

**SANTA BARBARA COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

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**Vincent P. Brown**  
Chief Executive Officer



**BOARD OF RETIREMENT**

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

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**MINUTES OF THE BOARD OF RETIREMENT**

**February 24, 2010**

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

**ROLL CALL 9:08 a.m.**

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

Trustee Patterson left between 11:45 a.m. and 1:38 p.m. Trustee Marshall left at 4:30 p.m.

CEO Vince Brown gave the Board an overview of the day's agenda.

**PUBLIC COMMENT**

Ramon Rubalcava, Director of Research and Policy at SEIU Local 721, spoke regarding SBCERS actuarial assumptions and the recent amortization changes. He communicated that due to "once in a lifetime" investment losses, the County is facing a hardship and he is asking the Board to consider additional options for rate relief outlined in a letter previously presented to the County Supervisors.

**MINUTES**

1. Approve Minutes:
  - a. Regular Board meeting of December 16, 2009
  - b. Regular Board meeting and Retreat of January 20-21, 2010

**MOTION:** Approve minutes of the Regular Board meeting of December 16, 2009.

Kendig/Patterson Approved by voice vote  
Yes: Cholmondeley, James,  
Kendig, McCammon,  
Patterson, Rafferty, Rotella,  
Scheck  
Abstain: Gray

**MOTION:** Approve minutes of the Regular Board meeting and Retreat of January 20-21, 2010.

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

**CONSENT**

C-1. Receive Trustee Kendig’s report on Opal’s 12<sup>th</sup> Annual Alternative Investing Summit and Trustee James’ report on Opal Financial Group’s annual Public Funds Summit.

*Pulled for clarification by Trustee Kendig*

C-2. Patricia Matthews, service-connected disability retirement applicant: Receive and approve Hearing Officer Catherine Harris’ request for an extension of jurisdiction in which to complete the hearing in this matter due to the filing of a supplemental application by Ms. Matthews, up to and including July 9, 2010.

*Continued to time-certain Disabilities items*

C-3. Receive letter from Milliman, the System’s actuary, regarding the calculation of the annual COLA payable in 2010, and approve a -1.0% (negative one percent) cost of living adjustment, effective April 1, 2010.

*Pulled for questions from Trustee Rafferty*

C-4. Adopt Retirement Report.

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
GH	Alvina Alonzo	CEO	17.88435	0.28678	
GH	Judith Cantrell	Probation	15.05926	0.04862	
	Laura Carroll	Probation	26.66004	0.19517	

D=Deferred  
R=Reciprocal  
GH=Golden Handshake

C-4. Adopt Retirement Report (Cont'd.).

	<u>Name</u>	<u>Dept.</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
GH	C. Michael Ganschow	Public Defender	30.48159	0.00355	
GH	Andrew Gersoff	Public Health	23.73863	0.22233	
D R	Arlene Gibbs	APCD	3.83305	0.01895	
GH	William Gillette	Ag Commissioner	37.34656	1.00000	
GH	Erlene Good	Public Health	15.76820	0.10371	
D	Bruce Hanley	Public Health	7.01880	0.00393	
GH	Susan Hinkle	ADMHS	12.73871	0.28923	
GH	John (Richard) Lindley	Parks	29.96943	0.40659	
GH	Cynthia Mahone	ADMHS	26.81796	0.00580	
GH	Bernard Manuel	CEO	21.98658	0.58162	
	Paula McClain	Courts	13.61005	0.00270	
R	Jeffery Meyer	Sheriff	29.99329	0.74338	
GH	Annette Paladino	SBCERS	23.22711	0.46363	
R GH	Dale Pavich	ADMHS	23.77246	0.04461	2.00000
	Phillip Pipersburg	Probation	23.53498	0.34303	
GH	Norman Saito	Social Services	21.35184	0.35661	
GH	Joseph Salgado	Probation	17.47986	0.05399	
GH	Rachel Sanchez	Social Services	17.71580	0.13780	
GH	Gail Sarten	Social Services	31.35964	0.00267	
	Kristine Slaughter	Social Services	24.79579	0.52126	4.16667
GH	Marie Soria	Public Health	30.30382	0.26007	
D	Evy Wiborg	Social Services	7.29640	0.00011	
GH	Andrew Yansen	Sheriff	31.08872	0.21523	
GH	Jo York	Clerk-Recorder	25.45966	0.06823	

D=Deferred  
R=Reciprocal  
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Assistant CEO Lila Deeds presented an overview of Item C-3 and addressed issues raised by the Board.

Board Counsel Alan Blakeboro addressed issues raised by the Board.

Trustee Rafferty requested a copy of the letter dated July 18, 2008, from Board Actuary Milliman, and referenced in Exhibit 1, footnote.

**MOTION:** Approve Consent Agenda excluding Item C-2.

James/Rotella

Approved by unanimous voice vote of all present

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

## INVESTMENTS

2. Receive and approve SBCERS 2010 Strategic Plan as presented by Hamilton Lane.

Vince Brown introduced item.

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

Fiduciary Counsel Harvey Leiderman addressed issues raised by the Board.

**MOTION:** Receive SBCERS 2010 Strategic Plan as presented by Hamilton Lane and commit to it with a goal of investing an addition \$30 million over the next year.

Patterson/James	Approved by unanimous voice vote of all present Yes: Cholmondeley, Gray, James, Kendig, McCammon, Patterson, Rafferty, Rotella, Scheck
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**MOTION:** Receive report on most recent \$5 million investment in Enhanced Equity Fund II (EEF Fund II).

James/Scheck	Approved by unanimous voice vote of all present Yes: Cholmondeley, Gray, James, Kendig, McCammon, Patterson, Rafferty, Rotella, Scheck
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3. Approve an investment of \$5 million in the Hamilton Lane Venture Capital Fund LP 2010 Series.

Vince Brown introduced item.

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

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

**MOTION:** Approve an investment of \$5 million in the Hamilton Lane Venture Capital Fund LP 2010 Series.

James/Patterson	Approved by unanimous voice vote of all present Yes: Cholmondeley, Gray, James, Kendig, McCammon, Patterson, Rafferty, Rotella, Scheck
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4. Receive presentations from the Large Cap Value finalists, receive finalist report from PCA and select a Large Cap Value Manager from the finalists.

Chair Gray opened by describing the benefits of on-site visits and encouraging all members of the Board to sign-up for due diligence.

Kay Ceserani, Vice President, presented her finalists report for PCA and addressed issues raised by the Board.

Trustee Patterson and Lila Deeds briefed the Board on their recent Large Cap Value on-site visits.

Vince Brown stated for the record that he had worked previously in the California State Legislature with L. Kenneth Brooks, now presenting for T. Rowe Price Group.

Investment Analyst Eli Martinez gave a finalists pros and cons overview .

- a. Loomis Sayles & Company

Laurie E. Deaton, Vice President; Robert Blanding, Chairman, CEO and President; and Arthur Barry, Vice President; gave an overview of their company, made their presentation and addressed issues raised by the Board.

- b. MFS Investment Management

Karen C. Jordan, Managing Director, Institutional Public Fund Sales; and Katrina (Kate) Mead, Investment Officer, Institutional Portfolio Manager; gave an overview of their company, made their presentation and addressed issues raised by the Board.

- c. T. Rowe Price Group

L. Kenneth Brooks, Institutional Sales Executive; and John D. Linehan, Portfolio Manager; gave an overview of their company, made their presentation and addressed issues raised by the Board.

*Continued after time-certain Disabilities items*

## **DISABILITY RETIREMENT CLOSED HEARING**

5. Conn L. Abel, Service-Connected Disability Retirement Applicant:  
Grant the application for service-connected disability retirement of Conn L. Abel, subject to a timely requested hearing by an interested party.

Retirement Disability Program Manager Cristal Rodriguez introduced item.

Counsel Blakeboro addressed issues raised by the Board.

Applicant's Counsel Mark Singer was present and urged the Board to adopt the staff recommendation.

**MOTION:** Grant the application for service-connected disability retirement of Conn L. Abel, subject to a timely requested hearing by an interested party.

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

6. Laura Guanill, Service-Connected Disability Retirement Applicant:  
Deny the application for service-connected disability retirement of Laura Guanill, on the basis of untimely filing and no permanent incapacity, subject to a timely requested hearing by an interested party.

*Continued from December 16, 2009*

Counsel Blakeboro introduced item and addressed issues raised by the Board.

Applicant's Counsel Mark Singer addressed the Board.

**MOTION:** Deny the application for service-connected disability retirement of Laura Guanill, on the basis of untimely filing and no permanent incapacity, subject to a timely requested hearing by an interested party.

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

**CONSENT (Cont'd.)  
CLOSED HEARING**

- C-2. Patricia Matthews, service-connected disability retirement applicant: Receive and approve Hearing Officer Catherine Harris' request for an extension of jurisdiction in which to complete the hearing in this matter due to the filing of a supplemental application by Ms. Matthews, up to and including July 9, 2010.

*Pulled from Consent Agenda by Trustee James*

Counsel Blakeboro introduced item and addressed issues raised by the Board.

**MOTION:** Approve Hearing Officer Catherine Harris' request for an extension of jurisdiction in which to complete the hearing in this

matter due to the filing of a supplemental application by Ms. Matthews, up to and including July 9, 2010.

Kendig/McCammon	Approved by voice vote
	Yes: Cholmondeley, Gray, James, Kendig, McCammon, Rafferty, Rotella, Scheck
	Abstain: Patterson

**DISABILITY RETIREMENT (Cont'd.)  
CLOSED HEARING**

7. Receive and file Disability Status Report.

Counsel Blakeboro introduced item and addressed issues raised by the Board.

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

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

**OPEN MEETING**

Counsel Blakeboro summarized the Closed Hearing actions taken on Disability Items 5, 6, C-2 and 7 as listed above.

**INVESTMENTS (Cont'd.)**

4. Receive presentations from the Large Cap Value finalists, receive finalist report from PCA and select a Large Cap Value Manager from the finalists.

*Continued from before Disabilities time-certain*

Eli Martinez began the discussion, and addressed issues raised by the Board.

Sarah Bernstein addressed issues raised by the Board.

**MOTION:** Eliminate MFS Investment Management from further consideration.

James/Patterson	Approved by roll call vote
	Yes: Gray, James, McCammon, Patterson, Rotella,

No: Cholmondeley, Kendig,  
Rafferty, Scheck

Kay Ceserani addressed issues raised by the Board.

**MOTION:** Select Loomis Sayles & Company as Large Cap Value Manager.

Patterson/Rotella Approved by unanimous roll call vote  
Yes: Cholmondeley, Gray, James,  
Kendig, McCammon,  
Patterson, Rafferty, Rotella,  
Scheck

8. Adopt proposed amendments to Private Placement Agent Policy.

Fiduciary Counsel Harvey Leiderman introduced item and addressed issues raised by the Board.

**MOTION:** Adopt proposed amendments to Private Placement Agent Policy.

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

**CLOSED SESSION**  
(2:19 p.m. – 1:43 p.m.)

CONFERENCE WITH INVESTMENT COUNSEL -- To consider contract with Partners Group, including receipt of advice from Investment Counsel pursuant to Government Code Section 54956.81.

**OPEN MEETING**

Mr. Leiderman announced that the Board had met in Closed Session to consider contract with Partners Group, including receipt of advice from Investment Counsel pursuant to Government Code Section 54956.81; it was then moved by Trustee Cholmondeley, seconded by Trustee James and passed unanimously by roll call vote to end contract negotiations

**INVESTMENTS (Cont'd.)**

9. Receive Partners Group contract review and take further action as the Board deems appropriate.



Vince Brown addressed issues raised by the Board.

**MOTION:** Direct staff to, in consultation with PCA, contract with a real estate advisory firm for interim real estate advisory services and direct PCA to develop an RFI for a discretionary real estate consultant. The interim advisor may compete in the RFI.

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

10. Receive SBCERS Investment Portfolio December 31, 2009 Quarterly Report from PCA.

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

Vince Brown addressed issues raised by the Board.

Chair Gray directed staff to set aside another agenda item to go over newly formatted graphs in report.

**NO ACTION TAKEN**

11. Receive Portfolio Status Report.

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

Chair Gray directed staff to distribute Goldman Sachs Contract to the Board.

**MOTION:** Receive Portfolio Status Report.

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

**BOARD**

12. Receive and approve in concept proposed position description and compensation for Chief Investment Officer.

Lila Deeds and Eric Middleton, Managing Partner, Alliance Resource Consulting, presented the item and addressed issues raised by the Board.

**MOTION:** Receive and approve in concept proposed position description and compensation for Chief Investment Officer.



James/Kendig

Approved by unanimous voice vote of all present

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

16. Board Presentations for next month:
- a. Small Cap Growth Finalists
  - b. Intermediate Government Manager RFI
  - c. Large Cap Growth RFI

**CLOSED SESSION**  
(4:53 p.m. – 5:01 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 had met in Closed Session to consider potential initiation of litigation (pursuant to subsection (c) of Government Code Section 54965.9) and took no reportable action.

The meeting adjourned at 5:01 p.m.

ATTEST:

\_\_\_\_\_  
Clerk

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Chair

\_\_\_\_\_  
Secretary