

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment/Regular Board Meeting
Wednesday December 9, 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, Jefferson, Ratekin, Alternate Camps, Alternate Franey, Alternate Kaufman

Absent: Frapwell, Mainland, 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.

CHAIRMAN HUGHES PRESENTED TRUSTEE BART CAMPS WITH A PLAQUE RECOGNIZING HIS DEDICATED SERVICE TO THE BOARD OF RETIREMENT OF THE KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION FOR 2007-2009

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

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *3. Application for non-service-connected disability pension benefits for Taunya Slaughter, HUMAN SERVICES (General) – GRANTED NON-SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

*4. Summary of proceedings of the following meetings:

- November 06, 2009, Audit Actuarial Committee
- November 18, 2009, Investment / Regular Board
- November 18, 2009, Investment Committee - CORRECTED

RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

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

- The Northern Trust Company

RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

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

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

*8. Proposed Pricing Addendum II for a one-year renewal term of the Agency Service Agreement with Glass, Lewis & Co., L.L.C., for continuance of proxy voting services in the amount of \$39,210 annually to include set up for up to six accounts, proxy voting execution for up to 2,100 ballot submissions, and proxy research and voting recommendations for up to 750 U.S. and up to 300 global meetings, with a per ballot charge for additional ballots – RECEIVED AND FILED; APPROVED ONE-YEAR RENEWAL TERM; AUTHORIZED CHAIRMAN TO SIGN

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

*9. Proposed Amendment No. 4 to the Personal/Professional Services Agreement between Cortex Applied Research, Inc. and Kern County Employees' Retirement Association, in an amount not to exceed \$66,750 plus reimbursable travel expenses to include provision for work in the following services and other initiatives:

- Annual Governance Maintenance Service (\$32,000)
- Governance Practices Benchmarking Study (\$8,500)
- Other services as need (\$26,250)

APPROVED AMENDMENT NO. 4 TO PERSONAL/PROFESSIONAL SERVICES AGREEMENT BETWEEN CORTEX APPLIED RESEARCH, INC. AND KCERA; AUTHORIZED CHAIRMAN TO SIGN

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

*10. CPAS Steering Committee updates for the 4th quarter 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *11. Certificate of Results of Retirement Board Election, November 17, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *12. Reports from Trustees Norman Briggs, Bart Camps, Phil Franey, Bob Jefferson and Mark Ratekin concerning their attendance at the SACRS 2009 Fall Conference, November 10 through 13, 2009, in Costa Mesa – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *13. Proposed letter to AXA Rosenberg concerning manager presentation January 13, 2010 Investment Board meeting – RECEIVED AND FILED; APPROVED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *14. Barclays Global Investors, International Alpha Tilts, Strategy Commentary, October 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *15. Barclays Global Investors, Large Cap US Alpha Tilts, Strategy Commentary, October 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *16. Announcement from BlackRock, dated December 1, 2009, regarding the merger of BlackRock with Barclays Global Investors (BGI) – RECEIVED AND FILE D

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *17. Blackstone Alternative Asset Management, L.P., Monthly Strategy Summary, October 2009 – RECIEVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *18. Blackstone Alternative Asset Management, L.P., Quarterly Performance Attributions and Risk Management Summary, 3rd Quarter 2009 – RECIEVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *19. Notice from Goldman Sachs Asset Management, dated November 3, 2009, pertaining to the CIT Group bankruptcy with a recommendation that the bonds continue to be held through the restructuring – RECEIVED AND FILED; APPROVED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *20. La Salle Investment Management performance and activity report for KCERA's Global Mandate as of October 31, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *21. La Salle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of October 31, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *22. Correspondence from Steve Potter, Northern Trust Global Investments, dated December 1, 2009, regarding important updates on reduction of client payables via partial reversal of securities lending collateral pool deficiency in the amount of \$2,429,021 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *23. Statement from Pacific Investment Management Company (PIMCO), dated November 4, 2009, that Andrew Jessop was hired as Executive Vice President and Portfolio Manager – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *24. Pyramis Global Advisors, Fidelity Real Estate Growth Fund II, L.P., Investment Management Review, Third Quarter 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *25. Pyramis Global Advisors, Fidelity Real Estate Growth Fund III, L.P., Investment Management Review, Third Quarter 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *26. State Street Global Advisors account summary as of October 31, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *27. KCERA 2009 Strategic Plan as of December 09, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *28. KCERA Investment Manager Due Diligence Schedule as of December 09, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

- *29. KCERA Manager Watch List as of December 09, 2009 – RECEIVED AND FILED

Briggs-Denney – 6 Ayes; 3 Absent – Frapwell, Mainland, Maggard

PUBLIC COMMENTS

30. 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 MAINLAND ARRIVED AT 8:35 A.M.
TRUSTEE FRAPWELL ARRIVED AT 8:39 A.M.

31. Discussion and appropriate action on Construction Development Package for construction of building at 11125 River Run Boulevard, Bakersfield, CA presented by Daniel Robinson, American Realty Advisors, Clay Davis, Taylor Teter Partnership, Russ Sherman, Wallace & Smith General Contractors and the KCERA Property, Inc. Board – DAN ROBINSON, AMERICAN REALTY ADVISORS, HEARD; CLAY DAVIS, TAYLOR TETER PARTNERSHIP, HEARD; RUSS SHERMAN, WALLACE & SMITH GENERAL CONTRACTORS, HEARD; CHAIRMAN HUGHES HEARD; TRUSTEE BARNES HEARD

RECEIVED AND FILED; APPROVED CONSTRUCTION DEVELOPMENT PACKAGE INCLUDING BUILDING BUDGET OF \$3,276,979

Barnes-Mainland – 8 Ayes; 1 Absent – Maggard

32. Receive presentation from Keith Pauly and Stanley J. Kraska, Jr., LaSalle Investment Management, on the following topics:
- KCERA product performance review 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
 - Discussion of how forecasted economic environment over next year likely to affect portfolio holdings
 - Discussion of how well current real estate fundamentals are being reflected in REIT prices
 - 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

KEITH PAULEY AND STANLEY J. KRASKA, JR., LASALLE INVESTMENT MANAGEMENT, HEARD; TRUSTEES BARNES, BRIGGS AND MAINLAND HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

Barnes-Briggs – 8 Ayes; 1 Absent – Maggard

33. Discussion and appropriate action concerning KCERA's Third Quarter 2009 investment performance, presented by Michael C. Schlachter, Wilshire Associates, Inc. – MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN HUGHES HEARD; TRUSTEES BARNES, DENNEY, JEFFERSON AND MAINLAND HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED

Barnes-Denney – 8 Ayes; 1 Absent – Maggard

34. Discussion and appropriate action on enhanced domestic equity index manager search to include MFS Investment Management, PanAgora Asset Management and T. Rowe Price presented by Michael C. Schlachter, Wilshire Associates, Inc. and the Investment Committee – MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEE BARNES HEARD

RECEIVED AND FILED; APPROVED MFS INVESTMENT MANAGEMENT, PANAGORA ASSET MANAGEMENT, AND T. ROWE PRICE AS MANAGER FINALISTS; AUTHORIZED DUE DILIGENCE TO BE PERFORMED; AND RATIFIED EVALUATION PERIOD INITIATED ON NOVEMBER 18, 2009 FOR THE FINALISTS

Mainland-Ratekin – 8 Ayes; 1 Absent – Maggard

33. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN INFORMED THE BOARD THAT THE KCERA STAFF HOLIDAY LUNCHEON HAD BEEN SCHEDULED FOR DECEMBER 17, 2009

Monthly Activity Summary

Membership

	<u>2008</u>	<u>Current</u>
Active	9,197	8,801
Retirees/Beneficiaries	5,626	5,890
Deferred/Reciprocal	1,052	1,082
Total Membership	15,875	15,773

Membership Activities

	<u>2008</u>	<u>November 2009</u>	<u>Year To Date</u>
New Actives	1,005	29	442
New Retirees	321	26	392
New Beneficiaries	71	3	56
Withdrawals			
Vested	32	3	27
Non-Vested	373	25	302

Member Services

	<u>2008</u>	<u>November 2009</u>	<u>Year To Date</u>
Service Credit			
Calculated	601	75	852
Lump Sum	191	10	277
Payroll Deductions	110	3	83
Retirement Estimates	361	121	330

34. Report from County Counsel – NONE

35. Report from Committee Chairs:
- A. Audit/Actuarial Committee – MEETING SCHEDULED FOR DECEMBER 16, 2009
 - 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

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 FRAPWELL STATED THAT THE KCERA BOARD OF RETIREMENT NEEDS TO HAVE A CONSISTENT MESSAGE FOR THE PUBLIC AND PRESS REGARDING THE NEW KCERA BUILDING INVESTMENT PROJECT

ADJOURNED TO EXECUTIVE SESSION

Barnes-Denney – 8 Ayes; 1 Absent – Maggard

EXECUTIVE SESSION

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

- . ITEMS 39A, 39B AND 40A WERE APPROVED ON CONSENT AND WITHDRAWN FROM EXECUTIVE SESSION

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

EXECUTIVE DIRECTOR'S EVALUATION

42. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Title: KCERA Executive Director

RETURNED TO PUBLIC SESSION

Briggs-Frapwell – 8 Ayes; 1 Absent – Maggard

43. Discussion on executive staff positions and succession planning presented by Executive Director Anne M. Holdren and the Human Resources Committee – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; CHAIRMAN HUGHES HEARD; TRUSTEES BRIGGS, DENNEY, FRAPWELL, JEFFERSON, KAUFMAN AND MAINLAND HEARD

RECEIVED AND FILED; APPROVED ADDING AN INVESTMENT OFFICER POSITION; REFERRED FINALIZING JOB SPECIFICATIONS OF THE INVESTMENT OFFICER AND THE ASSISTANT EXECUTIVE DIRECTOR POSITIONS AND DEVELOPING A RECRUITMENT PLAN TO THE HUMAN RESOURCES COMMITTEE TO RETURN TO BOARD FOR FINAL APPROVAL

Frapwell-Jefferson – 8 Ayes; 1 Absent – Maggard

ADJOURNED TO WEDNESDAY, JANUARY 13, 2010 AT 8:30 A.M.

Barnes-Briggs – 8 Ayes; 1 Absent – Maggard

Secretary, Board of Retirement

Chairman, Board of Retirement