

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

APRIL 17, 2006

MINUTES

DIRECTORS
PRESENT: William W. Wilson, Chair, Public Member
Lawrence L. Matheney, Treasurer, Ex-officio Member
Albert G. Harris, Public Member
Robert Hansen, General Employee Member
Arthur E. Goulet, Retiree Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member
Judy Mikels, Public Member
Joseph Henderson, Public Member
Karen Becker, General Employee Member

DIRECTORS
ABSENT: Tracy Towner, Vice Chair, Safety Employee Member

STAFF
PRESENT: Tim Thonis, Retirement Administrator
Lori Nemiroff, Assistant County Counsel

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 Wilson called the Business Meeting of April 17, 2006, to order at 9:00am.

II. **APPROVAL OF AGENDA**

Ms. Mikels moved, seconded by Mr. Harris, to approve the Agenda.

Motion passed.

III. APPROVAL OF MINUTES

- A. Disability Meeting of April 3, 2006.

Mr. Harris moved, seconded by Mr. Goulet, to approve the Minutes for the Disability Meeting of April 3, 2006.

Motion passed. Ms. Becker and Ms. Mikels abstained.

IV. CONSENT AGENDA

THE FOLLOWING ITEMS ARE ANTICIPATED TO BE ROUTINE AND NON CONTROVERSIAL. CONSENT ITEMS WILL BE APPROVED WITH ONE MOTION IF NO MEMBER OF THE BOARD WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND TRANSFERRED TO THAT SECTION OF THE AGENDA DEEMED APPROPRIATE BY THE CHAIR.

- A. Delta Asset Management Investment Report for the Month Ended March 31, 2006.
- B. LSV Asset Management Investment Report for the Month Ended March 31, 2006.
- C. Barclays Global Investors Report for the U.S. Equity Index Fund, Extended Equity Market Fund, U.S. Debt Index Fund for the Month Ended March 31, 2006.
- D. Capital Guardian Trust Company Investment Report for the Month Ended March 31, 2006.
- E. Sprucegrove Investment Management Investment Report for the Month Ended March 31, 2006.
- F. Western Asset Management Investment Report for the Month Ended March 31, 2006.
- G. Reams Asset Management Investment Report for the Month Ended March 31, 2006.
- H. Loomis Sayles & Company Investment Report for the Month Ended March 31, 2006.

IV. CONSENT AGENDA (Continued)

- I. GMO Investment Management Review for the Month Ended March 31, 2006.
- J. Wellington Management Company Investment Report for the Month Ended March 31, 2006.
- K. Regular and Deferred Retirements and Survivors Continuances for the Month of March 2006.
- L. Statement of Plan Assets, Statement of Changes in Plan Net Assets, Summary of Investments and Cash Equivalents, Statement of Reserves and Schedule of Investment Management Fees for the Month Ended February 28, 2006.
- M. Report of Checks Disbursed in March 2006.
- N. Budget Summary for the Month Ended March 31, 2006, Fiscal-Year 2005-06.

NOTE: Materials for the Wasatch Advisors Investment Report for the Month Ended March 31, 2006, did not arrive in time for inclusion in agenda packets.

Ms. Mikels moved, seconded by Mr. Harris, to approve the Consent Agenda Items.

Motion passed.

V. INVESTMENT INFORMATION

- A. UBS Realty Investors Annual Investment Presentation, Deborah A. Ulian, Director.

Ms. Ulian reviewed the characteristics of the UBS Real Estate Separate Account (RESA) product including assets under management, number of investments, geographic and property type diversification, and returns. For the year ended December 31, 2005, RESA returned 21.13%. RESA's return over the last 10 years has been 14.04%, the highest among their peers.

Looking forward, UBS expects returns for RESA to be in the 7.5% range while maintaining the goals of providing a real return of 5% and beating the NCREIF Property Index by 200 basis points.

V. INVESTMENT INFORMATION (Continued)

- A. UBS Realty Investors Annual Investment Presentation, Deborah A. Ulian, Director. (Continued)

Ms. Ulian informed the Board that the queue to invest additional assets in RESA is currently 12 – 18 months.

- B. Prudential Real Estate Investors, Catherine Marcus, Principal, and Mark Oczkus, Principal.

Mr. Oczkus reviewed the performance, investment strategy, and objectives of Prudential's PRISA separate account fund. PRISA's investment return for the year ended December 31, 2005, was 23.37%, while the 10-year return was 9.90%.

Ms. Marcus provided insight as to which property types and strategies Prudential expected to employ in order to add value going forward.

Ms. Marcus also discussed acquisition and disposition strategies.

The queue to invest additional assets with PRISA is currently in the 12 – 18 month range.

- C. Real Estate Manager Presentations, Introductions by Kevin Vandolder, CFA, EnnisKnupp & Associates.

1. Real Estate Manager Search Prepared by EnnisKnupp & Associates. (From February 27, 2006, Business Meeting.)

Mr. Vandolder provided background on VCERA's search for a value-added real estate manager.

2. Guggenheim Partners Real Estate, Mike E. Miles, Ph.D., Portfolio Manager, and Jeffrey H. Title, Principal.

Mike Miles, Ph.D., and Jeffrey Title were present on behalf of Guggenheim Partners. Dr. Miles and Mr. Title described Guggenheim's competitive advantages and how Guggenheim exploited market inefficiencies to produce superior returns. Guggenheim's use of multiple real estate investment vehicles including REITS, mezzanine financing, and direct properties has produced returns 200 – 400 basis points greater than their blended

V. INVESTMENT INFORMATION (Continued)

- C. Real Estate Manager Presentations, Introductions by Kevin Vandolder, CFA, EnnisKnupp & Associates. (Continued)

2. Guggenheim Partners Real Estate, Mike E. Miles, Ph.D., Portfolio Manager, and Jeffrey H. Title, Principal. (Continued)

benchmark. Real rates of return are expected to be greater than or equal to 6%.

The standard fee charged by Guggenheim on a \$25 million mandate is 50 basis points with an incentive fee of 20% of the amount by which the return exceeds the benchmark. Guggenheim employees, in an effort to align their interests with clients, are required to invest 50% of bonuses earned back into the fund.

3. RREEF, Laura Gaylord, Managing Director, and Doug Sturiale, Managing Director.

Laura Gaylord and Doug Sturiale were present from RREEF to discuss the America III value-added real estate fund.

Ms. Gaylord described the RREEF organization that includes \$35 billion in assets under management and includes approximately 750 real estate professionals. RREEF is a member of the Deutsche Bank Group and manages assets for numerous public pension plans in California.

Mr. Sturiale discussed how the America III fund's investment goals were to provide a 12 – 16% return with the dividend yields in the 4.5 – 6% range and the strategies currently being undertaken to achieve these goals. He also described how the private REIT functioned as well as describing the role of the Board of Directors.

Liquidity is provided through flexibility to redeem shares quarterly after a 2-year lockout period. The fund's size is currently \$1.9 billion with a goal to be in the \$4 billion dollar range. Management fees include an acquisition fee of 75 basis points, an asset management fee of 60 basis points, and an incentive fee of 15% of the excess above an 8% real internal rate of return.

Presently there is a queue to enter the fund of approximately 9 – 12 months.

V. INVESTMENT INFORMATION (Continued)

- C. Real Estate Manager Presentations, Introductions by Kevin Vandolder, CFA, EnnisKnupp & Associates. (Continued)

The Board discussed the strengths and weaknesses of the candidates including investment strategies, corporate structures and fees. Concern was expressed regarding the consequences of Dr. Miles leaving Guggenheim.

Mr. Harris moved, seconded by Mr. Henderson, to hire Guggenheim and fund immediately with \$25 million. Additionally, RREEF was to be hired with the plan to enter their queue with an expected funding in approximately 12 months for an additional \$25 million.

Motion passed.

- D. EnnisKnupp & Associates, Kevin Vandolder, Principal, and Nathan Zinn, Senior Investment Analyst.

1. Memorandum regarding "Back Testing of U.S. Stock and U.S. Bond Return Assumptions".

Mr. Hansen moved, seconded by Mr. Matheney, to receive and file the memorandum.

Motion passed.

2. Memorandum and research paper regarding "ETFs: Effective Tools for Fiduciaries?".

Mr. Hansen moved, seconded by Ms. Mikels, to receive and file the memorandum.

Motion passed.

3. Memorandum regarding "*Role of TIPS in a DB Plan*".

Mr. Goulet moved, seconded by Mr. Harris, to receive and file the memorandum.

Motion passed.

4. Proposed Agenda and Structure of 2006 Investment Retreat.

- a. Proposed Agenda WITH Investment Managers at Hotel.
b. Proposed Agenda WITHOUT Managers.

V. INVESTMENT INFORMATION (Continued)

D. EnnisKnupp & Associates, Kevin Vandolder, Principal, and Nathan Zinn, Senior Investment Analyst. (Continued)

4. Proposed Agenda and Structure of 2006 Investment Retreat. (Continued)

Mr. Goulet moved, seconded by Mr. Harris, to hold a 1-day retreat offsite, with the proposed agenda being investment related and similar to day #1 of the two-day retreat proposal.

Motion passed.

5. Preliminary Investment Performance Report for March 2006. (Distributed at Meeting)

Mr. Matheney moved, seconded by Ms. Mikels, to receive and file the monthly investment report.

Motion passed.

VI. NEW BUSINESS

A. Letter from Staff Regarding Upcoming SACRS Conference, May 9-12, 2006.

1. SACRS Officer Nominations for Elections.
2. Proposed Resolution from OCERS to Review the Nomination and Election Standards for SACRS Officers.
3. Invitation to Attend SACRS Ethics Training Course on Wednesday, May 10, 2006.
4. Announcement for Chair & Vice Chair Break-Out Session on Tuesday, May 9, 2006, from 3:00-5:00p.m.

Mr. Thonis reviewed the items for the upcoming SACRS conference and recommended the Board's voting delegate support the Nominating Committee's recommended slate of officers as well as recommending support of the Orange County resolution.

VII. INFORMATIONAL

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

- B. Letter from David Deutsch, CFA, Chief Investment Officer, San Diego CERA, seeking support of an amendment to United States Senate Bill #1783.

VIII. PUBLIC COMMENT

Mr. Thonis informed the Board that Jim Failor, VCERA's client service representative from GMO, resigned.

IX. BOARD MEMBER COMMENT

None.

X. ADJOURNMENT

There being no further items of business before the Board, Chairman Wilson adjourned the meeting at 12:15pm.

Respectfully submitted,

TIM THONIS, Administrator

Approved,

WILLIAM W. WILSON, Chair