

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

Rick Kratt, Chair  
Dustin Dodgin, Vice-Chair  
David Couch  
Phil Franey  
Juan Gonzalez  
Jordan Kaufman  
Chase Nunneley  
Edward Robinson  
Lauren Skidmore  
Tyler Whitezell  
Bradly Brandon, Alternate  
Robb Seibly, Alternate

May 21, 2020

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

Subject: Meeting of the Kern County Employees' Retirement Association Investment Committee

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Investment Committee will be held on Wednesday, May 27, 2020 at 8:30 a.m. via teleconference, pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. Items of business will be limited to the matters shown on the attached agenda.

If you wish to listen to the teleconference meeting, please dial (888) 788-0099 or (877) 853-5247 U.S. Toll-free (Meeting ID 289-998-6429), or see [www.kcera.org](http://www.kcera.org) for instructions. If you have any questions or require additional service, please contact KCERA at (661) 381-7700, option 0.

Sincerely,

A handwritten signature in blue ink that reads 'Dominic D. Brown'.

Dominic D. Brown  
Executive Director

Attachment

AGENDA:

All agenda item supporting documentation is available for public review on KCERA's website at [www.kcera.org](http://www.kcera.org) 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.

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

Disabled individuals who need special assistance to listen to and/or participate in the teleconference meeting of the Board of Retirement may request assistance by calling (661) 381-7700, option 0, or sending an email to [memberservices@kcera.org](mailto:memberservices@kcera.org). Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

Roll Call

1. [Preliminary response to referral regarding recommendations to revise investment policies and charters – PROVIDE DIRECTION TO STAFF; OTHER ACTION, AS APPROPRIATE](#)
2. [Discussion and appropriate action on private market fund recommendation presented by Andrea Auerbach, Investment Managing Director, Keirsten Lawton, Investment Managing Director, Kelly Jensen, Senior Investment Director, Cambridge Associates<sup>1</sup>, Chief Investment Officer Daryn Miller, CFA, and Retirement Investment Officer Brian Long, CFA – RECOMMEND THE FOLLOWING TO THE BOARD OF RETIREMENT: A\) APPROVE \\$25MM COMMITMENT TO FORTRESS; B\) AUTHORIZE EXECUTIVE DIRECTOR TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW](#)

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<sup>1</sup> 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.

3. Public Comments:

This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Board. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.

4. Committee Member Announcements or Reports:

On their own initiative, Committee members may make a brief announcement or a brief report on their own activities.

5. Adjournment



# A DISCUSSION ON DELEGATION

KCERA INVESTMENT PROGRAM



## BACKGROUND

- During the May 2020 Board meeting, Cambridge Associates (“Cambridge”) presented recommendations for potential investment policy changes as means to best position KCERA for success
- As a reminder, the two recommendations are:
  - Seek pre-approval for commitments in advance of formal fundraising windows
  - Delegate authority to staff (with Cambridge concurrence) to pursue co-investments and/or direct secondary opportunities<sup>†</sup>
- The first recommendation would be primarily a shift in investment process with only modest policy revisions needed
- The second recommendation would be a more material change in policy, and would be centered around the topic of delegation
- **Staff believes a broader conversation on delegation would be appropriate, which will be the focus of this presentation**

<sup>†</sup> Definitions:

Co-investment: an investment made directly into an operating company alongside a financial sponsor.

Direct Secondaries: the purchase of another investor’s interest in a fund.

## CURRENT INVESTMENT APPROVAL PROCESS

- Based on due diligence, staff and investment consultant jointly bring investment manager/fund recommendations first to the Investment Committee...
- ...if approved, the recommendation is then presented to the Board...
- ...if approved by the Board, then staff and legal counsel enter into contracting, seeking to reach acceptable terms and conditions
  - If acceptable terms are reached, the investment is made (assuming there were no other contingent factors for making the investment)
  - If acceptable terms are not reached, the investment is not made, and the Board is notified

## WHY DELEGATION

- Helps accelerate process for investments that need to move quickly
- Alleviates manager concern that information which is not subject to the Public Records Act is released into the public domain
- Focuses Board attention at the policy level vs. implementation level
- Potentially open doors for investments, as it eliminates investment manager concern around potential failure to approve
- Streamlines investment process and is more efficient

## WHERE TO DELEGATE

- Cambridge has identified the need for delegation in private markets
- The Opportunistic allocation would also benefit



## POTENTIAL NEXT STEPS

- If the Investment Committee would like to pursue the topic of delegation, then...
- Staff would leverage third party vendors who can help inform the discussion
  - Cortex: governance consultant; help with best practices and establishing appropriate pillars to effective delegation
  - Verus: general investment consultant; helps with practical experience in terms of what other plans have done, what has worked, and thoughts for improvement
  - Other investment consultants: articulate benefits of delegation, and potential considerations
- Return to the Investment Committee in June or July with a formal presentation and recommendation

**ALTERNATIVE INVESTMENTS RECORDS**

**EXEMPT FROM PUBLIC DISCLOSURE**

**(CA Gov. Code §6254.26)**

**(CA Gov. Code §6255)**

**(CA Gov. Code §54957.5)**

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