

Richard A. White, Jr.
Retirement Administrator



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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: September 18, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator *raw*
Subject: Domestic Equity Structure and update manager selection.

As you recall, the Board conducted a review of the U.S Equity portfolio structure at your November 7, 2012 and approved an allocation to a passive S & P 500 Index fund. The rationale for doing this was that by adding passive management, eliminating four active equity managers and reorganizing the equity allocations with the remaining managers it would make the fund structure more efficient while remaining consistent with the Board's belief that active management does add value in the market over a broad passive mandate.

The manager search process was conducted by Callan Associates which culminated in the interview of three firms (BlackRock, State Street Global Advisors and The Vanguard Group) on December 6, 2012. At the December, 2012 meeting, the Board selected BlackRock for the mandate. Unfortunately, MCERA and BlackRock were not able to agree on indemnification language to a final contract that would allow the investment account to be established. As a result, it is now the recommendation of Callan Associates to select the Vanguard Group as the manager for this account.

Recommended action: Select The Vanguard Group to manage the passive allocation to the S & P 500 Index Fund and direct the Retirement Administrator to complete the contract arrangements.

September 2013

**Mendocino County Employees'
Retirement Association**

Investment Manager Evaluation

Passive S&P 500 Index

Callan

Investment Manager Evaluation

Passive S&P 500 Index

September 2013

The following investment manager organizations have submitted information to Callan regarding their investment management capabilities, for which information Callan has not necessarily verified the accuracy or completeness of or updated. The information provided to Callan has been summarized in this report for your consideration. Unless otherwise noted, performance figures reflect a commingled fund or a composite of discretionary accounts. All written comments in this report are based on Callan's standard evaluation procedures which are designed to provide objective comments based upon facts provided to Callan. Statements in this report are made as of the date they are expressed.

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of the content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation. Reference to or inclusion in this report of any product, service or entity should not be construed as a recommendation, approval, affiliation or endorsement of such product, service or entity by Callan. Past performance is no guarantee of future results.

The following investment manager organizations have submitted information to Callan Associates Inc. regarding their investment management capabilities. The information has been summarized in this report for the consideration of the Mendocino Employees' Retirement Association.

Passive S&P 500 Index

BlackRock

State Street Global Advisors

Vanguard Group, Inc. (The)

Mendocino County Employees' Retirement Association Investment Manager Evaluation

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Search Outline

BlackRock

State Street Global Advisors

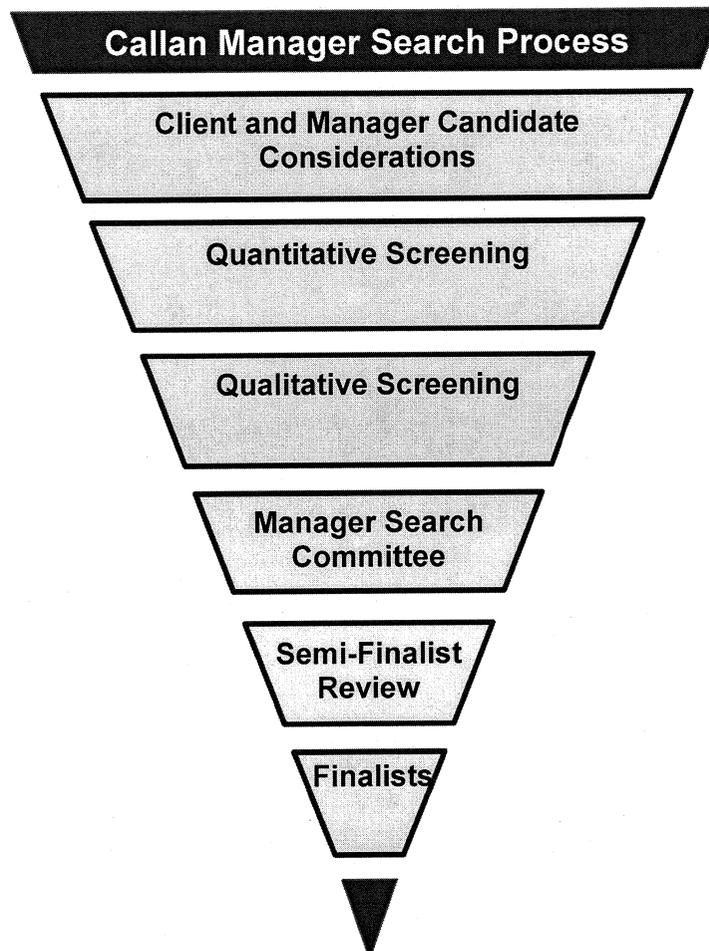
Vanguard Group, Inc. (The)

Summary Matrix

Comparative Manager Performance

Appendix

Manager Search Process



Manager Search Process Overview

Discuss Client and Manager Candidate Considerations

At the onset of each search, Callan meets with the client to review and document any client specific considerations and characteristics sought in an investment manager. The discussion will include factors such as manager strategy and approach, organizational structure, minimum/maximum assets under management, performance criteria relative to an appropriate index and peer group and risk parameters. These factors will serve as the basis for developing the appropriate quantitative and qualitative screening criteria.

Conduct Quantitative Screening

Beginning with the broadest possible universe of candidates, Callan narrows the universe using client-specified screening criteria. Screens examine numerous quantitative factors including: performance, volatility, correlation with the existing structure and assets under management. Callan screens performance across multiple time periods, market cycles and statistical analyses to identify consistency of returns and avoid performance bias.

Perform Qualitative Screening

Qualitative screening further reduces the initial list of candidates that rank favorably on a quantitative basis. Qualitative factors examine: manager type, organizational history, depth and experience of investment personnel, investment process and style, client servicing capability and resource allocation. Callan forms qualitative assessments based on manager research conducted by our dedicated asset class specialists and generalist consultants through regular in-house meetings and on-site manager due diligence.

Preliminary Search Results Reviewed by the Manager Search Committee

Callan's Manager Search Committee—an oversight body that is comprised of approximately 15 senior consultants—reviews each search to ensure Callan has met the client's specified criteria. Collectively, the Manager Search Committee vets the candidates and identifies semi-finalist candidates to present to the client.

Review Semi-finalist Candidates

A manager evaluation document is prepared for the client, comparing the semi-finalist candidates. Callan reviews the report with the client to highlight important considerations in conducting the search, to compare and contrast the manager candidates, and to assist in the identification of finalist candidates.

Interview Finalists

To gain additional insight, finalists are invited to present to the client. The presentations generally include an overview of the manager organization and a specific review of the product being considered, and provide the opportunity for the client and/or consultant to address any outstanding issues. A winner is typically selected following these presentations.

MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

S&P 500 Fund Search

Candidate Profile

November 2012

1. Manager Orientation

MCERA seeks an investment management firm with an expertise in managing passive S&P 500 Index mandates.

2. Manager Type

Only qualified investment counselors or organizations registered under the Investment Advisors Act of 1940 that are currently managing assets for tax-exempt accounts will be considered. This includes investment counselors and investment counseling subsidiaries of banks, brokerage houses and insurance companies.

3. Investment Style

Mendocino is looking to identify passive S&P 500 managers to provide passive broad market exposure to the Domestic Equity sleeve of the MCERA Plan. Candidate firms must have an investment philosophy and strategy that has been clearly articulated and consistently applied over time.

4. Total Assets Under Management

Managers should have a minimum of \$500 million in assets under management in the proposed strategy, and a stable and well-diversified client base. Firms with smaller asset bases will be considered on a case by case basis.

5. Size of Professional Staff

Investment staff should be of sufficient depth and breadth to perform ongoing duties of the firm. Additionally, there should be a sufficient number of client service and investment personnel relative to the firm's account load to ensure that Mendocino has reasonable access to the firm and that the investment portfolios are well attended. If the client service representatives are the main contacts they should be well versed in the firm's investment approach.

7. Years of Experience in Managing Funds

It is essential that candidates exhibit organizational stability and have compensation and ownership programs that provide reasonable assurance of their ability to retain key investment professionals. The organization should have been in business for a minimum

of five years; or if recently established, employ principals who have at least ten years of investment experience.

8. Geographic Location

None specifically required.

9. Investment Vehicles

Mendocino will consider only institutional commingled/mutual funds.

10. Portfolio Risk Level

Performance will be evaluated based on cumulative one, three, five and ten year time periods. Returns generated by the portfolio will be evaluated in light of the portfolio's risk. Risk will be evaluated relative to the benchmark primarily utilizing Tracking Error as measurement.

12. Client Servicing

The firm should be service-oriented and responsive to individual client needs. Manager representatives should be available to meet with the client when requested.

13. Flexibility of Individual Portfolio Manager

The proposed product should closely track the holdings and performance of the S&P 500 and the dispersion of portfolio returns across accounts within the firm's product composite should be small.

15. Financial Strength

The firm must be successful in the business of money management. The firm should be professionally managed and have a long-range business plan. Principals should not have recently cashed out. The ideal firm will have strong monetary and/or equity incentives in place for the investment professionals.

16. Long-Range Plan

The firm should be professionally managed and have a long-range business plan. Passive S&P 500 equity management should be an important and meaningful strategy at the firm.

17. Fees

Reasonable and competitive fees are expected.

18. Client Requests

None

BlackRock
40 East 52nd Street, Suite 121
New York, NY 10022

History

BlackRock was founded in March 1988 and in June 1988 registered with the SEC under the Investment Advisors Act of 1940. In February 1995, BlackRock became a wholly owned subsidiary of The PNC Financial Services Group, Inc. (formerly PNC Bank) and a member of the PNC Asset Mgmt. Group. In 1998, PNC consolidated its asset management subsidiary names under BlackRock. BlackRock completed an IPO in 1999 for 16% of its equity. In November 2002, BlackRock acquired Cyllenius Capital Mgmt. for an undisclosed amount. On January 31, 2005, BlackRock acquired SSRM Holdings Inc., the holding company of State Street Research and Management and State Street Realty. On September 29, 2006, BlackRock, Inc. and Merrill Lynch Investment Managers merged to create an independent company operating under the BlackRock name. In October 2007, BlackRock acquired Quellos Group. In December 2009, BlackRock completed the acquisition of Barclays Global Investors (BGI) including its iShares exchange-traded funds.

Structure

Founded: 1988
 Parent: None
 Ownership: Publicly Owned
 Errors and omissions insurance: Yes
 In compliance with SEC and DOL: Yes
 GIPS Compliant: Yes

Contact: Jason Gordon

400 Howard Street
 San Francisco, CA 94105
 Phone: (415) 670-7136
 Fax: (415) 618-1458
 Email: jason.gordon@blackrock.com

Key Professionals

Laurence Fink - Chairman, CEO
 Robert Kapito - President

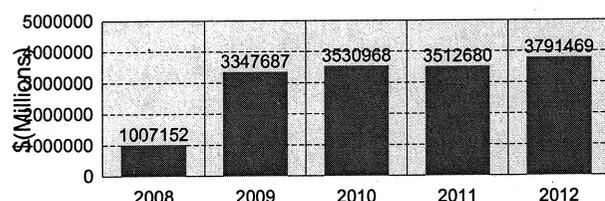
Joined Investment Firm Experience

Year	Experience
1988	1976
1988	1981

Employee Structure

Administrative	568
Client Services/Marketing	2824
Dedicated Fundamental Analyst	176
Dedicated Quantitative Analyst	69
Executive Management	13
Operations	1927
Portfolio Manager	461
System/Information Technology	1478
Trader	234
Total	7750

Total Asset Growth



Total Asset Structure

Asset Type	\$(mm)	
U.S. Tax-Exempt	876,185	23%
U.S. Taxable	432,990	11%
Non-U.S.	1,323,861	35%
Mutual Fund	1,158,433	31%
Total	3,791,469	100%

U.S. Tax-Exempt Separate/Commingled Assets as of December 31, 2012

Asset Class	\$(mm)		Client Type	\$(mm)	
Domestic Balanced	1,242	0%	Corporate	93,888	11%
Domestic Broad Equity	346,109	40%	Endowment/Foundation	8,137	1%
Domestic Broad Fixed-Income	246,134	28%	Multi-Employer	3,469	0%
Domestic Real Estate	7,345	1%	Public	240,048	27%
Hedge Fund of Funds	823	0%	Healthcare	5,055	1%
Intl Equity	178,461	20%	Insurance	9,261	1%
Intl/Global Balanced	60,656	7%	High Net Worth	256	0%
Intl/Global Fixed-Income	10,150	1%	Sub-Advised	45,607	5%
Other Alternatives	25,265	3%	Other	470,464	54%
Total	876,185	100%	Total	876,185	100%

Note(s): In February 2013, Peter Fisher left his role as Head of Fixed Income, Americas, and joined the BlackRock Institute. In January 2011, Blake Grossman, Vice Chairman and Head of Scientific Investments, left the firm. Prior to the merger with Blackrock, Grossman was CEO of BGI. Asset increase in 2009 was due to the acquisition of Barclays Global Investors (BGI), who managed \$1.76 trillion at that time. "Other" assets refer to commingled funds, government agencies, insurance company retirement plans, non-profit retirement plans, and official institutions.

BlackRock
(BGI)S&P 500 Index Fund
As of December 31, 2012

Key Professionals	Joined Investment	
	Firm	Experience
Amy Schioldager - PM	1989	1985
Ed Corallo - PM	1998	1989
Corin Frost - Central Res Analyst	1998	1992

Total Asset Structure		
Asset Type	\$(mm)	
U.S. Tax-Exempt Commingled	77,081	35%
U.S. Tax-Exempt Sep Acct	145,639	65%
Total	222,720	100%

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Portfolio Manager	11	0	4
Portfolio Decision: Team Management			

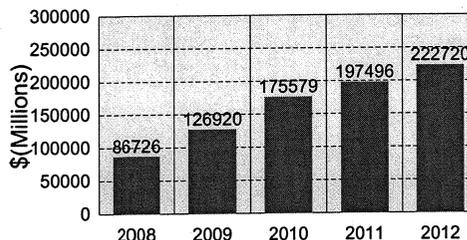
Product Highlights:

Investment Style: Large Cap Core

Benchmark: S&P 500

Invest. Strategy: Passive (100%) Indexed

Total Asset Growth



U.S. Tax-Exempt Assets

Vehicle	Largest Acct	# of Accts	\$(mm) Assets	5 Years Net Flows
Commingled	15,800	266	77,081	-575
Separate	89,000	19	145,639	243

Fee Schedule:

Min Acct Size (\$mm): 5

Account Size (\$mm)	Fee (%)
Balance	0.0....

Performance Composite:

Market Value (\$mm): 21,554

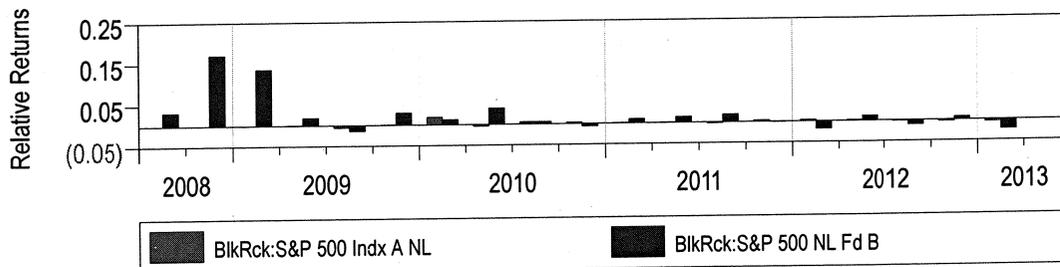
Annual 2012 Return: 16.00%

Note(s): Performance represents the non-lending commingled fund, gross-of-fees. Key professional count above represents the entire domestic equity index team. The portfolio managers named above reflect the lead portfolio managers for the S&P 500 Index product. The portfolio managers lost were due to three internal transfers.

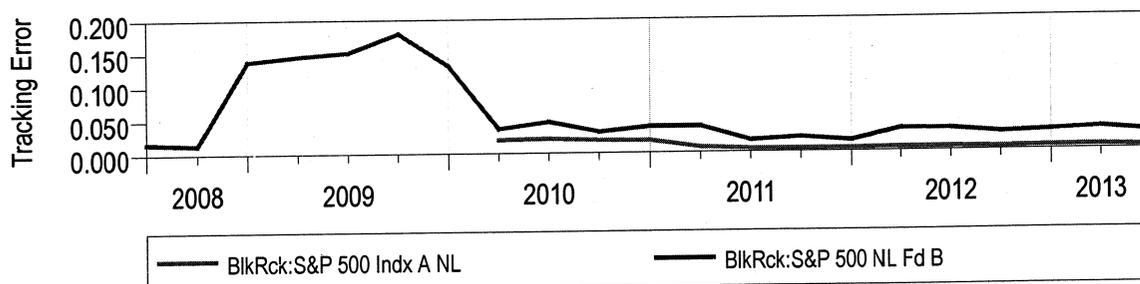
Returns
for Periods Ended June 30, 2013

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
BlkRck:S&P 500 Indx A NL	2.91	20.59	18.45	--	--
BlkRck:S&P 500 NL Fd B	2.91	20.56	18.45	7.10	5.74
S&P:500	2.91	20.60	18.45	7.01	5.66

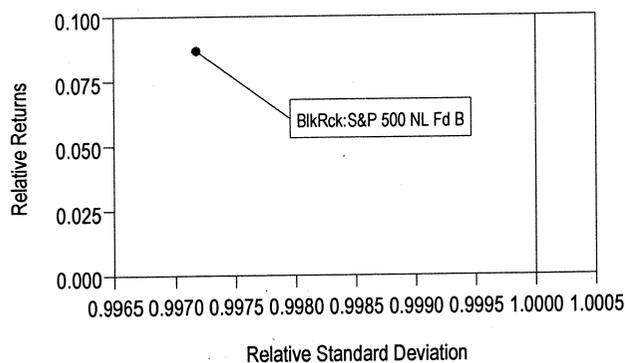
Returns Relative To S&P:500
for 5 Years Ended June 30, 2013



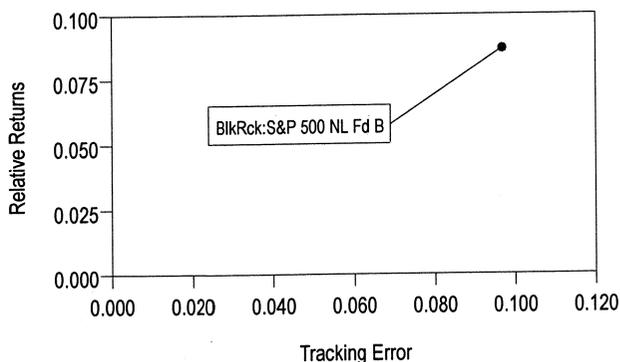
Rolling 4 Quarter Tracking Error Relative To S&P:500
for 5 Years Ended June 30, 2013



Scatter Chart
for 5 Years Ended June 30, 2013
Benchmark: S&P:500



Scatter Chart
for 5 Years Ended June 30, 2013
Benchmark: S&P:500



Note(s): Performance is shown gross-of-fees for the non-lending commingled fund. BlackRock's NL Fund B is shown as supplemental information. Outperformance in the fourth quarter of 2008 and the first quarter of 2009 was attributed to securities litigation payments.

State Street Global Advisors
One Lincoln Street 34th Floor
Boston, MA 02111

History

State Street Global Advisors (SSgA) is the investment management division of State Street Bank and Trust Company and began managing tax exempt assets for U.S. clients in 1978 when its predecessor, State Street Asset Management, was established. As part of the firm's overall global expansion, SSgA was created in 1990 in order to organize all of State Street's investment related business units under one umbrella. State Street Bank and Trust Company was formed in 1792 and is a wholly owned subsidiary of State Street Corporation, which is publicly traded on the NYSE under the ticker symbol "SST." On January 10, 2011, SSgA completed its acquisition of Bank of Ireland Asset Management, which is now known as State Street Global Advisors Ireland Limited.

Structure

Founded: 1978
 Parent: State Street Corporation
 Ownership: Publicly Owned
 Errors and omissions insurance: Yes
 In compliance with SEC and DOL: Yes
 GIPS Compliant: Yes

Contact: Mike Brown
 One Lincoln Street 34th Floor
 Boston, MA 02111
 Phone: (617) 664-3988
 Fax: (617) 664-2950
 Email: mike_brown@ssga.com

Key Professionals

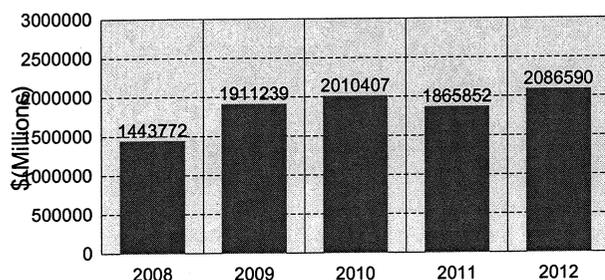
Scott Powers - President, CEO
 Richard Lacaille - CIO

Joined Firm	Investment Experience
2008	1983
2000	1985

Employee Structure

Administrative	344
Central Research Analyst	74
Client Services/Marketing	474
Economist	3
Executive Management	21
Operations	666
Portfolio Manager	282
System/Information Technology	447
Trader	31
Total	2342

Total Asset Growth



Total Asset Structure

Asset Type	\$(mm)	
U.S. Tax-Exempt	693,905	33%
U.S. Taxable	157,473	8%
Non-U.S.	782,561	38%
Other	452,651	22%
Total	2,086,590	100%

U.S. Tax-Exempt Separate/Commingled Assets as of December 31, 2012

Asset Class	\$(mm)		Client Type	\$(mm)	
Domestic Balanced	9,779	1%	Corporate	369,780	53%
Domestic Broad Equity	209,339	30%	Endowment/Foundation	62,741	9%
Domestic Broad Fixed-Income	100,480	14%	Multi-Employer	34,378	5%
Domestic Real Estate	2,714	0%	Public	227,007	33%
Hedge Fund of Funds	2,530	0%	Total	693,905	100%
Intl Equity	148,623	21%			
Intl/Global Balanced	51,001	7%			
Intl/Global Fixed-Income	1,979	0%			
Other Alternatives	167,460	24%			
Total	693,905	100%			

Note(s): In January 2009, SSgA split its Passive Equity Business from Active, with Passive led by Paul Brakke. Brakke retired effective December 31, 2010. Lynn Blake succeeded Brakke as the Global Head of Index Equity. William Hunt, CEO and President resigned in January 2008. "Other" assets represent mutual funds, ETFs, SICAVs, and non-institutional investments. Asset decline in 2011 was attributed to the loss of 1,569 accounts for \$156 billion.

**State Street Global Advisors
S&P 500 Index Strategy
As of December 31, 2012**

Key Professionals

	Joined Investment	
	Firm	Experience
Lynn Blake - PM	1987	1987
Mike Feehily - PM	1992	1992
John Tucker - PM	1988	1988
Eric Brandhorst - PM	1994	1988
Kristin Carcio - PM	2007	2000
Amy Cheng - PM	2000	1998
David Chin - PM	1999	1992
Thomas Coleman - PM	1998	1998
Kala Croce - PM	1995	1995
Dwayne Hancock - PM	1996	1994

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Portfolio Manager	28	9	5
Portfolio Decision: Team Management			

Product Highlights:

Investment Style: Large Cap Broad Eq

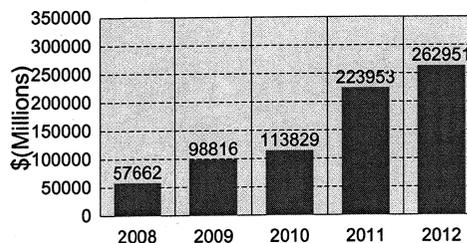
Benchmark: S&P 500

Invest. Strategy: Passive (100%) Indexed

Total Asset Structure

Asset Type	\$(mm)	
U.S. Tax-Exempt Commingled	72,240	27%
U.S. Tax-Exempt Sep Acct	13,677	5%
U.S. Taxable	138	0%
Non-U.S.	176,896	67%
Total	262,951	100%

Total Asset Growth



U.S. Tax-Exempt Assets

Vehicle	Largest Acct	# of Accts	\$(mm) Assets	5 Years Net Flows
Commingled	5,505	719	72,240	0
Separate	13,470	19	13,677	0

Fee Schedule:

Min Acct Size (\$mm):

Performance Composite:

Market Value (\$mm):

Annual 2012 Return: 16.07%

Note(s): Performance represents the non-lending commingled fund, gross-of-fees. Investment professional count above represents the global structure product team responsible for all equity index products (Global Structured Products Group). Paul Brakke, Global Head of Index Equity, retired on December 31, 2010 and was succeeded by Lynn Blake. In 2011, SSgA began including the SPDR S&P 500 ETF which totaled \$90 billion into product AUM, along with net new business of \$35 billion, which contributed to the asset increase in 2011.

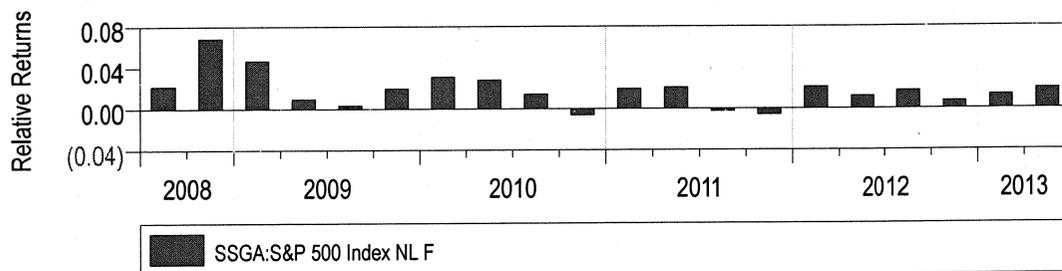
Returns

for Periods Ended June 30, 2013

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
SSGA:S&P 500 Index NL F	2.93	20.67	18.50	7.09	5.72
S&P:500	2.91	20.60	18.45	7.01	5.66

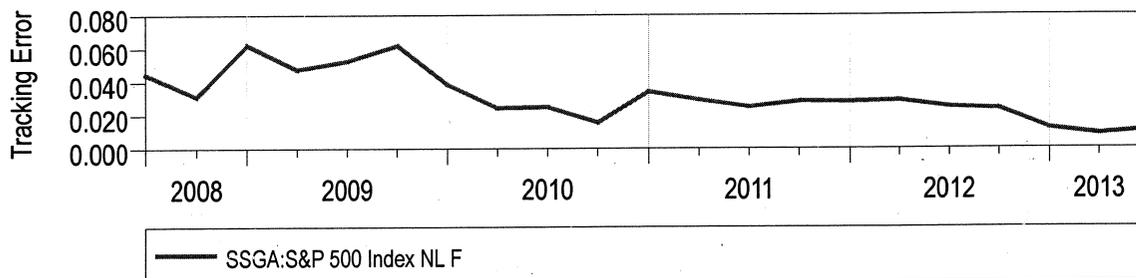
Returns Relative To S&P:500

for 5 Years Ended June 30, 2013



Rolling 4 Quarter Tracking Error Relative To S&P:500

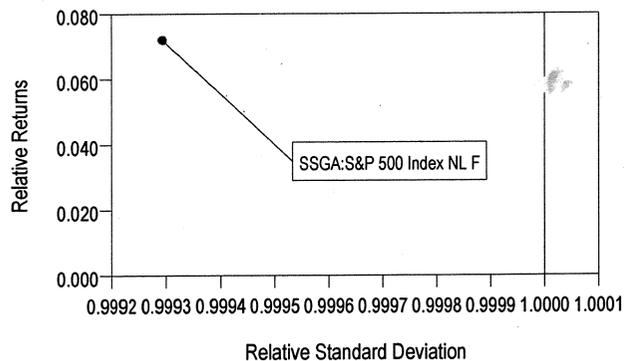
for 5 Years Ended June 30, 2013



Scatter Chart

for 5 Years Ended June 30, 2013

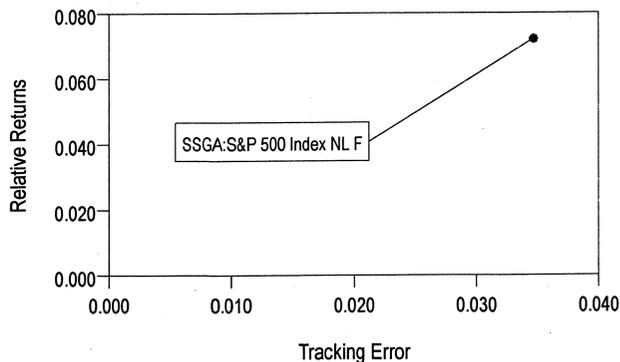
Benchmark: S&P:500



Scatter Chart

for 5 Years Ended June 30, 2013

Benchmark: S&P:500



Note(s): Performance is shown for the non-lending commingled fund, gross-of-fees.

Vanguard Group, Inc. (The)
100 Vanguard Boulevard
Malvern, PA 19355

History

The Vanguard Group (Vanguard) traces its roots to the Wellington Fund, which began in 1928. Vanguard was founded in 1975 by Senior Chairman, John C. Bogle. The firm operates a variety of passive and actively managed mutual funds across a wide array of asset classes and investment styles. The firm is owned by all of the existing Vanguard mutual fund shareholders.

Structure

Founded: 1975
 Ownership: Other
 Errors and omissions insurance: Yes
 In compliance with SEC and DOL: Yes
 GIPS Compliant: No

Contact: Andrew Kalinchak
 100 Vanguard Boulevard
 Malvern, PA 19355
 Phone: (610) 669-4360
 Email: andrew_j_kalinchak@vanguard.com

Key Professionals

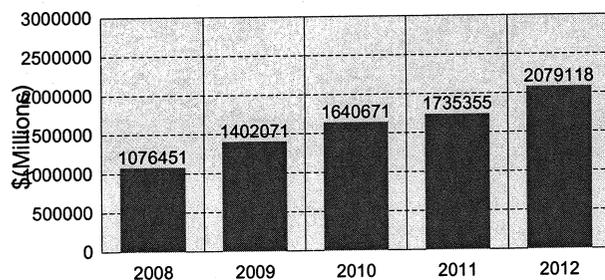
William McNabb - Chairman, President, CEO
 Tim Buckley - CIO

Joined Firm	Investment Experience
1986	1986
1991	1991

Employee Structure

Administrative	50
Central Research Analyst	99
Client Services/Marketing	8222
Economist	1
Executive Management	15
Operations	369
Portfolio Manager	87
System/Information Technology	2605
Trader	47
Total	11495

Total Asset Growth



Total Asset Structure

Asset Type	\$(mm)	
Mutual Fund	2,079,118	100%
Total	2,079,118	100%

Note(s): Vanguard does not maintain composites and does not claim GIPS compliance. Effective March 1, 2008, F. William McNabb III became President and Director of Vanguard. McNabb assumed the role of Chief Executive Officer on August 1, 2008, from John Brennan, and succeeded him as Chairman of the Board on January 1, 2010. Managing Director and Chief Investment Officer, George Sauter, retired on December 31, 2012. Tim Buckley, managing director of Vanguard's Retail Investor Group since 2006, assumed the role of chief investment officer upon Mr. Sauter's retirement. In February 2013, Vanguard announced five executive level changes as part of its leadership rotation: Joseph Brennan will lead the Equity Index Group; Gregory Davis will become Asia-Pacific CIO, Josh Barrickman will head the Bond Index Group; John Ameriks will lead the Active Equity Group, and Catherine Gordon will head Investment Counseling & Research.

Vanguard Group, Inc. (The)
Vanguard Institutional Index Fund
As of December 31, 2012

Key Professionals	Joined Investment Firm Experience	
	Firm	Experience
Donald Butler - PM	1992	1992

Total Asset Structure		
Asset Type	\$(mm)	
Mutual Fund	117,341	100%
Total	117,341	100%

Investment Professionals

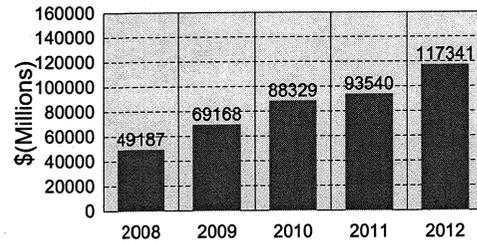
Function	#	5 Years	
		Gained	Lost
Portfolio Manager	1	0	0

Portfolio Decision: Individual With Backup

Product Highlights:

Investment Style: Large Cap Core
Benchmark: S&P 500
Invest. Strategy: Passive (100%) Indexed

Total Asset Growth



U.S. Tax-Exempt Assets

Vehicle	Largest Acct	# of Accts	\$(mm) Assets	5 Years Net Flows

Fee Schedule:

Min Acct Size (\$mm): N/A

Account Size (\$mm)	Fee (%)

Performance Composite:

Market Value (\$mm): 117,341

Annual 2012 Return: 16.02%

Note(s): Performance represents the mutual fund, gross-of-fees. Asset growth in 2012 was attributed to the net gain of five accounts for \$9.7 billion, mutual fund inflows, and market appreciation. The Institutional Index Fund is supported by the Vanguard Quantitative Equity Group (Index Equity).

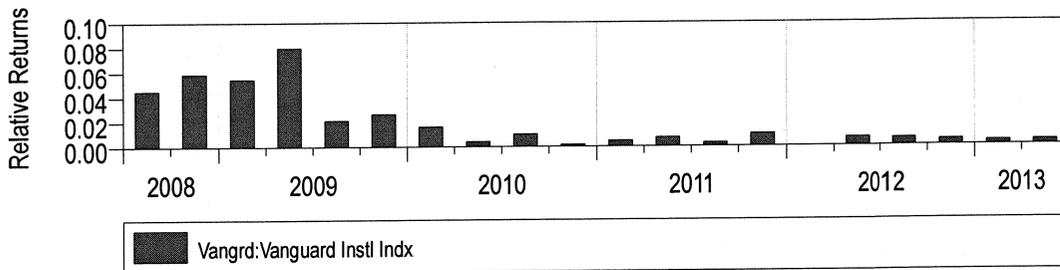
Returns

for Periods Ended June 30, 2013

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Vangrd:Vanguard Instl Indx	2.91	20.62	18.48	7.09	5.72
S&P:500	2.91	20.60	18.45	7.01	5.66

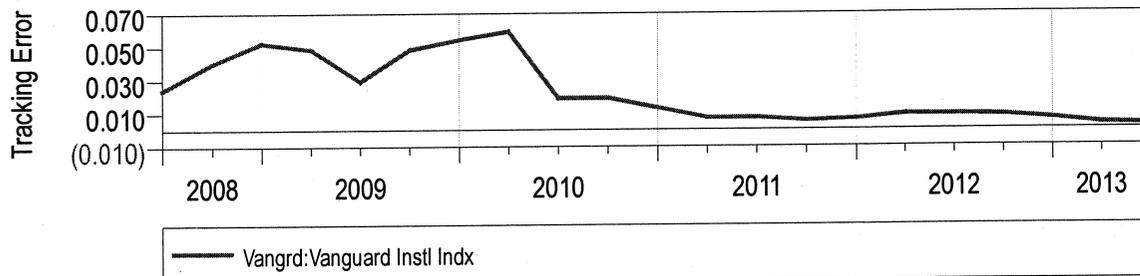
Returns Relative To S&P:500

for 5 Years Ended June 30, 2013



Rolling 4 Quarter Tracking Error Relative To S&P:500

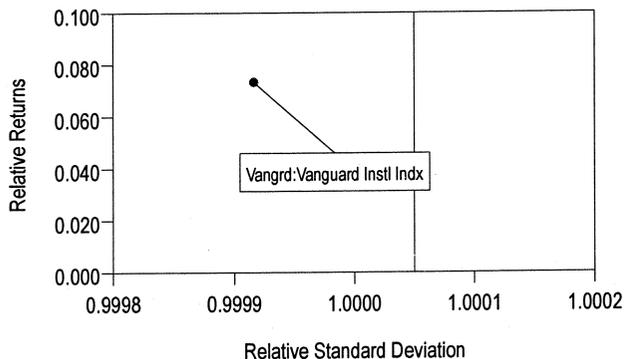
for 5 Years Ended June 30, 2013



Scatter Chart

for 5 Years Ended June 30, 2013

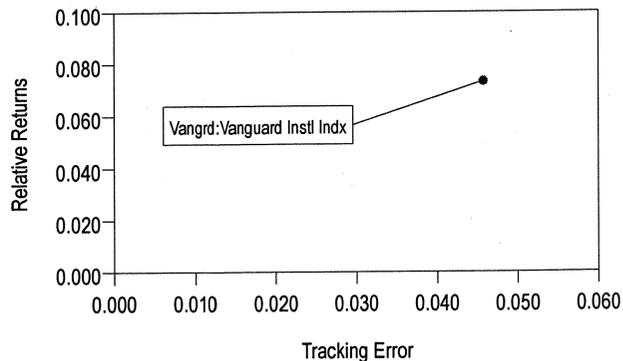
Benchmark: S&P:500



Scatter Chart

for 5 Years Ended June 30, 2013

Benchmark: S&P:500



Note(s): Performance is shown gross-of-fees and includes securities lending. Vanguard does not have a non-lending mutual fund.

Mendocino County Employees' Retirement Association
 Passive S&P 500 Index
 Summary Matrix as of June 30, 2013

Organization / Product	Proposed Vehicle	Daily Liquidity?	Lend Securities?	Mgmt Fee on \$18mm	Vehicle Minimum	Vehicle Assets (mm)	Product Assets (mm)	Replication Methodology	Comment:
BlackRock (BG)S&P 500 Index Fund	Commingled Fund	Yes	No	3.5 bps	\$5 million	\$23,839	\$251,858	Full Replication	
State Street Global Advisors S&P 500 Index Strategy	Commingled Fund	Yes	No	5 bps	*Minimum annual fee of \$10k	\$25,687	\$295,225	Full Replication	*Given the minimum fee of \$10k, the effective annual fee would be 5.6 bps.
Vanguard Group, Inc. (The Vanguard Institutional Index Fund	Mutual Fund (Inst; VINIX)	Yes	Yes, but less than 0.01% of the portfolio is on loan	4.4 bps	\$5 million	\$77,610 (in this share class)	\$136,380	Full Replication	

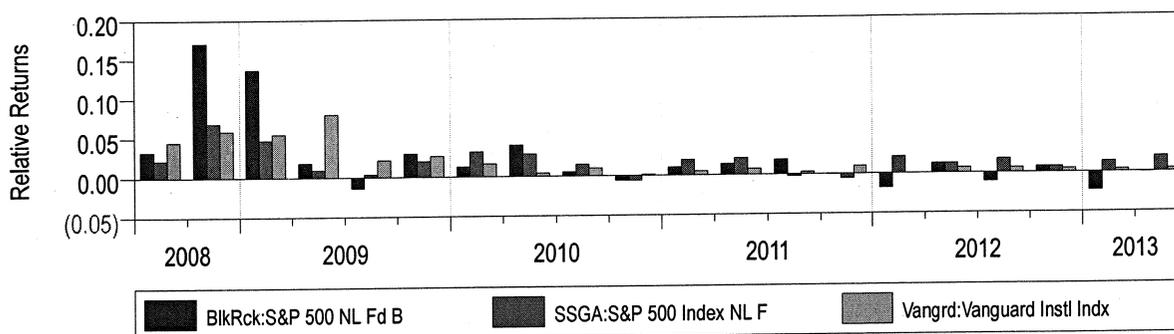
**Returns Relative to S&P:500
for Periods Ended June 30, 2013**

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
BlkRck:S&P 500 NL Fd B	0.00	(0.03)	0.00	0.00	0.00
SSGA:S&P 500 Index NL F	0.02	0.06	0.04	0.07	0.06
Vangrd:Vanguard Instl Indx	0.00	0.02	0.02	0.07	0.06

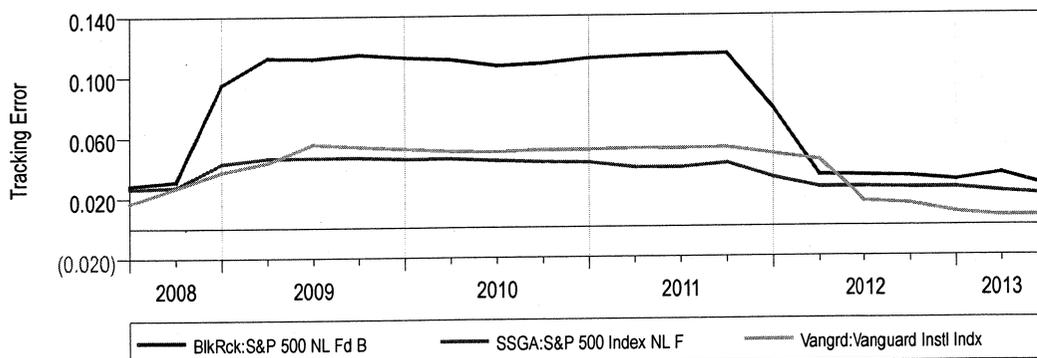
**Returns Relative to S&P:500
for Calendar Years 10 Years Ended June 30, 2013**

	2 Qtrs.									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
BlkRck:S&P 500 NL Fd B	(0.02)	(0.01)	0.04	0.05	0.17	0.27	0.03	0.02	0.04	0.01
SSGA:S&P 500 Index NL F	0.03	0.06	0.03	0.07	0.08	0.10	0.04	0.02	0.03	0.02
Vangrd:Vanguard Instl Indx	0.01	0.02	0.02	0.03	0.18	0.12	0.04	0.04	0.04	0.04

**Returns Relative To S&P:500
for 5 Years Ended June 30, 2013**



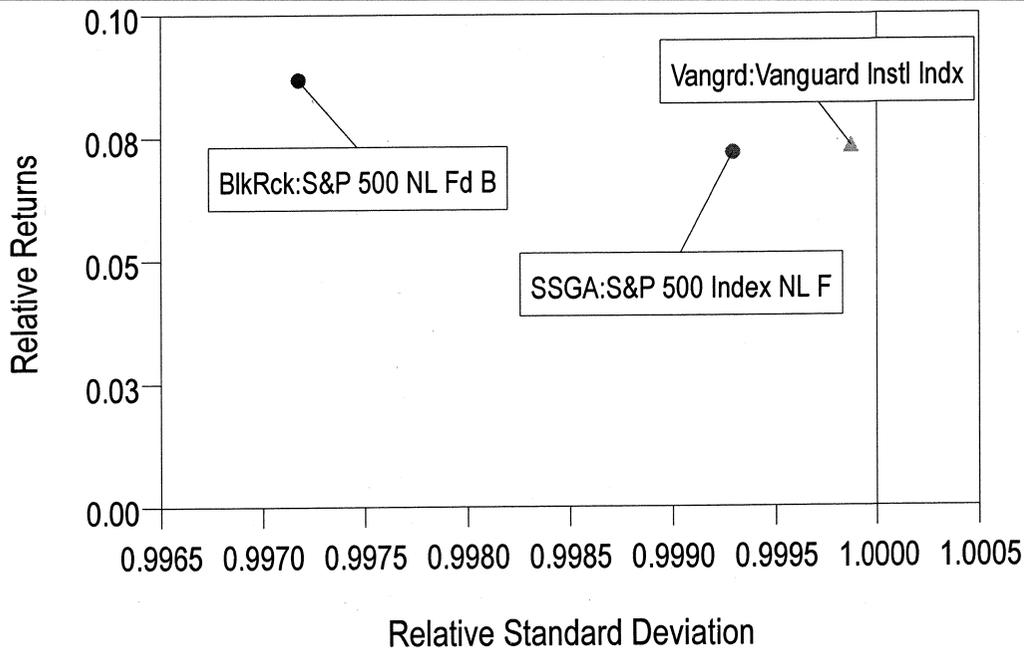
**Rolling 12 Quarter Tracking Error Relative To S&P:500
for 5 Years Ended June 30, 2013**



Note(s): Performance represents the non-lending funds, gross-of-fees, save for Vanguard's fund which lends out securities (less than 1 basis point annually). BlackRock's NL Fund B is shown as supplemental information due to the short track record of the proposed NL Fund A. Outperformance in the fourth quarter of 2008 and the first quarter of 2009 were attributed to securities litigation payments.

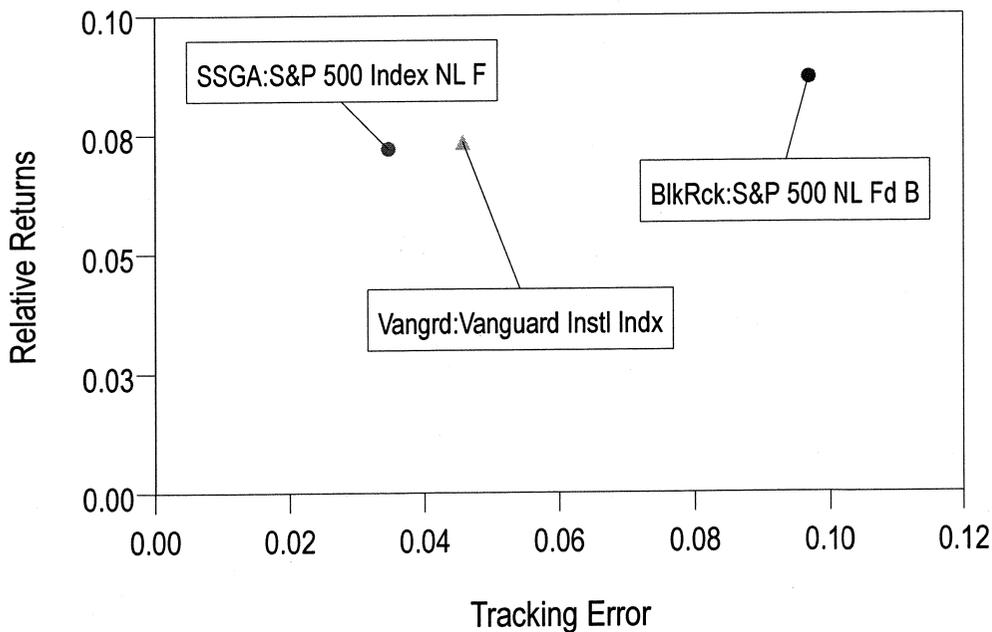
Scatter Chart for 5 Years Ended June 30, 2013

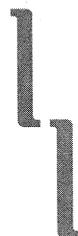
Benchmark: S&P:500



Scatter Chart for 5 Years Ended June 30, 2013

Benchmark: S&P:500





Definitions and Disclosures

Definitions

Alpha measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk which was taken for that level of market exposure.

Beta measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's beta measures the expected change in return per 1% change in the return on the market. If a beta of a portfolio is 1.5, a 1 percent increase in the return on the market will result, on average, in a 1.5 percent increase in the return on the portfolio. The converse would also be true.

Diversification Ratio – The ratio of the number of securities comprising the most concentrated half of the portfolio market value divided by the total number of portfolio securities. This value expresses to what extent a portfolio is equally weighted versus concentrated, given the number of names in the portfolio. This value can range from a high of 50% (equal weighted) to a low of 1% (half of the portfolio in 1% of the names).

Downside Risk stems from the desire to differentiate between "good risk" (upside volatility) and "bad risk" (downside volatility). Whereas standard deviation punishes both upside and downside volatility, downside risk measures only the standard deviation of returns below the target. Returns above the target are assigned a deviation of zero. Both the frequency and magnitude of underperformance affect the amount of downside risk.

Excess Return Ratio is a measure of risk adjusted relative return. This ratio captures the amount of active management performance (value added relative to an index) per unit of active management risk (tracking error against the index.) It is calculated by dividing the manager's annualized cumulative excess return relative to the index by the standard deviation of the individual quarterly excess returns. The Excess Return Ratio can be interpreted as the manager's active risk/reward tradeoff for diverging from the index when the index is mandated to be the "riskless" market position.

Information Ratio measures the manager's market risk-adjusted excess return per unit of residual risk relative to a benchmark. It is computed by dividing alpha by the residual risk over a given time period. Assuming all other factors being equal, managers with lower residual risk achieve higher values in the information ratio. Managers with higher information ratios will add value relative to the benchmark more reliably and consistently.

Market Capitalization (weighted median) – The weighted median market cap is the point at which half of the market value of the portfolio is invested in stocks with a greater market cap, and consequently the other half is invested in stocks with a lower market cap.

Definitions (continued)

MSCI Combined Z Score is the difference between the MSCI Growth Z Score and the MSCI Value Z Score (Growth - Value). A significant positive Combined Z Score implies significant "growthiness" in the stock or portfolio. A Combined Z Score close to 0.00 (positive or negative) implies "core-like" style characteristics, and a significantly negative Combined Z Score implies more "valueyness" in the stock or portfolio.

MSCI Growth Z Score is a holdings-based measure of the "growthiness" of an individual stock or portfolio of stocks based on fundamental financial ratio analysis. The MSCI Growth Z Score is an aggregate score based on the growth score of five separate financial fundamentals: Long Term Forward Earnings Growth, Short Term Forward Earnings Growth, Current Internal Growth (ROE * (1-payout ratio)), Long Term Historical Earnings Growth, and Long Term Historical Sales Growth.

MSCI Value Z Score is a holdings-based measure of the "valueyness" of an individual stock or portfolio of stocks based on fundamental financial ratio analysis. The MSCI Value Z Score is an aggregate score based on the value scores of three separate financial fundamentals: Price/Book, Price/Forward Earnings, and Dividend Yield.

Number of Issues in Top Half of MV measures the number of stocks (largest holdings) making up half of the market value of the portfolio.

R-Squared indicates the extent to which the variability of the portfolio returns is explained by market action. It can also be thought of as measuring the diversification relative to the appropriate benchmark. An r-squared value of .75 indicates that 75% of the fluctuation in a portfolio return is explained by market action. An r-squared of 1.0 indicates that a portfolio's returns are entirely related to the market and it is not influenced by other factors. An r-squared of zero indicates that no relationship exists between the portfolio's return and the market.

Relative Sector Variance – A measure illustrating how significantly a portfolio currently differs from the sector weights of the index. This measure is the sum of the differences (absolute value) between the portfolio and index sector weights across all sectors. The higher the number the more aggressive the deviation from the index sector weights, and vice versa. This relative risk measure can help explain the magnitude of past tracking error and potential future tracking error versus the index.

Relative Standard Deviation is a simple measure of a manager's risk (volatility) relative to a benchmark. It is calculated by dividing the manager's standard deviation of returns by the benchmark's standard deviation of returns. A relative standard deviation of 1.20, for example, means the manager has exhibited 20% more risk than the benchmark over that time period. A ratio of .80 would imply 20% less risk. This ratio is especially useful when analyzing the risk of investment grade fixed-income products where actual historical durations are not available. By using this relative risk measure over rolling time periods one can illustrate the "implied" historical duration patterns of the portfolio versus the benchmark.

Definitions (continued)

Sector Concentration – A measure of current portfolio diversification by economic sector (equity) or market sector (fixed income) to illustrate potential risk from concentrated sector exposures. The measure itself represents how few sectors contain half of the portfolio market value. A low number means the assets are concentrated in a few sectors and potentially highly exposed to the risks of those sectors.

Sharpe Ratio is a commonly used measure of risk-adjusted return. It is calculated by subtracting the "risk-free" return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting "excess return" by the portfolio's risk level (standard deviation). The result is a measure of return gained per unit of risk taken.

Standard Deviation is a statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (i.e., has a bell shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.

Total Portfolio Risk is a measure of the volatility of the quarterly excess returns of an asset. Total risk is composed of two measures of risk: market (non-diversifiable or systematic) risk and residual (diversifiable or unsystematic) risk. The purpose of portfolio diversification is to reduce the residual risk of the portfolio.

Tracking Error is a statistical measure of a portfolio's risk relative to an index. It reflects the standard deviation of a portfolio's individual quarterly or monthly returns from the index's returns. Typically, the lower the Tracking Error, the more "index-like" the portfolio.

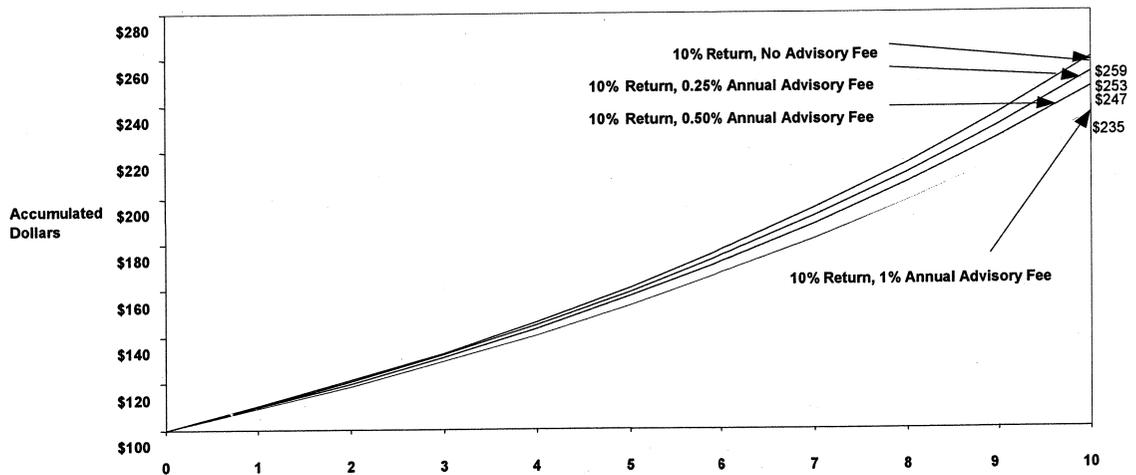
Treynor Ratio represents the portfolio's average excess return over a specified period divided by the beta relative to its benchmark over that same period. This measure reflects the reward over the risk-free rate relative to the systematic risk assumed.

Disclosure Statement

The preceding report has been prepared for the exclusive use of the Mendocino County Employees' Retirement Association. Unless otherwise noted, performance returns contained in this report do not reflect the deduction of investment advisory fees. The returns in this report will be reduced by the advisory fees and any other expenses incurred in the management of an investment account. The investment advisory fees applicable to the advisors listed in this report are described in Part II of each advisor's form ADV.

The following graphical and tabular example illustrates the cumulative effect of investment advisory fees on a \$100 investment growing at 10% over ten years. Fees are assumed to be paid monthly.

The Cumulative Effect of Advisory Fees



Accumulated Dollars at End of Years

	1	2	3	4	5	6	7	8	9	10
No Fee	110.0	121.0	133.1	146.4	161.1	177.2	194.9	214.4	235.8	259.4
25 Basis Points	109.7	120.4	132.1	145.0	159.1	174.5	191.5	210.1	230.6	253.0
50 Basis Points	109.5	119.8	131.1	143.5	157.1	172.0	188.2	206.0	225.5	246.8
100 Basis Points	108.9	118.6	129.2	140.7	153.3	166.9	181.8	198.0	215.6	234.9

10% Annual Return Compounded Monthly, Annual Fees Paid Monthly.

List of Managers That Do Business with Callan Associates Inc.

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Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 06/30/13, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Advisory Research	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors U.S. LLC	Y	
Allianz Life Insurance Company of North America		Y
American Century Investment Management	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Ares Management	Y	
Ariel Investments	Y	
Aronson + Johnson + Ortiz	Y	
Artio Global Management (fka, Julius Baer)	Y	
Atlanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	Y
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
Bentall Kennedy	Y	
BlackRock	Y	
BMO Asset Management	Y	
BNY Mellon Asset Management	Y	Y
Boston Company Asset Management, LLC (The)	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	

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Capital Group	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chartwell Investment Partners	Y	
ClearBridge Investments, LLC (fka ClearBridge Advisors)	Y	
Columbia Management Investment Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Corbin Capital Partners	Y	
Cornerstone Capital Management Holdings (fka Madison Square)	Y	
Cramer Rosenthal McGlynn, LLC	Y	
Crawford Investment Council	Y	Y
Credit Suisse Asset Management	Y	
Crestline Investors	Y	Y
Cutwater Asset Management	Y	
DB Advisors	Y	Y
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.	Y	Y
Deutsche Asset & Wealth Management	Y	Y
Diamond Hill Investments	Y	
DSM Capital Partners		Y
Duff & Phelps Investment Mgmt.	Y	Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
Echo Point Investment Management	Y	
Epoch Investment Partners	Y	
Evanston Capital Management	Y	
Fayez Sarofim & Company		Y
Federated Investors		Y
First Eagle Investment Management	Y	
Fisher Investments	Y	
Flag Capital Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management	Y	Y
GMO (fka Grantham, Mayo, Van Otterloo & Co., LLC)	Y	
Great Lakes Advisors, Inc.		Y
Guardian Capital	Y	
Guggenheim Investments Asset Management (fka Security Global)	Y	
Harbor Capital		Y
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	

List of Managers That Do Business with Callan Associates Inc. (continued)

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Hermes Investment Management (North America) Ltd.	Y	
Hotchkis & Wiley	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
Institutional Capital LLC	Y	
INTECH Investment Management	Y	
Invesco	Y	Y
Investec Asset Management	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
KeyCorp		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Lincoln National Corporation		Y
Logan Circle Partners, L.P.	Y	
Longview Partners	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	Y
Los Angeles Capital Management	Y	
LSV Asset Management	Y	
Lyrical Partners	Y	
MacKay Shields LLC	Y	Y
Man Investments	Y	
Manulife Asset Management	Y	
Marvin & Palmer Associates, Inc.	Y	
Metropolitan West Capital Management, LLC		Y
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Alternative Investment Partners	Y	
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Newton Capital Management	Y	
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y
Nuveen Investments Institutional Services Group LLC	Y	Y
Old Mutual Asset Management	Y	Y
Old Mutual International	Y	
OppenheimerFunds, Inc.	Y	
Pacific Investment Management Company	Y	
Palisade Capital Management LLC	Y	
Partners Group	Y	
PAX World Management		Y
Peregrine Capital Management, Inc.		Y

List of Managers That Do Business with Callan Associates Inc. (continued)

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Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Private Advisors	Y	
Prudential Fixed Income Management	Y	
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC		Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
RCM		Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
Russell Investment Management	Y	
Santander Global Facilities		Y
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
SEI Investments		Y
SEIX Investment Advisors, Inc.	Y	
Smith Graham and Company		Y
Smith Group Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
Thompson, Siegel & Walmsley LLC	Y	
Turner Investment Partners	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
Van Eck	Y	
Victory Capital Management Inc.	Y	
Vulcan Value Partners, LLC		Y
Waddell & Reed Asset Management Group	Y	Y
WCM Investment Management	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	

List of Managers That Do Business with Callan Associates Inc. (continued)

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Wells Capital Management	Y	
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	Y

Callan

Of the investment manager candidates listed in this report, the firms specified below, and/or their parent companies, do business with Callan Associates Inc. as of the date the most recent quarter end. In listing any parent companies, Callan has relied solely on information provided to Callan by the investment manager organizations. Given complex corporate and organizational ownership structures, affiliate firm relationships are not listed here. A list of Callan's investment manager clients as of the most recent quarter end is attached for your reference. Because Callan's client list of investment managers changes periodically, the above information may not reflect recent changes. Clients are welcome to request a list of Callan's investment manager clients at any time.

In no way do these affiliations affect the outcome or process by which Callan's investment manager searches are conducted.

Firm	Does Business with Callan*	Does Not Do Business with Callan*	Parent Does Business with Callan*
BlackRock	X		
State Street Global Advisors	X		
Vanguard Group, Inc. (The)		X	

*Based upon Callan manager clients as of the most recent quarter end.