

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

NOVEMBER 15, 2004

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
Jim Wall, General Employee Member
Robert Hansen, General Employee Member
Wayne Larroque, Retiree Member
Chris Johnston, Alternate Safety Member
Vern Markley, Alternate Retiree Member

DIRECTORS
ABSENT: Judy Mikels, Public Member

STAFF
PRESENT: Van Perris, Administrator
Tim Thonis, Chief Financial Officer
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.

ACTION ON AGENDA: When Deemed to be Appropriate, the Board of Retirement May Take Action on Any and All Items Listed Under Any Category of This Agenda, Including "Correspondence" and "Informational"

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Business Meeting of November 15, 2004, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Mr. Wall moved, seconded by Mr. Harris, to approve the agenda.

Motion passed.

III. APPROVAL OF MINUTES

A. Disability Meeting of November 1, 2004.

Mr. Harris moved, seconded by Mr. Larroque, to approve the Minutes for the Disability Meeting of November 1, 2004.

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 October 31, 2004.
- B. Wasatch Advisors Investment Report for the Month Ended October 31, 2004.
- C. LSV Asset Management Investment Report for the Month Ended October 31, 2004.
- D. Barclays Global Investors Report for the U.S. Equity Index Fund, Extended Equity Market Fund and U.S. Debt Index Fund for the Month Ended October 31, 2004.
- E. Capital Guardian Trust Company Investment Report for the Month Ended October 31, 2004.
- F. Sprucegrove Investment Management Investment Report for the Month Ended October 31, 2004.

IV. CONSENT AGENDA (Continued)

- G. Western Asset Management Investment Report for the Month Ended October 31, 2004
- H. Reams Asset Management Investment Report for the Month Ended October 31, 2004.
- I. UBS Realty Investors Third Quarter Real Estate Separate Account Performance Summary.
- J. Regular and Deferred Retirements and Survivors Continuances for the Month of October 2004.
- K. Statement of Plan Net Assets, Statement of Changes In Plan Net Assets, Summary of Investments and Cash Equivalents and Statement of Reserves for the Month Ended October 31, 2004.
- L. Report of Checks Disbursed in October 2004.

Mr. Harris moved, seconded by Mr. Wall, to approve the Consent Agenda Items A through L.

Motion passed.

V. INVESTMENT INFORMATION

- A. EnnisKnupp & Associates, David Russell, CFA, and Kevin Vandolder, CFA.
 - 1. Quarterly Investment Performance Review for Periods Ending September 30, 2004.

Mr. Russell and Mr. Vandolder provided a summary of the Third Quarter Investment Performance Report.
 - 2. Alternate Investment Strategies Consideration Report.

Mr. Russell and Mr. Vandolder reviewed the Alternative Investment Strategy Report.

V. INVESTMENT INFORMATION (Continued)

A. EnnisKnupp & Associates, David Russell, CFA, and Kevin Vandolder, CFA
(Continued).

3. Memorandum-Delta Asset Management Ownership Change.

Mr. Russell discussed the change of ownership of Delta Asset Management and indicated they felt this would benefit the firm.

4. Memorandum-Research Update-Capital Guardian Non-U.S. Equity. Copies of Letters from Wilshire Associates.

Mr. Russell discussed the recent Pensions & Investments article involving Capital Guardian, the firm's performance and reviewed the criteria for placing a firm on the Board's Watch List.

Mr. Matheney moved, seconded by Mr. Harris, not place Capital Guardian on the Board's Watch List but to continue to closely monitor their performance.

Motion passed.

5. Memorandum-Proposed Work Plan.

Mr. Russell presented the proposed work plan for Ennis Knupp for the remainder of 2004 and 2005

6. Memorandum-EnnisKnupp Website.

Mr. Vandolder discussed the Ennis Knupp website.

7. Preliminary Investment Summary for the Month of October 2004 (Distributed at Meeting).

Mr. Russell and Mr. Vandolder summarized the preliminary performance results for October.

Mr. Larroque moved, seconded by Mr. Harris, to receive and file this report.

Motion passed.

V. INVESTMENT INFORMATION (Continued)

- B. Letter from Robert Sandroni, Senior Managing Director, and Carl Goldsmith, Chief Investment Officer, Delta Asset Management, Requesting Board Approve Assignment of Investment Management Agreement.

Mr. Harris moved, seconded by Mr. Hansen, to approve the assignment of the contract with Delta Asset Management to Berkeley Capital Management.

Motion passed.

VI. OLD BUSINESS

- A. Paul Angelo, Vice President, The Segal Company. Board to Consider Proposals To Change Asset Smoothing Method and Available Earnings Measure (Continued from Discussions at Board Retreat).

Mr. Angelo recommended the Board change the current asset smoothing method, which smooths annual unrealized gains/losses over a five-year period, to a method that smooths the difference between the total actual annual return and the assumed return over a five-year period. Mr. Angelo indicated this change could be made fully retroactive by going back five years, retroactive for one year or prospective only which Mr. Angelo stated would have “no impact”.

Mr. Wall moved, seconded by Mr. Matheney, to adopt the recommended change to the asset smoothing method on a prospective basis.

Motion passed.

Mr. Angelo recommended the Board change the current book value method for measuring earnings for interest crediting purposes and valuation reserves to a method that measures the return on the actuarial value of assets. Mr. Angelo provided an overview of book value reserving versus actuarial value reserving. Mr. Angelo indicated that the transition to the new method would result in the recognition of \$243,101,000 in reserves that had been recognized as valuation assets due to asset smoothing. Mr. Angelo stated that if the Board wished to adopt the new method it could be done on a “no impact” basis meaning there would be no change to total valuation or non-valuation assets or to the undistributed earnings reserve. Mr. Angelo discussed using a transition reserve for financial statement purposes that would be a valuation asset credited with interest semiannually, but have no other purpose.

VI. OLD BUSINESS (Continued)

- A. Paul Angelo, Vice President, The Segal Company. Board to Consider Proposals To Change Asset Smoothing Method and Available Earnings Measure (Continued from Discussions at Board Retreat). (Continued)

Mr. Angelo also indicated there would be “no impact” from adopting this method if this amount were placed in the County Advance Reserves. Mr. Angelo indicated that the Contra Costa County Employees’ Retirement Association had opted to use a transition reserve to account for this one time adjustment when they made the change from book value to actuarial value. Mr. Angelo indicated that if a “no impact” transition is desired the Board would not want to add this amount to the undistributed earnings reserve because it could mean that these assets were available for additional benefits. Mr. Angelo indicated a portion of these funds could be used to offset the current contra account balance.

Mr. Matheney moved, seconded by Mr. Harris, to adopt on a prospective basis the actuarial value for recognizing earnings consistent with the method used for asset valuation purposes and to continue classifying the \$243 million identified by this one-time adjustment as valuation assets, first applying it to eliminate the current contra fund balance with the rest to be classified as part of the County Advance Reserves.

Motion passed. Mr. Larroque and Mr. Johnston opposed.

VII. INFORMATIONAL

- A. Publications (Available in Retirement Office)
1. Institutional Investor
2. Pensions and Investments
- B. Letter from Paul Derse, Chief Deputy Executive Officer, County of Ventura, to Ann Michalski, Chair, Benefits Committee, Ventura County Retired Employees’ Association, Regarding Health Care Benefits.

Mr. Larroque stated that representatives from the Ventura County Retired Employees’ Association would be meeting with representatives from the County of Ventura to discuss this subject.

Mr. Larroque moved, seconded by Mr. Matheney, to receive and file this item.

Motion passed.

VII. INFORMATIONAL

C. CALAPRS Principles of Pension Management Course.

VIII. PUBLIC COMMENT

None

IX. BOARD MEMBER COMMENT

Mr. Wall advised the Board that SACRS had voted against supporting the proposed legislation submitted to amend the provisions for the payment of the vested \$108.44 supplemental benefit.

X. ADJOURNMENT

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

Respectfully submitted,

VAN PERRIS
Retirement Administrator

Approved:

WILLIAM W. WILSON
Chair