

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

OCTOBER 20, 2008

MINUTES

DIRECTORS PRESENT: Tracy Towner, Chair, Safety Employee Member
William W. Wilson, Vice Chair, Public Member
Lawrence L. Matheny, Treasurer, Ex-officio 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
Will Hoag, Alternate Retiree Member

DIRECTORS ABSENT: Peter C. Foy, Public Member
Chris Johnston, Alternate 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 Towner called the Business Meeting of October 20, 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 October 6, 2008.

Ms. Becker moved, seconded by Mr. Harris, to approve the Minutes for the Disability Meeting of October 6, 2008.

Motion passed.

IV. **CONSENT AGENDA**

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

B. Statement of Plan Assets, Statement of Changes in Plan Net Assets, and Summary of Investments and Cash Equivalents for the Month Ended July 31, 2008.

C. Report of Checks Disbursed in September 2008.

D. Budget Summary for the Month Ended July 31, 2008, Fiscal-Year 2008-09.

E. Guggenheim Investment Report for the Quarter Ended September 30, 2008.

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

Motion passed.

V. **INVESTMENT INFORMATION**

A. Barclays Global Investors Annual Investment Manager Presentation, Lee Wanie, CFA.

Lee Wanie, CFA, was present from Barclays Global Investors to provide a detailed summary of VCERA's accounts with BGI, focusing on the health and condition of BGI as an organization.

V. INVESTMENT INFORMATION (continued)

A. Barclays Global Investors Annual Investment Manager Presentation.
(continued)

Mr. Wanie discussed the signs of despair in the current market and noted indications that liquidity was returning although it was far from pre-crisis levels at this time. Mr. Wanie emphasized that although returns were down from a market standpoint, BGI has performed well relative to benchmarks. With the current market conditions, BGI's focus has been less about the performance of a given active strategy and more on securities lending risk, cash collateral management, money market funds and counter-party risk evaluation. Mr. Wanie stated that BGI's parent company was in good shape and has been proclaimed as one of the best capitalized banks in the world.

Mr. Wanie stated that BGI's firm goals remain squarely focused on the hedge fund business, defined contribution mandates as well as fixed income. BGI's hedge funds have seen very positive results, particularly when compared to some of their competitors who have less stringent risk controls. Mr. Wanie discussed the active vs. passive debate, which has come to the forefront again with the fear and mania driving market returns.

Mr. Wanie reviewed VCERA's investments with BGI which are split amongst four strategies and currently total \$1.3 billion. Mr. Wanie highlighted the U.S. Equity Market fund which was funded in May as part of a \$1.4 billion, seven manager, global transition. Since inception, the U.S. Equity Market fund has outperformed the Wilshire 5000 benchmark by approximately 25 basis points. Mr. Wanie also reviewed the Extended Equity Market fund, benchmarked to the Wilshire 4500, which has outperformed by 14 basis points over the past year, the ACWI EX-US IMI fund which has outperformed by 20 basis points since its funding in May and the US Debt Index fund which has outperformed by 9 basis points over the last 12 months.

Mr. Wanie stated that several of BGI's clients were postponing investment decisions that were scheduled for the 4th quarter. As a firm, BGI's client base benefits from the size, scale and resources of their business, especially within the transition management business where clients were able to save materially by crossing portfolios internally through BGI's trading network.

Mr. Wilson asked how BGI outperforms an index, and Mr. Wanie explained that BGI takes a sampling approach rather than replicating an index. This saves trading costs, but does carry some risk.

V. INVESTMENT INFORMATION (continued)

A. Barclays Global Investors Annual Investment Manager Presentation.
(continued)

Mr. Hansen inquired where BGIs stock price is currently. Mr. Wanie responded that BCS is somewhere below 20.

Mr. Wilson questioned if Barclays has taken money from the British government. Mr. Wanie responded that Barclays has not, but instead has decided to enhance their capital ratios by raising money privately. However, Barclays does have access to the government funding should they decide to utilize it.

Mr. Wanie expressed his belief that if one is a value investor with a modicum of confidence in financials, maybe now is the time to buy; however, much of the posturing in BGI's portfolios has been to reduce risk until markets are less volatile.

B. EnnisKnupp & Associates.

1. Monthly Investment Performance Update, September 2008.
2. Monthly Manager Updates/Summary, September 2008.
 - a. Sprucegrove
 - b. Capital Guardian
 - c. GMO
 - d. Acadian
 - e. Western
 - f. Reams
 - g. Loomis Sayles

Staff briefly reviewed the asset allocation and investment performance as of September 30, 2008. The current allocation to real estate is 9.4% of the portfolio versus a target of 8% due to a differing valuation period than fixed income and equity portfolios. Given the information discussed at the Board retreat regarding queue levels, staff recommended that a letter be sent to UBS to be placed in the queue to reduce the real estate allocation by \$10 million.

V. INVESTMENT INFORMATION (continued)

B. EnnisKnupp & Associates.

Staff provided an update on the funding for the Artio international equity mandate with the retrieval of funds from three managers and the delay encountered in wiring the funds to Artio. Staff noted that given the volatility in the market, it's been especially difficult to coordinate the transition.

Mr. Goulet questioned if the investment consultant has been involved in this process and received confirmation that EnnisKnupp has been in constant contact with staff on this issue.

In response to a question from Mr. Hansen, staff noted that initially the funding for Artio was set at \$100 million; however, with the current state of the market it was decided to fund initially at the \$60 million level, and evaluate where the portfolio stands at the end of October. Another consideration will be to maintain the ratio of funds being actively managed versus those being passively managed.

Mr. Wilson questioned why Western and Reams are experiencing such difficulties this quarter. Staff responded that in this instance the reason their portfolios are suffering is due to the overweight to corporate credits and underweight to Treasuries.

3. Memorandum - State Street: Securities Lending Cash Collateral Pools Update.

Staff discussed the memorandum provided by EnnisKnupp on Securities Lending collateral pools. State Street has been affected by the current market conditions and there have been continual challenges as far as withdrawals and redemptions. Staff noted that there have not been any negative returns to VCERA thus far in the securities lending pool and net securities lending revenues are averaging \$30,000 per month.

4. Memorandum - Western Asset Organizational Update.

Staff reviewed the organizational update from Western Asset summarizing that Mr. Leech will be stepping down from his position as co-CIO and turning full responsibility to Mr. Stephen Walsh. Staff noted that Western will be present at the next business meeting to provide their annual presentation and discuss the reorganization in more detail.

V. **INVESTMENT INFORMATION** (continued)

B. EnnisKnupp & Associates.

5. U.S. Treasury Department Office of Public Affairs Press Release.

Staff discussed the press release stating that EnnisKnupp has been selected as the investment advisor for the U.S. Treasury Department's Troubled Asset Relief Program (TARP).

Mr. Goulet moved, seconded by Mr. Harris, to receive and file items V. B. 1. through 5.

Motion passed.

VI. **OLD BUSINESS**

A. Amendment to VCERA's December 15, 1997 Compensation Resolution.

1. Letter and Proposed Amendment from Staff.

2. Resolution of the Board of Retirement dated December 15, 1997.

Mr. Wilson moved, seconded by Mr. Hansen, to adopt the amendment to the Compensation Resolution.

Motion passed.

VII. **NEW BUSINESS**

A. Alternate Board Member Policy Review.

1. Letter and Recommendation from Staff.

2. Current Alternate Board Member Policy Adopted November 2005.

Staff briefly reviewed Government Code sections 31520.1 and 31520.5 which govern the roles of the seventh and eighth alternate members of the Board and recommended an amendment to the Alternate Board Member Policy to either expressly prohibit an alternate member from serving as officers on the Board (as was voted by the Board in 2003) or reconsider the matter at the present time and revise the policy to state the alternate members could serve as Board officers.

VII. NEW BUSINESS (continued)

A. Alternate Board Member Policy Review. (continued)

Mr. Matheney stated that currently the Chair's function is in overseeing the meetings and not participating in votes unless there is a tie and questioned if an alternate member would have rights to vote should he be in the position as Chair to break a tie vote. Mr. Matheney also stated that it is more an issue of having a person ready, willing and able to serve and if that is a person the Board would like to have as Chair.

Ms. Nemiroff advised that an alternate board member serving as the Chair would continue to be subject to the statute's voting limitations. Ms. Nemiroff further stated that the Board has two options if it intends to permit alternate board members to have all the rights and responsibilities of regular board members.

Mr. Matheney moved, seconded by Ms. Becker, to amend the policy to confer all rights to Alternate Board members as voting members.

Motion passed.

B. Update from Linea and Staff on EDMS Project.

Mr. Brian Colker was present to update the Board on the progress of the EDMS and PAS projects.

Mr. Colker conveyed that the EDMS project was completed successfully, early and under budget. The project was completed on October 6th. Project highlights include conversion of 500,000 pages of documents to electronic format, electronic scanning of all incoming member mail, secure storage of all member records and on-site and off-site back up of member records.

Mr. Colker recognized the contributions of Brenda Cummings, Julie Stallings, Russell Fujimoto and Charles Fleming to the successful and uneventful completion of the EDMS Project.

Mr. Goulet questioned the timing of file retention after documents have been scanned and also file recovery should the system be compromised.

Mr. Colker provided a brief update on the PAS project noting that currently working with staff to establish requirements for the new pension administration system. A request for proposal document is anticipated to be

VII. NEW BUSINESS (continued)

B. Update from Linea and Staff on EDMS Project.

sent out to software vendors by the end of January 2009. Mr. Colker stated that the vendor evaluation process should take approximately 90 days and a decision made around June 2009.

Mr. Goulet moved, seconded by Mr. Matheney, to receive and file the EDMS Project Update letter.

Motion passed.

C. Board Member Conference Report – Art Goulet.

Mr. Matheney moved, seconded by Ms. Becker, to receive and file Mr. Goulet's conference report.

Motion passed.

VIII. INFORMATIONAL

A. Publications (Available in Retirement Office)

1. Institutional Investor
2. Pensions and Investments

B. SACRS Legislative Packet.

C. 19th Annual Southern California Public Retirement Seminar, January 28, 2009, Burbank, CA.

D. Correspondence from VCERA Real Estate Managers Regarding Impact of Hurricane Ike on Texas Holdings and Withdrawal Queues.

IX. PUBLIC COMMENT

Staff indicated that the ballot initiatives for the upcoming SACRS conference have not been received yet, but are expected to be available at the Board's next meeting in November.

X. BOARD MEMBER COMMENT

Mr. Matheney commented on a report on San Mateo County's Treasury Pool and, with their heavy investment in Lehman, a potential loss of \$155 million. Mr. Matheney commended Mr. Hansen for his work in Ventura County's Treasury and the fantastic 3.4% return despite negative market conditions.

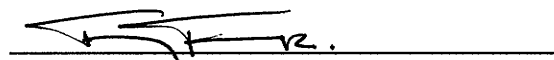
XI. ADJOURNMENT

There being no further items of business before the Board, Chairman Towner adjourned the meeting at 10:00 a.m. upon the motion of Mr. Henderson, seconded by Mr. Goulet.

Respectfully submitted,


TIM THONIS, Administrator

Approved,


TRACY TOWNER, Chairman