

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

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Lila E. Deeds
Interim 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

July 27, 2011

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

ROLL CALL 9:00 a.m.

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

Trustee Patterson arrived at 9:05 a.m. Trustee Rafferty arrived at 9:55 a.m.
Trustee Wolf arrived at 10:40 a.m. Alternate Trustee McMillin was absent
between 11:47 a.m. and 1:19 p.m. Trustee Kendig was absent from 1:05 p.m.
and 1:18 p.m.

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

PUBLIC COMMENT

Trustee Scheck announced that he had attended SACRS Investment Management Program, UC Berkeley, with Trustee McMillin and that they would be reporting to the Board in August.

MINUTES

1. Approve Minutes of June 22, 2011 Regular Board meeting.

MOTION: Approve Minutes of June 22, 2011 Regular Board meeting

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

CONSENT AGENDA

- C-1. Receive and file staff response to questions regarding 6/30/2010 Comprehensive Annual Financial Report.
- C-2. Adopt actuarial Early Retirement Adjustment Factors for General Plan 2.
- C-3. Receive and file Trustee Rafferty’s report from Outsourcing CIOs Summit.
- C-4. Adopt Retirement Report.

	<u>Name</u>	<u>Department</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
D R	Mitchell Bernstein	Mosquito Vector Control District	13.79656	0.34544	
D	Elise Dale	Planning & Development	8.92748	0.05938	
	Clinton Hartin	Sheriff	12.58122	0.23810	
	Karen Hartman	Public Works	9.98202	0.00193	
D	Lourdes Kipp	Public Health	15.31907	0.00179	
	Tony Limon	Public Works	20.23203	0.06389	
D	Ann Helena Ortega	Social Services	15.25536	0.00011	
D	Richard Pich	General Services	10.60969	0.00792	
	Thomas Wackerman	Public Works	16.82350	0.49522	
	Nancy Ward	DRO	3.41552	0.00000	

D=Deferred
R=Reciprocal

MOTION: Adopt Consent Agenda.

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

INVESTMENTS

2. Receive the 2011 Strategic Asset Allocation – Session V presentation from Pension Consulting Alliance (PCA), which includes a summary of risk rankings, peer county plan asset allocations and rankings, Asset Allocation models, and select a strategic Asset Allocation.

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

Lila Deeds addressed issues raised by the Board.

MOTION: Receive the 2011 Strategic Asset Allocation – Session V presentation from PCA, which included a summary of risk rankings, peer county plan asset allocations and rankings, Asset Allocation models, and: directed PCA to return to the Board at its next meeting with (a) a liquidity analysis for the System; (b) asset allocation options based on Model D; adjusting Model D's constraints as follows: cash 1% to 3%, fixed income 15% to 30%, and covered calls 2% to 10%; adding 20 year loss probability; and, adding both Sortino and Sharpe ratio statistics; and (c) reports from the System's real estate and private equity managers on the feasibility of 10% allocations.

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

MOTION: Further directed PCA to change 10 year probability to >7.75% and to further adjust Model D's constraints as follows: private equity 5% to 10%, and real estate 4% to 10%.

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

3. Receive and approve recommendation from PCA to consolidate passive equity index funds for management by State Street Global Advisors.

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

Absent: Hagen

11. Receive and file Operational Cash Flow report for the year ending June 30, 2011.

Financial Accounting Analyst Rico Pardo presented item and addressed issues raised by the Board.

MOTION: Receive and file Operational Cash Flow report for the year ending June 30, 2011.

Rotella/Robel Approved by unanimous voice vote of all present.

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

Absent: Hagen

12. Authorize CEO to extend engagement with Nasif, Hicks, Harris & Co., LLP, for independent audit services through the 6/30/2011 audit.

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

MOTION: Authorize CEO to extend engagement with Nasif, Hicks, Harris & Co., LLP, for independent audit services through the 6/30/2011 audit.

Kendig/Scheck Approved by unanimous voice vote of all present.

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

Absent: Hagen

13. Consider request to reschedule next regular meeting from August 24, to August 31, 2011.

Chair Cholmondeley presented item.

MOTION: Reschedule next regular meeting from August 24, to August 31, 2011.

Scheck/Robel Approved by unanimous voice vote of all present.

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

Absent: Hagen

CHIEF EXECUTIVE OFFICER

16. Receive and file Chief Executive Officer's department operations report and:

- a. Designate a trustee to attend Hamilton Lane Summit scheduled for September 20-22, 2011, in Philadelphia.

Continued to August meeting

Chair Cholmondeley and Trustees Scheck and Rafferty expressed interest in attending Wharton Advanced Investment Management conference in Philadelphia, September 12-15, 2011.

- b. Provide direction to staff regarding logistics and topics for the 2012 Board Investment Retreat.

Continued to August meeting

Chair Cholmondeley directed staff to set the 2012 Board Investment Retreat for January 25-26, 2012 and to look for possible meeting areas in Goleta. Additionally, the Board offered topic ideas.

**DISABILITY RETIREMENT
CLOSED HEARING**

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

Disability Program Manager Cristal Rodriguez presented item.

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

Rotella/Robel	Approved by unanimous voice vote of all present. Yes: Cholmondeley, Patterson, Rafferty, Robel, Rotella, Scheck, Tan, Wolf Absent: Hagen, Kendig
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- 7. Matthew McCord, Applicant for Service Connected Disability Retirement:
Consider the Findings of Fact and Recommendation and 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 Matthew McCord.

System Counsel Chris Kroes was present.

Cristal Rodriguez presented item.

MOTION: Consider the Findings of Fact and Recommendation and 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 Matthew McCord.

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

- 8. Joan McDonough, Applicant for Service-Connected Disability Retirement:
Adopt proposed Findings of Fact, Conclusions of Law and Decision denying Joan McDonough a service-connected disability retirement.

Cristal Rodriguez presented item.

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

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

- 9. Receive and file Disability Status Report.

MOTION: Receive and file Disability Status Report.

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

CLOSED SESSION
(1:25 p.m. to 2:53 p.m.)

CONFERENCE WITH LEGAL COUNSEL -- ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 (one matter); initiation of litigation pursuant to subsection (c) of Section 54956.9 (one matter).

OPEN MEETING

Counsel Blakeboro summarized the Closed Hearing actions taken on Disability Items 6, 7, 8 and 9 as listed above, and announced that the Board had met in Closed Session on one matter of Potential Litigation, one matter of Initiation of Litigation and had taken no reportable action.

CHIEF EXECUTIVE OFFICER (Cont'd.)

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

Lila Deeds and Sarah Bernstein addressed issues raised by the Board.

NO ACTION TAKEN

14. With regard to Request for Proposals for General Investment Consultant:
a. Provide direction to staff regarding the issuance of a Request for Proposals for general investment consulting services.

Continued to August meeting

- b. Form an ad hoc RFP committee and delegate to that committee responsibility for development of a recommended RFP document/process, evaluation of proposals, and selection of finalists for Board consideration.

Continued to August meeting

Chair Cholmondeley directed staff to work on contract extension options.

15. Provide direction to staff regarding the issuance of a Request for Proposals for custodial services, and/or direct staff to negotiate an extension of services with BNY Mellon.

MOTION: Direct counsel to review the contract for custodial services and to negotiate an extension of services with BNY Mellon, pursuing a 6-month contract extension, plus 6-month option.

Wolf/Rotella

Approved by unanimous voice vote of all present.

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

The meeting adjourned at 3:50 p.m.

ATTEST:

Clerk

Chair

Secretary