Chairman Wilson called the Business Meeting of July 17, 2006, to order at 9:00 a.m.
II. **APPROVAL OF AGENDA**

Mr. Harris moved, seconded by Mr. Goulet, to approve the Agenda.

Motion passed.

III. **APPROVAL OF MINUTES**


Ms. Nemiroff suggested a change to item VI. A. to reflect that Government Code Section 31537 was renumbered in 2004 to Government Code Section 31592.5.

Mr. Harris moved, seconded by Mr. Goulet, to approve the Minutes for the Disability Meeting of July 10, 2006, as amended.

Motion passed.

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.


E. Western Asset Management Investment Report for the Month Ended June 30, 2006.
IV. **CONSENT AGENDA** (Continued)


I. Regular and Deferred Retirements and Survivors Continuances for the Month of June 2006.


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

Motion passed.

V. **INVESTMENT INFORMATION**

A. Wasatch Advisors Annual Investment Presentation.

Mr. Jeffrey Cardon, CFA, President, Portfolio Manager was present to discuss the organization, investment performance, and investment process.

Wasatch currently manages approximately $10 billion firm wide with $2.5 billion being in small cap growth. The small cap growth product has been closed to new investors since September 2003. Recently, Wasatch underwent a regularly scheduled SEC Audit and although nothing official has been received, Mr. Cardon believed the audit results should be favorable to Wasatch.

Wasatch’s return for the 1-year period ending June 30, 2006 was 1.2% versus 14.6% for the benchmark. Mr. Cardon attributed the underperformance to the fact that high quality firms, such as those owned
V. INVESTMENT INFORMATION (Continued)

A. Wasatch Advisors Annual Investment Presentation. (cont.)

by Wasatch, were not rewarded in the market over the past year as low quality and riskier firms outperformed. Since inception, Wasatch’s cumulative annualized return has been 14.8% versus 1.3% for the Russell 2000 Growth.

Mr. Cardon described the investment process as “bottom-up” with Wasatch’s team of portfolio managers making regular visits to companies held in the portfolio. Wasatch attempts to identify those companies that grow their earnings in the 15% range annually, purchase small positions in those companies, and typically hold the names in the portfolio for long periods. Companies in which Wasatch maintains large positions within the portfolio typically have been held for many years.

B. LSV Asset Management Annual Investment Presentation.

Mr. Keith Bruch, CFA, Director of Client Portfolio Services was present from LSV.

Mr. Bruch informed the Board that within the organization Rob Vishny was stepping back from many of his daily responsibilities. Several new investment professionals had been added including Bhaskaran Swaminathan as Director of Research assisting LSV’s CIO, Josef Lakonishok, Ph.D.

Mr. Bruch informed the Board that essentially all LSV portfolios, including the small cap value product utilized by VCERA, were closed to new investors. LSV was currently improving their quantitative investment process by refining the factors included within their model, conducting additional research and striving to improve the rebalancing of portfolios.

Over the last five years, LSV’s annualized return has been 18.4% versus a Russell 2000 value return of 13.1%. Since inception, October 1, 1998, LSV’s annualized return has been 16.4% versus 14.0% for the benchmark.

C. Delta Asset Management Annual Investment Presentation.

Carl Goldsmith, CIO, and Marla Ryan, CFA, Portfolio Manager were present from Delta Asset Management to discuss the organization, investment philosophy and performance.
V. INVESTMENT INFORMATION (Continued)

C. Delta Asset Management Annual Investment Presentation. (cont.)

Ms. Ryan reviewed Delta’s organizational structure and informed the Board that currently Delta has approximately $4 billion under management through 16 client relationships. One new client was added in 2006. The average tenure of Delta’s client relationships is 15 years. As of June 30, 2006, Delta was managing $230 million for VCERA.

Delta’s performance for the first six months of 2006 has been 2.2% versus 2.7% for the S&P 500 index. For the period ending December 31, 2005, Delta’s annualized 5- and 10-year returns beat the S&P 500 index.

Mr. Goldsmith discussed where Delta believed we were currently in the business cycle. Mr. Goldsmith opined that the economy was transitioning to one based upon Capital Goods spending rather than being supported by Consumers. Delta believes that the Federal Reserve is very close to being done raising interest rates and that inflation within the economy will remain in check. Mr. Goldsmith sees economic growth in the 3% to 3.5% range and has overweighted the portfolio to the technology and capital spending sectors to take advantage of the current economic environment.

D. EnnisKnupp Presentations.

Kevin Vandolder, CFA, and Justin Mier were present from EnnisKnupp.

1. Monthly Manager Updates/Summary, June 2006

Mr. Vandolder discussed the challenges still being faced in receiving the manager reports in time to be included with the Board’s agenda.

Mr. Vandolder requested that the Board discuss the investment reporting requirements at the August business meeting.

No Action Taken.


Mr. Mier reviewed the investment performance in June.

Mr. Hansen moved, seconded by Mr. Harris, to receive and file the June 2006 Investment Update.

Motion Passed.
V. INVESTMENT INFORMATION (Continued)

D. EnnisKnupp Presentations. (cont.)

3. Sprucegrove Onsite Due Diligence Visit

Mr. Vandolder discussed his visit to Sprucegrove in late June.

Mr. Matheney moved, seconded by Mr. Goulet, to receive and file the Sprucegrove due diligence memorandum.

Motion Passed.

4. Risk Budgeting Analysis of Total Fund

Mr. Vandolder provided a brief review of the risk budgeting analysis prepared by EnnisKnupp. The analysis focuses on managing active risk within the portfolio. VCERA’s policy portfolio has an expected risk at the total fund level of 1.20% with Wasatch contributing approximately 1/3 of that amount.

Mr. Vandolder stated the subject would be explored more in depth at the Board’s retreat in October when Opportunistic Investment Platforms would be reviewed and discussions would be held regarding relaxing the “long-only” constraint.

No Action Taken.

E. Letter from Staff Recommending VCERA’s Participation in Western Asset Management's Yankee Portfolio LLC.

Mr. Thonis provided background information on Western’s newly formed Yankee Portfolio, LLC and recommended the Board approve VCERA’s participation.

Mr. Vandolder stated that EnnisKnupp supported the recommendation.

Mr. Hansen moved, seconded by Mr. Matheney, to approve VCERA’s participation in Western’s Yankee Portfolio, LLC.

Motion Passed.
VI. NEW BUSINESS

A. Letter from Staff Requesting Approval of Travel for CALAPRS Training.

Mr. Hansen moved, seconded by Mr. Harris, to approve staff travel to attend the CALAPRS courses.

Motion Passed.

B. Implementation of Government Code Section 31658 in Ventura County.

1. Letter from Jeb McGinity Requesting VCERA’s Board of Retirement Conduct a Feasibility Study.
2. Letter from Staff Dated July 17, 2006, with Attachments.

Mr. McGinity discussed the reasons why the purchase of service credit under Government Code section 31658 would be beneficial to VCERA members and why a feasibility study should be conducted by VCERA.

Mr. Hansen commended Mr. McGinity for bringing the matter to the Board of Retirement. Mr. Matheney questioned whether it would be appropriate for the Board to conduct a study at this time.

Ms. Becker moved, seconded by Mr. Goulet, to direct staff to write a letter and forward all the attachments on this subject to the Board of Supervisors for their review.

Motion Passed. Mr. Henderson and Mr. Harris opposed.

VII. INFORMATIONAL

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


VIII. PUBLIC COMMENT

Mr. Thonis informed the Board that VCERA’s investment was made in the Guggenheim Real Estate fund on June 30, that VCERA received the employer’s pre-funded contributions on July 3, and that the Board’s Fiduciary Liability Insurance was renewed for the current fiscal year.

IX. BOARD MEMBER COMMENT

None.

X. ADJOURNMENT

There being no further items of business before the Board, Chairman Wilson adjourned the meeting at 11:50 a.m.

Respectfully submitted,

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TIM THONIS, Administrator

Approved,

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WILLIAM W. WILSON, Chair