

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

3916 State Street Suite 210
Santa Barbara, CA 93105

Phone (805) 568-2940
Fax (805) 560-1086

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
Shawn Terris
Ronald Bruns
Frederick Tan

**MINUTES OF THE BOARD OF RETIREMENT
REGULAR MEETING
March 26, 2008
Wisteria Room at Casa Nueva
260 N. San Antonio Rd.
Santa Barbara, California**

ROLL CALL 9:02 a.m.

Members Present: Bobolia, Gallas, Gray, James, Kendig, McCammon, Terris
Members Absent: Miller
Alternate Present: Bruns, Tan
Counsel: Blakeboro, Leiderman
Clerk: Bignell

Trustee Gray left early at 1:53.

Counsel Blakeboro summarized the following disclosure of Board Members with non-disqualifying financial interests in retiree healthcare as related to agenda items being considered later in the meeting:

George Bobolia- Retired Member

A retiree of the System; Spouse also a retiree of the System

Ronald Bruns- Alternate Retired Member

A retiree of the System; President of the Santa Barbara County Retired Employees Association

Joseph Gallas- Appointed Member

Son an active member of the System

Joni Gray- Appointed member

An active member of the System; A member of the County Board of Supervisors, the primary plan sponsor

Bernice James- Ex-Officio Member (Treasurer)

An active member of the System; Spouse a retiree of the System

Donald Kendig- Elected General Member

Management employee with APCD; An active member of the APCD plan

Julie McCammon- Elected Safety Member

An active member of the System; A member of the Sheriffs Managers Association; Spouse also an active member; other close family members receiving benefits through the System

Fred Tan- Alternate Safety Member

An active member of the System

Shawn Terris- Elected General Member

An active member of the System

The Board adjourned to the Manzanita conference room for Closed Session. Trustee Gray recused herself and remained in the Wisteria conference room.

CLOSED SESSION

(9:03 a.m. – 10:08 a.m.)

Conference with Legal Counsel -- Anticipated Litigation (Government Code Section 54956.9(b)).

OPEN MEETING

Chair James announced that no reportable action had been taken in closed session.

PUBLIC COMMENT

There was no general public comment.

BOARD

2. Regarding disposition of the Health Coverage Reserve:
 - a. Effective July 1, 2008, cease payment of retiree health subsidies, at which time the County will commence payment of such subsidies.
 - b. Effective June 30, 2007, eliminate the Health Coverage Reserve and reallocate the associated assets into three new reserves as follows:
 1. Retired Member Benefit Reserve of \$78,430,416, to be treated as Valuation Assets;
 2. Supplemental Cash Benefit Reserve of \$8,100,000 to be treated as Non-Valuation Assets
 3. 2007-08 Health Benefit Reserve of \$7,000,000 to be treated as Non-Valuation Assets

Counsel Blakeboro introduced item. Administrator pointed out corrected \$78,430,416 figure in Item 2b(1).

Chair James recognized the following speakers' requests to make public comment:

Robert Geis, Santa Barbara County Auditor-Controller; Walter Hamilton, Executive Director, SEIU Local 620, Central Coast Chapters; Mark Klein, Political Coordinator, Government Relations Department, SEIU Local 721, Los Angeles County Chapter; Emmett Darbyshire, Santa Barbara County Retiree (Probation); Cory Toth, Appraiser, Santa Barbara County Clerk-Recorder-Assessor; Darryl Scheck, Plant Pathologist, Santa Barbara County Agricultural Commissioner, and Secretary, Board of Directors, SEIU Local 620; Peter Cante, Engineering & Compliance Division Manager, Santa Barbara County Air Pollution Control District; and Commander Thomas Jenkins, Santa Barbara County Sheriff – Custody.

Commander Jenkins was unable to remain long enough to speak.

Mr. Geis referred to an earlier written county proposal recommending that all assets be treated as valuation assets, and that the county take over payment of non-taxable retiree health subsidies to be in compliance with Internal Revenue Codes.

Mr. Hamilton distributed copies of March 25, 2008, letters from SEIU Local 620 to the Board of Retirement and the County Executive Office, requesting that the matter be tabled to enable the County and recognized employee organizations time to discuss the proposed changes. Mr. Klein stated that SEIU Local 721 stood as one with SEIU Local 620 on the issues and noted that Local 721 co-signed the letters presented earlier by Mr. Hamilton.

Counsel Leiderman discussed the tax qualification issue and summarized the responsibilities and limitations on the authority of the Board of Retirement.

Trustee Terris distributed copies of a March, 13, 2008, letter from County Executive Officer and Auditor-Controller to Retirement Board and Retirement Administrator, Item C-3(a); and copies of excerpts from the Governor's Public Employee Post-Employment Benefits (OPEB) Commission's recommendations.

Trustee Terris addressed questions regarding the vested status of benefits for active members to County representative Sue Paul, Assistant CEO/Human Resources Director.

Trustee Terris made a motion, seconded by Trustee Kendig, to continue this item to the April meeting. This motion was later amended as presented below.

Counsels Blakeboro and Leiderman addressed questions regarding retiree representation raised by Trustee Bruns.

Mr. Klein requested that the item be tabled, that the county meet and confer with the unions, and that the unions be copied on all further correspondence on this issue.

The remaining speakers discussed concerns regarding the transfer of responsibility for funding the benefit to the political arena and the general importance of the benefit. Counsel Leiderman reiterated that the question of "who's vested" can only be answered through the collective bargaining process or by litigation, not by the Board of Retirement.

Chair James proposed that Trustee Terris separate her motion into parts 2(a), 2(b), and 2(c).

c. Regular Board meeting of February 27, 2008.

Chair James directed staff to record that she “might” be eligible for performance bonuses in the future, Page 5, Item 16; to insert the calendar date June 15, 2008, in reference to Administrator’s resignation, Page 6, Item 18; and to insert the amount of cost of living adjustment and 0.5% accumulated carry-over figures, in reference to Page 1, Item C-2.

MOTION: Adopt the minutes of the Regular Board meeting of February 27, 2008, as amended.

Trustee Gray seconded then withdrew her second to the motion.

Terris/Gallas Approved by unanimous voice vote of all present.
Absent: Miller

CONSENT

- C-1. Receive and file the Disability Applicant Status Report.
- C-2. Timothy Lacefield, Applicant for Disability Retirement: Receive and approve applicant’s request for a service retirement, pending final determination of his entitlement to disability retirement.
- C-3. Receive copies of correspondence regarding Retiree Health Insurance Subsidies.
 - a. March, 13, 2008, letter from County Executive Officer and Auditor-Controller to Retirement Board and Retirement Administrator.
 - b. March 17, 2008, reply to County Executive Officer and Auditor-Controller from Board Counsel
- C-4. Adopt resolution recognizing the Santa Barbara County Retired Employees’ Association (RESBC) as the organization that represents retired employees of the County of Santa Barbara.
- C-5. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
D	Joanna Burghardt-Laina	Planning	7.23075	0.01483	
DR	John Burke	District Attorney	0.82568	0.02070	
D	Peter Dean	Treasurer	22.57506	0.34538	
	Stanley Freedman	Sheriff	12.70795	0.16364	
D	Jacqueline Jeffers	Social Services	7.69972	0.09069	
R	Elizabeth Kasehagen	Public Health	23.66212	0.36517	
	Coleen Lund	Parks	23.16261	0.30741	
	Thomas Martinez	Carp/SmmrlnD Fire	32.49622	0.36896	
	Stephen Shane Stark	County Counsel	21.14280	0.85906	
Dis	Renee Wright-Edman	Probation	15.64161	0.00049	

D=Deferred
R=Reciprocal
Dis=Disability

Counsel Blakeboro responded to a concern raised by Trustee Gray regarding confidential information being included in the Disability Applicant Status Report. Chair James directed counsel to come back with recommendations for future reports.

MOTION: Approve the Consent Agenda.

Gray/McCammon Approved by unanimous voice vote of all present.
Absent: Miller

INVESTMENTS

3. Receive report from due diligence site visits and presentations from Emerging Market Equity Manager finalists, and make selection:

Sarah Bernstein of Pension Consulting Alliance (PCA) briefed the Board before the Emerging Market Equity Manager finalists made their presentations.

- a. Batterymarch Financial Management
 Timothy E. Stanton and Claudio Brocado represented Batterymarch.
- b. PanAgora Asset Management
 Meagan L. Condon and David B. Liddell represented PanAgora.
- c. Wellington Management
 Jared (Jed) Synnestvedt and Edward B. Baldini represented Wellington.
- d. State Street Global Advisors (SSgA)

Presentation deferred until after time certain Disability items.

ACTION DEFERRED UNTIL AFTER ITEM 6.

DISABILITIES

7. Fernando Ramirez, Applicant for Service-Connected Disability Retirement:
 Consider all the pertinent information, and deny the application for service-connected disability retirement for ineligibility due to termination for cause, subject to timely requested hearing.

Continued from February 27, 2008

Applicant Counsel Russell Ghitterman appeared on behalf of Mr. Ramirez. The Board granted Mr. Ghitterman's request to continue the matter to the April agenda to allow him to become familiar with the issues. Board Counsel Alan Blakeboro agreed to update Mr. Ghitterman on the legal issues related to the staff recommendation to deny the application for ineligibility due to termination for cause.

MOTION: Continue the matter to April meeting at the request of Applicant's Counsel.

Terris/Gallas Approved by unanimous voice vote of all present.
Absent: Miller

MOTION: Hire Batterymarch Financial Management as Emerging Market Equity Manager based on their balanced quantitative/fundamental orientation, team approach to investment choices, information ratio, and optimal fee scale.

Kendig/Gallas

Approved.

Yes: Bobolia, Gallas, Kendig,
McCammon
No: James, Terris
Absent: Gray, Miller

Trustees Terris and Tan and the Administrator reported to the Board on their due diligence site visits to The Boston Company and Arden Asset Management. Based on Board discussion, Chair James indicated that trustees should perform due diligence site visits to SSgA and local manager Starbuck Tisdale & Associates.

BOARD

5. Authorize asset liability study to be conducted by Pension Consulting Alliance and EFI Actuaries as proposed.

Ms. Bernstein introduced item. Ms. Bernstein and Administrator addressed issues raised by the Board.

Trustee Terris made and Trustee Kendig seconded a motion to authorize an asset liability study to be conducted by PCA and EFI Actuaries at a cost not to exceed \$125,000.

Chair James directed staff to return with completed references and requested that Ms. Bernstein to negotiate with EFI for a discounted fee, based on some Trustee's disappointment with an earlier asset liability study, and provide additional information regarding improvements in the process.

Trustee Terris amended her motion to include "pending positive reference checks." However, based on Board discussion, Trustee Terris withdrew her motion.

NO ACTION TAKEN

INVESTMENTS

4. Adopt the Institutional Shareholders Services public fund guidelines as proxy policy.

Administrator introduced item and addressed issues raised by the Board.

MOTION: Adopt the ISS public fund guidelines as SBCERS' proxy policy.

Terris/McCammon

Approved.

Yes: Bobolia, Kendig, McCammon, Terris
Abstain: Gallas, James
Absent: Gray, Miller

Terris/McCammon Approved by unanimous voice vote of all present.
Absent: Gray, Miller

10. Nominate and/or approve slate of candidates for SACRS 2008-09 Officers.

Administrator introduced item.

Trustee Terris made and Trustee Kendig seconded, a motion to direct voting delegates to vote the LACERA slate of candidates for SACRS 2008-09 Officers: President, Rich White, Orange County; Vice President, Yves Chery, Los Angeles County; Secretary, James Freeley, San Diego; Treasurer, Chris Johnston, Ventura County.

Based on Board discussion, Trustee Terris withdrew her original motion, and moved instead to continue the matter until April in order to obtain clarification on the voting process.

MOTION: Continue the matter to April 23, 2008, meeting in order to get clarification from counsel regarding SACRS election process.

Terris/Kendig Approved by unanimous voice vote of all present.
Absent: Gray, Miller

ADMINISTRATOR

11. Receive and file Administrator's Report:
- a. Portfolio Status Report
 - b. Private Equity Status Report
 - c. Commission Recapture Report
 - d. Department Operations

Administrator and Counsel Blakeboro addressed issues raised by the Board.

NO ACTION TAKEN

12. Present items to Administrator for future agenda consideration.

NO NEW ITEMS

The meeting adjourned at 4:33 p.m.

ATTEST:

Clerk

Chair

Secretary