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KAYLEEN SMITH  
INTERIM CLERK OF THE BOARD



Imperial County Employees' Retirement System

## BRIEF MINUTES

### REGULAR MEETING OF THE IMPERIAL COUNTY BOARD OF RETIREMENT

December 15, 2004

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 9:07 a.m.
  - a. Roll Call:

MEMBERS PRESENT: Donna Yarnell, Jurg Heuberger, Larry Grogan, Becky Flammang, Armando Padilla, John Kennerson, Jim Strain and Robert Williams  
MEMBERS ARRIVING AFTER ROLL CALL: Pompeyo Tabarez  
MEMBERS ABSENT: Pat Yarnall  
LEGAL REPRESENTATIVE PRESENT: Linda Tucker, Deputy County Counsel.  
CLERK: Kayleen Smith, Disability Specialist  
STAFF: Susie Martinez, Retirement Supervisor  
OTHERS: Preston Athey, David Wagner and John Plowright of T. Rowe Price; Marla Ryan of Delta Asset Management; Stephen Green and Tony Rosenthal of TimesSquare Capital Management; Tom Lightvoet of Mercer Investments; Walter Cress, Disability Retirement Applicant; Ralph Cordova, Jr., County Counsel; Robertta Burns, County Executive Officer, Daniel Esparza, County employee
  - b. There were no public comments on items that were **NOT** on the agenda.
2. Discussion of the Agenda.
  - a. No Items were pulled from the Action Calendar
  - b. No items were pulled from the Discussion Calendar
  - c. No emergency Items were added

- d. Upon Motion by Strain, Seconded by Flammang and carried on the unanimous vote of members present, the Board approved the agenda as presented.
3. Upon Motion by Kennerson, Seconded by Yarnell and carried on the unanimous vote of members present, the Board approved the Minutes of the November 17, 2004 regular adjourned meeting.

#### **ACTION CALENDAR**

4. Presentations by Investment Managers:
  - a. T. Rowe Price was represented by Preston Athey, Dave Wagner and John Plowright. Mr. Athey discussed their company's performance on managing a small cap portfolio which is now up 24% overall. Mr. Wagner discussed the company's history and performance. Mr. Plowright spoke of the factors that have driven the market up and down over the years. Mr. Athey described the company's strategy when buying and selling stocks. He feels the market will be going up in the future.

#### **BOARD MEMBER TABAREZ ARRIVED AT 9:43 A.M.**

- b. Delta Asset Management was represented by Marla Ryan. Ms. Ryan discussed the history and performance of her company. She discussed new growth and benefits of the Berkeley Capital and Delta acquisition. Ms. Ryan described Delta's investment process. Although they are currently down 1% on the 3<sup>rd</sup> Quarter return for 2004, the past history has been quite good.

#### **BREAK AT 10:25 A.M. – RECONVENED AT 10:35 A.M.**

- c. TimesSquare Capital Management, Inc. was represented by Stephen Green and Tony Rosenthal. Mr. Green summarized the history of their company and their Mid Cap Growth Investment process. Mr. Rosenthal discussed staff's employment history and individual backgrounds. He explained their investment procedure and how they identify Superior Growth Businesses. Mr. Rosenthal discussed ICERS' portfolio as of 09-30-04, including sector allocation.

#### **BREAK AT 11:36 A.M. – RECONVENED AT 11:46 A.M.**

5. A presentation by Tom Lightvoet, our Investment Consultant under Mercer, resulted in several recommendations to the Board. Mr. Lightvoet explained the Performance Summary for the period ending 09-30-04. He recommended the transfer of funds from Delta Asset Management and BGI Index Fund to Retirement Cash in order to cover ongoing expenses. Mr. Lightvoet recommended that Delta be placed on the watch list due to performance and recent acquisition by Berkeley Capital Management. He also recommended that Bradford Marzec be removed from the watch list but continue close monitoring of this fund.

- a. Upon Motion by Strain, Seconded by Flammang and carried on the unanimous vote of members present, the Board agreed to follow the recommendation of Mr. Lightvoet to move \$2 Million from Delta Asset Management and \$1 Million from BGI Index Fund to Retirement Cash.
  - b. Upon Motion by Heuberger, Seconded by Padilla and carried on the unanimous vote of members present, the Board agreed to follow the recommendation of Mr. Lightvoet to put Delta on the watch list and for staff to send written notification.
  - c. Upon Motion by Heuberger, Seconded by Padilla and carried on the unanimous vote of members present, the Board agreed to follow the recommendation of Mr. Lightvoet to remove Bradford Marzec from the watch list and for staff to send written notification.
6. Discussion/Action by Retirement Administrator regarding:
- a. The Retirement Administrator stated that the Mercer Investment Consulting Contract for 2005 is being prepared and then will be forwarded to Tom Lightvoet. Board Member Heuberger requested that the present contract be extended to the February Board Meeting.  
  
Upon Motion by Heuberger, Seconded by Strain and carried on the unanimous vote of members present, the Board extended Mercer's Investment Consulting Contract to the regularly scheduled Board meeting in February 2005.
  - b. Discussion was held regarding the Actuary's submission of language clarifying the Board's motion of 05/19/04 concerning ICERS' 90% funding level. Board Member Heuberger complimented staff on the workshop that was held with the employees. Board Member Flammang stated that the intent of her original motion was that ICERS would achieve the 100% funding level in the future. Robertta Burns, County Executive Officer, relayed the Board of Supervisor's concerns regarding the adoption of the 90% funding level policy. Mr. Heuberger commented on aiming at a 100% target within the next ten years. Ms. Yarnell read the original motion of 05-19-04. Daniel Esparza, County employee, questioned the amount of excess earnings. Ms. Yarnell stated that the actuary, Ira Summer, will be submitting an Excess Earnings Report in January. A discussion was held with Mr. Summer by telephone. The Board decided to continue the discussion to the January 2005 meeting.
7. No Discussion/Action of Emergency Items.
8. Discussion/Action of Upcoming Seminars/Conferences
- a. CALAPRS, "Administrators' Round Table", San Jose Wyndham Hotel, January 28, 2005 (approximate cost p/person \$550.00)
  - b. CALAPRS, "Attorneys' Round Table", San Jose Wyndham Hotel, January 28, 2005 (approximate cost p/person \$550.00)
  - c. CALAPRS, "Trustees' Round Table", San Jose Wyndham Hotel, February 4, 2005 (approximate cost p/person \$550.00)

- d. CALAPRS, "Benefits Round Table", San Jose Wyndham Hotel, February 4, 2005 (approximate cost p/person \$550.00)
- e. CALAPRS, "Human Resources Round Table", San Jose Wyndham Hotel, February 4, 2005 (approximate cost p/person \$550.00)
- f. The Townsend Group, "The 23<sup>rd</sup> Annual Real Estate Industry's Premier Investment Forum", Tucson, AZ, February 6-8, 2005 (approximate cost p/person \$3,085.00)
- g. CALAPRS, "2005 General Assembly", Monterey Marriott Hotel, February 27 – March 1, 2005 (approximate cost p/person \$900.00)

Upon Motion by Flammang, Seconded by Kennerson and passed by a roll call vote of 8 to 1 (Yes – Yarnell, Grogan, Flammang, Padilla, Kennerson, Strain, Tabarez and Williams; No – Heuberger), the Board authorized staff and/or Retirement Board members to attend the upcoming seminars.

9. The Board discussed the adoption of ICERS' Annual Financial Statements for fiscal year ended 06/30/04 and for staff to file for auditing by the Imperial County Auditor's office.

Upon Motion by Strain, Seconded by Grogan and carried on the unanimous vote of members present, the Board moved to adopt and file for audit ICERS' Financial Statement of 06-30-04.

#### **DISCUSSION CALENDAR**

*Items 10 thru 25 are for discussion/information only.*

10. Discussion was held regarding the revisions to the Retirement Board Bylaws. Board Members were asked to submit any proposed revisions to staff in order for the changes to be included in the next draft. Board Member Heuberger requested that all Government Code Sections be reviewed by legal staff.

#### **BOARD MEMBER GROGAN LEFT AT 12:30 P.M.**

11. Reports/Announcements
  - a. The Retirement Administrator discussed proposed legislation regarding the elimination of a defined benefit plan. Per the Board's request, Ms. Yarnell discovered a website that can be accessed for legislative information ([www.leginfo.ca.gov](http://www.leginfo.ca.gov)).
  - b. Board Member Heuberger inquired as to the procedure for submitting an item to be placed on the agenda.
  - c. No report or announcement from staff.
  - d. No report or announcement from County Counsel.

12. The Board discussed the Market Value Graph.
13. The Board discussed the Book vs. Market Summary.
14. The Board discussed legislation including:
  - a. AB 616 – (3% @ 60) (Staff has no update)
  - b. AB 55 – (ARC Time) (Staff has no update)
  - c. SB 274 – (Safety Member DROP) (Staff has no update)
  - d. Availability of Legislative Updates was discussed under Item 11(a).
15. Bradford & Marzec, Inc. submitted the following for information only:
  - a. Bond Market Monthly Report – November 2004.
  - b. The 09/30/04 Quarterly Report was distributed. Board Member Heuberger requested that all future reports be included with the agenda packet and not handed out at the meeting.
16. T. Rowe Price submitted for information only the Investment Report for the month ending October 31, 2004.
17. The Hancock Timberland Investor's Second Quarter 2004 report is available for review at the office of the Retirement Administrator.
18. Commingled Account – Templeton/Barclay's Index/Barclay's EAFE. Mr. Lightvoet reported on this account under Item 5.
19. Calamos Investments' 09/30/04 Quarterly Report was discussed under Item 5 by Mr. Lightvoet.
20. No discussion on the Custodian Bank – J.P. Morgan/Chase
21. The actuary, Ira Summer of Public Pension Professionals, will be giving a presentation to the Board on January 26, 2005. Mr. Summer will present the preliminary results of the Actuarial Study and Investigation as of 06/30/04.
22. Previously approved Seminars/Conferences:

CALAPRS, "2005 Principles of Pension Management for Trustees", Stanford University Law School, March 22-25, 2005 (approximate cost p/person \$2,500)
23. Closed Session

Upon Motion by Heuberger, Seconded by Flammang and carried on the unanimous vote of members present, the Board convened into Closed Session at 12:45 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  | Reynaldo De La Rosa   |
| Aurora Garcia | Elaine Jones          |
| Ernest Proo   | Barbara Thomas-Watson |
  - b. Government Code §54956.9(a) – Conference with Legal Counsel of Existing Litigation, Mark Newby, et al., vs. Enron Corporation, United States District Court, Case No. H-01-3624.
  - c. 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).
24. Reconvened into Open Session at 1:30 p.m.
25. Kayleen Smith, Disability Specialist, announced the following action was taken in Closed Session:
- a. The Board discussed but took no action on Reynaldo De La Rosa, Aurora Garcia, Ernest Proo, Elaine Jones, Barbara Thomas-Watson, Mark Newby v. Enron Corp., and WorldCom.
  - b. The request for reconsideration on the application of Walter Cress for service connected disability retirement was denied administratively by a roll call vote of 8 to 0 as follows: Yes – Yarnell, Heuberger, Flammang, Padilla, Kennerson, Strain, Tabarez and Williams; No – None.

**BOARD MEMBER FLAMMANG LEFT AT 1:38 P.M.**

**ADMINISTRATIVE AGENDA**

26. Upon Motion by Heuberger, Seconded by Strain and carried on the unanimous vote of members present, the Board approved the Administrative Agenda:
- a. Enrollment Affidavits Of New Members (8)
  - b. Termination of Membership – Return of Accumulated Contributions (12)
  - c. Inter-System Membership
 

|    |                    |                |
|----|--------------------|----------------|
| 1. | Villaescuza, Sarah | General Member |
|    | Department:        | Health         |
|    | Effective:         | 10/22/04       |
| 2. | Gonzalez, Daniel   | Safety Member  |
|    | Department:        | Sheriff        |
|    | Effective:         | 10/12/04       |

- 3. Mandujano, Omar  
 Department: Sheriff  
 Effective: 10/05/04  
 Safety Member
  
- d. Deferred Membership
  - 1. Ojeda, Miriam  
 Department: Treasurer/Tax Collector  
 Effective: 10/15/04  
 General Member
  - 2. Thind, Jeevan  
 Department: Social Services  
 Effective: 10/01/04  
 General Member
  
- e. Service Retirement/Group Health Insurance
  - 1. Thompson, Muir M.  
 Department: Health/Deferred  
 Effective: 11/05/04  
 General Member
  - 2. Obeso, David  
 Department: Sheriff  
 Effective: 10/29/04  
 Safety Member

**BUDGET**

- 27. Upon Motion by Strain, Seconded by Kennerson and carried on the unanimous vote of members present, the Board approved the claims for the 2004/2005 Budget.

REGULAR BUDGET

|                                |             |
|--------------------------------|-------------|
| PERMANENT SALARIES             | \$ 7,450.83 |
| EXTRA-HELP                     | 1,037.58    |
| BILINGUAL PAY                  | 30.00       |
| SOCIAL SECURITY                | 40.60       |
| SPECIAL TRAINING               |             |
| SACRS Reimbursement – Tucker   | 770.58      |
| SACRS Reimbursement – Martinez | 740.12      |
| CALAPRS Roundtable Fees        | 1,050.00    |
| COUNTY CONTR RETIREMENT        | 441.17      |
| GROUP INSURANCE                | 833.82      |
| RETIREMENT PENSION BOND        | 477.44      |
| RETIREMENT HEALTH PLAN         | 188.42      |
| OFFICE EXPENSE                 |             |
| 1099R Forms                    | 299.73      |
| Laptop Upgrade                 | 263.36      |
| Calendars                      | 216.58      |
| Books                          | 26.50       |
| Mail Charges – Oct. 2004       | 294.95      |
| Office Supplies                | 120.22      |

## EXTRA-HELP

Ret Brd Mtg – 12/15/04

500.00**TOTAL: \$ 14,781.90**

28. Upon Motion by Kennerson, Seconded by Williams and carried on the unanimous vote of members present, the Board voted to retain the current officers for 2005 as follows:

- a. Chairman – Robert Williams
- b. Vice Chairman – Jim Strain
- c. Secretary – John Kennerson

The meeting was adjourned at 2:05 p.m. to January 19, 2005 at 9:00 a.m.

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JOHN W. KENNERSON, SECRETARY

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ROBERT W. WILLIAMS, CHAIRMAN