

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment/Regular Board Meeting  
Wednesday December 10, 2008

8:33 a.m.

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

Roll Call: Barnes, Briggs, Denney, Frapwell, Hughes, Jefferson, Mainland, Alternate Franey, Alternate Kaufman

Absent: Maggard, Ratekin, Alternate Camps

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:

- November 3, 2008, Audit-Actuarial Committee
- November 10, 2008, Disability Application Committee
- November 19, 2008, Investment/Regular Board
- November 19, 2008, Investment Committee

RECEIVED AND FILED

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

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

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

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

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

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

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

- \*5. Securities Lending Earnings Summary Statement for the period October 1 through 31, 2008 from the following:

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

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

- \*6. Monthly report of KCERA credit card charges for the month of October 2008 – RECEIVED AND FILED

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

- \*7. Proposed Amendment No. 3 to the Personal/Professional Services Agreement between Cortex Applied Research, Inc. and Kern County Employees' Retirement Association, in an amount not to exceed \$66,750 plus reimbursable travel expenses to include provision for work in the following services and other initiatives:

- Participation in the annual off-site planning session (\$10,250)
- Annual Governance Maintenance Service (\$32,000)
- Board Education Needs Assessment (\$3,000)
- Other services as need (\$21,500)

APPROVED AMENDMENT NO. 3 TO PERSONAL/PROFESSIONAL SERVICES AGREEMENT BETWEEN CORTEX APPLIED RESEARCH, INC. AND KCERA; AUTHORIZED CHAIRMAN TO SIGN

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

- \*8. Proposed letter to Western Asset Management Company concerning manager presentation at January 14, 2009, Investment Board meeting – RECEIVED AND FILED; APPROVED

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

- \*9. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, October 2008 – RECEIVED AND FILED

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

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

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

- \*11. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, October 2008 – RECEIVED AND FILED

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

- \*12. Correspondence from Richard Ballsrud, Senior Portfolio Manager and Principal of The Clifton Group dated November 11, 2008 concerning the policy overlay program – RECEIVED AND FILED

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

- \*13. The Clifton Group, PIOS – Policy Implementation Overlay Service, 3<sup>rd</sup> Quarter Update – RECEIVED AND FILED

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

- \*14. Proposed Pricing Addendum I for a one-year renewal term of the Agency Service Agreement with Glass, Lewis & Co., L.L.C., for continuance of proxy voting services in the amount of \$39,210 annually to include set up for up to six accounts, proxy voting execution for up to 2,100 ballot submissions, and proxy research and voting recommendations for up to 750 U.S. and up to 300 global meetings, with a per ballot charge for additional ballots – RECEIVED AND FILED; APPROVED ONE-YEAR RENEWAL TERM; AUTHORIZED CHAIRMAN TO SIGN

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

- \*15. Goldman Sachs Asset Management, US Core Plus Fixed Income, as of October 31, 2008 – RECEIVED AND FILED

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

- \*16. La Salle Investment Management performance and activity report for KCERA's global mandate as of October 31, 2008 – RECEIVED AND FILED

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

- \*17. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of October 31, 2008 – RECEIVED AND FILED

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

- \*18. Northern Trust Company, Market to Book, Weekly Securities Lending Report for period ending November 24, 2008 – RECEIVED AND FILED

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

- \*19. Pacific Investment Management Company (PIMCO) StocksPLUS<sup>®</sup> L.P. Fund B investment report as of September 30, 2008 – RECEIVED AND FILED

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

- \*20. State Street Global Advisors account summary as of October 31, 2008 – RECEIVED AND FILED

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

- \*21. KCERA 2008 Strategic Plan as of December 10, 2008 – RECEIVED AND FILED

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

- \*22. KCERA Investment Manager Due Diligence Schedule as of December 10, 2008 – RECEIVED AND FILED

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

- \*23. Correspondence from Julia Bonafede, Wilshire Associates, Inc. concerning a shift to a paperless delivery model of performance reports beginning with the fourth quarter reports, dated November 10, 2008 – RECEIVED AND FILED

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

- \*24. Proposal from Eileen Neill, Wilshire Associates, Inc. to appoint James Rice as “back up” consultant to the KCERA Board of Retirement in the event of the absence of KCERA’s primary Wilshire investment consultant; reviewed and recommended by the KCERA Investment Committee – RECEIVED AND FILED; APPROVED

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

PUBLIC COMMENTS

25. 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 – DAN VILLING, PUBLIC, HEARD; JAMES RICE, WILSHIRE ASSOCIATE, INC., HEARD; CHAIRMAN BARNES HEARD; EXECUTIVE DIRECTOR ANNE HOLDREN HEARD

QUESTION TO THE BOARD FROM MR. VILLING REGARDING THE PERFORMANCE OF THE PENSION FUND OVER THE PAST SEVERAL MONTHS. EXECUTIVE DIRECTOR ANNE M. HOLDREN RESPONDED. JAMES RICE, WILSHIRE ASSOCIATES, INC., RESPONDED

26. Receive presentation from Joel Damon and Nigel Emmet, JP Morgan Asset Management on the following topics pertaining to the EAFE Plus Equity Fund:
- 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
  - Discussion of European and Asian economics and how the liquidity crisis is being manifested in Europe and Asia (i.e., health of financial institutions, effect on major employers in the regions, currency impact, etc.)

26. Continued:

JOEL DAMON AND NIGEL EMMET, JP MORGAN ASSET MANAGEMENT HEARD; MICHAEL SCHLACHTER, WILSHIRE ASSOCIATE, INC. HEARD; CHAIRMAN BARNES HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

**Frapwell-Jefferson – 7 Ayes, 2 Absent – Maggard, Ratekin**

27. Receive presentation as one of two finalists recommended by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee on J.P. Morgan Asset Management's hedge fund of funds, one of two investment manager finalists recommended by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee, presented by Scott Stein and Richard Bersch, - JOEL DAMON, SCOTT STEIN AND RICHARD BERSCH, JP MORGAN ASSET MANAGEMENT HEARD; JAMES RICE AND MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC. HEARD; CHAIRMAN BARNES HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD

RECEIVED PRESENTATION

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

28. Receive presentation pertaining to Pyramis Global Advisors' announcement to enter into a sub-advisory relationship with a new management company comprised of current members of the Fidelity Real Estate Group for management of investment-related activities of Fidelity Real Estate Group (FREG) I, II, and III funds presented by Pyramis representatives, Michael Elizondo, Jeff Gandel, and Art Greenwood – MICHAEL ELIZONDO, JEFF GANDEL, AND ART GREENWOOD, PYRAMIS GLOBAL ADVISORS, HEARD; MICHAEL SCHLACHTER, WILSHIRE ASSOCIATE INC., HEARD; CHAIRMAN BARNES HEARD; TRUSTEE DENNEY, FRANEY AND FRAPWELL HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

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

29. Discussion and appropriate action concerning KCERA's Third Quarter 2008 investment performance, presented by James Rice, Wilshire Associates, Inc. – JAMES RICE AND MICHAEL SCHLACHTER, WILSHIRE ASSOCIATE INC., HEARD; CHAIRMAN BARNES HEARD, TRUSTEE FRANEY HEARD

RECEIVED AND FILED

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

30. KCERA Manager Watch List as of December 10, 2008 presented by Michael C. Schlachter, Wilshire Associates, Inc. – MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC. HEARD

RECEIVED AND FILED; REMOVED J.P. MORGAN ASSET MANAGEMENT FROM KCERA MANAGER WATCH LIST

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

31. Discussion and appropriate action regarding KCERA's interest in sending a proposed letter to Northern Trust related to its Securities Lending Program as initiated by other California retirement systems, presented by James Rice, Wilshire Associates, Inc. – JAMES RICE AND MICHAEL SCHLACHTER, WILSHIRE ASSOCIATE, INC. HEARD; CHAIRMAN BARNES HEARD; TRUSTEES FRANNEY AND FRAPWELL HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN

RECEIVED AND FILED; APPROVED WILSHIRE ASSOCIATES, INC. RECOMMENDATION NOT TO SEND THE PROPOSED LETTER IN ITS CURRENT FORM

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

32. Discussion and appropriate action regarding adoption of revisions to By-laws to establish “normal retirement ages” for General and Safety members at ages 53 and 51, respectively, pursuant to regulations promulgated by the Internal Revenue Service and to establish criteria and procedures to ensure a bona fide separation from service to avoid violating IRS prohibitions on “in service distributions” presented by Deputy County Counsel Patricia J. Randolph – DEPUTY COUNTY COUNSEL HEARD; CHAIRMAN BARNES HEARD; TRUSTEES DENNEY, FRANNEY AND FRAPWELL HEARD

RECEIVED AND FILED; ADOPTED RESOLUTION; ADOPTED REVISED BY-LAWS TO ESTABLISH NORMAL RETIREMENT AGES FOR GENERAL AND SAFETY MEMBERS AND BONA FIDE SEPARATION FROM SERVICE CRITERIA; APPROVED FORM FOR COMPLETION BY MEMBERS AT TIME OF RETIREMENT FOR SERVICE; AND REFER TO BOARD OF SUPERVISORS FOR ADOPTION OF BY-LAW REVISIONS

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

33. Discussion and appropriate action on SACRS supplemental legislation proposal for co-sponsorship of CRCEA language that related to board of retirement elections – an Act to amend Sections 31520.1, 31520.3, and 31520.5 of, to repeal and add Section 31523, and to add Section 31523.1 of the Government Code, relating to county retirement, presented by Deputy County Counsel, Patricia Randolph – DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD; CHAIRMAN BARNES HEARD; TRUSTEES DENNEY, FRANNEY AND MAINLAND HEARD, EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED, APPROVED NON- SUPPORT TO PROPOSED LEGISLATION AND DIRECTED COUNTY COUNSEL TO SEND AN EXPLANATION FOR NON-SUPPORT TO SACRS LEGISLATIVE COMMITTEE AND ALL OTHER SACRS SYSTEM MEMBERS

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

34. Report from KCERA Management – Executive Director Anne M. Holdren indicated no formal report however did speak to the following topics:
- Linea Solutions will be meeting with KCERA staff on December 11 to review business requirements for the new pension system.
  - Venterra has been working on the new system's hardware infrastructure with staff and Linea Solutions.

34. Continued

**Monthly Activity Summary**

<b>Membership</b>	<u>2007</u>	<u>Current</u>	
Active	9,017	9189	
Retirees/Beneficiaries	5,434	5619	
Deferred/Reciprocal	1,056	1054	
Total Membership	15,507	15862	
<b>Membership Activities</b>	<u>2007</u>	<u>November 2008</u>	<u>Year To Date</u>
New Actives	1,401	96	916
New Retirees	300	26	302
New Beneficiaries	54	3	64
Withdrawals			
Vested	49	7	32
Non-Vested	449	20	345
<b>Member Services</b>	<u>2007</u>	<u>November 2008</u>	<u>Year To Date</u>
Service Credit			
Calculated	534	26	551
Lump Sum	250	11	160
Payroll Deductions	93	2	95
Retirement Estimates	506	71	352

35. Report from County Counsel - NONE

36. Reports from Committee Chairs:

A. Audit/Actuarial Committee – NONE

B. Budget Committee – NONE

C. Disability Application Committee – In Executive Session

D. Facility Assessment Ad hoc Committee – Escrow Closed on Property

E. Human Resources Committee – In Executive Session

F. Information Technology Committee – NONE

G. Investment Committee – Meeting to Follow

**BOARD MEMBER ANNOUNCEMENTS AND REPORTS**

37. 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

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

EXECUTIVE SESSION

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

38. Applications for service-connected disability pension benefits:

- A. AMOS, Kina Application for service-connected disability pension benefits – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HER DUTIES

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

GRANTED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

**Denney-Jefferson – 7 Ayes; 2 Absent – Maggard, Ratekin**

- B. SLAYTON, Richard Application for service-connected disability pension benefits – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HIS DUTIES

**Denney-Jefferson – 7 Ayes; 2 Absent – Maggard, Ratekin**

GRANTED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

**Denney-Jefferson – 7 Ayes; 2 Absent – Maggard, Ratekin**

- C. COLBERT, Dennis Application for service-connected disability pension benefits – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HIS DUTIES

**Denney-Jefferson – 7 Ayes; 2 Absent – Maggard, Ratekin**

GRANTED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

**Denney-Briggs – 7 Ayes; 2 Absent – Maggard, Ratekin**

39. Applications for non-service-connected disability pension benefits:

- A. MARTINEZ, Laura Application for non-service-connected disability pension benefits – GRANTED NON-SERVICE-CONNECTED DISABILITY PENSION BENEFITS

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

- B. RONQUILLO, Virginia Application for non-service-connected disability pension benefits – GRANTED NON-SERVICE-CONNECTED DISABILITY PENSION BENEFITS

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

40. Proposed Decision and Findings of Fact submitted by Hearing Officer Catherine Harris:

- A. RODRIGUEZ, Virginia Proposed Decision and Findings of Fact submitted by Officer Catherine Harris – RECEIVED AND FILED FINDINGS OF FACT; RECOMMENDED TO POSTPONE DECISION

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

EXECUTIVE DIRECTOR'S EVALUATION

41. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Title: KCERA Executive Director

RETURN TO PUBLIC SESSION/REPORT OF EXECUTIVE SESSION  
ACTIONS, IF APPLICABLE

RETURNED TO PUBLIC SESSION

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

CHAIRMAN BARNES SUMMARIZED DECISIONS MADE DURING  
EXECUTIVE SESSION

ADJOURNED TO WEDNESDAY, January 14, 2009 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