

**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
Joseph Gallas
Julie McCammon
Harriet Miller
Shawn Terris
Ronald Bruns
Frederick Tan

**MINUTES OF THE BOARD OF RETIREMENT
REGULAR MEETING
February 27, 2008
Wisteria Room at Casa Nueva
260 N. San Antonio Rd.
Santa Barbara, California**

ROLL CALL 9:00 a.m.

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

Trustee Tan arrived at 9:04 a.m., Trustee McCammon arrived at 9:07 a.m., and Trustee Gray arrived at 9:10 a.m.

MINUTES

1. Approve the Minutes of Special Board meeting of January 29, 2008.

Trustee Terris requested several corrections to the minutes.

MOTION: Continue to March meeting to allow corrections to be made.

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

CONSENT

- C-1. Receive and file the Disability Applicant Status Report.
- C-2. Approve a 3.0% cost of living adjustment to allowances for retirees and beneficiaries, effective April 1, 2008, and 0.5% added to the accumulated carry-over available for future increases, as per Section 31870.1 of the Government Code.

INVESTMENTS

6. Receive Investment Performance Report from Pension Consulting Alliance (PCA) for the Quarter ending December 31, 2007.

The Chair directed that PCA bring back the current investment criteria for enhanced passive managers.

NO ACTION TAKEN

7. Receive recommendations from PCA regarding Emerging Markets Manager finalists.

The Chair directed that a passive manager be included in the finalist presentations.

NO ACTION TAKEN

8. Receive update from PCA on International Developed Markets equity manager search.

NO ACTION TAKEN

9. Receive briefing from PCA on Julius Baer IPO announcement.

NO ACTION TAKEN

10. Adopt AllianceBernstein Large Cap Value watch list recommendation from PCA.

MOTION: Place AllianceBernstein on watch due to performance reasons .

Kendig/Terris Approved by voice vote of all present.

11. Receive PCA update on First Republic Investment Management (FRIM) watch status.

NO ACTION TAKEN

12. Receive quarterly performance report from Arden Institutional Advisors II, and designate trustees to conduct Due Diligence visit and/or attend Wharton course on Hedge Funds, Real Estate, and other Alternative Investments.

13. Consider a policy of conducting due diligence site visits on all managers considered finalists for appointment.

MOTION (Items 12 & 13): Site visits to hedge funds considered a priority.

Gray/Terris Approved by voice vote of all present

BOARD

14. Approve transfer of \$3,149,597 from the Contingency Fund to the Retired Member Reserve effective June 30, 2007, to fully fund previously approved supplemental benefits.

Trustee Bobolia recused himself and left the room.

The Administrator presented the item.

Auditor-Controller Bob Geis recommended that all assets be counted as valuation assets, and noted that Board actions affect the employer contribution rate.

MOTION: Approve transfer of \$3,149,597 from the Contingency Fund to the Retired Member Reserve effective June 30, 2007.

Terris/Bruns	Approved.	Yes:	Bruns, Gallas, James, Kendig McCammon, Miller, Terris
		No:	Gray
		Absent:	Bobolia

15. Adopt actuarial valuation for June 30, 2007.

Karen Steffen and Daniel Wade of Milliman presented the valuation report, including a supplemental letter regarding options for amortization of the Unfunded Accrued Actuarial Liability.

Auditor-Controller Bob Geis reiterated his recommendation that the Board treat all assets as valuation assets and discussed problems with federal and state reimbursements created if that is not done. He further indicated that based on what he considers violation of various federal guidelines he will not load new employer rates into the payroll system unless ordered to do so. Mr. Geis stated that retiree health benefits should be paid by the County rather than from pension assets. His suggested solution would be for the County to pay the \$15 health subsidy as a non-taxable benefit; that the \$4 be a taxable supplement and not considered a health benefit; and that the employer contribution rate be recalculated with all assets treated as valuation assets.

Susan Paul, Assistant CEO/HR Director, expressed an opinion that the employer rate is incorrect because not all assets are included as valuation assets, which she stated is not in compliance with federal law. She noted that it would be hard to recommend adoption by the Board of Supervisors if the rate is not properly set.

MOTION: Accept the actuarial valuation, but do not set employer contribution rates until further consideration of the retiree health issue.

Gray/McCammon Approved by voice vote of all present.

Mr. Bobolia returned to the meeting.

16. Determination regarding inclusion of performance based bonuses in compensation earnable.

Board Counsel presented the issue and recommended that trustees disclose any potential financial interest in this issue even though compensation is considered a non-interest if all members of a class are eligible. Trustee Terris indicated that she was eligible for performance bonuses; Chair James indicated that she might be eligible in the future; and Trustees Kendig and McCammon indicated that they were not currently eligible.

Trustee Bobolia expressed concern that inclusion of bonus compensation would increase the unfunded liability and made a motion to exclude the bonus plan from compensation earnable; the motion died for lack of a second.

MOTION: Approve staff recommendation to include performance based bonuses in compensation earnable.

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

17. Chair appointment of Standing and Ad Hoc Committees:
- a. Operations Committee – Donald Kendig, Chair; Joni Gray, Julie McCammon
 - b. Ad Hoc Disability Committee – Joseph Gallas, Chair, Ronald Bruns, Frederick Tan
 - c. Ad Hoc Retiree Health Insurance/401(h) – Bernice James, Chair; George Bobolia, Harriet Miller

ADMINISTRATOR

18. Receive and file Administrator’s Report:
- a. Portfolio Status Report
 - b. Private Equity Status Report
 - c. Department Operations

Mr. Peters announced his resignation effective June 15, 2008, or when a replacement is found, and will begin reducing his work schedule after the resignation effective date.

NO ACTION TAKEN

19. Present items to Administrator for future agenda consideration.
1. Respond to District Attorney’s memo regarding recent election
 2. Reaffirm election policy
 3. Annual proxy voting report from ISS (deferred)
 4. Commission recapture report

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

CLOSED SESSION

(2:03 p.m. – 3:43 p.m.)

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

Conference with Legal Counsel -- Existing Litigation, *Patricia Weiland v. SBCERS* (Government Code Section 54956.9(a))

OPEN MEETING

Board Counsel Blakeboro announced that no reportable action had been taken in either closed session.

The meeting adjourned at 3:43 p.m.

ATTEST:

Clerk

Chair

Secretary