Chairman Wilson called the Business Meeting of October 16, 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

A. Disability Meeting of October 2, 2006.

Mr. Harris moved, seconded by Mr. Goulet to approve the Minutes for the Disability Meeting of October 2, 2006 with an amendment to reflect the fact that Mr. Goulet departed the meeting before the Board began reviewing the Sandra Wells case.

Staff was directed to express to the hearing officer all of the Board’s concerns in the James Wade case.

Motion passed.

IV. CONSENT AGENDA

A. Regular and Deferred Retirements and Survivors Continuances for the Month of September 2006.


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

Motion passed.
V. INVESTMENT INFORMATION

A. Loomis, Sayles & Company Annual Investment Presentation.

Mr. Richard Bruder, CFA, CEBS, was present from Loomis Sayles.

Mr. Bruder provided a firm overview, guideline summary, and reviewed the bond market environment. Mr. Bruder provided the Board with a corrected summary of the portfolio’s characteristics.

Organizationally, Loomis Sayles manages approximately $82 billion and employs over 400 individuals, including 155 investment professionals. The portfolio has a customized benchmark consisting of 60% Lehman Aggregate, 35% Citigroup High Yield Market, and 5% JP Morgan Non-US Hedged Bond Index. Also, no more than 40% of the portfolio’s holdings may be invested outside the U.S.

Mr. Bruder reviewed the portfolio’s positive relative performance in relationship to the customized benchmark. Since the inception date of July 2005, the portfolio outperformed the benchmark by 1.93% (6.19% v. 4.26%). Through September 30, 2006, year-to-date relative performance exceeded the benchmark by 1.88% (6.34% v. 4.46%). Mr. Bruder also discussed the portfolio’s sector weightings and duration.

Mr. Bruder stated that the outlook at Loomis Sayles is for the Federal Reserve to leave rates unchanged for approximately one year and there is a belief at the firm that 10-year Treasuries will continue to trade in a band around 4.75%. Loomis Sayles also expects the dollar to fall going forward and Loomis Sayles sees opportunities going forward in convertible bonds.

B. Western Asset Management Company Annual Investment Presentation.

Mr. Joseph C. Carieri, Client Service Executive, was present from Western Asset Management.

Mr. Carieri reviewed Western’s organization, performance and economic outlook. Organizationally, Mr. Carieri was pleased to announce that Western’s relationship with VCERA was now at the 10-year mark. Mr. Carieri indicated that Western continued to grow its global presence with office locations now in Pasadena, New York, Sao Paulo, London, Tokyo, Singapore and Melbourne. Assets under management were now $540 billion with 738 client relationships and 880 employees worldwide. Mr. Carieri also announced that the integration from the merger with Citigroup was on schedule.
V. INVESTMENT INFORMATION (Continued)

B. Western Asset Management Company Annual Investment Presentation. (continued)

Mr. Carieri reviewed Western’s performance since inception and over 5-year, 3-year and 1-year periods. Mr. Carieri was pleased to report that for all periods reviewed Western's relative performance exceeded the Lehman Aggregate benchmark. Since inception, Western has outperformed the benchmark by 1.10% (7.4% v. 6.3%).

Mr. Carieri discussed many factors Western believed would impact future investment decisions and performance including inflation, duration, housing market, retail sales, and the credit markets. Going forward, Western anticipates that economic growth will be moderate, inflation will rise moderately (2.0 – 2.5%) and the Federal Reserve is done tightening.

C. EnnisKnupp Presentations.

Kevin Vandolder and Justin Mier were present from EnnisKnupp.

1. Monthly Investment Performance Update.

   Mr. Mier reviewed VCERA's monthly and quarterly investment performance focusing his comments on Wasatch and Capital Guardian. For the quarter ending September 30, 2006, VCERA's investment return was 4.2%.

   Mr. Harris moved, seconded by Mr. Matheney, to receive and file the monthly investment summary.

   Motion Passed.


   a) Delta
   b) LSV
   c) Wasatch
   d) Sprucegrove
   e) Capital Guardian
   f) GMO
   g) Wellington
   h) Reams
   Loomis Sayles

   (Western Asset Management’s Update had been Inserted into the EnnisKnupp Materials.)
V. INVESTMENT INFORMATION (Continued)

C. EnnisKnupp Presentations. (continued)

2. Monthly Manager Updates/Summary, September 2006. (continued)

Mr. Vandolder discussed the monthly reports provided by VCERA’s investment managers and summarized that those managers who overweighted technology and underweighted energy did well in September.

Mr. Hansen moved, seconded by Mr. Harris, to receive and file the monthly manager summaries.

Motion Passed.


Mr. Vandolder introduced the topics of VCERA’s current allocation of actively managed assets to passively managed, BGI’s Asset Trust Investment Strategy, a potential change to the broad equity benchmark and private equity investments and opportunistic investment platforms.

Mr. Towner questioned what VCERA’s portfolio looked like in terms style and capitalization versus the market and questioned why VCERA would take on more risk.

Mr. Vandolder responded that VCERA’s portfolio was style and capitalization neutral to the market and that the strategies, if employed, may actually reduce the overall volatility in VCERA’s portfolio as illustrated on page 6.3 of the presentation material.

Mr. Hansen offered that in his view VCERA’s conservative approach has served us well and he believed that VCERA should continue with a conservative approach.

Mr. Matheney expressed concern on the relative short time frames on which the analysis was based. For example, he indicated that the longest time frame to compare the alternative scenarios was only 4 years and 4 months.

Mr. Johnston countered that in his opinion VCERA’s greatest risk was in not taking sufficient risk in the long run and that the portfolio should be more reflective of our peers and include private equity and other alternative investment strategies.
V. INVESTMENT INFORMATION (Continued)

C. EnnisKnupp Presentations. (continued)


Mr. Wilson commented that this retreat was the best one that the Board has had. He further expressed his belief that VCERA has an infinite investment horizon and thus should be open to diverse investment strategies such as private equity, 120/20 and Capital Guardian’s Income Grower. He requested that Mr. Towner elaborate as to his concern over the consequences of negative or flat investment performance of the fund.

Mr. Towner responded that there are short-term consequences due to the volatility of VCERA’s investment returns such as the employee layoffs that occurred several years ago. He stated that VCERA’s investment strategies were constrained by the volatility of the returns.

Mr. Harris commented favorably on the retreat presentation made by Adams Street regarding private equity. He indicated he would be comfortable with private equity investing as an individual and expressed his belief that such an investment would require full agreement of the Board. Mr. Harris cautioned that trustees who voted to approve a private equity investment faced the possibility of not being trustees when the investment returns began.

Mr. Matheney stated that VCERA does not receive credit for greater than assumed investment returns and receives negative response for investment returns below the assumption rate. Thus, these investment strategies did not offer a significant enough reward over the long-term cycle of the fund. He expressed his desire to remain informed of new investment strategies.

Mr. Johnston indicated that diversification was the key to VCERA’s investment program and making too much money should never be considered a problem.

Mr. Towner expressed interest in strategies that reduced the volatility of returns and Mr. Henderson expressed interest in studying investment proposals where the risks were manageable.

Mr. Goulet requested and received input from the Retirement Administrator regarding the various investment topics.
V. INVESTMENT INFORMATION (Continued)

C. EnnisKnupp Presentations. (continued)


Mr. Hansen moved, seconded by Mr. Henderson, to not hold discussions on private equity as part of the 2007 investment plan.

Motion Passed.

Mr. Goulet moved, seconded by Mr. Matheney, to request EnnisKnupp return in three or four months with a work plan, including input from staff, that assimilated the various investment discussion points regarding levels of active and passive investment, potential increases in international equity allocations, opportunistic platforms, and further study on the asset trust investment vehicle.

Motion Passed.

Mr. Goulet and Mr. Hoag departed the meeting.


Mr. Vandolder reviewed Wasatch’s recent and historical performance and recommended, based upon Wasatch’s long term performance and other evaluation criteria, to not place Wasatch on VCERA’s watch list.

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

Motion Passed.


Mr. Vandolder reviewed the EnnisKnupp memorandum recommending Capital Guardian remain on VCERA’s watch list. Mr. Vandolder indicated that Capital Guardian’s performance and allocation would be included in the upcoming review of active and passive allocations.

Mr. Matheney moved, seconded by Mr. Harris, to receive and file EnnisKnupp’s Capital Guardian Watch List Memorandum.

Motion Passed. Mr. Hansen opposed.
C. EnnisKnupp Presentations. (continued)

6. Reams Due Diligence Review.

   (Letter from David A. McKinney, CPA, Requesting VCERA’s Participation in the Columbus Extended Market Fund had been Attached to EnnisKnupp's Memorandum.)

   Mr. Vandolder discussed VCERA’s participation in the Ream’s Columbus Extended Market Fund, LLC and suggested VCERA obtain a side letter to the agreement from Reams detailing that no leverage will be used in the fund. Staff provided background on the Reams request and detailed when the Board could expect to receive a recommendation regarding VCERA’s participation in the fund.

   Mr. Hansen moved, seconded by Mr. Henderson, to receive and file the Reams’ Columbus Extended Market Fund, LLC memorandum.

   Motion Passed.

VI. NEW BUSINESS

A. Funding Policies & Procedures for General Tier II COLA Benefit; The Segal Company.

   John Monroe, ASA, EA, MAAA and Drew James, FSA, EA, MAAA were present from The Segal Company to discuss the report.

   Mr. Monroe and Mr. James discussed Tier II COLA’s background, the benefit cost and recommendations for implementation. Mr. Monroe indicated that the current cost of the benefit was 2.95%, including .33% for the County of Ventura’s cost for the two years contributions were not made. Mr. Monroe stated the benefit would be included in the June 30, 2006 valuation and cautioned the Board about an increase due to the assumption changes adopted in May. Mr. Monroe focused his discussion on alternatives the Board may wish to consider regarding the implementation of rate changes.

   Mr. Towner and Mr. Johnston questioned what happens in the event the negotiated contribution rate turned out to be less than the actual costs and questioned who would be responsible.

   Mr. Matheney moved, seconded by Mr. Henderson, to adopt The Segal Company’s Tier II COLA report.

   Motion Passed.
VI. NEW BUSINESS (Continued)

A. Funding Policies & Procedures for General Tier II COLA Benefit; The Segal Company. (continued)

Staff was directed to work with the County of Ventura regarding the timing for implementing rate changes.


Staff provided background on the work of the SACRS Nominating Committee and recommended the Board direct its voting delegate to support the Nominating Committee’s recommendations at the upcoming SACRS meeting.

Mr. Hansen moved, seconded by Mr. Harris, to direct VCERA’s voting delegate to support the Nominating Committee’s recommendations.

Motion Passed.

VII. CLOSED SESSION

The Board of Retirement adjourned into a Closed Session pursuant to the provisions of Government Code section 54956.9, Subdivision (a), to discuss one item of existing litigation, George Mathews; Individually, and on Behalf of All Others Similarly Situated, v. Ventura County Employees’ Retirement Association; and County of Ventura, Case No. CIV220607 Court of Appeal Case No. B191722.

In open session, Ms. Nemiroff announced the Board had taken no reportable actions.

VIII. INFORMATIONAL

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

B. Invitation from Western Asset Management to Attend the Griffith Observatory Reopening Galactic Gala.

No action taken.
IX. PUBLIC COMMENT

None.

X. BOARD MEMBER COMMENT

Mr. Towner indicated he needed Administrator evaluations from four trustees.

XI. ADJOURNMENT

There being no further items of business before the Board, Chairman Wilson adjourned the meeting at 11:45 a.m.

Respectfully submitted,

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TIM THONIS, Administrator

Approved,

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WILLIAM W. WILSON, Chair