

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment Board Meeting  
Wednesday August 12, 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, Frapwell, Jefferson, Maggard, Mainland, Ratekin, Alternate Camps, Alternate Franey

Absent: Chairman Hughes, Alternate Kaufman

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:

- July 8, 2009, Investment Board
- July 8, 2009, Investment Committee
- July 22, 2009, Regular Board

RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

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

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

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

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

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

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

\*5. Monthly report of KCERA credit card charges for the months of May and June 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*6. Agreement between EFI Actuaries and KCERA for audit actuarial services in an amount not to exceed \$64,515 plus travel expenses, if necessary to attend more than two meetings, as recommended by the Audit Actuarial Committee – RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*7. Notice of due diligence meetings with Pacific Investment Management Company, Newport Beach, CA and Western Asset Management Company, Pasadena, CA on August 20 through 21, 2009 – RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEES BRAD BARNES, NORMAN BRIGGS AND PHIL FRANNEY AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*8. Letter to Board of Supervisors from Executive Director Anne M. Holdren dated August 11, 2009 concerning election of Second, Seventh and Seventh Alternate Members of the Board of Retirement – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*9. Correspondence from Steve Delaney, Chief Executive Officer of the Orange County Employees' Retirement System dated July 31, 2009 opposing legislative bill AB 1584 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*10. Request for approval to increase the annual Fee-For-Services not to exceed limit of fifty thousand dollars (\$50,000) as set forth in the Agreement for Actuarial Services between Milliman, Inc. and the Kern County Employees' Retirement Association dated December 12, 2007, to eighty thousand dollars (\$80,000) in 2009 – RECEIVED AND FILED; APPROVED INCREASE IN FEE-FOR-SERVICES ANNUAL LIMIT FOR ACTUARIAL SERVICES FROM MILLIMAN, INC. TO EIGHTY THOUSAND DOLLARS IN 2009

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*11. Letter to Kiyoshi Tomono, KGET TV 17, dated July 24, 2009, from Executive Director Anne M. Holdren concerning a Request for Public Records received July 15, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*12. Barclays Global Investors, Active International Equity Strategy, Strategy Commentary, Second Quarter 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*13. Barclays Global Investors, International Equity, Strategy Commentary, June 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*14. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, June and Q2 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*15. Barclays Global Investors, US Equity Index Strategies, Strategy Commentary, Second Quarter 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*16. La Salle Investment Management performance and activity report for KCERA's global mandate as of June 30, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*17. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of June 30, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*18. Correspondence from George Noon, LaSalle Investment Management dated August 3, 2009 providing an update of the Kern County Employees' Retirement Association portfolio and seeking confirmation regarding the handling of the new shares of BGP Holdings – RECEIVED AND FILED; RATIFIED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*19. Correspondence from The Northern Trust Company dated July 16, 2009 providing commentary on the latest developments affecting the CIT Group, Inc. – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*20. Correspondence from The Northern Trust Company dated July 29, 2009 regarding changes to the Core U.S.A. Collateral Section – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*21. Correspondence from The Northern Trust Company dated August 6, 2009 pertaining to the Lehman Brothers Holdings Inc. Claim Fillings – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*22. The Northern Trust Company, Second Quarter 2009 Financial Highlights, June 30, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*23. Pacific Investment Management Company (PIMCO), StocksPLUS LP Fund B, monthly performance through June 30, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*24. Pacific Investment Management Company (PIMCO), StocksPLUS LP Fund B, Investment Report, June 30, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*25. State Street Global Advisors, Investment Summary, Kern County ERA Russell 2000 Index Plus, as of June 30, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*26. KCERA 2009 Strategic Plan as of August 12, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*27. KCERA Manager Watch List as of August 12, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

- \*28. KCERA Investment Manager Due Diligence Schedule as of August 12, 2009 – RECEIVED AND FILED

**Frapwell-Denney – 8 Ayes; 1 Absent – Hughes**

PUBLIC COMMENTS

29. 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

CHAIRMAN HUGHES ARRIVED AT 8:42 A.M.

30. Receive presentation from Charles H. van Horne and Kathryn J. Stokel, Abbott Capital Management, LLC, on the following topics:
- 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
  - Discussion of current investment major themes and how they are performing versus the initial investment premise.
  - Discussion of current market environment for each of the major strategies (e.g., impact on LBO's from reduced leverage and access to capital, secondaries market given liquidity raising by endowment/foundation and other investors, etc.)

30. CONTINUED:

Other presentation topics to discuss with the Board, only if meaningful:

- 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 products

CHARLES H. VAN HORNE AND KATHRYN J. STOKEL, ABBOTT CAPITAL MANAGEMENT, LLC., HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEE BRIGGS AND MAINLAND HEARD

RECEIVED PRESENTATION

**Frapwell-Mainland – 9 Ayes**

31. Discussion and appropriate action pertaining to suspension of The Clifton Group Policy Implementation Overlay Service presented by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee – EILEEN NEILL AND JAMES RICE, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEES BRIGGS AND BARNES HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED TERMINATION OF THE CLIFTON GROUP OVERLAY SERVICE AS RECOMMENDED BY THE INVESTMENT COMMITTEE

**Frapwell-Briggs – 9 Ayes**

32. Discussion and appropriate action on the revised exterior elevations and floor plan for building construction at 11103 River Run Boulevard, Bakersfield, CA as recommended by Daniel Robinson, American Realty Advisors and presented by Jesus Pelayo, Taylor Teter Partnership – JESUS PELAYO; TAYLOR TEETER PARTNERSHIP, HEARD; TRUSTEES BARNES, FRAPWELL AND MAINLAND HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED REVISED EXTERIOR ELEVATIONS AND FLOOR PLAN

**Barnes-Frapwell – 9 Ayes**

33. Discussion and appropriate action on the Termination Agreement for PENSIONS Software License Agreement between Watson Wyatt Worldwide and Kern County Employees' Retirement Association presented by County Counsel Patricia J. Randolph and Executive Director Anne M. Holdren – DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; TRUSTEE BARNES HEARD

RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

**Frapwell-Briggs – 9 Ayes**

- 34. Discussion and appropriate action regarding payment in the amount of \$182,094 for settling terminated swaps transactions with Lehman Brothers Special Finance, Inc. (LBSF), caused by the Lehman Brothers bankruptcy in the Core Fixed Income fund managed by Western Asset Management Company (WAMCO) presented by Executive Director Anne M. Holdren and County Counsel Patricia J. Randolph – REMOVED
- 35. Report from KCERA Management –

**Operations**

- On August 3, 2009, Alissa Morrow, former Library employee, joined KCERA staff to fill the Retirement Services Representative position that has been vacant for many years.

**Miscellaneous**

- The Board's Investment Summit meeting will be held on September 9, 2009, beginning at 8:30 a.m., in the Multipurpose Room, 3<sup>rd</sup> Floor, County Administrative Building. The agenda includes the following topics:
  1. Design Development package with cost estimate for building construction
  2. Fiduciary responsibility in a rapidly changing world
  3. 2<sup>nd</sup> Quarter Performance Report
  4. Use of Leverage in Investment Portfolios
  5. Review of the manager's summary report
  6. Risk budgeting recommendations

The meeting will end at approximately noon.

**Monthly Activity Summary**

**Membership**

	<u>2008</u>	<u>Current</u>
Active	9,197	9,006
Retirees/Beneficiaries	5,626	5,813
Deferred/Reciprocal	1,052	1,078
Total Membership	15,875	15,897

**Membership Activities**

	<u>2008</u>	<u>July 2009</u>	<u>Year To Date</u>
New Actives	1,005	49	310
New Retirees	321	14	253
New Beneficiaries	71	7	37
Withdrawals			
Vested	32	2	13
Non-Vested	373	17	177

**Member Services**

	<u>2008</u>	<u>July 2009</u>	<u>Year To Date</u>
Service Credit			
Calculated	601	97	539
Lump Sum	191	31	226
Payroll Deductions	110	8	51
Retirement Estimates	361	24	153

- 36. Report from County Counsel – DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH REPORTED ON PUBLIC RECORDS REQUEST FROM HOWARD JARVIS

37. Reports from Committee Chairs:
- A. Audit/Actuarial Committee – NONE
  - B. Budget Committee – NONE
  - C. Human Resources Committee – AUGUST 19, 2009
  - D. Information Technology Committee – NONE
  - E. Investment Committee – FOLLOWING INVESTMENT BOARD
  - F. KCERA Property Inc. – NONE

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

38. 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

**Briggs-Denney – 9 Ayes**

EXECUTIVE SESSION

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

RETURNED TO PUBLIC SESSION

**Camps-Frapwell – 9 Ayes**

ADJOURNED TO WEDNESDAY, August 26, 2009 AT 8:30 A.M.

**Frapwell-Camps – 9 Ayes**

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Secretary, Board of Retirement

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Chairman, Board of Retirement