

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment Board Meeting  
Wednesday October 14, 2009

8:30 a.m.

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

Roll Call: Barnes, Frapwell, Jefferson, Mainland, Ratekin, Alternate Camps

Absent: Briggs, Denney, Chairman Hughes, Maggard, Alternate Franey, Alternate Kaufman

Salute to Flag – LED BY TRUSTEE BARNES

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. Application for service-connected disability pension benefits for Donald Clark, FIRE (Safety) – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HIS DUTIES; GRANTED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

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

- \*2. Application for non-service-connected disability pension benefits for David Palmer, WASTE MANAGEMENT (General) – GRANTED NON-SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

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

- \*3. Summary of proceedings of the following meetings:

- September 9, 2009, Investment Summit
- September 9, 2009, Investment Committee
- September 23, 2009, Regular Board

RECEIVED AND FILED

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

- \*4. Securities Lending Earnings Summary Statement for the period August 1 through 31, 2009 from the following:

- The Northern Trust Company
- Barclays Global Investors

RECEIVED AND FILED

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

- \*5. KCERA asset allocation, cash flow position, investment fees status report and budget status reports for the month of August 2009 – RECEIVED AND FILED

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

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

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

- \*7. Notice of due diligence meetings regarding LaSalle Investment Management Company, Baltimore, MD, and Pyramis Real Estate Group including attendance of Limited Partnership, Boston, MA, November 2 through 4, 2009 – RECEIVED AND FILED; APPROVED ATTENDANCE FOR TRUSTEES NORMAN BRIGGS AND JEFF FRAPWELL, EX OFFICIO JACKIE DENNEY AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

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

- \*8. Proposed letter to Pyramis Global Advisors concerning manager presentation at November 18, 2009 Investment Board meeting – RECEIVED AND FILED; APPROVED

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

- \*9. Proposed letter to LaSalle Investment Management concerning manager presentation at December 9, 2009 Investment Board meeting – RECEIVED AND FILED; APPROVED

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

- \*10. Notice of and Consent to Transaction to change of control from Barclays Global Investors to BlackRock, Inc. – RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

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

- \*11. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, August 2009 – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*12. Barclays Global Investors, International Equity, Strategy Commentary, August 2009 – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*13. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, August 2009 – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*14. Goldman Sachs Asset Management, High Yield: US and Global Fixed Income, Performance Highlight Second Quarter 2009 – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*15. Letter from Michael Elizondo, Pyramis Global Advisors, dated September 23, 2009 regarding a change in management at the Real Estate Group – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*16. Memorandum from Pyramis Global Advisors dated October 2, 2009 to Fidelity Real Estate Growth Fund III (FREG III) Investors regarding the anticipated write-down for this quarter – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*17. Memorandum from James P. Rice, Wilshire Associates, Inc., dated October 14, 2009, regarding on-site due diligence for Pacific Investment Management Company (PIMCO) – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*18. Memorandum from James P. Rice, Wilshire Associates, Inc., dated October 14, 2009, regarding on-site due diligence for Western Asset Management Company (WAMCO) – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**
- \*19. KCERA 2009 Strategic Plan as of October 14, 2009 – RECEIVED AND FILED
- Frapwell-Ratekin – 5 Ayes; 4 Absent – Briggs, Denney, Hughes, Maggard**

- \*20. KCERA Investment Manager Due Diligence Schedule as of October 14, 2009 – RECEIVED AND FILED

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

- \*21. KCERA Manager Watch List as of October 14, 2009 – RECEIVED AND FILED

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

TRUSTEE FRANNEY ARRIVED AT 8:35 A.M.

PUBLIC COMMENTS

22. 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 8:38 A.M.

23. Receive presentation from Rachel Golder, Michael Goosay, and Seth Healy, Goldman Sachs Asset Management, 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 how forecasted economic environment over next year likely to affect portfolio holdings and potential for write-downs.
- Discussion of current spreads and expectations for spread changes over next 6 to 12 months.
- Discussion of the current and projected (i.e., 6 to 9 months) relationship between bid-asked spreads on each of the following three categories: investment grade credits, high yield bonds and securitized/structured bonds. How have these spreads affected the firm's ability to buy and sell desired securities in each account?
- 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

RACHEL GOLDER, MICHAEL GOOSAY AND SETH HEALY, GOLDMAN SACHS ASSET MANAGEMENT, HEARD; TRUSTEE BARNES HEARD

RECEIVED PRESENTATION

**Frapwell-Ratekin – 7 Ayes; 2 Absent – Denney, Hughes**

24. Discussion and appropriate action for a risk budget implementation strategy to identify priorities and develop plan implementation and revise KCERA/Wilshire Strategic Plan to suspend real asset strategy review scheduled to begin in November 2009 presented by Eileen Neill, Wilshire Associates, Inc., and the Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED AND FILED; APPROVED RISK BUDGET IMPLEMENTATION PLAN AND SUSPENSION OF REAL ASSET STRATEGY REVIEW UNTIL RISK BUDGETING IMPLEMENTATION PLAN IS COMPLETED

**Franey-Ratekin – 7 Ayes; 2 Absent – Denney, Hughes**

25. Discussion and appropriate action on Northern Trust Global Securities Lending services with update on the Core USA Collateral Pool deficiency and required realized losses payment in the amount of \$544,176 due by December 15, 2009 presented by Executive Director Anne M. Holdren – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEES BARNES, FRANEY AND MAGGARD HEARD

RECEIVED AND FILED; APPROVED DEFICIENCY PAYMENT IN THE AMOUNT OF \$544,176

**Franey-Jefferson – 7 Ayes; 2 Absent – Denney, Hughes**

26. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN PROVIDED THE RESULTS OF THE INVESTMENT SUMMIT SURVEY; INTRODUCED KONSTANCE PERICH AS THE NEWEST KCERA EMPLOYEE FILLING THE OFFICE SERVICES TECHNICIAN POSTION
27. Report from County Counsel – NONE
28. Report from Committee Chairs:
- A. Audit/Actuarial Committee – NONE
  - B. Budget Committee – NONE
  - C. Human Resources Committee – NONE
  - D. Information Technology Committee – NONE
  - E. Investment Committee – MEETING FOLLOWING BOARD
  - F. KCERA Property Inc. – NONE

**BOARD MEMBER ANNOUNCEMENTS AND REPORTS**

29. 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

EXECUTIVE SESSION

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

- . ITEMS 30A AND 31A WERE APPROVED ON CONSENT AND  
WITHDRAWN FROM EXECUTIVE SESSION.

ADJOURNED TO WEDNESDAY, OCTOBER 28, 2009 AT 8:30 A.M.

**Frapwell-Franey – 7 Ayes; 2 Absent – Denney, Hughes**

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Secretary, Board of Retirement

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Chairman, Board of Retirement