

**SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

3916 State Street Suite 210
Santa Barbara, CA 93105

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

Gary A. Amelio
Chief Executive Officer



BOARD OF RETIREMENT

Chair – Zandra Cholmondeley
Vice Chair – Ward Rafferty
Secretary - Darryl Scheck
Dawn Cieslik
Harry Hagen
R. Guy Kraines
Steve Robel
Al Rotella
Janet Wolf
John McMillin
Frederick Tan

MINUTES OF THE BOARD OF RETIREMENT

June 27, 2012

**Coastal Room at Employees' University
267 Camino del Remedio
Santa Barbara, California**

ROLL CALL 9:00 a.m.

Members Present: Cholmondeley, Cieslik, Kraines, Rotella, Scheck, Wolf
Members Absent: Hagen, Rafferty, Robel
Alternates Present: McMillin, Tan
Counsel: Blakeboro

Trustee Robel arrived at 2:28 p.m. Trustee Wolf departed at 1:45 p.m. and returned at 2:35 p.m.

PUBLIC COMMENT

There was no general public comment.

MINUTES

1. Approve Minutes of May 23, 2012 regular Board meeting.

MOTION: Approve May 23, 2012 regular Board meeting minutes as amended.

Wolf/Rotella Approved by unanimous voice vote.

Yes: Cholmondeley, Kraines, Rotella,
Scheck, Wolf, Tan

Abstain: Cieslik

Absent: Hagen, Rafferty, Robel

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 R	Lisa Bodrogi	Agricultural Commissioner	7.79311	0.06564	
D R	Kyle Freeman	ADMHS	4.70315	0.02082	
D	Dennis Gibson	Agricultural Commissioner	27.48759	0.00355	
	Kathryn Johnson	Sheriff	22.55198	0.00630	
D R	Warren Manchester	Public Health	3.33470	0.00000	
D	Heriberto Martinez	Sheriff	13.03866	0.00938	
	Mary McMaster	County Counsel	12.76218	0.12938	5.00000
	William Miller	Sheriff	27.43267	0.84369	
Pend	Joann Paulin	Probation	10.90900	0.00027	
	George Anna Pierce	Courts	40.15457	0.00094	
R	Sheila Singer-Brown	Courts	7.50346	0.15125	

D=Deferred
R=Reciprocal
Dis=Disability

MOTION: Approve Consent Agenda.

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

INVESTMENTS

2. Implementation Plan Phase III—Meketa
 Presentation by Meketa Consulting of Phase III of the Implementation Plan for fund investments.

DISCUSSION: Principal Mika Buffington presented item for Meketa and addressed issues raised by the Board.

MOTION: Accept presentation by Meketa.

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

3. Frontier Manager Search, Education & Recommendation—Meketa
Asset Class Education, Search and Recommendation of Manager.

DISCUSSION AND ACTION: Principals Mika Buffington and Ted Benedict presented item for Meketa and addressed issues raised by the Board. Investment Manager Andy Brown and Senior Relationship Manager Kieran McGlynn of Aberdeen Asset Management provided an overview of the firm’s investment process and performance.

RECOMMENDATION: The Board accept Meketa’s report and approve the hiring of Aberdeen to manage 1% (approximately \$20 million) of plan assets in the Frontier Markets Asset Class.

MOTION: Approve the hiring of Aberdeen to manage 1% of plan assets in the Frontier Markets Asset Class.

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

4. Commodities Manager Search, Education & Recommendation—Meketa
Asset Class Education, Search and Recommendation of Manager.

DISCUSSION AND ACTION: Mika Buffington and Ted Benedict presented item for Meketa and addressed issues raised by the Board.

RECOMMENDATION: The Board accept Meketa’s report and approve the hiring of Mt. Lucas Management to manage 2% (approximately \$40 million) of Plan Assets in the Commodities asset class.

MOTION: Approve the hiring of Mt. Lucas to manage 2% of plan assets in the Commodities Asset Class, contingent on 75 basis point fee being reduced to no more than 50 basis points.

Rotella/Tan	Approved by roll call vote.
Yes:	Cieslik, Rotella, Wolf, Tan
No:	Cholmondeley, Kraines, Scheck
Absent:	Hagen, Rafferty, Robel

6. Investment Policy Statement—Meketa & Staff
Presentation of revised and restated Investment Policy Statement, as reviewed and recommended for adoption by the Operations Committee.

DISCUSSION AND ACTION: Mika Buffington presented item and addressed issues raised by the Board.

RECOMMENDATION: The Board approve and adopt the revised and restated Investment Policy Statement.

MOTION: Approve and adopt the revised and restated Investment Policy Statement.

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

7. Transaction Cost Analysis—Zeno Presentation of the Transaction Cost Analysis Report.

DISCUSSION AND ACTION: Mika Buffington and Investment Officer Eli Martinez introduced the item. Senior Vice President Vinod Pakianathan presented item for Zeno and addressed issues raised by the Board.

RECOMMENDATION: The Board accept and adopt the Transaction Cost Analysis Report and direct staff and Meketa to implement the recommendations.

MOTION: Accept and adopt the Transaction Cost Analysis Report and direct staff and Meketa to implement the recommendations.

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

5. Private Natural Resources and Private Infrastructure Implementation—Meketa Presentation on Implementation of Private Natural Resources and Private Infrastructure Asset Classes.

DISCUSSION AND ACTION: Meketa Managing Principal Stephen McCourt (by telephone) and CEO Gary Amelio presented the item and along with Mika Buffington addressed issues raised by the Board.

RECOMMENDATION: The Board accept Meketa’s report, direct Meketa and staff to conduct further research on these asset classes, and authorize a search for a consultant to oversee these two asset classes.

MOTION: Request presentations from Meketa, Hamilton Lane, and a third consultant chosen by staff, plus two funds of funds of staff choice. In addition, staff to inquire into OMERS and other public investment cooperatives/syndicates.

Rotella/Kraines Approved by roll call vote.
 Yes: Cholmondeley, Cieslik, Kraines,
 Rotella, Scheck, Tan
 Absent: Hagen, Rafferty, Robel, Wolf

8. FX Transaction Analysis—Klarity FX Presentation of FX Transaction Analysis Report.

DISCUSSION AND ACTION: Director Amarjit Sahota presented item for Klarity FX and along with Mika Buffington and Eli Martinez addressed issues raised by the Board.

RECOMMENDATION: The Board accept and adopt the FX Transaction Cost Analysis Report and direct staff and Meketa to implement the recommendations.

MOTION: Accept and adopt the FX Transaction Cost Analysis Report and direct staff and Meketa to implement the recommendations.

Scheck/Rotella	Approved by unanimous voice vote of all present. Yes: Cholmondeley, Cieslik, Robel, Rotella, Scheck, Wolf Absent: Hagen, Kraines, Rafferty
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DISABILITY RETIREMENT
(Closed Hearing)

10. Vivian L. Beets, Applicant for Non-service-connected Disability Retirement:
 Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Vivian L. Beets a non-service-connected disability retirement.

Cristal Rodriguez presented item.

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

Scheck/Wolf	Approved by unanimous voice vote of all present. Yes: Cholmondeley, Cieslik, Kraines, Robel, Rotella, Scheck, Wolf Absent: Hagen, Rafferty
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11. Marlene Dumm, Applicant for Non-service-connected Disability Retirement:
 Grant the application of Marlene Dumm for non-service-connected disability retirement, subject to timely requested hearing:

Cristal Rodriguez presented item.

MOTION: Grant the application of Marlene Dumm for non-service-connected disability retirement, subject to timely requested hearing.

Rotella/Robel	Approved by unanimous voice vote of all present. Yes: Cholmondeley, Cieslik, Kraines, Robel, Rotella, Scheck, Wolf Absent: Hagen, Rafferty
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12. Eric Christopher George: Applicant for Service-Connected Disability Retirement:
Refer the application of Eric Christopher George for service-connected disability retirement to an evidentiary hearing on all issues.

Cristal Rodriguez presented item.

MOTION: Refer the application of Eric Christopher George for service-connected disability retirement to an evidentiary hearing on all issues.

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

13. Connie Sue Rowan, Applicant for Non-service-connected Disability Retirement:
Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Connie Sue Rowan a non-service-connected disability retirement.

Cristal Rodriguez presented item.

MOTION: Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Connie Sue Rowan a non-service-connected disability retirement.

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

14. Receive and file Disability Status Report.

Cristal Rodriguez presented item and addressed issues raised by the Board.

MOTION: Receive and file Disability Status Report.

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

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL -- EXISTING LITIGATION
(Subdivision (a) of Government Code Section 54956.9) *In re Bank of New York Mellon Corporation False Claims Act Foreign Exchange Litigation*,
U.S. District Court, Northern District of California, Case No. C-11-05683 (WHA).

OPEN MEETING

Counsel Blakeboro summarized the Closed Hearing actions taken on Disability Items 10, 11, 12, 13 and 14 as listed above and that the Board had met in Closed Session with Counsel regarding existing litigation and had taken no reportable action.

INVESTMENTS (Cont'd.)

9. Monthly Portfolio Status Report—Meketa

DISCUSSION: Mika Buffington and Vice President Brad Regier presented item for Meketa and addressed issues raised by the Board.

MOTION: Accept Report.

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

BOARD

15. Custodian Selection—Meketa & Staff

Presentation of the Custodian selection report and approve recommended Custodian candidate.

DISCUSSION AND ACTION: Mika Buffington and Gary Amelio presented the report and along with Eli Martinez and Financial Accounting Analyst Rico Pardo addressed issues raised by the Board.

RECOMMENDATION: The Board accept the Custodian Selection Report and approve the engagement of the recommended Custodian and authorize the Chief Executive Officer to negotiate the terms of the contract.

MOTION: Accept the Custodian Selection Report, approve the continued engagement of BNY Mellon, and authorize the CEO to negotiate the terms of the contract.

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

16. Fiscal Year 2012-13 Final Budget
Second and Final presentation of the Fiscal Year 2012-13 Budget.

DISCUSSION AND ACTION: Gary Amelio and Rico Pardo presented the item and addressed issues raised by the Board.

RECOMMENDATION: The Board accept the second and final presentation of the Fiscal Year 2012-13 Budget, approve the Budget and adopt the authorizing resolutions.

MOTION: Accept the final presentation of the Fiscal Year 2012-13 Budget, approve the Budget and adopt the authorizing resolutions.

Rotella/Scheck Approved by roll call vote.
 Yes: Cieslik, Kraines, Robel,
 Rotella, Scheck, Wolf
 No: Cholmondeley
 Absent: Hagen, Rafferty

RESOLUTIONS 2012-02 and 2012-03

CHIEF EXECUTIVE OFFICER

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

Gary Amelio presented item and along with Counsel Alan Blakeboro addressed issues raised by the Board.

NO ACTION TAKEN

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

NO ACTION TAKEN

The meeting adjourned at 5:10 p.m.

ATTEST:

Clerk

Chair

Secretary