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KAYLEEN SMITH
CLERK OF THE BOARD



Imperial County Employees' Retirement System

BRIEF MINUTES

REGULAR MEETING OF THE IMPERIAL COUNTY BOARD OF RETIREMENT

February 15, 2006

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 Flammang at 9:00 a.m.

- A. Roll Call:

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

ALTERNATE PRESENT: Pompeyo Tabarez, Jr.

MEMBERS ABSENT: None.

MEMBERS ARRIVING AFTER ROLL CALL: None.

LEGAL REPRESENTATIVE: Linda Tucker, Deputy County Counsel

CLERK: Kayleen Smith, Disability Specialist

STAFF: David H. Prince, Retirement Division Manager and Barbara McFetridge, Retirement Division Manager.

OTHERS: Tom Lightvoet, Mercer Investments, Robertta Burns, County Executive Officer, Ray Walters, Information Systems Manager, Douglas Newland, Auditor-Controller, and Charles Jernigan, Retiree.

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

Robertta Burns, CEO, gave the Board an update on the Retiree Health rates. The actuary is recommending a 15% increase, however with the recent experience we have been having which appears to be positive, she is asking them to reevaluate it. The new rates for the Retiree Health Insurance will be effective January 1, 2007, with the retirees being notified by July 1, 2006.

2. Discussion of the Agenda:

A. Items to be pulled from Action Calendar: None.

B. Items to be pulled from Discussion Calendar:

Board Member Vogel requested that Item 8(B)(2) be pulled from this agenda and tabled to next month's meeting.

C. Items to be pulled from the Consent Calendar: None.

D. Emergency Items to be added: None.

E. Approval of the Agenda:

Motion by Williams, seconded by Villeneuve, and carried on the unanimous vote of members present, the Board approved the Agenda as presented.

F. Approval of the Consent Agenda:

Motion by Vogel, seconded by Huskey, and carried on the unanimous vote of members present, the Board approved the Consent Agenda as presented.

3. Approval of the Minutes:

Regular adjourned meeting of January 18, 2006.

Motion by Williams, seconded by Villeneuve, and carried on the unanimous vote of members present, the Board approved the Minutes of the regular adjourned meeting of January 18, 2006.

ACTION CALENDAR

4. Presentation by Investment Consultant, Thomas Lightvoet of Mercer Investment Consulting, the Strategic Asset Allocation Study (Phase II):

Tom Lightvoet of Mercer Investment Consulting discussed the Portfolio Structure Analysis Executive Summary. The Board asked several questions regarding asset allocation.

The Manager Analysis of returns on the domestic equity was discussed in detail according to individual manager performance. A comparison of the styles of each manager was also discussed.

Attachment 4(A), a graph reflecting the analysis results of the Alpha only return-based statistics, was distributed and discussed.

No problematic issues were found with any of our current managers. Mr. Lightvoet recommended that we retain all of our present managers.

BREAK AT 10:15 A.M. – RECONVENED AT 10:26 A.M.

5. Presentation by Real Estate Consultant, Laura Gaylord, of RREEF on Real Estate Investing:

Laura Gaylord presented an overview of their company's history. She stated that they currently manage portfolios for eight other California based counties including LACERA. Ms. Gaylord discussed their investment strategies and gave a summary of their performance. She discussed projections for the future of the real estate market, and explained that regional growth is very important when looking at real estate investments and the investments are illiquid.

Tom Lightvoet expressed his opinion regarding the suggestions of Ms. Gaylord. He opined that Open End Core Fund might be a possible investment strategy for our system.

The Board Members voiced their opinions and concerns in changing our current asset allocation structure. They requested that Mercer perform a search for an Open End Core Real Estate Investment Manager and asked that presentations be scheduled for the June meeting.

Motion by Grogan, seconded by Williams, and carried by a roll call vote of 8 to 1 (Yes – Vogel, Heuberger, Villeneuve, Grogan, Flammang, Williams, Padilla, Rhodes; No – Huskey) to perform a search for an Open End Core Real Estate Investment Manager.

David Prince suggested that a representative of Templeton should come to the next meeting to educate the Board on an emerging market search and explain the advantages and disadvantages of this type of investment.

BREAK AT 11:55 A.M. – RECONVENED AT 12:20 P.M.

CHAIRMAN FLAMMANG LEFT AND BOARD MEMBER HEUBERGER ASSUMED THE CHAIRMANSHIP.

6. Discussion/Action by Others:

- A. Retirement Administrator Karen Vogel:

1. Proposed revision of the Imperial County Retirement System Travel Policy – Draft:

Board Member Vogel explained that the travel reimbursement rate has changed for the County, therefore she recommends that the Board also adopt the changes.

Motion by Huskey, seconded by Villeneuve, and carried on the unanimous vote of members present, to adopt the County's Travel policy.

2. Review of draft policy on media relations for Imperial County Retirement Systems Board Members and staff:

David Prince explained that the draft media policy would give Retirement Board Members and staff a guide when communicating with news organizations.

Motion by Villeneuve, seconded by Huskey, and carried on the unanimous vote of members present, the policy stands adopted as presented.

3. Transfer of Non-Valuation Reserves to Employer/Member Reserves for supplemental benefits for General and Safety Members.

- a. General Members (Not to exceed \$15,581,250.00)

- b. Safety Members (Not to exceed \$ 966,037.50)

Board Member Vogel explained that the actuary will provide the actual dollar amounts.

Motion by Villeneuve, seconded by Williams, and carried on the unanimous vote of members present, to move only the amounts necessary, but not to exceed the amounts as specified in Items 6(A)(3)(a) and 6(A)(3)(b).

4. Request to authorize Actuary to perform Cost of Living Adjustment (COLA) relief study at a cost not to exceed \$5,000.00.

Board Member Vogel and David Prince explained the reasons for the study.

Motion by Williams, seconded by Villeneuve, and carried on the unanimous vote of members present, authorizing the actuary to perform a Cost of Living Adjustment Study at a cost not to exceed \$5,000.00.

5. State Association of County Retirement Systems (SACRS) Officers nominations – approval of list of candidates or other nominations:

Board Member Vogel discussed the upcoming candidates as presented in the Memorandum from SACRS.

Motion by Villeneuve, seconded by Huskey, and carried by a roll call vote of 5 to 2 (Yes – Vogel, Heuberger, Villeneuve, Huskey, Rhodes; No – Williams, Padilla; Absent – Grogan, Flammang) to adopt the nominations by SACRS.

B. Board Members:

1. Update on Educational Retreat for Board Members – Chairman Flammang:

Board Member Vogel and David Prince discussed the history behind the educational retreat. The Board requested that staff return next month with some ideas and topics.

2. Request to authorize Actuary to perform a Supplemental Targeted Cost of Living Adjustment (STAR COLA) for retired members. The cost is not to exceed \$20,000.00 – Board Member Huskey.

Motion by Huskey, seconded by Williams, and carried on the unanimous vote of members present, to authorize a study for Supplemental Targeted Cost of Living Adjustment (STAR COLA) for a cost not to exceed \$20,000.00.

BOARD MEMBER GROGAN RETURNED AT 12:30 P.M.

C. Others:

1. Report by Doug Newland, Auditor/Controller and Information Systems Manager, Ray Walters regarding computer/scanning system for the Retirement System:

Doug Newland explained the capabilities of his accounting system and his proposal to set up an org key specifically for retirement and create an independent chart of accounts that meets those needs.

Barbara McFetridge, Retirement Division Manager, stated that she sees very little benefit in changing from the current system.

Ray Walters, Information System Manager, opined that the IFAS solution to improve accounting services is the logical solution, as it reduces duplication of effort and integrates with the rest of the County's accounting software. However, who processes payroll would not be an issue for him. He discussed changes and upgrades that can be made with the current benefit system and how integration between the accounting and benefit programs can be achieved.

Mr. Walters recommended that the Retirement System change to the County's Questy scanning system. Board Member Vogel discussed the cost of purchasing the system. She suggested sharing the system with the Treasurer's Department and splitting the cost.

Motion by Villeneuve, seconded by Huskey, and carried on the unanimous vote of members present, to authorize the Retirement Administrator to purchase in combination with the Treasurer's Department the Questy scanning system.

Motion by Villeneuve, seconded by Vogel, and carried by a roll call vote of 7 to 1 (Yes – Vogel, Heuberger, Villeneuve, Grogan, Williams, Padilla, Rhodes; No – Huskey; Absent – Flammang) to integrate the Retirement System's payroll and other items as outlined in Mr. Newland's report with the IFAS system, which will be implemented on July 1, 2006.

Mr. Walters recommended the purchase of Office Connect for DB2 and Cube Views software, which would allow retirement staff to create standard and ad hoc reports for retired employees and management. This software would cost approximately \$10,502.00 plus tax, depending on how many licenses are purchased.

Motion by Grogan, seconded by Williams, and carried on the unanimous vote of members present, to purchase Office Connect for DB2 and Cube Views software.

2. County Executive Officer:

- a. County contribution rates for Pension Obligation Bonds be included in the Actuarial Study by Robertta Burns, CEO:

Robertta Burns, CEO, requested that the County contribution rates for Pension Obligation Bonds be included in the Actuarial Study for the public's information either as a footnote or an appendix.

Board Members discussed the reasons for showing the figures as an appendix rather than a footnote.

Motion by Williams, seconded by Vogel, and carried on the unanimous vote of members present, to include in the Actuary's final report the County contribution rates for Pension Obligation Bonds as an appendix clarifying the amount of the employers' contributions.

- b. County contribution rates for health insurance be included in the Actuarial Study and request that the Retirement Board consider using Undistributed Earnings for retiree health benefits by Robertta Burns, CEO.

Robertta Burns, CEO, asked that the contribution rates for health insurance be included in the Actuarial Report as an appendix. She opined that this information should be provided for informational purposes since the County is now funding the Retiree's health insurance instead of the Retirement System.

Ms. Burns recommended that County staff work with the Retirement staff to come up with options to address the cost of Retiree Health Insurance. The Board concurred and gave direction to staff.

Motion by Williams, seconded by Vogel, and carried on the unanimous vote of members present, to include in the Actuary's final report the County contribution rates for Health Insurance as an appendix.

BUDGET

7. Approval of the Budget:

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 with the adjustment of \$400.00 making a grand total of \$51,116.63:

A. REGULAR BUDGET

PERMANENT SALARIES	
Regular Salaries	\$14,343.44
EXTRA HELP	935.35
BILINGUAL PAY	30.00
SOCIAL SECURITY	69.49
SPECIAL TRAINING	
CALAPRS-Linda Tucker	123.09
CALAPRS Attny Roundtable-Tucker	121.55
SACRS Symposium-Tucker	213.34
COUNTY CONTRI 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
MEMBERSHIPS	
CALAPRS 2006 Dues	250.00
OFFICE EXPENSE	
Office Supplies	395.37
SACRS Roster (2)	20.00
ICARE Dues	162.00
Mail Chgs-December 2005	33.43
PROFESSIONAL SERVICE	
PRO Record Storage (Jan thru Jun)	82.54
Elections (7 th and 8 th Member)	503.85
DATA PROCESSING	
September 2005	9,790.52
October 2005	9,126.62
November 2005	7,739.73
December 2005	575.66
Subtotal:	\$49,964.72
EXTRA HELP	
Ret Brd Mtg – 2-15-06	<u>400.00</u>
TOTAL:	\$50,364.72

B. DISABILITY BUDGET

PROFESSIONAL & SPECIAL SERVICES	
Attorney Steve Rice for W Cress case	\$ 751.91

DISCUSSION CALENDAR

Items under 8 are for discussion only

8. Reports and Announcements:

A. Retirement Administrator/Staff:

1. Reminder of Conflict of Interest Statement due 02/28/06 - Karen Vogel, Retirement Administrator.

Board Member Vogel reminded Board Members to complete their Conflict of Interest Statements before the 02/28/06 deadline.

2. Update on possible investment with Imperial Irrigation District – Karen Vogel, Retirement Administrator.

Board Member Vogel advised the Board there is nothing to report on this matter. Staff was directed to remove this item from the agenda unless a response is received from IID.

3. Market Value Graph – David H. Prince, Retirement Division Manager:

David Prince presented and discussed the details of the report.

4. Book vs. Market Summary as of 01/31/06 – David H. Prince, Retirement Division Manager:

David Prince presented and discussed the details of the report.

5. Discussion of the Imperial County Association of Retired Employees (ICARE) – Dues, newsletter and misc – Karen Vogel, Retirement Administrator:

Board Member Vogel notified the Board that on November 17, 1999 the Board set aside \$10,000.00 in a fund for ICARE's dues, newsletters and miscellaneous expenses. Currently, the fund has a remaining balance of approximately \$8,000.00 for future expenses.

6. Report by David H. Prince, Retirement Division Manager, on Educational training seminar, Finance: The Basics, in San Diego, CA on February 7, 2006:

David Prince gave an overview of the course he attended last week. He stated it was educational on interpreting spreadsheets and financial statements of individual companies.

7. Reorganization of Retirement Division of the Treasurer's Office by Karen Vogel, Retirement Administrator - Flow chart/Job descriptions: Board Member Heuberger complimented Ms. Vogel on her efforts in preparing the proposed reorganization.

Board Member Vogel discussed the flowchart and job descriptions representing the proposed reorganization of the Retirement office. The Board held a lengthy discussion and asked many questions regarding her proposal. Titles and duties of several positions were discussed in detail.

Charles Jernigan, Retiree, questioned the need for making any changes to the current staffing structure.

The Board directed Ms. Vogel to return next month with refinement and dollar figures attached to the proposed positions of seven employees as well as reducing to only five positions.

8. Update of Resolution adoption by Board of Supervisors regarding Govt. Code section 31522.2 (Retirement Administrator will be an at-will employee) Karen Vogel, Retirement Administrator:

Karen Vogel notified the Board that the Resolution was discussed at the Board of Supervisor's meeting on February 14, 2006, and will be put on the Consent calendar for approval on February 21, 2006.

B. County Counsel:

Linda Tucker, Deputy County Counsel, announced that our Tax Attorney, Hansen Bridgett, has provided us with the disc version of the 1937 Act for 2006. Ms. Tucker also announced that the 2006 edition of the Benefits Booklet has been printed and delivered today and will soon be posted on the website.

1. California Association of Public Retirement Systems (CALAPRS) Attorney's Roundtable, San Diego, CA on January 27, 2006 by Linda Tucker.

Ms. Tucker gave an update on the topics discussed at the meeting, which included the current litigation in San Diego County. She discussed AB 1568, the proposed legislation that may impact how our Investment Counselor relates to ICERS.

2. Discussion of Board of Supervisors and Board of Retirement powers and authority in connection with Retirement system staff by Linda Tucker.

This item was pulled from the Action Calendar.

BOARD MEMBER HUSKEY LEFT AT 2:26 P.M. AND RETURNED AT 2:29 P.M.

C. Board Members:

Educational summit for Real Estate Investment, Phoenix, AZ, February 5-7, 2006 by Larry Grogan.

Board Member Grogan reviewed the topics discussed at the educational summit he attended on Real Estate Investment. Mr. Grogan stated that the seminar was very impressive and informed the Board that he has some very interesting pamphlets and handouts that the other members may wish to review.

D. Others: None.

BOARD MEMBER GROGAN LEFT AT 2:30 P.M.

CONSENT AGENDA

Retirement Administrator recommends approval of Item 9

9. Consent Agenda:

The Consent Agenda was previously approved under Item 2(F).

A. Upcoming Seminars/Conferences:

1. Hedge Fund Institutional Forum, Public Funds Roundtable, April 5, 2006, The Four Seasons, Santa Barbara, CA (approximate cost per person \$428.00).
2. Institutional Investor Institute, Public Funds Roundtable, April 5-7, 2006, The Four Seasons, Santa Barbara, CA (approximate cost per person \$1,853.00).
3. 5th Annual Stars & Stripes 2006 National Public Employees' Retirement Funds Summit, April 2-4, 2006, The Wyndham Casa Marina Resort, Key West, Florida (approximate cost per person \$2,276.00).
4. California Retired County Employees Association Spring Conference, March 20-22, 2006, Newport Beach, CA (approximate cost person \$700.00).

B. Administrative Agenda:

1. Enrollment Affidavits of New Members (11):
2. Termination of Membership – Return of Accumulated Contributions (5):
3. Service Retirement:
 - a. Susan Cox
Department: Tax Collector
Effective Date: 12/27/2005
General Member
 - b. Richard Lopez
Department: Sheriff
Effective Date: 01/24/2006
Safety Member

- c. Rey Montano
Department: General Member
Effective Date: Central Duplicating
01/06/2006
- d. Mari Lu Onweller
Department: General Member
Effective Date: District Attorney
01/06/2006
- 4. 60% Continuance of Service Retirement Allowance & Death Benefit
Per Govt. Code section 31676.11:
 - Alice Fletcher
Deceased: General Member
12/10/2005
- 5. Final Payment of Service Retirement Allowance & Death Benefit per
Govt. Code Section 31676.11:
 - a. Berneice Benjamin
Deceased: General Member
06/13/05
 - b. Lupe Singh
Deceased: General Member
12/24/05
- 6. Deferred Membership:
 - a. Hope Estrada
Department: General Member
Effective: Sheriff Jail
12/16/2005
 - b. Nicholas Simpson
Department: Safety Member
Effective: Sheriff Jail
01/05/2006

C. Bradford & Marzec, Inc.

Bond Market Monthly for January 2006.

CLOSED SESSION

10. Closed Session:

Public Comment before Closed Session: None.

Motion by Williams, seconded by Vogel, and carried on the unanimous vote of members present 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 Judith York-Rippetoe

- 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).

OPEN SESSION

11. Open Session:

Motion by Villeneuve, seconded by Huskey, and carried on the unanimous vote of members present to reconvene into Open Session.

12. Announcement of Closed Session Actions:

Kayleen Smith, Disability Specialist, made the following announcements:

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

The Board held no discussion on the World Com litigation matter.

The Board discussed but took no action on the Tibco Software litigation matter.

OTHER ITEMS

13. Previously Approved Seminars/Conferences:

Board Member Vogel announced that this information is now listed as an attachment.

Board Member Heuberger requested an agenda item to discuss an earlier meeting time.

Board Member Vogel announced that Bradford and Marzec would provide lunch at next month's meeting.

Motion by Villeneuve, seconded by Williams, and carried on the unanimous vote of members present to adjourn the meeting.

Adjournment: Meeting was adjourned at 2:40 p. m. to March 15, 2006 at 9:00 a.m.

BECKY FLAMMANG, CHAIRMAN

JULIE VILLENEUVE, SECRETARY