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**Imperial County Employees' Retirement System**

# **BRIEF MINUTES**

**REGULAR MEETING OF THE  
IMPERIAL COUNTY BOARD OF RETIREMENT**

August 20, 2008

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 Vogel at 8:30 a.m.

The Pledge of Allegiance was led by Chairman Vogel.

Roll Call:

**MEMBERS PRESENT:** Karen Vogel, Julie Villeneuve, Pat Yarnall, Becky Flammang, Armando Padilla, Terry Huskey, James E. Rhodes, Robert Williams

**MEMBERS ABSENT:** Wally Leimgruber

**ALTERNATE PRESENT:** Pompeyo Tabarez, Jr.

**LEGAL REPRESENTATIVE:** Linda Tucker, Deputy County Counsel

**CLERK:** Kathleen L. Kubler, Retirement Specialist

**STAFF:** David H. Prince, Retirement Administrator, Regina Rodrigues, Retirement Supervisor

2. Discussion of the Agenda:

- A. Items to be pulled from the Action Calendar:

Chairman Vogel approved a request by David H. Prince, Retirement Administrator, to switch the order of Item 7A and 7B.

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

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

D. Emergency Items added: None

E. Approval of the Agenda:

**MOTION** by Huskey, Seconded by Flammang and carried on the unanimous vote of members present, the Board approved the Agenda.

F. Approval of the Consent Agenda:

**MOTION** by Padilla, Seconded by Villeneuve and carried on the unanimous vote of members present, the Board approved the Consent Agenda.

3. Public comments on items that are **NOT** on the Action or Discussion Calendars: None

(Breaks: 9:40 – 9:50 a.m., 10:50 – 11:00 a.m.) (Lunch 12:00 – 12:30 p.m.)

#### ACTION CALENDAR

4. Approval of the Minutes:

Minutes of June 18, 2008 regular adjourned meeting:

**MOTION** by Villeneuve, Seconded by Padilla and carried on the unanimous vote of members present, the Board approved the Minutes of the May 21, 2008 regular adjourned meeting.

5. Presentations by Investment Managers:

A. PIMCO Distressed Mortgage Fund, Scott W. Martin, Senior Vice President:

Mr. Martin presented an outline of the basis for distressed mortgage fund investment. He explained PIMCO's investment structure and long term potential returns. He also reviewed the account's performance for the second quarter and discussed the portfolio summary report with the Board.

B. RREEF (America II Fund), Chip George, Portfolio Manager:

Mr. George presented an overview of the effects of the housing market decline and reassured the Board that commercial property investments are actually up in returns.

Mr. George discussed the fund performance report with the Board as well as potential real estate prospects derived from ongoing analysis of the market.

C. ING Clarion (Lion Properties Fund), Lou Jug, Managing Director and Steve Hansen, Portfolio Manager:

Mr. Jug opened the presentation with a brief update on the organization.

Mr. Hansen reported a solid investment outlook and returns that outperformed the benchmark. He reviewed the account's multi-strategy approach and objectives. Mr. Hansen took direction from the Board to display returns net of fees on future portfolio reports.

6. Presentation by Investment Consultant, Wurts Associates, Scott Whalen, Executive Vice President, Senior Consultant:

A. Quarterly report ending June 30, 2008:

Mr. Whalen discussed the challenged economy and the contributing factors affecting its strength such as the depressed housing market, Gross Domestic Product (GDP), credit conditions as well as the increase in energy prices. He also advised the Board that he will begin reporting net of fees performance reviews going forward.

Mr. Whalen reviewed the fund asset allocation, attribution, policy benchmark, and individual manager performance for the second quarter ending June 30, 2008.

Mr. Whalen recommended reducing the allocation to Bradford & Marzec by 50% and augmenting the asset class with another manager. He suggested making a formal offering of \$5 million as an additional investment to Pacific Investment Management Company (PIMCO) Distressed Mortgage Fund.

B. Update: Fixed Income Manager Search:

Mr. Whalen expanded on his recommendation to the Board to consider expanding the current fixed income asset allocation. He presented a comparison of potential fixed income manager candidates which included BlackRock, Inc., Goldman Sachs Asset Management, PIMCO, and Bradford and Marzec, Inc. The Board and Mr. Whalen discussed the firms' background, product, performance and fees.

The Board directed staff to schedule the candidates' presentations at the September 17, 2008 regular board meeting.

7. Action/Discussion by Retirement Administrator: Approval of agreement between ICERS and Linea Solutions, Inc. to perform next phase of information technology upgrade:

A. Presentation by Akio Tagawa, President, Linea Solutions, Inc.:

Mr. Tagawa presented a review of the project to implement a computer software and hardware upgrade for the retirement system. He commended the retirement staff for its cooperation and assistance in finalizing the documentation of the current system's computer applications, which expedited the completion of the Request for Proposal (RFP) ahead of schedule. The RFP is available for viewing on the retirement website at [www.icers.info](http://www.icers.info).

The deadline for vendors who bid for the project is August 29, 2008. Once all bidders are evaluated, two vendor finalists will be selected to compete to develop a prototype within a 45 day project trial phase.

B. Proposed contract by Retirement Administrator:

David H. Prince, Retirement Administrator reviewed the changes and cost options drafted into the proposed contract and made his recommendations.

**MOTION** by Flammang, Seconded by Villeneuve and carried on the unanimous vote of members present, the Board approved to authorize the Retirement Administrator to sign the contract, to include a Performance Holdback Provision, for consulting services with Linea Solutions, Inc.

8. Presentation by Actuary, Segal, Andy Yeung, Vice President, Associate Actuary and Paul Angelo, Senior Vice President, Actuary:

A. Review of Economic Actuarial Assumptions:

Mr. Angelo and Mr. Yeung reviewed the June 30, 2008 economic actuarial assumptions and the analysis supporting their recommendations to the Board.

**MOTION** by Villeneuve, Seconded by Huskey and carried on the unanimous vote of members present, the Board adopted the Economic Actuarial Assumptions for the June 30, 2008 Actuarial Valuation.

B. Actuarial Experience Study:

Mr. Angelo and Mr. Yeung reviewed the actuarial experience study with the Board. They explained the census data, from the period July 1, 2004 to June 30, 2007, which provided the actuarial assumptions used in the June 30, 2008 valuation.

**MOTION** by Huskey, Seconded by Villeneuve and carried by the unanimous vote of members present, the Board adopted the Actuarial Experience Study for the Period July 1, 2004 through June 30, 2007.

9. Action/Discussion by the Retirement Board: That the County Board of Supervisors direct the County Clerk/Registrar of Voters, to hold the appropriate elections for the following seats on the Board of Retirement, according to Govt. Code Section 31520, for a three year term commencing January 1, 2009 and ending December 31, 2011:

7<sup>th</sup> Seat, Safety Member, currently held by Armando Padilla

8<sup>th</sup> Seat, Retiree Member, currently held by Terry Huskey

10<sup>th</sup> Seat, Alternate Member, Safety, currently held by Pompeyo Tabarez, Jr.

11<sup>th</sup> Seat, Alternate Member, Retiree, currently vacant.

**MOTION** by Villeneuve, Seconded by Williams and carried by the unanimous vote of members present, the Board approved the recommendation by the Retirement Administrator to request that the County Board of Supervisors instruct the County Clerk/Registrar of Voters to hold elections for the 7<sup>th</sup>, 8<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> Seats on the

Retirement Board for a three year term commencing January 1, 2009 and expiring December 31, 2011.

10. Action/Discussion that the County Board of Supervisors appoint two public members to the following seats on the Board of Retirement, according to Govt. Code Section 31520, for a three year term commencing January 1, 2009 and ending December 31, 2011:

6<sup>th</sup> Seat, Public Member, currently held by Robert W. Williams

9<sup>th</sup> Seat, Public Member, currently held by James E. Rhodes

**MOTION** by Huskey, Seconded by Yarnall and carried by the unanimous vote of members present, the Board approved the recommendation by the Retirement Administrator to request the County Board of Supervisors to reappoint Robert W. Williams and James E. Rhodes to the Retirement Board for a three year term commencing January 1, 2008 and expiring December 31, 2011.

11. Action/Discussion: Senate Bill 392, Purchasing Power COLA for retirees:

**MOTION** by Huskey, Seconded by Williams and carried on the unanimous vote of members present, the Board authorized David H. Prince, Retirement Administrator, to request that the Actuary, Segal, conduct a study, at a cost not to exceed \$7,500, to determine the cost of granting an increase to retirees that have an accumulated a loss of purchasing power equal to or exceeding 20%

**MOTION** by Huskey, Seconded by Williams and carried on the unanimous vote of members present, the Board directed Linda Tucker, Deputy County Counsel, to send letters to Senator Denise Ducheny, Imperial County Intergovernmental Director, Robert Ham, and Governor Arnold Schwarzenegger, thanking them for their support and endorsement to pass this bill into law.

## DISCUSSION CALENDAR

12. Reports/Correspondence/Announcements of Officers:

A. Retirement Administrator:

1. Book vs. Market Summaries as of June 30 and July 31, 2008:

David H. Prince, Retirement Administrator discussed the period activity with the Board.

2. Linea Solutions, Inc. Update:

David H. Prince, Retirement Administrator reviewed the current software development and the Request For Proposal (RFP), which has been sent out to interested vendors. Mr. Prince recommended that a committee be created, of suggested participants, to consider and select the two vendors that will compete for the contract.

Interested Board Members were invited to participate in the reviewing of the RFP's.

3. State Association of County Retirement Systems (SACRS) Ad Hoc CEO Review & Evaluation Committee Meeting Schedule.

This item was reviewed by the Board.

4. SACRS Year 2009 Legislative Timelines.

This item was reviewed by the Board.

5. Assembly Bill 1234, Ethics Training requirement for Board/Commission/Committee Members.

This item was reviewed by the Board.

B. Board Members:

C. County Counsel:

#### CLOSED SESSION

13. Convene into Closed Session:

**MOTION** Villeneuve, Seconded by Yarnall and carried on the unanimous vote of members present, the Board convened into Closed Session.

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

Elizabeth Castro    Guillermina Robles    Charles Land

- B. 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).

- C. Government Code §54956.8 – Conference with real estate property negotiator. Property is located at 1221 State Street, El Centro, CA. Party with whom negotiating is Hutchinson & Bloodgood, LLP. Instructions to negotiator will concern price and terms of payment.

**MOTION** by Villeneuve, Seconded by Huskey and carried on the unanimous vote of members present, the Board reconvened into Open Session.

14. Announcement of Closed Session Actions:

The Board discussed but took no action on the disability retirement applications of Guillermina Robles and Charles Land.

The Board granted a Service Connected Disability Retirement to Elizabeth Castro by a vote of eight to zero with one absence by Leimgruber.

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

The Board discussed and instructed David H. Prince, Retirement Administrator to close escrow on the property at 1221 State Street, El Centro, Ca. The purchase price of the property is \$1,337,500.00. A copy of the purchase agreement is available for viewing at the Retirement office.

### CONSENT AGENDA

#### 15. BUDGET:

Approval of the following Budget claims for the remaining 2007-2008 fiscal year, and the 2008-2009 Regular Retirement Budgets and Disability Retirement Budgets and to include Board Members in attendance at the 08-20-08 meeting, Govt. Code 31580.2 & 31521:

#### A. REGULAR BUDGET 2007/2008:

|  |              |
|--|--------------|
| PERMANENT SALARIES                                   |              |
| Regular Salaries                                     | \$ 19,793.30 |
| EXTRA HELP   | 7,704.08     |
| BILINGUAL PAY  | 40.50        |
| SOCIAL SECURITY-MEDICARE                             | 389.58       |
| SPECIAL TRAINING                                     |              |
| CALAPRS Trng. & Hotel for staff April, May & June    | 572.29       |
| CALAPRS Trng. Exp. Reimb. – SE June 5-6, 2008        | 116.00       |
| CALAPRS Trng. Exp. Reimb. – AH June 5-6, 2008        | 176.00       |
| CALAPRS Trng. Exp. Reimb. – DP May 15-18, 2008       | 265.94       |
| SACRS Fall Conf. Registration, Hotel, Shuttle chrgs. | 3,107.84     |
| CALAPRS Trng. Exp. Reimb.- RR June 24-26, 2008       | 181.30       |
| COUNTY CONTRI RETIREMENT                             | 2,096.36     |
| INS-WORKERS COMP                                     | 879.58       |
| INS-UNEMPLOYMENT                                     | 285.17       |
| GROUP INSURANCE                                      | 3,849.84     |
| INS DENTAL/VISION                                    | 21.71        |
| RETIREMENT-PENSION BOND                              | 1,332.77     |
| RETIREMENT-HEALTH PLAN                               | 1,007.51     |
| COMMUNICATIONS                                       |              |
| Telephone Charges – May 2008                         | 114.19       |
| Telephone Charges Corrections – Feb & Mar 2008       | 177.46       |
| Telephone Charges Corrections – June 2008            | 155.05       |
| INSURANCE LIABILITY                                  | 355.83       |
| OFFICE EXPENSE                                       |              |
| Office Depot   | 839.29       |
| Mail Charges for May 2008                            | 464.80       |
| ICARE Newsletter                                     | 294.16       |
| Imperial Printers – Business Cards for AH            | 44.12        |

|  |                 |
|--|-----------------|
| Old Eucalyptus Schoolhouse – ICARE Luncheon            | 2,074.30        |
| Copier charges for Feb – April 2008                    | 399.63          |
| Staples Office Supplies & Imp. Printers Bus. Cards     | 252.93          |
| ICARE – Dues paid Jan-Jun 2008 39X\$10.                | 390.00          |
| Auditor-Controller Accounting System Journal Entry     | (37.35)         |
| Facilities Mgt. Journal Entry                          | 68.22           |
| <b>PROFESSIONAL SERVICES</b>                           |                 |
| Gilchrist & Rutter – New Title Holding Entity services | 465.75          |
| Alliant Insurance Services Fid. Liability Ins.         | 43,466.00       |
| The Berwyn Group-Death Check Verification              | 193.00          |
| <b>OVERHEAD REIMBURSEMENT</b>                          | <b>3,500.00</b> |
| <b>TRAVEL IN-COUNTY</b>                                |                 |
| Terry Huskey – Mileage Reimb. Jan-June 2008            | 362.30          |
| James H. Rhodes – Mileage Reimb. Jan-June 2008         | 16.45           |
| Becky Flammang – Mileage Reimb. Jan-June 2008          | 42.63           |
| Robert Williams – Mileage Reimb. Jan-June 2008         | 7.74            |

**SUBTOTAL: \$ 95,466.27**

**B. DISABILITY BUDGET:**

**TRAVEL OUT OF COUNTY PRIVATE CAR**

|  |           |
|--|-----------|
| Elizabeth Castro – Mileage Reimbursement | \$ 122.21 |
|--|-----------|

**SUBTOTAL: \$ 95,588.48**

**C. REGULAR BUDGET 2008/2009:**

|  |           |
|--|-----------|
| PERMANENT SALARIES                               | 10,164.06 |
| EXTRA HELP                                       | 6,364.67  |
| BILINGUAL PAY                                    | 19.50     |
| SOCIAL SECURITY                                  | 235.25    |
| <b>SPECIAL TRAINING</b>                          |           |
| SACRS Public Pension Conf. DP & JR               | 687.18    |
| CONTY CONTR RETIREMENT                           | 1,164.94  |
| GROUP INSURANCE                                  | 1,926.86  |
| INS DENTAL/VISION                                | 16.60     |
| RETIREMENT-PENSION BOND                          | 656.46    |
| RETIREMENT-HEALTH PLAN                           | 517.29    |
| <b>MAINTENANCE &amp; EQUIPMENT</b>               |           |
| Police & Premise Alarm                           | 778.33    |
| <b>OFFICE EXPENSE</b>                            |           |
| Office Depot                                     | 275.60    |
| Federal Express-JP Morgan Class Action           | 35.09     |
| Imperial Printers-Envelopes                      | 452.78    |
| Imperial Printers-ICARE Newsletter               | 71.55     |
| Federal Express-Dsblty App – Dr. Avaspian        | 19.58     |
| <b>PROFESSIONAL SERVICES</b>                     |           |
| American Realty Advisors – Travel Exp April 2008 | 285.74    |

**SUBTOTAL: \$ 23,671.48**



17. Investment Manager Reports:
- A. Bradford & Marzec: Fixed Income Statement, June 30, 2008.
  - B. Dimensional: Client Report for Period Ending June 30, 2008.
  - C. Templeton Institutional Funds: Performance Summary Report as of June 30, 2008.
  - D. PIMCO Distressed Mortgage Fund Offshore Feeder I, L.P.: Capital Account Analysis & Reserve Capital Account Analysis (both Unaudited) for the period April 1, 2008 through June 30, 2008.
  - E. Victory Capital Management: Account Statement: June 1, 2008 - June 30, 2008.
  - F. T. Rowe Price: Report for the Quarter Ended June 30, 2008.
  - G. Calamos Quarterly Performance Report: April 1, 2008 - June 30, 2008.
  - H. TimesSquare Capital Management: Portfolio Review Presentation: August 20, 2008.
18. Upcoming Seminars/Conferences:
- A. Guns & Hoses 2008                      September 21-23, 2008, Hyatt Regency, Huntington Beach, CA
  - B. SACRS Fall Conference                  November 11-14, 2008, The Westin South Coast Plaza, Costa Mesa, CA

#### OTHER ITEMS

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

**Adjournment:** Meeting was adjourned at 4:08 p.m. to September 17, 2008 at 8:30 a.m.

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KAREN VOGEL, CHAIRMAN

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ARMANDO PADILLA, SECRETARY