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

MINUTES OF THE BOARD OF RETIREMENT

October 27, 2010
Coastal Room at Employees' University
267 Camino del Remedio
Santa Barbara, California

ROLL CALL 9:06 a.m.

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

Chief Executive Officer Vince Brown announced the receipt of Trustee Marshall's letter of resignation from the Board of Retirement.

Chair Gray announced Trustee Kendig's planned leave of absence through the remainder of the year.

Trustee Patterson was absent from 11:45 a.m. to 1:25 p.m.

Safety Alternate Trustee Tan was a voting member in the absence of Trustee Kendig.

Trustee Tan left at 2:35 p.m.

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

PUBLIC COMMENT

There was no general public comment.

MINUTES

1. Approve Minutes:
   a. September 22, 2010 Regular Board meeting

MOTION: Approve Minutes of September 22, 2010 Regular Board meeting as corrected.

James/Cholmondeley — Approved by unanimous voice vote
Yes: Cholmondeley, Gray, James, Patterson, Rafferty, Rotella, Scheck, Tan
Absent: Kendig, McCammon

   b. September 24, 2010 Special Board meeting

MOTION: Approve Minutes of September 24, 2010 Special Board meeting.

James/Scheck — Approved by unanimous voice vote
Yes: Cholmondeley, Gray, James, Patterson, Rafferty, Rotella, Scheck, Tan
Absent: Kendig, McCammon

   c. October 4, 2010 Special Board Meeting.

MOTION: Approve Minutes of October 4, 2010 Special Board meeting.

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

CONSENT

C-1 Susan Klucker, Applicant for Service-Connected Disability Retirement: Grant Hearing Officer Catherine Harris' request for an extension of her jurisdiction in which to complete the hearing in this matter as agreed to by all parties, to December 17, 2010.

C-2. Adopt Retirement Report.

	Name	Department	Service Credit	Sick Leave Credit	ARC
	Bradley Asselstine	Santa Maria Cemetery District	12.63488	0.09439	
	Christine Burns	Sheriff	29.23657	0.19383	
D	Daryll Combs	Parks	9.19647	0.00010	
D	Phyllis Combs	Carpinteria-Summerland Fire	11.21508	0.08788	
	Kenneth Farley	Public Works	18.48706	0.01264	
	Helen Herrera	Social Services	9.94515	0.00018	
	Kelli Pappas	DRO	9.80677	0.00000	
	Julio Santana	Sheriff	29.98598	0.73891	
D R	Brian Willits	Probation	11.91268	0.08669	

D=Deferred
R=Reciprocal

MOTION: Approve Consent Agenda.

Cholmondeley/Scheck Approved by unanimous voice vote

Yes: Cholmondeley, Gray, James Patterson, Rafferty, Rotella, Scheck, Tan

Absent: Kendig, McCammon

INVESTMENTS

2. a. Receive report and presentation from Milliman, the System's Actuary, regarding their findings and recommendations in relation to the Investigation of Experience from July 1, 2007, through June 30, 2010;

b. Consider and adopt recommended or alternative modifications to the economic and non-economic actuarial assumptions; and

c. If the Board adopts an assumed investment return rate of 7.75%, commit to an additional reduction in the assumed rate prior to the 2013 Investigation of Experience.

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

Daniel Wade, Consulting Actuary, presented Milliman's Investigation of Experience (2007-2010) PowerPoint and addressed issues raised by the Board.

Karen Steffen, Consulting Actuary and Daniel Wade conducted a demographics questions and answers segment.

Assistant Chief Executive Lila Deeds, Counsel Leiderman, Sarah Bernstein, Principal, PCA, and Vince Brown addressed issues raised by the Board.

The Board received public comment from SEIU Local 721, Assistant to the President Bart Diener and Interim Human Resources Director Jeri Muth.

Mr. Diener cautioned the Board against over-reaction to recent events, recommended taking another look at funding policies to help mitigate their effects and gave an example of one option that included isolating 2008-2010 losses, while extending smoothing over a longer period. Mr. Diener passed out a memo from Rael & Letson Consultants and Actuaries, dated February 19, 2010, regarding SBCERS Funding Policy Options, and a handout listing various California Public Plans' funding information.

Ms. Muth distributed the *County of Santa Barbara Fiscal Issues Report* and requested on behalf of the County Board of Supervisors, that the Board of Retirement seriously consider economic assumptions *Alternative 3* (Assumed Investment Return 7.75%, CPI 3.25% and General Wage Increase 3.75%).

MOTION: Implement *Alternative 2* (Assumed Investment Return 7.50%, CPI 3.25% and General Wage Increase 3.75%) as Step 1 in 2010 and 2011, then implement the *Recommended Alternative* (Assumed Investment Return 7.25%, CPI 3.00% and General Wage Increase 3.50%) as Step 2 in 2012.

Rafferty/Patterson — Failed by roll call vote

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

MOTION: Implement *Alternative 1* (Assumed Investment Return 7.50%, CPI 3.00% and General Wage Increase 3.50%).

Patterson/ Rafferty — Failed by roll call vote

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

MOTION: Implement *Alternative 3* (Assumed Investment Return 7.75%, CPI 3.25% and General Wage Increase 3.75%).

Cholmondeley/James — Failed by roll call vote

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

MOTION: Implement *Alternative 3* (Assumed Investment Return 7.75%, CPI 3.25% and General Wage Increase 3.75%) as Step 1 in 2010 and 2011, then implement *Alternative 2* (Assumed Investment Return 7.50%, CPI 3.25% and General Wage Increase 3.75%) as Step 2 as the "locked in" default for 2012.

Patterson/Rafferty — Approved by roll call vote

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

MOTION: Adopt Milliman's recommended demographic assumptions as modified by Milliman's presentation with respect to (i) modification of the assumption that 100% of members retire when their benefit equals 100% of compensation and (ii) modification of the assumption regarding sick leave service credit, with instructions that Milliman further review assumptions pertaining to retirement rate and sick leave service credit to insure that the recent early retirement program did not distort statistics, and to further review trends regarding health care participation.

Rotella/James — Approved by voice vote

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

3. Receive and file Quarterly Operational Cash Flow Projection for the period ending June 30, 2011.

Retirement Financial Accounting Analyst Rico Pardo presented item and along with Investment Analyst Eli Martinez addressed issues raised by the Board.

MOTION: Receive and file Quarterly Operational Cash Flow Projection for the period ending June 30, 2011.

Patterson/James — Approved by voice vote

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

4. Receive the SBCERS Public Markets Manager Fee Review from PCA and direct staff to:
   a. Send letters requesting a fee review and reduction to managers where SBCERS is most likely to receive a positive response due to

when the contract was negotiated, and the type of contract in place; or

b. Send a letter requesting that all of SBCERS investment managers consider a fee reduction, due to the budgetary constraints facing SBCERS due to current economic conditions.

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

MOTION: Direct staff to send a letter requesting that all of SBCERS investment managers consider a fee reduction, due to the budgetary constraints facing SBCERS due to current economic conditions.

James/Cholmondeley — Failed by roll call vote

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

MOTION: Direct Staff to send letters requesting a fee review and reduction to managers where SBCERS is most likely to receive a positive response due to when the contract was negotiated, and the type of contract in place and send a letter requesting that all of SBCERS investment managers consider a fee reduction, due to the budgetary constraints facing SBCERS due to current economic conditions.

Rafferty/James — Approved by unanimous voice vote

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

DISABILITY RETIREMENT
CLOSED HEARING

7. Michael Dacus, Applicant for Service-Connected Disability Retirement:
Refer the application of Michael Dacus for service-connected disability retirement, to an evidentiary hearing.

Retirement Disability Program Manager Cristal Rodriguez introduced item and along with Counsel Blakeboro addressed issues raised by the Board.

MOTION: Refer the application of Michael Dacus for service-connected disability retirement, to an evidentiary hearing.

Mr. Dacus was present.

Patterson/Scheck Approved by unanimous voice vote

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

6. Janice Cioppa, Applicant for Service-Connected Disability Retirement:
Deny the application of Janice Cioppa for service-connected disability retirement, subject to timely requested hearing.

Cristal Rodriguez introduced item and along with Counsel Blakeboro addressed issues raised by the Board.

MOTION: Deny the application of Janice Cioppa for service-connected disability retirement, subject to timely requested hearing.

James/Patterson Approved by voice vote

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

8. Patricia Matthews, Applicant for Service-Connected Disability Retirement:
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 Patricia Matthews.

Cristal Rodriguez introduced item.

MOTION: Approve and adopt the recommendation to deny the application for service-connected disability retirement of Patricia Matthews.

James/Rotella Approved by unanimous voice vote

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

9. Bruce McKaig, Applicant for Service-Connected Disability Retirement:
Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Bruce McKaig a service-connected disability retirement.

Cristal Rodriguez introduced item.

MOTION: Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Bruce McKaig a service-connected disability retirement.

James/Scheck Approved by unanimous voice vote

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

10. Receive and file Disability Status Report.

Cristal Rodriguez and Counsel Blakeboro introduced item.

MOTION: Receive and file Disability Status Report.

Scheck/James Approved by unanimous voice vote

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

OPEN MEETING

Counsel Blakeboro summarized the Closed Hearing actions taken on Disability Items 6, 7, 8, 9 and 10 as listed above.

INVESTMENTS (Cont'd.)

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

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

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

Rafferty/James Approved by unanimous voice vote

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

CHIEF EXECUTIVE OFFICER

11. Receive and file Chief Executive Officer's department operations report and:
    a. Approve Trustee Cholmondeley's request to attend the Hamilton Lane Summit XII in Philadelphia, Pennsylvania, December 7-9, 2010.

Trustee Cholmondeley will be unable to attend Hamilton Lane Summit XII, December 7-9, 2010, in Philadelphia.

NO ACTION TAKEN

12. Receive the proposed three month Board Agenda preview with Draft 2011 Board Retreat and make adjustments as the Board deems necessary.

Trustee James requested that staff look at ways to mitigate costs.

Chair Gray and Trustee James announced their planned absences at the November 17, 2010 regular board meeting. Assistant Treasurer-Tax Collector and Treasurer-Tax Collector-Elect Harry Hagen, plans to vote alternate for absent member James.

The meeting adjourned at 3:48 p.m.

ATTEST:

_____
Clerk

_____
Vice Chair

_____
Secretary