

POLICE AND FIRE RETIREMENT PLAN

Summary of Quarterly Investment Committee of the Whole

THURSDAY

SAN JOSE, CALIFORNIA

June 19, 2008

Present:

Kenneth Heredia, Vice Chair

Bret Muncy

Not Present:

Mark Skeen

Bill Brill

David Cortese

Forrest Williams

Scott Johnson

Also Present:

Russell Crosby -Secretary/Director

Donna Busse -Staff

Ron Kumar -Staff

Udaya Rajbhandari -Staff

Ceara O'Fallon -Staff

Cristin James -Staff

Veronica Niebla -Staff

Allan Martin -NEPC

Daniel LeBeau -NEPC

Steve Beinhacker -Alliance Capital

James Thyne -Alliance Capital

Juan Benito -Brandes

Stephanie Braming -William Blair

Betsy Anderson -AQR

Lars Nielson -AQR

Lawrence Ivey -Boston Co

Carolyn Kedersha -Boston Co

MEETING SUMMARY

PRESENTATIONS

The following presentations were given to the Board:

- **Brandes Investment Partners – Juan Benito**
Quarterly Report for quarter ending March 31, 2008.

Mr. Benito stated that even though the performance has been poor in the short term with a loss of 12.34% for 1st quarter of 2008, long term performance is still keeping with their goal to outperform the benchmark. He feels that their investment philosophy is still sound.

Mr. Martin stated that NEPC would agree that Brandes has performed well long term. During the down times in the market the Fund suffered because it was continuing to take on new investors.

Mr. Benito explained that the product the Plan is invested in closed to new investors in 1998. Brandes has no plans to reopen the fund to new clients. The constraint of what Brandes can manage is not due to lack of analysts but lack of opportunities in the market.

■ **William Blair – Stephanie Braming**
Quarterly Report for quarter ending March 31, 2008.

Ms. Braming stated that the product the Plan is invested in at William Blair has been closed since 2004. The investment strategy in this Growth product is to identify companies that are growing fast for a longer period. William Blair looks for companies that make higher reinvestments back into their business.

Mr. Martin asked why William Blair was comfortable with an overweight in Emerging Markets in the Fund.

Ms. Braming explained William Blair was comfortable with an overweight in Emerging Markets because in 2007 when the Market did poorly, Emerging Markets did well. Conversely, when the Market did well, Emerging Markets did the opposite. In 2008, Emerging Markets is no longer a supporting sector but now is a driving factor.

■ **AQR – Betsy Anderson and Lars Nielson**
Quarterly Report for quarter ending March 31, 2008.

Ms. Anderson explained that the first quarter was a volatile period for global equity markets. The Fund managed to slightly outperform the benchmark, but overall the downdraft in equity markets dominated. Stock selection results were slightly positive for the quarter due to positive contribution from Japan, while other main regions, UK and Europe, were marginally down.

Mr. Nielsen stated that AQR's stock selection strategy remains broadly diversified across nearly six hundred names, with any individual position representing a small active bet against the benchmark. The portfolio as a whole is overweight in cheaper stocks with better momentum and earning quality. The Fund has 100-120% turnover per year.

■ **Boston Company – Lawrence Ivey and Carolyn Kedersha**
Quarterly Report for quarter ending March 31, 2008.

Ms. Kedersha explained that the Market is currently in the longest bull market in history with no less than five global earning cycles. She stated that we are still at that peak of the current cycle.

Coming into 2008, she stated that we have seen global growth and subprime problems that have affected the Market in a negative way. The Fed has stepped in to reduce interest rates and China's Market lost significantly in the first quarter. Good solid stock selection is why Boston Company has outperformed the benchmark recently.

■ **Alliance Capital Management – James Thyne and Steve Beinbacher**
Quarterly Report for quarter ending March 31, 2008.

Mr. Beinbacher explained that the Emerging Markets Growth portfolios finished in line with the broad benchmark for the 1st quarter of 2008 before fees and well ahead of the growth benchmark. Strong security selection offset weak country selection.

While earnings momentum may be starting to slow in emerging markets, economic growth remains solid. The portfolio's exposure to growth factors has been increasing, yet it has not become more expensive. The Fund continues to find opportunities in sectors exposed to the strength of domestic demand. Alliance is looking for companies that are able to deliver on their expectations to consistently outperform.

Currently, Industrials, Materials and Energy make up 45% of the Emerging Markets benchmark. In the next 10 years, Consumer Discretionary and Healthcare will play a larger part.

■ Mercer Investment Performance Report

The 1st quarter performance report was prepared by Mercer Investment Consulting. The 2nd quarter 2008 performance report will be produced by NEPC.

Member Muncy stated that he would like to see a review of the managers that are presenting at the COW meeting in the new performance report.

Mr. Martin explained that NEPC is currently reviewing investment objectives of the current managers and will present a critique report on managers that are underperforming. William Blair and Boston Company are both good managers that NEPC would recommend keeping. Brandes is currently underperforming, since they took on too many assets too quickly.

Investment Manager	Net Quarter Return	Percentile for Quarter	Net 1 Year Return	Percentile for 1 Year
Index Equity Rhumbline Advisers (Inception 4/92)	-9.4%	43	-5.1%	44
Growth Equity State Street Global Markets: (formerly Globalt, Inc.)	-9.5%	30	0.1%	50
INTECH (Inception 10/03)	-12.8%	76	-4.7%	79
New Amsterdam Partners (Inception 1/95)	-11.2%	56	-8.5%	94
Value Equity UBS Global Asset Management (Inception 4/93)	-9.7%	64	-8.8%	59
Boston Partners (Inception 7/96)	-12.3%	92	-8.6%	58
Small Cap Growth Provident Investment Counsel (Inception 1/98)	-20.2%	88	-12.2%	64
Small Cap Core Rhumbline Advisers	-9.9%	44	-13.0%	40
Small Cap Value State Street Global Markets: (formerly TCW Group)	-11.2%	88	-21.4%	86
Intl Equity – Established Markets AQR Capital Management, LLC (Inception 6/06)	-8.9%	47	-5.4%	83
Brandes Investment Partners, L.P. (Inception 1/97)	-12.2%	94	-8.6%	95
William Blair & Company (Inception 3/02)	-10.5%	79	3.1%	22
Intl Equity – Emerging Markets Alliance Capital Mgmt. (Inception 9/01)	-11.1%	57	19.0%	64
Boston Co. Asset Mgmt. (Inception 9/01)	-8.8%	24	14.9%	89
Domestic Fixed Income Seix Investment Advisors (Inception 10/99)	1.4%	51	6.7%	42
Western Asset Management (Inception 8/02)	-1.0%	88	1.3%	91

Long Duration Fixed Income				
Income Research & Management	1.2%	36	6.7%	33
Real Estate Fund				
MIG Realty Advisors (Inception 12/94)	0.9%	61	8.2%	88
Kennedy Associates (Inception 10/03)	0.7%	63	15.4%	32
Multi-Employer Property Trust (Inception 6/06)	1.5%	37	12.6%	62
Private Equity				
Pantheon Ventures (Inception 9/05)	0.0%	--	--	--
Portfolio Advisors (Inception 10/05)	0.0%	--	--	--
HarbourVest Partners, LLC (Inception 12/05)	0.0%	--	--	--

- Manager Performance Review.**
- Quarterly Proxy Voting Report.**
- Report on Rebalancing Transfers.**
- Commission Recapture Report.**
- Investment Managers' Performance Reports for the quarter.**

Approved:



RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION