

**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

March 25, 2009

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

ROLL CALL 9:02 a.m.

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

Trustee Kendig left at 9:54 a.m. and returned at 11:23 a.m. Trustee Gray arrived at 10:14 a.m. and left at 4:14 p.m. Trustee Tan arrived at 11:47 a.m. and left at 3:00 p.m. Trustee Patterson left at 11:55 a.m. and returned at 1:27 p.m. Trustee McCammon left at 2:44 p.m.

PUBLIC COMMENT

Trustee Kendig called an Operations Committee meeting for Thursday, April 2, 2009, at 1:30 p.m. Trustee Patterson thanked the Board for the opportunity to attend the special SACRS Symposium on March 20, 2009, in Sacramento. Chair Terris announced Hamilton Lane's upcoming Private Summit XI, December 2009, and accepted Trustee Patterson's request to attend the conference.

MINUTES

1. Approve Minutes of Regular Board meeting of February 25, 2009.

Trustee Kendig provided the following corrections to the February 25, 2009, Minutes: Item 4, add “of” to the motion for at the request of the applicant. Item 3, start with, “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.” Item 6, add “Martinez” to Investment Analyst presented. Item 12, i, was moved by James and seconded by Patterson, 12, ii, has a not to exceed \$40,000.

MOTION: Adopt amended Minutes of Regular Board meeting of February 25, 2009.

Kendig/James Approved by unanimous voice vote of all present.
Absent: Gray, Rafferty

CONSENT

- C-1. Receive and file letter from Milliman regarding Cost-of-Living Adjustment Bank through April 1, 2009.
- C-2. Receive and file Trustee Terris’ report on the 2nd Annual Los Angeles Pension Trustees Network conference: Corporate Governance Roundup.
- C-3. Receive and file Trustee Terris’ report on CalPERS/CalSTRS conference: Women in Investments: In Search of New Talent, Experience and Perspectives.
- C-4. Receive and file Trustees Kendig’s and Marshall’s report on CALAPRS General Assembly.
- C-6. Adopt Retirement Report.

| | <u>Name</u> | <u>Dept.</u> | <u>Service Credit</u> | <u>Sick Leave Credit</u> | <u>ARC</u> |
|------|-------------------|-----------------|-----------------------|--------------------------|------------|
| Pend | Conn Abel | Sheriff | 35.09050 | 1.00000 | |
| D | Theron Brown | Sheriff | 9.33802 | 0.06152 | |
| | Patricia Gabel | Housing | 11.40346 | 0.01953 | |
| D | Judith Hawthorne | Social Services | 18.92378 | 0.00143 | |
| | Norma Herrera | Social Services | 20.21660 | 0.00456 | 5.00000 |
| | Jack Herrick | Public Works | 21.95910 | 0.03310 | |
| | Ronald Iverson | Courts | 23.91807 | 0.22847 | |
| Dis | Sharon Konkol | ADMHS | 9.60119 | 0.00003 | |
| | Dorothy Ludington | Social Services | 32.19534 | 0.39815 | |
| | Danielle McGraw | Child Support | 12.72878 | 0.44315 | |
| | Michael Purling | Probation | 10.25872 | 0.24274 | |
| R | Delorine Tompkins | CEO | 16.18723 | 0.02908 | |

C-6. Adopt Retirement Report. (Cont'd.)

| | <u>Name</u> | <u>Dept.</u> | <u>Service Credit</u> | <u>Sick Leave Credit</u> | <u>ARC</u> |
|---|----------------|---------------|-----------------------|--------------------------|------------|
| | Kay Turbak | ADMHS | 14.16386 | 0.14258 | |
| | Daryl West | DRO | 12.97221 | 0.00000 | |
| D | Gilda Wheeler | Planning | 6.32326 | 0.13195 | |
| | Sandra Withrow | Public Health | 10.51465 | 0.07763 | |

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

MOTION: Approve Consent Agenda Items with the exception of C-5.

Kendig/Gallas Approved by unanimous voice vote of all present.
Absent: Gray, Rafferty

- C-5. Receive background from Counsel regarding Referee Oversight and Appoint Operations Committee to act as Referee Oversight Committee.
Pulled by Trustee Kendig for further clarification

Administrator and Counsel Blakeboro addressed issues raised by the Board.

Chair Terris directed the Operations Committee to conduct the referee oversight work and address and modify the guidelines to reflect the current makeup of the Committee and have counsel return with revised guidelines.

MOTION: Task the Operations Committee with conducting the referee contract renewals.

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

BOARD

2. Receive Overview of Disability Process presentation.

Disabilities Program Manager Paladino made presentation and along with Counsel Blakeboro, addressed issues raised by the Board.

NO ACTION TAKEN

Remainder of presentation continued to April 22, 2009

DISABILITY RETIREMENT CLOSED SESSION

3. Steve Cleaves, Applicant for service-connected death benefit:

Adopt the attached proposed Findings of Fact, Conclusions of Law and Decision granting Stephen Cleaves service-connected death benefits.

MOTION: Adopt the attached proposed Findings of Fact, Conclusions of Law and Decision granting Stephen Cleaves service-connected death benefits.

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

4. Mary Garcia, Applicant for service-connected disability retirement:
For Information Only: Receive and accept staff report indicating that applicant withdrew her application for disability retirement on 02/27/09.

NO ACTION TAKEN

5. Sandra Roberts Applicant for service-connected disability retirement.
Refer the application to a referee for an evidentiary hearing on all issues.

Disabilities Program Manager Paladino presented item and addressed issues raised by the Board.

MOTION: Refer the application to a referee for an evidentiary hearing on all issues.

Gallas/Patterson Approved by unanimous voice vote of all present.
Absent: Gray, Kendig, Rafferty

6. Receive and file Disability Status Report.

MOTION: Receive and file Disability Status Report.

Gallas/McCammon Approved by unanimous voice vote of all present.
Absent: Kendig, Rafferty

OPEN MEETING

Counsel Blakeboro summarized the Closed Session actions taken on Disability Items 3, 4, 5 and 6 as listed above.

BOARD

7. Consider and accept report on board procedures for hearing disability applications in Closed Session and take appropriate action.

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

MOTION: Accept report on board procedures for hearing disability applications in Closed Session and maintain the Board's current policy.

Gallas/Patterson Approved by unanimous voice vote of all present.
Absent: Kendig, Rafferty

INVESTMENTS

8. Receive report from Arden Asset Management and take any action the Board deems necessary.

Gerrard Bushell-Managing Director, and Matt Bianco-Executive Director, presented for Arden Asset Management, and answered questions presented by the Board.

Dr. Sarah Bernstein and Michael Moy-Managing Director, spoke on behalf of Pension Consulting Alliance (PCA) and addressed issues raised by the Board.

MOTION: Receive report, place Arden Asset Management on watch and review them at the end of the second quarter, direct staff to evaluate all money managers' fees, and submit a report to the Board that shows how Arden performed compared to other finalist Hedge Funds of Funds.

Cholmondeley/Gray Approved by unanimous voice vote of all present.
Absent: Rafferty

9. Amend the existing Portfolio Monitoring Procedures and Criteria.

Sarah Bernstein-Principal, presented for Pension Consulting Alliance (PCA) and addressed issues raised by the Board.

MOTION: Adopt PCA's recommendation to amend the existing Portfolio Monitoring Procedure and Criteria to add:

- 1) A manager is placed on Watch Status shall appear before the Board in the month following being placed on Watch Status to inform the Board in person of the status of the SBCERS account and the managers prospects for the near and longer term, and
- 2) Any manager placed on Watch Status shall be reviewed by the Investment Consultant and Staff within six months after being placed on Watch.

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

10. Receive recommendation from PCA regarding managers on watch status:

Sarah Bernstein presented items for PCA and addressed issues raised by the Board.

a. AllianceBernstein

MOTION: Notify AllianceBernstein of intent to terminate.

James/Gallas Approved by voice vote.

Abstain: Patterson

Absent: Rafferty

b. Batterymarch

MOTION: Place Batterymarch on Watch Status.

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

Absent: Cholmondeley, Rafferty

c. First Republic Investment Management (FRIM)

MOTION: Conduct a site visit of First Republic Investment Management.

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

Absent: Rafferty

The Board selected April 17, 2009, to conduct a 9:00 a.m. site visit.

11. Receive report from PCA recapping Board Asset Allocation decisions and proposed implementation.

Sarah Bernstein presented items for PCA and addressed issues raised by the Board.

MOTION: Receive report from PCA recapping Board Asset Allocation decisions and approve their proposed timeline for steps required to implement the new asset allocation policy.

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

Absent: Rafferty

CLOSED SESSION I

(2:18 p.m. to 2:43 p.m.)

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

OPEN MEETING

Mr. Blakeboro announced that with regard to the Recruitment of Retirement Administrator Closed Session, no reportable action was taken.

INVESTMENTS (Cont'd.)

12. Receive correspondence from Trustee Kendig regarding SBCERS Asset Allocation and Rebalancing Policy, and provide direction to staff.

Trustee Kendig, Sarah Bernstein, Administrator Ford and Counsel Blakeboro addressed issues raised by the Board.

MOTION: Direct PCA to return to the Board with recommended ranges for each asset class in accordance with the new Asset Allocation Policy.

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

13. Receive and file portfolio status report and take further action as the Board deems necessary.

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

MOTION: Receive and file portfolio status report.

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

14. Review existing PCA contract and provide staff with direction, or take whatever action the Board deems necessary.

Chair Terris presented item. Michael Moy, Sarah Bernstein and Administrator Ford addressed issues raised by the Board.

NO ACTION TAKEN

BOARD

15. Receive presentation on Conflict of Interest and Form 700 distribution.

Counsel Blakeboro presented and addressed issues raised by the Board.

MOTION: Receive presentation on Conflict of Interest and Form 700 distribution.

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

ADMINISTRATOR

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

Administrator addressed issues raised by the Board.

Remainder of item continued to conclusion of Closed Session II

CLOSED SESSION II
(3:42 p.m. to 4:19 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)

OPEN MEETING

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

ADMINISTRATOR (Cont’d.)

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

Administrator Counsel Blakeboro addressed issues raised by the Board.

MOTION: Receive and file Administrator’s Department Operations Report and approve trustee travel.

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

17. Board Presentations for next month:
 a. Department Budget Plan

The meeting adjourned at 4:36 p.m.

ATTEST:

Clerk

Chair

Secretary