

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

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Tom Ford
Interim Retirement Administrator



BOARD OF RETIREMENT

Chair – Shawn Terris
Vice Chair – Joni Gray
Secretary - Vanessa Patterson
Zandra Cholmondeley
Joseph Gallas
Bernice James
Donald Kendig
Julie McCammon
Ward Rafferty
Gail Marshall
Frederick Tan

MINUTES OF THE BOARD OF RETIREMENT

February 25, 2009

**Wisteria Room at Casa Nueva
260 N. San Antonio Rd.
Santa Barbara, California**

ROLL CALL 9:00 a.m.

Members Present: Gallas, Gray, James, Kendig, McCammon, Patterson,
Rafferty, Terris
Member Absent: Cholmondeley
Alternates Present: Marshall, Tan
Counsel: Blakeboro, DeKosan
Clerk: Bignell

Trustee Cholmondeley arrived at 9:04 a.m. Trustee McCammon left at 10:43 a.m., Trustee Gallas left at 3:45 p.m., and Trustee Gray left at 3:53 p.m.

PUBLIC COMMENT

Trustee Kendig requested that PCA's upcoming report on the change in leadership at AllianceBernstein include comments on the old and new CEOs' effect on the system's portfolio. Chair Terris announced that Trustee McCammon would leave the meeting for another engagement at 10:45 a.m., and that Alternate Safety Trustee Tan would vote in her absence.

MINUTES

1. Approve Minutes of Regular Board meeting of January 28-29, 2009.

the request of the applicant, and to allow the applicant time to attempt a return to work.

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

5. Receive and file Disability Status Report.

MOTION: Receive and file Disability Status Report.

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

3. Steve Cleaves, Applicant for service-connected death benefit:
Grant the application of Steve Cleaves for service-connected death benefit (service-connected disability allowance and special benefit one year salary lump sum), subject to timely requested hearing by an interested party.

Administrator, Counsels Blakeboro and DeKosan, and Disability Retirement Manager Paladino addressed issues raised by the Board.

MOTION: Find that Laura Cleaves was in paid status and grant the application of Steve Cleaves for service-connected death benefit (service-connected disability allowance and special benefit one year salary lump sum), subject to timely requested hearing by an interested party.

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

OPEN MEETING

Counsel Blakeboro summarized the Closed Session actions taken on Disability Items 2, 3, 4 and 5 as listed above.

CONSENT

- C-2. Accept Investment Watch List Report – Addition of The Boston Company to list and take further actions as necessary.

Pulled by Trustees Cholmondeley and James for further clarification

Sarah Bernstein, PCA, Administrator and Neil Rue, PCA, addressed issues raised by the Board.

Chair directed PCA to implement Trustee Cholmondeley's request for money managers ranking amongst peers in future watch list reports.

Chair Terris appointed Trustees Cholmondeley and Patterson to work with CEO (Administrator) to develop a revised watch policy.

MOTION: Receive PCA's Investment Watch List Report, noting the addition of The Boston Company for organizational reasons.

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

- C-3. Conn Abel, Applicant for Disability Retirement:
Grant applicant's request for a service retirement, pending final determination of his entitlement to disability retirement

- C-4. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
	Jed Beebe	Courts	27.43711	0.68091	
	Marta Carbajal	Social Services	18.60309	0.18779	
D R	Doug Coleman	Sheriff	10.90727	0.22015	
	Gary Conwell	Social Services	29.13640	0.77405	
D R	Donna Cope	Planning	2.14998	0.00443	
	John Davies	Public Health	18.20313	0.60843	
D R	Peggy Gaertig	Social Services	0.73139	0.00691	
D	John Gilliland	APCD	14.56760	0.04194	
D R	Kenneth Hough	APCD	3.31314	0.07806	
	Gordon Longest	SMCD	39.71071	0.00000	3.66667
	Luis Lozano	Public Defender	22.50480	0.09103	
	Jane Overbaugh	Public Health	29.34849	0.85645	
Pend	Christopher Raiter	Human Resources	19.03408	0.12355	
Dis	Lawrence Rodriguez	Sheriff	6.93372	0.21400	
	Roger Slayman	DRO	3.43823	0.00000	
R	David Walters	Carp/Summ Fire	30.02371	0.43078	
	William West	Sheriff	14.96895	1.00000	
Dis	Patricia Weiland	ADMHS	7.08272	0.00003	
	Laura Willers	Public Health	22.78916	0.47612	

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

MOTION: Approve Consent Agenda Items C-3 and C-4.

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

INVESTMENTS

6. Receive and file Portfolio Status Report and take further action as the Board deems necessary.

Investment Analyst Martinez presented item and with Administrator addressed issues raised by the Board.

Chair Terris directed staff to combine Portfolio Status Reports with Quarterly Investment Reports on future agendas.

Trustee Gray thanked Eli Martinez saying she appreciated the breadth of information contained in his reports.

MOTION: Receive and file portfolio status report.

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

7. Accept presentation by Trustee Ward Rafferty – “Asset Allocation – A Common Language” and take action as the Board deems necessary

Administrator addressed issues raised by the Board.

Chair Terris called a special meeting on Wednesday, March 11, at 9:00 a.m., in the Wisteria conference room to consider options for expanding focus on the status and decisions regarding investments.

MOTION: Receive presentation by Trustee Ward Rafferty – “Asset Allocation – A Common Language” and direct him to work with staff and PCA to standardize investment reports and language.

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

Absent: McCammon

Alternate: Tan

8. Adoption of New Criteria for Fund of Hedge Fund Managers – Action to add Arden Funds Manager to Watch List and take further actions as necessary.

Neil Rue, PCA, made presentation and with Administrator addressed issues raised by the Board.

MOTION: Adopt New Criteria for Fund of Hedge Fund Managers and add Arden Funds Manager to Watch List.

Kendig/Terris Failed

Yes: Gallas, Kendig, Tan, Terris

No: Cholmondeley, Gray, James, Rafferty

Abstain: Patterson

Absent: McCammon

Alternate: Tan

MOTION: Bring Arden in at the next regularly scheduled meeting of the Board of Retirement.

James/Cholmondeley Approved

Yes: Cholmondeley, Gallas, Gray, James, Kendig, Patterson, Rafferty, Tan, Terris

Absent: McCammon

Alternate: Tan

9. Receive PCA Update on New Star Asset Management and take further actions as necessary.

Neil Rue, PCA, presented item and addressed issues raised by the Board.

MOTION: Receive PCA Update on New Star Asset Management, terminate New Star Asset Management, and fund Lord Abbot and PanAgora equally with those assets.

Patterson/James Approved by unanimous voice vote of all present.
Absent: McCammon
Alternate: Tan

10. Continue Asset/Liability modeling, and take further action as the Board deems necessary.

Neil Rue, PCA, presented item and addressed issues raised by the Board.

MOTION: Adopt a “Balanced Risk” Policy with an asset allocation of Private Equity at 5%, Real Estate 7%, Domestic Equity at 30%, International Equity at 21% with Global Equity exposure, Real Return at 6%, Covered Calls at 4%, Fixed Income at 26%, and Cash of 1%.

Kendig/Patterson Approved
Yes: Cholmondeley, Gallas, Gray,
James, Kendig, Patterson,
Rafferty, Tan, Terris
Absent: McCammon

11. Receive Quarterly Investment Report – December 31, 2009, and take further action as the Board deems necessary.

At Chair Terris’ direction, Sarah Bernstein, PCA, made a brief presentation and addressed issues raised by the Board.

MOTION: Receive Quarterly Investment Report – December 31, 2009.

Kendig/Gray Approved by voice vote.
Absent: Gallas, McCammon
Abstain: Patterson
Alternate: Tan

BOARD

12. Receive Report of Actuary – Milliman and take further action as the Board deems necessary:

Administrator presented item and with Counsel Blakeboro, addressed issues raised by the Board.

Trustee James requested that Milliman provide a chart showing the balances by year of the banked Cost Of Living Adjustments.

- a. COLA Letter

MOTION: Adopt a 3% Cost Of Living Adjustment.

James/Patterson Approved by unanimous voice vote of all present.
Absent: Gallas, McCammon
Alternate: Tan

- b. Proposed Workshop Session

MOTION: Authorize Administrator to negotiate fees for the proposed workshop session not to exceed \$40,000.

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

- c. Proposed Extension of Actuarial Contract

MOTION: Direct staff to negotiate a proposed extension of the actuarial contract and return to the Board.

James/Gray Approved
Yes: Gray, James, Patterson,
Rafferty, Tan
No: Cholmondeley, Kendig,
Terris
Absent: Gallas, McCammon
Alternate: Tan

BOARD

- 13. Receive Overview of Disability Process presentation.
Continued to March 25, 2009, meeting
- 14. Receive Board Disability Committee memo and take further action as the Board deems necessary.

Chair Terris appointed Trustees Gallas, Patterson and Tan to the Ad Hoc Disability Committee to complete any pending tasks carried over from the previous calendar year. Trustee Gallas will continue to Chair.

NO ACTION TAKEN

15. Receive Board Operations Committee memo and take further action as the Board deems necessary.

Chair Terris appointed Trustees Kendig, Patterson and Cholmondeley to the Board's Operations Committee. Trustee Kendig will continue to Chair.

NO ACTION TAKEN

ADMINISTRATOR

16. Receive and file Administrator's Department Operations Report and take further action as the Board deems necessary.

MOTION: Receive and file Administrator's Department Operations Report.

Kendig/James

Approved by unanimous voice vote of all present.

Absent: Gallas, Gray, McCammon

Alternate: Tan

17. Board Presentations for next month:
- a. Joint BOS/BOR Workshop Agenda
 - b. Securities Lending Training
 - c. Disability Training
 - a. Closed Hearing Policy and Applicant's presence
 - b. Updated Watch Policy
 - c. Revisit PCA Contract
 - d. Independent Consultant Cross-Check

CLOSED SESSION

(4:18 p.m. to 4:31 p.m.)

Conference with Legal Counsel – Initiation of Litigation, Discussion of potential initiation of litigation (pursuant to subsection (c) of Government Code Section 54965.9)

Conference with Legal Counsel – Existing Litigation, Discussion of pending administrative proceeding initiated by County of Santa Barbara before IRS (pursuant to subsection (a) of Government Code Section 54965.9)

OPEN MEETING

Mr. Blakeboro announced that with regard to the Initiation of Litigation Closed Session, and Existing Litigation, Closed Session no reportable action was taken.

The meeting adjourned at 4:32 p.m.

ATTEST:

Clerk

Chair

Secretary