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Imperial County Employees' Retirement System

BRIEF MINUTES
REGULAR MEETING OF THE
IMPERIAL COUNTY BOARD OF RETIREMENT

June 21, 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 8:32 a.m.
 - A. Roll Call:

MEMBERS PRESENT: Jurg Heuberger, Julie Villeneuve, Larry Grogan, Becky Flammang, Robert W. Williams, Armando Padilla and Terry Huskey.
ALTERNATE PRESENT: No
MEMBERS ABSENT: Karen Vogel
MEMBERS ARRIVING AFTER ROLL CALL: None.
LEGAL REPRESENTATIVE: Linda Tucker, Deputy County Counsel
CLERK: Kathleen L. Kubler, Office Technician
STAFF: David H. Prince, Retirement Division Manager; Kayleen Smith, Disability Specialist
 - 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 Heuberger, Seconded by Williams and carried on the unanimous vote of members present, the Board voted to approve the Agenda.

F. Approval of the Consent Agenda:

Motion by Heuberger, Seconded by Huskey and carried on the unanimous vote of members present, the Board voted to approve the Consent Agenda.

3. Approval of the Minutes:

May 17, 2006 regular adjourned meeting.

Motion by Heuberger, Seconded by Huskey and carried on the unanimous vote of members present, the Board voted that the minutes of the regular adjourned meeting of May 17, 2006 be approved.

ACTION CALENDAR

4. Presentation by Marla K. Ryan, CFA, Senior Vice President and Carl L. Goldsmith, Chief Investment Officer, Delta Asset Management: Review of Quarterly Report:

Ms. Ryan provided a brief review relating to the acquisition of Delta Asset Management by Berkeley Capital Management. She assured the Board of the management firm's confidence in its objectives and with the staff that has remained as well as with the executives that have come on board. She introduced Mr. Goldsmith to the Board who presented an overview of Delta's strategy, portfolio structure and investment objectives.

5. Presentations by Tom Lightvoet, Mercer Investment Consulting:

A. Review of Investment Management Firms Quarterly Report:

Mr. Lightvoet reviewed the First Quarter performance of all the portfolio managers. The total Fund Performance ending March 31, 2006 was as follows:

The total portfolio returned 4.9% for the quarter (53rd percentile) and 13.8% for one year (69th percentile).

Delta Asset Management returned 4.4% for the quarter and 11.9% for the last year.

Barclays Global Investors Russell 1000 Index Fund returned 4.5% for the quarter and 11.9% for the last year.

Calamos Investments Mid-Cap Growth Fund returned 6.0% for the quarter and 23.7% for the last year.

TimesSquare Capital Management returned 10.6% for the quarter and 28.5% for the last year.

T. Rowe Price Associates, Inc. returned 16.1% for the quarter and 30.9% for the last year.

Franklin Templeton returned 8.3% for the quarter and 22.9% for the last year.

Barclay's Global Investors International Equity Index Fund returned 9.4% for the quarter and 24.8% for the last year.

Bradford & Marzec's fixed income portfolio had a loss of .8% for the quarter and 2.2% for the last year.

Bradford's TIPS portfolio had a loss of 2.2% for the quarter and .9% for the last year.

It was recommended that Delta remain on the Watch List while its performance continues to improve and all managers be retained.

The Board agreed to address item 5B as 6D.

BREAK AT 9:55 A.M. – RECONVENED AT 10:13 A.M.

6. Presentations by Real Estate Investment Management Firms:

A. Stephen B. Hansen and Lou Jug, ING Real Estate Investment Management:

Mr. Hansen and Mr. Jug gave the Board an overview of the fund, the firm's investments, performance and management team.

B. Laura R. Gaylord, Management Director, Client Relations and Frank Garcia, Portfolio Manager, RREEF:

Ms. Gaylord and Mr. Garcia presented the Board with several of the firm's attributes and discussed the fund. Included were the organization's client profile (which includes some of the 1937 Act Retirement Systems), its prospects and an outlook summary for 2006.

BOARD MEMBERS GROGAN AND RHODES LEFT AT 11:25 A.M.; RHODES RETURNED AT 11:30, GROGAN RETURNED AT 11:33 A.M.

C. Deborah A. Ulian, Director, UBS:

Ms. Ulian addressed the Board and gave a brief history of the organization, its strategy, objectives and outlook. She discussed the fund as well.

BOARD MEMBER GROGAN LEFT AT 12:15 P.M. RETURNED AT 12:18 P.M.

LUNCH BREAK AT 12:20 P.M. RECONVENED AT 1:03 P.M.

Mr. Lightvoet briefly recapped some principle points of the presentations and expressed his favor with any of the three firms. He canvassed the Board members individually as to their concerns and preferences.

Motion by Villeneuve, Seconded by Williams and carried by a roll call vote of 7 to 1 (Yes – Heuberger, Villeneuve, Grogan, Flammang, Williams, Padilla, Rhodes; No – Huskey), the Board voted to invest \$10,000,000 with ING Lion Properties Fund and \$10,000,000 with RREEF America II Fund. The Board directed David Prince, Retirement Division Manager to contact both companies and to coordinate placement of the funds.

D. Report of Emerging Markets Investment Manager Search:

Mr. Lightvoet presented an evaluation summary of the five management firms selected as candidates for the emerging markets money manager search. The five companies under consideration are: Dimensional Fund Advisors, Emerging Markets Investors Corporation, Lazard Asset Management, Oppenheimer Funds and State Street Global Advisors.

Motion by Grogan, Seconded by Villeneuve and carried on the unanimous vote of members present, the Board elected to have Emerging Markets presentations by Dimensional Fund Advisors, Emerging Markets Investors Corporation and Lazard Asset Management next month.

7. Discussion/Action by Others:

A. Retirement Administrator/Staff:

1. Adoption of Proposed Budget for 2006-2007:

Motion by Villeneuve, Seconded by Heuberger and carried by the unanimous vote of members present, the Board approved the adoption of the Retirement Administrator's proposed budget of \$778,778.00 for 2006-2007 with the following changes:

- a. Reduce Professional & Special Svcs. – Data Processing to \$50,000.
- b. Eliminate allocation for Tax Attorney from the Budget.
- c. Include a line item of \$147,578 for a Retirement Board Contingency Fund.

2. Travel Policy – Clarify reimbursement for meals:

Motion by Villeneuve, Seconded by Huskey and carried on the unanimous vote of members present, the Board approved the Travel Policy clarification regarding the reimbursement of meals as proposed by the Retirement Administrator. The new policy section shall read:

During travel out-of-county, daily meal reimbursement shall be as follows:

Breakfast:	\$12.00 (leaving before 8:00 a.m.)
Lunch:	17.00
Dinner:	<u>25.00</u>
Total:	54.00

Board members and staff shall be reimbursed only for meals not covered under the registration fee for each seminar or conference.

3. Purchase of Investment Fiduciary Insurance for Board and Staff:

Motion by Heuberger, Seconded by Huskey and carried on the unanimous vote of members present, the Board approved the purchase of a \$10,000,000 Fiduciary Liability Insurance Policy from the National Union Fire Insurance Company with a \$50,000 retention limit.

BUDGET

8. Approval of the Budget:

Motion by Williams, Seconded by Heuberger and carried on the unanimous vote of members present, the Board approved that the following claims for 2005/2006 Regular Retirement Budget and the 2005/2006 Disability Budget:

A. REGULAR BUDGET

PERMANENT SALARIES	
Regular Salaries	\$16,001.46
EXTRA HELP	2,290.99
BILINGUAL PAY	30.00
SOCIAL SECURITY	108.25
SPECIAL TRAINING	
CALAPRS – Tucker	50.00
SACRS Reimbursement – Prince	199.91
Office Depot – Office Supplies	54.39
SACRS Airfare – Prince & Tucker	618.81
COUNTY COUNTRI RETIREMENT	1,067.78
GROUP INSURANCE	1,962.05
INS DENTAL/VISION	23.66
RETIREMENT PENSION BOND	1,228.20
RETIREMENT HEALTH PLAN	710.91
INS VOLUNTARY LIFE	12.40

REGULAR BUDGET (continued)

MAINTENANCE & EQUIPMENT

AM Copier Service – Service/Repair Typewriters	202.80
Whitaker Brothers – Shredder Service Renewal	240.45

OFFICE EXPENSE

Mail Charges for April 2006	352.72
Information Systems – Charges for March 2006	7,426.15
Central Duplicating – ICARE Newsletter	113.95
Office Depot	54.39
Central Duplicating – Copier paper & forms	1,161.15

EXTRA HELP

Ret Brd Mtg – 6-21-06	400.00
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TOTAL: \$ 34,310.42

B. DISABILITY BUDGET

PROFESSIONAL & SPECIAL SERVICES

Attorney services for Steve Rice	\$ 23,112.89
Attorney services for Steve Rice	1,299.37

TOTAL: \$ 24,412.26

DISCUSSION CALENDAR

Items 9 through 10 are for discussion only

9. Reports and Announcements:

A. Retirement Administrator/Staff:

1. Quarterly report of Investment Manager and Consultant fees:
Discussed by the Board.
2. Report on all past Cost of Living Allowances (COLAs) to retirees:
Discussed by the Board.
3. Market Value Graph:
Total fund year to date (5-31-06) performance: 9.52%.
4. David Prince – SACRS Spring Conference 2006:
Mr. Prince presented the Board with a favorable brief overview of this year's conference. Discussion concerning benefit and cost comparison will be placed on the July Agenda.

B. Board Members:

Julie Villeneuve, James E. Rhodes, Terry Huskey, Robert W. Williams – SACRS Spring Conference 2006:

Board members gave a short and collective summary of the benefits of attending this year's conference.

C. County Counsel:

Linda Tucker – SACRS Spring Conference 2006:

Ms. Tucker commented that the disability sessions of the conference were excellent and offered to share handout material on the subject that she gathered.

10. Investment Managers – First Quarter 2006 Reviews:

A. TimesSquare Capital Management:

1. Statement of Changes in Assets as of April 30, 2006:

Discussed by the Board.

2. Statement of Changes in Assets as of May 31, 2006:

Discussed by the Board.

3. First Quarterly Report:

Discussed by the Board.

B. Bradford & Marzec:

1. Fixed Income Statement – First Quarterly Report:

Discussed by the Board.

2. U.S. Treasury Inflation Index Bond Portfolio – First Quarterly Report:

Discussed by the Board.

3. Bond Market Monthly ending may 2006:

Discussed by the Board.

C. Calamos Investment:

1. First Quarterly Report:

Discussed by the Board.

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| b. | Linda Esparza
Department:
Effective Date: | General Member
Assessor
06/08/06 |
|----|---|--|
7. Buy-Back Make-Up:
- | | |
|---|---|
| Brenda F. Crowder
Department:
Effective Date: | General Member
District Attorney
06/08/06 |
|---|---|
8. Final Payment of Survivor Death Benefit Allowance:
- | | |
|------------------------------|----------------------------|
| Kathleen Bascus
Deceased: | General Member
04/24/06 |
|------------------------------|----------------------------|
9. Final Payment of Service Retirement Allowance and Death Benefit:
- | | |
|-------------------------|----------------------------|
| Irma Ortiz
Deceased: | General Member
05/16/06 |
|-------------------------|----------------------------|
10. 60% Continuance of Service Retirement Allowance per Govt. Code Section 31760.1 & Death Benefit:
- | | |
|---------------------------|----------------------------|
| John Derouin
Deceased: | General Member
05/19/06 |
|---------------------------|----------------------------|
12. Closed Session:
- Public Comment before Closed Session: None.
- Motion by Heuberger, Seconded by Villeneuve, 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 | Ruby Phillips | Ida Din | Manuel Castaneda |
| | Francisco Arce | | Charles Ryder |
- 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).
- D. 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

13. Open Session:

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

14. Announcement of Closed Session Actions:

The Board discussed but took no action regarding the retirement disability applications of Walter Cress, Ida Din, Manuel Castaneda, Francisco Arce, and Charles Ryder.

Motion by Huskey, Seconded by Villeneuve and carried unanimously by a roll call vote of members present, the Board granted administratively a Non-service Connected Disability Retirement to Ruby Phillips.

The Board did not discuss the WorldCom, Tibco Software, or Jarden Corp. matters.

OTHER ITEMS

Adjournment: Meeting was adjourned at 3:23 p. m. to July 19, 2006 at 8:30 a.m.

BECKY FLAMMANG, CHAIRMAN

JULIE VILLENEUVE, SECRETARY