

# **POLICE AND FIRE RETIREMENT PLAN**

## **Summary of Quarterly Investment Committee of the Whole**

**THURSDAY**

**SAN JOSE, CALIFORNIA**

**AUGUST 20, 2009**

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**Present:**

**David Bacigalupi  
Scott Johnson  
Conrad Taylor  
Keith Keesling**

**Not Present:**

**Bill Brill  
Sam Liccardo  
Rose Herrera**

**Also Present:**

<b>Russell Crosby</b>	<b>-Secretary/Director</b>	<b>Allan Martin</b>	<b>-NEPC</b>
<b>Carmen Racy-Choy</b>	<b>-Staff</b>	<b>Carolyn Smith</b>	<b>-NEPC</b>
<b>Ali Amiry</b>	<b>-Staff</b>	<b>Daniel LeBeau</b>	<b>-NEPC</b>
<b>Ron Kumar</b>	<b>-Staff</b>	<b>Christopher Levell</b>	<b>-NEPC</b>
<b>Ceara O'Fallon</b>	<b>-Staff</b>	<b>John Cashwell</b>	<b>-Seix</b>

## **MEETING SUMMARY**

### **PRESENTATIONS**

**The following presentations were given to the Board:**

**2. Seix Investment Advisors – John Cashwell**  
Quarterly Report for the quarter ending June 30, 2009

Mr. Cashwell reported that the core-plus portfolio performance has been strong for 18 months, and through June 30, is up on a net basis by 4.94%, which is outperforming the target. Through July, the gross return was 2.39%, with approximately 7.5% return year to date. Assets at the end of June were \$284 million and \$291 million at the end of July. The core-plus composite for the one-year period is up in the top tenth percentile.

Mr. Cashwell noted that a customized bank loan portfolio was created in May 2009, utilizing a "buy and hold" approach, and adhering to guidelines set forth by the Board. He stated that corporate loans in the portfolio were fully vetted by a research team. In a two-month period, the group invested \$50 million, and the portfolio currently has \$52.9 million. He stated that the uniqueness of the portfolio is the distribution of income occurring from the loans maturing and early principal pay downs.

Mr. Cashwell announced the account currently has \$1.18 million in cash available for distribution. He described the portfolio as well-diversified and well-positioned.

**1. Plan's Quarterly Performance Report – NEPC, LLC – Allan Martin**  
For the quarter ending June 30, 2009.

Mr. Martin reported that since the period ending June 30, 2009, the markets have continued to move upward with the S&P up about 8%, and in July, the portfolio gained another 5.6%. It was a good quarter across all asset classes, except real estate and private equity; however, from a one-year perspective, virtually everything has declined. Core bonds earned a high yield of 18-22% in the second quarter and 18% in bank debt.

Mr. Martin noted that despite a gain of \$214 million in the quarter, the portfolio experienced a gross investment loss of \$472 million, and an "unrealized loss" of \$10.7 million in the securities lending program. He said the largest single contributor to portfolio volatility is equity allocation, which has been coming down slightly, even though there has been a slight bounce-back in the most recent quarter.

Mr. Martin stated that the manager contribution to performance, with a couple of exceptions (such as INTECH and Alliance), has turned around, and the numbers have dramatically improved in positive returns for the quarter.

**INFORMATION AND COMMUNICATION**

**3. Quarterly Proxy Voting Record**

Noted and filed.

**4. Report on Rebalancing Transfers**

Noted and filed.

**5. Commission Recapture Report**

Noted and filed.

**6. Investment Managers' Performance Reports for the quarter**

Reports on CD - Noted and filed.

**Approved:**

  
**RUSSELL U. CROSBY, SECRETARY**  
**BOARD OF ADMINISTRATION**