

POLICE AND FIRE RETIREMENT PLAN

Revised Investment Committee Summary

WEDNESDAY

SAN JOSE, CALIFORNIA

NOVEMBER 19, 2008

Present:

Committee Members

Ken Heredia

Bret Muncy

Scott Johnson

Mark Skeen – excused absence

Also Present:

Russell Crosby -Secretary/Director

Carmen Racy-Choy -Staff

Ali Amiry -Staff

Ronald R. Kumar -Staff

Ceara O'Fallon -Staff

MEETING SUMMARY

RECOMMENDATIONS

1. Approval of the October 23, 2008 Real Estate Committee minutes.
2. Approval of the Plan's Draft Statement of Investment Policy.
3. Approval to grant Robeco Boston Partners an investment policy exception to limit their individual security variation to the greater of 5.0% of the market value of the portfolio or 1.0% plus the benchmark weight of that security.

ITEMS

1. Approval of Investment Committee Minutes:
 - a. October 23, 2008

Motion/second/approved. (3-0) (Heredia/Muncy/Johnson – Skeen Absent)

2. Discussion and action regarding the Plan's Securities Lending Program managed by State Street.

This item was deferred to the next Investment Committee meeting.

3. Approval of the Plan's Draft Statement of Investment Policy.

Staff presented changes to the Plan's Statement of Investment Policy that included policy language in regards to Opportunistic Strategies, Absolute Return, Real Assets, and Real Estate as well as the usage of pooled/commingled funds as an allowed investment vehicle for all asset classes.

Mr. Heredia asked about the lack of performance goal changes in the revisions.

Ms. Racy-Choy stated that these changes are necessary for the Plan to enter certain investments and that staff will come back to the Committee with additional changes to the Statement of Investment Policy, including revisions to the performance goals as needed.

Mr. Heredia asked about the allocation to Global Tactical Asset Allocation ("GTAA").

Ms. Racy-Choy stated that NEPC's allocation calls for GTAA, but it has not been approved yet and the Plan does not have any managers in this area nor are any managers approved for this allocation.

Mr. Heredia asked about Real Estate Investment Trusts ("REITS") and whether it was approved.

Mr. Kumar stated that the REIT language was added to the Statement of Investment Policy to make it consistent with the Plan's Real Estate Policy.

The Committee approved the revisions to the Plan's Statement of Investment Policy with a staff discussion of the GTAA to follow.

Motion/second/approved. (3-0) (Heredia/Muncy/Johnson – Skeen Absent)

4. Discussion regarding WAMCO's sub-investment grade bonds exceeding the Plan's Investment Policy Statement limits.

According to the Plan's fixed income manager guidelines, if bonds held in a client portfolio are downgraded to sub-investment grade, the manager is permitted to hold up to 2% of the Plan's portfolio in the sub-investment grade. WAMCO has recently experienced downgrades, which caused their portfolio to exceed the 2% limit. NEPC does not recommend forcing WAMCO to sell immediately and suggested that WAMCO be given leniency in bringing the portfolio back within the guidelines. Staff will request a plan from WAMCO for bringing the sub-investment grade securities back under the 2% policy limit.

Mr. Heredia asked about the leniency as the Statement of Investment Policy is in place for a reason.

Mr. Racy-Choy stated that the discussion is not about changing the Statement of Investment Policy, but to allow WAMCO some time to realign the portfolio rather than forcing them to sell given the current market conditions.

Mr. Crosby stated that staff will develop a plan with WAMCO to get back to the 2% limit.

5. Approval to grant Robeco Boston Partners an investment policy exception to limit their individual security variation to the greater of 5.0% of the market value of the portfolio or 1.0% plus the benchmark weight of that security.

Per the investment policy guidelines, managers can only hold up to 5% of their total portfolio in an individual security. However, Robeco Boston Partners, at times encounters securities in the benchmark that are weighted to more than 5%, which causes problems for them because they cannot add value. Thus, they have requested an investment policy exception allowing for the greater of 5% or the benchmark weight plus 1%.

The Committee approved granting Robeco Boston Partners the requested policy exception.

Motion/second/approved. (3-0) (Heredia/Muncy/Johnson – Skeen Absent)

6. Discussion and action on due diligence travel.

This item was deferred to the next Investment Committee meeting.

7. Informational Item: Update on Investment Managers on Probation & Watchlist – September 2008.

<i>Probation List</i> Boston Company	Outperformed their benchmark, the MSCI Emerging Markets Index + 200 bps, for the month, YTD, and rolling one-year. They outperformed the index, net of fees, for the month, YTD, and rolling one-year. Next Step: Continue on Probation pending NEPC review.
Seix Investment Advisors	Outperformed their benchmark, the Lehman Aggregate + 50 bps, for the month, but underperformed for YTD and rolling one-year. They outperformed the index, net of fees, for the month, but underperformed for YTD and rolling one-year. Next Step: Continue on Probation pending NEPC review.
Alliance	Underperformed their benchmark, the MSCI Emerging Markets Index + 200 bps, for the month, YTD and rolling one year. They also underperformed the index, net of fees, for the month, YTD, and rolling one-year. Next Step: Continue on Probation pending NEPC review.

8. Informational Item: Firm Update – INTECH's Chief Operating Officer to retire at Year End.

Approved:



RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION