

**SANTA BARBARA COUNTY  
EMPLOYEES' RETIREMENT SYSTEM**

3916 State Street Suite 210  
Santa Barbara, CA 93105

Phone (805) 568-2940  
Fax (805) 560-1086

**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**

**October 26, 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, Patterson, Rafferty,  
Robel, Rotella, Scheck, Wolf  
Alternate Present: McMillin  
Alternate Absent: Tan  
Counsel: Blakeboro  
Clerk: Bignell

Trustee Patterson left at 2:17 p.m.

**PUBLIC COMMENT**

There was no general Public Comment.

**MINUTES**

1. Approve Minutes of September 28, 2011 Regular Board meeting.

**MOTION:** Approve Minutes of September 28, 2011 Regular Board meeting.

Kendig/Robel

Approved by voice vote .

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

**CONSENT AGENDA**

- C-1. Receive report from Trustee Scheck on CALAPRS Trustee Roundtable.
- 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	Ann Cody	Public Health	4.48010	0.00000	
D	Joseph Dodero	Fire	5.08985	0.00407	
	Eileen Edens	Sheriff	21.47296	0.55866	
	Philip Esau	Sheriff	16.70430	0.48959	
D R	Gail Lopez	ADMHS	6.41349	0.02727	
D R	Eric Mortenson	Sheriff	3.41322	0.11278	
D	Don Reed	Probation	11.22903	0.02023	
	Nabila Tanios	DRO	3.29660	0.00000	
D R	Shawn Terris	County Administration	13.92303	0.45198	
	Salvador Trevino	ADMHS	18.62136	0.11051	
	Julian Villarreal, Jr.	Sheriff	30.66950	1.00000	
	Fujie Weise	Social Services	14.98924	0.07090	5.00000

D=Deferred  
R=Reciprocal

**MOTION:** Adopt Consent Agenda.

Rotella/Rafferty

Approved by unanimous voice vote of all present.

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

**BOARD**

- 2. Receive 6/30/2011 Actuarial Valuation from Milliman and approve contribution rates for 2012-13 fiscal year.

Nicholas J. Collier, Principal, Consulting Actuary, and Daniel Wade, Consulting Actuary, presented for Milliman and addressed issues raised by the Board.

Lila Deeds addressed issues raised by the Board.

**MOTION:** Receive 6/30/2011 Actuarial Valuation from Milliman and approve contribution rates for 2012-13 fiscal year.

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

### INVESTMENTS

3. Receive revised asset allocation implementation timeline from Pension Consulting Alliance (PCA).

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

**MOTION:** Receive revised asset allocation implementation timeline from PCA.

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

4. Receive the due diligence presentations from current equity managers:
- a. Loomis Sayles
  - b. Rampart
  - c. Lord Abbett
  - d. PanAgora
  - e. State Street Global Advisors

Sarah Bernstein introduced the equity managers and along with Investment Officer Eli Martinez, addressed issues raised by the Board.

Douglas L. Richardson, Vice President, Product Manager; and Arthur J. Barry, Vice President, Portfolio Manager, represented Loomis Sayles & Company.

Richard R. Davis, Senior Vice President, Head of Consultant Relations; and Eric Granat, Assistant Vice President, represented Rampart Investment Management.

Kristin Harper, Director of Public Fund Marketing; and Harold E. Sharon, Partner, Director of International Equity, represented Lord, Abnett & Co.

Sanjoy Ghosh, Portfolio Manager; and Lisa R. Mahoney, Director, Relationship Manager, represented PanAgora Asset Management.

Christopher A. Hawkins, Vice President; and Michael J. Feehily, Director, Co-Head of Passive Equity Strategies in North America, represented State Street Global Advisors.

**NO ACTION TAKEN**

5. Receive the 2011 Global Equity Structural Review Session I: Benchmark Comparison and adopt MSCI Global Investable Market Index (IMI) or other benchmark as the Board deems appropriate.

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

**MOTION:** Receive the 2011 Global Equity Structural Review Session I: Benchmark Comparison and adopt MSCI Global Investable Market Index (IMI).

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

**DISABILITY RETIREMENT**

(Closed Hearing)

12. Cynthia Lapham Applicant for Service Connected Disability Retirement: Consider the Findings of Fact and Recommendation and Report of the Referee, along with any timely filed objections, and approve and adopt the recommendation to deny the application for service-connected disability retirement of Cynthia Lapham.

Disability Program Manager Cristal Rodriguez presented item.

**MOTION:** Consider the Findings of Fact and Recommendation and Report of the Referee, along with any timely filed objections, and approve and adopt the recommendation to deny the application for service-connected disability retirement of Cynthia Lapham.

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

13. Receive and file Disability Status Report.

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

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

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

**OPEN MEETING**

Counsel Blakeboro summarized the Closed Hearing actions taken on Disability Items 12 and 13 as listed above.

**INVESTMENTS (Cont'd.)**

6. Receive and approve the Near Term Rebalancing plan from PCA.

Sarah Bernstein presented for PCA and along with Eli Martinez, addressed issues raised by the Board.

Trustee Rotella's motion to wait to approve the Near Term Rebalancing plan until CEO appointment died for second.

**MOTION:** Receive and approve the Near Term Rebalancing plan from PCA reducing real return from 6.5% to 6.0% (capturing TIPS gains), reducing fixed income from 34.5% to 33.7%, and increasing Large Cap Covered Calls from 1.8% to 3.1%.

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

7. Receive and approve the Transaction Cost Analysis Manager Search plan and draft Request for Information (RFI) from PCA.

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

**MOTION:** Receive and approve the Transaction Cost Analysis Manager Search plan and draft RFI from PCA.

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

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

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

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

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

9. Receive and approve OPEB manager selection timeline and draft RFI from PCA.

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

Trustee Kendig requested that respondents make investment vehicle recommendations.

**MOTION:** Receive and approve OPEB manager selection timeline and draft RFI from PCA.

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

10. Receive and comment on the 2012 Annual Board Retreat draft agenda.

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

Chair Cholmondeley directed staff to add Commission Recapture and Covered Calls to Thursday afternoon's agenda.

**NO ACTION TAKEN.**

11. 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.

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

**BOARD**

14. Consider and adopt charters and policy revisions as recommended by the Operations Committee:

- a. Board of Retirement Charter
- b. Board Chair Charter
- c. Board Vice-Chair Charter
- d. Board Policy Development Process
- e. Code of Conduct Policy
- f. Communications Policy
- g. Trustee Education Policy
- h. Trustee Elections Policy
- i. Trustee Travel Policy

Committee Chair Hagen, Counsel Blakeboro and Lila Deeds presented item and addressed issues raised by the Board.

**MOTION:** Consider and adopt charters and policy revisions as recommended by the Operations Committee with the following noted exceptions: a) Board of Retirement Charter as presented; b) Board Chair Charter as presented; c) Board Vice-Chair Charter as presented; d) Board Policy Development Process as presented with direction to staff that paragraph 7 and others be modified to ensure that Board has final approval; e) Code of Conduct Policy as presented; f) Communications Policy as presented with direction to staff to further revise paragraph IV.4.E. to address concerns that a minimum number of informational workshops be given to members; g) Trustee Education Policy as presented; h)

Trustee Elections Policy as presented; and i) Trustee Travel Policy as presented.

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

15. Receive and file quarterly cash flow report.

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

**MOTION:** Receive and file the quarterly cash flow report as amended.

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

**CHIEF EXECUTIVE OFFICER**

16. a. Receive and file Chief Executive Officer’s department operations report;  
b. Authorize the attendance of interested trustees at upcoming training events as requested.

**MOTION:** Received and filed the Chief Executive Officer’s department operations report; and, authorized Trustee Scheck’s attendance at the L.A. Trustee Leadership Forum.

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

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

**NO ACTION TAKEN**



**CLOSED SESSION**  
(4:01 p.m. – 4:14 p.m.)

PUBLIC EMPLOYMENT -- CEO  
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.

The meeting adjourned at 4:14 p.m.

ATTEST:

\_\_\_\_\_  
Clerk

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary