

BRIEF MINUTES

RETIREMENT BOARD MEETING
COUNTY ADMINISTRATION CENTER
940 W. MAIN STREET, EL CENTRO, CA 92243
June 16, 2004

The regular meeting of the Imperial County Board of Retirement was held at 9:00 a.m. in Board of Supervisor's Chambers, County Administration Center, El Centro, CA.

MEMBERS PRESENT: Huskey, Yarnall, Flammang, Padilla, Kennerson, Strain & Williams

MEMBERS ARRIVING AFTER ROLL CALL: Maruca

MEMBERS ABSENT: Yarnell

MEMBERS PRESENT AFTER LUNCH: Huskey, Yarnall, Flammang, Padilla, Kennerson, Strain & Williams

LEGAL REPRESENTATIVE: Linda Tucker, Deputy County Counsel

CLERK: Miriam Ojeda, Office Technician

STAFF: Barbara McFetridge, Division Manager; Susie Martinez, Retirement Supervisor; Kayleen Smith, Disability Specialist

OTHERS: Robert Birch and Pete Young, T. Rowe Price; Staci Lombard, TimesSquare Capital; Marla Ryan, Delta Asset Management; Tom Lightvoet, Mercer Investments; Jim Semmes, Daryl Gardner, Gary Tackett, Matt Desert, Kent Taylor

Meeting called to order by Chairman Williams.

1. **ROLL CALL:**
2. **PUBLIC APPEARANCE:**

Chairman Williams presented a plaque as a symbol of appreciation to Terry Huskey for her many years of dedicated service on the Board of Retirement.

Board Member Maruca arrived at 9:06 a.m.

Mr. Maruca was also presented with a certificate of appreciation for his service on the Board of Retirement.

Jim Semmes asked that the Board take the approval of the Minutes first because he wanted to make sure he was present. Chairman Williams informed him that the investment managers have planes to catch. Ms. McFetridge stated that it would be more convenient for all involved to take this item after lunch. Everyone agreed.

3. **INVESTMENT MANAGERS' REPORTS, DISCUSSION, & POSSIBLE ACTION:**

A. Delta Asset Management, by Marla Ryan (attachment)

Marla Ryan reviewed the executive summary, which includes investment philosophy, investment style and investment process.

Delta Asset Management neither gained nor lost any clients during 2002 and 2003. One client was lost in 2004 due to a change in asset strategy to absolute returns. Mrs. Ryan explained that strategy.

There has been no change in the Management team.

ICERS' portfolio return for the 1st quarter of 2004 was 1.9%, 1.9% year to date and 339.71% since inception (12/02/91) relative to the S&P 500 and the Large Cap Universe.

Mrs. Ryan discussed the business environment summary including investment environment and equity markets.

The system's sector diversification as of March 31, 2004 was compared relative to the S&P 500.

Board Members asked questions and made comments.

Break at 10:40 a.m.

Reconvened at 10:50 a.m.

Item #3B and #3C came before Items #3A

B. T. Rowe Price, by Robert Birch and Pete Young (attachment)

Robert Birch briefly reviewed his firm's assets under management, organization and investment approach. Mr. Birch informed that there is no change in the investment team.

Mr. Birch discussed the system's total return performance. The portfolio had a 5.20% return year to date, 38.47% for one year and 18.27% for three years. He compared these returns relative to the Russell 2000 Value Index and the Russell 2000 Index.

Pete Young reviewed the Market Capitalization Range graph and the portfolio characteristics relative to the Russell 2000 Value Index with the Board.

Alternate Board Member Tabarez arrived at 9:30 a.m.

INVESTMENT MANAGERS' REPORTS, DISCUSSION, & POSSIBLE ACTION:

(continued)

Mr. Young discussed sector diversification and portfolio changes including new holdings.

Mr. Birch explained the difference between portfolio performance between year to date and returns for one year.

Staff and Mr. Lightvoet stated that the Retirement System will need to bring some cash into the system by August and due to T. Rowe Price's excellent investment performance, they will be reallocating approximately \$3 Million from their portfolio and possibly \$3 Million from Barclays EAFE fund.

Board Members asked questions and made comments.

MOTION: By Flammang, Seconded by Huskey and carried on the unanimous vote of Members present to allow staff to reallocate \$3 Million from Domestic Equity and \$3 Million from International to Retirement cash at their discretion.

C. TimesSquare Capital Management, by Staci Lombard (attachment)

Staci Lombard briefly reviewed TimesSquare's Management Team.

Ms. Lombard discussed the returns for period ending March 31, 2004. The portfolio had a return of 7.1% for the first quarter of 2004 and 48.8% annualized return since inception (03/03/03). Returns were compared to the S&P Mid Cap 400 Index and the Russell Mid Cap Growth Index.

Ms. Lombard briefly reviewed the portfolio sector allocation as of March 31, 2004 and relative to the benchmarks as well as the portfolio's ten largest holdings.

Ms. Lombard discussed Mid Cap and Growth outlook. Strong economic growth is expected to continue to drive strong earnings growth. Expectations have been conservative, earnings growth is strong and expectations low.

She hopes growth will be outperforming value.

The Mid Cap Growth Investment team was briefly reviewed, investment philosophy and process in depth.

Board Members asked questions and made comments.

4. **CONSULTANT'S REPORT, INVESTMENTS AND ASSET ALLOCATION, DISCUSSION & POSSIBLE ACTION:** By Mercer Investments

Board Member Maruca left at 10:40 a.m.

A. Consultant's Report, by Tom Lightvoet (attachment)

Total portfolio performance for the 1st quarter 2004 is 3.5%, 28.4% for one year and 11.6% since inception.

Delta Asset Management had a quarterly return of 1.9%, 38.1% for one year and 12.4% since inception.

Barclays Global Investors 1000 Index returned 1.9% for the quarter and 36.4% for the year.

TimesSquare Capital had a quarterly return of 7.1% and 49.2% for one year.

Calamos returned 5.1% for the quarter.

T. Rowe Price had a quarterly return of 7%, 53.6% for one year and 17.3% since inception.

Templeton had a 3.7% return for the quarter, 62.9% for one year and 9.6% since inception.

Barclays Global Investor returned 4.4% for the quarter.

Bradford's Fixed portfolio had a 2.6% return for the quarter, 6.7% for one year and 7.8% since inception.

Bradford's TIPS portfolio returned 5% for the quarter, 10.5% for one year and 9.9% since inception.

704 Cash Account was 2.3% for one year and 4.5% since inception.

B. Real Estate Investing (attachment and additional materials to be distributed)

Mr. Lightvoet briefly reviewed a report he prepared regarding Real Estate investing. Board Members discussed this subject at length with Mr. Lightvoet.

Board Member Maruca returned at 11:15 a.m.

C. Re-distribution of Assets - Asset Allocation (attachment)

No action was taken.

CONSULTANT'S REPORT, INVESTMENTS AND ASSET ALLOCATION, DISCUSSION & POSSIBLE ACTION: (continued)

D. Asset/Liability Study

At the request of staff, Mr. Lightvoet discussed Mercer Consulting conducting an asset/liability model study. He reviewed the process, cost and explained the importance of conducting this study. Board Members asked questions and made comments.

The Board asked staff to conduct a survey of the other 1937 Act counties to see which ones had conducted this study and the cost. Chairman Williams requested that the Board review the product of one of these studies. Staff is contacting Sacramento County regarding their study.

Break for lunch at 12:05 p.m.

Reconvened at 12:45 p.m.

5. **MINUTES:**

Board Member Flammang stated that there was a misunderstanding as to a motion that was made at the last Board meeting regarding the 90% funding level.

The Board discussed their individual understanding as to the specifics of the motion in question. Members of the Audience joined the discussion and continued to review this issue at length.

MOTION: By Huskey, Seconded by Yarnall and failed on the following roll call vote of Members present that the Minutes of the May 19, 2004 regular adjourned meeting be approved.

Yes: Huskey, Yarnall, Kennerson, Strain

No: Flammang, Padilla, Williams

Absent: Yarnell, Maruca

Abstain: None

Further discussion continued. Staff informed the Board that they had reviewed the tapes of the meeting and the motion is correct as it reads in the minutes.

Board Member Flammang left at 1:15 p.m.

MINUTES: (continued)

MOTION: By Huskey, Seconded by Yarnall and carried on the following roll call vote of Members present to approve the Minutes of the May 19, 2004 regular adjourned meeting as presented.

Yes: Huskey, Yarnall, Padilla, Kennerson, Strain

No: Williams

Absent: Yarnall, Maruca, Flammang

Abstain: None

6. **COUNTY COUNSEL:**

A. Executive Session:

Kayleen Smith, Disability Specialist noted the **EXECUTIVE SESSION** items on the agenda and suggested the Board convene into **EXECUTIVE SESSION:**

CONVENE INTO EXECUTIVE SESSION AT 2:15 p.m.

Conference with Legal Counsel-Existing
Litigation Gov't Code §54956.9(a) (attachment)

IN RE: Disability Retirement Application Of:

Walter Cress	Judith York
Carol Storm	Ernest Mendoza
Sharon Stogner	Reynaldo De La Rosa
Elaine Jones	Ernest Garcia

In RE: Enron Corporation, WorldCom, Inc., Packaged Ice, Inc.

RECONVENED INTO OPEN SESSION AT 2:50 p.m.

Mrs. Smith announced that the following actions were taken in **EXECUTIVE SESSION:**

- The request for reconsideration on the application for service connected disability retirement of Sharon Stogner was denied administratively by the unanimous vote of Members present.
- The application of Ernest Mendoza for service connected disability retirement was granted administratively.
- With respect to the disability retirement application of Walter Cress, the Board gave direction.

7. RETIREMENT ADMINISTRATORS' REPORT, DISCUSSION & POSSIBLE ACTION ITEMS:

A. Market Value Graph (attachment)

Barbara McFetridge, Division Manager briefly discussed the Market Value graph with the Board and updated them on the latest portfolio valuation as of June 15, 2004.

B. Book vs. Market Summary (was distributed)

Ms. McFetridge briefly reviewed the Book vs. Market summary with the Board of Retirement.

Item #7C came after Item #5

C. Update:

1. AB 616 (3% @ 60)

No update. County has asked the Actuary to conduct a couple of additional studies of new retirement benefit sections.

2. AB 55 (ARC Time)

Division Manager informed the Board that the Actuary said the cost of AB 55 would not decrease by much, if any, if conducted along with the next actuarial study.

3. SB 274 (Safety Member DROP)

ICERS has had no requests from Bargaining Units or the County for information on this issue. Alternate Board Member Tabarez stated that the safety members are interested in this program but they want to see the general members get a new benefit first.

D. Update - Board Member Election - Jurg Heuberger Elected

Mr. Heuberger will take his seat on the Board next month along with Mr. Grogan.

E. Fiduciary Liability Insurance (attachment)

All paperwork has been completed and ICERS is waiting for the final documents. Division Manager passed out a brief summary of the coverage.

F. Proposed 2004-2005 Retirement Board Budget (attachment)

Mr. Heuberger asked that this item be tabled to the next meeting to allow him and Mr. Grogan to be present when this is discussed.

RETIREMENT ADMINISTRATORS' REPORT, DISCUSSION & POSSIBLE ACTION ITEMS:

(continued)

The Board discussed the procedures and consequences of carrying this item past the end of the fiscal year.

MOTION: By Huskey, Seconded by Strain and failed on the vote of Members present to table the approval of the proposed 2004-2005 budget to the July Retirement Board Meeting.

MOTION: By Kennerson, Seconded by Yarnall and carried on the unanimous vote of Members present that the Board approve the 2004-2005 proposed Retirement Board Budget as presented by staff.

G. County Auditor/Controller Agreement for Annual Audit Services (attachment)

Division Manager discussed the agreement and stated that the County Counsel has reviewed it.

MOTION: By Huskey, Seconded by Padilla and carried on the unanimous vote of Members present to approve agreement with County Auditor/Controller for Audit Services.

H. Summer Board Meetings

Ms. McFetridge asked the Board who would be available to attend the August Retirement Board Meeting. In some past years, the Board has gone dark due to not having enough Board Members available to have a quorum.

All members present indicated they are available to attend the August meeting.

I. Upcoming Seminars/Conferences:

1. CALAPRS, "**Disability Staff**" Roundtable, September 9th, 2004, Oakland Holiday Inn, Oakland, CA (approximate cost p/person \$500)
2. CALAPRS, "**Benefits**" and/or "**Trustees**" Roundtable, September 10th, 2004, Oakland Holiday Inn, Oakland, CA (approximate cost p/person \$500)
3. CALAPRS, "**Administrators' Institute**", September 22nd thru September 24th, 2004, Oxnard, CA, (approximate cost p/person \$1,000)
4. CALAPRS, "**Basic Staff Training**", September 29th thru October 1st, 2004, Ontario Marriott, Ontario, CA (approximate cost p/person \$500)

RETIREMENT ADMINISTRATORS' REPORT, DISCUSSION & POSSIBLE ACTION ITEMS:

(continued)

MOTION: By Yarnall, Seconded by Padilla and carried on the unanimous vote of Members present the expenses incurred by staff/Board Members attending the above Roundtables be paid.

8. PORTFOLIO, CONSULTANT'S AND MANAGERS' PERFORMANCE, DISCUSSION & POSSIBLE ACTION ITEMS:

No action was taken on these items.

A. Delta Asset Management

B. T. Rowe Price

C. Bradford & Marzec, Inc.

Bond Market Monthly (attachment)

D. TimesSquare Capital

E. Calamos Investments

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

Teleconference Replay (attachment)

G. Consultant - Mercer Investments

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

9. BOARD MEMBERS' REPORTS, DISCUSSION & POSSIBLE ACTION ITEMS:

A. Trustees' Roundtable, by Board Member Tabarez

Alternate Board Member Tabarez informed the Board Members that this was a very informative meeting. Some discussion topics included travel policies and campaigning policies. This was a great roundtable meeting. The next one will be in Santa Barbara. He highly recommends these roundtables.

B. Benefit's Roundtable, by Board Member Padilla

This roundtable was cancelled due to President Reagan's death.

C. Forming Board Committees, by Board Member Williams

Board Member Williams stated that he is interested in forming investment and benefits committees.

BOARD MEMBERS' REPORTS, DISCUSSION & POSSIBLE ACTION ITEMS:

(continued)

Staff suggested that this item be carried over to the July meeting so the new Board Members can be present when this is discussed. The Board agreed.

10. **ADMINISTRATIVE AGENDA:**

A. ENROLLMENT AFFIDAVITS OF NEW MEMBERS (7)

B. TERMINATION OF MEMBERSHIP -Return of Accumulated Contributions(6)

C. BUYBACK - MAKE-UP - INSTALLMENTS

Fernando Moreno
Department:General Member
Probation

D. BUYBACK - MAKE-UP - LUMP SUM

Frances Obeso
Department:General Member
Behavioral Health

E. BUYBACK - PUBLIC SERVICE - LUMP SUM

Robert Gray
Department:General Member
Public Works

F. SERVICE RETIREMENT/GROUP HEALTH INSURANCE

Hermilia Z. Montoya
Department:
Effective:General Member
Courts
04/29/04

G. FINAL PAYMENT OF SERVICE RETIREMENT ALLOWANCE & DEATH BENEFIT, per section 31676.11, Gov't Code

1. Frank P. Ryan, General Member, Deceased 02/05/04

2. Margaret Mott, General Member, Deceased 03/30/04

3. Ethel Immel, General Member, Deceased 03/17/04

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

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

MOTION: By Yarnall, Seconded by Huskey and carried on the unanimous vote of Members present that the following claims for 2003/2004 Regular Retirement Budget and Disability Budget be approved. (attachment)

A. REGULAR BUDGET

SPECIAL TRAINING	
CALAPRS Registration	\$ 50.00
SACRS - Smith	20.00
SACRS - Tucker	98.00
Computer Class	95.00
MAINTENANCE	
Shredder Contract	229.00
OFFICE EXPENSE	
Receipt Book	18.00
Supplies	277.64
Paper	56.00
Paper	67.00
Mailroom - April 2004	298.00
Copier - January 2004	186.61
Wireless Keyboard	53.85
Plaque	70.04
PROFESSIONAL	
Actuarial thru April 2004	22,600.00
DATA PROCESSING	
January 2004	6,364.84
February 2004	689.06
EXTRA-HELP	
Ret Brd Mtg - 6/16/04	400.00
TOTAL:	<u>\$31,573.04</u>

B. DISABILITY BUDGET

PROFESSIONAL	
Medical Evaluation	\$ 750.00
Court Reporter	2,874.35
TRAVEL-OUT OF COUNTY	
SD Disability Officer	213.30
Hearing Officer	222.93
Disability Applicant	45.75
Disability Applicant	82.50
TOTAL:	<u>\$4,188.83</u>

12. **INFORMATION ONLY:**

- A. Quarterly Report, by Bradford & Marzec, Inc. (was distributed)
- B. Quarterly Report, by Calamos Investments, Inc (was distributed)
- C. New Board Member Orientation Meeting - July 7, 2004 @ 9:00 a.m.

Ms. McFetridge stated she has been requested by a couple of the Board Members to do a new Board Member orientation meeting for educational purposes. This meeting will be held on July 7, 2004 in the Board Chambers. Any Board Member wishing to attend may do so, however, this is strictly an educational meeting.

Ms. McFetridge stated that due to Budget Meetings, the Board of Supervisors will be occupying their chambers on July 21, 2004, therefore, the Retirement Board Meeting will be held in the Public Health Department's Training room.

Meeting was adjourned at 3:25 p.m. to July 21, 2004 at 9:00 a.m.

JOHN W. KENNERSON, SECRETARY

ROBERT W. WILLIAMS, CHAIRMAN