

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

3916 State Street Suite 210
Santa Barbara, CA 93105

Phone (805) 568-2940
Fax (805) 560-1086

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
Vanessa Patterson
Shawn Terris
Ronald Bruns
Frederick Tan

**MINUTES OF THE BOARD OF RETIREMENT
REGULAR MEETING
July 23, 2008
Wisteria Room at Casa Nueva
260 N. San Antonio Rd.
Santa Barbara, California**

ROLL CALL 9:00 a.m.

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

Trustee Tan arrived at 9:11 a.m. Trustee Gray left at 4:13 p.m.

PUBLIC COMMENT

Mary Ellen Barilotti, Santa Barbara County retiree, offered comments regarding litigation filed by the County against SBCERS, qualified pension plans and SBCERS' status as a multi-agency retirement plan, and vesting of health benefits.

Trustee Gallas announced an event planned for August 23, 2008 - The Santa Maria Public Library Grand Opening.

MINUTES

1. Approve Minutes:
 - a. Regular Board meeting of April 23, 2008
Continued from May 28, 2008

Trustee Terris requested the following correction be made: Page 12, Item 7, Paragraph 6, insert "based on SBCERS guidelines."

MOTION: Adopt amended Minutes of Regular Board meeting of April 23, 2008.

Terris/Bobolia

Approved by unanimous voice vote of all present.

Absent: McCammon, Miller

b. Regular Board meeting of May 28, 2008

Trustee Terris requested the following clarifications be made: Page 4, Item 6 motion, amend reference to “the Katosh Decision;” and Page 11, Item 8, Paragraph 6, insert “\$15 service year supplemental benefit funds,” and add “in accordance with the Board’s 20-year policy, the Bobolia settlement, and Government Code Section 31691.1.”

Chair directed staff to check the recording of Item 8 and come back with revised minutes at the next board meeting.

NO ACTION TAKEN

CONSENT

- C-1. Receive and file Milliman Actuaries’ memo providing the estimated cost of Early Retirement Incentive Program for eligible County Leadership employees.
- C-2. Receive Trustee Terris’ report on the Global Dialogue 2008 conference and discuss consequent ideas for possible action when reviewing SBCERS’ triennial Asset Liability Review.
- C-4. Receive and file Pension Consulting Alliance’s (PCA) New Trustee Guide.
- C-5. Receive recommended Investment Manager Site Visit review topics.
- C-6. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
D	Lisa Benes	Public Health	6.10840	0.00196	
	Anne Bentley	DRO	9.25197	0.00000	
Dis	Barbara Chabot	Social Services	5.49330	0.00129	
	Kevin Cheesman	Ag Commissioner	26.01301	0.03693	
	Vivian Deaton	DRO	12.11076	0.00000	
	Deaton Hudson	Public Works	14.62367	0.14313	
D	Stephen Dinka	General Services	18.98323	0.30644	
	Catherine Dorsey	DRO	3.90369	0.00000	
D	Karen Evangelista	Probation	14.69304	0.31830	
	Bernardette Flores-Curto	Probation	13.55762	0.00019	
	Cindy Galante	Sheriff	13.82917	0.34181	
D	David Gonzales	General Services	11.70198	0.14358	
	Thomas Griffin	General Services	32.04774	0.10997	
D	Natalie Jackson	Child Support Svcs	9.13110	0.12235	
D R	Stephen Johnson	Public Works	8.19300	0.27736	
D	Warren Juntunen	Public Works	7.45581	0.18075	
	Ken Masuda	Executive Office	24.65171	0.17674	

D=Deferred
R=Reciprocal
Dis=Disability

Terris/Gallas

Approved by unanimous voice vote of all present.

Absent: McCammon, Miller

a. First Reserve Fund XII

Paul R. Yett, Managing Director, Hamilton Lane, presented the report and recommendations, and addressed issues raised by the Board. Neil Rue, Managing Director, Pension Consulting Alliance (PCA), also addressed issues raised by the Board.

MOTION: Accept Hamilton Lane's recommendation to invest \$10 million in the First Reserve Fund XII due to First Reserve's preeminence in the energy arena, consistent and attractive returns, sheer size, vertical diversification, and low volatility.

Kendig/Terris

Approved by unanimous voice vote of all present.

Absent: McCammon, Miller

Trustee Patterson requested that Hamilton Lane make material corrections prior to presentation.

3. Receive trustee report from due diligence site visits, receive presentations from the following finalist candidates, and select a new Developed Markets investment manager:

Neil Rue introduced David Sancewich, PCA Vice President and Senior Analyst, who outlined the search results for a Developed Markets investment manager.

a. Lord Abbett

Kristen V. Harper, Partner and Portfolio Manager, Fiona M. Gibbons, Client Portfolio Manager, and Harold E. Sharon, Director of Public Fund Marketing, presented for Lord Abbett and answered questions from the Board.

b. Mondrian

Paul M. Ross, President, and Russell J. Mackie, Senior Portfolio Manager, presented for Mondrian and answered questions from the Board.

c. PanAgora

Meagan Condon, Relationship Management, Eric H Sorensen, President and Chief Executive Officer, and Sanjoy Ghosh, Director, presented for PanAgora and answered questions from the Board.

d. State Street Global Advisors (SSgA)

Neil J. Tremblay, Senior Relationship Manager, presented for SSgA and answered questions from the Board.

Mr. Sancewich recapped the Developed Markets investment manager's presentations.

Trustees Kendig and Patterson reported on their observations of Mondrian, PanAgora, and Lord Abbett during their recent site visits.

The Board deliberated on the selection of a developed international markets manager.

MOTION: Allocate \$100 million to PanAgora in International Equities, based on PanAgora's excellent performance, quantitative modeling, fundamental research, contextual modeling, and low fees; and direct the Administrator to seek a reduction in fees.

Terris/Gallas

Approved.

Yes: Bobolia, Gallas, James, Kendig, Tan,
Terris

No: Gray, Patterson

Absent: McCammon, Miller

4. Receive project outline and overview of Asset Liability Study from Pension Consulting Alliance (PCA) and EFI Actuaries.

Sarah Bernstein, Principal, PCA, introduced item and addressed issues raised by the Board.

Robert T. McCrory, Executive Vice President, EFI, made a brief introduction of typical phases of the Asset-Liability Project, and addressed issues raised by the Board.

The Board was agreeable to considering potentially new or restructured asset classes, Real Return, Global Equity, and Covered Call Program, at the October 22, 2008, regular meeting.

Mr. Rue suggested scheduling the final two presentations of the Asset-Liability Project at the annual workshop.

Chair directed staff to come back with potential dates and locations for the two-day annual retreat in January 2009.

NO ACTION TAKEN

CLOSED SESSION

(1:15 p.m. – 2:13 p.m.)

Public Employment -- Consider Appointment of Retirement Administrator (Government Code Section 54957(b)(1))

OPEN MEETING

Counsel Blakeboro announced that the following reportable action had been taken in closed session: The Board identified Retirement Administrator candidates to be interviewed during the August 2008 timeframe.

BOARD

5. Authorize correspondence to the County Board of Supervisors clarifying recommended 2008-09 employer contribution rates.

Trustee Gray recused herself and left the Wisteria Room.

Counsel Blakeboro introduced item as a follow-up on action the Board took on May 28, 2008, pertaining to the issue of retiree health care and the need to clarify the two pending sets of employer contribution rates so there is no ambiguity about which rates apply under various circumstances. Additionally, Counsel Blakeboro pointed out a Closed Session item that was later on the agenda pertaining to litigation between the County of Santa Barbara and SBCERS and also involving the subject matter of retiree health care.

Counsel Blakeboro summarized the following disclosure regarding Board Members with non-disqualifying financial interests in retiree healthcare:

George Bobolia- Retired Member

A retiree of the System; spouse also a retiree of the System

Ronald Bruns- Alternate Retired Member

A retiree of the System; President of the Santa Barbara County Retired Employees Association

Joseph Gallas- Appointed Member

Son an active member of the System

Joni Gray- Appointed member

An active member of the System; a member of the County Board of Supervisors, the primary plan sponsor

Bernice James- Ex-Officio Member (Treasurer)

An active member of the System; spouse a retiree of the System

Donald Kendig- Elected General Member

Management employee with APCD; an active member of the APCD plan

Julie McCammon- Elected Safety Member

An active member of the System; a member of the Sheriffs Managers Association; spouse also an active member; other close family members receiving benefits through the System

Vanessa Patterson- Appointed member with no financial interest in retiree healthcare

Fred Tan- Alternate Safety Member

An active member of the System

Shawn Terris- Elected General Member

An active member of the System

Administrator and Counsel Blakeboro addressed issues raised by the Board.

MOTION: Authorize correspondence to the County Board of Supervisors clarifying recommended 2008-09 employer contribution rates.

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

Absent: Gray, McCammon, Miller

Trustee Gray returned to the meeting.

7. Approve the proposed calendar for the 2008 election for the Third, Eighth, and Retired Alternate members of the Board of Retirement.

Administrator introduced item, and pointed out that the draft Candidate Filing Guide had been mistakenly agendized with Item 6, and should be considered with the current item.

Administrator and Counsel Blakeboro addressed issues raised by the Board.

Trustee Terris requested that the draft election schedule be moved back one week to minimize conflict with the SACRS Fall Conference scheduled for the same period.

Trustee Kendig suggested abbreviating the voting period by one week, moving the start date from November 10, 2008, to November 17, 2008, in order to eliminate conflict with SACRS Fall Conference.

Trustee Terris requested that counsel review the January 8, 2008, memo the District Attorney's Office to ensure that the System is responding to issues raised during the 2007 SBCERS' Election.

Trustee Terris suggested that Candidate Filing Guide, Nomination Requirements, Nominating Petitions, be modified to include: Nominating petitions will be available from the Retirement offices "and online at www.sbcers.org."

MOTION: Approve the proposed calendar for the 2008 election for the Third, Eighth, and Retired Alternate members of the Board of Retirement, moving the date for mailing ballots from November 10, 2008, to November 17, 2008; modify the Candidate Filing Guide to include: Nominating petitions will be available from the Retirement offices "and online at www.sbcers.org;" and have Board counsel review the District Attorney memo to ensure that the proposed elections materials conforms.

Terris/Patterson Approved by unanimous voice vote of all present.
Absent: McCammon, Miller

DISABILITY RETIREMENT

CLOSED SESSION

15. Linda Seals-Gatz, Service-Connected Disability Retirement Applicant:
Grant the service-connected disability retirement application of Linda Seals Gatz, subject to timely requested hearing by an interested party, or refer the matter back to the hearing officer for further consideration of the additional evidence and a recommendation on the service-connection question.

Mark Singer, counsel for the applicant, addressed the Board.

MOTION: Grant the service-connected disability retirement application of Linda Seals Gatz, subject to timely requested hearing by an interested party.

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

10. A. Adopt the Findings of Fact, Conclusions of Law and Decision granting Patricia Scharli a non service-connected disability retirement.
- B. 1. Confirm the Board's prior action to extend the hearing officer's jurisdiction to 09/26/08, **or**

8. Adoption of Budget and Position Allocation for 2008-09 fiscal year.
Administrator introduced item and addressed issues raised by the Board.

MOTION: Set March 31, as the date for determining the Total Market Value of the System's portfolio for purposes of calculating an annual budget limit; and change the Budget Policy to reflect this decision.

Terris/Patterson Approved by unanimous voice vote of all present.
Absent: McCammon, Miller

Administrator addressed further issues raised by the Board.

Trustee Kendig stepped out to establish a phone link for the Board's closed session after Item 19 and returned right after the vote on the following motion.

MOTION: Adoption of Budget and Position Allocation for 2008-09 fiscal year.

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

RESOLUTIONS 2008-02 and 2008-03

ADMINISTRATOR

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

Administrator made his report and addressed issues raised by the Board. A copy of the 6/30/08 Portfolio Summary from Mellon was also provided to the Board.

Trustee Bruns presented an oral report on due diligence site visits made to STW and First Republic Investment Management on July 14, 2008.

Trustees Kendig and Patterson presented an oral report on due diligence site visits made to Alliance Bernstein and Arden on July 9, 2008 supplementing their written report under Item 3.

NO ACTION TAKEN

19. Present items to Administrator for future agenda consideration;

The Board expressed concerns regarding the performance of First Republic Investment Management and Alliance Bernstein and requested an update at a future meeting.

Potential retreat locations for the Board's 2009 retreat in January and Board policies on Elections, Code of Conduct, and Trustee Travel were noted as items for further agenda consideration.

NO ACTION TAKEN

CLOSED SESSION

(4:13 p.m. – 6:16 p.m.)

Trustee Gray recused herself and left the meeting.

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

Conference with Legal Counsel -- Existing Litigation, *County of Santa Barbara v. Board of Retirement* (Government Code Section 54956.9(a)).

Fiduciary Counsel Harvey Leiderman participated by teleconference.

OPEN MEETING

Counsel Blakeboro announced that there was no reportable action taken during Closed Session.

Counsel Blakeboro also announced that a matter had come to the Board's attention during Closed Session that was not appropriate for consideration in Closed Session that; however, qualifies for immediate attention by the Board during Open Session, if it so determined that such action was warranted.

The matter was the County's request for SBCERS to pay the retiree health care subsidies, as in the past, on August 1 in order to allow an additional 30 days for the efforts by SBCERS, the County and other plan sponsors to implement tax compliant programs, and to avoid harm to the retirees in the mean time.

Counsel Leiderman followed, via telephone, and cited Government Code Section 54954.2(b)2, when referring to the need for taking immediate action on a matter that had come to the Board's attention after the current meeting's agenda had been posted.

Counsel Blakeboro further elaborated that the facts underlying the proposed action concerning the continuation of retiree health care subsidies had not come to light until the previous evening, and were only confirmed at 4:21 p.m. during the current meeting, making it impossible to place the item on the agenda.

MOTION: Hear the matter as an X-Agenda item.

James/Terris

Approved by unanimous voice vote of all present.

Absent: Gray, McCammon, Miller

MOTION: To authorize payment of the \$15 and \$4 health supplemental benefits on August 1, 2008 in order to maintain the status quo, pursuant to request of counsel for the County of Santa Barbara, as set forth in emails that are dated July 23, 2008, at 4:21 p.m.

Gallas/Bobolia

Approved by unanimous voice vote of all present.

Absent: Gray, McCammon, Miller

The meeting adjourned at 6:25 p.m.

ATTEST:

Clerk

Chair

Secretary