



SACRS FALL CONFERENCE 2008

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

The Alameda County Employees' Retirement Association (ACERA) is holding an election for the Third Seat to represent the General Membership on the Board of Retirement. The election is being held November 26, 2008 through December 17, 2008. The Third Seat was previously held by Board Chair Trevor White, who was appointed in July by Governor Schwarzenegger as a Superior Court Judge in Contra Costa County.

BENEFITS

Now that we have completed our new Active and Deferred Member Handbook, we will create a variety of single topic brochures to provide members upon request and at such times additional information should be provided (termination of employment, reciprocal benefits for new members, divorce, death benefits, etc.).

ACERA has developed a payroll transmittal exception threshold of 3% of preventable exceptions. If exceptions continue to reach and exceed 3% after meetings and training occur for employer staff, fees will be assessed. Administrative fees will also be charged in other areas where employers fail to comply with requirements for information and payment.

Our first Lunch and Learn Seminar was presented in our training room in August. Health plan carriers provided information on their plan coverage to retirees from 11:30 to 3:30. Lunch and raffle prizes were provided to entice retirees to attend. The seminar was booked two days after the notices were sent. More sessions will be provided in 2009.

OPERATIONS

Electronic Data Management System

ACERA is nearing completion of Phase 1 of our Enterprise wide Electronic Data Management System Project. Phase 1 consisted of defining the scope, gathering department-specific requirements, and creating an Agency-wide Document Retention Policy. Phase 2 of this EMDS project will include the creation of an RFP, a call for bid and awarding a contract to the selected vendor, by the end of Q-1, 2009.

INVESTMENTS

Total Fund

ACERA's total fund returned -1.1% in the second quarter of 2008 and was ranked in the lower 73rd percentile among public funds greater than \$100 million. The fund matched its Policy Index of -1.1%, and underperformed the median public fund by 0.4%. Longer term, the three-year and five-year gross returns of 7.4% and 9.9% underperformed their policy indexes by 0.6% and 0.3%, and ranked in the upper 39th and 31st percentiles, respectively. The market value of the total fund as of 6/30/08 was \$5,095,567,342.

ACERA's Board selected Bivium Capital Partners, LLC as its Emerging Manager-of-Managers in April 2008.

In the subsequent Board meeting in May, ACERA's Board adopted: 1) an amended Real Estate Strategic Plan that reflects the change in ACERA's target real estate allocation from 9% to 6%, 2) the 2008 Investment Plan that focuses on rebalancing the real estate portfolio to maintain a 70/30 target composition between the Stable and Enhanced portfolios, and 3) a motion to continue the Directed Brokerage Program and will re-evaluate this program in 2009 to determine its effectiveness.

In July, ACERA's Board adopted a new U.S. Equity manager structure (specifically, 44.5% Large Cap Core Index, 17.5% Large Cap Growth, 17.5% Large Cap Value, 6.5% Small Cap Growth, 2.5% Micro Cap Growth, 9.0% Small Cap Value and 2.5% All Cap) to include the Emerging Investment Manager-of-Managers (Bivium) and eliminate the Large Cap Enhanced Core manager role that was filled by Salus Capital Management.

In August, the Board reviewed Trust Company of the West (TCW), ACERA's Large Cap Growth Equity Manager. TCW was placed on Watchlist status due to underperformance and was elevated to Probation status due to organizational change. After the review, the Board authorized a search for a Large Cap Growth Equity Manager inclusive of TCW.

In September 2008, the Board adopted ACERA's Private Equity and Alternatives Return Leading Strategies (PEARLS) Policy to govern the 10% allocation in Private Equity and Alternative investments.

ACCOUNTING

ACERA successfully completed the 2007 Comprehensive Annual Financial Report (CAFR) and Popular Annual Financial Report (PAFR) on time for submission the Government Finance Officers Association for award for Excellence in Financial Reporting.

The 2007 CAFR includes an early implementation of required disclosures in compliance with the *GASB Statement No. 50—an amendment of GASB Statement No. 25 and 27*. The 2007 CAFR recognizes ACERA receiving Certificates for Achievement for Excellence in Financial Reporting for both the CAFR and PAFR for 2005–2006. These prestigious national awards recognize conformance with highest standard for state and government financial reports and reflect a col-

lective effort of ACERA staff to maintain high standards of financial reporting that continue to meet the GFOA award standards.

ACERA's 2007 Actuarial Valuations of both the Pension Plan and Supplemental Retiree Benefit Reserve (SRBR) reflect that the funded status has improved from the prior year. The 2007 funded ratio of the pension plan has improved to 89.2% from 85.5% for 2006. Based on the GASB Statement No. 43 substantive plan definition, the 2007 funded ratio of the portion of the SRBR that funds OPEB benefits has improved to 96% from 83.9% for 2006. The portion of the SRBR that funds Non-OPEB benefits has improved to 38.5% from 35.6% for 2006.

CONTRA COSTA COUNTY**BOARD**

Paul Katz and Dave Gaynor were reappointed by the County Board of Supervisors to serve CCCERA through June 2011. John Gioia, Contra Costa County Supervisor, also was reappointed to his Retirement Board seat for the next three year term. Terry Buck was elected by the Safety membership as their representative on the Retirement Board. He is serving his first term, as is Jerry R. Holcombe, who is the newly appointed alternate trustee. Jim Remick was also elected by the Safety membership to serve as Safety alternate. Long time trustee Richard Cabral retained his seat with no opposition, precluding a formal election process.

The Board chose Milliman, Inc., to perform an actuarial audit for CCCERA, which should be completed by late 2008.

ACCOUNTING

CCCERA hired a new Retirement Accountant, whose qualifications meet the goal of improving the professional level of accounting staff. The RFP for an accounting software package was completed; several firms responded. By this reading, a company will have been chosen. The Accounting Department is planning an aggressive implementation, with a "go live" date scheduled for early 2009. This specialized software will integrate into our new Pension Administration

System, which is approaching its much anticipated parallel running and go-live date in early 2009.

BENEFITS

UAT (User Acceptance Training, the final step in software development), of our pension administration system, is continuing, as we approach the culmination of this exciting project. Over 85% of active member service audits have been completed, so data used by the new system will be clean and accurate. We received many requests for off-site retirement information presentations. Our benefits coordinator made six worksite and union location visits. We also hired our first *generalist* counselor, to handle both retiree and active member functions. This trend will continue, as counselors and technicians are cross-trained on vital services in preparation for the pension administration system's debut.

CCCERA issued an RFI for an Occupational Health physician to perform independent review of our disability cases, since Contra Costa County's resources were limited in this arena. This also prevents any conflicts-of-interest between employment physicals and potential disability cases. We received several responses to our RFI, and selected a very well qualified team of physicians, who specialize in → this practice.

CONTRA COSTA COUNTY *CONTINUED*

ADMINISTRATION

The completion of the Imaging Project is anticipated by October 31. With the assistance of several temporary employees and regular staff, all active and retiree files will be converted to electronic media. These documents will integrate and be searchable within the pension administration system, so staff will be able to view a complete picture of member information and calculation functions right on the desktop. We are considering the merits of a new administrative position going forward, which will be dedicated to front-end imaging, and electronic file maintenance.

CCCERA filled some new key positions this summer. Karen Levy, J.D., became our first in-house counsel. Chih-Chi Chu was hired as an investment analyst, to assist CIO Cary Hally in the tumultuous investment arena. Krista Nuxoll is crunching numbers as the Retirement Accountant.

COMMUNICATIONS

We completed the Safety member portion of the New Employee Handbook, which will be posted to the web site as soon as management finishes their review. The next section will be devoted to retiree specific information. Another edition of *Viewpoint*, the all-member newsletter, was released in late September. This newsletter included popular annual reporting information, along with other investment information. Serendipitous mailing coincided with the upset in the stock market, allaying many member fears about their retirement accounts. We discovered the on-line *Wikipedia* had a brief, misleading, entry about CCCERA, so Communications staff posted a more lengthy description of our agency. The posting process was tricky; there are lots of would-be editors ready to delete one's entry if it doesn't measure up. So far, so good. Among the RFI's the division produced this year was a document for space needs assessment. Our solicitation is still open on this subject. We are also beginning the documentation for Disaster Recovery Planning.

INVESTMENTS

In June of 2008 the Board adopted a new asset allocation. The most significant change with this adoption is the focus on a global approach to investing. The previous domestic equity target of 43% and the international equity target of 11.5% have been changed to a new global equity target of 49%, while the previous domestic fixed income target of 25% and the global fixed income target of 4% have been consolidated to a new global fixed income target of 24%. A new allocation target of 5% was adopted for long duration fixed income, while the target to high yield fixed income increased from 2% to 3%. The target allocation to real estate increased from 9% to 11.5%, and the target allocation to alternative investments increase from 5% to 7%. The target of 0.5% to cash and equivalents remain unchanged.

The next project will be to develop a plan to implement the changes adopted with the new asset allocation. We have made some move towards this goal of a more global focus. In July CCCERA funded an international REIT portfolio managed by INVESCO Real Estate to complement and diversify a domestic REIT portfolio managed by Adelante Capital Management. In addition, CCCERA made a \$75 million real estate commitment to the Morgan Stanley Real Estate Fund VII Global offering, pending final legal negotiations and additional due diligence.

We also remained active in moving towards our long-term target allocation to alternative investments. The Board recently approved a \$50 million commitment to the Adams Street Partnership Fund 2009 Global Offering, pending final negotiations and due diligence. This is a follow on investment with the private equity fund-of-funds program Adams Street has been managing for CCCERA since 1996. We are also in the process of review a private equity partnership with DBL Investors, which is a follow on fund to the private equity Bay Area Equity Fund managed by DBL in which CCCERA is a limited partner.

The Board recently hired Lord, Abbett & Co. and Goldman Sachs Asset Management to manage domestic core plus fixed income portfolios, replacing Western Asset Management. These portfolios were funded in October of 2008.

Finally, CCCERA recently hired Chih-chi Chu as an investment analyst, a newly created position, and are pleased to have him join our investment staff.

FRESNO COUNTY

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

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

In April 2008, FCERA issued an RFP for General Investment Counsel Services. FCERA accepted and reviewed 11 proposals. After hearing final presentations from Foster Pepper, Kirkpatrick & Lockhart/Gates, Reed Smith LLP, and Seyfarth Shaw on August 20, 2008, the Board selected Foster Pepper to replace Seyfarth Shaw.

In May 2008, FCERA issued an RFP for General Investment Consultant Services. Six proposals were received and accepted. After hearing final presentations from Mercer, NEPC, and Wurts on September 17, 2008, the Board decided to continue its relationship with Wurts & Associates.

In August 2008 the FCERA Board of Retirement adopted a new Asset Allocation which includes Real Assets, Infrastructure, Commodities, Opportunistic Fixed Income, and Hedge Funds as recommended by Jeffrey MacLean, Wurts & Associates. The new allocation increases the rate of return by 34 basis points from the current mix while slightly increasing the expected standard deviation by 24 basis points and is more efficient than the current mix with a sharpe ratio of 0.397 versus 0.375.

	Current Mix	Adopted Mix	Target Mix
Large Cap US Equity	28%	23.7%	24%
Small Mid/Cap US Equity	10%	8%	8%
International Large Equity	15%	12.2%	12%
International Small Equity	0%	6.5%	6%
Emerging Markets	4%	2%	2%
US core Plus Fixed Income	30%	13.8%	14%
Opportunistic Fixed Income	0%	5.9%	6%
Global Fixed Income	3%	1.1%	1%
Liquid Alt./Hedge Funds	0%	8.7%	9%
Private Equity/Venture Capital	6%	7.1%	7%
Real Assets	4%	11%	11%

Expected Return	8.21%	8.55%	
Standard Deviation	11.23%	11.47%	
Sharpe Ratio	0.375	0.397	

Nominations closed in September to elect a Safety Trustee. As only one candidate ran unopposed, a request will be forwarded to the Board of Supervisors to cancel the election and to appoint Eulalio Gomez as the Safety trustee to the Board of Retirement.

FCERA is in the process of issuing an RFP for a comprehensive strategic information technology plan. The information technology plan will serve as a high level blue print for the assessment, implementation, and support of technology over the next five years.

IMPERIAL COUNTY

BOARD MEMBERS

Safety Board Member, Armando Padilla, after serving two terms, has announced that he will not be a candidate for re-election. Mr. Padilla will serve the remainder of his term and leave the Board in January. He has volunteered to help with the orientation of the new Safety Board Member. Mr. Padilla will be missed by his fellow members and by the Board. The Safety Member election will be held in November of this year. We will have two candidates running for this position.

Long term Retiree Board Member, Terry Huskey, has filed for re-election to her seat and is running unopposed. She will start her new term in January of 2009. Mr. Charles Jernigan, the former President of the Imperial County Association of Retired Employees (ICARE), has filed for election to the Retiree Alternate seat and is also running unopposed. Mr. Jernigan will also assume his new position with the Board in January 2009.

Two of the Board's appointed members, Mr. Robert W. Williams and Mr. James E. Rhodes, are currently being considered for reappointment to their seats by the Imperial County Board of Supervisors. It is the hope of the Board of Retirement that both Mr. Williams and Mr. Rhodes will be reappointed.

STAFF

ICERS, through the Imperial County Human Resources Department, will be accepting applications for the position of Assistant Retirement Administrator in November. Information about this position is now available on the ICERS website, www.icers.info.

INVESTMENTS

In July of this year, the Board instructed our investment consulting firm, Wurts & Associates, to conduct a search for

a Fixed Income Manager. At the September Board meeting, the Board hired Pacific Investment Management Company (PIMCO) to become the systems second fixed income management firm.

RETIREES

In January of this year, Governor Arnold Schwarzenegger signed SB392 into law, which will enable the County Board of Supervisors and the Retirement Board to grant a Cost of Living Adjustment (COLA) increase to all retirees whose purchasing power has dropped below 80%. The Board instructed our actuarial firm, the Segal Company, to conduct a study to determine the cost of this new COLA benefit. The Board of Retirement will receive this report in December and will determine if implementation is possible.

NEW PROJECTS

The Retirement System, in conjunction with our technology consulting firm, Linea Solutions Inc., is continuing to develop a Pension Administration System (PAS) for ICERS. A Request For Proposal (RFP) for a computer program vendor was issued in July and ICERS received five responses. ICERS' Computer Vendor Selection Committee submitted their recommendation to the Retirement Board in September and two companies, Tyler Technologies and James Evans & Associates (JAE) were invited to participate in Phase Two of our project. At the conclusion of Phase Two, the Selection Committee will be making a recommendation to the Retirement Board to award the contract.

The Retirement Board received a recommendation from its Site Selection Committee, that the purchase of a building would be the best solution for the future needs of the system. In September, ICERS closed escrow on a building and after some remodeling, will move into the new site in early 2009.

KERN COUNTY

PENSION ADMINISTRATION SYSTEM SELECTED

CPAS Systems Inc. was selected as KCERA's new pension administration system provider. Following an extensive process of issuing a comprehensive RFP and evaluating proposals, the Retirement Board—aided by consultant L. R. Wechsler, Ltd.—decided to contract with CPAS due to its seasoned product team, fully functioning browser-based solution, and strong user references. KCERA anticipates implementation of the \$6.5 million system to begin in November 2008 and conclude in December 2010.

RFP ISSUED FOR OPM

To assist KCERA staff in successfully implementing the new CPAS product over the next two years, the Board issued an RFP for an oversight project manager (OPM) in May 2008. Three proposals have since been evaluated, and the Board hopes to award a vendor contract by November 2008.

RELOCATION PROJECT IN NEGOTIATIONS

The KCERA Board began negotiations in July 2008 for the purchase of a 1.25-acre lot at the Riverwalk Corporate Center in Southwest Bakersfield. On the site will be built a proposed 12,000-foot facility to accommodate KCERA operations and

Board meetings. KCERA expects to open escrow in October 2008 following a 60-day due diligence evaluation of the land. Construction could begin as early as spring 2009.

NEW FILE MANAGEMENT SYSTEM

In June 2008, Smead completed the file labeling phase of KCERA's new file management system installation. The new SmeadSoft system has automated file tracking by adding a bar-coded label to each member's folder. On-site scanners and computer software enable staff to more efficiently track and process member service requests.

BOARD TO ADOPT NRA

The Retirement Board is preparing to establish normal retirement ages (NRAs) for KCERA members. Consulting actuary Milliman Inc. is currently researching the Plan's experience over the last several years to determine defensible NRAs for both general and safety members. A Bona Fide Separation from Service form will also be utilized to ensure that members retiring prior to their approved NRA comply with the law requiring a 60-day break in service before returning to work for a KCERA-covered employer. A vote is expected by the October 22 Board meeting.

LOS ANGELES COUNTY

BOARD NEWS

Board of Retirement

The summer Board elections have come to a close with the incumbents taking the day. The active members are reelecting Yves Chery as a general member representative and the retirees are selecting William de la Garza as the retiree representative and Edward Morris as the alternate retired member for new three-year terms beginning January 1, 2009.

In October 2008, the Board of Supervisors appointed Edward L. Blecksmith to the Board of Retirement. It is with deep regret we say good-bye to appointed member Walta Smith, who continued to serve on the Board past her term while awaiting the appointment of our new member.

Board of Investments

The Board of Investments' elections favored the incumbent candidates with the active members reelecting Simon S. Russin as a general member representative and the retirees selecting Diane A. Sandoval as the retiree representative for new three-year terms.

INVESTMENT NEWS

For the fiscal calendar year ending June 30, 2008, the total fund beat the benchmark by 20 basis points and finished the year at (1.4%). This marked the end of the fourth straight year of double-digit positive returns, far exceeding the plan's 7.75% actuarial return assumption. The portfolio's first quarter results reflect the overall market decline.

A comprehensive Fiduciary Review of Investment Related Operations was completed by Ennis Knupp and Associates. The audit results were summarized by the consultant as follows, "We are pleased to report that in our opinion, LACERA is fundamentally sound in the areas that we reviewed. We were favorably impressed by the dedication and insight of the Board of Investments, caliber of staff, the level of sophistication in operations, and the obvious focus on maintaining excellence in the areas covered by this fiduciary re-

view. We did not discover any material shortcomings, and the LACERA Board of Investments and staff should be proud of their investment program's many accomplishments."

Other milestones include:

- Selected JP Morgan to manage the Private Equity Emerging Manager Separate Account Program.
- Selected Analytic Investors for a large cap U.S. equity 130/30 mandate.
- Conducting a search for a private equity separate account middle-market manager.
- Hired Wilshire Associates to produce quarterly performance measurement reports and conduct a risk budgeting study.

BENEFIT NEWS

Teaming Up with the Social Security Administration

LACERA regularly provides seminars to those employees getting ready for retirement. Our seminars are a joint presentation by our retirement plan counselors and the County's defined contribution plan administrator. We recently added a new dimension to our outreach activities by including retirement presentations by the Social Security Administration. While they cannot provide staff for each seminar, they have been very generous with their time to provide periodic support. The seminars have been well attended and received by active and retired members.

Web Security

Our lacera.com personalized member web page will include self servicing capabilities where a member can update their account and effect benefit elections. We feel our current password-based protection security may not be adequate to ensure tamper-proof internet transactions. To improve our security firewalls, we implemented Safe2Login "mutual identification" system as an additional layer of security.

MARIN COUNTY

BOARD

We are pleased to announce the addition of a new elected miscellaneous member trustee, Sherry Sweet, whose appointment became effective on November 1, 2008. Sherry replaces Trustee Sandy White who retired and has relocated to Maui. In addition to Sherry, we also have two new appointed trustees, Gerry Richardson and Bernie Bolger. All three of these new faces will be in attendance at the Fall SACRS session, so please be on the lookout for them and welcome them to the SACRS family. Josh Thomas, our alternative retiree trustee, announced his resignation effective September 2, 2008. An election to select his replacement is currently underway.

ADMINISTRATION

In August, MCERA embarked on a document imaging project to convert our minutes and resolutions to digital images, along with all of our active, retired and terminated member files. This has been quite an undertaking, but the results are already bearing fruit. By using full text search of our minutes and resolutions (as well as those for the Board of Supervisors) we are able to research MCERA's history to assist in preparing our Plan Document. While the MCERA board has not determined whether they wish to apply for a Determination Letter, they directed staff to begin to prepare for submission. This is one of many steps we have undertaken in response to their directive.

Once training has been completed, imaging of member files will translate into increased productivity for staff and shorter turnaround times for member requests. While the prospect of sending our files 'away' was traumatic for the staff, we are already receiving imaged files and staff is slowly getting the hang of working with images rather than paper, and skepticism is making way for curiosity. Change is always difficult, but we are confident that once the files are fully indexed and staff gets the hang of the new software, they will realize how much more effective they can be in responding to customer requests.

SOFTWARE AND TECHNOLOGY

After a lengthy RFP process, CPAS was selected to develop a new benefits administration system for MCERA, replacing an antiquated system that was originally installed in 1996 and is no longer supported. Linea Consultants, our imple-

mentation contractor, has made this process almost (but not totally!) painless for staff and management by keeping the project on track and stepping in to assist in areas where staff resources were simply not available. We are delighted with the progress being made by Linea and CPAS team, and look forward to starting system testing in the fall of 2009 followed by full system implementation early in 2010. Once again change is a little scary, and MCERA is experiencing LOTS of changes, but we are excited about this important step toward improving customer service, providing customer and agency self-service and improving benefits delivery to our members.

STAFFING

In 2005 MCERA had 7 approved positions and the Association was housed in 1,450 square feet of space (including our file room!). Shortly before losing 60% of our staff to retirement, a long term staffing plan was developed and we're happy to report that we recently received approval for 18 FTEs. These positions are currently filled with 14 FT staff members supported by 3FT and 3PT extra hires.

Please join me in welcoming the latest additions to the MCERA family: Senior Secretary, Sharika Hemphill; Accounting Assistants, Todd Miller, Denise Lee (PT), Robin Scheffels, and Linda Wong (ex hire), Retirement Benefits Technician, Anne Highfill, Intermediate Clerk Typist LaToya Brown, and extra hire Intermediate Clerk Typists Cindy Hiroshima and Rachael Varao. Additional changes are in the works and we will report on them as they occur.

With all of this hiring activity comes the need for training and updates to our process documentation...and as you can imagine, we're up to our ears in both!

INVESTMENTS

MCERA's asset allocation provided a good deal of protection from the ravages of an uncertain market, with assets declining 6% for the fiscal year ending 6/30/08 and less than 7% for the following quarter. Considering that the S&P was off more than -15%, we can only say that diversification works! Since the end of September, the plan is down by about half as much as the broader equity indices. Again, pretty good performance in such a volatile time.

MARIN COUNTY *CONTINUED*

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 have caused more than a few headaches for the entire County, but especially for the Retirement Department. We just completed our 6/30/07 audit and were forced to do a 'projection valuation' for that year due to the inability to load County payrolls into our database without significant and torturous delays.

Brown Armstrong provided an unqualified opinion on the FY07 audit, and we look forward to an easier time with the FY08 audit which commences in November. Although we expect our annual audits to be back on track for FY09, we can't say as much for the FY08 and FY09 valuation reports, as we continue to struggle to correct SAP problems before appending contribution and service data to our database. We hope to 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 renovation of our new headquarters is nearing completion and that the entire staff will

be reunited shortly under one roof. The official move date is November 14, 2008.

Although we can be reached at our current phone numbers for the foreseeable future, we will begin converting everyone to the County's 437 exchange shortly. Our new address is: MCERA, One McInnis Parkway, First Floor, San Rafael, CA 94903.

The new 13,500 sf office is quite a change from the 1,450 sf space we had at the Marin County Civic Center! Our new facilities, which are on the first floor of a 40,000sf Class A building acquired by the Plan last year, include our own board room with raised dais and seating for 70, state of the art audio visual systems, multiple conference rooms including an executive conference room that seats 18, and a 15-seat computer training room in addition to the usual kitchen, breakout room, file room and a server room to house all of MCERA's application and web servers as well as servers for security and other infrastructure in the building.. The board rooms and training facilities are accessible without entry into the office areas, and will be available for rent by other Marin-based entities and agencies. We hope to host an open house later this year, and invite anyone who is in the area to stop by and say hello!

MENDOCINO COUNTY

Former BOS appointed board member Larry Hartley decided to move on to other interests and recommended the appointment of Dr. Don Coursey. Don has been a tremendous asset to the board when dealing with disability applications, it is always nice to have a medical doctor on hand to act as an interpreter of the medical jargon.

As mentioned in the Spring 2008 "What's New", we are in the process of interviewing candidates for the newly developed position of full time Retirement Administrator. At a special meeting held in September 2008, the retirement board voted to offer the position to former Mendocino County Administrative Officer and current Assistant County Executive Officer for Sonoma, County Jim Andersen, who accepted the offer and will begin his employment with the retirement system November 3, 2008 and will be in attendance at this SACRS conference.

Long time Retirement Board member Steve Duman has retired from the Mendocino County Treasurer-Tax Collector's Office and has moved to Calaveras County. Steve spend over 16 years on the board and his presence will be missed.

We will be holding an election to fill Steve's position for the remainder of it's term, we will also be holding an election to fill the position currently held by new board member Lloyd Weer. Lloyd will be seeking reelection and the results will be known in late November.

We will also be holding an election to fill the retiree's representative board position and the retiree's representative alternate position. These elections will be held in late November and the results will be reported in the spring 2009 What's New Report.

MERCED COUNTY

RETIREMENT BOARD

There will be an election on December 16, 2008 for three new trustees, a safety member, an alternate safety member and a new retiree representative. The MCERA Board will be losing two long time trustees, LeRoy Gilsdorf and Kathleen Crookham. LeRoy has been a member of the MCERA Board for approximately 30 years over two different terms and Kathleen has served the Board for ten years. The Merced County Board of Supervisors, who will choose a replacement for Supervisor Crookham, recently appointed Mark Bodley as a new trustee, replacing Jim Lindsey whose term expired June 30, 2008. MCERA Board members and staff wish to thank Mr. Lindsey, Mr. Gilsdorf and Supervisor Crookham for their valuable service to MCERA.

INVESTMENTS

In accordance with the updated asset allocation Plan adopted by the Board in 2007, the Retirement Board added Earnest Partners as a high Alpha International equity manager.

MCERA OFFICE

MCERA's PAS committee has completed writing the requirements for the RFP for a new pension administration system. Over the past year, MCERA has been working on this project and hopes to issue the RFP early in the new year, pending review of the state of the budget. On October 1, 2008, MCERA issued its first issue of Pension Notes, a quarterly newsletter for its members. MCERA has filled its accountant position and added David Liu to our staff. David has a BA degree in accounting from Ohio State University and a Masters in accounting from Kellers Graduate School of Management.

ORANGE COUNTY

PERSONNEL CHANGES

Things have been fairly quiet on this front since my arrival as CEO in January, 2008. We did reshuffle the Executive Staff slightly, as Julie Wyne took on the dual duties of both Assistant CEO for External Affairs (replacing Jim Buck who had departed late last year) as well as continuing in her role of Agency Legal Counsel. Steve Cadena continues as the Assistant CEO for Internal Affairs, and Shanta Chary as Chief Investment Officer.

BOARD MEMBER CHANGES

Following David Thompson's retirement at the end of 2007, Tony Bedolla, an Orange County firefighter since 1991, was certified to serve as Alternate Safety Member by the Orange County Board of Supervisors on April 22, 2008.

Patti Gorczyca took Tom Lightvoet's place on the Board in late June, 2008. Mr. Lightvoet had served on the Board for nearly 18 years, and will be missed. Employed as a Senior Vice President for Kinsell, Newcomb & DeDios (KND), an investment banking and financial advisory firm serving gov-

ernments, Ms. Gorczyca comes to us with years of experience as one of OCERS' primary County liaisons in 2005-06 when there had been discussions of moving the County of Orange over to CalPERS.

SYSTEM CHANGES

For nearly a year now OCERS has been accepting retirement applications directly over the internet, via our website. In September 2008 we had 54% of our retirement applications filed electronically via the internet. In July 2008 we rolled out a Live Chat feature, so that members who are accessing our website are able to immediately connect with one of our retirement support staff with a click of a button. The process is very fast, normally connecting within 15-20 seconds. In September 2008 we averaged about 10 member contacts a day in this manner.

LITIGATION UPDATE

As for the latest on the 3%@50 litigation, I encourage you to check our website (www.ocers.org) from time to time, as we do update our "Latest News" page regarding that topic.

SACRAMENTO COUNTY

- President James A. Diepenbrock, First Vice President Keith DeVore, and Second Vice President John Kelly were re-elected to their respective offices on the Retirement Board.
- Engaged the actuary, The Segal Company, to perform a triennial study of actuarial experience and actuarial assumptions. Analyzed and made various changes to the actuarial assumptions.
- Implemented a new service purchase option for members which allows them to purchase up to five years of additional retirement credit (ARC), including the development of specialized cost calculators for members to use in assessing whether or not to make an ARC purchase.
- Implemented a one-time election allowing Miscellaneous Tier 2 members to convert to Miscellaneous Tier 3 status for future service.
- Developed a pricing methodology and process for Miscellaneous Tier 2 members who elected to make the tier conversion, to upgrade their past Miscellaneous Tier 2 service to Tier 3 service.
- Evaluated staffing of investment functions and initiated a plan to add two new internal investment staff positions to support the Chief Investment Officer.
- Analyzed issues related to the federal Pension Protection Act and adopted policies, procedures and provisions necessary to implement the new components of federal tax law, including the tax exclusion available to qualified public safety officers.
- Enhanced the system's payroll system to identify and track payments relevant to implementation of the federal Pension Protection Act.
- Improved the reporting of tax information in form 1099-R through the system's payroll system.
- Established new procedures for evaluating and developing recommendations regarding disability retirement applications, including establishment of a Disability Review Committee and expanding the roster of hearing officers for such matters.
- Developed and initiated a pilot project to add a 'full-service' team to the Benefits staff.
- Created a new retirement database for enhanced monitoring of retirement applications and improved performance measurement.
- Continued to enhance business resumption plans in the event of a disaster by commencing a project to scan and retain electronic images of administrative records.
- Adopted a securities litigation policy, including the daily monitoring of securities litigation through Investor Responsibility Support Services (IRSS) and the engagement of outside legal counsel to evaluate potential cases.
- Amended the Investment Policy and Objectives to incorporate the new asset classes and new investment options.
- With the assistance of Mercer Investment Consulting, conducted a search for and selected three private equity fund-of-fund managers to receive SCERS' first investment commitments in private equity.
- With the assistance of Mercer Investment Consulting, conducted a search for and selected two commodities investment managers to invest part of the new Opportunities asset allocation.
- Authorized an investment in a distressed mortgage fund as part of the Opportunities asset allocation.
- Authorized an investment in the European credit markets as part of the Opportunities asset allocation.
- With the assistance of Mercer Investment Consulting, conducted searches for and selected five new U.S. equity core investment managers—two enhanced large cap index equity managers and three active extension (130/30) managers—as part of the restructuring in the Domestic Equity Asset Class sub-asset class.
- With the assistance of Mercer Investment Consulting, conducted searches for and selected two small cap domestic equity managers and one large cap growth domestic equity managers to replace under-performing managers.
- Developed and implemented a Board investment education program, including sessions on several alternative investment strategies and a special meeting on the crisis in the US/Global credit markets related to sub-prime lending.

SAN BERNARDINO COUNTY

BOARD MEMBERS

The current Chairman is Marvin Reiter with Ellen Weisser serving as Vice-Chair. Ex-Officio member, Dick Larsen, is Chairman of the Investment Committee, and Bob McDonald is Chairman of the Administrative and Audit Committees.

Safety member Harry Hatch retired in June. We will hold an election in December for this Safety seat.

ADMINISTRATIVE ACTIVITIES

SBCERA engaged Cost Effectiveness Measurement (CEM) to provide independent benchmarking on Administrative Services provided by SBCERA. The results of the first benchmarking survey were the development of 14 Customer Service Activities covering four broad categories of service improvement. The broad categories are Disability, Mass Communications, Benefit Estimates and Service Purchases. SBCERA will focus on these categories to improve service, reduce costs, gain insight into best practices and/or define service standards.

The launch of a new Mid-Career Seminar series has proved to be very successful. The series debuted in April and ran through October. Set for the last Thursday of each month from 5:15 p.m. to 7 p.m., the seminars averaged an attendance of 16 members, which made for a very comfortable and intimate environment. Seminar evaluations indicated

that members appreciated the effort to keep them connected to the details of their retirement benefits. We saw an increase in word-of-mouth attendance as well. Plans are to continue the series in 2009, starting in February and running through October.

The Pre-Retirement Seminar series continues to enjoy enthusiastic attendance. Some improvements in this year's efforts included the offering of two evening seminars, which is a direct result of member evaluations. Also, we have developed a streamline information packet that holds SBCERA materials as well as those of the other seminar presenters in order to make the registration process faster. We had over 4,500 members who met the eligibility requirements of being a minimum of 48 years old with eight years of service credit. There were 22 seminars that ran from October 1st through November 6th at a variety of locations throughout San Bernardino County, the geographically largest county in the U.S. Based on registrations, we served between 650 and 700 members.

INVESTMENT ACTIVITIES

Investment Activities have been substantial since our last meeting. We completed the build-out of our domestic credit portfolio to take advantage of what we believed to be substantial opportunities in the credit markets. We are currently working on building out the international credit portfolio and following that up with a review of equity structure.

SAN DIEGO COUNTY

BOARD OF RETIREMENT

Active, General members reelected Douglas Rose to the Board of Retirement, making it his third term in office. James W. Feeley ran unopposed for the retired member seat, making this his sixth term in office representing retirees, and ninth term overall. In addition, retired members reelected Katherine Ryan to the alternate retired member seat, making this her second term in office. Each will serve a three-year term, which began July 1, 2008.

The Board elected officers as follows: Garry A. Sobek, Chairman; Dave A. Myers, Vice Chairman; and John Arnold, Secretary.

INVESTMENTS

San Diego County Employees Retirement Association (SDCERA) eked out a return of 1.51% for the year ended June 30, 2008.

SDCERA refined its *Investment Policy Statement* to update the strategic asset allocation, policy benchmarks and implementation strategies.

Enhancements to SDCERA's Beta engine continue. Recently we added international equities to the basic dynamic stock/bond allocation decision, and a new dynamic large cap/small cap allocation decision was also implemented.

MEMBER SERVICES

The *Annual Member Statements* were redesigned to make information more accessible to members and to align them with SDCERA's identity and the family of member publications.

SDCERA established survey objectives and designed seven transaction surveys: *New Retiree* survey, *Survivor Benefits* survey, *Service Credit Purchase* survey, *Visiting SDCERA* survey, *Disability Retirement* survey, *Seminar* survey and *Outreach* survey.

ACTUARIAL SERVICES

SDCERA applied its \$391 million in excess earnings for the fiscal year ended June 30, 2008, to its unfunded liability, bringing the funded ratio to an estimated 95%. Final funded ratio and unfunded liability figures will be released when an actuarial study is completed in November.

SDCERA reappointed The Segal Company to provide actuarial consulting services to SDCERA. The Board of Retirement voted to change its practice of reviewing the long term actuarial economic assumptions (including investment returns, the inflation and real "across the board" salary increases) every year and will instead review them with the triennial experience study, which is scheduled for June 30, 2009.

AWARDS

For the twelfth year in a row, the Government Finance Officers Association (GFOA) has awarded SDCERA with the *Certificate of Achievement for Excellence in Financial Reporting* for its 2007 *Comprehensive Annual Financial Report*. SDCERA was also presented with the *Award for Outstanding Achievement in Popular Annual Financial Reporting* for its *Popular Annual Financial Report*.

SDCERA's new intranet, the SKINNY, won two industry awards. The SKINNY won for best design and usability for an intranet from the Benefits i-COMM Awards, which recognize best practices in internal communication. It was also awarded the Silver Quill award from the International Association of Business Communicators (IABC), which recognizes excellence in business communication. The SKINNY was designed to be the central repository for institutional information to help employees work more efficiently. It also helps employees feel more connected to the work place, and its staff photos and office map helps new employees easily identify employees in other business units.

SAN JOAQUIN COUNTY

BOARD

SJCERA welcomes three trustees back to the Board on July 1, 2008. Appointed by the Board of Supervisors, Ray McCray and Michael Restuccia join James C. (JC) Weydert, who was elected unopposed by the active members, for new three-year terms. Together they have over 36 years of experience serving the members of San Joaquin CERA.

2008–2009 OFFICERS

At the July 2008 meeting the Board elected its 2008–2009 Officers:

Chairman–Michael Restuccia

Serving a fifth consecutive year as the Board's Chair, Mr. Restuccia has over twenty years of commercial bank experience with primary emphasis on commercial and corporate lending, interim construction and term real estate lending. He has served as a trustee for SJCERA since July 1999 and serves on the City Council of Ripon and as the Chairman of the San Joaquin Regional Rail Commission.

Vice–Chairman–David Souza

Representing the safety members, Mr. Souza was first elected to the Board in July 2004. Having been recently appointed to the rank of Sheriff's Captain, assigned to the Unified Court Services Security Division, Mr. Souza holds a Juris Doctorate and is an active member of the California State Bar.

Secretary–Ray McCray

Continuing as the Board's Secretary, Mr. McCray has served as a trustee since July 1990. A past president of SACRS, Mr. McCray is the City Treasurer of Tracy.

INVESTMENTS

During the past couple of months it has been rumored that singing has been heard coming out of several of the offices near the investment team. Although not confirmed, one staffer thought the words sounded a lot like the words from a Blood Sweat & Tears song that begins something like "What goes up must come down . . ." And a week later hearing Martha and the Vandellas' "Nowhere to run to baby, Nowhere to hide . . ." These reports remain unconfirmed.

LOOKING FOR A FEW GOOD STAFF

Recruitment efforts are underway for the replacement of our Information Systems Specialist, Santos Ortega, who in July packed up his motorcycle and moved south to the sunny campus of California State University at Channel Islands in Camarillo. While he is missed, Tallie, SJCERA's Information Systems Manager, assures us that a replacement is imminent.

As part of a workforce management initiative, a management analyst position was added to work closely with the Leadership Team. Expected to take on the more complex research and analytical assignments, the county's exam and recruitment processes are underway and we hope to have a new addition to our team by late fall.

SAN MATEO COUNTY

BOARD NEWS

In June 2008 the County Elections Division conducted an election to fill two of three vacant positions on the Board of Retirement. As a result of the election, **Natalie Kwan Lloyd** and **Albert David** were elected by the active members of the retirement association. Ms. Lloyd is an Appraiser in the San Mateo County Assessor's Office. She joined the board in July to serve out the unexpired term of Tom Bryan. Her term will expire June 30, 2010. Mr. David is an Information Services Dept. IMS-Health Relationship Manager. He is also a retired Army Reserve Lieutenant Colonel. He joined the board in July to serve out the unexpired term of Paul Hackleman. His term will expire June 30, 2009.

Shortly after the election, the Board of Supervisors appointed Ben Bowler to fill the seat vacated by Scott Lee. Bowler is the Assistant Treasurer of Finance and Planning at Con-Way, Inc. His term will expire June 30, 2010.

In addition to those named above, members of the board during the 2007-2008 fiscal year included Board Chair **Emily Tashman**, a finance professional who was appointed in January 2004; Vice Chair **David Wozniak**, a Deputy Sheriff first elected in June 2006; **James Hooley**, Secretary, retired Associate Superintendent of the San Mateo County Office of Education, first appointed in September 2003; San Mateo County Treasurer **Lee Buffington**, a member by virtue of his county office; **Bette Stuart**, the elected Retired Member who was first elected in 1988; and **Margaret Jadallah**, a Principal with the Investment Services Group of Harris My CFO who was first appointed in August 2007. Deputy County Treasurer **Sandra Arnott** substitutes for the Treasurer when needed. Probation Services Manager **Alma Salas** is the Safety Alternate. **John Murphy** is the Retired Member Alternate.

ADMINISTRATION

In July *SamCERA* expanded into additional square footage immediately adjacent to its current office in Redwood Shores. The space provides a larger boardroom for conduct of member education programs, expansion space for future growth, more storage, more file space, more server space, sufficient office space to hire two vacant positions, a separate counseling room and a workroom for office equipment.

In early 2008, the staff reviewed its Strategic Plan during a one-day retreat and in subsequent in-office meetings. During the 2008 calendar year *SamCERA* will pursue three major goals, all of which are derived from and consistent with *SamCERA's* mission statement. The goals are in the areas of Customer Services, Operations, and Asset Management. Sample projects include:

- the development of a Member Education Master Plan
- development of on-line methods to help members assess the impact of income tax withholding changes.
- upgrading the association's accounting system software
- finalizing the move to new office space
- filling two vacant staff positions
- review of the plan's overall asset allocation
- review of the oversight process for investment management firms
- provision of trustee education regarding various alternative investment vehicles.

In all there are now 45 projects for the staff to initiate and/or complete during the 2008 calendar year. In the previous three years staff has completed a total of 63 projects.

FINANCE AND INVESTMENTS

SamCERA returned -7.65% for the 07-08 fiscal year, but stayed above the \$2 billion mark in total assets. *SamCERA* hired Jennison Associates in the early part of 2008 to run approximately \$80 million in a core small cap equity portfolio. The Board and Investment Committee are currently working with Strategic Investment Solutions (SIS) to look at the large cap manager structure.

For the twelfth consecutive year, the Government Finance Officers Association (GFOA) has 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, 2007.

SamCERA is also the recipient of the Government Finance Officers Association (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting for the sixth year running. We received this honor for our Popular Annual Financial Report (PAFR), for the fiscal year ended June 30, 2007.

SANTA BARBARA COUNTY

BOARD OF RETIREMENT

We have had a few changes on our Board in recent months. Harriet Miller resigned, and Vanessa Patterson and Ward Rafferty have been appointed by the Board of Supervisors. In addition, an election will be held November 17–December 10, 2008, to determine the new Retired member as George Bobolia decided not to run for re-election. Donald Kendig will be reappointed to a General member position, since he ran unopposed. The Retired Alternate position will be filled in January 2009 by Gail Marshall, who formerly served on the Board of Retirement when she was a County Supervisor.

INVESTMENTS

In real estate, the Board committed \$10 million to Rockwood Capital Real Estate Partners VIII. In private equity, \$5 million was recently committed to Avenue Europe Special Situations and \$10 million to First Reserve Fund XII, bringing the total private equity commitment to \$110 million. The Board has approved funding for two new Non-US Developed Markets managers, Lord Abbett and PanAgora, in the amount of \$65 million each (although actual funding may be delayed due to current market conditions). Overall, the fund is down approximately 24% as of mid-October from the beginning of the fiscal year, July 1.

Due to losses in the fund for the 2007-08 fiscal year, the Board approved allocation of the total balance of the Contingency Reserve (approximately \$21 million) to credit interest effective June 30, 2008.

CONSULTANT SERVICES

The Board has hired Pension Consulting Alliance and EFI Actuaries to perform an Asset Liability Study, which is just getting underway. We recently engaged Steptoe & Johnson as tax counsel.

BENEFITS

SBCERS recently reached agreement with the County to provide retiree health benefits through a 401(h) account and litigation between the County and SBCERS over the provision of supplemental benefits has been suspended. The current level of benefits will continue, and should either party plan to change the status quo either as to amounts or eligibility, the parties have each agreed to provide advance notice and allow a reasonable time in which the other party may take action it deems appropriate. The current health care subsidy (\$15 per month per year of service for those participating in County-sponsored health insurance) is now being paid through the 401(h). The supplemental benefit, which is currently paid on a taxable basis, will be converted to a health expense reimbursement effective January 1, 2009.

The County approved a very small number of Golden Handshakes over the summer for employees in leadership and county counsel classifications (nine members total).

ADMINISTRATION

The Board appointed Tom Ford (former Sonoma County Treasurer) as Interim Retirement Administrator in September. Former Administrator Oscar Peters, who had graciously agreed to stay on while a search was conducted for his replacement, has now departed for a well-earned retirement.

SONOMA COUNTY

- Board Membership, Elections and Appointments—Appointed Trustee Al Alys completed his 30th year of service on the SCERA Board in September. We are grateful for Al Alys' dedicated service on the Board for over three decades. Alternate Retired Trustee Tom Ford will be completing his term on the Board in December and does not plan to run for reelection. Appointed Trustee/County Supervisor Tim Smith will be retiring in January and will be replaced on the Board by County Supervisor Paul Kelley. We will very much miss the involvement of Tom Ford and Tim Smith on the SCERA Board.
- Integrated Pension System project implementation of Levi, Ray & Shoup's PensionGold PE (Public Edition) continues with an anticipated completion in late-2009. Current focus is on completion of data conversion, design phase and system configuration. Imaging and web member access will follow implementation of the core integrated pension system.
- Investment projects completed or in process are as follows:
 - The Board approved implementation of a short extension (130/30) strategy. The Jacobs Levy Russell 3000 long-only strategy will be converted to a Russell 3000 130/30 strategy. SCERA has selected Credit Suisse as prime broker for the relationship.
 - A non-US equity search was completed for an allocation of approximately 5% of the portfolio. Artio Global Investors was selected for the mandate and funding occurred in June.
 - An Asset-Liability Study was completed in July.
 - Educational sessions are recently completed or in process for environmental investing, infrastructure, commodities and agricultural investing.
 - A review of investment managers for U.S. small cap and non-U.S. developed markets small cap is planned related to a possible shift from passive to active management for these allocations.
- IRS Compliance Project has been initiated.

STANISLAUS COUNTY

With world-wide financial markets in turmoil and downward market movements outpacing upward movements, these past six months of a "roller coaster" ride through the markets have left the Stanislaus County Employees' Retirement Association (StanCERA) assets lower rather than higher. After a +16% return for the year ending June 30, 2007, StanCERA experienced a -8.2% return for the year ending June 30, 2008...not even close to the assumed rate of +8.16%. And the roller coaster ride does not seem to be over yet.

Despite the financial markets downturn (reminiscent of the 1930s in America), the Retirement Board has diligently monitored the investment performance of all of its investment managers through reports received monthly, quarterly and semi-annually. Due Diligence visits were made on three vendors. The Retirement Board has looked at the effects of having a greater percentage of passive investments in equities and the potential of increasing the exposure to global Real Estate Investment Trusts.

The Retirement Board established an Audit Committee to oversee the regular annual financial audit as well as operational and compliance audits.

We are looking to make a smaller carbon footprint and "go green" by the use of teleconferencing, especially with investment managers who are located in the Midwest or East Coast. We do not yet have the capacity for video conferencing, but that may materialize in the future.

In our new technology system, all pre-retirement functions are up and running. We are paralleling our retiree payroll processes and we think we should be able to have the complete integrated computer system in place to issue 1099-Rs in January from the new system.

The web site, www.stancera.org, is full of useful information for our members and those who want to know something more about StanCERA. Take a peek!

TULARE COUNTY

As of this writing, TCERA is in the midst of both a Triennial Experience study and an asset/liability study. We expect the Experience study to be completed by the end of the calendar year and that the results of the asset/liability study will be reported to the Board of Retirement within the first month of 2009. The study results will assist the Board in determining long-term economic and non-economic assumptions along with setting investment allocations in existing and, possibly, new asset classes.

Tulare CERA is about to embark on a search for a new database management software program. The first step of the project will be to issue an RFP for a consultant to assist staff in locating firms that best suit the needs of our retirement

plan. It is expected that the project will result in the selection of a software provider by the end of the current fiscal year.

TCERA's Retirement Board has seen several new faces taking on Trustee roles over the past year and one-half with a couple of vacancies still to be filled. Appointed member, Bob Bates left the Board due to health reasons, his seat on the Board remains open. Supervisor and former PEBC member, Connie Conway will not be seeking re-election to the Board of Supervisors but as of the SACRS conference will likely be a new member of the State Assembly. Her position on the Board of Retirement will also become vacant by the end of the calendar year.

VENTURA COUNTY

BOARD MEMBERS

Tracy Towner and Chris Johnston were reelected in July as the Safety member and Alternate Safety member, respectively. Karen Becker was reelected in September as a General member representative and both Art Goulet and Will Hoag will run unopposed in November for the Retired member and Alternate Retired member seats, respectively.

ADMINISTRATION

VCERA completed its planned Electronic Document Management System project in early October. The project was completed two weeks early and under budget. Approximately 14,000 member files were scanned and all new records are

being maintained electronically. VCERA began work on a new Pension Administration System in August with a targeted completion in 2010.

The Board renewed VCERA's STAR COLA benefit through September 2010 earlier in the year.

INVESTMENTS

The Board hired Artio Asset Management to manage a \$100 million international equity strategy in July and will be considering several opportunistic/alternative investment strategies in 2009.