

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

**11125 River Run Blvd.
Bakersfield, California**

**Board of Retirement Meeting
Wednesday, October 10, 2018**

8:30 a.m.

Board Members: Couch, Chair Dodgin, Franey, Gonzalez, Horvat, Jefferson, Kaufman, Vice-Chair Kennedy (Alternate), Kratt, Skidmore

Roll Call: Franey, Gonzalez, Horvat, Kaufman, Kennedy, Skidmore

Absent: Couch, Dodgin, Jefferson, Kratt

Salute to Flag – TRUSTEE JORDAN KAUFMAN

Moment of Silence

NOTE: The vote is displayed in bold below each item. For example, Kratt-Kaufman denotes Trustee Kratt made the motion and Trustee Kaufman seconded the motion.

*1. Summary of proceedings of the following meetings:

- September 12, 2018 Board of Retirement
- September 19, 2018 Finance Committee
- October 1, 2018 Investment Committee

RECEIVED AND FILED

Kaufman-Gonzalez – 6 Ayes

*2. Monthly reports from the KCERA office on members retired from service and deceased retirees – RECEIVED AND FILED

Kaufman-Gonzalez – 6 Ayes

*3. Monthly report of current disability retirement applications and appeals of KCERA Board decisions – RECEIVED AND FILED

Kaufman-Gonzalez – 6 Ayes

*4. Securities Lending Earnings Summary Report for the period August 1-31, 2018 from Deutsche Bank – RECEIVED AND FILED

Kaufman-Gonzalez – 6 Ayes

*5. KCERA asset allocation, budget status, cash flow position and investment fees status report for the month of August 2018 and budget status report for Fiscal Year Ended June 30, 2018 – RECEIVED AND FILED

Kaufman-Gonzalez – 6 Ayes

*6. KCERA Strategic Investment Plan for the month of October 2018 – RECEIVED AND FILED

Kaufman-Gonzalez – 6 Ayes

- *7. KCERA Re-balance Analysis as of October 1, 2018 – RECEIVED AND FILED

Kaufman-Gonzalez – 6 Ayes

- *8. 2019 Board of Retirement Meeting Schedule – RECEIVED AND FILED; APPROVED

Kaufman-Gonzalez – 6 Ayes

- *9. Proposed language for policy/charter revisions, as discussed during Cortex Governance Report – APPROVED

Kaufman-Gonzalez – 6 Ayes

- *10. Invitation from State Association of County Retirement Systems (SACRS) to trustees and staff to attend the SACRS Fall Conference, November 13-16, 2018, in Indian Wells, California – APPROVED ATTENDANCE OF TRUSTEES DAVID COUCH, DUSTIN DODGIN, PHIL FRANNEY, MARKO HORVAT, BOB JEFFERSON, THAD KENNEDY AND RICK KRATT, EXECUTIVE DIRECTOR DOMINIC BROWN, ASSISTANT EXECUTIVE DIRECTOR, CHIEF INVESTMENT OFFICER DARYN MILLER, GENERAL COUNSEL JENNIFER ZAHRY, RETIREMENT FINANCIAL OFFICER SHERYL LAWRENCE, TECHNOLOGY SERVICES MANAGER BRENDA GREENWOOD, RETIREMENT SERVICES MANAGER KAREN FRIESON, NETWORK SYSTEMS ADMINISTRATOR NEIL DEVERA, ADMINISTRATIVE COORDINATOR AIMEE MORTON, RETIREMENT SERVICES SPECIALIST TERRI PETERS AND RETIREMENT SERVICES SPECIALIST TINA MCCAFFREY

Kaufman-Gonzalez – 6 Ayes

- *11. Invitation from Nossaman to staff to attend the Public Pensions and Investments Fiduciaries' Forum, October 18-19, 2018, in San Francisco, California – APPROVED ATTENDANCE OF CHIEF INVESTMENT OFFICER DARYN MILLER, CFA

Kaufman-Gonzalez – 6 Ayes

- *12. Invitation from Western Asset to staff to attend the Client Seminar, October 18 and 22-23, 2018, in Pasadena, California – APPROVE ATTENDANCE OF CHIEF INVESTMENT OFFICER DARYN MILLER, CFA

Kaufman-Gonzalez – 6 Ayes

13. PUBLIC COMMENTS:

The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Board. This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chairman, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

INVESTMENT MATTERS

14. Discussion and appropriate action on the asset allocation, policy benchmark and methodology, and updating the Investment Policy Statement presented by Scott Whalen, CFA, Verus, Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; VICE-CHAIR THAD KENNEDY HEARD; TRUSTEE JORDAN KAUFMAN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

TRUSTEE DAVID COUCH ARRIVED AT 8:43 A.M.

APPROVED AMENDMENTS TO THE INVESTMENT POLICY STATEMENT, INCLUDING THE ASSET ALLOCATION TARGETS AND RANGES, AND POLICY BENCHMARK METHODOLOGY

Franey-Skidmore – 7 Ayes

15. Discussion and appropriate action on the review of the commodity allocation presented by Scott Whalen, CFA, Verus, Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; TRUSTEES JUAN GONZALEZ AND JORDAN KAUFMAN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED THE CHANGES TO THE INVESTMENT MANAGER LINE-UP AND FUNDING AMOUNTS IN THE COMMODITY ALLOCATION

Franey-Kaufman – 7 Ayes

INVESTMENT MATTERS

16. Discussion and appropriate action on the continued implementation of changes to the hedge fund allocation presented by Lincoln Smith, Albourne America LLC¹, and Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – LINCOLN SMITH, ALBOURNE AMERICA LLC, HEARD; SCOTT WHALEN, CFA, VERUS, HEARD; TRUSTEE JORDAN KAUFMAN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED THE TRANSFER, TRANSITION, OR TERMINATION OF HEDGE FUND MANAGERS IN THE HEDGE FUND PORTFOLIO

Franey-Gonzalez – 7 Ayes

17. Discussion and appropriate action on the selection of a Real Estate Value Added investment manager for the Real Estate allocation presented by Lincoln Smith, Albourne America LLC² and Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – LINCOLN SMITH, ALBOURNE AMERICA LLC, HEARD; VICE-CHAIR THAD KENNEDY HEARD; TRUSTEE JORDAN KAUFMAN HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED THE SELECTION OF VALUE ADDED REAL ESTATE INVESTMENT MANAGER; AUTHORIZE EXECUTIVE DIRECTOR TO SIGN SUBJECT TO LEGAL REVIEW

Kaufman-Skidmore – 7 Ayes

¹ Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code §6254.26, §6255, and §54957.5.

² Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code §6254.26, §6255, and §54957.5.

ADMINISTRATIVE MATTERS

18. Disability Assessment and Management Services Agreement with Managed Medical Review Organization, Inc. (MMRO), effective October 10, 2018 – VICE-CHAIR THAD KENNEDY HEARD; TRUSTEES DAVID COUCH, JUAN GONZALEZ, JORDAN KAUFMAN AND LAUREN SKIDMORE HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

APPROVED; AUTHORIZED CHAIR OR VICE-CHAIR, IN THE ABSENCE OF THE CHAIR, TO SIGN

Skidmore-Couch – 7 Ayes

19. Memorandum of Understanding between the KCERA and the County of Kern for reimbursement of costs incurred in fiduciary counsel review which may not meet the exclusive benefit rule, but are necessary for County's implementation of its treatment of part-time service credit – TRUSTEE DAVID COUCH HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

APPROVED; AUTHORIZED EXECUTIVE DIRECTOR TO SIGN

Couch-Kaufman – 7 Ayes

20. Review of the Fiscal Year 2018-2019 Executive Director Performance Evaluation Criteria, presented by Executive Director Dominic Brown and the Administrative Committee – VICE-CHAIR THAD KENNEDY HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

APPROVED THE EXECUTIVE DIRECTOR PERFORMANCE EVALUATION CRITERIA FOR EVALUATION PERIOD OF FISCAL YEAR 2018-2019

Skidmore-Couch – 7 Ayes

21. Response to referral to review Executive Director Succession Policy presented by General Counsel Jennifer Zahry and the Administrative Committee – VICE-CHAIR THAD KENNEDY HEARD; GENERAL COUNSEL JENNIFER ZAHRY HEARD

APPROVED PROPOSED CHANGES

Couch-Gonzalez – 7 Ayes

22. Discussion and appropriate action on Special Election for vacant 8th Alternate Seat presented by Executive Director Dominic Brown and General Counsel Jennifer Zahry – VICE-CHAIR THAD KENNEDY HEARD; TRUSTEES DAVID COUCH, PHIL FRANEY AND JORDAN KAUFMAN HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD; GENERAL COUNSEL JENNIFER ZAHRY HEARD

REFERRED TO STAFF TO CONSULT WITH ELECTIONS DIVISION TO OBTAIN INFORMATION REGARDING COST AND TIMEFRAME TO CONDUCT SPECIAL ELECTION; REPORT BACK TO BOARD OF RETIREMENT

Couch-Skidmore – 6 Ayes; 1 No (Horvat)

23. Discussion and appropriate action on KCERA's voting delegation for the State Association of County Retirement Systems (SACRS) Fall 2018 Conference, presented by Executive Director Dominic Brown – VICE-CHAIR THAD KENNEDY HEARD; TRUSTEE PHIL FRANNEY HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

APPOINTED EXECUTIVE DIRECTOR DOMINIC BROWN AS VOTING DELEGATE AND TRUSTEE RICK KRATT AS ALTERNATE VOTING DELEGATE

Franey-Kennedy – 6 Ayes; 1 Absent (Couch)

24. Appointment of Nominating Committee by Chair (two members) and the Board (two members) to propose a slate of officers to the Board of Retirement for the 2019 calendar year – VICE-CHAIR THAD KENNEDY HEARD; TRUSTEES PHIL FRANNEY AND LAUREN SKIDMORE HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

VICE-CHAIR THAD KENNEDY APPOINTED HIMSELF AND TRUSTEE PHIL FRANNEY TO NOMINATING COMMITTEE; TRUSTEE LAUREN SKIDMORE NOMINATED HERSELF AND TRUSTEE DUSTIN DODGIN TO NOMINATING COMMITTEE; APPROVED

Gonzalez-Couch – 7 Ayes

STAFF/COMMITTEE REPORTS & NEW BUSINESS

25. Report from Executive Director

EXECUTIVE DIRECTOR DOMINIC BROWN REPORTED THE FOLLOWING:

- UPDATE ON CURRENT KCERA RECRUITMENTS
- UPDATE ON SEPTEMBER 12, 2018 BOARD RETREAT
- OPERATIONAL ACTIVITIES OF ADMINISTRATIVE SERVICES, FINANCIAL SERVICES, MEMBER SERVICES AND INFORMATION TECHNOLOGY SERVICES DIVISIONS FOR SEPTEMBER 2018
- UPDATE ON LEAN SIX SIGMA INITIATIVES
- UPDATE ON SB 866 LEGISLATION RELATED TO HOSPITAL AUTHORITY

TRUSTEE BOB JEFFERSON ARRIVED AT 9:56 A.M.

26. Report from Chief Investment Officer

CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, SUBMITTED A REPORT ON THE FOLLOWING:

- INVESTMENT ACTIVITIES, INITIATIVES AND PORTFOLIO OPPORTUNITIES

27. Report from General Counsel

GENERAL COUNSEL JENNIFER ZAHRY REPORTED THE FOLLOWING:

- UPCOMING GENERAL COUNSEL ISSUES AND POLICIES TO COME BEFORE THE BOARD OF RETIREMENT DURING Q4 2018

28. Report from Committee Chairs:
- a. Administrative Committee – KENNEDY – THERE WILL BE A MEETING IMMEDIATELY FOLLOWING TODAY'S BOARD OF RETIREMENT MEETING
 - b. Finance Committee – SKIDMORE – NONE
 - c. Investment Committee – KRATT – NONE
 - d. KCERA Property, Inc. – FRANEY – NONE
29. Consider, discuss, and take possible action to agendaize one or more items for future meetings of the Board of Retirement – NONE

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

30. On their own initiative, Board members may make a brief announcement or a brief report on their own activities – NONE
31. ADJOURNED – 10:03 A.M.


Secretary, Board of Retirement


Chair, Board of Retirement