



AGENDA
AUDIT COMMITTEE
SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
May 10, 2010
9:00 AM
Board Room
348 West Hospitality Lane, First Floor
San Bernardino, California

PUBLIC NOTICE:

Items of interest to the public that are within the subject matter jurisdiction of the Committee may be addressed by the public during the meeting. Persons wishing to address items on the agenda should provide notice to the Secretary of the Board prior to Committee's discussion of the item. Members of the public may also comment during the Public Comment period at the end of the meeting.

1. Call meeting to order.
2. Approve minutes of Audit Committee of November 23, 2009.
3. Presentation by Kreischer Miller of their Semi-Annual Executive Report on Active Investment Managers.
4. Consolidated Compliance & Fund Related Programs Report for 4th Quarter 2009.
5. Public Comment.

NOTES:

The term "Action" in the wording of any Agenda item contained herein serves as notice that the Committee may, in its discretion, dispose of any item by any action in the following non-exclusive list: approve, disapprove, modify, defer, table, take no action, and receive and file.

The Board of Retirement meeting facility is accessible to persons with disabilities. If assistive listening devices or other auxiliary aids or services are needed in order to participate in the public meeting, requests should be made through the Executive Assistant at least three (3) business days prior to the meeting. The Executive Assistant's telephone number is (909) 885-7980, and the office is located at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA.

- P R O P O S E D -

MINUTES
AUDIT COMMITTEE
November 23, 2009

Those present were: Marvin Reiter, Chairman
Bob McDonald, Committee Member
Dawn Stafford, Committee Member
David Williams, Committee Member
Timothy Barrett, Executive Director/CIO
Lance Kjeldgaard, Chief Counsel
Michael O'Kelly, Chief Fiscal Services
Carol Fenn, Recorder

1. Chairman Reiter called the meeting to order at 9:03 a.m.
2. McDonald moved, Williams seconded, to approve minutes of the meeting of October 27, 2009. Motion carried.
3. O'Kelly presented the FY 2008-09 Financial Statements. We have new auditors this year, which has initiated some changes to the Financial Statements. We are presenting Final Financial Statements as opposed to Draft. These are true 2-year financial statements with comparative information. Two new Note Disclosures are included – Leases and Related Party Transactions, along with the Management Discussion and Analysis. All Financial Statement information will be incorporated in the CAFR. Williams moved, McDonald seconded, to approve the FY 2008-09 Financial Statements. Motion carried.
4. Jim Godsey, Partner, David Livingston, Audit Manager, and Amy Chiang, Audit Senior, of Macias, Gini, and O'Connell, presented the FY 2008-09 Financial Statement Independent Auditor's Report. They noted no transactions entered into by SBCERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. They encountered no significant difficulties in dealing with management in performing and completing their audit. No misstatements detected as a result of the audit procedures and corrected by management were material to the financial statements taken as a whole. No disagreements arose during the course of the audit. Certain representations from management are included in the management representation letter dated November 9, 2009. No consultations with other independent accountants were made.
5. Williams moved, McDonald seconded, to approve the FY 2008-09 Financial Statement Independent Auditor's Report and other required communications from the auditors, Macias, Gini, and O'Connell. Motion carried.
6. The Chairman invited public comment. There was no public comment.

Item 2. Page 2

Minutes
Audit Committee
November 23, 2009
Page 2

There being no further business, the meeting adjourned at 9:52 a.m.

Respectfully submitted,

MARVIN REITER, Chairman

TIMOTHY BARRETT, Secretary

DATED: _____



**San Bernardino County Employees'
Retirement Association**

***4th Quarter 2009
Compliance & Fund
Related Programs Report***



Executive Summary *(Earnings by Program)*

Program	1st Quarter 2009 Income	2nd Quarter 2009 Income	3rd Quarter 2009 Income	4th Quarter 2009 Income
Securities Lending*	\$604,114.38	\$387,925.52	\$214,969.55	\$155,639.39
Securities Litigation	\$536,300.84	\$192,691.09	\$243,385.92	\$381,566.73
Commission Recapture	\$14,069.46	\$2,305.82	\$715.96	\$482.25
Totals:	\$1,154,484.68	\$582,922.43	\$459,071.43	\$537,688.37

Program	CY 2009 Income	CY 2008 Income
Securities Lending*	\$1,362,648.84	\$4,889,636.88
Securities Litigation	\$1,353,944.58	\$1,622,832.38
Commission Recapture	\$17,573.49	\$198,355.10
Totals:	\$2,734,166.91	\$6,710,824.36

*Securities Lending amount does not reflect the securities lending credit received in the Buy-Write account (MF 43), which effectively reduces fees to a negative number.

Securities Lending Credit 2009				
1Q	2Q	3Q	4Q	Total
58,168.00	107,152.76	37,886.64	21,390.83	224,598.23



Executive Summary

(Earnings by Program)

- ❖ Securities lending 4Q earnings were 28% below the 3rd quarter 2009 levels and 90% below 4th quarter returns from 2008. This decrease is due in part to reduction in collateral spreads to more normalized levels following the wide spreads the market experienced from late 2008 through 2009. Also, lendable assets were significantly reduced due to the termination of managers throughout the period.
- ❖ Securities Litigation experienced a quarterly return totaling \$381,566.73 during the 4th quarter with the largest distributions coming from Enron and Xerox Corp.
- ❖ Brandes' participation in the Commission Recapture program was responsible for approximately 88% of the program's return for the quarter. Quarterly income from the program was approximately 98% below that of 4th quarter 2008 and 33% below the earnings level of last quarter. This is due in part to reduced equity exposure and the termination of five equity managers beginning in December 2008.



4th Qtr 2009 Securities Lending Summary

- ▶ SBCERA earned \$155,639.39 from Securities Lending during the 4th quarter of 2009 relative to \$1,638,120.01 for the same period in 2008.
- ▶ The net spread for the program during the 4th quarter was 41.84 basis points. The net spread for the same period in 2008 was 228.95 basis points. In 4th quarter 2009 as in the 4th quarter 2008, the spread was driven more by the collateral spread, which is a function of the returns generated by the collateral pool; as opposed to the funding spread, which is the return generated by lending out securities.
- ▶ SBCERA had an average of \$576,470,986 in lendable assets during the quarter with an average on loan balance during the period of \$190,956,890. Average lendable assets during 4th quarter 2008 totaled \$ \$822,713,826.
- ▶ During the quarter, US Government securities offered the highest return on total lendable assets at 24.45 basis points. US Corporate Bond & Equity securities also provided respectable securities lending returns for the period with a gross annualized rate of return of 15.33 basis points on lendable assets.
- ▶ The overall gross annualized rate of return on lendable assets was 14.47 basis points for the quarter.



4th Qtr 2009 Cash Income Attribution Summary

Program	Client Earnings	Net Earnings	Net Spread	Collateral Spread		Funding Spread																			
				Basis Points	Portion of Earnings	Basis Points	Portion of Earnings																		
Cash Activity																									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Collateral Yield</td> <td style="width: 15%;">0.6868%</td> <td style="width: 30%;">Investment Vehicle Name</td> <td colspan="3">Euro Trust (SSGSLET)</td> </tr> <tr> <td>Average Risk Free Rate</td> <td>0.3539%</td> <td>Collateral Currency</td> <td colspan="3">EUR</td> </tr> <tr> <td>Weighted Average Rebate Rate</td> <td>0.3234%</td> <td>Risk Free Rate Description</td> <td colspan="3">EONIA Rate</td> </tr> </table>								Collateral Yield	0.6868%	Investment Vehicle Name	Euro Trust (SSGSLET)			Average Risk Free Rate	0.3539%	Collateral Currency	EUR			Weighted Average Rebate Rate	0.3234%	Risk Free Rate Description	EONIA Rate		
Collateral Yield	0.6868%	Investment Vehicle Name	Euro Trust (SSGSLET)																						
Average Risk Free Rate	0.3539%	Collateral Currency	EUR																						
Weighted Average Rebate Rate	0.3234%	Risk Free Rate Description	EONIA Rate																						
NON-US EQUITY	641.94	817.03	42.13	33.29	645.62	8.84	171.41																		
NON-US FIXED INCOME	6,418.56	8,552.48	35.86	33.29	7,939.40	2.57	613.08																		
Total CASH for Euro Trust	7,060.51	9,369.52	36.34	33.29	8,583.49	3.05	786.03																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Collateral Yield</td> <td style="width: 15%;">0.4156%</td> <td style="width: 30%;">Investment Vehicle Name</td> <td colspan="3">Quality D</td> </tr> <tr> <td>Average Risk Free Rate</td> <td>0.1325%</td> <td>Collateral Currency</td> <td colspan="3">USD</td> </tr> <tr> <td>Weighted Average Rebate Rate</td> <td>-0.0058%</td> <td>Risk Free Rate Description</td> <td colspan="3">Fed Funds Open</td> </tr> </table>								Collateral Yield	0.4156%	Investment Vehicle Name	Quality D			Average Risk Free Rate	0.1325%	Collateral Currency	USD			Weighted Average Rebate Rate	-0.0058%	Risk Free Rate Description	Fed Funds Open		
Collateral Yield	0.4156%	Investment Vehicle Name	Quality D																						
Average Risk Free Rate	0.1325%	Collateral Currency	USD																						
Weighted Average Rebate Rate	-0.0058%	Risk Free Rate Description	Fed Funds Open																						
US CORP BOND & EQUITY	51,197.37	68,277.22	66.14	28.31	29,229.44	37.82	39,047.78																		
US GOVERNMENT	61,949.53	80,149.16	29.43	28.31	77,106.95	1.12	3,042.21																		
NON-US EQUITY	35,167.07	45,976.89	53.82	28.31	24,186.36	25.51	21,790.53																		
NON-US FIXED INCOME	264.15	352.48	31.18	28.31	320.07	2.87	32.41																		
Total CASH for Quality D	148,578.12	194,755.75	42.14	28.31	130,842.83	13.83	63,912.92																		
Total CASH	155,638.63	204,125.27			139,427.85		64,697.42																		



4th Qtr 2009 Non-Cash Income Attribution Summary

Program	Client Earnings	Net Earnings	Net Spread	Collateral Spread		Funding Spread	
				Basis Points	Portion of Earnings	Basis Points	Portion of Earnings
Non-cash Activity							
US CORP BOND & EQUITY	0.76	1.01	9.97	0.00	0.00	9.97	1.01
Total NON-CASH	0.76	1.01	9.97	0.00	0.00	9.97	1.01
Grand Total	155,639.39	204,126.28			139,427.85		64,698.43

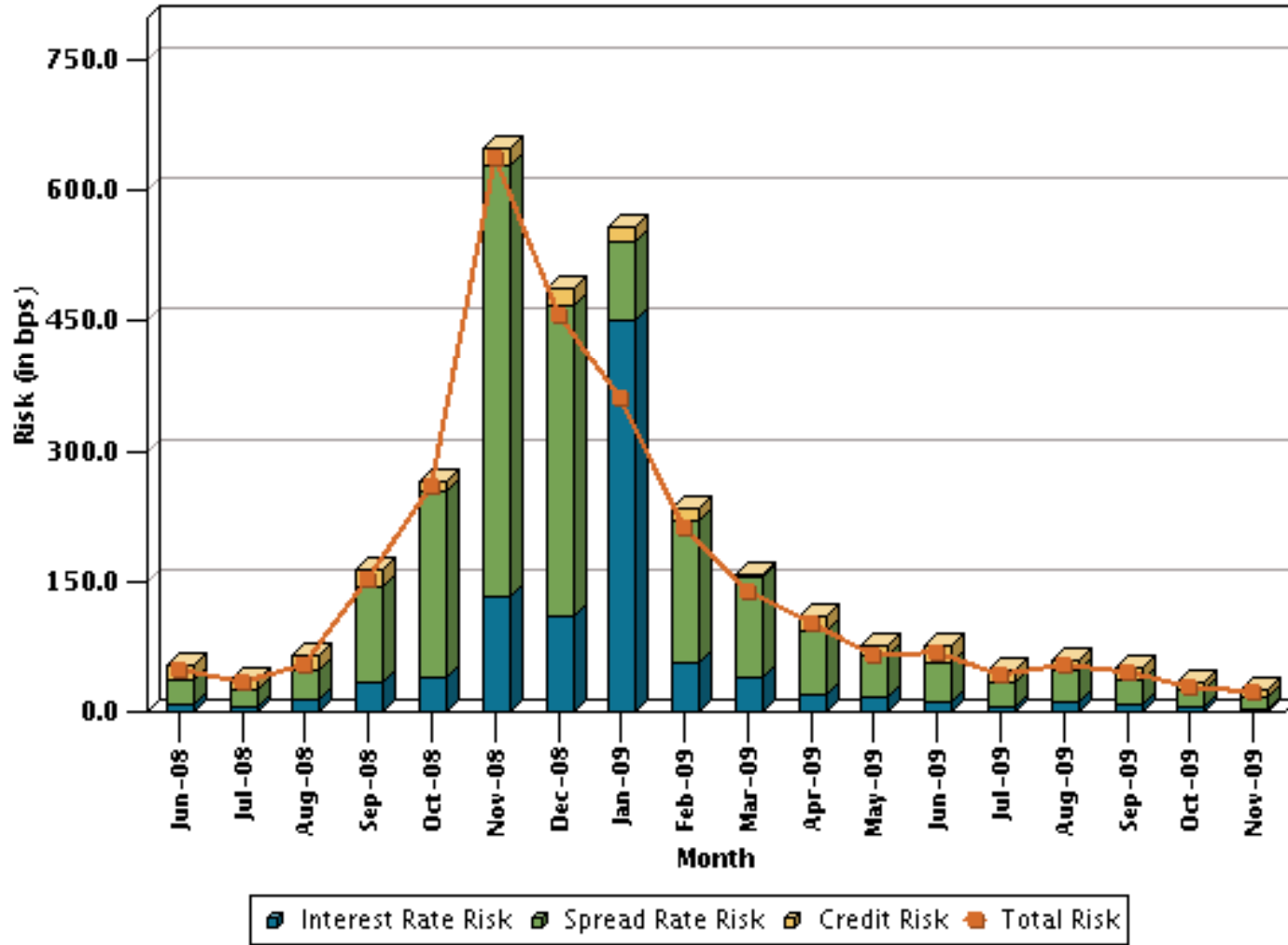


4th Qtr 2009 Basis Point Return Summary

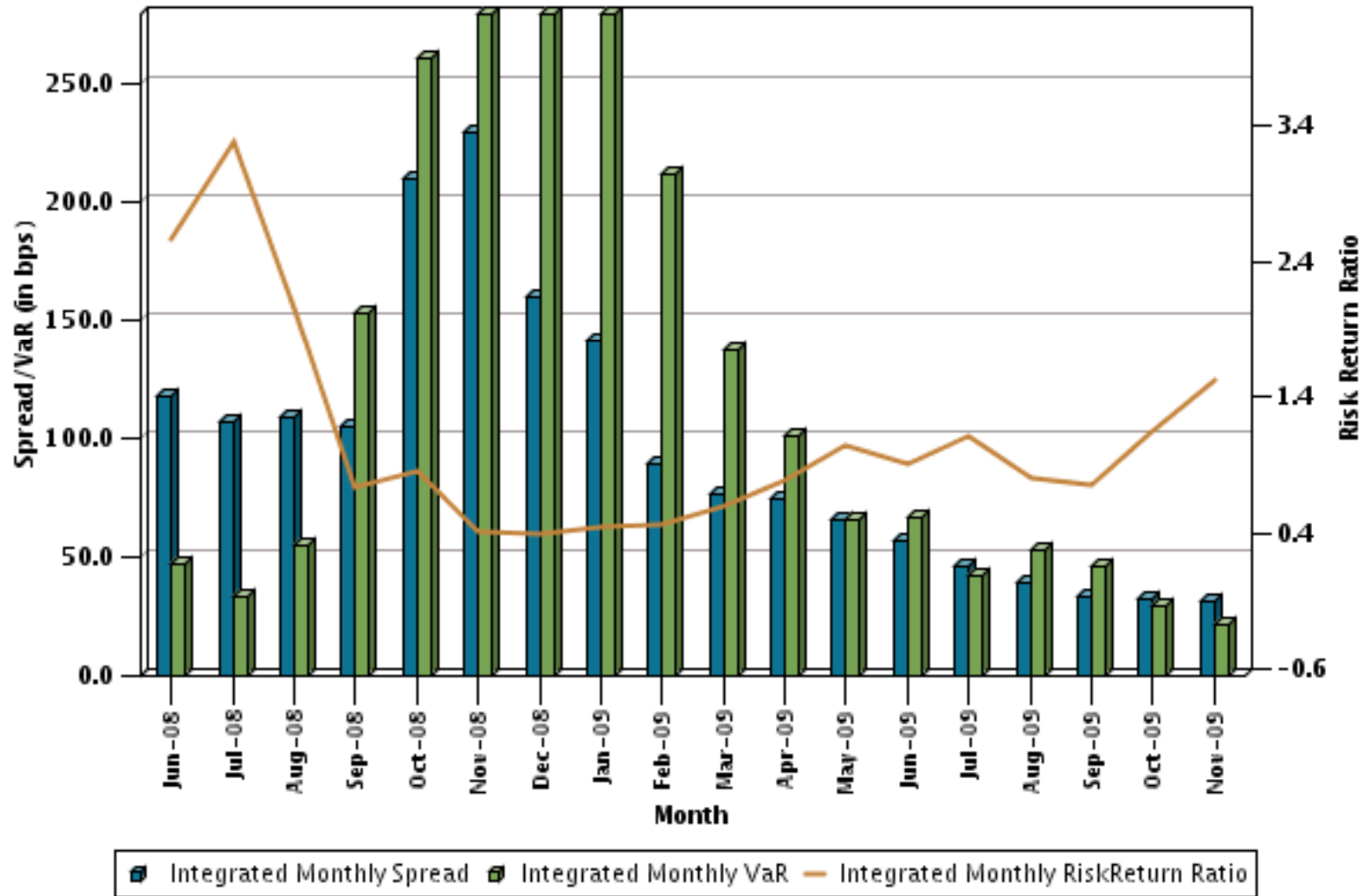
Program	Average Lendable Assets	Average Collateral Balance	Average On-Loan Balance	Percent On Loan		Client Earnings	Net Earnings	Basis Points		
				Client	Program			Return	Spread	Net Program Spread
US CORP BOND & EQUITY	174,950,183	40,623,028	39,800,545	22.7%	9.7%	51,198.13	68,278.23	15.33	66.13	51.22
US GOVERNMENT	128,288,369	106,564,987	104,431,384	81.4%	54.6%	61,949.53	80,149.16	24.45	29.43	31.30
NON-US EQUITY	217,710,952	38,941,717	36,881,496	16.9%	11.6%	35,809.01	46,793.92	9.29	53.56	68.69
NON-US FIXED INCOME	55,521,482	10,021,526	9,843,465	17.7%	20.8%	6,682.71	8,904.96	6.67	35.67	28.33
Total	576,470,986	196,151,257	190,956,890	33.1%	17.6%	155,639.39	204,126.28	14.47	41.84	41.89



Securities Lending Risk Attribution



Securities Lending Risk to Return Analysis





Securities Lending Earnings by Fund

Fund No. - Name ▼ ▲	Contract Amount ▼ ▲	Net Spread ▼ ▲	Client Earnings		
			Daily ▼ ▲	MTD ▼ ▲	YTD ▼ ▲
Totals for EUR [FX to USD=1.43355]	8,610,875	39.17	72.99	1,389.25	20,992.13
MF38-Brandes Investment Partners	1,422,013	35.27	11.14	119.12	840.85
MF39-Capital Guardian	0	0	0	0	2,816.34
MF42-Goldman Sachs Asset Management	5,824,552	40.08	49.95	1,020.08	15,252.70
MF48-MacKay Shields US Fixed Income	56,345	56.23	0.66	43.86	838.07
MF51-Mondrian	0	0	0	0	314.1
MF54-OECHSLE Int'l Advisors	1,307,965	38.67	11.24	206.19	595.3
MF57-BRANDES INVESTMENT PART LLC	0	0	0	0	334.77
Totals for USD [FX to USD=1.0]	126,150,615	49.43	1,362.45	45,681.42	1,333,518.80
MF38-Brandes Investment Partners	6,935,939	63.79	95.24	2,079.45	112,188.65
MF39-Capital Guardian	0	0	0	0	111,929.20
MF41-Brandywine Asset Management	0	0	0	0	61,253.73
MF42-Goldman Sachs Asset Management	1,437,190	32.71	10.38	316.73	3,660.49
MF48-MacKay Shields US Fixed Income	23,626,882	105.55	519.44	15,209.15	159,232.11
MF51-Mondrian	6,898,190	35.25	53.08	1,515.45	91,527.47
MF54-OECHSLE Int'l Advisors	8,679,249	28.98	55.9	8,268.47	151,959.85
MF55-MAZAMA CAPITAL MANAGEMENT	0	0	0	0	216,485.39
MF57-BRANDES INVESTMENT PART LLC	0	0	0	0	43,635.62
MF60-AIG	0	0	0	0	89,723.74
MF67-Lord Abbett	5,455,545	35.48	40.29	1,300.40	23,328.21
MF68-San Bernadino County ERA	73,117,620	35.07	588.12	16,991.77	268,594.34



Securities Litigation Summary

Securities litigation claims paid in the 4th quarter of 2009 totaled \$381,566.73.

The largest amounts received from any settlements during the period totaled \$170,858.49, from Enron Corp. and \$127,105.39, from Xerox Corp.

At present thirty-nine (39) litigation claims are on file or pending.



Securities Litigation Claims Paid in 4th Quarter 2009

<u>SECURITY DESCRIPTION</u>	<u>CLASS PERIOD</u>	<u>CHECK DATE</u>	<u>SETTLEMENT AMOUNT</u>
Hanover Securities(2nd payment)	5/4/1999-12/23/2002	10/20/2009	\$ 29.69
Coca Cola	10/21/99 - 3/6/00	10/21/2009	\$ 757.19
Coca Cola	10/21/99 - 3/6/00	10/21/2009	\$ 23,329.88
Coca Cola	10/21/99 - 3/6/00	10/21/2009	\$ 22,416.38
HCA Inc	1/12/05 - 7/12/05	10/23/2009	\$ 1,366.89
AT&T/SBC Communications(2nd pa	11/29/99 - 10/25/00 (6/14/02)	10/27/2009	\$ 144.54
Suprema Special Ties	9/27/00 - 12/21/01	11/16/2009	\$ 5,806.35
UnitedHealth Group	1/20/05 - 5/17/06	12/18/2009	\$ 3,472.99
UnitedHealth Group	1/20/05 - 5/17/06	12/18/2009	\$ 12,558.00
Genta Inc	12/14/00 - 5/3/04	12/22/2009	\$ 1,989.07
Enron Corp/Marlin Water(2nd payme	9/9/97 - 12/2/01	12/23/2009	\$ 60,287.99
Enron Corp/ Yosemite Sec Trust(2n	9/9/97 - 12/2/01	12/23/2009	\$ 46,005.10
Enron Corp(2nd payment)	9/9/97 - 12/2/01	12/23/2009	\$ 64,565.40
Xerox Corp	2/17/98 - 6/27/02	12/24/2009	\$ 63,225.61
Xerox Corp	2/17/98 - 6/27/02	12/24/2009	\$ 10,808.47
Xerox Corp	2/17/98 - 6/27/02	12/24/2009	\$ 53,071.31
Bank One Corp	8/6/98-10/1/98	12/29/2009	\$ 11,679.21
Medquist Inc(2nd payment)	3/29/00 - 6/14/04	12/29/2009	\$ 52.66
TOTAL			\$ 381,566.73



Claims Filed or Pending at end of 4th Quarter 2009

ACCREDITED MTG LN REIT TR
ADELPHIA COMMUNICATIONS CORP
AIG MATCHED FUNDING CORP
APPLIED BIOSYSTEMS INC
BEAZER
BRIDGESTON
CHEMTURA CORP
COLLINS AIKMAN PRODUCTS
COMVERSE TECHNOLOGY INC
CONAGRA INC
CONVERIUM HOLDINGS
DELL COMPUTER CORP
Delphi Corp
DHB Industries Inc
GENERAL MTRS ACCEP CORP MTN
HealthSouth Corp
Initial Public Offering Securities Litigation
ITG
LDK SOLAR CO LTD ADR
MERRILL LYNCH + CO INC

MILLS CORP
NATIONAL CITY CORP
OPENWAVE SYS INC
QUEST SOFTWARE INC
QWEST CAP FDG INC
R + G FINANCIAL CORP
Rambus, Inc
RenaissanceRe Holdings, Ltd
ROYAL DUTCH PETROL
SCHERING AG
SCOTTISH RE GROUP LIMITED
SHELL TRNSPT+TRDG
SOURCECORP INC
STONE ENERGY CORP
SYNTAX BRILLIAN CORP
TELIK INC
Tyco International Ltd. (Merri
UNITED RENTALS HLDGS INC
Zale Corp



Commission Recapture Summary

The total commissions generated by the Fund's managers tracked in the commission recapture program equaled \$120,024 for the 4th quarter of 2009. Of this amount, approximately 1% or \$1,101 was directed through the Russell Brokerage Network. The net amount of commissions recaptured by the Fund through the program for the period was \$482.25.

Brandes made the largest contribution to the program's performance for the quarter. The manager directed 11%, of all trades through the Russell network and was responsible for approximately 88% of the total earnings from the program during the quarter.

The commission recapture program continued its decline as a result of the terminations of equity managers. Modest returns from the program can be expected going forward.

Trading through the Russell Brokerage Network for our international equity managers remains limited at this time.



Commission Tracking Report

Commission Tracking Report

Reported in U.S. Dollars

San Bernardino County Employee Retirement Association

Global Equity Commissions

Manager	Target Percent	Fourth Quarter, 2009			12 Months to Fourth Quarter, 2009		
		Total Commission	Russell Network	Participation Percent	Total Commission	Russell Network	Participation Percent
BRANDES INVESTMENT	25%	8,089	907	11%	75,254	2,929	4%
CAPITAL GROUP INC	20%	81,465	194	0%	148,599	4,688	3%
MONDRIAN INV PART	25%	24,735	0	0%	110,386	0	0%
OECHSLE INTL ADV	25%	5,735	0	0%	21,600	0	0%
Totals		\$ 120,024	\$ 1,101	1%	\$ 355,839	\$ 7,617	2%



Commission Recapture Net Quarterly Totals by Manager

Commission Credits - Savings by Manager

Period Ending: 12/31/2009
Amounts reported in USD

San Bernardino County Employee Retirement Association

Managers	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Total
Brandes Investment Partners, LP	133.31	406.68	0.00	251.62	0.00	0.00	0.00	0.00	196.23	0.00	8.24	415.79	1,411.87
Brandywine Asset Management Inc.	95.67	150.00	1,243.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,488.84
Capital Group Companies, Inc., The	401.76	177.15	195.07	352.98	468.07	255.15	329.16	131.87	58.70	0.00	39.21	19.01	2,428.13
Mazama Capital Management, Inc.	4,689.90	2,735.25	3,841.50	978.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,244.65
Total Credits	5,320.64	3,469.08	5,279.74	1,582.60	468.07	255.15	329.16	131.87	254.93	0.00	47.45	434.80	17,573.49
Total Credits by Quarter	14,069.46			2,305.82			715.96			482.25			

The total reported savings since beginning the program with Russell in the 2nd quarter of 2002 now stands at \$1,667,363.



Proxy Voting Summary

Glass-Lewis provides a comprehensive proxy voting and vote tracking system to SBCERA.

The firm votes the Fund's shares in all global markets wherein the voting of proxies does not create a liquidity restriction, due to share blocking, on the shares voted.

As per SBCERA's proxy voting policy, shares are generally voted in support of management except in circumstances where management's recommendations are counter to shareholders interests or sound corporate governance.

The following pages provide a statistical summary of the votes made during the 4th Quarter.



4Q 2009 Glass-Lewis Proxy Votes Statistical Summary

Proxy Voting Management Report

Voting Statistics, By Issue

Votes in Meetings Held Between October 01, 2009 and December 31, 2009

Issue	Description	Proposals (Total)	For Votes	% For	Against Votes*	% Against	Abstain Votes	% Abstain	No Votes	% No Votes	With Mgmt	% With Mgmt	With Policy	% With Policy
Allocation of profits/Financial Statements														
	Allocation of Profits/Dividends	7	6	85.7%	0	0.0%	1	14.3%	0	0.0%	6	85.7%	7	100.0%
	Bonus Dividend/Bonus Share Issue	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Financial Statements	11	8	72.7%	0	0.0%	3	27.3%	0	0.0%	8	72.7%	11	100.0%
	Stock Dividend/Dividend Reinvestment	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Category Summary: Allocation of profits/Financial Statements	20	16	80.0%	0	0.0%	4	20.0%	0	0.0%	16	80.0%	20	100.0%
Auditor														
	Appointment of Auditor	3	3	100.0%	0	0.0%	0	0.0%	0	0.0%	3	100.0%	3	100.0%
	Appointment of Auditor and Authority to Set Fees	3	3	100.0%	0	0.0%	0	0.0%	0	0.0%	3	100.0%	3	100.0%
	Authority to Set Auditor's Fees	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	2	100.0%
	Category Summary: Auditor	8	8	100.0%	0	0.0%	0	0.0%	0	0.0%	8	100.0%	8	100.0%
Board														
	Board Size	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Election of Directors	81	75	92.6%	5	6.2%	1	1.2%	0	0.0%	75	92.6%	81	100.0%
	Election of Directors (Slate)	1	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	1	100.0%
	Election of Statutory Auditors	7	6	85.7%	0	0.0%	1	14.3%	0	0.0%	6	85.7%	7	100.0%
	Misc. Management Proposal Regarding Board	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	2	100.0%
	Category Summary: Board	92	84	91.3%	5	5.4%	3	3.3%	0	0.0%	84	91.3%	92	100.0%
Change in Authorized Capital Stock														
	Authority to Repurchase Shares	11	11	100.0%	0	0.0%	0	0.0%	0	0.0%	11	100.0%	11	100.0%
	Cancellation of Authorized Stock	7	7	100.0%	0	0.0%	0	0.0%	0	0.0%	7	100.0%	7	100.0%
	Increase in Authorized Capital	7	4	57.1%	3	42.9%	0	0.0%	0	0.0%	4	57.1%	7	100.0%
	Increase in Authorized Preferred Stock	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Issuance of Repurchased Shares	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Category Summary: Change in Authorized Capital Stock	27	24	88.9%	3	11.1%	0	0.0%	0	0.0%	24	88.9%	27	100.0%



4Q 2009 Glass-Lewis Proxy Votes Statistical Summary

Issue	Description	Proposals (Total)	For Votes	% For	Against Votes*	% Against	Abstain Votes	% Abstain	No Votes	% No Votes	With Mgmt	% With Mgmt	With Policy	% With Policy
Change in Governance Structure														
	Misc. Proposal Regarding Antitakeover Devices	1	0	0.0%	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%
	Category Summary: Change in Governance Structure	1	0	0.0%	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%
Compensation														
	Compensation Policy	9	7	77.8%	2	22.2%	0	0.0%	0	0.0%	7	77.8%	9	100.0%
	Directors' Fees	4	3	75.0%	0	0.0%	1	25.0%	0	0.0%	3	75.0%	4	100.0%
	Related Party Transactions	5	4	80.0%	0	0.0%	1	20.0%	0	0.0%	4	80.0%	5	100.0%
	Stock Option Grants	2	1	50.0%	1	50.0%	0	0.0%	0	0.0%	1	50.0%	2	100.0%
	Stock Option Plan	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Category Summary: Compensation	21	16	76.2%	3	14.3%	2	9.5%	0	0.0%	16	76.2%	21	100.0%
Financing Transaction														
	Issuance of Convertible Debt Instruments	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Issuance of Debt Instruments	2	1	50.0%	0	0.0%	1	50.0%	0	0.0%	1	50.0%	2	100.0%
	Category Summary: Financing Transaction	3	2	66.7%	0	0.0%	1	33.3%	0	0.0%	2	66.7%	3	100.0%
Issuance of Stock by Non-US Company														
	Authority to Issue Shares w/ Preemptive Rights	9	7	77.8%	2	22.2%	0	0.0%	0	0.0%	7	77.8%	9	100.0%
	Authority to Issue Shares w/o Preemptive Rights	8	7	87.5%	1	12.5%	0	0.0%	0	0.0%	7	87.5%	8	100.0%
	Authority to Issue Stock w/ or w/out Preemptive Rights	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Issuance of Stock w/ Preemptive Rights	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	2	100.0%
	Issuance of Stock w/out Preemptive Rights	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Category Summary: Issuance of Stock by Non-US Company	21	18	85.7%	3	14.3%	0	0.0%	0	0.0%	18	85.7%	21	100.0%
Mgmt Proposal Regarding Misc.														
	Amendment to Par Value	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Approval of Political Donation	3	3	100.0%	0	0.0%	0	0.0%	0	0.0%	3	100.0%	3	100.0%
	Misc. Proposal Regarding Capital	2	1	50.0%	0	0.0%	1	50.0%	0	0.0%	1	50.0%	2	100.0%
	Reduction in Share Premium Account	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Right to Adjourn Meeting	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	2	100.0%
	Routine Meeting Item	14	14	100.0%	0	0.0%	0	0.0%	0	0.0%	14	100.0%	14	100.0%
	Category Summary: Mgmt Proposal Regarding Misc.	23	22	95.7%	0	0.0%	1	4.3%	0	0.0%	22	95.7%	23	100.0%



4Q 2009 Glass-Lewis Proxy Votes Statistical Summary

Issue	Description	Proposals (Total)	For Votes	% For	Against Votes*	% Against	Abstain Votes	% Abstain	No Votes	% No Votes	With Mgmt	% With Mgmt	With Policy	% With Policy
Miscellaneous														
	OTHER	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	1	100.0%
	Category Summary: Miscellaneous	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	1	100.0%
Other Amendment to Charter														
	Adoption of New Articles	3	1	33.3%	2	66.7%	0	0.0%	0	0.0%	1	33.3%	3	100.0%
	Amend Articles, Constitution, Bylaws - Bundled	4	3	75.0%	1	25.0%	0	0.0%	0	0.0%	3	75.0%	4	100.0%
	Amendments to Articles (Technical)	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	2	100.0%
	Amendments to Articles, Constitution, Bylaws	8	4	50.0%	3	37.5%	1	12.5%	0	0.0%	4	50.0%	8	100.0%
	Category Summary: Other Amendment to Charter	17	10	58.8%	6	35.3%	1	5.9%	0	0.0%	10	58.8%	17	100.0%
Strategic Transaction or Restructuring														
	Divestiture/Spin-off	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Intra-company Contracts/Control Agreements	4	1	25.0%	3	75.0%	0	0.0%	0	0.0%	1	25.0%	4	100.0%
	Joint Venture/Strategic Alliance	2	2	100.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	2	100.0%
	Merger/Acquisition	10	9	90.0%	1	10.0%	0	0.0%	0	0.0%	9	90.0%	10	100.0%
	Misc. Proposal Regarding Restructuring	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100.0%
	Category Summary: Strategic Transaction or Restructuring	18	14	77.8%	4	22.2%	0	0.0%	0	0.0%	14	77.8%	18	100.0%

*For election of directors proposals, this column includes votes withheld as well as votes against.



Compliance Summary

The manager tracking sheet included in this section provides an overview of the alerts noted in the Fund's compliance monitoring program.

The tracking and compliance monitoring program is also being utilized to provide additional insight to Kreischer, Miller & Co. prior to their manager visits. This integrated process along with the guideline monitoring program and ongoing due diligence serves as a valuable part of a comprehensive manager compliance monitoring program.



Manager Tracking Report Guideline Compliance Review

Portfolio Manager	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Domestic Equities												
International Equities												
Capital Guardian Trust Company	1	1	1	1	1						1	N/A
Oechsle International Advisors, LLC	3	3	3	3	3	3	3	3	3	3	3	3
Brandes Investment Partners, L.P.										6		
Mondrian Investment Partners Ltd (1)												
Domestic Debt												
MacKay Shields							5	5	5	5	5	5
International Debt												
Goldman Sachs Asset Mgt.	2	2	2	2,4	2,4	2,4	2	2,4	2,4	2,4	2,4	2,4

Notes:

- 1 - Maximum 5% allocated to cash at market value
- 2 - Emerging market debt/Brady bonds prohibited
- 3 - The use of derivatives is prohibited
- 4 - Minimum Portfolio credit quality rating B/B2
- 5 - Maximum 20% of the portfolio at time of purchase may be rated below B- or B3 non-rated
- 6 - Maximum allocated to one industry - Greater of 20% at MV or no more than 1p5X MSCI World Ex-US weigh



Manager Tracking Report

Guideline Compliance Review

Guideline Compliance Detail

- Jan:** Capital Guardian – Manager holding 7% cash within portfolio. Alert was reviewed and investment staff authorized the increased cash position. This authorization allowed the manager to outperform their benchmark.
Oechsle – Alert triggered by rights issued with the purchase of a security. The security in question is Fortis with rights that expire in July 2014. Reviewed and determined to be allowable.
Goldman Sachs – Alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
- Feb:** Capital Guardian – Repeat alert Manager holding 7% cash within portfolio, alert determined to be allowable.
Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
- Mar:** Capital Guardian – Repeat alert Manager holding 7% cash within portfolio, alert determined to be allowable.
Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
- Apr:** Capital Guardian – Repeat alert Manager holding 7% cash within portfolio, alert determined to be allowable.
Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
Goldman Sachs – Minimum Portfolio credit quality rating B/B2
- May:** Capital Guardian – Repeat alert Manager holding 7% cash within portfolio, alert determined to be allowable.
Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
Goldman Sachs – Minimum Portfolio credit quality rating B/B2.
- Jun:** Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
Goldman Sachs – Minimum Portfolio credit quality rating B/B2.
- Jul:** Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
Goldman Sachs – Minimum Portfolio credit quality rating B/B2.
MacKay Shields – 21.9% of the portfolio is rated B- or B3 or non-rated.
- Aug:** Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
Goldman Sachs – Minimum Portfolio credit quality rating B/B2.
MacKay Shields – Repeat alert 22.9% of the portfolio is rated B- or B3 or non-rated.
- Sept:** Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
Goldman Sachs – Minimum Portfolio credit quality rating B/B2. This portfolio is currently being liquidated.
MacKay Shields – Repeat alert 22.8% of the portfolio is rated B- or B3 or non-rated.



Manager Tracking Report

Guideline Compliance Review

Guideline Compliance Detail, cont.

- Oct:** Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
 Brandes – Alert triggered due to Telecom industry weighting of 20.060% in the portfolio. Reviewed and determined to be allowable.
 Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
 Goldman Sachs – Minimum Portfolio credit quality rating B/B2. This portfolio is currently being liquidated.
 MacKay Shields* – Repeat alert 21.3% of the portfolio is rated B- or B3 or non-rated.
- Nov:** Capital Guardian – High percentage of cash in portfolio due to liquidation of account. Reviewed and determined to be allowable.
 Oechsle – Alert triggered by rights issued with the purchase of a security. Securities in question are: Fortis with rights that expire, 07/04/2014, ING Groep with rights that expire 12/15/2009, Lloyds Banking Group with rights that expire 12/11/2009, DNB NOR ASA with rights that expire 12/10/2009. Reviewed and determined to be allowable.
 Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
 Goldman Sachs – Minimum Portfolio credit quality rating B/B2. This portfolio is currently being liquidated.
 MacKay Shields* – Repeat alert 21.72% of the portfolio is rated B- or B3 or non-rated.
- Dec:** Oechsle – Repeat alert triggered by rights issued with the purchase of a security. Reviewed and determined to be allowable.
 Goldman Sachs – Repeat alert due to manager holding emerging market debt. Reviewed and determined to be allowable.
 Goldman Sachs – Minimum Portfolio credit quality rating B/B2. This portfolio is currently being liquidated.
 MacKay Shields* – Repeat alert 22.3% of the portfolio is rated B- or B3 or non-rated.

*MacKay Shields repeat alerts are due to an outdated guideline that is being updated to reflect the most current guideline instructions – “The portfolio must maintain at least a B- average credit quality.”