

POLICE AND FIRE RETIREMENT PLAN

Investment Committee Summary

THURSDAY

SAN JOSE, CALIFORNIA

JUNE 6, 2008

Present:

Committee Members

Mark Skeen
Ken Heredia
Bret Muncy

Also Present:

Russell Crosby	-Director/Secretary	Allan Martin	-NEPC
Donna Busse	-Staff	Daniel LeBeau	-NEPC
Udaya Rajbhandari	-Staff	Mark Romano	-PIMCO
Ceara O'Fallon	-Staff	Jennifer Bridwell	-PIMCO
Americo Cascella	-Ares Management	Carolyn Smith	-NEPC

MEETING SUMMARY

RECOMMENDATIONS

None

ITEMS

1. Educational Presentation: Credit Opportunities Overview - NEPC .

Mr. Allan Martin explained that with the deterioration of the Sub-Prime Market in 2007, there are Opportunistic Strategies available in the Credit Market. Some of the possible opportunities for investment might be Bank Loans/Senior Secured, Mezzanine, Corporate High Yield, Stressed/Distressed, Structured Credit, Commercial Mortgage and Residential Mortgage.

Avenues to take advantage of these vehicles and asset classes:

- Easiest - add long-only exposure to existing managers and/or dedicated allocation to bank loans.
- Modest – add less liquid product exposure with Broad Credit Strategies.
- Hardest – add multiple direct Illiquid Product and Strategies, especially in distressed mortgage segment (many funds will be closed by June).

NEPC would recommend:

- Dedicated Bank Loan
- Dedicated Distressed Mortgage
- 60% of money to a manager who would invest in the rest of the spectrum

2. Educational Presentation: Structured Credit Overview - PIMCO.
Mark Romano and Jennifer Bridwell

Mr. Mark Romano explained that "senior" fixed income assets are historically cheap due to the selling off of loans by the banking system. These "senior" fixed income assets are high quality investments and have a lower probability of principal loss as defaults are absorbed by a substantial cushion of more subordinated securities that will bear losses first.

Senior Structured Credit Pools hold many loans or bonds that are AAA grade. Investors who can provide stable, longer-term liquidity have the opportunity to capture historic wide spreads on senior bonds with minimal expected credit risk.

3. Educational Presentation: Bank Loans Overview – Ares Management, LLC.
Americo Cascella

Mr. Americo Cascella stated that an unprecedented amount of leveraged loans have been issued over the past five years, resulting in a record amount of total leveraged loans outstanding. All these leveraged loans created a liquidity crisis in summer of 2007, which has banks selling loans to get them off their books and to increase cash causing markdowns and secondary price declines. Investors are being compensated well for the risk they are taking in purchasing these loans from the secondary market.

Mr. Cascella stated that implied default rates on leveraged loans are higher than the implied default rate on high yield bonds. Today's spreads suggest investors are compensated more for the risk they are taking in loans as compared to bonds.

Approved:



RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION