

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment/Regular Board Meeting  
Wednesday November 19, 2008

8:32 a.m.

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

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

Salute to Flag – LED BY CHAIRMAN BARNES

Moment of Silence –

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

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

- October 6, 2008, Disability Application Committee
- October 8, 2008, Investment Board
- October 13, 2008, Information Technology Committee
- October 13, 2008, Facility Ad Hoc Committee
- October 22, 2008, Regular Board
- October 31, 2008, Facility Ad Hoc Committee

RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

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

**Briggs-Frapwell – 9 Ayes**

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

**Briggs-Frapwell – 9 Ayes**

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

**Briggs-Frapwell – 9 Ayes**

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

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*6. Semi-annual over and underpayment adjustments reports from January 1, 2008 to October 31, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*7. Monthly report of KCERA credit card charges for the month of September 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*8. Annual review of Statement of Interest Crediting Policy – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*9. Petition for Birth Date Change from KCERA member Melissa L. Routh – RECEIVED AND FILED; APPROVED

**Briggs-Frapwell – 9 Ayes**

- \*10. Invitation for trustees and/or staff to attend the Wharton University of Pennsylvania Investment Strategies and Portfolio Management educational course, December 1 through 5, 2008, in Pennsylvania – RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEE BOB JEFFERSON

**Briggs-Frapwell – 9 Ayes**

- \*11. Invitation for trustees and/or staff to attend the 13<sup>th</sup> Annual Super Bowl of Indexing Conference, December 7 through 9, 2008, in Phoenix, Arizona – RECEIVED AND FILED; APPROVED ATTENDANCE OF EXECUTIVE DIRECTOR ANNE M. HOLDREN, ADOPT RESOLUTION ACCEPTING DONATION OF MEALS, LODGING AND TRAVEL EXPENSES FROM THE INFORMATION MANAGEMENT NETWORK

**Briggs-Frapwell – 9 Ayes**

- \*12. Invitation for trustees and/or staff to attend the Public Fund Boards Forum, December 13 through 16, 2008, in San Francisco – RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEES PHIL FRANEY AND JOESPH HUGHES

**Briggs-Frapwell – 9 Ayes**

- \*13. Personal/Professional Services Agreement between Kern County Employees' Retirement Association and Linea Solutions, Inc. for oversight project management and quality assurance for new pension administration software implementation services in an amount not to exceed \$1, 228, 398 million including travel expenses; RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

**Briggs-Frapwell – 9 Ayes**

- \*14. Investment Management Agreement between State Street Global Advisors and Kern County Employees' Retirement Association for investment in the Treasury Inflation Protected Securities Index Non-Lending Fund in an amount of approximately \$70 million – RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

**Briggs-Frapwell – 9 Ayes**

- \*15. Proposed letter to J.P. Morgan Fleming Asset Management concerning manager presentation at December 10, 2008, Investment Board meeting – RECEIVED AND FILED; APPROVED

**Briggs-Frapwell – 9 Ayes**

- \*16. SACRS Board of Directors' Election Notification for 2009-2010, October 31, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*17. Milliman, Inc. Software Tool License Agreement for the annual valuation projection modeling software – RECEIVED AND FILED; AND, RATIFIED APPROVAL OF EXECUTIVE DIRECTOR

**Briggs-Frapwell – 9 Ayes**

- \*18. Amendment to Real Estate Purchase and Sale Contract and Joint Escrow Instruction between Kern County Employees' Retirement Association and Castle & Cooke to extend completion of title review process to November 20, 2008 and define close of escrow date requirements – RECEIVED AND FILED; APPROVED; RATIFIED APPROVAL OF EXECUTIVE DIRECTOR

**Briggs-Frapwell – 9 Ayes**

- \*19. Barclays Global Investors, Active International Equity Strategy, Strategy Commentary, Third Quarter 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*20. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, September 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*21. Barclays Global Investors, International Equity, Strategy Commentary, September 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*22. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, September & Q3 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*23. Barclays Global Investors, US Equity Index Strategies, Strategy Commentary, Third Quarter 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*24. Barclays Global Investors, Performance Reports, October 1, 2008

- Active International Equity
- Alpha Tilts
- Equity Index

RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*25. Email from Kevin Ferguson, Glass Lewis, regarding the 2008 Glass Lewis Client Survey Results, October 21, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*26. Goldman Sachs Asset Management, Monthly Portfolio Analytics Report as of September 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*27. La Salle Investment Management performance and activity report for KCERA's global mandate as of September 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*28. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of September 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*29. Letter from Karen Steffen, Milliman, Inc. requesting to work with the County on retirement benefit costs for union negotiations – RECEIVED AND FILED; APPROVED

**Briggs-Frapwell – 9 Ayes**

- \*30. Northern Trust Company, Market to Book, Weekly Securities Lending Report for period ending October 31, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*31. Northern Trust Company, Short Term Market Update, Weekly Securities Lending Report, November 5, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*32. Northern Trust Notice of Securities Lending Cash Collateral Investment Activities, November 7, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*33. Pantheon Ventures, Inc., USA Fund III LP, Investment Adviser's report for quarter ending June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*34. Pantheon Ventures, Inc., Global Secondary Fund III "B" LP, Investment Adviser's report for quarter ending June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*35. Pantheon Ventures, Inc., USA Fund V LP, Investment Adviser's report for quarter ending June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*36. Pantheon Ventures, Inc., USA Fund VI LP, Investment Adviser's report for quarter ending June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*37. Pantheon Ventures, Inc., USA Fund VII LP, Investment Adviser's report for quarter ending June 30, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*38. State Street Global Advisors, Investment Commentary – Kern County ERA Russell 2000 Index Plus, 3<sup>rd</sup> Quarter 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*39. Memo from Eileen Neill, Wilshire Associates, Inc. with recommendation to continue security lending program with the Northern Trust Company – RECEIVED AND FILE; APPROVED

**Briggs-Frapwell – 9 Ayes**

- \*40. Memo from Eileen Neill, Wilshire Associates, Inc., recommending suspension of Clifton Group Policy Investment Overlay Program – RECEIVED AND FILED; APPROVED

**Briggs-Frapwell – 9 Ayes**

- \*41. Memo from Eileen Neill, Wilshire Associates, Inc. reporting on due diligence meetings on October 15, 2008 with AXA Rosenberg and on October 16, 2008 with Milliman, Inc. – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*42. KCERA 2008 Strategic Plan as of November 19, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*43. KCERA Manager Watch List as of November 19, 2008 – RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

- \*44. KCERA Investment Manager Due Diligence Schedule as of November 19, 2008 –RECEIVED AND FILED

**Briggs-Frapwell – 9 Ayes**

PUBLIC COMMENTS

45. 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
46. Discussion and appropriate action on the draft KCERA audited financial statements for the fiscal year ending June 30, 2008, presented by Steven Starbuck and Connie Perez, Brown Armstrong, Paulden, McCown, Starbuck & Keeter and the Audit Actuarial Committee – STEVEN STARBUCK, BROWN ARMSTRONG, PAULDEN, MCCOWN, STARBUCK & KEETER, HEARD; CHAIRMAN BARNES HEARD; TRUSTEE HUGHES HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED FISCAL YEAR 2007-08 AUDIT PROGRAM AND THE KCERA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008; EXECUTIVE DIRECTOR ANNE HOLDREN RECOGNIZED STAFF FOR A JOB WELL DONE, WITH SPECIAL RECONGINITION TO SHERYL LAWRENCE AND JOSIAH VENCEL ON THE CAFR

**Frapwell-Denney – 9 Ayes**

47. Receive presentation on Blackstone Alternative Asset Management L.P.'s hedge fund of funds, one of two finalists recommended by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee, presented by Edwin Conway, Blackstone Alternative Asset Management L.P. – EDWIN CONWAY, BLACKSTONE ALTERNATIVE ASSET MANAGEMENT L.P., HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES HEARD; CHAIRMAN BARNES HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

**Briggs-Frapwell – 9 Ayes**

48. Receive presentation from Daniel Blumhardt, Prentice Ng and Lee Wanie, Barclays Global Investors, 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
  - Lessons learned from events of Summer 2007, process changes, and recent activities in the funds

DANIEL BLUMHARDT, PRENTICE NG AND LEE WANIE, BARCLAYS GLOBAL INVESTORS, HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES HEARD; CHAIRMAN BARNES HEARD

RECEIVED PRESENTATION

**Hughes-Frapwell – 9 Ayes**

49. Discussion and appropriate action on Western Asset Management Company's proposal to net out open derivative positions across KCERA's bond accounts presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL, WILSHIRE ASSOCIATES, INC. HEARD; CHAIRMAN BARNES HEARD; TRUSTEES BRIGGS AND FRAPWELL HEARD

RECEIVED AND FILED; APPROVED RECOMMENDATION TO REQUEST WESTERN ASSET MANAGEMENT COMPANY FILE A CLAIM ON KCERA'S BEHALF FOR THE AMOUNT OWED BY LEHMAN

**Frapwell-Briggs – 9 Ayes**

ITEMS HEARD OUT OF ORDER TO ACCOMMODATE PRESENTER, DAN ROBINSON, WHO WAS DELAYED BY TRAFFIC

51. Discussion and appropriate action on establishing Internal Revenue Code Section 501(c) corporation as holding company of Lot No. CATT0723-0723-0001-0023019807, 11103 River Run Boulevard, Bakersfield, CA 93311 for building development presented by Mark Bateman, LeBeau-Thelen, LLP and the Facility Assessment Ad hoc Committee – MARK BATEMEN, LEBEAU-THELEN, LLP HEARD; CHAIRMAN BARNES HEARD; TRUSTEES FRAPWELL AND DENNEY HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD

RECEIVED AND FILED; APPROVED ARTICLES OF INCORPORATION

**Frapwell-Jefferson – 9 Ayes**

DESIGNATED EXECUTIVE DIRECTOR ANNE M. HOLDREN AS AGENT FOR SERVICES OF PRECESS

**Frapwell-Jefferson – 9 Ayes**

51. Continued

DESIGNATED CHAIRMAN BARNES AND TRUSTEES BRIGGS AND FRANEY AS DIRECTORS OF THE CORPORATION; CHAIRMAN BARNES AS PRESIDENT OF THE CORPORATION; TRUSTEE FRANEY AS CHIEF FINANCIAL OFFICER (CFO); AND DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH AS SECRETARY OF THE CORPORATION.

**Hughes- Denney – 9 Ayes**

AUTHORIZED CHAIRMAN TO SIGN DOCUMENTS NECESSARY FOR FORMATION OF CORPORATION SUBJECT TO COUNTY COUNSEL REVIEW

**Hughes- Frapwell – 9 Ayes**

TRUSTEE MAGGARD LEFT AT 10:20 A.M.

52. Discussion and appropriate action on final experience study for 2006, 2007 and 2008, presented by Karen Steffen, Milliman, Inc. and the Audit Actuarial Committee – KAREN STEFFEN, MILLIMAN, INC., HEARD; CHAIRMAN BARNES HEARD; TRUSTEES DENNEY AND FRANEY HEARD; MEMBER OF THE AUDIENCE HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD

RECEIVED AND FILED; ADOPTED RECOMMENDED ECONOMIC AND NON-ECONOMIC ASSUMPTIONS

**Frapwell-Briggs – 8 Ayes, 1 Absent - Maggard**

53. Discussion and appropriate action on revision to the KCERA's funding policy to create a new Cost Group for the Total Normal Cost rate for Tier II members, reestablish the aggregate Cost Group for the Total Normal Cost rate for Tier I members, create three new groups for County member contributions, and provide more cost sharing with one aggregate member contribution offset of 3.0% presented by Karen Steffen, Milliman Inc. and the Audit Actuarial Committee – KAREN STEFFEN, MILLIMAN, INC., HEARD; TRUSTEE FRAPWELL HEARD

RECEIVED AND FILED; ADOPTED FUNDING POLICY REVISIONS

**Frapwell-Denney – 8 Ayes, 1 Absent**

50. Discussion and appropriate action on the due diligence report for purchase of Lot No. CATT0723-0723-0001-0023019807, 11103 River Run Boulevard, Bakersfield, CA 93311 and authorization to deposit additional \$50,000 into escrow to proceed with property acquisition under specified conditions, presented by Dan Robinson, American Realty Advisors, Mark Bateman, LeBeau-Thelen, LLP, and the Facility Assessment Ad hoc Committee – DAN ROBINSON, AMERICAN REALTY ADVISORS HEARD; MARK BATEMAN, LEBEAU-THELEN, LLP HEARD; CHAIRMAN BARNES HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD

50. Continued

RECEIVED AND FILED; APPROVED DUE DILIGENCE REPORT; AUTHORIZED EXECUTIVE DIRECTOR TO EXECUTE AND DELIVER WRITTEN NOTICE OF PURCHASER'S ELECTION TO APPROVE IN WRITING ITS INSPECTIONS OF THE PROPERTY AND THE SELLER MATERIALS PURSUANT TO SECTION 5(a)(ii) OF THE PURCHASE CONTRACT; AND AUTHORIZED SECOND \$50,000 ESCROW DEPOSIT PURSUANT TO SECTION 2 OF THE PURCHASE CONTRACT IN ORDER TO EXECUTE FINAL COMMITMENT OF PURCHASE OF PROPERTY.

**Briggs-Denney – 8 Ayes, 1 Absent – Maggard**

TRUSTEE HUGHES LEFT AT 11:40 A.M.

55. Discussion and appropriate action on staff recommendation to decline contributions collection efforts in the amount of approximately \$50,000 in employee contributions and \$350,000 in employer contributions in the matter of erroneous compensation earnable reporting made by Kern Medical Center between December 23, 2006 and February 29, 2008 presented by Executive Director Anne M. Holdren – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; ASSISTANT AUDITOR CONTROLLER GLEN SPENCER HEARD

RECEIVED AND FILED; APPROVED RECOMMENDATION TO DECLINE COLLECTION OF EMPLOYEE CONTRIBUTIONS BY KCERA; AUDITOR CONTROLLER TO COLLECT EMPLOYERS CONTRIBUTIONS

**Briggs-Denney – 7 Ayes, 2 Absent – Hughes, Maggard**

56. Discussion and appointments to Nominating Committee by Chairman (two members) and the Board (two members) to propose a slate of officers for KCERA for the 2009 calendar year – CHAIRMAN BARNES HEARD; TRUSTEE BRIGGS AND FRAPWELL HEARD

CHAIRMAN BARNES APPOINTED TRUSTEES HUGHES AND DENNEY TO THE NOMINATING COMMITTEE; THE BOARD APPOINTED TRUSTEES BRIGGS AND FRAPWELL TO THE NOMINATING COMMITTEE

**Briggs-Ratekin – 7 Ayes, 2 Absent – Hughes, Maggard**

54. Demonstration of the Projection Modeling Tool - a customized asset liability model - for KCERA to evaluate the potential impacts of future experience on funding status and benefit levels presented by Karen Steffen, Milliman, Inc. – KAREN STEFFEN, MILLIMAN, INC. HEARD

RECEIVED AND FILED

**Frapwell-Briggs – 7 Ayes, 2 Absent – Hughes, Maggard**

57. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN RECOGNIZED ROBIN WELCH ON HER PROMOTION TO OFFICE SERVICES TECHNICIAN WITH KCERA.
58. Report from County Counsel – NONE

59. Reports from Committee Chairs:

- A. Audit/Actuarial Committee – Committee met on November 3, 2008
- B. Budget Committee – NONE
- C. Disability Application Committee – In Executive Session
- D. Facility Ad hoc Committee – Committee met on October 31, 2008
- E. Human Resources Committee – Committee scheduled to meet December 2, 2008
- F. Information Technology Committee – NONE
- G. Investment Committee – Committee meeting following board meeting November 19, 2008

**BOARD MEMBER ANNOUNCEMENTS AND REPORTS**

60. 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

ADJOURNED TO EXECUTIVE SESSION

**Frapwell-Briggs – 7 Ayes; 2 Absent – Hughes, Maggard**

EXECUTIVE SESSION

DISABILITY RETIREMENT APPLICATIONS – PERSONNEL EXCEPTION (GOVERNMENT CODE §54957; PUBLIC EMPLOYEE PERFORMANCE EVALUATION):

61. A. CAMACHO, John Application for service-connected disability pension benefits – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HIS DUTIES

**Frapwell-Barnes – 7 Ayes; 2 Absent – Hughes, Maggard**

GRANTED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720.5

**Frapwell-Barnes – 7 Ayes; 2 Absent – Hughes, Maggard**

62. A. BUCHANAN, Mary Applications for non-service connected disability pension – GRANTED NON-SERVICE CONNECTED DISABILITY PENSION BENEFITS

**Frapwell-Barnes – 7 Ayes; 2 Absent – Hughes, Maggard**

63. A. RAMIREZ, Arturo Proposed Decision and Findings of Fact submitted by Hearing Officer Deborah Z. Wissley – ADOPTED THE HEARING OFFICER'S PROPOSED DECISION TO DENY SERVICE CONNECTED DIASABILITY. RECEIVED AND FILED THE FINDINGS OF FACT

**Frapwell-Denney – 7 Ayes; 2 Absent – Hughes, Maggard**

RETURNED TO PUBLIC SESSION

**Frapwell-Briggs – 7 Ayes; 2 Absent – Hughes, Maggard**

CHAIRMAN BARNES SUMMARIZED DECISIONS MADE DURING EXECUTIVE SESSION

ADJOURNED TO WEDNESDAY, December 10, 2008 AT 8:30 A.M.

**Frapwell-Briggs – 7 Ayes; 2 Absent – Hughes, Maggard**

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Secretary, Board of Retirement

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Chairman, Board of Retirement