

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment Board Meeting
Wednesday March 11, 2009

8:32 a.m.

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

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

Absent: Denney, 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:

- February 11, 2009, Investment Board
- February 25, 2009, Regular Board

RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

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

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

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

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

*4. KCERA asset allocation, cash flow position, investment fees status report and budget status reports for the month of January 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *5. Securities Lending Earnings Summary Statement for the period January 1 through 31, 2009 from the following:

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *6. Monthly report of KCERA credit card charges for the month of January 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *7. Proposed letter to Capital Guardian Trust concerning manager presentation at April 8, 2009, Investment Board meeting – RECEIVED AND FILED; APPROVED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *9. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, January 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *10. Barclays Global Investors, International Equity, Strategy Commentary, January 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *11. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, January 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *12. La Salle Investment Management performance and activity report for KCERA's global mandate as of January 31, 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *13. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of January 31, 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

- *14. KCERA 2009 Strategic Plan as of March 11, 2009 – RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

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

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

8. Invitation for trustees and/or staff to attend the SACRS Symposium: The Consequences of the 2008 Financial Market Collapse, March 20, 2009, in Sacramento – RECEIVED AND FILED; EXECUTIVE DIRECTOR ANNE M. HOLDREN WILL NOT BE ATTENDING; NO FURTHER ACTION NEEDED

PUBLIC COMMENTS

16. 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 VILLINGS REQUESTED INFORMATION REGARDING MORTGAGE BACKED SECURITIES. EILEEN NEILL, WILSHIRE ASSOCIATES, INC, CHAIRMAN HUGHES, TRUSTEE BARNES, AND EXECUTIVE DIRECTOR ANNE M. HOLDREN RESPONDED

TOM WELLMAN REQUESTED INFORMATION REGARDING THE INVESTMENT WITH WESTRIDGE. EXECUTIVE DIRECTOR ANNE M. HOLDREN WILL MEET WITH MR. WELLMAN IN THE WEEK OF MARCH 16TH TO PROVIDE INFORMATION.

17. Receive presentation regarding recent earnings, layoffs, security lending business and class actions processing and pricing disparities from Julie Gonsch, Lee Selander, and Patrick Krull, The Northern Trust Company – JULIE GONSCH, LEE SELANDER, AND PATRICK KRULL, THE NORTHERN TRUST COMPANY HEARD; EILEEN NEILL AND JAMES RICE, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEE BARNES HEARD; EXECUTIVE ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

Briggs-Barnes – 8 Ayes; 1 Absent – Maggard

18. Receive update on Kaplan Fox & Kilsheimer LLP's litigation monitoring program presented by W. Mark McNair, Kaplan Fox & Kilsheimer LLP – FREDRICK FOX, KAPLAN FOX & KILSHEIMER, LLP, HEARD; DEPUTY COUNTY COUNSEL, PATRICIA RANDOLPH HEARD

RECEIVED AND FILED

Briggs-Jefferson – 8 Ayes; 1 Absent – Maggard

19. Discussion and appropriate action concerning KCERA's Fourth Quarter 2008 investment performance presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEE BARNES HEARD; DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH HEARD; EXECUTIVE DIRECTOR, ANNE M. HOLDREN HEARD

RECEIVED AND FILED

Frapwell-Briggs – 8 Ayes; 1 Absent – Maggard

20. Discussion and appropriate action on recommendation to place LaSalle Investment Management on the Manager Watch list due to underperformance and to maintain Barclays Global Investments on the Manager watch list due to underperformance of its alpha tilts strategy presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NIELL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEES BARNES AND JEFFERSON HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; PLACED LASALLE INVESTMENT MANAGEMENT ON MANAGER WATCH LIST DUE TO UNDERPERFORMANCE RELATIVE TO BENCHMARK; ESTABLISHED AN EVALUATION PERIOD THAT RESTRICTS MANAGER CONTACT IN ACCORDANCE WITH THE CONFLICT OF INTEREST POLICY; CONTINUED TO HOLD BARCLAYS GLOBAL INVESTORS ON WATCH LIST DUE TO UNDERPERFORMANCE OF THE ALPHA TILTS INVESTMENT, EVALUATION PERIOD CONTINUES

Barnes-Jefferson – 8 Ayes; 1 Absent – Maggard

BREAK FOR 10 MINUTES 9:45 a.m. to 9:55 a.m.

21. Discussion and appropriate action on recommendation to delay due diligence visits with potential fixed income managers BlackRock, Inc., Pacific Investment Management Company, Logan Circle Partners, and PENN Capital Management Company, Inc. until market conditions support a transition with reduced transition costs from those currently estimated, presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED AND FILED; APPROVED RECOMMENDATION TO DELAY DUE DILIGENCE

Barnes-Frapwell – 8 Ayes; 1 Absent – Maggard

22. Report from KCERA Management – EXECUTIVE ANNE M. HOLDREN HEARD
23. Report from County Counsel – NONE
24. 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

25. 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

Jefferson-Kaufman – 8 Ayes; 1 Absent – Maggard

EXECUTIVE SESSION

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

26. Applications for service-connected disability pension benefits:

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

Barnes-Briggs – 8 Ayes; 1 Absent – Maggard

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

Barnes-Frapwell – 8 Ayes; 1 Absent – Maggard

- B. VOLKERS, Peggy Application for service-connected disability pension benefits – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HER DUTIES

Barnes-Frapwell – 8 Ayes; 1 Absent – Maggard

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

Barnes-Frapwell – 8 Ayes; 1 Absent – Maggard

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

Barnes-Ratekin – 8 Ayes; 1 Absent – Maggard

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

Barnes-Ratekin – 8 Ayes; 1 Absent – Maggard

- D. WILLIAMS, Zarana Application for service-connected disability pension benefits – DENIED APPLICATION BASED ON LACK OF PERMANENT INCAPACITY

Mainland-Frapwell – 7 Ayes; 1 Opposed; 1 Absent – Maggard

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

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

Barnes-Ratekin – 8 Ayes; 1 Absent – Maggard

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

- A. WHITING, Patricia Proposed Decision and Findings of Fact submitted by Hearing Officer Louis M. Zigman – RECEIVED AND FILED FINDINGS OF FACT; DEPUTY COUNTY COUNSEL KIRK PERKINS TO DRAFT ALTERNATIVE FINDINGS OF FACT AAND DECISION AND SUBMIT TO THE BOARD OF RETIREMENT

Frapwell-Mainland – 8 Ayes; 1 Absent – Maggard

29. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION (Subdivision (c) of California Government Code Section 54956.9)
One case –

Return to Public Session / Report of Executive Session Actions, if applicable.

Barnes-Briggs – 8 Ayes; 1 Absent – Maggard

30. Adjournment

Barnes-Jefferson – 8 Ayes; 1 Absent – Maggard

Secretary, Board of Retirement

Chairman, Board of Retirement