

BRIEF MINUTES

RETIREMENT BOARD MEETING
COUNTY ADMINISTRATION CENTER
940 W. MAIN STREET, EL CENTRO, CA 92243
March 17, 2004

The regular meeting of the Imperial County Board of Retirement is to be held at 9:05 a.m. in Board of Supervisor's Chambers, County Administration Center, El Centro, CA.

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

MEMBERS ARRIVING AFTER ROLL CALL: None

MEMBERS ABSENT: None

MEMBERS PRESENT AFTER LUNCH: None

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: Rick Leson, Calamos Investments; Zee Marzec, Bradford & Marzec; Tom Lightvoet, Mercer Investments; Deanna Van Valer, Public Pension Professionals

Meeting called to order by Chairman Williams.

1. **ROLL CALL:**

2. **PUBLIC APPEARANCE:** None

3. **MINUTES:**

MOTION: By Strain, Seconded by Maruca and carried on the unanimous vote of Members present that the Minutes of the February 18, 2004 Regular Adjourned meeting be approved with the following amendment:

"AB 55: This bill allows individual members to purchase additional retirement credit (ARC) via an installment plan or lump sum payment. David Ritter, County employee asked what process he needs to follow for the Retirement Board to consider adopting AB55. He questioned why it couldn't be offered as an elective to the employee since no additional financial burden would be placed on the Retirement System. The employee should be given the opportunity to decide whether it is too costly for them. Robertta Burns, County Executive Officer agreed to meet with Mr. Ritter to discuss options."

4. **INVESTMENT MANAGERS' PRESENTATIONS:**

A. Calamos Investments, By Rick Leson (attachment)

Rick Leson, Portfolio Attribution Analyst started the presentation by discussing portfolio and performance with the Board.

INVESTMENT MANAGERS' PRESENTATIONS: (continued)

Mr. Leson briefly discussed sector distribution and portfolio statistics.

Calamos' portfolio had a 4th quarter return of 11.94%, the Russell Mid Cap Growth Index return a 12.16% for the same period. Cumulative return since inception (5/7/03) is 30.89%.

Mr. Leson reviewed a comparison cumulative return chart against the Russell Mid Cap Growth Index by quarter with the Board.

Calamos' account value in June 2003 was \$23,213,893, and \$29,396,938 in February 2004.

The Board expressed their satisfaction with Calamos' performance.

Mr. Leson briefly discussed market review and Investment outlook.

B. Bradford & Marzec, inc., by Zee Marzec (attachment)

Maruca left at 9:30 a.m.

Zee Marzec, Principal, gave a brief overview of her firm. Bradford & Marzec is a fixed income Manager only that has been in business for 20 years. Bradford has been managing fixed income investments for ICERS 11 years. ICERS' portfolio includes Core plus and TIPS. The firm has a new addition to the professional staff. They have added a new international fixed income Manager, which will have no affect on ICERS since the system does not own international within its portfolio.

Fixed income portfolio's inception is December 1992 and the TIPS is just over a year.

Maruca returned at 9:40 a.m.

Last year overweight sectors and credit helped the portfolio, security selection and industry selection had a huge impact on the portfolio and contributed greatly to the performance.

The portfolio is overweight in credit, overweight in BBB's and underweight in the treasury sector.

Ms. Marzec doesn't see any reason why rates would go up at this time, she is happy with corporate balance sheets.

INVESTMENT MANAGERS' PRESENTATIONS: (continued)

The portfolio is neutral as far as duration, she doesn't see much change in interest rates, mortgages were underweight, there are more buyers than sellers of mortgages, inflation outlook will remain low in the future, foresee TIPS portfolio to continue to do well.

5. CONSULTANT'S REPORT, INVESTMENTS, AND ASSET ALLOCATION, DISCUSSION & POSSIBLE ACTION: By Tom Lightvoet, Mercer Investments**A. Consultant's Report** (attachment)

Tom Lightvoet, Investment Consultant began his presentation briefly discussing the economic environment and market performance.

Looking for volatility to continue to year-end, discusses asset allocation in depth.

Total market value of portfolio, as of December 31, 2003 is \$369.7 million. Total fund returned a 8.4% for the quarter, 23.1% for one year and 3.7% for a 3-year period.

Delta Asset Management had a 11.9% return for the quarter, 31.5% for one year and -1.3% for 3-year.

Barclay's Global Investors Russell 1000 index returned 12.3% for the quarter and 29.9% for one year.

TimesSquare Capital had a quarterly return of 11.3%.

Calamos had a return of 11.9% for the quarter.

T. Rowe price had a quarterly return of 13.3%, 39.5% for one year and 21.7% for 3-years.

Franklin Templeton had a return of 18.1% for the quarter, 43.8% for one year and 3.1% for 3-years.

Barclays Global Investors had a quarterly return of 17.1%.

Bradford & Marzec's fixed income portfolio returned 1.1% for the quarter, 6.5% for one year and 7.1% for 3-years.

Bradford's TIPS portfolio had a quarterly return of 1.6%, 8% for one year and 8.9% for 3-years.

The 704 cash account returned 0.5% for the quarter, 3.1% for one year and 1.8% for 3-years.

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

The total fund returned 8.4% for the quarter, outperforming the total fund benchmark return of 7.6%. Performance for one year was above the index but below the Universe Median.

Mr. Lightvoet discussed Templeton's recent investigation by the SEC. He said he will continue to keep a close eye on the situation but at this time no action needs to be taken.

Mr. Lightvoet recommends moving \$10-\$15 million from T. Rowe Price (equities) to fixed income (TIPS) account. Moving funds to TIPS makes more sense and this will help rebalance the fund closer to target.

MOTION: by Huskey, seconded by Yarnall and carried on the following roll call vote of members present to move \$10 Million from T. Rowe Price's (equity) fund to Bradford's TIPS portfolio.

Yes: Yarnell, Huskey, Yarnall, Maruca, Flammang, Padilla, Kennerson & Strain

No: Williams

Absent: None

Abstain: None

B. Real Estate Investing

Linda Tucker stated that title holding corporation is a legal entity. It's better to have a separate trust for each property for accounting/bookkeeping purposes.

Board member Maruca discussed his concern with protection issues. He is not worried about accounting issues, he is more concerned about protecting the funds and legal issues. Ms. Tucker stated that a purpose for setting up a separate trust for each property is to shield the total fund from liability issues. Many of the administrative expenses are tax deductible.

The Board discussed the advantages and disadvantages regarding real estate investing.

Ms. Yarnell suggested having a workshop on real estate where the Board can get all their questions answered and consider all the options. She believes the Board needs additional information and education on this issue.

The Board discussed real estate investing at length and requested further information from the consultant in this area.

6. RETIREMENT ADMINISTRATORS' REPORT, DISCUSSION & POSSIBLE ACTION ITEMS:**A. Actuarial Report - Adoptions of County and Employee Rates/
Undistributed Earnings**

Donna Yarnell, Retirement Administrator read a statement to clarify the areas where the Retirement Board makes decisions.

The Retirement Board's responsibility is to maintain the integrity of the system. The Board of Supervisors is responsible for granting and approving retirement benefits for members (employees). She made a recommendation for the use of undistributed earnings.

Ms. McFetridge stated that Deanna Van Valer with Public Pension Professionals has arrived to address any actuary questions the Board or the audience might have.

Linda Tucker, Deputy County Counsel read the 1937 Act statutes concerning the adoption of the actuary recommendations.

Various County employees discussed funding levels, actuarial study, recommendation and adoption of county/employee contribution rates, pre-tax contributions and financial impact of "3% @ 60" (AB616).

(Ira Summer, Actuary, was contacted via telephone and agreed to a conference call per the Board's request.)

Ira Summer stated that the Board of Retirement is required to make a recommendation to the Board of Supervisors, but the Board of Retirement cannot recommend rates without another actuarial study. The Board needs to have a valid reason why they are recommending something other than actuarially-recommended rates.

The Retirement Board would be able to reduce the employees' rates by allocating undistributed earnings to help pay for all or a portion of the employees' COLA contribution. Mr. Summer stated that the Retirement Board does not have the authority under '37 Act, to increase the county's rate in order to lower the employees' rates.

MOTION: BY Yarnell, Seconded by Flammang and carried on the following roll call vote of members present to adopt the County Rates as recommended by the Actuary.

Yes: Yarnell, Maruca, Flammang, Kennerson, Strain & Williams
No: Huskey, Yarnall & Padilla
Absent: None
Abstain: None

RETIREMENT ADMINISTRATORS' REPORT, DISCUSSION & POSSIBLE ACTION ITEMS:

(continued)

MOTION: By Maruca, Seconded by Flammang and carried on the following roll call vote of Members present to adopt the General and Safety Employees' contribution rate as recommended by the Actuary.

Yes: Yarnell, Huskey, Maruca, Flammang, Padilla, Kennerson,
Strain & Williams

No: Yarnall

Absent: None

Abstain: None

MOTION: By Yarnell, Seconded by Maruca and carried on the following roll call vote that retirement staff create a new account entitled "3% at 50 reserve" and adopt the split of the safety member reserve to accommodate a new account as recommended by the Actuary on page 19 of their report.

Yes: Yarnell, Huskey, Yarnall, Maruca, Flammang, Padilla,
Kennerson, Strain & Williams

No: None

Absent: None

Abstain: None

MOTION: By Maruca, Seconded by Flammang and carried on the following roll call vote to transfer \$1.7 Million allocated as part of undistributed earnings to the "3% @ 50 reserve".

Yes: Yarnell, Huskey, Yarnall, Maruca, Flammang, Padilla,
Kennerson, Stain & Williams

No: None

Absent: None

Abstain: None

After some discussion, Chairman Williams stated that the Board will hold a special meeting on April 7th to discuss how to allocate undistributed earnings and develop a policy for undistributed earnings.

Board Member Yarnell left at 12:55 p.m.

Board Member Maruca left at 12:57 p.m.

B. Market Value Graph (attachment)

Ms. McFetridge briefly reviewed the Market Value Graph with the Board and updated on the latest portfolio valuation as of March 16, 2004.

RETIREMENT ADMINISTRATORS' REPORT, DISCUSSION & POSSIBLE ACTION ITEMS:

(continued)

C. Book vs. Market Summary (was distributed)

Ms. McFetridge reviewed the Book vs. Market Summary with the Board and answered their questions.

D. Update: AB 616/ AB 55 / SB 274

Ms. McFetridge stated that AB 616 has already been discussed. She had no new information on AB 55 and stated that she thought the safety members will be asking for SB 274 (DROP plan) during negotiations.

E. Safety Members Kelley/Tackett - Rollover Funds to Purchase General Service to Safety Service

Linda Tucker and Ms. McFetridge reviewed this issue with the Board.

Ms. Tucker stated that LACERA met with the IRS in Washington D.C. and was told there was nothing in the code to allow this transfer. Gary Tackett asked that this item be carried over to the April meeting to give Mr. Kelley an opportunity to discuss this with them.

Mr. Tackett requested something in writing instead of just verbal information. Ms. Tucker was directed to provide a written response on this subject matter. Chairman continued this item to the April 2004 meeting.

F. COLA Resolution - Retirees (attachment)

Division Manager reviewed the COLA resolution with the Board and answered their questions.

MOTION: By Huskey, Seconded by Padilla and carried on the unanimous vote of Members present to adopt the COLA resolution as presented by staff.

RETIREMENT ADMINISTRATORS' REPORT, DISCUSSION & POSSIBLE ACTION ITEMS:

(continued)

G. Board Member Appointments and Election for July 1, 2004:

Division Manager reviewed the process for the appointment and election of Board members.

1. Election - Second Board Member - Huskey

MOTION: By Huskey, Seconded by Padilla and carried on the unanimous vote of Members present that the Board of Supervisors direct the Election Department to hold an election for the Second member to the Board of Retirement for a three-year term commencing July 1, 2004 and ending June 30, 2007 according to Election Procedures.

2. Appointment - Fourth Board Member - Maruca

MOTION: By Flammang, Seconded by Kennerson and carried on the unanimous vote of Members present that the Board of Supervisors appoint a fourth member to the Board of Retirement for a three-year term commencing July 1, 2004 and ending June 30, 2007.

H. Previously Approved Seminars/Conferences:

1. Stanford University, "**Principles of Pension Management**", March 23rd thru March 26th, 2004, Palo Alto Sheraton, Palo Alto, CA (Approx. Cost P/Person \$2,500)
2. CALAPRS, "**Accountants**" and "**Administrative Assistants**" Roundtable, April 16, 2004, Ontario Marriott, Ontario, CA (Approx. Cost P/Person \$350)
3. SACRS, "**2004 Spring Conference**", May 11th thru May 14th, 2004, Sheraton Universal Hotel, Universal City, CA (Approx. Cost P/Person \$900)

7. **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:**

COUNTY COUNSEL: (continued)**CONVENE INTO EXECUTIVE SESSION AT 1:07 p.m.**

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

IN RE: Disability Retirement Application Of:

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

In RE: Enron Corporation, WorldCom, Inc., Packaged Ice, Inc.,
Monterey Pasta Company

RECONVENED INTO OPEN SESSION AT 1:15 p.m.

Mrs. Smith announced that the following action was taken in
EXECUTIVE SESSION:

- The request for reconsideration of Elaine Jones on the application for service-connected disability retirement was denied administratively.

B. Update: Adoption of Community Property Article 8.4, Gov't Code

Ms. McFetridge stated that the Board of Supervisors adopted the Community Property Article 8.4 of the Government Code on Tuesday.

She and Ms. Tucker explained how this will affect a Member's retirement account. She estimates the development of procedures and forms will take 30-60 days.

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

No action was take on these items.

A. Delta Asset Management

Quarterly Report (was distributed)

B. T. Rowe Price

Quarterly Report (was distributed)

PORTFOLIO, CONSULTANT'S AND MANAGERS' PERFORMANCE, DISCUSSION & POSSIBLE ACTION ITEMS: (continued)

C. Bradford & Marzec, Inc.

Bond Market Monthly (attachment)

D. TimesSquare Capital

Quarterly Report (was distributed)

E. Calamos Investments

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

G. Consultant - Mercer Investments

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

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

Forming Retirement Board Committees, By Board Member Williams

Mr. Williams asked the members if there was somebody else beside himself that felt that an investment committee was necessary.

The Board asked that this item be tabled to the May meeting to have an opportunity to discuss this issue at the upcoming SACRS meeting

10. **ADMINISTRATIVE AGENDA:**

A. ENROLLMENT AFFIDAVITS OF NEW MEMBERS (6)

<u>General Members</u>	<u>Department</u>	<u>Date</u>
Irma Araujo	Assessor	02/06/04
Dilda McFadden	Behavioral Health	02/06/04
Erika Pierce	Superior Court	02/20/04
Edward Puciata	Public Health	02/20/04
Elizabeth Romayor	Superior Court	02/20/04
Aide Flores	Sheriff	02/20/04

B. TERMINATION OF MEMBERSHIP -Return of Accumulated Contributions(9)

<u>General Members</u>	<u>Department</u>	<u>Date</u>
Thomas Christensen	Public Works	02/15/04
Clemente Gonzales	District Attorney	05/09/03
Irene Keating	Courts	01/19/04
Maria Otero	Tax Collector	01/15/04
Jessica Picazo	Behavioral Health	01/19/04

ADMINISTRATIVE AGENDA: (continued)

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|----|------------------|-----------------|
| 4. | Lon J. Hettinger | Safety Member |
| | Department: | Fire Protection |
| | Effective: | 02/06/04 |
| 5. | Lyla J. Corfman | General Member |
| | Department: | Superior Court |
| | Effective: | 01/16/04 |
| 6. | Nancy Hamilton | General Member |
| | Department: | Social Services |
| | Effective: | 01/03/04 |
- H. 60% CONTINUANCE NSC & DEATH BENEFIT per section 31781.1 Gov't Code
(Intersystem Membership)
- Robert J. Chappell, General Member, Deceased 08/13/03
- I. FINAL PAYMENT OF SURVIVOR - SERVICE RETIREMENT per section 31760.1
Gov't Code
1. Rose G. Hagan, General Member, Deceased 01/26/04
 2. Laura E. Rowe, Safety Member, Deceased 02/06/04
- J. FINAL PAYMENT SERVICE RETIREMENT & DEATH BENEFIT, per section
31676.11 Gov't Code
- Margaret Ann McCauley, General Member, Deceased 01/23/04
- K. FINAL PAYMENT OF SERVICE RETIREMENT ALLOWANCE, DEATH BENEFIT &
RETURN OF UNUSED MEMBERS ACCUMULATED CONTRIBUTIONS per section
31676.11 Gov't code and 31760.1
- Yvonne Smith, General Member, Deceased 02/23/04

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

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

MOTION: By Kennerson that the following claims for 2003/2004 Regular Retirement Budget and Disability Budget be approved. (attachment)

A. REGULAR BUDGET

SPECIAL TRAINING	
CALAPRS Atty	\$ 42.00
OFFICE EXPENSE	
Paper	78.00
Mailroom - Jan 2004	626.81
Office Supplies	314.57
County Property	159.87
DATA PROCESSING	
Dec 2003	3,423.07
EXTRA HELP	
Ret Brd Mtg 3/10/04	400.00
Ret Brd Mtg 3/17/04	400.00
TOTAL	\$5,444.32

B. DISABILITY BUDGET

OFFICE EXPENSE	
Fed-Ex	25.66
TOTAL	\$ 25.66

Meeting was adjourned at 1:40 p.m. to April 7, 2004 at 9:00 a.m.

JOHN W. KENNERSON, SECRETARY

ROBERT W. WILLIAMS, CHAIRMAN