

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment Board Meeting  
Wednesday May 20, 2009

8:33 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, Frapwell, Chairman Hughes, Jefferson, Mainland, Ratekin, Alternate Franey, Alternate Kaufman

Absent: Alternate Camps, 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:

- April 8, 2009, Investment Board
- April 9, 2009, Information Technology Committee
- April 21, 2009, Audit Actuarial Committee
- April 22, 2009, Regular Board

RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

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

**Briggs-Denney-- 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-Denney-- 8 Ayes; 1 Absent – Maggard**

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

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

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

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

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

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*7. Annual review of KCERA Investment Goals, Objectives and Policies to include revisions to the asset pricing policy and guideline revisions - RECEIVED AND FILED; APPROVED REVISIONS

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*8. Correspondence from Karen Steffen and Daniel Wade, Milliman, Inc., dated May 6, 2009, regarding employer contribution rates to reflect the December 31, 2008 COLA contribution reserve adjustments – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*9. Letter to Board of Supervisors, dated May 5, 2009, from Executive Director Anne M. Holdren concerning the Revised Recommended Contribution Rates for Retirement System for Fiscal Year 2009-10 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*10. KCERA Funding Policy Revisions – RECEIVED AND FILED; APPROVED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*11. Barclays Global Investors, Active International Equity Strategy, Strategy Commentary, First Quarter 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*12. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, February 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*13. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, March 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*14. Barclays Global Investors, International Equity, Strategy Commentary, February 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*15. Barclays Global Investors, International Equity, Strategy Commentary, March 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*16. Correspondence from Andy Clayton, The Northern Trust Company, dated May 6, 2009, regarding new investment practices changes with respect to collateral investment process – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*17. Pacific Investment Management Company (PIMCO) StocksPLUS® L.P. Fund B investment report as of March 31, 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*18. Correspondence from Jeff Lumbard, Pantheon Ventures, Inc. regarding a change in personnel and specifically the investment team – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*19. State Street Global Advisors, Investment Commentary, Kern County ERA Russell 2000 Index Plus, First Quarter 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*20. Memorandum from James P. Rice, Wilshire Associates, Inc., dated March 28, 2009, regarding the review of Western Asset Management Company – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*21. KCERA 2009 Strategic Plan as of May 20, 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*22. KCERA Investment Manager Due Diligence Schedule as of May 20, 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

- \*23. KCERA Manager Watch List as of May 20, 2009 – RECEIVED AND FILED

**Briggs-Denney-- 8 Ayes; 1 Absent – Maggard**

PUBLIC COMMENTS

24. 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

TRUSTEE MAGGARD ARRIVED AT 8:50 A.M.

25. Receive presentation from Dan Elsberry, K2 Advisors, 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 experience for the following over the last six months with respect to current portfolio companies or portfolio candidate companies:
  - Closing their doors
  - Implementing a gate
  - Suspension of redemptions, or
  - Forced selling to meet liquidity needs
- What can we expect the hedge fund landscape to look like a year from now?
- What opportunities are you seeing at the current time for either current or new portfolio strategies? How is K2 Advisors evaluating those opportunities?
- Does K2 Advisors anticipate any issues with either meeting redemption requests or liquidity in any of its current products?

KELSEY BIGGERS, K2 ADVISORS, HEARD; EILEEN NEILL AND JAMES P. RICE, WILSHIRE ASSOCIATES, INC. HEARD

RECEIVED PRESENTATION

**Briggs-Frapwell – 9 Ayes**

26. Discussion and appropriate action on setting the risk budget presented by Eileen Neill and James P. Rice, Wilshire Associates, Inc. – EILEEN NEILL AND JAMES P. RICE, WILSHIRE ASSOICIATES INC., HEARD; CHAIRMAN HUGHES HEARD; TRUSTEES BARNES, FRANEY AND JEFFERSON HEARD

RECEIVED AND FILED; REFERED TO INVESTMENT COMMITTEE TO EVALUATE RISK BUDGET TARGETS

**Frapwell-Jefferson – 9 Ayes**

27. Discussion and appropriate action on review of amended disability rules and revised disability application and associated forms presented by Deputy County Counsel Patricia J. Randolph and Executive Director Anne M. Holdren – DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD

RECEIVED AND FILED; APPROVED AMENDED DISABILITY RULES AND REVISED APPLICATION

**Briggs-Barnes – 9 Ayes**

28. Discussion and appropriate action on letter from Elissa Ladd, Interim County Chief Administrative Officer, pertaining to funding of Golden Handshake benefits in accordance with the Funding Policy Statement presented by Executive Director Anne M. Holdren and Deputy County Counsel Patricia J. Randolph – INTERIM CAO ELISSA LADD HEARD; DANILE WADE, MILLIMAN, INC., HEARD; TRUSTEES BARNES, BRIGGS, DENNEY, FRANEY AND FRAPWELL, HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH, HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN, HEARD

RECEIVED AND FILED; DIRECTED STAFF TO PROVIDE INFORMATION TO THE CAO REGARDING KCERA'S FUNDING POLICY; REFERED TO AUDIT ACTUARIAL COMMITTEE FOR FURTHER REVIEW OF GOLDEN HANDSHAKES AND FISCAL IMPACT

**Briggs-Barnes – 9 Ayes**

29. Discussion and appropriate action of the draft floor plan, the exterior elevations, and the LEED and energy reduction options for the new KCERA building located at 11103 River Run Blvd. presented by Clay Davis and Jesus Pelayo, Taylor Teter Partnership, Architects and Engineers and Daniel Robinson, American Realty Advisors – JESUS PELAYO, TAYLOR TETER PARTNERSHIP HEARD; TRUSTEES BARNES, BRIGGS, FRANEY, FRAPWELL AND JEFFERSON HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED FLOOR PLAN, AND EXTERIOR ELEVATION

**Barnes-Frapwell – 9 Ayes**

REFERRED TO THE KCERA PROPERTY INC. BOARD OF DIRECTORS TO CHOSE LEED LEVEL AND ENERGY REDUCTION OPTIONS

**Briggs-Mainland – 9 Ayes**

30. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN REPORTED THAT KCERA HIRED KIMBERLY HOBSON TO FILL THE OFFICE SERVICES TECHNICIAN POSITION IN THE FISCAL DIVISION; TAX COMPLIANCE TRAINING WILL BE PROVIDED BY HANSON BRIDGETT IN SAN FRANCISCO ON JUNE 1, 2009; PRESENTATIONS ARE BEING MADE FOR THE MICROFICHE IMAGING PROJECT.

30. CONTINUED;

**Monthly Activity Summary**

<b>Membership</b>	<u>2008</u>	<u>Current</u>	
Active	9,197	9,072	
Retirees/Beneficiaries	5,626	5,738	
Deferred/Reciprocal	1,052	1,075	
Total Membership	15,875	15,885	
<b>Membership Activities</b>	<u>2008</u>	<u>April 2009</u>	<u>Year To Date</u>
New Actives	1,005	19	193
New Retirees	321	50	145
New Beneficiaries	71	4	22
Withdrawals			
Vested	32	1	10
Non-Vested	373	25	111
<b>Member Services</b>	<u>2008</u>	<u>April 2009</u>	<u>Year To Date</u>
Service Credit			
Calculated	601	47	335
Lump Sum	191	40	140
Payroll Deductions	110	9	30
Retirement Estimates	361	12	37

31. Report from County Counsel – NONE

32. Reports from Committee Chairs:

A. Audit/Actuarial Committee – JUNE 2, 2009 MEETING SCHEDULED.

B. Budget Committee – JUNE 16, 2009 MEETING SCHEDULED

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. – JUNE 2, 2009 MEETING SCHEDULED

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

33. 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 – TRUSTEE JACKIE DENNEY ANNOUNCED SHE WOULD NEED TO COMMUNICATE WITH WILSHIRE ASSOCIATES, INC., ON A MATTER UNRELATED TO KCERA

CHAIRMAN HUGHES LEFT AT 11:35 P.M.

TRUSTEES BARNES, MAGGARD AND RATEKIN LEFT AT 11:35 P.M.

ADJOURNED TO EXECUTIVE SESSION

**Frapwell-Briggs – 5 Ayes; 4 Absent – Barnes, Chairman Hughes, Maggard and Ratekin**

EXECUTIVE SESSION

34. A. GIFFORD, Ronald Application for service-connected disability pension benefits – DENIED APPLICATION BASED ON LACK OF PERMANENT INCAPACITY

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

35. A. HAIUNGS, Shannon Proposed Decision and Findings of Fact submitted by Officer Louis M. Zigman – ADOPTED THE HEARING OFFICER'S PROPOSED DECISION TO DENY SERVICE CONNECTED DIASABILITY. RECEIVED AND FILED THE FINDINGS OF FACT

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

35. B. WHITING, Patricia Proposed Decision and Findings of Fact submitted by Officer Louis M. Zigman – ADOPTED THE HEARING OFFICER'S PROPOSED DECISION TO DENY SERVICE CONNECTED DIASABILITY. RECEIVED AND FILED THE FINDINGS OF FACT

**Frapwell-Jefferson – 5 Ayes; 4 Absent – Barnes, Chairman Hughes, Maggard and Ratekin**

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

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

RETURNED TO PUBLIC SESSION

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

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

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

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Secretary, Board of Retirement

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Chairman, Board of Retirement