

**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
Harriet Miller
Shawn Terris
Ronald Bruns

**MINUTES OF THE BOARD OF RETIREMENT
REGULAR MEETING
MAY 23, 2007
Wisteria Room at Casa Nueva
260 N. San Antonio Rd.
Santa Barbara, California**

ROLL CALL 9:00 a.m.

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

PUBLIC COMMENT

John Wells spoke regarding agenda item #11, The implementation of the Pension Protection Act and the determination of “normal retirement age.” Mr. Wells endorsed the staff recommendation to change the normal retirement age of safety members to 50.

MINUTES

1. Approved Minutes of Regular Board meeting of April 25, 2007.

Trustee Terris noted item #7 should include a description of the Bolas v. SBCERS Superior Court decision being upheld.

Vice-Chair Gray directed staff to correct her placement in the Roll Call to show her as present April 25, 2007.

MOTION: Approve the Minutes of regular Board meeting of April 25, 2007, with amendments.

Gray/Gallas

Approved by unanimous voice vote of all present.
Abstain: Terris

2. Approved Revised Minutes of Regular Board meeting of March 28, 2007.

MOTION: Approve the revised Minutes of regular Board meeting of March 28, 2007.

Terris/Kendig Approved by unanimous voice vote of all present.

CONSENT AGENDA

- C-1. Received and filed the Disability Applicant Status Report.
- C-2. Approved Patricia Matthew’s request for service retirement, pending final determination of eligibility for disability retirement.
- C-3. In the matter of Arlene Cohen, Hearing Officer Catherine Harris requested an extension of her jurisdiction to complete the hearing in this matter up to and including September 10, 2007.
- C-4. Adopted the Findings of Fact, Conclusions of Law, and Decision granting Henry Weigel a service connected disability retirement
- C-5. Received and filed Hamilton Lane recommendation to invest \$10 million in the KPS Special Situations Fund III, L.P. Fund.
- C-6. Received and filed report from Trustee Kendig regarding the Council of Institutional Investors Spring meeting.
- C-7. Adopted Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
	Michael Armstrong	Fire	10.28622	0.07281	0
	Russell Birchim	Sheriff	33.09179	0.96461	0
R	Roger Brenner	Sheriff	28.10733	0.39321	0
	John Brodbeck	Fire	32.3349	0.74994	0
R	James Broderick	ADMHS	5.89810	0.20570	0
D R	Angela Cantrell	Public Works	14.35174	0.05601	0
	Jacqueline Cleckley	Public Health	8.56850	0.04674	0
	Randy Coleman	Fire	28.66875	0.63516	2
	Keith Cullom	Fire	34.55139	0.10310	0
D R	Eugene Cunningham	Public Works	9.56148	0.05881	0
	Danny Davison	Public Works	37.57754	1.00000	0
	Robin S. Deupree	Probation	39.00000	1.00000	0
D R	Steven Escoboza	Public Health	4.82624	0.24933	0
	Susan Furlong	Sheriff	30.51129	0.36956	2
	Gregory Gerber	General Services	36.08110	0.25243	0
	Mary Green	Superior Court	36.85519	1.00000	0
	Shiela Hearrell	District Attorney	27.50656	0.00549	0
	Gary Hoffman	APCD	17.51345	0.42941	0
	Steven Hopkins	Public Works	15.90744	0.08688	0
	James Isaac	Parks	33.55195	1.00000	2.5
	Sylvia Johns	Public Health	37.57981	0.18164	0

C-7. Adopted Retirement Report. (Cont'd.)

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
Dis	Darrian Lee	Treasurer-Tax	17.38146	0.00063	0
	Maureen Leonard	ADMHS	17.75983	0.25646	0
	Dreena Lindsay	Courts	14.45162	0.06180	0
	Thomas Love	Social Services	10.51846	0.07835	1
D	Jerilyn McGraw	Courts	9.91080	0.00180	0
	Susana McGinnis	Public Health	16.47405	0.01006	0
	Georgia Miller	Public Health	22.13036	0.35745	0
DRO	Karen Milner	Fire	n/a	n/a	0
	James Moraga	APCD	20.90733	0.03637	0
	Mary Lou Morales	Clerk-Recorder	37.61431	0.20352	0
R	Dennis Narron	Sheriff	32.16620	0.51781	0
	Rosemary Pena	Child Support	22.75286	0.02212	0
	Mary Placencia	Courts	29.31778	0.00359	0
	Carter Ray	Probation	28.95971	0.46743	0
	Geraldine Rice	Sheriff	23.10045	0.55984	0
	Allen Selander	Sheriff	25.51324	1.00000	0
	Revis Taylor	Probation	18.76843	0.27483	0
	Ruth Varner	Fire	27.84614	0.33089	0
D R	Joseph Villalobos	Sheriff	5.42778	0.00000	0
	Donald Watkins	Carp/Summerland	30.92533	1.0000	0

D=Deferred

R=Reciprocal

Dis=Disabled

DRO=Domestic Relations Order

Referring to item #C-3, Trustee Gallas asked that in the future a second day for hearings be scheduled concurrently for a quicker conclusion with Chair James asking staff to look into the process of estimating hearing time more realistically.

MOTION: Approve the Consent Agenda.

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

INVESTMENTS

3. Received Pension Consulting Alliance (PCA) Quarterly Performance Report for March 31, 2007.

Sarah Bernstein of PCA made the presentation. In addition to noting that the performance was near the median for the SBCERS peer group, she noted that PCA would be presenting a review of the active international managers.

NO ACTION TAKEN

DISABILITIES

5. Allen Meskimen, applicant for Service-Connected Disability Retirement:
Considered the Findings of Fact and Recommendation of the referee, along with any timely filed objections, and approved and adopted the recommendation to deny the application for service-connected disability retirement.

Administrator Peters and Counsel Blakeboro addressed issues raised by the Board.

MOTION: In the matter of Allen Meskimen, defer action at this time and notify applicant's counsel of the Board's intention to act at the June meeting.

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

6. Mark E. Williams, applicant for Service-Connected Disability Retirement:
Considered all the pertinent information, and granted the application for service-connected disability retirement, subject to timely requested hearing.

MOTION: In the matter of Mark E. Williams, grant the application for service-connected disability retirement, subject to timely requested hearing.

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

4. Sharon Konkol, applicant for Service-Connected Disability Retirement:
Considered all the pertinent information, and denied the application for service-connected disability retirement, subject to a timely requested hearing, based on both of her claimed conditions.

The Applicant was represented by Russell Ghitterman.

Counsels Ghitterman and Blakeboro addressed issues raised by the Board.

MOTION: In the matter of Sharon Konkol, deny the application for service-connected disability retirement, and accept applicant's request for hearing.

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

BOARD

11. Received update on implementation of the Pension Protection Act and considered appeals of safety retirees Rolf Brinckmann and John Wells regarding determination of 'Normal Retirement Age.'

Administrator Peters and Counsel Blakeboro addressed issues raised by the Board.

MOTION: That action on this issue be deferred no later than January 2008, pending a request for, and receipt of, a private letter ruling from the Internal Revenue Service and that the Board be apprised of the status of the request.

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

Staff was also directed to return with a monthly update on the Federal Government's interpretation of 'Normal Retirement Age' as it relates to the Pension Protection Act.

Trustee Terris was requested to ask SACRS to communicate with the IRS regarding 'Normal Retirement Age.'

ADMINISTRATOR

7. Received and filed Administrator's Report:
 - a. Portfolio Status Report
 - b. Department Operations
 - c. Draft letter to Auditor Controller Requesting Member Statements be available on Employee Self Service

Trustee Gray requested that staff send a thank you letter to SACRS for their work towards the creation of the West Coast Trustee training opportunity at Berkeley.

Chair James directed staff to return with actuarial study for safety retirees' new benefits providing the Board information for adopting contribution rates.

Trustee McCammon requested that staff re-send the letter to Human Resources requesting the broadbanding study.

Trustee Terris requested that staff to return in June with actuarial reports from Buck Actuaries and Milliman on the 3% at 50 Safety benefit and others, to be costed out separately.

MOTION: Have staff draft memo to Auditor-Controller thanking them for their cooperation towards bringing retiree statements online to ESS.

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

BOARD

12. Authorized staff to negotiate rate increase for attorneys representing SBCERS in disability retirement matters.

MOTION: Authorize staff to negotiate rate increase for attorneys representing SBCERS in disability retirement matters.

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

13. Received Draft Budget for Fiscal Year 2007/08.

During budget discussions the administrator noted that the eleven responses were received in response to the general consultant RFP and that there would probably be additional costs for the new contract.

Chair James appointed Ronald Bruns, Paul Doré, and herself to an Ad Hoc Committee to review Administrator's selections for Investment RFPs.

NO ACTION TAKEN

14. Authorized interested Trustees to attend the Modern Investment Theory and Practice for Retirement Systems in Berkeley, California on June 4 - 6, or June 5 - 7, 2007, and reimburse any reasonable expenses.

MOTION: Authorize interested Trustees to attend the Modern Investment Theory And Practice For Retirement Systems in Berkeley, California on June 4 - 6, or June 5 - 7, 2007, and reimburse any reasonable expenses.

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

15. Present items to Administrator for future agenda consideration.
- a. Administrator evaluation
 - b. Draft letter, quoting previous correspondence, to Sue Paul asking for HR's Leadership Project model
 - c. Safety and Probation Actuarial report on all Board of Supervisors grants
 - d. General consultant RFP candidates by July
 - e. Obtain 3% at 50 actuarial study from County
 - f. Staff Counsel with budget

MOTION: Survey 37 Act Systems on the use of in-house counsel by the end of the month.

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

10. Receive clarification on use of outside counsel as Board Counsel and provide direction as desired.

Board members discussed the staff report and their desire to be independent from the potential conflicts with the County. The Board discussed the need for independent staff counsel. Chair directed the administrator to review having staff counsel as a department employee when developing a final budget.

MOTION: That the Administrator issue a Request for Proposal for General Counsel for the Board, retaining current counsel, Reicker, Pfau, Pyle & McRoy, remaining during the interim. RFP to include estimated number of annual hours.

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

CLOSED SESSION
(12:14 p.m. – 12:34 p.m.)

Conference with Legal Counsel – Threatened Litigation
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 of the Government Code.

Supervisor Gray recused herself from Closed Session and left the meeting.

OPEN SESSION

Board Counsel Blakeboro announced that no reportable action had been taken during Closed Session. Trustee Gray returned to the meeting.

BOARD

8. Received Legal Opinions:
 - a. Actuarial authority
Counsel will update memo to include Government Code Section 31515.5
 - b. Special COLA calculation
 - c. Distribution of excess earnings
Administrator Peters addressed issues raised by the Board.
 - d. Conflict of interest

NO ACTION TAKEN

9. Considered requests from Retired Employees of Santa Barbara County:

Administrator Peters and Counsel Blakeboro made brief introductions to this item.

Retired Deputy Sheriff Ruben Soto spoke before the Board. Mr. Soto commended the Board for having granted prior COLAs, and asked them to please continue to do so. By passing item #9(a) the Board would be helping retirees, especially the ones with financial difficulties experienced since their early disability retirements.

Supervisor Brooks Firestone, Chair of the Board of Supervisors spoke before the Board. Supervisor Firestone, apologized for reading his statement, but wanted to be very accurate with what he said. Supervisor Firestone spoke on behalf of the County Board of Supervisors requesting that the Retirement Board defer any action regarding the distributions of excess earnings. He communicated that the County wants to work with the Retirement System to determine the best way to provide retiree benefits and to be able to first study the issues and consider its alternatives. He referenced a County timeline, provided to the Board of Retirement, and in ending, asked again that the Retirement Board not distribute excess earnings at this time, but instead work with the County on a more comprehensive solution within the timeline provided. (A copy of the written statement has been retained as part of the administrative record.)

At the direction of the chair the items were to be discussed individually. Board Members discussed and addressed issues raised by each other.

The Administrator and Counsel Blakeboro responded to questions raised by the Board

- a. To provide an Ad Hoc cost of living adjustments (COLA) for retirees retiring prior to April 1, 1981, to reduce their loss of 'purchasing power' to 20% pursuant to Government Code Section 31874.3(c).

MOTION: Adopt the Sonoma system of total CPI methodology for determining COLAs.

Gallas/Kendig Approved Yes: Bobolia, Gallas, Kendig, Miller, Terris
No: Doré, Gray, James, McCammon

MOTION: Grant the Ad Hoc COLA, utilizing the initial amount of \$2,317,272, to be funded from the Special Allowance Reserve.

Bobolia/Gallas Approved Yes: Bobolia, Gallas, James, Kendig, McCammon, Miller, Terris
No: Doré, Gray

Counsel Blakeboro, with Chair James concurring, recommended that staff and counsel return with a very specific and exact accounting of this motion for a clear record of findings supporting the Board's decision.

- b. That retirees not participating in County sponsored medical benefits plans receive a \$1.00 increase per month per year of service for a total benefit of \$5.00 per month per year of service, when there is compliance with IRS regulations which require that the monies received be used for the payment of medical costs.

The Administrator and County staff addressed issues raised by Board members.

MOTION: Defer consideration, to no later than January 2008, of \$1 per month per year of service increase in the cash allowance for retirees not participating in a County sponsored health plan pending further work with the County to resolve the vehicle for funding retired health benefits..

Gray/Miller Approved Yes: Bobolia, Doré, Gallas, Gray, James, Kendig, McCammon, Miller, Terris

- c. That any balance available from undistributed earnings be applied to further offset premium costs for those retirees participating in county sponsored medical benefits plans.

MOTION: Defer consideration, to no later than January 2008, unless resolved earlier, of increasing the retired health insurance offset for members participating in a County sponsored health plan pending further work with the County to resolve the vehicle for funding retired health benefits,

Gallas/McCammon Approved Yes: Bobolia, Doré, Gallas, Gray, James, Kendig, McCammon, Miller, Terris

Trustee Terris made and withdrew the following motion, which was subsequently moved and seconded by Trustee McCammon and Kendig.

MOTION: Distribute available Retiree, County and Member excess earnings to the Retired, County & District Advance, and Member reserves respectively.

McCammon/Kendig

Approved

Yes: Doré, Gallas, James, Kendig,
McCammon, Miller

No: Bobolia, Terris

Abstain: Gray

The meeting adjourned at 3:00 p.m.

ATTEST:

Clerk

Chair

Secretary