

RECONVENED INTO OPEN SESSION AT 9:40 A.M.

Ms. Tucker announced that the following actions were taken in **EXECUTIVE SESSION**:

- No action was taken on any disability retirement matters.
- WorldCom, Inc.: No discussion was held on this item.
- Enron Corporation: Direction was given to staff.

B. Discussion of Possible Conflict of Interest where Board Members are also County Managers, Directors or Supervisors

Linda Tucker explained situations in which there could be a possible conflict of interest regarding disability retirement cases. She recommended the Board adopt a recusal policy that would excuse the member's supervisor from participating in matters affecting their employee's disability retirement.

Mr. Heuberger asked that this change be incorporated into the Bylaws. However, Ms. Tucker disagreed and suggested the change be made in the Policies and Procedures not the Bylaws. The Board held a lengthy discussion on this subject.

MOTION: By Heuberger, Seconded by Grogan and carried on the unanimous vote of members present to adopt Ms. Tucker's recommendation that a recusal policy be included in the new Bylaws and providing for an exclusion that if there is a member of the Board of Supervisors sitting on this Board, they are not automatically excluded.

Board Member Tabarez arrived at 9:50 a.m.

5. **DISCUSSION/ACTION REGARDING ICERS' PORTFOLIO, CONSULTANTS AND MANAGERS:**

A. Delta Asset Management

1. Investment Strategy - September 2004 (attachment)

No questions or discussion.

2. Status Update on Potential Transaction - Delta's Parent Organization close to Signing Agreement to Sell Delta to Another Investment Manager (attachment)

5. **DISCUSSION/ACTION REGARDING ICERS' PORTFOLIO, CONSULTANTS AND MANAGERS:**
(CONTINUED)

Donna Yarnell, Retirement Administrator, discussed the upcoming sale of Delta to Berkeley Capital Management LLC. A letter of approval was distributed to the Board for their review. Discussion and action will be taken at the next meeting.

B. Bradford & Marzec, Inc.

Bond Market Monthly - September 2004 (attachment)

No discussion.

C. T. Rowe Price

No discussion.

D. Calamos Investments

No discussion.

E. TimesSquare

Correspondence Re: Parent Company Corporate change; Cigna is being replaced by Affiliated Manager Group (attachment)

Donna Yarnell, Retirement Administrator, discussed the letter regarding the change in the parent company. TimesSquare intends to assign our investment advisory agreement to a newly created entity, TimesSquare Capital Management, LLC. The transaction will not alter the management of our account in any way.

MOTION: By Yarnall, Seconded by Strain and carried on the unanimous vote of Members present to give Donna Yarnell, Retirement Administrator, the authority to sign the letter consenting to the change.

F. Commingled Account - Templeton/Barclay's Index/Barclay's EAFE

No discussion.

G. Consultant - Mercer Investments - Asset Liability Modeling Study
(attachment)

An amended engagement letter was distributed to the Board, which reflected the changes requested by Ms. Tucker. Mr. Williams expressed his opposition to this study. Mr. Heuberger feels the contract should be drafted by our legal counsel not the consulting

5. **DISCUSSION/ACTION REGARDING ICERS' PORTFOLIO, CONSULTANTS AND MANAGERS:**
(CONTINUED)

firm and would like a standardized contract to be implemented. Ms. Yarnell explained the past procedures being as follows: the consulting firm prepares the contract, our counsel reviews and makes suggestions, if the firm is in agreement they will make the necessary changes and prepare the final contract, we then sign the final agreement. Mr. Heuberger would like the scope of work spelled out in this agreement along with all insurance provisions. Ms. Tucker approves the contract as to form with one proposed change in wording involving Mercer's liability. Mr. Heuberger discusses the need for errors and omissions insurance and suggests that it be required along with professional liability insurance.

MOTION: By Yarnall, Seconded by Yarnell and carried on the following roll call vote of Members present to direct staff to consult with Mercer Investments as to three matters on the present contract which are the deletion of the line reading "We will contact you via teleconference to confirm the scope of this engagement", the revision of the language limiting the liability of Mercer and including errors and omissions insurance. The Board gives Donna Yarnell the authority to sign the agreement with these changes.

Yes: Yarnell, Yarnall, Grogan, Padilla, Kennerson, and Strain.
No: Heuberger and Williams.
Absent: Flammang.
Abstain: None.

Break at 10:15 a.m.

Reconvened at 10:25 a.m.

H. Custodian Bank - J.P. Morgan/Chase

Nothing to report.

I. Actuary

1. Undistributed Earnings Policy (attachment)

The Retirement Administrator discussed the changes the Board had requested at the last meeting. A revised version of the Statement of Undistributed Earnings Policy was distributed at the meeting.

MOTION: By Yarnell, Seconded by Kennerson and carried on the unanimous vote of Members present to adopt the Undistributed Earnings Policy as presented.

5. **DISCUSSION/ACTION REGARDING ICERS' PORTFOLIO, CONSULTANTS AND MANAGERS:**
(CONTINUED)

2. Clarification of Motion of 05/19/04 Re: ICERS' 90% Funding Level (to be distributed and then discussed at November meeting)

Donna Yarnell, Retirement Administrator, informed the Board that no further information has been received from the actuary and we will move this item to the next meeting. Mr. Heuberger asked if we can have a workshop before any action is taken on this item. The clarification of the motion will be posted on the website when received from the actuary and a date will be selected for staff to conduct a workshop. Gary Tackett, County employee, asked that time limits be imposed on the actuary to speed up their response time. Due to the limited air travel schedule in the Imperial Valley, Mr. Heuberger suggested that in the future we rearrange the order of the items on the agenda to allow additional time for consultants to answer questions from the audience and the Board.

6. **DISCUSSION/ACTION BY BOARD MEMBERS:**

Mr. Heuberger raised concerns regarding any action taken under this heading. Therefore, Items 6A through 6D of this agenda were for discussion only. Ms. Tucker discussed future changes to the agenda by separating possible action items from discussion items. Future action items will be clarified in detail and have adequate backup information provided.

- A. CALAPRS "Administrator's Institute", by Board Member Yarnell

Ms. Yarnell discussed many areas of concerns with other counties including the current situation in the City of San Diego.

- B. CALAPRS "Trustees' Roundtable", by Board Member Padilla

Mr. Padilla discussed financial disclosure of information from the auditors to the trustees under "GASB-43" (the Government Accounting System Board). ARC Time was also discussed. Currently the three other counties that have adopted ARC Time are San Bernardino, Santa Barbara and Los Angeles. San Diego County presented the DROP program, but they could not give details of the ramifications it has to the system because it has not been in effect long enough.

6. DISCUSSION/ACTION BY BOARD MEMBERS: (CONTINUED)

Discussion was held on SB-85, the California Domestic Partners Rights and Responsibilities Act, which will take effect on January 1, 2005. Ms. Tucker described the details of this new legislation and explained that certain forms must be filed with the Secretary of State in order to register or dissolve this type of a partnership.

Loren Ness, Office Technician at the Department of Social Services, asked for clarification of which counties have already begun using ARC time. Mr. Padilla stated that Los Angeles County has 450 members signed-up, San Bernardino County has 87 contracts with 960 estimated requests, and Santa Barbara has 166.

C. Meeting at SACRS Conference Regarding Delegate's Instructions as to Voting, by Board Member Williams

Mr. Williams reported that some counties are having a meeting at SACRS to discuss how they will be voting on SACRS issues or new legislation. Ms. Tucker stated that San Joaquin has scheduled this type of meeting with a virtual agenda and she has inquired of their counsel to specify where this is permitted under the Brown Act. Future discussion will take place on this matter after more information is received.

D. Allocation by Retirement Board on 04/14/04 of Undistributed Earnings, by Board Member Padilla

Mr. Padilla asked for clarification of the \$15 Million undistributed earnings allocation. Ms. McFetridge explained that the money will be moved from the employee benefit enhancement reserves to the pension reserve account when the benefit is granted not transferred to the County. The money will remain in the retirement system accounts. This transaction will require additional action to be taken by the Board of Retirement at that time. Mr. Tackett asked that procedures be clarified to the employees of how these transactions occur. Staff offered to explain the process to anyone making a request.

7. DISCUSSION/ACTION BY RETIREMENT ADMINISTRATOR AND DIVISION MANAGER:**A. Market Value Graph (attachment)**

Mr. Williams reviewed the graph with the Board. The Board had no questions or comments.

B. Book vs. Market Summary (to be distributed)

Donna Yarnell, Retirement Administrator, briefly reviewed the Market Value Graph. The Board had no questions.

7. **DISCUSSION/ACTION BY RETIREMENT ADMINISTRATOR AND DIVISION MANAGER:**
(CONTINUED)

C. Update:

1. AB 616 - (3% @ 60) (Staff has no update)

No discussion.

2. AB 55 - (ARC Time) (Staff has no update)

No discussion.

3. SB 274 - (Safety Member DROP) (Staff has no update)

No discussion.

D. Update: Contract Employee - David Prince

Donna Yarnell, Retirement Administrator, stated that Human Resources is still reviewing the contract. There is a question regarding the insurance requirements.

E. Previously Approved Seminar/Conference:

SACRS, "**Fall Conference 2004**", November 9th thru November 11th, 2004, Anaheim Sheraton, Anaheim, CA (Approx. Cost \$1,000)

The Board Members were reminded to make their choices regarding the event invitations and return them to Kayleen Smith by the end of the meeting. Ms. McFetridge informed the Board that two disability sessions are being offered at this conference. The first will be the usual disability staff breakout session with a second session being a panel discussion of classic case studies designed to teach trustees the basics about disability law. Ms. Tucker encouraged all trustees to attend the panel session for educational purposes.

Mr. Williams asked if we have received the recorded CD version of the last SACRS conference and requested that he receive a copy. Board Members Heuberger, Grogan, Padilla and Tabarez also requested copies. Staff will make and distribute these copies as soon as time permits.

8. **ADMINISTRATIVE AGENDA:**

- A. ENROLLMENT AFFIDAVITS OF NEW MEMBERS (6)

- B. TERMINATION OF MEMBERSHIP -Return of Accumulated Contributions(11)

8. **ADMINISTRATIVE AGENDA:** (CONTINUED)

C. BUYBACK - PUBLIC SERVICE - LUMP SUM

Neil W. Jorgenson
Department:

General Member
Public Works

D. INTER-SYSTEM MEMBERSHIP

Fausto A. Hernandez
Department:

General Member
County Property

E. DEFERRED MEMBERSHIP

1. John F. Weis
Department:
Effective:

General Member
District Attorney
08/20/04

2. Matthew M. Kelley
Department:
Effective:

Safety Member
Sheriff's
08/20/04

F. SERVICE RETIREMENT/GROUP HEALTH INSURANCE

1. Mary T. Huskey
Department:
Effective:

General Member
Purchasing
09/01/04

2. Jerry Stilwell
Department:
Effective:

General Member
Planning
08/28/04

3. Luis A. Carrasco
Department:
Effective:

Safety Member
Sheriff
08/20/04

4. Donald H. Cole
Department:
Effective:

Safety Member
Sheriff
09/17/04

G. 60% CONTINUANCE OF SERVICE RETIREMENT ALLOWANCE, per section 31676.11, Gov't code

Robert W. Jensen, Safety Member, Deceased 08/19/04

H. 100% CONTINUANCE OF SERVICE RETIREMENT ALLOWANCE per section 31762, Gov't code

Henry Q. Alba, Safety Member, Deceased 09/03/04

MOTION: By Strain, Seconded by Yarnell and carried on the unanimous vote of Members present that the Administrative Agenda be approved.

9. **RETIREMENT BOARD'S BUDGET:**

MOTION: By Grogan, Seconded by Yarnall and carried on the unanimous vote of Members present that the following claims for 2004/2005 Regular Retirement Budget and Disability Budget be approved. (attachment)

A. REGULAR BUDGET

PERMANENT SALARIES	\$ 7,985.60
EXTRA-HELP	1,044.47
BILINGUAL PAY	30.00
SOCIAL SECURITY	47.31
SPECIAL TRAINING	
SACRS Registration	200.00
COUNTY CONTR RETIREMENT	644.42
GROUP INSURANCE	1,437.72
RETIREMENT BOND	697.40
RETIREMENT HEALTH PLAN	275.22
OFFICE EXPENSE	
Mailroom - Aug 2004	\$ 313.97
Name Plates	17.24
Supplies	89.41
PROFESSIONAL SERVICES	
Process Semi-Annual File	254.00
DATA PROCESSING	
July 2004	8,002.61
EXTRA-HELP	
Ret Brd Mtg - 10/20/04	400.00
TOTAL:	<u>\$21,439.37</u>

B. DISABILITY BUDGET

OFFICE EXPENSE	
Fed-Ex	\$ 46.02
PROFESSIONAL SERVICES	
Medical Evaluation	750.00
SD County Counsel	266.00
Medical Evaluation	750.00
TRAVEL-OUT OF COUNTY	
Mileage	93.75
Mileage	98.63
Mileage	84.75
TOTAL:	<u>\$2,089.15</u>

Meeting was adjourned at 11:25 a.m. to November 17, 2004 at 9:00 a.m.

JOHN W. KENNERSON, SECRETARY

ROBERT W. WILLIAMS, CHAIRMAN