

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

AUGUST 21, 2006

MINUTES

DIRECTORS

PRESENT:

William W. Wilson, Chair, Public Member
Tracy Towner, Vice Chair, Safety Employee Member
Lawrence L. Matheney, Treasurer, Ex-officio Member
Robert Hansen, General Employee Member
Karen Becker, General Employee Member
Arthur E. Goulet, Retiree Member
Albert G. Harris, Public Member
Judy Mikels, Public Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member

DIRECTORS

ABSENT:

Joseph Henderson, Public Member

STAFF

PRESENT:

Tim Thonis, Retirement Administrator
Lori Nemiroff, 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 August 21, 2006, to order at 9:00a.m.

II. APPROVAL OF AGENDA

Mr. Harris moved, seconded by Mr. Goulet, to approve the Agenda.

Motion passed.

III. APPROVAL OF MINUTES

- A. Disability Meeting of August 7, 2006.

Mr. Harris moved, seconded by Mr. Goulet, to approve the Minutes for the Disability Meeting of August 7, 2006.

Motion passed. Mr. Matheney abstained.

IV. CONSENT AGENDA

- A. Delta Asset Management Investment Report for the Month Ended July 31, 2006.
- B. Wasatch Advisors Investment Reports for the Months Ended June 30, 2006 and July 31, 2006
- C. LSV Asset Management Investment Report for the Month Ended July 31, 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 July 31, 2006.
- E. Capital Guardian Trust Company Investment Reports for the Months Ended June 30, 2006 and July 31, 2006.
- F. Sprucegrove Investment Management Investment Report for the Month Ended July 31, 2006.
- G. Western Asset Management Investment Report for the Month Ended July 31, 2006.
- H. Reams Asset Management Investment Report for the Month Ended July 31, 2006.
- I. Loomis Sayles & Company Investment Reports for the Month Ended June 30, 2006

IV. CONSENT AGENDA (Continued)

- J. GMO Investment Management Review for the Month Ended July 31, 2006.
- K. Wellington Management Company Investment Report for the Month Ended July 31, 2006.
- L. Regular and Deferred Retirements and Survivors Continuances for the Month of June 2006.
- M. Preliminary 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 June 30, 2006.

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

Motion passed.

V. INVESTMENT INFORMATION

- A. Reams Asset Management Company Annual Investment Presentation, Thomas M. Fink, CFA, Managing Director.

Mr. Thomas Fink, CFA, Managing Director was present to discuss the organization, investment performance, and investment process.

Mr. Fink informed the Board that Reams remained 100% employee-owned with the sole focus of managing fixed income portfolios for institutional clients. Presently, Reams manages approximately \$10.3 billion for their clients under the direction of 12 investment professionals.

Mr. Fink reviewed the investment objectives and informed the Board that approximately 83% of the portfolio was currently rated at AAA.

Returns were described as very modest on an absolute basis, but relative returns were strong as Reams outperformed the benchmark, gross of fees, by 162 basis points over the last 3 years on an annualized basis.

Going forward, Mr. Fink explained that should interest rates stabilize at their current levels, the Board could expect absolute returns to approximate the portfolio's current yield of 6%.

V. INVESTMENT INFORMATION (Continued)

- B. EnnisKnupp Presentations, Kevin Vandolder, Principal and Justin Mier, Investment Analyst.

1. Performance Report, Second Quarter 2006.

Mr. Vandolder and Mr. Mier reviewed the market environment, asset allocation, and 2nd quarter performance. Overall, the total fund declined 1% during the quarter trailing the return of the policy portfolio by 30 basis points. For the fiscal year ending June 30, 2006, total returns were 9.5% versus a policy portfolio return of 9.8%. VCERA's international equity portfolios were the plan's best performers on an absolute basis returning a combined 27.6%.

Mr. Towner requested a one-page summary on why Capital Guardian continues to overweight Japanese stocks in their portfolio.

Mr. Johnston requested that a discussion on whether to place Wasatch on the Watch List due to underperformance be held at the next business meeting.

Mr. Hansen moved, seconded by Ms. Mikels, to receive and file the Performance Report for the Second Quarter.

Motion Passed.

2. Preliminary Performance Results, July 2006.

Mr. Vandolder and Mr. Mier reviewed the preliminary performance results for the month of July. Overall, the fund earned .50% matching the return of the policy portfolio. Wasatch outperformed due to their overweighting in health care stocks, while Delta underperformed due primarily to overweighting technology stocks.

Mr. Hansen moved, seconded by Ms. Mikels, to receive and file the Preliminary Performance report for July 2006.

Motion Passed.

3. Monthly Manager Updates/Summary, July 2006.

Ms. Mikels moved, seconded by Mr. Hansen, to receive and file the Monthly Manager Updates.

Motion Passed.

V. INVESTMENT INFORMATION (Continued)

- B. EnnisKnupp Presentations, Kevin Vandolder, Principal and Justin Mier, Investment Analyst. (continued)

4. Investment Manager Rating System Review.

Mr. Vandolder reviewed the EnnisKnupp quantitative manager rating system. Manager scores range between 0 – 20 with a higher score indicating a greater belief by EnnisKnupp that a manager has the ability to beat an index.

Ms. Mikels moved, seconded by Mr. Goulet, to receive and file the Investment Manager Rating System review.

Motion passed.

5. Memorandum Regarding Update on Real Estate Funding.

Mr. Vandolder discussed the funding of the Guggenheim portfolio in June, the existing purchase queue at RREEF and recommended the Board pursue funding the RREEF mandate.

Mr. Hansen moved, seconded by Ms. Mikels, to receive and file the Real Estate Funding Memorandum.

Motion Passed.

6. Memorandum Regarding Monthly Investment Manager Reporting Approach.

Mr. Vandolder discussed the differences between the two sets of monthly investment reports the Board currently received and recommended the Board select one approach.

Mr. Harris moved, seconded by Ms. Mikels, to request VCERA's investment managers follow the revised approach requiring managers answer the four questions regarding their organization, compliance, relative performance, and economic outlook.

Motion Passed.

VI. NEW BUSINESS

- A. Memorandum from Lori Nemiroff, Assistant County Counsel; San Diego Criminal Prosecution of Retirement Board Trustees for Violations of Conflict of Interest Provisions Under Government Code Section 1090.

Ms. Nemiroff reviewed the circumstances that lead to the District Attorney in San Diego filing criminal charges against six former trustees of the City pension board and summarized the recent court ruling regarding the salary exemption from the section 1090 prohibition.

- B. Memorandum from Lori Nemiroff, Assistant County Counsel; City of San Diego Kroll Report.

Ms. Nemiroff provided a summary of the recently issued Kroll report that described the circumstances and events that lead to the ongoing investigations and remedial actions that have taken place at the City of San Diego's pension plan.

Mr. Towner moved, seconded by Ms. Mikels, to receive and file both the 1090 memorandum and the Kroll Report memorandum.

Motion Passed.

Mr. Matheney complimented Ms. Nemiroff for her work in summarizing the Kroll report.

- C. Letter from Staff Regarding Renewal of the Supplemental Cost-Of-Living (STAR COLA) Benefit.

Mr. Thonis provided a review of the STAR COLA benefit and recommended the benefit be renewed for the period October 1, 2006 through September 30, 2007.

Mr. Goulet moved, seconded by Mr. Matheney, to approve the payment of the STAR COLA for the period October 1, 2006 through September 30, 2007.

Motion Passed.

Mr. Goulet requested a written explanation from staff on why excess earnings are not available to provide additional funding to the STAR COLA reserve given the annual investment returns over the past three years.

VI. NEW BUSINESS (Continued)

- C. Letter from Staff Regarding Renewal of the Supplemental Cost-Of-Living (STAR COLA) Benefit. (continued)

Staff was directed to have the written explanation reviewed by the Board's outside legal counsel and requested the explanation be included as an informational item on a future Board agenda.

- D. Letter from Staff Regarding Fiduciary Liability Insurance; Waiver of Recourse.

Mr. Thonis reviewed the Fiduciary Liability Coverage and recommended VCERA's trustees pay the nominal fee to waive the right of recourse the insurance carrier may have against individual trustees.

Mr. Matheney moved, seconded by Mr. Harris, to adopt the staff recommendation in order to maximize the effectiveness of the Board's fiduciary liability coverage.

Motion Passed.

- E. Letter from Staff Recommending Approval of the RREEF Subscription Agreement.

Mr. Thonis reviewed the staff recommendation to approve the RREEF subscription agreement and requested the Chairman be authorized to sign the documents necessary for VCERA to enter the purchase queue at RREEF.

Mr. Matheney moved, seconded by Mr. Harris, to approve the RREEF subscription agreement.

Motion Passed.

- F. Letter from Staff Recommending the Board Utilize Mr. Tom Dwyer's Services Through CB Richard Ellis in Upcoming Lease Renewal Process.

Mr. Thonis recommended the Board utilize Mr. Tom Dwyer from CB Richard Ellis to assist the Board in their future lease negotiations.

Mr. Towner moved, seconded by Mr. Harris, to utilize the services of CB Richard Ellis in the lease negotiations.

Motion Passed.

VI. NEW BUSINESS (Continued)

- G. Letter from Staff Regarding Technology Consultant Selection.

Mr. Thonis reviewed the Board's Service Provider Policy and requested the Administrator be directed to conduct interviews for a technology consultant.

Ms. Becker moved, seconded by Ms. Mikels, to direct the Administrator to conduct the technology consultant interviews.

Motion passed.

- H. Appointment of SACRS Voting Delegates.

Chairman Wilson appointed Mr. Goulet as the Voting Delegate and Mr. Hoag as the Alternate Voting Delegate for the upcoming Fall 2006 SACRS Conference.

VII. INFORMATIONAL

- A. Publications (Available in Retirement Office)
1. Institutional Investor
2. Pensions and Investments
- B. Pension Protection Act – Quick Summary of Major Public Sector Provisions Prepared by Hanson Bridgett.
- C. Memorandum from SACRS Announcing Appointees to the Ad Hoc Nomination Review Committee.

VIII. PUBLIC COMMENT

Mr. Daniel Hempel, a resident of the City of Ventura, expressed his concern to the Board regarding the trend of VCERA's rising Unfunded Accrued Actuarial Liability (UAAL) since the year 2000. Mr. Hempel encouraged the Board to review VCERA's asset allocation and make the necessary changes.

IX. BOARD MEMBER COMMENT

None.

X. ADJOURNMENT

There being no further items of business before the Board, Chairman Wilson adjourned the meeting at 11:30 a.m.

Respectfully submitted,

TIM THONIS, Administrator

Approved,

WILLIAM W. WILSON, Chair