

**SANTA BARBARA COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

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**Vincent P. Brown**  
Chief Executive Officer



**BOARD OF RETIREMENT**

Chair – Vacant  
Vice Chair – Joni Gray  
Secretary - Vanessa Patterson  
Zandra Cholmondeley  
Bernice James  
Donald Kendig  
Julie McCammon  
Ward Rafferty  
Al Rotella  
Gail Marshall  
Frederick Tan

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**MINUTES OF THE BOARD OF RETIREMENT**

**September 23, 2009**

**Board of Supervisors' Hearing Room  
105 E. Anapamu St., 4<sup>th</sup> Floor  
Santa Barbara, California**

**ROLL CALL 9:13 a.m.**

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

Trustee Kendig left at 12:03 p.m.

**PUBLIC COMMENT**

Trustee Kendig announced that he needed to leave the meeting early, that APCD preferred alternative 3, regarding Item 12, and he personally hoped the Board Actuary would comment on the feasibility of postponing one year's actuarial valuation. CEO Vince Brown gave the Board an overview of the day's agenda.

**MINUTES**

1. Approve Minutes of Regular Board meeting of August 26, 2009.

**MOTION:** Adopt minutes Regular Board meeting of August 26, 2009, as amended.

Patterson/James

Approved by unanimous voice vote of all present.

Yes: Cholmondeley, Gray, James,  
Kendig, McCammon,  
Patterson, Rafferty

Absent: Rotella, Terris

**CONSENT**

C-1. Susan Klucker: Grant applicant’s request for a service retirement, pending final determination of her entitlement to disability retirement.

C-2. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
Pend	Robert Abadajos	Public Works	23.36116	0.00011	
D R	Ronald Cortez	CEO	14.09737	0.56593	
Dis	Eileen Dumong	Fire	22.01742	0.00006	
	Michele Fitzpatrick	Social Services	38.67850	0.97708	
	Paula Gerletti	Social Services	22.51127	0.00137	
Pend	Susan Klucker	Public Health	11.73672	0.00483	
D	Maureen Murphy	General Services	8.53638	0.00609	
R	Annalisa Nearn	Clerk-Rec-Assessor	15.24421	0.02426	
D	Tamara Nichols	ADMHS	6.41586	0.00023	
Dis	Carl Pollard	Parks	10.37192	0.00006	
	Betty Stephens	Public Works	37.81058	0.00032	

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

**MOTION:** Approve Consent Agenda.

Kendig/Patterson

Approved by unanimous voice vote of all present.

Yes: Cholmondeley, Gray, James,  
Kendig, McCammon,  
Patterson, Rafferty

Absent: Rotella, Terris

**INVESTMENTS**

2. Receive asset allocation recap from Pension Consulting Alliance (PCA).

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

Vince Brown addressed issues raised by the Board.

Trustee Rafferty requested that a summary be added to each column of the Evolving Balanced Risk Investment Policy giving totals of Current Market Value and Current and past Actuals.

**NO ACTION TAKEN**

3. Receive 2009 Fixed Income Review from PCA.

Sarah Bernstein, Principal, presented 2009 Fixed Income Review for PCA and addressed issues raised by the Board.

Vince Brown addressed issues raised by the Board.

**MOTION:** Pursue getting more information on Option 4 – Hire dedicated high yield manager, tighten current managers guidelines and leave Options 2 and 5 open for discussion later.

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

Vince Brown directed staff to distribute a periodic table of investment returns provided by Trustee Rafferty on Dispersion of Fixed Income Sector Performance.

4. Receive and approve PCA’s recommendation to remove The Boston Company Asset Management from watch status.

Sarah Bernstein introduced item for PCA.

**MOTION:** Remove The Boston Company Asset Management from watch status due to strong performance relative the benchmark, and the lack of any material impact from organizational changes.

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

5. Receive short list from PCA of TIPS managers to be considered for onsite due diligence and possible inclusion as interview finalists.

Sarah Bernstein introduced item for PCA.

Vince Brown addressed issues raised by the Board.

**MOTION:** Receive short list from PCA of TIPS managers to be considered for onsite due diligence and possible inclusion as interview finalists.

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

- 6. Receive Small Cap growth manager search update from PCA.
- 7. Receive Large Cap value manager search update from PCA.

Sarah Bernstein introduced items 6 and 7, together, for PCA.

Trustees Rafferty and Patterson confirmed that neither was marketing investments to any pension funds.

Trustee Rafferty re-stated his employment by a Wells Fargo affiliate, and Trustee Patterson disclosed a potential business relationship between a firm in which she is a co-owner and a Wells Fargo affiliate. Both recused themselves from the item, left the hearing room and did not participate, directly or indirectly, in either the discussion or the decision as to whether Wells Fargo Capital Management should or should not be removed from the Small Cap Growth list.

Counsels Blakeboro and Leiderman addressed issues raised by the Board.

Trustee Kendig made a motion to receive, and upon further discussion, amended his motion to include the removal of Wells Capital Management from the Small Cap Growth list.

**MOTION:** Receive and file Small Cap growth and Large Cap value manager search updates from PCA, removing Wells Capital Management from the Small Cap growth list.

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

- 8. Receive First Quarter 2009 Private Equity Performance report from Hamilton Lane.

Paul Yett, Managing Director, presented for Hamilton Lane and addressed issues raised by the Board.

Vince Brown addressed issues raised by the Board.

**MOTION:** Receive First Quarter 2009 Private Equity Performance report from Hamilton Lane.

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

Yes: Cholmondeley, Gray, James,  
Kendig, McCammon,  
Patterson, Rafferty  
Absent: Rotella, Terris

9. Direct staff to hire PCA to conduct a full analysis of the 2009 Hamilton Lane Venture Capital fund.

Vince Brown introduced item and addressed issues raised by the Board.

**MOTION:** Direct staff to hire PCA to conduct a full analysis of the 2009 Hamilton Lane Venture Capital fund.

Patterson/Rafferty Approved by roll call vote.

Yes: Gray, James, Kendig,  
McCammon, Patterson,  
Rafferty

No: Cholmondeley

Absent: Rotella, Terris

10. Contract with Partners Group for full discretionary services, or take other action as deemed appropriate.

Vince Brown introduced item and addressed issues raised by the Board.

Eliza Bailey, Senior Vice President, presented Partners Group and addressed issues raised by the Board.

Counsel Leiderman addressed issues raised by the Board.

David Hunter, part of the Investment Solutions Team, presented for Partners Group and addressed issues raised by the Board.

Trustees Cholmondeley and James made, seconded then amended a motion to Support Option 3, to begin an RFI process.

Sarah Bernstein addressed issues raised by the Board.

Trustee Patterson suggested the need for Board Real Estate Counsel.

**MOTION:** Direct staff to negotiate a 1-year option for discretion with Partners Group, and develop an RFI for a Real Estate manager with discretion.

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

Yes: Cholmondeley, Gray, James,  
McCammon, Patterson,  
Rafferty

Absent: Kendig, Rotella, Terris

**BOARD**

- 12. Receive additional information from Board Actuary Milliman regarding funding policy alternatives, consider employers’ and other comments, including staff recommendation, and confirm or modify funding policy.

Vince Brown introduced item.

Karen Steffen, Actuarial Consultant, presented for Board Actuary, Milliman, and addressed issues raised by the Board.

Sarah Bernstein addressed issues raised by the Board.

Counsel Leiderman addressed issues raised by the Board.

Jason Stilwell, Assistant CEO/Budget Director, presented *Financial Challenges to the County of Santa Barbara*, and addressed issues raised by the Board.

Chair Pro Tem Gray recognized the following speakers request to make public comment following the presentations:

Ramon Rubalcava, Director of Research and Policy at SEIU Local 721

Mr. Rubalcava voiced support for Option 3, (Scenario 3), 30-year closed amortization period, becomes 15-year open/rolling after 15 years.

**MOTION:** Change the Unfunded Actuarial Accrued Liability (UAAL) amortization period from the current 15-year layered method to a 17-year open/rolling amortization.

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

- 13. Approve assumptions for Other Post Employment Benefits (OPEB) actuarial study.

Vince Brown introduced item.

Karen Steffen, Actuarial Consultant, presented for Board Actuary, Milliman, and addressed issues raised by the Board.

Vince Brown and Rico Pardo, Retirement Financial Accounting Analyst, addressed issues raised by the Board.

Robert Geis, Auditor-Controller, addressed the Board.

**MOTION:** Adopt 4.50% discount rate and reevaluate when asset strength permits.

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

Yes: Cholmondeley, Gray, James,  
McCammon, Patterson,  
Rafferty

Absent: Kendig, Rotella, Terris

17. Consider “reason” letter regarding staff furloughs.

Vince Brown introduced item.

**MOTION:** Cancel Item 17, the consideration of “reason” letter regarding furloughs.

James/Patterson

Approved by unanimous voice vote of all present.

Yes: Cholmondeley, Gray, James,  
McCammon, Patterson,  
Rafferty

Absent: Kendig, Rotella, Terris

18. Select SBCERS representative to vote at the Council of Institutional Investors (CII) 2009 Fall General Members Meeting, and provide direction to delegate regarding the following items:

1. Approval of proposed 2010 budget for CII operating activities
2. Approval of proposed amended travel reimbursement policy.

Vince Brown introduced item.

**MOTION:** Select Vince Brown, Chief Executive Officer, and Trustee James as delegate and alternate and direct them to vote for approval of the proposed 2010 budget for CII operating activities and proposed amended travel reimbursement policy, at the 2009 Fall Meeting.

Patterson/McCammon

Approved by unanimous voice vote of all present.

Yes: Cholmondeley, Gray, James,  
McCammon, Patterson,  
Rafferty

Absent: Kendig, Rotella, Terris

### **CHIEF EXECUTIVE OFFICER**

19. Receive and file Chief Executive’s Department Operations Report.  
a. Approve travel request from Trustee Kendig

**MOTION:** Approve travel request from Trustee Kendig to attend the Opal Financial Group’s Alternative Investment Summit.

Patterson/James

Approved by unanimous voice vote of all present.

Yes: Cholmondeley, Gray, James,  
McCammon, Patterson,  
Rafferty

Absent: Kendig, Rotella, Terris

20. Board Presentations for next month:  
a. Chief Investment Officer  
b. Board Meeting Schedule  
c. Naomi Schwartz Building

### INVESTMENTS (Cont'd.)

11. Receive Portfolio Status Report.

Vince Brown introduced item.

Sarah Bernstein addressed issues raised by the Board.

**NO ACTION TAKEN**

### DISABILITY RETIREMENT CLOSED HEARING

15. Teresa Paz, Service-Connected Disability Retirement Applicant:  
Deny subject to hearing.

**MOTION:** Continue at the request of the Applicant for the Applicant's convenience.

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

16. Receive and file Disability Status Report.

**MOTION:** Receive and file Disability Status Report.

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

14. Blanca Benedict, Service-Connected Disability Retirement Applicant:  
Consider the Findings of Fact and Recommendation of the referee, along with any timely filed objections, and other information and approve and adopt the recommendation to deny the application for service-connected disability retirement of Blanca Benedict.



Counsel Blakeboro introduced item.

SBCERS' Counsel McCarthy was present.

**MOTION:** Consider the Findings of Fact and Recommendation of the referee, and approve and adopt the recommendation to deny the application for service-connected disability retirement of Blanca Benedict.

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

**OPEN MEETING**

Counsel Blakeboro summarized the Closed Session actions taken on Disability Items 14, 15 and 16 as listed above.

Vince Brown personally thanked Trustee Gray for chairing the day's meeting, and announced that going forward the Pledge of Allegiance would become a regular feature on the agenda.

The meeting adjourned at 3:44 p.m.

ATTEST:

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Clerk

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary