

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
RETIREMENT BOARD MEETING MINUTES (AMENDED)
THURSDAY, JUNE 7, 2007 – 8:30 A.M.
SDCERA BOARDROOM

PRESENT: David A. Myers, Chair
Garry A. Sobeck, Vice Chair
Laura DeMarco, Secretary
John Arnold, Member
Marc Doss, Member
James W. Feeley, Member
Dianne Jacob, Member
Dan McAllister, Member
Douglas M. Rose, Member
Warren Gibson, Alternate Safety Member
Kay Ryan, Alternate Retired Member

ABSENT: None

STAFF PRESENT: Brian P. White, Chief Executive Officer
David Deutsch, Chief Investment Officer
Marsha Boyd, Director, Member Services
Mark Mimnaugh, Chief Operations Officer
Regina A. Petty, Chief Legal Counsel

The following members of the Board of Retirement are members of the San Diego County Employees Retirement Association who are authorized by law to serve as elected or appointed trustees pursuant to the County Employees Retirement Law of 1937, Government Code Section 31520.1: Dan McAllister, Douglas Rose, Garry Sobeck, Dianne Jacob, David Myers and James Feeley. The following alternate board members are members of SDCERA who are authorized by Section 31520.1 to serve as elected trustees: Kay Ryan and Warren Gibson.

ACTIVE MEMBERS:

General	14,430
Safety	3,243
Total Active	17,673

RETIRED/DEFERRED MEMBERS:

Retired	12,651
Deferred	4,912
Total Retired/Deferred	17,563

TOTAL MEMBERS:..... 35,236

There being a quorum present, David Myers, Chairman, called to order the meeting of the Board of Retirement at 8:30 a.m., 2275 Rio Bonito Way, Suite 200 and led the Board in the Pledge of Allegiance to the flag.

SECTION A. GENERAL SESSION

1. Public Communication

The San Diego County Board of Retirement welcomes you to this meeting. This agenda contains a brief general description of each item to be considered. The Board of Retirement encourages your participation. The public, plan members, beneficiaries, and/or representatives may speak to any subject matter contained in the agenda at the time the item is addressed. Except as otherwise provided by law, no action shall be taken on any item not appearing in the following agenda.

This is also your opportunity to speak to the Board on any subject within the Board's jurisdiction but not an item on today's agenda.

If you wish to speak to the Board, please fill out a Speakers Slip. These slips are located at the back of the Board Room. You will be called on as the Board takes up that item.

When addressing the Board, please state your name for the record prior to providing your comments. Speakers will be limited to five (5) minutes.

There were no requests to address the Board.

2. Approval of Minutes

ACTION: Motion by Mr. McAllister, second by Ms. Jacob to approve the Minutes for the meeting held May 3, 2007.

The motion was approved by majority vote.

Ayes: Arnold, Doss, Feeley, Jacob, McAllister, Myers, Rose, Sobeck
Noes: None
Abstain: None
Absent: DeMarco

3. Introductory Remarks

Mr. White introduced and summarized discussion items for the meeting.

(Laura DeMarco arrived.)

4. Economic Actuarial Assumptions

Paul Angelo, SDCERA's actuary, reviewed the Economic Actuarial Assumptions with the following recommendations for the June 30, 2007 Actuarial Valuation.

- Investment Return – Maintain the 8:00% annual investment return assumption, based on market index returns.
- Inflation – Maintain the rate of 3.75% per annum.
- Individual Salary Increases – Maintain the current inflationary salary increase at 3.75% and the current real “across the board” salary increase at 0.50%.

Discussion followed Mr. Angelo's presentation and recommendations. Discussion included the feasibility of changing the economic assumptions review date from annual to every three years. There was also a request that Mr. Deutsch include a report on the alpha program and how it relates to the Board's pending decision on adoption of the Economic Actuarial Assumptions for the June 30, 2007 Actuarial Valuation.

This item will be on the July 19th Board Meeting Agenda for action.

(Laura DeMarco left the meeting.)

5. Fiscal 2007/08 Administrative Expense Budget

Mark Mimnaugh, Chief Operations Officer, presented the Administrative Expense Budget for Fiscal Year 2007/08. Mr. Mimnaugh reported that the budget had been reviewed and approved by the Audit, Finance & Budget Committee at their May 17, 2007 meeting.

Mr. Mimnaugh reviewed staffing changes for 2007-08 and justification for four new positions requested in the budget including one position reclassification.

Staff recommended that the Board adopt the Administrative Expense Budget of \$12.3 million, which is an increase of \$1.1 million or 9.4% over the prior year budget and \$1.9 million below the statutory limit.

Questions arose over \$50,000 expenditure for an analysis of the current legal services model and personnel. After discussion regarding the current legal model and a proposal by Mr. White to do an evaluation of the general counsel position, the Board amended the staff's budget recommendation to delete the \$50,000 allocation for a legal services consultant.

ACTION: Motion by Mr. Sobeck, second by Mr. Feeley to approve the Administrative Expense Budget for Fiscal Year 2007/08, minus the \$50,000 allocation for an analysis the current legal services model.

The motion was approved by majority vote.

Ayes: Arnold, Doss, Feeley, Jacob, McAllister, Myers, Rose, Sobeck
Noes: None
Abstain: None
Absent: DeMarco

6. Chief Executive Officer's Report

1. Chief Legal Counsel's Report

2. Grand Jury Response

Staff is reviewing and preparing a response to the Grand Jury Report. This response will be reviewed with the Board prior to finalization.

3. Health Allowance / Supplemental Pension Benefit

Member Services staff identified and documented the changes necessary to implement the recent changes to the health allowance and creation of the supplemental benefit allowance. Information Technology staff are making the programming changes to PARIS. Programming changes will be implemented following successful completion of testing. Letters will be sent to each member group to explain the effect, if any, on their benefits. The letters are drafted; the mail date is pending the Board of Supervisors' vote on whether to waive the reimbursement of the 401(h) contribution.

4. Lifecycle Approach to Seminars

The Communications staff is pleased to announce that the lifecycle approach to seminars will be implemented this fall. The improved seminars will better meet members' needs by targeting information to their stage of life and career.

For the first time, these seminars will include presentations from other County agencies; this collaboration means members will be able to get all their retirement related questions answered at one event. The Treasurer-Tax Collector's Office will be sending a Deferred Compensation presenter, and Employee Benefits will be sending a speaker to address COBRA questions.

At the mid-career seminar, members three to 10 years from retirement will learn to assess and improve their financial security in retirement. An SDCERA speaker will explain how their pension benefit is calculated, a Deferred Compensation representative will explain how this tax-advantaged investment vehicle can provide an additional source of retirement income, and a financial planning educator will teach members how to estimate and plan for their financial needs in retirement.

At the late-career seminar, members six to 12 month from retirement will learn about the choices they need to make at retirement regarding their SDCERA benefit, Deferred Compensation, health insurance, and Social Security. Speakers from each agency will explain the features of their program and answer questions.

These mid and late-career seminars are phase one of an ongoing initiative. In the coming years, SDCERA plans to expand services to retirees and those in the early part of their careers.

5. Normal Retirement Age

The Internal Revenue Service has issued final regulations on distributions from a pension plan upon attainment of normal retirement age. Staff will be analyzing the regulations with tax counsel and will bring a policy on normal retirement age to the Board for adoption at an upcoming meeting.

6. Communications Audit

The communications audit is complete. The review of publications, forms and fact sheets showed a high degree of consistency. Any differences were primarily in level of detail not in factual description. This type of variation is appropriate when the communications pieces have different purposes. SDCERA's practice of using already-approved language as the foundation for new communications helps maintain this high degree of consistency. As part of the July 2007 – June 2010 strategic plan, a policy will be developed formalizing the practices used to ensure continued consistency.

7. Special District

Mr. White reported that he has been in discussion with SEIU and they will support special district for SDCERA. He said that he would be meeting with the Deputy Sheriff's Association next week.

8. Legislative Update – May 29, 2007
9. Board Calendar (June 2007 – November 2007)
10. Financial Statements (Period ending April 30, 2007)

The fund experienced another positive month in April with an increase in net assets of \$227.1 million. Fiscal year to date, the fund has generated \$1,008.8 million in additional Plan Net Assets. The Plan Net Assets are currently in excess of \$8.3 billion.

7. Seminars and Conferences

ACTION: Motion by Mr. Feeley, second by Mr. Sobeck to approve Board and staff travel at various seminars and conferences as follows:

Dave Myers

15th Annual Guns & Hoses Conference
September 16-18, 2007 - Huntington Beach, CA

Dan McAllister, Jim Feeley, Kay Ryan

CALAPRS Trustees Round Table
October 12, 2007 - San Jose, CA

The motion was approved by majority vote.

Ayes: Arnold, Doss, Feeley, Jacob, McAllister, Myers, Rose, Sobeck
Noes: None
Abstain: None
Absent: DeMarco

8. Information Items

Various items of interest were distributed to the Board for informational purposes.

(The Board adjourned to closed session at 10:27 a.m.)

9. Closed Session

A. **CONFERENCE WITH LEGAL COUNSEL--EXISTING LITIGATION**

Subdivision (a) of Government Code Section 54956.9

1. SDCERA vs. Nicholas M. Maounis, et al.
United States District Court, Southern District of New York
Case No. 07-CV-2618
2. County of San Diego, et al. vs. SDCERA
San Diego County Superior Court
Case No. GIC 881355
3. SDCERA vs. County of San Diego
San Diego Superior Court
Case No. GIC 845430
Court of Appeal, Fourth District, Division 1
Docket No. D048038

B. **CONFERENCE WITH LEGAL COUNSEL--ANTICIPATED LITIGATION**

Subdivision (b) of Government Code Section 54956.9

Number of potential cases: 2

10. Report out, if required, decision made on Closed Session items.

There was no information to report out on Agenda Items 9.A. (1-3) or 9.B.

Ms. Jacob recused herself and was not present during discussion of Closed Session Items 9.A.2 and 9.A.3.

11. Last Item of Business

A. Future Agenda Items/Matters to be referred to staff.

There were no items/matters referred to staff.

SECTION B. CONSENT CALENDAR

NOTE: THE BOARD WILL CONSIDER AND VOTE ON APPLICATIONS FOR DISABILITY RETIREMENT IN OPEN SESSION WITH THE FOLLOWING EXCEPTION: THE BOARD WILL CONSIDER AND VOTE ON APPLICATIONS IN CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957 WHEN THE APPLICANT HAS REQUESTED A CLOSED SESSION AND THE BOARD VOTES TO GRANT THE APPLICANT'S REQUEST.

APPLICATIONS FILED BEFORE JANUARY 1, 2007:

1. Application on member for a Service-Connected Disability Retirement. Adopt Administrative Recommendation that the application is granted.
2. Application on member for a Nonservice-Connected Disability Retirement. Adopt Administrative Recommendation that the application is granted.
3. Application on member for a Service-Connected Disability Retirement. Adopt Administrative Recommendation that the application is granted.
4. Application on member for a Service-Connected Disability Retirement. Adopt Administrative Recommendation that the application is granted.
5. Application on member for a Service-Connected Disability Retirement. Adopt Administrative Recommendation that the application is granted.

APPLICATIONS FILED AFTER JANUARY 1, 2007:

6. Application on member for a Nonservice-Connected Disability Retirement. Adopt Administrative Recommendation that the application is granted.
7. Informational Items Regarding Members To Be accepted and Filed With Minutes Of Board (attached)
 - A. **Death Benefits**, Active Members
 - B. **Death Benefits**, Retired Members & Beneficiaries
 - C. **Service Retirement**

*******End of Consent Calendar*******

ACTION: Motion by Mr. Sobeck, second by Mr. McAllister to approve the Consent Calendar, Items 1-7 (A-C)

The motion was approved by majority vote.

Ayes: Arnold, Doss, Feeley, Jacob, McAllister, Myers, Rose, Sobeck
Noes: None
Abstain: None
Absent: DeMarco

SECTION C. DISABILITY RETIREMENT APPLICATIONS

NOTE: THE BOARD WILL CONSIDER AND VOTE ON APPLICATIONS FOR DISABILITY RETIREMENT IN OPEN SESSION WITH THE FOLLOWING EXCEPTION: THE BOARD WILL CONSIDER AND VOTE ON APPLICATIONS IN CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957 WHEN THE APPLICANT HAS REQUESTED A CLOSED SESSION AND THE BOARD VOTES TO GRANT THE APPLICANT'S REQUEST.

APPLICATIONS FILED BEFORE JANUARY 1, 2007

1. Application on member for a Service-Connected Disability Retirement (Proposed Findings of Fact and Decision, Summary of Evidence). Whether to adopt Hearing Officer's Findings of Fact and Decision that the application for a Service-Connected Disability Retirement is granted.

The applicant was not present.

Steven Pingel, attorney representing the applicant, was present at the hearing in case there were questions from Board Members.

ACTION: Motion by Mr. Feeley, second by Mr. Sobeck to adopt the Hearing Officer's findings and recommendation that the application on member for a Service-Connected Disability Retirement is granted.

The motion was approved by majority vote.

Ayes: Arnold, Doss, Feeley, Jacob, McAllister, Myers, Rose, Sobeck
Noes: None
Abstain: None
Absent: DeMarco

2. Application on member for a Service-Connected Disability Retirement (Proposed Findings of Fact and Decision and Summary of Evidence). Whether to adopt Hearing Officer's Findings of Fact and Decision that the application for Service Connected Disability Retirement is denied, however, the Nonservice-Connected Disability Retirement is granted.

The applicant was present.

ACTION: Motion by Mr. Myers, second by Mr. Sobeck to adopt the Hearing Officer's findings and recommendation that the application on member for a Service-Connected Disability Retirement is denied, however, the Nonservice-Connected Disability Retirement is granted.

The motion was approved by majority vote.

Ayes: Arnold, Doss, Feeley, Jacob, McAllister, Myers, Rose, Sobeck
Noes: None
Abstain: None
Absent: DeMarco

APPLICATIONS FILED AFTER JANUARY 1, 2007:

3. Application on member for a Service-Connected Disability Retirement. Adopt Administrative Recommendation that the application is denied.

The applicant was not present.

ACTION: Motion by Mr. Myers, second by Mr. Sobeck to adopt the Hearing Officer's findings and recommendation that the application on member for a Service-Connected Disability Retirement is denied.

The motion was approved by majority vote.

Ayes: Arnold, Doss, Feeley, Jacob, McAllister, Myers, Rose, Sobeck
Noes: None
Abstain: None
Absent: DeMarco

The meeting adjourned at 11:03 a.m.

David A. Myers, Chairman

Laura DeMarco, Secretary