

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

11125 River Run Blvd.
Bakersfield, California

**Board of Retirement Meeting
December 12, 2018**

8:31 a.m.

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

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

Absent: Couch, Jefferson

Salute to Flag – TRUSTEE RICK KRATT

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. Application for service-connected disability pension benefits for David George, SHERIFF (Safety) – **ADOPTED RECOMMENDATION OF SDAG TO DENY SERVICE-CONNECTED DISABILITY RETIREMENT**
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *2. Summary of proceedings of the following meetings:
 - November 7, 2018 Board of Retirement
 - November 7, 2018 Administrative Committee**RECEIVED AND FILED**
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *3. Monthly report from the KCERA office on members retired from service – **RATIFIED**
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *4. Monthly report from the KCERA office on deceased retirees – **RECEIVED AND FILED**
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *5. Monthly report of current disability retirement applications and appeals of KCERA Board decisions – **RECEIVED AND FILED**
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *6. Securities Lending Earnings Summary Report for the period October 1-31, 2018 from Deutsche Bank – **RECEIVED AND FILED**
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)

- *7. KCERA asset allocation, budget status, cash flow position and investment fees status report for the month of October 2018 – RECEIVED AND FILED
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *8. KCERA Strategic Investment Plan for the month of January 2018 – RECEIVED AND FILED
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *9. KCERA Re-balance Analysis as of November 28, 2018 – RECEIVED AND FILED
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *10. Letter from Auditor-Controller-County Clerk Mary B. Bedard, CPA, dated November 28, 2018, regarding the Certificate of Results of the Retirement Election held November 20, 2018 – RECEIVED AND FILED
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *11. Letter from Executive Director Dominic Brown, dated December 18, 2018, to the Kern County Board of Supervisors regarding Board of Retirement Election for Second, Seventh and Seventh Alternate Members – RECEIVED AND FILED
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *12. Agreement with Cortex, effective January 1, 2019 – APPROVED; AUTHORIZED CHAIR OR VICE-CHAIR, IN THE ABSENCE OF THE CHAIR, TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *13. TCW Asset Management and Colony Capital Due Diligence Report – RECEIVED AND FILED
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *14. Invitation from Institutional Limited Partners Association (ILPA) to staff to attend the ILPA Institute – Level II Module 2, January 14-15, 2019, in San Francisco, California – APPROVED ATTENDANCE OF CHIEF INVESTMENT OFFICER DARYN MILLER, CFA
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
- *15. Invitation from Institutional Investor Forums to staff to attend the Risk & Liquidity Forum, January 29-30, 2019, in San Francisco, California – APPROVED ATTENDANCE OF CHIEF INVESTMENT OFFICER DARYN MILLER, CFA
Skidmore-Gonzalez – 7 Ayes; 1 Abstain (Kennedy)
16. 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

FINANCIAL MATTERS

17. Discussion and appropriate action on the auditor's report to management, the draft KCERA audited financial statements and the draft Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2018, presented by Tim Rawal and Jason Ostroski, CliftonLarsonAllen LLP – TIM RAWAL AND JASON OSTROSKI, CLIFTONLARSONALLEN LLP, HEARD; CHAIR DUSTIN DODGIN HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD
- APPROVED AUDITOR REPORTS, KCERA AUDITED FINANCIAL STATEMENTS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Kennedy-Kaufman – 8 Ayes¹

18. Discussion and appropriate action on review of the draft actuarial valuation as of June 30, 2018, recommended employer and employee contribution rates for fiscal year 2019-2020, and related reports presented by Paul Angelo and John Monroe, The Segal Company – PAUL ANGELO AND JOHN MONROE, THE SEGAL COMPANY, HEARD; CHAIR DUSTIN DODGIN HEARD; TRUSTEE JORDAN KAUFMAN HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

TRUSTEE BOB JEFFERSON ARRIVED AT 8:56 A.M.

PUBLIC COMMENT: ELSA MARTINEZ, COUNTY ADMINISTRATIVE OFFICE, HEARD

RECEIVED AND FILED; APPROVED THE ACTUARIAL VALUATION, EMPLOYER AND EMPLOYEE CONTRIBUTION RATES, AND RELATED REPORTS FOR FISCAL YEAR 2019-20 RECOMMENDED BY ACTUARY; REFERRED TO BOARD OF SUPERVISORS FOR ADOPTION

Kratt-Franey – 8 Ayes

INVESTMENT MATTERS

19. Discussion and appropriate action on the review of the fixed income allocation presented by Scott Whalen, CFA, Verus, Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR DUSTIN DODGIN HEARD; TRUSTEE RICK KRATT HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

ADOPTED RECOMMENDATION OF THE INVESTMENT COMMITTEE TO APPROVE CHANGES TO THE FUNDING AMOUNTS IN THE FIXED INCOME ALLOCATION

Kratt-Franey – 8 Ayes

20. Discussion and appropriate action on the fiscal year 2017-2018 fee analysis presented by Chief Investment Officer Daryn Miller, CFA and the Investment Committee – TRUSTEE RICK KRATT HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

ADOPTED RECOMMENDATION OF THE INVESTMENT COMMITTEE TO RECEIVE AND FILE

Kratt-Franey – 8 Ayes

¹ Alternate Seventh Member (Kennedy) voted in place of the Third Member (Jefferson), in accordance with Cal. Gov. Code section 31520.1(b).

ADMINISTRATIVE MATTERS

21. Public Pension Standards Award for Funding and Administration 2018 received from the Public Pension Coordinating Council (PPCC) – CHAIR DUSTIN DODGIN HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

RECEIVED AND FILED

Kratt-Jefferson – 7 Ayes; 1 Absent (Skidmore)

22. Discussion and appropriate action on policy regarding Administration of Special Allowances Initiated by KCERA Plan Sponsors presented by Executive Director Dominic Brown, General Counsel Jennifer Zahry and the Administrative Committee – EXECUTIVE DIRECTOR DOMINIC BROWN HEARD; GENERAL COUNSEL JENNIFER ZAHRY
- APPROVED

Kratt-Jefferson – 8 Ayes

23. Discussion and appropriate action on the Disability Retirement Applications and Conflicts of Interest presented by Executive Director Dominic Brown and General Counsel Jennifer Zahry – CHAIR DUSTIN DODGIN HEARD; TRUSTEES PHIL FRANEY, MARKO HORVAT AND RICK KRATT HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD; GENERAL COUNSEL JENNIFER ZAHRY

REFERRAL TO ADMINISTRATIVE COMMITTEE

Franey-Skidmore – 8 Ayes

24. Slate of nominees for Chair and Vice-Chair for the calendar year 2019 presented by Nominating Committee Chair – CHAIR DUSTIN DODGIN HEARD; VICE-CHAIR THAD KENNEDY HEARD; TRUSTEES MARKO HORVAT AND RICK KRATT HEARD
- ELECTED TRUSTEE JORDAN KAUFMAN AS CHAIR AND TRUSTEE RICK KRATT AS VICE-CHAIR FOR THE CALENDAR YEAR 2019

Franey-Jefferson – 8 Ayes

25. Presentation of plaque honoring Thad Kennedy, Trustee, for his years of dedicated service to the Kern County Employees' Retirement Association Board of Retirement – CHAIR DUSTIN DODGIN HEARD; VICE-CHAIR THAD KENNEDY HEARD

MADE PRESENTATION

26. Presentation of plaque honoring Dustin Dodgin, Chair, for his service to the Kern County Employees' Retirement Association Board of Retirement as Chair – CHAIR DUSTIN DODGIN HEARD; VICE-CHAIR THAD KENNEDY HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

MADE PRESENTATION

STAFF/COMMITTEE REPORTS & NEW BUSINESS

27. Report from Executive Director

EXECUTIVE DIRECTOR DOMINIC BROWN REPORTED THE FOLLOWING:

- UPDATE ON ELECTIONS AND APPOINTMENTS
- OPERATIONAL ACTIVITIES OF ADMINISTRATIVE SERVICES, FINANCIAL SERVICES, MEMBER SERVICES AND INFORMATION TECHNOLOGY SERVICES DIVISIONS FOR NOVEMBER 2018
- UPDATE ON PART-TIME SERVICE CREDIT ISSUE
- UPDATE ON CURRENT KCERA RECRUITMENTS
- UPDATE ON UPCOMING COMMITTEE MEETINGS

CHAIR DUSTIN DODGIN HEARD; VICE-CHAIR THAD KENNEDY HEARD; TRUSTEES JUAN GONZALEZ AND RICK KRATT HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; GENERAL COUNSEL JENNIFER ZAHRY

REFERRAL TO STAFF TO OBTAIN FURTHER INFORMATION REGARDING PROCESS TO MAKE THE RETIREMENT INVESTMENT OFFICER POSITION NON-CIVIL SERVICE; INQUIRE WITH SACRS AND OTHER SYSTEMS TO GAUGE SUPPORT

Skidmore-Kaufman – 8 Ayes

28. Report from Chief Investment Officer

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

- INVESTMENT ACTIVITIES, INITIATIVES AND PORTFOLIO OPPORTUNITIES

CHAIR DUSTIN DODGIN HEARD; TRUSTEE RICK KRATT HEARD

29. Report from General Counsel

GENERAL COUNSEL JENNIFER ZAHRY REPORTED THE FOLLOWING:

- UPDATE ON WILMOT V. CCCERA (CONTRA COSTA COUNTY) REGARDING FELONY FORFEITURE

30. 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 –THE NEXT FINANCE COMMITTEE MEETING WILL BE HELD ON DECEMBER 19, 2018
- c. Investment Committee – KRATT –MEETINGS WILL BE SCHEDULED IN JANUARY 2019
- d. KCERA Property, Inc. – FRANEY – NONE

31. 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

32. On their own initiative, Board members may make a brief announcement or a brief report on their own activities – NONE

Call for Public Comment on Executive Session Item(s) – NONE

Executive Session

33. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9 based on facts and circumstances that might result in litigation against KCERA but which KCERA believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed. (Cal. Gov. Code section 54956.9(e)(1)). (Number of potential cases: unknown).

Return to Public Session/Report of Executive Session Actions, if applicable

ITEM 33 – NO REPORTABLE ACTION

34. ADJOURNED – 11:07 A.M.


Secretary, Board of Retirement


Chair, Board of Retirement