

**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
Paul Doré
Joseph Gallas
Julie McCammon
Kate Silsbury
Shawn Terris
Ronald Bruns

**MINUTES OF THE BOARD OF RETIREMENT
2006 WINTER RETREAT
December 20 & 21, 2006
Royal Scandinavian Inn
400 Alisal Road
Solvang, California**

1. **ROLL CALL** Wednesday, December 20, 2006 9:10 a.m.

Members Present: Boblia, Doré, Gallas, Gray, James, McCammon, Silsbury
Members Absent: Kendig, Terris
Alternate Present: Bruns
Counsel: Czuleger
Clerk: Bignell

Ms. Silsbury arrived at 11:15 a.m.

Short recesses occurred periodically throughout the meeting .

RECEIVE PUBLIC COMMENT

2. Chair James announced Bob Bible has retired and therefore the Safety Alternate position is vacant. County Counsel was asked to provide direction for replacement.

Chair James introduced Suzanne Schomer, a potential nominee to the Board of Retirement.

Vice-Chair Gray reported on the 15th Annual Public Funds Boards Forum, San Francisco; she recommends that any Board member that has the opportunity attend this conference.

BOARD, STAFF, AND CONSULTANTS

3. Performance Attribution Discussion of SBCERS Portfolio

PCA: Attribution Report (vs. policy portfolio) – Neil Rue.
PCA: Attribution Memo (vs. SACRS peers) – Neil Rue

The Chair directed that Mellon report on amending the performance report to correctly reflect the one year performance for real estate.

The Chair recognized request to speak from Zandra Cholmondeley, Santa Barbara County Executive office. After attending SACRS Fall Conference 2006, Ms. Cholmondeley wondered if mirroring San Diego's portfolio might not help keep employer contributions down.

The Chair asked to see a complete California Counties risk vs. return report.

4. Investment Liability Driven Investing and Its Relevance to SBCERS

PCA – Neil Rue

This item was deferred to the January meeting.

BOARD, STAFF, CONSULTANTS, AND MANAGERS

5. Domestic Equity Manager Roundtable

Introduction: PCA (manager structure, active/passive, style exposures, added value trend, risk trend) – Neil Rue

Alliance Bernstein (Large Value) – David Allen, John Phillips
Alliance Bernstein (Russell 1000 Index) Judi DeVivo
OFFII (Small Growth) – Ed Bickford, Dan Goldfarb
Dimensional Fund Advisors (Small Value) – Sonya Park, Grady Smith
Invesco (Enhanced Index) – Paul Rudinoff
Starbuck Tisdale (Growth) – Jon Bull, Todd Sullivan, (David Tisdale)

Discussed outlook for domestic equity markets, next 12 months, next 3 years.

NO ACTION TAKEN

7. International Equity Manager Roundtable

Introduction: PCA (manager structure, active/passive, style/mandate exposures, added value trend, risk trend) – Neil Rue

Boston Company (Emerging Markets) – Robert Harkins, Carolyn Kerdersha,
Lawrence Ivey
Pyramis (Active EAFE Growth) – Dino Davis
New Star Asset Management – Ian Lance
State Street Global Advisors (EAFE + Canada Index) – Neil Tremblay,
Dan Pierce

Discussed outlook for international equity markets, next 12 months, next 3 years.

NO ACTION TAKEN

8. Fixed Income Manager Roundtable

Introduction: PCA (manager structure, active/passive, style/mandate exposures, added value trend, risk trend) – Neil Rue

Reams Asset Management (Active Core +) – Mark Egan, Tom Fink,
Todd Thompson
STW (Active Core) – Billy Williams

Julius Baer Investment Management (Active Core +) – David Durrant,
Melvin Lindsay

Discussed outlook for fixed income markets, next 12 months, next 3 years.

NO ACTION TAKEN

9. Real Return Manager Roundtable

Introduction: PCA (manager structure, active/passive, style/mandate exposures, added value trend, risk trend) – Neil Rue

Arden Asset Management – David Gorman
RREEF – Frank Garcia, Laura Gaylord

Discussed outlook for real estate and absolute return markets, next 12 months, next 3 years.

NO ACTION TAKEN

10. Summary Discussion of Capital Market Outlooks and Market Trends (all managers).

Introduction: PCA – Neil Rue

NO ACTION TAKEN

11. Q & A and End

NO ACTION TAKEN

BOARD, STAFF, CONSULTANTS, AND MANAGERS

12. **ROLL CALL** Thursday December 21, 2006 9:10 a.m.

Members Present:	Boblia, Doré, Gallas, Gray, James, McCammon, Silsbury
Members Absent:	Kendig, Terris
Alternate Present:	Bruns
Counsel:	Czuleger
Clerk:	Bignell

C-10. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
D	Evelyn Abernethy	Courts	7.22312	0.22358	
D	Patricia Bell	ADMHS	7.35712	0.02717	
	Jennifer East	Sheriff	12.33957	0.00020	
D	Margaret Garza	Clerk Recorder	10.41551	0.00894	
D	Anne Hennessey	Probation	9.17033	0.12766	
D R	Annie King	Planning	10.30514	0.28450	
	David Ocallaghan	Treasurer	20.08635	0.00771	
	Patricia Sheffield	Courts	31.92381	0.38468	
D DIS	Jane Ciacio	Superior Court	11.23878	0.00005	
	Harry Henkel	Animal Services	30.06387	0.00177	
	Anita Soderborg	Public Health	26.94109	0.29597	5.0
	Livia Zirkel	Carp-Summrlnnd Fire	19.33416	0.20350	
	Karen Mira	Public Health	29.03661	0.51377	5.0

D=Deferred

R=Reciprocal

DIS=Disabled

MOTION: Approve the Consent Agenda

Gray/Gallas Approved by unanimous voice vote of all present.

DISABILITIES

20. Nancy Razo, applicant for Service Connected Disability Retirement:
Consider all the pertinent information, and grant a nonservice-connected disability retirement, subject to hearing.

MOTION: Grant the application and adopt uniform findings for nonservice-connected disability, subject to further hearing on service connection.

Gallas/Bobolia Approved by unanimous voice vote of all present.

21. Eric Linkjendal, applicant for Service Connected Disability Retirement:
Consider all the pertinent information, and grant the application for service-connected disability retirement, subject to hearing.

MOTION: Grant the application for service-connected disability, subject to hearing.

McCammon/Gallas Approved by unanimous voice vote of all present.

BOARD

22. Receive and File Presentation and Adopt Financial Statements and Comprehensive Annual Finance Report (CAFR) for 2005-06.

MOTION: Receive and file presentation and adopt Financial Statements and Comprehensive Annual Finance Report (CAFR) for 2005-06.

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

23. Receive Administrator's Response to the Mercer Retirement System Evaluation

The Chair directed staff to strike last sentence of item 4, regarding the Board of Retirement, vis-à-vis, risk transfer and the CERL.

Trustee Gray complimented Trustee Doré on his opinion that liabilities were outpacing growth within the Retirement System, emphasizing the need for a better system to identify the exact cost of benefits. Trustee Gray suggested that this idea be conveyed to the Board of Supervisors through the County Executive Office and the Auditor Controller.

MOTION: Receive Administrator's Response to Mercer Retirement System Evaluation.

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

24. Consider Actuarial Candidates for finalist presentations

MOTION: Requested finalist presentations from actuarial candidates Milliman and Segal only.

Gray/Gallas Approved by unanimous voice vote of all present.

25. Implementation of the Pension Protection Act

MOTION: Approve staff recommendations, except as indicated in *Italics*.

- a. Eligible retirees are those who (1) retired as a Safety member (or would have if they retired at the present time) (2) separated from county service by reason of disability or attainment of normal retirement age. A surviving spouse/child of an eligible retiree is also eligible. *Judges and prosecutors are excluded at this time pending clarifying IRS regulations.*
- b. For this purpose, normal retirement age is defined as the notional age of the applicable retirement plan (age 50, 55), or the age at which the employee becomes eligible to retire, whichever is later.

- c. Only premiums paid by SBCERS on behalf of eligible retirees to SBCERS-qualified health insurance plans are considered tax free distributions. Health insurance includes long-term care insurance.
- d. The benefit is effective beginning with the 2007 tax year for current retirees subject to individual election. Future qualified retirees may elect to participate following separation from county service.

Gallas/McCammon Approved by unanimous voice vote of all present.

26. Revise Reserve Account Structure

MOTION: Adopt the revised account structure as presented in the Administrator’s memo and consolidate the APCD reserve into the Employer Account.

McCammon/Gallas Approved by unanimous voice vote of all present.

ADMINISTRATOR

27. Administrator’s Report

- a. Portfolio Status Report-
- b. Department Operations
- c. Recommendation for Santa Barbara Office Space

MOTION: Authorize the Administrator to exercise the option to extend the lease for the current Santa Barbara office space for five years beginning July 1, 2007.

Gallas/McCammon Approved by unanimous voice vote of all present.

28. Present Items to Administrator for future agenda consideration

Concerning the County’s Commissioners Pay Project, Trustee Gallas cited California Proposition 162, the Pension Protection Act of 1992, “The retirement board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system.”

The meeting adjourned at 3:30 p.m.

ATTEST:

Clerk

Chair

Secretary