

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

DECEMBER 20, 2004

MINUTES

DIRECTORS
PRESENT: William W. Wilson, Chair, Public Member
Lawrence L. Matheney, Treasurer, Ex-officio Member
Albert G. Harris, Public Member
Judy Mikels, Public Member
Robert Hansen, General Employee Member
Jim Wall, General Employee Member
Wayne Larroque, Retiree Member
Vern Markley, Alternate Retiree Member

DIRECTORS
ABSENT: Tracy Towner, Vice Chair, Safety Employee Member
Chris Johnston, Alternate Employee Member

STAFF
PRESENT: Van Perris, Retirement Administrator
Tim Thonis, Chief Financial Officer
Lori Nemiroff, Assistant County Counsel
Debbie Juul, Retirement Operations Manager

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 December 20, 2004, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

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

Motion passed.

III. APPROVAL OF MINUTES

A. Disability Meeting of December 6, 2004.

Mr. Harris moved, seconded by Mr. Wall, to approve the Minutes for the Disability Meeting of December 6, 2004.

Motion passed. Ms. Mikels abstained.

IV. CONSENT AGENDA

- A. Delta Asset Management Investment Report for the Month Ended November 30, 2004.
- B. Wasatch Advisors Investment Report for the Month Ended November 30, 2004.
- C. LSV Asset Management Investment Report for the Month Ended November 30, 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 November 30, 2004.
- E. Capital Guardian Trust Company Investment Report for the Month Ended November 30, 2004.
- F. Sprucegrove Investment Management Investment Report for the Month Ended November 30, 2004.
- G. Western Asset Management Investment Report for the Month Ended November 30, 2004.
- H. Reams Asset Management Investment Report for the Month Ended November 30, 2004.

IV. CONSENT AGENDA (Continued)

- I. UBS Realty Investors Real Estate Separate Account Quarterly Report.
- J. Prudential Real Estate Investors Quarterly Report for Real Estate Assets Held.
- K. Regular and Deferred Retirements and Survivors Continuances for the Month of November 2004.
- L. 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.
- M. Report of Checks Disbursed in November 2004.
- N. Budget Summary for the Months Ended October 31, and November 30, 2004.

Ms. Mikels moved, seconded by Mr. Harris, to approve the Consent Agenda Items A through N.

Motion passed.

V. INVESTMENT INFORMATION

- A. Barclays Global Investors Annual Investment Presentation; David S. Lissek, Principal.

David Lissek was present along with Matt Tucker from BGI's Fixed Income Strategy Group. Board was provided an overview of the BGI organization, investment capabilities and investment performance for the Equity Index, Extended Market Equity and Debt Index funds.

- B. EnnisKnupp & Associates, Kevin Vandolder, CFA, Christopher Riley, Senior Analyst.

- 1. Investment Policy Statement and Manager Guidelines.

Mr. Vandolder and Mr. Riley reviewed several proposed changes to the manager guidelines. Mr. Vandolder advised the Board that Ennis Knupp was comfortable with recommending several changes requested by various investment managers. LSV requested an increase in the maximum market

V. INVESTMENT INFORMATION (Continued)

B. EnnisKnupp & Associates, Kevin Vandolder, CFA, Christopher Riley, Senior Analyst (Continued).

1. Investment Policy Statement (Continued)

capitalization of a stock from \$3 billion to \$4 billion; Reams requested an increase in duration latitude from 20% to 25% of their benchmark and the ability to hold up to 15% of the portfolio in high yield securities and Westerns request to include bank loans as a suitable investment. Mr. Riley reviewed a recommendation for both Western and Reams to measure the 1% limitation on the holding of below investment grade bonds as of the time of purchase, with an overall maximum holding of 1.5% resulting from the increase in value of the holding.

2. Investment Policy Manual.

Mr. Vandolder and Mr. Riley reviewed the Investment Policy Manual And Manager Guidelines with the recommended manager guideline changes previously addressed.

Discussion was held regarding the 4% inflation rate listed in Section II and the investment objective of attempting to exceed the actuarial rate of return over a five-year period listed in Section III.

Mr. Wall moved, seconded by Ms. Mikels, to adopt the recommendations from Ennis Knupp regarding the revisions to the manager guidelines and the deletion of the investment objective listed under Section III. of the Policy Manual of exceeding the actuarial rate of return over rolling five-year periods.

Motion passed.

3. Year End Policy Discussion.

Mr. Vandolder discussed global equity and stated Ennis Knupp was recommending adding an allocation ranging from 2% to 6% of total fund assets. Mr. Vandolder recommended phased in approach starting with reviewing with the Board a search report of potential global equity investment managers. The Chair requested Mr. Vandolder coordinate with staff a date for submitting the search report to the Board.

V. INVESTMENT INFORMATION (Continued)

B. EnnisKnupp & Associates, Kevin Vandolder, CFA, Christopher Riley, Senior Analyst (Continued).

3. Year End Policy Discussion (Continued)

Mr. Vandolder discussed moving a portion of the current passive allocation to fixed income. Mr. Vandolder indicated this could be accomplished by either transferring additional funds to Western and Reams, or selecting a new fixed income manager. The Chair requested Mr. Vandolder coordinate with staff a date for submitting a search report to the Board

Mr. Vandolder discussed the use of the Lehman Aggregate Index and Lehman Universal Index as performance benchmarks and which would be most appropriate for VCERA. A phased in approach was suggested for transitioning from the Aggregate to the Universal starting with using the Universal as a secondary benchmark for active manager mandates. Mr. Vandolder was directed to move forward with that step.

4. Securities Lending Review.

Mr. Vandolder and Mr. Riley provided a brief overview of the securities lending program with State Street Bank.

5. Preliminary Investment Summary for November 2004.

Mr. Vandolder and Mr. Riley reviewed the preliminary performance report.

Mr. Hansen moved, seconded by Ms. Mikels, to receive and file the report.

Motion passed.

6. Annual Renewal of Consulting Service Agreement

Mr. Matheney moved, seconded by Ms. Mikels, to approve the renewal of the Consulting Services Agreement with Ennis Knupp & Associates.

Motion passed.

VI. OLD BUSINESS

- A. Proposed Board Meeting and Manager/Consultant Presentation Schedule for 2005.

Mr. Matheney moved, seconded by Mr. Harris, to approve the Board Meeting and Manager presentation schedule for 2005.

Motion passed.

VII. NEW BUSINESS

- A. Review of 2004 Legislation Impacting 1937 Act Retirement Systems.

The Board reviewed a report on 2004 legislation prepared by Debbie Juul, Retirement Operations Manager. Staff was requested to attempt to obtain more information on the legislation involving the method of payment for the lump-sum death benefit.

Ms. Mikels moved, seconded by Mr. Harris, to receive and file the report from Ms. Juul.

Motion passed.

VIII. INFORMATIONAL

- A. Publications (Available in Retirement Office)
1. Institutional Investor
2. Pensions and Investments
- B. Letter from Wayne Larroque, President, Ventura County Retired Employees' Association, to Johnny Johnston, Chief Executive Officer, County of Ventura.

Mr. Larroque addressed his letter to Mr. Johnston along with a letter he had received from the County regarding retiree health care coverage.

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

- C. Announcement of CALAPRS Principles of Pension Management Course for Trustees.

No action taken.

IX. PUBLIC COMMENT

None.

X. BOARD MEMBER COMMENT

Mr. Wall requested an update as to whether anything had been done yet with regarding to proposing legislation to amend the provisions for the payment of the vested \$108.44 vested supplemental benefit. Mr. Perris advised that staff would discuss this issue with the County's legislative analyst to determine the best way to find a sponsor for the proposed legislation. Mr. Matheney wished everyone a happy holiday season. Mr. Hansen stated managers should only discuss the performance of funds under their management and not address other products offered by their firm.

XI. ADJOURNMENT

There being no further business before the Board, Chairman Wilson adjourned the meeting at 11:10 a.m.

Respectfully submitted,

VAN PERRIS
Retirement Administrator

Approved:

WILLIAM W. WILSON
Chair