VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

MAY 15, 2006

MINUTES

DIRECTORS PRESENT:	William W. Wilson, Chair, Public Member Tracy Towner, Vice Chair, Safety Employee Member Lawrence L. Matheney, Treasurer, Ex-officio Member Albert G. Harris, Public Member Robert Hansen, General Employee Member Arthur E. Goulet, Retiree Member Chris Johnston, Alternate Employee Member Will Hoag, Alternate Retiree Member Judy Mikels, Public Member Joseph Henderson, Public Member Karen Becker, General Employee Member
STAFF PRESENT:	Tim Thonis, Retirement Administrator Joseph Randazzo, Assistant County Counsel
PLACE:	Ventura County Employees' Retirement Association Second Floor Boardroom 1190 South Victoria Avenue Ventura, CA 93003
TIME:	9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Business Meeting of May 15, 2006, to order at 9:00am and introduced Mr. Joseph Randazzo as the Board's Legal Advisor for the meeting.

II. APPROVAL OF AGENDA

Ms. Mikels moved, seconded by Mr. Harris, to approve the Agenda.

Motion passed.

III. APPROVAL OF MINUTES

A. Disability Meeting of May 1, 2006.

Mr. Hansen, Ms. Becker and Mr. Goulet offered suggested changes to the May 1, 2006 minutes.

Mr. Matheney moved, seconded by Mr. Hansen, to approve the Minutes for the Disability Meeting of May 1, 2006 as amended.

Motion passed.

IV. CONSENT AGENDA

THE FOLLOWING ITEMS ARE ANTICIPATED TO BE ROUTINE AND NON CONTROVERSIAL. CONSENT ITEMS WILL BE APPROVED WITH ONE MOTION IF NO MEMBER OF THE BOARD WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND TRANSFERRED TO THAT SECTION OF THE AGENDA DEEMED APPROPRIATE BY THE CHAIR.

A. Delta Asset Management Investment Report for the Month Ended April 30, 2006.

B. Wasatch Advisors Investment Report for the Month Ended March 31, 2006.

C. LSV Asset Management Investment Report for the Month Ended April 30, 2006.

D. Barclays Global Investors Report for the U.S. Equity Index Fund, Extended Equity Market Fund, U.S. Debt Index Fund for the Month Ended April 30, 2006.

E. Sprucegrove Investment Management Investment Report for the Month Ended April 30, 2006.

F. Western Asset Management Investment Report for the Month Ended April 30, 2006.

G. Reams Asset Management Investment Report for the Month Ended April 30, 2006.

IV. CONSENT AGENDA (Continued)

H. GMO Investment Management Review for the Month Ended April 30, 2006.

I. Wellington Management Company Investment Report for the Month Ended April 30, 2006.

J. Regular and Deferred Retirements and Survivors Continuances for the Month of April 2006.

K. Statement of Plan Assets, Statement of Changes in Plan Net Assets, Summary of Investments and Cash Equivalents, Statement of Reserves and Schedule of Investment Management Fees for the Month Ended March 31, 2006.

L. Report of Checks Disbursed in April 2006.

M. Budget Summary for the Month Ended April 30, 2006, Fiscal-Year 2005-06.

NOTE: Materials for the Wasatch Advisors Investment Report, Capital Guardian Trust Company and Loomis Sayles & Company Investment Reports for the Month Ended April 30, 2006, did not arrive in time for inclusion in agenda packets.

Mr. Johnston questioned the accuracy of Delta Asset Management's report of monthly purchases.

Ms. Mikels moved, seconded by Mr. Hansen, to approve the Consent Agenda, with Item A, the monthly report from Delta Asset Management, removed from the Consent Agenda.

Motion passed.

Staff was requested to obtain clarification from Delta Asset Management regarding purchases made in April 2006.

V. NEW BUSINESS

A. Paul Angelo, Vice President, and John Monroe, Associate Actuary, were present from the Segal Company to discuss the Actuarial Experience Analysis for the period July 1, 2002 through June 30, 2005.

Mr. Angelo stated that this was the first Actuarial Experience Study (Study) performed by The Segal Company (Segal) on behalf of VCERA. When first hired, Segal reviewed VCERA's June 30, 2002 Experience Study and made several plan assumption recommendations. Adopted changes in demographic assumptions made by the Board resulting from the 2005 Experience Study would be effective in the June 30, 2006 valuation.

Mr. Monroe reviewed and explained the proposed changes to the following demographic assumptions:

Retirement Rates: The Study illustrated that VCERA members were retiring earlier than assumed. The age at which members retire impacts both the amount of benefit paid as well as the period over which funding takes place. Segal recommended VCERA adjust the rates for both General and Safety members to assume earlier retirements than currently assumed.

Mortality Rates: The Study showed that there were fewer deaths for both General and Safety members than expected which contradicted previous experience studies. Segal recommended adjusting the rates for both General and Safety members to reflect the decreased mortality.

Withdrawal Rates: Mr. Monroe explained that the rates of withdrawal (termination for other than death, disability, or retirement) were typically a function member service credit. Those with five or fewer years of service have higher withdrawal rates than those with five or more years of service. Segal recommended VCERA decrease slightly the withdrawal rates for General members while increasing the withdrawal rate for Safety members.

Disability Incidence: The Study indicated that the incidence for General member disability was greater than expected, while Safety member disability incidence experience was very close to that assumed. Segal recommended the disability assumptions be increased for General member to reflect past experience with minimal changes to Safety member rates.

In-Service Redemption: Segal recommended the assumption for in-service redemption be increased for both General and Safety members.

V. **NEW BUSINESS (Continued)**

A. Paul Angelo, Vice President, and John Monroe, Associate Actuary, were present from the Segal Company to discuss the Actuarial Experience Analysis for the period July 1, 2002 through June 30, 2005. (continued)

Average Entry Age: Member contribution rates are based upon an assumed entry age and the Study indicated the average age of entry for General members has been increasing. Thus, Segal recommended an increase in the assumed entry age for General members from 35 to 36 while maintaining the Safety member assumed entry age at 27.

B. Paul Angelo, Vice President, and John Monroe, Associate Actuary, were present from the Segal Company to review the Economic Actuarial Assumptions for the June 30, 2006 Actuarial Valuation.

Mr. Angelo reviewed the proposed changes to VCERA's economic assumptions including:

Inflation Assumption: Segal recommended lowering the Inflation Assumption, which is a component of both the Salary Increase Assumption and Investment Earnings Assumption, from 4.00% to 3.75% due to the fact that inflation overall has been declining gradually over the last several years.

Salary Assumption: Mr. Angelo explained that the Salary Assumption was a product of both demographic and economic assumptions. Given Segal's recommendation to lower the Inflation Assumption from 4.00% to 3.75%, combined with the Experience Study illustrating salary increases of approximately 5.00%, Segal recommended increasing the "real across the board" assumption component to .50% while maintaining the promotional and merit assumption component at .75%, thereby maintaining the overall Salary Assumption recommendation at 5.00%.

Mr. Matheney questioned how Segal arrived at 3.75% and why the overall Salary Assumption did not change due to the lower recommended inflation assumption

Investment Earnings Assumption: Mr. Angelo reviewed Segal's methodology that utilized a "building block" approach consisting of expected investment returns, assumed inflation, assumed expenses and a risk adjustment to determine the recommended earnings assumption. Based

V. NEW BUSINESS (Continued)

B. Paul Angelo, Vice President, and John Monroe, Associate Actuary, were present from the Segal Company to review the Economic Actuarial Assumptions for the June 30, 2006 Actuarial Valuation. (continued)

upon current data, Segal recommended maintaining the Earnings Assumption at 8.00%. Mr. Angelo emphasized that the earnings assumption impacted the timing of Plan costs, not the actual cost of the Plan.

Mr. Angelo explained that the return assumption was based upon data received from the investment consultant community and was based upon passive/index returns. Mr. Angelo further explained that the risk adjustment was based upon a confidence interval that illustrated the number of times out of 100 that the investment returns would be greater than or equal to 8% on a 15-year average. Last year the confidence interval was established 64%, while the confidence interval this year was established at 61%, with the conclusion being that it was slightly more risky to stay at the 8.00% earnings assumption rate when compared to last year.

Mr. Goulet questioned why the CPI for local areas was not given greater emphasis.

Mr. Matheney moved, seconded by Ms. Mikels, to adopt the recommendations of The Segal Company included within the July 1, 2002 through June 30, 2005 Experience Study and the Review of Economic Actuarial Assumptions for June 30, 2006.

Mr. Johnston and Mr. Towner stated they could not support the motion given the recommendation to keep the Earnings Assumption at 8.00%.

Mr. Matheney responded that VCERA's investment portfolio was producing solid returns with tolerable risk measures, thus it was reasonable to remain at the 8.00% earnings assumption level.

Mr. Towner expressed concern for potential liabilities being placed on future employees given the lowering of the confidence interval and the expected lower future returns as illustrated by the recently completed Asset/Liability Study.

Mr. Harris questioned the cost impact of lowering the Earnings Assumption rate from 8.00% to 7.75%.

V. NEW BUSINESS (continued)

B. Paul Angelo, Vice President, and John Monroe, Associate Actuary, were present from the Segal Company to review the Economic Actuarial Assumptions for the June 30, 2006 Actuarial Valuation. (continued)

Mr. Matheney, Ms. Mikels, Mr. Hansen, Mr. Harris, and Mr. Wilson supported the Motion.

Mr. Towner, Mr. Goulet, Ms. Becker, and Mr. Henderson opposed the Motion.

Motion Passed.

Mr. Goulet questioned the status of the Tier II COLA actuarial study.

C. Letter from Staff Requesting Authorization to Approve Travel for SACRS Legislative Committee.

Ms. Mikels moved, seconded by Mr. Hansen, to approve Mr. Towner's SACRS Legislative Committee travel.

Motion Passed.

VI. INFORMATIONAL

A. Publications (Available in Retirement Office)
1. Institutional Investor
2. Pensions and Investments

VII. PUBLIC COMMENT

Mr. Thonis reviewed the monthly investment update from Ennis Knupp that was distributed prior to the meeting.

VIII. BOARD MEMBER COMMENT

Several Trustees including Ms. Becker and Mr. Goulet expressed their disappointment in the SACRS provided ethics training class at the recent conference.

Mr. Goulet remarked that several conference sessions were helpful and added his further disappointment that VCERA's investment managers were not complying with direction for monthly reporting.

IX. ADJOURNMENT

There being no further items of business before the Board, Chairman Wilson adjourned the meeting at 10:55am.

Respectfully submitted,

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TIM THONIS, Administrator

Approved,

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WILLIAM W. WILSON, Chair