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KATHLEEN L. KUBLER
CLERK OF THE BOARD



Imperial County Employees' Retirement System

BRIEF MINUTES

REGULAR MEETING OF THE IMPERIAL COUNTY BOARD OF RETIREMENT

September 21, 2005

9:00 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 Williams at 9:05 a.m.
 - A. Roll Call:

MEMBERS PRESENT: Karen Vogel, Jurg Heuberger, Julie Villeneuve, Becky Flammang, Larry Grogan, Armando Padilla, Jim Strain, Terry Huskey and Robert Williams

MEMBERS ABSENT: None

MEMBERS ARRIVING AFTER ROLL CALL: John W. Kennerson

LEGAL REPRESENTATIVE: Linda Tucker, Deputy County Counsel

CLERK: Kathleen L. Kubler, Office Technician

STAFF: David H. Prince, Retirement Division Manager
 - 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. Emergency Items added:

Motion by Strain, Seconded by Huskey and carried on the unanimous vote of members present, the Board accepted as an emergency item, a matter to be added under the Brown Act, Govt. Code Section 54954.2:

Mercer to address the Board to discuss the Asset Liability modeling strategic planning presentation as 6(F) (1 attachment).

D. Approval of the Agenda:

Motion by Heuberger, Seconded by Villeneuve, and carried on the unanimous vote of members present, the Board approved the agenda as amended.

3. Approval of the Minutes:

Motion by Heuberger, Seconded by Huskey, and carried on the unanimous vote of members present, the Board approved the minutes of the August 17, 2005 regular adjourned meeting.

ACTION CALENDAR

4. Presentations by Investment Managers:

A. Bradford & Marzec, Inc. – Zee Marzec:

1. Portfolio Performance Report – 2nd Quarter 2005 Review:

Reviewed by the Board.

2. Investment Manager Review:

Zee Marzec presented an overview of the portfolio's successful performance. She also provided and reviewed with the Board, a Sector Attribution Report, which details updated Summary Returns, Attribution, Detail and Yield Curve.

The outlook foresees rate increases and economic weakness through the end of the year due to the detriment of Hurricane Katrina; however, the economy should strengthen after the new year, according to Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve.

3. U.S. Treasury Inflation Index Bond Portfolio:

Reviewed by the Board.

4. Bond Market Monthly Report ending August 2005:

Reviewed by the Board.

After Ms. Marzec's presentation, Chairman Williams thanked her for providing lunch at the meeting for the Board Members and staff.

B. Calamos Investments – Milan Demillan:

Mr. Demillan presented the portfolio structure and performance comparison. The market is performing favorably and Mr. Demillan was optimistic that the outlook was good for the economy, consumers and the market.

David Prince, Retirement Division Manager, expressed concern as to the increase in investments in large-cap companies (currently 25%), as his understanding is that Calamos is primarily a mid-cap investor.

Tom Lightvoet, Mercer Investment Consulting stated that initially Calamos focus was mid-cap companies. He advised Mr. Demillan that Calamos was hired as a mid-cap investment manager and should maintain that focus.

C. Franklin Templeton Institutional – Thomas Dickson:

Mr. Dickson announced the reorganization of some staff analysts and portfolio managers.

The company currently manages a 130 billion dollar portfolio showing strong numbers focusing on a five year historical performance, taking profits in better performing stocks.

Lumber is not performing as well as paper products and metals. Energy is down with prices soaring for oil, heating oil, and natural gas.

Tom Lightvoet, Mercer Investment Consulting, expressed confidence in Templeton's good performance, saying it is better than the index. He did not suggest making any changes and was unconcerned as to staff overturn.

BREAK AT 10:14 RECONVENED 10:26

5. Presentation by Investment Consultant, Tom Lightvoet – Mercer Investment Consulting:

A. Pension Plan Presentation Report 2nd Quarter:

Mr. Lightvoet gave an overview of the Total Fund Performance ending June 30, 2005 as follows:

The total portfolio returned 2.0% for the quarter (80th percentile), 0.6% year to date (88th percentile) and 9.2% for one year (77th percentile).

Delta Asset Management returned 1.3% for the quarter, (.08%) year to date and 5.2% for the year.

Barclays Global Investors Russell 1000 Index Fund returned 2.1% for the quarter, 0.1% year to date and 8.0% for the year.

Calamos Investments Mid-Cap Growth Fund returned 2.6% for the quarter, (2.6%) year to date and 6.0% for one year.

TimesSquare Capital Management returned 4.7% for the quarter, 1.8% year to date and 13.9% for one year.

T. Rowe Price Associates, Inc. returned 2.6% for the quarter, (0.4%) year to date and 12.6% for one year.

Franklin Templeton lost (0.8%) for the quarter, returned 0.0% year to date and 17.0% for one year.

Barclay's Global Investors International Equity Index Fund had a loss of (0.8%) for the quarter, returned 0.4% year to date and 18.1% for one year.

Bradford & Marzec's fixed income portfolio returned 2.9% for the quarter, 2.6% year to date and 8.1% for one year.

Bradford's TIPS portfolio returned 3.1% for the quarter, 2.9% year to date and 9.5% for one year.

Delta remained on the Watch List while Bradford & Marzec and TimesSquare performed exceptionally well.

As stated in his report, Mr. Lightvoet said all asset classes are within their allocation ranges and generally close to their targets. Barclays Global and Barclays Russell 1000 Index would be the recommended source of cash should it be needed.

B. Reinstating Abel Noser to the Commission Recapture Program:

Mr. Lightvoet, Mercer Investment Consulting and Linda Tucker, Deputy County Counsel, recommended re-activating the contract with Abel Noser.

Motion by Flammang, Seconded by Vogel and carried on the unanimous vote of members present, the Board directed staff to execute a new contract with Abel Noser adding them to the Commission Recapture Program.

C. Discussion of incorporating Hedge Funds into the Asset/Liability Modeling Study as requested by Board Member Williams:

1. Hedge Fund Overview:

The Board agreed to solicit information and presentations by hedge fund managers as educational material to assist in its decision whether to include hedge funds in its investment portfolio.

2. ATTALUS Capital Multi-Strategy Fund Information:

Reviewed by the Board.

3. ATTALUS Capital Long-Short Fund Information:

Reviewed by the Board.

6. Discussion/Action by Others:

Ira Summer, Public Pension Professionals:

A. Funding Policy adopted by Board of Retirement 02/16/05.

Amendment to Funding Guidelines:

Mr. Summer explained the short and long-term objectives for funding retirement benefits to participants and their beneficiaries. He explained the Standard Funding Methodology using CalPERS as a comparison.

B. Explanation of Contribution Smoothing as requested by Board Member Heuberger:

Using the problems of San Diego City's pension fund as a reference, Mr. Summer stated that the current asset smoothing method from June 30, 2003, which will be recognized in five years, is a reasonable fiduciary approach. Delaying amortization will cause increased contribution rates paid by employees in later years.

Mr. Summer suggested that the Board refer to the guidelines of actuarial soundness. His recommendation whether to maintain the present 90% funding ratio guideline would depend on Board action in later items on the Agenda and looking at the Economic Assumptions with the Investment Consultant (Mr. Lightvoet).

No action by the Board.

BREAK AT 12:35 RECONVENED AT 12:47

C. Economic Assumption Rates for next Actuarial Study:

Deanna Van Valer, Public Pension Professionals, reviewed the economic model, inflation and investment return with the Board. Currently, the retirement inflation assumption is 4%, real investment return is 3.90% and nominal investment return is 7.75%.

The Board agreed to leave the assumptions at their current rates.

D. Death Benefit Conversion per Govt. Code Section 31789.5(d):

This benefit is paid from the retirement system's investment earnings (undistributed earnings).

Quotations for cost and benefit received by two insurance companies did not qualify under the statute.

No action by the Board.

E. IRS Code Section 415 Limitations:

Mr. Summer reviewed the code limitations as they apply to government pension plans such as the Imperial County Employees' Retirement System (ICERS).

F. Mr. Lightvoet and Paul Graf, Mercer Consulting Actuary, discussed the Asset Liability Modeling study's final report with the Board. The Board directed the consultants as to the ultimate contents and results of the study.

7. Discussion/Action of Upcoming Seminars/Conferences:

A. CALAPRS "Accountants' Roundtable, Hilton Oakland Airport, Oakland, CA, October 14, 2005, (approximate cost per person \$400).

B. 2nd Annual Alternative Investment Summit, La Costa Resort and Spa, Carlsbad, CA, October 19, , 2005 (approximate cost per person \$257).

C. Mid-Sized Pension Management Conference, Chicago Marriott Downtown, Chicago, Il, October 23-26, 2005 (approximate cost per person \$2,656).

D. What You Need To Know About Public Records And Open Meetings In California, Embassy Suites, Palm Desert Resort, Palm Desert, CA, October 28, 2005 (approximate cost per person \$412).

E. SACRS Fall 2005 Conference, The Westin South Coast Plaza, Costa Mesa, CA, November 8-11, 2005 (approximate cost per person \$930.00).

F. 9th Annual Investment Management for Institutional Investors, Hotel Nikko, San Francisco, CA, November 13-16, 2005 (approximate cost per person \$1,898).

Motion by Vogel, Seconded by Villeneuve and carried on the unanimous vote of members present, the Board authorized Board Members and/or staff to attend the upcoming Seminars/Conferences.

DISCUSSION CALENDAR

Items 8 thru 14 are for discussion only

8. Reports and Announcements:

A. Retirement Administrator/Staff:

1. Goals and Objectives for upcoming Committee Meeting on Sept. 28th. 1:00 p.m., Board of Supervisors Chambers:

The meeting was continued to October 12, 2005 at 1:00 p.m.

2. Update: Custodian Bank – Review of settlement claims:

Reviewed by the Board.

B. Board Members: None

C. County Counsel:

CALAPRS Meetings, September 8-9, 2005 – Oakland, CA.

Linda Tucker, Deputy County Counsel, reported that the seminars, also attended by Barbara McFetridge, Retirement Division Manager, were very informative. She also noted that the revised Imperial County Employees' Retirement System (ICERS) Disability Policies and Procedures, when compared to other systems' was very streamlined and efficient. Ms. Tucker also discussed the case of City of San Diego v. Callan.

9. Market Value Graph from 07/01/05 to 08/31/05:

David Prince, Retirement Division Manager reviewed the updated graph with the Board.

10. Book vs. Market Summary as of 08/31/05:

David Prince, Retirement Division Manager reviewed the current values with the Board.

11. T. Rowe Price

A. 2nd Quarter Portfolio Performance Report:

Reviewed by the Board.

B. Monthly Investment Report – August 2005 available in Treasurer's office:

Reviewed by the Board.

12. Delta Asset Management:

A. 2nd Quarter Investment Review:

Reviewed by the Board.

B. Investment Strategy – August 2005:

Reviewed by the Board.

13. TimesSquare Capital Management, Inc. – Investment Portfolio Review:

2nd Quarter 2005 Report:

Reviewed by the Board.

14. Previously approved Seminars/Conferences:

A. 13th Annual Guns & Hoses 2005, Las Vegas Hilton, September 25 – 28, 2005 (approximate cost p/person \$2,226.00).

- B. CALAPRS "Administrators' Institute", Embassy Suites, Oxnard, September 28 – 30, 2005 (approximate cost p/person \$720.00).
- C. CALAPRS "Intermediate Staff Training" Ontario Marriott, October 5-7, 2005 (approximate cost per person \$650.00).
- D. CALAPRS "Trustees' Round Table", Hilton Oakland Airport, October 14, 2005 (approximate cost p/person \$650.00).
- E. CALAPRS "Advanced Staff Training" Ontario Marriot, October 26-28, 2005 (approximate cost per person \$650.00).
- F. Alternative Investing Summit, Ritz Carlton, Laguna Niguel, CA December 4 – 6, 2005 (approximate cost p/person \$1400.00).

CLOSED SESSION

15. Closed Session:

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).

- Government Code §54956.9(a) – Conference with Legal Counsel of Existing Litigation regarding disability retirement applications relating to the following:

Julieta Carrasco Walter Cress Elaine Jones

- A. 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).
- B. 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).

OPEN SESSION

16. Open Session:

Motion by Villeneuve, Seconded by Flammang and carried on the unanimous vote of members present, the Board reconvened into Open Session.

17. Announcement of Closed Session Actions:

Linda Tucker, Deputy County Counsel, announced the following:

- Motion by Heuberger, Seconded by Strain and carried on the unanimous vote of members present, the Board found Julieta Carrasco to be disabled. The Board voted unanimously to deny the service connected disability retirement application, but granted a non-service connected disability retirement.

- The Board discussed but took no action on the disability retirement applications of Walter Cress and Elaine Jones.
- The Board discussed but took no action on the WorldCom litigation matter.
- The Board discussed but took no action on the Tibco Software litigation matter.

ADMINISTRATIVE AGENDA

18. Approval of the Administrative Agenda:

Motion by Villeneuve, Seconded by Flammang, and carried on the unanimous vote of members present, the following items comprising the Administrative Agenda be approved.

- A. Enrollment Affidavits of New Members (6):
- B. Termination of Membership – Return of Accumulated Contributions (16):
- C. Service Retirement:
- | | | |
|----|---------------------|----------------|
| 1. | Juanita Martinez | General Member |
| | Department: | Sheriff - Jail |
| | Effective: | 07/06/05 |
| 2. | Russell D. Yeager | General Member |
| | Department: | Planning |
| | Effective: | 07/08/05 |
| 3. | Thomas Resetar | General Member |
| | Department: | Public Works |
| | Effective: | 07/22/05 |
| 4. | Robert B. MacDonald | Safety Member |
| | Department: | Sheriff |
| | Effective Date: | 07/11/05 |
- D. 60% Continuance of Service Retirement Allowance & Death Benefit per Government Code Section 31676.11:
- | | |
|-----------------|----------------|
| Librado G. Diaz | General Member |
| Deceased: | 06/21/05 |
- E. 100% Continuance of Service Connected Disability Retirement Allowance & Death Benefit per Government Code Section 31786:
- | | |
|--------------|---------------|
| Gary Hevener | Safety Member |
| Deceased: | 08/06/05 |

F. Buy-Back Redeposit – Installments:

Rita Sabala	General Member
Department:	Social Services
Effective:	09/15/05

BUDGET

19. Approval of the Budget (1 attachment):

Motion by Vogel, Seconded by Kennerson, and carried on the unanimous vote of member present, the Board voted that the following claims for 2005/2006 Regular Retirement Budget, and Disability Budget be (approved, denied, tabled):

A. REGULAR BUDGET

PERMANENT SALARIES	
Regular Salaries	\$14,343.44
EXTRA HELP	1,507.09
BILINGUAL PAY	30.00
SOCIAL SECURITY	81.43
COUNTY CONTR RETIREMENT	1,096.62
GROUP INSURANCE	2,324.56
INS-DENTAL/VISION	23.66
RETIREMENT PENSION BOND	1,261.38
RETIREMENT HEALTH PLAN	730.12
INS-VOLUNTARY LIFE	12.40
OFFICE EXPENSE	
ICARE Dues Jan. 1, 2005 – July 31, 2005	162.00
Office Depot	158.73
Office Depot	377.21
Mail Charges	604.63
Central Duplicating	602.00
EXTRA HELP	
Ret Brd Mtg. – 09/21/05	<u>400.00</u>
TOTAL:	\$24,644.91

B. DISABILITY BUDGET

PROFESSIONAL SERVICES	
Medical Evaluation – Julieta Carrasco	750.00
Court Reporter – Elaine Jones	<u>179.64</u>
TOTAL:	\$ 929.64

Adjournment: Meeting was adjourned at 3:26 p. m. to October 19, 2005 at 9:00 a.m.

JOHN W. KENNERSON, SECRETARY

ROBERT W. WILLIAMS, CHAIRMAN