

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment Board Meeting  
Wednesday August 13, 2008

8:31 a.m.

Board Members: Chairman Barnes, Briggs, Denney, Frapwell, Hughes, Jefferson, Maggard, Ratekin, Alternate Camps, Alternate Franey, Alternate Kaufman

Roll Call: Chairman Barnes, Briggs, Denney, Frapwell, Jefferson, Ratekin, Alternate Camps, Alternate Franey, Alternate Kaufman

Absent: Hughes, Maggard

Salute to Flag – LED BY CHAIRMAN BARNES

Moment of Silence –

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

\*1. Summary of proceedings of the following meetings:

- July 2, 2008, Special Board
- July 7, 2008, Disability Application Committee
- July 9, 2008, Investment Board
- July 14, 2008, Information Technology Committee
- July 23, 2008, Regular Board
- July 23, 2008, Audit-Actuarial Committee

RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

\*2. Monthly report of current disability retirement applications and appeals of KCERA Board decisions – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

\*3. Monthly reports from the Retirement Association Office on members retired from service, deceased retirees, and deceased active members – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

\*4. KCERA asset allocation, cash flow position, investment fees status report and budget status reports for the month of June 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*5. Securities Lending Earnings Summary Statement for the period June 1 through 30, 2008 from the following:

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*6. KCERA's Disaster Recovery Plan Test Results Report prepared by Information Technology Manager Craig Silver and Network Systems Administrator Neil DeVera – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*7. KCERA's Retiree Satisfaction Survey Report of Findings prepared by Cortex Applied Research, Inc. – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*8. Third Amendment to First Amended and Restated Limited Partnership Agreement for Fidelity Real Estate Growth Fund III, L.P. (FREG III) – RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*9. Invitation for trustees and/or staff to attend the State Association of County Retirement Systems (SACRS) 2008 Fall Conference, November 11 through 14, 2008, in Costa Mesa – RECEIVED AND FILED; APPROVED THE ATTENDANCE OF EXECUTIVE DIRECTOR ANNE M. HOLDREN, ASSISTANT EXECUTIVE DIRECTOR LEE BLAIR; DEPUTIES COUNTY COUNSEL PATRICIA J. RANDOLPH AND KIRK PERKINS, UP TO TWO KCERA STAFF MEMBERS AND ALL TRUSTEES

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*10. Barclays Global Investors, Active International Equity Strategy, Strategy Commentary, Second Quarter 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*11. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, June 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*12. Barclays Global Investors, International Equity, Strategy Commentary, June 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*13. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, June & Q2 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*14. Barclays Global Investors, US Equity Index Strategies, Strategy Commentary, Second Quarter 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*15. The Clifton Group Policy Implementation Overlay Service (PIOS) June 30, 2008, summary results – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*16. Goldman Sachs Asset Management, performance summary as of June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*17. La Salle Investment Management performance and activity report for KCERA's global mandate as of June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*18. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*19. Correspondence from Keith R. Pauley and Stanley J. Kraska, Jr., La Salle Investment Management, concerning U.S. real estate stocks – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*20. Pacific Investment Management Company (PIMCO) StocksPLUS® L.P. Fund B performance summary as of June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*21. State Street Global Advisors account summary as of June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*22. State Street Global Advisors, Investment Commentary – Kern County ERA Russell 2000 Index Plus, 2<sup>nd</sup> Quarter 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*23. KCERA 2008 Strategic Plan as of August 13, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*24. KCERA Manager Watch List as of August 13, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

- \*25. KCERA Investment Manager Due Diligence Schedule as of August 13, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 6 Ayes; 2 Absent – Hughes, Maggard**

TRUSTEE HUGHES ARRIVED AT 8:33 A.M.

PUBLIC COMMENTS

26. 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 and address for the record prior to making a presentation – NONE
27. Receive presentation from Matt Clark and Don Suskind, Pacific Investment Management Company (PIMCO), on the following topics:
  - Recent organizational and/or key personnel changes
  - Update on any regulatory investigations or new litigation
  - Summary page showing total firm and KCERA product assets under management and number of clients
  - Clients gained or lost in KCERA product if meaningful
  - KCERA's performance, net of all fees and expenses over the last 1 and 3 years, including discussion of:
    - key factors which drove results in these two periods
    - current portfolio positioning and factors behind current exposures
    - how risk is currently being managed in the portfolio
  - Conclusions drawn from 2008 Secular Forum

MATT CLARK AND DON SUSKIND, PACIFIC INVESTMENT MANAGEMENT COMPANY, HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, HEARD, CHAIRMAN BARNES HEARD, TRUSTEE KAUFMAN HEARD

RECEIVED PRESENTATION;

**Frapwell-Denney – 7 Ayes; 1 Absent – Maggard**

28. Report from KCERA Management – Executive Director Anne M. Holdren distributed the following report:

**Operations**

- Recently it was learned that Kern Medical Center had been reporting holiday pay incorrectly for 974 employees from December 23, 2006 to February 29, 2008. As a result, 546 KCERA members owe an additional \$51,329.36 in employee contributions. Staff have been working diligently to correct the PENSION system, and notifications for collecting the additional contributions will be mailed to members in the near future.

**Investments**

- On August 7, 2008, Eileen Neill, Michael Schlachter and I participated in a conference call meeting with Pyramis Global Advisors to receive an update overview of FREG Funds II and III. Many of the investments of these funds were highlighted during the meeting. Currently, expected return for FREG II is approximately 13%; FREG III's objective

is 18% gross – however, it is too early to predict an expected return due to the uncertainty of the market

#### **Miscellaneous**

- The Board's fall offsite meeting is planned for October 8, 2008 at the Sheraton Four Points Hotel. At the request of Chairman Brad Barnes, Rodney Johnson, President of HS Dent, has been invited to speak on the economy. Other presentation topics include security lending and infrastructure. Please provide your suggestions for other topics for the meeting by August 22, 2008.

Ms. Holdren also commented on Wanda Castro's retirement luncheon and open house scheduled for August 27 and 28, 2008.

29. Report from County Counsel – Deputy County Counsel Patricia Randolph reported she referred the issue of normal retirement age back to the Actuary for further study.
30. Reports from Committee Chairs:
  - A. Audit/Actuarial Committee – NONE
  - B. Budget Committee – NONE
  - C. Disability Application Committee – NONE
  - D. Facility Ad hoc Committee – Negotiations continuing
  - E. Human Resources Committee – NONE
  - F. Information Technology Committee – NONE
  - G. Investment Committee – Meeting to follow

#### **BOARD MEMBER ANNOUNCEMENTS AND REPORTS**

31. On their own initiative, Board members may make a brief announcement or a brief report on their own activities. In addition, Board members may ask a question of staff or the public for clarification on any matter, provide a reference to staff or other resources for factual information or, through the Chairman, request staff to report back to the Board at a later meeting concerning any matter. Furthermore, the Board, through the Chairman, may take action to direct staff to place a matter of business on a future agenda – NONE
32. ADJOURNED TO WEDNESDAY, AUGUST 27, 2008 AT 8:30 A.M.

**Briggs-Frapwell – 7 Ayes; 1 Absent – Maggard**

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Secretary, Board of Retirement

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Chairman, Board of Retirement