VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

FEBRUARY 25, 2008

MINUTES

DIRECTORS PRESENT:	Tracy Towner, Chair, Safety Employee Member William W. Wilson, Vice Chair, Public Member Lawrence L. Matheney, Treasurer, Ex-officio Member Peter C. Foy, Public Member Albert G. Harris, Public Member Joseph Henderson, Public Member Karen Becker, General Employee Member Robert Hansen, General Employee Member Arthur E. Goulet, Retiree Member Chris Johnston, Alternate Employee Member
DIRECTORS ABSENT:	Will Hoag, Alternate Retiree Member
STAFF PRESENT:	Tim Thonis, Retirement Administrator Lori Nemiroff, Assistant County Counsel Walter Lauzon, Chief Financial Officer
PLACE:	Ventura County Employees' Retirement Association Second Floor Boardroom 1190 South Victoria Avenue Ventura, CA 93003
TIME:	9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Towner called the Business Meeting of February 25, 2008, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Mr. Harris moved, seconded by Mr. Matheney, to approve the agenda.

Motion passed.

III. APPROVAL OF MINUTES

A. Disability Meeting of February 4, 2008.

Mr. Goulet moved, seconded by Mr. Harris, to approve the Minutes for the Disability Meeting of February 4, 2008.

Motion passed.

IV. CONSENT AGENDA

A. Regular and Deferred Retirements and Survivors Continuances for the Month of January 2008.

B. Statement of Plan Assets, Statement of Changes in Plan Net Assets, Summary of Investments and Cash Equivalents and Schedule of Investment Manager Fees for the Month Ended January 31, 2008.

C. Report of Checks Disbursed in January 2008.

D. Budget Summary for the Month Ended January 31, 2008, Fiscal-Year 2007-08.

E. Barclays Global Investors Report for the U.S. Equity Index Fund, Extended Equity Market Fund, U.S. Debt Index Fund, ACWI EX-US Fund for the Month Ended January 31, 2008.

F. UBS Real Estate Report for the Quarter Ended December 31, 2007.

G. Prudential PRISA Real Estate Report for the Quarter Ended December 31, 2007.

H. RREEF Flash Report for the Month Ended December 31, 2007.

I. Guggenheim Real Estate Report for the Quarter Ended December 31, 2007.

IV. CONSENT AGENDA (continued)

Mr. Matheney moved, seconded by Mr. Henderson, to approve the Consent Agenda.

Motion passed.

V. INVESTMENT INFORMATION

A. EnnisKnupp & Associates, Kevin Vandolder and Dessy Leintz.

1. 2007 Capital Markets Review.

Mr. Vandolder introduced Dessy Leintz from EnnisKnupp's non-U.S. Equity group who was present to assist in the evaluation of Capital Guardian and to provide additional insight into the non-U.S. Equity competitive review.

Mr. Vandolder reviewed the decreased returns in the domestic and international equity markets in 2007 and discussed the recent financial market meltdown. In summary, except for the Western Index Plus strategy, VCERA's active managers performed relatively well during the down period. Mr. Vandolder cited the volatility levels in the current market by referencing the trading band that currently exists for the Dow Jones Index.

According to Mr. Vandolder, large cap growth stocks were the best performing market segment with a return of 12.2% while small cap value returns were -9.8%. In terms of sector returns, utilities, technology and energy names were the best performers with financial and consumer durables the worst performing sectors. The sector returns were reflective in VCERA's domestic equity portfolio as Delta's returns benefited from an overweight to technology, Wasatch benefited from stock selection in underperforming categories such as transportation and LSV's returns were hindered by significant exposure to financials.

In terms of the market's P/E ratio, one could argue that the market is trading at fair value although some portfolio managers, such as Jeremy Grantham from GMO, argue that the market is currently expensive. Mr. Wilson questioned what the impact would be on the analysis of P/E ratios if one utilized forward looking earnings rather than trailing earnings.

Mr. Vandolder also reviewed the performance non-U.S. stocks by country noting that Capital Guardian's underperformance was attributable to their overweight to Japan. Japan was, according to Mr. Vandolder, the worst performing major market worldwide. Sprucegrove's underperformance

V. INVESTMENT INFORMATION (continued)

A. EnnisKnupp & Associates. (continued)

could be attributable to an overweight to U.K. stocks. Mr. Vandolder also reviewed the impact of the U.S. Dollar on MSCI EAFE returns.

Mr. Vandolder discussed the potential for investing in frontier markets such as Bulgaria and also discussed the normal, or upward sloping, yield curve. The shape would indicate a favorable market condition according to Mr. Vandolder with a future hope that the long end of the curve would come down and mortgage rates would decrease.

Mr. Vandolder also reviewed the four factors behind the sub-prime crisis. The factors include rising interest rates, price declines in housing markets, lax lending standards and securitization of debt. Spreads levels are, according to Mr. Vandolder, at depression levels even though corporate balance sheets and the global economy remain relatively strong.

Mr. Vandolder continued by reviewing macroeconomic factors such as inflation and unemployment. In summary, Mr. Vandolder noted that long term investors experience down markets 3 out of every 10 years with current markets indicating that, based upon P/E ratios, stocks are not at extremes in terms of valuations. Mr. Vandolder also noted that many insiders such as CEOs and CFOs were holding and/or buying company stock which may indicate an upcoming bullish period.

Mr. Harris questioned the impact of the Federal Reserve's recent actions on the banking system.

2. Performance Report – Fourth Quarter 2007.

Returns for the total portfolio in the fourth quarter of 2007 were -1.2% on an absolute basis and trailed the policy portfolio by 50 basis points (.50%). For the one year period ending December 31, 2007, VCERA's total portfolio return was 6.9% versus the policy portfolio's return of 8.5%. The underperformance was attributable to the poor performance of VCERA's active managers relative to their respective benchmarks.

Within the domestic equity portfolio, Delta Asset Management added 340 basis points (3.40%) and Wasatch 240 basis points (2.40%). LSV and Western detracted from VCERA's relative performance as LSV underperformed its performance benchmark by 170 basis points (1.70%) and Western underperformed its benchmark by 420 basis points (4.20%).

V. INVESTMENT INFORMATION (continued)

A. EnnisKnupp & Associates. (continued)

Mr. Johnston questioned the universe ranking of the passive indices and it was noted that one needed to consider "survivorship bias" when evaluating the universe rankings.

Mr. Vandolder noted the importance of considering the timing of a manager hiring when evaluating performance. For example, both LSV and Wasatch struggled early in their relationship with VCERA and added significant value later in later periods. Recently, both managers have struggled.

Mr. Vandolder provided the Board with a handout from Western Asset Management that illustrated why the Index Plus product was underperforming. EnnisKnupp and staff had previously reviewed the document in a conference call with representatives from Western. According to Western, the portfolio is currently yielding 7.80% and if Western holds the securities to maturity over the next 3 years, then VCERA should recognize, on average, 3% to 3.5% return over LIBOR.

3. Monthly Investment Performance Update.

Mr. Vandolder reviewed VCERA's performance for the month of January noting that the active managers provided downside protection. The total return of the portfolio for the month was -3.70%, while the policy portfolio returned -4.0%.

On an individual manager basis, Delta provided downside protection due to an overweight of consumer staples, LSV protected value by its low P/E high dividend strategy and Wasatch's stock picking added relative value. Internationally, both Sprucegrove and Capital Guardian outperformed their respective benchmark. Western's fixed income portfolio outperformed the Lehman Aggregate by 60 basis points, while Reams underperformed due primarily to the short duration of its portfolio.

Mr. Hansen and Ms. Leintz provided their views and insights on Capital Guardian's recent and long-term performance.

Mr. Towner noted the negative impact of active management in VCERA's portfolio especially over the shorter time frames. Mr. Vandolder responded by referring the Board to VCERA's historical returns focusing on the benefits provided by active management during down or poor investment years.

V. **INVESTMENT INFORMATION (continued)**

A. EnnisKnupp & Associates. (continued)

4. Monthly Manager Updates/Summary, January 2008.

    a. Delta
    b. LSV
    c. Wasatch
    d. Sprucegrove
    e. Capital Guardian
    f. GMO
    g. Wellington
    h. Western
    i. Reams
    j. Loomis Sayles

5. Capital Markets Modeling Assumptions.

6. Memorandum – Acadian 130-30 High Water Mark.

Mr. Vandolder provided background information on the Acadian Memorandum discussing Acadian's internal mandate not to offer high water marks to future clients and the fact that Acadian initially believed VCERA wished to invest in the 130:30 strategy through a separate account structure. Mr. Vandolder noted that a side letter to the agreement was necessary because VCERA wished to invest through Acadian's commingled fund. Mr. Vandolder indicated that it was his opinion that Acadian met VCERA halfway in terms of the performance fee high water mark and it was important to note that incentive fees would be only collected once on every dollar gained relative the benchmark.

Mr. Wilson moved, seconded by Mr. Harris, to move forward with funding Acadian, subject to approval of the investment management contract and side letter.

Motion Passed.

7. Non-U.S. Equity Manager Competitive Review.

Ms. Leintz discussed EnnisKnupp's Competitive Review of International Equity Managers focusing her comments on the competitive advantages exhibited by Julius Baer, Walter Scott and Thornburgh. According to Ms. Leintz, Julius Baer's investment process is driven by fundamental research

V. **INVESTMENT INFORMATION (continued)**

A. EnnisKnupp & Associates. (continued)

with a top down approach focusing on macroeconomic views of certain countries to identify pockets of valuation. This approach is then complemented by their stock selection process. Ms. Leintz noted that Julius Baer's approach contrasts with Capital Guardian's bottom up approach to international equity investing with another difference being the level of investment in emerging markets which approaches 30% at Julius Baer versus 20% at Capital Guardian. Further, Ms. Leintz noted that Julius Baer's opportunistic approach would complement Sprucegrove's deep value approach.

Walter Scott, according to Ms. Leintz, is a bottom up manager with a similar approach to Capital Guardian that has struggled recently due to their Japanese holdings and investments. Ms. Leintz noted that Walter Scott focuses on an absolute return strategy aimed to generate long term real rates of return in the 7%-10% range and tends to be agnostic towards the benchmark. Further, Walter Scott focuses on the developed markets and underweights emerging markets.

Mr. Wilson questioned Walter Scott's performance numbers.

Thornburgh Investment Management utilizes both qualitative and quantitative methods to achieve their performance targets and typically holds 50-60 names within the portfolio, according to Ms. Leintz.

Mr. Vandolder summarized the competitive review by indicating that Thornburgh and Julius Baer were the most compelling managers included in the review.

8. Equity Structure Scenarios.

Mr. Vandolder reviewed the Equity Structure Scenarios beginning with the VCERA's current investment structure and with scenario #1 illustrating the previously approved 65:35 split between domestic equity and international equity. Scenario #2 illustrates the previously approved changes to increase the Global Equity funding and manager restructuring that was approved at the Board retreat in October. Scenario #3 illustrates what VCERA's funding levels would be if the Board wished to reduce its active manager risk levels.

Mr. Wilson questioned what would occur if Julius Baer or Thornburgh were included in Scenario #3. Mr. Vandolder responded that the inclusion of either manager did not change the risk characteristics of the portfolio.

V. INVESTMENT INFORMATION (continued)

A. EnnisKnupp & Associates. (continued)

The Board then discussed the retention of Capital Guardian with Ms. Leintz providing background on the ownership changes at Julius Baer in response to a question from Mr. Goulet.

Mr. Harris noted Capital Guardian's resurgence in performance relative to the benchmark over the last three years and opined that it would be a mistake to terminate the relationship now. Mr. Matheney noted that VCERA should review Capital Guardian again in one year.

Mr. Wilson indicated that it may be appropriate to introduce a third active international equity manager into the portfolio and requested that Julius Baer and Thornburgh be considered.

Mr. Goulet and Mr. Hansen stated the Board should remain patient with Capital Guardian.

Mr. Goulet moved, seconded by Mr. Hansen, to retain Capital Guardian.

Motion Passed.

Ms. Becker questioned the funding source for a new active international equity manager and indicated that the Board needed to first make a policy decision regarding the desired level of active management.

Mr. Vandolder indicated that EnnisKnupp would provide a memorandum at the March 17, 2008 meeting to the Board regarding a future presentation schedule for Julius Baer and Thornburgh.

9. Memorandum – Capital Guardian Trust Company – All Country World Ex – U.S. Equity Stock Selection Portfolio Manager Changes.

Ms. Leintz discussed the recent portfolio management changes at GMO and Capital Guardian.

Mr. Wilson moved, seconded by Mr. Harris, to receive and file items V.A. 1-5 & 7-9.

Motion Passed.

VI. OLD BUSINESS

A. Letter from Staff Requesting Authorization to Open a Brokerage Account with Goldman Sachs.

Staff provided background on the subject and requested the Chairman be authorized to sign the letter.

Mr. Wilson moved, seconded by Mr. Harris, to authorize the Chairman to sign the Goldman Sachs letter.

Motion Passed.

VII. NEW BUSINESS

A. Letter from The Segal Company Regarding Ventura County Employees' Retirement Association Cost-of-Living Adjustments as of April 1, 2008.

Mr. Goulet moved, seconded by Mr. Harris, to adopt the letter from The Segal Company regarding the cost-of-living adjustments as of April 1, 2008.

Motion Passed.

B. Request to Attend Wharton School Investment Course.

Mr. Hansen moved, seconded by Mr. Matheney, to approve Ms. Becker's attendance at the Wharton School Investment Course.

Motion Passed.

VIII. INFORMATIONAL

A. Publications (Available in Retirement Office)
   1. Institutional Investor
   2. Pensions and Investments

B. Letter from Sprucegrove Regarding Update on Organizational and Product Changes.

C. Letter from Wasatch Advisors Regarding Creating a Holding Company.

D. UBS Real Estate Client Conference, April 5-9, 2008, in Scottsdale, AZ.

VIII. INFORMATIONAL (continued)

E. SACRS Public Pension Investment Management Program, June 16-18, 2008, in Berkeley, CA.

F. 2008 Investment Course Offerings at The Wharton School.

IX. PUBLIC COMMENT

None.

X. BOARD MEMBER COMMENT

Mr. Henderson requested an update from staff on the proposed funding for the STAR COLA benefit to be discussed at the April 28, 2008 special meeting.

Mr. Goulet inquired as to when the Board could expect to see a Statement of Reserves included with VCERA's monthly financial statements.

XI. ADJOURNMENT

There being no further items of business before the Board and upon the motion of Mr. Matheney, seconded by Mr. Harris, Chairman Towner adjourned the meeting at 11:20 a.m.

Respectfully submitted,

TIM THONIS, Administrator

Approved,

TRACY TOWNER, Chairman