and is married with two children. MCERA looks forward to working with our new trustee. In July, the Board elected Jim Lindsey as Chair, Karen Adams as Vice Chair and Ralph Busby as secretary.

INVESTMENTS

The Retirement Board hired two new managers, Northpointe Capital for its small cap growth manager and UBS as one of its International equity managers. MCERA also completed a transition from the Lehman Brothers Core Fixed Income Fund to the Lehman Brothers Enhanced Bond Index Fund for Employee Benefit Plans.

MCERA OFFICE

MCERA has had some staff changes. We added two new members to staff, Rhianna Phillips is our new Office Assistant and Brenda Mojica is our new Account Clerk. Five year staff member, Roseanne Guthrie, has been promoted to the Benefits Specialist position. We expect these changes to result in excellent service to our members.

ORANGE COUNTY

PERSONNEL CHANGES

We hired an Investment Analyst to round out our Investment Division, who comes from the private sector with excellent experience. We hired a two Staff Attorneys, one on a temporary basis to handle Administrative Hearings and one on a permanent basis to handle Writs/Appeals and other benefits issues. Our Assistant CEO of External Operations left to pursue other opportunities in Texas and we are considering how to best fill that position. We are still searching for a CEO but the end is in sight.

Our General Board Member, Frank Eley, was re-elected to his Board seat, although we are awaiting confirmation from the Board of Supervisors, which will take place later this month. Robert Griffith, our retired Board Member, was also re-elected to his seat by unopposed appointment.

SYSTEM CHANGES

We implemented a Document Imaging System from Liberty Systems that has proven to be an excellent tool for all staff. We are pleased to report that it was installed on time and under budget. It has streamlined the way in which work is assigned and completed. We are updating our records retention procedures to bring them in line with our new electronic document storage system.

SACRAMENTO COUNTY

- Officers were elected by the SCERS Board as follows: James A. Diepenbrock, President; Keith DeVore, First Vice President; and John Kelly, Second Vice President.
- A strategic planning session was facilitated by Ennis Knupp, including SCERS' Board and management team, which is expected to culminate in the development of a five-year plan.
- Mercer Investment Consulting completed an asset/liability modeling study, which resulted in modification of SCERS' strategic asset allocation. SCERS added allocations to private equity and an opportunities portfolio.
- The Investment Policy was reviewed and revised to reflect changes in investment strategies.
- SCERS adopted and implemented federal Pension Protection Act of 2006, which included distribution rules allowing direct rollover by non-spouse beneficiaries, implementation of the \$3,000 tax exclusion for qualified public safety officers, and the adoption of age 50 for safety members and age 55.5 for miscellaneous members as the respective normal retirement ages.
- As a result of a change by Sacramento County which limited the eligibility of retiree health care subsidies to individuals retiring before June 2007, SCERS experienced a rush of retirements in May 2007.
- SCERS Introduced a new Retirement Planning Seminar for those members who are more than ten years from retirement.
- SCERS upgraded its online retirement benefits calculator to enable members to estimate their benefits utilizing different retirement options.
- A Securities Litigation Policy and Procedures were adopted by SCERS.
- Procedures governing the review and evaluation of disability retirement applications were reviewed and revised. Recognized labor organizations were provided the opportunity to review and comment.
- The Segal Company conducted a triennial experience study. During its annual review of recommended economic assumptions, the Board increased the earnings assumption rate from 7.75% to 7.875%.
- This Fall, SCERS will begin offering the purchase of up to five years of additional retirement credit for Sacramento County employees as a result of its labor negotiations. A one-time option will also be offered to certain members to convert from miscellaneous tier 2 (no COLA) to tier 3 (COLA up to 2%) for their future service and to upgrade their existing service.
- Retirement Board elections were held for three positions this Fall. Keith DeVore was re-elected by the Miscellaneous membership. Nancy Wolford-Landers was re-elected as Retiree member, and Bill Cox was re-elected as Alternate Retiree member.

SAN BERNADINO COUNTY

BOARD MEMBERS

The current Chairman is Marvin Reiter with Harry Hatch serving as Vice-Chair. Ex-Officio member, Dick Larsen, is Chairman of the Investment Committee, and Harry Hatch is Chairman of the Administrative Committee.

Retired member Robert McDonald will serve another three-year term beginning January 1, 2008. Mr. McDonald was unopposed and therefore the Board of Supervisors will appoint him to the Board of Retirement in lieu of conducting an election for that seat. We currently are conducting an election in conjunction with the Registrar of Voters for two General Member seats—one expiring term and one vacated seat. There are four people on the ballot for the two seats, including incumbent Dawn Stafford.

Appointed members Ellen Weisser and Allen Bulteman are up for re-appointment by the Board of Supervisors.

ADMINISTRATIVE ACTIVITIES

The San Bernardino County Employees' Retirement Association (SBCERA) was awarded the 2007 Award for Excellence in Governance and Fiduciary Responsibility in the category of medium municipal funds. The honor was bestowed by the Information Management Network (IMN) in partnership with Independent Fiduciary Services (IFS).

SBCERA completed off-site Strategic Planning in conjunction with Cortex, resulting in four key strategic initiatives. One of the focuses is customer service. For the second consecutive year, SBCERA staff celebrated National Customer Service week, October 1-5, with a series of events and games each day. Staff participated in challenges that focused on cultural diversity, dealing with difficult people and personal customer service pet peeves. The staff also voted for the person they believe to be the SBCERA Customer Service Superstar of the Year: Sylvia Hubbard. Sylvia is an Office Specialist in the Member Services Department and she has been providing great service to members, as well as to her internal customers, the staff, since 2004.

In conjunction with our annual Pre-Retirement seminars, this year Member Services has taken on the task of accepting and processing reservations for the seminars. It may not sound like a big deal, but it has given us the opportunity of testing and using the Seminar Manager function within our PensionGold system. This first year of tracking will lay the foundation for the development of a more accurate history of an active member's education. Because the seminars are held all over the County—sometimes in cramped quarters—

the seminar tracking will help staff better prepare and execute the program and manage the comfort of participants, as these seminars continue to grow annually in popularity.

Also a Strategic Planning directive, the Board appointed a Special Ad Hoc Committee to address human resource services, payroll, compensation and benefits in concert with the implementation of Special District Status. Special District Status results in SBCERA being the employer for management, supervisors and current investment staff allowing the Board to better manage compensation and benefits in a manner they deem best to attract and retain the appropriate level of talent.

The business continuity planning process and development of a Disruptive Event Response (DER) Manual is complete. The DER Manual contains all processes and procedures that will be implemented upon declaration of an "event." We completed a mock event test and were successful in managing all key processes remotely.

The Board recently approved implementing Video Teleconferencing (VTC). SBCERA has begun work to install a state of the art VTC system in its Board Room and conference room. This technology will be beneficial during presentations, meetings and consultations in addition to investment related activities. The system is comprised of multiple retracting plasma flat panel screens, digital recording devices, microphones, speakers and four remote feeds allowing for a four-way video teleconference call when needed. Full capacity storage, retrieval and archiving are provided through SBCERA's Local Area Network using dedicated equipment.

The collection, storage and preservation of images and electronic documents is time consuming and expensive. SBCERA will improve the management and maintenance of information and documentation, both images and electronic—through Enterprise Content Management (ECM). ECM is comprised of technologies, tools, and methods used to capture, manage, store, and deliver information, content, and documents related to organizational processes. SBCERA intends to leverage these tools to reduce our dependence on paper documents in the future. SBCERA currently uses these technologies within their Member Services Division. We are now embarking on a project that will cut across the remaining functional divisions to implement ECM.

SBCERA is currently engaged in Network Intrusion Security Assessment Vendor Proposal reviews. In support of SBCERA's ongoing risk management program and to identify

current risk levels and exposures involving technology and information assets, SBCERA is in the process of selecting a Security Assessment firm to assist in an assessment, testing, corrective action and policy development.

INVESTMENT ACTIVITIES

The Board approved a new asset allocation in February, continuing a risk reduction strategy in place since our 2003 asset allocation study. Since January of 2002 to today, public equity has decreased from 61% to 47%, public debt has decreased from 33% to 21%, real assets have increased from 6% to 16%, and alternative assets have increased from 0% to 16%.

Structure Studies have been the priority over the past six months, specifically fixed income. We recently moved away from dedicated core-plus fixed income. The core-plus assets are being transitioned into the alpha pool and overlaid with Lehman Government synthetic exposure. The alpha pool now constitutes a targeted 17% of assets. Thus, as you

may surmise from the allocation targets above, 17% of the public equity and public debt targets are synthetic with the underlying assets in the alpha pool. The remaining portion of our fixed income structure, Credit and International fixed, will be presented to the Investment Committee for consideration by year-end. Investment Policy re-development, Equity Structure and the Strategic Private Assets Plan are upcoming projects.

SBCERA has initiated a comprehensive legal contracting process in regard to absolute return, real estate, private equity and other alternatives that require in-depth contracting and negotiating knowledge. The process is managed by SBCERA Chief Counsel, Lance Kjeldgaard, through our specialist external counsel Thomas Hickey of Kirkpatrick & Lockhart Preston Gates Ellis LLP. This completes our three-prong approach to due diligence—investment due diligence by staff consultants, and the Board; Operational due diligence conducted by an external auditing firm; and legal—as described above.

SAN DIEGO COUNTY

BOARD OF RETIREMENT

Garry Sobek will hold the General member third seat for his second consecutive term after running unopposed in May. The election for the Safety member and alternate is scheduled for November.

The Board elected new officers as follows: Garry Sobek, Chairman; Laura DeMarco, Vice Chairman; James W. Feeley, Secretary.

INVESTMENTS

The Beta Engine, a rules-based rebalancing methodology, has been approved for implementation after a successful yearlong trial phase using a paper portfolio.

With the assistance of consultant Albourne Partners, staff is adding strategies and managers to the Alpha Engine, the system's portable alpha program, which is integrated with an S&P 500 overlay.

SDCERA is reviewing its asset allocation with consultant Ennis-Knupp and expects to complete this work by year-end.

For the fiscal year ended June 30, 2007, the total fund earned 16.4% adding over \$1.2 billion dollars to the fund.

SDCERA is in the final stages of recruiting two new Investment Officer Positions, one focused on Hedge Funds and the other focused on Risk Management.

MEMBER SERVICES

SDCERA narrowed the list of prospective pension administration system vendors down to two finalists: Vitech and CPAS. Both vendors are participating in a trial phase, and SDCERA will select the successful candidate in November.

The permanent STAR COLA, a pre-funded supplemental cost-of-living increase, was approved in May. The COLA is provided to retired members whose benefits have lost 20% or more of their purchasing power.

The Supplemental Benefit Allowance (SBA) was implemented in July for General, Tier A members and Safety members covered by the 3% at age 50 benefit formula. Members with 10 or more years of service credit are eligible for this



SAN DIEGO COUNTY *CONTINUED*

non-vested benefit. Benefit amounts start at \$200 per month with 10 years of service credit and increase incrementally to \$400 per month with 20 or more years.

The retirement planning seminars have been retooled to target mid—and late-career members. Guest speakers from other County agencies present the Deferred Compensation program and COBRA. Members are now able to get all their retirement related questions answered at one event.

ACTUARIAL SERVICES

Milliman, Inc. was selected to provide actuarial auditing services. Milliman will perform a full replication of the June 30, 2007 actuarial valuation as well as a full parallel experience study. These efforts will confirm that the actuarial assumptions, data and methods used were reasonable.

SAN JOAQUIN COUNTY

BOARD

Dave Souza was re-elected to his second term on the Board. He holds a Bachelor of Science in Criminal Justice from California State University, Sacramento and is an active member of the California State Bar, having earned his Juris Doctorate from Humphrey's College. Recently promoted to a Lieutenant in the Sheriff's Department, Mr. Souza represents safety members.

INVESTMENTS

SJCERA's assets surpassed the \$2 billion mark late 2006. The fund reported a 19.3% return for the twelve-months ending June 30, 2007.

The Board took the following actions regarding investments:

- Working with its consultant, Strategic Investment Solutions, completed the manager structure analysis and identified areas of the portfolio for improving the active risk/return characteristics
- Reviewed and made modest changes to its asset allocation mix
- Selected Enhanced Investment Technologies (INTECH) to provide Broad Large Cap Growth U.S. Equity product.
- Completed a search for a U.S. large cap core short extension equity manager
- Made a commitment to AMB Institutional Alliance REIT III open-end core industrial real estate fund.
- Added Greenfield Acquisition Partners Fund V to value added real estate investment funds.
- Made commitments to the follow-on funds of three existing value-added/opportunistic commingled closed-end real estate fund managers: Legacy Partners Realty Fund III, Miller Global Fund VI and Walton Street Fund VI.

FINANCIAL

- After completing an annual Actuarial Valuation and Actuarial Experience Study for the three years ending December 31, 2006, EFI Actuaries recommended no change to member contributions and a 1% increase to the employer composite contribution rate effective January 1, 2008. SJCERA's funding ratio based on the actuarial value of assets is 87%, and based on market value of assets is 93%.
- SJCERA received an "unqualified opinion", the highest rating possible from its auditor, Brown, Armstrong, Paulden, McCown, Starbuck, Thornburgh & Keeter Accountancy Corporation for our 2006 financial statements.

STAFF

Gail Chun-DeDuonni joined SJCERA in September as the Assistant Retirement Administrator. Coming from the California State Teachers' Retirement System (CalSTRS), Ms. Chun-DeDuonni served the system as the Director of Disability Services and most recently as the Director of Service Retirement. She has a Bachelor of Arts in English from the University of California at Santa Barbara.

Nancy Calkins joined SJCERA in October as our Chief Investment Officer, a new position created by the Board this past year. With twenty-three years experience managing public pension assets, Ms. Calkins has managed investments for both the California Public Employees' Retirement System (CalPERS) and the Washington State Investment Board, where most recently she served as a Senior Investment Officer for Public Equity. She holds a Master of Arts in Economics from California State University, Sacramento.

Gail and Nancy bring a wealth of experience and knowledge to SJCERA. They both look forward to networking with their colleagues at SACRS member systems.

SAN MATEO COUNTY

BOARD NEWS:

In June 2007, *SamCERA* and the County Elections Division conducted three elections including its first-ever election for an alternate retired trustee. The other elections were for the Eighth Member seat (the retired member) and the Third Member seat. Incumbents **Tom Bryan**, Third Member, and **Bette Stuart**, Eighth Member, were returned to their seats. Mr. Bryan, who was also elected to his fourth term as board chair in July 2007, has begun his 22nd year on the board. Ms. Stuart is in her 17th year on the board.

The winner of the election for Retired Member Alternate was **John Murphy**. Mr. Murphy had been appointed by the board earlier in the fiscal year.

Scott M. Lee was reappointed to the Fifth Member position. Mr. Lee is a Chartered Financial Analyst and a Senior Vice President with Franklin Templeton responsible for Global Strategy.

After serving on the board since 1998, Ninth Member **Donna Colson** reached the limit of terms allowed by the County Board of Supervisors at the end of the 06-07 fiscal year. The Board of Supervisors appointed **Margaret Jadallah** to fill the Ninth Member position. Ms. Jadallah was with Strategic Investment Solutions for many years where she served as an investment advisor to *SamCERA*. She is currently a Principal with the Investment Services Group of Harris My CFO.

As noted above, **Tom Bryan** was elected by the board to serve as Board Chair for the 07-08 fiscal year. **Emily Tashman** will serve her second year as Vice Chair, and **James Hooley** will serve as Secretary.

In addition to those named above, members of the board include San Mateo County Treasurer **Lee Buffington**, First Member; County Benefits Manager **Paul Hackleman**, Second Member; and Deputy Sheriff **David Wozniak**, Seventh Member. Deputy County Treasurer **Sandra Arnott** substitutes for the Treasurer when needed. Probation Services Manager **Alma Salas** is the Safety Alternate.

In late 2006, the board again took up discussion of an Undistributed Earnings Policy. The policy would establish a funding mechanism for the reimbursement of Medicare Part B and/or other ad hoc benefits. Milliman, Inc. conducted a stochastic analysis of the policy. It is under review by an ad hoc committee of the board.

In June 2007, the staff placed a Trustee Manual on the *SamCERA* website. The manual is available at www.samcera.org/trustee.html. The manual is essentially a set of hyperlinks to documents that cover board activities.

MEMBER SERVICES

SamCERA issued its second on-line Customer Services Survey in late 2006. Improved scores were received in every category and all ratings fell between good and excellent.

In April the Board of Supervisors adopted section 31658 of the '37 Act, otherwise known as Additional Retirement Credit or ARC Time. The section allows eligible members to purchase up to five years of additional retirement credit at full actuarial cost. Since adoption, *SamCERA* has put an on-line estimator on the association website, responded to more than 500 requests for cost statements, and approved more than 30 contracts for ARC purchases.

In April 2007, the board set normal retirement ages for both its general and safety plans in order to help retired members determine if they are eligible to exclude from income taxation up to \$3,000 in health insurance premium payments as allowed by the Pension Protection Act of 2006. The ages were established by determining the average ages of retirement within the association, which for general members was age 60 and for safety members was age 53. Since the board's actions, further guidance has been issued by the Internal Revenue Service. *SamCERA* continues to review the issue with its legal advisors and will consider changes to its normal retirement ages prior to the IRS requirement that governmental plans come into compliance with their normal retirement age rules in 2009.

INVESTMENTS AND FINANCE

SamCERA earned 16.58% for the 06-07 fiscal year and passed the \$2 billion mark in total assets. After working with investment consulting firm Strategic Investment Solutions in spring 2007 on an asset allocation study and manager structure review, *SamCERA* increased its allocation to international investments from 15 to 21 percent. Large cap domestic equities were reduced from 40 to 37 percent. Small cap domestic equities were reduced from 10 to 9 percent. Bonds were reduced from 29 to 27 percent. Real Estate was unchanged at 6 percent of assets. No additional managers were retained.

SAN MATEO COUNTY *CONTINUED*

For the tenth consecutive year, the Government Finance Officers Association (GFOA) awarded *SamCERA* its Certificate of Achievement for Excellence in Financial Reporting. This award was in recognition of our Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006.

SamCERA also received the Government Finance Officers Association (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting for the fourth year running. We received this honor for our Popular Annual Financial Report (PAFR), for the fiscal year ended June 30, 2006.

INFORMATION TECHNOLOGY

Beginning in January, *SamCERA* began working with MAXIMUS, Inc. to develop a Comprehensive Information Technol-

ogy Plan. The plan calls for upgrades in the general ledger and pension processing systems over the next few years as well as implementation of an electronic data management system. Initial projects will include an upgrade of *SamCERA's* Great Plains accounting software and the installation of a wireless data connection to San Mateo County's central server location.

SPACE

Staff is planning an expansion of its office space. Early in 2008 *SamCERA* will acquire space immediately adjacent to its current offices in Redwood Shores. The expanded square footage will address needs for additional desk space, meeting space, storage space, and the need for a larger boardroom.

SANTA BARBARA COUNTY

BOARD OF RETIREMENT

Trustee Paul Doré announced his resignation from the Board in September. An election will be held November 13—December 12, 2007 for one General member, Safety member, and Safety Alternate of the Board of Retirement.

INVESTMENTS

Institutional Shareholder Services was contracted to provide proxy voting and reporting services for SBCERS. The overall fund balance is now at \$1.973 billion.

CONSULTANT SERVICES

A search for new general investment consultant services resulted in the re-appointment of Pension Consulting Alliance (PCA).

BENEFITS

The Board granted a request from the retirees' association to provide an ad hoc COLA to members retired prior to 1981.

Retiree health insurance open enrollment has concluded, and as expected there was considerable concern regarding the 45-65% medical premium increases for some of the retiree plans.

A customer service survey of Active members was conducted through use of the County e-mail system and an electronic survey tool. The survey indicated that 90% of all respondents were satisfied or very satisfied with the current services received by SBCERS.

ADMINISTRATION

The SBCERS is in the final stages of providing county employees access to their member accounts statement through the county payroll system.

SONOMA COUNTY

- Levi, Ray & Shoup's Pension Gold PE (Public Edition) was selected as the software for the Integrated Pension System project. Pension Gold PE is the newest version of the software and is built on Microsoft's .NET software technology. L.R. Wechsler was selected as implementation consultant for the project. The project kick-off meetings were held in early September.
 - The Segal Company was selected as the new actuary for SCERA. Segal has completed an actuarial audit of the 2006 valuation and will be completing the 2007 valuation for the system. The San Diego office of Gabriel Roeder Smith & Company provided actuarial services for SCERA over the past seven years.
 - In July, a new 2% allocation to non-U.S. developed markets small cap was added to provide better exposure to the overall non-U.S. equities market. Implementation of the new allocation is through a State Street Global Advisors index strategy. After the change, the non-U.S./U.S. equity split is 31%/69%. The fund is considering an expansion of non-U.S. and/or global equity strategies to move closer to market weightings of non-U.S. and U.S. equities.
 - An Alternative Investments Educational Session is planned for December 5th covering the areas of private equity, hedge funds, portable alpha and 130/30 strategies.
 - Rebalancing policies and processes were moved from monthly to daily.
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STANISLAUS COUNTY

The Stanislaus County Employees' Retirement Association (StanCERA) Retirement Board has maintained its membership for two years running now. This past June, Maria De-Anda was re-elected as a General member representative and Ron Martin was re-appointed by the Stanislaus County Board of Supervisors for another three year term.

The Retirement Board has looked into Global Real Estate Investment Trusts' (REIT) securities. The Board is in its last few stages following a finalist selection of a potential investment manager in late October. REIT investments, if made, will be part of the Special Situations Fund. The Special Situations Fund is targeted currently to be no more than 5% of all investments. If the Retirement Board proceeds with investment in Global REITs, it will be the first investment for the Special Situations Fund.

While the return for the year ending June 30, 2007 was quite spectacular for our system (as we are sure it was for all 1937 Act systems!) the first month for this fiscal year started down with some recovery in the ensuing months.

Staff are working hard on getting our new technology system's retiree payroll process to work properly so that we can cut over to the new system fully by early 2008. Active member modules are up and running and the system is nearing completion for full operation. Even without the final touches applied, staff are excited to have a fully integrated technology system.

In preparing our annual financial reports, our external auditors, Brown and Armstrong CPAs, confirmed that StanCERA does not have to report any unfunded liability under GASB #43 for the revocable benefits subsidy paid to retirees per Government Code section 31691.1. Retirees have been informed, however, that lower benefits will begin January 2, 2008 with the majority of retirees receiving about one third less than they receive currently.

TULARE COUNTY

The major piece of news from the Tulare County Employees' Retirement Association (TCERA) has to do with the number of changes to the Board of Retirement that have occurred since the last SACRS Conference. Long-time Board member Kevin Mizner, who represented Safety plan members took an early retirement. Trustee, Mike Whitlock, who was elected by General plan members left the County of Tulare to go to work for the City of Tulare. Ron Neve who, over his many years on the Board has represented General plan members and Retired plan members, chose not to seek another term of office.

Replacing these trustees will be Lt. David Galloway, our new Safety plan member trustee; Gail Henry, representing General members; and, beginning in January, Patricia Crawford,

who will serve as the Retiree representative. In addition, Shirley Van Wormer has been voted in as the Retiree Alternate. Her term of office will also begin in January of 2008.

Other items of interest:

- TCERA's investment earnings for the 1-year period ending June 30, 2007, were 18.7 percent. For the 10-year period, our annualized rate of return is equal to 10.5 percent. This is well above our interest rate assumption of 7.9 percent
- As of June 30, 2007, TCERA's funded ratio is 94.5 percent, up from 92.1 percent in 2006.
- TCERA has added \$888,231,696 in assets over the 10-year period ending June 30, 2007. Of these 77.14% are attributable to investment income alone.

VENTURA COUNTY

BOARD MEMBERS

There are no changes to the Board since the Spring Conference with Tracy Towner serving as Chairman and William Wilson Vice-Chairman. Elections for the safety member, retired member and one general member position will take place next year. Additionally, the Board of Supervisors will make appointments for two public member positions in 2008.

ADMINISTRATION

VCERA recently issued an Invitation for Bid (IFB) for an Electronic Document Management System. The targeted implementation period is the first half of 2008. Preliminary work on a new benefits administration system is scheduled to begin in early 2008 as well.

INVESTMENTS

The Board hired Western Asset Management to manage a \$100 million portable alpha strategy and invested \$25 million in the RREEF America III value added real estate fund. The investment with RREEF increases VCERA's real estate allocation to its 8% target. The Board is also considering several other investment strategies including a 130:30 mandate and cash equitization.