

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment Board Meeting
Wednesday February 11, 2009

8:29 a.m.

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

Roll Call: Briggs, Denney, Chairman Hughes, Jefferson, Mainland, Ratekin, Alternate Franey, Alternate Kaufman

Absent: Barnes, Frapwell, Maggard, Alternate Camps

Salute to Flag – LED BY CHAIRMAN HUGHES

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:

- January 12, 2009, Disability Application Committee
- January 14, 2009, Investment Board
- January 26, 2009, Audit-Actuarial Committee
- January 28, 2009, Regular Board – Strategic Planning

RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

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

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *7. Reports provided by Executive Anne M. Holdren on:

- Unclaimed member contributions to be deposited into the pension reserve fund in the amount of \$22,310.09
- Collection of overpayments in the amount of \$8,980.44
- Underpayments issued for a total of \$1,214.14 and \$2,818.65 not issued to six decedents

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *8. Invitation for trustees and/or staff to attend the California Association of Public Retirement Systems Annual Conference 2009, March 1 through 3, 2009, in Monterey – RECEIVED AND FILED; APPROVED THE ATTENDANCE OF TRUSTEES BRIGGS, FRAPWELL, FRANEY, AND JEFFERSON, AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *10. Letter from Milliman Inc. on annual Cost-of-Living Adjustment (COLA) rates for 2009 – RECEIVED AND FILED; ADOPTED THE FOLLOWING ITEMS:

- 2.5% COLA TO EACH RETIREE AND BENEFICIARY RETIRING ON OR BEFORE APRIL 1, 2009;
- COLA ALLOCATION OF 2.0% TO COLA RESERVE, 0.5% TO COLA SUB-RESERVE WITHIN THE SUPPLEMENTAL RETIREE BENEFIT RESERVE (SRBR);
- 1.0% INCREASE TO THE COLA BANK OF EACH RETIREE AND BENEFICIARY RETIRING ON OR BEFORE APRIL 1, 2009

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *11. AXA Rosenberg performance summary as of December 31, 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *12. AXA Rosenberg, Market Commentary, Fourth Quarter 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *13. Barclays Global Investors, Active International Equity, Strategy Commentary, Fourth Quarter 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *14. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, December and Q4 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *16. Correspondence from Andrew Barth and Shaw Wagener, Capital Guardian Trust Company and Capital International, respectively, January 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *17. The Clifton Group, Index Volatility – 20 Day Moving Average, January 23, 2008 through January 16, 2009– RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *18. Correspondence from Mike Keough and Seth Healy, Goldman Sachs Asset Management (GSAM) requesting an opportunity to meet with the Board and providing an overview of KCERA's portfolio performance, January 16, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *19. Correspondence from Goldman Sachs Asset Management (GSAM) informing clients that Gregg Felton has been named to head of Global Corporate Credit within the GSAM's Global Fixed Income team, January 20, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *20. Correspondence via email from Stephanie Spector, Goldman Sachs Asset Management (GSAM), Investment Management Division, providing information regarding the downgrading of Nortel Networks from B to D by the S&P on January 14, 2009, email sent January 20, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *21. Goldman Sachs Asset Management, Core Fixed Income, Investment Commentary 4 Quarter 2008– RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *22. Pantheon USA Fund III, L.P., Investment Adviser's Report, for quarter ended September 30, 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *23. Pantheon Global Secondary Fund III B, L.P., Investment Adviser's Report, for quarter ended September 30, 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *24. Pantheon USA Fund V, L.P., Investment Adviser's Report, for quarter ended September 30, 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *25. Pantheon USA Fund VI, L.P., Investment Adviser's Report, for quarter ended September 30, 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *26. Pantheon USA Fund VII, L.P., Investment Adviser's Report, for quarter ended September 30, 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *28. Pyramis Global Advisors, Monthly Investment Review, December 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *29. State Street Global Advisors account summary as of December 31, 2008 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *30. Correspondence from Wilshire Associates, Inc., concerning recap of 2008 investment year – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *31. Memorandum from James Rice, Wilshire Associates, Inc. regarding Western Asset Management Company Performance. – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *32. KCERA 2008 Strategic Plan as of February 11, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *33. KCERA Manager Watch List as of February 11, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

- *34. KCERA Investment Manager Due Diligence Schedule as of February 11, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

9. SACRS Legislative Committee notification of the KCERA Board of Retirement's vote concerning the proposed legislation related to alternate Board members and filling vacancies. January 21, 2009 – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

EXECUTIVE DIRECTOR ANNE M. HOLDREN STATED THAT THE VOTE CONCERNING THE PROPOSED LEGISLATION HAD PASSED; HOWEVER, THE COUNTY RETIRED COUNTY EMPLOYEES ASSOCIATION HAD WITHDRAWN ITS REQUEST FOR SACRS TO CO-SPONSOR THE LEGISLATION.

RECEIVED AND FILED

Briggs-Ratekin – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

15. Blackstone Hedge Fund of Fund performance update, January 30, 2009 – EILEEN NIELL, WILSHIRE ASSOCIATES, INC., HEARD, EXECUTIVE ANNE M. HOLDREN HEARD

RECOMMENDATION WAS TO CONTINUE TO MOVE FORWARD

RECEIVED AND FILED

Denney-Briggs – 6 Ayes; 3 Absent – Barnes, Frapwell, 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 – RICHARD WHITE, PRESIDENT OF SACRS, INTRODUCED HIMSELF TO THE BOARD OF RETIRMENT AND EXTENDED AN INVITATION FOR THE TRUSTEES TO ATTEND THE SPRING 2009 SACRS CONFERENCE
36. Receive presentation from Susan Long McAndrews and Matt Garfinkle, Pantheon Ventures, Inc, 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 of all funds managed for KCERA, 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 portfolios
 - Discussion of how forecasted economic environment over next year is likely to affect portfolio holdings and potential for write-downs. How is Pantheon exploiting current secondary opportunities from other investors looking for liquidity in the current fund?

CONTINUE ITEM 36:

SUSAN LONG MCANDREWS AND MATT GARFUNKLE, PANTHEON VENTURES, INC HEARD; EILEEN NEILL AND JAMES RICE, WILSHIRE ASSOCIATES, INC. HEARD; CHAIRMAN HUGHES HEARD

RECEIVED PRESENTATION

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

37. Receive presentation from Peter Duffy and Christian Noyes, PENN Capital Management Company, Inc., as one of two finalists for a high yield fixed income manager to potentially replace Goldman Sachs Asset Management, recommended by Wilshire Associates, Inc. and the Investment Committee – PETER DUFFY AND CHRISTIAN NOYES, PENN CAPITAL MANAGEMENT COMPANY, INC. HEARD; EILEEN NEILL AND JAMES RICE, WILSHIRE ASSOCIATES, INC. HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

Briggs-Ratekin – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

38. Receive presentation from Jude Driscoll, Timothy Rabe and Robert Powers, Logan Circle Partners, as one of two finalists for a high yield fixed income manager to potentially replace Goldman Sachs Asset Management, recommended by Wilshire Associates, Inc. and the Investment Committee – JUDE DRISCOLL, TIMOTHY RABE AND ROBERT POWERS, LOGAN CIRCLE PARTNERS HEARD; CHAIRMAN HUGHES HEARD; TRUSTEES FRANEY AND MAINLAND HEARD

RECEIVED PRESENTATION

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

39. Discussion and appropriate action on due diligence meetings with potential fixed income managers BlackRock, Inc., Pacific Investment Management Company, Logan Circle Partners, and PENN Capital Management Company, Inc. presented by Executive Director Anne M. Holdren – EXECUTIVE ANNE M. HOLDREN HEARD

RECEIVED AND FILED; DETERMINED THE MANAGERS WITH WHOM TO MEET; DIRECTED STAFF TO SCHEDULE THE MEETINGS AND ARRANGE FOR TRAVEL

Jefferson-Ratekin – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

40. Discussion and appropriate action on change to new manager search process to conduct due diligence meetings with potential managers as selected by the Investment Committee prior to scheduling presentation to the Board presented by Chairman Joseph Hughes and County Counsel Patricia A. Randolph – CHAIRMAN JOSEPH HUGHES HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD, TRUSTEE DENNEY HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED CHANGE IN PROCESS TO CONDUCT DUE DILIGENCE MEETINGS PRIOR TO BOARD PRESENTATIONS

Briggs-Jefferson – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

41. Discussion and appropriate action on communication from Neil Tremblay, State Street Global Advisors, regarding 2008 and Q4 financial results and declining stock price presented by Eileen Neill, Wilshire Associates, Inc– ELIEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

42. Discussion and appropriate action on the actuarial valuation of plan assets for June 30, 2008, and recommended employee and employer contribution rates for the Fiscal Year 2009-10, presented by Arthur Rains-McNally, Milliman, Inc. and the Audit Actuarial Committee –

GENERAL – COUNTY	27.95%
SAFETY	35.60%
GENERAL – COURTS	26.00%
GENERAL – DISTRICT CATEGORY I	29.44%
GENERAL – DISTRICT CATEGORY II	28.78%
GENERAL – DISTRICT CATEGORY III	26.69%
GENERAL – DISTRICT CATEGORY IV	26.34%
TOTAL PLAN	29.66%

ARTHUR RAINS-MCNALLY, MILLIMAN, INC., HEARD; TRUSTEES BRIGGS, DENNEY, FRANEY, KAUFMAN AND MAINLAND HEARD

RECEIVED AND FILED; APPROVED ACTUARIAL VALUATION, INCLUDING THE EMPLOYER AND EMPLOYEE CONTRIBUTION RATES; REFERED TO BOARD OF SUPERVISORS FOR ADOPTION

Briggs-Denney – 6 Ayes; 3 Absent – Barnes, Frapwell, Maggard

43. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN PROVIDED UPDATE ON LINEA, CPAS, AND VENTERA PLANNING MEETINGS FOR NEW PENSION SYSTEM; PROVIDED AN UPDATE ON TAYLOR TETER ARCHITECTURAL AND ENGINEERING FIRM HIRED TO DESIGN THE NEW KCERA BUILDING AND REPORTED THEY WOULD BE PRESENTING TO THE BOARD ON FEBRUARY 25, 2009; REPORTED THAT KAREN STEFFEN, MILLIMAN, INC, WOULD BE PRESENTING TO THE KERN COUNTY BOARD OF SUPERVISORS ON FEBRUARY 24, 2009

CONTINUED ITEM 43:

Monthly Activity Summary

Membership	<u>2008</u>	<u>Current</u>	
Active	9,197	9,177	
Retirees/Beneficiaries	5,626	5,657	
Deferred/Reciprocal	1,052	1,045	
Total Membership	15,875	15,879	
 Membership Activities			
	<u>2008</u>	<u>January 2009</u>	<u>Year To Date</u>
New Actives	1,005	53	53
New Retirees	321	36	36
New Beneficiaries	71	6	6
Withdrawals			
Vested	32	74	4
Non-Vested	373	32	32
 Member Services			
	<u>2008</u>	<u>January 2009</u>	<u>Year To Date</u>
Service Credit			
Calculated	601	60	60
Lump Sum	191	45	45
Payroll Deductions	110	12	12
Retirement Estimates	361	6	6

44. Report from County Counsel – DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH PROVIDED UPDATE ON THE LAWSUIT REGARDING RETRO-ACTIVE BENEFIT PAYMENTS. TRIAL IS SET AND MOTION FOR SETTLEMENT IS MARCH 10, 2009
45. Reports from Committee Chairs:
- A. Audit/Actuarial Committee – NONE
 - B. Budget Committee – NONE
 - C. Disability Application Committee – IN EXECUTIVE SESSION
 - D. Human Resources Committee – NONE
 - E. Information Technology Committee – NONE
 - F. Investment Committee – NONE
 - G. KCERA Property Inc. - NONE

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

46. 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

CHAIRMAN JOSEPH HUGHES LEFT AT 11:40 A.M. VICE CHAIRMAN NORMAN BRIGGS CONTINUED THE BOARD MEETING

ADJOURNED TO EXECUTIVE SESSION

Denney-Mainland – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

EXECUTIVE SESSION

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

47. Applications for service-connected disability pension benefits:

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

Denney-Jefferson – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

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

Denney-Jefferson – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

B. WILLIAMS, Zarana Application for service-connected disability pension benefits – DENIED APPLICATION FOR PERMANENT INCAPACITATION

Denney-Jefferson – 4 Ayes; 1 Opposed; 4 Absent – Barnes, Frapwell, Hughes, Maggard

MOTION DID NOT PASS. CONTINUED UNTIL NEXT BOARD MEETING

Denney-Ratekin – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

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

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

Jefferson-Mainland – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

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

Denney-Ratekin – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

49. Proposed Decision and Findings of Fact submitted by Hearing Officer Louis M. Zigman:

A. WHITING, Patricia Proposed Decision and Findings of Fact submitted by Officer Louis M. Zigman – RECEIVED AND FILED FINDINGS OF FACT; CONTINUED UNTIL NEXT BOARD MEETING

Mainland-Denney – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

50. 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 RETURN TO HEARING OFFICE FOR CLARIFICATION ON SERVICE CONNECTION

Denney-Ratekin – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

51. Writ of Mandate from Superior Court regarding the following applicant:

A. BENEDICT, John RECEIVED AND FILED

Denney-Mainland – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

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

RETURNED TO PUBLIC SESSION

Denney-Ratekin – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

52. ADJOURNED TO WEDNESDAY, February 25, 2009 AT 8:30 A.M.

Denney-Ratekin – 5 Ayes; 4 Absent – Barnes, Frapwell, Hughes, Maggard

Secretary, Board of Retirement

Chairman, Board of Retirement