

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

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Vincent P. Brown
Chief Executive Officer



BOARD OF RETIREMENT

Chair – Zandra Cholmondeley
Vice Chair – Ward Rafferty
Secretary - Darryl Scheck
Harry Hagen
Donald Kendig
Vanessa Patterson
Steve Robel
Al Rotella
Janet Wolf
John McMillin
Frederick Tan

MINUTES OF THE BOARD OF RETIREMENT

April 27, 2011

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

ROLL CALL 9:02 a.m.

Members Present: Cholmondeley, Hagen, Kendig, Rafferty, Robel, Rotella,
Scheck, Wolf
Members Absent: Patterson
Alternate Present: McMillin
Alternate Absent: Tan
Counsel: Blakeboro
Clerk: Bignell

Trustee Patterson arrived at 9:11 a.m. and left at 11:32 a.m. Trustee Tan arrived at 9:40 a.m. Trustee Hagen left at 12:04 p.m.

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

PUBLIC COMMENT

There was no general public comment.

MINUTES

1. Approve Minutes of March 23, 2011 Regular Board meeting.

MOTION: Approve Minutes of March 23, 2011 Regular Board meeting, as amended.

Kendig/Rotella

Approved by voice vote.

Yes: Cholmondeley, Hagen,
Kendig, Rafferty, Robel,
Rotella, Scheck

Abstain: Wolf

Absent: Patterson

CONSENT AGENDA

C-1. Adopt Retirement Report.

	<u>Name</u>	<u>Department</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
D	Joel Craig	APCD	8.61029	0.00443	
	Janette Edmunds	ADMHS	17.86711	0.16296	
D	Jacqueline Finnegan	Parks	9.38193	0.19713	
	Maryanne Gackle	Public Defender	13.94608	0.03134	
	Sharon Krummerich	APCD	11.03444	0.12879	
Dis	Tracie Moore	Fire	13.68274	0.28548	
D	Lucy Obrien	Arts Commission	7.44232	0.00072	
DR	Jose Orsua, Jr.	Public Works	2.31511	0.07074	
	Martina Panel	DRO	2.67259	0.00000	
D Dis	Robert Peltcher	Public Works	16.30235	0.04372	
	Rayna Pinkerton	Courts	2.11675	0.02762	
D	Kenneth Tiedemann	Probation	5.15191	0.14183	

D=Deferred
R=Reciprocal
Dis=Disability

MOTION: Adopt Retirement Report.

Scheck/Hagen

Approved by unanimous voice vote of all present.

Yes: Cholmondeley, Hagen,
Kendig, Rafferty, Robel,
Rotella, Scheck, Wolf

Absent: Patterson

BOARD

- 13. Receive and file the audited financial statements and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ending June 30, 2010.

Financial Accounting Analyst Rico Pardo introduced item.

Sara Turner, CPA and Mark Jackson, Auditor In Charge, presented for the findings of Nasif, Hicks, Harris & Co., and addressed issues raised by the Board.

Trustee Wolf requested that staff present the CAFR to the County Supervisors as a receive and file.

Vince Brown, Assistant CEO Lila Deeds and Investment Analyst Eli Martinez addressed issues raised by the Board.

Chair Cholmondeley directed staff to return with updates on swaps and futures exposure, negative cash explanation, and general member service connected mortality numbers.

MOTION: Receive and file the audited financial statements and CAFR for the Fiscal Year ending June 30, 2010.

Kendig/Scheck	Approved by unanimous voice vote of all present.
	Yes: Cholmondeley, Hagen, Kendig, Patterson, Rafferty, Robel, Rotella, Scheck, Wolf

INVESTMENTS

2. Receive the Real Return Class Review presentation from PCA and:
 - a. Consider new active management expertise, particularly in the Timber and Commodity segments.
 - b. Develop investment guidelines for the new class segments.
 - c. Re-evaluate the current asset class benchmark for desired risk/return profile.
 - d. Include the modeled Real Return class (Balanced Plus) in the A/L study to determine its attractiveness versus other classes.
 - e. Begin implementation of a new Real Return portfolio by evaluating and enhancing the Absolute Return segment.
 - f. Consider the use of Hedge Fund of Funds in the absolute return segment of the portfolio or using a Tactical Asset Allocation strategy (TAA).

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

Vince Brown and Hamilton Lane Managing Director Paul Yett addressed issues raised by the Board.

MOTION: Receive the Real Return Class Review presentation from PCA and include the modeled Real Return class (Balanced Plus based on the results reflected on page 24).

Patterson/Kendig Approved by unanimous voice vote of all present.
Yes: Cholmondeley, Hagen,
Kendig, Patterson, Rafferty,
Robel, Rotella, Scheck,
Wolf

3. Receive the SBCERS Rebalancing April 2011 Recommendation memo from PCA and consider the recommendation to rebalance the liquid asset classes in the portfolio to take advantage of the recent historical highs in equity markets, increased expectations for inflation, and avoid historical lows in Cash.

Sarah Bernstein presented item for PCA and, along with Vince Brown and Eli.

MOTION: Receive the SBCERS Rebalancing April 2011 Recommendation memo from PCA and rebalance publicly held equities back to target into TIPS as a placeholder for real return.

Kendig/Scheck Approved by voice vote.
Yes: Cholmondeley, Hagen,
Kendig, Patterson, Rafferty,
Robel, Rotella, Scheck
No: Wolf

CLOSED SESSION

(11:10 a.m. – 11:32 a.m.)

PUBLIC EMPLOYMENT – Chief Executive Officer
pursuant to Government Code Section 54957(b).

OPEN MEETING

Counsel Blakeboro announced that the Board had met in Closed Session on Public Employment and had taken no reportable action.

INVESTMENTS (Cont'd.)

7. Receive and approve the Hamilton Lane contract extension.

MOTION: Receive and approve the Hamilton Lane contract extension.

Kendig/Rotella Approved by unanimous voice vote of all present.
 Yes: Cholmondeley, Hagen,
 Kendig, Rafferty, Robel,
 Rotella, Scheck, Wolf
 Absent: Patterson

4. Receive and file the Batterymarch Financial Management-Watch Update memo from PCA.

MOTION: Receive and file the Batterymarch Financial Management-Watch Update memo from PCA.

Scheck/Robel Approved by unanimous voice vote of all present.
 Yes: Cholmondeley, Hagen,
 Kendig, Rafferty, Robel,
 Rotella, Scheck, Wolf
 Absent: Patterson

5. Receive and file the SBCERS Manager Certification Update: Q4 2010 Responses from PCA.

MOTION: Receive and file the SBCERS Manager Certification Update: Q4 2010 Responses from PCA.

Rotella/Scheck Approved by unanimous voice vote of all present.
 Yes: Cholmondeley, Hagen,
 Kendig, Rafferty, Robel,
 Rotella, Scheck, Wolf
 Absent: Patterson

6. Receive and file the Loomis Sayles—Personnel Update—Analyst Departure—No Watch Status Impact memo from PCA.

MOTION: Receive and file the Loomis Sayles—Personnel Update—Analyst Departure—No Watch Status Impact memo from PCA.

Kendig/Robel Approved by unanimous voice vote of all present.
 Yes: Cholmondeley, Hagen,
 Kendig, Rafferty, Robel,
 Rotella, Scheck, Wolf
 Absent: Patterson

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

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

Vince Brown addressed issues raised by the Board.

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

Kendig/Scheck Approved by unanimous voice vote of all present.
Yes: Cholmondeley, Hagen
 Kendig, Rafferty, Robel,
 Rotella, Scheck, Wolf
Absent: Patterson

CHIEF EXECUTIVE OFFICER

14. Receive and file Chief Executive Officer’s department operations report and:
- a. Approve Trustee Rafferty’s and an any other interested Trustee’s request to attend Pension & Investments “Pension Risk Management in a New Era Conference” June 7, 2011 in San Francisco.

MOTION: Approve Trustee Rafferty’s and an any other interested Trustee’s request to attend Pension & Investments “Pension Risk Management in a New Era Conference” June 7, 2011 in San Francisco.

Kendig/Rotella Approved by unanimous voice vote of all present.
Yes: Cholmondeley, Kendig,
 Rafferty, Robel, Rotella,
 Scheck, Wolf
Absent: Hagen, Patterson

- b. Approve any Trustee’s request to attend Pensions & Investments “Outsourcing CIOs Summit” May 17, 2010 at the Gleacher Center University of Chicago Graduate School of Business.
Continued from March 23, 2011

NO ACTION TAKEN

15. Receive the proposed three month Board Agenda preview and make adjustments as the Board deems necessary.

NO ACTION TAKEN

Chair Cholmondeley appointed Trustees Scheck and Robel as voting delegate and alternate voting delegate at SACRS Spring Conference, May 10-13, 2011.

CLOSED SESSION
(12:54 p.m. – 1:30 p.m.)

CONFERENCE WITH LEGAL COUNSEL -- POTENTIAL LITIGATION
initiation of litigation pursuant to subsection (c) of Section 54956.9 (one matter).

DISABILITY RETIREMENT
CLOSED HEARING

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

Disability Program Manager Cristal Rodriguez introduced item.

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

Kendig/Rotella	Approved by unanimous voice vote of all present.
	Yes: Cholmondeley, Kendig, Rafferty, Robel, Rotella, Scheck
	Abstain: Wolf
	Absent: Hagen, Patterson

10. Steven Wilkes Applicant for Service-Connected Disability Retirement.
Deny the application of Steven Wilkes for service-connected disability
retirement on the basis of no permanent incapacity and untimely filing,
subject to timely requested hearing.

MOTION: Deny the application of Steven Wilkes for service-connected
disability retirement on the basis of no permanent incapacity and
untimely filing, subject to timely requested hearing.

Scheck/Robel	Approved by unanimous voice vote of all present.
	Yes: Cholmondeley, Kendig, Rafferty, Robel, Rotella, Scheck, Wolf
	Absent: Hagen, Patterson

11. Vivian Wittenbrock, Applicant for NonService-Connected Disability Retirement:

Adopt proposed Findings of Fact, Conclusions of Law and Decision denying Vivian Wittenbrock a non-service-connected disability retirement.

MOTION: Adopt proposed Findings of Fact, Conclusions of Law and Decision denying Vivian Wittenbrock a non-service-connected disability retirement.

Rotella/Robel Approved by voice vote present.
 Yes: Cholmondeley, Kendig,
 Rafferty, Robel, Rotella,
 Scheck
 Abstain: Wolf
 Absent: Hagen, Patterson

12. Receive and file Disability Status Report.

MOTION: Receive and file Disability Status Report.

Kendig/Scheck Approved by voice vote present.
 Yes: Cholmondeley, Kendig,
 Rafferty, Robel, Rotella,
 Scheck, Wolf
 Absent: Hagen, Patterson

OPEN MEETING

Counsel Blakeboro announced that the Board had met in Closed Session on Potential Litigation and had taken no reportable action, and summarized the Closed Hearing actions taken on Disability Items 9, 10, 11 and 12 as listed above.

The meeting adjourned at 1:36 p.m.

ATTEST:

Clerk

Chair

Secretary