

**SANTA BARBARA COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

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**Oscar Peters  
Retirement Administrator**



**BOARD OF RETIREMENT**

Chair – Bernice James  
Vice Chair – Joni Gray  
Secretary - Donald Kendig  
George Bobolia  
Joseph Gallas  
Julie McCammon  
Harriet Miller  
Vanessa Patterson  
Shawn Terris  
Ronald Bruns  
Frederick Tan

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**AGENDA OF THE BOARD OF RETIREMENT**

**May 28, 2008**

**Board of Supervisors' Hearing Room  
511 East Lakeside Parkway  
Santa Maria, California**

*The Santa Barbara County Employees' Retirement System is committed to:*

- *fulfilling its fiduciary responsibility by providing the highest quality of service to all members and plan sponsors; and*
  - *protecting promised benefits through prudent investing; and*
  - *ensuring reasonable expenses of administration.*

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in the meeting, or if translation assistance is requested, please contact the Clerk of the Board of Retirement at 805-568-2940.*

*Persons desiring to speak on any matter must complete and deliver to the Clerk the form available at the conference room entrance. Matters not listed on the agenda may be addressed at the public comment period.*

Roll Call at **9:00a.m.**

**PUBLIC COMMENT**

Receive public comment

**3 minutes**

**MINUTES**

1. Approve Minutes of Regular Board meeting of April 23, 2008.

**2 minutes**

## CONSENT AGENDA

5 minutes

- C-1. Receive and file Milliman Actuaries' memo on Impact of a 30-year Amortization Schedule on Employer Contribution Rates.
- C-2. Receive and file PCA Real Estate Advisors memo and biography.
- C-3. Authorize Trustee Gallas to attend the Wharton West, Hedge Funds, Real Estate and Other Alternative Investments course on June 23-25, 2008, in San Francisco, California.
- C-4. Authorize Trustee Terris and other interested Trustees to attend Global Dialog 2008, on June 24-July 2, in Sacramento and San Francisco, California.
- C-4. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
	Victor Alvarez	Sheriff	29.30533	0.65226	
	Anne Bentley	DRO	9.25197	0.00000	
	Leland Bentley	Sheriff	21.26726	0.39730	
	Sharon Betzenenderfer	Public Defender	18.52770	0.03886	
	Monica Bradley	Social Services	21.42417	0.00043	
	Mark Brickley	Probation	27.84525	0.65740	
	John Brion	General Services	33.64161	0.39387	
	Ronald Cabrera	Probation	26.20647	0.67610	
	William Caldwell	Sheriff	30.70560	1.00000	
	Peter Cantele	APCD	28.16380	0.45149	5.00000
	Emilia Carreira	Public Health	10.12232	0.00021	
R	James Chaney	Public Works	18.08158	0.22806	
R	Michael Cleary	Probation	26.90035	0.58382	
	L. Scott Conn	Probation	18.55530	0.19082	
	Lillian Coony	APCD	10.44567	0.04343	
	Lance Craig	Sheriff	31.56046	0.46635	
	Donata Cromby	Sheriff	21.28392	0.05036	
	Catherine Dorsey	DRO	3.90369	0.00000	
	Georgina Duran-Con	Probation	28.75182	0.64295	
	Gayland Ervin	Probation	28.43577	0.40981	
R	Larry Fausett	Public Works	22.03884	0.83752	1.00000
	Lorna Frey	Courts	25.31825	0.23256	
	Hugo Galante	Sheriff	19.04527	0.16451	
R	Mercedes Gallardo	Public Health	10.75190	0.06485	
	Stephen Graham	Sheriff	28.97153	0.97396	
D	Karin Hodin	SBCAG	8.07008	0.00218	1.41666
D R	Jon Holmerud	Sheriff	1.39350	0.00000	
D	Patty Hood	Social Services	15.38617	0.10057	
	Rachel Ikola	Sheriff	30.76833	0.00065	
R	Wayne Ikola	Sheriff	29.96308	0.90286	
	Gregory Jackson	Public Health	35.13174	0.77760	
	Marjorie Johnsen	Human Resources	7.62584	0.20854	
	Cathryn Jordan	Sheriff	26.18450	0.19768	

C-4. Adopt Retirement Report (Cont'd).

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
	Anneliese Kraus	Cooperative Ext.	24.11197	0.43551	
R Dis	Timothy Lacefield	ADMHS	11.84359	0.00006	
D	Bruce Lee	Executive Office	5.20309	0.17001	
	Maureen Lewis	Data Services	25.12916	0.50283	5.00000
	Linda Lucas	Auditor-Controller	21.23205	0.21582	
	Frances Mason	Clerk-Recorder	31.82003	0.00864	
	Nora Mendibles	Public Health	19.39482	0.05604	
	Marvin Moneymaker	Fire	27.88773	0.47879	
	Adelaide Mostachetti	Social Services	21.87106	0.00019	
	Glen Nelson	District Attorney	30.00745	0.81479	
	Susan Norton	APCD	18.71396	0.06620	
	Donald Olgin	Parks	29.81995	0.85641	
R	John Olson	Probation	6.93934	0.13529	
	Robert Perkins	SBCAG	42.62128	1.00000	5.00000
	Barbara Phillips	Planning & Dev.	29.02810	0.29914	2.00000
	Rayna Pinkerton	Courts	16.55839	0.57539	
D	George Porpiglia	Social Services	6.30250	0.00989	
	Guadalupe Recendez	Public Defender	21.10044	0.02165	
R	Ralph Remick	Auditor Controller	30.78743	0.51264	
R	Patricia Rodriguez	Social Services	36.67800	0.00182	
R	Timothy Rooney	District Attorney	18.85090	0.52097	
	Maria Sherrill	Agriculture Comm.	22.45784	0.35759	
	Deanna Smith	DRO	5.41416	0.00000	
D	Kathleen Souhrada	Public Health	5.24390	0.00000	
R	Thomas Southwick	Sheriff	25.13313	0.94569	
R	Marc Spruill	Fire	3.87325	0.00000	
	Suellen Stewart	Child Support	30.04313	0.58531	
	Robert Stovall	Public Works	33.20775	0.93763	
	Bryce Stromberg	Sheriff	30.71274	0.56974	2.41667
	Dennis Swack	Sheriff	29.79030	0.25574	
	William Todaro	Sheriff	29.99780	1.00000	
	Patrick Trudeau	Sheriff	25.87714	0.63508	
	Ronald Vasquez	Fire	31.44737	0.04497	
	Juan Velazquez	Public Health	25.93950	0.38502	
	Barbara Walshon	Planning & Dev.	25.11390	0.00007	
	Thomas Williams	Public Works	22.41752	0.78568	0.50000
	Charles Zimmer	ADMHS	21.10680	0.67931	

D=Deferred  
R=Reciprocal  
Dis=Disability Pending

## DISABILITY RETIREMENT

### TIME CERTAIN OF 9:15AM

*Disability matter shall be considered in CLOSED HEARING. Interested parties may request these matters to be discussed in a session open to the public. CONFIDENTIAL REPORTS are distributed only to the Board.*

2. Blanca Benedict, Applicant for Service-Connected Disability Retirement:  
Consider all the pertinent information, and deny the application for service-connected disability retirement, subject to timely requested hearing.  
**15 minutes**
3. Barbara Chabot, NonService-Connected Disability Retirement Applicant:  
Consider the Findings of Fact and Recommendation of the referee, along with any timely filed objections, and approve and adopt the recommendation to grant the application for nonservice-connected disability retirement.  
**10 minutes**
4. Mary Melendez, Service-Connected Disability Retirement Applicant:  
Consider all the pertinent information, and deny the application for service-connected disability retirement, subject to timely requested hearing.  
**15 minutes**
5. A. Patricia Scharli, Service-Connected Disability Retirement Applicant:  
Consider all the pertinent information, and grant a nonservice-connected disability retirement, based on the specified medical condition, pending determination of her entitlement to service-connected disability, and add the issue of causation of the specified medical condition to the issues currently before the hearing officer.  
B. Patricia Scharli, Service-Connected Disability Retirement Applicant:  
Consider the request of the hearing officer to extend his jurisdiction as well as the applicant's objections, and take appropriate action.  
**15 minutes**
6. Patricia Weiland, Service-Connected Disability Retiree:  
Consider all the pertinent information, and adopt the recommended findings to establish February 29, 1996, as the effective date of benefit, and direct counsel to advise the Superior Court of the Board's findings as well as the recent *Kotash* decision, and obtain further guidance from the court as to a different course of action, if appropriate.  
**15 minutes**
7. Receive and file the Disability Applicant Status Report.  
**5 minutes**

## BOARD

### TIME CERTAIN OF 10:30 AM

8. Regarding disposition of the Health Coverage Reserve:  
*Continued from March 26, 2008, and April 23, 2008*
  - A. Receive legal opinion from Fiduciary Counsel regarding Board Deliberations Concerning Retired Member Health Care and Supplemental Benefits.
  - B. Adopt the attached Modified Proposal for Funding Retiree Health Care and Supplemental Retirement Benefits, as recommended by staff, and Board and Fiduciary Counsels.

Or, Alternatively,

- C. Consider recommendations from Alternate Trustee Bruns, as follows:  
Effective July 1, 2008:
    1. Create a Supplemental Cash Benefit Reserve, and
    2. Eliminate the Health Reserve (formerly named Health Coverage Reserve), and
    3. Transfer all assets in the Health Reserve (\$93.5 million) to the Supplemental Cash Benefit Reserve, and
    4. Transfer \$40.0 million from the Market Stabilization Reserve to the Supplemental Cash Benefit Reserve in order to fund 100% of the monthly \$15/service year cash benefit for all SBCERS retirees and to future retirees who were employed by June 30, 2007, by any of the system's ten plan sponsors, estimated to cost \$133.5 million in accrued liability, and
    5. Use the \$133.5 million in assets from the Supplemental Cash Benefit Reserve to provide a monthly taxable \$15/service year supplemental cash benefit to all SBCERS retirees and to future retirees who were employed by June 30, 2007, by any of the system's ten plan sponsors, and
    6. Direct the Retirement Administrator to conduct an aggressive outreach campaign, to include countywide meetings and newsletters, in order to properly notify all retirees and employees of this change in the retiree health care benefit and the reason why.
- 60 minutes
9. Receive and file actuarial report of the cost of providing an Early Retirement Incentive program to qualifying employees of the County Counsel's Office..
 

15 minutes
  10. Accept and file Operations Committee report and Retirement Administrator position specification, and approve and adopt the proposed recruitment budget.
 

5 minutes
  11. Receive and comment on Draft Budget for Fiscal Year 2008-09.
 

30 minutes

## INVESTMENTS

12. Receive Pension Consulting Alliance (PCA) Quarterly Performance Report for March 31, 2008.

- 20 minutes
13. Approve PCA Real Estate Advisors recommendation to invest \$10 million in Rockwood Capital Real Estate Partners VIII, L.P. Fund.
- 20 minutes
14. Receive update on International Equity manager search from PCA, confirm finalist candidates and consider designating Trustees to conduct site visits.
- 5 minutes
15. Adopt revised watch status criteria for Invesco.
- 5 minutes

#### ADMINISTRATOR

16. Receive and file Administrator's Report:
- a. Portfolio Status Report
  - b. Private Equity Status Report
  - c. Department Operations
- 10 minutes
17. Present items to the Administrator for future agenda consideration.

#### CLOSED SESSION

*Closed Sessions are not open to the public.*

**Public Employment** (Government Code Section 54957(b)(1))  
Consider Interim Assignment in absence of Administrator

Next regular meeting date is June 25, 2008
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**PROPOSAL FOR FUNDING RETIREE HEALTH CARE  
AND SUPPLEMENTAL RETIREMENT BENEFITS  
(MODIFIED PROPOSAL)**

**A. Facts**

1. SBCERS has established a Health Coverage Reserve account ("Health Reserve") which has been used to fund health care premium subsidies and supplemental benefits to retirees. As of June 30, 2007, the Health Reserve held approximately \$93 million. The Health Reserve has been accumulated from "excess earnings," as defined in the County Employees Retirement Law of 1937 as amended (the "CERL") and investment earnings on those amounts during years when available excess earnings have allowed the SBCERS' Board to credit interest to the Health Reserve.
2. For the last several years, SBCERS has been paying \$15/month per year of service to retired members as a non-taxable health premium subsidy (pro rated for survivors) (the "\$15 Benefit") and a \$4/month per year of service taxable supplemental benefit (also pro rated for survivors) (the "\$ 4 Benefit") to retirees who are not eligible for or who do not elect the health premium subsidy. The benefit payments have been funded out of the Health Reserve. These benefits are not vested (except as provided under the *Bobolia* judgment.)
3. The Board has been advised that the continued payment of the health premium subsidy to retired members and their survivors may not be permissible under federal tax laws. A change in the manner this benefit is provided is necessary in order to assure compliance with federal tax laws.
4. The County has proposed independently to assume the obligation to fund the non-taxable health premium subsidy, effective July 1, 2008. To date, the County has not specified to whom the subsidy will be paid or for how long. For now, the County says it intends to pay the cost out of its general fund.
5. The Board takes the following action in order to honor the County's stated commitment to commence payment of the \$ 15 Benefit out of its general fund as a first step in establishing a mechanism, through a 401(h) plan or otherwise, for funding the \$ 15 Benefit on a long term basis, which is in the best interests of retired members of the system. At the same time, the Board wishes to safeguard, to the extent it can, the ability of past and future retirees to receive the benefit should the County fail to perform.

## **B. Proposed Motion**

### **Moved and seconded that:**

1. Staff is directed to cease providing the \$ 15 Benefit directly to retirees from assets of the Retirement System, effective June 30, 2008.
2. Effective June 30, 2007, the Health Reserve shall be eliminated on the books of the retirement system and the assets of such reserve shall be reallocated as follows: (1) Supplemental Cash Benefit Reserve, in the amount of \$ 8,100,000, to be treated as a non-valuation asset, for funding the \$ 4 Benefit on an ongoing basis; (2) 2007-2008 Health Benefit Reserve, in the amount of \$ 7,000,000, to fund the \$ 15 Benefit already paid or committed to be paid by SBCERS in Fiscal Year 2007-2008; (3) Retired Member Benefit Reserve, in the amount of \$ 78,430,416, to be treated as a valuation asset for so long as the County performs, and held for the purposes described below.
3. Treating the Retired Member Benefit Reserve as a valuation asset is projected to have the effect of reducing the County's (and participating districts') future employer contribution rates sufficiently to allow it to commence funding of the \$ 15 Benefit from its general budget without increased costs. The employer contribution rates previously provided to the County and other plan sponsors shall be modified accordingly, consistently with such action.
4. The Retired Member Benefit Reserve shall be segregated from other valuation assets and separately identified on the books of the retirement system, in recognition of the fact that the source of the funds in the reserve were excess earnings under the CERL. The reserve will be available to pay supplemental benefits pursuant to Government Code Section 31691.1 should the County fail to provide the \$ 15 Benefit from its own funds. Such reserve shall not be transferred into county advance (employer) reserves in the retirement system or be considered part of such reserves.
5. SBCERS shall continue to pay the \$4/month per year of service to retirees who are not eligible for or who do not elect the \$ 15 Benefit from the Supplemental Cash Benefit Reserve.
6. At any time on or after July 1, 2008, *if*, and only if, the County fails to provide the \$ 15 Benefit, to all qualified retirees, as soon as practical thereafter SBCERS shall commence providing a supplemental benefit, in an equivalent amount, on a taxable basis pursuant to the authority of Government Code Section 31691.1, to all eligible retired members and survivors. Should such action become necessary, all funds in the Retired Member Benefit Reserve shall be transferred to the Supplemental Benefit Reserve and shall be deemed non-valuation assets for purposes of the next actuarial valuation.

7. The Supplemental Benefit Reserve shall be the sole source of funding the supplemental benefits to be provided by SBCERS under this Proposal. The benefits so provided may not exceed the funds available in the Supplemental Benefit Reserve. In any year that "excess earnings" are available after crediting appropriate interest to the system's other reserves and replenishing the Contingency Reserve, SBCERS' Board may, but shall not be obligated to, credit interest to the Supplemental Reserve out of such available excess earnings and/or additionally increase the reserve from such excess earnings to increase the estimated actuarial lifespan of the benefit.
8. If at any time the funds in the Supplemental Benefit Reserve are insufficient to pay the full projected annual amount of supplemental benefits, the SBCERS' Board may, but shall not be obligated to, pro rate the available funds among retirees and survivors for so long as such funds are available.
9. For purposes of funding supplemental benefits, the SBCERS' Board does not intend to create an unfunded liability for the County or any participating district employer.
10. Nothing herein shall preclude the SBCERS' Board in the future from modifying or amending this Resolution or taking any and all other actions permissible under law.
11. For purposes of Government Code Section 7507, the costs of the supplemental benefits that may be granted under this Proposal shall never exceed the funds available in the Supplemental Benefit Reserve, and such costs have been made public by the system's actuary at least two weeks before the adoption of this Proposal.