

**SUMMARY OF PROCEEDINGS**

**BOARD OF RETIREMENT – COUNTY OF KERN**

**1115 Truxtun Avenue  
Bakersfield, California**

**Regular Board Meeting  
Wednesday January 14, 2009**

**8:30 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, Mainland, Ratekin, Alternate Camps, Alternate Franey, Alternate Kaufman

Absent: Jefferson, Maggard

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. Election of Chairman and Vice Chairman for the year ending December 2009 – ELECT CHAIRMAN AND VICE CHAIRMAN – TRUSTEE BRIGGS HEARD.

ANNOUNCED NOMINATIONS SELECTED BY NOMINATING COMMITTEE IN DECEMBER 2008

JOSEPH HUGHES ELECTED CHAIRMAN; NORMAN BRIGGS ELECTED VICE CHAIRMAN

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

2. Presentation recognizing Brad Barnes' outstanding service to the Board of Retirement of the Kern County Employees' Retirement Association – MADE PRESENTATION TO MR. BARNES – CHAIRMAN HUGHES HEARD
- \*3. Summary of proceedings of the following meetings:
  - December 2, 2008, Human Resources Committee
  - December 8, 2008, Disability Application Committee
  - December 10, 2008, Investment/Regular Board
  - December 10, 2008, Nominating Committee
  - December 10, 2008, Investment Committee
  - December 18, 2008, Facility Ad Hoc Committee

RECEIVED AND FILED

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

- \*4. Monthly report of current disability retirement applications and appeals of KCERA Board decisions – RECEIVED AND FILED

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

- \*5. Monthly reports from the Retirement Association Office on members retired from service, deceased retirees, and deceased active members – RECEIVED AND FILED

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

- \*6. KCERA asset allocation, cash flow position, investment fees status report and budget status reports for the month of November 2008 – RECEIVED AND FILED

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

- \*7. KCERA Class Action Activity detail by Event Status as of December 31, 2008 and KCERA Class Action Proceeds Received from October 1, 2008 through December 31, 2008 – RECEIVED AND FILED

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

- \*8. Securities Lending Earnings Summary Statement for the period November 1 through 30, 2008 from the following:

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

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

- \*9. Monthly report of KCERA credit card charges for the month of November 2008 – RECEIVED AND FILED

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

- \*10. KCERA Board of Retirement 2009 standing committee assignments – RECEIVED AND FILED

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

- \*12. Semi-annual business plan status report prepared by Executive Director Anne M. Holdren – RECEIVED AND FILED

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

- \*14. Solarwinds Software License Agreement with Memorandum from Executive Director Anne M. Holdren – RECEIVED AND FILED; APPROVED

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

- \*15. KCERA 2008 Retirement Benefit Statement and Cover Letter Sample – RECEIVED AND FILED; APPROVED

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

- \*16. Letter to Goldman Sachs Asset Management regarding evaluation period in effect; dated December 15, 2008. – RECEIVED AND FILED

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

- \*17. Proposed letter to Pantheon Ventures, Inc. concerning manager presentation at February 11, 2009, Investment Board meeting – RECEIVED AND FILED; APPROVED

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

- \*18. Pyramis Global Advisors' internal repositioning of the Fidelity Real Estate Growth Funds I, II and III; Third Amendment to the First Amended and Restated Limited Partnership Agreement for Fidelity Real Estate Growth Fund II, L.P.; Fourth Amendment to the First Amended and Restated Limited Partnership Agreement for Fidelity Real Estate Growth Fund III, L.P. – RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

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

- \*19. Invitation for trustees and/or staff to attend the Northern Trust Company's 2009 Institutional Client Conference, February 18 through 20, 2009, in Santa Monica – RECEIVED AND FILED; APPROVED THE ATTENDANCE OF EXECUTIVE DIRECTOR ANNE M. HOLDREN

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

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

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

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

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

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

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

- \*23. La Salle Investment Management performance and activity report for KCERA's global mandate as of November 30, 2008 – RECEIVED AND FILED

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

- \*24. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of November 30, 2008 – RECEIVED AND FILED

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

- \*25. Correspondence from Julie A. Gonsch, The Northern Trust Company, dated December 12, 2008, concerning the Money Market Investor Funding Facility (MMIFF) Program – RECEIVED AND FILED

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

- \*26. Northern Trust Company, Core USA, Weekly Securities Lending Report for period ending December 19, 2008 – RECEIVED AND FILED

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

- \*27. Northern Trust Company, Market to Book, Weekly Securities Lending Report for period ending December 19, 2008 – RECEIVED AND FILED

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

- \*28. Correspondence from Matt Clark, Pacific Investment Management Company (PIMCO), regarding the underperformance of the PIMCO StocksPLUS LP B Strategy in November 2008 – RECEIVED AND FILED

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

- \*29. Pyramis Global Advisors, Fidelity Real Estate Growth Fund II, L.P., Investment Management Review, Third Quarter 2008 – RECEIVED AND FILED

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

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

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

- \*31. Correspondence from Western Asset Management Company dated December 16, 2008, concerning corporate action that relates to GMAC and/or ResCap holdings – RECEIVED AND FILED

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

- \*32. KCERA 2008 Strategic Plan as of January 14, 2009 – RECEIVED AND FILED

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

- \*33. KCERA Manager Watch List as of January 14, 2009 – RECEIVED AND FILED

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

- \*34. KCERA Investment Manager Due Diligence Schedule as of January 14, 2009 – RECEIVED AND FILED

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

11. Kern County Employee's Retirement Association Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2008 and 2007 – TRUSTEE BRIGGS HEARD

RECOGNIZED SHERYL LAWRENCE AND JOSIAH VENCEL ON QUALITY AND CONTENT OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT – RECEIVED AND FILED

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

13. Amendment Number 4 to the Professional Services Agreement At-Will Contract Employee for Executive Director Anne M. Holdren – TRUSTEE BARNES HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED AMENDMENT NO. 4 TO PROFESSIONAL SERVICE AGREEMENT WITH ANNE M. HOLDREN AND AUTHORIZED CHAIRMAN TO SIGN; SUSPENDED EFFECTIVE DATE OF STEP INCREASE

**Briggs-Barnes – 7 Ayes; 2 Absent – Jefferson, Maggard**

PUBLIC COMMENTS

35. 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; CHAIRMAN HUGHES HEARD; TRUSTEE BARNES HEARD, DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD

SUGGESTIONS BY MR. DAN VELLING PRESENTED TO THE BOARD REGARDING INVESTMENTS AND TWO SPECIFIC QUESTIONS REGARDING MANAGERS AND INVESTMENTS; CHAIRMAN HUGHES, TRUSTEE BARNES AND DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH RESPONDED

36. Receive presentation from Frances Coombes and Thomas McMahon, Western Asset Management Company, 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
  - (Core) Discussion of economic forecast for 2009 and expected performance of currently illiquid portfolio holdings given that forecast. Discussion of most likely scenarios and what backstops are for current portfolio positions if economic conditions turn worse than anticipated.
  - (High Yield) Given no new high yield issuance, discuss portfolio positioning for 2009 and expected performance of lower quality (i.e., CCC and below) portfolio holdings under economic projections for 2009.

36. Continued:

FRANCES COOMBES AND THOMAS MCMAHON, WESTERN ASSET MANAGEMENT COMPANY, HEARD; JAMES RICE, WILSHIRE ASSOCIATES, HEARD; CHAIRMAN HUGHES HEARD, TRUSTEES DENNEY AND FRANNEY HEARD

RECEIVED PRESENTATION

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

37. Discussion and appropriate action on search and evaluation of core and high yield fixed income managers for potential replacement of Goldman Sachs Asset Management presented by James Rice, Wilshire Associates, Inc. and the Investment Committee – JAMES RICE, WILSHIRE ASSOCIATE, INC. HEARD, DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD

RECEIVED AND FILED; RATIFIED EVALUATION PERIOD COMMENCED DECEMBER 15, 2008 BY THE EXECUTIVE DIRECTOR FOR THE FOLLOWING MANAGERS: GOLDMAN SACHS ASSET MANAGEMENT, BLACKROCK INC, PACIFIC INVESTMENT MANAGEMENT COMPANY, LOGAN CIRCLE PARTNERS, L.P. AND PENN CAPITAL MANAGEMENT

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

38. Receive presentation from Matt Clark, Jesse Pricer, and Mark Romano, Pacific Investment Management Company (PIMCO), as one of two finalists for a core fixed income manager to potentially replace Goldman Sachs Asset Management, recommended by Wilshire Associates, Inc. and the Investment Committee – MATT CLARK, JESSE PRICER, AND MARK ROMANO, PACIFIC INVESTMENT MANAGEMENT COMPANY HEARD; JAMES RICE, WILSHIRE ASSOCIATES, INC., HEARD, CHAIRMAN HUGHES HEARD; TRUSTEES BRIGGS, FRANNEY AND MAINLAND HEARD, EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

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

39. Receive presentation from Andy Phillips and Dan McLaughlin, BlackRock, Inc. as one of two finalists for a core fixed income manager to potentially replace Goldman Sachs Asset Management, recommended by Wilshire Associates, Inc. and the Investment Committee – ANDY PHILLIPS AND DAN MCLAUGHLIN, BLACKROCK, INC., HEARD, JAMES RICE, WILSHIRE ASSOCIATES, INC., HEARD, CHAIRMAN HUGHES HEARD; TRUSTEES BARNES AND FRANNEY HEARD

RECEIVED PRESENTATION

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

40. Discussion and appropriate action on recommendation to hire Blackstone Alternative Asset Management L.P. as a hedge fund of fund manager for the remainder of the funds available under the KCERA's current asset allocation policy of 3% allocation to hedge fund of funds, presented by James P. Rice, Wilshire Associates, Inc. and the Investment Committee – JAMES RICE, WILSHIRE ASSOCIATES, INC., HEARD, TRUSTEES BARNES, FRANEY, AND FRAPWELL HEARD. DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED RECOMMENDATION; DIRECTED STAFF AND COUNSEL TO COMMENCE CONTRACT NEGOTIATIONS WITH BLACKSTONE ALTERNATIVE ASSET MANAGEMENT L.P

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

41. Discussion and appropriate action on the selection of Taylor Teter Partnership as the architect for building development of a future KCERA administrative site at 11103 River Run Boulevard, Bakersfield, CA presented by Dan Robinson, American Realty Advisors and the Facility Ad hoc Committee – DAN ROBINSON, AMERICAN REALTY ADVISORS, HEARD

RECEIVED AND FILED; MAKE RECOMMENDATION TO HIRE TAYLOR TETER PARTNERSHIP FOR ARCHITECTURAL SERVICES INCLUDING ARCHITECTURAL DESIGN, STRUCTURAL ENGINEERING, MECHANICAL AND PLUMBING ENGINEERING, ELECTRICAL ENGINEERING, CIVIL ENGINEERING AND LANDSCAPE AND IRRIGATION DESIGN TO KCERA PROPERTY, INC.

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

42. Discussion and appropriate action on revisions to the Facility Ad hoc Committee charter presented by Executive Director Anne M. Holdren – RECEIVED AND FILED; APPROVED REVISIONS TO THE CHARTER

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

43. 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 J. Randolph – DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD

RECEIVED AND FILED, DETERMINED NOT TO SUPPORT PROPOSED LEGISLATION

**Barnes-Franey – 7 Ayes; 2 Absent – Jefferson, Maggard**

44. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN PROVIDED UPDATE ON LINEA, CPAS, AND VENTERA PLANNING MEETINGS FOR NEW PENSION SYSTEM; RECOGNIZED JOSIAH VENCEL, TRUSTEE RATEKIN AND CAMPS FOR THE COMPLETION OF A DVD AND HANDBOOK ON SAFETY RETIRMENT BENEFITS
45. Report from County Counsel – NONE

46. Reports from Committee Chairs:
- A. Audit/Actuarial Committee – Committee scheduled to meet January 26, 2009
  - B. Budget Committee – NONE
  - C. Disability Application Committee – NONE
  - D. Facility Ad hoc Committee – Committee met on December 18, 2008
  - E. Human Resources Committee – NONE
  - F. Information Technology Committee – NONE
  - G. Investment Committee – NONE

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

47. 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
48. ADJOURNED TO WEDNESDAY, January 28, 2009 AT 8:30 A.M.

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

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Secretary, Board of Retirement

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Chairman, Board of Retirement