

Local



WHAT'S *new*

ALAMEDA

CONTRA COSTA

FRESNO

IMPERIAL

KERN

LOS ANGELES

MARIN

MENDOCINO

MERCED

ORANGE

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN JOAQUIN

SAN MATEO

SANTA BARBARA

SONOMA

STANISLAUS

TULARE

VENTURA

ALAMEDA COUNTY

BOARD of RETIREMENT

Mr. Dale E. Amaral, elected Safety, the Alameda County Sheriff's Office, is presently second vice-chair of the Board of Retirement and vice chair of the Audit Committee. He also serves on the Operations and Retirees Committees, and sits on the Audit, GASB, and Governance Committees.

Ms. Ophelia B. Basgal, appointed by Board of Supervisors, Pacific Gas and Electric Company, is first vice chair of the Board of Retirement. She is also chairs the Operations Committee and sits on the Actuarial, By-Laws, GASB, and Governance Committees.

Ms. Annette Cain-Darnes, appointed by Board of Supervisors, chairs the Investment Committee and is on the Operations and Retirees Committees. She also serves on the By-Laws, Evaluation, and GASB Committees.

Mr. Keith Carson, appointed by Board of Supervisors, Alameda County Board of Supervisors, currently chairs ACERA's Actuarial Committee and is a member of the GASB Committee; he also sits on the Investment Committee.

Mr. L. Darryl Gray, elected General, Alameda County Community Development Agency, chairs the ACERA Board of Retirement and is a member of its Investment Committee, as well the Actuarial, Audit, and Governance Committees.

Mr. David M. Safer, elected Retired, chairs the Retirees Committee and sits on the Investment Committee. He also serves on the Actuarial, By-Laws, Evaluation, GASB, and Governance Committees.

Mr. Sandre R. Swanson, appointed by Board of Supervisors, sits on the Investment, Operations, and Retirees Committees, as well as on the Actuarial and Audit Committees.

Mr. Donald R. White, ex-officio, Alameda County Treasurer-Tax Collector, chairs the Audit and GASB Committees. He is also a member of the Investment Committee and the Evaluation Committee.

Mr. Trevor S. White, elected General, Alameda County District Attorney's Office, serves on every Board Committee: Investment, Operations, and Retirees and Actuarial, Audit, By-Laws, Evaluation, and GASB Committees.

Ms. Liz Koppenhaver, Alternate Retired, appointed by ACERA Board of Retirement, serves on the Retirees Committee, in the absence of the elected Retired member. She also serves on the Actuarial, By-Laws, Evaluation, GASB, and Governance Committees, in the absence of the elected Retired member.

Mr. Darryl Walker, elected Alternate Safety, votes in the absence of any elected member, except the Retired Member representative, to ensure elected Board and Committee member representation at all times.

INVESTMENTS

The ACERA total portfolio, known as the Total Fund, had another excellent performance year. Between January and December 2005, the market value of the Total Fund increased, after paying investment-related and administrative expenses and benefits, from \$4.3 billion to \$4.6 billion.

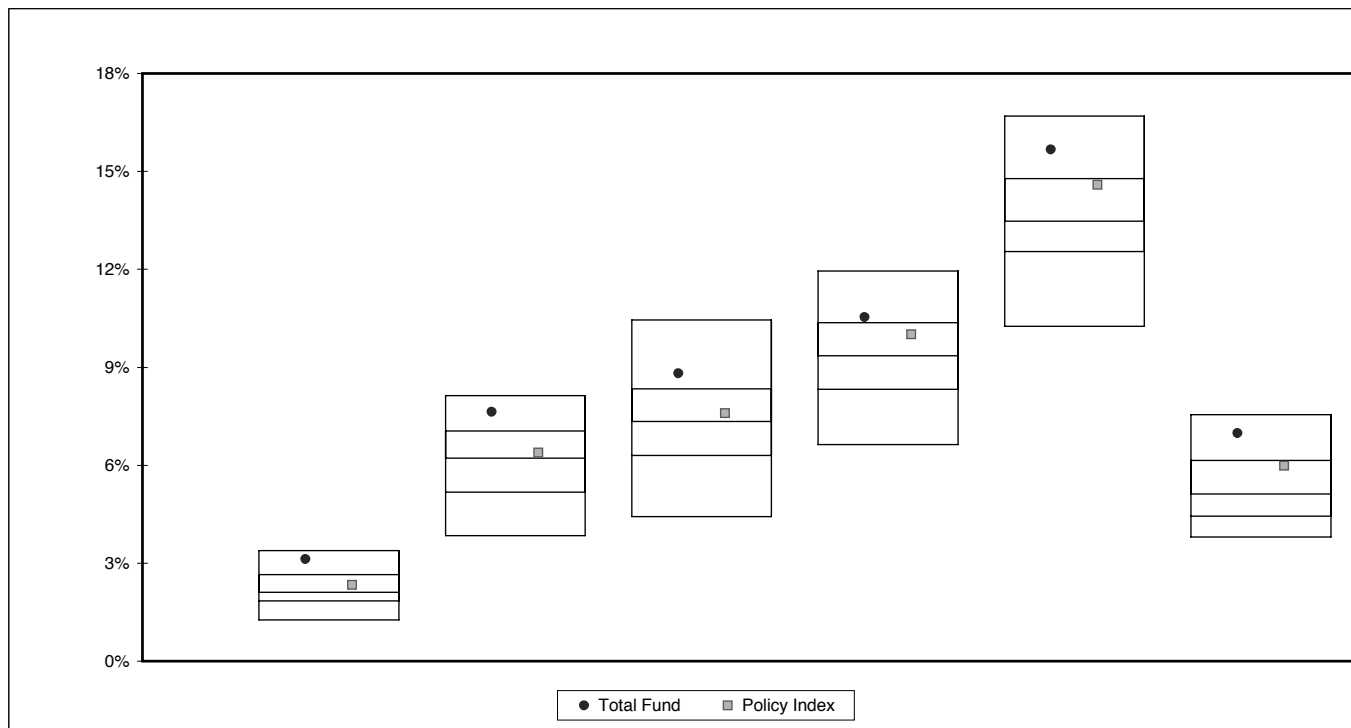
For the year ended 12/31/05, the Total Fund returned 8.8% on investments, outperforming the Policy Index of 7.6% by 1.2%. The Policy Index is based on the index returns of all assets represented by ACERA's asset allocation policy. The Total Fund return also exceeded ACERA's actuarial investment return assumption for 2005. The Fund's one-year return ranked in the upper 16th percentile among funds with a market value greater than \$100 million.

Our return also outperformed the Median Public Fund of 7.3% by 1.5%. The Median Public Fund is the 50th percentile mark in the Public Fund Universe. This means half the funds in the Public Fund Universe (more than 130 funds in the Universe) had higher returns than the Median Public Fund and the other half had lower returns than the Median Public Fund.

The Total Public Funds-Total Returns Chart provides a vivid display of outstanding returns over the last five years. For example, columns five (3 YEAR) and six (5 YEAR), show the Total Fund outperforming the Policy Index return and ranking in the upper 13th and 12th percentiles, respectively, in the Public Fund Universe. This is also demonstrated by the floating boxes, where the Total Fund, indicated by a red circle, consistently ranks higher than the Policy Index, indicated by a blue square.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

TOTAL PUBLIC FUNDS (ABOVE \$100 MILLION) - TOTAL RETURNS
PERIODS ENDED DECEMBER 31, 2005



	1 QTR		2 QTR		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund ●	3.1%	8	7.6%	14	8.8%	16	10.5%	21	15.7%	13	7.0%	12
Policy Index ■	2.3%	38	6.4%	45	7.6%	42	10.0%	30	14.6%	29	6.0%	27
Median	2.1%		6.2%		7.3%		9.4%		13.5%		5.1%	

ACERA's Total Fund returns also consistently achieved the Board-established investment goal which is to operate at a level of performance in the upper quartile of comparable pension funds on a risk-adjusted basis.

ACERA is committed to ensuring that we continue to perform exceptionally well through prudent investment and fund management.

As of March 31, 2006, the market value of the Total Fund was \$4,724,589,005*.

(*Please note that the market value of the Total Fund as of 3/31/06 is an unaudited number and the official number is not available at the time of this report.)

ADMINISTRATION

Permanent Appointments

Betty Tse, *Chief Investment Officer*
Latrena Walker, *Project and Information Services Manager*
Victoria Arruda, *Human Resources Officer*
Robert Gaumer, *Associate Counsel and Acting General Counsel*

Promotion

Catherine Walker, *Deputy General Manager*

GASB 43

ACERA's senior Management, External Auditors, and Actuary have been working closely with the Senior Management Staff of Alameda County, their Auditors, and Actuary to plan the implementation of the new GASB Financial Reporting for Other Postemployment Benefits (OPEB), also known as GASB Statement No. 43. ACERA must implement this new GASB statement for the year ended December 30, 2006. →

ALAMEDA COUNTY *CONTINUED*

The GASB Workgroup was created to efficiently harness the collective expertise of all interested parties and to recognize available options and their implications, as well as reach a prudent outcome.

At ACERA, OPEB benefits are medical, dental, and vision coverage provided to members. By law, the Supplemental Retiree Benefits Reserve (SRBR) must only be used "for the benefit of Retired Members and beneficiaries." The SRBR is non-vested and the sole source of OPEB benefits. It may be reduced or eliminated if its assets are insufficient.

ACERA is in the process of conducting an actuarial valuation of OPEB benefits. This involves estimating benefit amount assumptions and the probability of their payment far into the future. Determined amounts are subject to continual revision as actual results are compared to past expectations. Most current employee OPEB benefits are completely protected, including statutory COLA benefits. In the future, the benefits, however, may not be the same as ACERA offers today.

The Workgroup will continue to meet, plan, and educate all ACERA contracting employers, which will include an explanation of the final OPEB actuarial valuation. ACERA will incorporate the implications of GASB 43 into its Mid-career and Pre-retirement Seminars to ensure full Member comprehension of OPEB and non-OPEB benefits.

ACCOUNTING**Retirement**

Accountant III Arthur Spencer, a 28-year employee with the County of Alameda County, including 17 years with ACERA, retired March 31, 2005. Art plans to spend his retirement volunteering and traveling the world.

**Government Finance Officers Association
Certificate of Excellence**

ACERA was awarded the Certificate of Excellence in Financial Reporting for Comprehensive Annual Financial Report for the year ended 12/31/2004. This is the ninth year in a row ACERA has received this award.

GASB 40

For the 2005 CAFR, ACERA has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures. GASB 40 establishes and modifies disclosure requirements for several types of risks that may affect ACERA's deposits and investments. For example, for bonds, we must now disclose the credit ratings of the bond issuers as well as disclose the sensitivity of bond values to interest rate changes. Other disclosures include whether we have large concentrations of investments in any one company and the amount of investments we have that are denominated in foreign currencies.

OPERATIONS**Retired Member Survey Results**

The results of ACERA's Retired Member Survey (RMS) are in and 45% of our Retirees responded, which is higher than average for a mailed survey of close-ended multiple choice and ranking questions. Similar to the results of the Active Member Survey we conducted in early 2005, the RMS identifies potential areas for review and possible improvement. Most respondents (98%) rate ACERA services as good (29%) or excellent (69%).

Respondents were least familiar with the Medicare Part B Reimbursement Plan, with just over two-thirds indicating familiarity. This indicates an opportunity to educate Retired Members through mailed communications, our quarterly newsletter, online postings, and our soon-to-be revamped Pre-retirement Planning Seminar.

Slightly over half of the respondents use the internet, but fewer than half of those, about 20%, have ever visited ACERA's web site. We will continue to revise www.acera.org in the hopes that increasing numbers of Retired Members will make it the first place they look when seeking answers to questions.

NEW HEALTH PLANS

PacifiCare and Blue Cross are new providers, replacing Health Net. Blue Cross is available exclusively to Retirees 64-years-old or under and their eligible dependents and PacifiCare is available to Retirees of all ages and their eligible dependents.

CONTRA COSTA COUNTY

BOARD

CCCERA added one new member to our Board since the Fall Conference. Assembly Bill 719 permitted the Contra Costa County Board of Supervisors, by resolution, to appoint an additional alternate member for seats 4, 5, 6, or 9 of the Retirement Board. The new appointee is Dr. David Gaynor. Dr. Gaynor has focused much of his public service efforts on community goals for diverse populations. This alternate member may vote in the absence of members who fill seats 4, 5, 6, or 9, unless an appointed supervisor currently occupies any of those positions.

ADMINISTRATION

Our imaging project, which encompasses extensive amounts of active and archival information to augment data slated for conversion, has reached a major milestone, that of completing all active member records. In addition, we are upgrading our existing system to incorporate bar coding, an essential tracking method that will integrate with the new pension administration program. But even now, complete active member records are accessible on the desktop to our staff, dramatically reducing filing and retrieval tasks.

BENEFITS

Our pension administration project is well underway, with extensive meetings and design sessions scheduled every other week for the near future. The process has given us the opportunity to reassess traditional processes from the ground up, enhancing and streamlining workflow to conform to the service oriented architecture of the new system. Retiree payroll is a crucial element of service to our members; this priority task will be the first element to go "live." Our tentative date for commencement is Fall 2006.

As of this writing, Contra Costa County, our largest member employer, is still in contract talks with its union members. Legislative changes always have the potential for impacting retirement benefit structures. With this in mind, we are building our new system with as much flexibility as feasible.

PERSONNEL

Sandy Ramser, CCCERA's IT technician, retired in March, after 18 years of public service with CCCERA. We hired Son Lu to take on the tasks of IT coordinator. His experience with the San Leandro Police Department's IT division will add to our IT strengths with the new system.

INVESTMENTS

In 2005 the Board added commodities as an asset class with a 2% target allocation. In the fall of 2005, we had an educational session on commodities, which focused on the benefits of adding commodities as an asset mix. This education session included presentations from outside professionals from several investment firms in addition to academia. As a follow on, we are currently in the process of setting up another educational session which will focus on various methods of implementing the commodities allocation.

In early 2006, McKinley Capital Management was added to the roster of investment firms managing assets for CCCERA. McKinley will be managing an international equity portfolio, which will serve as a complement to CCCERA's other international equity portfolio managed by GMO. In addition to this new hire, the Board committed \$75 million to DLJ Real Estate Capital Partners III, an opportunistic real estate fund managed by Credit Suisse. The Board recently committed \$85 million to ING Clarion Commercial Mortgage Securitization Fund II, LLC, a commercial mortgage investment managed by ING Clarion Capital. This allocation will be part of CCCERA's total domestic fixed income allocation. We also increased our commitment by \$30 million to a private equity fund-of-funds portfolio managed by Pathway Capital Management.

We recently completed a comprehensive analysis of our domestic equity structure, which resulted in modest changes to our large capitalization equity exposure. The target allocations were increased to the two satellite portfolios (the large cap value portfolio managed by Boston Partners and the large cap growth portfolio managed by Delaware), while decreasing the allocation to the large cap core exposure. The small and mid capitalization allocations remained unchanged.

FRESNO COUNTY

THE CURRENT TRUSTEES OF THE FRESNO COUNTY BOARD OF RETIREMENT INCLUDE:

Steve J. Jolly, Chair	A. Papaleo
Vera Dominguez, Vice Chair	Stephanie Savrnock
Michael Cardenas	John P. Souza
Vicki Crow	William Storey
Phil Larson	Ronald S. Frye, Retired Alternate

William "Bill" Storey was appointed, as he was unopposed, to the Board as Safety Trustee this past December to replace Michael Thobe. Steven J. Jolly was elected Chair of the Board and Vera Dominguez was elected to continue her position as Vice Chair.

As a result of a search for International Equity and Emerging Market managers in the early part of 2005, FCERA funded the International Equity mandate with Oeschle International Advisors in November 2005 with \$150 Million and the Emerging Markets mandate with Mondrian Emerging Markets Equity Fund in November 2005 with \$116.6 Million.

In addition, FCERA selected Brown Armstrong to provide Audit Services for the three-year period beginning with the June 30, 2006 fiscal year. Responses to the Request for Proposal were received from Brown Armstrong, Macias Gini & Company and Williams Adley.

The Board has selected The Segal Company as the actuarial firm to audit the June 30, 2005 actuarial valuation results. Also, the FCERA Board has invited the Cortex firm to make a presentation for the Board's consideration for services to be provided regarding Board Governance.

The final compensation litigation project that began in November 2004 continues. We are a little behind schedule due to delays in hiring, training, and learning curves. The project was divided into three phases: phase 1, which consists of those members that retired after January 1, 2001 (1,108 members); phase 2, which consists of those members that retired between October 5, 1997 and December 31, 2000 (498 members); and phase 3, which consists of those members that retired prior to October 5, 1997 (2,542 members). As of January 2006, 90% of the phase 1 group and 77% of the phase 2 group have been completed. Due to the additional processing requirements for phase 3 members, only three of these recalculations have been completed as of the end of January.

Beginning with the Board meeting held on February 1st, FCERA began providing real time audio transmission of its meetings via both the Internet at www.fcera.org and the County of Fresno's Intranet. This added service has been favorably accepted by the membership.

IMPERIAL COUNTY

BOARD MEMBERS

Board elections and appointments were held in December of 2005. Terry Huskey was elected as the Retired Member; Armando Padilla was elected as the Safety Member and Pompeyo Tabarez Jr., was elected as the Safety Alternate. Robert W. Williams was re-appointed as an Appointed Member by the County Board of Supervisors who also appointed a new Appointed Member, James E. Rhodes. Leaving the Retirement Board after eight years of service was Appointed Member James "Jim" Strain.

The Board of Supervisors also appointed Karen Vogel as Imperial County Treasurer/Tax Collector/ Retirement Administrator in December of 2005. Mrs. Vogel is running unopposed in the upcoming election in June of 2006.

STAFF

In March of 2006 Mary Helen Lester after 27 years of service to the retirement system retired. To replace Mary Helen, if that's possible, was Sharon Edwards who assumed the duties of Retirement Benefit Specialist in March of 2006.

INVESTMENT

In December of 2005 our Asset Liability Study was completed and presented to the Retirement Board. The report indicated that the Board should consider three new asset classes; Emerging Markets, Real Estate and Hedge Funds. The Board has adopted two of the three, Emerging Markets and Real Estate. We are currently conducting a search for these two asset classes. ➔

BENEFIT NEWS

Effective July 2005 the general members benefit changed from the 2% at 58 1/2 to the 2% at 55 benefit.

We are currently seeing a record number of retirements based on this new benefit.

KERN COUNTY**BOARD OF RETIREMENT TRUSTEE NEWS**

A special election was held October 4, 2005 to fill KCERA's vacant 2nd Member seat representing General members. Jordan Kaufman, Senior Administrative Analyst with the Kern County Administrative Office, defeated four other candidates. Mr. Kaufman's term will expire December 31, 2006.

Barbara Patrick, KCERA's 4th Member and the Board of Supervisors' Third District representative, announced that she will not seek re-election to a fourth term with the Board of Supervisors. Further, she resigned her seat on the Board of Retirement in order to pursue other interests during her final year in office. Donald Maben, who represents the Board of Supervisors' Second District, was appointed to complete Mrs. Patrick's term, which expires December 31, 2006.

Also Kern County's Treasurer-Tax Collector, Phil Franey, has announced retirement plans at the end of 2006. Mr. Franey has served on the Board since 1986 and has been involved with SACRS since 1981, when he served as the Assistant Treasurer for Kern County. Current Deputy Treasurer-Tax Collector, Jackie Denney, is running unopposed for Mr. Franey's position in the fall.

KCERA STRATEGIC PLANNING

The KCERA Board of Retirement conducted its annual Strategic Planning Session at the Hilton Garden Inn on February 2, 2006. At the meeting, Trustees discussed several initiatives related to KCERA's future growth and direction.

Meeting facilitator, Tom Iannucci, Cortex Applied Research, Inc., began the meeting with an overview on investment basics and a review the Board's governance structure and policies. Following was a discussion of the Board's self-evaluation for the 2005 calendar year. The results of the review were very positive, with very few board members noting any dissatisfaction. The Communication Policy was revised to include a legisla-

tive platform and the creation of an Ad Hoc Legislative Committee to facilitate timely response to legislative matters which may arise throughout the year.

Executive Director, Anne Holdren led the remainder of the session devoted to discussion of KCERA's proposed 2006/07 business plan. This section of the meeting focused on projects that are either underway or proposed for the next fiscal year. Some of the key projects and initiatives include:

- Development of Business Continuity and Disaster Recovery Plan
- Assessment of KCERA's operational space needs
- Assessment of Pension Benefit System
- Acquisition and installment of new Accounting Software
- Measurement of Member Satisfaction

INVESTMENT NEWS

KCERA hired four new managers over the last few months. K2 Advisors, a hedge fund of funds manager, was chosen to manage 3 percent of KCERA's total fund. State Street Global Advisors and AXA Rosenberg were awarded approximately \$106 million each as small cap equity managers for KCERA. Finally, Emerging Markets Investment (EMIC) was recently chosen to manage KCERA's approximate \$50 million emerging markets portfolio.

OPERATIONS

Transition to a new organizational structure to clearly delineate duties between the client service and fiscal staff is currently underway. Once implemented, KCERA operations will include Retirement Services, Fiscal/Financial and Information Systems divisions.

Staff continue to serve an increased number of retiring members, primarily spurred by the implementation of the enhanced 3% at age 60 benefits in 2005.

LOS ANGELES COUNTY

BOARD NEWS

Board Elections to fill expiring terms were held in the summer of 2005 with the following results:

BOARD OF RETIREMENT

- Bill de la Garza was re-elected to the Eighth Seat by Retired Members
- Yves Chery was elected to the Second Seat by General Members

BOARD OF INVESTMENTS

- Diane Sandavol was elected to the Eighth Seat by Retired Members
- Simon Russin was elected to the Second Seat by General Members

In addition, Les Robbins and Simon Frumkin have been re-appointed to the Board of Retirement and Robert Spare has been appointed to the Board of Investments.

At the first meeting in January, the annual election of Board Officers was conducted by both Boards. On the Board of Retirement, Les Robbins was re-elected Chair, Simon Russin was elected Vice-Chair, Bill de la Garza was re-elected Secretary and Richard Wirth was elected to the Audit Committee.

On the Board of Investments, Estevan Valenzuela was elected Chair, Herman Santos was elected Vice-Chair, Simon Russin was elected Secretary, and Michael Schneider was elected to the Audit Committee.

The annual Board Offsite was held in January. Topics covered included a review of organizational goals, status of outreach services, fiduciary training, economic overviews, and investment topics including currency and portable alpha.

The Boards have retained Heidrick & Struggles to conduct the search for a new Chief Executive Officer. It is expected that the search process will be completed in the summer of 2006. The current CEO has announced that she will retire effective October 16, 2006.

The Audit Committee is recommending that the Boards approve an RFP for Fiduciary Audit to ensure that trust assets are appropriately safeguarded.

INVESTMENT NEWS

The 2005 Actuarial Valuation was presented to the Board of Investments in December 2005. LACERA's funded status increased to 86%, a 3% increase from the previous year. The improvement in funded status is attributable to

greater than expected investment returns. With more than \$1 billion in unrecognized actuarial gains, the funded status is expected to continue to improve. As a consequence of this decrease in unfunded liability, the county's contribution rate for 2006-07 has decreased from 16.01% to 14.86% (composite rate for all tiers, general and safety).

Recent investment manager changes include the termination of Oak Associates(active growth mandate) and the hiring of Acadian Asset Management (active EAFE mandate). The Board also approved the hiring of Morgan Stanley to implement a Private Equity Co-Investment Program with an initial allocation of \$50 million.

The Board has directed staff to initiate searches for enhanced index managers, an activist corporate governance investment manager and a domestic enhanced core fixed income manager.

Research continues in the areas of currency, commodities, international real estate, alternative energy, and timber.

BENEFIT NEWS

Implementation of LACERA's plan for payment of retroactive Ventura benefits is now completed with the exception of 300 reciprocity cases. Prospective benefit adjustments were included with the January 2006 benefit payment and retroactive payments were made by separate check at the end of February. Thirty-three thousand retirees received adjustments: Fifty-five hundred actual calculations were performed for the class of retirees who retired between 1993 and 1997 and 27,500 global adjustments were made for those who retired prior to 1993. Total net retroactive payments after deductions for contributions and attorney fees amounted to approximately \$111 million.

With the successful implementation of DB2 relational database behind us, we have launched the next phase of our systems development. We are replacing all CICS based on-line programs and nearly 100 legacy "green screens" with a set of browser based applications. This open architecture will provide us with a secure link between our DB2 member database and our staff desktops, member portal, and virtually any other platform we choose to employ.

In response to Board concerns that our outreach program is not accessible to members who are unable to take time off from work, we initiated a pilot program of Saturday hours. Saturday services include one-on-one appointments and pre-retirement planning seminars. Initially, we are offering this expanded service on the first Saturday of each month while we gauge demand. Initial response has been very positive.

MARIN COUNTY

Marin County Employees' Retirement Association is looking for a Retirement Manager.

After 25 years of County Service, Maggie Johnston, Assistant Retirement Administrator, will be retiring at the end of August.

Candidates with a working knowledge of general ledger accounting and benefits administration, strong interpersonal skills, and at least two years of supervisory/managerial experience, are encouraged to apply. Prior experience with a 1937 Act retirement system is high-

ly desirable, as is knowledge of investment principles and analysis. Claims processing, prior medical training, and/or an advanced degree would be a plus. Position will be filled as soon as possible to facilitate an orderly transition and provide necessary training.

A competitive compensation and benefits package is available. For additional information, please reply in confidence and send resumes to Charnel K Benner, CFP, Retirement Administrator at 415-499-3733 or at cbenner@co.marin.ca.us.

MENDOCINO COUNTY

In the what's new area, we have two new board members. Unfortunately one is due to the death of former member Ken Farnsworth, who was the retiree representative and had only been on the board for a few months and had not attended any SACRS meetings. He is being replaced by Carl Kyle who we hope will begin attending SACRS in the future he started with the board in February 2006.

The other new member is Jerry Oglesby who replaced Larry Rossetti who attended SACRS when ever he was able. We will also try to get Jerry to attend the conferences in the future.

The other big issue is we are finally looking at the retirement system going independent from the county, action should occur within the very near future to hopefully take effect by January 2007, when I retire.

MERCED COUNTY

January elections resulted in a new Board member, Dave Baker representing safety employees. LeRoy Gilsdorf returns as the retiree Board member. An alternate safety member, Dwayne McCoy from the County Probation Department was elected as the alternate safety Board member. MCERA thanks outgoing long time safety employee representative, Ken Thurman, for his service to the Retirement Board.

After much discussion, the Board revised and adopted new By-Laws with various new provisions including new election procedures, correction of errors in retirement allowance payments and education and training for Board members among others.

MCERA staff has completed and issued a new revised Member Benefits Handbook which had not been updat-

ed for several years. Staff has also begun an electronic storage program for member files which will provide for more efficient retrieval of member information.

MCERA has completed its search for a new auditor; Macias, Gini & Co. has been retained on a three year contract as the result of an RFP process. MCERA has also issued two other RFPs, one for the services of an Actuarial Audit and one for Custodial Services. We expect to complete those searches in the next several months.

For the second year, MCERA has received the Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year ended June 2005. Thanks to staff for a job well done.

ORANGE COUNTY

1. OCERS/CalPERS – By the time of the SACRS conference the Orange County Board of Supervisors may have acted on the review of retirement system participation. In early March the PERS valuation for Orange County showed no material difference in current costs between the two systems. Since cost had been the announced reason for the review, we are hopeful concerning the outcome. We can provide an update at the conference.
2. New Board Member – Russ Baldwin won the special election to fill the vacant active employee Board seat previously held by Sharon Neebe. Russ has been a County of Orange employee and OCERS General Member since 1990, when he was hired as a Criminalist for the Orange County Sheriff-Coroner Department. From 1998 to early 2006, he was a Forensic Scientist III for the Sheriff-Coroner, Forensic Science Services Division. In January 2006, he was promoted to Senior Forensic Scientist.

Russ has been a member of the Board of Directors for the Orange County Employees Association (OCEA) beginning in July 1999, including his most recent position as OCEA First Vice President. He currently serves on OCERS' Audit Committee.

Russ holds a Bachelor of Science Degree in Biology from University of California, Irvine.

3. Another New Board Member – Arthur Hidalgo was appointed by the Board of Supervisors to the OCERS Board on March 28, 2006. He takes the seat formerly held by Lisa Silbar.

Arthur is vice-president, new business development, for Adelante Capital Management, having joined the firm in July 1999. Prior to joining Adelante he was Vice President at PM Realty Group. Previously, he was a corporate banking officer at First Interstate Bank, Ltd. Mr. Hidalgo received a B.A. in Business Administration from Loyola Marymount University.

4. Consultant Searches – As of this writing OCERS is in the middle of searches for both a general consultant and a real estate consultant. Both incumbents are candidates in the searches. The searches should be concluded by the time of the conference.
5. Accelerated Retirements – OCERS has seen accelerated retirements during this current County fiscal year. From July through March we have experienced retirements at better than double the pace that is customary. The largest growth has been in general member retirements from the County, following the benefit change that occurred in July 2005. Staff has managed to keep up with processing despite the hectic pace. Having individual member data available on the web has been helpful, as has our use of group application meetings.

SACRAMENTO COUNTY

No news to report.

SAN BERNARDINO COUNTY

BOARD MEMBERS

The current Chairman is Paul Russ with Marvin Reiter serving as Vice-Chair. Ex-Officio member, Dick Larsen, is Chairman of the Investment Committee, and Harry Hatch is Chairman of the Administrative Committee.

Mr. Allen Bulteman has been re-appointed to the Board after a one year hiatus. He replaces Supervisor Postmus who resigned after serving calendar year 2005 with SB-CERA. We thank Supervisor Postmus for his service to the Board and welcome Mr. Bulteman back.

In regard to Board elections, we will hold a safety and general election this year, as the terms for Harry Hatch (Safety Member), Bret Henry (Alternate Safety) and Doug Moreno (General Member) expire at the end of December. From the appointed members' perspective, both Marvin Reiter's and Paul Russ' terms expire at year-end.

ADMINISTRATIVE ACTIVITIES

Staff has developed seminars for actives near retirement. "Road Show 2005" was completed and consisted

of twenty-plus seminars throughout the County in conjunction with the County's Employee Benefits Group, the defined contribution provider (ING) and Social Security. Staff is currently working on "Road Show 2006" which will commence in October. As an adjunct, staff will develop additional "in-house" seminars this year in order to expand services to our members and build on the positive response from the "Road Shows".

SBCERA will complete an overhaul of the SBCERA web site which will include Web Member Services, a service that will allow members to conduct benefit estimates with their actual data. In addition, the website will include a search engine, web polling and subscription services – i.e. the ability to sign up for electronic delivery of notices, newsletters, etc.

Member Services finalized a new Summary Plan Description, coined "The Compass", which was completed in November. We moved to a new binder approach, which is expected to decrease long-term cost due to the ability to update as needed. We received very positive feedback on the project.

Business Continuity Planning (BCP) has been a time consuming activity for staff over the past year and will continue for the balance of FY 2006. Staff is in the process of developing a Disruptive Event Response (DER) Manual, which will provide SBCERA with a means to recover quickly from a disruptive event and continue to process critical member services. SBCERA has entered into a contract with its Software vendor, LRS, whereby

LRS will provide specific services should SBCERA suffer from a disruptive event. This DER Manual contains all processes and procedures that will be implemented upon declaration of an event.

The DER Manual is not intended to be an overall disaster recovery plan. It is a pro-active approach to accomplish a timely recovery from a disruptive event that interrupts SBCERA's mission-critical services and allows SBCERA staff to move forward with providing their members' with expected services should an event occur. This document outlines the steps to be taken in the event that SBCERA's operations are interrupted and is designed to provide immediate response and subsequent recovery from any disruptive event.

Testing, updates and approval remain to be completed and are targeted for June 2006.

INVESTMENT ACTIVITIES

The Board approved a 7% allocation to portable alpha. Staff, in conjunction with New England Pension Consultants, is conducting searches to fill the alpha structure. Frank Russell Company was hired to provide beta overlay services.

Staff prepared a proposal for currency hedging based on internally developed rules using Mcube's AlphaEngine platform. The proposal is scheduled for April 2006.

SBCERA will conduct an Asset/Liability Study late 2006.

SAN DIEGO COUNTY

RETIREE HEALTH BENEFITS WORKSHOPS

The Retirement Board has hosted two workshops for the local county retiree organization, union representatives and county officials to provide educational information on options for retiree health benefits programs. Topics included funding strategies, 37 Act provisions related to retiree health funding and pre-funding options.

SDCERA was featured in both Institutional Investor and Alpha magazines in February, and included a full feature on CIO David Deutsch. The retirement system won an award for excellence as the "best mid-size public pension plan" sponsored by Money Management Letter. The award was based on investment performance, innovation and notable asset allocation moves. The high

interest in SDCERA's investment program is driven by superior results over many time periods compared to a peer group of public funds.

SDCERA recently restructured its high yield bond segment of the portfolio. In addition, the fund will be adding two CTAs to its managed futures program, which dates back to 1994. Lastly, SDCERA purchased risk management software to control the risks of its complex portfolio.

SDCERA RELOCATION

SDCERA is expected to move into its new headquarters July 2006. Located in Mission Valley in the heart of →

SAN DIEGO COUNTY *CONTINUED*

San Diego, the new office will provide more floor space with approximately 38,000 square feet to accommodate more than 70 employees.

SPECIAL DISTRICT

SDCERA is seeking legislation to enable all its retirement system employees to be classified in a special district, separating them from county employment. Special District status will allow the Board to directly control and manage the organization and its performance, as well as pay for that performance.

SAN JOAQUIN COUNTY

INVESTMENTS

The Board of Retirement took the following actions:

A) Real Estate

- 1) Added commercial mortgages (Mesa West Real Estate Income Fund-PF 1, L.P.)
- 2) Added an opportunistic real estate manager (Walton Street Capital Fund V)

B) Equities

- 1) Terminated its small cap value manager (DePrince, Race & Zollo)
 - Hired a fundamental manager (Research Affiliates Fundamental 2000)
 - Hired a fundamental long/short manager (Research Affiliates Fundamental Long/Short)
 - Hired an emerging manager (Capital Prospects, LLC)
 - Hired a multi-strategy/absolute return manager (Front Point Partners)
- 2) Terminated its small cap growth manager (Nicholas Applegate)
 - Transition funding to its mid cap growth manager (Mazama Capital Management)

- 3) Terminated its international equity manager (IN-VESCO)
 - Hired an international fundamental manager (Research Affiliates Fundamental-International)
 - Hired an enhanced core international manager (Fidelity Select International Discipline)
- 4) Hired a cash overlay manager to maintain target asset allocations (The Clifton Group)

C) Asset Allocation

- 1) Began an Asset Allocation to evaluate risk-return and performance of the fund

STAFFING

With all of the aforementioned changes, the Board of Retirement has added an Investment Accountant to assist the Retirement Financial Officer.

OPERATIONS

The staff, working with the County's Health Plan Administrator, presented a two-day open enrollment fair that brought together all the health, dental and wellness providers for eligible retirees.

Moved production of retirees' checks and EFT's from the County to the retirement funds' custodial bank (Northern Trust).

SAN MATEO COUNTY

BOARD NEWS:

Two Board of Retirement seats will come up for election in June, the Safety Member seat and the General Member seat. This will be the first safety member election since Government Code Section 31520.1 was amended to allow for an alternate safety member. The terms of two appointed members' seats will also expire.

MEMBER SERVICES:

SamCERA conducted an online customer service survey using a free service provided by Perseus Development Corporation. (www.perseus.com) The service allows easy construction of the survey document and automatic compilation of results. Staff was pleased with the survey results, which showed that on average members consider SamCERA's services on the high side of "Good" (as opposed to Poor, Fair, or Excellent.) The results provided valuable information to improve services in the future. Staff plans to conduct the survey once each year.

In January the staff reviewed its 2005-2006 Strategic Plan during a one-day retreat and in subsequent in-office meetings. The updated plan for the 2006-2007 fiscal year includes major objectives to improve publications, initiate a set of planning and education workshops for members, acquire adequate office space, properly staff the organization to match the workload, and develop a comprehensive information technology plan.

Efforts are underway to expand SamCERA's office space to address several issues including the need for addi-

tional offices for staff and the need to move the copy machine away from the kitchen sink.

BENEFIT SERVICES:

The cost of living in the Bay Area went up about 2% in 2005, according to the Bureau of Labor Statistics. Most retirees, therefore, saw a 2% increase on their April 2006 retirement payments. General and Safety members who retired on or before 4/1/75, and Probation members who retired on or before 4/1/00 had amounts remaining in their COLA banks and received higher COLAs.

SamCERA and San Mateo County leadership are successfully enforcing the "960-hour rule"--the '37 Act law that limits the hours per year that SamCERA retirees may work after retirement for San Mateo County. SamCERA has sufficient data to track retirees' work hours. This information is provided to the county as well as the retiree and both are complying with the rule.

INVESTMENT SERVICES:

In November 2005 the board selected Fidelity Management Trust Company to serve as provider of a \$150 million enhanced index bond fund.

ACTUARIAL SERVICES:

In January a search for an actuarial services provider resulted in selection of Milliman, Inc. Lead actuaries on the contract are Karen Steffen and Nick Collier of the Milliman Seattle office.

SANTA BARBARA COUNTY

Board of Retirement has two new Board members. One is a familiar face, the elected alternate Retired member Ron Bruns. He formerly served 12 years on the Board when he was an active Safety member. Newly appointed by the Board of Supervisors is Paul Doré. Joe Gallas was also reappointed and Donald Kendig was re-elected by the General members. George Bobolia ran unopposed and will serve another term as Retired member.

The Retirement Board has issued an RFI to hire a consultant for the private assets and Real Estate/real return allocations.

Effective March 27th, Lila Deeds has been appointed to the position of Assistant Retirement Administrator. Lila has worked for Santa Barbara County for more than 26 years, most recently as Employee Relations Manager in the Human Resources Department.

The Board has completed a self governance review and is now working on Strategic planning.

SONOMA COUNTY

- Board Elections and Appointments - Bob Nissen, prior SCERA Administrator, was elected to the retiree trustee position on the SCERA Board. Mike Chrystal, prior County CAO, was selected by the Board for the newly created alternate retiree trustee position. Jerry Allen, general member, was elected to a second term on the Board. Trustee Sharon Stockham was appointed to another term. Sharon has been on the Retirement Board since 1994. Greg Jahn was reappointed, having served since 2003. Supervisor Tim Smith was appointed by the Board of Supervisors to serve the remainder of John Scharer's term.
- Dave Russell of Ennis Knupp, long-time investment consultant to SCERA, decided to retire in December 2005 and was replaced by Ennis Knupp Principal Guy Cooper.
- A recent investment manager change was made in small cap growth and transition management services from State Street were used to accomplish the move to a SSGA Russell 2000 Growth index fund.
- Segal completed a full parallel valuation audit of the December 31, 2004 actuarial valuation by Gabriel Roder Smith & Company.
- The 3% at 50 Safety benefit became effective February 1, 2006.
- The building remodel project is complete for the long-term SCERA offices.
- The requirements specification phase of the Integrated Pension System Project is progressing with the assistance of Linea Solutions... Software supplier selection is anticipated in the next six months.
- GFOA Awards: Certificates of Achievement for Excellence in Financial Reporting were received for the Comprehensive Annual Financial Report (CAFR) and Popular Annual Financial Report (PAFR) for the year ended December 31, 2004. This was the first year that the PAFR was submitted for GFOA review.

STANISLAUS COUNTY

So...what's new at StanCERA?
We're glad you asked!

The StanCERA web site – www.stancera.org - has been updated with all sorts of information useful to our membership.

The Retiree Benefits Committee has worked on developing recommendations for changes to our retiree health insurance program both in the benefit paid as well as the delivery of health insurance coverage. The study continues...

Outstanding disability retirement applications are numbering consistently less than 15 over the past six months.

Our investment consultant is preparing an asset liability study to be presented to the Board this summer. StanCERA hired Fidelity Investments for an International Equity investment mandate.

Our new integrated technology system is approaching completion.

Trustees and staff are excited about moving into our new offices in June at a brand new shared-use (public and private) building that will also house the Stanislaus County District Attorney's Office, a bank, the Federal Bankruptcy Court and a restaurant.

We are near completion of processing applications for additional retirement benefits stemming from the "Ventura Decision" and subsequent lawsuit that resulted in our local settlement agreement. Our goal is to have all retroactive payments paid on the September 1 retiree payroll with prospective monthly increases paid on the October 2 and subsequent payrolls.

And to end on a positive note...our Comprehensive Annual Financial Report was sent off to the Government Finance Officers Association and received the award of a Certificate of Excellence in Financial Reporting!

TULARE COUNTY

Since the last SACRS Conference, TCERA has experienced some significant staff and Trustee changes. In January 2006, Gerald Fields, the Tulare County Treasurer retired. Jerry Messinger, the new Treasurer, has taken Mr. Fields' place on the Board of Retirement. Long-term Board Trustee, Leanne Malison also resigned her position on the Retirement Board to take on the role of Assistant Retirement Administrator with TCERA. Her seat on the Retirement Board remains open as of this writing. Besides adding the new position of Assistant Retirement Administrator, TCERA also filled our Accountant vacancy. Marian Galloway joined our staff in January as an Accountant III.

The TCERA Board of Retirement has recently initiated a search for a new Fixed Income manager. As of this writing the search is in its beginning stages. TCERA is being assisted by Summit Strategies Group, our investment consultant, in narrowing the list of potential candidates.

An investment return of 10.3% for the twelve-month period ending December 31, 2005 placed TCERA in the 4th percentile of all plans in the Public Fund Universe. The plan remains within the top quartile for all periods and its performance for the 10-year period ending in June ranks in the 2nd percentile with an annualized rate of return equal to 10.6 percent.

Finally, the Tulare County Board of Supervisors reached agreements with the bargaining units covering all General employees in the County to increase retirement benefits to the 2% at age 57 formula (Section 31676.12). This change was made retroactive to July 1, 2005 and is for service earned with TCERA on and after that date. The Board of Retirement is now considering a proposal to allow plan members to convert prior service to the new formula by paying the additional employee and employer costs for the service credit conversion.

VENTURA COUNTY

BOARD

There have been no changes to the membership of the VCERA Board since the Fall SACRS Conference. William W. Wilson was reappointed as Chair and Tracy Towner Vice Chair for 2006. Trustees Arthur E. Goulet and Will Hoag attended the CALAPRS Principles of Pension Management program at Stanford University in March.

ADMINISTRATION

Tim Thonis was appointed to the position of Retirement Administrator effective April 1, 2006. Mr. Thonis has been with VCERA since 1992. He is a Chartered Financial Analyst and Certified Public Accountant.

INVESTMENTS

The Board of Retirement, as the result of a recent Asset/Liability study completed by its investment consultant, will be increasing the funds real estate allocation from 6% to 8%.

LITIGATION

On February 17, 2006, the Ventura County Superior Court issued its final statement of decision in favor of VCERA and the County in a class action lawsuit challenging VCERA's treatment of available excess earnings as valuation assets and the resulting reductions in County contribution rates. In *Mathews vs. VCERA and County of Ventura*, attorney Michael Conger filed the action on behalf of a VCERA retiree, in a representative capacity and, on VCERA's motion, the matter was subsequently certified as a class action to include all actives, retirees and future members of VCERA. Plaintiffs sought declaratory relief and a writ of mandate, claiming that VCERA's administration of pension fund assets violated Article XVI, Section 17, Subdivision (b) of the California Constitution ("section 17(b)") by using "excess earnings" from the pension fund assets to offset and reduce employer contributions. Plaintiff contended that such excess earnings should have been used for the benefit of members by retaining such earnings in a contingency reserve and/or providing supplemental health or STAR COLA benefits to retired members rather than be used to excuse the County from making contributions. →

VENTURA COUNTY *CONTINUED*

The Court found, among other things, that VCERA's funds were managed in a sound actuarial manner; that the challenged actuarial methods-i.e., the county of undistributed earnings as "valuation assets" and the reduction or elimination of the employer normal cost contribution when VCERA had an actuarial surplus-are appropriate and consistent with generally accepted actuarial principles; and that the VCERA retirement system has been managed in an actuarially sound manner, and, that the Board's decision-making process with respect to actuarial determinations were made in accordance with its fiduciary responsibilities, including, but not limited to, setting employer contribution rates. In its discussion, the court found that the amendment to section 17(b), that added only the sentence, "A retirement board's duty to its partici-

pants and beneficiaries shall take precedence over any other duty," but that left in without any change the existing language regarding the discharge of a board's duties, could not be construed to strip VCERA of its discretion in the management of fund assets, nor to mandate that excess earnings be held in a non-valuation contingency reserve or used to grant supplemental benefits to retired members.

The judgment should be filed by the end of March 2006. Thereafter, plaintiffs will have 60 days within which to file an appeal. VCERA benefited greatly in this matter from the expert testimony of its former actuary, Rick Roeder, Gabriel, Roeder, Smith & Company, and the outstanding legal services provided by Harvey L. Leiderman and Ashley K. Dunning of Steefel, Levitt & Weiss.