

Executive Team

Dominic D. Brown, CPA, CFE
Executive Director

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
General Counsel

Matthew Henry, CFE
Assistant Executive Director

**KERN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**



Board of Retirement

Jordan Kaufman, Chair
Rick Kratt, Vice-Chair
David Couch
Dustin Dodgin
Phil Franey
Juan Gonzalez
Bob Jefferson
Lauren Skidmore
John DeMario, Alternate
Safety Alternate (Vacant)

September 5, 2019

Members, Board of Retirement
Employee Bargaining Units
Requesting News Media
Other Interested Parties

Subject: Meeting and Strategic Planning Session of the Kern County Employees'
Retirement Association Board of Retirement

Ladies and Gentlemen:

A meeting and Strategic Planning Session of the Kern County Employees' Retirement Association Board of Retirement will be held on Wednesday, September 11, 2019 at 8:30 a.m. at KCERA, 11125 River Run Boulevard, Board Room, Bakersfield, California. Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact the KCERA office at your convenience.

Sincerely,

A handwritten signature in blue ink that reads 'Dominic D. Brown'. The signature is written in a cursive style.

Dominic D. Brown
Executive Director

Attachment

AGENDA:

All agenda item supporting documentation is available for public review in the office of the Kern County Employees' Retirement Association, 11125 River Run Blvd., Bakersfield, California 93311 during regular business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location. In addition, all agendas and supporting documentation are now available on the KCERA web page and can be found via the internet at www.kcera.org.

**AMERICANS WITH DISABILITIES ACT
(Government Code §54953.2)**

Disabled individuals who need special assistance to attend or participate in a meeting of the Board of Retirement may request assistance at the Retirement Administration office, 11125 River Run Blvd., Bakersfield, California, or by calling (661) 381-7700. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.

8:30 a.m.

Roll Call –

Salute to Flag –

Moment of Silence –

CONSENT MATTERS

ALL ITEMS LISTED WITH AN ASTERISK (*) ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY STAFF AND WILL BE APPROVED BY ONE MOTION IF NO MEMBER OF THE BOARD OR PUBLIC WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN THE LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN. STAFF RECOMMENDATIONS ARE SHOWN IN CAPS AFTER EACH ITEM.

- *1. Application for service-connected disability pension benefits for Anthony Todisco, SHERIFF (Safety) – ADOPT RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION; IF REMOVED FROM THE CONSENT AGENDA, THIS ITEM WILL BE CONTINUED TO THE OCTOBER 9, 2019 BOARD OF RETIREMENT MEETING AND HEARD DURING EXECUTIVE SESSION
- *2. Proposed Decision and Findings of Fact submitted by Hearing Officer for Elizabeth Gearhart, HUMAN SERVICES (General) – ADOPT RECOMMENDATION OF THE HEARING OFFICER TO GRANT THE SERVICE-CONNECTED DISABILITY PENSION AND FIND THE LAST DAY PAID TO BE APRIL 18, 2012; IF REMOVED FROM THE CONSENT AGENDA, THIS ITEM WILL BE CONTINUED TO THE OCTOBER 9, 2019 BOARD OF RETIREMENT MEETING AND HEARD DURING EXECUTIVE SESSION

*3. Summary of proceedings of the following meetings:

- August 14, 2019 Board of Retirement
- August 14, 2019 Investment Committee

RECEIVE AND FILE

- *4. Monthly report from the KCERA office on members retired from service – RATIFY
- *5. Monthly report from the KCERA office on deceased retirees – RECEIVE AND FILE
- *6. Monthly report of current disability retirement applications and appeals of KCERA Board decisions – RECEIVE AND FILE
- *7. Securities Lending Earnings Summary Report for the period July 1-31, 2019 from Deutsche Bank – RECEIVE AND FILE
- *8. KCERA asset allocation, budget status, cash flow position and investment fees status report for the month of July 2019 – RECEIVE AND FILE
- *9. Letter from Executive Director Dominic Brown, dated July 2, 2019, to the Kern County Auditor-Controller-County Clerk regarding Board of Retirement Special Election for Seventh Alternate Member – RECEIVE AND FILE
- *10. Letter from Executive Director Dominic Brown, dated August 21, 2019, to the Kern County Auditor-Controller-County Clerk regarding Board of Retirement Election for Third, Eighth and Eighth Alternate Members – RECEIVE AND FILE
- *11. Agreement for Legal Services Investment Counsel with Hanson Bridgett LLP, effective August 15, 2019 – RECEIVE AND FILE

- *12. Invitation from Nossaman to staff to attend the Nossaman Public Pensions and Investments Fiduciaries' Forum, September 4-5, 2019, in Berkeley, California – RETROACTIVELY APPROVE ATTENDANCE OF GENERAL COUNSEL JENNIFER ZAHRY

PUBLIC COMMENT

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.

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

14. On their own initiative, Board members may make a brief announcement or a brief report on their own activities.
15. **Presentation** – 8:35 a.m.

INTRODUCTION & BIG DATA/REAL PEOPLE

Retirement Administration is increasing in volume and complexity. Every transaction touches real members and beneficiaries. This session will take a look back over the last 10 years and discuss current challenges to achieving KCERA's mission. Special attention will be paid to KCERA's four biggest opportunities for improvement: Disability, Marital Property Divisions, Member Service History, and Service Purchases.

Dominic Brown, Executive Director

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

16. **Presentation** – 8:45 a.m.

DISABILITY: HELPING HURTING MEMBERS

KCERA has made meaningful progress in improving service to our members who may be permanently incapacitated from their usual duties for medical reasons. However, challenges remain to solidify new processes and work through the current backlog of member applications.

Dominic Brown, Executive Director
Sherry Willard, Retirement Services Manager

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

17. **Presentation** – 9:00 a.m.

DIVORCES AND LEGAL SEPARATIONS

A KCERA member's pension may be community property. What is KCERA's role in the distribution of the pension benefit after divorce or legal separation? What is the Court's role? What if the parties omit the asset? How do these things impact KCERA and its members?

Jennifer Zahry, General Counsel
Sherry Willard, Retirement Services Manager

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

18. **Presentation** – 9:15 a.m.

SERVICE PURCHASES

Members are allowed to purchase prior eligible service, which can increase their pension. Unfortunately, collecting the required data and completing the transaction can be very difficult.

Jennifer Zahry, General Counsel
Sherry Willard, Retirement Services Manager

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

19. **Presentation** – 9:30 a.m.

OPEN PROJECTION: A LOOK INTO KCERA'S FUTURE

We asked our actuaries to forecast into the future based on current member demographic trends. This session will show impacts of tier changes on future liabilities, contribution rates, and assets.

Paul Angelo, FSA, Senior Vice President and Actuary, Segal Consulting
John Monroe, ASA, Vice President and Actuary, Segal Consulting

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

BREAK – 10:30 a.m.

20. **Presentation** – 10:45 a.m.

INTERNAL AUDIT & COMPLIANCE

KCERA has a lot of work to do to build a high performing audit/compliance function. First priorities include pre-auditing member files before they approach retirement and checking compliance of plan sponsors with applicable laws.

Matthew Henry, Assistant Executive Director
Angela Kruger, Retirement Financial Officer

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

21. **Presentation** – 11:00 a.m.

COMMUNICATIONS: MEMBER OUTREACH AND EDUCATION

KCERA provides a very valuable service to our members and stakeholders. Many KCERA members are overwhelmed by the amount of information that must be obtained in order to effectively plan for retirement.

Dominic Brown, Executive Director
Sherry Willard, Retirement Services Manager

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

22. **Presentation** – 11:15 a.m.

DATA SECURITY: PROTECTING AGAINST A BREACH

Data breaches are in the news every week. Practical steps can be taken to reduce the risk of a breach.

Brenda Greenwood, Technology Services Manager

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

23. **Presentation** – 11:30 a.m.

SPECIAL PAYS

Total salary, including some special pays, form the basis for calculating a member's pension. Some pay codes previously included in the pension calculation were excluded for new hires after PEPRA. Other pay code determinations remained the same, pending a determination by the California Supreme Court. How is KCERA administering the pensionability of pay codes?

Jennifer Zahry, General Counsel

Sherry Willard, Retirement Services Manager

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

LUNCH – 11:45 a.m.

24. **Presentation** – 1:15 p.m.

INVESTMENT STRATEGY

Equity risk comprises the majority of risk in the asset allocation. This session explores two concepts which could potentially improve returns, without changing the allocation to equities.

Ian Toner, CFA, Chief Investment Officer, Verus

Scott Whalen, CFA, Executive Managing Director and Senior Consultant, Verus

Daryn Miller, CFA, Chief Investment Officer, KCERA

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

25. **Presentation** –

2:15 p.m.

TIMESSQUARE

This item seeks the Board’s approval to hire international small cap equity manager TimesSquare to replace Fidelity. This item was approved by the Investment Committee earlier in August.

CEVIAN

This item seeks the Board’s approval to transfer the Cevian hedge fund strategy to the equity allocation, where its exposures are better suited. This item was approved by the Investment Committee earlier in August.

Daryn Miller, CFA, Chief Investment Officer, KCERA
Steven Swartley, CFA, Retirement Investment Officer, KCERA
Scott Whalen, CFA, Executive Managing Director and Senior Consultant, Verus

ADOPT RECOMMENDATION OF THE INVESTMENT COMMITTEE TO APPROVE REPLACING FIDELITY AND SELECTING INTERNATIONAL SMALL CAP WITH TIMESSQUARE INTERNATIONAL SMALL CAP; AND ADOPT RECOMMENDATION OF THE INVESTMENT COMMITTEE TO APPROVE TRANSFERRING CEVIAN CAPITAL II FUND INVESTMENT FROM THE HEDGE FUND ALLOCATION TO THE EQUITY ALLOCATION

BREAK – 2:30 p.m.

26. **Presentation** –

2:45 p.m.

STRATEGIC PLANNING

This session will focus on mission, values and strategy, and give staff direction regarding strategic operational objectives to bring back to the Board for approval.

Tom Iannucci, President, Cortex Applied Research, Inc.

HEAR PRESENTATION; TAKE OTHER APPROPRIATE ACTION

27. Closing Remarks – Dominic Brown, Executive Director
Adjournment