



Santa Barbara County Employees Retirement System
2005 Fall Retreat
September 14-15, 2005

El Encanto Hotel ■ 1900 LaSuen Road ■ Santa Barbara ■ CA 93103 ■ (805) 687-5000

MINUTES

Roll Call 9:03 a.m.

Members Present: Bobolia, Gallas, James, Kendig, McCammon, Silsbury, Tedesco, Terris
Member Absent: Gray
Alternates Present: Bible, Coleman
Counsel: Czuleger
Clerk: Strong

PUBLIC COMMENT PERIOD

None

Wednesday, September 14, 2005

Board, Staff & Consultants Only

- 1. PRESENTATION on CURRENCY MANAGEMENT** by Neil Rue of Pension Consulting Alliance. No action on this item
- 2. PRESENTATION on COMMODITIES** by Neil Rue of Pension Consulting Alliance. No action on this item

Board, Staff, Consultant & Managers

- 3. REPORT ON SECURITIES LENDING** Mike McDermott & Rich Cochran of Mellon gave report. No action
COMMISSION RECAPTURE PROGRAMS Bryce Sutton of Lynch, Jones, Ryan & David Reneker of Donaldson attended. No action

- 4. DOMESTIC EQUITY MANAGER ROUNDTABLE**
Introduction: by Neil Rue of PCA (manager structure, active/passive, style exposures, added value trend, risk trend) (10 minutes)

Alliance Bernstein Large Value John Phillips/David Allen
Alliance Bernstein Russell 1000 Index Judi DeVivo
Babson Small Growth Dan Goldfarb/ George Browning
Dimensional Fund Advisors Bob Deere/Sonya Park
Invesco Enhanced Index Paul Rudinoff
RREEF Real Estate Laura Gaylord
Starbuck Tisdale Large Growth Dave Tisdale/Jon Bull
(each manager reviews SBCERS mandate for 5 minutes)

Discuss outlook for domestic equity markets, next 12 months, next 3 years
(20 minutes)

No action

- 5. INTERNATIONAL EQUITY MANAGER ROUNDTABLE**
Introduction: Neil Rue of PCA (manager structure, active/passive, style/mandate exposures, added value trend, risk trend) (10 minutes)

Boston Company Emerging Markets Carolyn Kedersha/Rob Harkins
Fidelity International Growth Dino Davis/Art Greenwood
State Street Global Advisors EAFE Index Neil Tremblay/Dan Peirce
(each manager reviews SBCERS mandate for 5 minutes)

Discuss outlook for international equity markets, next 12 months, next 3 years
(20 minutes) No action

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- 6. FIXED INCOME MANAGER ROUNDTABLE**
Introduction: Neil Rue of PCA (manager structure, active/passive, style/mandate exposures, added value trend, risk trend) (10 minutes)
- Lehman Bros Asset Management Bob Schank/Andy Johnson
Reams Asset Management Bob Crider/Deanne Olson
STW Long Bond (recently shifted to Core) Todd Jewett
(each manager reviews SBCERS mandate for 5 minutes)
- Discuss outlook for fixed income markets, next 12 months, next 3 years
(20 minutes)
No action
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- 7. SUMMARY DISCUSSION of CAPITAL MARKET OUTLOOKS (all managers)**
Skipped to next item. No action
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- 8. ADDED VALUE STRATEGIES UTILIZED by PLAN SPONSORS**
Introduction: Neil Rue of PCA
Lively but polite Discussion by all in attendance. No action
- 9. Q & A and END**
Adjourned at 4:21 p.m.
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Thursday, September 15, 2005

Board, Staff & Consultant only

9:05 a.m. ROLL CALL

Members Present: Bobolia, Gallas, James, Kendig, McCammon, Silsbury, Tedesco, Terris
Member Absent: Gray
Alternates Present: Bible, Coleman
Counsel: Czuleger
Clerk: Strong

Let the record show that Mr. Bible left at 12:03 p.m; Ms. James left at 12:28 p.m.

PUBLIC COMMENT PERIOD

None

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- 10. PERFORMANCE ATTRIBUTION DISCUSSION of SBCERS PORTFOLIO**
Neil Rue of PCA led discussion
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- 11. REVIEW OF CURRENT SBCERS INVESTMENT STRATEGY AND FUTURE DIRECTION**
MOTION: In order to stop loss 1) direct the Administrator to sell off REITs if the value goes below \$57.5 million and allocate proceeds proportionally to index funds fixed income and equity asset classes. 2) Direct Administrator to report to the Board when that target is reached and the portfolio is sold; subject to adjustment at subsequent Board meetings.
Terris/Silsbury Approved by voice vote of all present
Absent: Gray
- MOTION: Direct PCA to review investment managers suggestions to decrease constraints; further information on AIG guaranteed fund; examine assets and report back within the next two months on applying real rate of return patterns and how it affects each asset allocation and possible extra costs.
Tedesco/Terris Approved by voice vote of all present
Absent: Gray
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12. Consider recommendations and take action on CURRENT MANAGERS
- a. MOTION: Extend probationary status for nine months on Fidelity due to Wells notice; and lower its performance bogey for International Growth mandate to MSCI EAFE ND + 100 basis points /per year.
Bobolia/Tedesco Approved Yes: Bobolia, James, Kendig, McCammon, Silsbury, Tedesco, Terris
No: Gallas
Absent: Gray
 - b. MOTION: Place Starbuck Tisdale and Associates on watch for 6 to 12 months with specifics on the parameters next month after revision of model
Tedesco/Bobolia Approved by voice vote of all present
Absent: Gray
 - c. MOTION: Continue Invesco on watch, keep bogey as is; and negotiate fee amendment to passive type fee structure up to 1% hurdle; split gains 50/50; if not successful in negotiation bring back to Board next month for further discussion.
James/Terris Approved by voice vote of all present
Absent: Gray
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- 13 Update on International Equity Manager search and finalist recommendations
Interviews will be in October. Board requested information be distributed as soon as possible. No motion
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14. MOTION: Adopt Minutes of August 10, 2005
Tedesco/Bobolia Approved by voice vote
Abstain: Terris
Absent: Gray
- 15, 16, 17 BOARD BUSINESS
15. Board comment heard after Administrator's Report
 16. Order was reversed on this item
 - b. MOTION: Approve trustee attendance and reimburse reasonable expense at Russell/Mellon conference.
Terris/McCammon Approved by voice vote
Abstain: Kendig
Absent: Gray
 - a. MOTION: Approve trustee attendance and reimburse reasonable expense at UBS Conference
Terris/Gallas Approved by voice vote
Abstain: Kendig
Absent: Gray
 17. MOTION: Adopt Resolution adding Assistant Retirement Administrator to personnel authorization for SBCERS
Bobolia/James Approved by voice vote
Absent: Gray
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- 18, 19 18. ADMINISTRATOR'S REPORT
- a. Portfolio Status Report
 - b. Notice of Election
 - c. Assembly Bill 256 (for information only)
 - e. 401(h) Status
- A, b, c, e, : No action
- d. Year End Reports of benefits and disabilities
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MOTION: Receive and file report

19. Review Workshop and future planning: Positive comments on facility, concern was expressed over the cost. Administrator reported that the prices were very competitive with other facilities; Trustees commented that with the Agenda having all managers a two full day retreat would be better; very educational; possibility of a different month and different days of the week suggested.

15. Board Comment: Pauline Coleman announces she is not running for office and Ted Tedesco announces he is not available for reappointment.

20.

RETIREMENT REPORT

<u>NAME</u>	<u>DEPT.</u>	<u>Service Credit</u>	<u>Sick</u> <u>Leave Credit</u>
Lorna Backus	Public Health	14.62443	0.09046
Carroll Brown	Goleta Cemetery	21.28236	0.00000
Jerry Davidson	Ag. Commission	32.27730	0.12523
Carmen Fredrickson	District Attorney	15.89977	0.00194
Alma Guerra	Public Health	22.97211	0.26255
Rachel Guzman	Social Services	12.86055	0.22490
R Steven Holton	S M Cemetery District	19.66079	0.00000
Phillip Luna	Social Services	33.75858	0.58395
Robert Melroy	Social Services	20.09553	0.16136
R Sherry Robin	District Attorney	10.39033	0.00934
Blair Spaulding	Sheriff	20.67357	0.67192
Ann Sullivan	District Attorney	35.25488	0.50133
D - R Shirley Tyson	Water Agency	9.04258	0.01606
Samuel Walsh	Social Services	19.18082	0.06719
Mary Ward	Planning	24.62845	0.50902
Laura Willers	Public Health	20.80033	0.43768

MOTION: Receive and file

McCammon/Terris Approved by voice vote.

Adjourned
at 12:50
p.m.

ATTEST:

Clerk

Chair

Secretary