

SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

The special meeting of the San Bernardino County Employees' Retirement Board was held May 11, 2009, in the Board of Retirement Board Room, 348 West Hospitality Lane, First Floor, San Bernardino, California.

Those present were:

RICHARD LARSEN, Treasurer (Chairman)
ELLEN WEISSER, Appointed Member (Vice Chairman)
ROBERT MCDONALD, Retired Member
DON NEELY, General Member
MARVIN REITER, Appointed Member
DAWN STAFFORD, General Member
CHRISTOPHER LEGGIO, Appointed Member

Also present were:

TIMOTHY BARRETT, Executive Director/CIO
LANCE KJELDGAARD, Chief Counsel
JAMES PERRY, Investment Officer
DONALD PIERCE, Investment Officer
ALLAN MARTIN, NEPC
DIANA JAY, Recorder

Not present were:

PAUL RUSS, Appointed Member
DAVID WILLIAMS, Safety Member
BRET HENRY, Alternate Member

1. Chairman Larsen called the meeting to order at 9:04 a.m.

The Chairman requested items #10-12 be heard next.

10. McDonald moved, Neely seconded, to ratify the attendance of Dick Larsen and Marvin Reiter to the SB1406 Hearing, held in Sacramento, CA on May 6, 2009. Motion carried.

11. McDonald moved, Neely seconded, to approve the attendance of Brian Long and Don Pierce on a due diligence to New York for Square Mile Annual Meeting, Pinnacle and Gresham, on June 9 - 11, 2009. Motion carried.

12. McDonald moved, Neely seconded, to approve the attendance of Brian Long to a due diligence in Edinburgh, Scotland, to Standard Life; London, England to European Private Equity Managers(3); and Zug, Switzerland to Partners Group, on June 13 - 20, 2009. Motion carried.

2. Martin, NEPC, discussed the MacKay Shields guideline change to amend their investment guidelines to permit an increase in the amount of CCC or lower rated bonds.
3. Weisser moved, Reiter seconded, to approve the amended guideline change for MacKay Shields. Motion carried.
4. Martin, NEPC, and Perry reviewed the International Credit Opportunistic search. There were 4 firms that were reviewed and scored. They are recommending the Cairn Financial Products Ltd. on their Capital Structured Credit Fund because of the expertise in the strategy and the European market presence. NEPC and SBCERA are recommending an allocation of \$20 million to the Cairn Capital Structured Credit Fund.
5. Manuel Delgado and Andrew Jackson, Cairn Financial Products Ltd., reviewed their strategies and management team for their Capital Structured Credit Fund.
6. Reiter moved, Leggio seconded, to approve an allocation of \$20 million to Cairn Financial Products Ltd. for their Capital structured Credit Fund. Motion carried.

The Chairman called a recess at 10:45 a.m. The meeting resumed at 11:03 a.m.

7. Pierce discussed the Long-Term Interest Rate Hedging strategy. He stated that SBCERA is recommending using call-options or swaptions to hedge longer term interest rate risk. There was much discussion and questions among the Board member regarding call-options or swaptions. McDonald moved, Larsen seconded, to approve the using call-options or swaptions to hedge longer term interest rate risk up to 45 million. Motion carried. (Weisser abstained.)

Leggio left the meeting at 11:30 a.m.

8. Pierce discussed the Put-Write Equity Allocation. He stated that a Put-Write strategy involves holding cash and selling down-side protection to the market for income. There was much discussion and questions among the Board members regarding Put-Write Equity Allocation. McDonald moved, Reiter seconded, to approve including Put-Write on applicable equity indices as part of the approved Volatility Strategies. Motion carried.

14. The Chairman invited public comment. There was no public comment.

There being no further business, the meeting adjourned at 11:48 a.m.

Respectfully submitted,

RICHARD LARSEN, Chairman

TIMOTHY BARRETT, Secretary

DATED _____