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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 20, 2006

8:30 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 Flammang at 8:39 a.m.

A. Roll Call.

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

ALTERNATE PRESENT: None.

MEMBERS ABSENT: None.

MEMBERS ARRIVING AFTER ROLL CALL: None.

LEGAL REPRESENTATIVE: Ralph Cordova, Jr., County Counsel

CLERK: Kayleen Smith, Disability Specialist

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

Retirement Administrator Karen Vogel requested that Item 7(A)(3) be discussed before Item 6(A).

B. Items to be pulled from Discussion Calendar:

Board Member Heuberger requested that Item 10(A)(2) be pulled until backup can be provided by staff.

C. Items to be pulled from the Consent Agenda: 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 as amended.

E. Approval of the Consent Agenda:

**MOTION** by Huskey, Seconded by Heuberger, and carried on the unanimous vote of members present, the Board voted to approve the Consent Agenda.

F. Emergency Items added: None.

3. Approval of the Minutes of the November 29, 2006 Regular Adjourned Meeting.

**MOTION** by Huskey, Seconded by Villeneuve, and carried on the unanimous vote of members present, the Board voted to approve the minutes of the Regular Adjourned Meeting of November 29, 2006.

#### ACTION CALENDAR

4. Presentation by Investment Managers:

A. T. Rowe Price, Preston Athey, Portfolio Manager

1. Investment Report for the Quarter Ending September 30, 2006.

John Plowright introduced his colleagues Preston Athey and Christopher Fortune. Mr. Athey reviewed T. Rowe Price's prior history with ICERS and discussed their investment approach. He reviewed the Investment Report for the Month ending September 30, 2006. The third quarter return ending September 30, 2006 was a negative 1.9% and the year to date return as of September 30, 2006 was 10.0%.

2. Investment Report for the Month Ending October 31, 2006:

Mr. Athey reviewed the monthly report.

3. Small-Cap Value 1 Strategy December 20, 2006:

Mr. Athey reviewed their firm's strategy and portfolio performance. Mr. Fortune discussed various characteristics of their portfolio.

4. Investment Report For Month Ending November 30, 2006:

Mr. Athey reviewed the monthly report.

- B. Timesquare Capital Management, Tony Rosenthal, Portfolio Manager Investment Report for the Quarter Ending September 30, 2006:

Barton Buxbaum, Senior Vice President, Product Manager, appeared on behalf of Tony Rosenthal. Mr. Buxbaum reviewed the portfolio. He discussed their market cap criteria as well as growth criteria. He reviewed gross and net returns for the period ending September 30, 2006. The Board asked questions on several individual investment choices. The third quarter return ending September 30, 2006 was 3.6% and the year to date return as of September 30, 2006 was 10.0%.

- C. Delta Asset Management, Marla Ryan, Portfolio Manager and Carl Goldsmith, Chief Investment Officer:

1. Investment Report for the Quarter Ending September 30, 2006.
2. Investment Report Ending for the Month ending December 20, 2006.
3. Investment Strategy Economic Review 2006 and Outlook for 2007.

Ms. Ryan gave on organizational update of Delta's team. Mr. Goldsmith reviewed performance in 2006 as well as their strategy for 2007. He discussed investment style and process. Mr. Goldsmith answered the Board's questions. The third quarter return ending September 30, 2006 was 5.5% and the year to date return as of September 30, 2006 was 7.8%.

- D. Franklin Templeton- Thomas J. Dickson, Vice President, Investment Quarterly Report Ending September 30, 2006.

Mr. Dickson reviewed the staffing changes in their management team. He discussed historical performance and sector allocation. The Board asked questions regarding the different types of investments. The third quarter return ending September 30, 2006 was 7.0% and the year to date return as of September 30, 2006 was 16.1%.

**BREAK AT 10:40 A.M. – RECONVENED AT 10:49 A.M.**

5. Presentations by Investment Consultant, Tom Lightvoet, Mercer Investment Consulting:

- A. Review of Investment Management Firms Quarterly Reports.

Mr. Lightvoet reviewed prior and current asset allocation and discussed each individual investment managers' performance. The Board requested that the investment manager's put both the gross and net of fees in their reports. He stated that Delta is already on the watch list and recommended that Calamos be added also.

**MOTION** by Huskey, Seconded by Heuberger, and carried on the unanimous vote of members present, the Board voted to add Calamos to the watch list.

Board Member Rhodes suggested that all of the manager's performances be discussed and placed as an action item on the agenda of the next Board meeting Mr. Lightvoet will be attending.

Mr. Lightvoet reviewed the transfer to Barclays from the Bradford Treasury Inflation Protected Securities ("TIPS") account and recommended it also be placed on the watch list.

**MOTION** by Grogan, Seconded by Heuberger, and carried on the unanimous vote of members present, the Board voted to place the Bradford & Marzec TIPS on the watch list.

- B. Mercer Investment Consulting Contract for 2007: Extend Current Contract on a Quarterly Basis.

The Board discussed extending Mr. Lightvoet's contract on a quarterly basis.

**MOTION** by Huskey, Seconded by Heuberger, and carried on the unanimous vote of members present, the Board voted to extend the current contract with Tom Lightvoet on a quarterly basis.

6. Presentation by Ira Summer, Public Pension Professionals, Actuarial Report for July 2005 – June 2006.

Mr. Summer presented his actuarial report to the Board. He introduced Nate Johnson, consultant actuary, who discussed the investments, demographics, assumptions and methodology.

**LUNCH BREAK AT 12:17 P.M. – RECONVENED AT 12:49 P.M.**

Chairman Flammang presented Board Member Grogan with a certificate of appreciation for his participation on the Board of Retirement.

Mr. Summer discussed his recommendations for asset transfers.

**MOTION** by Williams, Seconded by Villeneuve, and carried on the unanimous vote of members present, the Board voted to move Supplemental General member funds in the amount of \$1,972,259 to Employer Advance Reserves.

**MOTION** by Heuberger, Seconded by Williams, and carried on the unanimous vote of members present, the Board voted to move Supplemental Safety member funds in the amount of \$101,449 to Employer Advance Reserves.

**BOARD MEMBER GROGAN LEFT AT 1:42 P.M.**

**MOTION** by Williams, Seconded by Heuberger, and carried on the unanimous vote of members present, the Board voted to move \$1,374,164 from Undistributed Earnings for COLA Relief of \$1,156,029 for General members and \$218,135 for Safety members.

- A. **MOTION** by Huskey, Seconded by Williams, and carried on the unanimous vote of members present, the Board voted to adopt General member rates as listed on Table 2a which includes the Cost of Living Adjustment ("COLA") and Supplement.

Fernando Jimenez, Bargaining Unit Representative for the Probation Department, commented on the Safety member contribution rate increase and asked the Board to transfer funds from Undistributed Earnings to assist with rate increase relief.

**MOTION** by Williams, Seconded by Padilla, to move \$10 million dollars from Undistributed Earnings failed by a roll call vote of 2 – 5 – 1 (Yes – Williams, Padilla; No – Heuberger, Villeneuve, Flammang, Huskey, Rhodes; Abstention – Vogel)

**MOTION** by Heuberger, Seconded by Vogel, to pay 1/3 of the cost of the Safety members unfunded actuarial accrued liability contingent upon the Board of Supervisor's pickup of a 1/3 share and the employees realize the other 1/3 share. The unfunded actuarial accrued liability is \$7.3 million dollars. The motion passed by a roll call vote of 6 – 2 (Yes – Vogel, Hueberger, Villeneuve, Flammang, Huskey, Rhodes; No – Williams, Padilla).

Staff was directed to send a letter to the Board of Supervisors and the Bargaining Unit representatives regarding the Board's action. Board Member Padilla requested that a copy of this letter be sent to him also.

#### **BOARD MEMBER WILLIAMS LEFT AT 2:33 P.M.**

- B. **MOTION** by Villeneuve, Seconded by Heuberger, opposed by Padilla but carried by the majority vote of members present, the Board voted to adopt Safety member rates as listed on Table 2b which includes the COLA and Supplement.
- C. **MOTION** by Villeneuve, Seconded by Huskey, and carried on the unanimous vote of members present, the Board voted to adopt the proposed employer contribution rates of 10.57% for General members and 14.18% for Safety members.
- D. Compliance Update on the Actuary's Liability Insurance for the Past Three Years.

Mr. Summer discussed his policy changes to bring him into compliance with the liability insurance requirements. The Board directed Mr. Summer to provide proof of \$5,000,000 professional liability insurance coverage by the next meeting. Mr. Summer was also instructed to submit future reports on a timely basis or face possible termination.

- E. Review of Actuary's Work Performance and Current Contract.

Board Member Heuberger commented on the timeliness of reports submitted by Mr. Summer. Chairman Flammang voiced her concerns regarding any possible action taken during the lapse in insurance coverage. Mr. Summer assured the Board that the policy is on a claims made basis.

7. Discussion/Action by Others:

A. Retirement Administrator/Staff:

1. Local Real Estate Investments: Proposed Board Policy by David Prince.

David Prince reviewed the proposal with the Board. Ms. Vogel suggested the Board restrict real estate investments to only the purchase of and/or construction of a building to be owned and occupied by ICERS. Any prospective tenants of the building will be reviewed by the Board. The Board voiced their opinions and concerns.

**MOTION** by Vogel, Seconded by Huskey, to adopt a Real Estate Investment Policy for the purchase of and/or construction of a building which will be owned and occupied by the Retirement System and appropriate tenants. The motion was passed with a roll call vote of 7 – 0 (Yes – Vogel, Heuberger, Villeneuve, Flammang, Padilla, Huskey, Rhodes).

2. State Association Of County Retirement Systems (“SACRS”) Extraordinary Business Meeting concerning the Association’s incorporation, attendance by an authorized voting member of the Board, February 5, 2007, Universal City, CA.

Ms. Vogel requested that the Board designate a Board Member to attend this meeting. Board Members Heuberger and Villeneuve will decide who will attend and will submit the requested form to SACRS.

3. Update on Board of Supervisor’s Adoption of Resolution Concerning the New Supplemental Benefit for Certain Retirees.

This item was discussed before Item 6 on the agenda.

Ms. Vogel gave an update on the Board of Supervisors’ response to the proposed resolution. The Board of Supervisors had several questions concerning the funding of this benefit and which body, the Board of Supervisors or the Retirement Board, would have the future liability for this benefit. Retirement staff advised that the Board of Supervisors’ would have no future liability for this benefit. The Retirement staff advised the Board of Supervisors that the only way the Board of Supervisors could be liable is if they voted to grant this benefit to the retirees at a future date. The Board directed county counsel to research the appropriate statutes and code sections and give an opinion as to whether the Board of Retirement has the authority to grant this benefit without Board of Supervisors’ approval.

Chuck Jernigan, retiree representative, voiced his concerns with the need for separate legal counsel on this matter.

Board Member Heuberger requested a legal opinion be provided at the regular January meeting. However, counsel stated no specific timeframe.

## BUDGET

### 8. Election of Officers for the Board of Retirement for 2007:

Ms. Huskey nominated Jurg Heuberger for Chairman, Julie Villeneuve for Vice-Chairman, and James Rhodes for Secretary. An election was held and all positions were unanimously voted upon with each member abstaining on their own nomination. The results are as follows:

- A. Chairman – Jurg Heuberger
- B. Vice Chairman – Julie Villeneuve
- C. Secretary – James Rhodes

Ms. Vogel announced that Wally Leimgruber has been appointed as the new Board of Supervisor's representative on ICERS Board.

### 9. Approval of the Budget.

**MOTION** by Huskey, Seconded by Heuberger, and carried on the unanimous vote of members present, the Board voted to approve the following claims for the 2006/2007 Regular Retirement Budget and the 2006/2007 Disability Budget:

#### A. REGULAR BUDGET 2006/2007:

PERMANENT SALARIES	
Regular Salaries	15,515.05
EXTRA HELP	2,307.48
BILINGUAL PAY	30.00
SOCIAL SECURITY	93.14
COUNTY CONTRI RETIREMENT	1,496.08
GROUP INSURANCE	2,165.46
INS-DENTAL/VISION	25.54
RETIREMENT PENSION BOND	1,120.62
RETIREMENT HEALTH PLAN	654.00
INS-VOLUNTARY LIFE	12.40
SPECIAL TRAINING	
SACRS Airfare –B. McFetridge/D. Prince	437.20
SACRS Coronado-David Prince	182.71
SACRS Coronado-Regina Rodrigues	157.70
CALAPRS Benefits Round Table- S. Martinez/R. Rodrigues/K. Vogel	850.00
OFFICE EXPENSE	
Office Depot	46.73
Blank Warrants	297.63
Central Duplicating – Paper	72.00
Federal Express	24.01
PROFESSIONAL & SPECIAL SERVICES	
Information System Charges for October 2006	10,123.94
OVERHEAD REIMBURSEMENT	
November Overhead	<u>2,364.08</u>

**SUBTOTAL: \$37,975.77**

EXTRA HELP

Retirement Board Meeting – 12/20/06 400.00

**TOTAL: \$38,375.77**

B. DISABILITY BUDGET 2006/2007:

PROFESSIONAL & SPECIAL SERVICES

Dr. Acheatels Medical Evaluation of Charles Rider 750.00

**TOTAL: \$750.00**

**DISCUSSION CALENDAR**

10. Reports and Announcements:

A. Retirement Administrator/Staff:

1. Update on Investment Consultant Search.

Mr. Prince reviewed with the Board the draft Request for Proposal (RFP). The Board directed the committee to narrow the search to three possible consultants before submitting to the entire Board. The Board directed staff to refrain from sending out request letters until Mr. Summer is in compliance with his liability insurance requirements.

2. Update on Retirement Board Staffing Reorganization.

This item was pulled by Mr. Heuberger.

3. Market Value Graph from 07/01/06 to 11/30/06.

Reviewed by the Board.

4. Book vs. Market Summary as of 11/30/06.

Reviewed by the Board.

5. Update on Fresno County handling of Cost Of Living Adjustment calculations.

Ms. Vogel informed the Board that Fresno County is changing back to their prior practice of the county being responsible for the entire Cost of Living Adjustment unfunded actuarial accrued liability, not only 50%. The other 50% was attributed to members. The Board discussed and directed staff that the Board would look at this next year and adopt rates as currently calculated in the actuary's report.

11. Investment Manager Reports:



4. 100% Continuance of Service Retirement Allowance Per Govt Code Section 31786 and Death Benefit.

- |    |                               |  |
|----|-------------------------------|--|
| a. | James M. Roberts<br>Deceased: | General Member/<br>Inter-System<br>8/12/2006 |
| b. | Eugene King<br>Deceased:      | Safety Member<br>10/30/2006                  |

5. Deferred Membership:

- |    |   |   |
|----|---|---|
| a. | Margarita Ortega<br>Department:<br>Effective Date:    | General Member<br>Health Dept.<br>08-11-06        |
| b. | Amelia Rosas-Carlos<br>Department:<br>Effective Date: | General Member<br>Behaviorial Health<br>07-15-06  |
| c. | David Torres<br>Department:<br>Effective Date:        | General Member<br>Public Works<br>10-27-06        |
| d. | Jesse Palomera<br>Department:<br>Effective Date:      | General Member<br>Health/VC<br>07-01-06           |
| e. | Denise L. Lizarraga<br>Department:<br>Effective Date: | General Member<br>Health Dept.<br>07-08-06        |
| f. | Isaac Tabarez<br>Department<br>Effective Date:        | Safety Member<br>Sheriff's Department<br>10-12-06 |

13. Upcoming Seminars/Conferences:

- A. REEF Educational Client Seminar West Coast, February 22-24, 2007, San Diego, CA (approximate cost per person \$750.00)
- B. Institutional Investor's Search for Alpha Forum, March 21-22, 2007, San Francisco, CA (approximate cost per person \$1,000.00)
- C. Administrators' Round Table and Attorney's Round Table, January 26, 2006, Hilton Oakland Airport (approximate cost per person \$500.00)
- D. Trustees' Round Table and Benefits Round Table, February 2, 2006, Hilton Oakland Airport (approximate cost per person \$500.00)
- E. SACRS Educational Symposium 2007, February 6, 2007, Universal City, CA

Reviewed by the Board.

### CLOSED SESSION

14. Closed Session:

Public Comment before Closed Session: None.

**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).

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

Walter Cress	Charles Rider
Judith York-Rippetoe	Anthony Moreno

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).

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).

D. Government Code §54956.9 (a) – Conference with Legal Counsel of Existing Litigation, In re Jarden Corp. Securities Litigation, United States District Court for the Southern District of New York, Case No. 7:06-CV-722 (CLB).

### OPEN SESSION

15. Open Session:

**MOTION** by Heuberger, Seconded by Huskey, and carried on the unanimous vote of members present, the Board voted to reconvene into Open Session.

16. Announcement of Closed Session Actions.

Kayleen Smith, Disability Specialist, announced the following action:

The Board discussed but took no action on the disability retirement applications of Walter Cress, Charles Rider, Judith York-Rippetoe and Anthony Moreno.

The Board held no discussion on the WorldCom litigation matter.

The Board gave direction to staff on the Tibco Software litigation matter.

The Board discussed but took no action on the Jarden Corp. Securities litigation matter.

**OTHER ITEMS**

17. Reminder: Ethics Training for Board Members

Chairman Flammang reminded Board Members to file the Ethics Training completion certificate with Retirement staff before 12-31-06.

Previously Approved Seminars/Conferences (list available in Treasurer's office).

Reviewed by the Board.

**Adjournment:** Meeting was adjourned at 3:47 p. m. to January 17, 2007 at 8:30 a.m.

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BECKY FLAMMANG, CHAIRMAN

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JULIE VILLENEUVE, SECRETARY