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KATHLEEN L. KUBLER
CLERK OF THE BOARD



Imperial County Employees' Retirement System

BRIEF MINUTES

REGULAR MEETING OF THE IMPERIAL COUNTY BOARD OF RETIREMENT

March 16, 2005

9:00 A.M.

County Administration Center
Board Chambers

940 West Main Street, Second Floor
El Centro, CA 92243

1. The meeting was called to order by Chairman Williams at 9:02 a.m.

Chairman Williams presented Retirement Administrator, Board Member Donna D. Yarnell with a plaque commemorating her retirement from service after 42 years and expressing the Board's appreciation for her service and dedication.

- a. Roll Call.

MEMBERS PRESENT: Donna D. Yarnell, Jurg Heuberger, Pat Yarnall, Larry Grogan, Armando Padilla, John Kennerson, Jim Strain, and Robert Williams
MEMBERS ARRIVING AFTER ROLL CALL: None
MEMBERS ABSENT: Becky Flammang
LEGAL REPRESENTATIVE PRESENT: Linda Tucker, Deputy County Counsel
CLERK: Kathleen L. Kubler, Office Technician
STAFF: Susie Martinez, Retirement Supervisor; David Prince, Retirement Division Manager (Extra-Help); Kayleen Smith, Disability Specialist
OTHERS: Zelda Marzec, Bradford & Marzec; Sonja Strzoda, Bradford & Marzec; Milan DeMilan, Calamos Investments; Tom Lightvoet, Mercer Investment Consulting, Loren Ness, Social Services.

- b. Public comments on items that are **NOT** on the agenda.

Loren Ness, Office Technician, Social Services, thanked Donna D. Yarnell, on behalf of all employees, congratulating her for her years of service, and expressing his appreciation for her contributions as an Administrator and Board Member.

2. Discussion of the Agenda:

- a. Items pulled from Action Calendar: None
- b. Items pulled from Discussion Calendar: None
- c. Emergency Items added: None
- d. Approval of the Agenda:

Motion by Strain, Seconded by Heuberger and carried on the unanimous vote of members present, the Board approved the agenda as presented.

3. Approval of the Minutes:

Board Member Heuberger expressed concern with Item 4(e) which adopted the revision to the Interest Crediting Policy. He stated that as read, it could mislead employees by implying that the 4% interest earned for employees who terminate and withdraw their funds is fixed. Board Member Grogan suggested amending the item to read that the terminating employee currently receives 4%.

Motion by Heuberger, Seconded by Grogan and carried on the unanimous vote of members present, the Board approved the minutes of the February 16, 2005 regular adjourned meeting as amended as Mr. Grogan suggested.

ACTION CALENDAR

4. Presentations by Investments Managers:

a. Bradford & Marzec, Inc.:

Sonja Strzoda – Principal, Director of Client Services provided a presentation of the firm’s background and diverse clientele, an overview of the portfolio performance, attribution and characteristics as well as the outlook and strategies.

She also extended an invitation to the Board to a dinner, to be hosted by Bradford & Marzec on May 12, 2005 at the upcoming Spring SACRS Conference in San Francisco.

Zelda Marzec – Principal, Senior Portfolio Manager presented the company’s report on the distribution, rating, financial summary and performance of ICERS’ U.S. Treasury Inflation Index Bond Portfolio (TIPS).

At this time, Donna D. Yarnell announced that David Prince was hired as Extra-Help to assist staff with investment concerns and administration.

b. Calamos Investments by Milan DeMilan:

Milan DeMilan, Regional Director, reviewed the firm’s background, philosophy, performance and outlook for the market and investments.

5. Presentation by Investment Consultant Tom Lightvoet – Mercer Investment Consulting regarding the 2004 Fourth Quarter Investment Performance Report:

The Plan's assets averaged a growth of 11% for the year or 1 ½ % above the benchmark target. All classes were in their specified ranges.

With the exception of Delta Asset Management, which was placed on the Watch List for their underperformance, concerns for their long-term viability, ownership and personnel changes, all other money management firms were evaluated at or exceeding their benchmark target. They were acknowledged for their favorable performance.

6. Discussion/Action by Retirement Administrator:

a. Board of Retirement Policies and Procedures:

1. Recommend deleting Items 4 & 6, and rewording Item 17:

Motion by Heuberger, Seconded by Grogan and carried on the unanimous vote of members present, the Board agreed to delete Item 4 of the Policies and Procedures.

Motion by Heuberger, Seconded by Strain and carried on the unanimous vote of members present, the Board agreed to delete Item 6 of the Policies and Procedures.

Motion by Heuberger, Seconded by Grogan and carried on the unanimous vote of members present, the Board agreed to the proposed rewording of Item 17 of the Policies and Procedures.

2. Reaffirm Policies & Procedures:

Motion by Strain, Seconded by Heuberger and carried on the unanimous vote of members present, the Board approved all other Policies and Procedures without amendment or deletion.

BREAK AT 10:12 A.M. – RECONVENED AT 10:30 A.M.

b. Report on Committee Meeting of March 2, 2005:

1. Appointment of Interim Retirement Administrator:

Donna D. Yarnell announced that the Board of Supervisors appointed Treasurer Division Manager, Karen Vogel, as Interim Retirement Administrator temporarily until the Board of Supervisors decide what to do with the position.

2. Hiring a Full-time Retirement Administrator:

Donna D. Yarnell has prepared a draft of the proposed Retirement Administrator's job description.

With the general consensus of the Board, at the suggestion of Board Members Heuberger and Grogan, this Item was tabled to the April regular meeting to review a legal opinion on this subject.

c. Adoption of 04/01/05 Retiree COLA Resolution:

Motion by Kennerson, Seconded by Strain and carried on the unanimous vote of members present, the Board approved the Board of Retirement 2005 Cost of Living Adjustment (COLA) Resolution.

7. Discussion/Action by County Counsel:

Review of pertinent law separating the Courts from the County and sample Memorandum of Understanding language.

Linda Tucker, Deputy County Counsel, presented an overview of her memo, and addressed the Board's collective concerns regarding anticipated costs for Actuarial Studies, benefit costs, and unfunded liabilities. Ms. Tucker offered examples of options used by the County of San Luis Obispo, and the San Francisco Employee's Retirement System, who share similar situations.

Motion by Heuberger, Seconded by Yarnall and carried on the unanimous vote of members present, the Board directed legal counsel to provide a legal opinion clarifying the Board of Supervisor's legal ability to affect or implement retirement benefits or to not implement retirement benefits granted to the court employees.

8. Discussion/Action of Upcoming Seminars/Conferences:

- a. California Retired County Employee's Association, 2005 Spring Conference, Long Beach, CA, March 21-23, 2005 (approximate cost p/person \$800.00).
- b. CALAPRS, "Accountants' Round Table", San Jose Wyndham Hotel, April 15, 2005 (approximate cost p/person \$503.00).
- c. CALAPRS, "Administrative Assistants Round Table", San Jose Wyndham Hotel, April 15, 2005 (approximate cost p/person \$503.00).
- d. CALAPRS, "Overview Staff Training", Ontario Marriot, May 6, 2005 (approximate cost p/person \$300.00).

Motion by Grogan, Seconded by Heuberger and carried on the unanimous vote of members present, that staff and/or Retirement Board Members be authorized to attend the upcoming seminars.

DISCUSSION CALENDAR

Items 9 thru 20 are for discussion only

9. Reports/Announcements:

- a. Retirement Administrator:

1. Report on CALAPRS 2005 General Assembly:

Donna D. Yarnell stated that the Conference was extremely interesting although a little depressing. The event, entitled "California Defined Benefit Plans Under Siege", provided input regarding funding levels, asset liability studies, and Defined Benefit Plans versus Defined Contribution Plans. If pending legislation is passed, it could be extremely costly for some agencies that could have retirees under both plans. With potentially higher costs for retiree medical coverage, more could be paid out in benefits than received in contributions for those retirees who retire while still under the Defined Benefit Plan.

Linda Tucker, Deputy County Counsel, who also attended the Conference, stated that the event offered informative actuarial presentations by Ira Summer and Paul Angelo. The outcome though, was somewhat depressing in that proposed changes could mean the death of the Defined Benefit Program.

Board Member Grogan noted that when comparing the benefits between the public and private sectors, those individuals having to rely only on a Social Security pension may have to work until age 70 before they would be eligible or able to afford retirement as opposed to members of a defined benefit program who could retire at 50.

2. Proposed Bylaw Revisions – will be on the April 20, 2005 Board Action Calendar:

Linda Tucker, Deputy County Counsel, referring to the two Revision handouts, advised the Board of the proposed separation of the Disability Retirement portion of the Bylaws into a Policy and Procedures section.

3. Letter from Robertta Burns, CEO, regarding 2005/2006 Retirement Contribution Rates:

The Board briefly discussed and agreed that these rates should be provided to the CEO's office as soon as possible.

4. Update on Hiring Extra-Help position:

Donna D. Yarnell announced earlier that David Prince, former Retirement Board Chairman and Retiree, has been hired as Extra-Help to assist staff with investment concerns and administration.

b. Board Members:

Board Member Strain commented that he was happy to hear the Governor's decision to cut back on costs by doing away with excessive Boards, Commissions and Appointments.

It was noted that the County Board of Education was not one of those eliminated.

- c. Staff:
Staff had no reports or announcements.
 - d. County Counsel:
Report on CALAPRS 2005 General Assembly:
Addressed earlier under Item 9 (a)(1).
10. Market Value Graph from 07/01/04 to 02/28/05:
The Board reviewed the updated graph distributed at the meeting.
David Prince, Retirement Division Manager, noted that Delta Asset Management and Calamos Investments were the only two underperforming firms this period.
11. Book vs. Market Summary as of 02/28//05:
The Board reviewed the updated graph distributed at the meeting.
12. Legislation:
- a. Chaptered:
 - 1. AB 616 – (3% @ 60) (Staff had no update):
No discussion.
 - 2. AB 55 – (ARC Time) (Staff had no update):
No discussion.
 - 3. SB 274 – (Safety Member DROP) (Staff had no update):
No discussion.
 - b. Pending:
 - 1. ACA 5 (Defined Contribution Plan):
No discussion.
 - 2. SB 877 (Disability Retirement Benefits):
Linda Tucker, Deputy County Counsel, referred to the current law and proposed changes by Senator Speier, which contains a higher standard of the burden of proof for applicants to show that they are disabled.

Chairman Williams noted that he believes Senator Speier is scheduled to speak at the upcoming SACRS Conference in San Francisco.

LUNCH BREAK AT 11:50 P.M. – RECONVENED AT 12:50 P.M.

13. T. Rowe Price – 2004 Fourth Quarter Report:
Reviewed by the Board.
14. Commingled Account – Templeton/Barclay's Index/Barclay's EAFE:
Reviewed by the Board.
15. Delta Asset Management:
 - a. Changes in staff – Joined Firm: Kevin Hardy, Developing & Marketing; Lynn Barr, Client Service Manager replacing Carolyn Johnson:
Reviewed by the Board.
 - b. 2004 Fourth Quarter Report:
Reviewed by the Board.
 - c. Investment Strategy February 2005:
Reviewed by the Board.
16. TimeSquare Capital Management, Inc.:
 - a. 2004 Fourth Quarter Report:
Reviewed by the Board.
 - b. Financial Report as of January 31, 2005 (available in Treasurer's Office):
No discussion by the Board.
17. Calamos Investments, Inc. – Financial Report as of January 31, 2005 (available in Treasurer's Office):
No discussion by the Board.
18. Custodian Bank – J.P. Morgan/Chase:
No discussion by the Board.
19. Actuary – Public Pension Professionals – Choices of dates for Final Actuary Report:
 - April 7 (afternoon)
 - April 14 (any time)
 - April 18 (any time)

The Board agreed on April 7th, 2005 as the date for this meeting. Place to be established and announced in compliance with the Brown Act.

20. Previously approved Seminars/Conferences:

- a. CALAPRS, "2005 Principles of Pension Management for Trustees", Stanford University Law School, March 22-25, 2005 (approximate cost p/person \$2,500.00).
- b. SACRS Spring Conference, May 10 – 13, 2005, Burlingame, CA (approximate cost p/person \$966.00).

CLOSED SESSION

21. Closed Session:

Motion by Heuberger, Seconded by Grogan and carried by the unanimous vote of members present, the Board convened into Closed Session at 1:00 p.m.

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

Walter Cress

Elaine Jones

Barbara Thomas-Watson

Aurora Garcia

Ernest Proo

- 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).

OPEN SESSION

22. Open Session:

The Board reconvened into Open Session at 1:12 p.m.

23. Announcement of Closed Session Actions:

Kayleen Smith, Disability Specialist, announced the following:

1. The Board made a finding that Ernest Proo is disabled but the application for service-connected disability retirement was denied and a non-service connected disability retirement was granted administratively by a vote of 7 to 1 (Yes – Yarnell, Yarnall, Grogan, Padilla, Kennerson, Strain, and Williams; Abstention – Heuberger).
2. The Board discussed but took no action on the disability retirement applications of Walter Cress, Elaine Jones, Aurora Garcia, and Barbara Thomas Watson.
3. The Board discussed but took no action on the WorldCom litigation matter.

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| 3. | Terri A. Zwart
Department:
Effective Date: | General Member
Behavioral Health
12/01/04 |
| 4. | Amy Binggeli
Department:
Effective Date: | General Member
Health
09/01/04 |
| 5. | Anastacio Quintal
Department:
Effective Date: | General Member
Public Works
11/26/04 |
| g. Buy Back Installments: | | |
| | Kristy Vogel
Department:
Effective: | General Member
Auditor/Controller
02/09/05 |
| h. 60% Continuance NSC Reduced Benefit & Salary Benefit per Government Code Section 31781.3: | | |
| | Ronald E. Lucas
Deceased: | General Member
01/09/05 |
| i. Final Payment of Service Retirement Allowance & Death Benefit per Government Code Section 31676.11: | | |
| | Carol Ellis
Deceased: | General Member
02/21/05 |

BUDGET

25. Approval of the Budget:

Motion by Grogan, Seconded by Yarnall and carried on the unanimous vote of members present, the Board approved the following claims for the 2004/2005 Regular Retirement Budget.

a. REGULAR BUDGET

PERMANENT SALARIES	
Regular Salaries	\$7,579.20
EXTRA-HELP	2,202.00
BILINGUAL PAY	30.00
SOCIAL SECURITY	57.88
COUNTY CONTR RETIREMENT	611.74
GROUP INSURANCE	1,176.92
RETIREMENT PENSION BOND	662.04
RETIREMENT HEALTH PLAN	261.28

REGULAR BUDGET (continued)

OFFICE EXPENSE

Speaker Phone 89.39

Office Depot 1,111.80

Mail Charges – January 2005 415.36

PROFESSIONAL SERVICES

P3-Funding Policy 525.00

DATA PROCESSING

December 2004 4,160.09

EXTRA-HELP

Ret Brd Mtg – 03/16/05 300.00

TOTAL: \$19,182.70

Adjournment: Meeting was adjourned at 1:28 p.m. to April 7, 2005 at 1:00 p.m.

JOHN W. KENNERSON, SECRETARY

ROBERT W. WILLIAMS, CHAIRMAN