

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

MAY 17, 2004

MINUTES

DIRECTORS
PRESENT: William W. Wilson, Chair, Public Member
Tracy Towner, Vice Chair, Safety Employee Member
Lawrence L. Matheney, Treasurer, Ex-officio Member
John J. Crossan, Public Member
Robert Hansen, General Employee Member
Jim Wall, General Employee Member
Wayne Larroque, Retiree Member
Chris Johnston, Alternate Employee Member
Vern Markley, Alternate Retiree Member

DIRECTORS
ABSENT: Judy Mikels, Public Member
Albert G. Harris, Public Member

STAFF
PRESENT: Van Perris, Administrator
Tim Thonis, Assistant 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 May 17, 2004, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Mr. Wall moved, seconded by Mr. Larroque, to approve the Agenda.

Motion passed.

III. APPROVAL OF MINUTES

- A. Disability Meeting of May 3, 2004.

Mr. Larroque moved, seconded by Mr. Towner, to approve the Minutes for the Disability Meeting of May 3, 2004.

Motion passed.

IV. CONSENT AGENDA

- A. Delta Asset Management Investment Report for the Month Ended April 30, 2004.
- B. Wasatch Advisors Investment Report for the Month Ended April 30, 2004.
- C. LSV Asset Management Investment Report for the Month Ended April 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 April 30, 2004.
- E. Capital Guardian Trust Company Investment Report for the Month Ended April 30, 2004.
- F. Sprucegrove Investment Management Investment Report for the Month Ended April 30, 2004.
- G. Western Asset Management Investment Report for the Month Ended April 30, 2004.
- H. Reams Asset Management Investment Report for the Month Ended April 30, 2004.
- I. Regular and Deferred Retirements and Survivors Continuances for the Month of April 2004.
- J. Statement of Plan Net Assets, Statement of Changes In Plan Net Assets, Summary of Investments & Cash Equivalents, Statement of Reserves and Schedule of Investment Management Fees for the Month Ended April 30, 2004.
- K. Report of Checks Disbursed in April 2004.

IV. CONSENT AGENDA (Continued)

L. Budget Summary for the Month Ended April 30, 2004.

Mr. Towner moved, seconded by Mr. Matheney, to approve the Consent Agenda Items A through L.

Motion passed.

V. INVESTMENT INFORMATION

A. Real Estate Investment Review; Transition of Separate Real Property Assets to Commingled Fund.

1. Presentation by Prudential Real Estate Investors, Mark Oczkus, Allen Smith and Cathy Marcus.
2. Memorandum from Ennis Knupp & Associates Regarding Meeting With Prudential and Outlining Takeover Work Plan, David Russell.
3. Letter from Blaine Smith, INVESCO Realty Advisors Requesting Direction With Respect to Asset Management.
4. Prudential Investment Management Agreement for the Management of Separate Properties Until Purchased by PRISA or Disposed.
5. PRISA Insurance Company Separate Account Contract (Draft).
6. Determination Regarding the Process to be Followed for the Retention of a Third-Party Fiduciary and Independent Appraiser.

Mr. Oczkus, Mr. Smith and Ms. Marcus reviewed the process that would be utilized for the evaluation and disposition of the VCERA portfolio. The Board was advised that Prudential had been doing similar transitions as a result of their acquisition of the Cigna commingled real estate fund. Mr. Smith indicated that Prudential would like to assume management of the properties by June 30 and at that time would commence due diligence to see if any of the four properties would be suitable for transfer to the PRISA commingled fund. The Board was advised that VCERA would need to get each of the properties appraised.

Mr. Russell summarized the memorandum from Ennis Knupp. With regard to the role of INVESCO, both Mr. Russell and Mr. Smith indicated it would be preferable to have Prudential handle all facets of the transition and disposal of any properties not transferred to PRISA.

V. INVESTMENT INFORMATION (Continued)

A. Real Estate Investment Review; Transition of Separate Real Property Assets to Commingled Fund (Continued)

With regard to the memorandum from INVESCO Realty Advisors, the Chair directed staff to communicate to INVESCO the intent of the Board to transfer asset management to Prudential at June 30, 2004.

Discussion was held regarding the Investment Management Agreement for the four properties and the PRISA Separate Account Contract. Ms. Nemiroff advised the Board she had done a preliminary review and would work with counsel from Prudential to come up with a final contract for the Board to consider.

Discussion was held regarding retention of a firm to appraise the properties and the third party fiduciary. Mr. Smith indicated that getting the appraisals done was a priority.

Staff was directed to work with Prudential and Ennis Knupp to locate the firms to perform the required appraisals.

B. Ennis Knupp & Associates, David Russell, CFA.

1. Quarterly Investment Performance Review for Periods Ending March 31, 2004.
2. Memorandum on S&P U.S. Equity Index Changes.
3. Memorandum on Wilshire Index Changes.
4. Preliminary Investment Performance Summary as of April 30, 2004 (Distributed at Meeting).

Mr. Russell reviewed a handout titled U.S. Equity Index Construction, memorandums on changes to the S&P and Wilshire Indexes, and briefly summarized investment performance.

C. Discussion of Potential Topics for the Board of Retirement Retreat Scheduled for September 23-24, 2004.

Suggested topics included having a discussion on excess earnings policies, Article 5.5 of the '37 Act, a review of the 1966-1982 period and how a repeat of that time period would impact VCERA, and a discussion of retirement benefits and service provided by VCERA to its membership.

VI. OLD BUSINESS

- A. Letter from John K. Nicoll, Chief Deputy Executive Officer, Recommending the Board of Retirement Adopt Regulations Pursuant to the Provisions of Government Code Section 31627 in Order to Provide Eligible Members a Two Percent Cost-of-Living Adjustment.

John Nicoll was present from the County of Ventura Chief Executive Office, along with John Polich from the Office of the Ventura County Counsel. Mr. Nicoll summarized the proposed regulations and requested the Board take action to adopt the proposed regulations. John Polich, Assistant County Counsel, reviewed the content of the proposed regulations for the Board.

Michael Conger, Attorney at Law, was present on behalf of SEIU Local 998. Mr. Conger stated they were strongly opposed to the adoption of the proposed regulations.

The Board held discussion on the proposed regulations.

Mr. Matheney moved, seconded by Mr. Towner, to not adopt the proposed regulations at the present time, without prejudice to having the County present the regulations to the Board for consideration at a later date.

Motion passed.

VII. NEW BUSINESS

- A. Letter from Julian Macdonald Dated May 11, 2004 With Attachment dated March 31, 2004, Requesting Board of Retirement Amend Provisions for the Payment of the \$108.44 Supplemental Benefit.

Discussion was held regarding the current policy for the payment of the \$108.44 benefit and potential legislative changes that may need to be made to Government Code section 31682 which provides for the payment of this benefit.

Mr. Matheney moved, seconded by Mr. Larroque, to amend the policy for the payment of the \$108.44 supplemental benefit to eliminate the service requirement for those who retire at age 70 or more.

Motion passed.

VIII. INFORMATIONAL

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

IX. PUBLIC COMMENT

None.

X. BOARD MEMBER COMMENT

Mr. Johnston requested an update on the Worldcom litigation and whether the settlement with Citicorp would have any benefit to VCERA. Ms. Nemiroff provided a brief update on the Mathews litigation. Mr. Crossan, Mr. Wilson and Mr. Larroque commented on the \$108.44 supplemental benefit.

XI. ADJOURNMENT

There being no further business before the Board, Chairman Wilson adjourned the meeting at 11:35 a.m.

Respectfully submitted,

VAN PERRIS
Administrator

Approved:

WILLIAM W. WILSON
Chair