POLICE AND FIRE RETIREMENT PLAN

Investment Committee Summary

THURSDAY **SAN JOSE, CALIFORNIA** **AUGUST 19, 2010**

Present:
Committee Members
David Bacigalupi – Chairman
Scott Johnson
Conrad Taylor

Also Present:

Russell Crosby	-Secretary/Director	Carolyn Smith	-NEPC
Ali Amiry	-Staff	Dan LeBeau	-NEPC
Ryan Jusko	-Staff	Phil Duff	-White Oak
Michael Moehle	-Staff	Andre Hakkak	-White Oak
Charnel Benner	-Staff	Pat Dowling	-White Oak
Ron Kumar	-Staff	Barbara McKee	-White Oak
Ceara O'Fallon	-Staff	Seth Taube	-Medley
David Posnick	-Blackstone/GSO	Brook Taube	-Medley
Curtis Krouse	-First Quadrant	Scott von Stein	-Medley
Ed Peters	-First Quadrant	Stephen Murphy	-Credit Suisse
Max Darnell	-First Quadrant	Chris Burton	-Credit Suisse
Sean Kaldor			

MEETING SUMMARY

RECOMMENDATIONS
NONE

ITEMS

***Note*: Items were heard in the following order: Item 1, Item 2, Item 4, Item 6, Items 3a-3c, Items 5a and 5b, Item 7, and Item 8.**

1. **Approval of the following meeting minutes:**
   a) **April 15, 2010 Investment Committee Meeting Minutes;**
   b) **May 20, 2010 Investment Committee Meeting Minutes;**
   c) **May 20, 2010 Committee of the Whole Meeting Minutes.**

(M.S.C. Johnson/Taylor) Motion to approve. 3-0-0

2. Discussion and approval to invest $150 Million in Direct Lending vehicles and for the Secretary to negotiate and execute agreements with White Oak Global Advisors LLC, Medley Capital LLC, and Blackstone/GSO Capital Partners LP.

Dr. Amiry explained that direct lending vehicles were discussed as part of the Investment Committee's work plan. The collapse of the capital markets during 2008 has led to a shortage of lending institutions for small to mid-sized companies, which has created a new opportunity for entities with capital, such as pension plans, to invest in this new asset class. The interest rates and coupon rates for direct lending investments are very attractive, ranging from 10%-15%, and investors can obtain a senior secure bond position in the investment. This opportunity will probably last over the next five to six years until the financial markets rebound and banks begin lending again.

Chair Bacigalupi asked if this strategy would be part of the opportunistic allocation.

Dr. Amiry responded that direct lending would be allocated as an opportunistic allocation. The three managers recommended have extensive research staff, conduct thorough due diligence of potential investments, and invest in different market sectors, which creates diversification. White Oak Global Advisors LLC offers short term loans (1-3 years), which are secured by borrower's assets and senior in borrower's capital structures. Medley Capital LLC offers medium term loans (3-7 years), which are secured by borrower's assets and senior in borrower's capital structures, and may also invest in equity. Blackstone/GSO Capital Partners L.P. offers medium term loans (3-7 years), which are less senior and, therefore, higher in risk, but provide a higher rate of return.

Trustee Taylor asked if this was a good opportunity as banks are beginning to lend again.

Dr. Amiry explained that the direct lending market is a new industry and is so large that, even if the banks started lending again, it will probably be years from now, making this a good opportunity in the near term.

Trustee Kaldor asked how the investment earnings would be redeployed.

Dr. Amiry stated that the investment earnings would be used mostly to pay pension and vendor payments.

(M.S.C. Taylor/Johnson) Motion to approve. 3-0-0

4. Discussion and approval to reallocate the Plan's current passive commodities allocation to active management and for the

Secretary to negotiate and execute agreements with First Quadrant, LP and Credit Suisse Asset Management.

Mr. Jusko explained that the Investment Committee's work plan discussed the benefits of passive and active management across asset classes. Commodities is an asset class where active management can add value. With the standard indices, there is a heavy weight to energy; active management can create diversification through selection of weights to various commodities. In addition, the commodities asset class has a low correlation to other asset classes, but is correlated with inflation, which provides benefits while reducing volatility in the portfolio. First Quadrant, LP's strategy utilizes their Market Risk Index to determine whether to over or under allocate the various commodities, targeting a specific variance and deriving equal risk contribution from each of the commodity sectors. Credit Suisse Asset Management's strategy provides a demonstrated ability to provide roll yield while implementing the desired historical risk parity approach.

Trustee Johnson asked about the manager's ability to change their allocations tactically.

Mr. Jusko responded that the managers have a static allocation, but utilize roll yield and rebalancing to add value.

Dr. Amiry explained that active managers remove the dependency on the energy sector and provide diversification of risk by creating lower risk per unit of return. In addition, risk parity involves dividing the risk across multiple asset classes, which provides slow steady returns.

(M.S.C. Taylor/Johnson) Motion to approve. 3-0-0

6. Discussion and possible action regarding the existing Committee structure.

Mr. Kumar stated the main function of the Committee of the Whole meeting is to present the quarterly performance report. Staff recommends moving the presentation of the quarterly report to the Investment Committee.

Chair Bacigalupi stated that it would be efficient to have the Investment Committee review the quarterly performance report as it is difficult to schedule the Board for the Committee of the Whole and all Board members can attend the Investment Committee.

Trustee Johnson stated that, as it is important to have the quarterly performance report presented to the Board, the performance report could be agenized for the Board meetings. Further, it might be useful to create a committee for disability hearings allowing more time at the Board level for investments.

Chair Bacigalupi agreed that the Board could focus more on investments and requested that the Committee structure discussion be agenized for a future Board meeting.

(M.S.C. Johnson/Taylor) Motion to bring discussion of the Committee structure to a future Board meeting. 3-0-0

3. Direct Lending Manager Presentations:

The items below are Note and File

a. White Oak Global Advisors LLC – Phil Duff, Barbara McKee, Andre Hakkak, and Pat Dowling

Mr. Duff, Ms. McKee, Mr. Hakkak, and Mr. Dowling provided an overview of White Oak Global Advisors LLC's investment team, strategy, and philosophy and answered questions from trustees regarding tracking and reporting of investments.

b. Medley Capital LLC – Seth Taube, Brook Taube, and Scott von Stein

Mr. Seth Taube, Mr. Brook Taube, and Mr. von Stein provided an overview of Medley Capital LLC's investment team, strategy, and philosophy and answered questions from trustees regarding tracking and reporting of investments.

c. Blackstone/GSO Capital Partners LP – David Posnick

Mr. Posnick provided an overview of Blackstone/GSO Capital Partners LP's investment team, strategy, and philosophy and answered questions from trustees regarding tracking and reporting of investments.

5. Commodities Manager Presentations:

The items below are Note and File

a. First Quadrant, LP – Curtis Krouse, Ed Peters, and Max Darnell

Mr. Krouse, Mr. Peters, and Mr. Darnell provided an overview of First Quadrant LP's investment team, strategy, and philosophy and answered questions from trustees regarding tracking and reporting of investments.

b. Credit Suisse Asset Management – Stephen Murphy and Chris Burton

Mr. Murphy and Mr. Burton provided an overview of Credit Suisse Asset Management's investment team, strategy, and philosophy and answered questions from trustees regarding tracking and reporting of investments.

7. Update on Securities Lending.

This item is Note and File

Mr. LeBeau stated that the NAV as of June 30, 2010 was 98.89 cents, which is slightly under $1. There have been no defaults in the securities lending collateral pool to date.

Dr. Amiry stated that the NAV for July 2010 was 99.12 cents.

8. Informational: Seix Investment Advisors memorandum regarding staff changes.

This item is Note and File

APPROVED:

RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION