

**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

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**MINUTES OF THE BOARD OF RETIREMENT**

**September 28, 2011**

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

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

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

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

**PUBLIC COMMENT**

There was no general Public Comment.

**MINUTES**

1. Approve Minutes of August 31, 2011 Regular Board meeting.

**MOTION:** Approve Minutes of August 31, 2011 Regular Board meeting as amended.

Robel/Kendig

Approved by unanimous voice vote of all present.

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

Absent: Patterson, Rafferty

**CONSENT AGENDA**

- C-1. Receive and file Disability Status Report.
- C-2. Receive reports from Trustees Cholmondeley and Scheck on Wharton Advanced Investments Management Program.
- C-3. Adopt Retirement Report.

|     | <u>Name</u>            | <u>Department</u>       | <u>Service Credit</u> | <u>Sick Leave Credit</u> | <u>ARC</u> |
|-----|------------------------|-------------------------|-----------------------|--------------------------|------------|
| D   | William Blaha          | Sheriff                 | 16.68848              | 0.00932                  |            |
| D R | Rita Bright            | Planning & Development  | 14.30873              | 0.00022                  |            |
|     | Terry Brown            | Fire                    | 29.77537              | 0.58486                  | 5.00000    |
| D   | John Cortez            | Parks                   | 13.88245              | 0.40851                  |            |
|     | Jo Anne Crowson        | DRO                     | 2.41342               | 0.00000                  |            |
|     | Veronica Lanz          | Planning & Development  | 28.97721              | 0.00356                  |            |
|     | Karen Littlejohn       | Courts                  | 36.92139              | 0.74512                  |            |
| D   | Linda Moore            | County Counsel          | 14.03285              | 0.00203                  |            |
|     | Elvia Nye              | Clerk-Recorder-Assessor | 34.23545              | 0.17936                  |            |
|     | Edward Pressey         | Public Works            | 11.18083              | 0.39785                  |            |
| R   | John Saunders          | Fire                    | 23.24052              | 0.80757                  |            |
| D R | Tresha Sauders-Lacasse | Social Services         | 1.51628               | 0.01968                  |            |
| D R | Meganne Steele         | Human Resources         | 1.78618               | 0.00000                  |            |
| D   | Debra Torres           | Social Services         | 22.00680              | 0.07545                  |            |
|     | Michael Warren         | Sheriff                 | 10.44710              | 0.21611                  |            |
|     | Mark Zuber             | Public Works            | 15.38433              | 0.38142                  | 5.00000    |

D=Deferred  
R=Reciprocal

**MOTION:** Adopt Consent Agenda.

Kendig/Rotella

Approved by unanimous voice vote of all present.

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

Absent: Patterson, Rafferty

## INVESTMENTS

2. Receive the New Asset Allocation memo from Pension Consulting Alliance (PCA) and approve recommendations with regard to the new asset allocation as follow:
  - a. Adopt a three-year evolving allocation to achieve the new strategic allocation targets.
  - b. Adopt the MSCI ACWI IMI (Investible Market Index) for Global Equity to set allocations between U.S. and non-U.S. equity based on market weights.
  - c. Direct staff to rebalance the portfolio to new policy targets in four equal weighted steps over 24 months, and to execute initial rebalancing in the fourth quarter of 2011.
  - d. Approve the asset allocation rebalancing ranges for the new fiscal year 2011/2012 allocation targets.

Sarah Bernstein, Principal, and Allan Emkin, Founder and Managing Director, presented for PCA and addressed issues raised by the Board.

Lila Deeds and Investment Officer Eli Martinez addressed issues raised by the Board.

Chair Cholmondeley directed PCA to return to the Board with a report on global index options taking into account Japan's underperformance, fundamental factors, and processes for addressing evolving weightings.

**MOTION:** Receive the New Asset Allocation memo from PCA and approve recommendations with regard to the new asset allocation as follows: a) Adopt a three-year evolving allocation to achieve the new strategic allocation targets; b) adopt the Investible Market Index for Global Equity to set allocations between U.S. and non-U.S. equity based on market weights; c) direct staff to return to the Board with asset allocation rebalancing plans; and, d) approve the asset allocation rebalancing ranges for the new fiscal year 2011/2012 allocation targets.

Kendig/Rotella

Approved by unanimous roll call vote.

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

Absent: Patterson, Rafferty

3. Receive and approve the Draft Asset Allocation Implementation Timeline: Next 12 Months from PCA.

Sarah Bernstein, Principal, and Allan Emkin, Founder and Managing Director, presented for PCA and addressed issues raised by the Board.

**MOTION:** Receive the Draft Asset Allocation Implementation Timeline and direct PCA to return with an updated timeline switching Global Equity with Real Return (moving Global Equity's start to October).

Kendig/Scheck Approved by unanimous roll call vote.  
Yes: Cholmondeley, Hagen  
Kendig, Robel, Rotella,  
Scheck, Wolf  
Absent: Patterson, Rafferty

4. Receive and file the On-Site Meeting Reports from PCA for the following managers:
  - a. Batterymarch Emerging Markets Growth
  - b. The Boston Company Emerging Markets Value
  - c. Invesco Enhanced Index
  - d. Loomis Sayles Large Cap Value
  - e. SSgA Passive World ex US.

David Sancewich, Vice President, presented item for PCA and addressed issues raised by the Board.

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

**MOTION:** Direct staff to negotiate flat based fee structure fee with Invesco Enhanced Index and report back when completed.

Scheck/Rotella Approved by unanimous roll call vote.  
Yes: Cholmondeley, Hagen  
Kendig, Robel, Rotella,  
Scheck, Wolf  
Absent: Patterson, Rafferty

**MOTION:** Receive and file the On-Site Meeting Reports from PCA for the following managers: a) Batterymarch Emerging Markets Growth; b) The Boston Company Emerging Markets Value; c) Invesco Enhanced Index; d) Loomis Sayles Large Cap Value; and, e) SSgA Passive World ex US.

Kendig/Rotella Approved by unanimous roll call vote.

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

5. Receive an update from staff, counsel and PCA on foreign exchange transaction issues, approve PCA's recommendation to conduct a search for Transaction Cost Analysis services, and provide any other direction the Board deems necessary.

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

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

**MOTION:** Approve PCA's recommendation to conduct a search for Transaction Cost Analysis services.

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

6. Receive and file Monthly Portfolio Status Report.

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

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

Kendig/Scheck Approved by unanimous roll call vote.  
Yes: Cholmondeley, Hagen  
Kendig, Robel, Rotella,  
Scheck, Wolf  
Absent: Patterson, Rafferty

## BOARD

7. Receive update on benefit changes negotiated by the County and other plan sponsor(s).

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

**MOTION:** Receive update on benefit changes negotiated by the County and other plan sponsor(s).

Kendig/Robel

Approved by roll call vote.

Yes: Cholmondeley, Hagen  
Kendig, Robel, Scheck  
Wolf

Absent: Patterson, Rafferty, Rotella

8. Nominate voting delegates for SACRS Fall Conference, November 15-18, 2011.

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

Chair Cholmondeley confirmed her attendance and directed that staff check with Vice Chair Rafferty on his attendance, and if unavailable list Daryl Scheck at the alternate voting delegate for the SACRS Fall Conference, November 15-18, 2011.

**NO ACTION TAKEN**

### **CHIEF EXECUTIVE OFFICER**

9. A. Receive and file Chief Executive Officer's department operations report; and  
B. Authorize the attendance of interested trustees at upcoming training events as requested.

**NO ACTION TAKEN**

10. Receive the proposed three-month Board Agenda preview and make adjustments, as the Board deems necessary.

Chair Cholmondeley directed staff to insert a Global Equity structural review item, rebalancing plan item, and RFI for Transaction Cost Analysis services into the October meeting slot, and insert a continuation of the Global Equity review into the December meeting slot. The Global Equity changes defer the review of Real Return

**NO ACTION TAKEN**

The meeting adjourned at 12:05 p.m.

ATTEST:

\_\_\_\_\_  
Clerk

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary