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KAYLEEN SMITH
CLERK OF THE BOARD



Imperial County Employees' Retirement System

BRIEF MINUTES
REGULAR MEETING OF THE
IMPERIAL COUNTY BOARD OF RETIREMENT

September 20, 2006

8:30 A.M.

County Administration Center

Board Chambers

940 West Main Street, Second Floor

El Centro, CA 92243

OPEN SESSION

1. The meeting was called to order by Chairman Flammang at 8:35 a.m.

A. Roll Call.

MEMBERS PRESENT: Karen Vogel, Julie Villeneuve, Becky Flammang, Robert W. Williams, Armando Padilla, James Rhodes and Terry Huskey.

ALTERNATE PRESENT: None.

MEMBERS ABSENT: Larry Grogan

MEMBERS ARRIVING AFTER ROLL CALL: Jurg Heuberger

LEGAL REPRESENTATIVE: Linda Tucker, Deputy County Counsel

CLERK: Kayleen Smith, Disability Specialist

STAFF: David H. Prince, Retirement Division Manager

B. Public comments on items that are **NOT** on the agenda: None.

2. Discussion of the Agenda:

A. Items to be pulled from Action Calendar: None.

B. Items to be pulled from Discussion Calendar: None.

C. Items to be pulled from the Consent Agenda: None.

D. Emergency Items added: None.

E. Approval of the Agenda:

Motion by Villeneuve, seconded by Huskey and carried on the unanimous vote of members present, the Board voted to approve the Agenda.

F. Approval of the Consent Agenda:

Motion by Villeneuve, seconded by Williams and carried on the unanimous vote of members present, the Board voted to approve the Consent Agenda.

3. Approval of the Minutes:

A. July 19, 2006 Regular Adjourned Meeting.

B. August 2, 2006 Educational Workshop.

Motion by Williams, seconded by Padilla and carried on the unanimous vote of members present, the Board voted to approve the minutes of the Regular Adjourned Meeting of July 19, 2006 and the August 2, 2006 Educational Workshop.

ACTION CALENDAR

4. Presentations by Investment Managers:

A. Bradford & Marzec, Inc. – Jeff Brothers and Graham Allen:

1. Investment Manager Review and Non-Dollar Bond Presentation.
2. Fixed Income and Performance Report – 2nd Quarter 2006 Review (1 attachment).
3. U. S. Treasury Inflation Index Bond Portfolio (1 attachment).
4. Mid Year Update – July 2006 (1 attachment).
5. Bond Market Monthly Report – July 2006 (1 attachment).
6. Bond Market Monthly Report – August 2006 (1 attachment).

Mr. Brothers reviewed the history of their organization. He discussed the characteristics and performance of their portfolio. The Core account lost 0.1% and the Tips account showed a gain of 0.4%.

BOARD MEMBER HEUBERGER ARRIVED AT 8:52 A.M.

Mr. Brothers discussed in detail the drivers of the market environment, the economic outlook, as well as the strategy of their portfolio.

Mr. Allen discussed international investing and their guideline recommendation for non-dollar bonds and related currency.

Motion by Williams, seconded by Villeneuve and carried on the unanimous vote of members present, the Board voted to allow Bradford and Marzec to invest up to 15% of the core plus portfolio in non-dollar investments.

B. Calamos Investments – Milan Demillan:

Mr. Demillan gave an investment update presentation. He discussed their equity investment philosophy and procedure as well as their portfolio and performance. The second quarter results showed a loss of 6.7%.

5. Presentation by Ira Summer, Actuary, Public Pension Professionals:

A. Update of Supplemental Health Benefit for Retirees.

Mr. Summer discussed the purpose and implementation of this benefit.

BREAK AT 10:15 A.M. – RECONVENED AT 10:20 A.M.

Mr. Summer discussed the details of this benefit including alternate methods. Linda Tucker, Deputy County Counsel, advised the Board that it is not a vested right and can be changed or terminated by the Board at any time.

Motion by Huskey, seconded by Heuberger and carried on the unanimous vote of members present, the Board voted to use the rounding up method to determine the years of service for this benefit.

Mr. Summer discussed multiple retirement dates and options to be considered.

Motion by Villeneuve, seconded by Heuberger and carried on the unanimous vote of members present, in the choice of selecting a retirement date, if there are multiple retirement dates the benefit will be split according to each of the benefit dates.

Motion by Heuberger, seconded by Huskey and carried on the unanimous vote of members present, the Board voted to go with calculations by staff rather than a Consultant.

The Board discussed the initial start date for this benefit.

Motion by Heuberger, seconded by Villeneuve and carried on the unanimous vote of members present, the Board voted to start this supplemental benefit as of January 1, 2007.

The Board discussed beneficiary eligibility and designation.

Motion by Heuberger, seconded by Williams and carried on the unanimous vote of members present, the Board voted to extend to the beneficiary the same amount extended to the retiree.

Mr. Summer discussed the cost of this benefit.

Motion by Heuberger, seconded by Huskey and carried on the unanimous vote of members present, the Board voted to move 5.8 million dollars for this benefit.

B. Discussion – Economic Assumptions for the 06/30/06 Actuarial Study:

Mr. Summer gave a presentation and reviewed the report. He discussed expectations and recommendations.

Motion by Williams, seconded by Villeneuve and carried on the unanimous vote of members present, the Board voted to keep the assumptions the same as last year, which were 4% inflation and 7.9% nominal investment return.

Mr. Summer discussed the annual review date. David Prince voiced his preference to make it in conjunction with the annual COLA.

Motion by Williams, seconded by Huskey and carried on the unanimous vote of members present, the Board voted to use an annual review date of April 1st beginning in April 2008.

6. Tom Lightvoet, Mercer Investment Consulting:

A. Pension Plan Presentation Report – 2nd Quarter 2006.

Mr. Lightvoet reviewed the quarterly report in detail. The Board voiced their concerns and opinions regarding individual Manager performances. The Board gave direction to staff to notify Calamos verbally and in writing of their concerns over their recent performance. Mr. Lightvoet discussed asset allocation and answered several of the Board's questions.

Motion by Villeneuve, seconded by Heuberger and carried on the unanimous vote of members present, the Board voted to fund Emerging Markets Management (EMM) for \$20 million, taking \$13 million from Templeton and \$7 million from Delta with a second phase to fund ING in December 2006 with \$10 million from Delta.

B. Selecting an Emerging Market Investment Manager.

C. Asset Re-Balancing.

Board Member Williams suggested performing a search for an investment consultant. SACRS has recommended that a search be performed and reviewed every five years. This will be placed on the agenda for next month's meeting.

7. Local Real Estate Investments:

A. Presentation by North Imperial Associates LLC:

Michael Malvin, developer of North Imperial Associates, made a formal presentation concerning a local development of the Brunswick Bowling and Entertainment Center project. Vince Signorotti of Calenergy and Mike Mordah of Duggins Construction discussed their participation in this project. Kathy Kennerson, CEO of the El Centro Chamber of Commerce, also expressed her support.

LUNCH – 12:24 P.M. TO 1:05 P.M.

B. Proposed Board Policy by David Prince.

Mr. Prince stated that staff needs additional information from the Board before a detailed Local Investment Policy can be developed. A discussion was held regarding the purpose of the different types of investments considered. The Board was polled on their interest in investing in local real estate. It was the consensus of the Board to pursue the formation of a policy and for staff to research and return next month with a proposal.

8. Discussion/Action by Others:

A. Retirement Administrator/Staff:

1. Timeframe for Staff and Information Systems Implementation of Retiree Health Benefit – January 2007 (formerly discussed by the Board as a “STAR COLA”).

Discussed earlier under Item 5(A).

2. November Meeting – Rescheduled for November 29, 2006 at 8:30 a.m.

Due to the conflict between the SACRS Conference in San Diego and the regular meeting in November, the Board discussed alternative dates.

Motion by Heuberger, seconded by Villeneuve and carried on the unanimous vote of members present, the Board voted to move the November meeting to November 29, 2006.

3. Proposed Retirement Board Staffing Reorganization:

Chuck Jernigan gave a power point presentation regarding the proposed reorganization recommended by the committee. He discussed implementing this new plan in several phases. Ralph Cordova, Jr., County Counsel, addressed the Board with his opinions and concerns. Linda Tucker advised the Board of the legal ramifications of going over budget.

Motion by Villeneuve, seconded by Heuberger and carried on the unanimous vote of members present, the Board voted to direct Karen Vogel and staff to aggressively pursue with the Human Resources Department the reclassifications, to place advertising in national publications for the hiring of an independent Retirement Administrator,

establish a screening and interview committee for the selection of the independent Retirement Administrator, and communicate with the affected departments the elimination/removal of the County Counsel Disability Specialist and the Accountant from the Retirement Division. The Board also voted to approve the reorganization plan as presented, except for reclassifying the present Office Technician, Benefit Specialists and Division Manager positions to a specific classification range and report back to the Board when each of the above steps have been completed.

David Prince asked for clarification as to replacing Karen Vogel once an independent Retirement Administrator has been hired. Ms. Vogel expressed the need for office space and relocating the department, and asked the Board to consider forming another committee to look into office space and the financial impact to the system.

B. Board Members:

1. Jurg Heuberger: Local Agency Formation Commission ("LAFCO") becoming a member agency of the Retirement System.

Board Member Heuberger discussed the reasons for allowing future LAFCO employees to become part of the retirement system.

Motion by Villeneuve, seconded by Huskey and carried on the roll call vote of 7 to 1 with 1 abstention (Yes – Vogel, Villeneuve, Flammang, Williams, Padilla, Huskey, Rhodes; Absent – Grogan; Abstained – Heuberger), the Board voted to allow permanent LAFCO employees into the Retirement System if they qualify under the Retirement Board's guidelines.

2. Jurg Heuberger: Consideration of Government Code Section 31658 – Purchase of Additional Retirement Credit.

Board Member Heuberger discussed the advantages and disadvantages of adopting this section. Linda Tucker stated that it must be cost neutral to the Retirement System, not to the County. The Board indicated that they have no opposition but adoption was a Board of Supervisor's decision.

C. Others: None.

BUDGET

9. Approval of the Budgets:

- A. **Motion** by Williams, seconded by Huskey and carried on the unanimous vote of members present, the Board voted that the following claims for the Final Regular Retirement Budget 2005/2006 be approved:

FINAL REGULAR BUDGET 2005/2006:

PERMANENT SALARIES	
Regular Salaries	4,331.57
Disability Specialist for June 2006	1,405.50
EXTRA HELP	523.13
BILINGUAL PAY	9.00
REDEMPTION OF BENEFITS	
Buyback Accrual	2,838.73
SOCIAL SECURITY	
Payroll Accrual	32.80
Buyback Accrual	7.47
SPECIAL TRAINING	
SACRS Expense Reimbursement – Tucker	222.00
SACRS Hotel Expense – Prince	643.82
SACRS Hotel Expense – Tucker	643.82
Info. Systems Training Fee	100.00
COUNTY CONTRI RETIREMENT	
Payroll Accrual	331.16
Buyback Accrual	216.58
GROUP INSURANCE	649.64
INS-DENTAL/VISION	7.66
RETIREMENT PENSION BOND	
Buyback Accrual	249.11
Payroll Accrual	380.92
RETIREMENT HEALTH PLAN	
Payroll Accrual	220.49
Buyback Accrual	144.19
INS-VOLUNTARY LIFE	3.72
OFFICE EXPENSE	
Office Depot	263.24
Public Retirement Journal	195.00
HP Computers for Retirement	4,773.43
Mail Charges for June 2006	371.67
ICARE Expense Reimbursement – Yaryan	17.17
ICARE Expense Reimbursement – Jernigan	32.38
PROFESSIONAL & SPECIAL SERVICES	
Annual Anti-Virus Charge	48.04
Information Systems – Charges ending June 29, 2006	10,747.05
Information Systems – Charges ending July 14, 2006	12,527.40
TOTAL:	\$ 41,936.69

B. **Motion** by Williams, seconded by Huskey and carried on the unanimous vote of members present, the Board voted that the following claims for the Regular Retirement Budget 2006/2007 and the Disability Budget 2006/2007 be approved:

1. REGULAR BUDGET 2006/2007:

PERMANENT SALARIES	28,558.90
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Payroll Reversal	(4,331.57)
EXTRA HELP	3,412.56
Payroll Reversal	(523.13)
BILINGUAL PAY	60.00
Payroll Reversal	(9.00)
REDEMPTION OF BENEFITS	2,838.73
Reverse bb Accrual	(2,838.73)
SOCIAL SECURITY	202.08
Payroll Reversal	(32.80)
Reverse bb Accrual	(7.47)
COMMUNICATIONS	
Telephone Corrections	909.58
COUNTY CONTRI RETIREMENT	3,132.24
Payroll Reversal	(331.16)
Reverse bb Accrual	(216.58)
INS-WORKERS COMP	850.00
INS-UNEMPLOYMENT	266.66
GROUP INSURANCE	4,330.92
Payroll Reversal	(649.64)
INS-DENTAL/VISION	51.08
Payroll Reversal	(7.66)
RETIREMENT PENSION BOND	2,654.49
Payroll Reversal	(380.92)
Reverse bb Accrual	(249.11)
RETIREMENT HEALTH PLAN	1,544.96
Payroll Reversal	(220.49)
Reverse bb Accrual	(144.19)
INS-VOLUNTARY LIFE	24.80
Payroll Reversal	(3.72)
INSURANCE LIABILITY	500.00
OFFICE EXPENSE	
Office Depot	504.56
Office Supply Co.	35.53
Mail Charges for July 2006	365.03
Fedex	34.88
ICARE Newsletter Printing Charges	150.00
ICARE Dues – January 1, 2006 thru June 30, 2006	276.00
ICARE Luncheon Deposit	250.00
Copier charges from October 2005 thru June 2006	696.02
Info. Systems – Leased Equipment FY 2006-07	704.16
Daceasy Accounting & 1 hr. Technical Support	787.68
Adobe Acrobat Professional Windows	210.58
PROFESSIONAL & SPECIAL SERVICES	
Driver Alliant Insurance Fiduciary Liability Policy	41,715.00
PRO Record Storage	105.15
OVERHEAD REIMBURSEMENT	
July Overhead	2,364.08
August Overhead	2,364.08
CAPITAL EQUIPMENT	
Symtrax	6,395.60

SUBTOTAL: \$ 96,349.18

EXTRA HELP

Retirement Board Meeting – 09/20/06 400.00

TOTAL: \$ 96,749.18

2. DISABILITY BUDGET 2006/2007:

PROFESSIONAL & SPECIAL SERVICES

Attny Steve Rice’s services for 06/28/06 – 06/30/06 2,739.37

Attny Steve Rice’s services for 07/01/06 – 07/31/06 596.48

Dr. Kimball’s Medical Evaluation of Arce 750.00

Dr. Kimball’s Medical Evaluation of Din 750.00

TOTAL: \$ 4,835.85

DISCUSSION CALENDAR

Items under are for discussion only

10. Reports and Announcements:

A. Retirement Administrator/Staff:

1. State Association of County Retirement Systems (“SACRS”) Ad Hoc Nomination Review Committee:

The Board reviewed and discussed the final appointees to the committee.

2. SACRS Training Meetings – Date: Tuesday, November 14, 2006, Time: 3:00 – 5:00 p.m.

- a. Education Workshop
- b. Ethics Training

The Board discussed educational and ethics training requirements.

3. Market Value Graph from 07/01/06 to 08/31/06:

Reviewed by the Board.

4. Book vs. Market Summary as of 08/31/06:

Reviewed by the Board.

5. Quarterly Expense and Income Report:

David Prince presented and discussed the details of this report.

B. Board Members:

Board Member Heuberger voiced his concerns about not receiving the informational packets from the Actuary on a timely basis.

C. Others: None.

11. Investment Manager Reports:

A. T. Rowe Price:

1. 2nd Quarter Portfolio Performance Report.
2. Performance and Outlook – 2nd Quarter 2006 available in Treasurer's office.

The Board reviewed reports.

B. Delta Asset Management:

1. 2nd Quarter Investment Review.
2. Investment Strategy – July 2006.
3. Investment Strategy – August 2006.

The Board reviewed reports.

C. TimesSquare Capital Management, Inc. – Investment Portfolio Review.
2nd Quarter 2006 Report.

Reviewed by the Board.

D. Templeton – Historical Performance as of June 30, 2006 available in Treasurer's office.

Reviewed by the Board.

CONSENT AGENDA

Retirement Administrator recommends approval of Item

12. Consent Agenda:

A. Administrative Agenda:

1. Enrollment Affidavits of New Members (60):
2. Termination of Membership – Return of Accumulated Contributions (23):
3. Service Retirement:

- a. Pete Agres
Department: Public Works/Inter-System
Effective Date: 07/29/06
 - b. Arthur Gutierrez
Department: Behavioral Health
Effective Date: 07/01/06
 - c. Thomas MacCartee
Department: County Counsel/Inter-System
Effective Date: 07/03/06
 - d. Gregg McDonough
Department: Public Defender
Effective Date: 07/07/06
 - e. Kevin McGovern
Department: Sheriff
Effective Date: 07/07/06
 - f. Freddie Starr
Department: Courts
Effective Date: 07/01/06
 - g. Donald R. Vaughn
Department: Veterans
Effective Date: 07/07/06
 - h. Cesar Holguin
Department: Sheriff
Effective Date: 06/23/06
4. Deferred Membership:
- Melissa Plunkett
Department: Behavioral Health
Effective Date: 08/04/06
5. Inter-system Membership:
- a. James Donnelly
Department: Ag. Commissioner
Effective Date: 08/05/06
 - b. William Lehman
Department: Superior Court
Effective Date: 06/19/06

- c. Cesar Sanchez
 Department: General Member
 Effective Date: Planning
 07/07/06
- d. Diana Cardenas
 Department: General Member
 Effective Date: Social Services
 06/30/06

6. Make-up Contributions (Buyback):

- Michael Lizarraga
 Department: Safety Member
 Effective Date: Probation
 08/31/06

7. Final Payment of Survivor Service Retirement Allowance:

- Thelma Watson
 Deceased: General Member
 05/09/06

8. Final Payment of Service Retirement Allowance & Death Benefit Per Govt. Code Section 31676.11:

- Edith W. Storey
 Deceased: General Member
 06/07/06

9. 100% Continuance of Service-Connected Disability Retirement Allowance Per Govt. Code Section 31786 and Death Benefit:

- Walter A. Archer
 Deceased: General Member
 04/16/06

10. 60% Continuance of Service Retirement Allowance Per Govt. Code Section 31760.1 & Death Benefit:

- Richard Chamberlin
 Deceased: General Member
 07/04/06

11. Final Payment of Survivor Non-Service Connected Disability Retirement Allowance:

- Roy Shank
 Deceased: General Member
 02/07/06

B. Upcoming Seminars/Conferences:

California Retired County Employees Association (CRCEA) Fall Conference, Sacramento, October 16-18, 2006 (approximate cost per person \$871.90).

CLOSED SESSION

13. Closed Session:

Public Comment before Closed Session: None.

Motion by Villeneuve, seconded by Vogel and carried on the unanimous vote of members present, the Board voted to convene into Closed Session to discuss existing litigation under Gov't Code §54956.9(a).

A. Government Code §54956.9(a) – Conference with Legal Counsel of Existing Litigation regarding disability retirement applications relating to the following:

Walter Cress
Charles Rider

Ida Din
Judith York-Rippetoe

Francisco Arce
Anthony Moreno

B. Government Code §54956.9 (a) – Conference with Legal Counsel of Existing Litigation, In re WorldCom, Inc. Securities Litigation, United States District Court, Case No. 02 Civ. 3288 (DLC).

C. Government Code §54956.9 (a) – Conference with Legal Counsel of Existing Litigation, In re Tibco Software, Inc. Securities Litigation, United States District Court, Case No. 05 Civ. 02205 (DLC).

E. Government Code §54956.9 (a) – Conference with Legal Counsel of Existing Litigation, In re Jarden Corp. Securities Litigation, United States District Court for the Southern District of New York, Case No. 7:06-CV-722 (CLB).

OPEN SESSION

14. Open Session:

Motion by Heuberger, seconded by Villeneuve and carried on the unanimous vote of members present, the Board voted to reconvene into Open Session.

15. Announcement of Closed Session Actions.

Kayleen Smith, Disability Specialist, announced the following:

The Board discussed but took no action on the disability retirement applications of Walter Cress, Ida Din, Charles Rider, Judith York-Rippetoe and Anthony Moreno.

The application of Francisco Arce for service connected disability retirement was granted administratively by a vote of 6 to 1 to 1 to 1 (Yes – Vogel, Heuberger, Villeneuve, Williams, Padilla and Rhodes; No – Huskey; Abstain – Flammang; Absent - Grogan).

The Board held no discussion on the WorldCom or the Tibco Software litigation matters.

The Board discussed but took no action on the Jarden Corp. Securities litigation matter.

The Board discussed and gave direction on one potential litigation item.

Motion by Villeneuve, seconded by Williams and carried on the unanimous vote of members present, the Board voted to become lead plaintiff in the Broadcom case.

OTHER ITEMS

16. Previously Approved Seminars/Conferences (list available in Treasurer's office).

Adjournment: Meeting was adjourned at 3:55 p. m. to October 18, 2006 at 8:30 a.m.

BECKY FLAMMANG, CHAIRMAN

JULIE VILLENEUVE, SECRETARY