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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

December 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 9:03 a.m.

Chairman Williams presented a plaque for appreciation of his dedication and service to Board Member Strain, who chose to step down after his term of office expires.

A. Roll Call:

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

ALTERNATE PRESENT: Pompeyo Tabarez, Jr.

MEMBERS ABSENT: John W. Kennerson

MEMBERS ARRIVING AFTER ROLL CALL: Becky Flammang

LEGAL REPRESENTATIVE: Linda Tucker, Deputy County Counsel

CLERK: Kathleen L. Kubler, Office Technician

STAFF: David H. Prince, Retirement Division Manager; Kayleen Smith, Disability Specialist

B. Public comments on items that are **NOT** on the agenda:

- (1) Board Member Heuberger inquired as to Item 9, ICERS Financial Statement of 06-30-05, on the Agenda of the regular meeting of November 16, 2005. This item was tabled until the regular meeting of December 21, 2005 so that Clarification of Management's Discussion and Analysis portion could be discussed.

Board Member Karen Vogel explained that staff was still working on it and that the item will be placed on the Agenda for January 18, 2006.

- (2) Board Member Heuberger suggested streamlining the Agenda format to include a Consent Agenda. This would acknowledge and approve the items listed as a whole but eliminate the time currently used to address each item.

David Prince, Retirement Division Manager requested that Board Member Heuberger email him with the details of the request.

- (3) Board Member Heuberger inquired when the budget would be due.

Board Member Karen Vogel stated that with the reorganization in the Treasurer/Tax Collector Retirement Department at hand, the budget would be continued until January 2006.

2. Discussion of the Agenda:

A. Items to be pulled from Action Calendar:

- (1) Board Member Heuberger requested that Item 6(A)(4), Revised Budget, be pulled until the options listed are submitted.
- (2) Board Member Heuberger requested that Item 9(A)(4), Pension computer system update, be continued until the January 18, 2006 meeting when the reports expected from Doug Newland, Auditor and Ray Walters, Manager Information Systems should be submitted.

B. Items to be pulled from Discussion Calendar: None.

C. Emergency Items added: None

D. Approval of the Agenda:

Motion by Heuberger, Seconded by Huskey and carried on the unanimous vote of members present, the Board voted to approve the agenda with amendments.

NOTE: A correction to the listing of the approved Regular Budget is as follows:

OFFICE EXPENSE entry for 1099R Carbonless for \$182.41 should be \$282.41; OFFICE EXPENSE entry for Information Services for \$11,147.08 should be listed under Data Processing Services.

This correction will increase the total Regular Budget to \$35,913.49.

3. Approval of the Minutes:

A. Regular adjourned meeting of November 16, 2005:

Board Member Karen Vogel advised the Board of a correction to Item 2(B) which has an incorrect date. The item should read ICERS' Financial Statement of 06-30-05.

Motion by Heuberger, Seconded by Flammang and carried on the unanimous vote of members present, the minutes of the regular adjourned meeting of November 16, 2006 were approved with this correction.

B Adjourned Special Committee meeting of December 7, 2005:

Motion by Strain, Seconded by Villeneuve and carried on the unanimous vote of members present, the minutes of the adjourned Special Committee meeting of December 7, 2005 were approved.

ACTION CALENDAR

4. Presentations by Investment Managers:

A. TimeSquare Capital Management, Tony Rosenthal, Portfolio Manager:

Mr. Rosenthal discussed the company's relationship with ICERS, the product, performance, philosophy and outlook with the Board.

Board Member Grogan requested that if possible, reports received by the TimesSquare Capital Management include stock symbols for easier reference.

B. T. Rowe Price, Preston Athey, Portfolio Manager, John Plowright, Vice President, Client Services Executive and David Wagner, Analyst:

Mr. Athey presented an overview of his long term relationship with the Board since 1995. He also highlighted low turn over at T. Rowe Price and consistent results.

John Plowright, Vice President, Client Services Executive, discussed the organization's long term mutual funds.

Mr. Wagner outlined the firm's handling of small cap investment processes since 1991 and the goal of continuing to counsel ICERS' Board.

BREAK AT 10:27 A.M. RECONVENED AT 10:42 A.M.

C. Delta Asset Management, Marla Ryan:

Ms. Ryan, Large Cap Manager, presented the Board with an overview of the organization, its performance and investment outlook.

Board Member Villeneuve asked Mr. Tom Lightvoet of Mercer Investment Consulting to comment on Delta's performance.

Mr. Lightvoet commented that Delta remains on the Watch List because of the acquisition by Berkeley Capital Management. This is a common procedure but "after the dust settles", Delta will probably be removed from the Watch List.

David Prince, Retirement Division Manager distributed an email of the Stock Symbol Chart, received from TimesSquare Capital Management.

5. Presentation by Investment Consultant, Tom Lightvoet and Paul Graf, Mercer Investment Consulting:

A. Pension Plan Presentation Report Third Quarter 2005:

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

The total portfolio returned 4.2% for the quarter (53rd percentile), since inception, 11.3% return, 4.8% year to date (80th percentile) and 13.3% for one year (74th percentile).

Delta Asset Management returned 4.2% for the quarter, 3.4% year to date and 12.4% for one year.

Barclays Global Investors Russell 1000 Index Fund returned 4.0% for the quarter, 4.1% year to date and 14.3% for one year.

Calamos Investments Mid-Cap Growth Fund returned 7.1% for the quarter, 4.3% year to date and 17.2% for one year.

TimesSquare Capital Management returned 7.1% for the quarter, 9.0% year to date and 26.0% for one year.

T. Rowe Price Associates, Inc. returned 8.7% for the quarter, 8.3% year to date and 22.3% for one year.

Franklin Templeton returned 9.7% for the quarter, returned 10.2% year to date and 27.5% for one year.

Barclay's Global Investors International Equity Index Fund had a return of (10.4%) for the quarter, returned 9.4% year to date and 26.1% for one year.

Bradford & Marzec's fixed income portfolio returned (0.5%) for the quarter, 1.9% year to date and 3.5% for one year.

Bradford's TIPS portfolio returned (0.1%) for the quarter, 2.7% year to date and 5.3% for one year.

Mr. Lightvoet recommended leaving Delta on the Watch List in order to continue monitoring their portfolio in light of personnel and ownership changes.

Delta, TimesSquare, Calamos, T. Rowe Price and Bradford & Marzec Fixed Accounts are all out performing their index.

Franklin Templeton underperformed the index while the EAFE Index matched or exceeded its Index.

Bradford & Marzec TIPS remained close to their index.

LUNCH AT 11:40 A.M. RECONVENED AT 12:27 P.M.

BOARD MEMBER HEUBERGER ABSENT

BOARD MEMBER GROGAN LEFT AT 12:35 P.M.

BOARD MEMBER HEUBERGER ARRIVED AT 12:50 P.M.

BOARD MEMBER FLAMMANG LEFT AT 1:07 P.M.

BOARD MEMBER GROGAN RETURNED AT 1:30 P.M.

B. Strategic Asset Allocation Study:

Mr. Paul Graf and Mr. Tom Lightvoet, of Mercer Investment Consulting outlined the findings of the study and highlighted the summary. Recommendation #2, which was modified by a motion by the Board originally read as follows:

	<u>Current Policy</u> <u>Portfolio A</u>	<u>Recommendation 2</u>
Domestic Equity	47%	39%
International Equity	12%	13%
Market Fixed Income	30%	25%
Long Duration Fixed Income	0%	0%
TIPS	8%	5%
Real Estate	0%	5%
Cash	3%	3%
Hedge Funds	0%	5%
Emerging Markets	0%	5%
Geometric Expected Return	7.22%	7.43%
Standard Deviation	11.35%	11.32%
Sharpe Ratio	0.3975	0.4169

Motion by Heuberger, Seconded by Vogel and carried on the unanimous vote of members present, the Board approved Recommendation #2 of the Strategic Asset Allocation of the ICERS plan assets with the following modifications:

Delete Hedge Funds and change Domestic Equity from 39% to 44%.

6. Discussion/Action by Others:

A. Retirement Administrator/Staff:

1. Renewal of Mercer Investment Consulting Contract:

Motion by Heuberger, Seconded by Vogel and carried on the unanimous vote of members present the Board approved the renewal of the Mercer Investment Consulting Contract. This new contract will include a no-cost search for Real Estate in 2006.

2. Transfer of 2.5 million dollars from Barclay's Russell 1000 Index and 2.5 million dollars from Barclay's EAFE to Treasurer Cash – Retirement:

Motion by Heuberger, Seconded by Villeneuve and carried on the unanimous vote of members present, the Board approved the sale of \$2.5 million from the Barclay's Russell 1000 Index and \$2.5 million from Barclay's EAFE Index Fund into Retirement Cash.

3. Revised Job Description – Retirement Administrator:

Motion by Heuberger, Seconded by Huskey and carried on the unanimous vote of members present, the Board accepted the revised Retirement Administrator job description as provided by staff as well as the \$70,000 - \$90,000 salary as recommended by Board Member Grogan.

4. Revised Budget options with separate Retirement Administrator:

The item was tabled until the regular meeting of January 18, 2006.

5. Request that the Board of Supervisors adopt Govt. Code Section 31522.2 by resolution:

Motion by Heuberger, Seconded by Huskey and carried by the following roll call vote: (Yes: Vogel, Heuberger, Villeneuve, Padilla, Strain, Huskey, Williams; Abstain: Grogan; Absent: Flammang) the Board approved to request that the Board of Supervisors adopt Govt. Code Section 31522.2 by resolution.

B. Board Members:

Board Member Larry Grogan – proposed investment with Imperial Irrigation District (IID):

Board Member Grogan advised the Board that IID General Manager, Charles Hosken will take the matter to the IID Board for review and respond to ICERS thereafter.

Board Member Huskey inquired if there was a proposed investment amount being considered. David Prince, Retirement Division Manager responded that there was not.

C. County Counsel: None.

D. Others: None

7. Discussion/Action of Upcoming Seminars/Conferences:

A. CALAPRS:

1. Administrator's Round Table, San Diego Radisson Hotel, Friday, January 27, 2006 (approximate cost per person \$200).
2. Attorney's Round Table, San Diego Radisson Hotel, Friday, January 27, 2006 (approximate cost per person \$200).
3. Trustees' Round Table, San Diego Radisson Hotel, Friday, February 3, 2006 (approximate cost per person \$200).
4. Benefits Round Table, San Diego Radisson Hotel, Friday, February 3, 2006 (approximate cost per person \$200).
5. Principles of Pension Management held at the Stanford Law School, March 28-31, 2006 (approximate cost per person \$2500).

B. Public Funds Summit, The Phoenician, Scottsdale, AZ, January 11-13, 2006 (approximate cost per person \$647).

C. GAIM USA 2006 Investor, Boca Raton Resort & Club, Boca Raton, FL, January 23-25, 2006 (approximate cost per person \$4909).

D. The Sixth Annual Fire & Police Academy – Trustee Educational Conferences, Key West, Florida, January 29 – February 1, 2006 (approximate cost per person \$3109).

E. Lorman Education Services Finance: The Basics, Holiday Inn On The Bay, San Diego, CA, February 7, 2005 (approximate cost per person \$500).

F. Mid-Sized Pension Management Conference, Hyatt Regency San Francisco, CA, March 12-15, 2006 (approximate cost per person \$2,081).

G. Certificate of Achievement in Public Plan Policy – Employee Pensions Part II, Disney's Contemporary Resort, Lake Buena Vista, Orlando, FL, March 18-19, 2006 (approximate cost per person \$1,777).

Motion by Villeneuve, Seconded by Grogan and carried on the unanimous vote of members present, the Board approved that staff and/or Retirement Board Members be authorized to attend the upcoming seminars (Approved, Denied, Tabled).

8. Election of Officers for 2006:

Motion by Huskey, Seconded by Padilla and carried on the unanimous vote of members present, the Board made the following elections:

- A. Chairman: Becky Flammang
- B. Vice Chairman: Jurg Heuberger
- C. Secretary: Julie Villeneuve

BOARD MEMBER HEUBERGER LEFT AT 2:02 P.M.

ALTERNATE TABAREZ ASSUMED BOARD MEMBER HEUBERGER'S SEAT

DISCUSSION CALENDAR

Items 9 thru 18 are for discussion only

9. Reports and Announcements:

A. Retirement Administrator/Staff:

- 1. David Prince – sample reports offered by the custodian bank, JP Morgan Chase:

Board Member Grogan requested that this item be tabled until the February 15, 2006 meeting in order to discuss the Asset Allocation Study by Mercer Investment Consulting.

- 2. GASB 43 & 45 presentation to Board of Supervisors on January 10, 2006 by Doug Newland, Auditor/Controller:

Reviewed by the Board.

- 3. Update: Appointment of 6th and 9th seats by the Board of Supervisors to the Board of Retirement:

Board Member Vogel advised the Board that the Board of Supervisors committee, which will not convene again until January 2006, will address these positions at that time.

Board of Retirement election results:

- a. Retired Member, Terry Huskey – No Retired Alternate
 - b. Safety Member, Armando Padilla
 - c. Safety Alternate, Pompeyo Tabarez, Jr.
- 4. Pension computer system update:

This item was tabled until the next regular meeting of January 18, 2006.

5. Discussion of adopting a public information protocol:

The Board directed staff to offer a sample protocol for adoption at the next regular meeting of January 18, 2006.

6. Disability Retirement Specialist position – discussion with County Counsel:

Board Member Vogel advised the Board that after a positive meeting with County Counsel, allotted time will be better accommodated to meet the needs of disability applicants. A record of time spent on disability application cases will be used for department billing.

7. Update: Courts adoption of enhanced retirement benefits for eligible general members, Govt. Code Section 31676.14, pre-tax employee contributions and adoption of Govt. Code Section 31727.7.

Reviewed by the Board.

B. Board Members:

1. Chairman Robert W. Williams – Update on meeting with Laura Gaylord regarding real estate investment options at February meeting:

Chairman Williams advised the Board that Ms. Gaylord will attend the regular ICERS Board meeting February 15, 2006 to address this issue.

2. Board Member Heuberger report on Investment Management Conference held in San Francisco, CA, November 13-16, 2005:

Board Member Heuberger was absent and so this item was not discussed.

C. County Counsel: None.

10. Market Value Graph from 07/01/05 to 11/30/05:

David Prince, Retirement Division Manager reported that the market was up \$14 million in 1 ½ months.

11. Book vs. Market Summary as of 11/30/05:

Reviewed by the Board.

12. Bradford & Marzec, Inc.

A. Comments on the Curve:

Reviewed by the Board.

- B. Fixed Income Statement September 30, 2005:
Reviewed by the Board.
- C. U.S. Treasury Inflation Index Bond Portfolio:
Reviewed by the Board.
- 13. Calamos Investment:
 - A. October 2005 Monthly Portfolio Summary Report:
Reviewed by the Board.
 - B. Third Quarter 2005 Review:
Reviewed by the Board.
- 14. Delta Asset Management – Investment Strategy for September 2005:
Reviewed by the Board.
- 15. T. Rowe Price – Total Return Performance as November 30, 2005:
Reviewed by the Board.
- 16. Templeton Institutional Funds, Inc.
 - A. Performance Summary Report as of October 31, 2005:
Reviewed by the Board.
 - B. Performance Summary Report as of November 30, 2005:
Reviewed by the Board.
- 17. Previously approved Seminars/Conferences:
 - A. Mid-sized Pension Management Conference, Hilton in the Walt Disney World Resort, Orlando, FL January 29 – February 1, 2006 (approximate cost per person \$2,349.00).
 - B. 24th Annual Real Estate Investment Portfolio (REIP) 2006 Pointe Hilton Tapatio Cliffs Resort, Phoenix, AZ, February 5-7, 2006 (approximate cost per person \$3,300.00).
- 18. Public Comments before convening into Closed Session: None.

CLOSED SESSION

19. Closed Session:

Motion by Villeneuve, Seconded by Vogel and carried on the unanimous vote of members present the Board voted to convene into Closed Session.

- A. Government Code §54956.9(a) – Conference with Legal Counsel of Existing Litigation regarding disability retirement applications relating to the following (1 attachment):

Walter Cress 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) (1 attachment).

- C. 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

20. Open Session:

Motion by Villeneuve, Seconded by Vogel and carried on the unanimous vote of members present, the Board voted to reconvene into Open Session.

21. Announcement of Closed Session Actions:

Kayleen Smith, Disability Specialist made the following announcements:

Elaine Jones did not appeal the denial of service connected disability retirement by November 28, 2005 and therefore the case is closed.

The Board discussed but took no action on the disability retirement application of Walter Cress.

The Board did not discuss the WorldCom litigation matter.

The Board did not discuss the Tibco Software litigation matter.

ADMINISTRATIVE AGENDA

22. Approval of the Administrative Agenda:

Motion by Villeneuve, Seconded by Huskey and carried on the unanimous vote of members present, the Board voted that the following items comprising the Administrative Agenda be approved:

A. Enrollment Affidavits of New Members (6):

B. Termination of Membership – Return of Accumulated Contributions (11):

C. Service Retirement:

- | | | |
|----|---|---|
| 1. | Virginia Alonzo
Department:
Effective Date: | General Member
Superior Court
10/14/05 |
| 2. | Paul Preciado, Jr.
Department:
Effective Date: | General Member
Public Works
10/14/05 |
| 3. | Lois Robertson
Department:
Effective Date: | General Member
Social Services
10/14/05 |
| 4. | Amelia Gonzalez
Department:
Effective Date: | General Member
Office of Education
11/01/05 |
| 5. | Manuel P. Garcia, Jr.
Department:
Effective Date: | Safety Member
Sheriff
11/11/05 |
| 6. | Billie LaMadrid
Department:
Effective Date: | General Member
Purchasing
11/25/05 |

D. Deferred Membership:

- | | | |
|----|--|---|
| 1. | Ramon De La Rosa
Department:
Effective Date: | General Member
Public Works
10/14/05 |
| 2. | Laura Soto
Department:
Effective: | General Member
Social Services
11/17/05 |

- E. Intersystem Membership:

Prabhath Shettigar	General Member
Department:	Child Support
Effective:	10/14/05

- F. 60% Continuance of Service Retirement Allowance per Govt. Code Section 31760.1:

Russell Gray	General Member
Deceased:	10/29/05

- G. Final Payment Service Retirement Allowance & Death Benefit per Govt. Code Section 31676.11:
 - 1. Rita Hudson

Deceased:	General Member
	09/20/05

 - 2. Alicia Ortiz

Deceased:	General Member
	10/07/05

BUDGET

23. Approval of the Budget (1 attachment):

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

A. REGULAR BUDGET

PERMANENT SALARIES	
Regular Salaries	\$14,343.43
EXTRA HELP	2,700.36
BILINGUAL PAY	30.00
SOCIAL SECURITY	87.97
SPECIAL TRAINING	
SACRS – Smith	20.00
SACRS – Tucker	36.00
CALAPRS – Membership Fees	100.00
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
COMMUNICATIONS	
Information Systems – August 2005	11,147.08
OFFICE EXPENSE	
Mail Charges	312.44
Internet 07/01/05 – 06/30/06	777.00

REGULAR BUDGET (continued)

Office Depot	228.06
1099R Carbonless	282.41
EXTRA HELP	
Ret Brd Mtg. – 12/21/05	<u>400.00</u>

TOTAL: \$ 35,913.49

B. DISABILITY BUDGET

PROFESSIONAL & SPECIAL SERVICES	
Attorney Steve Rice for Walter Cress case	\$ <u>8,997.96</u>
	\$ 8,997.96

Adjournment: Meeting was adjourned at 2:26 p. m. to January 18, 2006 at 9:00 a.m.

JOHN W. KENNERSON, SECRETARY

ROBERT W. WILLIAMS, CHAIRMAN