SANTA BARBARA COUNTY
EMPLOYEES' RETIREMENT SYSTEM

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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
August 22, 2012
Coastal Room at Employees' University
267 Camino del Remedio
Santa Barbara, California

ROLL CALL 9:01 a.m.

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

Trustee Rafferty arrived at 9:07 a.m. Trustee Cieslik left at 4:23, after which Trustee Tan voted as alternate.

PUBLIC COMMENT

There was no general public comment**.**

MINUTES

1. Approval of the Minutes of the July 25, 2012 regular Board meeting was tabled. The minutes were revised and approved later in this meeting; see minutes below.

CONSENT AGENDA

C-1. Frances Velasco, Disability Retirement Applicant: Grant Referee Catherine Harris' request for an extension of her jurisdiction to November 12, 2012

C-1. Adopt Retirement Report.

	Name	Department	Service Credit	Sick Leave Credit	ARC
	Juana Anguiano	Public Health	16.48662	0.00237	
Dis	Vivian Beets	ADMHS	6.86609	0.00052	
	Christopher Chaffin	Social Services	26.49662	0.30182	5.00000
D R	John Eibl	ADMHS	3.94883	0.07724	
	Cynthia Hernandez	DRO	2.72928	N/A	
	Susannah Kaye	ADMHS	16.33141	0.03451	
Dis	Ray Peirino Morawski	Sheriff	10.46714	0.00042	
	Yolanda Perez	Social Services	40.00739	0.48583	
D R	Virginia Pesola	County Counsel	3.12155	0.00089	
Dis	Connie Rowan	Social Services	14.45714	0.00042	
	Randall Shintaku	Probation	19.31753	0.22812	
	Nancy J. Smith	ADMHS	16.41742	0.26811	
	Mark Tautrim	Public Works	15.02471	0.37739	
	Susan Warnstrom	Board of Supervisors	20.25195	0.77297	

D=Deferred
Dis=Disability
R=Reciprocal

MOTION: Approve Consent Agenda.

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

INVESTMENTS

4. **Quarterly Private Equity Portfolio Review**—Hamilton Lane
Presentation by Hamilton Lane of the status and activity of the fund's Private Equity portfolio in the first quarter, 2012.

DISCUSSION: Managing Director Paul Yett presented item for Hamilton Lane and addressed issues raised by the Board.

NO ACTION TAKEN

2. **Quarterly Transaction Cost Analysis**—Zeno
Presentation by Zeno Consulting Group on transaction costs in the fund for the Second Quarter, 2012.

DISCUSSION AND ACTION: Senior Vice President and Consultant Vinod Pakianathan presented item by telephone for Zeno Consulting Group and along with Investment Officer Eli Martinez and Meketa Principal Mika Malone addressed issues raised by the Board.

MOTION: Receive and file transaction cost analysis from Zeno Consulting Group.

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

3. **Quarterly FX Transaction Analysis**—Klarity FX
Presentation by KlarityFX on FX transaction costs in the fund for the Second Quarter, 2012.

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

MOTION: Receive and file FX Transaction Cost Analysis from Klarity FX.

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

5. **Quarterly Real Estate Portfolio Review**—ORG
Presentation by ORG of the status and activity of the fund's real estate portfolio in the first quarter, 2012.

DISCUSSION: Principal Edward Schwartz presented item for ORG and addressed issues raised by the Board. Chair Cholmondeley recognized public comment and written material from Alyssa Giachino of UNITE HERE regarding Walton Street Real Estate Fund VII.

ACTION TAKEN WITH ITEM 6

MOTION: Receive and file Quarterly Real Estate Portfolio Review.

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

6. **Real Estate Investment Education**—ORG
Presentation by ORG of an educational session on the real estate investment class.

DISCUSSION: Ed Schwartz presented item for ORG and along with Mika Malone and CEO Gary Amelio addressed issues raised by the Board.

Chair Cholmondeley directed ORG to return with a summary report of the breakdown of Real Estate Fees, and directed Meketa to monitor and report on any "spill over" between Real Estate, Private Equity and Natural Resources.

ACTION TAKEN WITH ITEM 5

MOTION: Direct staff and counsel to conduct a prudent process to review information presented by Unite Here pertaining to ORG investments and report back to the Board with findings.

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

7. **Manager Structure Review, International Equity**—Meketa
Presentation by Meketa of a report on the fund's international equity portfolio and its managers.

DISCUSSION AND ACTION: Senior Vice President Ed Omata presented item by telephone for Meketa and along with Mika Malone addressed issues raised by the Board.

MOTION: Adopt Meketa's recommendations to terminate Batterymarch Emerging Markets; transfer the proceeds to the BlackRock MSCI Emerging Markets Index Fund; conduct an emerging markets manager search to complement the Retirement System's existing investment in Vontobel; and conduct an international small cap search to replace most of the passive small cap exposure of the SSgA World ex-US IMI index fund.

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

8. **Quarterly Portfolio Performance Report**—Meketa
Presentation by Meketa of the second quarter Performance Report.

DISCUSSION: Managing Principal and CEO James Meketa gave an economic report to the Board and Vice President Brad Regier presented the item for Meketa and along with Mika Malone addressed issues raised by the Board.

NO ACTION TAKEN

9. **Transaction and Monthly Portfolio Report**—Meketa
Presentation by Meketa of the fund transactions during the month and monthly Portfolio status of the fund.

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

NO ACTION TAKEN

10. **Educational Session on Private Assets**—Caledon
Presentation by Caledon Capital Management on the investment of private natural resources and private infrastructure investment asset classes, through use of co-investments.

DISCUSSION: Partners David Rogers, Asif Hussain and Farmvest, Inc. President Howard Kaplan presented item for Caledon and along with Gary Amelio, Eli Martinez and Counsel Blakeboro addressed issues raised by the Board.

Trustees Kraines and Rafferty made, seconded and withdrew a motion in support of hiring a consultant to recommend funds with a mandate in co-investment opportunities.

Chair Cholmondeley directed staff to set a special date for Thursday, September 20, 2012, 12:30 to 6:30 p.m. to interview four private natural resources and private infrastructure consultants.

NO ACTION TAKEN

11. **Legal Document Language Report**—Staff
Presentation by staff on the content of language contained in investment management agreements and side letters.

DISCUSSION: Gary Amelio presented item and addressed issues raised by the Board. Trustee Kraines offered specified recommendations.

MOTION: Direct staff to work with counsel to revise certain provisions of standard sideletters, based upon the Board's discussion.

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

BOARD

16. **Approval of RFP for Actuarial Contract**—Staff
Presentation by staff of the RFP and process for engaging an actuarial consulting firm, effective January 1, 2013.

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

MOTION: Establish an ad hoc committee to oversee RFP process.

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

Chair Cholmondeley appointed Trustees Hagen, Kraines and herself to the Ad Hoc Committee for Actuarial RFP.

DISABILITY RETIREMENT
(Closed Hearing)

12. Richard F. Mankins, Applicant for Service-connected Disability Retirement: Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Richard F. Mankins a service-connected disability.

Disability Program Manager Cristal Rodriguez presented item.

MOTION: Adopt proposed Findings of Fact, Conclusions of Law and Decision granting Richard F. Mankins a service-connected disability.

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

13. Joann I. Paulin, Applicant for Service-connected Disability Retirement:
Grant the application of Joann I. Paulin for non-service-connected disability retirement, and deny the application for service-connected disability retirement, subject to timely requested hearing by an interested party.

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

MOTION: Support staff's recommendation to grant the application of Joann I. Paulin for non-service-connected disability retirement, and deny the application for service-connected disability retirement, subject to timely requested hearing by an interested party.

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

14. Joseph A. Saldana, Jr., Applicant for Service-connected Disability Retirement:
Deny the application of Joseph A. Saldana, Jr., for service-connected disability retirement, subject to timely requested hearing by an interested party.

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

MOTION: Deny the application of Joseph A. Saldana, Jr., for service-connected disability retirement, subject to timely requested hearing by an interested party.

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

15. 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.

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

OPEN MEETING

Counsel Blakeboro summarized the Closed Hearing actions taken on Disability Items 12, 13, 14, and 15 as listed above.

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 addressed issues raised by the Board.

MOTION: Authorize the attendance of interested trustees at upcoming training events as specified.

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

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

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

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

MINUTES CON'T

1. Approve Minutes of July 25, 2012 regular Board meeting.

MOTION: Approve July 25, 2012 regular Board meeting minutes as corrected.

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

Yes: Cholmondeley, Hagen, Kraines, Rafferty, Robel, Rotella, Scheck, Tan, Wolf

Absent: Cieslik

The meeting adjourned at 4:43 p.m.

ATTEST:

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Clerk

_____

Chair

_____

Secretary