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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

June 15, 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 Vice Chairman Strain at 9:02 a.m.

- A. Roll Call:

MEMBERS PRESENT: Karen Vogel, Jurg Heuberger, Pat Yarnall, Larry Grogan, Becky Flammang, Armando Padilla, John Kennerson, and Jim Strain.

MEMBERS ABSENT: None

MEMBERS ARRIVING AFTER ROLL CALL: Robert Williams

LEGAL REPRESENTATIVE: Linda Tucker, Deputy County Counsel

CLERK: Kathleen L. Kubler, Office Technician

STAFF: Barbara McFetridge, Retirement Division Manager; Susie Martinez, Retirement Supervisor; David H. Prince, Retirement Division Manager (Extra Help); Kayleen Smith, Disability Specialist

OTHERS: John Plowright & Deborah Ververka, T. Rowe Price, Francine Goldstein, TimeSquare Capital Management; Marla Ryan, Delta Asset Management; Tom Lighvoet, Mercer Investment Consultant; Loren Ness, Social Services; Ira Summer & Deanna Van Valer, Public Pension Professionals; Dan Devoy, Human Resources; Julie Villeneuve, Board Member elect; Ralph Cordova, County Counsel; Robertta Burns, County Executive Officer.

- 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: Item 11 (C) (1)
- C. Emergency items added:

Request by staff to move Item 11(C) (1) from the Discussion Calendar to the Action Calendar was granted because the deadline was approaching as to this item.

Motion by Flammang, Seconded by Padilla and carried on the unanimous vote of members present, the Board voted to place this item on the Action Calendar as an emergency item.

BOARD MEMBER WILLIAMS ARRIVED AT 9:05 A.M. AND ASSUMED CHAIRMANSHIP OF THE MEETING.

- D. Approval of the Agenda:

Motion by Strain, Seconded by Flammang and carried on the unanimous vote of members present, the Board approved the agenda as presented.

3. Approval of the Minutes:

- A. Regular adjourned meeting of May 18, 2005.

Motion by Vogel, Seconded by Yarnall and carried on the unanimous vote of members present, the Board approved the minutes of the Regular adjourned meeting of May 18, 2005.

- B. Disability Hearing of June 1, 2005.

Motion by Flammang, Seconded by Strain and carried on the unanimous vote of members present, the Board approved the minutes of the Disability Hearing of June 1, 2005.

ACTION CALENDAR

4. Investment Managers – Presentations as follows:

- A. T. Rowe Price:

John Plowright, Vice President, Client Services Executive, discussed the company's strong growth. He also introduced Deborah Ververka, Vice President, Portfolio Specialist, in the small cap area.

Ms. Ververka outlined the 1st Quarter Investment report as well as the Small-Cap Value strategy and answered the Board's questions (additional handout was distributed).

B. TimesSquare Capital Management:

Francine Goldstein, Vice President, Client Servicing, provided an overview of the Mid-Cap Growth Portfolio Review and answered the Board's questions.

C. Delta Asset Management:

Marla Ryan presented an overview of the company's First Quarter Investments, announced the acquisition of Delta Asset Management by Berkeley Capital Management LLC as the new parent investor, and answered the Board's questions.

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

Mr. Lightvoet, referring to his report for the First Quarter of 2005, summarized asset allocation, total fund performances of all Large, Mid, Small and International Equities and Treasury Inflation Protected Securities (TIPS). He also answered questions from the Board and the public.

Addressing asset allocation, staff confirmed the need for a transfer of funds to retirement cash for operating expenses and an additional \$2 Million to fund the Retirees' Death Benefits. Mr. Lightvoet recommended taking the monies from Delta Asset Management and Calamos Investments.

Motion by Grogan, Seconded by Heuberger and carried on the unanimous vote of members present, the Board approved the transfer of \$3 million from Delta Asset Management in order to cover ongoing expenses and an additional \$2 million from Calamos Investments for the purpose of converting Retiree Death Benefits to a life insurance policy. Funds to be held in Retirement cash.

Chairman Williams expressed a need to conduct a Request For Proposal (RFP), for an investment consultant as recommended at the last State Association of County Retirement Systems (SACRS) conference. The contract with Mr. Lightvoet has been renewed for 15 years.

Loren Ness, Office Technician, Social Services recommended retaining Mr. Lightvoet given his past record of bringing our Imperial County Employees Retirement System (ICERS) to be one of the top systems in the state.

Mr. Williams distributed a handout from Mr. Lightvoet entitled "Selecting and Monitoring Pension Consultants: Tips for Plan Fiduciaries".

Staff recommended delaying any search and the Board agreed.

LUNCH BREAK 12:17 P.M. – RECONVENED 12:54

6. Presentation by Ira Summer, Public Pension Professionals – Analysis of Govt. Code Section 31676.14 proposed to be effective July 1, 2005 for General Members:

Ira Summer and Deanna Van Valer of Public Pension Professionals presented an updated analysis of the adoption of Government Code Section 31676.14, its impact, contributions and cost. They also answered questions from the Board and the public.

Motion by Heuberger, Seconded by Padilla and carried on the unanimous vote of members present, the Board accepted the Actuarial report.

Motion by Grogan, Seconded by Yarnall and carried on the unanimous vote of members present, the Board approved to move \$15 million from Undistributed Earnings to pay the Unfunded Actuarial Accrued Liability (UAAL) for the Government Code Section 31676.14 benefit for General Members. Any amount remaining will be used for future increases in member contributions for this benefit.

Terry Huskey, Retiree Member Alternate, discussed considering a possible benefit for the retirees. She suggested the Board have staff look at the STAR COLA provision which was a topic at this year's State Association of County Retirement Systems (SACRS) Conference. David Prince, Retirement Division Manager, stated that he had received direction to research this matter.

Julie Villeneuve, General Board Member elect, acknowledged the impact of the Safety Member benefit cost and the need for retiree benefit enhancement as discussed by Ms. Huskey, but stated that the General Members are still committed to achieving their goal of a 3% at 60 benefit.

Loren Ness, Office Technician, Social Services Dept., commented that the General Members realize that the Government Code Section 31676.14 benefit may have an adverse impact on contributions, but opined that this was not done.

7. Discussion/Action by Retirement Administrator:

- A. Undistributed Earnings Policy (distributed at the May 18, 2005 meeting).

This item was tabled until the July 20, 2005 Regular Meeting.

- B. Statement of Net Assets Held for Pension Benefits (distributed at the May 18, 2005 meeting).

Reviewed by the Board.

- C. 3 @ 50 Enhanced Benefit for Safety Members (Actuary letter distributed at the April 20, 2005 meeting).

Item 11(C) (1) was moved from the Discussion Calendar to the Action Calendar:

Update: Fiduciary Liability Insurance Policy for Retirement Board Members.

Motion by Strain, Seconded by Kennerson and carried on the unanimous vote of members present, the Board approved the expense for the Fiduciary Liability Insurance Policy at the current level.

BREAK 2:27 P.M. - RECONVENED 2:35 P.M.

BOARD MEMBER FLAMMANG LEFT AT 2:27 P.M.

D. Update on Board Member Elections:

1. Results of the Third position General Member election for the term of July 2005 to July 2008.

Barbara McFetridge, Retirement Division Manager announced that Julie Villeneuve was elected to serve as the General Board Member currently seated by Pat Yarnall. She thanked Pat Yarnall for her years of service.

2. Reappointment of the Fifth Member position by the Board of Supervisors for the term of July 2005 to July 2008.

Barbara McFetridge announced that the Board of Supervisors reappointed Becky Flammang to serve another three year term on the Board of Retirement.

E. Summer Board Meetings:

Staff explained that in some past years a quorum of Board Members was not available to meet in the month of August. The Board agreed to convene in regular session during the summer months including August.

8. Board Members:

Discussion/Action by Mr. Robert Williams – Options for Investment Advisor search for contract expiring 12-31-05.

This item was discussed under Item 5.

9. Discussion/Action by Staff:

Approval of the proposed fiscal year 2005-2006 Retirement Board Budget.

Mr. Heuberger presented an alternative budget to that presented by Staff. He also distributed two additional handouts.

County Counsel Ralph Cordova referred to the Retirement System Bylaws Section 18 and Govt. Code Sections 31522.1 and 31522.2 for guidance.

Mrs. Vogel was directed to discuss with the County Executive Officer (CEO), the County paying for a portion of the Retirement System's budget.

Motion by Kennerson, Seconded by Vogel and passed by a roll call vote of 5 to 3 (Yes – Vogel, Yarnall, Kennerson, Strain, Williams; No – Heuberger, Grogan, Padilla) the Board approved the 2005-2006 proposed Retirement System's Budget as presented by Staff.

BOARD MEMBER HEUBERGER LEFT AT 3:07 P.M.

10. Discussion/Action of Upcoming Seminars/Conferences:

- A. Benefits Conference for Public Employees, Hilton Portland, Portland, OR July 11-14, 2005 (approximate cost p/person \$2,125.25).
- B. CALAPRS "Disability Staff Training", Hilton Oakland Airport, September 8, 2005 (approximate cost p/person \$650.00).
- C. CALAPRS "Benefits Round Table", Hilton Oakland Airport, September 9, 2005 (approximate cost p/person \$650.00).
- D. CALAPRS "Administrators' Institute", Embassy Suites, Oxnard, September 28-30, 2005 (approximate cost p/person \$720.00).

Motion by Kennerson, Seconded by Yarnall 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 11 thru 16 are for discussion only

11. Reports and Announcements:

A. Retirement Administrator:

- 1. Request for Proposal (RFP) to purchase and implement Benefit Software.

Staff explained to the Board that there are quite a few projects at this time and staff is too busy to pursue the RFP process for a benefit software program.

Some of the Actuary's changes, being developed for the current program, may limit the need for new benefit software or at least part of a new program.

Ms. Tucker stated that this item was on the Discussion Calendar only and that no action could be taken even though the Board passed a motion requesting that this item be returned to the Board's agenda next month.

2. Adoption of Bylaws and Disability Policies and Procedures.

Retirement Administrator, Mrs. Vogel, stated that this item was on the Board of Supervisors Agenda for June 14, 2005 for discussion and will be on the June 21, 2005 Agenda for action approval.

B. Board Members:

Chairman Williams briefly commented on the Alpha-Bets Conference that he attended. It was excellent and informative. He offered to share the book he received at the conference with the Board members.

C. Retirement Division Manager and/or Staff:

1. Update: Fiduciary Liability Insurance Policy for Retirement Board Members – This Item was moved to the Action Calendar and was discussed after Item 7(C).

2. Update: Converting Death Benefit to Life Insurance Policy.

a. McGinn Actuaries Ltd.

b. Pacific Group Agencies, Inc.

After discussion, the Board directed Staff to bring this item back on next month's agenda as an action item.

3. 2004 Amendments to the 1937 Act Law Book effective January 1, 2005 from State Association of County Retirement System (SACRS).

The Board Members were provided with the 2004 amendments to the 37 Act Law.

At this time Karen Vogel expressed her gratitude to the Retirement staff, especially Susie Martinez, Retirement Supervisor, and David Prince, Division Manager, for a job well done while Barbara McFetridge, Division Manager, was on vacation.

D. County Counsel:

No announcements.

12. Bradford & Marzec, Inc.:

A. U.S. Treasury Inflation Index Bond Portfolio.

Distributed to the Board.

B. First Quarter 2005 Commentary.

Distributed to the Board.

C. Comments on the Curve – Second Quarter 2005.

Distributed to the Board.

13. Calamos Investments Inc. – First Quarter Portfolio Investment Review.

Distributed to the Board.

14. Market Value Graph from 07/01/04 to 05/31/05.

Reviewed by David Prince. Mr. Prince advised the Board that, as of yesterday, the Market Value of the fund was \$407,625,083.

15. Book vs. Market Summary as of 05/31/05.

Reviewed by David Prince.

16. Previously approved Seminars/Conferences:

CALAPRS, "Administrators' Round Table", Burbank Hilton, June 17, 2005 (approximate cost p/person \$160.00).

CLOSED SESSION

17. Closed Session:

Motion by Kennerson, Seconded by Yarnall 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).

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
Frank Dyson	Elaine Jones

B. 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).

OPEN SESSION

18. Announcement of Closed Session Actions:

Kayleen Smith, Disability Specialist, announced the following:

- The Board discussed but took no action on the disability retirement applications of Julieta Carrasco, Frank Dyson, Walter Cress, and Elaine Jones.
- The Board did not discuss the WorldCom litigation matter.

REGULAR BUDGET (continued)

BILINGUAL PAY	30.00
SOCIAL SECURITY	67.00
SPECIAL TRAINING	
Expedia Service	5.00
SACRS – Prince	353.73
SACRS – Smith	228.40
Travelocity Service Fee	10.00
SACRS – Tucker	529.30
COUNTY CONTR RETIREMENT	618.34
INS-WORKERS COMP	665.00
INS-UNEMPLOYMENT	86.75
GROUP INSURANCE	1,063.76
RETIREMENT PENSION BOND	669.46
RETIREMENT HEALTH PLAN	264.08
COMMUNICATIONS	
August 2004 thru February 2005	761.20
MAINTENANCE	
Shredder 06-25-05/06-24-06	259.08
OFFICE EXPENSE	
Copier chg – July 2004 thru December 2004	487.96
Business cards	20.00
Mail charges- April 2005	299.38
Supplies	90.08
PROFESSIONAL SERVICES	
PRO Record Storage	12.28
DATA PROCESSING	
February 2005	6,921.07
EXTRA-HELP	
Ret Brd Mtg – 06/15/05	<u>400.00</u>
TOTAL:	\$25,955.56

B. DISABILITY BUDGET

TRAVEL: Out of County	
Mileage reimbursement – A. Garcia	<u>125.55</u>
TOTAL:	\$ 125.55

Adjournment: Meeting was adjourned at 4:25 p.m. to July 20, 2005 at 9:00 a.m.

JOHN W. KENNERSON, SECRETARY

ROBERT W. WILLIAMS, CHAIRMAN

JIM STRAIN, VICE CHAIRMAN

