VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

OCTOBER 15, 2007

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
Will Hoag, Alternate Retiree Member

DIRECTORS ABSENT:
None.

STAFF PRESENT:
Tim Thonis, Retirement Administrator
Walter Lauzon, Chief Financial Officer
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 October 15, 2007, 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 October 1, 2007.

Mr. Henderson moved, seconded by Ms. Becker, to approve the Minutes for the Disability Meeting of October 1, 2007, as submitted.

Motion passed. Mr. Goulet abstained.

IV. CONSENT AGENDA

A. Regular and Deferred Retirements and Survivors Continuances for the Month of September 2007.


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

Motion passed.

V. INVESTMENT INFORMATION

A. Barclays Global Investors Annual Investment Report, Lee Wanie, Principal.

Lee Wanie was present from Barclays Global Investors (BGI) to review BGI's organization and the investment performance of the four separate indexed investment strategies that VCERA maintains with BGI.
V. INVESTMENT INFORMATION (continued)

A. Barclays Global Investors Annual Investment Report (continued)

Mr. Wanie reported that organizationally BGI continues to grow and now manages over $1.3 trillion with approximately 1,000 new employees added over the last several years. The growth, according to Mr. Wanie, has lead to BGI outgrowing its current office space and the organization will be moving to a new location in the spring of 2008. The investment professionals at BGI continue their focus on the I-Share platform, active fixed income and long duration products, hedge funds and the “new frontier” markets such as Latvia, UAE and Sri Lanka, which may be considered as pre-emerging markets.

Mr. Wanie stated that all four index products continue to perform in accordance with VCERA guidelines and all either match or are outperforming their respective benchmarks. Returns for the year through September 30, 2007 for the S&P 500, Extended Equity, Debt Index and the ACWI ex US indices were 20.63%, 18.79%, 6.21% and 12.95%, respectively. Mr. Wanie noted that the returns for ACWI ex US index were reflective of the six month period between April 1, 2007 and September 30, 2007 based upon VCERA’s initial funding of the investment on April 1, 2007. VCERA’s total assets with BGI exceed $1.3 billion.

Mr. Wanie, discussed, in response to a question, the upcoming changes to the ACWI ex US index due to its upcoming reconstitution in November 2007 and May 2008. Mr. Wanie expected that BGI would be offering the provisional index to investors in late November and EnnisKnupp has recommended that VCERA be an early adopter of the new provisional ACWI ex US index.

B. Western Asset Management Annual Investment Report, Joseph C. Carieri, Client Service Executive.

Mr. Carieri reported that Western Asset Management (Western) continues to grow with a global focus on the fixed income markets. Western’s assets under management are now over $600 billion with VCERA currently investing in two Western products, the Core Plus (Broad Market) portfolio and the Index Plus (Portable Alpha) portfolio.

Mr. Carieri noted the recent performance challenges within the Core Plus product as a result of the liquidity crisis over the past summer. Western’s investment performance has trailed the Lehman Brothers Aggregate
V. INVESTMENT INFORMATION (continued)

B. Western Asset Management Annual Investment Report (continued)

benchmark for the one year period ending 9/30/07 by 80 basis points (.80%) and by 120 basis points (1.2%) for the calendar year. Western has outperformed the benchmark, on an annualized basis, by 60 basis points (.60%) over the last three years and 200 basis points (2%) over the last five years.

Currently, the strategy in the Core Plus portfolio, according to Mr. Carieri, is to overweight the mortgage-backed sector utilizing AAA rated fixed rate mortgages, to underweight the credit and treasury markets and to hold positions outside the benchmark in the high yield and non-U.S. markets. Mr. Carieri noted that Western has taken advantage of recent market conditions to increase the high yield allocation.

Mr. Carieri discussed the challenges of managing the Index Plus product during the liquidity crisis of July and August. Mr. Carieri stated that the performance for this product over the last 3 months was the worst in Western’s history, but he noted that performance stabilized in September and the expectations going forward were, based upon how the portfolio was positioned, to outperform the S&P 500 over the next 12 months. Mr. Carieri’s view was based upon the fact that the short term Index Plus portfolio’s yield was approximately 200 basis points (2%) over LIBOR (London InterBank Offered Rate).

Mr. Carieri reviewed many of the factors that lead to the liquidity crisis over the summer.

Mr. Wilson commented on the panic that occurred amongst traders working for many of the largest investment management firms in the world.

C. EnnisKnupp & Associates, Kevin Vandolder.

1. Monthly Investment Performance Update.


   a. Delta
   b. LSV
   c. Wasatch
   d. Sprucegrove
C. EnnisKnupp & Associates (continued)

e. Capital Guardian
f. GMO
g. Wellington
h. Western
i. Reams
j. Loomis Sayles

Kevin Vandolder from EnnisKnupp reviewed VCERA’s monthly performance report noting the current asset level of $3.235 billion, the strong performance of 3.1% in the month of September, and the preliminary quarterly performance for the fund of 2%. Mr. Vandolder also noted VCERA’s underperformance for the quarter relative to the Policy Portfolio (2.0% v 2.6%) and commented that the preliminary return was exclusive of real estate performance and EnnisKnupp expected the difference between actual performance and relative performance to narrow once VCERA’s real estate returns were included in the quarterly performance return.


Mr. Vandolder discussed several themes from EnnisKnupp’s recently concluded client conference that noted the benefits of indexing (increase efficiencies, lower costs, disappointments with active management) and the reasons why institutional investors should be looking to increase allocations to equity assets held outside the United States. Reasons cited for higher international investment allocations included the reduction in costs to invest outside the United States, risk reduction and peer comparisons. EnnisKnupp believes that institutional investors should hold 50% of their stocks in companies outside their home country.

Mr. Vandolder also commented on how institutional investors could improve their success with active managers by seeking investment skill over investment style, providing managers with broad mandates, managing investment costs and managing risks.

Mr. Vandolder noted planned discussions on currency overlay strategies and a revisit to the merits of private equity investing in 2008.

Mr. Hansen moved, seconded by Mr. Harris, to receive and file the EnnisKnupp Monthly Investment Report and Client Conference Summary.

Motion Passed.
VI. NEW BUSINESS

A. Letter from Staff Regarding an Amicus Brief in Block v. Orange County Employees’ Retirement System.

Ms. Nemiroff provided a summary of the issues involved in the “Block Case” and also summarized several of the issues identified in Ms. Dunning’s Amicus Brief.

Mr. Wilson moved, seconded by Mr. Matheney, to receive and file the Amicus Brief.

Motion Passed.

B. Memorandum from Counsel Regarding Request to Join in CALPERS et. al. Amicus Brief in People v. Lexin.

Ms. Nemiroff summarized the issues of People v. Lexin noting the challenges that many members of public boards would face if the decision of the appellate court is not reversed. These challenges would include that no public employee would be permitted to participate in contract negotiations through collective bargaining that resulted in increases to their salary and related benefits and that no members of retirement boards would be permitted to act upon contracts that resulted in increases to salary and related benefits unless by “legal necessity”. Ms. Nemiroff recommended that VCERA accept the invitation from CalPERS, LACERA, ACERA and three Los Angeles City retirement systems to join in the letter supporting Supreme Court review of the decision at no cost to VCERA.

Mr. Wilson moved, seconded by Mr. Harris, to accept the invitation to participate in the letter supporting Supreme Court review.

Motion Passed. Mr. Matheney and Mr. Goulet opposed.

Mr. Matheney indicated he would be more supportive of the letter if given the opportunity to review its content prior to it being sent. Mr. Matheney was concerned that the letter may be overbroad and loaded with unintended consequences and stated that he supported the idea of public scrutiny of conflicts of interest among public employees.
VI. NEW BUSINESS (continued)

C. Letter from Staff Regarding Proposed 2008 Agenda Schedules.

Staff reviewed the differences between the two proposed schedules and discussed the benefits and drawbacks of not having scheduled meetings in August 2008.

Mr. Foy requested the Board consider meeting one time per month.

Mr. Goulet moved, seconded by Mr. Wilson, to adopt a 2008 Agenda schedule that did not include scheduled meetings in August 2008, and provided direction to staff to schedule a Special Meeting in August should circumstances necessitate a meeting take place. Additionally, staff was directed to work with the investment managers in terms of finalizing presentation dates.

Motion Passed. Mr. Foy opposed.

VII. INFORMATIONAL

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

B. Letter from Schott & Lites Advocates Regarding Legislative Committee Actions on 2008 Proposed Legislation.

C. Invitation – An Evening with the Legends.

VIII. PUBLIC COMMENT

None.

IX. BOARD MEMBER COMMENT

Mr. Goulet reported on his recent participation at the CALAPRS Trustee Roundtable on October 12, 2007. Mr. Goulet noted the discussions that took place regarding the Brown Act, on whether the Board of Supervisors or the Board of Retirement has the authority to set the Retirement Administrator’s salary and commended VCERA’s Board of Retirement on the amount of work that is accomplished without the numerous committees that exist at other retirement systems.
IX. BOARD MEMBER COMMENT (continued)

Ms. Becker requested her fellow trustees return the Administrator performance evaluations to her upon completion.

X. ADJOURNMENT

There being no further items of business before the Board, Chairman Towner adjourned the meeting at 10:50 a.m.

Respectfully submitted,

TIM THONIS, Administrator

Approved,

TRACY TOWNER, Chairman