

**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

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**MINUTES OF THE BOARD OF RETIREMENT  
REGULAR MEETING  
July 25, 2007  
Wisteria Room at Casa Nueva  
260 N. San Antonio Rd.  
Santa Barbara, California**

**ROLL CALL** 9:02 a.m.

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

**PUBLIC COMMENT**

Trustee Kendig reminded the Board of friends and family whose birthdays had passed during the current month.

Trustee Terris commented on correspondence received from Alan MesKimen and expressed her support for staff.

**MINUTES**

1. Approve Minutes of Regular Board meeting of June 27, 2007.

**MOTION:** Approve the Minutes of regular Board meeting of June 27, 2007.

Terris/Miller Approved by voice vote of all present.  
Abstained: Bobolia

## CONSENT AGENDA

- C-1. Receive and file the Disability Applicant Status Report.
- C-2. Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Allen MesKimen, a service-connected disability retirement.
- C-3. Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Linda Seals Gatz, a nonservice-connected disability retirement.
- C-4. Receive and file Trustee Kendig's report of the SACRS/Berkeley Public Pension Investment Management Program, June 5-7, 2007
- C-5. Adopt Retirement Report.

|       | <u>Name</u>       | <u>Dept.</u>     | <u>Sick</u><br><u>Service Credit</u> | <u>Leave Credit</u> | <u>ARC</u> |
|-------|-------------------|------------------|--------------------------------------|---------------------|------------|
|       | Christy Hernaez   | Public Health    | 23.49128                             | 0.56543             |            |
|       | Dee Johnson       | ADMHS            | 28.02733                             | 0.56348             |            |
| Dis   | Eric Linkjendal   | Fire             | 20.73365                             | 0.00007             |            |
| Pend  | Patricia Matthews | Social Services  | 16.08885                             | 0.00011             |            |
|       | Gregory Mohr      | Comp. Planning   | 31.38012                             | 0.09509             | 5          |
| Dis   | James Ruckle      | General Services | 16.63532                             | 0.00021             |            |
| D     | Peter Tilton      | ADMHS            | 5.32969                              | 0.09733             |            |
| R Dis | Mark Williams     | Sheriff          | 13.12349                             | 0.00021             |            |

D=Deferred  
R=Reciprocal  
Dis=Disability  
Pend=Disability Pending

Trustee Kendig briefly discussed his training report in Item C-4. He asked if it would be the Board's pleasure to forward questions contained in the report to the actuaries, consultants, and staff that he had outlined.

**MOTION:** Direct staff to forward questions contained in Trustee Kendig's SACRS/Berkeley Public Pension Investment Management Program report to the appropriate parties for a response.

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

**MOTION:** Approve the Consent Agenda.

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

## INVESTMENTS

- 2. Receive presentation and update from RREEF on RREEF America II account.

Eliza Bailey of Partners Group Real Estate (formally PCA Real Estate Advisors) made a brief introduction before Tim Brosnan, Director of Client Relations; and Kevin Howley, Managing Director of Portfolio Management; spoke on behalf of RREEF.

Mr. Brosnan and Mr. Howley discussed the structure of the portfolio, and the reasons for recent personnel turnover at senior levels.

Eliza Bailey followed the presentation with a brief overview and recommendation to place RREEF on a twenty-four month watch list to include quarterly reviews and an in-depth buy/sell analysis. Ms. Bailey went on to address issues raised by the Board.

Trustee Terris requested that Partners Group Real Estate come back with a global real estate presentation at the Board's Annual retreat scheduled for January 2008.

**MOTION:** Place RREEF America II on watch for twenty-four months.

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

5. Consider Pension Consulting Alliance (PCA) recommendations for portfolio structure concerning The Boston Company Emerging Markets portfolio.

Neil Rue, of PCA, addressed issues raised by the Board. Mr. Rue recommended retaining The Boston Company Emerging Markets portfolio and searching for a complementary style manager to round out the emerging markets element of SBCERS' portfolio.

**ACTION DEFERRED UNTIL ITEM 4**

6. Consider Pension Consulting Alliance (PCA) recommendations for portfolio structure concerning Pyramis International Growth Equity account.

Mr. Rue noted that during the last year there had been significant management turnover, that Pyramis had not been able to add value during a favorable market, and that the attribution analysis showed the performance lag was the result of poor stock selection. PCA recommended that SBCERS conduct a search to replace the Pyramis International Growth Equity Portfolio.

**ACTION DEFERRED UNTIL ITEM 4**

4. Consider Pension Consulting Alliance International Equity Review.

Mr. Rue proposed restructuring the portfolio by replacing one of the international equities largest managers, Pyramis; reducing exposure to the current emerging markets manager, The Boston Company; and retaining an additional emerging markets manager.

**MOTION:** A. Direct staff to terminate Pyramis, pursue an efficient distribution of that account, and provide the Board with an update after completion.

B. Affirm that the action is taken due to loss of confidence over lack luster performance since 2003, due primarily to poor stock selection and concern over the uncertainty arising from significant management turnover.

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



10. Adoption of the procedure that non-service connected disability retirees that return to County employment will be enrolled in the plan appropriate to their new position.

Administrator presented staff's recommendation and Counsel Blakeboro provided an explanation of the legal rationale.

Counsel Cynthia Goena speaking on behalf of her client Felicitas Woodard, urged the Board to extend safety membership to those safety members who have retired with a nonservice disability.

Board Counsel, Administrator, and Assistant Administrator addressed issues raised by the Board.

**MOTION:** Confirm status determination that members retiring on a non-service connected disability retirement and accepting an alternate position in lieu of disability retirement will be enrolled in the retirement plan appropriate to their new position.

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

11. Disability Committee recommendations regarding the role of hearing counsel.

Administrator introduced the item and Trustee Kendig's edit for consideration.

Disability Committee member, Trustee Gallas, Board Counsel, Administrator, and Disabilities Program Manager, addressed issues raised by the Board.

**MOTION:** That the Board adopt the disability Committee's recommendations as amended.

A. Confirm a general principle that the role of disability hearing counsel is to ensure that a full and complete record is presented to the finders of fact in relation to litigated disability applications, including making appropriate and ethical arguments based on the standards provided in the 1937 Act.

B. In addition, confirm the following modifications to the current role of disability hearing counsel.

- In addition to the organized 508(f) information exchange materials, staff will make available to disability counsel all other available records in relation to a disability application.
- Disability counsel will respond to objections to the hearing officer's report filed by applicant's counsel, unless deemed and communicated as, unnecessary by staff.
- Disability counsel will appear at Board of Retirement meetings when there is a reasonable expectation that applicant's counsel or County Counsel will address the Board in relation to a disability application.

C. Allow disability counsel discretion to take depositions.

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

## INVESTMENTS

3. Consider Hamilton Lane recommendation to invest \$10 Million in Apollo Investment Fund VII, L.P.

Administrator presented the consultant's recommendation to the Board.

**MOTION:** Accept and file recommendation to invest \$10 Million in Apollo Investment Fund VII, L.P.

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

## BOARD

12. Approve calendar for 2007 Election for the Second, Seventh and Safety Alternate members of the Board of Retirement.

Administrator introduced the item to the Board.

Administrator and Assistant Administrator addressed issues raised by the Board.

**MOTION:** Adjust SBCERS 2007 Election schedule deadline for filing nomination petitions from September 28, 2007, to September 21, 2007; period for reviewing candidate statements from October 1-12, 2007, to September 24-October 5, 2007; date for mailing ballots from November 13, 2007, to October 15, 2007; and period for casting ballots from October 15-December 12, 2007 to October 8-November 5 2007; subject to confirmation with County Elections Office.

|                |        |          |                               |
|----------------|--------|----------|-------------------------------|
| Terris/Bobolia | Failed | Yes:     | Bobolia, Kendig, Terris       |
|                |        | No:      | Gray, James, McCammon, Miller |
|                |        | Abstain: | Doré, Gallas                  |

**MOTION:** Accept election calendar as recommended by staff.

|             |        |          |                               |
|-------------|--------|----------|-------------------------------|
| Gray/Gallas | Failed | Yes:     | Gray, James, McCammon, Miller |
|             |        | No:      | Bobolia, Kendig, Terris       |
|             |        | Abstain: | Doré, Gallas                  |

After further discussion Trustee Doré suggested that the motion be reconsidered.

**MOTION:** Accept election calendar as recommended by staff.

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

13. Ad Hoc Committee recommendations for finalists in general Investment Counsel RFP process.

Administrator introduced the item and along with Ad Hoc Committee members James, Bruns, and Doré, addressed issues raised by the Board.

Trustee Gallas requested that staff provide the Board with written materials from each finalist and an analysis of each proposal, well in advance of the next meeting.

Vice-Chair Gray requested the website addresses for the three finalists.

Chair James directed staff concerning the time and format of the upcoming presentations from the three general investment consultant finalists.

**MOTION:** Hear the final presentations for general investment consultant from Callan Associates, New England Pension Consultants (NEPC), and Pension Consulting Alliance (PCA) at the next meeting.

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

14. Recommendation to establish staff attorney position.

Administrator introduced the item and along with Board Counsel, addressed issues raised by the Board.

Chair James directed staff to strike reference “attend Board meetings, ensuring compliance with Brown Act statute” from the staff attorney job description.

**MOTION:** Pursue establishment of a classification of Retirement Staff Counsel at the salary level of Senior Deputy County Counsel in the County classification plan.

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

15. Adopt resolution amending 2007-08 position allocation.

**MOTION:** Adopt a resolution amending the 2007-08 position allocation effective July 2, 2007.

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

16. Authorize the Administrator to contract with Institutional Shareholder Services to provide proxy voting and reporting services for SBCERS.

**MOTION:** Authorize the Administrator to contract with Institutional Shareholder Services (ISS) for a fee not to exceed \$28,000 per year.

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

17. Consider SACRS officer travel expenses:

- a. Authorize Trustee Terris’ claim for SACRS travel on June 18-19, 2007.

Vice-Chair Gray directed staff to contact the Hyatt Regency Sacramento to confirm the room rate and request a partial refund.

**MOTION:** Authorize payment of Trustee Terris' Claim #110400 for travel expense reimbursement in relation to SACRS meetings on June 18 and 19, 2007.

Bobolia/Gallas Approved by voice vote of all present.

Yes: Bobolia, Gallas, Gray, James,  
Kendig, Miller, Terris

No: McCammon

Not Present: Doré

b. Clarify Board's direction on similar expenses incurred after June 25, 2007.

**MOTION:** Based on past practice, authorize and reimburse all reasonable travel related expenses for all trustee services to SACRS.

Kendig/Bobolia Failed

Yes: Bobolia, Gallas, Kendig, Terris

No: Doré, Gray, James, McCammon,  
Miller

Board Counsel addressed issues raised by the Board.

**MOTION:** Adopt policy whereby SACRS, in accordance with its by-laws, is expected to pay expenses incurred during the regular duties of its officers; expenses for participation outside SACRS' policy will be preapproved by the Board on a case-by-case basis; emergency expenditures will be approved in consultation by Administrator in consultation with Chair.

Gray/McCammon Approved

Yes: Bobolia, Doré, Gray, James,  
McCammon, Miller

No: Terris

Abstain: Gallas, Kendig

Board Counsel addressed further issues raised by the Board.

**MOTION:** Expenses incurred by Trustee Terris in her role as SACRS president since June Board of Retirement meeting should be submitted to SACRS for payment.

Gray/McCammon Approved

Yes: Bobolia, Doré, Gallas, Gray, James,  
McCammon, Miller

No: Kendig, Terris

## ADMINISTRATOR

18. Receive and file Administrator's Report:
  - a. Portfolio Status Report
  - b. Department Operations
  - c. Projects/Status Report

Administrator reported then addressed issues raised by the Board.

**NO ACTION TAKEN**

19. Present items to Administrator for future agenda consideration.

Chair James directed staff to email the Active Employee Survey results to questions 1, and 4-9, to all trustees by the end of the week.

Vice-Chair Gray proposed looking further into the subject of healthcare trusts.

Chair James directed staff to return in September with Administrator strategic goals for the Board to review in Closed Session.

The meeting adjourned at (1:47 p.m.)

ATTEST:

\_\_\_\_\_  
Clerk

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary