

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment Board Meeting  
Wednesday September 10, 2008

8:30 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, Hughes, Jefferson, Maggard, Alternate Camps, Alternate Franey, Alternate Kaufman

Absent: Ratekin

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:

- August 11, 2008, Disability Application Committee
- August 13, 2008, Investment Board
- August 13, 2008, Investment Committee
- August 27, 2008, Regular Board

RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

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

**Denney-Camps – 8 Ayes**

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

**Denney-Camps – 8 Ayes**

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

**Denney-Camps – 8 Ayes**

\*5. Revised KCERA Conflict of Interest Code – RECEIVED AND FILED; APPROVED REVISION

**Denney-Camps – 8 Ayes**

- \*6. Proposed Amendment No. 3 to the Personal/Professional Services Agreement between Northern Trust Company and Kern County Employees' Retirement Association in annual flat fees for approximately \$560,000 annually- RECEIVED AND FILED; APPROVED AMENDMENT NO. 3 FOR CUSTODIAL AND PAYROLL SERVICES IN ANNUAL FEES OF APPROXIMATELY \$560,000 FROM OCTOBER 1, 2008 TO SEPTEMBER 30, 2011; AUTHORIZED CHAIRMAN TO SIGN

**Denney-Camps – 8 Ayes**

- \*8. Proposed letter to Barclays Global Investors (BGI) concerning manager presentation at November 19, 2008, Investment Board meeting – RECEIVED AND FILED; APPROVED

**Denney-Camps – 8 Ayes**

- \*9. Barclays Global Investors, International Equity, Strategy Commentary, July 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

- \*10. K2 Summit Partners Capital Account Statement for KCERA, June 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

- \*11. La Salle Investment Management performance and activity report for KCERA's Global Mandate as of July 31, 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

- \*12. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of July 31, 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

- \*13. Pacific Investment Management Company (PIMCO) StocksPLUS® L.P. Fund B performance summary as of July 31, 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

- \*14. State Street Global Advisors account summary as of July 31, 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

- \*15. KCERA 2008 Strategic Plan as of September 10, 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

- \*16. KCERA Investment Manager Due Diligence Schedule as of September 10, 2008 – RECEIVED AND FILED

**Denney-Camps – 8 Ayes**

7. Proposed due diligence budget for Real Estate Purchase of Lot 1 of Lot Line Adjustment No. 07-1561, Riverwalk Corporate Center, Stockdale Highway and Buena Vista Road in an amount not to exceed \$49,865. -

RECEIVED AND FILED; APPROVED BUDGET FOR EXPENDITURES TO PERFORM DUE DILIGENCE ACTIVITIES FOR REAL ESTATE PURCHASE OF LOT 1 OF LOT LINE ADJUSTMENT NO. 07-1561 IN AN AMOUNT NOT TO EXCEED \$49,865; AUTHORIZED CHAIRMAN BARNES OR EXECUTIVE DIRECTOR ANNE HOLDREN TO SIGN PERSONAL/PROFESSIONAL SERVICE AGREEMENTS WITH DUE DILIGENCE CONSULTANTS WHEN COMPLETED.

**Frapwell-Briggs – 8 Ayes**

PUBLIC COMMENTS

17. 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
18. Receive presentation from Dan Elsberry and Brian Walsh, K2 Advisors, on the following topics:
  - Recent development with an underlying construction and retail sectors-focused hedge fund in the Hedge Fund-of-Funds where poor performance spurred redemption requests that caused redemptions to be suspended
  - Timing of K2's investment in the construction and retail sector, given the build up of the subprime and liquidity bubble in 2006
  - Why K2's on going liquidity monitoring process was (not until) recently incorporated into your overall fund monitoring process
  - Lagging performance relative to your peers

DAN ELSBERRY AND BRIAN WALSH, K2 ADVISORS, HEARD, CHAIRMAN BARNES HEARD; JAMES RICE, WILSHIRE ASSOCIATES, INC. HEARD; TRUSTEES MAGGARD AND FRANEY HEARD;

RECEIVED PRESENTATION;

**Frapwell-Maggard – 8 Ayes**

TRUSTEE FRAPWELL LEFT AT 9:26 A.M.

19. Receive presentation from Keith Pauley and Stan Kraska, LaSalle Investment Management, 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
- Current market environment effect on both U.S. and non-U.S. REITS during recent period of reduced liquidity and de-leveraging; merger and acquisition activity in 2006 and 2007 and impact to the future of REIT creation

KEITH PAULEY AND STAN KRASKA, LASALLE INVESTMENT MANAGEMENT HEARD, CHAIRMAN BARNES HEARD; TRUSTEE MAGGARD HEARD; JAMES RICE, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED PRESENTATION

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

TRUSTEE MAGGARD LEFT AT 10:03 A.M.

20. Discussion and appropriate action concerning KCERA's Second Quarter 2008 investment performance, presented by James P. Rice, Wilshire Associates, Inc.– JAMES RICE, WILSHIRE ASSOCIATES, INC. HEARD, CHAIRMAN BARNES HEARD; TRUSTEES DENNEY, FRANEY AND KAUFMAN HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD VIA CONFERENCE CALL

RECEIVED AND FILED

**Denney-Camps – 6 Ayes; 2 Absent – Frapwell, Maggard**

21. Discussion and appropriate action concerning KCERA Manager Watch List and recommended action to remove PIMCO Stocks Plus account presented by James P. Rice, Wilshire Associates, Inc. – JAMES RICE, WILSHIRE ASSOCIATES, INC. HEARD

RECEIVED AND FILED; APPROVED RECOMMENDATION TO REMOVE PIMCO FROM WATCH LIST

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

22. Discussion and appropriate action on proposed hedge fund of fund managers, presented by James P. Rice, Wilshire Associates, Inc. and the Investment Committee – JAMES RICE, WILSHIRE ASSOCIATES, INC. HEARD, TRUSTEE KAUFMAN HEARD

RECEIVED AND FILED; APPROVED RECOMMENDATION TO SELECT BLACKSTONE ALTERNATIVE ASSET MANAGEMENT L.P. AND J.P. MORGAN ASSET MANAGEMENT AS FINALISTS TO PRESENT TO THE BOARD OF RETIREMENT

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

23. Report from KCERA Management – NONE
24. Report from County Counsel – NONE
25. 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 – NONE

**BOARD MEMBER ANNOUNCEMENTS AND REPORTS**

26. 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
27. ADJOURNED TO WEDNESDAY, SEPTEMBER 24, 2008 AT 8:30 A.M.

**Denney-Camps – 6 Ayes; 2 Absent – Frapwell, Maggard**

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Secretary, Board of Retirement

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Chairman, Board of Retirement