VENTURA COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

JUNE 16, 2008

MINUTES

DIRECTORS PRESENT: Tracy Towner, Chair, Safety Employee Member
William W. Wilson, Vice Chair, Public Member
Lawrence L. Matheney, Treasurer, Ex-officio Member
Albert G. Harris, Public Member
Joseph Henderson, Public Member
Karen Becker, General Employee Member
Robert Hansen, General Employee Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member

DIRECTORS ABSENT: Peter C. Foy, Public Member
Arthur E. Goulet, Retiree 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 Towner called the Business Meeting of June 16, 2008, to order at 9:00 a.m.
II. APPROVAL OF AGENDA

Ms. Becker moved, seconded by Mr. Harris, to approve the agenda.

Motion passed.

III. APPROVAL OF MINUTES

A. Disability Meeting of June 2, 2008.

Mr. Harris moved, seconded by Mr. Matheney, to approve the Minutes for the Disability Meeting of June 2, 2008.

Motion passed. Ms. Becker and Mr. Henderson abstained.

IV. CONSENT AGENDA

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


Mr. Wilson moved, seconded by Mr. Harris, to approve the Consent Agenda.

Motion passed.
V. INVESTMENT INFORMATION

A. Sprucegrove Investment Management Annual Presentation, Mark Shevitz, Fairhaven Partners and Erik Parnoja, Portfolio Manager.

Mark Shevitz from Fairhaven Partners and Erik Parnoja from Sprucegrove Investment Management were present to review Sprucegrove Investment Management’s organization, investment process and investment results.

Mr. Shevitz introduced Mr. Parnoja to the Board and described Sprucegrove's basic investment philosophy as being one that attempted to identify good companies trading at reasonable prices. Mr. Shevitz noted that the international equity markets had returned -8.9% during the first quarter, thereby creating additional investment opportunities for the firm. Mr. Shevitz stated that investment results through May 31, 2008 were -2.20% versus -3.0% for the EAFE Index. Currently, the portfolio was, according to Mr. Shevitz, over-weighted to the Consumer Discretionary sector and under-weighted to the Financial and Consumer Staples sectors. Mr. Shevitz stated it was important to identify that Sprucegrove was overweight banks relative to the benchmark and that the overweight hindered relative performance in 2007. Organizationally, Mr. Shevitz noted the announced retirement of Ian Fyfe at the end of 2009, the fact that Sprucegrove's international equity product remained closed to new investors and Sprucegrove’s management of $19.7 billion in assets as of March 31, 2008.

Mr. Vandolder questioned whether Sprucegrove was considering the reopening of its equity products to new investors and Mr. Shevitz noted that Sprucegrove’s Board of Directors discussed the subject annually. Mr. Shevitz stated that the Board of Directors was very comfortable with Sprucegrove’s current business model and he did not expect the investment products to be reopened for new investors.

Mr. Parnoja reviewed Sprucegrove’s investment process focusing on the identification of quality companies at attractive prices, the stock selection process, that Sprucegrove holds no views on countries or sectors and the portfolio’s low turnover signifying Sprucegrove’s long-term investment philosophy.

Mr. Parnoja also noted the characteristics of companies that Sprucegrove purchases for the portfolio including records of high and consistent profitability, market leadership, and low leverage with expanding business opportunity. In terms of the total portfolio, Mr. Parnoja stated, relative to the benchmark, that the portfolio traded at a lower P/E multiple, a higher Price/Book ratio and yielded greater dividends.
V. INVESTMENT INFORMATION (continued)

A. Sprucegrove Investment Management Annual Presentation. (continued)

Mr. Shevitz, in a response to a question from Mr. Vandolder, reviewed Sprucegrove’s financial sector holdings including the positions in UBS and Royal Bank of Scotland (RBS).

Mr. Matheney questioned whether there were changes in the concentrations of holdings during the year in the financial sector.

Mr. Shevitz and Mr. Parnoja noted that holdings were roughly the same in the companies, but stated that Sprucegrove was buying into the opportunities within the sector in order to maintain appropriate weighting versus the benchmark.

In summary, Mr. Shevitz described the current market as being one of opportunity, but not devoid of stress, and one that was politically charged.

B. Capital Guardian Trust Company Annual Investment Manager Presentation, Anita Brar, Portfolio Strategist and Michael Nyeholt, Relationship Manager.

Michael Nyeholt and Anita Brar were present to discuss Capital Guardian’s organization, investment process and investment results.

Mr. Nyeholt discussed Capital Guardian’s philosophy of investing for the long term, managing portfolio risk, its global perspective and how combining individuals with different perspectives adds value to the investment process.

Mr. Nyeholt also addressed how Capital Guardian’s research and communication were the foundation of the investment process that lead to stock selections by the team of portfolio managers.

Mr. Nyeholt further noted the depth and experience in the investment team and the targeted asset allocation as of March 31, 2008 of 90.25% invested in developed markets with 9.75% invested in emerging markets.

In terms of performance, Capital Guardian’s relative performance added, according to Mr. Nyeholt, 180 basis points (1.80%) per annum in the 30 year history of the ACWI product. In more recent periods, Capital Guardian has underperformed relative to the benchmark over the last five years, but outperformed over the last three years. Year-to-Date relative investment performance is slightly behind that of the benchmark.
V.  INVESTMENT INFORMATION (continued)

B. Capital Guardian Trust Company Annual Investment Manager Presentation. (continued)

Ms. Brar noted that relative performance for Capital Guardian has improved over the last year as the portfolio became more “defensive.” For example, Capital Guardian reduced its exposure to the financial sector of the market and focused on companies with strong cash flows. The changes served Capital Guardian well in the first quarter of 2008.

During the first quarter, markets were, according to Ms. Brar, quite volatile and the quarter ended with substantial losses due to the distress in the credit markets. Emerging markets suffered due to questions regarding the sustainability of growth and inflation concerns in China. U.S. investors were hurt by the continued weakness of the U.S. Dollar.

In terms of sectors, Ms. Brar noted the strength in energy and materials, while laggards included the financials, consumer discretionary and information technology. In terms of performance attribution, Ms. Brar noted the stock selection in Canada, the overweighting of materials and holding a cash position in the down market aided performance, while stock selection in Japan, utilities and the consumer discretionary sector detracted from performance.

In response to a question from Mr. Vandolder regarding Frontier Markets, Ms. Brar noted that Capital Guardian was attempting first to identify companies with exposure to the markets as concerns still existed regarding the liquidity and regulatory environment in many of these markets.

Looking forward, Ms. Brar noted that Capital Guardian believed the deterioration in the credit markets was reaching a bottom, but recovery would be slow. Also, Ms. Brar expected that the increased volatility in the equity markets would continue and the active managers with long-term exposures should do well.

In a response to a question from Mr. Wilson, Ms. Brar indicated that Capital Guardian did not believe there would be a severe recession in Europe or the Emerging Markets.
V. INVESTMENT INFORMATION (continued)


Mr. Vandolder provided a brief summary of Julius Baer Investment Management and Thornburgh Investment Management. Mr. Vandolder also noted that VCERA's risk level for the overall portfolio was reduced significantly by the Board's recent action to increase VCERA's allocation to passive strategies and the reduction provided an opportunity for the Board to explore increasing the level of active risk in less efficient markets such as International Equity.

D. Non-U.S. Equity Manager Candidate Presentations.

1. Julius Baer Investment Management, Andrew Barker, Senior Portfolio Manager and Melvin D. Lindsey, CFA, Senior Vice-President.

Andrew Barker, Melvin Lindsey and Hien Nguyen were present from Julius Baer Investment Management.

Mr. Lindsey provided the Board with an overview of Julius Baer and noted the recent public spinoff of Julius Baer Investment Management LLC that spread the firm's ownership over a broader base. Ms. Nguyen noted the diversity of the staff, the consistency of investment performance, stability of the investment team and Julius Baer's philosophy and process for generating superior risk adjusted performance. Mr. Lindsey discussed in greater detail the public spinoff of Julius Baer Investment Management LLC and reviewed the historical performance, risk and dispersion of returns between the Julius Baer I and Julius Baer II funds.

Philosophically, Julius Baer believes, according to Mr. Barker, that a diversified core portfolio supported by fundamental analysis delivers superior risk adjusted performance. Mr. Barker noted the portfolio typically contains 250 - 350 names (currently 320) but does not perform like an index strategy. Mr. Barker believes that being a core manager contributes to a portfolio of “best ideas”, but the number of securities held limits the concentrations and produces consistent outperformance.

Mr. Barker characterized Julius Baer's investment approach as being “bottom up” for the developed markets and “top down” for emerging markets. Mr. Barker explained that Julius Baer attempts to exploit those
INVESTMENT INFORMATION (continued)

D. Non-U.S. Equity Manager Candidate Presentations. (continued)

misunderstood opportunities in the market based upon structural changes. Mr. Barker noted that for the Japanese markets, Julius Baer employs a hybrid approach given the unique investment circumstance found in the country.

According to Mr. Barker, Julius Baer first acts on active information such as stock price movements, product developments and regulatory changes and then on static information such as financial statement analysis and valuation measurements.

Mr. Barker noted how risk was managed in the portfolio by emphasizing broad diversification with generally no more than 3% of the portfolio being in any individual stock and typically 20 to 30 countries represented. Additionally, the portfolio maintains a developed market bias with emerging market positions managed opportunistically. In terms of capitalizations, the portfolio maintains a large cap bias and the correlations and liquidity of the existing holdings are consistently tested. Mr. Barker explained the Julius Baer was more interesting in managing its exposures to factors influencing the portfolio than a strict comparison to the benchmark. Factors observed by Julius Baer include oil prices, eurozone interest rates and currencies.

Mr. Vandolder questioned the positioning of the portfolio today versus 12 months ago.

Mr. Barker noted the difficulty of the market environment over the period and stated the portfolio was cautiously positioned. Mr. Barker also noted that Julius Baer does not currently like the market environment in Japan and the United Kingdom. In terms of emerging markets, Julius Baer is focusing on many of the European Markets such as Poland and the Czech Republic.


Frances D'Alessio and Dana Dean were present from Thornburgh Investment Management.

Ms. Dean reviewed Thornburgh Investment Management’s organization noting the 100% employee ownership of the firm, its unique location in
V. INVESTMENT INFORMATION (continued)

D. Non-U.S. Equity Manager Candidate Presentations. (continued)

Santa Fe, New Mexico and the total assets under management of $52 billion as of March 31, 2008. Ms. Dean cited the number of Thornburgh Investment Management clients at 50 in response to a question from Mr. Wilson.

Ms. Dean characterized Thornburgh Investment Management as being "stock pickers" with the investment process being based upon fundamental "bottom-up" analysis that leads to a diversified and focused portfolio of some 50 – 65 stocks. Ms. Dean noted that Thornburgh Investment Management had the ability to manage portfolio risks effectively with relatively few names in the portfolio because of its stock selection method and sell discipline. Ms. Dean stated that Thornburgh Investment Management knew the companies in its portfolio better than most and represented a truly active investment style that was able to deliver good performance in both good and down years.

Ms. D'Alessio reviewed Thornburgh Investment Management's investment philosophy that focused on identifying the basic value of financially sound companies, identifying consistent earners and identifying value-priced companies that were in the process of establishing leading positions in the market.

Mr. Vandolder requested details of Thornburgh Investment Management's ownership structure.

Thornburgh Investment Management's process began, according to Ms. D'Alessio, with idea generation followed up with fundamental research. Ms. D'Alessio noted that analysts performed up to 400 company visits annually and its location in Santa Fe eliminated much of the Wall Street "noise". Ms. D'Alessio stated that the investment team must reach a consensus before adding a stock to the portfolio. Thornburgh Investment Management's current portfolio had exposures to 21 industries and 18 countries, including 6 emerging market countries.

Sales occur in the portfolio when stocks reach their target price, an investment thesis changes or when there are better market opportunities, according to Ms. D'Alessio.
V. INVESTMENT INFORMATION (continued)

D. Non-U.S. Equity Manager Candidate Presentations. (continued)

Ms. D'Alessio reviewed the quantitative metrics of the portfolio versus the index noting the high level of alpha produced and the corresponding high information ratio that was generated.

Ms. Dean noted how Thornburgh Investment Management's capabilities were best represented by its consistent performance that illustrated an ability to protect value in down markets, but consistently outperform in up markets.

Mr. Wilson questioned the geographic and sector distributions in the portfolio.

Mr. Wilson expressed a favorable impression for Julius Baer Investment Management's portfolio structure and investment approach.

The Board, consultant and staff held discussion regarding the merits of adding an additional international equity manager and identifying the funding source should the Board decide to hire an additional manager.

Mr. Hansen moved, seconded by Mr. Wilson, to establish a preference to hire Julius Baer, subject to a review in July of VCERA's asset allocation and determinations of whether to employ an active or commingled investment vehicle.

Motion passed.

Mr. Henderson questioned the purpose of the motion.


1. Monthly Investment Performance Update.

Mr. Vandolder reviewed VCERA's investment performance in May noting the underperformance relative to the benchmark of Delta Asset Management, Wasatch Advisors and LSV Asset Management who were all terminated at the end of the month. Mr. Vandolder also noted the relative out performance within the global equity strategies and slight relative underperformance of the fixed income portfolios. For the fiscal year, VCERA's investment performance is -1.60% relative to the policy portfolio's return of .70%, through May 31, 2008.
V. INVESTMENT INFORMATION (continued)


   a. Sprucegrove
   b. Capital Guardian
   c. GMO
   d. Wellington
   e. Western
   f. Reams
   g. Loomis Sayles


Mr. Vandolder provided a brief summary of first quarter performance noting VCERA’s total return of -5.90% relative to the policy portfolio’s return of -5.0%.

4. Memorandum – Update on Western Asset Management’s CIO.

Mr. Vandolder discussed EnnisKnupp’s memorandum summarizing that VCERA should take no action as a result of events at Western Asset Management and recommended that VCERA continue to monitor the events closely.

Mr. Hansen offered his observations of the situation at Western Asset Management based upon his recent site visit.


(Post-trade analysis not complete as of 06/11/08. Memo will be delivered at Board Meeting on 06/16/08.)

The Trustees received a summary of the transition and a copy of the post-trade analysis. Mr. Vandolder noted the cost of the transition was 21 basis points (.21%) with approximately one-half of the cost attributable to market movements. In summary, Mr. Vandolder noted the $1.5 billion transition was accomplished efficiently.

Mr. Wilson moved, seconded by Mr. Harris, to receive and file Items #1 - #5.

Motion passed.
VI. **OLD BUSINESS**

A. Approval of 2008 Educational Meetings, Conferences and Seminars Attendance and Board Travel Policy.

Staff reviewed its letter discussing the changes made to the 2008 Educational Meetings, Conferences and Seminars Attendance and Board Travel Policy (Policy) per the Board’s direction of May 19, 2008, the suggested language incorporating a “Due Diligence” section into the Policy and summarized its concerns regarding the changes made to the Policy by the Board on May 19, 2008.

Mr. Hansen questioned the necessity of requiring due diligence visits every three years and opined visits should be conducted as deemed necessary by the Board. Mr. Hansen further added that the Administrator/Staff should not be required to conduct due diligence visits and the process should be more independent. Mr. Hansen also questioned why the Administrator should be approving Board travel.

Staff clarified that the proposed policy change permitted the Administrator to approve Board Member travel claims up to $200 for due diligence trips conducted without prior Board approval.

Additional discussion was held on the merits of staff's participation in due diligence visits and it was proposed by the Board Chair to change the language in the draft “Due Diligence” section regarding the Administrator's/Staff's attendance from “shall” to “may”.

Mr. Henderson moved, seconded by Mr. Harris, to table further discussion on the Policy until July 21, 2008 and include the proposed Due Diligence section with the suggested modification regarding the Administrator's participation and removal of the language in the section entitled “Eligible Public Retirement Systems Meetings”, #12, that states “Attendance at the Manatt, Phelps & Phillips Fiduciary Symposium shall not count toward the three conference limit set forth above, even if such cost exceeds the $400 limit.”

Ms. Becker requested the motion also include direction to staff to incorporate language regarding the mileage reimbursement for trustees attending Board meetings per Mr. Goulet's request.
VI. **OLD BUSINESS (continued)**

A. Approval of 2008 Educational Meetings, Conferences and Seminars Attendance and Board Travel Policy. (continued)

Staff discussed the necessity to further research the issue and Ms. Nemiroff noted, based upon previous research she conducted, that only one '37 Act system, LACERA, authorized mileage reimbursement for Trustee travel to Board meetings.

Mr. Henderson moved, seconded by Mr. Harris, to include in their previous motion that staff be directed to incorporate in the Policy language regarding mileage reimbursement for Trustee travel to Board meetings.

Motion passed.

VII. **NEW BUSINESS**

A. Request from Staff for Legal Interpretation of Limited Reciprocal Provisions Between VCERA and the Judges Retirement System II.

Staff reviewed the basis for its request to work with outside counsel to develop a policy for administering the limited reciprocal provisions between VCERA and the Judges Retirement System II.

Mr. Harris moved, seconded by Mr. Wilson, to authorize Staff to obtain assistance from Manatt, Phelps & Phillips regarding application of reciprocal provisions between VCERA and the Judges Retirement System II.

Motion passed.

B. Quarterly Administrator's Travel Report.

Mr. Harris moved, seconded by Mr. Henderson, to receive and file the Quarterly Administrator's Travel Report.

Motion passed.

C. Letter from SACRS Announcing Appointment of CEO Review Committee.

Ms. Becker moved, seconded by Mr. Harris, to receive and file the letter from SACRS announcing the appointments to its CEO Review Committee.

Motion passed.
VII. NEW BUSINESS (continued)

D. Safety Member Election Results.

Ms. Becker moved, seconded by Mr. Harris, to receive and file the Safety Member Election Results.

Motion passed.

VIII. INFORMATIONAL

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

B. EnnisKnupp Article – Investing with the Frontier Mentality.

C. Letter from Lee Wanie, Barclays Global Investors, Regarding Impending Changes to BGI’s Organizational Structure.


Mr. Wilson moved, seconded by Mr. Harris, to receive and file the Informational Items.

Motion passed.

IX. PUBLIC COMMENT

None.

X. BOARD MEMBER COMMENT

None.
XI. ADJOURNMENT

There being no further items of business before the Board, Chairman Towner adjourned the meeting at 12:10 p.m. upon the motion of Ms. Becker, seconded by Mr. Harris.

Respectfully submitted,

TIM THONIS, Administrator

Approved,

TRACY TOWNER, Chairman