

**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  
Darryl Scheck  
Frederick Tan  
Gail Marshall

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**MINUTES OF THE BOARD OF RETIREMENT**

**June 23, 2010**

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

**ROLL CALL 9:00 a.m.**

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

Trustee Cholmondeley arrived at 9:01 a.m. Trustee Tan arrived at 9:44 a.m.  
Trustee James arrived at 9:55 a.m. Trustee Patterson was absent from 11:30 a.m.  
to 1:35 p.m. Treasurer-Tax Collector Elect - Harry Hagen, voted alternate for  
absent member James.

Chair Gray introduced retired County Treasurer/SBCERS Administrator Gary  
Feramisco, who was present.

Assistant CEO Lila Deeds gave the Board an overview of the day's agenda.

**MINUTES**

1. Approve Minutes of Regular Board meeting of May 26, 2010.

**MOTION:** Approve Minutes of Regular Board meeting of May 26, 2010.

Scheck/Rotella

Approved by voice vote

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

Absent: James

Abstain: Hagen

**PUBLIC COMMENT**

There was no general public comment.

**CONSENT**

C-1. Confirm pensionability of new County earnings type "SXW."

C-2. Adopt Retirement Report.

	<u>Name</u>	<u>Department</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
D R	Alan Fortune	Fire	3.23994	0.07774	
D	Thomas Garrison	Clerk-Recorder-Assessor	9.69025	0.26042	
	Joyce Gerber	DRO	5.04887	0.00000	
	Joy Gilles	Public Defender	17.65698	0.01632	3.50000
	Thomas Jenkins	Sheriff	33.24279	0.96870	
	Jeffrey Stone	Parks	33.02173	0.89591	
	Deborah Talmage	Courts	31.28321	0.48313	

D=Deferred  
R=Reciprocal

Assistant CEO Lila Deeds addressed issues raised by the Board.

Counsel Blakeboro addressed issues raised by the Board.

**MOTION:** Approve Consent Agenda.

Kendig/Scheck

Approved by unanimous voice vote of all present

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

Absent: James

## **BOARD**

2. Receive educational presentation for Board Actuary Milliman regarding the actuarial experience study and valuation process

Lila Deeds addressed issues raised by the Board.

Consulting Actuary Daniel Wade presented form Milliman and addressed issues raised by the Board.

Chair Gray directed staff to canvas Board members for their feedback on the Milliman presentation

Chair Gray directed staff to bring back actuarial timeline in CEO's report address Trustee Cholmondeley's concerns about speeding up the process.

### **NO ACTION TAKEN**

## **INVESTMENTS**

3. Receive presentations from the Discretionary Real Estate Manager finalists, receive finalist report from Pension Consulting Alliance (PCA) and select a Discretionary Real Estate Manager from the finalists.

- a. Courtland Partners, LTD. (Courtland)

Michael Humphrey, Managing Principal, Lourdes "Lou" Canlas, Managing Director, and Garrett Zdolshek, Managing Director; gave an overview of their company, made their presentation and addressed issues raised by the Board.

- b. ORG Portfolio Management, LLC (ORG)

Edward Schwartz, Principal, Jonathan Berns, Principal, and Barbara McDowell, Consultant; gave an overview of their company, made their presentation and addressed issues raised by the Board.

- c. The Townsend Group (Townsend)

Terri Herubin, Principal and Jennifer Young, Consultant; gave an overview of their company, made their presentation and addressed issues raised by the Board.

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

Investment Analyst Eli Martinez addressed issues raised by the Board.

David Sancewich, Senior Investment Analyst, addressed issues raised by the Board.



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

8. Receive and approve the recommendation by PCA to conduct a search for a new hedge fund of funds manager as replacement to Arden.

David Sancewich, Eli Martinez, and Sarah Bernstein addressed issues raised by the Board.

**MOTION:** Receive and approve the recommendation by PCA to conduct a search for a new hedge fund of funds manager as replacement to Arden.

Patterson/Kendig

Approved by roll call vote

Yes: Cholmondeley, Gray, Kendig  
Patterson, Rafferty, Rotella,  
No: James, McCammon  
Abstain: Scheck

9. Receive and approve the recommendation by PCA to keep Batterymarch Financial Management on “watch” status.

David Sancewich addressed issues raised by the Board.

**MOTION:** Receive and approve the recommendation by PCA to keep Batterymarch Financial Management on “watch” status.

Kendig/James

Approved by unanimous voice vote of all present

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

6. Receive and approve the recommendation by PCA to affirm the existing Evolving Balanced Risk Investment Policy Allocation for 2010 and 2011 or take further action as the Board deems necessary.

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

**MOTION:** Receive and approve the recommendation by PCA to affirm the existing Evolving Balanced Risk Investment Policy Allocation for 2010 and 2011.

Kendig/Patterson

*Item held until after Item 7*

7. Receive and approve the recommendations from PCA for implementing a Covered Call Strategy:

- a. Begin implementation of a Covered Call Strategy with 2% of SBCERS' assets, to be increased to 4% of SBCERS' assets in 2011 upon successful program review.
- b. Retain Rampart to passively manage covered call options on S&P 500 Index fund, manage against this index fund on a monthly basis, and provide appropriate quarterly reporting to SBCERS' Staff and Consultant.
- c. Direct staff to shift initial funding from Alliance Bernstein's Russell 1000 Index fund to the Alliance Bernstein S&P 500 Comingled Trust to serve as underlying assets for covered call program.
- d. Benchmark the Covered Call strategy to the CBOE BXM Index.
- e. Review Program in one year.

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

**MOTION:** Receive and approve the recommendations from PCA for implementing a Covered Call Strategy to a.) Begin implementation of a Covered Call Strategy with 2% of SBCERS' assets, to be increased to 4% of SBCERS' assets in 2011 upon successful program review; and, to b.) Retain Rampart to passively manage covered call options on S&P 500 Index fund, manage against this index fund on a monthly basis, and provide appropriate quarterly reporting to SBCERS' Staff and Consultant; to c.) Direct staff to shift initial funding from Alliance Bernstein's Russell 1000 Index fund to the Alliance Bernstein S&P 500 Comingled Trust to serve as underlying assets for covered call program; and, to d.) Benchmark the Covered Call strategy to the CBOE BXM Index, and e.) Review Program in one year.

Kendig/Patterson	Approved by roll call vote
	Yes: Gray, Kendig, Patterson, Rafferty, Rotella
	No: Cholmondeley, James, McCammon, Scheck

- 6. Receive and approve the recommendation by PCA to affirm the existing Evolving Balanced Risk Investment Policy Allocation for 2010 and 2011 or take further action as the Board deems necessary.

*Continued from before Item 7*

Motion amended to defer action on the Evolving Balanced Risk Investment Policy Allocation for 2010 and 2011.

**MOTION:** Receive recommendation by PCA and defer action on the Evolving Balanced Risk Investment Policy Allocation for 2010 and 2011.

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

10. Receive and file the staff Monthly Portfolio Status Report.

Eli Martinez addressed issues raised by the Board.

**MOTION:** Park funds from Arden liquidation with County Treasurer from Arden liquidation and hold them there during the search process for a new hedge fund-of-funds manager.

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

**MOTION:** Receive and file the staff Monthly Portfolio Status Report.

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

### **DISABILITY RETIREMENT CLOSED HEARING**

11. Robert Abadajos, Applicant for NonService-Connected Disability Retirement: Adopt Board findings of Fact and Conclusions of Law granting Robert Abadajos a nonservice-connected disability retirement.

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

**MOTION:** Adopt Board findings of Fact and Conclusions of Law granting Robert Abadajos a nonservice-connected disability retirement .

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

12. Susan Klucker, Applicant for Service-Connected Disability Retirement: Deny the application of Susan Klucker for service-connected disability retirement, subject to timely requested hearing.

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

**MOTION:** Deny the application of Susan Klucker for service-connected disability retirement, subject to timely requested hearing.

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

13. Robert Peltcher, Applicant for NonService-Connected Disability Retirement:  
Adopt Board findings of Fact and Conclusions of Law granting Robert Peltcher a nonservice-connected disability retirement.

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

**MOTION:** Adopt Board findings of Fact and Conclusions of Law granting Robert Peltcher a nonservice-connected disability retirement.

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

14. Christopher Raiter, 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 of Christopher Raiter.

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

**MOTION:** Continue item until next regular Board meeting based on the request of the Applicant's Counsel.

James/Kendig                      Approved by voice vote  
Yes:                      Cholmondeley, Gray, James,  
Kendig, McCammon,  
Patterson, Rafferty, Scheck  
No:                      Rotella

15. Receive and file Disability Status Report.

Counsel Blakeboro and Disabilities Program Manager Cristal Rodriguez addressed issues raised by the Board.

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

Kendig/Scheck                      Approved by unanimous voice vote of all present



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

**CLOSED SESSION**  
(3:03 p.m. – 3:05 p.m.)

CONFERENCE WITH LEGAL COUNSEL -- ANTICIPATED LITIGATION  
Significant exposure to litigation pursuant to Government Code Section 54956.9  
(b)(1).

**OPEN MEETING**

Mr. Blakeboro summarized the Closed Hearing actions taken on Disability Items 11, 12, 13, 14 and 15 as listed above, and announced that the Board had met in Closed Session to consider anticipated litigation and had taken no reportable action

**BOARD (Cont'd.)**

17. Receive and file the audited financials and the Comprehensive Annual Financial Report (CAFR) for the fiscal years ending June 30, 2009.

Lila Deeds presented item and addressed issues raised by the Board.

Retirement Financial Accounting Analyst Rico Pardo addressed issues raised by the Board.

**MOTION:** Receive and file the audited financials and the Comprehensive Annual Financial Report (CAFR) for the fiscal years ending June 30, 2009.

Kendig/Scheck

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

18. Approve Administrative Budget for Fiscal Year 2010-11, adopt accompanying resolutions, and amend the Budget Approval Process policy to establish May 31 as the annual date to determine the market value of assets used in calculating the statutory Administrative Budget Limit.

Lila Deeds presented item and addressed issues raised by the Board.



ATTEST:

\_\_\_\_\_  
Clerk

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Chair

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Secretary