

# **POLICE AND FIRE RETIREMENT PLAN**

## **Revised Investment Committee Summary**

**THURSDAY**

**SAN JOSE, CALIFORNIA**

**SEPTEMBER 18, 2008**

---

**Present:**

**Committee Members**

**Ken Heredia  
Bret Muncy**

**Not Present:**

**Mark Skeen - excused**

**Also Present:**

|                  |                     |               |       |
|------------------|---------------------|---------------|-------|
| Russell Crosby   | -Secretary/Director | Allan Martin  | -NEPC |
| Carmen Racy-Choy | -Staff              | Kevin Tatlow  | -NEPC |
| Ron Kumar        | -Staff              | Carolyn Smith | -NEPC |
| Ceara O'Fallon   | -Staff              | Daniel LeBeau | -NEPC |
| Cristin James    | -Staff              |               |       |

## **MEETING SUMMARY**

### **RECOMMENDATIONS**

**None**

### **ITEMS**

#### **1. Approval to rescind the June 19, 2008 decision to invest in the Fortress Credit Opportunities Fund.**

Mr. Kumar stated that Teresa Pahl of Hanson Bridgett, LLP, the Plan's Investment Counsel has been trying to negotiate a contract with Fortress in order to make the investment as directed by the Trustees. Unfortunately, Fortress is not willing to consider a side letter with the Police and Fire Department Retirement Plan and they are not willing to commit to the City's insurance requirements.

Vice-Chair Heredia asked if other public funds are investing with Fortress.

Mr. Martin stated that there have been other public funds who have invested with Fortress.

Vice-Chair Heredia asked if the Plan's policies are outdated.

The Secretary explained that the items missing from the Fortress agreement are items that our Investment Counsel advised Staff to address.

The Committee approved rescinding the approval of the Investment Committee's June 19, 2008 decision to invest in the Fortress Credit Opportunities Fund L.P.

Motion/second/approved. (2-0)

## 2. Discussion regarding the Plan's manager search and due diligence process.

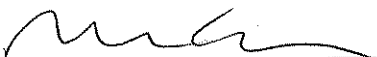
Ms. Racy-Choy stated that our priority should be to reallocate funds to match the Asset Allocation that was approved at the May 2008 meeting. Delay increases risk to the Plan.

Ms. Racy-Choy added that until manager searches can be completed for the various asset classes, we should look at investing in index funds as soon as possible to achieve the approved asset allocation. NEPC and staff will evaluate the index and other fund products available and then come back with the best funds for the Committee to review.

## 3. Informational Item: Update on Investment Managers on Probation & Watchlist – July 2008.

|   |   |
|---|---|
| <b><u>Watchlist</u></b><br><b>Provident</b>           | Underperformed their benchmark, the Russell 2000 Growth 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: Provident was terminated August 27, 2008.                              |
| <b><u>Probation List</u></b><br><b>Boston Company</b> | Outperformed their benchmark, the MSCI Emerging Markets Index + 200 bps, for the month and YTD but underperformed rolling one-year. They outperformed the index, net of fees for the month and YTD but underperformed rolling one-year. Next Step: Continue on Probation pending NEPC review. |
| <b>Seix Investment<br/>Advisors</b>                   | Underperformed their benchmark, the Lehman Aggregate + 50 bps, for the month, YTD and rolling one-year. They underperformed the index, net of fees, for the month, YTD and rolling one-year. Next Step: Continue on Probation pending NEPC review.  |
| <b>Alliance</b>                                       | 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.                           |

Approved:



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