

**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
Harry Hagen
R. Guy Kraines
Steve Robel
Al Rotella
Janet Wolf
John McMillin
Frederick Tan

MINUTES OF THE BOARD OF RETIREMENT

December 12, 2012

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

ROLL CALL 9:03 a.m.

Members Present: Cholmondeley, Hagen, Kraines, Rafferty, Robel, Rotella,
Wolf
Alternates Present: McMillin, Tan
Counsel: Blakeboro
Clerk: Bignell

Trustee Tan voted as alternate due to vacancy of both General Member seats on the Board of Retirement.

PUBLIC COMMENT

There was no general public comment.

CONSENT

- C-1. Investment Policy Revision.
- C-2. Joseph A. Saldana, Disability Retirement Applicant: Grant Referee Deborah Wissley's request for an extension of her jurisdiction to January 29, 2013.
- C-3. Adopt Retirement Report.

<u>Name</u>	<u>Department</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
Jeffrey Adkins	Public Works	24.64790	0.23449	
Beverly Alexander	Clerk-Recorder-Assessor	22.64169	0.06264	

C-3. Adopt Retirement Report Cont'd.

	<u>Name</u>	<u>Department</u>	<u>Service Credit</u>	<u>Sick Leave Credit</u>	<u>ARC</u>
	Edward Ashburn	General Services	20.95055	0.02190	
	Pamela Bivans	Courts	22.47500	0.47620	
D	Mark Chaconas	Board of Supervisors	14.12185	0.46967	
	Sharlene Hinshaw	Courts	16.88507	0.46432	
	Susan Hoggarth	Sheriff	17.17202	0.07675	
	Susan Horne	Public Health	13.18699	0.30396	
D R	Laurie Kurilla	Clerk-Recorder-Assessor	10.58280	0.38264	
	John Landsberg	Public Health	26.30175	0.04535	
R	Jerry Lulejian	District Attorney	22.70549	0.68893	1.00000
D	Amy Margerum	Planning & Development	6.20320	0.17731	
	Susan Masters	Sheriff	28.00497	0.08097	
	Gloria Ortaleza	Social Services	25.87595	0.18383	
	Michael Peterson	Fire	30.53511	0.42105	
	Flota Pritchard	Courts	35.29012	0.06396	
	Roy Rede	Parks	31.56839	0.02517	
D	Brian Rountree	Sheriff	3.83918	0.14104	
	James Stoddard	Public Defender	34.03882	0.60890	
	Alvera Strieck	Clerk-Recorder-Assessor	11.65600	0.00138	

D=Deferred
R=Reciprocal

MOTION: Approve Consent Agenda.

Robel/Kraines

Approved by unanimous voice vote of all present.

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

INVESTMENTS

2. **Quarterly Transaction Cost Analysis**—Zeno

Presentation by Zeno Consulting Group on transaction costs in the fund for the Third Quarter, 2012.

DISCUSSION: Senior Vice President Vinod Pakianathan presented (via telephone.) for Zeno Consulting Group and along with Meketa Investment Group Principal, Mika Malone addressed issues raised by the Board.

NO ACTION TAKEN

MINUTES

1. Approve Minutes of November 20, 2012 special Board meeting.

MOTION: Approve November 20, 2012 special Board meeting minutes.

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

INVESTMENTS CONT'D.

3. **Quarterly FX Transaction Analysis**—KlarityFX
Presentation by KlarityFX on FX transaction costs in the fund for the Third Quarter, 2012.
DISCUSSION: Director Gareth Sylvester presented (via telephone) for KlarityFX and along with Investment Officer Eli Martinez addressed issues raised by the Board.

NO ACTION TAKEN

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 second quarter, 2012.
DISCUSSION: Managing Director Paul Yett presented for Hamilton Lane and along with Meketa Investment Group Managing Director Stephen McCourt addressed issues raised by the Board.

NO ACTION TAKEN

5. **Internal Rate of Return/Time-Weighted Return**—Hamilton Lane
Presentation by Hamilton Lane of Internal Rate of Return ("IRR") and Time-Weighted Return ("TWR"), at the request of the Board.
DISCUSSION: Paul Yett presented for Hamilton Lane and along with Eli Martinez addressed issues raised by the Board.

Mr. Yett made available copies of Hirsch, Erik, and Tom Kerr, Private Equity Mathematics. London: PEI Media Ltd., 2009.

NO ACTION TAKEN

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

DISCUSSION: Principal Edward Schwartz and Consultant Rebecca Morris presented for ORG Portfolio Management and addressed issues raised by the Board.

Ms. Morris reported, and CEO Gary Amelio concurred, that damage from Super Storm Sandy had not exceeded real estate investment property’s insurance deductibles.

NO ACTION TAKEN

8. **Quarterly Portfolio Performance Report—Meketa**
Presentation by Meketa of the third quarter 2012 Performance Report.

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

NO ACTION TAKEN

7. **Manager Search & Recommendation: Int’l Small Cap—Meketa**
Presentation by Meketa of the results of their international small cap search process and recommendation of a manager for the International Small Cap asset allocation.

DISCUSSION: Assistant Director of Public Markets Manager Research Ed Omata (via telephone) and Stephen McCourt presented for Meketa and along with Principal, Mika Malone, Eli Martinez and Gary Amelio addressed issues raised by the Board.

MOTION: Accept Meketa’s report and approve the hiring of Copper Rock to manage \$20 million (approximately 1%) of Plan Assets in the International Small Cap Equity strategy.

Kraines/Tan Approved by unanimous roll call vote of all present.
Yes: Cholmondeley, Hagen, Kraines,
Rafferty, Robel, Rotella, Tan, Wolf

DISABILITY RETIREMENT
(Closed Hearing)

11. Clyde L. George, Applicant for Service-connected Disability Retirement:
Grant the application of Clyde L. George, for service-connected disability retirement, subject to timely requested hearing by an interested party.

Disability Program Manager Cristal Rodriguez presented item.

Applicant's Counsel Mark Singer was present.

MOTION: Grant the application of Clyde L. George, for service-connected disability retirement, subject to timely requested hearing by an interested party.

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

12. Kenneth F. Manzer, Applicant for Service-connected Disability Retirement:
Grant the application of Kenneth F. Manzer, for service-connected disability retirement, subject to timely requested hearing by an interested party.

Cristal Rodriguez presented item.

Applicant's Counsel Russell Ghitterman was present.

MOTION: Grant the application of Kenneth F. Manzer, for service-connected disability retirement, subject to timely requested hearing by an interested party.

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

13. Emily Salgado, Applicant for Non-service-connected Disability Retirement:
Deny the application of Emily Salgado, for non-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.

Applicant was present and addressed the Board. Applicant was not accompanied by counsel.

MOTION: Deny the application of Emily Salgado, for non-service-connected disability retirement, subject to timely requested hearing by an interested party.

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

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

OPEN MEETING

Counsel Blakeboro summarized the Closed Hearing actions taken on Disability Items 11, 12, 13, and 14 as listed above.

BOARD

15. **Audit Results Presentation**—Brown Armstrong
Presentation by SBCERS independent auditor, Brown Armstrong, of the results of the Fiscal Year June 30, 2012, financial audit.

DISCUSSION: Partners Connie Perez and Andrew Paulden presented for Brown Armstrong Accountancy Corporation and along with Gary Amelio, Mika Malone, Assistant CEO Lila Deeds and Retirement Financial Accounting Analyst Rico Pardo addressed issues raised by the Board.

MOTION: Accept Brown Armstrong’s report and determination, and direct staff to address any open items set forth in the report.

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

16. **Comprehensive Annual Financial Report**—Staff
Staff to present the Comprehensive Annual Financial Report for Fiscal Year June 30, 2012 (“CAFR”) to the Board

DISCUSSION: Rico Pardo presented item and along with Lila Deeds addressed issues raised by the Board.

MOTION: Approve CAFR.

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

17. **Pension Reform Update**—Counsel & Staff

Counsel and Staff to present a report on the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), the Board to approve Counsel’s and Staff’s recommendations for pensionable compensation, and adopt a Resolution accordingly.

DISCUSSION: Gary Amelio and Counsel Blakeboro presented item and along with Lila Deeds addressed issues raised by the Board.

MOTION: Accept the PEPRA report and adopt resolution defining compensation earnable and pensionable compensation under PEPRA.

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

18. **Actuary Rates for New Plans**—Milliman

Presentation by the SBCERS actuarial consulting firm, Milliman, as to the rates for the new plans being created as a result of PEPRA.

DISCUSSION: Nicholas Collier presented for Milliman and along with Lila Deeds and Counsel Blakeboro addressed issues raised by the Board.

MOTION: Accept Milliman’s report and approve the rates for the plans created as the result of PEPRA.

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

CHIEF EXECUTIVE OFFICER

- 19. 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: Accept Chief Executive Officer’s department operations report and travel modifications.

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

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

NO ACTION TAKEN

The meeting adjourned at 3:49 p.m.

ATTEST:

Clerk

Chair

Secretary