

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### BUSINESS MEETING

DECEMBER 18, 2006

### MINUTES

**DIRECTORS  
PRESENT:**

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

**DIRECTORS  
ABSENT:**

Robert Hansen, General Employee Member  
Judy Mikels, 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 December 18, 2006, to order at 9:00a.m.

**II. APPROVAL OF AGENDA**

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

Motion passed.

**III. APPROVAL OF MINUTES**

A. Disability Meeting of December 4, 2006.

Mr. Henderson moved, seconded by Mr. Goulet, to approve the Minutes for the Disability Meeting of December 4, 2006.

Motion passed. Mr. Harris abstained.

**IV. CONSENT AGENDA**

- A. Regular and Deferred Retirements and Survivors Continuances for the Month of November 2006.
- B. Statement of Plan Assets, Statement of Changes in Plan Net Assets, Summary of Investments and Cash Equivalents and Statement of Reserves for the Month Ended October 31, 2006.
- C. Report of Checks Disbursed in November 2006.
- D. Budget Summary for the Month Ended November 30, 2006, Fiscal-Year 2006-07.
- E. Barclays Global Investors Report for the U.S. Equity Index Fund, Extended Equity Market Fund, U.S. Debt Index Fund for the Month Ended November 30, 2006.
- F. Guggenheim Real Estate Investor Statement for the Quarter Ending September 30, 2006.

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

Motion passed.

V. INVESTMENT INFORMATION

- A. Barclays Global Investors Annual Investment Presentation, Lee Wanie, Principal.

Lee Wanie, CFA and Chris Capusano were present from Barclays Global Investors.

Mr. Wanie reviewed the performance of the three index investment mandates Barclays manages on behalf of the VCERA. Mr. Capusano, who works in BGI's Structured Solutions Group, described for the Board the structure of 'Asset Trust' deals including the complementary nature between the preferred subscriber and the ordinary subscriber and how return streams are allocated between the two different investors. Mr. Capusano informed the Board that if VCERA were to choose to be a preferred investor in an 'Asset Trust' deal, then the Board could expect to receive an index return plus 10 basis points, with no management fees, no tracking error, no transaction costs and with full collateralization.

- B. EnnisKnupp & Associates Presentation, Kevin Vandolder & Justin Mier.

1. Monthly Investment Performance Update.

Mr. Mier reviewed VCERA's investment performance through November 2006 focusing on the fiscal year to-date performance of 9.2%, the strong relative performance in international equity produced by Sprucegrove with the corresponding detraction in relative performance produced by Capital Guardian, and the continued strong performance of VCERA's fixed income managers relative to the benchmark.

Mr. Towner expressed concern regarding Delta's continued under-performance relative to the S&P 500 index.

Mr. Matheney moved, seconded by Mr. Harris, to receive and file the Monthly Investment Report.

Motion Passed.

2. Monthly Manager Updates/Summary, November 2006.

- a. Delta
- b. LSV
- c. Wasatch
- d. Sprucegrove

V. INVESTMENT INFORMATION (Continued)

- B. EnnisKnupp & Associates Presentation, Kevin Vandolder & Justin Mier.  
(continued)

3. Monthly Manager Updates/Summary, November 2006.

- e. Capital Guardian
- f. GMO
- g. Wellington
- h. Western
- i. Reams
- j. Loomis Sayles

Mr. Vandolder discussed Delta Asset Management's recent addition of a new portfolio manager, Mr. David Garza, and Mr. Garza's background in managing long/short portfolios.

Mr. Goulet moved, seconded by Mr. Matheney, to receive and file the Monthly Manager Updates/Summary.

Motion Passed.

4. Quarterly Performance Report.

Mr. Mier reviewed VCERA's performance through September 30, 2006, focusing on the out-performance of the total fund relative to the policy portfolio (4.5% v. 4.2%) and VCERA's asset allocation which remained very close to policy weight. Mr. Mier also commented on the third quarter cash flows due to the receipt of prepaid employer contribution less amounts withdrawn for benefit payments.

Mr. Harris moved, seconded by Mr. Matheney, to receive and file the September 30, 2006 performance report.

Motion Passed.

5. Invitation to EnnisKnupp Training Sessions.

Mr. Vandolder invited the Board Members to attend EnnisKnupp's training sessions in Chicago, on February 7 -8, 2007.

No action taken.

V. INVESTMENT INFORMATION (Continued)

- B. EnnisKnupp & Associates Presentation, Kevin Vandolder & Justin Mier.  
(continued)

6. 2006 Annual Review and Work Plan Update.

Mr. Vandolder reviewed the 2006 market environment, the style returns that continued to show value stocks outperforming growth stocks, and the best performing sectors in 2006. Mr. Vandolder also reviewed VCERA's performance and asset allocation versus our SACRS peers and discussed VCERA's recent under-performance being directly attributable to VCERA not allocating assets to alternative strategies and a lower allocation to non-U.S. equity strategies. Additionally, Mr. Vandolder discussed VCERA's accomplishments in 2006 and shared EnnisKnupp's work plan for the first 6 months of 2007.

Mr. Wilson commented on the disturbing trend where VCERA has fallen from being one of the top performing funds in the SACRS group to being below average. Mr. Wilson attributed much of the under-performance to missing out on some of the investment opportunities currently being offered by the market place. Mr. Wilson encouraged the Board to not give up analyzing new investment vehicles and strategies.

Ms. Becker moved, seconded by Mr. Harris to receive and file the 2006 Annual Review and Work Plan Update.

Motion Passed.

VI. NEW BUSINESS

- A. Letter and Recommendation from Staff Regarding Implementation of Pension Protection Act of 2006.

Staff reviewed the provisions incorporated in the Pension Protection Act of 2006 (HR4) that impacted public funds and made the following recommendations in order to implement the allowance of up to \$3,000 per year of pension distributions to be utilized by qualified safety members to pay for health or long-term care on a pre-tax basis:

VI. NEW BUSINESS (continued)

- A. Letter and Recommendation from Staff Regarding Implementation of Pension Protection Act of 2006. (continued)
1. Define retired "public safety" members based upon current retirement status with VCERA. Such a definition would include retired Deputy Sheriffs, Firefighters, Probation Officers, District Attorney Investigators, Welfare Fraud Investigators, Harbor Patrol Officers and Airport Control Workers.
  2. Define "normal retirement age" for qualified safety members as being age 50.
  3. Limit eligibility to those retired safety members who are participating in retiree insurance programs sponsored by the County of Ventura, Ventura County Deputy Sheriffs Association, Ventura County Professional Firefighters Association and CALPERS Long-Term Care program.
  4. Consider all elections in place until revoked in writing by the member.

Mr. Goulet expressed concern regarding the limiting of the eligibility to those retired members participating in the local insurance programs because many retirees live out of state. Staff shared Mr. Goulet's concerns and expressed that a solution to the issue could only be provided by a legislative change to eliminate the eligibility requirement that premiums be paid directly to healthcare providers.

Mr. Matheney moved, seconded by Mr. Towner, to adopt staff's recommendations regarding implementation of the Pension Protection Act. Additionally, staff was directed, if an opportunity was presented, to write a letter to the appropriate agency in support of any amendments to HR4 that would eliminate the eligibility requirement that payments be made directly to healthcare providers.

Motion Passed.

VI. NEW BUSINESS (continued)

- B. Selection of Voting Delegate for SACRS Extra-Ordinary Session, February 5, 2007.

Staff discussed the scheduling of the SACRS extra-ordinary session to vote on issues remaining from the November 17, 2006 SACRS business meeting and requested the Board select a voting delegate and an alternate.

Mr. Goulet offered to be the voting delegate if his attendance at the event would be treated under the Travel Policy as a SACRS event.

Mr. Johnston volunteered to be the alternate.

Mr. Matheney moved, seconded by Mr. Harris, to appoint Mr. Goulet the voting delegate and Mr. Johnston the alternate voting delegate with the consideration that the extra-ordinary session would be inclusive of the SACRS educational session.

Motion Passed.

- C. Recommendation from Staff to Increase the Investment Consultant's Fee for 2007.

1. Letter from Kevin Vandolder, EnnisKnupp & Associates.

Staff reviewed the work EnnisKnupp performed the past year and recommend approval of the fee increase.

Mr. Goulet moved, seconded by Mr. Matheney, to approve the new fee schedule for EnnisKnupp & Associates.

Motion Passed.

- D. Letter from Arthur E. Goulet Regarding Compensation of Retirement Administrator.

Mr. Goulet reviewed his letter outlining the reasons the Board may wish to consider seeking a change in the Management Resolution to permit a car allowance for the Retirement Administrator.

Mr. Henderson questioned how the County of Ventura determines who is eligible to receive car allowances. Ms. Becker responded that the CEO has

**VI. NEW BUSINESS (continued)**

- D. Letter from Arthur E. Goulet Regarding Compensation of Retirement Administrator. (continued)

such authority. Mr. Wilson questioned how much driving the Administrator did in the performance of the job.

Mr. Goulet moved, seconded by Mr. Matheney, to refer the matter to the Board's personnel review committee.

Motion Passed.

**VII. INFORMATIONAL**

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

- B. Letter from Wasatch Regarding Cross Trades.

Mr. Henderson moved, seconded by Mr. Harris, to receive and file the letter from Wasatch.

Motion Passed.

- C. Steefel, Levitt & Weiss – 2<sup>nd</sup> Annual Public Pension Fund Fiduciary Symposium in San Francisco, CA, Jan 18-19, 2007.

No action taken.

- D. RREEF Educational Client Seminar in Dana Point, CA, February 22-24, 2007.

No action taken.

- E. Institutional Investors, The Search for Alpha Forum in San Francisco, CA, March 21-22, 2007.

No action taken.



VII. INFORMATIONAL (continued)

- F. Wasatch Institutional Client Conference in Park City, UT, February 11-14, 2007.

No action taken.

VIII. PUBLIC COMMENT

Mr. Thonis provided the Board with copies of the June 30, 2006 actuarial report and advised the trustees that the actuarial report would be considered at the January 22, 2007 business meeting. Mr. Thonis reported that the employee groups were being sent copies in accordance with the settlement agreement.

IX. BOARD MEMBER COMMENT

None.

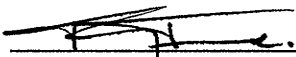
X. ADJOURNMENT

There being no further items of business before the Board, Chairman Wilson adjourned the meeting at 11:25 a.m.

Respectfully submitted,

  
TIM THONIS, Administrator

Approved,

  
TRACY TOWNER, Chair