

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment Board Meeting
Wednesday April 8, 2009

8:31 a.m.

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

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

Absent: Frapwell, Maggard

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:

- March 11, 2009, Investment Board
- March 16, 2009, Disability Application Committee
- March 25, 2009, Regular Board

RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

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

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

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

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

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

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *5. Securities Lending Earnings Summary Statement for the period February 1 through 28, 2009 from the following:

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

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

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *7. Invitation for trustees and/or staff to attend the Research Affiliates 2009 Advisory Panel, April 24 through 26, 2009, in Monarch Beach, California – RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEE BRAD BARNES

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *8. Proposed letter to K2 Advisors concerning manager presentation at May 20, 2009, Investment Board meeting – RECEIVED AND FILED; APPROVED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *9. Correspondence from Seth Healy and Pat Byrne, Goldman Sachs Asset Management, providing an update of their US Fixed Income Team, March 18, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *10. La Salle Investment Management performance and activity report for KCERA's global mandate as of February 28, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *11. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of February 28, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *12. The Northern Trust Company, Market to Book History, through March 23, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *13. The Northern Trust Company, Short Term Market Update, March 20, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *14. Pantheon Ventures, Inc., USA Fund III LP, Investment Adviser's report for quarter ending December 31, 2008 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *15. Pantheon Ventures, Inc., USA Fund IIIB LP, Investment Adviser's report for quarter ending December 31, 2008 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *16. Pantheon Ventures, Inc., USA Fund V LP, Investment Adviser's report for quarter ending December 31, 2008 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *17. Pantheon Ventures, Inc., USA Fund VI LP, Investment Adviser's report for quarter ending December 31, 2008 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *18. Pantheon Ventures, Inc., USA Fund VII LP, Investment Adviser's report for quarter ending December 31, 2008 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *19. Correspondence from Alex Guadango, Pyramis Global Advisors, introducing the new Account Executive, Andy Donohue, April 1, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *20. Correspondence from Frances H. Coombes, Western Asset Management Company, regarding the changes in their workforce, March 25, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *21. Correspondence from Frances H. Coombes, Western Asset Management Company, regarding disappointing performance, particularly over the last 18 months dated March 31, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *22. Memorandum from James P. Rice, Wilshire Associates, Inc., regarding LaSalle Investment Management's recent underperformance dated April 8, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *24. KCERA 2009 Strategic Plan as of April 8, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

- *25. KCERA Investment Manager Due Diligence Schedule as of April 8, 2009 – RECEIVED AND FILED

Denney-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

23. Annual review of KCERA Investment Goals, Objectives and Policies to include revisions to the asset pricing policy and guideline revisions – JAMES RICE, WILSHIRE ASSOCIATES, INC., HEARD; MINOR REVISIONS ADDED FOR REVIEW

RECEIVED AND FILED; APPROVED REVISIONS

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

PUBLIC COMMENTS

26. 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
27. Receive presentation from John E. Dewey and Chris Ryder, Capitol Guardian Trust 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
 - Describe how the portfolio is being positioned in light of the global recession. Specifically, discuss current country and sector bets.
 - What is Capital Guardian Trust's view on BRIC at this time and how is that view being manifest in the portfolio?

JOHN DEWEY AND CHRIS RYDER, CAPITOL GUARDIAN TRUST COMPANY, HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEE BRIGGS HEARD

RECEIVED PRESENTATION

Briggs-Denney – 7 Ayes; 2 Absent – Frapwell, Maggard

28. Discussion and appropriate action on total fund performance attribution study presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED PRESENTATION

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

29. Discussion and appropriate action regarding placement of the following managers on the Manager Watch List: Goldman Sachs Asset Management due to meaningful organizational and personnel changes and client service dissatisfaction; and Western Asset Management Company as manager of the Core Plus Bond account due to sustained underperformance which is outside of normal performance expectations presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL AND JAMES RICE, WILSHIRE ASSOCIATES, INC. HEARD

RECEIVED AND FILED; PLACED GOLDMAN SACHS ASSET MANAGEMENT AND WESTERN ASSET MANAGEMENT COMPANY ON MANAGER WATCH LIST; ESTABLISHED AN EVALUATION PERIOD TO REMAIN IN EFFECT UNTIL MANAGER IS REMOVED FROM THE WATCH LIST IN ACCORDANCE WITH THE CONFLICT OF INTEREST POLICY

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

30. Proposed Attorney Retainer Agreement with K & L Gates for investment counsel services to review documents relating to proposed investment with Blackstone Partnerships and other KCERA investments, presented by Deputy County Counsel Patricia J. Randolph – DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD

RECEIVED AND FILED; APPROVED SUBJECT TO COUNTY COUNSEL REVIEW; AUTHORIZED CHAIRMAN TO SIGN

Barnes-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

31. Proposed amendment to Article I, section D of the By-laws and Regulations of the Board of Retirement of KCERA relating to payment of compensation to specified Board of Retirement members and reimbursement of necessary and appropriate expenses for all Board members as provided in Government Code section 31521, presented by Deputy County Counsel Patricia J. Randolph – DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD

RECEIVED AND FILED; ADOPTED RESOLUTION; ADOPTED REVISED BY-LAWS TO ALLOW ANY TRUSTEE TO DECLINE THE MONTHLY STIPEND AND MAKE OTHER TECHNICAL CORRECTIONS; REFER TO BOARD OF SUPERVISORS FOR ADOPTION OF BY-LAW REVISIONS

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

32. Discussion and appropriate action on KCERA's voting delegation for the State Association of County Retirement Systems (SACRS) Spring 2009 Conference, presented by Executive Director Anne M. Holdren – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPOINTED TRUSTEE JEFFERSON AS VOTING DELEGATE AND TRUSTEE FRANNEY AS ALTERNATE

Briggs-Denney – 7 Ayes; 2 Absent – Frapwell, Maggard

33. Discussion and appropriate action on slate of candidates for SACRS Board of Directors Elections – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; DIRECTED VOTING DELEGATE TO SUPPORT A SLATE OF CANDIDATES AS FOLLOWS:

SACRS Nominating Committee 2009-2010 Nominees/Candidates:

- President Richard White, Orange County
- Vice President Tim Barrett, San Bernardino County
- Secretary Darryl Walker, Alameda County
- Treasurer Chris Johnston, Ventura County

Barnes-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

34. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN REPORTED THAT THE ANNUAL BENEFITS STATEMENTS HAD BEEN MAILED ON FEBRUARY 12TH; KCERA'S BUSINESS LEADERSHIP TEAM HELD ITS ANNUAL OFFSITE MEETING ON MARCH 31, 2009; AND THAT BEGINNING APRIL 30TH, THE 2008 2.5% COLA WILL BE APPLIED TO CURRENT RETIREES AND BENEFICIARIES.

Monthly Activity Summary

Membership

	<u>2008</u>	<u>Current</u>
Active	9,197	9,171
Retirees/Beneficiaries	5,626	5,703
Deferred/Reciprocal	1,052	1,053
Total Membership	15,875	15,927

Membership Activities

	<u>2008</u>	<u>March 2009</u>	<u>Year To Date</u>
New Actives	1,005	5343	174
New Retirees	321	21	95
New Beneficiaries	71	6	18
Withdrawals			
Vested	32	2	9
Non-Vested	373	32	86

Member Services

	<u>2008</u>	<u>March 2009</u>	<u>Year To Date</u>
Service Credit			
Calculated	601	128	288
Lump Sum	191	44	100
Payroll Deductions	110	3	21
Retirement Estimates	361	5	25

35. Report from County Counsel – NONE
36. Reports from Committee Chairs:
- A. Audit/Actuarial Committee – APRIL 22, 2009 MEETING SCHEDULED.
 - B. Budget Committee – NONE
 - C. Disability Application Committee – NONE
 - D. Human Resources Committee – NONE

CONTINUED ITEM 36:

E. Information Technology Committee – APRIL 9, 2009 MEETING SCHEDULED

F. Investment Committee – NONE

G. KCERA Property Inc. – NONE

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

Barnes-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

EXECUTIVE SESSION

38. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION
(Subdivision (c) of California Government Code Section 54956.9)
Two cases

RETURNED TO PUBLIC SESSION

Barnes-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

ADJOURNED TO WEDNESDAY, APRIL 22, 2009 AT 8:30 A.M.

Barnes-Briggs – 7 Ayes; 2 Absent – Frapwell, Maggard

Secretary, Board of Retirement

Chairman, Board of Retirement