

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

3916 State Street Suite 210
Santa Barbara, CA 93105

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

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

May 27, 2009

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

ROLL CALL 9:03 a.m.

Members Present: Cholmondeley, Gallas, Hagen acting on behalf of James
Kendig, Terris
Members Absent: Gray, McCammon, Patterson, Rafferty
Alternates Absent: Marshall, Tan
Counsel: Blakeboro
Clerk: Bignell

Assistant Treasurer-Tax Collector Harry Hagen participated on behalf of member James. Vanessa Patterson arrived at 9:08 a.m., and left at 4:23. p.m. Trustee Rafferty arrived at 9:08 a.m. Trustee Tan arrived at 9:13 a.m.

PUBLIC COMMENT

Chair Terris welcomed Michael D. Ferguson - First Vice President, Relationship Manager, BNY Mellon Asset Servicing, and SBCERS' new CEO, Vincent P. Brown.

Andrew Meichtry - Registered Investment Advisor, proposed to manage assets of SBCERS based upon his quantitative trading system.

Chair Terris:

- a. announced that the next meeting of the Investment Risk Advisory Committee (IRAC) would take place June 17, 2009, at 2:30 p.m., in the Manzanita Room at Casa Nueva;

- b. directed staff to notify the Board of Retirement of all Public Records Act requests;
- c. inquired whether staff had received correspondence from the County Executive Officer regarding average monthly benefits of SBCERS retirees; and
- d. directed staff to make another request to county, copying Auditor-Controller, for information necessary to conduct actuarial study requested by the Board of Supervisors.

CLOSED SESSION
(9:21 a.m. – 10:30 a.m.)

Public Employment -- Selection of Chief Executive Officer (Government Code Section 54957(b)(1))

OPEN MEETING

Mr. Blakeboro announced that with regard to the Selection of Chief Executive Officer Closed Session, on April 22, 2009, the Board of Retirement took unanimous action in Closed Session to extend an offer of employment to Vincent P. Brown, this action was not reported at that time to protect Mr. Brown's privacy in the event that he did not accept the offer. Fortunately for SBCERS, Mr. Brown has accepted the Board's offer and the Board's prior action can now be made public. This morning the Board took action in Closed Session to ratify a contract, executed by Mr. Brown and SBCERS through its Chair Shawn Terris. The contract that has been executed is within the salary range pursuant to the existing county salary ordinance, with a benefit package consistent with benefits afforded to county executives. The Board of Retirement contends that it maintains the authority to set Mr. Brown's salary pursuant to Government Code Section 31522.2, and pursuant to its authority under the California Constitution, irrespective of salary ranges approved by the Board of Supervisors. However, since Mr. Brown has graciously agreed to accept an offer of employment within an existing salary range approved by the Board of Supervisors, resolution of any disagreement of that issue will be deferred. Mr. Blakeboro asked those in attendance to join him in enthusiastically welcoming Vince Brown.

MINUTES

- 1. Approve Minutes:
 - a. Special Board meeting of April 7, 2009

Trustees Kendig and Patterson made, seconded then withdrew a motion to approve the minutes of the special Board meeting of April 7, 2009.

Trustee Terris made corrections on Page 2, Board of Supervisors Workshop, Paragraphs 2, 3 and 4, inserting the word “addressed.”

MOTION: Approve the minutes of the Special Board meeting of April 7, 2009, as corrected.

Kendig/Patterson Approved by voice vote.
Yes: Kendig, Patterson, Rafferty,
Tan, Terris
Abstain: Cholmondeley, Gallas,
Hagen
Absent: Gray, McCammon

b. Special Board meeting of April 17, 2009

MOTION: Approve the minutes of the Special Board meeting of April 17, 2009.

Patterson/Terris Approved by unanimous voice vote of all present.
Yes: Cholmondeley, Gallas,
James/Hagen, Kendig,
Patterson, Rafferty, Tan,
Terris
Absent: Gray, McCammon

c. Regular Board meeting of April 22, 2009

Trustee Kendig requested a correction to Item 13, Page 7, replacing the word, “proceed,” with “precede.”

Trustee Terris added clarification to Item 19b, Page 9, adding the words, “since the Vice Chair was not going to attend the conference,” and added a missing item to Item 20, Page 11, “e. Disability Retirement Training.”

MOTION: Approve the minutes of the Regular Board meeting of April 22, 2009, as corrected.

Kendig/Gallas Approved by voice vote.
Yes: Cholmondeley, Gallas,
Kendig, Patterson, Rafferty,
Tan, Terris
Abstain: James/Hagen
Absent: Gray, McCammon

CONSENT

C-1. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick</u> <u>Leave Credit</u>	<u>ARC</u>
	Anna Avila	Public Health	22.83019	0.12169	
D	Wendy Ayala-Hinds	Clerk of the Board	5.59794	0.00109	
	Timothy Baal	Fire	34.49441	0.89373	
	Nemesio Balcena	Public Health	37.97159	0.62986	
	Steven Belasco	Courts	13.74269	0.14609	
	Marayln Brigman	Social Services	15.05706	0.02779	2.00000
D	Lora Burns	Child Support	12.30170	0.00576	
	Bernard Carreira	Probation	18.83952	0.25801	
	Yolanda Charette	Child Support	23.11033	0.00823	
D	Betty Chase	APCD	9.12479	0.00010	
R	Scott Coffman	Carp/Summ Fire	31.55211	1.00000	
	Irene Cortez	Auditor-Controller	29.43290	0.00361	
D	Eileen Donaghy	Public Health	20.00003	0.00090	
	Peter Dullea	Public Defender	16.50118	0.00544	
	Mario Evangelista	Probation	20.56867	0.29660	
D R	Lynne Feldman	County Counsel	5.63302	0.02112	
	Teresa Fisher	Social Services	17.54698	0.01645	
D	Lynn Forman	ADMHS	11.49383	0.13415	
	Charles Gerhart	Sheriff	24.71991	0.57068	
	Nancy Greene	Public Health	20.51847	0.00128	
R	Francis Herman	Fire	20.07983	0.03361	
	Lawrence Hess	Sheriff	31.64562	0.49156	
D	Frank Hood	Sheriff	7.13165	0.01712	
R	Eli Iskow	Fire	26.75998	0.61983	5.00000
	Susan Kappa	Social Services	13.49548	0.27837	
	Alan Kasehagen	Public Health	37.51459	1.00000	
	Gary Kitzman	Sheriff	31.04719	0.74300	
	Nasra Kwentus	Social Services	13.82617	0.07692	
R	Oralia Madera	Public Health	20.29318	0.00261	
Dis	Thomas Matthews	Sheriff	30.70281	0.16333	
	Thomas McKinny	Sheriff	31.54331	0.93193	
D	Jody Moat	Social Services	6.70239	0.11277	
	Clyde Noel	Clerk Recorder	11.15664	0.02292	
	Gail Osterbauer	Social Services	14.77882	0.08355	
	Anne Patterson	Public Health	25.49317	0.27518	
	Kathleen Selander	Sheriff	33.28327	1.00000	2.50000
	Rosa Serrano	Public Health	35.77236	0.02250	
	Terry Sharpe	Child Support	18.68206	0.14624	
	Kenneth Shemwell	Sheriff	32.47930	0.84366	

D=Deferred
R=Reciprocal
Dis=Disability

C-1. Adopt Retirement Report. (Cont'd.)

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
R	Sandra Stone	Social Services	21.37382	0.12852	
R	Albert Tamayo	Public Defender	2.28033	0.01104	
R	John Torell	Housing/Com Dev	16.87392	0.12638	
	Robert Trimble	Sheriff	10.58375	0.00393	
	Scott Turnbull	Human Resources	33.11919	0.71791	5.00000
D	Cecilia Varela	Public Health	7.50719	0.01321	
	Richard Vatter	Fire	29.90215	0.08111	0.50000
	Edmund Villa	Public Works	33.78679	0.53659	2.00000
	Curtis Warner	Fire	29.24665	0.75131	
	Barbara West	ADMHS	14.31385	0.00474	

D=Deferred
R=Reciprocal
Dis=Disability

MOTION: Approve Consent Agenda.

Kendig/Patterson Approved by unanimous voice vote of all present.
 Yes: Cholmondeley, Gallas, James/Hagen, Kendig, Patterson, Rafferty, Tan, Terris
 Absent: Gray, McCammon

BOARD

2. Receive and consider actuarial modeling presentation by Milliman.

Daniel Wade - Consulting Actuary and Craig Glyde - Actuary, presented for Milliman, and addressed issues raised by the Board.

Administrator Ford addressed issues raised by the Board.

NO ACTION TAKEN

INVESTMENTS

3. Receive staff report on SBCERS' money manager fees.

Eli Martinez presented item and addressed issues raised by the Board.

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

Trustee Kendig made then withdrew a motion to receive staff report on SBCERS'

money manger fees.

Trustees Cholmondeley and Gallas, made, seconded then withdrew a motion to direct staff to identify consistently underperforming money managers and offer options to renegotiate their fees, and other alternatives.

Vince Brown recommended the Board come back to address tactical issues after the larger strategic issues have been addressed.

Trustee Kendig reintroduced a motion to receive staff report on SBCERS' money manger fees.

MOTION: Receive staff report on SBCERS' money manager fees.

Kendig/Patterson	Approved by unanimous voice vote of all present.
Yes:	Cholmondeley, Gallas, James/Hagen, Kendig, Patterson, Rafferty, Tan, Terris
Absent:	Gray, McCammon

4. Receive and file portfolio status report.

Eli Martinez presented item and along with Administrator Ford and Sarah Bernstein, addressed issues raised by the Board.

MOTION: Receive and file portfolio status report.

Gallas/Kendig	Approved by unanimous voice vote of all present.
Yes:	Cholmondeley, Gallas, James/Hagen, Kendig, Patterson, Rafferty, Tan, Terris
Absent:	Gray, McCammon

5. Receive PCA Domestic Equity Structure Review, and provide direction as deemed appropriate.

Sarah Bernstein presented for PCA, and along with Administrator Ford and Eli Martinez, addressed issues raised by the Board.

Tabled until after Disability Retirement Time Certain

DISABILITY RETIREMENT CLOSED HEARING

10. Joseph Dodero, Service-Connected Disability Retirement Applicant:
Consider the Findings of Fact and Recommendation and Supplemental Report of the Hearing Officer, along with any timely filed objections, and

approve and adopt the recommendation to deny the application for service-connected disability retirement.

Counsel Blakeboro introduced item.

Applicant's Counsel Ghitterman and SBCERS' Counsel Kroes addressed the Board.

MOTION: Considering the Findings of Fact and Recommendation and Supplemental Report of the Hearing Officer, along with any timely filed objections, approve and adopt the recommendation to deny the application for service-connected disability retirement.

Kendig/Rafferty Approved by voice vote.

Yes: Cholmondeley, Gallas,
James/Hagen, Rafferty,
Terris

No: Patterson, Tan

Absent: Gray, McCammon

11. Carl Pollard, Non Service-Connected Disability Retirement Applicant:
Grant the application for nonservice-connected disability retirement, subject to timely requested hearing by an interested party.

Daniel Hernandez - Santa Barbara County Parks Director, addressed the Board.

MOTION: Grant the application for nonservice-connected disability retirement, subject to timely requested hearing by an interested party.

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

Yes: Cholmondeley, Gallas,
James/Hagen, Patterson,
Rafferty, Tan, Terris

Absent: Gray, Kendig, McCammon

9. Gail Common (surviving spouse of decedent Mark Common), Applicant for Service-Connected Death Benefit:
Adopt the attached proposed Findings of Fact, Conclusions of Law and Decision denying reconsideration of prior denial of Gail Common's application for service-connected death benefits.

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

MOTION: Adopt the Findings of Fact, Conclusions of Law and Decision denying reconsideration of prior denial of Gail Common's application for service-connected death benefits.

Patterson/Cholmondeley Approved by voice vote.

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

12. Receive and file Disability Status Report.

Receive and file Disability Status Report.

MOTION: Receive and file Disability Status Report.

Patterson/Kendig

Approved by voice vote.

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

OPEN MEETING

Counsel Blakeboro summarized the Closed Session actions taken on Disability Items 9, 10, 11 and 12 as listed above.

INVESTMENTS (Cont'd.)

5. Receive PCA Domestic Equity Structure Review, and provide direction as deemed appropriate.

Sarah Bernstein continued presentation on Domestic Equity Structure Review, and introduced Kay Ceserani - Senior Analyst, PCA.

MOTION: Receive PCA Domestic Equity Structure Review and direct staff to implement Option 2 (Replace AllianceBernstein Value with new active Russell 1000 Value mandate and rebalance to eliminate current value tilt) and revisit option 3 (replace First Republic with new Russell 1000 Growth mandate) once Option 2 is implemented.

Kendig/Rafferty

Approved

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

6. Receive and file PCA 1st quarter 2009 performance review.

MOTION: Receive and file PCA 1st quarter 2009 performance review.

Kendig/Gallas Approved by unanimous voice vote of all present.
Yes: Cholmondeley, Gallas,
James/Hagen, Kendig,
Patterson, Rafferty, Tan
Terris
Absent: Gray, McCammon

7. Receive and approve PCA's recommended revisions to the Asset Allocation Policy.

Sarah Bernstein presented item, and along with Administrator Ford, addressed issues raised by the Board.

MOTION: Receive and approve PCA's recommended revisions to the Asset Allocation Policy as amended (changing Russell 1000 "Broad Growth" to "All Cap").

Kendig/Gallas Approved by unanimous voice vote of all present.
Yes: Cholmondeley, Gallas,
James/Hagen, Kendig,
Rafferty, Tan, Terris
Absent: Gray, McCammon, Patterson

8. Receive and approve PCA's recommendations regarding TIPS manager search process.

Sarah Bernstein presented item and addressed issues raised by the Board.

MOTION: Receive and approve PCA's recommendations regarding TIPS manager search process.

Kendig/Rafferty Approved by unanimous voice vote of all present.
Yes: Cholmondeley, Gallas,
James/Hagen, Kendig,
Rafferty, Tan, Terris
Absent: Gray, McCammon, Patterson

BOARD

13. Receive and comment on proposed budget for Fiscal Year 2009-10.

Retirement Financial Accounting Analyst - Rico Pardo presented item, and along with Administrator Ford, Assistant CEO Deeds and Benefits Manager - Ramona DeWitte, addressed issues raised by the Board.

Trustee Cholmondeley requested that staff provide analyses of salary differential and manager fee increase, and identify costs of consulting services.

Chair Terris directed staff to come back with a proposed budget that included an

option to add back the Senior Staff Attorney.

Trustee Rafferty requested that staff percentage increase over Estimated Actual and Previous Year Budget, and percentage of total budget be added.

NO ACTION TAKEN

14. Receive and file the audited financials and the Comprehensive Annual Financial Report (CAFR) for the fiscal years ending June 30, 2008, and 2007.

Administrator Ford, Ramona DeWitte, and Andy Simonson - Nasif, Hicks, Harris & Co., addressed issues raised by the Board.

Chair Terris offered comments acknowledging Ramona DeWitte's good work in preparing the CAFR.

MOTION: Receive and file the audited financials and the Comprehensive Annual Financial Report (CAFR) for the fiscal years ending June 30, 2008, and 2007.

Gallas/Kendig	Approved by unanimous voice vote of all present. Yes: Cholmondeley, Gallas, James/Hagen, Kendig, Rafferty, Tan, Terris Absent: Gray, McCammon, Patterson
---------------	--

ADMINISTRATOR

15. Receive and file Administrator's Department Operations Report and:
a. Approve Trustee travel request for June/July 2009.

Administrator Ford addressed issues raised by the Board.

MOTION: Receive and file Administrator's Department Operations Report and approve Trustee travel requests for June/July 2009, adding Opal's Investment Trends Summit.

Kendig/ Gallas	Approved by unanimous voice vote of all present. Yes: Cholmondeley, Gallas, James/Hagen, Kendig, Rafferty, Tan, Terris Absent: Gray, McCammon, Patterson
----------------	--

16. Board Presentations for next month:
a. Response to Grand Jury Report
b. Hamilton Lane
c. PCA Real Estate
d. Disability Retirement 101

CLOSED SESSION
(5:27 p.m. – 5:50 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 the Board met to consider a matter of potential litigation and provided instructions to counsel and staff as to the appropriate response to a Public Records Act request.

The meeting adjourned at 5:52 p.m.

ATTEST:

Clerk

Chair

Secretary