

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment/Regular Board Meeting
Wednesday November 18, 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, Denney, Chairman Hughes, Frapwell, Jefferson, Mainland, Ratekin, Alternate Camps, Alternate Franey, Alternate Kaufman

Absent: 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. Application for service-connected disability pension benefits for Candace Rios, ANIMAL CONTROL (General) – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HER DUTIES; GRANTED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *2. Proposed Decision and Findings of Fact submitted by Officer Deborah Z. Wissley for Zarana Williams, MENTAL HEALTH (General) – RECEIVED AND FILED THE FINDINGS OF FACT; ADOPTED THE HEARING OFFICER'S PROPOSED DECISION TO DENY SERVICE CONNECTED DISABILITY

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

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

- October 14, 2009, Investment Board
- October 14, 2009, Investment Committee
- October 28, 2009, Regular Board

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 September 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *5. 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

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

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *7. Proposed Amendment No. 4 to Investment Management Agreement between Goldman Sachs Asset Management and Kern County Employees' Retirement Association authorizing participation in offers where Goldman, Sachs & Co. is a member of the underwriting syndicate – RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *8. Letter from Jon McQuiston, Chairman Kern County Board of Supervisors, dated October 20, 2009, and Resolution No. 2009-410 to Chairman Joseph Hughes pertaining to investment in California High-Speed Rail Bonds – RECEIVED AND FILED; REFERRED TO WESTERN ASSET MANAGEMENT COMPANY TO ASSESS THE POTENTIAL FOR INVESTMENT IN CALIFORNIA HIGH-SPEED RAIL PROJECT BONDS

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *9. Letter from Executive Director Anne M. Holdren, dated October 29, 2009, to Western Asset Management Company requesting assessment of California High-Speed Rail Project Bonds – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *10. Memorandum from Executive Director Anne M. Holdren, dated October 27, 2009, responding to the Kern County Board of Supervisors July 14, 2009 referral regarding article by actuary Rick Roeder comparing KCERA's selection of actuarial assumptions to other California public retirement systems – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *11. Letter from Executive Anne M. Holdren, dated October 27, 2009, to the Kern County Board of Supervisors regarding the Retirement Planning Seminar scheduled for December 10, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *12. Report from Trustee Norman Briggs concerning his attendance at the CRCEA 2009 Fall Conference, October 19-21, 2009, in Emeryville – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *13. LaSalle Investment Management performance and activity report for KCERA's global mandate as of September 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *14. LaSalle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of September 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *15. Pacific Investment Management Company (PIMCO), StocksPLUS, L.P. Fund B, Investment Report, September 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *16. Pantheon USA Fund III, L.P., Investment Adviser's Report, for quarter ended June 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *17. Pantheon Global Secondary Fund III B, L.P., Investment Adviser's Report, for quarter ended June 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *18. Pantheon USA Fund V, L.P., Investment Adviser's Report, for quarter ended June 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *19. Pantheon USA Fund VI, L.P., Investment Adviser's Report, for quarter ended June 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *20. Pantheon USA Fund VII, L.P., Investment Adviser's Report, for quarter ended June 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *21. Pyramis Global Advisors, Real Estate Growth, Quarter Ending September 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *22. Pyramis Global Advisors, Real Estate Growth Fund II, Quarter Ending September 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *23. Pyramis Global Advisors, Real Estate Growth Fund III, Quarter Ending September 30, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *26. KCERA 2009 Strategic Plan as of November 18, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *27. KCERA Investment Manager Due Diligence Schedule as of November 18, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

- *28. KCERA Manager Watch List as of November 18, 2009 – RECEIVED AND FILED

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

24. Memorandum from Eileen Neill, Wilshire Associates, Inc., dated November 18, 2009, regarding November 3, 2009 on-site due diligence meeting with LaSalle Investment Management – TRUSTEE BRIGGS HEARD

TRUSTEE BRIGGS COMPLIMENTED EILEEN NEILL, WILSHIRE ASSOCIATES, INC, ON THE REPORTING OF THE DUE DILIGENCE VISIT WITH LASALLE INVESTMENT MANAGEMENT

RECEIVED AND FILED

Briggs-Frapwell – 8 Ayes; 1 Absent – Maggard

25. Memorandum from Michael Schlachter, Wilshire Associates, Inc., dated November 18, 2009, regarding 2009 Annual Partners Meeting on November 4, 2009, with Pyramis Global Advisors, Fidelity Real Estate Growth Funds II and III, L.P. – TRUSTEE BRIGGS HEARD

TRUSTEE BRIGGS COMPLIMENTED MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC, ON THE REPORTING OF THE DUE DILIGENCE VISIT WITH PYRAMIS GLOBAL ADVISORS AND FIDELITY REAL ESTATE GROWTH FUNDS II AND III, L.P.

RECEIVED AND FILED

Briggs-Frapwell – 8 Ayes; 1 Absent – Maggard

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

TRUSTEE MAGGARD ARRIVED AT 8:35 A.M.

TRUSTEE MAGGARD LEFT AT 9:00 A.M.

30. Receive presentation from Jeffrey Gandel, Art Greenwood and Lance McInerney, Pyramis Global Advisors, on the following topics:
- KCERA's performance, net of all fees and expenses over the last 1 and 3 years, including discussion of:
 - Qtr, Y-T-D, annual and since inception for each account
 - Key factors which have driven these results in each account over the past twelve months
 - Any distressed (i.e., bond price < 60) current portfolio holdings focusing on any issues likely to be written down in the coming months
 - (Real Estate) Discussion of how forecasted economic environment over next year likely to affect portfolio holdings and potential for write-downs

30. CONTINUED:

- (Real Estate) Discussion of ability to refinance current debt and potential impact on portfolio holdings from constrained liquidity
- (International Equities) Discussion of how inflation and currency are incorporated into security selection process
- 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

ART GREENWOOD, JEFFREY GANDEL AND LANCE MCINERNEY, PYRAMIS GLOBAL ADVISORS, HEARD; TRUSTEES BARNES, BRIGGS, DENNEY, FRANEY, FRAPWELL, KAUFMAN AND MAINLAND HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

Briggs-Frapwell – 8 Ayes; 1 Absent – Maggard

31. Discussion and appropriate action on the draft KCERA audited financial statements for the fiscal year ending June 30, 2009, presented by Steven Starbuck and Connie Perez, Brown Armstrong, Paulden, McCown, Starbuck & Keeter and the Audit Actuarial Committee – STEVEN STARBUCK AND CONNIE PEREZ, BROWN ARMSTRONG, PAULDEN, MCCOWN, STARBUCK & KEETER, HEARD; TRUSTEES BARNES, BRIGGS, AND FRANEY HEARD; MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC., HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED AUDITED FINANCIAL STATEMENTS; REFER TO BOARD OF SUPERVISORS AND AUDITOR-CONTROLLER-COUNTY CLERK

Briggs-Frapwell – 8 Ayes; 1 Absent – Maggard

32. Receive presentation on the content of the report prepared by Wilshire and provided to the Board at the time of a manager's presentation, detailing an investment manager's past performance as well as various other factors, presented by Michael Schlachter, Wilshire Associates, Inc. – MICHAEL SCHLACHTER AND EILEEN NEILL, WILSHIRE ASSOCIATES, INC. HEARD

RECEIVED PRESENTATION

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

33. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN MADE REFERENCE TO THE MONTHLY ACTIVITY REPORT, REPORTED ON THE SHORT FALL IN KCERA STAFFING DUE TO THE FLU OVER THE PAST FEW WEEKS, AND DISCUSSED THE ARTICLE IN THE LA TIMES TITLED “ CALPERS BOARD VOTES TO TIGHTEN DISCLOSURE RULES FOR MIDDLEMEN”

Monthly Activity Summary

Membership

	<u>2008</u>	<u>Current</u>
Active	9,197	8,822
Retirees/Beneficiaries	5,626	5,877
Deferred/Reciprocal	1,052	1,085
Total Membership	15,875	15,784

Membership Activities

	<u>2008</u>	<u>October 2009</u>	<u>Year To Date</u>
New Actives	1,005	38	413
New Retirees	321	33	366
New Beneficiaries	71	8	53
Withdrawals			
Vested	32	5	24
Non-Vested	373	36	277

Member Services

	<u>2008</u>	<u>October 2009</u>	<u>Year To Date</u>
Service Credit			
Calculated	601	112	777
Lump Sum	191	19	267
Payroll Deductions	110	20	80
Retirement Estimates	361	30	209

34. Report from County Counsel – DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH REPORTED ON THE STATUS OF A LAWSUIT FILED BY THE MOSESTO BEE AGAINST STANISLAUS COUNTY DEMANDING THE DISCLOSURE OF INDIVIDUALS RECEIVING OVER \$100,000 PER YEAR IN RETIREMENT BENEFITS. THE JUDGE FOUND IN FAVOR OF THE MODESTO BEE

35. Report from Committee Chairs:

A. Audit/Actuarial Committee – MEETING SCHEDULED FOR DECEMBER 16, 2009

B. Budget Committee – NONE

C. Human Resources Committee – MEETING SCHEDULED FOR DECEMBER 1, 2009

D. Information Technology Committee – NONE

E. Investment Committee – MEETING FOLLOWING BOARD

F. KCERA Property Inc. – MEETING SCHEDULED FOR DECEMBER 1, 2009

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

36. 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 MAINLAND INFORMED THE BOARD OF RETIREMENT THAT COUNTY COUNSEL RECEIVED AN ANONYMOUS CALL INQUIRING ABOUT TRUSTEE MAINLAND'S ABILITY TO SERVE ON BOTH THE BOARD OF RETIREMENT AND THE GRAND JURY AS A POSSIBLE CONFLICT OF INTEREST

EXECUTIVE SESSION

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

ITEMS 37A AND 38A WERE APPROVED ON CONSENT AND WITHDRAWN FROM EXECUTIVE SESSION.

ADJOURNED TO WEDNESDAY, DECEMBER 9, 2009 AT 8:30 A.M.

Briggs-Denney – 8 Ayes; 1 Absent – Maggard

Secretary, Board of Retirement

Chairman, Board of Retirement