

POLICE AND FIRE RETIREMENT PLAN

Revised Summary of Real Estate Committee

THURSDAY

SAN JOSE, CALIFORNIA

SEPTEMBER 18, 2008

PRESENT:

Police and Fire Board

Ken Heredia

Bret Muncy

NOT PRESENT:

Mark Skeen - excused

Also Present:

Russell Crosby -Secretary/Director

Carmen Racy-Choy -Staff

Ron Kumar -Staff

Ceara O'Fallon -Staff

Cristin James -Staff

Allan Martin -NEPC

Kevin Tatlow -NEPC

Carolyn Smith -NEPC

Daniel LeBeau -NEPC

MEETING SUMMARY

RECOMMENDATIONS

None

ITEMS

1. Discussion and action on the Real Estate Investment Structure.

NEPC recommends moving to a real estate fund structure to build a more diversified portfolio with multiple strategies, more diversified geographical locations, and lower risk.

Mr. Tatlow explained that a small number of individual properties are difficult to diversify in the portfolio. The biggest issue with a small number of individual properties is risk. If there is a problem with just one property it will affect the whole portfolio.

NEPC believes that the priorities for the Real Estate portfolio should be, first, to initiate a core search to place funds from the Deerwood disposition and, second, to get the properties stabilized so they can be sold off and proceeds invested through a Fund Structure.

Ms. Racy-Choy stated that the Kennedy contract does not give them any incentive to liquidate properties.

Vice-Chair Heredia stated that the proposed allocation change from 0% to 35% investment in International Real Estate seems high.

Ms. Racy-Choy explained that Global Real Estate has a different market cycle than U.S. real estate. When the U.S. Real Estate market is down, Europe's market may be up. Diversifying would lower the risk and make the Real Estate portfolio more stable.

Mr. Martin stated that having the Plan invested in individual properties instead of funds requires more staff time to review and maintain the investments.

The Secretary stated that the Trustees should hire a Construction Auditor in order to review the Progress Point construction project in order to confirm that the Plan is getting what it is paying for and verify status of the project.

Ms. Racy-Choy explained that if the Committee approves terminating MIG and Kennedy, NEPC and Staff will initiate the appropriate search for a Real Estate Manager who would be hired to liquidate the portfolio. Once we find some good candidates then Staff will bring back a report to the Committee for approval.

Member Muncy stated that he is not in favor of terminating either MIG or Kennedy without more discussion. He requested additional information on problems with insurance coverage for the properties.

The Secretary stated that Kennedy has been on the Watchlist for over a year and was recently put on Probation due to performance, as well as insurance problems and service issues. Next step would be to terminate the contract with Kennedy.

Ms. Racy-Choy explained that MEPT has been underperforming the benchmark significantly and the fund takes on too much risk by not diversifying property types. She stated that MEPT does not operate as a core fund, and should not be used for core real estate exposure.

The Committee approved the following:

- a. The NEPC proposed core plus satellite Investment Structure;
- c. Termination of the MEPT mandate;
- d. Initiation of searches for Real Estate Funds as required by the proposed structure;
- e. Initiation of a search for a Real Estate manager to takeover the management of the properties; currently managed by Kennedy Associates and MIG Realty Advisors and to liquidate the properties in an orderly manner.

Motion/second/approved. (2-0) (Heredia/Muncy – Skeen absent)

2. MIG Realty Advisors – Status Report

Mr. Kumar stated that Hurricane Ike passed through Houston and did some minor damage to the Deerwood property that will need to be repaired as soon as possible. Damage included air conditioning systems, roof leaks and a fence that was knocked down.

3. Occupancy Report – MIG

4. Kennedy – Status Report

Vice-Chair Heredia asked why the Dodd Road property is not on the market since it is 100% occupied with three years to go on the lease.

Ms. Racy-Choy observed that the Real Estate Manager has no incentive to sell the property, since management fees are charged monthly to collect rents and manage the property.

Approved:



RUSSELL U. CROSBY, SECRETARY
BOARD OF ADMINISTRATION

POLICE AND FIRE RETIREMENT PLAN

Revised
1737 North First Street Corporation

THURSDAY

SAN JOSE, CALIFORNIA

SEPTEMBER 18, 2008

PRESENT:

Police and Fire Board

Ken Heredia

Bret Muncy

NOT PRESENT:

Mark Skeen - excused

Also Present:

Russell Crosby -Secretary/Director

Carmen Racy-Choy -Staff

Ron Kumar -Staff

Ceara O'Fallon -Staff

Cristin James -Staff

Allan Martin -NEPC

Kevin Tatlow -NEPC

Carolyn Smith -NEPC

Daniel LeBeau -NEPC

MEETING SUMMARY

1. Current Status Report.

As of September 1, 2008 the building is 90.4% leased.

Approved:



RUSSELL U. CROSBY, CHIEF FINANCIAL OFFICER

POLICE AND FIRE RETIREMENT PLAN

Revised
3169 Dodd Road Corporation

THURSDAY

SAN JOSE, CALIFORNIA

SEPTEMBER 18, 2008

PRESENT:

Police and Fire Board

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

1. Current Status Report.

As of September 1, 2008 the building is 100% leased.

Approved:



RUSSELL U. CROSBY, CHIEF FINANCIAL OFFICER

POLICE AND FIRE RETIREMENT PLAN

Revised
3201 C Street, LLC

THURSDAY

SAN JOSE, CALIFORNIA

SEPTEMBER 18, 2008

PRESENT:

Police and Fire Board

Ken Heredia
Bret Muncy

NOT PRESENT:

Mark Skeen - excused

Also Present:

Russell Crosby -Secretary/Director
Carmen Racy-Choy -Staff
Ron Kumar -Staff
Ceara O'Fallon -Staff
Cristin James -Staff

Allan Martin -NEPC
Kevin Tatlow -NEPC
Carolyn Smith -NEPC
Daniel LeBeau -NEPC

MEETING SUMMARY

1. Current Status Report.

As of September 1, 2008 the building is 97.9% leased.

Approved:



RUSSELL U. CROSBY, CHIEF FINANCIAL OFFICER

POLICE AND FIRE RETIREMENT PLAN

Revised
3301 C Street, LLC

THURSDAY

SAN JOSE, CALIFORNIA

SEPTEMBER 18, 2008

PRESENT:

Police and Fire Board

Ken Heredia

Bret Muncy

NOT PRESENT:

Mark Skeen - excused

Also Present:

Russell Crosby -Secretary/Director

Carmen Racy-Choy -Staff

Ron Kumar -Staff

Ceara O'Fallon -Staff

Cristin James -Staff

Allan Martin -NEPC

Kevin Tatlow -NEPC

Carolyn Smith -NEPC

Daniel LeBeau -NEPC

MEETING SUMMARY

1. Current Status Report.

As of September 1, 2008 the building is 97.9% leased.

Approved:



RUSSELL U. CROSBY, CHIEF FINANCIAL OFFICER

POLICE AND FIRE RETIREMENT PLAN

Revised
SJ Progress Point, LLC Committee

THURSDAY

SAN JOSE, CALIFORNIA

SEPTEMBER 18, 2008

PRESENT:

Police and Fire Board

Ken Heredia
Bret Muncy

NOT PRESENT:

Mark Skeen - excused

Also Present:

Russell Crosby -Secretary/Director
Carmen Racy-Choy -Staff
Ron Kumar -Staff
Ceara O'Fallon -Staff
Cristin James -Staff

Allan Martin -NEPC
Kevin Tatlow -NEPC
Carolyn Smith -NEPC
Daniel LeBeau -NEPC

MEETING SUMMARY

1. Current Status Report.

As of September 1, 2008 this building is under construction.

Approved:



RUSSELL U. CROSBY, CHIEF FINANCIAL OFFICER